

Debt in Scotland

An analysis of overindebtedness in Scotland in
the last five years

Prepared by CCCS Scotland

September 2007



Introduction

This report on clients of Consumer Credit Counselling Service in Scotland (CCCS Scotland) casts some doubt on the view that overindebtedness is primarily the domain of the young and the feckless. In fact, more than half of the people we are helping this year are aged over 40.

The idea of a life-cycle of debt where individuals use credit in their younger years and pay it back as they age would appear to be shifting as those in older age groups faced by spiralling housing costs, increased living costs and lower than expected returns from pensions use credit as a means to maintain a high standard of living.

All is not, however, doom and gloom: the amount of debt owed is falling across all ages. It is reasonable to assume that this is a result of people seeking help earlier, when more can be done to help them. At the same time, the launch of our online counselling service, CCCS Debt Remedy, is enabling us to reach a different, younger audience than our traditional telephone-based service. Debt Remedy which received a “quiet launch” last September has gone down well in Scotland, allowing us to help 3,000 more people by the end of June.

This report looks in some detail at trends in the patterns of overindebtedness in Scotland over the past five years, including age, gender, housing situation, marital status and income, as well as levels of debt. The information is derived from our data warehouse which chronicles the circumstances of all those seeking our help in the belief that such information will improve our understanding of why people become overindebted and how we can work with creditors and others to prevent it.

A handwritten signature in black ink that reads "Malcolm Hurlston".

Malcolm Hurlston
Chairman CCCS (Scotland)

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Debt in Scotland

Summary of findings:

- The proportion of people over 60 has more than doubled over the last five years.
- The majority of clients (57 percent) are over 40, ten percent of whom are over 60. This is in marked contrast to five years ago when the same proportion (57 percent) was under 40.
- More women are present with debt problems than men. 54 percent of our clients describe themselves as living as a couple.
- Couples owe on average £31,239. Some £13,000 more than the average single female owes.
- Of our clients, 39 percent own their own homes. On average homeowners owe nearly twice as much as tenants.
- The average debt of people in Scotland is 22 times their monthly income.

2. Analysis

This report examines the circumstances of the overindebted in Scotland over the last five years. The information is drawn from over 8,500 clients (8,596) who had an in-depth counselling session between 2003 and June 2007 with CCCS Scotland, an independent charity which works with the UK charity, the Foundation for Credit Counselling.

2.1 Number of clients

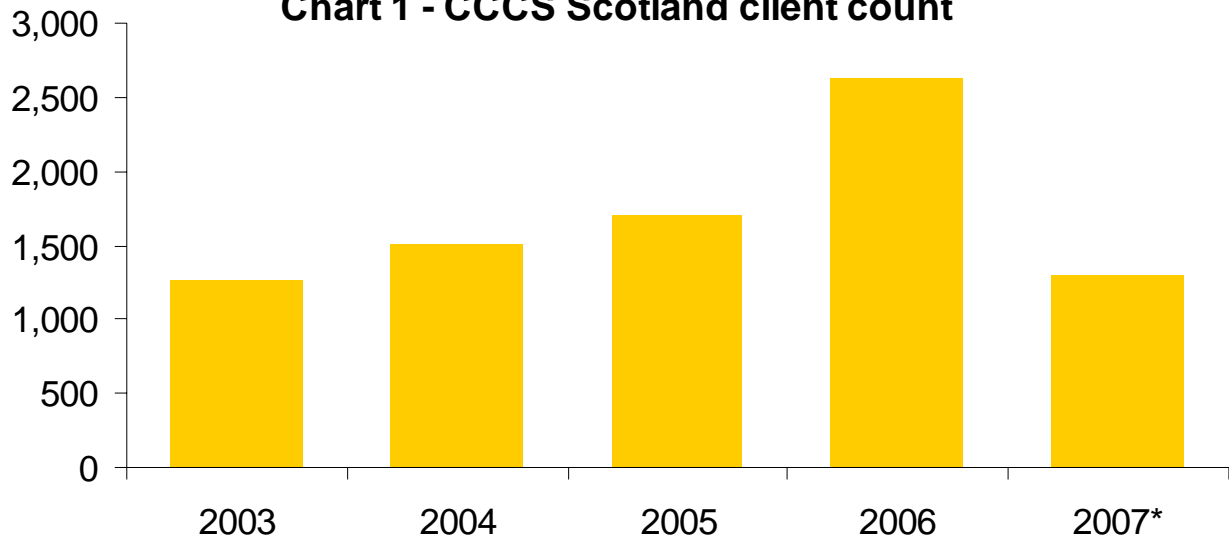
Since 2003 the number of clients seeking help from CCCS Scotland has increased steadily from just over 1,000 in 2003 to over 2,600 by the end of 2006. In the first half of 2007, we helped nearly 1,300 people. In addition to this, our online counselling service, CCCS Debt Remedy¹ has helped an estimated 3,000 people in Scotland between September 2006 and June 2007.

