

# Debt Dashboard

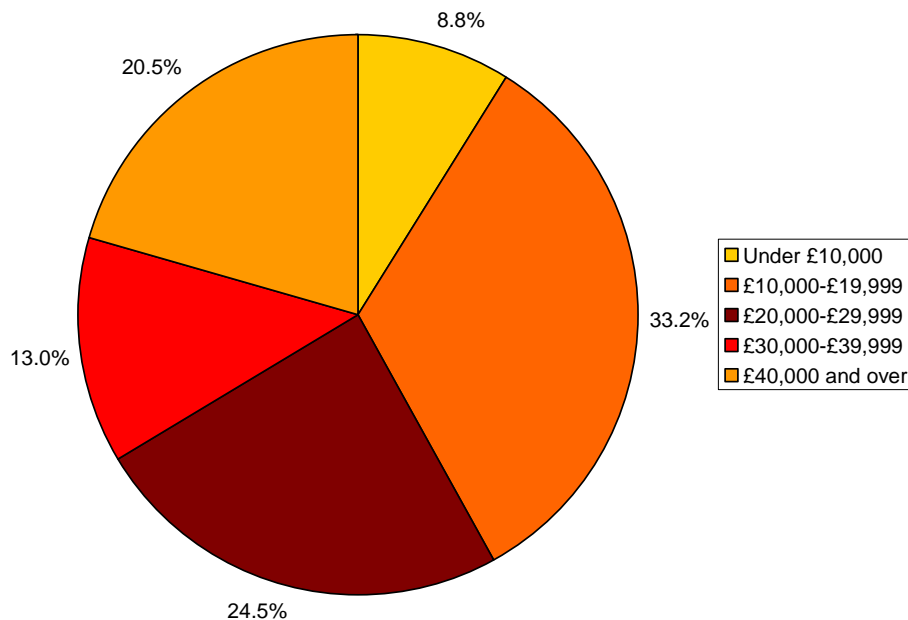
## Q4 2010

### Profile of a bankrupt

Research findings announced today by the Consumer Credit Counselling Service (CCCS), the UK's largest debt charity, reveal that over three-quarters of people going bankrupt earn less than the UK average wage. The average CCCS client recommended bankruptcy earns just over £19,000 gross a year, almost £7,000 less than the average annual UK salary (£25,900). During 2010 the charity advised 17,605 people that bankruptcy was the best solution to their unsecured debt problems.

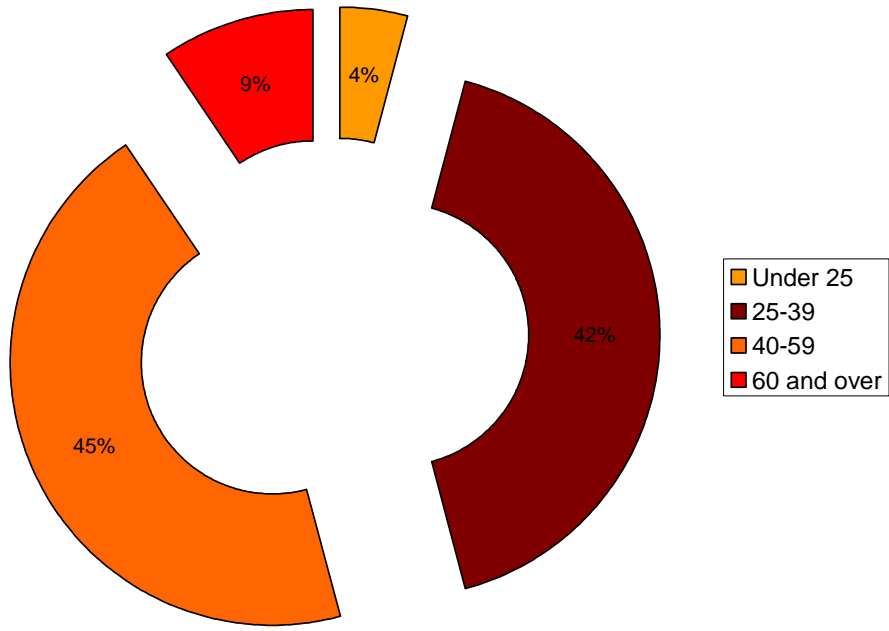
People recommended bankruptcy owe on average over £31,000 in unsecured debt; one in five owes more than £40,000. Low incomes are the main driver to bankruptcy: the charity estimates that it would take 43 years for the average bankruptcy client to repay his debts.

