

# Debt Dashboard

## Q2 2009

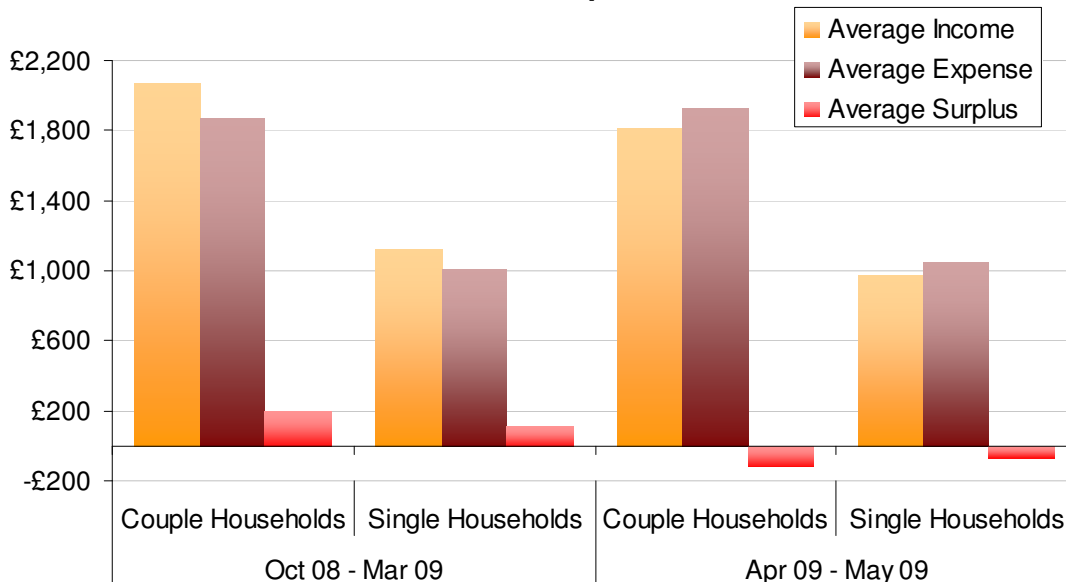
### Difficult days for people in debt

The recent rise in unemployment has left large numbers of people having to spend far more than they earn each month, according to the UK's leading debt advice charity, Consumer Credit Counselling Service (CCCS).

There has been a significant drop in the income of people coming to the charity for help. Between October 2008 and May 2009 the average yearly income of a couple contacting CCCS dropped by over 12 percent. With average expenditure on priorities and essential living costs remaining the same, the amount available to that couple to repay their debts has dropped from £197 to minus £114.

There was a similar, if less pronounced, change in the financial position of single people coming to the charity over that period. Their average monthly surplus dropped from £111 to minus £70.

