CCCS RESEARCH

CCCS statistical yearbook 2008

Chairman's Introduction

Malcolm Hurlston

2008 was the year debt turned toxic. But it was not consumer debt directly which brought the house down. It was the packaging and trading of debt, fuelled by perverse human rewards, which created a monster of uncertainty beyond the capacity of governments to control.

In this statistical yearbook we shall concentrate on what we know. Our aim is to put into context what is actually happening to the over-indebted in the UK and to extrapolate any possible trends which might allow us to deal with their problems more practically and more sympathetically.

As in previous yearbooks, we have presented our statistics in three year cycles to offer the advantage of perspective, but where we have introduced specialist counselling facilities in response to the worsening economic climate, we have meaningful information for 2008 only. Specifically this refers to counselling carried out by our teams dealing with mortgage arrears, welfare benefits, bankruptcy and the self-employed. No doubt in the future, these specialist centres will provide us with rich sources of comparative data. For the moment, the fact that we have found it necessary to create such centres is testimony to the growing complexity of the problems of those seeking our help.

This is borne out by the increasing number of calls to our aftercare service for clients on debt repayment plans. In the last two years, such calls have gone up by a third - far more than can be accounted for by any increase in the numbers of clients on Debt Management Plans (DMPs). Rather the rise in the demand for aftercare suggests that clients need more help to maintain their repayment plans because of increasing pressures on household budgets, not least by the eye watering increases in the cost of utilities. This was a trend highlighted in last year's statistical review and it is to be regretted that as yet there have been no moves on the part of utility companies to offer the same kind of forbearance for customers in difficulties as is being demanded from creditors, secured as well as unsecured.

Since the high watermark of the growth in consumer borrowing was reached in 2005, the amount of money borrowed by our clients has been declining, with the one exception of those aged over 60. At the same time, there has been an arrest in the trend for our clients to become poorer: in 2008, 12 percent of those we counselled had net household incomes of more than £30,000 per annum while we saw fewer clients with incomes of less than £20,000. The combination of lower levels of debt with higher incomes means that our clients now owe less relative to their incomes than in previous years.

It is all the more worrying, therefore, that fewer clients are in a position to repay their debts. In 2008, we recommended that a DMP was the best solution for only about a third of clients counselled, the lowest proportion since we began in 1993, while for an increasing number, the only solution we were able to propose was token payments. It seems that not only is the recession having an effect on all income groups, it is also impacting on people's ability to repay their debts.

Over half our clients in 2008 were homeowners, 6,000 of whom were in arrears. Of these, one third were advised that they could no longer afford their properties.

All this makes for gloomy reflection, and it is not being much of a hostage to fortune to predict that the gloom will deepen in the coming months but hand-wringing never benefitted anyone. In last year's yearbook, I made a plea for creditors not to make the credit crunch worse by turning off the tap. This may sound irrelevant as we face up to an era of rising unemployment and lowering of household incomes, nevertheless, I make the same appeal now. My fear is that if all reputable sources of credit dry up, borrowers will be forced to turn to less savoury forms of lending busy proliferating across the Internet. Respectable amounts of credit need to continue to be available albeit in controlled and limited ways. It cannot be beyond the wit of an industry with some of the most sophisticated data sharing facilities around to achieve this. However technology alone is not enough – lending needs to be in the hands of qualified bankers.

Nor should creditors, anxious to clean up their books and start afresh off-load their "toxic debt" too eagerly to those who will treat their erstwhile customers less fairly than they themselves would do. Nor should forbearance remain solely the responsibility of the credit industry: others who up until now have enjoyed the luxury of having debts prioritised should be prepared to help those who have lost jobs and had their incomes reduced.

As far as our own service is concerned, it was evident as 2008 concluded and 2009 began, that demands for help are likely to reach unprecedented levels. To accommodate this it is our aim to encourage the more straightforward cases towards online counselling, provided people are happy with this option, leaving our counsellors free to deal with the more complex cases. As the recession deepens and its effect widens, we will expand and develop our specialist counselling facilities.

Finally before heaping too much opprobrium on the heads of lenders, let us at least acknowledge that it is because of their support that CCCS and, to a lesser extent, other debt advice charities exist at all. Rank and file bankers have suffered as much as anyone and our sympathies also lie with them.

Malcolm Hurlston

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The data underlying the graphs and charts contained in this Statistical Yearbook are available in the form of appendices from: www.cccs.co.uk/statsyearbook/2008

Main Findings 2008

CLIENTS

- Despite falls in the amount of money owed, both in absolute terms and relative to income, fewer clients had the means to repay their debts in 2008. 35 percent were recommended a DMP compared with 42 percent in 2007 and 46 percent in 2006 while the number of clients recommended to token payments is rising.

- Clients seeking help are becoming more affluent: 12 percent have net household incomes of more than £30,000 per annum while nearly half (47.4 percent) of those seeking help were homeowners. Homeowners owe on average 83 percent more than renters.

- Clients' debt problems are becoming more complicated: last year over a third required more than one counselling session before a solution could be proposed. This is particularly marked for those with mortgage arrears and the self-employed.

- Calls to client aftercare have increased by a third in the last two years, suggesting that clients are finding it more difficult to maintain their repayment plans. This is likely to be caused by increasing pressures on household budgets.

- The vast majority (90 percent) of CCCS client debts are on credit cards and personal loans, the average client owes over £14,000 on each of these items.

REGIONAL

- The highest levels of debt are in the south but the over-60s in Wales have one of the highest debt levels in the country at £35,947.

- Clients in Northern Ireland, despite having significantly lower levels of borrowing are least able to repay their debts.

- Scottish clients have the highest levels of debt relative to their income in the UK.

SERVICE

- By the close of 2008 CCCS was managing almost £3 billion worth of debt, and repaying over £224 million of this per annum.

- There were 267,072 calls to the charity's helplines in 2008, a five percent increase on 2007 but less than in 2006. Only in the last quarter of 2008 did the number of helpline calls start to overtake 2006.

- There were almost 100,000 unique users of CCCS's online debt management tool, Debt Remedy, during the year.

Foundation for Credit Counselling

The Foundation for Credit Counselling is the charity that introduced and developed free credit counselling in the UK through the Consumer Credit Counselling Service (CCCS). Over its 16 years CCCS has aided well over a million people struggling with over-indebtedness. The charity's main aim is to assist consumers in addressing their personal financial situation, accounting for their responsibilities, obligations and commitments to creditors.

The charity continues to store detailed information about those approaching it for advice. This data allows CCCS to operate more efficiently and help a greater number of people. As CCCS has grown, its data warehouse has expanded and evolved. It now contains the details of more than nine million phone calls, 770,000 clients and cumulative debts of over £13.4 billion.

Since 2005 CCCS has published a selection of this data in its *Statistical Yearbook* and analysed it in the context of the UK's consumer credit market. The aim of this publication is to improve understanding of debt and over-indebtedness through identifying trends as well as changes in the nature of personal debt problems. As always the emphasis is on presenting the statistics neutrally, without pursuing any agendas.

In 2008, CCCS helplines fielded almost 270,000 calls, provided counselling to over 60,000 people, and the charity's unique online counselling tool, Debt Remedy, also continued to expand. Online counselling enables CCCS to reach a large number of people for a low cost, greatly increasing the capacity to help those in debt.

Over the past 18 months, in response to the changing economic circumstances of its clients, CCCS has developed new centres of excellence to provide advice more specifically associated with economic recession. These include specialist counselling centres dealing with mortgage arrears and repossession, the self-employed, welfare benefits and bankruptcy. These centres provide us with more information about our clients, some of which is included in this yearbook.

I. Introduction

1.1 THE IMPACT OF THE FINANCIAL CRISIS

The financial turmoil that started in the second half of 2007 with the problems at Northern Rock reached historically unprecedented levels during the second half of 2008 in the wake of Lehman Brothers' collapse. In the words of the Governor of the Bank of England during a speech made in October in CCCS's home city of Leeds: "It is difficult to exaggerate the severity and importance of those events. Not since the beginning of the First World War has our banking system been so close to collapse."

Following the Government's recapitalisation of the banking sector, 2008 ended with a financial landscape almost unimaginable at the start of the year. The UK's largest mortgage lender has been forced into a rescue merger with another of the big five UK banking groups, with the Government now poised to take a majority stake in the resulting Lloyds/HBOS combination. The Government, temporarily at least, finds itself the majority shareholder in RBS.

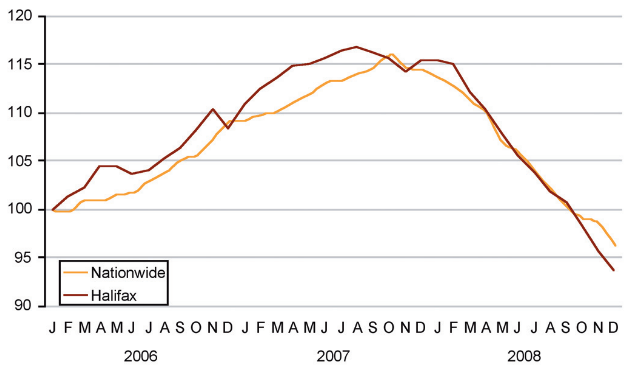
The Bank of England has made historic and unprecedented cuts in its base rate. In the six months to October, the base rate remained unchanged at five percent. During the final quarter of 2008, the central bank cut the base rate by an astonishing three percentage points to two percent. In January, the Bank of England cut the base rate to one and half percent. Two further half point cuts have followed in February and March. Base rate is now its lowest level since the Bank's foundation in 1694.

Much ink has already been spilled analysing and explaining the momentous events of 2008. Our focus here is on the implications of these profound events for household borrowing and CCCS's central activity of providing help to struggling borrowers. It is already clear that the wider economic events set in motion by the financial crisis are resulting in a surge in demand for CCCS's services.

