

**BUSINESS  
DEBTLINE**

**MONEY**  
ADVICE TRUST



# At the business end

A spotlight briefing on the  
impact of Covid-19 on

**Business Debtline** clients

3<sup>rd</sup> August 2020

# Foreword

In our previous briefing, *At the sharp end*, we explored the impact of the Covid-19 outbreak on individuals who were already struggling or dealing with problem debt going into the crisis – and offered a snapshot of what our advisers at National Debtline have been hearing over the first three months of the outbreak<sup>1</sup>.

While the financial effects of Covid-19 have been severe for millions of households and across a broad range of the UK population, small business owners and the self-employed are among the groups most vulnerable to the outbreak's impact. The very nature of the pandemic has required business closures and restricted trading, which continues to have enormous consequences for this key sector of the economy.

This second briefing offers insight into the experiences of people at the 'business end' of this crisis – self-employed people and other small business owners who were already either in or recovering from financial difficulty going into the outbreak – as well as a snapshot of what we have been hearing at Business Debtline so far.

Like National Debtline, Business Debtline provides free, impartial debt advice by phone, webchat and online – and Business Debtline advisers have similarly been working flat out to support people whose business and livelihoods have taken a bigger hit than they ever could have imagined.

More than half of small business owners contacting Business Debtline are citing Covid-19 as the main reason for their financial difficulty – compared to just 13% of callers to National Debtline. This enormous difference between our two parallel services is one indicator of the particularly acute impact that the outbreak has had on those who work for themselves.

Like all debt advice services, Business Debtline initially saw a fall in demand in the initial weeks of the outbreak – though this was less pronounced than at our National Debtline service, and demand for both is now increasing. We are expecting a significant increase in demand for advice – particularly at Business Debtline – as the full economic impact of the outbreak unfolds.

As the UK's only dedicated free debt advice service for self-employed people and small business owners, Business Debtline has the potential to play a significant role in the UK's economic recovery. We are keen to work with others to ensure more small business owners are able to receive advice from this essential service in the months and years ahead.

*Jane Tully*  
*Director of External Affairs and Partnerships*  
*Money Advice Trust*

---

<sup>1</sup> For more information see [www.moneyadvicetrust.org](http://www.moneyadvicetrust.org)

# The impact of Covid-19 on recent Business Debtline callers

In May 2020, we conducted a survey of Business Debtline clients who contacted us between January 2019 and March 2020. We sent out 14,280 surveys and received a total of 430 responses. Sample sizes for answers to questions vary. This section sets out the key findings from the survey.

## Already dealing with debts

The survey helps to paint a picture of how self-employed people and small business owners who were already engaged with debt advice have coped to date, and the likely challenges they will face in the future. A third of respondents had negotiated, or were in the process of negotiating, a solution with their creditors before Covid-19 hit, compared to 24% of National Debtline respondents and more had started a debt solution (23% v 17%). Almost a third were up-to-date with their bills before the outbreak began.

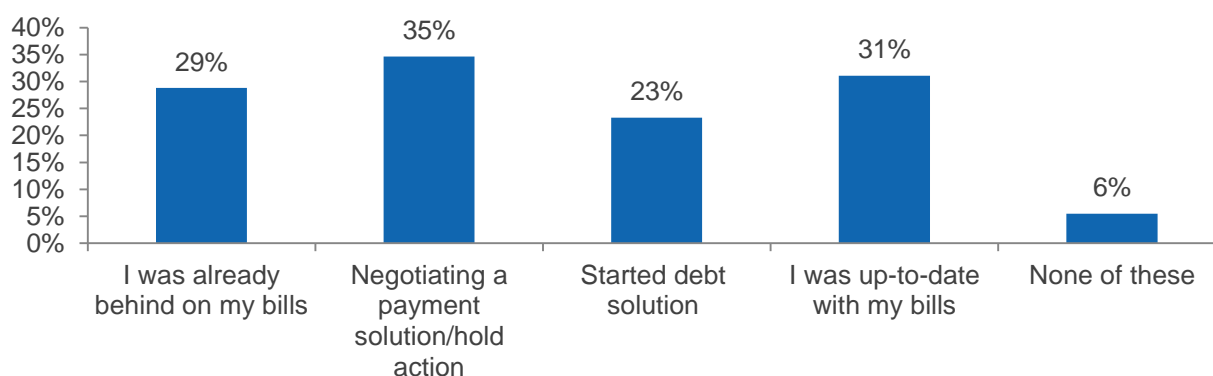


Figure 1. *The picture of household finances before Covid-19 (Base 309).*

## A third have experienced a complete drop in business income

A third of respondents have experienced a complete drop in business income<sup>2</sup> as a result of Covid-19, compared to just 8% of National Debtline respondents who said they had lost their entire household income. This highlights the particularly significant impact the outbreak has had on people in self-employment. Just over half of Business Debtline callers have a household income of less than £20,000, and in almost half of cases, the income from their business is their sole household income.

<sup>2</sup> We know that two thirds of Business Debtline callers are sole traders and about a third are limited companies. Most run very small micro-businesses - often operating trades - and some run part-time businesses to supplement other income. For 70% of respondents, the self-employed/business work formed most of their income.

Only 7% saw no drop in income. A further 15% are expecting a 100% drop in income in the next three months, and almost half are expecting a drop of between 50% to 100%.

*'As a household we have suffered a drop in income of 91%.'*

*'I immediately lost £900+ in performance work over the Easter period, continuing through the summer of 2020 and probably into next term. I then saw about 75% of my teaching income disappear, with the remaining taking up on-line lessons.'*

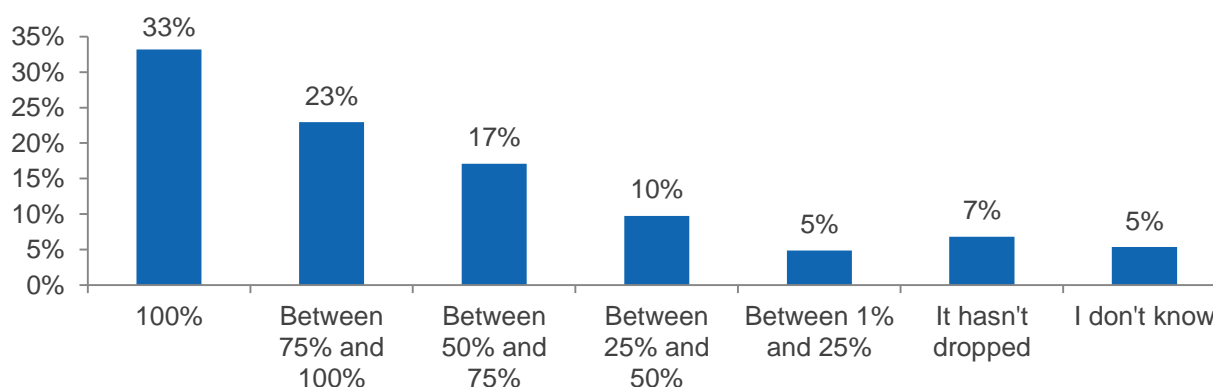


Figure 2. *Proportion of income drop for those affected by a drop in business income (Base 205)*

Business Debtline callers work in a range of industries. The professions listed in the survey give a sense of the breadth of roles our clients undertake and why they have been so severely affected: plumber, therapist, cleaning services, craft teacher, swimming instructor, film production, animal care, taxi driver, painter/decorator, photography and property management/estate agent. Most work from home (60% of respondents), with 23% working from business premises and 17% from other people's homes or other rented spaces. The latter in particular will continue to be affected by the social distancing measures required to keep workplaces Covid-secure.

### **The vast majority have no or limited savings to fall back on**

We already know that Business Debtline callers on the whole tend to have no or very limited savings. Half of respondents reported that they had already used their

savings to help cope with income loss due to Covid-19, with 81% reporting drawing on £2,500 or less.

### The lockdown has already led some businesses to fail and many have temporarily ceased trading

Just over half of respondents were still trading at the time of the survey, while 20% had ceased trading due to the Covid-19 outbreak. Of those who had stopped trading, over half did so due to Government-enforced closure as a non-essential business, 44% due to a lack of trade, a third who said they had to self-isolate and a fifth said they were unable to pay on-going business costs.

