

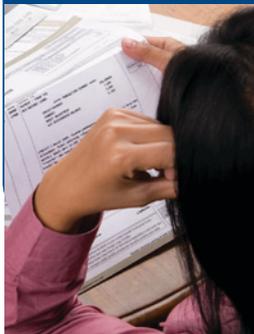
One in ten of us often struggle to 'payday'

Credit card debts dominate debt fears

'Payday index' reveals money runs out on day 20 of a typical month

Personal Debt Snapshot:

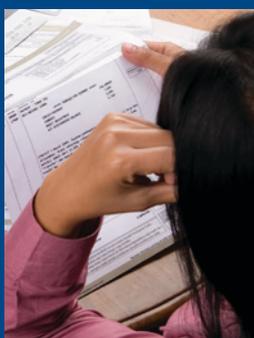
Taking stock of the nation's personal finances



3 million Brits currently fear redundancy

2 million people have taken on more debt in recent months

Four in ten people suffering from debt worries



About R3

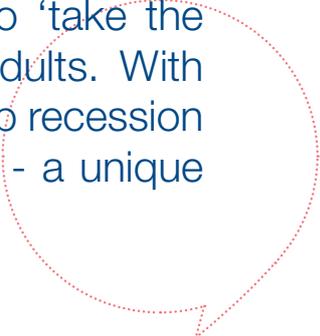
R3, the trade body for Insolvency Professionals, represents over 97% of Insolvency Practitioners. R3 members are trained and regulated accountants and lawyers who have extensive experience of helping businesses and individuals in financial distress.





Welcome to the first wave of R3's quarterly tracking research on the nation's personal finances. The UK has a personal debt crisis. Over the course of the last decade, personal insolvencies have increased by 350%; and research indicates that there are an additional one million individuals struggling with their debts without help. Worryingly, trends from previous recessions demonstrate an 'insolvency lag', with debt struggles coming to a head well after the official end of a recession - recovery is not a silver bullet to healthy finances.

Against this backdrop, insolvency trade body R3 has launched the first of its quarterly tracking research intended to 'take the temperature' of the debt and financial situation of UK adults. With public sector cuts in the offing and fears of a double dip recession around, the debt snapshot will be tracked over time - a unique indicator of the state of the nation's personal finances.



Steven Law, R3 President

Executive Summary

- Four in ten adults in the UK are worried about their current level of debt (6% describe themselves as extremely worried, 7% say they are very worried and 27% are fairly worried). This equates to almost 20 million individuals (18,927,720).
- Of those who are worried about their debts, concerns about credit card debt far outstrip worry about any other kind of debt (at 51%). A third of people worried about their current debt level (32%) are worried about their overdraft, and 19% worry about bank loans and mortgage repayments.
- Extrapolated figures indicate that over 11 million individuals are currently saving less at the moment than they usually do; more than 6.5 million Britons are putting off taking big decisions; almost 3 million are worried about being made redundant; more than 2 million are currently falling behind with bills and payments; and a similar number have taken on more debt in recent months.
- More than one in ten of people (11%) say they struggle to make it to 'payday' on a frequent basis; and around a third (31%) say they sometimes do.
- Of those who say they often or sometimes struggle to make it to payday, 35% say credit card payments are at the heart of their struggle, while 25% say spending on going out, or non-essentials is to blame. Paying off bank loans, big ticket purchases and making mortgage repayments clearly also play a significant role (between 15% and 17%). Recent changes - tax rises and welfare cuts - apparently affect around one in ten of those who struggle.
- Of those who struggle to 'payday', the average day they start struggling on is day 20 of a typical month.

