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Enterprise & Regulatory Reform

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# Summary

Data for the first half of 2007 suggests that consumer lending has continued to increase strongly, with growth in secured lending accounting for a greater proportion of overall growth. This strong growth has prompted a continuing rise in the total household debt to disposable income ratio, although consumers are no more exposed to debt when compared with their financial asset position in December 2006.

There is mixed evidence emerging from the various debt indicators contained within this Monitoring Paper as to the degree to which consumers may be over stretching themselves. Overall, changes in economy-wide household debt, the number of individuals suffering from problem debt and changes to relevant macroeconomic have had a number of opposing impacts on the degree to which households can be said to be struggling with debt. However, the longer-term trend would, on balance, tend to suggest that debt is becoming a problem for an increasing number of households.

On one hand, there are a number of factors that tend to point to debt becoming an increasing problem. The debt to disposable income ratio across the household sector continues to increase, driven by the growth in secured lending. The number of properties taken into possession is higher than in the recent past, though they remain a small proportion of total home loans and low by historical standards. Additionally, both the level and rates of debt write-offs have continued on an upward trend, especially debt written off on credit cards.

On the macroeconomic front, the Bank of England has increased the base rate by 1.25 percentage points since July 2006 to 5.75 per cent and the full impact of this is still working its way through the economy. In addition, the recent global 'credit crunch' – triggered by concerns about the US sub-prime mortgage market – is likely to have further implications for the UK economy, with the possibility of a slowing down in the housing market and consumer spending.

On the positive side, the household debt to total assets ratio, which includes both financial and housing wealth in total assets, has remained little changed since 2002. The most recent data for the year 2006 shows that the ratio is just under 17 per cent, within one percentage point of the ratio for each year since 2002. This shows that households retain a good level of asset coverage which they could potentially call on to meet debt obligations, albeit one that is seeing housing wealth becoming a larger share of total wealth.

In terms of problem debt, mortgage arrears as a percentage of the total stock of mortgages remained relatively stable during the last year, at very low historical levels, and they count for a small proportion of total mortgage loans. Personal insolvencies in England, Wales and Northern Ireland and debt management programmes across the UK have shown signs of being on a downward trajectory since the beginning of 2007, though it is too early to say whether this will be a trend that will be maintained over a longer period of time, especially as credit conditions have significantly changed since the end of June.

Individuals' own assessment of their ability to service their bill and credit commitments has also improved over the course of the last year according to an annual FSA survey, with, most significantly, the number of people reporting they were able to keep up with repayments without any difficulty rising from 57 per cent to 66 per cent.

Finally, on the macroeconomic front, a strong labour market, continuing strong economic growth and relatively low inflation and interest rates still indicate an economy that continues to perform strongly.

The following are notable changes since the end of the fourth quarter of 2006:

- The level of total household sector debt to disposable income reached 152 per cent in the second quarter of 2007, up from 148 per cent in the fourth quarter of 2006. This rise has been driven by the expansion of secured debt, which has led to the secured debt to disposable income ratio increasing from 124 per cent in the fourth quarter of 2006 to 128 per cent in the second quarter of 2007. By contrast, the unsecured debt to disposable income ratio has remained relatively steady at around 24 per cent in the second quarter of 2007, and indeed has remained at around this level since the end of 2004, showing that consumers, in the aggregate level, were no more exposed on a net liquid asset basis to rising debt levels.
- Relative to the end of 2006, personal insolvencies have shown some signs of a downward trajectory in England and Wales, and in Northern Ireland (whilst they have continued on an upward trend in Scotland) whilst most debt write-off rates remained on the rise. Personal insolvencies in England and Wales in the second quarter of 2007 stood at around 27,000; 9.3 per cent lower than in the fourth quarter of 2006. The level of household debt written-off to total household debt has remained static between the fourth quarter of 2006 and the second quarter of 2007 at 0.9 per cent, and significantly, credit card debt write-off rates continued to rise, standing at 7.5 per cent in the second quarter of 2007 as a proportion of total credit card lending, up from 6.3 per cent on the fourth quarter of 2006.<sup>1</sup>
- The number of consumers feeling able to keep up with credit and bill commitments rose between 2005 and 2006 from 96 per cent to 98 per cent. Significantly, the number of consumers feeling able to keep up with repayments without any difficulty rose from 57 per cent to 66 per cent.
- On the macroeconomic front, the main change has been the 0.75 per cent rise in the Bank of England base rate since the fourth quarter of 2006 that has coincided with annual rates of Consumer Prices Inflation (CPI) that have exceeded the Government's 2.0 per cent inflation target. On the positive side, CPI inflation has been brought down in line with the Government's target since July 2007. These interest rate developments could be starting to

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<sup>1</sup> Second quarter debt write-off figures are actually taken from February and fourth quarter debt write-off figures are from November.

have an effect on consumer spending, which has shown some signs of a downward trend. It will take time before the full extent of these cumulative changes work through into levels of debt and insolvency.

# Chapter One

## Introduction

The Consumer Credit White Paper published in December 2003<sup>2</sup> made a commitment to work on minimising over-indebtedness and helping those who become over-indebted.

As a result, a cross-Government Over-indebtedness Strategy was set up in July 2004. The Strategy is overseen by the Department for Business, Enterprise and Regulatory Reform (BERR), the Ministry of Justice (MoJ) and the Department for Work and Pensions (DWP). This work is supported by an Advisory Group whose representatives are drawn from the credit industry, voluntary sector and academia and which helps to develop policies in this area.

The widespread complementary activity is detailed comprehensively in the Tackling Over-indebtedness Annual Reports<sup>3</sup> which update the cross-Departmental Over-indebtedness Action Plan, issued in 2004<sup>4</sup>. Activities are also detailed individually on Government Departments' websites.

BERR is committed to monitoring debt levels and problems associated with debt in the UK. In line with this commitment, this Monitoring Paper aims to provide a high-level summary of the extent of household indebtedness and to look at the degree to which individuals are struggling with excessive debt.

Information is drawn primarily from publicly available sources, although where appropriate, specific research is referred to. The analysis includes data up to the end of June 2007, which is a year on from the data set out in the 2006 annual report. However where there have been more recent developments that have been particularly significant, for instance any changes in the overall macroeconomic environment, these changes have been included.

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<sup>2</sup> Fair, Clear and Competitive: The Consumer Credit Market in the 21<sup>st</sup> Century, White Paper, December 2003, available at <http://www.berr.gov.uk/files/file23663.pdf>

<sup>3</sup> The latest report, Tackling Over-Indebtedness: Annual Report 2007, December 2007, is available at <http://www.berr.gov.uk/consumers/consumer-finance/over-indebtedness/index.html>

<sup>4</sup> Tackling Over-Indebtedness: Action Plan 2004, July 2004, available at <http://www.berr.gov.uk/files/file18559.pdf>

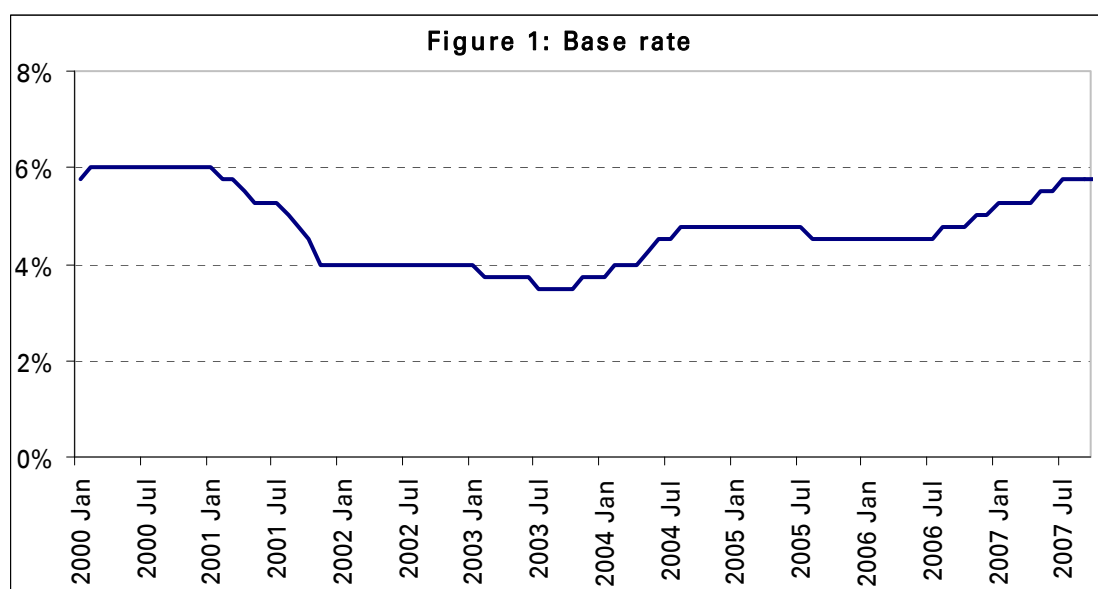
## Chapter Two

# Aggregate Information on Household Indebtedness

This section reviews the macroeconomic picture, the cost of and growth in consumer borrowing, and explores the degree to which individuals may be overstretching themselves, by looking at debt to income and debt to financial asset ratios to give a fuller view of the household sector's debt burden. It begins by looking at recent movements in interest rates and inflation before turning to the labour market. The chapter goes on to look consumer spending, lending and debt.

### 2.1 Interest and Inflation Rates

Figure 1 shows movements in the Bank of England base rate since January 2000. In 2007, the Bank of England raised the interest rate by 0.25 percentage points on three occasions; first in January 2007, second in May 2007 and subsequently in July 2007. The Bank of England base rate currently stands at 5.75 per cent, the highest rate since April 2001.



Source: Bank of England, Monetary & Financial Statistics Interactive Database

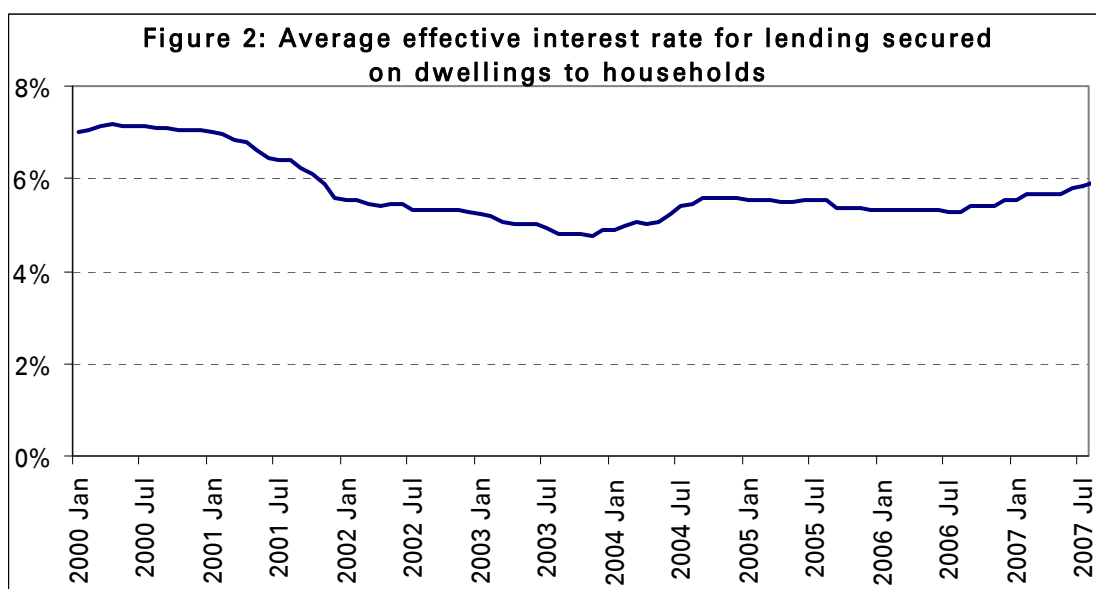
The outlook for interest rates remains uncertain - Consumer Prices Inflation (CPI) exceeded the Government's 2.0 per cent target in March 2007, reaching 3.1 per cent and although inflation has since fallen, it remains above the Government's target, at 2.1 per cent in October 2007. The Bank of England's

Monetary Policy Committee is of the view that CPI inflation faces a number of upside risks from oil, gas and food prices<sup>5</sup>.

The Retail Price Index (RPI) which, unlike CPI, includes additional items that relate mainly to housing costs, rose by 4.2 per cent in the year to October. Over the same period, RPIX (which excludes mortgage interest payments) rose by 3.1 per cent.

Figure 2 presents monthly data on the effective interest rate<sup>6</sup> for lending secured on dwellings, which is the average cost of secured borrowing across the entire household sector, and includes both fixed and variable mortgages. This rate is used to assess the overall economic impact upon the household sector of changes in the Bank of England's base rate. Three-quarters of total household borrowing is made up of mortgage debt.