*'I offer a mobile service where I travel to clients, so have ceased during lockdown.'*

*'Contract terminated due to Coronavirus requirements.'*

*'I work for several businesses that have closed due to COVID.'*

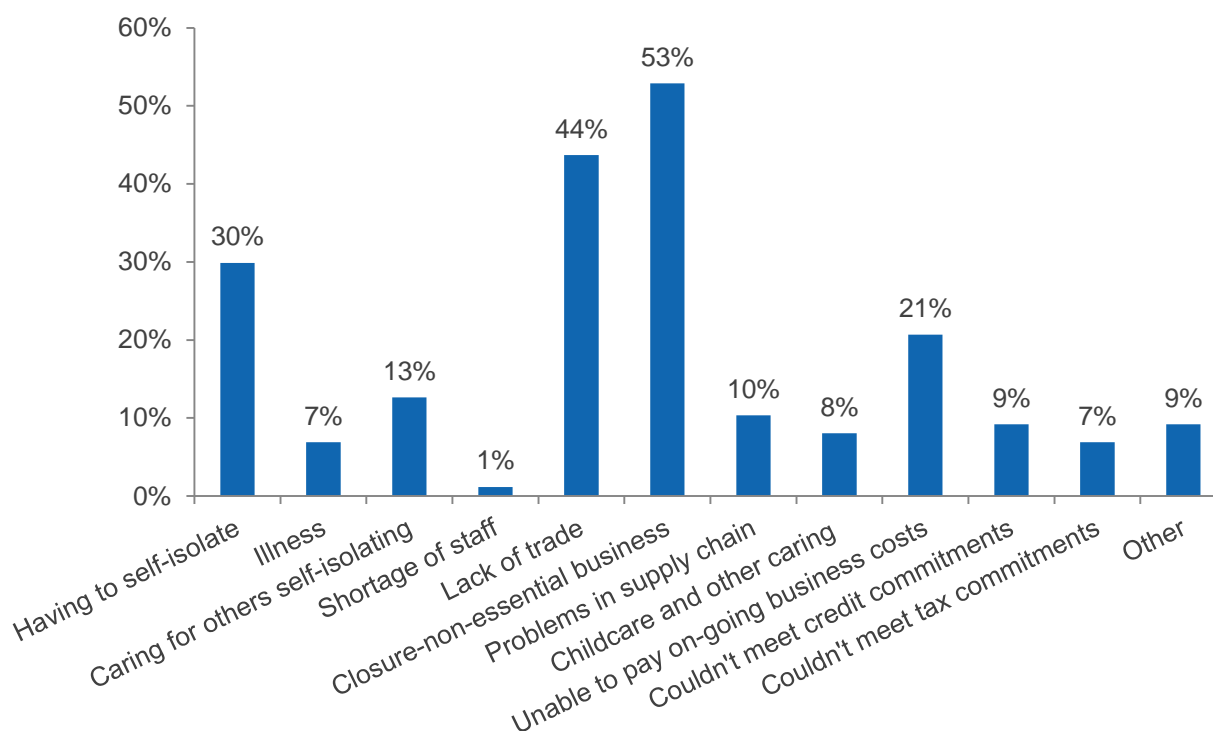


Figure 3. Reason Covid-19 stopped business trading (Base 87).

## Uncertainty for those who continue to trade

Of those still trading, 90% are being impacted by Covid-19, with 62% suffering a lack of trade, 30% self-isolating and 21% experiencing problems in the supply chain or are unable to pay on-going business costs. 59% of those still trading expect to be trading in six months' time, but 38% are unsure, reflecting their uncertainty over future developments.

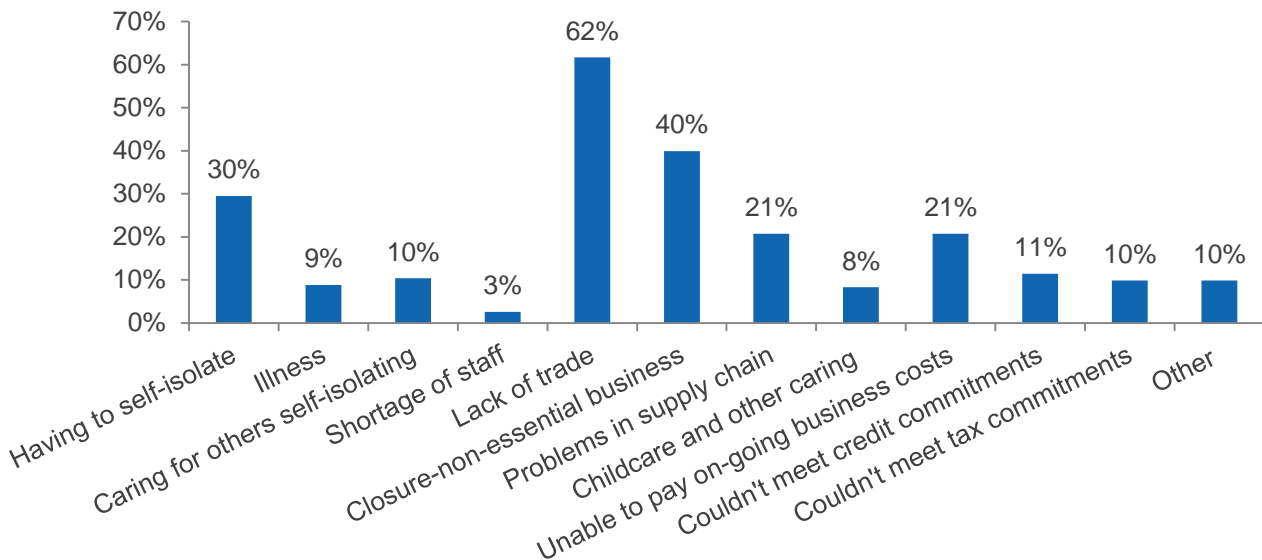


Figure 4: How businesses that are trading have been impacted by Covid-19 (Base 193)

## Falling behind on business bills

About half of respondents reported falling behind on business bills as a result of the impact of Covid-19. Of this group, 29% have fallen behind with business rent whilst 21% have struggled to repay accountants or solicitors fees and 16% have fallen behind with payments to their supplier, putting future trade at risk. To exacerbate the problem, 20% have themselves been impacted by late payments.

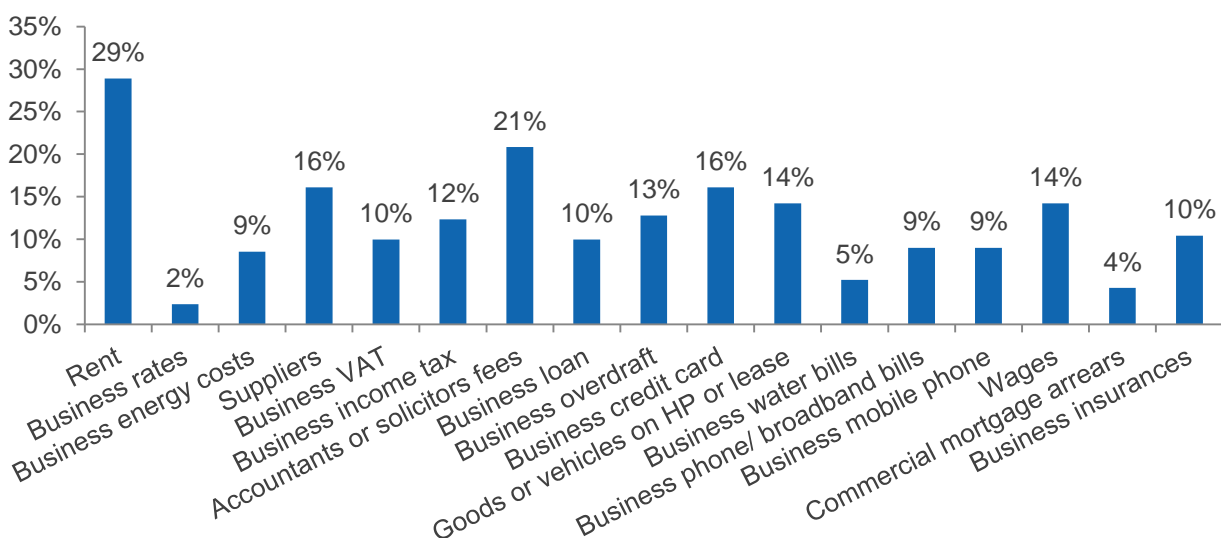


Figure 5. People falling behind with business costs due to Covid-19 (Base 211).

## Those with staff face added challenges

Only a fifth of respondents to this survey employ staff (fairly typical for Business Debtline clients). 28% of those have laid all of their staff off, a further 4% have laid some staff off, 26% are continuing to employ their staff and 26% have furloughed some employees. Almost half (47%) are unsure if they will be able to keep staff on, a sign of the uncertainty small businesses face.

