

# Debt Dashboard

## Q2 2008

### FROM CREDIT CRUNCH TO CAR CRASH?

The soaring price of fuel is forcing motorists to make significant changes to their lifestyles, according to the UK's leading debt charity, Consumer Credit Counselling Service (CCCS).

According to the charity's quarterly Debt Dashboard published today (21<sup>st</sup> July 2008), whilst the real cost of motoring is lower now than in January 2004, fuel prices have increased by 24 percent<sup>1</sup> in the past year alone. This has led to a rise in the proportion of motoring expenditure made up by spending on petrol, which has increased from a quarter to a third since 2004, and has been the main driving force behind the annual increase of almost seven percent in overall motoring expenditure.

However, for CCCS clients the effects have been somewhat different. While their motoring expenditure rose by around 12 percent annually, their spending on fuel in June 2008 was just 29 percent more than in 2004 and 19 percent more than the previous year; considerably lower than the increases experienced by the population as a whole. This reflects more selective vehicle use by the over-indebted.

This rise has forced Britons in debt to change their overall motoring spending habits. Although they spent more on petrol in 2008 than 2004, they also spent 26 percent less in real terms on the maintenance of their vehicles, as their overall spending on motoring had been affected by the increases in the price of petrol.

Commenting on the trend, CCCS chairman, Malcolm Hurlston said: "As fuel prices soar, motorists, and especially the indebted, are finding that they are unable to use their

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<sup>1</sup> RPI Petrol and Oil (June 07 to June 08)

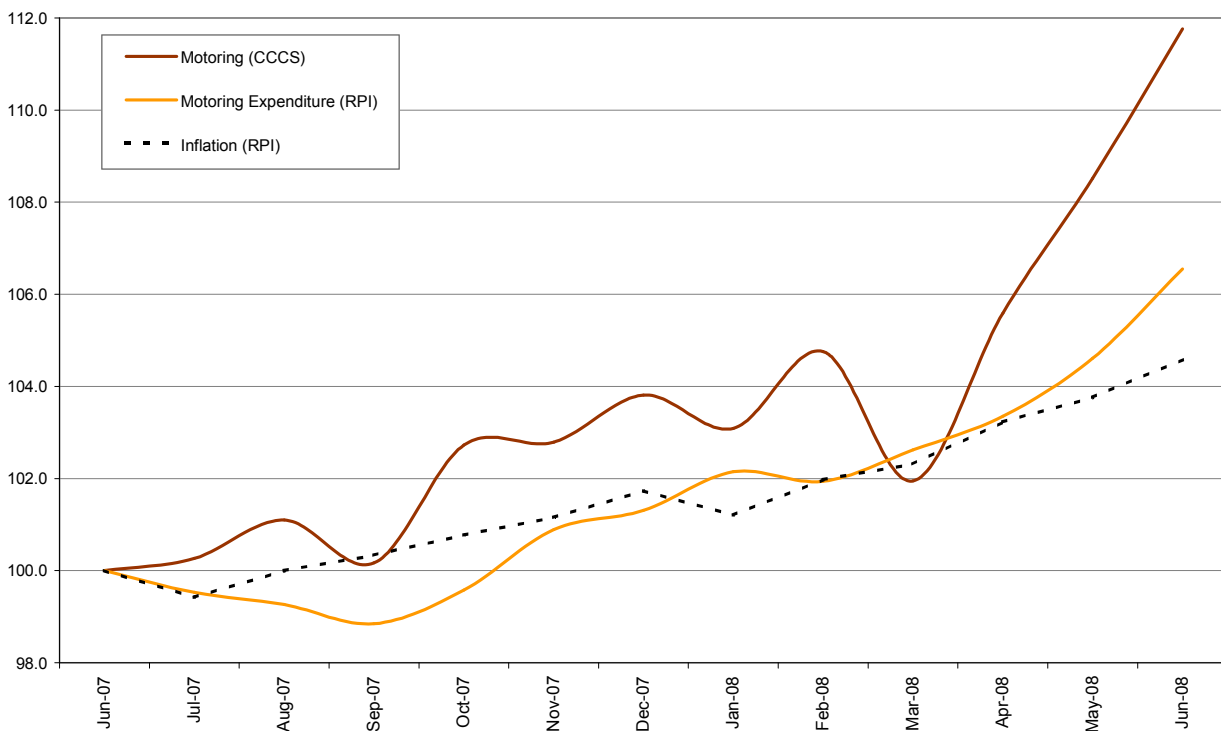
vehicles as they once did. Ultimately, those in debt are being forced to drive less and to make compromises in the maintenance of their cars”.

