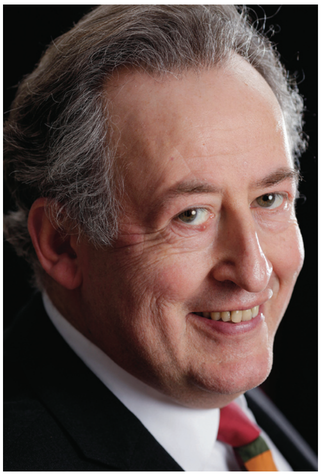
CCCS RESEARCH

CCCS statistical yearbook 2010

Chairman's Introduction



Lord Stevenson of Balmacara

The statistics contained in this Yearbook offer a unique insight into the circumstances of over 470,000 households coping with debt since the onset of the recession in 2007.

At best, the majority of these households are faced with stagnating or falling incomes and rising costs. At worst they face job loss and unemployment. Everyone is trying to service relatively high levels of debts, and in many cases the situation is simply unsustainable. As a result, a substantial proportion of our clients continue to be unable to meet the costs of everyday living. Almost half of our clients ascribe their problems to job loss or to reduced income from work.

Families are particularly vulnerable: last year households with dependent children needed an additional £650 a month just to cover everyday living costs compared to those without. The problem escalates with increasing numbers of children: families with more than three are on average £45 short of the money they need to live each month.

It is a gloomy picture, but it is verifiable, as it is based on the detailed information provided in confidence to us by our clients, with whom we have a close and enduring relationship. And it is difficult to believe that many more families, including better-off ones, will not be increasingly prone to over-indebtedness in the months ahead.

Even though the amount of money owed by our clients continues to fall - both in absolute terms and relative to income - they are likely to find their options limited, given the increasing cost of the essentials of life caused by higher food prices, the introduction of VAT at 20 percent, the weak pound and rising energy costs. As if this was not enough, changes in higher tax thresholds and the lowering of eligibility for tax credits are likely to spread the pain to middle-earning families, many of whom will be highly susceptible to changes in interest rates.

The likelihood is that interest rates will have to rise later this year, as inflation continues to trouble the economy. Overall, our estimates show that a two percent rise in mortgage rates would mean clients on a standard variable rate mortgage would have to find an extra £3,700 a year, just to stay in their homes. We would do well to bear in mind that historically low mortgage rates have been one of the cushions which have allowed many middle-income families to cope to date.

Our aim in CCCS is to accommodate our services to client need, rather than the client to our service - as commercial debt management companies are inclined to do.

Such flexibility is vital when it comes to dealing with debt problems. As my predecessor remarked in last year's Introduction, people in debt are not all the same; different households require different solutions and different degrees of support. Given all the changes that are happening fiscally and in the wider economy, this is likely to be even more the case in the months ahead. As our economic overview to the Yearbook clearly shows, public sector cuts in terms of jobs, spending and benefits will weigh disproportionately on certain groups of people as well as bearing down harder on specific parts of the country. We need better understanding by policy makers of the differing impact of their policies. In recognition of this, we are making available two new analyses of our data this year.

The first of these is information about benefits. Over half of our clients receive some kind of benefit or tax credit. For those on benefits, this can make up a third of their income. The change from the Retail to the Consumer Price Index will eventually cost such clients £62 a year, while the proposed changes in working tax credit could mean an annual loss of more than £121. These are significant amounts for households already struggling. We intend to monitor the cumulative impact of the drip-feed introduction of these changes on our clients in the coming months.

The second is the availability on our website of an analysis of our client statistics broken down by region, by area and by postcode. CCCS Debt View includes data about all clients on debt repayment plans as well as any who have been counselled by telephone. It will allow us to compare the impact of the recession on our clients in different parts of the country, both nationally and locally.

In the months ahead we shall be using our unrivalled access to data about what is actually happening in over-indebted households throughout the UK to brief opinion-formers so that the actual experience of hundreds of thousands of ordinary people can be used to inform policy generally, as well as to improve the processes of debt collection and forbearance.

Table of Contents

The data underlying the graphs and charts contained in this Statistical Yeabook is available in the form of appendices from: www.cccs.co.uk/Mediacentre/Researchandreports.aspx

Main Findings 2010

THE PRESENT

- Demand for debt advice was down in 2010: almost 418,000 people contacted the charity for help compared with half a million in 2009. The telephone helpline answered over 287,000 calls (335,338 in 2009) and 130,472 people sought advice online (152,872 in 2009).

- Debt levels continue to fall, by seven percent in 2010 across all clients to an average of £22,476 but a substantial proportion, about a third, are still unable to repay their debts.

- The most vulnerable are those with children, they have less flexibility to reduce their expenditure which means they are more likely to have to take out credit to meet living costs. Clients with three or more dependent children are least able to repay debts (their monthly deficit is -£45).

- Clients coming to the charity are older year on year, the average is now 42 and those aged 55 to 59 owe the most at £25,396.

- The average annual gross income of a CCCS client is £22,401, over £3,500 less than the UK average (£25,900).

- Online clients are younger and more affluent than telephone clients and are better placed to repay their debts, despite owing more money. This suggests that online debt counselling may be less available to those on lower incomes.

- The highest demand for CCCS counselling comes from London; 15.5 percent of the charity's clients in 2010 were from the capital.

THE FUTURE

- Clients are likely to be very susceptible to changes in benefits: 55 percent of clients receive some type of benefit or tax credit - 36 percent receive child benefit, 26 percent child tax credit and 11 percent Jobseekers Allowance (JSA). On average, benefits account for one third of household income for benefit clients.

- Homeowners owe double what renters owe; on average somebody who owns their own home owes over £30,000 in unsecured debts on top of their mortgage. A two percent rise in interest rates will lead to a £307 increase in monthly mortgage payments for clients across the country.

- Almost half of clients gave unemployment or reduced income as the reason for their debt problems. Clients receiving JSA are in the worst financial position, with monthly outgoings outstripping household income by £203 with a monthly income of only £626. Rising unemployment coupled with under employment are likely to force more households into unmanageable debt.

- Clients with children already spend over £650 a month more on basic living costs than those without, suggesting that they will be hardest hit by increases in basic living costs.

- Rising costs of living will affect the elderly significantly over 2011. Over 60s earn £255 a month less than those aged 40-59 and £212 a month less than 25-39 year olds.

- The regions which may be most affected are London where the highest proportion of clients are claiming JSA and the South East where average debts are highest.

Foundation for Credit Counselling

The Foundation for Credit Counselling is the charity that introduced and developed free credit counselling in the UK through the Consumer Credit Counselling Service (CCCS). Over its 18 years CCCS has aided 1.3 million people struggling with over-indebtedness. The charity's main aim is to help consumers address their personal financial situation, taking account of their responsibilities, obligations and commitments to creditors.

CCCS continues its commitment to help people in debt through the expansion of its specialist services, including the launch this year of CCCS Wellbeing. Approximately 80 percent in debt are anxious or depressed and recent research shows they are twice as likely to have suicidal thoughts. The new service screens users of the charity's online debt counselling tool, CCCS Debt Remedy, for signs of anxiety and depression. People with mild depression or anxiety are directed to free online cognitive behavioural therapy while moderate and severe cases are advised to seek medical help. CCCS Wellbeing was developed in collaboration with the Mental Health Foundation and members of the Royal College of General Practitioners (RCGP).

CCCS launched a new subsidiary in 2010, offering equity release without fees to clients in need. CCCS Equity Release (CCCSER) was created to deliver unbiased expertise and support in a complex and specialist area for those looking for an equity release solution. The service allows the charity's retired clients to deal with their debt problems and improve the quality of their life while keeping their home. CCCSER is supported by consumer champion Which? and was awarded the Best Financial Adviser Newcomer at the Equity Release Awards.

As the charity grows so does the information which is available to include in its annual statistical review. The information is drawn from a data warehouse containing the details of more than twelve million phone calls, 1.3 million clients and current debts of around £24 billion. The analyses contained throughout this yearbook are drawn from the records of people who have received a full counselling session. Data from online counselling continues to be analysed separately from telephone.

For the first time, CCCS is providing an additional analysis of its clients on debt repayment plans and those helped by telephone counselling by postcode via its new online tool CCCS Debt View. This is available at www.cccs.co.uk/debtview.

I. Economic overview

1.1 CHRONOLOGY OF A FINANCIAL CRISIS

The financial crisis may have started in 2007 but the effects are still being felt in the real economy and by vulnerable households. Three distinct phases of the financial crisis can be identified – a financial crisis, an economic crisis (the recession), and a personal financial crisis for households. It remains to be seen whether the end result will be a severe crisis affecting many higher earning and middle-income households in the UK as well as the less well-off.

Initially what started off as a seemingly arcane crisis in the global financial markets rapidly turned into a major recession, where the UK economy fell by 6.4 percent from peak to trough by the time the recession had finished – a deeper decline than in the late 1980s and early 1990s. Despite this, the anticipated large rise in over-indebtedness, mortgage arrears and repossessions did not materialise, despite record levels of personal debt at the start of the recession. Thus, calls to CCCS helplines as to other debt charities, declined throughout 2010.

There is, however, no room for complacency. The lower level of arrears and repossessions is certainly not because consumers were exposed to lower levels of debt than previously feared. Rather a combination of unprecedented and concerted interventions by government, regulators and the Bank of England, coupled with lender forbearance prevented seriously high levels of arrears and repossessions.

We are now entering the third phase of the crisis with the arrival of the huge bill for rescuing the banks, keeping the financial system working and heading off the risk of a full scale depression. The direct costs of these financial interventions amounted to some £50 billion. On top of this, there have been substantial indirect costs to the economy in the form of the recent recession and lost future economic output. The net result is that the UK is left with a huge crisis-induced public finance deficit.

To tackle the deficit, the government announced in the emergency Budget in June and the Comprehensive Spending Review (CSR) in November, a package of deficit reduction measures, consisting of a combination of tax increases coupled with reductions in public sector spending and welfare benefits. All this frenetic cutting and splicing prompts the question: who is going to bear the brunt of this bill? The impact of the spending cuts and subsequent job losses will not be spread uniformly across either the country or households. Specific regions will be disproportionately affected as will specific groups of consumers or categories of household.

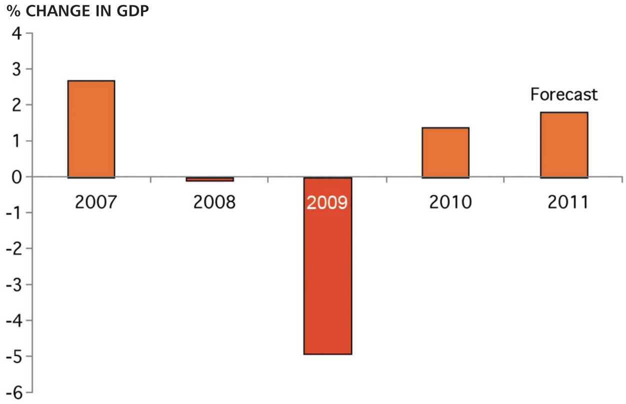
1.2 FINANCIAL LANDSCAPE

The government intends to implement a six year plan to reduce borrowing and this will see public spending reduced from its peak of 47.4 percent of national income in 2009–10 to 39.3 percent by 2015–16. According to the Institute for Fiscal Studies (IFS), the five years from April 2011 are set to be the tightest period for public spending since the Second World War. The International Monetary Fund (IMF) forecasts that out of 29 leading industrial countries, only Ireland and Iceland will deliver sharper falls in spending[1].

