

Debt Facts and Figures - Compiled 1st November 2008

***** Note: A new section giving some other key national statistics has been added this month *****

Total UK personal debt

Total UK personal debt at the end of September 2008 stood at **£1,457bn**. This has increased 5.4% in the last 12 months which equates to an increase of ~ £76bn.

Personal debt has forged ahead of UK GDP which, according to latest available data, currently stands at £1,410bn having increased by 5.1% over the past year.

Total secured lending on dwellings at the end of September 2008 stood at **£1,219bn**. This has increased 5.3% in the last 12 months.

Total consumer credit lending to individuals at the end of September 2008 was **£238bn**. This has increased 6.0% in the last 12 months.

Total lending in September 2008 grew by £2.4bn; secured lending grew by £2.2bn in the month; consumer credit lending grew by £0.3bn.

Average household debt in the UK is ~ **£9,740** (excluding mortgages). This figure increases to **£22,190** if the average is based on the number of households who actually have some form of unsecured loan.

Average household debt in the UK is ~ **£59,715** (including mortgages).

Average owed by every UK adult is ~ £30,440 (including mortgages).

Average outstanding mortgage for the 11.7m households who currently have mortgages now stands at ~ **£103,860**.

Britain's interest **repayments have soared to £96.4bn** in the last 12months. The average interest paid by each household on their total debt is approximately **£3,950** each year.

Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to **£4,965** per average UK adult at the end of September 2008.

During 2008 Britain's personal debt has increased by ~ **£1 million every 8 minutes**.

Other key national statistics:

At the end of September 2008 the **public sector net debt was £645.3 billion**, equivalent to 43.4% of gross domestic product and **equivalent to £20,816 per tax payer** (note: these figures exclude plans to re-capitalise certain banks announced on 13 October and Government guarantee scheme for new lending between banks). This has grown £130.8bn (£357m a day) from £514.5bn (36.2% of GDP) as at the end of September 2007.

The current Government estimate (31st March 2006) of the combined liability of the **unfunded public sector pension schemes is £650bn**. This liability is estimated to be in the order of £1,000bn today. The annual cost to the taxpayer of the unfunded schemes is projected to increase by 40% over the next twenty years, from 1.0% of GDP (£14bn) to 1.4% of GDP in 2027/8.

The UK economy will technically slide from a **downturn into recession** when it experiences two successive quarters of what is known as "negative growth" in gross domestic product GDP (GDP). The third quarter of 2008 saw the first quarter of negative growth in GDP – down 0.5% compared with the previous quarter.

The official **bank rate was reduced by 0.5% to 4.5%** on 8th October 2008. The last time it was reduced to this level was 4th August 2005.

Striking numbers

£1m every 8 min

growth in UK debt in 2008

£207m

daily increase in UK debt

£59,715

average household debt
(including mortgages)

£263m

interest paid in UK daily

121

properties repossessed daily

1 person every 5

minutes

declared bankrupt or insolvent

£91

average daily decrease in
house prices since Dec 2007

The number of **unemployed people increased by 164,000 (1,802 a day)** to 1.79m over the quarter to August 2008. This is the highest figure since January 1999.

Consumer prices index (CPI) annual **inflation rose to 5.2** per cent in September, up from 4.7 per cent, following further rises in gas and electricity bills. CPI was 1.8% in September 2007.

The FTSE stood at 4243 at close of play on October 29th 2008. This was **2,479 points lower (- 37%)** than the same time last year. Also £1 was worth \$1.6306 dollars which is **43 cents lower (- 21%)** than the same time last year.