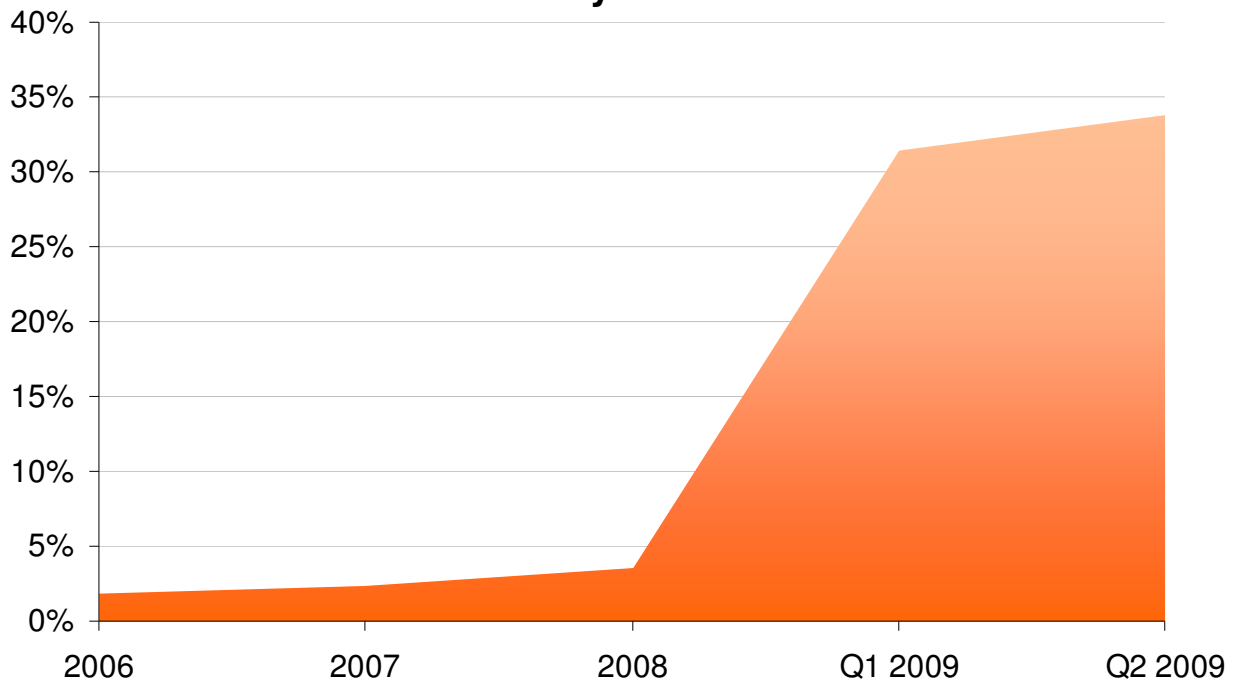
Client financial position



In the second quarter of 2009 over 30 percent of clients being counselled by the charity had to be advised that there was no immediate solution to their debt problem. They neither

had the funds for a debt repayment plan nor an IVA, nor qualified for bankruptcy or a debt relief order. Their best hope was to try to increase their income. In 2008 'Try to increase income' was recommended to only four percent of clients.

### Recommended 'Try to increase income'



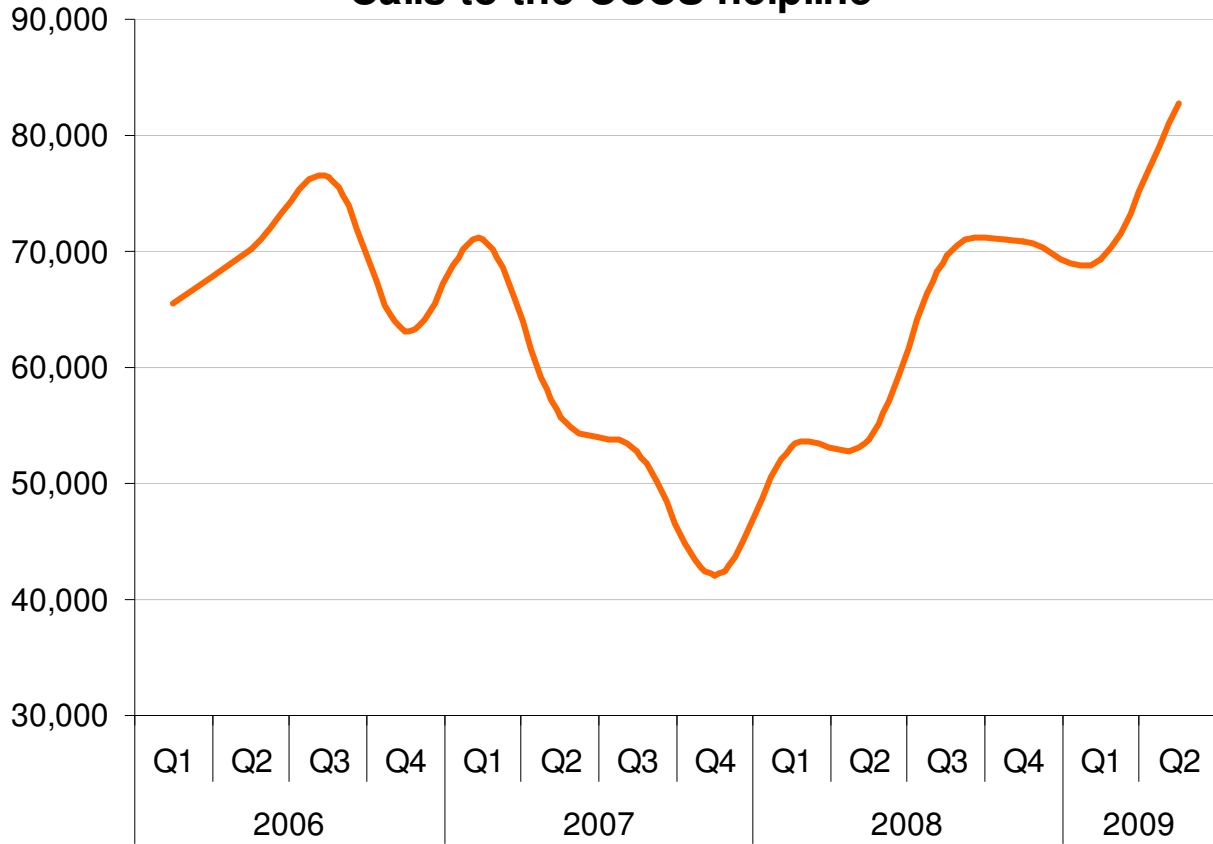
Typical suggestions for such clients are to complete a benefits check, consider renting out a spare room and trying to get a second job or increasing hours of work.

