

## Debt Facts and Figures - Compiled 4<sup>th</sup> January 2007

### Total UK personal debt

Total UK personal debt has exceeded **£1 ¼ trillion** and at the end of November 2006 it stood at **£1,278bn**. The growth rate increased to 10.4% for the previous 12 months which equates to an increase of ~ £111bn.

Total secured lending on homes has exceeded **£1 trillion** (£1,000 billion) and at the end of November 2006 it stood at **£1065.9bn**. This has increased 11.4% in the last 12 months.

Total consumer credit lending to individuals in November 2006 was **£212.1bn**. This has increased 6.2% in the last 12 months.

Total lending in November 2006 grew by £10.9bn. Secured lending grew by £9.8bn in the month. Consumer credit lending grew by £1.0bn.

Average household debt in the UK is ~ **£8,765** (excluding mortgages) and **£52,811** including mortgages.

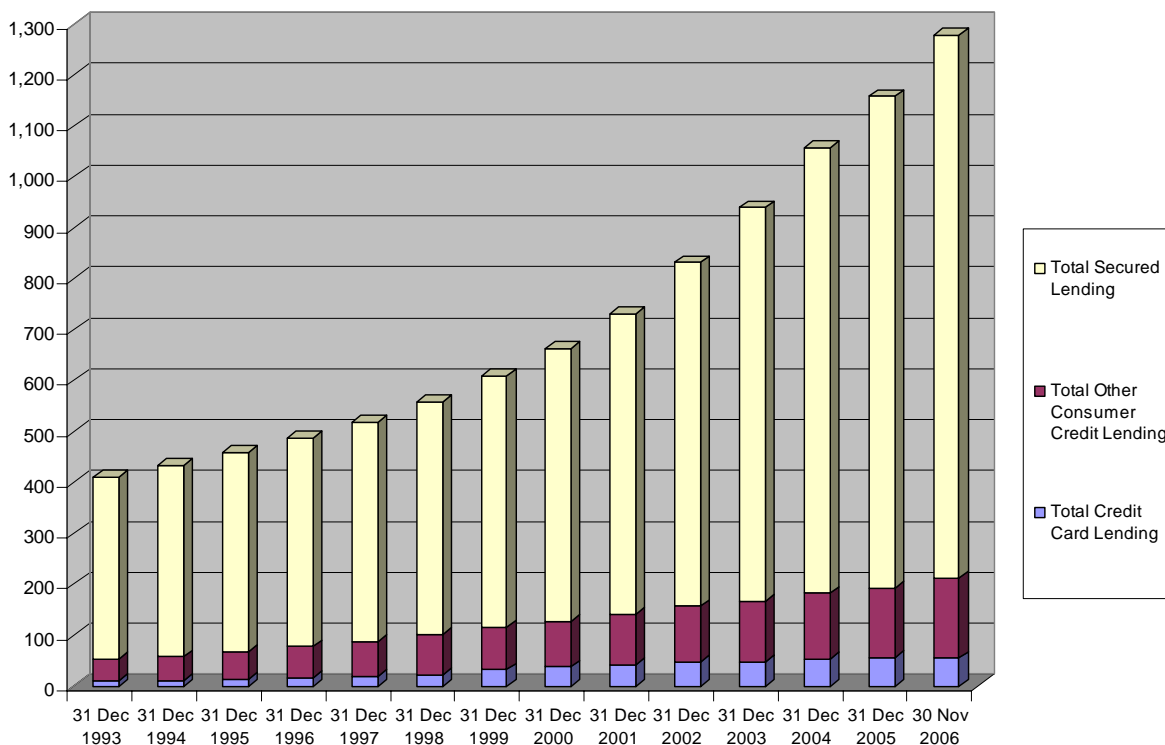
Average owed by every UK adult is ~ £27,180 (including mortgages). This grew by ~ £210 last month.

Average interest paid by each household on their total debt is approximately **£3,327** each year.

Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to **£4,511** per average UK adult at the end of November 2006.

