

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

### Total UK personal debt

At the end of June 2006 the total UK personal debt was **£1,228bn**. 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 passed **£1 trillion** (£1,000 billion) in May 2006. In June 2006 it was **£1015.9bn**. This has increased 11.0% in the last 12 months.

Total consumer credit lending to individuals in June 2006 was **£211.6bn**. This has increased 7.3% in the last 12 months.

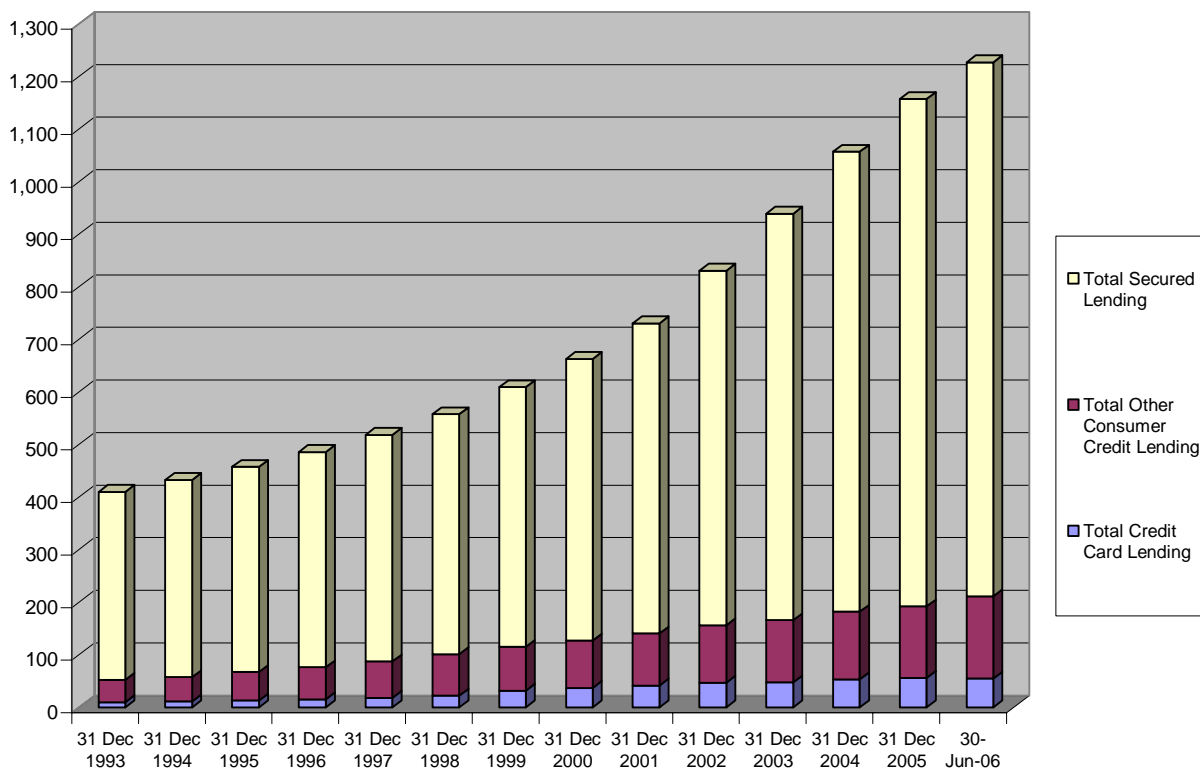
Total lending in June 2006 grew by £9.8bn. Secured lending grew by £9.0bn in the month. Consumer credit lending grew by £0.8bn. There was hardly any growth in credit card lending in June most of the increase was in other loans and advances.

Average household debt in the UK is approximately £8,569 (excluding mortgages) and £49,696 including mortgages. Average owed by every UK adult is approximately £26,334 (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 £4,540 per average UK adult at the end of June 2006.

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 June 2006 was £54.8bn.

According to the BBA the proportion of credit card balances bearing interest was 74.6% in May 2006.

The average interest rate on credit card lending is currently 15.72 %, around 11 percentage points above base rate.

Plastic cards in issue were 190m in 2005. 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 2005 there were 74.6m 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.

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.

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 it for help has risen by 257% in the past three years.

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.

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

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.

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

**Young people (under 30):** The average UK weekly pocket money for 7 – 16 year olds is £8.20 (£9.76 for 12 to 16 year olds, compared to £6.30 for seven to 11 year olds).

Four out of every five women aged between 21 and 25 spend more than their wages every month.

The NUS has raised concerns that students appear to be unaware of the extra debt that top-up fees will create, after research has suggested potential students are massively underestimating the level of debt they will build up whilst at university. The research shows that the average sixth former expects to leave university with just over £6000 worth of debt, despite the fact that this year's finalists are estimated to be graduating with debts of around £13,500 - and that is before top-up fees of up to £3000 are introduced this September.

