



## Debt Facts and Figures - Compiled 1<sup>st</sup> June 2006

**Please note there will be no July debt facts and figures. The next edition will be released on 1<sup>st</sup> August 2006.**

### Total UK personal debt

**Total mortgage borrowing in the UK will have passed the £1 trillion (£1,000 billion) in May 2006, according to the Council of Mortgage Lenders.**

At the end of April 2006 the total UK personal debt was **£1,191bn**. The growth rate remains strong at 10.2% for the previous 12 months which equates to an increase of £100bn.

Total secured lending on homes in April 2006 was **£999.2bn**. This has increased 10.8% in the last 12 months.

Total consumer credit lending to individuals in April 2006 was **£191.5bn**. This has increased 7.3% in the last 12 months.

Total lending in April 2006 grew by £9.3bn. Secured lending grew by £8.5bn in the month. Consumer credit lending grew by £0.8bn in the month.

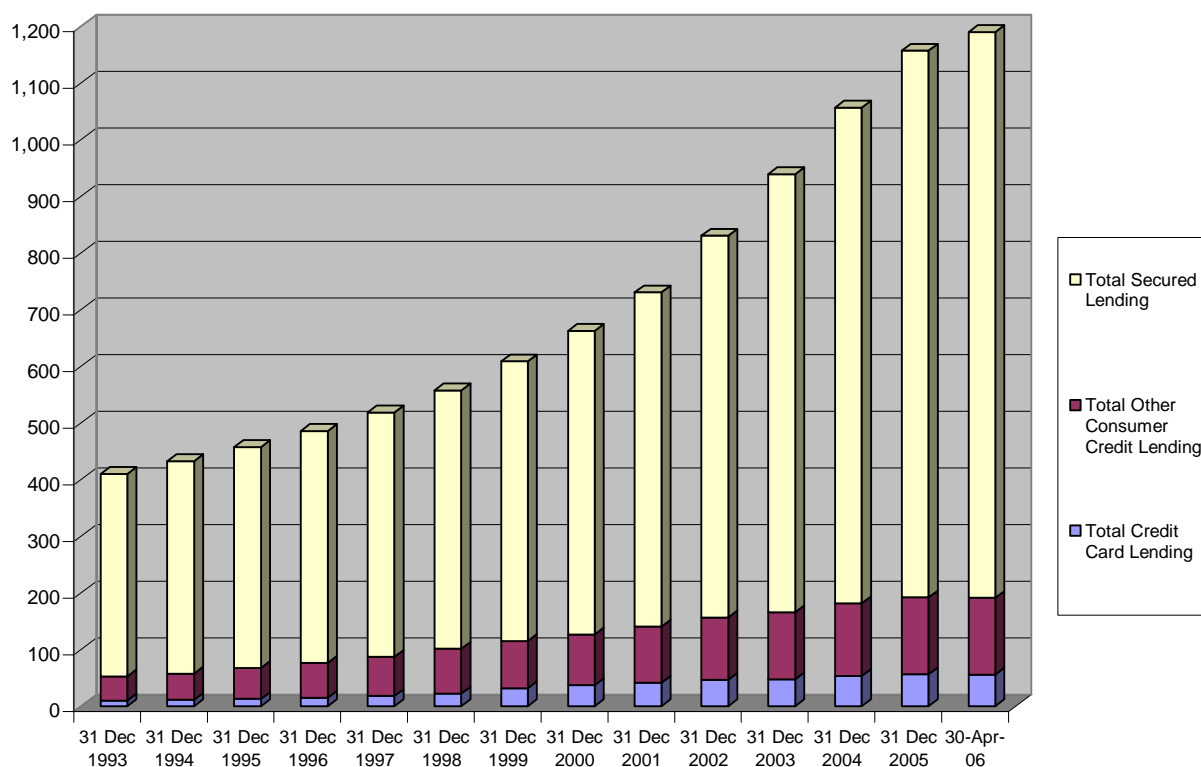
Average household debt in the UK is approximately £7,754 (excluding mortgages) and £48,209 including mortgages.

