BIS Department for Business Innovation & Skills

CREDIT, DEBT & FINANCIAL DIFFICULTY IN BRITAIN, 2009/10

A report using data from the YouGov DebtTrack survey

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Contents

Executive summary

This report follows earlier BIS reports on credit use and household indebtedness. It uses data from the YouGov DebtTrack survey – a series of online surveys carried out between November 2009 and October 2010 – to explore credit use and the extent of consumer indebtedness in Britain.

Overall, the analysis suggests a decrease in the proportion of households using unsecured credit since 2008/9, but an increase in the level of debt, both in absolute terms and as a proportion of household income. Evidence indicates that the incidence of financial difficulty may have declined during 2009/10; although the average proportion of households in structural arrears on payments remained unchanged compared with 2008/9, there has been a decrease in this indicator during 2009/10, as well as more subjective measures of financial stress.

The report includes discussion of trends over the twelve months from November 2009 to October 2010 and changes since the previous set of YouGov DebtTrack surveys, from July 2008 to July 2009, which were covered in a 2010 report.[1] The surveys are conducted online and collect data about the financial situation of a sample of around 3,000 adults sampled at random from a YouGov panel of volunteers and subsequently weighted back to GB population totals.

When comparing results with data from other survey sources, it should be noted that differences in survey design can themselves affect the accuracy of survey estimates. Comparisons may be affected by a range of factors, including: variation in question wording and context, whether surveys are administered by interviewers or self-completion, and differences in sample size and structure.

Key findings

Unless otherwise stated, the figures quoted in this report are based on the combined sample for the four DebtTrack surveys carried out between November 2009 and October 2010, so represent average figures for 2009/10.[2] Change between survey rounds has also been explored for key measures, as indicated in the text.

[1] http://www.bis.gov.uk/assets/biscore/consumer-issues/docs/10-830-over-indebtedness-second-report.pdf
[2] The overall sample size for the four surveys is in excess of 13,100.

Use of credit

Unsecured credit

- Compared to 2008/9, there was a reduction in the average proportion of households with unsecured credit commitments, from 64% to 58%. The proportion of heavy credit users – those holding four or more different types of credit – also declined, from 11% in November 2009 to 8% in October 2010.

- The popularity of most unsecured credit products declined relative to 2008/9 – credit cards remained the most common but fell substantially (27%, down from 35%), along with bank overdrafts (22%, down from 29%) and personal loans (15%, down from 22%). There were increases in the prevalence of student loans (16%, up from 12%) and informal loans from family or friends (9%, up from 7%).

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

- The type of credit products used varied by household characteristics. Young respondents had above-average usage of mainstream loans and informal loans (from family and friends), whereas middle-age respondents had relatively high usage of credit/store cards and mail order or hire purchase. The prevalence of informal loans and non-mainstream credit was greater among low-income households and lone-parent households.

Demand for credit

- Almost one-fifth of respondents (18%) had applied for an unsecured credit product in the previous six months, slightly lower than in 2008/9. Only 11% of respondents said that they were 'fairly likely' or 'very likely' to need to borrow money in the next 3 months; this rose to 16% for borrowing over the next 12 months.

- Credit applications showed similar variation to credit holdings across household characteristics – applications were highest for young respondents (34% of those aged 18-24), for households with little or no savings (26-28%) and for lone-parent households (28%).

- In terms of outcomes of credit applications, student loans, car finance loans and mail order accounts were the most likely to have been approved (79-86% agreed for the full amount); applications for unsecured personal loans and overdrafts were the most likely to have been rejected (29-33% rejected).

Secured credit

- The proportion of households with a mortgage or secured loan fell slightly in 2009/10, from 40% to 37%. There was substantial overlap with use of unsecured credit, with 25% of all households having both secured and unsecured credit and 12% having only secured credit. Overall, 70% of households were using some form of credit, leaving 33% having only unsecured credit.

Debt and savings

Household indebtedness

- Although the usage of unsecured credit declined in 2009/10, evidence indicates that the average level of unsecured debt increased, with the mean amount owed rising to over £10,000. Indebtedness became increasingly polarised – one fifth (20%) of borrowers had unsecured debts of less than £1,000, while one third (35%) owed more than £10,000.

- Average levels of secured debt exceeded those for unsecured credit, with a mean value of almost £100,000. Combining values for secured and unsecured credit gives an average total debt of £53,000 across all households using some form of credit.

- Debt levels increased for almost all types of unsecured credit compared to 2008/9, in particular for loans from friends and family (which increased to over £5,000) and 'other' (unclassified) loans, which more than doubled to over £20,000.

- The debt-to-income ratio can be a more useful indicator than absolute levels of debt in assessing risk of financial difficulty. Although most households had modest levels of debt on this measure (with over half having a debt-to-income ratio of 10% or less), almost one-fifth of households (19%) had debts worth more than 100% of annual household income.

- Looking at repayment-to-income ratios (unsecured debts only), the majority of households appear to be in a sustainable position (63% had a ratio below 10%). However, one in ten (10%) were spending more than 30% of their income on unsecured repayments and 7% were spending more than 40%.

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

Household savings

- Most households had very low levels of 'liquid' (i.e. easily accessible) savings, with well over half (59%) having savings below £5,000. In particular, households using unsecured credit had below-average levels of 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 (43%) and below-average for lone-parent households (11%).

Financial Difficulty

Objective indicators of financial difficulty

- On average, the proportion of households in 3-month arrears remained unchanged in 2009/10 at about one in ten (9%); however, prevalence decreased from 11% in November 2009 to 6% in October 2010.

- In total, 6% of the sample were subject to a formal arrangement or an agreement to deal with debts (5% in 2008/9); 1% had been declared bankrupt in the past two years, 1% had a current IVA and 5% were paying off debts through a Debt Management Plan.

- Combining these two measures, 12% of households were defined as being in financial difficulties – 6% were taking action on debt and a further 6% were in structural arrears on payments. However, the proportion of households meeting this indicator fell during the course of the year, from 15% in November 2009 to 9% in October 2010.

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

Subjective indicators of financial difficulty

- Subjective measures of financial difficulty declined during 2009/10 – 14% of respondents considered that keeping up with bills and credit commitments was a heavy burden (falling from 19% to 11% during the year), 23% said that they either constantly struggled to keep up with bills and payments or were falling behind (down from 29% to 20% during the year) and 21% said that they struggled to last to the next pay day 'more often than not' (down from 28% to 18% during the year).

- There was a significant degree of overlap between these three measures – overall, 30% of respondents gave a positive response on at least one indicator, with 19% giving a positive response on two or more.

- However, the overlap between subjective and objective measures of financial difficulty was considerably less – only about half of those who perceived they were under financial pressure were experiencing severe financial difficulties (insolvency action or structural arrears) or beginning to fall behind on payments.

- Analysis showed that 11% of households were considered to be 'at risk' of financial difficulties – i.e. those who were not experiencing severe financial difficulties 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 low-income, low-saving and lone-parent households.

Background

Conducting in-depth analysis of groups who are either already in, or at risk of falling into, financial difficulties requires detailed survey data. Last year, BIS published a report based on data from YouGov DebtTrack surveys carried out between July 2008 and July 2009.[3] This report is based on DebtTrack surveys from November 2009 to October 2010.[4]

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. In 2009/10, only the cross-sectional survey was carried out.

The results from the DebtTrack survey are based on the four cross-sectional surveys, conducted at roughly three-month intervals between November 2009 and October 2010. Unless otherwise stated, the figures quoted in this report are based on the combined sample of 13,172 respondents to the four surveys in this period, so represent average figures for 2009/10. Where relevant, results are presented separately for each survey, for which sample sizes vary from 3,000-3,700.

Methodology

The YouGov DebtTrack collects data from a sample of more than 3,000 adults aged 18 or over. An invitation to take part in the survey is sent by e-mail to a randomly-selected sample of individuals from the YouGov plc GB panel[5] 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. During 2009/10, there was some over-sampling of financially-distressed households in order to enable more detailed analysis of those experiencing financial difficulties. The results shown here are, however, based on 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 involve comparison with the earlier rounds of the DebtTrack survey, which utilised similar methodology and survey design. Nonetheless, some changes were made between years to question wording or routing, which may affect comparisons. Further complications may arise where the DebtTrack results have been compared with estimates from other surveys, due to

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[3] http://www.bis.gov.uk/assets/biscore/consumer-issues/docs/10-830-over-indebtedness-second-report.pdf
[4] See http://www.yougov.co.uk/corporate/specialisms/specialisms-financial-debttrack.asp?submenuheader=1
[5] The panel has over 250,000 members

general issues affecting any comparison across different surveys. Such complications comprise: variation in precise question wording and in the context in which questions are asked; differences in survey mode[6]; differences in sample structure[7], and designation/definition of 'main' respondents[8].

It is possible to compare some of the measures used in this report with published results from both the Wealth and Assets Survey carried out by the Office for National Statistics[9] and the annual survey published by the Bank of England, conducted by NMG Consulting.[10] However, even where similar questions are asked, both of these surveys are carried out via face-to-face interviews, which can significantly affect comparability, as noted above.

Themes

Three main areas are addressed in this report. Where possible, trends since the previous report (for 2008/09) are discussed.

Use of credit

This section first explores the prevalence of different types of unsecured credit (e.g. personal loans, overdrafts, credit cards) and variation in their use for different groups of households. Then it considers demand for credit and how this changes across households and finally looks at the interaction and overlap between holding of secured and unsecured credit and how this varies by household characteristics.

Debt and savings

This section explores the levels of secured and unsecured debt, in both absolute terms and relative to household income and how this differs across households. This section also includes an analysis of repayment-to-income ratios for unsecured debts, as well as high-indebtedness indicators and 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 difficulty and to explore the characteristics of households at risk of financial difficulty.

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[6] The DebtTrack is a self-completion survey that is administered online, which could under-represent those respondents and households who may not have access to the Internet, such as older people and low-income households. Additionally, self-completion surveys are likely to result in a greater degree of measurement error.
[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 remain 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 the level of household indebtedness)
[8] The DebtTrack is a survey of individuals but relevant questions generally refer to the respondent and spouse (i.e. the family unit). As the majority of households contain only one family unit, survey results are more comparable with earlier data for households than for individuals
[9] http://www.statistics.gov.uk/downloads/theme_economy/wealth-assets-2006-2008/Wealth_in_GB_2006_2008.pdf
[10] Latest edition (2010) available at: http://www.bankofengland.co.uk/publications/quarterlybulletin/qb100408.pdf

Use of credit

Credit use fell, both at the aggregate level and across several key unsecured products, such as credit cards, overdrafts and personal loans. The pattern of credit use remained broadly unchanged, with demand remaining strong among those with low savings and lone-parent households, who were also more likely to make use of non-mainstream credit (such as borrowing from friends and family).

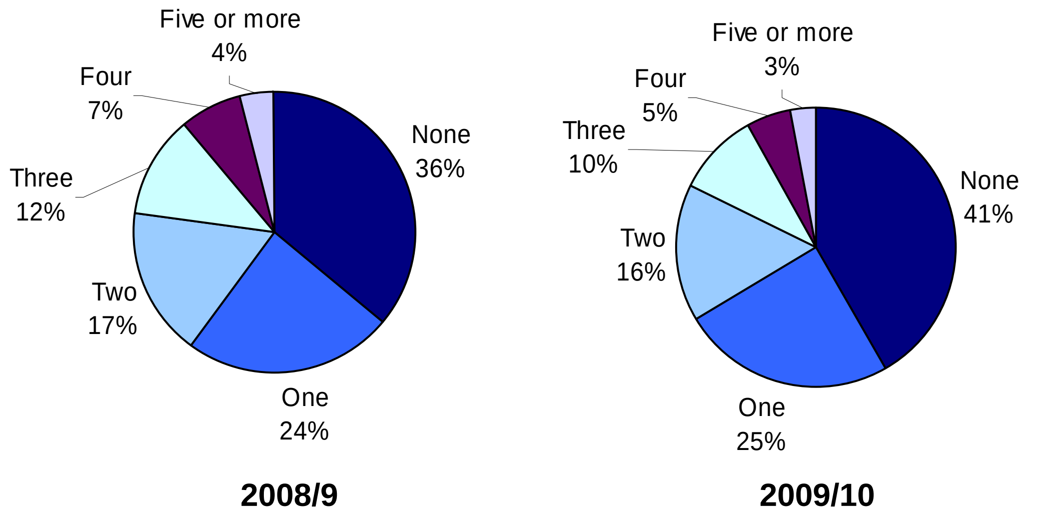
Unsecured credit

In 2009/10, around three-fifths (58%) of households had some form of unsecured credit commitment (Figure 1). This was a decrease on the figure for 2008/9, when 64% of households had some form of unsecured credit. There was a corresponding reduction in the prevalence of intensive or heavy credit use. In 2009/10, one in twelve households (8%) had four or more different types of unsecured credit, compared with 11% of households in the previous year. Credit use decreased during 2009/10, from 62% in November 2009 to 54-56% in June to October 2010, after being relatively stable during 2008/9. A similar trend was also seen in the proportion of households with any form of credit (i.e. including mortgages and other types of secured credit) from 73% to 68-69% of households.

Figure 1: Use of credit and number of credit products, 2008/9 and 2009/10

	2008/9 (%)	Nov 2009 (%)	Mar 2010 (%)	June 2010 (%)	Oct 2010 (%)	2009/10 (%)
Unsecured credit						
Any unsecured credit commitments	64	62	60	54	56	58
4 or more unsecured credit commitments	11	10	8	6	6	8
5 or more unsecured credit commitments	4	4	3	2	2	3
All credit commitments (inc. mortgages and secured)						
Any credit commitments (including mortgage and secured personal loan)	75	73	71	68	69	70
4 or more credit commitments	18	17	14	11	10	13
5 or more credit commitments	8	8	6	5	4	6
Base	*14,132*	*3,339*	*3,696*	*3,097*	*3,041*	*13,172*

Figure 2: Number of unsecured credit commitments, 2008/9 and 2009/10

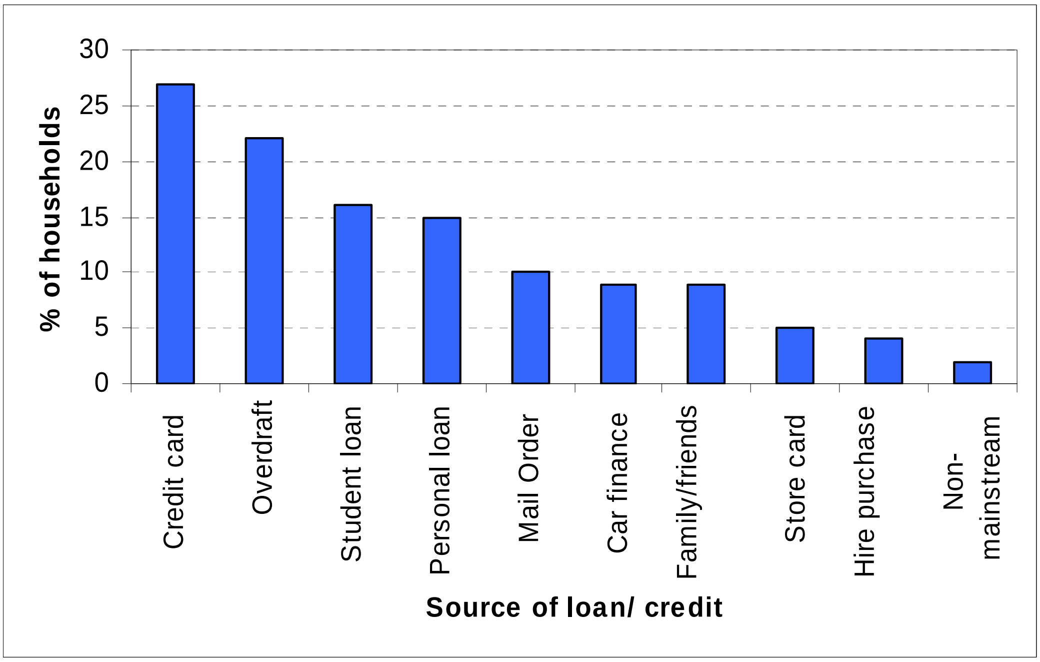


Types of credit products

The DebtTrack collects detailed information on the type of loans and sources of credit used by respondents and their partners, along with the amount of outstanding credit at the time of the interview for each type of commitment.

Since November 2009, the questions on credit and store cards have been revised to record more information on the number of accounts held and on whether accounts were used for credit or usually paid off monthly. In spite of these questionnaire changes, estimates of the proportion of households with credit or store card debts are broadly comparable with the earlier rounds of the survey.

Figure 3: Main sources of unsecured credit, 2009/10



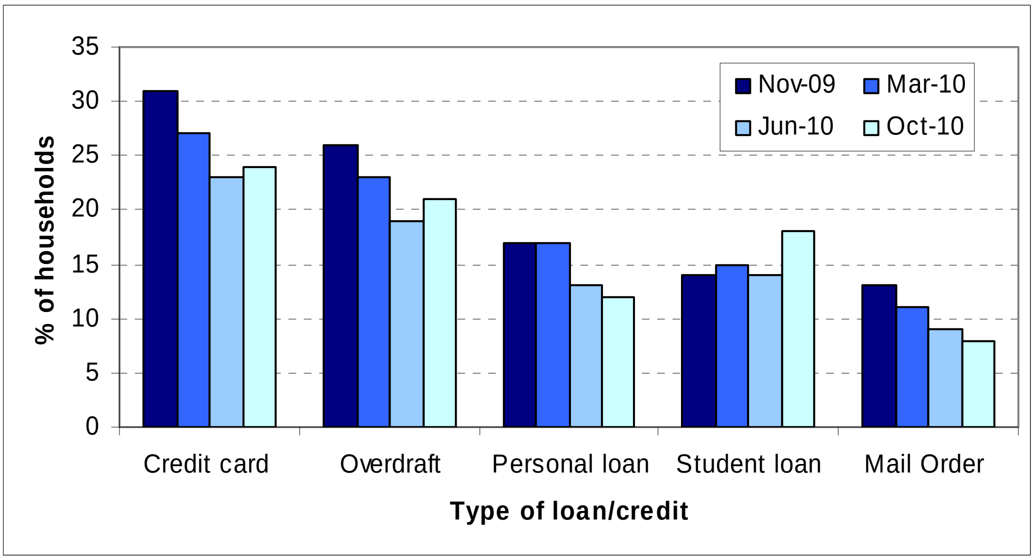
- As in 2008/9, the most common sources of unsecured credit were credit cards (27% of households) and bank overdrafts (22%) (see Figure 3).[11] These were followed by student loans (16%), personal loans (15%) and mail order accounts (10%).

- Informal loans from family or friends were used by 9% of respondents; 2% of the sample used credit from non-mainstream sources (home-collected credit, payday and pawnbroker loans).

- In line with the overall reduction in use of unsecured credit, the prevalence of most of these types of credit had decreased since 2008/9: for example the prevalence of bank overdrafts had decreased from 29% to 22%. There was, however, an increase between 2008/09 and 2009/10 in the prevalence of student loans, from 12% to 16%.

- For the most common types of credit, apart from student loans, there was evidence of a decline in use during the last year (Figure 4) and for most products the decline showed signs of stabilising in the latest survey (October 2010). For example, the proportion of households with a bank overdraft decreased from 26% in November 2009 to 19% in June 2010 and 21% in October 2010.[12]

Figure 4: Prevalence of main sources of unsecured credit: November 2009 to October 2010



Overall, two-fifths (43%) of unsecured credit users had only one type of credit and only one in eight (13%) had four or more types. As shown in Figure 5, 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 – 41% had no other unsecured credit commitments – and users of car finance also had relatively low use of other forms of loan (27%).[13] In contrast, store card users were most likely to have other commitments – only 5% of users had no other types of credit commitment and 50% had three or more other types. Users of non-mainstream

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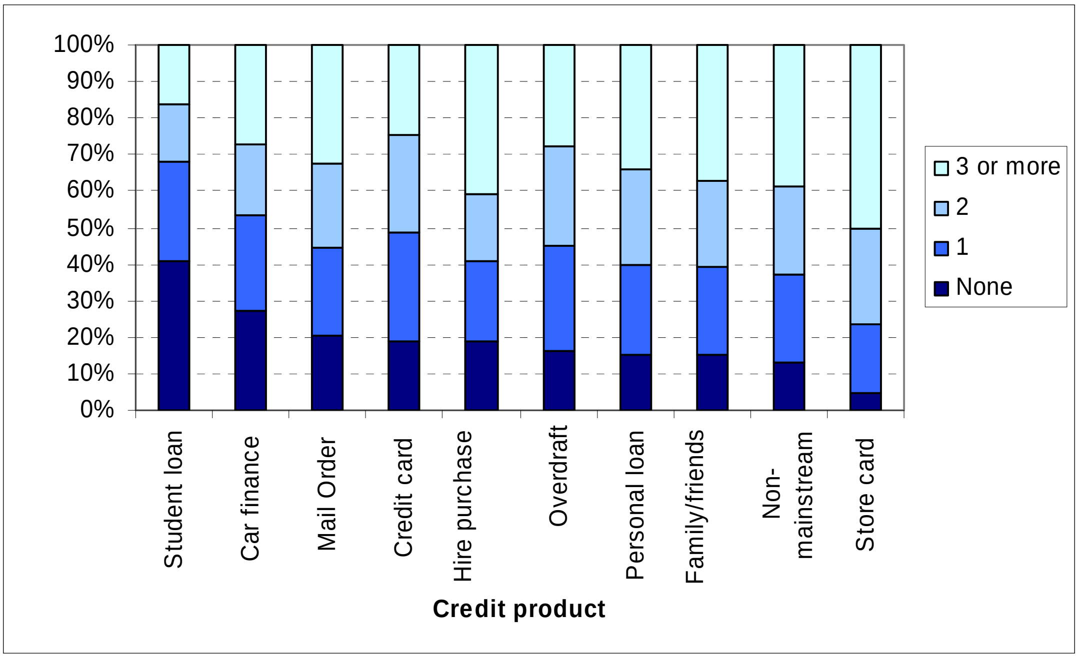
[11] See Appendix Table A1
[12] It can be seen from Table A1 that the declining use of credit cards as a source of credit was not matched by a decrease in the proportion of households with a credit card account, which remained at 61-62%
[13] See Appendix Table A2

loans (home-collected credit, payday and pawnbroker loans) and of hire purchase were also 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.

Figure 5: Number of other types of credit held by users of main types of unsecured credit, 2009/10



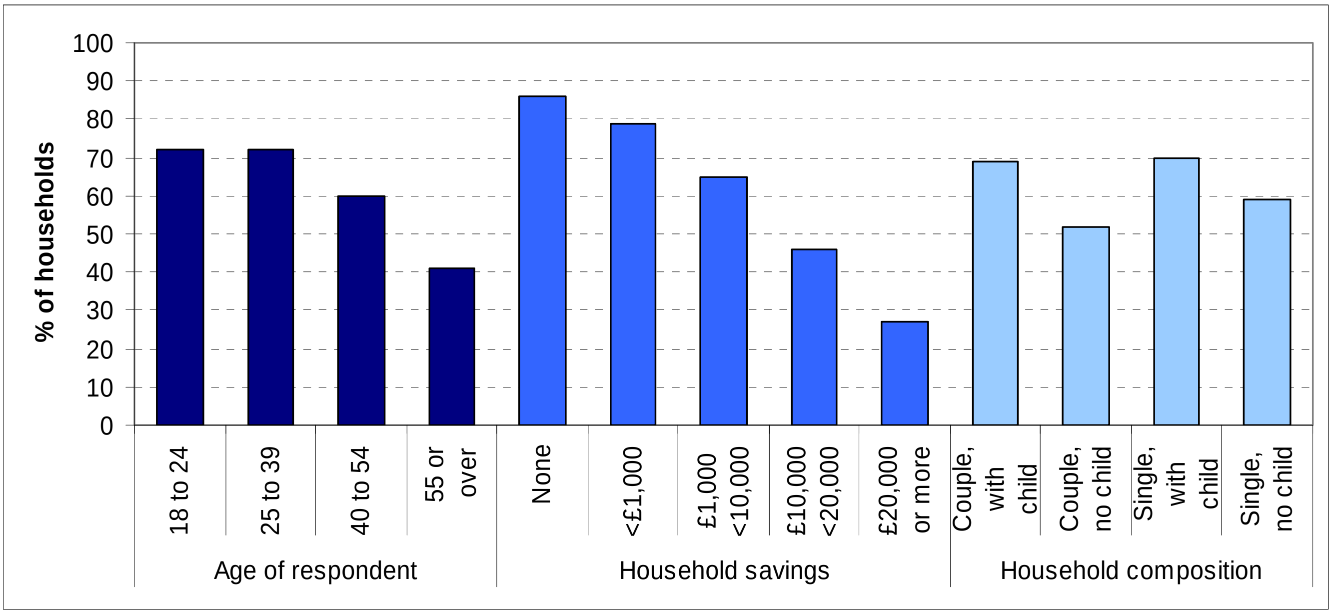
Variation in credit use by household characteristics

Analysis of credit use in the previous series of DebtTrack surveys supported the expected pattern of variation through the life-cycle, with high usage among families with children and lower usage for older households. A brief analysis of variation in credit use is repeated here, focusing on the proportion of households with any unsecured credit commitments and on variation in the type of credit products used by different groups of household.

Figure 6 below shows the usual pattern of declining credit use with increasing age of the respondent. Usage was 72% for those aged 18-24 and 25-39, but fell sharply to 41% for respondents aged 55 or over.[14] There was little variation in the use of unsecured credit with household income but, not surprisingly, a strong inverse relationship between credit use and the level of household savings. Almost four-fifths of households (79%) with savings of less than £1,000 and 86% of those with zero savings had some form or unsecured credit, compared with 46% of households with savings of £10,000-£20,000 and 27% of those with savings of £20,000 or more.

[14] See Appendix Table A3

Figure 6: Use of unsecured credit by selected household characteristics, 2009/10



Household composition can be an important factor in credit use, particularly the additional financial burden associated with children. The DebtTrack data show the high level of credit use among households with children (69% for couples with children and 70% for lone parents with children) with the lowest usage (52%) among households comprising a couple with no children. In terms of housing tenure, there was very low credit use among households which owned their home outright – 30%, compared with 58% overall. This reflects the greater average age and affluence of this group.

Variation in credit types by household characteristics

There is also considerable variation in the type of credit product 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;
- Mail order, hire purchase agreements and car finance;
- DSS/Social Fund and Credit Union loans;
- Informal loans from family and friends, and
- Non-mainstream loans (home-collected credit, payday and pawnbroker loans).

Age

The low incidence of unsecured credit among older groups was seen for most categories of product. Young respondents (aged 18-24 years) had above-average use of mainstream

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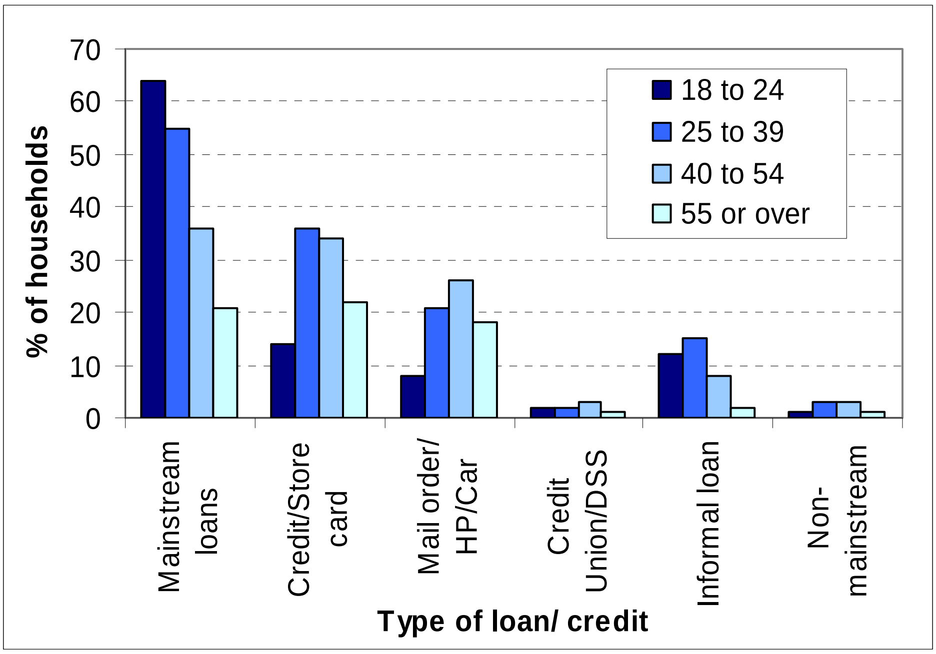
[15] See Appendix Table A4

loans, which includes student loans, and informal loans from family and friends. Respondents in middle age bands, (25 to 39 and 40 to 54) had relatively high usage of loans on credit/store cards and mail order/hire purchase.

