

Debt Dashboard

Q2 2007

NB: Not for publication before 00.01 hours on Monday, August 20 2007

YOUNG, MORTGAGED AND IN THE RED

Young homebuyers owe on average two thirds more than tenants in the same age group, according to the latest statistics from Britain's leading debt charity, Consumer Credit Counselling Service (CCCS).

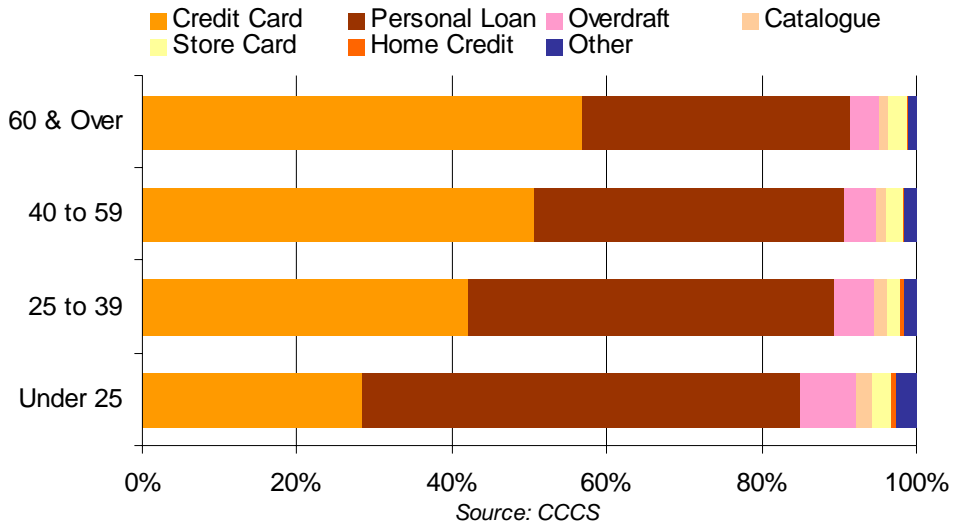
CCCS clients owe an average of £16,351 by the time they are 24. Homebuyers under 25 owe an average of £20,290 on unsecured credit, compared to £12,113 for tenants in the same age group. Only one in ten clients under 25 has a mortgage.

Table 1: Average debt levels and average lines of credit for CCCS clients under-25 in 2006

	Average Debt	Average lines of credit
Tenants	£12,113	5.95
Homebuyers	£20,290	7.64

It seems likely that increasing costs for homebuyers, including rising interest rates are to blame for their higher levels of debt. They accumulate more lines of credit than those who rent.

Personal loans account for more than half of all debt among the young. As they are building up their credit profiles, the under 25s make more use of more expensive forms of credit than other age groups, such as overdrafts, catalogues and store cards. Credit cards account for just over a quarter (28 percent) of unsecured debt in the under 25s, which is lower than for older age groups.



CCCS Chairman Malcolm Hurlston said, "There is a danger in young people getting on to the housing ladder before they are ready financially. Before taking out a mortgage the under 25s should make sure they can still afford to live and not rely on credit to plug any gaps. That way lies financial disaster".

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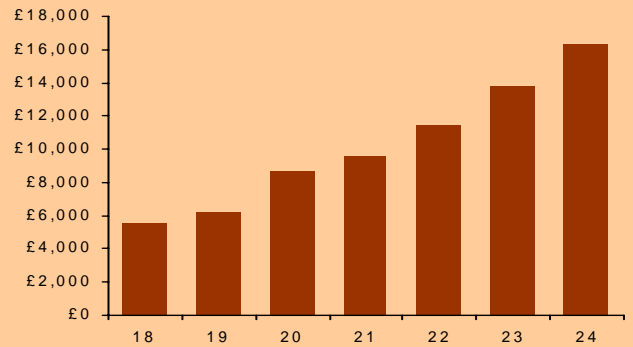
August 15 2007

Debt levels for the under-25s increase with age. The average consumer debt for 24 year olds in 2006 was £16,351.

Personal loans make up the largest part of this debt (56 percent), followed by credit cards (28 percent).

Overdrafts, store cards and catalogue debt are disproportionately high when compared to other age groups.

