CCCS RESEARCH

THE CHARITY AWARDS 2009
10TH ANNIVERSARY
WINNER

CCCS statistical yearbook 2009

Chairman's Introduction

Malcolm Hurlston

There is scant comfort in these statistics for those who would have us believe that the worst of the recession is over and that we are on the road to recovery.

It is not the record levels of demand for our service, annotated here, which cast a long shadow over the hints of recovery appearing at the end of last year, rather it is the marked increase in our clients' inability to repay their debts which suggests that the recession has turned over-indebtedness from an acute into a chronic problem, set to bedevil an increasing number of households in the UK for some time to come.

In 2009, less than a quarter of the people we counselled had the means to go on a plan to repay their debts. The year before, that figure was well over a third; the year before that, 45 percent.

Even more alarming are the increasing numbers who lack the means to cover basic living costs let alone repay their debts. Such are the circumstances of these clients that for a large proportion, around 30 percent of those we counselled last year, we can offer no immediate solution to their debt problems other than to "increase income."

That so many of our clients find themselves in such difficult circumstances can only be explained by the aftermath of the recession. Certainly it is not because they have borrowed more, quite the opposite: not only do clients continue to owe less in absolute terms, but they owe less relative to their income, a better indicator of the ability to repay debt. Last year, 70 percent of clients owed less than 20 times their net take home pay, generally regarded as a trigger point for debt becoming unmanageable. The old ratios fail.

Action by the Government and the Bank of England alleviated the immediate impact of the recession on some consumers, particularly homeowners who continue to benefit from historically low interest rates. Nor has the rise in unemployment yet been as bad as predicted, but widespread pay moderation combined with an acceptance of "underemployment" probably accounts for this, at least in part. As evidence of this, the average income of our clients dropped by eight percent last year.

Whether or not the widely predicted double-dip lies ahead of us, what is certain is that our economy carries a substantial backlog of consumer debt which many households are already struggling to repay. We know that the overdue cuts in the public sector will make a bad situation worse for people on the cusp of debt while the cushioning effect of Government action coupled with low interest rates will disappear in time, all the more so if mortgage lenders revert to a short term approach to repossession.

Despite the gloom of this prognosis, there is no despair. Rather it is a plea to recognise that the victims of this recession are ordinary households, by no means profligate, which will take time to recover and will require support long after the focus of political attention has moved on.

Intense public scrutiny plus a history of dealing with over-indebted customers has ensured that there is already a largely sympathetic system in place for dealing with defaulters of financial debt, particularly unsecured. The same cannot be said of other creditors such as energy suppliers the importance of which has been pushed to the fore by our experiences this year. The high proportion of clients coming to us with negative budgets suggests that they are being pummelled by other demands and with inflation running at 3.5 percent and on the rise, this is a trend set to continue.

What of councils faced with cuts in central funding? Will they feel forced to take more draconian action against consumers in arrears?

If, and I believe this to be true, 2009 has been a year when pain has largely been deferred, we can expect more households to come unstuck next year, whatever the headline happenings for the economy. It will take time and patience to help struggling households which because of the human costs involved, do not always find it easy to be resilient and bounce back. To paraphrase Tolstoy, solvent households are all the same, but insolvent ones are each insolvent in their own way.

It is the role of CCCS, with other debt charities, to work out solutions for individual households which take account of their obligations; it is my hope that those who are owed money will allow the breathing space to implement those solutions.

Malcolm Hurlston

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The data underlying the graphs and charts contained in this Statistical Yeabook is available in the form of appendices from: www.cccs.co.uk/statsyearbook/2009

Main Findings 2009

CLIENTS UNDER PRESSURE

- Only a quarter of clients seen in 2009 were in a position to repay their debts, the percentage of telephone clients having the wherewithal to go on a Debt Management Plan having almost halved since 2007 (44 percent) to 23 percent this year. The percentage has remained more stable for clients counselled online at around 30 percent.

- For the single biggest group of clients, around 30 percent, no immediate solution could be offered for their debt problems. Most had budget deficits, unable to meet the basic costs of living and their only recommended option was to increase income.

- Debt levels continued to fall for all clients, irrespective of age, income or housing status, with the majority owing less than £20,000; 70 percent of households owed less than 20 times their net incomes.

- At the other end of the scale, there was a sharp rise in the number of clients owing 66 times their income – over 8, 000 clients – suggesting that some households had a significant drop in income.

- In 2009, just under half of all clients were homeowners. The rate of increase in homeowners seeking help, however, has slowed over the last 12 months, suggesting that Government initiatives, combined with low interest rates have left homeowners better able to deal with other debts.

- There was a slight increase in the proportion of clients under 25, reflecting the downward trend in employment for young people. The majority of clients continue to be in their 40s and 50s.

- There is no evidence that the recession is pressing disproportionately on families as the number of households with dependent children has remained stable but an increasing number of men are seeking help. In 2007, 44 percent of clients were men; this rose to 48 percent in 2009 while the number of single women seeking help has declined slightly.

CCCS UNDER PRESSURE

- The helpline received 335,323 calls in 2009, a 26 percent increase on 2008. Altogether, including specialist services and aftercare, the charity dealt with 14 percent more calls in 2009 totalling 1.3 million.

- Over 150,000 people sought help online via CCCS Debt Remedy, almost two-thirds more than in 2008 and over double the number using this service in 2007. CCCS expects the number of people seeking help online to exceed those contacting its telephone helplines by end of 2010.

- The number of Debt Management Plans exceeded 100,000 in 2009, accounting for over £3.3 billion of unsecured debt, of which £251 million was repaid to creditors.

- Calls to mortgage counselling and welfare benefits increased by 23 percent and eight percent respectively. Calls to the bankruptcy centre were down but this was accounted for by the numbers of calls taken on Debt Relief Orders which became available in April 2009. By the end of the year, DROs accounted for six percent of all recommended solutions to telephone clients.

- In 2009, the majority of people contacting CCCS were referred by creditors (56.9 percent). The next biggest source was personal recommendations (21.8 percent) followed by the internet (9 percent).

REGIONS UNDER PRESSURE

- CCCS counsels more people from London than any other region (15 percent). Even taking account of population, London is second only to the South East in terms of the numbers of clients.

- The recession appears to be weighing disproportionately on London. In London, clients are least able to repay their debts as they have on average a deficit of £54 in their budget to pay basic living costs. It is not surprising therefore that London-based clients have one of the highest number of recommendations to bankruptcy: 14.6 percent, compared with half this number in Scotland (7.5 percent).

- People living in Scotland, Northern Ireland and East Anglia are the least likely to seek help from CCCS, with 50 percent fewer contacting the charity proportionate to their populations.

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 17 years CCCS has aided well over a million people struggling with over-indebtedness. The charity's main aim is to help consumers address their personal financial situation, accounting for their responsibilities, obligations and commitments to creditors.

CCCS was responsible for the development of the world's first online counselling service, CCCS Debt Remedy. This service is becoming an increasingly significant means of helping the over-indebted, particularly among those who relish its anonymity as well as its round-the-clock availability. In the course of 2010, the numbers of clients counselled could exceed the numbers counselled by phone. It is not envisaged, however, that the telephone will assume less importance in the charity's armoury; rather it will be used increasingly for those whose problems are more complex, requiring more bespoke counselling as well as for those who are not comfortable in the online environment.

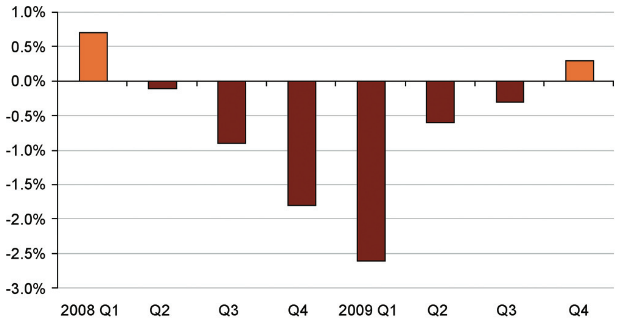
As the charity grows so does the information which is available to include in its annual statistical review. The data is drawn from a warehouse containing the details of more than 11 million phone calls, one million clients and cumulative debts of over £36.2 billion. The warehouse includes information from clients counselled online as well as by telephone.

In 2009, CCCS introduced a new counselling system in order to increase capacity, improve the consistency of advice and enhance the service. This use of technology to help people in debt won the Research Advice and Support category at the Charity Awards. The new system does mean that there are some differences in the way information is captured but where possible the statistics are presented as previously over the last three years in order to give perspective.