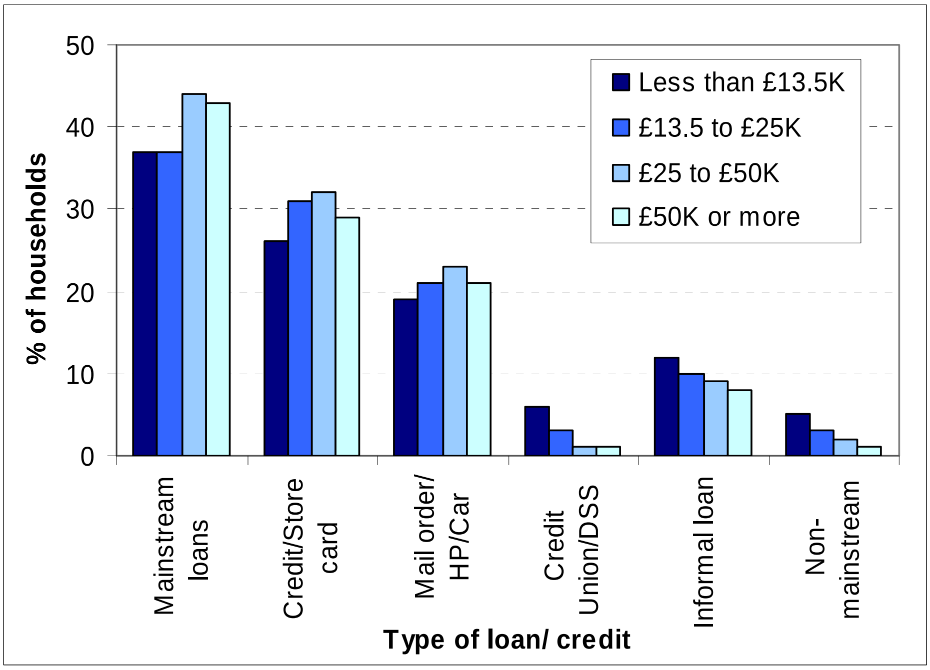
Figure 7: Types of unsecured credit by age of respondent, 2009/10



Household income

Usage of different credit products also varied with household income. The likelihood of using the three major types of unsecured credit (mainstream loans, credit/store cards, and mail order/ hire purchase) tended to increase with household income. In contrast, the likelihood of using the three minor categories (Credit union/DSS loans, informal loans and non-mainstream credit) tended to decrease as household income increased. There is particular interest in the use of non-mainstream loans, which have relatively high interest rates. About one in twenty (5%) households with an annual income of less than £13,500 had a non-mainstream loan and one in eight (12%) had an informal loan from family or friends.

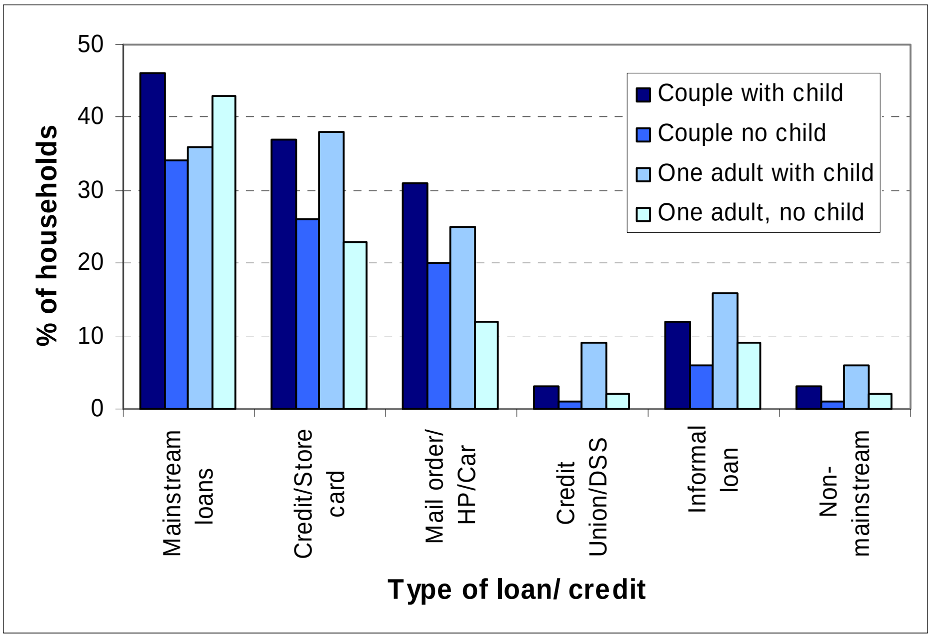
Figure 8: Types of unsecured credit by gross annual household income, 2009/10



Household composition

Figure 9 below highlights the above-average levels of credit use by households with dependent children, particularly for credit/store cards, mail order/hire purchase and informal loans. As well as having high usage of credit/store cards (38% compared with 28% overall), lone-parent households also had above-average usage of the three minor categories: credit union/DSS loans (9%, compared with 2%), informal loans (16%, compared with 9%) and non-mainstream loans (6%, compared with 2%).

Figure 9: Types of unsecured credit by household composition, 2009/10



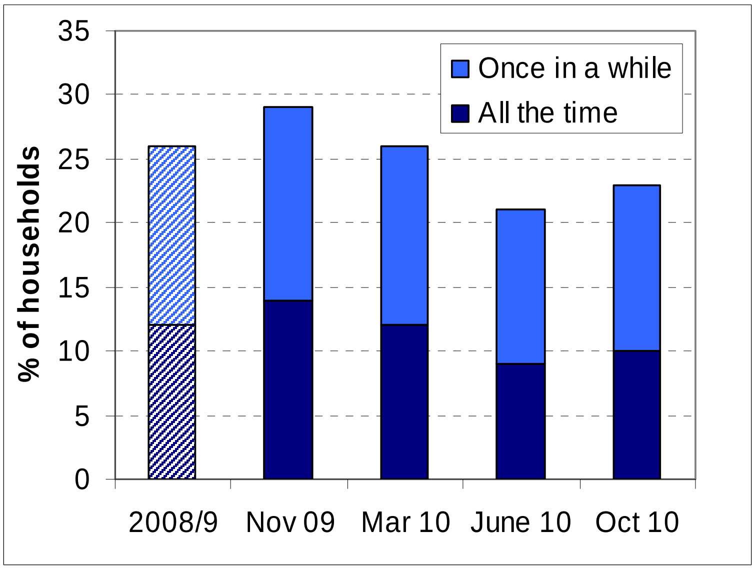
Demand for credit

The DebtTrack surveys provide data on various measures for credit demand, including questions about respondents' reliance on credit for everyday expenses and applications for credit products, both in the recent past (incorporating outcomes) and intentions to apply in the future. These give an indication of the level of demand for credit and how well this is being met by providers.

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. About one in ten (11%) respondents 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 13% used credit for living expenses 'once in a while'.[16] These levels are similar to those seen in 2008/9. However, looking at the quarterly estimates, there is some evidence of a decrease in reliance on credit for everyday expenditure over the last year, particularly from November 2009 to June 2010.

Figure 10: Frequency that credit is used for everyday living expenses, 2009/10



Variation between households in the use of credit to meet everyday living expenses was broadly similar to the variation in use of unsecured credit.[17] As would be expected, households with zero or very small savings were much more likely than others to use credit for everyday expenses 'all' or 'some of the time' (39-47%, compared with 25% overall) but there was little variation by current household income. Households with children were also more likely than average (34-35%) to be reliant on credit for everyday expenditure.

Applications for credit

Overall, almost one-fifth of respondents (18%) had applied for one or more unsecured credit products in the six months before interview and 3% for a mortgage or other secured loan.[18]

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[16] See Appendix Table A5
[17] See Appendix Table A6
[18] See Appendix Table A7

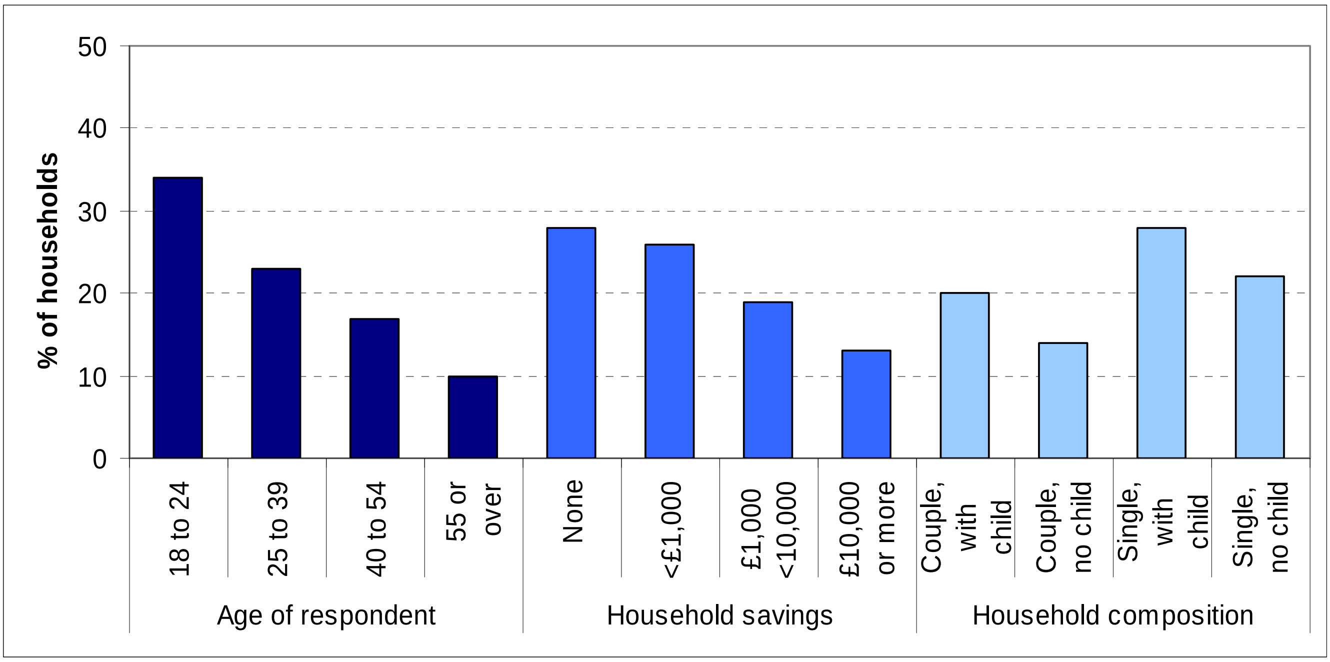
Applications for a credit card were the most common (8% of respondents) followed by applications for an overdraft facility (3%). All other products had application rates of 2% or less across the year as a whole.

There was some evidence of a fall in the rate of applications from 21% in November 2009 to 16% in June 2010 and 18% in October 2010. 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.

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). The likelihood of having applied for an unsecured credit product decreased through the age range, from 34% for respondents aged 18-24 and 23% for the 25-39 age group, to 10% for respondents aged 55 or over. Applications were also more common for households with little or no savings (26-28% for those with savings of less than £1,000) and for lone-parent households (28%). Applications for credit and store cards, the most common category, showed little variation with household characteristics although, unlike applications for all types of credit, the rate tended to increase with increasing household income.[19]

Figure 11: Proportions of households applying for unsecured credit by selected household characteristics, 2009/10



Outcome of applications

The outcomes of recent applications for credit varied for the different types of product (as shown in Figure 12 below).[20] Student loan, car finance and mail order account applications

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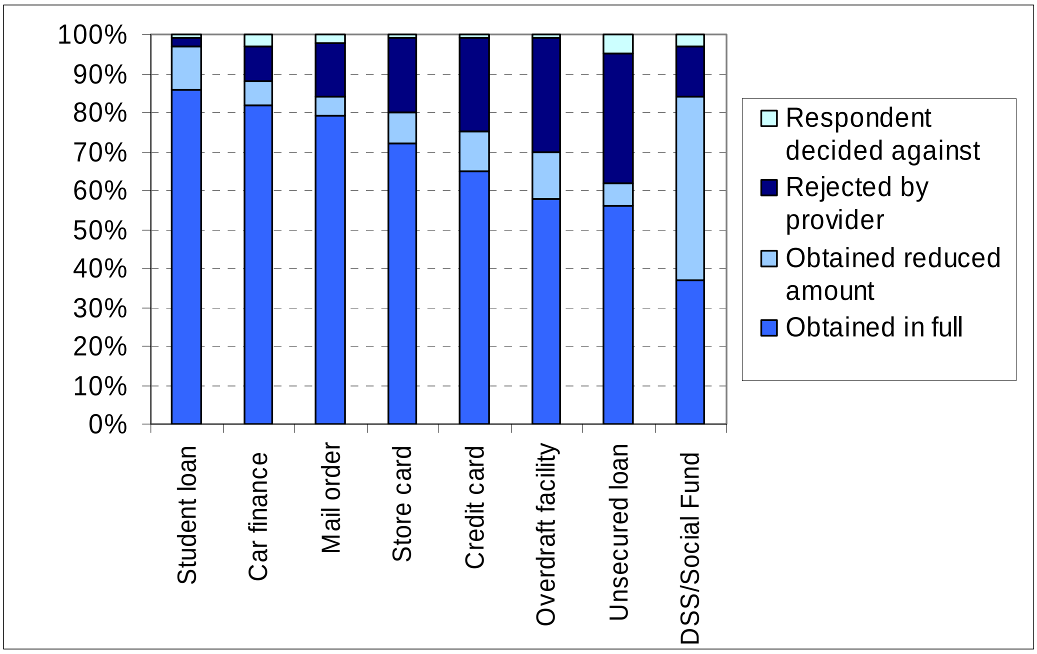
[19] See Appendix Table A8
[20] See Appendix Table A9

were the most likely to have been agreed for the full amount (86%, 82% and 79% respectively) while DSS/Social Fund loans were most likely to have been agreed for a reduced amount (47% 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) followed by applications for credit cards (24%).

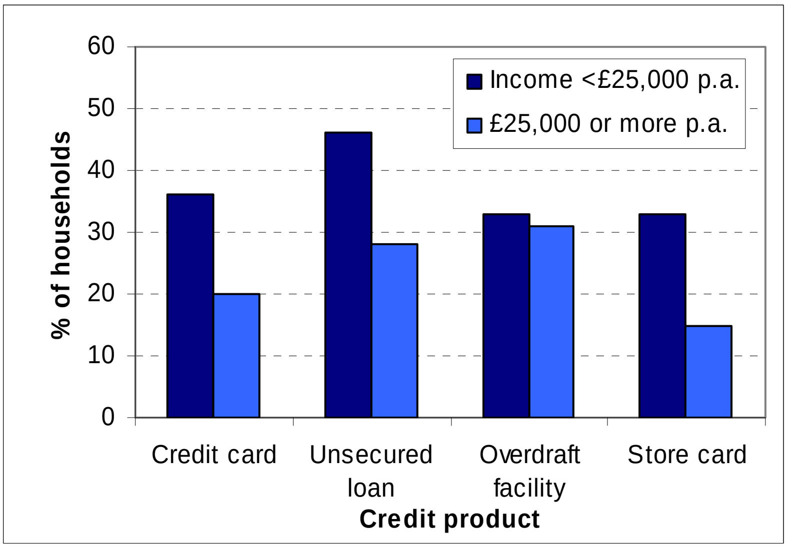
Figure 12: Outcomes for recent applications for unsecured credit, 2009/10



The likelihood of having loan applications for the main product types turned down by the provider again showed some variation across households. The patterns for credit cards, store cards and unsecured loans showed some similarities with higher rejection rates for younger respondents (aged 18-39) and lower income households.[21] As found in the previous set of surveys, households with children appeared to have higher rejection rates for overdrafts and store cards than did adult-only households.

[21] See Appendix Table A10

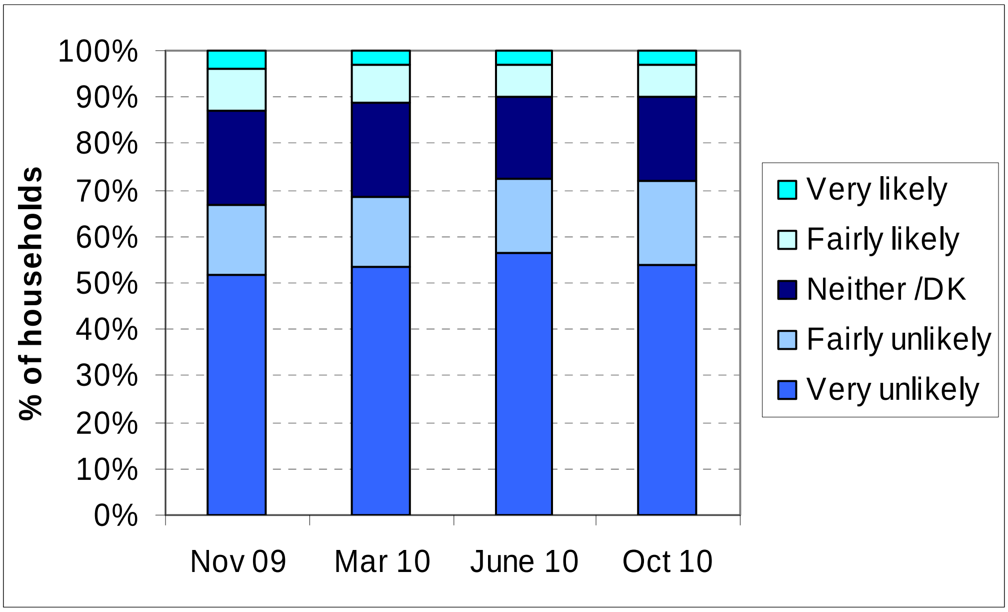
Figure 13: Percentage of applications rejected by gross annual household income, 2009/10



Future demand for credit

The survey data indicate weak demand for credit in the near future. Only 11% of respondents in the 2009/10 surveys said that they were 'fairly likely' or 'very likely' to need to borrow money over the next three months. This compares with 13% in 2008/9, although the question referred to a period of six months in the earlier surveys. The proportions saying that they were likely to need to borrow tended to decrease over the past year, from 13% in November 2009 to 10% in June 2010, showing a similar pattern to that seen for credit applications. The proportion of respondents saying that they were fairly or very unlikely to need to borrow increased from 66% to 72% over this period.[22]

Figure 14: Likelihood of needing to borrow more money in next three months, 2009/10



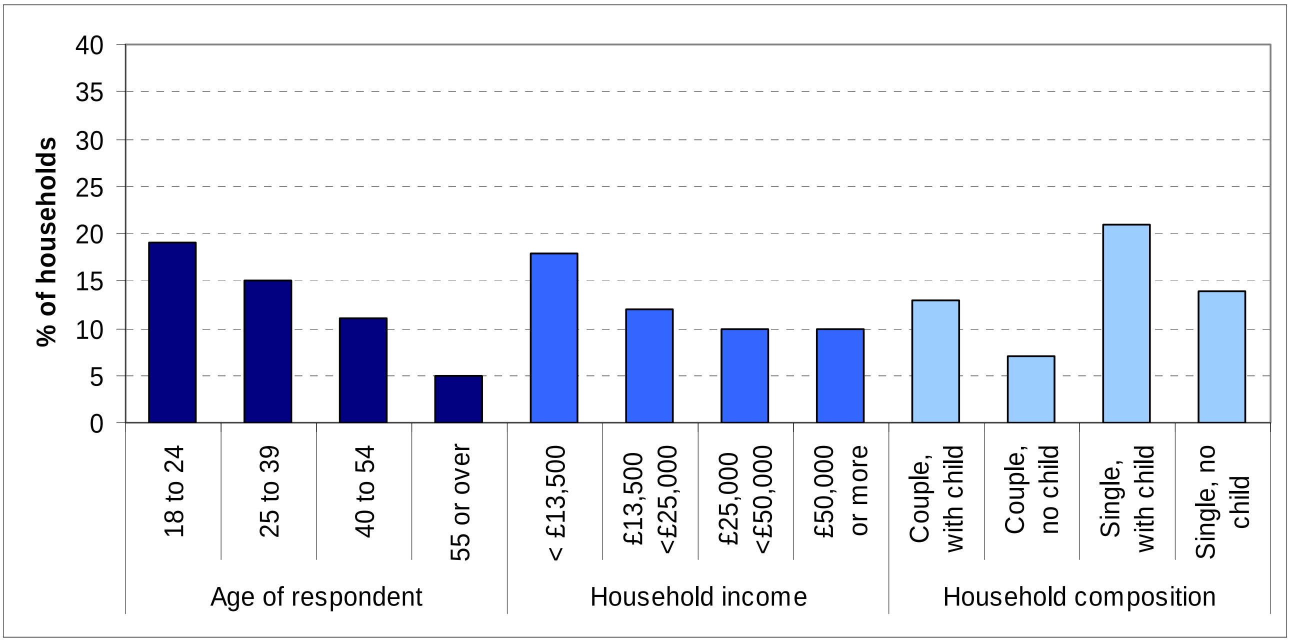
[22] See Appendix Table A11

As well as being asked about the likelihood of borrowing more in the next three months, respondents to the 2009/10 surveys 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 16% of respondents were fairly or very likely to need to borrow more over the coming year, compared with 11% over the next three months.

Variation by household characteristics

Looking at the likelihood of needing to borrow more money in the next three months, there were substantial differences in expectations among certain sections of the population.[23] 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. Younger respondents were more likely than other groups to say that they were likely to need to borrow in the next three months (19%, compared with 11% overall) as also were households with low savings (26% of those with no savings) and lone-parent households (21%). As in the previous round of surveys 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, however, seen for credit applications, perhaps highlighting the difference between a 'need' for credit and exercising a choice to apply for different products.

Figure 15: Proportion of households likely to need to borrow more money in next three months by selected characteristics, 2009/10



[23] See Appendix Table A12

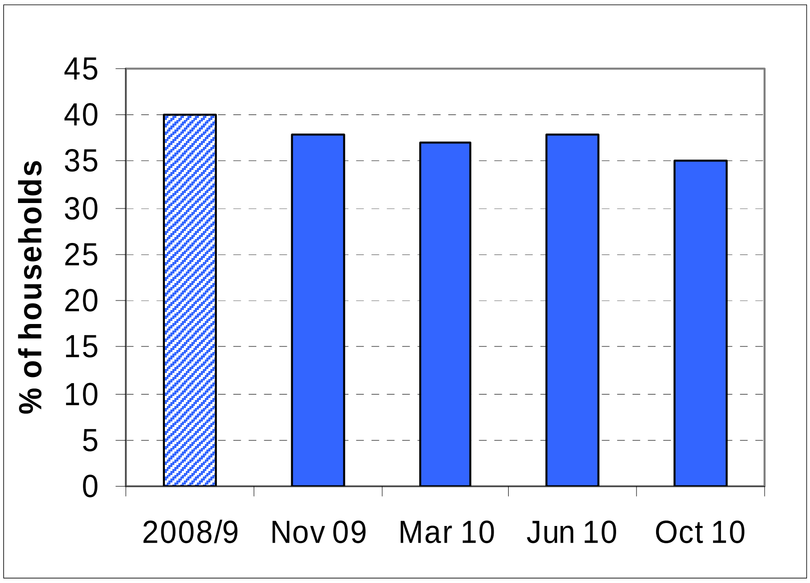
Secured credit

Having looked in some detail at holdings of unsecured credit and future demand for credit, this section focuses on mortgages and secured credit, looking first at the prevalence of these loans and then at the overlap with holdings of unsecured credit.

Holdings of secured credit

Overall, 36% of DebtTrack respondents had a mortgage and 4% had some other type of secured credit. As expected, there was considerable overlap between these loans, so a total of 37% of respondents had either a mortgage or other secured credit. As both mortgages and secured loans cover large debts and are taken out over long periods, there are unlikely to be large changes in loan holdings over a short period. Nonetheless, there was evidence of a small decrease in prevalence since the 2008/9 surveys (when 40% of respondents had a mortgage or secured loan), with holdings staying broadly stable (and comparable with other sources) at between 35% and 38% during 2009/10 (Figure 16).[24]

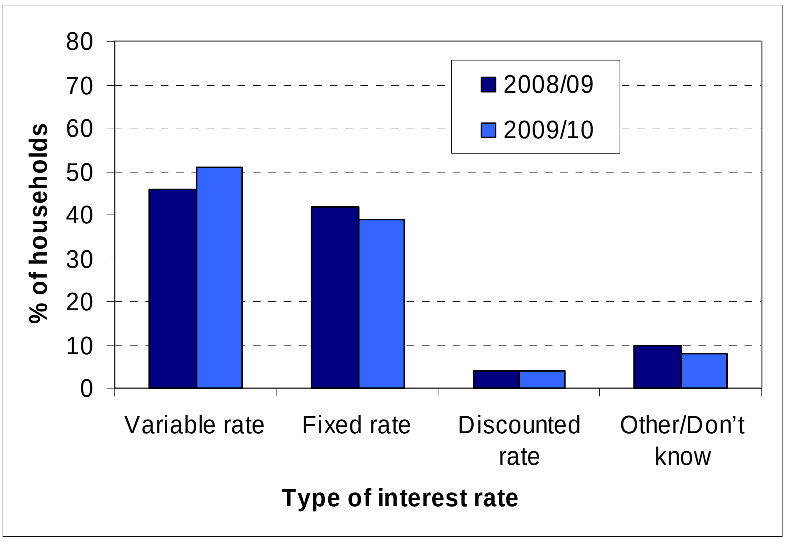
Figure 16: Prevalence of secured credit, 2008/9 and 2009/10



More than half (51%) of households with a mortgage had a variable-rate mortgage, with most of these reviewed monthly (42% of households with a mortgage). About two-fifths (39%) of respondents with a mortgage had a fixed-rate deal. Between 2008/9 and 2009/10, the proportion of DebtTrack respondents with a variable-rate mortgage increased, from 46% to 51%, and the proportion with a fixed-rate mortgage decreased, from 42% to 39% (see Figure 17).[25] This change occurred in the context of an overall fall in the number of respondents with mortgages (from 39% to 36% of all respondents).

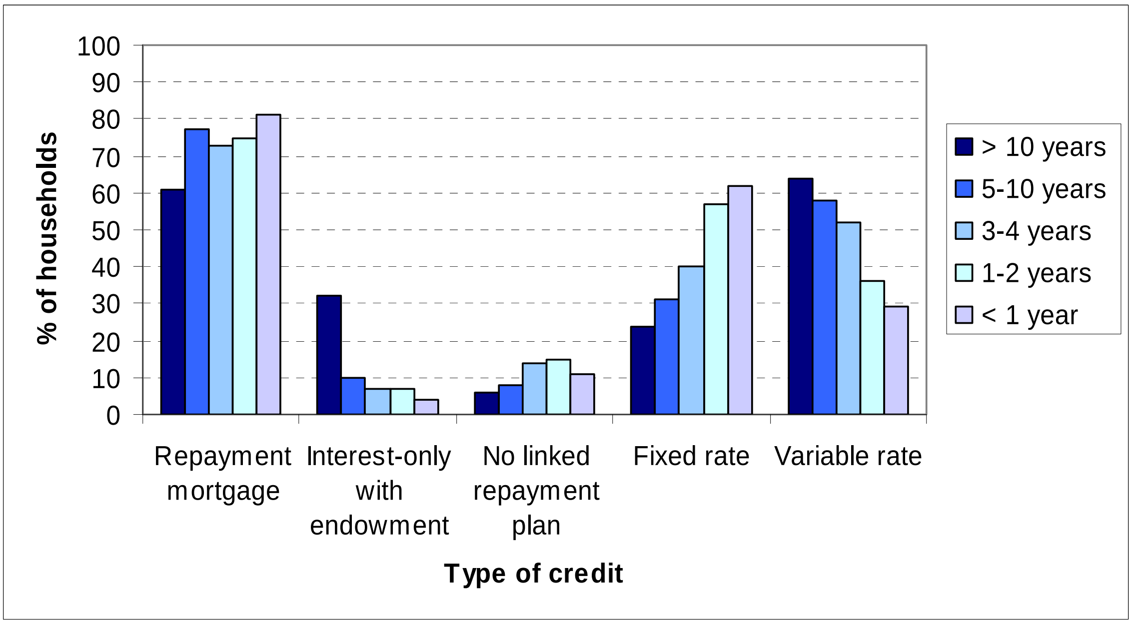
[24] See Appendix Table A13
[25] See Appendix Table A15

Figure 17: Type of interest rate on mortgages, 2008/9 and 2009/10



The majority of respondents with a mortgage had a repayment mortgage (71%) and just under a third (29%) had an interest-only mortgage.[26] One in ten (11%) of respondents with a mortgage had an interest-only loan with no linked repayment vehicle; this represented more than one third of those with an interest-only mortgage. One in eight (13%) mortgagors had an endowment policy linked to an interest-only mortgage and 6% had another linked repayment vehicle, such as an ISA or pension plan.[27] There was little change in these proportions between 2008/09 and 2009/10, although there was a small decrease in the proportion of endowment mortgages and an increase in interest-only mortgages with no repayment vehicle.

Figure 18: Type of mortgage by length of time since mortgage was taken out, 2009/10



[26] Note that respondents could have more than one type of mortgage, so percentages sum to more than 100%.
[27] See Appendix Table A14

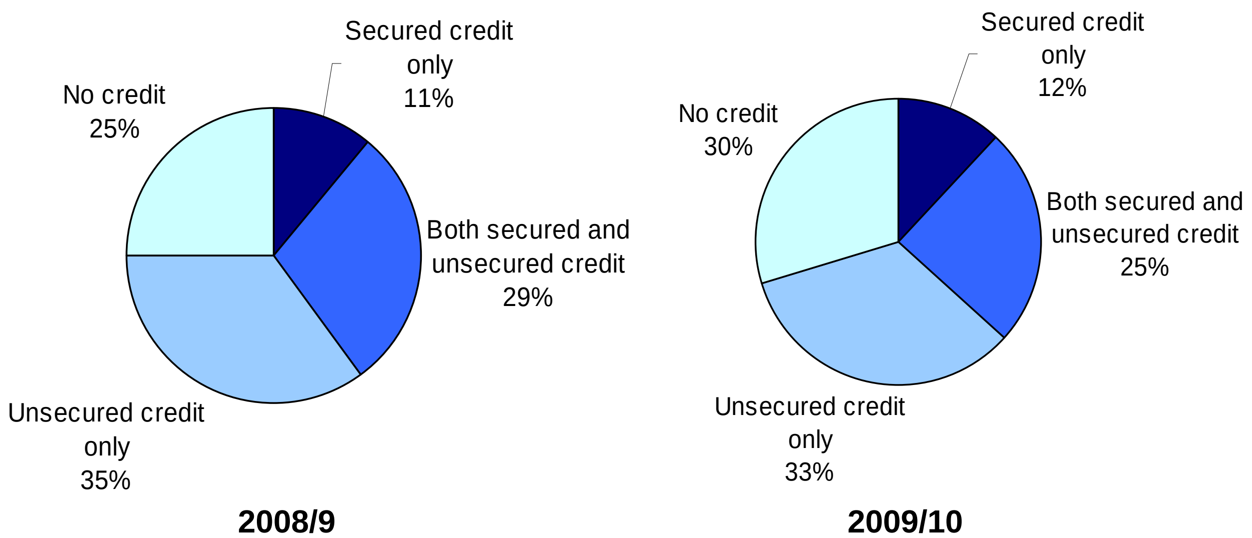
There was some variation in the type of mortgage according to the length of time since respondents had taken out their current mortgage, as highlighted in Figure 18.[28] Overall, about one in twelve respondents (9%) had taken out their mortgage in the past year and a further 16% between one and three years ago. Those who had taken out their mortgage most recently were more likely to have a repayment mortgage; 81% of those who had taken out a mortgage in the last year and 75% between one and two years ago, compared with 61% of respondents who had held their current mortgage 10 or more years. There was also a very clear trend towards use of fixed-rate mortgages in more recent years: 62% of mortgages started in the last year and 57% taken out between one and two years ago had a fixed rate, compared with 30% or less of those taken out more than five years ago.

