



Debt Facts and Figures - Compiled 1st December 2005

Total UK personal debt broke through the **£1.1 trillion barrier** (£1,100,000,000,000) in June 2005. This is 11 months since it broke through the £1 trillion barrier in July 2004.

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

At the end of October 2005 the total UK personal debt was £1,138bn. The growth rate remains strong at 10.2% for the previous 12 months. 2004 saw the largest single-year increase in debt (£116bn) since the Bank of England was founded in 1694.

Total secured lending on homes in October 2005 was £946.9bn.

Total consumer credit lending to individuals in October 2005 was £191.4bn.

Total lending in October 2005 grew by £8.9bn. Secured lending grew by £7.6bn in the month and consumer credit lending grew by £1.3bn in the month.

Average household debt in the UK is approximately £7,749 (excluding mortgages) and £46,085 including mortgages. Average owed by every UK adult is approximately £24,420 (including mortgages). This is growing £180 every month.

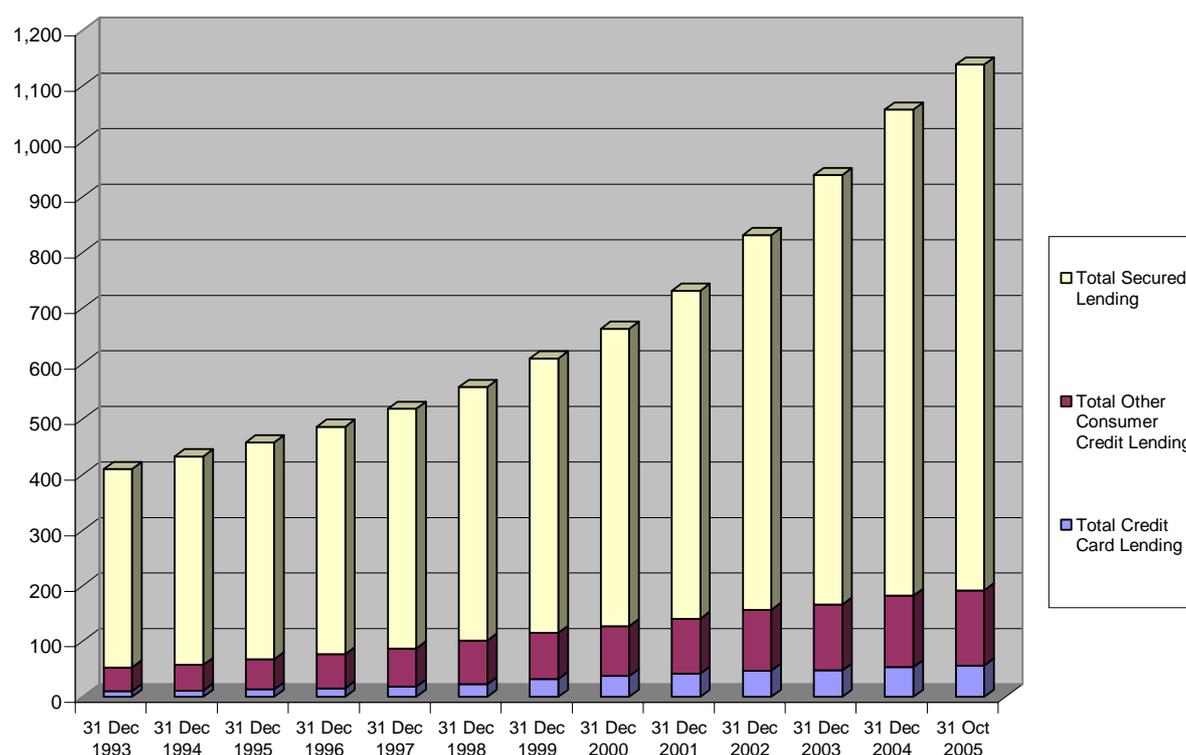
Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to £4,106 per average UK adult at the end of October 2005. This figure translates into a 10% increase on the previous year's levels and a 45% increase since 2000.

The rapid increase in households' borrowing has raised total debt to close to 150% of annualised aggregate post-tax income according to the Bank of England. They predict debt may continue to increase more rapidly than income over the next few years.

