

Press Release

August 28 2012

Economic uncertainty leaves families vulnerable on multiple fronts

Against a backdrop of recession and continuing uncertainty surrounding inflation, interest rates and employment, more people are seeking debt advice as families are left vulnerable to economic hardship, according to a new report from leading debt charity Consumer Credit Counselling Service (CCCS).

The *Consumer Debt and Money Report Q2 2012*, conducted by the Centre for economic and business research (Cebr), found that a multiple of factors spell potential financial danger for households.

People are less able to pay their debts

- Bank of England and Office for National Statistics (ONS) figures show the ratio of consumer debt to disposable income has risen for the first time since 2008.
- With incomes set to remain suppressed until 2016, this situation will only get worse in the coming years.
- CCCS Interest Burden Index shows the average family spent 28 per cent of their discretionary income (what's left after essential living costs are accounted for) on secured and unsecured interest payments. With potential interest rate rises, repayment is likely to become more onerous for households.

A return to higher interest rates will severely impact households

- Though interest rates remain historically low, a return to the long term average of 5.66 per cent would see a £88 increase in average monthly mortgage payments.
- For the average CCCS client who owes £137,000 on their property, a return to rates of 5.66 per cent would add £253 to monthly payments. An estimated 67 per cent of these households would be left unable to meet their financial obligations.

Redundancy and part-time working may push some into 'debt spiral'

- Redundancies rose between April 2011 and February 2012, and this coupled with increases in part time working pose a serious threat to household incomes.
- A decline in income of £510 per month would leave households unable to meet their interest costs, which could lead them into a debt spiral.
- One earner moving from full to part time work will leave the average family with only £34 per week for unexpected expenses.

The report also found that CCCS has seen a concerning rise in the number of people seeking debt advice. The second quarter of 2012 saw the charity undertake the largest ever number of combined telephone and online counselling sessions. The slide back into recession coupled with a potential deterioration in the labour market will almost certainly lead to further increases in the number of people seeking advice from CCCS.

Delroy Corinaldi, CCCS director of external affairs, said: "The current economic climate is leaving many households financially vulnerable on multiple fronts. Falls in the level of disposable income, future interest rate rises, redundancy and loss of working hours and pregnancy/childbirth can all lead quickly to serious debt problems.

"We urge lenders to show patience with those who face a sudden change in circumstances and encourage those who find themselves with a debt problem to immediately speak to their lenders and to seek free and impartial advice from a charity such as CCCS."

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Notes to editors:

1. The *Consumer Debt and Money Report Q2 2012* is available at: http://www.cccs.co.uk/Portals/0/documents/media/reports/additionalreports/CCCS_Consumer_Debt_and_Money_Report_Q2_2012.pdf
2. CCCS's ethos is to help the "can't pay", not the "won't pay", and does not condone debt avoidance. CCCS always aims to help its clients pay back what they owe, in a realistic timescale and manner that is suited to each individual's situation.
3. CCCS is self-funding. Lenders share with the charity the benefit they receive from its operation, making a donation from the money repaid to them. This allows CCCS to retain its independence and ensure that its advice is always in the best interest of the client.
4. The CCCS free phone helpline 0800 138 1111 is open 8am to 8pm, Monday to Friday.
5. CCCS *Debt Remedy* is available at www.cccs.co.uk
6. Follow us on Twitter: @CCCSPressOffice

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