BIS Department for Business Innovation & Skills

CREDIT, DEBT AND FINANCIAL DIFFICULTY IN BRITAIN, 2011

A report using data from the YouGov DebtTrack survey

JULY 2012

Contents

Executive Summary

This report follows earlier BIS reports on credit use and household indebtedness. It uses data from the YouGov DebtTrack survey, an on-line survey carried out between January and November 2011, to update trend information about credit use and the extent of consumer indebtedness in Britain. Overall the analysis suggests a continued decrease in the proportion of households using unsecured credit but little change in the average amount of unsecured debt among credit users. The survey data also indicate a decline in the incidence of financial difficulty, measured through both objective and subjective indicators. About one in ten households were either taking formal action on debt problems or were more than three months in arrears on payments during 2011.

The report includes discussion of trends over the twelve months from January to November 2011 and changes since the previous sets of surveys in 2008/09 and 2009/10, which were covered in previous reports.[1] The DebtTrack is a quarterly survey conducted online which collects data about the financial situation of a sample of adults sampled at random from a YouGov panel of volunteers. The data are subsequently weighted back to GB population totals.

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 January and November 2011, so represent average figures for 2011.[2] Change between survey rounds in 2011 has also been explored for selected key measures, as indicated in the text.

Use of Credit

Unsecured Credit

- The average proportion of households with unsecured credit commitments declined from 58% in 2009/10 to 54% in 2011. The proportion of heavy credit users – those holding four or more different types of credit – also declined from 8% to 6%.

- The use of most unsecured credit products declined relative to 2009/10, following a more marked decline in the previous year. Credit cards remained the most common

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[1] http://www.bis.gov.uk/assets/biscore/consumer-issues/docs/c/11-963-credit-debt-in-britain-2009-10
http://www.bis.gov.uk/assets/biscore/consumer-issues/docs/10-830-over-indebtedness-second-report
[2] The overall sample size for the four surveys is just over 8,300.

source of unsecured credit, held by 25% of households, followed by authorised overdrafts (17%).

- Analysis by household characteristics shows the usual pattern of variation in use of unsecured credit – decreasing with increasing age and with increasing levels of household savings. There was also a high level of credit use among households with children.

- The type of credit products used varied by household characteristics. Younger respondents (aged 18-24 years) had above-average use of mainstream loans (which include student loans) and informal loans from family and friends. Lone-parent households had high levels of usage for all types of loan, while couples with dependent children had above-average prevalence of credit and store card debt and use of mail order/ hire purchase.

Demand for credit

- About one in six (16%) of respondents had applied for an unsecured credit product in the previous six months, slightly lower than in 2009/10. One in ten (10%) of respondents said that they were 'very likely' or 'fairly likely' to need to borrow money in the next 3 months; this rose to 15% for borrowing over the next 12 months.

- Credit applications showed similar variation to credit holdings by household characteristics. Applications were highest for young respondents (29% among those aged 18-24), for lone-parent households (30%) and for households with little or no savings (22-25%).

- More than three quarters of applications for a range of products were approved for the full amount – for student loans, car finance loans, store cards, payday loans and mail order accounts. Applications for unsecured personal loans and overdrafts were the most likely to have been rejected (33% and 29% rejected).

Secured credit

- The proportion of households with a mortgage or secured loan increased slightly in 2011, from 37% to 39%, so was similar to the level reported in 2008/09 (40%).

- There was substantial overlap with use of unsecured credit, with 25% of all households having both secured and unsecured credit; 14% had only secured credit and twice this number (29%) had only unsecured credit.

Debt and savings

Household indebtedness

- Average levels of debt among borrowers have shown little change in recent years. In 2011 the mean amount of unsecured debt was around £8,500 (median £4,600). One quarter (25%) of borrowers had unsecured debts of £1,000 or less and around one half (48%) of £4,000 or less, while 30% owed more than £10,000.

- As in previous surveys, student loans were, on average, the largest (mean of £11,000) followed by personal loans (£7,200) and car finance loans (£6,200).

- Average levels of secured debt exceeded those for unsecured credit, with a mean value of around £92,000. Combining values for secured and unsecured credit gives an average total debt of about £57,000 across all households using some form of credit.

- The debt-to-income ratio can be a more useful indicator than absolute levels of debt in assessing risk of financial difficulty. Most households had modest levels of debt on this measure, with two fifths (40%) having an unsecured debt-to-income ratio of 10% or less, although 15% of households had unsecured debts amounting to more than 60% of annual household income.

- Looking at repayment-to-income ratios (for unsecured debts only), the majority of households appears to be in a sustainable position; about three fifths of borrowers had repayments equivalent to 10% or less of their income. However, 13% were spending more than 30% of their income on unsecured credit repayments.

- The highest levels of unsecured debts were found among young respondents. High debt-to-income ratios were found among lower income groups and one-person households as well as for young respondents. High repayment-to-income ratios were most common among lone-parent, one-person and low-income households.

Household savings

- As seen in 2009/10, most households had very low levels of ‘liquid’ (i.e. easily accessible) savings, with three-fifths (60%) having savings of less than £5,000. In particular, households using unsecured credit had below-average savings; half of this group had savings of less than £1,000.

- The likelihood of having a higher level of savings (£10,000 or more) increased steeply with age and household income. It was also above-average for couples with no children (38% compared with 28% overall) and below-average for lone-parent households (8%).

Financial difficulty

Objective indicators of financial difficulty

- On average in 2011, 7% of households were more than three months in arrears on bills and payments. This proportion has fallen over recent years and was 9% in 2009/10.

- In total, 5% of the sample were subject to a formal arrangement or an agreement to deal with debts (6% in 2009/10); 1% had been declared bankrupt in the past two years, 1% had a current IVA and 4% were paying off debts through a Debt Management Plan.

- Combining these two measures, 10% of households were defined as being in financial difficulties – 5% were taking action on debt and a further 5% were in structural arrears. This compares with 12% of households in 2009/10.

- Households with little or no savings and those with low income were more likely than others to be in financial difficulties, as were lone-parent households and households in which one or more adult was unemployed.

Subjective indicators of financial difficulty

- Subjective measures show that a higher proportion of people have concerns about their financial position than are experiencing difficulties on the objective indicators used here. In 2011, 13% of respondents considered that keeping up with bills and credit commitments was a heavy burden, 22% said that they either constantly struggled to keep up with bills and payments or were falling behind and 19% said that they struggled to last to the next pay day 'more often than not'. All of these measures showed a decrease over recent years.

- There was a significant degree of overlap between the three subjective indicators of financial stress; overall, 30% of respondents gave a positive response on at least one indicator, with 17% giving a positive response on two or more measures.

- The overlap between subjective and objective measures of financial difficulty was less complete. One half or more of those who perceived they were under financial pressure were not experiencing severe financial difficulties nor beginning to fall behind on their payments.

Households at risk of financial difficulty

- About 12% of households might be considered at risk of financial difficulties. These households were not experiencing severe financial difficulties (either taking action on debt or in structural arrears) but showed signs of subjective stress on at least two indicators.

- The characteristics of households experiencing financial stress were broadly similar to those households already experiencing difficulties, with high incidence among households with low savings or low income and lone-parent households.

Debt advice

- In 2011, 5% of respondents who had some difficulties keeping up with bills and payments had sought professional debt advice in the previous six months. This compares with 7% in 2009/10.

- The most common reason given for not having sought advice was that respondents did not feel that they needed advice (69% of those who had not sought advice). About one in ten respondents had either received advice in the past and knew what to do (5%) or had got advice elsewhere (5%).

- The most common types of action reported by respondents after receiving advice were that they had cut back on spending (34%), had contacted creditors (33%) and set out a budget plan (33%).

Background

Conducting in-depth analysis of groups who are either already in or at risk of falling into financial difficulties requires detailed survey data. This is the third in a series of BIS reports using data from the YouGov DebtTrack Surveys; previous reports presented data for the periods from July 2008 to July 2009 and from November 2009 to October 2010.[3] [4] This latest report is based on the DebtTrack surveys carried out between January and November 2011.[5]

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 financial difficulty. In 2008/9, the survey included both cross-sectional and panel elements; the panel comprised a small sample of households that were experiencing financial stress. Since November 2009 only the cross-sectional survey has been carried out.

These results from the DebtTrack survey are based on four cross-sectional surveys conducted at intervals between January and November 2011. The sample size for the survey was reduced in 2011 to around 2,000 respondents per quarter, as compared to around 3,000 respondents per quarter in the previous years. Most of the figures quoted in this report are based on the combined sample of 8,338 respondents to the four surveys, so represent average figures for 2011.

The quarterly DebtTrack survey collects data from a sample of around 2,000 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 [6] 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 British population using known distributions of key variables, including age, gender, tenure and household income, to provide a nationally-representative sample.

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. Most of the trends discussed in this report

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[3] http://www.bis.gov.uk/assets/biscore/consumer-issues/docs/10-830-over-indebtedness-second-report.pdf
[4] http://www.bis.gov.uk/assets/biscore/consumer-issues/docs/c/11-963-credit-debt-in-britain-2009-10
[5] See http://www.yougov.co.uk/corporate/specialisms/specialisms-financial-debttrack.asp?submenuheader=1
[6] The panel has over 350,000 members

involve comparison with the earlier rounds of the DebtTrack survey, which utilised similar methodology and survey design although there have been some changes in question wording and routing that may affect comparisons over time.

Comparison of results with other surveys is complicated by possible differences in methodology, including differences in precise question wording and in the context in which questions are asked, sample structure [7] and survey mode [8]. Some of the measures used in this report are compared with published results from the Wealth and Assets Survey, carried out by the Office for National Statistics[9] which uses face-to-face interviewing and has other design attributes that may affect comparability with the DebtTrack.

Themes

Three main areas are addressed in this report.

Use of credit

This section focuses mainly on the use of unsecured credit, exploring the prevalence of different types of unsecured credit (e.g. personal loans, overdrafts, credit cards) and variation in credit use among different groups of households. It also covers recent applications and future demand for credit. It finally looks at the interaction and overlap between holdings of secured and unsecured credit and how this varies by household characteristics.

Debt and savings

This section explores levels of unsecured and secured debt, both in absolute terms and relative to household income, and how this differs across households. It also includes an analysis of repayment-to-income ratios for unsecured debts and data on levels of liquid savings for different groups of households.

Financial difficulty

This section utilises a mixture of objective indicators (e.g. personal insolvency action, arrears on repayments or household bills) and subjective indicators (e.g. whether repayments are a 'heavy burden', struggling to keep up with bills/credit commitments) to assess the prevalence of financial difficulties and to explore the characteristics of households at risk of financial difficulty.

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[7] 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 occur if volunteers differ systematically from the population in terms of key measures relating to their financial situation – e.g. those who have more time to complete surveys or who are attracted by possible financial gain, which may in turn be related to the type of credit products used or to the incidence of financial difficulties.

[8] The DebtTrack is a self-completion survey that is administered online so it could under-represent those households that do 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.

[9] http://www.statistics.gov.uk/downloads/theme_economy/wealth-assets-2006-2008/Wealth_in_GB_2006_2008.pdf

Use of credit

Credit use decreased between 2009/10 and 2011, both at the aggregate level and across several key unsecured products such as credit cards, overdrafts and personal loans. The decreasing demand for credit is also seen in a fall in applications for new credit products and in the likelihood that households would need to borrow more in the next few months. The pattern of credit use has remained broadly unchanged, with high usage among households with low savings and lone-parent households, who were also more likely to make use of non-mainstream credit including loans from family and friends.

Unsecured credit

In 2011, just over one half (54%) of households had some form of unsecured credit commitment (Table 1). This continues the decline in prevalence of unsecured credit seen in earlier years, from 64% in 2008/09 and 58% in 2009/10, although the proportion appeared to be levelling out in the second half of 2011.

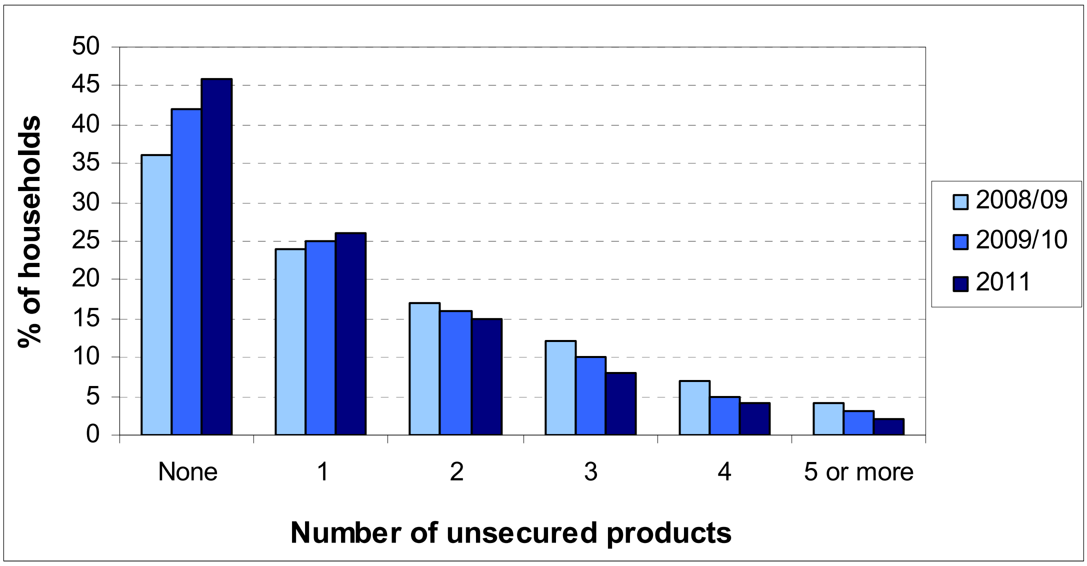
Table 1: Use of credit and number of credit products

	2008/ 2009 (%)	2009/ 2010 (%)	Jan 2011 (%)	March 2011 (%)	June 2011 (%)	Nov 2011 (%)	Total 2011 (%)
Unsecured credit							
Any unsecured credit commitments	64	58	56	55	52	54	54
4 or more unsecured credit commitments	11	8	6	7	6	6	6
5 or more unsecured credit commitments	4	3	2	2	2	2	2
All credit commitments (inc. mortgages and secured loans)							
Any credit commitments (including mortgage or secured loan)	75	70	69	69	66	69	68
4 or more credit commitments	18	13	11	12	10	11	11
5 or more credit commitments	8	6	5	5	4	5	5
Base = 100%	*14,132*	*13,172*	*2,043*	*2,072*	*2,142*	*2,099*	*8,338*

There was a corresponding reduction in the proportion of households using a large number of different types of credit; in 2011, 6% of households had four or more different types of unsecured credit compared with 8% of households in 2009/10 and 11% in 2008/09. A similar decrease was also seen in the proportion of households with any form of credit, including mortgages and secured credit, from 75% in 2008/09 to 68% in 2011.

The decrease in use of unsecured credit and in the number of credit products held is illustrated in Figure 1.[10] This shows a slight increase in the proportion of households with just one unsecured credit product as well as a more substantial increase in the proportion with no products. The proportions of households with two or more products have decreased consistently since 2008/09.

Figure 1: Number of different types of unsecured products: 2008/09 to 2011



Types of credit products

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

- As in previous years, the most common sources of unsecured credit were credit cards (25% of households) and bank overdrafts (17%) (Figure 2).[11] These were followed by student loans (13%), personal loans (13%) and mail order accounts (10%).

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[10] See Appendix Table A1
[11] See Appendix Table A2

- Informal loans from family or friends were used by 7% of respondents, and 3% of the sample were using high-cost credit sources (home-collected credit, payday and pawnbroker loans).

Figure 2: Main sources of unsecured credit

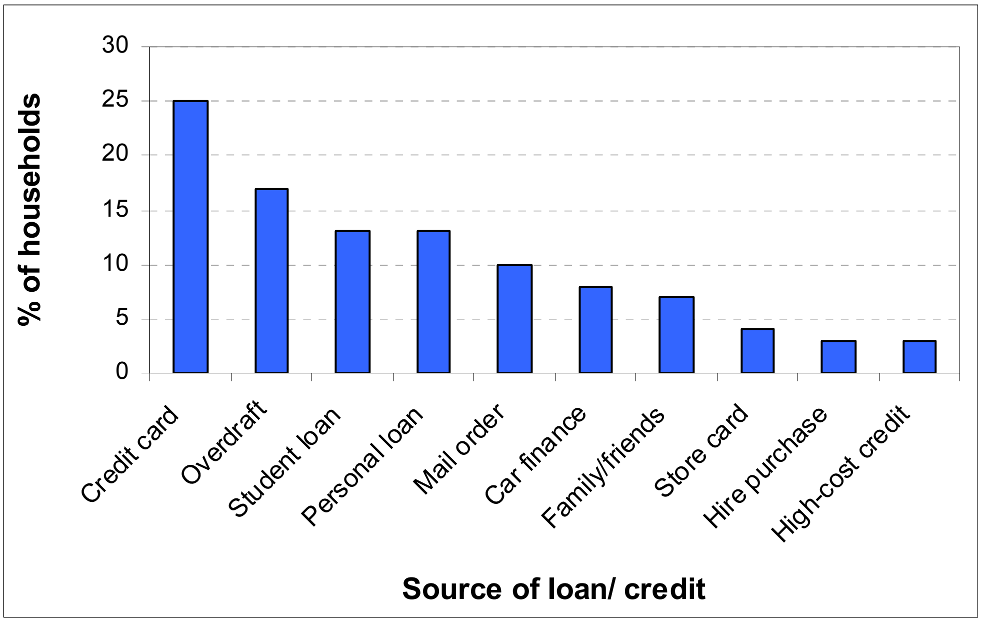
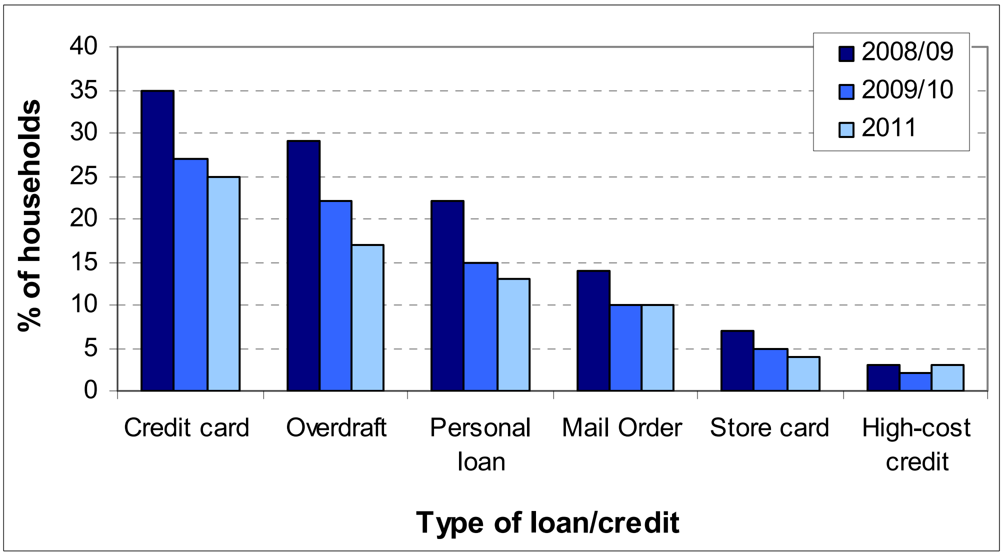


Figure 3: Prevalence of selected types of unsecured credit: 2008/09 to 2011

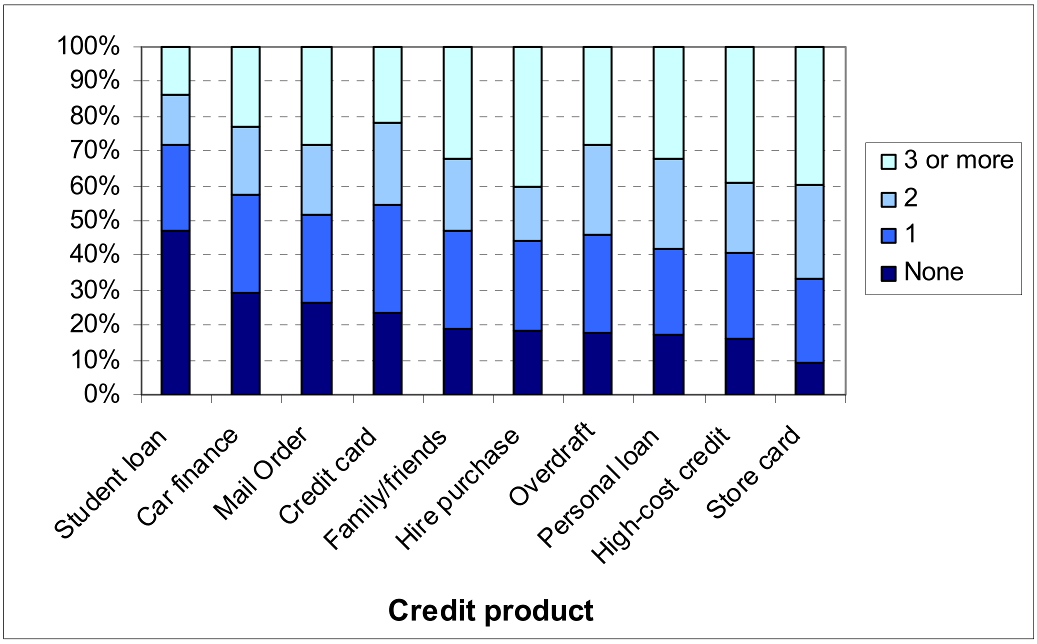


- In line with the overall reduction in use of unsecured credit, the prevalence of most of these types of credit decreased between 2009/10 and 2011, following a more marked decline in the previous year. For example, the prevalence of authorised overdrafts decreased from 29% in 2008/09 to 22% in 2009/10 and 17% in 2011 and that of unsecured personal loans from 22% to 15% and 13% (Figure 3). The prevalence of some of the less commonly used sources of credit was fairly stable over the last two years; 10% of households had mail order loans in both of these years, and high-cost credit sources (home-collected credit, payday loans and pawnbroker loans) were used by 2-3% of households in both years.

Overall, almost one half (47%) of users of unsecured credit had only one type of credit and only one in eight (12%) had four or more types.[12] As shown in Figure 4, the likelihood of having multiple loans varied for users of different products. Holders of student loans were the most likely group to have only one type of loan: 47% had no other unsecured credit commitments.[13] Store card users were most likely to have other commitments – only 9% of users had no other types of credit commitment. Users of store cards, high-cost credit and hire purchase were all very likely to have multiple types of unsecured credit: about two-fifths of each of these groups was using three or more other types of unsecured credit.

The standard list of credit products used on the DebtTrack surveys includes authorised overdrafts, which were used by some 17% of respondents in 2011. Additional questions on unauthorised overdrafts were also included in the 2011 surveys. Analysis of these questions is included at Appendix C and indicates that about one in ten respondents had used an unauthorised overdraft in the previous 12 months.

Figure 4: Number of other types of unsecured credit held by users of main credit products



Variation in credit use by household characteristics

Analysis of credit use in the previous series of DebtTrack surveys has supported the accepted pattern of variation through the life-cycle, with high usage among families with

[12] See Appendix Table A1
[13] See Appendix Table A3

children and lower usage for older households. Analysis of data for the 2011 surveys shows similar patterns, as illustrated in Figure 5.[14] Key points were as follows.

- Declining credit use with increasing age of the respondent. Usage was 67% to 68% for those aged 18-24 and 25-39 but fell sharply to 39% for respondents aged 55 or over.

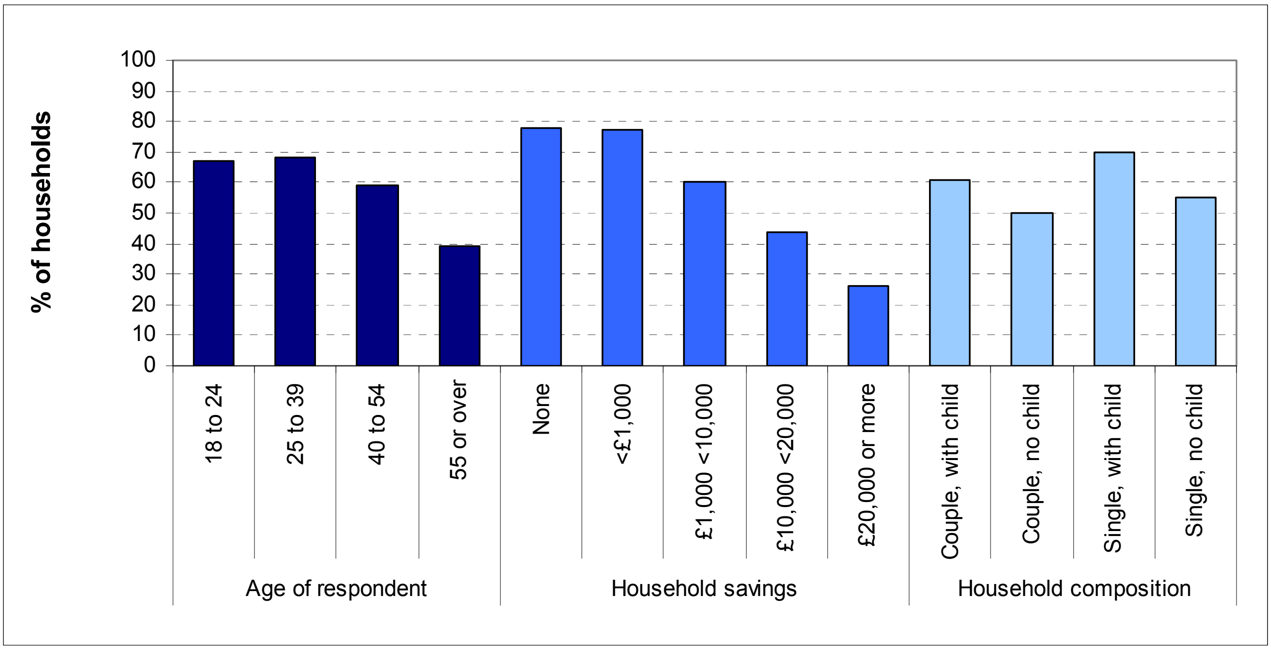
- A strong inverse relationship between credit use and the level of household savings. More than three quarters of households with zero or less than £1,000 in savings (77-78%) had some form or unsecured credit, compared with 44% of households with savings of £10,000-£20,000 and 26% of those with savings of £20,000 or more.

- Little variation in the use of unsecured credit with household income.

- A high level of credit use among households with children (61% for couples with children and 70% for lone parents with children).

- Low credit use among households that owned their home outright – 27% compared with 54% overall. This reflects the greater average age and affluence of this group.

Figure 5: Use of unsecured credit by selected household characteristics



As in 2009/10, there was some variation in the type of credit products used by different groups of household.[15] For this analysis, credit products were grouped into the following categories:

- Mainstream loans – personal loans, authorised overdrafts and student loans
- Credit and store cards

[14] See Appendix Table A4
[15] See Appendix Table A5

- Mail order, hire purchase agreements and car finance
- DSS/ Social Fund and Credit Union loans
- Informal loans from family and friends
- High-cost credit – payday loans, home-collected credit and pawnbroker loans.

The main patterns were as follows.

- The likelihood of using mainstream loans and credit or store cards tended to increase with household income. In contrast, the likelihood of using Credit Union/ DSS loans or high-cost credit tended to decrease with increasing household income. (Figure 6)

Figure 6: Types of unsecured credit by household income

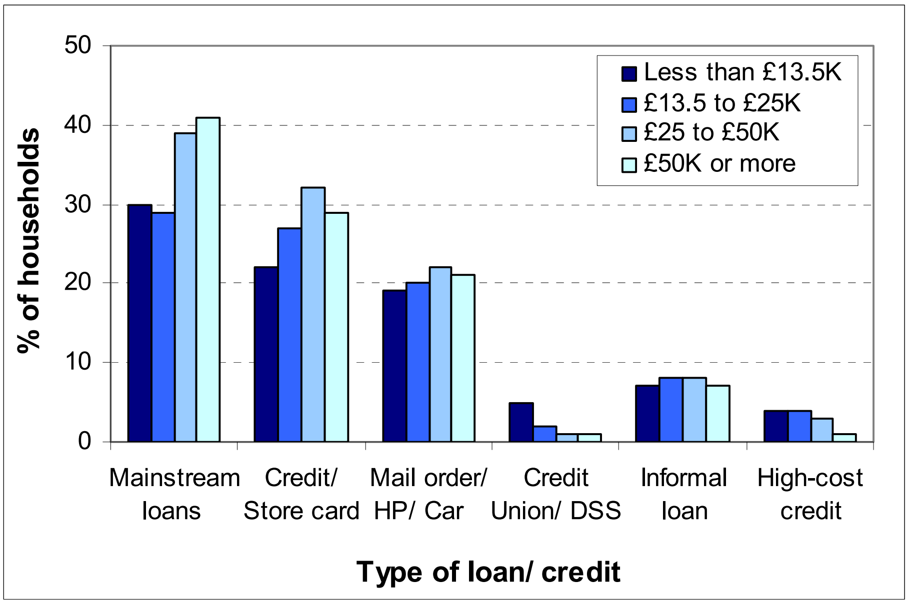
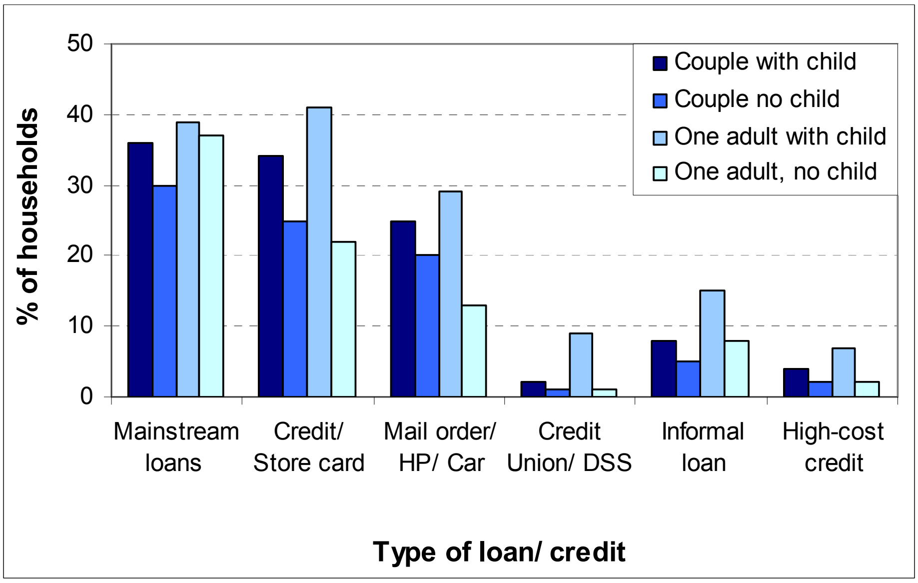


Figure 7: Types of unsecured credit by household composition



- Prevalence of all types of loan was highest among households with no or very low savings and decreased steeply with increasing household savings. Use of high-cost credit, informal loans and Credit Union/ DSS loans were particularly high among these groups.