After shrinking by five percent in 2009, it was estimated that the UK economy would stage a small

1. IFS Green Budget.

Chart 1.2.1 – The economy



recovery with GDP growing at 1.8 percent in 2010. The economy is expected to grow at 2.1 percent in 2011.

However, the UK economy appears to have suffered a shock contraction in the last quarter of 2010 with GDP shrinking by 0.6 percent. The severe weather conditions clearly hit economic activity but even if the impact of the weather is stripped out, GDP was estimated to have been flat.

These are early estimates and growth may yet be revised upwards, but if they are confirmed, they will signal a stalling of the recovery. Certainly the trends have caused economists to reduce their growth estimates for 2010 and 2011[2] and the chance of a double dip recession remains. The IFS estimates the chance of double dip recession in 2011 to be around 20 percent with the more likely outcome that 2011 will be a year of sluggish growth[3].

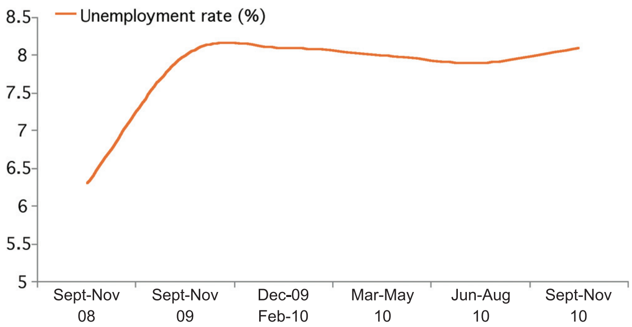
Consumer behaviour in response to the cuts will be key to the future of the economy. Most households enter 2011 with their rates of pay failing to keep up with the cost of living.

In addition, credit conditions remain tight, house prices appear to be falling and unemployment rising.

1.3 THE BIG SQUEEZE

In the three months to December 2010, unemployment rose by 44,000 to reach 2.49 million. The unemployment rate was 7.9 percent, up 0.1 percentage points from the three months to September 2010 and from a year earlier. The Office for Budget Responsibility (OBR) forecasts that unemployment will rise to eight percent in 2011 before falling back to 7.7 percent in 2012.

Chart 1.3.1 – Unemployment

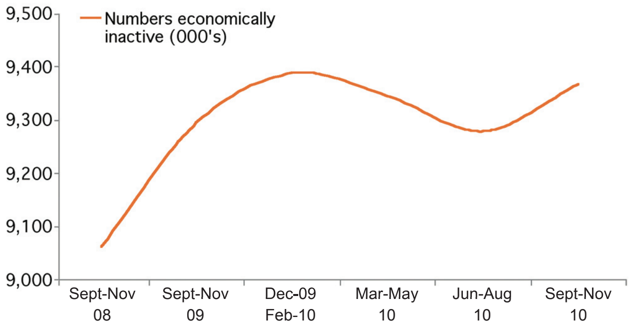


As well as unemployment rising, the numbers of people classified as economically inactive rose towards the end of 2010. In the three months to December 2010, the number of economically inactive people was 9.36 million, an increase of 93,000 compared to the previous quarter. In other words, 23.4 percent of the potential working population was classified as economically inactive, up 0.2 percent on the previous quarter.

There are concerns about the 'quality' of jobs that have been created in the UK economy recently. The

2. http://www.bbc.co.uk/news/business-12058452
3. IFS Green Budget.

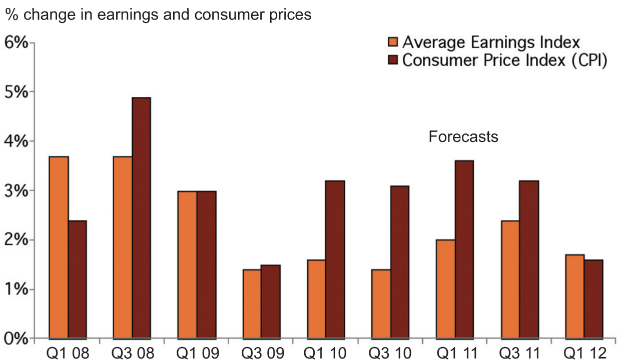
Chart 1.3.2 – Economic inactivity



National Institute of Economic and Social Research (NIESR) estimated that 6,000 of the 200,000 jobs created in the same period pay a full-time wage. In other words, 97 percent of the jobs created since the recession ended in 2009 are part-time.

Furthermore, as chart 1.3.3 shows, many households have been facing and will continue to face a squeeze on their incomes. Earnings are likely to remain flat (or rise very slowly) but inflation will result in real term reductions in incomes (this is before the impact of the various budget and welfare cuts on vulnerable households are factored in).

Chart 1.3.3 – Earnings and inflation



The scale of the big squeeze was highlighted recently by the Governor of the Bank of England, Mervyn King, who explained that, as a result of low wage growth and higher than expected inflation, real wages in 2011 are likely to be no higher than they were in 2005[4]. The last time real wages fell over a period of six years was in the 1920s.

1.4 ALL IN THIS TOGETHER?

Work needs to be done to identify on a more detailed, granular level precisely who will be most affected. This is one of the considerations behind this year's initiative by CCCS to provide an analysis of its clients by postcode. Already certain patterns are emerging from other sources.

Analysis by Price Waterhouse Cooper (PwC)[5] of the impact of the cuts on different regions in the UK reaffirms fears that areas such as Northern Ireland, Scotland and Wales as well as the North East of England are likely to suffer the most because of their relatively heavy dependence on both public spending and the public sector for employment.

Chart 1.4.1 – Spending cuts by region

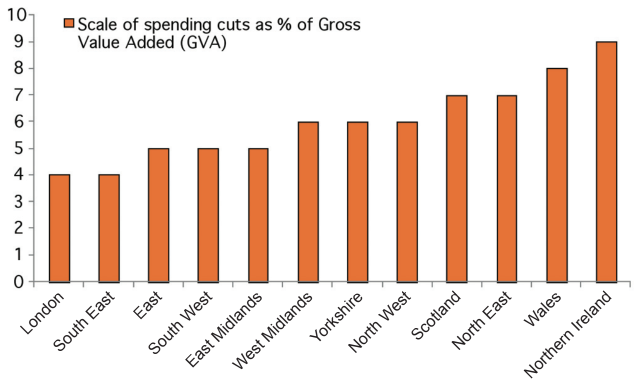


Chart 1.4.1 shows that the scale of the spending cuts represents a much greater share of economic

4. http://www.bankofengland.co.uk/publications/speeches/2011/index.htm
5. Sectoral and regional impacts of the fiscal squeeze: an economic analysis of the impact of spending cuts and tax rises.

Table 1.4.1 – Job losses by region

	Number of private/public sector jobs lost	Proportion of total jobs in region
London	122,000	3.1%
South East	112,000	3.1%
North West	108,000	3.7%
Scotland	95,000	4.1%
Yorkshire	82,000	3.7%
South West	81,000	3.5%
West Midlands	80,000	3.6%
East	74,000	3.2%
East Midlands	58,000	3.2%
Wales	52,000	4.3%
North East	43,000	4.1%
Northern Ireland	36,000	5.2%
UK total	**943,000**	**3.4%**

activity as measured by Gross Value Added (GVA) in those areas with higher public spending.

For the UK as a whole total job losses including knock on multiplier effects on the private sector and household spending might amount to around 3.4 percent of total employment (around 943,000 jobs in absolute terms) in 2014/15. It is not just at regional level where differential impacts can be observed.

A report produced by the IFS for the Joseph Rowntree Foundation (JRF) estimates that the impact of the government's tax and benefit reforms will increase the number of working age adults in absolute poverty (as measured after housing costs have been deducted) from 7.5 million in 2010 to 8 million in 2013[6].

Specific groups of consumers are affected in different ways by economic circumstances. The two vulnerable categories are benefit dependent households[7] and lower to medium income (LME)[8] households.

According to the Resolution Foundation Low Earners Audit[9], LMEs spend a higher proportion of their incomes on goods and services which are hard to cut back on. Household spending on the four categories of housing, fuel, transport and food amounted to 40 percent of net household income among LMEs, compared to just 26 percent among higher earners.

This group is more exposed to the risk of job loss or reduced earnings as they are less likely than higher earners to have the safety nets of savings and insurance to protect themselves. Two-thirds (66 percent) of LME households had less than £1,500 in savings in 2008-09, compared with one-third (36 percent) of higher earners, while 27 percent of LMEs do not have home contents insurance.

Overall, the Resolution Foundation estimates that the average LME household could be worse off by £720 by 2012.

Benefit dependent groups have even lower levels of savings and insurance: 84 percent have savings

6. Table 3.2, Child and Working-Age Poverty from 2010 to 2013, IFS Briefing Note 115, Institute for Fiscal Studies.
7. Source: Resolution Foundation.
8. The Resolution Foundation defines LMEs as people in the working-age population in income deciles 2-52 who receive less than one-fifth of their gross household income from means-tested benefits.
9. Squeezed Britain: Low to middle earners audit 2010, Resolution Foundation, http://www.resolutionfoundation.org/publications/squeezed-britain-low-middle-earners-audit-2010/

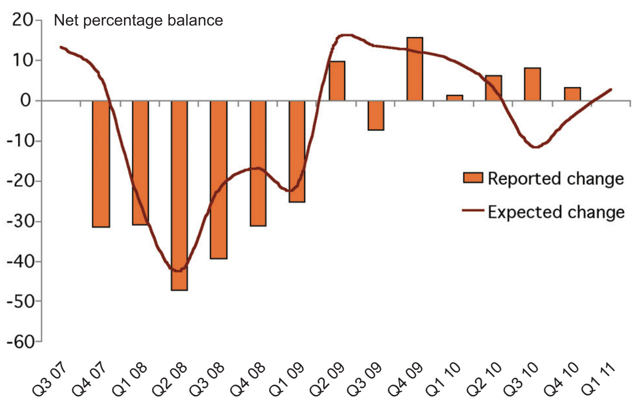
less than £1,500 while 64 percent do not have home contents insurance, meaning that they have few resources to fall back on in the event of an emergency.

1.5 THE MORTGAGE MARKET

Secured credit

The amount of new secured credit available to households was little changed over the fourth quarter of 2010 according to the Bank of England[10], and this is likely to remain unchanged in the first quarter 2011. The major UK lenders are expecting both housing market activity and gross lending for house purchase to be broadly flat in 2011, with house prices expected to be little changed or to decline slightly over the coming year.

Chart 1.5.1 – Secured credit availability



Cost of secured credit

Many households with large mortgage debt have been cushioned by the Bank of England's decision to maintain base rates at historically low levels. The Bank of England started cutting rates in earnest in September 2008, base rate was five percent at the time. Base rate was cut to 0.5 percent by March 2009 and has remained there since.

The cut in base rate caused a similar reduction in benchmark interest rates such as LIBOR[11] which determine the interest rate charged on mortgages. As a result, the average standard variable rate (SVR) charged by the major lenders fell from 6.95 percent to 3.91 percent. This means that a typical borrower with a £150,000 repayment mortgage would now be paying £784 a month compared to £1,055 in September 2008 – a reduction of £271 a month. The saving with an interest only mortgage would be £380 a month.

However, as chart 1.5.2 shows, while mortgage rates have fallen in response to the cut in base rate, they have not fallen as far as interest rates. The margin (the difference between mortgage rates and benchmark interest rates) has averaged around two percent over the past ten years. The margin is now over three percent. So, if mortgage rates had fallen in line with interest rates, the average SVR would be 2.91 percent, leading to even greater savings for consumers.

