

## Debt Facts and Figures - Compiled 2<sup>nd</sup> June 2008

### Total UK personal debt

Total UK personal debt at the end of April 2008 stood at **£1,436bn**. The growth rate increased to 8.4% for the previous 12 months which equates to an increase of ~ £110bn.

Total secured lending on homes at the end of April 2008 stood at **£1,207bn**. This has increased 8.7% in the last 12 months.

Total consumer credit lending to individuals in April 2008 was **£230bn**. This has increased 6.5% in the last 12 months.

Total lending in April 2008 grew by £7.3bn. Secured lending grew by £6.4bn in the month. Consumer credit lending grew by £0.9bn.

Average household debt in the UK is ~ **£9,223** (excluding mortgages). This figure increases to **£21,450** 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 ~ **£57,683** (including mortgages).

Average owed by every UK adult is ~ £30,260 (including mortgages).

Average outstanding mortgage for the 11.8m households who currently have mortgages now stands at ~ **£102,070**.

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

Britain's interest **repayments have soared to £94.3bn** in the last 12 months. The average interest paid by each household on their total debt is approximately **£3,790** each year which has increased £343 in the last 12 months.

Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to **£4,840** per average UK adult at the end of April 2008.

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

### Today in the UK:

- Consumers will borrow an additional £302m today
- Consumers will pay £258m in interest today
- The average household debt will increase by over £12.10 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
- 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
- £464m will be withdrawn from cash machines today.
- 20m transactions worth £1.0bn will be spent on credit, debit and charge cards today

#### Striking numbers

**£1m every 5 min**

growth in UK debt

**£302m**

daily increase in UK debt

**£57,683**

average household debt  
(including mortgages)

**£258m**

interest paid in UK daily

**123**

properties repossessed daily

**1 person every 4**

**minutes**

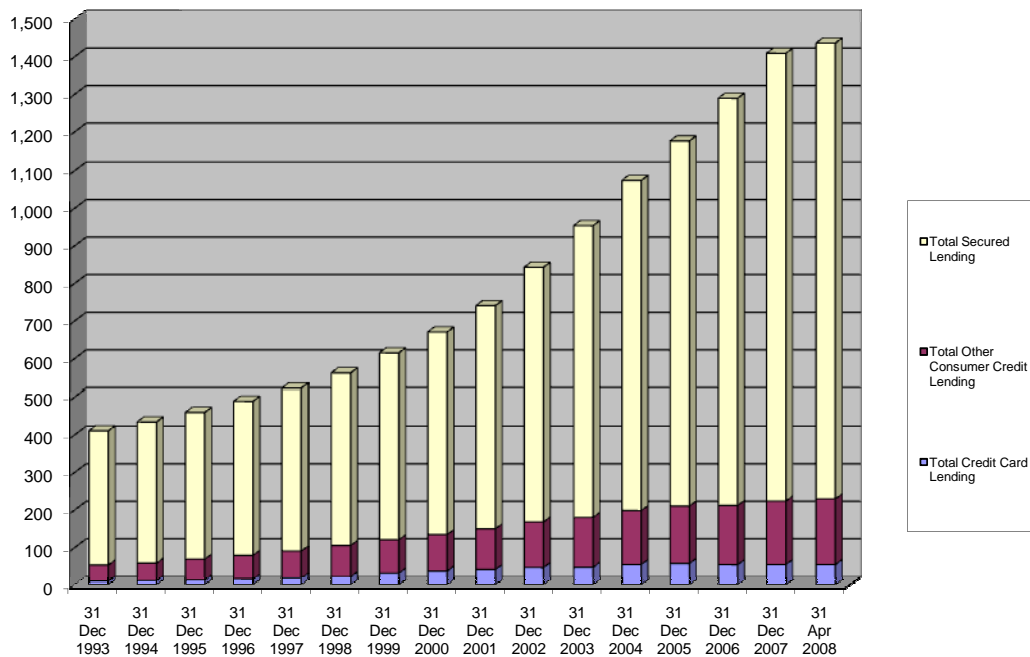
declared bankrupt or insolvent

**£56**

average daily decrease in  
house prices in 2008

- 1/3<sup>rd</sup> of all groceries we buy today will end up in the dustbin.

