Department for Business Innovation & Skills

CREDIT, DEBT AND FINANCIAL DIFFICULTY IN BRITAIN, 2012

A report using data from the YouGov DebtTrack survey

JUNE 2013

Contents

Executive Summary

This report updates trend information on credit use and the extent of consumer indebtedness using data from the YouGov DebtTrack survey, an on-line survey carried out between February and November 2012.

The analysis suggests a continued decrease in the proportion of households using unsecured credit and a flattening of demand for additional credit products. However, amounts of unsecured credit and debt ratios show no clear trend. The data for 2012 indicate that the incidence of financial difficulty, as measured by both objective and subjective indicators, has levelled out after decreasing in previous years. About one in ten households were either taking formal action on debt problems or more than three months in arrears on payments.

The report presents findings from the 2012 DebtTrack surveys and considers trends in key indicators since 2008/09, as covered in previous reports.[1] The DebtTrack is a quarterly survey conducted online which collects data about the financial situation of a random sample of adults from a YouGov panel of volunteers. The data are subsequently weighted back to GB population totals.

Key Findings

Unless otherwise stated, the figures quoted in this report are based on the combined sample for the four DebtTrack surveys carried out between February and November 2012, so represent average figures for 2012.[2]

Use of Credit

Unsecured Credit

- The average proportion of households with unsecured credit commitments decreased from 54% in 2011 to 52% in 2012. The proportion of heavy credit users – those holding four or more different types of credit – also decreased from 6% to 5%.

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[1] http://www.bis.gov.uk/assets/biscore/consumer-issues/docs/10-830-over-indebtedness-second-report
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31846/11-963-credit-debt-in-britain-2009-10.pdf
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/36991/12-948-credit-debt-financial-difficulty-in-britain-2011.pdf
[2] The overall sample size for the four surveys is just under 8,000.

- The use of the most common credit products declined relative to 2011 following a more marked decline in earlier years. Credit cards remained the most common source of unsecured credit, held by 24% of households, followed by authorised overdrafts (14%).

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

- There was some variation in the type of credit products by household characteristics. Lone-parent households had notably high prevalence of high-cost credit and DSS/ Social Fund loans. Couples with children were particularly likely to be using mainstream credit, credit and store cards and mail order/ hire purchase.

Demand for credit

- As in 2011, about one in six (16%) of respondents had applied for an unsecured credit product in the previous six months. One in twelve (8%) of respondents said that they were 'very likely' or 'fairly likely' to need to borrow money in the next 3 months, which was a reduction on the figure for 2011 (10%).

- More than three quarters of applications for some products, including store cards and payday loans, were approved for the full amount. Applications for unsecured personal loans and overdrafts were the most likely to have been rejected (29% and 25% of applications). Rejection rates for most products have decreased since 2009/10.

Secured credit

- The proportion of households with a mortgage or secured loan in 2012 was 36%. This was a reduction on the proportion in 2008/09 (40%) although the figure has fluctuated from year to year.

- One fifth (22%) of households had both secured and unsecured credit, 14% only had a mortgage or secured credit and 30% only had unsecured credit.

Debt and savings

Household indebtedness

- Average levels of debt among borrowers have shown little change in recent years. In 2012 the mean amount of unsecured debt was £9,100 (median £5,000). One quarter (23%) of borrowers had unsecured debts of £1,000 or less while 30% owed more than £10,000.

- As in previous surveys, student loans were, on average, the largest (mean of £12,900) followed by personal loans (£7,200) and car finance loans (£6,000).

- The average level of secured debt was £88,300 in 2012, which compares with £91,800 in 2011. Combining values for secured and unsecured credit gives an average total debt of £52,800 in 2012 for households using some form of credit.

- Most households had a modest debt-to-income ratio; one half (54%) had a debt-to-income ratio of 20% or less. One in six households (17%) had unsecured debts amounting to more than 60% of annual household income.

- The majority of households appear to be in a sustainable position based on repayment-to-income ratios for unsecured debts. More than one half (56%) of borrowing households had repayments equivalent to 10% or less of their income although 13% were spending more than 30% of their income on unsecured credit repayments.

- Young respondents (aged 18 to 24) were most likely to have high levels of unsecured debts. High debt-to-income ratios were found among lower income groups, one-person and lone-parent households as well as for young respondents. High repayment-to-income ratios were most common among lone-parent and low-income households.

Household savings

- Most households had very low levels of ‘liquid’ (i.e. easily accessible) savings, with three-fifths (58%) having savings of less than £5,000. In particular, households using unsecured credit had below-average savings; one half (51%) 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 (40% compared with 30% overall) and those who owned their home outright (50%), and below-average for lone-parent households (11%).

Financial difficulty

Objective indicators of financial difficulty

- The proportion of households more than three months in arrears on bills and payments has remained stable over the last two years at 7%. The incidence of arrears previously decreased from 9% in 2009/10.

- Some 6% of households were involved in formal action on debt – bankruptcy, an Individual Voluntary Arrangement or a Debt Management Plan. This proportion decreased from 7% in 2008/09 to 5% in 2011 but appears to have stabilised.

- Combining these two measures, 11% of households were defined as being in financial difficulties. This compares with 10% in 2011 and again suggests that the incidence of difficulties has stabilised after decreasing from 13% in 2008/09.

- Households with little or no savings and those with low income were more likely than others to be in financial difficulties. Lone-parent households had a very high rate of difficulties (33% compared with 11% overall).

Subjective indicators of financial difficulty

- Subjective indicators of financial difficulty also appear to have stabilised from 2011 to 2012 after decreasing in earlier years. One fifth (22%) of respondents said that they constantly struggled to keep up with bills and payments or were falling behind, 19% said that they struggled to last to the next payday ‘more often than not’ and 12% considered that keeping up with bills and credit commitments was a heavy burden.

- Overall, one in six respondents (16%) gave a positive response on two or more of these measures. One half (49%) of this group were neither experiencing severe financial difficulties nor beginning to fall behind on their bills and payments.

Households at risk of financial difficulty

- About 11% of households might be considered at risk of financial difficulties. These households were not experiencing severe financial difficulties (either taking action on debt or in structural arrears) but showed signs of financial stress on at least two of the subjective indicators.

- Most respondents who were under financial stress said that their financial situation had deteriorated in the past six months (80%). They were very likely to be often overdrawn (45%) or using credit for everyday expenses (33% used credit ‘all the time’).

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

Debt advice

- In 2012, 7% of respondents who had some difficulties keeping up with bills and payments had sought professional debt advice in the previous six months. This returns to the level seen in 2009/10 after a fall in 2011 (to 5%).

- As in previous years, by far the most common reason given for not seeking advice was that respondents did not feel they needed advice (54%). About one in seven respondents had either received advice in the past and knew what to do (7%) or had got advice elsewhere (7%).

- The most common types of action reported by respondents after receiving advice were that they had cut back on spending (36%), set out a budget plan (26%) or contacted creditors (25%).

Background

Conducting in-depth analysis of groups who are either already in or at risk of falling into financial difficulties requires detailed survey data. This is the fourth in a series of BIS reports using data from the YouGov DebtTrack Surveys since 2008/09.[3] This latest report is based on the DebtTrack surveys carried out between February and November 2012.[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. Since November 2009 there has only been a cross-sectional survey.

These results from the DebtTrack survey are based on four cross-sectional surveys conducted at intervals between February and November 2012. The sample size for the survey was reduced in 2011 from around 3,000 to 2,000 respondents per quarter. Most of the figures quoted in this report are based on the combined sample of 7,998 respondents to the four surveys, so represent average figures for 2012.

The quarterly DebtTrack survey collects data from a sample of around 2,000 adults aged 18 or over. An invitation to take part in the survey is sent by e-mail to a randomly-selected sample of individuals from the YouGov plc GB panel [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, to provide a nationally-representative sample.

Comparability with previous surveys

The DebtTrack is particularly valuable in being able to provide regular and timely updates on the financial position of households in Great Britain and how they have been affected by the changing macroeconomic climate. Most of the trends discussed in this report involve comparison with the earlier rounds of the DebtTrack survey, which utilised similar methodology and survey design although there have been some changes in question wording and routing that may affect comparisons over time.

Comparison of results with other surveys is complicated by possible differences in methodology, including differences in precise question wording and in the context in which

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[3] Reports are referenced at footnote 1.
[4] See http://www.yougov.co.uk/corporate/specialisms/specialisms-financial-debttrack.asp?submenuheader=1
[5] The panel has over 350,000 members.

questions are asked, sample structure [6] and survey mode.[7] Some of the measures used in this report are compared with published results from the Wealth and Assets Survey, carried out by the Office for National Statistics[8] which uses face-to-face interviewing and has other design attributes that may affect comparability with the DebtTrack.

Themes

Three main areas are addressed in this report.

Use of credit

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

Debt and savings

This section explores levels of unsecured and secured debt for households and looks at variation in measures of indebtedness relative to household income. It also includes data on levels of liquid savings.

Financial difficulty

This section presents trend data on both objective and subjective indicators of financial difficulty. It explores the overlap between different measures of difficulty and explores the characteristics of households which are either experiencing difficulties or under financial stress.

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[6] The DebtTrack sample is drawn from a pool of volunteers and data are weighted back to population totals. As with any quota sample, biases may occur if volunteers differ systematically from the population in terms of key measures relating to their financial situation – e.g. those who have more time to complete surveys or who are attracted by possible financial gain, which may in turn be related to the type of credit products used or to the incidence of financial difficulties.
[7] The DebtTrack is a self-completion survey that is administered online so it could under-represent those households that do not have access to the Internet, such as older people and low-income households. Additionally, self-completion surveys may result in a greater degree of measurement error than surveys using face-to-face interviews.
[8] http://www.statistics.gov.uk/downloads/theme_economy/wealth-assets-2006-2008/Wealth_in_GB_2006_2008.pdf

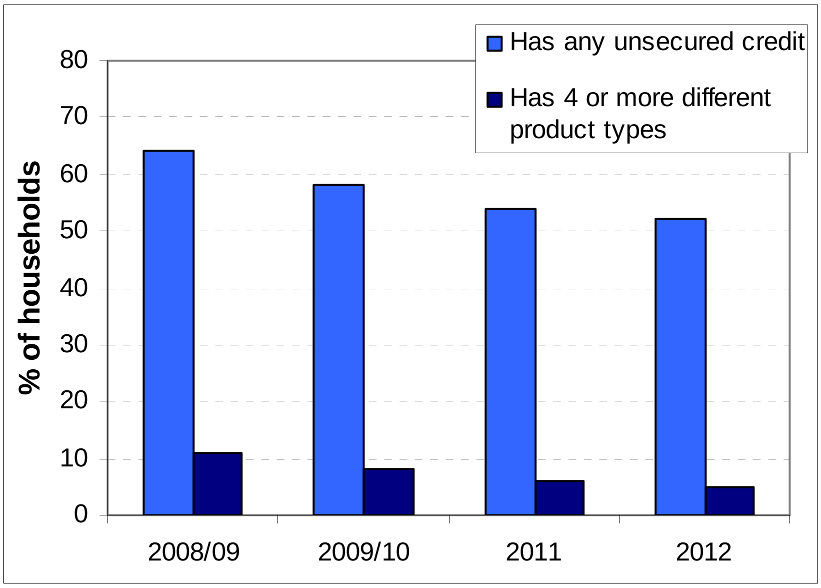
Use of credit

The use of unsecured credit continued to decrease between 2011 and 2012 although the rate of decline has slowed. Since 2008/09 there has been a decrease in use of mainstream products such as credit cards, authorised overdrafts and personal loans while use of minority products such as hire-purchase and high-cost credit has remained broadly stable. The pattern of credit use remains broadly unchanged, with high usage among households with low savings and those with dependent children, and low usage among older respondents (aged 55 or over).

Unsecured credit

In 2012, just over one half (52%) of responding households had some form of unsecured credit commitment (Figure 1). This was a lower level than recorded for 2011 (54%) and continues the decrease in prevalence seen since 2008/09 (64%) although the rate of decline has slowed. There was a corresponding small reduction in the proportion of households using a large number of different types of credit; in 2012, 5% of households had four or more different types of unsecured credit compared with 6% of households in 2011 and 11% in 2008/09.[9]

Figure 1: Use of unsecured credit and number of credit products, 2008/09 to 2012



[9] Further details of the number of credit products held are given in Appendix Table A1.

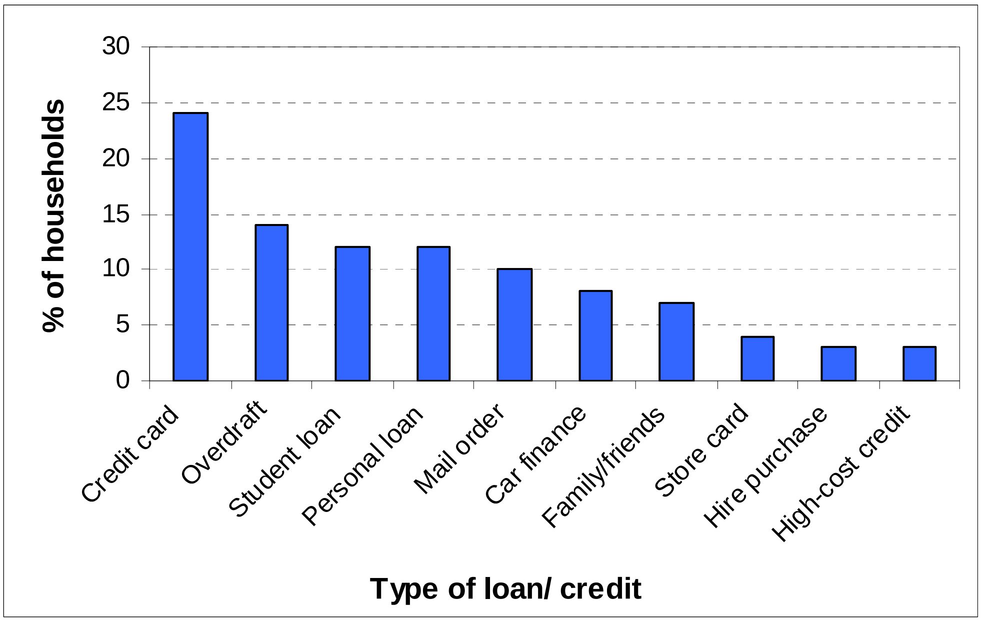
A similar decrease was also seen in the proportion of households with any form of credit including mortgages and secured credit, from 75% in 2008/09 to 68% in 2011 and 65% in 2012.[10]

Types of credit products

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

In 2012, as in previous years, the most common source of unsecured credit was credit cards (24% of households) followed by authorised bank overdrafts (14%) (Figure 2). Other major sources were student loans (12% of households), personal loans (12%) and mail order accounts (10%). Informal loans from family or friends were used by 7% of the sample, and 3% had a hire-purchase agreement or were using high-cost credit sources (home-collected credit, payday loans and pawnbroker loans).

Figure 2: Main sources of unsecured credit



In line with the overall reduction in use of unsecured credit, the prevalence of most of the major types of credit has decreased in recent years although the decline has tended to level out (Figure 3).[11] The three most common mainstream sources – credit cards, authorised overdrafts and personal loans – all showed a steep decrease since 2008/09, and the largest change in the past year was for authorised overdrafts (from 17% of

[10] See Appendix Table A2.
[11] See Appendix Table A3

households in 2011 to 14% in 2012). Use of less common products such as hire-purchase and high-cost credit has remained relatively stable over the past four years.

Figure 3: Prevalence of selected types of unsecured credit, 2008/09 to 2012

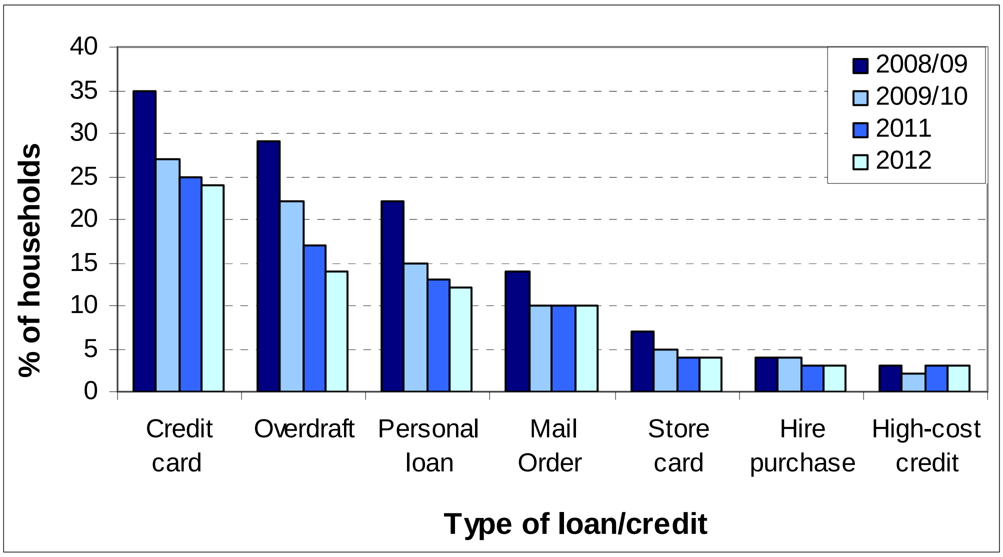
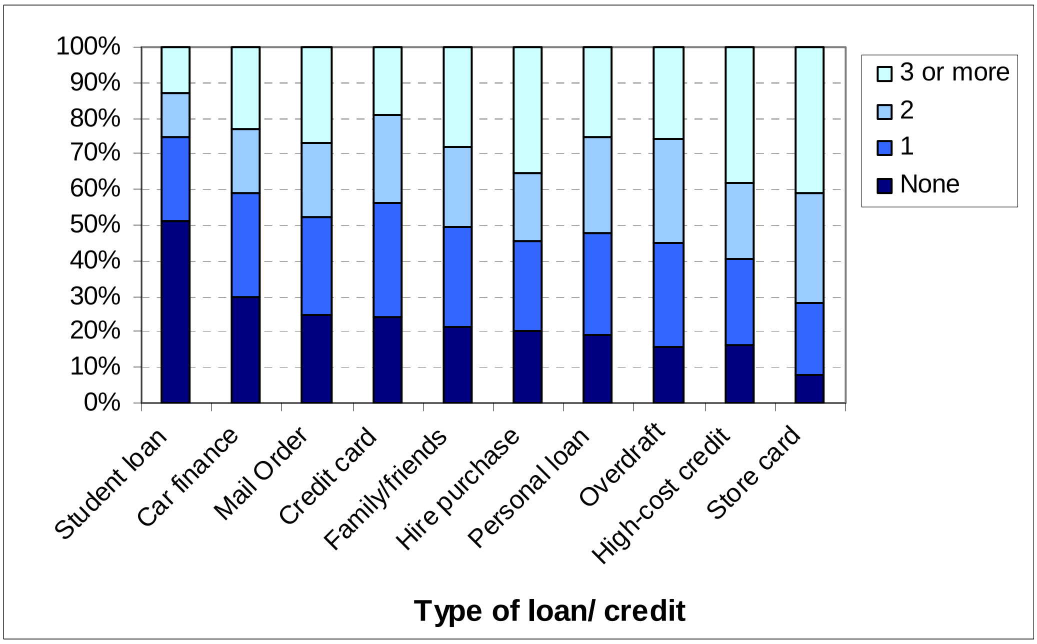


Figure 4: Number of other types of unsecured credit held by users of main credit products



Overall, almost one half (48%) of users of unsecured credit had only one type of credit and one in ten (10%) had four or more types.[12] As shown in Figure 4, the likelihood of having

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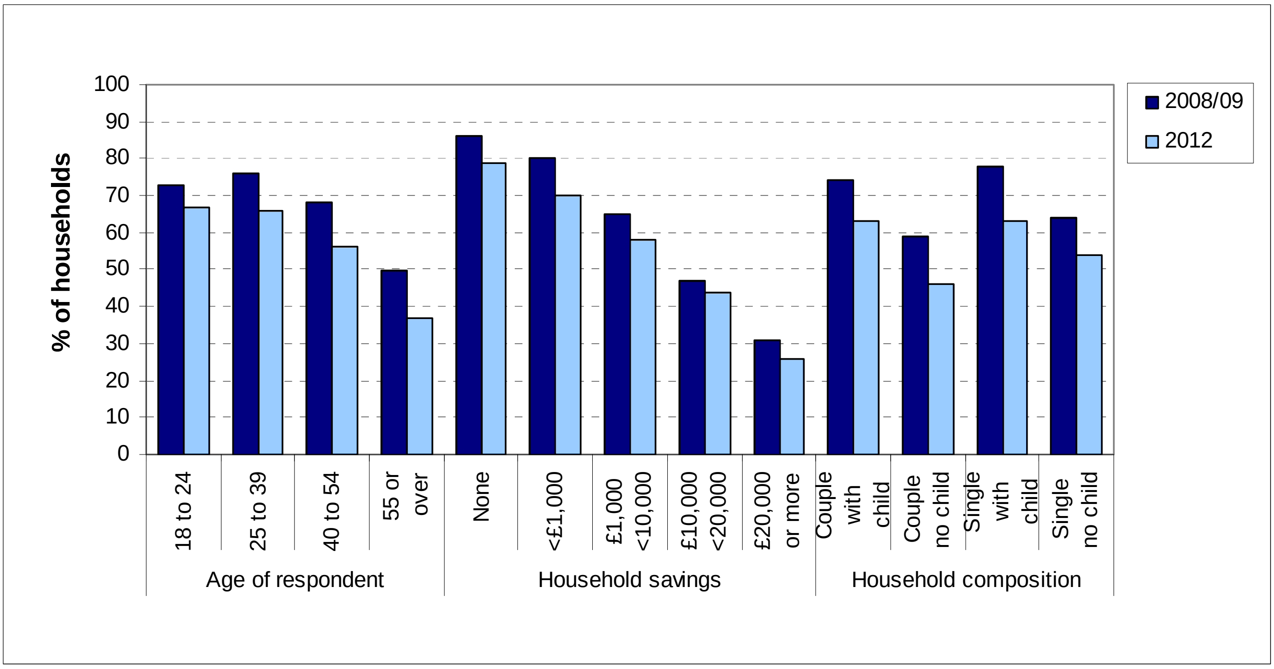
[12] See Appendix Table A1

multiple loans varied for users of different products and the pattern is similar to that seen in previous years. Holders of student loans were the most likely group to have only one type of loan and 51% had no other unsecured credit commitments.[13] Store card users were most likely to have other commitments – only 8% of users had no other types of credit commitment. Users of store cards, high-cost credit and hire purchase were all very likely to have multiple types of unsecured credit: between 35% and 41% of each of these groups was using three or more other types of unsecured credit.

Variation in credit use by household characteristics

Analysis of variation in the use of unsecured credit for previous DebtTrack surveys has shown a consistent pattern of high usage among households with children and those with low levels of savings, and lower usage for older households and those owning their home outright. The results for 2012 show similar associations to previous years.[14] The decreasing prevalence of unsecured credit use since 2008/09 is evident across all types of household, as illustrated in Figure 5.

Figure 5: Use of unsecured credit by selected household characteristics, 2008/09 and 2012



As in previous years, the 2012 surveys showed that the type of credit products used varied with household characteristics.[15]

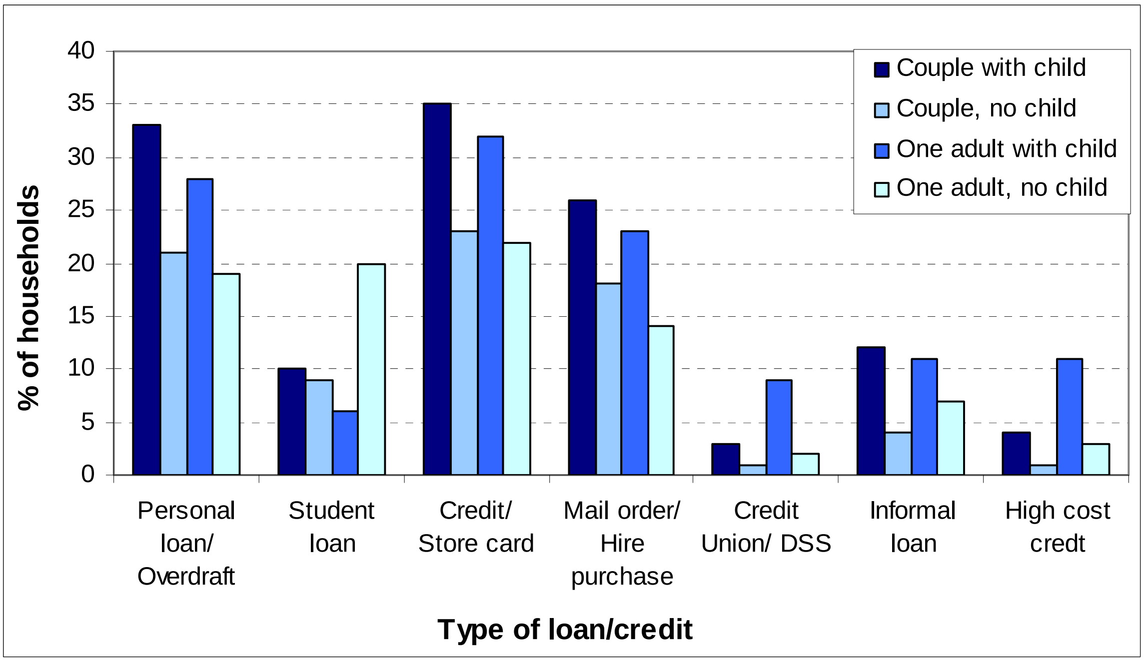
- Households with zero or very low savings had very high prevalence of most types of credit apart from student loans. For example, 48% of households with zero savings had

[13] See Appendix Table A4
[14] See Appendix Table A5
[15] See Appendix Table A6

debts on credit and/or store cards compared with an average of 25% for the total sample.

- Low income households showed rates of usage that were close to the average for all households apart from for Credit Union/ DSS loans (6% compared with 2% overall).
- Households with children had very high usage of several types of credit (Figure 6). Couples with children were particularly likely to have a personal loan or authorised overdraft (33% compared with 23% overall), credit or store cards (35% compared with 25%), mail order or hire purchase (26% compared with 18% overall) and informal loans (12% compared with 7% on average).
- Lone-parent households showed above-average levels of usage of all credit types apart from student loans. Levels of use were particularly high for DSS/ Social Fund loans (9% compared with 2% overall) and for high-cost credit (11% compared with 3% overall).

Figure 6: Use of unsecured products by household composition



- Households in which one or both adults was unemployed were particularly likely to have an informal loan from family or friends (13% compared with 7% overall), as was also the case for younger respondents (11%-12% for those under the age of 40).
- Student loans were mainly held by younger respondents and those living rent-free or in rented accommodation.

Although forms of high-cost credit (payday loans, home-collected credit and pawnbroker loans) are used by only a small proportion of the population, there are concerns that these products are used mainly by more vulnerable consumers. Further analysis of the use of high-cost credit, including information from additional questions asked in 2012, can be found in Appendix B.

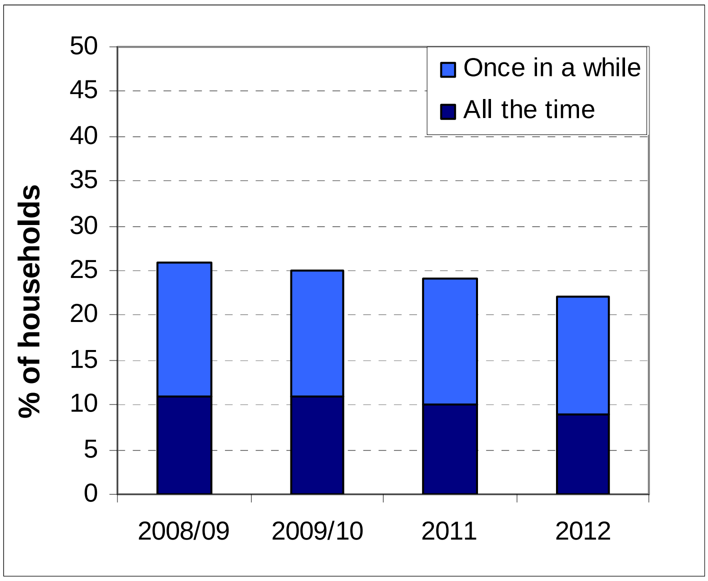
Demand for credit

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

Reliance on credit for everyday expenses

Although credit is an important feature of modern living it can become problematic when relied on to pay for everyday expenses. In 2012, about one in ten respondents (9%) 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] This measure of the use of credit for everyday expenses has decreased in recent years from 26% in 2008/09 to 22% in 2012.

Figure 7: Use of credit for everyday living expenses, 2008/09 to 2012

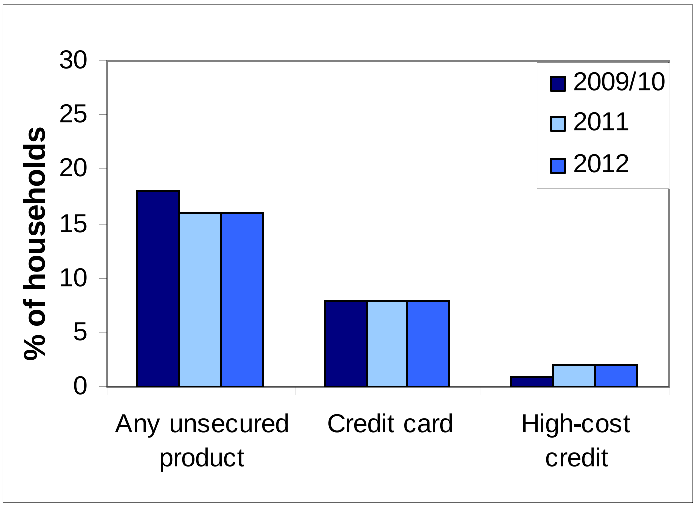


Applications for credit

Overall, about one in six respondents (16%) had applied for an unsecured credit product in the six months before interview and 3% for a mortgage or secured loan.[17] This does not cover increased borrowing on existing products but is simply a measure of the level of demand for new credit products. Applications for a credit card were the most common (8% of respondents) followed by applications for an overdraft facility or unsecured personal loan (each 2%) and 2% of respondents had applied for a high-cost credit product (payday loan, home-collected credit or pawnbroker loan).

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

Figure 8: Proportion of households that had applied for unsecured credit in the previous six months, 2009/10 to 2012



Given that high-cost credit is used by only a small proportion of households compared with overdrafts and personal loans (3% compared with 14% and 12% respectively, Table A3) these results suggest that respondents who are actively seeking credit are more open to use of high-cost products than are current borrowers as a whole.

The likelihood that households had applied for a new unsecured credit product has remained stable over the past two years after a slight decline in earlier years (Figure 8). The rate of applications for individual products has also been stable over recent years.

The outcomes of recent applications for credit varied for the different types of product (Figure 9).[18] Car finance, store card, payday loan and student loan applications were all very likely to have been agreed for the full amount, with acceptance rates of 77% or higher. DSS/Social Fund loans were most likely to have been agreed for a reduced amount (66% of applications). Applications for unsecured personal loans and overdrafts were the most likely to have been rejected by the provider (29% and 25% of applications respectively).

Although the general pattern for outcomes for recent applications was consistent with results from previous years, there is some evidence that rejection rates for most products have decreased since 2009/10 (Figure 10).[19] The fall is particularly marked for applications for payday loans and also for credit and store cards and bank overdrafts. However, the rejection rate for unsecured personal loans has not fallen during this period.

