Department for Business Innovation & Skills

Over-indebtedness in Britain: Second follow-up report

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1 Executive Summary

This report is a follow-up to the DTI report of March 2005 'Over-indebtedness in Britain'[1] and the analysis contained in the 2007 Annual Over-indebtedness report.[2] It uses data from the YouGov DebtTrack survey, a series of on-line surveys carried out between July 2008 and July 2009, to explore the extent of consumer indebtedness and use of unsecured credit in Britain. The survey is particularly valuable in being able to provide regular and timely updates on the financial position of households in Great Britain and how they have been affected by the changing macroeconomic climate.

The report includes discussion of trends over the twelve months covered by the survey and of changes in over-indebtedness indicators since previous studies. Overall, the analysis suggests an increase in the proportion of households meeting the criteria for over-indebtedness since 2006 (in terms of arrears and burden of commitments), but there are indications of an improvement in various measures during the first half of 2009.

The findings in this report are mainly drawn from four cross-sectional DebtTrack surveys carried out in 2008/9.[3] The surveys are conducted on-line and collect data about the financial situation of a sample of around 3,000 adults sampled at random from a YouGov panel of volunteers and subsequently weighted back to GB population totals. When comparing results with data from other survey sources it should be noted that differences in survey design can themselves affect the accuracy of survey estimates. So comparisons may be affected by a range of factors including variation in question wording and context, whether surveys are administered by interviewers or self-completion, and differences in sample size and structure.

Key Findings

Unless otherwise stated, the figures quoted in this report are based on the combined sample for the four DebtTrack surveys carried out between July 2008 and July 2009, so represent average figures for 2008/9. Change between survey rounds has also been explored for key measures, as indicated in the text. The overall sample size for the four surveys is in excess of 14,100.

Use of credit (Section 4)

- The most common sources of unsecured credit were credit cards (35% of households), bank overdrafts (29%) and personal loans (22%). Non-mainstream sources[4] were used by around 3% of the sample. About one-fifth (19%) of respondents had used one or more of their current loans or credit[5] to refinance or pay off other borrowing.
- Almost two-thirds (64%) of households had some form of unsecured credit and 75% had a loan or credit commitment of some type, including mortgages and secured loans. Although a quarter (24%) of borrowing households owed less than £1,000 on unsecured credit, more than a quarter (28%) owed in excess of £10,000. The average amount of debt recorded for this sample was around 20% higher than that recorded for the 2006/8 Wealth and Assets Survey.
- The type of credit products used varied by household characteristics. Use of mainstream loans and credit or store cards increased with household income, while

[1] http://webarchive.nationalarchives.gov.uk/+/http:/www.berr.gov.uk/files/file18550.pdf
[2] http://www.bis.gov.uk/files/file42700.pdf
[3] Initial findings from the related longitudinal survey of a sample of households experiencing financial stress can be found in Appendix C.
[4] Such as home-collected credit, payday loans and pawnbrokers
[5] Including secured loans

use of non-mainstream loans decreased with income. Lone-parent households showed above-average usage of non-mainstream loans and informal loans from family and friends.

- Demand for credit remains strong. Around one-fifth of respondents had applied for one or more credit products (including mortgages) in the last six months, but the rate of applications decreased over the year to July 2009 – from 21% to 15% for unsecured credit. A slightly smaller proportion of respondents (13%) said they were ‘likely’ or ‘very likely’ to need to borrow money over the next six months.
- Credit cards were the most popular product (11% of households had applied for a credit card in the previous 6 months) and, along with store cards, were the most likely to be agreed for the full amount (70% or over). Applications for unsecured personal loans and overdrafts were the most likely to have been rejected (32% of applications).

Over-indebtedness indicators (Section 5)

- Almost one-tenth (9%) of households were in ‘structural’ arrears[6]. There was little variation in this measure over the period of the survey but some indication that the proportion of households in arrears may have peaked between October 2008 and February 2009.
- About one in 12 of all households in the DebtTrack sample (8%) were spending more than 30% of their income on repayment of unsecured loans, and about one in eight (12%) were spending more than 20% of their income.
- About one in seven respondents (15%) considered that keeping up with bills and credit commitments was a ‘heavy burden’ for their household. There were indications of a slight improvement in this indicator in the first half of 2009.
- About one-tenth (11%) of households had four or more different types of unsecured credit commitment.
- The data suggests that there has been a slight increase in the proportion of households meeting the criteria for over-indebtedness since 2006 on certain measures (e.g. arrears and burden).[7]
- More than a quarter (28%) of households breached one or more of the over-indebtedness indicators and 11% breached two or more. Households with zero savings (31%), lone-parent households (27%) and households with an unemployed adult (24%) were most likely to have breached two or more of the indicators.

Other indicators of financial difficulties (Section 6)

- Around 7% of households had entered into one of the statutory or informal actions on debt (e.g. bankruptcy, IVA, DMP). Bankruptcies and IVAs accounted for a small proportion (1% of households for each), while around 5% of households were paying debts through a DMP.
- In addition to the above, a further 6% of households were in ‘structural’ arrears on payments. Hence 13% of households were in ‘financial difficulties’ on a combined measure, though this declined slightly, from 14% to 11% in the first half of 2009.

[6] That is, more than three months behind with any bill or payment
[7] However, comparison with previous studies is imperfect, due to methodological differences in data collection and indicator construction

- Some 14% of respondents who had difficulties keeping up with bills and payments[8] had sought professional debt advice in the preceding six months. Two-fifths (40%) of those who were behind with bills or credit payments had contacted their creditors about their financial difficulties.
- About a third (32%) of respondents showed signs of stress on at least one of three subjective indicators.[9] Each of the measures suggested a slight deterioration in public perceptions in late 2008, followed by signs of improvement between February and July 2009.
- Respondents' perception of their financial situation was, as usual, worse than their actual financial position. Almost half (48%) of respondents who showed signs of stress on two or three of the subjective indicators were neither experiencing extreme financial difficulties nor beginning to fall behind on payments.[10]
- Around one in eight of the sample (12%) felt that they would risk falling behind with their bills and commitments if subjected to a 20% increase in housing or utility bills.[11]

[8] Either constantly struggled or were falling behind with payments
[9] How well a household is keeping up with bills and credit commitments, whether they consider keeping up with their repayments as a 'heavy burden' and whether they struggle to last to next pay day
[10] Involved in statutory or informal action on debt, in structural arrears or one to three months behind with any payments
[11] Mortgage or rent, utility bills or council tax charges

2 Introduction

In July 2004 the Government launched "Tackling Over-indebtedness: Action Plan 2004".[12] This strategy co-ordinated action across Government with the aim of minimising the number of people who became over-indebted and improving the support and processes for those whose borrowing becomes unsustainable. As part of this strategy BIS is committed to monitoring the level and profile of consumer over-indebtedness.

Conducting in-depth analysis of groups who are either already in financial difficulties or at risk of moving into arrears requires detailed survey data. Therefore in 2004 DTI (now BIS) commissioned Market & Opinion Research International (MORI) to undertake a survey of consumer over-indebtedness in Great Britain, which was subsequently published in March 2005.[13] BIS has committed itself to producing follow-up reports on a periodic basis. The first of these, included in the 2007 Annual Over-indebtedness report (subsequently published as a separate document), used experimental ONS data from July to December 2006.[14] This report is based on data from the YouGov DebtTrack surveys[15] carried out between July 2008 and July 2009.

3 Background

3.1 Sources of data

The YouGov DebtTrack is an online survey that was launched in July 2008 and designed to provide a better understanding of the nature and dynamics of consumer debt and over-indebtedness. The survey has both cross-sectional and panel elements. The findings shown here are mostly based on the cross-sectional survey which was carried out at regular intervals between July 2008 and July 2009.

3.1.1 Detailed methodology

The cross-sectional YouGov DebtTrack collects data from a sample of more than 3,000 adults aged 18 or over. An invitation to take part in the survey is sent by e-mail to a randomly-selected sample of individuals from the YouGov plc GB panel[16] and respondents access the survey through a link to the relevant part of the YouGov website. The questions relate to the current financial position of the respondent and, where relevant, their spouse or partner. The responding sample is weighted back to the profile of the GB population using known distributions of key variables including age, gender, tenure and household income.

The second element of the YouGov DebtTrack is a longitudinal survey, in which households experiencing financial stress were interviewed four times between July 2008 and February 2009.[17] This dataset provides a larger sample of financially-distressed households than in the cross-sectional survey, with almost 1,400 households responding to all four waves of the panel, and so offers greater scope for detailed analysis of their circumstances. An analysis of the panel data is provided in Appendix C.

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[12] http://webarchive.nationalarchives.gov.uk/+/http:/www.berr.gov.uk/files/file18559.pdf
[13] http://webarchive.nationalarchives.gov.uk/+/http:/www.berr.gov.uk/files/file18550.pdf
[14] http://www.bis.gov.uk/policies/consumer-issues/consumer-credit-and-debt/real-help-now-for-those-in-difficulty/over-indebtedness
[15] See http://www.yougov.co.uk/corporate/specialisms/specialisms-financial-debttrack.asp?submenuheader=1
[16] The panel has over 250,000 members
[17] The sample comprised those who said at an initial screening interview that they struggled to keep up or were falling behind with bills and credit commitments

3.1.2 Comparability with previous surveys

The DebtTrack is particularly valuable in being able to provide regular and timely updates on the financial position of households in Great Britain and how they have been affected by the changing macroeconomic climate. There are, however, some complications in using the data to update estimates from other surveys as presented in earlier papers (although some of these are general issues which affect any comparison across different surveys). In summary, these are as follows.

i. Variation in precise question wording and in the context in which questions are asked.

ii. Differences in survey mode. The DebtTrack is a self-completion survey that is administered online, whereas earlier surveys were administered face-to-face by trained interviewers.[18]

iii. Differences in sample structure. The DebtTrack sample is drawn from a pool of volunteers and data are weighted back to population totals. As with any quota sample, biases may remain if volunteers differ systematically from the total population in terms of key measures relating to their financial situation.[19]

iv. Surveys differ in who is designated the main respondent and whether questions refer to the individual, the couple (family unit) or the household. The DebtTrack is a survey of individuals but relevant questions generally refer to the respondent and spouse (i.e. the family unit). As the majority of households contain only one family unit, survey results are more comparable with earlier data for households than for individuals.

Results shown in previous reports have been drawn from three surveys.

i. In **2002** MORI conducted a detailed survey for the DTI on over-indebtedness in Great Britain, which used a national quota sample.[20] Between March and May a total of 1,647 face-to-face interviews were carried out with the head of household or their spouse/partner. Respondents gave information about their household's financial position so the survey results refer to household units.

ii. A second survey was carried out by MORI on behalf of the DTI in **2004**. The MORI Financial Services Survey (MFS) was a large-scale survey using a quota sample in which individuals were interviewed face-to-face in their homes in the second half of 2004.[21] The survey achieved response from almost 10,000 individuals. The questions relate to the respondent's personal situation, and so are not directly comparable with surveys based on the family unit or household.

iii. Results for **2006** were based on experimental ONS data. Results used previously and reproduced here are based on unweighted data collected for 7,443 households interviewed between July and December 2006.

[18] As a result, the YouGov survey could under-represent those respondents and households who may not have access to the Internet, such as older people and low-income households. Additionally, self-completion surveys are likely to result in a greater degree of measurement error.
[19] For example, panel members may be disproportionately drawn from those who have more time to complete surveys and from those who are attracted by possible financial gain, which may in turn be related to the type of credit products used or the level of household indebtedness.
[20] Quotas reflected the distribution of the GB population by age, gender, household size and tenure
[21] Quotas were based on age, gender, social class and working status

It is also possible to compare some of the measures used in this report with published results from the first wave of the Wealth and Assets Survey, carried out from July 2006 to June 2008.[22]

The results from the DebtTrack survey relate to the period from July 2008 to July 2009. Unless otherwise stated, the figures quoted in this report are based on the combined sample of 14,132 respondents to the four cross-sectional surveys in this period, so represent average figures for 2008/9. Where relevant, results are presented separately for each survey, for which sample sizes vary from 3,300-3,800.

3.2 Themes

As in previous reports, four main themes are addressed here.

- **Use of credit.** Data on the prevalence of different types of credit, and variation for different groups of households.
- **Identification of over-indebtedness**. A number of indicators used in previous reports are explored using the DebtTrack survey data and trends are examined. Data on other related measures are also presented, including the incidence of statutory and informal action on debt and whether respondents had sought professional advice on debt.
- **Who is over-indebted?** The characteristics of households meeting different over-indebtedness indicators are explored.
- **Households at risk of over-indebtedness.** Various subjective questions on financial stress and payment shocks[23] are explored in addition to the established indicators of over-indebtedness.

[22] http://www.statistics.gov.uk/downloads/theme_economy/wealth-assets-2006-2008/Wealth_in_GB_2006_2008.pdf
[23] Such as how an increase in major bills might affect the respondent's ability to keep up with payments

4 Use of credit

4.1 Types of unsecured credit

Credit has become an everyday feature of life for many people in the UK. It serves a useful function in the economy, allowing individuals to borrow against their future expected earnings in order to finance current consumption. It thus gives consumers more freedom to match spending to need and opportunity, as well as enabling them to spread the cost of significant purchases, such as mortgages for homes and loans for large items, over a longer period. There have been significant increases in levels of household debt over the last ten years in the UK, with a recent slowdown in 2008-9.

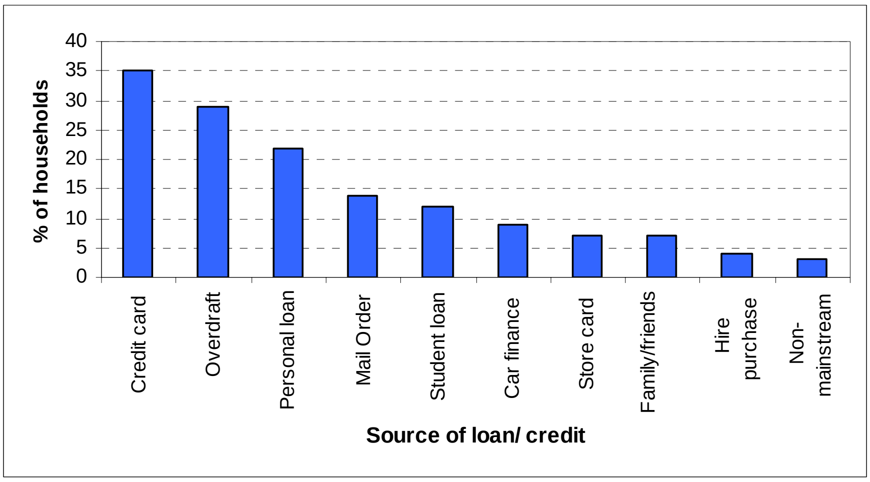
As discussed later in Section 5.2, unsecured credit remains popular among UK households, with almost two-thirds (64%) of households having some form of unsecured commitment. Whilst use of credit products is not in itself a problem, a high level of borrowing may render households more vulnerable to over-indebtedness if they experience an adverse change in financial circumstances. There may also be differences between groups in the types of credit to which they have access.

4.1.1 Credit product holding

The DebtTrack collects detailed information on the type of loans and sources of credit used by respondents and their partner, along with the amount of outstanding credit at the time of the interview for each type of commitment. The data are not strictly comparable with other surveys because of differences in the mode of interview and question content. Nevertheless, they provide a useful indicator of trends from July 2008 to July 2009 and also allow investigation of the relationship between credit commitments and other aspects of the household's financial position.

- **The most common sources of unsecured credit were credit cards** (35% of households), **bank overdrafts** (29%) **and personal loans** (22%) (Figure 4.1).
- Another three types of credit were used by about a tenth of households: mail order catalogues (14%), student loans (12%) and car finance loans (9%). Some 7% of households had an informal loan from family or friends.
- Non-mainstream sources - home-collected credit, payday loans and pawnbrokers – were used by around 3% of the sample.

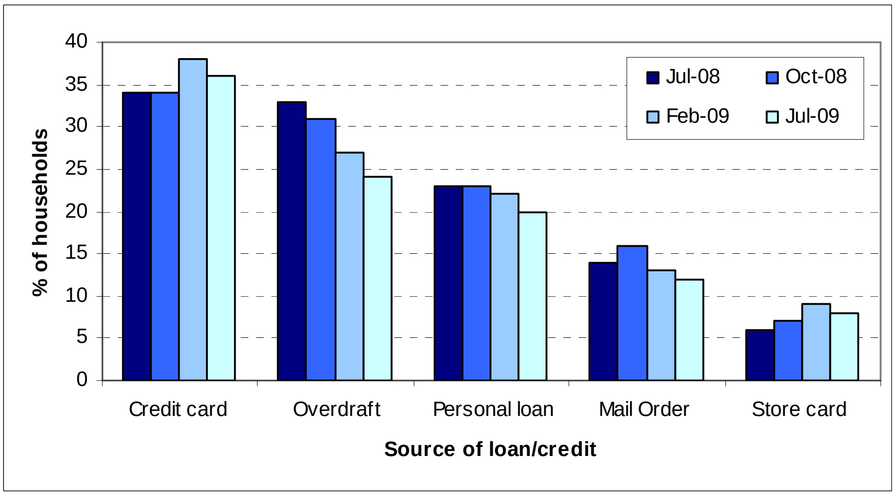
Figure 4.1: Main sources of unsecured credit: rounds 1-4 combined



For some of the more common types of credit there was evidence of a decline in prevalence between the latter half of 2008 and early 2009 (Figure 4.2).[24]

- This decline was most marked for bank overdrafts: prevalence fell from 33% in July 2008 to 24% in July 2009. There were also indications of a decrease in prevalence of unsecured loans and mail order credit over this period.
- The decrease in use was not evident for credit and store cards. The proportion of respondents with outstanding amounts on a credit card appeared to increase through to February 2009 but then showed signs of a decrease by July 2009.[25]

Figure 4.2: Prevalence of main sources of unsecured credit: July 2008 to July 2009



4.1.2 Household indebtedness

High levels of debt are not necessarily a problem so long as households have the means to continue servicing and repaying them. However, highly-indebted households may be more vulnerable to adverse economic shocks (e.g. unemployment, increases in interest rates or other household bills) that may put them at risk of falling into over-indebtedness. Analysis of those at risk of over-indebtedness usually focuses on the ratio of debt to annual income and on the ratio of debt servicing payments to current income.

The DebtTrack surveys collect data on the amount currently owed for each type of unsecured loan or credit used by the household, recorded either as a precise or banded amount. This information has been used to estimate the total value of unsecured borrowing (in banded form) and the ratio of unsecured debt to annual household income.

Looking first at absolute values, Table 4.1 shows the distribution of total unsecured debt.[26] This indicates that a substantial proportion of borrowers had relatively small debts – almost a quarter (24%) owed less than £1,000 and a further quarter (25%) had borrowing of between £1,000 and £4,000. However, some households had much higher levels of unsecured debt – more than a quarter (28%) owed more than £10,000 in unsecured credit and 10% of households owed more than £20,000.

[24] For further detail, see Appendix Table A1
[25] It should be noted that the question asking about holding of credit and store cards changed slightly, from February 2009 onwards
[26] Analysis is based on cases for which information on the value of unsecured borrowing was available. This value was missing for a substantial proportion (24%) of households with unsecured borrowing.

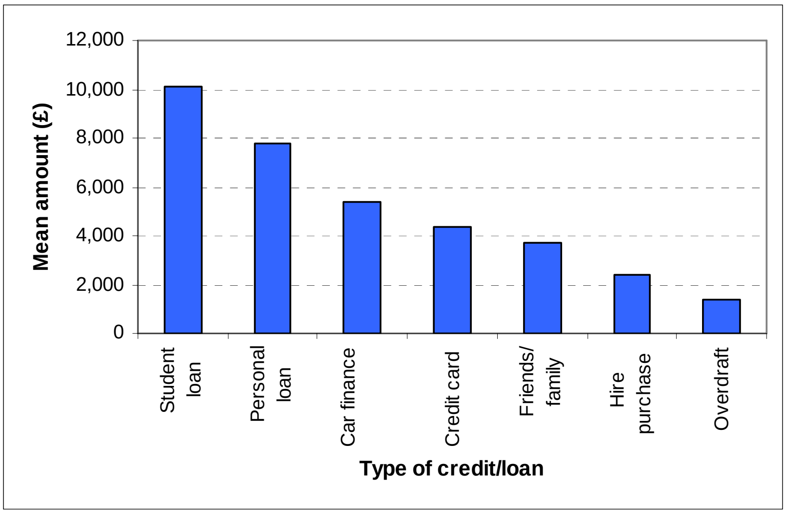
Table 4.1: Total unsecured household borrowing

	Households using unsecured credit
	%
£1,000 or less	24
£1,001 to £2,000	11
£2,001 to £4,000	14
£4,001 to £6,000	9
£6,001 to £10,000	14
£10,001 to £15,000	11
£15,001 to £20,000	7
£20,001 or more	10
Base = 100%	*6,928*
% of households with missing values	*24%*

Figure 4.3 compares the average amounts owed for different types of credit commitment.[27] It should be noted that the quality of the data is reduced by high levels of missing data as well as the problems of conversion from banded values.[28] On average, student loans were the largest (at over £10,000 per household with this type of loan), followed by personal loans (£7,800) and car finance loans (£5,400). The average reported credit card debt was around £4,400 and loans from family and friends were also relatively high, at around £3,700 per household.