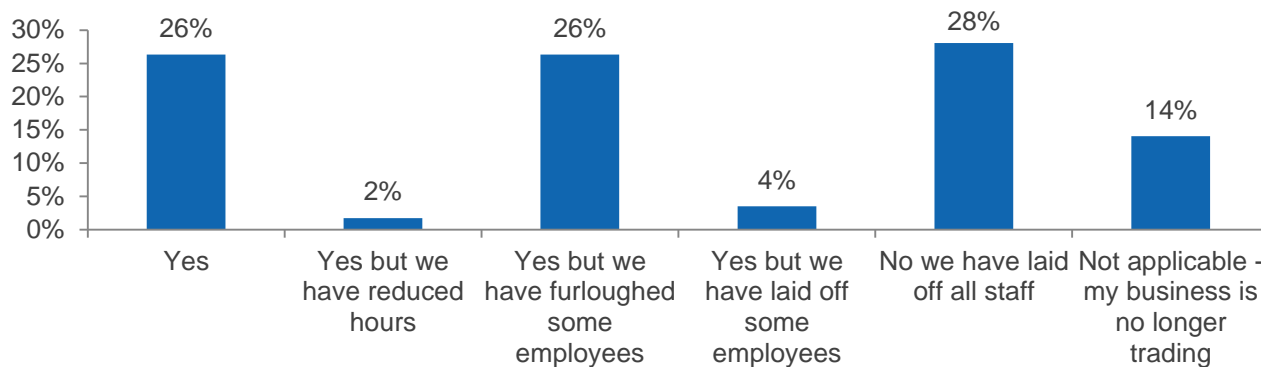


Figure 6. *Impact of Covid-19 on businesses employing people; respondents were asked if their business was still employing people following the Covid-19 outbreak (Base 57 - note small base).*

## Many are accessing support from government and creditors

As with National Debtline, almost half of respondents have received Universal Credit, and of those, 16% applied for an advance payment. Of those, 94% were successful.

22% of respondents have requested mortgage payment breaks compared to 11% of National Debtline respondents, reflecting the greater propensity for Business Debtline clients to be in mortgaged property. However, forbearance requests are higher than for National Debtline clients, with 18% asking for a payment break on personal credit compared to 13% of National Debtline respondents and 11% asking for a council tax payment break compared to 8% for National Debtline.

One in three (32%) were, at the time of the survey in May, expecting to receive help from the Government's Coronavirus Self-employment Income Support Scheme. Some were seeking support from the Job Retention Scheme on other paid employment. However, owner-directors – who account for nearly a third of Business Debtline callers overall – are not receiving the same level of support as their dividend income is not supported through either scheme. Along with the newly self-employed, this represents a significant gap in the support available.

*'My work just stopped overnight and I had to sign on to Universal Credit.'*

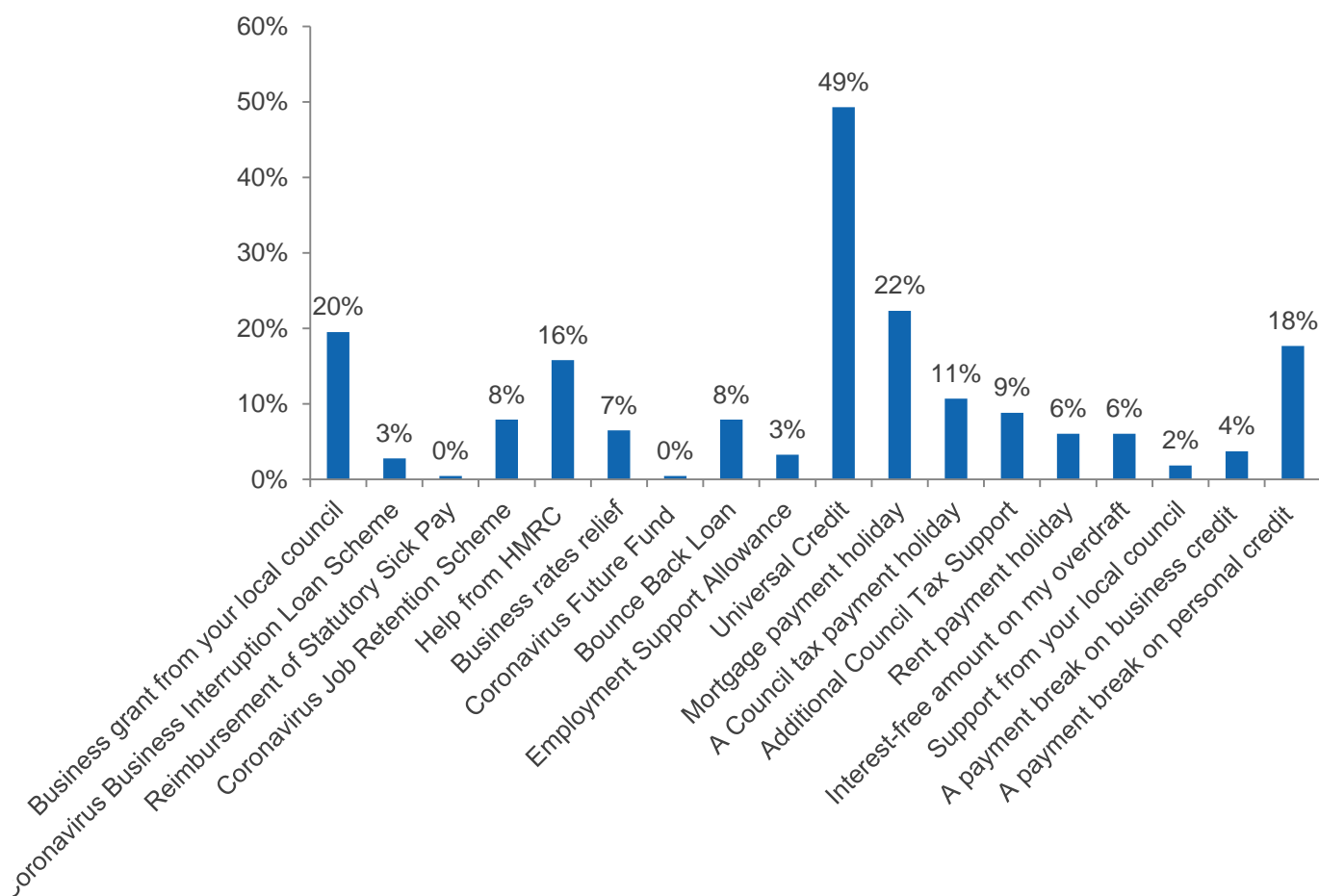


Figure 7. Support received due to impact of Covid-19 outbreak (Base 215).

*‘[Coronavirus] has stopped my income and due to the regulations I am not entitled to help on the furlough or self-employment scheme which is just ridiculous to be caught in the middle after paying tax for almost 40 years.’*

*‘I had to battle very hard to get housing benefit from the council. I had to contest their original decision over months while being very ill with suspected coronavirus.’*



## Falling behind with household bills

While almost a third were up-to-date with their bills before Covid-19, there are signs that people are falling behind due to the outbreak. About 50% of respondents had already fallen behind on household bills. Of those, council tax is the most common household bill in arrears with 41% missing payments because of Covid-19. Energy bills are also being missed, as are rent, water and mortgage payments.

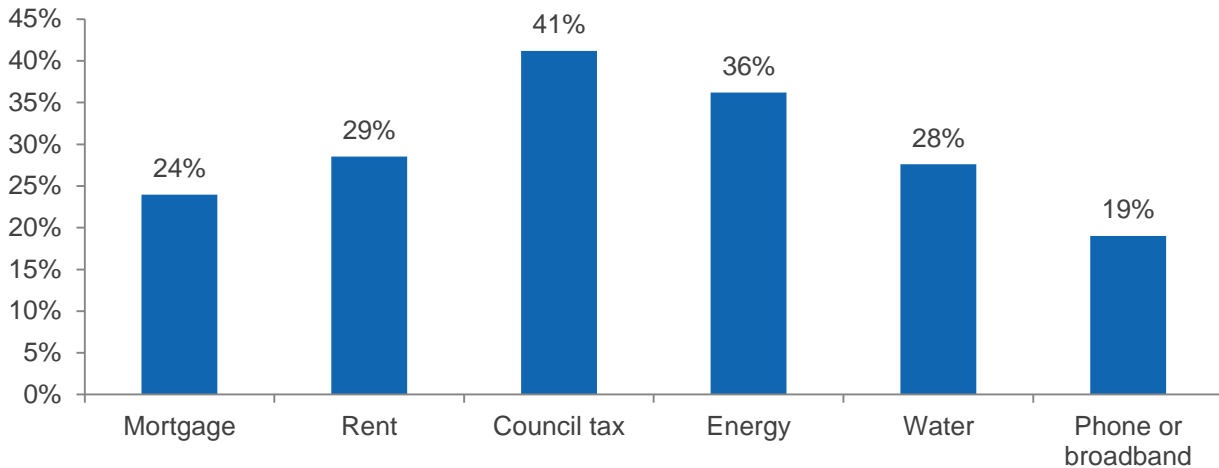


Figure 8. People falling behind with household bills as a result of Covid-19 (Base 174).

