

Debt Facts and Figures - Compiled 1st February 2006

Total UK personal debt

At the end of December 2005 the total UK personal debt was **£1,158bn**. The growth rate remains strong at 10.2% for the previous 12 months which equates to an increase of £100bn.

Total secured lending on homes in December 2005 was **£965.2bn**. This has increased 10.4% in the last 12 months.

Total consumer credit lending to individuals in December 2005 was **£192.3bn**. This has increased 9.3% in the last 12 months.

Total lending in December 2005 grew by £9.6bn. Secured lending grew by £8.8bn in the month and consumer credit lending grew by £0.8bn in the month.

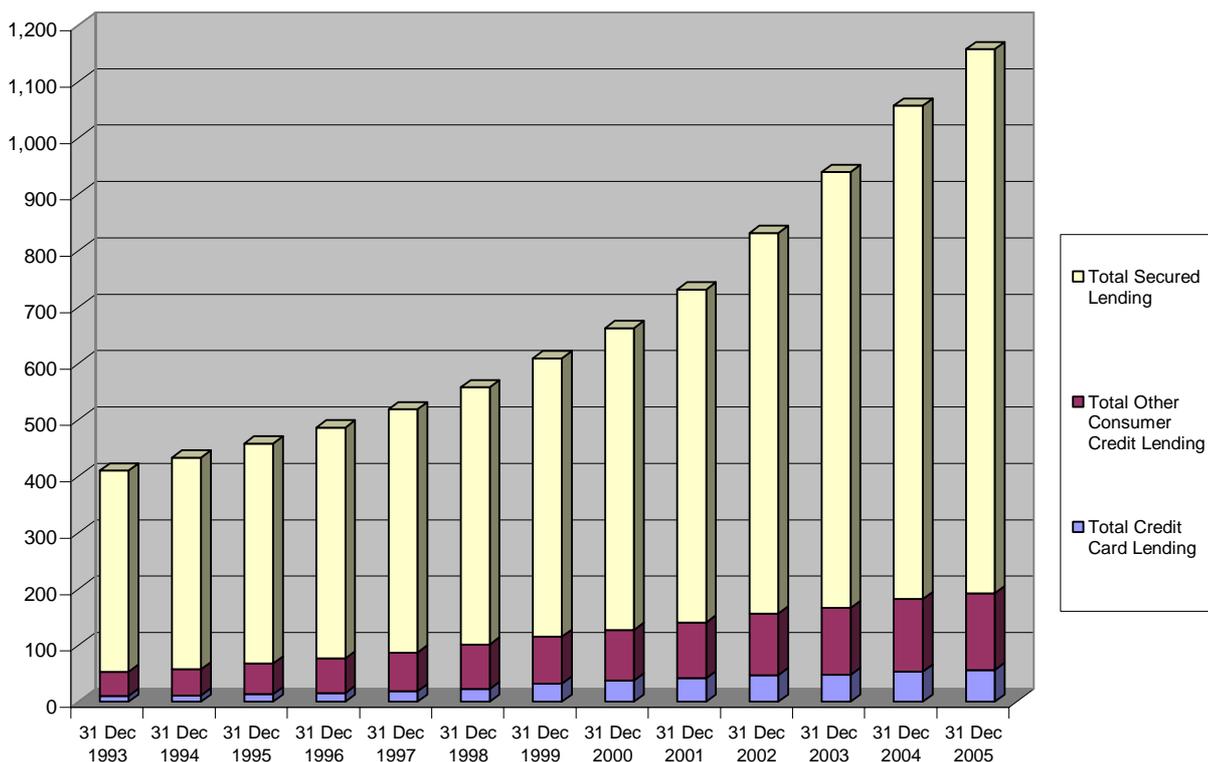
Average household debt in the UK is approximately £7,786 (excluding mortgages) and £46,863 including mortgages.

Average owed by every UK adult is approximately £24,833 (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 £4,125 per average UK adult at the end of December 2005. 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: Total credit card debt in December 2005 was £56.35bn.

Spending on credit cards has shown a year-on-year fall (3%) for the first time, according to figures from Visa, indicating that consumers are taking on board warnings about running up too much debt. Instead, shoppers are using their debit cards for their spending.

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.

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 75.4% in November 2005.

The average interest rate on credit card lending is currently 15.44%, around 11 percentage points above base rate.

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: Even in the current benign economic environment, the Financial Services Authority (FSA) are seeing signs of growing distress among consumers, including more insolvencies, more late payments on credit cards and a rise in mortgage repossession orders. Their consumer research shows that many consumers with significant borrowing commitments are currently struggling to keep up with repayments. They say it is important that, before taking on new debt, consumers assess their ability to service it, especially if their circumstances change unexpectedly.

Levels of secured debt reached 117% of household disposable income at the end of the second quarter of 2005, while unsecured debt totalled 24%.

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.

Record numbers of people were calling debt advisory services after finding they were struggling to pay back what they owe. The Consumer Credit Counselling Service took 9,310 calls in the first nine working days of 2006 - up almost 14% on the same period in 2005.

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

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.

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

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

Students / Youth: In a survey of 1,000 16-19 year olds in England, 81% said they had given serious thought to what occupation they wanted to do in five years' time, and 95% said they had taken some action to achieve an ambition. But 41% said they would like more control over their lives, with many citing money as an issue.

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.

