

Statistics Yearbook

Personal debt
2013

Our objectives

- Create greater awareness of, and access to, truly free debt advice and debt solutions
- Develop extensive relationships with other organisations to bring greater help and support to people with problem debt
- Provide new and improved products and services to meet the changing needs of people with problem debt
- Invest in our people, processes and systems to effectively deliver timely and high quality help and support
- Build a robust, stable and sustainable charity that can be relied on by all in society
- Champion the cause of people in or at risk of problem debt by influencing policymakers and campaigning for change
- Enhance peoples' financial understanding and capability so they can better manage their money and debts

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You'll notice a few changes in this year's Statistics Yearbook. We've decided to freshen it up a bit by making it more visually exciting and concentrating on statistics that best explain our clients' stories. We hope you enjoy the changes.

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		The data in the Statistics Yearbook is drawn from a warehouse containing the details of more than 16m phone calls and 2.3m clients. The 2013 data analyses around 300,000 clients who received a full advice session from StepChange Debt Charity last year.

Main Findings 2013

- A record number of people, 507,863, contacted StepChange Debt Charity in 2013. This was driven by a 29 percent increase in the number of people contacting the charity by telephone and a 50 percent increase in the number of people contacting the charity online
- As in previous years, demand for advice was primarily a result of unemployment (23 percent) and reduced income resulting from a loss of hours at work (16 percent)
- The proportion of people who live in rented accommodation seeking advice from the charity continues to grow. Last year almost 70 percent of clients advised lived in rented accommodation, compared to just over 50 percent in 2009
- Being in work does not necessarily protect people from debt problems; over half of clients seeking help were in work, 31 percent employed full time
- Relying primarily on income from jobseeker's allowance means that people do not have enough money to meet their essential spend. Clients receiving the benefit have, on average, significantly higher outgoings than income
- The results of our client survey showed that indebted consumers still continue to wait a long time before seeking debt advice. Half of those surveyed waited more than a year between realising their debts were a problem and seeking help from any debt advice provider
- Our survey showed the psychological impact problem debt can have on individuals. Three-quarters of respondents experienced sleeping problems due to their debt, and 64 percent experienced mood swings. Over 50 percent also found their work performance suffered as a result of problem debt
- Payday loans continue to cause huge problems for consumers. StepChange Debt Charity clients with payday loans have, on average, three, with the average payday debt (£1,647) outstripping average income
- The last five years have seen a worrying rise in the proportion of StepChange Debt Charity clients with arrears on essential household bills. The largest rise has been in Council Tax arrears, where the proportion of clients with missed payments has increased from less than 10 percent in 2009 to over 25 percent in 2013
- The charity has also seen big rises in the proportion of clients with arrears on utility bills. Around 13 percent of clients have arrears on gas and electricity bills.

1. Chief Executive's Introduction



Since 2006 our Statistics Yearbook has illuminated the difficulties faced by households struggling with problem debt across the UK. This year, my first as Chief Executive of the UK's largest debt advice charity, the data reveals a complex but concerning story.

Although there is welcome evidence of economic growth, and average debt is falling, many people are still living in a very difficult economic environment, one that requires a robust, comprehensive and coordinated approach to household problem debt by government, creditors, service providers and charities.

We have continued to see a sharp rise in the number of people with high-cost, short-term credit. 67,000 of the people we advised in 2013 had payday loans, almost double the previous year. Over 20 percent of those seeking our help with payday loans had taken out more than five, showing an ongoing problem with irresponsible lending practices which we hope the Financial Conduct Authority will tackle.

There has also been a sharp increase in the number of people coming to us with arrears on essential household bills – the debts many people are struggling with are not the result of one off extravagances, but a structural shortfall between their income and essential living expenses. The proportion of clients with arrears on their Council Tax has increased from 10 percent in 2009 to over 25 per cent in 2013. The proportion of clients with arrears on utility bills, gas and electricity, has doubled over the same period. The need for investment in infrastructure such as energy, water and communications will pass through to consumers' bills. Interest rate rises will also come sooner or later and be a shock after a long period of static and low rates.

Real wages fell in 2013 and have been falling consistently since 2010, the longest period of decline for 50 years¹. The proportion of average household disposable income accounted for by expenditure on essential household goods and services has risen from 20 percent in 2003 to 27 percent in 2013². Coupled with persistent worries over job security, this means people's financial horizons appear to be reducing. The lack of people's financial resilience means that it is very difficult to cope with income cost shocks over the long term, even over the short term.

In this environment the growth of the payday loan market and arrears is almost inevitable, and demands a strong government response. The rapid rise in arrears on essential household bills in particular is one that is under-reported, and raises serious questions regarding the public sector's role as a debt collector and the business practices of service providers, such as utility companies.

2014 will prove a challenging one for all organisations concerned with helping financially stressed consumers, with people facing hard personal economic circumstances and welfare changes continuing to bite. StepChange Debt Charity will carry on our key task with vigour and passion, offering free, independent advice and support to all who need it, no matter what their circumstances. We will continue to drive the change needed to further help the UK's indebted population. We will continue to advise policy makers, using evidence from our clients and our research. We have an exciting research programme planned for 2014 examining what life is like for families "on the edge" – who are falling, or have fallen, into financial difficulty – and looking at whether there is an adequate safety net in place to protect them.

Mike O'Connor CBE
Chief Executive

¹ Office of National Statistics: *An Examination of Falling Real Wages, 2010 – 2013*

² ONS *Economic Review for November*

2. Demand

Key findings:

- 507,863 people contacted StepChange Debt Charity in 2013
- The top three reasons for seeking advice were unemployment/redundancy (23 percent), reduced income (16 percent) and a lack of budgeting (14 percent)
- Almost 70 percent of clients advised lived in rented accommodation compared to 50 percent in 2009.

As the number of online services offered by the Charity increases, so do the ways in which we interact with clients. Many people need in-depth advice and support, and this is traditionally what we have reported on. We do so in this Yearbook and will continue to do so in future.

However, some people use our services in a different way, to gain a better understanding of their situation before deciding to take action. For example, 20,484 people used our 60 second debt tracker between June 2013 (when it was launched) and December 2013.

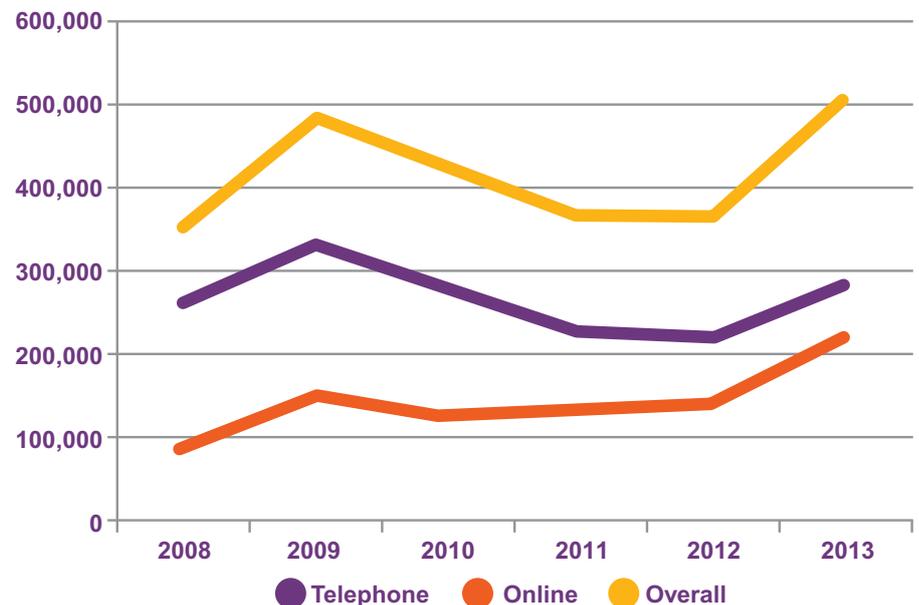
We are conscious that there are a variety of other levels of engagement people have with our online services. We continue to explore what these mean in terms of the help people receive, and what are the most useful measurements for us to publish.

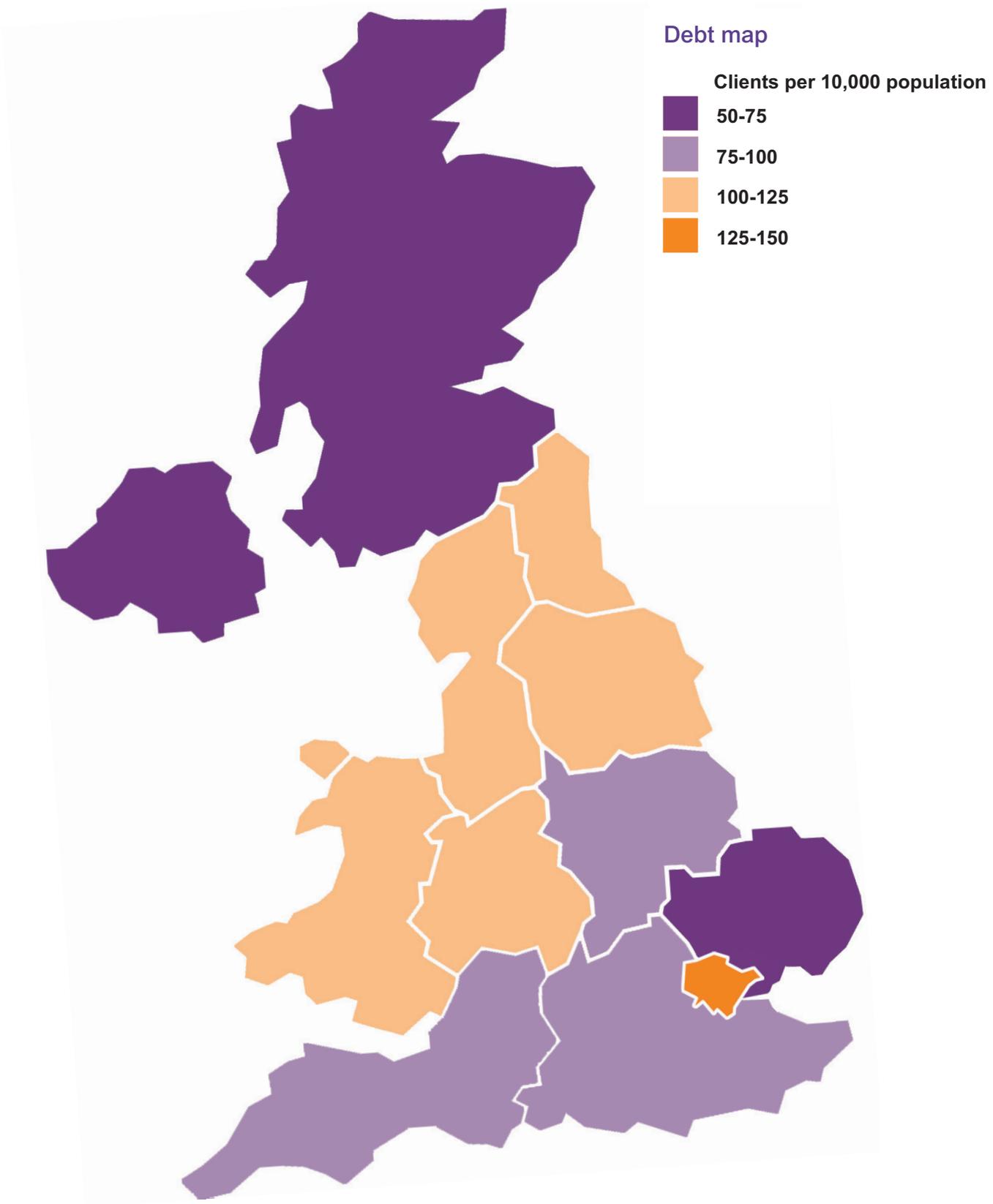
A record number of people, 507,863, contacted StepChange Debt Charity in 2013. This was driven by a 29 percent increase in the number of people contacting the charity by telephone and a 50 percent increase in the number of people contacting the charity online. If we break demand down by region we can see the highest demand came from London (see overleaf).

³ The 2012 telephone contact figures have undergone a slight revision and have decreased, due to methodological changes. We have removed from the overall numbers any callers who contacted the helpline and were subsequently redirected to a different part of the charity.