Average owed by every UK adult is approximately £25,545 (including mortgages). This grew by ~ £200 last month.

Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to £4,109 per average UK adult at the end of April 2006. This has grown 52% in 5 years.

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

## Total UK Personal Debt £bn



**Plastic card / Personal Loans:** 282 plastic transactions took place every second in the UK in 2005.

Debit cards accounted for 37% of all retail spend in 2005, ahead of cash at 34%. Plastic cards were used for 63% of all UK retail spending last year

Total credit card debt in April 2006 was £56.0bn.

According to the BBA the proportion of credit card balances bearing interest was 74.9% in March 2006.

The average interest rate on credit card lending is currently 15.5 %, around 11 percentage points above base rate.

39% Brits overspend on their debit cards on day-to-day purchases and the most common reason is because psychologically, they feel they are not spending any money, according to National Savings and Investments' (NS&I) latest Quarterly Savings Survey.

A new study by uSwitch highlights serious failures in the lending practices of UK banks when issuing credit cards. With UK credit card debt standing at £56.35 billion, and UK consumers accounting for two-thirds of total credit card debt in the whole of the EU, one of the most shocking statistics revealed by the survey is that nine out of ten credit card borrowers were issued cards without the lender carrying out any checks to verify that they could afford to repay the debt. The study reveals that the majority of people (88 per cent) who successfully applied for a credit card during the last year were not asked for proof of their annual income beyond the figures stated on the application, and 95 per cent were not asked to show evidence of their outgoings in order to provide a true picture of affordability.

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.

**Servicing Debt:** Citizens Advice Bureau (CAB) dealt with 1,128,000 debt enquiries last year. In the last decade the number of consumer debt problems dealt with by CAB has increased 118%. CAB clients have

an average of £13,000 of debt which is nearly 17.5 times their monthly income. On average it would take CAB clients 77 years to pay back their debts in full.

The average person has just £27 a week left to live on after meeting all their bills and essential outgoings, a survey has showed. Recent rises in council tax and utility bills, combined with high levels of debt, have left the average Briton with £954 worth of monthly commitments to pay from an average income of £1,070, according to Combined Insurance.

Government figures showed 23,351 people became insolvent between January and March - 73% more than in the first quarter of 2005 and 12% higher than in the final three months of last year. At the same time, the number of homes threatened with repossession was up 29% on the same period last year, with over 33,000 actions handled by the courts, according to figures from the Department of Constitutional Affairs.

According to a report by PricewaterhouseCoopers Individual Voluntary Arrangements (IVAs) have doubled in number in 2005, with someone entering an IVA every seven minutes of each working day. The rate of increase is likely to continue throughout 2006. People are simply spending too much. 83% of those surveyed said expenditure in excess of income was the principal cause of failure, not loss of income or occupation, or marital breakdown. The young are increasingly turning to IVAs as a way out of debt, with 56% being under 40, and over a fifth under 30.

The average debt of a client coming to Consumer Credit Counselling Service (CCCS) for advice is now £32,000. The number of people earning more than £30,000 a year who are asking them for help has risen by 257% in the past three years.

More than 105,000 people telephoned the National Debt Line between January and April, a rise of more than 30 per cent on last year. The helpline had been so 'inundated' by desperate callers that it had been able to deal with just 32,000 cases.

According to the Council of Mortgage Lenders (CML) total household debt has grown sharply as a percentage of disposable income over the past decade and currently stands close to 150%. At the end of 2005, the secured debt to income ratio was 121%, compared to 80% in 1995. And the unsecured debt to income ratio was 24%, almost double that of 10 years ago.

According to a report commissioned by One Advice, nearly 2 million people in the UK have unsecured debts in excess of £10,000. About half a million have unsecured debt higher than £20,000. People in the lower middle-aged bracket (35 to 44-year-olds) were the most likely to have substantial debts that weren't secured, with some 50,000 individuals in that demographic owing more than £10,000.

Two million households are living on a financial knife-edge, susceptible to an economic downturn or changes in personal circumstances, according to a recent Financial Services Authority (FSA) report. A further half million households are already in serious financial difficulty paying bills and meeting debts, the report found.