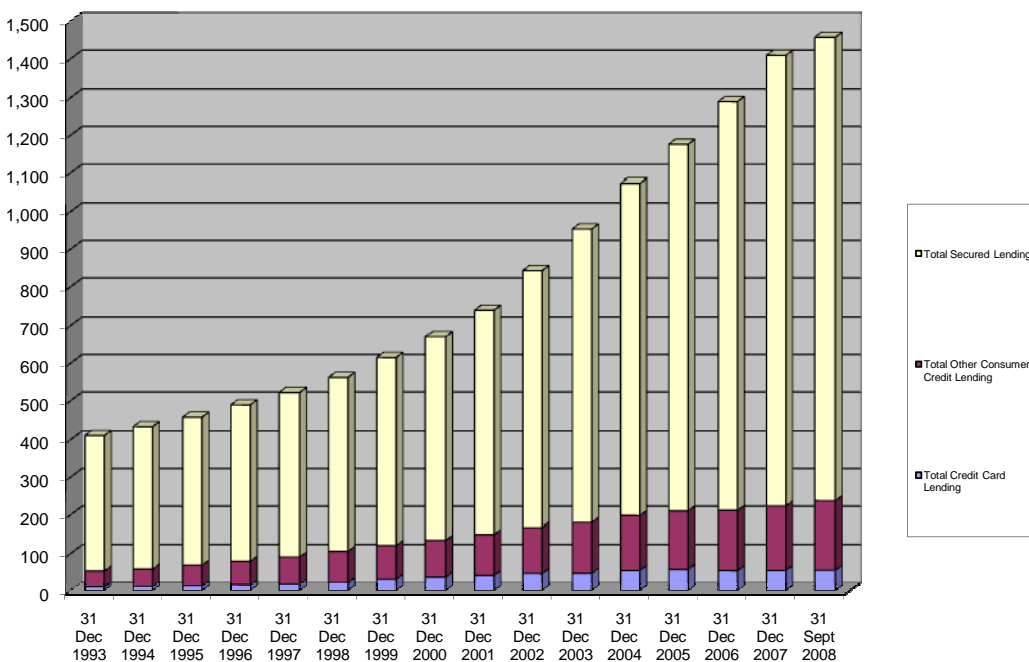
In 2001, UK bank customer lending was comparable to customer deposits. But by 2008 H1, the surplus of lending over deposits — the customer funding gap — was **£700 billion**.

The Bank of England's October Financial Stability Report states: "Pressures on the UK banking system have been arguably as severe as at any time since the beginning of the First World War." It estimates **total losses from the crisis to stand at \$2.8 trillion (£1.8 trillion)** – with \$1.58 trillion lost in the US and £122.6 billion in the UK.

Today in the UK:

- Consumers will borrow an additional £207m today
- Consumers will pay £263m in interest today
- The average household debt will increase by over £8.50 today
- Public sector net debt has grown by £357m every day during the last 12 months to end September 2008.
- **Unemployment increased by 1,802 people every day** during 3 months to end August 2008.
- 121 properties will be repossessed today
- 275 people today will be declared insolvent or bankrupt. KPMG estimate this will increase to 301 people a day by the end of 2008 which is equivalent to **1 person being declared insolvent or bankrupt every 4.8 mins.**
- 429 mortgage possession claims will be issued and 315 mortgage possession orders will be made today
- 413 landlord possession claims will be issued and 308 landlord possession orders will be made today.
- 2,370 Consumer County Court Judgements (CCJs) issued
- 27.4m plastic card transactions will be made today with a total value of £1.56bn.
- Approximately 18,000 credit card applications are being rejected every day.
- 4,000 fixed rate mortgages will come to an end today.
- Citizen Advice Bureaus dealt with **4,760 debt problems** every day during the last 12 months
- The average car will cost £16.80 to run today
- £504m will be withdrawn from cash machines today.
- 1/3rd of all groceries we buy today will end up in the dustbin.

Total UK Personal Debt £bn



Servicing Debt: The FSA said the numbers of **new property possessions** have grown significantly since Q3 last year, with 11,054 (121 a day) new cases in Q2 (after 9172 in Q1) being **71% higher than a year earlier**. They also estimate that the total number of secured loans on people's homes in **arrears at the end of Q2 were 312,000** which is 2.58% of all secured loans. This is an increase of 3% on Q1 and 16% up on a year earlier.

More than one in ten (11%) cash-strapped borrowers have missed payments on either their mortgage, credit card, or personal loan in the last six months, according to MoneyExpert.com. They estimate at least five million finance related bills have been missed with credit cards proving the greatest burden. Around 4m credit card customers have admitted missing a payment in the six months to September. The number of people missing payments on personal loans has increased considerably relative to the previous six month period. In the six months to September 1.3 million people missed a loan repayment, compared to 859,000 in the six months to January.

