SAVVI Financial Hardship Guide

Financial Hardship Definitions, Figures and Sources

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SAVVI
Scalable Approach to Vulnerability via Interoperability

improvement service

Financial hardship definitions, figures, and sources

This resource lays out the definitions of different measures of financial hardship and provides some headline figures to illustrate the scale of the issue in Scotland. Some statistics are only available at the Great Britain level, so those are labelled as such for clarity.

When reading these figures, keep in mind that national statistics show the scale of the problem but are not a precise count. They are sample estimates, so shifts of a point or two should therefore not be read as real change. However, they remain the best available national estimates and the basis on which national progress is assessed.

Anyone quoting the following statistics should also be aware of some recent methodological changes that have impacted on our ability to compare relative and absolute poverty rates over time:

1. Statistics drawn from the *Scottish Government, Poverty and Income Inequality in Scotland 2022-25* document are "official statistics in development", not accredited official statistics. DWP's UK-level outputs remain accredited because of their larger sample.
2. Survey responses are now linked to administrative records. Most benefit income and tax credit figures in the Family Resources Survey have been replaced with DWP's own records, correcting a long-standing undercount. This breaks the series at 2021/22, so earlier and later figures are not directly comparable. Scotland's devolved disability benefits are not yet included in these linked records.
3. Two further revisions are due in March 2027: the data linkage will be extended back to 2018/19, and the survey results will be re-weighted against Census population data. Both may change the reported rates again.

Child poverty

Definition

Child poverty refers to children living in households in Scotland that fall under one of the following four categories (all defined below)

- Relative poverty
- Absolute poverty
- Combined low income and material deprivation
- Persistent poverty

For the purposes of Scottish statistics, a 'child' refers to a dependent child. A dependent child is a person aged 0-15, or a person aged 16-19 and: not married nor in a Civil Partnership nor living with a partner, and living with their parents, and in full-time non-advanced education or in unwaged government training.

Headline Figures

- Children are the group most likely to be in poverty: 21% (210,000 children) in relative poverty after housing costs, compared with 18% of working-age adults (600,000) and 13% of pensioners (130,000).
- Three quarters (75%) of children in relative poverty after housing costs live in a household where someone is in paid work. Work reduces the risk of poverty substantially, but it does not eliminate it. The equivalent figure for working-age adults in poverty is 63%.

Information and Data Sources

Definition of Child Poverty: Child Poverty (Scotland) Act 2017
Source: Scottish Government, Poverty and Income Inequality in Scotland 2022-25

Relative poverty

Definition

A person is in relative poverty if their household's equivalised net disposable income is below 60% of the current UK median in the same year. It measures whether low-income households are keeping pace with the rest of society. Relative poverty rates fall when income growth at the lower end of the distribution exceeds overall income growth.

Headline Figures

- Around 17% of people in Scotland (940,000) were in relative poverty after housing costs; 15% (840,000) before housing costs. (March 2026, covering the three years 2022-25)

Information and Data Sources

Source: Scottish Government, Poverty and Income Inequality in Scotland 2022-25.
SG analysis based on the Department for Work and Pensions (DWP) Households Below Average Income (HBAI) series

Absolute poverty

Definition

A person is in absolute poverty if their household's equivalised net disposable income is below 60% of median UK income in a fixed reference year, uprated for inflation. It measures whether low-income households are keeping pace with the cost of living. **The reference year moved from 2010/11 to 2024/25 in the March 2026 publication;** from 2021/22 the reference year is 2024/25, and prior to 2021/22 it is 2010/11. A separate 2010/11-based series is maintained for the statutory targets in the Child Poverty (Scotland) Act 2017.

Headline Figures

- Around 18% of people (1 million) were in absolute poverty after housing costs; 17% (900,000) before housing costs. (March 2026, covering the three years 2022-25)

Information and Data Sources

Source: Scottish Government, Poverty and Income Inequality in Scotland 2022-25.
SG analysis based on the Department for Work and Pensions (DWP) Households Below Average Income (HBAI) series

Material deprivation

Definition

Whether households can afford basic goods and activities regarded as necessities; measured separately from income. The material deprivation question sets were updated from 2023/24, so estimates are two-year averages and should not be compared with earlier three-year averages.

Child material deprivation:
From 2023/24, a child is counted if they live in a family lacking 4 or more items from a list of 22 goods and services *and* with household income below 70% of the median. Prior to 2023/24 the threshold was 6 or more items from a different list of 21.

Pensioner material deprivation:
From 2023/24, a pensioner is counted if they lack 4 or more items from an updated list of 19.

(Child) Deep material poverty:

A DWP measure introduced in December 2025. A child is counted if they lack at least 4 of the 13 items judged "essential" out of the 22 child material deprivation items, where the lack is due to financial constraint rather than choice. A headline metric for the UK Child Poverty Strategy, but not a statutory target measure in Scotland.