“This latter trend causes more concern. As well as the financial hit of a higher servicing bill or unexpected breakdown, vehicle safety may be at risk”.

“Those struggling with debt are often the first to feel the bite of rising prices. In this case, one must hope that the sacrifices they are forced to make do not end up costing them more than they bargained for.”

Rising motoring costs have heavily impacted the over-indebted in the last year, as they struggle to rescind years of under-spending.

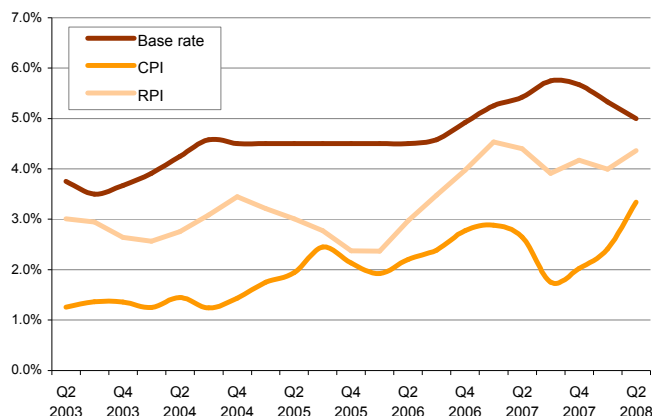
**Motoring expenditure of CCCS clients and RPI motoring expenditure (Indexed Jun 07 = 100)**



**Interest and inflation rates**

The Bank of England has held the interest rate over the last quarter, the base rates now stands at five percent.

This has been accompanied by a significant rise in inflation. The cost of living has increased, as the price of food, utilities and fuel has continued to creep up. CCCS estimates the annual inflation rate for its clients to be around nine percent; approximately double the RPI of four point six percent.

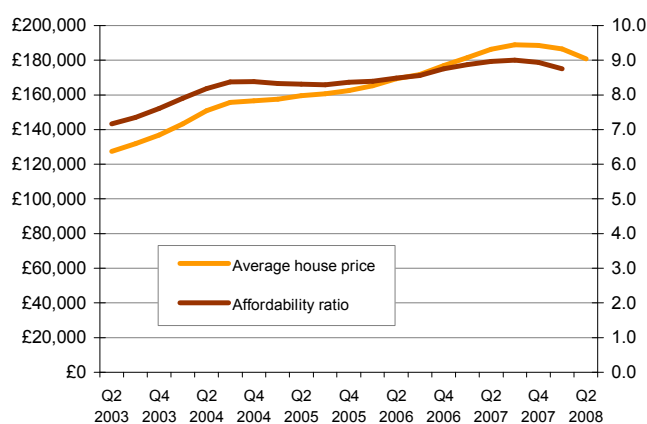


(Source: Bank of England and Office of National Statistics)

**Average house price and affordability ratio**

The average house price has continued to fall, dropping by around £5,500 year-on-year. As borrowing continues to be expensive and fewer people are looking to buy property, we expect this trend to continue.

The "affordability ratio" (the ratio between house price and average annual salary) has decreased slightly, lowering the burden on those few people who are looking to buy. However, the disappearance of 100 percent mortgages means that significant deposits are required in order to make the first step on the property ladder.

