CCCS RESEARCH

CCCS statistical yearbook 2011

Chairman's Introduction

Lord Stevenson of Balmacara

During the last year, the Consumer Credit Counselling Service (CCCS) has developed a strategic plan aimed at doing more to help those in our society who need debt advice and solutions. This includes working more closely with the banks, credit card companies and other, non-financial creditors; developing our partnerships with others working in this field (such as Citizens Advice Bureaux); rebranding ourselves to become a more public-facing debt charity; and publishing more about what is happening to the families and individuals who need help with unmanageable debt.

The statistical trends presented in this yearbook are drawn from the circumstances of over 350,000 people who sought our help last year. Overall, debt levels for clients are dropping in line with the efforts of the general population to reduce their borrowings but demand for our service remains high, with stagnating incomes and job loss being the main drivers of financial distress. Renters especially are feeling the pinch, with an increasing number finding themselves in arrears, particularly among those renting from private landlords. We have seen a 30 percent increase over the past three years in the number of clients with rent arrears.

Last year, clients both owed less and spent less on everyday living – but falling incomes meant that they had no more money to repay their debts. Clearly it is going to take time to get over-burdened households back on their feet, particularly those with dependent children who, unsurprisingly, owe on average 21 percent more than those without.

One of the knock-on effects of this is that people are finding themselves in debt for longer, hence carrying debt into later life. Currently we counsel more 30-44 year olds than any other group but we think that in two years time almost half the people in need of our help will be over 45.

The number of clients over 60 is growing and around 12 percent of clients aged over 55 have at least 30 percent of their incomes tied up in debt repayments. Work carried out for us last year by the Financial Inclusion Centre showed that there is a persistent minority of older people trapped with extreme debt. It would appear that this minority is growing rapidly.

At the other end of the scale, we helped more young people in 2011, a substantial proportion of whom are unemployed. Indeed those aged under 25 are 50 percent more likely to be without a job than those aged 25 to 59. Even for young people lucky enough to be employed, the effects of the financial crisis make it more difficult for them to obtain mainstream credit, meaning that many of them are turning to new forms of lending, such as the short-term, low value loans offered by payday lenders.

It is not our policy to seek to remove credit options from particular groups in society. Payday lending is a new industry meeting some client need but worrying accounts of malpractice suggest that the sector needs to be effectively scrutinised, reined in where appropriate and new habits of customer care introduced into working practices, particularly when it comes to clients in default. Data from our social policy team shows that client complaints about payday lenders have risen in the last 12 months and now account for 16 percent of the total.

Fee-charging debt management companies whether online, on TV or in newspapers are often the first to get to vulnerable groups. They know that in a pressurised situation, desperate for relief from problem debt, consumers make a 'distress purchase' – taking the first hand that reaches them in the hope that this will transform their lives for the better. We are still seeing evidence of bad practice in the commercial debt management sector, while it remains a problem that going to a fee-charger costs the consumer more and takes them longer to pay off debts. Findings from our strategic review reinforced client concerns about fee-charging debt management companies and we will do more to promote our free, independent and impartial service so that we can reach consumers much earlier in the cycle of unmanageable debt.

CCCS constantly looks to adjust its service to address the changing realities of clients' circumstances. Hence in response to the increasing number of older people seeking our help, we launched an equity release service in 2010 – currently the only one recommended by Which?. Meanwhile at the start of 2012, we have begun to assist clients to make offers of full and final settlements to creditors if their circumstances allow.

A survey among our clients showed that 45 percent waited more than a year before seeking help with their debts, while over a third kept debts hidden from family and friends. We can take some encouragement from the increasing use of our online counselling service. The 24-hour availability of CCCS Debt Remedy coupled with its advantages of anonymity does seem to encourage people to come to us earlier, but more needs to be done. The implementation of our strategic review and the work of the Money Advice Service should ensure increasing awareness of charities like ours, with the capacity to help more people struggling with their household finances and to do so at no cost to the client.

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The survey data found throughout the Statistical Yearbook and in Appendix three is based on a poll carried out with 2,062 CCCS Debt Management Plan (DMP) clients.

Main Findings 2011

IMPACT OF RECESSION

- New types of lending are causing significant problems. Since January 2009 there has been a six-fold increase in the number of people approaching CCCS with payday loan debts. The proportion of people contacting the charity for help with payday loans doubled over 2011 to 13 percent. By the end of the year CCCS clients owed a total of £22 million in payday loans with the average total payday loan debt of our clients being £1,267.

- Unemployment is the key cause of debt problems, especially for the young – 42 percent of CCCS clients aged under 25 are out of work. Overall, for half those seeking help their debt problems have been caused by unemployment or under-employment.

- Renters appear to have been affected most severely by the economic downturn. The proportion of clients who rent their home has increased to 55 percent over the last two years. There has been a 30 percent increase over the past three years in the number of clients with rent arrears.

- Demand for debt advice is growing rapidly among older age groups. Since 2009 there has been a 15 percent increase in the number of people aged over 60 counselled by the charity.

FINANCIAL HARDSHIP

- CCCS was contacted by almost 370,000 people seeking debt advice last year. On average, clients in 2011 owed over £20,000 in unsecured debt.

- Single parents make up 12 percent of clients. For this group the average budget surplus (amount available to service debt once living costs have been accounted for) is just £3, compared to £44 for all clients counselled.

- Unsecured debt is 21 percent higher for people with dependent children than for those without.

- Women are twice as likely as men to be in debt due to divorce or separation.

- Almost half of debtors wait more than a year between realising their debts are a problem and seeking professional debt help.

- Over a third of debtors have hidden their debt problems from their friends and family. CCCS Wellbeing, the charity's unique mental health gauge, has found that up to 58 percent of people contacting the charity online are suffering from severe depression.

- For one in seven CCCS clients, contractual debt repayments are worth more than 100 percent of their monthly disposable income.

- Almost a quarter of debtors owe 20 times more than they take home each month.

THE WIDER PICTURE

- During 2011, high inflation and a weak labour market resulted in falling real incomes for many. The gap between inflation and earnings growth reached a high of 4.8 percentage points early in the year.

- Unfortunately for borrowers, lending rates for consumer credit failed to decline and rose in many cases. In particular, the average cost of a small personal loan (around £5,000) hit almost 16 percent in December 2011.

- There was a gradual rise in unemployment throughout 2011. The consensus is that this will continue, with the unemployment rate increasing to 8.9 percent by mid-2013.

- The labour market is especially difficult for young people (aged 16-24), for whom the unemployment rate is now 22.3 percent.

- Despite these challenging conditions UK households kept up their battle to reduce debt levels. The savings ratio (indicating amount of income not spent by households) exceeded six percent in Q3 2011, compared to less than three percent two years earlier.

- However, economic pressures continue to bite and people are still turning to debt advice agencies for help. There has been a steady increase in the proportion of managed insolvencies (Debt Relief Orders, Individual Voluntary Arrangements) compared to bankruptcy. This suggests an increasing number of households using professional advice.

Foundation for Credit Counselling

The Foundation for Credit Counselling is the charity that introduced and developed free debt counselling in the UK through CCCS in 1993. The charity's main aim is to help consumers address their personal financial situation, accounting for their responsibilities, obligations and commitments to creditors.

CCCS continues its commitment to help people in debt through the expansion of its specialist services, including the launch in 2011 of CCCS Debt Advocacy. Based in Eastbourne and run by some of the charity's most experienced counsellors, a significant number of CCCS clients have already benefited from this new service. Debt Advocacy helps people identified as vulnerable, which could be because of their age, mental health or capacity, with extra support such as help with completing forms and undertaking welfare benefits checks.

Following its launch as a subsidiary of CCCS in 2010, CCCS Equity Release (CCCS ER) continued to expand in 2011. CCCS ER was created to deliver unbiased expertise and support in a complex and specialist area for those looking for an equity release solution. The service allows the charity's retired clients to deal with their debt problems and improve their quality of life while keeping their home. CCCS ER is supported by consumer watchdog Which? and was awarded the Best Financial Adviser Newcomer at the Equity Release Awards.

As the charity grows so does the information which is available to include in its annual statistical review. The data is drawn from a warehouse containing the details of more than 13 million phone calls, 1.5 million clients and cumulative debts of around £28 billion. The analysis contained in this Yearbook is drawn from the records of people who have received a full counselling session.

I. Economic overview

THE ECONOMY LOST MOMENTUM IN 2011 AS THE PRIVATE AND PUBLIC SECTORS DELEVERAGED

After the strong recovery, the UK economy was caught between a rock and a hard place in 2011. High inflation and a weak labour market resulted in falling real incomes for many households, putting pressure on spending and thus limiting domestic demand. Spending cuts compounded this situation, leading to large-scale job cuts, undermining the strength of domestic demand in the economy. The hoped-for export-led recovery failed to materialise as many of the UK's most important trading partners in the eurozone and beyond faced challenges of their own. The eurozone sovereign debt crisis aggravated this situation and undermined business confidence as well as affecting capital market activity, access to credit and the cost of financing.

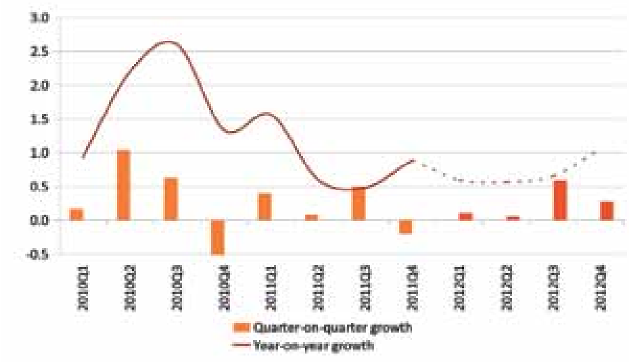
With public finances on the defensive, it was left to the Bank of England to stimulate the economy. It extended the 'quantitative easing' policy, aiming to increase the amount of money in circulation to push effective interest rates down and stimulate spending and investment. Unfortunately for borrowers, lending rates for consumer credit failed to decline, and in some cases even rose. Despite this challenging outlook, the average household continues to cut its debt burden in an effort to get back on a firmer financial footing. However, with unemployment on the rise, financial distress looks likely to increase. Credit availability is stabilising and an increase in managed forms of insolvencies suggests more widespread use of advice in this aspect of consumer finance. Falling inflation should outweigh some of the negative effects of rising unemployment. All in all, an uncertain economic outlook suggests that debt advice will continue to be in high demand in 2012.

FICKLE GROWTH FIGURES UNDERLINE ECONOMIC FRAGILITY

Economic growth was initially strong in 2011, bouncing back from the winter-affected last three months of 2010 to record quarter-on-quarter growth of 0.4 percent. As Chart 1.1 illustrates, an up-and-down pattern continued throughout the year, with a weak second quarter following the good beginning. The Royal Wedding was said to have contributed to lowering growth to just 0.1 percent, with the supply chain disruptions of the Japanese earthquake and tsunami adding to the sluggishness. In Q3 and Q4, the same pattern continued – moderate growth in the first period, a fall in the second. Output is even estimated to have fallen in the last three months of the year, possibly signifying the start of a mild recession if the economy contracts again in the first quarter of 2012.

When compared with the situation before the financial crisis, output in Q4 2011 stood at about the same level as in Q4 2006. It will be some time before national income gets back to its high point reached before the financial crisis, with little progress expected in 2012. For the year as a whole, the Office for Budget Responsibility (OBR) – the government's independent forecaster – expects growth of 0.7 percent. This is somewhat higher than the private sector consensus, in line with consistently over-optimistic projections made by the OBR. Either way, the economy looks to be headed for a period of near-stagnation while public and private sector debt deleveraging continues.

Chart 1.1 – Gross domestic product growth, quarter-on-quarter and year-on-year (2012 forecast), percent



Source: Office for National Statistics (ONS), OBR, Centre for economic and business research (Cebr)

THE UNEMPLOYMENT RATE IS ON THE RISE AGAIN

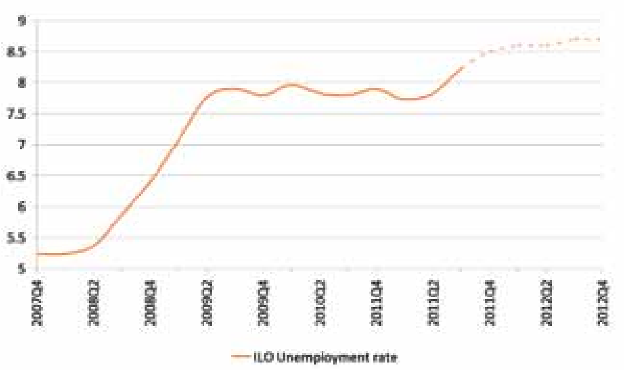
The labour market shows the drawn-out nature of financial recovery in the UK. As can be seen in Chart 1.2, unemployment climbed steadily during the recession and then stabilised at a little under eight percent. Although output was much lower, UK firms decided to hold on to staff in order to be prepared for the return of previous activity levels. The disappointing growth figures discussed in the previous section have brought a realisation that demand will be structurally lower and that the trend growth rate seems to have fallen. Possibly in response to this, firms have been cutting back capacity to adjust to the new macroeconomic environment.

The overall unemployment rate substantially hides underlying discrepancies, with some groups more affected than others. For instance, the labour market is especially difficult for young people aged 16-24, among whom the unemployment rate has reached 22.3 percent, the highest level since comparable figures are available from 1992. As discussed below, employment prospects vary considerably by region.

FURTHER INCREASES IN JOBLESSNESS FORECAST

The OBR forecast sees a gradual rise in unemployment throughout the coming year, with the national rate expected to increase from 8.4 percent in October 2011 to 8.7 percent by the third quarter of 2012 with a stabilisation at this level. The private sector consensus, as published by Focus Economics in February 2012, is a little more downbeat, expecting unemployment to further increase to 8.9 percent in the first half of 2013. Either way, the labour market faces a difficult period.

