

Dignity deficit: how negative budgets create despair

Insights from The Salvation Army's Debt Advice Service in Scotland



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About The Salvation Army

The Salvation Army is a worldwide Christian church and registered charity, which has tirelessly fought against social inequality to improve the lives of the most vulnerable and marginalised people in our society for over 160 years. The Salvation Army believes in putting faith into action and serving God by serving others; offering practical support to all who need, regardless of ethnicity, religion, gender, or sexual orientation.

The Salvation Army work and live in over 620 communities across the UK. Our presence spans all four nations of the United Kingdom and includes urban, rural, coastal and post-industrial communities, as well as more affluent areas where hardship may be less visible. We have developed a deep understanding of the needs of local areas and the people within them. Our presence in left behind communities has evolved to better support those we serve. Sadly, while for some living standards have improved, we continue to fight many of the same ills - homelessness, modern slavery, poverty, addiction, social exclusion and isolation, debt, unemployment, and the exploitation and abuse of vulnerable people.

About The Salvation Army's Debt Advice Service

The Salvation Army has 25 debt advice centres across the UK, regulated by the Financial Conduct Authority (FCA), providing practical advice and pastoral care to those facing financial hardship.

Debt advisers and volunteers work with people to develop debt repayment plans, negotiate with creditors and provide money education to change habits and minimise the chance of debt recurring in the future.

The Salvation Army's Debt Advice Service in Scotland has people move forward with manageable repayments totalling almost £3 million, and helped cancel more than £1.2 million who were unable to cope and had no chance of repaying the debts.

Foreword

More people are presenting to our service suffering from the burden of debt as a direct result of negative budgets. People simply do not have the finances to afford essential bills or maintain any debts. As a result, people cannot enjoy their life, live with dignity and feel trapped in the proverbial sand with no way to escape. People simply do not have enough money to live. Working or not working, more people are finding their budgets stretched and living payday to payday. The cycle of debt often means people's everyday living is made harder and their ability to enjoy the smaller things in life become constrained. Simply having a stroll and a coffee becomes an embellishment because their finances are so poor. Dealing with debt can often alleviate these issues but we are seeing more cases where debt relief is a positive, but it does not result in them being able to live a comfortable life.

And that is why this research is so important. It shines a light on the lived reality behind the figures and statistics. It helps us understand not just the financial mechanics of negative budgets, but the human cost - the impact on dignity, wellbeing, family life and hope for the future. It gives voice to those who are too often unheard and provides insight into the systems and structures that are either supporting recovery or prolonging hardship.

This report does not simply describe a problem; it challenges us to respond. It asks policymakers, regulators, community leaders and practitioners to confront the growing reality that, for many households, the issue is no longer managing debt alone but

managing life on an income that does not meet essential costs. If we are serious about tackling poverty and financial exclusion, we must address the structural causes of negative budgets as well as the consequences.

I hope this work prompts both reflection and action.

Emilio De Abreu Faria, Divisional Debt Advice Coordinator

Commentary from Policy Analyst for Homelessness

This report plays an important role in shining a light on the multifaceted ways homelessness can damage and hurt individuals, beyond the basic experience of not having a place to call home.

While the risk of negative budgets leading to homelessness is perhaps easy to grasp, what is less well known is the way in which even short-term homelessness can perpetuate negative budgets themselves.

As evidenced by this work, even after someone is given a key to a flat and their experience of homelessness is seemingly over, the immediate and unavoidable costs for carpets, white goods or other similar items can mean the experience of homelessness can have a long-lasting impact that embeds debt and makes permanently breaking the cycle of homelessness immensely difficult.

While negative budgets persist, the risk of homelessness will persist. But perhaps equally important to note is this report shows that while homelessness persists, the risk of negative budgets will persist.

I commend the work in this report for shining a light on this worrying but important relationship.

Jez Bushnell, Policy Analyst for Homelessness and Addictions

Executive summary

Many people seeking advice from The Salvation Army's Debt Advice Service in Scotland are living in a negative budget - where core, unavoidable household costs exceed income before any debt repayments are made. This report refers to core unavoidable and essential household costs interchangeably, which are defined as housing costs (rent, including ground rent or service charges, or mortgage, and council tax), essential bills (utilities, insurance and TV licence) and hire purchase car agreements. We are not including what is commonly understood as essentials - such as food, travel costs, clothing and footwear, toys or education goods or services for children.

This report combines analysis of data from 414 DAS clients with in-depth interviews with clients, advisers and a Salvation Army Officer to understand both the scale of the issue and its lived reality.

The quantitative evidence is stark. Nearly six in ten clients (59%) were in a negative budget, and over three quarters (76%) had £50 or less per month remaining to cover the cost of food, travel, clothing and footwear, toys or education goods or services for children, and any debt repayments. Among those in deficit, the median shortfall was £227 per month, with around one in six (17%) experiencing gaps of £600 or more. These are not marginal budgeting challenges. They are structural income-cost gaps that leave households without the means to cover basics, let alone repay debt or build resilience.

The qualitative interviews reveal the everyday experiences and realities of people living in a negative budget. Clients described negative budgets emerging from life events such as relationship breakdown, homelessness, ill health, and benefit changes. Once in deficit, they experienced constant trade-offs - heating or eating, rent or council tax, essentials for themselves or opportunities for their children. Clients spoke of stress, shame and exhaustion from hardship. Several described losing a sense of hope or purpose. Across interviews, the erosion of dignity was a recurring and powerful theme.

Advisers were clear that negative budgets are not primarily the result of poor decision-making. They consistently pointed to poverty and inadequate income as the fundamental driver, compounded by rising housing and energy costs, benefit deductions and delays, and gaps between services. They described rapid escalation of council tax and other priority debts, aggressive collection practices, frictionless credit and fee-heavy debt solutions as factors that deepen harm. While structured, priority-first debt advice and steady human connection can stabilise situations and restore order, advisers were explicit about the limits of advice where income simply does not meet essential costs.

The wider community perspective reinforces this picture. Financial strain is often hidden until crisis point, surfacing in requests for emergency fuel, food and practical support. Shame and stigma delay help-seeking. Our churches and community services increasingly respond to the consequences of system failure rather than preventing hardship in the first place.

Taken together, the evidence suggests that negative budgets are not isolated cases but a symptom of deeper structural imbalance. They undermine wellbeing, strain relationships, restrict participation in community life and weaken resilience. When people cannot afford the essentials, dignity is compromised and recovery becomes harder.

The Salvation Army believes this must change. To reduce the depth and persistence of negative budgets, coordinated action is required from both the UK and Scottish Governments:

1. **Ensure the welfare system covers the essentials**
2. **End rapid and escalating debt collection and fees across priority debts**
3. **Introduce a clearer payment break or pause mechanism in Scotland that halts recovery and prevents additional fees or interest while households stabilise**

We want to see a society where people can afford the essentials, where financial shocks do not spiral into crisis, and where seeking help does not come at the cost of dignity. People should be able not only to get by, but to plan, participate and get on in life. This report is a call to act so that negative budgets do not become an accepted feature of life for those already on the margins.

Introduction

A negative budget exists where a household's core, unavoidable (or essential) expenditure exceeds its income. By essential expenditure, this report refers to housing costs (rent, including ground rent or service charges, or mortgage, and council tax), essential bills (utilities, insurance and TV licence) and hire purchase car agreements. **We are not including what are commonly understood as essentials - such as food, travel costs, clothing and footwear, toys or educational goods or services for children.** This reflects the nature of trying to balance a negative budget - some of these costs can fluctuate whereas the core, unavoidable costs are largely fixed.

This is not primarily a matter of overspending or money mismanagement. While financial literacy and budgeting challenges can play a role for some households (and it is important that these skills are supported through advice and financial education), they do not explain the sustained shortfalls we are seeing. The defining feature of a negative budget is a structural income-cost gap, crucially before debt repayments are considered, which can trap people in high-cost credit or seemingly ever-mounting debts. For a growing number of households in Scotland engaging with our Debt Advice Service (DAS), this deficit is persistent. Income does not stretch to other essentials, let alone to debt repayments.

Negative budgets matter because their consequences extend far beyond financial balances. Sustained shortfall shapes daily decision-making, constrains participation in work and community life, and places strain on wellbeing, mental health, relationships and families. It can increase the need for emergency or third-sector support, such as food or hygiene banks, and deepen interaction with the social security system as households seek stability. It dampens hopes and future planning, erodes dignity, reduces resilience to financial shocks and increases exposure to escalating priority debt and high-cost credit. Where income is insufficient to meet essential costs, financial insecurity becomes embedded rather than temporary.

Rapid Evidence Review: Overview

Literature from advice and frontline organisations shows that negative budgets are rising in prevalence and depth, affecting households both in and out of work and disproportionately impacting disabled people, women, private renters and some ethnic minority groups.

Evidence links this growth to rising essential costs, particularly housing and energy, falling real-terms benefit adequacy, deductions within the social security system, and increased reliance on credit to manage unavoidable shortfalls

Academic research complements this picture, connecting sustained financial strain to material deprivation, multidimensional poverty, mental ill-health and constrained labour market responses, while highlighting the limits of debt advice where underlying income inadequacy persists

Together, this literature suggests that negative budgets reflect structural income-cost imbalances rather than individual mismanagement.

[The full Rapid Evidence Review is available here.](#)

This report builds on this evidence through a mixed methods approach. First, analysis of a snapshot of The Salvation Army's DAS data, followed by a small number of in-depth interviews with clients and advisers, and a church leader in Scotland. These interviews are intended to provide exploratory insight rather than statistically generalisable conclusions. It explores how negative budgets are experienced in practice, how interacting systems shape outcomes, and what this means for policy, regulation and service design within the Scottish context.

The current landscape in Scotland

Household financial pressures

Over recent years, households in Scotland have faced sustained significant financial pressures, reducing financial resilience, increasing debt and prevalence of negative budgets. Ultimately, this has negatively impacted living standards and wellbeing.