[18] See Appendix Table A9
[19] See Appendix Table A10

Figure 9: Outcomes for recent applications for unsecured credit

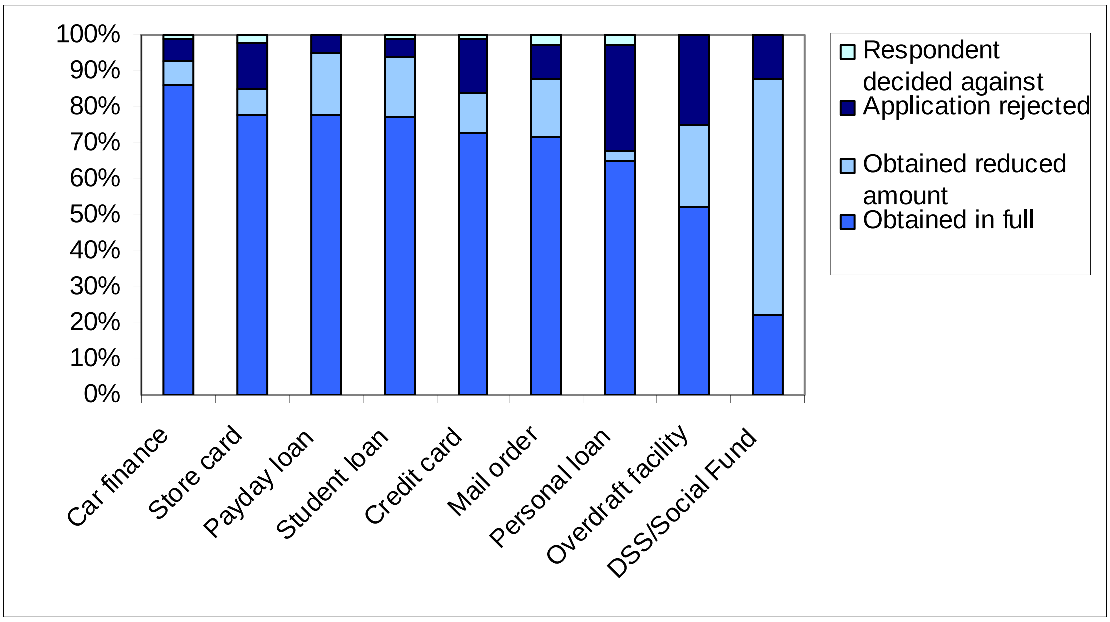
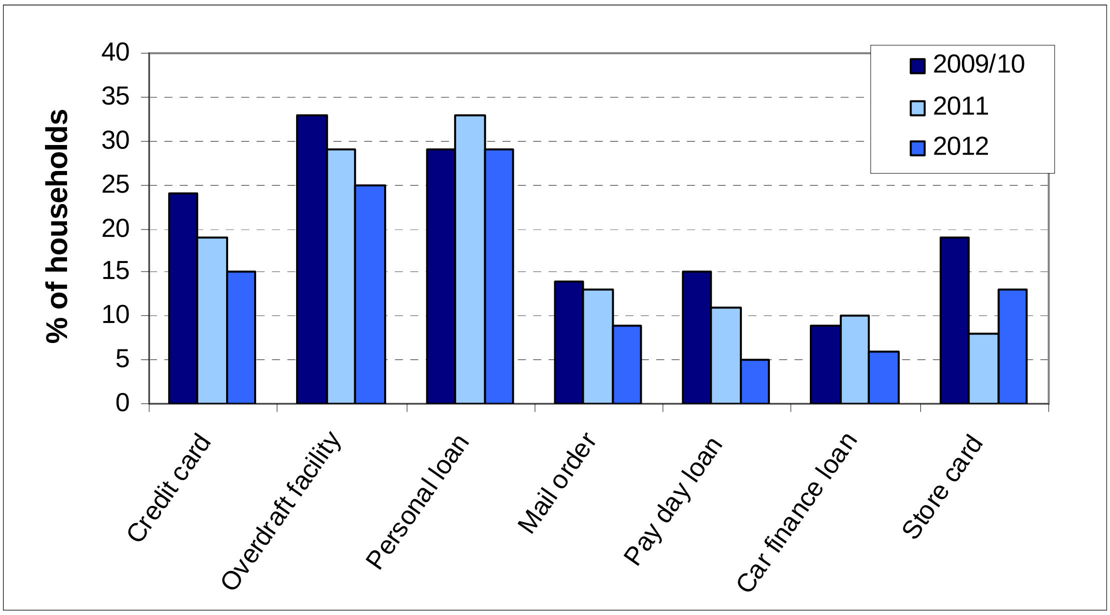


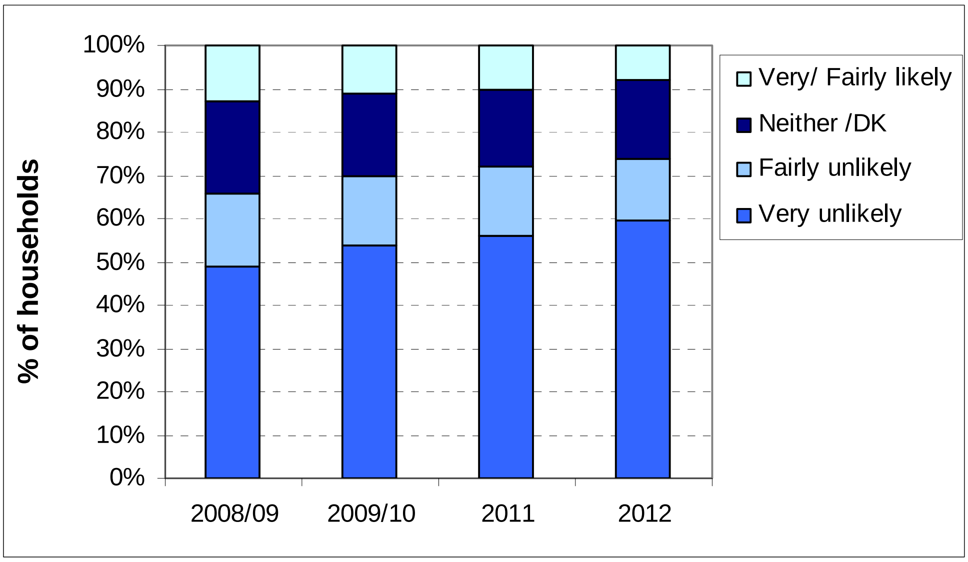
Figure 10: Rejection rates for selected product applications, 2009/10 to 2012



Future demand for credit

Only 8% of respondents to the 2012 surveys said that they were very or fairly likely to need to borrow more money over the next three months. This figure has decreased consistently from 13% in 2008/09 and suggests a continuing reduction in demand for

Figure 11: Likelihood of needing to borrow more money in next three months, 2008/09 to 2012



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credit. In contrast, the proportion of respondents who said they were very unlikely to need to borrow more has increased over this period from 49% to 59%.[20]

As well as being asked about the likelihood of borrowing more in the next three months, respondents were also asked to look further ahead and assess their likelihood of needing to borrow more over the next 6-12 months. The data from the two questions can be combined to provide an overall estimate of demand for credit over a longer period of up to a year. This combined measure indicated that 13% of respondents were fairly or very likely to need to borrow more over the coming year, compared with 8% over the next three months.[20]

Variation in demand for credit by household characteristics

Variation between households in the likelihood of having recently applied for a credit product and also of using credit to meet everyday living expenses were both broadly similar to variation in use of unsecured credit. The likelihood of having applied for unsecured credit was high for households with little or no savings and for lone-parent families and the rate decreased through the age range. Young respondents were also more likely than older groups to say they were likely to need borrow more in the next three months. These results are discussed more fully in the report on the 2011 surveys.[21]

As illustrated in Figure 12, the recent decrease in applications for unsecured credit products was particularly evident among the 18-24 age group and households comprising a single adult with no children.[22]

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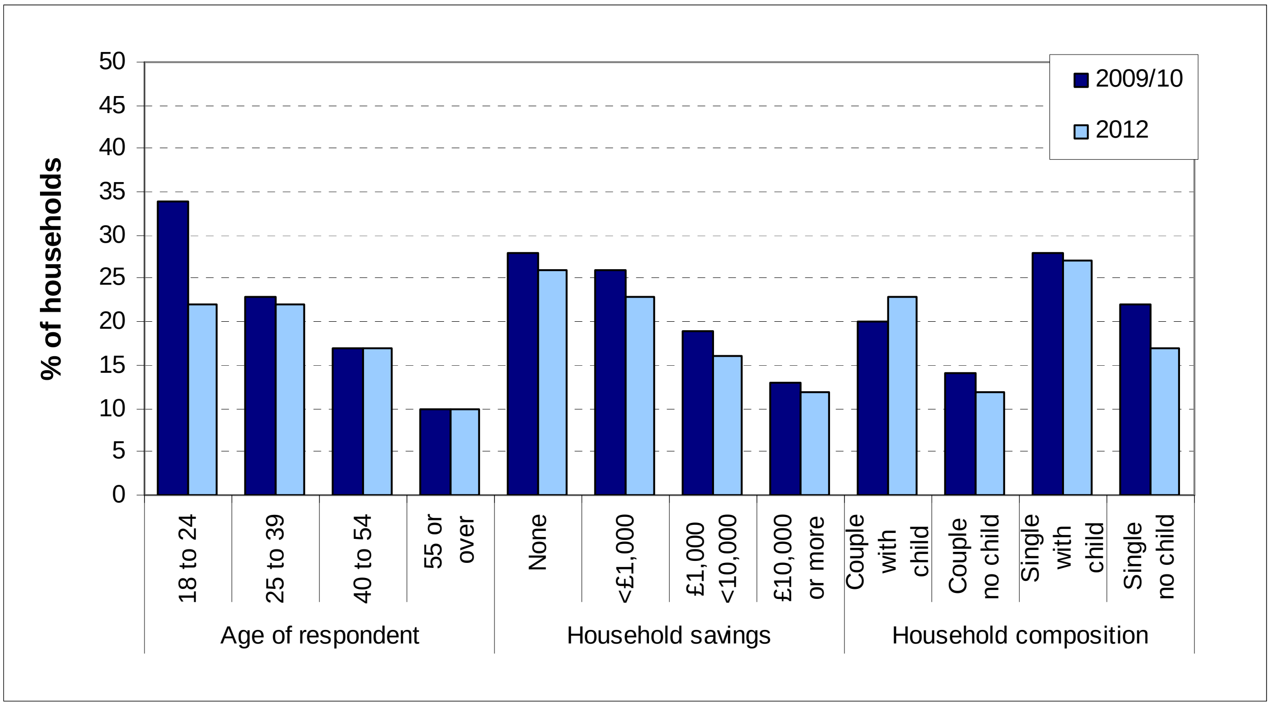
[20] See Appendix Table A11
[21] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/36991/12-948-credit-debt-financial-difficulty-in-britain-2011.pdf
[22] See Appendix Table A12

Figure 12: Households that applied for an unsecured credit/ loan in last 6 months by household characteristics: 2009/10 and 2012



Secured credit

Holdings of secured credit

Overall, 35% of DebtTrack respondents in 2012 had a mortgage and 3% had some other type of secured credit. In total, 36% of respondents had either a mortgage or another secured loan. The prevalence of mortgages has fluctuated over recent years, as illustrated in Figure 13, but overall the level has decreased from 39% of households in 2008/09 to 35% in 2012. As mortgages tend to be large debts that are taken out over long periods, there are unlikely to be large changes in holdings over a short period. There has also been a decrease in the prevalence of secured loans over this period, from 5% in 2008/09 to 3% in 2012.[23]

About three quarters (76%) of respondents had a repayment mortgage and this proportion has increased over the period, from 70% in 2008/9. There was a consequent decrease in the proportion of respondents with an interest-only mortgage, from 30% to 25%.[24] More than one half (52%) of households with a mortgage reported having a variable-rate mortgage, with most of these reviewed monthly. About two fifths (37%) of mortgages were on a fixed-rate deal (Table not shown).

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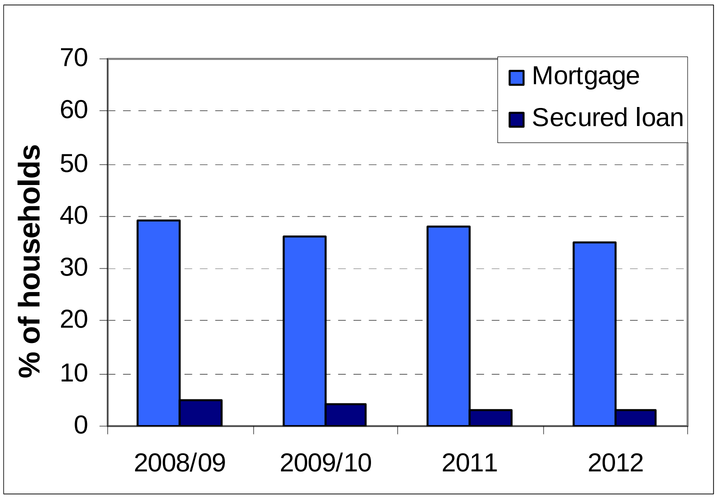
[23] See Appendix Table A13
[24] See Appendix Table A14

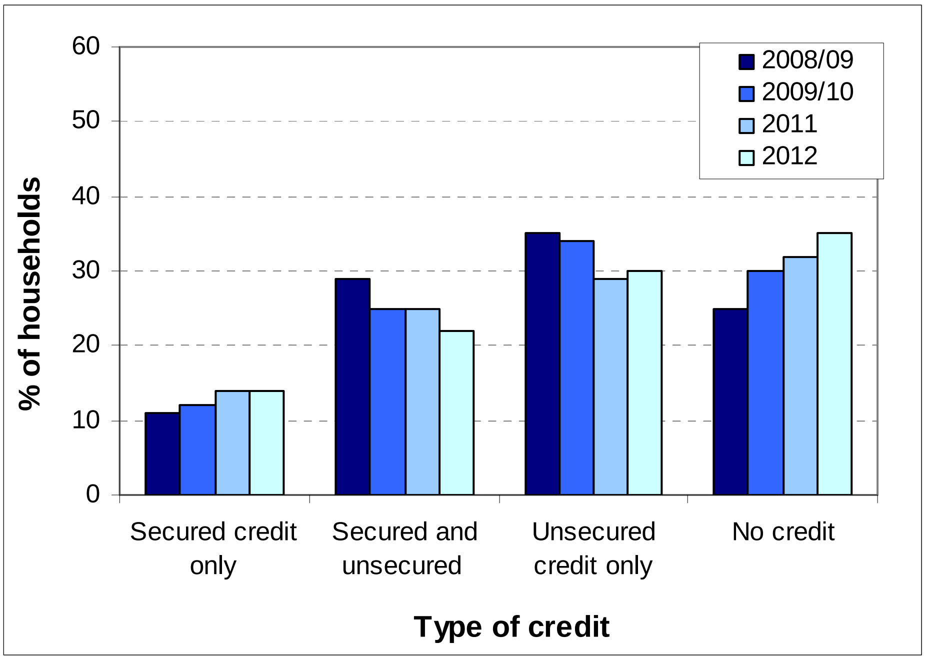
Figure 13: Prevalence of mortgages and secured loans, 2008/09 to 2012



Overlap between secured and unsecured credit

Use of unsecured credit is more common than secured credit – 52% of DebtTrack respondents had some form of unsecured credit whereas 36% had a mortgage or other secured loan. In total, two thirds of households (65%) were using either secured or unsecured credit. There has been a consistent decrease in the overall use of credit in recent years, from 75% of households in 2008/09 to 65% in 2012, which mainly reflects the decrease in use of unsecured credit, from 64% in 2008/09 to 52% in 2012.[25]

Figure 14: Overlap between use of secured and unsecured credit, 2008/09 to 2012



[25] See Appendix Table A15

In 2012, there was substantial overlap between holdings of secured and unsecured credit. One fifth (22%) of households had both secured and unsecured credit; this represented three fifths of households with secured credit. Some 14% of all households only had a mortgage or secured loan whereas twice as many (30%) only had unsecured credit. As seen from Figure 14, there was a decrease between 2008/9 and 2012 both in the proportion of households with only unsecured credit (which fell from 35% to 30%) and in those with both secured and unsecured credit (from 29% to 22%). Over this period there has been a slight increase in the proportion of households with only secured credit (from 11% to 14%).

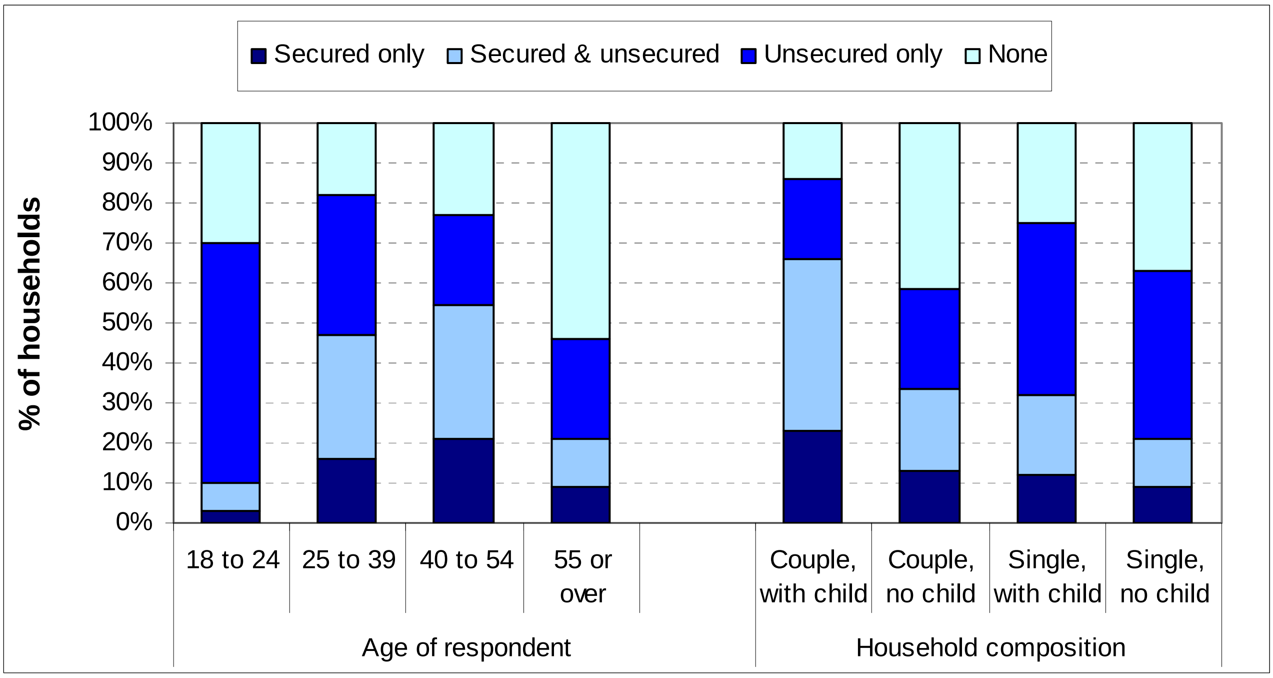
Variation by household characteristics

The figures below combine the data on secured and unsecured credit to show variation in any credit use by household characteristics.[26]

- Overall use of credit was lowest among respondents aged 55 or over (46%). Otherwise credit use was reasonably stable across the age bands, varying between 70% and 82%, although there was a clear shift from high use of unsecured credit in the 18-24 age band towards secured credit or a combination of secured and unsecured credit in the middle age bands (Figure 15).

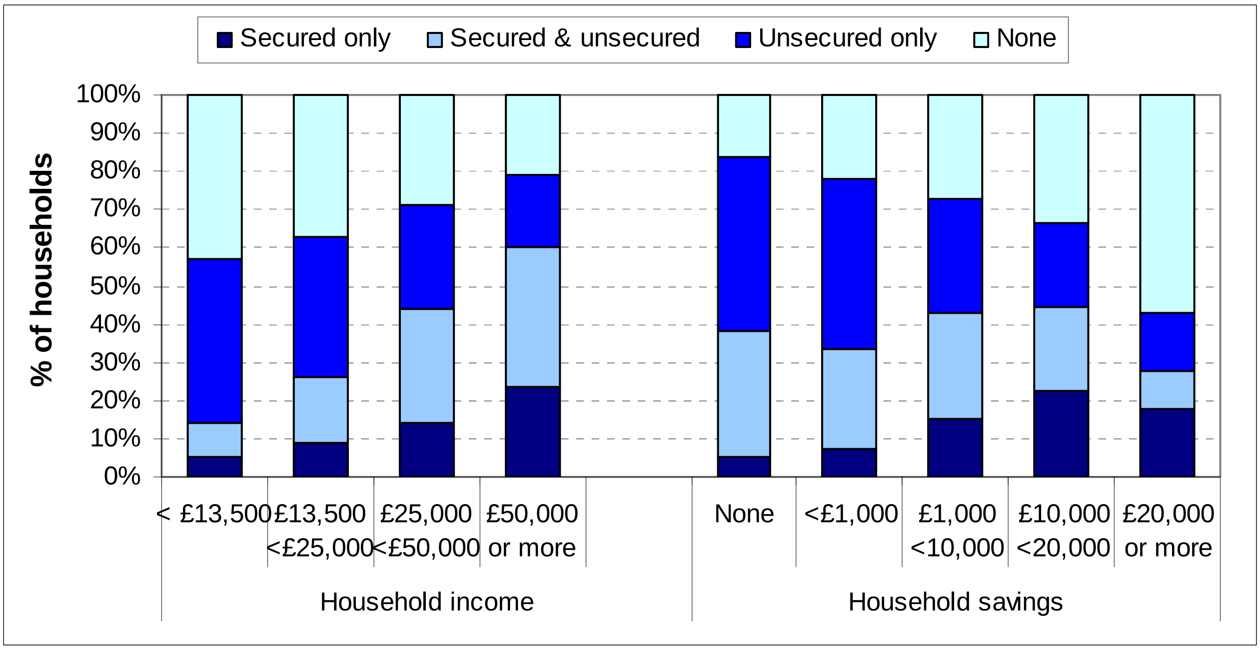
- There were high levels of credit use among households with dependent children although couples with children were more likely than lone-parent families to have secured credit (66% compared with 32%).

Figure 15: Secured and unsecured credit use by age of respondent and household composition



[26] See Appendix Table A16

Figure 16: Secured and unsecured credit use by household income and savings



- Overall credit use increased with household income, from 57% in the lowest income band to 79% in the highest, but there were differences in the type of credit used (Figure 16). Households in lower income bands had higher levels of use of unsecured credit whereas a greater proportion of those in higher income bands were using secured credit; 14%-26% of households with an annual income of less than £25,000 were using secured credit compared with 44%-61% of households in higher income bands.

- Credit use decreased with increasing household savings but this was due mainly to a decrease in use of unsecured credit with increasing savings. The proportion of households that were only using secured credit tended to increase with the level of savings, peaking among households with savings of £10,000 to £20,000.

Debt and Savings

Although the use of credit has declined in recent years, average debt levels among borrowers have shown relatively little change. The majority of borrowers appear to have sustainable levels of borrowing although about one in ten households have very high repayment-to-income ratios. Levels of savings remain low with three fifths of households holding less than £5,000.

Unsecured debt

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

The mean value for unsecured debt reported on the 2012 DebtTrack Surveys was £9,100 (median of £5,000). [27] The levels of unsecured debt have fluctuated in recent years and average values for the 2012 sample were similar to those reported in 2011 (mean of £8,500, median of £4,600). [28]

The values recorded for the DebtTrack are higher than those reported for the first wave of the Wealth and Assets Survey (WAS) in 2006/08 (mean of £7,200, median of £2,700) although these values do not include informal loans from family and friends. The WAS provides more robust estimates based on detailed face-to-face interviews of a larger sample. In addition, the WAS has lower levels of non-response to financial items and uses imputation for missing values.[29]

The DebtTrack results indicate that the majority of borrowers have relatively small amounts of unsecured debt. In 2012, about one quarter (23%) of borrowers had debts of up to £1,000 and a similar proportion of households (22%) were borrowing between £1,000 and £4,000. At the other end of the distribution, 31% of households owed more than £10,000 on unsecured credit and more than one tenth (13%) owed over £20,000. As illustrated in Figure 17, the distribution for the amount of unsecured debt has been relatively stable over recent years.

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[27] The mid-points of bands were used when calculating average amounts Analysis is based on cases for which information on the value of unsecured debt was available. The value was missing for 16% of households with unsecured borrowing.
[28] See Appendix Table A17
[29] www.ons.gov.uk/ons/rel/was/wealth-in-great-britain/main-results-from-the-wealth-and-assets-survey-2006-2008/index.html
www.ons.gov.uk/ons/rel/was/wealth-in-great-britain-wave-2/2008-2010--part-1-/index.html

Figure 17: Amount of unsecured debt, 2008/09 to 2012

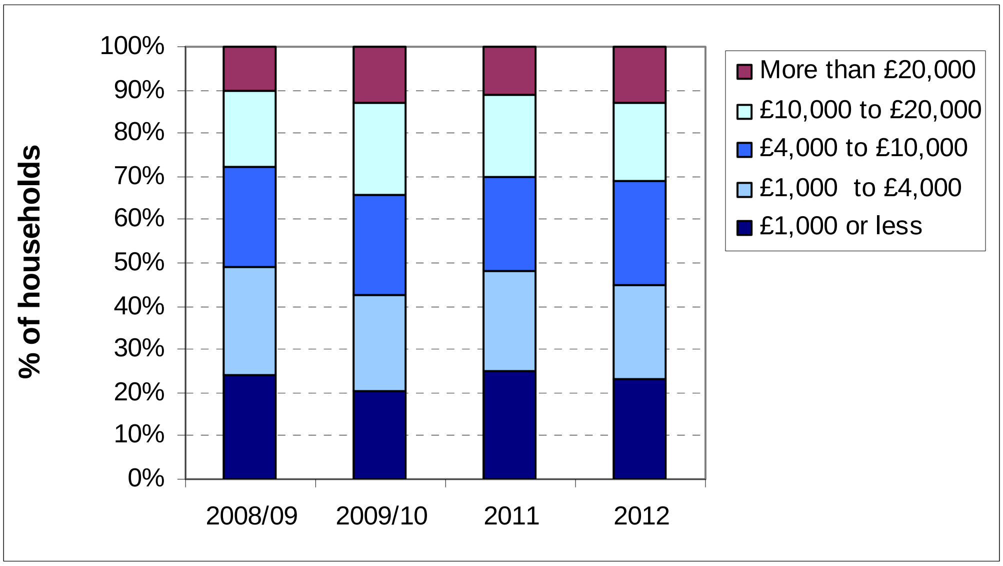
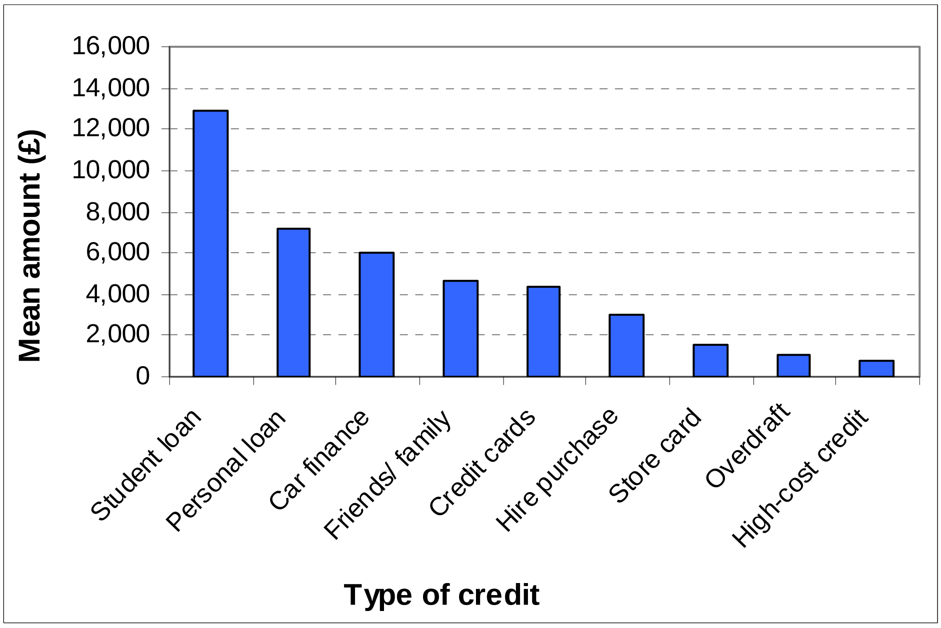


Figure 18 compares the average amounts owed for different types of credit commitment.[30] As in previous surveys, student loans were, on average, the largest in terms of value with a mean of £12,900. They were followed by personal loans (£7,200) and car finance loans (£6,000). The averages for loans from family and friends and for credit card debt were both around £4,500. Mean amounts for 2012 were generally similar to those reported in 2011 although there are indications of an increase in the average value for student loans.[31]

Figure 18: Mean amount owed on main types of unsecured credit commitment



[30] See Appendix Table A18

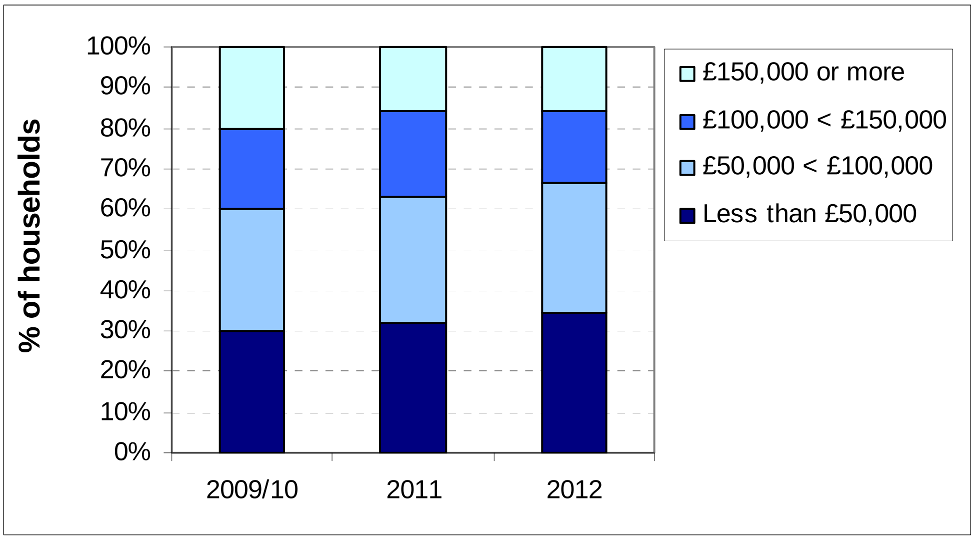
[31] Averages based on small sample numbers are not reliable and products with a sample size of less than 50 in 2012 are shown in italics in Table A18.

For every type of debt the median value for the amount owed was substantially less than the mean value, so the distributions are positively skewed with a small number of high values. This can be seen in the high values for the 90th percentile for some types of credit, for example £10,900 for credit card debt (median of £2,100) and £1,500 for outstanding amounts on mail order catalogues (median of £300).

