

Debt in Wales

**Prepared for the 10th anniversary of the Wales Centre for
Credit Counselling**

September 2007



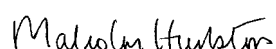
Introduction

Ten years ago, when the Foundation opened the Wales Centre for Credit Counselling in Cardiff, interest rates were seven percent, so there is still some way to go before we reach similar levels again. However it is the pace of change of interest rates as well as the level which catches consumers and, since levels of borrowing are much greater than ten years ago (having more than doubled over the past decade), rapidly rising interest rates are bound to cause some unease.

If demand for our counselling service is a measure, the problem of debt is getting worse. Five years ago we were counselling fewer than 1,000 people a year in Wales; in 2007 we expect to counsel nearly 6,000 clients.

However, this increase is not just the result of spiralling debt among Welsh consumers: in the same period our capacity has increased by 50 percent, and greater media coverage may be encouraging more people to seek help at an earlier stage. Nevertheless we believe that a closer look at our Welsh clients highlights some distinctive trends.

This report looks in some detail at trends in the patterns of over-indebtedness in Wales over the past five years, including age, gender, housing situation, marital status and income, as well as levels of debt. The information is derived from the Foundation's data warehouse which chronicles the circumstances of all those seeking our help in the belief that such information will improve our understanding of why people become over-indebted and how we can work with creditors and others to prevent it.



Malcolm Hurlston
Chairman
Foundation for Credit Counselling

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Debt in Wales

Summary of findings:

- We expect to help around 5,800 people from Wales with their debt problems in 2007. In 2003 we helped just under 1,000 people.
- People experiencing debt problems are getting older. The proportion of those seeking help in the over-60 age group has more than doubled over the last five years.
- The 40 to 59 age-group is overtaking the 26 to 40 age group as the largest percentage of clients.
- More women have debt problems than men and their relative numbers are increasing.
- Of our Welsh clients, 44 percent are homeowners, compared with 39 percent for the UK as a whole. On average homeowners owe around three quarters more than tenants.
- The number of people on higher incomes needing help is rising fast.

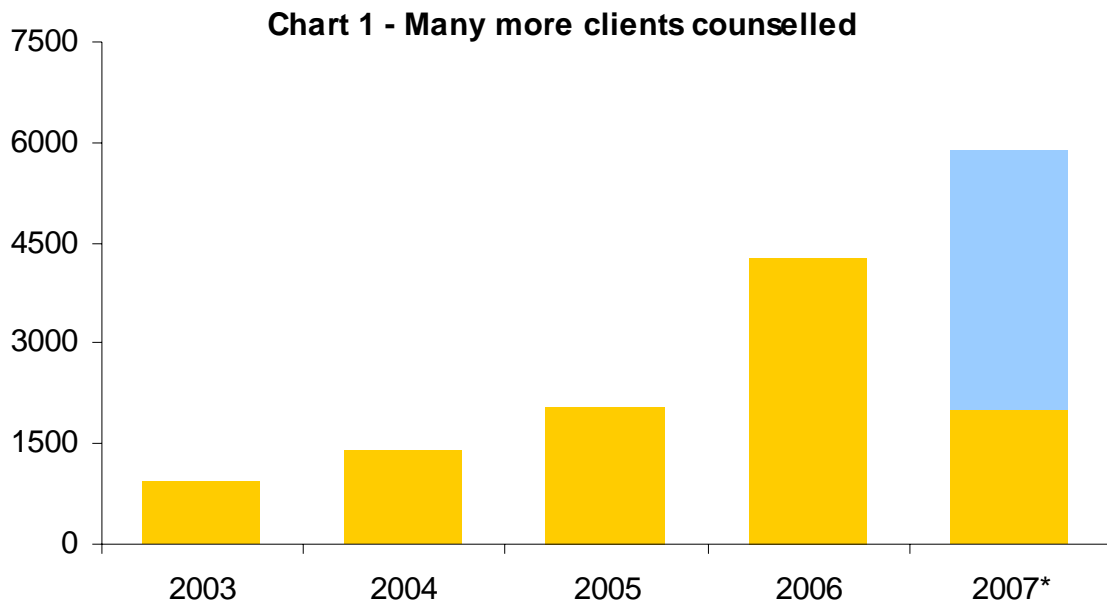
2. Analysis

This report examines the circumstances of the over-indebted in Wales over the last five years. The information is drawn from over 10,000 clients (10,669) who had an in-depth counselling session between 2003 and May 24, 2007 with the Wales Centre for Credit Counselling, part of the Foundation for Credit Counselling, an independent charity.