Overlap between secured and unsecured credit

Use of unsecured credit is more common than secured credit: 58% of DebtTrack respondents had some form of unsecured credit, whereas 37% had a mortgage or other secured loan. In total, 70% of households had one or other form of credit. As already seen, use of credit decreased between 2008/9 and 2009/10, from 75% to 70% of households. The downward trend was evident through the year from November 2009 to October 2010, during which time the proportion of households using either secured or unsecured credit decreased from 73% in November 2009 to between 68% and 69% in June and October 2010.[29]

There was substantial overlap between holdings of secured and unsecured credit. About two-thirds of households with secured credit (25% of all households) also had one or more types of unsecured credit whilst one third (12% of all households) only had a mortgage or secured credit. Overall, almost three fifths (58%) of households had unsecured credit and more than half of these only had unsecured credit (33% of all households). The overall decrease in credit use between 2008/9 and 2009/10 was mainly due to a decrease in the proportion of households with both secured and unsecured credit, from 29% to 25% of responding households.

Figure 19: Overlap between use of secured and unsecured credit, 2008/9 and 2009/10

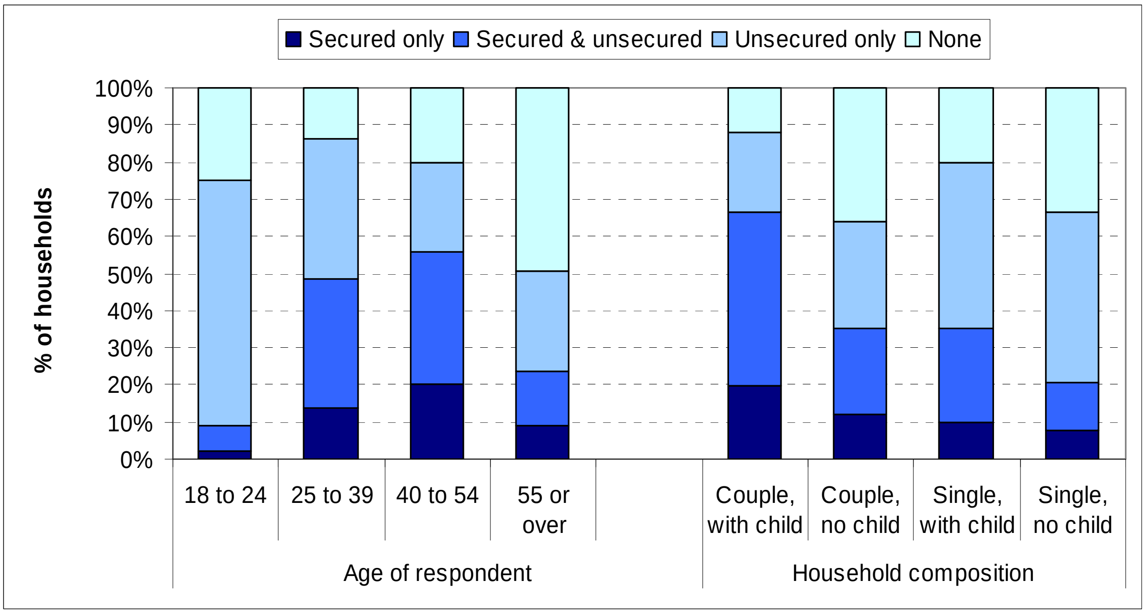


[28] See Appendix Table A16
[29] See Appendix Table A17

Variation by household characteristics

The figures below combine the data on secured and unsecured loans to show variation in use of all types of credit by household characteristics.[30] Use of credit was clearly lowest in the upper age band (55 or over). Otherwise credit use was reasonably stable across the age bands, although there was a clear shift towards secured credit or a combination of secured and unsecured credit in the middle age bands. There were very 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 or a combination of secured and unsecured debts.

Figure 20: Secured and unsecured credit use by age of respondent and household composition, 2009/10



Overall, credit use tended to increase across the income range (from 67% to 79%) but there was a clear shift from use of unsecured credit in lower-income groups to secured credit use among households with higher income. Total 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 showed little variation in lower savings bands and only declined for households with savings of £20,000 or more. This is presumably because secured credit is usually of relatively high value, so even savings in the £10,000 to £20,000 range would not easily offset the sums borrowed.

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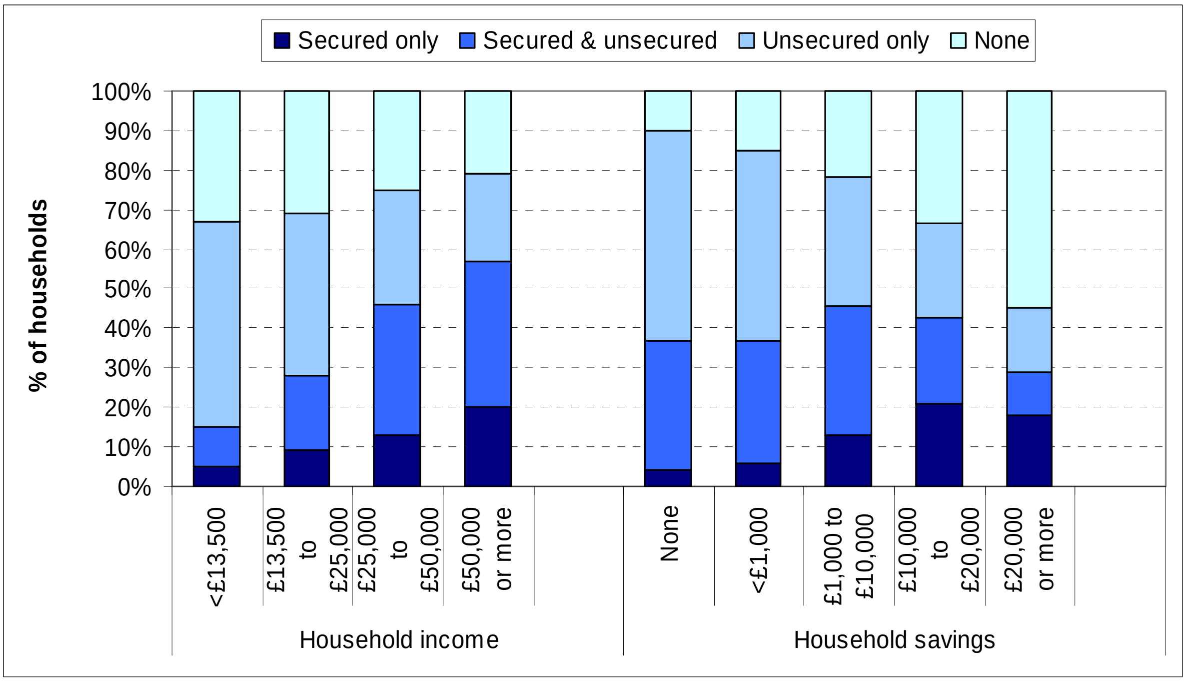
[30] See Appendix Table A18

Figure 21: Secured and unsecured credit use by household income and savings, 2009/10



Debt and savings

Although the use of credit declined in 2009/10, average debt levels increased slightly, both overall and across individual products (especially loans from friends & family and 'other' loans). Nevertheless, the financial position for the majority of households appears to be sustainable, with low debt-to-income and repayment-to-income ratios. However, levels of saving remain low, with over two-thirds of households holding less than £5,000.

Household indebtedness

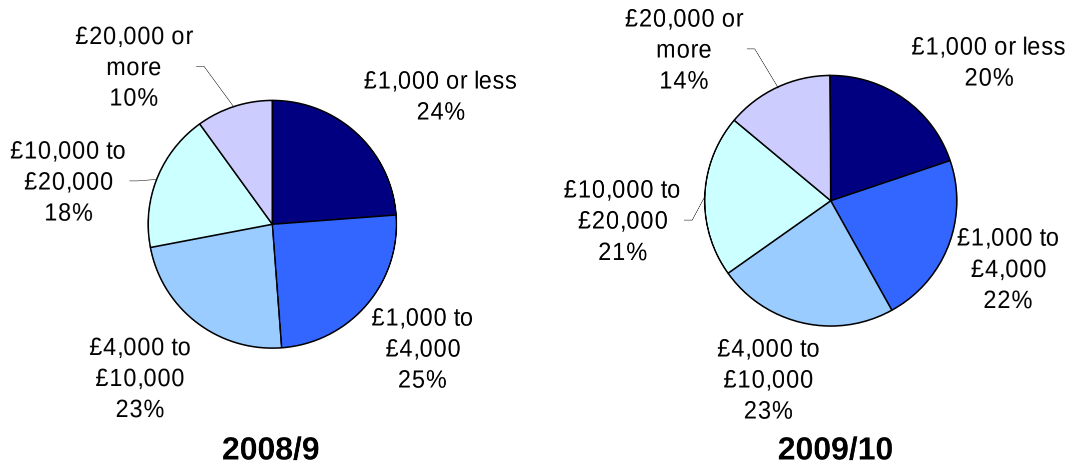
High levels of debt are not necessarily a problem so long as households have the means to continue servicing and repaying them. However, highly-indebted households may be more vulnerable to adverse economic shocks (e.g. unemployment, increases in interest rates or other household bills) that may put them at risk of falling into financial difficulty.

The DebtTrack surveys collect data on the amount currently owed for each type of unsecured and secured 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 total debt and repayment ratios (calculated as a percentage of annual household income).

Unsecured debt

Looking first at the absolute value of debt, Figure 22 shows the distributions for unsecured debt for respondents in 2009/10 compared with 2008/9.[31]

Figure 22: Amount of unsecured debt, 2008/9 and 2009/10



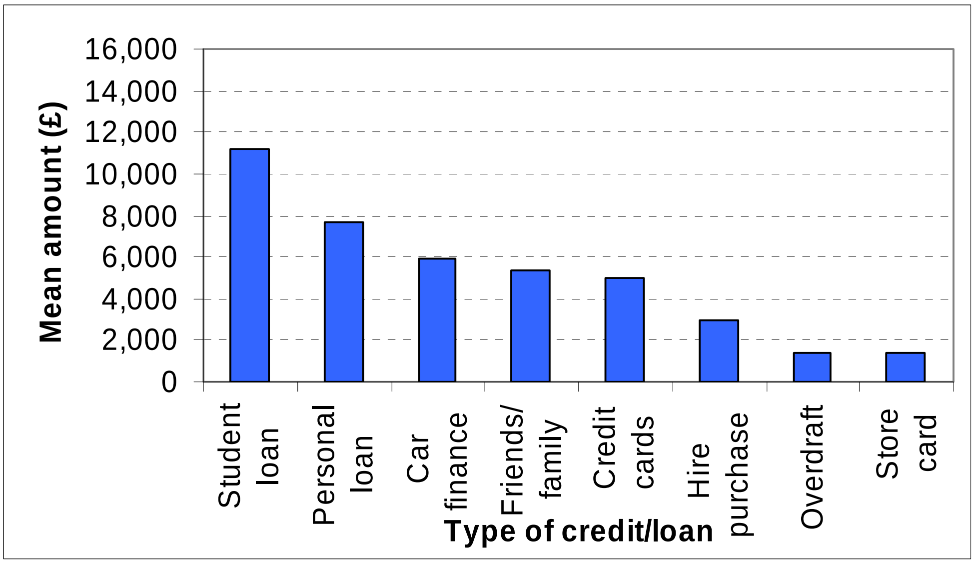
[31] Analysis is based on cases for which information on the value of unsecured borrowing was available. This value was missing for 19% of households with unsecured borrowing.

- In 2009/10, one fifth (20%) of borrowers had debts of less than £1,000 and a further fifth (22%) had borrowing of between £1,000 and £4,000. However, some households had much higher levels of unsecured debt. More than one third (35%) owed over £10,000 on unsecured credit and one in seven (14%) owed more than £20,000.[32]

- Comparison with the distribution for 2008/9 suggests that, in 2009/10, there was an increase in indebtedness among those with unsecured credit at the same time as the proportion of households with unsecured debts had decreased. The proportion of borrowing households owing more than £10,000 on unsecured credit increased from 28% to 35% over this period.

Figure 23 compares the average amounts owed for different types of credit commitment.[33] It should be noted that the quality of these estimates is reduced by high levels of missing data and the problems of conversion from banded values.[34]

Figure 23: Mean amount owed on main types of unsecured credit commitment, 2009/10



- Student loans were, on average, the largest in terms of value, with a mean of over £11,000. They were followed by personal loans (£7,700) and car finance loans (£5,900). The averages for loans from family and friends and for credit card debt were also £5,000 or more.

- For every type of debt, the median value for the amount owed was substantially less than the mean value; this indicates that the distributions are positively skewed and the mean may be affected by a small number of very high values. This is also seen in the high values for the 90th percentile for some types of credit. For example, one tenth of respondents with an unsecured personal loan owed £17,500 or more and one tenth of those with credit card debts owed £12,500 or more.

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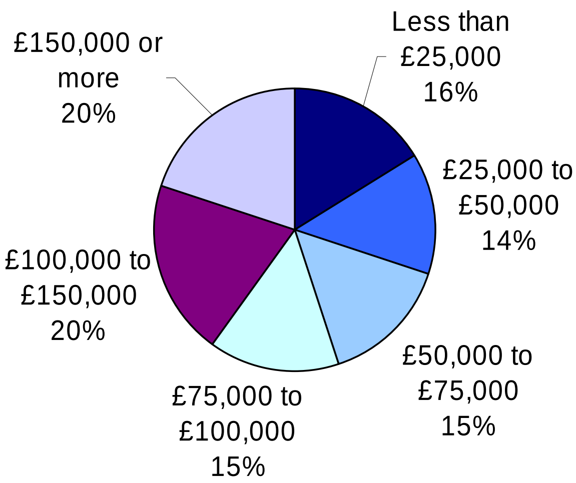
32 See Appendix Table A19
33 See Appendix Table A20
34 The mid-points of bands were used when calculating average amounts. Around 20-30% of values for each type of debt were missing. Averages based on small sample sizes are not considered to be reliable and products with a sample size of less than 100 are shown in italics in the lower part of the table in Appendix A.

- Combining the values for amounts owed on individual types of credit gives a mean value for total unsecured debt of around £10,000 (for those giving information about values) with a median of £6,000. As with the banded data shown in Figure 22, this suggests an increase in the average amount of household debt since 2008/9, when the average amount owed was less than £9,000.

Secured and total debt

Levels of secured debt were, as expected, much higher than those for unsecured credit. The distribution in Figure 24 shows that two-fifths (40%) of households with secured debts owed £100,000 or more and over half (55%) owed over £75,000.[35] The mean value of secured borrowing was around £99,000 and the median amount was £81,000.[36] These figures are about 10% higher than those reported for the first wave of the Wealth and Assets Survey, which provides more robust estimates based on face-to-face interviews of a larger sample with lower levels of non-response.[37]

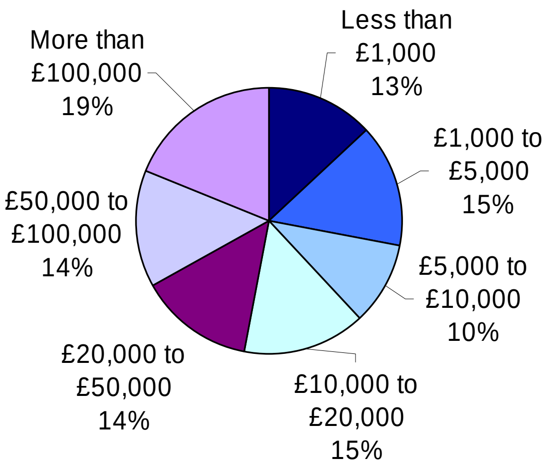
Figure 24: Amount of secured debt, 2009/10



The frequency distribution for total debt has a very wide range because of the different values and distributions for secured and unsecured debt. It should again be noted that the quality of the data presented here is affected by high levels of missing data across all of the variables needed to derive total debt, and particularly for amounts of secured debt. At the lower end of the distribution shown in Figure 25, about one in eight (13%) households using any form of credit had total debts of less than £1,000 and 28% owed up to £5,000.[38] At the other end of the distribution, one third (33%) of respondents with loans had total debts of £50,000 or more. The mean amount of debt for households with some form of credit was £53,000, with a median of £17,000.

[35] Analysis is based on cases for which information on the value of secured borrowing was available. This value was missing for 40% of households with secured borrowing.
[36] See Appendix Table A21
[37] http://www.statistics.gov.uk/downloads/theme_economy/wealth-assets-2006-2008/Wealth_in_GB_2006_2008.pdf
[38] See Appendix Table A22

Figure 25: Total amount of debt; households with secured or unsecured borrowing, 2009/10



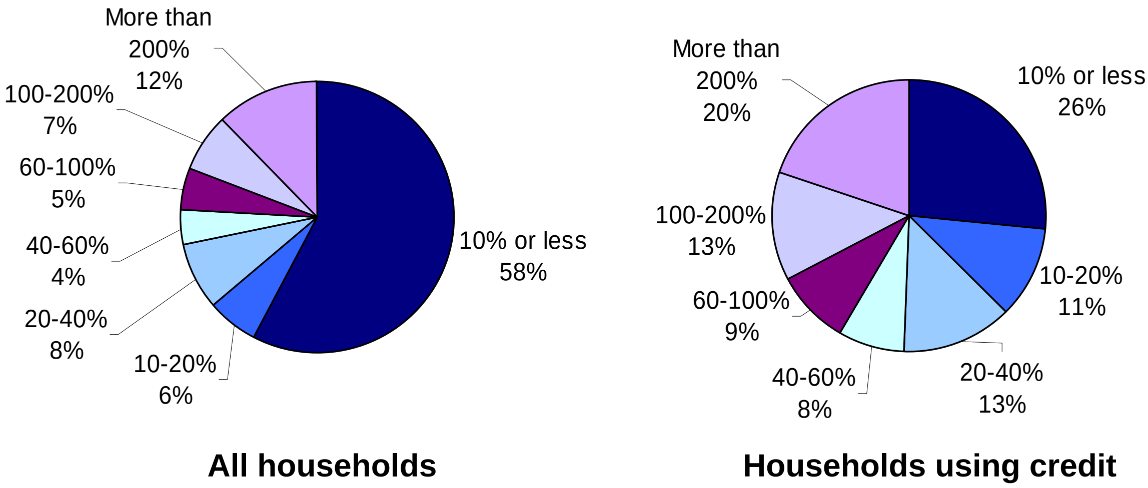
Debt-to-income ratios

The absolute level of debt is not necessarily a good indicator of potential problems as households may have high income to offset the higher debt. Instead, the ratio of debt to annual household income is considered a more useful indicator of those at risk of financial difficulty. 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.

The ratio of total debt to income for households is shown in Figure 26.[39] As with all estimates of values, there was a relatively high proportion of missing data and results are shown only for households with valid values on the specific measure shown.[40] As secured and unsecured debts vary greatly in size, the distribution shows a very wide range. One quarter (26%) of borrowing households had debts amounting to less than 10% of their annual income and a half (51%) less than 40% of income; most of these are users only of unsecured credit. At the other end of the distribution, one third (33%) of households had debts exceeding their annual income, with 20% having debts of more than twice their annual income. Comparable data on total debt to income ratios is not available for 2008/9.

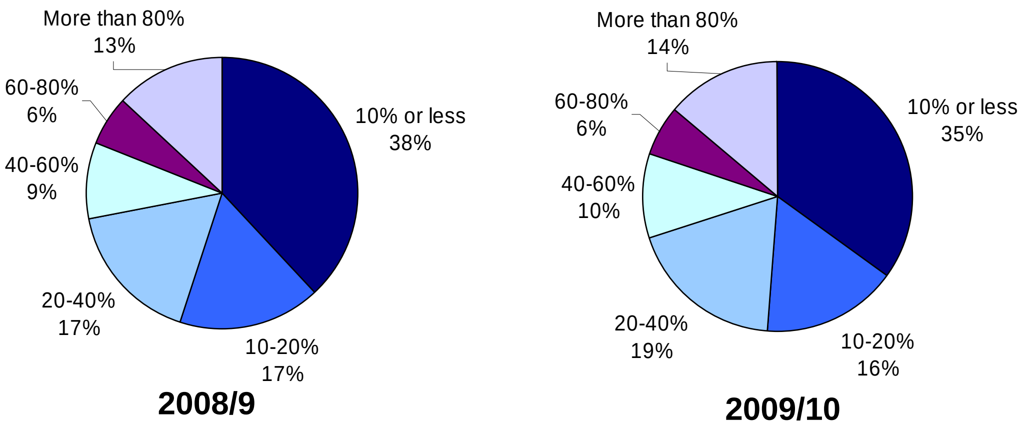
[39] See Appendix Table A23
[40] The total debt to income ratio was missing for about two-fifths (39%) of households that were using credit

Figure 26: Debt-to-income ratio: all households and households using credit, 2009/10



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 and the YouGov surveys provide more complete information on this part of total debt. Figure 27 shows the distribution of the ratio of unsecured debt to household income for households with unsecured debt.[41]

Figure 27: Unsecured debt as a percentage of household income, 2008/9 and 2009/10



- As seen for absolute levels of unsecured debt, the ratio of unsecured debt to income shows that most households had relatively modest levels of borrowing. About one third (35%) had unsecured debts amounting to 10% or less of annual household income and one half (51%) had unsecured debts of up to 20% of income. However, one-fifth (21%) of households with unsecured credit had debts amounting to more than 60% of current household income and 14% to more than 80% of income.

- There was some evidence of a slight increase in unsecured debt-to-income ratios since 2008/9. The proportion of households with unsecured debts of up to 20% of income decreased from 55% in 2008/9 to 51% in 2009/10 and the proportion with a ratio of 40% or

[41] See Appendix Table A24

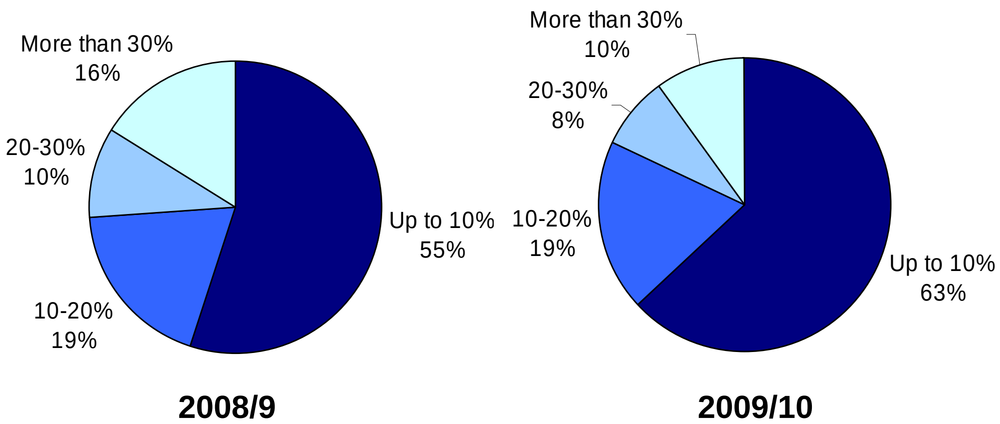
more increased from 28% to 31%. The change is small but is consistent with the observed increase in the absolute amount of unsecured debt.

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. The measure used here is the ratio of repayments on *unsecured* credit to current monthly income. There is again a fairly high level of missing data for this measure as is usually the case for self-completion surveys.[42]

Figure 28 highlights that most households using unsecured credit had low levels of debt repayments, which indicated that they had relatively manageable debts in comparison with their current income. More than three-fifths (63%) of borrowing households had debt repayments amounting to less than 10% of income, which had risen from 55% in 2008/9. However, one in ten (11%) were spending more than 30% of their income on repayments, which decreased from 16% in 2008/9.[43] These figures appear inconsistent with the increasing levels of debt and debt-to-income ratios discussed above, but may reflect the influence of the reduction in the Bank of England base rate over this period, which has remained at a record low.[44]

Figure 28: Ratio of unsecured credit repayments to income, 2008/9 and 2009/10



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 levels of debt, focusing mainly on three measures of unsecured debt[45] but also looking at variation in high levels of secured debt.[46] 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%;

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[42] The repayment to income ratio was missing for one fifth (21%) of households with unsecured credit.
[43] See Appendix Table A25
[44] In addition, this comparison may be affected by changes to the questionnaire and reduction in the proportion of missing values (from 29% to 21%) between the two years of the survey
[45] See Appendix Table A26
[46] See Appendix Table A27

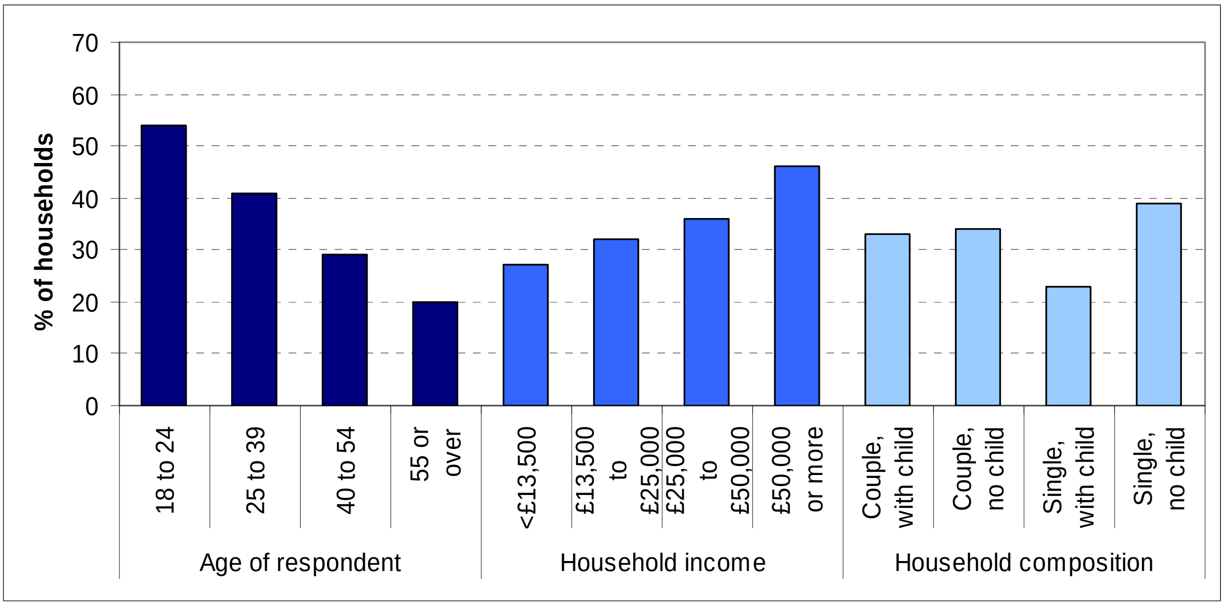
- an unsecured repayment to income ratio of more than 30%; and
- secured debts of £200,000 or more.

In all cases the analysis is based only on users of the relevant type of credit and on cases for which the relevant ratio or measure was available.

Unsecured debts above £10,000

As shown in Figure 29, high levels of debt were strongly associated with the age of respondent. The proportion of respondents with high levels of unsecured debt decreased steeply through the age range. Between two-fifths and half (41% to 54%) of households where the respondent was under the age of 40 had debts of £10,000 or more, whereas only 20% of respondents aged 55 or over had such high levels of unsecured debt.

