



Debt Fact and Figures - Compiled 10th May 2005

Total UK personal debt broke through the £1 trillion (£1,000,000,000,000) barrier in July 2004 and is likely to break through the £1.1 trillion barrier in June 2005.

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

At the end of March 2005 the total UK personal debt was £1,081bn. The growth rate remains strong at 12% 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 March 2005 was £894.6bn.

Total consumer credit lending to individuals in March 2005 was £186.4bn.

Total lending in March 2005 grew by £8.9bn. Secured lending grew by £7.0bn in the month and consumer credit lending grew by £1.9bn in the month.

Average household debt in the UK is approximately £7,608 (excluding mortgages) and £44,122 including mortgages.

Average owed by every man, woman and child in the UK is approximately £18,152 (including mortgages).

Research by Datamonitor reveals that consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to £4,004 per average UK adult at the end of 2004 (£1,302 on credit cards, £1,892 on unsecured personal loans and £812 on overdrafts and motor and retail finance deals). This figure translates into a 10% increase on the previous year's levels and a 45% increase since 2000.

According to the Bank of England the total borrowing growth in 2004 raised households' debt to 140% of aggregate income. This is above the levels in the United States and most large European countries

Plastic card: Total credit card debt in March 2005 was £55.05bn.

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 165.9m in 2004.

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.

264 plastic transactions took place every second in the UK in 2004.

According to the BBA the proportion of credit card balances bearing interest was 74.5% in February 2005.

More than one in ten consumers have problems meeting their credit card debt repayments.

Nearly half the people who take out credit in shops, hadn't planned to do so when they left home.

Servicing Debt: 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 volume of retail sales fell again in the year to April, the most significant year-on-year fall since July 1992, according to the CBI's monthly Distributive Trades Survey.

The main reason for taking out a personal loan over the next 12 months is expected to be for debt consolidation according to Sainsbury's Bank. The bank expects 30 per cent of personal loans taken out in 2005 will be for this purpose, totalling £11.9 billion. Approximately £9.92 billion is expected to be borrowed to pay for cars and £6.35 billion, around 16% for home improvements.

This year, as households have continued to pile up debt, HSBC estimates interest rates need only rise to 7-7.5% for the debt servicing burden to spiral out of control. "More worryingly, only 5.5% rates, slightly above neutral [forecasts], would take the debt burden back to the highest since 1991" it warns. And that was the era in which thousands upon thousands of homeowners were tumbling into arrears and when repossessions were soaring to a record.

Three million people living on basic benefits face a bleak year in which they will fall further behind the rest of the population as the gulf in incomes between those in and out of work widens, Citizens Advice forecast in April. Working age adults who are receiving Income Support or Jobseekers Allowance will be expected to live on only £56.20 a week (£88.15 a week for a couple) after their rent has been paid. This has to cover food and drink, heating and water, clothing, general household costs, transport, telephone, TV and other entertainment.

The findings of an independent commission, chaired by former Downing Street policy chief Lord Griffiths of Fforestfach, include the warning that any major external shock - such as an oil price explosion - would create serious economic and social problems for the 15 million people in the UK who struggle with debt repayments.

The number of people contacting the Consumer Credit Counselling Service (CCCS) for help continued to rise during January 2005 as consumers took stock of their borrowings in the face of rising interest rates. CCCS said it had seen a 12% rise in the number of people contacting it compared with January 2004.

Information gathered by the Consumer Credit Counselling Service and Age Concern shows that, excluding mortgages, those in their 50s owe an average of 1.69 times their net annual income, compared to 1.19 for the under-50s. The rate of growth of this debt has been faster among those in their 50s in the past five years - 20 per cent, compared with 4 per cent for the under 50s.

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: 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.

Students worry more about money than they do about their studies. Twice as many undergraduates (59%) cite their finances as being their main worry, followed by their studies (29%) and having a good lifestyle and social life (12%), a survey of almost 1,000 students carried out by the Post Office found.

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 February 2005 stood at £179,491 (£189,289 in England). UK annual house price inflation was 10.5 %. Annual house price inflation in London was 7.1%.

Owner occupation has risen from 57% of households in 1981 to 71% in 2004 according to a survey by the Office of Deputy Prime Minister. In 2004, the most common type of household was couples with no dependent children (35 per cent of all households). One person households formed the second largest household type (29 per cent). Twenty-nine per cent of households contained dependent children, of which 22 per cent were couples and 7 per cent lone parents.

