

## Debt Facts and Figures - Compiled 1<sup>st</sup> September 2008

### Total UK personal debt

Total UK personal debt at the end of July 2008 stood at **£1,449bn**. This has increased 6.9% in the last 12 months which equates to an increase of ~ £93bn.

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 July 2008 stood at **£1,218bn**. This has increased 6.9% in the last 12 months.

Total consumer credit lending to individuals at the end of July 2008 was **£231bn**. This has increased 6.8% in the last 12 months and **£10.1bn in the first 7 months of 2008**.

Total lending in July 2008 grew by £4.3bn. Secured lending grew by £3.2bn in the month. Consumer credit lending grew by £1.1bn.

Average household debt in the UK is ~ **£9,475** (excluding mortgages). This figure increases to **£21,590** 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 ~ **£59,375** (including mortgages).

Average owed by every UK adult is ~ £30,270 (including mortgages).

Average outstanding mortgage for the 11.7m households who currently have mortgages now stands at ~ **£103,705**.

Britain's interest **repayments have soared to £95.0bn** in the last 12 months. The average interest paid by each household on their total debt is approximately **£3,900** each year.

Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to **£4,830** per average UK adult at the end of July 2008.

During 2008 Britain's personal debt has increased by ~ **£1 million every 7.3 minutes**.

### Today in the UK:

- Consumers will borrow an additional £254m today
- Consumers will pay £260m in interest today
- The average household debt will increase by over £10.40 today
- 104 properties will be repossessed today. The Council of Mortgage lenders (CML) estimates this will increase to **123 a day** during 2008.
- 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.
- Unemployment increased by 660 people every day during the last 3 months.
- 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 will deal with **6,600 debt problems** today
- The average car will cost £15.42 to run today
- £504m will be withdrawn from cash machines today.
- 1/3<sup>rd</sup> of all groceries we buy today will end up in the dustbin.

#### Striking numbers

**£1m every 7.3 min**

growth in UK debt in 2008

**£254m**

daily increase in UK debt

**£59,375**

average household debt  
(including mortgages)

