



## Debt Facts and Figures - Compiled 1<sup>st</sup> November 2005

**Total UK personal debt** broke through the **£1.1 trillion barrier** (£1,100,000,000,000) in June 2005. This is 11 months since it broke through the £1 trillion barrier in July 2004.

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

At the end of September 2005 the total UK personal debt was £1,130bn. The growth rate remains strong at 10.3% for the previous 12 months. 2004 saw the largest single-year increase in debt (£116bn) since the Bank of England was founded in 1694.

Total secured lending on homes in September 2005 was £939.5bn.

Total consumer credit lending to individuals in September 2005 was £190.8bn.

Total lending in September 2005 grew by £9.0bn. Secured lending grew by £7.7bn in the month and consumer credit lending grew by £1.2bn in the month.

Average household debt in the UK is approximately £7,723 (excluding mortgages) and £45,758 including mortgages.

Average owed by every UK adult is approximately £24,247 (including mortgages). This is growing £180 every month.

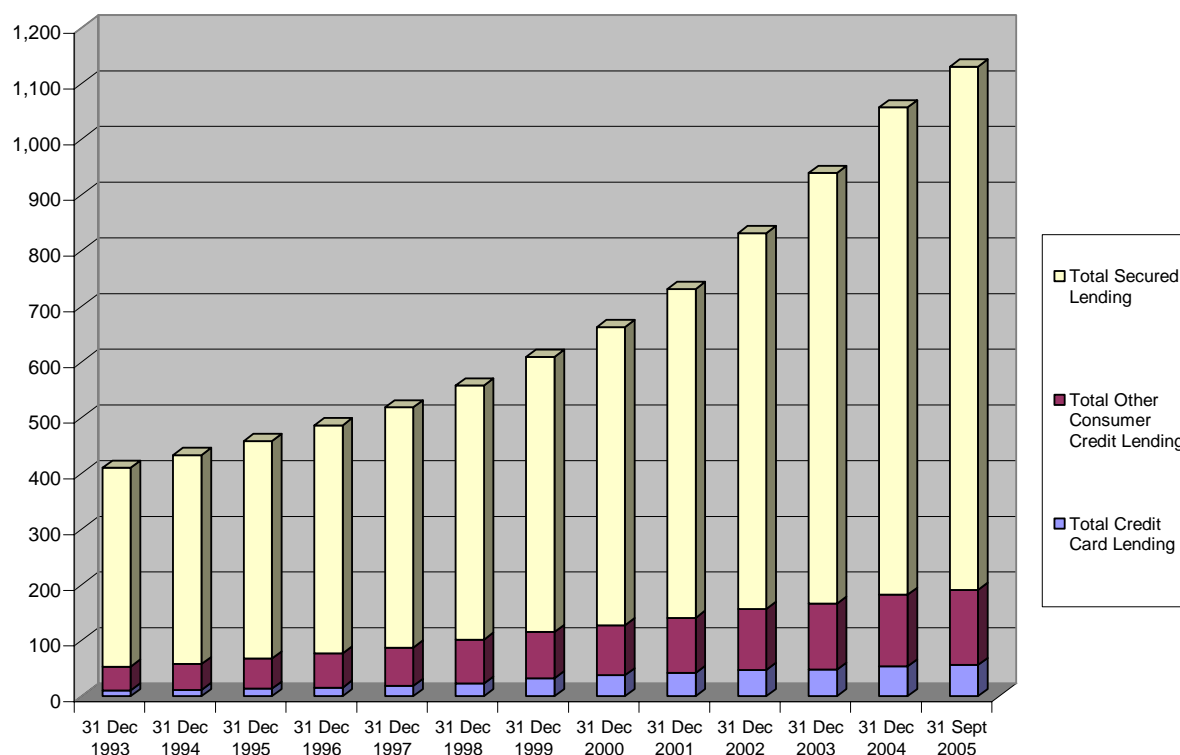
Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to £4,092 per average UK adult at the end of September 2005. This figure translates into a 10% increase on the previous year's levels and a 45% increase since 2000.

The rapid increase in households' borrowing has raised total debt to close to 150% of annualised aggregate post-tax income according to the Bank of England. They predict debt may continue to increase more rapidly than income over the next few years.

Since the turn of the century in just over 5.5 years (based on figures available at 1<sup>st</sup> November 2005):

- Total UK personal debt has increased by £521bn (86%) from £609bn to £1,130bn
- Total secured lending on homes has increased by £445bn (90%) from £494bn to £939bn
- Total consumer credit lending has increased by £76bn (66%) from £115bn to £191bn
- Total credit card debt has increased by £23.9bn (75%) from £32bn to £55.9bn
- Base Rate has decreased by 1.5% from 5.5% to its current rate of 4.5%
- Average house price has increased by £89,868 (93%) from £96,340 to £186,208
- Average earnings have increased by £5,077 (28.5%) from £17,803 to £22,880

Total UK Personal Debt £bn



**Christmas / New Year Season:** According to Switch during the 2004 festive 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).

A survey carried out by Payplan found that almost 80% of people worry about the financial side of Christmas.

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.