Secured and total debt

Levels of secured debt are much higher than those for unsecured credit. The distribution in Figure 19 shows that about one third (34%) of households with secured debts owed £100,000 or more and 16% owed £150,000 or more.[32] The mean value of secured borrowing was around £88,000 and the median amount was £75,000.[33] The data for 2012 suggest a small reduction in levels of secured debt compared with 2011. The Wealth and Assets Survey has reported broadly similar values for secured debt with a mean value for mortgages on the household's main property of £92,000 at wave 2 (2008/10).[34]

Figure 19: Amount of secured debt, 2009/10 to 2012



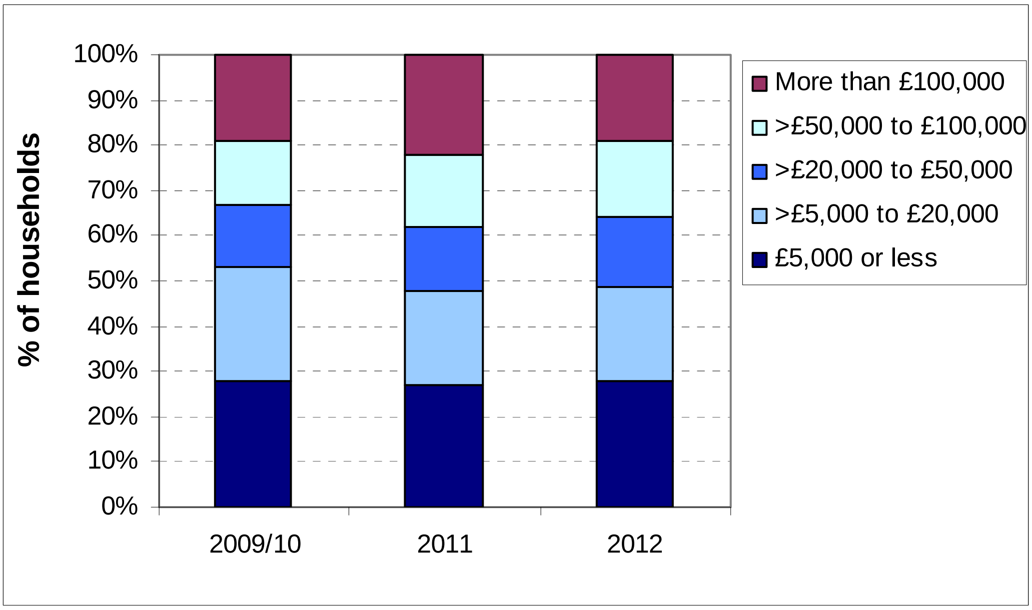
The mean amount of total debt recorded by the 2012 DebtTrack surveys for households with some form of credit was around £53,000, with a median of about £21,000.[35] Average debt levels were lower than those recorded in the 2011 surveys (mean of £57,000, median of £23,000) due to the decrease in average secured debt; this was in spite of the small increase recorded for levels of unsecured debt.

The frequency distribution for total debt has a very wide range because of the different values and distributions for secured and unsecured debt. At the lower end of the

[32] Based on cases where the value of secured borrowing was known. The value was missing for 23% of households with secured borrowing.
[33] See Appendix Table A19
[34] http://www.ons.gov.uk/ons/rel/was/wealth-in-great-britain-wave-2/2008-2010--part-1-/index.html
[35] See Appendix Table A20

distribution shown in Figure 20, more than one quarter (28%) of households using credit had total debts of £5,000 or less.[36] At the other end of the distribution, one third (36%) of respondents with loans had total debts of more than £50,000. There has been little change in this distribution over the past three years, although the proportion of households using credit decreased from 70% in 2009/10 to 65% in 2012 (Table A2).

Figure 20: Total amount of debt, 2009/10 to 2012



Debt-to-income ratios

High levels of debt are not necessarily a problem so long as households have the means to continue servicing and repaying them. However, highly-indebted households may be more vulnerable to financial difficulties if affected by adverse economic shocks, such as unemployment and increases in interest rates. Thus, measures that relate debt and repayments to levels of income are considered to be useful as indicators of vulnerability.

The first measure considered here is the ratio of unsecured debt to annual income. Due to the different nature of secured and unsecured debt, with secured debt being guaranteed by a saleable asset, much of the discussion of debt burden relates to unsecured debt, so this is the basis for the analysis used here.

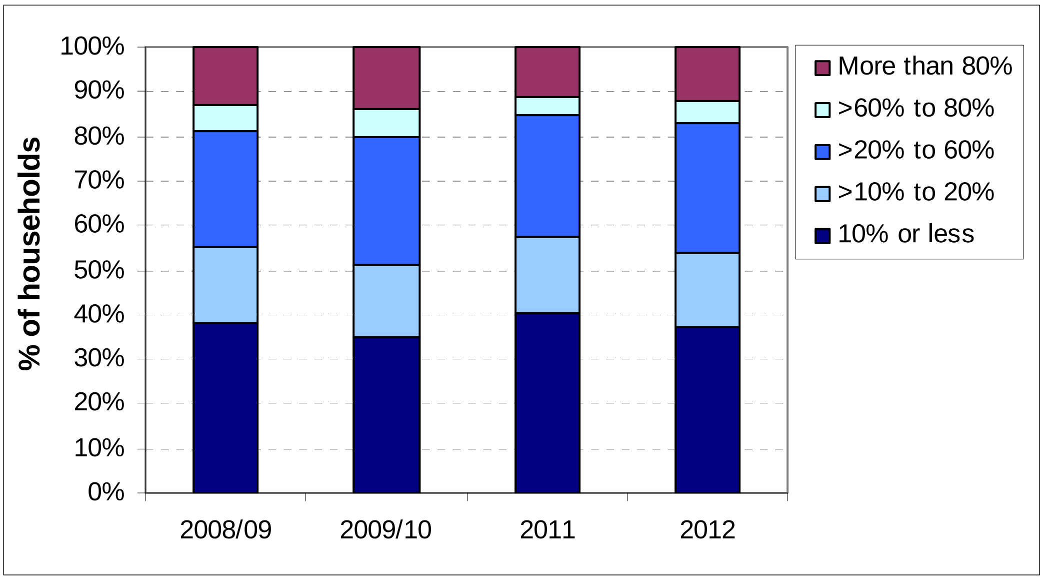
Figure 21 shows the distribution for the ratio of unsecured debt to household income, for households with unsecured debt, for 2012 and previous years of the DebtTrack surveys.[37] As also seen for absolute levels of unsecured debt, the ratio of debt to income indicates that most households had relatively modest levels of borrowing in 2012. Approaching two fifths (37%) of borrowing households had unsecured debts amounting to 10% or less of annual household income and more than one half (54%) to 20% or less of income. However, some 17% of borrowing households had a very high ratio with unsecured debt

[36] See Appendix Table A21
[37] The ratio was available for 73% of households using unsecured credit.

equivalent to more than 60% of annual income, and most of these (12% of borrowing households) had a debt-to-income ratio of more than 80%.[38]

Comparison with previous years (Figure 21) shows no clear trend in unsecured debt-to-income ratios between 2008/09 and 2012. This was also the case for absolute levels of unsecured debt (see Figure 17).

Figure 21: Unsecured debt as a percentage of household income, 2008/09 to 2012



Repayment-to-income ratios

Indicators based on the affordability of credit repayments have been widely used in previous reports on credit use and household indebtedness. As the focus of this report is on unsecured credit, the measure used here is the ratio of repayments on unsecured credit to current monthly income. In interpreting the data it should be noted that there is a relatively high level of missing data for this measure as is usually the case for financial data on self-completion surveys.[39]

Figure 22 highlights that most households using unsecured credit had relatively low repayment-to-income ratios, which indicates that the levels of payment were probably manageable. More than one half (56%) of borrowing households had debt repayments amounting to 10% or less of household income. The proportion has fluctuated between 55% and 63% since 2008/09.[40] On the basis of repayment-to-income ratios, about one in ten households would be considered to have very high levels of borrowing; in 2012, 13% of borrowers were making repayments on unsecured credit that amounted to more than 30% of their income and 9% to more than 40% of income.

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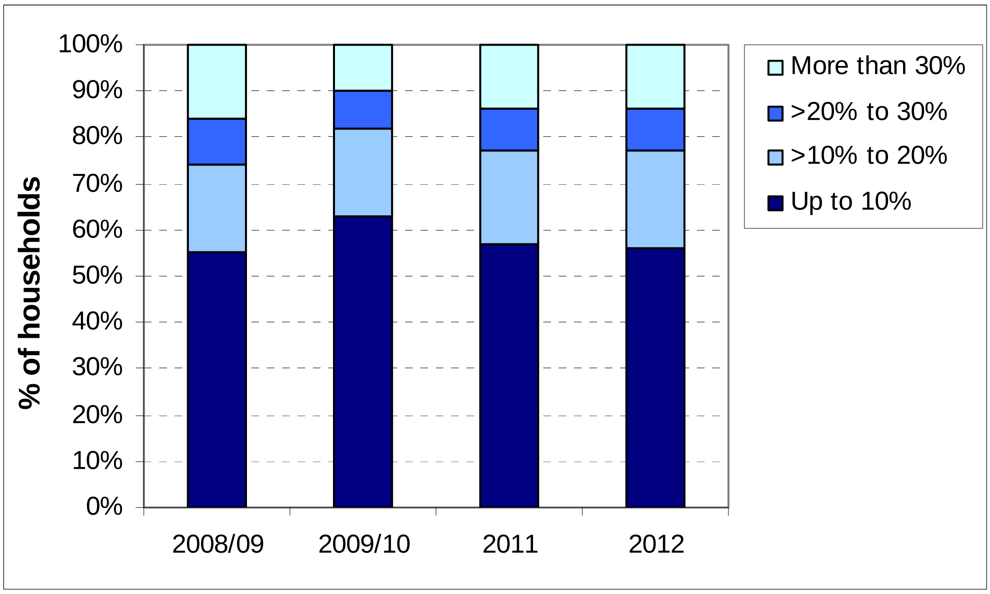
[38] See Appendix Table A22

[39] The repayment-to-income ratio was missing for one third (35%) of households with unsecured credit.

[40] See Appendix Table A23

Again, there is no consistent trend in these figures over recent years. Levels of the ratio appeared to increase between 2008/09 and 2009/10 but have declined since. For example, the proportion of borrowing households with a repayment-to-income ratio of more than 30% has remained stable over the past two years (13% in both 2011 and 2012), having decreased from 16% in 2008/09 to 10% in 2009/10. The consistency of this trend may be affected by the high and variable proportion of missing values on this measure.

Figure 22: Ratio of unsecured credit repayments to income, 2008/09 to 2012



High-indebtedness indicators

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

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

High levels of unsecured debt

Variation in the indicators for unsecured debt by selected household types is illustrated in Figures 23 to 25.[41] This analysis is based only on cases for which the relevant ratio or measure was available.

[41] See Appendix Table A24

Age of respondent

The absolute level of unsecured debt showed a strong association with the age of respondent. Around one half (53%) of respondents in the 18-24 age group had unsecured debts of £10,000 or more, falling to 15% among those aged 55 or over. Young respondents (aged 18 to 24) also had the highest debt-to-income ratios but otherwise the ratio was broadly similar through the age range – 43% of the 18-24 age-group had an unsecured debt-to-income ratio exceeding 60%, compared with 12% to 17% of older groups. There was not, however, a strong association between repayment-to-income ratios and age of respondent (Figure 25). This may be because much of the total debt of younger groups was due to student loans for which repayments were either zero or at a very low level.

Household income

The likelihood of having higher levels of unsecured debt was positively associated with household income. About one in six (17%) of households with an income of less than £13,500 had unsecured debts of £10,000 or more, rising to 41% of households with an income of £50,000 or more. This relationship was, however, reversed when debt was considered as a proportion of income. More than one third (35%) of borrowing households in the lowest income band had debts amounting to 60% or more of annual income, compared with 5% of households in the highest income band.

The likelihood of having a high repayment-to-income ratio was also negatively associated with income; about three tenths (29%) of households in the lowest income band had a repayment-to-income ratio in excess of 30% and this decreased to 10% or less for households with an annual income of £25,000 or more.

Figure 23: Proportion of households with unsecured debts of more than £10,000 by selected household characteristics

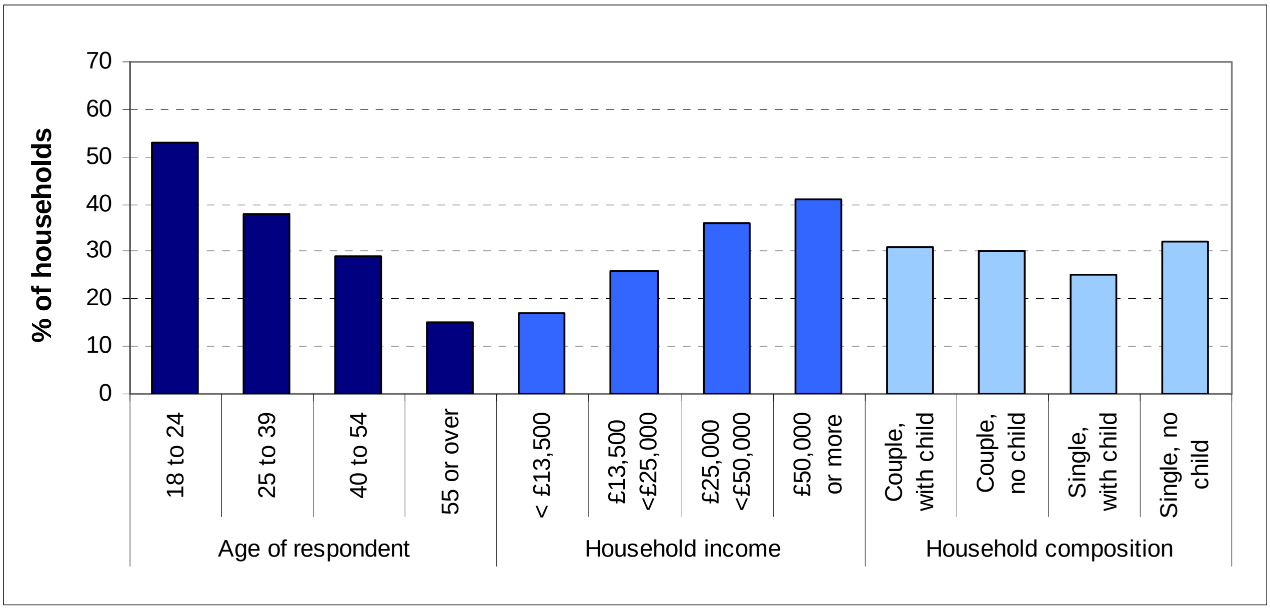


Figure 24: Proportion of households with an unsecured debt-to-income ratio of more than 60% by selected household characteristics

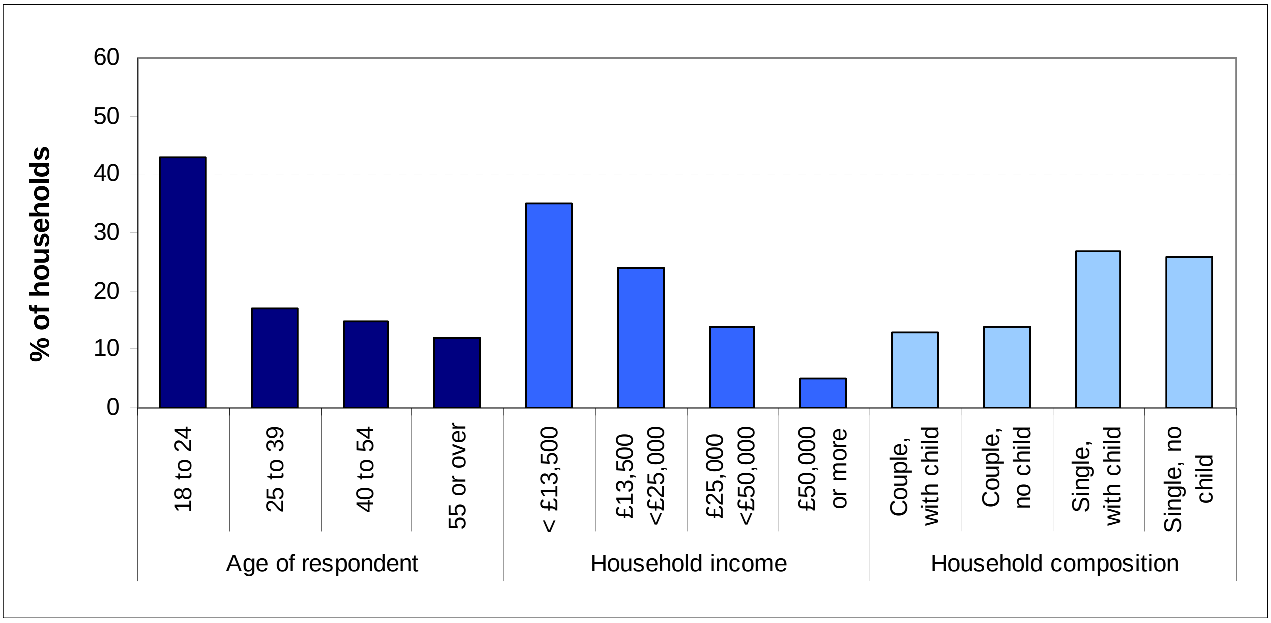
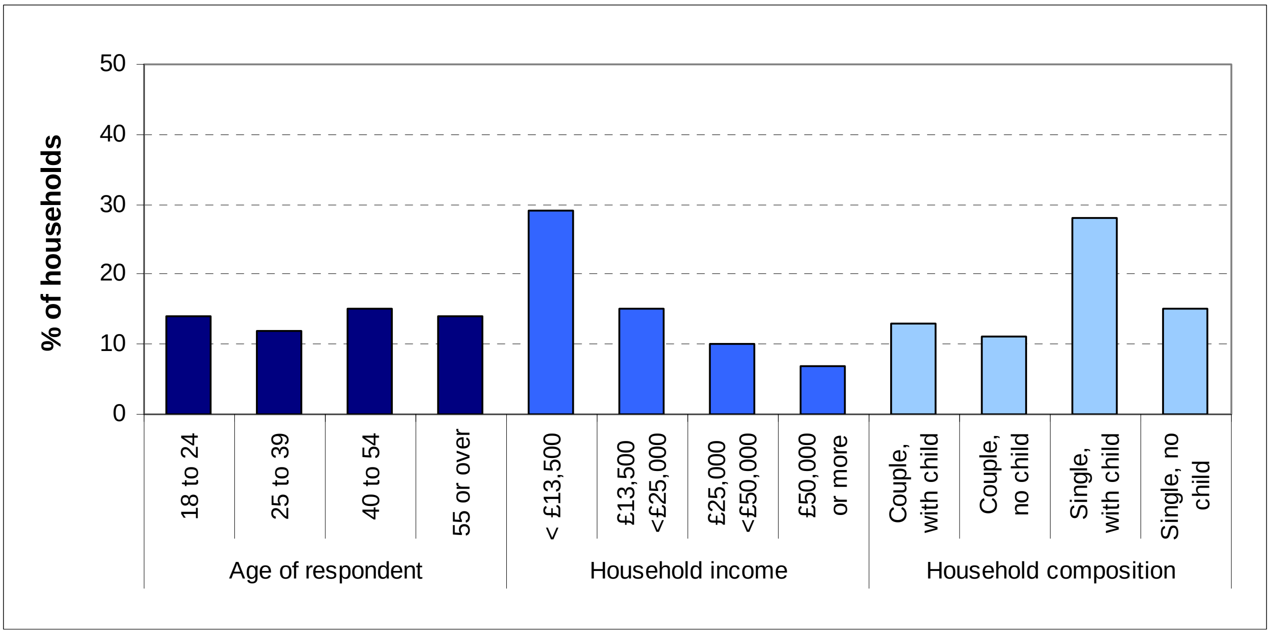


Figure 25: Proportion of households with an unsecured repayment-to-income ratio of more than 30% by selected household characteristics



Household savings

There was little variation in the prevalence of high levels of unsecured debt with household savings, although households with lower savings were more likely than others to have high debt-to-income ratios and high repayment-to-income ratios. For example, 23% of households with no savings had unsecured debts amounting to 60% or more of household income, compared with 13% of households with savings of £10,000 or more.

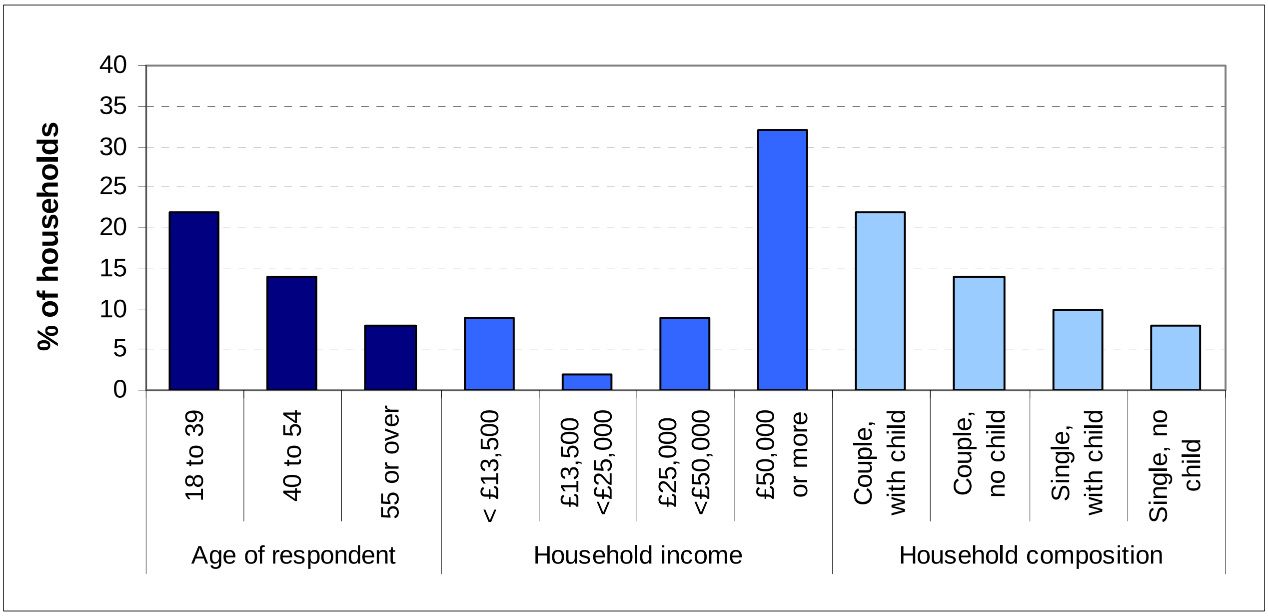
Household composition

Although lone-parent households were more likely than average to use unsecured credit and to have a large number of commitments, they did not have high absolute levels of debt – 25% of this group had unsecured debts of £10,000 or more compared with 31% of all borrowing households. They were, however, more likely than average to have high repayment-to-income ratios – 28% compared with 14% overall. Both lone-parent households and single-person households were likely to have high debt-to-income ratios; 27% and 26% respectively of these groups had unsecured debts equivalent to 60% or more of their annual income compared with 18% overall.

High levels of secured debt

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

Figure 26: Proportion of households with secured debts of £150,000 or more by selected household characteristics



The incidence of high levels of secured debt showed a markedly different pattern to high levels of unsecured debt.[42] There was a strong association between the level of debt and household income: one third (32%) of households in the highest income band (£50,000 or more) had secured debts of £150,000 or more compared with between 2% and 9% of lower income groups. High levels of secured debts were also prevalent among respondents in the 18-39 age-group (22% compared with 16% overall) and among couples with children (22%).

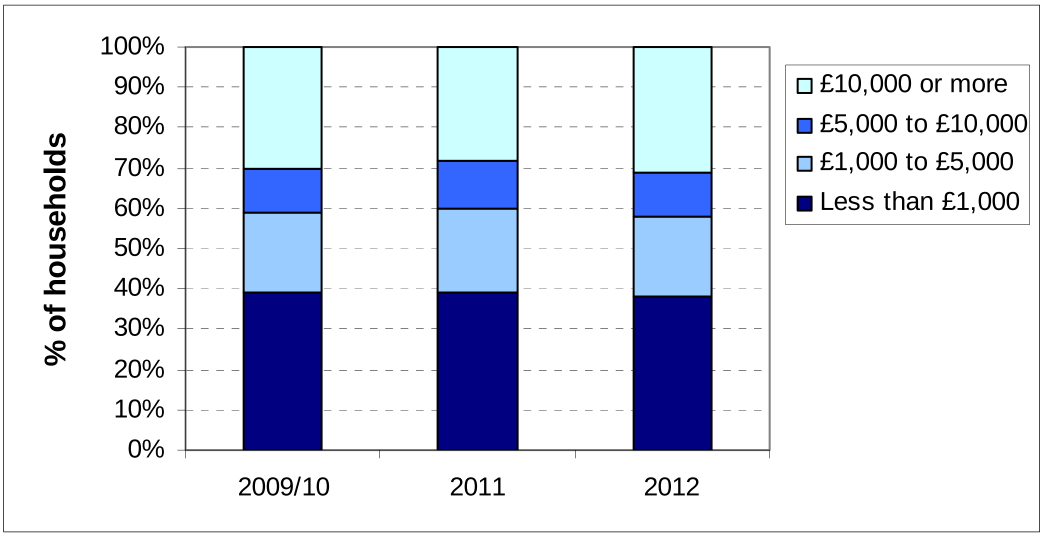
[42] See Appendix Table A25

Savings

This section presents some information about household savings in order to give a more complete picture of the financial position of responding households. 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.[43]

As seen in previous years, households had relatively low levels of savings. Around two-fifths (38%) of respondents said that they had liquid savings of less than £1,000 and three-fifths (58%) had savings of less than £5,000 (Figure 27).[44] At the other end of the distribution, 9% of respondents reported having savings of £50,000 or more. There has been little change in this distribution over recent years and the mean amount of savings has also fluctuated over this period. In 2012 the mean value of liquid savings was £17,600 with a median of £2,000, which indicates that the distribution is highly skewed.

Figure 27: Distribution of savings, 2009/10 to 2012



As illustrated in Figure 28, households that were using unsecured credit had below-average levels of savings.[45] One half (51%) of this group had savings of less than £1,000 compared with 38% overall. Households using secured credit had higher levels of savings than those using unsecured credit – 27% had savings of £10,000 or more compared with 17% of those using unsecured credit – and households that were not using credit had the highest levels – almost one half (49%) had savings of £10,000 or more. This difference was clearly seen in the average values, with a mean of £7,600 for users of unsecured credit, £10,800 for users of secured credit and £35,800 for those not using any form of credit.

[43] Information on savings was missing for 30% of responding households.
[44] See Appendix Table A26
[45] See Appendix Table A27

Figure 28: Distribution of savings by whether households were using credit

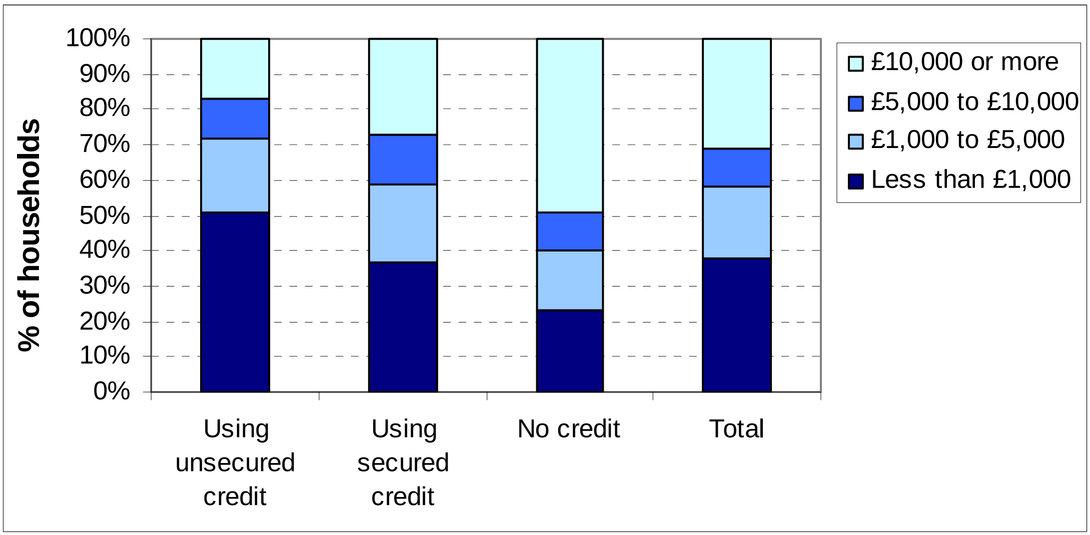


Figure 29: Proportion of households with savings of £10,000 or more by selected household characteristics: 2009/10 and 2012

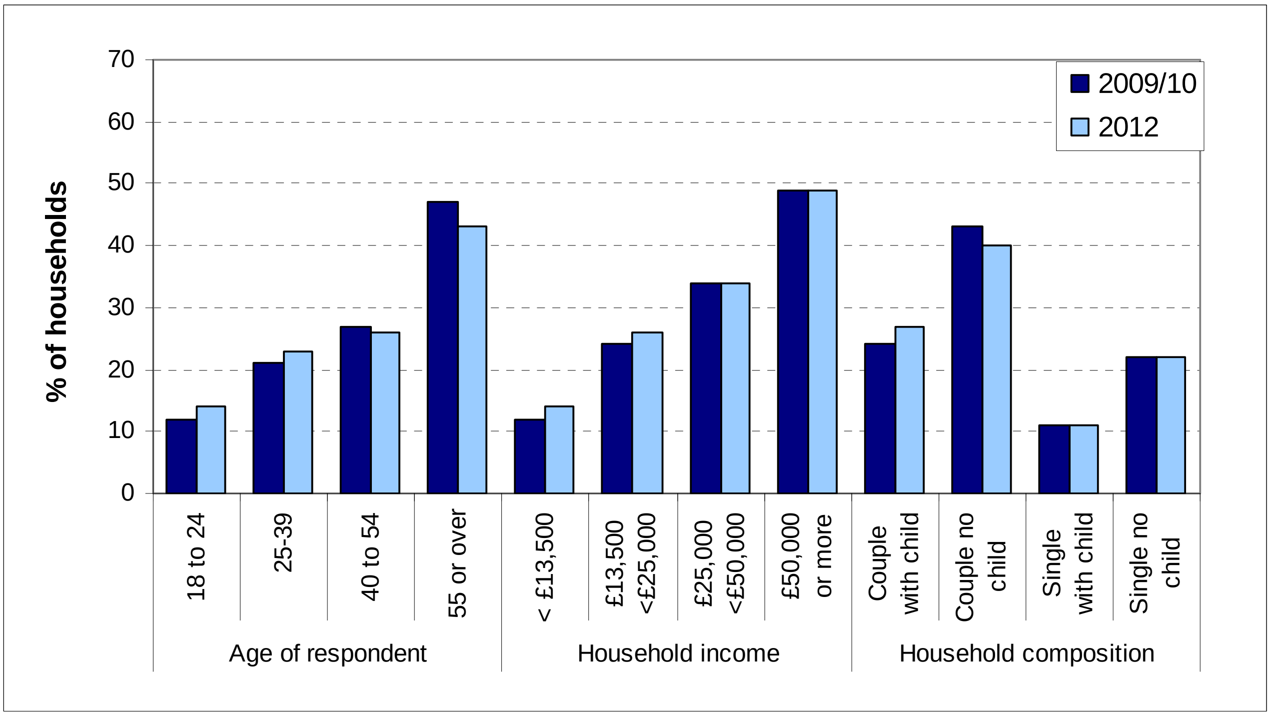


Figure 29 shows variation in the level of savings for different types of household and illustrates the stability of the associations over time. In 2012, as in previous years, the likelihood of having savings of £10,000 or more increased markedly with household income, from 14% of those with an income of less than £13,500 to one half (50%) of households with an income of £50,000 or more.[46] Similarly the proportion increased with

[46] See Appendix Table A28

the age of respondent, from 14% in the 18-24 age-group to 43% among those aged 55 or over, and varied with household composition, from 11% among lone-parent households to 40% among couples with no children. The level was also very high among those who owned their home outright (50%) as compared with those living in rented accommodation (11%).

