Personal debt in Scotland
Jan-Dec 2017

SCOTLAND

in the Red

The latest debt statistics from StepChange Debt Charity Scotland

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Scotland in the Red is based on 8,111 telephone debt advice sessions carried out in 2017 and 6,580 in 2013. We will be analysing telephone client data only. The reason behind the decision to exclude the on-line Debt Remedy data is that clients using this medium do not necessarily have to provide their postcode, therefore, that data cannot be assigned to a particular area of Scotland. All statistics in this report, unless otherwise stated, is assigned within Scottish Parliament Constituency and Scottish Parliament regional areas. Data can also additionally be provided by Local Authority or Westminster Constituency area on request.

StepChange also produces data at a UK level in the annual Statistics Yearbook.

Executive summary

Problem debt continues to afflict many people. Stagnating wage growth, changes in employment patterns and the rising cost of living have left many households struggling to make ends meet. 2017 saw nearly 620,000 people from across the UK contact StepChange Debt Charity for help with debt problems, more than at any point in the charity's 25 year history.

In Scotland nearly 20,000 people contacted the charity for help, with 8,111 clients calling the charity and 11,021 accessing our online debt advice tool, Debt Remedy.

Across the UK, data in StepChange's 2017 Statistics Yearbook indicates that average debt of clients increased slightly by 1.6%, from £13,071 in 2016, to £13,280 in 2017. In Scotland the average unsecured debt of clients decreased slightly by 1.5% to £12,488 in 2017, compared to a spike in 2016 of £12,677. Although the decrease in average unsecured debt is welcome, it remains higher than in 2014 and 2015, reflecting wider access to credit in recent years.

Similarly, average client net incomes across the UK are higher at £1,468 per month compared to £1,253 per month for Scottish clients in 2017. Therefore, for every £1 of monthly income our Scottish clients received in 2017, they had £9.96 of debt. This means that Scottish clients have nearly 10% more debt than our UK clients relative to their monthly income level. Depressed incomes and rising prices are significant factors behind the increasing need for debt advice. There are several clear trends:

People have less disposable income

The average monthly incomes of Scottish clients have increased by only £60 - 5% over 5 years - between 2013 and 2017, from £1,193 to £1,253 per month. This modest rise has not kept pace with inflation[1]. Costs have risen faster than income. The average budget surplus, that is to say the amount of money left in a client's budget after essentials have been covered, of a StepChange client in Scotland has decreased by 37%, from £24 in 2013 to £15 in 2017. With welfare reform, the cost of living increasing more rapidly than wage growth and interest rates going up, unfortunately it is inevitable that increasing numbers will fall into problem debt.

In areas where the roll-out of Universal Credit (UC) has been completed there is an emerging trend of clients reporting that reduced income/benefit income is the main reason they are in debt. Over a third of the 29 constituencies that have seen full or partial UC roll out had more than 18% (the Scottish national level) of clients reporting that reduced income/benefit income was the reason for their problem debt.

UC constituencies also seem to show a higher than average level of rent arrears than the level nationally.

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[1] Bank of England inflation calculator - inflation averaged 2.2% a year, meaning incomes are down in real terms. https://www.bankofengland.co.uk/monetary-policy/inflation

Growing arrears on essential living costs

More and more clients are in debt because they are falling behind on essential bills. So while the average amount of unsecured debt is smaller, it remains widespread and entrenched in day-to-day living for many people in Scotland. Of all the key household debts, council tax (including water and sewerage) is a growing problem. The number of clients with arrears has grown continually, from 37% of council tax liable clients in arrears in 2013, to 41% in 2017.

This has happened despite the 10 year freeze on council tax bills in Scotland and now that this has come to an end, clients in many areas are seeing higher council tax bills. Significantly, the amount of council tax arrears owed by clients also increased drastically by 45%, from £1,368 in 2013 to £1,981 in 2017. Council tax arrears are now a much larger proportion of client average debt.

Electricity arrears have also increased significantly by 37% since 2013. In 2017, 15% of liable clients had average arrears of £745. This debt type represents the second highest growth for our clients over the five year period.

More people are in rented accommodation, fewer are homeowners

The proportion of the charity's Scottish clients in rented accommodation has increased from 44% of all clients in 2013 to 61% in 2017. Although a higher percentage of the charity's UK clients are in rented accommodation, a similar trend can be seen with more renters in 2017 (80%) contacting the charity for help than in 2013 (67%). The average amount of rent arrears of Scottish clients has increased by 25% to £740 over the same five year period, although the percentage of clients with rent arrears has declined by 6%. Private rented sector clients now represent over one-quarter of clients, compared with less than one-fifth in 2013. Over half of all constituencies in Scotland had one in four clients in rent arrears.

Meanwhile, the proportion of clients with a mortgage has shrunk from 39% to 24% over the same period, but mortgage arrears had increased 35% since 2013, to £3,523 in 2017. Our data shows that clients who own their own home have had the greatest increase in their average debt levels over the five year period.

More young people are seeking our help

The 25-39 age bracket made up 36% of clients in 2017, a 2% rise compared to 2016 and a rise of 6% over the five year period. The percentage of clients aged 25-39 has been growing consistently since 2014. Although the 40-59 age bracket now makes up a smaller share of clients, this group still makes up the largest overall group.

1. Client Numbers

We're helping more people than ever before and the demand for debt advice continues to grow

Demand for debt advice continues to grow as people are struggling with day to day costs and increased pressure on their income. This growing need comes at a time when funding cuts are resulting in the withdrawal of debt and other advice services within the advice sector across the UK.

StepChange saw a substantial increase in the number of people who came to us for advice in 2017. Across the UK, almost 620,000 clients contacted us for help – one person every 53 seconds. In Scotland nearly 20,000 new clients contacted us for help by telephone and online using our Debt Remedy tool, an increase of 47% since 2013.

