



Debt Fact and Figures - Compiled 4th July 2005

Total UK personal debt will break through the £1.1 trillion barrier (£1,100,000,000,000) when the Bank of England releases the figures for 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 May 2005 the total UK personal debt was £1,099bn. The growth rate remains strong at 11.5% 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 May 2005 was £910.5bn.

Total consumer credit lending to individuals in May 2005 was £188.5bn.

Total lending in May 2005 grew by £9.8bn. Secured lending grew by £8.0bn in the month and consumer credit lending grew by £1.8bn in the month.

Average household debt in the UK is approximately £7,694 (excluding mortgages) and £44,857 including mortgages. Average owed by every man, woman and child in the UK is approximately £18,454 (including mortgages).

Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to £4,071 per average UK adult at the end of May 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.

Household average disposable income fell last year for the first time in ten years according to figures published by the Office for National Statistics.

Plastic card / Personal Loans: Total credit card debt in May 2005 increased to £55.69bn.

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

2.4 million personal loan agreements totalling £13.5 billion, were entered into in the first quarter of 2005 (compared with 192,000 home loans during the same period); most were for cars (30%), home improvements incl. goods & furniture (24%) and debt consolidation (20%); the total balances outstanding on personal loans at the end of March 2005 was £93 billion; Personal loans are typically available between £1,000 and £25,000 with the average loan size currently at £5,500. The average interest rate on a personal loan of £7,000 stands at 7.9%.

According to the latest annual report from the 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 reached 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 the 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.

22 million adults purchased online last year on the Internet with credit cards being the favoured method of payment.

According to a recent survey for the Office of Fair Trading (OFT) - Just under a third of adults said that they had felt *pressurised to take up credit* when buying goods or services. 21% said they *arranged credit while out shopping that they had not intended to before they went*.

A survey for Morgan Stanley showed that credit cards now rival traditional methods of paying for purchases such as groceries and petrol, which make up 44% of all spending on the cards. During the second quarter of 2005, people expect to spend an average of £803 on their credit cards, 10% more than in the first quarter.

According to the BBA the proportion of credit card balances bearing interest was 75.3% in April 2005.

Some credit card companies have recently reduced their minimum repayments from 3% to 2% which many see as irresponsible. A £3000 credit card balance at 17.9% APR would now take over 40 years to repay if the minimum repayment of 2% is paid each month compared with 19 years at a minimum repayment of 3% each month.

Servicing Debt: Debt advice services are to receive a £45m cash injection from the government to help tackle the rising tide of UK consumer credit problems. The money will enable organisations to recruit and train hundreds of new debt advisers. The Department of Trade and Industry is inviting free advice organisations to bid for a share of the money.

The number of people looking for help managing their debts nearly doubled during May compared with the previous year. The Consumer Credit Counselling Service (CCCS) said a total of 25,000 people rang its helpline for advice during the month, up from 13,000 in May 2004. CCCS is the UK's largest debt charity, and last year received 170,000 calls on its helpline.

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 level of personal debt is at breaking point in the UK, says Vicky Redwood, a UK economist at Capital Economics. "It is unlikely that the numbers have peaked but we estimate that households must be feeling the pain of borrowing too much. People are paying the equivalent of about 20 per cent of their disposable income on interest and debt repayments – the highest since 1990."

Bankruptcies are still on the increase in the UK according to the Department of Trade and Industry. The figures show that 37,886 people have been made bankrupt in the year up to 31 March 2005. This is a 30% increase on the 12 months to 31 March 2004. Steve Treharne, Head of Personal Insolvency at KPMG said: "These figures come on top of the huge increase of nearly 30% we saw last year and do prompt the question of where this is all going to end. "It is interesting that these statistics are released just over a week after official government figures reveal there has been a 35 % increase in mortgage possession actions on the same period last year. The two trends are not unrelated. There is a big black cloud of debt hanging over the UK.

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

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.

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.

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.

Students / Youth: There has been a significant rise in the number of under-30s declared bankrupt. The figures, provided by the Insolvency Service, showed that almost 15% of all those declared bankrupt in the 2003/4 tax year were aged 30 or younger. This was nearly twice as many people as in 2001/02.

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.

University students who graduate this year will have accumulated an average debt of £13,501 - a 12% increase on last year, according to research published today by Barclays. If this trend continues, those starting a three-year degree course this autumn are likely to leave college with debts of nearly £20,000, without taking into account the impact of higher top-up fees of up to £3,000 a year to be introduced next year.