- Lone-parent households had above-average usage of all types of loan, with a particularly high prevalence of credit and store card debt (41% compared with 26% overall). Couples with dependent children also showed above-average prevalence of credit and store card debt and use of mail order/ hire purchase. (Figure 7)

- Younger respondents (aged 18-24 years) had above-average use of mainstream loans, which include student loans, and informal loans from family and friends. Respondents in middle age bands (25-39 and 40-54) had relatively high usage of credit or store card loans.

Although high-cost credit (payday loans, home-collected credit and pawnbroker loans) is used by only a small proportion of the population, there are concerns that it impacts on low income and more vulnerable consumers. Further analysis of the use of high-cost credit, based on data from all three years of the DebtTrack surveys, can be found in Appendix B.

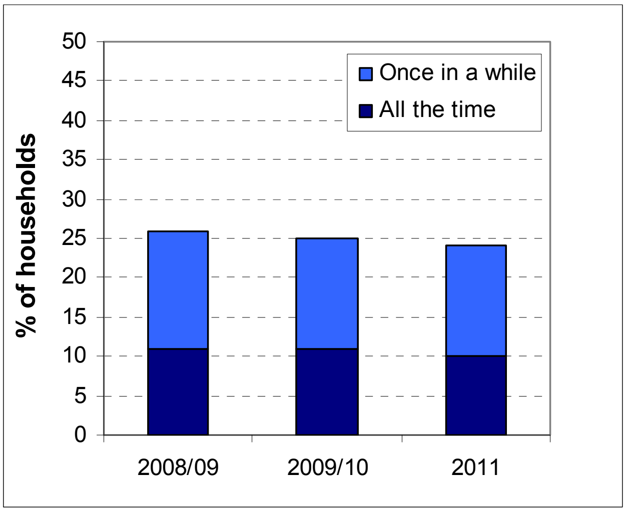
Demand for credit

The DebtTrack surveys provide data on various measures for credit demand, with questions about respondents' reliance on credit for everyday expenses, applications for credit products in the recent past and intentions to apply in the future.

Reliance on credit for everyday expenses

Although credit is an important feature of modern living it can become problematic when relied on to pay for everyday expenses. One in ten respondents in 2011 (10%) 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 14% used credit for living expenses 'once in a

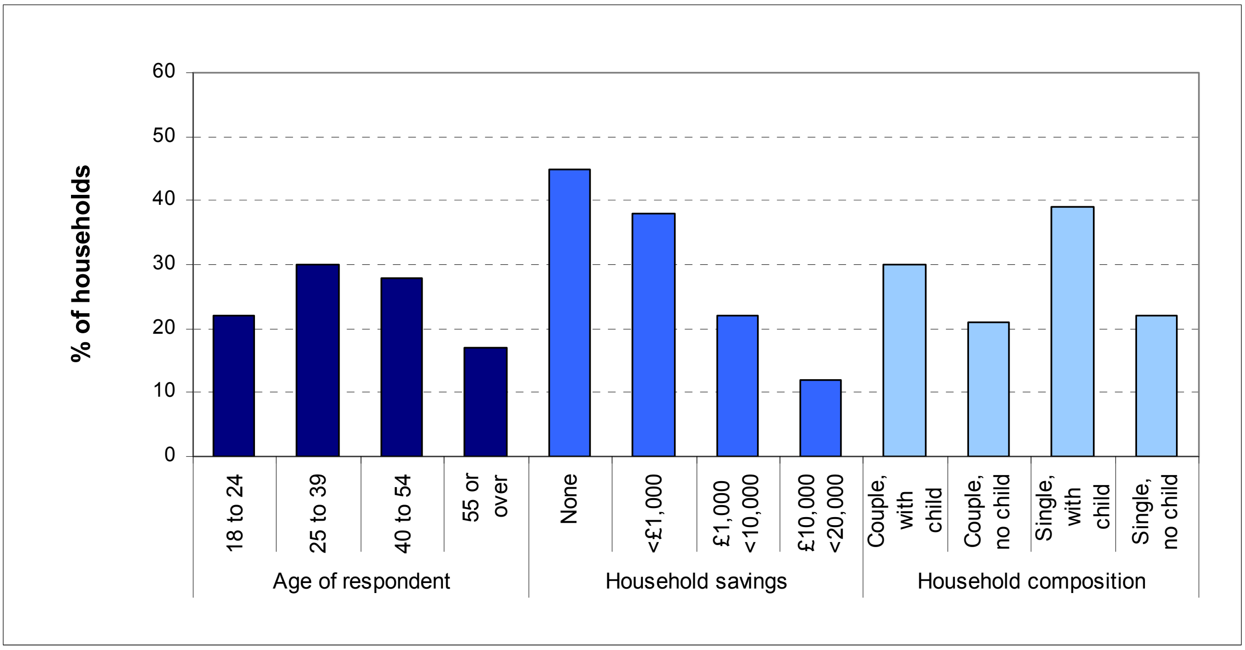
Figure 8: Use of credit for everyday living expenses, 2008/09 to 2011



while'.[16] The use of credit for everyday expenses appears to have decreased slightly over time from 26% in 2008/09 to 24% in 2011.

Variation between households in the likelihood of using credit to meet everyday living expenses was broadly similar to the variation in use of unsecured credit, as illustrated in Figure 9.[17] As would be expected, households with zero or very small savings were much more likely to use credit for everyday expenses either 'all the time' or 'once in a while' – 38% to 45% compared with 24% overall. There was, however, very little variation by current household income. Households with children were also more likely than average to use credit for everyday expenditure – 39% for lone parents with children and 30% for couples with children.

Figure 9: Proportion of households that used credit for everyday expenses by selected household characteristics



Applications for credit

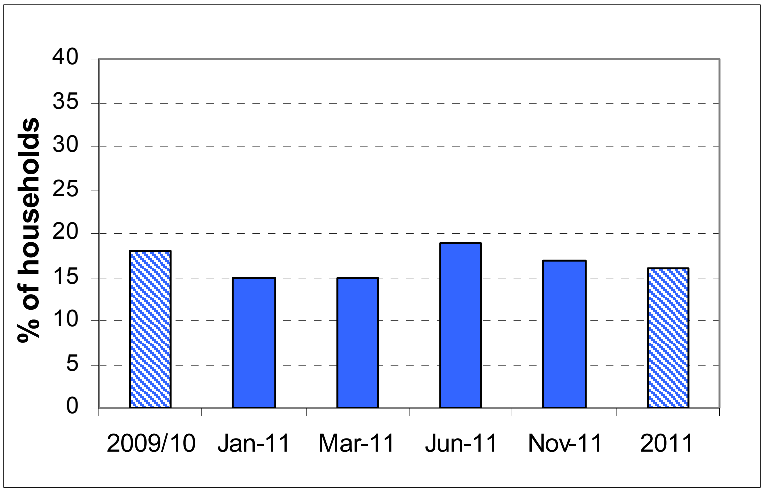
Overall, about one in six respondents (16%) had applied for an unsecured credit product in the six months before interview and 2% for a mortgage or secured loan.[18] This does not cover increased borrowing on existing products but is simply a measure of the level of demand for new credit products. Applications for a credit card were the most common (8% of respondents) followed by applications for an overdraft facility or unsecured loan (each 2%). All other unsecured credit products had application rates of less than 2% across the year as a whole.

[16] See Appendix Table A6
[17] See Appendix Table A7
[18] See Appendix Table A8

There is some evidence of a fall in the rate of applications for new products in the last year, from 18% in 2009/10 to 16% in 2011, but during 2011 the rate varied between 15% and 19% by quarter (see Figure 10). The comparison with 2008/9 is affected by question changes as more credit products were prompted in the recent surveys but a comparison based on the same list of products also suggests a decrease in applications, from 18% in 2008/9 to 14% in 2009/10 and 13% in 2011.

Respondents who had applied for an additional unsecured credit product were asked about the main reason for doing so. The responses prompted in the questionnaire all related to existing credit products and were used by about one third of those who had applied for a credit product. Overall about one in six of those making an application had either reached the maximum borrowing on existing products (12%) or faced a decrease in their credit limit (4%). A similar proportion (16%) said that existing credit products had become more expensive to use (table not shown).

Figure 10: Proportion of households that had applied for unsecured credit in previous six months, 2009/10 and by quarter in 2011



Variation by household characteristics

The level of applications for all types of unsecured loan showed similar variation by household characteristics to that seen for holdings of unsecured credit (Figure 11).[19]

- The likelihood of having applied for an unsecured credit product decreased through the age range, from 29% for respondents aged 18-24 and 22% for the 25-39 age-group to 9% for respondents aged 55 or over.

- Lone-parent families had a particularly high rate of applications (30%) and levels were also above average for households with little or no savings - 25% to 22% for those with savings of zero or less than £1,000.

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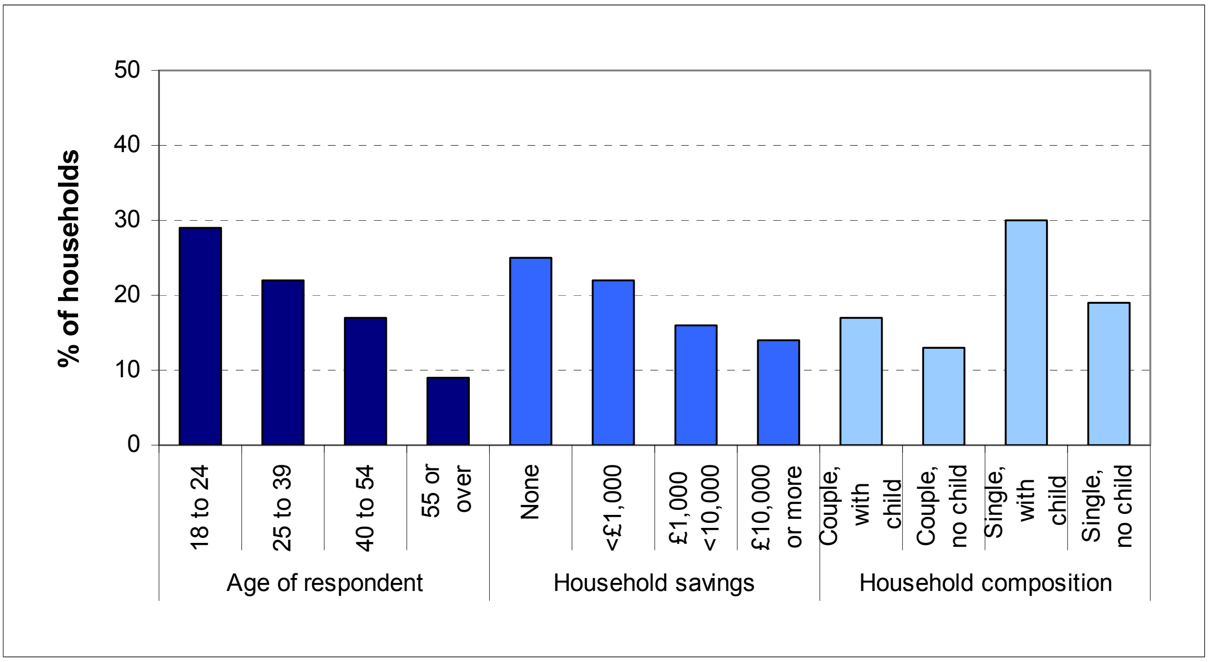
[19] See Appendix Table A9

Figure 11: Proportions of households that had applied for unsecured credit by selected household characteristics



Outcome of applications

The outcomes of recent applications for credit varied for the different types of product (see Figure 12).[20] Car finance, student loan, store card and mail order account applications were all very likely to have been agreed for the full amount, with acceptance rates of 77% or higher. DSS/Social Fund loans were most likely to have been agreed for a reduced amount (49% of applications). Applications for unsecured personal loans and overdrafts were the most likely to have been rejected by the provider (33% and 29% of applications respectively).

The likelihood of having loan applications for the main product types turned down by the provider showed some variation across households. For this analysis data from the last two years of the DebtTrack were combined because of the small number of applications for some products. As illustrated in Figure 13, households with low income (less than £25,000 per annum) tended to have higher rejection rates than higher income households, though not for applications for personal loans. The difference was most marked for credit and store card applications. Younger respondents (aged 18-39) also had higher rejection rates for credit and store cards, and also for personal loans. Households with children had relatively high rejection rates for store cards and bank overdrafts.[21]

[20] See Appendix Table A10
[21] See Appendix Table A11

Figure 12: Outcomes for recent applications for unsecured credit

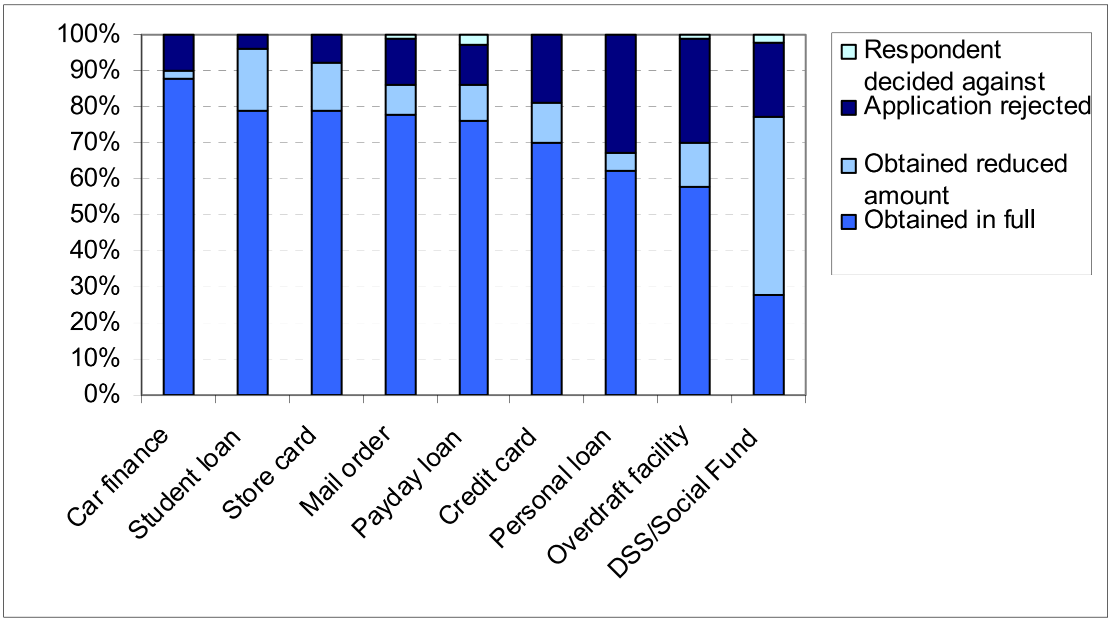
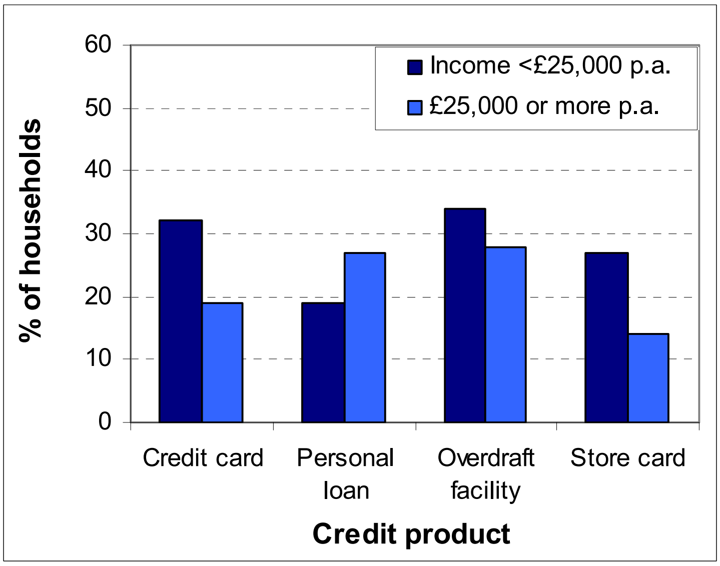


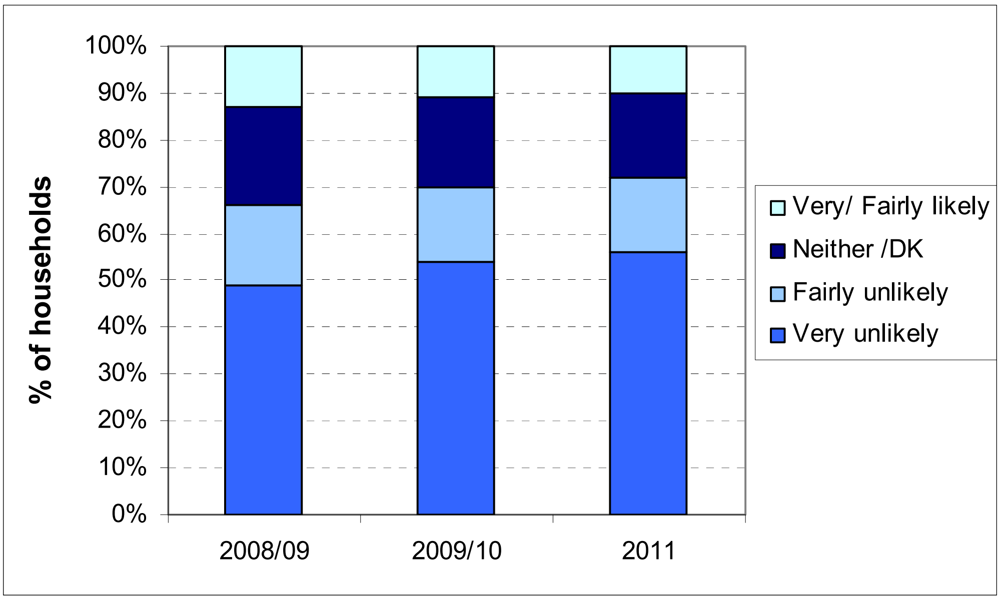
Figure 13: Percentage of applications rejected by gross annual household income



Future demand for credit

One tenth (10%) of respondents in the 2011 surveys said that they were 'very likely' or 'fairly likely' to need to borrow more money over the next three months. This suggests a continuing reduction in demand for credit – some 13% of respondents in 2008/09 said that they were very or fairly likely to need to borrow more in the near future. The decrease in demand was also evident during the past year with an increase in the proportion of respondents who said that they were very unlikely to need to borrow more, from 52-54% in January and March to 59% in June and November.[22]

Figure 14: Likelihood of needing to borrow more money in next three months



As well as being asked about the likelihood of borrowing more in the next three months, respondents were also asked to look further ahead and assess their likelihood of needing to borrow more over the next 6-12 months. The data from the two questions can be combined to provide an overall estimate of demand for credit over a longer period of up to a year. This combined measure indicated that 15% of respondents were fairly or very likely to need to borrow more over the coming year, compared with 10% over the next three months.[23]

Variation by household characteristics

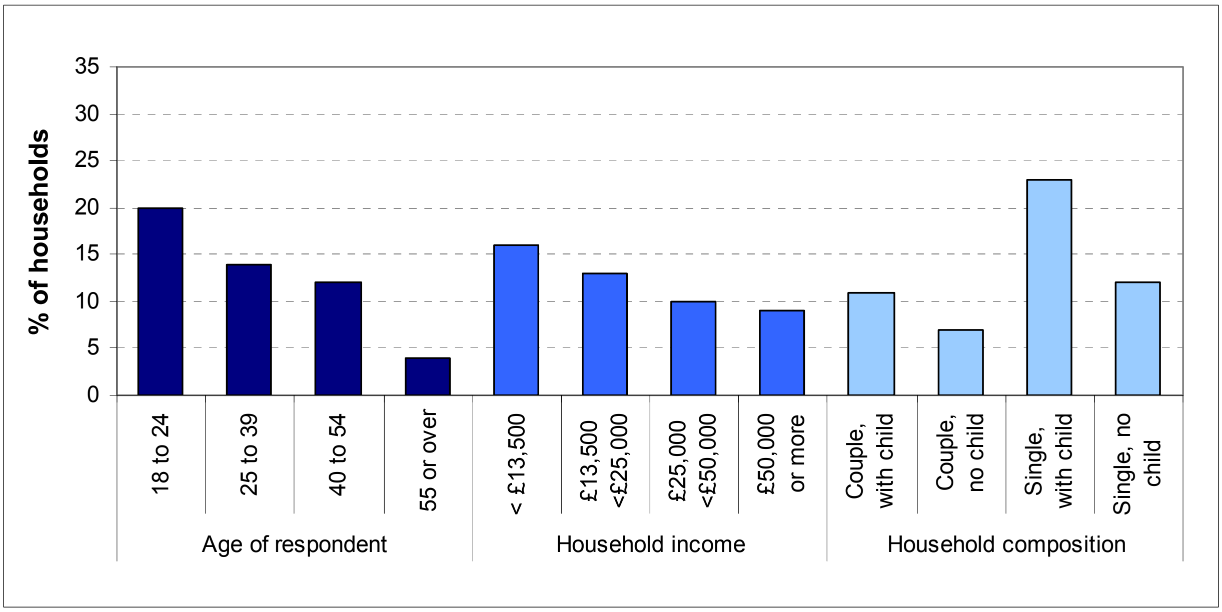
There was substantial variation by household characteristics in expectations for borrowing more money over the next three months.[24] The associations with age, level of savings and household composition were broadly similar to those seen for credit applications made in the previous 6 months.

- Young respondents (aged 18-24) were more likely than older groups to say that they were likely to need to borrow in the next three months (20% compared with 10% overall).

- Households with low savings (25% of those with no savings) and lone-parent households (23%) also showed a high likelihood of needing to borrow more.

[22] See Appendix Table A12
[23] See Appendix Table A12
[24] See Appendix Table A13

Figure 15: Proportion of households likely to need to borrow more money in next three months by selected characteristics



- There was an inverse relationship between income and the likelihood of needing to borrow, with low-income groups more likely to say that they might need to borrow. This association with income was not seen for reported credit applications in the previous six months (Table A9), which may reflect the difficulties experienced by this group in obtaining credit.

Secured credit

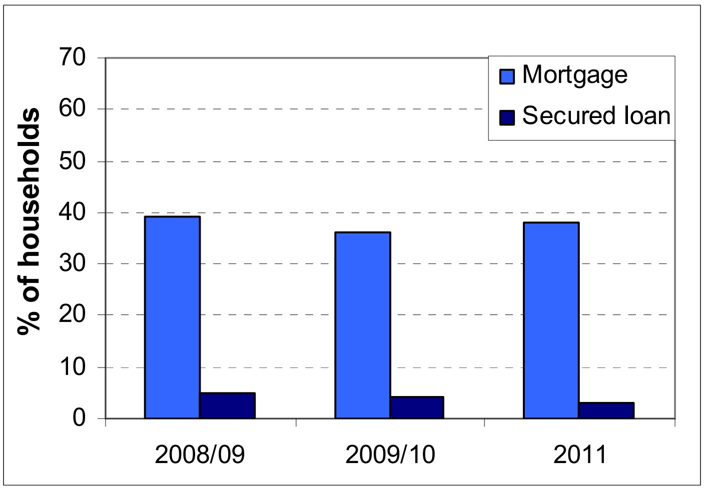
This section focuses on mortgages and other secured loans, looking first at the prevalence of these loans and then at the overlap with holdings of unsecured credit.

Holdings of secured credit

Overall, 38% of DebtTrack respondents in 2011 had a mortgage and 3% had some other type of secured credit. In total, 39% of respondents had either a mortgage or another secured loan. This compares with 37% in 2009/10 but is similar to the level seen in 2008/09 (40%). As mortgages tend to be large debts that are taken out over long periods, there are unlikely to be large changes in holdings over a short period. Between 2009/10 and 2011 there was a slight increase in the proportion of respondents with a mortgage, from 36% to 38%, following a decline in the previous year from 39% in 2008/09. There has been a more consistent trend in holdings of other secured loans, which decreased from 5% in 2008/09 to 4% in 2009/10 and 3% in 2011 (Figure 16).[25]

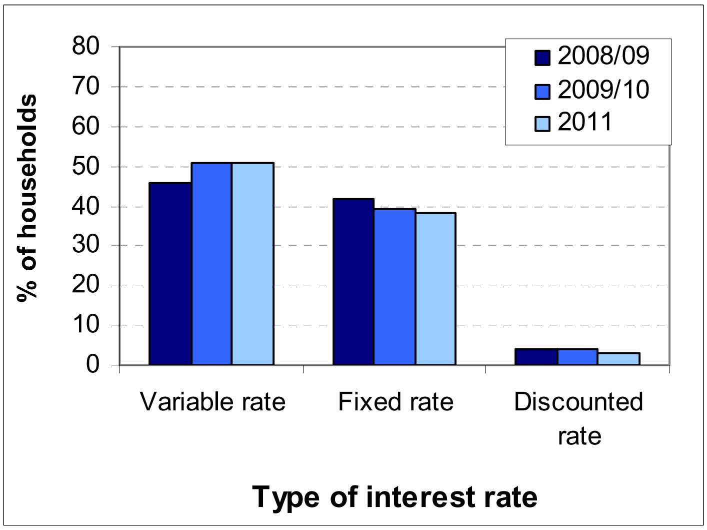
[25] See Appendix Table A14

Figure 16: Prevalence of mortgages and secured loans, 2008/09 to 2011



More than one half (51%) of households with a mortgage reported having a variable-rate mortgage, with most of these reviewed monthly (42% of households with a mortgage). About two-fifths (38%) of respondents with a mortgage had a fixed-rate deal. There was little change between 2009/10 and 2011 in the levels of variable and fixed rate mortgages but over the three-year period there has been an increase in variable rate mortgages, from 46% to 51%, and a decrease in fixed rate mortgages, from 42% to 38% (see Figure 17).[26]

Figure 17: Type of interest rate on mortgages, 2008/09 to 2011



About three quarters (74%) of respondents with a mortgage had a repayment mortgage; this proportion increased from 70% in 2008/9 and 71% in 2009/10. The proportion of households with an interest-only mortgage has decreased slightly over recent years from

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[26] See Appendix Table A15

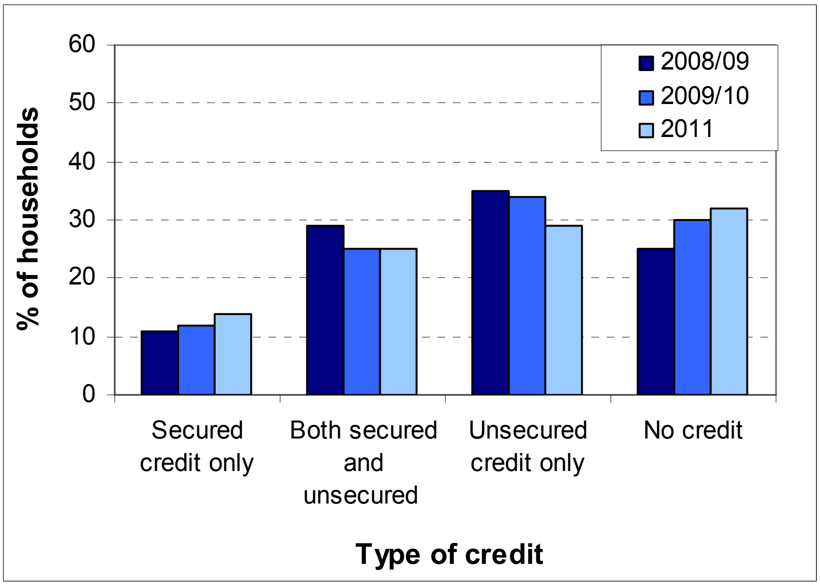
30% in 2008/09 to 28% in 2011.[27] One in ten (9%) of respondents with a mortgage had an interest-only loan with no linked repayment vehicle; this represented about one third of those with an interest-only mortgage. About one fifth of mortgage holders had an interest-only mortgage with a linked payment policy: 14% had an endowment policy and 5% had repayment vehicle such as an ISA or pension plan.[28]

Overlap between secured and unsecured credit

Use of unsecured credit is more common than secured credit: 54% of DebtTrack respondents had some form of unsecured credit whereas 39% had a mortgage or other secured loan. In total, 68% of households had one or other form of credit. As already seen, use of credit has decreased over recent years from 75% of households in 2008/09 to 68% in 2011. The decrease is due mainly to a decline in the prevalence of unsecured credit (from 64% in 2008/09 to 54% in 2011) whereas the prevalence of mortgages and secured loans has varied between 37% and 40%.[29]

There was substantial overlap between holdings of secured and unsecured credit. One quarter (25%) of households had both secured and unsecured credit; this represented almost two thirds of households with secured credit. Some 14% of all households only had a mortgage or secured loan whereas twice as many (29%) only had unsecured credit. The overall decrease in use of unsecured credit between 2008/9 and 2011 is seen both in the proportion of households with only unsecured credit (which fell from 35% to 29%) and those with both secured and unsecured credit (from 29% to 25%).

