

Debt Facts and Figures - Compiled 4th May 2006

Total UK personal debt

Total mortgage borrowing in the UK will pass the £1 trillion (£1,000 billion) mark early this month, according to the Council of Mortgage Lenders.

At the end of March 2006 the total UK personal debt was **£1,182bn**. 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 March 2006 was **£990.8bn**. This has increased 10.8% in the last 12 months.

Total consumer credit lending to individuals in March 2006 was **£191.4bn**. This has increased 7.5% in the last 12 months.

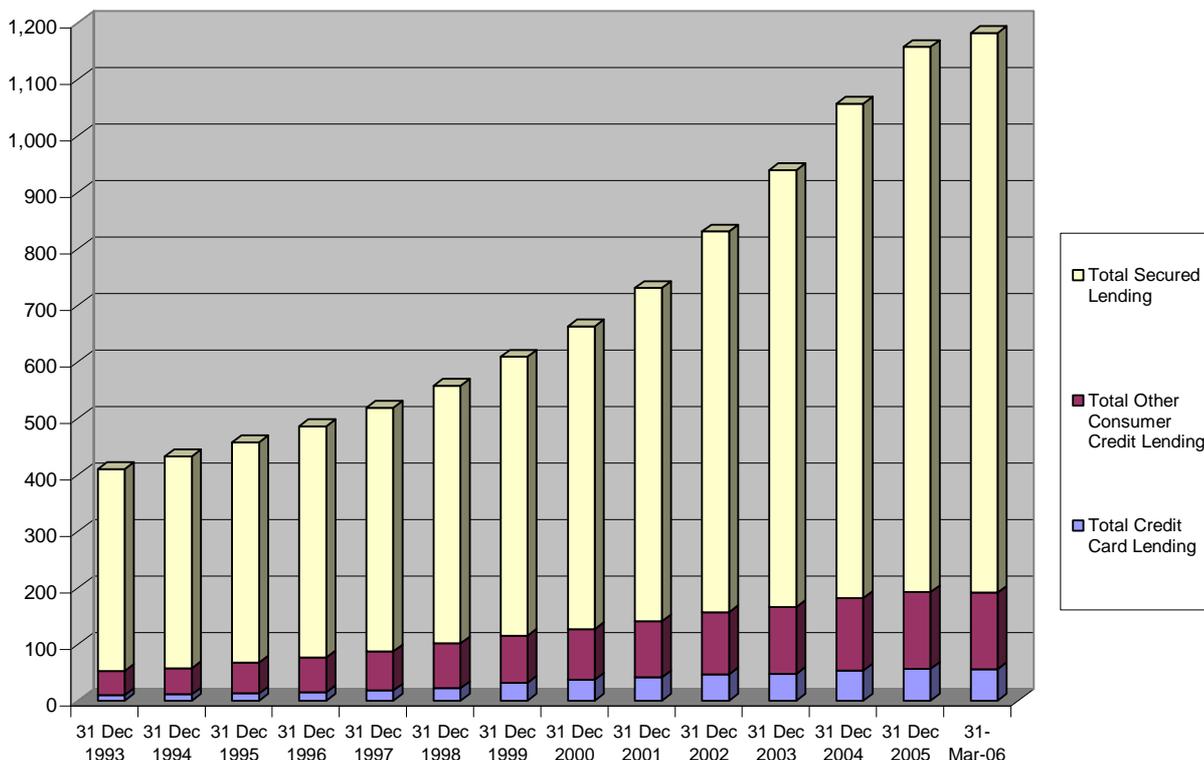
Total lending in March 2006 grew by £9.6bn. Secured lending grew by £9.3bn in the month which was well above both the increase in February and the previous six month average. Consumer credit lending grew by £0.3bn in the month which was much lower than in February.

Average household debt in the UK is approximately £7,751 (excluding mortgages) and £47,866 including mortgages. Average owed by every UK adult is approximately £25,364 (including mortgages). This grew by ~ £200 last month.

Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to £4,107 per average UK adult at the end of March 2006. This has grown 52% in 5 years.

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

Total UK Personal Debt £bn



Plastic card / Personal Loans: 282 plastic transactions took place every second in the UK in 2005.

Debit cards accounted for 37% of all retail spend in 2005, ahead of cash at 34%. Plastic cards were used for 63% of all UK retail spending last year

Total credit card debt in March 2006 was £56.0bn.

According to the BBA the proportion of credit card balances bearing interest was 75.0% in February 2006.

The average interest rate on credit card lending is currently 15.18%, around 11 percentage points above base rate.

39% Brits overspend on their debit cards on day-to-day purchases and the most common reason is because psychologically, they feel they are not spending any money, according to National Savings and Investments' (NS&I) latest Quarterly Savings Survey.

A new study by uSwitch highlights serious failures in the lending practices of UK banks when issuing credit cards. With UK credit card debt standing at £56.35 billion, and UK consumers accounting for two-thirds of total credit card debt in the whole of the EU, one of the most shocking statistics revealed by the survey is that nine out of ten credit card borrowers were issued cards without the lender carrying out any checks to verify that they could afford to repay the debt. The study reveals that the majority of people (88 per cent) who successfully applied for a credit card during the last year were not asked for proof of their annual income beyond the figures stated on the application, and 95 per cent were not asked to show evidence of their outgoings in order to provide a true picture of affordability.

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.

Servicing Debt: According to the Council of Mortgage Lenders (CML) total household debt has grown sharply as a percentage of disposable income over the past decade and currently stands close to 150%. At the end of 2005, the secured debt to income ratio was 121%, compared to 80% in 1995. And the unsecured debt to income ratio was 24%, almost double that of 10 years ago.

According to a report commissioned by One Advice, nearly 2 million people in the UK have unsecured debts in excess of £10,000. About half a million have unsecured debt higher than £20,000. People in the lower middle-aged bracket (35 to 44-year-olds) were the most likely to have substantial debts that weren't secured, with some 50,000 individuals in that demographic owing more than £10,000.

The average debt of a client coming to Consumer Credit Counselling Service (CCCS) for advice in Q1 of 2006 was £30,167, a rise of 7.5 per cent on Q1 of 2005.

Two million households are living on a financial knife-edge, susceptible to an economic downturn or changes in personal circumstances, according to a recent Financial Services Authority (FSA) report. A further half million households are already in serious financial difficulty paying bills and meeting debts, the report found.

Four million people say they always run out of money at the end of the week or month.

14 million adults (35%) are relying on their overdrafts to get by each month; 3.5m are permanently overdrawn, while two million workers start the month in their overdraft, even after they have been paid.

There were 20,461 individual insolvencies in England and Wales in the fourth quarter of 2005 on a seasonally adjusted basis. This was an increase of 15.0% on the previous quarter and an increase of 57.1% on the same period a year ago.

Three quarters (74%) of British couples find money the hardest subject to talk about with their partners according to a recent survey by 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

One in 10 single people says their finances are out of control whilst 41% have already suffered a financial crisis at some point in their lives, compared to 28% of married people

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.

Grant Thornton says that UK consumers are the most over-indebted in Europe.

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

Young people (under 30): Young people have the highest level of unsecured debt in the UK, with the average person under 30 owing nearly £8,000, recent figures have revealed. People aged between 18 and 29 owe about £7,718 each through credit cards, overdrafts and loans, the equivalent of 36 per cent of their total household income, according to Alliance & Leicester. Student loans were found to make up 46% of this figure.

The proportion of bankruptcies among the 18 to 29-age group has more than doubled in the last 4 years. It has jumped from 7.9% in 2001 to 18.7% last year.