The importance of this rate as a reflection of the average cost of borrowing across the household sector can be understood when one considers that banks offer a range of different mortgage products at different rates and terms. When mortgage rates change in response to base rate changes by the Bank of England, customers on fixed rates will remain on their existing rate until the fixed period runs out. By contrast, variable rate customers will often see their rates change the following month. Hence, effective rates average out all of these factors and measure the effect on the total customer base for that bank. When averaged across all banks they measure the economic effect on the entire household sector.



**Source: Bank of England, Monetary & Financial Statistics Interactive Database (not seasonally adjusted, nsa)**

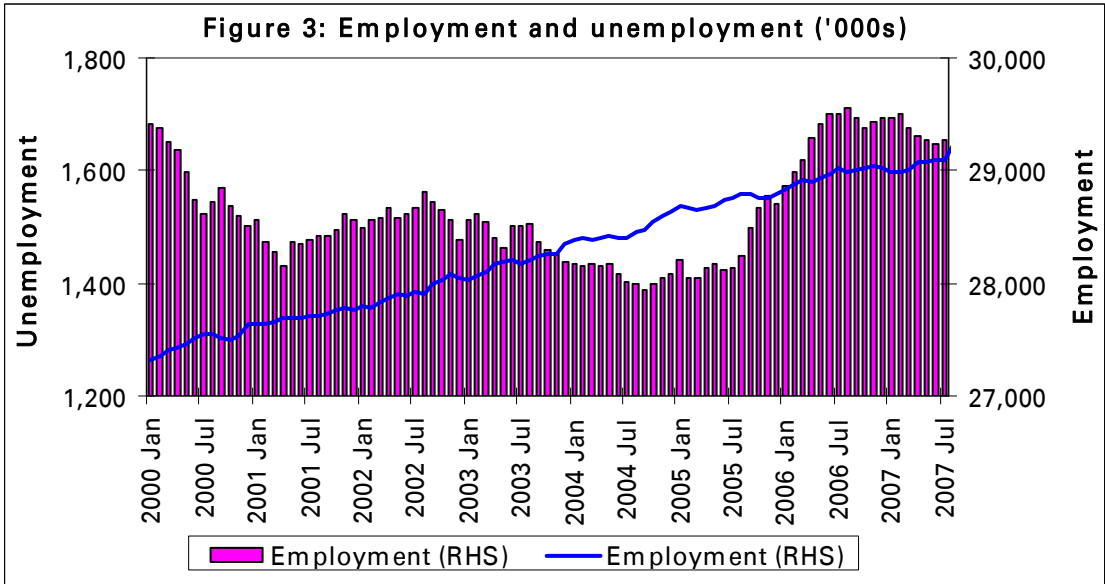
<sup>5</sup> <http://www.bankofengland.co.uk/publications/minutes/mpc/pdf/2007/mpc0711.pdf>

<sup>6</sup> This rate is computed using a survey in which the institutions taking part (most large retail banks) are selected from a population of over 400 UK-resident banks according to a stratified sample, where each stratum represents an economic sector or product type. The monthly effective interest rate for the household sector is computed as accruals of interest payable and receivable, divided by the average daily balance sheet total in the month for lending.

The effective interest rate has been on the rise since September 2006. The rate stood at 5.9 per cent in October 2007, 0.4 percentage points higher than December 2006. It is interesting to note that although the Bank of England has raised the base rate by 1.25 percentage points since July 2006 (there have been five 25 basis points increases), the effective interest rate that households face on their loans secured on dwellings has only risen by 0.6 percentage points. This, at least partly, reflects the fact that half of outstanding mortgages are now fixed-rate mortgages and means that the effective interest rate is likely to increase as more fixed rate mortgage holders' deals expire in the coming months.

## 2.2 Labour Market Trends

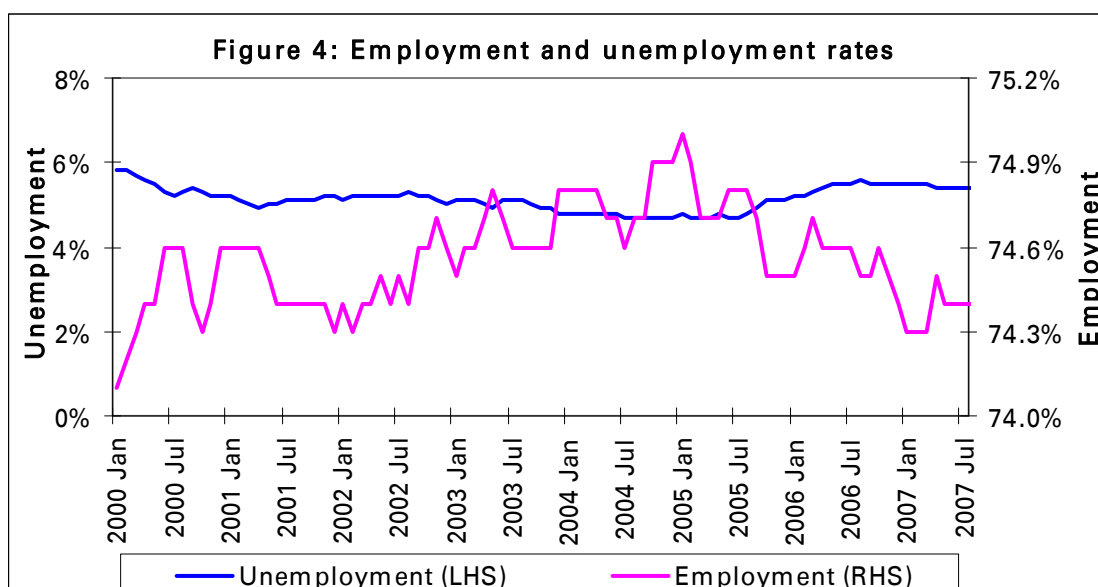
According to the November 2007 Labour Market Statistics<sup>7</sup>, in the three months to September 2007, the number of people unemployed rose slightly to 1.7 million, but the unemployment rate remained at 5.4 per cent. Over the same period, employment rose to 29.2 million - the highest level since comparable records began - with the employment rate<sup>8</sup> standing at 74.4 per cent.



Source: ONS, Labour Market Trends (seasonally adjusted: sa)

<sup>7</sup> <http://www.statistics.gov.uk/pdfdir/lmsuk1107.pdf>

<sup>8</sup> Calculated as the number of people aged 16 or over in employment over the total working age population.



**Source: ONS, Labour Market Trends (sa)**

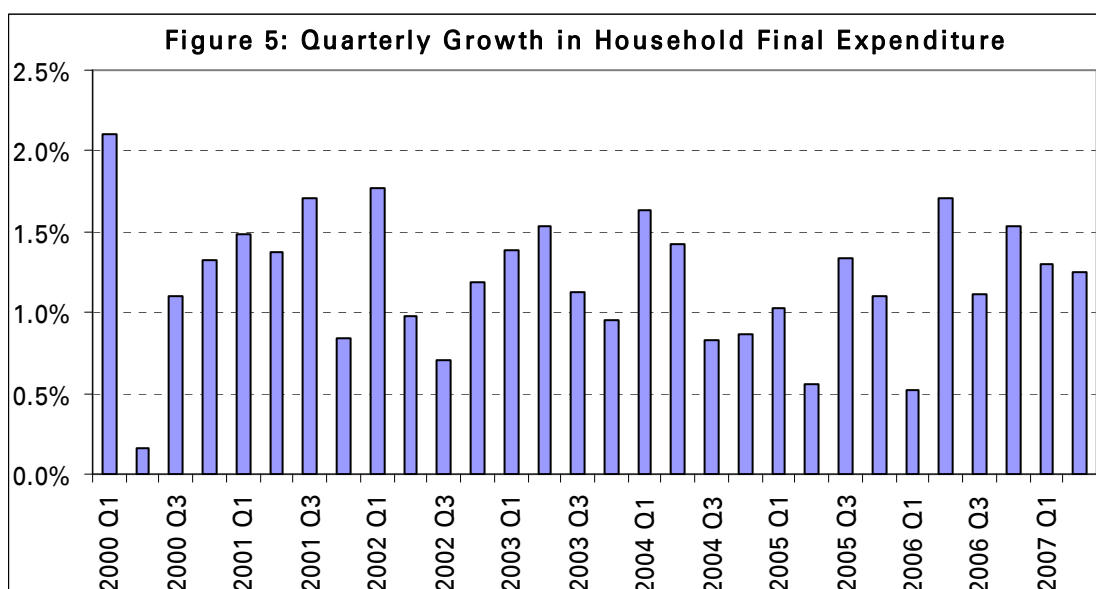
Turning to the longer term, the data presents a relatively positive picture for the UK labour market. The rising trend in unemployment levels seen through much of 2005 through to the start of 2006 appears to have levelled-off. The trend in the claimant count is also falling, defying expectations at the end of 2006 that the numbers of people claiming unemployment benefits would reach 1 million<sup>9</sup>. On the other hand, there are some negative findings including the fact that the working age inactivity rate has been rising over the past year, with the number of economically inactive people of working age reaching eight million in the three months to September 2007.

## 2.3 Consumer Spending

Figure 5 shows the growth in household final expenditure<sup>10</sup> measured as the percentage change relative to the previous quarter. Data for the second quarter of 2007 and shows a decline in the growth rate of consumer spending (seasonally adjusted) to 1.2 per cent quarter on quarter, down from 1.5 per cent in the final quarter of 2006. Relative to the second half of 2006, growth in consumer spending at the end of the first half of 2007 stood at 2.7 per cent higher, indicative of robust growth.

<sup>9</sup> HM Treasury, Forecasts for the UK economy: a comparison of independent forecasts, December 2006, available at <http://www.hm-treasury.gov.uk/media/B/6/forcomp201206.pdf>.

<sup>10</sup> Household final consumption expenditure covers, in the main, traditional consumer spending on all goods and services and includes imputed rent for the provision of owner-occupied housing services and consumption of own production. It does not include the purchase of dwellings or expenditure on valuables (antiques and some jewellery), nor does it include business expenditure.



Source: ONS, Consumer Trends (sa)

According to the Pre Budget Report 2007<sup>11</sup>, household consumption<sup>12</sup> grew by two per cent in 2006, somewhat stronger than at the time of the Budget. Looking forward, the Pre Budget Report 2007 forecasts that household consumption growth will continue at rates close to that of the economy as a whole.

## 2.4 Consumer Lending

Figures 6 and 7 indicate that consumer lending has grown less strongly during the first half of 2007 relative to the second half of 2006, with the increase in consumer lending primarily attributable to an increase in secured lending.

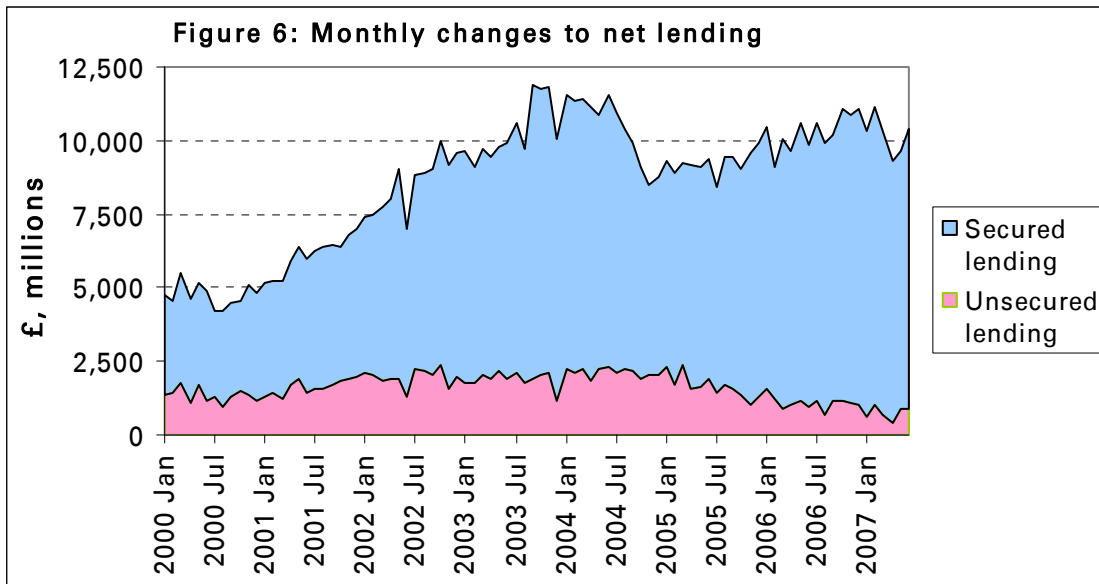
Figure 6 shows the seasonally adjusted<sup>13</sup> monthly changes to net lending<sup>14</sup>. Net secured lending increased by £66.7 billion during the first half of 2007. The increase in net unsecured lending over the first half of 2007 was £5.6 billion, below the £6.3 billion increase in the second half of 2006. Overall, lending increased by £72 billion in the first half of 2007.