The number of people who have failed to pay their gas and electricity bills has soared, according to MoneyExpert.com. The amount of electricity bills that have gone unpaid in the past six months has jumped from 1.31 million to 1.96 million and approximately 1.61 million Brits missed a gas bill compared to 1.16 million in the final six months of 2007. The research shows around 12 per cent of adults – around 5.37 million people - have missed a household bill of some sort in the past six months including everything from gas and electricity to council tax, fixed and mobile phones and private or council rent.

In 2007/8 the Citizens Advice service saw 1.9 million clients with 5.54 million issues, of which 1.7 million issues related to debt (31.3% of all enquiries). Debt is the number one issue advised on in bureaux and equates to **4,760 new debt problems every day of the year**. The most recent figures for July to September 2008 (Q2 2008/9) show a 51% increase in new mortgage and secured loan enquiries and a 10% increase in fuel debts compared to the same period last year (Q2 2007/8).

Almost **two out of three people who take out a loan to consolidate their debts go on to borrow more** while still repaying that loan, according to research from the moneysupermarket.com. 44% would consider consolidating their debt again, showing it is often not a one-off solution.

More than one fifth of UK households are now struggling to keep up with their bills according to R3. Five million households are now finding keeping up with bills a constant struggle or have fallen behind with their commitments. In addition to that, nearly 15m households say their financial circumstances have got worse in the past 6 months

The number of households in fuel poverty in the UK rose to 3.5m in 2006, one million more than in 2005. Around 2.75 million of these were low income vulnerable households. Fuel poverty is defined as households who spend more than 10% of their income on fuel.

National Housing Federation research estimates that by the end of 2009 one in ten of the British population will be in households affected by energy debt.

The number of people suffering from serious debt problems is much higher than official figures suggest, a survey by R3 has found. 600,000 UK residents say they are currently repaying debts under a Debt Management Plan (DMP). A DMP is an unofficial, but formalised agreement between an individual who is in financial strife and their creditors which does not show up in the government's official quarterly insolvency statistics.

British parents are going into debt so their children don't miss out. Nearly a third (29%) go into their overdrafts and over a quarter (27%) take out a loan or use credit cards to fund children's expectations. Over half (52%) of parents work extra hours and just over a quarter (26%) take on a second job, despite having to sacrifice time with the kids.

The proportion of people spending over 30pc of their monthly income on unsecured debt re-payments has doubled over the past year to 14pc according to research commissioned by Callcredit. The same research also showed that the percentage of people using over half of their monthly income to service unsecured debts has tripled from just 2pc in September 2007 to 6pc today. Guidelines from the former DTI (now the Department for Business, Enterprise and Regulatory Reform, BERR) identify the threshold for becoming over indebted as an individual spending over 25% of their gross monthly income on unsecured repayments.

The number of people who spend more than they earn each month has risen to nearly 5.3 million according to Legal and General.

AXA research estimates that 13% of renters have gone into arrears in the past 12 months, with over half of these (7%) doing so in the past three months alone.

The Insolvency Service said that 100,361 people went into bankruptcy or entered into an Individual Voluntary Arrangement (IVA) in the 12 months ending 30 June 2008. There were 24,553 individual insolvencies in England and Wales in the second quarter of 2008 on a seasonally adjusted basis. This was a decrease of 2.0% on the previous quarter and a decrease of 8.3% on the same period a year ago.

KPMG predicts 110,000 personal insolvencies by the end of 2008 which would be equivalent to 301 people a day or **1 person becoming bankrupt or entering into an Individual Voluntary Arrangement (IVA) every 4.8 minutes.**

During the second quarter of 2008 there were 39,078 mortgage possession claims issued on a seasonally adjusted basis, **17% higher than in the second quarter of 2007.** There were also 28,658 mortgage possession orders made, **24% higher** than in the second quarter of 2007, 37,609 landlord possession claims issued and 28,042 landlord possession orders made on a seasonally adjusted basis.

According to a recent Ipsos Mori poll 17% said they will not be able to keep up with debts (e.g. credit cards); 14% said they will not be able to keep up with their mortgage payments and 18% said they will not be able to afford to buy enough food for you their family.

