

## Debt Facts and Figures - Compiled 1<sup>st</sup> July 2008

### Total UK personal debt

Total UK personal debt at the end of May 2008 stood at **£1,443bn**. The growth rate increased to 8.0% for the previous 12 months which equates to an increase of ~ £107bn.

Total secured lending on homes at the end of May 2008 stood at **£1,210bn**. This has increased 8.2% in the last 12 months.

Total consumer credit lending to individuals in May 2008 was **£233bn**. This has increased 7.0% in the last 12 months.

Total lending in May 2008 grew by £5.4bn. Secured lending grew by £4.1bn in the month. Consumer credit lending grew by £1.4bn.

Average household debt in the UK is ~ **£9,341** (excluding mortgages). This figure increases to **£21,725** 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 ~ **£57,941** (including mortgages).

Average owed by every UK adult is ~ £30,394 (including mortgages).

Average outstanding mortgage for the 11.8m households who currently have mortgages now stands at ~ **£102,554**.

Britain's interest **repayments have soared to £94.0bn** in the last 12months. The average interest paid by each household on their total debt is approximately **£3,774** each year which has increased £300 in the last 12 months.

Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to **£4,900** per average UK adult at the end of May 2008.

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

### Today in the UK:

- Consumers will borrow an additional £293m today
- Consumers will pay £258m in interest today
- The average household debt will increase by over £11.75 today
- 424 mortgage possession claims will be issued and 302 mortgage possession orders will be made today
- 408 landlord possession claims will be issued and 312 landlord possession orders will be made today.
- 282 people today will be declared insolvent or bankrupt. KPMG estimate this will increase to 356 people a day by the end of 2008 which is equivalent to **1 person being declared insolvent or bankrupt every 4 minutes**.
- 74 properties will be repossessed today. The Council of Mortgage lenders (CML) estimates this will increase to **123 a day** during 2008.
- Approximately 18,000 credit card applications are being rejected every day.
- 2,750 County Court Judgements (CCJs) issued
- 4,000 fixed rate mortgages will come to an end today.
- Citizen Advice Bureaus will deal with **6,600 debt problems** today
- The average car will cost £15.42 to run today
- £464m will be withdrawn from cash machines today.
- 20m transactions worth £1.0bn will be spent on credit, debit and charge 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

**£293m**

daily increase in UK debt

**£57,950**

average household debt (including mortgages)

