

Debt Dashboard

Q3 2009

Lower Earning Households Trapped in Budget Deficit

Households with net incomes of less than £20,000, which make up the bulk of those seeking help from Consumer Credit Counselling Service (CCCS), are finding it increasingly hard to repay their debts. Many find themselves trapped in a budget deficit, spending, on average, over £100 more than they earn each month.

Clients with household incomes of more than £20,000 are better placed to repay their debts despite owing at least twice as much as the less well-off.

The majority of CCCS clients are now homeowners (52.3 percent) and although their housing costs have dropped significantly over the year from £587 to £500 each month, client spending in every other area rose in the third quarter, including insurance, utilities and motoring.

Key Findings

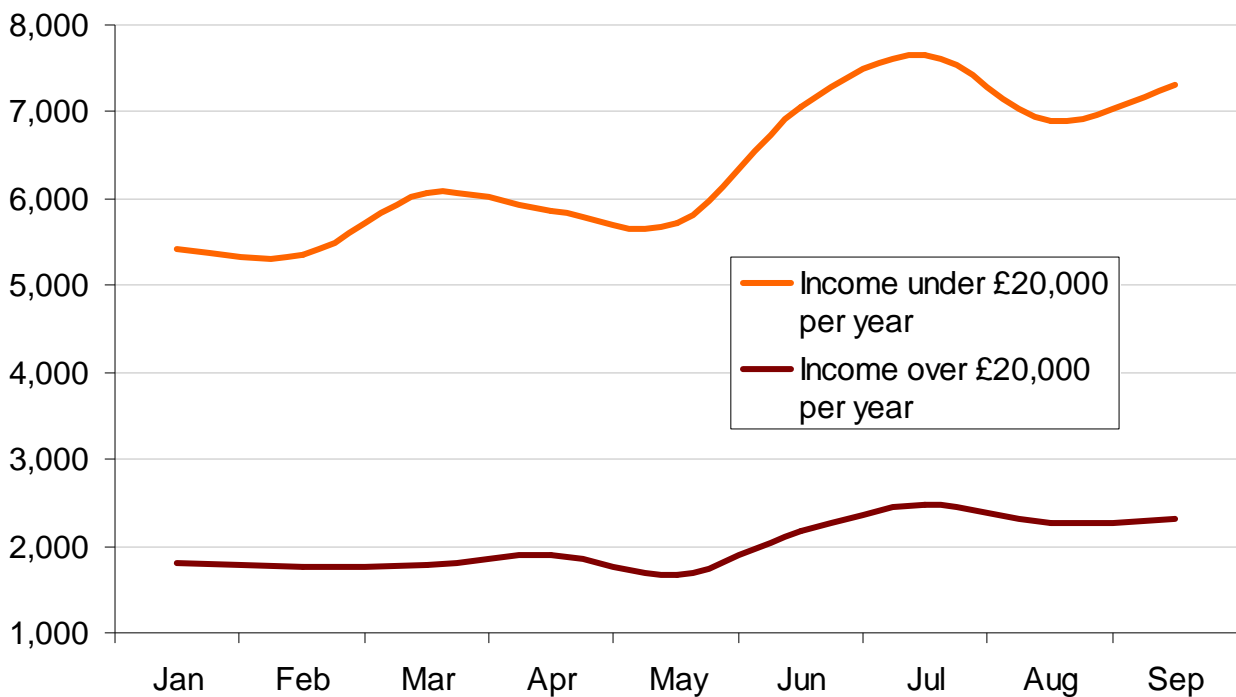
- The majority of people (76 percent) counselled by CCCS in 2009 earn less than £20,000 net per year.
- People earning less than £20,000 net per year spend, on average, £113.27 more each month than they earn.

- Clients earning more than £20,000 net per year have far higher unsecured debts (on average £37,931).