It is important to note that the margins have widened for a number of reasons. Tougher prudential regulation means that lenders are required to hold more capital against the risk of loans defaulting. Moreover, banks and building societies make much of their profit from the gap between the interest rates charged on mortgages and the interest rate paid on savings (the net margin). The typical instant access account now pays on average 0.23 percent while the typical notice account pays 1.15 percent[12]. Savers are actually losing money in real terms i.e. when adjusted for inflation. So, rates on savings accounts cannot go much lower which means that the scope for reducing mortgage rates further is limited.

10. Bank of England, Credit Conditions Survey.
11. London Interbank Offer Rate.
12. Source: Bank of England.

Chart 1.5.2 – Cuts in benchmark interest rates

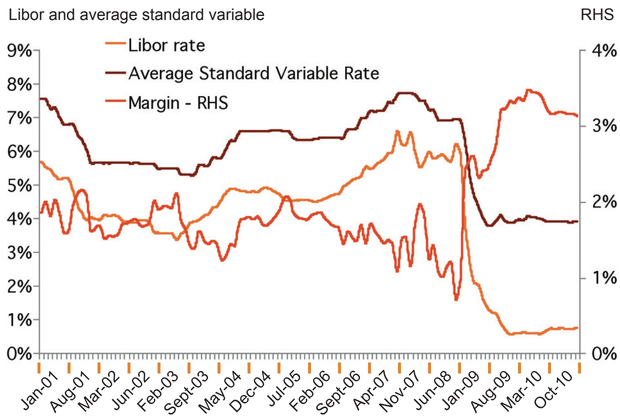
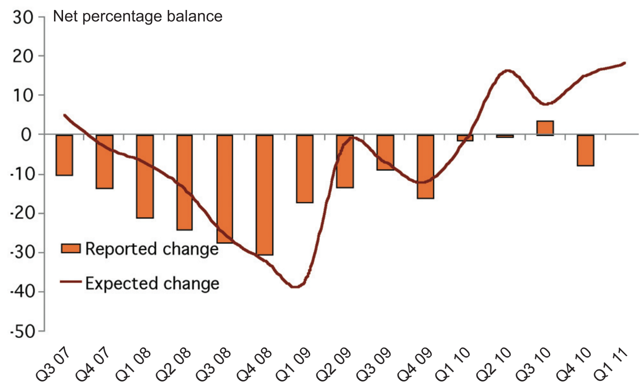


Chart 1.6.1 – Unsecured credit availability



1.6 UNSECURED BORROWING

Total demand for consumer credit was broadly unchanged in the fourth quarter 2010 according to the Bank of England's Credit Conditions Survey. Within the total however, demand for both credit card borrowing and for other unsecured loans was weaker than expected. Lenders expected total demand for consumer credit to increase in 2011 Q1.

With regards to credit availability, the amount of unsecured credit made available to households fell in fourth quarter 2010. However, this is expected to increase in first quarter 2011.

Lower risk appetite among lenders has limited availability, with credit scoring criteria reported to have tightened again over the past quarter. However, for the first time since second quarter 2007 credit scoring criteria on other unsecured loan applications were expected to loosen in 2011.

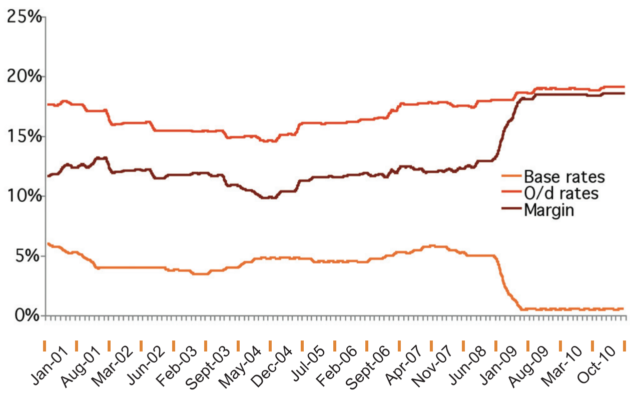
For 2011 overall, most major UK lenders expect total consumer credit flows to be broadly similar to those seen in 2010.

Cost of unsecured credit

As is the case with secured credit, the cost of unsecured credit has not kept pace with the dramatic falls in benchmark interest rates.

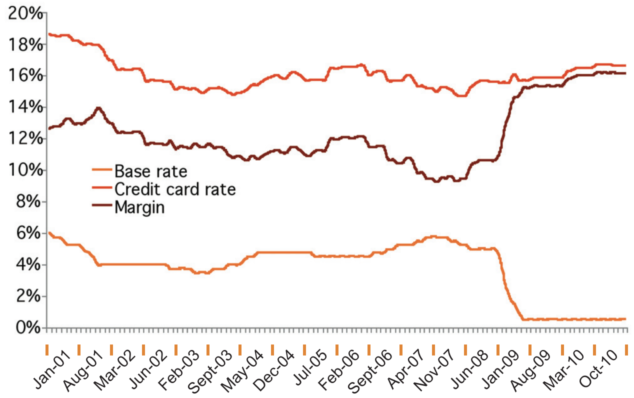
Indeed as the charts below show, typical interest rates charged on overdrafts and credit cards actually rose as base rate fell. This means that the simple net margins have widened considerably.

Chart 1.6.2 – Overdraft interest rates



As with mortgage costs, the increase in unsecured margins can be partly attributed to lenders pricing in greater defaults in response to regulatory pressures.

Chart 1.6.3 – Credit card margins



1.7 EMERGING DEBT ISSUES

While it is clear that the UK has not (yet) faced a large scale personal debt crisis, in terms of mortgage arrears and repossessions or widespread defaults on unsecured debts, it is possible to conjecture where problems may emerge. Again, the outcomes depend on the impact of various deficit reduction measures and economic trends.

Mortgage arrears and repossessions

Mortgage arrears and possessions continued to decline in the fourth quarter of 2010 with 7,900 properties taken into possession[13], 11 percent lower than the 8,900 cases of possession in the preceding three months, and 26 percent lower than the 10,700 in the same period a year ago.

Over 2010 there were 36,300 cases of possession, this final figure for 2010 is below the Council of Mortgage Lender's (CML) revised forecast of 39,000 for the year as a whole – and significantly lower than the original forecast of 53,000 properties.

There was also a modest improvement in the number of mortgages in arrears. CML data showed that 176,100 mortgages (1.55 percent of the total) had arrears of 2.5 percent or more of the outstanding balance at the end of September, down from 178,200 at the end of June, and from 203,800 a year earlier.

It is unlikely that this combination of positive factors can continue. Pressure is mounting to increase interest rates and even a relatively small increase in mortgage rates could prove a tipping point for many over-indebted households. The uncertain economic outlook and 40 percent cut in the rate at which Support for Mortgage Interest (SMI) applies could provide a toxic brew for many households.

It is difficult to say with precision which specific groups are vulnerable, although certain broad categories are possible to identify. Amongst the LME group, 30 percent of those buying a property in 2007-08 had relied on a 100 percent mortgage. This group would clearly be vulnerable to any reverse in the favourable conditions which have eased the level of mortgage repayment.

Unsecured debt

Even prior to the deficit reduction programmes, especially reductions in welfare benefits, significant numbers of households were reporting that they found that dealing with unsecured debt was a heavy burden.

Taking all household bills into consideration, half (52 percent) of LME households said that they struggled to meet their commitments in late-2009, compared with 29 percent of higher earner households. Around six percent of LME households said they were behind with some of their bills.

13. Council of Mortgage Lenders (CML) figures.

Table 1.7.2 – Burden of repayment of unsecured loans amongst households by income group (Oct 2009)

	Benefit-reliant	LMEs	Higher earners	All households
None	41%	51%	60%	54%
Some	33%	33%	32%	33%
Heavy	26%	16%	8%	13%

This may have eased in 2010 but there are clear concerns that the squeeze in earnings and benefits could significantly reduce the household incomes of many LME households.

1.8 WHICH WAY NOW?

The future of the economy and the welfare of UK households depends on whether economic growth can offset the impact of the deficit reduction measures outlined above. In addition, much depends on the future course of interest rates which is far from clear but pressure is mounting for an increase in the bank base rate to head off the chance of high levels of inflation becoming embedded in the economy.

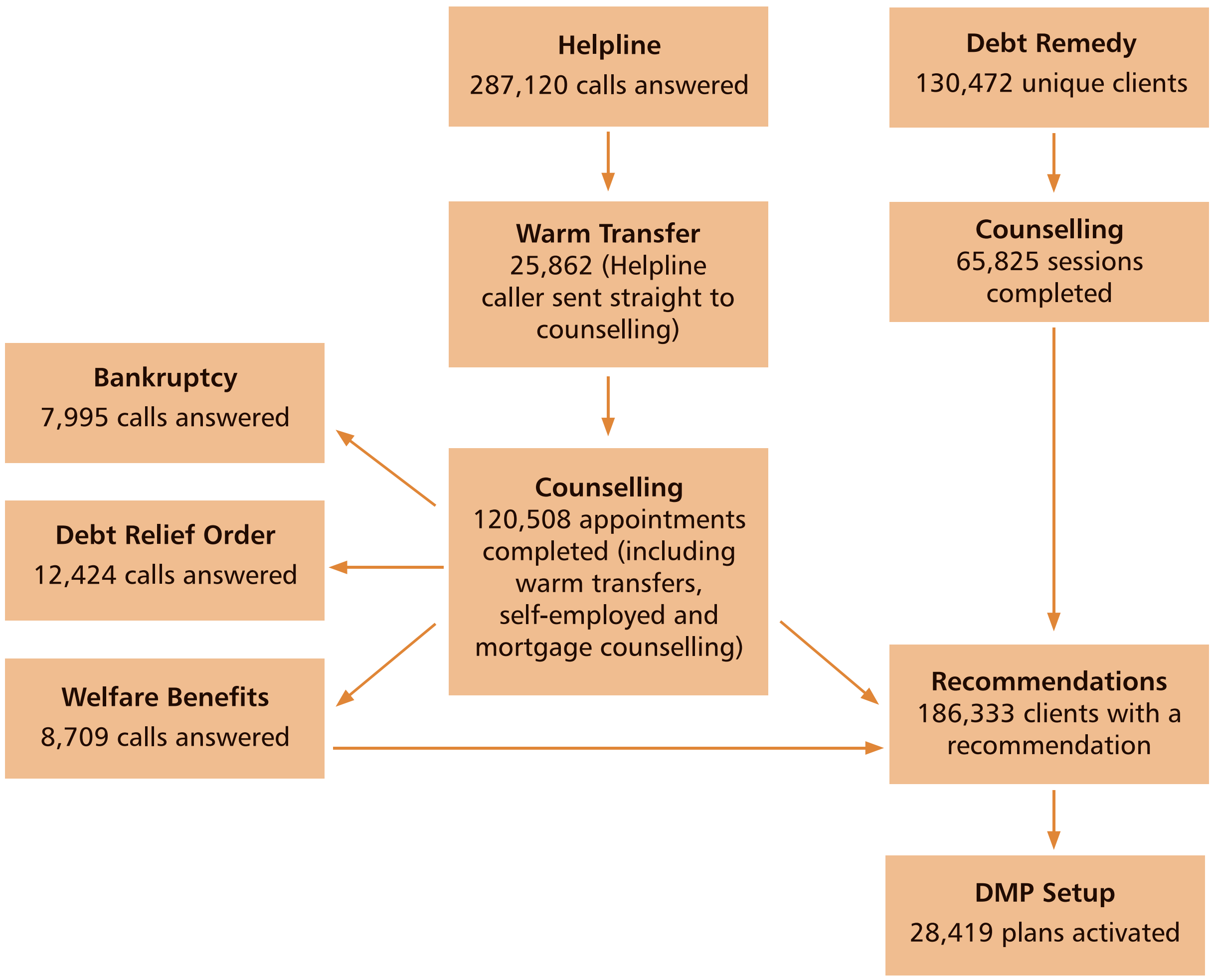
It is always dangerous trying to read the runes with the Bank of England's Monetary Policy Committee. If the interest rate does rise, it is likely to be by comparatively small amounts, certainly in the short term.