Total UK Personal Debt £bn



**Servicing Debt:** 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:

38,688 mortgage possession claims were 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. 27,530 mortgage possession orders were made on a seasonally adjusted basis.

37,221 landlord possession claims were issued and 28,503 landlord possession orders were 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.**

The strain put on families by personal debt is pushing many to crisis point, according to Christians Against Poverty (CAP). Research conducted by the charity amongst its clients found that almost a quarter (23 per cent) of all clients said that debt caused their relationship to break down. 53% said the financial strain of being in debt caused arguments and stress with their partner and 69% had visited their GP due to debt-related stress.

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.

According to uSwitch the recent fuel price rises will plunge a further 500,000 into fuel poverty, bringing the total number of people caught in the trap to 4.5 million.

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.

33% of adults with debts are concerned or very concerned about their ability to keep on top of their borrowing according to MoneyExpert.com research. Around 9% (3.04m people) are very concerned about their ability to manage their debts. 27% of people with debts have increased the amount they have borrowed in the last three months. Around 2.03m have increased the amount they owe by 20% or more over the past three months.

**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.

Money worries concern UK adults more than any other social issue, over and above terrorism, immigration, climate change and gun crime, according to 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

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**.

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.

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 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

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.

**Plastic card / Personal Loans:** 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.

More than 3.2m adults own five or more credit cards despite mounting concern about debt problems as the credit crunch hits home and 28% of people applied for more plastic last year.

According to the BBA the proportion of credit card balances bearing interest rose to 73.6% in March 2008.

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.

Total credit card debt in April 2008 was **£54.9bn**. The UK collective credit limit on credit cards is ~ £177bn.

The average interest rate on credit card lending is currently **17.6%**, around 12.6% above base rate (5.0%). The average interest rate on credit card lending has increased by **2.1% in 2 years** from 15.5%.

**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):** 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 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.

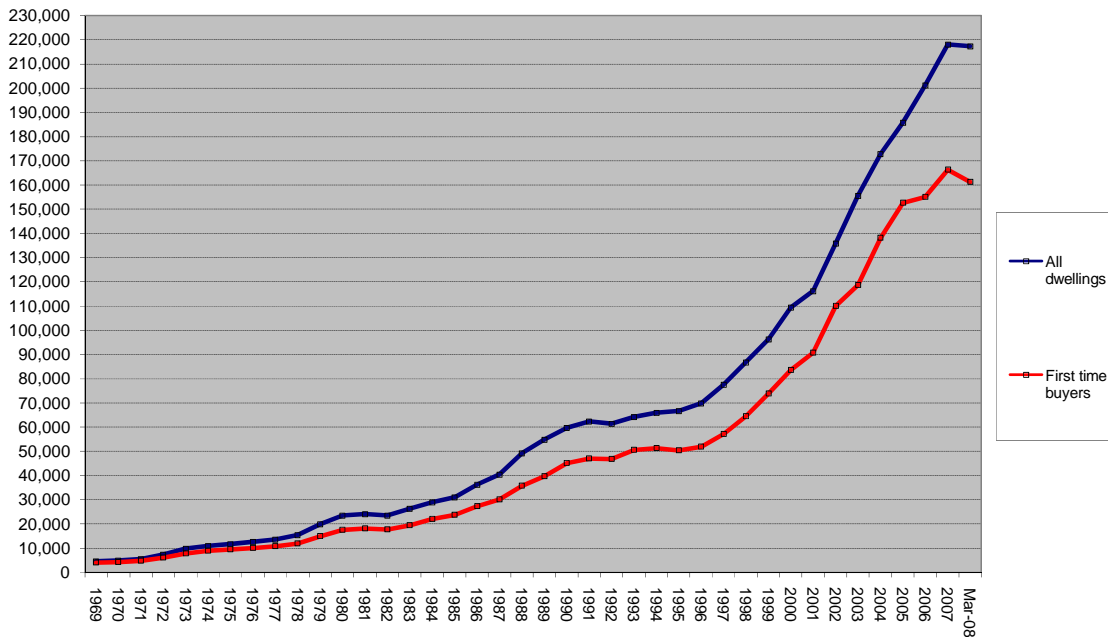
According to the Consumer Credit Counselling Service (CCCS) for the first time, clients over 60 have the highest levels of debt, averaging £29,642.

