



Debt Fact and Figures - Compiled 2nd March 2005

Total UK personal debt broke through the £1 trillion (£1,000,000,000,000) barrier in July 2004 and is likely to break through the £1.1 trillion barrier in the middle of 2005.

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

At the end of January 2005 the total UK personal debt was £1,065bn. The growth rate remains strong at 12.6% for the previous 12 months which means we start 2005 with £116bn more debt than we had at the beginning of 2004. 2004 was the largest single-year increase in debt since the Bank of England was founded in 1694.

Total secured lending on homes in January 2005 was £881.9bn. We increased our total mortgage debt by £101 billion in 2004, which is greater than total net mortgage lending in the five years from 1994 to 1998 combined, at £99bn.

Total consumer credit lending to individuals in January 2005 was £183.6bn. We increased our unsecured debt (made up of personal loans, credit and store cards, overdrafts and so on) by a hefty £15bn in 2004.

Total lending in January 2005 grew by £9.5bn which was £1bn more than in December 2004. Secured lending grew by £7.2bn in the month and consumer credit lending grew by £2.3bn in the month.

Average household debt in the UK is approximately £7,494 (excluding mortgages) and £43,488 including mortgages.

Average owed by every man, woman and child in the UK is approximately £17,891 (including mortgages).

Research by Datamonitor reveals that consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to £4,004 per average UK adult at the end of 2004 (£1,302 on credit cards, £1,892 on unsecured personal loans and £812 on overdrafts and motor and retail finance deals). This figure translates into a 10% increase on the previous year's levels and a 45% increase since 2000.

According to the Bank of England the total borrowing growth this year has raised households' debt to 140% of aggregate income. This is above the levels in the United States and most large European countries

Plastic card – Total credit card debt in January 2005 was £54.1bn.

British consumers expect to spend only £730 on credit cards over the next three months, down 30% from the £1,036 they planned to spend in the fourth quarter of 2004, according to the latest figures from the Morgan Stanley card index. This is the lowest level recorded since the index began four years ago.

During December 2004, according to the banking industry, spending on plastic cards reached £269 billion for the year, overtaking cash payments, which were around £268 billion.

There are eight million more credit cards in the UK than people, according to research from Datamonitor. The firm counted 67 million cards in 2003 - compared with around 59 million people in the country - and has declared the country officially "addicted" to plastic. The UK accounts for over 55 per cent of the 155 million credit cards in circulation in Western Europe, having overtaken Germany to become the most card intensive country in Europe.

More than half a million people may have crippling debts on their credit cards, MPs were told in October. The massive problem was revealed when credit card chiefs were grilled by senior MPs. The bosses admitted that between one and four per cent of customers were in severe financial difficulties. Members of the powerful Commons Treasury committee — which is probing credit card charges and marketing — estimated that this meant more than 500,000 people have huge balances which they are struggling to pay off.

More than one in ten consumers have problems meeting their credit card debt repayments.

246 plastic transactions take place every second in the UK in 2003.

Plastic cards in issue have now reached 160.6m which is a growth of 13 million cards in 12 months. The average adult now has 3.5 plastic cards.

Nearly half the people, who take out credit in shops, hadn't planned to do so when they left home.

Servicing Debt: Information gathered by the Consumer Credit Counselling Service and Age Concern shows that, excluding mortgages, those in their 50s owe an average of 1.69 times their net annual income, compared to 1.19 for the under-50s. The rate of growth of this debt has been faster among those in their 50s in the past five years - 20 per cent, compared with 4 per cent for the under 50s.

Personal insolvency cases being handled by PKF in Scotland have increased over the last year by 10%, and around 60% of recent cases involved young people aged under 30. Levels of debt among this age group ranged from £7,000 to nearly £60,000. Bryan Jackson, managing partner at PKF's Glasgow office, said all of those aged 20-30 being declared bankrupt were in full-time employment and blamed the statistics on their "living for today" mentality. "Society is becoming increasingly materialistic and consumer-led," he said. "Young people, in particular, are living for the moment and are using credit cards and loans to enhance standards of living.