**£258m**

interest paid in UK daily

**123**

properties repossessed daily

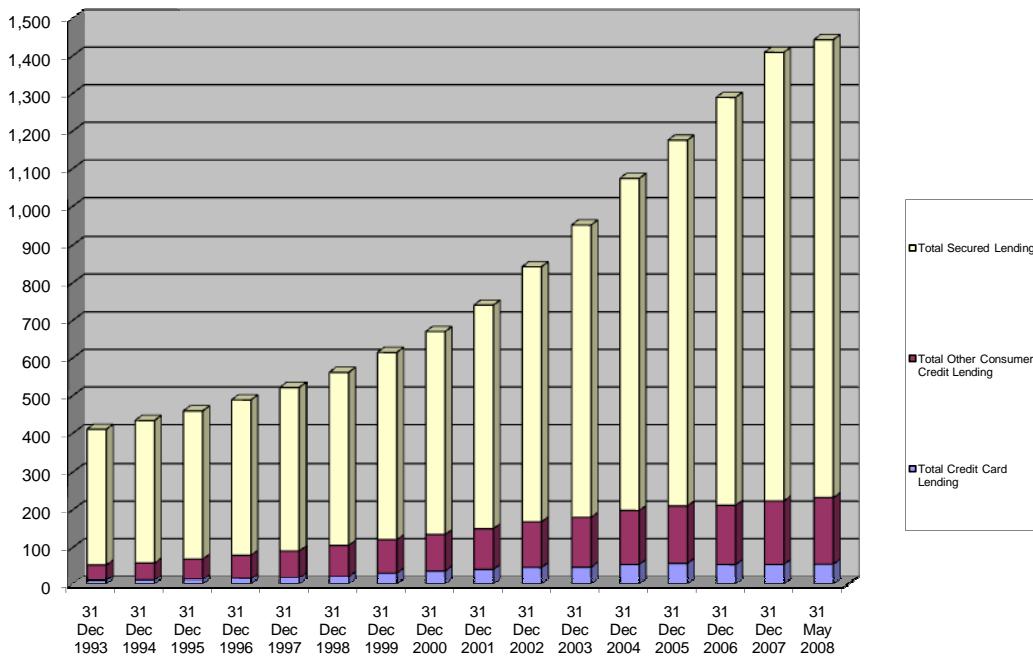
**1 person every 4 minutes**

declared bankrupt or insolvent

**£56**

average daily decrease in house prices since Oct 2007

### Total UK Personal Debt £bn



**Servicing Debt:** Increasing numbers of people who owe money to banks and finance companies are concerned about their ability to manage their debts according to MoneyExpert.com. 38% of people with debts say they are concerned or very concerned about whether they will be able to repay the money they owe, a figure that has risen by 5% from 33% in the previous quarter ending Feb 2008. Amongst those with debts more than one in four (27%) said that their levels of debt have also increased over the last 3 months.

Combined Insurance has tracked people's actual monthly spend on bills and living costs over the last two years and estimates they has been a 26% hike in monthly outgoings.

CreditExpert.co.uk estimates that one in ten of us admit to having no idea about how much debt we are in.

Mervyn King, the governor of the Bank of England, in his June 2008 Mansion House speech warned that:

- mean average real take-home pay will stagnate this year and the squeeze on real income growth is likely to mean that both house prices and consumer spending weaken together
- inflation in the UK has hit 3.3% and will rise in the short term but that the MPC is prepared to take whatever action is needed to return inflation, a hint that interest rates could rise
- oil prices have doubled since the beginning of 2007 and further sharp increases in domestic gas and electricity prices are probably on their way.
- the era of cheap mortgage finance that underpinned the housing market in 2006 and the first half of 2007 is over and, as a result, it is reasonable to expect the ratio of house prices to incomes to fall back

According to research from Shelter published in June 2008:

- 6m (nearly 25% of households) say housing costs cause them stress or depression
- 2m households said meeting housing costs was a constant struggle
- 400,000 households said they were falling behind with rent or mortgage payments
- 2.8m households (11%) have had to borrow money to meet their housing costs in the last 12 months, split evenly between those borrowing from friends and family, and official loans
- 4.1m households (16%) have used a credit card to help meet their housing costs in the last 12 months
- 2.2m households (9%) pay more than half their income on housing.

The June 2008 survey from Equifax reveals that 20% of homeowners are worried about being repossessed.

The Insolvency Service said that 102,792 people went into bankruptcy or entered into an Individual Voluntary Arrangement (IVA) in the 12 months ending 31 March 2008. There were 25,264 individual insolvencies in England and Wales in the first quarter of 2008 on a seasonally adjusted basis. This was an increase of 1.7% on the previous quarter and a decrease of 13.2% on the same period a year ago.

KPMG predicts 130,000 personal insolvencies by the end of 2008 which would be equivalent to 356 people a day or **1 person becoming bankrupt or entering into an Individual Voluntary Arrangement (IVA) every 4 minutes.**

During the first quarter of 2008 there were 38,688 mortgage possession claims issued on a seasonally adjusted basis, **16% higher than in the first quarter of 2007** and 7% higher than in the fourth quarter of 2007. There were also 27,530 mortgage possession orders made, 37,221 landlord possession claims issued and 28,503 landlord possession orders made on a seasonally adjusted basis.

