

## Debt Facts and Figures - Compiled 8<sup>th</sup> March 2007

### Total UK personal debt

Total UK personal debt has exceeded **£1 ¼ trillion** and at the end of January 2007 it stood at **£1,300bn**. The growth rate increased to 10.5% for the previous 12 months which equates to an increase of ~ £114bn.

Total secured lending on homes has exceeded **£1 trillion** (£1,000 billion) and at the end of January 2007 it stood at **£1087bn**. This has increased 11.5% in the last 12 months.

Total consumer credit lending to individuals in January 2007 was **£213bn**. This has increased 6.0% in the last 12 months.

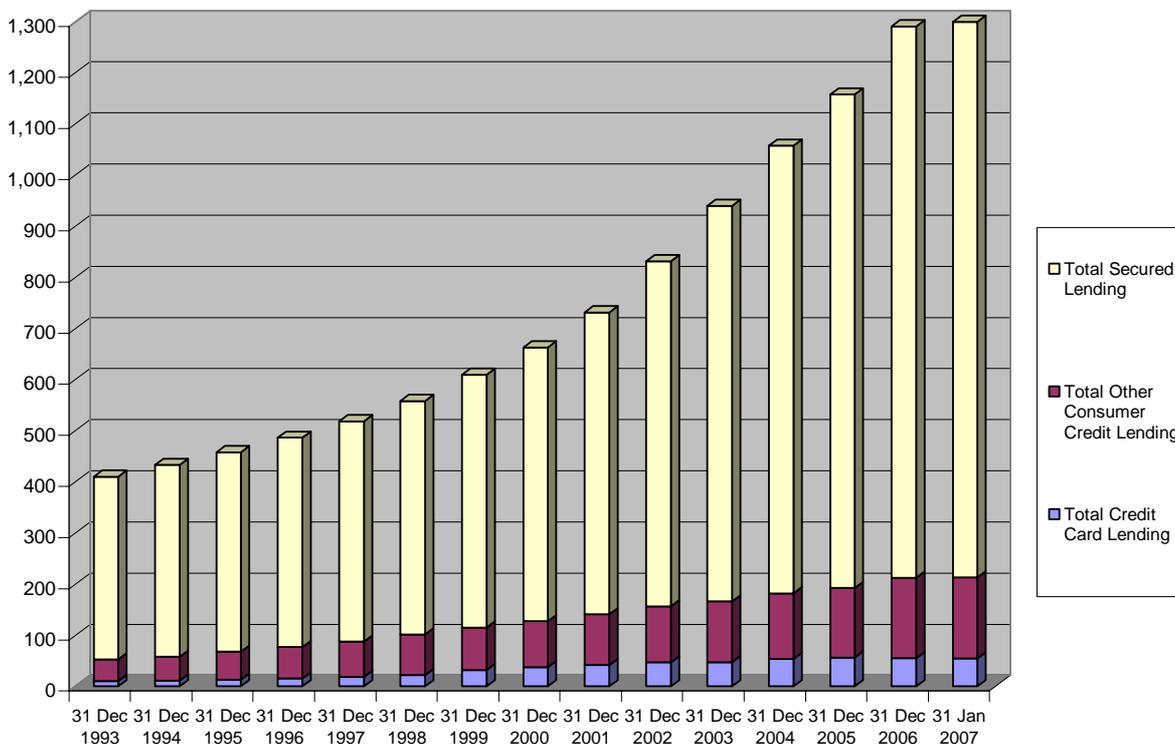
Total lending in January 2007 grew by £10.6bn. Secured lending grew by £9.6bn in the month. Consumer credit lending grew by £1.1bn.

Average household debt in the UK is ~ **£8,795** (excluding mortgages) and ~ **£53,701** including mortgages. Average owed by every UK adult is ~ £27,638 (including mortgages). This grew by ~ **£200** last month. Average outstanding mortgage for the 11.704m households who currently have mortgages is ~ **£92,851**. Average interest paid by each household on their total debt is approximately **£3,425** each year.

Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to **£4,526** per average UK adult at the end of January 2007.

Britain's personal debt is increasing by ~ **£1 million every 4 minutes**.

Total UK Personal Debt £bn



**Servicing Debt:** Almost **300 people** are becoming insolvent each day. The number of UK personal insolvencies continues to increase with 29,804 individuals entering into bankruptcy or an IVA (Individual Voluntary Arrangement)

during the final quarter of 2006. The figures represent an increase of 7.1% on the previous quarter, reaching a total of 107,288 for 2006, up almost 60% from the previous year's figure of 67,584.

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 says they were approached for help with **15% more debt problems** in January 2007 than in January 2006. They dealt with **1.4million** debt problems in the past year – 11 % up on the previous 12 months and double the figure just eight years ago. This equates to ~ **5,300 people a day** seeking advice on debt problems.