Chart 1: Demand for advice³

Contact numbers





As in previous years, demand for advice was primarily a result of unemployment (23 percent) and reduced income resulting from loss of hours at work (16 percent).

Figure 1: Reasons for debt

Unemployment and reductions in income are the biggest drivers of debt problems. People often find it difficult to recover after a financial shock.

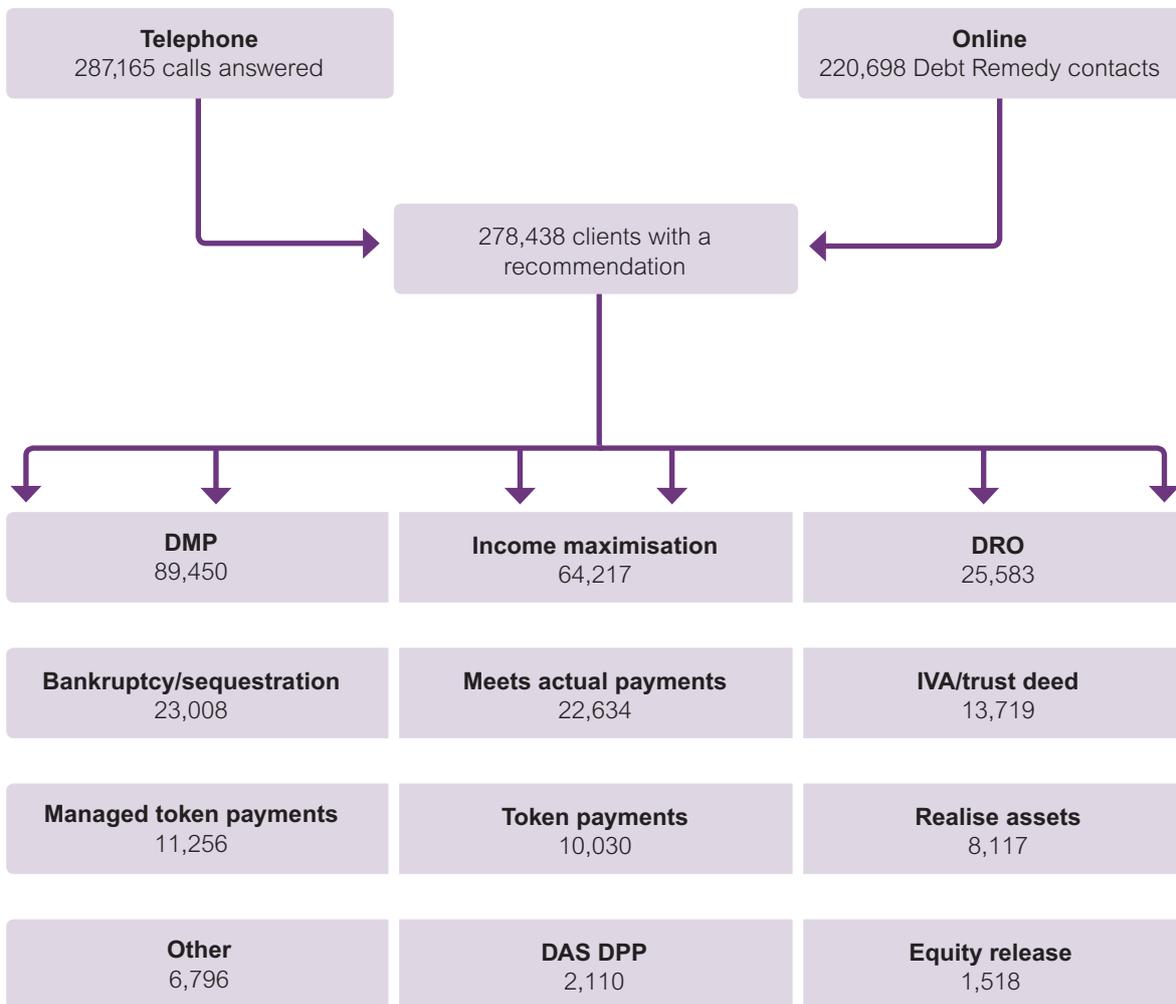


All figures based on StepChange Debt Charity clients 2013 – sample size: 180,666

2. Demand

Many people contacting StepChange Debt Charity receive sufficient immediate help to address their financial difficulties. However, in 2013 almost 300,000 needed further support and a full debt advice session, leading to a long-term financial solution. Around 90,000 clients in 2013 were recommended that a Debt Management Plan (DMP) was the best solution to their financial problems; 62,000 were recommended an insolvency solution – bankruptcy, a Debt Relief Order (DRO), an Individual Voluntary Arrangement (IVA), or, specific to Scotland, a Trust Deed or Sequestration. In 2013 the Scottish arm of the Charity also recommended Debt Payment Plans (DPPs) as part of the Debt Arrangement Scheme (DAS) to over 2,000 clients.

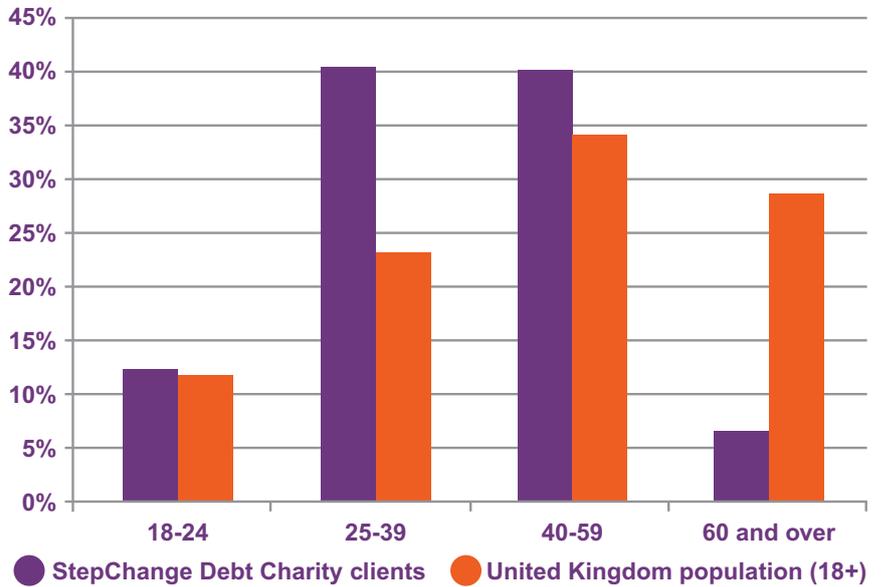
Recommendations



By comparing StepChange Debt Charity data with national statistics, we can see that people over 60 are disproportionately less likely to seek debt advice than young people.

Chart 2: Demand for advice – age

Proportion of population



Age has a bearing on the methods that people use to seek debt advice. Those under 40 are more likely to contact the charity online, while those over 40 are more likely to use the telephone. The contrast is particularly stark for the over 60s, who are three times more likely to use the telephone than the internet to seek advice.

Chart 3: Demand for advice by channel

Proportion of clients

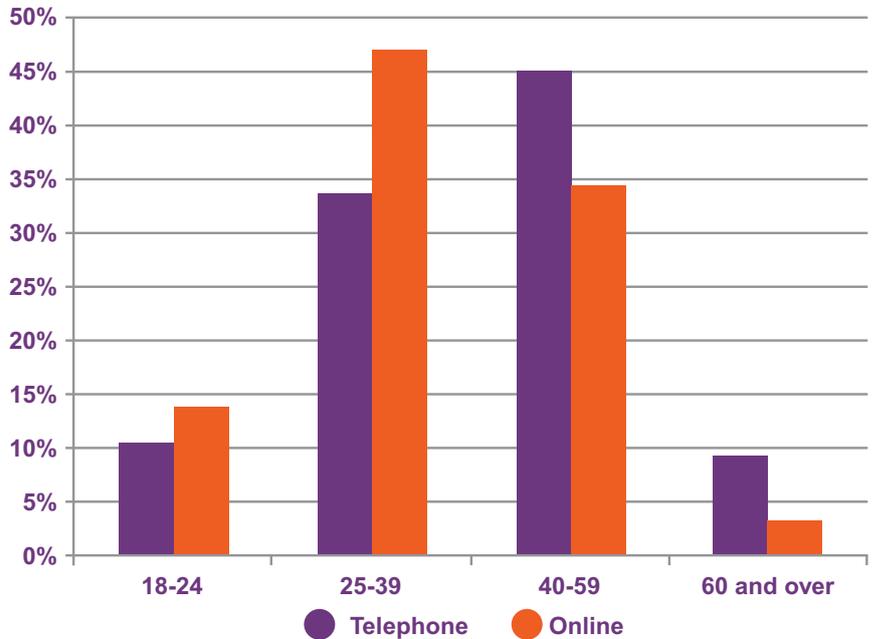
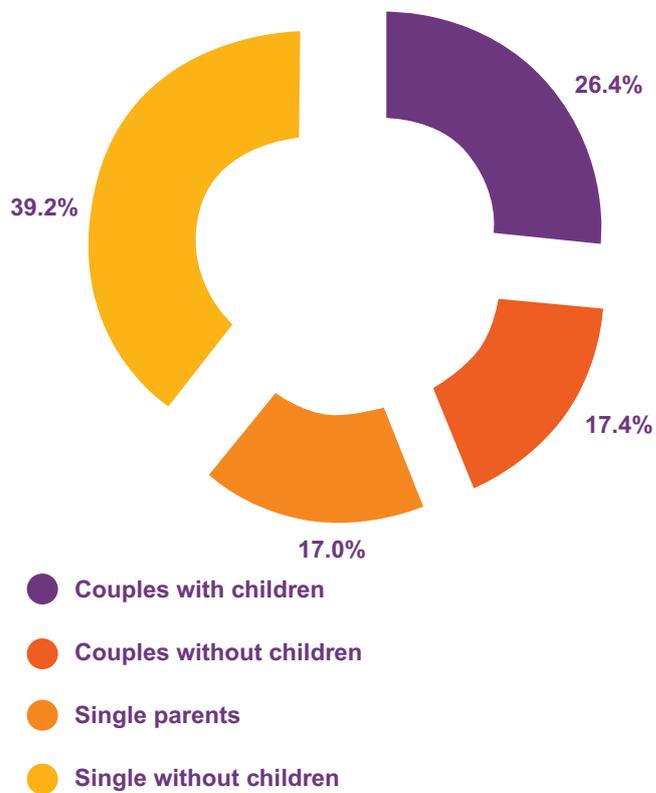


Chart 4: Demand for advice – gender



There has been a steady growth in the proportion of clients who are single. They now account for just over 56 percent of people advised. However, the proportion of clients with dependent children has remained stable at 43 percent.

Chart 5: Demand for advice – family type



4 ONS Families and Households 2012: lone parent families with dependent children

More renters are seeking help from the charity. Last year almost 70 percent of clients advised lived in rented accommodation, compared to just over 50 percent in 2009.

The previous three years have seen a rise in the proportion of clients living in private rented accommodation, from 27 percent in 2011 to 32 percent in 2013.

