

# Debt Dashboard

## Q1 2009

### **Debt charity to reclaim £6.3m in benefits for clients in 2009**

Substantial under-claiming of welfare benefits is putting a massive strain on an overburdened economy and forcing eligible people to struggle with debt problems. Often, these are problems which might be solved and could certainly be alleviated if people claimed their full entitlements according to the UK's leading debt charity, Consumer Credit Counselling Service (CCCS).

As debt counsellors found more cases of possible under-claiming of benefits, CCCS's specialist Welfare Benefits Centre received a record number of calls in the first quarter of 2009, up by two thirds on 2008.

The Centre was opened by the UK's leading debt charity in the second half of 2007, since when it has provided specialist advice to over 10,000 clients about benefits eligibility and unclaimed welfare credits.

Of the 395 welfare benefit checks in quarter one of 2009, nine out of ten resulted in an overall uplift averaging £85.16 a week for each family. Compared to the previous quarter, this was almost a 13 percent increase.

The Centre is currently only equipped to deal with the charity's registered clients, referred on by the charity's counsellors, but CCCS believes that a record number of people will need help with welfare benefits in 2009, as the economy deteriorates. CCCS expects to be responsible for an extra £6.3 million in benefits being claimed in 2009.

This figure will rise, as extra benefits for pensioners and the unemployed announced in the April 2009 Budget come into effect. Despite the current low level of inflation, the

Government has guaranteed a minimum 2.5 percent increase in the pensions allowance this year.

In 2006-7, according to Department of Work and Pensions, between £6,180 million and £9,990 million worth of income related benefits were left unclaimed, representing between 15 and 22 percent of the money available to people claiming jobseekers allowance, pension credit, income support, employment and support allowance, and housing benefit. Around £4 billion worth of child and working tax credits were also left unclaimed in 2005-06 (source: HMRC).


Almost 20 different types of benefits were recommended by the Centre, derived from both central and local Government sources. The main unclaimed benefit in quarter one 2009 was the child tax credit, accounting for almost 18 percent of claim recommendations to CCCS clients. The next was jobseekers' allowance, which will almost certainly be more frequently recommended during 2009, with unemployment at its highest since June 1997.

CCCS chairman, Malcolm Hurlston, said, "Benefits are there because people need them, and proper access to benefits can transform people's lives.

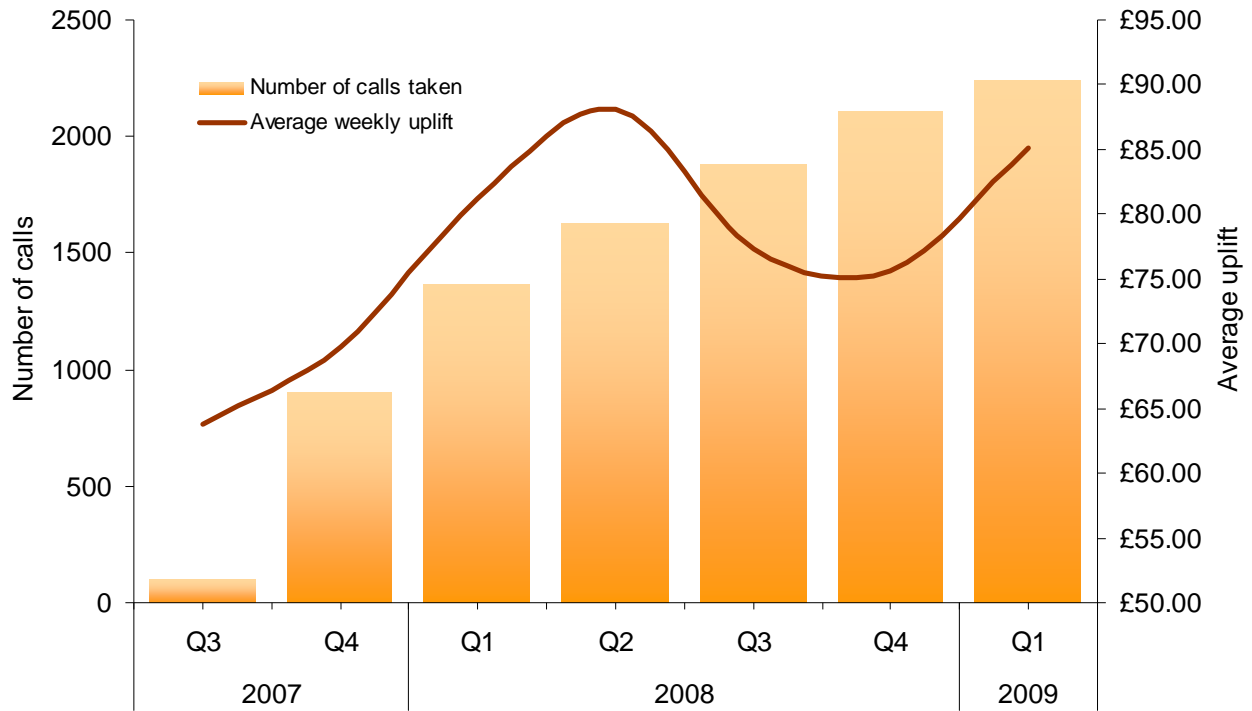
"Our Welfare Benefits Centre is especially important during the current financial downturn, when people need to make every penny count but are struggling to access the complex national welfare system.