Meeting the growing demand for advice is crucial, and the expansion and refinement of our online service has allowed us to help more people. However, pressure on household budgets and stagnating incomes are clearly one of the main factors driving this demand. As a result the charity plans to recruit and expand our team of Money Advisors in summer 2018 to allow us to meet the continued needs of Scottish clients.

Table 1.1 - Number of clients in Scotland seeking help by telephone and Debt Remedy in each year from 2013 to 2017

Client numbers	2013	2014	2015	2016	2017	2013-2017 change
Telephone debt advice	6,580	7,754	6,744	8,287	8,111	**+1,531** (+23%)
Debt Remedy (online)	7,612	7,771	7,438	8,568	11,021	**+3,409** (+48%)
Total clients	13,034	15,525	14,182	16,855	19,132	+**6,098** (+47%)

The charity provides debt advice through two methods – telephone debt advice sessions and online debt advice sessions using our Debt Remedy tool. Table 1.1 shows the breakdown of Scottish clients contacting the charity by telephone and Debt Remedy in each year since 2013. In 2017 we helped 19,132 clients, of which 8,111 contacted us by telephone. This was an increase of 47% and 23% respectively on the 2013 numbers.

With increasing online integration into people's everyday lives we have seen a growing number of clients using Debt Remedy. In 2017 the numbers using Debt Remedy increased by 29% on the previous year alone. The statistics contained herein are based on data collected through telephone debt advice sessions only as this can be clearly allocated to particular geographic areas of Scotland. Clients using Debt Remedy can do so anonymously.

2. Income and Debt

Client debts are slightly down from 2016, but incomes continue to stagnate and clients are struggling to meet essential costs

The average unsecured debt level of Scottish clients telephoning the charity has declined, (despite a spike in 2016 to £12,677) to £12,488 in 2017. Overall the average unsecured debt of clients has decreased by £1,461, 11% since 2013. Frustratingly, the average unsecured debt levels in Scotland have not decreased significantly since 2014 which saw a decrease of £1,192 on the previous year. Since then the average unsecured debt level remain stubbornly above £12,000 and saw a year on year increase between 2015 and 2016.

Compared to UK figures from the 2017 StepChange Statistics Yearbook, average unsecured debts in Scotland sit somewhat lower than the UK wide figure, where average unsecured debt for clients in 2017 was £13,280, compared to £15,979 in 2013, a drop of £2,699 (17%). The average UK debt level increased in 2017 compared to 2016 which could be reflecting the growth in the credit markets in the UK.

Table 2.1 Average client income and expenditure in each year from 2013 to 2017

Income and expenditure	2013	2014	2015	2016	2017	2013-2017 change
Average unsecured debt	£13,533	£12,341	£12,256	£12,677	£12,488	**-£1,461** (-11%)
Average monthly income (net)	£1,193	£1,199	£1,198	£1,264	£1,253	**+£60** (+5%)
Budget surplus	£24	£21	£4	£7	£15	**-£9** (-37%)
% of income spent on priorities	47%	45%	48%	53%	48%	**+1%**

The stubbornness of this trend was undoubtedly directly related to income. In 2017, the average net income of Scottish clients was relatively static, increasing by only £60 since 2013 (£1,193), or 5%

over the five years. When inflation is accounted for, average monthly incomes have decreased in real terms compared to 2013[2]. When compared to the UK average client net income figure of £1,468, Scottish clients in 2017 have around £215 per month less to spend. The UK figure shows that the average net income has increased from £1,373 in 2013, up £95 or 7% over the 5 year period. Stagnating income levels along with widely anticipated interest rate changes in 2018 have the potential to put many more people currently struggling to meet their commitments into problem debt. While debt levels have come down, the ratio of debt to monthly income is still challenging. For every £1 of monthly income Scottish clients received in 2017, they had £9.96 of debt. When compared to the UK figures, for every pound of monthly income clients received in 2017, they had £9.05 of debt. Scottish clients have nearly 10% more debt than our UK clients relative to their monthly income level.

The final row in Table 2.1 shows that clients in 2017 are committing nearly half their entire income, 48% on essentials like rent, mortgage, utilities and council tax bills, down from 53% in 2016. Although this has increased by only 1% since 2013, the on-going pressure on clients as they try to cover their unavoidable priority costs continues to squeeze their available funds. This has resulted in many clients turning to credit to pay their essential household bills.

Budgets

Clients who contact StepChange are taken through a robust budgeting process which helps us to identify how much disposable money they have. A budget surplus is the amount of money left over at the end of the month after taking into account all expenditure - excluding debt servicing costs. It is a key statistic in assessing the strength of a client's financial position and is also used to assist clients in determining a debt solution. The average surplus in 2017 was £15, still lagging behind the five-year high of £24 in 2013. Table 2.1 shows that average surpluses have fallen considerably, by 37%, over the last five years.

Table 2.2 Constituencies with the largest surplus budget in 2017 compared to 2013

Constituency	2013 Surplus	Constituency	2017 Surplus
Na h-Eileanan an Iar[3]	£118.94	**Dumbarton**	£83.94
Angus South	£94.97	**Ayr**	£82.90
Motherwell and Wishaw	£94.95	**Cunninghame South**	£82.25
Edinburgh Pentlands	£93.44	**Rutherglen**	£75.69

[2] Bank of England inflation calculator - inflation averaged 2.2% a year, meaning incomes are down in real terms. https://www.bankofengland.co.uk/monetary-policy/inflation
[3] Certain constituencies in more geographically remote areas may have lower numbers of clients, this is based on 17 clients in Na h-Eileanan an Iar in 2013.

Airdrie and Shotts	£87.88	**Banffshire and Buchan Coast**	£73.29

Clients in 47 out 73 Scottish Parliament constituencies (64%) have an average surplus. Table 2.2 shows the constituencies with the five highest average surpluses in 2013 and 2017. It clearly demonstrates that the average surplus amount has decreased significantly during the 5 year period.

Some clients will have a deficit budget even after budget counselling which means that they do not have sufficient income to cover their essential living costs; many of these clients will have been reliant on credit to bridge this gap.

