

Debt Dashboard

Q1 2008

BROKEN RUNGS ON THE HOUSING LADDER

There is increasing evidence that homeowners with debt problems may have borrowed too much money to get on the housing ladder according to the UK's leading debt charity, Consumer Credit Counselling Service (CCCS).

In its quarterly Debt Dashboard published today (April 28) the charity reveals that housing costs (mortgage or rent) for clients have increased by 48 percent over the last four years. However spending on housing has increased far faster for those with mortgages (up 72 percent) over the same period. Renting expenditure has largely tracked the headline inflation rate (RPI), suggesting that, as far as day-to-day living is concerned, renters are likely to be in a better position to continue paying off their debts than homeowners.

In view of the increasing pressures on homeowners, CCCS set up its Centre for Mortgage Arrears and Repossessions Counselling at the end of last year with the aim of helping as many people as possible to keep their homes. This is possible for most people contacting the CCCS, but about one in five have been advised to give up their home. The charity is concerned that this trend will worsen in the current marketplace of fewer and more expensive mortgages.

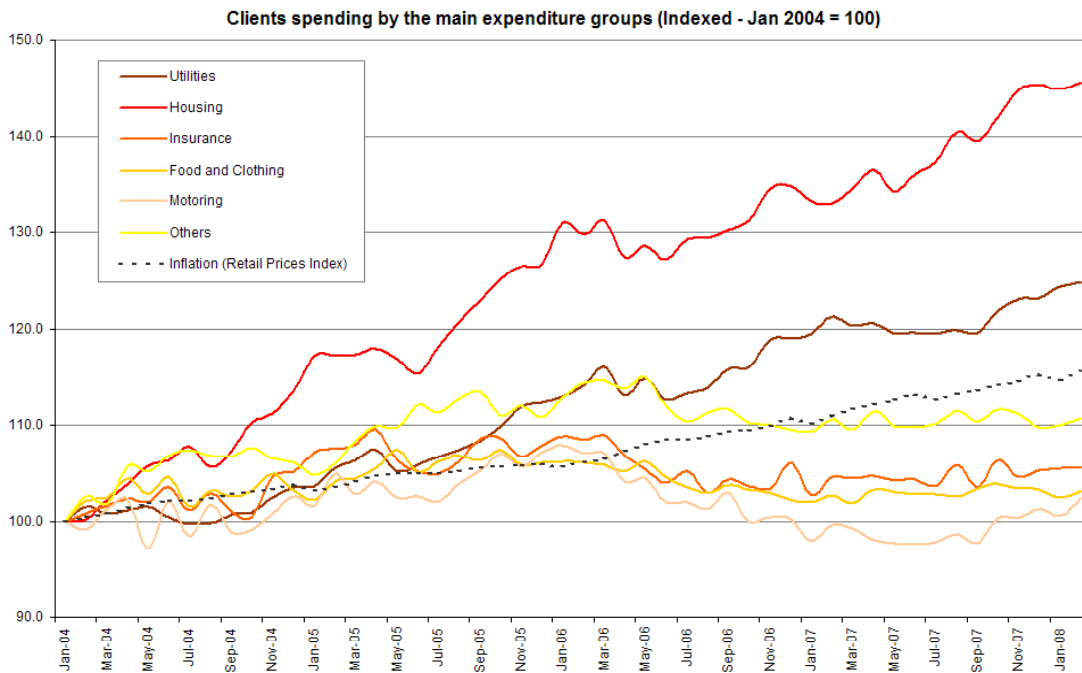
Commenting on the trend, CCCS chairman, Malcolm Hurlston said: "While cause and effect are far from clear - which came first overmortgaging or overindebtedness leading to less favourable mortgage terms and conditions - what is clear is that mortgage providers need to be more sensitive to the increasing pressures on their customers' disposable incomes".

As well as housing, the research shows that client budgets are coming under increasing pressure from the rising costs of utilities. In the last four years, client expenditure on utility bills outstrips increases in the headline Retail Price Index; people in debt being helped by the charity are spending a quarter more on utility bills than four years ago, despite a 70 percent inflationary increase in the costs of utilities. This suggests that fuel poverty is becoming a reality for greater numbers of clients as they struggle to keep pace with energy prices.

