

Debt in Northern Ireland 2014

Introduction

StepChange Debt Charity provides free and impartial debt advice and support to households across the UK. The charity has operated in Northern Ireland since 2001, in conjunction with the Limavady Community Development Initiative.


Debt in Northern Ireland

Number of clients

StepChange Debt Charity advised 3,101 people in Northern Ireland in 2013, an increase of 56 percent from 2009. In the first half of 2014, the charity advised 1,981 people in Northern Ireland, which suggests that the number of people seeking the charity's help annually will continue to increase this year.

Levels of debt

The average amount owed by clients in Northern Ireland has fallen in recent years, which is in line with trends among our clients across the UK. However, the latest data shows that the average amount of unsecured debt owed by clients in Northern Ireland has started to rise again, from £16,248 in 2013 to £18,360 in the first half of 2014. This is 20 percent higher than the average debt of clients across the UK, which stood at £15,267 as of June 2014.

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Debts in Northern Ireland are 20% higher than in the UK as a whole.

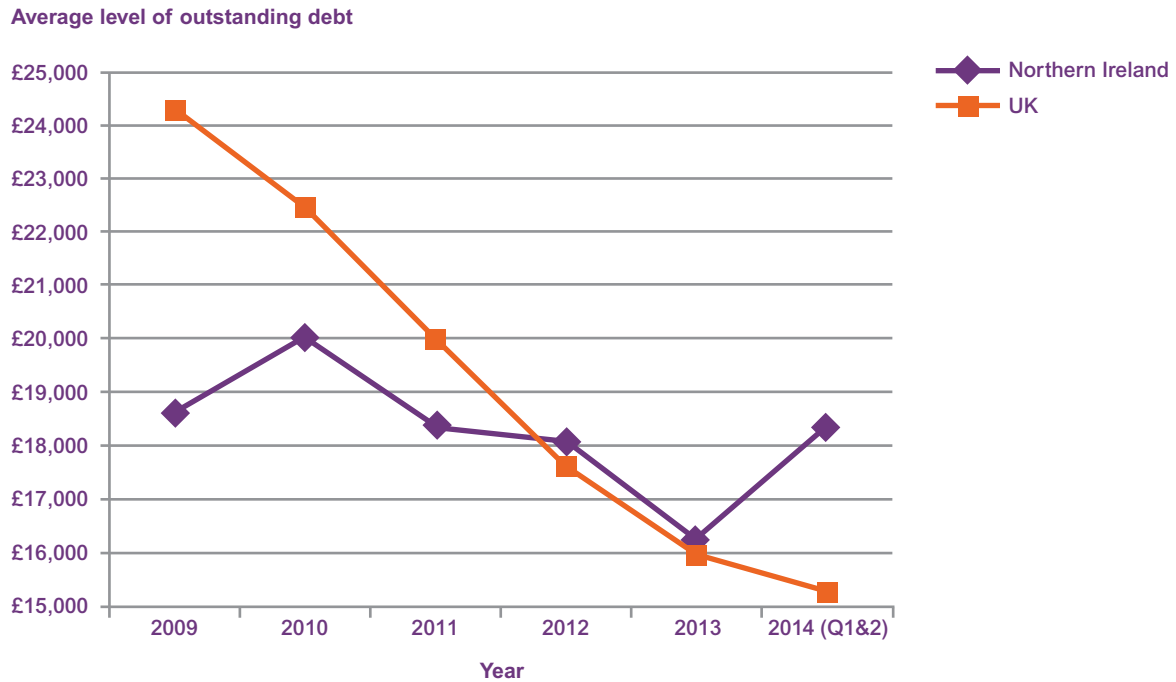


Figure 1 shows the average debt level of StepChange Debt Charity clients in Northern Ireland and the UK over recent years

The level of debt relative to income is very high. Northern Ireland residents have a debt to income ratio of 13:1. This means that the average client owes around 13 times their net monthly income. This is higher than the UK average debt to income ratio for StepChange Debt Charity’s UK clients, at 11:1, despite monthly incomes amongst clients in Northern Ireland being slightly above average (£1,440 compared to £1,359).

The average client owes 13 times their net monthly income.

Causes of debt

Unemployment and reduced working hours are the primary drivers of problem debt in Northern Ireland. 28 percent of people contacting StepChange Debt Charity in Northern Ireland cited one of these two reasons as the cause of their financial difficulties. Lack of budgeting (12 percent), overcommitting on credit (11 percent), injury or illness (10 percent) and separation or divorce (9 percent) were also significant causes of financial problems.