<sup>11</sup> [http://www.hm-treasury.gov.uk/media/7/4/pbr\\_csr07\\_completereport\\_1546.pdf](http://www.hm-treasury.gov.uk/media/7/4/pbr_csr07_completereport_1546.pdf)

<sup>12</sup> The Budget uses a chained volume measure of growth that is different to the measure used in this Monitoring Paper; hence consumption growth rates are not directly comparable. The former measure uses changes in expenditure in volume terms whereas the growth measure we use is based on expenditure at current prices. It is useful to point out that expenditure in volume terms can be derived by deflating expenditure at current prices using a price deflator.

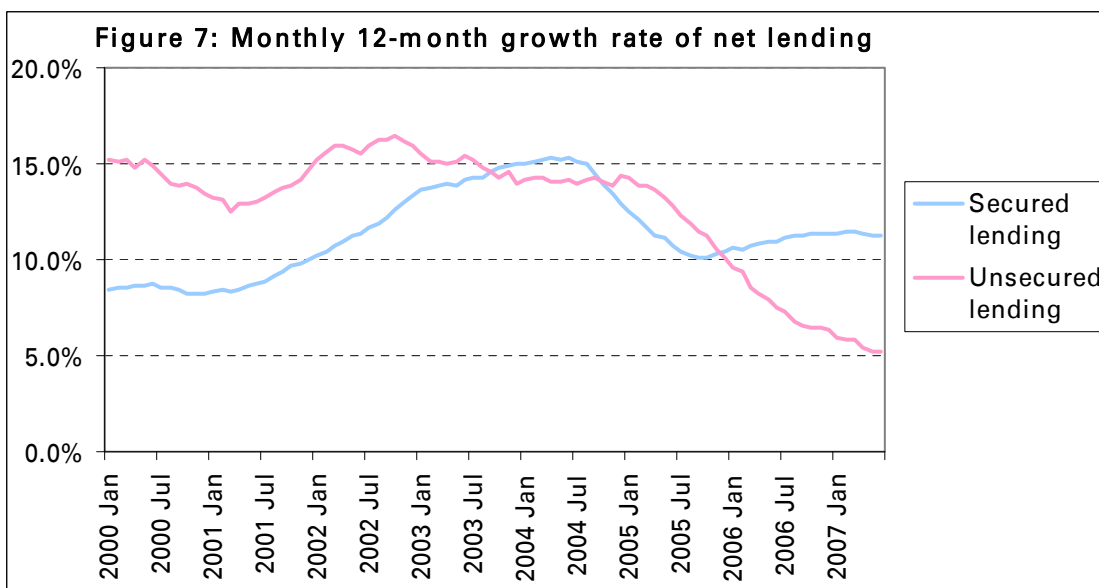
<sup>13</sup> Seasonally adjusted figures remove seasonal effects (e.g. credit card lending tends to increase in December as consumers spend more in the run-up to Christmas) and may give a more informative indication of the underlying trend.

<sup>14</sup> Net lending is calculated as gross lending (total value of loans advanced by institutions in the period) less repayments and other adjustments (e.g. for bad debt write-offs).



Source: Bank of England, Monetary & Financial Statistics Interactive Database (sa)

The data in Figure 7 captures the monthly annual growth rate of secured and unsecured lending to individuals<sup>15</sup>. Compared with December 2006, the monthly annual growth rate of unsecured lending declined in June 2007, whilst the growth rate of secured lending remained broadly flat. Specifically, the 12-month growth rate of unsecured lending continued the downward trend seen since 2005, decreasing during the aforementioned period from 6.4 per cent to 5.3 per cent. The 12-month growth rate of secured lending appears to be on a slight downward trajectory, decreasing from 11.5 per cent to 11.2 per cent between December 2006 and June 2007, and down from the recent high of 11.6 per cent in February 2007.



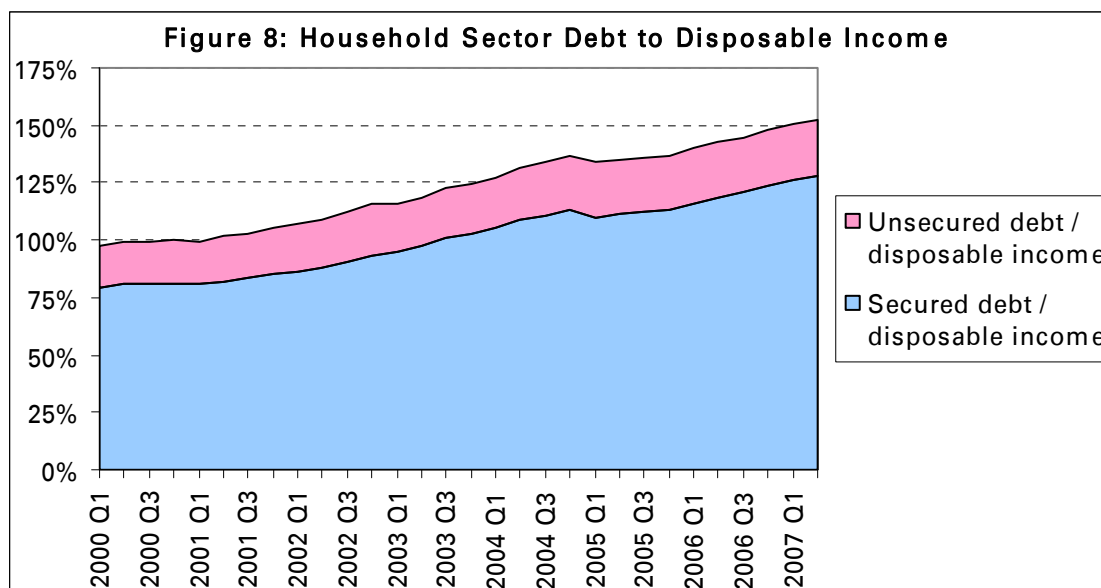
<sup>15</sup> Longer period growth rates (including the 3-month and 6-month (annualised) growth rates) are calculated by concatenating the one-month rates, (rather than dividing the flow for these longer periods by the opening level) to avoid distortions where there are breaks in the series.

Source: Bank of England, Monetary & Financial Statistics Interactive Database (sa)

## 2.5 Debt to Disposable Income and Financial Assets Ratios

Comparing household debt with income and asset levels is important because it enables an assessment of the household sector's real exposure to debt, which is not provided by levels of debt. The relevant income ratio shows how readily debt can be covered out of current income, while the asset ratios show how well consumers are potentially able to cover debt out of their stock of assets – the potential ability of assets to cover debts in the short run is likely to be dependent on the relative liquidity of the asset class in question. These ratios thus help inform views about the level of exposure consumers face from debt at different points in time, from a potential shock to the economy.

The total household debt to disposable income ratio<sup>16</sup> has continued to rise as shown in figure 8. The ratio of total debt to disposable income has risen to 152 per cent in the second quarter of 2007, up from 148 per cent in the fourth quarter of 2006. This rise has been solely driven by the expansion of secured debt - secured debt to disposable income ratio has increased from 124 per cent in the fourth quarter of 2006 to 128 per cent in the second quarter of 2007. By contrast, the unsecured debt to disposable income ratio has remained relatively steady at around 24 per cent in the second quarter of 2007, and indeed has remained at around this level since the end of 2004.

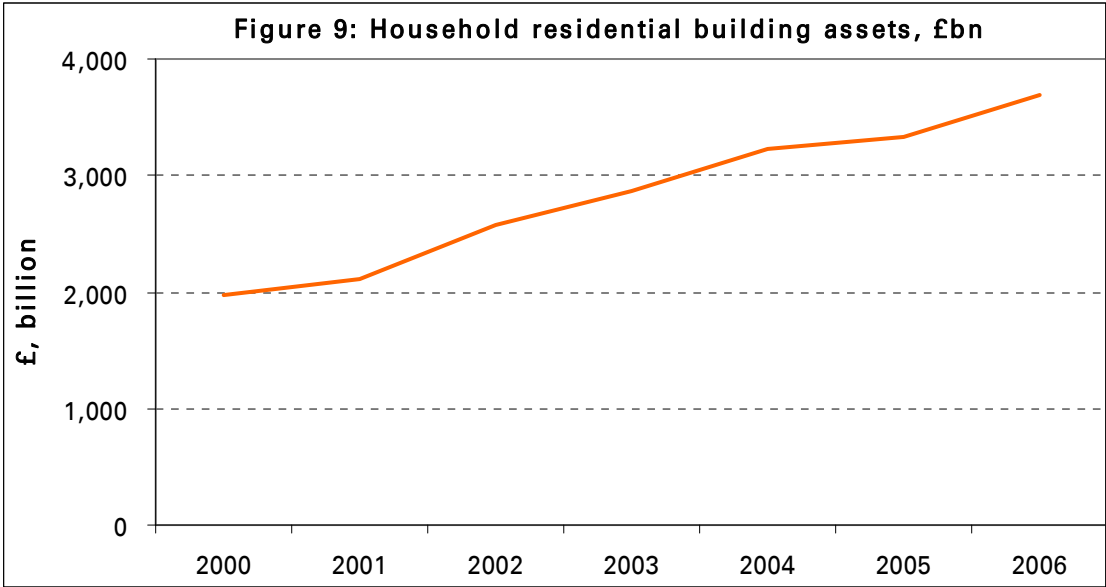


Source: ONS, Financial Statistics Consistent. (Seasonally adjusted income data)

Across all households the most significant asset held, albeit a relatively illiquid asset, is housing. Data for the level of housing wealth held is not available on a quarterly basis. The most recent data for the level of housing wealth held by the

<sup>16</sup> The measure of disposable income used is that of seasonally adjusted households' gross disposable income (ONS code: RPHQ). This is calculated as the seasonally adjusted total available household resources (ONS code: RPQK), adjusted for the change in net equity of households in pension funds.

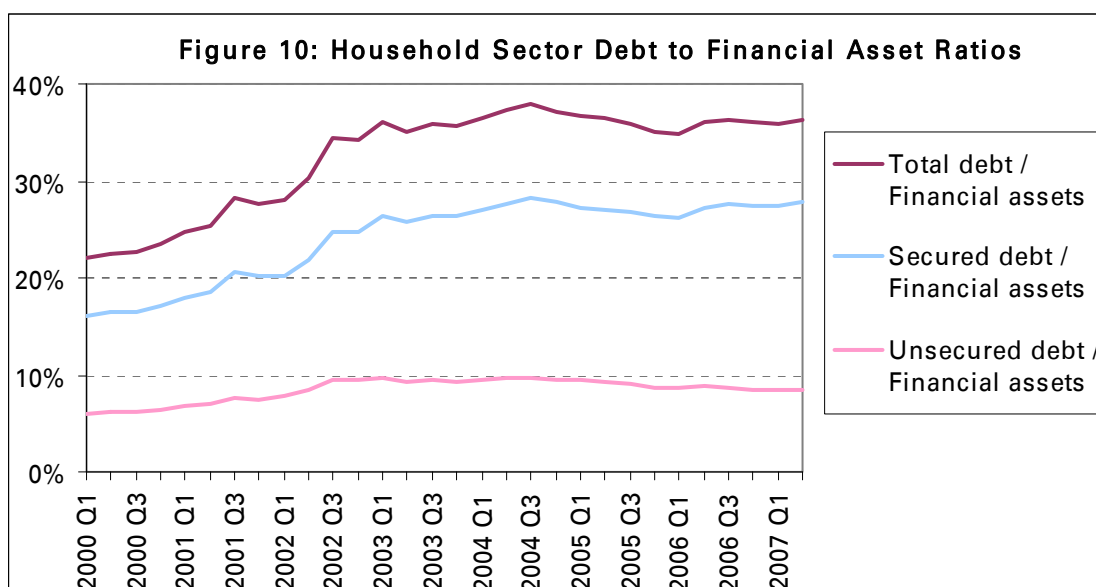
household sector is from 2006. Figure 9 shows household residential building assets have been increasing, with the rate of growth averaging almost 12 per cent per annum between 2000 and 2006. In 2006, the rate of growth was almost 11 per cent per annum and with £3.7 trillion in residential building assets being held.



Source: ONS, Financial Statistics Consistent (nsa)

Figure 10 reports quarterly data for the secured debt to financial assets ratio<sup>17</sup>, the unsecured debt to financial assets ratio and a combined total debt to financial assets ratio. Financial assets include a mix of both liquid (money or relatively easily converted into money) and more illiquid assets such as long-term loans. The importance of this measure of indebtedness is that it demonstrates the extent to which households can meet debt repayments out of their stock of assets and represents, when taken in conjunction with the debt to disposable income ratios, a more balanced view about households ability to meet debt levels.

<sup>17</sup> Financial assets, includes currency and deposits, security holdings (including bonds and equity holdings), long term loans and pension and life assurance funds and insurance premium prepayments.