**£260m**

interest paid in UK daily

**104**

properties repossessed daily

**1 person every 5**

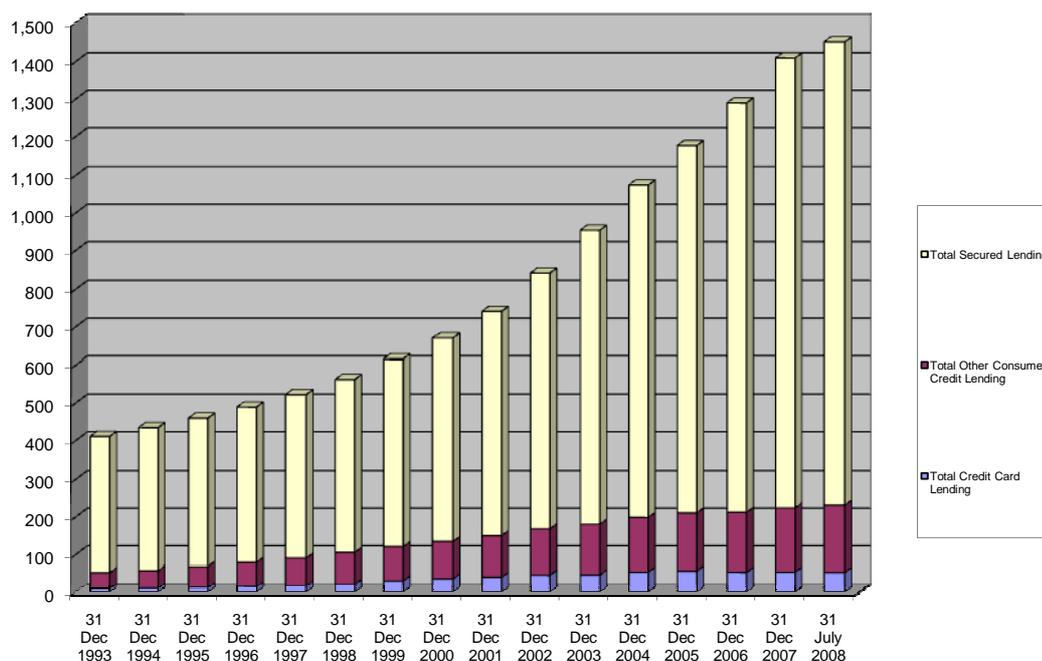
**minutes**

declared bankrupt or insolvent

**£93**

average daily **decrease** in  
house prices since Dec 2007

Total UK Personal Debt £bn



**Servicing Debt:** The consumer price index, which measures living costs other than housing, has doubled from 2.2% in January 2008 to 4.4% in July 2008. The driving factors have been the rising cost of transport costs, mainly due to the price of fuels and lubricants; housing and household services due to gas and electricity; food and non-alcoholic beverages. The Bank of England expects the inflation rate to rise above 5% in the coming months.

**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.

uSwitch estimates that for the first time since 1997, British households actually have less money left in their pockets after tax, national insurance and essential bills have been accounted for. Despite average pay packets seeing a slight increase, this year we are set to have £2,500 (15%) less household disposable income than in 2007.

The R3 Debt Index shows that **18% of people say their debt is out of control** and it is causing them great difficulties. Of those people, 62% have **never sought professional advice**. The causes of problems for those whose debt is out of control includes overspending generally (48%), unemployment/redundancy (33%), paying for cars, renovations, holidays etc. (32%) and illness (21%).

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

**18,900 properties (104 a day) were taken into possession** during the first half of 2008. This is a 48% increase on the first half of 2007. The Council of Mortgage lenders (CML) estimates this will increase to **123 a day** during 2008.

The total number of households with arrears **of three months or more was 155,600** at the end of the first half of the year. This is a 29% increase on the first half of 2007. CML estimates that this will **increase to 170,000 mortgages in arrears** of more than three months by the end of the year which is 1.45% of all mortgages.

**The FSA estimates that the total number of secured loans on people's homes in arrears in the year to 2008 Q1 stands at 302,000 which is 2.44% of all secured loans** (note: The CML numbers relate only to first mortgages, not to other consumer loans secured on people's homes ).

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.**

Combined Insurance has tracked people's actual monthly spend on bills and living costs over the last two years and estimates they has been a 26% hike in monthly outgoings.

CreditExpert.co.uk estimates that one in ten of us admit to having no idea about how much debt we are in.

According to research from Shelter published in June 2008:

- 6m (nearly 25% of households) say housing costs cause them stress or depression
- 2m households said meeting housing costs was a constant struggle
- 400,000 households said they were falling behind with rent or mortgage payments
- 2.8m households (11%) have had to borrow money to meet their housing costs in the last 12 months, split evenly between those borrowing from friends and family, and official loans
- 4.1m households (16%) have used a credit card to help meet their housing costs in the last 12 months
- 2.2m households (9%) pay more than half their income on housing.

The June 2008 survey from Equifax reveals that 20% of homeowners are worried about being repossessed.

Community Money Advice (CMA), which supports money advice services across the UK and Ireland saw an 85% increase in people seeking help in the twelve months up to Dec 2007, with big increases in affluent areas such as Tunbridge Wells (up 234%), Cambridge (up 55%) and Horsham (up 48%).

According to uSwitch.com **6.8 million households are in debt to their energy supplier.** Over a quarter (26%) of energy customers were 'in the red' on their last energy bill and 2 million consumers are on debt repayment programmes to energy suppliers.

Debt enquiries to Citizens Advice Bureaux in England and Wales have hit a record high, increasing by 20% in the last year and bringing the total to 1.7 million in 2006/07. The number of debt problems brought to bureaux has doubled in the last 10 years. Debt is now the number one issue advised on in bureaux, accounting for one in three of all enquiries and equates to **6,600 new debt problems a day.**

**Plastic card / Personal Loans:** 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.

According to the BBA the proportion of credit card balances bearing interest rose to 73.1% in June 2008.

Total credit card debt in July 2008 was **£54.1bn.** 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 **17.45%**, which is 12.5% above base rate (5.0%). The average interest rate on credit card lending has increased by **1.8% in 2 years** from 15.64%.