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 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

Pensioners: 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.

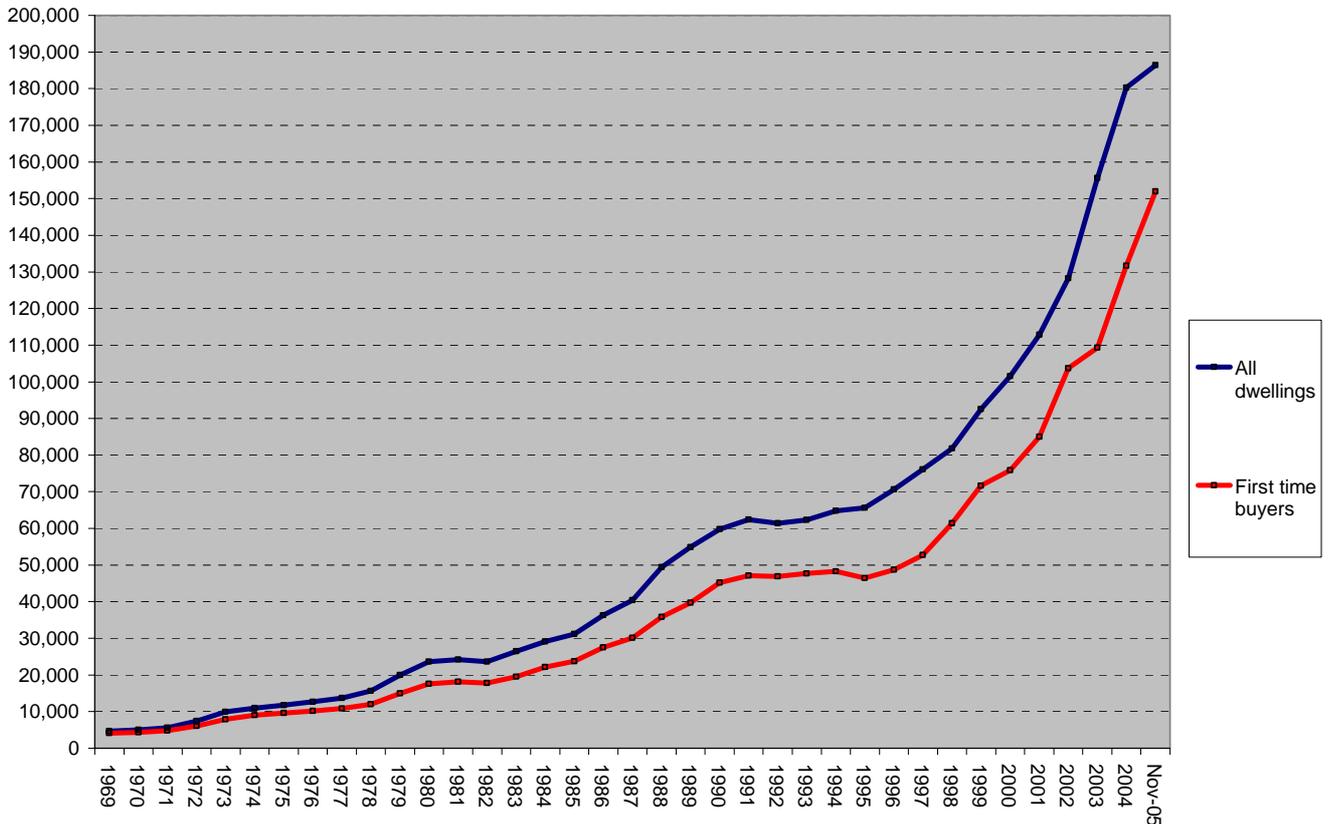
Four out of 10 of people still in work have made no pension provision whatsoever and will have to rely on the state for an income in retirement, according to a large-scale survey of British attitudes by National Centre for Social Research.

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

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

Housing: According to the Office of Deputy Prime Minister the average house price in the UK in November 2005 stood at £186,431 (£195,319 in England). UK annual house price inflation rose by 2.5%. Annual house price inflation in London was 2.2%.

UK Average House Prices £



The Nationwide reported that house prices increased by 1.4% in January, bringing the annual growth rate to 4.4%. Three quarters of the annual increase in prices came in the last 4 months. However, they say the fundamentals of the market remain fairly fragile and will prevent strong price rises in 2006.

The Council of Mortgage Lenders (CML) said that gross mortgage lending in 2005 reached £287.5bn, down just 1% on the total for 2004 and that they expect house prices to remain resilient in the coming months.

The average loan approval for house purchase in November was £134,400.

Housing 1st Time Buyers: The average house price in the UK in November 2005 for first time buyers now stands at £151,997 which is an annual increase of 4.3%. 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).

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.

The National Association of Estate Agents reported that first time buyer sales dropped to 8.4% of total sales in November. This figure is considerably lower than the same time in 2004, when first timers took a 17.1% share of the market.

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: 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: IFA Promotion's annual 'Get Saving!' study shows that just over half of the UK adult population (24 million people) are not prepared to cut back on spending to save more for retirement, and nearly three quarters (70%) claim they cannot save a penny more than they currently do. This is despite the widely reported UK savings gap and the possibility of a rising state retirement age.

The Building Societies Association said net savings inflows in 2005 were the highest since 1997 and the second highest since 1988.

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.

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.