Since 2019, the cost of essentials such as food, energy and housing-related costs has increased sharply (see Figure 1). While headline inflation has also risen over this period, prices for essentials have risen persistently and, in many cases, at a faster rate than incomes (including benefits, see Figure 2). These sustained increases mean that households are allocating more and more of their income to cover basic needs, leaving less room to absorb financial shocks, unexpected expenses, or modest pleasures. For households already on low or fixed incomes, this erosion of purchasing power has placed significant pressure on budgets, increasing the risk that essential outgoings exceed available income.

Headline labour market indicators in Scotland suggest a mostly stable labour market with slight deterioration in terms of people being out of work (see Figures 3 and 4).

Unemployment (people looking for work) has fluctuated but has risen slightly compared to 2019, employment (people in work) has largely been flat but has declined slightly since 2019 and economic inactivity (people out of work, not looking and/or not available to start) has broadly been flat, though the proportion that would like to work has fallen. Online job adverts have fluctuated since 2019 but are similar to 2019 levels - there were 2.3 unemployed people per vacancy and 2.2 claimant unemployed (people claiming benefits for the principal reason of unemployment) per vacancy¹. Average wages (all sectors) have risen above inflation, but this does not account for variance across and within sectors (skill level or hours worked), or caring responsibilities. As a result, financial pressure is increasingly experienced by people both in and out of work.

Relative poverty ($\leq 60\%$ of median income) rates after housing costs remain high in Scotland, reflecting the significant role that housing expenses play in shaping household living standards. Once rent, mortgage payments and other housing-related costs are taken into account, a substantial proportion of individuals and families are left with insufficient income to meet other essential needs. Pensioner poverty has risen significantly, while child poverty has risen marginally, with working-age and disability poverty falling slightly. Deep relative poverty ($\leq 50\%$ of median income) has risen for pensioners, and slightly for children, and has fallen for working-age and disabled people.

Scottish Government analysis² indicates that sharp increases in the cost of living combined with lagging income growth have intensified financial pressure, with disproportionate impacts on some households. Since 2022, evidence indicates rising difficulties in paying bills, increasing unsecured debt and arrears, and greater exposure to energy and council tax debt, while statutory debt solutions have not increased in line with need. Many low-income households face limited access to regulated credit and instead rely on more expensive borrowing to cover essentials, increasing hardship and generating a 'poverty premium'. These conditions are very much linked to rising poor mental health. Being in work does not consistently protect against problem debt, and demand for debt advice has risen, with more clients presenting with negative budgets.

¹ The Salvation Army's analysis of Office for National Statistics' Labour Force Survey & Textkernel new online job adverts. See also [The Salvation Army \(2025\)](#).

² Scottish Government, *Review of emerging evidence on the effects of the cost of living crisis on debt in Scotland* (2024).

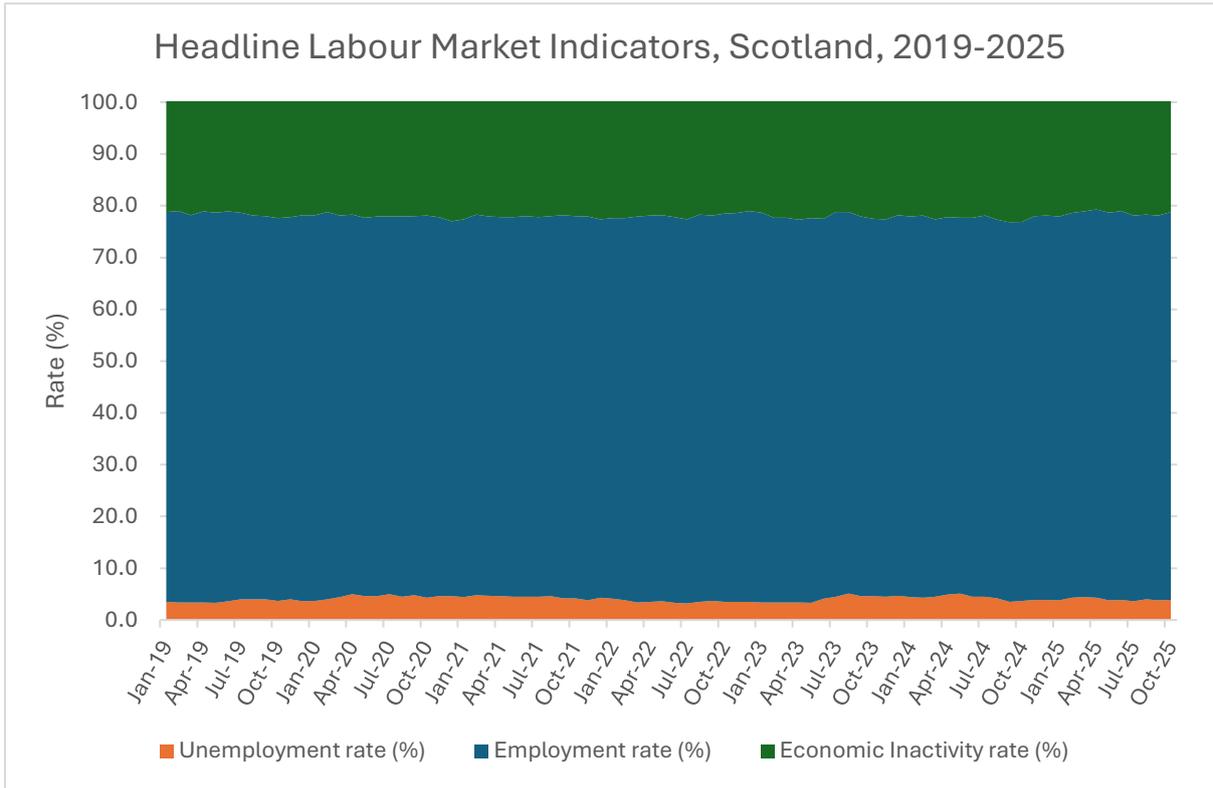


Figure 1 - Monthly Labour Market headline data, Scotland. Source: Labour Force Survey (LFS), Office for National Statistics (ONS).

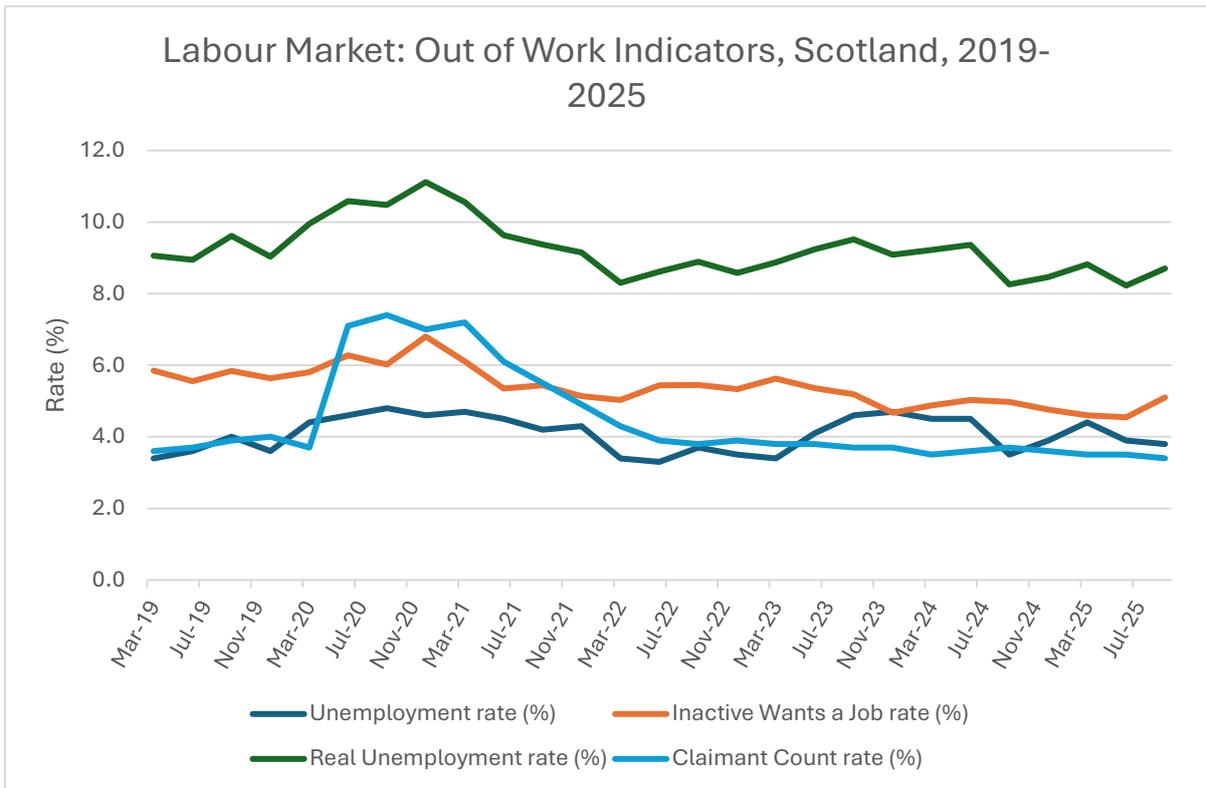


Figure 2 - Quarterly Labour market out of work indicators, Scotland. Source: The Salvation Army's analysis (TSA) of LFS, ONS.