Clients counselled

CCCS counselled over 75,000 clients by telephone in the first three quarters of 2009, of these, 57,343 earn under £20,000 net per year. The number of less well off is increasing: in September, CCCS counselled 35 percent more people (7,309) earning less than £20,000 than it did in January (5,411). In January, those with an income under £20,000 net per year made up 74.86 percent of clients, it was 75.99 percent in September.

Clients Counselled



Surplus

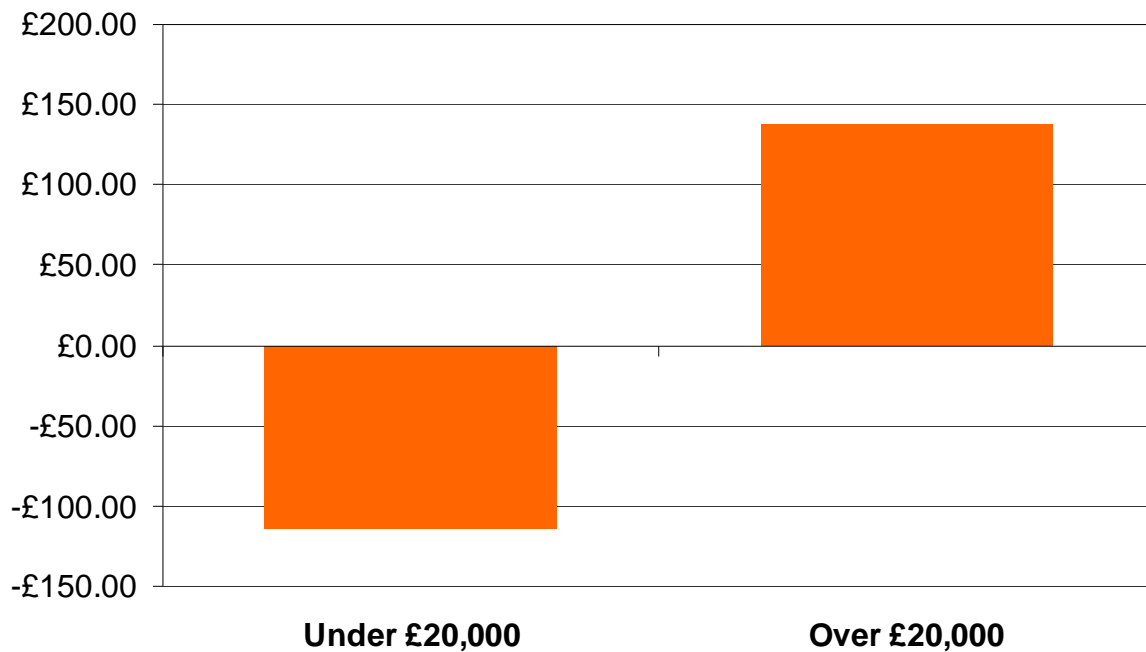
Not only were more people earning less than £20,000 net per year seeking help from the charity in 2009, those people were in a far worse financial situation than those earning over £20,000 net per year.

Once living costs have been accounted for, the amount left each month to households in the less than £20,000 category has been minus £113.27. This means that clients in this category have spent £113.27 more on living each month than they have earned, forcing them into further debt to plug the gap.

As a result, almost 9,000 (15 percent) of less well-off clients have been recommended bankruptcy as their best option by CCCS for the first three quarters of the year.

In comparison, people approaching CCCS with incomes over £20,000 net per year had an average of £137.52 left at the end of each month after living expenses.

