

Debt Facts and Figures - Compiled 1st March 2006

Total UK personal debt

At the end of January 2006 the total UK personal debt was **£1,168bn**. The growth rate remains strong at 10.3% for the previous 12 months which equates to an increase of £100bn.

Total secured lending on homes in January 2006 was **£974.6bn**. This has increased 10.6% in the last 12 months.

Total consumer credit lending to individuals in January 2006 was **£193.2bn**. This has increased 8.7% in the last 12 months.

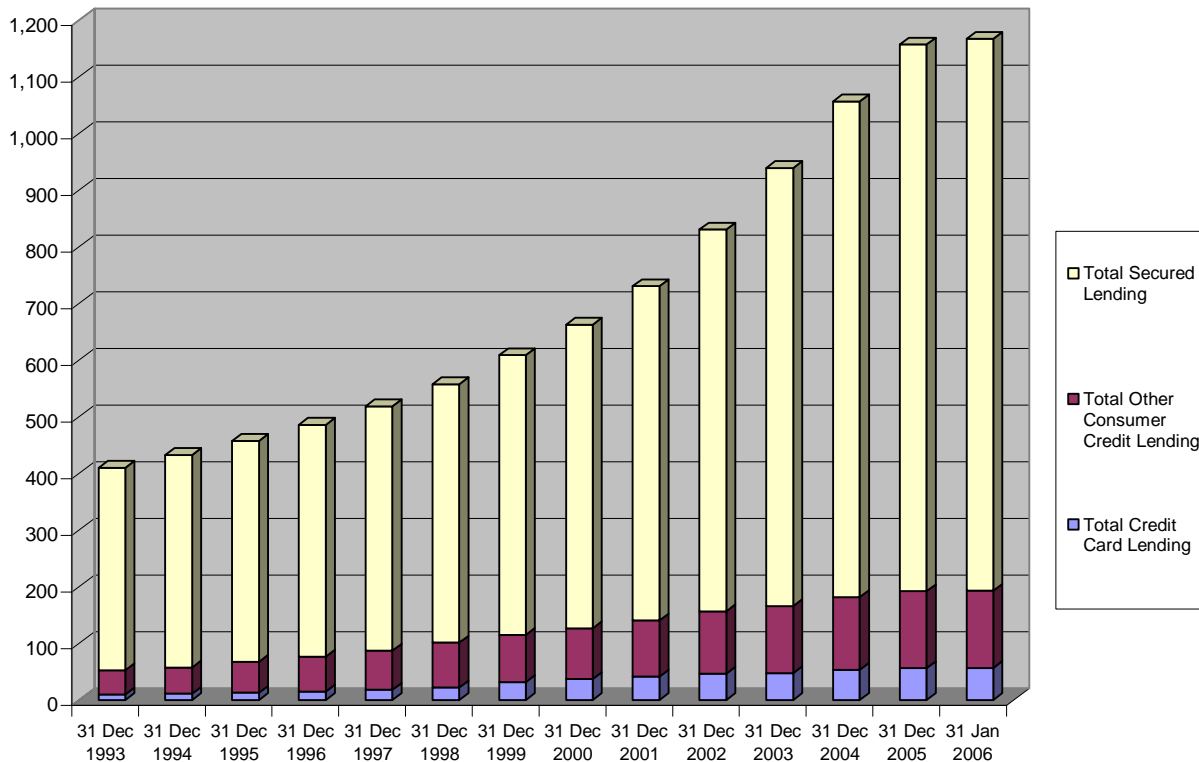
Total lending in January 2006 grew by £10.5bn. Secured lending grew by £9.2bn in the month and consumer credit lending grew by £1.3bn in the month.

Average household debt in the UK is approximately £7,821 (excluding mortgages) and £47,278 including mortgages. Average owed by every UK adult is approximately £25,052 (including mortgages). This grew by ~ £220 last month.

Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to £4,144 per average UK adult at the end of January 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: Total credit card debt in January 2006 was £56.98bn.

US consumer borrowing is rising more slowly than at any time since 1992 as consumers feel the pinch from higher interest rates which have risen from 1% to 4.5% in the past 18 months. US consumer debt (unsecured) totalled \$2.162 trillion (£1.2 trillion) at the end of 2005, 3% higher than in December 2004. Credit card borrowing saw its smallest annual increase since 1980 as consumers became more cautious.

Spending on credit cards has shown a year-on-year fall (3%) for the first time, according to figures from Visa, indicating that consumers are taking on board warnings about running up too much debt. Instead, shoppers are using their debit cards for their spending.

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.

