



## Debt Facts and Figures - Compiled 3<sup>rd</sup> October 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 August 2005 the total UK personal debt was £1,122bn. The growth rate remains strong at 10.5% 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 August 2005 was £931.8bn.

Total consumer credit lending to individuals in August 2005 was £190.5bn.

Total lending in August 2005 grew by £8.9bn. Secured lending grew by £7.6bn in the month and consumer credit lending grew by £1.3bn in the month.

Average household debt in the UK is approximately £7,713 (excluding mortgages) and £45,437 including mortgages.

Average owed by every man, woman and child in the UK is approximately £18,757 (including mortgages).

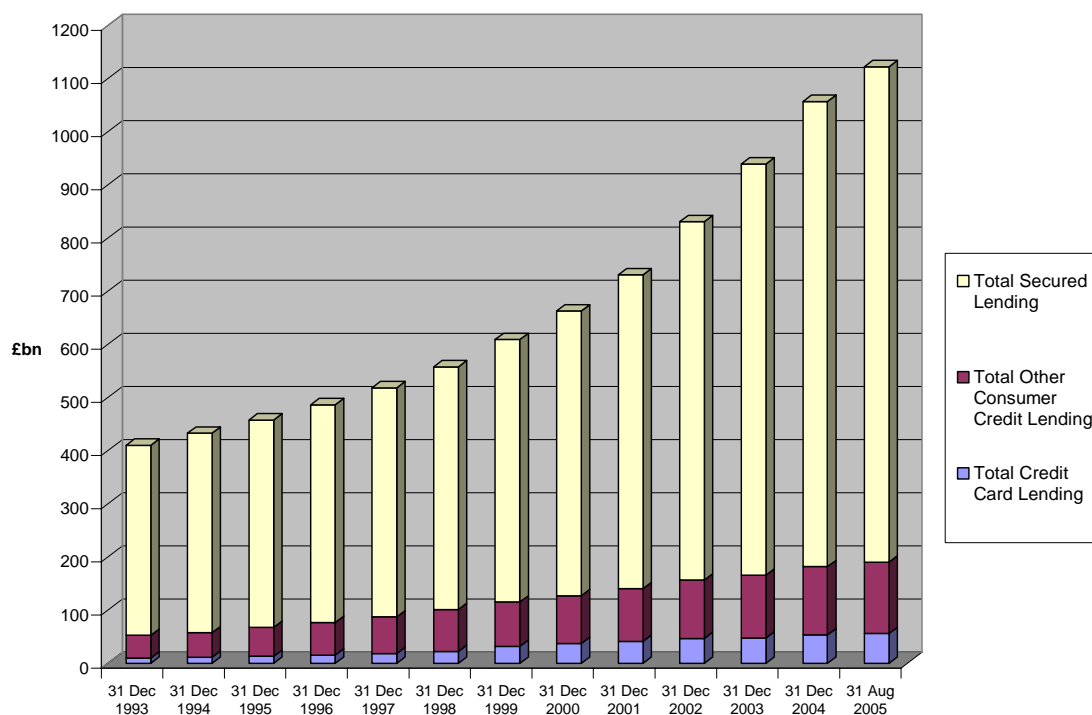
Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to £4,087 per average UK adult at the end of August 2005. This figure translates into a 10% increase on the previous year's levels and a 45% increase since 2000.

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> October 2005):

- Total UK personal debt has increased by £513bn (84%) from £609bn to £1,122bn
- Total secured lending on homes has increased by £438bn (89%) from £494bn to £932bn
- Total consumer credit lending has increased by £76bn (66%) from £115bn to £191bn
- Total credit card debt has increased by £24.2bn (76%) from £32bn to £56.2bn
- Base Rate has decreased by 1.5% from 5.5% to its current rate of 4.5%
- Average house price has increased by £89,867 (93%) from £96,340 to £186,207
- Average earnings have increased by £5,077 (28.5%) from £17,803 to £22,880

### Total UK Personal Debt £bn



**Plastic card / Personal Loans:** Total credit card debt in August 2005 increased to £56.18bn.

According to the BBA the proportion of credit card balances bearing interest was 76% in July 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:** 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. By 2007 the number of people over state retirement age will be greater than the number of children in the UK.

County court judgements (CCJs) against personal debtors in the first half of 2005 rose by 15% to 290,643.

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

In December 2004, 1.2 million electricity and 1 million gas domestic customers were repaying debts to their gas or electricity supplier. The average debts were £161 and £149 respectively.

One in five people say they regularly avoid checking their bank balance because they are too scared to find out how much money they have according to Lloyds TSB.

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.

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.