The number of County Court Judgments (CCJs) registered decreased in Q1 2008. Consumer judgments fell by 11 percent year-on-year to 213,181 which is equivalent to **2,369 every day.**

Plastic card / Personal Loans: According to uSwitch 7.3 million consumers use their credit card to make cash withdrawals – collectively, they take out £3.7 billion each year. They estimate that over one million people are using this money to pay their mortgage, loans and household bills and over 700,000 are withdrawing cash from one credit card to pay off another. uSwitch estimate the average APR for cash withdrawals is 29.97%.

MoneyExpert.com estimates that 5 million people have been rejected for financial products in the past 6 months, the majority of which were for credit cards or personal loans. Of these rejections, 3.27 million were for credit cards while 1.56 million were for loan applications.

According to the BBA the proportion of credit card balances bearing interest rose to 73.4% in August 2008.

Total credit card debt in September 2008 was **£55.7bn.** The UK collective credit limit on credit cards is **£158bn, which is an average credit card limit of £5,129 per person.**

The average interest rate on credit card lending is currently **17.7%**, which is 13.2% above base rate (4.5%).

According to uSwitch.com, in the past 12 months 84% of successful credit card applicants – 4.8 million – were not asked to provide any proof of income to support the figures stated in their application form.

There were 181m plastic cards in circulation in the UK at the end of 2007 according to APACS. 145m of these were debit, credit or charge cards. This works out at just under **4 plastic cards for every adult in the UK.**

An average of 317 plastic card transactions were made every second during 2007 (equal to £18,100 / second); 229 plastic card purchases were made in the UK every second during the second quarter of 2008 using debit and credit cards (equal to £11,778 /second). 95 cash withdrawals were made every second (equal to £5,838 / second) from UK's 64,500 cash machines in the second quarter of 2008.

There are **more credit cards in the UK than people** according to APACS. At the end of 2007 there were 73m credit and charge cards in the UK compared with around 60 million people in the country.

Young people - the IPOD generation: Research by Reform and Chartered Insurance Institute reveals that **50% of the 18 – 34-year olds** surveyed had debts (excluding mortgages) up to £10,000 and **20% had debts (excluding mortgages) greater than £10,000.** Nearly a third of IPODs have no savings at all.

FSA research shows that one-in-three students are constantly overdrawn; two-in-five students admit to being completely disorganised about their money; and one-in-three never check their bank statements or, if they do, they only check the final balance.

The annual survey by Push, the UK's leading independent resource for prospective students, has found that **student debt now tops £4,500 for each year of study – a hike of 9.6% since last year.** Students who started at university last year can expect to owe over £17,500 by the time they leave and new students should reckon on nearly £4,000 more than that. The national average projected debt on graduation now stands at £14,161.

The average pocket money in 2008 is £6.13 per week, versus £8.01 in 2007. Three in ten children (30%) save some of their pocket money each week.

Lloyds TSB estimates that one in four (27%) young people starting university plan to live at home with their parents in a bid to save money and that 26% are worried about managing their money during their studies and say that they would like further guidance.

According to the AXA group millions of teenagers are planning to fund their lifestyle through credit cards, overdrafts and loans. As many as 44% of 15 to 17 year olds are planning to take out a credit card when they become an adult; 18% are thinking of taking out a bank loan when they turn 18 and a further 17% expect to be overdrawn.

Pensioners / Pensions: Impartial.co.uk estimate that 1.4m homeowners aged over 55 admit to having at least 10 years left to run on their mortgage – taking them to, or even well beyond, the current state retirement age of 65.

In the past 12 months, the value of employees' defined contribution (DC) **pensions has plummeted by about £157bn**, according to Aon Consulting. Over 3.7m UK workers pay money into a DC pension every month. In October 2007, the value of DC pension assets stood at just over £552 billion, but by October 2008 the value had dropped by nearly a third (28%) to roughly £395 billion.

More than half of older people are cutting back on essentials such as heating and food, and one in 10 of the poorest pensioners have been forced into debt by the rising cost of living, according to Age Concern.

Two in five retirees who receive a lump sum spend their lump sum on clearing their mortgage or other debts.

Inflation rate facing the over 75 year olds **jumped to 7.8%** in September.

For the first time ever, there are more people of state pensionable age than under-16s.

Help the Aged estimate that 2.5 million pensioners live in poverty and 1.4 million live in deep poverty.

