



## Debt Facts and Figures - Compiled 4<sup>th</sup> January 2008

### Total UK personal debt

Total UK personal debt at the end of November 2007 stood at **£1,400bn**. The growth rate increased to 9.5% for the previous 12 months which equates to an increase of ~ £120bn.

Total secured lending on homes at the end of November 2007 stood at **£1,177bn**. This has increased 10.2% in the last 12 months.

Total consumer credit lending to individuals in November 2007 was **£223bn**. This has increased 5.7% in the last 12 months.

Total lending in November 2007 grew by £8.9bn. Secured lending grew by £7.8bn in the month. Consumer credit lending grew by £1.1bn.

Average household debt in the UK is ~ **£8,956** (excluding mortgages). This figure increases to **£20,830** if the average is based on the number of households who actually have some form of unsecured loan.

Average household debt in the UK is ~ **£56,234** (including mortgages).

Average owed by every UK adult is ~ £29,500 (including mortgages). This grew by ~ **£190** last month.

Average outstanding mortgage for the 11.8m households who currently have mortgages is ~ **£99,690**.

Two fifths of mortgagors have secured debts of over £90,000, up from one fifth in 2004.

Britain's interest **repayments have soared by £13.9bn** to a record £94.5bn in the last 12 months which is an **annual increase of 17.25%**. The average interest paid by each household on their total debt is approximately **£3,794** each year which has increased £558 in the last 12 months.

Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to **£4,700** per average UK adult at the end of November 2007.

Britain's personal debt is increasing by ~ **£1 million every 5 minutes**.

### Today in the UK:

- Consumers will borrow an additional £330m today
- The average household debt will increase by over £13.25 today
- 77 properties will be repossessed today
- 305 people today will be declared insolvent or bankrupt
- 2,750 County Court Judgements (CCJs) issued
- Bank and building societies will hand out £1bn in mortgages today
- Citizen Advice Bureaus will deal with **6,600 debt problems** today
- The average car will cost £15.42 to run today
- More than 7,716 loan repayments are going unpaid every day
- The average home will cost £30 today to run
- Raising a child to the age of 21 will now set you back £23.50 daily
- The price of a typical house will increase by £23 today (down from £46 a day in June 2007)
- £526m will be withdrawn from cash machines today.
- 24.5m transactions worth £1.4bn will be spent on plastic cards today
- 1/3<sup>rd</sup> of all groceries we buy today will end up in the dustbin.

#### Striking numbers

**£1m every 5 min**

Growth in UK debt

**£330m**

Daily increase in UK debt

**£56,234**

Average household debt  
(including mortgages)