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

The average interest rate on credit card lending is currently 15.44%, around 11 percentage points above base rate.

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: There were 20,461 individual insolvencies in England and Wales in the fourth quarter of 2005 on a seasonally adjusted basis. This was an increase of 15.0% on the previous quarter and an increase of 57.1% on the same period a year ago.

PricewaterhouseCoopers (PwC) insolvency experts looked at 80% of the IVA applications made in July 2005. 75% of the debtors put down "living beyond their means" as the main reason for being in trouble. Only 20% said they had lost their jobs or had suffered a breakdown in their marriages - two of the events traditionally assumed most likely to trigger personal insolvency.

Monday 6th February 2006 has been dubbed 'Debt Freedom Day' by IFA Promotion. It would take the average UK earner 35 days' solid pay just to clear the £2,350 interest on the average level of credit card and loan debt.

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

A MORI survey carried out for CCCS estimated that eight per cent of the adult population were in financial difficulty.

More than 20 million Britons are in debt, according to a survey by Mintel that reveals the extent of the country's "spend now, pay later" lifestyle. It says the nation is gripped by a borrowing culture, with the vast majority of those in debt showing no concern about the amount they owe. Almost half of adults (44 per cent) owe money on a variety of credit and loan products, not including mortgages. While a quarter of borrowers have debts of less than £500, eight per cent owe between £10,001 and £20,000, and a further five per cent have borrowed more than £20,000. That adds up to around one in eight (13 per cent) borrowers - or 2.5 million adults - having total unsecured debts in excess of £10,000.

Debts taken on by British families have overtaken the size of the economy for the first time. People have borrowed so much their total debt outstripped Britain's gross domestic product at the end of 2005.

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.

The Debt Counsellors Annual UK Debt Survey 2006 shows that 63% of those with bad debt problems believe their health has suffered as a direct result of their debt.

Record numbers of people were calling debt advisory services after finding they were struggling to pay back what they owe. The Consumer Credit Counselling Service took 9,310 calls in the first nine working days of 2006 - up almost 14% on the same period in 2005.

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

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

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

Students / Youth: In a survey of 1,000 16-19 year olds in England, 81% said they had given serious thought to what occupation they wanted to do in five years' time, and 95% said they had taken some action to achieve an ambition. But 41% said they would like more control over their lives, with many citing money as an issue.

MyEquifax recent survey revealed that 22-24 year olds have more short-term debts than 18-21 year olds, with 19% owing over £5,000 (only 11 per cent of 18-21 year olds owe this amount). This suggests that within the first five years of being credit active, young consumers are already building up significant debts and risking overburdening themselves.

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

Pensioners / Pensions: 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.

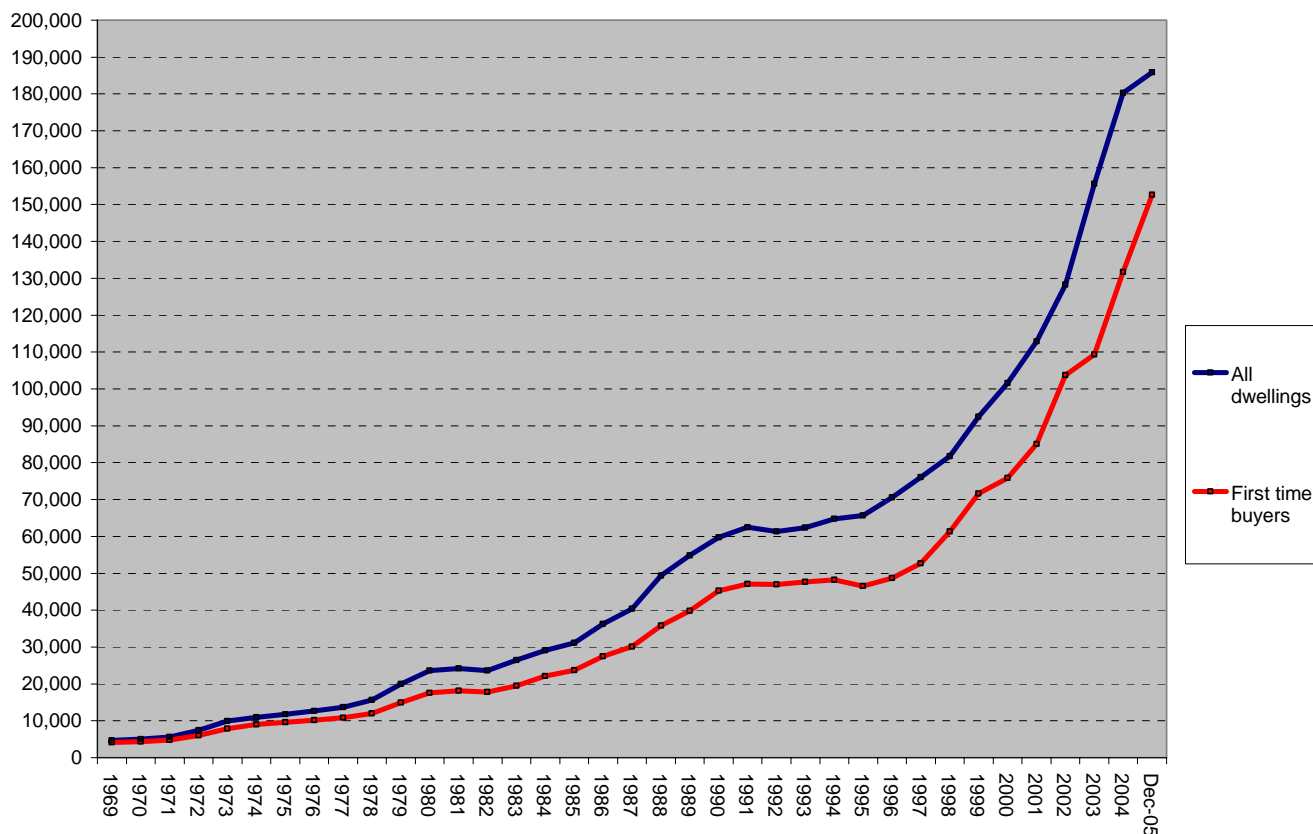
According to the Prudential one in five pensioners struggle to make ends meet. 17% of OAPs live on under £5,000 a year. A third of pensioners live on under £7,500 per year. Nearly one in five pensioners goes back to work after retiring.