"We would like to make our service more widely available and for that we need special funding."

Currently, the CCCS Welfare Benefits Centre is accessible via the free-phone CCCS helpline (0800 138 1111), or online using the charity's unique online counselling tool, *Debt Remedy*, at [www.cccs.co.uk](http://www.cccs.co.uk). People approaching CCCS for help with their debt problems may be referred by one of CCCS' fully trained counsellors following a review of their circumstances.

A decorative graphic at the bottom of the page consisting of three slanted parallel lines.

## CCCS welfare benefits centre increasingly busy and efficient

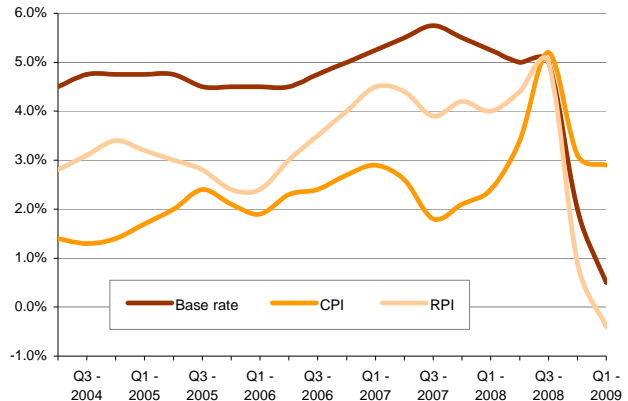


UK ECONOMY

Interest and inflation rates

Between December 08 and March 09 the Monetary Policy Committee (MPC) reduced the base rate by 150 base points to 0.5 percent, which is the lowest rate since the Bank's creation in 1694, superseding the previous low of 1.0 percent (February 09). In April 09 the base rate was unchanged at 0.5 percent, providing some stability even if it pleased neither savers nor lenders.

The Consumer Prices Index (CPI) fell by 0.2 percent in the first quarter of 2009 to 2.9 percent, compared with the government's target rate of 2.0 percent. The Retail Price Index (RPI) became negative in March for the first time since 1960 (-0.4 percent). This is down from zero percent in February .

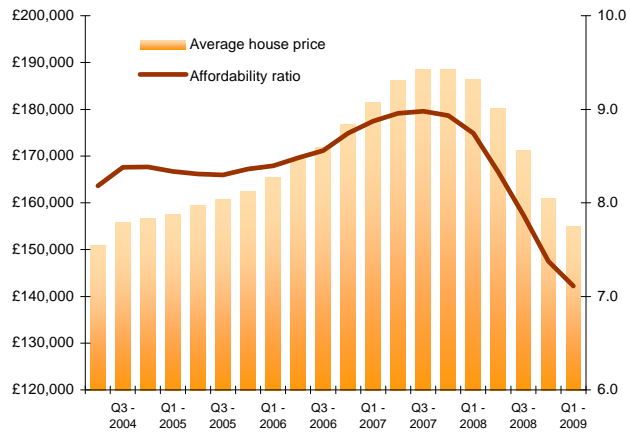


(Source: Bank of England and Office of National Statistics)

Average house prices and affordability ratio

The average house price at the end of the first quarter was £154,921, representing an annual decrease of over £31,000. The affordability ratio is now at 7.1, driven primarily by the continual decrease in house prices. Though home ownership would appear to be more accessible, the ability of potential buyers to access suitable mortgage products is key.

The Government has continued to encourage the housing market and in his last budget Alistair Darling extended the stamp duty "holiday" for house purchases under £175,000; however, it seems unlikely that such measures will result in a significant rise in the numbers of mortgages approved in 2009. As predicted, in last quarter's Debt Dashboard, the mortgages approval rate in the last three months of 2008 continued to decline.