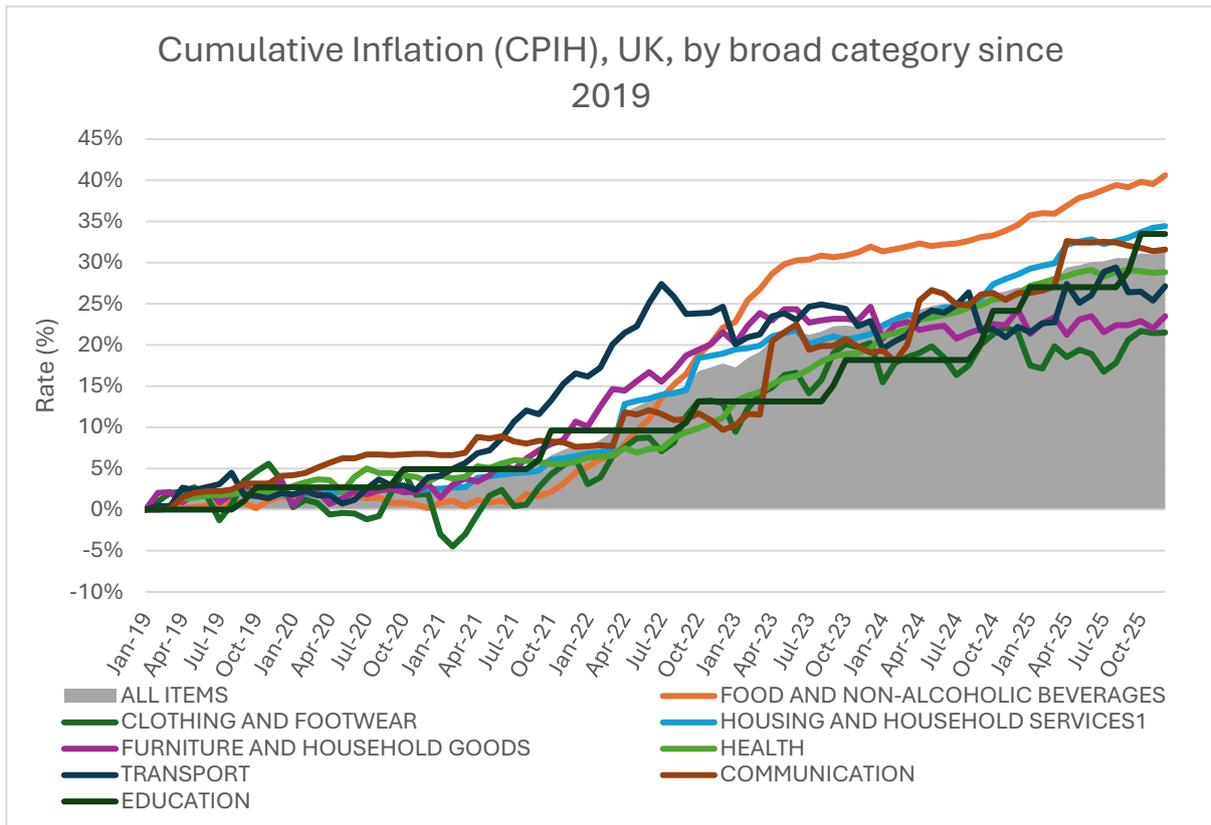


Figure 3 - Cumulative Consumer Prices Index including owner occupiers' housing costs (CPIH). Source: TSA analysis of ONS.

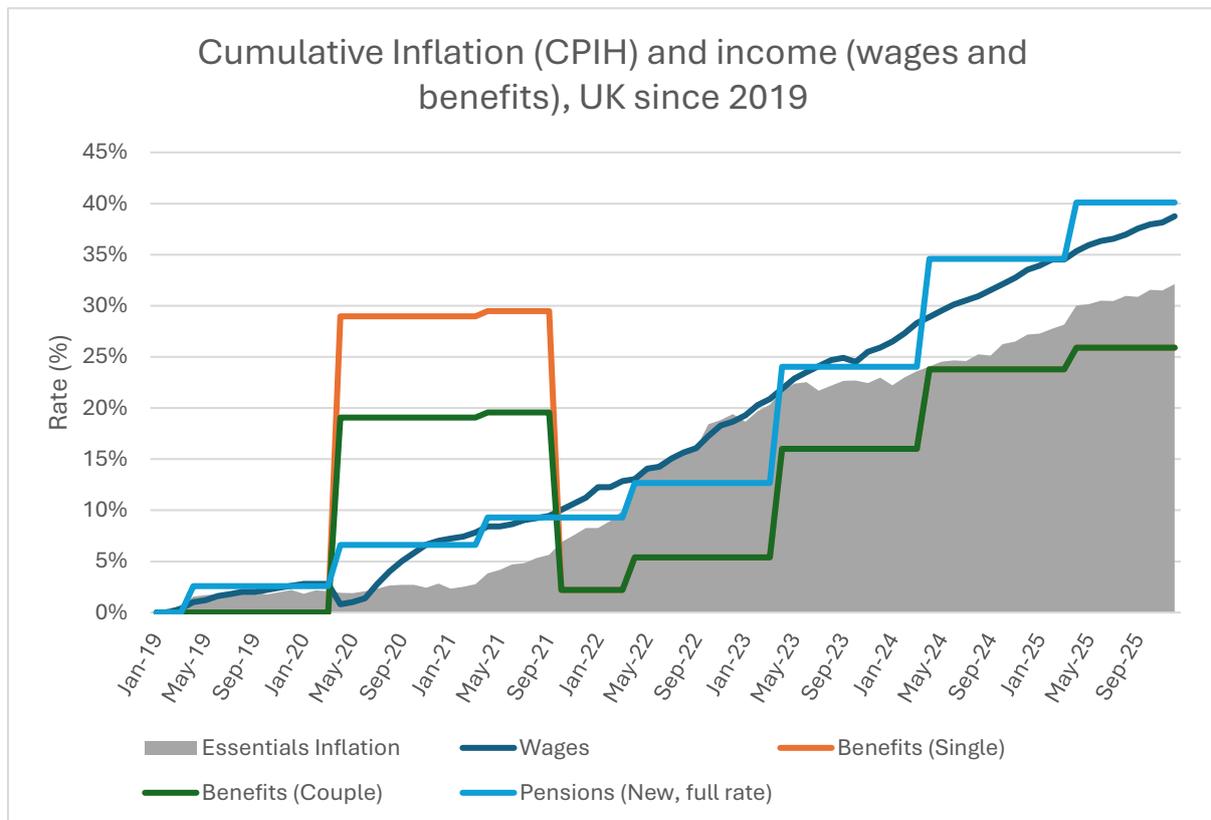


Figure 4 - Cumulative CPIH and income. Source: TSA analysis of ONS and Department for Work and Pensions (DWP).

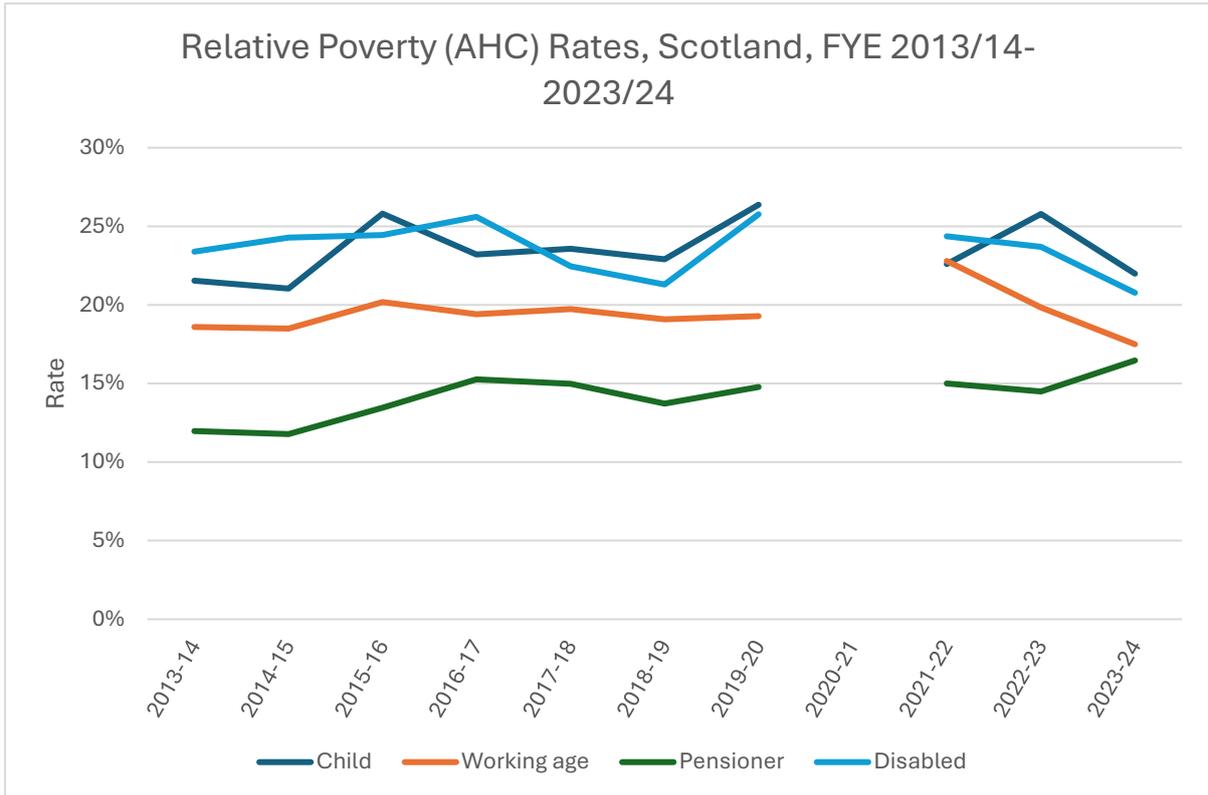


Figure 5 - Relative poverty rates after housing costs (AHC). Source: Households Below Average Income (HBAI), DWP.

