

## Debt Facts and Figures - Compiled 3<sup>rd</sup> April 2006

### Total UK personal debt

At the end of February 2006 the total UK personal debt was **£1,174bn**. The growth rate remains strong at 10.3% for the previous 12 months which equates to an increase of £100bn.

Total secured lending on homes in February 2006 was **£981.8bn**. This has increased 10.6% in the last 12 months.

Total consumer credit lending to individuals in February 2006 was **£192.6bn**. This has increased 8.7% in the last 12 months.

Total lending in February 2006 grew by £9.5bn. Secured lending grew by £8.1bn in the month and consumer credit lending grew by £1.4bn in the month.

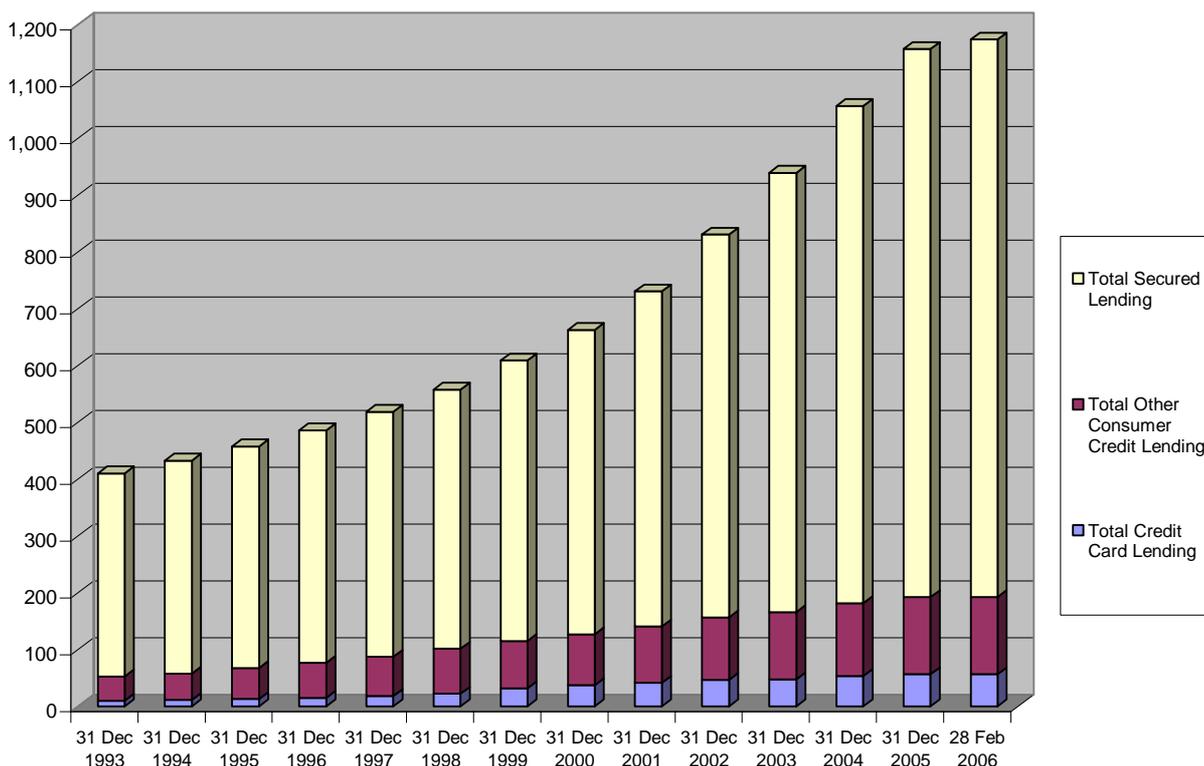
Average household debt in the UK is approximately £7,796 (excluding mortgages) and £47,546 including mortgages.

Average owed by every UK adult is approximately £25,195 (including mortgages). This grew by ~ £200 last month.

Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to £4,131 per average UK adult at the end of February 2006. This has grown 52% in 5 years.

Britain's personal debt is increasing by ~ £1 million every four minutes.

Total UK Personal Debt £bn



**Plastic card / Personal Loans:** 39% Brits overspend on their debit cards on day-to-day purchases and the most common reason is because psychologically, they feel they are not spending any money, according to National Savings and Investments' (NS&I) latest Quarterly Savings Survey.

Total credit card debt in February 2006 was £56.4bn.

According to the BBA the proportion of credit card balances bearing interest was 75.0% in February 2006.

The average interest rate on credit card lending is currently 15.68%, around 11 percentage points above base rate.