2.1 Number of clients

Since 2003, the number of clients seeking help from the Wales Centre for Credit Counselling has increased steadily from just under 1,000 in 2003 to a projected 6,000 by the end of 2007. The main reason for this is increased awareness of over-indebtedness which has both raised the charity's profile and lead to more people tackling their financial problems.

The growth in the number of people who have had a counselling session is shown in the graph overleaf. The blue bar is a projection based on the first five months of 2007 of the numbers that we will have helped by the end of the year. In 2007 we expect to provide 5,800 in-depth counselling sessions, a six-fold increase compared to 2003.



2.2 Age

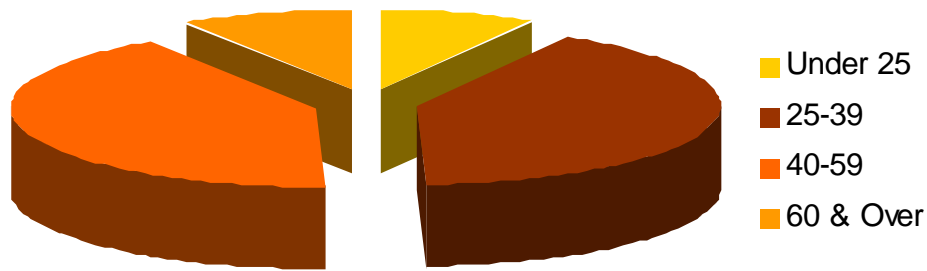
People experiencing problem debt are getting older. There has been a marked increase in the proportion of over-60s being counselled: over the last five years, this proportion has more than doubled. Projections for this year show that the 40-59 group is likely to overtake the 25 to 39 age group for the first time. This trend is mirrored in the UK as a whole.¹

Table 1 – Age groups

	2003	2004	2005	2006	2007*
Under 25	12.8%	13.6%	10.8%	8.7%	8.4%
25-39	46.8%	45.1%	43.8%	42.3%	41.1%
40-59	36.1%	35.4%	38.4%	40.0%	41.4%
60 & Over	4.3%	5.9%	7.0%	9.0%	9.1%

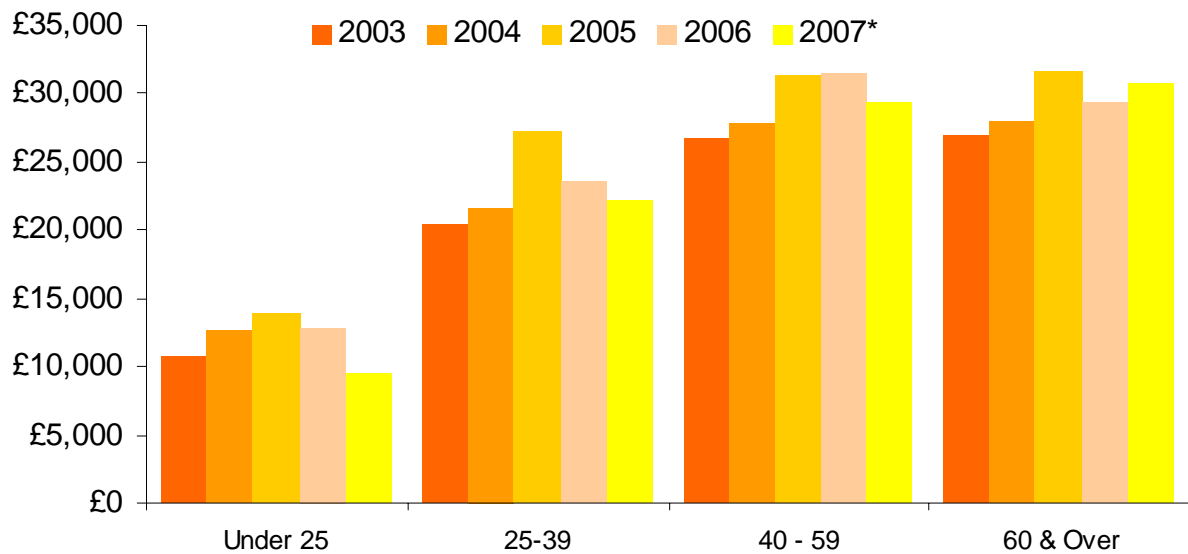
¹ For more information on this, please see the Statistical Yearbook 2006, available from the CCCS website: <http://www.cccs.co.uk>