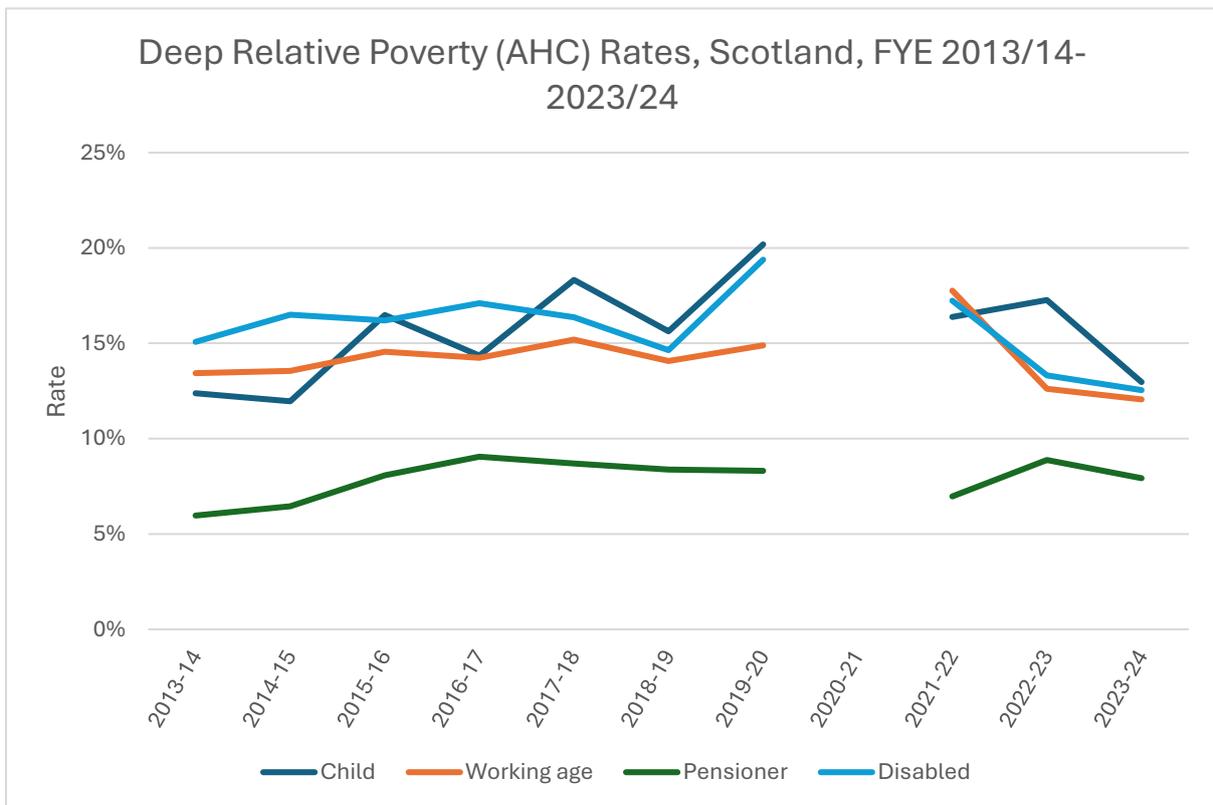


Figure 6 - Relative deep poverty rates AHC. Source: HBAI, DWP.

Data from The Salvation Army's Debt Advice Service in Scotland

Who is presenting to DAS?

This 12-month snapshot includes 414 clients assessed by DAS in Scotland in the 12 months to the end of January 2026. The regression modelling focuses on the 245 clients in a negative budget, with regression models estimated on between 198 and 157 clients depending on data completeness and model specification. The findings are not representative of the wider population in Scotland.

The clients represent a broad cross-section of people seeking debt advice through The Salvation Army in Scotland. Men and women are both strongly represented. Clients are concentrated in working-age groups, particularly those aged 25-64, although younger adults and older people are also present.

A large proportion of clients are receiving benefits at the point of assessment (77%). Many are either unemployed or economically inactive (57%) due to illness, caring responsibilities or other circumstances. However, a notable minority are in paid work (16%). Employment does not appear to systematically protect households from financial strain within this sample.

Housing situations are similarly mixed. Most clients are social tenants (61%), but private renters and owner-occupiers are also represented. Financial difficulty is not confined to one tenure type.

Household structures vary. Many clients have dependents, which increases essential costs and reduces flexibility. But single-adult households are also common. There is no single demographic profile that defines who experiences financial distress in this sample.

Taken together, the client group is diverse. Negative budgets cut across age, sex, employment status and housing tenure.

Financial position of clients

The overall financial picture is stark (see Figures 7-10).

- **59% of clients were in a negative budget.**
- **76% had £50 or less remaining after essential expenditure.**
- **The median disposable income across the full sample was -£31 per month.**
- **The median disposable income of those in a negative budget was -£227 per month.**
- **For 17% of those in a negative budget, the shortfall was £600 or more.**

When the distribution of disposable income is plotted (Figure 10), most clients cluster around zero. The largest concentration sits just below it. Extreme values exist, but they are not the norm. The dominant pattern is one of households operating on extremely thin margins.

There is demographic nuance. A higher proportion of economically inactive clients are in a negative budget compared to employed clients. Social tenants are more likely to be in a negative budget than owner-occupiers. Benefit recipients are more likely to be in a negative budget than non-recipients. However, negative budgets are present across all groups. Clients in work and across different housing tenures also appear in deficit.

The issue is broader than any single demographic explanation.

Figure 7 - Budget Band: disposable income

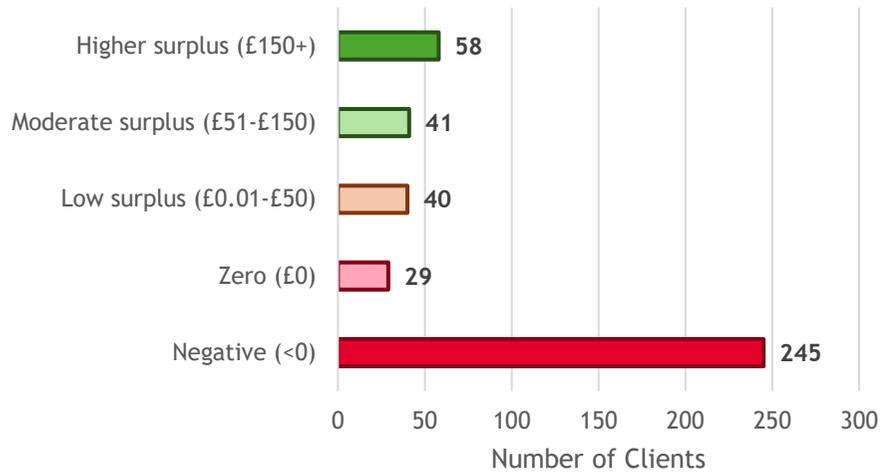


Figure 8 - Proximity to Negative Budget: proportion of clients

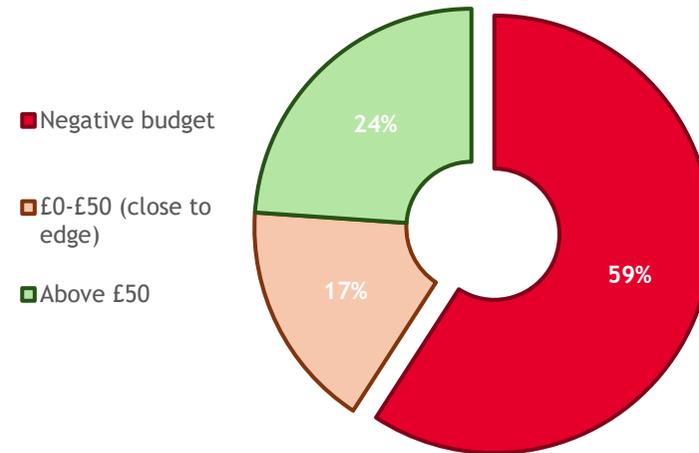


Figure 9 - Severity Bands: depth of negative budget, proportion of clients

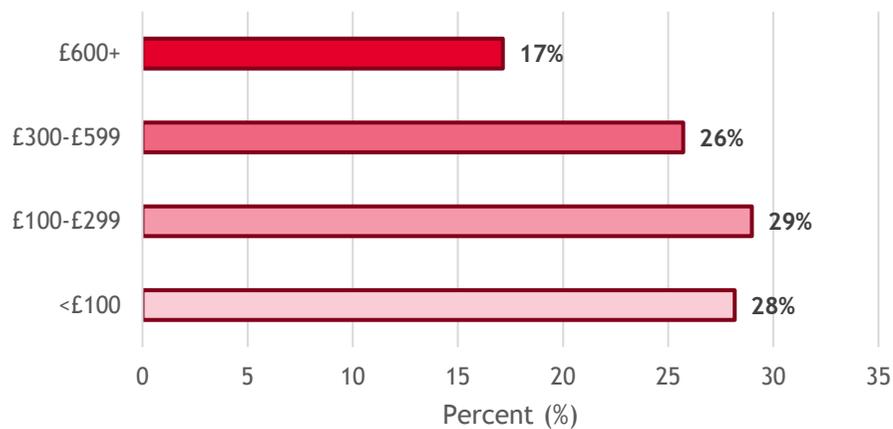
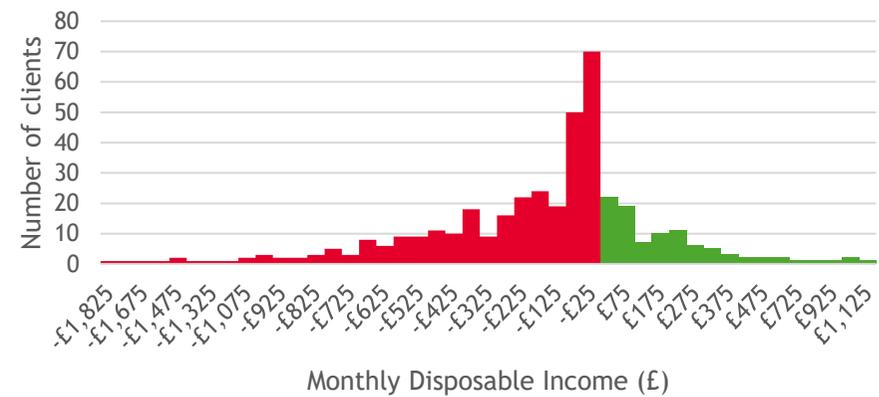


Figure 10 - Distribution of clients by monthly disposable income after essential costs



How deep are negative budgets?