I. Economic overview

1.1 THE POST-CRISIS RECESSION

Chart 1.1.1 – UK GDP growth



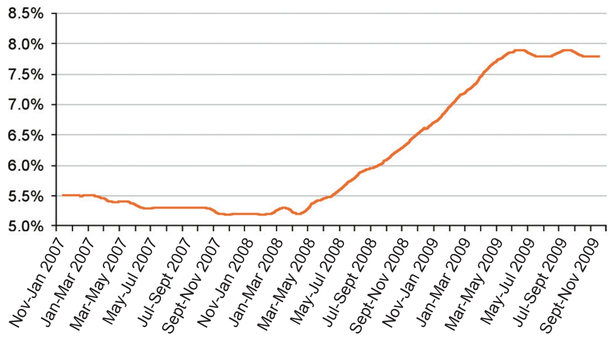
The economic forecasts at the start of 2009 were uniformly gloomy. It was a year when the wider economy was expected to feel the full force of the financial crisis. Forecasters anticipated that the recession which had started in the second quarter of 2008 would intensify. Large rises in unemployment, mortgage arrears and house repossessions were anticipated.

Looking back on the year, the severity of the recession is now clear. By the third quarter, the UK economy had contracted for six consecutive quarters – the longest period since quarterly figures were first recorded in 1955. The economy only started to expand again in the final quarter of the year, and then by a modest 0.3 percent.

Despite this, many were expecting the recession to be even more severe. The response from the Government and Bank of England cushioned its effect, though with the risk that much of the pain has been deferred rather than avoided. Government borrowing passed 10 percent of national income, while base rate was lowered to an unprecedented 0.5 percent in early March and remained at that level during the rest of the year.

Contrary to earlier fears, the rise in UK unemployment may have already passed its peak. As recently as July the respected National Institute of Economic and Social Research (NIESR) forecast that unemployment would not peak until spring 2011 at almost three million, or 9.3 percent of the labour force. In fact, after a steep rise from mid-2008, unemployment appeared to stabilise in mid-2009 at just under 2.5 million, or just under eight percent of the labour force. The number of unemployed people actually fell by 7,000 over the quarter to November 2009, the first quarterly fall since the three months to May 2008.

Chart 1.1.2 – UK unemployment rate



Widespread pay moderation has been a significant contributor to the smaller than expected rise in unemployment.

Average regular pay (excluding bonuses) in the three months to November 2009 rose by 1.1 percent on a year earlier, the lowest annual growth rate since comparable records began in 2001. Over the same period, average total pay, which includes bonuses, rose by only 0.7 percent compared with a year earlier.

Another important factor has been the growth in "underemployment" of people seeking an additional job or wanting to work longer hours. According to a recent ONS study, 3.5 million workers wanted to work longer hours in the third quarter of 2009. Of these, it classified 2.8 million, 9.9 percent of the total workforce, as "underemployed".

Though the NIESR acknowledged in February that unemployment had risen by less than seemed likely, it added that employment has fallen by more than expected once the adjustment of real wages and average hours worked are taken into account.

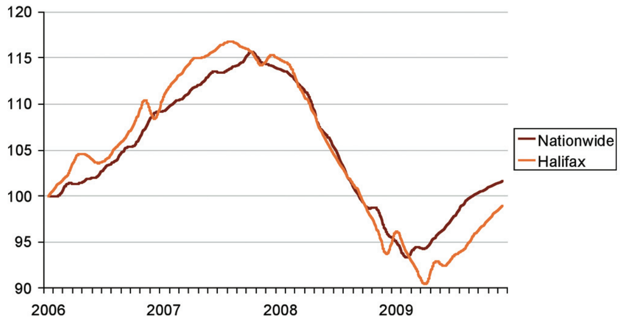
The rise in unemployment and underemployment combined with the lack of increase in personal income is clearly evident in the profile of clients counselled by CCCS. A higher proportion of clients counselled were of working age in 2009 (see Table 2.6.1), with fewer clients meeting the criteria for a DMP, IVA or even bankruptcy.

Despite the recession and its impact on employment and incomes, house prices have fallen by less and recovered more quickly than anticipated. Key factors supporting house prices have been the extremely low interest rates, various Government measures to help home owners and some lender forbearance.

After peaking in late 2007 and falling unchecked during 2008, the two main UK house price indices turned upwards in the first half of 2009. At the time, there was considerable scepticism about whether this represented a real turning-point. In July for example, NIESR forecast that house prices would resume their fall, declining in real terms on an annual basis until mid-2012.

However, the outcome has again proved the forecasters wrong. Both the Halifax and Nationwide indices continued to rise during the second half of 2009, ending the year 9.4 percent and 8.9 percent respectively above their low points for the year.

Chart 1.1.3 – House price indices



1.2 MORTGAGE ARREARS AND REPOSSESSIONS

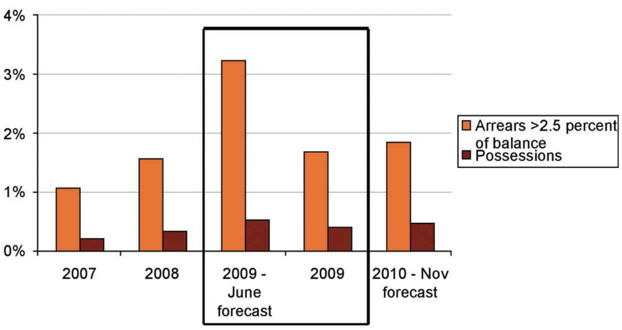
The combination of lower than expected unemployment and exceptionally low interest rates has resulted in fewer mortgage repayment problems than anticipated. In these cases when borrowers have struggled to meet mortgage payments, a raft of Government support measures and a degree of lender forbearance have helped to keep people in their homes.

The Government relaxed the eligibility conditions for its Support for Mortgage Interest (SMI) scheme in January 2009. Borrowers now wait 13 weeks from the date of claim before getting SMI compared with 39 or 26 weeks previously. In addition, the Government has introduced the Mortgage Rescue Scheme for those having serious difficulties making their mortgage repayments and in danger of becoming homeless if repossessed, and the Homeowners Mortgage Support Scheme (HMS) for households experiencing a temporary, unexpected drop in income.

As a result, mortgage arrears and repossessions have been much lower than the Council of Mortgage Lenders (CML) was forecasting, even as recently as mid-2009.

In June, the CML forecast that 360,000 mortgages would have arrears of 2.5 percent or more of the outstanding balance by the end of 2009, equivalent to 3.24 percent of all mortgages. In fact, only 188,300 mortgages ended the year with arrears of at least 2.5 percent of the outstanding balances, equivalent to 1.69 percent of all mortgages. The 46,000 repossessions in 2009 compared with a CML forecast of 65,000 as recently as June.

Chart 1.2.1 – Mortgage arrears and possessions



Though the rise in mortgage arrears and repossessions has been significantly less than feared, many people struggling with their mortgages have still needed specialist help. CCCS's centre for mortgage arrears and repossessions counselling established in late 2007 experienced a 23 percent rise in calls answered during 2009 to 7,365. Even allowing for the economic recovery, the CML is forecasting a further rise in mortgage arrears and repossessions during 2010.

1.3 UNSECURED BORROWING

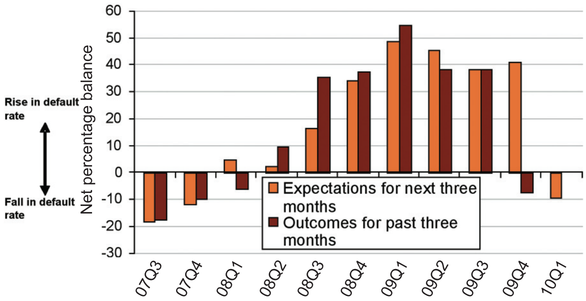
Definitive numbers on the scale of repayment problems on credit cards and other unsecured consumer loans are not available. However, data that is available indicates that repayment problems continued at a high level during 2009 despite a weaker recession than anticipated, though with signs of improvement towards the end of the year.

The smaller than expected rise in unemployment has helped the unsecured lending market. However, the impact of extremely low interest rates has been less than in the mortgage market, with lenders looking to maintain their margins. There are no Government support schemes for unsecured loans comparable to the Support for Mortgage Interest scheme.

The Bank of England's Credit Conditions Survey tracks both the expectations and outcomes of lenders (both bank and non-bank) across a range of indicators on a quarterly basis. One of the indicators is the default rate on unsecured loans. Looking at the survey results for 2009, lenders anticipated a rising default rate for the first three quarters of the year, with outcomes largely matching expectations.

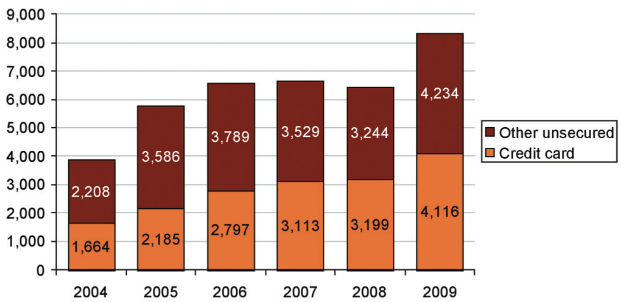
However, for the fourth quarter, a small net balance of lenders reported that default rates on unsecured credit had fallen, contrary to expectations of a continued rise. This applied to both credit card and other unsecured lending, and according to the Bank of England was the first reduction in unsecured default rates reported since the first quarter of 2008. Lenders expect a further slight reduction in default rates in the first quarter of 2010.