The main reason for this is increased awareness of overindebtedness which has both raised the charity's profile and led to more people tackling their financial problems.

The growth in the number of people who have had a counselling session is shown in the graph below. In 2006 we gave over 2,600 in-depth counselling sessions, a 106 percent increase compared to 2003.

¹ CCCS Debt Remedy can be accessed via our website: www.cccs.co.uk

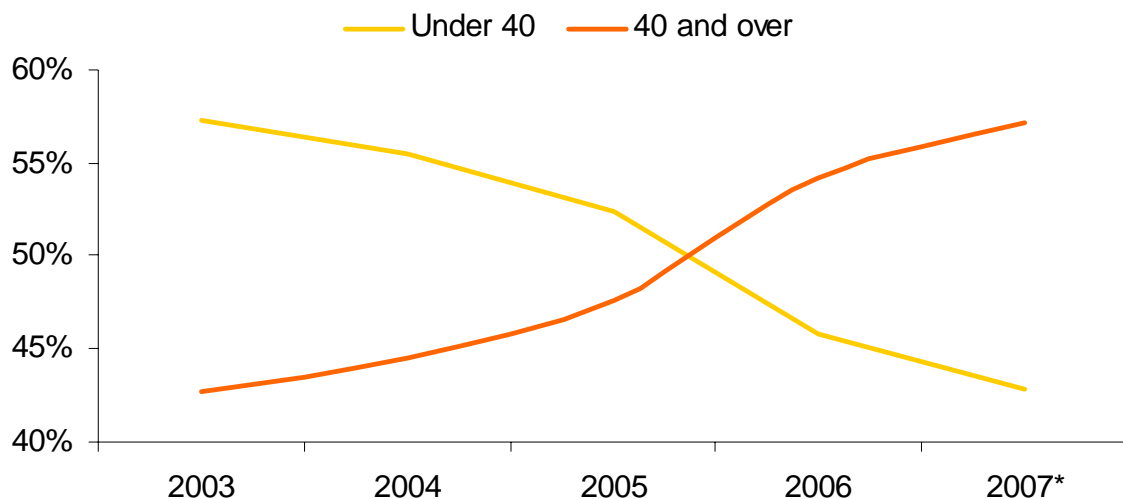
Chart 1 - CCCS Scotland client count



2.2 Age

People coming to us with problem debt are getting older. There has been a marked increase in the proportion of over-60s wanting counselling: over the last five years, this proportion has more than doubled. The largest category is the 40 to 59 age group*.

Chart 2 - Proportion of CCCS clients by age



* All 2007 figures refer to the first six months only.

If we split age categories into two then we can clearly see the shift since 2005. The proportion of younger people has been declining from a high point in 2003.