For every type of debt, the median value for the amount owed was substantially less than the mean value; this indicates that the distributions are positively skewed and the mean may be affected by a small number of very high values. This is also seen in the high values for the 90th percentile for some types of credit. For example, one-tenth of respondents with an unsecured personal loan owed £15,000 or more and one-tenth of those with credit card debts owed £8,500 or more.

Figure 4.3: Mean amount owed on main types of credit commitment



[27] For further detail, see Appendix Table A2
[28] The mid-points of bands were used when calculating average amounts. Around 30-40% of values for each type of debt were missing.

These values for the amounts owed on individual types of credit can be combined to derive an estimate of total unsecured debt.[29] This suggests that the mean amount owed (by those giving information about values) was around £8,700 with a median of £4,300.[30] In spite of the issues with using this data, the results offer a useful comparison with debt values based on the more detailed questions in the Wealth and Assets Survey (WAS).[31] In general, where categories can be compared, the DebtTrack survey data gives higher mean values – for example, the mean value for credit card debt is £4,400 compared with £3,200 for the WAS. Overall the estimate for total debt is some 20% higher than for the WAS – £8,700 compared with £7,200 per household.

4.1.3 Debt-to-income ratios

The absolute level of debt is not necessarily a good indicator of potential problems as households may have high income to offset the higher debt, so the ratio of debt to household income is considered a more useful indicator than the absolute amount of debt. The debt-to-income ratio is calculated by dividing the total value of outstanding household debt (unsecured, secured or both) by the total household annual income. Over the last ten years debt has increased at a faster rate than income which has led to an increase in the aggregate debt-to-income ratio over recent years, driven mainly by the expansion of secured debt. There is evidence of a fall in the ratio since it peaked in the first quarter of 2008.[32]

Table 4.2 shows the distribution of the ratio of unsecured debt to household income for households with unsecured debt and for the full DebtTrack survey sample. Most households with unsecured debts had relatively modest levels of borrowing – more than half (55%) had debts amounting to less than 20% of household income and 38% had debts of less than 10% of income. However, about one-fifth (19%) of households with unsecured credit had debts amounting to more than 60% of current household income, and 13% to more than 80% of income.

Table 4.2: Ratio of unsecured debt to income - households using unsecured credit and all households

	Households using unsecured credit (%)	All households (%)
Zero	n/a	46
10% or less	38	20
>10% to 20%	17	9
>20% to 40%	17	9
>40% to 60%	9	5
>60% to 80%	6	3
More than 80%	13	7
Base = 100%	*5,863*	*10,887*
% of households with missing values	*36%*	*23%*

4.2 Credit use by household characteristics

It is well established that use of credit varies through the life-cycle, and is traditionally highest among families with children and among young people living as independent householders,

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[29] See Appendix Table A2
[30] It should be noted that the value was missing for 30% of households with some form of unsecured credit
[31] http://www.statistics.gov.uk/downloads/theme_economy/wealth-assets-2006-2008/Wealth_in_GB_2006_2008.pdf
[32] Falling from a peak of 154% in Q1 2008 to 142% in Q3 2009 (latest data available)

whereas pensioner households tend to have fewer commitments. The analysis of variation in credit use presented here focuses on three measures:

- the proportion of households with any unsecured credit commitments; [33]
- those with unsecured debts of £10,000 or more and £20,000 or more; [34] and
- those with an unsecured debt-to-income ratio of 60% or more. [35]

Variation in the type of credit product used by different groups of household is also explored. [36] For this analysis, credit products are grouped into the following categories:

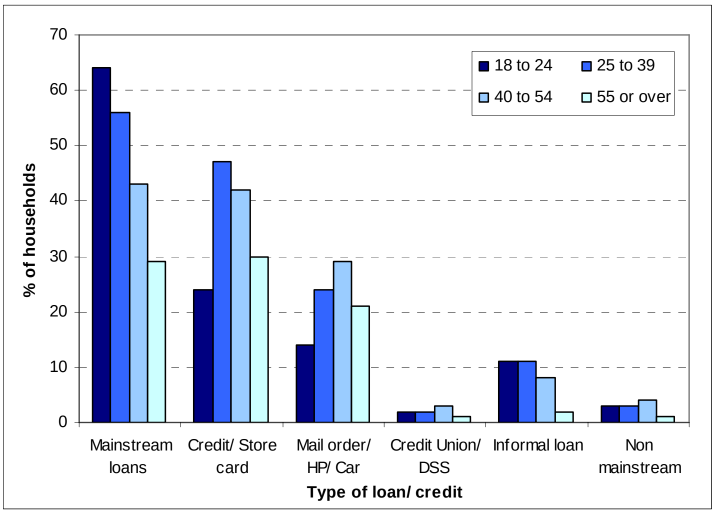
- Mainstream loans – personal loans, authorised overdrafts and student loans
- Credit and store cards
- Mail order, hire purchase agreements and car finance
- DSS/ Social Fund and Credit Union loans
- Informal loans from family and friends
- Non-mainstream loans – pawnbroker, home-collected credit and payday loans

4.2.1 Age

Analysis of the DebtTrack data shows the expected variation in credit use by age of respondent, with high use for respondents aged 18-24 (73%) and 25-39 (76%) decreasing to 50% for respondents aged 55 or over. Levels of debt were also above-average for the households of younger respondents – 45% of respondents in the 18-24 age group and 33% aged 25-39 owed £10,000 or more, compared with 18 to 23% of older age groups. Young respondents were also particularly likely to have a high debt-to-income ratio – 31% of those in the 18-24 age-group had an unsecured debt to income ratio of 60% or more, compared with 19% for the sample as a whole.

The low incidence of unsecured credit among older groups was seen for most categories of product. Young respondents (aged 18-24 years) had above-average levels of both mainstream loans and informal loans, but below-average prevalence of loans on credit/store cards and mail order/hire purchase.

Figure 4.4: Types of unsecured credit by age of respondent



[33] See Appendix Table A3
[34] See Appendix Table A4
[35] See Appendix Table A5
[36] See Appendix Table A6

4.2.2 Income and savings

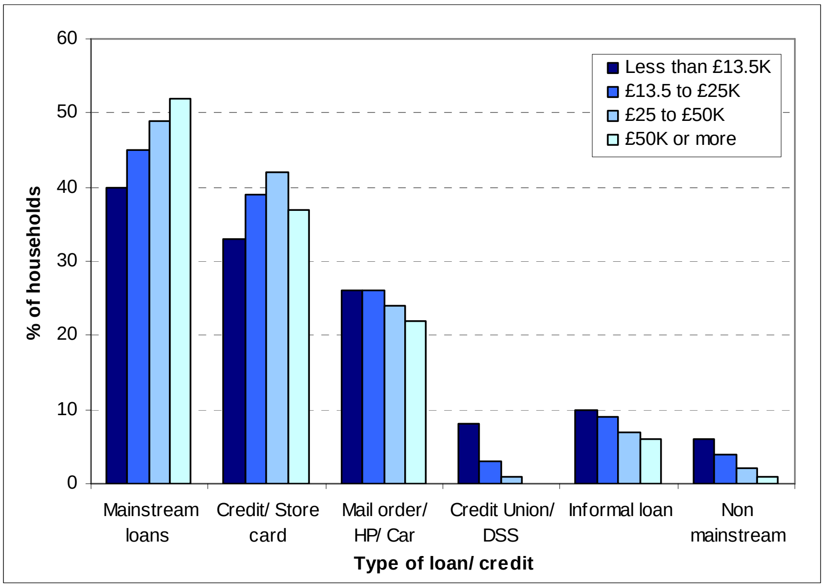
There was little variation in the use of unsecured credit with household income but unsurprisingly there was a strong inverse relationship between credit use and the level of household savings. Four-fifths of households (80%) with savings of less than £1,000 and 86% of those with zero savings had some form or unsecured credit, compared with 47% of households with savings of £10,000-£20,000 and 31% of those with £20,000 or more. A similar pattern was seen for the likelihood of having large numbers of credit commitments.

Although the likelihood of using unsecured credit did not vary with household income, the likelihood of having a high level of debt tended to increase with income. Some 38% of households with an annual income of £50,000 or more had unsecured debts of £10,000 or more, compared with 18% of households in the lowest income group. Levels of debt were also high for households with zero savings (36% owed £10,000 or more).

As would be expected, debt-to-income ratios were more strongly associated with household income, with higher ratios for low-income households. Some 42% of low-income households with unsecured credit had a debt-to-income ratio of 60% or more, compared with 19% overall. There was again a strong association between high levels of debt and household savings – more than a quarter (28%) of households with zero savings had a very high debt-to-income ratio, and this decreased to 6% among borrowing households with savings of £10,000 or more. Households containing an unemployed adult were also much more likely than average to have a high debt-to-income ratio – 32% had a ratio of 60% or more compared with 19% for the sample as a whole.

In terms of product types, the likelihood of using the two major types of unsecured credit – mainstream loans and credit or store cards – increased with household income (Figure 4.5). By contrast, the likelihood of holding the other four categories of unsecured credit tended to decrease as household income increased. The inverse relationship with income was most marked for the category combining DSS/Social Fund and Credit Union loans and for non-mainstream loans (pawnbrokers, home-collected credit and payday loans).

Figure 4.5: Types of unsecured credit by gross annual household income



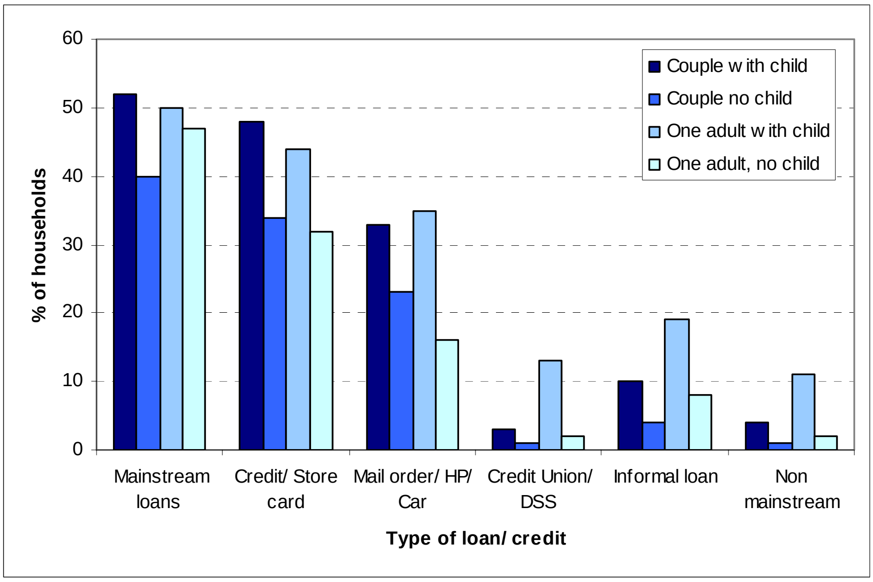
4.2.3 Household composition

Household composition can be an important factor in credit use, particularly the additional financial burden associated with children. The data shows that around three-quarters of households with children (74% of couples with children and 78% of lone parents with children) had some form of unsecured credit, compared with 64% of single-adult households and 59% of couples without children.

There was relatively little variation in the incidence of high levels of debt by household composition but differences in the debt-to income ratio were more marked. One-quarter (26%) of lone-parent households and 24% of single-adult households with unsecured debts had a debt-to-income ratio of 60% or more, compared with about 17% of households containing a couple with or without children.

Figure 4.6 highlights the above-average levels of credit use by households with dependent children. There is particular interest in the use of non-mainstream loans, such as home-collected loans, payday loans and credit from pawnbrokers, which tend to have higher interest rates. These were particularly common among lone-parent households (11%, compared with 3% overall) as were informal loans from family and friends (19%, compared with 7% overall) and loans from DSS/ Social Fund or a Credit Union (13%, compared with 2% overall).

Figure 4.6: Types of unsecured credit by household composition



4.3 Demand for credit

Credit is an important feature of modern living but it can become problematic if it is relied upon to pay for everyday expenses. Around one-tenth of respondents (11%) said that they (or their partner) used credit or store cards or an overdraft to pay for everyday living expenses 'all the time', and a further 15% used credit for living expenses 'once in a while'. Families with children were more likely than others to use credit for everyday expenses – 15% of couples with children and 16% of single adults with children used credit for everyday expenses 'all the time'.[37]

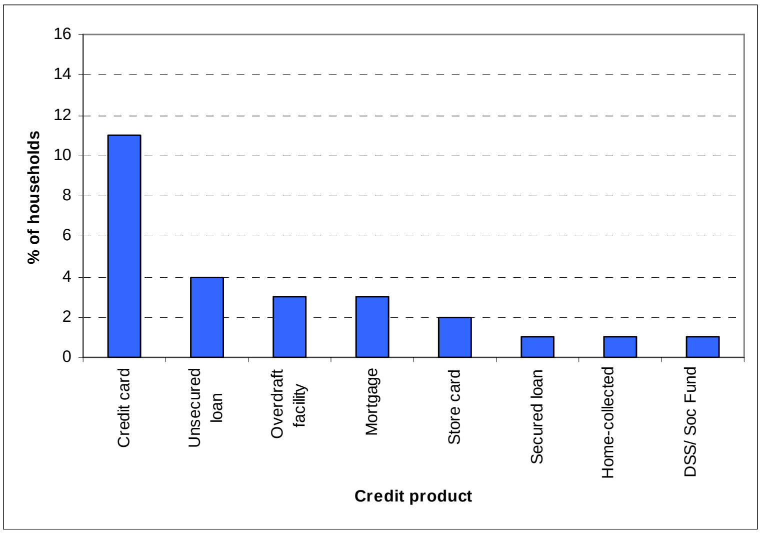
It is important to monitor consumer demand for credit (proxied here through applications) and how well this is being met (through approval of applications), particularly given the macroeconomic context between July 2008 and July 2009.

[37] See Appendix Table A7

4.3.1 Applications for unsecured credit

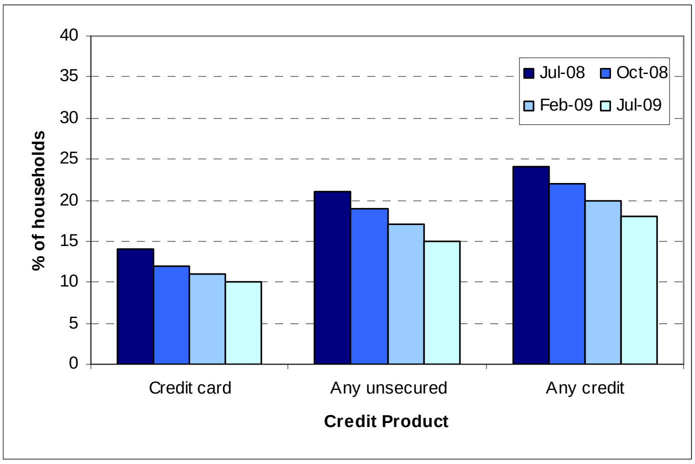
The DebtTrack surveys provide data on demand for credit by means of questions about applications for credit products in the last 6 months. Overall, one-fifth of respondents (21%) had applied for one or more credit products in the preceding six months. Looking across all four rounds of the survey, applications for a credit card were the most common (11% of respondents) followed by applications for personal loans (4%) and then overdrafts and mortgages (3%, see Figure 4.7). [38]

Figure 4.7: Applications for credit products in the previous 6 months



There is some evidence of a fall in applications for credit over the period of the survey, from July 2008 through to July 2009, as shown in Figure 4.8. The proportion of respondents who had recently applied for an unsecured credit product decreased from 21% in July 2008 to 15% in July 2009; applications for credit cards reduced from 14% to 10% over the same period.

Figure 4.8: Household applications for credit products: July 2008 to July 2009



Applications for both secured and unsecured credit products were associated with household income. Households with an annual income of £50,000 or more were most likely to seek credit (see Table 4.3) – 23% had applied for any form of unsecured credit and 7% for a secured loan, compared with averages of 18% and 4% respectively. This association differed from

[38] For further detail, see Appendix Table A8

that for existing credit holdings, where there was no difference between income bands in the level of use of unsecured credit.[39] Applications for unsecured credit were also more common among lone-parent households (28%) and respondents aged 18-39 (23%); both of these groups were characterised by high existing credit use.

Table 4.3: Applications for credit products in last 6 months by selected household characteristics

		Credit or store card	Personal loan or overdraft	Home-collected, DSS, payday loan	Any unsecured loan	Any secured loan	*Base = 100%*
Annual household income							
Less than £13,500	%	9	7	5	18	1	*2,026*
£13,500 to £25,000	%	13	7	2	19	3	*2,626*
£25,000 to £50,000	%	15	6	1	19	5	*3,876*
£50,000 or more	%	18	7	0	23	7	*1,985*
DK/ NA	%	10	4	1	14	3	*3,619*
Age of respondent *							
18 to 24	%	15	11	3	24	3	*1,225*
25 to 39	%	16	8	2	23	6	*2,995*
40 to 54	%	11	5	3	17	4	*2,767*
55 or over	%	8	2	1	11	1	*3,818*
Household composition							
Couple, with child(ren)	%	16	7	2	22	5	*3,088*
Couple, no child	%	11	4	1	15	4	*6,152*
One adult with child(ren)	%	16	11	7	28	4	*619*
One adult, no child	%	13	7	2	18	2	*4,192*
All households	**%**	**13**	**6**	**2**	**18**	**4**	*14,132*

* Rounds 2 to 4 only

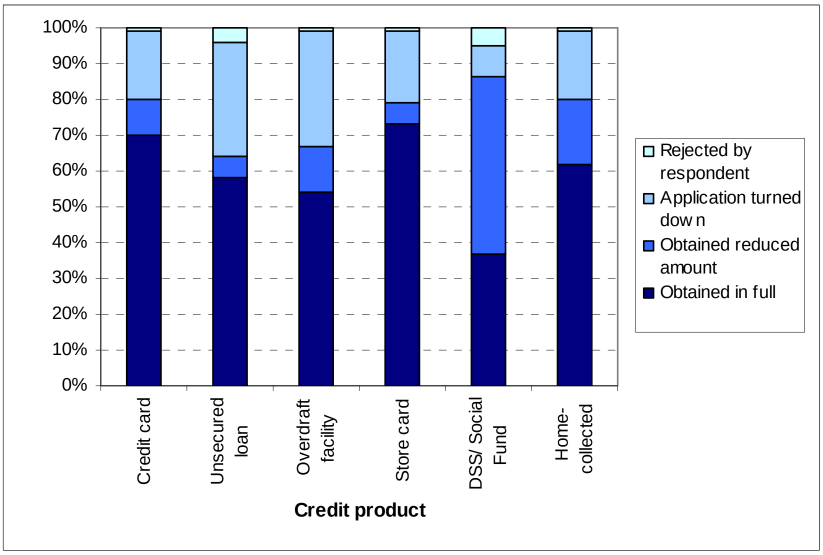
Higher-income groups were particularly likely to have applied for a credit or store card (18%, compared with 13% overall). Lone-parent households had above-average rates of applications for most types of unsecured credit but particularly for personal loans and overdrafts (11%, compared with 6% overall) and non-mainstream and DSS loans (7%, compared with 2% overall). This difference could reflect preferences for different types of credit product that better suit certain circumstances or possibly a perception among different groups about the likelihood of having their application for certain products approved.