Figure 18: Overlap between use of secured and unsecured credit, 2008/09 to 2011



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[27] Respondents could have more than one type of mortgage, so percentages sum to more than 100%.
[28] See Appendix Table A16
[29] See Appendix Table A17

Variation by household characteristics

The figures below combine the data on secured and unsecured credit to show variation in any credit use by household characteristics.[30]

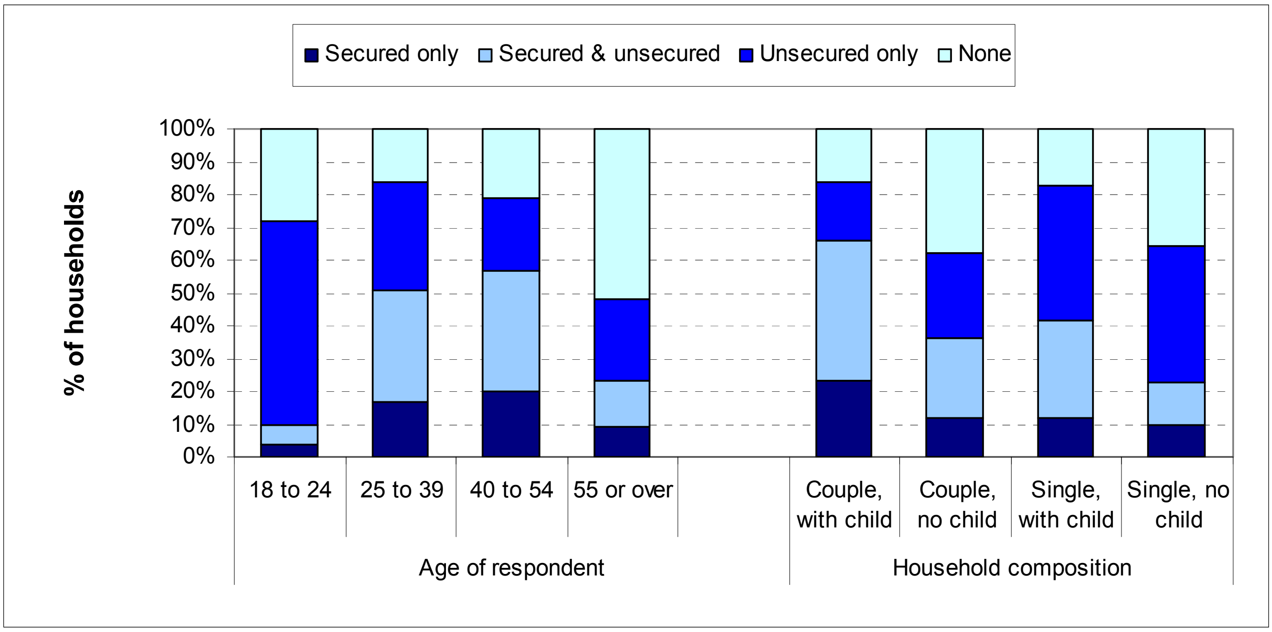
- Overall use of credit was lowest in the upper age band (55 or over) at 48%. Otherwise credit use was reasonably stable across the age bands, varying between 72% and 84%, although there was a clear shift towards secured credit or a combination of secured and unsecured credit in the middle age bands (Figure 19).

- There were high levels of credit use among households with dependent children although couples with children were more likely than lone-parent families to have secured credit (66% compared with 42%).

- Overall credit use tended to increase across the income range (from 60% to 82%) but there were differences in the type of credit used (Figure 20). Households in lower income bands had higher levels of use of unsecured credit whereas a greater proportion of those in higher income bands had secured credit; 14%-25% of households with an annual income of less than £25,000 were using secured credit compared with 50%-63% for higher income bands.

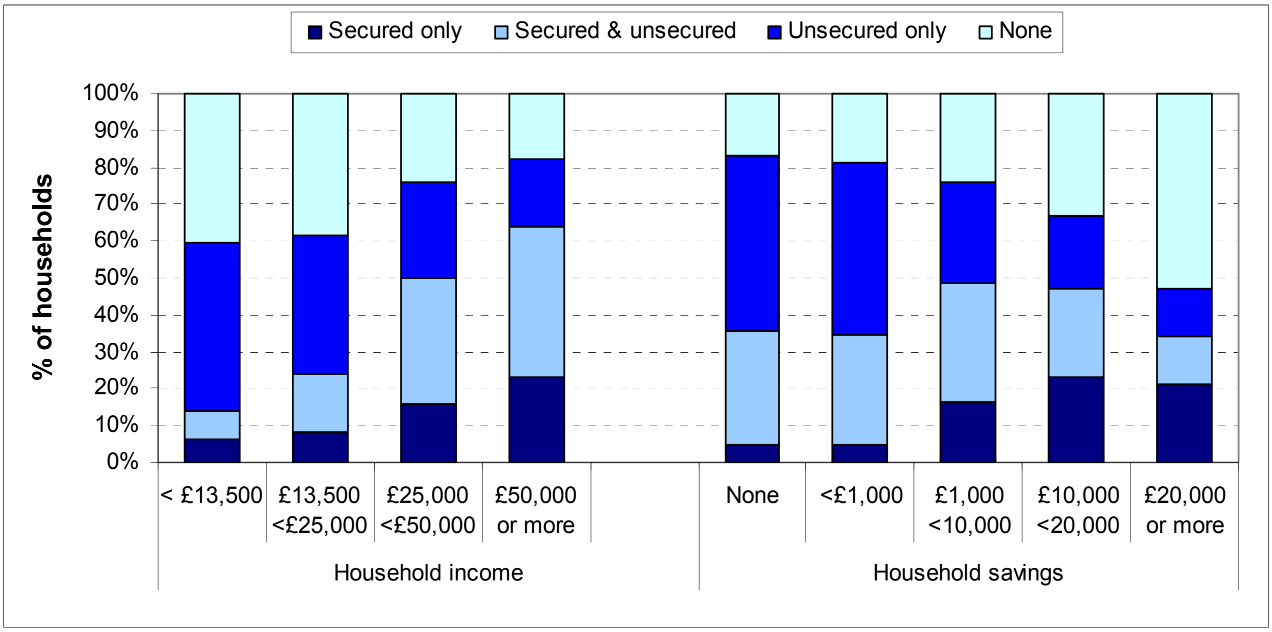
- Credit use decreased with increasing household savings but this was due mainly to a decrease in use of unsecured credit with increasing savings. The prevalence of secured credit tended to be highest among households with mid-range savings of between £1,000 and £20,000.

Figure 19: Secured and unsecured credit use by age of respondent and household composition



[30] See Appendix Table A18

Figure 20: Secured and unsecured credit use by household income and savings



Debt and Savings

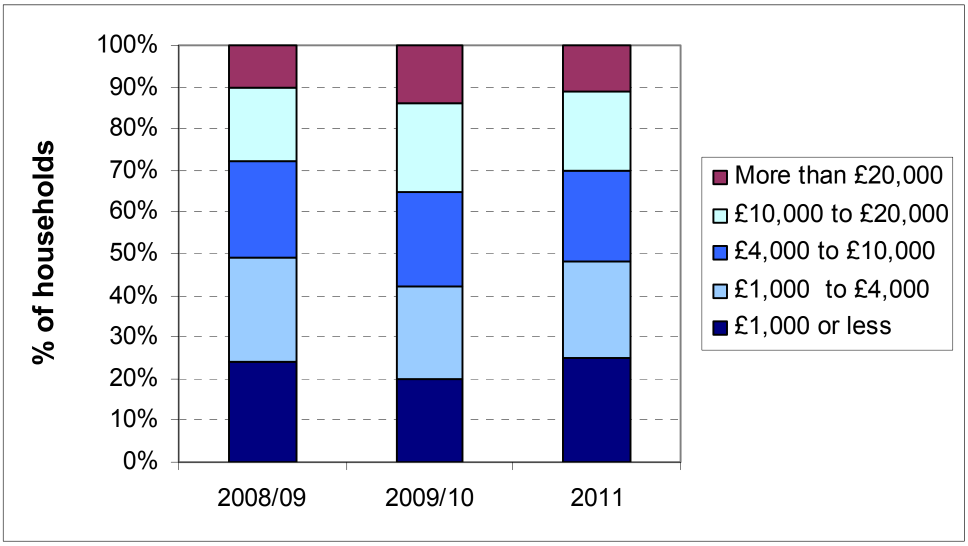
Although the use of credit has declined in recent years, average debt levels among borrowers have shown relatively little change. The financial position for the majority of households appears to be sustainable and the proportion of households with high debt-to-income ratios has fallen over recent years. Levels of savings remain low with three-fifths of households holding less than £5,000.

Unsecured debt

The DebtTrack surveys collect data on the amount currently owed for each type of unsecured loan or credit used by the household and the value of monthly repayments, recorded either as a precise or banded amount. This information has been used to estimate the value of credit from each source as well as debt and repayment ratios (calculated as a percentage of annual household income).

The majority of borrowers in 2011 had relatively small amounts of unsecured debt. [31] One quarter (25%) of borrowers had debts of less than £1,000 and a further 23% had borrowing of between £1,000 and £4,000. However, at the other end of the distribution, 30% of households owed more than £10,000 on unsecured credit and one tenth (11%) owed more than £20,000.[32] As illustrated in Figure 21, the distribution for the amount of unsecured debt has been relatively stable over recent years. The proportion of responding households with very low levels of debt decreased between 2008/09 and 2009/10 but increased again in 2011.

Figure 21: Amount of unsecured debt, 2008/09 to 2011

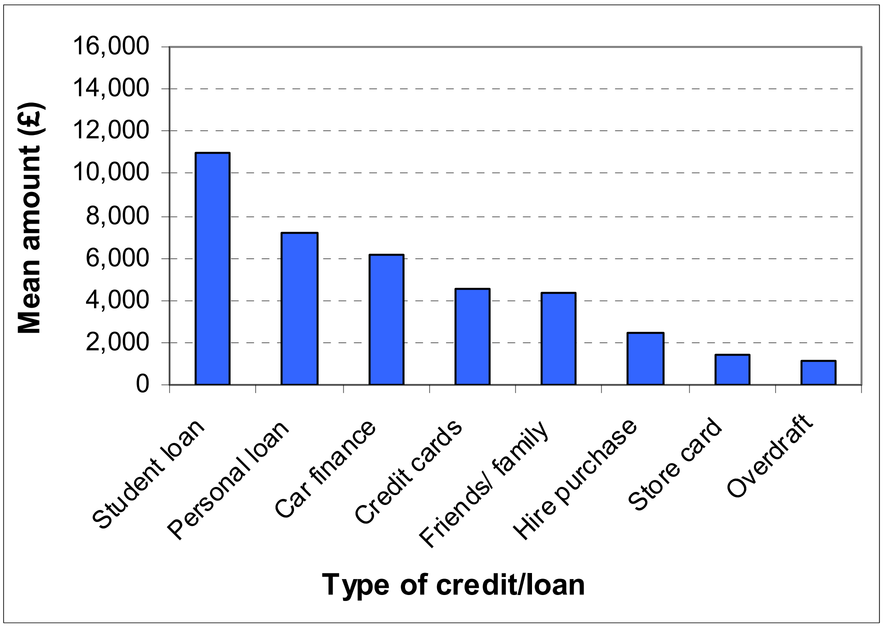


[31] Analysis is based on cases for which information on the value of unsecured debt was available. The value was missing for 17% of households with unsecured borrowing.
[32] See Appendix Table A19

Figure 22 compares the average amounts owed for different types of credit commitment.[33] As in previous surveys student loans were, on average, the largest in terms of value, with a mean of £11,000.[34] They were followed by personal loans (£7,200) and car finance loans (£6,200). The averages for loans from family and friends and for credit card debt were both around £4,500. For every type of debt the median value for the amount owed was substantially less than the mean value, so the distributions are positively skewed with a small number of high values; this can be seen in the high values for the 90th percentile for some types of credit.

Combining the values for amounts owed on individual types of credit gives a mean value for total unsecured debt of around £8,500 with a median of £4,600.[35] The comparison of mean values across recent years shows no clear trend in the amount of unsecured debt; small changes from year to year may be due to the influence of a small number of very large values in a specific sample.

Figure 22: Mean amount owed on main types of unsecured credit commitment



Secured and total debt

Levels of secured debt are, predictably, much higher than those for unsecured credit. The distribution in Figure 23 shows that almost two-fifths (37%) of households with secured

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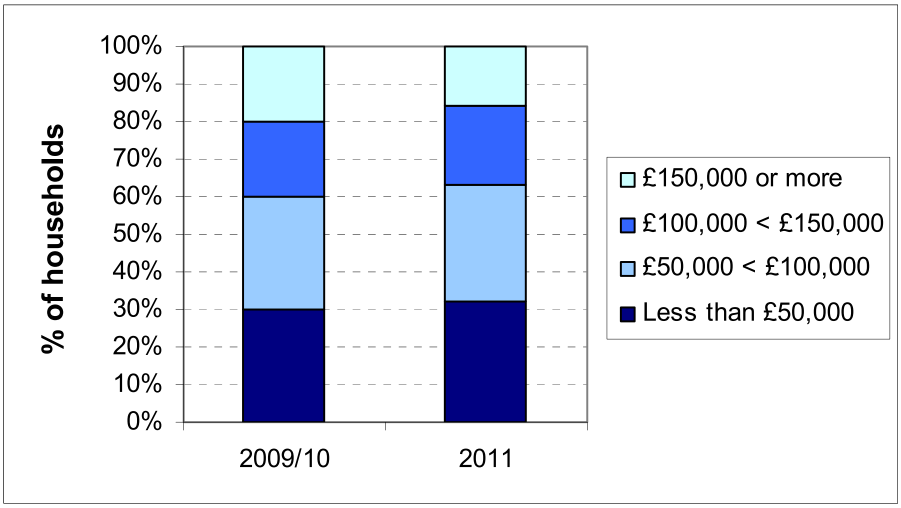
[33] The mid-points of bands were used when calculating average amounts. Around 15-30% of values were missing for different types of debt. Averages based on small sample sizes are not considered to be reliable and products with a sample size of less than 100 are shown in italics in the lower part of the table in Appendix A.
[34] See Appendix Table A20
[35] Based on households that gave values for unsecured credit.

debts owed £100,000 or more and some 16% owed £150,000 or more.[36] The mean value of secured borrowing was around £92,000 and the median amount was £78,000.[37] The data for 2011 suggest that there may have been a small reduction in the value of secured debt over the last two years but this may be an artefact related to an improvement in data collection on this variable, with the proportion of missing values having decreased by about two fifths.

Figure 23: Amount of secured debt, 2009/10 and 2011



The YouGov value for mean secured debt for 2011 is broadly similar to the value reported for the second wave of the Wealth and Assets Survey, covering 2008/10.[38] The latter survey provides more robust estimates based on face-to-face interviews of a larger sample with lower levels of non-response.[39]

The frequency distribution for total debt has a very wide range because of the different values and distributions for secured and unsecured debt.[40] At the lower end of the distribution shown in Figure 24, about one quarter (27%) of households using credit had total debts of £5,000 or less.[41] At the other end of the distribution, almost two fifths (38%) of respondents with loans had total debts of more than £50,000.

The mean amount of debt recorded by the 2011 DebtTrack surveys for households with some form of credit was around £57,000, with a median of £23,000. This represented a small increase over the levels recorded in the 2009/10 surveys (mean of £53,400, median £17,000) but the comparison is affected by the improvement in data collection for secured borrowing mentioned above. The reduction in the proportion of missing values for the

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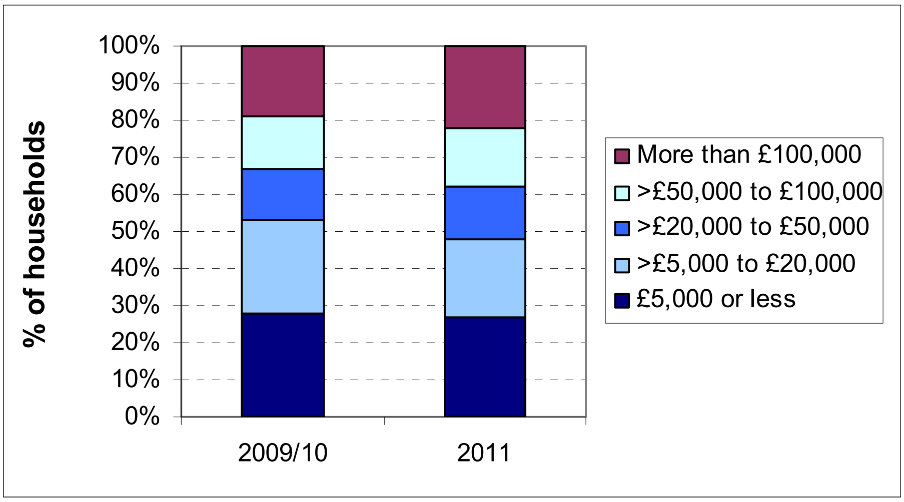
[36] Analysis is based on cases for which information on the value of secured borrowing was available. This value was missing for 22% of households with secured borrowing.
[37] See Appendix Table A21
[38] The WAS 2008/10 estimate for the value of mortgages on the main residence was £92,000.
[39] http://www.ons.gov.uk/ons/rel/was/wealth-in-great-britain-wave-2/2008-2010--part-1-/index.html
[40] See Appendix Table A22
[41] See Appendix Table A23

amount of secured debt, which is on average much higher than unsecured debt, will tend to increase average values for total debt.

Figure 24: Total amount of debt, 2009/10 and 2011



Debt-to-income ratios

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, such as unemployment and increases in interest rates or other household bills, that may put them at risk of falling into financial difficulty. Measures that relate debt and repayments to levels of income are considered to be more useful as indicators of vulnerability. The first of these is the ratio of debt to 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, driven mainly by the expansion of secured debt.

Due to the different nature of secured and unsecured debt (with secured debt being guaranteed by a saleable asset), much of the discussion of debt burden relates to unsecured debt so the analysis of DebtTrack data focuses on this part of total debt. Figure 25 compares the distribution for the ratio of unsecured debt to household income, for households with unsecured debt, for 2011 and previous years of the DebtTrack surveys.[42]

As also seen for absolute levels of unsecured debt, the ratio of debt to income indicates that most households had relatively modest levels of borrowing in 2011.[43] Two fifths (40%) of borrowing households had unsecured debts amounting to 10% or less of annual household income and 57% to 20% or less of income. However, some 15% of borrowing households had a very high ratio of unsecured debt to income, of more than 60%, and most of these (11% of borrowing households) had a debt to income ratio of more than 80%.

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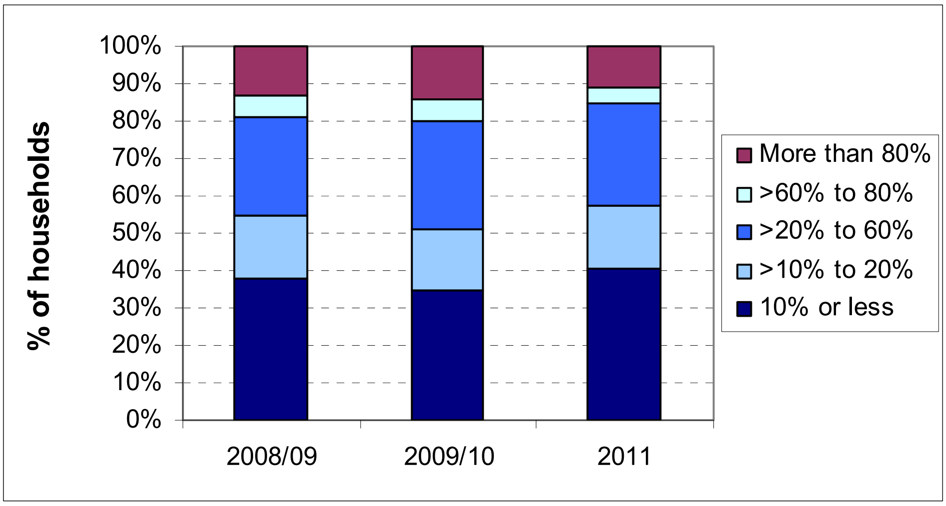
[42] The ratio was available for 72% of households using unsecured credit.
[43] See Appendix Table A24

Figure 25: Unsecured debt as a percentage of household income, 2008/09 to 2011



There is some evidence of a decrease in unsecured debt-to-income ratios over recent years. The proportion of households with a ratio of more than 60% decreased from 19% in 2008/09 and 21% in 2008/09 to 15% in 2011. This tendency to a decreasing debt burden was less clear in terms of absolute levels of unsecured debt (see Figure 21).

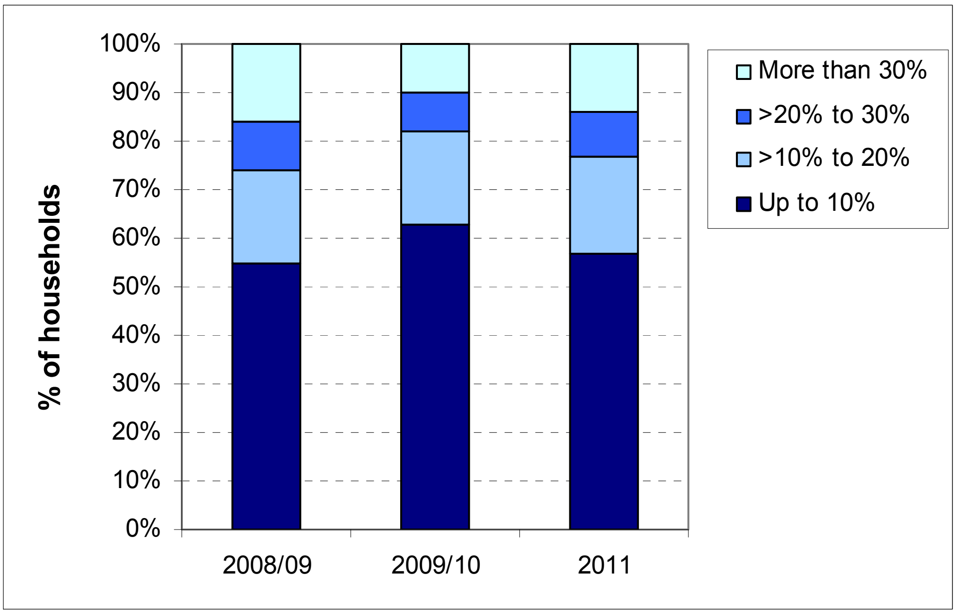
Repayment-to-income ratios

Indicators based on the affordability of credit repayments have been widely used in previous reports on credit use and household indebtedness. As the focus of this report is on unsecured credit, the measure used here is the ratio of repayments on *unsecured* credit to current monthly income. There is a relatively high level of missing data for this measure as is usually the case for self-completion surveys.[44]

Figure 26 highlights that most households using unsecured credit had relatively low repayment to income ratios, which indicates that the levels of payment were probably manageable. About three-fifths (57%) of borrowing households had debt repayments amounting to 10% or less of household income. The proportion has fluctuated between 55% and 63% since 2008/09.[45] On the basis of this ratio, about one in ten households would be considered to have very high levels of borrowing; in 2011, 13% of borrowers had unsecured credit repayments amounting to more than 30% of their income and 9% to more than 40% of income. Again, there is no consistent trend in these figures over recent years and the proportion of borrowing households with a repayment to income ratio of more than 30% has varied between 10% and 16%. The trend may be affected by the variable proportion of cases with missing values on this measure.

[44] The repayment to income ratio was missing for one third (34%) of households with unsecured credit.
[45] See Appendix Table A25

Figure 26: Ratio of unsecured credit repayments to income, 2008/09 to 2011



High-indebtedness indicators

Previous sections of this report have highlighted the variation in credit use by standard household characteristics. This section looks at variation in the incidence of three indicators of high unsecured debt and at variation in high levels of secured debt. The measures considered are the proportion of households with:

- unsecured debts of more than £10,000;
- an unsecured debt-to-income ratio of more than 60%;
- an unsecured repayment to income ratio of more than 30%; and
- secured debts of £150,000 or more.

High levels of unsecured debt

Variation in the indicators for unsecured debt by selected household types is illustrated in Figures 27 to 29. [46] In all cases the analysis is based only on cases for which the relevant ratio or measure was available.

Age of respondent

The absolute level of unsecured debt showed a strong association with the age of respondent. Some 45% of respondents in the 18-24 age group had unsecured debts of £10,000 or more, falling to 18% among those aged 55 or over. Young respondents (aged 18 to 24) also had the highest debt-to-income ratios but otherwise the ratio was broadly similar through the age range – 34% of the 18-24 age-group had an unsecured debt to income ratio exceeding 60%, compared with 14% of older groups. There was not, however, a strong association between repayment-to-income ratios and age of respondent

[46] See Appendix Table A26

(Figure 29). This may be because much of the total debt of younger groups was due to student loans, for which repayments were either zero or at a very low level.

Household income

The likelihood of having higher levels of unsecured debt was positively associated with household income. About a quarter (23%) of households with an income of less than £13,500 had unsecured debts of £10,000 or more, rising to 40% of households with an income of £50,000 or more. This relationship was, however, reversed when debt was considered as a proportion of income. Two-fifths (38%) of borrowing households in the lowest income band had debts amounting to 60% or more of annual income, compared with 4% of households in the highest income band.

The likelihood of having a high repayment-to-income ratio was also negatively associated with income; about one third (31%) of households in the lowest income band had a repayment-to-income ratio in excess of 30% and this decreased to 9% of households with an annual income of £25,000 or more.

Household savings

There was little variation in the prevalence of high levels of unsecured debt with household savings, although households with lower savings were more likely than others to have high debt-to-income ratios and high repayment-to-income ratios. For example, 20-23% of households with savings of less than £1,000 had unsecured debts amounting to 60% or more of household income, compared with 7% of households with savings of £10,000 or more.

Figure 27: Proportion of households with unsecured debts of more than £10,000 selected household characteristics

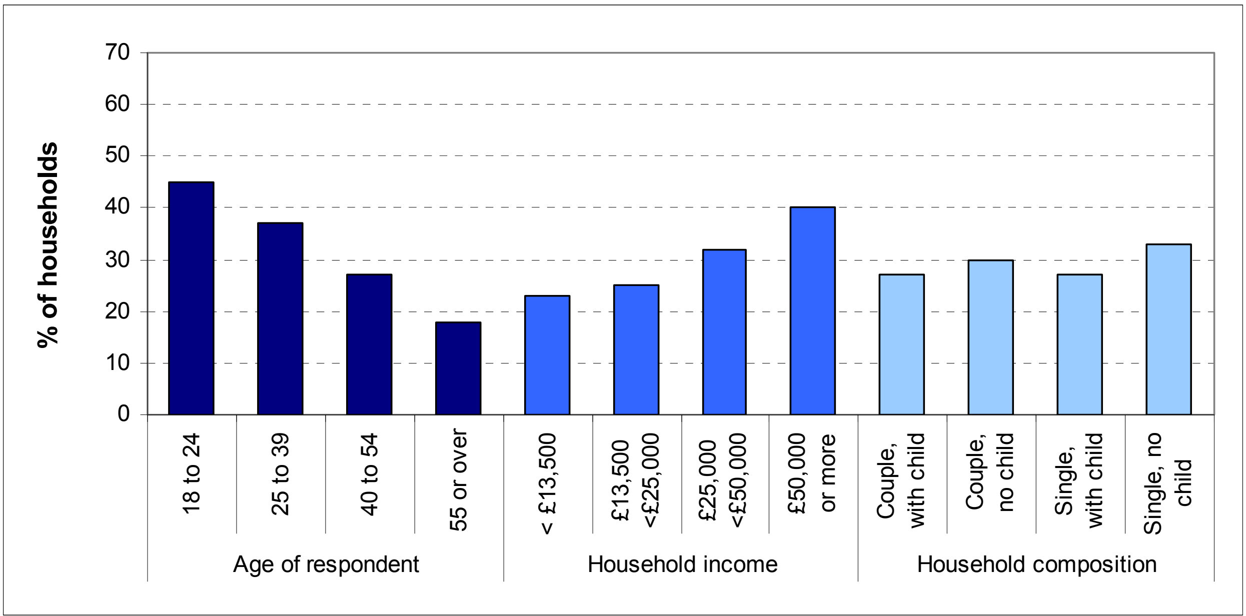


Figure 28: Proportion of households with an unsecured debt-to-income ratio of more than 60% by selected household characteristics

