

Cost of living crisis explained

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Since late 2021, the term ‘cost of living crisis’ has become one of the most talked about headlines as the price of goods and services continue to increase in an economic disaster that has driven millions of households into fuel poverty and, in some cases, debt.

The UK is experiencing the biggest cost of living crisis in a generation as inflation soars to a 40-year high. Scotland has introduced measures to help households struggling with record-breaking price hikes but with further help needed, families are growing increasingly worried about being able to feed their families and heat their homes as the cost of living increases.

So, what is the cost of living crisis, and should you be worried?

In this guide, we'll explain:

- What the cost of living crisis is
- What the cost of living crisis has affected
- The cost of living crisis in numbers
- How to manage the cost of living crisis
- What support is available to help with the cost of living crisis



What is the cost of living crisis?

The cost of living crisis refers to the period since late 2021 when the cost of a wide range of goods and services has risen whilst wages have remained relatively unchanged or at the same level.

Because of this, most people have seen their disposable income drop and the value of their savings fall as the pound in their pocket fails to grow at the same rate as the basic price of everyday items and, as a result, loses value in real terms.

This has led to a growing number of households struggling to cover the cost of a wide range of essential items, such as food, fuel and utilities.

The UK has implemented measures to tackle the cost of living crisis but has been accused of failing to recognise the inequalities facing different parts of the UK, including Scotland, with only 52% of people in Scotland confident their current household income can maintain their current lifestyle compared to 72% of people in London.

*Legal and General Rebuilding Britain Index



What has the cost of living crisis affected?

Energy



The cost of living crisis has been partly driven by high wholesale energy prices and this has led to consumers being slapped with a higher annual energy bill to cover the cost. In Scotland, the average household is also charged more than the average household in England and Wales due to transmission charges to access the National Grid.

Housing

Scotland has been experiencing unprecedented demand for housing since the cost of living crisis took hold. This has resulted in people struggling to find a suitable place to live or finding it difficult to afford their monthly rent or mortgage payments which, for some, is a slippery slope to debt.



Fuel



The price of fuel has risen because the price of crude oil (used to make petrol and diesel) has increased and with suppliers struggling to keep up with demand, motorists up and down the country have faced record-breaking prices at the pump.

Food

The cost of food has risen in line with soaring inflation with families switching up their shopping habits in a bid to slash their grocery bills. However, with the cost of energy, packaging and transportation still on the rise, prices are expected to keep climbing.



Travel



Scotland has introduced temporary measures to reduce public transport costs but with the fallout of the pandemic still impacting ticket prices and fuel still at an all-time high, travel is unlikely to return to normal as long as the cost of living is rising.

Cost of living crisis in numbers

The cost of living crisis has impacted almost everyone with millions of households already struggling to make ends meet. According to the latest Understanding Scotland Report:



87%

of people believe the cost of living crisis will trigger a recession

73%

of people believe the Scottish Government hasn't done enough to help people

95%

of people think energy companies haven't done enough to help people

30%

of people that have taken on credit have also depleted their savings

91%

of people expect the cost of living crisis to get worse before it gets better

27%

of people are skipping or cutting down on meals to save money

81%

of people think things will get worse over the next year

94%

of people think the effects of the cost of living crisis will continue to be felt for a number of years

Furlough sparked cost of living crisis for Edinburgh dad-of-one

Santiago was forced into debt when his furlough and sick pay didn't stretch far enough to cover food and bills.

Santiago moved to Edinburgh because he thought it would be the best place to raise his daughter.

However, when the COVID-19 pandemic struck, the 39-year-old was left struggling to make ends meet.

He then had to deal with the breakdown of his relationship and a shoulder injury that left him unable to work and, within a matter of months, he racked up debts of over £3,000.

The dad-of-one was already struggling to cover the cost of food and bills but when a £800 gas and electricity bill arrived out of nowhere, he decided enough was enough and reached out for help before things escalated.

The cost of living crisis exacerbated his financial situation and, before he knew it, he was paying £400 here and £450 there just to maintain his home and keep a roof over his head.

"I had a couple of bills that came out of nowhere," he said.

"In the end, it wasn't my decision to get into debt but it was my decision to fix it."