Chart 1.2 – National unemployment rate (2012 forecast), percent



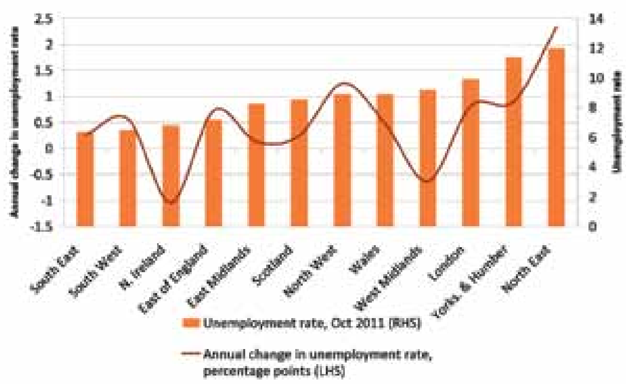
Source: ONS, OBR, Cebr

REGIONAL DISCREPANCIES ARE WIDENING

The national unemployment rate masks significant variation in regional labour markets. The South East is still performing well, with an unemployment rate of 6.4 percent in the three months to October. At

12 percent the North East on the other hand faces an unemployment rate of nearly double that. Chart 1.3 shows the different regional rates as well as changes in the unemployment rate, in percentage points, from October 2010. It gives a clear indication that increases in unemployment are a national phenomenon, with only two of the UK's 12 regions seeing the rate drop over 12 months. However, there is a growing divergence between the different parts of the UK. Rises in unemployment are positively correlated with the regional rate, so increases are larger where unemployment is already high.

Chart 1.3 – Regional unemployment rates and annual change in regional unemployment rate, percent and percentage points



Source: ONS

INFLATION OUTPACES EARNINGS INCREASES

Falling demand for labour suggests that its price – wages – may stagnate or even decline. Chart 1.4, which shows the average rise in earnings, the annual consumer price inflation (CPI) rate and the difference between the two, implies that this has indeed been the case. Since the second quarter of 2010, the rate of inflation has been higher than earnings. The gap between the two reached a high of 4.8 percentage points in early 2011 and declined to a still-high 2.4 percentage points by the end of the year, resulting in an annual average difference of 3.5 percent. This is only a rough measure of the change in purchasing power of UK households over the year, but it shows that rising prices took a bite out of real disposable income just as wage increases declined.

Chart 1.4 – Average earnings growth, annual consumer price inflation change and difference between the two (2012 forecast), percent

Source: OBR

Inflation was largely driven by rising global commodity prices, limiting the ability of the Bank of England to counteract them. That led to the Bank missing its two percent inflation target by 2.5 percent, an unprecedented situation. More importantly, falling real wages meant that consumers spent less, which was compounded by simultaneous efforts to deleverage. Consequently, the economy has faced lacklustre retail sales. For 2012, the OBR expects inflation to decline sharply as commodity prices ease and low growth keeps further price rises in check. Further increases in unemployment mean that wages are projected to rise below the rate of inflation, putting additional pressure on disposable incomes throughout this year. The average gap of 0.7 percent for 2012 is forecast to be much smaller than in 2011, but it still means that consumer-focused sectors of the economy are likely to face difficult business conditions as households face further declines in their purchasing power, putting additional strain on debt repayment ability.

HOUSEHOLD SAVINGS EXPECTED TO START DECLINING

Chart 1.5 – Household savings ratio, four quarter moving average, percent

Source: ONS

Although incomes were squeezed by high inflation and low earnings growth, UK households kept up their efforts at debt reduction throughout 2011. The savings ratio shown in Chart 1.5 still exceeded six percent in Q3 2011, the last period for which data is available. Although a decline from the peak reached in the immediate aftermath of the financial crisis, the rate still exceeds the level seen in the run-up to the recession. Higher savings, evidence of an effort to reduce the household debt burden, mean lower consumption – the opposite of the situation in previous years when consumption was boosted by falling savings. Combined with the fall in real earnings outlined above and a similar debt reduction effort by the public sector, domestic consumption has been weak.

An increase in private sector borrowing is what the OBR expects. Taking the view that households will want to protect their consumption level in the face of falling real wages, the government forecasters believe unsecured borrowing will start to rise again in the near future. Chart 1.6 illustrates what effect this will have on the net worth of the average household. Low increases in financial assets and house prices make for declining wealth in relation to income when the debt burden rises again. The jury is still out on whether such an increase in personal debt will really take place. It is possible that the uncertain economic and employment outlook will prompt the average household to maintain its high level of saving in an effort to further reduce debt levels. In such a scenario, further deleveraging implies weaker consumption than forecast and would thus result in lower growth and higher unemployment than already anticipated. Current trends in consumer credit outlined in the following section do not yet suggest a sustained rise in borrowing.

Chart 1.6 – Household net worth to income ratio (2012 forecast), percent

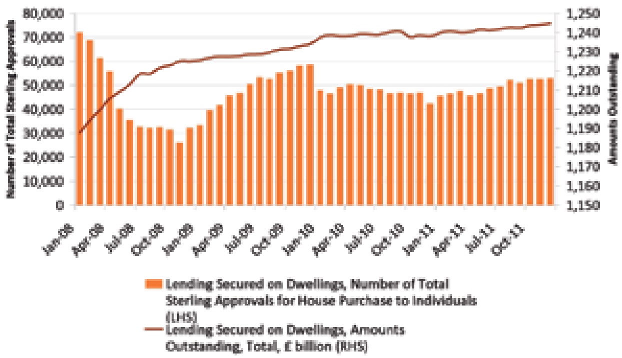
Source: OBR

MORTGAGE APPROVALS AND SECURED LENDING REMAINED BROADLY FLAT IN 2011

The housing market in the UK remained weak in 2011 as the number of mortgage approvals grew only marginally from the previous year.

After a rapid decline in the monthly number of successful mortgage applications in the second half of 2007 and 2008 and subsequent rebound in 2009, volumes have been broadly flat across the past two years, as illustrated by Chart 1.7. There were only 53,000 mortgage approvals in December 2011, above the 46,000 seen in January but well below the elevated pre-recession average of around 120,000.

Chart 1.7 – Total outstanding secured net lending to individuals and number of mortgage approvals



Source: Bank of England

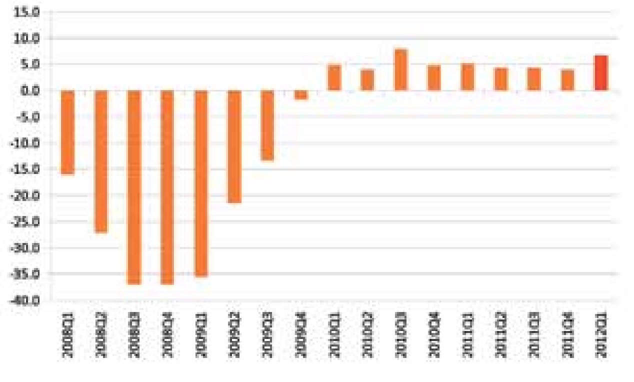
Low numbers of mortgage approvals have an important effect on the economy. When households move, lots of knock-on effects come in the form of purchases, renovations and redecorating at the new address. When relatively few people are moving house, the economy is deprived of these effects.

High and rising unemployment is likely having an effect on demand for mortgages – as the prospect of joblessness becomes greater, fewer are willing to take on a new large secured loan. A further sign of fragility in the housing market is demonstrated by the total amount of lending secured on dwellings (Chart 1.7), which has remained almost flat in nominal terms for the past few years and particularly over 2011. Once the effect of price changes is taken into account, total lending secured on homes in real terms is down over the year to December 2011 by 3.5 percent.

Secured credit availability for households remains tight. The Bank of England's quarterly Credit Conditions Survey shows that availability bounced back marginally after the credit crunch in 2008 and 2009 but has stayed subdued since then, remaining broadly unchanged over the latter half of 2011 as illustrated by Chart 1.8. Tighter wholesale lending conditions, as well as negative expectations for future house prices, weighed down on availability. While these factors and the general economic outlook are expected to keep secured lending availability down in the first quarter of 2012, a small increase is expected.

Demand for secured credit for house purchases was reported in this survey to have fallen at the end of 2011. Lenders commented that demand was held back by prospective house buyers being unable to put down a sufficiently large deposit – a sign of how household finances are being eroded by the combination of high inflation and weak earnings growth. Regardless of limited financing options, house prices are being held up by the supply-demand imbalance in the market that results from steady growth in the number of households not being matched by new building.

Chart 1.8 – Credit availability for secured loans, four quarter moving average (2012 forecast), net percentage balance



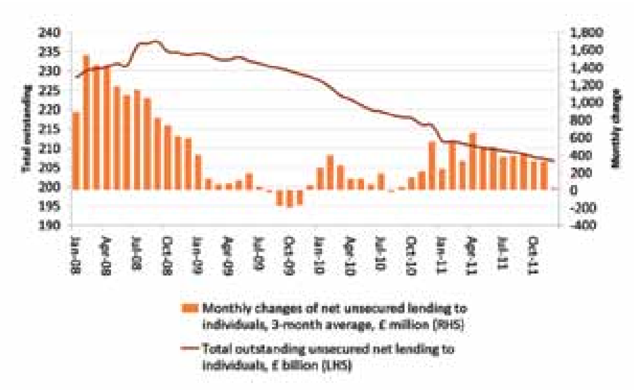
Source: Bank of England

TOTAL UNSECURED LENDING SPRANG BACK IN 2011 BUT IS NOW ON A DOWNWARD TREND

After low monthly growth in net unsecured lending in 2010, lending to individuals appeared much stronger through the first half of 2011, with an average monthly increase of £315 million. However, this trend weakened over the year, and December saw more unsecured debt being paid off than new amounts taken on, as the UK population deleveraged. December's dip was the first negative change to total unsecured lending since January 2011.

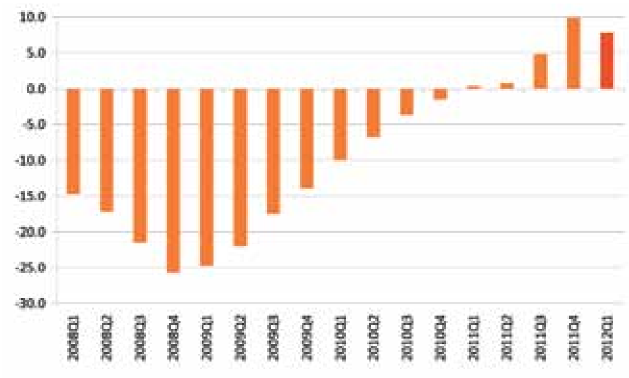
Unsecured credit became easier to access toward the end of 2011, according to the Bank of England's quarterly Credit Conditions Survey. After becoming significantly more difficult to access during the credit crunch and downturn of 2008-09, more credit started to become available from the start of 2011 (Chart 1.10). Lenders reported that this was due to credit card limits increasing and rising approval rates for other unsecured loans. Unsecured credit availability was expected to increase slightly at the start of 2012, but lenders commented that adverse economic developments in the eurozone could have a downward effect on this outlook.

Chart 1.9 – Total outstanding unsecured net lending to individuals and monthly changes, three month average



Source: Bank of England

Chart 1.10 – Availability of unsecured credit, four quarter moving average (2012 forecast), net percentage balance



Source: Bank of England

MORTGAGE INTEREST COSTS DROPPED FOLLOWING BASE RATE CUTS BUT UNSECURED LENDING COSTS CONTINUE TO RISE

As a response to the recession of 2008-09 the Bank of England cut its Base Rate sharply to an unprecedented low of 0.5 percent by March

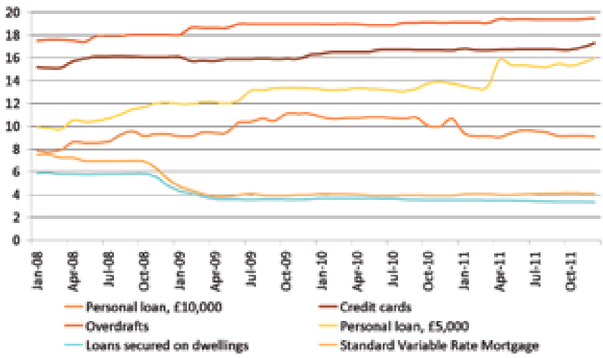
2009. This led to the cost of mortgage borrowing dropping swiftly – the average standard variable rate mortgage cost fell from almost seven percent before the recession to only four percent afterward. This had the effect of dramatically reducing the cost of living for many households, as interest is typically a substantial portion of essential spending for many families with mortgages. The Bank of England is expected to maintain its base rate at the current rate of 0.5 percent for the next few years and so households with mortgages will continue to benefit from low interest payments for some time to come.

The cost of unsecured borrowing tells a different story. Interest rates here have climbed steadily from pre-recession levels. Of particular note are smaller personal loans of around £5,000, where the average cost rose from below ten percent during 2005 – 2007 to almost as high as 16 percent by December 2011. The cost of a larger personal loan of around £10,000 has fallen back recently, although it remains above pre-recession levels. The difference between the two reflects the difficulty of gaining access to these credit types – smaller loans are granted more readily but have a higher risk premium priced in as a result.

The cost of borrowing on overdrafts and credit cards also grew over 2011, as risk-averse banks charge more for those with a higher default risk.

Rising unsecured lending costs have important implications for lower-income families who typically use credit to ease the strain on household finances, particularly in times when real incomes are being eroded by high inflation. Reduced spending is likely to result, placing further pressure on struggling high street retailers.

Chart 1.11 – Household interest rates for different borrowing types, percent



Source: Bank of England

MANAGED PERSONAL INSOLVENCIES ARE MORE COMMON

In line with other economic indicators, the number of personal insolvencies indicates that households are under significant economic strain. Two trends are evident in the personal insolvency statistics displayed in Chart 1.12. One, the number of insolvencies has been declining from its peak reached in early 2010. Two, managed insolvencies make up a growing proportion of the total, which suggests that an increasing number of households are making use of professional debt advice.

