

# RESET THE DEBT:

## A JUBILEE FOR FAMILIES HIT BY COVID19

**The COVID19 crisis has seen overall household debt decline – but the debt of the poorest has risen. This debt will perpetuate social and health inequalities for years. As we look at the kind of future society we want to build, we see this as moment when Churches, charities and others could build a Jubilee movement to help the poorest household to be released from COVID debt.**

### THE PROBLEM:

COVID19 has led to many families racking up large debts through no fault of their own. The shutdown of the economy led to over a quarter of UK adults (approximately 14million people) experiencing a loss of income. A broad swathe of families are being affected, but those who are younger, in lower paid jobs and those caring for children are most likely to be affected. These same families were already in the least financially resilient position and the least likely to have savings.

Debts are being built up by borrowing often through credit cards (average APR 20.24%) or overdrafts (APR 15-40%). Arrears are also being built up most frequently through utilities bills (1.2 million people), Council Tax (800,000 people) and most seriously rent (600,000 people). These numbers are likely to increase as the crisis progresses.

Temporary measures are in place stopping evictions and bailiff visits (but not letters and phone calls), and repayment holidays from lenders are encouraged. These are welcome but only delay the problem rather than solve it. In August evictions are set to recommence and thousands of families will face the fear and stigma of losing their homes through no fault of their own

It is widely recognised that the health and economic effects of COVID19 have fallen most heavily on the least well off. These debts will magnify and perpetuate this unequal impact over the next years and even decades, denying opportunity to already disadvantaged young people.

As things stand already disadvantaged families will be held back by debts and arrears as the lockdown winds down. Repayments, rescheduling and late possible write down of debts will create insecurity and uncertainty for years – holding back both the families and their creditors. Policy change to prevent these damaging and unjust consequences is needed.

Radical action is necessary, possible and affordable.

### THE SOLUTION?

We believe that resetting family debts accrued solely because of the pandemic offers a just and affordable solution to this problem and provides families with a solid platform from which to face the uncertain post-lockdown economy.

At the turn of the millennium, the Churches offered the biblical concept of Jubilee to a debt-burdened world. Jubilee meant that those held down by the chains of debt could be released to begin again. The Jubilee Movement led to the cancellation of \$130 billion of debt owed by the global South.

Could there be a Church-led movement for the cancellation of COVID19-triggered debt for the poorest families in this country?

In 2010, after the economic crash, the Government bought up the bad debt of business to help the economy survive. Ten years later, could the same mechanism be used to help people flourish? This time it is easier, as negative interest rates mean that government borrowing is cheaper.

The total amount of relevant debt is estimated to be £6 -8 billion. While that number is large it represents less than 2.5% of Guaranteed Loan Scheme that helps business weather the COVID storm. On average since the start of the crisis, the Bank of England has printed that amount of new money each week.

Buying up debt would also have positive effects on the wider economy. Creditors such landlords and local authorities would be freed from the difficult and uncertain process of debt recovery, while families would get the opportunity to plan for the post-lockdown economy without the burden of more repayments or costly enforcement action.

## WHY CHURCHES?

Churches have a long history of working on poverty and inequality, including campaigning for debt write off (the Jubilee 2000 campaign for international debt write off being the key example). The biblical tradition of Jubilee – a cycle of debt amnesty proposed in the Old Testament – is one of many economic principles explored in the bible. It provides a foundation for exploring ethical lending practices, and a perspective of debt liberation founded on a view of each person's value in the eyes of God. A campaign on debt amnesty founded by churches offers a moral, ethical and faith based perspective on addressing the inequalities caused by COVID19, and builds on Christian campaigning on issues of poverty and inequality. It will be enriched and broadened by working with faith based and non-faith based partners.

## SO IN SHORT:

### THE CAMPAIGN:

Reset the Debt: A Jubilee for families hit by Covid19

### THE AIM:

To persuade the Government to buy up the bad debt owed to landlords, banks, utilities and mortgage companies (with possibly a few others) to release families from debts which were caused by COVID19.

### THE JOINT PUBLIC ISSUES TEAM

The Joint Public Issues Team is the Methodist Church, the Baptist Union of Great Britain, the United Reformed Church and the Church of Scotland working together on issues of peace and justice. We work to equip Christians to act and pray on issues of injustice, resource churches to reflect and campaign effectively, help our Churches to speak out with a distinctively Christian voice on injustice.

### POTENTIAL COALITION PARTNERS:

We are seeking support from, amongst others: Churches, Church debt charities, charities working on poverty and inequality, people with experience of debt; supportive economists, thinktanks; organisations working on housing policy.

### THE STRATEGY:

To activate churches, church members and others who want to make a positive difference for those trapped by debt as a result of COVID to call for a reset of COVID related debt. Using research as well as the powerful biblical imagery and memory of Jubilee to enable a popular campaign, raising awareness with MPs, and through them the Chancellor, to introduce a Jubilee scheme.

We would invite other organisations to engage with the campaign with varying levels of commitment, from co-designing and promoting actions to adding a signature to a campaign letter. The secondary aim is highlight the issue of household debt, the need for some form of jubilee and to create an environment where positive policy responses such as protections from eviction and better regulated debt enforcement practices are more likely.

#### TACTICS:

- Root the messaging in the acknowledged inequalities of the pandemic
- Active support from our denominations
- Coalition-building with other organisations
- Conversations with stakeholders, eg people with experience, economists, Treasury
- Production of resources:
  - report as foundation for campaign
  - a simple version
  - FAQs to tackle difficult challenges
  - Resources for churches to explore the campaign, including small group discussion resources.
  - Template letters for MPs
- Social media campaign – based on stories of experience
- Media campaign
- Other attention grabbing activities...

#### TIMING:

This campaign is urgent. The furlough scheme starts to wind down in October. The moratorium on evictions ends 23<sup>rd</sup> August. This means that a public campaign launch in mid-September would be appropriate. The foundations of coalition building, seeking denominational support and material production would obviously need to take place well before then.

#### RISKS:

- It won't be an easy sell. There will be resistance to the idea of letting people off debt when "hard working people" have "done the right thing". We will need to work hard to counter these narratives, and promote a shared value of fairness.
- The economics will frighten many people. The country is hugely in debt, why should we take on more? We will need to include some economic messaging, but keep to our main moral message
- The need for debt relief in the global South is still huge, and the impact of COVID19 on many developing countries is potentially horrendous. We may be challenged as to why we are "stealing" Jubilee for the UK. The challenge is to demonstrate that it is not either/or and seek to work closely with groups who have worked on this.
- It's a huge ask, and we may well not win, let alone persuade coalition partners to join us. We will need to ensure that supporters do not become discouraged if only lesser aims are achieved.

This proposal is currently being discussed with a range of friends, partners and experts. It is not for wider distribution, but if you have any comments and questions please contact:

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The Joint Public Issues Team: churches working for justice and peace

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