MoneyExpert.com research has discovered that around 1.38 million people have been rejected for a loan in the past six months. Their analysis of the unsecured loan market indicates that average rates increased by up to one per cent in the past six months despite three Bank of England rate cuts

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.

**More than five million people have missed monthly payments on credit cards in the 2<sup>nd</sup> half of 2007** (11% of credit card customers). Late payment fees average £12 a time for missed payments which totals to £61 million for the six months to December 2007.

**Young people - the IPOD generation (under 30):** 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.

A survey of those aged 16 to 25 called 'Penny for your thoughts' exploring young peoples' relationships with and attitudes towards finance shows that:

- only 6% of respondents said they manage their money by sticking to a fixed budget
- two in ten (22%) said they just cross their fingers and hope they don't run out of cash
- more than two thirds (68%) of respondents had been encouraged to take out credit they either did not want or could not afford
- a third (34%) of the young people that completed the survey had debt-related problems at the time, and a further 13% had done in the past.

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.

Adult children are 'sapping' their parents' savings and investments at an increasing rate of knots, as Scottish Widows reveals the position has got even worse over the past year. Over half (55%) of parents have given or loaned their children or grandchildren thousands of pounds compared to a figure of 39% last year – an increase of 16%. The average amount given by parents to their offspring is £12,610. Four in ten (42%) adult children have used their handouts to pay off debts and 29% to buy a house.

Research from the Personal Finance Research Centre shows young adults seemed especially susceptible to strong pressures to consume, and were prepared to borrow to do so. The use of credit to meet everyday expenditure was a way of life. For some the line between needs and wants was virtually indistinguishable.

**Pensioners / Pensions:** 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.

Alliance Trust estimates that the inflation rate facing the over 75 year olds has surged to 6.3% in July which is 43% higher than the official rate of inflation of 4.4%. It stands at 5.8% for 65-74 year olds.

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, the total membership of occupational pension schemes was provisionally estimated to have been 26.7 million, an increase of 0.2 million on the revised 2006 figure.

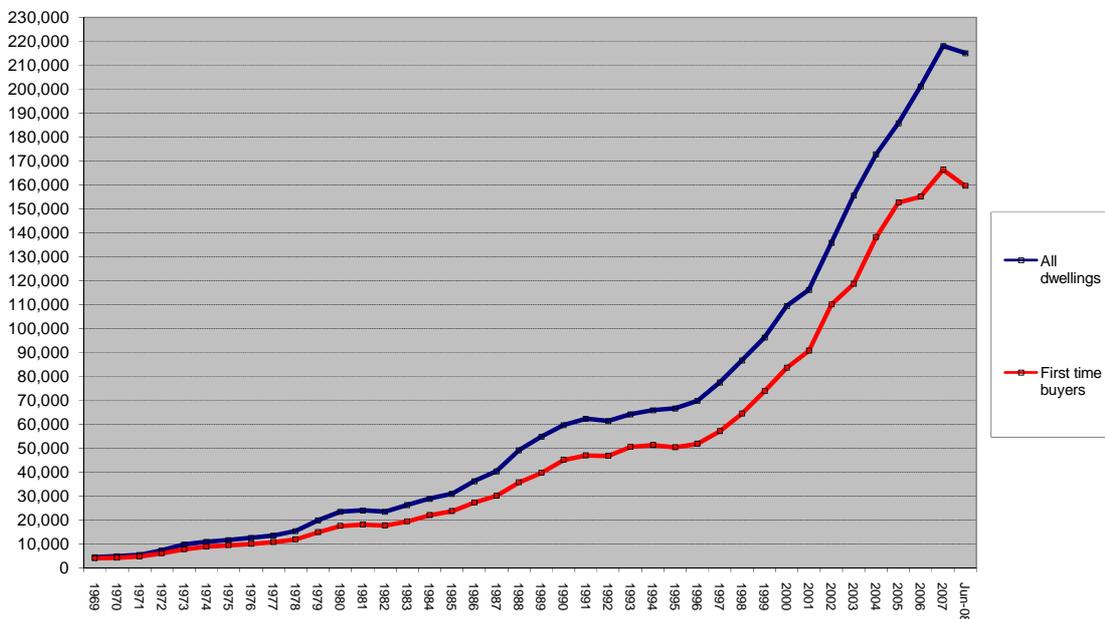
**UK pensioners are failing to budget for life in retirement** despite the economic slowdown, with many spending considerably more in year one than in subsequent years, only to regret their splurge as the reality of living on a pension bites, according to research conducted for Prudential.