Money left each month after living costs

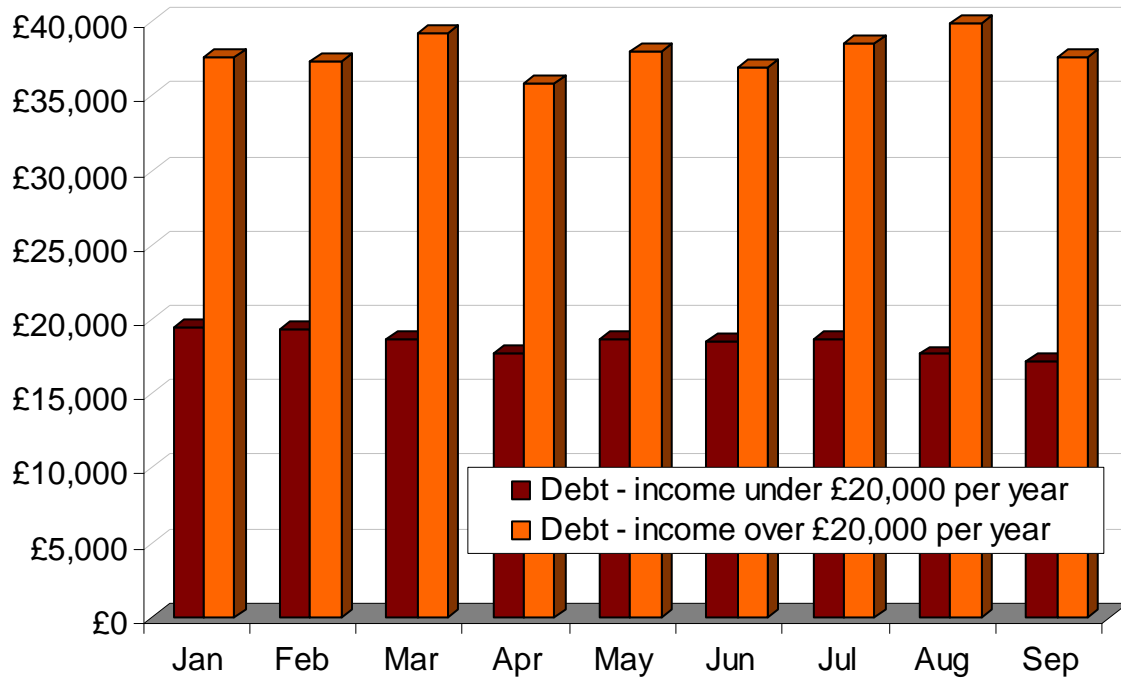


Debt

However, although people earning more have the ability to service their unsecured debts, those debts are far higher than the debts of those earning less.

The average unsecured debt of people earning over £20,000 net per year counselled in the first three quarters of 2009 is almost £38,000 (£37,931). This is more than double the debt of people earning less than £20,000 net per year, where the average debt is under £19,000 (£18,375).

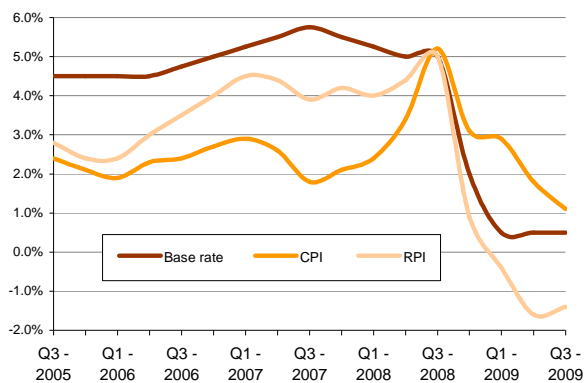
Debt



Interest and inflation rates

In September, the Consumer Price Index (CPI) fell to 1.1 percent, its lowest level in five years. This was the fourth successive quarter that CPI has fallen. The Retail Price Index (RPI), which includes mortgage payments, also continued to fall, to -1.4 percent. The low inflation rate negatively impacted the strength of sterling, which fell to a six-month low of 1.0628 Euros.

The base rate remained at its historic low of 0.5 percent throughout the quarter. A report by the Centre for Economics and Business Research (CEBR) predicted that it would remain at this level until 2011 and stay below two percent until 2014. This forecast is based on the assumption that there will be £100 billion of tax rises and budget cuts after the next General Election.