Chart 6: Demand for advice – housing tenure

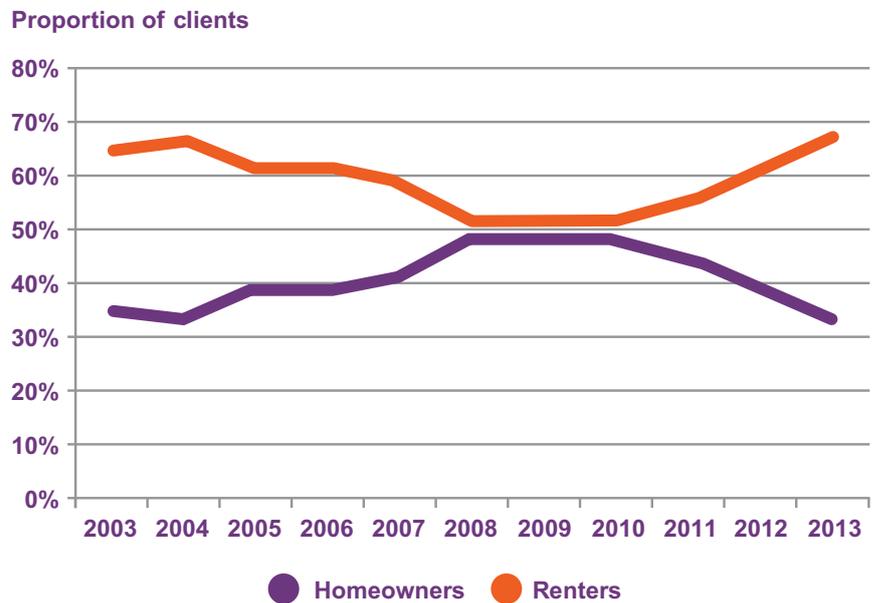
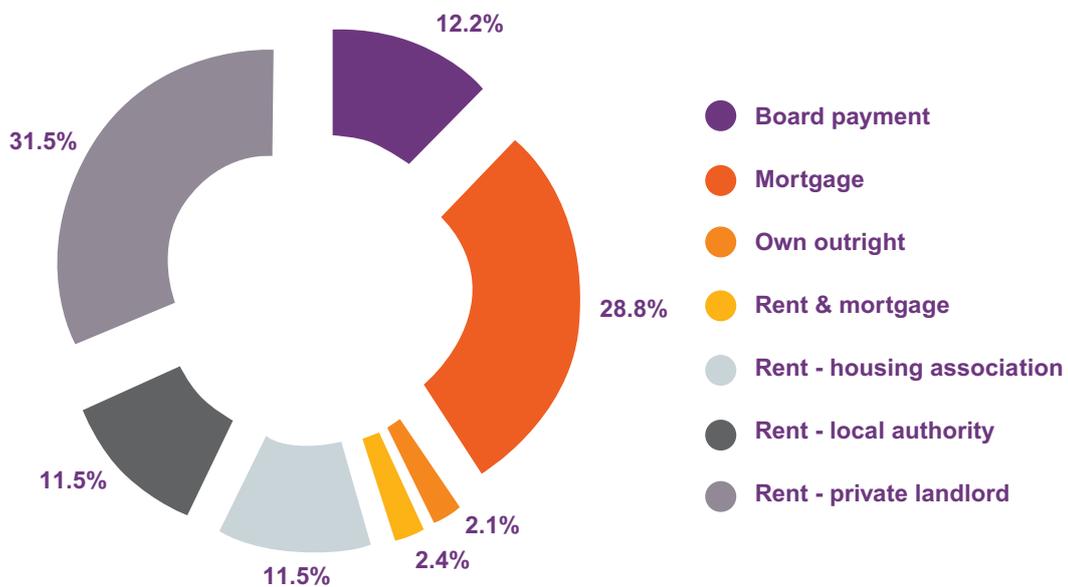


Chart 7: Demand for advice – housing tenure



Case study **Claire**

Claire is a low paid part-time worker. She has had her wages frozen for four years and had to reduce her working hours as she suffers from tendonitis and arthritis in her hands. Her husband, an MOT tester, has been forced to become self-employed after his garage made him redundant. After struggling for a number of years their finances got steadily worse and they were having to increasingly rely on an overdraft and credit card for day to day living. Claire asked for help from her bank and was offered further credit.

She then received a letter in January 2013 from the credit card department saying that they would have to increase her interest rate until her spending or credit improved. She was referred to StepChange Debt Charity and we arranged a DMP.

"[It] is the best thing we could have done and wish I had done it sooner."

Case study **Adam**

After Adam was forced to take early retirement due to growing health problems, he found himself dependent on benefits. He had taken out a car loan whilst he was still working, and he now struggles to live on his benefits and repay the loan.

"One day you're earning a paycheck and the next day you're not and you're in deep trouble."

The benefit money isn't enough to pay off his debts, or even live on, and he has been kept waiting a year for all of his benefits to be processed.

Adam contacted the bank four or five months after being medically retired.

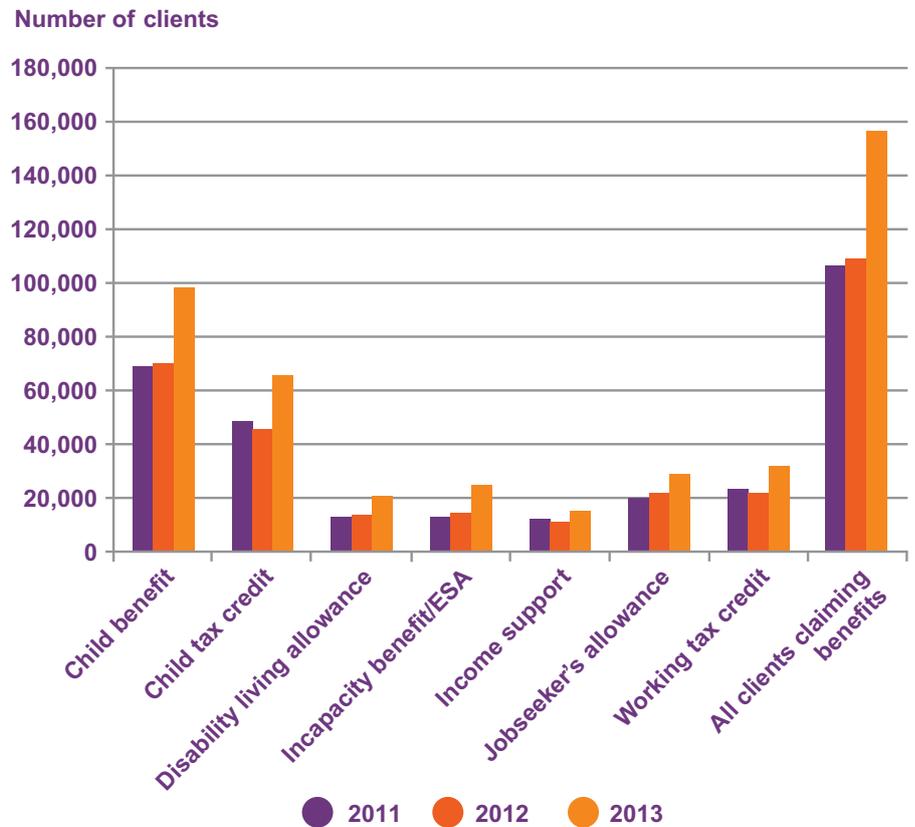
"I said 'look I'm not going to have enough money to pay these things off,' because it says on their bank website, nicely, phone us and we'll do everything we can to help you and the first thing they said was 'sorry we can't help you' so...it was a very unpleasant experience and quite soul destroying actually."

He struggles to live on the money he does have coming in and has no real way of earning any more.

"I've got no money. I think the thing that's going to happen is probably bankruptcy."

In 2013 almost 160,000 clients (55 percent of those advised) received some form of benefit or tax credit⁵. This is a 47 percent increase since 2011. The largest proportionate rise has come from clients claiming incapacity benefit/employment and support allowance (ESA), where there has been an increase of 90 percent.

Chart 8: Number of clients with benefits



Further analysis indicates that relying primarily on income from incapacity benefit/ESA or jobseeker's allowance means that people do not have enough money to meet their essential spend. Chart nine shows clients receiving these benefits have, on average, significantly higher outgoings than income – even after receiving expert budgeting advice from the charity. This means that in order to afford essential living items they are likely to have to use credit to make up the difference. These benefits are not, on their own, sufficient as a safety net to protect people from spiralling into debt problems, and further assistance from creditors and essential services may be needed to avoid this negative outcome.

Chart 9: Clients on benefits – average surplus



⁵ Not including housing benefit

People seeking advice from StepChange Debt Charity are far more likely to be unemployed compared with the general UK population⁶. Almost a third of people receiving advice from the charity in 2013 were unemployed, compared to the national unemployment rate of 7.2 percent. However, being in work does not necessarily make people free from debt problems; over half of those seeking help were in work, 31 percent employed full time.

Figure 2: Employment

Debt is a problem for those in work as well as those who aren't in work – over half the people contacting StepChange Debt Charity for advice are employed.



All figures based on StepChange Debt Charity clients 2013 – sample size: 278,438

6 ONS labour market statistics Sep-Nov 2013

Our client survey

In January 2014, we surveyed 1,104 clients who started a DMP with the charity in 2013.

The results showed that even when people are in financial difficulty they do not seek out debt advice quickly, but wait for an extended period of time. Half of those surveyed waited more than a year between realising their debts were a problem and seeking help from any debt advice provider.

Our survey showed the psychological impact problem debt can have on individuals. Three-quarters of respondents experienced sleeping problems due to their debt, and 64 percent experienced mood swings. Over 50 percent have also found their work performance suffered as a result of problem debt.

How long was it between starting to worry that your debt was a problem and seeking help from any debt advice provider?	2011	2012	2013
1-3 months	15%	13%	9%
4-6 months	15%	22%	17%
7-9 months	11%	11%	10%
10-12 months	12%	14%	14%
After a year	45%	40%	50%

Have your debt problems had a negative impact on your relationships with friends and family?	2011	2012	2013
Yes	31%	30%	37%
No	34%	39%	30%
I haven't told them	35%	31%	33%

Have your debt problems affected your self-confidence/faith in your own ability to support yourself or your family?	2011	2012	2013
A lot	47%	36%	44%
Somewhat	35%	42%	40%
No	7%	12%	8%
Hard to say/don't know	11%	10%	8%

Do you believe that if you had received more financial education in school you would have avoided unmanageable debt?	2011	2012	2013
Yes	46%	42%	44%
No	21%	22%	23%
Hard to say/don't know	28%	32%	30%
Not applicable	5%	3%	3%

2. Demand

How important is help from benefits and tax credits in helping you pay for essentials?	2011	2012	2013
Very important	NA	NA	34%
Quite important	NA	NA	9%
Unimportant	NA	NA	27%
Hard to say/don't know	NA	NA	30%
Prior to seeking advice, would you say your creditors treated you well?			
All did	NA	13%	20%
More than half did	NA	17%	18%
About half did	NA	21%	21%
Less than half did	NA	29%	25%
None did	NA	21%	16%
Has thinking about your debt problems resulted in any of the following physical health symptoms?⁷			
Changes in sleep patterns	NA	NA	74%
Mood swings affecting your behaviour	NA	NA	64%
Changes in eating habits	NA	NA	42%
Twitchy nervous behaviour	NA	NA	26%
Increase smoking, drinking or drug taking 'to cope'	NA	NA	26%
Changes in attendance such as arriving late or taking more time off	NA	NA	15%
Don't know	NA	NA	7%
Has thinking about your debt problems affected your work?			
Yes, it has led to me losing my job	NA	NA	2%
Yes, it has led to changes in my attendance such as arriving late or taking more time off	NA	NA	6%
Yes, it has led to me being unable to concentrate at work	NA	NA	43%
No, I haven't noticed any changes in my work performance	NA	NA	33%
Don't know	NA	NA	16%
Total responses - 1,104			

⁷ Clients could choose from multiple answers

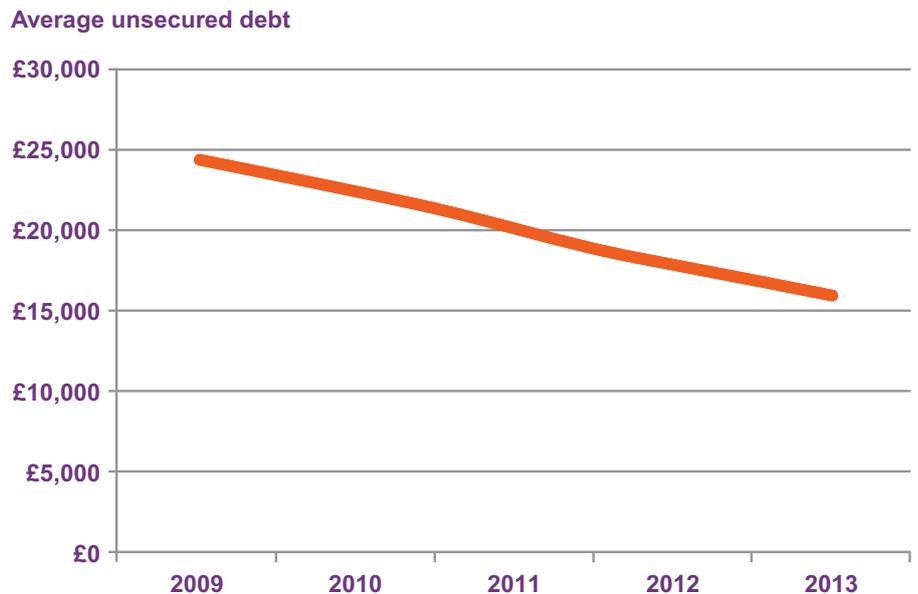
3. Debts

Key findings:

- Average unsecured debt is now below £16,000 per client
- Average unsecured debt has declined fastest for the 18-24 age group (34 percent since 2009)
- Self-employed clients have £24,328 in average unsecured debt, substantially higher than both employed and unemployed people
- StepChange Debt Charity clients owe most on personal loans (on average £9,219) and credit card providers (£9,047)
- Clients have the highest number of debts with credit card providers (2.7 per client) and payday lenders (three)
- Clients with five or more payday loans owe, on average, 62 percent more in unsecured debts than clients with four
- 20 percent of clients owe money to family and friends – totalling £190m.