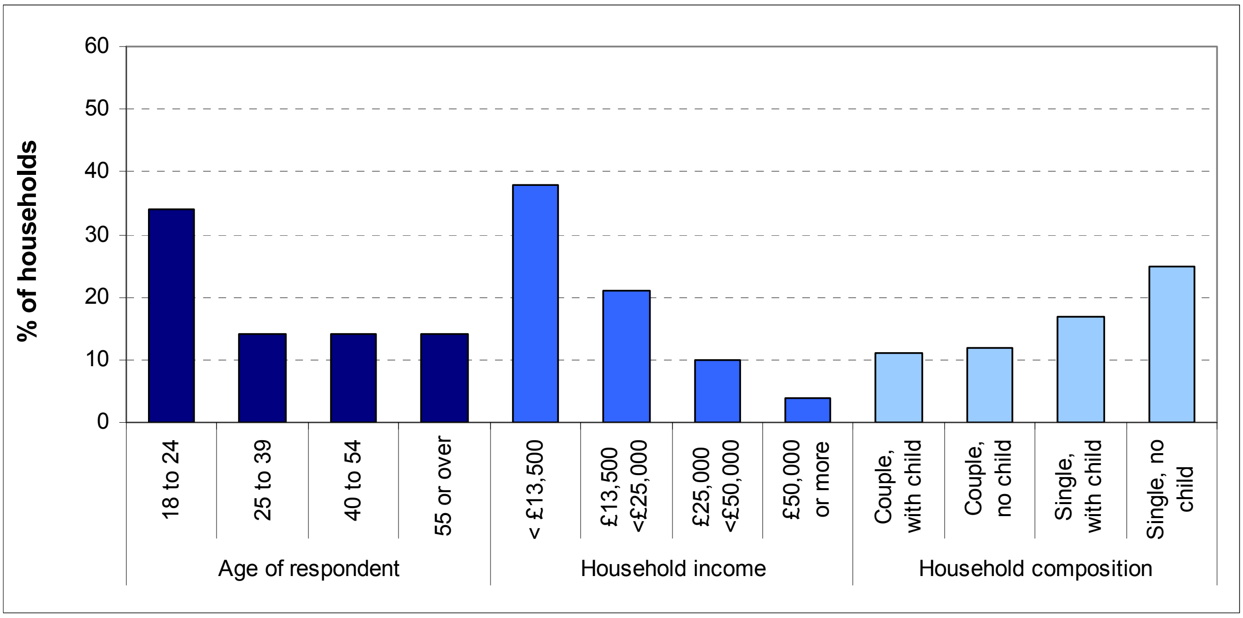
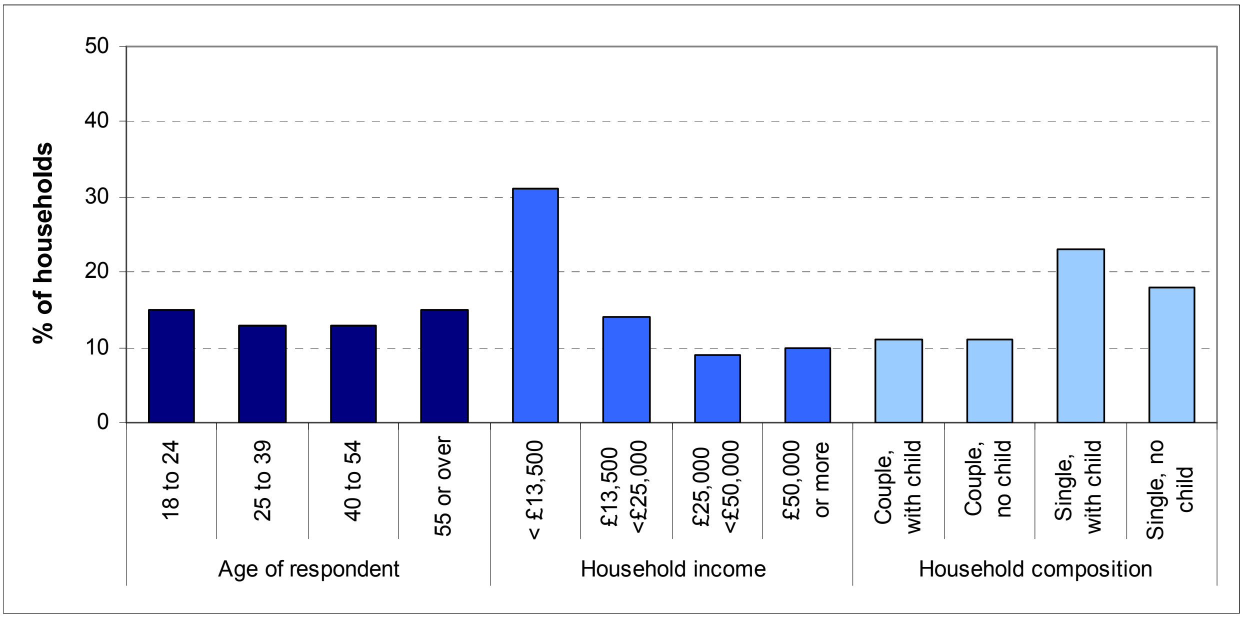


Figure 29: Proportion of households with an unsecured repayment-to-income ratio of more than 30% by selected household characteristics



Household composition

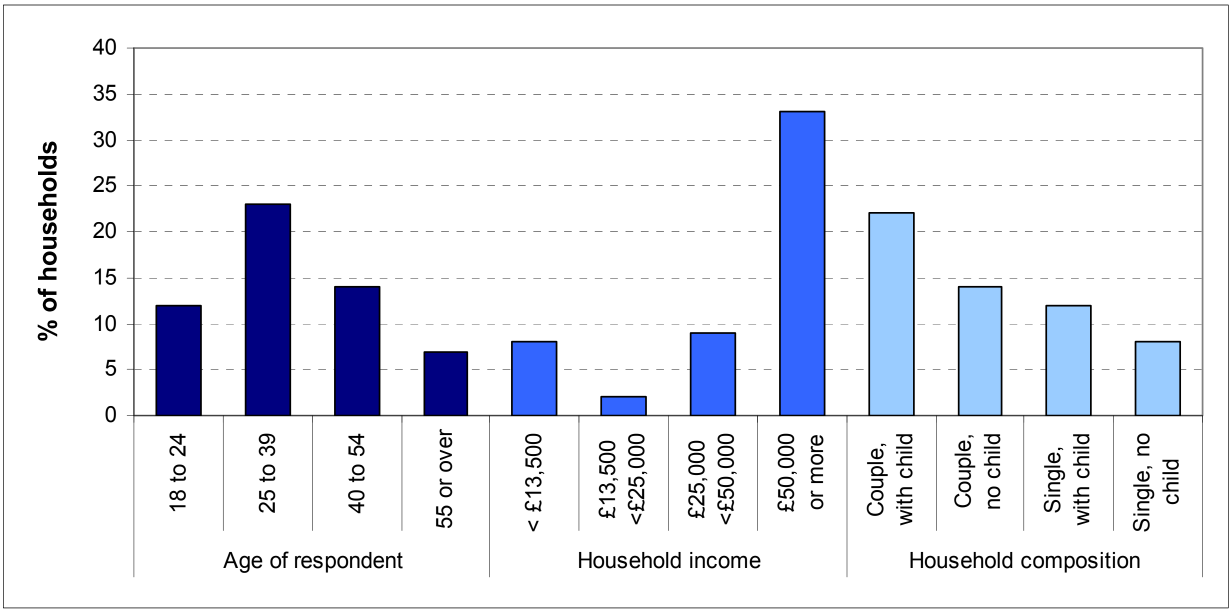
Although lone-parent households were more likely than average to use unsecured credit and to have a large number of commitments, they did not have high absolute levels of debt. They were, however, more likely than average to have high repayment-to-income ratios – 23% compared with 14% overall. Single-person households were the most likely group to have high unsecured debt-to-income ratios; 25% had unsecured debts equivalent to 60% or more of their annual income compared with 16% overall.

High levels of secured debt

Levels of secured debt may not be as problematic as high levels of unsecured debt as the debt is directly linked to a saleable asset, but groups with high debt levels may have an increased risk of falling into financial difficulty.

The incidence of high levels of secured debt showed a markedly different pattern to high levels of unsecured debt. [47] As would be expected, there was a strong association between the level of debt and household income. One third (33%) of households in the highest income band (£50,000 or more) had secured debts of £150,000 or more compared with between 2% and 9% of lower income groups. High levels of secured debts were also prevalent among respondents in the 25-39 age-group (23% compared with 16% overall) and among couples with children (22%).

Figure 30: Proportion of households with secured debts of £150,000 or more by selected household characteristics



Savings

In order to give a more complete picture of the financial position of responding households this section presents some information about household savings. The DebtTrack Survey includes a question about the amount that the respondent (and partner) have in 'liquid' savings. These are defined as savings that could easily be used in an emergency and are not tied up in a pension or long-term savings product. The estimate of savings is collected either as a precise amount or in banded form and, as for other detailed financial data, there was a relatively high level of missing information for this variable.[48]

[47] See Appendix Table A27
[48] Information on savings was missing for 28% of responding households.

Generally, households had relatively low levels of savings. Almost two-fifths (39%) of households had liquid savings of less than £1,000 and three-fifths (60%) had savings of less than £5,000 (Figure 31).[49] At the other end of the distribution, just 8% of households had savings of £50,000 or more. The distribution was broadly similar to that reported in the 2009/10 surveys. The mean level of savings across all households was £14,500 in 2011 but the distribution is highly skewed with a median of only £2,000.

As seen in earlier analyses, households using unsecured credit had below-average levels of savings (mean of £6,300, median of £800) and substantially lower savings than households using secured credit (mean £10,400, median £3,000). Households that were not using any form of credit reported much higher savings of £29,500 on average (median £7,500).

Figure 31: Distribution of savings by type of credit used by household

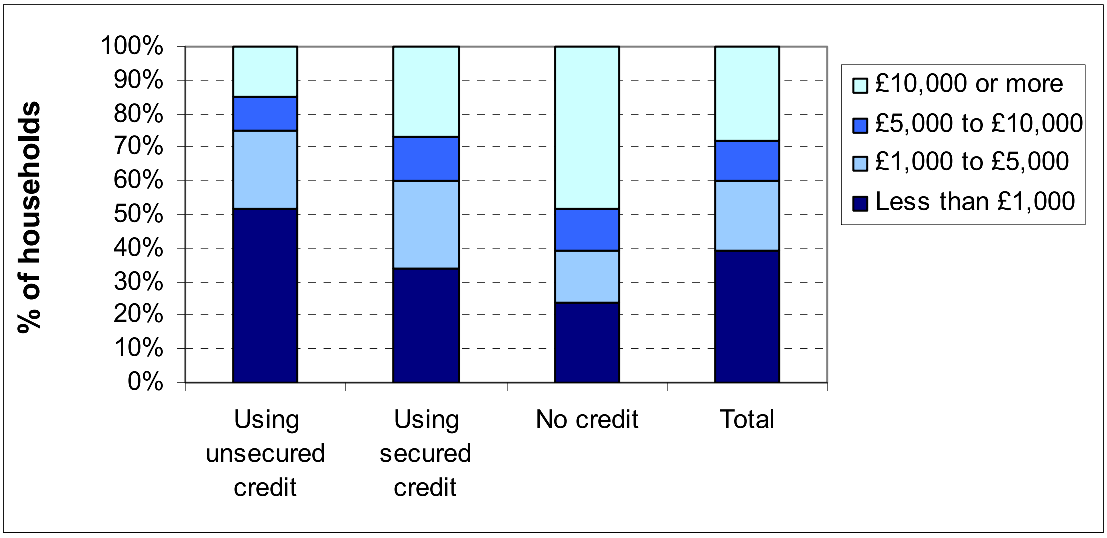


Figure 32 illustrates variation in savings by selected household characteristics by comparing the proportion of households with savings of £10,000 or more.[50] Overall, three-tenths (28%) of the responding sample had savings of this level, but the proportion ranged from just 8% among lone-parent households to 38% among couples with no children. There were very strong positive associations between higher levels of savings and both age and income. Almost one half (47%) of households with an annual income of £50,000 or more had savings of £10,000 plus, compared with just 11% of those with an income of less than £13,500. Similarly, 41% of respondents aged 55 or over had savings of £10,000 or more compared with 22% of those aged 25-39 and 8% of 18-24 year-olds.

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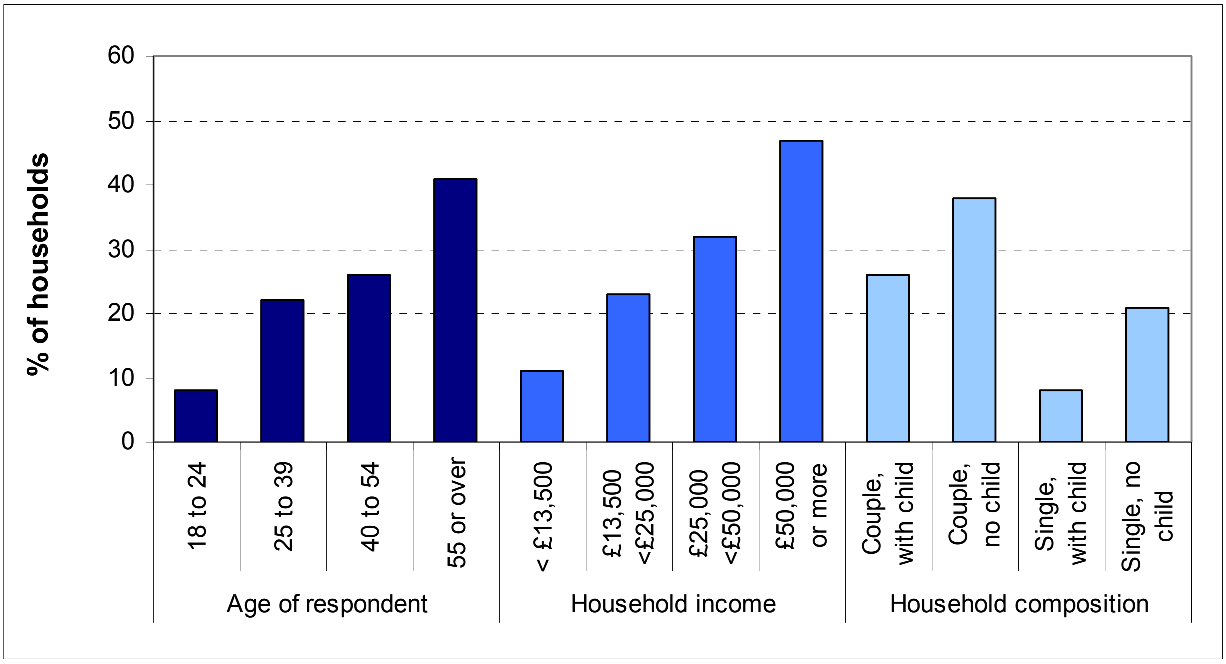
[49] See Appendix Table A28
[50] See Appendix Table A29

Figure 32: Proportion of households with savings of £10,000 or more by selected household characteristics



Financial difficulty

The survey data suggest that the incidence of financial difficulty, measured through both objective and subjective indicators, continued to decline during 2011. About one in ten households were either taking formal action on debt problems or were in three month arrears on payments, and about one in five said that they constantly struggled to keep up with bills and payments.

There is no universal agreement on the definition of the indicators that should be used to measure financial difficulty. 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'.[51] More recently, Nottingham University considered a more precise definition of 'over-indebtedness' to be, "where the household's credit-financed spending plans are inconsistent with its potential income stream" [52] although this concept is clearly difficult to monitor through a standard cross-sectional survey.

This section focuses first on 'objective' indicators of financial problems available for the DebtTrack Surveys, covering arrears on payments and various forms of insolvency action, and then considers various subjective indicators of financial stress.

Objective indicators of financial difficulty

The first objective indicator, and the most easily measured, identifies households that are in arrears on payments.

Arrears with payments

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 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.

- In 2011, 12% of households were one or more months behind with at least one bill or credit payment and 7% of households were more than three months behind with a payment, so were identified as being in structural arrears. These levels compare with

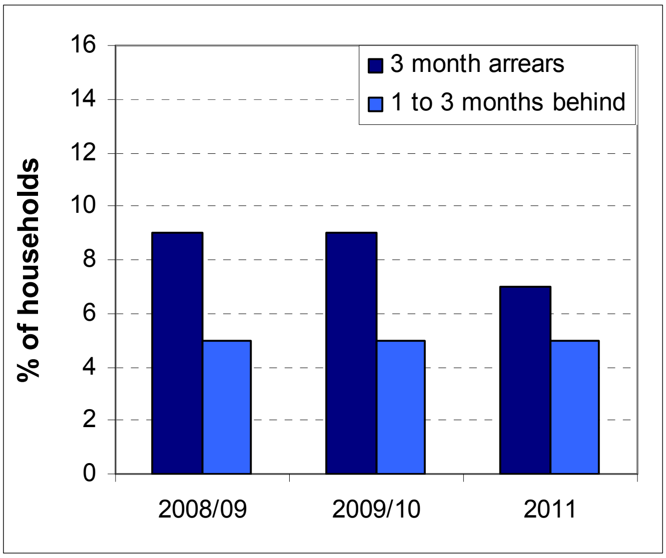
[51] http://www.oxera.com/main.aspx?id=1425
[52] Drivers of over-indebtedness', BIS (2009), see http://www.bis.gov.uk/files/file49248.pdf

14% and 9% respectively in 2008/09 (see Figure 33). The prevalence of structural arrears has been stable at 7% or 8% over the past year.[53]

- The proportion of households who were between one and three months behind with payments has remained stable at 5% over recent years.

- The level of arrears for households that were using unsecured credit was higher than for the sample as a whole but again showed a decrease over the past year. In 2011, 11% of households with unsecured debts were in structural arrears compared with 13% in 2009/10.

Figure 33: Households in arrears with payments, 2008/09 to 2011



The surveys also provide information on the number and type of payments for which households are in arrears. Figure 34 shows, for households that were in structural arrears, the distribution for the number of payments that were more than three months behind.[54] Almost three fifths (58%) of households that were in arrears were more than three months behind with only one payment although 19% were behind with three or more payments. Comparison with previous years suggests a slight fall in the number of payments in arrears in addition to the decrease in the proportion of households in structural arrears with payments; the proportion of households with just one payment in arrears increased from 54% in 2008/09 to 58% in 2011.

Around one half of the households that were in three-month arrears on payments had fallen behind with major household bills (46%) and a similar proportion of households were behind with payments for unsecured credit (48%). Since 2008/9 there are signs of a decrease in the likelihood of arrears with major household bills (from 54% to 46% of those in arrears) while the prevalence of arrears on unsecured credit payments has remained

[53] See Appendix Table A30
[54] See Appendix Table A31

stable over time (see Figure 35). The rate of arrears on ‘other’ bills and payments has tended to increase over the period, from 27% in 2008/09 to 33%-37% in later years. [55]

Figure 34: Number of payments in 3-month arrears, 2008/09 to 2011

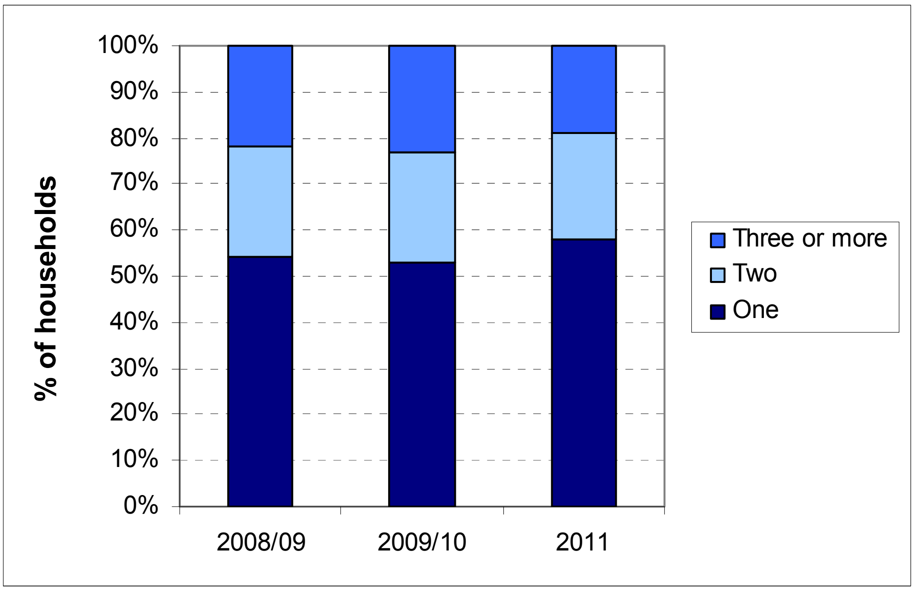
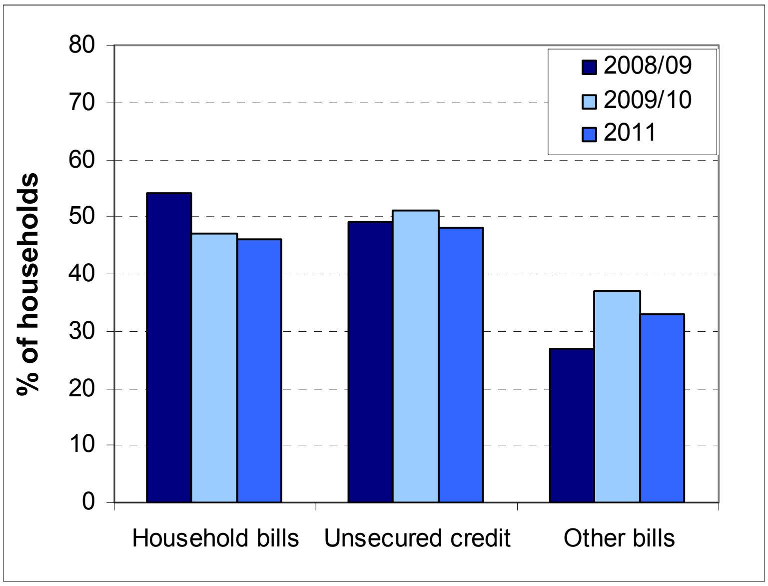


Figure 35: Type of payments in 3-month arrears, 2008/09 to 2011



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

[55] See Appendix Table A31

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 at a rate that the individual should be able to afford.

The DebtTrack surveys include questions on whether respondents had ever been declared bankrupt and when this occurred, whether they were currently dealing with debts through an IVA or DMP, and whether they had been subject to a County Court Judgement (CCJ) or other legal proceedings for non-payment of debts in the past two years. Results for each type of action are shown in Table 2.

- The overall prevalence of personal insolvencies remains very low. Just 1% of the 2011 DebtTrack sample had been declared bankrupt in the last two years and 1% had a current IVA. Informal arrangements to pay off debts through a Debt Management Plan were more common, affecting 4% of the sample.

- A total of 5% of the sample were subject to at least one of these three instruments to deal with debts. This proportion has decreased over recent years, from 7% in 2008/09 and 6% in 2009/10.

- Overall, 2% of the sample had been subject to court proceedings for non-payment of debts in the two years before interview. The total proportion of respondents subject to an insolvency instrument or to court proceedings was 7%.

Table 2: Prevalence of statutory and informal insolvency instruments, 2008/09 to 2011

	2008/09 (%)	**2009/10 (%)**	**2011 (%)**
Declared bankrupt in last 2 years *	1	1	1
IVA	1	1	1
DMP	5	5	4
Any of the above measures	*7*	*6*	*5*
CCJ or other legal proceedings for non-payment of debts in last 2 years	3	3	2
CCJ or any of the other measures	*8*	*8*	*7*
Base = 100%	*14,132*	*13,172*	*8,338*

* ‘Currently’ declared bankrupt in 2008/09 surveys

Combined measure of objective difficulties

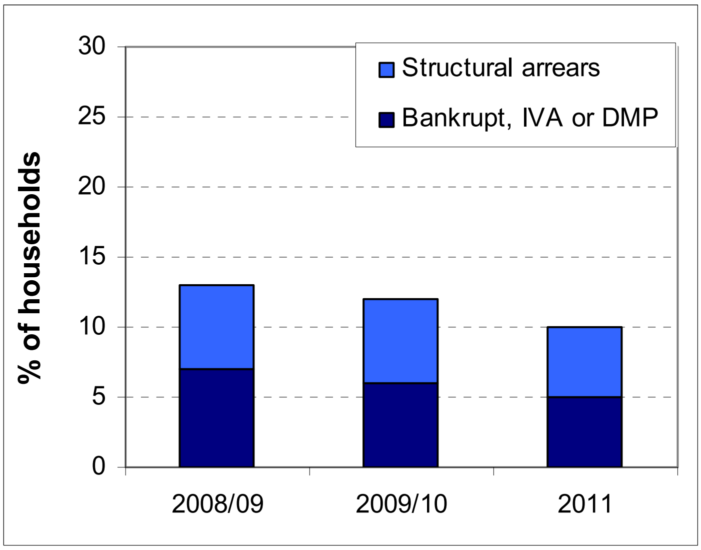
A composite measure of financial difficulties has been derived for use in this report, combining the three types of insolvency action – bankruptcy, IVA and DMPs – with the structural arrears indicator discussed above. The variable relating to court proceedings for non-payment of debts is not included in the measure as it relates less specifically to current debts and insolvency.

In 2011, 10% of households were identified as being in financial difficulties on this composite measure. As already seen, 5% of responding households were subject to one of the statutory or informal actions on debt and a further 5% were in structural arrears on payments.[56] Thus about one-third of the households previously identified as being in structural arrears were also involved in statutory action or a DMP.

A further 4% of households were between one and three months behind with any payments at the time of interview but these households are not included in the indicator of financial difficulties as they may be experiencing only temporary problems or have simply forgotten to pay a bill on time.

Again there is evidence of a reduction in the level of financial difficulties since 2008/09, as illustrated in Figure 36. The combined measure of insolvency action or structural arrears suggests a reduction in the proportion of households experiencing severe financial difficulties, from 13% in 2008/09 to 10% in 2011.

Figure 36: Percentage of households either involved in insolvency action or in structural arrears with payments, 2008/09 to 2011



Variation by household characteristics

The likelihood of either being involved in insolvency action or being in structural arrears varied substantially for different groups of households (Figure 37).[57] As might be expected, households with little or no savings were much more likely than other groups to be experiencing severe financial difficulties: one third (32%) of households with no savings were either involved in formal action on insolvency or in arrears on payments compared with 10% of the sample as a whole. Lone-parent households also had a high rate of financial difficulties with one quarter (26%) of the group either taking action on insolvency or being in structural arrears on payments, as also did households in the lowest income band (21%).

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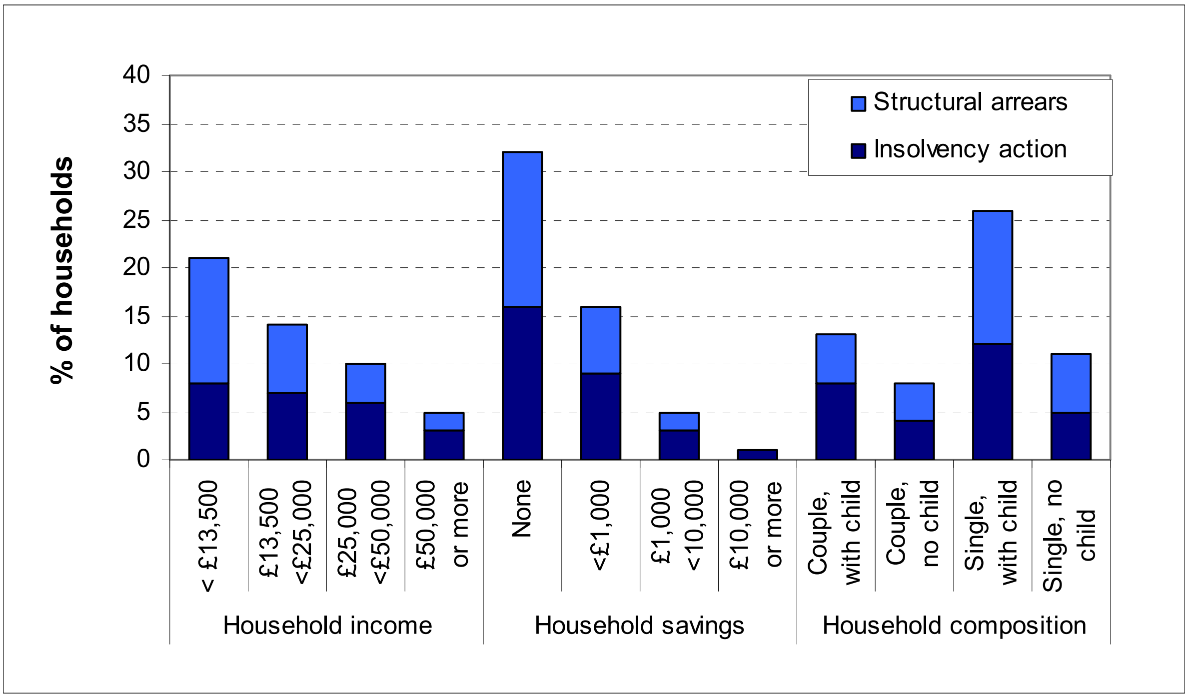
[56] See Appendix Table A32
[57] See Appendix Table A33

Figure 37: Prevalence of insolvency action or structural arrears by selected household characteristics



Looking at other household characteristics, the likelihood of being in financial difficulties was above average for households living in rented accommodation (20%) and those where one or both adults were unemployed (21%). The rate was also above average for households that had experienced a significant change in circumstances in the past year – 21% for households in which the respondent or partner had lost their job and 18% for those affected by a relationship breakdown or a new child in the household.

Some groups had very low levels of financial difficulty, notably those with substantial savings (1% of those with savings of £10,000 or more), high income (5% of those with an annual income of £50,000 or more) and those who owned their home outright (3%).

Subjective indicators of financial difficulty

The DebtTrack surveys include a number of questions on respondents' perceptions of their current financial situation and how their situation has changed in recent months. This section looks first at the heavy burden indicator and then at other subjective indicators of financial stress.

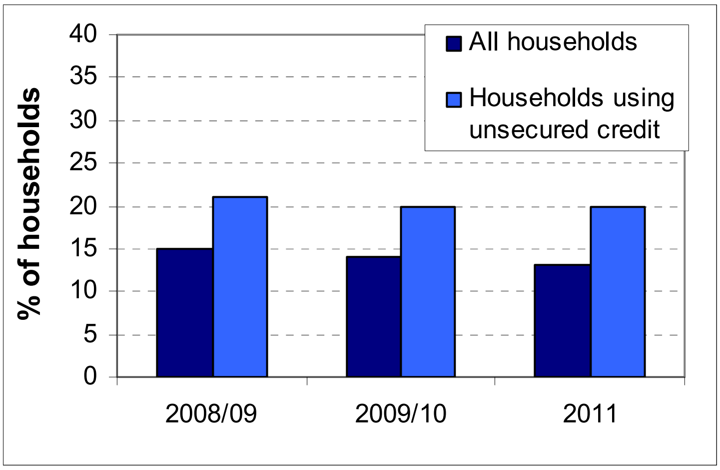
Heavy burden indicator

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

- In 2011, one in eight (13%) respondents considered that keeping up with bills and credit commitments was a heavy burden for their household (see Figure 38).[58]

- Active users of unsecured credit were more likely to see their commitments as a heavy burden. One-fifth (20%) of respondents with any form of unsecured credit or loan said that keeping up with their bills and credit commitments was a heavy burden. This group was also more likely to perceive that keeping up with payments was 'somewhat of a burden' (49% compared with 42% for all households).

Figure 38: Heavy burden indicator: all households and households with unsecured credit commitments, 2008/09 to 2011



- The proportion of households finding payments a heavy burden has tended to decrease over recent years, from 15% in 2008/09 to 13% in 2011. The heavy burden indicator for households using unsecured credit has shown little variation over past years, ranging from 20% to 21%.

Variation by household characteristics

The subjective burden indicator showed similar variation with household characteristics to the objective measures discussed in the previous section. The measure was particularly strongly associated with the level of household savings (Figure 39).[59] Some 39% of respondents from households with no savings said that keeping up with bills and payments was a heavy burden compared with 8% of those in households with savings of between £1,000 and £10,000. High levels of burden were also seen among low income households (22% among those with a gross annual income of less than £13,500) and lone-parent households (31% compared with an average of 13%).