**Source: ONS, Financial Statistics Consistent (nsa)**

Looking initially at the movements that have occurred between the fourth quarter of 2006 and the second quarter of 2007, very little change has actually occurred, with the total debt to financial assets ratios rising slightly to 36.2 per cent and the unsecured debt to financial assets decreasing slightly to 8.4 per cent. There was a small upward movement in the secured debt to ratio to 27.8 per cent over the first half of the year.

Of most interest is the fact that all three ratios are now off the high seen in the third quarter of 2004, with the total debt to financial assets ratio now 1.8 percentage points below the 38.0 per cent high seen in that quarter. Also, since the third quarter of 2004 there has been a 0.5 percentage point decline in the secured debt ratio and a 1.3 per cent decline in the unsecured ratio. Nevertheless, it is also clear from the graph that the three ratios have also experienced a substantial increase since 2000. Most strikingly, the total debt to financial assets ratio has risen by almost two-thirds from 22.1 per cent to its current level of 36.2 per cent. This has been driven by the changes in the secured debt to financial asset ratio that has risen from 16.1 per cent to 27.8 per cent in the second quarter of 2007.

In total, household wealth including both housing and financial assets was £7.5 trillion in 2006, with household secured and unsecured debt equal to approximately 17 per cent of this figure.

## 2.6 Summary of Macroeconomic Picture

A relatively benign labour market, historically low levels of interest rates and CPI inflation that is around the Government's two per cent target measure indicate an economy that continues to perform strongly. Nevertheless, the recent developments in interest rates could be starting to have an effect on consumer spending, which has showed signs of a downward trend.

In terms of consumer lending, the growth in unsecured lending continued to decelerate over the first half of 2007, as lenders have tightened credit terms on unsecured lending. According to the April 2007 Bank of England Financial Stability Report<sup>18</sup>, banks have tightened acceptance criteria and have cut credit limits to heavily indebted borrowers, a process aided by improvements in the amount and quality of data sharing between banks.

The increase in consumer lending was primarily attributable to an increase in secured lending, mostly mortgages. According to the Council of Mortgage Lenders Gross Lending Press Release for October 2007<sup>19</sup>, mortgage lending remains robust despite the five interest rate rises since July 2006. Nevertheless, the same report asserts that recent data reflects applications and approvals from before the mortgage market became affected by wholesale funding problems.

It is interesting to note that growth in specialist mortgage lending (including sub-prime<sup>20</sup> and buy-to-let mortgages) has recently outpaced mainstream mortgage lending in the UK. Recent problems in the US sub-prime mortgage market have caused concerns for the outlook of the UK market. Nevertheless, as the Bank of England's April 2007 Financial Stability Report points out, UK sub-prime lending has accounted for a smaller proportion of total mortgage lending than in the US, and underwriting standards<sup>21</sup> appear to have remained tighter.

This strong growth in secured lending has led to the total household debt to disposable income ratio to continue to rise, although consumers are no more exposed to debt when compared with their financial asset position than in December 2006. The increase in secured debt has been offset by the corresponding growth in housing wealth, both driven by the increase in the price of housing. Obviously, however, if house prices begin to fall, while the level of secured debt will remain unchanged the value of housing assets will decline, reducing the ability to service debt obligations.

Recent developments in global credit markets have led to higher market interest rates across almost all developed and emerging markets. In the UK, Northern Rock, a mortgage bank, experienced particular liquidity difficulties as a result of its relative reliance on wholesale funding. The Chancellor authorised the Bank of England to provide special liquidity support to Northern Rock and made arrangements to guarantee deposits in the bank. These measures have been taken to avert a genuine threat to the stability of the financial system and in order to avoid a serious disturbance in the wider economy.

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<sup>18</sup> <http://www.bankofengland.co.uk/publications/fsr/2007/fsrfull0704.pdf>.

<sup>19</sup> <http://www.cml.org.uk/cml/media/press/1411>

<sup>20</sup> Albeit there is no standard definition for sub-prime mortgage lending in the UK, the term is used to refer to 'adverse credit' mortgages, which includes lending to individuals who have experienced material and recent credit difficulties.

<sup>21</sup> Underwriting standards refers to various requirements, such as collateral, loan maturities, pricing, and covenants, that banks establish when originating and structuring loans.

It is too soon to quantify rigorously the effect of higher market interest rates feeding through to tighter credit conditions and to household and company spending. However, over the medium term recent financial market disruption presents clear risks to economic prospects. The longer inter-bank interest rates remain elevated, the greater the risk of this feeding through into retail lending rates and tighter credit conditions more generally, with potential knock on effects for consumer spending and the housing market.

## Chapter Three

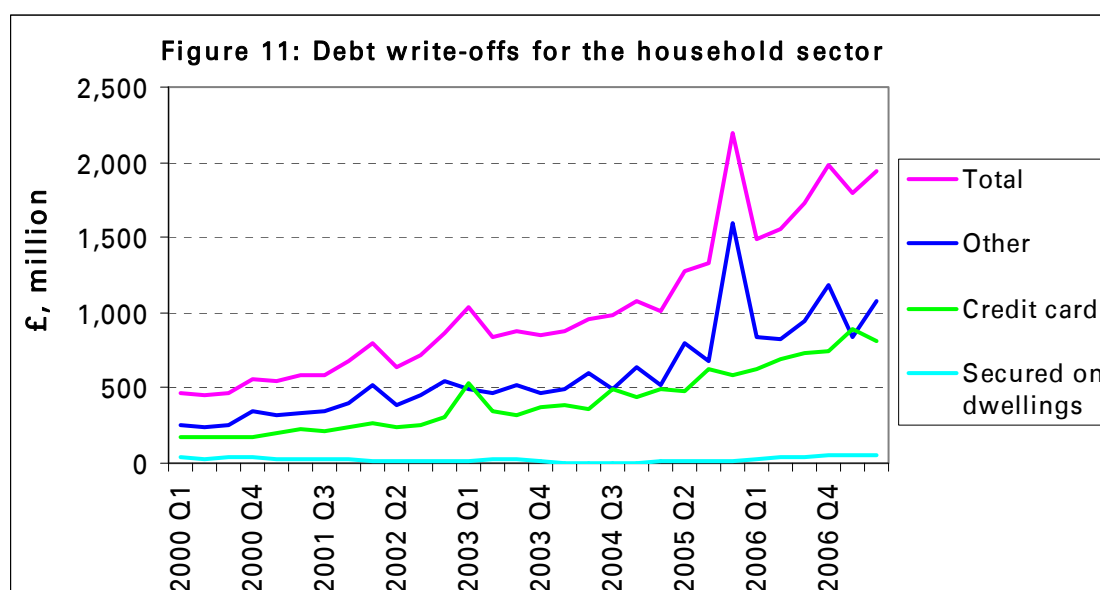
# Analysis of Problem Debt

In contrast to the previous section which dealt with debt at the aggregate level, the following section explores the degree to which households experience problems with over-indebtedness. The section begins by looking at the levels and rates of debt write-offs on secured and unsecured borrowing, before turning to mortgage arrears and possessions. It then looks at personal insolvencies.

### 3.1 Levels and Rates of Debt Write-offs

Overall, the level of debt write-offs has remained broadly flat relative to the end of 2006 although the rates of debt write-offs have increased.

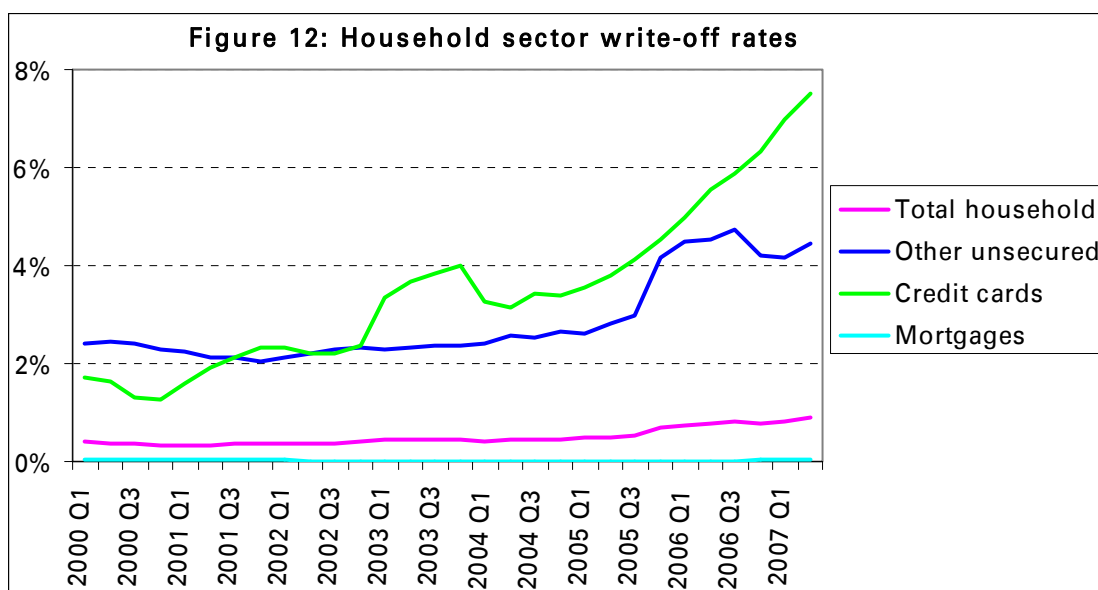
Turning first to the amount of debt written off<sup>22</sup>, debt secured on dwellings and credit card debt has risen over the first half of 2007, whilst debt other than credit card and mortgage debt has declined during that period. Overall, total debt write-offs were broadly flat between the second half of 2006 and the first half of 2007 at £3.7 billion as the decline in debt write-offs on debt other than credit card and mortgage debt, which declined by approximately ten per cent to £1.9 billion across this period, was offset by a 15 per cent increase in credit card write-offs, to £1.7 billion. The amount of write-offs on mortgage debt has increased by six per cent to £103 million, albeit a level that represents only a small fraction of total debt write-offs (three per cent of all debt write-offs).



<sup>22</sup> The peak in the 'other' series and the 'total' series seen in the fourth quarter of 2005 was caused by a single bank writing off an amount of bad debt equal to £0.7bn in that period.

Source: Bank of England, Monetary & Financial Statistics Interactive Database (nsa)

Figure 12 reports quarterly household write-off rates (debt written-off relative to outstanding debt levels)<sup>23</sup>. Between November 2006 and May 2007 (the quarterly period for which data is available) mortgage write-off rates increased from 0.026 per cent to 0.034 percent, credit card write-offs rates rose from 6.3 per cent to 7.5 per cent and other unsecured debt rose from 4.2 to 4.4 per cent. Overall, the net effect has been that total write-off rates have risen slightly from 0.8 per cent to 0.9 per cent over the period.



Source: Bank of England, Financial Stability Report, October 2007

Looking at the whole period since 2000, it is clear from figure 12 that credit card write-off rates have been on an upward trajectory, rising from below two per cent at the start of 2000, to the current level of 7.5 per cent. In terms of other unsecured debt, write-off rates remained fairly flat from the start of 2000 up to the third quarter of 2005 at an average of around 2.4 per cent, before jumping to a level of over four per cent from November 2005. Total debt write-offs were similarly flat, before entering a period of gradual increase from the beginning of 2005 up to their current levels.

It should be noted that write-off rates are dependent on specific bank policies, which may vary over time, so the rising level of write-off rates may not simply be a symptom of households increasingly stretching themselves. Indeed, the April 2007 Financial Stability Report points out that major UK banks had been in the process of tightening credit availability for some borrowers, including the highly indebted. Thus, these rates capture both the degree to which individuals'

<sup>23</sup> Quarterly write-off rates are calculated as the sum of write-offs over the previous three months divided by average quarterly stock of lending over the aforementioned period. Write-off rates are calculated on write-offs of UK household debt held by the 10 largest financial intermediaries, with the assessment of the 10 largest based on the value of banking-type services in the UK.