TDX Group predicts that the number of DMPs (Debt Management Plans) taken out in 2008 will double from 160,000 in 2007, to 320,000. They also estimate that one-in-four DMPs will fail in the first twelve months.

Community Money Advice (CMA), which supports money advice services across the UK and Ireland saw an 85% increase in people seeking help in the twelve months up to Dec 2007, with big increases in affluent areas such as Tunbridge Wells (up 234%), Cambridge (up 55%) and Horsham (up 48%).

TDX Group research reveals that in 2007, £7.4 billion of UK defaulted unsecured debt – around one third of the total - was sold on by banks and creditors. They estimate this will increase 25% to £9 billion in 2008. **Over the last 3 years, the market has grown by over 270% from a base of around £2bn in 2004.**

According to uSwitch.com **6.8 million households are in debt to their energy supplier**. Over a quarter (26%) of energy customers were 'in the red' on their last energy bill and 2 million consumers are on debt repayment programmes to energy suppliers.

After this year's pay rises, UK workers will be taking home an extra £44 a month on average but millions of families will be worse off as they already facing an increase of £148 a month in essential living costs.

**27,100 properties (74 a day) were taken into possession** during 2007. This is a 21% increase on 2006. The Council of Mortgage lenders (CML) estimates this will increase to **123 a day** during 2008.

According to uSwitch Britain is suffering from a bad case of affluenza – "we are caught in the grip of a spiral of conspicuous consumption where it's no longer enough to keep up with the Joneses, but instead we want to live like our favourite celebrities". 4.8m adults spend more than they earn and 9m adults just break even at the end of every month.

6.9 million household bills went unpaid in the past six months, showing that household budgets everywhere are feeling the strain. Figures show that of all household bills people are most likely to overlook their council tax bill, with a staggering 2.3 million people – around one in twenty adults – claiming to have paid their council tax late or not at all in the past six months.

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 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.

**Plastic card / Personal Loans:** According to uSwitch.com, in the past 12 months 84% of successful credit card applicants – 4.8 million – were not asked to provide any proof of income to support the figures stated in their application form.

According to the BBA the proportion of credit card balances bearing interest rose to 73.0% in April 2008.

Total credit card debt in May 2008 was **£55.6bn**. The UK collective credit limit on credit cards is ~ £177bn.

The average interest rate on credit card lending is currently **17.5%**, which is 12.5% above base rate (5.0%). The average interest rate on credit card lending has increased by **1.8% in 2 years** from 15.7%.

MoneyExpert.com research has discovered that around 1.38 million people have been rejected for a loan in the past six months. Their analysis of the unsecured loan market indicates that average rates increased by up to one per cent in the past six months despite three Bank of England rate cuts.

Debit and Credit cards in issue were 145m in 2007. If you include other types of plastic cards this works out at just under **4 plastic cards for every adult in the UK**.

228 plastic card purchases took place every second (equal to £11,555) in the UK using debit and credit cards and there were 92 cash withdrawals / second (equal to £5,365 / second) from UK's 64,500 cash machines in the first quarter of 2008.

There are **more credit cards in the UK than people** according to APACS. At the end of 2007 there were 73m credit and charge cards in the UK compared with around 60 million people in the country.

uSwitch estimates that in the last 12 months over 2.5m credit card customers have been told that they will be charged a fee, have their account closed or have their credit limit cut. 1.6m have had their credit limit reduced and 1.3m have either been hit with an annual fee or had their account closed down altogether.

**More than five million people have missed monthly payments on credit cards in the past six months** (11% of credit card customers). Late payment fees average £12 a time for missed payments which totals to £61 million for the six months to December 2007.

**Young people - the IPOD generation (under 30):** A survey of those aged 16 to 25 called 'Penny for your thoughts' exploring young peoples' relationships with and attitudes towards finance shows that:

- only 6% of respondents said they manage their money by sticking to a fixed budget
- two in ten (22%) said they just cross their fingers and hope they don't run out of cash
- more than two thirds (68%) of respondents had been encouraged to take out credit they either did not want or could not afford
- a third (34%) of the young people that completed the survey had debt-related problems at the time, and a further 13% had done in the past.