Since the turn of the century in just over 5.5 years (based on figures available at 1st December 2005):

- Total UK personal debt has increased by £529bn (87%) from £609bn to £1,138bn
- Total secured lending on homes has increased by £453bn (92%) from £494bn to £947bn
- Total consumer credit lending has increased by £76bn (66%) from £115bn to £191bn
- Total credit card debt has increased by £24.3bn (76%) from £32bn to £56.3bn
- Base Rate has decreased by 1.5% from 5.5% to its current rate of 4.5%
- Average house price has increased by £90,383 (94%) from £96,340 to £186,723
- Average earnings have increased by £5,077 (28.5%) from £17,803 to £22,880

Total UK Personal Debt £bn



Christmas / New Year Season: According to Experian three in four Britons admit to worrying about financial pressures during the festive season. The festive season is turning into 'Stressmas' as 20% of us are still paying off our Christmas splurges up to six months later, and one in ten is still paying for last Christmas in November 2005.

Whilst the celebrations and partying may be over in a few weeks a report from Virgin Credit Card found Brits take an average of three months to pay off the £13 billion festive celebrations bill they rack up each year, meaning the 12 days of Christmas in reality lasts 12 weeks.

According to Switch during the 2004 festive we planned to spend £813 overall on presents, wrapping paper, cards, decorations, going out, food and drink. This includes £337 on presents, £100 on food and £56 on drink. The rest is spent on wrapping paper, cards and postage (£53); Christmas tree and decorations (£64); going out (£119) and travel (£84).

Between September and November each year lenders send out at least 100m unsolicited, but pre-approved credit card application forms. New cards achieve "top of the wallet" status: they are the most used cards and the most lucrative for lenders.

According to the British Retail Consortium the average family accumulates 18% of their annual borrowing in December by spending twice as much than in any other month of the year

Plastic card / Personal Loans: Total credit card debt in October 2005 was £56.3bn.

The average monthly spend on credit cards in 2005 has been £23.8bn, and is forecast to rise to £28.8bn in December.

Research by Egg Money shows that British consumers are unaware of how much they spend each month on plastic, believing they spend over £350 a month less than they actually do. This lack of understanding means Britons spend over £200 billion a year on their cards of which they are unaware.

According to the BBA the proportion of credit card balances bearing interest was 76.2% in September 2005.

The average interest rate on credit card lending is currently 15.75%, around 11 percentage points above base rate.

2.3 million personal loan agreements totalling £12.45 billion were entered into in the second quarter of 2005. Most were for cars (~ 30%), home improvements incl. goods & furniture (~ 24%) and debt consolidation (21%). A significant gap exists between the low rates advertised by lenders and the average rates actually paid (1.8% higher for £15,000 loans) by borrowers once they have applied for the loan and been credit checked. Personal loans are typically available between £1,000 and £25,000 with the average loan size currently at £5,500.

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: Personal insolvency rates in the UK have reached an all time high. In the year to 30 Sep 2005, there were a record 43,606 bankruptcies and 16,496 Individual Voluntary Arrangements (IVAs), a common alternative to bankruptcy. The period July to September is the worst quarter on record, with an increase to 12,043 bankruptcies, up 6% on the previous quarter and 31% up on the same period last year. IVAs are up an astounding 95% on last year and saw a 26% quarter on quarter rise.

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.

The amount of debt owed by people who are struggling to keep up with repayments has reached a new high. The Consumer Credit Counselling Service (CCCS) said people who had been in touch asking for help with debt during the three months to the end of September owed an average of £29,000. The figure is 2.5% higher than the previous quarter, and represents the biggest increase recorded since the group first began compiling the data in 1999.

A survey carried out by national charity Independent Age in conjunction with leading consumer magazine *Yours*, reveals that two in three (66%) respondents aged 65 and over live on less than £150 per week, with 11% living on less than £100 per week.

One in 10 pensioners calling Age Concern, some in their 80s, is struggling to clear mortgages and pay bills such as council tax.

County court judgements (CCJs) against personal debtors in the first half of 2005 rose by 15% to 290,643. The most rapid rise since the same period 14 years ago.

