

## **Breathing space for those in debt**

The Government has recently published a story on its website announcing that a new 'breathing space period' will freeze interest, fees and enforcement for people in problem debt, with further protections for those in mental health crisis treatment.

The article stated that millions of people with problem debt - including those facing mental health problems, will be helped by the government to get their finances under control. A 60-day breathing space period will see enforcement action from creditors halted and interest frozen for people with problem debt. During this period, individuals will receive professional debt advice to find a long-term solution to their financial difficulties. People receiving mental health crisis treatment from the NHS will also receive the same protections until their treatment is complete, in acknowledgement of the clear impact problem debt can have on wellbeing.

The impact assessment for breathing space forecasts that it will help over 700,000 people across the UK get professional help in its first year, increasing up to 1.2 million a year by the tenth year of operation. Of this, 25,000 to 50,000 people in mental health crisis treatment are expected to benefit from breathing space every year.

According to StepChange Debt Charity two of the most common forms of debt come from credit cards and council tax arrears. So, as well as covering debts such as credit cards and loans – it is hoped that breathing space will also cover a wide range of government debts. Creditors will also benefit, with over £400 million in extra repayments expected in the first year, as individuals get the support they need to get their payments back on track.

The announcement builds on previous government work to alleviate the impact of problem debt, including reforming regulation around consumer credit, widening access to professional debt advice and helping build individual financial resilience. The scheme has been welcomed by debt charities and will start in 2021 if approved by Parliament.

“Problem debt can have a devastating impact on people’s lives, putting a huge burden on individuals which can lead to family breakdown, stress and mental health issues,” said John Glen, Economic Secretary to the Treasury. “No one should be stuck in an endless cycle of debt and facing the ever-looming threat of invasive debt collectors. That’s why I’m introducing this new scheme, giving everyone access to the advice, time and support they need to both get their finances under control and get away from the perpetual stress and worry debt can cause.”