

## Debt Facts and Figures - Compiled 4th January 2006

**Total UK personal debt:** At the end of November 2005 the total UK personal debt was **£1,148bn**. 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 November 2005 was **£956.3bn**. This has increased 10.3% in the last 12 months.

Total consumer credit lending to individuals in November 2005 was **£192.1bn**. This has increased 9.8% in the last 12 months.

Total lending in November 2005 grew by £9.6bn. Secured lending grew by £8.7bn in the month and consumer credit lending grew by £0.9bn in the month.

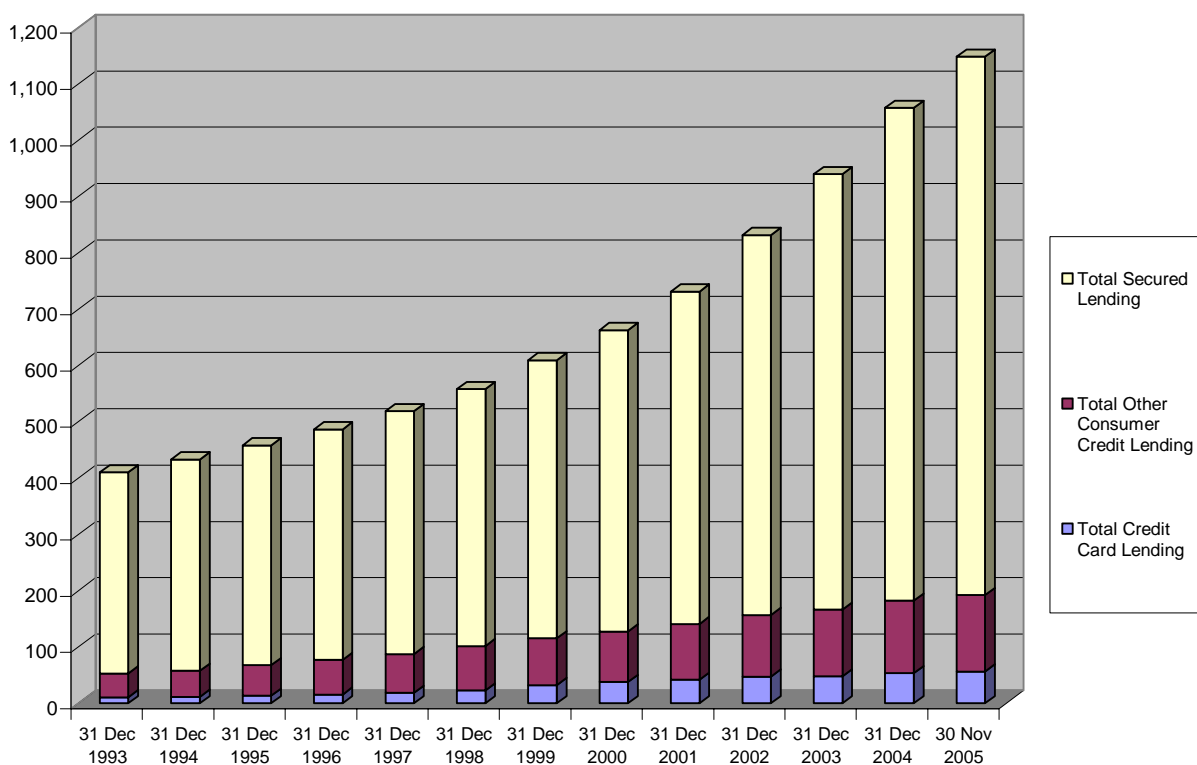
Average household debt in the UK is approximately £7,776 (excluding mortgages) and £46,491 including mortgages.

Average owed by every UK adult is approximately £24,636 (including mortgages). This grew by £205 last month.

Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to £4,121 per average UK adult at the end of November 2005. This figure translates into a 10% increase on the previous year's levels and a 45% increase since 2000.

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

Total UK Personal Debt £bn



**Christmas / New Year Season:** More than two million people who used credit cards to buy last year's (2004) Christmas presents had still not managed to pay off the debt a year later at the end of 2005. A further 1.7million shoppers only managed to pay off last year's Christmas credit card debts in November 2005.

Almost 20,000 personal insolvencies are expected in the first three months of 2006, of which 6,500 will be as a result of excessive Christmas spending, according to Grant Thornton's personal insolvency practice. The prediction comes in the wake of record numbers of personal insolvencies in 2005, which are expected to top 66,000.

We ran up debts of more than £11bn on credit cards in December 2004.

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 up to six months later.

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 season 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 November 2005 was £56.35bn.

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 76.0% in October 2005.

The average interest rate on credit card lending is currently 15.75%, 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:** 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.

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.