Four million people say they always run out of money at the end of the week or month.

14 million adults (35%) are relying on their overdrafts to get by each month; 3.5m are permanently overdrawn, while two million workers start the month in their overdraft, even after they have been paid.

Three quarters (74%) of British couples find money the hardest subject to talk about with their partners according to a recent survey by the Financial Services Authority (FSA). They also found that over a quarter (27%) of couples regularly argue when they try to discuss their finances; about a third (32%) of couples lie to their partners about how much they spend on their credit cards; over a third (35%) of British couples are kept awake at night worrying about their money situation

One in 10 single people says their finances are out of control whilst 41% have already suffered a financial crisis at some point in their lives, compared to 28% of married people

Research from AXA shows money worries are a significant cause of worry, anxiety and stress according to GP and leading mental health expert, Dr Roger Henderson, who recently published a paper identifying the condition Money Sickness Syndrome (MSS). Almost half (43%) of the UK adult population is affected by money worries and have experienced MSS symptoms. 3.8m people admit money worries have caused them

to take time off work and more than 10.76m people suffer relationship problems because of money worries, with almost one in five complaining of a sex life slump.

Grant Thornton says that UK consumers are the most over-indebted in Europe.

A quarter of those in debt are receiving treatment for stress, depression and anxiety from their GP.

**Young people (under 30):** Young people have the highest level of unsecured debt in the UK, with the average person under 30 owing nearly £8,000, recent figures have revealed. People aged between 18 and 29 owe about £7,718 each through credit cards, overdrafts and loans, the equivalent of 36 per cent of their total household income, according to Alliance & Leicester. Student loans were found to make up 46% of this figure.

The proportion of bankruptcies among the 18 to 29-age group has more than doubled in the last 4 years. It has jumped from 7.9% in 2001 to 18.7% last year.

A recent FSA report highlighted:

- 29% of 16-24 year olds said they would not know how to prepare and manage a weekly budget;
- 19% of 22-24 year olds have short-term debts over £5,000;
- 62% of young people said if they got into money trouble or debt they would not be able to name any advice or support services they could turn to for advice
- One in five students dropped out of courses; Of undergraduates who considered dropping out financial difficulty was a strong factor for 34.4%;
- 94% of 16 year olds believe it is important to know how to manage money; only 53% have been taught how to

More than half (59%) of 16-24s admit they go over budget when using a debit card and 41% of 25-34 admit to overspending on their debit cards.

**Pensioners / Pensions:** Research from Scottish Widows Bank reveals one in six (over 1 million), pensioner homeowners in the UK have an outstanding mortgage on their home – each with an average debt of £45,313 – making a nationwide debt of almost £47 billion. What is more, one in three owe more than £50,000 and one in ten more than £100,000 putting increased pressure on retirement income.