About half of respondents also reported missing credit payments. The majority of people missing credit repayments have fallen behind with a credit card (62%) and over a third have missed loan repayments. 17% have gone into an agreed extended overdraft whilst 15% are now in an unarranged overdraft.

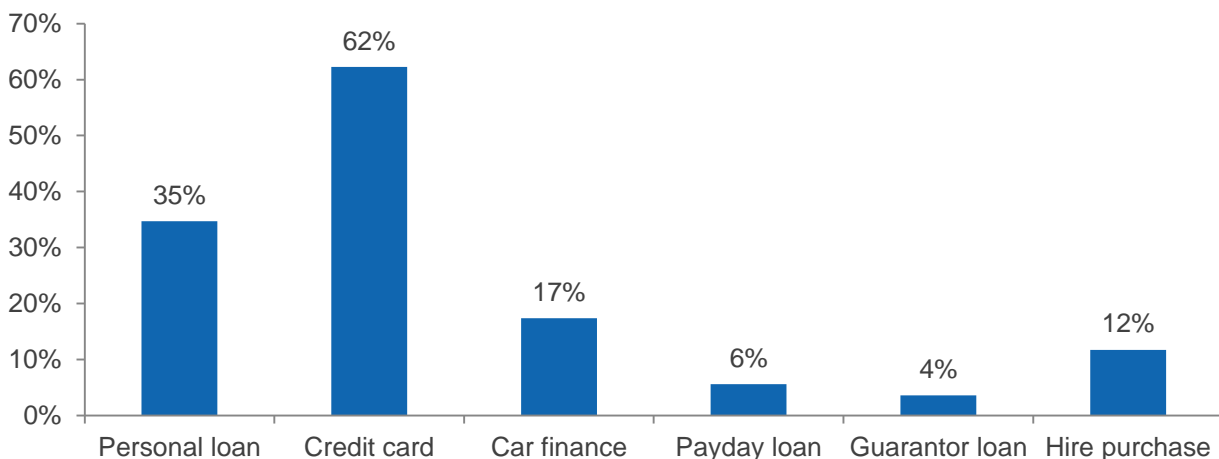


Figure 9. People falling behind with credit debts as a result of Covid-19 (Base 196).

## Half have no plan for getting their finances back on track

Half of respondents have a plan to get their finances on track, but 48% are without a clear idea of what to do. Of those with a plan, the majority are planning to restructure their business model, 27% plan to do a budget and a quarter are looking at ways to make their money go further. 22% intend to work as an employee and 19% plan to get a second job to supplement their income. As with National Debtline clients, these measures could be challenging for people to achieve in the current climate, and they may need more support to get their finances back on track. Almost one in five (18%) plan to seek debt advice, higher than National Debtline respondents.

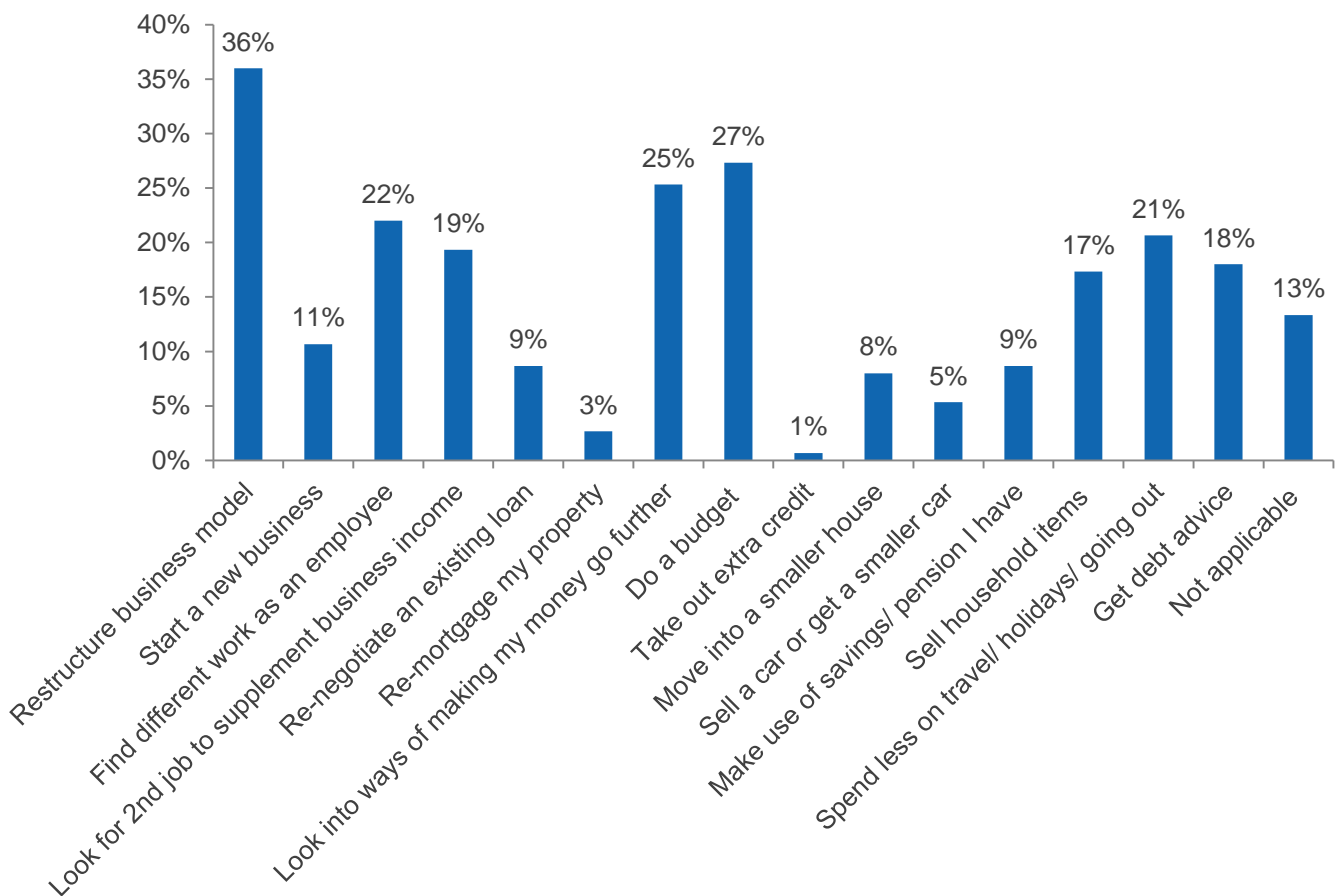


Figure 10. Plans to get finances back on track (Base 150).

## Existing debt arrangements have been affected

A third of respondents had negotiated, or were in the process of negotiating, a solution with their creditors. When asked for any further comments on how their existing debt situation has been impacted by the Coronavirus outbreak, 13% of those responding specifically mentioned not being able to keep up with repayments, with a further 17% saying their debt problem had got worse. One in ten said their payments had been put on hold.