### Bankruptcy debt levels



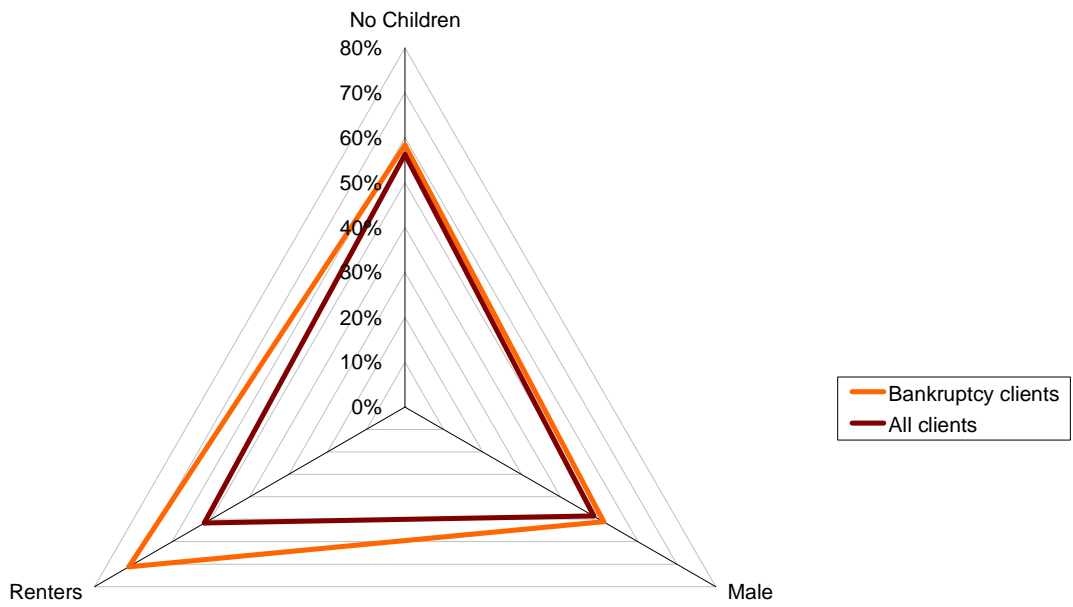
Bankruptcy is more likely to affect people over 40. More than half of people going bankrupt are over 40 and almost one in ten is over 60.

**Bankruptcy by age**



Unsurprisingly the majority, over 70 percent, of people recommended to bankruptcy by CCCS are renters. When somebody is made bankrupt, control of any property passes to a trustee, who can then sell it in order to pay creditors. Therefore bankruptcy is generally not recommended to homeowners unless their circumstances are particularly dire.

**Who goes bankrupt?**



Just over half of people recommended to bankruptcy are male and around two fifths have dependent children.

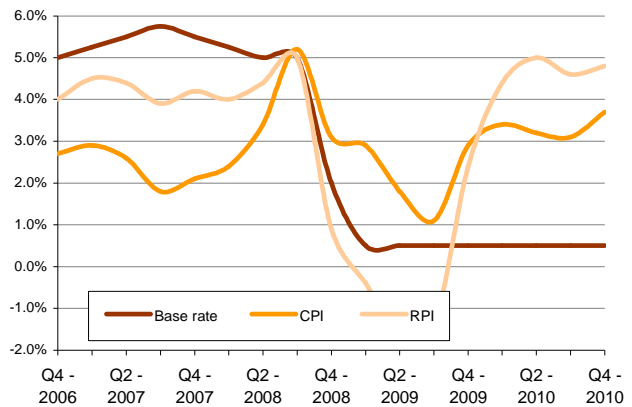
Commenting, CCCS director of external affairs, Delroy Corinaldi, says:

“The combination of low wages and high costs are the main drivers towards bankruptcy, which is not good news at a time of stagnating household incomes and rising costs.