A recent poll by the Moneyfacts price comparison website found that more than 25% of us intend to borrow to pay for Christmas this year.

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 September 2005 was £55.9bn.

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 76.4% in August 2005.

According to APACS, the UK payments association, more than 22 million adults in the UK made purchases online during 2004, accounting for 262 million transactions totalling £16 billion. Credit

cards accounted for almost three quarters (72 per cent) of all online transactions, which meant that 11p in every £1 spent on credit cards was spent online.

The average interest rate on credit card lending is currently 15.75%, around 11 percentage points above base rate.

2.3 million personal loan agreements totalling £12.45 billion were entered into in the second quarter of 2005. Most were for cars (~ 30%), home improvements incl. goods & furniture (~ 24%) and debt consolidation (21%). A significant gap exists between the low rates advertised by lenders and the average rates actually paid (1.8% higher for £15,000 loans) by borrowers once they have applied for the loan and been credit checked. Personal loans are typically available between £1,000 and £25,000 with the average loan size currently at £5,500.

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:** Figures from the Department and Constitutional Affairs showed that the number of households in the early stages of the repossession process rose sharply in the third quarter of 2005. Actions entered by lenders, the first stage of repossession, rose 55% over the past year to 29,991, the highest level since the third quarter of 1993. Orders made (orders made by courts to repossess properties) were 66% higher over the past 12 months at 19,687 in Q3, the highest level since the first quarter of 1996

One in 10 pensioners calling Age Concern, some in their 80s, is struggling to clear mortgages and pay bills such as council tax.

Calls volumes to the Consumer Credit Counselling Service (CCCS) grew 30% in 2004 and are predicted to rise by 50% in 2005. While the most common clients to seek help from CCCS are mid thirties with a job, a mortgage, children and £28,700 worth of debt, CCCS is increasingly counselling people under 25. The average under 25-year-old owes £15,000 and account for 12% of their clients.

Economic Lifestyle research shows that over 558,000 pensioners are still paying off mortgages, well into their retirement years. In addition, they were shocked to uncover that over 3 million pensioners live on under £10,000 per year

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.

The figures for the second quarter 2005 show that the total number of individual insolvencies has increased by 36.8 per cent on the same period as last year and has risen to its highest level in 45 years. Bankruptcies have risen by 27.5 per cent and Individual Voluntary Arrangements (IVAs), an alternative to bankruptcy, have risen by 69.6 per cent when compared to the figures for the same period last year. The number of people who have become bankrupt or entered into an Individual Voluntary Arrangement (IVA) in England and Wales in the last 12 months is 54,227. Personal bankruptcies have broken the 40,000 barrier for a 12 month period for the first time.

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.

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

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.

**Students / Youth:** 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 to the 2005 NatWest Student Money Matters survey.

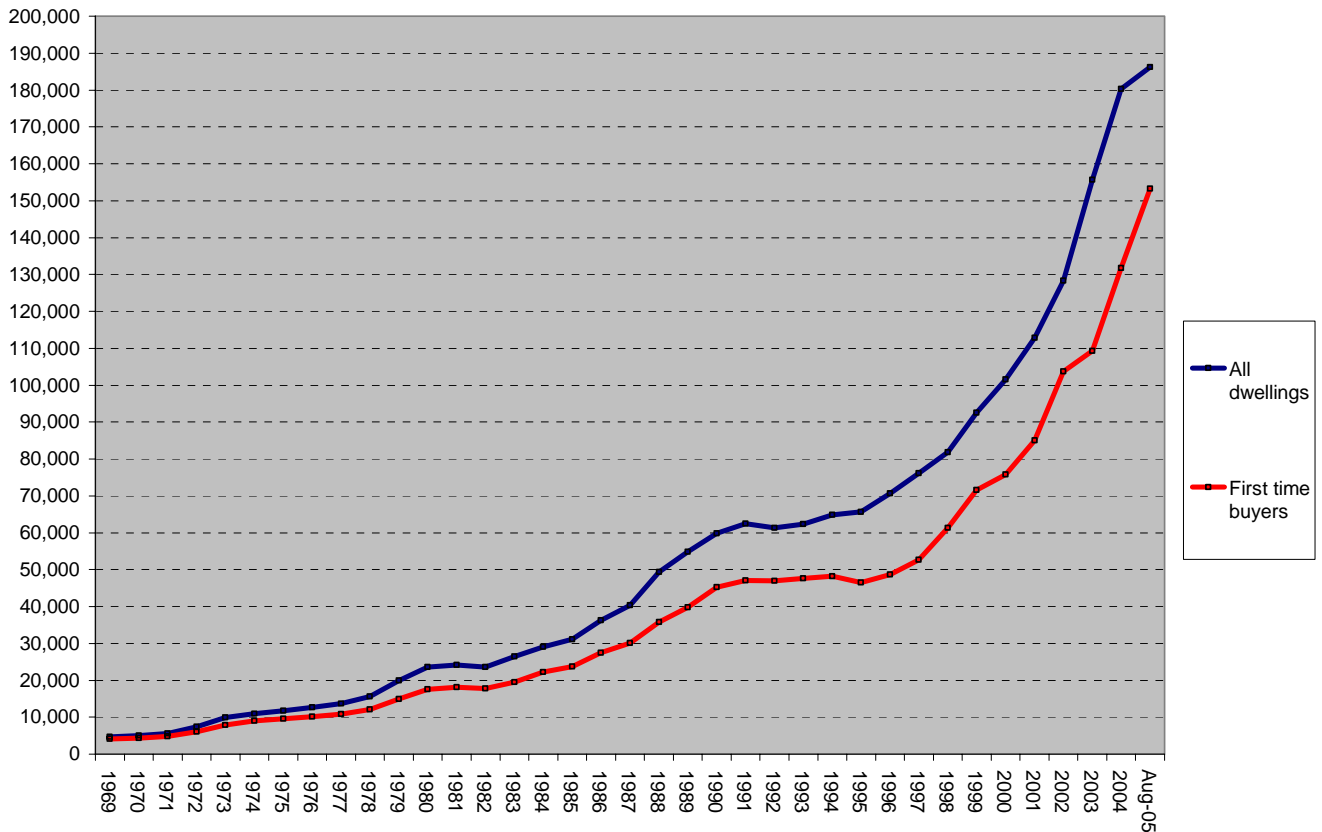
According to the National Union of Students (NUS) the estimated average student expenditure for academic year 2005/06 (39 weeks) is £10,493 in London and £8,810 outside London