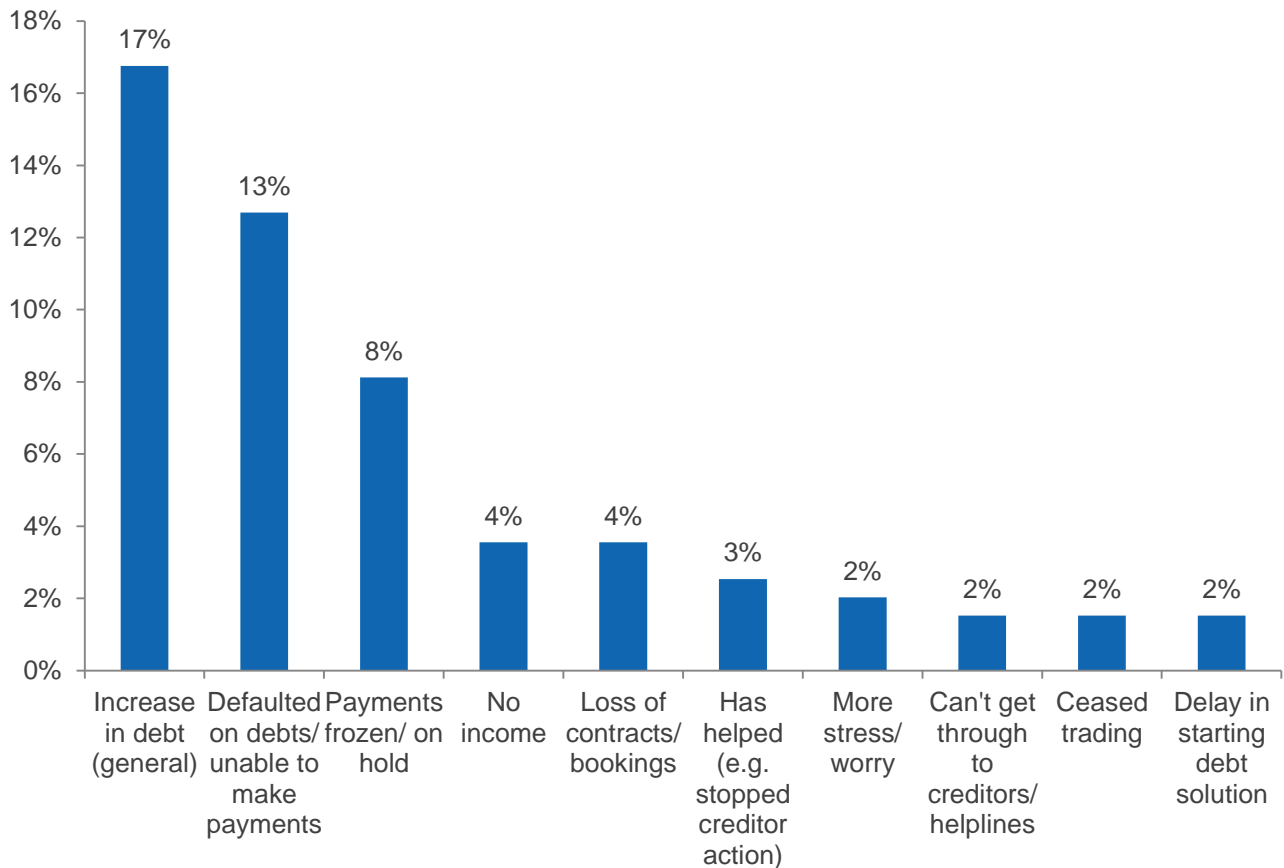


Figure 11. Impact of Covid-19 on existing debt (Base 197).

*‘The massive downturn in trade during the pandemic has put the brakes on me looking to increase the amounts on my current repayment plan in the future.’*

*‘Yes, my ability to pay off what I owe, which [a Business Debtline adviser] helped me formulate, has disappeared, at least for the time being.’*

*‘My anticipated income in March, April, May, June from self-employed tour guide work is zero. So I cannot make offers to make increased payments.’*

Attitudes towards the responses they received from creditors were mixed, with some praising the response they had received while others were sharply critical. However, most of the creditors named were cited as 'good' by some respondents and 'poor' by others, suggesting there may be some inconsistency in approach, or at least in the way queries and requests for support are handled across organisations.

*'We have written to them explaining how much the coronavirus has affected our business and they seem to understand.'*

People are worried about the future

Respondents reported being worried about how they will continue to trade, pay their bills, stress and health problems, depression and feeling suicidal due to a sense of hopelessness. Many cited concerns about how they will ever catch up with their finances and the impact on the economy as a whole.

*'As a sole trader operating a taxi there was no way that I could have stopped. I have to provide for my family, at a risk I know ... I have been carrying on putting myself at risk of Covid-19 because I have to work. The help for sole traders like myself and many other drivers has been left far too late to make any impact...very sad.'*

# What our advisers are hearing

In this section we present a snapshot of what our advisers at Business Debtline have been hearing during the first three months of the Covid-19 outbreak.

## Demand for debt advice expected to surge

The need for our Business Debtline service remained high into early April, as people in self-employment faced real uncertainty about what support was available to them. This became clearer with the introduction of the Self-Employment Income Support Scheme, small business grant funding via local authorities, Bounce Back Loans and other support. However, we have continued to support high numbers, in line with seasonal trends, on our phone lines. This is partly due to the complexity of people's situations and the uncertainty they face, but also partly because Business Debtline, like National Debtline, is contacted by more people than we are able to help in normal times (even more so than National Debtline).

Positively, while there was some drop in calls coming into the service, we have been able to support most people contacting us at this time. We know our help will be in even greater demand in the months ahead and are currently growing our services so we will be able to support more people.

We also saw a spike in visits to our website in March and early April which would have translated for some into subsequent webchat sessions. Website visits have fallen slightly below what we would have expected for this year, but remain at similar levels to last year<sup>3</sup>.

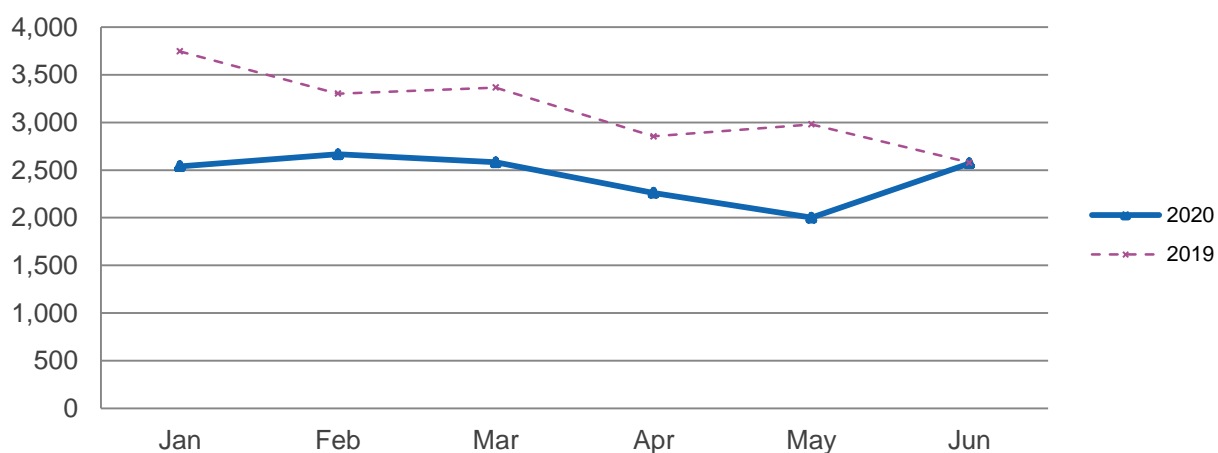


Figure 12. Business Debtline clients helped by phone

<sup>3</sup> Other factors such as staffing levels, staff absence for childcare or illness and temporary changes to service hours will also have impacted on numbers.

## Reasons for financial difficulty are changing

Coronavirus is now the main reason cited by people contacting Business Debtline for their financial difficulties (this was a new flag added to our reporting system in March). At the start of April, almost 70% of callers had been impacted. Although this has fallen back slightly, it still accounts for the main reason for financial difficulties cited in 56% of cases – significantly higher than at National Debtline (13%).

