CONSUMER CREDIT Counselling Service

A Registered Charity

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Press Release

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Trouble Ahead: 6.2 million households identified as financially vulnerable

New research commissioned for national debt charity Consumer Credit Counselling Service (CCCS) has identified 6.2 million households as financially vulnerable. The *Debt and household incomes* report found that 3.2 million are 'already in financial difficulty', either three months behind with a debt repayment or are subject to some form of debt action such as insolvency, with a further three million 'at risk' of getting into financial difficulty because they are finding it hard to make ends meet and are vulnerable to increases in household bills.

New analysis by the Financial Inclusion Centre for CCCS identified specific groups who are vulnerable. This includes (please note the combined figures will add up to more than 6.2m as some will be part of more than one 'vulnerable' group) two million on low incomes (with an annual income of less than £13,500), 4.3 million with no/low savings (savings under £1,000), 2.2 million homeowners (in arrears or who say they struggle to pay their mortgages), two million renters (in rent arrears or struggling to pay their rents) 600,000 lone parent families and 1.1 million unemployed.

Key features of financial vulnerability

The research identified common issues among the financially vulnerable:

- *Lower income households – risky dependency on credit.* Analysis of CCCS data shows that clients who earn up to £13,500 a year have unsecured debts totalling 20 percent more than their annual income. This is significantly higher than households earning between £25,000 and £50,000, whose average debt is at 95 percent of annual income. CCCS clients receiving benefits have the highest average unsecured debt to income ratio, at 124 percent – their unsecured debts are almost a quarter more than their annual net income.

- *Lower-medium and medium-higher income households - struggling to manage debt.* Over a third of CCCS clients earning between £13,500 and £25,000 have no money left at the end of the month to repay their unsecured debts, neither do over a quarter of the £25,000 to £50,000 income group counselled by CCCS.
- *Homeowners - facing mortgage difficulty.* New analysis of Financial Services Authority figures by the Financial Inclusion Centre estimates the number of mortgages in some form of forbearance at over 759,000. This means the total number of mortgages in arrears, in possession or subject to forbearance is 1.2 million. This equates to nearly 11 percent of total outstanding mortgages in some form of financial distress.

What the future might hold for the financially vulnerable

The report analyses what the future holds for financially vulnerable households and identifies several potential breaking points. It found:

- *Shrinking household budgets of the financially vulnerable.* Monthly expenditure of CCCS clients in the lowest income band fell by six percent (£33) between 2005-2010, while rising in every other income group over that period. As a result, half of CCCS clients in this income band currently have no surplus left over at the end of the month so any reduction in income would push this group into deficit.
- *Impact of inflation on financially vulnerable groups.* A key pressure point is fuel costs as it is predicted that between 2010 and 2015 electricity bills will rise by 14.5 percent and gas bills by 19.7 percent. This means that for CCCS clients, electricity bills will increase from £52 a month to £59.54 a month, and gas bills from £50 to £59.85 a month, a total hike of £208.68 per year.
- *Impact of potential interest rate rises on homeowners.* Analysis of CCCS data suggests an increase in mortgage costs as a result of an interest rate rise would badly affect the most financially vulnerable households. Fifty percent of the lowest income households are already in deficit on their monthly budgets so their position would be exacerbated.

Commenting on the report, Lord Stevenson of Balmacara, Chairman of CCCS said: “Unfortunately, these figures confirm our fears – that troubled times lie ahead for many people in the UK. What this report shows is that the pain is going to spread wider and affect many more people than many commentators have previously assumed.

"CCCS was contacted by almost 418,000 people last year, and our data reveals the stark realities faced by many decent, ordinary people who struggle to make ends meet in these difficult economic times. It is important that the complexities of their vulnerability are understood and addressed by government as well as the financial and charitable sectors."

Gavin Kelly, chief executive of the Resolution Foundation, this week led a roundtable discussion on the report attended by charities, think tanks and other interested groups. He commented:

"Families on a low to middle income face a combination of squeezed wages, rising living costs and the fear of higher interest rate rises down the road. Many people who scraped through the recession are going to find the next few years even harder. It is very likely that there will be a significant rise in the number of households struggling to maintain their debt repayments, which is a major concern both for them and the wider economy."

A summary of the report can be downloaded at: http://www.cccs.co.uk/Portals/0/Documents/media/reports/additionalreports/Summary_Debt_and_household_incomes.pdf and the full report at: http://www.cccs.co.uk/Portals/0/Documents/media/reports/additionalreports/Report_Debt_and_household_incomes.pdf

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Notes to editors:

1. To help inform understanding of personal debt across the UK, CCCS has commissioned a series of research reports looking at the personal debt situation of households to be published over the next year. The introductory report for the *Debt and the Family* research series is available at: https://www.cccs.co.uk/Portals/0/Documents/media/reports/additionalreports/Introduction_debt_and_the_family_series.pdf
2. CCCS's ethos is to help the "can't pays", not the "won't pays", 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. Financial Inclusion Centre is an independent research and policy innovation think-tank dedicated to promoting financial inclusion and fair, efficient, competitive and accountable financial markets. For general information on the Centre's work please see: www.inclusioncentre.org.uk
5. The CCCS free phone helpline 0800 138 1111 is open 8am to 8pm, Monday to Friday.
6. *CCCS Debt Remedy* is available at www.cccs.co.uk
7. Follow us on Twitter: @CCCSPressOffice

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