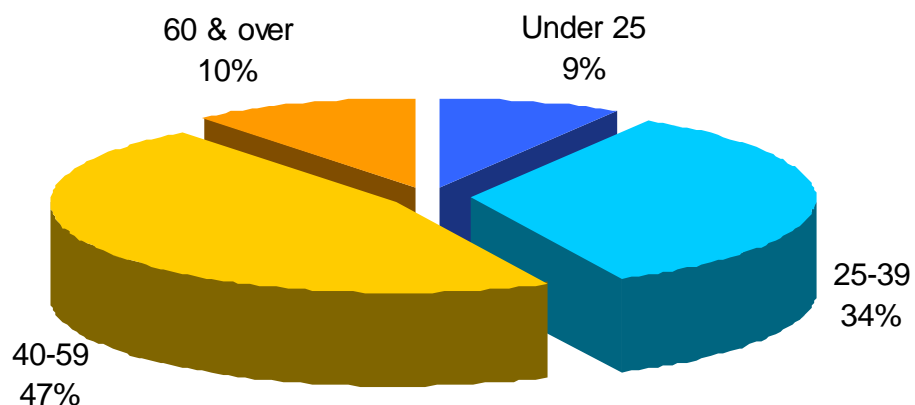
Table 1 – Age groups

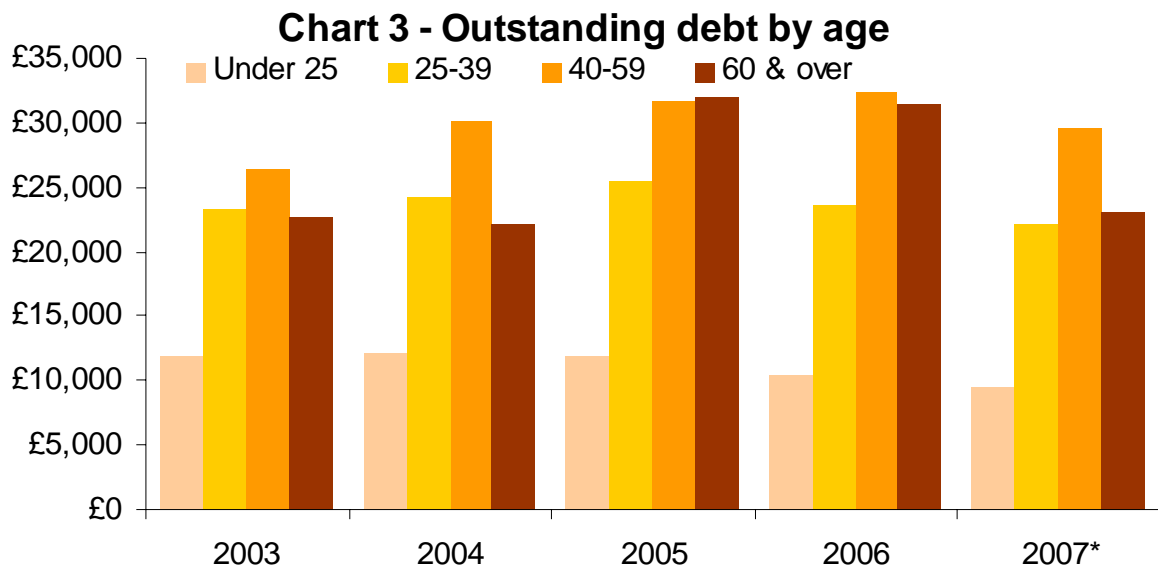
	2003	2004	2005	2006	2007*
Under 25	9.9%	10.6%	11.4%	8.7%	9.2%
25-39	47.3%	45.0%	41.0%	37.1%	33.9%
40-59	38.2%	39.7%	40.5%	44.9%	46.7%
60 & over	4.6%	4.7%	7.0%	9.3%	10.2%

This year, debt levels have fallen across all age groups compared to 2006. This is due in part to more people on lower incomes looking to CCCS Scotland for debt advice as their economic situation becomes more strained as a result of rising interest rates and increases in the cost of living. It is also reasonable to suppose that lower debt levels suggest that, with rising awareness of the problems of overindebtedness, people are coming for help at an earlier stage.

Chart 3 - Age groups

(H1 2007)





2.3 Gender

Increasing numbers of women are becoming overindebted. Our female clients tend to be single, on lower incomes than the average and often have children. This demographic is more vulnerable to debt problems than the norm.

Table 2 – Gender

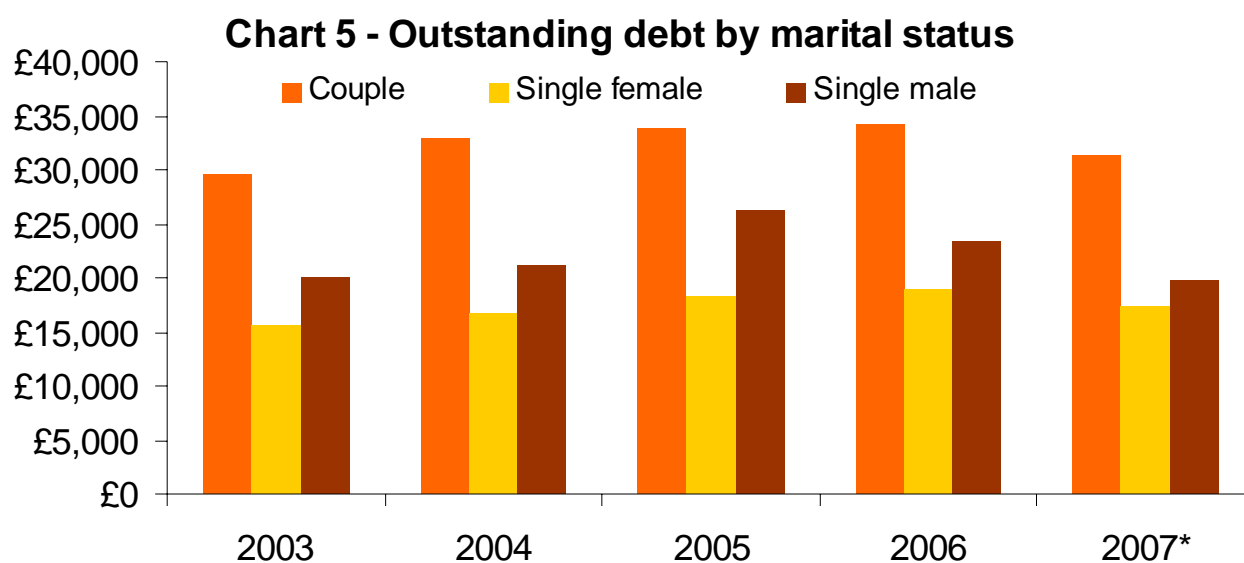
	2003	2004	2005	2006	2007*
Male	47.7%	41.7%	41.3%	40.5%	42.7%
Female	52.3%	58.3%	58.7%	59.5%	57.3%