The burden of debt for CCCS clients increased dramatically during 2004, according to the charity's latest figures. During the year the average debt burden of clients making repayments through CCCS rose by nearly £2000. The average debt figure increased from £21,660 at the beginning of 2000 to £26,800 at the end of December 2004

According to the FSA Financial Risk Outlook 2005 over a quarter of families have at least one credit card where the outstanding balance is not cleared each month, owing nearly £2,500 on average (14% higher than last year). Student Loan Company outstanding debt rose sharply, and is now 27% higher than in 2003.

MORE than six million shoppers fear it will take them up to three months to pay for Christmas according to a survey for Sainsbury's Bank. A further 168,000 say credit card debts built up buying gifts for the holiday will take them the whole year to wipe out.

More people are seeking help with debt:

- The Consumer Credit Counselling Service (CCCS) said calls in December were up by 77% on the same month in 2003. CCCS said it had received more than 1,000 calls on 4 January, the first working day after the Christmas and New Year break, the most calls it has received in one day.

- Debt Free Direct said it received 275% more calls per day in December than a year before. Calls are running at almost double the rate of last January.

Rising interest rates were blamed for 28.5% more people falling into bankruptcy over the summer than at the same stage of 2003. Government figures revealed a total of 9,156 people were made bankrupt in England and Wales during the three months to the end of September 2004 - 4% higher than the previous quarter

In both a household survey and a survey of CAB clients, the top three reasons quoted by those suffering debt problems, were:

- sudden change in personal circumstances – resulting typically from job loss, relationship breakdown or illness;
- low income – the consequences of living for a long time on a low level of income; and
- over-commitment – in some cases related to money mismanagement.

The number of consumer debt problems dealt with by Citizens Advice Bureaux has risen by nearly three quarters over the last seven years, figures released today by the national problem-solving charity reveal. Consumer debt issues seen in bureaux stood at 706,700 in 2003/4 compared with 405,800 in 1996/7 – a rise of 74%. Bureaux dealt with nearly 1.1 million debt-related issues last year, a figure that also includes housing, utilities and benefits-related debts. But consumer debt is by far the biggest type of debt problem for which people come for help.

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

More than 3 million people are struggling with energy bills, 4.7 million are in debt to their water company and more than a million have had their phone cut off.

Students / Youth: A survey for the Financial Services Consumer Panel assessed only a third of younger adults (aged 21-24) as financially literate, compared with nearly half of adults overall. Very few younger adults expressed confidence about purchasing new products, making them particularly vulnerable to mis-selling and mis-buying.

A recent survey by UNITE found that money issues were top of the list of worries among undergraduates and post-graduates. Half of the students surveyed said lack of cash was their biggest concern, while 43% named being in debt the main worry.

Despite debt being an obvious part of student life, recent research from debt advice group Payplan reveals that 47 per cent of students underestimate the amount of debt they will be in when they leave university.

The National Union of Students puts the cost of university, including tuition fees and living expenses, at an estimated £8,500 a year, and more than £10,000 in London.

This year's graduates owe £12,180 on average, an increase of £4,055 on 2003, according to a study by NatWest bank (Five years ago it was £3,700). The study found that this year's new students expect they will need £26,000 to pay for their time at college. Eighty-four percent of them predict they will get a part-time job, although only 35% of undergraduates found work this year, an 18% decline on 2003.

A quarter of all parents say they will have to work beyond 65 to pay for their children's university education.

Housing: According to the Office of Deputy Prime Minister the average house price in the UK in December 2004 stood at £178,906 (£191,141 in England). UK annual house price inflation was 10.7%. Annual house price inflation in London was 3.0%.

The number of mortgages approved has fallen for the eighth month in a row, to the lowest level in six years, figures have shown. According to the British Bankers' Association (BBA), 31,285 home loans were granted in January. The figure represents a 43% fall from the 54,443 new loans approved in January 2004. The average approval for house purchase fell back, to £116,200.