“Bankruptcy is not an easy option but sometimes it is the only one. We aim to help our clients manage the process as painlessly as possible. Which is why whenever we recommend clients to bankruptcy, we offer them additional support through our specialist bankruptcy counselling service.”

**Interest and inflation rates**

There was a significant rise in the Consumer Price Index (CPI) measure of inflation over Q4 from 3.1 percent to 3.7 percent. There was a slightly smaller rise in the Retail Price Index (RPI) from 4.6 percent to 4.8 percent. The base rate remained unchanged over the period but it is thought that in 2011 the Bank of England's policymakers are likely to be more divided on a move than they have been at any time recently due to the rising CPI rate.



(Source: Bank of England and Office of National Statistics)

**Average house prices and affordability ratio**

CCCS house price data (which is an average of several other house price indexes) showed a fall of around £2,000 in the average house price across the UK to £163,324.

This situation has continued into 2011. A recent survey by the Royal Institute of Chartered Surveyors (RICS) showed that almost a third more surveyors reported a fall rather than a rise in prices in the January housing market.

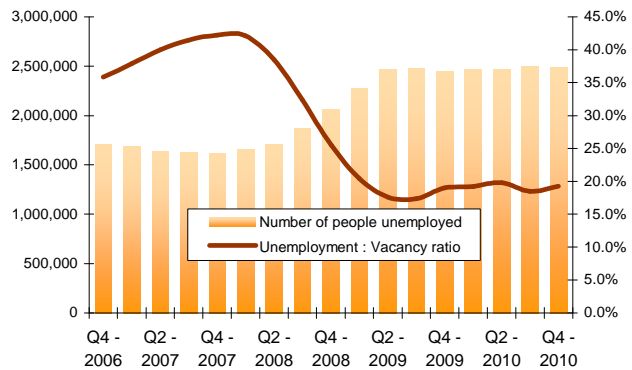


(Source: CCCS)

**Unemployment**

The unemployment rate held steady at 7.9 percent in November, there was a small fall in the total number of unemployed people to just under 2.5 million. Youth unemployment leapt by 32,000 to 951,000 in November – the highest since records began in 1992.

The government recently announced plans for the Prince's Trust and other charities to set up stalls in Jobcentre Plus offices. From April advisers will be on hand at these offices for anyone looking for work.



(Source: Office for National Statistics - LFS)