Chart 1.3.1 – The default on total unsecured loans to households



Despite this, the Bank of England data shows that unsecured loan write-offs rose sharply in 2009 to over £8.3 billion. This compares with write-offs of approximately £6.5 billion in each of the preceding three years. Write-offs on both credit cards and other unsecured loans rose by approximately 30 percent in 2009.

Chart 1.3.2 – Unsecured loan write-offs and other revaluations (£ millions)

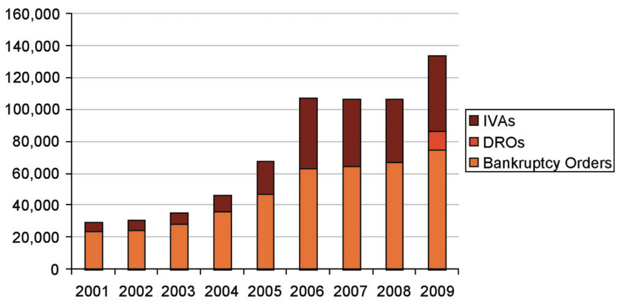


The most recent statistics on bankruptcies and IVAs show a broadly similar pattern, with the number of new insolvencies remaining high during 2009.

Individual insolvencies for England and Wales rose to more than 100,000 during 2006, remaining at that level during 2007 and 2008. In 2009, they rose a further 26 percent to more than 134,000. On a quarterly basis, the number of insolvencies passed 30,000 for the first time during 2009, rising to more than 35,000 during the final two quarters of the year. In addition, there were 23,000 individual insolvencies in Scotland during 2009.

From the second quarter of 2009, some allowance needs to be made for Debt Relief Orders (DROs), which came into effect on April 6. DROs are intended as an alternative to bankruptcy for people who do not own their own home, have little surplus income (no more than £50 a month), assets (other than possibly a car) not exceeding £300, and less than £15,000 of debt. Unlike personal bankruptcies, DROs do not involve the courts. They are run by The Insolvency Service in partnership with skilled debt advisers who act as approved intermediaries. By the end of 2009 DROs accounted for 5.9 percent of total recommendations given by CCCS to clients counselled by telephone (see section 2.3, p11). Over a whole year, it is likely that they will be recommended to over 10 percent of the charity's clients.

Chart 1.3.3 – Bankruptcy Orders, IVAs and DROs in England and Wales



While the introduction of DROs may have had a modest impact on the overall level of personal insolvencies in 2009, they are unlikely to have disrupted the underlying trend. New insolvencies in the first quarter of 2009 were already higher than in preceding quarters. The overall figures indicate that the number of borrowers in need of a formal repayment arrangement remains high. The growth in personal bankruptcies and DROs indicates that, for many, debt write-off is the only feasible option.

1.4 NEW LENDING

Though the recession has been less severe than many expected, new borrowing by households has continued at much lower levels than before the crisis. Unsurprisingly, lenders have been unable or reluctant to lend, with households cautious about taking on new commitments. However, there were signs of a pick-up in mortgage borrowing during the second half of the year.

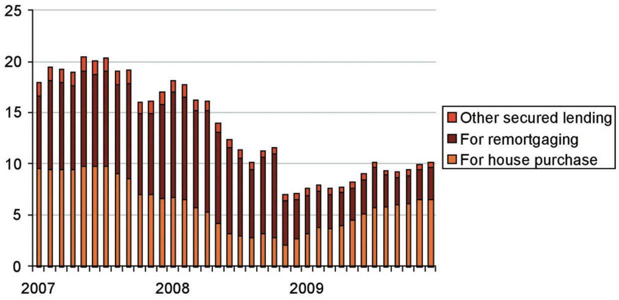
The value of mortgage advances approved by the banks fell sharply during 2008 to approximately £10 billion per month in the second half of the year. This compared with mortgage approvals of over £15 billion in most months preceding the crisis.

By the closing months of 2008 and early months of 2009, the value of new loans approved had fallen to approximately £7-8 billion a month, a level not seen since the start of the decade.

However, with interest rates at historic lows, the economic outlook slowly improving and house prices starting to rise, borrowing levels increased in the second half of the year to approximately £9-10 billion a month.

The increase in lending was due to new house purchase loans rather than remortgaging by existing borrowers. According to the CML due to low mortgage rates, many existing borrowers find themselves on attractively priced tracker or other variable rate products, with little incentive to switch mortgage. However, though remortgaging volumes have been low, the monthly value of new house purchase loans has increased consistently since late 2008. It rose from a low of just over £2 billion in November 2008 to over £6 billion a month by the closing months of 2009, a pattern consistent with the upturn in house prices.

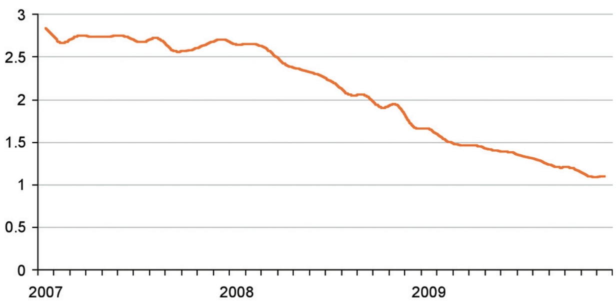
Chart 1.4.1 – Bank secured loans: value of loans approved during period (£ billions)



There has also been a significant reduction in new unsecured borrowing by households.

Given the problems measuring new lending on credit cards (technically any purchase on a credit card counts as an advance of credit, even if then repaid in full), structured personal loans have been used as an indicator of households' unsecured borrowing.

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



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. However, lending volumes declined steadily during 2008. By the end of the year, banks' new lending for personal loans fell to below £2 billion per month. The decline has continued in 2009, with monthly lending below £1.5 billion for much of the year. Despite the signs of economic recovery during the second half of the year, the decline in borrowing levels continued. The value of new personal loans had fallen to only £1.1 billion by the closing months of the year.

1.5 OUTLOOK

According to first estimates, the UK economy emerged from recession during the final quarter of 2009. There is near consensus, however, that the recovery will be slow and weak. The risks of a "double dip" recession remain.

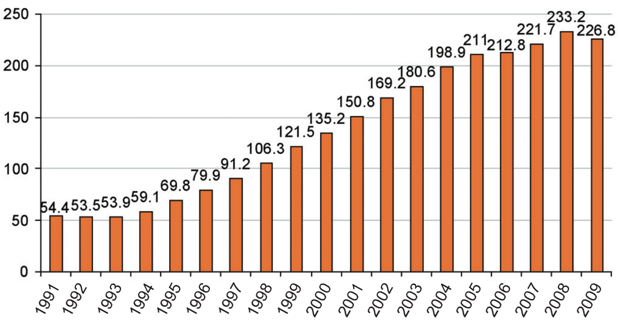
The shorter than expected recession largely reflects the impact of the unprecedented stimulus from Government and the Bank of England. However, current fiscal and monetary policies are unsustainable, and will need to be tightened.

While there are differences between the major parties on the speed at which public spending should be cut, all agree that public borrowing has to be reduced significantly over coming years. The need for cuts in public spending raises the prospect of redundancies in a public sector that has so far largely escaped the impact of the recession.

Meanwhile, in February the Bank of England put on hold its programme of Quantitative Easing - creating money to purchase assets such as Government and high quality corporate bonds. Interest rates are likely to remain at historically low levels for the immediate future, but at some point base rate will start to rise to more normal levels. Further, the NIESR believes the levelling off in unemployment will prove to be a hiatus rather than a turning-point. In February, it forecast a further rise in unemployment over the next two years, from 7.8 per cent in late 2009 to 9.2 per cent in 2011.

A slow and weak recovery leaves many UK households vulnerable to further problems. They continue to carry very high levels of borrowing, both in the form of mortgages and consumer credit. Despite the recession, the value of outstanding mortgages owed by UK households actually increased marginally during 2009 to over £1.23 trillion. At the same time, outstanding consumer credit fell by only 2.7 percent during the year, from £233.2 billion at the end of 2008 to £226.8 billion at the end of 2009. In other words, despite the recession and slowdown in new borrowing, the "deleveraging" of UK households has barely begun.