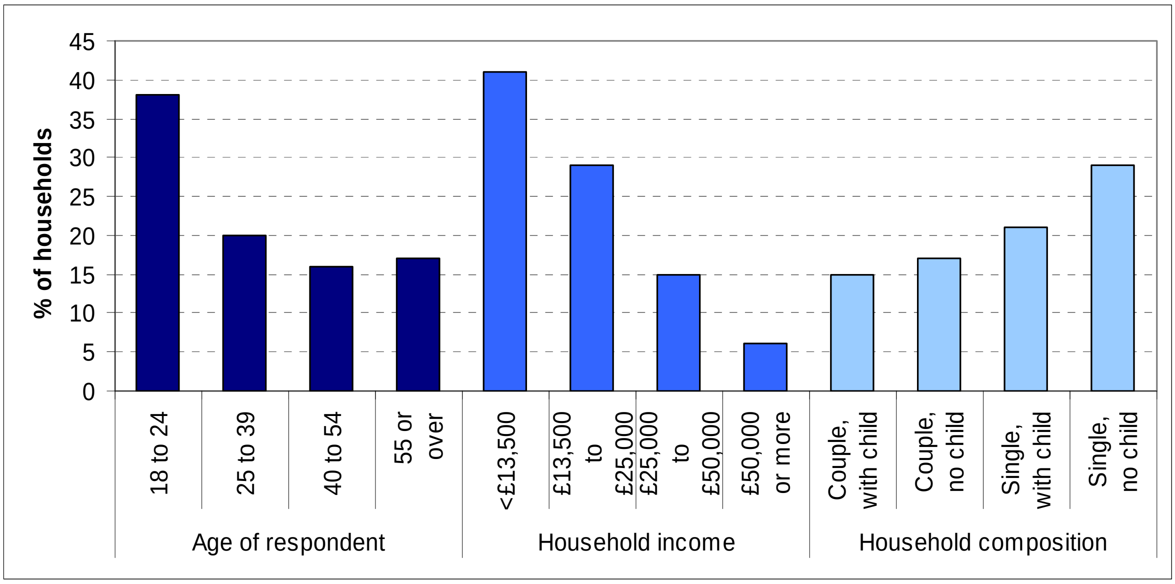
Figure 29: Proportion of households with unsecured debts of more than £10,000 by selected household characteristics, 2009/10



Unsecured debt-to-income ratio above 60%

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 – 38% of the 18-24 age group had an unsecured debt to income ratio exceeding 60%, compared with 16% to 20% of older groups (Figure 30).

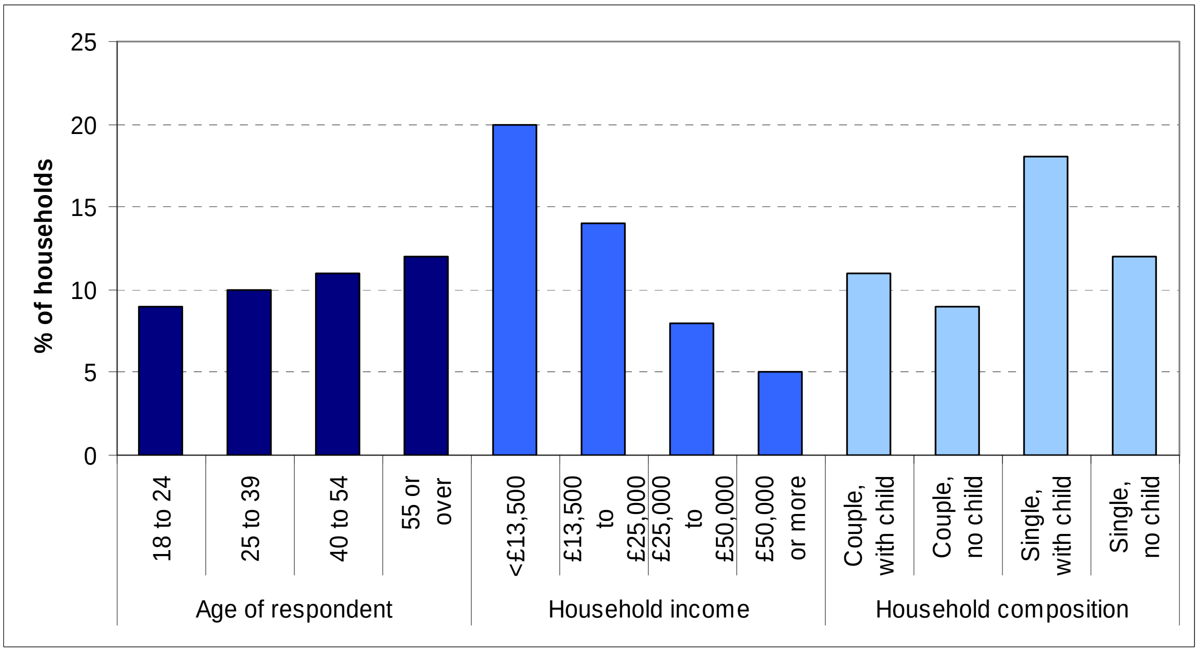
Figure 30: Proportion of households with an unsecured debt-to-income ratio of more than 60% by selected household characteristics, 2009/10



Unsecured repayment-to-income ratio above 30%

There was not, however, a strong association between repayment-to-income ratios and age of respondent (Figure 31). This is presumably 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.

Figure 31: Proportion of households with an unsecured repayment-to-income ratio of more than 30% by selected household characteristics, 2009/10



Variation by income

Although the likelihood of using unsecured credit did not vary with household income, the likelihood of having a high absolute level of debt tended to increase with income. Almost half (46%) of households with an annual income above £50,000 had unsecured debts of £10,000 or more, compared with 27% of households in the lowest income group. This relationship was reversed, however, when debt was considered as a proportion of income. Two-fifths (41%) of borrowing households in the lowest income band had debts amounting to 60% or more of annual income, compared with 6% of households in the highest income band. The likelihood of having a high repayment-to-income ratio was also negatively associated with income, although the gradient was less steep than for the debt-to-income ratio. One fifth (20%) of households in the lowest income band had a repayment-to-income ratio in excess of 30% and this decreased to 5% of households with an annual income of £50,000 or more.

Variation by 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, about a quarter (25% to 29%) of households with savings of less than £1,000 had unsecured debts amounting to 60% of household income, compared with 11% of households with savings of £10,000 or more.

Variation by household composition

Looking at household composition, although lone-parent households were more likely than average to use unsecured credit, they did not have high absolute levels of debt – only 23% had debts of £10,000 or more, compared with 35% overall. They were, however, the most likely group to have high repayment-to-income ratios – 18%, compared with 11% overall. Single-person households were the most likely group to have high absolute levels of debt (39%, compared with 35% overall) and also high unsecured debt-to-income ratios (29%, compared with 20% overall) but they were not more likely than average to have high repayment-to-income ratios.

High levels of secured debt

Levels of secured debt may not be as problematic as high levels of unsecured debt, since the debt is directly linked to a saleable asset. Nonetheless, there is some interest in which groups have high levels of secured debt, here defined as £200,000 or more, as this may increase the risks of falling into financial difficulty.

As expected, high levels of secured debt were most common among respondents in middle age bands and those with a high annual income. One in eight (13%) of mortgagors aged 25 to 39 had secured debts of £200,000 or more, as did one fifth (22%) of those with an annual income of £50,000 or more, compared to 10% of mortgagors overall. The likelihood of having a high level of secured debt also tended to increase with increasing household savings, which is different to the pattern seen for variation in unsecured debt.[47]

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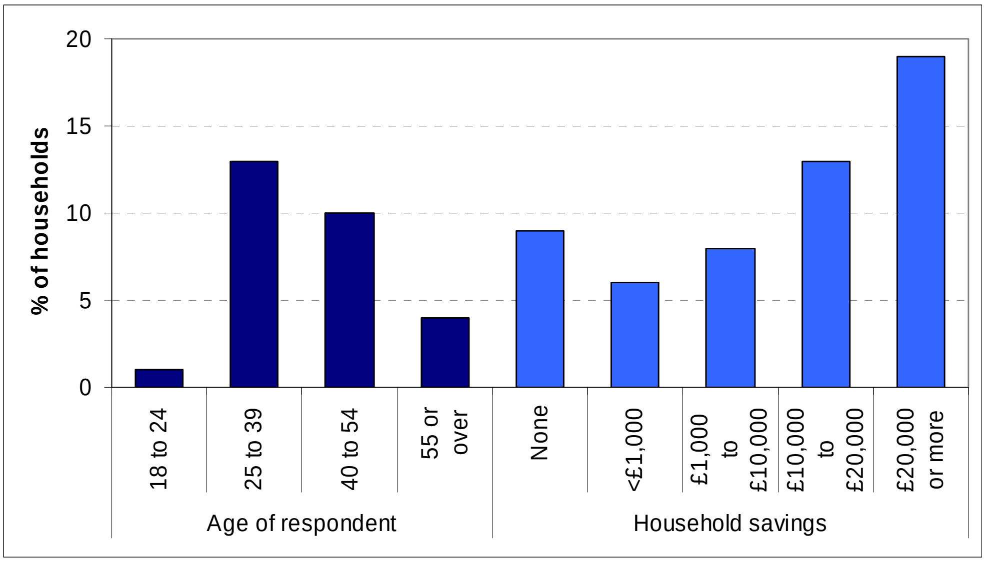
[47] Variation by household composition is not shown as an error in data collection affects these results.

Figure 32: Proportion of households with secured debts of £200,000 or more by selected household characteristics



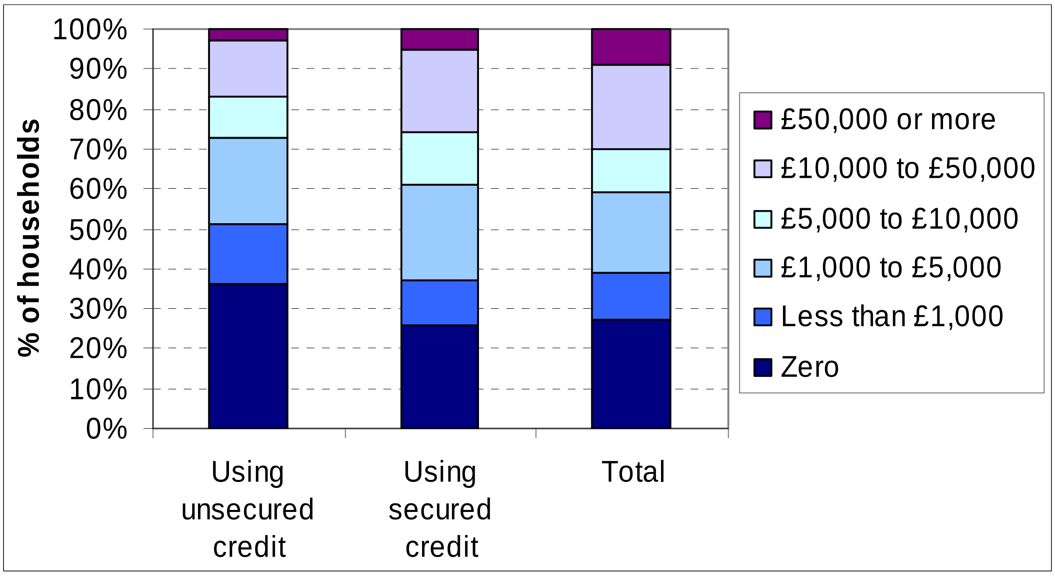
Savings

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]

Almost two-fifths (39%) of households had liquid savings of less than £1,000 and a further 20% had between £1,000 and £5,000 (Figure 33).[49] At the other end of the distribution, 9% of households had savings of £50,000 or more. The mean level of savings was £19,300, but the median level was £2,000.

48 Information on savings was missing for 28% of responding households.
49 See Appendix Table A28

Figure 33: Distribution of savings by type of credit used by household, 2009/10



Households with a mortgage or secured loan had a broadly similar distribution of savings to the sample as a whole, although with a smaller proportion of households in the highest savings band; this was also reflected in the lower mean value for the group - £11,000, compared with £19,000. However, as illustrated in Figure 33, households using unsecured credit had below-average levels of savings. Half (51%) of this group had savings of less than £1,000, compared with 39% of all households.

Looking at how the level of household savings varied with household characteristics (such as age, income and household composition), this showed similar changes to previous analysis. Figure 34 shows the proportion of households in various categories with savings of £10,000 or more.[50] Overall, three-fifths of the responding sample had savings of this level, but the proportion ranged from just 11% of lone-parent households to 43% of couples with no children. There were very strong positive associations between both age and income and the level of savings. Almost half (49%) of households with an annual income of £50,000 or more had savings of at least £10,000, compared with just 12% of those with income of less than £13,500. Similarly, almost half of households with respondents aged 55 or over (47%) had this level of savings, compared with 21% of those aged 25-39 and 12% of 18-24 year-olds.

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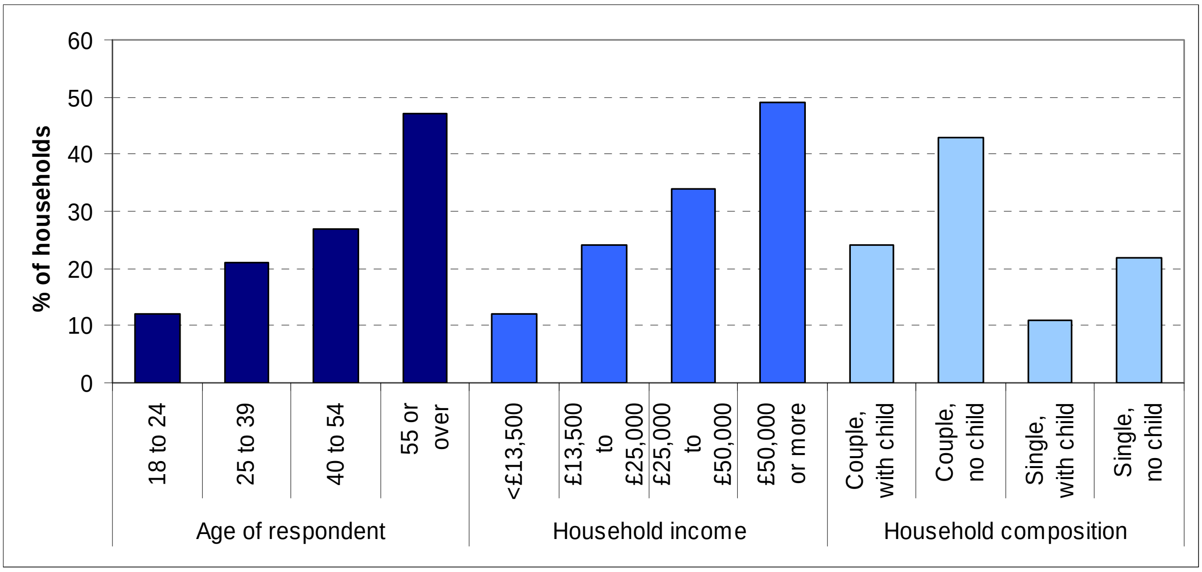
[50] See Appendix Table A29

Figure 34: Proportion of households with savings of £10,000 or more by selected household characteristics, 2009/10



Financial difficulty

Evidence suggests that the incidence of financial difficulty – measured through both objective and subjective indicators – declined during 2009/10, affecting 10-15% of households. However, the overlap between objective and subjective indicators was far from complete, with only half of those in subjective financial difficulty experiencing difficulty on objective indicators. Analysis of additional indicators suggests that a further one-tenth of households could be considered 'at risk' of financial difficulty.

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]

This section focuses first on 'objective' indicators of financial problems, which covers arrears on payments and various forms of insolvency action, before then exploring various subjective indicators of financial stress.

Objective indicators of financial difficulty

The first objective indicator, and the most easily measured, identifies those who are currently experiencing financial difficulties by being 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.

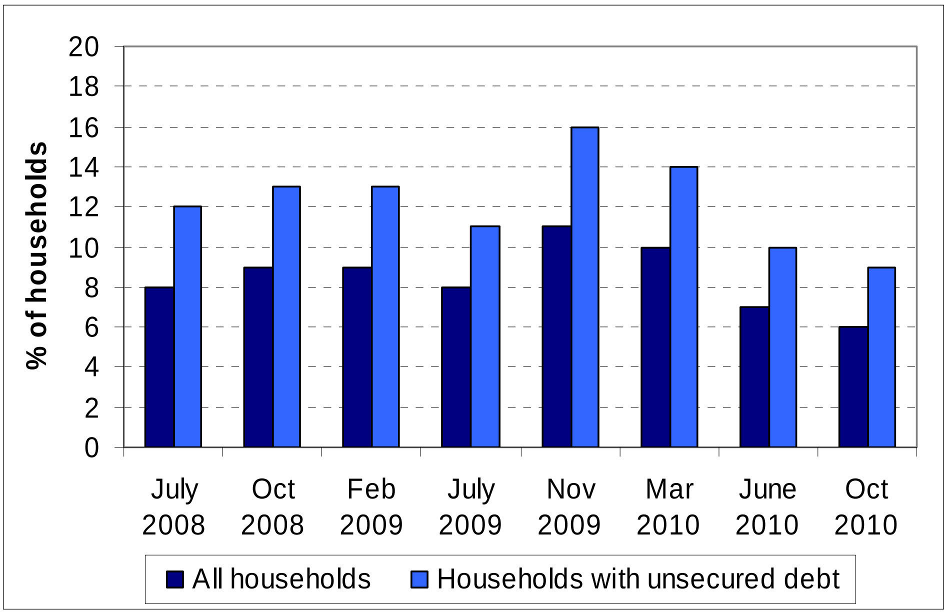
- In 2009/10, 13% of households were one or more months behind with at least one bill or credit payment and 9% of households were more than three months behind with a payment, so were identified as being in structural arrears. These levels, averaged across the four recent rounds of the survey in 2009/10, were similar to the averages for the surveys in 2008/9.

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

- The prevalence of structural arrears has decreased over the past year, from 11% of all households in November 2009 to 6% in October 2010. The peak of 11% in November 2009 was a significant increase over the level at the previous round of the survey, 8% in July 2009, and the level of arrears has generally shown some fluctuation over the period of the survey (Figure 35). Nonetheless, the reduction in prevalence in recent quarters (7% in June and 6% in October 2010) does suggest that the proportion of households in structural arrears is now at a lower level than in July 2008.

- The level of arrears for households that were using unsecured credit was higher than for the sample as a whole. One fifth (20%) of households with unsecured credit were behind with at least one payment and 13% were in structural arrears. Again, these levels were similar to those for 2008/9.[53]

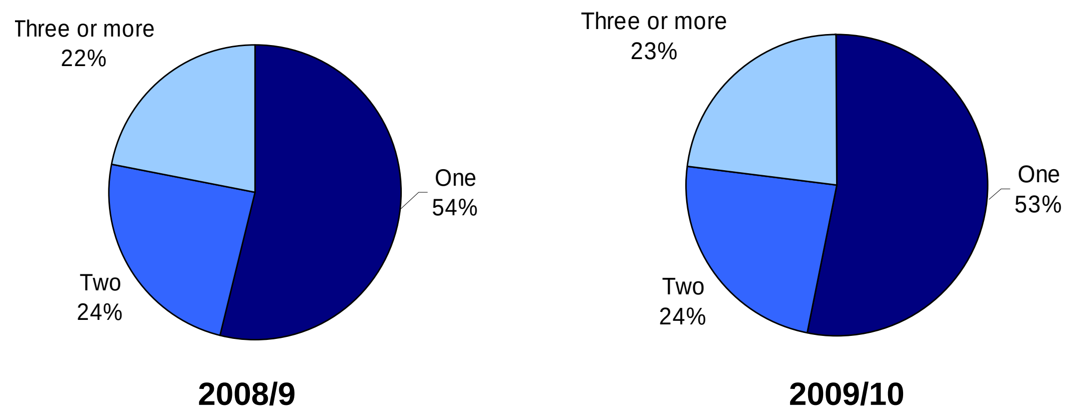
Figure 35: Percentage of households in structural arrears, July 2008 to October 2010



The surveys also provide information on the number and type of payments for which households are in arrears. Figure 36 looks at the number of payments that were three or more months behind, for households that were in structural arrears.[54] More than one half (53%) of households that were in arrears were more than 3 months behind with only one payment, although 23% (2% of the total sample) were behind with three or more payments. These proportions were similar to those found for 2008/9.

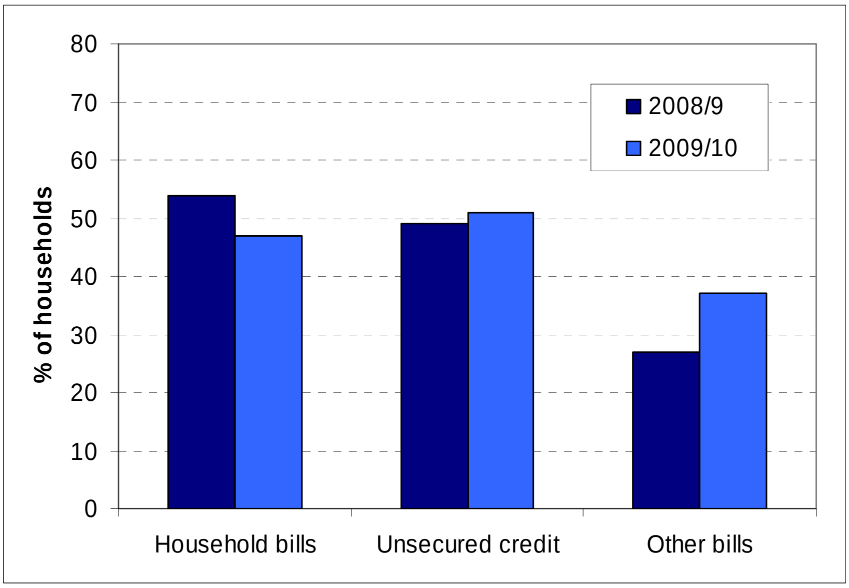
[53] See Appendix Table A30
[54] See Appendix Table A31

Figure 36: Number of payments in 3-month arrears: households in structural arrears, 2008/9 and 2009/10



Arrears on major household bills and on unsecured credit payments were similarly prevalent in both years, as shown in Figure 37.[55] In 2009/10, about one half (47%) of households that were in arrears were behind with a major household bill and 51% were behind with repayments on unsecured credit. Between 2008/9 and 2009/10, there was an increase in the proportion of households that were behind with 'other' bills and payments (from 27% to 37%) and a decrease in the proportion behind with major household bills (from 54% to 47%).

Figure 37: Type of payments in 3-month arrears: households in structural arrears, 2008/9 and 2009/10



Personal insolvency

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

[55] See Appendix Table A31

is an informal arrangement with creditors to repay debts over time at a rate that the individual should be able to afford.

The DebtTrack surveys 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 Figure 38.

- The overall prevalence of personal insolvencies remains very low. Only 1% of the 2009/10 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 5% of the sample.
- A total of 6% of the sample were subject to at least one of these three instruments to deal with debts. This proportion was similar to that for the 2008/9 surveys.
- Overall, 3% of the sample had been subject to court proceedings for non-payment of debts in the two years before interview. There was substantial overlap between this group and those subject to bankruptcy, an IVA or a DMP, so the total proportion subject to an insolvency instrument or to court proceedings was just 8%.

Figure 38: Prevalence of statutory and informal insolvency instruments

	Percentage (%)					
	2008/9 (%)	**Nov 2009 (%)**	**Mar 2010 (%)**	**June 2010 (%)**	**Oct 2010 (%)**	**2009/10 (%)**
Declared bankrupt in last 2 years	1[a]	1	1	1	1	1
IVA	1	1	1	1	1	1
DMP	5	6	5	3	4	5
Any of the above measures	*7*	*7*	*7*	*5*	*5*	*6*
CCJ or other legal proceedings for non-payment of debts in last 2 years	3	4	3	2	2	3
CCJ or any of the other measures	*8*	*9*	*9*	*6*	*6*	*8*
Base	*14,132*	*3,338*	*3,695*	*3,098*	*3,041*	*13,172*

[a] 'Currently' declared bankrupt in 2008/09 surveys

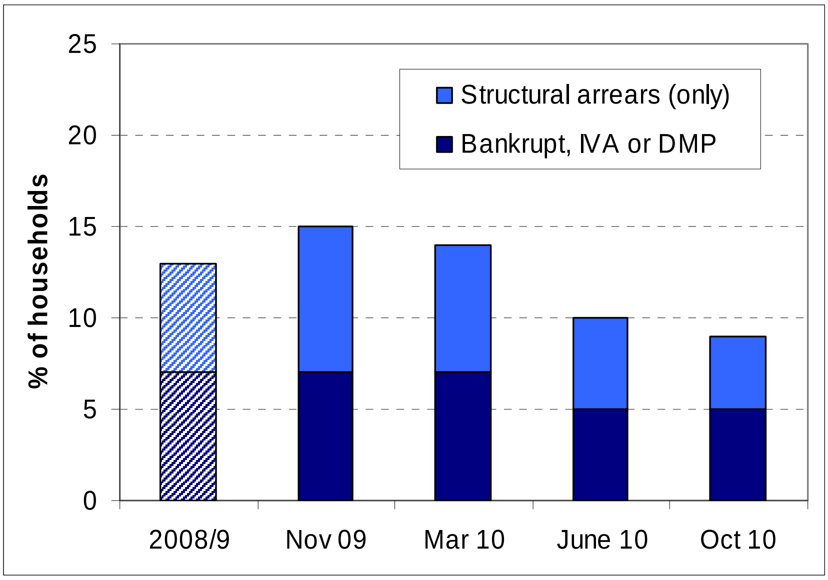
Combined measures of objective difficulties

The composite measure of financial difficulties used here combines the three types of insolvency action – bankruptcy, IVA and DMPs – with the structural arrears indicator discussed above. The variable relating to court proceedings on non-payment of debts is not included in the measure as it relates less specifically to action on insolvency and anyway showed a high degree of overlap with insolvency action and arrears.

Overall in 2009/10, 12% of households were identified as being in financial difficulties on this composite measure. Some 6% of responding households were subject to one of the statutory or informal actions on debt and a further 6% were in structural arrears on payments. Thus about one-third of the households previously identified as being in structural arrears were also involved in statutory action or a DMP. Again, there is some evidence of a decrease during 2010 in the proportion of households in financial difficulties, from 15% in November 2009 and 13% in March 2010 to 9% in June and October (see Figure 39).[56]

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

Figure 39: Percentage of households involved in insolvency action or in structural arrears with payments, 2009/10



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 40).[57] As might be expected, households with low income and, more markedly, those with no savings were more likely than other groups either to have serious debt problems or to be more than three months behind with any payments. One third (34%) of households with no savings were involved in formal action on insolvency or currently in arrears on payments, as were 31% of lone-parent

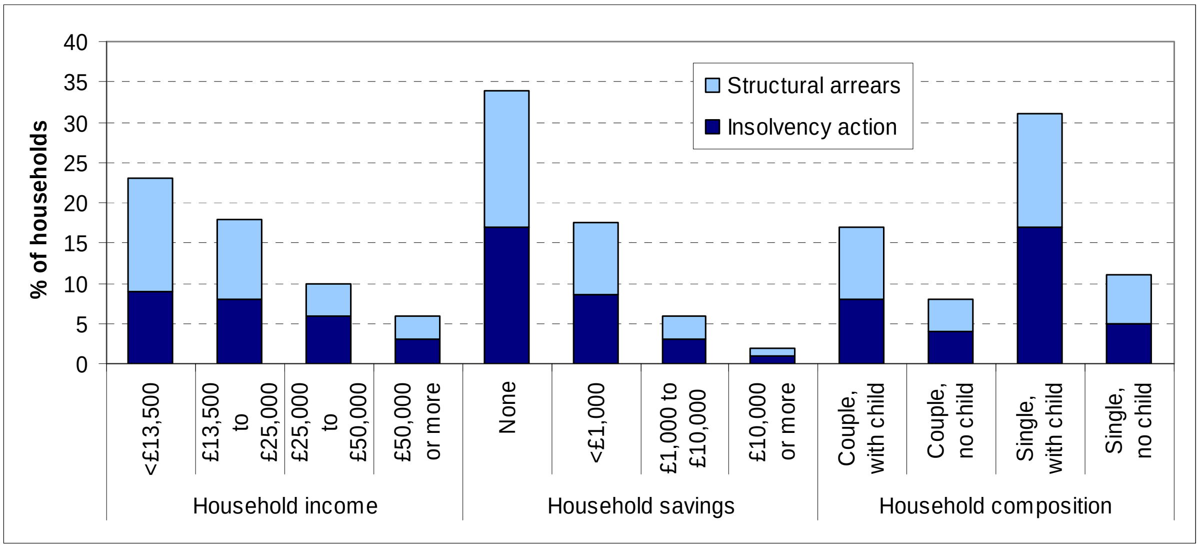
[56] See Appendix Table A32
[57] See Appendix Table A33

households. Almost one quarter (23%) of households in the lowest income band[58] were experiencing financial difficulties.

Looking at other household characteristics, the likelihood of being in financial difficulties was above average for households living in rented accommodation (24%) and those where one or both adults was unemployed (25%). The rate was also above-average for households that had experienced a significant change in circumstances in the past year. One quarter (26%) of households in which the respondent or partner had lost their job in the last 12 months were experiencing severe financial difficulties, as were 22% of those affected by a relationship breakdown or a new child in the household during the past year.

The likelihood of having financial problems of this severity was significantly below average for households with substantial savings (2% of those with savings of £10,000 or more) or high income (6% of those with an annual income of £50,000 or more). The rate was also very low for those who owned their home outright (3%).

Figure 40: Prevalence of insolvency action or structural arrears by household characteristics, 2009/10



Subjective indicators of financial difficulty

The DebtTrack surveys include a number of questions on respondents' perceptions of their financial situation and how their situation had changed in recent months. This section looks first at the burden indicator used in previous reports – whether keeping up with bills and credit commitments is considered to be a heavy burden – 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

58 Those with a gross annual household income of less than £13,500

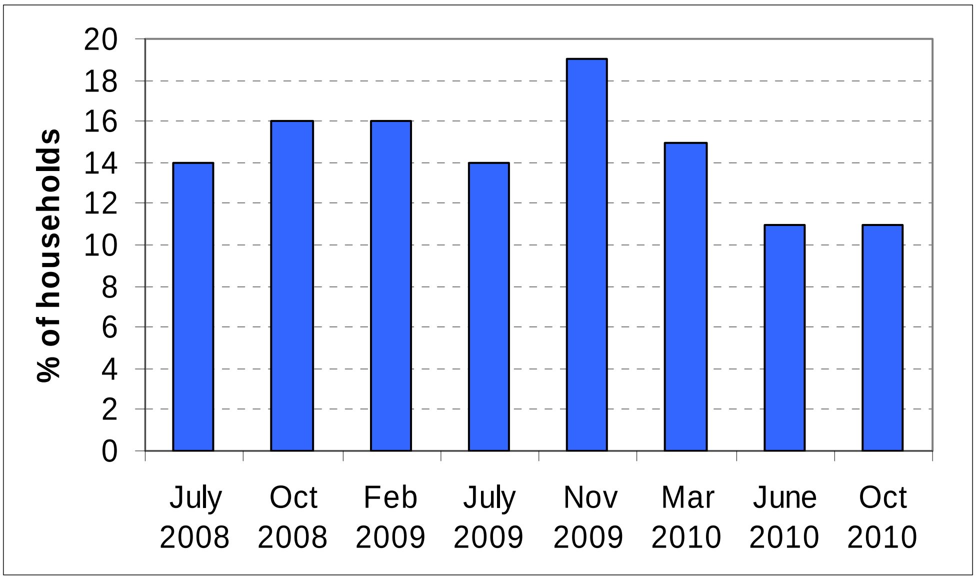
commitments is a heavy burden. On the DebtTrack survey, this question was asked of all households, regardless of whether they were using any form of credit.