Northern Ireland debt mix: The shift to high-cost credit

In recent years, the types of debt held by clients in Northern Ireland have gradually but significantly changed. The amount owed on traditional forms of credit, such as credit cards and personal loans, has fallen over the past five years. This matches the national trend as people have sought to bring down their level of credit and banks have applied stricter lending criteria following the credit crunch.

There has, however, been a shift towards high cost forms of credit such as payday loans. Both the number of people seeking help and the amounts owed on payday loans has increased radically in recent years. The amount owed on catalogue debt – another form of high-cost credit – has risen significantly.

Credit cards and personal loans, however, still account for the biggest proportion of debt amongst clients, and the amounts owed have begun to creep up again in the first half of 2014. They should, therefore, still be considered as a serious contributing factor to financial difficulties.

Traditional credit

Credit cards

The average credit card debt in Northern Ireland has fallen from £10,635 in 2009 to £8,774 in 2014 (Q1&2). In 2009, of those people in Northern Ireland contacting StepChange Debt Charity, 84 percent had credit card debt. This had fallen to 74 percent in the first half of 2014.

Personal loans

The average personal loan debt amongst clients in Northern Ireland has fallen from £10,310 in 2009 to £8,102 in the first half of 2014. In 2009, of those people contacting the charity in Northern Ireland, 66 percent had personal loan debt. In the first half of 2014, this number was 52 percent.

Overdrafts

The number of clients with overdraft debt stands at 59 percent. The average level of overdraft debt increased dramatically amongst clients from 2009 to 2010, from £1,679 to £2,190. However, since then it has been gradually falling, and in the first half of 2014 clients contacting us in Northern Ireland had an average overdraft debt of £1,641. This could indicate that people are turning to other forms of credit to plug the gap in their finances.

High-cost credit

23% of clients in the province have payday loan debts.

Payday loans

As is the case across the rest of the UK, payday loans have become an increasing problem in Northern Ireland. In 2010, (interestingly, when levels of traditional credit amongst clients were at their peak), the average payday loan debt of StepChange Debt Charity clients in Northern Ireland was £1,137. In 2014 (Q1&2), this had risen to £1,689. The number of clients with payday loan debts in 2010 stood at just 4 percent – this number is now 23 percent.

Worryingly, the average payday loan debt of £1,689 now exceeds the average client’s monthly income of £1,440. This suggests that lenders may not be carrying out sufficient affordability checks to identify financially vulnerable consumers before allowing them to take out or rollover payday loans.

Catalogue debts

Catalogue debt has been steadily increasing in recent years, both in terms of the number of clients who hold catalogue debts and the average amount they owe. In 2009, just 533 clients in the province had catalogue debts – by 2013, this had more than doubled, to 1,125. The charity has already advised 660 clients with catalogue debts in the first half of 2014, so the upward trend looks likely to continue. The average amount owed has also increased significantly, from £1,246 in 2009 to £1,927 in 2014 (Q1&Q2).

Many people do not consider catalogue debt to be as important or risky as other forms of credit. However, high interest rates and charges are often applied, and can result in substantial repayment costs.