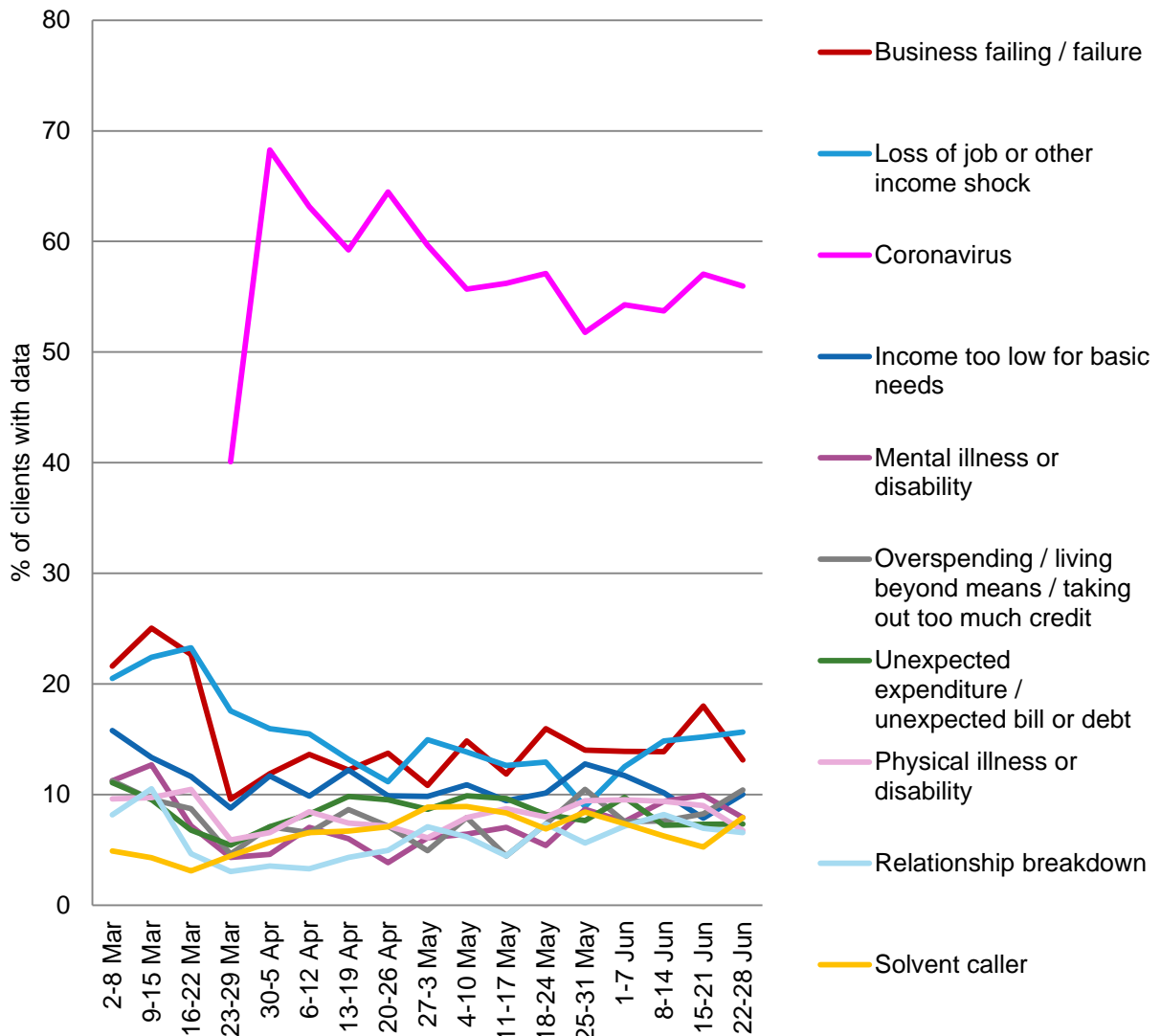


Figure 13. *Main reason for financial difficulty (Coronavirus added in mid-March)*

In March, we saw a significant increase in people needing help with advice on ways to increase their incomes and reduce their immediate outgoings, whilst they awaited announcements on support measures. Many saw their household incomes disappear overnight. Subsequent announcements have meant we are seeing fewer people needing guidance on this area compared to the peak. However we continue to provide advice to self-employed people and small business owners who have fallen through the gaps in government support schemes.

## The nature of support needed is changing, too

Advice on formal debt advice solutions such as debt relief orders (DROs) and bankruptcy dipped, particularly at the start of the Coronavirus outbreak, although there was a peak for debt management plan (DMPs), individual voluntary arrangements (IVAs) and DROs at the end of March. Solutions based advice has now slowly started to increase again. The need for advice on how to informally negotiate reduced offers of repayment with creditors significantly increased in March before some creditor forbearance measures were announced.

However, the decrease in the need for advice on how to deal with creditors has been significantly less marked for Business Debtline than for National Debtline clients. This suggests that some self-employed people and small businesses owners are still struggling to access the support from creditors on their business and personal debts afforded to their employed counterparts.

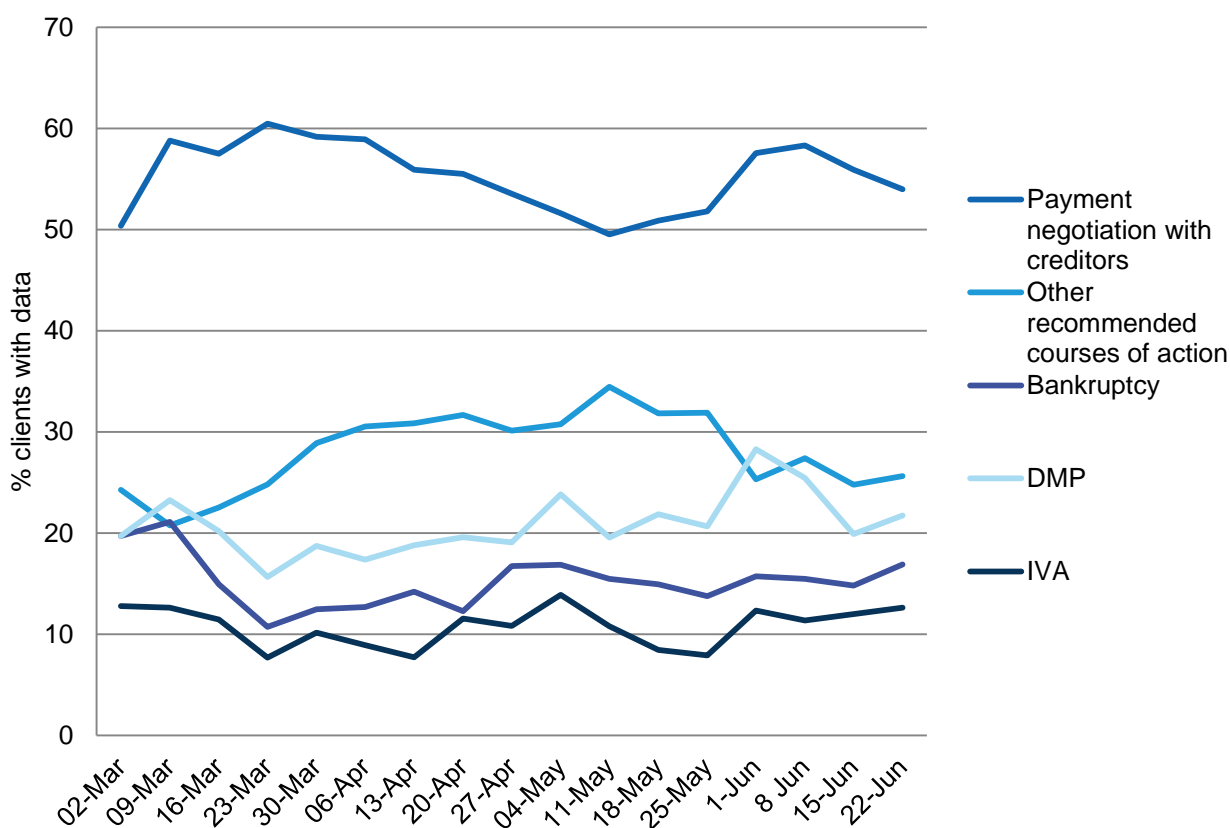


Figure 14. Solutions discussed with people (top 5)

At the same time as levels of solutions-based advice dropped, we had been providing increased support to people to help them manage with immediate, temporary income loss. This included a large growth in the numbers of people we were advising on asking creditors to hold action – often seen as a temporary measure. Although this has dipped slightly in April, it remains significantly above pre-Coronavirus levels. Similarly, unlike National Debtline, we continued to support

people to deal with court action. Whilst this has taken a dip since mid-April, we expect to see the need for this advice to continue.

In mid-March, we also saw a spike in the numbers of people we were speaking to about budgeting to manage their situation as people sought immediate help as a result of an income shock. Whilst this dropped since the peak in March, it has shown signs of increasing again in May as those self-employed people eligible for the Self-Employment Income Support Scheme waited for their payments to arrive in mid-May. We also continue to help those self-employed people who are not eligible for this support scheme and are continuing to struggle without adequate income.