- In 2009/10, one in seven (14%) respondents considered that keeping up with bills and credit commitments was a heavy burden for their household (see Figure 41).[59] This was a similar level to that seen in 2008/9 (15%).

- Active users of credit were more likely to see their commitments as a heavy burden. One-fifth of respondents with any form of unsecured credit or loan (20%) felt 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 41% for all households).

- As seen for the structural arrears measure, there was a decrease over the recent period in the proportion of households who felt that keeping up with payments was a heavy burden, from 19% in November 2009 to 11% in June and October 2010. The burden indicator showed much less variation during 2008/9, fluctuating between 14% and 16%, so the level seen in the most recent quarters is lower than at any time since the first survey in July 2008.

Figure 41: Proportion of respondents who said that keeping up with bills and credit commitments was a heavy burden, July 2008 to October 2010



Variation by household characteristics

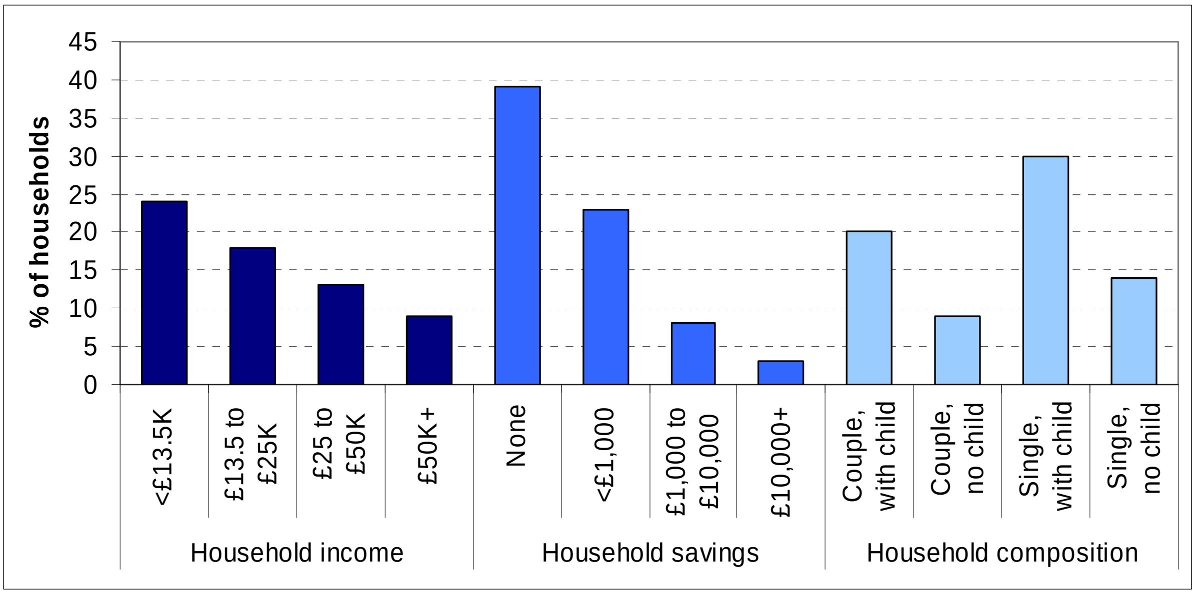
The subjective burden indicator showed similar variation with household characteristics to the objective measures discussed in the previous section. The measure was strongly associated with household income and with the level of household savings (Figure 42).[60] For example, a quarter (24%) of households with a gross annual income of less than £13,500 said that keeping up with payments was a heavy burden, compared with 9% of those with an income of £50,000 or more. Respondents from households with no savings were particularly likely to

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

say that keeping up with bills and credit commitments was a heavy burden (39%) and this rate decreased to 8% among households with savings of between £1,000 and £10,000 and 4% or less for households with savings in excess of £10,000.

Lone-parent households showed above-average levels of debt burden – 30% said that their commitments were a heavy burden, compared with an average of 14% – as did households in which one or both adults was unemployed (30%). Households affected by changes in the past year were also likely to find their commitments a heavy burden – 30% for households affected by loss of a job in the last 12 months and 22% for those affected by relationship breakdown or birth of another child.

Figure 42: Variation in 'heavy burden' indicator by household characteristics, 2009/10



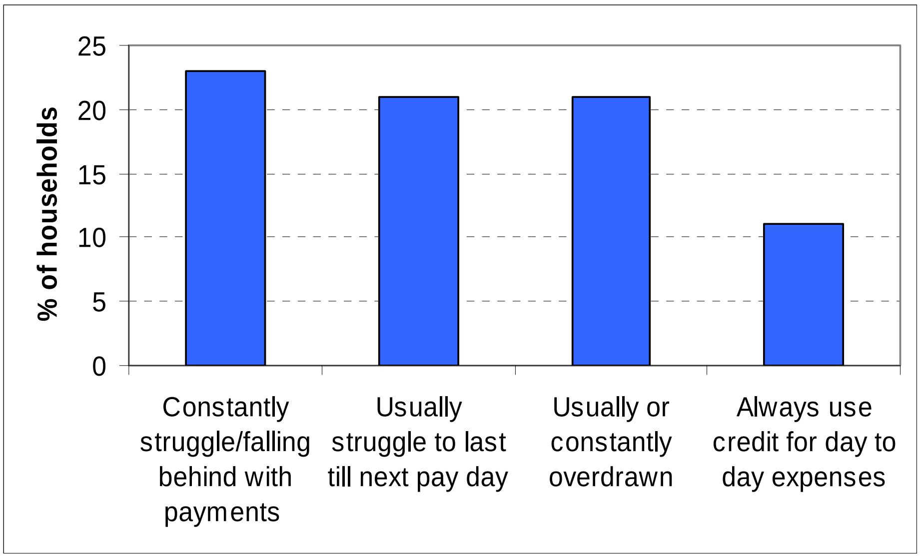
Other subjective indicators

The DebtTrack surveys include a number of other questions relating to respondents' perceptions of their financial situation, as shown in Figure 43.[61]

The measure which most directly relates to financial difficulties is the question about how well the respondent is keeping up with bills and payments. Almost one quarter of respondents (23%) said that they either constantly struggled to keep up with bills and payments or were falling behind with their commitments (16% and 7% respectively). A slightly smaller proportion (21%) of respondents said that they struggled to last to the next pay day 'more often than not', a measure which could be interpreted as another indicator of financial stress.

[61] See Appendix Table A36

Figure 43: Various subjective indicators of financial problems, 2009/10



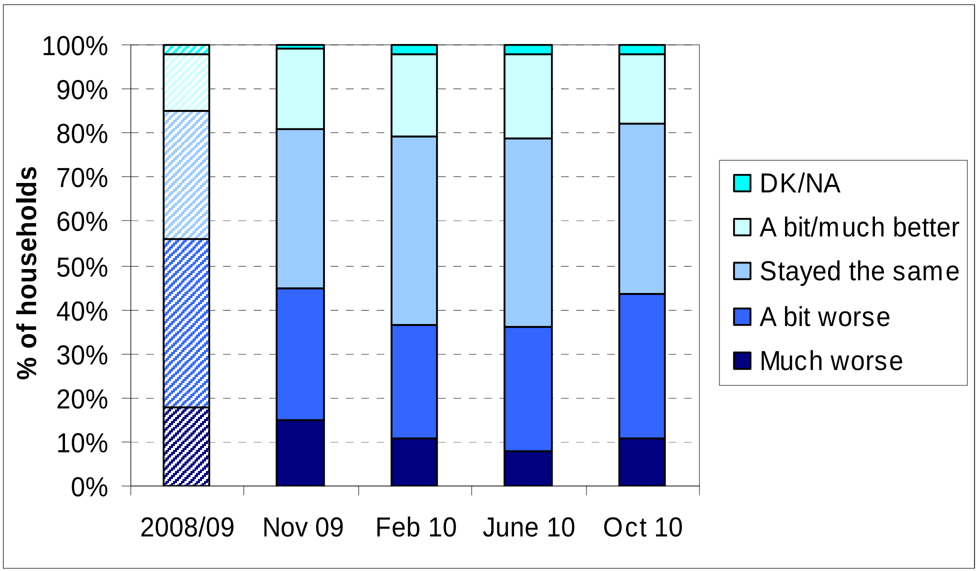
The other two measures shown here relate to the way in which respondents deal with financial problems, either by going overdrawn on a current account or by using credit for day-to-day expenses. Again, one fifth (21%) of respondents said they were either ‘constantly’ or ‘usually’ overdrawn on their current account. A slightly smaller proportion (11%) said that they used credit for day-to-day living expenses ‘all the time’, and 13% used credit in this way ’once in a while’.

The levels for all of these subjective measures were similar in 2009/10 to the previous year. However, all tended to decrease over the past year, suggesting that people’s perceptions of their financial position had improved during 2010. For example, the percentage of respondents who said that they constantly struggled to keep up or were falling behind with payments decreased from 29% in November 2009 to 20% in October 2010.

A similar pattern of an improvement in perceptions is seen in the responses to a direct question about whether the household’s circumstances over the past six months had got better or worse (or had stayed the same). Respondents in 2009/10 had a more positive view of recent changes in their financial circumstances than did those interviewed in 2008/9 (Figure 44).[62] Some 18% of respondents said that their circumstances were a bit or much better (compared with 13% in 2008/9) while 41% said that they were a bit or much worse (compared with 56% in 2008/9). There was also some evidence of a decrease between November 2009 and June 2010 in the proportion saying their circumstances were a bit or much worse (from 45% to 36%).

[62] See Appendix Table A37

Figure 44: Perceived change in household's financial circumstances, 2008/9 and 2009/10



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. Levels were particularly high for respondents with large numbers of commitments (Figure 45). About one third (31%) of respondents with some unsecured credit and 58% of those with four or more types of credit said that they struggled to reach the next pay day 'more often than not'; this compares with just 8% of respondents with no credit commitments. Similarly, 57% of those with four or more unsecured credit commitments said that they constantly struggled or were falling behind with bills and payments. Surprisingly, a slightly smaller proportion (46%) of those with four or more types of credit said that their commitments were a heavy burden.

Figure 45: 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 sample (%)**
Commitments were a heavy burden	20	46	5	14
Constantly struggled/falling behind with bills & commitments	32	57	10	23
Struggled to reach payday 'more often than not'	31	58	8	21
Base = 100%	*7,687*	*1,016*	*5,485*	*13,173*

Overlap between subjective indicators

The five subjective indicators of financial stress available for DebtTrack Surveys showed varying degrees of overlap, as shown in Figure 46.

As already noted, the first two measures listed appear to have some similarities of wording as both relate to struggling to keep up with payments, and this is borne out in the high degree of overlap between them. Three-quarters (74%) of respondents who said that they struggled to reach payday ‘more often than not’ also said that they constantly struggled to keep up with bills and commitments or were falling behind with payments. There was also a high degree of overlap between these two measures and the burden indicator. More than three-quarters of those who found their payments a heavy burden also said that they struggled to keep up with payments (80%) or frequently struggled to last until the next payday (76%).

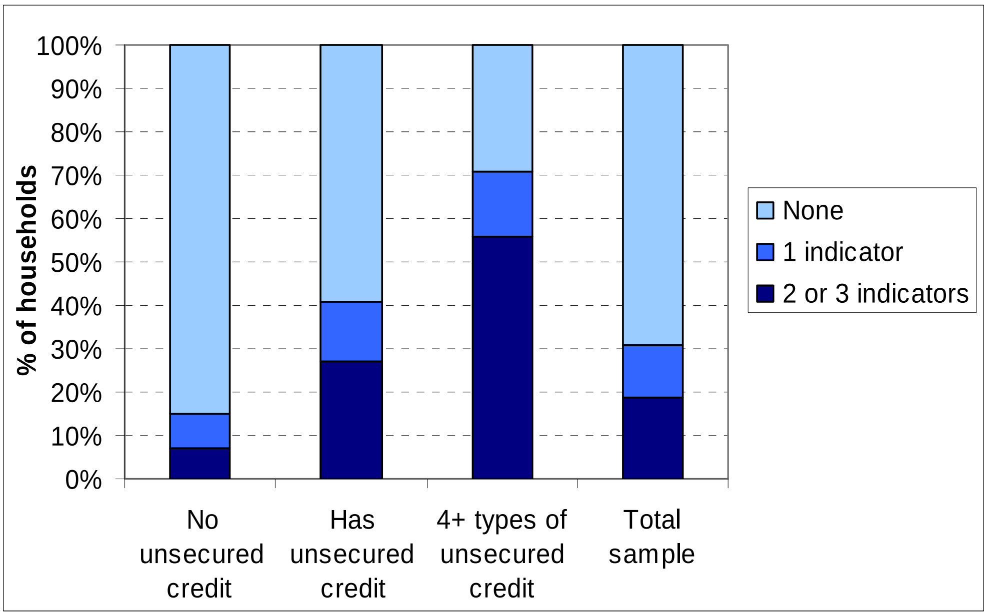
The two remaining measures, which relate to actions taken to deal with financial problems, showed somewhat less overlap. Almost three-quarters (73%) of those who often used credit for day-to-day expenses were also frequently overdrawn, but only 58% of those who used credit in this way said that they constantly struggled to keep up with payments and 44% said that their payments were a heavy burden. The least overlap was seen for the measure based on how often respondents were overdrawn. Principal components analysis on the five subjective measures confirmed the close relationship between the first three indicators, whereas the use of credit and frequency of being overdrawn showed weaker associations with the other measures.

Figure 46: Overlap between the subjective indicators of financial stress

	Constantly struggle to keep up/ falling behind (%)	**Struggle to reach payday more often than not (%)**	**Commitments are a heavy burden (%)**	**Use credit for everyday expenses all the time (%)**	**Constantly or usually overdrawn (%)**	**All (%)**
Constantly struggle to keep up/falling behind	-	74	80	58	50	**23**
Struggle to reach payday ‘more often than not’	69	-	76	59	53	**21**
Commitments are a heavy burden	49	50	-	44	36	**14**
Use credit for everyday expenses all the time	28	31	35	-	40	**11**
Constantly or usually overdrawn	45	51	53	73	-	**21**
Base = 100%	*3,022*	*2,810*	*1,850*	*1,492*	*2,737*	*13,172*

For ease of interpretation when exploring the relationship between subjective measures and other indicators of financial difficulties, the first three questions have been combined in a single measure of subjective stress, as shown in Figure 47.[63] Overall, one fifth (19%) of respondents gave a positive response to at least two of these indicators, so could be defined as being under some financial stress, and a total of 30% showed signs of stress on at least one of the separate indicators.

Figure 47: Combined measure of subjective stress by use of unsecured credit, 2009/10



As 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. More than one half (56%) of households with four or more unsecured credit commitments showed signs of stress on two or more of the indicators and only 29% did not show any signs of financial stress; this compares with 7% and 86% respectively for households with no unsecured credit commitments.

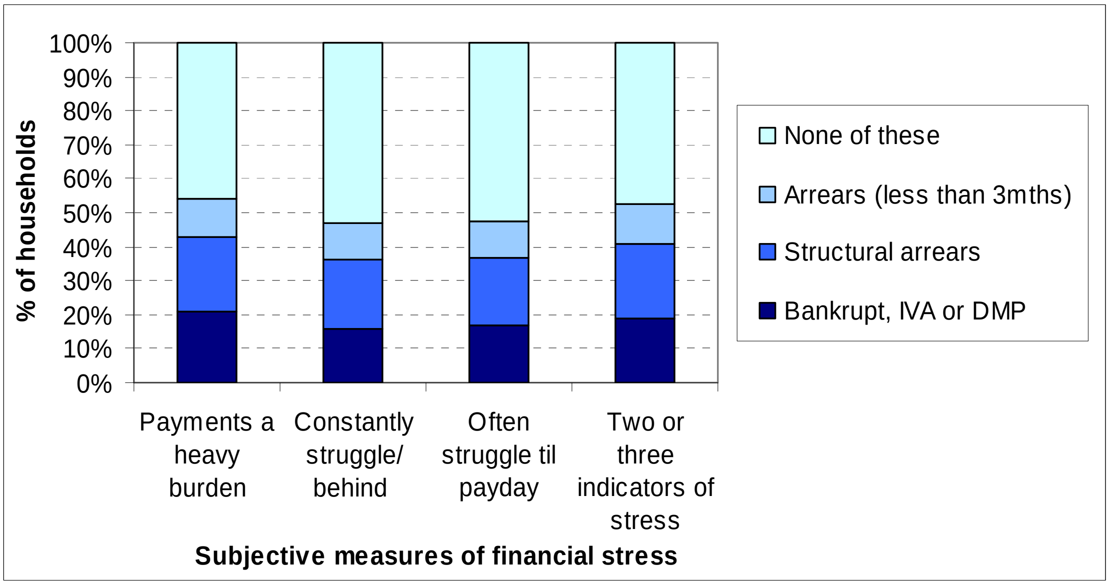
Overlap between objective and subjective indicators

Previous research suggests that individuals' perception of their financial situation is usually worse than their actual financial position; this is also seen for the DebtTrack sample. Figure 48 illustrates that the subjective measures are only imprecise indicators of actual financial difficulties.[64] About one half of those 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.

[63] See Appendix Table A38
[64] See Appendix Table A39

For example, 53% 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 objective measures, including being one to three months behind with any payments. Similarly, 46% of those who said that their bills and credit payments were a heavy burden were not experiencing difficulties of this severity. The combined measure of subjective stress also showed relatively little overlap with objective financial difficulties: 48% of those identified as under financial stress on two or more subjective measures were not experiencing any of the objective difficulties considered here.

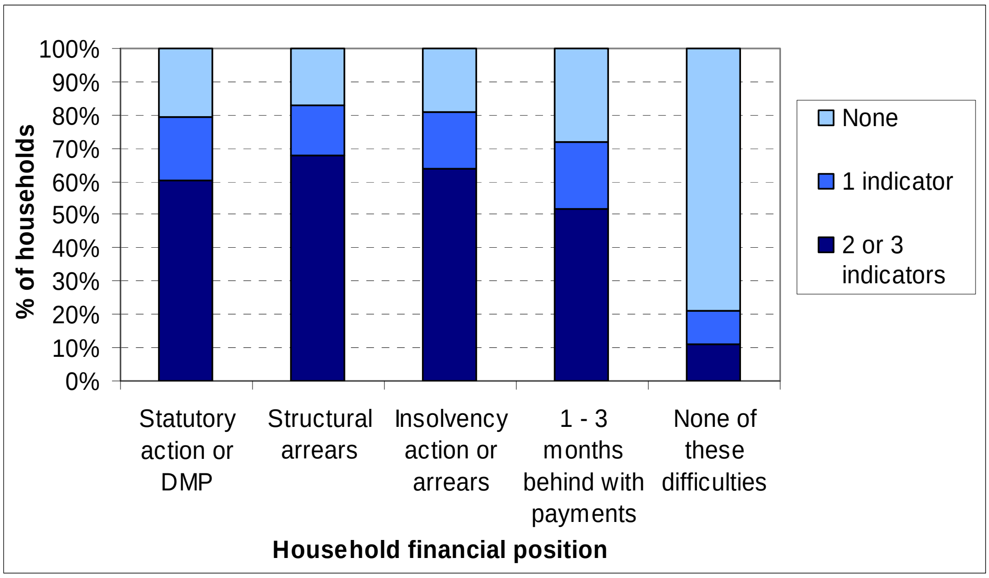
Figure 48: Objective financial difficulties of those experiencing financial stress on subjective measures, 2009/10



Generally, respondents who were defined as having severe financial difficulties (either taking formal action to deal with debt or three months in arrears on payments) did 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 49.[65] Around four-fifths (81%) 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 two-thirds (64%) on two or three. Households that were one to three months behind with any payments also showed very high levels of subjective stress – 72% on one or more indicator and 52% on two or three.

[65] See Appendix Table A40

Figure 49: Number of subjective indicators of financial stress by whether the household was in financial difficulties, 2009/10



Households already involved in formal insolvency action tended to show less subjective stress than those in structural arrears but not taking action. Three-fifths (61%) of those involved in insolvency action showed two or more indicators of stress, compared with 68% for households in arrears. This difference in perceptions between the two groups suggests an easing of financial stress for those engaged in some form of insolvency action in contrast to those who are not yet taking formal action to deal with debt problems.

The overlap was also high for the individual questions about whether respondents struggled to keep up with payments or struggled to last until payday.[66] For example, almost two-thirds (65%) of those involved in formal action on debt said that they constantly struggled to keep up or were falling behind with bills and payments, as did three-quarters (75%) of those who were in structural arrears. However, there was somewhat less overlap between the 'heavy burden' indicator and actual financial problems: 52% of respondents who were in structural arrears with payments felt that their commitments were a heavy burden.

Households at risk of financial difficulty

There are a variety of measures available from the DebtTrack surveys which may be helpful in indicating risk of more serious financial problems. 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 were 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.

The indicators are summarised in Figure 50. The proportions shown here are for households that were not in serious financial difficulties at the time of interview, so exclude households

[66] See Appendix Table A40

that were already involved in action on debt or were in structural arrears on payments. The proportion of households identified by the measures ranges from 4% (for those whose unsecured credit repayments accounted for more than 30% of household income) to 23% (for those who perceived signs of stress on one or more of the subjective indicators of stress). The latter measure is probably too wide to be of use in identifying the relatively small proportion of households at risk of more severe financial difficulties, but a number of the measures identified around one in ten of households as possibly being at risk of financial problems. For example, 13% of households met the more stringent indicator based on meeting two or three of the separate subjective measures and 11% were likely to fall behind with payments if subjected to a 20% increase in major household bills.

As already seen, the composite measure of subjective stress is closely related to objective financial difficulties and about one half (52%) of households that were one to three months behind with any payments also met this indicator. This suggests that it may be a useful measure of the risk of future difficulties. The measure could be refined by combining it with some of the other indicators but this has not been attempted here as it is not possible to assess how well any individual measure actually predicts future problems from a series of cross-sectional surveys. Analysis of panel data – for example, through the Wealth and Assets Survey – may be able to throw further light on this issue.

Figure 50: Proportion of households identified as being at risk on individual measures of stress: households not involved in action on debt or in structural arrears

	All households* (%)
One or more subjective indicators of stress	23
Two or more subjective indicators of stress	13
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	6
Unsecured credit repayments >30% of income	4
One month behind with payments (but not 3 months behind)	5
Base = 100%	*11,533*

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

Comparison with households in financial difficulty

Further analysis of those considered to be 'at risk' of financial difficulties focuses on respondents who were neither in structural arrears nor involved in insolvency action but who showed a high level of subjective stress on at least two of the three indicators. This group comprised 11% of responding households. First, Figure 51 compares the circumstances of the 'at risk' group with those already experiencing financial problems, either being involved in insolvency action or in structural arrears on payments. The comparison revealed some similarities between the two groups but also some interesting differences.

Respondents identified as ‘at risk’ of financial difficulty were more likely than those already facing difficulties to say that their financial circumstances had deteriorated in the last six months (69%, compared with 54%). Although this group of respondents judged that their financial situation had recently deteriorated, they were no more likely to have suffered job loss or a significant change of income in the last 12 months than were respondents with more severe financial difficulties. About one-fifth (19%) of the ‘at risk’ group were 1 to 3 months behind with one or more bills or payments, and they were more likely than those already facing financial difficulties to make frequent use of credit and/or an overdraft to meet their everyday expenses. The ‘at risk’ households were, however, much less likely to have sought professional advice on debt in the last six months; just 7% had done so, compared with 22% of those with more severe financial difficulties.

In terms of their use of credit, the ‘at risk’ households were similar to households experiencing financial difficulties. They tended to have large amounts of unsecured debt: 29% had debts of more than £10,000; 19% had unsecured credit amounting to more than 60% of their current income, and one fifth (20%) had four or more types of unsecured credit.

Figure 51: Circumstances of those showing high levels of financial stress (‘at risk’ group) and those currently in financial difficulties

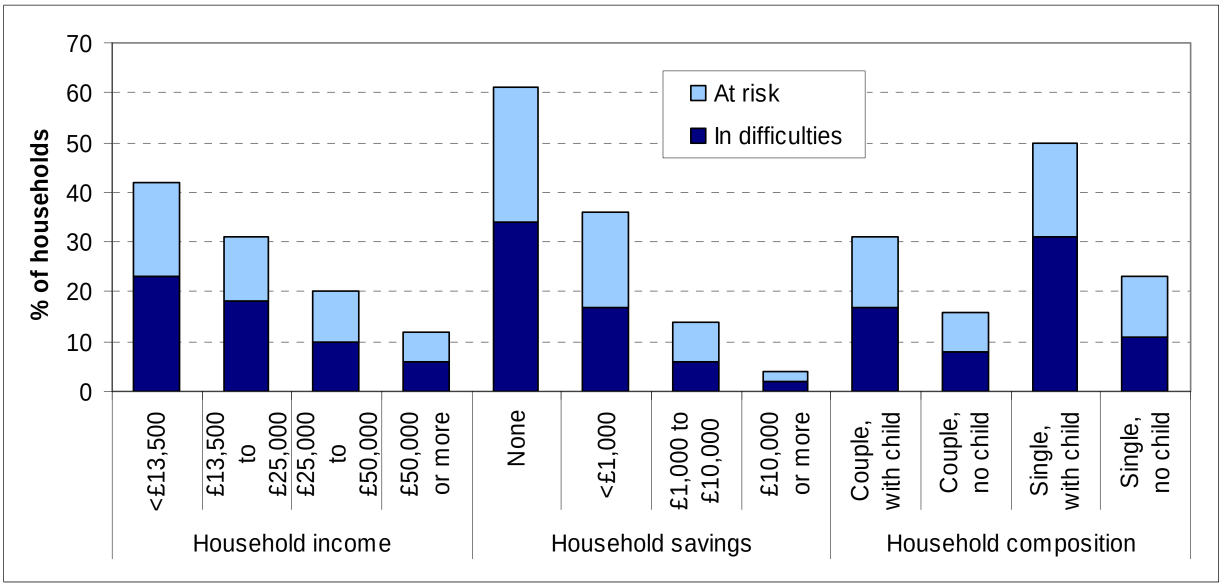
Circumstances	**‘At risk’ group* (%)**	**In financial difficulties (%)**	**Total sample (%)**
Financial circumstances got a bit or much worse in last 6 months	69	54	40
Respondent or partner lost job in last 12 months	17	22	10
Significant change in income reported or lost job in last 12 months	35	40	21
1 to 3 months behind with payments	19	-	4
Use credit for everyday expenses ‘all the time’	36	22	11
Constantly or usually overdrawn by pay day	54	41	21
Likely to fall behind with payments if subject to a 20% increase in any major bills	39	50	16
Sought debt advice in last 6 months	7	22	4
Have 4 or more types of unsecured credit	20	22	8
Unsecured debt repayments >30% of income	14	13	5
Unsecured debt more than £10,000	29	28	16
Unsecured debt more than 60% of income	19	20	8
Base = 100%	*1,543*	*1,456*	*13,173*

* Excludes respondents taking formal action on debt or in structural arrears

Variation by household characteristics

The characteristics of households at risk of financial difficulty were broadly similar to those of households already experiencing difficulties (Figure 52).[67] Households with zero or very low savings and those with low income were much more likely than more affluent groups to be at risk of financial difficulty, just as they were more likely to be in financial difficulties already. One fifth (19%) of households with an annual income of less than £13,500 were in the ‘at risk' group compared with 11% overall, as were one quarter (27%) of households with zero savings.

Figure 52: Proportion of households either experiencing financial difficulties or ‘at risk' of difficulties by selected household characteristics, 2009/10



Households with children were over-represented, both among those in financial difficulties and those at risk of financial difficulty, and particularly lone adults with children. One half of lone-parent families were either already in financial difficulties (31%) or experiencing financial stress (19%). In comparison, only 16% of couples without children were either in difficulties (8%) or could be considered ‘at risk' (8%). Households in which one or more adults was unemployed were also likely to be in the ‘at risk' category (21%, compared with 11% overall) as well as having an above-average rate of financial difficulties (25%, compared with 12% overall).

