

Press Release

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Rise in families struggling with debt

Job losses and reduced income from work mean that many households will struggle to pay their debts in the months ahead, according to the UK's leading debt charity, Consumer Credit Counselling Service (CCCS). Drawing on its analysis of 470,000 households with debt problems, published today in its Statistical Yearbook for 2010, the charity is concerned that families will be particularly vulnerable.

At best, the majority of these households are faced with stagnating or falling incomes and rising costs. At worst they face job loss and unemployment. Everyone is trying to service relatively high levels of debts, and in many cases the situation is simply unsustainable. As a result, a substantial proportion of CCCS clients continue to be unable to meet the costs of everyday living. Almost half of clients ascribe their problems to job loss or reduced income from work.

Families are particularly vulnerable: last year households with dependent children needed an additional £650 a month just to cover everyday living costs compared to those without. The problem escalates with increasing numbers of children: families with more than three are on average £45 short of the money they need to live each month.

At the same time, changes in higher rate tax thresholds and the lowering of eligibility for tax credits are likely to spread the pain to middle-earning families, many of whom will also be hit by increases in interest rates.

Homeowners have higher levels of debt than renters. On average, a client who owns their own home has over £30,000 in unsecured debts on top of their mortgage. A two percent rise in interest rates would lead to a £307 increase in monthly mortgage payments for clients across the country.

Stagnating or falling incomes at a time of marked increases in the costs of everyday living combined with the impact of imminent benefit changes on welfare dependent clients (55 percent receive benefits) is already affecting people's ability to repay their debts. Last year, almost half of clients gave loss of job or income as a reason for their debts, while a third lacked the means to cover basic living costs let alone repay their debts.

Last year CCCS dealt with 418,000 enquiries and managed £289 million of repayments to lenders. Despite increases in workload since the beginning of the recession, CCCS is confident that it has the capacity to assist all those who need its help.

Commenting on the Yearbook's findings, CCCS chairman Lord Stevenson said:

"The picture is undoubtedly bleak and it seems likely that many more families, including better-off ones, will be increasingly prone to over-indebtedness in the months ahead. It is also not a uniform picture across the country: public sector cuts in terms of jobs, spending and benefits will weigh disproportionately on certain groups of people. And as

our new Debt View programme shows, the incidence of unmanageable debt bears down harder on specific parts of the country, such as London and Yorkshire.

“We hope that the unique and compelling data revealed in this Yearbook about what is actually happening in struggling households will assist policy makers to understand better the impact of their policies, as well as helping us to tailor our services to those who need it most.”

Main findings from 2010 Yearbook are:

- Average debt levels continued to fall, by seven percent in 2010 across all clients to an average of £22,476. On average, clients have 5.7 debts. And a substantial proportion, about a third, are still unable to repay their debts.
- The most vulnerable are those with children, they have less flexibility to reduce their expenditure which means they are more likely to have to take out credit to meet living costs.
- Clients are likely to be very susceptible to changes in benefits: 55 percent of clients receive some type of benefit or tax credit - 36 percent of clients receive child benefit, 26 percent child tax credit and 11 percent Jobseekers Allowance (JSA). On average benefits account for one third of household income for benefit clients.
- Clients coming to the charity are older year on year, the average is now 42 and those aged 55 to 59 owe the most averaging £25,396 (see infographic <http://www.cccs.co.uk/Services/Debtadvice/Debtandage.aspx>)
- Demand for debt advice was down in 2010: almost 418,000 people contacted the charity for help compared with half a million in 2009. The telephone helpline

answered over 287,000 calls (335,388 in 2009) and 130,472 people sought advice online (152,872 in 2009).

- Almost half of clients gave unemployment or reduced income as the reason for their debt problems. Clients receiving JSA are in the worst financial position, with average monthly outgoings outstripping average household income by £203 with an average monthly income of only £600.
- Rising costs of living will affect the elderly significantly. Over 60s earn on average £250 a month less than those aged 40-59 and £200 a month less than 25-39 year olds.

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Notes to editors:

1. The CCCS Statistical Yearbook for 2010 is available at: <http://www.cccs.co.uk/Mediacentre/Researchandreports.aspx>
2. *Debt View*, an analysis of client statistics broken down by region, by area and by postcode is now available at: www.cccs.co.uk/debtview
3. To help inform understanding of personal debt across the UK, CCCS is announcing 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
4. 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.
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

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