Compared with the first quarter of 2010, personal insolvencies were down about a fifth in the fourth quarter of 2011. At -5.6 percent, the annual decline is less notable but still clear enough. The overall number of personal insolvencies now stands at about the level of the temporary increase reached during the first three months of 2007. For 2011 as a whole, about 120,000 personal insolvencies were recorded, roughly 15,000 less than in 2010. In sum, insolvencies have been on a declining trend, although the worsening labour market suggests that this number may soon start rising again once

Kirstianne

Kirstianne (44) is disabled and lives in a housing association flat in Cheshire. After separating from her husband, she found herself unable to cope financially and fell further and further into debt.

Towards the end of 2011, Kirstianne realised she owed more than £6,000 on credit cards, a personal loan and a home order catalogue. She contacted a fee-charging debt management company after seeing an advert on daytime television, and entered into a Debt Management Plan with a monthly payment of £150.

After six weeks, she was still receiving phone calls from her creditors chasing her for payment. She discovered that of the £300 she had paid to the debt management company, only £1 had been paid to just one of her creditors – and that the remainder had been kept by the company as an up-front fee.

Kirstianne complained to the company and asked to cancel her DMP. When she told them that she had been advised to contact CCCS, the company's representative claimed that because CCCS was a charity, her creditors would not take her seriously and would keep adding interest and charges to her debts. At the end of a call that caused Kirstianne significant distress, she was told she was "a lost cause".

Kirstianne is now receiving free advice on dealing with her debts from CCCS and is complaining to the Financial Ombudsman Service about her treatment by the company.

Kirstianne said:

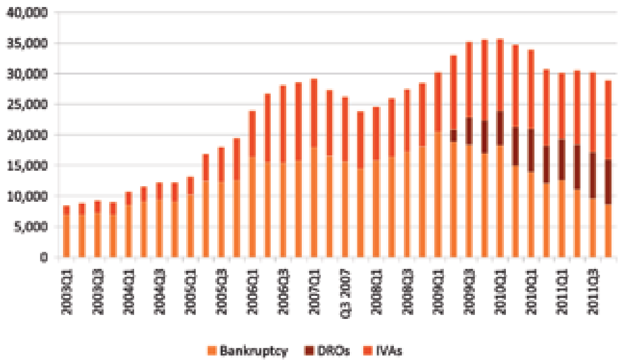
"I would never have signed up with the company if I had realised what they were like. All they want is their fee – they're not interested in the human being.

"The worst thing was being told I was a lost cause. I am not a lost cause. I just want to repay my debts and get back on an even keel."

the financial effect of job losses on household finances has fed into the insolvency process.

However, as can be clearly seen in Chart 1.12, the composition of insolvencies is changing. Debt Relief Orders (DROs) have become an important component, increasingly displacing bankruptcy orders. Since their introduction in Q2 2009, this managed form of personal insolvency has grown at a compound quarterly rate of 14 percent. A stabilisation of numbers at about 7,300 per quarter has been evident in 2011, suggesting that DROs have established a strong position. The number of Individual Voluntary Arrangements (IVAs) has been fairly consistent at about 13,000 per quarter. Taken together, DROs and IVAs now account for 70 percent of personal insolvencies. The rise of managed insolvencies marks an important change as before the introduction of DROs, bankruptcy orders accounted for about two-thirds of personal insolvencies. The continued growth of managed forms of insolvencies has resulted in an on-going decline of bankruptcy orders to less than one in three by the last quarter of 2011.

Chart 1.12 – Number of personal insolvencies, by type



Source: The Insolvency Service

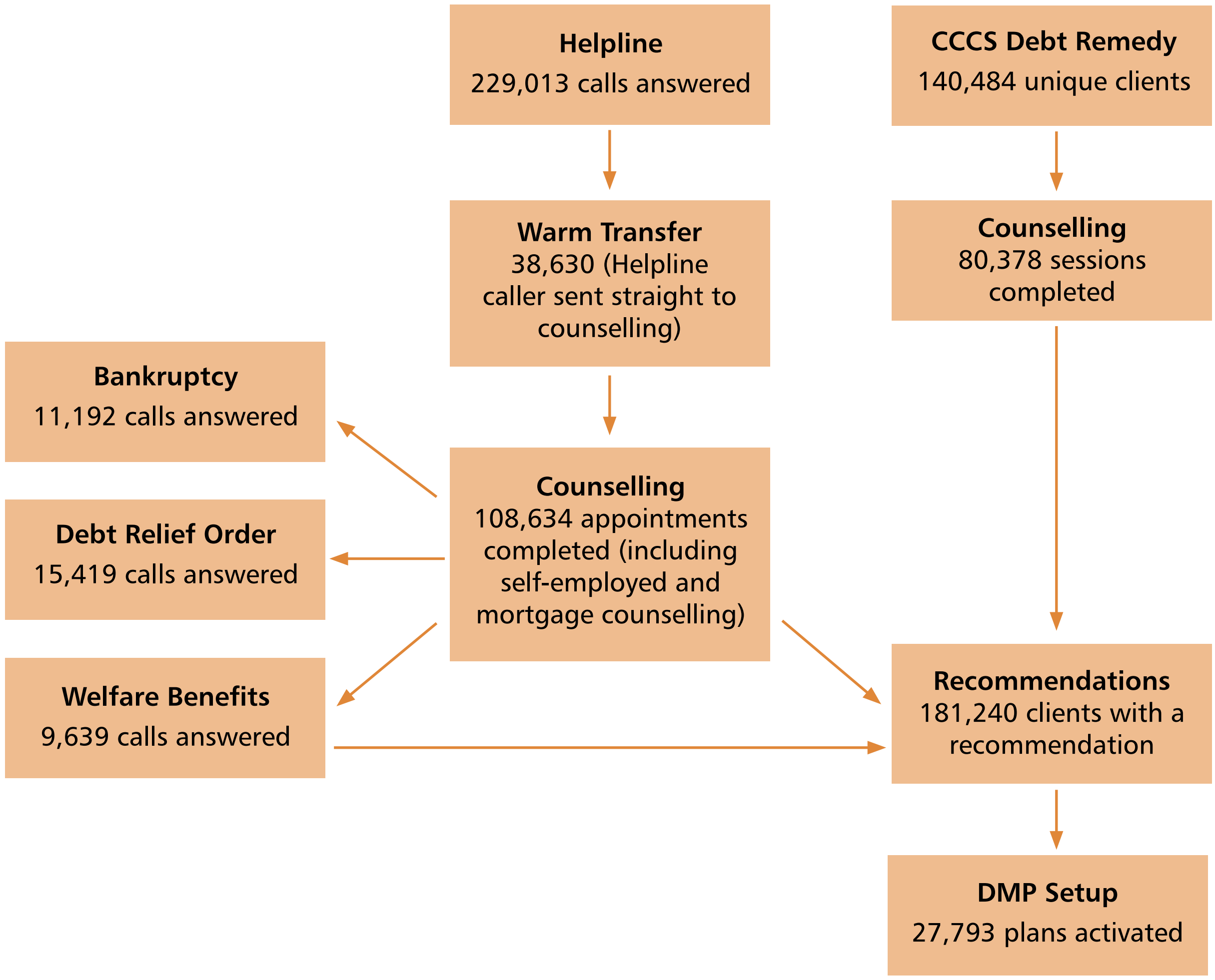
THE OUTLOOK FOR THE UK ECONOMY REMAINS CLOUDED

The past year saw the post-recession bounce fizzle out. Instead, a realisation that the UK is facing structurally lower growth has set in. If official projections turn out to be accurate, then the number of households in need of debt advice looks set to rise from the already high level evident since the onset of the financial crisis. Full recovery is still years away and rising unemployment, inflation exceeding earnings growth and government austerity measures make for a difficult macroeconomic environment. Continued low interest rates and falling inflation will ease some pressure on squeezed household budgets.

The OBR projections presented here are contingent on economic growth developing as forecast. As in other areas of the economic outlook a possible deep recession in the eurozone resulting from an implosion of the euro and an ensuing renewed credit crunch represent the most obvious risks to economic performance. With sovereign debt high in other advanced economies and the possibility of a major slowdown in the Chinese economy, the risks are more concentrated on the downside than the upside. It is possible that the world economy will suffer a significant setback and that the UK economy will perform worse than expected. That would compound the already challenging situation for many UK households. Positive surprises such as a strong US economy that stirs demand and further growth in emerging markets have the potential to lift growth and unemployment and improve household finances. Although adding to a high debt burden, the increases in lending to consumers predicted by the OBR would boost the economy. A challenging economic outlook is the likely scenario in 2012.

2. Seeking help

Flow chart of CCCS method



DEMAND

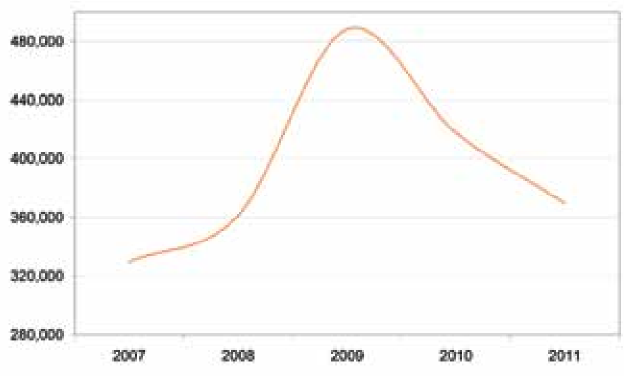
Key stats

- CCCS was contacted by 370,000 people seeking debt advice last year, a fall of 12 percent. However, the charity conducted a record number of counselling sessions in 2011.
- Calls to our specialist insolvency teams are at record levels – but more people are calling about DROs than about bankruptcy.

CCCS was contacted by 369,497 people seeking to resolve their debt problems in 2011 – or around 1,000 people every day. This represented a fall of around 12 percent on the previous year, although the number of people experiencing problem debt is expected to remain high. Nearly 230,000 people contacted the charity by phone, while a further 140,000 sought advice via our online counselling facility, CCCS Debt Remedy. The slow-down in people contacting CCCS for help was concentrated in the first quarter, with a 16 percent fall year-on-year. Although fewer people are asking for advice, this may not mean a lessening of debt problems in the UK. A recent report for the Department of Business, Innovation and Skills (BIS) shows that only 13 percent of people who are struggling with bills or repayment arrears seek debt advice from any source[1]. A survey of CCCS clients shows almost half of debtors admit to having experienced difficulties for more than a year before seeking help.

45 percent of CCCS clients waited over a year before seeking help for their debts

Chart 2.1 – Total number of people contacting CCCS for help, telephone and online



2011 saw a significant increase in calls to our specialist insolvency centres and CCCS now helps more people with formal insolvency proceedings than ever before. As covered by the economic overview there were almost 120,000 personal insolvencies in England and Wales last year, a decrease of 11 percent on 2010. The number of bankruptcies has also fallen sharply, but more and more people are applying for DROs to deal with their debts – these are an alternative form of insolvency for people with relatively modest debts but no realistic prospect of paying them off. For the last two years, CCCS has handled more calls about DROs than about bankruptcy, although this year the level of calls about both forms of insolvency has risen significantly (see Table 2.1). Figures from the Insolvency Service show that younger people aged between 25 and 34 are more likely to seek relief from their debts through DROs than any other age group[2].

Table 2.1 – Calls answered

	2009	2010	2011
Helpline	335,338	287,120	229,013
Welfare benefits	7,539	8,709	9,639
Mortgage counselling	7,365	2,253	657
Bankruptcy	8,201	7,995	11,192
Debt Relief Orders	4,604	12,424	15,419
Counselling support	85,847	118,009	110,045
Web support team	32,723	28,363	22,116
Client aftercare	829,346	818,679	765,207

An increasing number of people are turning to our online counselling service, CCCS Debt Remedy. In 2011, over 140,000 unique clients received help this way, with improvements to the CCCS website boosting traffic to make it more accessible. Many people feel uncomfortable opening up about their debts – a survey of CCCS clients found that a third have hidden debt problems from friends and family. However, CCCS Debt Remedy means clients can get free, impartial debt advice in confidence and online, as and when they need. The charity's web support team of fully trained counsellors is on hand to guide users through the process, but for most people the system provides a fully-fledged counselling tool.

35 percent of CCCS clients have hidden debt problems from friends and family. One in four clients struggled with their debts alone

1 BIS; Credit, debt and financial difficulty in Britain (2009/10), Appendix D
2 Insolvency Service; Generation Y turns to Debt Relief Orders to deal with debt (2011)

James

James (48) is an IT manager and lives with his wife and three children in Warwickshire.

Over a period of several years, the family's living costs rose significantly and James found that his income, while relatively high, was not rising quickly enough to keep up. James and his wife began to rely on their overdraft and credit cards to make up the difference.

Being homeowners with a relatively high income, securing credit wasn't a problem – and this meant that James and his wife were able to live beyond their means for several years before realising how serious the problem had become.

By the time they contacted CCCS for advice, the couple owed more than £90,000 on 14 different credit cards and an overdraft.

James said:

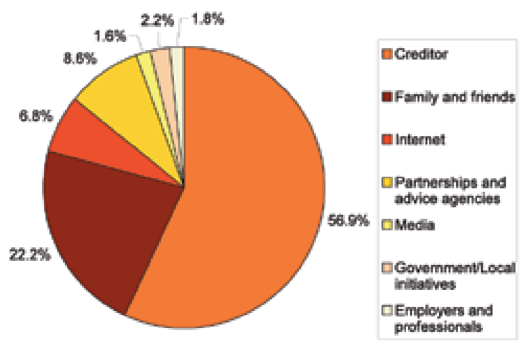
"When we realised exactly how much we owed, we felt physically sick. It was a dreadful feeling – we knew we were in over our head.

"I went online to find out what our options were, and read about CCCS on MoneySavingExpert.com. Someone I know had also mentioned CCCS to me years before, and so I called the helpline.

"They were really friendly and put our minds at rest straight away. We're now on a Debt Management Plan. Life is still difficult, and we're living right on the edge of what we can afford – but it's so much better now that we have help."

Client aftercare continued to deal with a high volume of calls (765,207), demonstrating CCCS's commitment to providing ongoing care for clients.