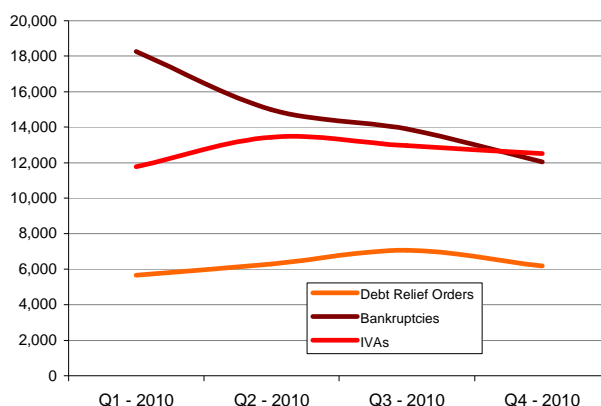
	Bank of England base rate	Average house price	CPI	UK households (thousands)	Mortgage approvals	Unemployment (number)	Housing affordability ratio
Q1 - 2008	5.25%	£ 186,395	2.4%	25,586	203,648	1,655,000	8.7
Q2 - 2008	5.00%	£ 180,235	3.4%	25,586	131,613	1,713,000	8.4
Q3 - 2008	5.00%	£ 171,159	5.2%	25,586	97,727	1,873,000	7.9
Q4 - 2008	2.00%	£ 160,890	3.1%	25,586	90,125	2,066,000	7.4
Q1 - 2009	0.50%	£ 154,921	2.9%	25,839	115,788	2,280,000	7.1
Q2 - 2009	0.50%	£ 155,734	1.8%	25,839	142,617	2,467,000	7.1
Q3 - 2009	0.50%	£ 161,229	1.1%	25,839	161,114	2,482,000	7.3
Q4 - 2009	0.50%	£ 164,314	2.9%	25,839	173,188	2,449,000	7.4
Q1 - 2010	0.50%	£ 165,756	3.4%	26,092	145,078	2,472,000	7.5
Q2 - 2010	0.50%	£ 167,462	3.2%	26,092	148,002	2,467,000	7.5
Q3 - 2010	0.50%	£ 165,207	3.1%	26,092	142,288	2,502,000	7.4
Q4 - 2010	0.50%	£ 163,324	3.7%	26,345	136,434	2,492,000	7.3

**Insolvency**

Overall in 2010 there were the highest number of individual insolvencies ever - over 135,000, despite fewer people opting for bankruptcy and IVAs. Since the last quarter of 2009 the number of bankruptcies and IVAs has fallen by 29.2 and 5.4 percent respectively.

The increase in the overall number is due to the continued popularity of Debt Relief Orders (DROs), a form of debt relief aimed at people with low incomes and no assets.

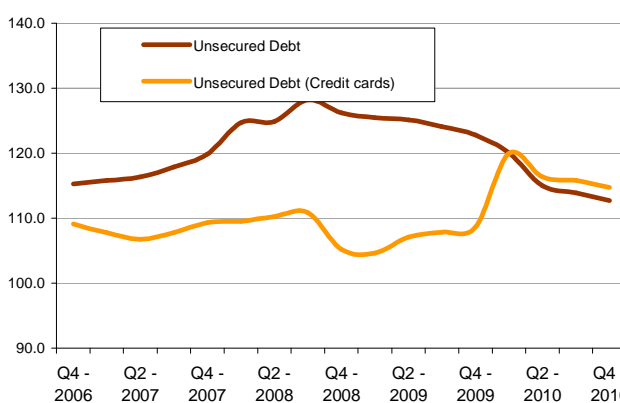
In Scotland there was a fall in the number of individual insolvencies over the quarter (to 4,583) but in Northern Ireland there was a slight rise.



(Source: Insolvency Service)

**UK unsecured debt (indexed Q1 2004 = 100)**

There was a continued reduction in the amount outstanding on both credit cards and in other types of unsecured lending in Q4. Overall, the amount of unsecured credit outstanding is down to £213,693 million, or £8,190 per household. According to the Bank of England's *Credit Conditions Survey* the total demand for consumer credit remained unchanged over the final quarter of 2010.

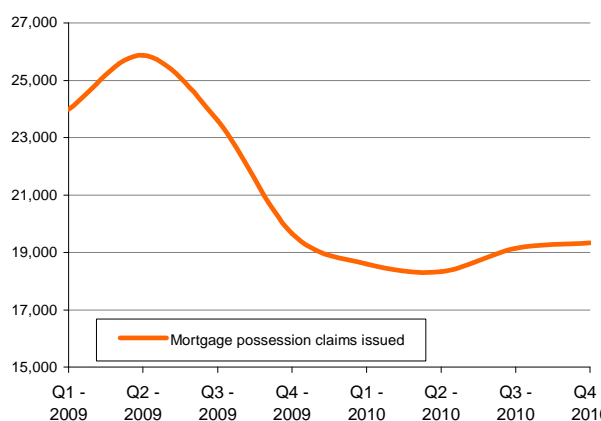


(Source: Bank of England)

**Mortgage possessions**

There were 75,416 mortgage possession claims issued by the Ministry of Justice (MoJ) over 2010, 19 percent fewer than over the same period of the preceding year.

