

# Debt in Wales

September 2008



## Introduction

Despite the credit crunch there is no indication that debt problems for CCCS clients in Wales have been getting worse. Indeed over the past 12 months the average amount of debt is actually declining. This most probably means that the impact is being delayed.

What is worrying, in the meantime, is the increasing pressure on the household budgets of those in debt caused by super-inflationary rises in everyday living costs. The money available to an average client to pay off debts has fallen to just £21 a month compared with £130 five years ago. The rising costs of food, housing and utilities will push more people over the edge into bankruptcy.

At the same time people in debt are getting older: for the first time in 2008 the over 60s accounted for 10 percent of clients and more than half of our clients are now aged over 40. This has been a marked trend in Wales over the past five years, and is one which is mirrored in the UK as a whole, but Wales has a higher proportion of homeowners, 47 percent compared with a UK average of under 40 percent. This suggests that repossession may face more households in Wales.

The aim of this analysis of debt and over-indebtedness in Wales is to get beneath the media hype and to bring more understanding to the actual pressures on households in debt. It is clear from this report that the current threat to such households is not the credit crunch, rather it is the spiralling costs of everyday living. We trust this greater understanding will bring more effective help to people in need.

*Malcolm Hurlston*

Malcolm Hurlston  
Chairman Foundation for Credit Counselling

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# Debt in Wales

## Summary of findings:

- CCCS expects to help around 6,000 people from Wales with their debt problems in 2008, two-thirds over the telephone and one third online via CCCS Debt Remedy. In 2003 we helped just under 1,400 people.
- Average budget surpluses are falling, squeezed by rising household bills, food, petrol and other inflationary pressures. Clients have less money to repay creditors.
- Spending on utilities and housing is outpacing the RPI, leading to a further squeeze on clients' budget surpluses.
- CCCS clients are getting older, and for the first time the 40-59 age group is the largest. Also for the first time, the over 60s make up over 10 percent of clients.
- Although those with higher incomes have the largest debts, it is the poor who face the greatest difficulty in dealing with their debts. In 2007, those earning less than £10,000 per year had an average debt to income ratio of over 30 percent, compared to an average of under 23 percent.

## 2. Analysis

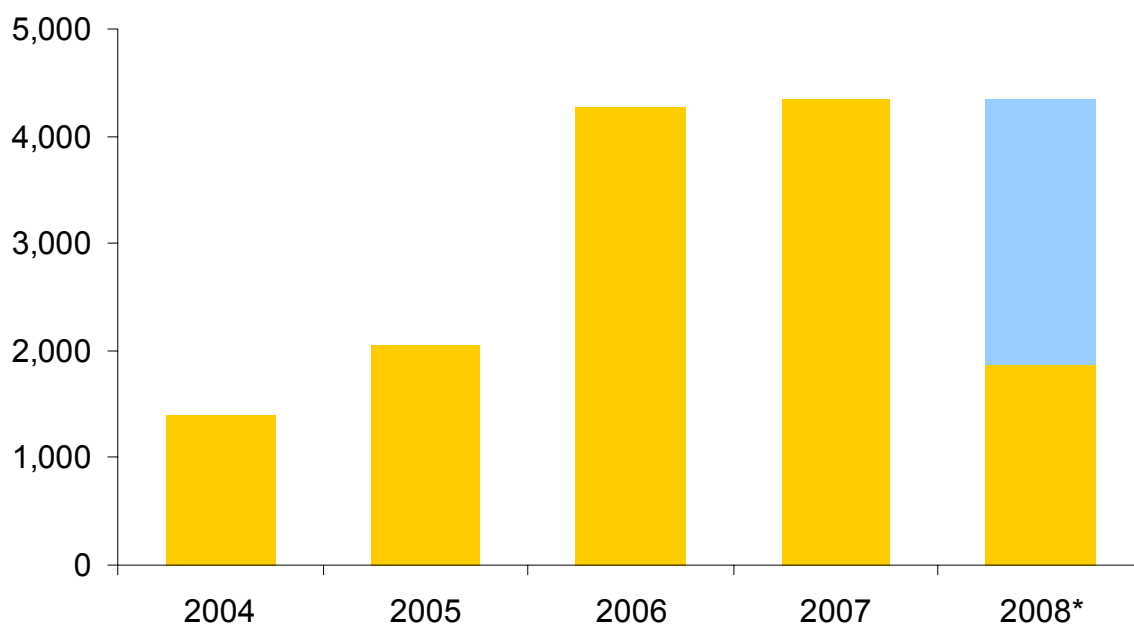
This report examines the circumstances of the over-indebted in Wales over the last five years. The information is drawn from over 13,000 clients (13,987) who had in-depth telephone counselling session between 2004 and June 20, 2008 with the Wales Centre for Credit Counselling, part of the Foundation for Credit Counselling, an independent charity.