Chart 2.2 – Referral source



Telephone clients only

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In 2011 the majority of people who contacted CCCS were referred by one of their creditors (56.9 percent). This was a slight fall on 2010 when creditor referrals accounted for just over 60 percent of the charity's clients.

A greater proportion of people were put in contact with CCCS by the charity's partner organisations (8.6 percent). CCCS has good relationships with many different groups and in 2011 began a one year pilot to administer the DMPs of clients referred to the charity by Citizens Advice Bureaux. The partnership aims to set an industry standard with free help for people to sort out their personal finances and resolve their debt problems.

The charity continues to record information on demand for debt advice regionally. CCCS Debt View displays this data on the CCCS client base broken down by region, postal area and postal district and can be found at www.cccs.co.uk/debtview

COUNSELLING

Despite a fall in the number of people contacting the CCCS helpline, the charity carried out a record number of telephone and online counselling sessions in 2011. The number of counselling sessions peaked in the first quarter.

Table 2.2 – Total counselling sessions, telephone and online

	2009	2010	2011
Q1	49,065	54,110	53,937
Q2	45,533	43,475	45,125
Q3	49,162	47,775	47,438
Q4	44,947	40,973	42,512
Total	**188,707**	**186,333**	**189,012**

Counselling support is a service that helps CCCS clients who have received an initial counselling session. While the service handled fewer calls in 2011 (110,045) than in 2010, it was still 28 percent up on 2009.

3. Challenges faced

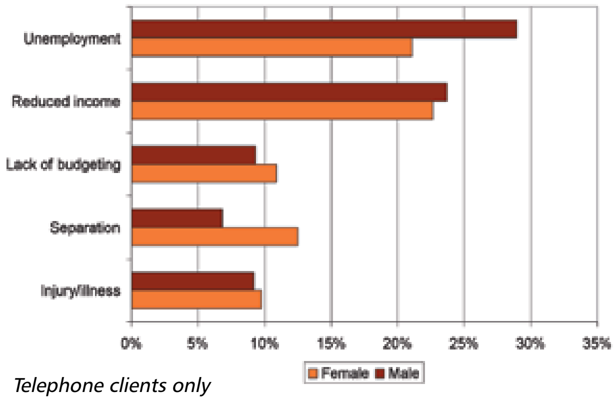
Key stats

- Half of all clients are contacting the charity due to unemployment or reduced income, men more so than women (53 percent versus 44 percent).
- Women are almost twice as likely as men to contact CCCS due to separation or divorce.
- Unsecured debt is 21 percent higher for clients with dependent children than for those without.
- For a third of clients, contractual payments are worth more than half of monthly income.
- If clients spent all their earnings on contractual debt repayments, one in seven would still be in the red at the end of every month.
- Three-quarters of CCCS clients who have a payday loan earn less than £20,000 net[3]. Their average debt to payday lenders is £1,267.

It is well established that the most common causes of over-indebtedness are work-related issues. Unemployment and reduced income account for around half of all payment problems among CCCS clients. However, as Chart 3.1 shows, men are more likely than women to experience payment difficulties due to employment strains (52.7 percent versus 43.7 percent). This might reflect a rise in unemployment since the downturn that has been much more marked for men on lower and middle incomes than it has for women[4]. However, it is expected that public sector cutbacks are likely to reverse this trend in the months ahead.

Unexpected 'life shocks' like separation, illness and bereavement account for between one-fifth and one-quarter of debt problems. Chart 3.1 shows that the proportion of women who encounter financial difficulty due to separation or divorce is almost double that of men (12.5 percent compared to 6.8 percent).

Chart 3.1 – Most common reasons for debt



Telephone clients only

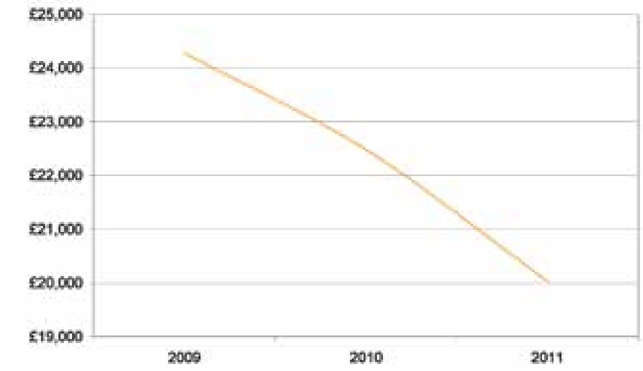
As in the previous two years average debt levels continued to drop in 2011; by 11 percent to £20,023. This has been allied to slight falls in both average income and average expenditure, while the budget surplus of clients is almost unchanged. It is unsurprising that those most affected by problem debt are seeing their earnings fall at a time of rising unemployment. Given the rise in the cost of living in 2011, the continued decline in spending is more unexpected, suggesting a further retrenchment by individuals and families.

Despite the fall in the amount of money owed, CCCS clients still have very high levels of unsecured debt compared to the national average. According to the money education charity Credit Action, excluding mortgages, average household debt in the UK is £7,948.

Some groups tend to have more outstanding debt than others. Unsurprisingly, clients with dependent

3 All figures for client incomes are for net annual income, unless stated
4 Resolution Foundation; Squeezed Britain: The annual audit of low-to-middle income households (2012), pp37-9

Chart 3.2 – Average Debt



children owe more than those without – by 21 percent. Research by the insurer LV= shows that the cost of raising a child to age 21 is on average over £10,000 per year[5] – this means it is more difficult for clients with children to reduce expenditure when personal finances are under pressure.

Table 3.1 – Debt and family

	2009	2010	2011
Client with children	£26,058	£25,063	£22,181
Client without children	£22,869	£20,971	£18,325

Table 3.2 – Debt and gender

	2009	2010	2011
Male	£26,957	£25,165	£22,449
Female	£21,915	£20,532	£17,804

Men continue to owe more than women – on average, male clients owe 26 percent more than female clients while the average debt of female clients is declining at a faster rate.

Table 3.3 – Debt and age

	2009	2010	2011
Under 25	£7,524	£6,316	£5,443
25-39	£20,092	£18,398	£16,079
40-59	£25,964	£24,902	£22,391
60 and over	£26,008	£24,642	£22,330

Research commissioned by CCCS in 2011 showed that debt levels in the general population tend to peak at age 40. However, people are starting to be in debt for longer as they struggle to pay off higher levels of debt acquired at a younger age. Over half of people aged 18-24 with unsecured debts owe more than £10,000 compared to only 20 percent of people aged over 55. The research also showed that a significant minority of older people find themselves close to retirement with extremely high (secured) debts still to pay down[6].

The figures in Table 3.3 mirror this broader picture, although there are some notable discrepancies. For instance, CCCS clients aged under 25 have relatively low levels of debt in comparison with other age groups. The high levels of unsecured debt among older clients is also concerning, as the vast majority of these clients are retired and so have reduced prospects of being able to service outstanding debt.

Table 3.4 – Debt and housing status

	2009	2010	2011
Owners	£31,317	£30,160	£27,861
Renters	£17,546	£15,892	£13,756

Couples who seek help from CCCS owe far more than single people and homeowners owe more than renters. Owners with arrears are typically £3,086 and five months behind on mortgage repayments when they seek help from CCCS.

The average debt of clients who rent has fallen over the last three years. However, the cost of renting is increasing – in the year to September 2011, average rents across the UK rose by 4.3 percent[7]. This is causing real problems for some – research from Shelter estimates that almost seven million people rely on credit in some form to help pay their

5 LV=; Cost of raising a child climbs up (2011), p2
6 Financial Inclusion Centre; Debt and the Generations (2011), p2
7 LSL Property Services ltd; Buy to let index – September 2011

housing costs, most often through loans or credit cards[8].

Table 3.5 – Debt and marital status

	2009	2010	2011
Couple	£30,274	£28,612	£25,571
Single male	£19,830	£18,414	£16,238
Single female	£16,937	£15,876	£13,921

Table 3.6 – Debt and net income

	2009	2010	2011
Under £10,000	£15,178	£14,344	£12,129
£10,000-£19,999	£20,127	£19,294	£16,567
£20,000-£29,999	£30,766	£27,904	£25,431
£30,000 and over	£47,075	£44,216	£40,930

Clients who earn more have far higher levels of unsecured debt. Clients earning over £30,000 a year owe, on average, £40,930. This is over £28,000 more than a client in the lowest income bracket. This reflects the greater access to credit that comes with a higher income.

Two-thirds of CCCS clients earn less than £20,000. A client earning £10,000-£19,999 will owe on average around £4,500 more than a client earning under £10,000. A client earning £20,000-£29,000 will owe around £13,000 more.

The level of debt crisis experienced by CCCS clients is brought home by two tables (Tables 3.7 and 3.8), showing first, the ratio of total debt to net income and second, the cost to individuals of servicing existing debts (expressed in terms of contractual payments as a percentage of income).

Debt to income (DTI) ratios are an important indicator of how exposed individuals are to changes in financial circumstances. As Table 3.7 shows, for almost a quarter of CCCS clients, consumer debts exceed monthly income by a factor of 20 or more.

Table 3.7 – Unsecured debt to income ratio

	Proportion of clients
Under 10:1	46.6%
10:1 to under 20:1	30.2%
20:1 to under 30:1	11.3%
30:1 to under 40:1	4.5%
40:1 and over	7.4%

We can use the figures in Table 3.7 to compare the situation of CCCS clients to the indebted population more generally. Clients with a monthly DTI ratio of 10:1 would owe approximately 80 percent of their annual income in consumer debt repayments. Research by BIS shows that 14 percent of households across the UK have unsecured debts worth 80 percent of annual income[9] – but for CCCS clients this rises to over half (53.4 percent).

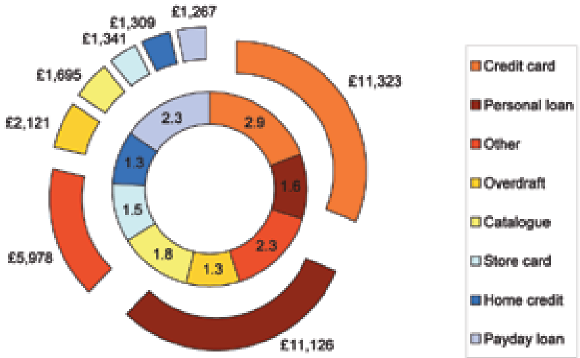
Table 3.8 – Contractual payments as a percentage of monthly income

	Proportion of clients
Under 25%	29.8%
25% - 50%	33.3%
51% - 75%	15.5%
75% - 100%	7.4%
Over 100%	14.1%

Repayment ratios are an indicator of more immediate crisis as they indicate the cost of servicing existing debts. As Table 3.8 shows, around one in seven clients seek help from CCCS when contractual debt payments are more than 100 percent of monthly income – that is, they are meant to repay more than they earn every month. Contractual payments are over half of monthly income for 37 percent of clients.

8 Shelter; Millions rely on credit to pay for home (2011)
9 BIS; Credit, debt and financial difficulty in Britain (2009/10), Figure 27

Chart 3.3 – Average number of debts held by type and amount owed



As in previous years, credit cards and personal loans are the most common debts, accounting for almost 80 percent of the total. On average, clients owe roughly the same amount on credit cards (£11,323) as they do on personal loans (£11,126). The amount owed on other forms of unsecured lending is much lower (Chart 3.3).

The growth of payday lending has been the subject of much attention recently. Since January 2009 there has been a six-fold increase in the number of people approaching CCCS with payday loan debts. By December 2011 the charity was counselling close to 1,500 clients a month with this form of high cost credit (13 percent of all people seen). Overall in 2011, CCCS helped 17,414 clients with payday loan debts, with more than £22 million outstanding.

Clients with payday loans have on average 2.3 debts of this type. It appears that these have been taken out on top of existing credit commitments,

Peter

Peter (22) is an office worker who lives in the South West. His debt problems began when he took out a payday loan to pay an unexpected repair bill for his car.

Although he had an overdraft, he was in full-time employment and did not feel he was in financial difficulty at the time. After taking out the payday loan, other unexpected expenses meant he was unable to repay – and he found himself in a downward spiral, taking out new payday loans to meet the interest charges on his existing borrowing.

Before long he owed more than £2,300 to eight different payday loan companies.He sought help online from CCCS Debt Remedy, and is now on a Debt Management Plan.

Peter said:

"It didn't seem like a big deal at the time. I had to pay to get my gearbox fixed, and just found myself in a sticky situation that month.

"When I took out the loan I thought I would be able to pay it back – but I was short of cash again and couldn't repay it. I had to take out new payday loans from different companies just to cover the interest charges on old ones, and I had less and less money each month.

"I just didn't know that it would pile up like that.

I went to CCCS who explained everything and helped me draw up a budget. I'm now on a Debt Management Plan, and it's going to take me about two and a half years to clear all of my debts."

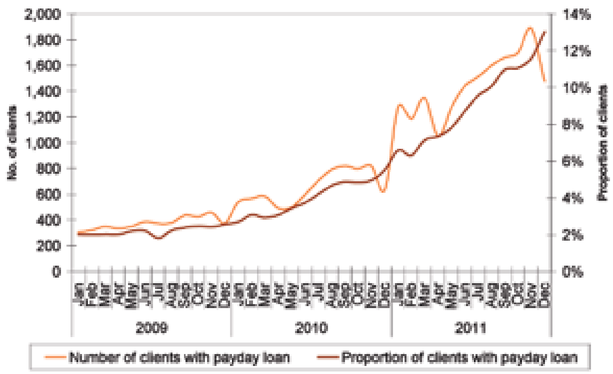
as on average a client with payday loan debts will have in total three more unsecured debts than a client without. It may be that people are taking out payday loans in an attempt to keep on top of their contractual debt repayments but this is clearly unsustainable.

For almost 50 percent of CCCS clients the struggle with debt has severely dented their self-confidence

The amount the average client owes payday lenders far exceeds what might be expected. The total average amount owed in payday loans is £1,267, which is some four and a half times the average size of a loan (around £275[10]). This suggests clients with payday loans are often struggling to keep control of the spiralling costs of this type of credit.