A new study by uSwitch highlights serious failures in the lending practices of UK banks when issuing credit cards. With UK credit card debt standing at £56.35 billion, and UK consumers accounting for two-thirds of total credit card debt in the whole of the EU, one of the most shocking statistics revealed by the survey is that nine out of ten credit card borrowers were issued cards without the lender carrying out any checks to verify that they could afford to repay the debt. The study reveals that the majority of people (88 per cent) who successfully applied for a credit card during the last year were not asked for proof of their annual income beyond the figures stated on the application, and 95 per cent were not asked to show evidence of their outgoings in order to provide a true picture of affordability.

According to the latest annual report from APACS nearly two thirds of adults have a credit card and multiple card holding is a growing phenomenon in the UK. More than six in ten card holders held more than one card in 2004, with one in ten holding at least five.

Plastic cards in issue were 190m in 2004. This works out at an average of 4.1 plastic cards for every adult in the UK.

There are more credit cards in the UK than people according to APACS. At the end of 2004 there were 74.3m credit and charge cards in the UK compared with around 59 million people in the country.

270 plastic transactions took place every second in the UK in 2004.

**Servicing Debt:** Two million households are living on a financial knife-edge, susceptible to an economic downturn or changes in personal circumstances, according to a recent Financial Services Authority (FSA) report. A further half million households are already in serious financial difficulty paying bills and meeting debts, the report found.

Four million people say they always run out of money at the end of the week or month.

14 million adults (35%) are relying on their overdrafts to get by each month; 3.5m are permanently overdrawn, while two million workers start the month in their overdraft, even after they have been paid.

In 2005 the average unsecured problem debt of a client starting a debt management plan with Consumer Credit Counselling Service (CCCS) increased by 10.5 per cent to £29,400.

There were 20,461 individual insolvencies in England and Wales in the fourth quarter of 2005 on a seasonally adjusted basis. This was an increase of 15.0% on the previous quarter and an increase of 57.1% on the same period a year ago.

PricewaterhouseCoopers (PwC) insolvency experts looked at 80% of the IVA applications made in July 2005. 75% of the debtors put down "living beyond their means" as the main reason for being in trouble. Only 20% said they had lost their jobs or had suffered a breakdown in their marriages - two of the events traditionally assumed most likely to trigger personal insolvency.

Three quarters (74%) of British couples find money the hardest subject to talk about with their partners according to a recent survey by the Financial Services Authority (FSA). They also found that over a quarter (27%) of couples regularly argue when they try to discuss their finances; about a third (32%) of couples lie to their partners about how much they spend on their credit cards; over a third (35%) of British couples are kept awake at night worrying about their money situation

Debts taken on by British families have overtaken the size of the economy for the first time. People have borrowed so much their total debt outstripped Britain's gross domestic product at the end of 2005.

One in 10 single people says their finances are out of control whilst 41% have already suffered a financial crisis at some point in their lives, compared to 28% of married people

Research from AXA shows money worries are a significant cause of worry, anxiety and stress according to GP and leading mental health expert, Dr Roger Henderson, who recently published a paper identifying the condition Money Sickness Syndrome (MSS). Almost half (43%) of the UK adult population is affected by money worries and have experienced MSS symptoms. 3.8m people admit money worries have caused them to take time off work and more than 10.76m people suffer relationship problems because of money worries, with almost one in five complaining of a sex life slump.

The Debt Counsellors Annual UK Debt Survey 2006 shows that 63% of those with bad debt problems believe their health has suffered as a direct result of their debt.

Grant Thornton says that UK consumers are the most over-indebted in Europe.

A quarter of those in debt are receiving treatment for stress, depression and anxiety from their GP.

**Young people (under 30):** The proportion of bankruptcies among the 18 to 29-age group has more than doubled in the last 4 years. It has jumped from 7.9% in 2001 to 18.7% last year.

A recent FSA report highlighted:

- 29% of 16-24 year olds said they would not know how to prepare and manage a weekly budget;
- 19% of 22-24 year olds have short-term debts over £5,000;
- 62% of young people said if they got into money trouble or debt they would not be able to name any advice or support services they could turn to for advice
- One in five students dropped out of courses; Of undergraduates who considered dropping out financial difficulty was a strong factor for 34.4%;
- 94% of 16 year olds believe it is important to know how to manage money; only 53% have been taught how to

More than half (59%) of 16-24s admit they go over budget when using a debit card and 41% of 25-34 admit to overspending on their debit cards.

MyEquifax recent survey revealed that 22-24 year olds have more short-term debts than 18-21 year olds, with 19% owing over £5,000 (only 11 per cent of 18-21 year olds owe this amount). This suggests that within the first five years of being credit active, young consumers are already building up significant debts and risking overburdening themselves.