Such superinflationary increases in two fundamental living costs such as housing and utilities threaten the sustainability of debt repayment plans. The choice is a stark one, according to Malcolm Hurlston. He says:

“Either the shrinking surplus available for repayment will push people into more extreme forms of debt relief such as bankruptcy or home repossession, or people in debt cut back radically on other essentials such as food and clothing. In effect, no choice.”

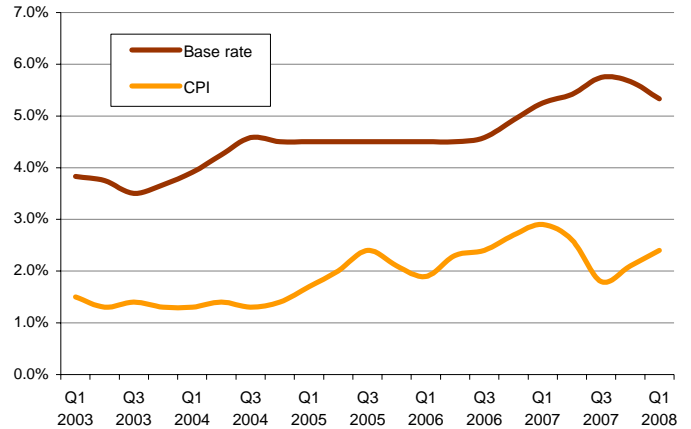
Housing and utility costs are outpacing inflation



Interest and inflation rates

The "credit crunch" has already affected the Bank of England's monetary policy committee which has lowered interest rates, in a bid to revive lending. However, the recent drop in April has done little to change either secured or unsecured rates, with inter-bank lending rates still far higher than base rates.

Inflation is currently creeping upwards thanks to high oil prices and increases in food and housing costs. We expect this trend to continue in the rest of 2008.

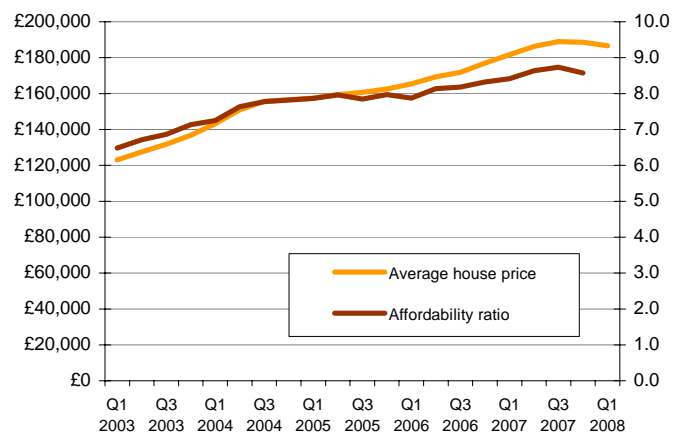


(Source: Bank of England and Office of National Statistics)

Average house price and affordability ratio

The average house price is still showing a year-on-year increase. However, recent figures from Nationwide, Halifax and the Land Registry all point to successive monthly falls in the average house price. Meanwhile, the Royal Institute of Chartered Surveyors is reporting that prices have fallen for the eighth straight month.

The "affordability ratio" (which is calculated by comparing wages to the average house price) has weakened ever-so-slightly in recent times, suggesting very small levels of relief for those looking to get into the property market for the first time. However it remains very high.

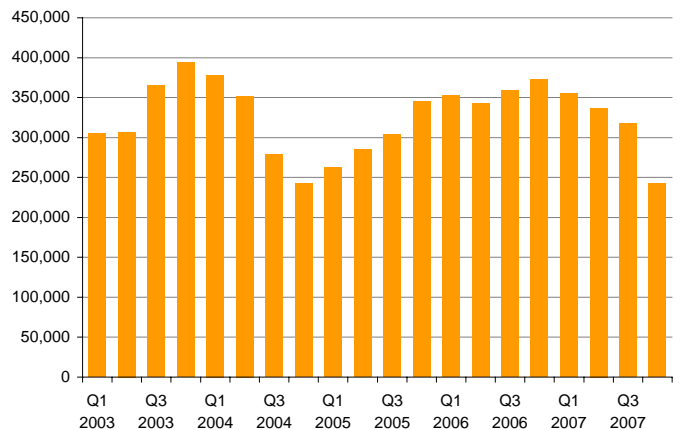


(Source: CCCS)

Mortgage applications

However, mortgage lending figures from the Bank of England suggest that there are fewer and fewer individuals willing to do so at the moment. Expecting a further decline in house prices, many are choosing to stay away from the property market for the time being.