### A rising red tide

An increasing number of people are calling CCCS helplines. After a steady fall, the number of people contacting the helpline has risen sharply since the middle of 2008. If the trend continues CCCS expects to have over 300,000 calls to its helplines this year, over 50,000 more than last year.

In the second quarter CCCS received a record number of calls. For the first time ever its helpline advisers answered over 80,000 calls in a quarter.

### Calls to the CCCS helpline



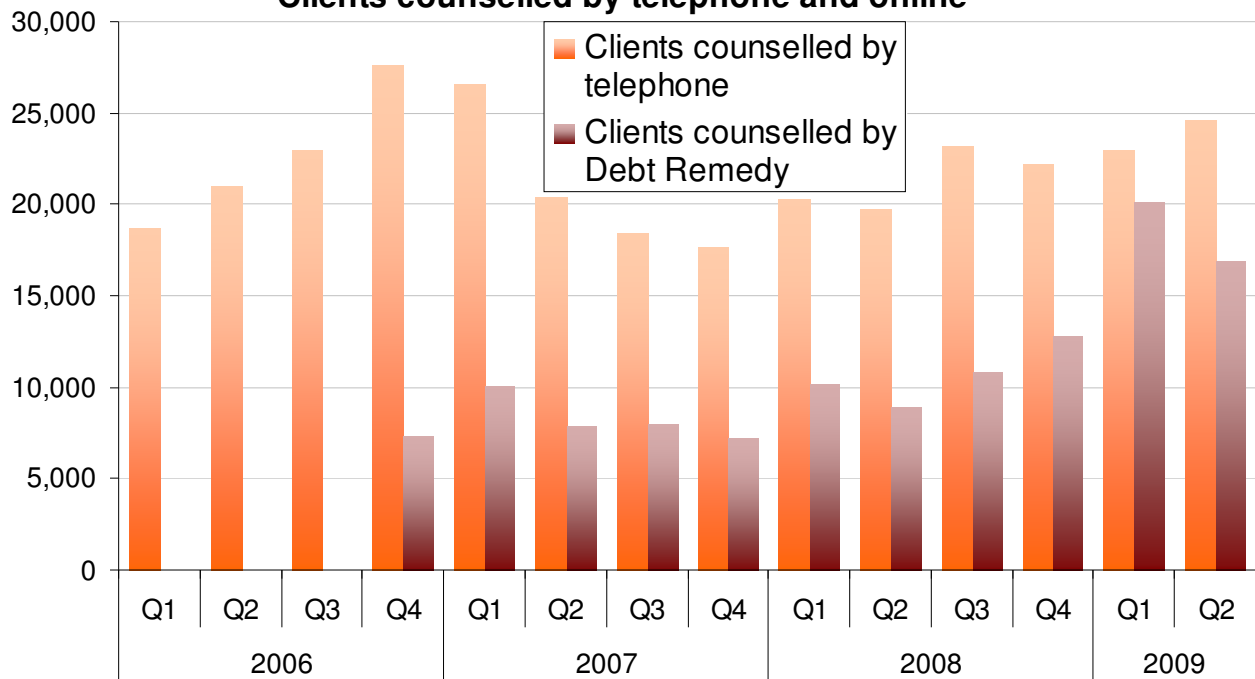
The charity is carrying out a record number of counselling sessions due to this demand. In 2009 CCCS predicts it will carry out close to 170,000 counselling sessions, a 30 percent increase on last year.