As with objective financial difficulties, high levels were also seen for households in which one or both adults was unemployed (27%) and households affected by changes in the past year – 24% for households affected by loss of a job in the last 12 months and 21% for those affected by relationship breakdown or birth of addition of a child.

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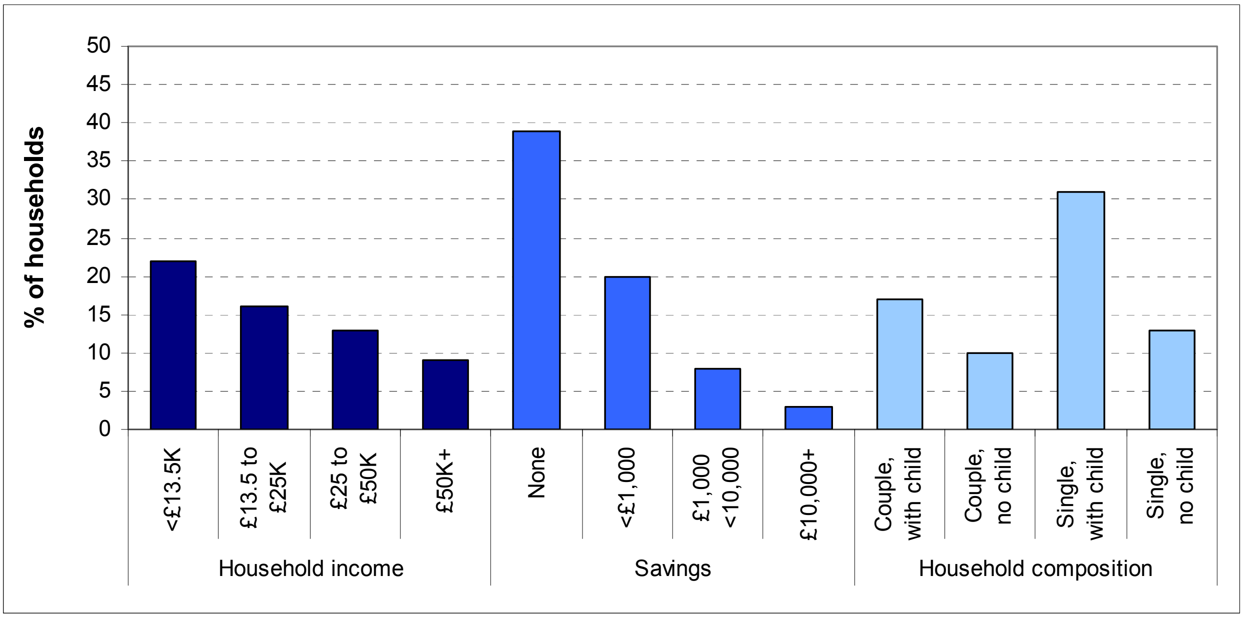
[58] See Appendix Table A34
[59] See Appendix Table A35

Figure 39: Variation in 'heavy burden' indicator by selected household characteristics



Other subjective indicators

The DebtTrack surveys include a number of other questions relating to respondents' perceptions of their financial situation, as shown in Figure 40.[60] The measure which most directly relates to financial difficulties is the question about how well the respondent is keeping up with bills and payments. More than one fifth (22%) of respondents said that they either constantly struggled to keep up with bills and payments or were falling behind with their commitments (17% and 6% respectively). A slightly smaller proportion of respondents (19%) said that they struggled to last to the next pay day 'more often than not'.

The other two measures shown here relate to the way in which respondents deal with financial problems, either by going overdrawn on a current account or by using credit for day-to-day expenses. Again, around one fifth (18%) of respondents said they were either 'constantly' or 'usually' overdrawn on their current account. A smaller proportion (10%) said that they used credit for day-to-day living expenses 'all the time', although a further 14% of respondents did so 'once in a while'.

The levels for all of these subjective measures showed little change compared with earlier years although all have tended to decrease between 2008/09 and 2011, as illustrated in Figure 40. This suggests some improvement in people's perceptions of their financial position over this period, which is consistent with the decrease in the objective indicators of financial difficulty discussed earlier.

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[60] See Appendix Table A36

Figure 40: Other subjective indicators of financial stress, 2008/09 and 2011

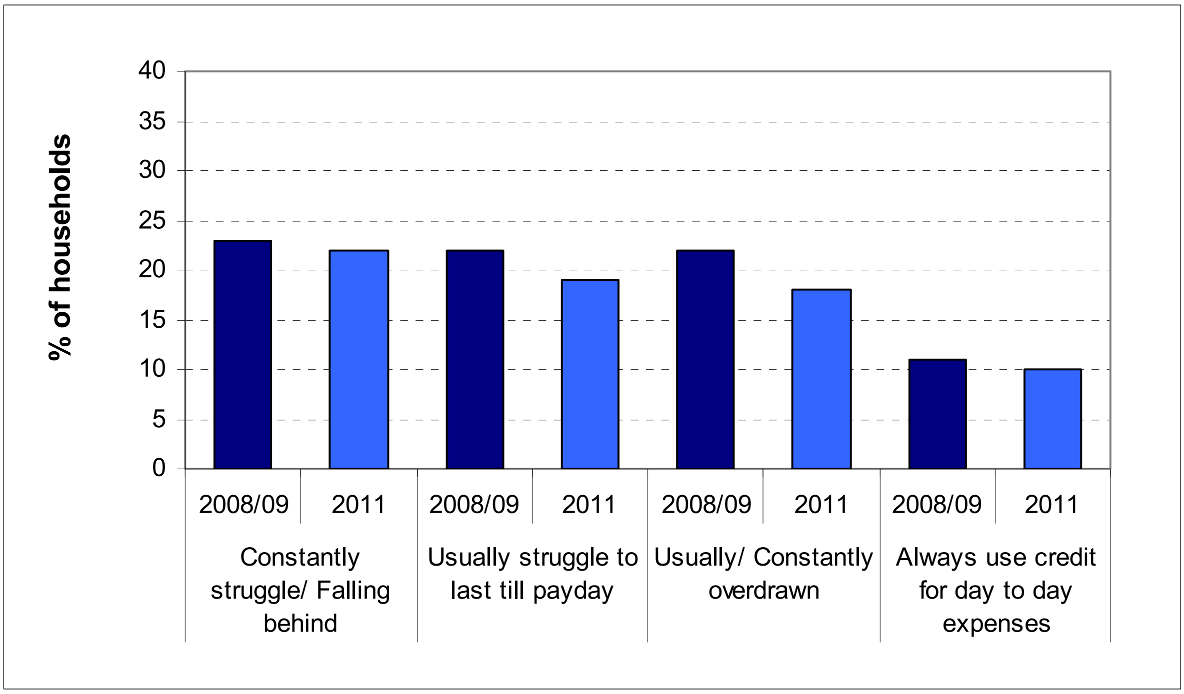
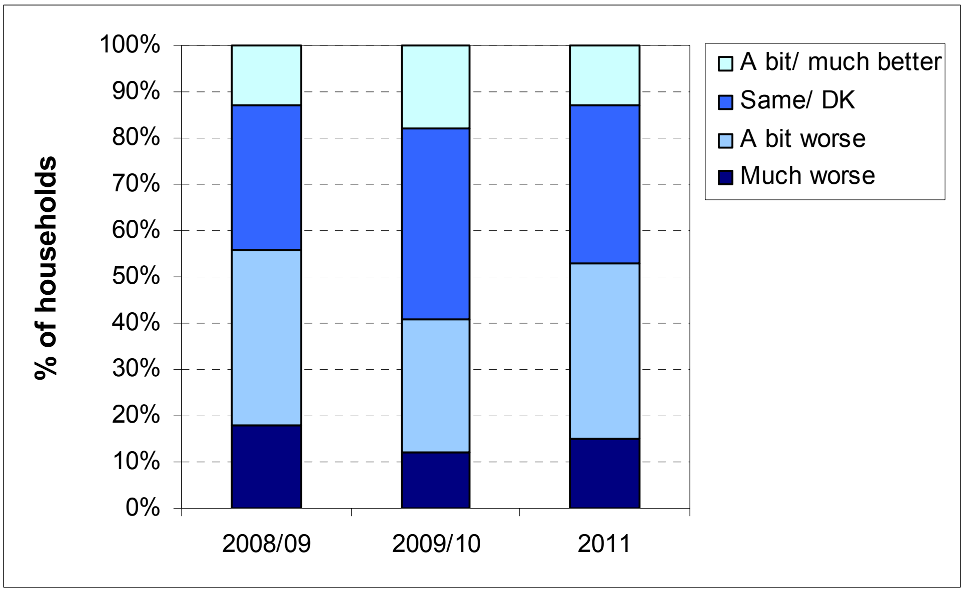


Figure 41: Perceived change in household's financial circumstances, 2008/9 to 2011



When asked specifically about changes in their household's financial circumstances in the past six months, only 13% of respondents in 2011 said that their circumstances had improved whereas more than one half (53%) said that they were either a bit worse or much worse (Figure 41).[61] Respondents in 2011 had a very similar view of recent

[61] See Appendix Table A37

changes in their financial circumstances to those asked in 2008/09 but a less positive view than those interviewed in 2009/10. Some 41% of respondents in the latter year said that their circumstances were a bit or much worse, compared with 56% in 2008/09 and 53% in 2011.

Respondents with some unsecured credit commitments were more likely than those with none to show signs of financial stress on the three main subjective measures considered here, and levels were particularly high for respondents with a large numbers of commitments (Table 3). About three tenths (28%) of respondents using some form of unsecured credit said that they struggled to reach the next pay day ‘more often than not’ and this increased to 53% among households with four or more unsecured credit commitments; this compares with 9% for households not using unsecured credit. Similarly, 31% of those using unsecured credit and 51% of those with four or more unsecured credit commitments said that they constantly struggled or were falling behind with bills and payments, compared with 12% of those not using unsecured credit. Those with large numbers of credit commitments were also more likely to say that their financial circumstances had got worse in the past six months (66% compared with 52% overall).

Table 3: Subjective indicators of financial stress by whether households had unsecured credit commitments

	Has unsecured credit (%)	4 or more types of unsecured credit (%)	No unsecured credit (%)	Total (%)
Commitments were a heavy burden	20	44	5	13
Constantly struggled/ falling behind with bills & commitments	31	51	12	22
Struggled to reach payday ‘more often than not’	28	53	9	19
Financial circumstances got a bit/ much worse in past 6 months	54	66	51	52
Base = 100%	*4,532*	*528*	*3,805*	*8,337*

Overlap between subjective indicators

The subjective indicators of financial stress available for DebtTrack Surveys showed varying degrees of overlap as detailed in Table 4.

There was a high degree of overlap between the two measures relating to respondents struggling to keep up with payments. Approaching three-quarters (72%) of respondents who said that they struggled to reach payday ‘more often than not’ also said that they constantly struggled to keep up or were falling behind with bills and credit payments. These two measures also showed considerable overlap with the burden indicator. Around three-quarters of those who found their payments a heavy burden also said that they struggled to keep up with payments (76%) or often struggled to last until the next payday (73%).

The two measures that relate to actions taken to deal with financial problems showed somewhat less overlap with the three more general subjective measures. About one quarter (26%) of those who constantly struggled to keep up with payments said that they often used credit for everyday expenses and 39% said that they were constantly or usually overdrawn.

Table 4: Overlap between the subjective indicators of financial stress

	Constantly struggle to keep up/ falling behind (%)	**Struggle to reach payday more often than not (%)**	**Commit-ments are a heavy burden (%)**	**Use credit for everyday expenses all the time (%)**	**Constantly or usually overdrawn (%)**	**Total (%)**
Constantly struggle to keep up/ falling behind	-	72	76	58	49	22
Struggle to reach payday 'more often than not'	61	-	73	58	52	19
Commitments are a heavy burden	44	50	-	43	35	13
Use credit for everyday expenses all the time	26	31	33	-	40	10
Constantly or usually overdrawn	39	48	48	70	-	18
Base = 100%	*1,858*	*1,587*	*1,088*	*845*	*1,490*	*8,339*

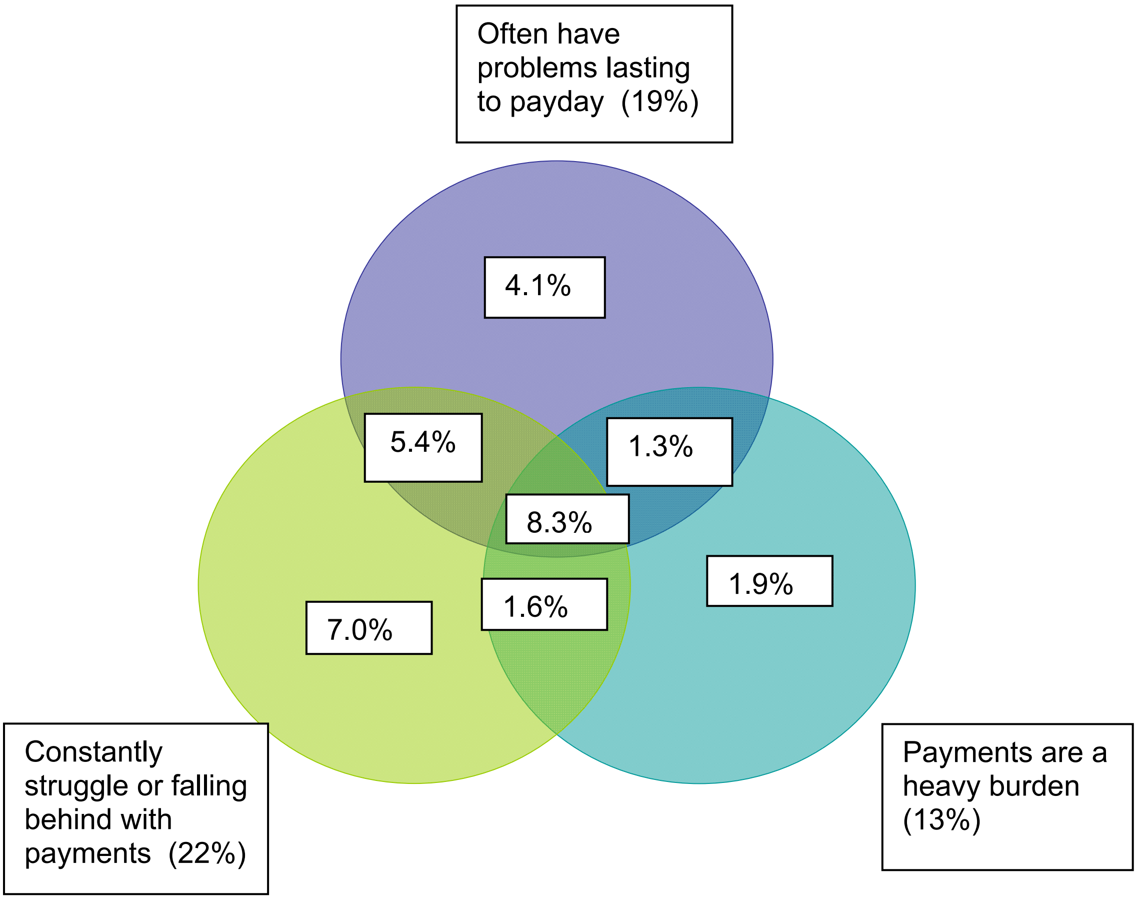
The Venn diagram in Figure 42 illustrates the overlaps between the three general measures of subjective stress – struggling to reach payday, struggling or falling behind with payments and finding payments a heavy burden. The diagram shows the conformity between the measures in that 8% of respondents met all three indicators and a further 8% of respondents met two of the three indicators. Only 2% of respondents answered positively to the burden question but did not meet either of the other two indicators.

For ease of presentation when exploring the relationship between subjective measures and other indicators of financial difficulties, these three subjective indicators have been combined into a single measure of subjective stress, as shown in Figure 43.[62] About one in six respondents (17%) gave a positive response to two or three of the individual

[62] See Appendix Table A38

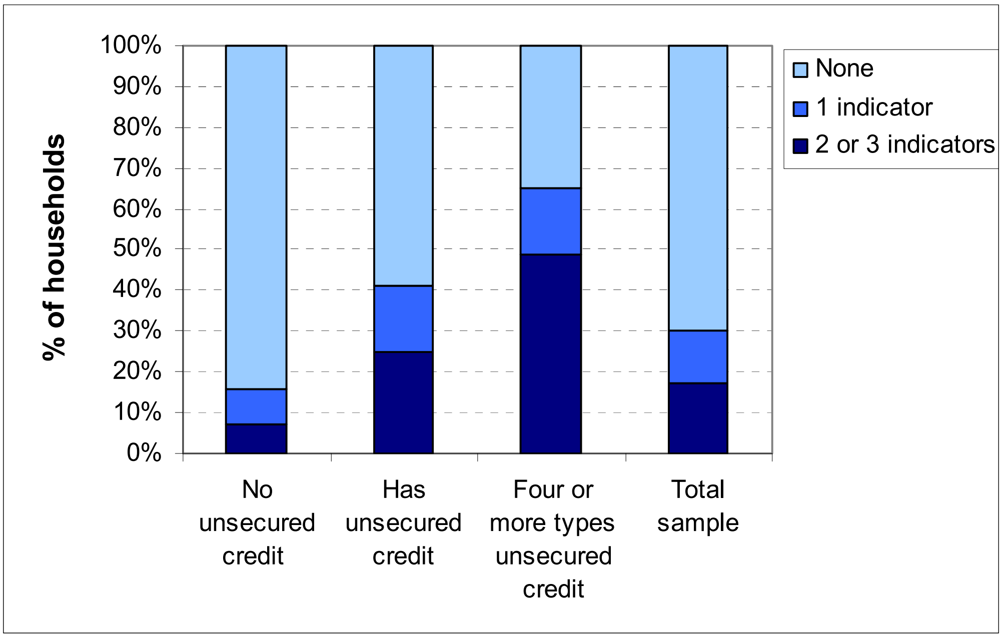
indicators and would appear to be under some financial stress. A further 13% of respondents showed signs of stress on just one of the separate indicators.

Figure 42: Overlap between the three main subjective indicators of financial stress: (*percentages of all respondents)*



As already seen for the individual questions, respondents with some unsecured credit commitments were more likely than those who were not using credit to show signs of financial stress, and respondents using four or more types of credit had very high prevalence of stress on the combined measure. One half (49%) of households with four or more unsecured credit commitments showed signs of financial stress on two or more of the indicators and only 35% of this group showed no signs of stress on these measures; this compares with 7% and 84% respectively for households with no unsecured credit commitments.

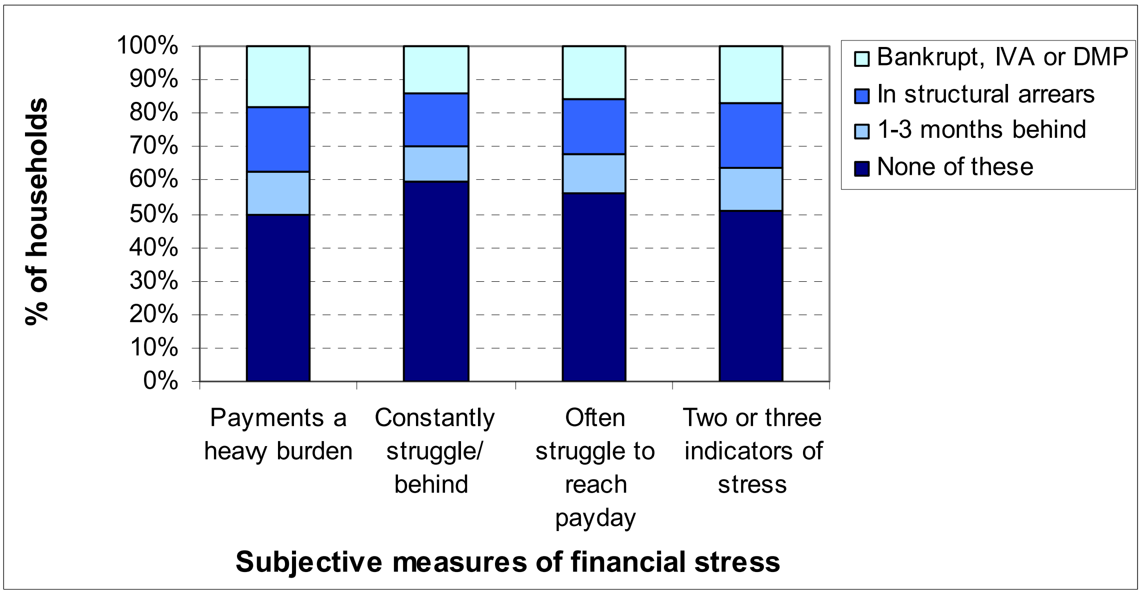
Figure 43: Combined measure of subjective stress by use of unsecured credit



Overlap between objective and subjective indicators

Previous research indicates that peoples' perception of their financial situation is usually worse than their actual financial position and Figure 44 illustrates that the subjective measures reported for the 2011 DebtTrack surveys were only imprecise indicators of actual financial difficulties.[63]

Figure 44: Objective financial difficulties of those showing signs of financial stress on the main subjective measures



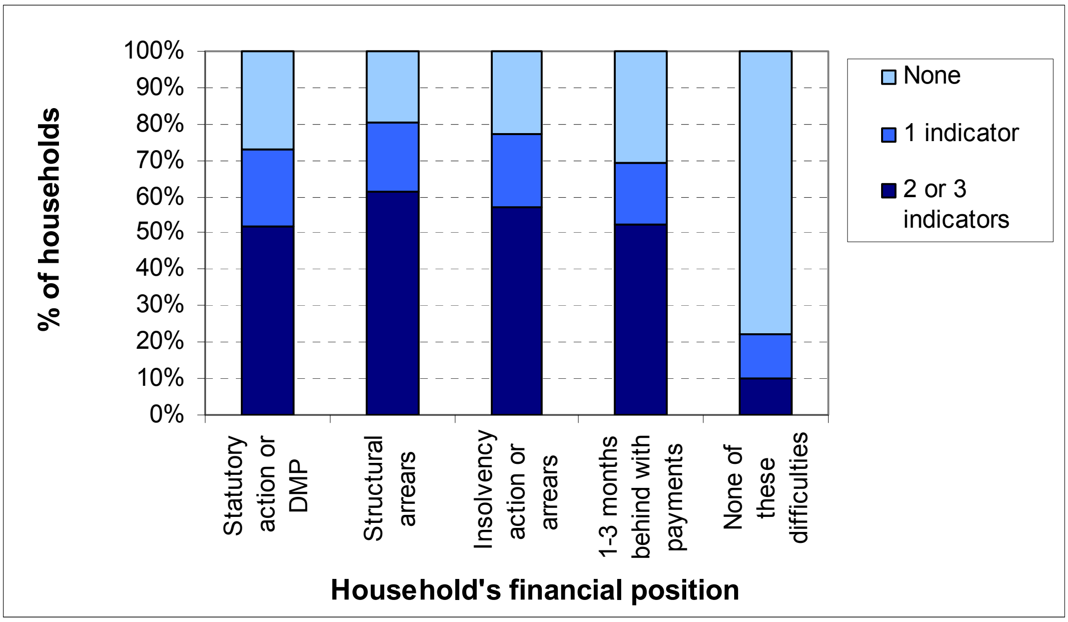
[63] See Appendix Table A39

One half or more of respondents who perceived that they were under financial pressure based on the various subjective indicators were neither experiencing severe financial difficulties (insolvency action or structural arrears) nor beginning to fall behind on payments. Some 60% of those who said that they constantly struggled or were falling behind with their bills and credit payments were not experiencing any difficulties according to the objective measures, as also were 49% of those who said that their bills and credit payments were a heavy burden. The combined measure of subjective stress also showed relatively little overlap with objective financial difficulties: 51% of those identified as under financial stress on two or more subjective measures were not experiencing any of the objective difficulties considered here.

Generally, respondents who were experiencing severe financial difficulties did also perceive that they had problems according to the three main subjective measures. The considerable overlap between the measures in this direction is shown in Figure 45. Around four-fifths (77%) of households that were experiencing severe financial difficulties (insolvency action or arrears) showed signs of financial stress on at least one of the subjective indicators and almost three-fifths (57%) on two or three. Households that were one to three months behind with any payments also showed high levels of subjective stress – 69% on one or more indicator and 53% on two or three indicators.

Households already involved in formal insolvency action tended to show less subjective stress than those in structural arrears but not taking action. About one half (52%) of those involved in insolvency action showed two or more indicators of stress compared with 62% of households that were in structural arrears with payments. This difference in perceptions between the two groups suggests an easing of financial stress for those engaged in some form of insolvency action as compared to those who are not yet taking formal action to deal with debt problems.

Figure 45: Number of subjective indicators of financial stress by whether the household was in financial difficulties



The overlap was also high for the individual questions about whether respondents struggled to keep up with payments or struggled to last until payday.[64] For example, more than two-thirds (70%) of those in structural arrears said that they constantly struggled to keep up or were falling behind with bills and payments, as did 58% of those involved in formal action on debt. However, there was somewhat less overlap between the ‘heavy burden’ indicator and actual financial problems: 50% of respondents who were in structural arrears and 44% of those taking formal action on debt felt that their commitments were a heavy burden.

Households at risk of financial difficulty

Indicators of risk

There are a variety of measures available from the DebtTrack surveys which may be helpful in indicating risk of more serious financial problems, as summarised in Table 5. These include indicators of burden and high levels of credit commitment as well as the indicator of subjective stress discussed above. A further measure that can be constructed from the 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. These have been combined in a single measure to identify those who thought they were likely to fall behind with payments if subjected to a 20% increase in any of these household bills.

Table 5: Comparison of measures of financial stress:

	Households not taking action on debt or in structural arrears (%)
Two or more subjective indicators of stress	12
Likely to fall behind with payments if subject to a 20% increase in any major bills	11
Payments are a heavy burden	9
Four or more types of unsecured credit commitments	5
Unsecured credit repayments >30% of income	4
One month behind with payments (but not 3 months behind)	5
Base = 100%	*7,471*

The results shown here are for households that were not in serious financial difficulties at the time of interview, so exclude those already involved in action on debt or in structural arrears on payments. The proportion of households identified by the measures ranged from 4% to 12%. At the lower end of the range, the identifiers based on unsecured credit

[64] See Appendix Table A40

commitments are perhaps too narrowly defined to be of use on their own as indicators of risk of financial difficulties. Similarly, focusing on the 5% of households that were already falling behind with payments may be too narrow a definition. The three measures that identified around 10% of the sample appear more useful as broad indicators of risk of financial problems. These are households showing two or three of the separate subjective measures of stress (12%), those who were likely to fall behind with payments if subjected to a 20% increase in major household bills (11%) and those who considered keeping up with bills and credit payments to be a heavy burden (9%).

Table 6: Overlap between the main indicators of financial stress and other measures of risk

	Households showing two or more signs of stress (%)	Vulnerability to a 20% increase in major bills (%)	Keeping up with payments was a heavy burden (%)
Two or more subjective indicators of stress	n/a	43	81
Likely to fall behind with payments if subject to a 20% increase in any major bills	40	n/a	40
Payments are a heavy burden	62	33	n/a
Four or more types of unsecured credit commitments	16	12	19
Unsecured credit repayments >30% of income	11	9	13
One month behind with payments (but not 3 months behind)	20	15	21
*Base = 100% **	*891*	*827*	*682*

* Households not taking formal action on debt nor in structural arrears

Table 6 provides a comparison of the overlap between these three indicators of financial stress or vulnerability and other measures of risk. It suggests that there was little difference between the measures in terms of their association with current financial position: between 15% and 21% of the sub-groups were already behind with some payments at the time of interview. The indicator based on vulnerability to an increase in major bills was less closely related to the measures of high unsecured credit commitments than were the other two. Since reliance on unsecured credit is a major contributor to financial difficulties, the measures based on the questions about subjective stress may be better indicators of the future risk of financial difficulties, though it is not possible to evaluate the measures fully from a series of cross-sectional surveys. Interestingly, there was little difference between the two subjective measures in their overlap with other indicators, suggesting that the simpler measure based on a single question on payment burden may be the most practical indicator of risk for survey analysis.

Comparison with households in financial difficulty

This section briefly compares the circumstances of households who were already experiencing financial difficulties with those showing a high level of stress on at least two of the three subjective indicators, who might be considered to be at risk of financial difficulties.

Table 7 shows that respondents identified as under financial stress were more likely than those already facing difficulties to say that their financial circumstances had deteriorated in the last six months (81%,compared with 64%). They were, however, no more likely than respondents with more severe financial difficulties to have to have suffered job loss or a significant change of income in the last 12 months. Those identified as being at risk of financial difficulties were more likely than those already experiencing difficulties to make frequent use of credit and/or an overdraft to meet their everyday expenses (35% compared with 20%), but they were much less likely to have sought professional advice on debt in the last six months (6% compared with 18%).