One in three prospective students underestimates the cost of university and a quarter expect their unprepared parents to foot the bill, research showed today. The survey by the Association of Investment Trust Companies (AITC) showed young people expected their debt on graduation to stand at £7,208, while their parents estimated it would be £9,741. However, research by Barclays bank puts the average debt for those finishing university this year at £13,501.

Parents who give cash to their offspring to help them out if they are struggling financially could be doing more harm than good according to research by NatWest. Children who accept handouts from their parents are 25% more likely to go overdrawn than those who never accept help. Overall a third of young people said their parents had never taught them how to manage their money.

**Housing:** According to the Office of Deputy Prime Minister the average house price in the UK in August 2005 stood at £186,208 (£195,093 in England). UK annual house price inflation fell to 2.8%. Annual house price inflation in London was 0.8%.

## UK Average House Prices £



Halifax estimates the cost of owning and running a home rose by 6% in 2004/05 to £6,303, driven by higher mortgage servicing costs and rising council tax bills. Halifax forecasts a further 2% rise in annual housing costs to £6,406 in 2005/06 with a likely fall in mortgage servicing costs partially offsetting rising utility and council tax bills.

Housing data has been fairly consistent this month:

- September was one of the busiest months on record for mortgage lenders, with the total amount advanced to borrowers reaching its highest level since July 2004 according to the Council of Mortgage Lenders.
- The housing market showed further signs of picking up as figures revealed the number of mortgages approved for people buying a new home reached a 15-month high in September according to the Bank of England..
- According to the Nationwide UK house prices increased by 1.3 % in October bringing the annual growth rate to 3.3%. According to the Nationwide it is far too early to say that the market has reached a turning point and that prices will continue to accelerate from here.
- According to the National Association of Estate Agents (NAEA) the average time taken to sell a property between instruction and exchange of contracts now stands at 20 weeks.

The average loan approval for house purchase in September was £130,500.

**Housing 1<sup>st</sup> Time Buyers:** The average house price in the UK in August 2005 for first time buyers now stands at £153,285 which is an annual increase of 5.6%.

The National Association of Estate Agents (NAEA) reported that first time buyer sales accounted for 11.0 per cent of total sales in September, compared with 7.7 per cent the previous month, and 7.8 per cent in July.

The Council of Mortgage Lenders (CML) estimate in August 2005 that the first time buyers average new loan is 88% of the value of the property and that they borrow 3.21 times their income (based on income figure provided by buyers in their mortgage application and may reflect one or more incomes).

Almost one in four first-time buyers now have to borrow money from family or friends in order to afford a deposit on a home. The average first time buyer needed a deposit of £5,000 in 1996. Today it is £33,000, according to the Council of Mortgage Lenders

**High Street Spending:** 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.

An astonishing £1.46 billion is spent at car boot sales every year in the UK.

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.

More people in Britain have two cars than no car at all, according to the National Statistics' annual social trends research. 29% of people have two or more cars while approximately 26% of people are without a car.

**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:** 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.

Long-term saving is an alien concept to two thirds (65%) of UK adults, according to research from IFA Promotion. And it's not just the younger generation who live for today; a worrying three

quarters (74%) of 30-50 year olds and nearly half of over 50s (43%) have never saved for anything for longer than a decade. 4.6 million UK adults (10%) admit they have never saved for anything at all, and this rises to a larger proportion (17%) of under 30s who have grown up with today's credit culture. Saving seems to have fallen out of fashion in favour of instant consumer gratification.

Over eight in ten (81 per cent) Britons contributing to a pension - some 16.7 million nationwide - expect a pension shortfall when they retire, according to new research commissioned by Brewin Dolphin. On average, people are expecting a 30 per cent deficit in their pension pot.

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.*