Aggregate household debt has risen dramatically in recent years, and the level of secured debt as a percentage of disposable income reached 126% in the third quarter of 2006, while unsecured debt amounted to 26%.

Over one million adults are currently falling behind with payments and a further two million are constantly struggling. People living in rented accommodation, particularly those in local authority housing, were more likely to show signs of financial distress than those who owned their home outright, and almost 10% of respondents have experienced financial difficulties within the last five years.

Research by BBC Breakfast suggests that more than a quarter (27%) of us are anxious about how to pay the bills.

28% of UK consumers have consolidated their debt by taking out a personal loan. The research from Moneysupermarket.com revealed that 8.5 million of 13 million UK consumers who favoured this method of debt consolidation, actually continued to borrow either through an existing overdraft or another loan. Some continue to use their credit cards adding further to their debt burden.

The average debt of consumers contacting the Consumer Credit Counselling Service (CCCS) rose to £31,000 in the third quarter of 2006, an increase of £2,283 on the same quarter in 2005.

A recent Bank of England survey estimated that nearly 6 million people felt they are currently struggling with their finances. A polling exercise for the Conservative "state of the nation report" suggests that the actual figure for the number of adults who claim to have had a serious debt problem is between 7 and 9 million.

The number of households struggling to repay their mortgage debt has risen to 7.7% according to the Bank of England.

During the third quarter of 2006, **34,626 mortgage possession** actions were initiated by banks and other lenders. This is a **15%** increase over the third quarter of 2005.

The number of people hit with a County Court Judgement (CCJ) - ordering repayment of outstanding debts - has leapt by 18per cent. 165,000 people had CCJs imposed on them between April and June of this year, which is up by 25,050 on the same period in 2005. Lenders were aiming to recover around £½billion of bad debts through CCJs last quarter.

A recent report from Datamonitor reveals that the UK is responsible for a third of all unsecured debt in Western Europe and that the average UK consumer owes over twice as much as the average western European owes.

Over **two million households** are estimated to be **struggling to pay council tax** according to a recent report for the Joseph Rowntree Foundation.

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

Research from AXA shows money worries are a significant cause of worry, anxiety and stress according to GP and leading mental health expert, Dr Roger Henderson, who recently published a paper identifying the condition Money Sickness Syndrome (MSS). Almost half (43%) of the UK adult population is affected by money worries and have experienced MSS symptoms. 3.8m people admit money worries have caused them to take time off work and more than 10.76m people suffer relationship problems because of money worries, with almost one in five complaining of a sex life slump.

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

**Plastic card / Personal Loans:** The combined value of transactions made on charge, credit, debit and store cards was £470 billion in 2005. It is estimated that this will reach £639 billion in 2010.

Total credit card debt in January 2007 was **£54.5bn**.

According to the BBA the proportion of credit card balances bearing interest rose to 75.5% in January 2007.

The average interest rate on credit card lending is currently **16.98%**, around 11.75% above base rate.

Almost five million UK credit card holders paid a penalty fee on their plastic in 2005, according to research by MoneyExpert.com and Defaqto. More than 10 per cent of the population racked up charges for items such as late payments and exceeding credit limits

3.4 million credit cardholders in the UK regularly make only the minimum repayment on their credit card. 11% of those with a credit card only ever make the minimum repayment – increasing to 18% for the 25-34 age group.

It has been estimated that in 2005 banks & finance companies sent 1.26bn items of junk mail such as credit card offers and invitations for loans. This equates to approximately 27 enticements to take on new credit per adult.

Plastic cards in issue were 183m in 2005. This works out at 4 plastic cards for every adult in the UK.

282 plastic transactions took place every second in the UK in 2005. There were 86 withdrawals made every second (equal to £5,455 / second) from UK's 58,000 cash machines in 2005.

There are **more credit cards in the UK than people** according to APACS. At the end of 2005 there were 74.6m credit and charge cards in the UK compared with around 60 million people in the country.

**Young people (under 30):** Research by pfeG (Personal Finance Education Group) has revealed that over **half of England's teenagers have been or are in debt by the time they are 17**. In addition, 90% worry about their money and spending but tend to think of overdrafts and credit cards as easy ways to spend more than they earn, or to buy things they couldn't normally afford. When asked why someone might have an overdraft, more than one in four (26%) teenagers claimed it was so they wouldn't have to worry about overspending every month and a further 23% stated that it would allow you to spend more than you earn every month. But for 23% of 18 year olds, a credit card is something with which to buy goods and services, where parents pick up the bill and an alarming one in 20 teenagers think they don't have to pay back their credit debt at all. One in five teenagers (19%) agreed that credit cards would enable them to buy things they couldn't normally afford.

Nearly half (44%) of young Britons aged 16 to 24 say their friends put pressure on them to keep spending even when they have run out of money.