2.4 Marital status

Just under 46 percent of those counselled by CCCS Scotland describe themselves as living as part of a couple. Couples are more likely to own a home and have children, which increases the potential levels of debt. However, they also have a greater ability to repay and more flexibility in dealing with debt problems. In the first half of 2007, the average debt of a couple was £31,239, compared to £17,355 for single women and £19,712 for single men.

Table 3 – Marital status

	2003	2004	2005	2006	2007*
Couple	49.1%	47.2%	48.1%	49.0%	45.4%
Single	50.9%	52.8%	51.9%	51.0%	54.6%



2.5 Housing

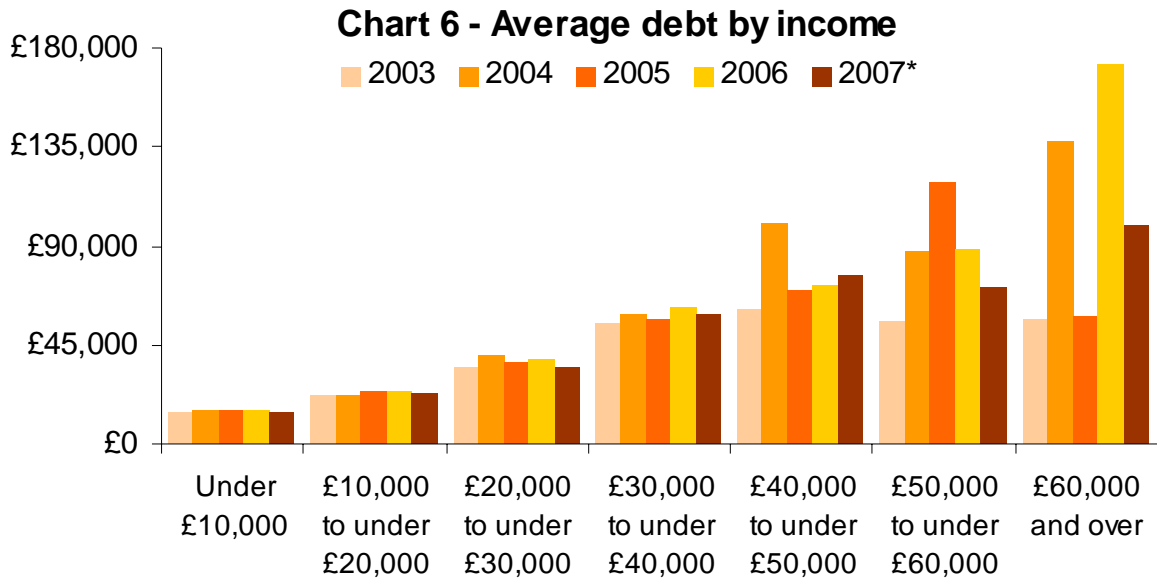
Scotland follows the UK trends with most clients renting their home, although five years ago it was almost an even split. Only 39 percent of clients own their home, the same proportion as in the UK as a whole.

Owing to their extra capacity to borrow, homeowners tend to have higher debts than tenants. The average debt level for homeowners was £34,019 in the first half of 2007, compared to £19,599 for renters.