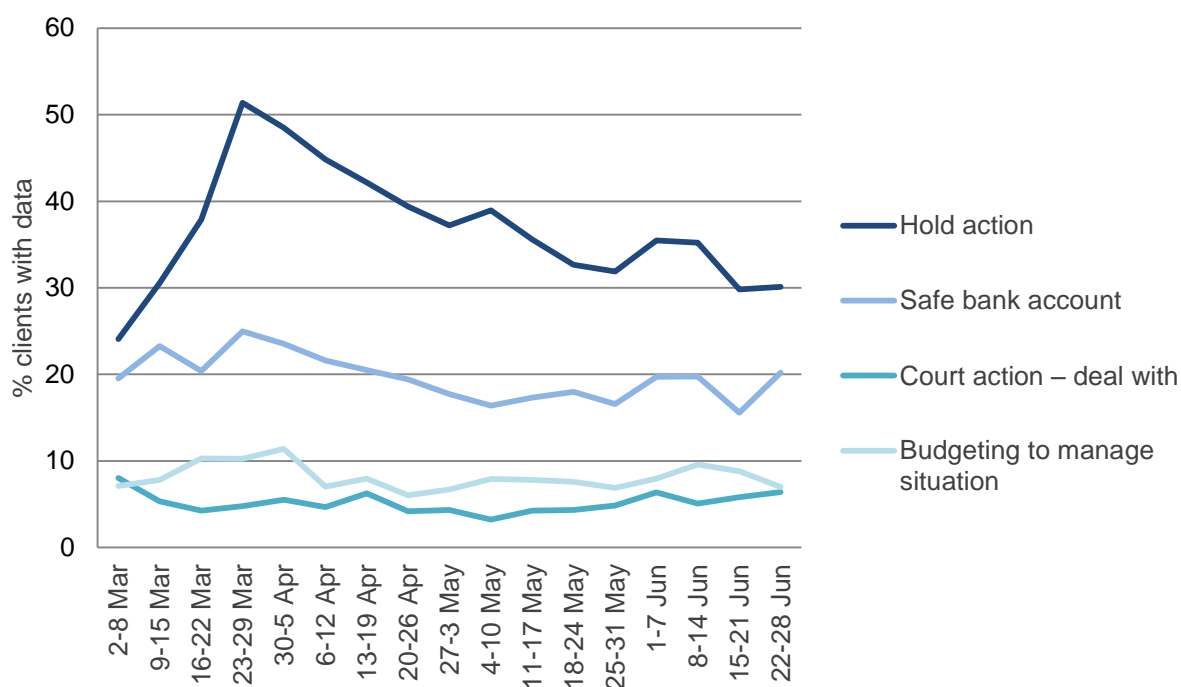


Figure 15. Advising clients on non-solutions based options

### Clients and their debts

The employment and accommodation statuses of clients has remained broadly similar since the beginnings of the outbreak.

The one exception was a slight drop in the number of full and part-time employed people contacting the service, reflecting the greater financial impact of Coronavirus on self-employed people.



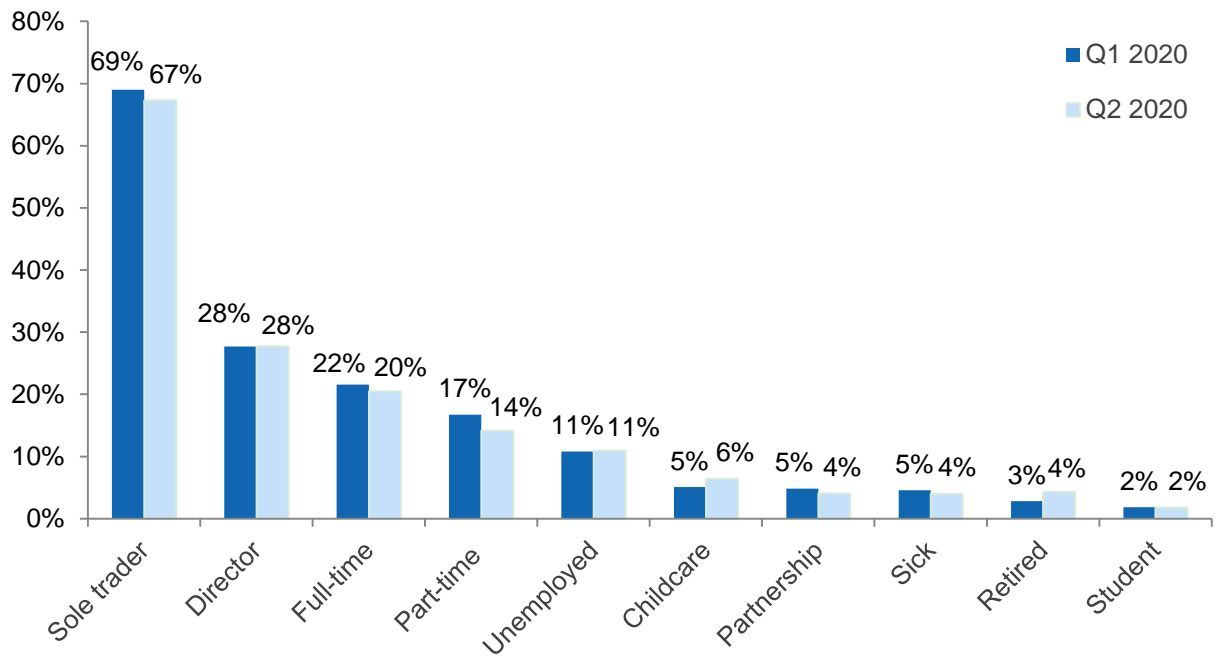


Figure 16: *Employment status (2020 callers - multiple selections possible)*

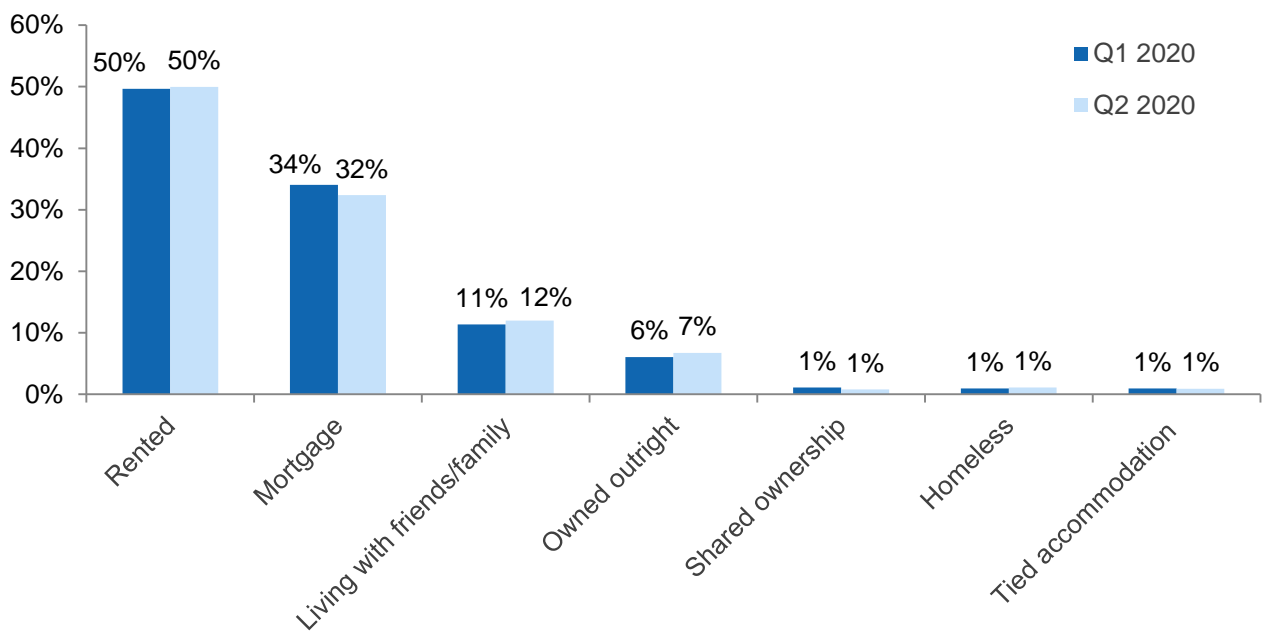


Figure 17: *Accommodation status (2020 callers - multiple selections possible)*

We have seen a sharp dip in clients calling us with priority debts since March as forbearance measures have kicked in. In particular, council tax, vehicle contracts and income tax have fallen. A significant proportion of calls around council tax are typically driven directly by the action of council and enforcement agents, and the government’s temporary ban on bailiff visits is a significant driver of this trend. Having fallen at the beginning of March, energy debt increased sharply at the end

of April. Rent arrears have also increased, reflecting the challenges for non-homeowners.