There are 26 constituencies where Scottish clients on average have a deficit budget. The constituency in 2017 with the highest average deficit budget amount is Galloway and West Dumfries, with a concerning -£205.51. Table 2.3 illustrates the constituencies with the five highest average deficit budgets by constituency in 2013 and 2017. The table clearly demonstrates that the average budget deficits are much higher in 2017 than in 2013. This is not unexpected as we know that clients' budgets have been squeezed in recent years.

Table 2.3 Constituencies with the highest deficit budget in 2017 compared to 2013

Constituency	2013 Deficit	Constituency	2017 Deficit
Stirling	-£144.89	**Galloway and West Dumfries**	-£205.51
Perthshire South and Kinrossshire	-£111.63	**Aberdeen South and North Kincardine**	-£120.69
Eastwood	-£110.24	**Eastwood**	-£115.07
Argyll and Bute	-£48.40	**Aberdeenshire West**	-£107.66
Hamilton, Larkhall and Stonehouse	-£40.78	**Aberdeenshire East**	-£83.63

In 2013, 25% of constituencies had an average budget deficit; that figure had increased in 2017 to 37%, 26 out of 73 constituencies.

It should also be noted that five out of the ten constituencies with the highest deficits are in the North East parliamentary region. It is highly likely that this relates to the downturn in North Sea oil and related knock-on effects, as clients in these constituencies also report that employment changes such as a cut in hours and unemployment are the main reason they fell into difficulty (See section 6, Reasons for Debt).

3. Household arrears

More of our clients are renting, and council tax arrears continue to grow

StepChange has seen a continued rise in the proportion of clients in Scotland with arrears on essential household bills. The past five years have seen sharp increases in clients having used credit cards and other forms of borrowing to pay rent, mortgage, utility and council tax bills.

Housing-related debt presents a great problem to our clients because the consequences of not paying housing-related debt can be more severe. Not paying rent can leave clients homeless, while not paying utility bills can leave clients without power.

The largest increase in the amount of household arrears among our clients has been in council tax arrears at 45%, followed by electricity at 37%.

Rent and mortgage

Table 3.1 Rent and mortgage arrears figures in 2013 and 2017, showing average client percentages and average amount of arrears

Arrears type	2013	2017	2013-2017 change
Rent	31% **£594**	25% **£740**	-6% **+£146** (+25%)
Mortgage	39% **£2,611**	29% **£3,523**	-10% **+£912** (+35%)

Table 3.1 above shows the percentage of clients in 2013 and 2017 with rent and mortgage arrears. It also shows the average amount of those arrears (in bold) in each year and the change between them.

Previously, mortgage arrears were the single most common arrears type of household debt for our clients, at almost 40% in 2013. However, that number has decreased considerably to 29% of clients with mortgage arrears in 2017. Although we have seen a smaller percentage of StepChange clients with mortgage arrears, the amount of arrears owed by these clients has increased significantly; by nearly £1,000. In 2017, the average mortgage arrears was £3,523, up £912 on the average amount in 2013 of £2,611. This equates to an increase of 35% over the five year period.

Of 8,111 clients, 4,381 paid rent as part of their budget (54%) and of those who paid rent 1,087 were in arrears. Over half of the constituencies (38) in Scotland had at least one in every four of our clients who were liable for rent in 2017 had rent arrears, and in seven constituencies there were over one in three clients in arrears. The area with the highest rate was Banffshire and Buchan Coast, with 38% of clients reporting rent arrears. The least-affected constituency (Na h-Eileanan an Iar, 8%) still had nearly one in ten clients struggling to afford to keep a roof over their head.

The average amount of rent arrears due by clients has continued to increase over the past five years. We have seen our clients' average rent arrears increase from £594 in 2013 to £740 in 2017, an increase of £146 or 25%. The constituency where clients owe the most arrears is Shetland Islands[4] at £2,256, while the lowest was Na h-Eileanan an Iar, at £300.

Utilities

Table 3.2 Electricity and gas figures in 2013 and 2017, showing the percentage of clients with electricity and gas arrears and the average amount of arrears

Arrears type	2013	2017	2013-2017 change
Electricity	11% **£543**	15% **£745**	+4% **+£202 (+37%)**
Gas	11% **£539**	13% **£467**	+2% **-£72 (-13%)**

Table 3.1 above shows the percentage of those clients who are liable to pay electricity and gas as part of their budget who are in arrears in 2013 and 2017. It also shows the average amount of those arrears (in bold) in each year and the change between them.

It is important to note that many areas of Scotland still do not have access to a mainline gas network, and as such the number of clients that the charity helps who have mainline gas in their homes is lower than the number of clients with electricity. During 2017, of the 8,111 clients who contacted the charity, 6,387 (79%) of clients were liable to pay electricity and 971 (15%) were in arrears. For gas, 3,483 clients paid gas bills, and of them, 469 (13%) were in arrears.

Gas arrears have remained relatively static with only a 2% increase. Although a slightly larger percentage of clients report gas arrears than in 2013, the average quantity of gas arrears is now at the lowest since 2013. The 2017 figure for gas arrears was down by £72 to £467 from £539 in 2013.

Although every client who contacted us in 2017 lives in a property with electricity, for some clients it is not a bill for which they have responsibility and as such is not counted by our system. Examples of clients without responsibility would include those paying board or those for whom the electricity bill is included as part of their rent. Electricity arrears have been steadily increasing since 2013 with arrears in 2017 at 37% higher than the 2013 average, up from £543 to £745. This represents the second largest growth of debt type for our clients behind council tax over the 5 year period.

[4] Based on 16 clients in Shetland Islands, 10 liable for rent and 3 in arrears; 33 clients in Na h-Eileanan an Iar, 13 liable for rent and 1 in arrears

In 2017 nearly one in four clients reported being in arrears with their electricity bills in three constituencies: Eastwood, Hamilton, Larkhall and Stonehouse, East Lothian[5]. Similarly, one in four clients reported arrears in their gas bills in two constituency areas; Renfrewshire North and West and Hamilton, Larkhall and Stonehouse[6]

Council tax

Council tax arrears (including water and sewage costs), continue to present a significant challenge to clients. Council tax arrears are one of the fastest growing areas of problem debt our clients have. This growth is particularly problematic, at a time when the council tax freeze stopped for many during 2017 and the number of clients with multiple years of council tax debt is declining.