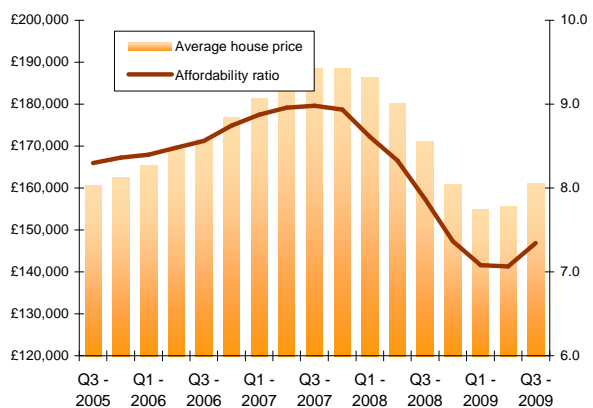


(Source: Bank of England and Office of National Statistics)

Average house prices and affordability ratio

Average house prices rose by almost £6,000 over the third quarter to £161,229. A survey by the Royal Institute of Chartered Surveyors (RICS) found that this rise was driven by London and the South-East, where 79 and 52 percent respectively more surveyors reported price rises than falls.

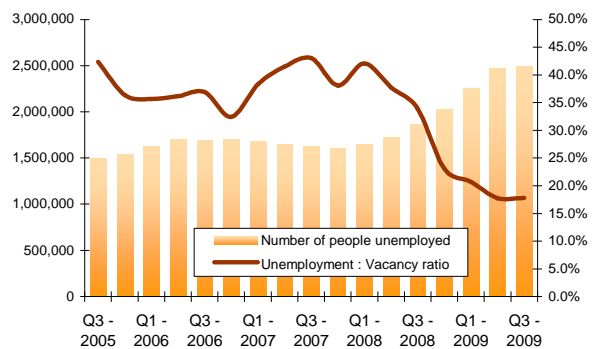
Mortgage lending was propped up by first time buyers. Figures released by the Council of Mortgage Lenders (CML) show, that of the 52,700 home loans approved for purchases in August, 19,200 were granted to first time buyers. Remortgaging activity has remained weak, with 32,000 applications approved in August. This was a fall of 22 percent on July and is 57 per cent down on August 2008.



(Source: CCCS)

Unemployment

Unemployment failed to rise by as much as expected. Although it was predicted that unemployment would exceed 2.5 million by September, the number of jobless was 2.491 million at the end of the month. The banking group Investec revised their prediction of peak unemployment downwards to 2.7 million in 2010. Youth unemployment failed to meet expectations and didn't break the million mark, but did rise to 952,000. This still represents over 20 percent of 16 to 24 year olds. At the same time, the number of jobs available rose for the first time in almost two years to 444,000.



(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
Q3 - 2005	4.50%	£ 160,767	2.4%	24,818	304,846	1,503,000	8.3
Q4 - 2005	4.50%	£ 162,518	2.1%	24,818	349,449	1,549,000	8.4
Q1 - 2006	4.50%	£ 165,376	1.9%	25,080	349,014	1,627,000	8.4
Q2 - 2006	4.50%	£ 169,210	2.3%	25,080	342,304	1,704,000	8.5
Q3 - 2006	4.75%	£ 171,801	2.4%	25,080	359,621	1,689,000	8.6
Q4 - 2006	5.00%	£ 176,909	2.7%	25,080	379,169	1,696,000	8.7
Q1 - 2007	5.25%	£ 181,466	2.9%	25,333	350,001	1,686,000	8.9
Q2 - 2007	5.50%	£ 186,164	2.6%	25,333	334,720	1,646,000	9.0
Q3 - 2007	5.75%	£ 188,535	1.8%	25,333	319,689	1,626,000	9.0
Q4 - 2007	5.50%	£ 188,563	2.1%	25,333	246,443	1,608,000	8.9
Q1 - 2008	5.25%	£ 186,395	2.4%	25,586	201,917	1,656,000	8.6
Q2 - 2008	5.00%	£ 180,235	3.4%	25,586	131,158	1,727,000	8.3
Q3 - 2008	5.00%	£ 171,159	5.2%	25,586	98,394	1,864,000	7.9
Q4 - 2008	2.00%	£ 160,890	3.1%	25,586	92,298	2,029,000	7.4
Q1 - 2009	0.50%	£ 154,921	2.9%	25,839	114,573	2,261,000	7.1
Q2 - 2009	0.50%	£ 155,734	1.8%	25,839	141,072	2,470,000	7.1
Q3 - 2009	0.50%	£ 161,229	1.1%	25,839	162,066	2,491,000	7.3
Annual Change	-4.50%	-£ 9,931	-4.1%	253	63,672	627,000 -	0.5