#### Web rides to the rescue

The rise in the number of people coming to CCCS online is especially significant considering the role that the internet is likely to play in future advice provision<sup>1</sup>. In the first six months of 2009 CCCS carried out over 37,000 online counselling sessions, almost as many as the 42,642 completed online for the whole of 2008.

<sup>1</sup> “... the proportion of users accessing Money Guidance online rises to 65 per cent by 2020, with telephone and face-to-face falling back to 25 per cent and 10 per cent respectively.” Thoresen review of generic financial advice advice: final report March 2008.

**Clients counselled by telephone and online**



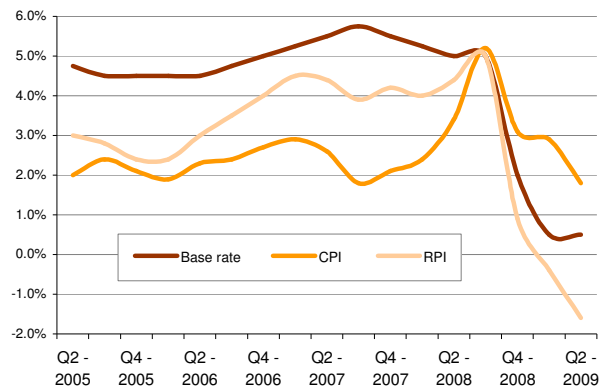
Commenting on this quarter’s findings, CCCS chairman Malcolm Hurston said:

“The recent unemployment figures make for gloomy reading. We already have evidence that this traditionally lagging indicator of financial well-being is making it increasingly difficult for our clients to repay their debts. We would expect this situation to get worse, certainly for the rest of this year.”

**Interest and inflation rates**

The Monetary Policy Committee (MPC) kept the base rate at 0.5 percent for the whole of the second quarter. The Bank of England also continued with its asset purchase programme. This will total £125 billion, financed by issuing central bank reserves. The hope is that this will support more spending in the economy and bring future inflation back on target.

The Consumer Prices Index (CPI) and the Retail Price Index (RPI) both continued to fall over the second quarter, fueling fears of a deflationary economy. After a brief rise during the middle of 2008, CPI has fallen back below two percent. RPI has remained negative this year, dropping below minus one percent

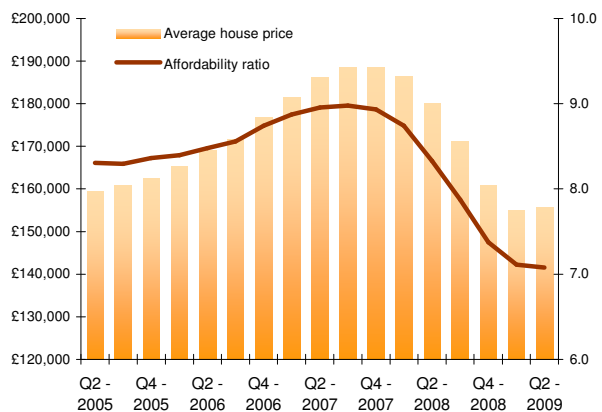


(Source: Bank of England and Office of National Statistics)

**Average house prices and affordability ratio**

Average house prices rose over the second quarter. This was mainly due to a rise in Nationwide's house price estimate, which increased by £6,773 over the period. Other house price estimates fell. Mortgage approvals have continued to rise, and totalled close to 250,000 in the first half of the year.