As the financial crisis transforms itself into a wider economic recession, the most important developments affecting demand for CCCS's services is the combination, last seen over a decade ago, of falling house prices and rising unemployment.

It is now clear that house prices peaked in late 2007. Prices fell unchecked during 2008 and by year end were approximately 20 percent below their peak.

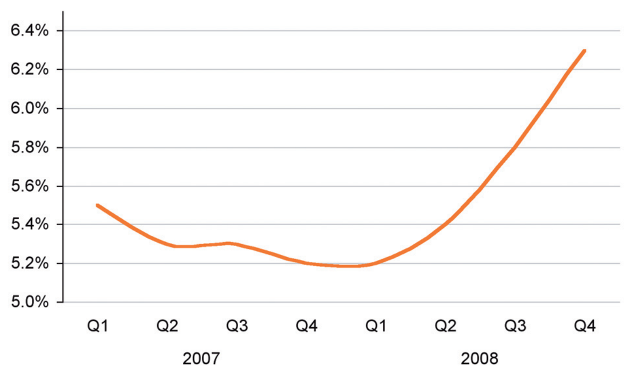
Chart 1.1.1 – House price indices



Unemployment is generally a lagging indicator, but has now started to rise sharply. The unemployment rate for the economically active population aged 16 and above rose to 6.3 percent for the three months to December 2008. According to the Office for National Statistics, the last time the rate was higher was in the three months to March 1998. The number of unemployed people increased by 146,000 over the quarter and by 369,000 over the year, to reach 1.97 million. This is the highest figure since the three months to August 1997, more than a decade ago.

It is above all this combination of falling house prices and rising unemployment that lies behind the increase in demand for debt advice experienced by CCCS during the second half of 2008. At the time of writing, many are forecasting that house prices will continue to fall and unemployment continue to rise well into 2009 before there are signs of improvement.

Chart 1.1.2 – Unemployment rate (%)



1.2 MORTGAGE BORROWING

The combination of falling house prices and rising unemployment is changing the profile of households' debt problems. For the first time, significant numbers of households are struggling to meet repayments on their mortgages as well as their unsecured loans and almost half of those approaching CCCS for help are now homeowners.

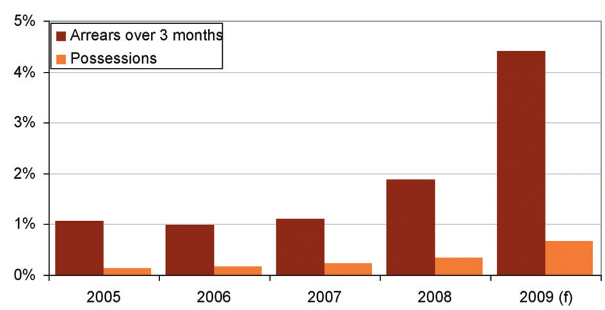
Until 2008, repayment problems on mortgages were negligible. With unemployment low, most households were earning sufficient income to meet their mortgage commitments. In the small number of cases where mortgages proved unaffordable, households were able to sell their properties into a rising market.

However, rising unemployment will leave many households struggling to meet their mortgage commitments. Our own analysis suggests that at least 60 percent of those who become unemployed are in owner-occupied homes with mortgages, and that at least half of these people (and the households they live in) are vulnerable to mortgage arrears.

By the end of 2008 1.89 percent of mortgages were more than three months in arrears compared with only 1.1 percent at the start. The Council of Mortgage Lenders (CML) expects this deterioration to accelerate during 2009, with over four percent of mortgages over three months in arrears by the year end.

To put these numbers into perspective, they translate into 219,000 mortgages over three months in arrears by the end of 2008, with the CML forecasting (f) approximately half a million mortgages will be over three months in arrears by the end of 2009.

Chart 1.2.1 – Proportion of mortgages over three months in arrears



While the CML is forecasting the number of mortgages in arrears will more than double by end

2009, it projects a smaller increase in possessions. It anticipates the number of repossessions will be approximately 75,000 in 2009, 0.66 percent of all mortgages. This compares with 40,000 repossessions in 2008. The CML adds that a significant number of these are likely to be cases where the property is abandoned or where property fraud has been perpetrated, and a sizeable share are expected to be buy-to-let mortgages.

Both the Government and lenders are putting in place schemes to prevent this rise in arrears translating into an equivalent rise in repossessions. It remains to be seen how successful these will be but the sharp rise in mortgage arrears and the availability of such schemes designed to mitigate the risk of repossession underline the importance of specialist advice in this area. CCCS has played an active role in defining the money advice element of the Government's proposals for the Mortgage Rescue Scheme, finalised in January 2009, and for the Homeowner Mortgage Support Scheme, due to be rolled out in April.

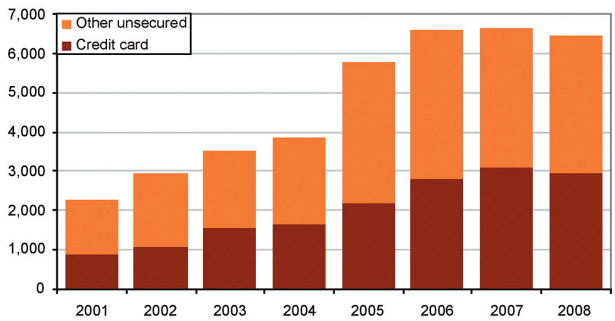
1.3 UNSECURED BORROWING

The transformation of the financial crisis into a wider economic recession is also leading to further repayment problems on households' unsecured commitments such as credit card balances and personal loans.

It is important to put developments during 2008 in perspective. During the first half of the year it appeared that repayment problems on unsecured loans were actually starting to fall after three years of large write-offs by lenders. However, the climate changed markedly during the second half of the year.

Arrears and defaults on unsecured loans first rose sharply during 2005, long before the banking crisis and economic downturn. The Bank of England statistics on bank write-offs are a valuable, publicly available indicator of trends in credit quality and credit losses on unsecured lending. They show that write-offs on credit cards and other unsecured loans to individuals jumped from £3.9 billion in 2004 to almost £5.8 billion in 2005.

Chart 1.3.1 – Unsecured loan write-offs and other re-evaluations (£ millions)

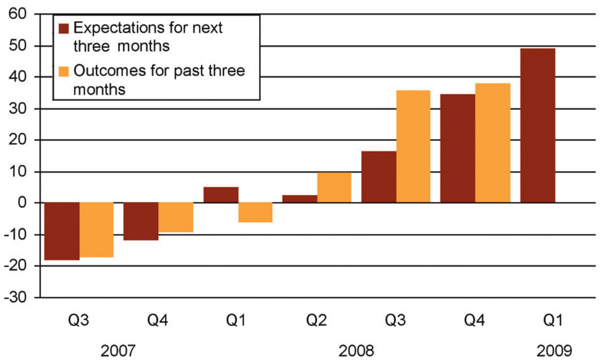


By 2007, the market had stabilised, with write-offs only a little higher than in 2006. Indeed, by the second half of 2007, there were signs of improvement in repayment trends on unsecured loans. Write-offs in the third and fourth quarters of 2007 and first quarter of 2008 were lower than during preceding quarters. Corroborating this, the large UK clearing banks reported flat or slightly lower arrears and impairments on unsecured lending during the first half of 2008.

However, during the second half of the year, the market started to experience a further round of unsecured loan repayment problems that appears directly linked to the economic downturn and mortgage problems. Write-offs are something of a lagging indicator. Though higher in the fourth quarter than in the third, unsecured write-offs in 2008 as a whole were lower than 2007. However, the deterioration in unsecured credit quality is clearly evident from the Bank of England's Credit Conditions Survey, which tracks both the experiences and expectations of lenders (both bank and non-bank) on a quarterly basis. As chart 1.3.2 shows, lenders started to anticipate a significant rise in defaults on unsecured loans during the third quarter of 2008, with outcomes proving to be worse than expected. This is likely to feed through to higher write-offs in 2009.

This is borne out by CCCS's own experience. In the second half of 2008, CCCS received nearly 13 percent more calls into its helpline, when compared to the first half.

Chart 1.3.2 – How has the default rate on total unsecured loans to household changed?

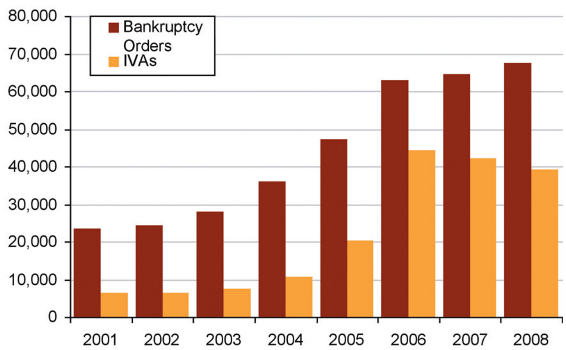


The most recent statistics on individual insolvencies (bankruptcies and IVAs) also hint at a change in market conditions during the second half of 2008.

The number of individual insolvencies rose to more than 100,000 during 2006, remaining at that level during 2007. The number of IVAs in particular more than doubled from approximately 20,000 in 2005 to more than 40,000 in 2006 and 2007. However, while the increase in consumer indebtedness increased the pool of potential IVA users, their rapid growth during the second half of 2006 in particular also reflected the aggressive marketing and questionable advice of some IVA firms. This lay behind CCCS's decision to set up CCCSVA, its own IVA subsidiary in 2007, with the aims of increasing transparency, reducing costs to lenders and providing clients with objective advice.