Chart 2 - Age groups - 2007 (YTD May)



This year, debt levels have fallen across all age groups compared to 2006, apart from the over-60s where debt levels have increased: the average debt for the first five months of 2007 for those aged over 60 was £30,765, up by around five percent year-on-year on 2006.

Chart 3 - Outstanding debt by age



Thus not only is the proportion of over-60s with debt problems increasing, the total amount they owe is also rising.

2.3 Gender

Women are featuring more strongly among people in debt. This reflects the fact that they tend to be single, on lower incomes than the average and often have children, making them more vulnerable to debt problems.

Table 2 – Gender

	2003	2004	2005	2006	2007*
Male	47.0%	45.0%	45.7%	43.9%	43.7%
Female	53.2%	55.3%	54.3%	56.1%	56.3%

2.4 Marital status

Just under 48 percent of those counselled by the Wales Centre for Credit Counselling describe themselves as living as part of a couple. Couples are more likely to own a home and have children, thus increasing their potential debt levels. However, they also have a greater ability to repay and thus more flexibility in dealing with a potential debt problem. In the first five months of 2007, the average debts of a couple stood at £31,213, compared to £20,820 for single men and £16,228 for single women.

Table 3 – Marital status

	2003	2004	2005	2006	2007*
Single	52.9%	53.3%	49.2%	50.8%	52.1%
Couple	47.1%	46.7%	50.8%	49.2%	47.9%

Chart 4 - Outstanding debt by marital status

2.5 Housing

There are more homeowners among the over-indebted in Wales (44 percent) than for the UK as a whole (39 per cent). Wales has the largest rate of home ownership out of the nations in the UK at 73 percent.

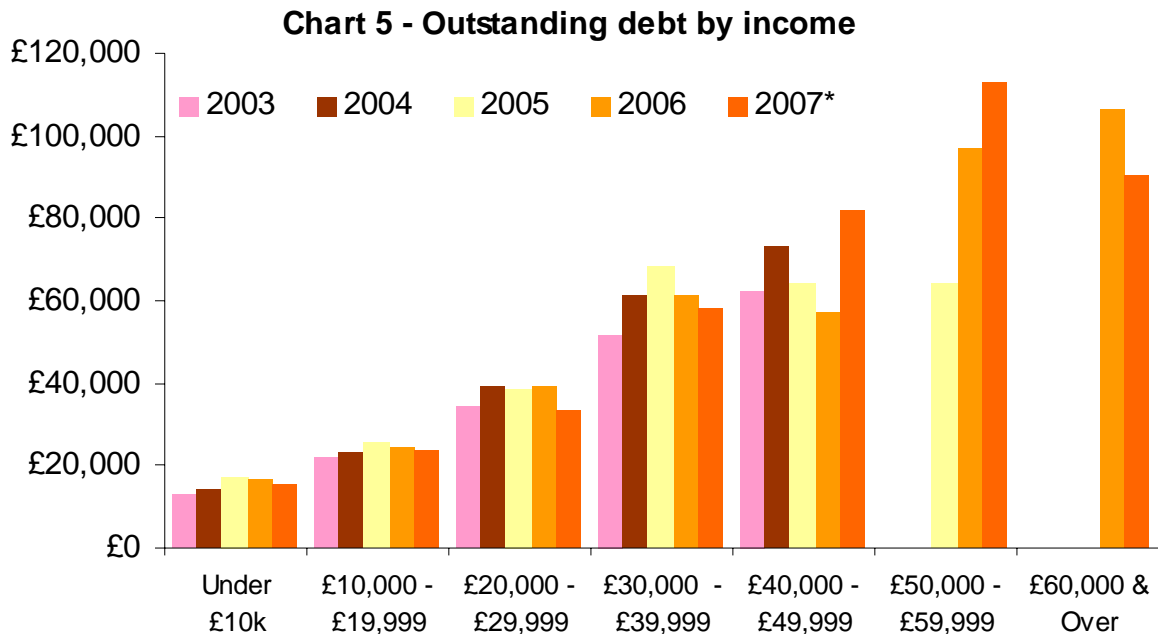
Due to their extra capacity to borrow, homeowners tend to have higher debts than tenants. The average debt level for homeowners is £34,384 in 2007, compared to £19,646 for renters.