There are now 30% more properties available for sale than there were last February. The average property now takes 85 days to sell, two days shorter than last month, but around a month longer than the time spent on the market in the summer of 2004.

House prices will show little significant movement in 2005 according to the Royal Institution of Chartered Surveyors. They expect house prices to rise by 3% in 2005 following an increase of 13% for 2004, which would be the weakest outturn in ten years. The Council of Mortgage Lenders Housing and Mortgage Market forecast for 2005-2007 predicts a similar year on year growth of 4% in 2005 and 2% in each of 2006 and 2007.

One in seven people entering retirement now do so with mortgage debt still outstanding, according to the equity release advisers Key Retirement Solutions.

Housing 1st Time Buyers: The average house price in the UK in December 2004 for first time buyers stood at £145,408 which is an annual increase of 13.3%.

According to a report issued in January 2005 by the Halifax:

- The average price paid by First Time Buyers (FTBs) increased by 16 per cent in 2004 from £112,541 in 2003 to £131,024.
- The affordability difficulties confronting FTBs have significantly reduced the number of FTBs entering the market. There were an estimated total of 361,000 first-time buyers in 2004, the lowest annual total since 1981. The number of FTBs last year was almost a third lower than in 2002 (532,000).
- FTBs accounted for less than three in ten of all new mortgages in 2004. This was well below the longer-term average of almost one in two.
- Nine out of ten of the post towns surveyed were unaffordable for FTBs in 2004.
- FTBs put down an average deposit of £26,455 in 2004
- The average age of someone buying his or her first home has risen in recent years with the average age of a FTB in 2004 being 34 years

High Street Spending: According to Egg parents spend £2,916 per year raising a girl (excluding education costs) – boys are cheaper at £2,790 per annum. That amounts to nearly £50,000 per child up to the age of 17.

UK consumers could save £1bn a year on energy bills by switching supplier and installing better efficiency measures, the government has estimated. The average gas bill has increased by 18% this year, and the cost of electricity has risen by 14% on average.

The cost of running a car is now more than the average mortgage. Motorists spend an average £438 a month to keep a car on the road - £21 more than goes on bricks and mortar.

According to research published in February 2004 by You & Your Wedding magazine, the average cost of a wedding has now reached an enormous £15,764

Money Education / Financial Literacy

The need for consumers to be able to make sound long-term financial plans is ever more important. Pension provision is one of a number of areas where consumers are being required to take increasing responsibility for their financial affairs. We see more evidence of a 'savings gap' – with consumers' expectations for retirement and their saving and borrowing behaviour being out of line.

Good consumer understanding is needed for consumers to be able to make appropriate plans for the longer term, and meet the increasing requirements placed upon them. Consumers also need to have confidence in choosing from the range of products available (FSA Financial Risk Outlook 2005)

A new web site www.moneybasics.co.uk was launched in the middle of November. This provides UK consumers an extensive range of useful, impartial and independent information on how to manage finances. Topics include budgeting, banking, borrowing, saving, insurance and planning for key life changes such as starting a family or retirement.

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.

Two-thirds of the UK's adult population have not made a will, according to a poll by Tesco.com

Savings: Research by National Savings and Investments (NS&I) found that almost two-thirds of people (64 per cent) interviewed in January 2005 do not take inflation into account when looking to save, even though inflation is running at 3.5 per cent as measured by the Retail Prices Index (RPI).

For large chunks of the population - broadly definable as the middle classes working in the private sector - big problems are looming. The CBI estimates that 12 million people are not saving enough towards their pensions. Of the 12 million, 60% are not contributing to a private pension at all.

British people save half the amount that other Europeans do, and are more likely to spend than save spare money, according to research by the friendly society Liverpool Victoria. British households have an average income of £28,927 and save on average £132 a month; just 5.5% of their income.

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.