A recent FSA report highlighted:

- 29% of 16-24 year olds said they would not know how to prepare and manage a weekly budget;
- 19% of 22-24 year olds have short-term debts over £5,000;
- 62% of young people said if they got into money trouble or debt they would not be able to name any advice or support services they could turn to for advice
- One in five students dropped out of courses; Of undergraduates who considered dropping out financial difficulty was a strong factor for 34.4%;
- 94% of 16 year olds believe it is important to know how to manage money; only 53% have been taught how to

More than half (59%) of 16-24s admit they go over budget when using a debit card and 41% of 25-34 admit to overspending on their debit cards.

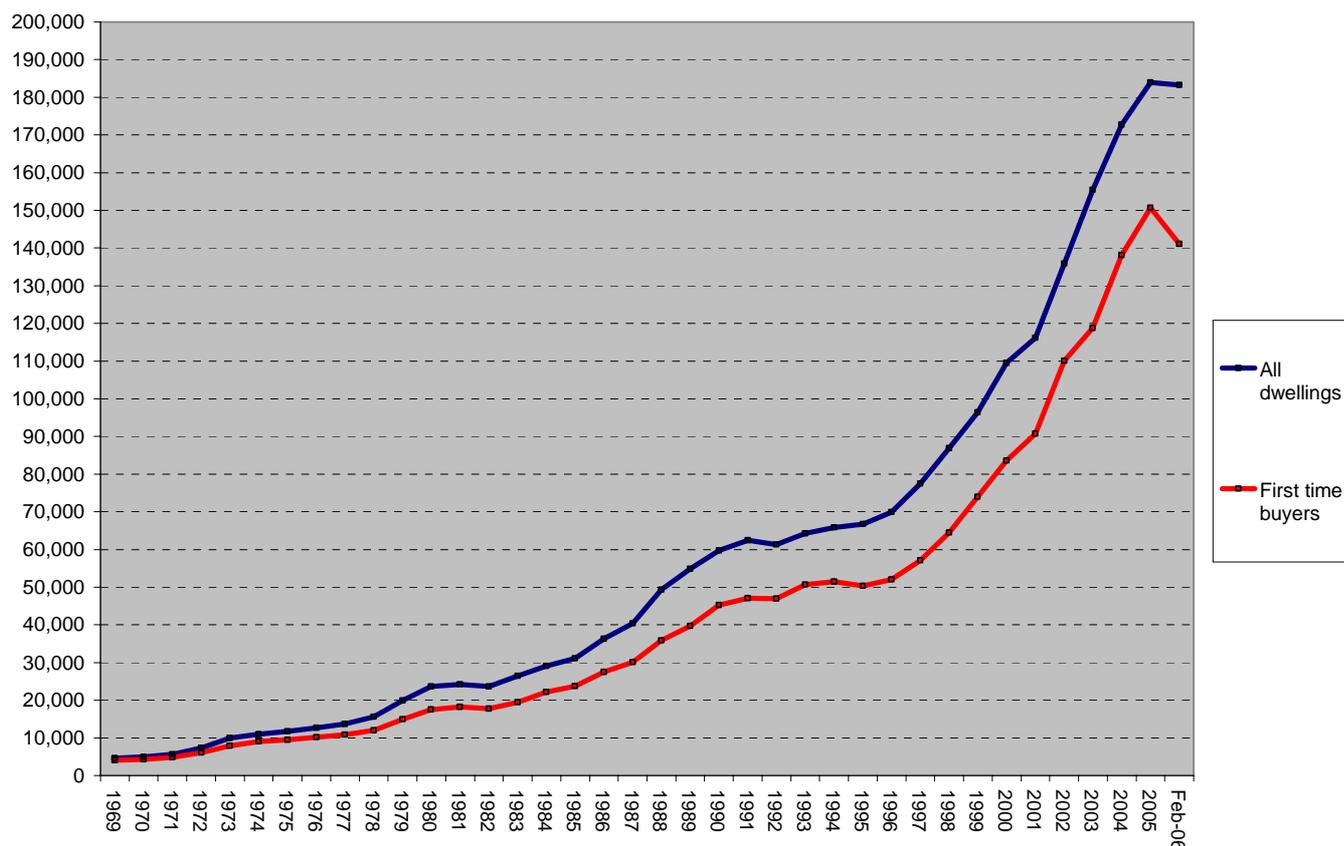
Pensioners / Pensions: Over 8 million British workers (21%) don't have any pension provision according to a recent report issued by Virgin Money. This is despite continued warnings from the Government and the pension industry of the need to save now to avoid inadequate income at retirement.