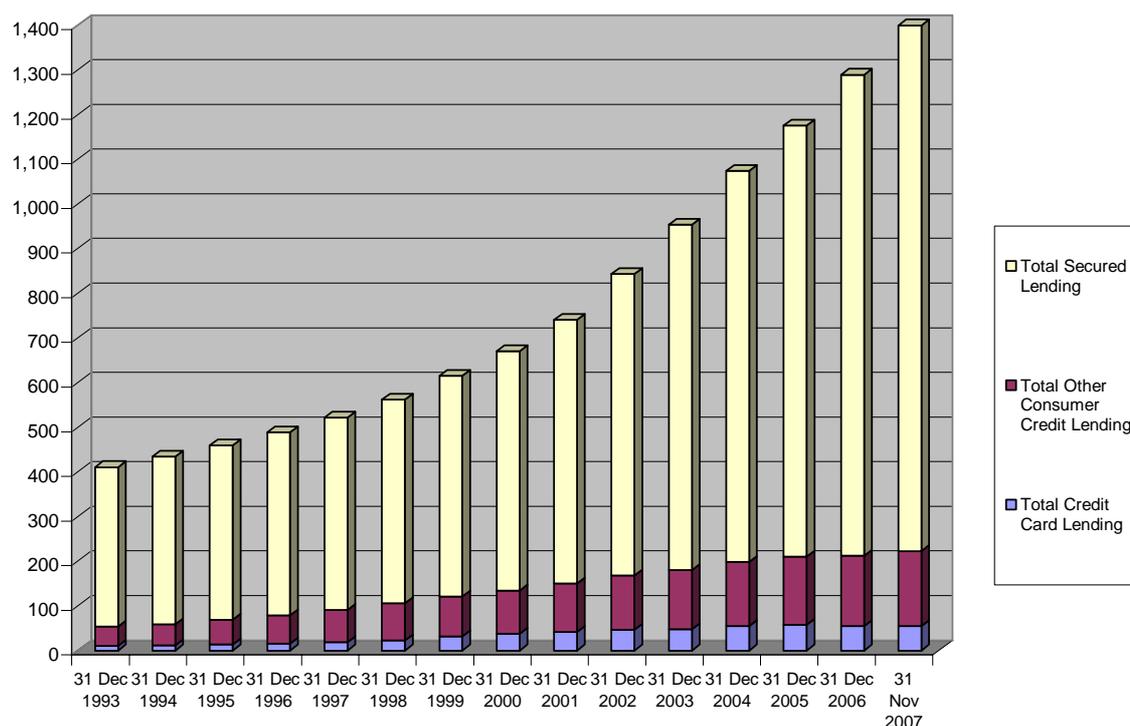
**£94.5bn**

Amount of interest we pay  
each year

**£1,400bn**

Total UK debt

Total UK Personal Debt £bn



**Servicing Debt:** According to the Council of Mortgage Lenders (CML) mortgage affordability continued to deteriorate in October as interest payments consumed the highest levels of income in over 15 years. First-time buyers contributed 20.6% of their income towards mortgage interest, up from 20.4% in September and the highest level since 1991, and movers contributed 17.6%, up from 17.5% in September and the highest level since 1992.

A survey by the Bank of England has found that those **coming off fixed rate mortgages in 2007** were between three and four times as likely to experience trouble meeting their repayments than those who were on variable rates all along. **22% of those coming off fixed-rates got into difficulties with their payments**, while only six per cent of those on variable rates did. 6% of mortgagors reported that their unsecured debts were a heavy burden to them.

The proportion of **renters with unsecured debt** had risen from 37% in 1995 to 51%. The amount owed by most renters tended to be relatively small: only around 10% of renters owed more than £5,000, while only 1% of renters had unsecured debts in excess of their annual pre-tax income. About 20% of renters with unsecured debts said that their debts were a heavy burden.

28% of renters reported problems paying for their debts at least occasionally, compared to 15% of mortgagors and 6% of outright owners

The Insolvency Service said that **111,359 people** went into bankruptcy or entered into an Individual Voluntary Arrangement (IVA) in the last 12 months, an increase of 13% over the previous 12 months.

15% of adults struggle with over £10,000 in unsecured debt according to Thomas Charles.

Money worries concern UK adults more than any other social issue, over and above terrorism, immigration, climate change and gun crime, according to a new report from AXA. However, despite the fact it worries more adults individually than any other social issue, as a nation we class terrorism, immigration and gun crime of greater social concern. 43% of adults said money worries is the social issue that has the greatest impact on them

One in four adults with debts have increased their borrowing in the past three months as people continue to feel the pinch of recent interest rate rises. Some 2.7m people (9%) claim to have gone further into debt by over 10%.

Close to the edge: according to uSwitch 10.3m Brits (23%) acknowledge that their current level of borrowing borders on the **unmanageable or is no longer manageable**. A further 9.5m consumers (21%) have maxed out on at least one source of credit over the last six months.

The average person in the UK now sees over half (53%) of their monthly take home pay eaten up in debt repayments – 35% on mortgage payments and 18% on other debts.

More than a million householders have used credit cards to pay their mortgage or rent in the past 12 months, according to a new survey published today by Shelter in its magazine ROOF.