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

**Students / Youth:** My Equifax 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.

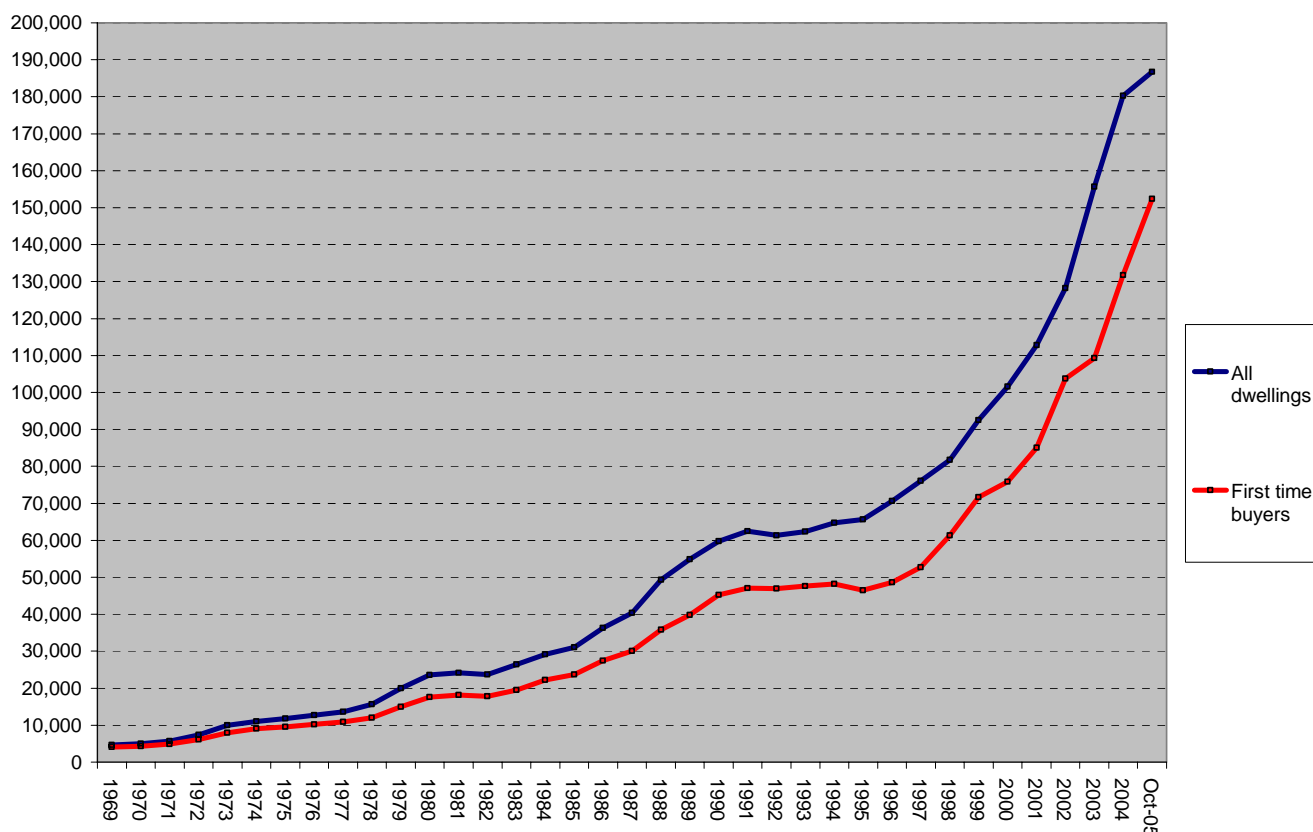
Four out of 10 of people still in work have made no pension provision whatsoever and will have to rely on the state for an income in retirement, according to a large-scale survey of British attitudes by National Centre for Social Research.

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 October 2005 stood at £186,755 (£194,824 in England). UK annual house price inflation rose by 2.2%. Annual house price inflation in London was - 0.2%.

## UK Average House Prices £



Housing data has been fairly consistent this month:

- The Nationwide, Halifax, The Royal Institute of Chartered Surveyors (RICS), Rightmove and The Council of Mortgage Lenders (CML) all predict that house prices will rise between 2 – 4 % in 2006.
- RICS estimate that house prices are 7.8 times earnings compared with an average of 4.9 since 1969.
- Gross mortgage lending in November was the second highest monthly lending figure on record, 1% lower than lending in July 2004, and 30% more than the lending last November according to the latest figures from the Council of Mortgage Lenders.

The average loan approval for house purchase in November was £130,800.

**Housing 1<sup>st</sup> Time Buyers:** The average house price in the UK in October 2005 for first time buyers now stands at £152,331 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).

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.

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:** People saved an average of 7.2% of their income during the three months to the end of November, the highest proportion since National Savings and Investments first started the survey in September 2004.

Building society savings increased by 25% between November 2003 and November 2005. This is perhaps evidence of the growing acceptance by people that they need to save, so they have something to fall back on in case hard times hit.

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](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.**