### 2.1 Number of clients

Since 2004, the number of clients seeking help from the Wales Centre for Credit Counselling has increased steadily from just under 1,400 in 2004 to almost 4,300 in 2007, and we expect a similar number of clients by the end of 2008. In addition to this, we project that by the end of 2008, approximately 2,000 clients will have received online advice via 'Debt Remedy'.

The growth in the number of people who have had a counselling session is shown in the graph below. The blue bar is a seasonally adjusted projection based on the first six months of 2008 of the numbers that we will have helped by the end of the year.

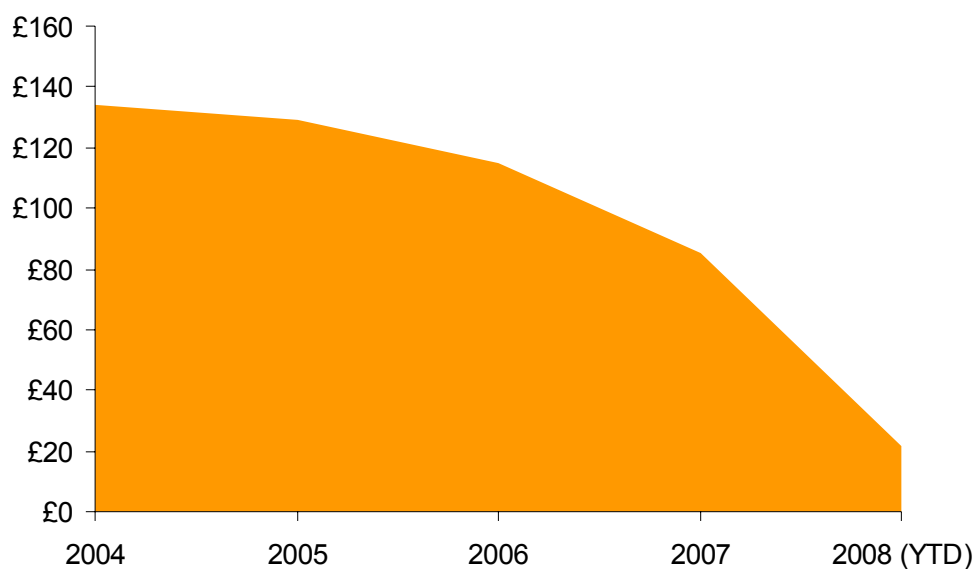
**Chart 1 – Number of telephone clients in Wales**