Among those in deficit:

- **The median household shortfall was -£227 per month.**
- **The mean shortfall was -£362 per month.**
- **17% experienced shortfalls of £600 or more per month.**

Many negative-budget clients face monthly shortfalls between £100 and £299. A similar share experience deficits between £300 and £599 (Figure 9).

These are not small gaps that can be resolved through minor budgeting adjustments. For many households, essential living costs exceed income by several hundred pounds before debt repayments are considered.

Younger clients tend, on average, to present with deeper shortfalls than older groups. Households with dependents often face tighter margins. However, deep deficits are visible across the client base. No single demographic group accounts for the severity observed.

What appears to shape severity?

When different characteristics are considered together, demographic factors alone do not fully explain the depth of negative budgets.

Age shows some association with severity. Younger households tend to present with deeper shortfalls than older groups. Beyond this, sex, housing tenure and benefit receipt do not consistently predict substantially deeper deficits once other characteristics are considered simultaneously.

This suggests that while demographic characteristics shape exposure to risk, they do not fully account for the scale of financial shortfall observed. This pattern is consistent with a wider imbalance between income and unavoidable living costs, rather than being strongly patterned by basic demographic characteristics alone.

What does this mean?

Negative budgets among DAS clients are widespread and frequently deep. Even those who are not technically in deficit are often operating with very limited financial headroom, and therefore have little or no money to pay off debt or may be making debt repayment for an extended period of time.

Financial strain is visible across different demographic groups. Paid work does not guarantee stability, nor does housing tenure provide insulation. Benefit receipt does not fully explain the pattern.

The data do not suggest isolated cases or individual mismanagement. Instead, they are consistent with structural financial pressures within this client population. A significant proportion of people seeking support from The Salvation Army's DAS in Scotland are living at, or below, the financial edge.

A fuller technical account of the statistical modelling is provided in the [technical annex](#).

This analysis describes the scale and depth of financial shortfall. It suggests how widespread negative budgets are, and how little headroom many households have once essential costs are met.

The remainder of this report moves beyond the numbers to explore how this is experienced on an everyday basis. Through in-depth interviews with clients and

coordinators, we investigate how these shortfalls arise, how they are sustained, and what they mean for people's daily lives, relationships and sense of stability and dignity.

Living in a negative budget: clients' experiences

The statistical analysis sets out the scale and depth of negative budgets among clients presenting to DAS in Scotland. The interviews in this section examine how living in a negative budget is experienced by three individuals. These accounts do not attempt to represent all clients. Rather, they provide detailed insight into how negative budgets take hold in particular lives, how they are sustained, and how they shape everyday experience. In doing so, they help interpret the quantitative finding that deficit can persist even where individuals are receiving benefits, have previously worked, or are actively engaging with support.

For these clients, the everyday experience of living in a negative budget was not described as a temporary financial setback. It was experienced as an ongoing condition of insufficiency, repeated trade-offs, constrained choices and the constant management of risk. Decisions about heating, food, participation, housing stability and family life were taken within exceptionally difficult circumstances. Over time, this sustained pressure affected wellbeing, relationships, confidence and the ability to look beyond immediate survival.

In each case, the pathway into deficit was connected to a significant disruption - homelessness, domestic abuse, benefit transition, ill health, and retirement following military service. What is striking across these accounts is how financial harm became embedded at points of transition. Moving into accommodation generated unfunded costs. A change in benefit administration produced arrears without warning. Leaving an abusive relationship did not end financial control or liability. In these moments, vulnerability intersected with system design in ways that deepened rather than resolved instability.

Once living in a negative budget, recovery was described as precarious. Income that met formal entitlement thresholds did not stretch to essential costs in practice. Administrative processes required sustained engagement at the same time as mental health and stress were deteriorating. For these clients, financial strain interacted with trauma, shame and isolation, reinforcing a sense of entrapment.

These interviews show that, for the individuals concerned, living in a negative budget extended beyond financial calculation. It reshaped daily routines, narrowed perceived options and affected how they understood their own role within family and society. It stripped away their dignity, their hope and sense of purpose. The sections that follow explore these experiences in more detail.

Pathways into a negative budget: life events and system change

Negative budgets emerged following events or system changes that fundamentally altered clients' circumstances.

One client, a man aged 50-64, out of work and living alone in social housing, described how debt arose following homelessness and the breakdown of an abusive relationship. Moving into permanent accommodation did not reduce financial pressure. Instead, the council property was unfurnished, creating immediate and unavoidable costs for carpets, white goods and decorating. These costs were met through credit and repayments to an ex-partner, embedding debt at the point of rehousing and allowing financial control to continue beyond the relationship:

“I owed my ex partner money because I had to get my council house decorated... I had to keep handing over the cost of living payments to pay off the credit card.”
(Male, aged 50-64)

Reflecting on this experience, this client questioned why people are expected to absorb these costs after homelessness, describing the charges as punitive rather than supportive. And this view was shared by another client with experience of the breakdown of an abusive relationship:

“I don’t think someone should get punished after being homeless, charging for carpets and white goods.” (Male, 50-64)

“We had nothing when we moved... no sofa, no carpets, no washing machine or cooker.” (Female, 35-49)

While some support was provided, she borrowed money to carpet the stairs and landing and had to purchase her own cooker. She continues to search social media for affordable furniture and described being unable to “turn my house into a home.”

These accounts highlight how housing transitions, particularly following homelessness, can embed debt rather than alleviate it. It also illustrates how experiences of domestic abuse can intersect with housing policy assumptions about self-furnishing and ‘move-on’ support, creating conditions in which financial harm persists even after a relationship has ended. Issues raised here around rehousing costs, safety and aftercare are explored in more detail in the coordinator perspectives that follow.

For another client, a man aged 65 and over, retired and living in social housing following military service, negative budgeting emerged through an uncommunicated change in the benefits system. His Housing Benefit ended and responsibility for rent shifted to Universal Credit without his knowledge:

“The first I knew about it was when the landlord said you owe me two or three thousand pounds.” (Male, aged 65+)

One client described financial and family relationship strain due to housing instability, including periods living in caravan and repeated moves. This preceded the breakdown of a long-term abusive relationship, where she had no control over finances and was economically dependent. On leaving, she found herself legally responsible for multiple credit agreements and with limited earning capacity due to health:

“He basically took control of everything... signed me up for all of the finances... wouldn’t let me work ... it’s all in my name” (Female, 35-49)

The instability did not end with separation. Periods living in caravans, rising site fees, finance agreements taken out in her name and the loss of stored belongings compounded financial pressure. Household possessions, including children’s clothing placed in storage during upheaval and became unusable as children grew:

“They’ve got clothes in storage and my family’s house 4 hours away that are not going to fit them anymore... all those clothes have now had to be thrown away.”
(Female, 35-49)

This represents not only debt accumulation, but erosion of material security. Replacing belongings remains unaffordable.

Placed alongside one another, these accounts demonstrate different routes into the same outcome - debt created not through individual behaviour, but through system transitions, gaps in communication, and the imperfect safeguards at critical moments. These lived experiences provide important context for understanding the quantitative evidence on transitions into negative budgets.

Income inadequacy and the cost of essentials

Once living in a negative budget, clients described incomes that were insufficient to meet essential living costs, even before any debt repayments were considered. In all three interviews, income that appeared adequate within the benefits system was experienced as wholly inadequate.

One client explained that although he received an Army pension, this was offset against Universal Credit entitlement. He described this situation bluntly, emphasising the impossibility of making ends meet under these conditions:

“Once you pay your gas, electric and food... you’re left with absolutely zero ... You just cannot live. It’s impossible.” (Male, 65+)

Similarly, another client described periods during the transition from Employment and Support Allowance to Universal Credit where income disappeared entirely and housing costs were not covered:

“There is at least a month where your housing wasn’t covered... I didn’t have any money for five weeks.” (Male, 50-64)

Income inadequacy meant a constant trade-off for one client, not just with core household bills. She described the emotional strain of being unable to meet costs associated with family life, including caring for the family dog:

“Am I going to put food on the table or am I going to put electricity on? ... who is going without what?” (Female, 35-49)

“He needs to see a vet but I do not have the money to cover the costs... you are in a constant turmoil with yourself, do I surrender him or keep him.” (Female, 35-49)

In this case, children became acutely aware of household finances, despite her best efforts to shield her children:

“If my kids were younger, they wouldn’t know anything about food banks ... but because they are older, they’re so much more aware. Yeah, so they know, they know the struggles.” (Female, 35-49)

“She’ll see something and say, ‘Oh mum, I’ve seen this.’ And I’ll say, ‘Do you want it?’ She’ll say, ‘No, no, it’s fine. We don’t have the money. We can’t afford it.’ Even when I tell her it’s OK, she won’t put it in the trolley.” (Female, 35-49)

She also described the intense embarrassment she felt when her children paid for activities themselves:

“No one knows how degrading and embarrassing that is” (Female, 35-49)

Her youngest daughter also experienced direct peer comparison and stigma linked to poverty:

“My youngest daughter was getting teased at school with comments like ‘I have a new phone, you won’t get one because your mum can’t afford one’...” (Female, 35-49)

She described her daughter worrying about whether they could afford equipment for a school trip and even suggesting she might not attend because of the cost.

These experiences underline how negative budgets are sustained by structural income shortfalls and interruptions, helping to explain why the quantitative analysis shows negative budgets persisting even among households engaged with the benefits system. Questions about benefit adequacy and system design raised here are taken up further in the coordinator and officer interviews.

Navigating systems: bureaucracy, anxiety and loss of control

Living in a negative budget was also described as an ongoing administrative and psychological burden. Universal Credit, in particular, was experienced as impersonal, fragmented and anxiety-inducing, especially for clients with existing health conditions.