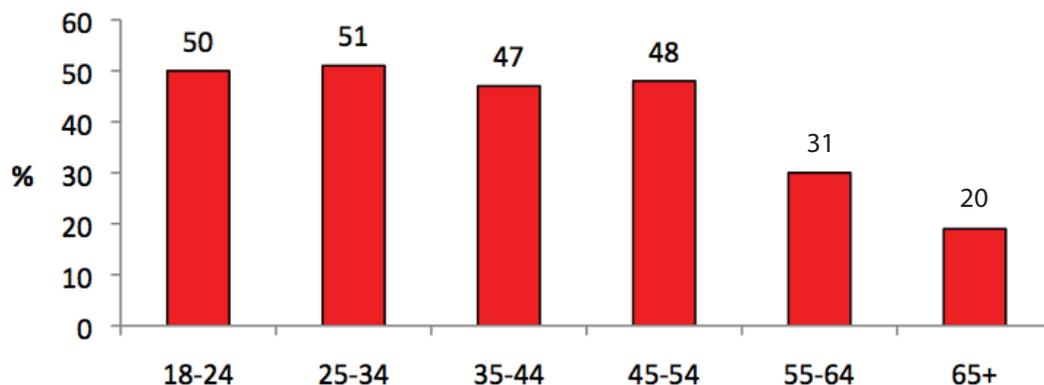
Methodology note: ComRes surveyed 2008 adults online on behalf of R3 between 23rd and 25th July. Data were weighted to be representative demographically of all GB adults. Where population figures are mentioned, estimates have been extrapolated using the percentages from the results and adult population figures for Great Britain available from the Office of National Statistics (www.statistics.gov.uk). Full tables for the results are available at www.comres.co.uk. ComRes is a member of the British Polling Council and abides by its rules.

Key Results...

▼ How many people are worried about their debts?

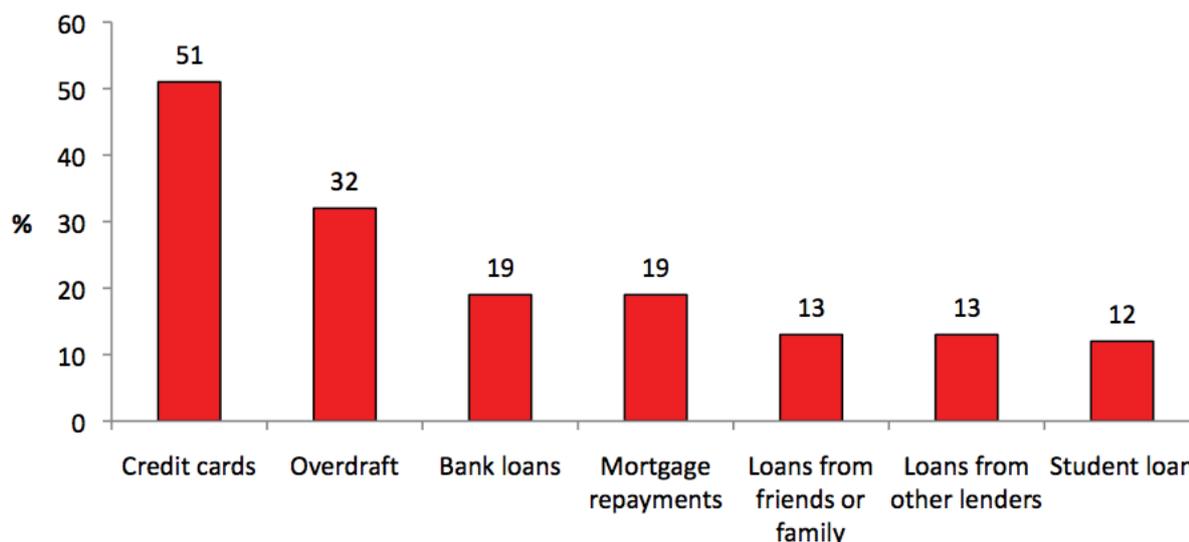
Four in ten adults in the UK are worried about their current level of debt (6% describe themselves as extremely worried, 7% say they are very worried and 27% are fairly worried). This equates to almost 20 million individuals (18,927,720).

There is a relatively clear age-related trend, whereby young people are much more likely to say that they are worried about their current level of debt than older people. The following graph shows the percentage of those currently worried about debt:



Perhaps unsurprisingly, it is also the case that individuals in lower socio-economic groups are more concerned about debt than those in higher groups. 44% of those in socio-economic group DE say they were worried about their current level of debt, compared to 35% of those in group AB.