Headline Figures

- No Scottish statistics for working-age adults due to changes in methodology.
- 11% of children in Scotland were living in combined low income and material deprivation after housing costs (10% before housing costs). A child is counted if their family lacks 4 or more items from a list of 22 and has household income below 70% of the median.
- 11% of children were in deep material poverty, a new DWP measure drawn from the 13 items judged as "essential" out of the 22.
- 9% of pensioners were in material deprivation, lacking 4 or more items from a list of 19.

Information and Data Sources

Source: Scottish Government, Poverty and Income Inequality in Scotland 2022-25.
SG analysis based on the Department for Work and Pensions (DWP) Households Below Average Income (HBAI) series

Persistent poverty

Definition

Being in relative poverty in at least three of the last four years. Measured from Understanding Society rather than the Family Resources Survey, using a different methodology, and published separately, and therefore n**ot comparable with, and not subtractable from, the relative and absolute poverty figures.**

Headline Figures

Between 2020 and 2024, after housing costs:

- 11% of people in Scotland were in persistent poverty
- children were most affected, at 17%
- working-age adults were at 10% and pensioners at 9%

Information and Data Sources

Source: Scottish Government, Persistent Poverty in Scotland

Fuel poverty

Definition

Defined fully in the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019.

In general, a household is in fuel poverty if the costs necessary for the home to meet certain heating conditions are more than 10% of the household's adjusted net income AND after deducting fuel costs, benefits for care needs or disability and childcare costs, the household's remaining net income is insufficient to maintain an acceptable standard of living.

Headline Figures

The Scottish House Condition Survey reports that in 2024 (most recent publication):

- An estimated 28.7% of Scottish households (around 732,000) were in fuel poverty, down from 33.9% (859,000) in 2023.
- 14.0% (357,000 households) were in extreme fuel poverty, down from 19.4% (491,000) in 2023.
- Fuel poverty is heavily concentrated in the social rented sector: 49% of social sector households were fuel poor, compared with 22% in the private sector. 42% of households using electricity as their primary heating fuel were fuel poor.

Information and Data Sources

Definition Source: Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019
Source: Scottish Government, Scottish House Condition Survey: 2024 Key Findings

Fuel poverty gap

Definition

Defined fully in the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019.

In general, the fuel poverty gap refers to the additional income a fuel-poor household would need in order not to be fuel poor.

Headline Figures

The Scottish House Condition Survey reports that in 2024 (most recent publication):

- The median fuel poverty gap was £1,030 in 2024, down from £1,250 in 2023.

Information and Data Sources

Definition Source: Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019
Source: Scottish Government, Scottish House Condition Survey: 2024 Key Findings

Council Tax Reduction

Definition

A means tested reduction in one's Council Tax bill (up to 100%). This is available through the Scottish Government's Council Tax Reduction Scheme. The scheme is managed locally by councils.

Headline Figures

- Scotland had 458,950 CTR recipients in March 2026 (up from 458,120 in March 2025).
- In March 2026:
    - the majority of CTR recipients (57%) were in one of the 30% most deprived areas in Scotland
    - over a third (36%) were aged 65 and over
    - a sixth (17%) were lone parents
    - over four-fifths (87%) had a 100% reduction

Information and Data Sources

Definition Source: Council Tax discounts, exemptions and reductions
Breakdown by Local Authority from SG Local government finance: statistics

Problem Debt

Definition

Having liquidity problems, solvency problems or both.

A liquidity problem is defined as falling behind with bills or credit commitments **while also being** in two or more consecutive months of arrears on those commitments, **or** having a household debt repayment to net monthly income ratio greater than 25%.

Solvency problems are defined as a household containing at least one individual who feels that their debt is a heavy burden, while the household also maintains a total debt-to-net-annual-income ratio of greater than 20%.

Headline Figures (GB)

ONS data on household debt in Great Britain show that in 2022 (most recent data):

- 4% of GB households (1,055,000) were in problem debt
- 50% of GB households held financial debt, totalling £144bn

Information and Data Sources

Source: ONS, Household debt: wealth in Great Britain

Universal Credit deduction

Definition

An amount taken off a household's monthly Universal Credit entitlement to repay a debt owed to government or a third party.

Headline Figures

In February 2026, in Scotland:

- 310,000 Universal Credit households - 51% of all UC households in Scotland - had one or more deductions taken from their entitlement. This is against a UK average of 46%.
- £16 million was deducted from Scottish households in that single month, at an average of £51 per affected household.

Information and Data Sources

Source: DWP, Universal Credit deductions statistics, June 2025 to May 2026.