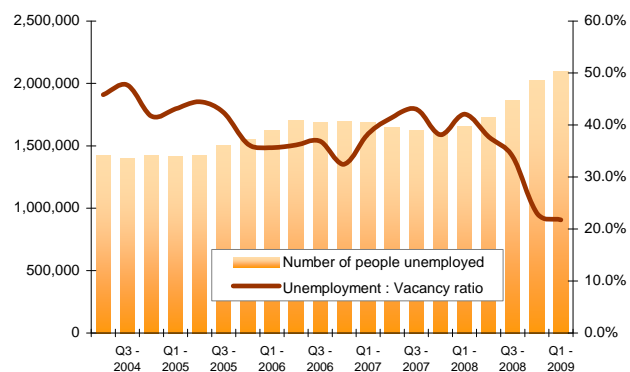


(Source: CCCS)

Unemployment

The number of people unemployed exceeded two million in quarter four 2008 and has continued to rise in the early months of this year. The last time there was more than two million unemployed was June 1997. The recession has pushed the unemployment rate close to seven percent.

The retail, banking, construction and manufacturing sectors continued to be the most affected. The prospects for those made unemployed did not improve, as the unemployment:vacancy ratio fell to just over 20 percent, effectively one job vacancy per five people unemployed.



(Source: Office for National Statistics - LFS)

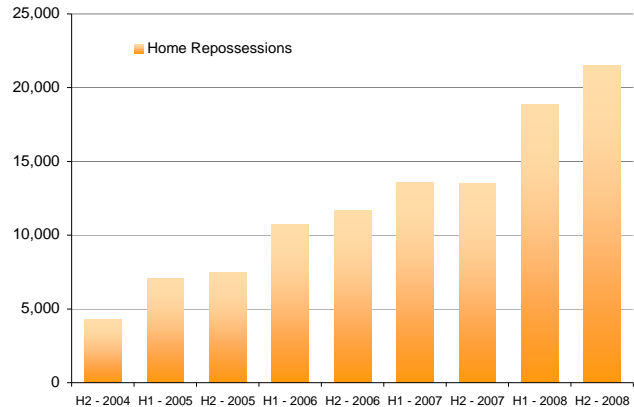
	Bank of England Base rate	Average house price	CPI	UK Households (thousands)	Mortgage Approvals	Unemployment (number)	Housing affordability ratio
Q1 - 2006	4.50%	£165,376	1.9%	25,080	346589	1,627,000	8.4
Q1 - 2007	5.25%	£181,466	2.9%	25,333	346529	1,686,000	8.9
Q1 - 2008	5.25%	£186,395	2.4%	25,586	197973	1,656,000	8.7
Q2 - 2008	5.00%	£180,235	3.4%	25,586	129890	1,727,000	8.3
Q3 - 2008	5.00%	£171,159	5.2%	25,586	98845	1,864,000	7.9
Q4 - 2008	2.00%	£160,890	3.1%	25,586	91670	2,029,000	7.4
Q1 - 2009	0.50%	£154,921	2.9%	25,839	108812	2,100,000	7.1
Annual Change	-4.75%	£-31,474	0.5%	253	-89161	444,000	-1.6

UK DEBT

Home repossessions

The total number of repossessions in 2008 was 40,000, five thousand fewer than the Council of Mortgage Lenders (CML) had estimated earlier in the year. As the number of mortgages in arrears continues to increase it is unlikely that repossessions will remain behind estimate.

However, lenders are under increasing pressure from the Government to use repossession only as a last resort and show greater leniency. The CML is predicting there will be 75,000 repossessions in 2009.

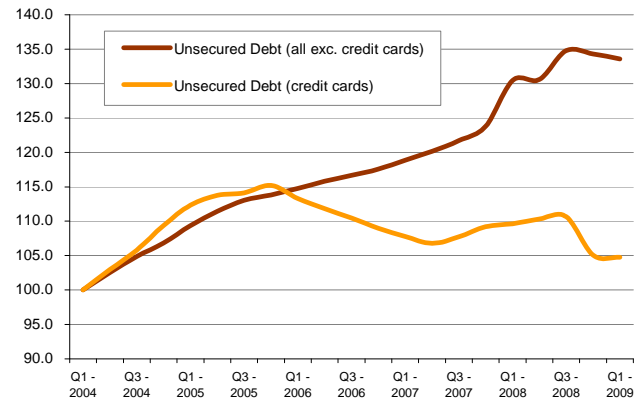


(Source: Council of Mortgage Lenders)

UK unsecured debt (indexed Q1 2004 = 100)

The level of unsecured personal debt continued to fall over the first quarter of 2009, although credit card debt rose over the period. This has led some to worry that those hardest hit by the recession are deferring their debts.

