



A report on Personal Debt in the UK

Rather than trying to research and report on the entire UK National debt problem I will be concentrating on Personal Debt and how individuals and families may be struggling in the present economic conditions and how they may be able to work towards that ideal state of being 'Debt-less'.

Working within the guidance parameters of the coordinating partner I will be considering the issues under discussion in the following sections:

Introduction

Statistical Summary

Overview: Personal Debt in the UK

Demography - Age and debt

- **The Young**
- **The family years**
- **Middle age**
- **Old age**

Geographical Location

Gender differences

Solutions to debt – existing initiatives and websites

Introduction:

In the words of Charles Dickens's character Wilkins Micawber:

Annual income 20 pounds, annual expenditure 19 & six, result happiness.

Annual income 20 pounds, annual expenditure 20 pound ought & six, result misery.

Or translated to the eurozone:

Annual income 20 euros, annual expenditure 19 euros and 95 cents, result happiness.

Annual income twenty euros, annual expenditure 20 euros and 5 cents, result misery.

In the situation outlined above there are really only two options – spend less or borrow more. Unfortunately the current situation across Europe, means that many people take the second option. Rather than cutting back on their spending they borrow more, conveniently forgetting that the debt will have to be paid back some time. This applies to both governments and individuals!

The following table ★ summarises the November 2011 Statistics relating to indicators of debt in the UK. It includes data on unemployment which clearly has a major bearing on the situation.

Statistical Summary

£29,532	average amount owed by every UK adult (including mortgages)
£55,795	average household debt - including mortgages
£2,440	average interest paid by each household on their total debt each year
8,910	number of new debt problems dealt with by Citizen's Advice Bureaux each working day
1,644 people	made redundant daily
876,000	unemployed for > 12 months
£22.54m	daily write-offs of loans by banks & building societies
every 14.6 minutes	a property is repossessed
every 4.31 minutes	someone will be declared insolvent or bankrupt
£130,700,000	daily increase in Government national debt (PSDN)
£1,278,000,000	total value of all purchases made using plastic cards today
£1,451bn	total UK personal debt at the end of September 2011

★Source: information supplied by Credit Action: a UK national money education registered charity

Overview: Personal Debt in the UK

25% of British people are using over 40% of their monthly income to pay off non-mortgage debt, according to recently released data.

It means the average amount of debt each person in Britain pays off monthly is £322 – 25% of the average monthly income for an adult, which stands at £1,288.

Recent research has also shown that 8% of the working population across the UK as a whole spend 80% of their income on servicing their debts, leaving little money to pay their rising food and fuel bills and all the other costs associated with life in today's world.

Demography

Age and debt

- **The Young**

The very young, up to early teenage years, are generally not 'in debt', indeed many start their lives as being good savers, carefully saving their birthday and Christmas money for that special toy. Others may rarely save and owe sums of money to family and friends at various times in their lives – usually interest free fortunately! It would be interesting to see whether research has been done to discover whether those who saved as youngsters tend to have better money management skills and lower debts in adulthood.

The biggest debt issues facing young people over the age of 16 relate to unsecured personal loans, credit cards and store card debts, as well as bank and building society overdrafts. There is no legal age limit at which young people can open a bank account but a bank manager can decide whether to allow a child or young person to open an account. There are restrictions on opening certain kinds of account, for example, a young person is not normally legally responsible for their debts so are unlikely to be granted an overdraft. It is a criminal offence for anyone to send material inviting a person under 18 to borrow money or obtain goods or services on credit or hire purchase.

However, over 14 but under 18 year olds, can enter into a credit or hire purchase agreement if an adult acts as a guarantor. Young people can borrow money at any age theoretically, but access to loans may be limited because a lender will not usually be able to take a young person to court if they break the terms of a loan. This is because under 18s cannot usually be legally held to a contract.

Another major problem for the young can be mobile phone debt caused by unexpectedly large bills that may have been calculated incorrectly by the phone company or which may have been run up by someone else.

Increasingly in the UK young people start their post-University lives massively in debt as a result of student loans, taken out to cover not just the accommodation and living costs associated with their studies but also the ever-increasing course fees too. The problem is compounded by the fact that the guaranteed jobs for graduates when they leave University are a thing of the past. Even those graduating with First Class Honours cannot find even menial jobs. My neighbour is a Senior Manager in a national Retailer and their Graduate recruitment scheme had 12,000 expressions of interest logged on their website – for SIX placements.