Average unsecured debt among people seeking our help has continued to decline and is now below £16,000 per client. This is not necessarily positive; it could indicate that for many, small high-interest loans are leading to disproportionate financial difficulties.

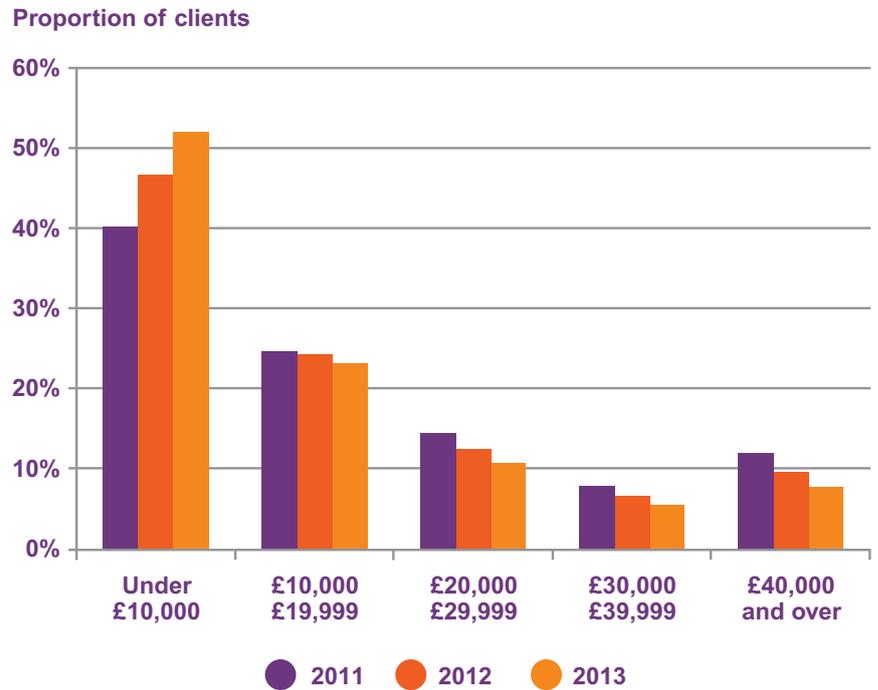
Chart 10: Average unsecured debt



3. Debts

The proportion of clients with average unsecured debts below £10,000 has increased to over half in the last three years.

Chart 11: Unsecured debt levels



In proportional terms, average unsecured debt has declined fastest for the 18-24 age group (by 34 percent since 2009), slowest for the over 60s (20 percent). Over 60s advised by the charity have the highest average unsecured debt (£20,887).

Chart 12: Average unsecured debt – age

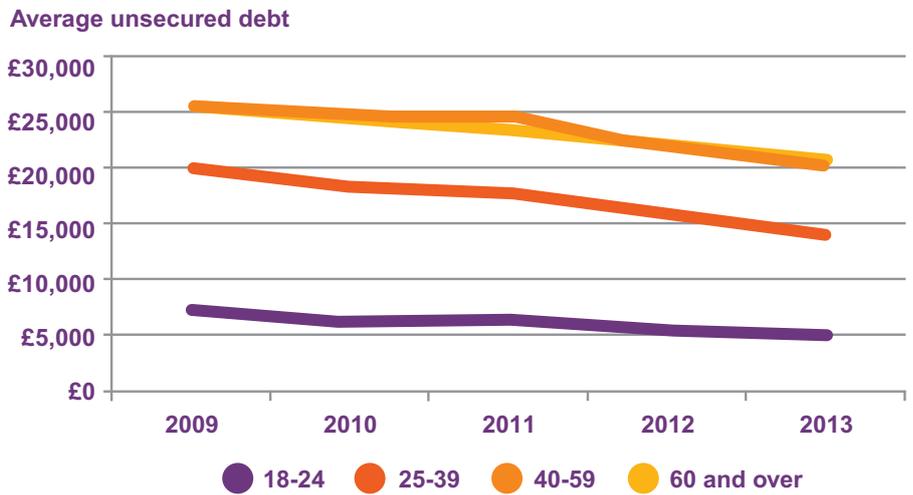
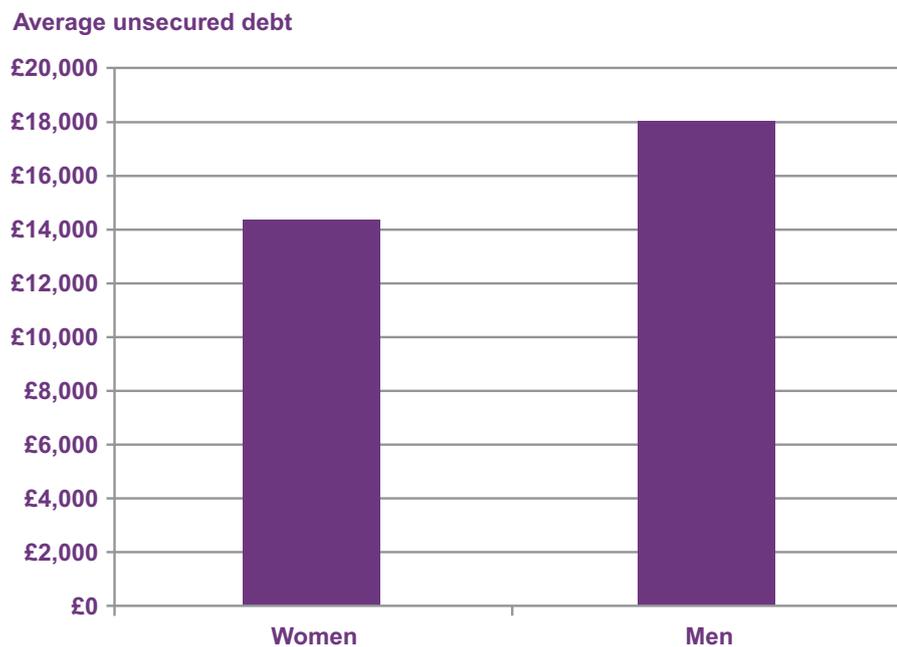


Chart 13: Average unsecured debt – gender



Case study

Cindy

Cindy, a part time worker, and her husband, a labourer, got into debt at the beginning of 2013 as a result of her husband injuring his back and losing his job. Cindy's income was unable to support them both and they fell quickly into debt.

Cindy's husband is now a lot better and looking for work but is limited as he cannot go back into heavy labouring industrial jobs because of his back. They have three children and Cindy has been feeling intense pressure on herself as the breadwinner.

"It is a constant battle of worry and paying less on agreed payments. We have lost all our credit rating and things have been very tough."

She has been taking any extra hours she can and has 'run [herself] into the ground' resulting in her admission to hospital.

"Largely our problems would be halved if the benefits were more in line with basic living costs."

Figure 3: Average unsecured debt – housing tenure

There are high levels of unsecured debt among people who have a mortgage. When interest rates rise this could cause problems for families trying to maintain both mortgage and unsecured debt repayments.



All figures based on StepChange Debt Charity clients 2013 – sample size: 278,438

Case study

Mark

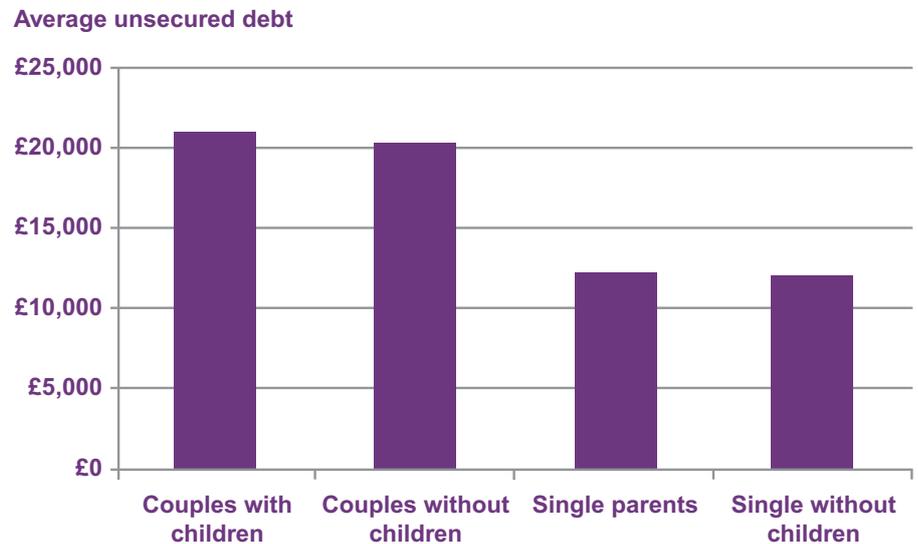
Mark's debt problems began at the break-up of his marriage. He tried to carry on paying bills and mortgage payments at his former house whilst taking out a loan to move to, and furnish, a rented flat. Very soon he was exceeding his overdraft and could not maintain his credit card and other commitments. He had to borrow money from friends and family to get legal representation after being taken to court by his ex-wife.

"The Child Support Agency has gradually increased the money I pay them as well."

Mark thinks his former bank has been very unsympathetic, despite him banking with them for over 22 years. He is now on a DMP with StepChange Debt Charity and is gradually regaining control of his finances.

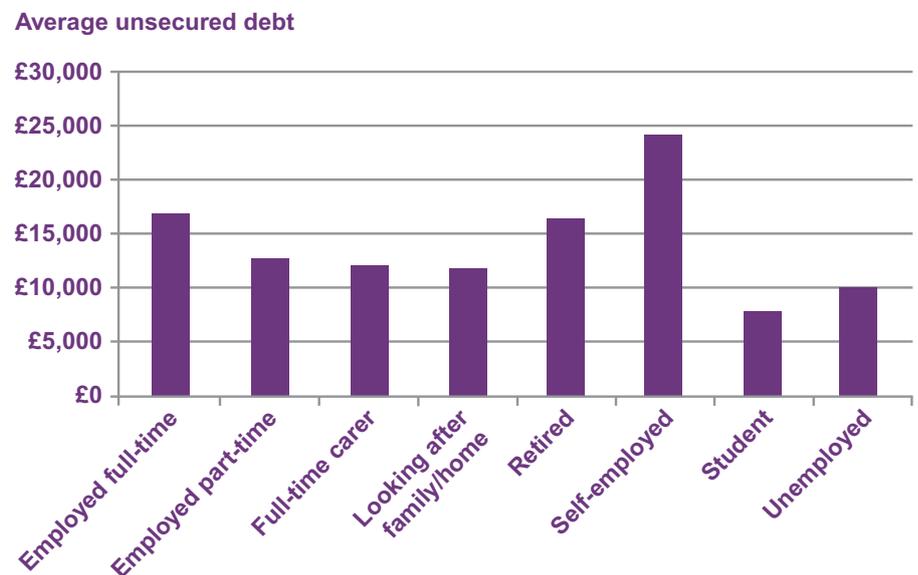
External research has shown children can be a factor in accruing unsecured debt⁸. StepChange Debt Charity figures back this up, as households with children owe more than those without.

Chart 14: Average unsecured debt – family type



As in previous years self-employed clients have by far the highest level of average unsecured debt (£24,328).