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

Total UK Personal Debt £bn



**Christmas / New Year Season (Special Report):** Total UK spending on cards, cash and cheques is predicted to reach £51.6 billion during December 2006. Festive spending on plastic is set to reach £31.8 billion (which is an 11.6% increase on December 2005). **This equates to an average spend on plastic cards in December 2006 of £1,287 per household** (£462 on credit cards and £825 on debit cards).

According to research by Cornhill Direct a third of people go into debt every Christmas in a bid to make it the best year ever. A fifth of people say they are often still trying to break even by the following March and one in 10 are still in debt by the next Christmas.

Research from Alliance & Leicester Personal Loans has revealed that a staggering 23% of people have used store cards to help pay towards their Christmas spending. Of these **over half** use store cards simply because they were **offered them at the point of purchase**. This is despite some eye-watering interest rates which can easily make the effects of those festive purchases last much longer than the Christmas hangover.

Grant Thornton estimates that there will be 30,000 personal insolvencies in the first three months of 2007, of which 10,000 will be as a result of excessive Christmas Spending.

Christmas is the most significant event in the UK's retail calendar with many outlets making up to **60%** of their annual turnover between November and January.

This year in the 10 weeks to Christmas some 25 million people are expected to spend £7bn online - **£4m every hour** day and night. UK internet retail sales reached £3 billion in a month for the first time in November

During the festive season we plan to spend **£863 overall** on presents, wrapping paper, cards, decorations, going out, food and drink. This includes £378 on presents, £163 on food and drink. The rest is spent on wrapping paper, cards and postage (£53); Christmas tree and decorations (£64); socialising (£121) and travel (£84).

According to Experian three in four Britons admit to worrying about financial pressures during the festive season. The festive season is turning into 'Stressmas' as 20% of us are still paying off our Christmas up to six months later.

Whilst the celebrations and partying may be over in a few weeks a report from Virgin Credit Card found Brits take an average of three months to pay off the £13 billion festive celebrations bill they rack up each year, meaning the **12 days of Christmas in reality lasts 12 weeks**.

Between September and November each year lenders send out at least **100m unsolicited**, but pre-approved credit card application forms. New cards achieve "top of the wallet" status: they are the most used cards and the most lucrative for lenders.

According to the British Retail Consortium the average family accumulates 18% of their annual borrowing in December by spending twice as much than in any other month of the year

Record numbers of people called debt advisory services in January 2006 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 the year - up almost 14% on the same period in 2005. National Debtline also reported huge demand, receiving almost 13,000 calls between January 3 and lunchtime on Friday.

**Servicing Debt:** A recent Bank of England survey estimated that nearly 6 million people felt they are currently struggling with their finances. A polling exercise for the Conservative "state of the nation report" suggests that the actual figure for the number of adults who claim to have had a serious debt problem is between 7 and 9 million.

The number of households struggling to repay their mortgage debt has risen to 7.7% according to the Bank of England.

Citizens Advice has dealt with **1.4million** debt problems in the past year – 11 % up on the previous 12 months and double the figure just eight years ago. This equates to ~ **5,300 people a day** seeking advice on debt problems.

**One person is falling victim to insolvency every minute of every working day.** There were **27,644 individual insolvencies** in England and Wales in the third quarter of 2006. This was an increase of 5.7% on the previous quarter and an **increase of 55.4%** on the same period a year ago. Individual Voluntary Arrangements (IVAs) grew the fastest and increase 118% / annum. The number of people becoming insolvent in 2006 is likely to exceed 110,000 which is larger than the population of Exeter. **The estimate for 2007 has risen to 150,000.**

According to uSwitch in the last 12 months almost **eight out of ten borrowers** were issued loans without the lender carrying out any checks to verify that they could afford to repay the debt and almost 1.6 million loans have been approved without properly verifying people's incomes. 763,000 loans were issued for debt consolidation purposes and yet 91% of these borrowers were not asked to prove that other forms of credit had been closed with the proceeds of the consolidation loan

Ofgem estimate that there are **4 million households** in fuel poverty as a result of the recent gas and electricity price rises. Fuel poverty is defined as where a household needs to spend more than 10% of its income on energy to maintain a satisfactory warm home.