Table 7: Comparison of the circumstances of those showing high levels of financial stress and those currently in financial difficulties

	Under financial stress (%)	In financial difficulties (%)	Total (%)
Financial circumstances got a bit or much worse in last 6 months	81	64	53
Respondent or partner lost job in last 12 months	15	20	10
Significant change in income reported or lost job in last 12 months	33	36	21
Use credit for everyday expenses 'all the time'	35	20	10
Constantly or usually overdrawn by pay day	49	37	18
Sought debt advice in last 6 months	6	18	3
Have 4 or more types of unsecured credit	16	16	6
Unsecured debt repayments >30% of income	11	12	5
Unsecured debt more than £10,000	26	22	13
Unsecured debt more than 60% of income	13	18	6
*Base = 100% **	*891*	*867*	*8,338*

* Households not taking formal action on debt or in structural arrears

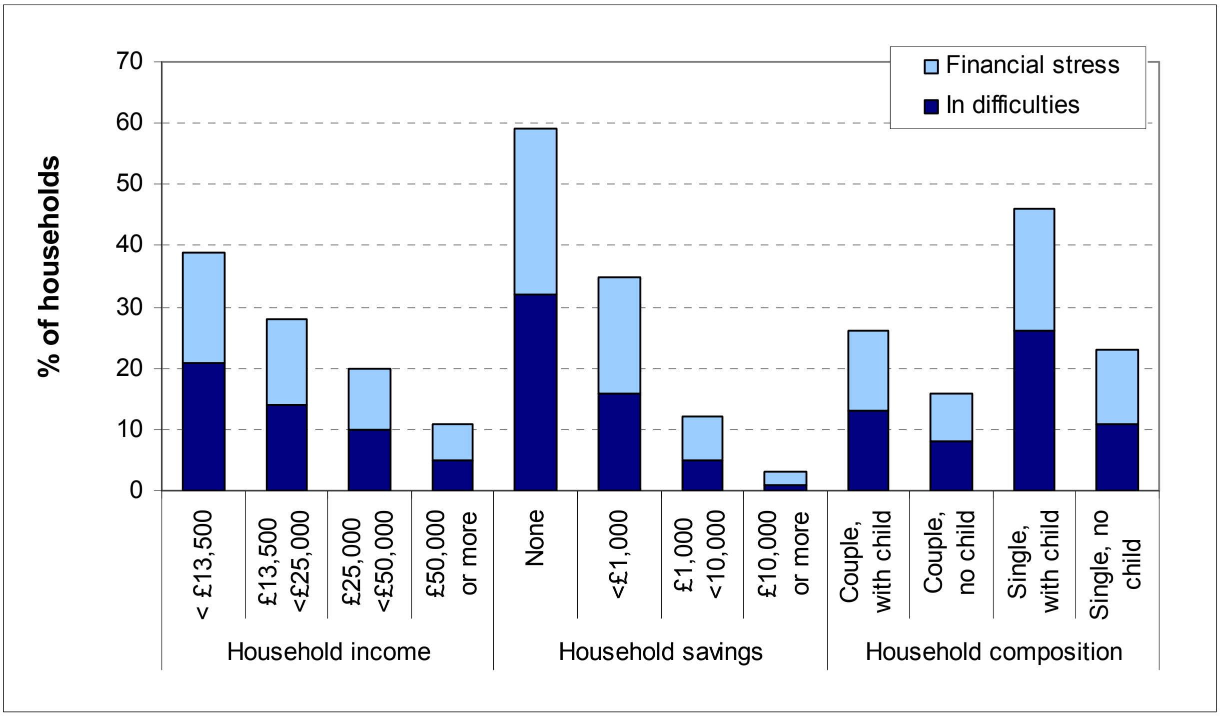
In terms of their use of credit, the households defined as being under financial stress were similar to those already experiencing financial difficulties. They tended to have large amounts of unsecured debt: 26% had debts of more than £10,000; 13% had unsecured credit amounting to more than 60% of their current income, and 16% had four or more types of unsecured credit.

Variation by household characteristics

The characteristics of households under financial stress were broadly similar to those of households already experiencing difficulties (Figure 46).[65] Households with zero or very low savings and those with low income were more likely than more affluent groups to be facing financial stress, just as they were more likely already to be experiencing financial difficulties. About one quarter (27%) of households with zero savings were under financial stress as were one fifth (18%) of households with an annual income of less than £13,500, compared with 11% of the total sample.

Lone-parent households were markedly over-represented both among those in financial difficulties and those showing signs of financial stress. Almost one half of these households were either already in financial difficulties (26%) or experiencing stress (20%). In comparison, only 16% of couples without children were either in difficulties (8%) or experiencing financial stress (8%). Households in which one or more adult was unemployed were also likely to be experiencing financial stress (19%, compared with 11% overall) as well as having an above-average rate of financial difficulties (21%, compared with 10% overall).

Figure 46: Proportion of households either experiencing financial difficulties or under financial stress by selected household characteristics



Advice on debt

Free and impartial debt advice is a vital safety net for many vulnerable consumers, improving their ability to manage their financial commitments and avoid more costly consequences. In the DebtTrack surveys, all respondents who said that they had some

[65] See Appendix Table A41

difficulties keeping up with bills and payments [66] were asked whether they had contacted anyone in the previous six months to seek professional advice on debt problems.

Likelihood of seeking professional debt advice

In 2011 some 5% of respondents who had some difficulties keeping up with bills and payments said that they had sought professional debt advice in the previous six months (Table 8). This was equivalent to 3% of the total sample.

Respondents in 2011 were less likely to have sought advice than those interviewed in 2009/10, when 7% of those with some financial difficulties had done so. In 2008/09 the question was asked of a more limited group of respondents so analysis of the trend over the three years requires that the proportion is calculated only for those who said they constantly struggled to keep up with bills and commitments or were falling behind with payments. This revised statistic also suggests a decrease in the demand for advice over the period, from 14% among this sub-set of respondents in 2008/09 to 10% in 2011.

Table 8: Likelihood of having sought professional advice on debt in last 6 months

	2008/ 09 (%)	2009/10 (%)	2011 (%)
% of those asked the question [1]		7	5
Base		*7,583*	*5,045*
% of those who constantly struggled/ were falling behind with payments [2]	14	13	10
Base	*3,258*	*3,023*	*1,858*
% of total sample who sought professional debt advice	4	4	3
Base	*14,132*	*13,173*	*8,338*

[1] Respondents who struggled to keep up 'from time to time' or 'constantly' or were falling behind with payments.

[2] Based on the smaller group of respondents who were asked about debt advice in the 2008/09 surveys

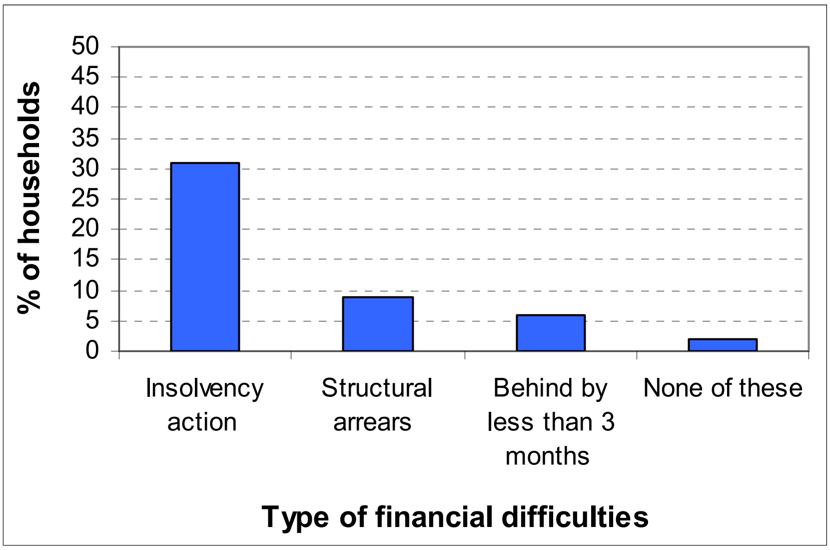
The likelihood of having sought advice on debt was strongly associated with the severity of the household's financial difficulties, as shown in Figure 47.[67] Not surprisingly, households that were involved in action to deal with their debt problems were the most likely group to have sought advice on debt in the reference period; about one third (31%) of these households had done so. One in ten (9%) of households in structural arrears on payments had sought advice in the past six months, as also had 6% of households that were one to three months behind with payments.

Further analysis of the relatively small group households in structural arrears on payments shows little variation by household characteristics in the likelihood of having sought advice.

[66] Those who either constantly struggled or were falling behind with payments
[67] See Appendix Table A42

There are, however, indications that households in which one or both adults were unemployed at the time of interview were more likely than others to have sought advice (19% compared with 7% of other households).[68]

Figure 47: Likelihood of having sought professional advice on debt in the past 6 months by type of financial difficulties



Reasons for not seeking advice

As in previous years, by far the most common reason given for not having sought advice was that respondents did not feel that they needed advice; this was mentioned by 69% of those asked about debt advice. About one in ten of those who had not sought advice said that they had either received advice in the past and knew what to do (5%) or had got advice elsewhere (5%), and 2% had not sought advice because they felt they had received bad advice in the past. Only a small minority of respondents said that they were unaware of the services available (2%) or unaware of how to contact providers (3%).

Respondents who were in structural arrears on payments and faced serious financial difficulties were more likely to perceive a need for advice: 41% said that they did not need advice (compared with 69% overall) and 9% said that they had not yet got round to seeking advice. This group was also more likely to have received advice before – 10% had received professional advice previously, 9% had got advice elsewhere and 10% said that they had received bad advice in the past and didn't want to return.

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[68] See Appendix Table A43

Table 9: Reasons for not seeking professional advice on debt by financial circumstances of the household

	Constantly struggled to keep up or falling behind (%)	In structural arrears on payments (%)	All not seeking debt advice (%)
Do not feel I/we need such advice	52	41	69
Had advice before and know what to do	10	10	5
Got advice elsewhere e.g. friend, website	8	9	5
Not got round to it yet	7	9	4
Don't know how to contact providers	5	7	3
Had bad advice in past, don't want to return	5	10	2
Not aware such services available	3	3	2
Couldn't make appointment/ get through	1	3	1
Base = 100% (Households that had not sought advice)	*1,610*	*336*	*4,699*

Agencies contacted

One third (34%) of the DebtTrack sample who had sought advice had contacted a Citizens Advice Bureau. The next most popular sources for advice were the Consumer Credit Counselling Service (18%), a professional adviser such as a bank or accountant (17%) and National Debtline (16%). Use of PayPlan (9%) and the Money Advice Service (7%) continued at a relatively low level.

Table 10: Agencies contacted for debt advice

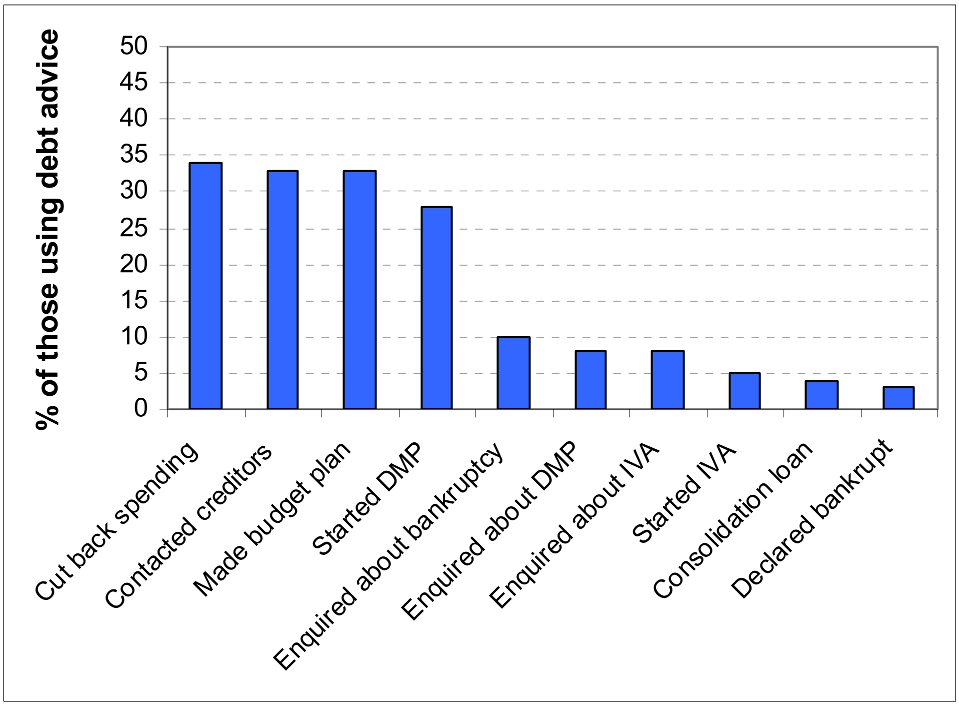
Agency	2009/10 (%)	2011 (%)
Citizens Advice Bureau (CAB)	31	34
Consumer Credit Counselling Service (CCCS)	24	18
Professional adviser (accountant, lawyer, bank)	19	17
National Debtline (NDL)	12	16
Payplan	9	9
Money Advice Service (MAS)	8	7
Other advice centre	7	7
Insolvency Service	6	7
Other	19	18
Base	*506*	*244*

Action taken after receiving advice

Figure 48 summarises the type of action taken by respondents after receiving advice on debt. The most common types of action reported were to have cut back on spending (34%), to have contacted creditors (33%) and setting out a budget plan (33%). More than one quarter (28%) of those who had sought advice on debt had entered into a Debt Management Plan or similar scheme, and a further 8% of respondents had enquired about a DMP. The other types of action listed in the question were followed by 10% or less of the sample.

As would be expected, the type of action varied according to the severity of the household's financial problems, and those with serious problems were much more likely to have entered into or enquired about formal action on debt or to have contacted creditors.[69] Households that did not have serious financial difficulties were still highly likely to have taken action to cut back on spending (35%) or to set out a budget plan (28%) and one in eight (12%) of this group had taken out a consolidation loan.

Figure 48: Action taken after debt advice



[69] See Appendix Table A44

Appendix A: Additional tables

Table A1: Number of unsecured credit products

	2008/ 2009 (%)	2009/ 2010 (%)	Jan 2011 (%)	March 2011 (%)	June 2011 (%)	Nov 2011 (%)	Total 2011 (%)
All households							
None	36	42	44	45	48	46	46
1	24	25	26	25	25	27	26
2	1	16	16	14	14	13	15
3	12	10	7	9	7	8	8
4	7	5	4	5	3	4	4
5 or more	4	3	2	2	2	2	2
Base = 100%	*14,134*	*13,176*	*2,043*	*2,072*	*2,124*	*2,099*	*8,338*
Households using unsecured credit							
1	37	43	46	45	49	50	47
2	27	28	29	26	27	24	27
3	19	16	13	17	13	14	14
4	10	8	8	9	6	8	8
5 or more	7	5	4	4	4	4	4
Base= 100%	*9,109*	*7,691*	*1,145*	*1,141*	*1,103*	*1,143*	*4,532*

Table A2: Types of unsecured credit commitments

	2008/ 2009 (%)	2009/ 2010 (%)	Jan 2011 (%)	Mar 2011 (%)	June 2011 (%)	Nov 2011 (%)	Total 2011 (%)
Has credit card account [1]		62	60	64	63	62	62
Credit card (not usually paid in full & amount outstanding)[1]	35	27	24	27	25	25	25
Authorised overdraft	29	22	19	19	13[2]	16	17
Student loan	12	16	13	12	12	14	13
Unsecured personal loan	22	15	13	14	12	13	13
Mail Order catalogue	14	10	11	9	11	9	10
Car finance loan	9	9	8	10	8	8	8
Loan from friends and family	7	9	6	8	6	7	7
Has store card account [1]		16	17	15	16	13	15
Store card (not usually paid in full & amount outstanding) [1]	7	5	6	5	4	4	4
Hire purchase agreement	4	4	3	3	3	3	3
Home collected credit	2	1	2	1	1	2	2
DSS/ Social Fund loan	2	1	2	1	1	1	1
Pay day loan	1	1	1	1	1	1	1
Credit Union loan	0	1	0	0	1	1	1
Pawnbroker/ cash converter loan	0	0	1	0	0	1	1
Any high-cost credit: home-collected, payday, pawnbroker loan	3	2	3	2	3	3	3
Other loans	1	1	1	1	1	1	1
Base = 100%	*14,132*	*13,173*	*2,043*	*2,072*	*2,124*	*2,099*	*8,338*

[1] Questions changed from Nov. 2009

[2] Additional questions on overdrafts were asked before this section in the June 2011 survey. If this result is excluded, the 2011 average is 18%.

Table A3: Number of other unsecured credit commitments for users of different types of credit

	Number of other unsecured credit commitments				*Base = 100%*
	None (%)	**One (%)**	**Two (%)**	**Three or more (%)**	
Unsecured personal loan	17	25	26	32	*1,099*
Authorised overdraft	18	28	26	28	*1,417*
Student loan	47	25	14	14	*1,072*
Hire purchase agreement	18	26	15	40	*253*
Car finance loan	29	28	19	23	*688*
DSS/Social Fund loan	23	28	24	25	*95*
Loan from friends and family	19	28	21	32	*578*
Mail Order catalogue	26	25	20	28	*845*
High-cost credit *	16	25	20	39	*219*
Store card	9	24	27	39	*366*
Credit card	24	31	24	22	*2,088*

* All users of either home-collected credit, payday or pawnbroker loans. Counts of other products include different types of these loans.

Table A4: Use of unsecured credit and number of different types of credit commitments by household characteristics

	Has any unsecured credit commitments (%)	Has 4 or more types of unsecured credit (%)	*Base = 100%*
Annual household income			
Less than £13,500	54	4	*1,154*
£13,500 < £25,000	54	6	*1,467*
£25,000 < £50,000	60	9	*2,376*
£50,000 or more	59	8	*1,288*
Not known	46	3	*2,053*
Household savings			
Zero	78	17	*1,517*
£1 < £1,000	77	12	*783*
£1,000 < £10,000	60	4	*1,951*
£10,000 < £20,000	44	1	*591*
£20,000 or more	26	1	*1,118*
Not known	44	3	*2,378*
Housing tenure			
Mortgage	64	9	*3,171*
Owned outright	27	1	*2,192*
Rented	66	8	*2,165*
Rent free/ other	63	5	*689*
Household composition			
Couple, with child(ren)	61	9	*1,788*
Couple, no child	50	6	*3,672*
One adult with child(ren)	70	13	*339*
One adult, no child	55	4	*2,469*
Age of respondent			
18 to 24	67	4	*729*
25 to 39	68	9	*2,252*
40 to 54	59	8	*2,205*
55 or over	39	4	*3,152*
Unemployment			
One or both adults unemployed	54	5	*453*
Other	54	6	*7,885*
All households	54	6	*8,338*

Table A5: Types of credit product by household characteristics

	Mainstream loan (%)	Credit or Store card debts (%)	Mail order/ Hire Purchase/ Car finance (%)	Credit Union/ DSS loan (%)	Informal loan (%)	High-Cost Credit (%)	*Base = 100%*
Annual household income							
Less than £13,500	30	22	19	5	7	4	*1,154*
£13,500 < £25,000	29	27	20	2	8	4	*1,467*
£25,000 < £50,000	39	32	22	1	8	3	*2,376*
£50,000 or more	41	29	21	1	7	1	*1,288*
Not known	28	20	14	1	5	1	*2,053*
Household savings							
Zero	52	47	32	4	16	9	*1,517*
£1 < £1,000	48	43	27	3	12	5	*783*
£1,000 < £10,000	39	26	19	1	6	1	*1,951*
£10,000 < £20,000	26	15	13	0	3	0	*591*
£20,000 or more	13	7	10	0	1	0	*1,118*
Not known	25	20	14	1	4	1	*2,378*
Housing tenure							
Mortgage	40	36	25	1	8	2	*3,171*
Owned outright	12	11	12	0	2	0	*2,192*
Rented	41	31	22	4	10	7	*2,165*
Rent free/ other	51	19	11	1	9	1	*689*
Household composition							
Couple, with child(ren)	36	34	25	2	8	4	*1,788*
Couple, no child	30	25	20	1	5	2	*3,672*
One adult with child(ren)	39	41	29	9	15	7	*339*
One adult, no child	37	22	13	1	8	2	*2,469*
Age of respondent							
18 to 24	58	14	7	1	10	1	*729*
25 to 39	47	33	19	2	11	3	*2,252*
40 to 54	33	33	25	3	7	4	*2,205*
55 or over	19	20	18	1	3	2	*3,152*
Unemployment							
One or both adults unemployed	36	21	13	5	8	4	*453*
Neither unemployed	33	27	19	2	7	3	*7,885*
All households	34	26	19	2	7	3	*8,838*

Table A6: Use of credit for everyday living expenses

Reliance on credit for everyday expenditure	2008/ 2009 (%)	2009/ 2010 (%)	Jan 2011 (%)	Mar 2011 (%)	June 2011 (%)	Nov 2011 (%)	Total 2011 (%)
All the time	11	11	10	10	11	10	10
Once in a while	15	13	14	14	13	13	14
Either	26	25	24	24	24	23	24
Base = 100%	*14,132*	*13,172*	*2,043*	*2,072*	*2,124*	*2,099*	*8,338*

Table A7: Use of credit for everyday expenses by household characteristics

	Reliance on credit for everyday expenditure			*Base = 100%*
	All the time (%)	Once in a while (%)	Either (%)	
Annual household income				
Less than £13,500	11	12	*23*	*1,154*
£13,500 < £25,000	11	14	*25*	*1,466*
£25,000 < £50,000	11	15	*27*	*2,376*
£50,000 or more	12	15	*26*	*1,288*
Household savings				
Zero	26	19	*45*	*1,517*
£1 < £1,000	16	22	*38*	*783*
£1,000 < £10,000	7	15	*22*	*1,951*
£10,000 or more	3	9	*12*	*1,709*
Housing tenure				
Mortgage	13	17	*30*	*3,171*
Owned outright	4	7	*11*	*2,192*
Rented	12	16	*29*	*2,164*
Rent free/ Other	9	11	*20*	*689*
Age of respondent				
18 to 24	10	12	*22*	*729*
25 to 39	13	17	*30*	*2,253*
40 to 54	13	15	*28*	*2,205*
55 or over	6	11	*17*	*3,152*
Household composition				
Couple, with child(ren)	14	16	*30*	*1,789*
Couple, no child	8	13	*21*	*3,672*
One adult with child(ren)	16	22	*39*	*339*
One adult, no child	9	13	*22*	*2,468*
All households	10	14	*24*	*8,337*

Table A8: Applications for credit/ loans in last 6 months

Credit product	2008/ 2009 (%)	2009/ 2010 (%)	Jan 2011 (%)	Mar 2011 (%)	June 2011 (%)	Nov 2011 (%)	Total 2011 (%)
Credit card	11	8	7	8	9	8	8
Overdraft facility	3	3	2	2	2	3	2
Unsecured loan	4	2	2	2	3	2	2
Mortgage	3	2	2	2	2	3	2
Student loan *		2	1	1	2	2	1
Mail Order catalogue *		1	1	1	2	1	1
Car Finance loan *		1	1	1	1	1	1
Store card	2	1	1	1	1	1	1
Home-collected credit	1	0	1	0	1	1	0
DSS/ Social Fund loan	1	1	1	0	1	0	1
Pay day loan	0	1	1	1	1	2	1
Hire purchase agreement *		1	1	0	0	1	1
Secured loan	1	0	0	0	0	0	0
Pawnbroker *		0	0	0	0	0	0
Credit union loan *		0	0	0	0	0	0
Any unsecured credit		18	15	15	19	17	16
Any unsecured credit (only products asked in 2008/09)	18	14	12	12	15	14	13
Mortgage or secured loan	4	3	2	3	2	3	2
Base	*14,132*	*13,172*	*2,043*	*2,072*	*2,124*	*2,099*	*8,338*

* Products added to the questionnaire from Nov. 2009

Table A9: Applications for unsecured credit by household characteristics

	Applied for any type of unsecured credit (%)	*Base = 100%*
Annual household income		
Less than £13,500	17	*1,154*
£13,500 < £25,000	17	*1,467*
£25,000 < £50,000	19	*2,376*
£50,000 or more	18	*1,288*
Not known	11	*2,053*
Household savings		
Zero	25	*1,517*
£1< £1,000	22	*783*
£1,000 < £10,000	16	*1,951*
£10,000 or more	14	*1,709*
Not known	12	*2,378*
Age of respondent		
18 to 24	29	*729*
25 to 39	22	*2,252*
40 to 54	17	*2,205*
55 or over	9	*3,152*
Household composition		
Couple, with child(ren)	17	*1,788*
Couple, no child	13	*3,672*
One adult with child(ren)	30	*339*
One adult, no child	19	*2,469*
All households	16	*8,338*

Table A10: Outcome of applications for unsecured credit

	Obtained product for full amount (%)	**Obtained product for reduced amount (%)**	**Application was rejected (%)**	**Respondent decided against (%)**	*Base = 100% (cases where outcome known)*
Credit card	70	11	19	-	*636*
Overdraft facility	58	12	29	1	*178*
Unsecured loan	63	5	33	-	*174*
Mail order	77	8	13	1	*106*
Student loan	79	17	4	-	*98*
Pay day loan	77	10	11	3	*94*
Car finance loan	88	2	10	-	*84*
Store card	79	13	8	-	*76*
DSS/ Social Fund loan	*28*	*49*	*21*	*2*	*43*
Hire Purchase	*85*	*5*	*10*	*-*	*40*
Home-collected credit	*74*	*8*	*16*	*3*	*38*
Credit union loan	*52*	*33*	*15*	*-*	*27*
Pawnbroker	*38*	*42*	*8*	*12*	*24*

Table A11: Percentage of applications for main products that were rejected, by selected household characteristics: 2009/10 and 2011 combined *

	Credit card		Unsecured loan		Overdraft facility		Store card	
	%	*Base*	%	*Base*	%	*Base*	%	*Base*
Annual household income								
Less than £25,000	32	*459*	45	*152*	34	*228*	27	*78*
£25,000 or more	19	*943*	27	*249*	28	*225*	14	*105*
Age of respondent								
18 to 39	27	*907*	36	*251*	29	*368*	25	*137*
40 or over	16	*736*	29	*214*	30	*175*	6	*127*
Household composition								
Couple/ one adult with children	23	*482*	37	*165*	36	*146*	25	*79*
Couple/ one adult, no child	22	*1153*	30	*298*	27	*390*	12	*186*
All households	22	*1,644*	33	*463*	29	*539*	16	*265*

* Cases where outcome was known at time of interview

Table A12: Likelihood of needing to borrow more money in the near future

	2008/ 2009 (%)	2009/ 2010 (%)	Jan 2011 (%)	March 2011 (%)	June 2011 (%)	Nov 2011 (%)	Total 2011 (%)
Likelihood in next 3 months *							
Very likely	4	3	3	3	3	3	3
Fairly likely	9	8	7	7	8	6	7
Very or fairly likely	*13*	*11*	*11*	*11*	*11*	*9*	*10*
Neither likely nor unlikely/ Don't know	21	19	19	21	16	15	18
Fairly unlikely	17	16	17	17	14	17	16
Very unlikely	49	54	54	52	59	59	56
Very or fairly unlikely	*66*	*70*	*70*	*69*	*73*	*76*	*72*
Likelihood in next 3 months or next 6 to12 months							
Very or fairly likely		*16*	15	15	15	13	*15*
Base = 100%	*14,131*	*13,172*	*2,043*	*2,072*	*2,124*	*2,099*	*8,338*

* Question referred to 'next 6 months' in 2008/09

Table A13: Likelihood of needing to borrow more money in the next three months by household characteristics

	Very/ fairly likely (%)	Neither/ Don't know (%)	Very/ fairly unlikely (%)	*Base = 100%*
Annual Household income				
Less than £13,500	16	22	63	*1,154*
£13,500 < £25,000	13	18	69	*1,467*
£25,000 < £50,000	10	14	75	*2,376*
£50,000 or more	9	13	78	*1,288*
Not known	6	23	70	*2,053*
Household savings				
Zero	25	25	50	*1,517*
£1 < £1,000	14	24	62	*783*
£1,000 < £10,000	8	14	77	*1,951*
£10,000 or more	3	7	90	*1,709*
Not known	6	22	72	*2,378*
Age of respondent				
18 to 24	20	22	59	*729*
25 to 39	14	22	64	*2,252*
40 to 54	12	21	68	*2,205*
55 or over	4	12	83	*3,152*
Household composition				
Couple, with child(ren)	11	23	66	*1,788*
Couple, no child	7	14	79	*3,672*
One adult with child(ren)	23	25	52	*339*
One adult, no child	12	18	70	*2,469*
Housing tenure				
Mortgage	9	19	72	*3,171*
Owned outright	3	10	87	*2,192*
Rented	17	21	61	*2,165*
Rent free/ other	14	20	66	*689*
Unemployment				
One or both adults unemployed	16	25	59	*453*
Other	10	18	73	*7,885*
All households	10	18	72	*8,338*

Table A14: Use of secured credit

	2008/ 2009 (%)	2009/ 2010 (%)	Jan 2011 (%)	March 2011 (%)	June 2011 (%)	Nov 2011 (%)	Total 2011 (%)
Mortgage	39	36	37	41	37	37	38
Other secured loan	5	4	3	3	3	2	3
Mortgage or secured loan	40	37	37	41	38	38	39
Base = 100%	*14,132*	*13,172*	*2,043*	*2,072*	*2,124*	*2,099*	*8,338*

Table A15: Type of interest rate agreement on mortgages

	2008/ 2009 (%)	2009/ 2010 (%)	Jan 2011 (%)	March 2011 (%)	June 2011 (%)	Nov 2011 (%)	Total 2011 (%)
Variable – reviewed monthly	38	42	42	45	40	39	42
Variable – reviewed annually	4	5	6	3	5	6	5
Variable – other/ don't know	4	5	4	4	5	6	5
Total variable	*46*	*51*	*51*	*52*	*50*	*51*	*51*
Fixed rate	42	39	37	39	37	37	38
Discounted rate	4	4	2	3	3	5	3
Other/ Don't know type	10	8	9	9	11	9	10
Base = 100%	*5,516*	*4,766*	*751*	*847*	*792*	*781*	*3,171*

Table A16: Type of mortgage held

	2008/ 2009 (%)	2009/ 2010 (%)	Jan 2011 (%)	March 2011 (%)	June 2011 (%)	Nov 2011 (%)	Total 2011 (%)
Repayment mortgage	70	71	72	76	74	74	74
Interest only with endowment	16	13	14	17	11	15	14
Interest only with other repayment vehicle (ISA, pension, other)	6	6	8	4	6	5	5
Interest only, no repayment vehicle	8	11	8	9	10	9	9
Total interest-only	*30*	*29*	*29*	*28*	*26*	*28*	*28*
Don't know type	6	4	4	3	4	4	4
Base = 100%	*5,516*	*4,766*	*751*	*847*	*792*	*781*	*3,171*

Table A17: Overlap between secured and unsecured credit

	2008/ 2009 (%)	2009/ 2010 (%)	Jan 2011 (%)	March 2011 (%)	June 2011 (%)	Nov 2011 (%)	Total 2011 (%)
Mortgage or secured loan	40	37	37	41	38	38	39
Unsecured credit	64	58	56	55	52	54	54
Any form of credit	75	70	69	69	66	69	68
Secured credit only	11	12	13	14	14	14	14
Has secured and unsecured credit	29	25	25	28	23	24	25
Unsecured credit only	35	34	31	27	28	31	29
No credit	25	30	31	31	34	31	32
Base = 100%	*14,132*	*13,173*	*2,043*	*2,072*	*2,124*	*2,099*	*8,338*

Table A18: Secured and unsecured credit use by household characteristics

	All with mortgage or secured loan (%)	Mortgage or secured loan only (%)	Both secured and unsecured credit (%)	Unsecured credit only (%)	Any credit (%)	*Base = 100%*
Annual household income						
Less than £13,500	14	6	8	45	60	*1,153*
£13,500 < £25,000	25	8	16	37	62	*1,466*
£25,000 < £50,000	50	16	34	26	76	*2,377*
£50,000 or more	63	23	41	18	82	*1,288*
Not known	34	14	20	26	60	*2,053*
Household savings						
Zero	35	5	31	48	83	*1,517*
£1 < £1,000	35	5	30	47	81	*783*
£1,000 < £10,000	49	16	32	27	76	*1,951*
£10,000 < £20,000	48	23	24	20	67	*591*
£20,000 or more	34	21	13	13	47	*1,118*
Not known	34	15	19	25	58	*2,378*
Household composition						
Couple, with child(ren)	66	23	43	18	84	*1,789*
Couple, no child	37	12	24	26	62	*3,672*
One adult with child(ren)	42	12	29	41	83	*339*
One adult, no child	22	10	13	42	64	*2,469*
Age of respondent						
18 to 24	10	4	6	62	72	*729*
25 to 39	51	17	34	33	84	*2,251*
40 to 54	57	20	37	22	79	*2,205*
55 or over	24	9	14	25	48	*3,151*
All households	39	14	25	29	68	*8,338*

Table A19: Total unsecured household borrowing

	2008/ 2009 (%)	**2009/ 2010 (%)**	**2011 (%)**
£1,000 or less	24	20	25
>£1,000 to £2,000	11	9	10
>£2,000 to £4,000	14	13	13
>£4,000 to £6,000	9	9	8
>£6,000 to £10,000	14	14	14
>£10,000 to £15,000	11	13	12
>£15,000 to £20,000	7	8	7
More than £20,000	10	13	11
*Base = 100% (households using unsecured credit)**	*6,928*	*6,224*	*3,753*
% of households with missing values	24%	19%	17%

* Excludes cases where the value of unsecured credit was missing

Table A20: Average debt for each type of unsecured credit

Type of credit	2008/ 2009 Mean (£)	2009/ 2010 Mean (£)	2011 surveys					
			Mean (£)	Median (£)	10th percentile (£)	90th percentile (£)	*Base= 100% (Using unsecured credit)*[1]	% missing values
Student loan	11,100	11,200	11,000	10,000	2,000	21,000	*842*	*21*
Personal loan	7,800	7,700	7,200	5,000	900	15,600	*894*	*19*
Car finance loan	5,400	5,900	6,200	4,800	1,000	12,500	*559*	*19*
Loan from friends/family	3,700	5,400	4,400	1,700	200	10,000	*444*	*23*
Credit card	4,400	5,000	4,500	2,000	300	11,000	*1,638*	*22*
Hire purchase	2,400	3,000	2,500	1,200	200	6,200	*214*	*15*
Authorised overdraft	1,400	1,400	1,100	600	100	2,300	*1,077*	*24*
Store card	800	1,400	1,400	400	100	3,000	*275*	*25*
Home collected credit	900	1,200	1,000	700	200	2,300	*105*	*18*
Mail Order catalogue	600	700	600	200	50	1,500	*716*	*15*
DSS/ Social Fund loan	*400*	*500*	*500*	*400*	*100*	*800*	*77*	*19*
"Other" loans	*10,600*	*22,700*	*13,200*	*5,700*	*400*	*39,000*	*45*	*29*
Pawnbroker / cash converter loan [2]	*400*	*1,500*	*700*	*200*	*100*	*2,500*	*33*	*28*
Pay day loan[2]	*600*	*800*	*600*	*400*	*100*	*1,300*	*65*	*27*
Credit Union loan	*1,400*	*1,700*	*2,100*	*800*	*100*	*6,000*	*43*	*14*
All high-cost credit			1,000	600	100	2,200	*167*	*24*
All unsecured loans	8,700	9,900[3]	8,500	4,600	200	21,000	*3,753*	*17*

[1] Excludes cases where the value of credit was missing

[2] Figures for 2009/10 revised since previous report to exclude extreme outliers

[3] Figure revised since previous report.