However, the last Debt Dashboard speculated that the end of higher penalty fees would lead to an increased use of credit cards, as the lowering of credit card charges impacts positively on those with credit card debt. It appears that it is the reduction of these charges that has resulted in increased credit card use, rather than problems caused by the credit crunch.



(Source: Bank of England)

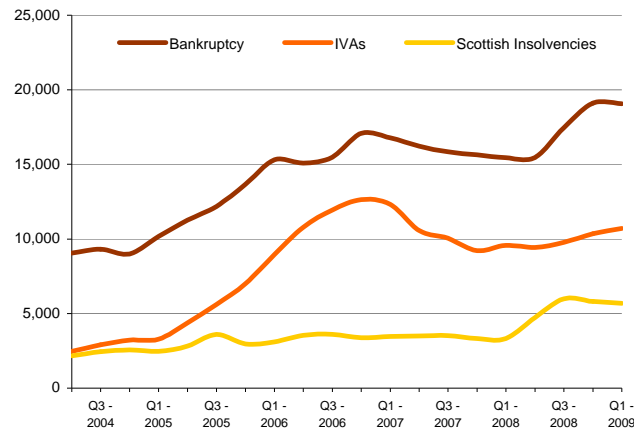
Insolvencies in the UK

There were 29,744 individual insolvencies in England and Wales during the first quarter of 2009. This is an increase of nineteen percent when compared to the same period last year.

Within this rise were bankruptcies, which hit an all-time high of 19,062 in quarter one 2009. This was a year on year increase of 3,610 (23.4 percent).

However, it is anticipated that the introduction of Debt Relief Orders in April 2009 may reduce the number of bankruptcies in the future.

The number of Scottish insolvencies has continued to fall since quarter two 2008, decreasing by 305 since June. This decrease is most likely linked to the end of the initial rush of LILAs in 2008.



(Source: Insolvency Service)

	Total unsecured debt (millions)	Total Credit Card Debt (millions)	Average UK unsecured debt (per household)	Home repossessions	Scottish Insolvencies	Bankruptcy	IVAs
Q1 - 2006	£211,077	£56,947	£8,416	-	3,111	15,310	8,964
Q1 - 2007	£213,790	£54,175	£8,439	-	3,471	16,788	12,328
Q1 - 2008	£230,273	£55,107	£9,000	-	3,324	15,452	9,577
Q2 - 2008	£230,829	£55,440	£9,022	18,900	4,735	15,468	9,428
Q3 - 2008	£236,591	£55,623	£9,247	-	5,998	17,451	9,766
Q4 - 2008	£233,159	£52,810	£9,113	21,500	5,807	19,100	10,341
Q1 - 2009	£232,016	£52,658	£8,979	-	5,693	19,062	10,713
Annual Change	£1,743	-£2,449	-£21	-	2,369	3,610	1,136

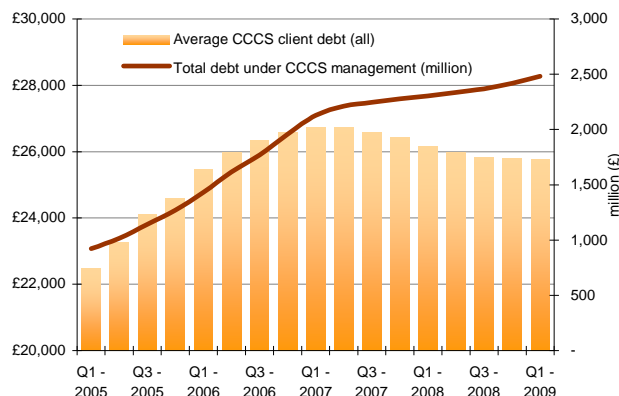
CCCS

**CCCS DMP client base**

CCCS now manages 96,232 Debt Management Plans (DMPs), increasing 2,512 from last quarter and representing an annual increase of 8,204.

The total amount currently under management is now over £2.48 billion. The average level of debt held by a CCCS client when commencing a DMP is now £25,778. This has decreased for the last eight quarters.