Financial difficulty

The survey data suggest that the incidence of financial difficulty, measured through both objective and subjective indicators, stabilised in 2012 after decreasing between 2008/09 and 2011. About one in ten households were either taking formal action on debt problems or were in three month arrears on payments, and one in five said that they constantly struggled to keep up with bills and payments.

There is no universal agreement on the definition of the indicators that should be used to measure financial difficulty. In 2004 Oxera defined an over-indebted household or individual as one where "households or individuals are in arrears on a structural basis, or are at a significant risk of getting into arrears on a structural basis".[47] 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" [48] although this concept is clearly difficult to monitor through a standard cross-sectional survey.

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

Objective indicators of financial difficulty

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

Arrears with payments

Questions about arrears on current bills and payments are considered to be a strong objective indicator of current financial difficulties. Respondents to the DebtTrack surveys were asked directly about whether they (or their partner) were currently behind with any payments on bills or credit commitments and, if so, whether they had been behind with any payments for more than three months. The latter measure was used to identify households that were in 'structural' arrears, i.e. excluding those who may have simply forgotten to pay a bill or who had delayed payment over a short period.

- In 2012, 12% of households were one or more months behind with at least one bill or credit payment and 7% of households were more than three months behind with a payment, so were identified as being in structural arrears. These levels are similar to

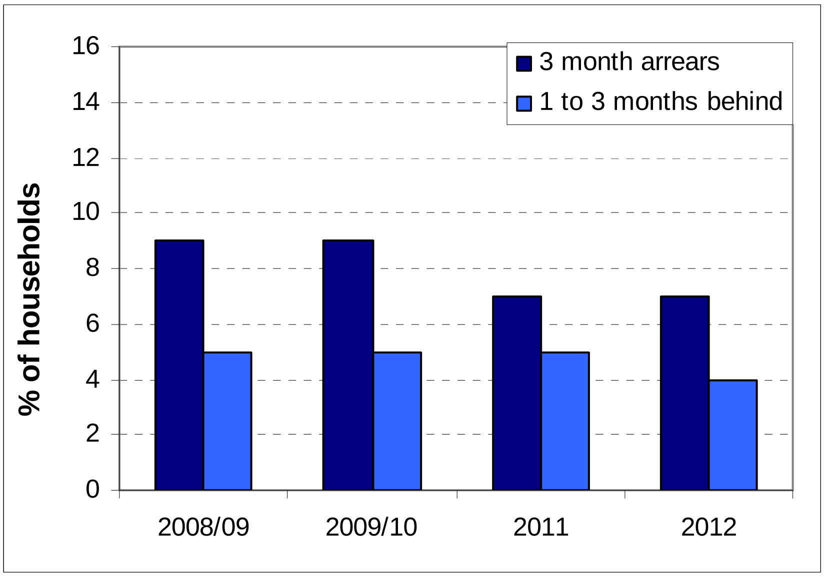
[47] http://www.oxera.com/Publications/Reports/2004/Are-UK-households-over-indebted-.aspx
[48] 'Drivers of over-indebtedness', BIS (2009), see http://www.bis.gov.uk/files/file49248.pdf

those reported in 2011 but compare with 14% and 9% respectively in 2008/09 (see Figure 30).[49]

- The proportion of households between one and three months behind with payments has remained at 4% to 5% in recent years.

- The level of arrears for households that were using unsecured credit was higher than for the sample as a whole but showed a similar stable pattern. In 2012, 11% of households with unsecured debts were in structural arrears compared with 13% in 2009/10.

Figure 30: Households in arrears with payments, 2008/09 to 2012

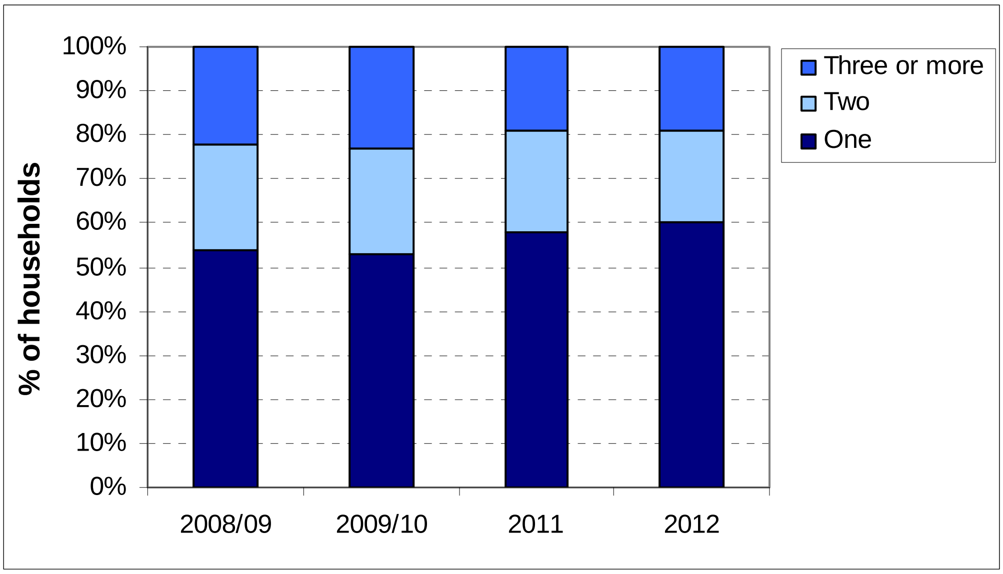


The survey also provides information on the number and type of payments for which households are in arrears. Figure 31 shows, for households that were in structural arrears, the distribution for the number of payments that were more than three months behind. Three fifths (60%) of households that were in arrears were more than three months behind with only one payment although 19% were behind with three or more payments. Comparison with previous years suggests a slight fall in the number of payments in arrears in addition to the decrease in the proportion of households in structural arrears with payments; the proportion of households with two or more payments in arrears decreased from 46% in 2008/09 to 40% in 2012.

Around one half of the households that were in three-month arrears on payments had fallen behind with major household bills (48%) and a similar proportion of households were behind with payments for unsecured credit (50%). These proportions have remained broadly stable with some fluctuations over recent years.[50]

[49] See Appendix Table A29
[50] See Appendix Table A30

Figure 31: Number of payments in 3-month arrears, 2008/09 to 2012



Personal insolvency

A number of statutory insolvency instruments are available to individuals facing serious financial difficulty. These include bankruptcy, in which debts are written off, and Individual Voluntary Arrangements (IVAs), which are formal court-based agreements with creditors to repay an appropriate proportion of outstanding debts over a specified period of time. A further non-statutory option for dealing with debts is a Debt Management Plan (DMP), which is an informal arrangement with creditors to repay debts 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.[51]

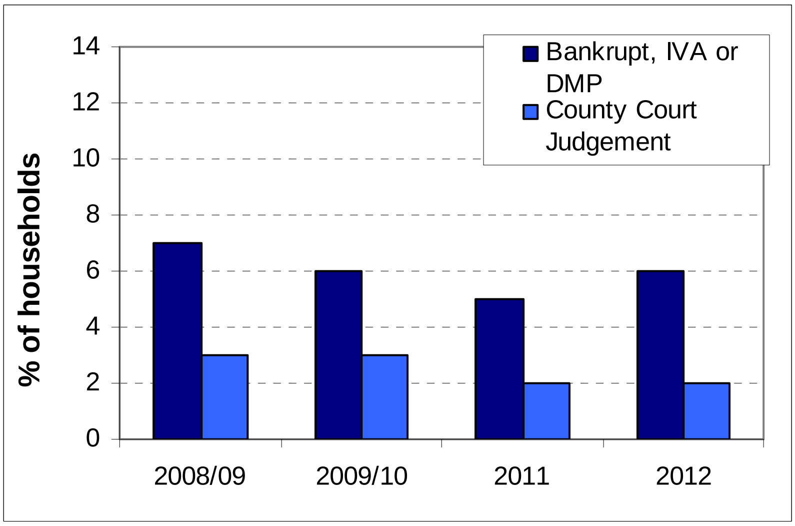
- The overall prevalence of personal insolvencies remains very low. Less than 0.5% of the 2012 DebtTrack sample had been declared bankrupt in the last two years and 1% had a current IVA. Informal arrangements to pay off debts through a Debt Management Plan were more common, affecting 5% of the sample.

- A total of 6% of the sample were subject to at least one of these three instruments to deal with debts. As indicated in Figure 32, this proportion decreased from 7% in 2008/09 to 5% in 2011 but appears now to have stabilised.

- Overall, 2% of the sample had been subject to court proceedings for non-payment of debts in the two years before interview; this proportion has remained at 2%-3% over the past four years.

[51] See Appendix Table A31

Figure 32: Prevalence of insolvency instruments and county court judgements, 2008/09 to 2012



Combined measure of objective difficulties

A composite measure of financial difficulties has previously been used in reports of the DebtTrack Surveys. This combines the three types of insolvency action – bankruptcy, IVA and DMPs – with the structural arrears indicator discussed above. The variable relating to court proceedings for non-payment of debts is not included in the measure as it relates less specifically to current debts and insolvency.

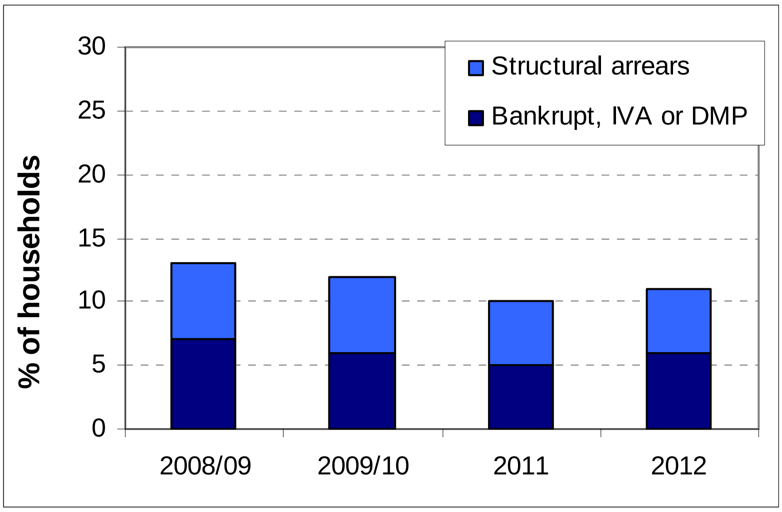
In 2012, 11% of households were identified as being in financial difficulties on this composite measure. As already seen, 6% of responding households were subject to one of the statutory or informal actions on debt and a further 5% were in structural arrears on payments.[52] So about one third of the households involved in statutory action or a DMP also reported that they were in structural arrears on payments.

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

As illustrated in Figure 33, there is evidence that the reduction in the level of financial difficulties seen since 2008/09 has stabilised in the past year and that the rate has perhaps started to increase. The combined measure of insolvency action or structural arrears suggests that 11% of households were experiencing severe financial difficulties in 2012 compared with 10% in 2011 and 13% back in 2008/09.

[52] See Appendix Table A32

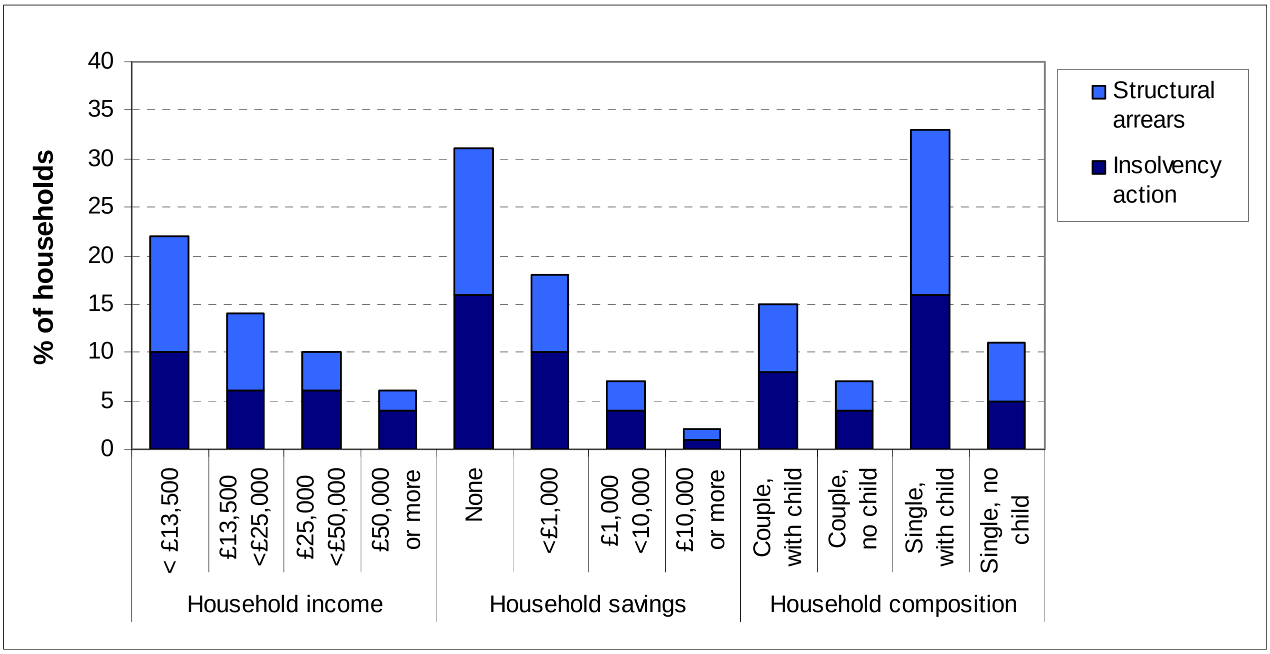
Figure 33: Percentage of households either involved in insolvency action or in structural arrears with payments, 2008/09 to 2012



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 and the pattern seen in 2012 is consistent with that seen in previous years.[53]

Figure 34: Prevalence of insolvency action or structural arrears by selected household characteristics



As seen in Figure 34, households with little or no savings were much more likely than other groups to be experiencing severe financial difficulties: three tenths (31%) of

[53] See Appendix Table A33

households with no savings were either involved in formal action on insolvency or in arrears on payments compared with 11% of the sample as a whole. Lone-parent households also had a high rate of financial difficulties with one third (33%) of the group either taking action on insolvency or being in structural arrears on payments, as also were households in the lowest income band, with an income of less than £13.500 per annum (22%).

Looking at other household characteristics, the likelihood of being in financial difficulties was above average for households living in rented accommodation (22%) and those where one or both adults were unemployed (24%). The rate was also above average for households that had experienced a significant change in circumstances in the past year – 27% for households in which the respondent or partner had lost their job and 23% for those affected by a relationship breakdown or a new child in the household.

Some groups had very low levels of financial difficulty, notably those with substantial savings (2% of those with savings of £10,000 or more), high income (6% of those with an annual income of £50,000 or more) and those who owned their home outright (3%).

Subjective indicators of financial difficulty

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

Heavy burden indicator

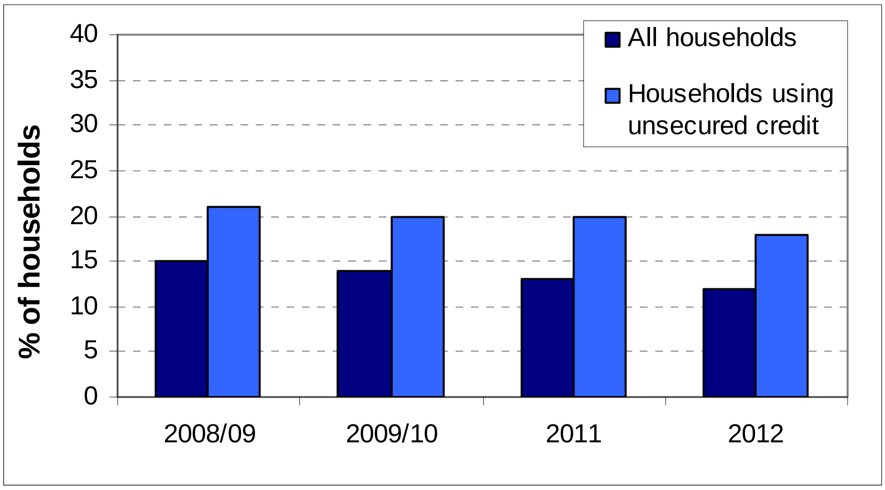
The most widely-used subjective indicator of financial stress is based on a direct question about the extent to which respondents feel that keeping up with their bills and credit commitments is a heavy burden. On the DebtTrack survey this question was asked of all households regardless of whether they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

In 2012, one in eight respondents (12%) considered that keeping up with bills and credit commitments was a heavy burden for their household. This is similar to the prevalence for objective financial difficulties which affected 11% of households in 2012, as discussed above. Active users of unsecured credit were more likely to see their commitments as a heavy burden, and 18% of respondents with any form of unsecured credit or loan said that keeping up with their bills and credit commitments was a heavy burden. This group was also more likely to perceive that keeping up with payments was 'somewhat of a burden' (49% compared with 40% for all households).[54]

The proportion of households finding their payments to be a heavy burden has tended to decrease over recent years, from 15% in 2008/09 to 12% in 2012 (Figure 35). There was a similar decrease for households using unsecured credit, from 21% in 2008/09 to 18% in 2012.

[54] See Appendix Table A34

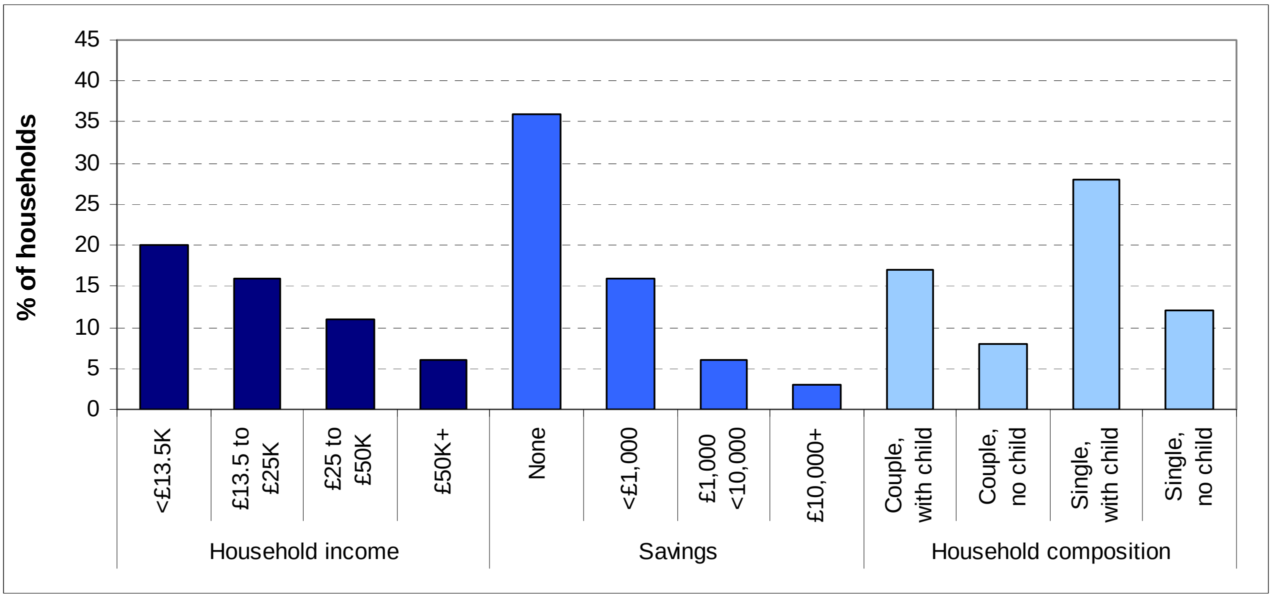
Figure 35: Heavy burden indicator: all households and households with unsecured credit commitments, 2008/09 to 2012



Variation by household characteristics

The subjective burden indicator showed similar variation with household characteristics to the objective measures discussed in the previous section. The measure was particularly strongly associated with the level of household savings (Figure 36).[55] Some 36% of respondents from households with no savings said that keeping up with bills and payments was a heavy burden compared with 6% of those in households with savings of between £1,000 and £10,000.

Figure 36: Variation in 'heavy burden' indicator by selected household characteristics



[55] See Appendix Table A35

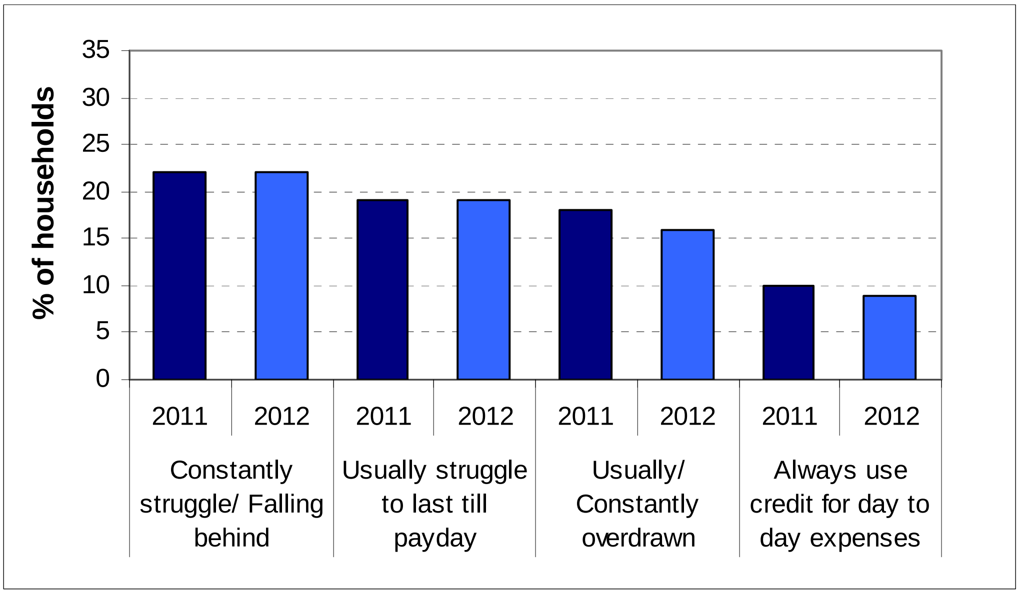
Lone-parent households were very likely to feel that their payments were a heavy burden (28% compared with 12% overall) and the burden indicator fell relatively steeply with increasing income, from 20% among households with a gross annual income of less than £13,500 to 6% among those with an income of £50,000 or more.

As with objective financial difficulties, the heavy burden measure was above average for households in which one or both adults was unemployed (25%) and for households affected by changes in the past year – 23% for those affected by loss of a job in the last 12 months and 19% for those affected by relationship breakdown or having another child.

Other subjective indicators

The DebtTrack surveys include a number of other questions relating to respondents' perceptions of their financial situation, as shown in Figure 37.[56] The measure which most directly relates to financial difficulties is the question about how well the respondent is keeping up with bills and payments. More than one fifth (22%) of respondents said that they were either falling behind with their commitments or they constantly struggled to keep up with bills and payments (6% and 16% respectively). A slightly smaller proportion of respondents (19%) said that they struggled to last to the next payday 'more often than not'.

Figure 37: Other subjective indicators of financial stress, 2011 and 2012

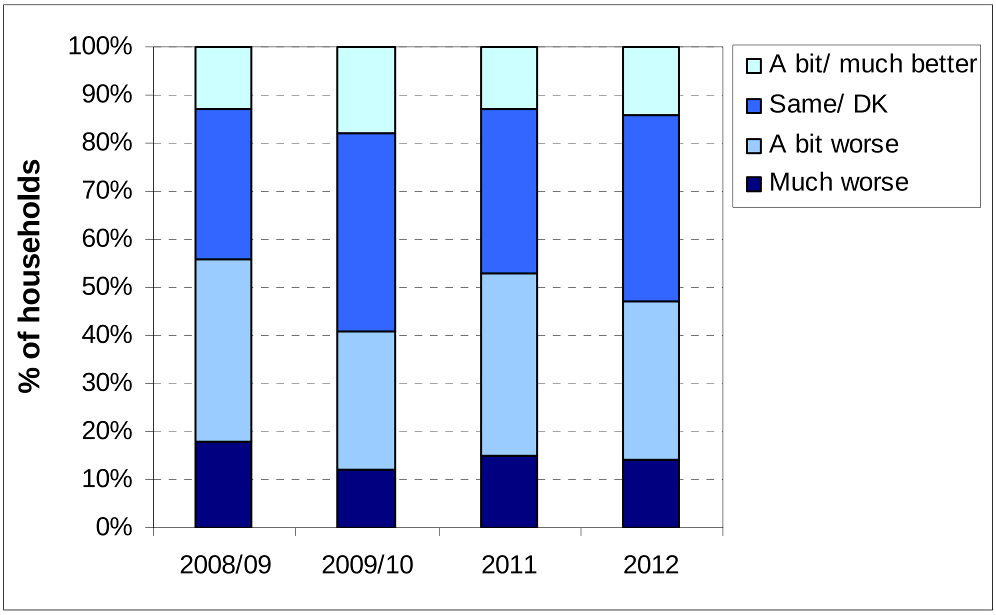


The other two measures shown here relate to the way in which respondents deal with financial problems, either by going overdrawn on a current account or by using credit for day-to-day living expenses. About one in six (16%) of respondents said they were either 'constantly' or 'usually' overdrawn on their current account. A smaller proportion (9%) said that they used credit for day-to-day living expenses 'all the time' although a further 13% of respondents did so 'once in a while'.

[56] See Appendix Table A36

The levels for all of these subjective measures have tended to decrease since 2008/09 but, as illustrated in Figure 37, there was little change between 2011 and 2012 in the two main measures of subjective difficulties. This suggests that respondents' perceptions of their financial position tended to stabilise in 2012, as also seen for the objective measure of difficulties. However, the measures relating to being overdrawn or using credit for day to day living both continued to decline between 2011 and 2012, suggesting a continued improvement in financial circumstances.

Figure 38: Perceived change in households' financial circumstances, 2008/9 to 2012



When asked specifically about changes in their household's financial circumstances in the past six months, only 14% of respondents in 2012 said that their circumstances had improved whereas about one half said that they were either a bit worse (33%) or much worse (14%) (Figure 38).[57] Respondents in 2012 tended to have a more positive view of recent changes in their financial circumstances than respondents in 2011, which is again consistent with the levelling out in the main objective and subjective measures of financial stress. The proportion of respondents who thought that their financial circumstances had worsened in the previous six months decreased from 53% in 2011 to 47% in 2012 but the proportion saying that their circumstances had improved remained constant at 13%-14%.

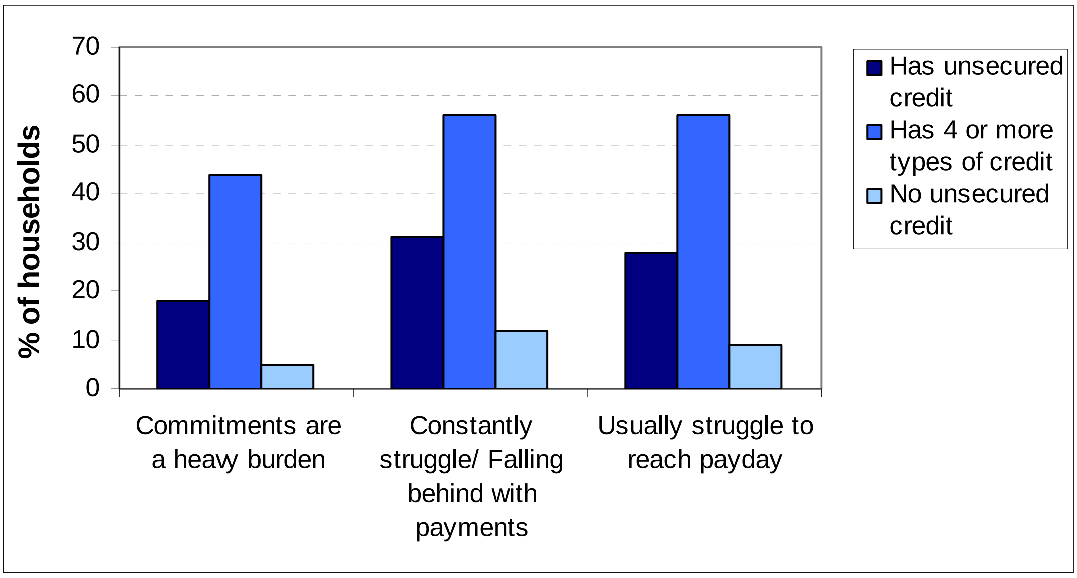
Variation in subjective measures by use of credit

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 – whether commitments were a heavy burden, difficulties in keeping up with bills and payments, and usually struggling to reach payday. About three tenths (28%) of respondents using some form of unsecured credit said that they struggled to reach the next payday 'more often than not' and this increased to 56% among households with four or more unsecured credit commitments compared with just 9% for households not using

[57] See Appendix Table A37

unsecured credit. Similarly, 31% of those using unsecured credit and 56% of those with four or more unsecured credit commitments said that they constantly struggled or were falling behind with bills and payments compared with 12% of respondents who were not using unsecured credit. Those with large numbers of credit commitments were also more likely to say that their financial circumstances had worsened in the past six months (59% compared with 47% overall).[58]

Figure 39: Subjective indicators of financial stress by whether households had unsecured credit commitments



Overlap between subjective indicators

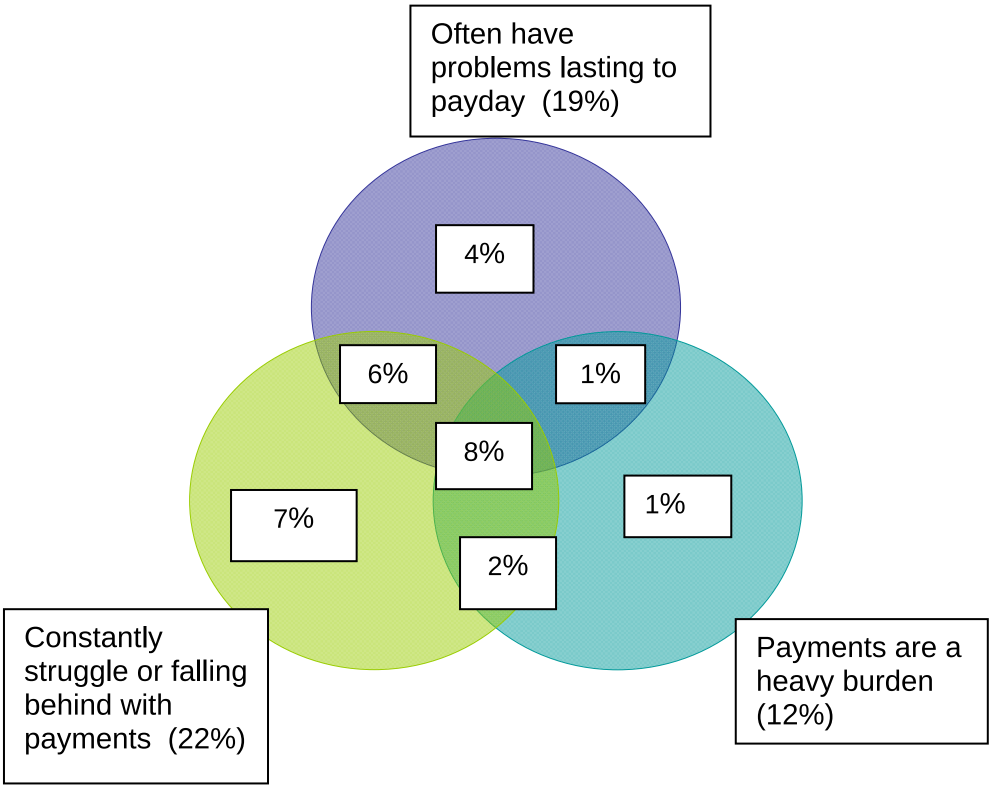
The three main indicators of subjective stress showed a high degree of overlap, as illustrated in Figure 40. Overall, as already seen, the indicator with the highest frequency was whether households constantly struggled to keep up with payments (22% of the sample) and the smallest was for whether respondents considered their commitments a heavy burden (12%).