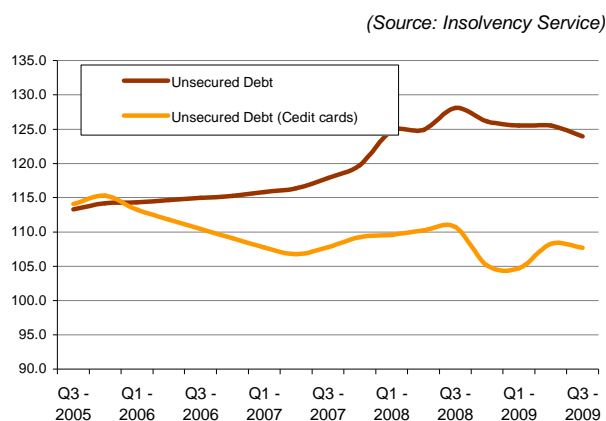
Debt Relief Orders

There were 4,505 Debt Relief Orders (DROs) set-up over the third quarter. This is a new form of debt relief available since April 2009. CCCS was responsible for 301 of these DROs. People eligible for DROs must have debts of less than £15,000 and less than £300 worth of assets.



UK unsecured debt (indexed Q1 2004 = 100)

After a slight rise in the second quarter, total unsecured debt fell over the third quarter to £229,029 million. Households are concentrating on paying off debt rather than spending. Net lending to British business stayed negative during August. The Bank of England's *Trends in Lending* report commented: "Lending to small and medium-sized enterprises remained subdued."



Credit card debt fell, after rising in the second quarter, to £54,146 million. These falls may be linked to Britain remaining in recession at the end of the third quarter as GDP fell by 0.2 percent.

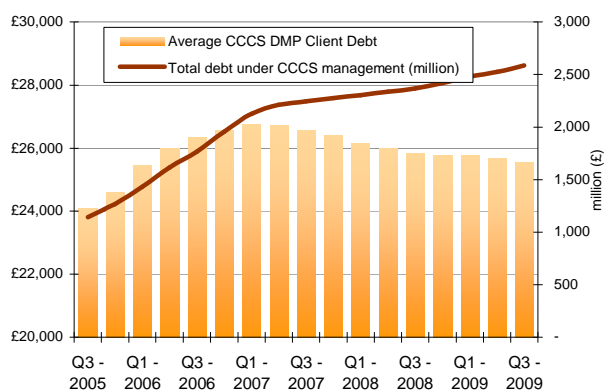
(Source: Bank of England)

