

Debt Dashboard

Q3 2007

HARD TIMES AHEAD FOR POOREST HOMEOWNERS

Debt-burdened homeowners coming off fixed rate mortgages will find it increasingly difficult to avoid repossession and bankruptcy in the months ahead, predicts the UK's leading debt charity, Consumer Credit Counselling Service (CCCS). The charity, which is gearing itself up to offer additional support to vulnerable clients, is particularly concerned about the least well-off.

At the moment clients with fixed rate mortgages, living on or below the poverty line¹ can afford about £45 a month to repay their unsecured creditors, once living costs, including mortgage repayments, have been taken into account. How will they fare when they have to find an estimated additional £125 to pay their new mortgage at a higher rate²?

CCCS estimates that around 3,000 of its poorest clients will find themselves liable for increased mortgage payments in the first few months of 2008. Over the next weeks, the charity will be offering these clients an advanced review of their financial situation, including a full benefits check to make sure that they are receiving all their entitlements. CCCS recently set up a dedicated Centre for Welfare Benefits Counselling where nine counsellors have been specially trained to offer all CCCS clients in-depth advice about their entitlements as well as assistance with claiming. So far, Welfare Benefits counsellors have been able to increase the household income of clients referred to them by an average of £75 a week – an annualised value of £8 million.

¹ 2006 figure as defined by the Department of Works and Pensions.

This is just one of a number of centres of excellence set up by CCCS in late 2007 to prepare for “hard times ahead” according to CCCS chairman Malcolm Hurlston. He said:

“All the evidence suggests that home owners, particularly the less well off, are going to have hard times ahead for the foreseeable future. Our aim is to prevent repossession and bankruptcy where possible, while helping clients through the more extreme solutions if it is in their best interests.


“Even bankruptcy or repossession can be made less unbearable provided people understand what is happening and are helped through the process.

“I hope mortgage lenders will support our efforts by referring customers to us as soon as they spot any difficulties.”

- ends -

December 11 2007.

² Based on average mortgages in the UK.

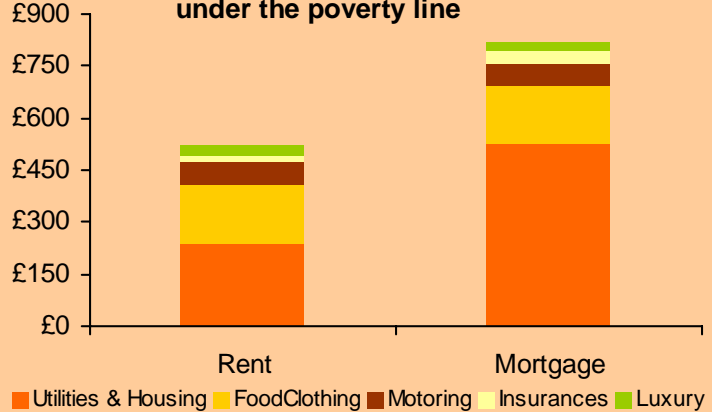
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CCCS has 3,000 clients below the poverty line on a fixed-rate mortgage.

They have an average of £45 a month to distribute to their creditors.

With fixed rate mortgages expected to increase by around £125 a month once deals come to an end, many will have to turn to more severe solutions to their debt problems such as bankruptcy or home repossession, or both.

Average monthly expenditure of a CCCS client under the poverty line



Although analysts are predicting a further slight fall in base rates next year, the fall-out from the credit crunch means more expensive mortgages.

Mortgage lenders have increased fees for new mortgages while the number of mortgages available on the market is estimated to have dropped by a third.

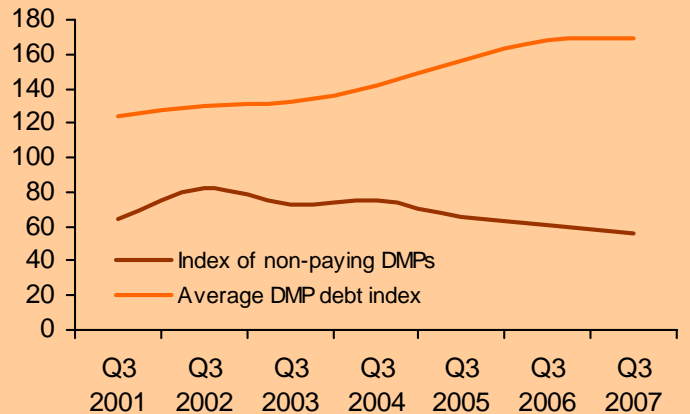
Tax and Price and average earnings index



The average DMP is for debts totalling £31,240. The chart on the right shows that DMP debt has levelled off over the last few quarters.

At the same time, the index of non-paying DMPs continues to fall – testament to the good job that CCCS counsellors do in providing workable and realistic budgets for clients.

DMP debt and non-paying index



Debt Dashboard data – Q3 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 Q3	123.4	104.4	82.3	64.0	4.75%	110.8	134.7
2002 Q3	130.2	106.0	84.4	81.8	4.00%	114.8	151.5
2003 Q3	132.5	110.0	80.6	72.7	3.50%	119.1	165.1
2004 Q3	141.6	113.4	75.3	75.1	4.75%	123.7	180.4
2005 Q3	155.7	116.4	76.9	65.3	4.50%	128.4	195.1
2006 Q3	167.7	120.3	89.2	60.2	4.75%	133.5	198.4
2007 Q3	169.2	124.9	87.1	56.2	5.75%	138.7	201.4

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**

For further information contact Frances Walker or James Ketchell on
020 7636 5214
or email: fwalker@hurlstons.com