Figures released in August 2011 show the average predicted debt on leaving university for UK students starting their courses now (Autumn 2011) is £26,100, rising to £53,400 for 2012 entrants. The prediction assumes average tuition fees in England of £8,630 per year. For students in England, the projected average is £59,100, due largely to the fact that Scottish students do not have to pay tuition fees and increases for Welsh students' are covered by government subsidies.

- **The family years**

Generally debt increases as people move through the 25-39 year old age range. This is when people are having their families. It is almost impossible to survive on one salary in most cases, so two wage earners are needed to pay the bills. But this then means that Child Care costs have to be considered, quickly eating up the second income and often meaning a loss of benefits, a worse off family and the risk of debt. Unemployment where no family member is in work can have devastating effects.

- **Middle age**

Debt tends to level out as people reach the 40 – 59 demographic. Until recently those towards the top end of this age group had paid off their mortgage, children had 'flown the nest' (left home) - so debts could be paid and it was a case of getting ready for a comfortable debt-less old age. Not so nowadays. Their sons and daughters cannot buy or even afford to rent their own place so they move back home for a cheap existence, cooking and washing done – warm and comfortable! Parents feel guilty because they 'had it easy' so welcome them back! If they do leave they may help their offspring with deposits for properties to get them on the property ladder – again further draining away savings and/or adding to debt.

- **Old age**

This leads to debt in old age. In fact the latest figures show that the over 60's owe more now than ever before, only slightly less than the 40 – 60 year olds. They now live longer so the house which is the major family asset which should be handed on to the younger generation has to be sold to cover Care costs. So the inheritance which could have broken the debt trap has gone.

Although this is a stereotypical view of the situation nowadays it does reflect an increasingly accurate snapshot of debt-ridden Britain today.

Geographical Location

People living in the South East of the UK such as Londoners have the highest personal debt figures in the UK, owing on average £8,478. Those in Yorkshire and Humber owe the least, with each person owing £5,796.

It is interesting though that Londoners only use 22 per cent of their wages on average paying off this debt, while Yorkshire and Humber spend 28 per cent of their income to repay debt. This is because housing and the cost of living generally is higher in the South East meaning that salaries and wages are higher generally too.

Gender differences

Men hold a greater proportion of personal debt (excluding mortgage), averaging £7,944, compared to women who owe on average £6,739 - 15% less.

Solutions to debt

- existing initiatives and websites

It was stated earlier there are really only two options - spend less or borrow more. However this is clearly a simplistic statement and there is a great deal more to solving debt than that.

Please note: In the UK there is an increasing number of companies offering services which claim to: 'consolidate all your loans in to one easy to manage loan which we will set up for you!' There may well be cases where people benefit from these services but unfortunately there are large numbers of people who have fallen foul of unscrupulous organisations who have done little more than get already vulnerable people into further debt ... I have not reviewed any of these commercial organisations as this is beyond the scope of this report.

Numerous reputable organisations are available in the UK to help and support people with debt and these organisations do great work. The following is a representative sample of the most useful organisations and what they offer. Most are Sector 3 charities and non-profit making businesses. Some may charge for some of their services, but the great majority are free. Their overall aim is to educate and help bring people towards a debt-less future.

Consumer Credit Counselling Service – CCCS <http://www.cccs.co.uk/>

There are two main sections - CCCS Helpline a free Helpline open from 8am to 8pm Monday to Friday and CCCS Debt Remedy

CCCS Debt Remedy provides a host of useful information, including a budgeting tool and operates the world's first online debt counselling service. It is available 24 hours a day at and is for people who would prefer to use an anonymous service. CCCS Debt Remedy guides users through a step by step process equivalent to calling the helpline with a follow-up counselling session. It recommends an appropriate course of action, one of which may be to speak directly to a counsellor.

A standard debt management plan from a fee-charging company could cost up to £5,000. The CCCS do not charge any fees for their services. Unlike for-profit debt management companies, they will organise and administer an individual's debt management plan at no cost to the person in debt and with no hidden fees, so everything paid goes towards reducing debts.

CONSUMER CREDIT *Counselling Service*
A Registered Charity

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Need debt help?

Get free anonymous debt advice from the UK's leading debt charity

We have been helping people in debt since 1993. Each year our debt counselling experience helps over 500,000 people with their debt problems, with over 300,000 on a [debt management plan](#).

Free debt help is available online now with no commitment and a completely private consultation about your debt problems with **CCCS Debt Remedy**.

Get debt help now >

Client login

DMP login



If you are an existing client already on a debt management plan and have a client reference number you can log in to CCCS OnlineDMP to check your balances, transfer debts and set up a direct debit.