Clients with payday loans are more likely to be on low incomes – three-quarters of payday borrowers who come to CCCS earn less than £20,000 a year. On average their disposable income is £100 less per month than that of all clients. Those who have taken out payday loans are more likely to be male, single, and far more likely to be aged under 25 than average.

Chart 3.4 – Growth in number and proportion of clients with payday loans



10 Policis; Credit and low-income consumers (2011), p72

4. A consumer debt profile

Key stats

- Demand for debt advice from over 60s has increased by 15 percent in three years.
- 42 percent of CCCS clients under 25 are unemployed.
- More than one in ten people counselled are single parents.
- There has been a 30 percent increase in three years in clients with rent arrears.
- Income for CCCS clients over £5,000 less than the national average.

It is important to look at the socio-economic profile of indebted consumers seeking advice from CCCS. Research by BIS has demonstrated that CCCS clients appear typical of all people seeking professional debt advice[11]. Therefore by examining the CCCS client base over time it is possible to understand which groups have been most severely affected by the economic downturn, the 'crisis indebted' population of the UK.

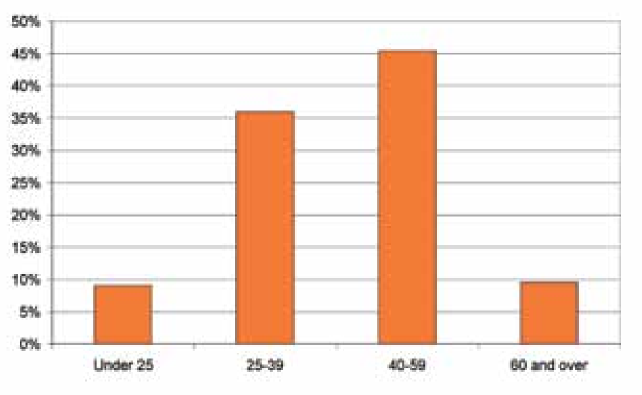
AGE

Consistently just under half of those contacting CCCS are aged 40-59. This indicates that this group are disproportionately likely to seek debt advice as they make up just over a quarter of the national population.

Younger adults, those aged 25-39, are second most likely to seek debt advice, contacting CCCS at a rate twice that of their occurrence in the general population.

Interestingly, UK-wide data suggests this should be the other way around. Previous research has shown that over-indebtedness is most common among those aged 25-34, with 9.1 percent of people in this age group considering their unsecured debts a heavy burden[12]. It is possible that many people are reluctant to seek help when it becomes apparent they are struggling and are waiting until their problem has become a crisis before reaching out.

Chart 4.1 – Proportion of clients by age



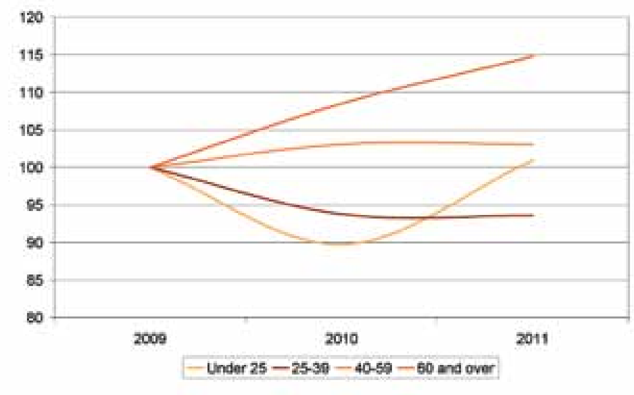
A worrying trend seen over the last three years is that the number of older people contacting CCCS has increased by almost 15 percent. This may be because people now moving into retirement are finding it difficult to maintain credit commitments taken on over late middle age. CCCS data shows that around 12 percent of those aged over 55 are spending at least 30 percent of their income on debt repayments.

Work commissioned by CCCS from the Financial Inclusion Centre (FIC) has shown that there is a persistent minority of older people trapped with extreme debt[13]. It appears that this minority is growing rapidly. Analysis for CCCS by the

11 BIS; Credit, debt and financial difficulty in Britain (2009/10), p104
12 BIS/Institute for Social and Economic Research; Over-indebtedness in Great Britain: An analysis using the wealth and assets survey and household annual debtors survey (2010), p18
13 FIC; Debt and the Generations (2011), p2

economics consultancy the Centre for Economic and Business Research (Cebr) has predicted that by December 2014, 48 percent of people seeking help from CCCS will be aged over 45[14].

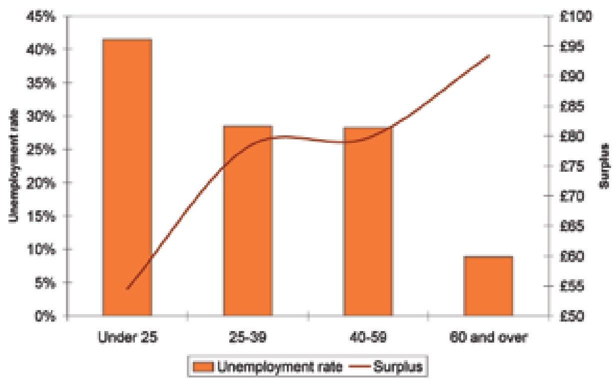
Chart 4.2 – Growth in demand by age (2009 rebased at 100)



As Chart 4.2 demonstrates there was a sharp rise in the number of people aged under 25 seeking debt help in 2011. This appears to be related to the increasingly high levels of unemployment, especially long-term unemployment, experienced by this group. Nationally, 20.1 percent of people aged 18-24 were unemployed in the three months to November 2011 compared to 17.6 percent over the same period in 2009. The strong link between this and increasing debt problems can be seen through comparison with CCCS data, which shows that 42 percent of people counselled by the charity in the under 25 age group are unemployed[15].

High levels of unemployment have led to younger age groups having low amounts of available surplus to meet their credit commitments, driving some of them into debt. The concern is that a core of younger consumers are now falling into debt early in life due to unemployment and may be unable to repay later on. Just under five percent of CCCS clients under 25 are students.

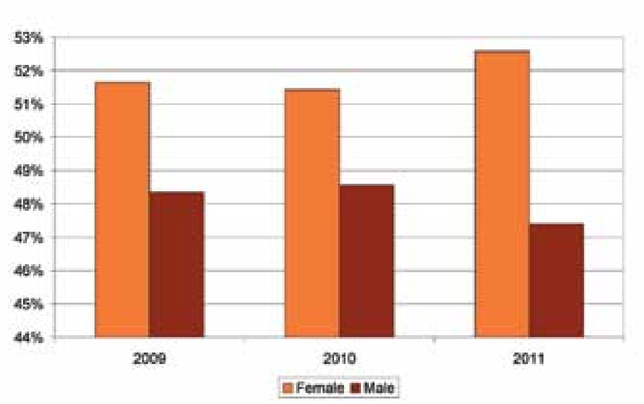
Chart 4.3 – Client unemployment rate and average surplus by age



GENDER

Women continue to seek debt help more than men. After narrowing over the previous two years, the gap between the genders increased over 2011, with women now accounting for 53 percent of clients[16].

Chart 4.4 – Proportion of clients by gender



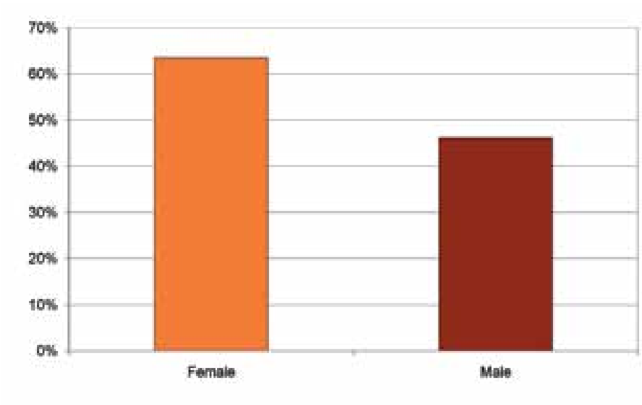
This may be partly related to under-employment and the likelihood of claiming benefits. Women are twice as likely as men to work part-time, which may make it more difficult to service multiple credit commitments[17], and almost 64 percent of women seeking debt advice from CCCS receive some type of benefit compared to 46 percent of men[18]. It has

14 Cebr; Consumer Debt and Money Report Q4 2011, p10
15 Unemployment data relates to clients counselled by telephone Q2-Q4 2011
16 By way of comparison women make up 51 percent of the UK population
17 BIS research has previously found that women have significantly more credit commitments than men
18 Clients claiming benefits have at least one of the following: Child Benefit, Child Tax Credit, Disability Living Allowance, Incapacity Benefit, Income Support, Jobseekers Allowance, Working Tax Credit. Clients with just Child Support are not classed as claiming benefits.

been argued that one of the main triggers of over-indebtedness is the interplay of moving in and out of low-paid work and associated delays in the processing of benefit payments[19].

For 35 percent of clients, being in unmanageable debt has led to their relationship getting weaker or breaking up

Chart 4.5 – Receiving benefits by gender



However, the increased likelihood of women seeking debt advice seems also to coincide with a greater willingness to seek help. Women contacting CCCS tend to have lower debts and a significantly lower unsecured gearing ratio (total unsecured debt to net annual income) than men, which would imply they are seeking advice earlier. Previous research has shown than women are significantly more likely than men to report that unsecured debt is a heavy burden[20].

Overall, couples still make-up just under half of all CCCS clients.

An interesting exception in terms of gender occurs among older age groups, with men over 60 seeking debt advice more than women. In 2006 the Financial Services Authority (FSA) established that 21 percent of people already retired do not find their income sufficient to give them the standard of living they hoped to have[21]. The sudden increase in advice seeking behaviour from men post 60 could indicate that this may be more of an issue for them than women.

Chart 4.6 – Proportion of clients by marital status

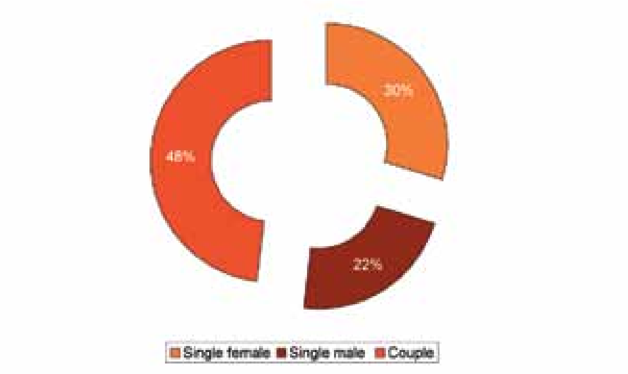


Table 4.1 – Proportion of clients over 60 by gender

	2009	2010	2011
Female	46.9%	45.6%	46.0%
Male	53.1%	54.4%	54.0%

HOUSEHOLD COMPOSITION

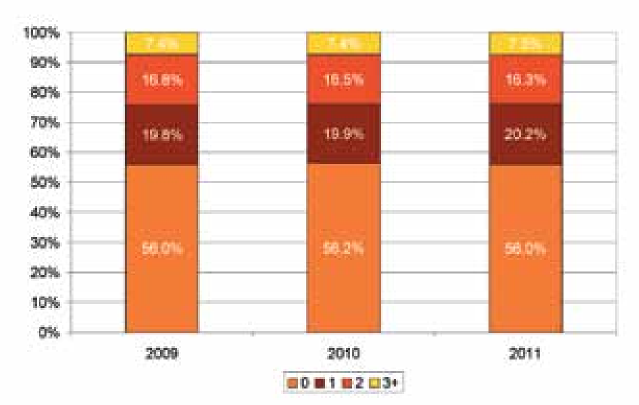
A minority (44 percent) of people seeking debt advice have dependent children. This may seem strange given the established link between having dependent children and the likelihood of increased credit commitments[22]. However, it is slightly above the national average (nationally 42 percent of the population have dependent children), which appears to confirm that children do increase chances of over-indebtedness.

As Chart 4.7 (below) shows the proportion of CCCS clients with dependent children has stayed

19 Joseph Rowntree Foundation; Credit and debt in low-income families (2010), p5
20 BIS/ISER; Over-indebtedness in Great Britain (2010), p34
21 FSA; Financial capability in the UK: Establishing a baseline (2006), p21
22 Elaine Kempson, Stephen McKay and Maxine Willitts; Characteristics of families in debt and the nature of indebtedness (2004), p34

remarkably steady over the previous three years. However, it is probable that this proportion will rise over the next three years. Research by the Institute of Fiscal Studies (IFS) says that median income among households with children is set to fall 4.2 percent in real terms by 2015-16, compared to a fall of 0.9 percent for households overall.

Chart 4.7 – Proportion of clients by dependent children



Within each sub-group (one to three-plus dependent children), the numbers have also remained surprisingly level over the last few years, essentially the same as national figures. Although this may appear counter-intuitive, as higher numbers of children leads to higher costs and therefore increased likelihood of debt, this finding is in fact in line with previous research. Analysis by the University of Nottingham's Centre for Policy Evaluation (CPE) has shown that the more dependent children a household has the less likely it is to perceive itself as over-indebted[23].

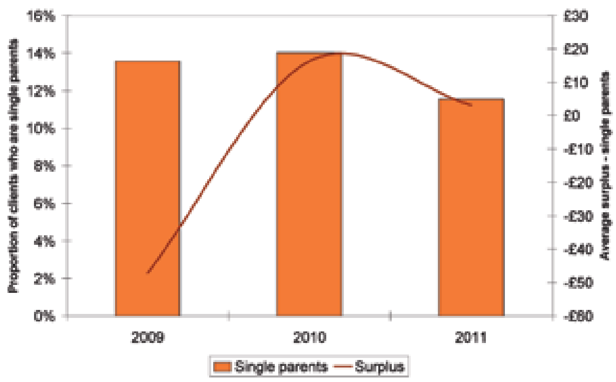
Around 12 percent of CCCS clients are single parents, a demographic regularly pinpointed as the most likely to be over-indebted[24]. This group does appear to be more at risk than the general CCCS population, with a post-counselling surplus of £3, compared to the charity average of £44.