Chart 15: Average unsecured debt – employment

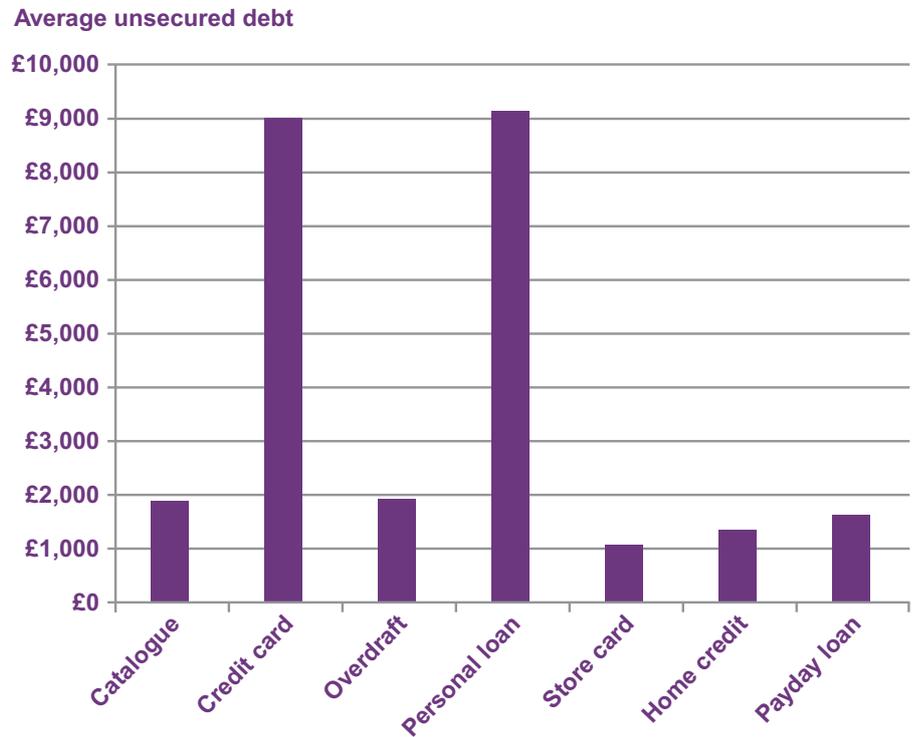


⁸ Kempson E, McKay, S and Willitts, M (2004), *Characteristics of families in debt and the nature of indebtedness, Report to the Department of Work and Pensions, 2004*

3. Debts

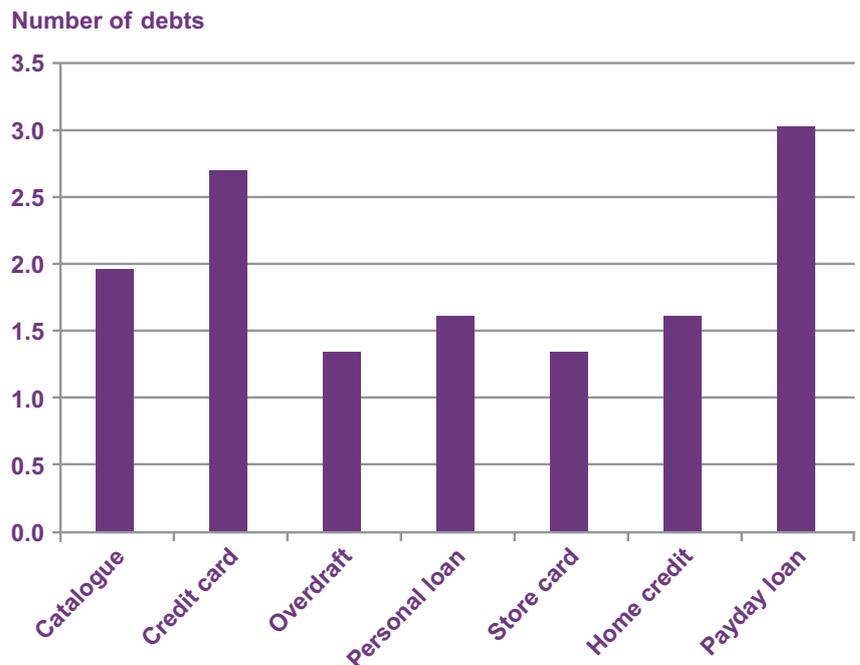
StepChange Debt Charity clients on average owe most on personal loans (£9,219) and credit cards (£9,047).

Chart 16: Types of unsecured debt



However, our clients have the highest number of debts with credit card providers (2.7) and with payday lenders (three) indicating problems arising from multiple debts.

Chart 17: Number of unsecured debts



Clients owe money across a range of different types of debt. Credit cards account for the largest debts held by our clients.

Figure 4: Proportion of unsecured debts

There are a variety of different types of debt. The most prevalent for StepChange Debt Charity clients are credit card and overdraft debt.



All figures based on StepChange Debt Charity clients 2013 – sample size: 278,438

Case study

Mary

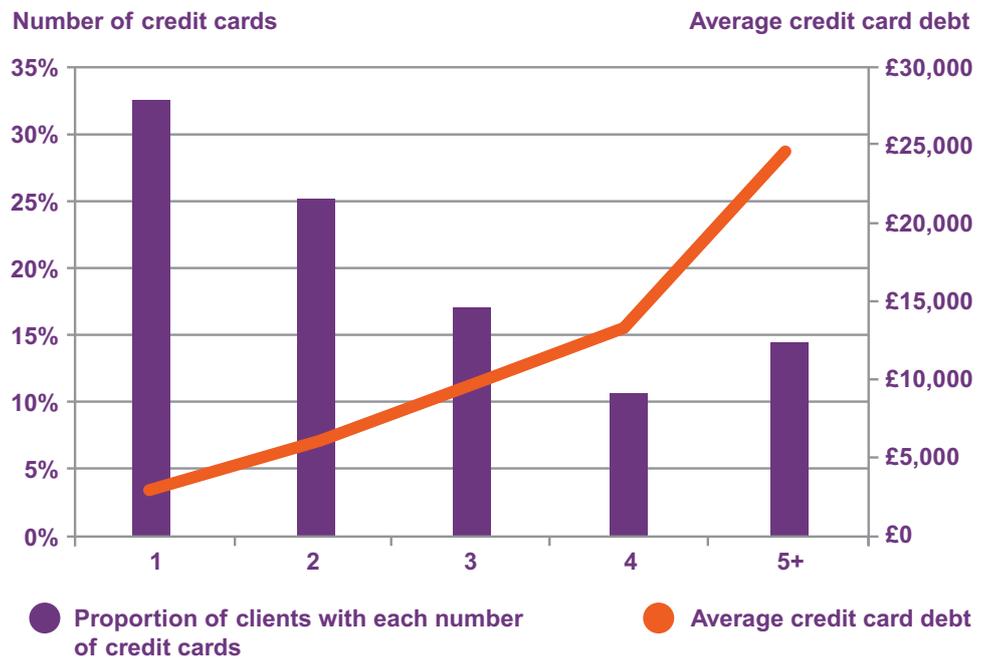
When Mary took out a loan, her uncle signed as her guarantor. After losing her job, she struggled to keep up her repayments. The creditor began to call her repeatedly - up to 18 times per day on some occasions - to chase the arrears on her account. Mary's uncle started to make up the payments until he lost his job. Both Mary and her uncle tried to cancel the Continuous Payment Authority on their debit cards with the lender and their banks; however the lender still continued to take payments, leaving them in a position where they struggled to buy food and pay essential household bills. Mary's uncle found work, but was still unable to make the full monthly payment for the loan. The lender kept calling him at work, despite repeated requests not to, which almost led to him receiving disciplinary action about receiving personal calls.

Mary is currently on a DMP arranged by StepChange Debt Charity, but is considering bankruptcy.

3. Debts

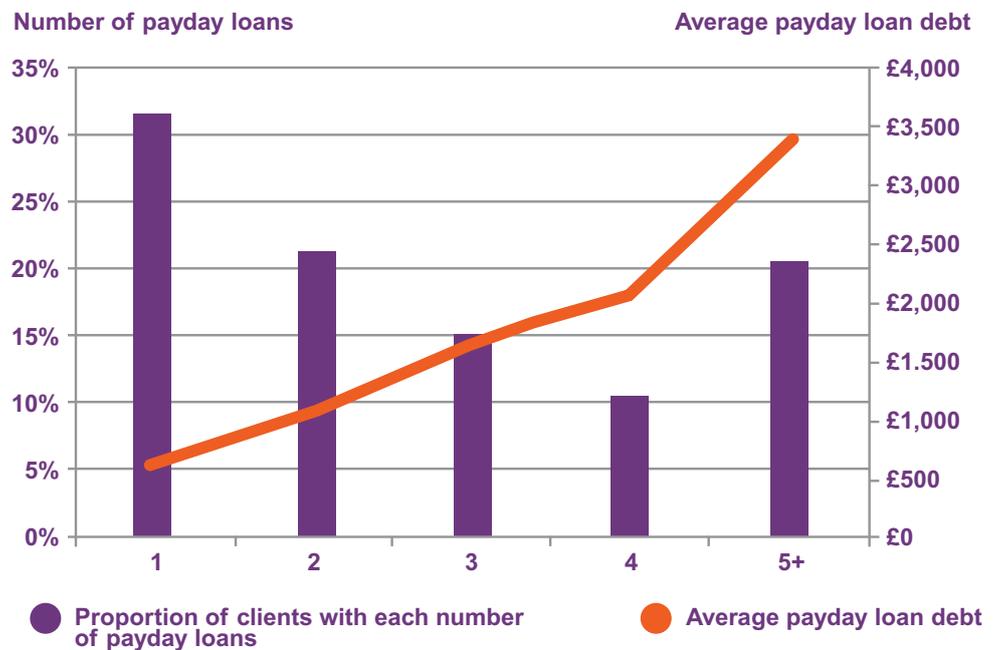
Analysis of multiple debts indicates that there is a rise in debt once an individual has five or more credit cards or payday loans. Clients with five or more credit cards owe, on average, 84 percent more in unsecured debts than clients with four.

Chart 18: Multiple unsecured debts – credit cards



Clients with five or more payday loans owe, on average, 62 percent more in unsecured debts than clients with four.

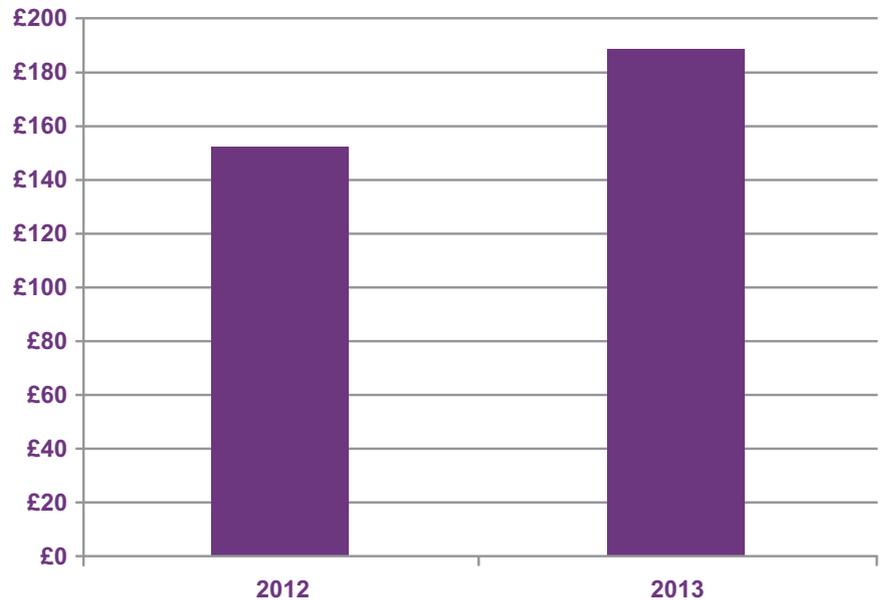
Chart 19: Multiple unsecured debts – payday loans



Around 20 percent of StepChange Debt Charity clients owe money to family and/or friends. In 2013 the amount owed to family and/or friends reached £190m (an average of £3,293 per client).