This a significant increase from the low of 92,000 in the last quarter of 2008. The Home Builders Federation recently reported that 60 percent of its members had seen an upturn in sales compared to this time last year. Unfortunately for first time buyers this will mean a rise in the affordability ratio, which remained at a six year low of 7.1 in the second quarter.

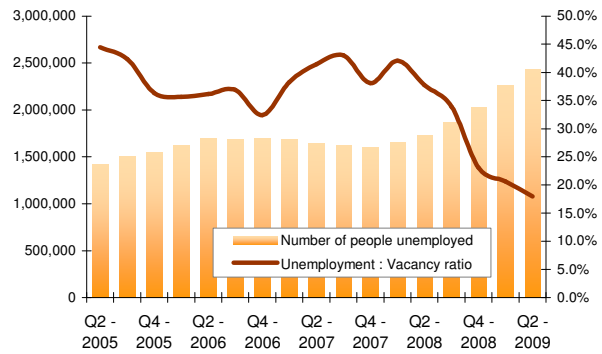


(Source: CCCS, Halifax, Nationwide and the Land Registry)

**Unemployment**

The human cost of the recession continues to rise, with over 2.4 million people unemployed by June. It seems more and more likely that those who predicted unemployment would rise above three million by the end of the year will be proved correct.

Alongside this rise in unemployment there was also a huge fall in the unemployment: vacancy ratio, which has more than halved in the previous two years and is now 18.3 percent. Large numbers of people are now being forced to take part time work, or are having their hours reduced especially in the manufacturing sector.



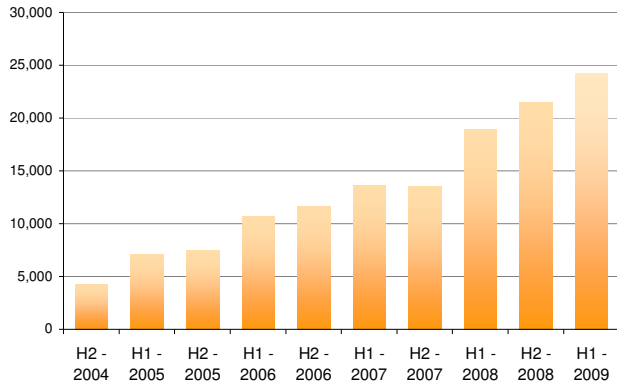
(Source: Office for National Statistics - LFS)

	Bank of England Base rate	Average house price	CPI	UK Households (thousands)	Mortgage Approvals	Unemployment (number)	Housing affordability ratio
Q2 - 2005	4.75%	£ 159,470	2.0%	24,818	285,415	1,426,000	8.3
Q3 - 2005	4.50%	£ 160,767	2.4%	24,818	305,146	1,503,000	8.3
Q4 - 2005	4.50%	£ 162,518	2.1%	24,818	349,065	1,549,000	8.4
Q1 - 2006	4.50%	£ 165,376	1.9%	25,080	348,947	1,627,000	8.4
Q2 - 2006	4.50%	£ 169,210	2.3%	25,080	342,225	1,704,000	8.5
Q3 - 2006	4.75%	£ 171,801	2.4%	25,080	360,082	1,689,000	8.6
Q4 - 2006	5.00%	£ 176,909	2.7%	25,080	378,794	1,696,000	8.7
Q1 - 2007	5.25%	£ 181,466	2.9%	25,333	349,796	1,686,000	8.9
Q2 - 2007	5.50%	£ 186,164	2.6%	25,333	334,502	1,646,000	9.0
Q3 - 2007	5.75%	£ 188,535	1.8%	25,333	320,423	1,626,000	9.0
Q4 - 2007	5.50%	£ 188,563	2.1%	25,333	246,108	1,608,000	8.9
Q1 - 2008	5.25%	£ 186,395	2.4%	25,586	201,796	1,656,000	8.7
Q2 - 2008	5.00%	£ 180,235	3.4%	25,586	130,983	1,727,000	8.3
Q3 - 2008	5.00%	£ 171,159	5.2%	25,586	98,679	1,864,000	7.9
Q4 - 2008	2.00%	£ 160,890	3.1%	25,586	92,172	2,029,000	7.4
Q1 - 2009	0.50%	£ 154,921	2.9%	25,839	111,356	2,261,000	7.1
Q2 - 2009	0.50%	£ 155,734	1.8%	25,839	135,480	2,435,000	7.1
Annual Change	-4.50%	£ 24,501	-1.6%	253	4497	708,000	-1.3