Nevertheless relatively small increases in lending rates could have a serious impact on the personal finances of many households, while as stated already, the impact of the spending cuts and subsequent job losses will not be spread uniformly across the country or households. These are likely to disproportionately affect specific regions of the country and specific groups of consumers or categories of household.

This suggests that policymakers, regulators, the financial services industry, and debt advice charities should focus their efforts on targeting interventions on these groups.

2. CCCS Statistics

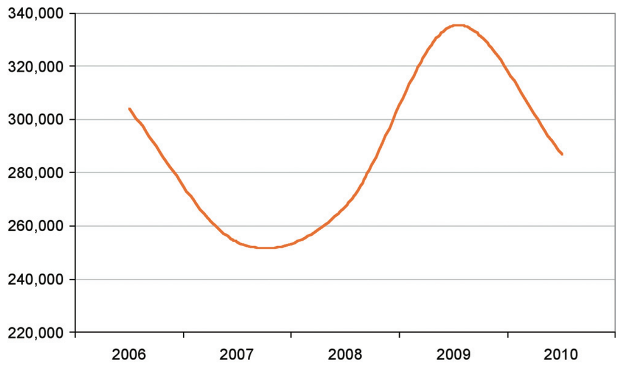
2.1 – Flow chart of CCCS methods



2.2 CONTACTING CCCS

Helpline calls to CCCS in 2010 were down 14 percent from their record high the previous year, indicating a slowdown in the number of people seeking debt help. The number of calls was consistently high from the second half of 2009 to the first quarter of 2010 – in just nine months, over 275,000 people phoned the charity for help. This level of demand slipped back for the rest of the year, with the fall-off in calls from the first quarter to the second the most pronounced. Although fewer people are asking for debt advice this may not mean a lessening of debt problems across the UK. The ONS's wealth and assets survey covering the period 2006-08 established that of people who consider debts a heavy burden only 15 percent have sought debt advice from any source.

Chart 2.2.1 – Helpline calls



The number of calls received by the charity's web support team fell at a similar rate, down 13 percent on 2009. The web support team answers calls from people using the charity's unique online debt counselling tool, CCCS Debt Remedy, as well as the generic money guidance application, CCCS Money Matters.

Calls answered by the mortgage counselling centre were down almost 70 percent in 2010, at their lowest level since 2007 when the specialist advice service was launched. This reflects the generally low mortgage interest rates that have persisted over the past two years. Between January 2008 and December 2010 the SVR mortgage available to households has fallen from 7.51 to 3.91 percent.

More and more people are applying for a Debt Relief Order (DRO), which provides an alternative form of insolvency for those on low incomes with no assets. Less than two years after their introduction, CCCS is handling more calls about DROs than about bankruptcy.

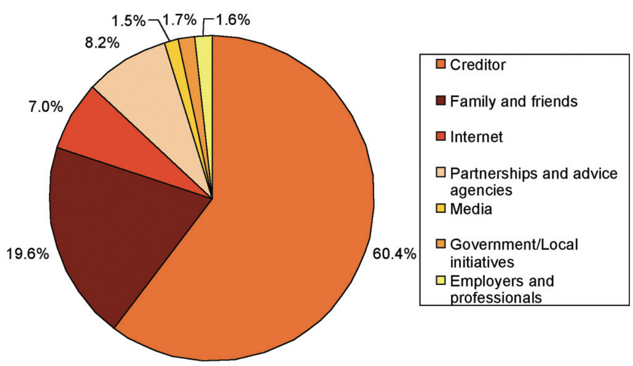
Counselling support is a service that helps CCCS clients who have received an initial counselling session. Due to a change in the way it is promoted internally, the service handled 37 percent more calls in 2010 (118,009) than in 2009.

Table 2.2.1 – Calls answered

	2008	2009	2010
Helpline	267,180	335,338	287,120
Welfare benefits	6,981	7,539	8,709
Mortgage counselling	5,977	7,365	2,253
Bankruptcy	13,073	8,201	7,995
Debt Relief Order (DRO)		4,604	12,424
Counselling support		85,847	118,009
Web support team	23,464	32,723	28,363
Client aftercare	833,720	829,346	818,679

Client aftercare continued to deal with a high volume of calls (818,679), demonstrating CCCS's commitment to providing ongoing care for clients on Debt Management Plans (DMP).

Chart 2.2.2 – Referral source



In 2010 the majority of people who contacted CCCS were referred by one of their creditors (60.4 percent). This was an increase on last year when creditor referrals accounted for 56.9 percent of the charity's clients.

A larger proportion of people were also put in contact with CCCS by the charity's partner organisations (8.2 percent). CCCS has good relationships with many different groups and in November announced a one year pilot to administer the DMPs of clients referred to the charity by Citizens Advice. The partnership aims to set an industry standard with free help for people to sort out their personal finances and resolve their debt problems.

2.3 TELEPHONE COUNSELLING

In 2010 there was a fall in the number of clients counselled by telephone, although this was far smaller than that experienced by the helpline. CCCS actually carried out a record number of telephone counselling sessions in the first quarter, but the final two quarters were in-line with 2008.

Table 2.3.1 – Telephone counselling sessions

	2008	2009	2010
Quarter 1	23,237	28,906	36,581
Quarter 2	22,977	28,596	28,909
Quarter 3	27,003	32,219	29,995
Quarter 4	25,621	31,152	25,023
Total	**98,838**	**120,873**	**120,508**

In response to increased demand in 2009, the charity employed more counsellors and improved the computer and telephone systems. Improvements paid off; in 2010 over 25,000 clients were 'warm transferred' directly from the helpline to a counsellor for immediate advice (compared to 15,617 in 2009).

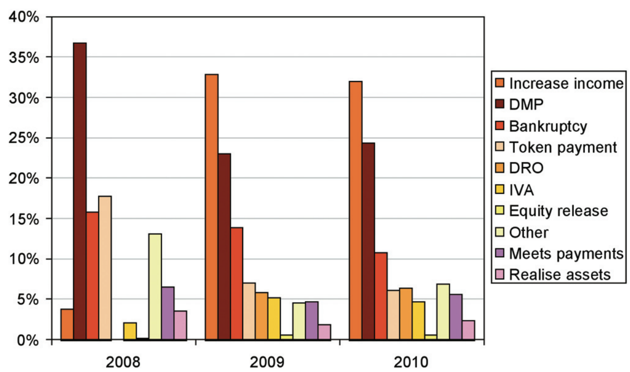
Many people had serious debt problems. Almost a third of telephone clients are advised they can only start repaying their debts after first increasing their income[14]. This is a continuing situation from the previous year and is a reflection of the rise in long-term unemployment and underemployment since 2008. Over the past two years the number of people out of work for longer than 12 months has increased from 388,000 to 836,000.

Over a fifth of telephone clients are told their best option is to go insolvent through bankruptcy, a DRO or an Individual Voluntary Arrangement (IVA). Over the course of a year this is equivalent to 72 people a day recommended to insolvency. Across the UK there were over 135,000 individual insolvencies in 2010.

To help with temporary income shocks, in 2010 CCCS piloted a token payment scheme. This allows clients to repay creditors £1 a month to demonstrate their willingness to be debt free when their situation improves. In return, creditors freeze interest on their account. At the end of six months their circumstances are reviewed. During the pilot, this scheme gave over 2,000 people some breathing space with a view to sorting out their finances. The results are currently being evaluated and the roll-out decision will be made in Q2 2011.

There are some indications the situation for indebted people is gradually improving. Compared with the previous year, in 2010 more people were recommended DMPs or told they had the money to meet their contractual payments.

Chart 2.3.2 – Telephone counselling results



14. 'Increase income' figures prior to 2009 are not directly comparable due to modified data collection methods.

Bob (63) lives with his wife in the west of England.

They used to run a small local pub, but found themselves unable to compete with larger rivals in the area. In particular, big chain firms with the ability to buy and sell alcohol cheaply were able to undercut the prices Bob could offer.

Bob's pub lost customers, their income fell but they still had the same overheads, which meant that their business was no longer viable. Bob was forced to close the pub.

Since then Bob and his wife have found it difficult to get the employment they need to cover basic living costs, probably because of their age.

CCCS advised Bob to make temporary token payments to his creditors, until things improve when he finds work. He will discuss other options with CCCS if this doesn't happen.

Bob said:

"I was a publican for years. The pub was a focal point in the community. Now all the big chain pubs have moved in, and community pubs like mine can't compete and are dying off.

"The pub was making a loss and I had to close. I don't like being unable to pay my debts, but I can't find a job. Employers prefer younger people. Making token payments has given me time to sort things out. Hopefully I'll find a job soon."

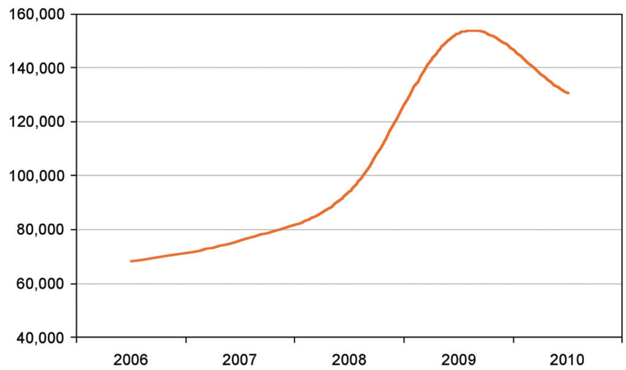
The recommendations chart (Chart 2.3.2) includes data on equity release. In 2010 the charity launched an equity release service for new and existing clients. In previous years CCCS referred clients considering equity release to an external equity release advice service.

2.4 ONLINE COUNSELLING

Fewer people were counselled in 2010, down by 22,000 from the year before to 130,472. This is the first time since its launch midway through 2006 there was a fall in the number of people accessing CCCS Debt Remedy.

This could show that more effort needs to be made to signpost people to appropriate online help. There is certainly a desire for online sources of financial advice, as the success of CCCS Money Matters has demonstrated. Since it was launched in 2009 over 16,000 people have accessed the generic financial guidance tool.

Chart 2.4.1 – CCCS Debt Remedy unique users



Recommendations to clients counselled online have always differed slightly to those counselled by telephone. A third of people counselled online have the financial means to enter a DMP. Interestingly, around one in seven of those using CCCS Debt

Remedy are found post-counselling to have the money to keep up with their contractual payments. This points to a significant number of 'worried well' across the country, financially capable of servicing their debts yet afraid they are unable to. It also suggests that the anonymous nature of online advice encourages people to seek help earlier, before their debt problems have become unmanageable.

Eighteen percent of people counselled online are recommended insolvency, the majority of them an IVA or bankruptcy.

Table 2.4.1 – Online counselling results

	2008	2009	2010
Increase income	26.4%	29.8%	30.4%
DMP	30.8%	29.8%	32.7%
Bankruptcy	12.3%	8.7%	7.0%
Token payment	0.8%	0.8%	0.9%
DRO		1.4%	2.0%
IVA	7.9%	9.3%	9.0%
Equity release		0.1%	0.1%
Other	5.2%	3.7%	2.6%
Meets payments	15.8%	15.4%	14.0%
Realise assets	0.9%	1.0%	1.3%

CCCS's online partners signpost people with financial difficulties to CCCS Debt Remedy. In 2010 Lloyds provided the most referrals to this service, closely followed by the Money Saving Expert website[15].