Table A21: Total secured household borrowing

	2009/ 2010 (%)	2011 (%)
Less than £25,000	16	17
£25,000 < £50,000	14	16
£50,000 < £75,000	15	16
£75,000 < £100,000	15	16
£100,000 < £150,000	20	21
£150,000 < £200,000	10	9
£200,000 or more	10	7
*Base = 100% (Households using secured credit) **	*2,960*	*2,496*
% of households with missing values	39%	22%
Mean value (£)	98,400	91,800
Median value (£)	80,000	78,000
10th percentile	15,000	15,000
90th percentile	196,000	175,000

* Excludes households for which the value of secured credit was missing

Table A22: Total household borrowing by type of credit currently held by household

	Secured credit only (%)	Secured and unsecured credit (%)	Unsecured credit only (%)	All using credit (%)
£1,000 or less	1	1	30	14
>£1,000 to £5,000	4	1	27	13
>£5,000 to £10,000	4	2	16	9
>£10,000 to £20,000	12	5	18	12
>£20,000 to £50,000	22	16	9	14
>£50,000 to £10,000	29	30	0	16
More than £100,000	28	46	0	22
Mean value (£)	82,800	107,200	7,500	57,400
Median value (£)	65,000	93,000	3,600	23,000
*Base = 100% **	*869*	*1,560*	*2,005*	*4,434*

* Excludes cases for which the value of credit was missing

Table A23: Total household borrowing

	All households		Households using credit	
	2009/10 (%)	**2011 (%)**	**2009/10 (%)**	**2011 (%)**
Zero	38	38	n/a	n/a
£1,000 or less	8	9	13	14
>£1,000 to £5,000	10	8	15	13
>£5,000 to £10,000	6	5	10	9
>£10,000 to £20,000	9	8	15	12
>£20,000 to £50,000	8	9	14	14
>£50,000 to £100,000	8	10	14	16
More than £100,000	12	14	19	22
Mean value (£)	33,000	35,800	53,400	57,400
*Base = 100% **	*10,255*	*7,098*	*6,364*	*4,434*
% of households with missing values	22%	15%	31%	22%

* Excludes households for which the value of credit was missing

Table A24: Ratio of unsecured debt to income

	2008/ 2009 (%)	**2009/ 2010 (%)**	**2011 (%)**
10% or less	38	35	40
>10% to 20%	17	16	17
>20% to 40%	17	19	17
>40% to 60%	9	10	10
>60% to 80%	6	6	4
More than 80%	13	14	11
Base = 100% (Households using unsecured credit) [1]	*5,863*	*5,446*	*3,279*
% of households with missing values	36%	29%	28%

* Excludes cases where the value of the ratio was missing

Table A25: Repayment to income ratios for households using unsecured credit

	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)
Up to 10%	55	63	57
>10% to 20%	19	19	20
>20% to 30%	10	8	9
>30% to 40%	5	3	4
More than 40%	11	7	9
*Base = 100%**	*6,492*	*6,111*	*2,974*
% of households with missing values	29%	21%	34%

* Excludes cases where the ratio was missing

Table A26: Proportions of borrowing households with high levels of unsecured debt by household characteristics

	Unsecured debts of more than £10,000 (%)	**Unsecured debts of more than £20,000 (%)**	*Base = 100% **	**Debt-to-income ratio of more than 60% (%)**	*Base = 100% **	**Repayment to income ratio of more than 30% (%)**	*Base = 100% **
Annual household income							
Less than £13,500	23	8	*537*	38	*529*	31	*451*
£13,500 < £25,000	25	9	*719*	21	*719*	14	*662*
£25,000 < £50,000	32	11	*1,320*	10	*1,320*	9	*1,210*
£50,000 or more	40	17	*711*	4	*711*	10	*649*
Not known	25	7	*466*	-		-	
Household savings							
Zero	33	14	*1,075*	23	*999*	19	*927*
£1 < £1,000	31	12	*545*	20	*502*	16	*466*
£1,000 < £10,000	33	11	*1,070*	12	*1,005*	12	*886*
£10,000 or more	27	8	*521*	7	*496*	8	*443*
Not known	20	6	*543*	8	*277*	3	*249*
Housing tenure							
Mortgage	33	13	*1,717*	12	*1,533*	12	*1,423*
Owned outright	16	5	*469*	12	*401*	12	*369*
Rented	27	9	*1,220*	20	*1,083*	15	*970*
Rent free/ other	43	15	*338*	21	*256*	17	*203*
Household composition							
Couple, with child(ren)	27	12	*939*	11	*838*	11	*779*
Couple, no child	30	11	*1,510*	12	*1,335*	11	*1,228*
One adult with child(ren)	27	6	*200*	17	*183*	23	*176*
One adult, no child	33	12	*1,085*	25	*915*	18	*786*
Age of respondent							
18 to 24	45	21	*371*	34	*292*	15	*196*
25 to 39	37	12	*1,314*	14	*1,167*	13	*1,084*
40 to 54	27	11	*1,080*	14	*954*	13	*887*
55 or over	18	6	*989*	14	*868*	15	*809*
Unemployment							
One or both adults unemployed	26	9	*205*	25	*171*	18	*145*
Other	30	11	*3,550*	15	*3,108*	13	*2,829*

All households with unsecured credit	30	11	*3,753*	*16*	*3,279*	14	*2,976*

* Bases exclude cases where value or ratio for unsecured credit was missing

Table A27: High levels of secured credit by household characteristics

	Secured credit of £150,000 or more (%)	**Secured credit of £200,000 or more (%)**	*Base = 100% **
Annual household income			
Less than £13,500	8	5	*142*
£13,500 < £25,000	2	2	*328*
£25,000 < £50,000	9	3	*1,037*
£50,000 or more	33	15	*731*
Not known	17	8	*258*
Household savings			
Zero	16	6	*453*
£1 < £1,000	13	5	*238*
£1,000 < £10,000	15	5	*866*
£10,000 < £20,000	18	8	*260*
£20,000 or more	22	11	*353*
Not known	12	7	*323*
Household composition			
Couple, with child(ren)	22	11	*926*
Couple, no child	14	5	*1,026*
One adult with child(ren)	12	5	*110*
One adult, no child	8	3	*432*
Age of respondent			
18 to 24	12	2	*48*
25 to 39	23	8	*915*
40 to 54	14	8	*970*
55 or over	7	4	*562*
Unemployment			
One or both adults unemployed	12	5	*103*
Other	16	7	*2,393*
All households with secured credit	16	7	*2,496*

* Excludes cases where amount of secured debt was missing

Table A28: Value of liquid household savings by use of credit: 2009/10 and 2011

	2009/ 2010	2011			
	Total (%)	**Using unsecured credit (%)**	**Using secured credit (%)**	**No credit (%)**	**Total (%)**
Zero	27	34	22	15	26
Less than £1,000	12	17	11	9	13
£1,000 less than £5,000	20	23	26	15	21
£5,000 less than £10,000	11	10	13	13	12
£10,000 less than £50,000	21	13	22	28	20
£50,000 or more	9	2	5	19	8
Base = 100% [1]	*9,514*	*3,501*	*2,420*	*1,671*	*5,964*
Mean value (£) [2]	16,200	6,300	10,400	29,500	14,500
Median value (£)	2,000	800	3,000	7,500	2,000
% of households with no information	28%	23%	25%	37%	28%

[1] Excludes cases where the value of household savings was missing

[2] Means exclude a small number of cases with reported savings of £1 million or more

Table A29: Value of household savings by household characteristics

	Value of household savings					
	Less than £1,000 (%)	**£1,000 <£10,000 (%)**	**£10,000 <£50,000 (%)**	**£50,000 or more (%)**	**Mean value (£)**	*Base = 100% **
Annual Household income						
Less than £13,500	61	28	9	2	4,500	*1,010*
£13,500 < £25,000	45	32	17	6	9,500	*1,267*
£25,000 < £50,000	32	35	23	10	16,200	*2,085*
£50,000 or more	20	33	32	15	2,900	*1,156*
Not known	48	32	15	4	9,400	*446*
Age of respondent						
18 to 24	51	41	7	0	3,000	*494*
25 to 39	40	38	18	4	8,500	*1,689*
40 to 54	44	30	19	7	12,300	*1,640*
55 or over	30	29	26	15	24,100	*2,140*
Housing tenure						
Mortgage	33	39	22	5	10.400	*2,382*
Owned outright	15	28	33	24	37,200	*1,426*
Rented	63	27	8	2	4,400	*1,678*
Rent free/ other	49	34	16	1	4,800	*458*
Household composition						
Couple, with child(ren)	42	32	19	7	12,400	*1,355*
Couple, no child	29	33	26	12	20,000	*2,560*
One adult with child(ren)	63	29	7	2	3,400	*273*
One adult, no child	46	33	16	5	10,600	*1,763*
All households	39	33	20	8	14,700	*5,964*

* Excludes cases where the value of household savings was missing

Table A30: Prevalence of arrears with payments

	2008/ 2009 (%)	2009/ 2010 (%)	Jan 2011 (%)	March 2011 (%)	June 2011 (%)	Nov 2011 (%)	Total 2011 (%)
All households							
More than 3 months behind with any payments	9	9	7	8	7	7	7
1-3 months behind with any payments	5	5	5	4	5	6	5
Total at least 1 month behind with any payments	14	13	11	12	12	12	12
Base = 100%	*14,132*	*13,171*	*2,043*	*2,072*	*2,124*	*2,099*	*8,338*
Households with unsecured debts							
More than 3 months behind with any payments	12	13	10	12	11	10	11
1-3 months behind with any payments	8	7	7	6	9	9	8
Total at least 1 month behind with any payments	20	20	17	17	19	19	18
Base = 100%	*9,105*	*7,688*	*1,145*	*1,141*	*1,103*	*1,143*	*4,532*

Table A31: Number and type of payments in 3-month arrears: households with structural arrears 2008/09 to 2011

	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)
Number of payments more than 3 months behind			
One	54	53	58
Two	24	24	23
Three or more	22	23	19
Type of payments in arrears			
Arrears on major household bills *	54	47	46
Arrears on credit card payments	27	18	15
Arrears on any unsecured loans or credit	49	51	48
Arrears on other bills or payments	27	37	33
Arrears on mortgage payments	4	3	6
Base= 100% (Households in structural arrears)	*1,242*	*1,120*	*583*

* Including rent, excluding mortgage payments

Table A32: Composite (hierarchical) measure of financial difficulties

	2008/ 2009 (%)	2009/ 2010 (%)	Jan 2011 (%)	March 2011 (%)	June 2011 (%)	Nov 2011 (%)	Total 2011 (%)
Bankrupt*, IVA or DMP	7	6	5	6	5	5	5
Structural arrears	6	6	5	6	5	5	5
Total	*13*	*12*	*9*	*12*	*10*	*10*	*10*
1 to 3 months behind with any payments	5	4	4	3	4	5	4
Total	*17*	*16*	*13*	*15*	*15*	*15*	*14*
Base = 100%	*14,132*	*13,172*	*2,043*	*2,072*	*2,124*	*2,099*	*8.338*

* ‘Currently’ declared bankrupt in 2008/09; declared bankrupt in the last 2 years from 2009/10

Table A33: Objective financial difficulties by household characteristics

	Structural arrears (total) (%)	Insolvency action (%)	Insolvency action or arrears (%)	*Base = 100%*
Annual household income				
Less than £13,500	16	8	21	*1,154*
£13,500 < £25,000	10	7	14	*1,467*
£25,000 < £50,000	6	6	10	*2,376*
£50,000 or more	3	3	5	*1,288*
Not known	4	3	6	*2,053*
Household savings				
Zero	23	16	32	*1,517*
£1 < £1,000	10	9	16	*783*
£1,000 < £10,000	4	3	5	*1,951*
£10,000 or more	1	1	1	*1,709*
Not known	3	3	6	*2,378*
Housing tenure				
Mortgage	6	6	9	*3,171*
Owned outright	2	1	3	*2,192*
Rented	14	10	20	*2,165*
Rent free/ other	6	3	8	*689*
Household composition				
Couple, with child(ren)	8	8	13	*1,788*
Couple, no child	5	4	8	*3,672*
One adult with child(ren)	18	12	26	*339*
One adult, no child	8	5	11	*2,469*
Age of respondent				
18 to 24	5	1	6	*729*
25 to 39	8	6	12	*2,252*
40 to 54	10	8	14	*2,205*
55 or over	5	4	7	*3,152*
Unemployment				
One or both adults unemployed	16	9	21	*453*
Other	6	5	10	*7,885*
Changes experienced in last 12 months *				
Respondent or partner lost job	15	11	21	*621*
Split up/ new child	13	8	18	*289*
All households	7	5	10	*8,338*

* Relevant questions were not asked in the June 2011 survey

Table A34: Extent to which keeping up with bills and credit commitments is a burden

	2008/ 2009 (%)	2009/ 2010 (%)	Jan 2011 (%)	March 2011 (%)	June 2011 (%)	Nov 2011 (%)	Total 2011 (%)
All households							
Heavy burden	*15*	*14*	12	15	14	12	*13*
Somewhat of a burden	*43*	*41*	44	44	39	41	*42*
Not a burden at all	*39*	*40*	40	37	43	42	*40*
Don't know/ No answer	*4*	*5*	5	5	5	4	*5*
Base = 100%	*14,132*	*13,173*	*2,043*	*2,072*	*2,124*	*2,099*	*8,338*
Households using unsecured credit							
Heavy burden	*21*	*20*	18	22	21	19	*20*
Somewhat of a burden	*49*	*49*	52	50	45	48	*49*
Not a burden at all	*28*	*27*	27	25	31	29	*28*
Don't know/ No answer	*2*	*3*	3	3	3	3	*3*
Base = 100%	*9,109*	*7,687*	*1,145*	*1,141*	*1,103*	*1,143*	*4,532*

Table A35: Level of structural arrears and payment burden by household characteristics

	Structural arrears (%)	Keeping up is a heavy burden (%)	*Base = 100%*
Annual household income			
Less than £13,500	16	22	*1,154*
£13,500 < £25,000	10	16	*1,467*
£25,000 < £50,000	6	13	*2,376*
£50,000 or more	3	9	*1,288*
Not known	4	9	*2,053*
Household savings			
Zero	23	39	*1,517*
£1 < £1,000	10	20	*783*
£1,000 < £10,000	4	8	*1,951*
£10,000 < £20,000	1	5	*591*
£20,000 or more	1	2	*1,118*
Not known	3	6	*2,378*
Housing tenure			
Mortgage	6	15	*3,171*
Owned outright	2	5	*2,192*
Rented	14	20	*2,165*
Rent free/ other	6	11	*689*
Household composition			
Couple, with child(ren)	8	17	*1,788*
Couple, no child	5	10	*3,672*
One adult with child(ren)	18	31	*339*
One adult, no child	8	13	*2,469*
Age of respondent			
18 to 24	5	9	*729*
25 to 39	8	15	*2,252*
40 to 54	10	18	*2,205*
55 or over	5	10	*3,152*
Unemployment			
One or both adults unemployed	16	27	*453*
Other	6	12	*7,885*
Changes experienced in last 12 months			
Respondent or partner lost job	15	24	*621*
Split up/ new child	13	21	*289*
All households	7	13	*8,338*

Table A36: Subjective indicators of financial stress

	2008/ 2009 (%)	2009/ 2010 (%)	Jan 2011 (%)	March 2011 (%)	June 2011 (%)	Nov 2011 (%)	Total 2011 (%)
Keeping up with bills and commitments							
Constant struggle	16	16	16	16	18	17	17
Falling/ have fallen behind	7	7	6	5	6	5	6
Either of above	*23*	*23*	*21*	*22*	*24*	*22*	*22*
Struggle to last until next pay day							
More often than not	22	21	18	18	21	18	19
Using credit for day to day living							
All the time	11	11	10	10	11	10	10
Once in a while	15	13	14	14	13	13	14
Either of above	*26*	*25*	*24*	*24*	*24*	*23*	*24*
How often overdrawn on current account							
Constantly	13	12	11	10	9	9	10
Usually	10	8	7	9	7	9	8
Either of above	*22*	*21*	*19*	*19*	*16*	*18*	*18*
Base = 100%	*14,132*	*13,173*	*2,043*	*2,072*	*2,124*	*2,099*	*8,338*

Table A37: Change in financial circumstances in last 6 months

	2008/ 2009 (%)	2009/ 2010 (%)	Jan 2011 (%)	March 2011 (%)	June 2011 (%)	Nov 2011 (%)	Total 2011 (%)
A bit/ much better	13	18	14	13	14	13	13
Stayed the same	29	40	33	32	32	31	32
A bit worse	38	29	37	39	36	38	38
Much worse	18	12	14	14	17	16	15
DK/ NA	2	2	2	2	2	1	2
Base	*14,132*	*13,174*	*2,043*	*2,072*	*2,124*	*2,099*	*8,338*

Table A38: Indicator of subjective stress by whether using unsecured credit

Number of subjective measures	Has no unsecured credit commitments (%)	Has some unsecured credit commitments (%)	Has four or more types of unsecured credit (%)	Total (%)
2 or 3 measures	7	25	49	17
1 measure	9	16	16	13
None	84	59	35	70
Base = 100%	*3,805*	*4,532*	*527*	*8,338*

Table A39: Actual financial difficulties by whether households showed signs of financial stress

	Commitments a heavy burden (%)	Constantly struggle to keep up/ falling behind (%)	Struggle to reach payday 'more often than not' (%)	1 or more indicators of stress (%)	2 or 3 indicators of stress (%)	All households (%)
Insolvency action (Bankrupt, IVA or DMP)	18	14	16	13	17	5
Structural arrears	19	16	16	14	19	5
1 – 3 months behind with any payments	13	11	12	10	13	4
None of these	49	60	56	63	51	86
Base = 100%	*1,089*	*1,857*	*1,587*	*2,460*	*1,383*	*8,338*

Table A40: Subjective indicators of financial stress by whether households were in financial difficulties

	Insolvency action (%)	**Structural arrears * (%)**	***Insolvency action or structural arrears (%)***	**1 to 3 months behind with payments (%)**	**Others (%)**	**All households (%)**
Commitments were a heavy burden	44	50	*47*	42	8	13
Constantly struggled/ falling behind with bills & commitments	58	70	*64*	58	16	22
Struggled to reach payday 'more often than not'	56	62	*59*	54	13	19
Number of subjective indicators of stress						
Two or three	52	62	*57*	53	10	17
One	21	19	*20*	17	12	13
None	27	20	*23*	31	78	70
Base = 100%	*451*	*416*	*867*	*340*	*7,132*	*8,338*

* In structural arrears and not involved in insolvency action (Bankrupt, IVA or DMP)

Table A41: Proportion of households either in financial difficulties or considered to be experiencing financial stress by household characteristics

	In financial difficulties (%)	Under financial stress (%)	Neither (%)	*Base = 100%*
Annual household income				
Less than £13,500	21	18	62	*1,154*
£13,500 < £25,000	14	14	72	*1,467*
£25,000 < £50,000	10	10	81	*2,376*
£50,000 or more	5	6	90	*1,288*
Not known	6	9	85	*2,053*
Household savings				
Zero	32	27	41	*1,517*
£1 < £1,000	16	19	65	*783*
£1,000 < £10,000	5	7	88	*1,951*
£10,000 or more	1	2	96	*1,709*
Not known	6	7	88	*2,378*
Housing tenure				
Mortgage	9	11	79	*3,171*
Owned outright	3	5	92	*2,192*
Rented	21	15	65	*2,165*
Rent free/ other	8	12	80	*689*
Household composition				
Couple, with child(ren)	13	13	74	*1,788*
Couple, no child	8	8	85	*3,672*
One adult with child(ren)	26	20	54	*339*
One adult, no child	11	12	78	*2,469*
Age of respondent				
18 to 24	6	10	85	*729*
25 to 39	12	11	76	*2,252*
40 to 54	14	13	73	*2,205*
55 or over	7	9	84	*3,152*
Unemployment				
One or both adults unemployed	21	19	61	*453*
Other	10	10	80	*7,885*
All households	10	11	79	*8,338*

Table A42: Likelihood of seeking advice on debt by type of financial difficulties

If sought advice on debt in previous 6 months	Insolvency action (%)	Structural arrears (only) (%)	1 to 3 months behind with payments (%)	Others (%)	Total (%)
Yes	31	9	6	2	5
No	66	85	90	97	93
No answer	3	6	5	1	2
Base = 100%	*405*	*394*	*319*	*3,928*	*5,046*

Table A43: Likelihood of seeking advice on debt by household characteristics

	Had sought advice (%)	Had not sought advice (%)	No answer (%)	*Base = 100% **
Annual household income				
Less than £13,500	12	85	4	*136*
£13,500 < £25,000	11	84	5	*99*
£25,000 or more	4	91	5	*100*
Not known	5	80	15	*59*
Household savings				
Zero	10	84	6	*234*
£1 < £1,000	6	92	2	*50*
£1,000 or more	4	93	4	*55*
Not known	11	75	14	*57*
Household composition				
Couple, with child(ren)	8	81	11	*89*
Couple, no child	10	83	7	*114*
One adult with child(ren)	17	83	-	*47*
One adult, no child	6	90	3	*143*
Unemployment				
One or both adults unemployed	19	76	6	*54*
Other	7	87	6	*340*
All households	9	85	6	*394*

* Households in structural arrears on payments

Table A44: Action taken after receiving debt advice by whether in financial difficulties

	Insolvency action or in structural arrears (%)	Other (%)	Total (%)
Cut back on spending	33	35	34
Set out budget plan	36	28	33
Contacted creditors	40	19	33
Entered into a DMP or similar	42	-	28
Enquired about bankruptcy [1]	13	4	10
Enquired about DMP or similar [1]	9	6	8
Enquired about IVA [1]	11	2	8
Entered into an IVA	7	-	5
Consolidation loan	1	12	4
Declared bankrupt	4	-	3
Something else	7	11	8
Nothing yet	6	30	14
Base= 100%	*160*	*83*	*244*

[1] Excluding those who had already entered into an arrangement of this type.

Appendix B: Use of High-Cost Credit

Summary

- Between 2% and 3% of respondents were using high-cost credit over the past three years of the DebtTrack Surveys. Use of home-collected credit was slightly more common than use of payday loans or pawnbroker loans.

- Users of high-cost credit were likely to have other types of unsecured loans; 46% had four or more types of unsecured credit. They had lower debt levels than other users of unsecured credit but markedly higher repayment to income ratios.

- Users of high-cost credit were more likely than other credit users to have applied for mainstream credit products in the previous six months, but they were much more likely than other borrowers to have had their application rejected; more than three fifths of applications had been rejected for some mainstream products.

- Users of high-cost credit were particularly concentrated in households with low levels of savings, with dependent children, living in rented accommodation and households where no adults were in paid employment at the time of interview.

- Households using high-cost credit were very likely to be experiencing financial difficulties and showing signs of financial stress on subjective measures. They also tended to have less financial knowledge and confidence than other users of unsecured credit.

Use of high-cost credit

This appendix presents analysis of the use of high-cost credit based on DebtTrack surveys over the past three years. The term “high-cost credit” is commonly used to cover three main types of unsecured credit offered by non- mainstream providers. These are payday loans, home-collected credit and pawnbroker loans. Loans of this type are usually of low value but involve high interest rates. They tend to be available quickly and offer considerable flexibility, particularly to users who are not able to access or extend other types of mainstream credit.

Overall only a very small proportion of DebtTrack respondents were using the three types of high-cost or non-mainstream credit (Table B1).

- Home-collected credit was the most common type of loan, used by around 2% of households. Just 1% of households had a payday loan and less than 1% had a loan from a pawnbroker at the time of interview. Overall between 2% and 3% of surveyed households were using one or other form of high-cost credit in each of the survey years.

Table B1: Use of high-cost credit: 2008/09 to 2011

	2008/09 (%)	2009/10 (%)	2011 (%)	Average (%)
Home-collected credit	2.1	1.5	1.5	1.7
Payday loan	0.6	0.6	1.1	0.7
Loan from a pawnbroker/ cash converter	0.3	0.4	0.6	0.4
Any of these loans	2.7	2.2	2.6	2.5
Base = 100%	*14,132*	*13,173*	*8,338*	*35,643*

- Analysis of the DebtTrack surveys suggests that the overall use of high-cost credit has remained broadly stable over recent years. It is difficult to draw conclusions about national prevalence solely from this survey, but there are some indications that the use of payday loans may be increasing and that this has been balanced by a slight fall in the use of home-collected credit.

Amount of high-cost credit

The information on the amount of borrowing shown in Table B2 is based on responses across all three years of the survey because of the small number of survey respondents using these types of loan. It should be noted that a value was not given for between one quarter and one third of such loans and that a small number of very large values were excluded from the analysis because of their impact on the mean value.

Looking at the median amounts of loan, which are more stable year on year, it is apparent that most payday and pawnbroker loans were for relatively small amounts. One half of users owed £350 or less on payday loans and £250 or less to a pawnbroker. The amounts for home-collected credit were somewhat greater with a median of £600. These amounts were similar to the amounts owed on store cards (median of £400 in 2011) and authorised overdrafts (median of £600) but substantially smaller than the median amounts for outstanding credit card debts (£2,000) and unsecured personal loans (£5,000) (see Table A20).

Table B2: Average amount of debt for high-cost credit products *

	Mean (£)	Median (£)	90th percentile (£)	*Base = 100%*	% missing values
Home-collected credit	920	600	2,250	*462*	25%
Payday loan	680	350	1,500	*174*	28%
Pawnbroker loan	870	250	1,780	*90*	35%

* Combined data for 3 years. A small number of outliers have been excluded.