According to the National Union of Students (NUS) the estimated average student expenditure for academic year 2005/06 (39 weeks) is £10,493 in London and £8,810 outside London

**Pensioners / Pensions:** Over 8 million British workers (21%) don't have any pension provision according to a recent report issued by Virgin Money. This is despite continued warnings from the Government and the pension industry of the need to save now to avoid inadequate income at retirement.

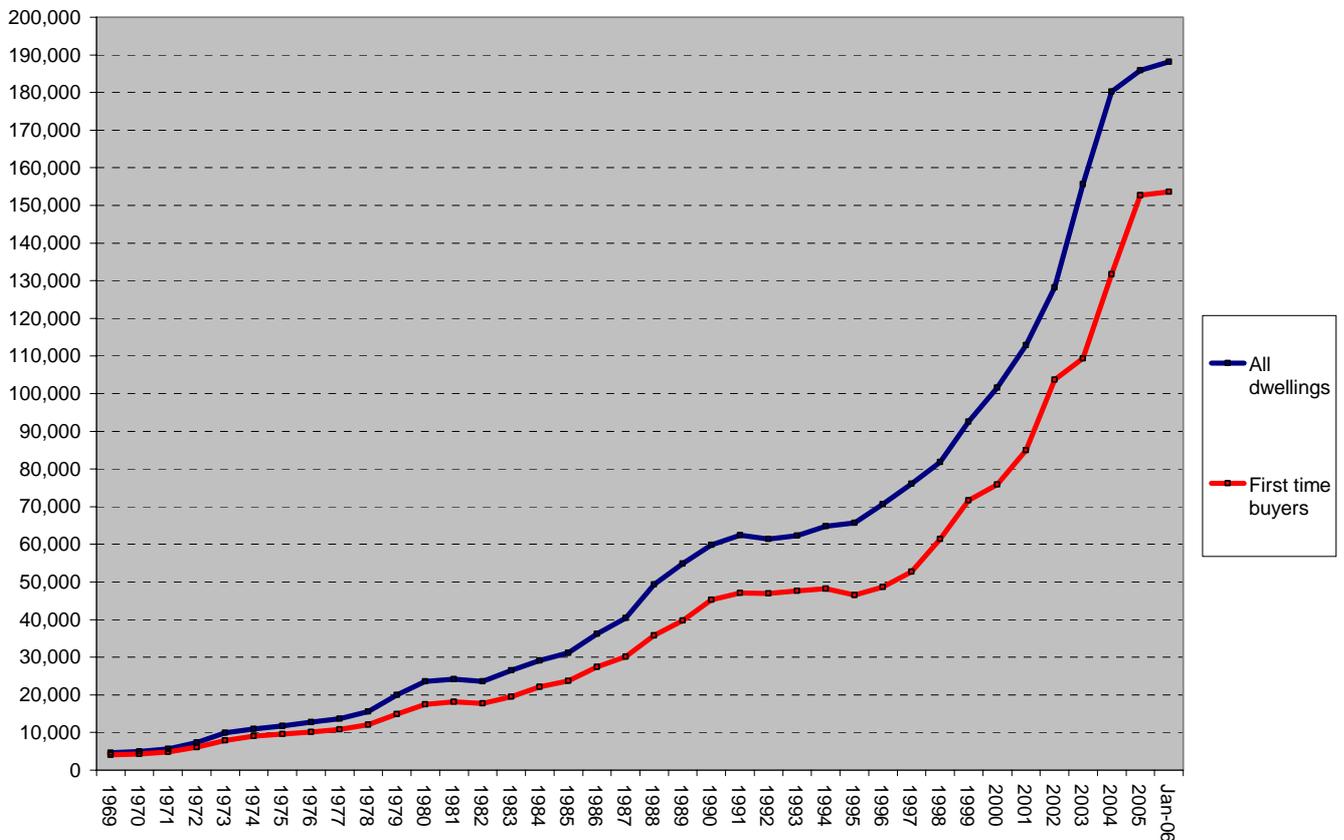
One in three households are now liable to have to pay inheritance tax on their estate when they die following soaring property price growth. An estimated 8.2 million households own property and other assets that are worth more than the current £275,000 inheritance tax threshold, according to life insurer Scottish Widows.

According to the Prudential one in five pensioners struggle to make ends meet. 17% of OAPs live on under £5,000 a year. A third of pensioners live on under £7,500 per year. Nearly one in five pensioners goes back to work after retiring.

Up to nine million old folk across the UK will struggle to pay fuel bills this winter according to Age Concern.

**Housing:** According to the Office of Deputy Prime Minister the average house price in the UK in January 2006 stood at £188,191 (£197,020 in England). UK annual house price inflation rose by 4.3%. Annual house price inflation in London was 5.3%.