After peaking during the final quarter of 2006, the number of individual insolvencies fell each quarter thereafter as lenders scrutinised proposals more carefully and worked on a set of industry standards (which came into force in late January 2008). During the fourth quarter of 2007 and first half of 2008, the number of individual insolvencies stabilised at approximately 25,000 a quarter. However, during the third quarter of 2008, their number increased to over 27,000, the highest quarterly level since first quarter 2007. During fourth quarter 2008, their number increased further to over 29,000, back to the levels of late 2006 and early 2007. However, it is noteworthy that the increase during the second half of 2008 mainly reflected a rise in bankruptcies (over 80 percent of which are debtor rather than creditor petitioned). IVAs remain well below their peak levels of late 2006 and early 2007.

Chart 1.3.3 – Bankruptcy Orders and IVAs in England and Wales



1.4 NEW BORROWING TRENDS

Peering beyond the current gloom, and given the inherent uncertainty surrounding any forecasts at this point, are we able to make any assessment of the longer-term impact on household borrowing of the momentous events of 2008?

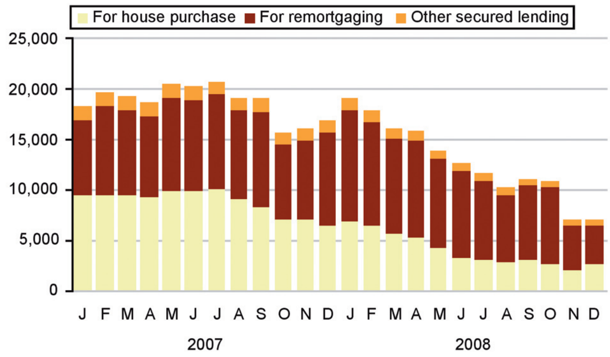
The high levels of mortgage and consumer borrowing already accumulated by UK households left them particularly vulnerable to repayment problems in the wake of the financial crisis and ensuing economic downturn. By end of 2008, UK households owed over £1.2 trillion in the form of mortgages and over £230 billion in the form of unsecured consumer credit, the highest levels of personal borrowing in Europe in absolute terms, and among the highest in per capita terms.

Even without an economic downturn, a slowdown in new borrowing by households was to be expected, though this has inevitably been amplified by recent events.

The impact on household borrowing has been most dramatic in the mortgage market. For example, the value of mortgage advances approved by the banks fell sharply during 2008 to approximately £10 billion per month in the second half of the year. This compared with mortgage approvals of over £15 billion in most months preceding the crisis. In November and December, the value of mortgage approvals by banks fell to approximately £7 billion a month.

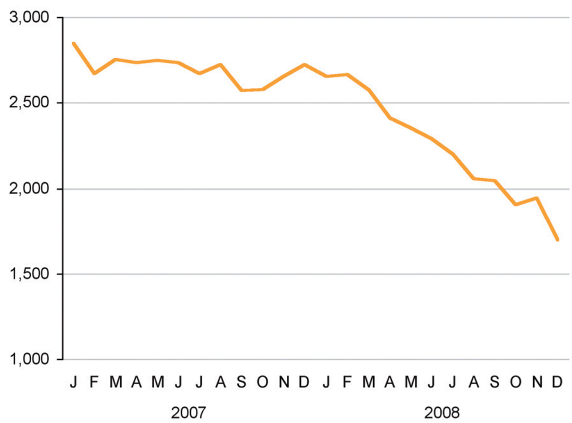
More significantly, the majority of new borrowing during recent months has been for remortgaging. New loans for house purchase during the second half of 2008 have fallen to barely a third of pre-crisis levels.

Chart 1.4.1 – Bank secured loans: value of loans approved during period (£ millions)



While less dramatic than in the mortgage sector, there has also been a significant reduction in new advances of unsecured consumer credit. The measurement of new lending on credit cards is distorted by those who use their cards as a means of payment (technically every purchase on a credit card counts as an advance of credit). Structured personal loans therefore provide a better indicator of borrowing trends.

Chart 1.4.2 – Bank structured personal loans: gross new loans during period (£ millions)



Before the crisis, banks were lending an average of between £2.5 billion and £3 billion each month in the form of structured personal loans. During the final months of 2008, new lending for personal loans has fallen below £2 billion per month.

The decline in new lending is hardly surprising. Lenders have become significantly more risk-averse with credit harder to obtain. With house prices falling, an uncertain economic outlook and existing borrowing to service, households have also become much more cautious about taking on new commitments.

The more interesting question prompted by these numbers is whether they represent a temporary adjustment to the change in circumstances or the start of a trend. Little is clear at this point. But there are good reasons for thinking that a financial crisis and economic downturn of this magnitude will have longer-term implications for the behaviour of both lenders and borrowers.

Levels of new mortgage borrowing will clearly be influenced by trends in house prices. But irrespective of those, banks and other lenders are likely to remain more risk-averse. We should not expect an early return to mortgages at the income multiples and loan-to-value ratios of recent years.

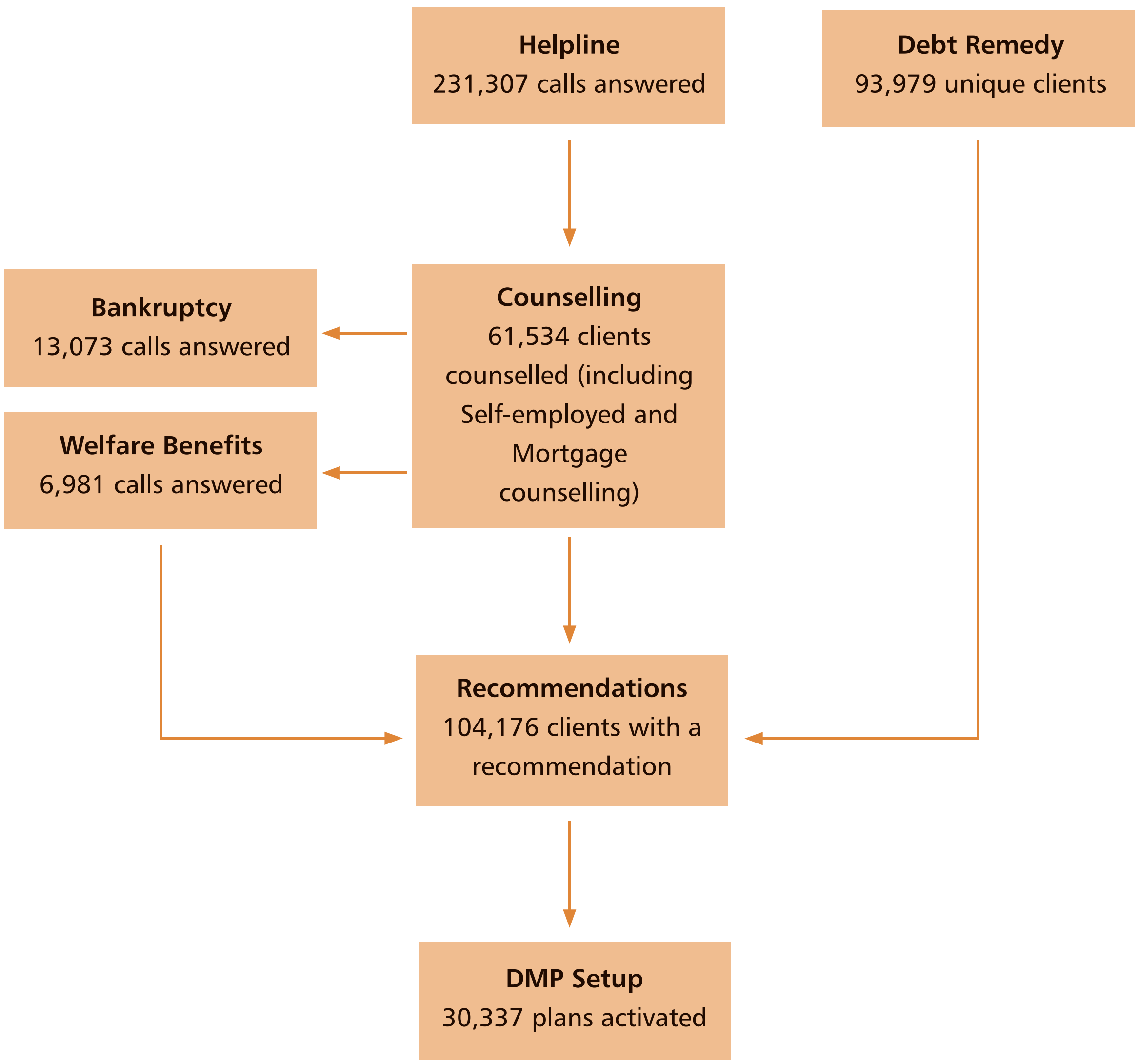
Likewise, banks and other lenders are also likely to remain more risk-averse in their unsecured lending. There is already a much greater focus on information sharing between lenders and more rigorous assessments of the affordability of new loans to borrowers. For example, in the latest enhancement of data sharing, from December 2008 five major lenders began sharing behavioural data on their customers' credit card use. Other lenders are to join the initiative.

On the demand side, even assuming some easing of lending standards once the economy starts to recover, households are likely to remain more cautious in their outlook. Many households, scarred by their experience of the crisis, will be more interested in managing and paying existing commitments, rather than taking on new ones.

In the current climate, visibility is low and no-one can forecast the future path of household borrowing with any precision. However, recent events are bound to have longer-term effects on both the demand for, and supply of personal credit. We may be at something of a structural turning point. Even as the economy recovers, we are unlikely to see an early return to pre-crisis borrowing levels.

2. CCCS Statistics

2.1 FLOW CHART OF CCCS METHODS



2.2 REACHING CCCS

In 2008 CCCS received a greatly increased number of calls to its web support team; the web support team receives the calls of those who need help using CCCS Debt Remedy. The volume of calls it processed in 2008 has more than doubled since 2007, which is largely accounted for by the increased use of Debt Remedy. The bankruptcy, mortgage counselling, welfare benefits and self-employed services, which started operating in 2007, also received increasing numbers of calls throughout 2008.