Table 4 – Housing situation

	2003	2004	2005	2006	2007*
Owners	41.1%	35.0%	42.6%	46.1%	44.4%
Renters	58.9%	65.0%	57.4%	53.9%	55.6%

2.6 Income

During 2006 and 2007 there were more people with higher incomes seeking help. Before 2005, the charity had not counselled anyone earning more than £50,000 a year.



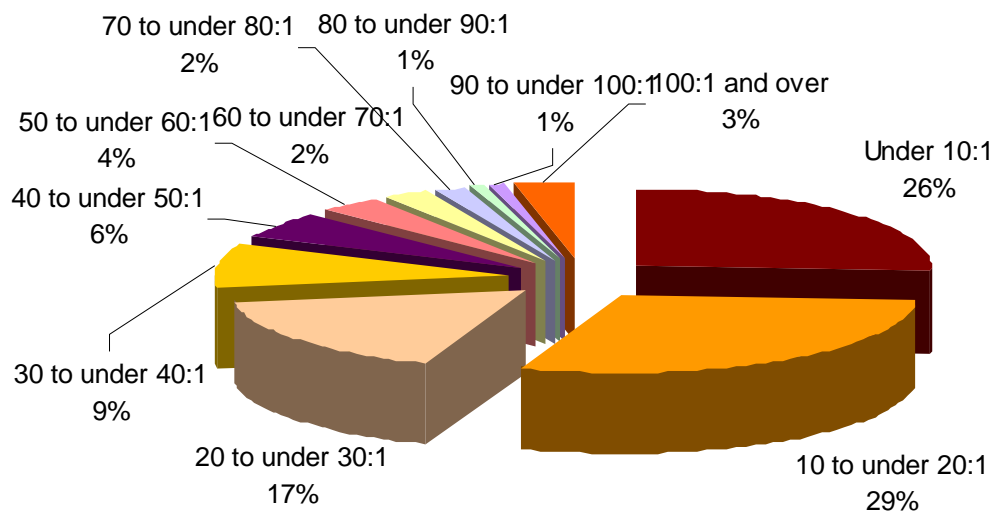
Clearly the main factor in determining over-indebtedness, is not just income levels, but how much is owed relative to income. A closer examination of clients by debt to income ratio reveals that there is a downward trend in the levels of debts in all debt to income ratios apart from in the 100:1 and higher category which has seen an increase. As this category, however, represents only a small proportion of people included in the survey, the figures are less reliable. Clients with a debt to income ratio of 100:1 and over account for only three percent of all clients counselled.

Table 5 – Average debt by debt to income ratio

	2003	2004	2005	2006	2007*
Under 10:1	£ 6,548	£ 7,425	£ 8,339	£ 7,630	£ 7,477
10 to under 20:1	£ 16,544	£ 16,102	£ 18,563	£ 19,105	£ 18,547
20 to under 30:1	£ 24,678	£ 25,583	£ 28,226	£ 29,162	£ 28,819
30 to under 40:1	£ 32,753	£ 31,323	£ 35,942	£ 38,083	£ 34,464
40 to under 50:1	£ 41,075	£ 41,262	£ 44,466	£ 44,884	£ 43,411
50 to under 60:1	£ 47,193	£ 44,042	£ 51,960	£ 49,797	£ 45,019
60 to under 70:1	£ 42,936	£ 45,050	£ 57,770	£ 55,536	£ 48,663
70 to under 80:1	£ 44,936	£ 61,835	£ 61,898	£ 57,457	£ 51,144
80 to under 90:1	£ 60,055	£ 54,338	£ 72,703	£ 67,165	£ 50,645
90 to under 100:1	£ 57,884	£ 72,153	£ 57,061	£ 65,959	£ 53,883
100:1 and over	£ 71,360	£ 74,117	£ 87,507	£ 75,769	£ 81,713

Looking at debt to income ratios in more detail reveals that the majority of the over-indebted have a debt to income ratio of less than 20:1 with the average being 21:1.