According to the Council of Mortgage Lenders (CML) 2010 saw 36,300 homes actually repossessed. The number of repossessions in Q4 (7,900) was 26 percent lower than the 10,700 in the same period a year ago.



(Source: Insolvency Service)

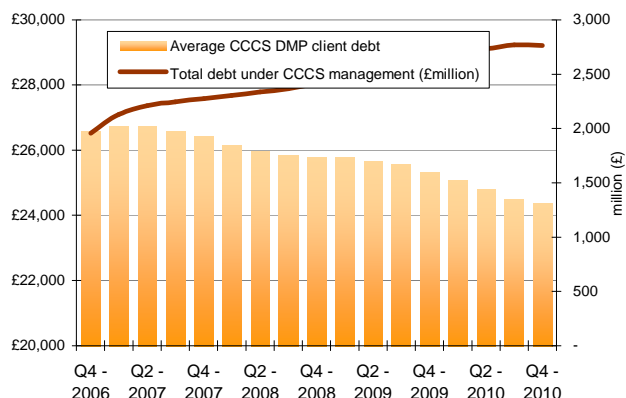
However, repossession may increase in 2011 as according to ratings agency Standard & Poor almost one-in-five problem mortgages are "severe" cases that show little sign of improvement.

	Total unsecured debt (millions)	Total credit card debt (millions)	Average UK unsecured debt (per household)	Mortgage possession claims issued	Scottish insolvencies	Bankruptcy	IVAs
Q1 - 2008	£ 230,179	£ 55,065	£ 8,996	39,367	3,324	15,452	9,577
Q2 - 2008	£ 230,519	£ 55,431	£ 9,010	39,472	4,735	15,468	9,428
Q3 - 2008	£ 236,695	£ 55,715	£ 9,251	38,448	5,998	17,451	9,766
Q4 - 2008	£ 232,945	£ 52,869	£ 9,104	26,592	5,807	19,100	10,341
Q1 - 2009	£ 231,614	£ 52,581	£ 8,964	23,987	5,693	19,062	10,713
Q2 - 2009	£ 231,017	£ 53,818	£ 8,941	25,871	6,294	18,870	12,225
Q3 - 2009	£ 229,118	£ 54,216	£ 8,867	23,599	5,767	18,347	12,390
Q4 - 2009	£ 226,637	£ 54,592	£ 8,771	19,661	5,678	17,007	13,219
Q1 - 2010	£ 221,680	£ 60,317	£ 8,579	18,604	5,175	18,256	11,782
Q2 - 2010	£ 217,976	£ 58,492	£ 8,354	18,336	5,378	14,982	13,446
Q3 - 2010	£ 215,924	£ 58,219	£ 8,275	19,147	5,168	13,907	12,960
Q4 - 2010	£ 213,693	£ 57,674	£ 8,190	19,329	4,583	12,049	12,508

**CCCS DMP client base**

The number of clients on Debt Management Plans (DMPs) has continued to rise and is now above 113,000, double the number CCCS was administrating five years ago. These DMPs represent over £2.7 billion worth of unsecured debt.

The drop in the amount owed by DMP clients continues; the average DMP client debt in Q4 2010 was £142 lower than in the quarter preceding it. However, recent research by CCCS has shown 30 percent of DMP clients have unsecured debts in excess of £30,000.