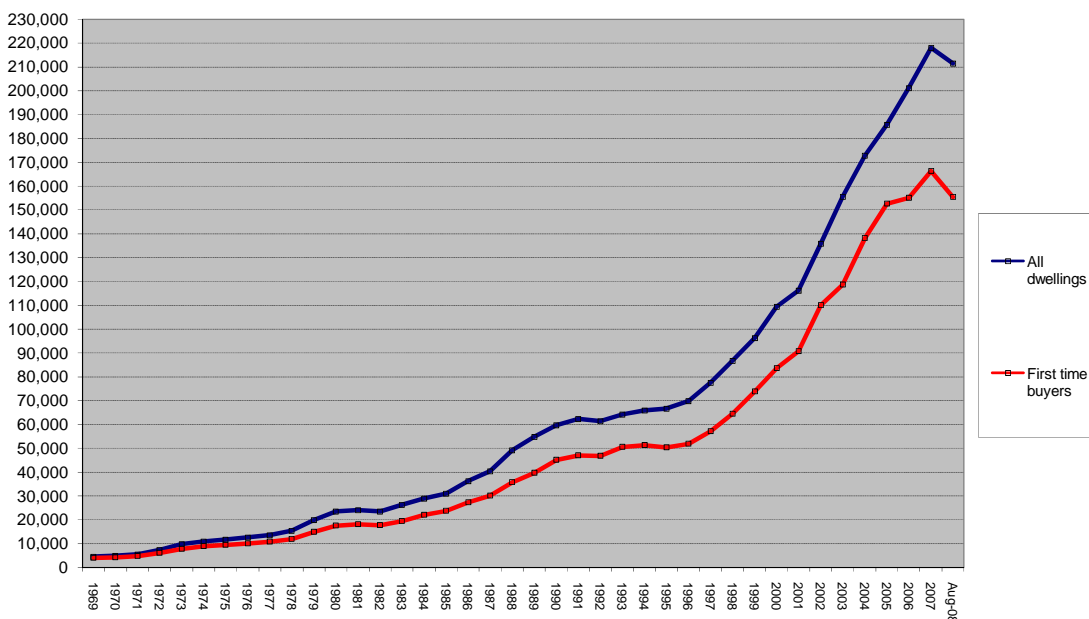
Over one in three over 55s are heading into retirement with unsecured debts of £66bn. On average, this works out at £11,106 per head. These figures are based on a report from Key Retirement Solutions based on people who released equity in their home.

Pension payments provided only modest levels of income for many pensioner households in 2006/07; 61 per cent of single pensioners had total pension income of less than £10,000 and 45 per cent of pensioner couples had less than £15,000.

In 2007, total membership of occupational pension schemes was estimated at 26.7 million (8.8m employee members, down from 9.2m in 2006; 8.5m pensions in payment, up from 8.2 million in 2006; and 9.4m preserved pension rights, the same as in 2006).

Housing: According to the Department for Communities and Local Government (DCLG) the average house price in the UK in August 2008 now stands at **£211,410** (£218,281 in England). UK annual house price inflation fell by – 3.4%. Annual house price inflation in London fell by - 3.6%.

UK Average House Prices £



The average Mortgage Interest rate is 5.81%.

The Halifax said that house prices have dropped £25,055 in the first 9 months of 2008, a fall of 12.7% which is equivalent to a fall of **£91 / day**. The UK average price has returned to the level it was at in February 2006.

The Nationwide said that house prices in the UK fell for the twelfth consecutive month in October. The price of a typical house is now 14.6% lower than at this time last year, the peak of the market. The typical house price fell by 1.4% in October. The number of completed house purchase transactions as a proportion of the total stock of mortgages is now at its lowest ever level since their series started in 1974.

In September the average time between instruction and sale rose to 14.13 weeks from 8.64 in September 2007.

The Bank of England said 33,000 new mortgages were approved in September 2008 which is **67% lower than what they were this time last year (101,000)**.

House purchase mortgage approval numbers in September were 23,422 which was **57% lower than September 2007**. The average loan approved for house purchase in September 2008 was **£128,000**, some **15.8% lower** than a year earlier.