Some 8% of respondents gave positive responses on all three indicators and a further 8% of respondents met two of the three indicators. Thus only 1% of respondents answered positively to the burden question but did not meet either of the other two indicators. The corresponding frequencies for the other two measures were 4% for those who struggled to reach payday and 7% for those who constantly struggled to keep up with payments.

The two measures that relate to actions taken to deal with financial problems showed a lesser degree of overlap with the three more general subjective measures.[59] About two fifths (between 37% and 44%) of those meeting each of the three main subjective indicators said that they were frequently overdrawn on their current account, and between 23% and 32% said that they regularly used credit for everyday expenses.

[58] See Appendix Table A38
[59] See Appendix Table A39

Figure 40: Overlap between the three main subjective indicators of financial stress
(percentages of all respondents)

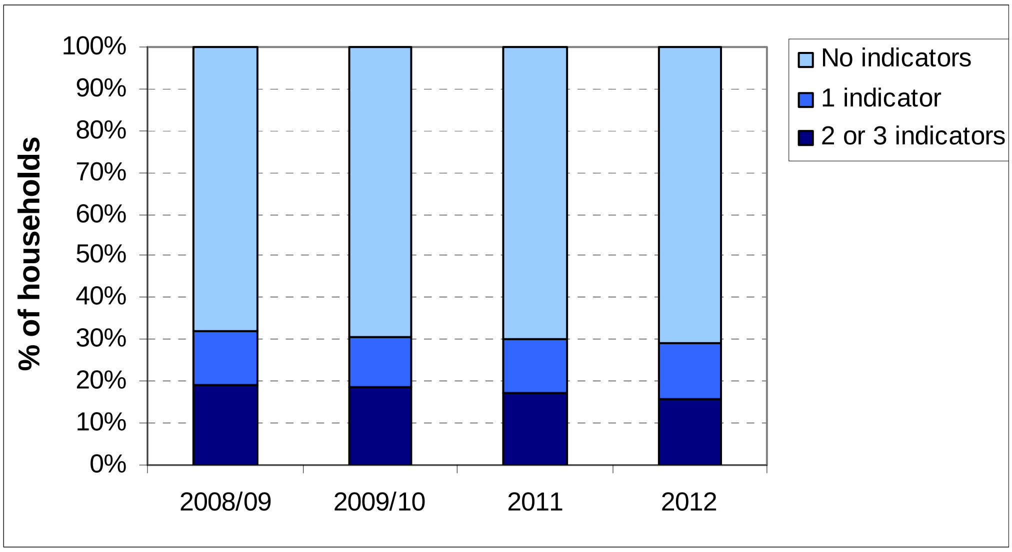


For ease of presentation when exploring the relationship between subjective measures and other indicators of financial difficulties, the three main subjective indicators have been combined into a single measure of subjective stress, as shown in Figure 41.[60]

Overall, about one in six respondents (16%) met two or three of the individual subjective indicators so would appear to be under considerable financial stress. A further 13% of respondents showed signs of stress on just one of the three separate indicators. The measure has been relatively stable over the past four years although the proportion of households showing stress on at least two of the measures has decreased from 19% in 2008/09 to 16% in 2012. This is in line with the decrease seen in the individual measures over this period.

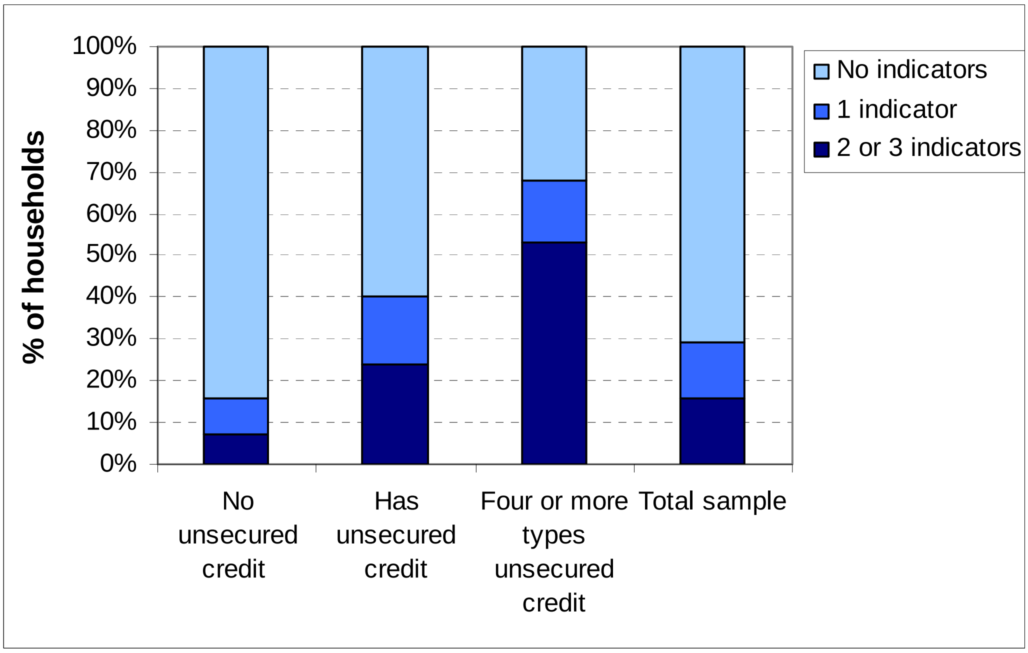
[60] See Appendix Table A40

Figure 41: Combined measure of subjective stress: 2008/09 to 2012



As already seen for the individual questions, respondents with some unsecured credit commitments were more likely than those who were not using credit to show signs of financial stress and respondents using four or more types of credit had very high prevalence of stress on the combined measure (Figure 42).[61] One half (53%) of households with four or more unsecured credit commitments showed signs of financial stress on two or three of the indicators and only 32% of this group showed no signs of stress on these measures; this compares with 7% and 84% respectively for households with no unsecured credit commitments.

Figure 42: Combined measure of subjective stress by use of unsecured credit

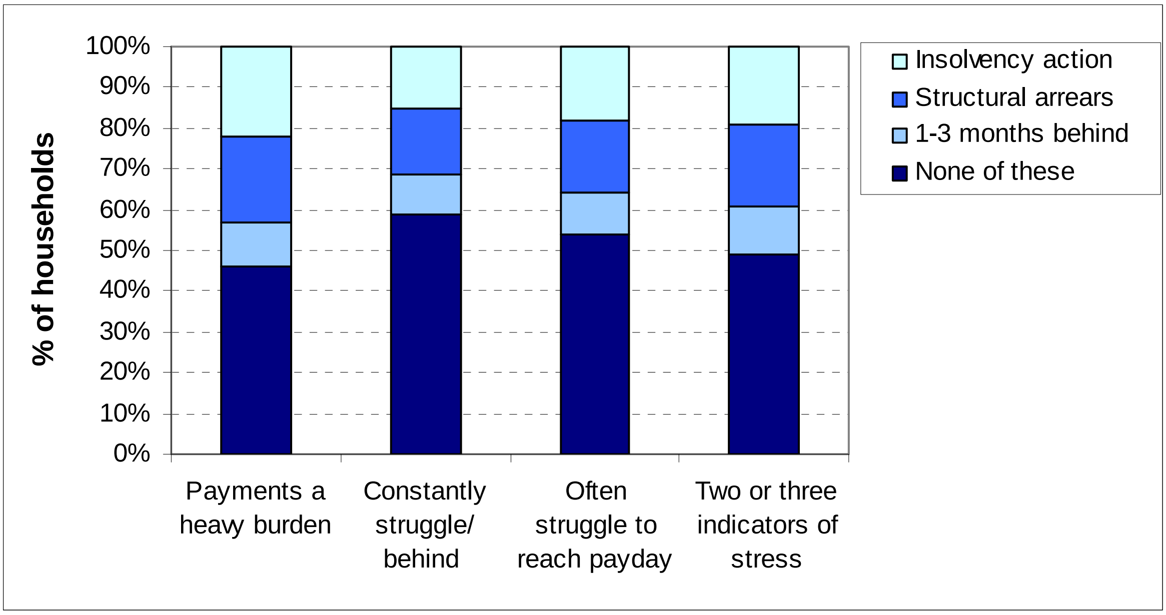


[61] See Appendix Table A41

Overlap between objective and subjective indicators

Previous research indicates that peoples' perception of their financial situation is usually worse than their actual financial position and Figure 43 illustrates that the subjective measures reported for the 2012 DebtTrack surveys were only imprecise indicators of actual financial difficulties.[62]

Figure 43: Objective financial difficulties of those showing signs of financial stress



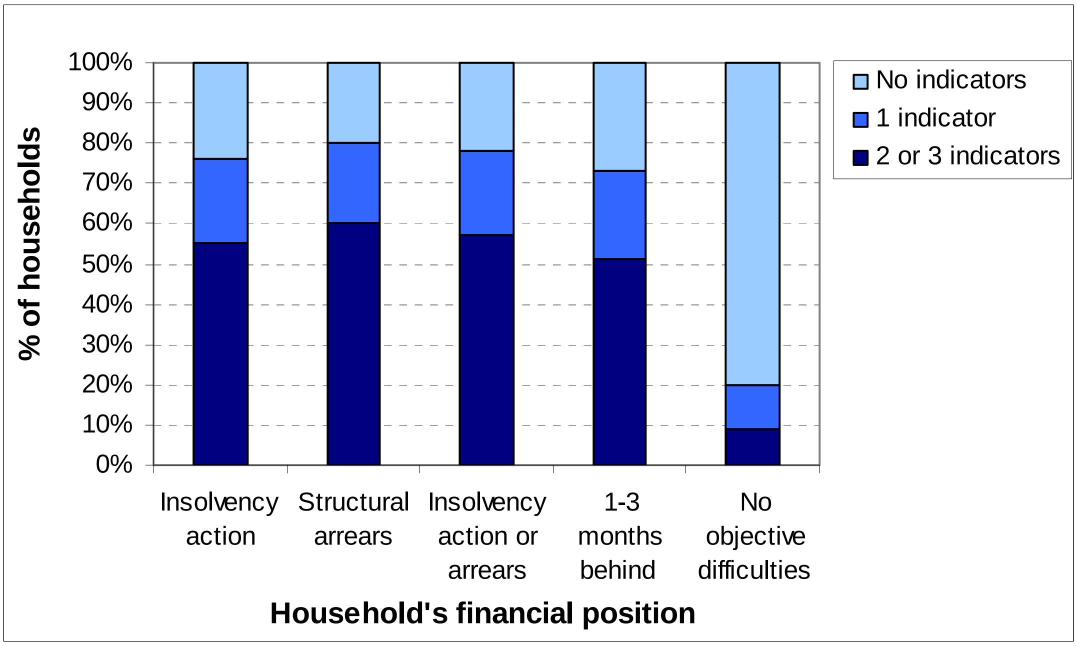
Around one half of respondents who perceived that they were under financial pressure based on the various subjective indicators were neither experiencing severe financial difficulties (insolvency action or structural arrears) nor beginning to fall behind on payments. Some 58% of those who said that they constantly struggled or were falling behind with their bills and credit payments were not experiencing any difficulties according to the objective measures, as also were 54% of those who usually struggled to reach payday. The overlap was greater for those who said their bills and credit payments were a heavy burden but, even so, 46% of this group were not experiencing any of the objective difficulties considered here. The combined measure of subjective stress also showed relatively little overlap with objective financial difficulties: 49% of those identified as under financial stress on two or more subjective measures were not experiencing any of the objective difficulties considered here.

Generally, respondents who were experiencing severe financial difficulties did also perceive that they had problems according to the three main subjective measures. The considerable overlap between the measures in this direction is shown in Figure 44. Around three-quarters (78%) 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 approaching three fifths (57%) on two or three. Households that

[62] See Appendix Table A42

were one to three months behind with any payments also showed high levels of subjective stress – 73% on one or more indicators and 51% on two or three indicators.

Figure 44: Number of subjective indicators of financial stress by whether the household was in financial difficulties



The overlap was also high for the individual questions about whether respondents struggled to keep up with payments or struggled to last until payday.[63] For example, more than two-thirds (70%) of households that were in structural arrears said that they constantly struggled to keep up or were falling behind with bills and payments, as did 63% of those that were one to three months behind with any bills or payments. However, there was somewhat less overlap between the ‘heavy burden’ indicator and actual financial problems: 47% of respondents who were in structural arrears and 35% of those who were one to three months behind with payments felt that their commitments were a heavy burden.

Households at risk of financial difficulty

Indicators of risk

There are a variety of measures available from the DebtTrack surveys which may be helpful in indicating risk of more serious financial problems, either individually or in combination. The main measures are summarised in Table 1; this table shows percentages based on households that were not in serious financial difficulties at the time of interview, so excluding those already involved in insolvency action or who were in structural arrears on payments.

[63] See Appendix Table A43

Table 1: Comparison of measures of financial stress

	Households not taking action on debt or in structural arrears (%)
Two or more subjective indicators of stress	11
Payments are a heavy burden	7
Four or more types of unsecured credit commitments	4
Unsecured credit repayments >30% of income	4
One month behind with payments (but not 3 months behind)	4
Base = 100%	*7,127*

The proportion of households identified by the measures ranged from 4% to 11%. The most obvious indicator of potential difficulties would appear to be those already falling behind with payments, which accounts for 4% of the subsample. However, this measure might be considered too narrow a definition of those who are at risk of falling into more severe difficulties and it also might include some households that have simply overlooked a specific bill but are able to pay it. Identifiers based on high levels of unsecured credit and the heavy burden indicator have all been considered to be useful indicators of risk in previous reports although, taken singly, are likely to be imprecise indicators of potential problems. The DebtTrack measure based on three separate subjective indicators and the heavy burden indicator both identify a larger proportion of households (11% and 7% respectively) and so may be useful in bringing more households into an analysis of risk.

Table 2 shows how the combined measure of stress and the single question on household burden overlap with the other indicators of risk based on survey data. For both groups there was a relatively small overlap with the indicators of heavy use of unsecured credit. Between 14% and 16% of these groups had four or more types of unsecured credit and between 11% and 14% had unsecured credit repayments amounting to 30% or more of their income.

There was also little difference between the two measures in terms of their association with whether households were actually falling behind with payments; in both cases one fifth (19%) of the households identified were one to three months behind with one or more payments at the time of interview. Thus about four fifths of those identified by each of these indicators of risk was not yet falling behind with payments. Looked at the other way around, one half (51%) of respondents who were one to three months behind with payments gave a positive response on two of the three subjective questions on stress while only 35% met the heavy burden indicator.

This analysis indicates the wider scope of the measures of stress based on subjective questions rather than those based on heavy use of unsecured credit. It also suggests that the indicator based on two or more indicators of stress is more useful in identifying those who are already behind with payments than is the single indicator of heavy debt burden.

The combined measure is therefore used in the following analysis of those facing financial stress and who might be at risk of falling into more severe difficulties.

Table 2: Overlap between the main indicators of financial stress and other measures of risk

	Two or more indicators of subjective stress (%)	Payments are a heavy burden (%)	1-3 months behind with payments (%)
Two or more subjective indicators of stress	n/a	84	51
Payments are a heavy burden	57	n/a	35
Four or more types of unsecured credit commitments	14	16	18
Unsecured credit repayments >30% of income	11	14	11
One month behind with payments (but not 3 months behind)	19	19	n/a
*Base = 100% **	*778*	*529*	*290*

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

Comparison with households in financial difficulty

This section first looks at the circumstances of households showing a high level of financial stress compared with those already experiencing financial difficulties (Table 3).

Respondents identified as under financial stress but not yet in severe difficulties were very likely to say that their financial situation had worsened in the past six months; 45% said that their situation was a lot worse and 80% that it was either a bit or much worse. These levels are greater than for those already facing severe difficulties (29% and 60% respectively) suggesting that households under stress were often coping with a fairly recent change in fortunes. The nature of those changes is likely to be varied and not necessarily linked to job loss – 10% of the 'at risk' group had suffered job loss in the last 12 months compared with 22% of households in financial difficulties.

Households facing financial stress were very likely to use credit for everyday expenses or to be frequently overdrawn on their current account. Two fifths (45%) of the group were either constantly overdrawn or usually overdrawn by payday and 33% frequently used credit for everyday expenses. These levels were higher than for households in severe difficulties (36% and 18% respectively). However, those already in severe difficulties were more likely to have sought professional advice on debt in the last six months (21% compared with 7%).

In terms of their use of credit, the households defined as being under financial stress were similar to those already experiencing financial difficulties. One fifth (22%) had debts of more than £10,000, 14% had four or more types of unsecured credit and 11% had repayments on unsecured credit amounting to more than 30% of their monthly income.

Table 3: Comparison of the circumstances of those showing high levels of financial stress and those currently in financial difficulties

	Under financial stress (%)	In financial difficulties (%)	Total (%)
Financial circumstances got a bit or much worse in last 6 months	80	60	47
Financial circumstances got much worse in last 6 months	45	29	14
Respondent or partner lost job in last 12 months	10	22	9
Use credit for everyday expenses 'all the time'	33	18	9
Constantly or often overdrawn on current account	45	36	16
Sought debt advice in last 6 months	7	21	4
Have 4 or more types of unsecured credit	14	17	5
Unsecured debt repayments >30% of income	11	12	5
Unsecured debt more than £10,000	22	22	13
Unsecured debt more than 60% of income	14	17	7
*Base = 100% **	*871*	*778*	*7,998*

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

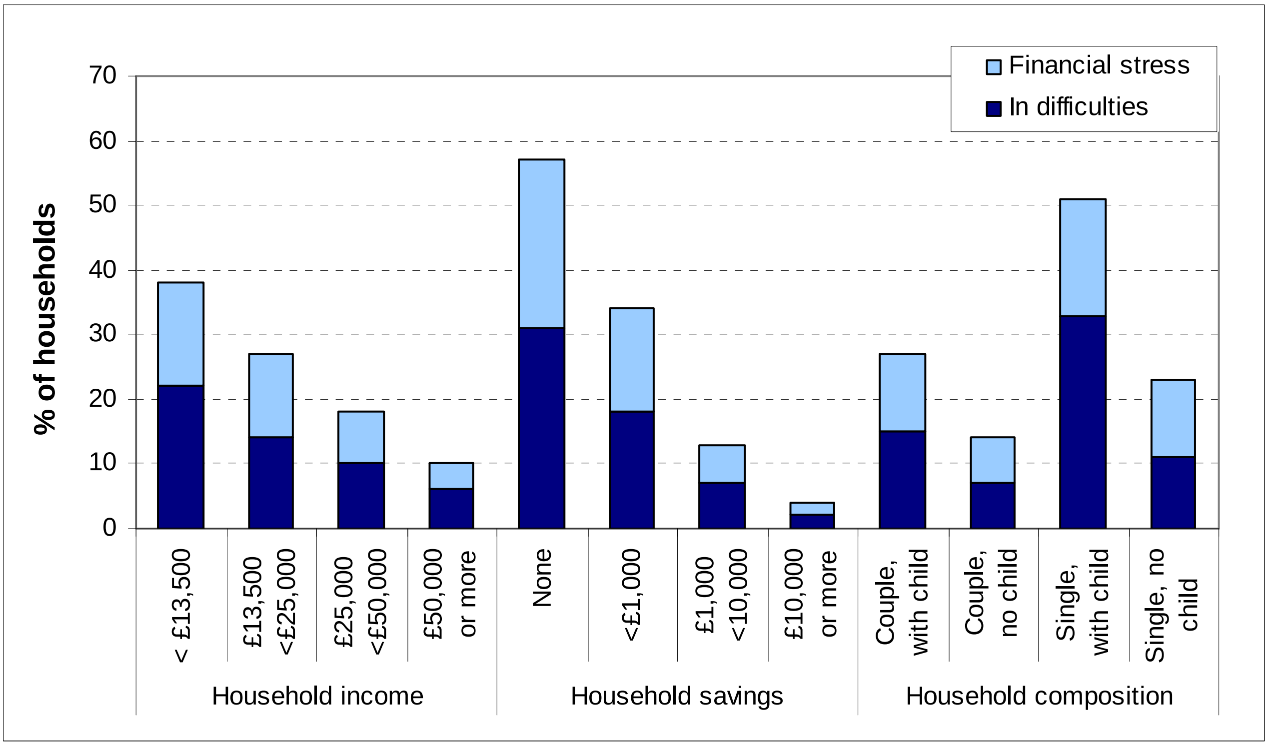
Variation by household characteristics

The characteristics of households under financial stress were broadly similar to those of households already experiencing difficulties (Figure 45).[64] Households with zero or very low savings and those with low income were more likely than more affluent groups to be facing financial stress just as they were more likely to be experiencing financial difficulties. About one quarter (26%) of households with zero savings were under financial stress as were 16% of households with an annual income of less than £13,500 compared with 10% of the total sample.

Lone-parent households were markedly over-represented both among those in financial difficulties and those showing signs of financial stress. About one half of these households were either already in financial difficulties (33%) or experiencing stress (18%). In comparison, about one quarter of couples without children were either in difficulties (15%) or experiencing financial stress (12%). Households in which one or more adult was unemployed were also likely to be experiencing financial stress (15% compared with 10% overall) as well as having an above-average rate of financial difficulties (24% compared with 11% overall).

[64] See Appendix Table A44

Figure 45: Proportion of households either experiencing financial difficulties or under financial stress by selected household characteristics



Advice on debt

Free and impartial debt advice is a vital safety net for many vulnerable consumers, improving their ability to manage their financial commitments and avoid more costly consequences. In the DebtTrack surveys, all respondents who said that they had some difficulties keeping up with bills and payments were asked whether they had contacted anyone in the previous six months to seek professional advice on debt problems.[65]

Likelihood of seeking professional debt advice

In 2012, 7% of respondents who had difficulties keeping up with bills and payments said that they had sought professional debt advice in the previous six months (Table 4). This was equivalent to 4% of the total sample.

The likelihood of having sought advice on debt has fluctuated from year to year but there is evidence that the rate has increased in the past year (from 5% in 2011 to 7% in 2012) after decreasing in the period from 2008/09 to 2011. In 2008/09 the question was asked of a more limited group of respondents so analysis of the trend over the four years is on a slightly different sub-group to that asked the question in more recent years.

[65] The questions on debt advice were asked of those who either constantly struggled or were falling behind with payments.

Table 4: Likelihood of having sought professional advice on debt in last 6 months

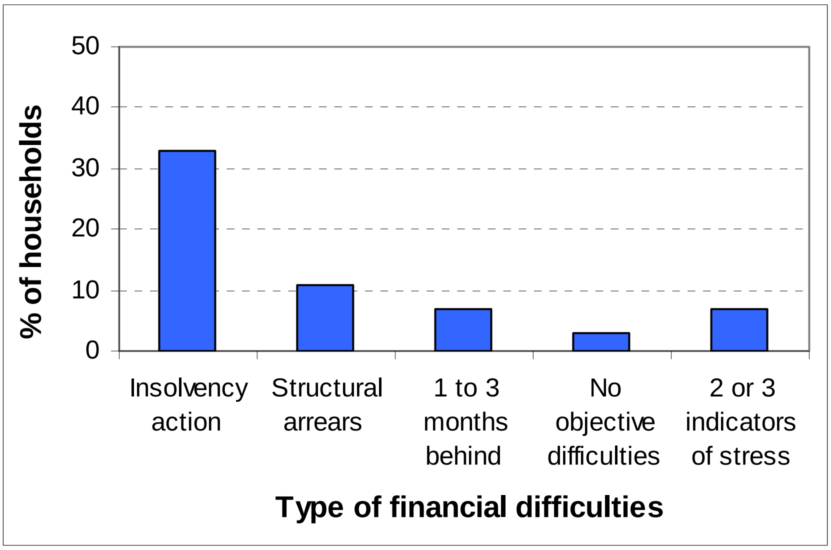
	2008/09 (%)	2009/10 (%)	2011 (%)	2012 (%)
% of those asked the question [1]		7	5	7
Base		*7,583*	*5,045*	*4,839*
% of those who constantly struggled/ were falling behind with payments [2]	14	13	10	11
Base	*3,258*	*3,023*	*1,858*	*1,780*
% of total sample who sought professional debt advice	4	4	3	4
Base = 100%	*14,132*	*13,173*	*8,338*	*7,998*

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

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

The likelihood of having sought advice on debt was strongly associated with the severity of the household's financial difficulties, as shown in Figure 46.[66] Not surprisingly, households that were involved in action to deal with their debt problems were the most likely group to have sought advice on debt in the reference period; one third (33%) of these households had done so. One in ten (11%) of households in structural arrears on payments but not involved in formal action on debt had sought advice in the past six months as had 7% of households that were one to three months behind with payments. A similar proportion (7%) of those defined as being under financial stress had sought advice, as also had 3% of households showing no objective difficulties.

Figure 46: Likelihood of having sought professional advice on debt in the past 6 months, by type of financial difficulties



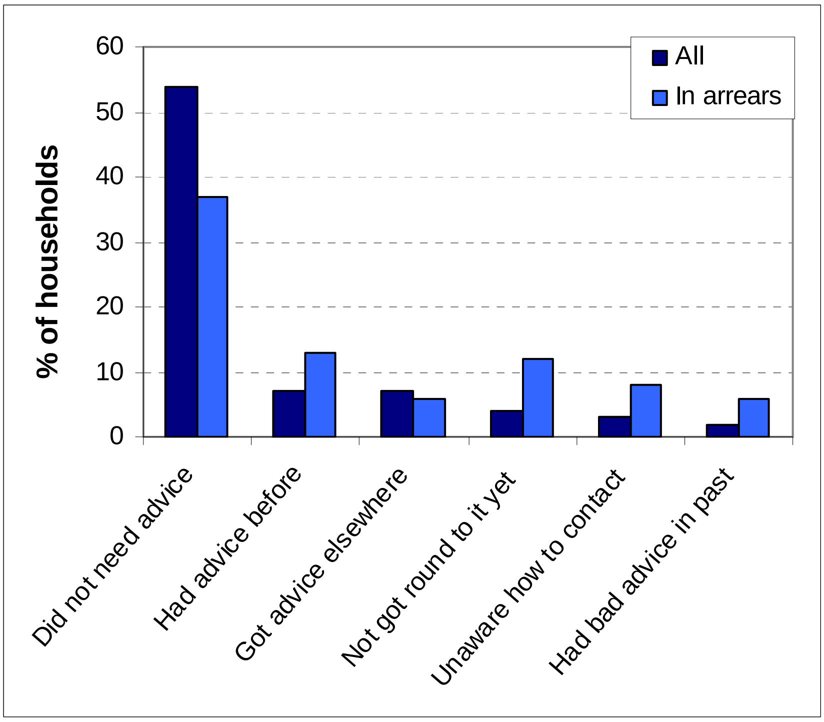
[66] See Appendix Table A45

Reasons for not seeking advice

As in previous years, by far the most common reason given for not having sought advice was that respondents did not feel that they needed advice; this was mentioned by 54% of those asked about debt advice (Figure 47).[67] About one in seven of those who had not sought advice said that they had either received advice in the past and knew what to do (7%) or had got advice elsewhere (7%), and 2% had not sought advice because they felt they had received bad advice in the past. Only a small minority of respondents said that they were unaware of the services available (3%) or unaware of how to contact providers (3%).

The small group of respondents who were in structural arrears on payments were somewhat more likely to perceive a need for advice: 37% said that they did not need advice (compared with 54% overall) and 12% had not yet got round to seeking advice (compared with 4% overall). [68] This group was also more likely to have received advice before – 13% had received professional advice previously and 6% said that they had received bad advice in the past and didn't want to return.

Figure 47: Reasons for not seeking professional advice on debt



Agencies contacted

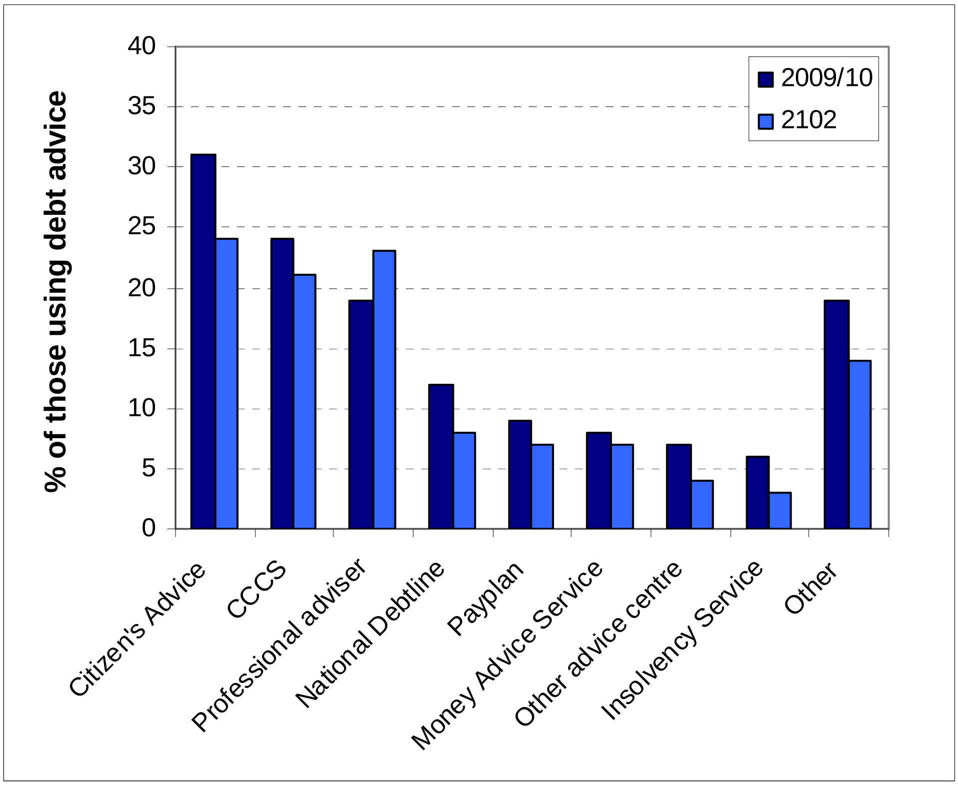
Three types of agency were each used in the previous six months by between one fifth and one quarter of those who had sought advice in 2012 – Citizens Advice Bureaux (CAB – 24%), professional advisers such as a bank or accountant (23%) and the Consumer

[67] See Appendix Table A46
[68] See Appendix Table A47

Credit Counselling Service (CCCS – 21%). Other agencies were used by fewer respondents such as National Debtline (8%), Payplan (7%) and the Money Advice Service (7%).[69]

Comparison with data for 2009/10, as shown in Figure 48, suggests a decline in use of Citizens Advice Bureaux although the only noticeable increase for this sample was in the use of professional advisers. Overall, respondents in 2012 were less likely than those interviewed in 2009/10 to have contacted multiple agencies.