**Home repossessions**

In June the Council of Mortgage Lenders (CML) reduced its prediction for the number of repossessions it expects in 2009 to 65,000, 10,000 fewer than it predicted at the start of the year. This is still an increase of over 50 percent on the 40,000 repossession that occurred in 2008.

However the Government's pressure on lenders to only use repossession as a last resort appears to be working to a certain extent, although it mostly appears to be slowing the rise rather than halting it. Repossessions were below 25,000 in the first half.

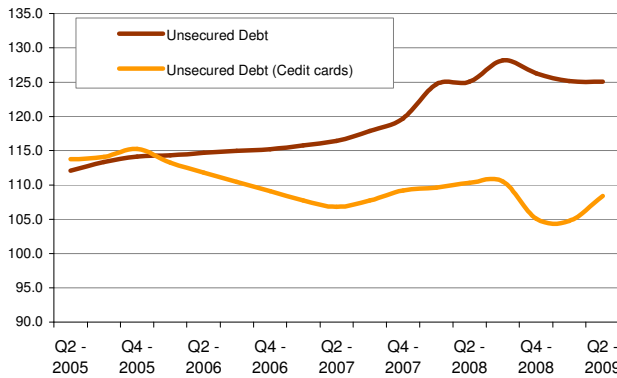


(Source: Council of Mortgage Lenders)

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

Total unsecured debt fell for the fourth successive quarter. However there was a rise in credit card lending, by almost £2 billion. Other types of unsecured lending actually decreased by a greater amount than this over the second quarter.

This implies that the Government's attempts to stimulate lending is being largely unsuccessful. Net lending to British businesses remained negative in May, falling by 5.4 percent. This has worrying implications for the recovery of the UK economy, while the rise in credit card lending suggests consumers may be borrowing in the hope of a recovery that could be far off.



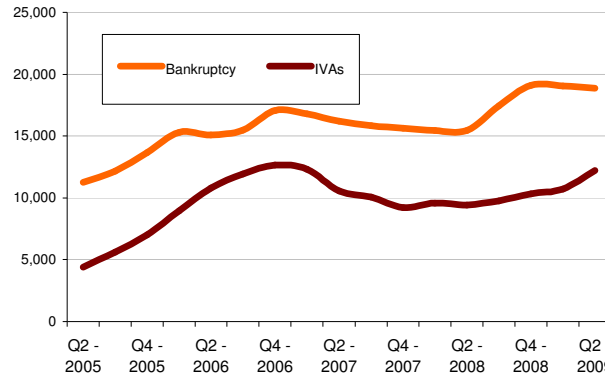
(Source: Bank of England)

**Insolvency**

There were 33,073 personal insolvencies in the second quarter of 2009. This was a nine percent rise on the first quarter, and a 27 percent year-on-year rise.

The number of bankruptcies actually fell but there was a 14 percent rise in Individual Voluntary Arrangements (IVAs).

There were 1,978 Debt Relief Orders (DROs) set-up in the three months to June. This is a new form of debt relief available since April. CCCS was responsible for 173 of these DROs. People eligible for DROs must have debts of less than £15,000 and less than £300 worth of assets.