Santiago, who worked as a chef before being placed on furlough in 2020, was entitled to sick pay but at just £90 a week, his income wasn't nearly enough to cover his expenses which, at this point, were over £300 a week.

He was also working over 60 hours a week to try and bridge the gap between his income and his bills but when this still wasn't enough, he swallowed his pride and reached out to Carrington Dean for help.

Since entering a Debt Arrangement Scheme (DAS), he has been able to reduce his monthly payments into a single affordable amount and spend more time with his daughter which, for a long time, wasn't possible due to his mounting debts and hectic work schedule.

But for someone that's always worked hard to provide for his family, he doesn't feel embarrassed about asking

for debt help or talking about the circumstances that led to him getting into debt in the first place.

"I don't feel ashamed," he said.

"For me, it's been because of circumstances that weren't my choice."

He also said that, despite wishing it didn't escalate to the level it did, he has been outspoken about his financial situation from the very beginning and will answer any questions his daughter has as openly and honestly as he can.

"There's no point in hiding things from my daughter, kids are very clever and will know when there is something going on."

Now, he is urging people that are struggling with their finances or have ignored their debts for too long to get the help they need before their situation spirals out of control which, for him, was something that he was able to prevent by reaching out for debt help sooner rather than later.

It has changed his mindset and, more importantly, helped him focus on being a father to his young daughter who, he says, feels like was born "just yesterday."

"It has helped me breathe better," he said.

"I didn't have any control over the situation or how it happened but I did have the control to fix it."

So, what advice would Santiago give to someone in a similar situation that he was in just a few months ago?

Simply, "don't let it get that far" and "get help before you find yourself in a place that's "hard to get out of."

"I'm glad I decided to ask for help and kept trying."

How to manage the cost of living crisis

The cost of living crisis has proven to be a worrying time with further support needed to help those struggling meet their essential costs. However, there are some steps you can take to ease the squeeze and keep your head above water ahead of further price rises.

Get supermarket savvy

The cost of living crisis has sent the price of essentials, like food and drink items, through the roof but with groceries one of the few expenses you can't avoid, it's important to cut costs where you can. Whether your current food shop has become too expensive or your budget just doesn't stretch far enough, switching to a budget supermarket and checking the reduced aisle can help you slash the price of your weekly food shop and get more bang for your buck.

Track your spending

The quickest, and easiest way, to reduce your living costs and get a firmer grip on your finances is to track your spending. For example, if you regularly spend outside of your means or struggle to record what's coming in and out on a monthly basis, tracking your spending can help you avoid wasting money you don't have on unnecessary expenses and budget for those all-too-familiar emergency purchases.

Switch off vampire appliances

During the cost of living crisis, it's important to prevent energy wastage as much as possible and with vampire appliances notorious for wasting energy (and money), flicking the switch can help you cut unnecessary costs. There are some appliances that should never be turned off (your fridge) but leaving TVs, games consoles and computers on standby mode when you're not using them can add over £300 to your annual energy bill.

What support is available to help with the cost of living crisis?

The Scottish Government has allocated £3 billion in funding to help the country's most vulnerable households tackle rising costs across the board. But with millions of people reportedly not claiming the financial support they're entitled to; people are being urged to check whether they're eligible for further help.

If you are struggling to keep your head above water and could benefit from independent advice and guidance, there are a number of charities and organisations available to help you weather the cost of living crisis:

Citizens Advice Scotland

Citizens Advice Scotland helps people resolve financial and legal problems by providing free and confidential information and advice.

Call: 0800 028 1456

Advice Direct Scotland

Advice Direct Scotland is a digital advice hub that specialises in free, impartial and practical advice for people struggling with a wide range of issues.

Call: 0808 800 9060

Home Energy Scotland

Home Energy Scotland is funded by the Scottish Government and managed by the Energy Saving Trust and provides advice to help people reduce their energy bills and create a warmer, more energy efficient home.

Call: 0808 808 2282

Contact your local council

If you need local help or advice, you might be eligible for financial support in the form of a loan or grant from your local council.

Check what benefits you're entitled to

If you don't know what benefits you're entitled to, visit the Scottish Government [website](#) to find out what financial support you could be missing out on.

If the cost of living crisis has pushed you into debt, you're not alone. We've helped over 35,000 people cut the debt and we can help you.

Check if you qualify