Figure 48: Agencies contacted for debt advice: 2009/10 and 2012



Action taken after receiving advice

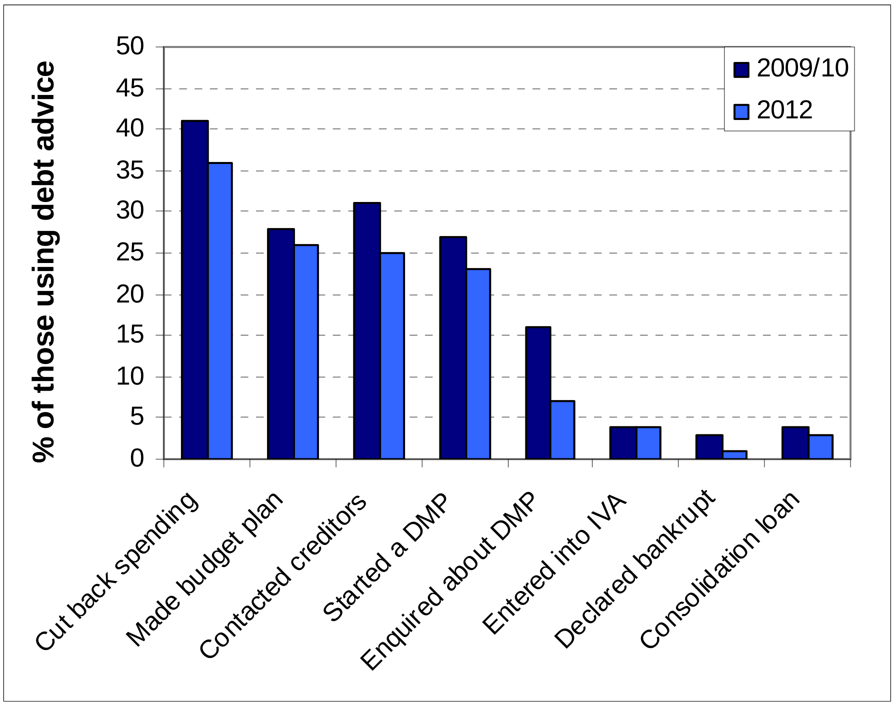
Figure 49 summarises the type of action taken by respondents after receiving advice on debt in the previous six months.[70] The most common types of action reported in 2012 were cutting back on spending (36%), setting out a budget plan (26%) and contacting creditors (25%). Three tenths (30%) of respondents had found out about a Debt Management Plan and the majority of these (23% of respondents receiving advice) had entered into a DMP. Only a small proportion of respondents had entered into an IVA (4%) or been declared bankrupt (1%) since receiving advice.

The types of action taken after receiving advice were broadly similar to those reported in 2009/10 although respondents were less likely to report multiple actions in 2012 so rates had generally decreased over time. The proportion of respondents enquiring about a DMP

[69] See Appendix Table A48
[70] See Appendix Table A49

showed a particularly steep fall, from 16% to 7%, although there was a less marked decrease in the proportion who had actually entered into a DMP (27% to 23%).

Figure 49: Action taken after debt advice: 2009/10 and 2012



Appendix A: Additional tables

Table A1: Number of unsecured credit products

	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)	Feb 2012 (%)	May 2012 (%)	Aug 2012 (%)	Nov 2012 (%)	Total 2012 (%)
All households								
None	36	42	46	47	48	47	50	48
1	24	25	26	23	26	27	25	25
2	1	16	15	14	14	14	14	14
3	12	10	8	9	7	7	7	8
4	7	5	4	4	3	3	3	3
5 or more	4	3	2	2	2	2	2	2
Base = 100%	*14,132*	*13,172*	*8,338*	*1,995*	*1,987*	*2,046*	*1,970*	*7,998*
Households using unsecured credit								
1	37	43	47	44	49	51	49	48
2	27	28	27	27	27	26	28	27
3	19	16	14	17	14	14	13	15
4	10	8	8	7	6	5	6	6
5 or more	7	5	4	4	4	4	4	4
Base= 100%	*9,109*	*7,687*	*4,532*	*1,048*	*1,037*	*1,077*	*988*	*4,151*

Table A2: Use of credit and number of credit products

	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)	Feb 2012 (%)	May 2012 (%)	Aug 2012 (%)	Nov 2012 (%)	Total 2012 (%)
Unsecured credit								
Any unsecured credit commitments	64	58	54	53	52	53	50	52
4 or more unsecured credit commitments	11	8	6	6	5	5	5	5
5 or more unsecured credit commitments	4	3	2	2	2	2	2	2
Secured and unsecured credit								
Any credit commitments	75	70	68	67	66	66	63	65
4 or more commitments	18	13	11	12	9	10	9	10
5 or more commitments	8	6	5	4	4	4	4	4
Base = 100%	*14,132*	*13,172*	*8,338*	*1,995*	*1,987*	*2,046*	*1,970*	*7,998*

Table A3: Types of unsecured credit commitments

	2008/ 2009 (%)	2009/ 2010 (%)	Total 2011 (%)	Feb 2012 (%)	May 2012 (%)	Aug 2012 (%)	Nov 2012 (%)	Total 2012 (%)
Has credit card account [1]		62	62	63	60	59	60	60
Credit card (not usually paid in full & amount outstanding)[1]	35	27	25	24	24	24	24	24
Authorised overdraft	29	22	17	15	15	14	13	14
Student loan	12	16	13	12	13	12	12	12
Unsecured personal loan	22	15	13	14	12	12	11	12
Mail Order catalogue	14	10	10	12	9	9	9	10
Car finance loan	9	9	8	9	7	9	8	8
Loan from friends and family	7	9	7	7	7	6	6	7
Has store card account [1]		16	15	14	13	13	13	13
Store card (not usually paid in full & amount outstanding)[1]	7	5	4	5	4	4	4	4
Hire purchase agreement	4	4	3	3	2	3	3	3
Home collected credit	2	1	2	1	2	1	1	1
DSS/ Social Fund loan	2	1	1	1	2	1	1	1
Payday loan	1	1	1	1	1	1	1	1
Credit Union loan	0	1	1	1	1	0	1	1
Pawnbroker/ cash converter loan	0	0	1	1	0	0	1	0
Any high-cost credit: home-collected, payday, pawnbroker loan	3	2	3	*3*	*3*	*3*	2	3
Other loans	1	1	1	0	1	1	1	1
Base = 100%	*14,132*	*13,172*	*8,338*	*1,995*	*1,987*	*2,046*	*1,970*	*7,998*

[1] Questions differ in the 2008/09 surveys

Table A4: 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	19	29	27	25	*960*
Authorised overdraft	16	29	29	26	*1,158*
Student loan	51	24	12	13	*997*
Hire purchase agreement	20	25	19	35	*215*
Car finance loan	30	29	18	23	*674*
DSS/Social Fund loan	23	23	15	39	*106*
Loan from friends and family	21	28	22	28	*530*
Mail Order catalogue	25	27	21	27	*766*
High-cost credit *	16	24	21	38	*219*
Store card	8	20	31	41	*316*
Credit card	24	32	25	19	*1,919*

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

Table A5: Use of unsecured credit by household characteristics: 2008/09 and 2012

	Has any unsecured credit commitments		*Base = 100%*	
	2008/09 %	**2012 %**	*2008/09*	*2012*
Annual household income				
Less than £13,500	65	52	*2,026*	*1,105*
£13,500 < £25,000	66	54	*2,626*	*1,359*
£25,000 < £50,000	68	58	*3,876*	*2,228*
£50,000 or more	66	56	*1,985*	*1,201*
Not known	59	42	*3,619*	*2,103*
Household savings				
Zero	86	79	*3,080*	*1,409*
£1 < £1,000	80	70	*2,046*	*730*
£1,000 < £10,000	65	58	*3,383*	*1,753*
£10,000 < £20,000	47	44	*886*	*616*
£20,000 or more	31	26	*1,528*	*1,093*
Not known	53	40	*3,210*	*2,396*
Housing tenure				
Mortgage	73	62	*5,515*	*2,795*
Owned outright	39	27	*3,598*	*2,311*
Rented	76	66	*3,664*	*2,099*
Rent free/ other	68	59	*1,217*	*644*
Household composition				
Couple, with child(ren)	74	63	*3,088*	*1,549*
Couple, no child	59	46	*6,152*	*3,647*
One adult with child(ren)	78	63	*619*	*320*
One adult, no child	64	54	*4,192*	*2,390*
Age of respondent				
18 to 24	73	67	*1,225*	*666*
25 to 39	76	66	*2,994*	*2,044*
40 to 54	68	56	*2,767*	*2,198*
55 or over	50	37	*3,817*	*3,090*
Unemployment				
One or both adults unemployed	68	58	*697*	*370*
Other	64	52	*13,266*	*7,628*
All households	64	52	*14,132*	*7,998*

Table A6: Types of credit product by household characteristics

	Personal loan or overdraft (%)	Student loan (%)	Credit or Store card debts (%)	Mail order/ Hire Purchase/ Car finance (%)	Credit Union/ DSS loan (%)	Informal loan (%)	High-Cost Credit (%)	*Base = 100%*
Annual household income								
Less than £13,500	18	10	21	18	6	7	5	*1,105*
£13,500 < £25,000	22	9	28	19	2	7	4	*1,359*
£25,000 < £50,000	28	16	31	21	1	8	3	*2,228*
£50,000 or more	27	16	27	22	1	7	1	*1,201*
Not known	18	10	19	14	2	5	2	*2,103*
Household savings								
Zero	43	15	48	32	6	17	9	*1,409*
£1 < £1,000	33	14	36	22	4	12	6	*730*
£1,000 < £10,000	23	18	26	18	1	6	1	*1,753*
£10,000 < £20,000	13	13	17	18	1	3	1	*616*
£20,000 or more	7	6	8	11	0	2	1	*1,093*
Not known	16	9	18	13	1	3	1	*2,396*
Housing tenure								
Mortgage	32	11	36	24	2	7	2	*2,795*
Owned outright	10	1	12	12	0	2	1	*2,311*
Rented	27	21	29	21	5	10	6	*2,099*
Rent free/ other	14	34	18	11	1	11	3	*644*
Household composition								
Couple, with child	33	10	35	26	3	12	4	*1,549*
Couple, no child	21	9	23	18	1	4	1	*3,647*
One adult with child	28	6	32	23	9	11	11	*320*
One adult, no child	19	20	22	14	2	7	3	*2,390*
Age of respondent								
18 to 24	13	48	6	7	2	11	4	*666*
25 to 39	28	27	31	17	2	12	3	*2,043*
40 to 54	28	4	33	24	3	7	4	*2,198*
55 or over	17	0	19	18	1	2	1	*3,091*
Unemployment								
One or both adults unemployed	21	12	27	15	5	13	4	*370*
Neither unemployed	23	12	25	19	2	6	3	*7,628*
All households	23	12	25	18	2	7	3	*7,998*

Table A7: Use of credit for everyday living expenses

Reliance on credit for everyday expenditure	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)	Feb 2012 (%)	May 2012 (%)	Aug 2012 (%)	Nov 2012 (%)	Total 2012 (%)
All the time	11	11	10	9	9	8	9	9
Once in a while	15	13	14	13	13	12	14	13
Either	26	25	24	23	22	20	23	22
Base = 100%	*14,132*	*13,172*	*8,338*	*1,995*	*1,987*	*2,046*	*1,970*	*7,998*

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

Credit product	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)	Feb 2012 (%)	May 2012 (%)	Aug 2012 (%)	Nov 2012 (%)	Total 2012 (%)
Credit card	11	8	8	7	6	9	8	8
Overdraft facility	3	3	2	2	2	2	2	2
Personal loan	4	2	2	2	2	2	3	2
Mortgage	3	2	2	2	2	3	2	2
Student loan *		2	1	1	1	1	1	1
Mail Order catalogue *		1	1	1	1	1	1	1
Car Finance loan *		1	1	2	1	2	1	1
Store card	2	1	1	1	1	1	1	1
Home-collected credit	1	0	0	1	1	0	1	0
DSS/ Social Fund loan	1	1	1	1	1	1	1	1
Payday loan	0	1	1	1	1	1	1	1
Hire purchase *		1	1	1	1	0	0	1
Secured loan	1	0	0	1	0	0	0	0
Pawnbroker *		0	0	0	0	0	0	0
Credit union loan *		0	0	0	0	0	1	0
Any high-cost credit *		1	2	2	2	2	2	2
Any unsecured credit		18	16	15	15	17	17	16
Any unsecured credit (only products asked in 2008/09)	18	14	13	11	12	14	13	13
Mortgage or secured loan	4	3	2	3	3	3	2	3
Base = 100%	*14,132*	*13,172*	*8,338*	*1,995*	*1,987*	*2,046*	*1,970*	*7,998*

* Products added to the questionnaire from Nov. 2009

Table A9: Outcome of applications for unsecured credit

	Obtained product for full amount (%)	**Obtained product for reduced amount (%)**	**Application was rejected (%)**	**Respondent decided against (%)**	*Base = 100% (Cases where outcome known)*
Credit card	73	11	15	1	*579*
Overdraft facility	52	23	25	-	*154*
Personal loan	65	3	29	3	*158*
Mail order	71	16	9	3	*87*
Student loan	77	17	5	1	*77*
Payday loan	78	17	5	-	*105*
Car finance loan	86	7	6	1	*106*
Store card	78	7	13	2	*68*
DSS/ Social Fund loan	*22*	*66*	*12*	-	*59*
Hire Purchase	*76*	-	*19*	*5*	*41*
Home-collected credit	*70*	*16*	*14*	-	*37*
Credit union loan	*59*	*41*	-	-	*22*
Pawnbroker	*27*	*47*	*27*	-	*15*

Table A10: Proportion of households whose application for main types of credit was rejected: 2008/09 to 2012

	Percentage			*Base=100%*		
	2009/ 2010 (%)	**2011 (%)**	**2012 (%)**	*2009/ 2010 (%)*	*2011 (%)*	*2012 (%)*
Credit card	24	19	15	*1,007*	*636*	*579*
Overdraft facility	33	29	25	*292*	*178*	*154*
Personal loan	29	33	29	*363*	*174*	*158*
Mail order	14	13	9	*175*	*106*	*87*
Payday loan	15	11	5	*82*	*94*	*105*
Car finance loan	9	10	6	*180*	*84*	*106*
Store card	19	8	13	*190*	*76*	*68*
All High-cost credit *	12	11	8	*161*	*135*	*143*

* Payday loans, Home-collected credit and Pawnbroker loans

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

	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)	Feb 2012 (%)	May 2012 (%)	Aug 2012 (%)	Nov 2012 (%)	Total 2012 (%)
Likelihood in next 3 months								
Very likely	4	3	3	3	2	3	3	3
Fairly likely	9	8	7	5	5	6	5	5
Very or fairly likely	*13*	*11*	*10*	*9*	*8*	*9*	*8*	*8*
Neither likely nor unlikely/ Don't know	21	19	18	18	19	17	19	18
Fairly unlikely	17	16	16	14	14	15	14	14
Very unlikely	49	54	56	59	59	60	59	59
Very or fairly unlikely	*66*	*70*	*72*	*73*	*73*	*75*	*73*	*74*
Likelihood in next 3 months or next 6 to12 months								
Very or fairly likely		*16*	15	14	12	13	*12*	*13*
Base = 100%	*14,132*	*13,172*	*8,338*	*1,995*	*1,987*	*2,046*	*1,970*	*7,998*

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

Table A12: Households that applied for an unsecured credit/ loan in last 6 months by household characteristics: 2009/10 and 2012

	Applied for an unsecured credit product		*Base = 100%*	
	2009/10 %	**2012 %**	*2009/10*	*2012*
Annual household income				
Less than £13,500	22	17	*1,798*	*1,105*
£13,500 < £25,000	20	16	*2,329*	*1,359*
£25,000 < £50,000	19	18	*3,766*	*2,228*
£50,000 or more	21	19	*2,142*	*1,201*
Not known	13	12	*3,137*	*2,103*
Household savings				
Zero	28	26	*2,527*	*1,410*
£1 < £1,000	26	23	*1,149*	*730*
£1,000 < £10,000	19	16	*2,962*	*1,753*
£10,000 or more	13	12	*2,871*	*1,708*
Not known	13	11	*3,662*	*2,396*
Household composition				
Couple, with child(ren)	20	23	*2,731*	*1,549*
Couple, no child	14	12	*5,681*	*3,648*
One adult with child(ren)	28	27	*555*	*319*
One adult, no child	22	17	*4,108*	*2,390*
Age of respondent				
18 to 24	34	22	*1,480*	*666*
25 to 39	23	22	*3,774*	*2,044*
40 to 54	17	17	*3,268*	*2,198*
55 or over	10	10	*4,649*	*3,091*
All households	18	16	*13,172*	*7,998*

Table A13: Use of secured credit

	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)	2012 (%)
Mortgage	39	36	38	35
Other secured loan	5	4	3	3
Mortgage or secured loan	40	37	39	36
Base = 100%	*14,132*	*13,172*	*8,338*	*7,998*

Table A14: Type of mortgage held

	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)	2012 (%)
Repayment mortgage	70	71	74	76
Interest only with endowment	16	13	14	11
Interest only with other repayment vehicle (ISA, pension, other)	6	6	5	6
Interest only, no repayment vehicle	8	11	9	9
Total interest-only	*30*	*29*	*28*	*25*
Don't know type	6	4	4	4
Base = 100%	*5,516*	*4,766*	*3,171*	*2,794*

Table A15: Overlap between secured and unsecured credit

	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)	2012 (%)
Mortgage or secured loan	40	37	39	36
Unsecured credit	64	58	54	52
Any form of credit	75	70	68	65
Secured credit only	11	12	14	14
Has secured and unsecured credit	29	25	25	22
Unsecured credit only	35	34	29	30
No credit	25	30	32	35
Base = 100%	*14,132*	*13,172*	*8,338*	*7,998*

Table A16: Secured and unsecured credit use by household characteristics

	All with mortgage or secured loan (%)	Mortgage or secured loan only (%)	Both secured and unsecured credit (%)	Unsecured credit only (%)	Any credit (%)	*Base = 100%*
Annual household income						
Less than £13,500	14	5	9	43	57	*1,105*
£13,500 < £25,000	26	9	17	37	63	*1,359*
£25,000 < £50,000	44	14	30	27	71	*2,228*
£50,000 or more	61	24	37	19	79	*1,201*
Not known	30	15	15	27	57	*2,103*
Household savings						
Zero	38	5	33	46	84	*1,409*
£1 < £1,000	33	7	26	44	78	*730*
£1,000 < £10,000	43	15	28	30	73	*1,753*
£10,000 < £20,000	44	23	22	22	66	*616*
£20,000 or more	28	18	10	15	43	*1,093*
Not known	31	15	16	24	55	*2,396*
Household composition						
Couple, with child(ren)	66	23	43	20	86	*1,549*
Couple, no child	33	13	20	25	59	*3,648*
One adult with child(ren)	32	12	20	43	75	*319*
One adult, no child	21	9	12	42	63	*2,390*
Age of respondent						
18 to 24	10	3	7	60	70	*666*
25 to 39	47	16	31	35	82	*2,044*
40 to 54	55	21	33	22	77	*2,198*
55 or over	21	9	12	25	46	*3,091*
All households	36	14	22	30	65	*7,998*

Table A17: Total unsecured household borrowing

	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)	2012 (%)
£1,000 or less	24	20	25	23
>£1,000 to £2,000	11	9	10	9
>£2,000 to £4,000	14	13	13	13
>£4,000 to £6,000	9	9	8	9
>£6,000 to £10,000	14	14	14	14
>£10,000 to £15,000	11	13	12	11
>£15,000 to £20,000	7	8	7	7
More than £20,000	10	13	11	13
Mean value (£)	8,700	9,900	8,500	9,100
Median value (£)		6,000	4,600	5,000
*Base = 100% (Households using unsecured credit)**	*6,928*	*6,224*	*3,753*	*3,477*
% of households with missing values	24%	19%	17%	16%

* Excludes cases where the value of unsecured credit was missing

Table A18: Average debt for each type of unsecured credit

Type of credit	2008/ 2009 Mean (£)	2009/ 2010 Mean (£)	2011 Mean (£)	2012 surveys				
				Mean (£)	Median (£)	90th percentile (£)	*Base= 100% (Households using unsecured credit)**	% missing values
Student loan	11,100	11,200	11,000	12,900	11,600	25,000	*823*	*17*
Personal loan	7,800	7,700	7,200	7,200	5,000	16,000	*787*	*18*
Car finance loan	5,400	5,900	6,200	6,000	4,300	13,000	*563*	*16*
Loan from friends/family	3,700	5,400	4,400	4,700	2,000	10,900	*424*	*20*
Credit card	4,400	5,000	4,500	4,400	2,100	10,900	*1,506*	*22*
Hire purchase	2,400	3,000	2,500	3,000	1,000	8,600	*177*	*18*
Store card	800	1,400	1,400	1,600	500	3,000	*262*	*17*
Authorised overdraft	1,400	1,400	1,100	1,100	600	2,400	*895*	*23*
Credit Union loan	1,400	1,700	2,100	1,100	600	2,500	*60*	*19*
Home collected credit	900	1,200	1,000	800	500	2,000	*86*	*20*
Payday loan	600	800	600	700	300	2,300	*83*	*18*
Mail Order catalogue	600	700	600	600	300	1,500	*653*	*15*
DSS/ Social Fund loan	400	500	500	400	400	800	*95*	*10*
Pawnbroker / cash converter	*400*	*1,500*	*700*	*400*	*200*	*1,000*	*24*	*27*
'Other' loans	*10,600*	*22,700*	*13,200*	*27,200*	*8,800*	*100,000*	*29*	*31*
All high-cost credit	900	1,100	1,000	800	400	2,000	*173*	*21*
All unsecured loans	8,700	9,900	8,500	9,100	5,000	22,500	*3,477*	*16*

* Excludes cases where the value of credit was missing

Table A19: Total secured household borrowing

	2009/ 2010 (%)	2011 (%)	2012 (%)
Less than £25,000	16	17	18
£25,000 < £50,000	14	16	17
£50,000 < £75,000	15	16	15
£75,000 < £100,000	15	16	17
£100,000 < £150,000	20	21	18
£150,000 < £200,000	10	9	9
£200,000 or more	10	7	7
*Base = 100% (Households using secured credit) **	*2,960*	*2,496*	*2,203*
% of households with missing values	39%	22%	23%
Mean value (£)	98,400	91,800	88,300
Median value (£)	80,000	78,000	75,000
10th percentile	15,000	15,000	15,000
90th percentile	196,000	175,000	175,000

* Excludes cases where the value of secured credit was missing

Table A20: Total household borrowing by type of credit currently held by household

	Secured credit only (%)	Secured and unsecured credit (%)	Unsecured credit only (%)	All using credit (%)
£1,000 or less	3	1	28	14
>£1,000 to £5,000	4	1	26	14
>£5,000 to £10,000	3	1	17	9
>£10,000 to £20,000	11	5	17	12
>£20,000 to £50,000	23	18	11	16
>£50,000 to £10,000	29	32	1	17
More than £100,000	27	42	0	19
Mean value (£)	82,100	101,200	8,300	52,800
Median value (£)	63,000	88,000	4,000	21,400
*Base = 100% **	*795*	*1,336*	*1,976*	*4,107*

* Excludes cases where the value of credit was missing

Table A21: Total household borrowing

	2009/ 2010 (%)	2011 (%)	2012 (%)
£1,000 or less	13	14	14
>£1,000 to £5,000	15	13	14
>£5,000 to £10,000	10	9	9
>£10,000 to £20,000	15	12	12
>£20,000 to £50,000	14	14	16
>£50,000 to £100,000	14	16	17
More than £100,000	19	22	19
Mean value (£)	53,400	57,400	52,800
Median value (£)		23,000	21,400
*Base = 100% (Households using credit)**	*6,364*	*4,434*	*4,107*
% of households with missing values	31%	22%	22%

* Excludes cases where the value of credit was missing

Table A22: Ratio of unsecured debt to income

	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)	2012 (%)
10% or less	38	35	40	37
>10% to 20%	17	16	17	17
>20% to 40%	17	19	17	20
>40% to 60%	9	10	10	9
>60% to 80%	6	6	4	5
More than 80%	13	14	11	12
Base = 100% (Households using unsecured credit) *	*5,863*	*5,446*	*3,279*	*3,020*
% of households with missing values	36%	29%	28%	27%

* Excludes cases where the value of the ratio was missing

Table A23: Repayment-to-income ratios for households using unsecured credit

	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)	2012 (%)
Up to 10%	55	63	57	56
>10% to 20%	19	19	20	21
>20% to 30%	10	8	9	9
>30% to 40%	5	3	4	4
More than 40%	11	7	9	9
*Base = 100%**	*6,492*	*6,111*	*2,974*	*2,713*
% of households with missing values	29%	21%	34%	35%

* Excludes cases where the ratio was missing

Table A24: Proportions of borrowing households with high levels of unsecured debt by household characteristics

	Unsecured debts of more than £10,000 (%)	Unsecured debts of more than £20,000 (%)	*Base = 100% **	Debt-to-income ratio of more than 60% (%)	*Base = 100% **	Repayment-to-income ratio of more than 30% (%)	*Base = 100% **
Annual household income							
Less than £13,500	17	6	*519*	35	*513*	29	*426*
£13,500 < £25,000	26	11	*670*	24	*670*	15	*609*
£25,000 < £50,000	36	15	*1,208*	14	*1,209*	10	*1,095*
£50,000 or more	41	18	*628*	5	*628*	7	*584*
Not known	24	9	*452*	-		-	
Household savings							
Zero	34	15	*1,025*	23	*957*	16	*879*
£1 < £1,000	26	12	*477*	19	*444*	16	*416*
£1,000 < £10,000	33	14	*940*	16	*893*	13	*793*
£10,000 or more	29	12	*527*	13	*506*	9	*439*
Not known	26	7	*510*	11	*220*	9	*186*
Housing tenure							
Mortgage	34	14	*1,465*	14	*1,326*	12	*1,243*
Owned outright	15	6	*516*	13	*435*	16	*393*
Rented	30	13	*1,175*	24	*1,023*	15	*889*
Rent free/ other	43	16	*308*	23	*231*	14	*185*
Household composition							
Couple, with child(ren)	31	13	*832*	13	*746*	13	*692*
Couple, no child	30	12	*1,418*	14	*1,226*	11	*1,116*
One adult with child(ren)	25	10	*174*	27	*158*	28	*147*
One adult, no child	32	14	*1,042*	26	*886*	15	*753*
Age of respondent							
18 to 24	53	31	*358*	43	*283*	14	*186*
25 to 39	38	14	*1,182*	17	*1,042*	12	*948*
40 to 54	29	11	*999*	15	*895*	15	*844*
55 or over	15	5	*939*	12	*800*	14	*735*
Unemployment							
One or both adults unemployed	24	10	*172*	30	*150*	15	*137*
Other	31	13	*3,306*	17	*2,870*	13	*2,577*

All households with unsecured credit	31	13	*3,477*	*18*	*3,020*	14	*2,713*

* Bases exclude cases where the value was missing

Table A25: High levels of secured credit by household characteristics

	Secured credit of £150,000 or more (%)	**Secured credit of £200,000 or more (%)**	*Base = 100% **
Annual household income			
Less than £13,500	9	4	*134*
£13,500 < £25,000	2	1	*316*
£25,000 < £50,000	9	4	*868*
£50,000 or more	32	15	*660*
Not known	16	7	*227*
Household savings			
Zero	20	9	*454*
£1 < £1,000	13	4	*212*
£1,000 < £10,000	14	7	*693*
£10,000 < £20,000	11	5	*263*
£20,000 or more	20	10	*291*
Not known	15	8	*292*
Household composition			
Couple, with child(ren)	22	11	*810*
Couple, no child	14	6	*903*
One adult with child(ren)	10	4	*83*
One adult, no child	8	4	*398*
Age of respondent			
18 to 39	22	10	*808*
40 to 54	14	7	*919*
55 or over	8	4	*477*
Unemployment			
One or both adults unemployed	16	3	*76*
Other	16	7	*2,128*
All households with secured credit	16	7	*2,204*

* Excludes cases where amount of secured debt was missing

Table A26: Value of liquid household savings: 2009/10 to 2012

	2009/10 (%)	2011 (%)	2012 (%)
Zero	27	26	25
Less than £1,000	12	13	13
£1,000 less than £5,000	20	21	20
£5,000 less than £10,000	11	12	11
£10,000 less than £50,000	21	20	21
£50,000 or more	9	8	9
Base = 100% [1]	*9,514*	*5,964*	*5,612*
Mean value (£) [2]	16,200	14,500	17,600
Median value (£)	2,000	2,000	2,000
% of households with no information	28%	28%	30%

[1] Excludes cases where the value of household savings was missing
[2] Means exclude a small number of cases with reported savings of £1 million or more

Table A27: Value of liquid household savings by use of credit

	Using unsecured credit (%)	Using secured credit (%)	No credit (%)	Total (%)
Zero	35	25	14	25
Less than £1,000	16	12	10	13
£1,000 less than £5,000	21	22	17	20
£5,000 less than £10,000	11	14	11	11
£10,000 less than £50,000	14	21	29	21
£50,000 or more	3	6	20	9
Base = 100% [1]	*3,193*	*2,109*	*1,699*	*5,612*
Mean value (£) [2]	7,600	10,800	35,800	17,600
Median value (£)	800	2,000	8,000	2,000
% of households with no information	23%	26%	37%	30%

[1] Excludes cases where the value of household savings was missing
[2] Means exclude a small number of cases with reported savings of £1 million or more

Table A28: Value of household savings by household characteristics

	Value of household savings					
	Less than £1,000 (%)	**£1,000 <£10,000 (%)**	**£10,000 <£50,000 (%)**	**£50,000 or more (%)**	**Mean value (£)**	*Base = 100% **
Annual Household income						
Less than £13,500	61	26	11	3	6,400	*962*
£13,500 < £25,000	43	31	20	5	11,400	*1,183*
£25,000 < £50,000	32	34	24	10	17,600	*1,978*
£50,000 or more	20	30	31	19	38,300	*1,069*
Not known	48	34	14	3	8,100	*420*
Age of respondent						
18 to 24	44	42	14	0	4,300	*436*
25 to 39	42	35	18	5	9,600	*1,542*
40 to 54	46	29	18	8	14,800	*1,585*
55 or over	28	28	28	15	28,700	*2,049*
Housing tenure						
Mortgage	37	36	21	6	10.900	*2,065*
Owned outright	13	27	37	23	44,200	*1,496*
Rented	61	28	9	2	4,500	*1,602*
Rent free/ other	46	37	14	4	7,100	*426*
Household composition						
Couple, with child(ren)	44	29	19	8	13,700	*1,161*
Couple, no child	28	32	27	13	24,800	*2,452*
One adult with child(ren)	67	23	9	2	3,500	*249*
One adult, no child	45	33	16	6	12,200	*1,730*
Unemployment						
One or both adults unemployed	62	23	11	4	9,200	*272*
Other	37	32	22	9	18,000	*5,341*
All households	38	31	21	9	17,600	*5,612*