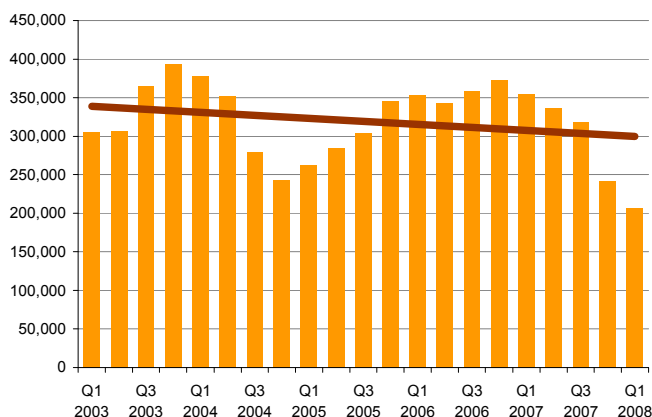


(Source: CCCS)

**Mortgage applications**

As we predicted last quarter, mortgage applications have continued to decline, and are down by around 44 percent year-on-year to just 207,000 in Q1 2008.

Looking ahead, there is little reason to suggest that this trend will change any time soon, as banks continue to offer interest rates well above the base rate, and fears for the overall health of the economy remain.



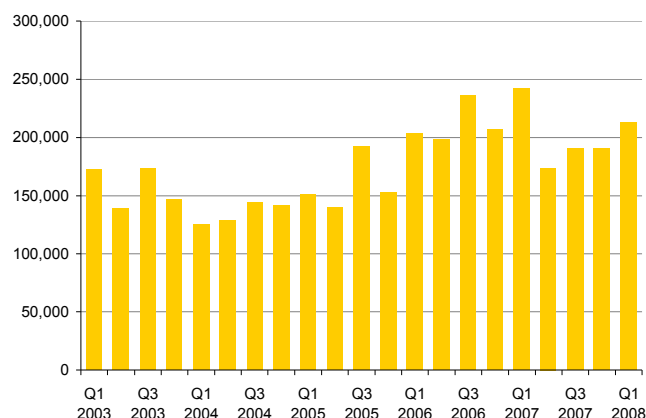
(Source: Bank of England)

	Base Rate (quarterly average)	Average house price	CPI	UK households (thousands)	Mortgage applications	Average annual salary	Housing affordability ratio
Q2 2004	4.25%	£150,870	1.4%	24,556	352,000	£18,439	8.2
Q2 2005	4.50%	£159,489	1.9%	24,818	285,000	£19,196	8.3
Q2 2006	4.50%	£169,258	2.2%	25,080	343,000	£19,955	8.5
Q1 2007	5.25%	£181,574	2.9%	25,333	355,000	£20,449	8.9
Q2 2007	5.42%	£186,286	2.6%	25,333	337,000	£20,781	9.0
Q3 2007	5.75%	£188,900	1.8%	25,333	318,000	£20,998	9.0
Q4 2007	5.67%	£188,626	2.0%	25,333	242,000	£21,109	8.9
Q1 2008	5.33%	£186,487	2.4%	25,586	207,000	£21,318	8.7
Q2 2008	5.00%	£180,758	3.3%	25,586	-	-	-
<b>Annual Change</b>	<b>-0.42%</b>	<b>-£5,528</b>	<b>0.7%</b>	<b>253</b>	<b>-148,000</b>	<b>£869</b>	<b>-0.2</b>

### County Court Judgments

In Q1 2008, there were approximately 213,000 County Court Judgements (CCJs), a year-on-year drop of around 30,000. Quarter-on-quarter, however, CCJs increased, rising by around 22,000.

A CCJ is required before creditors can take out a charging order on a property, and there is anecdotal evidence from our counsellors that creditors are turning to charging orders as a means to recover outstanding debts. Therefore we expect CCJs to increase slightly over the coming year.

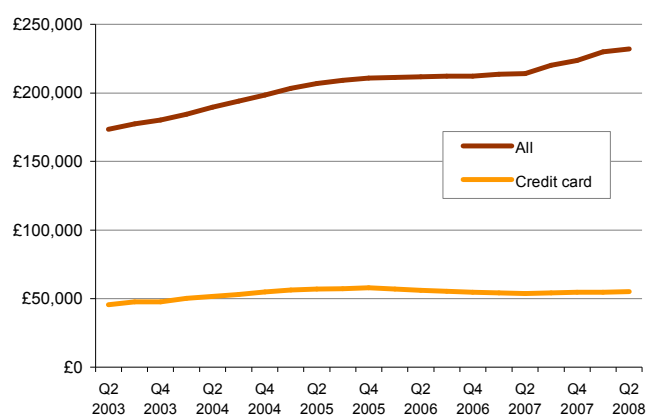


(Source: Registry Trust Ltd)

### UK unsecured debt (millions)

Following a plateau in 2006, there has been a steady increase in the level of UK unsecured debt since the start of 2007. In Q2 2008 unsecured debt totalled around £232bn - a year-on-year increase of £18bn.