According to the AXA group millions of teenagers are planning to fund their lifestyle through credit cards, overdrafts and loans. As many as 44% of 15 to 17 year olds are planning to take out a credit card when they become an adult; 18% are thinking of taking out a bank loan when they turn 18 and a further 17% expect to be overdrawn.

Adult children are 'sapping' their parents' savings and investments at an increasing rate of knots, as Scottish Widows reveals the position has got even worse over the past year. Over half (55%) of parents have given or loaned their children or grandchildren thousands of pounds compared to a figure of 39% last year – an increase of 16%. The average amount given by parents to their offspring is £12,610. Four in ten (42%) adult children have used their handouts to pay off debts and 29% to buy a house.

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.

**Pensioners / Pensions:** The average worker now faces entering retirement on £215 a week – under half the national average earnings and below the minimum wage. The Fidelity Retirement Index reveals Brits are now looking at a 53 per cent drop in income when they start taking their pension.

Voluntary pension contributions made by UK adults have almost halved in the past 12 months, according to Prudential research, which reveals that those who pay into company and private pension schemes say they have cut contributions by a staggering £134 a month compared with last year.

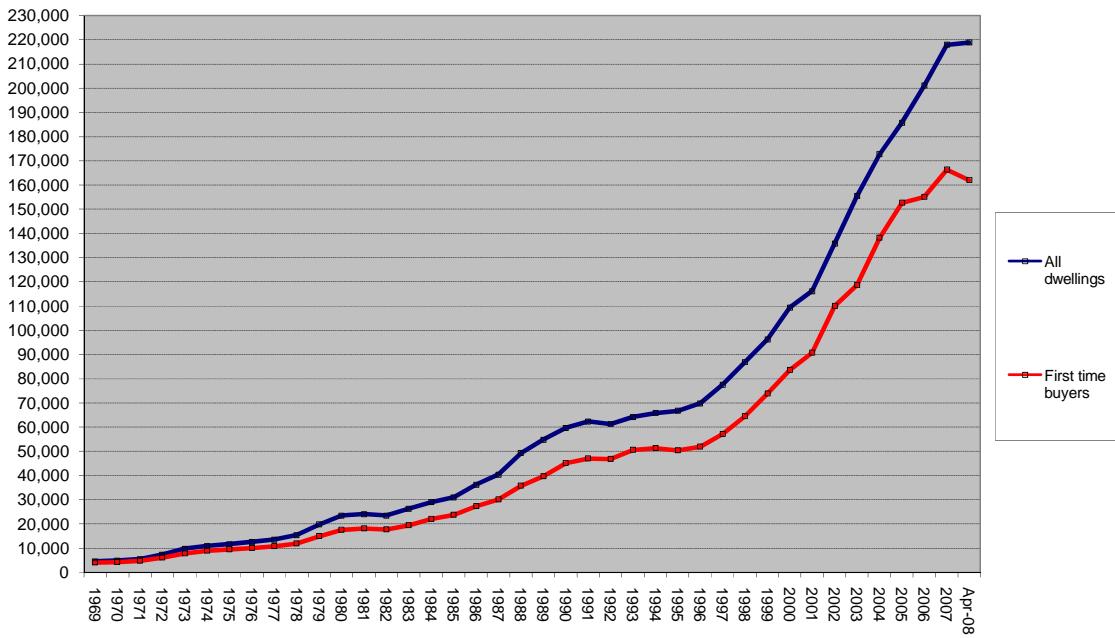
39 per cent of working age people in Great Britain in 2005/06 were contributing members of private pensions schemes. Almost half of those who had not yet retired have no idea of what their retirement income would be,

23% of households in April 2008 headed by a person over the age of 60 owes money on consumer credit agreements. 1 in 8 over-60s were repaying a mortgage including 4% of people aged 80–84. 1 in 20 people in their 60s, 70s and 80s admit to constantly struggling to keep up with commitments or having fallen into arrears.