Chart 20: Debt to family and/or friends

Total unsecured debt (£ million)



Case study

Warren

A year and a half ago Warren went from being a weekly paid contractor to a full time employee in his company, but he took a wage cut as part of the transition. At the same time he started living on his own for the first time. Struggling to get used to the monthly pay cycle, he took out a payday loan of £200 to fill a financial gap between paydays. He was unable to repay but the lender rolled-over the loan at a higher rate. He took out further loans with different lenders and quickly found himself in a debt spiral.

Warren found that dealing with the payday loan companies was 'a nightmare'.

"You can't call them, you can't email them, they are impossible to contact. They just send you threatening and abusive emails and phone calls". He remembers one call where he was sworn at. "That was so shocking to have a customer service representative talk to me like that".

He was also subject to harassment. They called extension numbers at random around Warren's workplace and refused to take any notice of written requests to stop. Warren received about five emails a day and 'hundreds of marketing calls'.

Warren is now on a DMP with StepChange Debt Charity and is paying off his debt. Despite this he still receives unwanted contact from the loan companies on a regular basis.

3. Debts

Debt cocktails

Analysis shows a dangerous dynamic between credit products. The 'debt cocktails' below show how likely a client with one type of debt is to have another type as well, and how levels of debt increase or decrease depending on the product matrix of an individual. For example, 41.4 percent of clients with a home credit debt also have a payday loan, owing, on average, £1,441 on this form of credit.

Clients with a catalogue debt	Proportion with other debt type	Avg no. debts	Avg debt balance
Catalogue		1.98	£1,937
Credit Card	73.8%	2.72	£6,482
Overdraft	64.1%	1.37	£1,617
Personal loan	52.3%	1.72	£7,829
Store card	17.1%	1.38	£966
Home credit	17.9%	1.73	£1,398
Payday loan	26.8%	2.88	£1,490

Clients with a credit card debt	Proportion with other debt type	Avg no. debts	Avg debt balance
Catalogue	35.1%	1.98	£1,952
Credit Card		2.71	£9,047
Overdraft	69.6%	1.37	£2,119
Personal loan	56.5%	1.60	£9,750
Store card	14.9%	1.37	£1,120
Home credit	8.8%	1.67	£1,443
Payday loan	19.8%	3.10	£1,739

Clients with an overdraft debt	Proportion with other debt type	Avg no. debts	Avg debt balance
Catalogue	33.8%	1.92	£1,789
Credit Card	77.2%	2.81	£9,354
Overdraft		1.34	£1,958
Personal loan	56.5%	1.60	£9,221
Store card	14.4%	1.36	£1,053
Home credit	9.3%	1.64	£1,315
Payday loan	22.6%	3.00	£1,628

Clients with a personal loan debt	Proportion with other debt type	Avg no. debts	Avg debt balance
Catalogue	34.1%	1.94	£1,758
Credit Card	77.4%	2.79	£9,079
Overdraft	69.8%	1.38	£1,953
Personal loan		1.60	£9,219
Store card	14.1%	1.36	£1,094
Home credit	11.6%	1.74	£1,428
Payday loan	20.5%	3.01	£1,622

Clients with storecard debt	Proportion with other debt type	Avg no. debts	Avg debt balance
Catalogue	46.3%	2.03	£2,108
Credit Card	84.6%	3.08	£9,575
Overdraft	73.6%	1.39	£1,915
Personal loan	58.5%	1.62	£9,603
Store card		1.35	£1,075
Home credit	8.8%	1.59	£1,402
Payday loan	19.0%	2.89	£1,581

Clients with a home credit debt	Proportion with other debt type	Avg no. debts	Avg debt balance
Catalogue	57.2%	2.33	£1,938
Credit Card	59.2%	2.24	£3,152
Overdraft	56.1%	1.41	£1,233
Personal loan	56.8%	2.05	£5,751
Store card	10.4%	1.34	£849
Home credit		1.62	£1,356
Payday loan	41.4%	2.97	£1,441

Clients with a payday loan debt	Proportion with other debt type	Avg no. debts	Avg debt balance
Catalogue	38.7%	2.01	£1,730
Credit Card	60.2%	2.23	£3,695
Overdraft	62.0%	1.37	£1,558
Personal loan	45.4%	1.74	£5,768
Store card	10.1%	1.31	£818
Home credit	18.7%	1.55	£1,247
Payday loan		3.04	£1,647

4. Arrears on essential household bills

Household arrears

In this year's Statistics Yearbook we've changed how we're reporting arrears. Previously we reported arrears numbers as a proportion of all clients. This year rather than reporting the number of clients with, for example, Council Tax arrears as a proportion of all clients, we are instead reporting it as a proportion of those who pay Council Tax. This gives a better picture of the level of difficulty facing people in problem debt.

The last five years have seen a huge rise in the proportion of StepChange Debt Charity clients with arrears on essential household bills. The largest increase has been in Council Tax arrears, where the proportion of clients with missed payments has increased from less than 10 percent to over 25 percent.

The charity has also seen big rises in the proportion of clients with arrears on utility bills; around 13 percent of clients are currently in arrears on gas and electricity bills.

Key findings:

- The proportion of clients with missed Council Tax bill payments has increased from less than 10 percent in 2009 to over 25 percent in 2013
- There have been double digit rises in the proportion of clients with arrears on mortgages (10 percent), rent (12 percent) and water bills (13 percent)
- Households with children owe between eight and 15 percent more in mortgage and rent arrears than those without.

Chart 21: Arrears on essential household bills

Proportion of clients

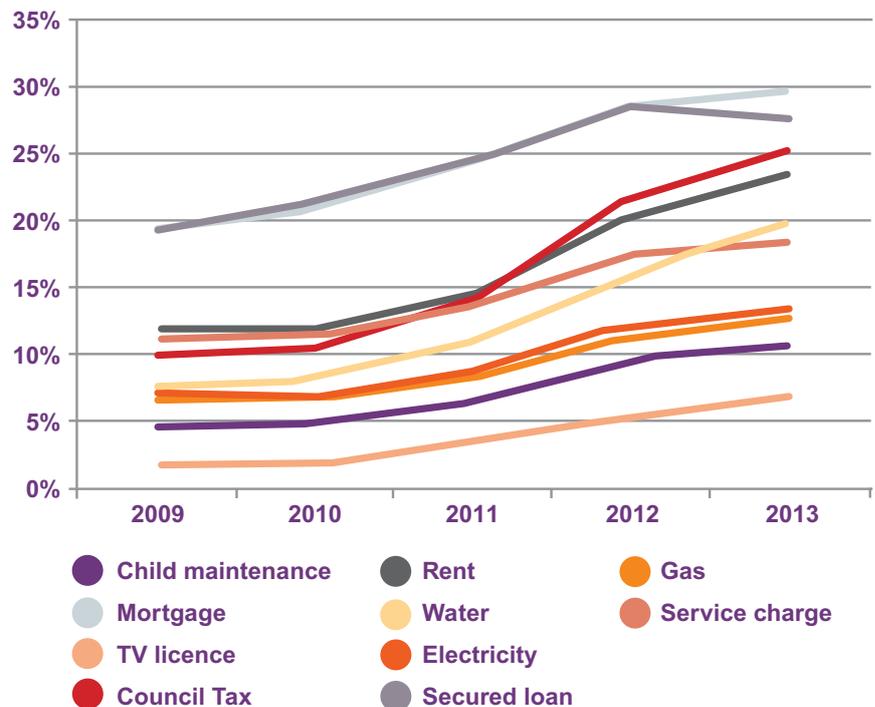


Figure 5: Arrears numbers

There’s been an explosion of arrears in essential household bills over the last few years. Over 45,000 people sought help with Council Tax arrears in 2013, 78 percent more than the year before. The number of people seeking help with electricity and gas bills also went up by more than 50 percent.

Number of StepChange Debt Charity clients with arrears



All figures based on StepChange Debt Charity clients 2013 – sample size: 278,438

The 40-59 age group tend to be furthest behind on household expenditure, having the highest levels of arrears on the majority of items (child maintenance, Council Tax, electricity, gas, mortgage and water). Clients in the 18-24 age group owe more on their service charge and TV licence, and over 60s on secured loans.

Chart 22: Arrears on essential household bills - age

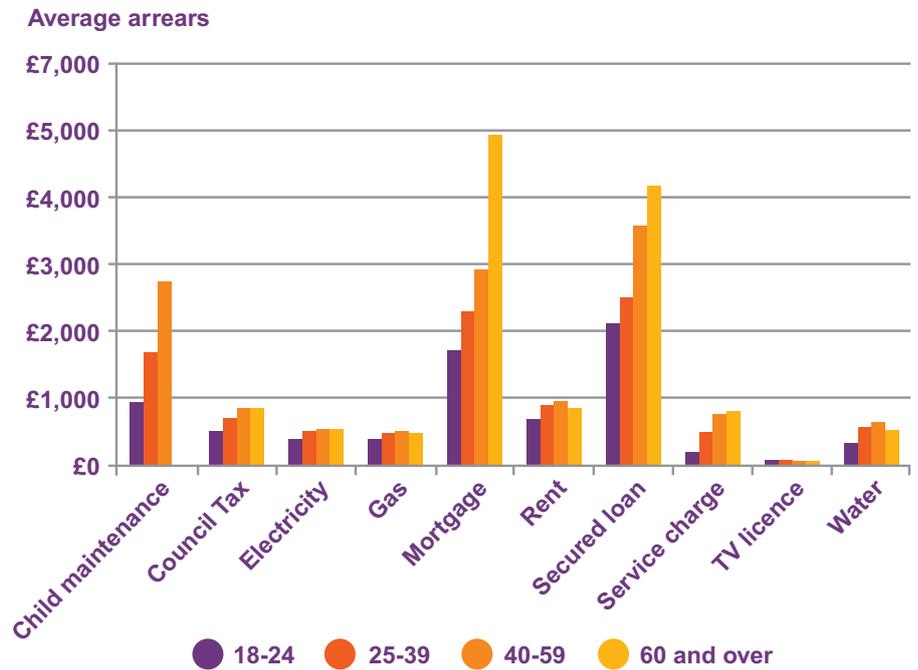
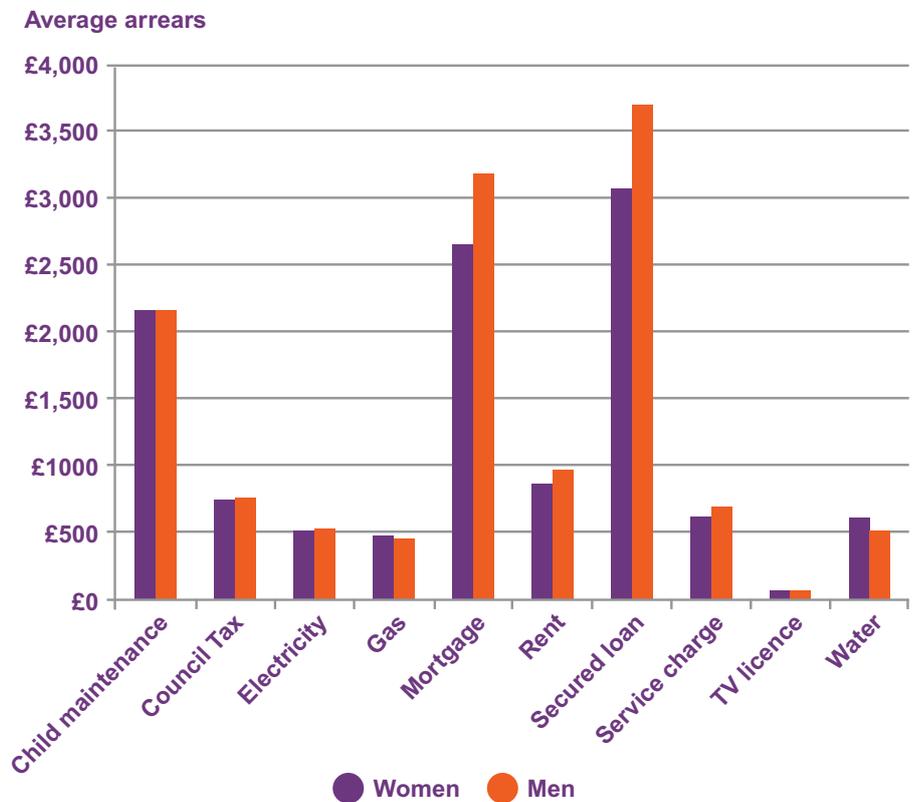


Chart 23: Arrears on essential household bills - gender



4. Arrears on household bills

As with unsecured debts, having dependent children in a household tends to result in higher arrears. This appears to be particularly true for mortgages and rent, where households with children owe between eight and 15 percent more in arrears than those without.