[67] See Appendix Table A41

Appendix A: Additional tables

Table A1: Types of unsecured credit commitments

	2008/9 (%)	Nov 2009 (%)	Mar 2010 (%)	June 2010 %)	Oct 2010 (%)	2009/10 (%)
Credit card account *	-	61	62	61	62	62
Credit card (not usually paid in full & amount outstanding) *	35*	31	27	23	24	27
Authorised overdraft	29	26	23	19	21	22
Student loan	12	14	15	14	18	16
Unsecured personal loan	22	17	17	13	12	15
Mail Order catalogue	14	13	11	9	8	10
Car finance loan	9	9	9	9	8	9
Loan from friends and family	7	10	8	8	8	9
Store card account *	-	16	16	15	16	16
Store card (not usually paid in full & amount outstanding) *	7	6	6	4	5	5
Hire purchase agreement	4	4	4	3	3	4
Home collected credit	2	2	2	1	1	1
DSS/ Social Fund loan	2	2	1	1	1	1
Pay day loan	1	1	1	0	1	1
Credit Union loan	0	1	1	0	1	1
Pawnbroker/ cash converter loan	0	1	1	0	0	0
Any non-mainstream: home-collected, payday, pawnbroker	3	3	3	2	1	2
Other loans	1	1	1	1	1	1
Base	*14,132*	*3339*	*3696*	*3097*	*3,041*	*13,173*

* Questions changed for 2009/10

Table A2: 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	15	25	26	34	*1,969*
Authorised overdraft	16	29	27	28	*2,932*
Student loan	41	27	16	16	*2,048*
Hire purchase agreement	19	22	18	41	*477*
Car finance loan	27	26	19	27	*1,141*
DSS/Social Fund loan	22	25	26	27	*197*
Loan from friends and family	15	24	23	37	*1,131*
Mail Order catalogue	20	24	23	32	*1,368*
Non-mainstream*	13	24	24	39	*290*
Store card	5	19	26	51	*697*
Credit card	19	30	27	25	*3,492*

* Combines users of Home-collected credit, Pay day and Pawnbroker loans. Figures shown for “other” unsecured loans include multiple types of non-mainstream loans.

Table A3: Use of unsecured credit and number of different types of credit commitments by selected household characteristics

	Has unsecured credit commitments (%)	Has 4 or more types of unsecured credit (%)	*Base = 100%*
Annual household income			
Less than £13,500	62	7	*1,798*
£13,500 to £25,000	60	9	*2,329*
£25,000 to £50,000	62	10	*3,765*
£50,000 or more	59	8	*2,142*
DK/ NA	49	4	*3,137*
Household savings			
Zero	86	21	*2,526*
£1 < £1,000	79	13	*1,149*
£1,000 < £10,000	65	5	*2,962*
£10,000 < £20,000	46	2	*1,011*
£20,000 or more	27	1	*1,861*

Not known	47	4	*3,662*
Housing tenure			
Mortgage	67	10	*4,766*
Owned outright	30	1	*3,462*
Rented	74	12	*3,558*
Rent free/ other	64	5	*1,257*
Household composition			
Couple, with child(ren)	69	13	*2,731*
Couple, no child	52	7	*5,682*
One adult with child(ren)	70	11	*555*
One adult, no child	59	5	*4,107*
Age of respondent			
18 to 24	72	6	*1,480*
25 to 39	72	13	*3,775*
40 to 54	60	9	*3,268*
55 or over	41	3	*4,649*
Unemployment			
One or both adults unemployed	64	10	*757*
Other	58	8	*12,417*
All households	**58**	**8**	***13,172***

Table A4: Types of credit product by selected household characteristics

	Mainstream loans (%)	**Credit/Store cards (%)**	**Mail order/Hire Purchase/Car finance (%)**	**Credit Union/ DSS loan (%)**	**Informal loan (%)**	**Non-mainstream (%)**	*Base = 100%*
Annual household income							
Less than £13,500	37	26	19	6	12	5	*1,798*
£13,500 to £25,000	37	31	21	3	10	3	*2,328*
£25,000 to £50,000	44	32	23	1	9	2	*3,766*
£50,000 or more	43	29	21	1	8	1	*2,142*
DK/ NA	33	21	15	1	6	1	*3,137*
Household savings							
Zero	60	50	33	6	22	7	*2,527*
£1-£1,000	56	46	26	3	13	3	*1,149*

£1,000-£10,000	46	29	20	1	7	1	*2,962*
£10,000-£20,000	28	17	16	1	3	0	*1,011*
£20,000 or more	15	8	10	0	1	0	*1,861*
DK/ NA	30	19	15	1	4	1	*3,662*
Housing tenure							
Mortgage	46	38	26	1	9	1	*4,766*
Owned outright	14	12	13	0	2	0	*3,461*
Rented	52	33	22	5	14	6	*3,558*
Rent free/ other	52	20	11	1	11	1	*1,257*
Household composition							
Couple, with child(ren)	46	37	31	3	12	3	*2,731*
Couple, no child	34	26	20	1	6	1	*5,681*
One adult with child(ren)	36	38	25	9	16	6	*556*
One adult, no child	43	23	12	2	9	2	*4,108*
Age of respondent							
18 to 24	64	14	8	2	12	1	*1,480*
25 to 39	55	36	21	2	15	3	*3,774*
40 to 54	36	34	26	3	8	3	*3,268*
55 or over	21	22	18	1	2	1	*4,649*
Unemployment							
One or both adults unemployed	44	29	17	7	13	5	*757*
Neither unemployed	39	28	20	2	8	2	*12,417*
All households	**39**	**28**	**20**	**2**	**9**	**2**	***13,171***

Table A5: Use of credit for everyday living expenses

Reliance on credit for everyday expenditure	**2008/9 (%)**	**Nov 2009 (%)**	**Mar 2010 (%)**	**June 2010 (%)**	**Oct 2010 (%)**	**2009/10 (%)**
All the time	12	14	12	9	10	11
Once in a while	14	15	14	12	13	13
Either	25	29	26	21	23	25
Base	*14,132*	*3,339*	*3,697*	*3,097*	*3,041*	*13,172*

Table A6: Use of credit for everyday expenses by selected 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	12	13	25	*1,798*
£13,500 to £25,000	14	14	28	*2,329*
£25,000 to £50,000	13	14	27	*3,765*
£50,000 or more	10	14	24	*2,143*
Household savings				
Zero	27	19	47	*2,527*
£1-£1,000	18	21	39	*1,150*
£1,000-£10,000	9	15	24	*2,962*
£10,000 or more	5	10	15	*1,012*
Not known	2	5	7	*1,860*
Housing tenure				
Mortgage	15	17	32	*4,766*
Owned outright	3	8	11	*3,462*
Rented	15	15	30	*3,559*
Rent free/ Other	10	10	20	*1,257*
Age of respondent				
18 to 24	12	10	22	*1,480*
25 to 39	14	17	31	*3,774*
40 to 54	14	16	29	*3,269*
55 or over	7	11	18	*4,649*
Household composition				
Couple, with child(ren)	16	18	34	*2,732*
Couple, no child	9	12	20	*5,682*
One adult with child(ren)	17	18	35	*555*
One adult, no child	11	12	24	*4,108*
All households	**11**	**13**	**25**	***13,172***

Table A7: Applications for credit/ loans in last 6 months

Credit product	2008/9 (%)	Nov 2009 (%)	Mar 2010 (%)	June 2010 (%)	Oct 2010 (%)	2009/10 (%)
Credit card	11	9	9	7	7	8
Overdraft facility	3	4	2	2	3	3
Unsecured loan	4	3	3	2	2	2
Mortgage	3	2	2	2	2	2
Student loan *	-	3	1	2	3	2
Mail Order catalogue *	-	2	2	1	1	1
Car Finance loan *	-	2	2	1	1	1
Store card	2	2	1	1	1	1
DSS/ Social Fund loan	1	1	1	1	1	1
Pay day loan	0	1	1	1	1	1
Hire purchase agreement *	-	1	1	1	1	1
Home-collected credit	1	1	1	0	0	0
Secured loan	1	1	0	0	0	0
Pawnbroker *	-	0	0	0	0	0
Credit union loan *	-	0	0	0	0	0
Any unsecured credit	**-**	**21**	**19**	**16**	**18**	**18**
Any unsecured credit (comparable products to 2008/9)	18	17	15	12	13	14
Mortgage or secured loan	4	3	2	2	2	3
Base	*14,132*	*3,339*	*3,696*	*3,097*	*3,041*	*13,172*

* Products added to the question for 2009-10

Table A8: Applications for unsecured credit products by selected household characteristics

	Any unsecured loan (%)	Credit or store card (%)	*Base = 100%*
Annual household income			
Less than £13,500	22	7	*1,798*
£13,500 to £25,000	20	10	*2,329*
£25,000 to £50,000	19	10	*3,766*
£50,000 or more	21	13	*2,142*
DK/ NA	13	6	*3,137*
Household savings			

Zero	28	12	*2,527*
£1-£1,000	26	11	*1,149*
£1,000-£10,000	19	10	*2.962*
£10,000 or more	13	9	*2,871*
Not known	13	6	*3,662*
Age of respondent *			
18 to 24	34	11	*1,480*
25 to 39	23	13	*3,774*
40 to 54	17	9	*3,268*
55 or over	10	5	*4,649*
Household composition			
Couple, with child(ren)	20	11	*2,731*
Couple, no child	14	8	*5,681*
One adult with child(ren)	28	10	*555*
One adult, no child	22	10	*4,108*
All households	**18**	**9**	***13,172***

Table A9: Outcome of applications for unsecured credit

Cases where outcome is known

	Approved, full amount (%)	**Approved, reduced amount (%)**	**Rejected (%)**	**Respondent decided against (%)**	*Base = 100%**
Credit card	65	10	24	1	*1,007*
Unsecured loan	56	6	33	5	*292*
Overdraft facility	58	12	29	1	*363*
Student loan	86	11	2	1	*270*
Store card	72	8	19	1	*190*
Mail order	79	5	14	2	*175*
Car finance loan	82	6	9	3	*180*
DSS/ Social Fund loan	37	47	13	3	*116*
Hire Purchase	80	7	10	3	*94*
Pay day loan	67	14	15	4	*82*
Home-collected credit	76	15	6	3	*59*
Pawnbroker	33	44	16	7	*36*

Credit union loan	49	20	21	10	*33*

Table A10: Percentage of applications rejected, by selected household characteristics

Cases where outcome is known

	Credit card		**Unsecured loan**		**Overdraft facility**		**Store card**	
	%	*Base*	**%**	*Base*	**%**	*Base*	**%**	*Base*
Annual household income								
Less than £25,000	36	*290*	46	*92*	33	*163*	33	*57*
£25,000 or more	20	*563*	28	*155*	31	*144*	15	*94*
Age of respondent								
18 to 39	28	*569*	38	*169*	29	*258*	31	*98*
40 or over	19	*437*	25	*123*	30	*106*	7	*91*
Household composition								
Couple/ one adult with children	27	*287*	34	*109*	43	*93*	29	*59*
Couple/ one adult, no child	23	*712*	31	*181*	25	*265*	15	*131*
All households	**24**	***1,007***	**33**	***292***	**29**	***363***	**19**	***190***

Table A11: Likelihood of needing to borrow more money in the near future

	2008/9*	**Nov 2009 (%)**	**March 2010 (%)**	**June 2010 (%)**	**Oct 2010 (%)**	**Total (%)**
Likelihood of needing to borrow money in the next 3 months						
Very likely	4	4	3	3	3	3
Fairly likely	9	9	8	7	7	8
Very or fairly likely	*13*	*13*	*11*	*10*	*10*	*11*
Neither likely nor unlikely/Don't know	21	20	20	18	18	19
Fairly unlikely	17	15	15	16	18	16
Very unlikely	49	51	53	57	54	54
Very or fairly unlikely	*66*	*66*	*69*	*73*	*72*	*70*
Likelihood of needing to borrow money in the next 3 months or next 6-12 months						
Very or fairly likely		18	16	14	15	16
Base	*14,131*	*3,339*	*3,696*	*3,097*	*3,040*	*13,172*

* Question refers to a six-month period in 2008/09

Table A12: Likelihood of needing to borrow more money in the next three months by selected household characteristics

	Very or fairly likely (%)	Neither/Don't know (%)	Very or fairly unlikely (%)	*Base = 100%*
Annual Household income				
Less than £13,500	18	22	60	*1,797*
£13,500 to £25,000	12	20	68	*2,330*
£25,000 to £50,000	10	17	73	*3,766*
£50,000 or more	10	13	77	*2,143*
Not known	8	24	68	*3,137*
Household savings				
Zero	26	26	48	*2,527*
£1-£1,000	17	30	53	*1,150*
£1,000-£10,000	8	17	75	*2,961*
£10,000 or more	4	7	89	*2,871*
Not known	7	22	71	*3,663*
Age of respondent				
18 to 24	19	25	56	*1,480*
25 to 39	15	22	62	*3,774*
40 to 54	11	22	67	*3,269*
55 or over	5	13	82	*4,649*
Housing tenure				
Mortgage	11	21	69	*4,765*
Owned outright	3	10	87	*3,461*
Rented	18	24	59	*3,558*
Rent free/ other	16	23	61	*1,257*
Household composition				
Couple, with child(ren)	13	24	63	*2,732*
Couple, no child	7	15	78	*5,680*
One adult with child(ren)	21	25	54	*556*
One adult, no child	14	21	66	*4,106*
Unemployment				
One or both adults unemployed	20	26	54	*757*
Other	11	19	71	*12,417*
All households	**11**	**19**	**70**	*13,173*

Table A13: Use of secured credit

	2008/9 (%)	Nov 2009 (%)	Mar 2010 (%)	June 2010 (%)	Oct 2010 (%)	2009/10 (%)
Mortgage	39	37	36	37	35	36
Other secured loan	5	5	4	4	3	4
Mortgage or secured loan	40	38	37	38	35	37
All credit commitments (inc. mortgages and secured)						
Any credit commitments	75	73	71	68	69	70
4 or more credit commitments	18	17	14	11	10	13
5 or more credit commitments	8	8	6	5	4	6
Base	*14,131*	*3,339*	*3,696*	*3,097*	*3,040*	*13,172*

Table A14: Type of mortgage held

	2008/9 (%)	Nov 2009 (%)	Mar 2010 (%)	June 2010 (%)	Oct 2010 (%)	2009/10 (%)
Repayment mortgage	**70**	**71**	**69**	**74**	**73**	**71**
Interest-only with endowment	16	14	15	12	12	13
Interest-only with other repayment vehicle (ISA, pension, other)	6	6	7	7	6	6
Interest-only, no repayment vehicle	8	12	11	8	12	11
Total interest-only	**30**	**30**	**32**	**26**	**29**	**29**
Don't know type	6	4	3	4	4	4
*Base**	*5,516*	*1,236*	*1,334*	*1,141*	*1,055*	*4,766*

* Percentages sum to more than 100% as respondents could have more than one mortgage.

Table A15: Type of interest rate agreement on mortgages

	2008/9 (%)	Nov 2009 (%)	Mar 2010 (%)	June 2010 (%)	Oct 2010 (%)	2009/10 (%)
Variable – reviewed monthly	38	39	44	43	43	42
Variable – reviewed	4	5	5	6	4	5

annually						
Variable – other/ don't know	4	4	6	5	5	5
Total variable	**46**	**47**	**54**	**53**	**52**	**51**
Fixed rate	**42**	**43**	**37**	**37**	**38**	**39**
Discounted rate	**4**	**5**	**3**	**3**	**4**	**4**
Other/ Don't know type	**10**	**8**	**7**	**9**	**9**	**8**
*Base**	*5,516*	*1,236*	*1,334*	*1,141*	*1,055*	*4,766*

* Percentages sum to more than 100% as respondents could have more than one mortgage.

Table A16: Type of mortgage by age of mortgage

	More than 10 years (%)	**5-10 years (%)**	**3-4 years (%)**	**1-2 years (%)**	**< 1 year (%)**	**Total (%)**
Repayment mortgage	**61**	**77**	**73**	**75**	**81**	**71**
Interest-only with endowment	32	10	7	7	4	13
Interest-only with other repayment vehicle	6	5	7	7	5	6
Interest-only, no repayment vehicle	6	8	14	15	11	11
Total interest-only	**43**	**23**	**27**	**27**	**19**	**29**
Variable – reviewed monthly	50	47	44	30	24	42
Variable – reviewed annually	9	5	3	3	2	5
Total variable	**64**	**58**	**52**	**36**	**29**	**51**
Fixed rate	**24**	**31**	**40**	**57**	**62**	**39**
Base	*1,192*	*855*	*1,531*	*741*	*407*	*4,766*

Table A17: Overlap between secured and unsecured credit

	2008/9 (%)	**Nov 2009 (%)**	**Mar 2010 (%)**	**June 2010 (%)**	**Oct 2010 (%)**	**2009/10 (%)**
Mortgage or secured loan	40	38	37	38	35	37
Unsecured credit	64	62	60	54	56	58
Any form of credit	**75**	**73**	**71**	**68**	**69**	**70**

Secured credit only	11	11	11	14	13	12
Has secured and unsecured credit	29	27	26	24	22	25
Unsecured credit only	35	35	34	30	33	33
Base	*14,132*	*3,339*	*3,696*	*3,097*	*3,041*	*13,173*

Table A18: Secured and unsecured credit use by selected household characteristics

	All secured credit (%)	**Secured credit only (%)**	**Secured and unsecured credit (%)**	**Unsecured credit only (%)**	**Any credit (%)**	*Base **
Annual household income						
Less than £13,500	15	5	10	52	67	*1,798*
£13,500 to £25,000	28	9	19	41	69	*2,329*
£25,000 to £50,000	46	13	33	29	75	*3,766*
£50,000 or more	57	20	37	22	79	*2,142*
Not known	32	13	19	31	62	*3,137*
Household savings						
Zero	37	4	33	53	90	*2,527*
£1-£1,000	36	6	31	48	85	*1,150*
£1,000-£10,000	46	13	33	33	78	*2,962*
£10,000-£20,000	43	21	22	24	66	*1,011*
£20,000 or more	29	18	11	16	45	*1,860*
Not known	32	13	19	28	60	*3,662*
Household composition						
Couple, with child(ren)	67	20	47	22	88	*2,732*
Couple, no child	35	12	23	29	64	*5,682*
One adult with child(ren)	35	10	25	45	80	*556*
One adult, no child	20	8	13	46	66	*4,108*
Age of respondent[a]						
18 to 24	9	2	7	66	75	*1,480*
25 to 39	48	14	35	38	86	*3,774*

40 to 54	56	20	36	24	80	*3,268*
55 or over	23	9	15	27	50	*4,649*
All households	**37**	**12**	**25**	**34**	**70**	***13,171***

* Bases exclude cases with missing data.

Table A19: Total unsecured household borrowing

	Households using unsecured credit	
	2008/9 (%)	**2009/10 (%)**
£1,000 or less	24	20
£1,000 to £2,000	11	9
£2,000 to £4,000	14	13
£4,000 to £6,000	9	9
£6,000 to £10,000	14	14
£10,000 to £15,000	11	13
£15,000 to £20,000	7	8
£20,000 or more	10	13
Base = 100%	*6,928*	*6,224*
% of households with missing values	*24%*	*19%*

Table A20: Average debt[1] for each type of unsecured credit: rounds 5-8 combined

		2009/10					
Type of loan	**2008/9 Mean (£)**	**Mean (£)**	**Median (£)**	**10th percentile (£)**	**90th percentile (£)**	*Base[2]*	*% missing*
Student loan	11,100	11,200	10,000	2,000	21,000	*1,627*	*21*
Personal loan	7,800	7,700	5,000	1,000	17,500	*1,633*	*17*
Car finance loan	5,400	5,900	4,800	1,000	12,000	*944*	*17*
Loan from friends/family	3,700	5,400	1,500	200	11,500	*862*	*24*
Credit card	4,400	5,000	2,500	400	12,500	*2,710*	*22*
Hire purchase	2,400	3,000	1,200	200	7,000	*383*	*20*
Authorised overdraft	1,400	1,400	700	100	2600	*2,162*	*26*
Store card	800	1,400	400	100	2,500	*562*	*19*
Home collected	900	1,200	700	100	2,500	*160*	*19*

credit							
Mail Order catalogue	600	700	300	50	1,500	*877*	*36*
DSS/ Social Fund loan	400	500	300	100	800	*156*	*21*
"Other" loans	10,600	22,700	9,000	400	62,300	*71*	*30*
Loan from a pawn-broker / cash converter	400	4,100	300	50	16,000	*33*	*39*
Pay day loan	600	2,800	400	100	1,800	*60*	*19*
Credit Union loan	1,400	1,700	1,000	100	4,900	*66*	*28*
All unsecured loans	**8,700**	**10,100**	**6,000**	**400**	**23,400**	***6,224***	***19***

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

[2] Households with this type of loan/ these types of loans who gave information on values.

Italics used for loans with base of less than 100

Table A21: Total secured household borrowing

	All secured borrowing (%)
£25,000 or less	16
£25,000 up to £50,000	14
£50,000 up to £75,000	15
£75,000 up to £100,000	15
£100,000 up to £150,000	20
£150,000 up to £200,000	10
£200,000 or more	10
Base = 100%	*2,959*
% of households with missing values	*39%*
Mean value (£)	99,400
Median value (£)	81,000
10th percentile (£)	15,000
90th percentile (£)	198,000

Table A22: Total household borrowing

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

Table A23: Ratio of total debt to income – households using credit and all households

	All households (%)	Households using credit (%)
Zero	42	n/a
10% or less	15	26
>10% to 20%	6	11
>20% to 40%	8	13
>40% to 60%	4	8
>60% to 100%	5	9
>100% to 150%	4	7
>150% to 200%	3	6
More than 200%	12	20
Base = 100%	*9,512*	*5,622*
% of households with missing values	*28%*	*39%*

Table A24: Ratio of unsecured debt to income – households using unsecured credit and all households

	All households		Households using unsecured credit	
	2008/9 (%)	2009/10 (%)	2008/9 (%)	2009/10 (%)
Zero	46	50	n/a	n/a
10% or less	20	17	38	35
>10% to 20%	9	8	17	16
>20% to 40%	9	9	17	19
>40% to 60%	5	5	9	10
>60% to 80%	3	3	6	6
More than 80%	7	7	13	14
Base = 100%	*10,887*	*10,931*	*5,863*	*5,446*
% of households with missing values	*23%*	*17%*	*36%*	*29%*

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

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

* Data revised since the previous report so that treatment of missing values for repayments on individual loans is comparable across years.

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

	Unsecured debts of more than £10,000 (%)	Unsecured debts of more than £20,000 (%)	*Base**	Debt-to-income ratio of more than 60% (%)	*Base**	Repayment-to-income ratio of more than 30% (%)	*Base**
Annual household income							
Less than £13,500	27	9	*954*	41	*931*	20	*1,089*
£13,500 to £25,000	32	11	*1,236*	29	*1,238*	14	*1,403*
£25,000 to £50,000	36	15	*2,102*	15	*2,102*	8	*2,351*
£50,000 or more	46	20	*1,174*	6	*1,174*	5	*1,268*
Not known	26	8	*755*	-		-	
Household savings							
Zero	40	19	*1,966*	29	*1,825*	16	*1,953*
£1-£1,000	37	14	*814*	25	*765*	13	*837*
£1,000-£10,000	35	11	*1,771*	15	*1,648*	9	*1,790*
£10,000 or more	30	12	*870*	11	*824*	6	*902*
Not known	24	7	*802*	15	*382*	5	*631*
Housing tenure							
Mortgage	36	15	*2,622*	16	*2,365*	10	*2,614*
Owned outright	18	6	*792*	14	*672*	11	*786*
Rented	36	13	*2,164*	27	*1,915*	12	*2,146*
Rent free/ other	46	15	*639*	24	*489*	9	*562*
Household composition							
Couple, with child(ren)	33	15	*1,572*	15	*1,413*	11	*1,547*
Couple, no child	34	14	*2,367*	17	*2,073*	9	*2,358*
One adult with child(ren)	23	9	*318*	21	*289*	18	*324*
One adult, no child	39	13	*1,945*	29	*1,655*	12	*1,864*
Age of respondent							
18 to 24	54	18	*824*	38	*672*	9	*781*
25 to 39	41	16	*2,344*	20	*2,094*	10	*2,275*
40 to 54	29	13	*1,581*	16	*1,413*	11	*1,571*
55 or over	20	8	*1,471*	17	*1,269*	12	*1,483*

Unemployment							
One or both adults unemployed	37	14	*397*	37	*330*	18	*370*
Other	34	13	*5,828*	19	*5,115*	10	*5,740*
All households with unsecured credit	**35**	**13**	***6,224***	**20**	***5,446***	**11**	***6,111***

* Bases exclude cases with missing data.

Table A27: High levels of secured credit by selected household characteristics

	Secured credit >£150,000 (%)	Secured credit >£200,000 (%)	Base *
Annual household income			
Less than £13,500	6	3	*116*
£13,500 to £25,000	6	3	*334*
£25,000 to £50,000	9	3	*1,233*
£50,000 or more	38	22	*1,021*
Not known	15	8	*256*
Household savings			
Zero	18	9	*618*
£1-£1,000	15	6	*248*
£1,000-£10,000	19	8	*981*
£10,000-£20,000	25	13	*324*
£20,000 or more	27	19	*432*
Not known	13	6	*350*
Age of respondent			
18 to 24	3	1	*58*
25 to 39	26	13	*1,165*
40 to 54	19	10	*1,120*
55 or over	7	4	*616*
Unemployment			
One or both adults unemployed	15	6	*142*
Other	20	10	*2,818*
All households with secured debts	**19**	**10**	**2,959**

* Bases exclude cases with missing data.

Table A28: Value of liquid household savings by use of credit

	Using unsecured credit (%)	Using secured credit (%)	All with secured or unsecured credit (%)	All households (%)
Zero	36	26	32	27
Less than £1,000	15	11	14	12
£1,000 to £5,000	22	24	22	20
£5,000 to £10,000	10	13	11	11
£10,000 to £50,000	14	21	17	21
£50,000 or more	3	5	4	9
Base = 100%	*5,969*	*3,678*	*7,074*	*9,514*
Mean value (£)	7,200	11,700	10,000	19,300
Median value (£)	700	2,000	1,000	2,000
% of households with no information	*22%*	*24%*	*24%*	*28%*

Table A29: Value of household savings by selected household characteristics

	Less than £1,000	£1,000 to £10,000	£10,000 to £50,000	£50,000 or more	Mean value (£)	*Base = 100%**
Annual Household income						
Less than £13,500	61	27	10	2	5,000	*1,578*
£13,500 to £25,000	46	30	18	6	10,700	*1,993*
£25,000 to £50,000	32	34	23	11	17,800	*3,311*
£50,000 or more	20	31	31	18	45,800	*1,905*
Not known	47	30	17	5	11,600	*727*
Age of respondent						
18 to 24	48	40	10	2	9,900	*1,017*
25 to 39	46	33	17	4	8,900	*2,892*
40 to 54	44	29	20	7	16,800	*2,416*
55 or over	25	28	29	18	33,700	*3,189*
Housing tenure						
Mortgage	37	37	21	5	11,600	*3,599*
Owned outright	10	27	36	2	51,800	*2,294*
Rented	62	26	10	2	6,200	*2,761*
Rent free/ other	48	36	13	3	7,400	*844*

Household composition						
Couple, with child(ren)	46	31	18	6	13,800	*2,082*
Couple, no child	27	31	27	16	29,100	*3,950*
One adult with child(ren)	67	21	8	3	4,600	*442*
One adult, no child	45	33	17	5	12,600	*3,003*
All households	**39**	**31**	**21**	**9**	**19,300**	*9,514*

* Bases exclude cases with missing data.

Table A30: Prevalence of arrears with payments

	2008/09 (%)	**Nov 2009 (%)**	**Mar 2010 (%)**	**Jun 2010 (%)**	**Oct 2010 (%)**	**2009/10 (%)**
All households						
More than 3 months behind with any payments	9	11	10	7	6	9
1-3 months behind with any payments	5	6	5	4	4	5
Total at least 1 month behind with any payments	14	18	14	11	10	13
Base	*14,132*	*3,338*	*3,695*	*3,097*	*3,041*	*13,171*
Households with unsecured debts						
More than 3 months behind with any payments	12	16	14	10	9	13
1-3 months behind with any payments	8	9	6	7	7	7
Total at least 1 month behind with any payments	20	25	20	17	16	20
Base	*9,105*	*2,074*	*2,237*	*1,687*	*1,690*	*7,688*

Table A31: Number and type of payments in 3-month arrears: households with structural arrears 2008/9 and 2009/10

	2008/9 (%)	2009/10 (%)
Number of payments more than 3 months behind		
One	54	53
Two	24	24
Three or more	22	23
Type of payments in arrears		
Arrears on major household bills[a]	54	47
Arrears on credit card payments	27	18
Arrears on any unsecured loans or credit	49	51
Arrears on other bills or payments	27	37
Arrears on mortgage payments	4	3
Base= 100% (Households in structural arrears)	*1,242*	*1,120*

[a] Including rent, excluding mortgage payments

Table A32: Composite (hierarchical) measure of financial difficulties: 2008/09 and 2009/10

	2008/9 (%)	Nov 2009 (%)	Mar 2010 (%)	June 2010 (%)	Oct 2010 (%)	2009/10 (%)
Bankruptcy, IVA or DMP	7	7	7	5	5	6
Structural arrears	6	8	7	5	4	6
Total	**13**	**15**	**13**	**9**	**9**	**12**
1 to 3 months behind with any payments	5	5	4	4	4	4
Total	**17**	**21**	**17**	**13**	**12**	**16**
Base	*14,132*	*3,338*	*3,695*	*3,098*	*3,041*	*13,172*

[a] 'Currently' declared bankrupt in 2008/09 surveys. Declared bankrupt in the last 2 years in 2009/10.