Up to nine million old folk across the UK will struggle to pay fuel bills this winter according to Age Concern.

One in 10 pensioners calling Age Concern, some in their 80s, is struggling to clear mortgages and pay bills such as council tax.

Housing: According to the Office of Deputy Prime Minister the average house price in the UK in December 2005 stood at £185,848 (£194,569 in England). UK annual house price inflation rose by 2.9%. Annual house price inflation in London was 3.8%.

UK Average House Prices £



The value of Britain's homes has trebled in the past 10 years, from £1.1 trillion in 1995 to £3.4 trillion in 2005.

The latest Hometrack report says that the supply of homes for sale is not keeping pace with demand which has resulted in a strong rise in average prices of 0.4% in February.

Nationwide said that house prices fell by 0.2% in February following a strong 1.5% increase in January. This is a 3.7% increase in 12 months. They expect the weaker economic factors to begin to dominate over the next 2-3 months and to prevent strong house price rises in 2006.

A shortage of sellers and increased demand from buyers pushed the average property asking price above £200,000 for the first time (£201,600) in February 2006 according to property website Rightmove.

The Council of Mortgage Lenders (CML) said that gross mortgage lending in 2005 reached £287.5bn, down just 1% on the total for 2004 and that they expect house prices to remain resilient in the coming months.

In line with previous years, the average loan approval for house purchase fell in January, to £126,800.

Housing 1st Time Buyers: The average house price in the UK in December 2005 for first time buyers now stands at £152,683 which is an annual increase of 4.1%. This is approximately 4.2 times their average household income (In 1990 the average price paid by first time buyers was £45,000, 2.7 times their average household income).

The number of first-time buyers in the UK reached its lowest level for 25 years in 2005 as rising house prices meant a continued struggle to afford a home according to the Halifax. An estimated 320,000 buyers stepped on to the housing ladder in 2005, the lowest annual total since 1980. The number was down 10% on the previous year and 40% lower than in 2002, when 532,000 people became homeowners. They also estimate that it now takes the typical first time buyer five years to save a deposit.

New research from the Council of Mortgage Lenders reveals that up to half of all young first-time buyers may be getting help from their parents to fund their deposits.

In the UK, the average deposit required by first time buyers in the third quarter of 2005 was 18.9% of the purchase price which equates to £28,800. This compares with just 8.8% in the second quarter of 1997.

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: 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 / Pension: IFA Promotion's annual 'Get Saving!' study' shows that just over half of the UK adult population (24 million people) are not prepared to cut back on spending to save more for retirement, and nearly three quarters (70%) claim they cannot save a penny more than they currently do. This is despite the widely reported UK savings gap and the possibility of a rising state retirement age.

The Building Societies Association said net savings inflows in 2005 were the highest since 1997 and the second highest since 1988.

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.

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.

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.