One client described the cumulative impact of frequent digital communication, lack of continuity and the absence of a consistent point of contact:

“You’re just a number... you’re getting these texts all the time... it’s not good for your health.” (Male, 50-64)

For another client, lack of guidance and system literacy meant that problems escalated unnoticed until external intervention became unavoidable.

Clients described systems that required time, attention and confidence at precisely the point when capacity was most constrained.

Mental health, trauma and stigma

The emotional impact of living with a negative budget was evident throughout all interviews. Clients spoke candidly about stress, exhaustion and deterioration in mental health, particularly as existing trauma and mental health conditions were present in all three clients interviewed.

One client described the relentlessness of daily financial anxiety:

“It’s constant stress... worrying how you’re going to get through the next day.” (Male, 50-64)

Financial hardship intersected with trauma linked to military service, producing a strong sense of abandonment:

“I feel society has let me down.” (Male, 65+)

For another client, mental health and economic survival were closely linked. Diagnosed with complex PTSD, she described feeling societal and familial pressure to seek employment while simultaneously being advised that she was not yet ready:

“I need to go get a job... but they’re saying it’s not the right time ... But I want to contribute and support my family.” (Female, 35-49)

She described the situation as “so draining”, capturing the exhaustion of balancing trauma recovery with financial survival. Her account suggests a reinforcing dynamic between trauma and poverty. Mental health limits earning capacity, financial strain intensifies

distress, prolonging instability. In this context, negative budgeting was experienced not simply as a lack of income, but as entrapment.

Stigma also emerged as a significant harm. Claiming benefits and experiencing homelessness were described as experiences that reshaped how clients saw themselves:

“It makes you feel worthless... like you’re scrounging and begging.” (Male, 50-64)

“I will always see that my life and my ability to be a parent was an epic failure.”
(Female, 35-49)

Negative budgeting also reshaped clients’ sense of future orientation and personal ambition. For the parent interviewed, prolonged instability, trauma and financial strain had narrowed her outlook to immediate survival rather than long-term aspiration. When asked about her hopes or ambitions, she responded:

“I don’t have any... I just tick the box.” (Female, 35-49)

She reflected more broadly on how poverty restricts life choices and affects mental wellbeing:

“Living in poverty definitely gives you less choices in life... having all these options taken away from you makes you think your life has no purpose or meaning.”
(Female, 35-49)

Here, the issue was not only financial strain, but the cumulative effect of restricted options, from healthy food, opportunity to socialise, to housing and employment, narrowing perceived possibility and reinforcing feelings of stagnation.

She described her role solely in terms of ensuring her children are placed on a “relatively decent pathway,” after which she perceived no further purpose for herself. This absence of future orientation reflects more than temporary discouragement. It suggests that sustained exposure to abuse, insecurity and deficit can shrink perceived possibility, reinforcing stagnation and limiting long-term recovery.

These accounts point to the interaction between income insecurity and mental health, and how this reshapes how people view themselves and how their dignity is eroded.

Housing, place and isolation

Housing featured prominently not only as a cost, but as a determinant of wellbeing, safety and connection. One client with experience of social housing described how placement in an unfamiliar area severed social ties and intensified isolation:

“You take the person from the environment they know and put them somewhere else... it’s totally isolating.” (Male, 50-64)

Limited income also restricted social participation for clients more broadly, reinforcing isolation and disconnection:

“You can’t have a social life because you can’t afford to.” (Male, 65+)

“I’ve moved to a place where I don’t know anyone ... I’ve joined a support group but won’t allow myself to say that they’re my friends... I can’t offer them anything.” (Female, 35-49)

Her children also withdrew, with older children remaining largely confined to home and ambitions constrained by financial realities.

Concerns about safety were also present. In one case, domestic abuse was not fully recognised by housing services or the council, leaving the client living close to an abusive ex-partner and experiencing ongoing anxiety:

“Council is not recognising his abuse and providing the care I need.” (Male, 50-64)

Reflecting on rehousing following her choice to leave an abusive relationship, another client drew a comparison between coercive control within the relationship and the lack of choice experienced within formal systems. Although she expressed gratitude for being in a safer property, she described having little choice over location or property type, and the risk of removal from the housing list if an offer was refused:

“Once making the decision to leave you are still being controlled... not by the person you have left but by organisations who tell you where you can live.” (Female, 35-49)

For both clients, in different ways, the support offered was well intended but it did not reflect their individual needs or experiences, pointing to gaps in safeguarding responses for men, and limited understanding about the role of choice. These experiences raise important questions about housing practice and trauma-informed responses, which are explored further in the coordinator section.

Aftercare, prevention and what might have helped

When reflecting on what might have reduced harm, clients emphasised the absence of early, relational support. Rehousing was described as an abrupt withdrawal of assistance rather than a supported transition:

“It’s just like there’s your keys, get on with it.” (Male, 50-64)

Clients argued that fragmented services compounded harm, particularly where agencies failed to coordinate around people with complex needs:

“All the organisations should have a massive meeting... no one seems to talk to another one.” (Male, 50-64)

In hindsight, clients felt that earlier check-ins, continuity of support and better coordination across housing, benefits, health and debt advice could have prevented problems from escalating. While advice services were described as effective once accessed, support often arrived only after significant financial and emotional harm had already occurred:

“That’s the way I started to kind of crawl my way back out of the situation that I was in.” (Male, 65+)

Looking further upstream, clients also reflected on the absence of early education and preparation for navigating complex systems later in life:

“They should start teaching kids at a very young age.” (Male, 65+)

They also described the everyday material consequences of prolonged income inadequacy, particularly in relation to diet and health:

“I can’t afford fresh fruit... I was using UHT milk.” (Male, 65+)

These reflections point towards the importance of prevention, early intervention and joined-up support, themes that are developed further through the coordinator and officer perspectives that follow.

We can begin to understand that living in a negative budget is not simply about low income, but about prolonged exposure to insecurity, isolation, administrative burden and emotional strain. The implications for wellbeing, dignity and the capacity to move forward are profound and requires better policy, joined-up working across services and consistent support to resolve. A process that can be slow, but certainly is necessary if we want people to thrive, let alone get by.

Supporting people with a negative budget: Coordinators and adviser perspectives

This section draws on in-depth interviews with three DAS coordinators/advisers (some of whom have regional responsibilities) - one working in Dunbar and two in Edinburgh. Their accounts offer insight into how negative budgets arise, how they are managed and mitigated, and why they can persist despite engagement with debt advice and support.

Across interviews, negative budgets were not described as isolated financial problems or the result of individual failings. Coordinators consistently framed them as a structural income-cost imbalance: households simply do not have enough income to meet fixed, essential costs. Debt is therefore more often a consequence of this gap than its cause. Many clients arrive already in deficit, meaning budgeting changes alone cannot resolve the shortfall.

Living in a negative budget was described as a persistent state rather than a temporary crisis. Coordinators spoke of the cumulative impact on dignity, agency and hope. Chronic financial pressure generates stress, shame and guilt, which in turn reduces capacity to engage with complex systems, respond to creditor contact, complete forms or plan ahead. Where health conditions, disability, trauma, caring responsibilities or isolation are present, this strain is intensified.

Market conduct and system design were seen as compounding the problem. Aggressive collections practices, frictionless credit and fee-heavy debt solutions were described as extracting value from distress. At the same time, administrative burdens, social security deductions and gaps between services can entrench shortfalls.

Coordinators were clear that structured, relational debt advice can stabilise situations and reduce harm. However, where income remains inadequate relative to essential costs, advice can manage the consequences of a negative budget but cannot eliminate it. Behaviours often labelled as 'poor choices' - avoidance, panic payments or reliance on credit - were understood instead as coping responses to sustained stress. These dynamics cut across the thematic sections that follow.

Income, costs and welfare adequacy

Across interviews, Coordinators were clear that poverty and insufficient income are the primary drivers of negative budgets. Clients frequently arrive at advice services already in deficit, with income that does not cover essential living costs even before any debt repayments are considered.

“I think you can overarchingly say that it would be a poverty... a lot of the people that we see just do not have enough money.” (Coordinator 1, Edinburgh area)

Rising costs were described as compounding this shortfall year on year:

“It’s just the fact that the cost of living is just getting worse and worse every year.” (Coordinator 1, Edinburgh area)

“...a change in financial circumstances... where a client was managing just about before - could be interest rate could be cost of living, but anything that changes when clients are close or near to a balanced budget, and they’re often unaware they’re that close... can tip them over the edge.” (Coordinator 2, Dunbar area)

Coordinators emphasised that budgeting effort cannot resolve a gap where fixed, essential, costs surpass income. Social security, a large proportion of clients’ income, was widely seen as inadequate. Universal Credit can work reasonably for some families, but it is particularly harsh for single claimants and those without children:

“When you’re down to surviving on £300 a month, it’s... really harsh.”
(Coordinator, Dunbar area)

Clients with long-term health conditions who were in receipt of disability-related benefits are pushed to using them to cover essentials or servicing debts, rather than meeting additional costs associated with disability:

“Quite a lot of the... extra disability money... they’re having to sacrifice... to afford just the essentials like food.” (Coordinator 1, Edinburgh area)

Housing support was also described as insufficient, particularly in cities and large towns, with clients often needing to make up shortfalls while living in poor-quality accommodation lacking basic appliances, increasing both financial and time costs.

Safety net: systems, navigation and bureaucracy

A dominant theme across all interviews was the presence of systemic gaps and administrative barriers that leave people unsupported at critical moments. A DAS coordinator repeatedly described “chasms” between services, where people are neither eligible nor prioritised until they reach crisis point:

“It can feel like they’re slowly falling in between the cracks... sometimes it feels like I have my hands tied.” (Coordinator 1, Edinburgh area)

Support eligibility thresholds, fragmented responsibilities and high caseloads across services mean support is often available only during acute crises, then withdrawn. Coordinators in the Edinburgh area noted a lack of sustained social or support workers, resulting in people cycling back into difficulty once immediate pressure eases.