Table A33: Objective financial difficulties by selected household characteristics

	Structural arrears (%)	Insolvency action (%)	Either insolvency action or arrears (%)	*Base = 100%*
Annual household income				
Less than £13,500	18	9	23	*1,799*
£13,500 to £25,000	13	8	18	*2,328*
£25,000 to £50,000	7	6	10	*3,766*
£50,000 or more	3	3	6	*2,142*
DK/ NA	5	3	7	*3,136*
Household savings				
Zero	26	17	34	*2,526*
£1 < £1,000	12	9	17	*1,150*
£1,000 < £10,000	4	3	6	*2,962*
£10,000 or more	2	1	2	*2,872*
Not known	4	3	6	*3,662*
Housing tenure				
Mortgage	7	6	10	*4,766*
Owned outright	2	1	3	*3,462*
Rented	17	11	24	*3,558*
Rent free/ other	8	5	10	*1,257*
Household composition				
Couple, with child(ren)	12	8	17	*2,732*
Couple, no child	5	4	8	*5,682*
One adult with child(ren)	22	17	31	*556*
One adult, no child	9	5	11	*4,108*
Age of respondent				
18 to 24	6	2	8	*1,479*
25 to 39	11	7	15	*3,774*
40 to 54	11	8	15	*3,268*
55 or over	5	4	7	*4,648*
Unemployment				
One or both adults unemployed	21	9	25	*756*
Other	8	6	11	*12,416*
Changes experienced in last 12 months				

Respondent or partner lost job	20	13	26	*1,319*
Split up/ new child	16	12	22	*652*
TOTAL	**9**	**6**	**12**	*13,172*

Table A34: Extent to which keeping up with bills and credit commitments is a burden: 2008/9 and 2009/10

	2008/09 (%)	Nov 2009 (%)	Mar 2010 (%)	June 2010 (%)	Oct 2010 (%)	2009/10 (%)
All households						
Heavy burden	15	19	15	11	11	14
Somewhat of a burden	43	42	41	40	42	41
Not a burden at all	39	34	39	45	42	40
Don't know/No answer	4	5	5	5	5	5
Base	*14,132*	*3.339*	*3,697*	*3,097*	*3,040*	*13,173*
Households using unsecured credit						
Heavy burden	21	26	21	16	17	20
Somewhat of a burden	49	48	49	50	50	49
Not a burden at all	28	23	27	31	29	27
Don't know/No answer	2	3	3	3	4	3
Base	*9,106*	*2,074*	*2,237*	*1,687*	*1,690*	*7,687*

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	18	24	*1,799*
£13,500 to £25,000	13	18	*2,328*
£25,000 to £50,000	7	13	*3,766*
£50,000 or more	3	9	*2,142*
DK/ NA	5	11	*3,136*

Household savings			
Zero	26	39	*2,526*
£1 < £1,000	12	23	*1,150*
£1,000 < £10,000	4	8	*2,962*
£10,000 < £20,000	2	4	*1,011*
£20,000 or more	1	2	*1,861*
Not known	4	8	*3,662*
Housing tenure			
Mortgage	7	16	*4,766*
Owned outright	2	5	*3,462*
Rented	17	21	*3,558*
Rent free/ other	8	12	*1,257*
Household composition			
Couple, with child(ren)	12	20	*2,732*
Couple, no child	5	9	*5,682*
One adult with child(ren)	22	30	*556*
One adult, no child	9	14	*4,108*
Age of respondent			
18 to 24	6	9	*1,579*
25 to 39	11	17	*3,774*
40 to 54	11	19	*3,268*
55 or over	5	10	*4,648*
Unemployment			
One or both adults unemployed	21	30	*756*
Other	8	13	*12,416*
Changes experienced in last 12 months			
Respondent or partner lost job	20	30	*1,319*
Split up/ new child	16	22	*652*
TOTAL	**9**	**14**	*13,172*

Table A36: Subjective indicators of financial stress: 2008/9 and 2009/10

	2008/9 (%)	Nov 2009 (%)	Mar 2010 (%)	June 2010 (%)	Oct 2010 (%)	2009/10 (%)
Keeping up with bills and commitments						
Constant struggle	16	18	17	13	15	16

Falling/ have fallen behind	7	10	8	5	5	7
Either of above	23	29	25	18	20	23
Struggle to last until next pay day						
More often than not	22	28	22	17	18	21
Using credit for day-to-day living						
All the time	11	14	12	9	10	11
Once in a while	15	15	14	12	13	13
Either of above	26	29	26	21	23	25
How often overdrawn on current account						
Constantly	13	16	13	10	10	12
Usually	10	10	8	8	7	8
Either of above	22	26	21	18	18	21
Base= 100%	*14,132*	*3,340*	*3,696*	*3,097*	*3,041*	*13,172*

Table A37: Change in financial circumstances in last 6 months: 2008/9 and 2009/10

Change in circumstances in past 6 months	**2008/09 (%)**	**Nov 2009 (%)**	**Mar 2010 (%)**	**June 2010 (%)**	**Oct 2010 (%)**	**2009/10 (%)**
A bit/ much better	13	18	19	19	16	18
Stayed the same	29	36	43	43	39	40
A bit worse	38	30	26	28	33	29
Much worse	18	15	11	8	11	12
DK/ NA	2	1	2	2	2	2
Base	*14,132*	*3,339*	*3,696*	*3,097*	*3,042*	*13,173*

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

Number of subjective measures	**No unsecured credit commitments (%)**	**Some unsecured credit commitments (%)**	**4 or more types of unsecured credit (%)**	**Total sample (%)**
2 or 3 measures	7	27	56	19
1 measure	8	14	15	12
None	86	59	29	70
Base = 100%	*5,485*	*7,687*	*1,016*	*13,172*

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 (%)	Total sample (%)
Insolvency action (Bankrupt, IVA or DMP)	21	16	17	15	19	6
Structural arrears	22	20	20	17	22	6
1-3 months behind with any payments	11	11	11	10	12	4
None of these	46	53	53	59	48	84
Base = 100%	*1,850*	*3,023*	*2,810*	*3,974*	*2,450*	*13,172*

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

	Statutory action or DMP (%)	Structural arrears only (%)	*All with these difficulties (%)*	1 – 3 months behind with payments (%)	Others (%)	Total sample (%)
Commitments were a heavy burden	51	52	*51*	37	8	14
Constantly struggled/ falling behind with bills & commitments	65	75	*70*	61	15	23
Struggled to reach payday 'more often than not'	62	69	*66*	56	13	21
Number of subjective indicators of stress						
Two or three	61	68	*64*	52	11	19
One	19	15	*17*	20	10	12

None	21	17	*19*	28	79	70
Base = 100%	*753*	*790*	*1,544*	*541*	*11,088*	*13,173*

Table A41: Proportion of households either in financial difficulties or considered to be 'at risk' of difficulties by selected household characteristics

	In financial difficulties (%)	'At risk' of difficulties (%)	Neither (%)	Base = 100%
Annual household income				
Less than £13,500	23	19	59	*1,798*
£13,500 to £25,000	18	13	69	*2,328*
£25,000 to £50,000	10	10	80	*3,766*
£50,000 or more	6	6	88	*2,142*
DK/ NA	7	10	83	*3,136*
Household savings				
Zero	34	27	39	*2,528*
£1 < £1,000	17	19	64	*1,149*
£1,000 < £10,000	6	8	86	*2,962*
£10,000 or more	2	2	96	*2,872*
Not known	6	7	87	*3,662*
Housing tenure				
Mortgage	10	13	78	*4,766*
Owned outright	3	5	92	*3,462*
Rented	24	15	62	*3,558*
Rent free/ other	10	12	78	*1,258*
Household composition				
Couple, with child(ren)	17	14	70	*2,732*
Couple, no child	8	8	84	*5,682*
One adult with child(ren)	31	19	50	*556*
One adult, no child	11	12	76	*4,108*
Age of respondent				
18 to 24	8	10	82	*1,479*
25 to 39	15	12	72	*3,775*
40 to 54	15	14	71	*3,268*
55 or over	7	9	84	*4,648*
Unemployment				
One or both adults unemployed	25	21	55	*757*

Other	11	10	79	*12,416*
TOTAL	**12**	**11**	**77**	***13,173***

Table A42: Responses to attitude statements on credit use and saving *

Statement	**Percentage (%)**				
	Agree strongly	**Tend to agree**	**Neither agree nor disagree**	**Tend to disagree**	**Disagree strongly**
Set 1: Use of credit – personal					
I am impulsive and tend to buy things even when I can't really afford them	2	12	23	30	34
If I want something I am prepared to buy it on credit and think about how I will repay the money afterwards	2	11	17	24	47
I am prepared to spend now and let the future take care of itself	1	8	18	25	47
I would rather buy things on credit than save up	1	8	19	25	46
If lenders offer to lend me money I will take it	1	5	15	20	58
I would miss a payment on an existing commitment if it meant I could have what I wanted now	1	3	11	19	66
Set 2: Use of credit - general					
Buying things on credit does not feel like spending	7	22	19	19	34
Borrowing has become a way of life	10	26	19	12	32
I am more of a saver than a spender	14	25	36	18	7
I would always save up for something I want rather than borrow money to buy it	29	31	24	13	3
Buying things with cash makes me realise how much I am spending	27	45	21	5	2
I would rather cut back than put everyday spending on a credit card	40	33	15	7	5

* Asked of all respondents. Base for all statements = 13,173

Table A43: Spending orientation by selected household characteristics

	Percentage (%)				*Base = 100%*
	Strong or very strong	**Neutral**	**Weak**	**Very weak**	
Annual household income					
Less than £13,500	11	30	28	31	*1,798*
£13,500 to £25,000	10	30	27	33	*2,328*
£25,000 to £50,000	12	30	26	33	*3,765*
£50,000 or more	11	28	27	34	*2,141*
DK/ NA	5	32	26	36	*3,136*
Household savings					
Zero	21	42	23	14	*2,526*
£1 < £1,000	15	37	28	20	*1,150*
£1,000 < £10,000	8	28	30	34	*2,962*
£10,000 or more	3	18	26	53	*2,871*
Not known	6	32	26	37	*3,662*
Housing tenure					
Mortgage	12	33	27	29	*4,766*
Owned outright	3	18	27	52	*3,461*
Rented	13	36	26	25	*3,559*
Rent free/ other	10	35	26	29	*1,258*
Household composition					
Couple, with child(ren)	12	36	25	26	*2,731*
Couple, no child	7	25	28	40	*5,681*
One adult with child(ren)	15	38	26	21	*555*
One adult, no child	11	32	26	32	*4,107*
Age of respondent					
18 to 24	11	38	24	27	*1,479*
25 to 39	14	36	26	25	*3,774*
40 to 54	10	33	26	31	*3,268*
55 or over	5	21	29	45	*4,649*
Total	**10**	**30**	**26**	**34**	***13,173***

Table A44: Responses to statements relating to financial awareness*

Statement	Percentage (%)				
	Agree strongly	Tend to agree	Neither agree nor disagree	Tend to disagree	Disagree strongly
I regularly read the personal finance pages in the press	10	21	22	21	26
Financial services are complicated and confusing to me	9	27	32	21	11
Friends and family often come to me for advice on financial matters	4	16	38	24	18
I am organised when it comes to managing money on a day-to-day basis	25	39	24	9	3
I would only buy financial products from a company I have heard of and trust	29	45	21	3	2
Buying things on a credit card and paying everything back each month is a smart way to manage your money	21	28	26	13	12
I often move money from one credit card to another to take advantage of 0% interest deals	5	10	23	18	43

* Asked of all respondents. Base for all statements = 13,172

Table A45: Index of financial awareness by selected household characteristics

	Financial awareness (%)					
	High	Moderately high	Neutral	Moderately low	Low	*Base= 100%*
Annual household income						
Less than £13,500	6	15	48	23	9	*1,798*
£13,500 to £25,000	9	18	47	21	5	*2,329*
£25,000 to £50,000	14	22	43	16	5	*3,766*
£50,000 or more	20	23	39	13	4	*2,143*
DK/ NA	10	18	49	18	5	*3,137*
Household savings						

Zero	3	10	46	29	12	*2,526*
£1 < £1,000	4	12	51	25	8	*1,150*
£1,00+0 < £10,000	10	22	46	17	4	*2,963*
£10,000 < £20,000	16	26	43	13	2	*1,012*
£20,000 or more	31	30	32	6	1	*1,860*
Not known	11	19	50	16	4	*3,662*
Housing tenure						
Mortgage	12	20	47	16	4	*4,766*
Owned outright	21	28	39	10	2	*3,461*
Rented	5	13	48	26	8	*3,558*
Rent free/ other	6	14	48	23	9	*1,258*
Household composition						
Couple, with child(ren)	9	18	49	18	6	*2,731*
Couple, no child	16	23	43	15	4	*5,681*
One adult with child(ren)	7	14	50	22	7	*556*
One adult, no child	9	17	46	21	7	*4,107*
Age of respondent						
18 to 24	4	11	50	26	9	*1,479*
25 to 39	8	17	48	20	7	*3,773*
40 to 54	11	20	46	18	5	*3,268*
55 or over	18	25	41	13	3	*4,650*
Total	**12**	**20**	**45**	**18**	**5**	***13,172***

Figure A46: Level of financial awareness by spending orientation

Spending orientation	**Financial awareness (%)**					**Total (%)**
	High	**Moderately high**	**Neutral**	**Moderately low**	**Low**	
Strong or very strong	2	5	8	17	33	**10**
Neutral	10	18	38	34	39	**30**
Weak	21	30	28	26	19	**26**
Very weak	68	47	27	22	9	**34**
Base = 100%	*1,564*	*2,587*	*5,969*	*2,354*	*699*	*13,173*

Appendix B: Factors associated with households in financial difficulties

As shown earlier, the likelihood that households were experiencing objective financial difficulties – either taking action to deal with insolvency or in structural arrears on bills and payments – was strongly associated with a range of household characteristics. As some of these characteristics are themselves closely related, multivariate analysis was used to explore the extent to which these characteristics were independently associated with variation in the prevalence of financial difficulties.

Logistic regression on key household characteristics

The analysis was carried out using logistic regression, which is a modelling technique used to study the relationship between a dichotomous dependent variable and a set of independent or explanatory variables that can also be categorical. The regression models independent variables against the log odds of an event occurring, under the assumption of a linear relationship between independent variables and the outcome. The output provides an odds ratio for each category of the independent variables in the model, which indicates how each relates to the dependent variable. The odds ratio shows the effect on the likelihood of the outcome measure of being a respondent in that category, as compared with someone in the reference category for that characteristic.[68]

For the analysis shown here, the dependent variable was the combined indicator of financial difficulties based on either taking formal action to deal with insolvency or being in structural arrears. The model was run first with the standard respondent and household characteristics used throughout this report as independent variables. The results of the first model are summarised in Figure B1 which shows the independent variables which were significantly associated with the likelihood that households were in serious financial difficulties – i.e. either taking formal action to deal with debt or in structural arrears. A forward stepwise procedure was used for the model and the variables are listed in the order in which they entered the model.

As expected from the results of simple cross-tabulations, the characteristic most strongly associated with being in financial difficulties was the level of household savings. Having allowed for this effect there were, however, still statistically significant associations with most of the other variables used in the analysis, as listed in the table.

Households with zero and very low savings had very high odds ratios. After controlling for other characteristics in the model, households with zero savings were eleven times more likely than households with savings of £20,000 or more to be in financial difficulties and those

[68] A reference category is selected for each independent variable and is usually the category with the lowest likelihood of the outcome variable. This category is shown in the tables with an odds ratio of 1.00.

with savings of less than £1,000 were five times more likely. Having allowed for other characteristics, households in rented accommodation were about four times more likely than owner-occupiers to be in difficulties and those where one or more adults had lost their job in the past year were more than twice as likely as other households to have financial problems.

The associations between financial difficulties and both age and household income were evident after taking account of the effect of other variables. For example, households with an income of less than £25,000 per annum were more than twice as likely as households with an income of £50,000 or more to be experiencing financial difficulties. After taking account of all of the other variables in the model, the additional effects of household composition and of changes in household membership in the past year were still significant but odds ratios were not as large as those seen for other characteristics.

Figure B1: Logistic regression model for the likelihood of being in financial difficulties by standard household characteristics

Variable [1]	Odds ratios	95% confidence intervals	
		Lower	Upper
Household savings			
Zero	11.53	11.40	11.66
£1 < £1,000	5.34*	5.27	5.40
£1,000 < £10,000	2.32*	2.29	2.34
£10,000 < £20,000	1.27	1.25	1.29
£20,000 or more	1.00	-	-
Not known	2.78*	2.75	2.82
Housing tenure			
Mortgage	1.68*	1.67	1.70
Owned outright	1.00	-	-
Rented	3.91*	3.88	3.94
Rent free/ other	2.20*	2.19	2.22
Lost job in last year			
Yes	2.69*	2.68	2.70
Household composition			
Couple, with child(ren)	1.52*	1.52	1.53
Couple, no child	1.03	1.02	1.03
One adult with child(ren)	1.89*	1.88	1.90
One adult, no child	1.00	-	-
Annual household income			
Less than £13,500	2.14*	2.13	2.16
£13,500 to £25,000	2.15*	2.14	2.17
£25,000 to £50,000	1.47*	1.46	1.48
£50,000 or more	1.00	-	-

DK/ NA	1.11	1.10	1.12
Age of respondent			
18 to 24	1.00	-	-
25 to 39	2.35*	2.33	2.36
40 to 54	2.69*	2.67	2.71
55 or over	2.14*	2.12	2.16
Change in household composition in past year			
Split up or new baby/ child	1.48*	1.47	1.49
Baseline odds	*0.003*		

** Characteristic is significant at the 99% confidence level (p<001)*

[1] All variables shown are significant at the 99% confidence level (p<001). One variable was tested but not included in the model – 'one or more adults unemployed'.

Logistic regression on key household characteristics plus attitudinal indicators

The second analysis followed a similar pattern but also included as independent variables the two attitudinal indicators explored in Appendix C below – spending orientation and financial awareness. The results confirmed that both of these variables were significantly associated with the prevalence of financial difficulties and that they had an additional effect to the household characteristics in the first analysis. The results are shown in Figure B2.

With the addition of these two attitudinal measures, many of the odds ratios for other variables were reduced and this effect was most marked for the largest odds ratios. For example, the odds ratio for households with zero savings was about 7.6 compared with 11.5 in the previous model, and that for households with savings of £1,000 to £10,000 reduced from 5.3 to 3.8.

Figure B2: Logistic regression model for the likelihood of being in financial difficulties by household characteristics and attitudes

Variable [1]	Odds ratios	95% confidence intervals	
		Lower	Upper
Household savings			
Zero	7.68*	7.59	7.77
£1 to £1,000	3.86*	5.27	5.40
£1,000 to £10,000	1.90*	1.88	1.92
£10,000 to £20,000	1.17	1.15	1.18
£20,000 or more	1.00	-	-
Not known	2.21*	2.18	2.24
Housing tenure			
Mortgage	1.58*	1.57	1.59

Owned outright	1.00	-	-
Rented	3.60*	3.57	3.62
Rent free/ other	2.06*	2.04	2.08
Lost job in last year			
Yes	2.62*	2.61	2.64
Spending orientation			
Very strong	3.00*	2.97	3.03
Strong	2.34*	2.32	2.36
Neutral	1.82*	1.81	1.83
Against	1.72*	1.71	1.73
Very against	1.00	-	-
Age of respondent			
18 to 24	1.00	-	-
25 to 39	2.38*	2.36	2.40
40 to 54	2.91*	2.89	2.93
55 or over	2.44*	2.42	2.46
Annual household income			
Less than £13,500	2.25*	2.23	2.27
£13,500 to £25,000	2.23*	2.21	2.25
£25,000 to £50,000	1.46*	1.45	1.48
£50,000 or more	1.00	-	-
DK/ NA	1.14	1.13	1.15
Household composition			
Couple, with child(ren)	1.56*	1.55	1.57
Couple, no child	1.06	1.05	1.07
One adult with child(ren)	1.89*	1.88	1.91
One adult, no child	1.00	-	-
Financial awareness			
Low	2.29*	2.26	2.31
Moderately low	1.52*	1.51	1.54
Neutral	1.36	1.35	1.38
Moderately high	1.04	1.03	1.05
High	1.00	-	-
Change in household composition in past year			
New child or relationship breakdown	1.47*	1.46	1.48
Baseline odds	**0.002**		

** Characteristic is significant at the 99% confidence level (p<001)*

[1] *All variables shown are significant at the 99% confidence level (p<001). One variable was tested but not included in the model – 'one or more adults unemployed'.*

The odds ratios for the attitudinal indices worked in the expected directions. After allowing for the effect of all of the other variables in the model, households with a very strong spending orientation were three times more likely than households with a very weak spending orientation to be in financial difficulties. Similarly, households with low financial awareness were more than twice as likely as those with high financial awareness to be experiencing serious financial problems.

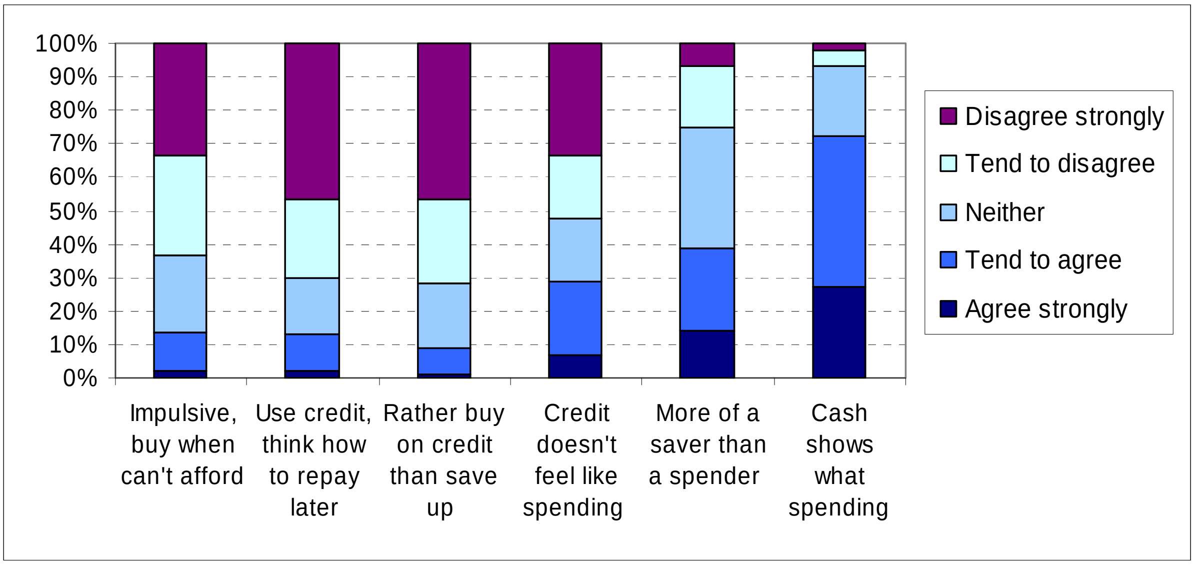
Appendix C: Financial attitudes

Recent analysis has suggested that financial attitudes may have an important role to play in the incidence of financial difficulty, although the causality of these relationships is again difficult to determine.

Attitudes to credit and saving

Respondents to the DebtTrack surveys are asked a substantial number of attitude questions, covering a range of topics related to their use of credit and knowledge about financial services. In each case they are presented with a statement and asked to respond on a five-point scale ranging from ‘agree strongly’ to ‘disagree strongly’. Results for selected statements are shown in Figure C1.[69] For most of the statements, 4-6% of respondents gave a “Don’t know” response and, for ease of comparison, these have been included with the category ‘neither agree nor disagree’.

Figure C1: Responses to selected attitude statements on credit use and saving[70], 2009/10



The statements vary in direction, so whether agreement or disagreement indicates a willingness to use credit. The first three statements shown in Figure C1 indicate a strong tendency to use credit even where repayment might cause difficulties and all are personal – “I am impulsive”, “I am prepared to” etc.[71] Levels of agreement with these statements were relatively low, ranging from 9-14%, and levels of disagreement ranged from 64-71%. As only

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[69] For further details see Appendix Table A42

[70] The statements illustrated here are: “I am impulsive and tend to buy things even when I can’t afford them”; “If I want something I am prepared to buy it on credit and think about how I will repay the money afterwards”; “I would rather buy things on credit than save up”; “Buying things on credit does not feel like spending”; “I am more of a saver than a spender”, and “Buying things with cash makes me realise how much I am spending”

[71] Further statements are shown in Table A42

a small minority of respondents agree with the statements, they may be useful indicators of people who have high and potentially problematic levels of spending and/or credit. There are also fairly strong correlations (with a correlation coefficient value of around 0.5) between responses to the various statements in this set.

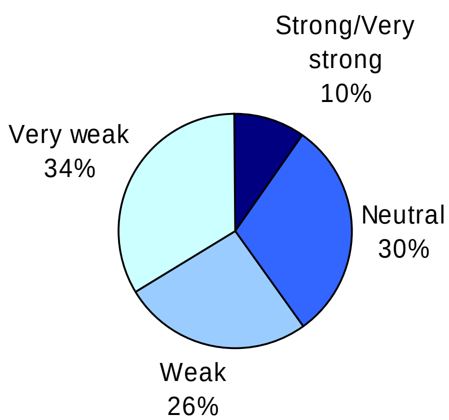
The second set of statements was more general and did not refer to the respondent's own actions, for example "Buying things on credit does not feel like spending". In this case there was much greater agreement with the statement; 29% of respondents said that they either "agree strongly" or "tend to agree". Responses to these general statements were not strongly correlated with other attitudes.

The final set of statements indicated a preference for saving or delaying spending rather than using credit. These include the statement "I am more of a saver than a spender", which is a standard measure used on various surveys. Two-fifths (39%) of respondents to the DebtTrack survey said that they were more of a saver than a spender and one quarter (25%) disagreed with the statement. The distribution of responses was similar to that seen for the larger Wealth and Assets Survey (WAS) sample, although there was a higher level of neutral responses here (36%, compared with 24% on WAS).

Spending orientation

In order to further explore the relationship between underlying attitudes and respondents' financial circumstances, selected attitude statements were combined to derive an index relating to credit use and saving. This was based on the 'Spending orientation' derived for the Wealth and Assets Survey sample, although the choice of statements differs between the surveys; the distribution is tabulated below.[72] Only 10% of respondents had a strong or very strong spending orientation, indicating a tendency to buy things immediately, even if they could not be afforded. Those with a weak spending orientation had a preference for saving rather than spending.

Figure C2: Spending orientation, 2009/10



There was a strong association between spending orientation and a range of indicators relating to a household's financial position, though the direction of causality is not clear. It is

[72] In this case the index used three of the statements shown in Figure C1: "I am impulsive and tend to buy things even when I can't afford them", "If I want something I am prepared to buy it on credit and think about how I will repay the money afterwards" and "I am more of a saver than a spender".

probable that attitudes to saving and credit use are affected by a respondent's current circumstances as well as influencing the behaviour that can lead to financial problems.

As shown in Figure C3, the likelihood of having a large number of unsecured credit commitments varied from 35% of those with a very strong spending orientation to just 2% of those with a very weak spending orientation. Similarly, the likelihood that respondents often struggled to last until payday ranged from 66% to 9% for these groups.

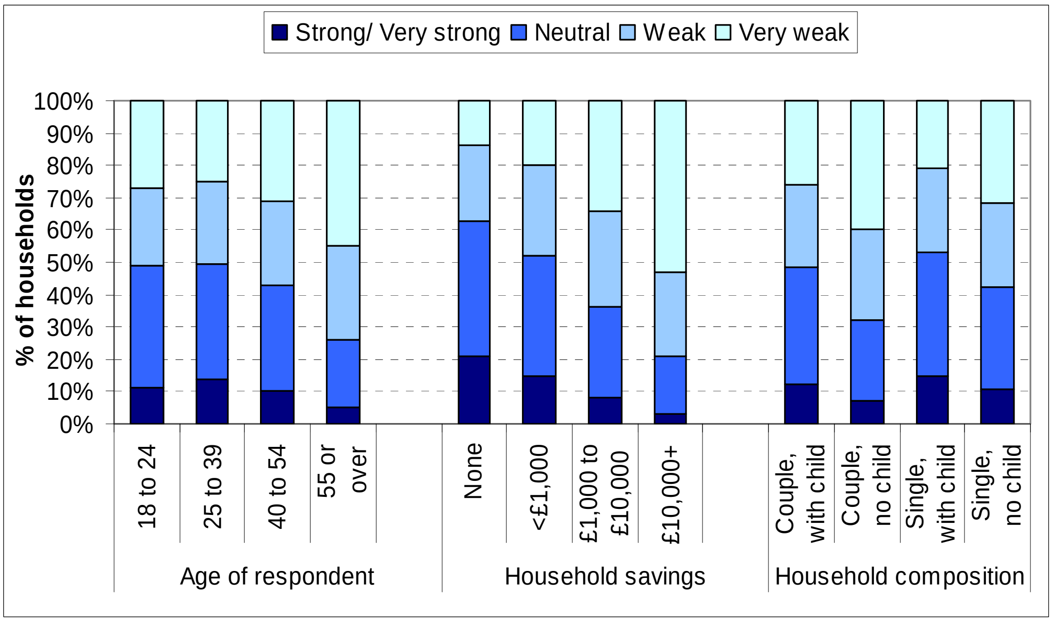
Figure C3: Financial circumstances by spending orientation

	Spending orientation (%)					**Total sample (%)**
	Very strong	**Strong**	**Neutral**	**Weak**	**Very weak**	
Has any unsecured credit commitments	95	90	72	58	37	**58**
Has 4 or more credit commitments	35	23	11	5	2	**8**
Financial difficulties (action on debt or in structural arrears)	33	23	16	11	5	**12**
Constantly struggle to keep up or falling behind with payments	59	44	30	21	12	**23**
Commitments are a heavy burden	50	30	17	12	7	**14**
Often struggle to last until payday	66	43	29	18	9	**21**
Base = 100%	*309*	*952*	*3,979*	*3,487*	*4,445*	*13,172*

Spending orientation showed some variation by respondent characteristics, as illustrated in Figure C4.[73] Generally those who had less capacity to save because of their stage in the life-cycle and greater demands on their income were also most likely to have a high spending orientation on this measure. So respondents with zero or very small savings were more likely than those with higher savings to have a strong spending orientation – 15-21% of households with very low or zero savings had a strong or very strong spending orientation, compared with just 3% of households with savings of £10,000 or more. In contrast, couples with no children were less likely than other groups to have a strong or very strong spending orientation (7%, compared with 11% or more for other groups). Similarly, respondents aged 55 or over and those with savings of £10,000 or more were more likely than other groups to have a very weak spending orientation – 45% and 53%, compared with 34% overall.