According to the latest Department of Trade and Industry (DTI) Survey:

- 8% of Individuals have monthly repayments on unsecured borrowing > 25% of gross income
- 9% of Individuals have monthly repayments on secured and unsecured borrowing > 50% of gross income
- 5% of Individuals are finding their household's debt repayments a 'heavy burden'
- 4% of Individuals currently in arrears on at least one credit commitment/ domestic bill for more than 3 months

Money is the most common cause of arguments (44%), most respondents argued about spending priorities, particularly if not working according to Relate. Low income couples are more than twice as likely to argue over money issues than middle/high income families. Money related arguments are also more common if the couple have children under 10. More women than men were likely to argue over trust and secrecy issues related to money. Equal proportions of men and women argued about lack of money.

Debt is the biggest worry for people seeking help from Citizens Advice Bureaux in Scotland.

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

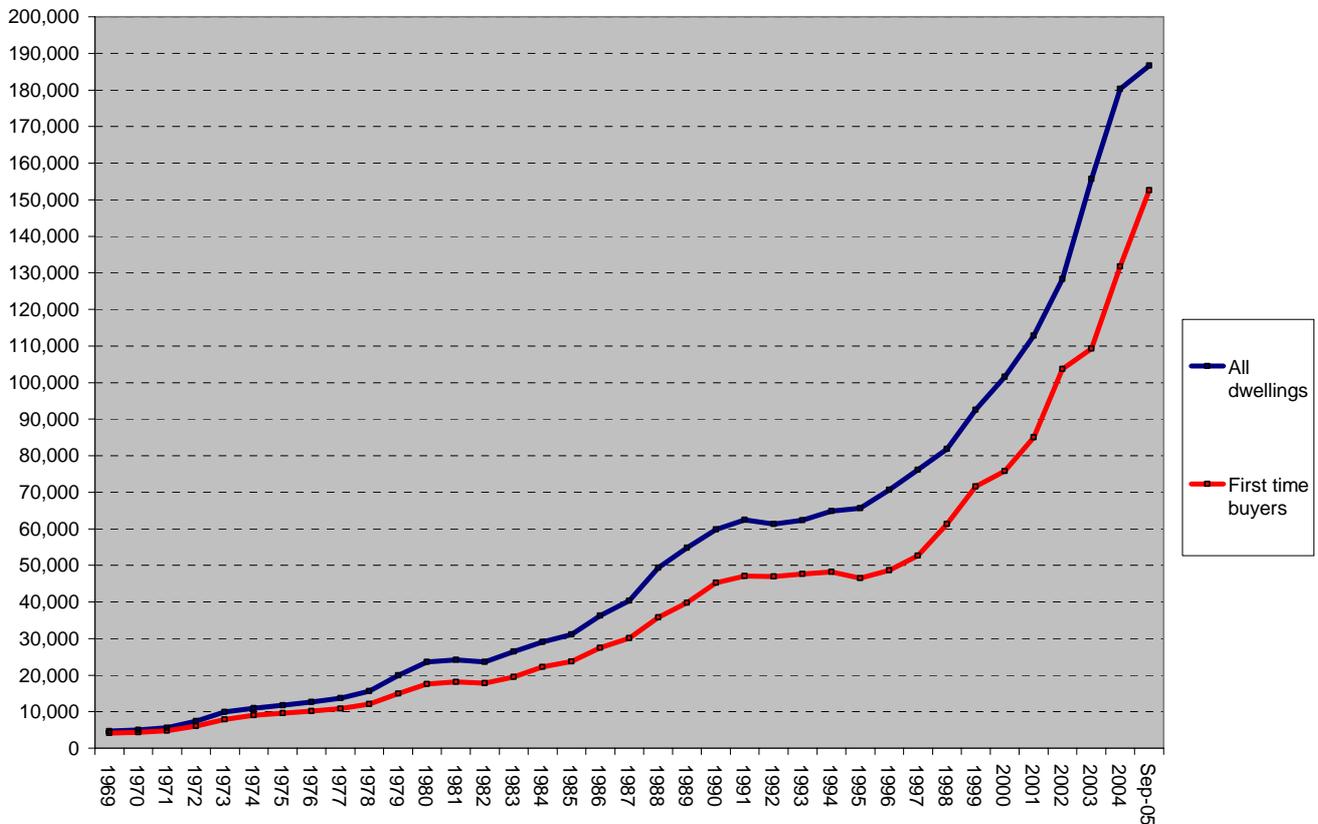
Students / Youth: With university underway for this year's intake of students, money worries seem to be at the forefront of their minds. Nearly two thirds admit that they are not prepared for the financial commitment of university compared to only 39% who have actually done some element of financial planning, according to the 2005 NatWest Student Money Matters survey.