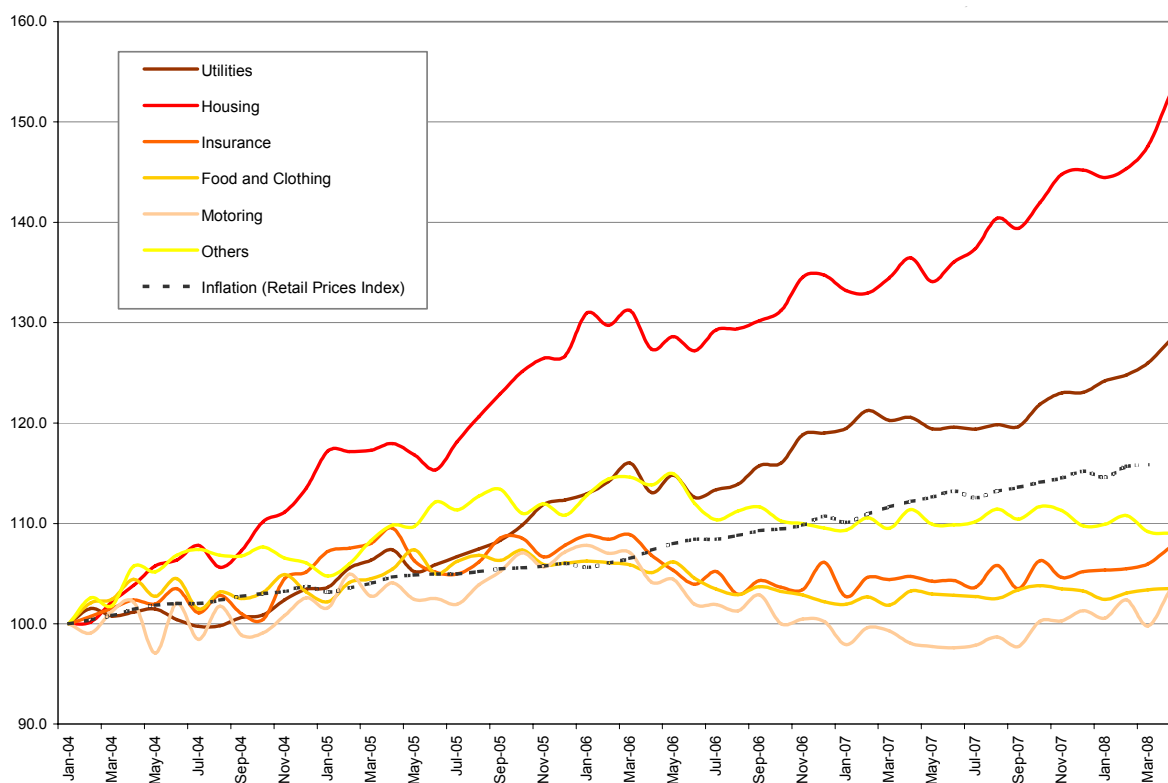
## 2.2 Budget surplus

The average budget surplus of CCCS clients in Wales has fallen dramatically since 2004. In 2004, the average budget surplus was over £130, but has plummeted to just £21 for 2008 so far. This reflects the increased costs of many essential items, which have far outstripped inflation, as shown by the chart below. Across the UK, client spending on housing has risen by an inflation busting 40 percent, and spending on utilities by 24 percent.

**Chart 2 – Average budget surplus**



**Chart 3 – UK client spending by main expenditure groups (Jan 2004 = 100)**



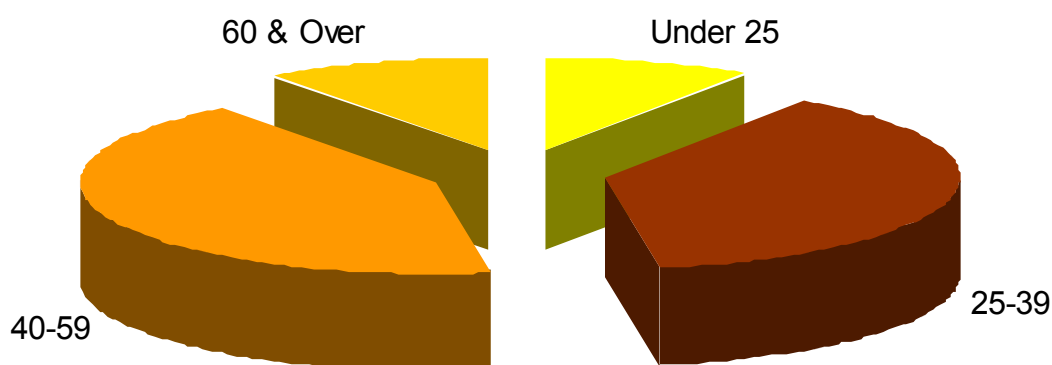
## 2.3 Age

Following recent trends, the proportion of older CCCS clients has risen in 2008. In particular, the over 60s now make up over ten percent of our clients; a 10 percent increase year-on-year. Furthermore, as we predicted last year, the 40-59 age group has now overtaken the 25-39 age group as our largest group of clients, and makes up over 43 percent.