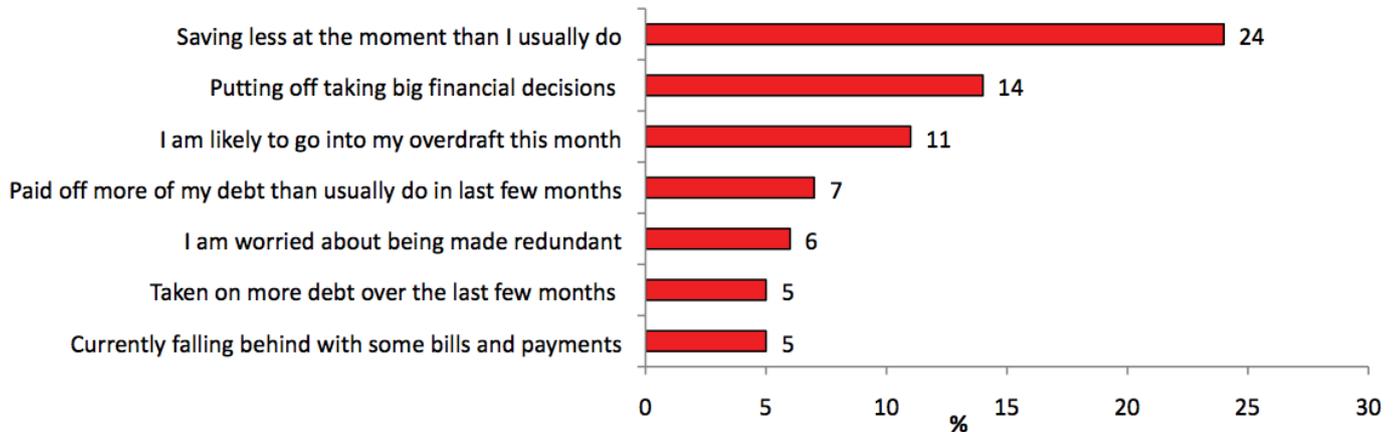
▼ What kind of debt are they worried about?



Of those who are worried about their debts, concerns about credit card debt far outstrips worry about any other kind of debt (at 51%). A third of people worried about their current debt level (32%) are worried about their overdraft and 19% worry about bank loans and mortgage repayments.

▼ How do people feel about their financial situation?

Asked to consider their current financial situation, a quarter of people say they are currently saving less than they normally would do (24%). More than one in ten (14%) are putting off big financial decisions at the moment, and a similar proportion say they are likely to reach into their overdraft this month (11%). Paying down more debt than normal, taking on more debt, and falling behind with bills and payments is the preserve of a relatively small proportion of the population. Interestingly, given the emphasis on public sector cut backs, only 6% of people are worried about redundancy.



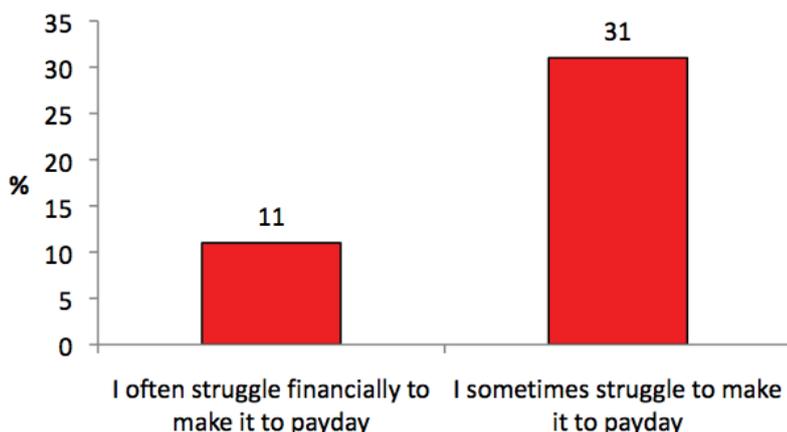
However, even small proportion of the total population can amount to a considerable number of individuals. The table below shows the extrapolated-up figures, demonstrating how many adults in the UK currently fall into each category:

	No. of adults
I am saving less at the moment than I usually do	11,356,632
I am putting off taking big financial decisions at the moment	6,624,702
I am likely to go into my overdraft this month	5,205,123
In the last few months, I have paid off more of my debt than I usually do	3,312,351
I am worried about being made redundant	2,839,158
I am currently falling behind with some bills and payments	2,365,965
I have taken on more debt over the last few months than before - e.g. credit card, overdraft limit raised, etc.	2,365,965
I am likely to go into an unauthorised overdraft position or exceed my overdraft limit this month	946,386

R3'S 'PAYDAY INDEX'