4.3.2 Outcome of applications

The outcome of applications for each type of unsecured credit is shown in Figure 4.9.[40] Applications for unsecured personal loans and overdrafts were the most likely to have been rejected (32% in each case). Credit and store card applications were most likely to have been agreed for the full amount (70% and 74% respectively), whereas DSS/ Social Fund loans were most likely to have been agreed for a reduced amount (50% of applications).

[39] For further detail, see Appendix Table A3
[40] For further detail, see Appendix Table A9

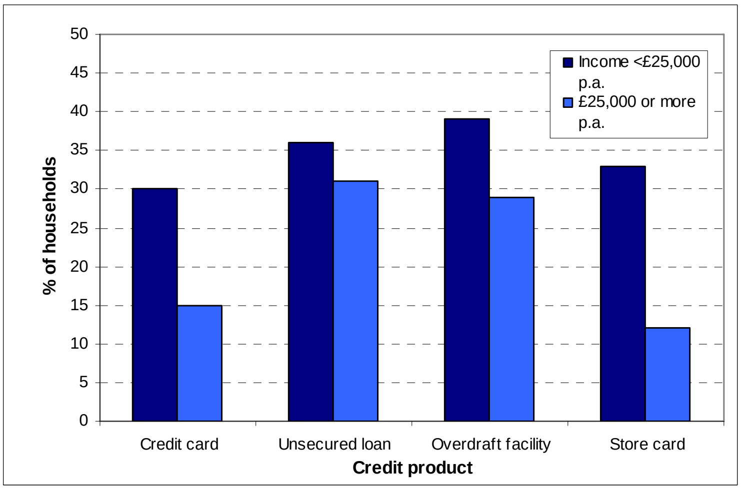
Figure 4.9: Outcome of applications for unsecured credit



The likelihood of having loan applications rejected for the main types of credit product was inversely associated with income. Households with lower income levels[41] were consistently more likely than those with higher income to have their credit application rejected, as shown in Figure 4.10.[42] The difference was particularly marked for credit and store card applications.

Although the likelihood of having an application rejected showed some variation by age and household composition, the pattern was not consistent across all product types. However, younger respondents (aged 18-39) appeared more likely than older groups to have their applications for credit cards, store cards and unsecured loans rejected.

Figure 4.10: Percentage of applications for main credit products that were rejected, by gross annual household income



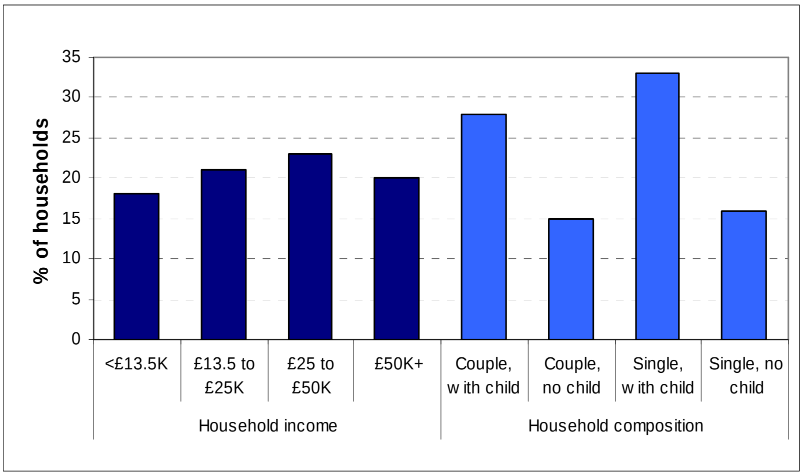
4.3.3 Use of credit for consolidation

Around one-fifth of respondents (19%) had used one or more of their credit products[43] to refinance or pay off other borrowing. The likelihood of having done this was greater for families with children than for other households; 28% of couples with children and 33% of

[41] Here defined as those with a gross household annual income of less than £25,000
[42] For further detail, see Appendix Table A10
[43] Including secured loans

lone-parent households had used credit to refinance other borrowing. The rate did not, however, vary systematically with household income (see Figure 4.11).[44]

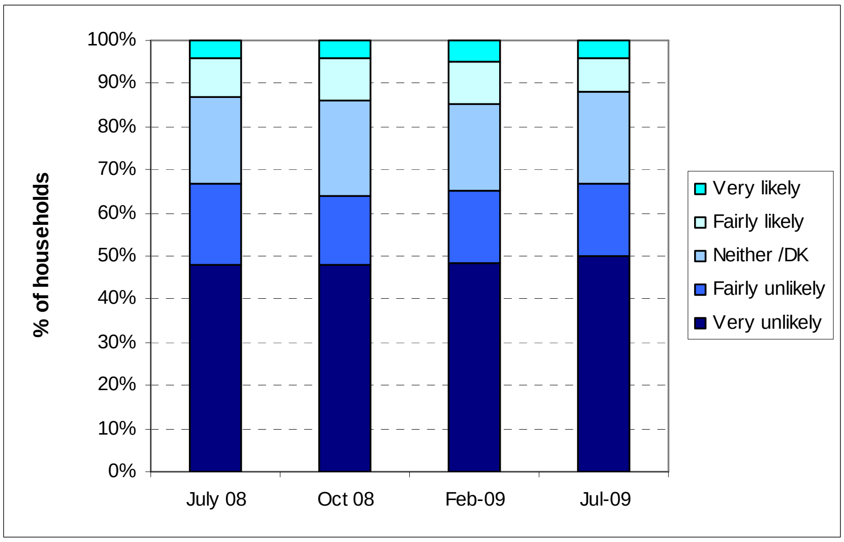
Figure 4.11: Use of credit for consolidation by household income and composition



4.3.4 Future demand for credit

The demand for credit appears unlikely to increase substantially in the near future (Figure 4.12). Only 13% of respondents said that they were 'likely' or 'very likely' to need to borrow money over the next six months; two-thirds (66%) of respondents said they were 'unlikely' or 'very unlikely' to need to borrow more. There was little change in responses over the period of the survey, although there were possible indications of a decrease in likely demand between February and July 2009, mirroring the fall seen in credit applications over this period.[45]

Figure 4.12: Likelihood of needing to borrow more money in next 6 months: July 2008 to July 2009

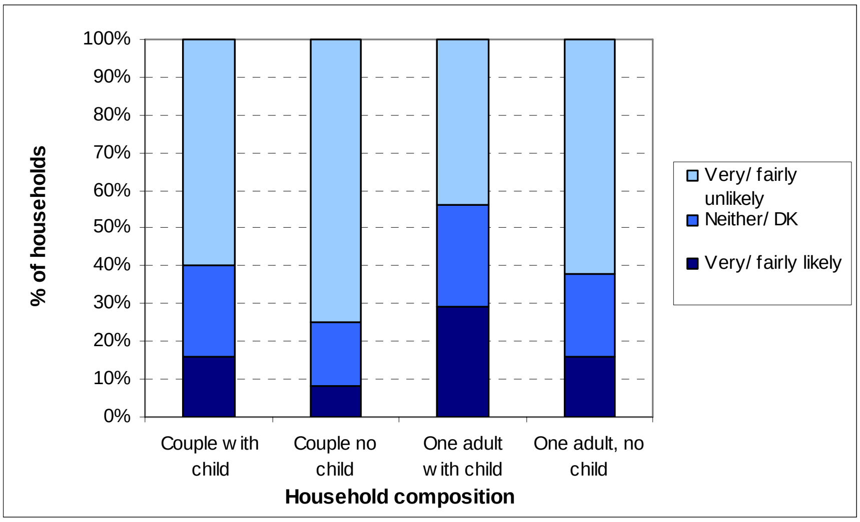


The aggregate data masks substantial differences in expectations among certain sections of the population. Lone-parent households were more likely than others to say that they were fairly or very likely to need to borrow more money (29%), as shown in Figure 4.13, as were the households of younger respondents (25% of those age 18-24) and households in which the

[44] For further detail, see Appendix Table A7
[45] For further detail, see Appendix Table A11

respondent and/or partner was unemployed (24%).[46] The associations with household composition and age were broadly similar to those seen for credit applications made in the previous 6 months. There was, however, an inverse relationship between income and the likelihood of needing to borrow more – low-income groups were more likely to say that they might need to borrow more. This is the reverse of the association seen for credit applications, highlighting perhaps the difference between a 'need' for credit and exercising a choice to apply for different products

Figure 4.13: Likelihood of needing to borrow more money in next 6 months by household composition



[46] For further detail, see Appendix Table A12

5 The extent of over-indebtedness

5.1 Suggested indicators of over-indebtedness

There is no universal agreement on the definition of the indicators that should be used to measure consumer over-indebtedness. In 2004, Oxera defined an over-indebted household or individual as one where 'households or individuals are in arrears on a structural basis, or are at a significant risk of getting into arrears on a structural basis'.[47] Based on this definition, five indicators of financial difficulties were explored using data from the 2004 MORI Financial Services Survey. The indicators cover different aspects of over-indebtedness, identifying either those who are currently experiencing financial difficulties (arrears indicator) or those who might be at significant risk of problems (burden and credit commitments). For each indicator a threshold was identified which might be consistent with arrears 'on a structural basis'. Most of the indicators are based on objective measures of arrears or level of debt but a subjective measure based on individuals' perception of their situation is also included. The five indicators are as follows:

Arrears Indicator

- Individuals/Households in arrears on a credit commitment and/or a domestic bill for more than 3 months.

Burden Indicators

- Those spending more than 25% of their gross monthly income on repayments of unsecured debt.
- Those spending more than 50% of gross monthly income on repayments of all debt (unsecured and secured).
- Those saying that their commitments are a 'heavy burden'.

Credit Commitments Indicator

- Those with four or more separate credit commitments.

A more recent review of the available literature on over-indebtedness[48] concludes that a more precise definition derives from the German Federal Ministry, which defines 'over-indebtedness' as: "…when [a household's] income, in spite of a reduction in the living standard, is insufficient to discharge all payment obligations over a longer period of time." This is interpreted as circumstances where the household's credit-financed spending plans are inconsistent with its potential income stream. This approach presents a challenge to progress in terms of analysis, as the main components of the definition remain undefined (e.g. potential income stream, minimum living standard).

5.2 Latest findings

This section presents results from the DebtTrack sample for the over-indebtedness indicators used as the basis for comparisons since 2004. These results relate to the period from July 2008 to July 2009. Longer term trends are discussed in the next section (5.3) by comparison with results from earlier surveys. Section 5.4 then presents information on the extent of overlaps between the different over-indebtedness indicators. Other possible indicators of financial difficulties are explored in Section 6.

5.2.1 Arrears indicator

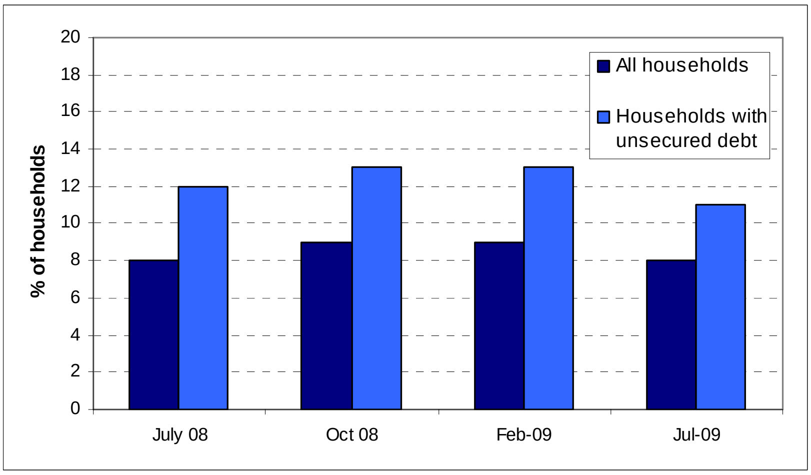
Questions about arrears on current bills and payments are considered to be a strong objective indicator of current financial difficulties. Respondents to the DebtTrack surveys were asked

[47] http://www.oxera.com/main.aspx?id=1425
[48] http://www.bis.gov.uk/files/file49248.pdf

directly about whether they (or their partner) were currently behind with any payments on bills or credit commitments and, if so, whether they had been behind with any payments for more than three months. The latter measure was used to identify households that were in 'structural' arrears, i.e. excluding those who may have simply forgotten to pay a bill or who had delayed payment over a short period.

- **9% of households in the DebtTrack sample were identified as being in structural arrears.** The level of arrears was higher for households with some unsecured credit, at 12% on average across the four rounds of the survey.[49]
- There was little change in the proportion of households in structural arrears over the period of the survey. For households with unsecured credit there were indications that the level of arrears peaked between October 2008 and February 2009 with a slight reduction by July 2009.

Figure 5.1: Percentage of households in structural arrears: July 2008 to July 2009



5.2.1.1 Number and type of payments in arrears

Whilst evidence that a household is in structural arrears – i.e. more than 3 months behind on any bill or payment – is an indicator of over-indebtedness, it can be instructive to look at the number and type of payments in arrears. For example, evidence that a household is in structural arrears on two or three payments might give an indication of severe over-indebtedness.

- Around half of respondents with structural arrears were behind on only one payment; 4% of households were more than three months behind with two or more payments and 2% were behind with three or more payments (Table 5.1).
- Arrears on household bills and on credit payments were similarly prevalent, with around 5% of all households having arrears on each of these types of payment.

[49] For further detail, see Appendix Table A13

Table 5.1: Number and type of payments in structural arrears

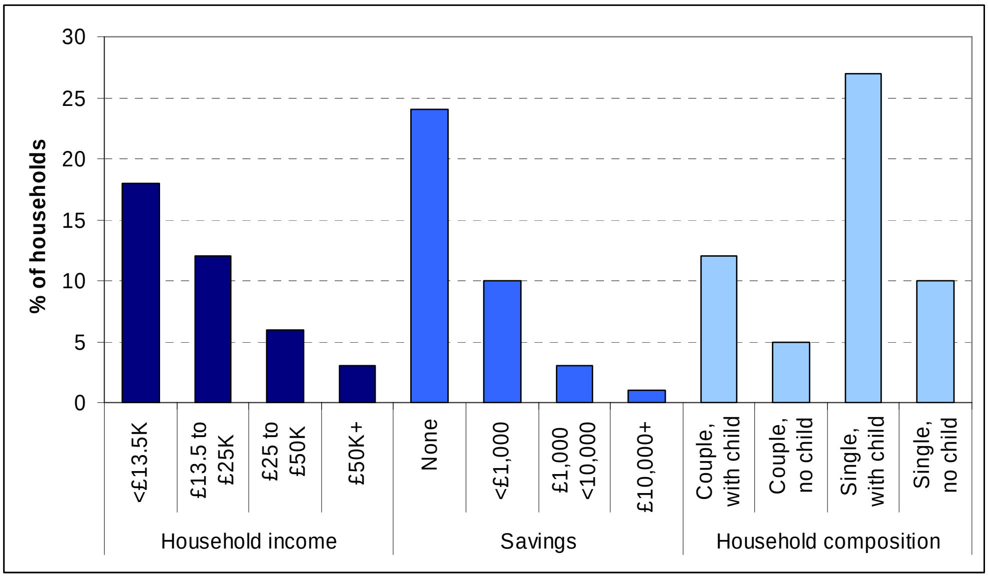
	All rounds (percentage)
More than 3 months behind with any payments (structural arrears)	9
2 or more payments in 3-month arrears	4
3 or more payments in 3-month arrears	2
Arrears on major household bills[a]	5
Arrears on any unsecured loans or credit	5
Arrears on other bills or payments	3
Arrears on mortgage payments	0
Base	*14,132*

[a] Including rent, excluding mortgage payments

5.2.1.2 Variation by household characteristics

The likelihood of being in structural arrears varied markedly for different groups of households. As might be expected, there was a strong association between income level and the incidence of arrears (as shown in Figure 5.2). Almost a fifth (18%) of households in the lowest income band[50] were in structural arrears with payments and this reduced to just 3% for households with an annual income of £50,000 or more. The prevalence of structural arrears was particularly high for households with no savings – 24%, compared with 3% or less for households with savings of £1,000 or more.[51]

Figure 5.2: Variation in the arrears indicators by household characteristics



Looking at other household characteristics, the likelihood of being in arrears was substantially above average for lone-parent households (27%), households living in rented accommodation (19%) and those where one or both adults was unemployed (22%). The rate was also above average for households experiencing a significant change in circumstances in the past year – 20% of households in which the respondent or partner had lost their job in the last 12 months were in structural arrears, as were 20% of those affected by a relationship breakdown or a new child in the household during the past year.

[50] Those with a gross annual household income of less than £13,500
[51] Further detail on variation in the incidence of structural arrears (and other indicators of over-indebtedness) are available in Appendix Table A14

The likelihood of being in arrears was significantly below average for households which owned their home outright (2%) and where the respondent was aged 55 or over (5%) as well as for households with higher annual income, as already discussed.

5.2.1.3 Multivariate analysis of variation in arrears

Although the above analysis indicates characteristics that are associated with structural arrears, it is likely that some of the characteristics discussed are themselves strongly associated with each other. For example, the high probability that households in rented accommodation are in structural arrears may be related to such households earning lower incomes. The extent to which these characteristics have independent and additive associations with the incidence of arrears can be explored using multivariate analysis, as detailed in Appendix B. The findings can be summarised as follows:

- The level of **household savings had the strongest association** with the likelihood that households were in structural arrears, **followed by household tenure.**
- All of the household characteristics used in the main analysis (shown in Appendix Table A14) apart from age were found to be independently associated with the likelihood of being in structural arrears.

5.2.2 Burden indicators

Results are presented for two different indicators of burden used to identify over-indebtedness – an objective indicator based on repayment to income ratios, and a subjective indicator based on the proportion of households who find their commitments to be a 'heavy burden'. The burden (and credit commitment) indicators are somewhat broader than the arrears indicator, in that they could potentially also cover households that might be at risk of over-indebtedness as well as those already suffering financial problems.

5.2.2.1 Repayment to income ratios

Two indicators based on the affordability of credit repayments have been considered in previous reports – households spending more than 25% of their gross monthly income on unsecured credit repayments and households spending more than 50% of gross income on total credit repayments. The DebtTrack collects relevant data on the value of credit repayments but levels of non-response to these (and other) questions on monetary amounts are relatively high, as is usually the case for self-completion surveys. Due to the incompleteness of data, it is difficult to draw conclusions about these ratios and only one is considered here – the repayment to income ratio for *unsecured* credit repayments.[52]

- When based on all households[53], about **one in twelve (8%) households were spending more than 30% of their income** to service their loans and **about one in eight (12%) were spending more than 20% of their income**. This represented 12% and 18% respectively of households with unsecured credit (Figure 5.3).[54]
- For only those households with complete information[55], one-tenth of households (10%) were spending more than 30% of their income on credit repayments; this represented 19% of households with unsecured credit (Figure 5.3).[56]

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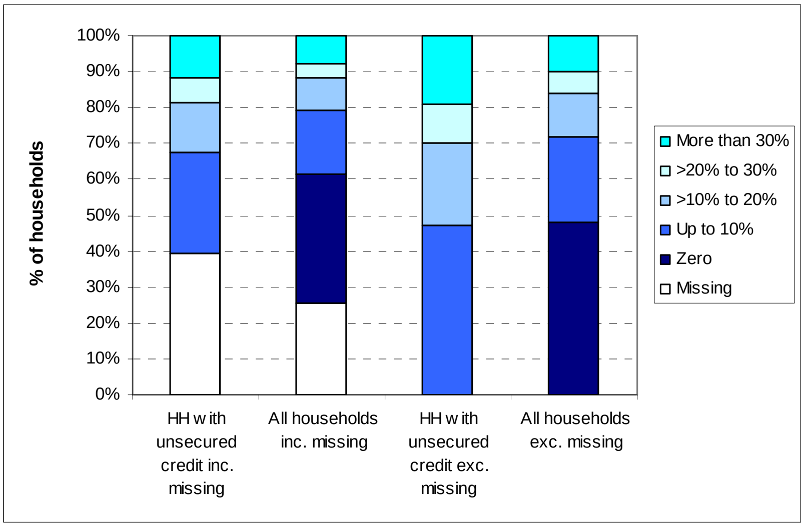
[52] The repayment to income ratio was missing for 26% of all respondents to the DebtTrack (40% of households with unsecured credit). The ratio was missing for 12% of all responding households in the 2002 DTI-MORI survey.