Chart 2.2.1 – Number of helpline calls

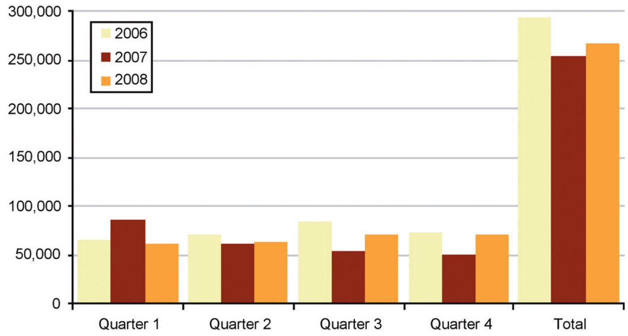


Table 2.2.1 – Number of calls received

	2006	2007	2008
Client aftercare	624,050	838,908	833,113
*Helpline	293,521	253,908	267,072
Bankruptcy		3,605	13,073
Mortgage counselling		66	5,977
Welfare benefits	N/A	1,002	6,981
Web support team		14,112	36,424
Self-employed		241	9,186

**Number of calls offered*

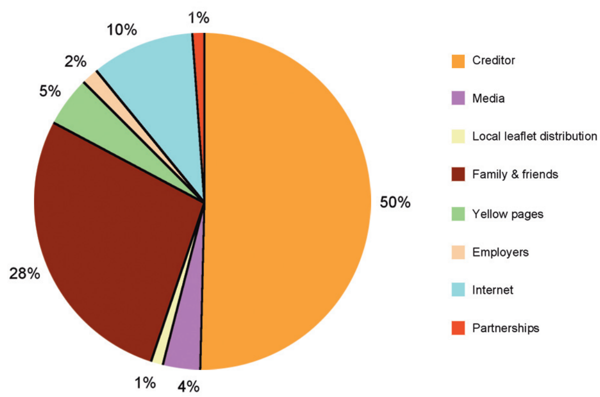
The increase in calls to client aftercare seen in 2007 continued into 2008, suggesting clients are relying more heavily on the service provided by CCCS to help them successfully complete their DMP. Evidence suggests this is due to inflationary pressure on household budgets.

The year ended with calls to helplines up overall compared with the previous 12 months but still fewer than 2006. Reflecting economic trends in 2008, calls to the helplines began to exceed 2006 levels towards the tail end of the year, a trend which seems set to continue for the foreseeable future.

Creditors remain the single biggest source of referrals with 50 percent of those contacting CCCS being referred by their creditors. Family and friends also play an important role in directing clients to CCCS, with a quarter of clients recommended CCCS by an acquaintance or a family member in 2008.

A sign of the times, 10 percent of clients contacted CCCS via the Internet, predominantly through search engines but increasingly through direct links on government, online media or other charity sites.

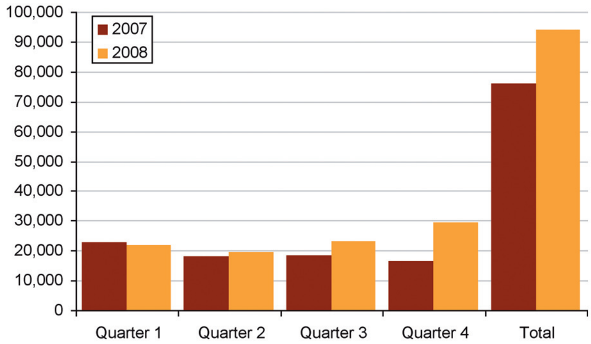
Chart 2.2.2 – How clients heard of CCCS[1]



1 Figures in pie-charts rounded to nearest whole number. See appendices for percentage points.

In a further sign of the times, CCCS's unique online counselling tool Debt Remedy, which was launched in 2006, moved on apace in 2008 with the number of people accessing it rising steadily since the second quarter. There were almost 100,000 unique users of Debt Remedy in 2008.

Chart 2.2.3 – CCCS Debt Remedy users



2.3 COUNSELLING RESULTS

2.3.1 Telephone counselling results

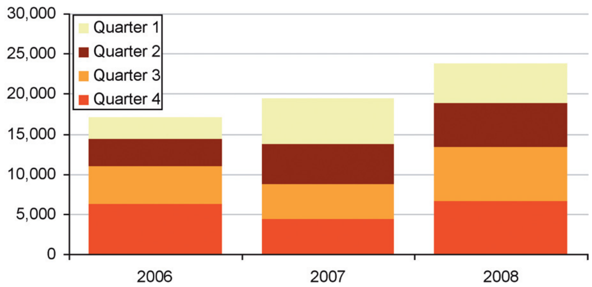
During an appointment or counselling session, one of the charity's experienced counsellors will examine a client's individual financial situation and advise the optimum solution. The number of appointments carried out in 2008 was about the same as in 2007, hovering at just over 60,000.

Table 2.3.1 – Clients counselled

	2006	2007	2008
Quarter 1	16,000	20,870	15,265
Quarter 2	17,556	15,479	14,266
Quarter 3	18,305	14,006	16,465
Quarter 4	21,425	13,651	15,538
Total	73,286	64,006	61,534

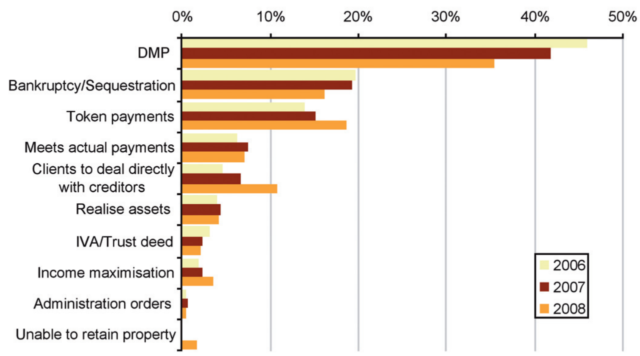
The issues clients are presenting to CCCS counsellors appear to be becoming more complex, reflected in the growing need for there to be more than one appointment before a counsellor is able to recommend the best solution for the client. This is especially true of those with mortgage arrears and the self-employed. In more than half of these, clients require further counselling compared to about one third of other clients.

Chart 2.3.1 – Second appointments



Although a Debt Management Plan (DMP) remains best advice for the highest number of clients counselled, the proportion recommended this solution has dropped significantly in recent years, with only 35 percent of clients recommended a DMP in 2008, compared to over 40 percent in 2007 and over 45 percent in 2006. Ominously, for the first time in 2008, our advice contained a new category, unable to retain property.

Chart 2.3.2 – Appointment recommendations

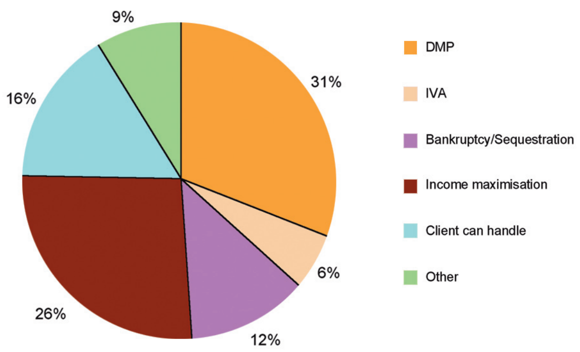


In 2008 there was a marked increase in the number of clients recommended to token payments (18 percent) and to deal directly with creditors (11 percent), up from seven percent in 2007.

2.3.2 Online counselling results

Debt Remedy's decision logic, based on the proven CCCS method and developed by experienced CCCS counsellors, enables it to recommend the optimum course of action. In 2008 almost a third of online clients were recommended a DMP, of whom 4,747 went on to set up a DMP.

Chart 2.3.3 – Initial recommendations for Debt Remedy clients



2.4 DEBT MANAGEMENT PLANS

A Debt Management Plan (DMP) is a solution in which a client will make a payment to CCCS each month and the charity will then distribute a negotiated repayment between the client's creditors. Creditors then agree to stop actively collecting, although they do not always stop interest charges and late payment fees.

Charts 2.4.1 and 2.4.2 show that the total client debt held and distributed by CCCS is steadily increasing, even if the proportion of clients recommended the solution is decreasing. By the close of 2008, CCCS had almost £3 billion of debt under management on DMPs and repaid close to £225 million of this over the year.

Chart 2.4.1 – Total debt of clients on a DMP (£ millions)

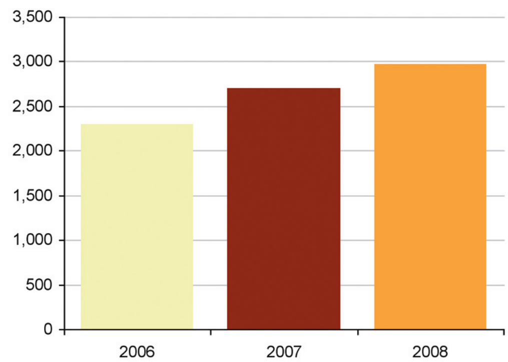
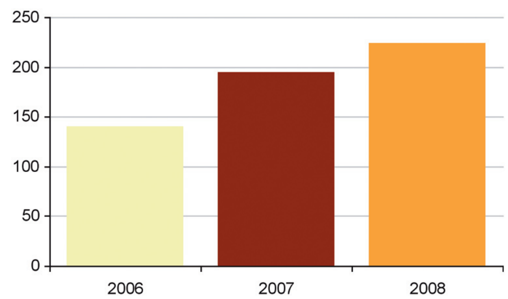
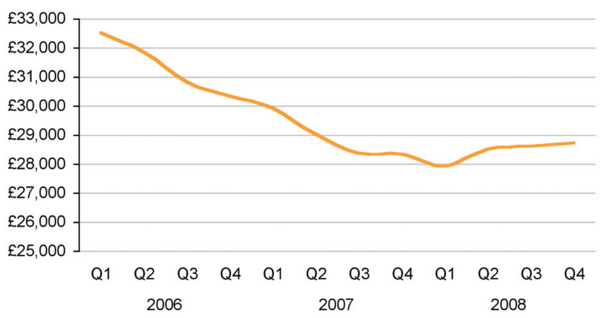


Chart 2.4.2 – Total repayment (£ millions)



The amount being repaid each year by CCCS has risen rapidly over the last three years. In 2008 nearly 60 percent more (£223,533,107) was repaid to creditors as was repaid in 2006 (£140,327,999).