New figures show that debt enquiries to Citizens Advice Bureaux in England and Wales have hit a record high, increasing by 20% in the last year and bringing the total to 1.7 million in 2006/07. The number of debt problems brought to bureaux has doubled in the last 10 years. Debt is now the number one issue advised on in bureaux, accounting for one in three of all enquiries and equates to **6,600 new debt problems a day**.

The majority of people who take out a personal loan to consolidate existing debts go on to build up more debt and struggle with the consequences. Research commissioned by moneysupermarket.com shows 28% of Brits (12.7 million people) have taken out a loan to consolidate some or all of their existing borrowing. Worryingly, of those who took out a personal loan to merge their existing debt, 8.4 million people (66%) continue to build up even more debt.

**14,000 properties (77 a day) were taken into possession** in the first six months of 2007. This rose by nearly 18% compared with the previous half-year, and nearly 30% compared with the first half of 2006.

The number of mortgages in arrears of three months or more at the end of June 2007 rose to an estimated **125,100**, up 4% compared with the end of December 2006.

According to research by the Conservative Social Justice Policy Group between 7 and 9 million people in Britain claim to have had a serious debt problem and they estimate that British consumers are on average twice as indebted as those in Continental Europe.

Personal debt as a proportion of income has risen from 105% in 1997 to 164% in 2006 - the highest ever recorded and the highest in the developed world.

The number of county court judgments (CCJs) has risen to a near **10-year high**. A total of 247,187 consumer debt related CCJs were issued in the first three months of the year - the highest quarterly total since the summer of 1997.

According to a recent report by the Legal Services Research Centre (LSRC) 89% of debt clients interviewed reported worrying about their money problems 'most' or 'all' of the time. Perhaps as a consequence, the great majority of clients believed their **health had been adversely affected by their debt problems**. 48% of clients described the impact of problems on their health as 'great', and 43% felt that their health had suffered 'to some extent'. Around three in five clients reported having received treatment, medication or counselling as a result. 45% of clients stated that debt problems had a negative effect on relationships with partners

Almost half of people in the UK are getting stressed at least once a week (47%) according to the Samaritans, with three quarters of people getting stressed at least once a month (74%). The biggest cause of stress for most people is money (51%), followed by job (38%), then family (27%).

Citizens Advice Bureau (CAB) clients have an average of £13,000 of debt which is nearly 17.5 times their monthly income. On average it would take CAB clients **77 years** to pay back their debts in full.

Three quarters (74%) of British couples find money the hardest subject to talk about with their partners according to 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

**Plastic card / Personal Loans:** uSwitch research reveals that over 22.5 million consumers (50%) have been sent credit card cheques. 96% of the 326m credit card cheques sent are unsolicited. They estimate that the average APR on credit card cheques is 12% higher than the average APR on credit cards. Half the people using credit card cheques are not aware of the costs involved in using them.

According to the BBA the proportion of credit card balances bearing interest fell to 74.1% in October 2007.

Total credit card debt in November 2007 was **£54.8bn**. The UK collective credit limit on credit cards is ~ £177bn.

The average interest rate on credit card lending is currently **17.73%**, around 12.25% above base rate.

The combined value of transactions made on charge, credit, debit and store cards was £511bn in 2006.

Plastic cards in issue were 181m in 2006. This works out at just under 4 plastic cards for every adult in the UK.

284 plastic transactions took place every second in the UK using payment cards (excluding petrol and oyster cards) and there were 86 cash withdrawals / second (equal to £6,279 / second) from UK's 58,000 cash machines in 2006.

There are **more credit cards in the UK than people** according to APACS. At the end of 2006 there were 74.4m credit and charge cards in the UK compared with around 60 million people in the country.

The percentage of credit card holders who repay in full in 2006 stood at 58%.

**Young people - the IPOD generation (under 30):** Research from the Personal Finance Research Centre shows young adults seemed especially susceptible to strong pressures to consume, and were prepared to borrow to do so. The use of credit to meet everyday expenditure was a way of life. For some the line between needs and wants was virtually indistinguishable.