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.

**Housing:** According to the Department for Communities and Local Government (DCLG) the average house price in the UK in April 2008 now stands at **£218,875** (£226,194) in England. UK annual house price inflation rose by 4.9%. Annual house price inflation in London rose by 7.5%.

## UK Average House Prices £



The average Mortgage Interest rate is 5.73%.

The Nationwide said house prices **fell by 0.9% in June and are 6.3% lower than this time last year**. House prices have dropped over £13,600 since their peak in October 2007 which is equivalent to **£56 a day**.

The Bank of England said 42,000 new mortgages were approved in May 2008 which is **a third of what they were this time last year (116,000) and the lowest monthly figure recorded in the last 15 years**.

Figures from HM Revenue & Customs (HMRC) show the number of property transactions in UK with value £40,000 or above fell 15% from 115,000 in April to 100,000 in May. They also show an annual fall of 37% since May 2007.

House purchase mortgage approval numbers in May were 27,968 which was **56.1% lower than May 2007**. The average loan approved for house purchase in May 2008 was **£155,000**, some 1.2% lower than a year earlier.

Existing home sales across the United States (including single-family, townhomes, condominiums and co-ops) fell 15.9% year on year in May 2008 and the average price dropped 6.3% year on year to \$208,600.

Completed property sales for the quarter to May fell to 17.4 per surveyor, from 18.5 in April. On year ago levels, they are down by 31.5%. On an annual basis, sales fell for the thirteenth consecutive month in May.

HBOS forecast that the **decline in house prices will be up to 9% in 2008** and transactions likely to be 45% lower in 2008 than in the previous year.

Research from Moneyfacts.co.uk shows that in June 2008 the average rate for two-year fixed rate mortgages available on the market is 7.02%, the highest rate they have seen in the last 10 years.

Gross mortgage lending totaled an estimated £25.5 billion in May, down only 2% from £26.1 billion in April but 19% from the £31.5 billion high in May 2007 according to the Council of Mortgage Lenders.

**35% of mortgages** taken out by home movers in April 2008 were "**interest only**" mortgages compared with only 12% taken out in June 2003. 26% of these "interest only" mortgages were taken out without a repayment plan specified to repay the capital.

Rightmove's June House Price Index shows that the ratio of buyers to available property has doubled year on year to 15:1 as mortgage famine hits home. New sellers drop their prices 1.2% in a month, as buyers' affordability continues to drop and there are now **one million properties for sale** as poor spring sales push agents' **unsold stock to a new record of 75 homes per office**.

Citizens Advice Bureaux in England and Wales have seen mortgage arrears problems shoot up by 35% in the first two months of 2008 compared with the same period in 2007.

At the end of 2007 there were **129,808 mortgages which were > 3 months in arrears**. The Council of Mortgage Lenders (CML) estimates this will increase to **170,000 by the end of 2008**.

According to the FSA over the next 12 months, approximately 1.4 million fixed-rate mortgages will come to the end of their fixed-rate term. For many consumers, this will mean that the cost of their mortgage will increase significantly (an average of £210 a month if they simply revert to their lender's standard variable rate).

At the end of 2007 there were 463,000 people have missed a monthly repayment on their mortgage in the past six months, representing around four per cent of the 11.8 million outstanding mortgages.

Halifax estimates that the value of the UK's private housing stock rose by 9% (nearly £320bn) in 2007 to a **record £4.0 trillion (£4,000 billion)**. The value of the housing stock has more than tripled over the past decade, rising by 208% from £1.3 trillion in 1997. By comparison, the headline retail price index (RPI) has risen by 31% over the past ten years. Housing equity has increased by nearly £2 trillion over the past decade to £2.8 trillion. The value of the private housing stock was **3.4 times outstanding mortgage debt** at the end of 2007.