Graduates leaving university this year had **average debts of £13,252**, a 5% increase on 2005, according to a survey by NatWest bank. 62% of graduates leave university with debts of over £10,000.

Recent research shows that budgeting is the last thing on many students' minds as the vast majority (80%) of 16-24 year olds admit they don't keep track of their finances. Also, despite the likelihood of being on a tight budget, 1 in 5 doesn't know within £100 what their financial state might be.

**Pensioners / Pensions:** The Pensions Commission says that 11.7 million workers do not make any contribution to a private pension.

Half of Britain's pensioners are said to be cutting back on other things to pay annual fuel bills averaging £1,100. A survey by energy comparison website uSwitch indicated that two million over-60s spent more than a tenth of their income on fuel. One in five were concerned their health would suffer as electricity and gas price rises outstripped pensions.

26% people over 65 said that they were finding paying Council Tax difficult and they had to cut-back on basics, borrowed or gone into debt; or found they had no money left at the end of the month once they had paid their bill.

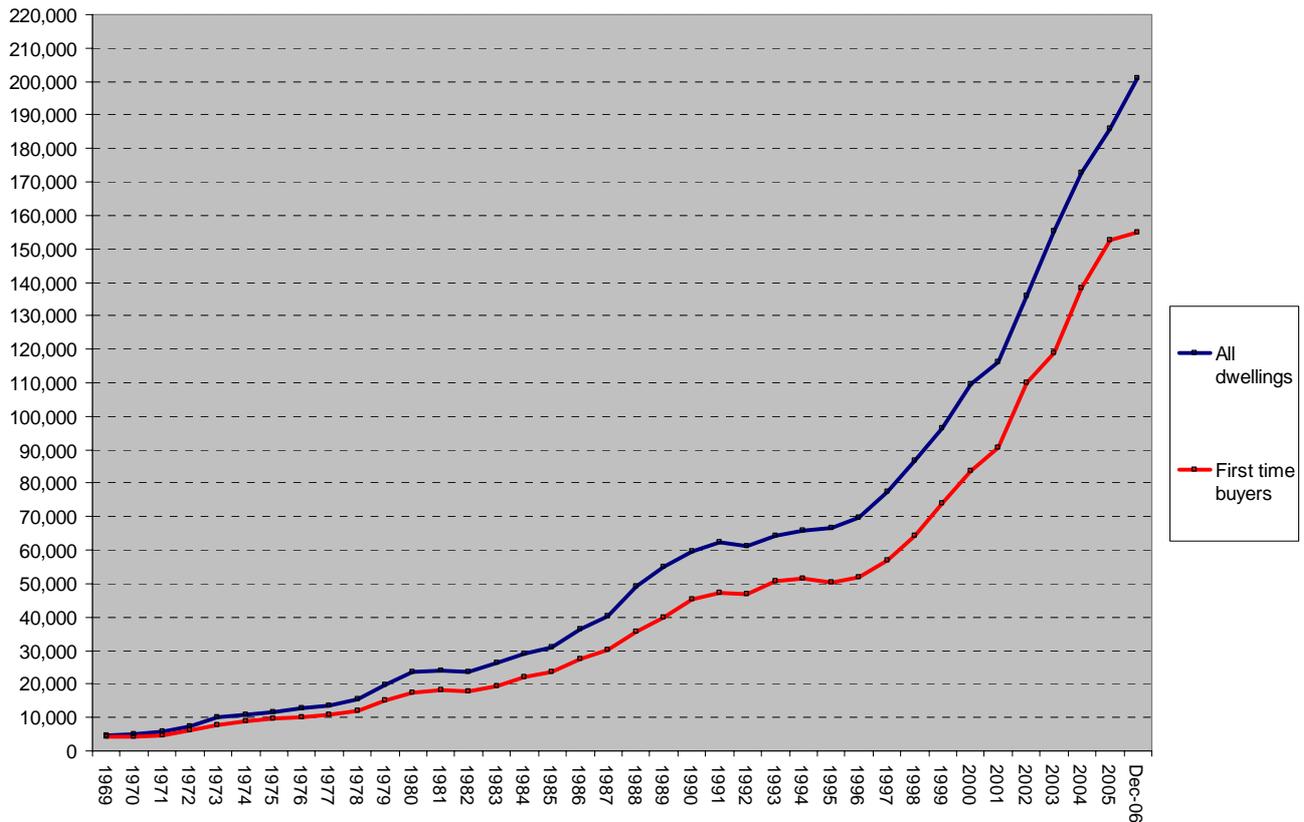
More of us are saving for a holiday (49%) than for our retirement (46%) whilst just 28% of us are satisfied with our current savings for retirement.

In 2004/05, 39 per cent of the 35.4 million working age population were members of a private pension scheme (occupational or personal), down from 40 per cent in 2003/04.