Furthermore, there has been a significant rise in the proportion of single clients counselled by CCCS who have a debt-to-income ratio of 10:1 or less. This could suggest either that unsecured debts that would previously have been manageable are becoming unserviceable or that people are asking for help far earlier.

35 percent of CCCS clients have hidden their debt problems from their friends and family

Although proportionally fewer single parents approached the charity for help in 2011 than in previous years the charity expects this to increase from 2012 onwards.

Chart 4.8 – Proportion of single parents and average surplus



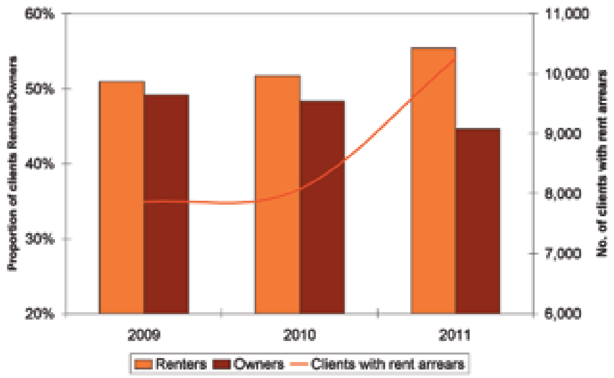
HOUSING STATUS

CCCS's data shows that not only are debt problems disproportionately affecting those who rent their properties, the recent economic downturn has hit this section of the population hardest. In 2011 over 55 percent of people seeking debt advice from the charity were renters[25], up from around 51 percent in 2009. More than 10,000 people who contacted

23 CPE; Drivers of over-indebtedness (2008), p54
24 BIS/ISER; Over-indebtedness in Great Britain (2010), p23
25 Compared to around 30 percent of the general population

the charity for help in 2011 had rent arrears, an increase of 30 percent in three years.

Chart 4.9 – Proportion of clients by housing status and rent arrears

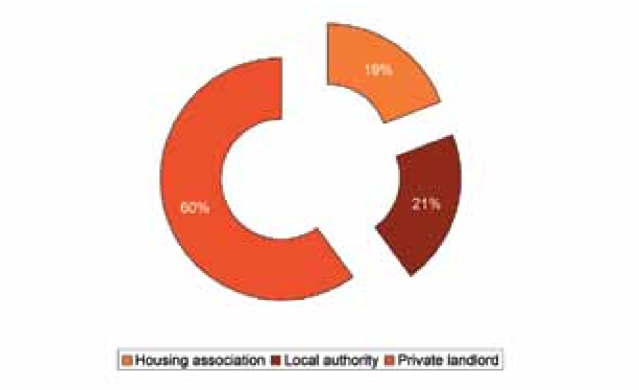


The rise in contacts from renters appears to be driven by lower-income private tenants. Research by Shelter and the Money Advice Trust (MAT) found that in 2009, 90 percent of lower-income private tenants were struggling or falling behind with their finances[26], and CCCS data shows that the situation has worsened since then. Almost 60 percent of renters contacting CCCS in 2011 were in the private, rather than social, sector – much higher than the national figure[27]. Previous CCCS research has demonstrated that private sector tenants with rent arrears owe on average £924, compared to £705 for social tenants.

This may be due to utility costs, which were pinpointed by the Shelter/MAT research as the most common source of financial difficulty for this group, and increasing rents over the last year. For CCCS rental clients the amount left over after meeting basic living expenses fell by 40 percent, to just £35 in 2011.

Worryingly, only one-third of respondents to the Shelter/MAT research had received advice about their financial problems, indicating that to some extent the CCCS data may not tell the full story of the problems facing many renters.

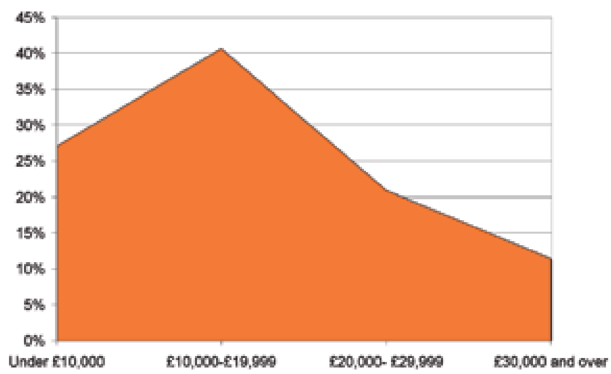
Chart 4.10 – Proportion of clients by rental status



INCOME

The experience of CCCS clients confirms previous findings that over-indebtedness is prevalent among low income households – with the overwhelming majority of those contacting the charity in the lower half of the income distribution. Over a quarter of people seeking advice from the charity in 2011 had an income below £10,000, and almost 70 percent earn less than £19,999.

Chart 4.11 – Proportion of clients by income



26 Shelter/MAT; Taking the strain: The private rented sector in the recession (2009), p14
27 Comparable figures for England show that only around 45 percent of renters are in the private sector

Julia

Julia (37), a single mother of three from East Anglia, contacted CCCS for help with her debts after she separated from her husband.

The family had lived beyond their means and built up nearly £20,000 of debt on credit cards and personal loans. All of these debts were in Julia's name, as her husband's credit rating had always been too poor to secure credit – and after the separation he refused to contribute towards the repayments.

Julia had to take time off work with stress, and found herself on her own at home with her three children.

Julia said:

"It was a horrible, horrible time in my life. I was dealing with the end of our relationship, and there was a lot of bitterness. On top of all that, I had these enormous debts to deal with.

"I started to panic. Bills were coming through the door left, right and centre. When I realised how much trouble I was in, I told my lenders about my situation. Most of them were actually quite helpful, but I still couldn't cope on my own.

"I looked online for ideas on what I could do, and came across CCCS on Google. From my first phone call to the helpline, they have been such a huge support. Although I still had the debts to repay, I wasn't on my own in dealing with them any more.

"I still have a long way to go, but they have helped me put together a budget and are now dealing with all of my creditors for me. The biggest improvement has been the fact that I don't get any letters or calls anymore. I can answer my phone again, and I don't need to worry about who it will be."

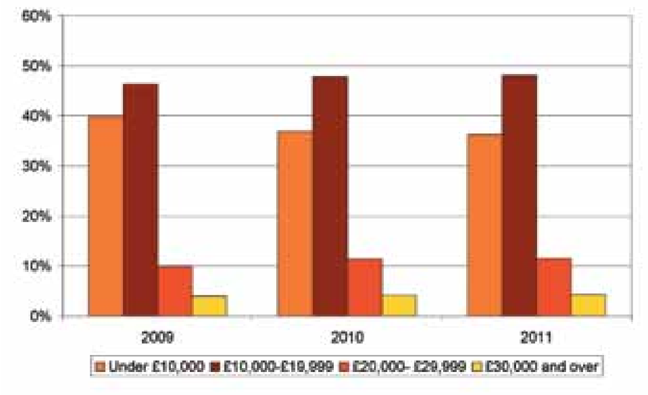
Overall, the income of those seeking debt advice is £20,958 gross per year – significantly lower than the UK average[28]. The income of those contacting the charity has been dropping over the previous three years, with a concurrent drop in the proportion of clients in the lower end of the income distribution. A central reason for this is most likely unemployment, with CCCS clients more than three times as likely to be unemployed than the general population.

This data strongly supports the findings of think-tanks such as the Joseph Rowntree Foundation (JRF), which has found that over-indebtedness is more generally due to inadequate income rather than "consumerism"[29]. Previous research has shown that 15 percent of individuals living in households with a gross annual income of less than £10,000 have some arrears. They are also three-times more likely to feel their debts are a heavy burden than individuals earning over £50,000 gross per year[30].

28 £26,200 gross p.a.
29 JRF; Credit and debt in low-income families (2010), p6
30 BIS/ISER; Over-indebtedness in Great Britain (2010), pp22-29

An even higher proportion of over-indebted people over 60 have earnings in the lower half of the income distribution, with almost 85 percent earning below £19,999 a year, meaning that clients over 60 have a much higher gearing ratio (163 percent) than the average client (118 percent). Two-thirds of over 60s counselled by the charity are retired, with 15 percent employed either full-time or part-time and nine percent unemployed.

Chart 4.12 – Proportion of clients over 60 by income since 2009



5. The right advice

Key stats

- There has been an increase in the number of clients able to repay some or all of their debt from 35 percent to 40 percent.
- CCCS currently has £3.7 billion of unsecured debt under management in DMPs.
- The top three financial organisations complained about by CCCS clients are high street banks, fee-charging debt management companies and payday lenders.

RECOMMENDATIONS

Following a counselling session CCCS offers a variety of solutions to clients depending on the severity of their debt problems. These range from solutions based on repaying the entirety of debt outstanding, for example DMPs, to ones resulting in the write-off of debt, insolvency. Examining what solutions are offered to clients, and if this has changed over the previous three years, can provide a good idea of the changing severity of debt problems across the UK.

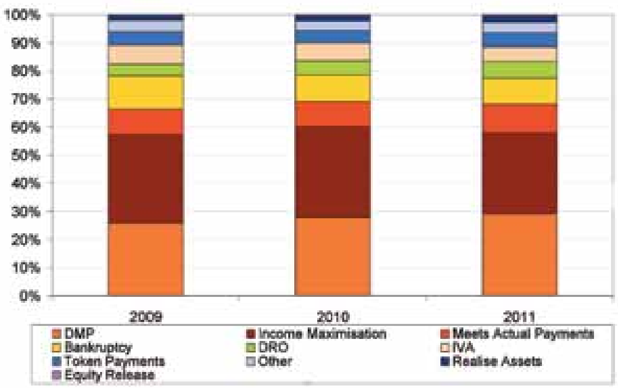
There has been a rise in the proportion of CCCS clients recommended to a repayment solution since 2009. Over the previous three years the proportion of clients who can either meet their contractual payments or pay a significant amount towards them per month has increased from around 35 percent to almost 40 percent. This would indicate that there has been a slight improvement in the position of the crisis indebted population across the UK.

A look at the surplus of clients supports this view. The amount the average CCCS client has to meet debt servicing costs once living expenses have been accounted for increased from -£40 in 2009 to £44 in 2011. This shows a concerted effort at retrenchment by those facing debt difficulties across the UK, nationally outstanding unsecured debt was reduced by £9 billion over 2011 to £206 billion[31].

Alongside the rise in repayment solutions there has been a fall in the proportion of clients recommended to insolvency. In 2011, 20 percent of clients were advised either to go bankrupt or to take out an IVA or DRO, down slightly from 2009.

The number of people counselled recommended Income Maximisation fell by over eight percent in 2011. This indicates a gradually improving situation for the indebted population of the UK. Income Maximisation is a solution suitable for people not insolvent but who lack the available surplus to start repaying their unsecured debts.

Chart 5.1 – Recommendations to clients

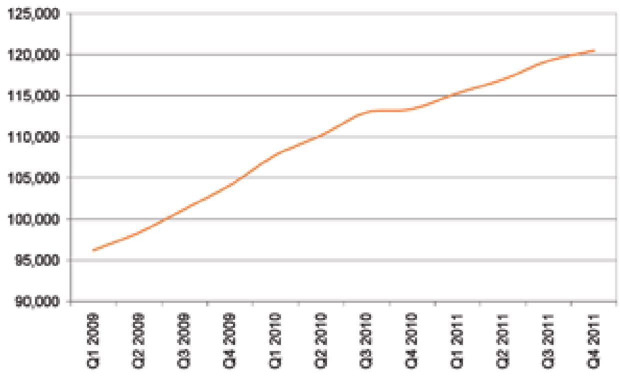


31 Bank of England - Quarterly amounts outstanding of total sterling net unsecured lending to individuals (in sterling millions) seasonally adjusted

DEBT MANAGEMENT PLANS

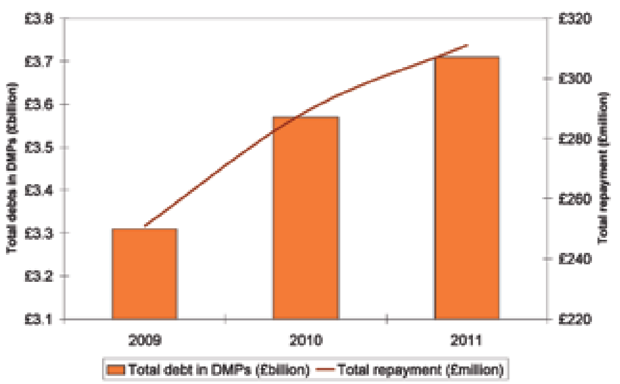
The most common form of repayment vehicle for over-indebted consumers is a DMP. Cebr has estimated there are 500,000 DMPs in operation.

Chart 5.2 – CCCS clients on DMPs



CCCS currently helps over 120,000 people repay their debts via DMPs, with the charity setting up 27,793 new plans over 2011. In the last three years the charity has increased the number of DMPs it operates by 25 percent. However, it is still the case that only around one in ten people counselled by CCCS end up on a DMP.

Chart 5.3 – Total debt in DMPs and total repayment per year



In 2011, over-indebted consumers repaid close to £312 million via CCCS DMPs. This is an increase of over £60 million in three years. The charity is currently managing £3.7 billion worth of unsecured debt.

Clients on DMPs tend to be in a slightly stronger position than the average person counselled by CCCS. After living expenses on average they have £236 a month available to service their debt repayments (compared to £44 for all clients counselled).

SOCIAL POLICY TEAM

Another way used by CCCS to understand the problems affecting the over-indebted population of the UK is its counsellors' social policy team. This network keeps track of the organisations most complained about by people contacting the charity and the type of products causing the most financial distress. CCCS is including this data in its Statistical Yearbook for the first time this year.

Half of CCCS clients feel they could have avoided unmanageable debt if they had received more financial education in school

The two types of organisation creating the most difficulty for over-indebted consumers are high-street banks (to be expected given the volume of debt they hold) and fee-charging debt management companies. These two are responsible for around half of the problems seen by the social policy team.