**1.4 million** adults in over £10k of unsecured debt, report that they are 'quite likely', 'likely' or 'certain' to declare themselves bankrupt or take out an IVA. This is equivalent to the population of Birmingham plus Bristol.

During the third quarter of 2006, **34,626 mortgage possession** actions were initiated by banks and other lenders. This is a **15%** increase over the third quarter of 2005.

15,000 people have failed to pay off a penny of their mortgage for at least 12 months.

**8.3 million letters** were sent last year to household water customers warning that they could face legal action because of the non-payment of bills. This is an increase of 43 per cent compared to the previous year. Unpaid water bills more than a year old totalled £490m. Bills left unpaid for less than a year hit £446m.

A recent survey shows that some 770,000 people throughout Great Britain, with a mortgage have missed one or more mortgage payments in the last 12 months. The survey showed that younger people are more likely to have missed a mortgage payment, with 13% of 21-24 year-olds surveyed said they had missed one or more mortgage payments last year. This suggests that some people who are new to homeownership may be getting straight into difficulties.

The number of people hit with a County Court Judgement (CCJ) - ordering repayment of outstanding debts - has leapt by 18per cent. 165,000 people had CCJs imposed on them between April and June of this year, which is up by 25,050 on the same period in 2005. Lenders were aiming to recover around £½billion of bad debts through CCJs last quarter.

A recent report from Datamonitor reveals that the UK is responsible for a third of all unsecured debt in Western Europe and that the average UK consumer owes over twice as much as the average western European owes.

Over **two million households** are estimated to be **struggling to pay council tax** according to a recent report for the Joseph Rowntree Foundation.

Citizens Advice Bureau (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.

Three quarters (74%) of British couples find money the hardest subject to talk about with their partners according to 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.

**Plastic card / Personal Loans:** The combined value of transactions made on charge, credit, debit and store cards was £470 billion in 2005. It is estimated that this will reach £639 billion in 2010.

Total credit card debt in November 2006 was **£54.9bn**.

According to the BBA the proportion of credit card balances bearing interest was 75.1% in October 2006.

The average interest rate on credit card lending is currently **17.02%**, around 12% above base rate.

3.4 million credit cardholders in the UK regularly make only the minimum repayment on their credit card. 11% of those with a credit card only ever make the minimum repayment – increasing to 18% for the 25-34 age group.

It has been estimated that in 2005 banks & finance companies sent 1.26bn items of junk mail such as credit card offers and invitations for loans. This equates to approximately 27 enticements to take on new credit per adult.

Credit card arrears rose consistently throughout 2005. The proportion of balances more than three months in arrears increased to 8.5%.

Plastic cards in issue were 183m in 2005. This works out at 4 plastic cards for every adult in the UK.

282 plastic transactions took place every second in the UK in 2005. There were 86 withdrawals made every second (equal to £5,455 / second) from UK's 58,000 cash machines in 2005.

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 60 million people in the country.

**Young people (under 30):** Nearly half (44%) of young Britons aged 16 to 24 say their friends put pressure on them to keep spending even when they have run out of money.

Graduates leaving university this year had **average debts of £13,252**, a 5% increase on 2005, according to a survey by NatWest bank. 62% of graduates leave university with debts of over £10,000.

Recent research shows that budgeting is the last thing on many students' minds as the vast majority (80%) of 16-24 year olds admit they don't keep track of their finances. Also, despite the likelihood of being on a tight budget, 1 in 5 doesn't know within £100 what their financial state might be.

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:** 26% people over 65 said that they were finding paying Council Tax difficult and they had to cut-back on basics, borrowed or gone into debt; or found they had no money left at the end of the month once they had paid their bill.

More of us are saving for a holiday (49%) than for our retirement (46%) whilst just 28% of us are satisfied with our current savings for retirement.

In 2004/05, 39 per cent of the 35.4 million working age population were members of a private pension scheme (occupational or personal), down from 40 per cent in 2003/04.