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

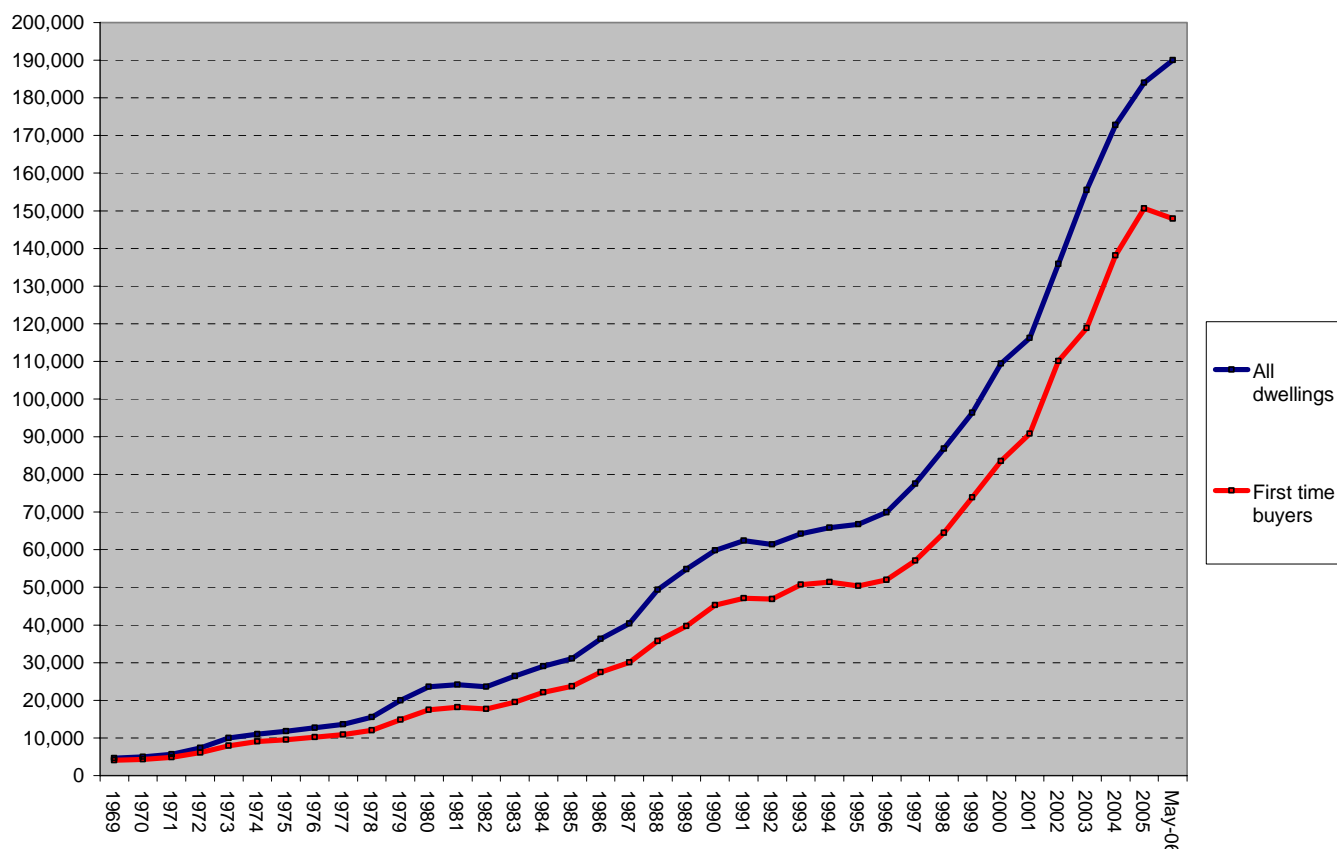
**Pensioners / Pensions:** 1.4 million pensioners (14% of the UK's pensioner population) live on an income of £5,000 or less each year. After council tax, water and electricity bills, this leaves only £3,092 per annum – which is equivalent to £59.46 each week or £8.49 a day. More than 38 per cent (3.6 million people) get by on £10,000 or less, and over half of the British pensioner population live on £15,000 or less each year.

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.

**Housing:** According to the Department for Communities and Local Government (DCLG) the average house price in the UK in May 2006 stood at £190,051 (£198,400 in England). UK annual house price inflation rose by 5.6%. Annual house price inflation in London was 7.1%.

## UK Average House Prices £



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

According to the Nationwide house price growth picked up to 0.8% in July. Annual house price growth is now 5.9%, more than double the rate of growth seen this time last year.

The Council of Mortgage Lenders has revised up its forecasts for housing market activity for 2006 and 2007. The CML now expects house prices to end the year 7% higher than at the start, compared with a 2% forecast back in February. Next year, the forecast for house price inflation has been raised from 2% to 3%.

Gross mortgage lending hit a new record level in June, reaching £32.2 billion, according to the Council of Mortgage Lenders (CML).

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 £137,700, only 5% higher than a year earlier.

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,

**Housing 1<sup>st</sup> Time Buyers:** The average house price in the UK in May 2006 for first time buyers now stands at £147,868 which is an annual increase of 5.9%.

Many UK homeowners are waiting until their mid-thirties or older to get on the property ladder, according to NatWest Mortgage Services. One third of first time buyers in the last two years waited until after their 35th birthday to buy their first home and what's more a fifth waited until after they were 40.

According to the National Association of Estate Agencies (NAEA) first time buyers accounted for 11.9% of properties purchased in June.

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:** For the first time more than half of all adults made an online purchase during 2005 - 25 million or 52 per cent of all adults.

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:** A major report published by Scottish Widows, reveals a dramatic deterioration over the last 12 months in the number of people saving adequately for retirement. The percentage of the population saving adequately for retirement falls from 55% in 2005 to 46% in 2006. The percentage of people who do not know where their main income in retirement will come from has almost doubled, and is now nearly a quarter of the population (23%)

Over 30 million UK adults (70% of the UK adult population) claim they are not in a position to increase the amount they save each month. And it seems that this is down to poor budgeting priorities rather than affordability. Faced with the prospect of a 25% increase in household income, UK adults would much rather spend the additional money on life's frivolities than save for their financial futures.

Halifax research shows that the UK saving ratio hit a four year high of 6.0% in Q1 2006. The household saving ratio measures the proportion of gross disposable income that households save rather than spend. The savings ratio has varied from a high of 14.1% in 1979 to a low of 3.1% in mid 2004 with a 7.8% average for the last 43 years.

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.

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