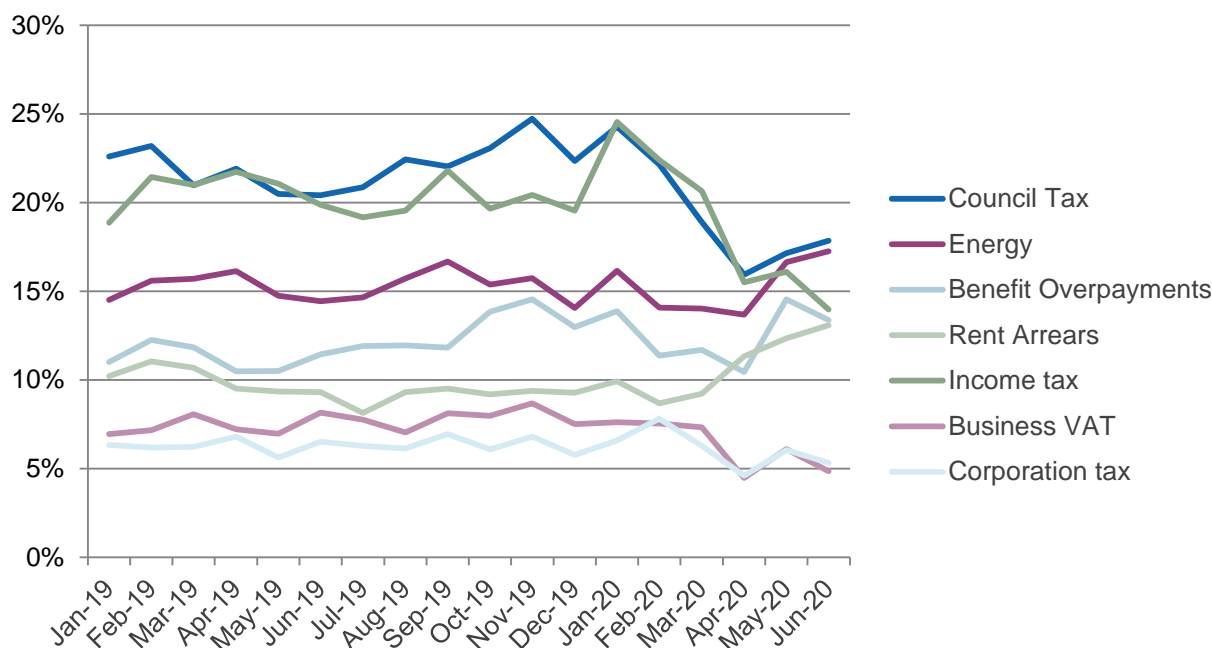


Figure 18. Priority debts (January '19-June '20 callers)

As with priority debts, we have seen a drop in many non-priority debts as a result of people making use of payment breaks. Credit cards, overdrafts and loans have all taken a noticeable dip – though credit cards and loan began to rise again in June.

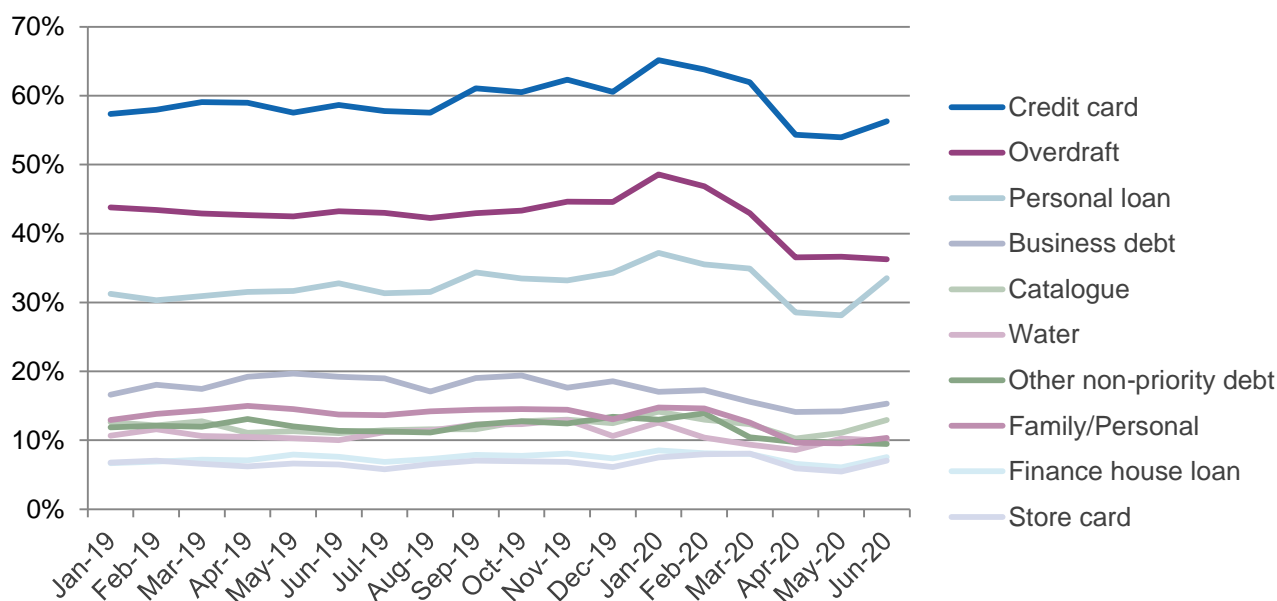


Figure 19. Non-priority debts (January '19-June '20 callers)

Worryingly, our advisers report that some clients are not always aware that with payment breaks they will still be expected to pay back the money they owe at a future date, which will likely increase the repayment amount, or extend the term of

the debt. Since March, we have seen a spike in the number of clients with three to five debts and a resurgence in those with one to two debts, as well as a rise in the number of people calling us with smaller debts, reflecting the fact that more clients are contacting us about a single issue (such as an old disputed debt or a single parking penalty).

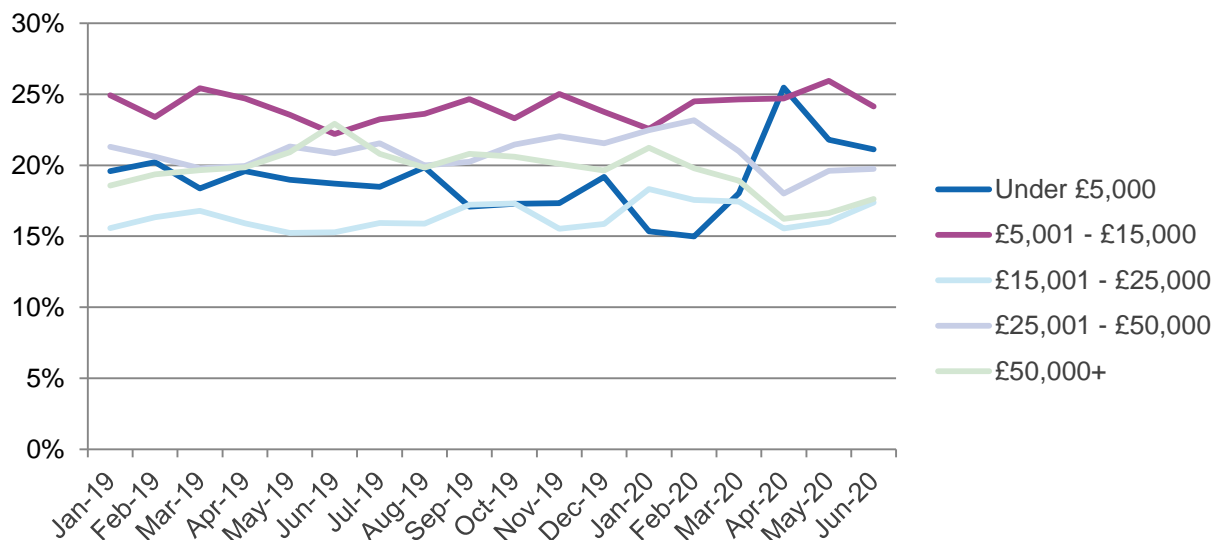


Figure 21. Amount of debt (January '19-June '20 callers)

## The Money Advice Trust

The Money Advice Trust is a charity formed in 1991 to help people across the UK tackle their debts and manage their money with confidence.

**MONEY**  
**ADVICE TRUST**

---

[www.moneyadvicetrust.org](http://www.moneyadvicetrust.org)

The Money Advice Trust is a registered charity number 1099506.

A company limited by guarantee. Registered in England and Wales, number 4741583.

Registered office: Money Advice Trust, 21 Garlick Hill, London EC4V 2AU.

© Money Advice Trust 2020