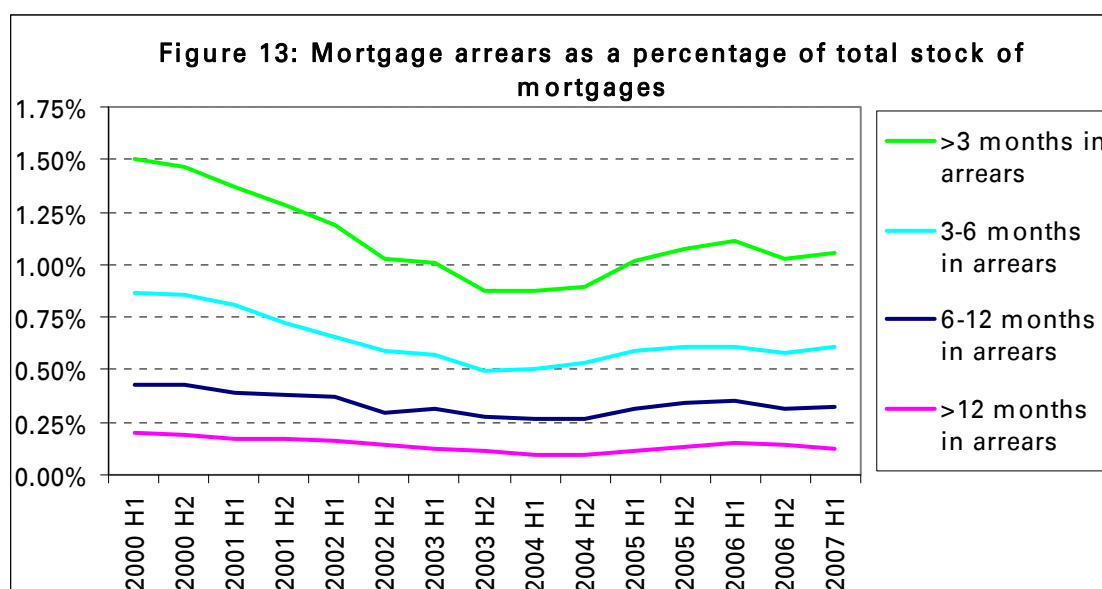
debt situation becomes unmanageable and banks' willingness to write off that debt.

As figure 7 showed, the growth rate in unsecured lending has continued to slow and this finding accords with the tightening of credit conditions by the major UK banks over the last two years. The tightening of credit conditions was facilitated by improvements in the amount and quality of data sharing between banks. According to the April 2007 Financial Stability Report, data sharing enabled UK banks to build 'positive' data into their credit risk models, including data on an individual's overall credit exposure and repayment patterns. Finally, the same report points out that several of the major UK banks take the view that write-offs on unsecured debt may be stabilising. However, the October 2007 Financial Stability Report<sup>24</sup> notes that write off rates are lagging indicator of stress. This report states that given the increased risks surrounding some household's finances as credit conditions tighten, uncertainty over the outlook for defaults has increased recently.

As far as write-offs on secured lending are concerned, the Bank's April 2007 Financial Stability Report states that there are no signs of spillover from the problems in the unsecured market.

### 3.2 Mortgage Arrears and Repossessions

Figure 13 reports half-yearly data from the Council of Mortgage Lenders (CML)<sup>25</sup> on mortgage arrears as a percentage of the total stock of mortgages, by number of months in arrears. The most recent half-yearly data shows the total stock of mortgages standing at just under £11.8 million.



Source: Council of Mortgage Lenders

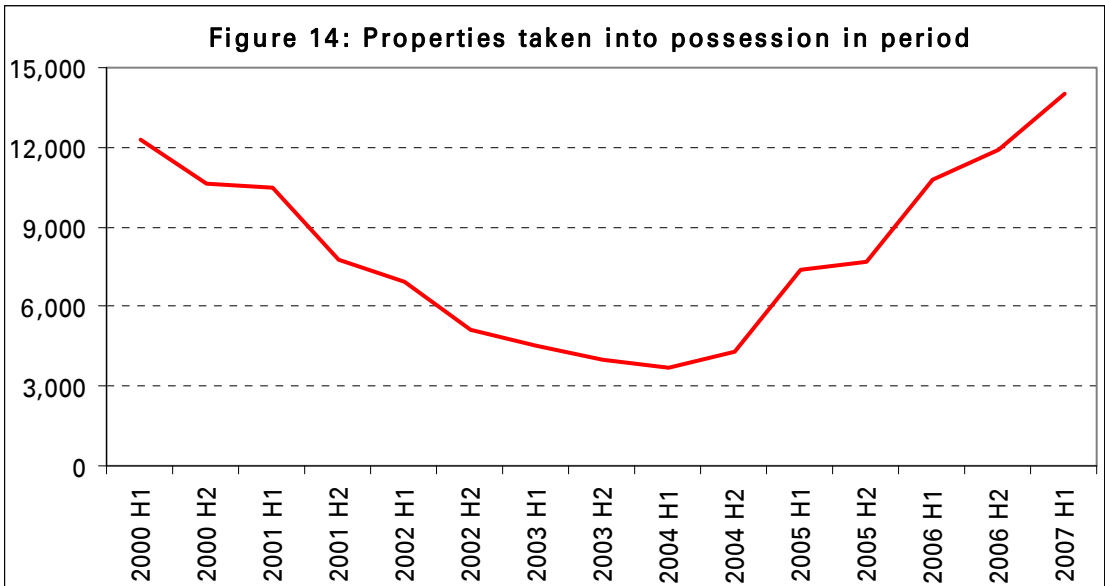
<sup>24</sup> <http://www.bankofengland.co.uk/publications/fsr/2007/fsrfull0710.pdf>

<sup>25</sup> The Council of Mortgage Lenders has 162 members that comprise of banks, building societies and other lenders who together undertake around 98 per cent of all residential mortgage lending in the UK.

At the end of the first half of 2007, 1.1 per cent of mortgages were more than three months in arrears. Relative to December 2006, the number of mortgages with shorter term arrears, of three to six months, increased by 6.1 per cent, and now represents 0.6 per cent of all mortgages. However, the number of mortgages more than six months behind on payments increased by only 0.9 per cent, from 52,800 to 53,330 at the end of June 2006. This figure represented 0.5 per cent of all mortgages in June 2007. It is pertinent to point out that compared with a year earlier (i.e. June 2006), the number of mortgages with arrears of more than six months decreased by 9.0 per cent.

Looking at longer-term trends, since the beginning of 2000, mortgage arrears as a percentage of total mortgages have been on a downward trend and since the end of 2002 they have remained stable around one per cent of total mortgages.

Figure 14 shows the number of properties taken into possession over half-yearly periods. The number of properties taken into possession during the first six months of 2007 stood at 14,000, almost 18 per cent higher than the second half of 2006. Although significantly higher than in the recent past, the number remains low by historical standards<sup>26</sup> and still only represents 0.1 per cent of all loans.



Source: Council of Mortgage Lenders

According to the CML’s Arrears and Possessions Statistics August 2007 press release<sup>27</sup>, it is possible that possessions have risen more sharply than arrears over the past two years for at least two factors, namely:

- The impact of an increasing amount of sub-prime lending within the overall market, where the higher risk nature of the business means that arrears are

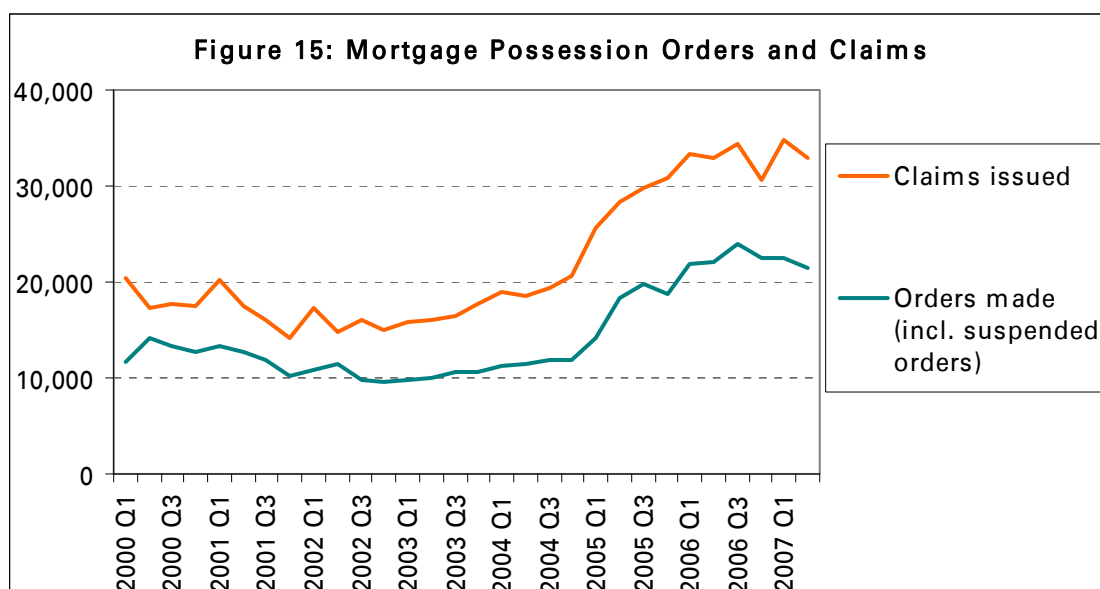
<sup>26</sup> Between 1990 and 2000, the number of properties taken into possession exceeded 13,000 in every half-yearly period, and between 1990 the second quarter of and 1996 the first quarter of the number of properties that were taken into possession in every half-yearly period exceeded 24,000.

<sup>27</sup> <http://www.cml.org.uk/cml/pdf/pdf.jsp?pdfpath=/cml/media/press/1239>.

more likely to translate through to possessions, and that this is likely to happen at an earlier stage.

- Increasingly active arrears management by all lenders – lenders now typically seek contact with the borrower to establish a repayment plan as soon as one payment is missed, so it is likely that many households avoid falling further into arrears unless their financial situation makes this unavoidable.

Figure 15 reports quarterly data on mortgage possession orders and claims. There are two main reasons why information relating to mortgage possessions may not be an accurate reflection of households' mortgage position. First, there are time lags involved in mortgage possessions occurring and, second; actual repossession may not happen even if court action is taken as the relevant parties may negotiate an arrangement. For these reasons, timelier information with regard to the repossession situation can be seen from mortgage claim and orders data collected by the Ministry of Justice (MoJ) that relate to actions happening in court.



Source: Ministry of Justice

Mortgage possession claims<sup>28</sup> made in the first half of 2007 totalled 67,720, an increase of 4.2 per cent relative to the second half of 2006. However, mortgage possession orders<sup>29</sup> fell by 5.6 per cent to just below 44,000. It should be noted that claims issued are always higher than orders made because even where a warrant for possession is issued, the relevant parties can still negotiate a compromise to prevent eviction. In the same vein, orders made are higher than

<sup>28</sup> Possession claims involve a claimant beginning an action for an order of possession of property by issuing a claim in a county court.

<sup>29</sup> Orders made include suspended orders, which are frequently granted, and which grant the claimant possession but suspend the operation of the order. Provided the defendant complies with the terms of the suspension, which usually require the defendant to pay the currently mortgage/rent instalments plus some of the accrued arrears, the possession order cannot be enforced. An order entitles the claimant to apply for a warrant to have the defendant evicted.

actual reposessions (as seen in Figure 14) as the relevant parties may negotiate an arrangement.

It is important to point out a difference in the collection of data for the number of mortgage possession claims and orders and of mortgage possessions as presented in Figures 14 and 15 respectively. The MoJ records data for actions taken in court in England and Wales only, whereas the CML data pertain to the whole of the UK.

### 3.3 Personal Insolvency

A number of statutory insolvency instruments are available to individuals facing serious financial difficulty, including bankruptcy, Individual Voluntary Arrangements in England, Wales and Northern Ireland and sequestrations and protected trust deeds in Scotland<sup>30</sup>. In addition to statutory instruments, individuals also have non-statutory options, such as Debt Management Plans, re-mortgaging and debt consolidation. The following two subsections look at first statutory insolvency instruments and followed by non-statutory instruments.

#### i) Statutory Insolvency Instruments

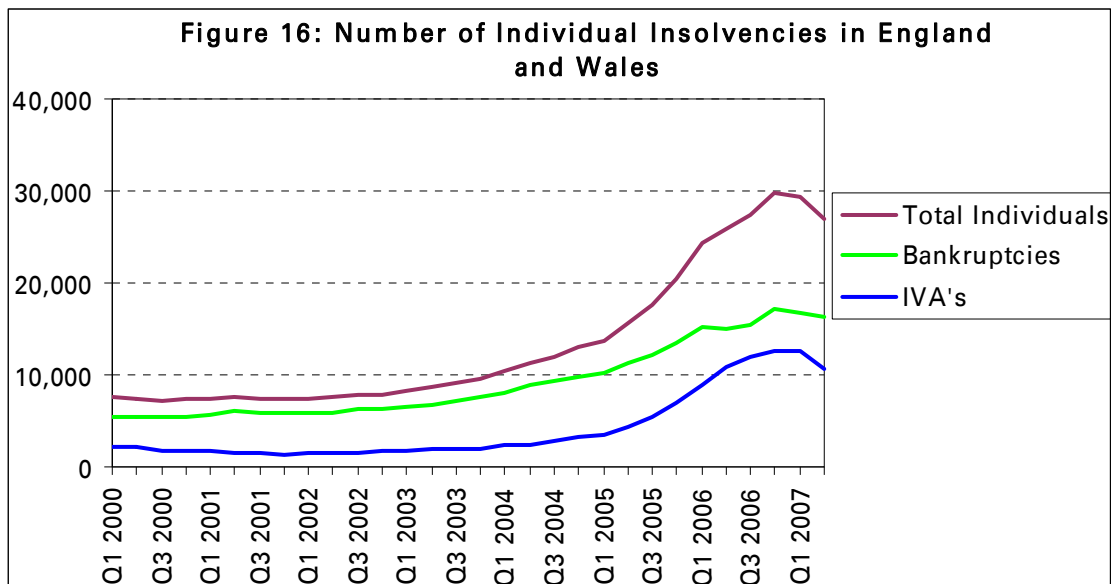
##### England and Wales

According to Figure 16, there were over 56,000 Individual Voluntary Arrangements (IVAs) in England and Wales (calculated on a seasonally adjusted basis) in the first half of 2007. This represents a decrease of 1.5 per cent since the second half of 2006. Bankruptcies increased slightly to 33,000, whilst IVAs decreased by 5.3 per cent to around 23,300.