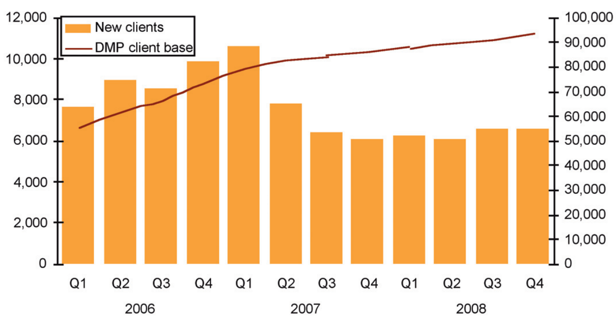
Chart 2.4.3 – Average outstanding debt by starting quarter



Although the overall level of debt is falling for CCCS DMP clients the demand for CCCS's service continues to increase. Clients are finding it increasingly difficult to manage their household budgets despite having lower monthly debt repayments. This reflects the high increases in household costs such as utilities, food and fuel.

CCCS is administering an increasing number of DMPs: at the end of 2008 CCCS oversaw the DMPs of well over 90,000 clients. Despite this growth in the absolute number of DMPs, the number of new clients starting DMPs is actually declining since its peak in quarter one 2007.

Chart 2.4.4 – Number of new DMP clients and CCCS client base

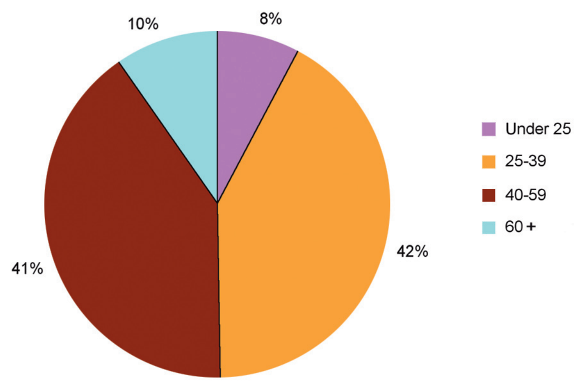


2.5 CCCS POPULATION STATISTICS

This section of the statistical yearbook deals with clients who started a DMP in 2006, 2007 or 2008[2].

CCCS's extensive data warehouse allows the charity to examine the demography of its clients to see whether there are any significant trends to debt. Given the size of CCCS's client base it is likely these trends are an accurate representation of the UK population in debt.

Chart 2.5.1 – Client age



In 2008 CCCS continued to mainly counsel those within the 25-39 and 40-59 age ranges. Although the number of clients in the 60 plus range has grown over recent years, they still represent less than ten percent of the charity's client base. However, this has increased from eight percent in 2006 so could be a cause for worry in the future.

Table 2.5.1 – Client gender

	2006	2007	2008
Female	56.1%	56.7%	56.7%
Male	43.9%	43.3%	43.3%

2 In the 2007 Statistical Yearbook, this section was based on clients who were counselled by CCCS, therefore some of the percentages for previous years will have changed.

As table 2.5.1 shows the majority of clients who start a DMP with CCCS are female, with the proportional gender split remaining stable.

Table 2.5.2 – Number of children

	2006	2007	2008
0	55.8%	56.0%	56.2%
1	18.8%	19.0%	18.8%
2	16.8%	16.7%	16.7%
3+	8.7%	8.3%	8.3%

The majority of CCCS clients do not have any dependent children when they commence a DMP with the charity. Over the previous three years these figures have remained remarkably steady, indicating that it is easy to get into debt even without children to support.

Chart 2.5.2 – Client housing situation

CCCS is beginning to be contacted by a greater proportion of homeowners as well as those with household incomes of more than £30,000 net per year; homeowners now make-up almost half of the CCCS client base, which is troubling considering the current economic conditions especially in terms of the housing market.

Chart 2.5.3 – Client annual income

Twelve percent of CCCS clients now earn over £30,000 net per year. This is up from eight percent in 2006, and under nine percent in 2007. There has been a similar drop in client numbers of those earning under £19,999. It appears that the recession is starting to impact on all sectors of society and that it is possible to fall into serious debt even while enjoying a comfortable income.

2.6 DEBT ANALYSIS

Continuing the trends of last year, where total debt fell across all categories, in 2008 the average outstanding debt of CCCS clients declined regardless of marital status, age, income or housing status, with the exception of those in the 60 plus age group, where average outstanding debt increased slightly from £31,487 to £31,719.

Chart 2.6.1 – Outstanding debt by marital status

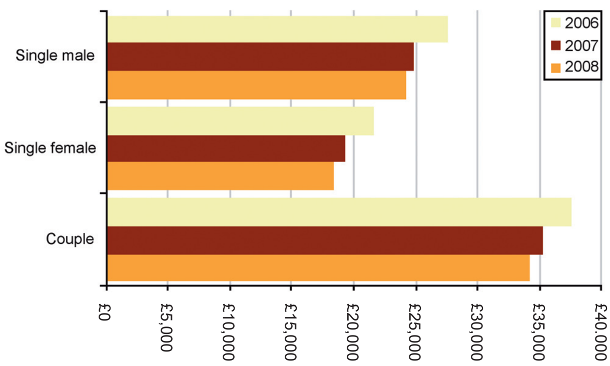


Chart 2.6.3 – Outstanding debt by housing status

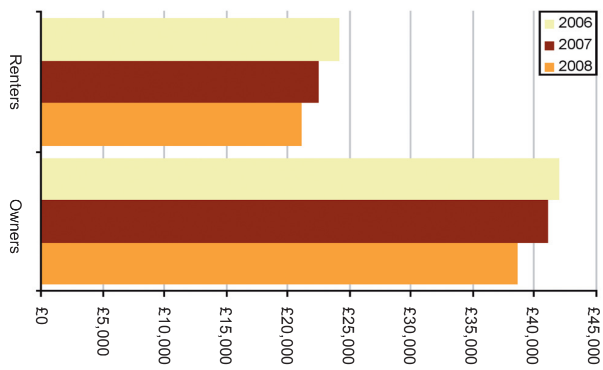


Chart 2.6.2 – Outstanding debt by age

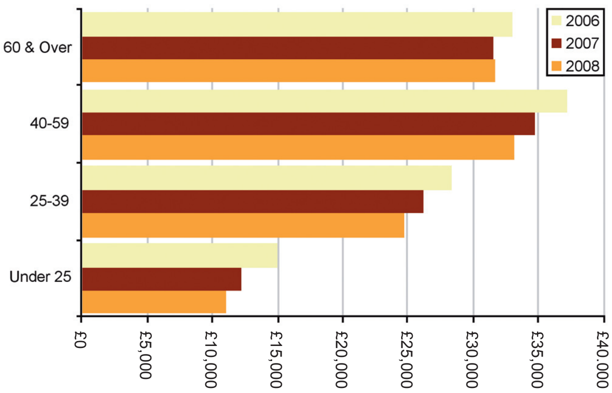
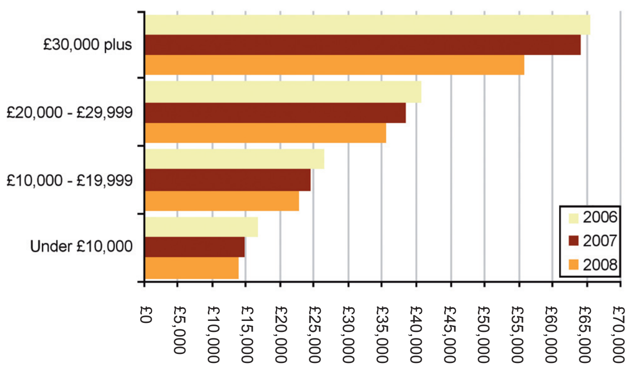


Chart 2.6.4 – Outstanding debt by income

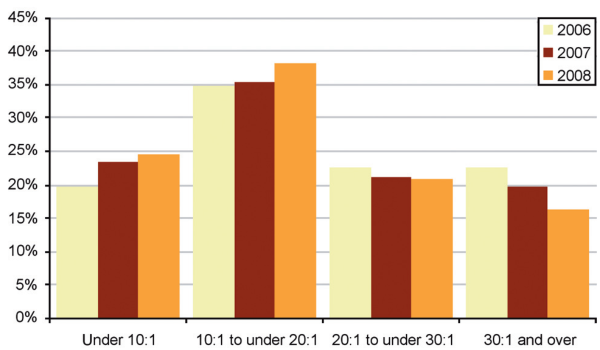


A large proportion of CCCS clients still possess unsecured debts exceeding £30,000, although this group as a percentage of the client base has been falling in recent years, mirroring a similar rise in the number of clients holding debts of under £10,000.