Existing home sales across the United States (including single-family, townhomes, condominiums and co-ops) rose 1.4% year on year in September 2008 and the **average price dropped 9% year on year** to \$191,600. RealtyTrac® said foreclosure filings — default notices, auction sale notices and bank repossessions — were reported on 265,968 U.S. properties during September, a 21% increase from September 2007. The report also shows one in every 475 U.S. households received a foreclosure filing during the month.

The latest RICS Housing Market Survey shows that completed sales per surveyor (over the last three months) fell to 11.5 per surveyor, which is a new low for the survey (the series was first introduced in 1978). London continues to occupy bottom place in the activity league with an average of just 8.3 completed sales per surveyor.

Gross mortgage lending reached an estimated £17.7 billion in September, a decline of 10% from August and 42% from September last year, according to the Council of Mortgage Lenders.

35% of mortgages taken out by home movers in August 2008 were “**interest only**” mortgages compared with only 12% taken out in June 2003. 25% of these “interest only” mortgages were taken out without a repayment plan specified to repay the capital.

The downward trend in asking prices continues, with new sellers now marketing at 4.9% less than 12 months ago, the largest year-on-year fall ever recorded by Rightmove.

Citizens Advice Bureaux in England and Wales have seen mortgage arrears problems shoot up by 35% in the first two months of 2008 compared with the same period in 2007.

Housing First Time Buyers (FTB) & Buy-to-let: The average house price in the UK in August 2008 for first time buyers now stands at **£155,409** which is an annual decrease of – 4.5%.

Affordability pressures continued to squeeze first-time buyers as income multiples in August stood at **3.18 times the average first-time buyer income** according to the Council of Mortgage Lenders (CML). The average new mortgage for first time buyers has now reached **£106,754**. The average age of a first-time buyer is 29. First-time buyers typically borrowed 84% of the value of the property.

Research from price comparison website moneysupermarket.com shows five per cent more people are renting properties now than in October last year as the credit crunch continues to squeeze.

Spending: The average family car now costs £6,133 a year to keep on the road, an increase of 19% (£1000) year-on-year.

Petmeds.co.uk estimate that the cost of keeping a pet has increased by £7.6million a week in the past two years, with UK adults now spending £93.6 million a week on their animals.

According to uSwitch 8 million households (31%) found it either very or fairly difficult to pay their energy bills before the second wave of price rises hit at the end of July. They also estimate that **10 million households (39%)** claim they cannot afford the extra payments needed to meet the latest increases.

The average wedding costs £20,273. It costs an average of £386 to attend a wedding.

Research by WRAP (Waste & Resources Action Programme) has revealed that households in the UK **throw away around a third of all of the food we buy.**

Money Education / Financial Literacy: A high number of people **regularly fail to budget effectively** each month resulting in 64% of people running out of cash on average 5 days before their next pay cheque.

Research from Nationwide Building Society reveals that 75% of people in the UK don't understand the monetary value a 1% difference in mortgage rates can make.

National Consumer Council research reveals more than 27m people in England and Wales do not have a will.

It seems that money is fast becoming the nation's most uncomfortable topic. Research from Scottish Widows shows that we'd rather talk about sex and health than money.

One in three adults – or around 12.4 million people – refuse to plan their finances at all, and those that do find the time to review them set aside a miserly **five minutes a week.** On average we **watch 3 hours and 38 minutes TV every day!**

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.

Savings: The number of people who are regularly saving money each month has fallen to below half of the population (47%), compared with 58% in autumn 2006..

The Yorkshire Building Society have estimated that the average Briton's savings would only last 52 days if they were unable to work and that **36% of Britons would only last 11 days.**

The savings ratio, which measures how much households put away for a rainy day, more than halved in the first quarter of 2008 to **1.1% which is the lowest level for 60 years.** This weakening reflects a fall of 1% in real household disposable income.

The old adage of having "rainy day savings" appears to be a thing of the past, with one in six people (16%) having to rely on credit to fund basic household breakdowns. **45% say they could afford no more than £500** if an emergency arose and 20% said they could afford no more than £100, according to research from Alliance & Leicester.

Compiled monthly by Richard Talbot. richardtalbot@creditaction.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 <http://www.creditaction.org.uk/debt-statistics.html> Note: new / changed statistics are at the start of each section.

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