Looking over the longer term, personal statutory insolvencies in England and Wales have almost quadrupled since the beginning of 2000, and as figure 16 shows, the growth in the number of insolvencies appears to have accelerated between the first quarter of 2005 and the last quarter of 2006. In the first half of 2007 individual insolvencies have decreased, but it is still too early to say whether this will be a trend that will be maintained. IVA growth has been stronger than that for bankruptcies, and this is partly believed to be attributable to the strong advertising of IVAs by debt management companies and IVA providers.

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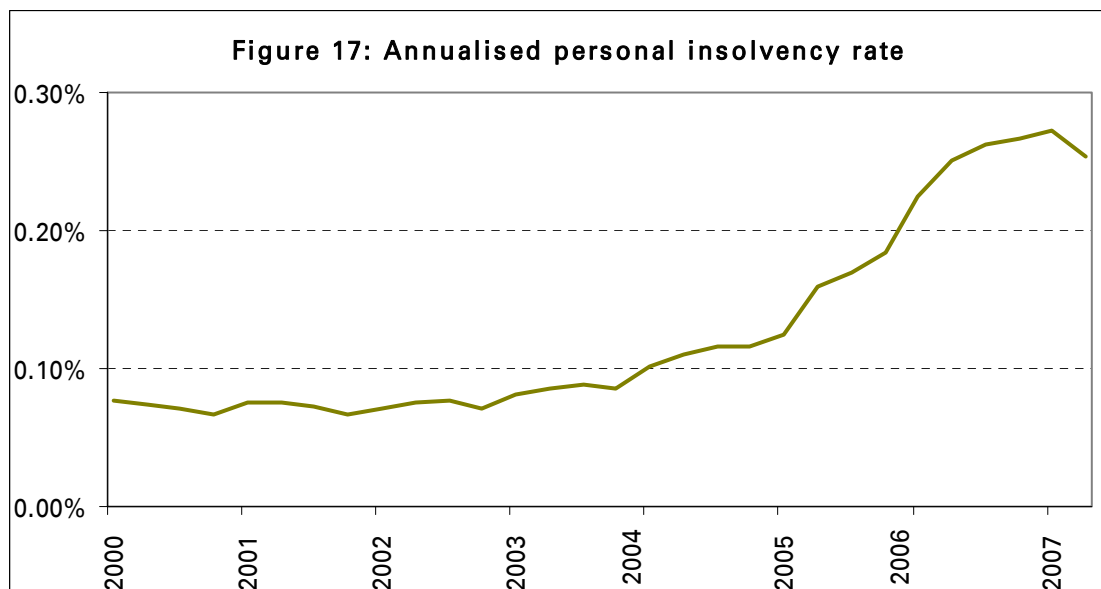
<sup>30</sup> Insolvencies in Scotland and Northern Ireland are shown separately as they are covered by separate legislation as well as there being some differences in definitions pertaining to insolvency mechanisms.



Source: Insolvency Service (sa)

### Personal Statutory Insolvency Rate

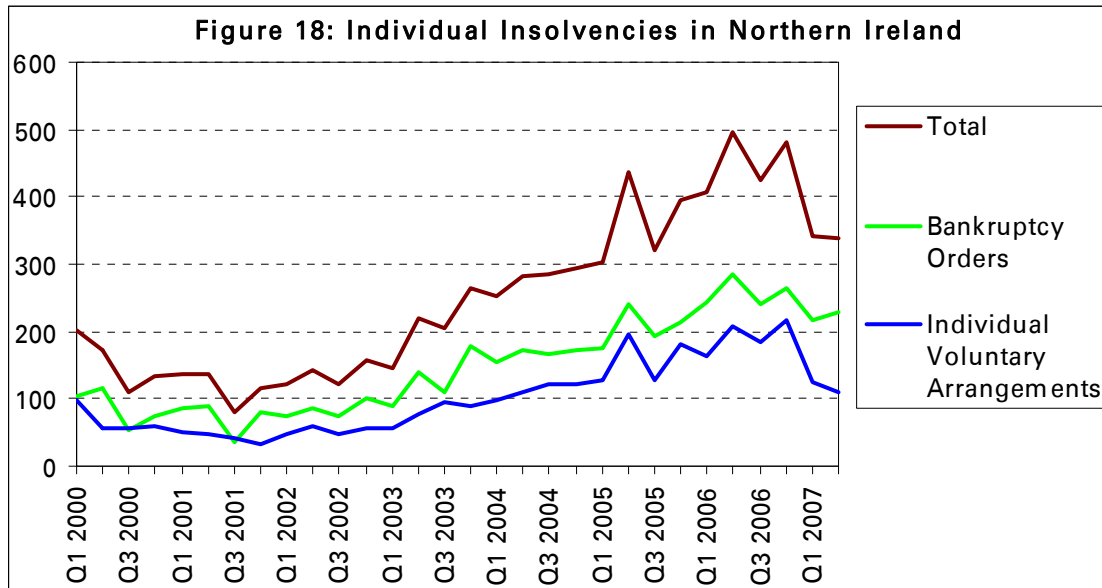
Figure 17 shows the annualised personal insolvency rate for England and Wales, which is computed as the ratio of personal insolvencies (including bankruptcies and IVAs) relative to the population aged 16 years and over. In June 2007, the annualised personal insolvency rate declined to 0.25 per cent from 0.27 per cent in December 2006.



Source: Insolvency Service and the ONS

### Northern Ireland

Figure 18 shows the number of individual insolvencies in Northern Ireland. As with the data for England and Wales, personal insolvency has decreased in the first half of 2007. Personal insolvencies decreased by 25 per cent in the first half of 2007, of which, bankruptcies decreased by 12 per cent and IVA's decreased by 42 per cent.



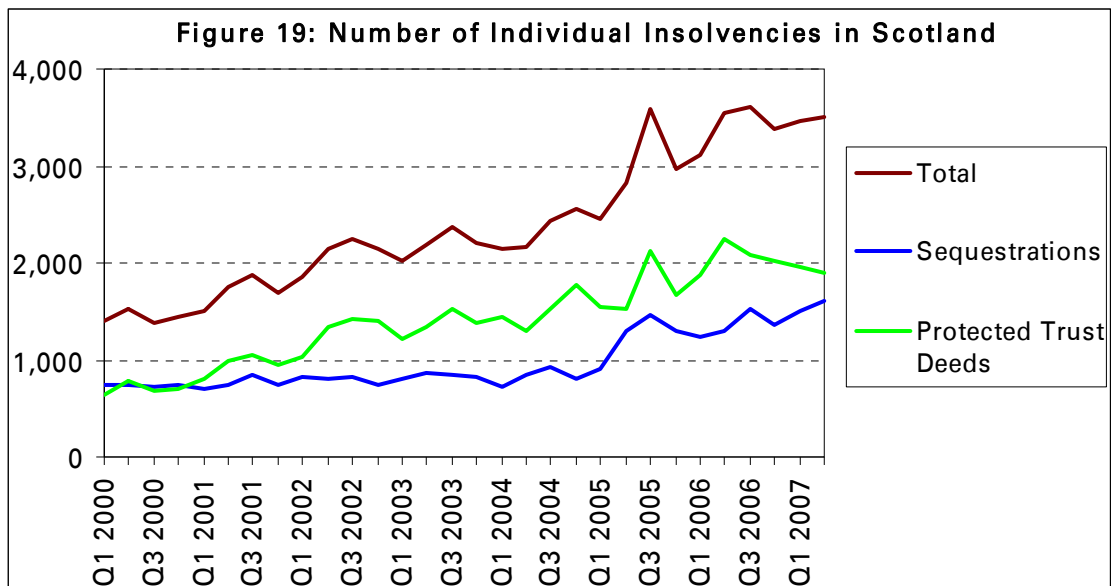
Source: Insolvency Service

### Scotland

Owing to Scotland's different judicial system, the schemes in place are not the same as those in England and Wales. Nevertheless, sequestrations are comparable to bankruptcies in England and Wales and trust deeds work in a similar way to IVAs<sup>31</sup>.

The growth of personal insolvencies in Scotland has been slower both over the short and long run compared with England and Wales as can be seen in Figure 19. Total insolvencies remained fairly flat between the second half of 2006 and the first half of 2007. Although sequestrations increased by 7.9 per cent over the period, trust deeds fell by 5.9 per cent.

<sup>31</sup> Under certain conditions, trust deeds can be registered as "protected", meaning that creditors cannot then seek sequestration to recover the debts. To prevent a trust deed from being protected either a majority of creditors, or creditors representing at least a third of the debt must register their objections within five weeks of being informed of the move to protect the trust deed. Unlike IVAs, there is no minimum threshold to meet before a person qualifies for a trust deed.

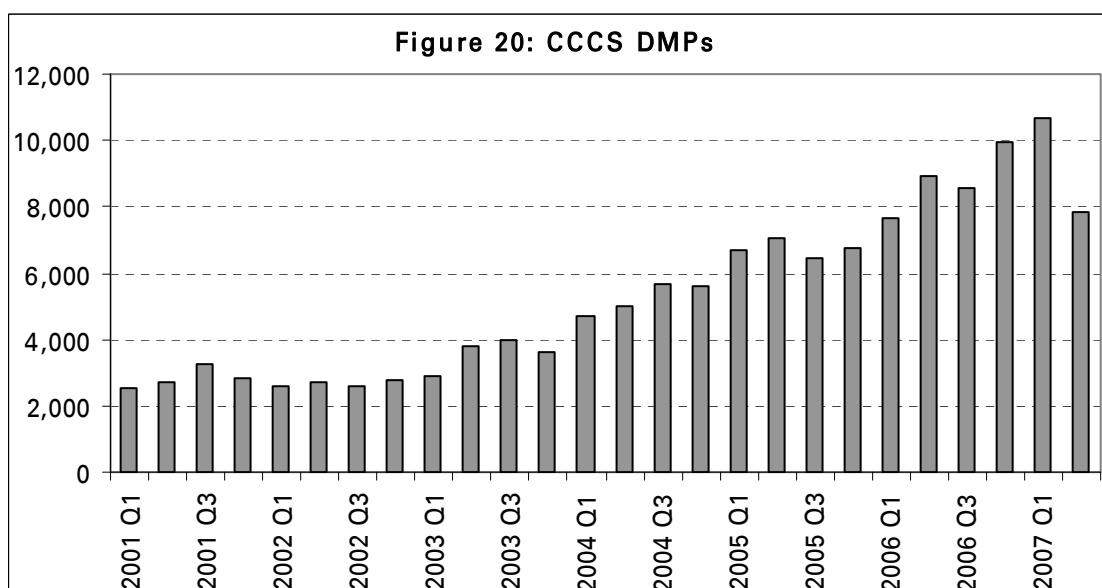


Source: Insolvency Service (nsa)

## ii) Non-Statutory Insolvency Instruments

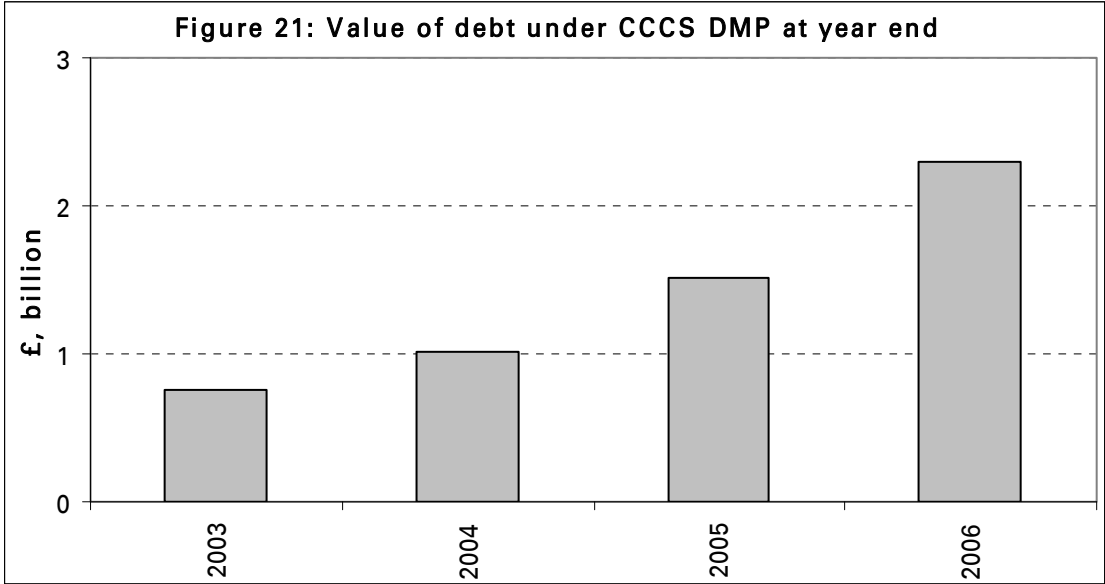
The following section sets out the information on Debt Management Plans (DMPs) from the Consumer Credit Counselling Service (CCCS). A DMP is an informal non-statutory insolvency instrument between a client and a creditor that can be utilised to address financial difficulties related to unsecured debt. Aggregate data is not available with which to report on the number of DMPs, and instead the section sets out the information CCCS, which manages around ten per cent of all debt repayment programmes within the UK

Figure 20 shows quarterly figures for the number of DMPs set up by CCCS since 2001. The second quarter of 2007 saw a sharp drop in the number of DMPs to approximately 7,800. This is a fall of 21 per cent compared with the fourth quarter of 2006. In terms of annual figures, DMPs in 2006 totalled 35,135, an increase of 30 per cent relative to 2005, and continuing the strong annual growth in DMPs that has occurred since 2002.