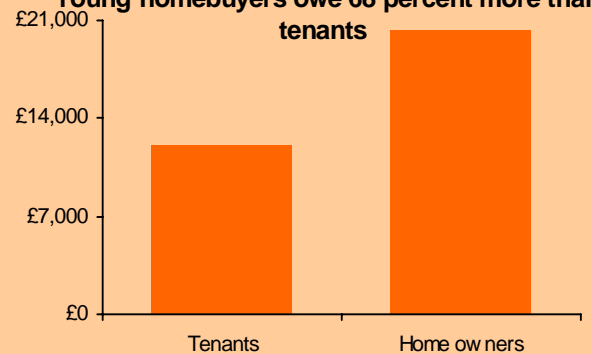
Under 25 debt levels by age in 2006



Young homebuyers owe 68 percent more on consumer credit than young tenants.

In 2006, the average debt of a homebuyer under 25 was £20,290, compared to £12,113 for tenants.

Young homebuyers owe 68 percent more than tenants

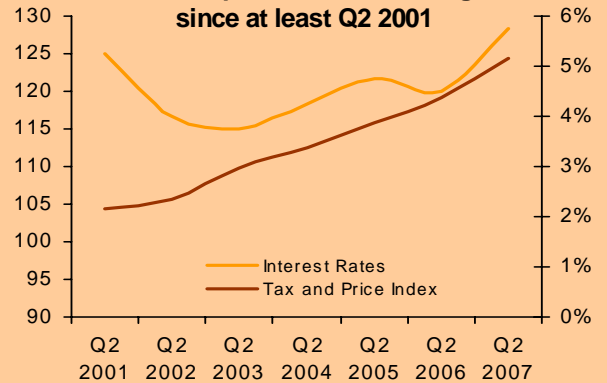


With interest rates and prices rising to their highest level since Q2 2001, the homeowner is likely to be further squeezed in 2007.

Base rate has hit 5.75 percent and many are predicting more increases.

This will affect many young homeowners who have stretched themselves too far.

Interest rates and prices are at their highest levels since at least Q2 2001



Debt Dashboard data – Q2 2007

	Index of average DMP debt (Jan 1999 = 100)	Tax and Price Index (Jan 1999 = 100)	Index of ILO Unemployment rate (Jan 1999 = 100)	Repayment difficulty index (Jan 1999 = 100)	Base rate	Index of average earnings (Jan 1999 = 100)	Index of average UK unsecured debt (Jan 1999 = 100)
2001 Q2	121.5	104.4	80.6	69.3	5.25%	111.1	131.0
2002 Q2	127.3	105.6	83.3	71.1	4.00%	115.2	147.0
2003 Q2	132.3	109.7	81.2	78.0	3.75%	118.7	160.7
2004 Q2	138.8	112.6	77.4	74.0	4.25%	124.1	175.8
2005 Q2	151.5	115.9	76.3	65.3	4.75%	128.9	192.2
2006 Q2	165.9	119.2	88.2	62.2	4.50%	134.4	198.2
2007 Q2	168.6	124.4	87.1*	62.1	5.50%	138.6*	199.8

* Full Q2 data from the ONS for the index of average earnings and ILO Unemployment rate is unavailable. Estimates have been used.

Notes on Debt Dashboard:

1. *Debt Dashboard* is produced quarterly and based on data from some 73,000 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.

A total of seven variables are covered:

- **Repayment difficulty index**
The repayment difficulty index reflects problems reported by people on repayment plans. These plans are based on affordable payments agreed with creditors.
- **Index of average DMP debt**
This refers to the average level of unsecured debt being paid back by DMP clients (i.e. original debt) at any time. Because the aggregate is made up of DMPs established at various times, it is not possible to weight the data for inflation. The debt does not include mortgages or other secured sources of credit. These are defined as priorities by CCCS and are taken into account in deciding an affordable monthly repayment plan.
- **Tax and price index**
The tax and price index (TPI) takes into account taxes and prices in calculating the RPI basket of goods. This means that it is a truer indication of disposable income. More information can be found on the TPI index at the Office of National Statistics, which releases the figures monthly, quarterly and annually. We have adjusted the figures with January 1999 as the base.
- **Index of ILO unemployment rate**
- **Index of average earnings**
- **Index of average unsecured debt in the UK**
- **Base rate**

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