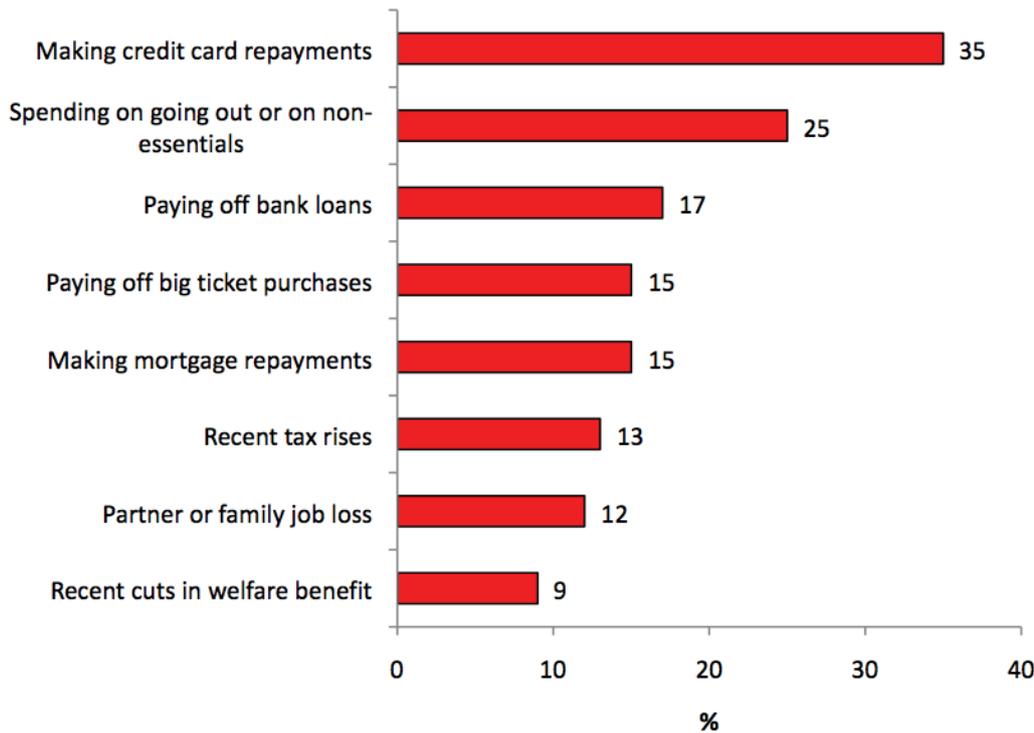
The day when wages are paid is a crucial day for many people each month. R3's 'payday index' explores the nation's struggle to make it to payday - looking at the number of people who struggle to reach 'payday', the reasons why their money is tight in the lead up to 'payday', and on which day in a typical month their money starts to run out and their struggle begins. As such, it is a unique indicator of the nation's personal finances, which R3 will be tracking on a quarterly basis.

▼ How many struggle to 'payday'?



More than one in ten of people (11%) say they struggle to make it to 'payday' on a frequent basis; and around a third (31%) say they sometimes do.

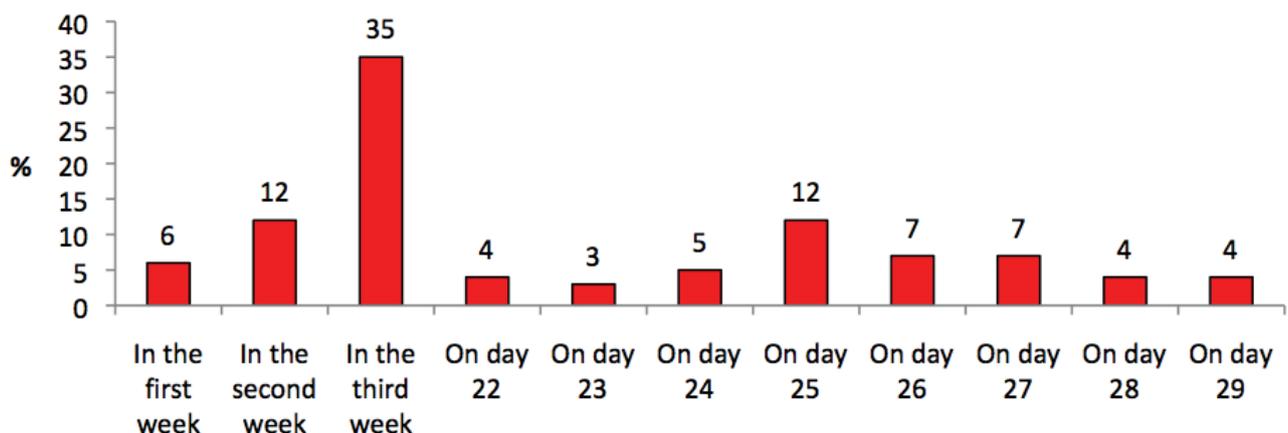
▼ Why do people tend to struggle to 'payday'?