Table 2.4.2 – Top five CCCS Debt Remedy partnership referrals

	2010
Lloyds	12,791
Money Saving Expert	9,836
BBC	4,854
Citizens Advice	1,654
Santander	1,257

Across both counselling platforms there are recommendation variations based on gender. For example, 10 percent of single men who are counselled by the charity are recommended that bankruptcy is their best option, compared with nine percent of single women and seven percent of couples.

Table 2.4.3 – Recommendations and marital status

	Single female	Single male	Couple
Increase income	26.6%	29.8%	27.3%
DMP	24.1%	20.7%	27.1%
Bankruptcy	9.1%	10.3%	7.1%
Token payment	4.0%	3.1%	3.8%
DRO	6.3%	6.1%	2.1%
IVA	3.5%	4.5%	7.6%
Equity release	0.4%	0.3%	0.4%
Other	15.6%	15.1%	15.5%
Meets payments	8.8%	8.2%	7.3%
Realise assets	1.6%	2.0%	1.7%

2.5 TELEPHONE VS. ONLINE

The concern that people on lower incomes find it difficult to access online help is highlighted by examining the charity's telephone and online clients. Despite owing more, online clients tend to be more affluent than telephone clients, explaining why a higher proportion of them are able to start a DMP or meet their contractual payments. On average, an online client earns over £400[16] more per month than a telephone client. Telephone clients are twice as likely as online clients to earn less than £10,000 a year.

These findings strongly suggest that internet access is often less available to those on lower incomes. Around 10 million people in the UK have never

15. This is the first year that figures have been available.
16. All income figures net unless stated.

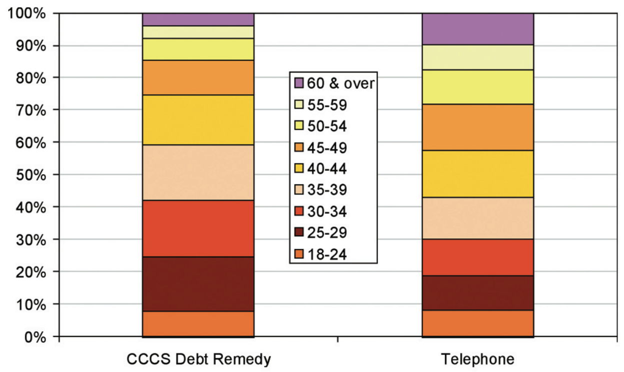
accessed the internet. Previous research by digital inclusion group Race Online 2012 has indicated that 47 percent of people living in households earning less than £11,500 a year do not use the internet, compared to just four percent of households earning over £30,000. It may be that because they are less likely to have access to an anonymous tool such as CCCS Debt Remedy, that the less well off are less able to seek help early.

Table 2.5.1 – Financial position of telephone and online clients

	Telephone	Online
Monthly income	£1,235	£1,704
Monthly expenditure	£1,246	£1,605
Monthly surplus	-£12	£108
Average debt	£19,944	£25,504

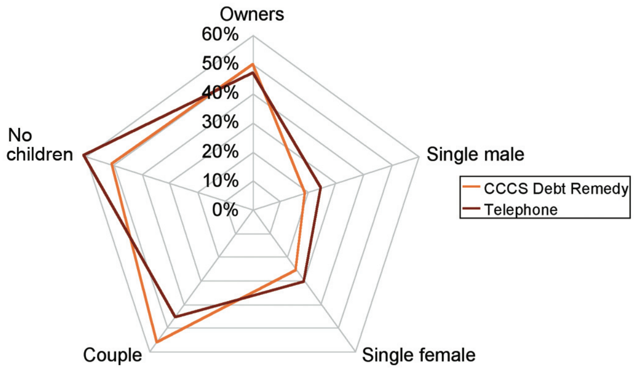
Older people seek debt help less online than by telephone. Only around four percent of the charity's online clients are aged over 60, compared to almost 10 percent of telephone clients. On average somebody using CCCS Debt Remedy is more than four years younger (38 years old) than a person phoning the helpline (42).

Chart 2.5.1 – Ages of telephone and online clients



Couples and people with children make up a greater proportion of online clients. This is most probably a reflection of the fact that CCCS Debt Remedy is available 24 hours a day which allows couples to use it together. Both by telephone and online single women are more likely than single men to seek debt advice. This could indicate a greater willingness on behalf of women to seek debt advice before their finances become unmanageable; particularly as the wages of women coming to the charity are higher than that of men although their debts are lower.

Chart 2.5.2 – Demographic of telephone and online clients



2.6 DEBT MANAGEMENT PLANS

By the end of 2010, CCCS was helping over 113,000 people in debt repay their creditors through a DMP, almost 10 percent more than in December 2009.

The proportion of people recommended to a DMP was slightly up on 2009 while the total number of people placed on a DMP held steady over the year (from 28,572 in 2009 to 28,419 in 2010).

Debora (42) lives in Cornwall with her husband and young son.

Debora's husband is a self employed sole trader, whose business has been badly affected by the recession. He has had little work for two years.

His fluctuating income made budgeting difficult, and reduced income left them unable to cover priorities, including mortgage payments. The couple owe £2,500 on overdrafts and loans which they are also struggling to repay.

Before approaching CCCS, the couple had been badly advised on their eligibility for the government-run Mortgage Rescue Scheme (MRS), telling them they couldn't apply.

After further advice from Shelter, Debora is enrolled on MRS and has a sale-and-rent-back agreement with a local housing association. They can pay their debts using money from the sale of their property, while remaining in their home and buying it back later.

CCCS advised them on budgeting and maximising income, and they were counselled by CCCS's specialist welfare benefits team.

Debora said:

"Our debt problems have caused health problems for both my husband and me. We needed time off work, worsening our financial situation.

"After being badly advised by another organisation, we have found CCCS and Shelter extremely helpful.

"People with debt problems should never give up, and should seek help. You don't have to deal with the stress and emotional impact alone."

Chart 2.6.1 – DMPs under management

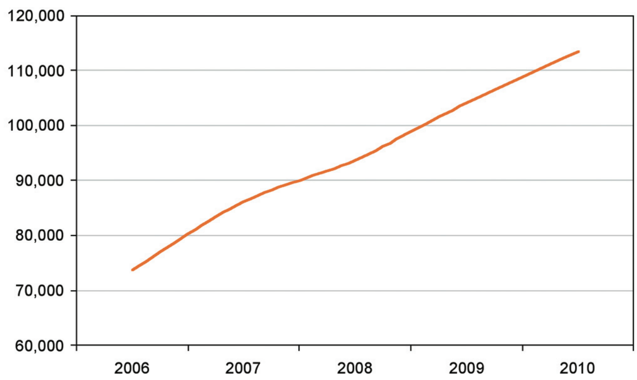
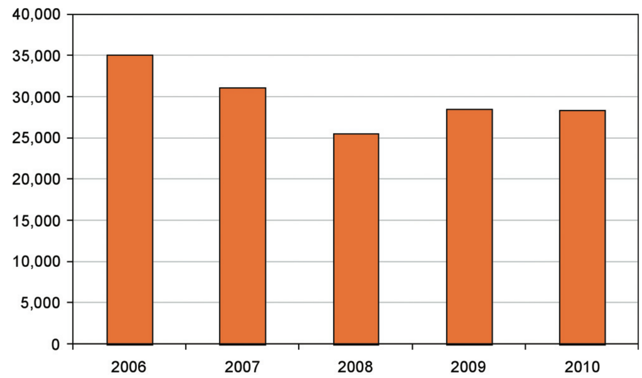


Chart 2.6.2 – DMP starts per year



By the end of 2010 the charity was managing almost £3.6 billion worth of unsecured debt. Over £24 million was repaid to creditors on average per month, up almost £6 million on 2008 levels. This was due to an increase in the average repayment made to creditors and a significant rise in the number of clients staying on a DMP. Despite the difficult economic climate, people are making a huge effort to stay on top of their finances.

Table 2.6.1 – Debt under management

	2008	2009	2010
Total debt (£billions)	£2.97	£3.32	£3.58

Table 2.6.2 – Repayment

	2008	2009	2010
Total repayment (£millions)	£224	£251	£289

Table 2.6.3 – Average monthly repayments

	2008	2009	2010
Average DMP client repayment per month	£228	£231	£236

Clients set up on a DMP have a larger monthly surplus than is standard for clients counselled by the charity (£258 compared to £43). Their income is significantly higher than the majority of clients; 16 percent of DMP clients have an income over £30,000 a year, compared to only 12 percent of all clients.

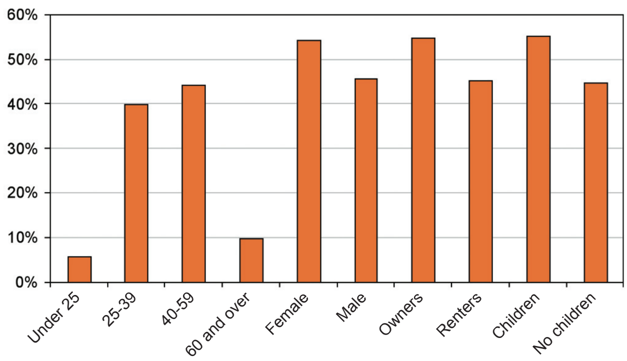
Their debt levels are relatively high, about £2,700 more than the norm.

Table 2.6.4 – DMP client finances

	2010
Monthly income	£1,649
Monthly expenditure	£1,391
Monthly surplus	£258
Average debt	£25,182

Well over half of DMP clients are female, suggesting that women who came to the charity in 2010 were in a slightly better financial position than men. Conversely DMP clients are less likely to be under 25 but more likely to be over 60 than the charity average.

Chart 2.6.3 – Demographic of DMP clients



2.7 CCCS POPULATION STATISTICS

Clients are becoming slightly older; in 2010 there was an increase in the proportion of clients aged over 40, from 52.5 percent to 55.2 percent. The average age of clients counselled is up one year and now stands at 42. There has been a drop in the proportion of clients aged under 25.

Table 2.7.1 – Age

	2008	2009	2010
Under 25	8.1%	9.0%	8.2%
25-39	38.8%	38.5%	36.6%
40-59	44.3%	44.2%	46.1%
60 and over	8.8%	8.3%	9.1%

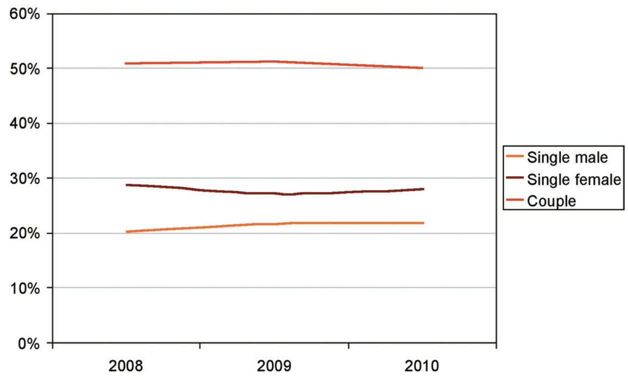
CCCS continues to counsel more women than men. However, the difference is now less than three percentage points, although this year there was only a marginal increase in the proportion of men counselled by the charity.

Table 2.7.2 – Gender

	2008	2009	2010
Female	53.3%	51.6%	51.4%
Male	46.7%	48.4%	48.6%

There were more single men and women counselled in 2010 than in 2009, although the proportion of couples counselled continues to be just over half of all clients.

Chart 2.7.1 – Marital status



The proportion of clients with dependent children remains static a 43.8 percent.