Nationwide Building Society has found that two-thirds of teenagers do not believe they have a good knowledge of finance. It also revealed that one in five teenagers do not view being in debt as a bad thing.

The average graduate debt has dropped for the first time in six years. Graduates who leave university with debt now owe on **average £12,363**, a decrease of £889 (6%) on 2006. 54% graduates leaving university with debts of over £10,000.

CCCS research shows that **debt levels for the under-25s increase with age**. The average consumer debt for 24 year olds in 2006 was £16,351. Personal loans make up the largest part of this debt (56%), followed by credit cards (28%). Homebuyers under 25 owe an average of £20,290 on unsecured credit, compared to £12,113 for tenants in the same age group.

**Pensioners / Pensions:** Over 2.5 million older people (1 in 5) stay or live in just one heated room of their homes to keep warm and save heating costs. Over one million older people cut back on food shopping in order to pay for their home heating costs.

Britain's pension gap continues to increase with more than a quarter (26%) of British adults failing to make any provision for retirement, according to the annual retirement confidence index (RCI) provided by Alliance Trust. This has jumped from 20% a year ago.

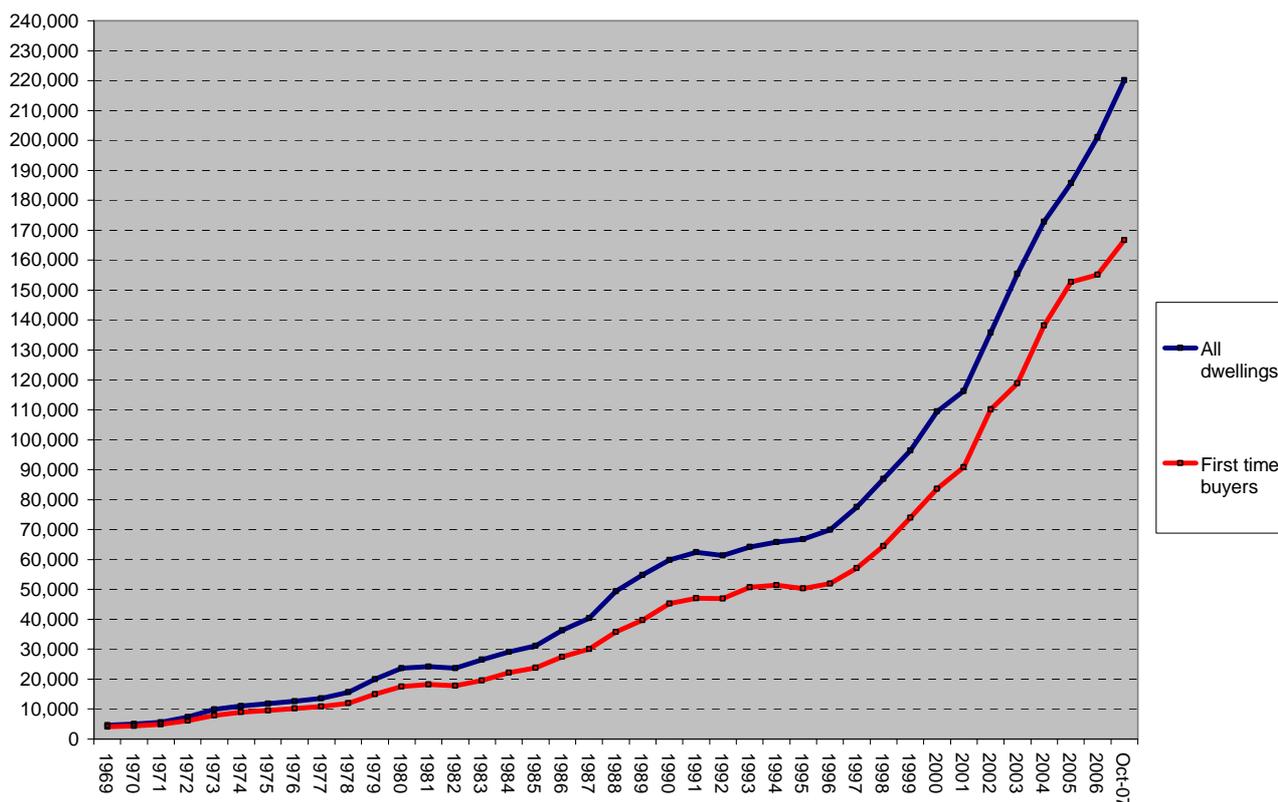
Research from Scottish Widows reveals that over 1.5 million of those aged 55 and over (34% of those aged over 55) claim they can't afford to retire at state retirement age due to lack of pension savings.