Voluntary pension contributions made by UK adults have almost halved in the past 12 months, according to Prudential research, which reveals that those who pay into company and private pension schemes say they have cut contributions by a staggering £134 a month compared with last year.

23% of households in April 2008 headed by a person over the age of 60 owes money on consumer credit agreements. 1 in 8 over-60s were repaying a mortgage including 4% of people aged 80–84. 1 in 20 people in their 60s, 70s and 80s admit to constantly struggling to keep up with commitments or having fallen into arrears.

**Housing:** According to the Department for Communities and Local Government (DCLG) the average house price in the UK in June 2008 now stands at **£215,029** (£221,763) in England). UK annual house price inflation rose by 0.6%. Annual house price inflation in London rose by 1.4%.

UK Average House Prices £



The average Mortgage Interest rate is 5.79%.

The Nationwide said the price of a typical house fell by 1.9% in August (tenth consecutive monthly fall recorded), bringing the annual fall into double digits for the first time since the fourth quarter of 1990. The price of a typical house fell by 10.5% over the last twelve months and is at its **lowest level since June 2006**.

The Halifax said that house prices have dropped £19,812 in the first 7 months of 2008, a fall of 10.0% which is equivalent to a fall of **£93 / day**.

The Bank of England said 33,000 new mortgages were approved in July 2008 which is **71% lower than what they were this time last year (114,000)**.

House purchase mortgage approval numbers in July were 22,448 which was **65% lower than July 2007**. The average loan approved for house purchase in July 2008 was **£138,000**, some **11.9% lower** than a year earlier.

National Association of Estate Agents (NAEA) said the number of house hunters has dropped considerably in July with an average of 192 on agents books compared to 226 the month before.

Existing home sales across the United States (including single-family, townhomes, condominiums and co-ops) fell 13.2% year on year in July 2008 and the **average price dropped 7.1% year on year** to \$212,400. RealtyTrac® said foreclosure filings — default notices, auction sale notices and bank repossessions — were reported on 272,171 U.S. properties during July, an 8 percent increase from the previous month and a 55 percent increase from July 2007. One in every 464 U.S. households received a foreclosure filing during the month.

The latest RICS Housing Market Survey for July shows tentative signs that activity may be nearing a floor although it also indicates further price falls are likely in the near term.

HBOS forecast that the **decline in house prices will be up to 9% in 2008** and transactions likely to be 45% lower in 2008 than in the previous year.

The Council of Mortgage Lenders (CML) said a total of £24.8bn had been lent in July - up 5% on June, but a fall of 27% compared with the same month last year.

**34% of mortgages** taken out by home movers in June 2008 were “**interest only**” mortgages compared with only 12% taken out in June 2003. 24% of these “interest only” mortgages were taken out without a repayment plan specified to repay the capital.

Rightmove's July House Price Index shows new sellers putting their properties onto the market in July did so at prices 2.3% (£5,403) lower than last month. New sellers are now asking **4.8% less than a year ago**. Average unsold stock of property per estate agency branch has increased again to new record levels. In spite of the low supply of new instructions, it now stands at 78, up from 77 last month.

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.

According to the FSA over the next 12 months, approximately 1.4 million fixed-rate mortgages will come to the end of their fixed-rate term. For many consumers, this will mean that the cost of their mortgage will increase significantly (an average of £210 a month if they simply revert to their lender's standard variable rate).

At the end of 2007 there were 463,000 people have missed a monthly repayment on their mortgage in the past six months, representing around four per cent of the 11.8 million outstanding mortgages.