Chart 24: Arrears on essential household bills – family type

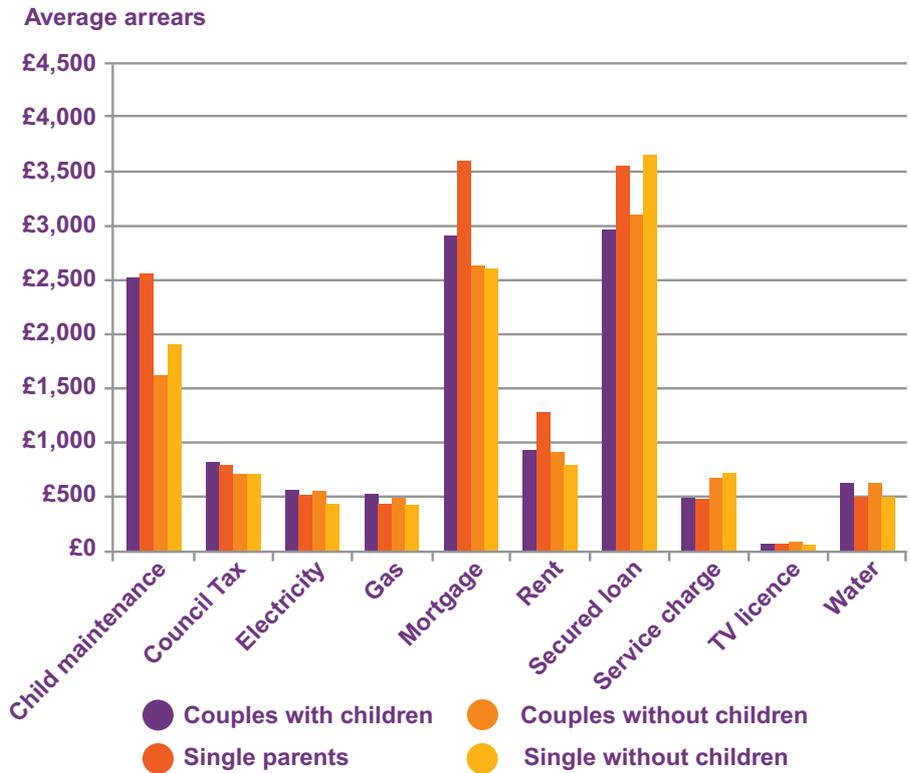
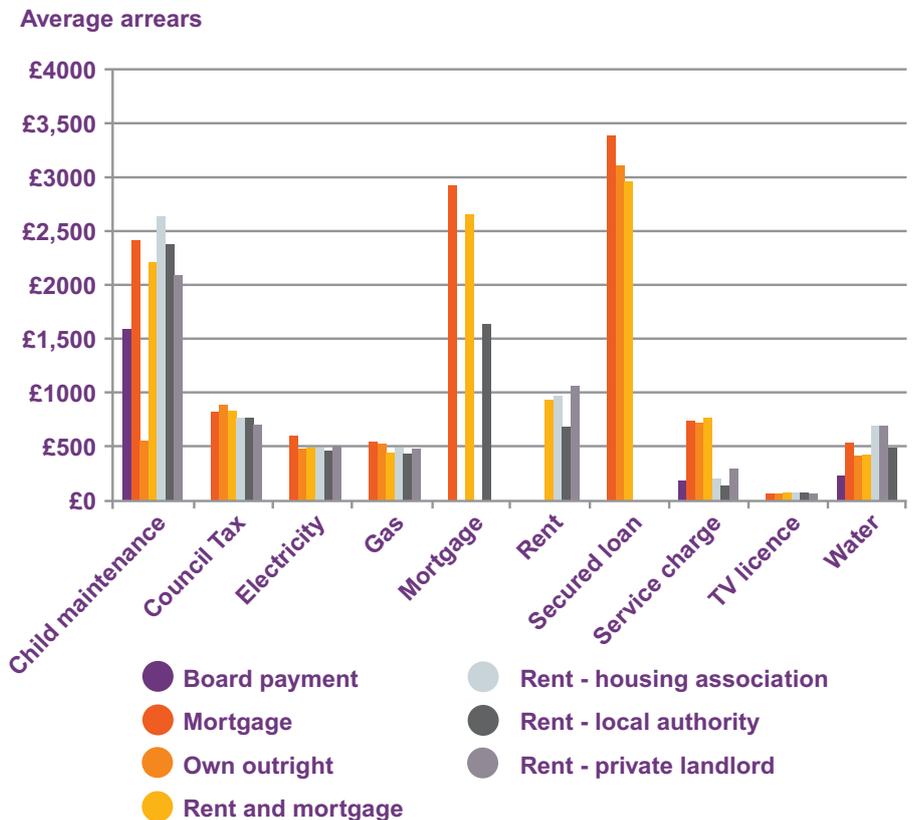


Chart 25: Arrears on essential household bills – housing tenure



5. Social policy

StepChange Debt Charity advisors report the problems clients face with organisations and products causing distress. Our Social Policy team collect and analyse this information to help us understand the reasons our clients experience difficulties with certain products or companies.

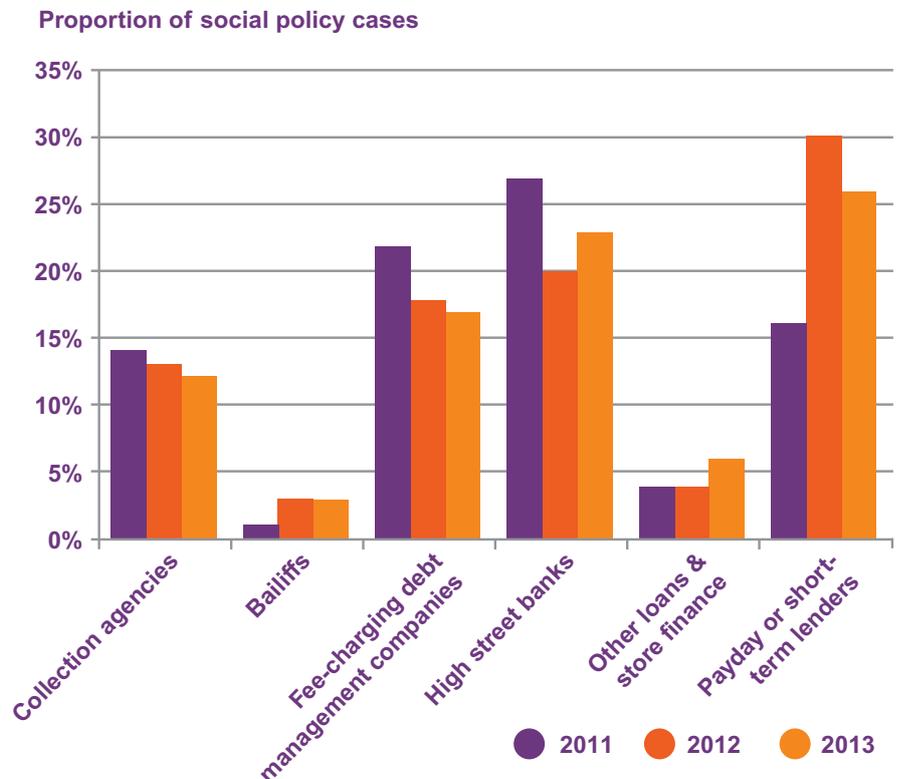
Payday lenders were the biggest source of complaints in 2013 for our clients. Two of the five most complained-about companies were payday lenders. In the same period we have seen a slight increase in complaints about high street banks, which remain the second-largest source of problems for our clients.

Key findings:

- Two of the five most complained about companies were payday lenders
- The top three Social Policy issues reported were excessive interest or charges added to debt (nine percent), inaccurate or technically wrong advice (over seven percent) and continuous payment authority misuse (6.5 percent).

The Social Policy team is represented in all areas of the charity. It gathers information from clients on the organisations and products causing them distress. This helps us understand why clients can experience difficulties with particular companies, products or practices.

Chart 26: Social Policy - organisations



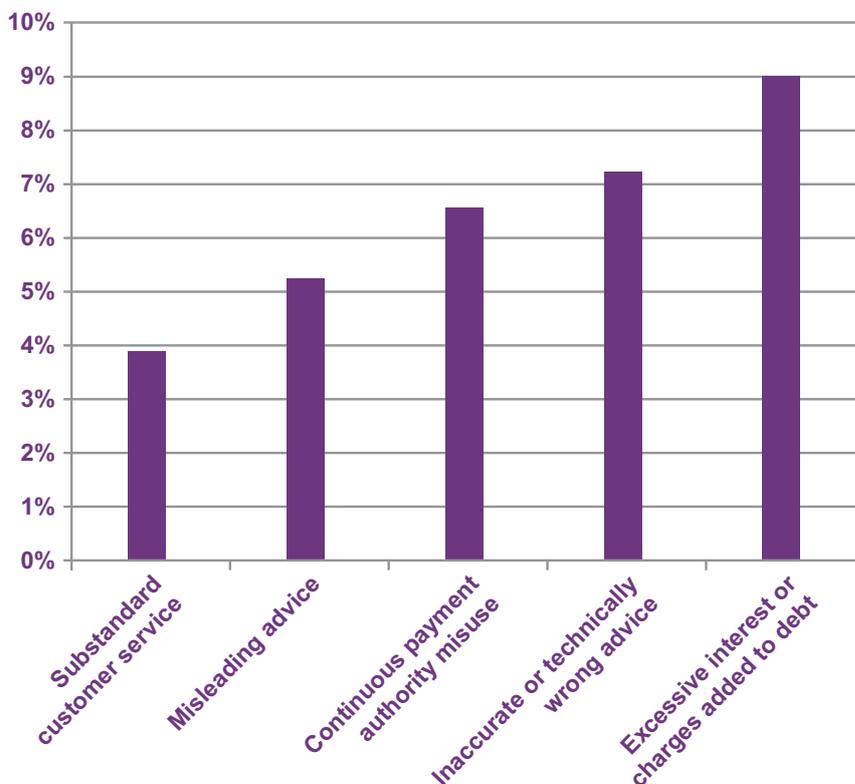
5. Social policy

The main Social Policy issues reported in 2013 related to excessive interest or charges added to debts and inaccurate advice given to clients by creditors or debt management companies. Continuous payment authority misuse was the third most complained about issue.

The nature of the problems facing our clients differ depending on the type of organisation. For example, the majority of Social Policy reports logged about debt collectors relate to the misrepresentation of legal powers and the use of abusive language over the telephone.

Chart 27: Social Policy - issues

Proportion of social policy cases



Case study

Dave

Dave's debt problems started with the breakdown of his marriage back in 2007. He had to leave the marital home whilst continuing to pay for it and rent at the same time. He financed a lot of this with credit cards. He tried to sell the marital home but put it on the market just as the housing market collapsed. He eventually sold it for a £16,000 loss. On top of this he had to change jobs due to a threat of redundancy and ended up earning a lot less than he was used to.

"I was paying out much more than I was earning until it got to a point where I couldn't make payments anymore, which is when I contacted Step Change and I was put onto a DMP."

Figure 6: Social Policy/biggest concerns

StepChange Debt Charity's Social Policy network records the complaints our clients make about their creditors and other organisations. They're telling us that payday lenders cause a lot of misery with high interest and charges.