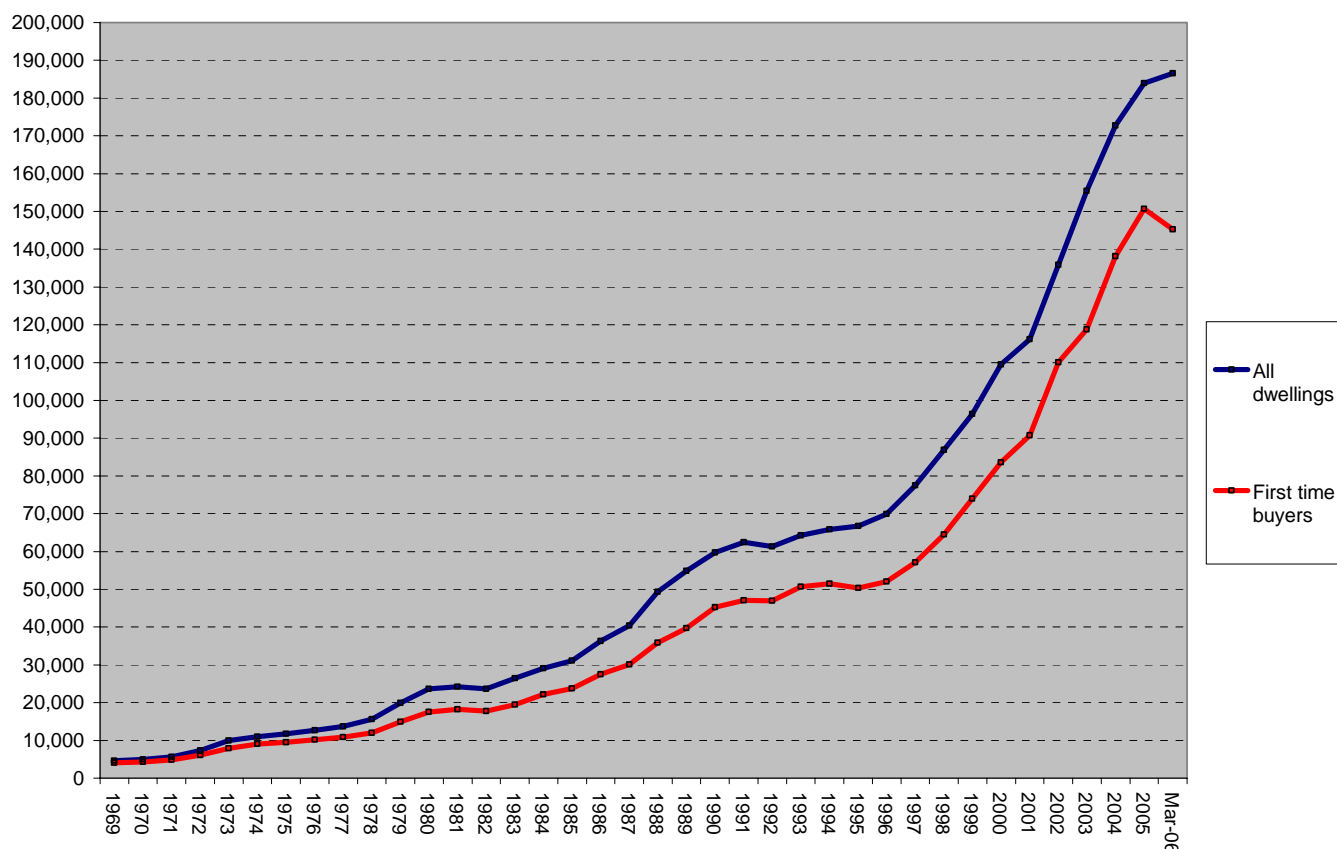
Over 8 million British workers (21%) don't have any pension provision according to a recent report issued by Virgin Money. This is despite continued warnings from the Government and the pension industry of the need to save now to avoid inadequate income at retirement.

One in three households are now liable to have to pay inheritance tax on their estate when they die following soaring property price growth. An estimated 8.2 million households own property and other assets that are worth more than the current £275,000 inheritance tax threshold, according to life insurer Scottish Widows.

According to the Prudential one in five pensioners struggle to make ends meet. 17% of OAPs live on under £5,000 a year. A third of pensioners live on under £7,500 per year. Nearly one in five pensioners goes back to work after retiring.

**Housing:** According to the Department for Communities and Local Government (DCLG) the average house price in the UK in March 2006 stood at £186,519 (£195,001 in England). UK annual house price inflation rose by 3.3%. Annual house price inflation in London was 4.0%.

## UK Average House Prices £



Note: the weightings used by DCLG were changed for the February 2006 figures.

The number of homes sold in England and Wales has soared by 37% in the space of a year, according to the Land Registry.

Gross mortgage lending totalled £25.1 billion in April - the highest April lending figure on record according to the latest data from the Council of Mortgage Lenders (CML). Lending was 16% higher than in April 2005 and marks six months of record lending figures.

According to The National Association of Estate Agents (NAEA) the average time between instruction and completion is 17.1 weeks.

The average loan approval for house purchases in April increased to £140,400, some 9% higher than a year earlier.