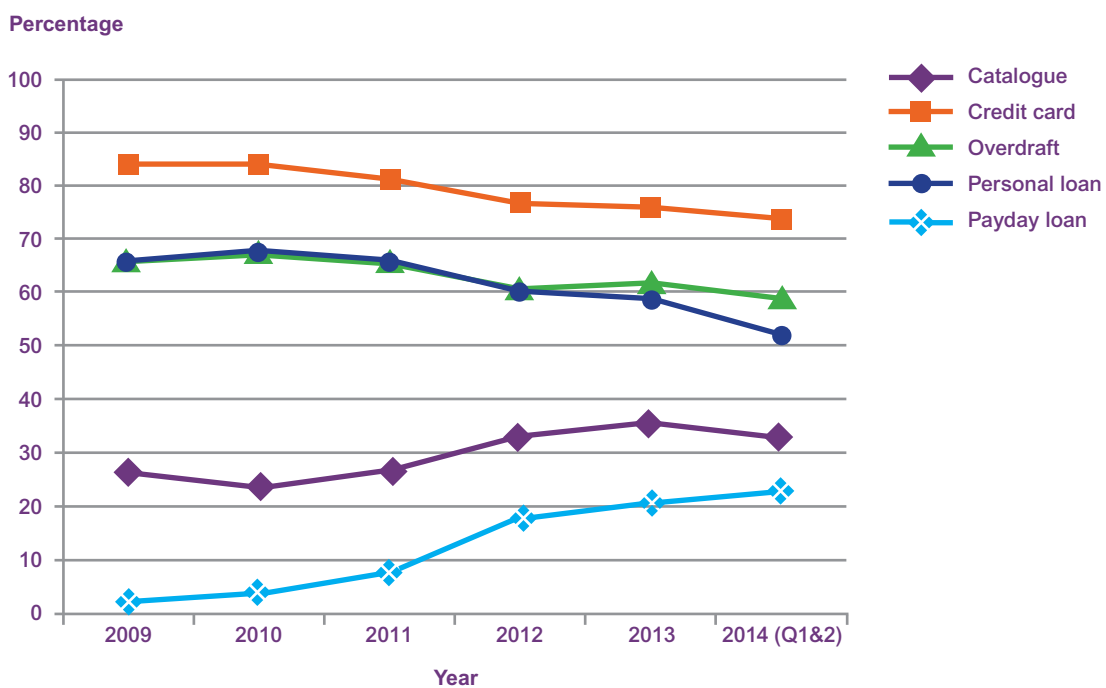


Figure 2 shows the percentage of clients with particular types of credit debt and highlights the changing nature of credit use among Northern Irish clients

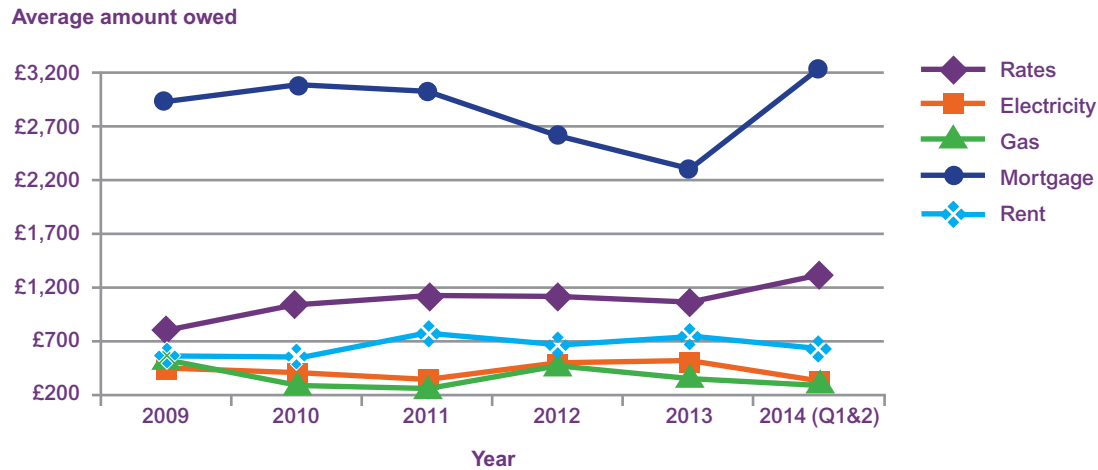


Figure 3 shows how the average amount of arrears has changed over recent years amongst clients in Northern Ireland

Arrears

StepChange Debt Charity has seen worrying increases in the numbers of people struggling with their priority debts. These are things like council tax, housing payments and energy bills, where failure to pay may lead to the loss of goods or services. There have been steep inclines in the amounts owed in some of these areas, particularly council tax and mortgages. This suggests that, despite the more positive general outlook surrounding the current economic climate, many people are still struggling to meet even the basic cost of living.

Mortgage arrears

From 2009 to 2013, the charity saw a 57 percent increase in the number of people seeking help with mortgage arrears in Northern Ireland. The figures for the first half of 2014 indicate that this number will stay at around the same level this year. What is most concerning, though, is that, as of June 2014, the average amount owed by clients in mortgage arrears was £3,249 – an increase of £974 from last year. If a much-anticipated interest rate rise occurs in the coming months, these indebted clients, who are

The number of people with rates arrears has increased by 74% in the past five years.

clearly already struggling to meet their housing costs, could find themselves in further financial difficulty.

Rates arrears

In 2009, the charity assisted 137 people who had rates arrears. In 2013, this rose to 238 people - an increase of 74 percent. The amount owed by clients with rates arrears has increased, from £804 in 2009 to £1,321 in 2014 (Q1&2). This is in line with the trend in the UK as a whole.

Arrears on energy bills

The number of the charity's clients in Northern Ireland behind on energy bills is exceptionally low – from a total of 1,981 clients advised in the first half of 2014, just 38 were in electricity arrears and 7 in gas arrears.

These figures have been consistently low over the past five years, and remain well below the national average. Most people in Northern Ireland use oil heating rather than gas, which is either paid for via a prepayment scheme or on delivery. Many StepChange Debt Charity clients pay for their electricity via Keypad prepayment meters, which allow consumers to see how much electricity they are using as they go along,

reducing the chance of getting into arrears. Amongst those clients in the province who are in energy arrears, the average level of debt has decreased significantly in the past year – electricity arrears are down from £487 in 2013 to £280 in 2014 (Q1&2), and gas arrears are down from £363 to £263 in the same period.