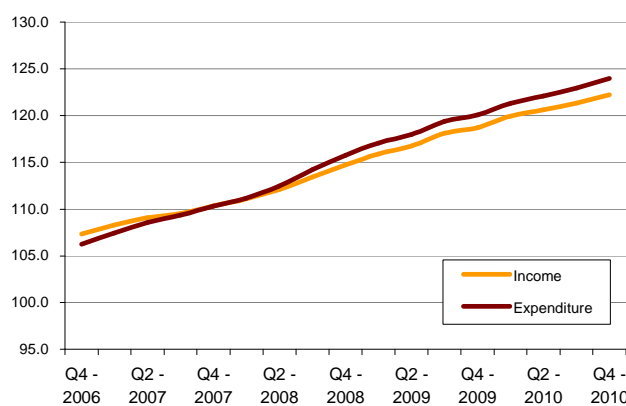


(Source: CCCS)

**CCCS DMP client income and expenditure**

Both income and expenditure rose just under one percent over Q4 meaning that clients maintained an average monthly surplus of around £237 or 15 percent of their monthly net pay. Following the VAT increase in Q1 2011 it is likely that client expenditure will start to rise at a faster rate.

Client expenditure may also start to be affected by the steady rise in the price of commodities filtering through to the high street.

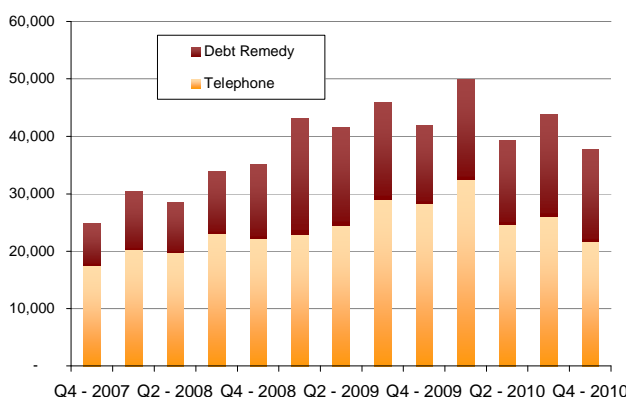


(Source: CCCS)

**CCCS clients counselled**

There was a 14 percent fall across all forms of counselling between Q3 and Q4 2010. The drop was most severe on the telephone, which experienced a 17 percent decline compared to ten percent online. Over the final quarter CCCS carried out 21,757 telephone counselling sessions and 15,950 online counselling sessions.

Over the entire year the charity counselled just over 170,000 people with unsecured debt problems, 61 percent by telephone and 39 percent online. This is a six percent increase in the proportion of people counselled online in the previous two years.



(Source: CCCS)

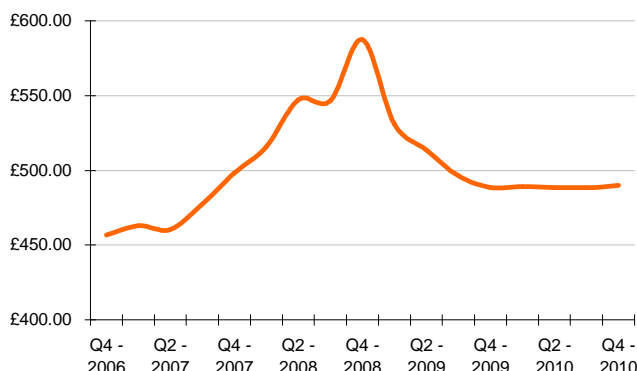
	Total debt under CCCS management	Number of DMP Clients	Average CCCS DMP client debt	Average client income	Average surplus as proportion of income (%)	CCCS client income (indexed Jan 2005 = 100)	CCCS client expenditure (indexed Jan 2005 = 100)
Q1 - 2008	£2,303,031,176	88,028	£ 26,162	£ 1,455.06	16.0%	111.1	111.2
Q2 - 2008	£2,336,162,365	89,920	£ 25,980	£ 1,468.32	15.8%	112.1	112.5
Q3 - 2008	£2,366,946,028	91,607	£ 25,838	£ 1,485.72	15.5%	113.4	114.2
Q4 - 2008	£2,417,148,624	93,720	£ 25,791	£ 1,502.67	15.3%	114.7	115.8
Q1 - 2009	£2,480,674,663	96,232	£ 25,778	£ 1,518.14	15.2%	115.9	117.1
Q2 - 2009	£2,524,410,378	98,342	£ 25,670	£ 1,529.19	15.2%	116.7	118.0
Q3 - 2009	£2,587,742,023	101,201	£ 25,570	£ 1,547.01	15.1%	118.1	119.4
Q4 - 2009	£2,636,141,652	104,110	£ 25,321	£ 1,555.04	15.1%	118.7	120.1
Q1 - 2010	£2,702,228,800	107,772	£ 25,074	£ 1,571.17	15.1%	119.9	121.3
Q2 - 2010	£2,732,399,017	110,174	£ 24,801	£ 1,579.79	15.0%	120.6	122.1
Q3 - 2010	£2,768,502,239	112,973	£ 24,506	£ 1,589.38	14.9%	121.3	123.0
Q4 - 2010	£2,762,851,877	113,401	£ 24,364	£ 1,601.03	14.8%	122.2	124.0
Annual Change	£126,710,225	9,291	-£ 957	£ 45.99	-0.3%	3.5	3.9