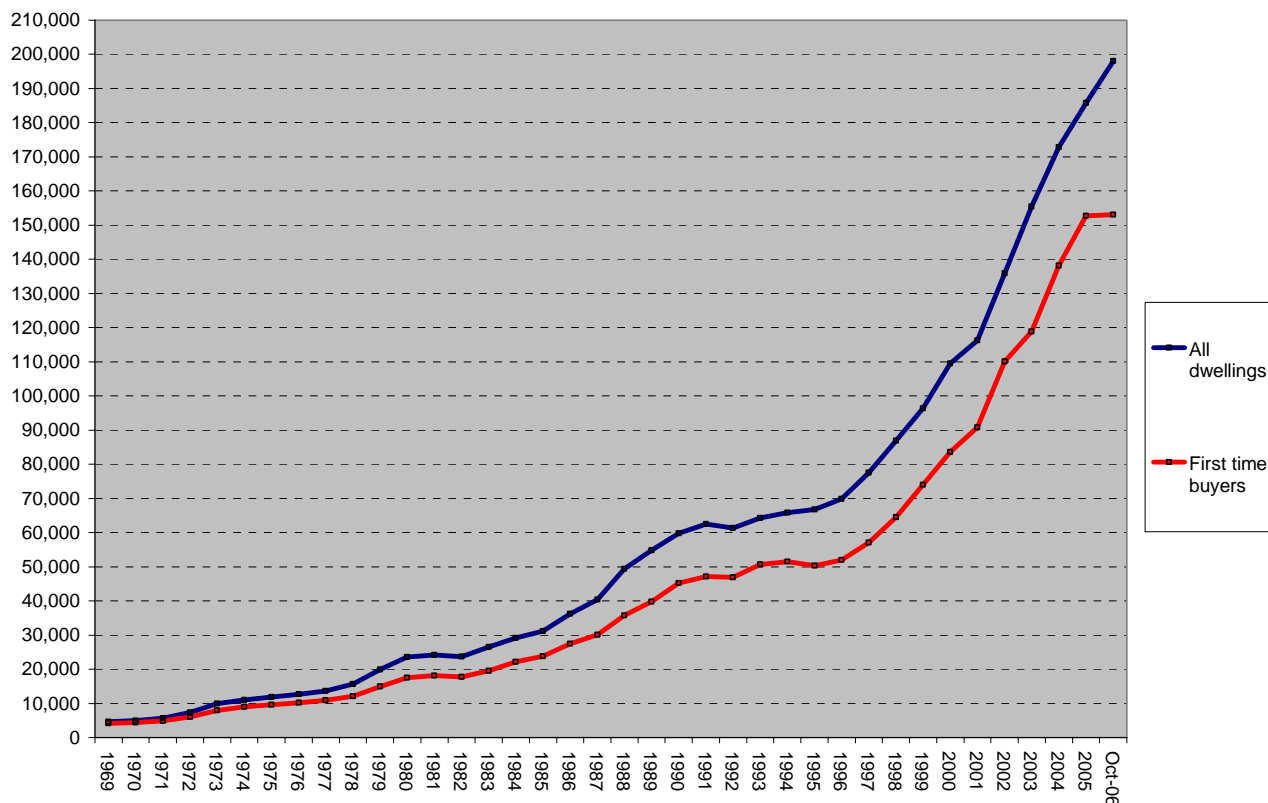
1.4 million pensioners (14% of the UK's pensioner population) live on an income of £5,000 or less each year. After council tax, water and electricity bills, this leaves only £3,092 per annum – which is equivalent to £59.46 each week or £8.49 a day. More than 38 per cent (3.6 million people) get by on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

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.

**Housing:** According to the Department for Communities and Local Government (DCLG) the average house price in the UK in October 2006 stood at **£197,987** (£205,688 in England). UK annual house price inflation rose by 8.6%. Annual house price inflation in London rose by 10.6%.