With the level of credit card debt remaining stable, the majority of this increase comes from personal loans.

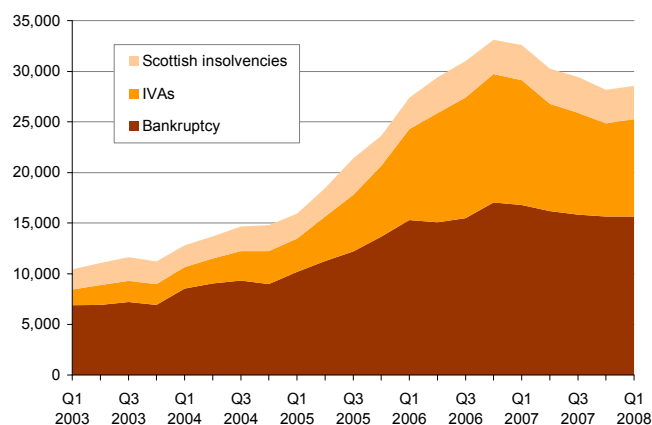


(Source: Bank of England)

### Insolvencies in the UK

There were falls in the number of insolvencies in England and Wales in 2007, caused partly by IVAs being held up as lenders and providers came to agreement on standards. The number of IVAs has now started to creep back up, while numbers of bankruptcies remain static.

Insolvencies in England and Wales reached 25,265 in Q1 2008. This is a slight rise compared to the previous quarter, but a year-on-year drop of 3,851.



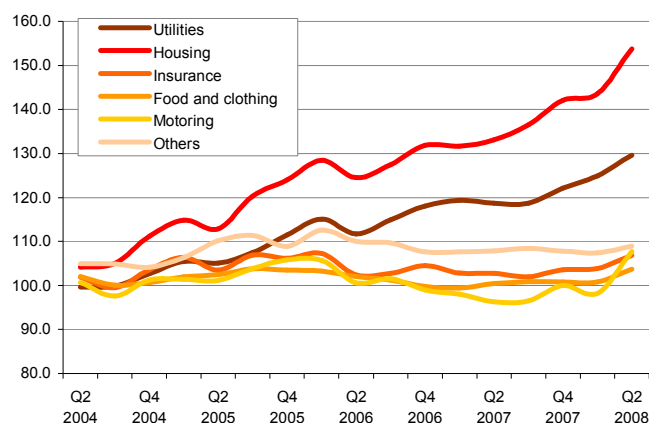
(Source: Insolvency Service)

	Total unsecured debt (millions)	Average unsecured debt by household	Charging orders	CCJs	Bankruptcy	IVAs	Household Savings Ratio
Q2 2004	£189,573	£7,639	18,474	128,418	9,060	2,475	4.5
Q2 2005	£206,856	£8,248	28,270	140,021	11,259	4,386	4.7
Q2 2006	£211,889	£8,364	33,025	198,195	15,090	10,779	6.0
Q1 2007	£213,583	£8,431	33,649	241,596	16,788	12,328	3.5
Q2 2007	£214,102	£8,368	33,324	173,732	16,214	10,561	3.1
Q3 2007	£220,237	£8,608	35,004	190,402	15,842	10,058	3.5
Q4 2007	£223,652	£8,741	35,662	190,798	15,636	9,218	2.8
Q1 2008	£229,825	£8,982	-	213,181	15,651	9,614	3.0
Q2 2008	£232,015	£9,068	-	-	-	-	1.1
<b>Annual Change</b>	<b>£17,913</b>	<b>£700</b>	<b>4,247</b>	<b>-28,415</b>	<b>-1,137</b>	<b>-2,714</b>	<b>-2.0</b>

**Client expenditure index (Jan 2004 = 100)**

Our client expenditure index reveals that there have been large rises in budgeted costs since January 2004, with the cost of utilities 30 percent higher, and housing costs up by 54 percent.