Debt and employment status

Debt continues to be a problem that affects both those that are in work and those that are out of work. In the first six months of 2014, over half the people who contacted StepChange Debt Charity in Northern Ireland were employed (56%). The charity has seen a particularly worrying trend amongst self-employed clients, who have significantly higher debts than any other employment area, with an average debt level of £36,271.

The household budgets of the self-employed are more strained than other groups. Despite having an average income of £1,713 a month – almost as much as those in full-time employment – self-employed clients are failing to meet their essential household

costs by a margin of £169 each month. This makes them £279 per month worse off than those in full-time employment.

It is also worth noting that the average monthly budget deficit of full-time carers has increased by a big margin, from -£8 in 2013 to -£146 in the first half of 2014. However, full-time carers make up a small percentage of StepChange Debt Charity clients, at 2 percent.

Self-employed clients are £279 per month worse off than those in traditional full-time employment.

Employment status	Average unsecured debt	Average monthly budget surplus/deficit
Self-employed	£36,271	- £169
Employed full-time	£24,398	£110
Retired	£15,547	£83
Employed part-time	£15,524	£25
Housewife/husband	£15,247	£90
Full-time carer	£14,822	- £146
Unemployed	£14,643	- £68
Student	£4,835	£4

Figure 4 highlights the comparative debt and budget surplus levels of StepChange Debt Charity clients in Northern Ireland

Debt and age group

Although the average debt level has declined amongst clients in recent years, each age group in the province has been affected in different ways.

**People aged 25-39
account for 44% of
clients in Northern
Ireland.**

Under-25s

The under-25s have much lower incomes than other age groups, at just £765 average a month, and owe the least, with average outstanding debt balances of £3,940. As younger people are often in full-time study, and tend to have less access to traditional forms of credit, this follows the expected pattern. However, clients in this age group owe five times their monthly income.

25-39s

Circumstances have gradually improved for the 25-39s over recent years. Their average debt level has decreased steadily, from £17,327 in 2009 to £14,488

in the first half of 2014. Meanwhile, the monthly amount they have left once all household bills have been covered has risen from just £15 in 2009 to £123 in 2014 (Q1&2) – the highest of any age group. However, although debt levels are lower, the number of people experiencing financial difficulties in this age group is increasing. For the first time, in the first half of 2014, the 25-39s made up the biggest percentage of our clients in Northern Ireland (43.8%).

40-59s

The outstanding amount of debt amongst this age group is far higher than the Northern Ireland average - £24,795 compared to £18,360. This is the only age group for whom debt is at its highest level since 2009. Monthly budgets are also strained for the 40-59s, who have just £34 monthly budget surplus. In the first six months of 2014, 40 percent of the charity's clients in Northern Ireland were in this age group.

Over-60s

The average debt level of the over-60s, which had been steadily decreasing over recent years, has seen a sudden spike in the first half of this year, up from £17,398 in 2013 to £20,361 in 2014 (Q1&2). This means that over-60s clients in Northern Ireland owe an average of 17 times their monthly income. Their household budgets are also showing increased financial strain, with monthly budget surplus figures down from £145 in 2009 to just £33 in 2014 (Q1&2).

Age group	Average monthly income	Average outstanding debt balance	Average monthly budget surplus
Under-25s	£765	£3,940	£79
25-39s	£1,467	£14,488	£123
40-59s	£1,583	£24,795	£34
Over-60s	£1,171	£20,361	£33

Figure 5 shows the varying debt circumstances for Northern Ireland clients in each age group in the first half of 2014

About StepChange Debt Charity

StepChange Debt Charity is the largest specialist debt advice charity working across the UK nations. In 2013 our telephone helpline and online debt remedy tool helped over 500,000 people to access free, impartial and high quality debt advice. We are the UK's largest provider of free to client charitable debt management plans (DMPs), having introduced the DMP concept to the UK in 1993. At the end of 2013 our DMPs were helping over 145,000 people to make affordable and sustainable repayments to their creditors. In 2013 we helped people pay £338 million off their debt.

For help and advice with problem debt, call 0800 138 1111 or visit www.stepchange.org

About Limavady Community Development Initiative

Established in 1987, Limavady Community Development Initiative Ltd (LCDI) is one of the most innovative community development charities in Northern Ireland. LCDI is one of the largest community groups in Northern Ireland, employing 60 people. It operates on a social economy model, delivering some 20 community projects to the most vulnerable and disadvantaged people of the area. Visit www.lcdi.co.uk for more information.

For more information about this report, call 0207 3914598.