Of those who say they often or sometimes struggle to make it to payday, 35% say credit card payments are at the heart of their struggle, while 25% say spending on going out, or non-essentials is to blame. Paying off bank loans, big ticket purchases and making mortgage repayments clearly also play a significant role (between 15% and 17%). Recent changes - tax rises and welfare cuts - apparently affect around one in ten of those who struggle.

▼ When in the month do people start to struggle?

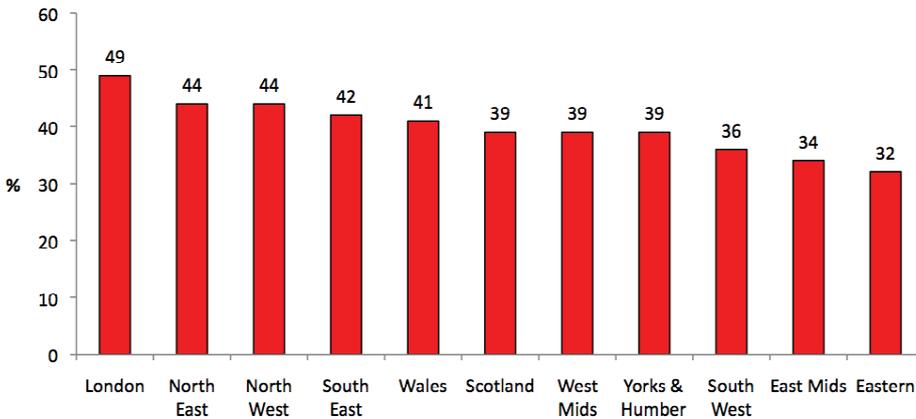
Of those who struggle to 'payday', the average day they start struggling on is day 20 of a typical month.



As the following graph illustrates, people who find it hard to make it to 'payday' tend to start struggling towards the end of the month (35% start to struggle in week 3 of a typical month; while 46% begin to do so in week four). Worryingly, 6% start to struggle in week 1 and more than one in ten (12%) start to struggle in week 2 – indicating that these individuals spend most of their month struggling.

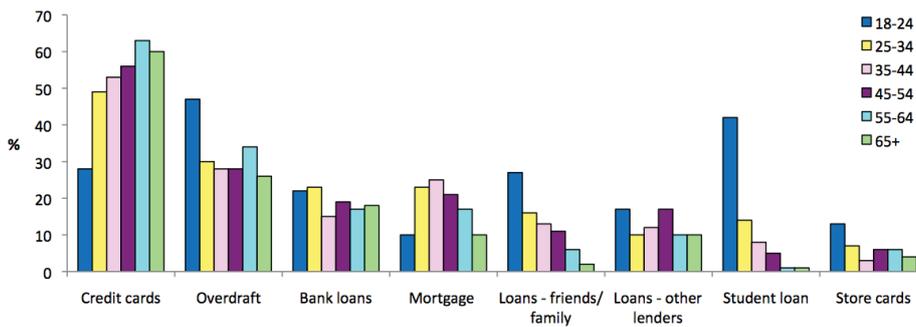
In Detail...

▼ Debt worry by region



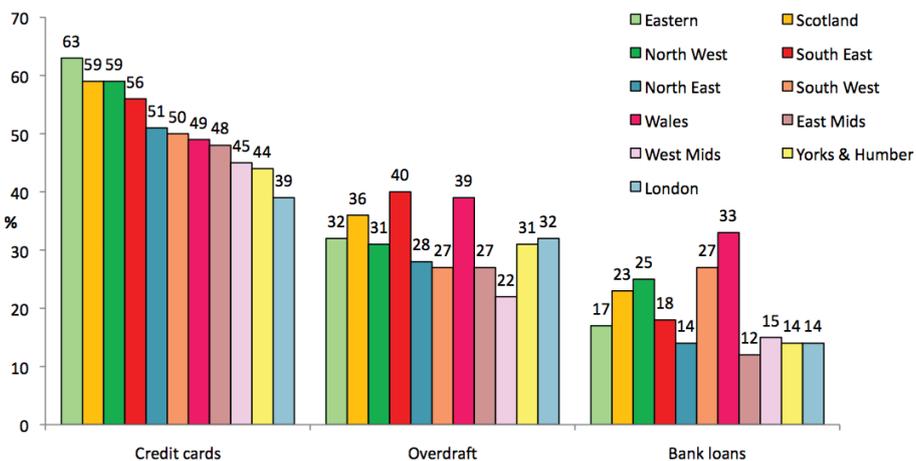
Results by region indicate that individuals in London are most worried about their current level of debt, closely followed by those in the North East and West. By contrast, worry about debt is lowest in the East Midlands and the Eastern regions.

