Rising Energy Costs Hit Low-Income UK Households Hardest: New Data Reveals Spending Differences by Household Type

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UNITED KINGDOM, August 29, 2024 /EINPresswire.com/ -- As energy prices continue to rise, new data reveals that UK households are spending vastly different proportions of their income on energy bills, with low-income families and certain household types facing the greatest burden. The figures for 2023-2024 highlight significant disparities in energy spending across various demographics and property types, underscoring the urgent need for targeted support measures.

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> *Dan Cockle, MD Cockle Finance & VC Consumer Credit Association*

The recommended percentage of income that households should spend on energy bills generally ranges from 5% to 10%. Spending within this range is often considered manageable and sustainable for most households.

However, if a household spends more than 10% of its income on energy, it is often classified as being in "fuel poverty." This term is used in the UK to describe households that cannot afford to adequately heat their homes without compromising other essential expenditures.

Key Findings:
Low-Income Households Most Impacted: Households in the lowest 20% income bracket—those earning less than £20,000 per year—are spending an average of 15-20% or more of their income on energy bills. This is substantially higher than the national average, which is estimated to be around 6-10%. These figures highlight the disproportionate impact of rising energy costs on the most financially vulnerable families.

Older Adults and Single-Parent Households Under Pressure: Single-person households over the age of 65 are spending 10-15% of their income on energy, reflecting the difficulties faced by those on fixed pensions or limited incomes.

Single-parent households are also severely affected, with an average of 10-15% of their income allocated to energy bills, driven by higher usage needs coupled with single incomes.

Families with Children and Middle-Income Households: Families with children typically spend between 7-12% of their income on energy, depending on household size and property type. Middle-income households, which represent a large proportion of the population, spend about 6-10% of their income on energy, though this varies widely depending on individual circumstances.

Property Type and Location Play a Role: Residents of detached houses spend 7-10% of their income on energy, largely due to greater property sizes and higher heating needs. Conversely, those living in flats or apartments—benefiting from shared walls and smaller spaces—typically spend 5-8% of their income on energy. Regional differences are also evident, with rural households spending around 10-15% due to less efficient housing and higher heating costs, compared to 5-8% in urban areas.

Impact of Ending the Energy Price Cap on Low-Income Families:

The end of the energy price cap is expected to have serious consequences for low-income families, who are already disproportionately affected by high energy costs. Energy regulator Ofgem has now announced that on 1 October, the Price Cap will rise by 10% to £1,717 a year for a typical use household paying by Direct Debit. Without the cap, which has provided a safeguard by limiting the maximum price energy suppliers can charge per unit, families will face the full extent of market-driven price increases.

Increased Financial Hardship: Many low-income households are likely to see their energy bills rise sharply, forcing them to allocate an even larger share of their income to essential utilities. This could intensify existing financial difficulties, potentially leading to tough decisions between heating their homes and other necessities such as food, healthcare, or education.

Escalation in Fuel Poverty: The end of the price cap may push more families into fuel poverty—defined as spending more than 10% of their income on energy. This could result in a rise in cold-related illnesses, particularly among vulnerable groups such as children and the elderly, thereby increasing pressure on the healthcare system.

Adverse Effects on Health and Wellbeing: The inability to afford adequate heating can lead to poor living conditions, adversely affecting both physical and mental health. Cold homes are associated with respiratory illnesses, cardiovascular diseases, and increased stress and anxiety, leading to broader societal costs and a strain on public services.

Broader Economic Impact: As more households struggle with rising energy costs, there could be a knock-on effect on local economies. Reduced disposable income may lead to decreased consumer spending, affecting small businesses and potentially slowing economic recovery in areas already facing economic challenges.

This data highlights the urgent need for continued government intervention to protect low-income and vulnerable households from the financial strain of rising energy costs. Measures should include targeted subsidies, increased welfare support, and investment in energy efficiency initiatives to help reduce overall consumption and costs.

With no immediate signs of energy prices stabilising, the government, energy providers, and community organisations must work together to find sustainable solutions that ensure no household is left struggling to stay warm this winter.

Dan Cockle, Managing Director of Cockle Finance and Vice Chair of the Consumer Credit Association says “There is a lot of concern that families struggling to heat their homes this winter may turn to unregulated financing options for loans to cover the increased costs. These loans, whilst tempting usually come with huge interest rates, aggressive and threatening behaviour and fall outside of legal lending leaving you vulnerable if things go wrong. We suggest speaking to your energy provider, charities or a registered lender like Cockle Finance to explore your options before the price increases hit. We, and other lenders are committed to providing a high quality and fair service to all that need to use us”.

To find out more about Cockle Finance head to their website

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