Halifax estimates that the value of the UK's private housing stock rose by 9% (nearly £320bn) in 2007 to a **record £4.0 trillion (£4,000 billion)**. The value of the housing stock has more than tripled over the past decade, rising by 208% from £1.3 trillion in 1997. By comparison, the headline retail price index (RPI) has risen by 31% over the past ten years. Housing equity has increased by nearly £2 trillion over the past decade to £2.8 trillion. The value of the private housing stock was **3.4 times outstanding mortgage debt** at the end of 2007.

**Housing First Time Buyers (FTB) & Buy-to-let:** The average house price in the UK in June 2008 for first time buyers now stands at **£159,606** which is an annual decrease of - 0.5%.

Affordability pressures continued to squeeze first-time buyers as income multiples in June stood at **3.33 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 **£113,880**. The average age of a first-time buyer is 29.

The number of buy-to-let mortgages outstanding continues to rise: there are now 1,103,000 buy-to-let mortgages in the UK worth £132.5 billion. This is a rise of 19% by volume and 25% by value from a year ago. Buy-to-let mortgages represent **9% of the total number of UK mortgages** outstanding and 11% of the value of mortgage stock. 1.1% (12,133) of loans are in arrears compared with 0.63% (5,837) in the same period last year.

**Rental incomes remained steady in June, but are up 9.3% year-on-year**, to stand at £11,955 which is around £1000 a month.

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.

House prices for first time buyers throughout the UK have risen a staggering 200 per cent in a decade, the annual Shelter Roof Affordability Index has revealed. The figure is even higher in London with first time buyers facing a crippling 250 per cent rise to almost £260,000.

An estimated 5.5 million parents have provided financial support to help their children onto the property ladder, with an average contribution of £20,921 per child. One in three UK parents, equivalent to approximately 10 million people, intends to help their children in this way, with an average contribution of £22,401 per child. They are collectively preparing to donate £223 billion in housing deposits to their children.

**Spending:** 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.

UK food prices rose 9.5 per cent in the last year, according to the British Retail Consortium (BRC).

**UK shoppers spend £145m a day online.** In the first six months of this year, online sales soared to £26.5 billion. Since January, internet shopping has increased by 38% compared with the same period in 2007. Internet shopping has comprised 17p in every £1 of retail spending this year,

**A quarter of British adults (24%) are shelving their holiday plans this year**, with 43% of them worried about the impact of the credit crunch on their finances according to a study on holiday spending by CreditExpert.co.uk. Those who do choose to take a break will pay the price, with over two and a half million British adults getting into debt each time they go away – twice as many as this time last year.

Over a third (34%) of holiday makers fail to set a budget for spending money while they are away. Over three-fifths (61%) of British holiday makers admit to overspending while they are away on holiday. Nasty surprises are common with over a quarter (26%) of holiday makers alarmed at how much money they had spent while away.

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

Research from Alliance & Leicester reveals almost **35m Britons (73%) have made some form of financial cutback recently** and one third (34%) expect their disposable income to decrease over the coming six months. For the majority, 79%, this is due to the rising cost of food, consumer goods, household bills and fuel prices.

The average family car now costs £5,627 a year to keep on the road, an increase of £162.70 year-on-year. Motorists buying the UK's top ten best-selling new cars are left £510 per month (£17/day) out of pocket due to depreciation in the first year.

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 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 number of people who are regularly saving money each month has fallen to below half of the population (47%), compared with 52% in winter 2007/2008.

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.

Egg research shows that a **quarter of people in Britain have little or no money set aside for emergency situations**. Over half of all working Britons (52%) do not have sufficient savings to support their families were they to find themselves out of work, even if only for the UK's average redundancy period of four months (Capital Economics predict unemployment will increase from 1.6m to 2.3million by the end of 2009, the highest level since 1996). 69% of Britons have in the last ten years needed a cash injection to cover an unforeseen expense and a third of Britons have found themselves in this situation more than once, with repairs to the family car being the most likely.

The Wealth and Assets Survey, by the Office for National Statistics, found that **39 per cent** of respondents agree with the statement 'I would rather enjoy a good standard of living today than save for retirement'. It also found that over **14m adults (30%) have no financial savings or investments**.

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