**Source: CCCS Trouble Totals<sup>32</sup>**

In terms of the value of total debt under CCCS DMPs, this had risen to £2.3 billion by the end of 2006, over 50 per cent higher than the £1.5 billion held at the end of 2005.



**Source: CCCS Statistical Yearbook 2006<sup>33</sup>**

### 3.4 Summary of Personal Insolvency Section

Relative to the end of 2006, personal insolvencies have shown signs of a downward trajectory in England and Wales, and in Northern Ireland, whilst they have continued on an upward trend in Scotland. By contrast, personal insolvencies were on the rise prior to the beginning of 2007 across all regions of the UK.

The drop in the number of statutory insolvencies in England and Wales and the number of new DMPs by CCCS are supportive of the view that insolvencies may have entered a period of decline, although changes in credit conditions since this time may have substantially altered the picture going forward. The decline in DMPs was particularly large, an explanation for which may be related to greater substitution from DMPs towards IVAs, partly because of greater awareness of the IVA option.

According to the Bank of England, the rise in personal insolvencies prior to January 2007 could be partly attributed to the behaviour of lenders. Specifically, the April 2007 Financial Stability Report points out that in previous years, banks had less stringent lending standards, partly to maintain market share in the face of strong competition. Over the following years, banks curtailed unsecured lending and tightened credit standards, which may have

<sup>32</sup> [http://www.ccs.co.uk/research/2007/Trouble\\_per\\_cent20totals\\_per\\_cent20the\\_third\\_quarter\\_of\\_per\\_cent2007.pdf](http://www.ccs.co.uk/research/2007/Trouble_per_cent20totals_per_cent20the_third_quarter_of_per_cent2007.pdf)

<sup>33</sup> [http://www.ccs.co.uk/research/2007/Stats\\_per\\_cent20Yearbook\\_per\\_cent202006.pdf](http://www.ccs.co.uk/research/2007/Stats_per_cent20Yearbook_per_cent202006.pdf).

further contributed to the rise in defaults by making it more difficult for households to roll over loans.

Looking ahead in relation to the path of individual insolvencies, the Bank of England points out that the outlook for personal bankruptcies is uncertain for two reasons. First, it believes that there has been some substitution away from DMPs towards IVAs, partly because of greater awareness of the IVA option. Second, the Bank's contacts report that IVAs have been clustered along geographical lines and among certain occupations, suggesting that their take up may have spread by word-of-mouth, thereby posing problems in predicting the future path of insolvencies.

### 3.5 Analysis of Personal Insolvency

Personal insolvency levels can and do fluctuate. There is no definitive evidence of a single driver that might be contributing to the overall increase in personal insolvencies, although research generally attributes changes in bankruptcy numbers to economic factors, in particular availability and levels of credit, although debt to asset ratios, interest rates and employment levels all play a part.

#### Key drivers of personal insolvency

The Insolvency Service has also published a report of a study into causes of failure in bankruptcy<sup>34</sup>. This shows that:

- The most common cause of failure in bankruptcy over the study period was 'living beyond the bankrupt's means'. This was cited as a cause of failure in 63 per cent and 70 per cent of bankruptcy cases in 2003/4 and 2004/5 respectively, and was the primary cause in 42 per cent and 48 per cent of cases in 2003/4 and 2004/5 respectively;
- Unplanned changes to the bankrupt's circumstances were cited as a cause of failure in 34 per cent and 41 per cent of bankruptcy cases in 2003/4 and 2004/5 respectively, and were the primary cause in 20 per cent and 27 per cent of cases in 2003/4 and 2004/5 respectively;
- The loss of, or significant reduction in, the bankrupt's income was the most common unplanned change to a bankrupt's circumstances that was cited as the primary cause of failure. This was primarily due to loss of employment; and
- A business failure was cited as a cause of failure in 31 per cent and 21 per cent of bankruptcy cases in 2003/4 and 2004/5 respectively, and was the primary cause of failure in 27 per cent and 19 per cent of cases in 2003/4 and 2004/5 respectively.

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<sup>34</sup> The Insolvency Service (2006): Causes of Failure in Bankruptcy and Compulsory Liquidation, <http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/policychange/causes/Report%20-%20Cause%20of%20Failure.pdf>

## Impact of recent law changes and attitudes to bankruptcy

There have been some recent media reports asserting that bankruptcy may have become an 'easy option' now due to changes to the personal insolvency regime brought about by the Enterprise Act 2002, or that people can now behave irresponsibly and simply 'dump' their debts and walk away. To address such concerns, The Insolvency Service is continuing to evaluate the effects of the Enterprise Act 2002 through the publication of various surveys and will be publishing an evaluation report later this year.

The results of a survey carried out by The Insolvency Service in 2006 assessing bankrupt's views on discharge from bankruptcy<sup>35</sup> supports the view that the drivers of bankruptcy are not legislative and that the reduction in the discharge period has had little impact on a debtor's decision to enter into bankruptcy:

- Only 16 per cent of bankrupts surveyed were aware of, and influenced by (in varying degrees) the reduction in the automatic discharge period when deciding to go through bankruptcy rather than another debt relief route; and
- Overall, only 8 per cent of bankrupts surveyed were aware of, and influenced by (in varying degrees) the early discharge provisions when deciding to go through bankruptcy rather than another debt relief route.

Further, The Insolvency Service has carried out surveys regarding attitudes to bankruptcy before and after the Enterprise Act 2002<sup>36</sup>. These surveys show that:

- To date, the Enterprise Act 2002 has not significantly changed the perceived level of stigma associated with bankruptcy;
- A person is more likely to believe that there is a stigma associated with bankruptcy as bankruptcy becomes a possibility/reality; and
- The perceived level of stigma associated with bankruptcy appears to not have significantly changed because the stigma associated with bankruptcy arises from factors (such as advertisement of the bankruptcy order) which were unaffected by the Enterprise Act 2002.

These studies indicate that bankruptcy continues to be the remedy of last resort for the majority of those facing financial problems, which has a wide-ranging impact on those who enter into it, not least the possibility of severe restrictions on debtors' ability to obtain future credit.

## Profile of Bankrupts

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<sup>35</sup> The Insolvency Service (2006): Discharge from Bankruptcy, [http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/policychange/Discharge\\_per\\_cent20from\\_per\\_cent20bankruptcy.doc](http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/policychange/Discharge_per_cent20from_per_cent20bankruptcy.doc)

<sup>36</sup> The Insolvency Service (2007): Attitudes to bankruptcy revisited <http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/policychange/ABrevisited/ABrevisited.pdf>

The report on the profiles of bankrupts, collectively in England and Wales and on a regional basis, over a three-year period ended March 2006<sup>37</sup>. This shows that:

- The majority of bankruptcy orders were made on a debtor's own petition, and the proportion of bankruptcy orders made on a debtor's own petition increased over the study period;
- Over half of those who became bankrupt were men, although the proportion of female bankrupts increased. Female bankrupts tended to be younger than male bankrupts;
- The average age of a bankrupt was 41;
- Whilst there has been an increase in the annual number of insolvencies, this is attributable to increases among non-traders. The proportion of self-employed bankrupts has fallen and conversely, the proportions of bankrupts who were employees, had no occupation or were unemployed increased.

The Insolvency Service plans to revisit the study on characteristics of bankrupts and publish those results in the first quarter of 2008.

### **Concerns in relation to advertising of IVAs**

IVAs are an alternative to bankruptcy aimed at individuals who have assets or income (or both) to repay at least some of their debt, resulting in significantly higher returns to creditors. 75 per cent by value of the creditors must agree to the debtor's proposal. The arrangement is administered within the private sector by authorised insolvency practitioners, although there is a facility for the court to intervene if necessary.

The factors affecting levels of IVAs are very similar to those affecting bankruptcies but an additional factor in the rising demand for IVAs has been increasing advertising by debt management companies and IVA providers. Moreover, there have been some concerns about the quality of advertising of IVAs.

The Insolvency Service recently published a consultation document on proposals to simplify the IVA regime (and associated matters). When IVAs were first introduced, they were aimed at professionals and traders. However, over 80 per cent of IVA cases today are non-trading consumer debtors with a steady income stream and perhaps equity in a property. Such cases are relatively straightforward to administer, and do not require the full rigour of the original process.

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<sup>37</sup> The Insolvency Service (2007): Profiles of bankrupts - 2003/4–2005/6  
<http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/policychange/profilesofBankrupts/Profilesbankrupts03040506.pdf>

The simplified regime will apply to cases where the debtor owes less than £75,000 and the debts are not disputed. In such cases, it is proposed that there will be simple majority voting, a paper meeting of creditors rather than a face-to-face meeting, and no facility for creditors to make modifications to the proposal.

## **IVA Forum**

The Insolvency Service has also been working with representatives from across the industry, to identify improvements which are best dealt with by best practice protocols. In January 2007, The Insolvency Service held a forum on IVAs, co-chaired with the British Bankers Association (BBA) which was attended by IVA providers, debt advisors, creditors, agents, and regulators.

There was general agreement that IVAs continue to provide an effective means of dealing with debt, but a number of key areas were identified which were felt to be matters best addressed by best practice or industry protocols. As a result, four working parties were convened to discuss issues including: design of standard proposal for use in straightforward cases; issues of due diligence, including advertising and acceptable practices/wording; and recommendations on fees and charging mechanisms.

These working parties reported back at a forum in May 2007, and work is continuing to take the proposals forward<sup>38</sup>.

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<sup>38</sup> The Working Group reports, Action Points from the 2<sup>nd</sup> Forum and milestones achieved are available at, <http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/policychange/ivaforummay07/ivaforummay07.htm>

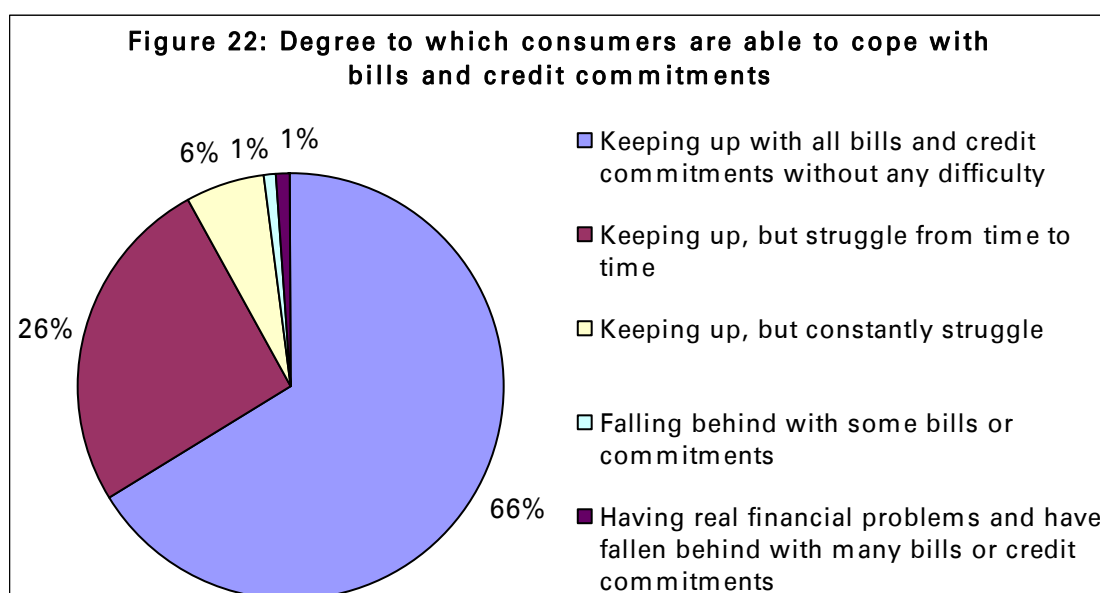
## Chapter Four

# Subjective Measures of Household Indebtedness

This section returns to aggregate-level data to show how individuals' own perceptions of their ability to cope with credit commitments have changed over time.