Table 3.3 Council tax arrears figures in 2013 and 2017 showing the percentage of clients with arrears and the average amount of arrears

Arrears type	2013	2017	2013-2017 change
Council Tax	37% **£1,368**	41% **£1,983**	+4% **+£615 (+45%)**

Table 3.3 above shows the percentage of clients in 2013 and 2017 who are liable to pay council tax as part of their budget and reported that they were in arrears. It also shows the average amount of those arrears (in bold) in each year and the change between them.

Of 8,111 clients, 5,928 were liable for council tax bills (73%) and of those clients, 41% (2,414) were in arrears, up from 37% in 2013.

The average amount of council tax arrears has also risen since 2013 by 45%, from £1,368 to £1,983 in 2017; an increase of £615.

The scale of the council tax arrears problem can also be demonstrated by looking at the constituencies that have the lowest proportion of clients in council tax arrears and the lowest amount of arrears. 71 out of the 73 constituencies had at least one in four clients with council tax arrears in 2017 and 72 constituencies had clients who were due in excess of £1,000 of council tax arrears. This has increased from 67 and 52 constituencies respectively in 2013.

[5] Based on 55 clients in Eastwood, 41 liable for electricity and 10 in arrears (24%); 113 clients in Hamilton, Larkhall and Stonehouse, 84 liable for electricity and 20 in arrears(24%); 77 clients in East Lothian, 55 liable for electricity and 13 in arrears (24%)

[6] Based on 103 clients in Renfrewshire North and West, 46 liable for gas and 12 in arrears (26%); and 113 clients in Hamilton, Larkhall and Stonehouse, 52 liable for gas and 13 in arrears (25%)

Table 3.4 shows that in 2017, seven constituencies had over half the clients who were liable to pay council tax in arrears with their bill, with Orkney Islands due the greatest at 70%[7]. Orkney Islands also had the highest percentage of arrears in 2013 at 64%[8].

Table 3.4 Constituencies with the highest percentages of clients with council tax arrears in 2017

Constituency	2017 % of clients with council tax arrears
Orkney Islands	70%
Paisley	55%
Glasgow Southside	52%
Renfrewshire South	51%
Edinburgh Eastern	51%
Glasgow Pollok	51%
East Kilbride	50%

In 2017, Uddingston and Bellshill, had clients with average arrears in excess of £4,000, whilst another three, Edinburgh Central, Motherwell and Wishaw and Edinburgh Eastern had average arrears of over £3,000. In 2013, there were no constituencies with average council tax arrears in excess of £3,000.

[7] Based on 16 clients in Orkney Islands in 2017, 10 liable for council tax and 7 in arrears
[8] Based on 18 clients in Orkney Islands in 2013, 14 liable for council tax and 9 in arrears

4. Consumer credit debts

'Traditional' credit arrears

In 2017, the average Scottish client has approximately seven different unsecured debts, with the two most common debt types being credit card and overdrafts.

The trends in our 'traditional' (credit cards, loans and overdrafts) consumer credit debt data shows that unlike household arrears, the prevalence and level of traditional consumer credit has been declining over a five year period.

Table 4.1 Credit card, loan and overdraft debt figures for 2013 and 2017 showing the percentage of clients by debt type and the average amount of debt

Debt type	2013	2017	2013-2017 change
Overdraft	69% **£1,686**	53% **£1,452**	-16% **-£234 (-14%)**
Credit card	70% **£7,542**	64% **£7,002**	-6% **-£540 (-7%)**
Personal loan	57% **£8,075**	49% **£7,503**	-8% **-£572 (-7%)**

Table 4.1 above shows the percentage of clients in 2013 and 2017 that had overdraft, credit card or personal loan debt. It also shows the average amount of those debts (in bold) in each year and the change between them.

The amount owed on these 'traditional' credit types has fallen, especially for overdrafts which has seen a significant decrease (14%) since 2013, from £1,686 to £1,452 in 2017. The average amount due on credit cards has also declined over the five year period by £540 to £7,002 in 2017.

The largest decrease was the average amount of personal loans – down £572 to £7,503 in 2017 compared to £8,075 in 2013; a drop of 7%.

Unlike the other 'traditional' credit types where we have seen a steady decline, our records show that over 2017 a greater percentage of clients had personal loan debt than in 2016, an increase of 3%, and the average amount owed in personal loans also increased slightly from £7,481 to £7,503. This increase in the amount of loan debt is likely to be reflecting the shift in the market in recent years where credit from high street lenders has become more accessible again.

Table 4.1 also shows the proportion of clients with credit card debts has decreased slightly from 70% in 2013 to 64% in 2017. Meanwhile, there has been a significant reduction in clients with overdraft debts, from 69% in 2013, to 53% in 2017. The percentage of clients with personal loan debt is down overall over the five year period.

Store card and catalogue

Table 4.2 Store card and catalogue debt figures in 2013 and 2017 showing the percentage of clients with by debt type and the average amount of debt

Debt type	2013	2017	2013-2017 change
Store card	12% **£958**	11% **£1,095**	-1% **+£137 (+14%)**
Catalogue	38% **£1,720**	39% **£1,832**	+1% **+£112 (+7%)**

Table 4.2 above shows the percentage of clients that had store card and catalogue debt in 2013 and 2017. The percentage of clients who have catalogue type debt has increased slightly since 2013 (up 1%), whilst those with store card debt has decreased slightly (down 1%). The table also shows the average amount of those debts (in bold) in each year and the change between them. Over the five year period the average amount of debt due on both store card and catalogues has increased by £137 and £112 respectively.