UK Average House Prices £



Nationwide said that house prices increased by 1.1% in March. This is a 5.3% increase in 12 months. They predict that deteriorating affordability and rising utility bills will stretch income and act as a brake.

The average loan approval for house purchases in February increase to £132,300.

UK house prices are forecast by the Halifax to rise by 3% in 2006, broadly in line with the predicted rise in retail price inflation.

The cost of owning and running a house rose by 7% in the financial year 2004/05, more than three times the rate of CPI inflation, according to research by Halifax. Total annual housing costs increased to £6,366 in 2004/05. For the average UK homeowner, housing expenses take up 17.5% of their disposable income

Halifax research shows that council tax and utility bills combined are estimated to represent the single biggest component of housing costs and should be more expensive than the average mortgage payments.

The value of Britain's homes has trebled in the past 10 years, from £1.1 trillion in 1995 to £3.4 trillion in 2005.

**Housing 1<sup>st</sup> Time Buyers:** The average house price in the UK in January 2006 for first time buyers now stands at £153,633 which is an annual increase of 4.1%. This is approximately 4.2 times their average household income (In 1990 the average price paid by first time buyers was £45,000, 2.7 times their average household income).

The number of first-time buyers in the UK reached its lowest level for 25 years in 2005 as rising house prices meant a continued struggle to afford a home according to the Halifax. An estimated 320,000 buyers stepped on to the housing ladder in 2005, the lowest annual total since 1980. The number was down 10%

on the previous year and 40% lower than in 2002, when 532,000 people became homeowners. They also estimate that it now takes the typical first time buyer five years to save a deposit.

New research from the Council of Mortgage Lenders reveals that up to half of all young first-time buyers may be getting help from their parents to fund their deposits.

In the UK, the average deposit required by first time buyers in the third quarter of 2005 was 18.9% of the purchase price which equates to £28,800. This compares with just 8.8% in the second quarter of 1997.

**High Street Spending:** Parents typically spend £165,668 on raising a child from birth to the age of 21, according to friendly society Liverpool Victoria's most recent annual Cost of a Child survey. This works out at £7,889 a year and represents a rise of 7.8 per cent on last year's survey, more than three times the rate of inflation, and up 18 per cent on the 2003 survey.

The cost of running the average new car has grown to nearly £5,000 a year, or £14 a day, according to the latest RAC Cost of Motoring Index.

The average wedding costs around £19,595. 45% of couples - some 117,000 nationwide - have no financial planning to pay for the big day, a study by stockbrokers Brewin Dolphin Securities found.

**Money Education / Financial Literacy:** A quarter of Brits (25%) have no idea how much they spend in a week, and a similar number (26%) have no idea of their monthly cash flow. This lack of knowledge extends into other financial aspects of life. Only half (51%) the population know the balance on their credit cards and nearly half (46%) have no idea what interest rates they receive on their savings or are paying on their accounts and debts.

Around 15 per cent of 18 to 24- year-olds think an individual savings account (ISA) is an iPod accessory, and one in 10 reckon it's an energy drink. With rising personal debt levels in Britain, and a lack of long-term savings, better money management seems a pressing issue.

Nearly four out of five people do not know that APR refers to the interest and other costs of a loan, four in ten admit they do not understand mortgages or ISAs, and a third lack confidence in their financial affairs. These are some of the results of a survey conducted recently by Mori. One in five did not understand the concept of inflation. Nearly a third did not know that insurance products are designed to protect their owners from unforeseen events. Only 30 per cent could calculate four per cent interest on £2,000 over two years.

**Savings / Pension:** FSA research shows that 81% of the pre-retired think that a state pension will not provide them with the standard of living they hope for in retirement. Nevertheless, 37% of these people have not made any additional pension provision.

The majority of people in the UK are not planning ahead sufficiently, and are likely to be storing up problems for the future. 39% of people say they tend to live for today and let tomorrow take care of itself. In the last three years, 28% of people have experienced a large unexpected drop in income, and 21% have faced a large unexpected expense. 70% have made no personal provision to face a drop in income, and 55% do not think they have sufficient provision to face an unexpected expense.

According to the latest quarterly National Savings and Investment survey almost half of Brits (45%) do not save regularly.

**Compiled monthly by Richard Talbot. [richardtalbot@creditation.org.uk](mailto:richardtalbot@creditation.org.uk). If you would like to receive regular monthly updates of these statistics then please register using the "Register to receive Debt Statistics" link at [www.creditation.org.uk/debtstats.htm](http://www.creditation.org.uk/debtstats.htm). Note: new / changed statistics are at the start of each section.**