All figures based on StepChange Debt Charity clients 2013 – sample size: 1,373

Appendix

Chart 1: Demand for advice

	2008	2009	2010	2011	2012	2013
Telephone	267,180	335,338	287,120	229,013	222,768	287,165
Online	93,979	152,872	130,472	140,484	147,110	220,698
Overall	361,159	488,210	417,592	369,497	369,878	507,863

Chart 2: Demand for advice – age

	StepChange Debt Charity	United Kingdom (18+)
18-24	12.5%	11.9%
25-39	40.5%	23.4%
40-59	40.3%	34.2%
60 and over	6.7%	28.8%

Chart 3: Demand for advice by channel

	Telephone	Online
18-24	10.9%	14.2%
25-39	34.1%	47.3%
40-59	45.4%	34.8%
60 and over	9.6%	3.6%

Chart 4: Demand for advice – gender

	2013
Women	55.4%
Men	44.6%

Chart 5: Demand for advice – family type

	2013
Couples with children	26.4%
Couples without children	17.4%
Single parents	17.0%
Single without children	39.2%

Chart 6: Demand for advice – housing tenure

	2009	2010	2011	2012	2013
Homeowners	49.1%	48.3%	44.6%	39.0%	33.3%
Renters	50.9%	51.7%	55.4%	61.0%	66.7%

Chart 7: Demand for advice – housing tenure

	2013
Board payment	12.2%
Mortgage	28.8%
Own outright	2.1%
Rent & mortgage	2.4%
Rent - housing association	11.5%
Rent - local authority	11.5%
Rent - private landlord	31.5%

Chart 8: Number of clients with benefits

	2011	2012	2013
Child benefit	69,339	70,163	99,267
Child tax credit	48,444	45,564	65,530
Disability living allowance	12,968	13,662	21,050
Incapacity benefit/ESA	12,932	14,473	24,652
Income support	11,612	11,394	15,389
Jobseekers allowance	20,126	21,683	29,424
Working tax credit	23,397	21,989	32,288
All clients claiming benefits	107,031	109,397	157,432

Chart 9: Clients on benefits – average surplus

	Avg surplus
Child benefit	£64
Child tax credit	£35
Disability living allowance	£111
Incapacity benefit/ESA	-£21
Income support	£42
Jobseekers allowance	-£137
Working tax credit	£17
All clients claiming benefits	£16

Chart 10: Average unsecured debt

	2009	2010	2011	2012	2013
Average unsecured debt	£24,274	£22,476	£20,023	£17,635	£15,979

Chart 11: Unsecured debt levels

	Proportion of clients		
	2011	2012	2013
Under £10,000	40.3%	46.6%	52.0%
£10,000-£19,999	24.8%	24.2%	23.4%
£20,000-£29,999	14.6%	12.7%	11.3%
£30,000-£39,999	8.3%	6.9%	5.7%
£40,000 and over	12.1%	9.6%	7.7%

Chart 12: Average unsecured debt – age

	2009	2010	2011	2012	2013
18-24	£7,524	£6,316	£6,325	£5,471	£4,961
25-39	£20,092	£18,398	£17,678	£15,628	£14,055
40-59	£25,964	£24,902	£24,893	£22,268	£20,552
60 and over	£26,008	£24,642	£23,937	£22,435	£20,877

Chart 13: Average unsecured debt – gender

	2013
Women	£14,412
Men	£17,953

Chart 14: Average unsecured debt – family type

	2013
Couples with children	£21,121
Couples without children	£20,333
Single parents	£12,450
Single without children	£12,134

Chart 15: Average unsecured debt – employment

	2013
Employed full-time	£17,016
Employed part-time	£12,835
Full-time carer	£12,295
Looking after family/home	£11,952
Retired	£16,600
Self-employed	£24,328
Student	£7,927
Unemployed	£10,259

Chart 16: Types of unsecured debt

	Average unsecured debt
Catalogue	£1,937
Credit card	£9,047
Overdraft	£1,958
Personal loan	£9,219
Store card	£1,075
Home credit	£1,356
Payday loan	£1,647

Chart 17: Number of unsecured debts

	Number of debts
Catalogue	2.0
Credit card	2.7
Overdraft	1.3
Personal loan	1.6
Store card	1.4
Home credit	1.6
Payday loan	3.0

Chart 18: Multiple unsecured debts – credit cards

Number of credit cards	Proportion of clients with each number of credit cards	Average credit card debt
1	32.7%	£3,004
2	25.1%	£5,848
3	17.1%	£9,459
4	10.6%	£13,367
5+	14.4%	£24,607

Chart 19: Multiple unsecured debts – payday loans

Number of payday loans	Proportion of clients with each number of payday loans	Average payday loans debt
1	31.7%	£704
2	21.5%	£1,114
3	15.4%	£1,696
4	10.7%	£2,084
5+	20.7%	£3,381

Chart 20: Debt to family and/or friends

	2012	2013
Average	£3,519	£3,293
Total amount	£152,036,642	£189,435,953
Percent of clients debt advised	22.1%	20.6%

Chart 21: Arrears on essential household bills

	Proportion of clients				
	2009	2010	2011	2012	2013
Child maintenance	4.6%	4.7%	6.4%	9.4%	10.6%
Council Tax	9.8%	10.4%	14.0%	21.8%	25.1%
Electricity	6.7%	6.9%	8.3%	11.5%	13.3%
Gas	6.6%	6.9%	8.2%	11.2%	12.9%
Mortgage	19.9%	20.7%	24.2%	28.3%	29.9%
Rent	11.7%	12.0%	14.5%	20.6%	23.6%
Secured loan	19.2%	21.2%	24.1%	28.5%	27.5%
Service charge	11.3%	11.4%	13.7%	17.3%	18.6%
TV licence	1.7%	2.1%	3.4%	5.3%	6.9%
Water	7.4%	8.1%	10.9%	15.8%	19.9%

Chart 22: Arrears on essential household bills – age

	Average arrears			
	18-24	25-39	40-59	60 and over
Child maintenance	£941	£1,683	£2,714	n/a
Council Tax	£500	£712	£845	£774
Electricity	£385	£507	£556	£547
Gas	£386	£481	£505	£490
Mortgage	£1,702	£2,292	£2,919	£4,940
Rent	£687	£893	£972	£866
Secured loan	£2,130	£2,508	£3,569	£4,174
Service charge	£182	£493	£767	£805
TV licence	£75	£73	£63	£57
Water	£340	£571	£635	£529

Chart 23: Arrears on essential household bills – gender

	Average arrears	
	Women	Men
Child maintenance	£2,168	£2,159
Council Tax	£750	£766
Electricity	£516	£528
Gas	£491	£472
Mortgage	£2,655	£3,187
Rent	£864	£968
Secured loan	£3,071	£3,703
Service charge	£625	£697
TV licence	£68	£70
Water	£612	£505

Chart 24: Arrears on essential household bills – family type

	Average arrears			
	Couples with children	Couples without children	Single parents	Single without children
Child maintenance	£2,524	£2,569	£1,621	£1,912
Council Tax	£822	£800	£712	£711
Electricity	£571	£518	£558	£447
Gas	£523	£445	£519	£431
Mortgage	£2,908	£3,591	£2,633	£2,598
Rent	£933	£1,279	£911	£780
Secured loan	£2,957	£3,530	£3,097	£3,986
Service charge	£498	£487	£682	£738
TV licence	£69	£59	£73	£69
Water	£627	£510	£633	£508

Chart 25: Arrears on essential household bills – housing tenure

	Average arrears						
	Board payment	Mortgage	Own outright	Rent & mortgage	Rent - housing association	Rent - local authority	Rent - private landlord
Child maintenance	£1,584	£2,412	£550	£2,213	£2,632	£2,379	£2,097
Council Tax	£0	£819	£882	£830	£764	£763	£695
Electricity	£0	£596	£474	£481	£485	£451	£503
Gas	£0	£534	£523	£455	£470	£415	£478
Mortgage	£0	£2,928	£0	£2,666	£0	£1,635	N/A
Rent	£0	£0	£0	£920	£959	£678	£1,061
Secured loan	£0	£3,390	£3,107	£2,967	£0	£0	£0
Service charge	£174	£731	£724	£763	£195	£134	£289
TV licence	£0	£59	£61	£67	£75	£72	£68
Water	£220	£517	£403	£410	£700	£687	£448

Chart 26: Social Policy – organisations

	Proportion of Social Policy cases		
	2011	2012	2013
Collection agencies	14%	13%	12%
Bailiffs	1%	3%	3%
Fee-charging debt management companies	22%	18%	17%
High street banks	27%	20%	23%
Other loans & store finance	4%	4%	6%
Payday or short-term lenders	16%	30%	26%

Chart 27: Social Policy - issues

Proportion of Social Policy issues	
	2013
Substandard customer service	4%
Misleading advice	5%
Continuous payment authority misuse	7%
Inaccurate or technically wrong advice	7%
Excessive interest or charges added to debt	9%

Figure 1: Reasons for debt

	Proportion of clients		
	2011	2012	2013
Unemployment/redundancy	24.9%	24.9%	23.4%
Reduced Income	23.2%	18.9%	16.4%
Lack of budgeting	10.1%	12.3%	13.5%
Injury/Illness	9.5%	10.3%	11.3%
Separation/divorce	9.7%	9.9%	10.0%
Used credit for living expenses	3.8%	4.7%	5.4%
Increased priority expenditure	3.1%	3.3%	3.5%
Irregular Income	4.0%	3.8%	3.1%
Reduced benefits	1.0%	1.6%	2.7%
Failed business	2.1%	2.1%	2.1%

Figure 2: Employment

Proportion of clients	
	2013
Employed full time	31.3%
Employed part time	17.0%
Full time carer	1.4%
Looking after the family/home	1.8%
Retired	6.5%
Self employed	8.6%
Student	1.6%
Unemployed	31.7%

Figure 3: Average unsecured debt – housing tenure

	Average unsecured debt		
	2011	2012	2013
People with a mortgage	£28,491	£26,304	£24,738
People who own outright	£20,091	£19,534	£18,536
People renting from housing association	£14,463	£10,999	£11,085
People renting from local authority	£13,075	£10,422	£10,067
People renting from private landlord	£17,275	£14,534	£13,732

Figure 4: Size of problem by number of debts seen

Proportion of clients	
	2013
Catalogue	11%
Credit card	31%
Overdraft	14%
Personal loan	13%
Store card	3%
Home credit	3%
Payday loan	12%
Other	14%

Figure 5: Arrears numbers

	2009		2010		2011		2012		2013	
	Number in arrears	Avg arrears amount								
Council Tax	13,100	£633	13,353	£675	16,956	£717	25,500	£782	45,561	£756
Electricity	10,939	£408	11,081	£452	12,657	£440	17,443	£488	28,925	£521
Gas	8,368	£361	8,457	£403	9,461	£408	12,356	£455	20,270	£484
Mortgage	17,543	£2,702	17,391	£3,049	18,110	£3,086	18,612	£3,338	24,095	£2,911
Rent	8,246	£723	8,517	£736	10,858	£769	16,942	£828	31,449	£901
Secured loan	5,594	£1,589	5,140	£2,428	4,894	£2,572	4,686	£2,969	5,492	£3,364
Water	10,168	£359	11,014	£404	14,186	£545	20,288	£786	36,410	£574

Figure 6: Social Policy – biggest concerns

Payday lenders	1	Excess interest or charges added to debt
	2	Continuous payment authority misuse
	3	Irresponsible lending
	4	Intimidating, abusive, or inappropriate language on phone calls
	5	Inaccuracy or technically wrong advice
High street banks	1	Continuous payment authority misuse
	2	Inaccuracy or technically wrong advice
	3	Refusal to open basic bank account
	4	Substandard customer service
	5	Excess interest or charges added to debt
Fee-charging debt management companies	1	Providing misleading information about StepChange Debt Charity
	2	Inaccuracy or technically wrong advice
	3	Withholding or not disbursing client payments
	4	Misleading or deceptive advice
	5	Excess interest or charges for services provided
Debt collectors	1	Misrepresenting legal powers
	2	Intimidating, abusive, or inappropriate language on phone calls
	3	Excess interest or charges added to debt
	4	Excessive phone calls or calling at inappropriate times
	5	Statutory demand used inappropriately

For more information about this report:

Call: **0207 3914598**

Monday to Friday 9am to 6pm

Email: policy@stepchange.org

Online: www.stepchange.org

Write to StepChange Debt Charity London Office:

6th Floor, Lynton House,

7-12 Tavistock Square

London WC1H 9LT

For help and advice with problem debts:

Call: **0800 138 1111** Monday to Friday 8am to 8pm

and Saturday 9am to 4pm

Online: www.stepchange.org