[53] That is, including households with missing information in the base

[54] By including all households in the base this approach implicitly assumes that households with missing data had repayment ratios below the threshold levels, so it will tend to under-state the proportion of households above the threshold. It is, however, comparable to the method of calculation used for previous surveys, which had lower levels of missing information (see also Appendix Table A15)

[55] That is, excluding households with missing information from the base

Figure 5.3: Distribution of ratio of unsecured debt repayments to income – households with unsecured credit and all households



5.2.2.2 Subjective burden indicator

A more subjective indicator of burden is based on a direct question on the extent to which respondents feel that keeping up with their bills and credit commitments is a financial burden. On the DebtTrack survey this question was asked of all households, regardless of whether they were using any form of credit.

- **15% of respondents considered that keeping up with bills and credit commitments was a heavy burden for their household** (self and partner). The level varied between 14% and 16% across the separate rounds of the survey, and there were indications of a slight improvement between February and July 2009 (see Figure 5.4).[57]

- Active users of credit were more likely to see their commitments as a heavy burden. One-fifth of respondents with any form of credit or loan (21%) felt that keeping up with their bills and credit commitments was a heavy burden.[58] This group was also more likely to perceive that keeping up with payments was 'somewhat of a burden' (49%, compared with 43% for all households).

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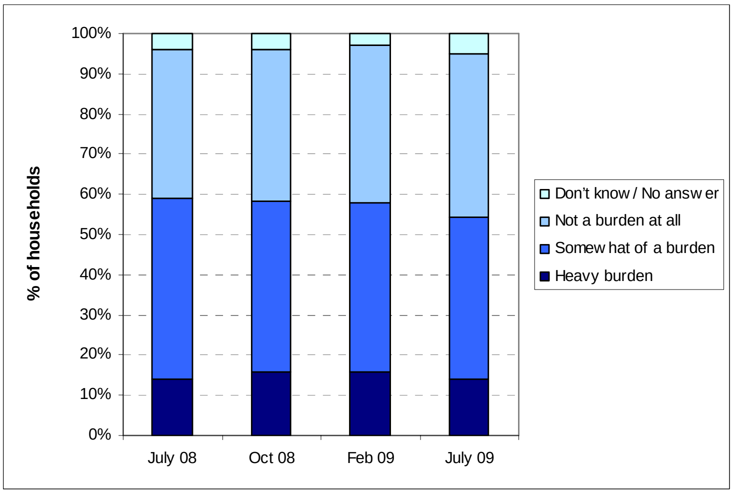
[56] These percentages are based only on those who gave relevant information, so implicitly assume that the distribution of the ratio would be similar for non-responding as for responding households. Clearly this is not known but it may be a more realistic assumption than that used above.
[57] For further detail, see Appendix Table A16
[58] For further detail, see Appendix Table A16

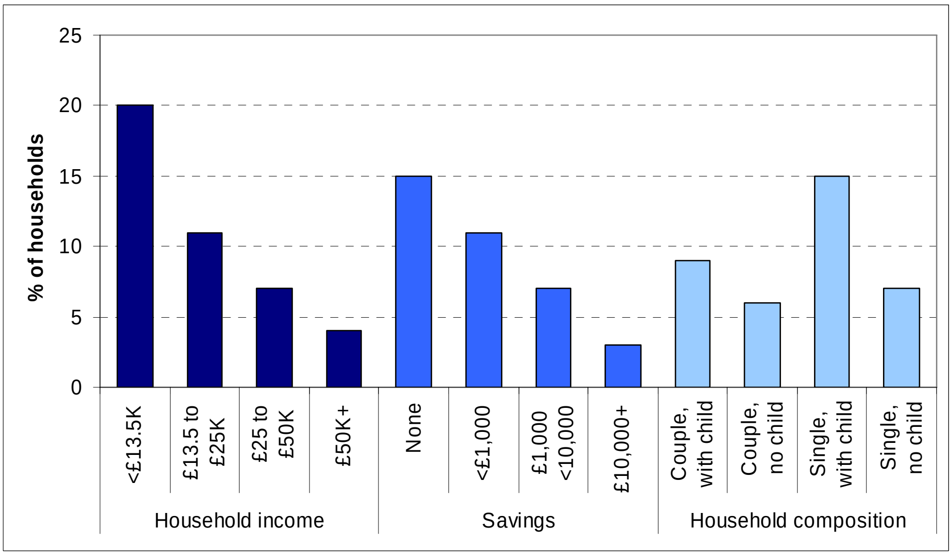
Figure 5.4: Extent to which keeping up with bills and credit commitments is a burden – all households



5.2.2.3 Variation by household characteristics

As for the arrears indicator, both of the burden indicators were inversely associated with household income and with the level of household savings.[59] For example, a quarter (25%) of households with a gross annual income of less than £13,500 said that keeping up with payments was a heavy burden, compared with 9% of those with an income of £50,000 or more. Respondents from households with zero savings were particularly likely to say that keeping up with bills and credit commitments was a heavy burden (37%) and this rate fell to 7% among households with savings of between £1,000 and £10,000, down to 2-3% for households with savings in excess of £10,000.

Figure 5.5: Variation in the repayment ratio indicator by household characteristics

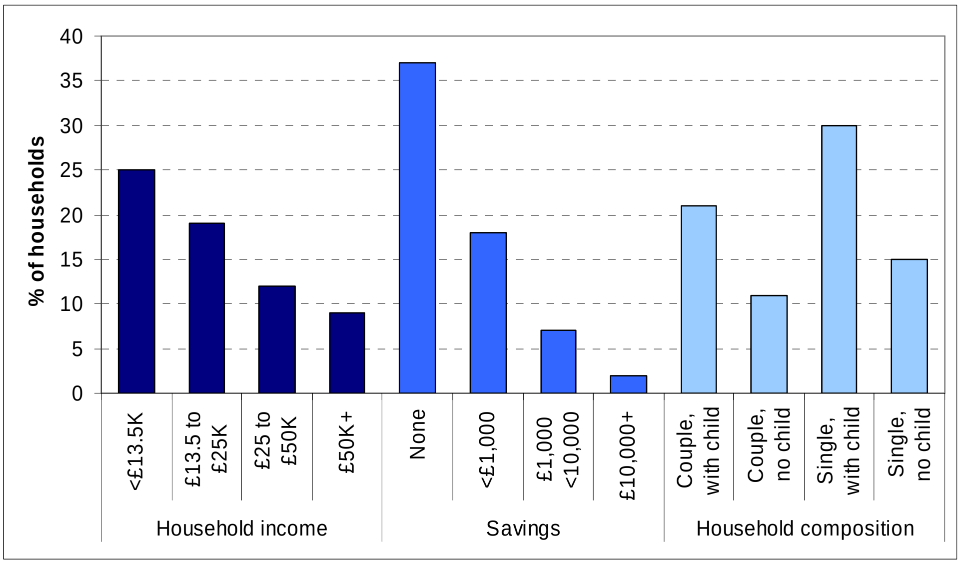


Lone-parent households had above-average rates on both of these indicators, as also seen for the arrears indicator – 30% said that keeping up with payments was a heavy burden compared with 15% overall and 15% had high repayment to income ratios, compared with 8% overall. Couples with children also had above-average levels on the subjective burden indicator (21%), as did households of respondents in the middle age bands (18% for those

[59] For further details, see Appendix Table A14

aged 25-39 and 20% for age 40-54), but these effects were not seen for the repayment indicator.

Figure 5.6: Variation in the subjective burden indicator by household characteristics



Households affected by significant changes in the past 12 months and those in which one or both adults was unemployed were also very likely to perceive their commitments as a heavy burden – 31% of those who had lost their job in the past year and 33% of households with an unemployed adult did so. Again these effects were much less evident for the repayment indicator.

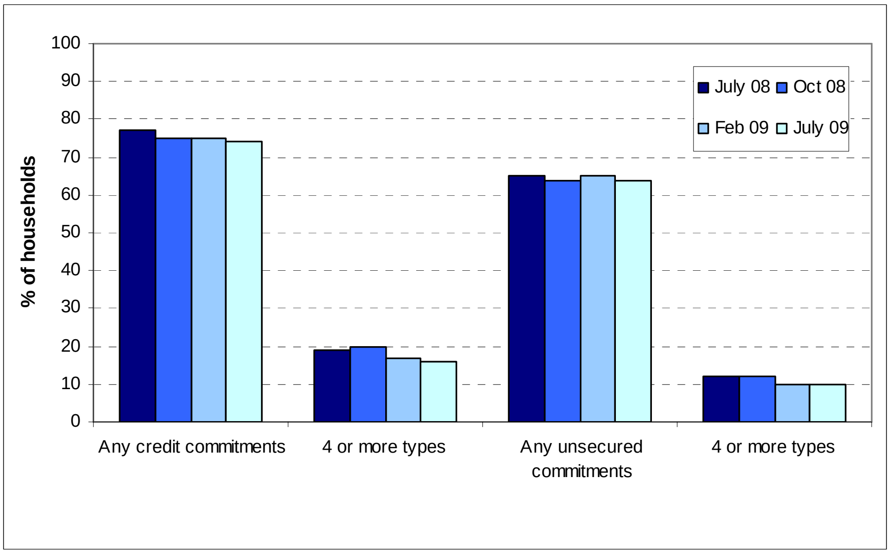
5.2.3 Credit commitments indicator

The final indicator is a simple count of the number of credit commitments. As with other measures relating to credit commitments, the count can either be based solely on unsecured credit or on all forms of credit. This measure is again not directly comparable with those from previous surveys, as the DebtTrack collects information about different types of credit commitment and not about separate loans and commitments.[60] Thus the count of credit commitments here is likely to be understated in comparison with other sources.

- Overall, the DebtTrack shows that three-quarters of households (75%) had a loan or credit commitment of some type, including mortgages. Around **18% had four or more different types of commitment** (see Figure 5.7).[61]
- Almost two-thirds of households (64%) had some form of unsecured credit and **11% had four or more different types of unsecured credit commitment**.
- There was some evidence of a decline over the period of the survey in the proportion of households with higher numbers of credit commitments. The proportion of households with four or more types of credit commitment decreased from 20% in October 2008 to 16% in July 2009; similarly the proportion with four or more types of unsecured credit commitment decreased from 12% to 10% over the same period.

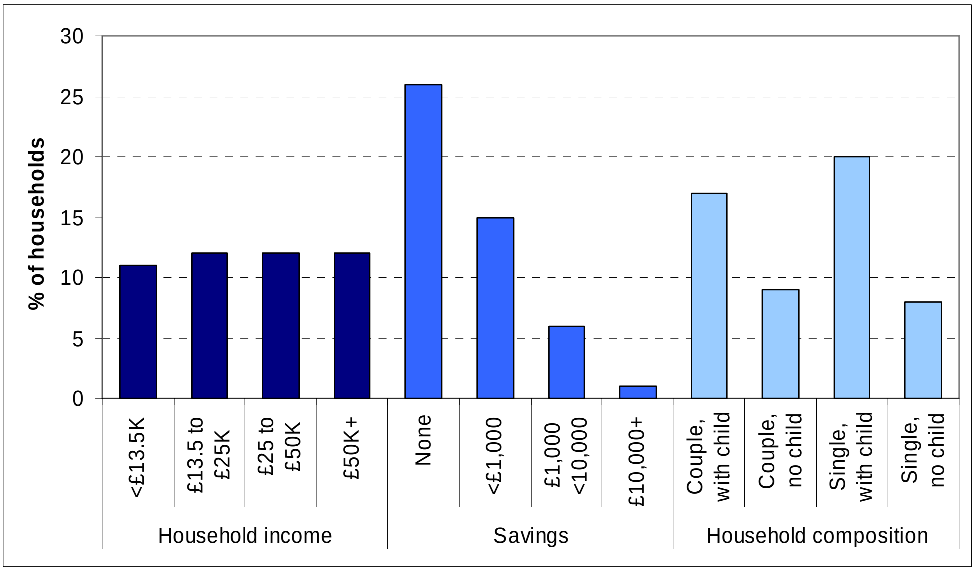
[60] The DebtTrack questionnaire included 14 different types of unsecured loan or credit: credit card, store card, unsecured personal loan, authorised overdraft, student loan, hire purchase agreement, car finance loan, credit union loan, DSS/Social Fund loan, mail order catalogue, home-collected credit, payday loan, loan from pawnbroker/cash converter, loan from family/friends.
[61] For further detail, see Appendix Table A17

Figure 5.7: Percentage of households with any credit commitments and with 4 or more types of commitment: July 2008 to July 2009



The indicator based on the number of credit commitments did not vary with household income but showed a strong inverse relationship with the level of household savings – 26% of households with zero savings and 15% of those with a very low level of savings (up to £1,000) had four or more unsecured credit commitments, compared with 2% of households with savings of £10,000 or more.[62] All households with children had above-average levels on this indicator – 20% of lone-parent households and 17% of couples with dependent children had four or more types of unsecured credit commitments. This pattern was broadly similar to that seen for the subjective burden indicator.

Figure 5.8: Variation in the credit commitments indicator by household characteristics



As also seen for the arrears indicator, households that owned their accommodation outright and older respondents (aged 55 or over) had significantly below-average rates on this indicator (2% and 6% respectively).

[62] For further details, see Appendix Table A14

5.3 Comparison of key indicators with previous reports

As already mentioned, there are considerable difficulties in trying to compare indicators derived from a range of different surveys in order to determine trends over time. In particular, the results for the MFS in 2004 are not directly comparable with the other results available, as they are based on responses for individuals rather than households or family units. These results are shown in Table 5.2 for reference but are not discussed further.

Looking across all of the indicators used, and bearing in mind the difficulties in comparing measures from different sources, there is some evidence of an increase between 2006 and 2008/9 in the proportion of households meeting the criteria for over-indebtedness (on the measures of arrears and burden). The trend from 2002 to 2006 is more difficult to determine, although there are some indications of a decrease in the proportion of households meeting the indicator on repayments on unsecured borrowing. While individual measures are affected by differences in the definitions used, the overall trends are plausible in light of the macroeconomic changes experienced over this period.

Table 5.2: Comparison of indicators of over-indebtedness

	Kempson (2002)	***MFS (2004)***	**ONS experimental data (2006)**	**DebtTrack (2008/9)**
	% of households	*% of individuals*	% of households	% of households
Arrears				
Structural arrears [a]	13	*4*	7	9 (14)
Burden				
Repayments on unsecured borrowing are more than 25% [b] of income *(missing values included in base)*	5	*8*	3	8
Repayments are a heavy burden	n/a	*4*	13 [c]	15
Unsecured credit commitments				
Four or more commitments	7	*6*	11	11 [d]
Base	*1,647*	*3,353*	*3,647*	*14,132*

[a] Measure for 2002 is 'currently behind with any payments'; for 2006 it is 'behind with two or more payments' on any account. Main figure for 2008/09 is 'more than 3 months behind'; figure in brackets is 'currently behind with payments'.
[b] DebtTrack result for >30% of income. Base includes 12% of cases with missing data for 2002 survey; 26% for DebtTrack. See discussion in Section 5.2.2.1 on the treatment of missing values.
[c] Households that contained at least one individual who identified an element of their commitments (mortgage repayments, non-mortgage repayments or bills) as a heavy burden.
[d] Number of different types of commitment for DebtTrack.

The credit commitments indicator shows a different pattern, with a clear increase between 2002 and 2006 in the proportion of households with four or more unsecured credit commitments (from 7% to 11%). This is again consistent with macroeconomic data on increasing credit use over this period. The DebtTrack data suggests a levelling off of credit use between 2006 and 2008/9. However, it is difficult to draw conclusions on this, as the latest measure is based on the number of *types* of credit used, rather than the number of separate loans or cards and so will tend to be an underestimate compared to previous indicators.

More analysis of trends will be possible once further results for wave 1 of the Wealth and Assets Survey are available, covering the period from mid-2006 to mid-2008. In addition, a second phase of the YouGov Debt Track will extend data for that survey up to summer 2010.

5.4 Overlap between the indicators

When the four indicators are viewed in combination, over a quarter (28%) of households in the DebtTrack sample breached at least one of the over-indebtedness indicators. Therefore, in addition to the 9% of households who were already in structural arrears, a further 19% were found to have breached the thresholds on at least one of the other over-indebtedness indicators.

Table 5.3: Proportion of households meeting different numbers of over-indebtedness indicators

Number of over-indebtedness indicators	Percentage of households	Cumulative percentage
None	72	72
One	17	89
Two	8	97
Three or more	3	100
*Base = 100% **	*14,132*	*14,132*

* Cases with missing information are included in the base for this analysis

As shown in Table 5.3 above, there was some overlap between the four indicators of over-indebtedness evaluated here, with 11% of all households identified on two or more of the measures. However, 17% of households were identified on only one of the four indicators. Thus, although the indicators show some associations, they clearly cover separate aspects of financial difficulties.

The likelihood of meeting one or more of the four over-indebtedness indicators showed a strong inverse relationship with household income – the proportion decreased from 45% of households in the lowest income band to 20% of those with an income of £50,000 or more. The decline was even more marked for the proportion of households meeting two or more of the indicators – from 20% to 6%. [63]

As seen in the analysis of individual indicators, households with children were most likely to meet the indicators of over-indebtedness. More than a quarter (27%) of lone-parent households met two or more indicators and half (50%) met one or more, and the rates were also above average for couples with children (15% and 36% respectively). Respondents in the middle age bands (from 25-49) were also more likely than others to meet the indicators – 34% met one or more indicator, compared with 28% across the sample as a whole. This association may be related to the higher rates for households with children.

Table 5.4 shows the degree of overlap between the separate indicators. Each column focuses on one of the four indicators and shows the percentage of that particular group of households which are identified on the other indicators.

[63] For further detail, see Appendix Table A18

Table 5.4: Overlap between over-indebtedness indicators

	Structural arrears (%)	Unsecured credit repayments>30% of income (%)	Keeping up is a heavy burden (%)	Four or more types of unsecured credit (%)	All households (%)
Structural arrears	-	18	33	25	9
Unsecured credit repayments > 30% of income	15	-	18	23	8
Keeping up is a heavy burden	55	36	-	42	15
Four or more types of unsecured credit	31	33	30	-	11
Any of the 3 burden or credit commitment indicators	67	-	-	-	25
Base = 100%	*1,242*	*1,062*	*2,109*	*1,524*	*14,132*

Looking first at the structural arrears indicator, more than half (55%) of those who were in arrears on payments felt that keeping up with bills and credit repayments was a heavy burden. Whilst this is a relatively high level, it is interesting that 45% of those experiencing such difficulties did not perceive their commitments to be a heavy burden. There was less overlap with the other indicators of financial stress; about one-third (31%) of those in structural arrears had four or more types of unsecured credit and only 15% were paying more than 30% of their income on unsecured credit repayments. Two-thirds (67%) of respondents who were already in structural arrears satisfied the criteria for at least one of the other three indicators.

There were also clear associations between the indicators relating to burden and the level of credit commitments. For example, more than two-thirds (36%) of those who had high levels of unsecured credit repayments felt that keeping up with payments was a heavy burden, as did 42% of those with 4 or more types of unsecured credit. It is clear, however, that the three indicators measure different facets of potential problems as the degree of overlap is relatively modest, being less than 50% in each case.

6 Other indicators of financial difficulties

As discussed earlier, there is no agreed definition of over-indebtedness, hence the reason for using a number of different over-indebtedness indicators. Therefore, it is not necessarily certain that these indicators will capture all of those individuals and households who are in financial difficulty or at risk of falling into over-indebtedness. Here we look at other potential measures that might give a good indication of households that are in financial difficulties and/or at risk of over-indebtedness.

6.1 Personal insolvency

A number of statutory insolvency instruments are available to individuals facing serious financial difficulty. These include bankruptcy, in which debts are written off, and Individual Voluntary Arrangements (IVAs), which are formal court-based agreements with creditors to repay an appropriate proportion of outstanding debts over a specified period of time. A further non-statutory option for dealing with debts is a Debt Management Plan (DMP), which is an informal arrangement with creditors to repay debts over time at a rate that the individual should be able to afford.

The DebtTrack surveys included questions on whether respondents were currently affected by each of these instruments or arrangements, as well as a question on whether respondents had been subject to a County Court Judgement (CCJ) or other legal proceedings in the past two years for non-payment of debts. Results by round are shown in Table 6.1.