Return to Debt Remedy



If you are part way through our Debt Remedy online counselling system and have a web reference number, click continue to complete your session and receive a recommendation.

The Citizens Advice Service <http://www.citizensadvice.org.uk/>

'helps people resolve their legal, money and other problems by providing free, independent and confidential advice, and by influencing policymakers.'

As well as the website, Citizens Advice Bureaux offer free, confidential, impartial and independent advice from over 3,500 physical locations. These include high streets, community centres, doctors' surgeries, courts and prisons. CABs have been part of the British landscape for many years and are trusted by people for their impartial and expert advice.

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About us

About Citizens Advice

Our aims and purposes

The Citizens Advice service aims:

- To provide the advice people need for the problems they face
- To promote the justice and problem that affect people's lives

The service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities, budget deficits, economic equity and challenged circumstances.

- [Our history and current advice](#)
- [Citizens Advice and the Equality Act 2010](#) - a staff presentation explaining our commitments in equality, diversity and human rights.

Our Mission

There are 324 Citizens Advice Centres across England and Wales and all are registered charities. Citizens Advice itself is also a registered charity, as well as being the membership organisation for members. Together we make up the Citizens Advice service.

The difference we make

During 2010/11 we helped 2.1 million people to solve 7.7 million problems.

- [Detailed statistics of advice](#)
- [How many people have not returned to Citizens Advice](#)
- [How our 10 Best Practice and Justice Awards have been awarded](#)
- [See our 'Changing lives' video below](#)



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Get involved

- Donate now
- Get advice
- Our campaigns
- Volunteer with us
- Work for us?

Community

Our response to [Twitter](#) provides an excellent opportunity for you to get in touch with us. We're here to help you get the most out of our services.

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[About our community](#)

Money Saving Expert <http://www.moneysavingexpert.com/>



An incredibly popular website with typically 11-12 million visitors per month, with weekly emails linked to everything which can save individuals and families money – provides a wide range of tools and resources, advice, forums and much more. Families following the ‘Down to Earth’ advice could save massive amounts of money and help avoid debt.

uSwitch <http://www.uswitch.com/>



uSwitch is a free, impartial online and telephone comparison and switching service that helps people to compare prices on a range of products and services including gas & electricity, heating cover, home phone, communications, insurance and personal finance products.

Financial Services Authority <http://www.fsa.gov.uk/pages/consumerinformation/index.shtml>

The FSA has a dedicated Consumer Helpline offering impartial information and general guidance. It can also provide details of other helpful organisations. The FSA is the regulatory body with overall responsibility for the Banking and Financial Institutions in the UK. They oversee all products and services available. They also regulate the claims made for financial services and products to protect the consumer and try to minimise the risk of people going into debt.



The Money Advice Service <http://www.moneyadvice.org.uk>

"Our vision is to enhance people's lives because they take control of their money as a matter of course." We give unbiased money advice, as well as influencing policy makers and the financial sector



National Debtline - <http://www.nationaldebtline.co.uk/>

National Debtline was set up in 1987 and is part of the Money Advice Trust (MAT), a registered charity funded by the government and the private sector.

The aims of the Money Advice Trust (MAT) are to support people with debt in the UK and to improve the standards of independent money advice. CCCS works in partnership with the Money Advice Trust.



My Money steps <https://www.mymoneysteps.org>

My Money Steps offers advice on debt problems or when people find they have more money going out than coming in. They answer some simple questions about their circumstances, and My Money Steps gives advice about how best to deal with debts.

People are given personalised advice to help them improve their situation and they can return to My Money Steps on a regular basis to update details and get fresh advice. My Money Steps is free to use, easy to understand and is run by National Debtline, a charity that provides free, confidential and independent debt advice.



Other useful websites:

Child Trust Fund

Tel: 0845 302 1470

www.direct.gov.uk/childtrustfund

Consumer Credit Counselling Service

Tel: 0800 138 1111

www.cccs.co.uk

Family Information Service (Great Britain)

Tel: 0800 234 6346

www.nafis.org.uk

Family Lives (previously Parentline Plus)

Tel: 0808 800 2222

www.familylives.org.uk

Money Advice Scotland

Tel: 0141 572 0237

www.moneyadvicescotland.org.uk

Student Awards Agency for Scotland

Tel: 0300 555 0505

www.saas.gov.uk

Student Finance England

www.direct.gov.uk/studentfinance

Student Finance NI

Tel: 0845 600 0662

www.studentfinancenl.co.uk

Student Finance Wales

Tel: 0845 602 8845

www.studentfinancewales.co.uk

Unbiased.co.uk

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