* Excludes cases where the value of household savings was missing

Table A29: Prevalence of arrears with payments

	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)	Feb 2012 (%)	May 2012 (%)	Aug 2012 (%)	Nov 2012 (%)	Total 2012 (%)
All households								
More than 3 months behind with any payments	9	9	7	7	7	6	8	7
1-3 months behind with any payments	5	5	5	5	4	4	4	4
Total at least 1 month behind with any payments	14	13	12	12	11	11	12	12
Base = 100%	*14,132*	*13,171*	*8,338*	*1,995*	*1,987*	*2,046*	*1,970*	*7,998*
Households with unsecured debts								
More than 3 months behind with any payments	12	13	11	12	12	10	11	11
1-3 months behind with any payments	8	7	8	8	6	7	7	7
Total at least 1 month behind with any payments	20	20	18	20	19	17	18	18
Base = 100%	*9,109*	*7,687*	*4,532*	*1,048*	*1,038*	*1,077*	*988*	*4,151*

Table A30: Number and type of payments in 3-month arrears: households with structural arrears

	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)	2012 (%)
Number of payments more than 3 months behind				
One	54	53	58	60
Two	24	24	23	21
Three or more	22	23	19	19
Type of payments in arrears				
Arrears on major household bills *	54	47	46	48
Arrears on credit card payments	27	18	15	17
Arrears on any unsecured loans or credit	49	51	48	50
Arrears on other bills or payments	27	37	33	27
Arrears on mortgage payments	4	3	6	5
Base= 100% (Households in structural arrears)	*1,242*	*1,120*	*583*	*577*

* Including rent, excluding mortgage payments

Table A31: Prevalence of statutory and informal insolvency instruments

	2008/09 (%)	2009/10 (%)	2011 (%)	2012 (%)
Declared bankrupt in last 2 years *	1	1	1	0
IVA	1	1	1	1
DMP	5	5	4	5
Any of the above measures	*7*	*6*	*5*	*6*
CCJ or other legal proceedings for non-payment of debts in last 2 years	3	3	2	2
CCJ or any of the other measures	*8*	*8*	*7*	*7*
Base = 100%	*14,132*	*13,172*	*8,338*	*7,998*

* ‘Currently’ declared bankrupt in 2008/09 surveys

Table A32: Composite (hierarchical) measure of financial difficulties

	2008/ 2009 (%)	2009/ 2010 (%)	Total 2011 (%)	Feb 2012 (%)	May 2012 (%)	Aug 2012 (%)	Nov 2012 (%)	Total 2012 (%)
Bankrupt*, IVA or DMP	7	6	5	5	7	5	6	6
Structural arrears	6	6	5	5	5	5	6	5
Total	*13*	*12*	*10*	*10*	*12*	*10*	*11*	*11*
1 to 3 months behind with any payments	5	4	4	4	3	4	4	4
Total	*17*	*16*	*14*	*14*	*15*	*14*	*15*	*15*
Base = 100%	*14,132*	*13,172*	*8.338*	*1,995*	*1,987*	*2,046*	*1,970*	*7,998*

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

Table A33: Objective financial difficulties by household characteristics

	Structural arrears (total) (%)	Insolvency action (%)	Insolvency action or arrears (%)	*Base = 100%*
Annual household income				
Less than £13,500	16	10	22	*1,105*
£13,500 < £25,000	10	6	14	*1,359*
£25,000 < £50,000	6	6	10	*2,229*
£50,000 or more	3	4	6	*1,201*
Not known	4	3	7	*2,103*
Household savings				
Zero	22	16	31	*1,410*
£1 < £1,000	12	10	18	*729*
£1,000 < £10,000	4	4	7	*1,754*
£10,000 or more	2	1	2	*1,709*
Not known	3	3	6	*2,396*
Housing tenure				
Mortgage	6	6	10	*2,795*
Owned outright	2	2	3	*2,311*
Rented	16	10	22	*2,100*
Rent free/ other	5	4	9	*644*
Household composition				
Couple, with child(ren)	10	8	15	*1,549*
Couple, no child	4	4	7	*3,647*
One adult with child(ren)	26	16	33	*319*
One adult, no child	7	5	11	*2,390*
Age of respondent				
18 to 24	6	3	8	*666*
25 to 39	9	6	13	*2,043*
40 to 54	10	8	14	*2,198*
55 or over	4	4	8	*3,090*
Unemployment				
One or both adults unemployed	19	9	24	*370*
Other	7	6	10	*7,628*
Changes experienced in last 12 months *				
Respondent or partner lost job	20	13	27	*542*
Split up/ new child	17	13	23	*261*
All households	7	6	11	*7,998*

* Relevant questions were not asked in the June 2011 survey

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

	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)	Feb 2012 (%)	May 2012 (%)	Aug 2012 (%)	Nov 2012 (%)	Total 2012 (%)
All households								
Heavy burden	15	14	13	11	13	10	12	12
Somewhat of a burden	43	41	42	40	38	42	41	40
Not a burden at all	39	40	40	44	43	44	41	43
Don’t know/ No answer	4	5	5	4	6	4	5	5
Base = 100%	*14,132*	*13,173*	*8,338*	*1,995*	*1,987*	*2,046*	*1,970*	*7,998*
Households using unsecured credit								
Heavy burden	21	20	20	18	20	16	19	18
Somewhat of a burden	49	49	49	50	46	52	50	49
Not a burden at all	28	27	28	31	29	29	29	30
Don’t know/ No answer	2	3	3	2	5	3	2	3
Base = 100%	*9,109*	*7,687*	*4,532*	*1,048*	*1,038*	*1,077*	*988*	*4,151*

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

	Structural arrears (%)	Keeping up is a heavy burden (%)	*Base = 100%*
Annual household income			
Less than £13,500	16	20	*1,107*
£13,500 < £25,000	10	16	*1,359*
£25,000 < £50,000	6	11	*2,229*
£50,000 or more	3	6	*1,201*
Not known	4	8	*2,103*
Household savings			
Zero	22	36	*1,409*
£1 < £1,000	12	16	*731*
£1,000 < £10,000	4	6	*1,754*
£10,000 or more	2	3	*1,709*
Not known	3	6	*2,396*
Housing tenure			
Mortgage	6	14	*2,795*
Owned outright	2	4	*2,310*
Rented	16	19	*2,099*
Rent free/ other	5	8	*644*
Household composition			
Couple, with child(ren)	10	17	*1,549*
Couple, no child	4	8	*3,648*
One adult with child(ren)	26	28	*319*
One adult, no child	7	12	*2,390*
Age of respondent			
18 to 24	6	6	*665*
25 to 39	9	12	*2,044*
40 to 54	10	17	*2,198*
55 or over	4	9	*3,090*
Unemployment			
One or both adults unemployed	19	25	*369*
Other	7	11	*7,628*
Changes experienced in last 12 months			
Respondent or partner lost job	20	23	*542*
Split up/ new child	17	19	*262*
All households	7	12	*7,998*

Table A36: Subjective indicators of financial stress

	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)	Feb 2012 (%)	May 2012 (%)	Aug 2012 (%)	Nov 2012 (%)	Total 2012 (%)
Keeping up with bills and commitments								
Constant struggle	16	16	17	17	16	16	17	16
Falling/ have fallen behind	7	7	6	5	7	6	6	6
Either of above	*23*	*23*	*22*	*22*	*23*	*22*	*22*	*22*
Struggle to last until next payday								
More often than not	22	21	19	19	19	18	19	19
Using credit for day to day living								
All the time	11	11	10	9	9	8	9	9
Once in a while	15	13	14	13	13	12	14	13
Either of above	*26*	*25*	*24*	*23*	*22*	*20*	*23*	*22*
How often overdrawn on current account								
Constantly	13	12	10	9	10	9	8	9
Usually	10	8	8	7	8	7	7	7
Either of above	*22*	*21*	*18*	*16*	*18*	*16*	*15*	*16*
Base = 100%	*14,132*	*13,172*	*8,338*	*1,995*	*1,987*	*2,046*	*1,970*	*7,998*

Table A37: Change in financial circumstances in last 6 months

	2008/ 2009 (%)	2009/ 2010 (%)	2011 (%)	Feb 2012 (%)	May 2012 (%)	Aug 2012 (%)	Nov 2012 (%)	Total 2012 (%)
A bit/ much better	13	18	13	14	15	15	14	14
Stayed the same	29	40	32	34	37	39	38	37
A bit worse	38	29	38	35	32	33	32	33
Much worse	18	12	15	15	15	12	14	14
DK/ NA	2	2	2	2	2	2	2	2
Base = 100%	*14,132*	*13,172*	*8,338*	*1,995*	*1,987*	*2,046*	*1,970*	*7,998*

Table A38: Subjective indicators of financial stress by whether households had unsecured credit commitments

	Has unsecured credit (%)	4 or more types of unsecured credit (%)	No unsecured credit (%)	Total (%)
Commitments are a heavy burden	18	44	5	12
Constantly struggled/ falling behind with bills & commitments	31	56	12	22
Struggled to reach payday 'more often than not'	28	56	9	19
Financial circumstances got a bit/ much worse in past 6 months	48	59	45	47
Base = 100%	*4,151*	*423*	*3,847*	*7,998*

Table A39: Overlap between the subjective indicators of financial stress

	Commit-ments are a heavy burden (%)	Constantly struggle to keep up/ falling behind (%)	Struggle to reach payday more often than not (%)	Total (%)
Commitments are a heavy burden	-	43	47	12
Constantly struggle to keep up/ falling behind	82	-	73	22
Struggle to reach payday 'more often than not'	75	61	-	19
Constantly or usually overdrawn	44	37	44	16
Use credit for everyday expenses all the time	32	23	26	9
Base = 100%	*932*	*1,781*	*1,492*	*7,998*

Table A40: Combined indicator of subjective financial stress

Number of subjective measures	2008/09 (%)	2009/10 (%)	2011 (%)	2012 (%)
2 or 3 measures	19	19	17	16
1 measure	13	12	13	13
None	68	70	70	71
Base = 100%	*14,132*	*13,172*	*8,338*	*7,998*

Table A41: Indicator of subjective stress by whether using unsecured credit

Number of subjective measures	Has unsecured credit (%)	4 or more types of unsecured credit (%)	No unsecured credit (%)	Total (%)
2 or 3 measures	24	53	7	16
1 measure	16	15	9	13
None	60	32	84	71
Base = 100%	*4,151*	*423*	*3,847*	*7,998*

Table A42: Actual financial difficulties by whether households showed signs of financial stress

	Commitments a heavy burden (%)	Constantly struggle to keep up/ falling behind (%)	Struggle to reach payday 'more often than not' (%)	1 or more indicators of stress (%)	2 or 3 indicators of stress (%)	All households (%)
Insolvency action (Bankrupt, IVA or DMP)	22	15	18	15	19	6
Structural arrears	21	16	18	15	20	5
1 – 3 months behind with any payments	11	10	10	9	12	4
None of these	46	58	54	61	49	85
Base = 100%	*932*	*1,781*	*1,492*	*2,293*	*1,277*	*7,998*

Table A43: Subjective indicators of financial stress by whether households were in financial difficulties

	Insolvency action (%)	Structural arrears * (%)	*Insolvency action or structural arrears (%)*	1 to 3 months behind with payments (%)	Others (%)	All households (%)
Commitments were a heavy burden	45	47	*46*	35	6	12
Constantly struggled/ falling behind with bills & commitments	60	70	*65*	63	15	22
Struggled to reach payday 'more often than not'	58	64	*61*	53	12	19
Number of subjective indicators of stress						
Two or three	55	60	*57*	51	9	16
One	21	20	*21*	22	11	13
None	24	20	*22*	27	80	71
Base = 100%	*453*	*418*	*871*	*289*	*6,837*	*7,998*

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

Table A44: Proportion of households either in financial difficulties or considered to be experiencing financial stress by household characteristics

	In financial difficulties (%)	Under financial stress (%)	Neither (%)	*Base = 100%*
Annual household income				
Less than £13,500	22	16	62	*1,105*
£13,500 < £25,000	14	13	73	*1,359*
£25,000 < £50,000	10	8	82	*2,227*
£50,000 or more	6	4	90	*1,202*
Not known	7	9	85	*2,104*
Household savings				
Zero	31	26	43	*1,410*
£1 < £1,000	18	16	66	*731*
£1,000 < £10,000	7	6	87	*1,753*
£10,000 or more	2	2	96	*1,709*
Not known	6	7	87	*2,397*
Housing tenure				
Mortgage	10	11	79	*2,795*
Owned outright	3	5	91	*2,311*
Rented	22	13	65	*2,100*
Rent free/ other	9	9	82	*644*
Household composition				
Couple, with child(ren)	15	12	73	*1,550*
Couple, no child	7	7	86	*3,647*
One adult with child(ren)	33	18	49	*320*
One adult, no child	11	12	77	*2,390*
Age of respondent				
18 to 24	8	6	86	*666*
25 to 39	13	8	79	*2,043*
40 to 54	14	14	72	*2,198*
55 or over	8	9	84	*3,091*
Unemployment				
One or both adults unemployed	24	15	61	*370*
Other	10	9	80	*7,628*
All households	11	10	79	*7,998*

Table A45: Likelihood of seeking advice on debt by type of financial difficulties

If sought advice on debt in previous 6 months	**Insolv-ency action (%)**	**Structural arrears (only) (%)**	**1 to 3 months behind (%)**	**No objective difficulties (%)**	**2 or 3 indicators of stress * (%)**
Yes	33	11	7	3	7
No	63	85	86	93	89
No answer	4	4	6	4	4
Base = 100% (asked questions on debt advice)	*421*	*400*	*265*	*3,752*	*773*

* Not involved in insolvency action nor in structural arrears

Table A46: Reasons for not seeking professional advice on debt

	2008/09 (%)	**2009/10 (%)**	**2011 (%)**	**2012 (%)**
Do not feel I/we need such advice	61	66	69	54
Had advice before and know what to do	7	7	5	7
Got advice elsewhere e.g. friend, website	7	6	5	7
Not got round to it yet	6	4	4	4
Don’t know how to contact providers	3	3	3	3
Had bad advice in past, don’t want to return	3	3	2	2
Not aware such services available	3	2	2	3
Couldn’t make appointment/ get through	n/a	n/a	1	1
Base = 100% (Households that had not sought advice)	*2,712*	*6,871*	*4,699*	*4,328*

Table A47: Reasons for not seeking professional advice on debt by financial circumstances of the household

	Constantly struggled to keep up or falling behind (%)	In structural arrears on payments (%)	All not seeking debt advice (%)
Do not feel I/we need such advice	43	37	54
Had advice before and know what to do	13	13	7
Got advice elsewhere e.g. friend, website	9	6	7
Not got round to it yet	7	12	4
Don't know how to contact providers	4	8	3
Had bad advice in past, don't want to return	4	6	2
Not aware such services available	4	4	3
Couldn't make appointment/ get through	1	3	1
Base = 100% (Households that had not sought advice)	*1,496*	*340*	*4,328*

Table A48: Agencies contacted for debt advice – 2009/10 to 2012

Agency	**2009/10 (%)**	**2011 (%)**	**2012 (%)**
Citizen's Advice Bureau (CAB)	31	34	24
Consumer Credit Counselling Service (CCCS)	24	18	21
Professional adviser (accountant, lawyer, bank)	19	17	23
National Debtline (NDL)	12	16	8
Payplan	9	9	7
Money Advice Service (MAS)	8	7	7
Other advice centre	7	7	4
Insolvency Service	6	7	3
Other	19	18	14
Base = 100%	*506*	*244*	*325*

Table A49: Action taken after receiving debt advice by whether in financial difficulties

	2009/10 (%)	2011 (%)	2012 (%)
Cut back on spending	41	34	36
Set out budget plan	28	33	26
Contacted creditors	31	33	25
Entered a DMP or similar	27	28	23
Enquired about bankruptcy [1]	10	10	5
Enquired about DMP or similar [1]	16	8	7
Enquired about IVA [1]	6	8	4
Entered into an IVA	4	5	4
Consolidation loan	4	4	3
Declared bankrupt	3	3	1
Something else	10	8	10
Nothing yet	12	14	12
Base = 100%	*506*	*244*	*325*

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

Appendix B: Use of High-Cost Credit

Summary

- Between 2% and 3% of DebtTrack respondents were using high-cost credit in each of the past four years of the surveys. Use of home-collected credit was slightly more common than payday loans or pawnbroker loans.

- Users of high-cost credit were likely to have multiple types of mainstream loans; two thirds (66%) had three or more other types of unsecured credit. Compared with users of other types of credit they were particularly likely to have credit on a mail-order account, a loan from family or friends or a DSS/ Social Fund loan.

- High-cost credit users had lower debt levels than other users of unsecured credit but markedly higher repayment-to-income ratios. Three tenths (29%) had credit repayments amounting to more than 30% of household income compared with 13% for other users of unsecured credit.

- Users of high-cost credit were more likely than other credit users to have applied for mainstream credit products in the previous six months and were more likely than other borrowers to have had their application rejected.

- Compared with users of mainstream credit, households using high-cost credit had low income and very low levels of savings. They were also more likely to live in rented accommodation, have dependent children and have no adults in paid employment.

- More than three-fifths (62%) of households using high-cost credit were in financial difficulties (insolvency action or arrears) compared with 15% of other users of unsecured credit.

- Additional questions for users of high-cost credit in 2012 highlighted the short original loan periods for payday loans. Two fifths (42%) of payday loan customers said that their loan had been rolled over.

- Although 40%-50% of users of high-cost credit had considered other sources of loan, many said that this was the only type of credit they could get – 52% of users of payday loans and 42% for home-collected credit.

- High-cost credit customers generally felt they had a good understanding of the costs of using these loans although only about one half knew what interest rate would be charged.

- Users of home-collected credit were more likely than users of payday loans to be satisfied with the loan (48% compared with 33%). One quarter (24%) of payday loan customers were very dissatisfied with the loan.

Use of high-cost credit

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

Overall only a very small proportion of DebtTrack respondents were using the three types of high-cost or non-mainstream credit (Table B1). Home-collected credit was the most common type of loan, being used by around 2% of households at the time of interview. Just 1% of households had a payday loan and less than 0.5% had a loan from a pawnbroker or cash converter. Overall between 2% and 3% of surveyed households were using one or other form of high-cost credit in each of the survey years.

Table B1: Use of high-cost credit: 2008/09 to 2012

	2008/09 (%)	2009/10 (%)	2011 (%)	2012 (%)	Average (%)
Home-collected credit	2	1	2	1	2
Payday loan	1	1	1	1	1
Loan from a pawnbroker/ cash converter	<0.5	<0.5	1	<0.5	<0.5
Any of these loans	3	2	3	3	3
Base = 100%	*14,132*	*13,173*	*8,338*	*7,998*	*43,641*

Data from the DebtTrack surveys suggest that the overall use of high-cost credit has remained stable over recent years although it is difficult to draw conclusions about national prevalence solely from this survey. The DebtTrack gives similar levels of use of high-cost credit to the Wealth and Assets Survey (WAS), which covers a much larger random sample of households. Secondary analysis of the WAS data shows 2% of households using these three types of credit in 2008-2010 compared with 1% in 2006-2008.

Amount of high-cost credit

The information on the amount of borrowing shown in Table B2 is based on responses across all four years of the survey because of the small number of survey respondents using these types of loan. It should be noted that a value was not given for between one quarter and one third of such loans and that mean values may be affected by a small number of very large amounts within the sample, which cannot be verified.

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

	Mean (£)	Median (£)	90th percentile (£)	*Base = 100%*	% missing values
Home-collected credit	900	600	2,200	*550*	24%
Payday loan	700	350	1,500	*258*	25%
Pawnbroker loan	900	250	1,500	*117*	33%

Looking at the median amounts owed on high-cost credit, which are less affected by large outliers, it is apparent that most payday and pawnbroker loans were for relatively small amounts. One half of users owed £350 or less on payday loans and £250 or less to a pawnbroker. The amounts for home-collected credit were somewhat greater with a median of £600. This was similar to the amounts owed on store cards (median of £500 in 2012) and authorised overdrafts (median of £600) but substantially smaller than the median amounts for outstanding credit card debts (£2,100) and unsecured personal loans (£5,000) (see Table A18).

Use of other credit products

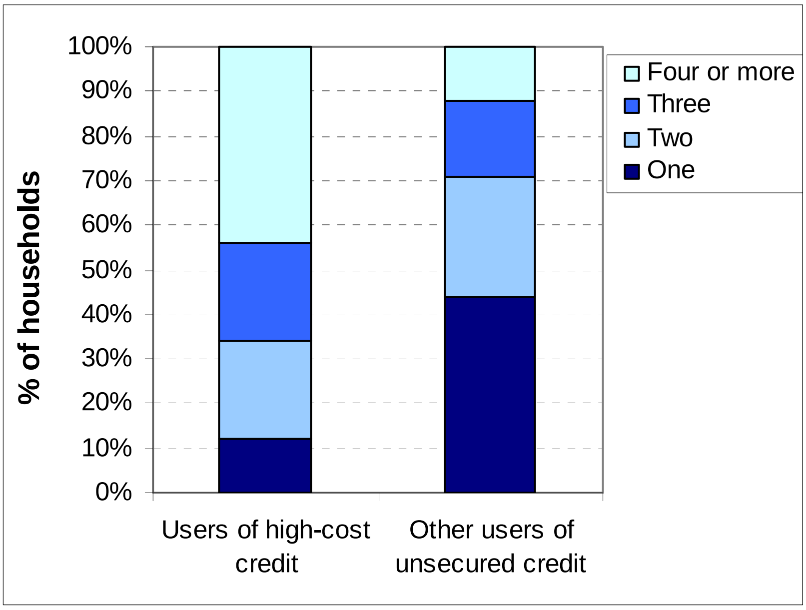
Generally there was not very great overlap between use of the different high-cost credit products. One in ten users of home-collected credit (10%) also had a payday loan and 6% had a loan from a pawnbroker. The overlap was greater for the smaller group who used payday loans and pawnbroker loans, with 27% and 36% respectively of users having more than one type of high-cost credit product.

Table B3: Overlap between different high-cost credit products

	Home-collected credit (%)	Payday loan (%)	Pawnbroker loan (%)
Home-collected credit	-	21	25
Payday loan	10	-	15
Loan from a pawnbroker/ cash converter	6	8	-
Total using another high-cost product	15	27	36
Base = 100%	*722*	*343*	*175*

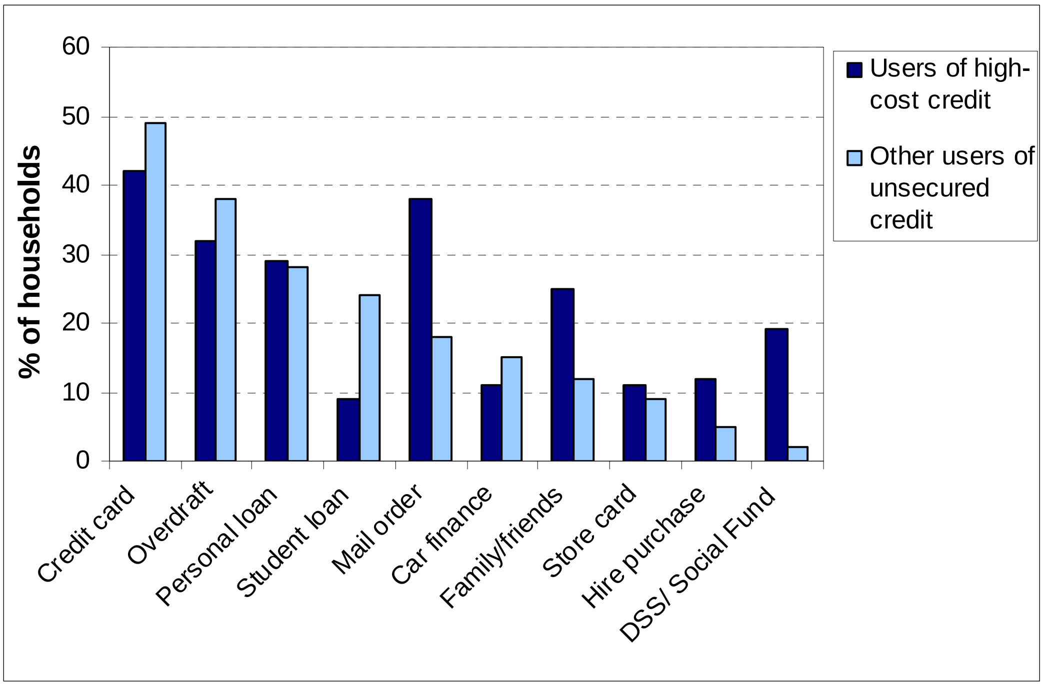
Figure B1 indicates that users of high-cost credit were very likely to have several mainstream credit products. Two fifths (44%) of users had four or more other unsecured credit products and a total of two thirds (66%) had three or more other products; this compares with 12% and 29% respectively for other users of unsecured credit. The most common types of mainstream credit used by this group were credit cards (42%), mail order accounts (38%), authorised overdrafts (32%) and unsecured personal loans (29%).

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



Compared with other users of unsecured credit, respondents using high-cost credit were particularly likely to have a mail-order account (38% compared with 18%), a loan from family or friends (25% compared with 12%) or a DSS/ Social Fund loan (19% compared with 2%). They were less likely than other credit users to have a student loan (9% compared with 24%) and also had relatively low usage of authorised overdrafts, credit cards and car finance loans.[71]

Figure B2: Type of credit products held by high-cost credit users



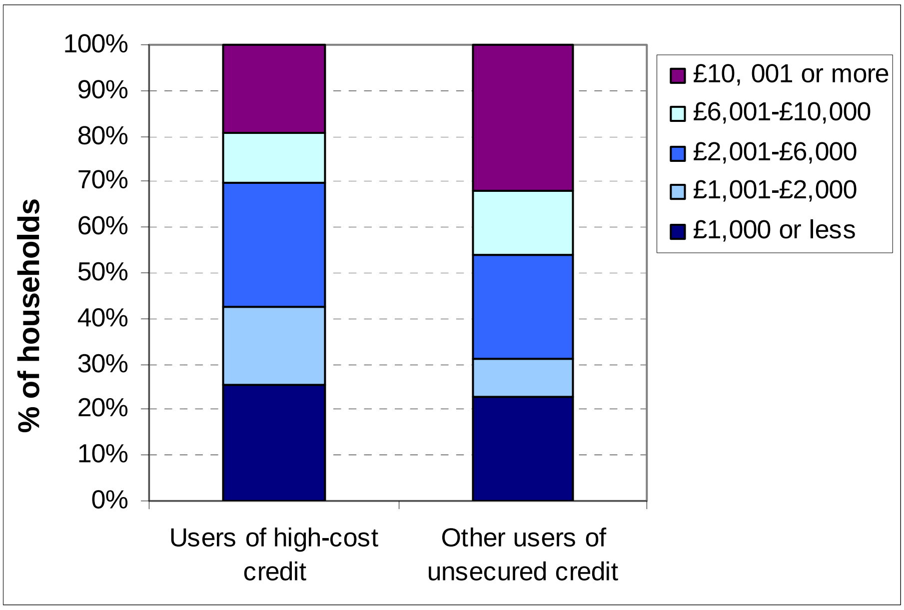
[71] See Table B9 at the end of this Appendix

Table B4: Average amount of unsecured debt

Total unsecured debt	Respondents using high-cost credit (%)	Other users of unsecured credit (%)
Mean value (£)	7,900	9,200
Median value (£)	2,800	5,000
Base = 100%	*898*	*18,938*
% of households with missing values	19%	22%

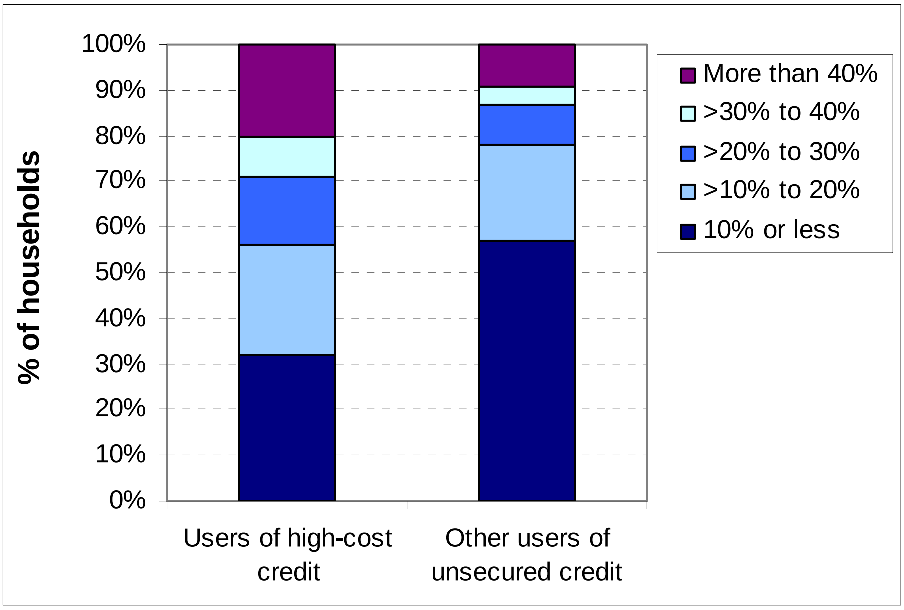
In spite of the large number of products held, users of high-cost credit tended to have lower levels of debt than other users of unsecured credit – a median value of £2,800 of debt compared with about £5,000 for other users (Table B4). More than two fifths (42%) of high-cost credit users had total debts of £2,000 or less compared with 31% of other users of unsecured credit. However, one fifth (19%) had debts of more than £10,000, compared with 32% of other credit users (Figure B3).

Figure B3: Total amount of unsecured debt



Although they had relatively low levels of debt users of high-cost credit had high repayment-to-income ratios, reflecting their lower than average income levels (Figure B4). Three tenths (29%) of users of high-cost credit had credit repayments amounting to more than 30% of their income and one fifth (20%) to more than 40% compared with 13% and 9% respectively of other credit users. One third (32%) of users of high-cost credit had repayments amounting to 10% or less of their income compared with more than one half (57%) of other users of unsecured credit.