**Housing**

Over Q4 2010 average client spending on housing was £490. Clients who own their own home tend to spend more on housing each month than those without. The average monthly mortgage payment of a CCCS client is £561.61. Housing costs typically constitute 31 percent of a client's net income. However paying a mortgage takes up 35.5 percent of take home pay.

Recent research by Shelter suggested that two million people across the UK used credit cards to pay their housing costs at least once in 2010.

(Source: CCCS)

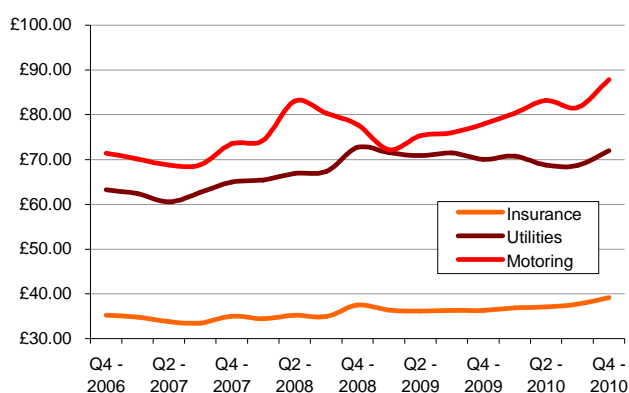


**Insurance, utilities and motoring**

Client spending on utilities (gas, electricity and water) rose by five percent over Q4 to £72 a month. This is the highest amount spent per month since Q4 2008, and the second highest ever recorded. In 2011 more than three million households face higher gas and electricity bills after EDF Energy became the last of the "big six" power suppliers to announce price rises.

Spending on motoring rose by eight percent, the most for any single item. The average client now spends close to £90 a month on fuel and vehicle upkeep.

(Source: CCCS)

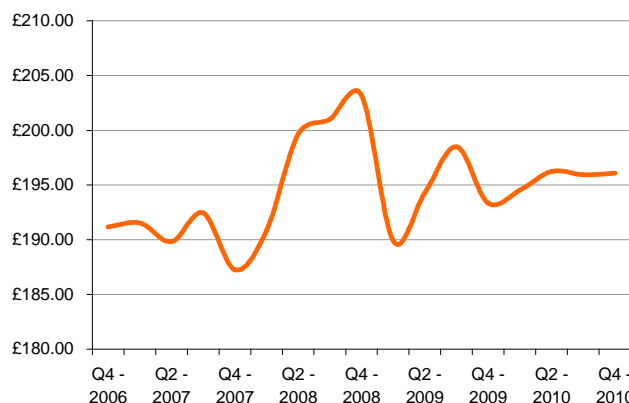


**Food and clothing**

After a fall in the previous quarter there was a slight rise in the amount clients are spending on food and clothing in Q4. Although this is still less per month than in 2008 world food prices rose to a record high in January, according to the UN's Food and Agricultural Organization (FAO) meaning that prices in the UK will probably continue to rise for the foreseeable future.