**Housing First Time Buyers (FTB) & Buy-to-let:** The average house price in the UK in April 2008 for first time buyers now stands at **£161,959** which is an annual increase of 3.9%.

Affordability pressures continued to squeeze first-time buyers as income multiples in April stood at **3.30 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 **£113,490**. The av. age of a first-time buyer is 28.

**The average UK rent rose nearly 14 per cent over the last year**, to stand at £12,048 in April which exceeds £1000 a month.

Research from price comparison website moneysupermarket.com shows five per cent more people are renting properties now than in October last year as the credit crunch continues to squeeze.

House prices for first time buyers throughout the UK have risen a staggering 200 per cent in a decade, the annual Shelter Roof Affordability Index has revealed. The figure is even higher in London with first time buyers facing a crippling 250 per cent rise to almost £260,000.

An estimated 5.5 million parents have provided financial support to help their children onto the property ladder, with an average contribution of £20,921 per child. One in three UK parents, equivalent to approximately 10 million people, intends to help their children in this way, with an average contribution of £22,401 per child. They are collectively preparing to donate £223 billion in housing deposits to their children.

Halifax research at the end of 2007 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.

**Spending:** Over a third (34%) of holiday makers fail to set a budget for spending money while they are away. Over three-fifths (61%) of British holiday makers admit to overspending while they are away on holiday. Nasty surprises are common with over a quarter (26%) of holiday makers alarmed at how much money they had spent while away.

The average wedding costs £20,273. It costs an average of £386 to attend a wedding.

Research from Alliance & Leicester reveals almost **35m Britons (73%) have made some form of financial cutback recently** and one third (34%) expect their disposable income to decrease over the coming six months. For the majority, 79%, this is due to the rising cost of food, consumer goods, household bills and fuel prices.

uSwitch estimates that average household energy bill will increase £415 this year from £912 at the beginning of 2008. If oil and wholesale pricing pressures mount, household energy bills could actually hit £1,327 before the end of 2008 – an unprecedented 46% increase in one year.

The average family car now costs £5,627 a year to keep on the road, an increase of £162.70 year-on-year. Motorists buying the UK's top ten best-selling new cars are left £510 per month (£17/day) out of pocket due to depreciation in the first year.

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 research reveals more than 27m 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:** The number of people who are regularly saving money each month has fallen to below half of the population (47%), compared with 52% in winter 2007/2008.

The savings ratio, which measures how much households put away for a rainy day, more than halved in the first quarter of 2008 to **1.1% which is the lowest level for 60 years**. This weakening reflects a fall of 1% in real household disposable income.

The old adage of having “rainy day savings” appears to be a thing of the past, with one in six people (16%) having to rely on credit to fund basic household breakdowns. **45% say they could afford no more than £500** if an emergency arose and 20% said they could afford no more than £100, according to research from Alliance & Leicester.

Egg research shows that a **quarter of people in Britain have little or no money set aside for emergency situations**. Over half of all working Britons (52%) do not have sufficient savings to support their families were they to find themselves out of work, even if only for the UK's average redundancy period of four months (Capital Economics predict unemployment will increase from 1.6m to 2.3million by the end of 2009, the highest level since 1996). 69% of Britons have in the last ten years needed a cash injection to cover an unforeseen expense and a third of Britons have found themselves in this situation more than once, with repairs to the family car being the most likely.

The Wealth and Assets Survey, by the Office for National Statistics, found that **39 per cent** of respondents agree with the statement ‘I would rather enjoy a good standard of living today than save for retirement’. It also found that **over 14m adults (30%) have no financial savings or investments**.

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@creditaction.org.uk](mailto:richardtalbot@creditaction.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 <http://www.creditaction.org.uk/debt-statistics.html> Note: new / changed statistics are at the start of each section.**

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