Payday and Home Credit

Too many families on low incomes are still turning to high cost credit as a 'safety net' to pay for everyday household costs. Regularly relying on high cost credit puts added pressure on already tight budgets and leaves households particularly vulnerable to falling into problem debt.

Table 4.3 Payday and Home credit loan figures in 2013 and 2017 showing the percentage of clients by debt type and the average amount of debt

Debt type	2013	2017	2013-2017 change
Payday loan	19% **£1,454**	9% **£980**	-10% **-£474 (-33%)**
Home credit	13% **£1,578**	10% **£1,679**	-3% **+£101 (+6%)**

The percentage of clients with home credit and payday loan[9] debt has decreased since 2013; down 3% and 10% respectively. Table 4.3 shows that average payday loan balances have decreased by £474, down from £1,454 in 2013 to £980 in 2017; a decrease of a third and the lowest level since 2013. In complete contrast, the amount of home credit debt continues to increase to a new five year high at £1,679, up £101 on the 2013 figure.

Payday loan debt has continued to decrease as regulatory action tightens up lending practises and access to short-term loans has changed. Although the average payday loan debt due by clients is lower than over recent years, these loans remain a high cost and therefore add pressure on our clients' budgets. Whilst the decrease in the percentage of clients with payday/high interest loans is very welcome, clients in 2017 still had on average 2.3 payday/high interest loan debts owing on average £428 per loan, compared to an average of 3 loans in 2013 owing £491 per loan. This clearly shows that the impact of this type of credit has not really changed for those clients who use it.

Table 4.4 Constituencies in 2017 with the highest percentage of clients with payday/high interest type loans compared to 2013

Constituency	2013 % of clients	2017 % of clients	2013-2017 change
Almond Valley	19%	15%	-4%
Eastwood	14%	15%	+1%
Edinburgh Southern	17%	14%	-3%
Ayr	29%	13%	-16%
Coatbridge and Chryston	13%	13%	0%
Glasgow Anniesland	16%	13%	-3%
Cowdenbeath	19%	13%	-6%
Falkirk East	17%	13%	-4%

Table 4.4 shows the constituencies in 2017 with the highest percentage of clients with payday/high interest type loans and compares it with 2013 figures. It clearly shows that on the whole the percentage of clients has dropped although Eastwood has seen a slight rise of 1%. Coatbridge and Chryston has had no change in the percentage of clients with payday/high interest loans.

[9] Payday loan debt includes all types of short term high interest loans

5. Demographics of debt

More of our clients are younger, and more are renting

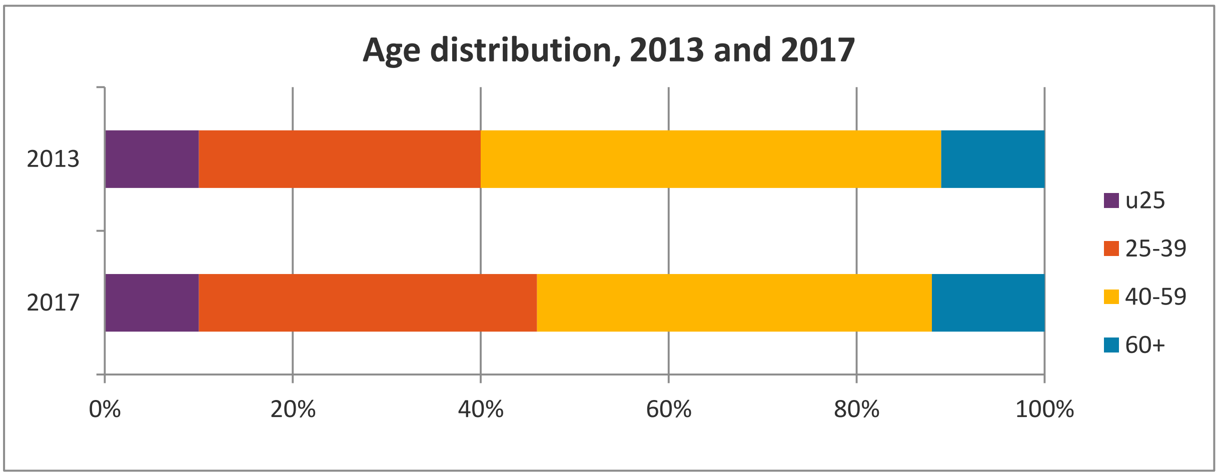
There have been some demographic shifts since 2013, particularly in client housing status and in the age range of our clients. Renters make up an increasing share of those who contact us for help, as do those aged 25-39. This is similar to the UK trends evidenced in the UK Statistics Yearbook, 80% of clients across the UK were renting in 2017 and 49.6% of clients were aged 25-39 in the same period.

Age

Table 5.1 Percentage of clients by age group in 2013 and 2017

Age group	2013	2017	2013-2017 change
Under 25	10%	10%	0%
25-39	30%	36%	+6%
40-59	49%	42%	-7%
60 and over	11%	12%	+1%

Table 5.1 shows that in 2017, 10% of clients are aged under 25; this has been consistent over the five year period. However, the 25-39 age bracket made up 36% of clients, a 2% rise in the year and a rise of 6% over the five year period. The number of clients aged 25-39 has been growing consistently since 2014. The average unsecured level of debt for clients in this age bracket was £11,139.



The 40-59 age range had average unsecured debts of £14,466 in 2017 and those over 60 had average unsecured debts of £15,197; above the Scottish client average of £12,488. Under 25s had the smallest average unsecured debt level in 2017 of £4,600.

The most common age banding of clients remains the 40-59 age group. In 2017, clients in this age bracket made up 42% of phone calls, down 3% on 2016. These clients previously made up 49% of all clients in Scotland in 2013; this has decreased by 7% by 2017. There was a slight increase of 1% in clients aged 60 and over who made up 12% of clients in 2017.