Chart 1.5.1 – UK consumer credit outstanding (£ billion)



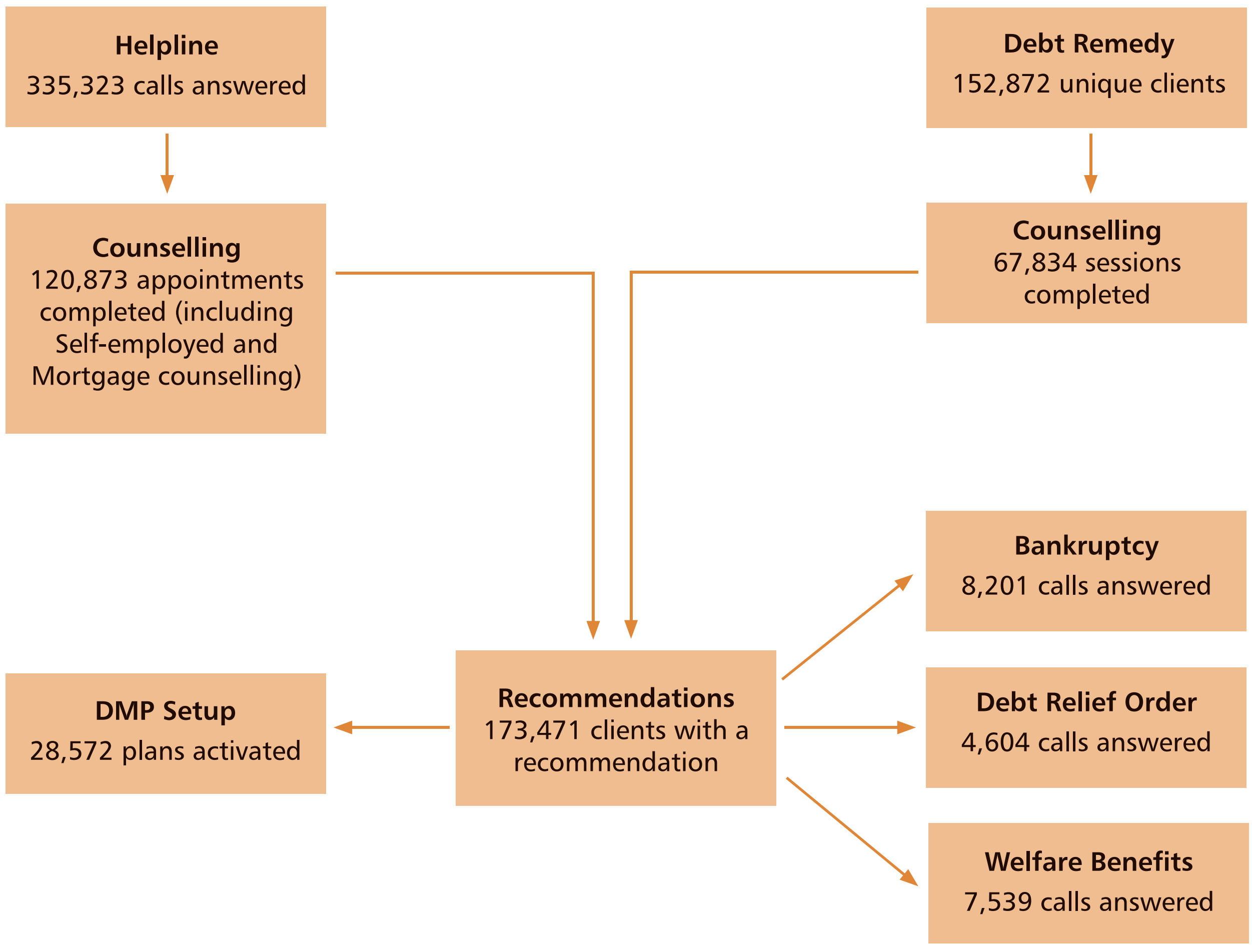
Though the data on personal loans cited earlier indicates a structural shift in consumers' attitude to taking on new commitments, the "back book" of existing consumer credit remains substantial. While the pressure on lenders' consumer loan books may have finally started to ease, the improvement in credit quality is likely to be slow.

The high level of house prices hinders any speedy reduction in outstanding mortgage borrowing. So long as house prices remain at elevated levels, first time buyers will continue to need very large mortgages to enter the housing market. This leaves the market vulnerable to longer-term repayment problems, while any renewed fall in house prices will create a more immediate need for help.

Even on the assumption that interest rates remain low and Government support measures are maintained at current levels, the CML forecasts a modest rise in mortgage arrears and repossessions during 2010. At some point interest rates will start to rise, potentially triggering a further round of repayment problems. All of which suggests the need for credit counselling will remain high for some time to come.

2. CCCS statistics

2.1 FLOW CHART OF CCCS METHODS

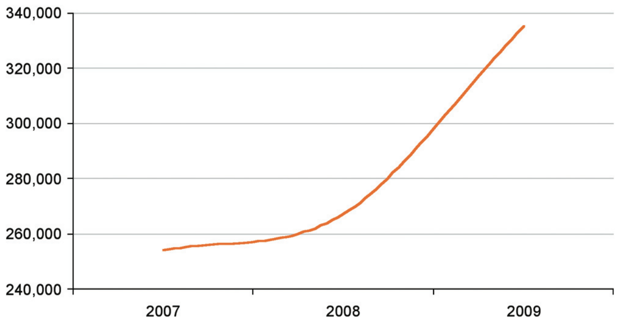


The disparity between the number of recommendations and counselling sessions is because some telephone clients will have more than one counselling session.

2.2 CONTACTING CCCS

CCCS answered a record number of calls to its helpline in 2009 (335,323), indicating that an increasing number of people are slipping into debt. It was the first year in which over 300,000 people phoned the charity for help. The previous high was 294,000 in 2006. System changes planned and commenced in 2008 were completed by the end of the first quarter of 2009, enabling a significant increase in capacity. Almost 200,000 calls were answered in the final two quarters.

Chart 2.2.1 – Helpline calls



There was a record number of calls to the charity's web support team (32,723), reflecting the increasing traffic to CCCS online services. The web support team answers calls from people using the charity's unique online debt counselling tool, CCCS Debt Remedy, as well as the recently introduced generic money advice application, CCCS Money Matters.

Calls answered by mortgage counselling and welfare benefits increased but the bankruptcy counselling centre received less calls than the previous year, because of the introduction of Debt Relief Orders (DROs) in April which provide an alternative form of insolvency for those with low incomes and no assets.

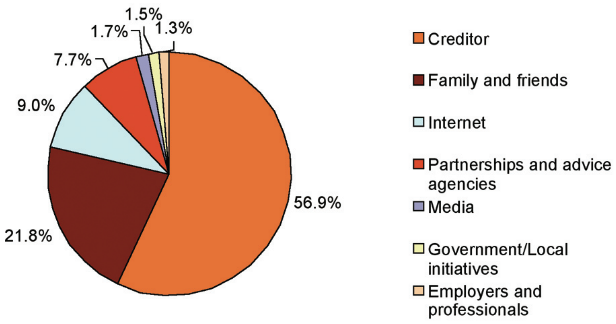
Table 2.2.1 – Calls answered

	2007	2008	2009
Helpline	253,908	267,180	335,323
Welfare benefits	1,002	6,981	7,539
Mortgage counselling	66	5,977	7,365
Bankruptcy	3,605	13,073	8,201
Debt Relief Order (DRO)			4,604
Counselling support			85,847
Web support team	17,179	23,464	32,723
Client aftercare	838,908	833,720	829,346
Total	**1,114,668**	**1,150,395**	**1,310,948**

Counselling support is a new service introduced by CCCS specifically to support clients who have received an initial counselling session. This service received over 85,000 calls and expects to answer over 100,000 in 2010

Client aftercare continued to deal with a high number of calls (829,346), demonstrating CCCS's continuing commitment to providing ongoing care for clients on debt repayment plans.

Chart 2.2.2 – Referral source



In 2009 the majority of people who contacted CCCS were referred by one of their creditors (56.9 percent). This was an increase on last year when creditor referrals accounted for 50 percent of the charity's clients.

A greater number of people were also put in contact with CCCS by the charity's partner organisations. Partners, such as the National Council for Voluntary Organisations (NCVO), Usdaw and the London Health Forum, accounted for 7.7 percent of clients.

These increases meant that a reduced proportion of referrals came from other sources but, due to the increased number of clients helped by CCCS in 2009, the overall number of people coming from these sources was often higher.

2.3 TELEPHONE COUNSELLING

CCCS carried out a record number of telephone counselling sessions in 2009 (120,873).[1] This was a 22.3 percent increase on 2008, which itself was a record year.

As with calls to the helpline, the numbers counselled increased as the year progressed, peaking in quarter three, which saw the charity carry out a record number of counselling sessions for a quarter.

Table 2.3.1 – Counselling sessions

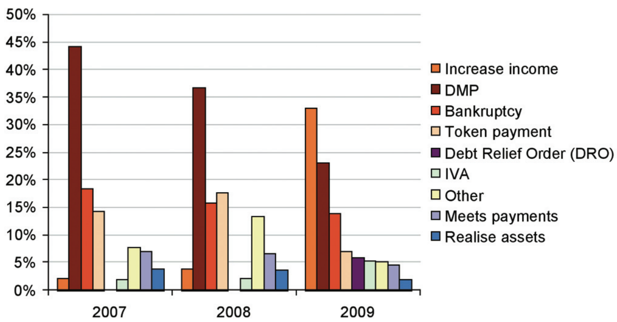
	2007	2008	2009
Quarter 1	30,729	23,237	28,906
Quarter 2	24,401	22,977	28,596
Quarter 3	21,947	27,003	32,219
Quarter 4	21,268	25,621	31,152
Total	**98,345**	**98,838**	**120,873**

The advice offered to clients reveals the human cost of the recession: over 30 percent of people counselled by telephone were informed there was no immediate solution to their debt problem. These clients did not have the money to repay their debts with a Debt Management Plan (DMP), nor did they qualify for bankruptcy, an Individual Voluntary Arrangement (IVA) or a DRO. Their recommended option was to try to increase their income.[2]

For the first year ever, fewer than 25 percent of telephone clients were recommended a DMP. A DMP requires clients to have a certain level of surplus[3] in order to repay their debt. This decline is a reflection of the external factors identified in the economic overview to this yearbook, namely increases in unemployment and underemployment and virtually no increases in pay.