Chart 6 - Proportion of Clients by D: I ratio
(2006)



3. Conclusions

On the basis of our statistics from the first five months of 2007, it appears that average debt levels in Wales are falling for all age groups apart from the over 60s.

Additionally, more people in the over-60 age group are using our service. We expect by the end of the year the largest age group counselled will be 40 to 59. We are witnessing an ageing of debt as the Barclaycard generation hits the golden years. This is an area which requires more research in the future.

Another interesting finding is in the gender of debt. More women are using our service than men. In addition to this many of the women are single, as has been identified in other CCCS research and third-party research.

Generally, the patterns of over-indebtedness in Wales are similar to the UK as a whole. There are few major differences, bar a slightly lower annual income and slightly lower debt levels. This is likely to be because of the demographic and income disparities between Wales and other areas of the UK.

However, we will continue to research debt in Wales, regularly identify trends and examine in more detail the vulnerable groups identified in this report.

4. Appendices

4.1 Information relating to tables

The information below relates to charts used in this report.

Table 6 – Clients in Wales

	2003	2004	2005	2006	2007*
Count	932	1397	2056	4276	5880

Table 7 – Outstanding debt by age

	2003	2004	2005	2006	2007*
Under 25	£10,710	£12,610	£13,955	£12,910	£9,459
25-39	£20,322	£21,700	£27,280	£23,562	£22,188
40 - 59	£26,767	£27,817	£31,363	£31,534	£29,385
60 and over	£26,910	£27,918	£31,628	£29,429	£30,765

Table 8 – Outstanding debt by marital status

	2003	2004	2005	2006	2007*
Single female	£15,167	£16,142	£20,389	£19,110	£16,228
Single male	£19,265	£22,232	£25,293	£22,491	£20,820
Couple	£28,632	£28,039	£32,938	£32,401	£31,213

Table 9 – Outstanding debt by income

	2003	2004	2005	2006	2007*
Under £10k	£13,031	£14,224	£17,148	£16,777	£15,576
£10,000 - £19,999	£22,258	£23,157	£25,697	£24,337	£23,622
£20,000 - £29,999	£34,586	£39,282	£38,783	£39,001	£33,326
£30,000 - £39,999	£51,436	£60,909	£68,168	£61,046	£58,087
£40,000 - £49,999	£62,625	£72,987	£64,396	£57,222	£81,973
£50,000 - £59,999	n/a	n/a	£64,149	£97,094	£112,944
£60,000 & Over	n/a	n/a	n/a	£106,483	£90,395

Table 10 – Proportions by debt to income ratio

	2003	2004	2005	2006	2007*
Under 10:1	31%	32%	26%	26%	30%
10 to under 20:1	28%	26%	25%	29%	27%
20 to under 30:1	17%	15%	18%	17%	15%
30 to under 40:1	8%	8%	10%	9%	8%
40 to under 50:1	5%	5%	6%	6%	6%
50 to under 60:1	4%	4%	4%	4%	3%
60 to under 70:1	2%	2%	3%	2%	2%
70 to under 80:1	1%	2%	2%	2%	1%
80 to under 90:1	2%	1%	2%	1%	1%
90 to under 100:1	1%	1%	1%	1%	1%
100:1 and over	2%	4%	3%	3%	4%

4.2 History of Consumer Credit Counselling

The Foundation for Credit Counselling is the charity responsible for the introduction and development of credit counselling in the UK. Since being established in 1993, credit counselling has helped approaching a million people with debt problems.

Consumer credit counselling offers help in a variety of ways: assistance with budgeting and better money management; in-depth money advice sessions; and, for those with the wherewithal to repay their debts, with debt repayment plans. Its primary aim is to work in the best interests of the consumer, taking account of responsibilities and commitments to creditors.

In the wider world, the Foundation seeks to represent the interests of both borrowers and lenders in order to support the continued development of an efficient and cost effective consumer credit industry. By increasing knowledge and understanding of the causes of over-indebtedness, the Foundation aims to support the development of more responsible lending as well as borrowing, and to improve understanding of the increasingly important role that credit plays in the UK, both economically and socially.