One in three households are now liable to have to pay inheritance tax on their estate when they die following soaring property price growth. An estimated 8.2 million households own property and other assets that are worth more than the current £275,000 inheritance tax threshold, according to life insurer Scottish Widows.

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.

Housing: According to the Office of Deputy Prime Minister the average house price in the UK in February 2006 stood at £183,224 (£191,563 in England). UK annual house price inflation rose by 3.6%. Annual house price inflation in London was 1.9%.

UK Average House Prices £



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

The amount of unmortgaged property wealth held by UK home-owners currently stands at £3.6 trillion. Housing equity is the largest component of total wealth held by people living in the UK. Mortgage lending has helped fund a dramatic expansion of home-ownership, from 60% to 70% of the population during the last 20 years. Roughly 40% of the housing stock is owned outright, mainly by retired and older middle-aged households,

Gross mortgage lending in March reached £28.3 billion - an increase of 26% on the previous month, according to the latest data from the Council of Mortgage Lenders (CML). This is the highest March lending figure on record and is 34% higher than the £21.2 billion lent in March 2005.

Nationwide said that house prices slowed sharply to 0.1% in April, from 1.1% in March. Annual house price growth fell back to 4.8% in April.

The average loan approval for house purchases in February increase to £134,300.

The cost of owning and running a house rose by 7% in the financial year 2004/05, more than three times the rate of CPI inflation, according to research by Halifax. Total annual housing costs increased to £6,366 in 2004/05. For the average UK homeowner, housing expenses take up 17.5% of their disposable income

Housing 1st Time Buyers: The average house price in the UK in February 2006 for first time buyers now stands at £141,069 which is an annual increase of 4.1%. (Note: the weightings used by the ODPM were changed for the February 2006 figures. This has had a large impact on the reported average house price for first time buyers)

In the UK, the average deposit required by first time buyers in Q4 2005 was 15.7% of the purchase price. Based on repayment loans, in the UK, repayments as a % of household income for first time buyers were 21.1% in Q4 2005.

Bradford & Bingley research shows the number of parents giving, or lending, their children the deposit for their first home has doubled in the last year to 42%. One in ten first time buyers receiving assistance are buying jointly with their parents, or relatives.

According to the National Association of Estate Agencies (NAEA) the first time buyer share of the market increased in March to 8.9%. This is considerably lower than the same period last year when first time buyers' share of the market was at a high of 22.3%.

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.

The cost of running the average new car has grown to nearly £5,000 a year, or £14 a day, according to the latest RAC Cost of Motoring Index.

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: 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.

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 / Pension: Savings inflows into building societies remain strong. The first quarter's figure was over four times that of 2005 and the highest Q1 inflow since 2001.

FSA research shows that 81% of the pre-retired think that a state pension will not provide them with the standard of living they hope for in retirement. Nevertheless, 37% of these people have not made any additional pension provision.

The majority of people in the UK are not planning ahead sufficiently, and are likely to be storing up problems for the future. 39% of people say they tend to live for today and let tomorrow take care of itself. In the last three years, 28% of people have experienced a large unexpected drop in income, and 21% have faced a large unexpected expense. 70% have made no personal provision to face a drop in income, and 55% do not think they have sufficient provision to face an unexpected expense.

According to the latest quarterly National Savings and Investment survey almost half of Brits (45%) do not saving regularly.

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.