There were only 242,000 mortgage applications in Q4 2007, down 131,000 year-on-year. Experts are predicting similar falls when the Q1 2008 figures are released.



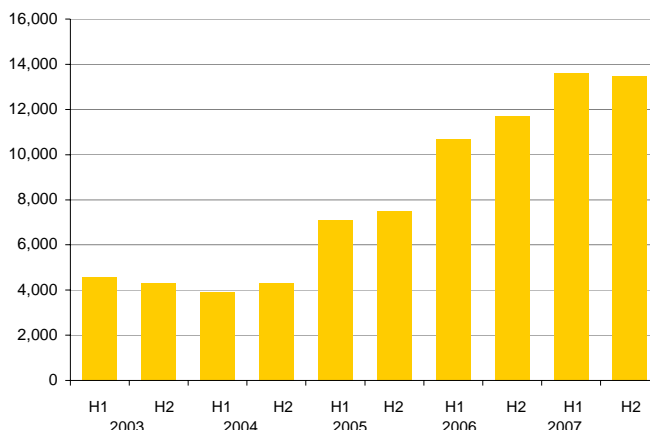
(Source: Bank of England)

	Base Rate (quarterly average)	Average house price	CPI	UK households (thousands)	Mortgage applications	Average annual salary	Housing affordability ratio
Q1 2004	3.91%	£143,255	1.3%	24,556	378,000	£19,760	7.2
Q1 2005	4.50%	£157,551	1.7%	24,818	262,000	£20,020	7.9
Q1 2006	4.50%	£165,417	1.9%	25,080	353,000	£21,008	7.9
Q4 2006	4.92%	£176,987	2.7%	25,080	373,000	£21,268	8.3
Q1 2007	5.25%	£181,574	2.9%	25,333	355,000	£21,580	8.4
Q2 2007	5.42%	£186,286	2.6%	25,333	337,000	£21,580	8.6
Q3 2007	5.75%	£188,900	1.8%	25,333	318,000	£21,632	8.7
Q4 2007	5.67%	£188,626	2.1%	25,333	242,000	£21,996	8.6
Q1 2008	5.33%	£186,624	2.4%	25,586	-	-	-
Annual Change	0.08%	£5,050	-0.5%	253	-131,000	£728	0.3

Home repossessions

Home repossessions hit 27,000 in 2007, the highest level since 1999. CCCS is expecting this to increase in 2008, and for this reason we set up a dedicated Mortgage Arrears and Repossession Counselling Centre for those who have arrears on their mortgages or who may be facing court action and repossession.

The dedicated Mortgage Arrears and Repossession Counselling team can be reached on **0800 975 9558**.

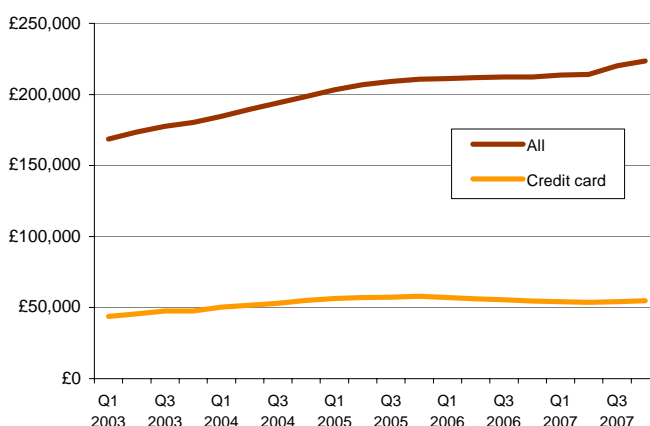


(Source: Council of Mortgage Lenders)

UK unsecured debt (millions)

Total unsecured lending increased in 2007, to reach £224bn. Credit card lending in 2007 has levelled off at £55bn. However, recent figures from the Bank of England for the first two months of 2008, show that lending has increased by the biggest month-on-month rise since records began.