A survey for the Financial Services Consumer Panel assessed only a third of younger adults (aged 21-24) as financially literate, compared with nearly half of adults overall. Very few younger adults expressed confidence about purchasing new products, making them particularly vulnerable to mis-selling and mis-buying.

Housing: According to the Office of Deputy Prime Minister the average house price in the UK in April 2005 stood at £181,346 (£191,081 in England). UK annual house price inflation fell to 6.9 %. Annual house price inflation in London fell to 2.7%.

A new report published in May by the National Housing Federation shows that average house prices in England rose to almost eight times the average salary last year. House prices have increased by 125% since 1997, but incomes have gone up by just 18% in the same period.

Housing data has been fairly consistent this month:

- According to the National Association of Estate Agents (NAEA) it is now taking an average of five months to sell a property. The time it takes to agree a sale from instruction has increased by 4.2 weeks on the same time last year indicating that buyers are exercising caution before committing to purchase a property. The number of homes on the market increased by an average of 6.74 per estate agent compared to last month and was double that of last year.
- The Hometrack June survey of the national housing market reports a fall of -0.2%. House prices have now been falling for 12 months and show little sign of imminent recovery.
- According to the British Bankers' Association (BBA) there were 186,442 mortgage approvals (for all purposes) in May, with a total value of £16.5bn. The number of approvals was 3% lower than April and 17% weaker than May 2004.
- Latest figures from Royal Institution of Chartered Surveyors (RICS) indicate that the residential property market softened in May. The proportion of chartered surveyors reporting a decline in house prices over those reporting a rise picked-up further, giving the weakest survey reading since November 1992.
- UK house prices cooled in June, reducing annual price inflation to its lowest level in nine years, according to figures published today by Nationwide building society. The 0.2% drop in prices reduced year-on-year growth to 4.1%, compared with 19% this time last year. This, said the Nationwide, was the slowest rate of growth since July 1996.
- Rightmove anticipate a 0% year-on-year rate of increase by July. This compares with wage inflation which is growing at about 4% / annum.

The average loan approval for house purchase in May was £125,400.

Housing 1st Time Buyers: The average house price in the UK in April 2005 for first time buyers exceeded £150,000 for the first time ever and now stands at £150,133 which is an annual increase of 9.8%.

The number of first-time buyers in the housing market during May shrunk by more than half that of the previous month, reports the National Association of Estate Agents (NAEA) and stood at 10.9% of all buyers.

First-time buyers need to save harder and for longer to get on the first rung of the property ladder, despite a cooling housing market. Typical first-time buyers saving 5% of their quarterly earnings now need to save for 4.75 years to afford the standard minimum 5% deposit on their first home. This is three months longer than just six months ago and nine months longer than a year ago, indicating how house prices have continued to outstrip incomes and savings rates.

The Council of Mortgage Lenders (CML) estimate in May 2005 that the first time buyers average new loan is 87% of the value of the property and that they borrow 3.19 times their income (based on income figure provided by buyers in their mortgage application and may reflect one or more incomes).

High Street Spending: 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.

Retail sales in June suffered their worst year-on-year fall recorded by the CBI. Sales volumes compared with a year ago recorded the sharpest fall in the survey's 22 year history and stores expect a similar pattern in July.

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: "Debt is the slavery of the free" (Publius Syrus, 42 BC).

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: Less than half of population are saving each month. This has fallen from 55% last year to 48% this year as households across the country feel the impact of soaring debts.

Research by Alliance & Leicester shows that consumers are failing to increase the amount they save each month despite their disposable income having jumped by 28% since last year.

Workers can no longer expect to reach 65 and 'hang up their boots', David Blunkett has warned. The new Pensions Secretary insisted many would inevitably have to work longer in the future to help plug a looming black hole in Britain's pensions system.

The Institute of Directors (IoD) believes that social change is aggravating the pension savings gap. The traditional financial life cycle involved households accumulating debt in their 20s and 30s, before beginning the age of savings accumulation in their 40s and 50s. Times have changed. People are now having children later in life and also have to finance the costs of their children's higher education. The risk that the age of accumulation will be too short to provide an adequate retirement income, means that people will eventually recognise the need to start saving.

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.

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.