Closely following as a cause of problems for CCCS clients are payday lenders and debt collectors. Since the Office of Fair Trading's high cost credit review in 2010 there has been a massive rise in the number of complaints about payday lenders over the last two years – in 2010 they were responsible for only 3.4 percent of complaints to counsellors, compared to 15.8 percent in 2011.

Chart 5.4 – Complaints to CCCS by organisation

As a financial product payday loans were complained about far more in 2011 than in previous years, rising from sixth to third as a cause of social policy issues. Debt solutions (IVAs, DROs etc) were the most complained about products for both years.

Table 5.1 – Complaints to CCCS by product type

	2010	2011
Debt solutions	18%	23%
Debt collection	15%	11%
Loans	12%	15%
Overdrafts	10%	7%
Credit cards	6%	8%
Payday loans	5%	14%
Claims management	4%	3%
Catalogue	2%	3%
Other	28%	17%

For anybody interested in a regional breakdown of the data in this Statistical Yearbook. In addition to counselling figures, further information on a range of CCCS data can be found at www.cccs.co.uk/debtview.

6. Appendices

APPENDIX ONE – ECONOMIC OVERVIEW

Chart 1.1 – Gross domestic product growth, quarter-on-quarter and year-on-year (2012 forecast), percent

Quarterly growth – OBR	
2010 - Q1	0.2%
2010 - Q2	1.0%
2010 - Q3	0.6%
2010 - Q4	-0.5%
2011 - Q1	0.4%
2011 - Q2	0.1%
2011 - Q3	0.5%
2011 - Q4	-0.2%
2012 - Q1	0.1%
2012 - Q2	0.1%
2012 - Q3	0.6%
2012 - Q4	0.3%
Annual growth – ONS	
2010 - Q1	0.9%
2010 - Q2	2.2%
2010 - Q3	2.6%
2010 - Q4	1.3%
2011 - Q1	1.6%
2011 - Q2	0.6%
2011 - Q3	0.5%
2011 - Q4	0.9%
2012 - Q1	0.6%
2012 - Q2	0.6%
2012 - Q3	0.7%
2012 - Q4	1.0%

Chart 1.2 – National unemployment rate (2012 forecast), percent

2007 - Q4	5.2%
2008 - Q1	5.2%
2008 - Q2	5.4%
2008 - Q3	5.9%
2008 - Q4	6.4%
2009 - Q1	7.1%
2009 - Q2	7.8%
2009 - Q3	7.9%
2009 - Q4	7.8%
2010 - Q1	8.0%
2010 - Q2	7.8%
2010 - Q3	7.8%
2010 - Q4	7.9%
2011 - Q1	7.7%
2011 - Q2	7.8%
2011 - Q3	8.2%
2011 - Q4	8.5%
2012 - Q1	8.6%
2012 - Q2	8.6%
2012 - Q3	8.7%
2012 - Q4	8.7%

Chart 1.3 – Regional unemployment rates and annual change in regional unemployment rate, percent and percentage points

	Unemployment rate, Oct 2011	Annual change
South East	6.36%	0.26
South West	6.49%	0.56
N. Ireland	6.81%	-1.04
East of England	7.2%	0.73
East Midlands	8.27%	0.13
Scotland	8.56%	0.24
North West	8.92%	1.25
Wales	8.92%	0.47
West Midlands	9.2%	-0.63
London	9.93%	0.81
Yorks & Humber	11.41%	0.9
North East	12.03%	2.33

Chart 1.4 – Average earnings growth, annual consumer price inflation change and difference between the two (2012 forecast), percent

	CPI annual change	Earnings growth minus inflation	Average earnings growth
2009 - Q1	3.0%	-3.7%	-0.7%
2009 - Q2	2.1%	0.5%	2.6%
2009 - Q3	1.5%	0.7%	2.2%
2009 - Q4	2.1%	0.9%	3.0%
2010 - Q1	3.3%	2.1%	5.4%
2010 - Q2	3.5%	-2.1%	1.4%
2010 - Q3	3.1%	-1.9%	1.2%
2010 - Q4	3.4%	-2.9%	0.5%
2011 - Q1	4.1%	-4.8%	-0.7%
2011 - Q2	4.4%	-4.1%	0.3%
2011 - Q3	4.7%	-2.8%	1.9%
2011 - Q4	4.6%	-2.4%	2.2%
2012 - Q1	3.2%	-0.9%	2.3%
2012 - Q2	2.8%	-0.6%	2.2%
2012 - Q3	2.5%	-1.0%	1.5%
2012 - Q4	2.4%	-0.4%	2.0%

Chart 1.5 – Household savings ratio, four quarter moving average, percent

2002 - Q1	5.88%
2002 - Q2	5.6%
2002 - Q3	5.28%
2002 - Q4	4.8%
2003 - Q1	4.88%
2003 - Q2	4.7%
2003 - Q3	4.68%
2003 - Q4	4.98%
2004 - Q1	4.48%
2004 - Q2	4.3%
2004 - Q3	4.18%
2004 - Q4	3.63%
2005 - Q1	3.68%
2005 - Q2	3.6%
2005 - Q3	3.5%
2005 - Q4	3.68%
2006 - Q1	3.75%
2006 - Q2	3.53%
2006 - Q3	3.38%
2006 - Q4	3.13%
2007 - Q1	2.63%
2007 - Q2	2.7%
2007 - Q3	2.75%
2007 - Q4	2.65%
2008 - Q1	2.4%
2008 - Q2	2.48%
2008 - Q3	2.28%
2008 - Q4	3.08%
2009 - Q1	3.9%
2009 - Q2	5.45%
2009 - Q3	7.1%
2009 - Q4	7.75%
2010 - Q1	8.83%
2010 - Q2	8.05%
2010 - Q3	7.53%
2010 - Q4	7.15%
2011 - Q1	6.33%
2011 - Q2	6.35%
2011 - Q3	6.25%

Chart 1.6 – Household net worth to income ratio (2012 forecast), percent

2003 - Q2	642.9%
2003 - Q3	652.1%
2003 - Q4	663.1%
2004 - Q1	678.3%
2004 - Q2	678.2%
2004 - Q3	682.2%
2004 - Q4	703.1%
2005 - Q1	692.2%
2005 - Q2	701.9%
2005 - Q3	706.3%
2005 - Q4	719.4%
2006 - Q1	736.4%
2006 - Q2	732.2%
2006 - Q3	745.3%
2006- Q4	773.3%
2007 - Q1	791.4%
2007 - Q2	789.8%
2007 - Q3	779.6%
2007- Q4	756.4%
2008 - Q1	723.1%
2008 - Q2	680.1%
2008 - Q3	655.8%
2008 - Q4	638.6%
2009 - Q1	650.8%
2009 - Q2	650.9%
2009 - Q3	691%
2009 - Q4	704.3%
2010 - Q1	704.9%
2010 - Q2	690.4%
2010 - Q3	704.6%
2010 - Q4	722.7%
2011 - Q1	720.4%
2011 - Q2	706.6%
2011 - Q3	691%
2011 - Q4	687.5%
2012 - Q1	684.1%
2012 - Q2	678.7%
2012 - Q3	673.1%
2012 - Q4	668.1%

Chart 1.7 – Total outstanding secured net lending to individuals and number of mortgage approvals

	Mortgage approvals	Outstanding debt
Jan - 2008	72,166	£1.187 trn
Feb - 2008	69,004	£1.194 trn
Mar - 2008	61,449	£1.200 trn
Apr - 2008	55,802	£1.206 trn
May - 2008	40,498	£1.209 trn
Jun - 2008	35,646	£1.213 trn
July - 2008	32,830	£1.219 trn
Aug - 2008	32,253	£1.218 trn
Sept - 2008	32,709	£1.221 trn
Oct - 2008	31,655	£1.223 trn
Nov - 2008	26,260	£1.225 trn
Dec - 2008	32,261	£1.225 trn
Jan - 2009	33,456	£1.226 trn
Feb - 2009	39,647	£1.227 trn
Mar - 2009	41,855	£1.227 trn
Apr - 2009	45,822	£1.227 trn
May - 2009	46,899	£1.228 trn
Jun - 2009	50,647	£1.228 trn
July - 2009	53,212	£1.229 trn
Aug - 2009	52,664	£1.230 trn
Sept - 2009	55,269	£1.231 trn
Oct - 2009	56,248	£1.232 trn
Nov - 2009	58,121	£1.233 trn
Dec - 2009	58,728	£1.234 trn
Jan - 2010	48,048	£1.237 trn
Feb - 2010	46,625	£1.239 trn
Mar - 2010	49,058	£1.238 trn
Apr - 2010	50,539	£1.238 trn
May - 2010	50,150	£1.239 trn
Jun - 2010	48,577	£1.239 trn
July - 2010	48,350	£1.239 trn
Aug - 2010	46,803	£1.240 trn
Sept - 2010	47,090	£1.241 trn
Oct - 2010	46,707	£1.238 trn
Nov - 2010	47,050	£1.239 trn
Dec - 2010	42,505	£1.238 trn
Jan - 2011	45,738	£1.240 trn
Feb - 2011	46,616	£1.241 trn
Mar - 2011	47,654	£1.240 trn
Apr - 2011	45,921	£1.240 trn
May - 2011	46,724	£1.242 trn
Jun - 2011	48,841	£1.241 trn
July - 2011	49,563	£1.242 trn
Aug - 2011	52,341	£1.243 trn
Sept - 2011	51,086	£1.242 trn
Oct - 2011	52,603	£1.244 trn
Nov - 2011	52,628	£1.244 trn
Dec - 2011	52,939	£1.245 trn

Chart 1.8 – Credit availability for secured loans, four quarter moving average (2012 forecast), net percentage balance

2008 - Q1	-16.175
2008 - Q2	-27.2
2008 - Q3	-37.05
2008 - Q4	-37.025
2009 - Q1	-35.65
2009 - Q2	-21.475
2009 - Q3	-13.45
2009 - Q4	-1.725
2010 - Q1	4.9
2010 - Q2	4.05
2010 - Q3	7.925
2010 - Q4	4.825
2011 - Q1	5.2
2011 - Q2	4.35
2011 - Q3	4.375
2011 - Q4	4
2012 - Q1	6.8

Chart 1.10 – Availability of unsecured credit, four quarter moving average (2012 forecast), net percentage balance

2008 - Q1	-14.8
2008 - Q2	-17.225
2008 - Q3	-21.55
2008 - Q4	-25.775
2009 - Q1	-24.775
2009 - Q2	-22.125
2009 - Q3	-17.5
2009 - Q4	-13.925
2010 - Q1	-10.025
2010 - Q2	-6.825
2010 - Q3	-3.7
2010 - Q4	-1.575
2011 - Q1	0.35
2011 - Q2	0.775
2011 - Q3	4.875
2011 - Q4	9.925
2012 - Q1	7.85

Chart 1.9 – Total outstanding unsecured net lending to individuals and monthly changes, three month average

	Total outstanding unsecured net lending, £ billion	Monthly changes, 3-month average, £ million
Jan - 2008	£228.3	£892.0
Feb - 2008	£230.0	£1,538.5
Mar - 2008	£230.6	£1,428.7
Apr - 2008	£230.9	£1,430.0
May - 2008	£231.9	£1,184.3
Jun - 2008	£231.4	£1,088.3
July - 2008	£236.5	£1,151.3
Aug - 2008	£237.0	£1,052.7
Sept - 2008	£237.5	£823.3
Oct - 2008	£235.0	£740.0
Nov - 2008	£234.7	£615.7
Dec - 2008	£234.0	£595.0
Jan - 2009	£234.5	£401.0
Feb - 2009	£234.0	£132.7
Mar - 2009	£232.9	£65.7
Apr - 2009	£232.8	£75.7
May - 2009	£233.5	£108.0
Jun - 2009	£232.5	£196.3
July - 2009	£232.0	£43.7
Aug - 2009	£231.1	£-27.7
Sept - 2009	£230.7	£-178.7
Oct - 2009	£229.9	£-196.3
Nov - 2009	£229.1	£-173.0
Dec - 2009	£228.5	£61.0

	Total outstanding unsecured net lending, £ billion	Monthly changes, 3-month average, £ million
Jan - 2010	£227.4	£248.7
Feb - 2010	£225.7	£396.0
Mar - 2010	£223.6	£281.7
Apr - 2010	£222.5	£131.7
May - 2010	£221.1	£133.0
Jun - 2010	£219.9	£67.0
July - 2010	£219.4	£191.0
Aug - 2010	£218.5	£-24.7
Sept - 2010	£218.0	£37.3
Oct - 2010	£217.7	£144.7
Nov - 2010	£216.1	£217.3
Dec - 2010	£215.9	£555.3
Jan - 2011	£211.7	£244.0
Feb - 2011	£211.7	£541.7
Mar - 2011	£211.1	£336.3
Apr - 2011	£210.6	£655.3
May - 2011	£210.0	£498.0
Jun - 2011	£209.7	£496.0
July - 2011	£209.3	£380.3
Aug - 2011	£208.9	£393.0
Sept - 2011	£208.5	£405.0
Oct - 2011	£207.7	£336.7
Nov - 2011	£207.3	£336.0
Dec - 2011	£206.6	£24.7