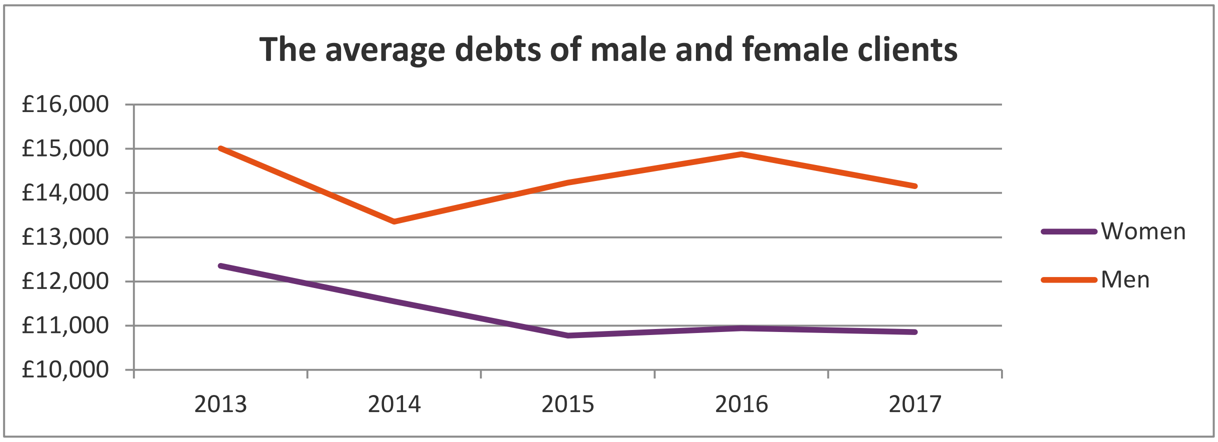
Clients by gender

Women are more likely to contact the charity. The gender breakdown has remained largely static over the five year period with women consistently more likely to contact the charity than men.

Table 5.2 Percentage of clients by gender in 2013 and 2017and the amount of their average unsecured debt

Gender	2013	2017	2013-2017 change
Female	56% **£12,353**	56% **£10,855**	0% -£1,498 (-12%)
Male	44% **£15,055**	44% **£14,157**	0% -£898 (-5%)
All Scottish clients (average debt)	**£13,533**	**£12,488**	-£1,461 (-11%)

Table 5.2 shows the difference in the average debt balances by gender. In 2017, females had substantially less average unsecured debt of £10,855 compared to males who had £14,157. The average debt level for females has decreased more significantly than that of males. Average debt for males decreased by just 5% over the five year period whilst the average debt for females decreased by 12%. In addition, females have 13% less unsecured debt than the Scottish client average of £12,488, whilst males have 13% more unsecured debt. In 2013 this was minus 9% and plus 11% respectively.



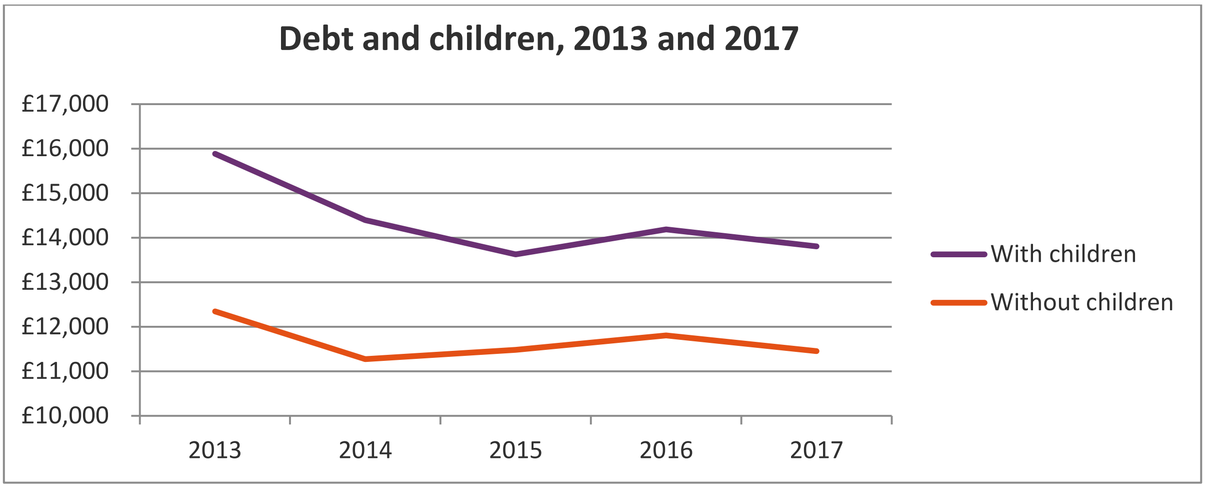
Debt and children

The majority of clients contacting the charity reported that they did not have children, or did not have dependent children (herein referred to as clients 'without children'). In 2017, Scottish client with children made up 36% and those without children was 64%. This has not changed very much over the five year period. However, UK figures show a considerable difference in the family composition with 48% of clients with children and 52% without. Clients with children have notably higher debts than clients without children. Table 5.3 shows Scottish clients with the difference in the family make-up and their unsecured debt.

Table 5.3 Comparison of clients with and without children in 2013 and 2017, showing percentages of clients and the average amount of unsecured debt

Family make-up	2013	2017	2013-2017 change
with children	34% **£15,882**	36% **£13,809**	+2% -£2,073 (-13%)
without children	66% **£12,350**	64% **£11,456**	-2% -£894 (-7%)
All Scottish clients (average debt)	**£13,533**	**£12,488**	-£1,461 (-11%)

The amount of average debt of clients with children has decreased by £2,073, or 13%; significantly more than those clients without children whose average amount of unsecured debt has only decreased by £894 or 7%. In addition, clients without children have 8% less unsecured debt than the Scottish client average of £12,488, whilst clients with children have 11% more unsecured debt. In 2013 this was minus 9% and plus 17% respectively. The graph demonstrates that the debt levels for both groups decreased in 2017. This means that the gap between the two has not changed substantially.