- Although personal insolvencies have been increasing in recent years, overall prevalence is very small and only 1% of the DebtTrack sample were either declared bankrupt or subject to an IVA at the time of interview.
- Informal arrangements to pay off debts through a Debt Management Plan were more common, affecting 5% of the sample.
- A total of 7% of the sample were subject to one or other of these three instruments to deal with debts. This proportion showed little variation across survey rounds.

Table 6.1: Prevalence of statutory and informal insolvency instruments: July 2008 to July 2009

Category	**July 08 (%)**	**Oct 08 (%)**	**Feb 09 (%)**	**July 09 (%)**	**Total (%)**
Declared bankrupt	2	1	1	1	**1**
IVA	1	2	1	1	**1**
DMP	4	5	6	4	**5**
Any of the above measures	*6*	*7*	*7*	*6*	***7***
CCJ or other legal proceedings in last two years for non-payment of debts	3	3	3	2	**3**
CCJ or any of the other measures	*8*	*9*	*9*	*7*	***8***
Base	*3,328*	*3,353*	*3,804*	*3,647*	*14,132*

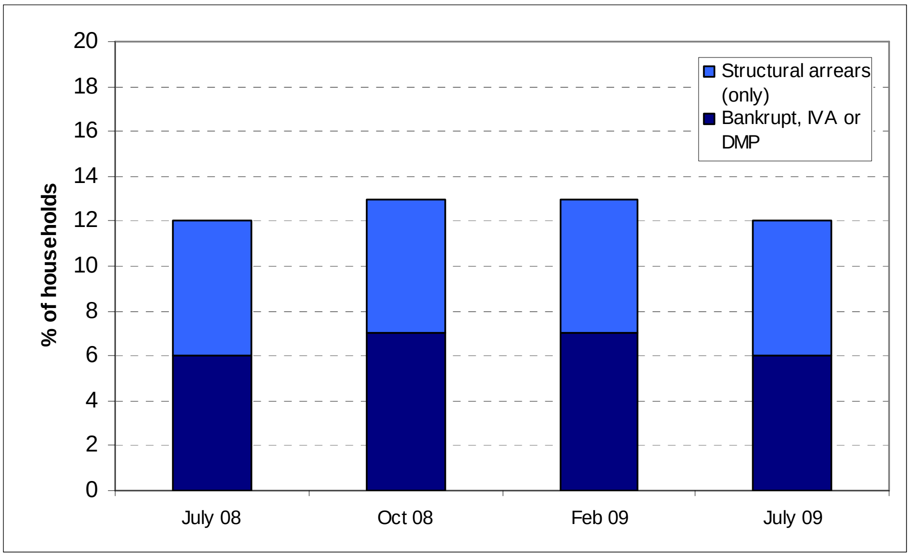
Overall, 3% of the sample had been subject to court proceedings for non-payment of debts in the two years before interview. There was substantial overlap between this group and those subject to bankruptcy, an IVA or a DMP, so the total proportion subject to an insolvency instrument or to court proceedings was just 8%.

6.2 *Composite measure of financial difficulty*

The composite measure of financial difficulties used here combines the three measures of insolvency action (bankruptcy, IVAs and DMPs) with the over-indebtedness indicator of structural arrears. The variable relating to court proceedings on non-payment of debts was not included in the measure as it relates to an event in the last two years rather than the respondent's current status, and in any case there is a high degree of overlap with insolvency action and arrears; more than three-quarters of respondents who experienced court action are included in those other categories.

- Overall, 13% of households were identified as being in financial difficulties on this composite measure (Figure 6.1).[64] Some 7% of responding households were subject to one of the statutory or informal actions on debt and a further 6% were in structural arrears on payments. Thus almost one-third of households identified previously (Section 5.2.1) as being in structural arrears were involved in statutory action or a DMP.
- Again there is some evidence of an increase during the latter part of 2008 in the proportion of households in financial difficulties, followed by a decrease from 14% to 11% in the first half of 2009.

Figure 6.1: Percentage of households in financial difficulties



A further 5% of households were behind with payments at the time of interview, but by less than three months. It is suggested that these households should not be included in an indicator of financial difficulties, as they may be experiencing only temporary problems or have simply forgotten to pay a bill on time.

6.3 *Advice on debt*

Free and impartial debt advice is a vital safety net for many vulnerable consumers, improving their ability to manage financial commitments and avoid more costly consequences.

6.3.1 Number of people seeking advice

Respondents who perceived that they had some difficulties in keeping up with bills and credit commitments were asked whether they had contacted anyone in the previous six months to

[64] For further detail, see Appendix Table A19

seek professional advice on debt problems.[65] Around 14% of respondents who had difficulties keeping up with bills and payments[66] had sought professional debt advice in the preceding six months. The data suggests that the likelihood of having sought advice may have peaked in February 2009 (at 16%) but the trend is not very strong. Overall, around 4% of all responding households had sought advice on debt in the reference period.

Table 6.2: Proportion of the sample and of those with perceived financial difficulties who had sought professional advice on debt in the previous 6 months: July 2008 to July 2009

	July 08 (%)	Oct 08 (%)	Feb 09 (%)	July 09 (%)	Total (%)
% of those who constantly struggled/ were falling behind with bills and credit commitments	14	12	16	14	**14**
Base	*686*	*813*	*956*	*803*	*3,258*
% of total sample who sought professional debt advice	3	3	5 *	4 *	**4**
Base : total sample	*3,329*	*3,353*	*3,804*	*3,647*	*14,132*

* Note that the criteria for asking this question were extended at rounds 3 and 4 and more respondents were asked this question (Rd1 – 685; Rd 2 – 813; Rd3 – 2,317; Rd4 – 2,070).

6.3.2 Reasons for not seeking advice

The main reasons for not seeking advice are shown in Table 6.3. By far the most common response was that the respondent did not feel they needed advice, given by 61% of those asked the question. Only a very small minority of respondents said that they were unaware of the services available (3%) or how to contact providers (3%) and a similar proportion had not sought advice because they felt that they had received bad advice in the past (3%).

Table 6.3: Reasons for not seeking professional advice on debt

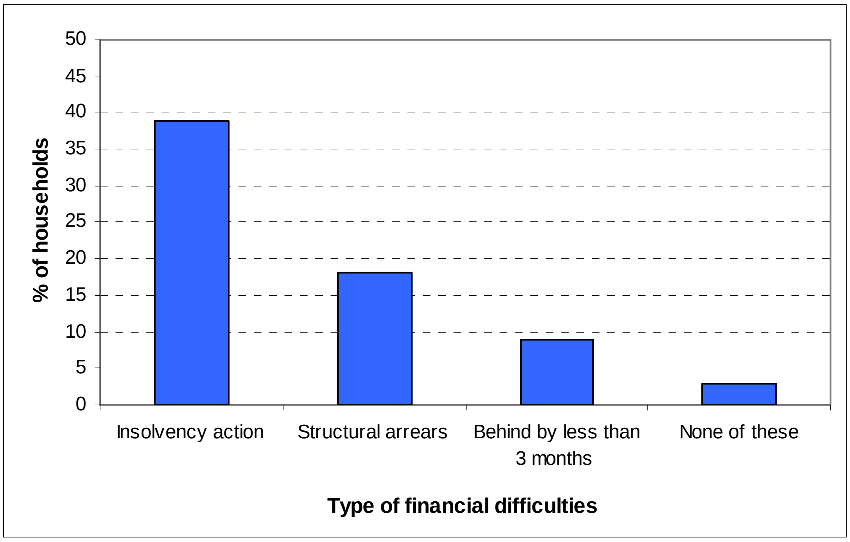
Agency	All not seeking debt advice (%)
Do not feel I/we need such advice	61
Had advice before and know what to do	7
Got advice elsewhere e.g. friend, website	7
Not got round to it yet	6
Don’t know how to contact providers	3
Had bad advice in past, don’t want to return	3
Not aware such services available	3
Base – Households which sought advice	*548*

6.3.3 Characteristics of those seeking advice

The likelihood of having sought advice on debt was strongly associated with the severity of the household’s financial difficulties, as shown in Figure 6.2.[67] Not surprisingly, households that were involved in action to deal with their debt problems were more likely than other groups to have sought professional advice on debt in the reference period – two-fifths (39%) had done so. Households in structural arrears were about half as likely to have sought advice (18%), and about one-tenth (9%) of those who were less than three months behind with any payments had done so. Some 3% of households that did not have any of these problems at the time of interview had nonetheless sought advice on debt in the past six months.

[65] The criteria for being asked this question were changed between rounds 2 and 3, so the trend shown in the upper part of Table 6.2 restricts the sample to the same group at each round.
[66] Either constantly struggled or were falling behind with payments
[67] For further detail, see Appendix Table A20

Figure 6.2: Likelihood of having sought professional advice on debt in the past 6 months by type of financial difficulties



The likelihood of having sought professional advice on debt did not vary substantially by household characteristics, for those households that were behind with payments but not involved in formal action to deal with debt.[68] Generally, sample sizes are too small to identify differences but there are indications that mortgagors were more likely than others to have sought advice – 18%, compared with 14% overall.

Making contact with creditors is an alternative way of dealing with debt problems. A much greater proportion of people with financial problems said that they had contacted their creditors rather than having sought professional advice on debt. Among those who were behind with bills or credit payments but not involved in action on insolvency, two-fifths (40%) had contacted creditors about their financial difficulties and 14% had sought professional advice on debt. Almost half (46%) of such households had taken one of these actions and 8% had done both.[69] The likelihood of having contacted creditors was somewhat higher for the small group who had sought professional advice on debt (59%), compared with those that had not sought advice (37%).[70]

6.3.4 Agencies contacted for advice

Members of the DebtTrack sample who had sought professional advice on debt were most likely to have contacted a Citizen's Advice Bureau (29%), while one-fifth (21%) contacted the Consumer Credit Counselling service (CCCS). National Debtline (14%) and the Money Advice Service (12%) were the next most frequently used agencies (Table 6.4).

[68] For further detail, see Appendix Table A21
[69] For further detail, see Appendix Table A22
[70] Table not shown for this data

Table 6.4: Agencies contacted for debt advice

Agency	All households seeking professional advice on debt (%)
Citizen's Advice Bureau (CAB)	29
Consumer Credit Counselling Service (CCCS)	21
National Debtline (NDL)	14
Money Advice Service (MAS)	12
Professional adviser (accountant, lawyer, bank)	10
Insolvency Service	4
Other advice centre	8
Base	*548*

Due to small sample numbers it is difficult to draw conclusions about possible differences in the characteristics of households using the main advice agencies.[71] Analysis suggests that respondents who used the Citizens Advice Bureaux were more likely to be in the lowest income band (less than £13,500 per annum) than users of CCCS. Also users of CCCS in this sample were more likely than the other groups to be taking formal action on debt, although this could be a consequence either of the nature of their financial difficulties or of the advice that they were given.

6.4 Subjective measures of financial stress

The DebtTrack surveys include a number of questions on respondents' perceptions of their financial situation. Apart from the question on the burden of commitments, discussed in Section 5.2, other useful questions concern the extent to which households are keeping up with bills and credit commitments and how often the household runs short of money before pay day. Results for these questions are summarised in Table 6.5.

- More than one-fifth of respondents (23%) said that they either constantly struggled to keep up with bills and payments or were falling behind with their commitments (16% and 7% respectively).
- More than one-fifth of households (22%) claimed that they struggled to last to the next pay day 'more often than not'.

Table 6.5: Subjective indicators of financial stress: July 2008 to July 2009

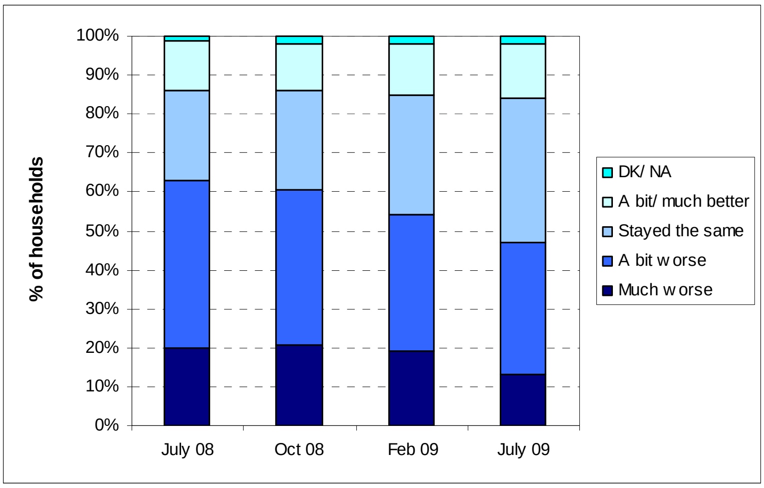
	July 08 (%)	Oct 08 (%)	Feb 09 (%)	July 09 (%)	Total (%)
Financial burden of bills and credit commitments					
Heavy burden	14	16	16	14	**15**
Keeping up with bills and commitments					
Constant struggle	15	17	17	15	**16**
Falling/ have fallen behind	6	7	8	7	**7**
Either of above	*21*	*24*	*25*	*22*	***23***
Struggle to last until next pay day					
More often than not	22	23	23	21	**22**
Base= 100%	*3,328*	*3,353*	*3,804*	*3,647*	*14,132*

All of these measures suggest a slight deterioration in public perceptions in late 2008, followed by signs of improvement between February and July 2009.

[71] For further detail, see Appendix Table A23

The evidence for an improvement in early 2009 in people's perception of their financial situation is clearly shown by the responses to a direct question about changes in the household's circumstances (Figure 6.3). Respondents were asked how their household financial circumstances had changed in the past 6 months; whether they had got much/a bit better (or worse) or had stayed the same.

Figure 6.3: Perceived change in household's financial circumstances in 6 months before interview



There was a marked reduction between July 2008 and July 2009 in those saying that their circumstances had worsened – from 20% to 13% for those saying their situation had got much worse and from 43% to 34% for those saying a bit worse.[72] There was a balancing increase in those who felt that their circumstances had stayed the same (from 23% to 37%) but little change in the proportion saying that their circumstances had improved (13% to 14%).

At each round of the survey, respondents with large numbers of credit commitments were more likely than others to say that their financial situation had got worse – 72% at round 1 compared with 63% for the sample as a whole.[73] However, credit users showed similar signs of an improvement in their financial position between July 2008 and July 2009.

Respondents with credit commitments were much more likely than others to show signs of financial stress on each of the three subjective measures considered here, and levels were particularly high for respondents with large numbers of commitments (Table 6.6). More than half (54%) of households with more than four types of unsecured credit commitments said that they struggled to reach the next pay day 'more often than not' and 42% of this group felt that keeping up with bills and credit commitments was a heavy burden.

[72] For further detail, see Appendix Table A24
[73] For further detail, see Appendix Table A25

Table 6.6: Subjective indicators of financial stress by whether households had unsecured credit commitments

	Has unsecured credit commitments (%)	Four or more types of unsecured credit (%)	No unsecured credit commitments (%)	Total sample (%)
Commitments were a heavy burden	21	42	5	15
Constantly struggled/ falling behind with bills & commitments	31	53	9	23
Struggled to reach payday 'more often than not'	30	54	8	22
Count of subjective indicators				
2 or 3	26	50	6	19
1 only	15	18	8	13
None	59	32	86	68
Base = 100%	*9,106*	*1,523*	*5,026*	*14,132*

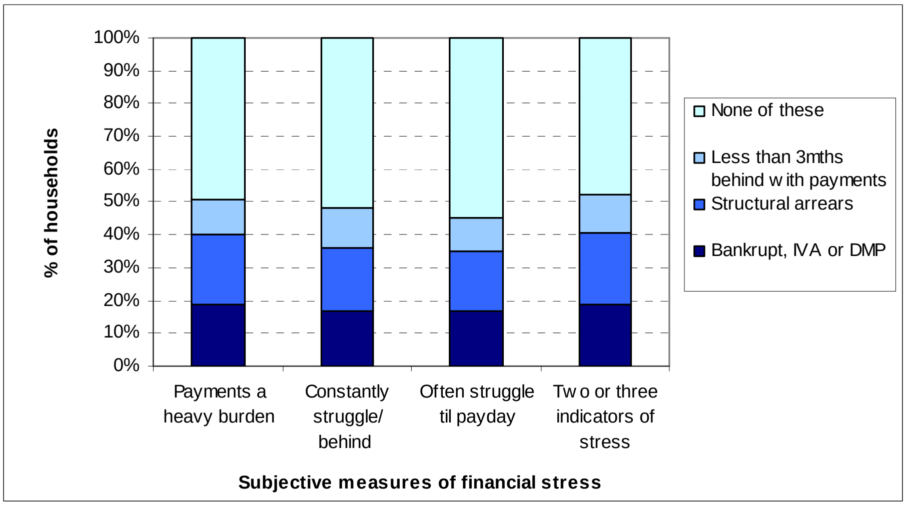
There was a high degree of overlap between these three subjective indicators of financial difficulties. Overall, one-third (32%) of respondents showed signs of stress on at least one of the measures; this compares with 13% of the sample who were identified as having severe financial difficulties on the composite measure (discussed earlier in Section 6.2). Almost one-fifth of the sample (19%) showed signs of financial stress on two or all three of the subjective measures, and 13% showed signs of stress on just one measure. As seen for the individual measures, respondents with multiple credit commitments were much more likely than others to meet this indicator. One half (50%) of households with four or more unsecured credit commitments showed signs of stress on two or more of the measures and only 32% did not show any signs of financial stress; this compares with 6% and 86% respectively for households with no unsecured credit commitments.

6.5 Overlap between objective and subjective measures

Previous research suggests that individuals' perception of their financial situation is usually worse than their actual financial position; this is also seen for the DebtTrack sample. Figure 6.4 illustrates that the subjective measures are only imprecise indicators of actual financial difficulties.[74] About half of those who perceived that they were under financial pressure (based on the three subjective indicators discussed above) were neither experiencing extreme financial difficulties, nor beginning to fall behind on payments. For example, 52% of those who said that they constantly struggled or were falling behind with their bills and credit payments were not experiencing any of these difficulties (according to objective measures elsewhere on the survey), as were 49% of those who said that their bills and credit payments were a heavy burden. Similarly, 48% of those identified as under financial stress on two or more of the subjective measures were not experiencing financial difficulties in terms of structural arrears or having taken insolvency action.

[74] For further detail, see Appendix Table A26

Figure 6.4: Objective financial difficulties of those experiencing financial stress on subjective measures

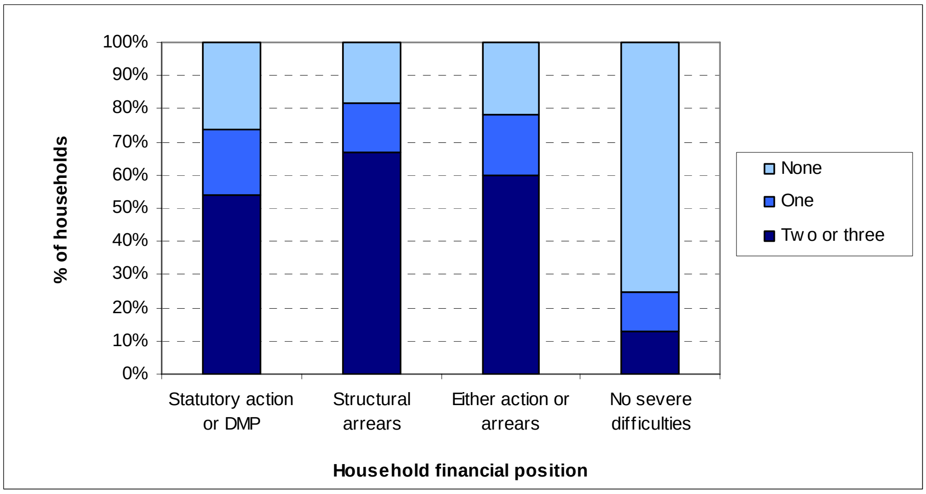


Generally, respondents in financial difficulties also perceived that they had problems according to the three subjective measures used here. Three-fifths of those involved in formal action on debt (61%) said that they constantly struggled to keep up or were falling behind with bills and payments, as did almost three-quarters of those who were in structural arrears (73%).[75] Households already involved in formal insolvency action were consistently less likely to show signs of difficulties on each of the subjective measures than those currently in structural arrears but not involved in formal action on debt. This suggests an easing of the burden of debt for those engaged in some form of insolvency action.