Table 2.7.3 – Children

	2008	2009	2010
None	56.0%	56.0%	56.2%
One	19.2%	19.8%	19.9%
Two	16.5%	16.8%	16.5%
Three+	8.2%	7.4%	7.4%

The proportion of clients counselled who own their own home has been relatively stable over the last three years and is now at 48.3 percent. Forty percent of those who rent are housed by housing associations or local authorities. Although there was a decline in the proportion of clients renting from private landlords in 2009 and corresponding rise in local authority tenants, this trend flattened out in 2010.

Chart 2.7.2 – Housing

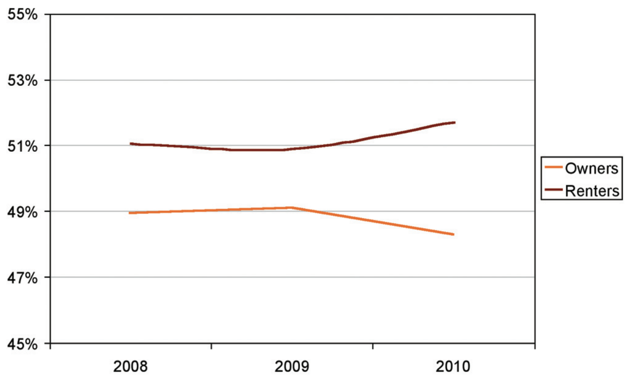
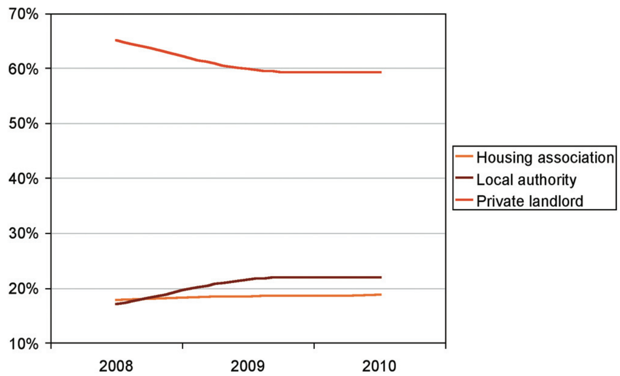


Chart 2.7.3 – Renting by type



Just over a quarter of clients earn under £10,000 a year (27.2 percent), a slight fall on 2009, when 27.4 percent were earning under £10,000.

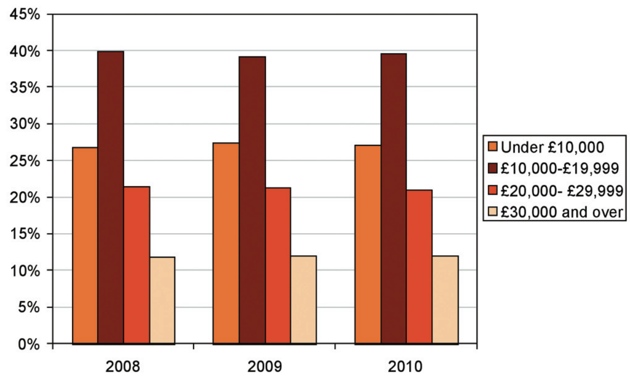
The average annual gross income of a CCCS client is £22,401[17], over £3,000 less than the UK average (£25,900). This suggests that, although people with high incomes can hold significant amounts of debt, the main cause of indebtedness is low wages leading to an inability to meet basic living expenses. If this

17. Estimate based on net income data collected.

is the case, as incomes in 2011 stagnate or decline as predicted, an increasing number of people will fall into debt while attempting to maintain a basic standard of living.

Almost half (48.1 percent) the people who came to the charity in 2010 gave either unemployment or reduced income as the primary reason for their debt problems.

Chart 2.7.4 – Income



Martin (35) lives alone in London.

After losing his job, Martin struggled to make ends meet day to day, eventually turning to credit to pay for basic living costs.

Despite quickly finding a new job, Martin was still paying for everyday essentials using his credit cards and eventually maxed out all his credit resources.

Quickly getting into arrears, Martin contacted CCCS. He was in £30,000 of debt on credit cards and personal loans when he first spoke to CCCS.

Following a counselling session, he was recommended a four year debt management plan (DMP), which he is now half way through. In that time, Martin has gone from having four creditors to one, having paid some of his smaller debts in full.

Martin said:

"When I lost my job, I turned to credit cards to pay for essentials. Eventually, I couldn't get more credit because I was too big a risk. This made me face facts.

"I've now paid most of my creditors, and will settle my debts in the next few years. My DMP with CCCS has allowed me to take control of things."

Table 2.7.4 – Reasons for debt

	2009	2010
Reduced income	25.1%	23.3%
Unemployment	24.7%	24.8%
Over committed on credit	13.3%	9.9%
Separation	8.0%	8.9%
Injury/illness	7.0%	8.6%
Lack of budgeting	4.1%	5.4%
Used credit for living expenses	3.0%	2.7%
Increased priority expenditure	2.9%	2.7%
Irregular income	2.8%	3.2%
Failed business	2.0%	2.1%
Pregnancy/childbirth	1.6%	1.8%
Change of employment	1.1%	1.1%
Bereavement	1.0%	1.2%
Retirement	1.0%	1.4%
One-off expense	0.9%	1.0%
Incapacity/disability	0.5%	0.4%
Caring for relatives/friends	0.5%	0.6%
Reduced benefits	0.4%	0.6%

2.8 DEBT ANALYSIS

As in the previous two years average debt levels continued to drop in 2010; by seven percent to £22,476. This has been allied to a slight rise in average income (although still below inflation) and a drop in average expenditure. This latter point suggests a concerted effort by clients to reduce their spending amid continuing uncertainty about job security and earnings capacity. After counselling, clients were in a better position in 2010, with a surplus of £43, having been in deficit the previous year (-£40).

Despite the fall in the amount of money owed, CCCS clients still have very high levels of unsecured debt compared to the national average. According to the money education charity Credit Action, excluding mortgages, average household debt in the UK is £8,416.

Chart 2.8.1 – Average client debt

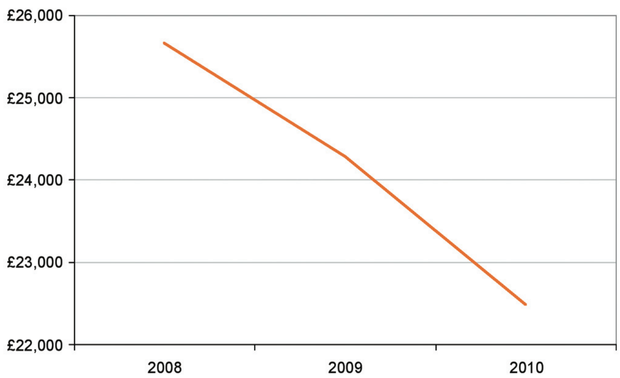
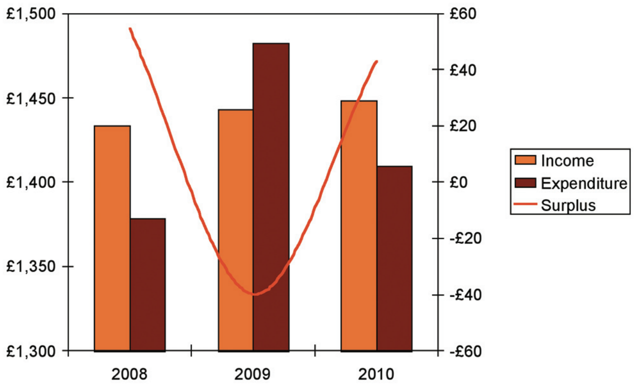


Chart 2.8.2 – Income, expenditure and surplus



Some groups are more likely to find themselves more heavily in debt than others. Unsurprisingly, clients with dependent children owe 20 percent more than those without while there has been less of a drop in the amount of money they owe. This is probably because it is more difficult for people with children to reduce their expenditure in the face of economic difficulties, they have less flexibility. CCCS clients with children spend over £650 more per month on living expenses.

Men continue to owe more than women, with male clients owing over £25,000 and female clients around £20,000.

Table 2.8.1 – Debt and family

	2008	2009	2010
Client with children	£26,755	£26,058	£25,063
Client without children	£24,807	£22,869	£20,971

Table 2.8.2 – Debt and gender

	2008	2009	2010
Male	£29,318	£26,957	£25,165
Female	£22,530	£21,915	£20,532

Age, marital status and housing status play a role in indebtedness. Debt increases until people reach their early forties, after which it holds steady at between £24,000 and £25,000. Clients aged over 60 owing a similar amount to those aged 40-59 is worrying, as they often do not have the financial ability to service their unsecured debts. Almost one in six pensioners in the UK lives below the poverty line.[18]

Couples owe far more than single people and homeowners owe more than twice as much as renters. Average debt varies depending on how clients rent their property; those with a private landlord will owe £18,733 in unsecured debts, whereas those renting from a housing association (£14,239) or local authority (£12,612) will owe quite a bit less.

Table 2.8.3 – Debt and age

	2008	2009	2010
Under 25	£9,179	£7,524	£6,316
25-39	£22,025	£20,092	£18,398
40-59	£28,621	£25,964	£24,902
60 and over	£29,368	£26,008	£24,642

Table 2.8.4 – Debt and housing status

	2008	2009	2010
Owners	£33,253	£31,317	£30,160
Renters	£20,023	£17,546	£15,892

Table 2.8.5 – Debt and marital status

	2008	2009	2010
Couple	£31,384	£30,274	£28,612
Single male	£22,418	£19,830	£18,414
Single female	£18,115	£16,937	£15,876

18. Defined by government as below 60 percent of contemporary median net disposable income.

Higher average income allows access to a greater amount of unsecured debt. The age group with the most debt, 40-59 year olds, has the highest average income.

Generally this applies across most demographic groups. Those with higher debts, men, couples, those with children and homeowners, tend to have relatively high incomes.

Chart 2.8.3 – Income and age

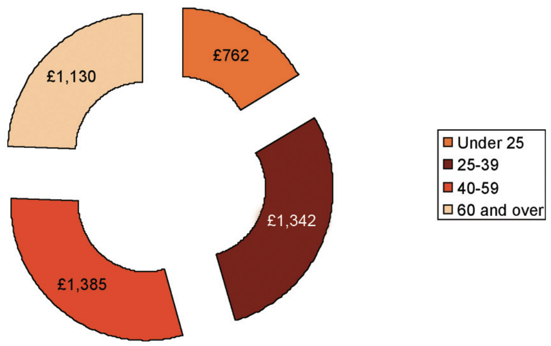
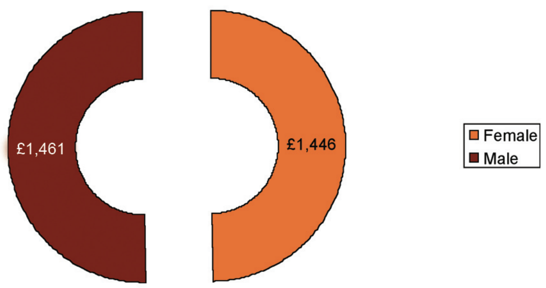


Chart 2.8.4 – Income and gender



The only case where income and debt are not closely correlated is with single men and women, where single men owe more than single women but earn less. Nationally for non CCCS clients on average women earn about 10 percent less than men. Clients who earn more than £30,000 a year owe almost £30,000 more than those earning less than £10,000 a year.