In 2006, over 73,000 people benefited from an in-depth advice session across the UK.

4.3 Counselling process

There are two main points of contact, via the free phone helpline and via the Consumer Credit Counselling Service website² which includes CCCS Debt Remedy, an on-line counselling facility.

If contact is made via the free helpline, based on the adviser's assessment, people in financial difficulties are offered appropriate assistance, be it emergency help, self-help material or the offer of an in-depth advice session. About one third of all those contacting CCCS will end up in a full counselling session. Most counselling takes place over the phone, although face-to-face interviews are available in all 11 centres across country, including the Wales Centre in Cardiff.

The interview consists of a full review of the credit and debt situation followed by a recommendation. The first priority is to ensure that the client and the client's family have enough to live on: only then will the counsellor discuss options for repaying debts. Provided there are sufficient funds, the counsellor will propose a DMP which CCCS will administer. Other advice is offered as appropriate, including bankruptcy, IVAs and token payments.

If contact is made via the website then the entire counselling process is done on-line and is tailored to those individuals particular circumstances. A handbook outlining all the relevant information is generated for the user to download or print and is emailed to them. This is a revolutionary new counselling approach.

Such is the quality of counselling that many creditors now accept our repayment proposals without further checking and the repayment records of

² <http://www.cccs.co.uk>

clients counselled are uniquely good. This is because counsellors follow the two key principles of best advice and sustainable plans.

Who uses credit counselling?

Over-indebtedness largely results from a change in financial circumstances, caused by reduced income or overuse of credit, although relationship problems and changes in employment status are also common causes. CCCS clients are from all walks of life and include people with both high and low incomes but a typical client on a repayment plan is late-30s/early 40s, married with children with an average debt of £27,830.

Who supports CCCS?

CCCS is self-funding. Lenders share with the charity the benefit they receive from its operation. This unique mechanism allows CCCS to provide its services free to consumers.

From its original founders, Registry Trust and major lenders, CCCS now has the support of the credit industry and associated organisations. Nearly half of the people who contact CCCS are referred by their creditors.

4.5 Case Study

Claire lives in Cardiff. Her problems started in 1993 when Claire changed jobs from part to full-time employment.

Previously she had been paid weekly but the new job paid her monthly. So she took out a small loan to cover the month in hand. Next she applied for a credit card which she used to fund nights out as well as buying lots of high-fashion clothes.

After a couple of years, Claire had acquired loads of store cards as well as credit cards. Feeling anxious because many of them were approaching their limits, she took out another loan of £4,000 which she meant to use to pay off all her debts. Alas, despite good intentions, she continued to use her cards to buy loads of things she otherwise could not have afforded.

Conscience struck again a few years later. This time she borrowed £8,000 to clear the old loan and consolidate all the cards. This worked for a while before Claire reverted to old habits and began using her cards again, and yet again she took out a loan intending to use it to sort out her finances. This time it was for £15,000.

By the time she was 27, she owed £28,000.

Amazingly, Claire had never missed any payments but she had now reached a situation where she was paying out well over what she earned in minimum payments alone and thus had nothing left to live on. Luckily for her she had some good friends who made her seek help from the Consumer Credit Counselling Service. She says:

“Debt is such an easy trap to get into and a very hard one to get out of. I have such regrets and I always find myself asking why? I was such a compulsive shopper, I think one of the things was trying to keep up with the 'Joneses', plus I used to get such a buzz from spending.

“If I had problems at home/work/relationship shopping, it would cheer me up to go shopping. I didn't spend just on myself, but on my family and friends as well. Christmas was silly – I bought everyone far too much but of course I couldn't see that and thought I was being generous.

“I am now on top of the situation. I can finally see my balances coming down and I try to curb my spending cravings by not going anywhere near shops. It is hard but I'm getting there.”

Claire completed her debt management plan in early July 2007, and is now completely debt free having repaid all her creditors. She can now start the next stage of her life.

5. Further information and contact details

Foundation for Credit Counselling

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Mob: 077717 88713 (Frances Walker)

Press Office email:

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jketchell@cccs.co.uk

CCCS Helpline (Mon-Fri, 8am-8pm):

0800 138 1111

CCCS website (24-hour online debt counselling available online):

www.cccs.co.uk

CCCS email:

contactus@cccs.co.uk

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