Housing data has been mixed this month:

- House prices were unchanged in April according to the Halifax house survey. Overall, there has been no movement in UK house prices since January. The annual rate of house price inflation has declined to 7.8% in April. This is very close to the historical long-term average of 8%. The value of households' net housing equity at the end of 2004 stood at £2,429bn
- The number of loans approved for house purchase increased for the second successive month in March, to 91,000 from 86,000 in February (seasonally adjusted), according to the latest Bank of England figures. This was the highest level since last August, providing further evidence that activity is stabilising although the number of loans was still 26% lower than a year ago.
- The house price to earnings ratio has dropped from a peak of 5.63 in September 2004 to 5.48 in February, according to the latest data. This will make it a little easier for first-time buyers to enter the market.
- New research published in April by independent market analyst Datamonitor reveals that mortgage lending in the UK will decline 10% over the next three years as the housing market and house price growth stalls.
- Rightmove said asking prices surged by 1.3% but that the growing mismatch between sellers pricing aspirations and buyers willingness to pay may lead to stagnation of the housing market. Time on the market falls from 82 days to 73 days - still 29% higher than last year.
- Nationwide said that house prices increased 0.9% in April but that the overall trend in the market remains broadly flat.

Consumers' appetite for borrowing against the value of their home to fund lifestyle purchases such as holidays and cars has declined, according to figures released at the end of March by the Bank of England. Mortgage equity withdrawal - borrowing against a property that is not reinvested in the housing market - fell to £6.9bn in the last three months of 2004, down from £11.3bn the previous quarter and £16.8bn a year earlier.

The average loan approval for house purchase was £121,600.

One in seven people entering retirement now do so with mortgage debt still outstanding, according to the equity release advisers Key Retirement Solutions.

Housing 1st Time Buyers: The average house price in the UK in February 2005 for first time buyers stood at £145,887 which is an annual increase of 15.4%.

The Council of Mortgage Lenders (CML) estimate in March 2005 that the first time buyers average new loan is 89% of the value of the property and that they borrow 3.14 times their income (based on income figure provided by buyers in their mortgage application and may reflect one or more incomes).

According to a report issued in January 2005 by the Halifax First Time Buyers (FTBs) accounted for less than three in ten of all new mortgages in 2004. This was well below the longer-term average of almost one in two. FTBs put down an average deposit of £26,455 in 2004 and the average age of someone buying his or her first home has risen to 34.

High Street Spending: An average Briton will spend £1,537,380 during his or her lifetime, a survey from insurer Prudential suggests. Housing, food and clothes are the biggest expenses, costing £552,772 on average during a lifetime. The next biggest outgoing is tax, with the average person paying £286,311 in income and council taxes. Leisure and going out cost £236,312 on average.

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.

The cost of running a car is now more than the average mortgage. Motorists spend an average £438 a month to keep a car on the road - £21 more than goes on bricks and mortar.

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.

The need for consumers to be able to make sound long-term financial plans is ever more important. Pension provision is one of a number of areas where consumers are being required to take increasing responsibility for their financial affairs. We see more evidence of a 'savings gap' – with consumers' expectations for retirement and their saving and borrowing behaviour being out of line. Good consumer understanding is needed for consumers to be able to make appropriate plans for the longer term, and meet the increasing requirements placed upon them. Consumers also need to have confidence in choosing from the range of products available (FSA Financial Risk Outlook 2005)

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 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.

The Building Societies association said savings inflows were disappointing in March 2005, with the seasonally adjusted figure the lowest for over a year. The actual figure is likely to pick up in April as savers top-up their ISA accounts

Research by National Savings and Investments (NS&I) found that almost two-thirds of people (64 per cent) interviewed in January 2005 do not take inflation into account when looking to save, even though inflation is running at 3.5 per cent as measured by the Retail Prices Index (RPI).

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.

British people save half the amount that other Europeans do, and are more likely to spend than save spare money, according to research by the friendly society Liverpool Victoria. British households have an average income of £28,927 and save on average £132 a month; just 5.5% of their income.

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 www.creditaction.org.uk/debtstats.htm. Note: new / changed statistics are at the start of each section.*