Chart 2.8.5 – Income and marital status

Chart 2.8.6 – Income and children

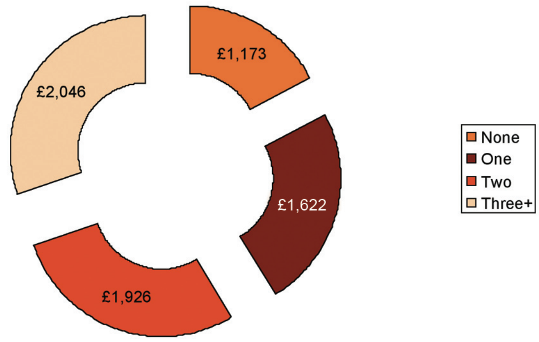


Chart 2.8.7 – Income and housing status

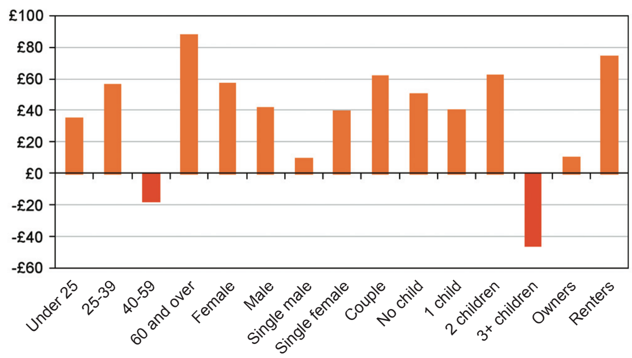
Table 2.8.6 – Debt and income

	2008	2009	2010
Under £10,000	£16,112	£15,178	£14,344
£10,000-£19,999	£21,537	£20,127	£19,294
£20,000-£29,999	£31,308	£30,766	£27,904
£30,000 and over	£48,640	£47,075	£44,216

Usually higher incomes mean that clients are better placed to repay their debts but not always. For example, clients with more than three dependent children have high levels of expenditure, which often leaves them unable to manage their debts.

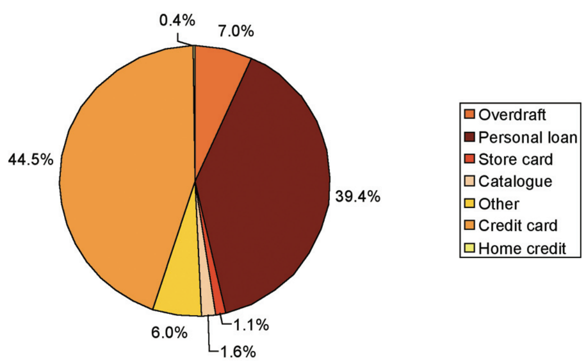
Surprisingly the group in the best financial position from the view of available money is those aged over 60, who have a post-counselling surplus of £88 a month. This has to be a reflection of lower costs of everyday living.

Chart 2.8.8 – Surplus and demographic group



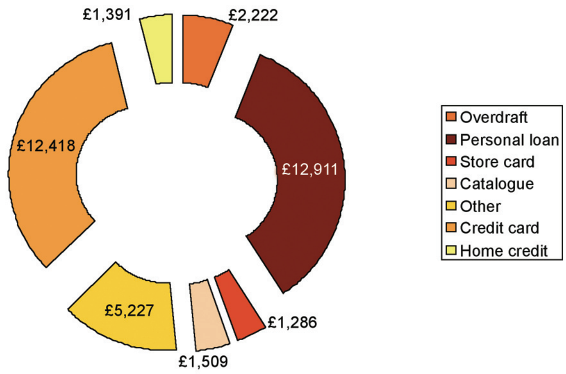
As in previous years credit cards are the most common debt, accounting for almost half of the total. In 2010 there was a very slight increase in the proportion of clients with personal loan and overdraft debts.

Chart 2.8.9 – Debt held by type



On average, clients continue to owe the most on personal loans (£12,911) and credit cards (£12,418). Debt in other forms of unsecured lending is much lower, including those types which have had a lot of attention paid to them over recent years such as home credit (£1,391) and store cards (£1,286).

Chart 2.8.10 – Average debt by type



Debts on the various types of credit follow established trends with men and homeowners owing more than women and renters.

In terms of gender the most significant difference is with credit cards, where men owe on average around £4,000 more than women. The smallest difference is in catalogue and home credit debts. These are also the areas where women are more likely than men to have debts, even if they are smaller.

The starkest difference based on housing is credit cards; homeowners owing more than twice as much as renters. This suggests two things: that property ownership allows easier access to some forms of credit; and homeowners are using credit cards to avoid missing mortgage payments. This

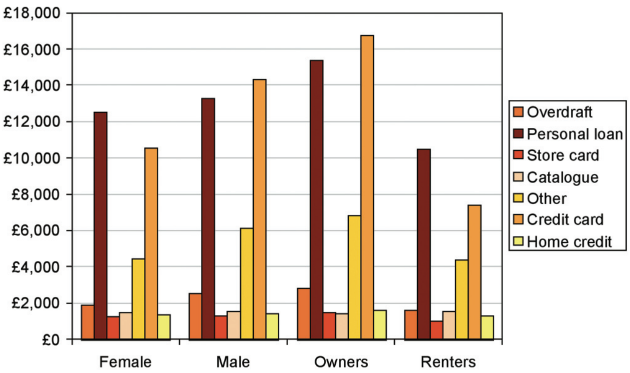
Table 2.8.7 – Debt type and income

	Under £10,000	£10,000-£19,999	£20,000-£29,999	£30,000 and over
Overdraft	£1,637	£2,003	£2,451	£3,641
Personal loan	£10,060	£11,453	£14,452	£19,580
Store card	£1,033	£1,189	£1,331	£1,815
Catalogue	£1,496	£1,466	£1,515	£1,671
Other	£3,869	£4,387	£6,483	£10,925
Credit card	£8,086	£9,671	£14,268	£24,380
Home credit	£960	£1,433	£1,774	£2,244

is supported by research from the charity Shelter, which found more than two million people in 2010 used credit cards to pay their mortgage or rent. If this is the case interest rate rises in 2011 could have an immediate impact on homeowner's ability to pay their mortgage.

CCCS research has shown that a two percent increase in mortgage rates will lead to a £307 rise in monthly mortgage payments by clients across the country. This is a 55 percent increase in monthly mortgage payments, and means that clients would have to spend almost £3,700 more a year keeping a roof over their head. The average mortgage payment of a CCCS client is currently £561.61.

Chart 2.8.11 – Debt type – gender and housing status



Clients with lower incomes are more likely to have higher personal loans than credit card debts. It is only for clients owing over £30,000 a year that credit cards are the most significant form of debt. However, credit card debt for this group is almost £12,000 more than the charity average.

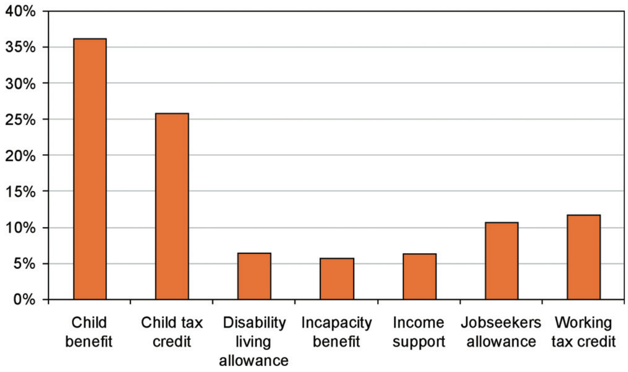
2.9 BENEFITS

Well over half (55 percent) of people counselled by CCCS claim some form of benefit or tax credit. This rises to well over 62 percent for female clients. The most claimed are child benefit[19] (by 36 percent of clients) and child tax credits (25.9 percent). This latter point suggests that a high proportion of CCCS clients with dependent children live in low income households.

A high proportion of clients, almost 11 percent, claim Jobseekers Allowance (JSA) compared to the UK average (4.3 percent), indicating a strong correlation between unemployment and debt problems. In the two years from the start of the recession in spring 2008, 4.2m people (one in eight of the economically active population) claimed JSA at least once; since then close to a million people have contacted CCCS for debt advice. CCCS research has demonstrated that clients claiming JSA have a debt-to-income ratio of almost 25:1, far above the charity norm (16:1).

19. Child benefit is not means tested.

Chart 2.9.1 – Benefit clients



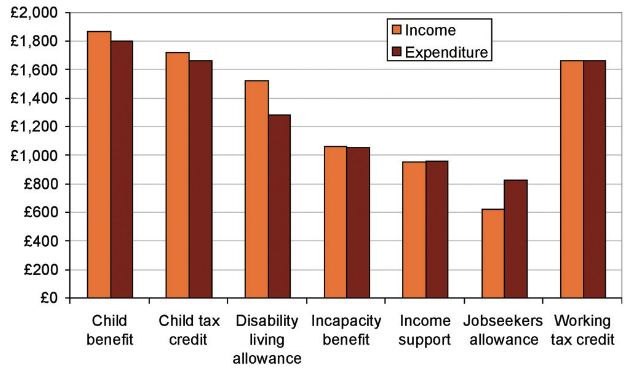
Benefit clients are in a worse situation than other clients, with an average monthly surplus of just £12 compared to a surplus of £81 for non-benefit clients. It is likely that the rise in VAT announced in January has already caused a change for the worse, leaving these clients spending more than they earn each month. Research by the IFS has found that on average the VAT rise will result in people spending over £25 more each month.

Clients receiving JSA are in the worst financial position, with their monthly outgoings outstripping household income by £203. They have a very low level of income even compared to other clients receiving benefits. Their monthly income of just over £600 is far below that identified by the Joseph Rowntree Foundation as a minimum living wage of £1,200 for a single person and £2,433 for a couple with two children[20].

Clients claiming child benefit, child tax credits and disability living allowance (DLA) are better off than other clients claiming benefits; they have relatively high monthly incomes and surpluses ranging from £56 to £240. Those on DLA may be vulnerable in the future with the government proposing to replace it with the Personal Independence Payment (PIP) as part of plans to cut working-age DLA expenditure by 20 percent.

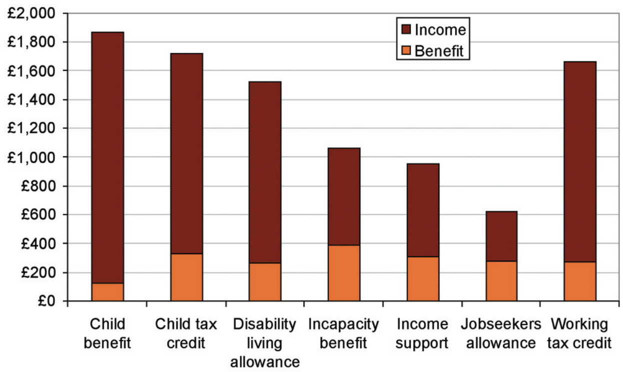
CCCS is concerned that the changes to benefits and tax credits coming into effect in April 2011 will leave a majority of clients claiming these unable to service their debts. For example, our analysis suggests the freeze in the basic and 30 hour elements of working tax credit could mean that clients claiming it would lose over £121 a year.

Chart 2.9.2 – Benefit clients – income and expenditure



Where claimed, benefits make up a significant proportion of client income, ranging from seven percent (child benefit) to 45 percent (JSA). In terms of total amount claimed, clients receive the most per month in incapacity benefit, followed by child tax credit and income support.

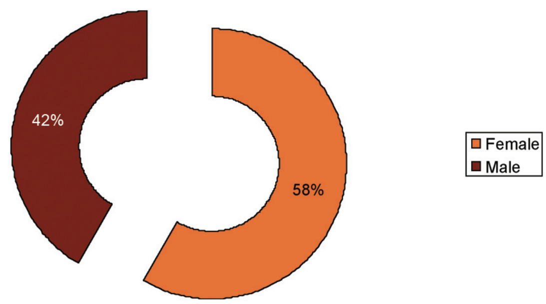
Chart 2.9.3 – Benefits as a proportion of income



20. www.minimumincomestandard.org

Almost 60 percent of benefit clients are female, matching national trends. The only type of benefit that men are more likely to claim than women is JSA, where men account for 63 percent of clients counselled.