Housing

Since 2013, clients living in all types of housing have seen an increase in the average amount of debt, bar those renting Local Authority housing which has seen a decrease of nearly £500. There has been a significant shift between 2013 and 2017 in the percentage of clients who own their home to those in rented accommodation. These clients, renting from a Housing Association, Local Authority or private landlord, now account for 61% of Scottish clients; up from 45% in 2013. Homeowners now make up just 28% of all clients; down from 43% in 2013.

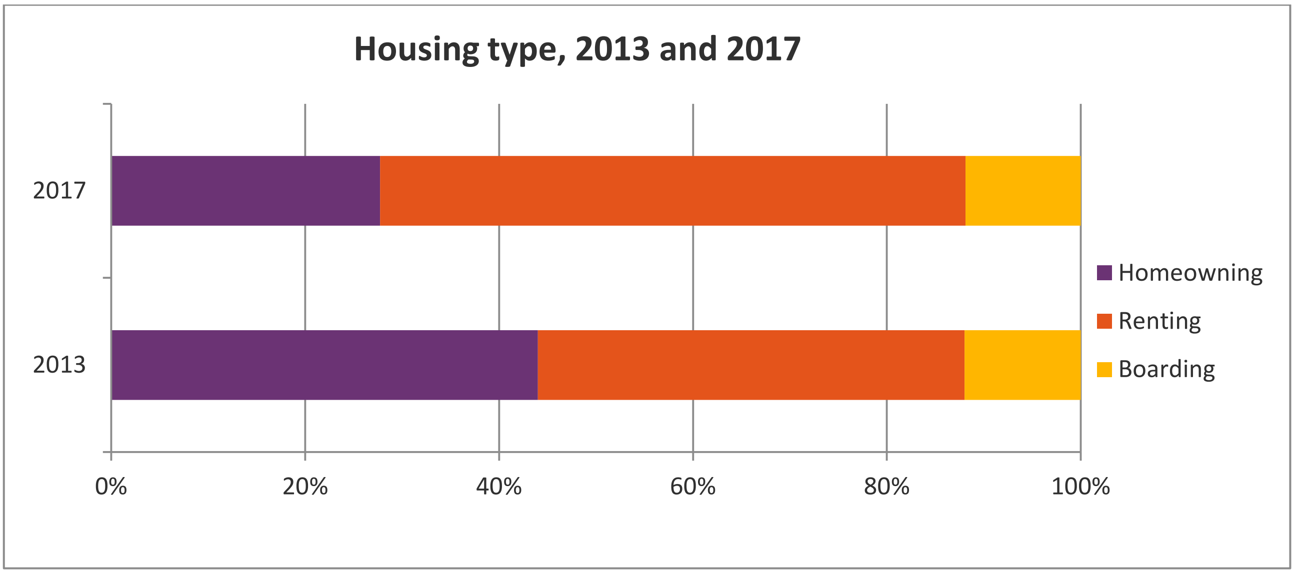


Table 5.4 shows the percentage of clients by housing type and the amount of their average unsecured debt (in bold). The percentage of clients who were homeowners was nearly the same as the percentage of renters in 2013. The combination of clients who had a mortgage and those who owned their home outright represented 43% of all clients – just less than rental clients who made up 45% of the charity's Scottish client base. Over the five year period, homeowners had the highest average debt by a considerably margin, with the largest debts held by clients with mortgages. The average amount of debt for clients with mortgages increased by £457 (2%) in 2017. Those clients who own their home outright saw a large increase in the amount of their average debt; up £2,164 or 14%, the largest increase across all housing types.

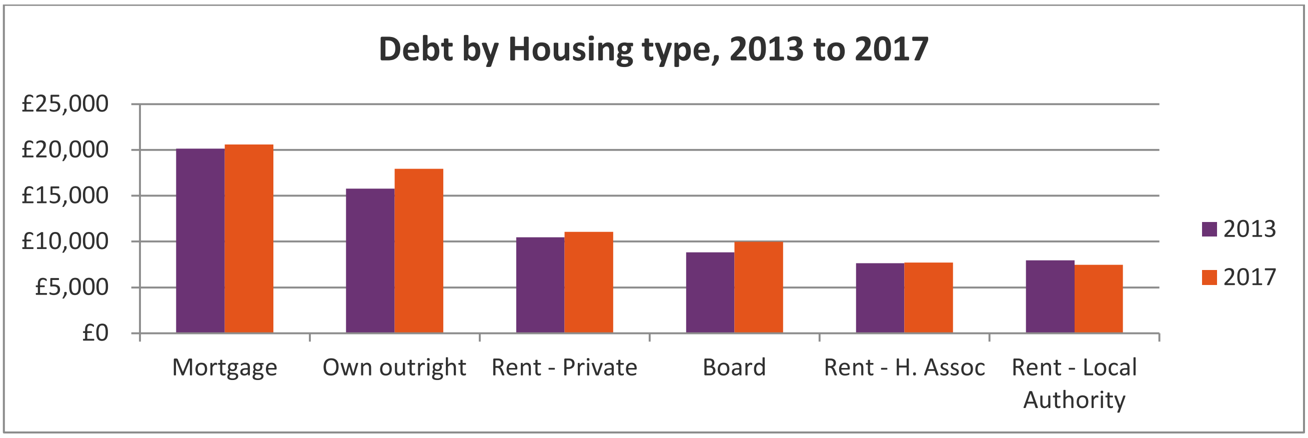
Table 5.4 Percentage of clients by housing type in 2013 and 2017and the amount of their average unsecured debt

Housing type	2013	2017	2013-2017 change
Mortgage	39% **£20,137**	24% **£20,594**	-15% **+£457 (+2%)**
Own outright	4% **£15,776**	4% **£17,940**	0% **+£2,164 (+14%)**
Rent – Housing Association	9% **£7,657**	13% **£7,795**	+4% **+£138 (+2%)**
Rent – Local Authority	17% **£7,959**	22% **£7,469**	+5% -£490 (-6%)
Rent – Private Landlord	19% **£10,456**	26% **£11,048**	+7% **+£592 (+6%)**
Board	12% **£8,823**	12% **£9,978**	0% **+£1,155 (+13%)**

StepChange clients are now significantly more likely to be living in private rented accommodation; 26% of clients in 2017 were renting from a private landlord, compared to 19% in 2013. The average debt owed by clients in the private rented sector has increased to £11,048 over the five year period; an increase of £592 or 6%, the largest increase of all rental types. Clients in housing association have average debt levels which have increased by £138 over the five year period.