Table 4 – Housing situation

	2003	2004	2005	2006	2007*
Owners	49.9%	46.7%	50.7%	48.5%	38.7%
Renters	50.1%	53.3%	49.3%	51.5%	61.3%

2.6 Income



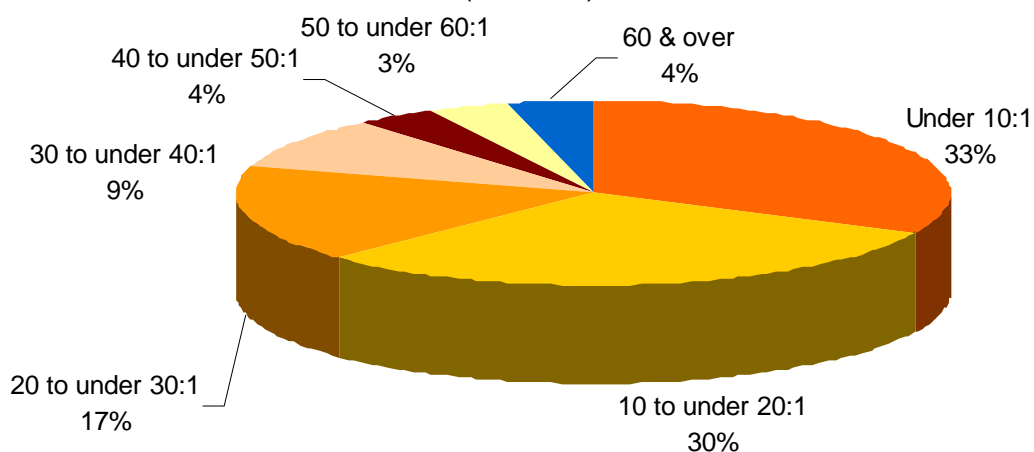
In 2007 the average level of debt has fallen in most income categories. The £60,000 and over category contains a small number of clients which accounts for the marked differences year-on-year.

Clearly the main factor in determining overindebtedness, is not just income levels, but how much is owed relative to income. A closer examination of clients by debt to income ratio reveals that there is a downward trend in the levels of debts in the lower debt to income ratios.

Clients with a higher debt-to-income ratio of 60:1 or higher only represent around three percent of our client base in Scotland.

Looking at debt to income ratios in more detail reveals that the majority of the overindebted have a debt to income ratio of less than 20:1 with the average being 22:1.

Chart 7 - Proportion of clients by debt to income ratios
(H1 2007)



3. Conclusions

On the basis of our statistics from the first half of 2007, it appears that average debt levels in Scotland are falling for all age groups. This differs slightly from the rest of the UK where we have seen a drop for all age groups apart from the over 60s.

However, Scotland resembles the rest of the UK in that more people in the over-60 age group are using our service. With the largest age group the 40-59 year old, we are witnessing an ageing of debt as the credit card generation reaches retirement. This is an area which requires additional research in the future.

Another interesting finding is in the gender of debt. More women are using our service than men. In addition to this many of the women are single, as has been identified in other CCCS and third-party research.

Generally, the patterns of overindebtedness in Scotland are similar to the UK as a whole. There are few major differences, bar a slightly lower annual income and slightly lower debt levels. This is likely to be because of the demographic and income disparities between Scotland and other areas of the UK.

We shall continue to research debt in Scotland regularly to identify trends and examine in more detail the vulnerable groups identified in this report.

4. Appendices

4.1 Information relating to tables and report

The information below relates to charts used in this report and in the text.

Table 5 – Clients in Scotland

	2003	2004	2005	2006	2007*
Count	1,272	1,507	1,705	2,625	1,299

Table 6 – Outstanding debt by age

	2003	2004	2005	2006	2007*
Under 25	£11,921	£12,075	£11,857	£10,417	£9,162
25-39	£23,290	£24,245	£25,451	£23,732	£22,154
40-59	£26,404	£30,165	£31,702	£32,403	£29,771
60 & over	£22,654	£22,115	£32,036	£31,509	£23,494

Table 7 – Outstanding debt by marital status

	2003	2004	2005	2006	2007*
Couple	£29,593	£32,811	£33,699	£34,193	£31,239
Single female	£15,648	£16,643	£18,213	£18,920	£17,355
Single male	£20,062	£21,183	£26,169	£23,258	£19,712