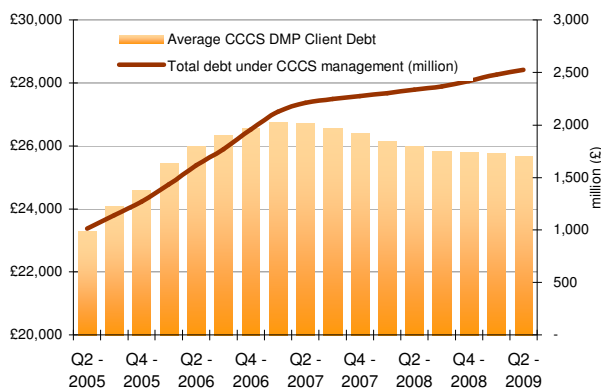


(Source: Bank of England)

	Total unsecured debt (millions)	Total Credit Card Debt (millions)	Average UK unsecured debt (per household)	% Outstanding Unsecured Debt attributed to Credit Cards	Home repossessions	Bankruptcy	IVAs
Q2 - 2005	£ 206,885	£ 57,190	£ 8,336	27.6%	£ 7,100.0	11,259	4,386
Q3 - 2005	£ 209,216	£ 57,355	£ 8,430	27.4%	£ -	12,182	5,611
Q4 - 2005	£ 210,751	£ 57,956	£ 8,492	27.5%	£ 7,500.0	13,675	7,004
Q1 - 2006	£ 211,072	£ 56,949	£ 8,416	27.0%	£ -	15,310	8,964
Q2 - 2006	£ 211,743	£ 56,229	£ 8,443	26.6%	£ 10,700.0	15,090	10,779
Q3 - 2006	£ 212,252	£ 55,517	£ 8,463	26.2%	£ -	15,486	11,944
Q4 - 2006	£ 212,724	£ 54,840	£ 8,482	25.8%	£ 11,700.0	17,070	12,645
Q1 - 2007	£ 213,787	£ 54,178	£ 8,439	25.3%	£ -	16,788	12,328
Q2 - 2007	£ 214,981	£ 53,688	£ 8,486	25.0%	£ 13,600.0	16,214	10,561
Q3 - 2007	£ 217,634	£ 54,171	£ 8,591	24.9%	£ -	15,842	10,058
Q4 - 2007	£ 221,009	£ 54,909	£ 8,724	24.8%	£ 13,500.0	15,636	9,218
Q1 - 2008	£ 230,257	£ 55,106	£ 8,999	23.9%	£ -	15,452	9,577
Q2 - 2008	£ 230,899	£ 55,466	£ 9,024	24.0%	£ 18,900.0	15,468	9,428
Q3 - 2008	£ 236,629	£ 55,561	£ 9,248	23.5%	£ -	17,451	9,766
Q4 - 2008	£ 233,140	£ 52,843	£ 9,112	22.7%	£ 21,500.0	19,100	10,341
Q1 - 2009	£ 231,030	£ 52,660	£ 8,941	22.8%	£ -	19,062	10,713
Q2 - 2009	£ 230,909	£ 54,505	£ 8,936	23.6%	£ 24,200.0	18,870	12,225
Annual Change	£ 10	£ 961	£ 88	-0.42%	5,300	3,402	2,797

**CCCS DMP client base**

CCCS will be administering over 100,000 Debt Management Plans (DMPs) by the end of 2009. Over the first two quarters the number of DMPs administered by CCCS has increased almost five percent to 98,342. The average debt of a CCCS client on a DMP has fallen over the last three years, from £28,000 in quarter one 2007 to £25,670 in quarter two 2009.