	Total unsecured debt (millions)	Total Credit Card Debt (millions)	Average UK unsecured debt (per household)	Mortgage possession claims issued	Scottish Insolvencies	Bankruptcy	IVAs
Q3 - 2005	£ 209,205	£ 57,359	£ 8,430	30,140	3,593	12,182	5,611
Q4 - 2005	£ 210,798	£ 57,962	£ 8,494	32,104	2,961	13,675	7,004
Q1 - 2006	£ 211,088	£ 56,952	£ 8,417	31,841	3,111	15,310	8,964
Q2 - 2006	£ 211,653	£ 56,229	£ 8,439	32,857	3,544	15,090	10,779
Q3 - 2006	£ 212,235	£ 55,521	£ 8,462	34,757	3,601	15,486	11,944
Q4 - 2006	£ 212,793	£ 54,845	£ 8,485	31,903	3,382	17,070	12,645
Q1 - 2007	£ 213,821	£ 54,176	£ 8,440	33,166	3,471	16,788	12,328
Q2 - 2007	£ 214,819	£ 53,671	£ 8,480	33,104	3,498	16,214	10,561
Q3 - 2007	£ 217,595	£ 54,182	£ 8,589	35,232	3,527	15,842	10,058
Q4 - 2007	£ 221,123	£ 54,920	£ 8,729	36,444	3,318	15,636	9,218
Q1 - 2008	£ 230,300	£ 55,103	£ 9,001	38,765	3,324	15,452	9,577
Q2 - 2008	£ 230,622	£ 55,427	£ 9,014	38,932	4,735	15,468	9,428
Q3 - 2008	£ 236,519	£ 55,670	£ 9,244	38,448	5,998	17,451	9,766
Q4 - 2008	£ 232,862	£ 52,857	£ 9,101	26,008	5,807	19,100	10,341
Q1 - 2009	£ 231,766	£ 52,649	£ 8,970	22,609	5,693	19,062	10,713
Q2 - 2009	£ 231,764	£ 54,442	£ 8,970	26,215	6,294	18,870	12,225
Q3 - 2009	£ 228,874	£ 54,146	£ 8,858	24,337	5,767	18,347	12,390
Annual Change	-£ 7,645	-£ 1,524	-£ 386	- 14,595	231	896	2,624

CCCS DMP client base

As predicted in last quarter's Debt Dashboard, CCCS now has over 100,000 Debt Management Plans (DMP) running.

The average debt of a CCCS client on a DMP fell for the eleventh straight quarter to £25,570. Reduced income was the main reason for debt of clients coming to the charity in September (18.5 percent), followed by unemployment/redundancy (16.3 percent). The total debt under CCCS management rose by over £63 million over the third quarter. The total number of DMPs now administered by CCCS (101,201) has more than doubled over the previous four years.

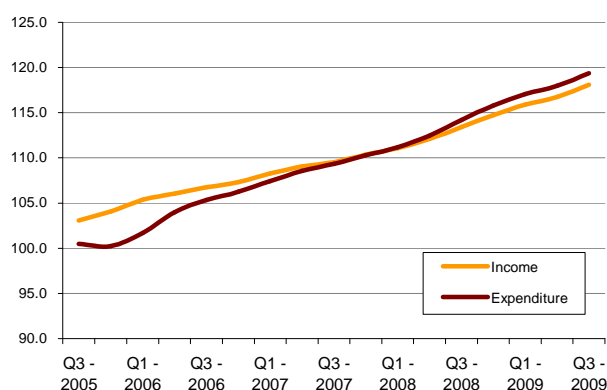


(Source: CCCS)

CCCS DMP client income and expenditure

CCCS client expenditure rose at a slightly faster rate than income over the previous year but there has not been a significant difference between the two rates of growth. The average monthly income of a CCCS client is now £1,547. The average expenditure is £1,312.

This means that the average monthly surplus is just over £234, the equivalent of 15.1 percent of income. The recession has therefore not had as significant an impact on the financial circumstances of CCCS DMP clients as might have been expected. However, this may be because DMP clients need a certain debt profile in order to start a plan.

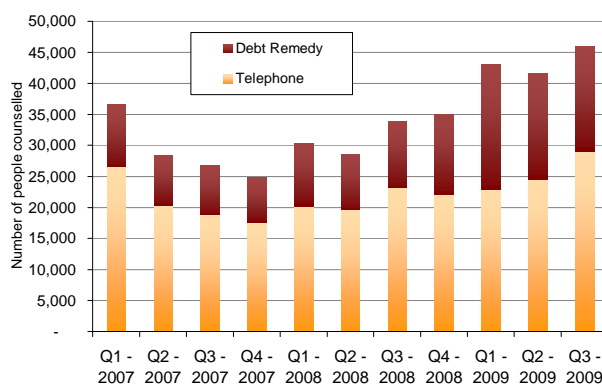


(Source: CCCS)

CCCS clients counselled

The number of people phoning CCCS for counselling has continued to rise. In the third quarter, the charity set a new record for the number of indebted consumers counselled by telephone (29,085). This means it is revising its prediction upwards from 95,000 phone counselling sessions this year to 105,000, a 24 percent rise on 2008.