Chart 2.9.4 – Benefit clients - gender



37-year-old Gwen and her husband owed nearly £100,000 on credit cards, overdrafts and personal loans.

Made redundant within weeks of each other and struggling on their diminished income, the couple relocated to find new jobs.

One of the creditors failed to record the new details and lost touch with the pair. Subsequently, Gwen and her husband forgot about their debt and substantial interest accumulated over eight years.

In the meantime, Gwen's husband was made redundant again and Gwen became pregnant with the couple's second child and was unable to work due to the expense of childcare. Money worries were more prevalent than ever when the couple discovered that their child benefit payments had been miscalculated and their income decreased significantly as a result.

Panicking at the severity of the situation, Gwen and her husband contacted a fee-charging debt management company. They were put on a 17 year debt management plan, and were charged three months payments as a set up fee and monthly 20 percent administration charges.

Finally, Gwen contacted CCCS and discovered that her forgotten debt was statute barred. An individual voluntary arrangement (IVA) was suggested as a possible solution and Gwen is currently discussing with her counsellor what is the best course of action for her and her husband.

Gwen said:

"When you panic, you go wherever you find the friendliest voice. They were all just taking my money, and no one was giving me the correct advice.

"CCCS is the first organisation I really trust to act in my best interests and sort my situation out. They have been invaluable."

3. Regional analysis

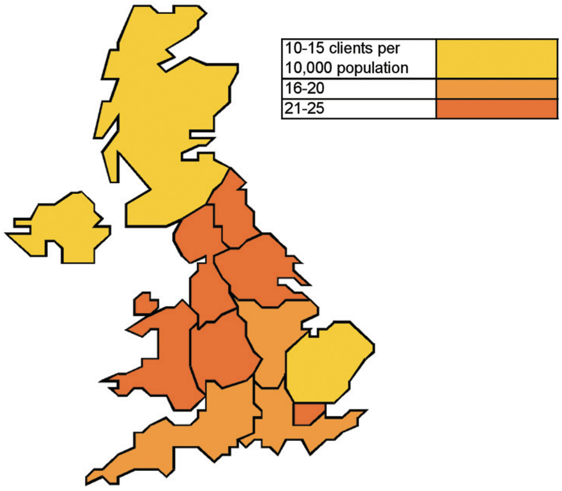
3.1 REGIONAL DEMAND

The highest demand for CCCS counselling comes from London; 15.5 percent of the charity's clients in 2010 were from the capital. Following London were the North West and the South East, which accounted for 13.1 percent of clients each. Fewer people from Northern Ireland contacted the charity than from anywhere else in the UK.

Relative to population Yorkshire tied with London as the region most in need of debt advice, with 24 people per 10,000 receiving counselling. On this basis, Northern Ireland still ranked lowest in terms of need, closely followed by East Anglia and Scotland.

These figures suggest a correlation between unemployment and need for debt advice, the North East (9.6 percent), Yorkshire (9.2 percent) and London (9.2 percent) are three of the four regions with the highest unemployment rates. These three regions are also the areas where CCCS clients are more likely to be claiming Jobseeker's Allowance (JSA); London has the greatest proportion of claimants with 16.6 percent of clients from the capital receiving JSA each month.

Map 1 – Demand per head of population



3.2 REGIONAL DEBTS

Average unsecured debts in the UK are highest in the South East (£23,925) and lowest in Scotland (£17,969).

Table 3.1.1 – Regional take-up of Jobseeker's Allowance

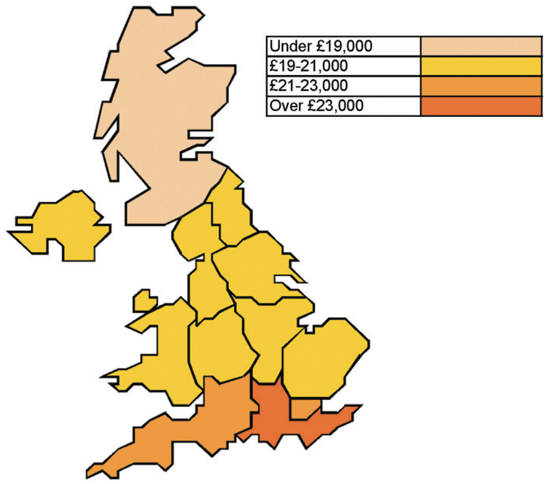
	Proportion of clients claiming JSA	Average amount received in JSA
East Anglia	12.7%	£287
East Midlands	12.8%	£280
London	16.6%	£282
North East	14.1%	£277
North West	12.4%	£277
Northern Ireland	11.3%	£287
Scotland	14.5%	£277
South East	12.2%	£286
South West	11.2%	£285
Wales	12.2%	£284
West Midlands	15.0%	£283
Yorkshire	14.3%	£281

In the South of England debt does tend to be slightly higher but in general it is remarkably uniform across the UK. Except for Scotland no region has an average debt lower than £19,000 or higher than £24,000. There is also consistency in terms of the number of debts, with the average number in every region between 5.0 (Scotland) and 5.8 (East Anglia and the North East). The national average is 5.7.

Unsecured debt among the over 60s is particularly marked in the South of the country with average debts of over £28,000 compared with £19,000 in Scotland and £24,000 in the North of England. The least indebted age group in the UK is under 25s in Scotland.

In every region across the UK, homeowners owe more, often significantly more, than renters. In the South East, South West and London homeowners owe more than £30,000 in unsecured debts alone. There is no region where all renters owe more than £17,000. However, across the UK clients renting from private landlords owe more than those with housing associations or local authorities. Unsecured debt for clients renting from private landlords in the South East is over £20,000. Homeowners tend to have one or two more debts than renters. Across the UK homeowners average 6.3 debts per client compared to 5.3 for renters.

Map 2 – Average debt levels



If we look at debt-to-income ratio this also stays consistent across the UK, with nowhere above 17:1 or below 14:1. This is because regions with the highest debts have the highest average income. Income

Table 3.2.1 – Average debt by age

	Under 25	25-39	40-59	60 and over
East Anglia	£6,117	£19,294	£26,734	£27,297
East Midlands	£6,105	£19,018	£24,608	£24,557
London	£5,950	£18,110	£25,194	£25,283
North East	£6,828	£18,150	£23,055	£20,779
North West	£6,143	£18,338	£23,798	£22,841
Northern Ireland	£8,272	£17,882	£23,114	£21,502
Scotland	£5,451	£16,499	£21,692	£19,808
South East	£6,832	£20,016	£29,200	£28,174
South West	£6,409	£18,899	£26,363	£28,993
Wales	£6,505	£17,053	£23,515	£23,178
West Midlands	£5,926	£17,917	£23,350	£22,554
Yorkshire	£6,784	£17,643	£23,218	£23,068
United Kingdom	**£6,316**	**£18,398**	**£24,902**	**£24,642**

Table 3.2.2 – Debt by rental type

	Housing Association	Local Authority	Private Landlord
East Anglia	£13,042	£11,882	£18,522
East Midlands	£11,379	£11,044	£17,956
London	£14,201	£12,468	£18,246
North East	£13,947	£11,145	£16,160
North West	£11,015	£10,725	£16,103
Northern Ireland	£11,012	£12,389	£15,333
Scotland	£10,310	£10,356	£15,243
South East	£13,869	£12,817	£20,669
South West	£12,790	£11,771	£18,428
Wales	£11,070	£11,183	£16,216
West Midlands	£11,282	£10,805	£16,833
Yorkshire	£11,454	£11,241	£16,139

Chart 3.2.1 – Debt by housing status

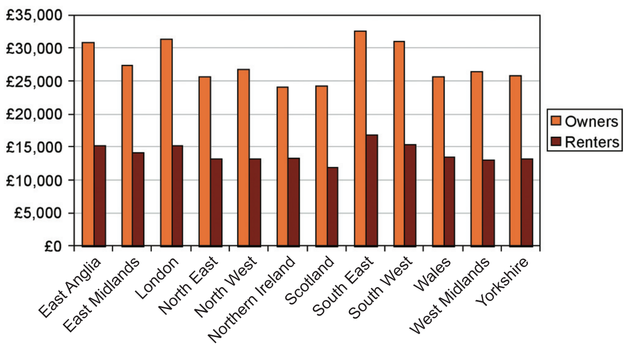
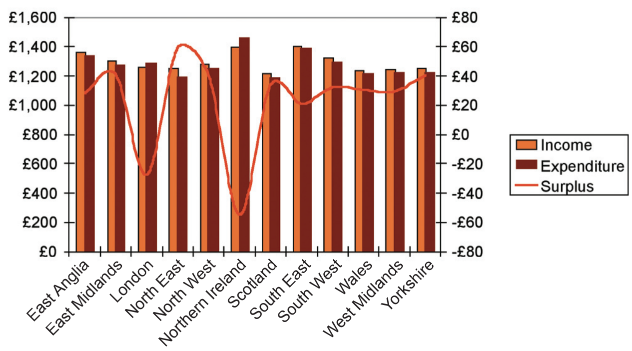


Chart 3.2.2 – Income, expenditure and surplus



is highest in the South East, followed by Northern Ireland. Income is lowest in Scotland and Wales.

Interestingly despite having the lowest debt-to-income ratio (14:1) clients from Northern Ireland are actually in the worst financial situation in the UK with a monthly post-counselling deficit of -£55. The only other region where on average clients have a deficit is London (-£28). As a result Northern Ireland and London are the regions where the highest proportion of clients are recommended bankruptcy. More than one in eight clients from Northern Ireland has bankruptcy pinpointed as their best option.

3.3 CCCS DEBT VIEW

Further regional statistics are available from the charity's website via its new interactive online map, CCCS Debt View, at www.cccs.co.uk/debtview. Data on clients counselled and the number of Debt Management Plans set up can now be seen down to a postcode level. Users are able to view and download this information. The charity hopes that CCCS Debt View will lead to a deeper understanding of debt issues at a regional and local level.

Over the next year the charity will be adding further information to CCCS Debt View.

4 Notes on data

Chart 1.3.1

- Source: Office for National Statistics (Labour Market Statistics, January 2011)

Chart 1.3.2

- Source: Office for National Statistics

Chart 1.3.3

- Source: Office for National Statistics, Barclays economic research
- Data from 2011 onwards are forecasts
- Data shows percentage changes in earnings and consumer prices

Chart 1.4.1

- Source: PriceWaterhouseCoopers (Sectoral and regional impact of the fiscal squeeze)

Chart 1.5.1

- Source: Bank of England (Credit Conditions Survey)
- Net percentages are calculated by weighing together the responses of lenders who responded to the Bank of England's Credit Conditions Survey. A positive balance means more credit was available.

Chart 1.5.2

- Source: Bank of England, Financial Inclusion Centre crisis watch

Chart 1.6.1

- Source: Bank of England (Credit Condition Survey)
- Net percentages are calculated by weighing together the responses of lenders who responded to the Bank of England's Credit Conditions Survey. A positive balance means more credit was available.

Chart 1.6.2

- Source: Bank of England, Financial Inclusion Centre crisis watch

Chart 1.6.3

- Source: Bank of England, Financial Inclusion Centre crisis watch

Report released: March 2011

The data underlying the graphs and charts contained in this Statistical Yearbook are available in the form of appendices from: www.cccs.co.uk/Mediacentre/Researchandreports.aspx

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