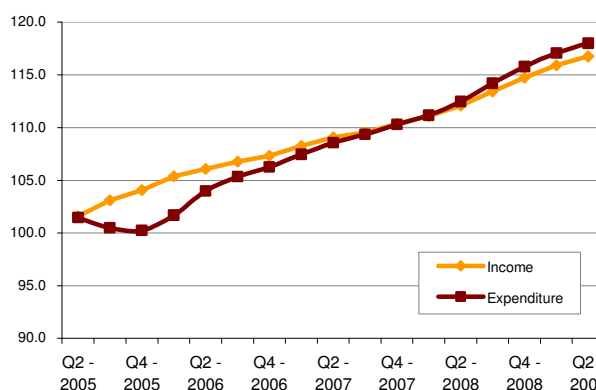


(Source: CCCS)

**CCCS DMP client income and expenditure**

The average annual salary of a CCCS DMP client has continued to rise above £18,000, and is now £18,350. This is still significantly less than the national average of £22,006 and the gap is widening, increasing by 2.5 percent since last quarter.

DMP client expenditure has continued to rise along with client income, largely negating any improvement in situation promised by improved pay. Although the amount of money CCCS clients have surplus at the end of the month has risen over the last year to £231.72, it remains significantly less than they had in 2006 (£261.81).



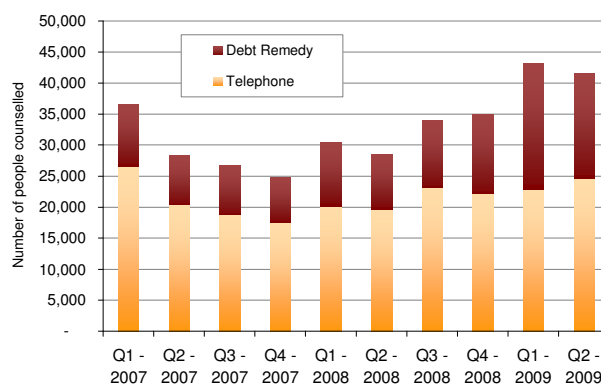
(Source: CCCS)

**CCCS clients counselled**

CCCS is going to counsel an historically high number of clients this year, both online and on the telephone. The charity is on course to help almost 170,000 people.

Over 95,000 people will be counselled via the telephone this year, 11 percent more than last year.

There has been a huge rise in the number of people using CCCS online counselling system Debt Remedy this year. More people have used it so far this year (37,069) than did during all of 2007 (33,105). Debt Remedy can be accessed at [www.cccs.co.uk/debtremedy](http://www.cccs.co.uk/debtremedy).



(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)
Q2 - 2005	£1,014,203,141	43,569	£ 23,278	£ 1,331	16.1%	101.6	101.5
Q3 - 2005	£1,142,847,298	47,422	£ 24,100	£ 1,350	18.2%	103.1	100.5
Q4 - 2005	£1,269,882,966	51,619	£ 24,601	£ 1,363	19.1%	104.1	100.2
Q1 - 2006	£1,432,187,827	56,269	£ 25,453	£ 1,380.02	19.0%	105.4	101.7
Q2 - 2006	£1,615,531,328	62,162	£ 25,989	£ 1,389.35	17.7%	106.1	104.0
Q3 - 2006	£1,768,563,120	67,148	£ 26,338	£ 1,398.61	17.2%	106.8	105.3
Q4 - 2006	£1,957,217,009	73,655	£ 26,573	£ 1,405.76	16.9%	107.3	106.3
Q1 - 2007	£2,127,839,929	79,562	£ 26,744	£ 1,418.20	16.7%	108.3	107.5
Q2 - 2007	£2,210,796,383	82,740	£ 26,720	£ 1,428.77	16.4%	109.1	108.6
Q3 - 2007	£2,245,301,177	84,467	£ 26,582	£ 1,434.68	16.2%	109.5	109.3
Q4 - 2007	£2,276,057,116	86,145	£ 26,421	£ 1,445.45	16.1%	110.3	110.3
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	15.2%	116.7	118.0
Annual Change	£188,248,013	8,422	£ 311	£ 60.87	-0.6%	4.6	5.5

## 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 UK Payments Administration (formerly 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. 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.
  - Figures in the lead story refer to CCCS clients counselled by telephone.
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 Tom Howard on 02073914587. Out of office hours 07771788713 or email: [francesw@cccs.co.uk](mailto:francesw@cccs.co.uk)**

August 19 2009