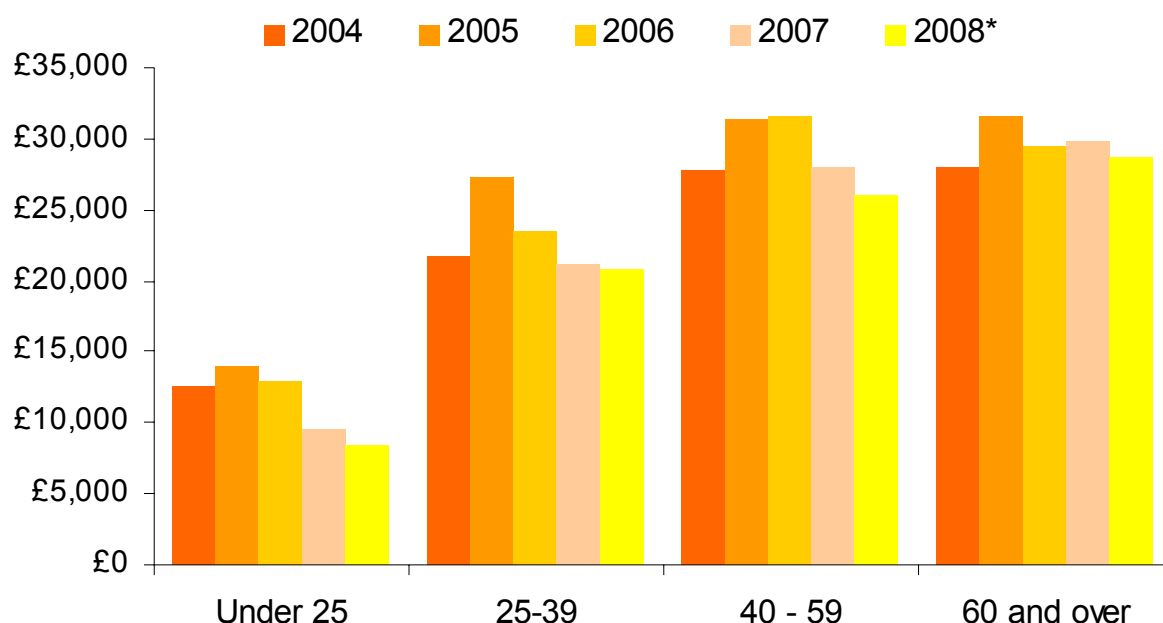
**Table 1 – Age groups**

	2004	2005	2006	2007	2008*
<b>Under 25</b>	£12,610	£13,955	£12,910	£9,428	£8,434
<b>25-39</b>	£21,700	£27,280	£23,562	£21,136	£20,834
<b>40 - 59</b>	£27,817	£31,363	£31,534	£28,070	£26,104
<b>60 and over</b>	£27,918	£31,628	£29,429	£29,826	£28,705

**Chart 4 – Age groups – 2008 (YTD May)**



Average debt levels in 2008 so far are lower than in 2007 across all age groups. For the first half of 2008, the average debt for the 40-59 group was just over £26,000 – almost £2,000 lower than in 2007.

**Chart 5 – Outstanding debt by age**

## 2.4 Gender

Women make up the majority of CCCS clients in Wales. This reflects the fact that they tend to be single, on lower incomes than average, and often have children. In all these respects they are more vulnerable to debt problems.

**Table 2 – Gender**

	2004	2005	2006	2007	2008*
<b>Male</b>	45.0%	45.7%	43.9%	42.8%	45.8%
<b>Female</b>	55.3%	54.3%	56.1%	57.2%	54.2%

## 2.5 Marital status

Just over 48 percent of clients in Wales in the first half of 2008 described themselves as being part of a couple (married or co-habiting). While couples are more likely to own a home and have children, and thus have higher potential levels of debt, this is counterbalanced by the fact that they have greater capacity to earn. In 2008, the average debt for a couple was £29,313, compared to £18,765 for single men and £13,669 for single women.