DROs, unavailable in quarter one, accounted for 5.9 percent of total recommendations by the end of the year. This shows there was a definite need for this new form of insolvency, aimed at people with little income and few assets. The availability of DROs accounts for the drop in the number of bankruptcy recommendations in 2009.

Chart 2.3.1 – Telephone counselling results



2.4 ONLINE COUNSELLING

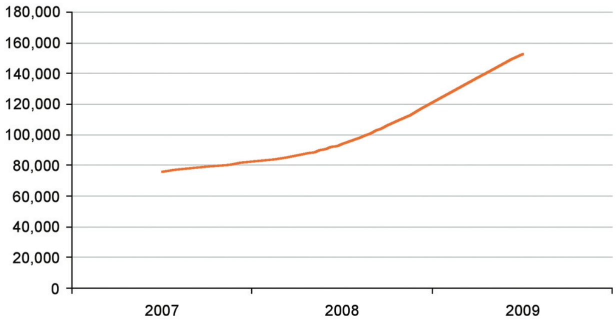
Over 150,000 people used CCCS Debt Remedy in 2009, 62.7 percent more than in 2008 and over double the number who used the service in 2007.

CCCS is expecting 250,000 people to use Debt Remedy in 2010. Although difficult to gauge, the

1 This is all counselling sessions, including any subsequent counselling sessions required by the same client.
2 It should be noted that in previous years the category "Increase income" accounts for less than five percent of clients but this is not directly comparable to 2009 because of enhanced data collection methods.
3 Surplus is the amount of money available to service unsecured debt once living costs and priority expenditure have been accounted for.

charity believes that Debt Remedy could cope with five million counselling sessions a year.

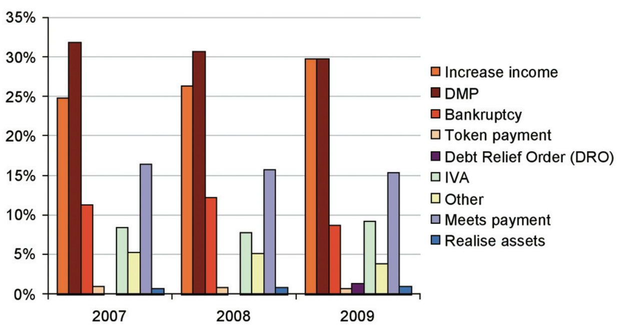
Chart 2.4.1 – CCCS Debt Remedy unique clients



As well as the charity's website, Debt Remedy is available on other organisations' websites, either via direct links or tailor-made versions on their websites as is the case with Lloyds and MSN. Over 10 percent of the people using Debt Remedy in 2009 accessed it through these external websites.

The debt profile of clients who come to the charity online is different from those counselled by telephone, which means that different solutions are suitable.

Chart 2.4.2 – Online counselling results



Online clients are better off: after accounting for living expenses, online clients are more likely to have money available to service their debts. As a result, a higher percentage of online clients are recommended a DMP (29.8 percent). Online clients are more likely to be able to meet their contractual payments ('meets payment') once they have been through a counselling session (15.4 percent).

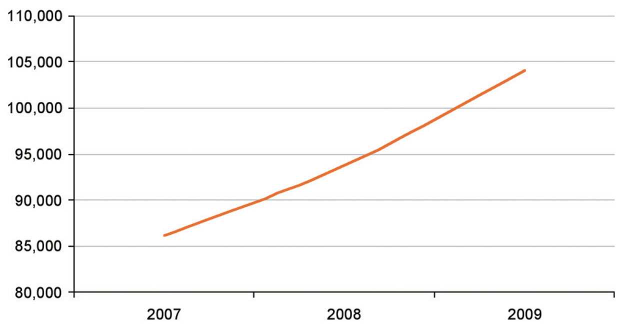
However, a significant percentage of online clients are also recommended to "increase income" (29.8 percent). This shows that although many are in a financially better position than telephone clients, they still have serious debt problems and underlines the importance of CCCS Debt Remedy in helping the increasing number of the over-indebted in the UK.

In addition to CCCS Debt Remedy, the charity has a new online service, CCCS Money Matters. CCCS Money Matters is a generic money guidance application, which was introduced in July 2009. Since its introduction over 6,000 people have sought money advice from CCCS Money Matters and the charity anticipates a far higher number of users in 2010.

2.5 DEBT MANAGEMENT PLANS

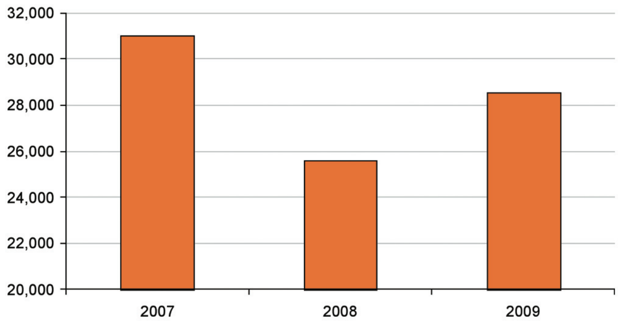
By the end of 2009 CCCS was helping almost 105,000 people in debt repay their creditors through a Debt Management Plan (DMP).

Chart 2.5.1 – DMPs under management



Although the proportion of people recommended to a DMP declined in 2009 the total number of people placed on a DMP over the year increased (from 25,590 to 28,572) in comparison to 2008, because of the overall increase in the number of people counselled.

Chart 2.5.2 – DMP starts per year



By the end of 2009 the charity was managing over £3.3 billion worth of unsecured debt. Over the year, CCCS repaid over £250 million worth of unsecured debt on behalf of clients to their creditors through DMPs.

Table 2.5.1 – Debt under management

	2007	2008	2009
Total debt (£billions)	£2.70	£2.97	£3.32

Table 2.5.2 – Repayment

	2007	2008	2009
Total repayment (£millions)	£195	£224	£251

2.6 CCCS POPULATION STATISTICS

Reversing the situation seen last year, when there was an increase in the proportion of clients aged over 60 and a corresponding decrease in the proportion of clients aged under 25, in 2009 there was a slight increase in the proportion of younger clients counselled.

Table 2.6.1 – Age

	2007	2008	2009
Under 25	9.1%	8.1%	9.0%
25-39	40.1%	38.8%	38.5%
40-59	42.3%	44.3%	44.2%
60 and over	8.5%	8.8%	8.3%

This rise reflects the unemployment trend across the UK, where 17.7 percent of 18 to 24 year olds were unemployed by October 2009 – 10 percent more than the national average. In the three months to September, one in five unemployed 18 to 24 year olds had a degree – up from one in six three years ago.

Table 2.6.2 – Gender

	2007	2008	2009
Female	55.8%	53.3%	51.6%
Male	44.2%	46.7%	48.4%

CCCS has been counselling an increasing number of men over the past three years. In 2007 only 44.2 percent of clients were men while in 2009 48.4 percent of clients were men. If this trend continues in 2010 CCCS will be counselling more men than women for the first time ever.

There were more couples and single men counselled in 2009, which meant a decrease in the proportion of single women counselled.

There was a slight decline in the proportion of clients with three children or more.

Chart 2.6.1 – Gender and marital status

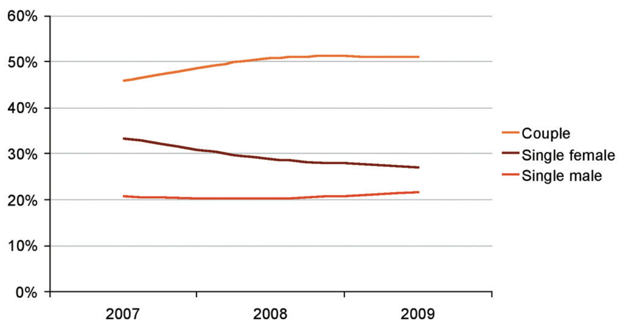
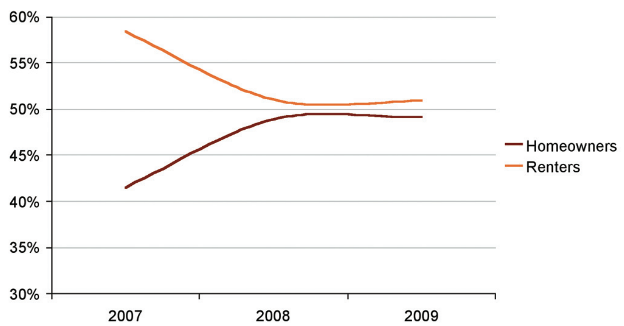


