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## **Press Release**

**Embargoed until 00.01 hours Wednesday 18 March 2009**

### **DEBT PROBLEMS SPREAD TO THE MORE AFFLUENT**

Debt problems are becoming more complex and harder to resolve as the effects of the recession begin to affect a wider cross-section of society, according to the UK's leading debt charity, Consumer Credit Counselling Service (CCCS).

In its review of client experiences over the last three years published today (March 18) in its *Statistical Yearbook 2008*, CCCS has found that although people with debt problems are better off and owe less money (with the exception of the over-60s), they are finding it harder to repay their debts.

This is likely to be because the combination of rising unemployment and a falling housing market is creating a fundamental shift in the nature of the UK's debt problem, as Malcolm Hurlston, CCCS chairman explains:

“In cases of pure overborrowing where the debtor remains in work, there continues to be an income stream to service the mortgage and, at least in part, the unsecured debts. However when unemployment triggers a debt problem, the fall in income can leave the borrower struggling to service both mortgage and unsecured debts, while the fall in house prices, and growth in negative equity, takes away the option of selling to clear the mortgage.

“As over-indebtedness becomes a problem for the more affluent, people who come to us are more likely to have mortgages and to lead complex financial lives

– homeowners owe on average 83 percent more than renters – as a result, our task in providing best advice is bound to be more difficult and time consuming.

“Increasingly we find people need more than one counselling session before a solution can be proposed. This is particularly marked for homeowners and the self-employed. It is a trend that we expect to intensify in the coming months as the recession deepens.”

Despite the growing affluence of the CCCS client base, fewer people are in a position to repay their debts: in 2008 only about a third of clients (35 percent) were able to commit to a Debt Management Plan (DMP) compared with 42 percent in 2007 and 46 percent in 2006.

Even clients able to undertake a repayment plan are finding it more difficult to maintain payments: calls to client aftercare have been steadily increasing in the last two years.

“External forces over which the credit industry has no control including recession, unemployment, increases in the costs of everyday living and a falling housing market are compounding the problem of debt”, concludes Malcolm Hurlston. “These trends seem likely to continue for the foreseeable future: the perfect storm may have arrived but we have yet to reach its epicentre”.

**-ends-**

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A copy of the *CCCS Statistical Yearbook 2008* is available for download from March 18 from: [www.cccs.co.uk/statsyearbook/2008](http://www.cccs.co.uk/statsyearbook/2008)

## **Summary of main findings 2008**

### **Clients**

- Despite falls in the amount of money owed, both in absolute terms and relative to income, fewer clients had the means to repay their debts in 2008. Thirty-five percent were recommended to a Debt Management Plan compared with 42 percent in 2007 and 46 percent in 2006 while the number of clients recommended to token payments is rising.
- Clients seeking help are becoming more affluent: 12 percent have net household incomes of more than £30,000 a year and nearly half (47.4 percent) of those seeking help were homeowners. Homeowners owe on average 83 percent more than renters.
- Clients' problems are becoming more complicated: last year over a third required more than one counselling session before a solution could be proposed. This is particularly marked for those with mortgage arrears and the self-employed.
- Calls to client aftercare have increased by a third in the last two years, suggesting that clients are finding it more difficult to maintain their repayment plans. This is likely to be caused by increasing pressures on household budgets.
- The vast majority (90 percent) of CCCS client debts are on credit cards and personal loans, the average client owes over £14,000 on each of these items.

### **Regional**

- The highest levels of debt are in the south of England but the over-60s in Wales have one of the highest debt levels in the UK at £35,947.
- Clients in Northern Ireland, despite having significantly lower levels of borrowing are least able to repay their debts.
- Scottish clients have the highest levels of debt in the UK relative to their income.

### **Service**

- By the close of 2008 CCCS was managing almost £3 billion worth of debt, and repaying over £224 million of this per annum.
- The charity's helpline team received 267,000 calls in 2008, a five percent increase on 2007 but fewer than in 2006. Only in the last quarter of 2008 did the number of helpline calls start to overtake 2006.

- There were almost 100,000 unique users of CCCS's online debt management tool, Debt Remedy, during the year. Debt Remedy is free and anonymous.

Attached are three charts from the Yearbook:

Chart 1 shows that a higher proportion of CCCS clients are earning over £30,000 net per annum.

Chart 2 shows that the average level of debt held by CCCS clients is reducing.

Chart 3 shows that, despite this, a greater number of CCCS clients are unable to service their debts through a DMP.

### **Notes for editors:**

1. The information in the Statistical Yearbook is obtained from CCCS's data warehouse which contains data on more than 770,000 clients, nine million phone calls and cumulative debts of over £13.4 billion. Every day 50 million rows of data are updated on the warehouse, providing a unique and anonymised chronicle of the circumstances of the over-indebted
2. CCCS is self-funding. Lenders share with the charity the benefit they receive from its operation, making a donation from the money repaid to them. This allows CCCS to retain its independence and ensure that its advice is always in the best interest of the client. CCCS aims to separate the "can't pays" from the "won't pays".
3. CCCS Debt Remedy is available round the clock on [www.cccs.co.uk](http://www.cccs.co.uk). Telephone helplines are open 8am-8pm, Monday to Friday on freephone 0800 138 1111.