Chart 1.11 – Household interest rates for different borrowing types, percent

	Personal loan, £10,000	Credit cards	Overdrafts	Personal loan, £5,000	Loans secured on dwellings	Standard Variable Rate Mortgage
Jan - 2008	7.86%	15.2%	17.5%	9.91%	5.88%	7.51%
Feb - 2008	7.71%	15.12%	17.58%	9.87%	5.89%	7.5%
Mar - 2008	7.93%	15.14%	17.57%	9.76%	5.8%	7.24%
Apr - 2008	8.6%	15.69%	17.54%	10.52%	5.8%	7.23%
May - 2008	8.54%	15.92%	17.4%	10.41%	5.73%	6.95%
Jun - 2008	8.53%	16.12%	17.91%	10.46%	5.76%	6.92%
July - 2008	8.64%	16.12%	17.91%	10.67%	5.79%	6.92%
Aug - 2008	9.24%	16.13%	17.91%	11.03%	5.79%	6.93%
Sept - 2008	9.57%	16.12%	18.04%	11.47%	5.81%	6.95%
Oct - 2008	9.16%	16.06%	18.04%	11.66%	5.82%	6.91%
Nov - 2008	9.3%	16.05%	18.05%	12.02%	5.54%	6.34%
Dec - 2008	9.3%	16.05%	18.04%	12.08%	4.8%	5.38%
Jan - 2009	9.14%	16.09%	18.02%	11.96%	4.32%	4.73%
Feb - 2009	9.14%	15.72%	18.63%	11.97%	4.1%	4.38%
Mar - 2009	9.46%	15.73%	18.62%	12.15%	3.83%	4.06%
Apr - 2009	9.4%	15.72%	18.62%	12.13%	3.62%	3.82%
May - 2009	9.45%	15.87%	18.61%	12.04%	3.59%	3.83%
Jun - 2009	10.32%	15.87%	18.97%	12.25%	3.59%	3.95%
July - 2009	10.39%	15.86%	18.97%	13.13%	3.57%	4.11%
Aug - 2009	10.69%	15.89%	18.97%	13.18%	3.58%	3.93%
Sept - 2009	10.45%	15.86%	18.96%	13.35%	3.58%	3.91%
Oct - 2009	11.1%	15.89%	18.96%	13.4%	3.56%	3.91%
Nov - 2009	11.08%	15.89%	18.96%	13.38%	3.57%	3.98%
Dec - 2009	11.08%	16.25%	18.97%	13.35%	3.59%	3.97%
Jan - 2010	10.81%	16.37%	18.95%	13.27%	3.67%	4.08%
Feb - 2010	10.65%	16.52%	18.95%	13.18%	3.67%	4.05%
Mar - 2010	10.73%	16.53%	18.96%	13.24%	3.66%	4.04%
Apr - 2010	10.74%	16.51%	18.95%	13.37%	3.67%	3.99%
May - 2010	10.79%	16.52%	18.89%	13.28%	3.66%	3.94%
Jun - 2010	10.78%	16.7%	18.89%	13.27%	3.65%	3.92%
July - 2010	10.74%	16.7%	18.89%	13.14%	3.63%	3.92%
Aug - 2010	10.68%	16.71%	19.08%	13.11%	3.55%	3.94%
Sept - 2010	10.77%	16.69%	19.08%	13.31%	3.53%	3.93%
Oct - 2010	10.06%	16.68%	19.09%	13.79%	3.51%	3.91%
Nov - 2010	9.99%	16.68%	19.08%	13.88%	3.51%	3.91%
Dec - 2010	10.64%	16.66%	19.1%	13.74%	3.5%	3.91%
Jan - 2011	9.41%	16.8%	19.09%	13.53%	3.5%	4.02%
Feb - 2011	9.14%	16.69%	19.09%	13.33%	3.5%	4.05%
Mar - 2011	9.12%	16.66%	19.08%	13.5%	3.49%	4.04%
Apr - 2011	9.04%	16.72%	19.4%	15.8%	3.48%	3.98%
May - 2011	9.4%	16.72%	19.38%	15.36%	3.47%	3.98%
Jun - 2011	9.63%	16.73%	19.39%	15.35%	3.45%	4.03%
July - 2011	9.56%	16.73%	19.38%	15.21%	3.42%	4.08%
Aug - 2011	9.47%	16.73%	19.38%	15.2%	3.41%	4.1%
Sept - 2011	9.17%	16.72%	19.38%	15.46%	3.36%	4.1%
Oct - 2011	9.15%	16.72%	19.38%	15.29%	3.38%	4.12%
Nov - 2011	9.17%	16.93%	19.39%	15.53%	3.36%	4.11%
Dec - 2011	9.1%	17.29%	19.47%	15.95%	3.35%	4.1%

Chart 1.12 – Number of personal insolvencies, by type

	Bankruptcy	DROs	IVAs	Total
2003 - Q1	6,912	-	1,514	8,426
2003 - Q2	6,948	-	1,941	8,889
2003 - Q3	7,221	-	2,070	9,291
2003 - Q4	6,940	-	2,058	8,998
2004 - Q1	8,524	-	2,141	10,665
2004 - Q2	9,060	-	2,746	11,537
2004 - Q3	9,315	-	2,912	12,227
2004 - Q4	8,999	-	3,224	12,223
2005 - Q1	10,188	-	3,002	13,190
2005 - Q2	12,338	-	4,535	16,873
2005 - Q3	12,256	-	5,754	18,010
2005 - Q4	12,509	-	7,002	19,511
2006 - Q1	16,283	-	7,656	23,939
2006 - Q2	15,489	-	11,233	26,722
2006 - Q3	15,418	-	12,665	28,083
2006 - Q4	15,766	-	12,778	28,544
2007 - Q1	17,937	-	11,299	29,236
2007 - Q2	16,489	-	10,838	27,327
2007 - Q3	15,600	-	10,652	26,252
2007 - Q4	14,454	-	9,376	23,830
2008 - Q1	15,814	-	8,805	24,619
2008 - Q2	16,373	-	9,593	25,966
2008 - Q3	17,237	-	10,251	27,488
2008 - Q4	18,004	-	10,467	28,471
2009 - Q1	20,446	-	9,807	30,253
2009 - Q2	18,870	1,978	12,225	33,073
2009 - Q3	18,347	4,505	12,390	35,242
2009 - Q4	17,007	5,348	13,219	35,574
2010 - Q1	18,256	5,644	11,782	35,682
2010 - Q2	14,982	6,295	13,466	34,743
2010 - Q3	13,907	7,068	12,960	33,935
2010 - Q4	12,028	6,172	12,485	30,685
2011 - Q1	12,539	6,788	10,818	30,145
2011 - Q2	11,113	7,257	12,143	30,513
2011 - Q3	9,567	7,604	13,048	30,219
2011 - Q4	8,626	7,300	13,047	28,973

APPENDIX TWO – CCCS DATA

Chart 2.1 – Total number of people contacting CCCS for help, telephone and online

	Telephone	Online	Total
2007	253,908	75,869	329,777
2008	267,180	93,979	361,159
2009	335,338	152,872	488,210
2010	287,120	130,472	417,592
2011	229,013	140,484	369,497

Chart 2.2 – Referral source

	2011
Creditor	56.9%
Family and friends	22.2%
Internet	6.8%
Partnerships and advice agencies	8.6%
Media	1.6%
Government/Local Initiatives	2.2%
Employers and professionals	1.8%

Chart 3.1 – Most common reasons for debt

	Female	Male
Unemployment	21.1%	29.0%
Reduced income	22.6%	23.7%
Lack of budgeting	10.9%	9.3%
Separation	12.5%	6.8%
Injury/illness	9.7%	9.2%
Other	23.2%	21.9%

Chart 3.2 – Average debt

2009	2010	2011
£24,274	£22,476	£20,023

Chart 3.3 – Average number of debts held by type and amount owed

	Average number of debts	Average debt
Credit card	2.9	£11,323
Personal Loan	1.6	£11,126
Other	2.3	£5,978
Overdraft	1.3	£2,121
Catalogue	1.8	£1,695
Store card	1.5	£1,341
Home credit	1.3	£1,309
Payday loan	2.3	£1,267

Chart 3.4 – Growth in number and proportion of clients with payday loans

Number of clients with payday loan	2009	2010	2011
Jan	305	539	1,279
Feb	320	566	1,185
Mar	349	584	1,348
Apr	336	492	1,049
May	350	498	1,275
Jun	388	596	1,439
Jul	372	704	1,512
Aug	377	790	1,599
Sept	437	819	1,662
Oct	426	798	1,700
Nov	459	820	1,887
Dec	374	635	1,479

Proportion of clients with payday loan	2009	2010	2011
Jan	2.0%	2.7%	6.6%
Feb	2.0%	3.1%	6.3%
Mar	2.0%	2.9%	7.1%
Apr	2.0%	3.1%	7.4%
May	2.2%	3.4%	7.8%
Jun	2.2%	3.7%	8.7%
Jul	1.8%	4.2%	9.6%
Aug	2.2%	4.7%	10.1%
Sept	2.4%	4.9%	11.0%
Oct	2.5%	4.8%	11.1%
Nov	2.4%	5.0%	11.6%
Dec	2.6%	5.5%	13.0%

Chart 4.1 – Proportion of clients by age

	2011
Under 25	9.1%
25-39	36.0%
40-59	45.5%
60 and over	9.5%

Chart 4.2 – Growth in demand by age (2009 rebased at 100)

	2009	2010	2011
Under 25	100	90	101
25-39	100	94	94
40-59	100	103	103
60 and over	100	108	115

Chart 4.3 – Client unemployment rate and average surplus by age

	Unemployment rate	Surplus
Under 25	41.5%	£55
25-39	28.5%	£78
40-59	28.3%	£80
60 and over	8.9%	£93

Chart 4.4 – Proportion of clients by gender

	2009	2010	2011
Female	51.6%	51.4%	52.6%
Male	48.4%	48.6%	47.4%

Chart 4.5 – Receiving benefits by gender

	2011
Proportion of female clients claiming benefits	63.5%
Proportion of male clients claiming benefits	46.0%

Chart 4.6 – Proportion of clients by marital status

	2009	2010	2011
Single female	27.2%	28.0%	29.6%
Single male	21.7%	21.9%	22.4%
Couple	51.1%	50.1%	48.0%

Chart 4.7 – Proportion of clients by dependent children

	2009	2010	2011
0	56.0%	56.2%	56.0%
1	19.8%	19.9%	20.2%
2	16.8%	16.5%	16.3%
3+	7.4%	7.4%	7.5%

Chart 4.8 – Proportion of single parents and average surplus

	2009	2010	2011
Single parents	13.6%	14.0%	11.5%
Surplus	-£47	£16	£3

Chart 4.9 – Proportion of clients by housing status and rent arrears

	2009	2010	2011
Renters	50.9%	51.7%	55.4%
Owners	49.1%	48.3%	44.6%
Clients with rent arrears	7,861	8,074	10,246

Chart 4.10 – Proportion of clients by rental status

	2009	2010	2011
Housing association	18.5%	18.8%	19.3%
Local authority	21.5%	21.9%	20.8%
Private landlord	59.9%	59.3%	59.9%

Chart 4.11 – Proportion of clients by income

	2011
Under £10,000	27.0%
£10,000-£19,999	40.6%
£20,000-£29,999	20.9%
£30,000 and over	11.4%

Chart 4.12 – Proportion of clients over 60 by income since 2009

	2009	2010	2011
Under £10,000	39.9%	36.9%	36.2%
£10,000-£19,999	46.3%	47.8%	48.0%
£20,000-£29,999	9.9%	11.3%	11.5%
£30,000 and over	3.9%	4.1%	4.3%

Chart 5.1 – Recommendations to clients

	2009	2010	2011
Token payments	4.6%	4.3%	5.0%
Realise assets	1.6%	2.0%	2.2%
Other	4.2%	3.3%	3.8%
Meets actual payments	8.9%	8.9%	10.1%
IVA	6.8%	6.4%	5.1%
Income maximisation	31.7%	32.0%	28.7%
Equity release	0.4%	0.4%	0.5%
DMP	25.8%	28.0%	29.3%
Debt Relief Order	4.1%	4.9%	6.0%
Bankruptcy	11.9%	9.6%	9.3%

Chart 5.2 – CCCS clients on DMPs

	2009	2010	2011
Q1	96,232	107,772	115,319
Q2	98,342	110,174	116,954
Q3	101,201	112,973	119,227
Q4	104,110	113,401	120,477

Chart 5.3 – Total debt in DMPs and total repayment per year

	2009	2010	2011
Total debt in DMPs (£billion)	£3.32	£3.57	£3.71
Total repayment (£million)	£251	£289	£311

Chart 5.4 – Complaints to CCCS by organisation

	2011
High street banks	27.1%
Fee-charging debt management companies	22.2%
Payday lender	15.8%
Collection agents and debt purchasers	13.9%
Other loans and store finance	3.7%
Credit and store cards	2.8%
Claims management companies	2.7%
Catalogues	2.7%
Unknown / Miscellaneous	2.3%
Hire purchase and car finance	2.1%
Bailiffs	1.1%
Doorstep lender	0.9%
Mortgage and secured lenders	0.9%
Utility companies	0.6%
Government agency	0.5%
Charities and advice agencies	0.5%
Telephone companies	0.1%
Local authority	0.1%

APPENDIX THREE – CLIENT SURVEY DATA

Prior to contacting any debt advice charity was there anybody you had spoken to about your debt problems?

	Number	%
Close family/friends	519	25%
Doctor/other medical professional	40	2%
No one	476	23%
Other	155	8%
Partner	870	42%
Total	**2060**	**100%**

How long was it between starting to worry that your debt was a problem and seeking help from any debt advice provider?

	Number	%
1-3 months	305	15%
4-6 months	352	17%
7-9 months	221	11%
10-12 months	243	12%
Over a year	929	45%
Total	**2050**	**100%**

If you are in a relationship, has being in unmanageable debt led to it:

	Number	%
Staying about the same	587	37%
Breaking up	174	11%
Getting weaker	387	24%
Growing stronger	327	21%
None of the above	112	7%
Total	**1605**	**100%**

Have your debt problems had a negative impact on your relationships with friends and family?

	Number	%
Yes	628	31%
No	699	34%
I haven't told them	715	35%
Total	**2042**	**100%**

How much has your debt problems affected your self-confidence/faith in your own ability to support yourself or your family?

	Number	%
A lot	974	47%
Somewhat	712	35%
Not at all	144	7%
Hard to say/don't know	222	11%
Total	**2052**	**100%**

Do you feel there was enough support in place from your creditors or the government to prevent you falling into unmanageable debt?

	Number	%
Yes	141	7%
No	1475	72%
Hard to say/don't know	432	21%
Total	**2048**	**100%**

Do you believe that if you had received more financial education in school you would have avoided unmanageable debt?

	Number	%	%-N/A
Yes	956	46%	49%
No	435	21%	22%
Not applicable	93	5%	N/A
Hard to say/don't know	572	28%	29%
Total	**2057**	**100%**	**100%**

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