**The price of a typical house increased by the equivalent of £45 per day in 2006** - three and a half times faster than the £12.50 per day in 2005

## UK Average House Prices £



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

The Bank of England raised the cost of borrowing in November 2006 by 0.25 percentage points to 5 per cent, the highest level since August 2001.

The average Mortgage Interest rate at the end of November 2006 was 5.42%.

The Council of Mortgage Lenders (CML) expects prices to rise by 7% in 2007 and 5% in 2008. However, rising prices will stretch affordability even further, so the CML expects property transactions to fall. HBOS estimate 4% growth in 2007 and also predict that there will not be any towns with an average price below £100,000 at the end of 2007. Nationwide predict house prices will remain firm in 2007, rising between 5-8% during the year

Banks and building societies will hand out **£1 billion every day** next year in the biggest-ever home loan bonanza in Britain. The Council of Mortgage Lenders said 2007 will be a record year with an extraordinary £360 billion borrowed in mortgages.

According to the Nationwide house prices increased 1.2% in December, bringing the annual rate of increase to **10.5%**.

The average loan approval for house purchases in November increased to **£146,900** - 12% higher than a year earlier.

Gross lending hit an **all time record of £33.1 billion** in November according to the latest data from the Council of Mortgage Lenders. Lending was 19% higher than the £27.7 billion of lending in November last year.

A range of new Mortgages became available recently at five times income; or 125% of the value of the house; or with a repayment term of over 50 years.

Recent research found that 40 per cent of those who bought a house in the last 12 months entered into a mortgage that has a **term of over 25 years**.

**32% of mortgages** taken out by home movers in October 2006 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.

Approximately 280,000 mortgages are one month or more in arrears. This represents an increase of 4% from the same period one year ago.

**Housing 1<sup>st</sup> Time Buyers:** The average house price in the UK in October 2006 for first time buyers now stands at **£153,083** which is an annual increase of 8.5%.

First-time buyer income multiples in October were **3.27 times** the average income, according to the Council of Mortgage Lenders (CML). The average new mortgage for first time buyers has now reached **£111,465**. The average age of a first-time buyer is 29.

According to the National Association of Estate Agencies (NAEA) first time buyers accounted for 13.4% of properties purchased in November.

Research by unbiased.co.uk has revealed that almost **four million parents** (38%) across Britain have either stumped up cash to help their children with a property purchase or intend to do so in the future. A quarter (25%) of these parents are contributing between £1,000 and £6,000, however 13% provide at least £20,000 in financial support. Furthermore, more than three quarters (76%) don't expect the money 'lent' to be repaid.

Housing costs have risen sharply for first-time buyers: their average mortgage costs are now a third of average earnings. As a consequence a third of all working households under 40 cannot afford to buy even at the low end of local housing markets.

**Spending:** Norwich Union's "Cost of Divorce" survey reveals that couples now spend an average of £28,000 when a marriage ends - twice the amount spent in 2003.

The annual UK spend on household gadgets that are rarely-if ever- used has now topped £1.75 billion.

The **average car** now costs **£5,539** a year to run, equivalent to **£15** a day.

The cost of bringing up a child from birth to their 21st birthday has jumped to £180,137 (**£23.50 per day**). In the last year alone, the cost of raising offspring has risen by 9%, according to research from Liverpool Victoria.

Britons now spend more on eating out in restaurants, pubs and on takeaway meals than on buying fresh and processed food and drink products to have at home.

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:** Recent research estimates that **50% of people don't have a will**.

Nearly half of UK households are dependent on more than one salary but only one in four believe they are adequately protected should they lose the main income from their household.

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.

**Savings:** Research from Alliance & Leicester shows that nearly **one in three of us failed to save a penny during 2006**. A fifth (19%) admitted to not saving as much as planned during the past 12 months. More than 8 out of 10 (82%) say they have earmarked 2007 as the year to sort out their savings

For the first time, the amount of savings held by households in deposit accounts is expected to exceed £1 trillion in 2007.

**Over half of Brits have less than two months' salary tucked away in savings.** 27% of people have no savings at all and a further one in four (25%) have less than £3,000 tucked away for a rainy day.

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.

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.*