Table 2.6.1 – Proportion of clients by debt level

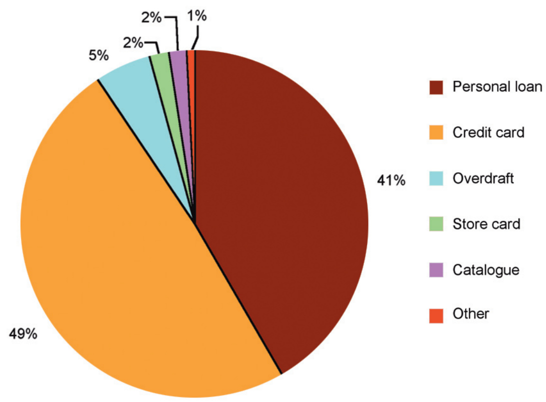
	2006	2007	2008
Under £10,000	15.9%	20.3%	21.0%
£10,000-£19,000	25.4%	25.4%	25.9%
£20,000-£29,000	19.7%	18.7%	19.1%
£30,000+	39.0%	35.6%	34.0%

Chart 2.6.5 – Proportion of clients by debt to income ratio



In 2008 the percentage of CCCS clients who have lower debt to income ratios increased with the largest rise in the under 10:1 and 10:1 to 20:1 ranges, traditionally the most populous areas. There is also a concurrent drop in those owing 30 times and over their net monthly income of around three percent. Therefore, almost two-thirds (62.8 percent) of clients now have unsecured debt levels that are under 20 times their income; this means the average CCCS client now owes less in relation to income.

Chart 2.6.6 – Debt by type



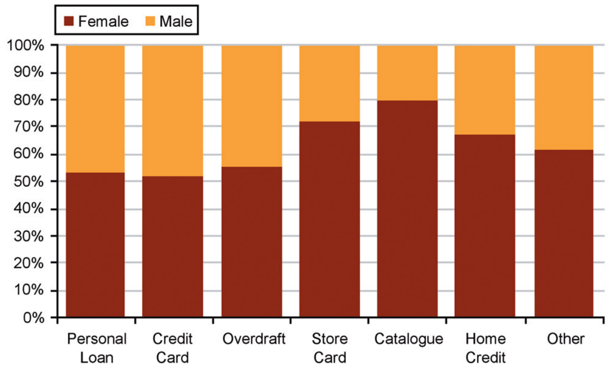
The majority (90 percent) of client debts are credit cards and personal loans.

Table 2.6.2 –Average debt by type

	2006	2007	2008
Personal loan	£16,136	£15,011	£14,323
Credit card	£14,963	£14,902	£14,839
Overdraft	£1,713	£1,724	£1,880
Store card	£1,868	£1,703	£1,687
Catalogue	£1,263	£1,340	£1,346
Home credit	£1,740	£1,648	£1,550
Other	£1,839	£1,479	£1,356

However, as table 2.6.2 shows, average debt levels on credit cards and personal loans have continued to decline, as they have in every other category, with the exception of overdraft debts.

Chart 2.6.7 – Debt by type and gender



Although women have a higher volume of debts than men, particularly when it comes to more expensive forms of credit such as home credit and catalogue debt, men borrow more than women in every category, except catalogue debt. This is particularly marked in credit cards, where men owe, on average, 42 percent more than women.

Table 2.6.3 –Average debt amount by type and gender

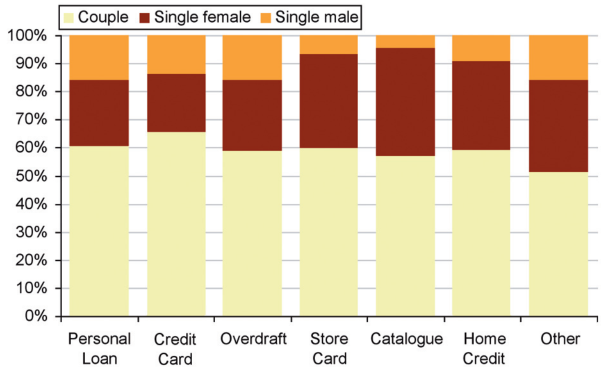
	Female	Male
Personal loan	£12,939	£15,823
Credit card	£12,312	£17,526
Overdraft	£1,676	£2,145
Store card	£1,718	£1,675
Catalogue	£1,351	£1,249
Home credit	£1,462	£1,680
Other	£1,149	£1,414

Single women continue to be more likely to access "higher rate" forms of credit, such as store cards, home credit and catalogues, and single men are more likely to use credit cards and personal loans.

Table 2.6.4 –Average debt amount by type and marital status

	Couple	Single female	Single male
Personal loan	£16,406	£10,664	£13,273
Credit card	£18,420	£9,043	£12,289
Overdraft	£2,214	£1,364	£1,727
Store card	£1,927	£1,454	£1,188
Catalogue	£1,366	£1,326	£1,045
Home credit	£1,922	£1,157	£1,251
Other	£1,571	£925	£1,228

Chart 2.6.8 – Debt by type and marital status



Couples continue to be the most indebted, likely to owe on average more than double on credit cards than single women, and more than £6,000 more than single men.

Table 2.6.5 –Average debt amount by type and income

	Under £10,000	£10,000-£19,999	£20,000-£29,999	£30,000+
Personal loan	£8,095	£12,267	£17,317	£22,935
Credit card	£7,871	£11,042	£17,846	£31,202
Overdraft	£1,127	£1,472	£2,200	£3,571
Store card	£1,368	£1,434	£1,903	£2,385
Catalogue	£1,301	£1,308	£1,379	£1,487
Home credit	£1,128	£1,470	£2,011	£2,259
Other	£818	£1,199	£1,608	£2,469

All income groups continue to hold the majority of their debt on credit cards and personal loans. As table 2.6.5 shows, credit card debt is particularly a problem in the £30,000 plus income range. Not only does this group have more credit card debts than any other type they are also likely to owe in excess of £30,000 on these cards. This is close to double the average amount owed on credit cards by those earning between £20,000 and £30,000.

The only type of debt in which the average amount owed is similar across all income groups is catalogue debt, which tends to come with higher interest repayments than any other type. This uniform debt perhaps reflects the easy availability of catalogue credit regardless of financial circumstances.

Owners continue to hold a greater number of debts, and at a higher level, than renters, especially in the form of credit cards and personal loans. However, renters are far more likely to access home credit than owners.

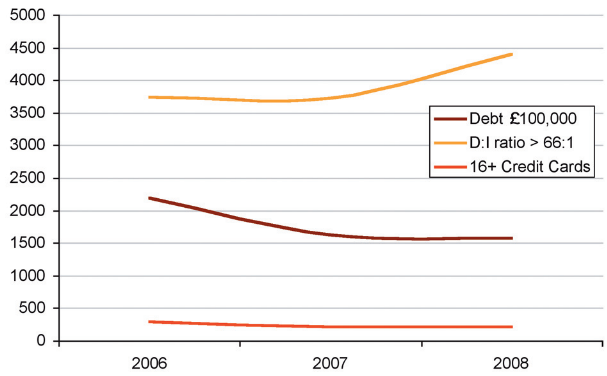
Table 2.6.6 –Average debt amount by type and housing status

	Owners	Renters
Personal loan	£17,633	£12,298
Credit card	£21,212	£9,447
Overdraft	£2,549	£1,443
Store card	£1,966	£1,345
Catalogue	£1,309	£1,272
Home credit	£1,884	£1,480
Other	£1,785	£1,173

Extreme debt

Since 2007 there has been a worrying rise in the number of clients with debt to income ratios of greater than 66:1. After holding steady around 3,500 for the past two years in 2008 CCCS gained 675 new clients with this extreme ratio, an 18 percent increase. The number of CCCS clients with debts greater than £100,000 has continued to fall.

Chart 2.6.9 – Comparison of clients in extreme debt



3. Feature – Regional analysis

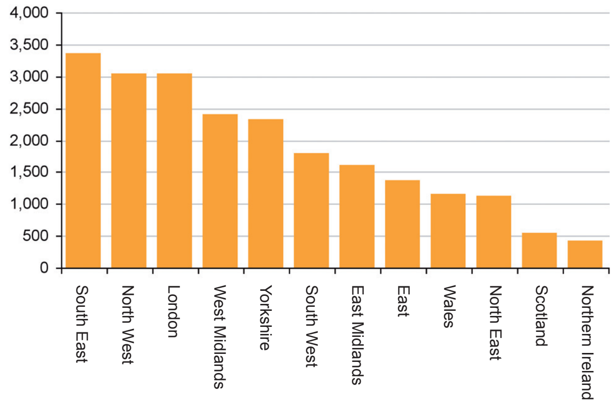
CCCS has perceived very few differences in levels of debts and over-indebtedness between regions. In the wake of the economic downturn, this seems likely to change, as other economic factors, such as jobs or house prices, impact variously across the country.

By analysing the way debt levels, relative to other factors, change across the UK, CCCS hopes to gain a greater understanding of the pressures facing consumers.

3.1 DEBT MANAGEMENT PLANS BY REGION

CCCS counselled 104,176 people during 2008 through face-to-face interviews, telephone consultations and online via Debt Remedy[3]. Of these, 22,309 entered into an agreement with the charity to repay their creditors via a DMP. The highest number of them lives in the South East region (3,364), closely followed by the North West (3,042) and London (3,039) regions.