[73] See Appendix Table A43

Figure C4: Spending orientation by selected household characteristics, 2009/10

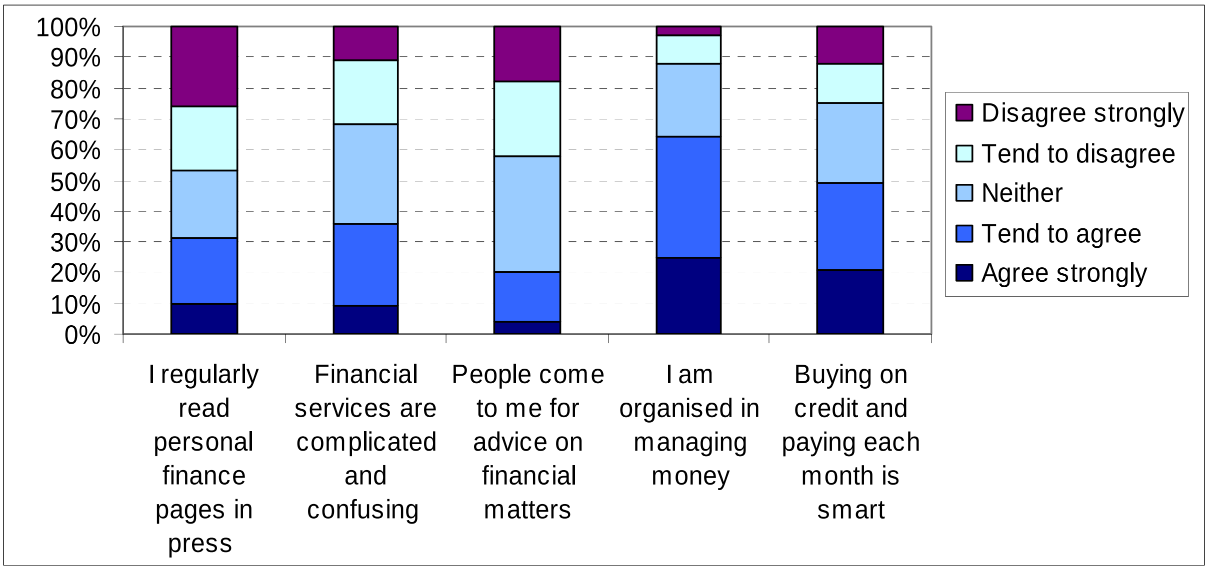


Financial awareness and knowledge

Respondents were also asked for their level of agreement with a series of statements relating to their financial awareness and general attitudes to products and providers. Responses to a selection of the statements are illustrated in Figure C5.[74] Most of the statements are in a similar direction, with agreement suggesting greater financial awareness, apart from “Financial services are complicated and confusing to me”.

[74] For further details see Appendix Table A44

Figure C5: Responses to selected statements on financial awareness[75], 2009/10



There was considerable variation in the level of agreement with the statements. The first two statements deal most specifically with financial knowledge and are probably most useful in defining those who have low financial capability. Almost one third (31%) of respondents agreed that they regularly read the personal finance pages in the press and a similar proportion (32%) disagreed with the statement that "Financial services are complicated and confusing to me". A somewhat smaller proportion (20%) agreed that "Friends and family often come to me for advice on financial matters", although this is less useful as a measure of financial knowledge as it involves a comparison with others. There was a much higher level of agreement (64%) to the statement "I am organised when it comes to managing money on a day to day basis". All of these statements showed reasonably strong associations (with correlation coefficient values of 0.3-0.4).

The other three statements showed weaker associations with this first group. The first two relate to use of financial products, so are more specific than those discussed above. One half (49%) of respondents agreed that buying things on credit and paying back each month was a smart way to manage money. Most respondents (74%) agreed with "I would only buy financial products from a company I have heard of and trust" and only a small minority (5%) disagreed. The final statement relates to the extent to which respondents themselves made use of 0% interest deals rather than their general views of this type of action, so it is perhaps of more limited applicability for an index of financial awareness. Not surprisingly, most respondents (61%) disagreed with the statement.

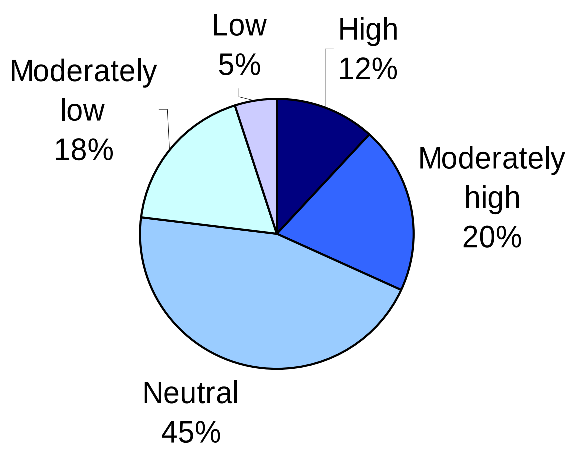
Index of financial awareness

For further analysis, an index of financial awareness was created based on responses to the statements whose wording was considered most relevant and which showed fairly strong

[75] The statements illustrated here are: "I regularly read the personal finance pages in the press"; "Financial services are complicated and confusing to me"; "Friends and family often come to me for advice on financial matters"; "I am organised when it comes to managing money on a day to day basis", and "Buying things on a credit card and paying everything back each month is a smart way to manage your money"

correlations.[76] Overall, about a quarter (23%) of respondents were classified as having low or moderately low financial awareness, and about one third (32%) with high or moderately high awareness. The relatively large proportion of respondents (45%) classified as being in the neutral category on this index reflects the large proportion of 'neither agree nor disagree' responses to the attitude statements from which it is derived.

Figure C6: Index of financial awareness, 2009/10



There was a strong association between this index of financial awareness and a range of indicators relating to a household's financial position. As seen in Figure C7, the likelihood of a household having severe financial difficulties ranged from 29% for those classified with low financial awareness to 3% of those with high financial awareness. There was an even more marked variation in the proportions of respondents who said that they constantly struggled to keep up or were falling behind with payments, from 49% of those with low financial awareness to just 7% of those with high awareness. Households with low financial awareness were also more likely than other groups to be using unsecured credit (81%, compared with 58% overall) and to have four or more unsecured credit commitments (17%, compared with 8% overall).

Figure C7: Financial circumstances by index of financial awareness

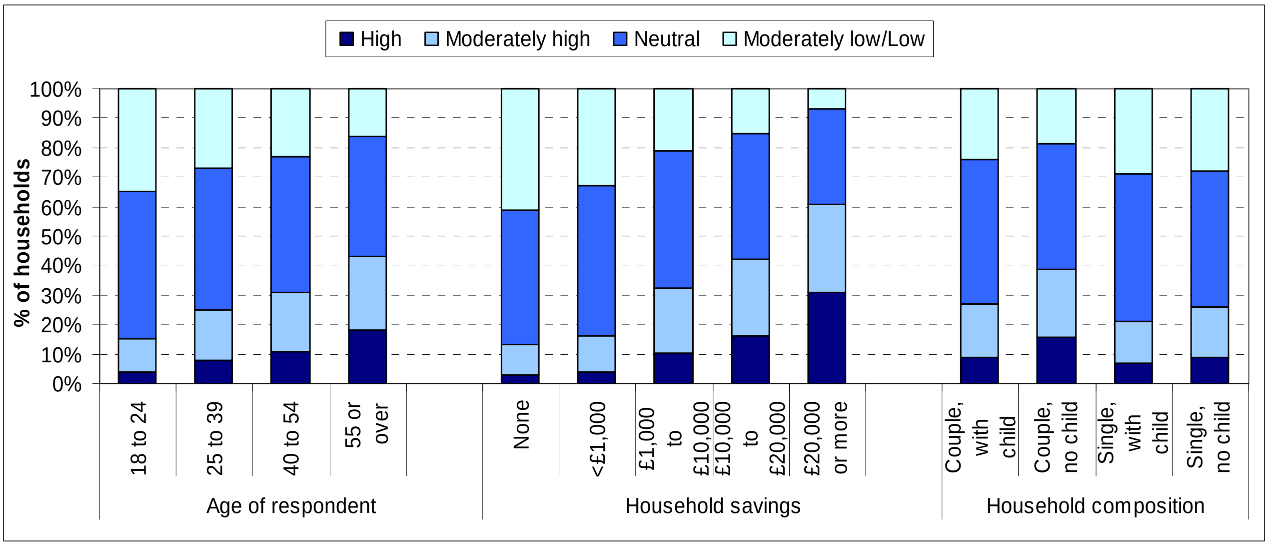
	Index of financial awareness (%)					Total sample (%)
	High	Moderately high	Neutral	Moderately low	Low	
Has any unsecured credit commitments	35	47	61	73	81	58
Has 4 or more credit commitments	2	4	8	12	17	8

[76] The statements used in the index were: "I regularly read the personal financial pages in the press", "Financial services are complicated and confusing to me" and "I am organised when it comes to managing money on a day to day basis".

Financial difficulties (action on debt or in structural arrears)	3	6	12	18	29	12
Constantly struggle to keep up or falling behind with payments	7	13	24	34	49	23
Commitments are a heavy burden	5	8	13	22	36	14
Often struggle to last until payday	6	10	22	33	51	21
Base = 100%	*1,564*	*2,585*	*5,971*	*2,354*	*698*	*13,172*

As for spending orientation, this index again showed considerable variation by respondent characteristics as illustrated in Figure C8.[77] Financial awareness increased through the age range – 43% of respondents aged 55 or over had high or moderately high financial awareness, compared with just 15% of those aged 18-24 and 25% of the 25-39 age group. This age effect may explain the higher levels of awareness for couples with no children (39%, compared with 21-28% for other groups). There was also a positive association with household income and a very strong association between financial awareness and level of savings – 61% of respondents with savings of £20,000 or more had high or moderately high financial awareness, compared with 32% overall.

Figure C8: Financial awareness by selected household characteristics, 2009/10

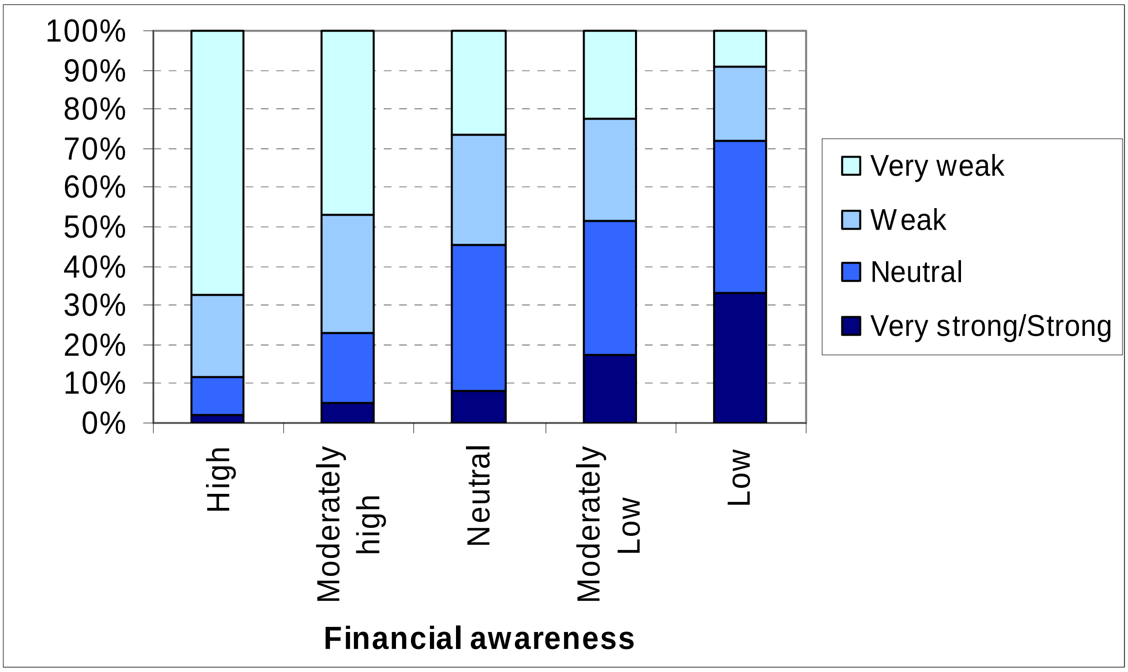


The financial awareness index was also strongly associated with spending orientation, as shown in Figure C9.[78] Those with low financial awareness were much more likely than other groups to have a strong or very strong spending orientation – 33%, compared with 2-5% of those with high or moderately high financial awareness. Conversely, more than two-thirds

[77] See Appendix Table A45
[78] See Appendix Table A46

(68%) of those with high financial awareness had a very weak spending orientation, which compares with one third (34%) of the whole sample.

Figure C9: Spending orientation by index of financial awareness, 2009/10



Appendix D: Debt advice

Free and impartial debt advice is a vital safety net for many vulnerable consumers, improving their ability to manage financial commitments and avoid more costly consequences. In the DebtTrack surveys, all respondents who said that they had some difficulties keeping up with bills and payments[79] 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 2009/10, around 7% of respondents who had some difficulties keeping up with bills and payments had sought professional debt advice in the preceding six months (Figure D1). This was equivalent to 4% of the total sample.

Due to differences in question routing, comparison with 2008/9 requires that the proportion is calculated for the smaller group of respondents who either said they struggled to keep up with bills and commitments 'constantly' or were falling behind with payments. Of these respondents, 13% in 2009/10 had sought professional advice on debt, which is broadly similar to the level seen in 2008/9 (14%). However, the data suggest that the likelihood of having sought advice decreased during the last year, from 14% in November 2009 and March 2010 to 11% in June and October 2010.

Figure D1: Proportion of respondents who had sought professional advice on debt in the previous 6 months: July 2008 to October 2010

	2008/9 (%)	Nov 2009 (%)	Mar 2010 (%)	June 2010 (%)	Oct 2010 (%)	2009/10 (%)
% of those asked the question[a]	-	8	7	5	5	7
Base	-	*2,120*	*2,170*	*1,618*	*1,675*	*7,583*
% of those who constantly struggled/ were falling behind with payments[b]	14	14	14	11	11	13
Base	*3,258*	*959*	*922*	*549*	*593*	*3,023*
% of total sample who sought professional debt advice	4	5	4	3	3	4
Base : total sample	*14,132*	*3,339*	*3,696*	*3,098*	*3,040*	*13,173*

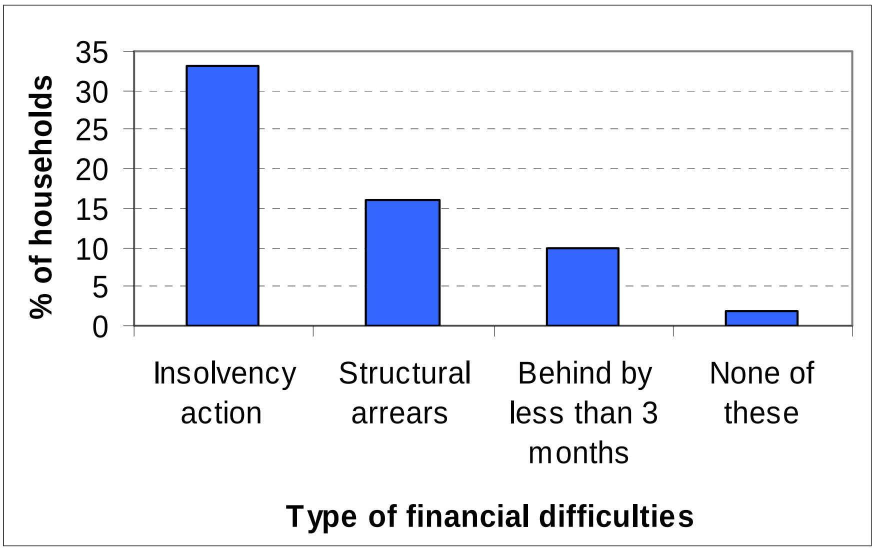
[79] Either constantly struggled or were falling behind with payments

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

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

The likelihood of having sought advice on debt was strongly associated with the severity of the household's financial difficulties, as shown in Figure D2. Not surprisingly, households that were involved in action to deal with their debt problems were more likely than other groups to have sought professional advice on debt in the reference period: one third (33%) had done so. Households in structural arrears were about half as likely to have sought advice (16%), and one-tenth (10%) of those who were one to three months behind with payments had done so. Some 2% of households that did not have any of these problems at the time of interview had nonetheless sought debt advice in the past six months.

Figure D2: Likelihood of having sought professional advice on debt in the past 6 months by type of financial difficulties, 2009/10



Reasons for not seeking advice

The main reasons for not seeking advice are shown in Figure D3. By far the most common response, given by 66% of those not seeking advice, was that the respondent did not feel he or she needed advice. Only a very small minority of respondents said that they were unaware of the services available (2%) or did not know how to contact providers (3%) and a similar proportion (3%) had not sought advice because they felt they had received bad advice in the past.

Respondents who had financial problems or who felt that they constantly struggled to keep up with their commitments were less likely to say that they did not need advice (40% and 44% respectively, compared with 66% overall). Those facing actual financial problems (taking formal action to deal with debt or in structural arrears) were more likely than average to give most of the other reasons, such as they had received advice before (11%), had not got round to seeking advice (11%) or did not know how to contact advice providers (7%).

Figure D3: Reasons for not seeking professional advice on debt by financial circumstances of the household

	Constantly struggled to keep up or falling behind (%)	In arrears or taking formal action on debt (%)	All not seeking debt advice (%)
Do not feel I/we need such advice	44	40	66
Had advice before and know what to do	11	11	7
Got advice elsewhere e.g. friend, website	9	10	6
Not got round to it yet	8	11	4
Don't know how to contact providers	5	7	3
Had bad advice in past, don't want to return	5	7	3
Not aware such services available	4	5	2
Base – Households that had not sought advice	*2,486*	*1,019*	*6,871*

Agencies contacted

Members of the DebtTrack sample who had sought advice were most likely to have contacted a Citizen's Advice Bureau (31%) followed by the Consumer Credit Counselling service (24%). The next most popular sources for advice were a professional adviser such as a bank or accountant (19%) and National Debtline (12%). Much smaller proportions had used PayPlan (9%), the Money Advice Service (8%) or the Insolvency Service (6%).

Figure D4: Agencies contacted for debt advice

Agency	**All respondents seeking advice on debt (%)**
Citizen's Advice Bureaux (CABx)	31
Consumer Credit Counselling Service (CCCS)	24
Professional adviser (accountant, lawyer, bank)	19
National Debtline (NDL)	12
Payplan	9
Money Advice Service (MAS)	8
Other advice centre	7
Insolvency Service	6
Other	19
Base	*506*

A comparison of the characteristics of households using the four main agencies is shown in Figure D5 although, due to small sample numbers, it is difficult to draw conclusions about possible differences. The data suggest that respondents who used Citizens Advice Bureaux were more likely than those using other agencies to be in the lowest income band (less than £13,500 per annum). Renters and single-adult households also tended to be over-represented among CABx users. Respondents who sought advice from a professional adviser, such as an accountant or bank, were less likely than other groups to have severe financial problems – 33% were neither in severe difficulties nor one to three months behind with any payments. Users of National Debtline were less likely than average to be in the oldest age group (55 or over) or to be in a single-adult household. Those who used CCCS appeared to be typical of all respondents seeking professional advice.

Figure D5: Characteristics of households contacting main advice agencies

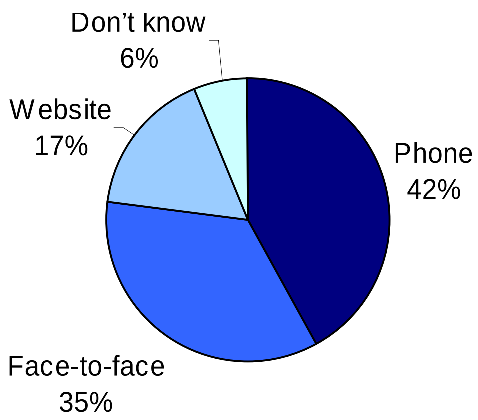
	CABx (%)	CCCS (%)	Professional adviser (%)	NDL (%)	All (%)
Annual household income					
Less than £13,500	35	23	17	17	24
£13,500 to £25,000	27	29	31	31	27
£25,000 to £50,000	21	30	33	33	28
£50,000 or more	3	9	5	8	8
DK/ NA	13	8	13	11	13
Housing tenure					
Mortgage	35	43	43	46	43
Owned outright	9	5	10	8	7
Rented	51	47	41	40	43
Rent free/ other	6	5	4	6	7
Age of respondent					
18 to 39	35	37	37	41	36
40 to 54	36	31	33	35	35
55 or over	29	32	30	25	29
Household composition					
Couple, with child(ren)	27	32	33	34	30
Couple, no child	26	34	29	39	30
One adult with child(ren)	10	7	6	6	8
One adult, no child	37	28	31	20	32
Financial problems					
Insolvency action or structural arrears	73	81	51	77	68
1 month behind with payments	10	6	16	12	10

None of these	16	12	33	11	22
Base = 100%	*156*	*122*	*95*	*63*	*506*

Mode of contact

In the 2009/10 surveys, respondents who sought professional advice on debt were asked about their preferred method of making contact with debt advice organisations. Around two-fifths (42%) of people favoured contact by phone and a slightly smaller proportion (35%) favoured face-to-face contact for obtaining advice on debt. Using a website was less popular, being the preferred method of contact for just 17% of respondents.

Figure D6: Preferred method of contact for debt advice, 2009/10



There was some variation in preferred method of contact by household characteristics, although again base numbers are too small to draw firm conclusions (Figure D7). Face-to-face contact appeared to be more popular among respondents in the lowest income group (45%, compared with 35% overall). The method was also more popular among older respondents, preferred by 39% of those aged 55 or over, compared with 31% of those aged 18-39. Using the telephone was the preferred method of contact for couples with no children (48%, compared with 38-39% for other groups) and using a website tended to be more popular among higher-income households, chosen by 26% of those with an annual income of £25,000 or more, compared with 17% overall.

Figure D7: Preferred method of contact by respondent characteristics

	Face-to-face (%)	Phone (%)	Website (%)	Don't know (%)	*Base= 100%*
Annual household income					
Less than £13,500	45	36	13	6	*122*
£13,500 to £25,000	35	50	12	3	*137*
£25,000 or more	27	40	26	7	*179*
DK/ NA	*41*	*37*	*12*	*10*	*68*
Household composition					
Couple, with	36	39	19	6	*150*

child(ren)					
Couple, no child	28	48	17	7	*154*
One adult with child(ren)	*38*	*38*	*21*	*2*	*42*
One adult, no child	41	39	14	6	*160*
Age of respondent					
18 to 39	31	42	18	8	*186*
40 to 54	37	38	22	4	*176*
55 or over	39	46	10	6	*145*
Total	35	42	17	6	*506*

Note – small sample groups are shown in italics.

Figure D8 shows the agencies used by those preferring the three methods of contact; again sample sizes are small but there are some clear differences in the pattern of usage. Those who preferred face-to-face contact were the most likely group to have used Citizen's Advice Bureaux (40%, compared with 31% overall) and were also more likely to have contacted a professional adviser, such as a bank (30%, compared with 19%). Those who preferred telephone contact or use of a website were more likely to have used the CCCS (35%, compared with 24%) and National Debtline (17%, compared with 12%).

Figure D8: Agencies used by preferred method of contact

Agencies used	**Face-to-face (%)**	**Phone (%)**	**Website (%)**	**All (%)**
Citizen's Advice Bureaux (CABx)	40	27	21	**31**
Consumer Credit Counselling Service (CCCS)	9	35	34	**24**
Professional adviser (accountant, lawyer, bank)	30	11	13	**19**
National Debtline (NDL)	7	17	16	**12**
PayPlan	7	12	12	**10**
Money Advice Service (MAS)	8	7	9	**8**
Insolvency Service	4	7	7	**5**
Base = 100%	*178*	*211*	*87*	*506*

[1] Respondents may have contacted more than one agency.

In the most recent surveys, in June and October 2010, respondents were also asked how they had made contact with the debt advice organisation on the last occasion that they received advice. This could have been the initial contact or the latest of a number of follow-up calls. Overall, three-fifths (60%) of respondents who had sought advice had made contact by phone on the last occasion, which was a higher proportion than for the preferred method of contact. About a quarter (26%) had received advice face-to-face.

Figure D9: Method of contact used for most recent contact with agency by preferred method of contact: June and October 2010

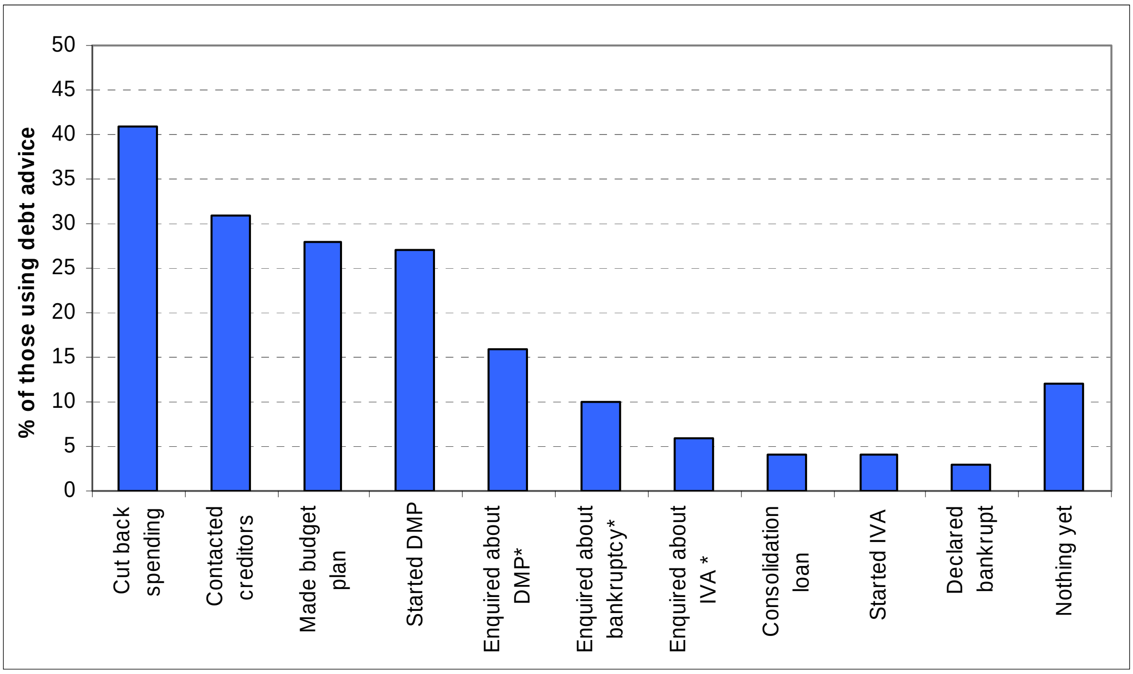
Method of contact on last occasion	Preferred method of contact			All (%)
	Face-to-face (%)	Phone (%)	Website (%)	
Face-to-face	**57**	5	10	26
Phone	34	**92**	48	60
Website	4	3	**38**	9
Don't know	5	-	3	5
Base = 100%	*56*	*73*	*29*	*172*

Figure D9 compares the method used on the last occasion with the respondent's preferred method of contact. Given that most respondents had made contact by telephone on the last occasion, it is not particularly surprising that those who preferred to make contact by phone were the most likely group to have used their preferred method last time (92% of the group). About three-fifths (57%) of those who preferred face-to-face contact had received advice in this way on the last occasion and 34% had made contact by phone. Only 38% of those who preferred to obtain advice from a website had done so on the last occasion and almost one half (48%) of this group had made contact by telephone.

Action taken after receiving advice

Figure D10 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 (41%), followed by making contact with creditors (31%) and setting out a budget plan (28%). More than one quarter (27%) of those who had sought advice on debt had entered into a Debt Management Plan or similar scheme, and a further 16% 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.

Figure D10: Action taken after debt advice, 2009/10



** Enquired about scheme but had not entered into it*

There are indications that the type of action taken by respondents varied according to the agencies contacted, although base numbers are small and only very large differences (more than 10%) are likely to be meaningful (Figure D11). The data suggest that respondents who received advice via PayPlan were less likely than others to say that they had cut spending (29%, compared with 41% overall) but more likely to have enquired about or entered into a DMP or similar scheme (71%, compared with 43% overall). Respondents who had consulted their bank or another professional adviser appeared more likely than others to have taken out a consolidation loan (10%, compared with 4% overall). Those who had consulted CCCS were more likely than others to have contacted their creditors (50%, compared with 31% overall) and also very likely to have enquired about or entered into a DMP (58%, compared with 43% overall).

Figure D11: Action taken after receiving advice on debt by agency used

Action taken	**CABx (%)**	**CCCS (%)**	**Professional adviser (%)**	**NDL (%)**	**PayPlan (%)**	**All (%)**
Cut spending	46	48	52	41	29	41
Contacted creditors	43	50	29	38	23	31
Set budget plan	31	38	29	41	31	28
Entered into or enquired about DMP/DAS/DPP	46	58	39	58	71	43
Entered into or enquired about IVA/bankruptcy	28	22	21	20	25	20
Took out consolidation loan	2	2	10	2	2	4
Something else	8	11	18	5	2	10
Base = 100%	*155*	*122*	*95*	*64*	*48*	*506*

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