New estimates from Age Concern put the number of pensioner households living in fuel poverty now at 2.25 million, with an estimated 250,000 pensioner households pushed into fuel poverty by the price rises this year.

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 March 2008 now stands at **£217,344** (£224,668) in England). UK annual house price inflation rose by 5.2%. Annual house price inflation in London rose by 7.6%.

## UK Average House Prices £



The average Mortgage Interest rate is 5.8%.

The Nationwide said house prices **fell by 2.5% in May** which is the **largest recorded monthly fall in the history of the Nationwide monthly index since 1991**. Prices have fallen 4.4% since this time last year, the biggest annual fall in house prices since December 1992. House prices have dropped £8,500 during 2008 which is equivalent to **£56 a day**.

Existing home sales across the United States (including single-family, townhomes, condominiums and co-ops) fell 17.5% year on year in April 2008 and the average price dropped 8.0% year on year to \$202,300.

The Royal Institution of Chartered Surveyors (RICS) estimates that house prices will decline by 5% in 2008 (peak to trough of 7%) and that sales transactions could be more than 40% down on last year's level.

Sentiment in the housing market deteriorated further in April. The net balance of surveyors reporting falling rather than rising prices declined to -95.1 from -79.4 in March. This makes April the most negative month since the survey began (January 1978).

National Association of Estate Agents (NAEA) reports that the average difference between asking and sales price was 4.7%, showing that although there is still a dislocation in this area sellers may be being more realistic.

The Bank of England said 58,000 new mortgages were approved in April 2008 which is the **lowest monthly figure recorded in the last 15 years**.

Gross mortgage lending reached an estimated £25.3 billion in April, a 5% increase from March and an 8% decline from April 2007, according to the Council of Mortgage Lenders. For March and April combined, lending was **down 16% from 2007 levels**.

**36% of mortgages** taken out by home movers in March 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 May House Price Index shows that average national asking prices of sellers who have marketed their properties in the last month have reached a new high of £242,500. This is up by 1.2% (£2,879) on the previous month, and 0.3% (£858) higher than the previous record of £241,642 (Oct 2007). 'Discretionary spring sellers' of larger homes in the south push up average national prices, and mask year on year falls in six out of ten regions. **Average unsold property stock per estate agency branch has jumped to a new record figure**, rising from to 73 from 69; the highest ever figure Rightmove has measured since records began in August 2002.

House purchase mortgage approval numbers in April were 38,707 which was **39.4% lower than April 2007**. The average loan approved for house purchase in April 2008 was **£155,000**, some 1.5% higher than a year earlier.

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 March 2008 for first time buyers now stands at **£161,250** which is an annual increase of 4.9%.

**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.

Affordability pressures continued to squeeze first-time buyers as income multiples in March stood at **3.35 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 **£114,950**. The av. age of a first-time buyer is 28.

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.

**Landlords see the value of their properties grow by £69.5bn a year (£5.8bn a month)**. Sainsbury's Home Insurance estimates that the collective value of rental properties has reached £641bn up from £571bn last year.

Buy-to-let lending totalled £24.1bn in the second half of 2007, up from £21.2 billion in the first half of the year. The number of loans (including remortgages) to buy-to-let landlords in the second half of the year was 179,100, up from 171,800 in the first half of the year. The total number of outstanding buy-to-let mortgages has now passed the million mark, standing at 1,038,000 at the end of 2007 - nearly 23% up on the 846,900 a year earlier.

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.

**Spending:** 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.

Cautious customers, increasingly reluctant to spend money they have not got, have prompted a comeback for cash according to the British Retail Consortium. Cash is now used for 60% of all transactions, up from 54% last year. Measured by value, cash is used for 34% of retail spending compared with 32% a year ago.

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.

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 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:** 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.

Recent research reveals there has been a dramatic fall in level of savings. 37% of people claim to be unable to save anything at all and 3.74 million people are saving over 20% less than they were a year ago.

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.

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