Table 8 – Outstanding debt by income

	2003	2004	2005	2006	2007*
Under £10,000	£13,905	£14,968	£14,732	£15,082	£13,549
£10,000 to under £20,000	£21,343	£22,294	£23,909	£23,774	£23,041
£20,000 to under £30,000	£35,118	£39,839	£37,296	£38,574	£34,574
£30,000 to under £40,000	£54,371	£59,394	£56,661	£61,774	£59,191
£40,000 to under £50,000	£61,416	£99,875	£69,293	£72,079	£79,994
£50,000 to under £60,000	£55,251	£87,383	£118,746	£88,786	£70,869
£60,000 and over	£56,224	£137,944	£57,505	£172,050	£99,628

Table 9 – Proportion of clients by debt-to-income ratio

	2003	2004	2005	2006	2007*
Under 10:1	27%	28%	26%	25%	32%
10 to under 20:1	37%	33%	35%	33%	30%
20 to under 30:1	20%	20%	19%	20%	17%
30 to under 40:1	9%	9%	10%	10%	9%
40 to under 50:1	3%	4%	4%	5%	4%
50 to under 60:1	1%	2%	2%	3%	3%
60 to under 70:1	1%	1%	1%	1%	1%
70 to under 80:1	0%	1%	1%	1%	1%
80 to under 90:1	1%	0%	0%	0%	0%
90 to under 100:1	0%	0%	0%	0%	0%
100:1 and over	1%	1%	1%	1%	2%

4.2 History of Consumer Credit Counselling

CCCS Scotland is an independent charity which is affiliated to the UK's Foundation for Credit Counselling.

The Foundation for Credit Counselling is the charity responsible for the introduction and development of credit counselling in the UK. Since being established in 1993, credit counselling has helped approaching a million people with debt problems.

CCCS Scotland offers help with budgeting and better money management; in-depth money advice sessions; and, for those able to repay their debts, with a range of repayment plans. Its primary aim is to work in the best interests of the consumer, taking account of responsibilities and commitments to creditors.

In the wider world, the Foundation seeks to understand both borrowers and lenders and underpins the continued development of an efficient and cost effective consumer credit industry. By increasing knowledge and understanding of the causes of overindebtedness, the Foundation aims to support the development of more responsible lending as well as borrowing, and to improve understanding of the increasingly important role that credit plays in the UK, both economically and socially.

In 2006, over 73,000 people benefited from an in-depth advice session across the UK.

4.3 Counselling process

There are two main points of contact: the free phone helpline and the website² which gives access to CCCS Debt Remedy, online counselling.

Based on the adviser's assessment, clients are offered appropriate assistance, be it emergency help, self-help material or the offer of an in-depth advice session. About one third of all those contacting CCCS have a full counselling session. Most counselling takes place over the phone, although face-to-face interviews are available in all 11 centres across country, including CCCS Scotland in Glasgow.

The interview consists of a full review of the credit and debt situation followed by a recommendation. The first priority is to ensure that the client and the client's family have enough to live on and to meet priority debts: only then will the counsellor discuss options for repaying unsecured debts. Provided there are sufficient funds, the counsellor will propose a DMP or an IVA which CCCS will administer. Other solutions include bankruptcy, IVAs and token payments.

Online clients receive counselling tailored to their own needs. A 20 page handbook outlining all the relevant information is generated for the user to download or print and is emailed to them. This is a revolutionary new counselling approach which is proving popular.

Such is the quality of counselling – both telephone and online – that many creditors now accept our repayment proposals without further checking and the repayment records of clients counselled are uniquely good. This is because counsellors follow the two key principles of best advice and sustainable plans.

² <http://www.cccs.co.uk>

Who uses credit counselling?

Overindebtedness largely results from a change in financial circumstances, caused by reduced income or overuse of credit, although relationship problems and changes in employment status are also common causes. CCCS clients are from all walks of life and include people with both high and low incomes but a typical client on a repayment plan is late-30s/early 40s, married with children with an average debt of £27,830.

Who supports CCCS?

CCCS is self-funding. Lenders share with the charity the benefit they receive from its operation. This unique mechanism allows CCCS to provide its services free to consumers.

From its original founders, Registry Trust³ and major lenders, CCCS now has the support of the credit industry and associated organisations. Nearly half of the people who contact CCCS are referred by their creditors.

³ More information on Registry Trust: <http://www.registry-trust.org.uk>

5. Further information and contact details

CCCS Scotland

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jketchell@cccs.co.uk

Scottish Debtline (Mon-Fri, 8am-8pm):

0800 138 3328

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

www.cccs.co.uk

CCCS email:

contactus@cccs.co.uk

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