Administrative burden was also a recurring issue. Forms, follow-ups, phone calls and assessments were described as overwhelming, particularly for clients with mental health conditions:

“That kind of bureaucratic work... feels like a mountain they can’t climb.”
(Coordinator 1, Edinburgh area)

Coordinators consistently reported that benefit outcomes are significantly faster and more accurate when a worker is involved, but that many clients struggle to manage applications independently:

“I don’t think I have seen a successful case of someone receive exactly what they’re entitled to [without support].” (Coordinator 1, Edinburgh area)

Universal Credit advances and deductions were described as embedding long-term shortfalls into household budgets. Advance repayments often extend over years, materially reducing income at source:

“Some clients have got £8,000 worth... taken off at 50p a week. It’s not sustainable.” (Coordinator 2, Edinburgh area)

Those with experience of homelessness, having already fallen through gaps, were faced with further issues relating to additional costs such as carpet and white goods when moving back into accommodation. This is further compounded by barriers with applying for social security, whether that be digital barriers, support with completing complex forms, or delays with first payments.

Health, disability and neurodiversity

All Coordinators described a strong relationship between negative budgets and mental health:

“Over half of the people that come in have some form of mental health background.” (Coordinator, Dunbar area)

Mental ill-health was described both as a contributing factor to debt and as something significantly worsened by sustained financial stress. Coordinators repeatedly framed this as a feedback loop, where stress reduces capacity to engage, leading to escalation, which in turn worsens mental health.

“For someone that didn’t even have mental health issues before, it certainly does bring them on.” (Coordinator 2, Edinburgh area)

Neurodivergence and additional needs were also highlighted, particularly in relation to impulsivity, communication difficulties and executive functioning. Coordinators described how impulsivity linked to ADHD or mental health disorders contributes to debt, especially where credit is frictionless, such as (but not exclusively) Buy Now Pay Later (BNPL) options:

“Impulsivity is a big reason why they got into that situation.” (Coordinator 2, Edinburgh area)

Trauma, including experiences of homelessness, the care system, and bereavement, was identified by Coordinators as a significant trigger locally, disrupting routines and motivation:

“Loss, in broad terms, can really affect how people manage their finances.” (Coordinator 2, Edinburgh area)

Physical health conditions were also central. Coordinators described clients who cannot realistically return to work, or who push through illness until collapse, precipitating financial crisis:

“Quite a lot of these people... cannot ever go back to work.” (Coordinator 1, Edinburgh area)

Family life, caring and relationships

Negative budgets were consistently described as having a broader impact than just the individual - on family, friends and socialisation more broadly. Coordinators highlighted the cumulative pressure on parents, particularly those with caring responsibilities or multiple children.

“Families and children are just really expensive.” (Coordinator 1, Edinburgh area)

“It can be really challenging for young mums - harder to keep appointments, follow through on forms, calls or sustain a plan ... one client had no option but to bring her child into an intense debt support meeting. That’s no place for a child, but unavoidable.” (Coordinator 2, Edinburgh area)

Parents were described as absorbing hardship themselves to shield children, often using BNPL or informal borrowing to maintain a sense of normality. This frequently delayed help-seeking and increased later harm:

“I have so many clients who overextend themselves... using stuff like buy now pay later or borrowing from family or friends... they’re putting themselves through all this stress... but they want their children to have the best life they can have”
(Coordinator 1, Edinburgh area)

Some children pick up on adult stress, sometimes expressing fear about losing their home:

“They’ve overheard ... and their left wondering whether their home is going to be taken away.” (Coordinator, Dunbar area)

Relationship strain was common. Coordinators all described secrecy about debt within couples, driven by shame and a desire to protect loved ones, but often leading to breakdown once enforcement action occurs.

“The client tries to keep everyone protected and doesn’t share it.” (Coordinator 2, Dunbar area)

Informal debts to family members were described as emotionally heavier than formal debts, intensifying stress and complicating prioritisation (Coordinator, Edinburgh area).

Capability, education and awareness

Coordinators reported low awareness of financial position, even among clients who had been ‘managing for years’. Overdrafts, digital payments and credit masked persistent shortfalls until a shock exposed them:

“Clients are often quite surprised at the situation, at their negative budget.”
(Coordinator, Dunbar area)

Budgeting skills were described as limited across demographics, not confined to any one group:

“There is a lack of budgeting skills within the wider population.” (Coordinator, Dunbar area)

All three Coordinators highlighted the absence of systematic financial education, particularly around priority debts such as Council Tax:

“Many clients... don’t understand that they have to pay Council Tax... why it has to be paid.” (Coordinator 1, Edinburgh area)

Care-experienced people are a significant risk group, noting a lack of structured life-skills preparation before leaving care, compounded by trauma and weak support networks.

“Quite a few clients have been through the care system and struggle as a result ... it doesn't prepare them, they don't teach life skills before they leave... I don't think that's available to them.” (Coordinator 2, Edinburgh area)

“Some can find parenting difficult ...they very much love their kids ... but through no fault of their own, because of their own traumatic childhoods, struggle to cope with that alongside the stress of debt” (Coordinator 2, Edinburgh area)

Market conduct, credit, collections and redress

Coordinators were unanimous in describing market conduct as a major driver of harm. BNPL and other frictionless credit products were repeatedly cited as enabling avoidance and stacking unaffordable repayments:

“Buy now pay later... looks really attractive, it's done within seconds.”
(Coordinator, Dunbar area)

Coordinators described aggressive and high-frequency debt collection practices that divert payments away from priority debts and push clients into unaffordable arrangements:

“They will be relentless... phone calls, letters, texts constantly.” (Coordinator, Dunbar area)

There is a systemic issue within debt solution and debt collection and the credit market - the mis-selling of Protected Trust Deeds, high insolvency fees, bailiffs applying additional fees, and high default fees, pile misery on clients:

“A feeding frenzy on despair.” (Coordinator, Dunbar area)

Coordinators argued strongly for tighter regulation, fee caps, and stronger redress powers, including the ability for ombudsmen to write off debts where due diligence failed. One Coordinator questioned whether there should even be a place for profit-making debt solutions.

Housing and housing-related costs

Council Tax was consistently identified as fast-escalating and destabilising. A Coordinator in the Dunbar area described Council Tax as uniquely punitive:

“There's no other creditor that can move that quickly.” (Coordinator, Dunbar area)

Energy debt was described by Coordinators as the largest single pressure for many low-income households, with standing charges and back-billing keeping balances growing even when usage falls.

Poor-quality, unfurnished housing was described by a Coordinator in the Edinburgh area as increasing both costs and stress, particularly where lack of appliances forces reliance on charity, or credit in the longer-term, and launderettes or ready-meals and takeaways in the immediate-term. This can be particularly harmful for someone with experience of homelessness who is moving back into accommodation.

When someone is at risk of losing their home or their car, it stops being a financial problem and becomes a social crisis. Coordinators describe how fear drives panic payments to the wrong creditors, and fear of losing their job, friends and family.

Community, belonging and inequality

Isolation and loneliness were repeatedly identified as both causes and consequences of negative budgets. Coordinators described sessions where listening and human connection were as important as the debt advice itself:

“Sometimes... we just sit and we chat, because that is what they need.”
(Coordinator 1, Edinburgh area)

A Coordinator in the Edinburgh area explicitly linked the breakdown of communities and peer support to worsening mental health, delayed help-seeking and hopelessness. Community spaces and one-stop hubs were described as protective infrastructure that could highlight problems earlier and reduces stigma.

Debt advice: practice, infrastructure and service design

Despite the scale of structural pressures, Coordinators were clear about what helps. Structured, priority debt-first approaches combined with steady human connection were repeatedly cited as improving outcomes:

“Debt advice is all about applying the structured approach... priority debt first.”
(Coordinator, Dunbar area)

Coordinators stated listening, compassion and continuity were described as mechanisms of change, not optional extras. Clients were more likely to follow through when they felt treated as people rather than cases.

“Our way of working comes from a place of compassion and empathy. Clients have often been through the system where they feel like just a number... We prioritise building that connection, building that trust - treating the person as a human being” (Coordinator 1, Edinburgh area)

Trust was repeatedly described as a prerequisite for progress. Coordinators stressed the importance of building rapport, not probing traumatic histories prematurely and allowing clients to open up at their own pace:

“They’ve got to learn the trust... it’s got to be a mutual thing.” (Coordinator 2, Edinburgh area)

At the same time, Coordinators were explicit about the limits of advice where income remains inadequate and essential costs unaffordable. Without changes to the wider system, debt advice can stabilise harm but cannot resolve negative budgets entirely.

Wider impacts on communities and services: TSA church leader’s perspective

Insights from a Salvation Army church leader highlight how negative budgets manifest at community level and how their effects extend beyond individual households and formal debt advice services. While this perspective is based on a single interview, this church leader works across multiple churches. It offers a clear account of how financial pressure becomes visible locally, how people engage with support, and how community services are affected.

From the church leader’s perspective, negative budgets most commonly present at points of acute crisis rather than at earlier stages of financial difficulty. People are typically encountered when they can no longer afford basic essentials, particularly heating and

food. Requests for emergency fuel support and food provision were described as the most frequent forms of contact, with winter identified as a particularly difficult period. They noted that people are often seen “when they’re suffering the symptoms” of a negative budget, suggesting that financial strain remains largely hidden until it becomes unmanageable.

Food insecurity was described as a persistent and escalating issue. The church leader observed that individuals often seek help only after exhausting food bank allowances and referrals, indicating that existing crisis provision is frequently insufficient. They also raised concerns about the suitability of emergency food support over time, noting that reliance on non-perishable food is not a sustainable or healthy solution. This reflects the way negative budgets translate into ongoing material hardship rather than short-term disruption.

Housing-related pressures were also identified as a driver of crisis. They described situations where people had been placed into accommodation but lacked the resources to furnish their homes or purchase basic household items. From their perspective, these hidden costs created immediate hardship despite housing being secured, increasing reliance on community and charitable support.