(Source: CCCS)

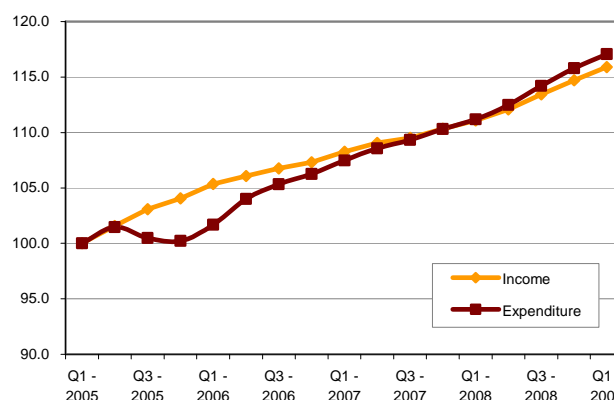


**CCCS client income and expenditure**

The average income of a CCCS client is currently £18,218 per annum, which is £3,565 lower than the national average salary. However, CCCS client's salaries have increased over the quarter, whilst the national average salary has decreased.

Despite salaries continuing to increase, they are not keeping pace with rising costs. CCCS clients have a limited surplus with which to repay their creditors, however the combination of lower average debts and increasing salaries has led to a quarterly increase in the average surplus for over a year.

(Source: CCCS)

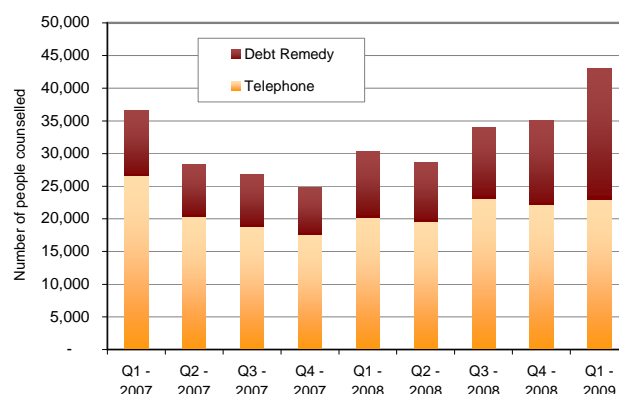


(Source: CCCS)

**CCCS clients counselled**

Historically, there have been seasonal variations in number of clients contacting CCCS and requiring debt counselling, generally decreasing through the year. However, during quarter three last year CCCS started to experience large uplifts in the number of people seeking help and advice.

The number of people counselled using Debt Remedy, CCCS's online counselling tool, has almost doubled over the last year from 10,117 in Q1 2008 to 20,154 during the first quarter of 2009. Debt Remedy can be viewed at [www.cccs.co.uk/debtremedy](http://www.cccs.co.uk/debtremedy).



(Source: CCCS)

	Total debt under CCCS management	CCCS Clients on a DMPs	Average CCCS client debt (all)	Average CCCS Client Income (Monthly)	Average CCCS Client Surplus (Monthly)	CCCS Client Income (indexed Jan 2005 = 100)	CCCS Client Expenditure (indexed Jan 2005 = 100)
Q1 - 2006	£1,432,187,827	56,269	£25,453	£ 1,380.02	£262	105.4	101.7
Q1 - 2007	£2,127,839,929	79,562	£26,744	£ 1,418.20	£236	108.3	107.5
Q1 - 2008	£2,303,031,176	88,028	£26,162	£ 1,455.06	£232	111.1	111.2
Q2 - 2008	£2,336,162,365	89,920	£25,980	£ 1,468.32	£231	112.1	112.5
Q3 - 2008	£2,366,946,028	91,607	£25,838	£ 1,485.72	£230	113.4	114.2
Q4 - 2008	£2,417,148,624	93,720	£25,791	£ 1,502.67	£229	114.7	115.8
Q1 - 2009	£2,480,674,663	96,232	£25,778	£ 1,518.14	£231	115.9	117.1
Annual Change	£177,643,487	8,204	-£384	£ 63.08	-£2	4.8	5.9

## Notes on Debt Dashboard:

1. *Debt Dashboard* is produced quarterly and based on data from over 90,000 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.
  - Average number of credit cards per UK adult – data supplied by APACS
  - 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, 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](http://www.cccs.co.uk)

**For further information please contact Frances Walker or Tom Howard on 020 7636 5214. Out of office hours 07771788713 or email: [francesw@cccs.co.uk](mailto:francesw@cccs.co.uk) or [tomh@cccs.co.uk](mailto:tomh@cccs.co.uk)**

May 13 2009