Research from Scottish Widows reveals around **one in five (over 1.1 million)**, retired homeowners in the UK have an **outstanding mortgage** on their home – with an average debt of £38,000. What is more, one in eight owe more than £50,000 putting increased pressure on retirement income. When it comes to short term debt (e.g. credit cards, personal loans etc) the situation is no better. Almost **one in three** have carried over short term debts for each of the last three months – with the average outstanding balance owed being £5,900.

**Housing:** According to the Department for Communities and Local Government (DCLG) the average house price in the UK in October 2007 now stands at **£220,195** (£227,619) in England). UK annual house price inflation rose by 11.3%. Annual house price inflation in London rose by 17.7%.

**The price of a typical house increased by the equivalent of £23 per day during the last 12 months.**

## UK Average House Prices £



The average Mortgage Interest rate is 5.94%.

The Nationwide said house prices fell by a seasonally adjusted 0.5% in December, recording their second consecutive month- on-month fall. The annual rate of house price inflation fell to 4.8%.

The Bank of England said 83,000 new mortgages were approved in November 2007 which is 48,000 fewer than in November 2006 and the **lowest monthly figure since January 2005**.

Average national **asking prices** fell by 3.2% (£7,950) in December to £232,396 which is a 4.8% annual growth.

House purchase approval numbers in November were similar to October's record low, as pressures on household finances and other factors combined to suppress demand. The average loan approved for house purchase in November 2007 was **£153,000**, some 4.0% higher than a year earlier.

Gross mortgage lending declined to an estimated £30.7 billion in November, down 8% from £33.5 billion in October and 8% from £33.2 billion in November 2006, according to the Council of Mortgage Lenders. This is the first time that monthly lending levels have dropped below the same month in the previous year since July 2005, and clearly demonstrates the market slowdown has started.

**35% of mortgages** taken out by home movers in October 2007 were "**interest only**" mortgages compared with only 12% taken out in June 2003. 27% of these "interest only" mortgages were taken out without a repayment plan specified to repay the capital.

Clive Briault of the FSA has estimated that at least 1.4 million short-term fixed rate mortgages will end in 2008. Many of these borrowers are on relatively high loan-to-value ratios or income multiples and will find it difficult (if not impossible) to refinance their mortgage on favourable terms, which will leave them facing a significantly higher interest rate on their borrowings,

Britain's housing stock is worth a total value of £3,915 billion – up 10 per cent on 2006. The value of private housing assets exceeds the total value of outstanding mortgage debt by a record **£2.75 trillion** at the end of 2007 compared with £870bn in 1987. The average level of housing equity per private dwelling is an estimated **£125,000** in 2007.

The Council of Mortgage Lenders (CML) estimates that:

- House prices to rise 1% in 2008.

- The number of 3+ months arrears cases to reach 145,000 by the end of 2007 and 170,000 by the end of 2008
- The number of repossessions to total 30,000 in 2007, and increase 50% to 45,000 in 2008 (this would be the highest level for 13 years)
- Base rates to end the year at 5.5% in 2007 and 5.0% in 2008

Banks and building societies will hand out **£1 billion every day** this year in the biggest-ever home loan bonanza in Britain. The Council of Mortgage Lenders said 2007 will be a record year with an extraordinary £360 billion borrowed in mortgages.