Nationwide said that house price growth was sluggish for the second month in a row in May with prices rising just 0.2% in the month, marginally up on the 0.1% increase in April but down significantly on March's strong 1.1% gain. The annual rate of house price growth slowed slightly in May to 4.7%. This supports the figures from the Land Registry for January – March 2006 which showed an annual growth of 5.05% over the same period in 2005.

The amount of unmortgaged property wealth held by UK home-owners currently stands at £3.6 trillion. Housing equity is the largest component of total wealth held by people living in the UK. Mortgage lending has helped fund a dramatic expansion of home-ownership, from 60% to 70% of the population during the last 20 years. Roughly 40% of the housing stock is owned outright, mainly by retired and older middle-aged households,

The cost of owning and running a house rose by 7% in the financial year 2004/05, more than three times the rate of CPI inflation, according to research by Halifax. Total annual housing costs increased to £6,366 in 2004/05. For the average UK homeowner, housing expenses take up 17.5% of their disposable income

**Housing 1<sup>st</sup> Time Buyers:** The average house price in the UK in March 2006 for first time buyers now stands at £145,214 which is an annual increase of 4.2%. (Note: the weightings used were changed for the February 2006 figures. This has had a large impact on the reported average house price for first time buyers)

According to the National Association of Estate Agencies (NAEA) the first time buyer share of the market decreased to 7.9% in April. This is considerably lower than the same period last year when first time buyers' share of the market was at a high of 22.3%.

In the UK, the average deposit required by first time buyers in Q1 2006 was 17% of the purchase price. Based on repayment loans, in the UK, repayments as a % of household income for first time buyers were 21% in Q1 2006.

Bradford & Bingley research shows the number of parents giving, or lending, their children the deposit for their first home has doubled in the last year to 42%. One in ten first time buyers receiving assistance are buying jointly with their parents, or relatives.

**High Street Spending:** Parents typically spend £165,668 on raising a child from birth to the age of 21, according to friendly society Liverpool Victoria's most recent annual Cost of a Child survey. This works out at £7,889 a year and represents a rise of 7.8 per cent on last year's survey, more than three times the rate of inflation, and up 18 per cent on the 2003 survey.

The cost of running the average new car has grown to nearly £5,000 a year, or £14 a day, according to the latest RAC Cost of Motoring Index.

The average wedding costs around £19,595. 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.

**Money Education / Financial Literacy:** 25 million Brits (56%) spend 60 minutes or less per week reviewing their finances, with the average amount of time we dedicate as a nation reaching only 1 hour 19 minutes – the least amount of time in Europe, according to a study from Scottish Widows. We spend nearly twice as long (2 hours 11 minutes) chatting on the phone or texting each week, and 6 times as long (8 hours 4 minutes) watching TV.

A quarter of Brits (25%) have no idea how much they spend in a week, and a similar number (26%) have no idea of their monthly cash flow. This lack of knowledge extends into other financial aspects of life. Only half (51%) the population know the balance on their credit cards and nearly half (46%) have no idea what interest rates they receive on their savings or are paying on their accounts and debts.

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.

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 / Pension:** Half the population (52%) could survive financially for just 17 days, should they suffer an unexpected loss of income, according to research by Combined Insurance.

FSA research shows that 81% of the pre-retired think that a state pension will not provide them with the standard of living they hope for in retirement. Nevertheless, 37% of these people have not made any additional pension provision.

The majority of people in the UK are not planning ahead sufficiently, and are likely to be storing up problems for the future. 39% of people say they tend to live for today and let tomorrow take care of itself. In the last three years, 28% of people have experienced a large unexpected drop in income, and 21% have faced a large unexpected expense. 70% have made no personal provision to face a drop in income, and 55% do not think they have sufficient provision to face an unexpected expense.

According to the latest quarterly National Savings and Investment survey almost half of Brits (45%) do not saving regularly.

**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.**

*Extracts of these debt statistics and figures may be reproduced subject to the following conditions;*

- *No commercial or financial gain is made from the reproduction.*
- *Acknowledgement of Credit Action as the provider of the information is mentioned in the reproduction.*

*Where the above criteria cannot be realised, application should be made to Credit Action.*