Experts have suggested that this may be down to increasing difficulties in obtaining secured credit. Although others have suggested that the increase is due to student tuition fees.

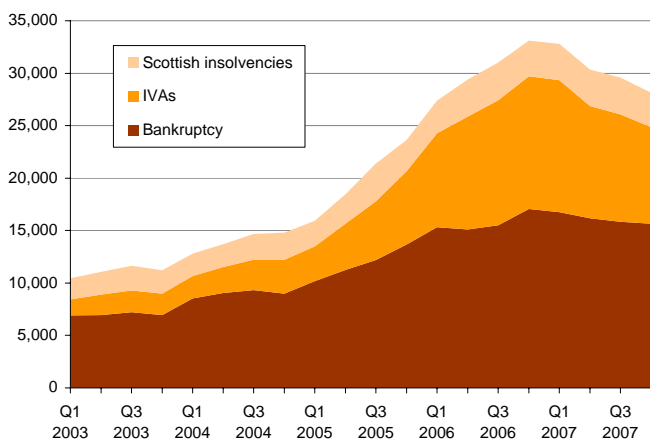


(Source: Bank of England)

Insolvencies in the UK

Insolvencies in England and Wales reached 107,127 in 2007. IVAs fell by over 3,000 year-on-year which may be due to arrangements being held up last year as lenders sought to reach agreements with IVA providers.

In 2008, we expect bankruptcies to rise, as many of those on IVAs will default into bankruptcy, thanks to an increase in household bills and the cost of living more generally. We also expect new IVAs to remain around similar levels as in 2007.



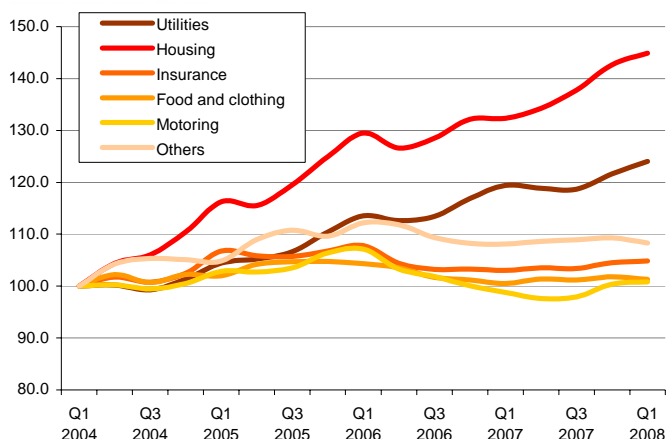
(Source: Insolvency Service)

	Households with unsecured debt	Total unsecured debt (millions)	Average unsecured debt by household	Charging orders	CCJs	Bankruptcy	IVAs
Q1 2004	-	£184,611	£7,518	18,112	124,842	8,524	2,141
Q1 2005	36.1%	£203,275	£8,191	24,796	150,622	10,175	3,292
Q1 2006	34.0%	£211,080	£8,416	32,143	203,406	15,310	8,964
Q4 2006	34.0%	£212,425	£8,385	31,415	206,487	17,070	12,645
Q1 2007	37.7%	£213,583	£8,431	33,649	241,596	16,742	12,597
Q2 2007	37.7%	£214,102	£8,368	33,324	173,732	16,170	10,699
Q3 2007	37.7%	£220,237	£8,608	35,004	190,402	15,833	10,239
Q4 2007	37.7%	£223,652	£8,741	35,662	190,798	15,659	9,188
Q1 2008	-	-	-	-	-	-	-
Annual Change	3.7%	£11,227	£356	4,247	-15,689	-1,411	-3,457

Client expenditure index (Jan 2004 = 100)

Our client expenditure index reveals that budgeted costs have increased by over 11 percent in four years. Housing costs have seen the largest increase (by over 40 percent) as mortgage costs have escalated. Utilities have increased by an inflation busting 24 percent since 2004, the bulk of the increase coming after Q1 2006.

Food and clothing, insurance and motoring costs have remained fairly constant since Q1 2004. However, we expect food costs to rise throughout 2008.