The charity has already counselled more people online this year (54,039) than it did in all of 2008 (42,642). CCCS is on target to counsel more than 70,000 people online in 2009. At the current rate of increase CCCS will be counselling more people online than by phone in 2011. Debt Remedy is at www.cccs.co.uk/debtremedy.



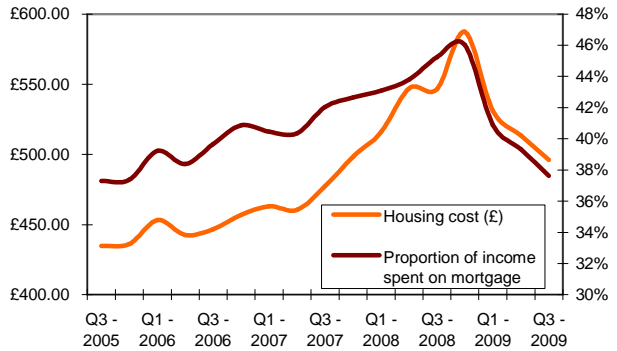
(Source: CCCS)

	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)
Q3 - 2005	£1,142,847,298	47,422	£ 24,100	£ 1,350.41	18.2%	103.1	100.5
Q4 - 2005	£1,269,882,966	51,619	£ 24,601	£ 1,363.18	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	£ 1,529.19	15.2%	116.7	118.0
Q3 - 2009	£2,587,742,023	101,201	£ 25,570	£ 1,547.01	15.1%	118.1	119.4
Annual Change	£220,795,995	9,594	£ -268	£ 61.29	-0.3%	4.7	5.2

Housing

The amount clients pay monthly on housing has dropped significantly over the last year from £587 to under £500. In previous years, CCCS had more renters than homeowners contacting it. This changed in 2009 with the majority of clients now homeowners. The fall in housing cost can be explained by current low interest rates resulting in lower mortgage repayments.

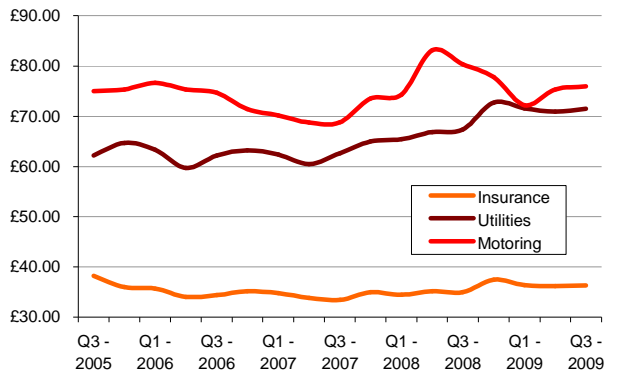
The average proportion of income clients are spending on their mortgage has fallen. In quarter four 2008, DMP clients spent 46 percent of their income on their mortgage. In quarter three 2009, they spent 37.6 percent. This was the lowest amount in four years.



(Source: CCCS)

Insurance, utilities and food and clothing

Apart from housing, CCCS client spending in every other area rose over the third quarter. After falling for three successive quarters from early 2008, client spending on motoring started to rise in quarter two 2009 and continued to rise in quarter three. Client spending on utilities also rose in quarter three after falling for the previous three quarters. Recent research carried out by CCCS suggests that up to 16 percent of DMP clients are currently in fuel poverty (defined as having to spend ten percent of your net income on fuel costs). This is equivalent to more than 15,000 people. If utility costs continue to rise this number could swell.