Table 2.6.3 – Children

	2007	2008	2009
None	57.1%	56.0%	56.0%
One	18.6%	19.2%	19.8%
Two	16.1%	16.5%	16.8%
Three+	8.2%	8.2%	7.4%

The number of clients counselled who own their own home has increased significantly since 2007. In 2007 only 41.6 percent of clients were homeowners; in 2009 this was 49.1 percent of clients. However the rate of increase in homeowners slowed in 2009 compared with 2008. This is likely to be a result of low interest rates on mortgages freeing up more money to service unsecured debt and the introduction of several Government initiatives designed to keep people in their homes. (see section 1.2)

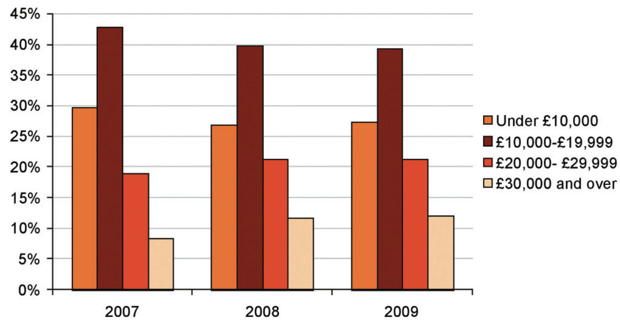
Chart 2.6.2 – Housing



Just over a quarter of clients earn under £10,000 a year (27.4 percent)[4] a slight increase on 2008, when 26.9 percent clients were earning under £10,000 a year.

The highest proportion of CCCS clients earn between £10,000 and £19,999 a year (39.3 percent).

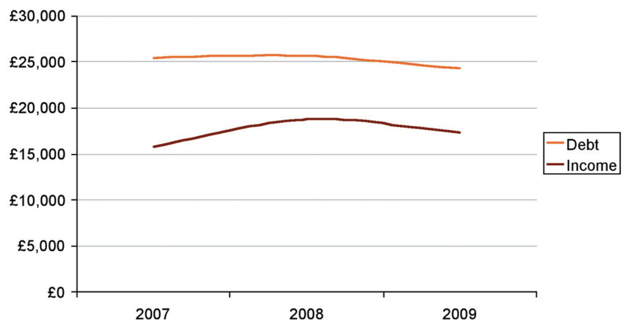
Chart 2.6.3 – Income



2.7 DEBT ANALYSIS

Average debt fell across all categories in 2009. The proportion of clients with debt below £19,999 has increased to 56.9 percent of clients. Overall, average debt in 2009 was £24,274 – down from £25,664 in 2008.

Chart 2.7.1 – Debt and income



The lower levels of debt of clients coming to the charity in 2009 can be attributed to two factors. First, new clients have lower levels of income,

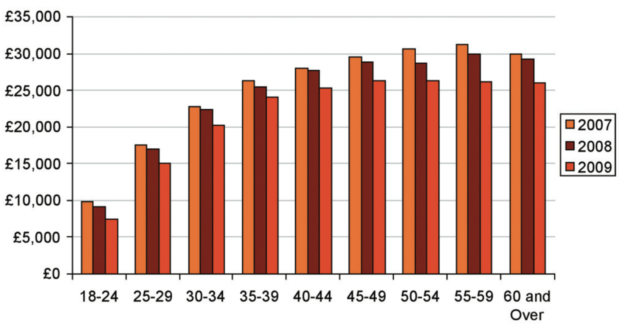
4 All income figures net per household

meaning that they have less access to credit and therefore lower unsecured debt. The average net income of a client coming to CCCS in 2009 was £17,316, compared to £18,776 in 2008. This eight percent fall in income is related to the fall in employment and by people's willingness to accept reduced hours and pay moderation in return for job retention during the recession.[5]

The second likely factor is that the recession has caused an increased awareness of debt and its potential negative impact – meaning that people are more likely to treat it as a problem at an earlier stage than previously. It may be that the convenience of Debt Remedy as well as its anonymity encourages more people to seek help.

The lower average debt level must not be seen as an indication that debt was a less serious problem in 2009 than in 2008. There were a far greater number of people with serious debt problems in 2009, as demonstrated by the huge rise in the number of people who contacted the charity compared to 2008. In addition, there were more people with high levels of unsecured debt, although they made up a smaller proportion of clients.

Chart 2.7.2 – Debt by age



Debt increases with age. In 2009 clients over 60 owed, on average, £26,008 – over three times as much as clients under 25 (£7,524). Although debt levels are dropping across all age groups, the high levels of debt being carried by people in their 50s and beyond must be a concern.

Jack, 70, Hampshire

"CCCS couldn't have been more helpful, throughout the entire process. After being forced to take compulsory retirement at 65, my debts got out of control and I owed £22,500 to seven different creditors, and we were in arrears on our mortgage and council tax. We were being badgered constantly, but since CCCS set us up on a free DMP, they've all backed off.

"Before I contacted them, my wife and I were getting calls from our creditors, from foreign call centres at ridiculous times, even late on Sunday nights. We were also being called by companies telling us they could solve our debts for fees of 20 percent or more, which is rubbish when CCCS help you for free.

"Getting a DMP with CCCS has given us breathing space to get things sorted. We're planning to sell our house and downsize, and settle our debts. You think you're the only one in this situation, but you're not. It's good to know you're not alone, and that there are organisations like CCCS there to help."

Men have higher levels of debt than women. On average, men owe £5,000 more than women. However, the gap narrowed in 2009 as average male debt reduced by almost £2,000 more than female debt over the year.

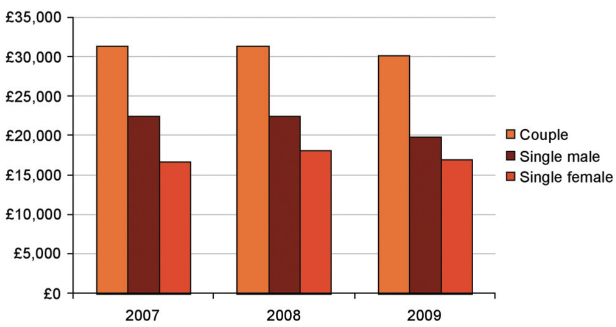
5 As indicated in the economic overview average total pay rose by 0.7 percent compared with 2008

Table 2.7.1 – Debt by gender

	2007	2008	2009
Male	£29,249	£29,318	£26,957
Female	£21,140	£22,530	£21,915

Couples have, unsurprisingly, more debt than single people. On average couples owe just over £30,000. Single men (£19,830) owe 17 percent more than single women (£16,937).

Chart 2.7.3 – Debt by gender and marital status



Couples with children owe the same as couples without children (£30,311 compared with £30,218). The only group where having children increases debt significantly is single men with children, who, on average owe almost £4,000 more than single men without children. Single women without children owe more than single women with children and have done so for the past three years.

Table 2.7.2 – Debt and children

	2007	2008	2009
Client with children	£26,293	£26,755	£26,058
Client without children	£24,984	£24,807	£22,869

In 2009 , clients with children owed just over £3,000 more than clients without children.

Clients who earn more have far higher levels of debt. Clients earning over £30,000 a year, owe, on average, £47,075. This is over £30,000 more than a client earning less than £10,000 owes. A client earning £10,000-£19,999 will owe around £5,000 more than a client earning under £10,000. A client earning £20,000-£29,999 will owe £15,000 more.

Table 2.7.3 – Debt by income

	2007	2008	2009
Under £10,000	28.6%	29.0%	31.6%
£10,000-£19,999	25.1%	24.9%	25.3%
£20,000-£29,999	17.0%	16.9%	16.5%
£30,000-£39,999	10.7%	10.8%	10.2%
£40,000 and over	18.5%	18.4%	16.4%

Geoff, 51, London

"I used to work in senior management in a City bank back office, earning £55,000, but racked up £100,000 of debt on credit cards and loans from long-term overspending. I was made redundant when the bank merged in 2008.

"I thought I would easily get a job again soon, so kept spending as I had before, but I've still not found a new job now. No one is hiring. I have two teenage daughters from my first marriage, which ended in divorce, so I initially kept paying £650 child support each month and spoiling them with extra gifts and money like any dad would. That has all stopped now of course.

"When I eventually realised how bad things were, I went to the Citizens' Advice Bureau, who referred me to CCCS. I'm on the dole, getting £60 a week, so can't pay back my creditors much. CCCS set me up making very small token payments. When I find a job, they'll reassess things and I can start paying back what I owe, and supporting my girls through university."

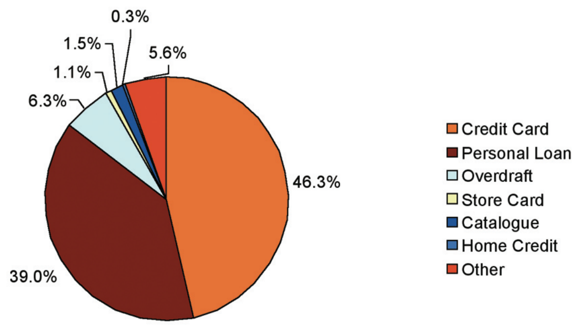
The majority of clients still owe less than £19,999 (56.9 percent). This is more than last year when 53.9 percent of clients owed less than £19,999. Over 16 percent of clients owe more than £40,000. The proportion of clients owing more than £40,000 has seen the biggest drop of any category, falling from 18.4 to 16.4 percent of clients.

