

Press Release

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Rising unemployment and high inflation will lead to debt crisis

National debt charity Consumer Credit Counselling Service (CCCS) is warning that rising unemployment and high inflation will lead to a sharp rise in personal debt problems for thousands of people over the next few years. CCCS is concerned about the Office for Budget Responsibility's (OBR) revised prediction for peak unemployment, inflation and household debt over the next few years.

The charity says that unemployment is a major factor in personal debt problems with almost half of the people it counselled last year citing unemployment or reduced income as the reason for their debt problem. It is therefore very worried that the OBR revised its forecast for unemployment in 2011 upwards to 8.2 percent.

CCCS also points to the OBR's amendment to its inflation assumption up 1.1 percent and 0.6 percent for 2011 and 2012 respectively. It says that household budgets are already under pressure and that, on average, CCCS clients had only £43 a month disposable income to repay over £22,000 in unsecured debt.

CCCS says that this will be compounded by the OBR prediction of rising household debt over the next five years. Last August, the OBR said that household debt would decrease as a percentage of household income over the next five years, but it now says it expects it to increase. The OBR now expects debt as percentage of household income to rise from 160 percent in 2011 to 175 percent in 2015.

Delroy Corinaldi, CCCS External Affairs Director, says: "The OBR forecast spells disaster for thousands of UK consumers and the next few years will see a significant rise

in the number of people in need of financial help and advice. We urge anybody struggling with debt to contact a debt charity such as CCCS for free counselling and support.”

“CCCS not only has capacity in its telephone service, currently operating at 65 percent of potential, but has virtually unlimited capacity 24/7 through its online service, CCCS Debt Remedy. The over-indebted should ignore misleading claims from the for-profits that they are the only alternative.”

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Notes to editors:

1. Last year CCCS dealt with 418,000 enquiries and managed £289 million of repayments to lenders.
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. 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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