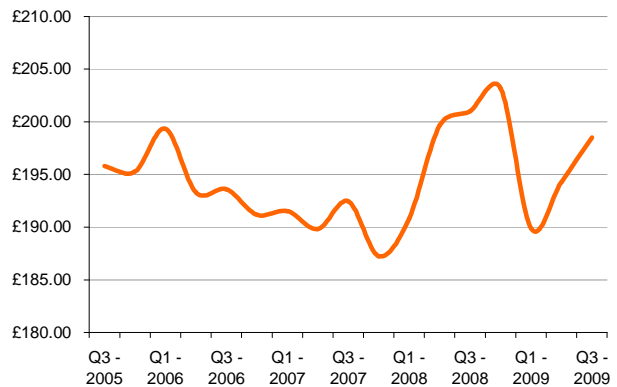


(Source: CCCS)

Food and clothing

Spending on food and clothing continued to rise for the second successive quarter but clients are not spending as much on it as they were in quarter four 2008 (£203.20). Unlike spending on other items, which has consistently risen with only minor fluctuations from quarter to quarter, spending on food and clothing has been intensely uneven across the years.

This could be because of seasonal changes in demand for clothing or the expansion of ultra-competitive supermarkets with a monopoly on wholesale supply. Either way, in context, it is curious that clients were spending less on food and clothing in quarter two 2005 than quarter two 2009.



	Utilities	Housing	Insurance	Food and clothing	Motoring	Others	Proportion of Income spent on mortgage
Q3 - 2005	£62.2	£434.9	£38.2	£195.8	£75.0	£70.1	37.3%
Q4 - 2005	£64.7	£436.0	£36.0	£195.3	£75.4	£60.1	37.4%
Q1 - 2006	£63.3	£453.2	£35.7	£199.3	£76.6	£65.9	39.2%
Q2 - 2006	£59.7	£442.5	£34.0	£193.3	£75.3	£66.2	38.4%
Q3 - 2006	£62.2	£446.7	£34.4	£193.6	£74.6	£59.0	39.7%
Q4 - 2006	£63.2	£456.8	£35.2	£191.2	£71.4	£62.9	40.9%
Q1 - 2007	£62.4	£463.0	£34.8	£191.5	£70.1	£62.2	40.4%
Q2 - 2007	£60.5	£460.5	£33.8	£189.8	£68.8	£60.1	40.4%
Q3 - 2007	£62.7	£477.4	£33.4	£192.5	£68.8	£63.0	42.0%
Q4 - 2007	£65.0	£498.4	£35.0	£187.2	£73.5	£63.2	42.6%
Q1 - 2008	£65.4	£516.0	£34.4	£190.8	£74.3	£63.0	43.1%
Q2 - 2008	£66.9	£547.1	£35.2	£199.7	£83.1	£68.6	43.8%
Q3 - 2008	£67.4	£546.7	£34.9	£201.0	£80.3	£70.8	45.2%
Q4 - 2008	£72.7	£587.5	£37.5	£203.2	£77.8	£64.6	46.0%
Q1 - 2009	£71.5	£530.9	£36.4	£189.9	£72.2	£66.6	40.9%
Q2 - 2009	£70.9	£513.5	£36.2	£194.3	£75.3	£57.3	39.3%
Q3 - 2009	£71.5	£496.2	£36.3	£198.5	£76.0	£67.0	37.6%
Annual Change	£4.1	−£50.4	£1.4	−£2.5	−£4.4	−£3.9	−17.8%

Notes on Debt Dashboard:

1. *Debt Dashboard* is produced quarterly and based on data from over 100,000 people spread throughout the United Kingdom. It juxtaposes clients' levels of debt and their ability to repay against broader economic variables.
2. 'CCCS clients' in this report 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 debtor's property - data supplied by the Ministry of Justice
 - CCJs – County Court Judgments in England and Wales - data supplied by Registry Trust
 - Bankruptcies, DROs, IVAs – England and Wales only - data supplied by the Insolvency Service
 - Base rate - 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

For further information please contact Frances Walker, Una Farrell or Tom Howard on 0207 391 4587. Out of office hours 077 717 88713 or email: francesw@cccs.co.uk

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