



## Debt Fact and Figures - Compiled 4<sup>th</sup> January 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 November 2004 the total UK personal debt was £1,050bn. The growth rate remains strong at 13.1% for the previous 12 months.

Total secured lending on homes in November 2004 was £867.4bn (£459bn in Feb 1999).

Total consumer credit lending to individuals in November 2004 was £182.8bn (£103bn in Feb 1999).

Total lending in November 2004 grew by £7.8bn. Secured lending grew by £6.5bn in the month and consumer credit lending grew by £1.4bn in the month.

Average household debt in the UK is approximately £7,463 (excluding mortgages) and £42,865 including mortgages. Average owed by every man, woman and child in the UK is approximately £17,635 (including mortgages).

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

**Christmas / New Year** According to Switch during the 2004 festive we plan to spend £813 overall on presents, wrapping paper, cards, decorations, food and drink – 6.5% down on last year's figure of £868. Britons will spend almost ten pounds less than last year on presents (down to £337). But it's not just Santa taking a back seat in his sleigh – UK retailers will be hit as we stock up on less food (£100) and drink (£56) as well as cutting costs by spending less on decorations and wrapping paper (£23).

A recent survey carried out by Payplan found that almost 80% of people worry about the financial side of Christmas, with almost 60% of those being female.

Between September and November each year lenders send out at least 140m 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.

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** - During December 2004, according to the banking industry, spending on plastic cards will reach £269 billion for the year, overtaking cash payments, which will be 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.

We owe more than £56bn on cards - around £1,140 per card-holder.

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

**Servicing Debt:** 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

According to the National Consumer Council one in five people are borrowing money just to pay household bills, and one in four are struggling to meet bills and credit repayments. Six million families are already struggling to keep up with credit commitments at a time when borrowing is rising.

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.

CCCS clients carry an average of £25,000 in debt, but now many come to the counselling service owing more than £100,000, excluding mortgage debt.

The Prudential estimates that two million pensioners are in financial difficulty. The average annual income for retired households in UK is £14,648. The average drop in income at retirement is £4,164. 2.8m pensioners are returning to work to meet this shortfall.

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.

The amount of debt being chased by Britain's bailiffs has soared by 70% over the past two years to a record £5bn. The typical household falling into difficulty owes £25,000, spread across an average of 15 different lenders. 20 million cases have been passed to debt collectors over the past year.

Britons have written off £3.4bn in debts to friends and family, a report showed earlier this year. Seven out of 10 people have lent money and almost half of those never saw it again. Almost three-quarters of people had got into serious arguments or even ended relationships as a result of lending cash the survey revealed.

**Students / Youth:** 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.

More than half of UK students are miscalculating how long it will take them to repay their debts, it was claimed recently. Researchers also discovered that while students expected to pay off their debts by the age of 28, on average they were calculated to be 31 by the time they were clear of student debt.

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 October 2004 stood at £180,444 (£192,874 in England). UK annual house price inflation was 12.7 %. Annual house price inflation in London was 7.0%.

The number of loans approved for house purchase in November 2004 was 20% lower than October 2004 and 41% lower than November 2003 according to the British Bankers' Association.

Nationwide predicted that house prices across the UK will come to a virtual standstill in 2005. The lender said that property prices in Britain look set to rise by just 2% across the year. During 2004, the Nationwide said that the price of the average house rose by 12.7% which is just over £17,000, equivalent to £47 per day.

70% of people now own their home, but UK owner-occupation lags many countries in southern and eastern Europe and does not match the aspirations of around 80% of UK residents who would like to be home-owners.

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

MORE homeowners are failing to meet their mortgage repayments than at any time over the last four years. Government figures reveal a surge in court actions for repossession and actual repossession orders, fuelling fears that dearer mortgages are beginning to hurt borrowers. There were 18,513 court actions for house repossession in the period of July to September this year, compared with 16,098 a year earlier - a 15% rise and the highest level since 2000.

**Housing 1<sup>st</sup> Time Buyers:** The average house price in the UK in October 2004 for first time buyers stood at £143,847 which is an annual increase of 12.5%.

First-time buyers are taking longer to save for a house deposit - a year longer than a decade ago. They now take an average of three years and nine months to save a 5% deposit, financial group National Savings and Investments found.

**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**

A new web site [www.moneybasics.co.uk](http://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:** Millions of Britons (55 per cent of the population) are failing to save money, raising concerns that mounting debt may be destroying the nation's will to save.

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.

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