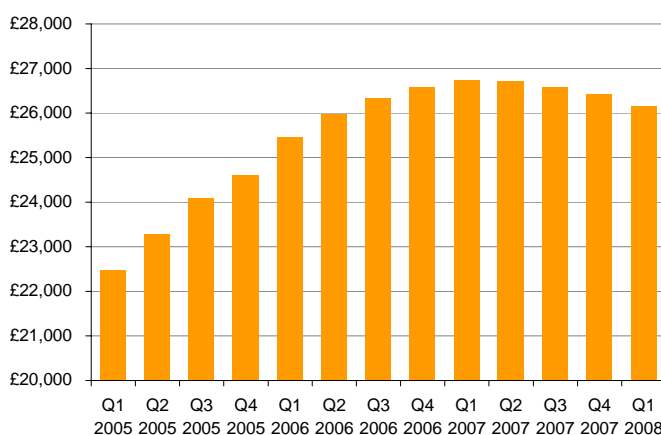


(Source: CCCS)

Average CCCS client debt

Average debt levels for a CCCS client have fallen over the last year. The average CCCS client on a debt management plan now owes £26,162 on all unsecured lending.

CCCS manages the debt management plans of over 88,000 clients. The average DMP repayment to creditors is £232 a month.

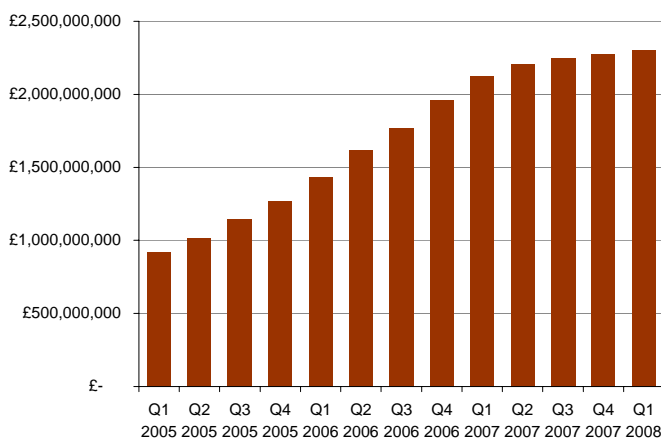


(Source: CCCS)

Debt under CCCS management

CCCS now manages over £2.3 bn of the UK's problem debt.

This increased by £175m in Q1 2008.



(Source: CCCS)

	Total Debt under management (thousands)	CCCS clients on DMPs	Average CCCS client debt	Average DMP payment (Surplus)	Average surplus	Income (indexed Jan 2004 = 100)	Expenditure (indexed Jan 2004 = 100)
Q1 2004	-	-	-	-	-	-	-
Q1 2005	£920,875	40,980	£22,471	£210	16.0%	100.0	100.0
Q1 2006	£1,432,188	56,269	£25,453	£262	19.0%	105.4	101.7
Q4 2006	£1,957,217	73,655	£26,573	£237	16.9%	107.3	106.3
Q1 2007	£2,127,840	79,562	£26,744	£236	16.7%	108.3	107.5
Q2 2007	£2,210,796	82,740	£26,720	£235	16.4%	109.1	108.6
Q3 2007	£2,245,301	84,467	£26,582	£232	16.2%	109.5	109.3
Q4 2007	£2,276,057	86,145	£26,421	£233	16.1%	110.3	110.3
Q1 2008	£2,303,031	88,028	£26,162	£232	16.0%	111.1	111.2
Annual Change	£175,191	8,466	£-582	£-4	-0.7%	2.8	3.7

Notes on Debt Dashboard:

1. *Debt Dashboard* is produced quarterly and based on data from some 86,000 people spread throughout the United Kingdom. It juxtaposes clients' levels of debts and ability to repay with broader economic variables.
2. 'CCCS clients' in this press release 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 debtors property - data supplied by the Ministry of Justice.
 - CCJs – County Court Judgments in England and Wales - data supplied by Registry Trust.
 - Bankruptcies, IVAs – England and Wales only - data supplied by the Insolvency Service.
 - Base rate - quarterly average of 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.
 - 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. Mortgage and repossessions counselling is available at the same times on 0800 975 9558. In addition, online debt advice is available through CCCS Debt Remedy 24 hours a day at www.cccs.co.uk

For further information please contact Frances Walker on 020 7636 5214. Out of office hours 07909 563 806 or email: fwalker@hurlstons.com