The close relationship between the objective and subjective measures is particularly clear when looking at the count of subjective indicators (Figure 6.5). More than four-fifths of households in structural arrears (82%) were identified as being under financial stress on at least one of the subjective measures and two-thirds (66%) on two or three of the measures. Levels were slightly lower for households involved in insolvency action, but three-quarters of this group (74%) were still identified as being under stress on at least one of the subjective measures.[76]

[75] For further detail, see Appendix Table A27
[76] For further detail, see Appendix Table A27

Figure 6.5: Number of subjective indicators of financial stress by whether the household was in financial difficulties



As the composite indicator of subjective stress is closely related to objective financial difficulties, it may also be a useful indicator of households that are under some stress but not yet exhibiting severe difficulties. About one-eighth of households that were neither involved in formal action on debt nor in structural arrears (13%) were identified as under financial stress on two or more of the subjective measures and one-quarter (25%) on one or more measures.

6.6 Indicators of risk of financial difficulties

There are a variety of measures relating to subjective financial stress and level of credit commitments which may be helpful in indicating risk of more serious financial problems. This section looks at the relationship between various possible indicators of risk of over-indebtedness that are available from the DebtTrack surveys. The analysis focuses only on households that were not in serious financial difficulties at the time of interview, so excludes those already involved in action on debt and those in structural arrears.

A number of indicators of risk have already been discussed in this report. These include the indicators of burden and large numbers of credit commitments used in previous studies of over-indebtedness (see Section 5.2) and the questions on respondents' perception of financial difficulties which are referred to as subjective indicators of stress (see Section 6.4). A further measure that can be constructed from the DebtTrack surveys uses a series of questions on payment shocks. These record respondents' views on how a hypothetical 10% or 20% increase in bills for housing costs (mortgage or rent), utilities and council tax would impact on their ability to keep up with these and other payments. Around one in eight of the sample (12%) felt that they would risk falling behind with their bills and commitments if subjected to a 20% increase in one of these payments.

These possible indicators of risk of financial difficulties are summarised in Table 6.7 below. The proportion of households identified by the measures ranges from 7% – for those whose unsecured credit repayments accounted for 30% or more of household income – to 25%, for those who perceived signs of stress on one or more of the subjective indicators of stress. The measures are much broader than an indicator based simply on whether households were falling behind with payments – just 5% of households were between one and three months behind with any payments at the time of interview.

Table 6.7: Proportion of households identified as being at risk on individual measures of stress

	All households* (%)
One or more subjective indicators of stress	25
Two or more subjective indicators of stress	13
Likely to fall behind with payments if subject to a 20% increase in major bills	12
Payments are a heavy burden	10
Four or more types of unsecured credit commitments	9
Unsecured credit repayments >30% of income	7
One month behind with payments (but not 3 months behind)	5
Base = 100%	*12,333*

* Excluding those involved in action on debt or in structural arrears

6.6.1 Overlap between financial stress indicators

There was substantial overlap between the subjective indicator of stress based on the three survey questions and the other indicators of risk considered in this section (see Table 6.8).[77] As might be expected, there was a very strong association between the subjective indicator and responses to the payment shock questions – 64% of those who thought that they would struggle with payments if they experienced a 20% increase in major bills also showed one or more subjective indicators of stress. Similarly, households that were between one and three months behind with bills or payments (so perhaps already experiencing some financial difficulties) were very likely to show signs of stress on the subjective measure – 47% on two or three indicators and 68% on one or more indicators.

The overlap with the standard over-indebtedness indicators was somewhat less strong. About a third (35%) of households spending a large proportion of their income on unsecured credit repayments[78] showed signs of financial stress on two or more of the three indicator questions and half (50%) showed signs of stress on one or more of the questions. The effect was broadly similar for households with more than four types of unsecured credit commitments – 37% showed signs of stress on two or three measures and 57% on one or more.

Table 6.8: Subjective indicators of financial stress by other indicators of risk

Number of subjective indicators of stress	Unsecured credit repayments >30% of income (%)	Four or more types of unsecured credit (%)	Likely to fall behind if a major bill increased by 20% (%)	1 month behind with payments (%)	All households* (%)
Two or three	35	37	42	47	13
One	16	20	22	21	12
None	50	43	36	32	75
Base = 100%	*820*	*1,053*	*1,469*	*657*	*12,333*

* Excluding those involved in action on debt or in structural arrears

Analysis of the overlap between these measures suggests that an indicator of financial stress and possible risk of over-indebtedness might usefully combine data on the three subjective indicators, as well as the standard objective indicators of over-indebtedness. Further analysis and discussion of such an indicator of financial stress is included at Appendix D.

[77] The perceived burden of payments is not shown, as it is used in the combined subjective indicator
[78] 30% or more of monthly income

Appendix A: Additional Tables

Table A1: Types of unsecured credit commitments: July 2008 to July 2009

	July 08 (%)	Oct 08 (%)	Feb 09 (%)	July 09 (%)	Total (%)
Credit card *	34	34	38	36	**35**
Authorised overdraft	33	31	27	24	**29**
Unsecured personal loan	23	23	22	20	**22**
Mail Order catalogue	14	16	13	12	**14**
Student loan	13	12	12	13	**12**
Car finance loan	9	9	9	9	**9**
Store card *	6	7	9	8	**7**
Loan from friends and family	7	7	7	7	**7**
Hire purchase agreement	4	4	4	3	**4**
Home collected credit	2	2	2	2	**2**
DSS/ Social Fund loan	2	2	2	2	**2**
Pay day loan	1	1	0	1	**1**
Credit Union loan	1	0	0	1	**0**
Loan from a pawnbroker/ cash converter	0	0	0	0	**0**
Any non-mainstream: home-collected, payday, pawnbroker	*3*	*3*	*3*	*2*	***3***
Other loans	1	1	1	1	**1**
Base	*3,328*	*3,353*	*3,804*	*3,647*	*14,132*

* Balance not repaid in full each month and an amount currently outstanding.

Table A2: Average debt for each type of unsecured credit: rounds 1-4 combined

	Mean (£)	Median (£)	10th percentile (£)	90th percentile (£)	*Base*	*% missing*
Student loan	10,100	7,500	3,000	16,500	*1,095*	*36%*
Unsecured personal loan	7,800	4,500	800	15,000	*2,064*	*34%*
Car finance loan	5,400	3,500	1,500	10,500	*795*	*38%*
Credit card	4,400	2,500	200	8,500	*3,331*	*33%*
Loan from friends and family	3,700	1,500	200	7,500	*695*	*30%*
Hire purchase agreement	2,400	800	200	7,300	*311*	*41%*
Authorised overdraft	1,400	800	200	3,000	*2,372*	*41%*
Credit Union loan	*1,400*	*800*	*200*	*3,000*	*45*	*37%*
Home collected credit loan	900	400	200	1,500	*199*	*31%*
Store card	800	300	100	2,500	*585*	*43%*
Mail Order catalogue	600	300	100	1,500	*1,321*	*32%*
Pay day loan	600	300	100	1,500	*50*	*36%*
Loan from a pawnbroker/ cash converter	*400*	*200*	*100*	*1,500*	*26*	*37%*
DSS/ Social Fund loan	400	200	100	800	*148*	*42%*
“Other” loans	10,600	3,000	300	25,400	*64*	*50%*
All unsecured loans	8,700	4,300	300	19,900	*6,382*	*30%*

Notes: Values are based on using the mid-point of banded amounts. They are shown rounded to the nearest £100. Products with small sample sizes (less than 50) are shown in italics.

Table A3: Use of unsecured credit and number of commitments by selected household characteristics: rounds 1-4 combined

		All with some unsecured credit commitments	4 or more types of unsecured credit commitment	*Base = 100%*
Annual household income				
Less than £13,500	%	65	11	*2,026*
£13,500 to £25,000	%	66	12	*2,626*
£25,000 to £50,000	%	68	12	*3,876*
£50,000 or more	%	66	12	*1,985*
DK/ NA	%	59	7	*3,619*
Household savings				
Zero	%	86	26	*3,080*
£1 < £1,000	%	80	15	*2,046*
£1,000 < £10,000	%	65	6	*3,383*
£10,000 < £20,000	%	47	2	*886*
£20,000 or more	%	31	1	*1,528*
Not known	%	53	6	*3,210*
Housing tenure				
Mortgage	%	73	14	*5,515*
Owned outright	%	39	2	*3,598*
Rented	%	76	16	*3,664*
Rent free/ other	%	68	9	*1,217*
Household composition				
Couple, with child(ren)	%	74	17	*3,088*
Couple, no child	%	59	9	*6,152*
One adult with child(ren)	%	78	20	*619*
One adult, no child	%	64	8	*4,192*
Age of respondent *				
18 to 24	%	73	10	*1,225*
25 to 39	%	76	16	*2,994*
40 to 54	%	68	12	*2,767*
55 or over	%	50	6	*3,817*
Unemployment				
One or both adults unemployed	%	68	14	*697*
Other	%	64	11	*13,266*
All households	%	64	11	*14,132*

* Rounds 2 to 4 only

Table A4: Proportions of the sample with high levels of unsecured debt by selected household characteristics: rounds 1-4 combined

	Unsecured debts of £10,000 or more (%)	Unsecured debts of £20,000 or more (%)	*Base **
Annual household income			
Less than £13,500	18	5	*1,102*
£13,500 to £25,000	26	9	*1,455*
£25,000 to £50,000	31	12	*2,191*
£50,000 or more	38	15	*1,129*
Not known	23	8	*1,050*
Household savings			
Zero	36	15	*2,176*
£1-£1,000	29	10	*1,384*
£1,000-£10,000	26	8	*1,912*
£10,000 or more	18	4	*735*
Not known	16	5	*721*

Housing tenure			
Mortgage	30	13	*3,062*
Owned outright	14	4	*1,065*
Rented	28	10	*2,173*
Rent free/ other	38	8	*617*
Household composition			
Couple, with child(ren)	29	11	*1,711*
Couple, no child	27	11	*2,731*
One adult with child(ren)	21	8	*401*
One adult, no child	30	8	*2,065*
Age of respondent [a]			
18 to 24	45	10	*684*
25 to 39	33	13	*1,803*
40 to 54	23	10	*1,430*
55 or over	19	8	*1,439*
All households	28	10	*6,928*

* Bases exclude cases with missing data.

[a] Rounds 2 to 4 only

Table A5: Proportion of households with an unsecured debt-to-income ratio of 60% or more by selected household characteristics: rounds 1-4 combined

	Unsecured debt-to-income ratio of 60% or more (%)	*Base = 100%: Households with unsecured credit **
Annual household income		
Less than £13,500	42	*1,089*
£13,500 to £25,000	24	*1,454*
£25,000 to £50,000	11	*2,189*
£50,000 or more	5	*1,129*
Household savings		
Zero	28	*1,928*
£1-£1,000	20	*1,244*
£1,000-£10,000	14	*1,692*
£10,000 or more	6	*673*
Housing tenure		
Mortgage	15	*2,631*
Owned outright	13	*886*
Rented	27	*1,865*
Rent free/ other	20	*473*
Household composition		
Couple, with child(ren)	17	*1,493*
Couple, no child	16	*2,305*
One adult with child(ren)	26	*346*
One adult, no child	24	*1,705*
Age of respondent [a]		
18 to 24	31	*537*
25 to 39	17	*1,557*
40 to 54	17	*1,213*
55 or over	21	*1,217*
Unemployment		
One or both adults unemployed	32	*295*
Other	18	*5,550*
All households	19	*5,861*

* Bases exclude cases where the ratio could not be calculated because of missing data

[a] Rounds 2 to 4 only

Table A6: Types of credit product by selected household characteristics: rounds 1-4 combined

		Mainstream loans	Credit/ Store cards	Mail order/ Hire Purchase/ Car finance	Credit Union/ DSS loan	Informal loan	Non main-stream	*Base = 100%*
Annual household income								
Less than £13,500	%	40	33	26	8	10	6	*2,026*
£13,500 to £25,000	%	45	39	26	3	9	4	*2,626*
£25,000 to £50,000	%	49	42	24	1	7	2	*3,876*
£50,000 or more	%	52	37	22	0	6	1	*1,985*
DK/ NA	%	40	32	20	2	5	2	*3,619*
Housing tenure								
Mortgage	%	54	47	27	1	7	1	*5,515*
Owned outright	%	21	21	15	0	1	0	*3,598*
Rented	%	53	40	29	7	12	7	*3,664*
Rent free/ other	%	57	29	14	1	10	2	*1,217*
Household composition								
Couple, with child(ren)	%	52	48	33	3	10	4	*3,088*
Couple, no child	%	40	34	23	1	4	1	*6,152*
One adult with child(ren)	%	50	44	35	13	19	11	*619*
One adult, no child	%	47	32	16	2	8	2	*4,192*
Age of respondent [a]								
18 to 24	%	64	24	14	2	11	3	*1,225*
25 to 39	%	56	47	24	2	11	3	*2,994*
40 to 54	%	43	42	29	3	8	4	*2,767*
55 or over	%	29	30	21	1	2	1	*3,817*
Unemployment								
One or both adults unemployed	%	42	36	25	8	14	5	*697*
Neither unemployed	%	46	37	23	2	7	3	*13,266*
All households	%	45	37	23	2	7	3	*14,132*

[a] Rounds 2 to 4 only

Table A7: Use of credit by selected household characteristics: rounds 1-4 combined

		Reliance on credit for everyday expenditure			Use of credit (inc. mortgage) for debt consolidation	*Base = 100%*
		All the time	Once in a while	Either		
Annual household income						
Less than £13,500	%	13	15	*28*	18	*2,027*
£13,500 to £25,000	%	13	15	*28*	21	*2,627*
£25,000 to £50,000	%	12	17	*29*	23	*3,876*
£50,000 or more	%	10	13	*23*	20	*1,986*
Age of respondent [a]						
18 to 24	%	10	12	*22*	14	*1,224*
25 to 39	%	14	18	*32*	25	*2,994*
40 to 54	%	14	16	*30*	23	*2,768*
55 or over	%	7	11	*18*	12	*3,817*
Household composition						
Couple, with child(ren)	%	15	19	*35*	28	*3,088*
Couple, no child	%	9	13	*22*	15	*6,152*
One adult with child(ren)	%	16	18	*34*	33	*618*
One adult, no child	%	11	13	*24*	16	*4,192*

All households	%	11	15	*26*	19	*14,132*

[a] Rounds 2 to 4 only

Table A8: Applications for credit/ loans in last 6 months: July 2008 to July 2009

	July 08 (%)	Oct 08 (%)	Jan 09 (%)	July 09 (%)	Total (%)
Credit card	14	12	11	10	**11**
Store card	2	2	2	2	**2**
Unsecured loan	4	4	4	3	**4**
Overdraft facility	3	3	3	2	**3**
Home-collected credit	0	1	1	1	**1**
DSS/ Social Fund loan	1	1	1	1	**1**
Pay day loan [a]			0	0	
Secured loan	1	0	1	1	**1**
Mortgage	4	4	2	3	**3**
Any unsecured credit	21	19	17	15	**18**
Any secured credit	4	4	3	3	**4**
Any secured or unsecured credit	24	22	20	18	**21**
Base	*3,328*	*3,353*	*3,804*	*3,647*	*14,132*

[a] Only included from round 3

Table A9: Outcome of application for unsecured credit: rounds 1-4 combined

		Obtained product for full amount	Obtained product for reduced amount	Application was rejected	Respondent decided against	*Base = 100% **
Credit card	%	70	10	19	1	*1,553*
Unsecured loan	%	58	6	32	4	*502*
Overdraft facility	%	54	13	32	1	*348*
Store card	%	73	6	20	1	*258*
DSS/ Social Fund loan	%	37	50	9	5	*134*
Home-collected credit	%	61	18	19	1	*89*
Payday loan [1]	*%*	*50*	*22*	*28*	-	*29*

* Cases where outcome is known
[a] Small sample size

Table A10: Percentage of applications turned down by selected household characteristics – rounds 1-4 combined

Cases where outcome is known

	Credit card		Unsecured loan		Overdraft facility		Store card	
	%	*Base*	**%**	*Base*	%	*Base*	%	*Base*
Annual household income								
Less than £25,000	30	*446*	36	*170*	39	*152*	33	*102*
£25,000 or more	15	*826*	31	*254*	29	*137*	12	*92*
Age of respondent [a]								
18 to 39	27	*580*	45	*216*	33	*188*	32	*111*
40 or over	16	*533*	27	*154*	39	*79*	9	*79*
Household composition								
Couple/ one adult with children	25	*500*	32	*196*	38	*107*	38	*93*
Couple/ one adult, no child	17	*1,049*	33	*304*	29	*239*	10	*164*
All households	19	*1,554*	32	*501*	*32*	*347*	*20*	*259*

[a] Rounds 2 to 4 only

Table A11: Likelihood of needing to borrow more money in the next 6 months: July 2008 to July 2009

	July 08 (%)	Oct 08 (%)	Feb 09 (%)	July 09 (%)	Total (%)
Very unlikely	48	48	49	50	**49**
Fairly unlikely	19	16	17	17	**17**
Neither likely nor unlikely/ Don't k now	20	22	20	21	**21**
Fairly likely	9	10	10	8	**9**
Very likely	4	4	5	4	**4**
Base	*3,328*	*3,353*	*3,803*	*3,647*	*14,131*

Table A12: Likelihood of needing to borrow more money in the next 6 months by selected household characteristics: rounds 1-4 combined

		Very/ fairly unlikely	Neither/ Don't know	Very/ fairly likely	*Base = 100%*
Annual Household income					
Less than £13,500	%	59	22	19	*2,026*
£13,500 to £25,000	%	63	22	15	*2,626*
£25,000 to £50,000	%	70	18	12	*3,876*
£50,000 or more	%	74	14	11	*1,985*
Not known	%	63	26	11	*3,620*
Age of respondent [a]					
18 to 24	%	50	26	25	*1,226*
25 to 39	%	58	24	17	*2,995*
40 to 54	%	63	23	14	*2,768*
55 or over	%	78	16	6	*3,818*
Housing tenure					
Mortgage	%	65	23	12	*5,515*
Owned outright	%	85	11	4	*3,598*
Rented	%	53	25	22	*3,664*
Rent free/ other	%	58	22	20	*1,217*
Household composition					
Couple, with child(ren)	%	60	24	16	*3,088*
Couple, no child	%	74	17	8	*6,152*
One adult with child(ren)	%	44	27	29	*619*
One adult, no child	%	62	22	16	*4,192*
Unemployment					
One or both adults unemployed	%	46	29	24	*696*
Other	%	67	20	13	*13,266*
All households	%	66	21	13	*14,132*

[a] Rounds 2 to 4 only

Table A13: Prevalence of structural arrears with payments: July 2008 to July 2009

	July 08 (%)	Oct 08 (%)	Feb 09 (%)	July 09 (%)	Total (%)
All households					
More than 3 months behind with any payments	8	9	9	8	**9**
Base	*3,328*	*3,353*	*3,804*	*3,647*	*14,132*
Households with unsecured debts					
More than 3 months behind with any payments	12	13	13	11	**12**
Base	*2,167*	*2,142*	*2,467*	*2,320*	*9,105*

Table A14: Prevalence of the over-indebtedness indicators by household characteristics

		Structural arrears	Unsecured credit repayments>30% of income	Keeping up is a heavy burden	Four or more types of unsecured credit	*Base = 100%*
Annual household income						
Less than £13,500	%	18	20	25	11	*2,027*
£13,500 to £25,000	%	12	11	19	12	*2,627*
£25,000 to £50,000	%	6	7	12	12	*3,877*
£50,000 or more	%	3	4	9	12	*1,985*
DK/ NA	%	7	-	12	7	*3,619*
Household savings						
Zero	%	24	15	37	26	*3,080*
£1 < £1,000	%	10	11	18	15	*2,046*
£1,000 < £10,000	%	3	7	7	6	*3,383*
£10,000 < £20,000	%	1	4	3	2	*886*
£20,000 or more	%	1	3	2	1	*1,528*
Not known	%	5	2	9	6	*3,209*
Housing tenure						
Mortgage	%	7	8	16	14	*5,514*
Owned outright	%	2	5	6	2	*3,598*
Rented	%	19	11	23	16	*3,664*
Rent free/ other	%	8	5	12	9	*1,217*
Household composition						
Couple, with child(ren)	%	12	9	21	17	*3,088*
Couple, no child	%	5	6	11	9	*6,152*
One adult with child(ren)	%	27	15	30	20	*619*
One adult, no child	%	10	7	15	8	*4,193*
Age of respondent *						
18 to 24	%	9	6	11	10	*1,225*
25 to 39	%	11	9	18	16	*2,994*
40 to 54	%	11	9	20	12	*2,767*
55 or over	%	5	9	11	6	*3,817*
Unemployment						
One or both adults unemployed	%	22	11	33	14	*697*
Other	%	8	7	14	11	*13,267*
Changes experienced in last 12 months						
Respondent or partner lost job	%	20	12	31	15	*1,470*
Split up/ new child	%	20	10	25	17	*748*
TOTAL	%	9	8	15	11	*14,132*

* Rounds 2 to 4 only.