### 4.1 Individuals' Perceptions of Debt Burden

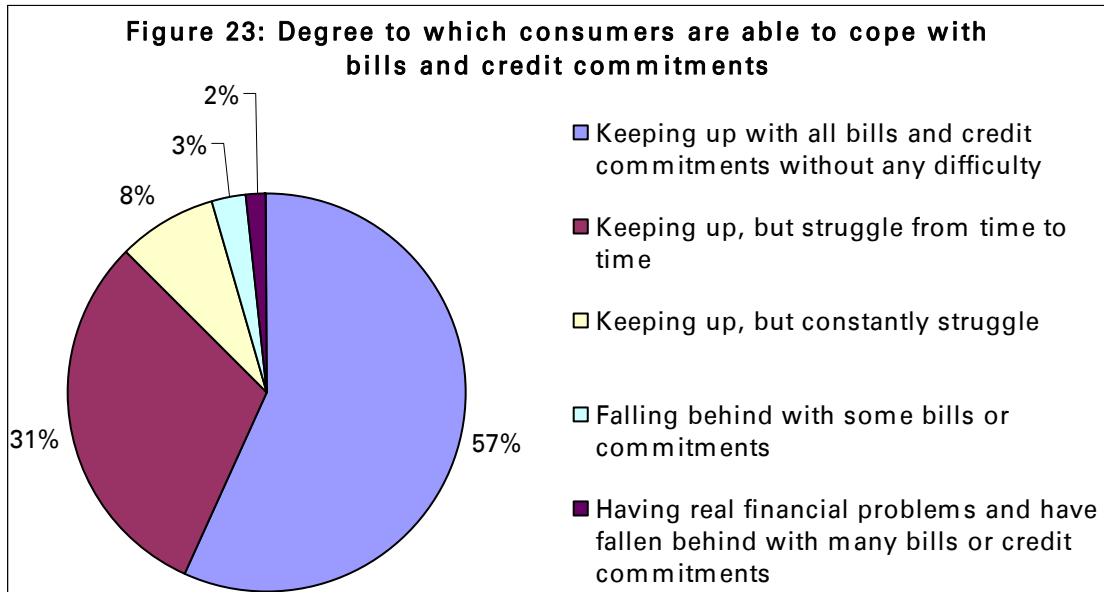
Figure 22 shows to what extent those in debt at the end of 2006 are able to cope with their current level of borrowing and is taken from research undertaken by the Financial Services Authority (FSA)<sup>39</sup>. The pie chart shows that 98 per cent of consumers with debt say they were keeping up with repayments, either without difficulty (66 per cent) or with some degree of struggle (32 per cent). By contrast, only one per cent of individuals indicated that they were having real financial problems as a result of bills and/or credit commitments. The figures show an improvement across the board from the previous year's research carried out by the FSA (Figure 23), with the most significant difference being in the number of people keeping up with repayments without any difficulty rising from 57 per cent to 66 per cent<sup>40</sup>.



<sup>39</sup> The percentages are calculated from the responses of the 5,328 individuals from the Financial Capability Survey.

<sup>40</sup> Figures provided in 2007 were only provided to the nearest per cent, unlike for 2006 when to the nearest 0.1 per cent. Therefore the difference in proportions experiencing real financial problems between the two years might actually be very small.

Source: FSA, Financial Risk Outlook, January 2007



Source: FSA, Financial Risk Outlook, January 2006

Although the data presented in the January 2007 Financial Risk Outlook shows an improvement relative to the 2006 data, the figures still suggest that over one million adults are falling behind with payments and a further two million are constantly struggling. Looking further into the research, respondents living in rented accommodation, particularly those in local authority housing were more likely to show signs of financial distress than homeowners, with almost ten per cent of respondents having experienced financial difficulties within the last five years.

## Annex A: List of Data Sources relevant to Consumer Over-Indebtedness

The release date of each data series varies according to publication, to find out the release date of a specific series it is best to check the relevant link. In general, monthly data are available at the end of the following month and quarterly data as follows; the first quarter = Early April, the second quarter = Early July, the third quarter = Early October, the fourth quarter = Early Jan.

Frequency key: D= Daily, M= Monthly, Q= Quarterly, H=Half Yearly, A= Annual.

Measure	Source	Frequency	When available	Web link
<b>Base Rate</b> (IUMBEDR)	Bank of England: Monetary & Financial Statistics Interactive Database	M	1 <sup>st</sup> week of every month	<a href="http://213.225.136.206/mfsd/iadb/NewIntermed.asp">http://213.225.136.206/mfsd/iadb/NewIntermed.asp</a>
<b>Effective interest rates</b> (CFMHSDE)	Bank of England: Monetary & Financial Statistics Interactive Database	M		<a href="http://213.225.136.206/mfsd/iadb/NewIntermed.asp">http://213.225.136.206/mfsd/iadb/NewIntermed.asp</a>
<b>Employment (MGRZ) and Unemployment (MGSC) Employment rate (MGSU) and Unemployment Rate (MGSX)</b>	Office for National Statistics: Labour Market Trends	M	Check: <a href="http://www.statistics.gov.uk/statbase/tsdtimezone.asp">http://www.statistics.gov.uk/statbase/tsdtimezone.asp</a> <a href="http://www.statistics.gov.uk/statbase/tsdreleasedates.asp">http://www.statistics.gov.uk/statbase/tsdreleasedates.asp</a>	<a href="http://www.statistics.gov.uk/statbase/tsdtimezone.asp">http://www.statistics.gov.uk/statbase/tsdtimezone.asp</a> Select 'Labour Market Stats' then '9:Unemployment by age and duration' and '2:Employment by age: LFS Time Periods'
<b>Growth in Household Final Consumer Expenditure (ABJQ)</b>	Office for National Statistics: Consumer Trends:	Q	Check: <a href="http://www.statistics.gov.uk/statbase/tsdtimezone.asp">http://www.statistics.gov.uk/statbase/tsdtimezone.asp</a> <a href="http://www.statistics.gov.uk/statbase/tsdreleasedates.asp">http://www.statistics.gov.uk/statbase/tsdreleasedates.asp</a>	<a href="http://www.statistics.gov.uk/statbase/tsdtimezone.asp">http://www.statistics.gov.uk/statbase/tsdtimezone.asp</a> Select 'Consumer Trends then '0.CS: Household Final Consumer Expenditure'
<b>Monthly changes to net lending, £ millions (secured -</b>	Bank of England: Monetary &	M	End of following	<a href="http://213.225.136.206/mfsd/iadb/NewIntermed.asp">http://213.225.136.206/mfsd/iadb/NewIntermed.asp</a>

LPMVTVJ and unsecured - LPMRLMH)	Financial Statistics Interactive Database		month	
<b>12-month growth rate of net Lending</b> (secured - LPMVTYI and unsecured - LPMVTYO)	Bank of England: Monetary & Financial Statistics Interactive Database	M	End of following month	<a href="http://213.225.136.206/mfsd/iadb/NewIntermed.asp">http://213.225.136.206/mfsd/iadb/NewIntermed.asp</a>
<b>Household Sector Debt to Disposable Income Ratios</b> Total Debt / Disposable Income (=NNPP/4*RPHQ) Secured Debt / Disposable Income (=NNRP/4*RPHQ)	Office for National Statistics: Financial Statistics Consistent	Q	Check: <a href="http://www.statistics.gov.uk/statbase/tsdtimezone.asp">http://www.statistics.gov.uk/statbase/tsdtimezone.asp</a> <a href="http://www.statistics.gov.uk/statbase/tsdreleasesdates.asp">http://www.statistics.gov.uk/statbase/tsdreleasesdates.asp</a>	<a href="http://www.statistics.gov.uk/statbase/tsdtimezone.asp">http://www.statistics.gov.uk/statbase/tsdtimezone.asp</a> Select 'Financial Statistics Consistent' and go to table: - 9.1M for NNRP - 12.1N for NNPP - 14.8B for RPHQ
<b>Household Residential Building Assets</b> (CGRI)	Office for National Statistics: Blue book	A	Check: <a href="http://www.statistics.gov.uk/statbase/tsdreleasesdates.asp">http://www.statistics.gov.uk/statbase/tsdreleasesdates.asp</a>	<a href="http://www.statistics.gov.uk/statbase/tsdtimezone.asp">http://www.statistics.gov.uk/statbase/tsdtimezone.asp</a> Select 'Blue Book' then '10.10'
<b>Household Sector Debt to Financial Assets Ratios</b> Secured Debt / Financial Assets (NNRP/NNML) Unsecured Debt / Financial Assets ((NNPP-NNRP)/NNML)	Office for National Statistics: Financial Statistics Consistent	Q	Check: <a href="http://www.statistics.gov.uk/statbase/tsdreleasesdates.asp">http://www.statistics.gov.uk/statbase/tsdreleasesdates.asp</a>	<a href="http://www.statistics.gov.uk/statbase/tsdtimezone.asp">http://www.statistics.gov.uk/statbase/tsdtimezone.asp</a> Select 'Financial Statistics Consistent' and go to table: - 9.1M for NNRP - 12.1N for NNPP and NNML
<b>Individual debt write-offs</b> (taken from the whole banking sector) (TFHD, TFHE, TFHF, TFHG)	Bank of England: Monetary & Financial Statistics	Q		<a href="http://www.bankofengland.co.uk/statistics/ms/current/index.htm">http://www.bankofengland.co.uk/statistics/ms/current/index.htm</a> - c Table C2.1

<b>Household write-off rates (taken from 10 largest suppliers of banking services in the UK)</b>	Bank of England: Financial Stability Report	H (data is Q)		Financial Stability Report, Chart 2.6. <a href="http://www.bankofengland.co.uk/publications/fsr/2007/fsr21.htm#charts">http://www.bankofengland.co.uk/publications/fsr/2007/fsr21.htm#charts</a>
<b>Mortgage arrears as a per cent of total stock of mortgages</b>	Council of Mortgage Lenders	H		<a href="http://www.cml.org.uk/cml/statistics">http://www.cml.org.uk/cml/statistics</a> Select 'Arrears on mortgages, by number of months in arrears – AP1'
<b>Properties taken into possession</b>	Council of Mortgage Lenders	H		<a href="http://www.cml.org.uk/cml/statistics">http://www.cml.org.uk/cml/statistics</a> Select 'Possessions on mortgaged properties – AP4'
<b>Mortgage possession orders and claims</b>	Ministry of Justice	Q		<a href="http://www.justice.gov.uk/publications/statistics.htm">http://www.justice.gov.uk/publications/statistics.htm</a> Select 'Mortgage and Landlord Possession Statistics'
<b>Individual Insolvencies in England &amp; Wales, Scotland, and Northern Ireland ('000s)</b>	Insolvency service	Q		<a href="http://www.insolvency.gov.uk/otherinformation/statistics/insolv.htm">http://www.insolvency.gov.uk/otherinformation/statistics/insolv.htm</a>
<b>Annualised Personal insolvency rate:</b> Population aged 16+: England: NSA (YCHL) and Population aged 16+: Wales: NSA (YCHM) Annualised Personal Insolvency Rate (=4*total number of bankruptcies and IVAs in quarter/YCHL+YCHM)	Data from The Insolvency Service and the ONS	Q		<a href="http://www.insolvency.gov.uk/otherinformation/statistics/insolv.htm">http://www.insolvency.gov.uk/otherinformation/statistics/insolv.htm</a>  <a href="http://www.statistics.gov.uk/statbase/tsdtimezone.asp">http://www.statistics.gov.uk/statbase/tsdtimezone.asp</a>  Select 'Labour market Statistics – Integrated FR' and go to table '18B. Regional Labour Market Summary – LFS data'.
<b>CCCS DMPs (Number of DMPs and amount outstanding)</b>	CCCS: Trouble Totals	Q		<a href="http://www.cccs.co.uk/research/CCCSReports.aspx">http://www.cccs.co.uk/research/CCCSReports.aspx</a>
<b>FSA Financial Risk Outlook</b>	FSA	A	Every January.	<a href="http://www.fsa.gov.uk/Pages/Library/corporate/Outlook/fro_2007.shtml">http://www.fsa.gov.uk/Pages/Library/corporate/Outlook/fro_2007.shtml</a>