Table 3 – Marital status

	2004	2005	2006	2007	2008*
Single	53.3%	49.2%	50.8%	54.4%	51.7%
Couple	46.7%	50.8%	49.2%	45.6%	48.3%

Chart 6 – Outstanding debt by marital status



## 2.6 Housing

The proportion of CCCS clients in Wales who are homeowners has increased significantly since 2004, from just 35 percent in 2004 to over 47 percent in the first half of 2008. This figure is considerably higher than the 2007 UK average of under 40 percent.

In 2008, average homeowner debt was £25,862. This was 44 percent higher than that of tenants, reflecting the greater borrowing capacity of homeowners.

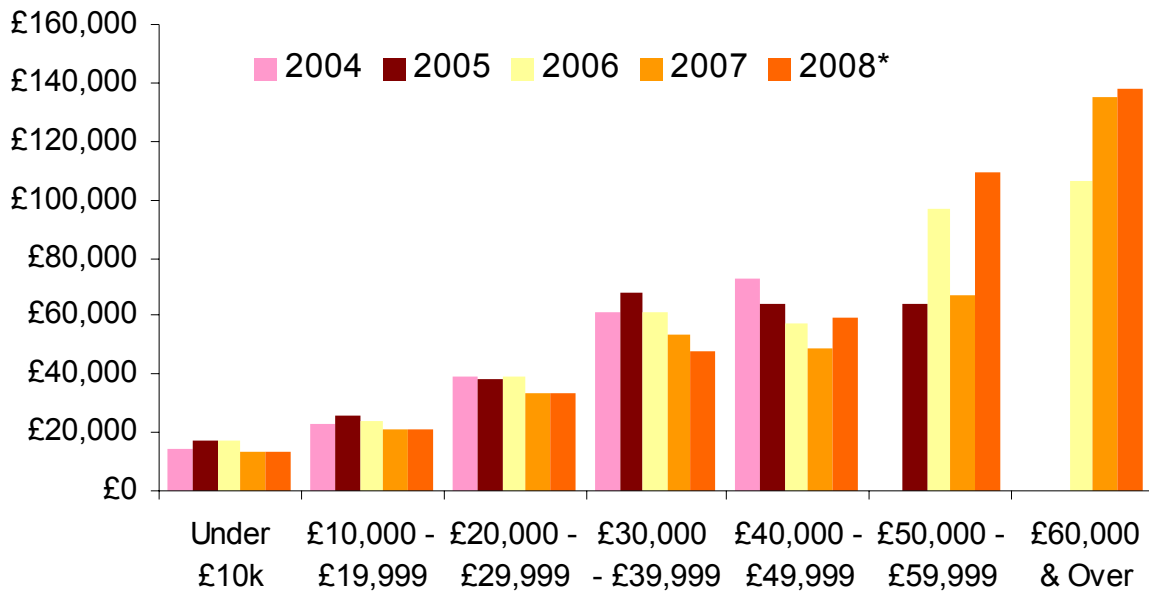
Table 4 – Housing situation

	2004	2005	2006	2007	2008*
Owners	35.0%	42.6%	46.1%	43.1%	47.2%
Renters	65.0%	57.4%	53.9%	56.9%	52.8%