In Q2 2008, food and clothing, and insurance costs each increased by almost three percent quarter-on-quarter. The biggest change, however, was in motoring costs, which rose by almost ten percent in the same period.

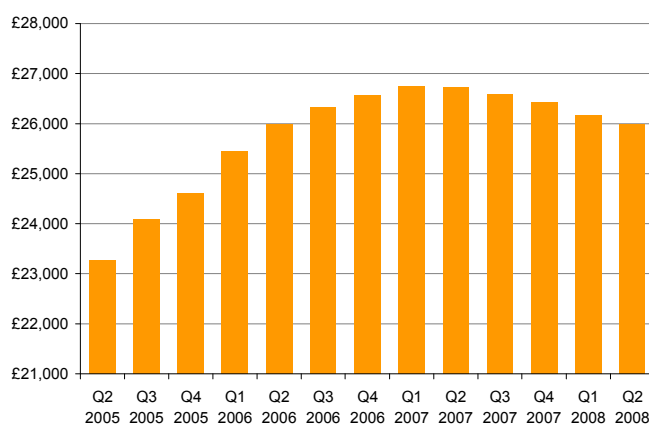


(Source: CCCS)

**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 £25,980 on all unsecured lending.

CCCS manages the debt management plans of nearly 89,000 clients. The average DMP repayment to creditors is £231 a month.

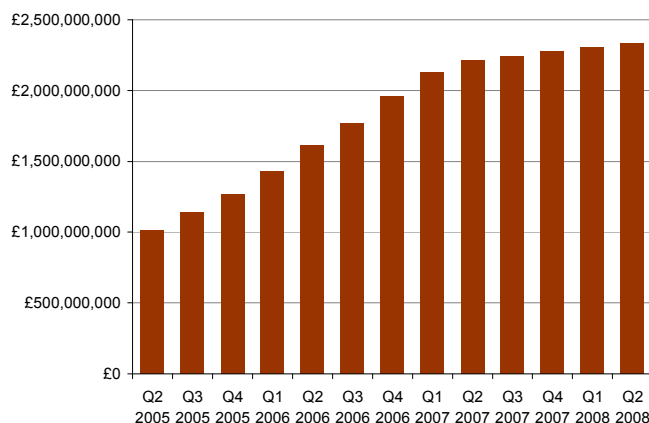


(Source: CCCS)

**Debt under CCCS management**

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

This increased by £33m in Q2 2008, and by £125m year-on-year.



(Source: CCCS)

	Total Debt under management	CCCS clients on DMPs	Average CCCS client debt	Average DMP payment (Surplus)	Average surplus	Income (indexed Jan 2005 = 100)	Expenditure (indexed Jan 2005 = 100)
Q2 2004	-	-	-	-	-	-	-
Q2 2005	£1,014,203,141	43,569	23,278	£ 214.78	16.1%	101.6	101.5
Q2 2006	£1,615,531,328	62,162	25,989	£ 245.72	17.7%	106.1	104.0
Q1 2007	£2,127,839,929	79,562	26,744	£ 236.45	16.7%	108.3	107.5
Q2 2007	£2,210,796,383	82,740	26,720	£ 234.93	16.4%	109.1	108.6
Q3 2007	£2,245,301,177	84,467	26,582	£ 232.29	16.2%	109.5	109.3
Q4 2007	£2,276,057,116	86,145	26,421	£ 232.52	16.1%	110.3	110.3
Q1 2008	£2,303,031,176	88,028	26,162	£ 232.46	16.0%	111.1	111.2
Q2 2008	£2,336,162,365	89,920	25,980	£ 231.43	15.8%	112.1	112.5
<b>Annual Change</b>	<b>£125,365,983</b>	<b>7,180</b>	<b>-£739</b>	<b>-£3.50</b>	<b>-0.7%</b>	<b>3.0</b>	<b>3.9</b>

## Notes on Debt Dashboard:

1. *Debt Dashboard* is produced quarterly and based on data from nearly 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.
  - 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](http://www.cccs.co.uk)

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