The increase in the proportion of clients owing less than £19,999 has meant a similar increase in the proportion of clients with a debt-to-income ratio of less than 20:1. The proportion of clients with a debt-to-income ratio of less than 20:1 has risen to almost 70 per cent. This has been a trend for the last three years which suggests a growing appreciation of the need to restrict credit commitments to their ability to repay. Credit commitments accounting for more than 20 percent of net take home pay is generally regarded as a trigger point that a household is becoming over-extended.

Table 2.7.4 – Debt-to-income

	2007	2008	2009
Under 10:1	36.1%	35.0%	37.0%
10:1 to under 20:1	30.0%	32.4%	31.9%
20:1 to under 30:1	16.2%	15.8%	14.5%
30:1 and over	17.7%	16.8%	16.6%

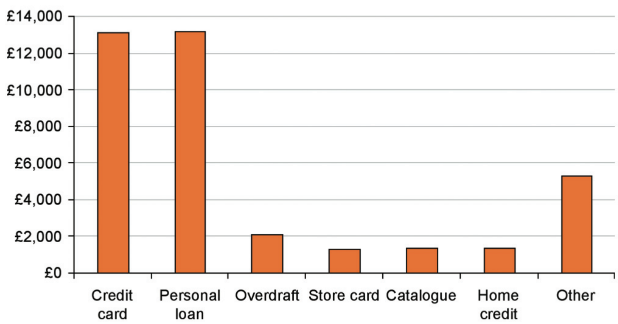
Chart 2.7.4 – Debt by type



The vast majority (85.3 percent) of client debt is either on credit cards (46.3 percent) or in the form of personal loans (39.0 percent). Just over six percent of clients have overdraft debt.

On average, clients will owe just over £13,000 on their respective credit card or personal loan debts; although there is little difference in the amount owed.

Chart 2.7.5 – Average debt by type



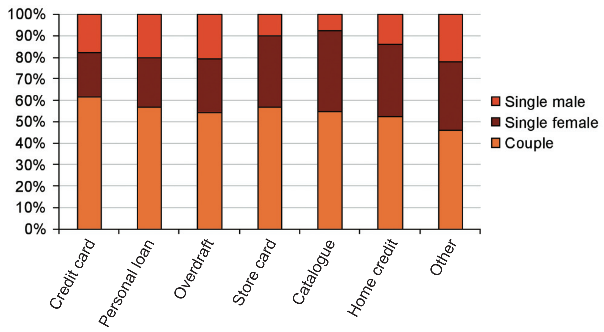
Men tend to owe more on credit cards and on personal loans. They will owe, on average, around £2,000 more in personal loans and £4,000 more on credit cards.

Table 2.7.5 –Debt by type and gender

	Female	Male
Credit card	£11,360	£15,007
Personal loan	£12,407	£14,032
Overdraft	£1,875	£2,398
Store card	£1,303	£1,302
Catalogue	£1,422	£1,354
Home credit	£1,376	£1,459
Other	£4,731	£6,089

Although men have more debt in most categories, single men are responsible for the fewest number of debt problems in any one category. Couples are responsible for the majority of any single type of debt problem the charity sees. For example, 61.5 percent of credit card debts are owned by couples, as are 57.1 percent of personal loan debts.

Chart 2.7.6 – Debt by type, gender and marital status



Single men are responsible for less than 21 percent of the debt problems in personal loans and credit cards and they account for less than 10 percent of store card and catalogue debt.

The amount of debt held by clients in each category increases in line with their income. The largest increases occur with credit card and personal loan debt. A client who earns more than £30,000 a year will have a credit card debt three times more than a client who earns less than £10,000 a year and a personal loan debt twice as high.

Alastair, 45, Cheshire

"I used to be self-employed, but my wife and I got into trouble when my consultancy business ran into problems. I lost a major contract, which took a huge chunk out of our monthly earnings, and we hadn't prepared ourselves to be able to cope.

"We had taken out loans and credit cards to support the business, and ended up owing £65,000 to ten different creditors. Our income had always covered our monthly repayments, but the loss of business left us short and unable to pay. We were also then forced into arrears on our mortgage.

"Despite me taking on a full time job to plug the hole, our income didn't fully recover. Selling the house wasn't a realistic option, and we didn't want to disrupt our children, so we contacted CCCS for help after being told about them by a friend. They've been a massive help, organising a payment plan which is helping us cope. Now business is slowly starting to pick up again, so things are improving."

Table 2.7.6 –Average debt by type and income

	Under £10,000	£10,000-19,999	£20,000-29,999	£30,000 and over
Credit card	£8,935	£9,886	£15,576	£25,545
Personal loan	£9,713	£11,600	£15,334	£20,489
Overdraft	£1,586	£1,790	£2,451	£3,680
Store card	£1,117	£1,208	£1,371	£1,710
Catalogue	£1,312	£1,401	£1,418	£1,546
Home credit	£1,040	£1,374	£1,786	£2,448
Other	£3,247	£4,516	£7,678	£10,516

Homeowners owe more in every category (except catalogue) than renters. The largest difference in size of debt between the two is with credit card debt, where homeowners owe, on average, almost £9,000 more than renters.

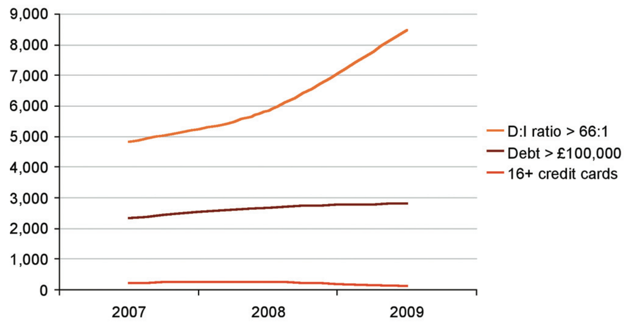
Table 2.7.7 – Debt by type and housing status

	Homeowners	Renters
Credit card	£17,170	£8,512
Personal loan	£15,624	£10,837
Overdraft	£2,673	£1,562
Store card	£1,500	£1,065
Catalogue	£1,346	£1,445
Home credit	£1,808	£1,260
Other	£7,221	£4,212

2.8 EXTREME DEBT

In 2009 there was a sharp rise in the number of clients with a debt-to-income ratio of greater than 66:1. The number of clients counselled with this type of extreme debt has almost doubled in last two years. There was also a rise in the number of clients with more than £100,000 worth of debt, but as the increase is most marked for clients with high debt to income ratios – over 8,000 clients had debts of more than 66 times their income last year – it seems likely that these increases are linked to significant drops in household income caused by the recession.

Chart 2.8.1 – Extreme debt



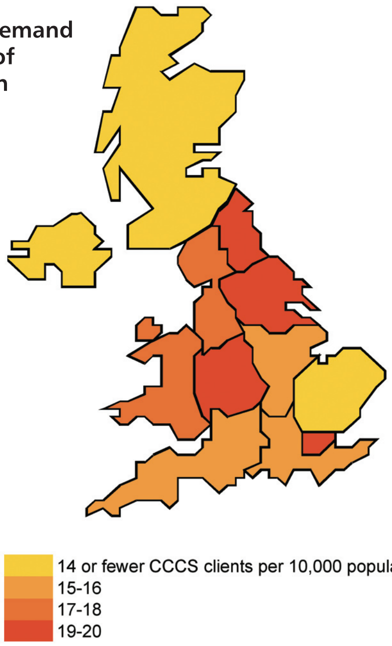
3. Regional analysis

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

3.1 REGIONAL DEMAND

Demand for CCCS service relative to population is highest in the North East, closely followed by London, Yorkshire and the West Midlands. There are 20 CCCS clients per 10,000 population in the North East and 19 in the other three regions In absolute terms, demand is highest from London which accounted for 15 percent of all those counselled in 2009.

Map 1 – Demand per head of population

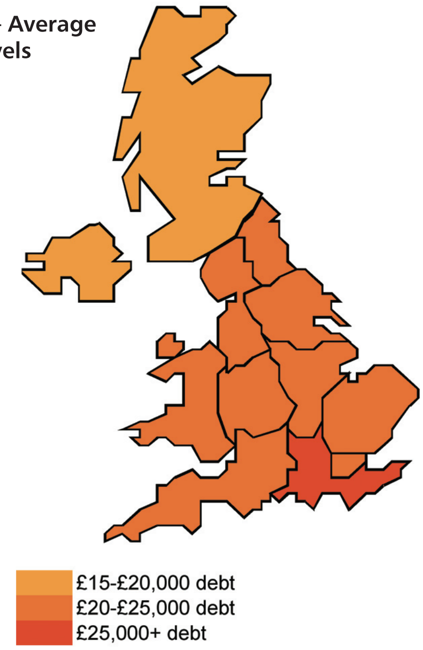


Relative to population, there is least call for CCCS services in East Anglia and Northern Ireland, followed by Scotland. There are only 10 CCCS clients per 10,000 population in East Anglia and Northern Ireland and 11 in Scotland.