## 2.7 Income

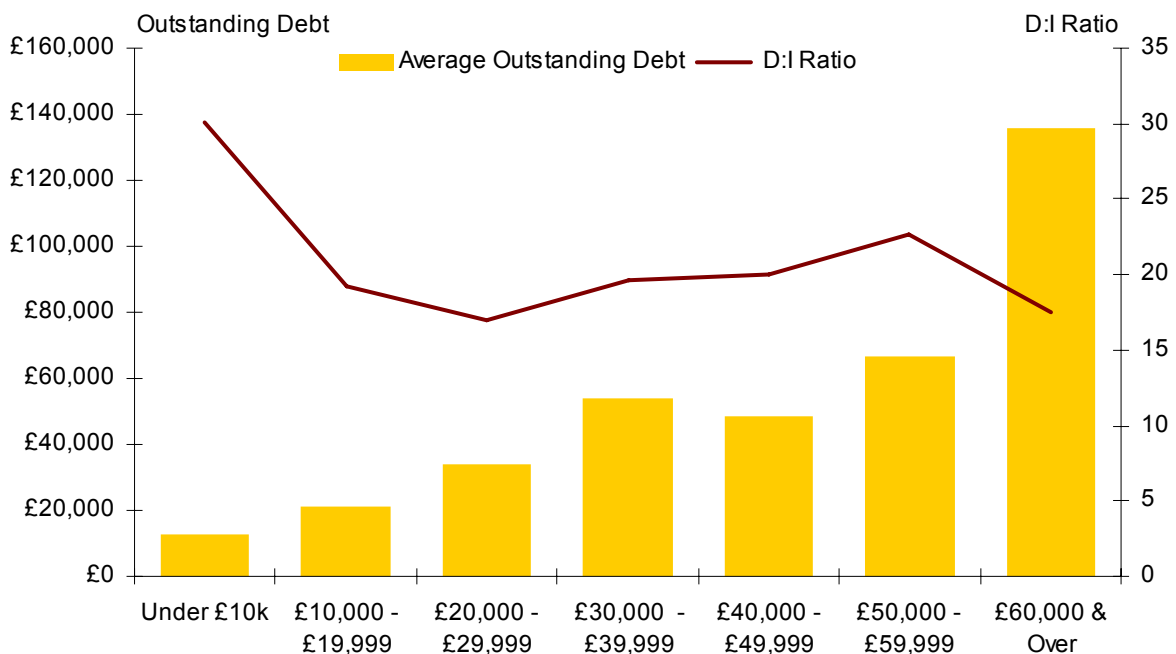
CCCS had clients in Wales with a wide-range of incomes. As one would expect, those clients with larger incomes also had larger debts.

**Chart 7 – Outstanding debt by income**



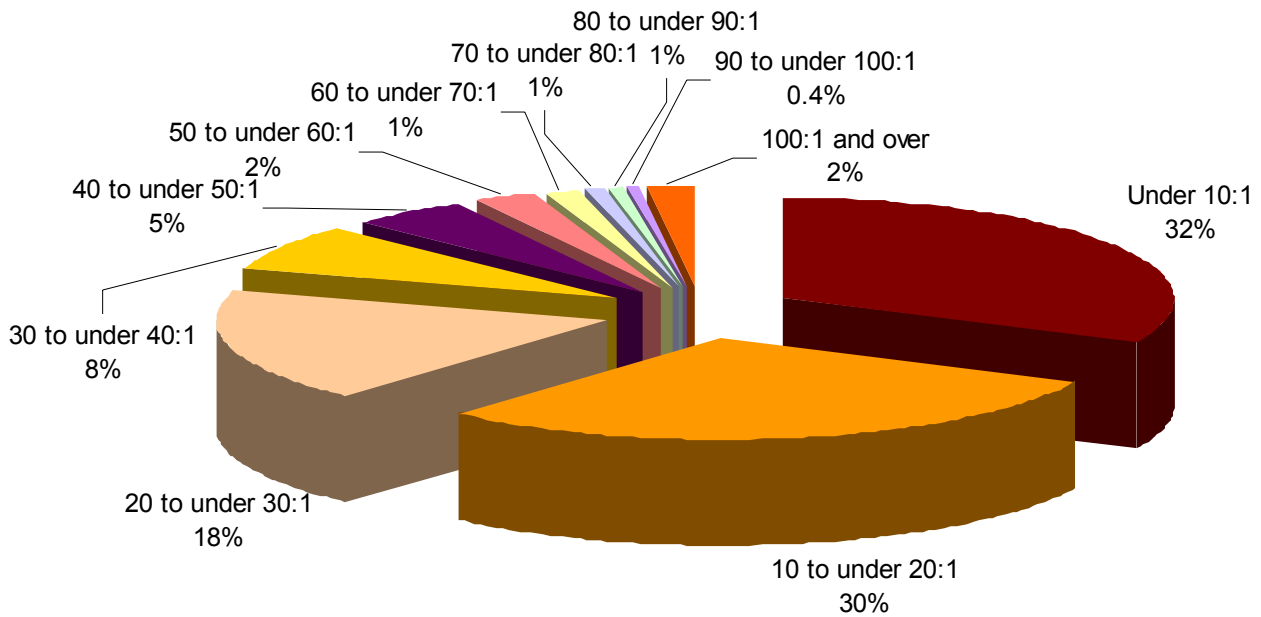
However, the main factor in determining the extent to which debts will be problematic is the ratio of debt to income. As the chart below demonstrates, although those with higher income had significantly larger levels of debt, it is those in the lowest income groups who have the greatest D:I ratios, and face the toughest challenges in attempting to pay back debt.