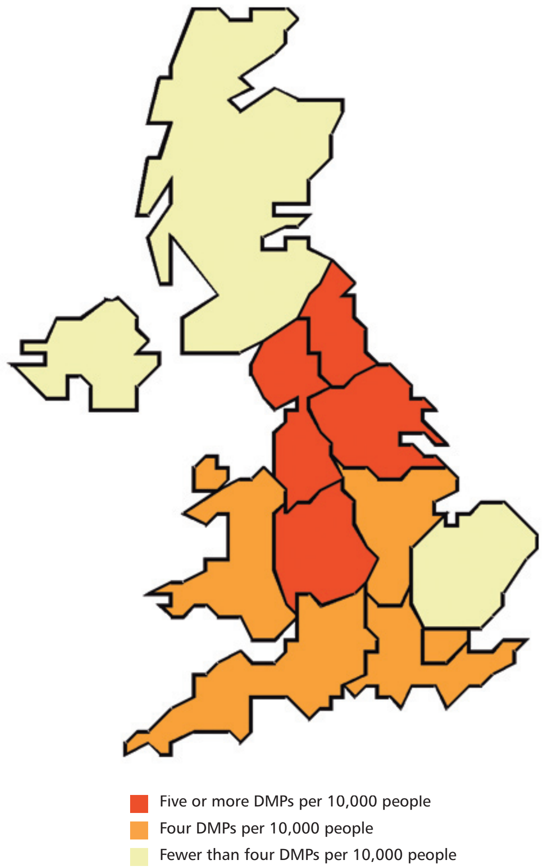
Chart 3.1.1 – Number of people set up on a DMP in 2008 by region



3 It should be noted that the regional analysis does not include information about clients counselled via Debt Remedy.

Population levels vary across the regions. Therefore, to provide a more accurate representation CCCS has calculated what proportion of the population in each region commenced a DMP in 2008.

As this map shows proportionally more people have activated a DMP with CCCS in the Northern and West Midland regions of England.



To take the North East region as an example, in absolute terms a low number of people started Debt Management Plans (1,131) in 2008, however, as table 3.1.1 shows, proportionally 5.43 people out of every 10,000 started a DMP, one of the highest rates in the United Kingdom.

Table 3.1.1 –DMPs by region per 10,000 of the population

	Number	Rank
West Midlands	5.53	1
Yorkshire	5.53	2
North West	5.43	3
North East	5.43	4
South East	4.98	5
London	4.94	6
Wales	4.72	7
East Midlands	4.49	8
South West	4.21	9
Northern Ireland	3.10	10
East	2.96	11
Scotland	1.27	12

3.2 REGIONAL DEBTS BY SIZE OF DEBT AND AGE OF CLIENT

The average level of debt amongst CCCS clients starting a DMP in 2008 was £28,053, a figure that was relatively similar across all regions, with the exception of Northern Ireland where the average level of debt was significantly lower at £17,990.

The size of debt increases significantly in older age groups. CCCS clients aged over 40 owe, on average, more than £30,000.

One of the groups causing greatest concern is those aged over 60 in Wales. Their average debt is nearly £36,000, compared with £20,601 in Northern Ireland. The range of debt levels for those under 25 is less extreme from £11,693 in the East (the highest), to £9,104 in Scotland (the lowest).

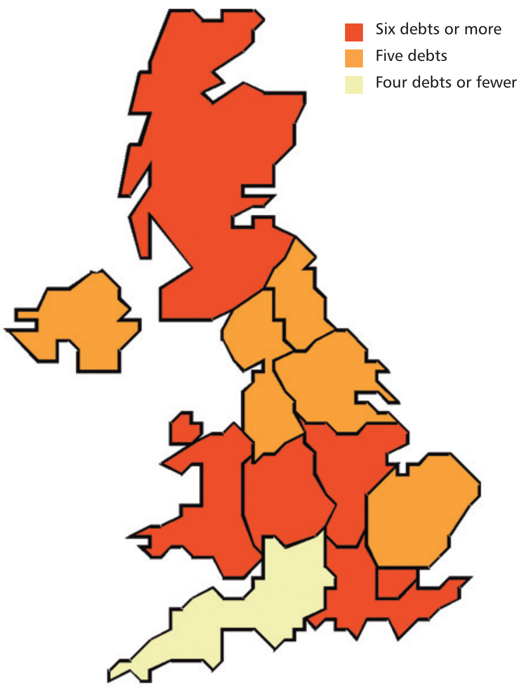
Table 3.2.1 –Average debt by age group by region

	Under 25	25-39	40-59	60& over	Total
East	£11,693	£25,460	£37,914	£30,388	£29,924
East Midlands	£10,769	£25,443	£33,038	£30,968	£28,138
London	£11,527	£25,450	£32,694	£31,861	£28,570
North East	£11,064	£22,956	£30,653	£30,305	£25,674
North West	£11,564	£24,712	£32,318	£30,961	£27,692
Northern Ireland	£9,273	£16,865	£19,900	£20,601	£17,990
Scotland	£9,104	£23,323	£33,242	£28,874	£27,204
South East	£11,642	£26,419	£35,357	£33.205	£29,900
South West	£9,934	£24,858	£35,479	£34,359	£29,197
Wales	£11,136	£25,693	£32,763	£35,947	£29,024
West Midlands	£10,652	£24,426	£31,672	£32,333	£27,291
Yorkshire	£10,732	£22,740	£32,480	£29,631	£26,417
United Kingdom	**£11,031**	**£24,718**	**£33,144**	**£31,719**	**£28,053**

3.3 REGIONAL DEBTS BY NUMBER OF DEBTS AND DEBT-TO-INCOME RATIO

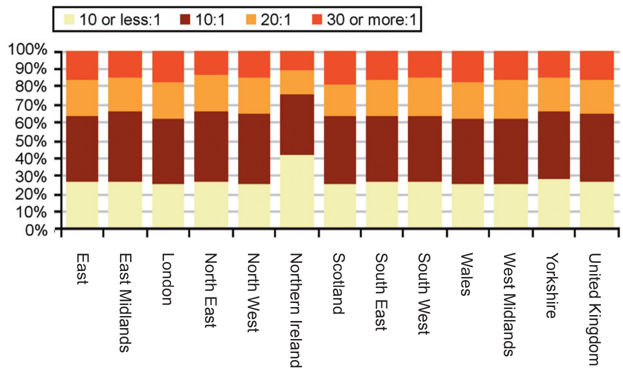
The average client starting a DMP with CCCS in 2008 had 7.6 debts, however this average includes all client debts, and a small number of clients have high numbers of debts.

Looking at the number of debts held by clients starting DMPs, although clients in the South West have the lowest number overall with an average of four or less, they were also more likely to have an extremely high number. In fact, over six percent of clients in the South West had 16 or more debts.



On average clients in Scotland, Wales, West Midlands, East Midlands, London and the South East have the highest number with six or more debts, while clients from the remaining regions are likely to have five debts when they start a DMP. Overall the highest proportion of debts is actually between four and seven. This was consistent across every region.

Chart 3.3.1 – Debt-to-income ratio by region



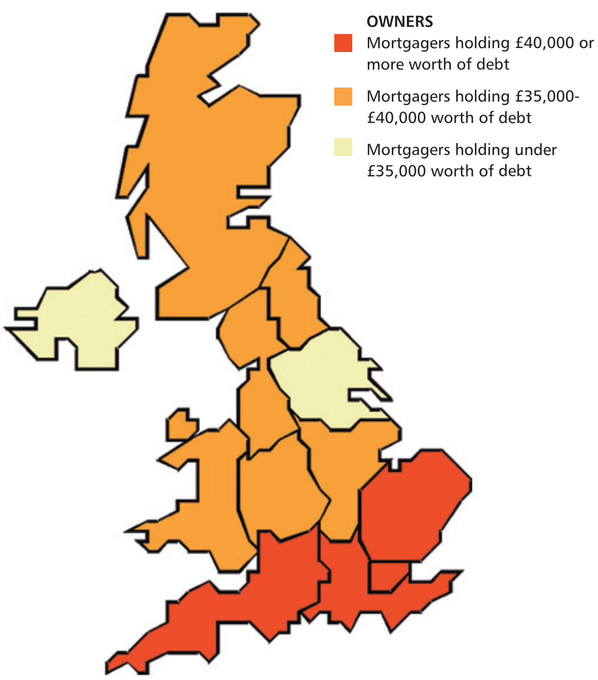
Almost 20 percent of clients from Scotland have a debt-to-income ratio of 30 or more to one, which is a higher proportion than any other region. Therefore, one in five CCCS clients starting a DMP in Scotland has debts adding up to more than 30 times their monthly income.

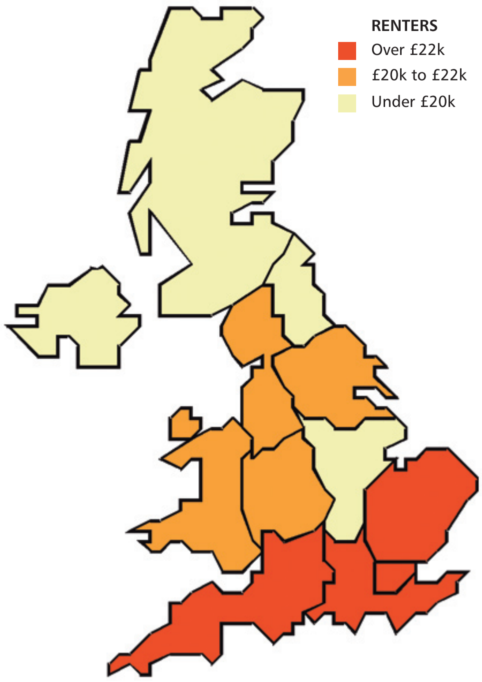
3.4 REGIONAL DEBTS BY CLIENT INCOME AND HOUSING STATUS

The number of debts held by a client starting a DMP is linked to the availability of credit. Clients with a mortgage have more debts with a greater average value, when compared to renters.