In the first two months of 2011 the price of cotton increased by 30 percent, putting it at its most expensive since the American Civil War in the 1860s. Clients now will probably have to pay far more for many types of clothing than they did at the close of Q4.

(Source: CCCS)



	Utilities	Housing	Insurance	Food and clothing	Motoring	Others	Proportion of Income spent on mortgage
Q1 - 2008	£65.4	£516.0	£34.4	£190.8	£74.3	£63.0	43.1%
Q2 - 2008	£66.9	£547.1	£35.2	£199.7	£83.1	£68.6	43.8%
Q3 - 2008	£67.4	£546.7	£34.9	£201.0	£80.3	£70.8	45.2%
Q4 - 2008	£72.7	£587.5	£37.5	£203.2	£77.8	£64.6	46.0%
Q1 - 2009	£71.5	£530.9	£36.4	£189.9	£72.2	£66.6	40.9%
Q2 - 2009	£70.9	£513.5	£36.2	£194.3	£75.3	£57.3	39.3%
Q3 - 2009	£71.5	£496.2	£36.3	£198.5	£76.0	£67.0	37.6%
Q4 - 2009	£70.0	£488.6	£36.3	£193.3	£77.9	£61.2	36.9%
Q1 - 2010	£70.8	£489.2	£36.8	£194.5	£80.3	£62.8	35.9%
Q2 - 2010	£68.7	£488.6	£37.0	£196.2	£83.2	£65.0	36.2%
Q3 - 2010	£68.7	£488.4	£37.7	£196.0	£81.6	£65.3	35.5%
Q4 - 2010	£72.0	£490.0	£39.2	£196.1	£87.8	£66.2	35.1%
Annual Change	£2.0	£1.4	£2.8	£2.7	£9.9	£5.0	-1.9%

## Notes on Debt Dashboard:

1. *Debt Dashboard* is produced quarterly and based on data from over 100,000 people spread throughout the United Kingdom. It juxtaposes clients' levels of debt and their ability to repay against broader economic variables.
2. 'CCCS clients' in this report are people who have received a full, in-depth counselling session from the charity.
3. Notes on the data used:
  - Households with unsecured credit – data supplied by the Office of National Statistics
  - Total unsecured debt (in millions) – data supplied by the Bank of England
  - Average unsecured debt by household – calculated using two statistics outlined above
  - Charging Orders – taken out by creditors against debtor's property - data supplied by the Ministry of Justice
  - CCJs – County Court Judgments in England and Wales - data supplied by Registry Trust
  - Bankruptcies, DROs, IVAs – England and Wales only - data supplied by the Insolvency Service
  - Base rate - Bank of England base rate
  - Average house price – average calculated by using figures from Nationwide, Halifax and Land Registry
  - UK households (in thousands) – data supplied by the Office of National Statistics
  - Mortgage applications - data supplied by the Bank of England
  - Average annual salary - data supplied by the Office of National Statistics
  - Housing affordability ratio – calculated by comparing wages to the average house price
  - Total debt under management - data from CCCS
  - CCCS clients on a DMP – data from CCCS
  - Average CCCS client debt - data from CCCS. In the 'CCCS' section of the Debt Dashboard, the figures for average client debt refer only to CCCS clients currently on a DMP
  - Average DMP payment - data from CCCS
  - Average surplus – data from CCCS
  - Income index – data from CCCS clients' budgets
  - Expenditure index - data from CCCS clients' budgets
4. CCCS can be contacted on 0800 138 1111, Monday to Friday, 8am to 8pm. In addition, online debt advice is available through CCCS Debt Remedy 24 hours a day at [www.cccs.co.uk](http://www.cccs.co.uk)

**For further information please contact Frances Walker or Una Farrell on 0207 391 4587. Out of office hours 077 717 88713 or email: [francesw@cccs.co.uk](mailto:francesw@cccs.co.uk)**

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