**Chart 8 – Average debt and D:I ratio by income group, 2007**



In 2007, 62 percent of CCCS clients had a D:I ratio of under 20:1, with the largest group being those with ratios of under 10:1. The average D:I ratio was approximately 23:1.

**Chart 9 – Proportion of Clients by D:I Ratio, 2007**



### 3. Conclusions

On the basis of our statistics from the first six months of 2008, it appears that average debt levels in Wales are falling for all age groups. This follows a drop in 2007 for all age groups except in the over 60s.

There has also been a continuation of the increase in the proportion of older people using our services. In the first half of 2008, over 10 percent of our clients were over 60, and as we predicted last year, for the first time the age group which contributed the highest number was the 40 to 59 group.

Single people make up just over half of CCCS clients. The average debt of single men and women is slightly under £13,000 – 46 percent lower than that of people in a couple. This disparity is, however, tempered by the greater earning capacity of couples, and also by the lower costs often faced by couples, for example accommodation costs.

Although level of debt is higher for those in higher income groups, it is those on the lowest income who face the biggest challenges in repaying their debts, as the ratio between outstanding debts and income is highest. In 2007, those in the lowest income group face an average D:I ratio almost 34 percent higher than the overall average.

The major new impact on budgets is the rising cost of utilities and housing. The money available to repay unsecured debt is being squeezed, making it likely that bankruptcy will become a more frequent solution.

## 4. Appendices

### 4.1 Information relating to tables

The information below relates to charts used in this report.

**Table 5 – Clients in Wales**

	2004	2005	2006	2007	2008*
<b>Count</b>	1,397	2,056	4,276	4,352	1,860

**Table 6 – Average budget surplus**

	2003	2004	2005	2006	2007	2008*
<b>Budget surplus</b>	£123	£134	£129	£115	£85	£21

**Table 7 – Outstanding debt by age**

	2004	2005	2006	2007	2008*
<b>Under 25</b>	£12,610	£13,955	£12,910	£9,428	£8,434
<b>25-39</b>	£21,700	£27,280	£23,562	£21,136	£20,834
<b>40 - 59</b>	£27,817	£31,363	£31,534	£28,070	£26,104
<b>60 and over</b>	£27,918	£31,628	£29,429	£29,826	£28,705

**Table 8 – Outstanding debt by marital status**

	2004	2005	2006	2007	2008*
<b>Single female</b>	£16,142	£20,389	£19,110	£15,535	£13,669
<b>Single male</b>	£22,232	£25,293	£22,491	£19,619	£18,765
<b>Couple</b>	£28,039	£32,938	£32,401	£30,493	£29,313

**Table 9 - Outstanding debt by income**

	2004	2005	2006	2007	2008*
<b>Under £10k</b>	£14,224	£17,148	£16,777	£12,967	£13,798
<b>£10,000 - £19,999</b>	£23,157	£25,697	£24,337	£21,384	£21,319
<b>£20,000 - £29,999</b>	£39,282	£38,783	£39,001	£34,002	£34,002
<b>£30,000 - £39,999</b>	£60,909	£68,168	£61,046	£53,999	£47,486
<b>£40,000 - £49,999</b>	£72,987	£64,396	£57,222	£48,458	£59,442
<b>£50,000 - £59,999</b>	n/a	£64,149	£97,094	£66,923	£109,240
<b>£60,000 and over</b>	n/a	n/a	£106,483	£135,459	£137,975

