CONSUMER CREDIT Counselling Service

A Registered Charity

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Press Release

November 2 2011

Higher debts, fewer assets – bleak future awaits younger Britons

New research has shown that younger Britons are getting into more debt, earlier in life and will be unlikely to be able to acquire assets in the same way their parents and grandparents did. The *Debt and the Generations* report, commissioned by national debt charity Consumer Credit Counselling Service (CCCS), predicts a bleak future for many people under the age of 40, as they struggle against higher built-up debts, reducing real incomes and increasing difficulties in saving for retirement.

The research, conducted for CCCS by the Financial Inclusion Centre think-tank, also reveals the current extent of financial vulnerability among younger households, identifying more than one million (1,039,000) households in the 18-39 age group as already struggling to cope and a further 893,000 “at risk” of falling into difficulty.

Higher debts

- *Higher debts at a younger age* – While debt levels currently peak around the time that people turn 40, the report found that this situation is now changing, with consumers building up large levels of debt at a much younger age. Almost three-quarters of people aged 18 to 39 now have unsecured debts, compared to around 60 percent of the 40-54 age group.
- *Using credit to make ends meet* – Younger households are more likely to use credit to make ends meet, with 19 percent of the 18 to 24 age group saying they are very or fairly likely to need to borrow in the next three months.
- *More likely to be in arrears* – Younger households are more likely to be behind with their debts, with those in the 25 to 39 age group more than twice as likely to

be in arrears or insolvency as those in the 55+ group (15 percent compared to seven percent).

Fewer assets

- *Rising house prices* – In the 10 years to 2007, the average house price grew from around 2.3 times to nearly 5.5 times gross earnings, leaving younger homebuyers with extra mortgage debt as a result of a significant transfer of wealth to those further up the housing ladder.
- *Exclusion from the property ladder* - Rising prices and squeezed incomes mean that the 'bank of mum and dad' has become the only option for an increasing number of first time buyers, with the proportion under the age of 30 requiring financial assistance rising from 38 percent in 2005 to 84 percent in 2010.
- *Student loan repayments* – Higher student debts and lengthier student loan repayments will further reduce available income, making it harder for younger households to save, invest or acquire other assets. Total student debt is expected to grow to £153 billion in real terms by 2031, with loan repayments amounting to nearly £7bn a year.

Financially vulnerability

- *Nearly two million younger households vulnerable* – More than one million (1,039,000) households in the under 40 age group are 'already in financial difficulty', either three months behind with a debt repayment or subject to some form of debt action such as insolvency, with a further 893,000 "at risk" of falling behind.
- *Income shock danger* – A new analysis of CCCS data shows that around one in three CCCS clients under 40 last year had no money left after covering basic living expenses each month. A £50 reduction in income would hit younger debtors particularly hard, with the proportion of clients with no budget surplus in the younger age bands rising to between 52 and 70 percent.

Commenting on the report, CCCS chairman Wilf Stevenson said: "The younger generations are facing a worrying future. Higher debts and fewer assets will put many in a precarious financial position, and these trends threaten to impact considerably on quality of life in later years.

"It is also essential they are protected from the aggressive practices of commercial debt management companies who will only add to their debt burden. Making sure that consumers know they can turn to debt charities such as CCCS for free advice and support must be a key part of our strategy in dealing with this problem."

The report can be downloaded at:
http://www.cccs.co.uk/Portals/0/Documents/media/reports/additionalreports/Report_Debt_and_the_generations.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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