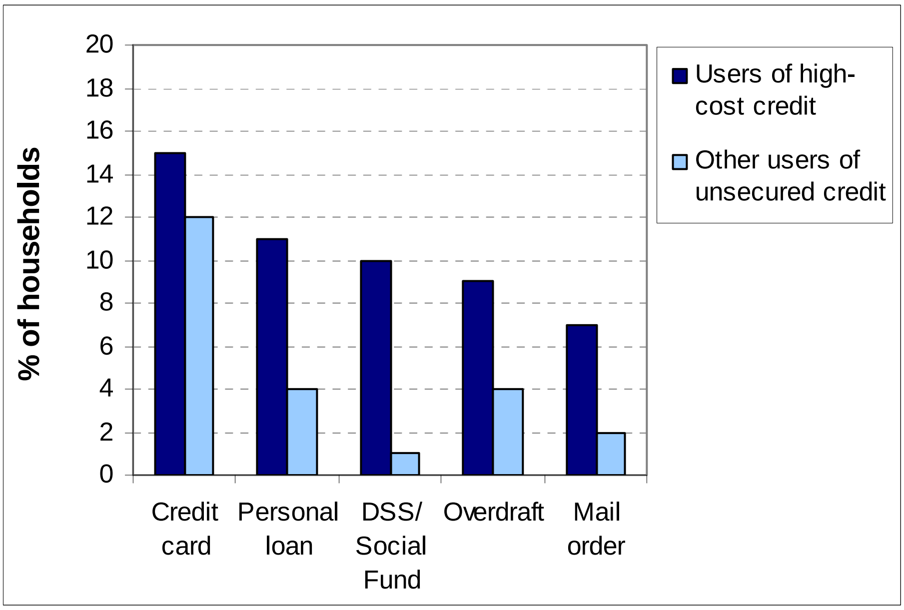
Figure B4: Repayments on unsecured credit as percentage of income



Demand for credit products

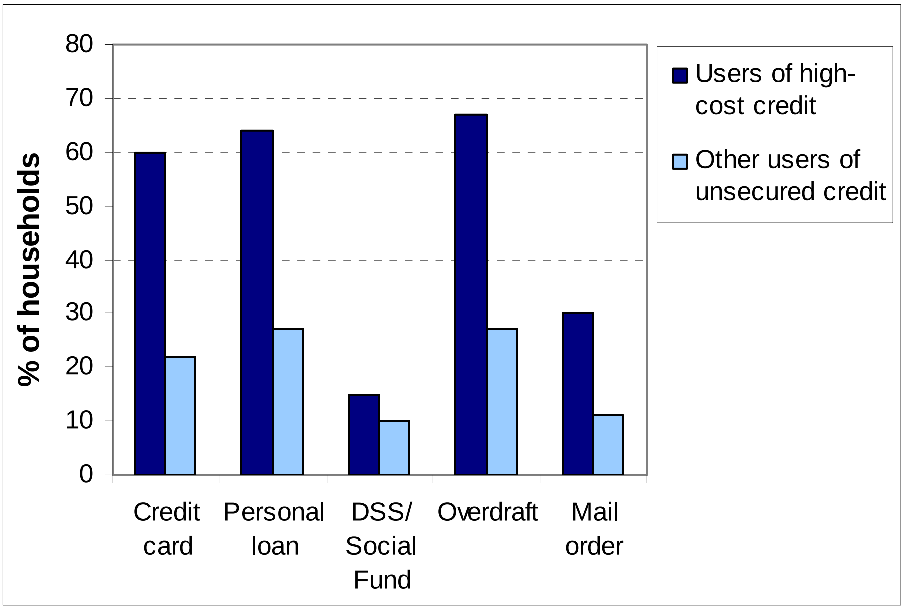
There is some evidence that users of high-cost credit had looked elsewhere to borrow money as they showed consistently higher rates than other credit users of having applied for mainstream credit products in the six months before being interviewed (Figure B5). Some 15% had applied for a credit card, 11% for an unsecured personal loan and 10% for a DSS/ Social Fund loan in the previous six months. Overall, two fifths (39%) of users of high-cost credit had applied for a mainstream loan in the reference period as compared with about one fifth (22%) of other credit users.[72]

Figure B5: Applications for credit products in last 6 months



[72] See Table B10 at the end of this appendix

Figure B6: Proportion of credit applications that were refused



Users of high-cost credit were, however, much more likely than users of other credit products to have had their application rejected, suggesting that the group found it difficult to increase their credit from mainstream sources (Figure B6). Three fifths (60%) of applications for a credit card by this group had been rejected compared with 22% of applications by other users of unsecured credit. Two thirds of applications by high-cost credit users for a bank overdraft (67%) or a personal loan (64%) had been rejected as compared with 27% of applications for these products by other users of unsecured credit. There was less disparity between these groups in the rejection rates for mail-order catalogues and DSS/ Social Fund loans.

Characteristics of users of high-cost credit

A comparison of standard characteristics showed some differences between households using the three product types as well as more general differences between high-cost credit users and other users of unsecured credit. Because of the small number of households using high-cost credit, the analysis of characteristics is again based on combined data from the last four years of the survey. The results are summarised in Figures B7 to B11.[73]

Compared with other users of unsecured credit, users of high-cost credit appeared to be a more disadvantaged group.

- They had lower incomes and markedly lower savings. Four fifths (79%) of households using high-cost credit had savings of £1,000 or less compared with 40% of other users of unsecured credit (Figure B7). Similarly, around three fifths (57%) had an annual income of less than £25,000, compared with 32% of other users of unsecured credit (Figure B8).

[73] See Table B11 at the end of this Appendix

Figure B7: Household savings by type of credit used

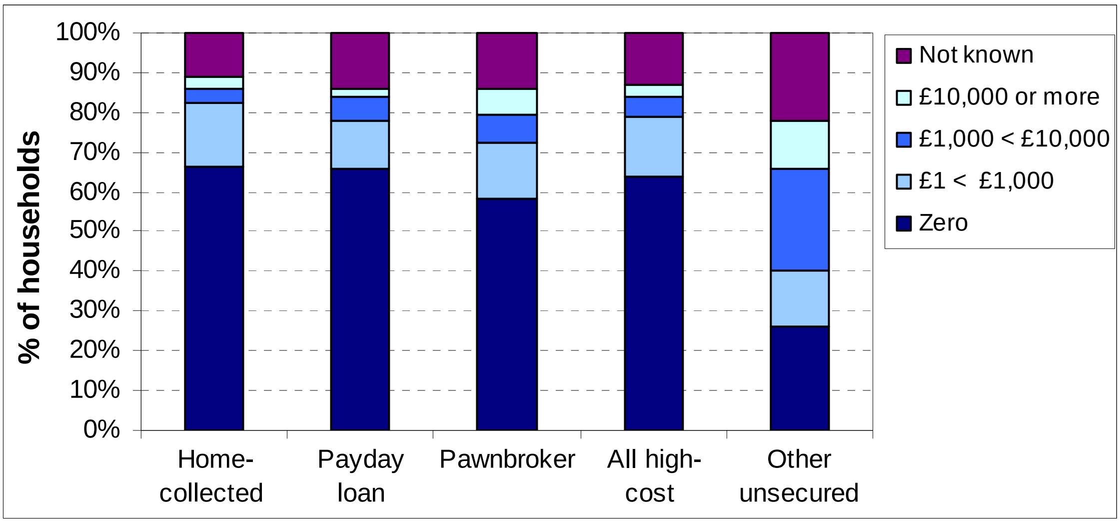


Figure B8: Annual household income by type of credit used

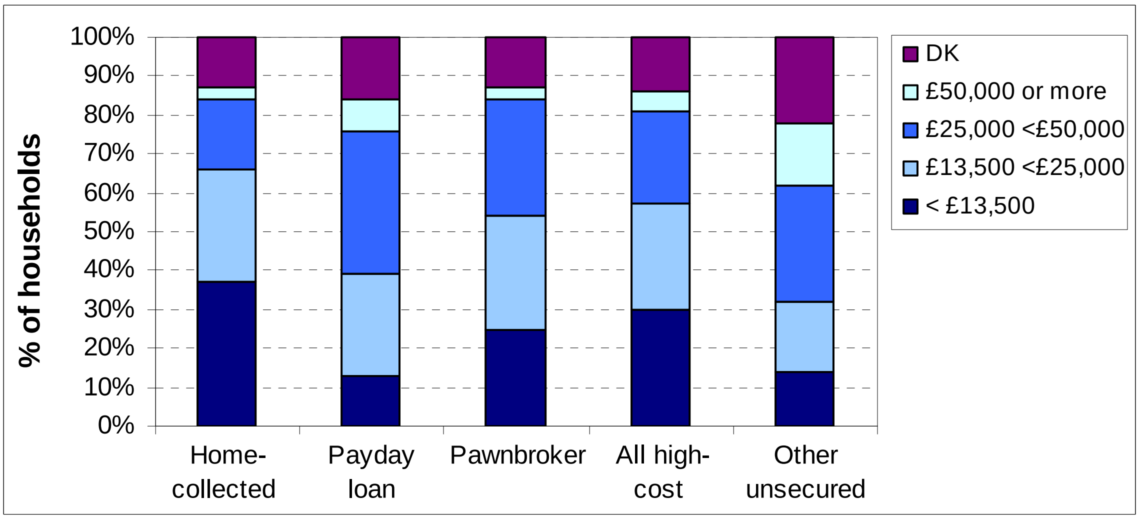
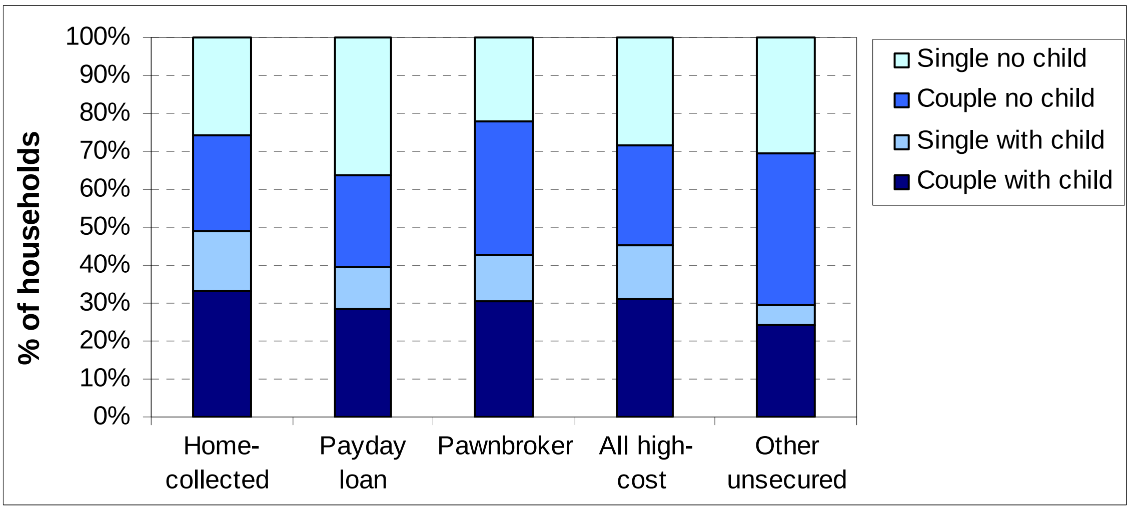


Figure B9: Household composition by type of credit used



- More than two fifths (45%) of high-cost credit users were households with children; 31% were couples with children and 14% were lone-parent households compared with 24% and 5% respectively for other users of unsecured credit (Figure B9)

- They were much more likely to live in rented accommodation – 67% compared with 31% of other users of unsecured credit (Figure B10).

- They were more likely to be households where at least one adult was unemployed – 10% compared with 5% of other users of unsecured credit (Table B11). About three tenths (28%) of households using high-cost credit contained only adults who were neither working nor retired compared with 14% for other users of unsecured credit (Figure B11).[74]

Figure B10: Housing tenure by type of credit used

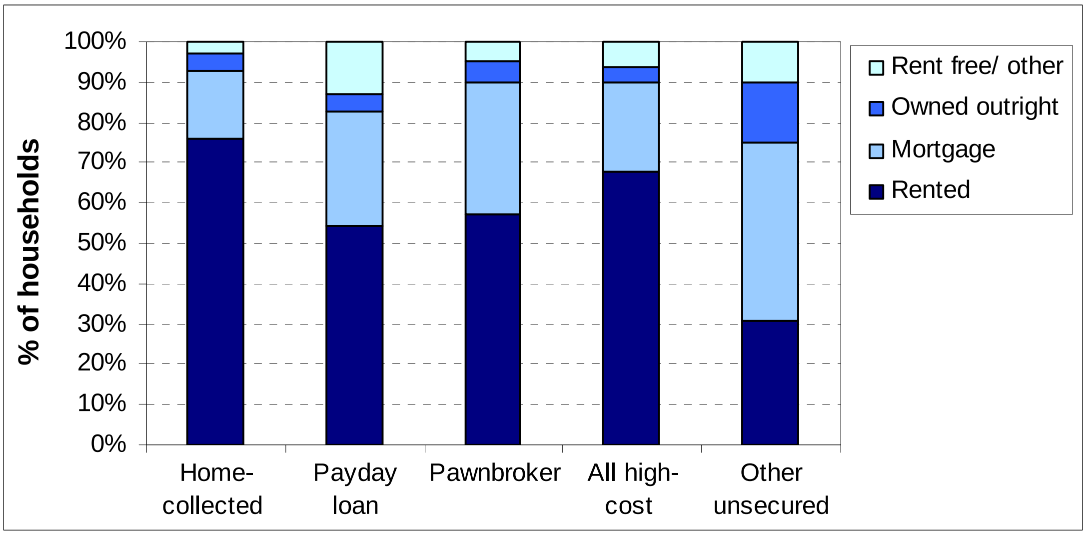
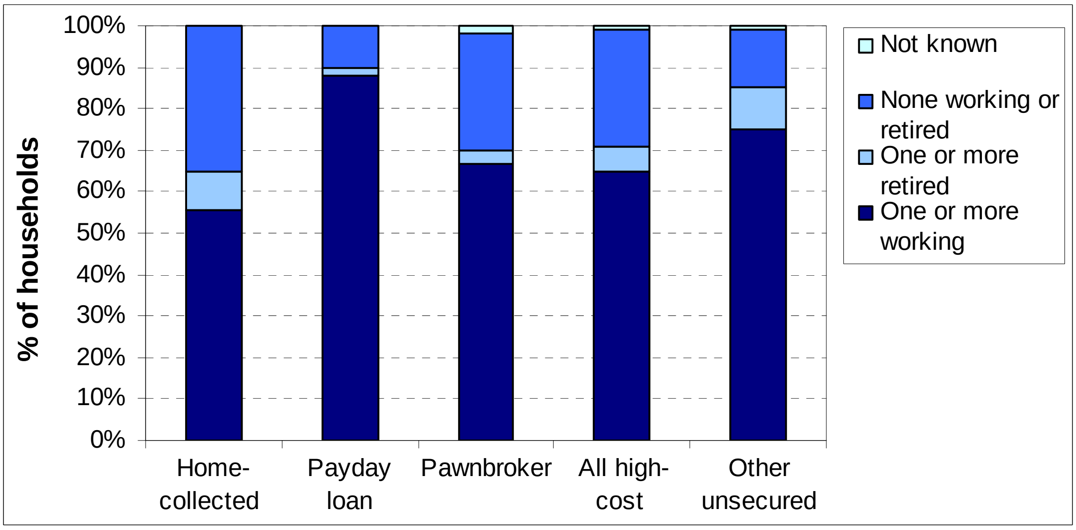


Figure B11: Working status of adults in household by type of credit used



[74] Includes adults who categorised themselves as keeping house, students, permanently sick or otherwise not working.

The data suggest some differences between the users of the three different types of high-cost credit although, given the small sample sizes, only very large differences in the data will be significant. The findings are broadly consistent with those found in the 2006/08 Wealth and Assets Survey as described in the March 2013 Bristol University report on high-cost credit, although the findings there are reported for individuals.[75]

DebtTrack respondents who were using **payday loans** were characterised by being in households with one or more adults in employment, with higher income levels than users of other high-cost credit and they included a higher proportion of young respondents and single-adult households. They were less likely than users of the other products to be in the lowest income group; about one in eight (13%) had an annual income of less than £13,500 compared with 25%-37% of users of the other products. Nine tenths (88%) were in households where either the respondent or partner was working compared with 55%-66% for the other products, and one half (54%) were in the 18-39 age-group compared with 32%-38% for the other products (Table B11).

Users of home-collected credit and of pawnbroker loans were typical of all high-cost credit users in having low household income and very low levels of savings. Users of **home-collected credit** were particularly likely to be in the lowest income group (37% had an annual income of less than £13,500) and to be in the oldest age group (27% were aged 55 or over). They were more likely than other groups to live in rented accommodation (76% compared with 54%-57% of other users of high-cost credit) and less likely to be in households in which at least one adult was in employment (55% compared with 66%-88%).

Users of **pawnbroker loans** included a relatively high proportion of households where one or more adult in the household had lost their job in the past 12 months (30% compared with 19%-23% for other users of high-cost credit). They were more likely than other groups to be couples with no children (35% compared with 24%-25%) and, compared with users of home-collected credit, were more likely to be buying their home with a mortgage (33% compared with 17%).

Financial situation

There is evidence from the DebtTrack surveys that users of high-cost credit were very likely to be experiencing financial difficulties and showing signs of financial stress on the subjective measures available for the survey (Figure B13).[76]

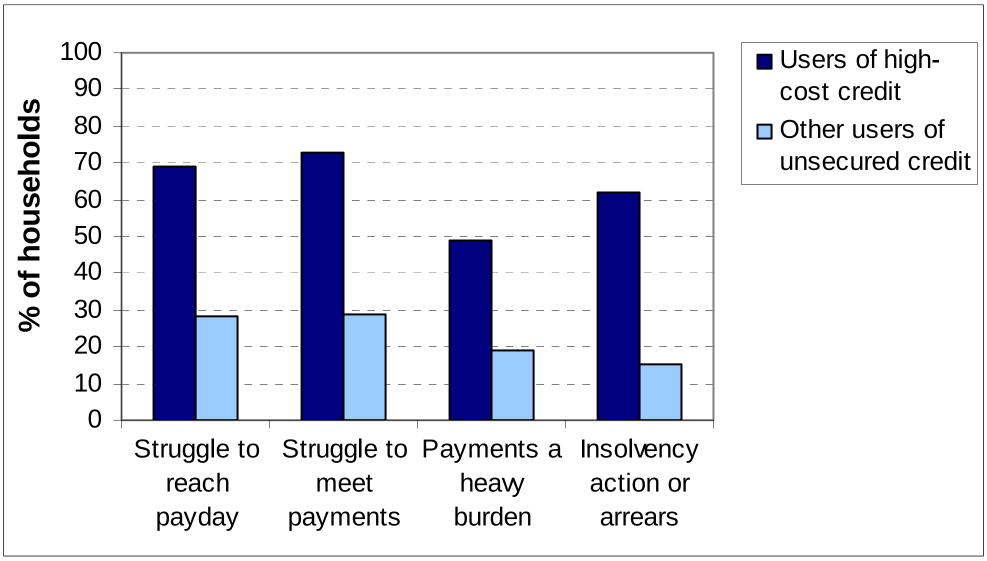
- More than three fifths (62%) of users of high-cost credit were either involved in insolvency action or in structural arrears on payments compared with 15% of other users of unsecured credit and 12% of the total sample.
- More than two thirds (69%) of users of high-cost credit said that they often struggled to reach payday and 73% that they constantly struggled to keep up or were already falling

[75] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/136548/13-702-the-impact-on-business-and-consumers-of-a-cap-on-the-total-cost-of-credit.pdf
[76] See Table B12 at the end of this Appendix

behind with their bills and payments, compared with 28%-29% of other users of unsecured credit.

- Users of payday loans were less likely than the other users of high-cost credit to be in structural arrears on payments (46% compared with 55%-58%) but they showed equally high levels of financial stress on the subjective measures (Table B12).

Figure B12: Financial circumstances of high-cost credit users



Circumstances of use of high-cost credit

Additional questions on high-cost credit were asked in the 2012 DebtTrack surveys, covering the circumstances of the most recent loan used. The following analysis is based on combined data for the four quarterly surveys in 2012, but sample sizes for the different types of loan, and particularly for pawnbroker loans, are still very small to be able to draw comparisons.

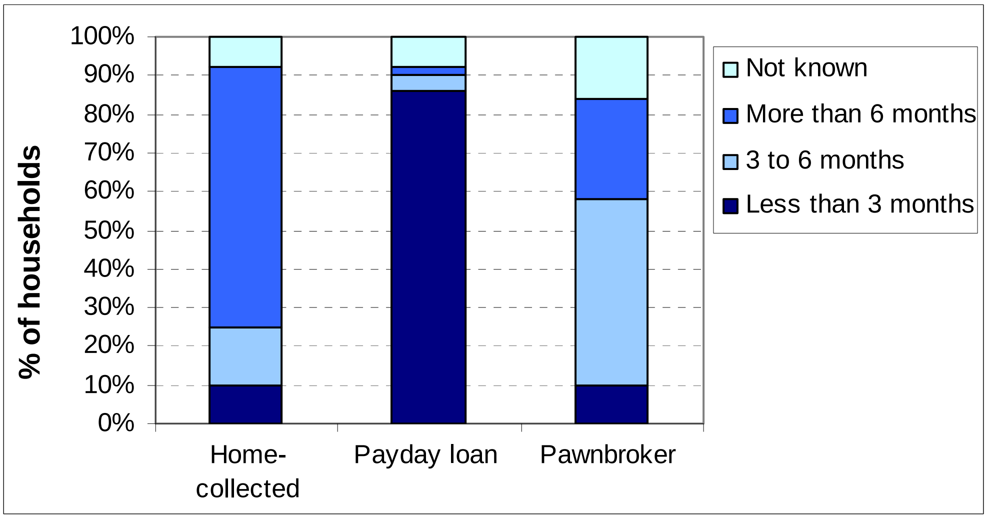
Although most households had only one loan of each type, a sizable proportion had multiple loans. One fifth of users of payday loans (21%) and of home-collected loans (20%) had three or more such loans at the time of interview.

Table B5: Number of loans of each type

	Home-collected loan (%)	Payday loan (%)	Pawnbroker loan (%)
1	59	56	55
2	19	17	6
3 or more	20	21	26
No answer	2	7	13
Base = 100%	*103*	*102*	*32*

Figure B13 highlights the short loan periods for payday loans; more than four fifths (86%) of payday loan users said that the loan period for their most recent loan was less than three months and two fifths (38%) had taken out the loan for less than one month. In contrast, two thirds (68%) of users of home-collected credit had taken out their most recent loan for more than 6 months.

Figure B13: Original loan period for the most recent loan



Two fifths (42%) of users of payday loans said that their loan had been rolled over, which means that the original period of the loan had been extended. Somewhat smaller proportions of users of the other products had rolled the loan over – 26% of users of home-collected credit and 32% of respondents with a loan from a pawnbroker (Table not shown).

Table B6: Main purpose of most recent loan

Reason	Home-collected loan (%)	Payday loan (%)	Pawnbroker loan (%)
To help with day to day household spending	27	44	36
To cover an outstanding bill such as gas or electricity	15	16	11
To buy a particular item	18	4	4
Needed money for a special occasion	14	13	21
To consolidate or pay off other debts	16	15	18
Other	6	4	4
No answer	4	5	7
Base = 100%	*105*	*101*	*28*

Most loans were taken out to cover general household spending but this was particularly evident for payday loans (Table B6). Three fifths (60%) of users of payday loans had used their most recent loan for everyday bills – 44% to cover day to day spending and 16% to cover an outstanding bill such as for gas or electricity – as had 42% of users of home-collected credit and 47% of households with a pawnbroker loan. About one third of users of home-collected credit (32%) had used their loan to buy a particular item or for a special occasion as compared with 17% of users of payday loans. About one in six people said that they took out these loans to consolidate or pay off other debts (15% to 18%).

One half (50%) of users of payday loans and two fifths (39%) of users of home-collected credit said that they had considered other types of credit before taking out their most recent loan. Table B7 shows the range of reasons given for taking out each type of loan. A substantial proportion of users said that this was the only type of credit they could get – 52% of users of payday loans and 42% of users of home-collected credit. One third (35%) of users of payday loans mentioned the speed of obtaining the loan and about one third of users of home-collected (30%) and pawnbroker (34%) loans mentioned that they had used that type of loan before. Another frequently mentioned reason was that the loan was cheaper than borrowing from a bank, chosen by 25% of payday loan customers and 22% of home-collected credit customers. Convenience/ customer service was mentioned by about one in six users of payday loans (16%) and home-collected credit (19%).

Table B7: Why respondent decided to take this type of loan *

Reason	**Home-collected loan (%)**	**Payday loan (%)**	**Pawnbroker loan (%)**
Only kind of credit I can get	42	52	34
Used before/ familiar with it	30	21	34
Cheaper than borrowing from bank	22	25	10
Speed of obtaining loan	20	35	17
Convenience/ customer service	19	16	14
Flexibility of payments	11	3	10
Easier than getting loan from bank	5	5	3
Recommended by someone else	4	3	7
Prefer not to borrow from institutions	2	2	7
Other reason	6	1	7
No answer	2	2	17
Base = 100%	*102*	*101*	*29*

* Percentages sum to more than 100% as more than one reason could be given

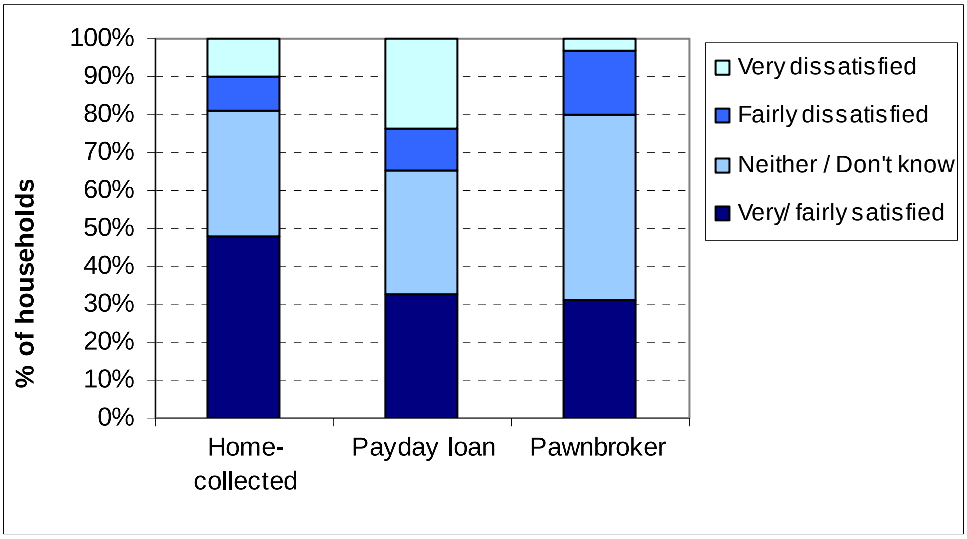
Users of these loans generally felt that they had a good understanding of the costs involved in the loan (Table B8). About one half of users of payday loans (53%) and home-collected credit (48%) knew the interest rate that they would be charged and the majority of other users felt that they understood the costs of the loan fairly well (36% for payday loans and 30% for home-collected credit). Respondents with a pawnbroker loan were less likely to know the interest rate (22% of users) but still claimed a reasonable understanding of the costs of the loan (66% in total).

Table B8: Understanding of charges

	Home-collected loan (%)	Payday loan (%)	Pawnbroker loan (%)
Know what interest rate will be charged	48	53	22
Understand costs very / fairly well	30	36	44
Don't understand costs that well/ not at all well	20	11	22
No answer	3	-	11
Base = 100%	*103*	*102*	*27*

Levels of satisfaction with these loans were higher for home-collected credit than for payday loans (Figure B14). About one half (48%) of home-collected credit customers said that they were satisfied with the loan compared with 33% of users of payday loans and 31% for pawnbroker loans. More than one third (35%) of payday loan customers were dissatisfied in some way and one quarter (24%) were very dissatisfied. This was a higher level of dissatisfaction than for the other types of loan – 19% to 20% of users were either fairly or very dissatisfied. No information was collected about the reasons for dissatisfaction but three quarters of those who expressed dissatisfaction with a payday loan had also said that they used the loan because it was the only kind of credit that they could get.

Figure B14: Satisfaction with loan by type of loan



Additional Tables for Appendix B

Table B9: Type of credit products held by whether using high-cost credit

Credit products	**Users of high-cost credit products (%)**	**Other users of unsecured credit (%)**
Credit card	42	49
Authorised overdraft	32	38
Unsecured personal loan	29	28
Student loan	9	24
Mail order account	38	18
Car finance loan	11	15
Loan from family/ friends	25	12
Store card	11	9
Hire purchase agreement	12	5
DSS/ Social Fund loan	19	2
Credit Union loan	5	1
Other loan	2	1
Base = 100%	*1,105*	*24,371*

Table B10: Applications for credit products in last 6 months by whether using high-cost credit

	Respondents using high-cost credit (%)	**Other users of unsecured credit (%)**
Credit card	15	12
Unsecured personal loan	11	4
DSS/ Social Fund loan	10	1
Authorised overdraft	9	4
Mail order catalogue	7	2
Store card	3	2
Any mainstream loan	39	22
Base = 100%	*1,105*	*24,371*

Table B11: Characteristics of households using high-cost credit

	Home-collected credit (%)	Payday loan (%)	Pawnbroker loan (%)	All users of high-cost credit (%)	Other users of unsecured credit (%)	Total (%)
Annual household income						
Less than £13,500	37	13	25	30	14	14
£13,500 to £25,000	29	26	29	27	18	18
£25,000 to £50,000	18	37	30	24	30	28
£50,000 or more	3	8	3	5	16	15
DK/ NA	13	16	13	14	22	25
Household savings						
Zero	67	65	58	64	26	20
£1 < £1,000	16	12	14	15	14	11
£1,000 < £10,000	4	6	7	5	26	23
£10,000 < £20,000	1	0	3	1	6	7
£20,000 or more	2	2	3	2	6	13
Not known	11	14	14	13	22	27
Housing tenure						
Mortgage	17	28	33	22	44	37
Owned outright	4	4	5	4	15	26
Rented	76	54	57	67	31	26
Rent free/ other	3	13	5	6	10	9
Household composition						
Couple, with child(ren)	33	28	30	31	24	21
Couple, no child	25	24	35	26	40	44
One adult with child(ren)	16	11	12	14	5	4
One adult, no child	26	36	22	28	30	30
Age of respondent [1]						
18 to 24	5	13	11	8	13	10
25 to 39	27	41	27	31	34	27
40 to 54	41	37	45	39	27	26
55 or over	27	10	18	21	27	36
Working status of household						
One or more adults working	55	88	66	65	75	69
One or more adults retired, none working	9	2	3	6	10	18
Not working or retired	35	10	28	28	14	12
Unemployment						
One or both adults	10	8	14	10	5	5

unemployed						
Changes in last 12 months [2]						
Lost job in last 12 months	19	23	30	21	11	10
Split up/ new child in h'hold	9	11	14	10	6	5
Base = 100%	*721*	*344*	*176*	*1,105*	*24,371*	*43,641*

[1] Not including round 1
[2] Not including round 11

Table B12: Financial circumstances of households using high-cost credit

	Home-collected credit (%)	**Payday loan (%)**	**Pawn-broker loan (%)**	**All users of high-cost credit (%)**	**Other users of unsecured credit (%)**	**Total (%)**
Often struggle to reach payday	68	74	66	69	28	21
Constant struggle or behind with payments	72	75	73	73	29	23
Payments a heavy burden	45	58	54	49	19	14
3 months in arrears on any payments	55	46	58	50	10	8
Taking action on debt or in structural arrears	66	57	67	62	15	12
Base = 100%	*721*	*344*	*176*	*1,105*	*24,371*	*43,641*

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