A recurring theme in the church leader’s account was the role of shame and guilt in shaping behaviour. They emphasised that parents in particular experience a strong sense of shame about needing help and about their perceived inability to provide for their children. This was especially evident around ‘expensive periods’ such as Christmas, when parents were described as prioritising children’s gifts even when struggling to afford essentials. The church leader characterised this behaviour as emotionally driven and deeply felt, rather than careless or irresponsible.

The church leader also reflected on how negative budgets affect relationships and wellbeing. They described high levels of stress and anxiety linked to constant financial trade-offs, and noted that people often do not disclose the full extent of their difficulties. This secrecy, they suggested, can place strain on personal relationships and delay access to support.

At a wider community level, the church leader highlighted the persistence of stigma and moral judgement. They referred to ongoing “deserving versus undeserving” narratives and attitudes that frame people seeking help as blameworthy. In their view, these narratives contribute to social division and discourage early help-seeking. They also described low levels of trust in government and formal systems, with people believing that support is unavailable or ineffective and therefore delaying engagement until situations become desperate.

The church leader linked these dynamics to broader changes in services over time. They reflected that the withdrawal of early-intervention provision has contributed to problems becoming more acute and complex before they reach community organisations. From their perspective, churches now play an important stabilising role, offering practical support, dignity, and hope at moments of crisis.

Overall, this account outlines how the community services this church leader has been involved with are increasingly responding to the consequences of system failure rather than preventing hardship in the first place. Though this is the view of one church leader, we hear similar views in our wider work with other church leaders - negative budgets, and financial strain more broadly, severely impact overall wellbeing, both create and

exacerbate hardship, and puts increasing pressure on local services. The fallout becomes a shared community challenge rather than an isolated individual problem.

What needs to change: policy implications

The evidence in this report shows that negative budgets are not driven by poor decisions but by structural income shortfalls interacting with system design. Many households seeking debt advice in Scotland do not have enough income to cover essential costs, and when they fall behind, debts escalate quickly and become more expensive. Advice can stabilise harm, but it cannot close a gap where income is inadequate and recovery systems add pressure rather than protection.

To reduce the depth and persistence of negative budgets, action is required from both the UK and Scottish Governments, individually and together:

- 1. Ensure the welfare system covers the essentials**
 - a. Implement the Essentials Guarantee - embed in our social security system the widely supported principle that, at a minimum, Universal Credit should protect people from going without essentials. It would enshrine in legislation:
 - i. a legal minimum (the 'Essentials Guarantee') in Universal Credit - the standard allowance would need to at least meet this amount, and deductions (such as debt repayments to government, or as a result of the benefit cap) would not be allowed to reduce support below that level;
 - ii. an independent process to regularly recommend the Essentials Guarantee level, based on the cost of essentials (such as food, utilities and vital household items) for the adults in a household (excluding rent and council tax).
 - b. Unfreeze Local Housing Allowance and restore it to the 30th percentile.
- 2. End rapid and escalating debt collection from local and central government, including the speed of escalation, additional fees, and regulation of enforcement powers.** This should include:
 - a. Council Tax (Local Authorities),
 - b. Social Security debt (DWP and Social Security Scotland)
 - c. Unpaid tax (HMRC),
 - d. TV Licences (DCMS),
 - e. Utilities (energy and water)
- 3. Introduce a clearer payment break or pause mechanism in Scotland that halts recovery and prevents additional fees or interest while households stabilise.**

This should go beyond the current statutory moratorium which does not freeze fees or interest during the pause in debt repayments.

Appendices

Qualitative Methods

This research draws on seven in-depth, semi-structured interviews conducted with three DAS clients, three DAS coordinators/advisers, and one Salvation Army Officer in Scotland. Interviews lasted up to 60 minutes, were audio-recorded with permission, transcribed verbatim.

Transcripts were coded and analysed thematically using an iterative approach. Initial codes were developed inductively from the data and then grouped into themes. Cross-case comparison was used to identify convergent and divergent experiences across clients, advisers and the Officer. The final thematic framework reflects both lived experience and practitioner insight.

Technical Annex - Quantitative Methods and Analysis

Data and Sample

The analysis uses a cross-sectional administrative dataset of 414 DAS clients in Scotland (one record per client at most recent assessment).

Severity models are estimated on the subset of clients in negative budgets ($n = 245$).

Models requiring complete covariate data and adults > 0 result in:

- Model 1 (depth per household): $n = 198$
- Model 2 (depth per adult): $n = 198$
- Model 3 (depth per household + priority debt): $n = 157$

This dataset reflects service users and is not representative of Scotland as a whole.

Model Specifications, Fit and Effect Size

All models are estimated using OLS with robust standard errors to address heteroskedasticity.

- Model 1 (Primary): Monthly household shortfall (depth_raw)
 - $R^2 = 0.0855$
 - $F(15,182) = 1.84$
 - $p = 0.0318$
 - Cohen's $f^2 = 0.093$ (small)
- Model 2 (Sensitivity): Shortfall per adult (depth_pa)
 - $R^2 = 0.1170$
 - $F(14,183) = 3.26$
 - $p = 0.0001$
 - Cohen's $f^2 = 0.133$ (small-moderate)
- Model 3 (Debt-extended): Household shortfall, Model 1 plus priority debt (£000s)
 - $R^2 = 0.2262$
 - $F(16,140) = 2.60$
 - $p = 0.0014$
 - Cohen's $f^2 = 0.292$ (moderate)

Full regression tables are reproduced below.

Sociodemographic variables alone explain a relatively small proportion of variance in severity. Including priority debt increases explanatory power substantially.

These statistics describe explained variance within this sample and should not be interpreted causally.

Key Coefficient Findings

Age

- Across models, older age groups are associated with significantly lower shortfall relative to the 17-24 reference group.
- These associations strengthen when controlling for priority debt, consistent with younger households presenting with deeper shortfalls.

Dependents

Model 2:

- Each additional dependent is associated with lower shortfall per adult ($p < 0.001$).
- This reflects the mechanical consequence of expressing shortfall per adult rather than per household.

Dependents are not statistically significant in household-level models.

Priority Debt

Model 3:

- Priority debt (£000s): +£7.20 per £1,000 ($p = 0.012$).
- The direction of causality cannot be inferred. Priority debt may reflect underlying financial strain rather than cause it.

Housing Tenure, Labour Market Status, Sex, Benefit Status

Across models, these variables are not consistently statistically significant predictors of severity once other characteristics are considered.

Regression Results Table

	(Model 1) Depth (Household)	(Model 2) Depth (per adult)	(Model 3) Depth (HH) + priority debt
Social tenant (reference)	0.00 (.)	0.00 (.)	0.00 (.)
Private tenant	87.33 (104.57)	42.28 (78.85)	48.70 (125.73)
Owner/mortgage/share d ownership	237.57 (146.98)	192.89 (129.83)	-106.21 (118.24)
Temporary/insecure	-93.82 (69.75)	-7.75 (55.65)	-134.17 (110.40)
Other/Unspecified	-61.99 (156.86)	-101.25 (82.59)	-133.23 (104.96)
Employed (reference)	0.00 (.)	0.00 (.)	0.00 (.)

Unemployed	51.48 (86.03)	-6.12 (72.71)	1.08 (98.27)
Economically inactive	114.31 (89.35)	42.04 (69.54)	59.24 (111.67)
Other	158.31 (176.54)	124.15 (176.52)	95.09 (214.06)
<hr/>			
17 - 24 (reference)	0.00 (.)	0.00 (.)	0.00 (.)
25 - 34	35.01 (149.84)	-51.88 (102.18)	-35.74 (160.71)
35 - 49	-178.47 (111.94)	-153.17 (95.19)	-332.91 ^{***} (110.38)
50 - 64	-88.64 (122.44)	-110.53 (103.14)	-231.83 ^{**} (108.11)
65+	-261.45 ^{**} (117.83)	-265.55 ^{***} (101.89)	-340.49 ^{**} (142.40)
<hr/>			
Female (reference)	0.00 (.)	0.00 (.)	0.00 (.)
Male	10.13 (59.16)	48.98 (40.73)	15.66 (51.98)
<hr/>			
No of Adults	39.13 (61.53)		75.97 (87.77)
No of Dependents	-25.64 (33.83)	-57.38 ^{***} (15.48)	-40.98 (40.42)
<hr/>			
Not receiving benefits (reference)	0.00 (.)	0.00 (.)	0.00 (.)
Receiving benefits	-45.27 (161.00)	-65.22 (158.45)	67.48 (138.75)
<hr/>			
Priority debt (£000s)			7.20 ^{**} (2.84)
<hr/>			
Constant	327.20 (221.65)	413.31 ^{**} (181.87)	334.90 (214.76)
<hr/>			
Observations	198	198	157

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Coefficients reported are non-standardised OLS B coefficients (robust standard errors).

Model Diagnostics

Residual histograms suggest right-skewness, while Q-Q plots show upper-tail deviation from normality. Residual-versus-fitted plots indicate heteroskedasticity. Robust standard errors were applied in all models. No evidence of model instability or severe misspecification was observed.

As with all cross-sectional observational analyses, unobserved factors may account for variation in shortfall depth.

Statistical Power

With $n \approx 198$ and 15 predictors, models 1 and 2 have adequate power ($\geq .80$) to detect small-to-moderate effects ($f^2 \approx 0.10-0.15$). Smaller effects may remain undetected.

Model 3 ($n = 157$) retains sufficient power for moderate effect sizes but is underpowered for detecting very small associations.

Limitations

This modelling:

- Identifies associations within DAS clients only. Findings cannot be generalised to the wider population in Scotland.
- This analysis does not establish causation. As this data is a snapshot sample, changes over time were not observed, thus causal direction could not be estimated.
- This analysis does not estimate risk of entering a negative budget.
- The models estimate conditional mean differences, not trajectories or policy effects.