Use of other credit products

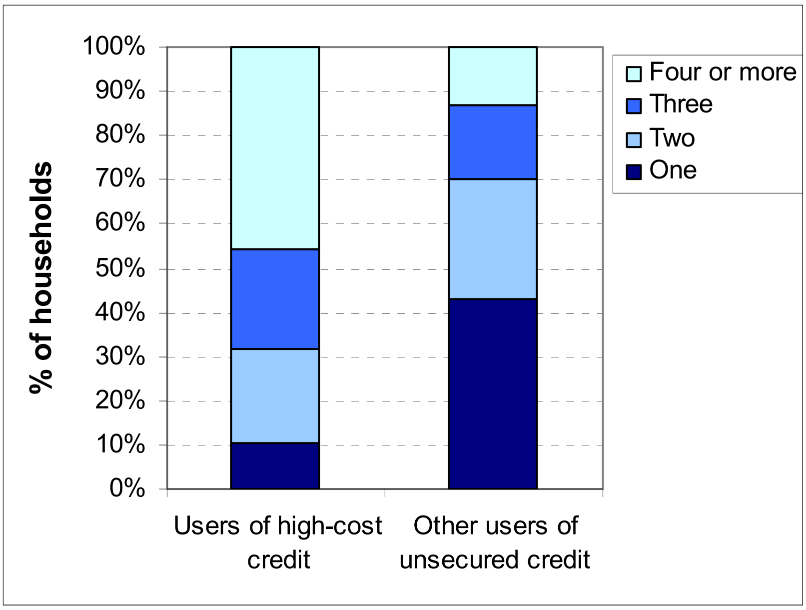
Generally there was little overlap between users of the different high-cost credit products. Only 15% of respondents who used home-collected credit also had one of the other products. The overlap was greater for the smaller groups who used payday loans or pawnbroker loans, with about one third (32% to 37%) of these groups having more than one type of high-cost credit product.

Figure B1 indicates that users of high-cost credit were very likely to have a number of other unsecured credit products. Almost one half (46%) of this group had a total of four or more unsecured credit products as compared with just 13% of users of other types of unsecured credit.

Table B3: Overlap between different high-cost credit products

	Home-collected credit (%)	Payday loan (%)	Pawnbroker loan (%)
Home-collected credit	-	25	25
Payday loan	10	-	16
Loan from a pawnbroker/ cash converter	6	10	-
Total using another high-cost product	15	32	37
Base = 100%	*615*	*242*	*142*

Figure B1: Total number of credit products held by users of high-cost credit



Generally the group had high levels of usage of mainstream products. Two fifths had outstanding credit on a credit card (43%) or a mail order account (40%) and about one third had an authorised overdraft (32%) or an unsecured personal loan (30%). Compared with other respondents with unsecured credit, users of high-cost credit were more likely to have a mail-order account (40% compared with 19%), a loan from family or friends (25% compared with 12%) or a DSS/ Social Fund loan (20% compared with 2%). They were less likely than other credit users to have a student loan (8% compared with 23%) and also had relatively low usage of authorised overdrafts and credit cards.

Table B4: Type of credit products held by users of high-cost credit

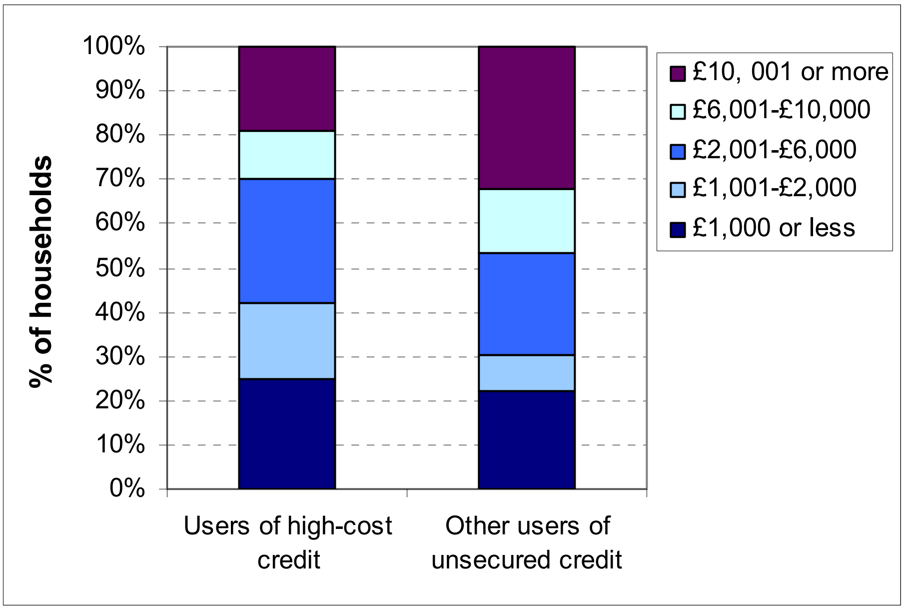
Credit products	Users of high-cost credit products (%)	Other users of unsecured credit (%)
Credit card	43	50
Authorised overdraft	32	40
Unsecured personal loan	30	29
Student loan	8	23
Mail order account	40	19
Car finance loan	11	15
Loan from family/ friends	25	12
Store card	12	10
Hire purchase agreement	12	6
DSS/ Social Fund loan	20	2
Credit Union loan	3	1
Other loan	2	1
Base = 100%	*886*	*20,440*

In spite of the large number of products held, users of high-cost credit tended to have lower levels of debt than did other respondents with unsecured credit – a median value of £3,000 compared with about £5,000 for other users of unsecured credit (Table B5). One quarter of high-cost credit users had total debts of £1,000 or less and two fifths (42%) of £2,000 or less, compared with 22% and 30% respectively of other users of unsecured credit (Figure B2).

Table B5: Average amount of unsecured debt

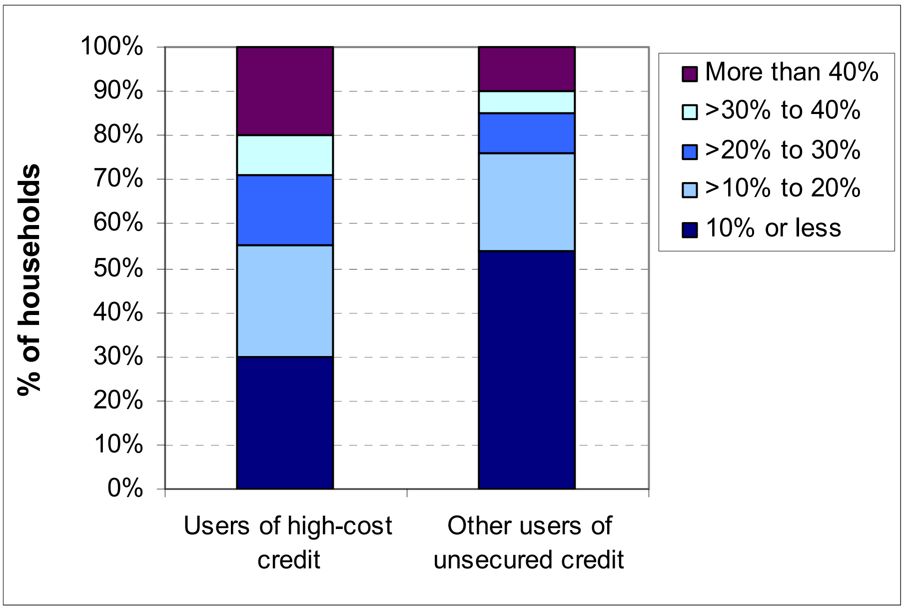
Total unsecured debt	Respondents using high-cost credit (%)	Other users of unsecured credit (%)
Mean value (£)	8,300	9,200
Median value (£)	3,000	5,100
Base = 100%	*703*	*15,655*
% of households with missing values	21%	23%

Figure B2: Total amount of unsecured debt



Although they had relatively low levels of debt, users of high-cost credit had high repayment to income ratios (Figure B3). More than one quarter (29%) of the group had total credit repayments amounting to more than 30% of their income and one fifth (20%) to more than 40% compared with 15% and 10% respectively of other credit users.

Figure B3: Repayments on unsecured credit as percentage of income



Demand for credit products

There is some evidence that users of high-cost credit had looked elsewhere to borrow money as they showed consistently higher rates than other credit users of having applied for mainstream credit products in the six months before being interviewed (Table B6).

Some 16% had applied for a credit card, 12% for an unsecured personal loan and 11% for a DSS/ Social Fund loan.

Table B6: Applications for credit products in last 6 months: all years combined

	Respondents using high-cost credit (%)	Other users of unsecured credit (%)
Credit card	16	12
Unsecured personal loan	12	4
DSS/ Social Fund loan	11	1
Authorised overdraft	8	4
Mail order catalogue	7	2
Store card	3	2
Base = 100%	*886*	*20,435*

Users of high-cost credit were, however, much more likely than other users of unsecured credit to have had their application rejected, suggesting that the group found it difficult to increase their credit from mainstream sources (Table B7). Some 64% of applications for a credit card by this group had been rejected, 69% for unsecured personal loans and 72% for authorised overdrafts; this compares with rejection rates of 22% to 27% for applications by other users of unsecured credit. There was much less disparity between these groups in the rejection rates for mail-order catalogues and DSS/ Social Fund loans.

Table B7: Proportion of credit applications that were refused: all years combined

	Respondents using high-cost credit		Other users of unsecured credit	
	%	*Base*	%	*Base*
Credit card	64	*135*	22	*2,327*
Store card	61	*23*	21	*340*
Unsecured personal loan	69	*99*	27	*840*
Authorised overdraft	72	*65*	27	*742*
DSS/ Social Fund loan	13	*88*	10	*187*
Mail order catalogue	27	*37*	13	*199*

The surveys also provide evidence of continuing financial pressure and demand for credit among users of high-cost credit (Table B8). Two fifths (40%) of the group said that they were likely to need to borrow more money in the next few months, compared with 15% of other unsecured credit users. Only one quarter (26%) of high-cost credit users thought it unlikely that they would need to borrow more money in the near future, compared with around three fifths (58%) of respondents using other types of unsecured credit.

Table B8: Likelihood of needing to borrow more money in the next few months

	Respondents using high-cost credit (%)	Other users of unsecured credit (%)
Very likely	14	4
Fairly likely	26	11
Neither likely nor unlikely/ Don't know	34	26
Fairly unlikely	10	21
Very unlikely	16	37
Base = 100%	*886*	*20,438*

Characteristics of users of high-cost credit

Table B9 compares the characteristics of users of high-cost credit with those of all households using unsecured credit and the total sample. Because of the small number of households using high-cost credit, the analysis of characteristics is again based on combined data from the last three years of the survey.

- In comparison with all users of unsecured credit, users of high-cost credit were particularly concentrated in households with low levels of savings and, to a lesser extent, in low income households. Four fifths (80%) of households with non-mainstream loans had savings of £1,000 or less, compared with 43% of all users of unsecured credit and 31% of the total sample. Around three-fifths (58%) had an annual income of less than £25,000, compared with 32% of all users of unsecured credit and 32% of the total sample.

- Approaching one half (46%) of users of high-cost credit were in households with dependent children compared with 30% of all users of unsecured credit. Some 14% were in lone-parent households compared with 5% of all users of unsecured credit.

- Users of high-cost credit were particularly likely to live in rented accommodation – 70% compared with 26% of the total sample. More than one half (58%) of the group had left school at or before the age of 16, compared with 37% of users of any type of unsecured credit.

- Users of high-cost credit were also likely to be in households where no adults were in paid employment at the time of interview (29% compared with 15% among all unsecured credit users). One fifth (21%) of users were in households affected by loss of a job in the previous 12 months, compared with 11% of all users of unsecured credit.

Columns 2 to 4 of Table B9 compare the characteristics of users of the three different types of non-mainstream credit. Note that sample sizes are much smaller so only very large differences are likely to be significant.

Users of payday loans were less likely than users of home-collected credit or pawnbrokers to be in lower income bands. About one third (36%) of payday loan users had an annual income of less than £25,000, compared with 57-64% of the other groups. This is to be expected given the requirement that those taking such loans are in work. This difference is also evident in the comparison of the proportions of households with one or more adults working at the time of interview – 89% for households with a payday loan compared with 55-66% of those with a home-collected or pawnbroker loan. Users of payday loans were also more likely than users of other types of high-cost credit to be in the 25-39 age-group and to be in one-person households.

Table B9: Characteristics of households using high-cost credit

	Home-collected credit (%)	Payday loan (%)	Pawn-broker loan (%)	All users of high-cost credit (%)	All users of unsecured credit (%)	Total (%)
Annual household income						
Less than £13,500	36	12	27	31	14	14
£13,500 to £25,000	28	24	30	27	18	18
£25,000 to £50,000	19	39	26	23	30	28
£50,000 or more	3	9	4	4	16	15
DK/ NA	13	16	13	14	22	25
Household savings						
Zero	68	65	59	66	28	20
£1 < £1,000	14	12	14	14	15	11
£1,000 < £10,000	4	7	8	5	25	23
£10,000 < £20,000	0	0	2	1	5	7
£20,000 or more	1	2	3	1	6	13
Not known	12	14	14	13	21	26
Housing tenure						
Mortgage	16	28	31	21	43	38
Owned outright	3	3	4	3	14	26
Rented	77	57	59	70	32	26
Rent free/ other	3	12	4	6	10	9
Household composition						
Couple, with child(ren)	34	29	30	32	25	21
Couple, no child	26	26	35	27	40	44
One adult with child(ren)	16	9	11	14	5	4
One adult, no child	24	36	22	27	30	30
Age of respondent [1]						
18 to 24	5	14	10	8	13	11
25 to 39	28	42	28	31	34	28
40 to 54	41	35	44	39	27	26
55 or over	26	10	18	22	26	36

Age left full-time education [2]						
16 or under	69	45	44	58	37	39
17-18	20	30	44	26	21	22
19 or over	10	25	11	16	42	39
Working status of household						
One or more adults working	55	89	66	64	75	69
One or more adults retired, none working	9	2	4	7	10	17
Not working or retired	35	9	29	29	15	13
Unemployment						
One or both adults unemployed	10	8	16	11	6	5
Changes in last 12 months [3]						
Lost job in last 12 months	19	23	30	21	11	10
Split up/ new child in h'hold	8	9	15	9	6	5
Base = 100%	*615*	*241*	*141*	*885*	*21,326*	*35,641*

[1] Not including round 1
[2] Rounds 9-12 only
[3] Not including round 9

Users of home-collected credit were more likely than users of the other products to have left full-time education at or before the age of 16 (69% compared with 44-45%) and to be in households living in rented accommodation (77% compared with 57-59%). They were also less likely than the other groups to be in households in which one or both adults were in employment (55% compared with 66-89%).

Users of pawnbroker loans were typical of all high-cost credit users in having low household income and living in rented accommodation.

Financial situation

There is evidence from the DebtTrack surveys that users of high-cost credit were very likely to be experiencing financial difficulties and showing signs of financial stress on the subjective measures (see Table B10).

- More than three fifths (63%) of users of high-cost credit were either involved in insolvency action or in structural arrears on payments compared with 17% of all users of unsecured credit and 12% of the total sample.
- Some 70% of users of high-cost credit said that they often struggled to reach payday and 73% that they constantly struggled to keep up or were already falling behind with their bills and payments; this compares with 30% and 31% respectively of all users of unsecured credit.
- Users of payday loans appeared less likely to be in financial difficulties than the other groups (56% compared with 67-73%) but they showed similarly high levels of financial stress on the subjective measures.

Table B10: Financial circumstances of households using high-cost credit

	Home-collected credit (%)	Payday loan (%)	Pawn-broker loan (%)	All users of high-cost credit (%)	All users of unsecured credit (%)	Total (%)
Often struggle to reach payday	69	76	73	70	30	21
Constant struggle or behind with payments	73	74	77	73	31	23
Payments a heavy burden	47	56	58	49	20	14
3 months in arrears on any payments	56	45	64	52	12	8
Taking action on debt or in structural arrears	67	56	73	63	17	12
Base = 100%	*615*	*241*	*141*	*885*	*21,326*	*35,641*

Financial awareness and knowledge

Based on their level of agreement to a series of attitude statements, it appears that users of high-cost credit tended to have less financial knowledge and confidence than other users of unsecured credit or the sample as a whole (Table B11). Although similar to the other groups in whether they thought that financial services were complicated and confusing, they were less likely to say that they were organised in managing money (29% compared with 58% of all users of unsecured credit) or that they regularly read the financial pages (15% compared with 24%). They were also less likely than others to say that they only bought financial products from a company that they trusted (54% compared with 74%), or to think that buying on credit and paying the amount off each month was a smart thing to do (28% compared with 43%).

Table B11: Financial awareness of respondents using high-cost credit *

Agree strongly or tend to agree with the statement	**All users of high-cost credit (%)**	**All users of unsecured credit (%)**	**Total (%)**
Financial services are complicated and confusing	39	40	37
I am organised in managing money	29	58	66
Regularly read financial pages in press	15	24	30
People come to me for advice on financial matters	12	17	20
Only buy financial products from a company I trust	54	74	74
Buying on credit and paying off each month is smart	28	43	49
Often move money on cards for zero interest	9	22	16
Base = 100%	*508*	*12,219*	*21,510*

* Data for 2009/10 and 2011 only

Appendix C: Unauthorised Overdrafts

Summary

- In the second half of 2011 about one in ten respondents (9%) said that they had used an unarranged overdraft in the past 12 months.
- Most respondents were overdrawn only rarely and for short periods. One half (53%) went overdrawn once or twice a year or less often and 50% were overdrawn last time for only one or two days.
- Two thirds (65%) of the sample said that they could have avoided going overdrawn if they had been given up to 12 hours notice to credit their account.
- Respondents using an unauthorised overdraft had broadly similar characteristics to those using an authorised overdraft. Compared with the sample as a whole, they were more likely to be in households with zero or very small savings and to have dependent children.
- Users of unauthorised overdrafts were more likely than both users of authorised overdrafts and the sample as whole to be experiencing financial difficulties.

Use of unauthorised overdrafts

The 2011 DebtTrack Surveys included questions about unarranged overdrafts and bank charges. These provide data on the prevalence of unauthorised overdrafts to complement the trend data on use of authorised overdrafts in the main report, and also information about the circumstances in which such overdrafts occur. The results presented here are based mainly on the June and November 2011 surveys and relate to those using overdrafts in the previous 12 months; different questions were used in January and March 2011 and these were asked of respondents who had ever had an unarranged overdraft.

An unauthorised overdraft occurs where the available balance on an account goes below zero without the bank's prior permission. This includes situations where the agreed limit for an authorised overdraft is exceeded. Banks may impose penalty charges on unauthorised overdrafts.

About one in ten (9%) of respondents said that they had made use of an unarranged overdraft in the past 12 months. For the January and March surveys, a slightly higher proportion of respondents (11%) said that they had 'ever' used an unauthorised overdraft (Table C1). In comparison, about 17% of respondents owed money on an authorised overdraft at the time of interview. Not surprisingly there was substantial overlap between the two types of overdraft; about one third (34%) of those who said that they had used an unarranged overdraft in the previous 12 months also reported owing money on an authorised overdraft at the time of interview (table not shown).

Table C1: Use of unauthorised overdrafts

	Jan 2011 (%)	March 2011 (%)	June 2011 (%)	Nov 2011 (%)	Total (%)
Had used an unauthorised overdraft in the last 12 months			9	8	9
Had ever used an unauthorised overdraft	11	11			11
Had a non-zero authorised overdraft at time of interview	19	19	13	16	17
Base = 100%	*2,043*	*2,072*	*2,124*	*2,099*	*8,338 **

* Bases of 4,115 for Jan/March 2011 and 4,223 for June/Nov 2011.

Details of unauthorised overdrafts

Analysis of the nature of unauthorised overdrafts is based only on the June and November 2011 surveys when questions referred to the last time that an overdraft was used. Most respondents had an unarranged overdraft only rarely. One third (31%) of those who had gone into overdraft in the previous 12 months said that they did so less often than once a year and a total of one half (53%) did so just once or twice a year or less often. However, about one quarter (26%) of respondents said that they used an unauthorised overdraft once a month or more often (Table C2)

Table C2: Frequency of using an unauthorised overdraft

	June - Nov 2011 (%)
Every week	7
At least once a month	19
Once every three months	21
Once or twice a year	22
Less than once a year	31
Base = 100%	*374*

Overdrafts were generally used for very short periods of time. Four-fifths (83%) of those affected said that they had been overdrawn for up to one week on the last occasion and one half (50%) had been overdrawn for just one or two days. Some 6% of those affected had been overdrawn for more than one month, indicating that this was not due to a temporary problem that was easily corrected.

The amounts overdrawn were generally small. Around one half of respondents (53%) had been overdrawn by less than £50 and three-quarters (73%) by less than £100. About one in twenty (5%) of respondents owed much larger amounts of £500 or more (Table C3).

Table C3: Length of time and amount overdrawn last time

	June - Nov 2011 (%)
Length of time overdrawn	
Up to 2 days	50
3 days to 1 week	33
Between one week and one month	11
More than one month	6
Amount overdrawn	
Less than £50	53
£50 to £100	20
£100 to £500	22
£500 or more	5
Base = 100%	*370*

Table C4: Details of overdrafts by whether respondents knew they would be going overdrawn

	Knew would be going overdrawn (%)	Did not know would be going overdrawn (%)
How often overdrawn		
Once a month or more often	35	21
Once every three months	31	15
Once or twice a year	22	22
Less than once a year	12	43
Length of time overdrawn last time		
Up to 2 days	40	56
days to one week	39	29
Between one week and one month	14	10
More than one month	7	5
Amount overdrawn last time		
Less than £50	38	61
£50 to £100	24	19
£100 to £500	34	15
£500 or more	4	6
Base = 100%	*135*	*236*

About one third (37%) of respondents said that they knew they would be going overdrawn on the last occasion. Although sample numbers are small, there are some differences in details of the overdraft between respondents who knew they were going overdrawn last time and those who did not. Those who did not know they were going overdrawn were very likely to be infrequent users of an overdraft, to be overdrawn for only a short time and by only a small amount. Some 43% had an overdraft less often than once a year compared with just 12% of those who knew they would be going overdrawn. More than half (56%) of the group were overdrawn last time for two days or less and 61% were overdrawn by less than £50, compared with 40% and 38% respectively of those who knew they would be going overdrawn (Table C4).

Table C5: Amount usually overdrawn and whether knew would be going overdrawn last time by frequency of going overdrawn

	Monthly or more often (%)	Once or more a year (%)	Less often than once a year (%)
Length of time overdrawn last time			
Up to 2 days	36	47	65
3 days to one week	35	41	20
Between one week and one month	20	9	8
More than one month	8	3	7
Amount overdrawn last time			
Less than £50	42	50	65
£50 to £100	25	22	15
£100 to £500	23	26	15
£500 or more	9	2	5
If knew would be going overdrawn last time			
Yes	49	46	14
If had any unsecured credit/ loan			
Yes	87	80	71
Base = 100%	*96*	*158*	*117*

Further analysis was carried out to explore variation in circumstances by the frequency of use of unauthorised overdrafts. Although sample sizes are small, the results in Table C5 suggest differences between those who use an unauthorised overdraft frequently – once a month or more often – and those making only occasional use – less often than once a year. The latter group tended to be overdrawn for only a short period (65% for up to two days) and by a modest amount (65% by less than £50) compared with 36% and 42% for respondents who went overdrawn at least once a month. They were also unlikely to have known in advance that they would be overdrawn; only 14% knew in advance as compared to 49% of those who were frequently overdrawn. Finally, respondents who rarely went overdrawn were less likely than other groups to be using unsecured credit - 71% compared with 87% of those going overdrawn once a month or more often.

Reasons for going overdrawn

Respondents who had used an unarranged overdraft were asked further questions about the circumstances in which this had happened. The most common reason given was that respondents had not checked their account balance at the appropriate time; this was mentioned by one quarter (26%) of respondents (Table C6). Others who were perhaps not fully aware of their account balance included those who had forgotten about a payment that was due to come out of their account (17% of the group) or had forgotten to pay money in (2%).

About one fifth (20%) of respondents indicated that they knew about the situation but needed to make a payment. Others appeared to have been caught out by the time taken for payments to arrive or clear; 8% said that an expected payment hadn't arrived in time and 7% mentioned the time taken for payments to clear. A further group mentioned unforeseen circumstances such as imposition of bank charges (8%) or having to make an unexpected payment (6%).

Table C6: Main reason for going overdrawn last time

Main reason	**June – Nov 2011 (%)**
Didn't check account balance	26
Knew it would happen but needed to make a payment	20
Forgot about a payment that came out of the account	17
Expected to receive a payment that didn't arrive in time	8
Charge from bank pushed account into overdraft	8
Had to make an unexpected payment	6
Incoming payment took longer to clear than expected	5
Outgoing payment took less time to clear than expected	2
Forgot to make a payment into account	2
Error by the bank	1
Other	5
Base = 100%	*372*

Respondents were also asked how they found out that they would be going or had gone overdrawn last time (Table C7). Looking first at those who had realised in advance that they would be overdrawn, around one half (45%) had checked their balance through online or telephone banking and 15% had checked at an ATM or cash machine, so about three fifths had checked their balance in some way. One quarter (23%) of respondents said that they had realised that a payment would take them into overdraft based on a previous balance. One in ten (11%) had received a text alert from their bank and 3% had received another type of communication from their bank.

Respondents who did not realise in advance they would be going overdrawn generally found out in similar ways by checking their account balance online or by telephone (46%) or at an ATM (14%). One quarter (24%) had found out through a statement or other communication from their bank and 8% found out when they tried to make a payment which was refused.

Table C7: How respondent knew or found out about going overdrawn

	Knew would be going overdrawn (%)	Did not know would be going overdrawn (%)
Checked balance through online or telephone banking	45	46
Checked balance at an ATM or cash machine	15	14
Was aware of balance and knew payment would take them into overdraft	23	1
Tried to make a payment which was refused	-	8
Received a text alert	11	3
Through a statement / other communication from bank	3	24
Other/ Don't know	3	5
Base = 100%	*136*	*237*

A substantial proportion of respondents did not think that receiving notification by text message that they were close to a zero balance would have enabled them to avoid going overdrawn; 39% thought it would not have helped and a further 7% did receive a text notification but still went overdrawn (Table C8).

Table C8: If receiving a text message warning would have helped avoid going overdrawn

	June – Nov 2011 (%)
Yes	53
No	39
Did receive a text message but still went overdrawn	7
Did receive a text message and did not go overdrawn	2
Base = 100%	*371*

When asked more specific questions about whether they could have stayed in credit if given different periods of warning of going overdrawn, two thirds of respondents (65%) said that they could have avoided an overdraft if given up to 12 hours to credit their account. This proportion increased to 74% if respondents were given 24 hours warning but it appeared that there was little improvement (to 76%) if given 48 hours warning (Table C9) Infrequent users of overdrafts were more likely to say that being given warning would have enabled them to avoid an overdraft; 76% could have avoided going overdrawn with 12 hours notice and 85% with 36 hours notice (table not shown).

Table C9: If would have avoided overdraft if given time to credit account

Amount of time given	June – Nov 2011 (%)
Up to 12 hours	65
Up to 24 hours	74
Up to 48 hours	76
Base = 100%	*369*

Characteristics of those using unauthorised overdrafts

Users of unauthorised overdrafts showed broadly similar characteristics to respondents who were currently using an authorised overdraft (Table C10). Households with very low savings, either zero or less than £1,000, were over-represented in both groups – 57% of those who used an unauthorised overdraft and 53% who were using an authorised overdraft were in these categories compared with 27% of all respondents. Households with children were also over-represented – 34% of users of unauthorised and of authorised overdrafts compared with 25% overall. In contrast, households which owned their accommodation outright were under-represented (12% compared with 27% overall) as were older age groups (19% were aged 55 or over compared with 38% overall).

Users of unauthorised overdrafts were much more likely than the sample as whole to be experiencing financial difficulties –12% were taking action on debt, a further 12% were in structural arrears on payments and 14% were one to three months behind with payments compared with 7%, 5% and 4% respectively of the total sample. They were also more likely to be in financial difficulties than respondents who were making use of an authorised overdraft: 62% of users of unauthorised overdrafts were experiencing none of the difficulties shown here compared with 72% of users of authorised overdrafts and 84% of the sample as a whole. Users of unauthorised overdrafts were also more likely than the sample as a whole to show signs of financial stress on the subjective measures. For example, 46% of the group said that they struggled to reach payday ‘more often than not’ and 37% that their commitments were a heavy burden compared with 20% and 13% respectively of the total sample. (Table C11)

Table C10: Use of unauthorised and authorised overdrafts by sample characteristics

	Had unauthorised overdraft in last year (%)	Currently has an authorised overdraft (%)	Total sample (%)
Annual household income			
Less than £13,500	16	14	14
£13,500 to £25,000	18	14	17
£25,000 to £50,000	30	34	29
£50,000 or more	17	18	15
DK/ NA	18	20	25
Household savings			
Zero	41	39	18
£1 < £1,000	16	14	9
£1,000 < £10,000	15	19	23
£10,000 < £20,000	4	4	7
£20,000 or more	5	4	14
Not known	19	19	29
Housing tenure			
Mortgage	44	50	37
Owned outright	12	10	27
Rented	35	33	26
Rent free/ other	8	6	8
Household composition			
Couple, with child(ren)	27	27	21
Couple, no child	33	39	44
One adult with child(ren)	7	7	4
One adult, no child	32	27	30
Age of respondent			
18 to 24	11	7	8
25 to 39	39	32	27
40 to 54	31	33	26
55 or over	19	29	38
Unemployment			
One or both adults unemployed	8	6	6
Other	92	94	94
Base = 100%	*370*	*624*	*4,225*

Table C11: Use of unauthorised and authorised overdrafts by financial circumstances

	Had unauthorised overdraft in last year (%)	Currently has an authorised overdraft (%)	Total sample (%)
Actual financial difficulties			
Insolvency action (Bankrupt, IVA or DMP)	12	9	7
Structural arrears	12	9	5
1–3 months behind with any payments	13	10	4
None of these	62	72	84
Subjective measures of stress			
Commitments were a heavy burden	37	29	13
Constantly struggled/ falling behind with bills & commitments	46	43	23
Struggled to reach payday 'more often than not'	46	41	20
Sometimes use credit for day to day living	53	62	23
Base = 100%	*371*	*623*	*4,225*

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Any enquiries regarding this publication should be sent to:

Department for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET
Tel: 020 7215 5000

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