Table 3.4.1 – Average debt by housing status

	Average debt		Average number of debts	
	Mortgage	Renting	Mortgage	Renting
East	£41,162	£23,238	9.1	7.1
East Midlands	£39,084	£19,991	9.2	6.7
London	£43,638	£23,956	8.8	6.9
North East	£35,421	£18,402	8.7	7.1
North West	£36,304	£21,038	8.9	6.9
Northern Ireland	£24,271	£16,613	7.5	6.2
Scotland	£38,841	£18,756	8.7	6.3
South East	£42,813	£23,667	8.9	7.0
South West	£42,571	£22,786	9.0	7.1
Wales	£38,841	£20,515	9.1	6.8
West Midlands	£36,475	£20,908	8.7	7.1
Yorkshire	£34,451	£20,660	8.6	7.0
United Kingdom	**£38,708**	**£21,913**	**8.8**	**6.9**





The highest levels of mortgage owner debt is in the south, including London, the East, South West and the South East, reflecting higher house prices, which facilitate higher levels of borrowing.

Renters in southern regions also owe more than in other parts of the country although the levels of debt are generally lower.

Chart 3.4.1 – Average monthly income and surplus of clients by region

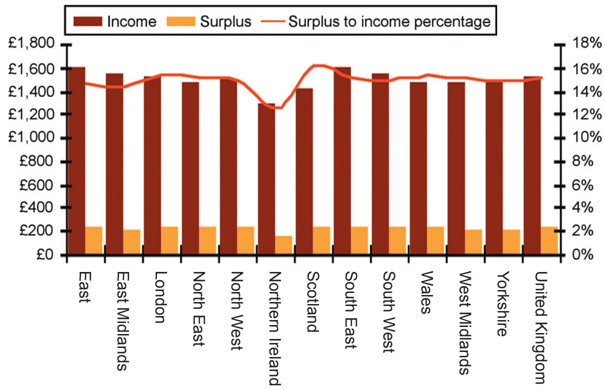


Chart 3.4.1 demonstrates that client surplus[4] to income percentage is steady across all regions, with the exception of Northern Ireland, where average client surplus is only 12.6 percent of income, compared to a UK average of 15.2 percent.

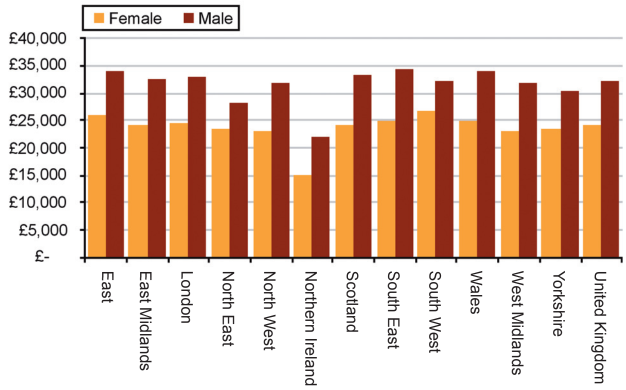
Income is highest in the East and South East, where it averages above £1,600 net per month. It is lowest in Northern Ireland, at just over £1,300 net per month. The average household income for CCCS clients is £1,528 net per month.

3.5 REGIONAL DEBTS BY GENDER

Across all regions men are far more likely to have a higher level of debt than women. The greatest disparity in debt by gender is in the South East, where, on average, men are likely to owe almost £10,000 more than women.

Women in the South West of England hold the highest level of debt, at, on average, almost £27,000. Men owe the most in the South East (£34,385).

Chart 3.5.1 – Debt by gender by region



3.6 REGIONAL SUMMARY

Generally patterns of types of over-indebtedness mirror national trends with, for example, men owing more than women and the over-40s owing significantly more than other age groups. When it comes to the capacity to repay debts, there are a number of significant differences, which seem likely to derive from region-specific circumstances.

In Northern Ireland, despite having significantly lower levels of borrowing, CCCS clients have less surplus income with which to repay their debts than anywhere else, which seems likely to account for the region having one of the lowest levels of DMPs relative to its population.

Similarly Scottish clients, with the highest levels of debt to income ratio, have the smallest number of DMPs in the UK.

Factors such as the higher levels of mortgage owner debt in the south of the country suggest that although the recession will impact on all regions it will not do so evenly.

4 Surplus refers to whatever money remains after the money needed to maintain a client's household has been accounted for. The amount of surplus determines what monies can be repaid to unsecured creditors to pay off debts.

4. Appendices

4.1 DATA DICTIONARY

Information used in the CCCS Statistical Yearbook has been taken from the CCCS data warehouse, using data collected from January 1 2006 to December 31 2008. This data is based on information gathered during counselling sessions with clients who have more than one debt.

These terms are used throughout this statistical yearbook.

Helpline

CCCS operates a free phone helpline. This is usually the first point of contact for those experiencing debt problems. It offers free and confidential debt advice.

Helpline Terminology

General Advice Call (GAC) - Calls where the client receives advice but does not require an appointment with a counsellor.

Self Help Pack (SHP) - A collection of documents containing budgeting advice. Usually given to clients who wish to manage their debt alone.

Counselling Terminology

Debt Management Plan (DMP) - A DMP is a repayment scheme administered by CCCS for people unable to offer creditors full contractual payments.

Token payments – Recommended when clients do not have the means to go on a DMP and are advised to send creditors £1 per month to maintain the relationship and to demonstrate they cannot afford to pay more. Essentially this is a short-term solution.

DMP offered - Clients who have been offered a DMP after a telephone or face-to-face appointment with a CCCS counsellor.

Client Aftercare

CCCS offers support and aftercare for all clients on DMPs. This includes setting up and administrating DMPs, budget reviews and dealing with creditors. In addition, clients require additional support and advice as their circumstances change or in response to actions by creditors, such as selling the debts on.

CCCS Debt Remedy

CCCS's unique online virtual counselling service available through CCCS's website and in partnership with other websites.

4.2 NOTES ON DATA

Chart 1.1.1 – House price indices

1. Indices rebased so January 2006 = 100.
2. Halifax: All Houses (All Buyers), Seasonally Adjusted - Monthly Data
3. Nationwide: UK Monthly Index, Seasonally Adjusted

Sources: Halifax, Nationwide

Chart 1.1.2– Unemployment rate (%)

1. People in employment, unemployed and economically inactive make up the total household population aged 16 and over, measured through the Labour Force Survey on a consistent basis since 1971
2. Working age is defined as 16-64 for men and 16-59 for women

Source: Office for National Statistics

Chart 1.2.1 – Proportion of mortgages over three months in arrears

1. Arrears over three months at period end. Possessions in period.
2. Figures relate only to first charge mortgages held by lenders who are members of the CML. They do not include arrears and possessions relating to other secured lending or to firms that are not CML members.
3. End 2009 figure is a forecast.

Source: CML

Chart 1.3.1 – Unsecured loan write-offs and other re-evaluations (£ millions)

1. Series covers write-offs & other revaluations of loans by banks.
2. Covers sterling loans.
3. Covers credit cards and other unsecured loans only, excluding mortgages.
4. Series can be affected by one-off write-offs, for various reasons. More information about one-off write-offs that affect the data can be found on the Bank of England's Statistical Interactive Database.
5. Following the transition of building societies statistical reporting from the FSA to the Bank of England on January 1 2008, this series includes building society data from 2008 Q1 onwards.

Source: Bank of England

Chart 1.3.2 – How has the default rate on total unsecured loans to household changed?

1. Survey covers both bank and non-bank lenders.
2. Actual question: How has the default rate on total unsecured loans to households changed? Covers both credit card and other unsecured lending.
3. To calculate aggregate results, each lender is assigned a score based on their response. Lenders who report that credit conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. These scores are then weighted by lenders' market shares. The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or terms and conditions were tighter/looser. The net percentage balances are scaled to lie between ±100.
4. A positive net percentage balance in this context indicates that the default rate has risen/ is expected to rise.
5. Survey results for "Next three months" and "Past three months" aligned so that expectations can be compared with outcomes. For example, to compare expectations and outcomes for Q3 2008, expectation for the "Next three months" as reported in the Q2 2008 survey are matched in the chart with the outcomes for the "Past three months" as reported in the Q3 survey.

Source: Bank of England Credit Conditions Survey

Chart 1.3.3 – Bankruptcy orders and IVAs in England and Wales

1. Annual figures not seasonally adjusted.
2. IVA series includes Deeds of Arrangement.
3. Changes to bankruptcy law introduced by the Enterprise Act 2002 came into force on April 1 2004.
4. Scottish data on sequestrations and protected trust deeds excluded because of break in series following the coming into force on April 1 2008 of Part 1 of the Bankruptcy and Diligence etc. (Scotland) Act 2007, which makes significant changes to some aspects of bankruptcy, debt relief and debt enforcement in Scotland.

Source: Insolvency Service

Chart 1.4.1 – Bank secured loans: value of loans approved during period

1. Figures are seasonally adjusted.
2. Chart only covers mortgage advances by the Major British Banking Groups (MBBG). They account for some two-thirds of all UK mortgage lending outstanding and include the nine largest retail lenders in the UK: Abbey, Alliance & Leicester, Barclays, Bradford & Bingley, HBOS, HSBC Bank, LloydsTSB, Northern Rock and Royal Bank of Scotland.

Source: British Bankers' Association

Chart 1.4.2 – Bank structured personal loans: gross new loans during period (£ millions)

1. Figures are seasonally adjusted.
2. Chart only covers personal loans advanced by the Major British Banking Groups (MBBG). However, MBBG includes the nine largest retail lenders in the UK: Abbey, Alliance & Leicester, Barclays, Bradford & Bingley, HBOS, HSBC Bank, LloydsTSB, Northern Rock and Royal Bank of Scotland.
3. Credit cards have been excluded because gross new lending on cards includes spending by those who simply use their card as a means of payment, so distorting the figures.

Source: British Bankers' Association

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The data underlying the graphs and charts contained in this Statistical Yearbook are available in the form of appendices from: www.cccs.co.uk/statsyearbook/2008

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