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

Parents who give cash to their offspring to help them out if they are struggling financially could be doing more harm than good according to research by NatWest. Children who accept handouts from their parents are 25% more likely to go overdrawn than those who never accept help. Overall a third of young people said their parents had never taught them how to manage their money.

Housing: According to the Office of Deputy Prime Minister the average house price in the UK in September 2005 stood at £186,723 (£195,679 in England). UK annual house price inflation rose to 3.3 %. Annual house price inflation in London was 1.9%.

UK Average House Prices £



Halifax estimates the cost of owning and running a home rose by 6% in 2004/05 to £6,303, driven by higher mortgage servicing costs and rising council tax bills. Halifax forecasts a further 2% rise in annual housing costs to £6,406 in 2005/06 with a likely fall in mortgage servicing costs partially offsetting rising utility and council tax bills.

Housing data has been fairly consistent this month:

- According to the Nationwide UK house prices were unchanged in November bringing annual growth down to 2.4%. Nationwide's prediction that the price of the average UK property will rise just 0 to 2% in 2005 remains unchanged. Nationwide predicts close to zero growth in house prices in 2006.
- For the first time in 16 months Hometrack said prices were unchanged in 84% of the 2,200 postcode districts monitored, with prices rising in just 4%.
- Gross mortgage lending fell by 3% in October to an estimated £27 billion, according to the latest data from the Council of Mortgage Lenders. Although this is down from the £27.7 billion of lending in September, it is still one of the highest monthly lending figures on record, and 16% higher than the £23.2 billion of lending in the same month last year.
- According to the National Association of Estate Agents (NAEA) the average time taken to sell a property between instruction and exchange of contracts now stands at 20 weeks.

The average loan approval for house purchase in September was £129,500.

Housing 1st Time Buyers: The average house price in the UK in September 2005 for first time buyers now stands at £152,643 which is an annual increase of 5.0%. 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 National Association of Estate Agents reported that first time buyer sales dropped to 9% of total sales in October.

The Council of Mortgage Lenders (CML) estimate in August 2005 that the first time buyers average new loan is 88% of the value of the property and that they borrow 3.21 times their income (based on income figure provided by buyers in their mortgage application and may reflect one or more incomes).

Almost one in four first-time buyers now have to borrow money from family or friends in order to afford a deposit on a home. The average first time buyer needed a deposit of £5,000 in 1996. Today it is £33,000, according to the Council of Mortgage Lenders

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.

More than 30% of our food is thrown away. Each adult throws away food worth £420 every year.

The RAC estimate the cost (including depreciation) to run a privately owned car from new for a period of three years with an annual mileage of 12,000 is £424/month for a 1201cc – 1500cc car and £627/month for a 2000cc car.

The average wedding costs around £16,000, yet 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: 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.

According to Standard Life over half (57 per cent) of UK adults say they have not drawn up a will meaning they would die 'intestate'. A further 19 per cent have had a change in circumstances since drawing up their will, meaning it could now be out of date.

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: Whilst the concept of 'spending the kids' inheritance' may be nothing new, it appears that many of those in their forties or fifties are prepared to spend their own retirement funds to finance their current lifestyles. According to Insight Investment, well over a quarter of forty and fifty somethings (29 per cent) say that enjoying their money now is more of a priority than investing for the future. This 'live for the moment' attitude is despite well over a third (39 per cent) of those aged 45-54 admitting to having no investments other than residential property, a situation in which more than one in four (27 per cent) of the over 55s also find themselves.

The majority of Britons would be unable to cope financially in the event of a minor household emergency according to the Alliance & Leicester. Just 28% said they had money put aside which could be used to replace household appliances, such as a cooker or fridge.

Long-term saving is an alien concept to two thirds (65%) of UK adults, according to research from IFA Promotion. And it's not just the younger generation who live for today; a worrying three quarters (74%) of 30-50 year olds and nearly half of over 50s (43%) have never saved for anything for longer than a decade. 4.6 million UK adults (10%) admit they have never saved for anything at all, and this rises to a larger proportion (17%) of under 30s who have grown up with today's credit culture. Saving seems to have fallen out of fashion in favour of instant consumer gratification.

Compiled monthly by Richard Talbot. 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. Note: new / changed statistics are at the start of each section.