



## Debt Facts and Figures - Compiled 1<sup>st</sup> September 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 July 2005 the total UK personal debt was £1,114bn. The growth rate remains strong at 10.7% 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 July 2005 was £923.8bn.

Total consumer credit lending to individuals in July 2005 was £189.8bn.

Total lending in July 2005 grew by £7.7bn. Secured lending grew by £6.5bn in the month and consumer credit lending grew by £1.2bn in the month.

Average household debt in the UK is approximately £7,684 (excluding mortgages) and £45,085 including mortgages. Average owed by every man, woman and child in the UK is approximately £18,611 (including mortgages).

Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to £4,072 per average UK adult at the end of July 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 start of 2005 in just over 5 years (based on figures available at 1<sup>st</sup> September 2005):

- Total UK personal debt has increased by £505bn (83%) from £609bn to £1,114bn
- Total secured lending on homes has increased by £430bn (87%) from £494bn to £924bn
- Total consumer credit lending has increased by £75bn (65%) from £115bn to £190bn
- Total credit card debt has increased by £24bn (75%) from £32bn to £56bn
- Base Rate has decreased by 1.5% from 5.5% to its current rate of 4.5%
- Average house price has increased by £86,311 (90%) from £96,340 to £182,651

**Plastic card / Personal Loans:** Total credit card debt in July 2005 increased to £55.87bn.

According to the BBA the proportion of credit card balances bearing interest was 75.4% in June 2005.

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 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 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.

**Servicing Debt:** 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.

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.

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 June 2005 stood at £182,651 (£193,165 in England). UK annual house price inflation fell to 5.0 %. Annual house price inflation in London was 1.8%.

New research by Halifax shows that the cost of owning and running a house rose by 5% in 2003/04 to £5,948 which is more than four times the rate of CPI inflation, the government's preferred inflation measure. Rising council tax bills accounted for more than 30% of the total increase in housing costs in 2003/04, the single biggest increase during the year. There is a wide disparity in the cost of owning and running a home across the country. At £7,691 per year, London housing costs are the highest, 77% above annual housing costs in the North East, the cheapest region at £4,358 per year.

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.

A 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) the average time taken to sell a property between instruction and exchange of contracts now stands at 19 weeks.
- The Council of Mortgage Lenders cut its forecasts for house price growth and now believes property values will fall 2% this year.
- The average mortgage rate for June was 5.46%.
- Based on repayment loans, in the UK, repayments as a percentage of income for first time buyers were 23.3% and for former owner occupiers, repayments represented 20.6% of income.
- Rightmove said asking prices fell in August by a further 0.2% (£367). 118,000 new sellers adjust prices to undercut growing competition as unsold stocks rise

The average loan approval for house purchase in June was £132,700

**Housing 1<sup>st</sup> Time Buyers:** The average house price in the UK in June 2005 for first time buyers now stands at £150,356 which is an annual increase of 6.7%.

The Council of Mortgage Lenders (CML) estimate in July 2005 that the first time buyers average new loan is 87% 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).

First time buyers only accounted for 8% of all house sales in July. The number of first time buyers has tailed off over the last three months indicating that the positive effects of the stamp duty reductions were short lived.

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.

**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.

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:** 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:** 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.*