**Housing First Time Buyers (FTB):** The average house price in the UK in October 2007 for first time buyers now stands at **£166,764** which is an annual increase of 10.9%.

Affordability pressures continued to squeeze first-time buyers as income multiples in October stood at **3.36 times the average first-time buyer income** according to the Council of Mortgage Lenders (CML). The average new mortgage for first time buyers has now reached **£117,800**. The av. age of a first-time buyer is 29.

Halifax research estimates:

- The number of FTBs is at its **lowest since 1980**. An estimated 300,000 first time buyers entered the market in 2007 – 44% less than in 2002 (532,000).
- The average deposit put down by a FTB was **£34,381** in 2007 - an 88% increase over the past five years.
- The average FTB deposit was 20% higher than UK average full-time earnings of £28,590 in 2007.
- FTBs cannot afford to purchase a terraced property – traditionally the least expensive property type - in 71% of towns across the UK (322 out of 454). This stood at 11% in 2002.

The Bank of England financial stability report said that recent first-time buyers are vulnerable as many have stretched themselves more than normal to get on the housing ladder because of the increase in house prices relative to income and the sharp increase in the proportion of new mortgages with high loan to income multiples.

**Parents are paying on average £21,314** to help their children get on the property ladder. 20% have already dipped into their savings to help their children buy their first home, while a further 22% plan to offer financial help to their offspring when they come to buy.

**Spending:** The average family car now costs £5,627 a year to keep on the road, an increase of £162.70 year-on-year.

Research from Alliance & Leicester reveals 4.2 million Britons could be reaching for the brochures without having paid for their previous jaunt. More than one in five (22 per cent) spent as long as a year paying off their last main holiday and nearly 900,000 (2 per cent) still haven't paid the final bill.

Parents of children under 18 end up an average £1,140 in debt a year after the birth of their first child research from MoneyExpert.com says. Loss of income and increased costs mean they have debt worries to add to the sleepless nights with more than 40 per cent of parents going into the red. Around 7% rack up over £2,500 worth of debts, and one in 50 will owe over £7,000 after just twelve months with their newborn.

The average wedding costs around £20,000. It costs an average of £386 to attend a wedding.

Research by WRAP (Waste & Resources Action Programme) has revealed that households in the UK **throw away around a third of all of the food we buy**.

**Money Education / Financial Literacy:** A high number of people **regularly fail to budget effectively** each month resulting in 64% of people running out of cash on average 5 days before their next pay cheque.

Research from Nationwide Building Society reveals that 75% of people in the UK don't understand the monetary value a 1% difference in mortgage rates can make.

National Consumer Council (NCC) research reveals more than 27 million people in England and Wales do not have a will.

It seems that money is fast becoming the nation's most uncomfortable topic. Research from Scottish Widows shows that we'd rather talk about sex and health than money.

One in three adults – or around 12.4 million people – refuse to plan their finances at all, and those that do find the time to review them set aside a miserly **five minutes a week**.

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.

**Savings:** HBOS expect liquid savings to increase by £80 billion to £1.1 trillion in 2008. Total savings (which include the amount invested in equities and pensions schemes as well as deposit based savings) are expected to increase by £400 billion to exceed £4.5 trillion by the end of 2008. Total savings will therefore be more than three times the forecast outstanding level of household debt (£1.4 trillion).

The number of people who save regularly is at the lowest level recorded in two years (46%).

Over one in four (27%) have no savings at all – and a further one in four (25%) have less than £3,000 – meaning that the savings pot of more than half of all households in the UK will **last less than three months**.

Half the population (52%) could survive financially for just 17 days, should they suffer an unexpected loss of income, according to research by Combined Insurance.

**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.**

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