**Housing:** According to the Department for Communities and Local Government (DCLG) the average house price in the UK in December 2006 went above £200,000 for the first time and now stands at **£201,090** (£208,525 in England). UK annual house price inflation rose by 9.9%. Annual house price inflation in London rose by 11.8%.

The price of a typical house increased by the equivalent of £40 per day during the last 12 months.

UK Average House Prices £



Note: the weightings used by DCLG were changed for the February 2006 figures.

The Bank of England raised the Base Rate from 5.00% to 5.25% on 11th January - the highest level since May 2001.

The average Mortgage Interest rate at the end of January 2007 was 5.53%.

According to the Nationwide house prices increased 0.7% in February 2007. House price growth returned to double digits, but underlying demand weakening. Higher interest rates and stretched affordability are causing demand to wane but Nationwide think supply constraints and buy-to-let interest will support prices in the short term. The annual rate of increase was 10.2%.

The average loan approval for house purchases in January 2007 increased to **£146,700** - 16% higher than a year earlier.

Gross lending hit an all-time January high of **£26.8 billion** according to the latest data from the Council of Mortgage Lenders. Although this was down by 6% on the £28.5 billion lent in December, it is up by 16% on January 2006.

**34% of mortgages** taken out by home movers in December 2006 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.

The Council of Mortgage Lenders (CML) expects prices to rise by 7% in 2007 and 5% in 2008. However, rising prices will stretch affordability even further, so the CML expects property transactions to fall. HBOS estimate 4% growth in 2007 and also predict that there will not be any towns with an average price below £100,000 at the end of 2007. Nationwide predict house prices will remain firm in 2007, rising between 5-8% during the year

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 equity significantly outweighs mortgage debt. The value of housing assets increased by £410bn in 2006 versus a £100bn increase in mortgage balances. In 2006, the value of the private housing stock (£3.8 trillion) was 3.5 times the value of outstanding mortgage debt of £1.1 trillion.

**Housing 1<sup>st</sup> Time Buyers:** The average house price in the UK in December 2006 for first time buyers now stands at **£155,120** which is an annual increase of 9.4%.

New first-time buyers face double whammy of house price and interest rate rises. Higher house prices alone add £75 to typical first-time buyer monthly costs compared to last year. Interest rate increases bring this up to almost £120.

A first time buyer couple will now have to save up to the equivalent of 81.8 percent of joint take home pay, to build up the £32,784 needed for up front buying costs on a typical home, deposit and stamp duty.

Affordability pressures continued to squeeze first-time buyers in November as income multiples reached their highest ever level - **3.31** times the average first-time buyer household income, according to the Council of Mortgage Lenders (CML). The average new mortgage for first time buyers has now reached **£115,499**. The average age of a first-time buyer is 29.

In the UK, the average deposit provided by first time buyers in Q4 2006 was 16.2% of the purchase price.

According to the National Association of Estate Agencies (NAEA) the number of first time buyers were **11.3%** of sales in January 2007.

Research by unbiased.co.uk has revealed that almost **four million parents** (38%) across Britain have either stumped up cash to help their children with a property purchase or intend to do so in the future. A quarter (25%) of these parents are contributing between £1,000 and £6,000, however 13% provide at least £20,000 in financial support. Furthermore, more than three quarters (76%) don't expect the money 'lent' to be repaid.

**Spending:** Norwich Union's "Cost of Divorce" survey reveals that couples now spend an average of £28,000 when a marriage ends - twice the amount spent in 2003.

The **average car** now costs **£5,539** a year to run, equivalent to **£15** a day.

The cost of bringing up a child from birth to their 21st birthday has jumped to £180,137 (**£23.50 per day**). In the last year alone, the cost of raising offspring has risen by 9%, according to research from Liverpool Victoria.

Britons now spend more on eating out in restaurants, pubs and on takeaway meals than on buying fresh and processed food and drink products to have at home.

The average wedding costs around £19,595. 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:** 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.

Recent research estimates that **50% of people don't have a will**.

Nearly half of UK households are dependent on more than one salary but only one in four believe they are adequately protected should they lose the main income from their household.

A quarter of Brits (25%) have no idea how much they spend in a week, and a similar number (26%) have no idea of their monthly cash flow. This lack of knowledge extends into other financial aspects of life. Only half (51%) the population know the balance on their credit cards and nearly half (46%) have no idea what interest rates they receive on their savings or are paying on their accounts and debts.

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:** Research from Alliance & Leicester shows that nearly **one in three of us failed to save a penny during 2006**. A fifth (19%) admitted to not saving as much as planned during the past 12 months. More than 8 out of 10 (82%) say they have earmarked 2007 as the year to sort out their savings

**Over half of Brits have less than two months' salary tucked away in savings.** 27% of people have no savings at all and a further one in four (25%) have less than £3,000 tucked away for a rainy day.

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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