Although they represent the same percentage share of clients, the average debt of those paying board in the homes of family or friends has increased significantly by £1,155 (13%); the second highest percentage rise of all housing types. This is indicative of the pressures on family budgets.

UK StepChange figures show that over 80% of the charity's clients are now renting across the UK a 13% increase from 2013. It is likely that StepChange Scotland will continue to see a rising number of clients living in rented accommodation. Access to stable housing is key in allowing people to recover from income shocks.



6. Reasons for Debt

Many clients are in difficulty through circumstances they could not have prevented, or planned for

Over 60% of all clients in 2017 were in problem debt due to circumstances outside their control. Often referred to as ‘income shocks’, unexpected life events such as illness, a cut in wages, hours or unemployment, or having a business fail, swiftly drags clients into a ‘debt spiral’. As they try to cope with their change in circumstances, they miss payments and incur interest and charges. In order to address this many seek other higher cost credit which can further exacerbate their debt situation.

Table 5.4 Reasons clients provided for getting into problem debt in each year from 2013 to 2017, showing percentages of clients

Debt reason	2013	2014	2015	2016	2017	2013-2017 % change
Employment change / unemployment	24%	21%	22%	20%	20%	-4%
Reduced income / benefit income	21%	18%	17%	16%	18%	-3%
Illness/disability	12%	14%	15%	14%	14%	+2%
Separation	9%	9%	9%	8%	8%	-1%
Lack of budgeting	14%	14%	16%	17%	13%	-1%
Other	20%	24%	21%	25%	27%	+7%

Table 5.4 shows that in 2017 a majority of clients (20%) reported that they were in debt as a result of unemployment or a change in employment circumstances e.g. a cut in hours. This is closely followed by clients who reported a reduction in income/benefit income (18%); a figure which had been decreasing. As welfare reforms ripple through society, it can be expected that this will remain a factor in people getting into a problem debt spiral. Illness and disability as a cause for problem debt has also increased since 2013 by 2% to 14%.

‘Lack of budgeting’ as a reason clients gave for debt was decreased to 13% in 2017 after rapid growth in the preceding 5 years. ‘Lack of budgeting’ is a catch all term and often can include those who are in spiralling debt due to historic income shocks from unemployment or ill-health. Time and again, the fundamental issue is lack of income to cover the basic essential costs.

The remaining 27% fall into a catch-all category, ‘Other’, this includes bereavement (2% of clients) pregnancy/childbirth (2%), retirement (1%) and caring for relatives (1%) among other reasons than those discussed above.

Reasons for debt - local hotspots

The North East Parliamentary region[10] stands out in particular as a hotspot for clients affected by unemployment and employment changes. It is likely that this is in some part connected to the downturn in North Sea oil. In 2017 the North East region shows an average budget deficit of £31.79, but also the highest average monthly net income at £1,297. The affected constituencies also have a higher number of clients with mortgage arrears than reported across the country; Aberdeen Donside[11] had 46% of clients with a mortgage in arrears and Aberdeenshire West[12] had 43% of mortgage clients in arrears.

Other areas that recorded notably higher reasons for debt compared to the average nationally were Clydebank and Milngavie[13], where 28% of clients said they were in debt due to reduced income/benefit income – 10% more than the level nationally. 23% of clients in Perthshire North were in debt due to illness or disability, and this was the cause of debt for 20% of clients in Dumfriesshire[14], Eastwood[15] and Glasgow Provan[16].This is significantly above the national level where only 14% of clients across Scotland are in debt due to illness or disability. In Eastwood, where 15% of clients have short-term high cost credit, 24% of clients also report that they are in problem debt as a result of employment changes and redundancy.

It should also be noted that a possible trend could be emerging in areas where Universal Credit has been rolled out. A higher percentage of clients in these areas report reduced income/benefit income than the level nationally. Out of 29 constituencies that have seen full or partial UC roll out, 10 show that more than 18% (the national level) of clients are reporting reduced income/benefit income as a reason for their debt problems. In addition, 12 of the 29 affected constituencies show that a higher percentage of clients have rent arrears than Scotland as whole, where 25% of clients liable for rent are in arrears. In East Lothian[17] for example 35% of clients liable for rent are in arrears. These measures will be monitored closely as the roll-out continues.

[10] Based on 1,201 clients living in North East region, 276 of whom were liable for mortgage, with 89 in arrears
[11] Based on 159 clients in Aberdeen Donside, 41 of whom were liable for mortgages with15 clients in arrears.
[12] Based on 87 clients in Aberdeenshire West, 28 of whom were liable for mortgages, with 12 clients in arrears.
[13] Based on 97 clients in Clydebank and Milngavie
[14] Based on 111 clients in Dumfriesshire
[15] Based on 55 clients in Eastwood
[16] Based on 153 clients in Glasgow Provan
[17] Based on 77 clients in East Lothian, 34 of whom were liable for rent, with 12 in arrears

Scotland in the Red is an annual publication produced by StepChange Debt Charity Scotland. StepChange Debt Charity Statistics can be represented by Local Authority, Westminster Constituency, Scottish Parliament Constituency and Scottish Parliament regional areas.

For a 5-year historical trend of Local Authority, or constituency-specific data (Westminster or Holyrood), please contact Lawrie Morgan-Klein on parliamentary@stepchange.org

Statistics presented in this document are based on telephone debt advice calls to StepChange Debt Charity 2013-2017 from clients who live in Scotland.

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