Table A15: Repayments on unsecured credit as percentage of household income: rounds 1-4 combined

Repayment as a % of household income	All households		Households with valid data	
	Households using unsecured credit (%)	All households (%)	Households using unsecured credit (%)	All households (%)
Zero	n/a	36	n/a	48
Up to 10%	28	18	47	24
>10% to 20%	14	9	23	12
>20% to 30%	7	4	11	6
>30% to 40%	4	2	6	3
More than 40%	8	5	13	7
Missing	40	26	-	-
Base	*9,106*	*14,132*	*5,479*	*10,504*

Table A16: Extent to which keeping up with bills and credit commitments is a burden: July 2008 to July 2009

	July 08 (%)	Oct 08 (%)	Feb 09 (%)	July 09 (%)	Total (%)
All households					
Heavy burden	14	16	16	14	**15**
Somewhat of a burden	45	43	42	41	**43**
Not a burden at all	37	38	39	41	**39**
Don't know/ No answer	4	4	3	5	**4**
Base	*3,328*	*3,353*	*3,804*	*3,647*	*14,132*
Households with unsecured debts					
Heavy burden	20	22	22	18	**21**
Somewhat of a burden	52	50	47	48	**49**
Not a burden at all	25	26	29	31	**28**
Don't know/ No answer	2	2	2	3	**2**
Base	*2,167*	*2,142*	*2,476*	*2,321*	*9,106*

Table A17: Use of credit and number of credit products by survey round

	July 08 (%)	Oct 08 (%)	Feb 09 (%)	July 09 (%)	Total (%)
Unsecured credit					
Has any unsecured credit commitment	65	64	65	64	**64**
4 or more types of commitment	12	12	10	10	**11**
5 or more types of commitment	5	5	4	3	**4**
All credit commitments (inc. mortgages and secured)					
Has any credit commitment	77	75	75	74	**75**
4 or more types of commitment	19	20	17	16	**18**
5 or more types of commitment	9	10	8	7	**8**
Base	*3,328*	*3,353*	*3,804*	*3,647*	*14,132*

Table A18: Number of over-indebtedness indicators met by household characteristics

		None	One	Two or more	*All meeting one or more indicators*	*Base = 100%*
Annual household income						
Less than £13,500	%	55	24	20	45	*2,027*
£13,500 to £25,000	%	67	18	15	33	*2,627*
£25,000 to £50,000	%	74	16	9	26	*3,877*
£50,000 or more	%	80	14	6	20	*1,985*
Not known	%	80	14	6	20	*3,619*
Household savings						
Zero	%	41	28	31	59	*3,080*
£1 < £1,000	%	63	24	14	37	*2,046*
£1,000 < £10,000	%	82	14	4	18	*3,383*
£10,000 < £20,000	%	91	8	1	9	*886*
£20,000 or more	%	94	6	1	6	*1,528*
Not known	%	84	12	4	16	*3,209*
Housing tenure						
Mortgage	%	70	19	11	30	*5,514*
Owned outright	%	88	9	2	12	*3,598*
Rented	%	58	22	20	42	*3,664*
Rent free/ other	%	76	16	7	24	*1,217*

Household composition						
Couple, with child(ren)	%	64	21	15	36	*3,088*
Couple, no child	%	79	14	7	21	*6,152*
One adult with child(ren)	%	50	23	27	50	*619*
One adult, no child	%	73	17	10	27	*4,193*
Age of respondent [a]						
18 to 24	%	76	15	9	24	*1,225*
25 to 39	%	66	20	14	34	*2,994*
40 to 54	%	66	20	14	34	*2,767*
55 or over	%	79	14	7	21	*3,817*
Unemployment						
One or both adults unemployed	%	52	24	24	48	*697*
Other	%	73	17	10	27	*13,267*
Changes experienced in last 12 months						
Respondent or partner lost job	%	54	23	23	46	*1,470*
Split up/ new child	%	57	21	21	43	*748*
TOTAL	%	72	17	11	28	*14,132*

[a] Rounds 2 to 4 only

Table A19: Composite (hierarchical) measure of financial difficulties: July 2008 to July 2009

Category	July 08 (%)	Oct 08 (%)	Feb 09 (%)	July 09 (%)	Total (%)
Bankrupt, IVA or DMP	6	7	7	6	**7**
Structural arrears	6	6	6	6	**6**
Total	*12*	*14*	*14*	*11*	***13***
Less than 3 months behind with any payments	5	4	5	4	**5**
Total	*17*	*18*	*19*	*16*	***17***
Base	*3,328*	*3,353*	*3,804*	*3,647*	*14,132*

Table A20: Likelihood of having sought professional advice on debt by circumstances of the household: rounds 1-4 combined

		Sought professional advice on debt	Did not seek advice	DK/ NA	*Base = 100%**
Objective indicators of financial stress					
Insolvency action (Bankruptcy/ IVA/ DMP)	%	39	58	3	*708*
Structural arrears	%	18	78	4	*718*
Less than 3 months behind with payments	%	9	86	4	*490*
Others	%	3	95	2	*3,970*

* Households asked the question on advice

Table A21: Likelihood of having sought professional advice on debt by household characteristics: households behind with payments

		Households 1 or more months behind with payments	*Base = 100%: **
Annual Household income			
Less than £13,500	%	15	*339*
£13,500 to £25,000	%	13	*312*
£25,000 to £50,000	%	13	*238*
£50,000 or more	%	20	*69*
DK/ NA	%	13	*251*
Housing tenure			
Mortgage	%	18	*349*
Owned outright	%	6	*109*
Rented	%	14	*666*
Rent free/ other	%	15	*82*
Household composition			
Couple, with child(ren)	%	15	*346*
Couple, no child	%	13	*318*
One adult with child(ren)	%	13	*160*
One adult, no child	%	15	*382*
Age of respondent			
18 to 24	%	17	*127*
25 to 39	%	14	*336*
40 to 54	%	12	*320*
55 or over	%	13	*211*
Unemployment			
One or both adults unemployed	%	11	*150*
Other	%	15	*1,046*
Changes experienced in last 12 months			
Respondent or partner lost job	%	15	*266*
Split up/ new child	%	19	*136*
TOTAL	%	14	*1,209*

* Households not involved in action on debt and asked the question on advice

Table A22: If contacted creditors or sought advice on debt: households in structural arrears or less than 3 months behind with payments: rounds 1-4 combined

Action taken	**All households (%)**
Contacted creditors	40
Sought professional advice on debt	14
Total who had either contacted creditors or sought professional advice	46
Had contacted creditors and sought professional advice	8
*Base = 100% **	*1,209*

* Households not involved in action on debt and asked the question on advice

Table A23: Characteristics of households contacting main advice agencies: rounds 1-4 combined

	CAB (%)	CCCS (%)	NDL (%)	MAS (%)	All seeking advice (%)
Annual household income					
Less than £13,500	35	19	31	32	25
£13,500 to £25,000	27	32	20	25	26
£25,000 to £50,000	20	18	25	28	24
£50,000 or more	1	10	10	3	8
DK/ NA	16	20	14	12	17
Housing tenure					
Mortgage	36	36	46	37	42
Owned outright	4	8	7	1	5
Rented	55	50	40	58	46
Rent free/ other	4	5	6	4	7
Household composition					
Couple, with child(ren)	30	26	36	22	28
Couple, no child	30	32	21	34	32
One adult with child(ren)	14	7	15	12	10
One adult, no child	26	35	28	32	29
Financial problems					
Insolvency action	47	67	58	56	50
Structural arrears	29	23	28	26	23
1 month behind with payments	9	3	4	8	8
None of these	14	6	11	11	19
Base = 100%	*161*	*116*	*79*	*68*	*549*

Table A24: Change in financial circumstances in last 6 months: July 2008 to July 2009

	July 08 (%)	Oct 08 (%)	Feb 09 (%)	July 09 (%)
Change in circumstances in past 6 months				
A bit/ much better	13	12	13	14
Stayed the same	23	25	31	37
A bit worse	43	40	35	34
Much worse	20	21	19	13
DK/ NA	1	2	1	2
Base	*3,328*	*3,353*	*3,804*	*3,647*

Table A25: Change in financial circumstances in last 6 months: July 2008 to July 2009

Change in circumstances in past 6 months	July 08 (%)	Oct 08 (%)	Feb 09 (%)	July 09 (%)	Total (%)
All households					
A bit/ much better	13	12	13	14	**13**
Stayed the same	23	26	31	37	**10**
A bit worse	43	40	35	34	**29**
Much worse	20	21	19	13	**38**
DK/ NA	1	2	1	2	**18**
Base	*3,328*	*3,353*	*3,804*	*3,647*	*14,132*
Households with four or more unsecured credit commitments					
A bit/ much better	13	12	13	11	**12**
Stayed the same	16	19	23	28	**21**
A bit worse	36	34	33	41	**36**
Much worse	36	34	31	20	**30**
DK/ NA	0	1	0	1	**1**
Base	*387*	*387*	*398*	*352*	*1,524*

Table A26: Actual financial difficulties by whether households showed signs of financial stress: rounds 1-4 combined

	Commitments a heavy burden (%)	Constantly struggle to keep up/ falling behind (%)	Struggle to reach payday 'more often than not' (%)	Two or three subjective indicators of stress (%)	Total sample (%)
Insolvency action (Bankrupt, IVA or DMP)	19	17	17	19	7
Structural arrears	21	19	18	22	B6
Less than 3 months behind with any payments	11	12	10	12	5
None of these	49	52	55	48	83
Base = 100%	*2,109*	*3,258*	*3,160*	*2,667*	*14,132*

Table A27: Subjective indicators of financial stress by whether households were in financial difficulties: rounds 1-4 combined

	Statutory action or DMP (%)	Structural arrears (only) (%)	*All with these difficulties (%)*	Others (%)	Total sample (%)
Commitments were a heavy burden	42	52	*47*	10	15
Constantly struggled/ falling behind with bills & commitments	61	73	*66*	17	23
Struggled to reach payday 'more often than not'	57	65	*61*	17	22
Number of subjective indicators of stress					
Two or three	54	66	*60*	13	19
One	20	15	*18*	12	13
None	26	18	*22*	75	68
Base = 100%	*933*	*866*	*1,799*	*12,333*	*14,132*

Appendix B: Statistical analysis of arrears

The likelihood that households were in structural arrears on bills and payments was strongly associated with a range of household characteristics (as shown in Appendix Table A14). As some of these characteristics are themselves closely related, a multivariate analysis was carried out to explore the extent to which characteristics were independently associated with variation in the prevalence of arrears. There was particular interest in the extent to which the very strong relationship with the level of savings accounted for some of the other associations seen.

Simple cross-tabulation of household characteristics showed strong associations with the level of savings, with high proportions of households with zero savings in groups with high prevalence of arrears. Across the whole sample, 22% of households had zero savings. This compared with:

- 48% of households comprising one adult and children
- 39% of households in rented accommodation
- 37% of households in the lowest income band
- 37% of households with an unemployed adult

Three-way tables (Table B1) indicate that the associations between being in arrears and a variety of household characteristics were evident regardless of the level of household savings. For example, households comprising one adult with children were much more likely than other types of household to be in arrears whether or not they had any savings (or the level of savings was not known).

Table B1 Prevalence of arrears by selected household characteristics and whether household had zero or non-zero savings: rounds 1-4 combined

	Zero savings	Non-zero savings	Savings not known	All
Annual household income				
Less than £13,500	**34**	**8**	**11**	**18**
£13,500 to £25,000	25	6	6	12
£25,000 to £50,000	17	3	4	6
£50,000 or more	14	2	2	3
DK/ NA	23	5	5	7
Housing tenure				
Mortgage	17	3	5	7
Owned outright	9	2	1	2
Rented	**32**	**10**	**13**	**19**
Rent free/ other	21	4	3	8
Household composition				
Couple, with child(ren)	27	5	7	12
Couple, no child	17	3	2	5
One adult with child(ren)	**38**	**16**	**20**	**27**
One adult, no child	24	5	7	10
Unemployment				
One or both adults unemployed	**42**	**9**	**14**	**22**
Other	22	4	5	8
Changes experienced in last 12 months				
Respondent or partner lost job	**36**	**8**	**11**	**20**
Split up/ new child	**39**	**11**	**12**	**20**
TOTAL	24	4	5	9

A logistic regression analysis was carried out to assess which of these household characteristics had a significant and independent association with the likelihood of being in arrears. Table B2 shows the order in which variables entered the analysis using a stepwise procedure; no variables were removed at a later step.

Table B2: Order of entry of variables in the logistic regression model for structural arrears

Variables in the model	Order of entry
Household savings	1
Household tenure	2
Respondent or partner lost job in last 12 months	3
Household composition	4
Annual household income	5
Relationship breakdown or new child in last 12 months	6
Unemployed household	7

As expected, the level of household savings had the strongest effect. Once the variation by level of savings had been taken into account, housing tenure was most strongly associated with prevalence of arrears, and so on. The analysis showed that all of the listed characteristics apart from age were independently associated with the likelihood of being in structural arrears after taking account of characteristics already included in the model.

Appendix C: Analysis of longitudinal data

The second element of the regular YouGov DebtTrack survey is a panel survey in which households experiencing financial stress were interviewed four times between July 2008 and February 2009.[79] This data-set provides a larger sample of financially-distressed households than in the cross-sectional survey, with almost 1,400 households responding to all four waves of the panel, and so offers greater scope for detailed analysis of their circumstances. In addition, panel data allows analysis of changes over time in the financial position of individual households and of possible factors associated with these changes. The initial analysis in this section focuses on the overall change for households responding to all four waves of the survey.

Credit commitments

Households in the financially distressed sample were substantially more likely to have unsecured credit commitments than were those in the nationally-representative sample: 90% of the panel sample had one or more unsecured credit commitments, compared with 64% of respondents to the cross-sectional survey. They were also much more likely to have larger numbers of commitments. About one-third (33%) of respondents had four or more different types of unsecured commitments and 16% had five or more different types (compared with 11% and 4% respectively of the nationally-representative sample). There were indications of an increasing level of credit use among the panel survey sample over the four waves of interviewing, from July 2008 to February 2009, but the changes were only very small.

Table C1: Use of unsecured credit: panel sample July 2008 to February 2009

	Wave 1: July 08 (%)	Wave 2: Sept 08 (%)	Wave 3: Nov 08 (%)	Wave 4: Feb 09 (%)	Nationally representative (%)
Unsecured credit commitments					
Some unsecured credit commitments	89	91	90	90	64
4 or more types of commitment	32	33	33	34	11
5 or more types of commitment	15	16	16	16	4
Base	*1,394*	*1,394*	*1,394*	*1,394*	*14,132*

There were similarities with the nationally-representative sample in the main types of credit used. As seen previously, credit cards, overdrafts, personal loans and mail order catalogues were the most frequently used types. However, loans from family or friends and store cards were relatively more important for this group of households than for the nationally-representative sample. When loans were categorised by type, as shown in the lower part of Table C2, it is apparent that this sample of financially-distressed households were much more likely than the nationally-representative sample to have a non-mainstream loan (11% compared with 3%), a loan from a Credit Union, the DSS or Social Fund (7% compared with 2%) or an informal loan from family or friends (22% compared with 7%).

79 The sample comprised those who said at an initial screening interview that they struggled to keep up or were falling behind with bills and credit commitments.

Table C2: Types of unsecured credit commitments panel sample July 2008 to February 2009

	Wave 1: July 08 (%)	Wave 2: Sept 08 (%)	Wave 3: Nov 08 (%)	Wave 4: Feb 09 (%)	Nationally representative (%)
Credit card *	60	61	61	60	35
Authorised overdraft	54	55	55	54	29
Personal loan	39	39	39	38	22
Mail Order catalogue	30	31	31	30	14
Loan from friends and family	22	24	25	24	7
Store card *	14	15	15	15	9
Car finance loan	12	12	12	12	9
Student loan	11	12	13	13	12
Hire purchase agreement	9	9	9	9	4
Home collected credit	8	9	9	9	2
DSS/ Social Fund loan	7	6	6	6	2
Pay day loan	2	3	2	2	1
Loan from a pawnbroker/ cash converter	2	2	2	2	0
Credit Union loan	1	1	1	1	0
Other loans	3	3	3	3	1
Categories of loan					
Personal, overdraft, student	69	71	71	70	45
Credit or store card	61	62	62	62	37
Mail order, Hire purchase, Car loan	41	42	42	42	23
Credit Union, DSS/ Social Fund,	8	7	7	8	2
Family or friends	22	24	25	24	7
Non-mainstream – Home-collected, Pay day loan, Pawnbroker	11	12	11	11	3
Other	3	3	3	3	1
Base	*1,394*	*1,394*	*1,394*	*1,394*	*14,132*

* Balance not repaid in full each month and an amount currently outstanding.

Indebtedness

Households in the panel sample were more likely than the nationally-representative sample to have high total levels of debt, although it should be noted that the levels of missing data for these statistics are very high.[80] Looking at the distribution for wave 1 in Table C3, almost two-fifths (38%) of panel sample members with unsecured credit owed £10,000 or more and 18% owed £20,000 or more; this compares with 28% and 10% respectively of the cross-sectional sample.

The high debt levels of this group of households were also evident when debt was considered as a percentage of household income. One-quarter (25%) of panel sample members with unsecured credit owed an amount equivalent to 80% or more of total household income and 34% owed an amount equivalent to 60% or more of income; this compares with 13% and 19% respectively for the cross-sectional sample (Table C4).

[80] The amount of debt was missing for 24% of households and the debt-to-income ratio for 36% of households.

Looking across the waves of the panel sample suggests that there was very little change in the distribution for the amount of debt, although a small proportion of sample members had totally paid off their unsecured debts over this period.

Table C3: Amount of unsecured borrowing: Panel sample and nationally-representative sample with unsecured credit (at wave 1 for panel)

	Wave 1: July 08 (%)	Wave 2: Sept 08 (%)	Wave 3: Nov 08 (%)	Wave 4: Feb 09 (%)	Nationally representative (%)
Zero		1	3	4	
Less than £1,000	16	15	14	15	24
£1,000 to £2,000	10	10	10	9	11
£2,000 to £4,000	13	12	11	11	14
£4,000 to £6,000	11	10	10	10	9
£6,000 to £10,000	12	13	12	13	14
£10,000 to £15,000	13	13	13	13	11
£15,000 to £20,000	7	7	7	8	7
£20,000 or more	18	19	19	18	10
Base	*940*	*967*	*977*	*1,245*	*6,927*
Missing	*24*	*22*	*21*	*21*	*24*

Table C4: Unsecured borrowing as percentage of household income: Panel sample and nationally-representative sample with unsecured credit (at wave 1 for panel)

	Wave 1: July 08 (%)	Wave 2: Sept 08 (%)	Wave 3: Nov 08 (%)	Wave 4: Feb 09 (%)	Nationally representative (%)
Zero		2	3	4	
Up to 10%	22	21	19	20	38
>10% to 20%	15	15	14	13	17
>20% to 40%	18	18	17	17	17
>40% to 60%	13	13	13	13	9
>60% to 80%	7	8	9	8	6
More than 80%	25	25	25	25	13
Base	*832*	*861*	*870*	*874*	*5,861*
Missing	33	31	30	30	36

Financial difficulties

The panel sample comprises households who said in a screening interview that they either constantly struggled to keep up with their bills and commitments or were actually falling behind with payments. They were, therefore, households who perceived that they were facing some financial difficulties. Table C5 focuses on the objective indicators of financial difficulties explored in Section 6 of the main report and compares the levels seen at each wave of the panel sample.

As for the earlier analysis for the nationally-representative samples, there are indications here of some deterioration in the circumstances of this group of households between July 2008 and February 2009. This is evident in the increasing levels of arrears on payment, from 40% in July 2008 to 44% in February 2009 and in the increasing proportion of households with three or more payments in arrears (from 13% to 18%). This pattern was not, however, seen for the different types of action on insolvency, where the increase in Debt Management Plans was balanced by a decrease in numbers of bankruptcies and IVAs.