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:** 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

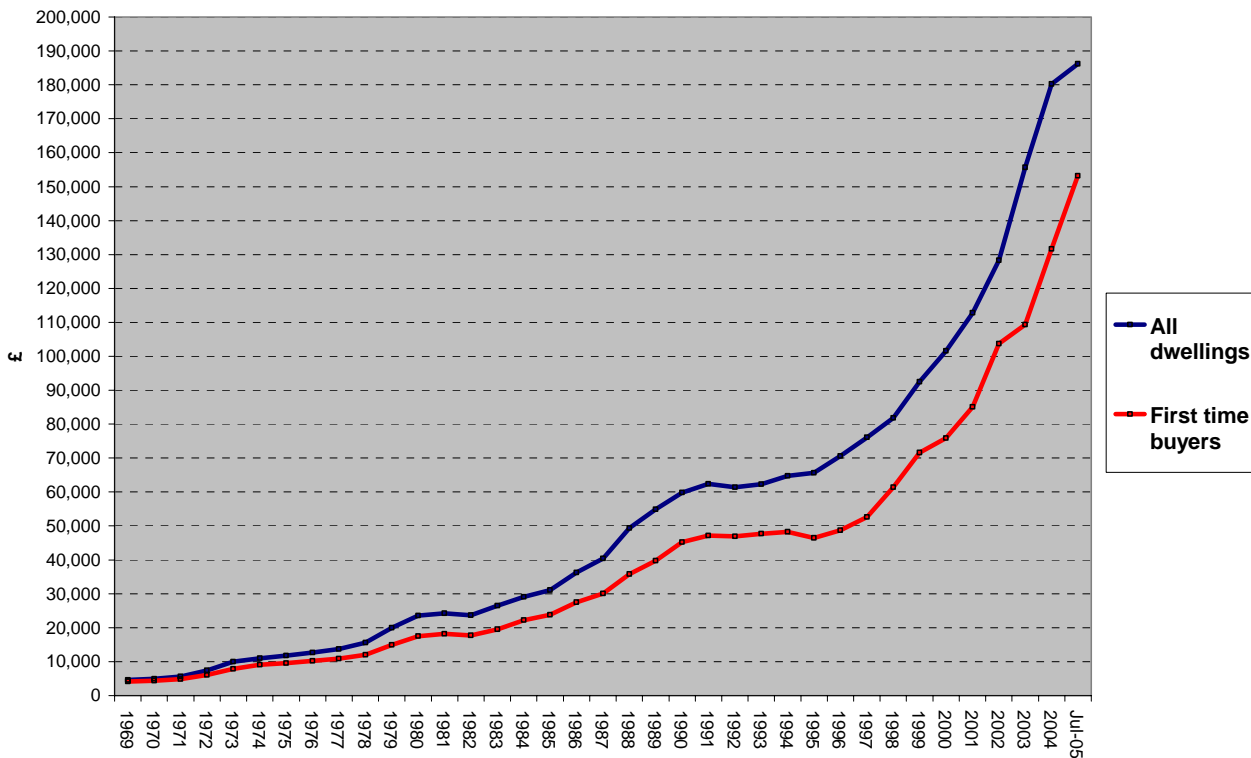
One in three prospective students underestimates the cost of university and a quarter expect their unprepared parents to foot the bill, research showed today. The survey by the Association of Investment Trust Companies (AITC) showed young people expected their debt on graduation to stand at £7,208, while 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.

One in four parents say they have adult children who are still living at home. Student debts and the difficulty in getting a foothold on the housing ladder are often blamed for offspring being unable to leave home. The study suggests one in seven parents with adult children have remortgaged or taken out a loan in an attempt to help. The modern-day dilemma has spawned the term kippers, standing for "kids in parents' pockets, eroding retirement saving".

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 July 2005 stood at £186,207 (£195,191 in England). UK annual house price inflation fell to 4.0 %. Annual house price inflation in London was 0.9%.

**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:

- One month after the Bank of England lowered interest rates to 4.5% the number of buyers and the number of sales were up by approximately 4% in August according to the National Association of Estate Agents (NAEA). The number of houses on estate agent's books also increased as sellers regained confidence in the market. The percentage of first timers fell slightly to 7.7% which is 20% lower than last year.
- 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 Council of Mortgage Lenders cut its forecasts for house price growth in August 2005 and now believes property values will fall 2% this year and will not grow at all in 2006.
- The average fixed rate mortgage in August was 5.23% and the average variable rate mortgage was 5.61%. Fixed-rate mortgages accounted for 54% of all loans in August, the highest proportion ever since monthly records began in 1998.
- According to the Nationwide UK house prices fell by 0.2% in September and they estimate the annual rate of house price growth in the UK at 1.8% - its lowest since May 1996. The number of house purchase approvals increased to 97,000 in July, their highest level for a year and just above the average for the last 12 years.

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

**Housing 1<sup>st</sup> Time Buyers:** The average house price in the UK in July 2005 for first time buyers now stands at £153,168 which is an annual increase of 6%.

The Council of Mortgage Lenders (CML) estimate in August 2005 that the first time buyers average new loan is 87% of the value of the property and that they borrow 3.22 times their income (based on income figure provided by buyers in their mortgage application and may reflect one or more incomes).

The average deposit required by first time buyers in the second quarter of 2005 was 21.0% of the purchase price. Based on repayment loans, in the UK, repayments as a percentage of income for first time buyers were 23.3% in the second quarter of 2005, up from 22.9% in the previous quarter and up from 21.4% one year ago

**High Street Spending:** Conditions for retailers remain mired in difficulty according to the CBI as they recorded the fastest year-on-year sales decline in its 22 year history during September 2005.

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.

Switch estimate that the average guest can expect to spend a total of £300 on all the expenses that a wedding entails (including £55 on the wedding gift, £90 on travel and accommodation, and close to £100 on a new outfit and £30 on alcohol, as they toast the success of the happy couple). This figure rises to £465 for those included in the pre-wedding celebrations as well as the day itself.

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.

Savers continued to invest heavily in building societies during August. More than £1 billion (seasonally adjusted) has been invested in building societies in each of the last three months – the first time this has occurred for over four years

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.

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