3.2 REGIONAL DEBTS

Debt levels are lowest in Northern Ireland and Scotland (£18,851 and £19,324 respectively) and highest in the South East (£25,709). After the South East, the three regions with the highest levels of debt are the South West (£24,175), East Anglia (£24,022) and London (£22,899).

Map 2 – Average debt levels



In all regions, older clients are the most indebted, with clients in the South East aged 40-59 owing the most (£30,392).

The number of debts is fairly uniform nationally, with homeowners having more debts than renters. On average homeowners across the UK have 6.7 unsecured debts and renters have 5.5 debts – a 22 percent difference.

Along with the increased number of debts homeowners in every region have far higher levels of debt than renters.

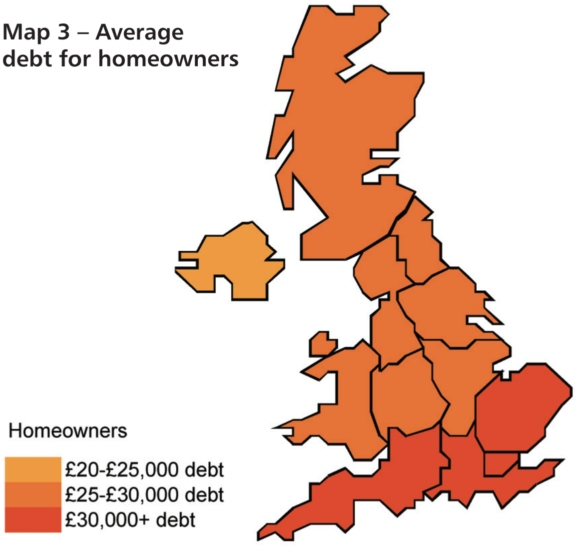
The starkest difference in debt levels between homeowners and renters is, again, in the South East where homeowners owe, on average, £16,429 more than renters, followed by London (£16,140) and East Anglia (£15,934).

The most indebted group when measured by housing is in the South East where owners owe £34,648. The least indebted group is in Scotland, where renters owe £12,304.

Table 3.2.1 –Average debt by housing status

	Average debt		Average number of debts	
	Owners	**Renters**	**Owners**	**Renters**
East Anglia	£32,613	£16,679	7.2	5.8
East Midlands	£27,835	£15,878	6.9	5.8
London	£32,951	£16,811	6.9	5.4
North East	£27,659	£14,262	7.2	5.6
North West	£27,524	£15,020	6.9	5.5
Northern Ireland	£21,844	£14,217	6.4	5.6
Scotland	£26,127	£12,304	6.6	4.9
South East	£34,648	£18,219	7.3	5.9
South West	£32,425	£18,226	7.2	5.7
Wales	£28,117	£14,943	7.0	5.5
West Midlands	£27,501	£14,828	6.7	5.4
Yorkshire	£27,107	£14,523	6.9	5.5
United Kingdom	**£31,317**	**£17,546**	**6.7**	**5.5**

Map 3 – Average debt for homeowners



Map 4 – Average debt for renters

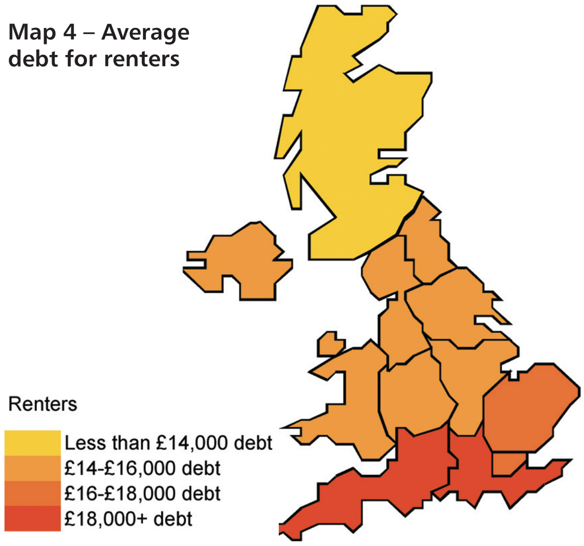
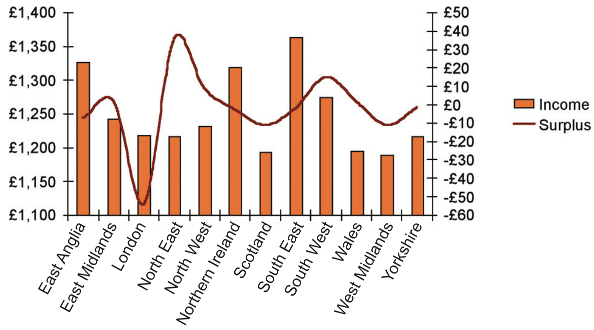


Table 3.2.2 –Average debt by age group by region

	Under 25	25-39	40-59	60 and over
East Anglia	£6,990	£21,496	£27,810	£27,480
East Midlands	£7,768	£19,998	£24,711	£26,045
London	£7,033	£19,643	£26,156	£27,462
North East	£7,479	£19,467	£24,424	£22,612
North West	£7,820	£20,019	£24,343	£24,625
Northern Ireland	£7,091	£17,087	£21,519	£21,601
Scotland	£6,216	£18,178	£22,175	£22,366
South East	£7,744	£22,085	£30,392	£29,265
South West	£7,754	£20,204	£29,062	£28,203
Wales	£7,399	£19,607	£24,294	£24,860
West Midlands	£7,430	£19,030	£24,395	£24,181
Yorkshire	£7,748	£19,734	£24,047	£23,570

Clients living in London are least able to repay their debts as on average they have a monthly deficit of £54 in their budget to cover basic living costs. As a result, London has one of the highest proportion of clients recommended to bankruptcy in the UK, 14.6 percent compared with 7.5 in Scotland. Only the South West has a higher proportion of clients recommended to bankruptcy than London with 15.9 percent.

Chart 3.2.1 – Monthly income and surplus by region



4 Notes on data

CHART 1.1.1

- GDP at market prices, chained volume measure.
- Percentage change: latest quarter on previous quarter.
- Figures seasonally adjusted.

Source: Office for National Statistics.

CHART 1.1.2

- All aged 16 & over.
- Figures seasonally adjusted.

Source: Office for National Statistics.

CHART 1.1.3

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

Sources: Halifax, Nationwide.

CHART 1.2.1

- Arrears 2.5 percent or more of outstanding balance at year-end. Possessions during the year.
- Figures for arrears and possessions 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.

Source: CML.

CHART 1.3.1

- Survey covers both bank and non-bank lenders.
- Actual question: How has the default rate on total unsecured loans to households changed? Covers both credit card and other unsecured lending.
- 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.
- A positive net percentage balance in this context indicates that the default rate has risen/is expected to rise.
- 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 1.3.2

- Series covers write-offs & other revaluations of loans by monetary financial institutions.
- Covers sterling loans.
- Covers credit cards and other unsecured loans only, excluding mortgages.
- 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.
- 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 1.3.3

- Figures not seasonally adjusted.
- DROs = Debt Relief Orders. DROs came into effect on 6 April 2009 as an alternative route into personal insolvency.
- IVA series includes Deeds of Arrangement.
- Changes to bankruptcy law introduced by the Enterprise Act 2002 came into force on April 1 2004.
- 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

- Figures are seasonally adjusted.
- 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 seven largest retail lending groups in the UK: Barclays, Bradford & Bingley lending, HSBC Bank, Lloyds Banking Group, Northern Rock, Royal Bank of Scotland and Santander (inc Abbey, Alliance & Leicester and Bradford & Bingley deposits).

Source: British Bankers' Association.

CHART 1.4.2

- Figures are seasonally adjusted.
- Chart only covers personal loans advanced by the Major British Banking Groups (MBBG).
- 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.

CHART 1.5.1

- Figures are at year end.
- Figures are not seasonally adjusted.

Source: Office for National Statistics.

CCCS DATA

Unless otherwise stated all data contained in the Statistical Yearbook refers to all CCCS clients counselled by telephone or online.

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The data underlying the graphs and charts contained in this Statistical Yeabook is available in the form of appendices from: www.cccs.co.uk/statsyearbook/2009

Foundation for Credit Counselling (FCC)

Chairman's office:
Lynton House
7-12 Tavistock Square
London
WC1H 9LT

Press office:
Tel: 0207 391 4583
Mob: 077717 88713
(Frances Walker)

Press Office email:
francesw@cccs.co.uk

Consumer Credit Counselling Service
Wade House
Merrion Centre
Leeds
LS2 8NG

CCCS Helpline:
0800 138 1111

CCCS website:
www.cccs.co.uk

CCCS email: contactus@cccs.co.uk

CCCS centres:
Birmingham
Cardiff
Chester
Eastbourne
Glasgow
Halifax
Leeds
Limavady
Newcastle
Nottingham

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CONSUMER CREDIT Counselling Service

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