**Table 10 – Proportions by debt to income ratio**

	2004	2005	2006	2007	2008*
Under 10:1	32%	26%	26%	32%	37%
10 to under 20:1	26%	25%	29%	30%	27%
20 to under 30:1	15%	18%	17%	18%	17%
30 to under 40:1	8%	10%	9%	8%	7%
40 to under 50:1	5%	6%	6%	5%	4%
50 to under 60:1	4%	4%	4%	2%	3%
60 to under 70:1	2%	3%	2%	1%	1%
70 to under 80:1	2%	2%	2%	1%	1%
80 to under 90:1	1%	2%	1%	1%	1%
90 to under 100:1	1%	1%	1%	0.4%	0%
100:1 and over	4%	3%	3%	2%	2%

**Table 11 – Outstanding debt and debt to income ratio by income group, 2007**

	Average	D:I Ratio
Under £10k	£12,967	30.13
£10,000 - £19,999	£21,384	19.28
£20,000 - £29,999	£34,002	17.01
£30,000 - £39,999	£53,999	19.67
£40,000 - £49,999	£48,458	19.97
£50,000 - £59,999	£66,923	22.71
£60,000 and over	£135,459	17.47

## 4.2 CCCS services in Wales

The main centre is the Wales Centre for Credit Counselling in Cardiff. There is additional help for North Wales from the Chester Centre.

The Cardiff office participates in the Debt Redemption and Money Advice scheme (or DRAMA). DRAMA was created to address debt and financial exclusion in the most disadvantaged areas in Wales. The DRAMA scheme underwrites credit union loans for specific debt or financial needs – loans to repay council tax arrears, utility bills, etc. Under the scheme, CCCS provides budgeting training to organisations such as Barnardos and Mind, as well as Merthyr Tydfil, Caerphilly, Cardiff and Swansea councils. A CCCS counsellor provides face-to-face debt advice for a range of housing associations. To date over 200 clients have been counselled this way.

### New services

Over the last 12 months, CCCS has developed a range of specialised services for its clients:

- **CCCSVA.** If after initial counselling, the best advice is deemed to be an Individual Voluntary Arrangement (IVA), clients are referred to CCCSVA, a company wholly owned by the charity and set up specifically to provide IVAs to CCCS clients. By providing our own IVAs, we can guarantee that clients receive the same standard of after care and support available to clients on Debt Management Plans.
- **Welfare and Benefits Centre.** Based in Nottingham, the Welfare and Benefits centre provides specialist help for those households which counsellors believe are being short-changed on their entitlements. To date, the Welfare and Benefits Centre has been able to increase the income of such families by an average of £90 per week.
- **Mortgage Arrears and Repossessions Counselling.** Since the start of the year, anyone contacting CCCS helplines with arrears on their mortgage is instantly referred to a specially trained counsellor in this Centre. At the moment, some 150 clients a week are being referred.

Clearly, the aim is to help people stay in their home if this is at all possible. For about one fifth of clients this is not possible, and the counsellor will then guide them through their best course of action; either selling the house or proceeding with the repossessions process. CCCS is hopeful that lenders will start referring customers in difficulties direct to this service. At the moment, there is only one, GE Home Lending, which does so.

- **Bankruptcy.** For clients recommended to bankruptcy, the Bankruptcy service based in Birmingham guides them through the process, helping them to complete the forms, preparing them for the court process, and advising them about practical aspects such as opening basic bank accounts and what happens to their assets. This centre was opened specifically to address concerns that people were reluctant to opt for bankruptcy, even when counsellors advised them that it was in their best interests to do so.
- **Self-employed.** Debt problems for the self-employed tend to be complicated owing to the overlap between the personal and the business. Traditionally counselling sessions for the self-employed take at least twice as long, so it seemed sensible to separate them out and equip counsellors specifically to deal with these problems.

## 5. Further information and contact details

### Foundation for Credit Counselling

Chairman's Office  
2 Ridgmount Street  
London WC1E 7AA

Press Office:

Tel: 0207 636 5214

Mob: 077717 88713 (Frances Walker)

Press Office email:

[fwalker@hurlstons.co.uk](mailto:fwalker@hurlstons.co.uk)

CCCS Helpline (Mon-Fri, 8am-8pm):

0800 138 1111

CCCS website (24-hour online debt counselling available online):

[www.cccs.co.uk](http://www.cccs.co.uk)

CCCS email:

[contactus@cccs.co.uk](mailto:contactus@cccs.co.uk)

**Report Released:** September 2008

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