Overall the proportion of the panel sample with none of these financial difficulties – i.e. not involved in action on insolvency, not in structural arrears and not one to three months behind with any payments – showed little variation over the seven months of the study (39% to 37%). The proportion of the sample who had sought professional advice on debt problems is also shown in the table although comparisons are affected by a change in the reference period between wave 1 (6 months) and later waves (2 months). There was a high degree of overlap between the responses to this question at each wave, and overall one-quarter (26%) of the sample reported that they had sought professional advice at some stage during the period covered by the survey.

Table C5: Indicators of financial difficulties: panel sample July 2008 to February 2009

	Wave 1: July 08 (%)	Wave 2: Sept 08 (%)	Wave 3: Nov 08 (%)	Wave 4: Feb 09 (%)
Declared bankrupt or IVA	7	5	5	5
DMP	18	19	20	20
Structural arrears (More than 3 months behind with any payments)	40	43	43	44
2 or more payments in 3-month arrears	24	26	26	26
3 or more payments in 3-month arrears	13	15	15	18
Hierarchy of financial difficulties	**%**	**%**	**%**	**%**
Statutory action or DMP	24	22	23	23
Structural arrears on payments	25	27	27	28
1-3 months behind with bills or payments	13	12	12	12
None of the above	39	38	37	37
If had sought professional advice on debt*				
% of total sample	20	15	15	13
Base	*1,394*	*1,394*	*1,394*	*1,394*

* in last 6 months at wave 1; since previous interview at later waves.

In contrast to the objective measures of difficulties, the subjective indicators of financial stress suggest some improvement in the outlook of this financially-distressed group of respondents over the survey period (Table C6). The proportion of respondents who struggled until the next pay day 'more often than not' fell from 78% in July 2008 to 75% in February 2009 and the proportion who said either that keeping up with payments was a constant struggle or that they were falling behind decreased from 100% to 93% over this period. This slight improvement in outlook was mirrored in responses to a direct question about changes in circumstances since the last interview (or in the 6 months prior to wave 1). The proportion of respondents who felt their circumstances had improved over the recent period increased from 6% at wave 1 to 11% at wave 4, with an even greater increase in those who felt that they had stayed the same (12% to 23%). There was a substantial fall in those saying that it was much worse, from 52% at wave 1 to 36% at wave 4. However, limiting the initial sample to those who perceive that they have problems does give more scope for an improvement in perception than might be evident in a more balanced sample.

Table C6: Subjective indicators of financial stress: panel sample July 2008 to February 2009

	Wave 1: July 08 (%)	Wave 2: Sept 08 (%)	Wave 3: Nov 08 (%)	Wave 4: Feb 09 (%)
Struggle to last until next pay day				
More often than not	78	78	76	75
Keeping up with bills and commitments				
Constant struggle	57	52	50	47
Falling/ have fallen behind	43	46	46	46

Either of above	*100*	*98*	*96*	*93*
Financial burden of credit commitments				
Heavy burden	64	64	63	63
Change in circumstances in past 6 months / since previous interview				
A bit/ much better	6	6	10	11
Stayed the same	12	15	19	23
A bit worse	30	33	33	30
Much worse	52	45	39	36
Base	*1,394*	*1,394*	*1,394*	*1,394*

An improvement in outlook is also seen in responses to a direct question about how people expected their household finances to change in the next couple of months (Table C7).[81] The proportions expecting their finances to worsen fell from 68% at wave 2 to 59% at wave 4, although most of the corresponding increase was in those who thought their situation would stay the same (23% to 29%) rather than improve (7% to 9%).

Table C7: How respondents expect their household finances to change in the next couple of months: panel sample July 2008 to February 2009

	Wave 2: Sept 08 (%)	Wave 3: Nov 08 (%)	Wave 4: Feb 09 (%)
Get much better	1	1	1
Get a bit better	6	7	8
Stay about the same	23	28	29
Get a bit worse	37	32	30
Get much worse	31	28	29
Don’t know	3	3	3
Base	*1,394*	*1,394*	*1,394*

Finally, Table C8 considers changes over the four waves of the survey in the over-indebtedness indicators explored in Section 5.2. As well as an increase in the proportion of households in structural arrears on payments, there were also indications of an increase in the proportion of households with larger numbers of credit commitments (32% to 34%). The increases in these objective measures of financial stress were not, however, mirrored in the subjective assessment of the burden of meeting the household’s commitments, which varied between 64% and 63%.

Table C8: Over-indebtedness indicators: panel sample July 2008 to February 2009

	Wave 1: July 08 (%)	Wave 2: Sept 08 (%)	Wave 3: Nov 08 (%)	Wave 4: Feb 09 (%)
Structural arrears	40	43	43	44
Payments are a heavy burden	64	64	63	63
Repayments >30% income	12	13	13	13
4 or more types of unsecured credit commitment	32	33	33	34
Base	*1,394*	*1,394*	*1,394*	*1,394*

Analysis of change for individual households

The amount of change observed for the full sample over time is only small but this may mask more substantial changes in both directions at the household level. The main method of identifying change over time is to link the data for each household across waves and to compare responses on specific measures, such as arrears on payments or the number of

[81] The question was not asked at wave 1.

credit commitments. A second possible source of information is responses to specific questions about the household's experiences since the previous interview, which in some cases explore reasons for changes that are identified at the point of data collection.

The exploratory analysis included here focuses on changes in the severity of financial difficulties experienced by households. A number of alternative measures might be used based on the variables already discussed and two are shown here.

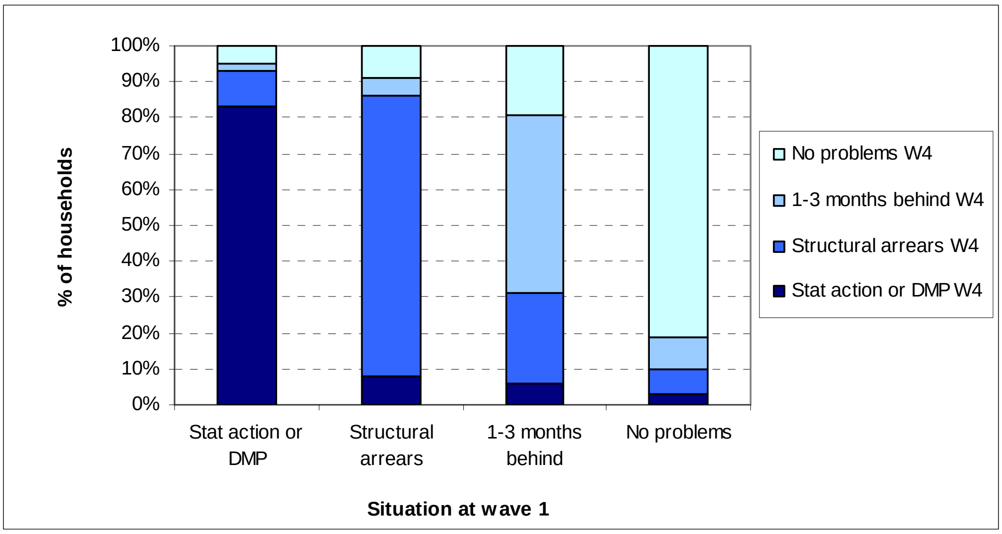
We first consider change from wave 1 to wave 4 in the hierarchical measure of financial difficulties.[82] Table C9 highlights that most households were in a similar position at wave 4 as at wave 1, as shown on the diagonal of the table (in italics). As also seen in Figure C1, households that were one to three months behind with payments at wave 1 were most likely to have changed category; a larger proportion of them had moved into more serious difficulties (32%) than had moved to having no arrears at wave 4 (19%).

Table C9: Changes in indicator of financial difficulties, wave 1 to wave 4

Level of financial difficulties at wave 4	Level of financial difficulties at wave 1			
	Statutory Action or DMP (%)	Structural arrears (%)	1 -3 months behind (%)	None of these* (%)
Statutory action or DMP	*83*	8	6	3
Structural arrears on payments	10	*78*	25	7
1-3 months behind with payments	2	5	*49*	9
None of the above *	5	9	19	*81*
Base = 100%	*329*	*343*	*177*	*545*

* includes households with missing information

Figure C1: Changes in indicator of financial difficulties, wave 1 to wave 4



A summary of the changes for individual households reveals that 77% of households did not change category; 32% had none of these difficulties and 45% had the same type of difficulties at the start and end of this period (Table C10). Overall, 13% of households in the sample were defined as being in more severe financial difficulties at the end of the period, although 4% of households had simply moved from having no difficulties to being one to three months behind

[82] That is, whether the household was involved in action on debt problems, was in structural arrears on payments or was one to three months behind with payments

with payments by wave 4. One-tenth (10%) of households were in less severe difficulties by wave 4 and 6% exhibited none of these problems by wave 4.

Table C10: Summary of changes in indicator of financial difficulties, wave 1 to wave 4

	Total panel sample (%)
No difficulties across all waves	32
Same level across all waves	45
Total with no change	*77*
More severe difficulties	13
Less severe difficulties	10
Base = 100%	*1,394*

A second possible measure of change focuses solely on structural arrears on payments, which is one of the key indicators of over-indebtedness. Again, from Table C11, it is evident that the majority of households remained in the same category at wave 4 as at wave 1: 89% of households that were in structural arrears at wave 1 and 85% of those that were not. Overall 88% of households who gave relevant information stayed in the same category throughout, 8% had moved into structural arrears and 4% had moved out of arrears.

Table C11: Changes in structural arrears on payments, wave 1 to wave 4

Structural arrears at wave 4	Structural arrears at wave 1		
	In arrears (%)	Not in arrears (%)	Missing information (%)
In arrears	89	14	25
Not in arrears	10	85	30
Missing information	1	1	45
Base = 100%	*550*	*791*	*53*

The summary of changes in structural arrears in Table C12 also takes account of changes in the number of payments in arrears. On this measure, about three-quarters (76%) of the sample were in a similar position by wave 4; 51% were not in structural arrears at any point and 25% had similar numbers of payments in arrears at each interview. Apart from these groups, a larger proportion of the sample experienced some deterioration in their financial position from July 2008 to February 2009 than saw an improvement on this measure. About one sixth (16%) of the sample were defined as being in a worse position at wave 4 than at wave 1, having either moved from having no payments in 3-month arrears to having some, or having more payments in arrears at wave 4. Conversely about one-tenth (9%) of the sample were in a better position at wave 4 than at wave 1, either having fewer or no payments in three-month arrears at the end of the period.

Table C12: Summary of changes in measure of structural arrears, wave 1 to wave 4

	Total sample (%)
No arrears at either wave	51
Similar number of payments in arrears at both waves	25
Total with no change	*76*
Arrears at W4, none at W1	8
More payments in arrears at W4	8
Total in worse position at W4	*16*
Arrears at W1, none at W4	4
Fewer payments in arrears at W4	5
Total in better position at W4	*9*
*Base = 100%**	*1,323*

* Excluding cases with missing information

The above analysis suggests two methods of categorising households according to trajectories of change over the period of the panel sample and others could also be defined. These classifications are mainly of interest in order to explore the characteristics and circumstances of different groups among the sample, and chiefly to identify possible differences between those whose situation improves and those who move into more serious problems. An initial comparison based on changes in the level of structural arrears (as in Table C12) between July 2008 and February 2009 is shown in Tables C13 and C14.

Households that were categorised as having a worse financial position at wave 4 than wave 1 – i.e. that had either moved into structural arrears or had a greater number of payments in arrears – were not clearly distinguishable from those with similar numbers of payments in arrears throughout, although they were more likely to report zero savings at wave 1. Compared to those whose situation had got worse, households that saw an improvement on this measure of arrears appeared to be less likely to have dependent children and also less likely to have experienced loss of a job in the period before the wave 1 interview. There was no clear association between changes in the household's financial situation and the level of household income. (Table C13)

Table C13: Characteristics of households with different trajectories of change on indicator of structural arrears, wave 1 to wave 4

Household characteristics	Not in arrears at W1 or W4 (%)	Similar arrears at W1 and W4 (%)	Worse at W4 (%)	Better at W4 (%)	Total sample (%)
Annual Household income (W1)					
Less than £13,500	24	32	31	29	27
£13,500 to £25,000	27	24	28	32	27
£25,000 to £50,000	27	15	26	17	23
£50,000 or more	6	6	3	3	5
DK/ NA	17	22	11	19	18
Liquid savings (W1)					
Zero	48	67	74	66	58
£1 < £1,000	17	14	11	14	15
£1,000 < £10,000	17	6	4	10	12
£10,000 or more	3	0	2	1	2
Not known	15	13	9	9	13
Household composition (W1)					
Couple, with child(ren)	28	30	31	23	29
Couple, no child	36	27	28	32	32
One adult with child(ren)	6	12	13	9	9
One adult, no child	29	30	27	36	30
Unemployment (W1)					
One or more adults unemployed	6	10	10	7	8
Other	94	90	90	93	92
Changes experienced - 12 months before W1					
Respondent or partner lost job	14	19	25	17	17
Split up/ new child	7	10	11	9	8
Base = 100%	*671*	*325*	*210*	*118*	*1,394*

Table C14 presents data on the subjective outlook and credit use of these different groups of households. Again there is a clear difference between those who did not have structural arrears at either point and the other groups. They were less likely to feel that their commitments were a heavy burden (53% compared with 68% or more) and were realistic in saying that they struggled to keep up with payments rather than that they were falling behind. They were also less likely to be users of unsecured credit (85% compared with 93% plus for other groups) and much less likely to be using non-mainstream types of credit (3% compared with 14-20%).

Table C14: Circumstances of households with different trajectories of change on indicator of structural arrears, wave 1 to wave 4

Household characteristics	Not in arrears at W1 or W4 (%)	Similar arrears at W1 and W4 (%)	Worse at W4 (%)	Better at W4 (%)	Total sample (%)
Payment difficulties (W1)					
Constant struggle to keep up	82	25	34	38	57
Falling behind	18	75	66	62	43
If struggle to last till pay day (W1)					
More often than not	74	80	86	84	78
Burden of commitments (W1)					
Heavy burden	53	75	79	68	64
Change in financial position in 6 months before W1					
Better	4	9	6	11	6
Same	12	15	9	10	12
Bit worse	33	29	25	24	30
Much worse	50	48	60	54	52
If had sought professional advice on debt (from 6 months before W1 to W4)					
Yes	17	39	32	36	26
Unsecured credit at W1					
Has any unsecured credit	85	94	95	93	89
Has 4 or more types of unsecured credit	26	37	44	37	32
Loan from family/ friends	13	30	32	41	22
Non-mainstream loan (Home-collected, pay day, pawnbroker)	3	20	19	14	11
Unsecured credit >60% of household income	17	24	22	21	19
Unsecured credit repayments >30% of income	11	13	17	11	12
Base = 100%	*671*	*325*	*210*	*118*	*1,394*

Households whose situation had deteriorated between wave 1 and wave 4 were not clearly differentiated from those with similar numbers of arrears at those points, although they were the most likely group to initially say that their commitments were a heavy burden and that their situation had got much worse in the previous six months. Similarly, those whose situation had improved over the period were not very clearly differentiated from others with arrears at any point, although there are indications that the sources and amount of credit might be important. The group was more likely than those whose situation had worsened over the period to have an informal loan from family or friends, and less likely to have a non-mainstream loan or to be paying more than 30% of household income on unsecured credit repayments. (Table C15)

Conclusions

This initial analysis of the YouGov DebtTrack panel survey indicates that the sample experienced relatively little change over the period of the survey, as would be expected over a relatively short period of seven months. The opportunity of using the panel data to analyse change in key measures for individual households does, however, offer scope to explore in more detail the circumstances of those moving into and out of financial difficulties over a period of time.

Appendix D: Hierarchical indicator of financial stress

Analysis of the overlap between the various measures suggests that an indicator of financial stress might usefully combine data on the three subjective indicators as well as the standard objective indicators of over-indebtedness.[83] A possible hierarchical measure is shown in Table D1. This is based on the count of the subjective indicator questions but has been enhanced by also taking account of whether households had high levels of credit repayments or large numbers of credit commitments.

Table D1: Combined hierarchical indicator of financial stress

Number of subjective indicators of stress	1 to 3 months behind with payments (%)	Not currently behind with payments (%)	All (%)
Two or three subjective measures	47	11	13
One subjective measure plus high credit repayment ratio or number of credit commitments	6	2	2
Others with one indicator	21	16	16
None of these	27	71	69
Base = 100%	657	*11,675*	*12,332*

The first category includes the 13% of households who showed signs of stress on two or three of the subjective measures, regardless of whether they had high levels of credit commitments or repayments. A further 2% of households showed signs of stress on one subjective measure and had either four or more types of credit commitments or high levels of repayments on unsecured credit. These two categories, identifying 15% of the sample, may be a useful indicator of households facing difficulties. The third category covers households identified either on one subjective indicator or having high levels of commitments, who might be considered to be at a lower risk of difficulties; this category accounted for 16% of households.

The combined risk variable showed a strong association with households that were between one and three months behind with payments, which is the best available indicator of potential financial difficulties on the cross-sectional survey. More than half of households (53%) that were one to three months behind with payments fell into the first two categories of the combined risk variable, while only 13% of households that were not falling behind on payments were in the first two categories of the risk measure. The third category of the risk measure, based on just one of the indicators being present, was a much less effective discriminator between those already falling behind with payments and others. A better assessment of the effectiveness of this variable in indicating households that are vulnerable to financial difficulties should be possible on a longitudinal survey.

Characteristics of households under financial stress

The characteristics of those who were showing signs of financial stress and might be considered to be 'at risk' of falling into financial difficulties were broadly similar to those of households that were already experiencing difficulties.[84] Both groups quite clearly over-represented those with zero or very low savings (47% and 58% compared with 11% of other households) and also tended to be concentrated in lower income groups, although the association with income was much less strong than that with savings (see Table D2).

[83] Unsecured credit repayments equivalent to more than 30% of household income and four or more types of credit commitments.
[84] Involved in formal insolvency action or in structural arrears.

Table D2: Characteristics of households identified as being "at risk" of financial difficulties and those already in difficulties: rounds 1-4 combined

	"At risk" group (%)	Involved in action on debt or in structural arrears (%)	Others (%)	All (%)
Annual household income				
Less than £13,500	23	26	11	14
£13,500 to £25,000	23	24	17	19
£25,000 to £50,000	24	23	29	27
£50,000 or more	8	7	16	14
DK/ NA	21	20	27	26
Household savings				
Zero	47	58	11	22
£1 < £1,000	21	17	13	14
£1,000 < £10,000	14	9	28	24
£10,000 < £20,000	2	1	8	6
£20,000 or more	1	1	14	11
Not known	14	13	26	23
Housing tenure				
Mortgage	45	29	40	39
Owned outright	13	6	31	25
Rented	33	56	19	26
Rent free/ other	8	9	9	9
Household composition				
Couple, with child(ren)	29	29	19	22
Couple, no child	33	28	48	44
One adult with child(ren)	6	12	3	4
One adult, no child	32	31	29	30
Age of respondent [a]				
18 to 24	10	10	12	11
25 to 39	31	34	26	28
40 to 54	31	33	23	26
55 or over	27	23	39	35
Unemployment				
One or more adults unemployed	8	10	3	5
Other	92	90	97	95
Changes experienced in last 12 months				
Respondent or partner lost job	16	21	8	10
Split up/ new child	7	10	4	5
Base = 100%	*1,889*	*1,799*	*10,444*	*14,132*

[a] Rounds 2 to 4 only

Households with children were over-represented among those showing signs of financial stress, although to a lesser extent than the over-representation of the group among those already in difficulties. Similarly, households containing an unemployed adult and those that had recently experienced a change in composition or working status tended to be over-represented among those considered to be 'at risk' of difficulties, but less markedly than among households already in difficulties.

The most marked difference between those already in financial difficulties and those considered to be at risk was in terms of tenure. Households buying their home on a mortgage were over-represented among those showing signs of financial stress (45% compared with 29% for those in difficulties), but it was renters who were most clearly over-represented among those already in difficulties (56% compared with 33% for those at risk). This presumably reflects greater uncertainty among mortgagors who tend to have large loans as well as a tendency for this group to have substantial unsecured credit commitments.