▼ Type of debt worry by key demographics



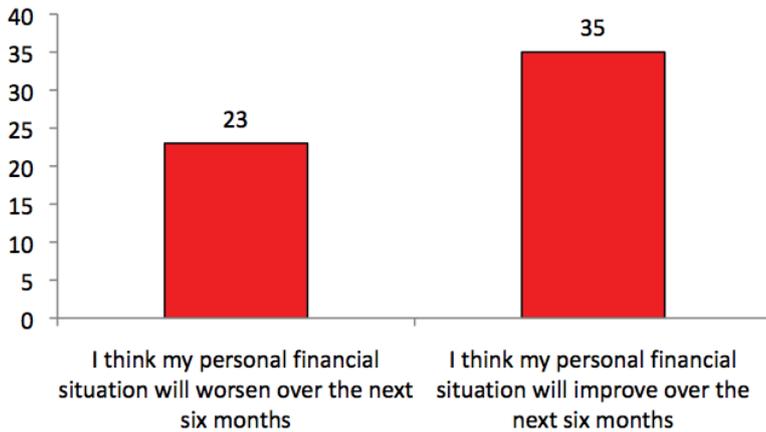
Worry about credit cards is perhaps surprisingly more keenly felt among older people who are worried about their current level of debt (with percentages tending to rise in line with age groups); while, by contrast, overdraft and student loans tend to be the preserve of those among the youngest worriers.

Bank loan worry is fairly evenly spread among the age groups, as are loans from other lenders; while mortgage repayments tend to be more of a concern for those aged 25-54 who worry about their debts, and loans from family tend to be more of a concern to younger generations (e.g. 18-24).



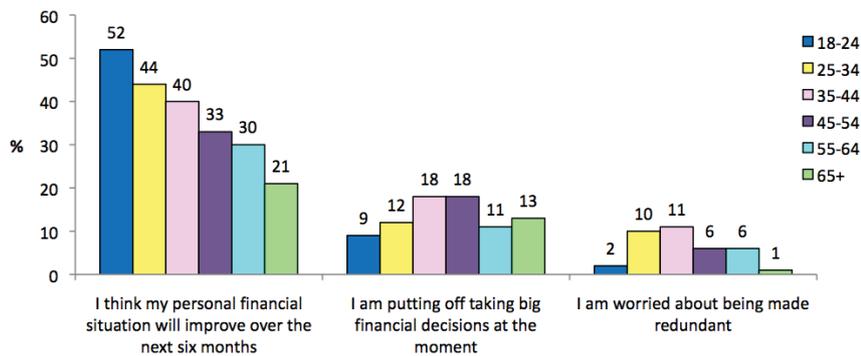
Of all the regions, people who worry about their debts in Scotland, the Eastern region and the North West tend to be more concerned with credit cards than those in other regions. Worriers in Wales and the South East tend to be more preoccupied with their overdrafts than those in other regions; while those in Wales and the South West worry about their bank loans more than their counterparts elsewhere in the UK.

▼ An optimistic or pessimistic outlook?



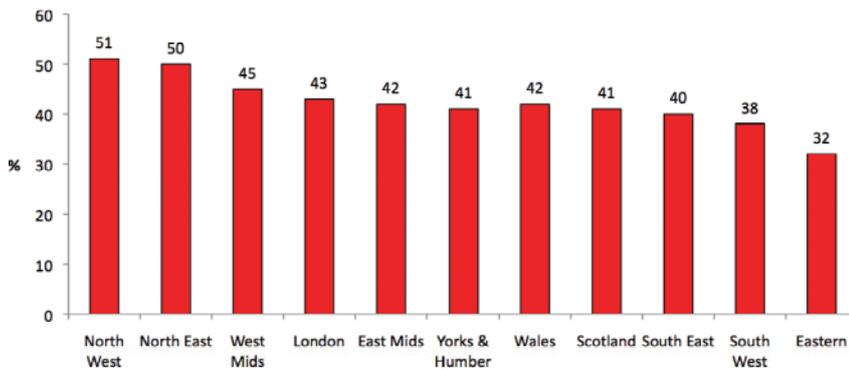
Asked whether they believe their financial situation will improve or worsen over the next few months, 35% of people believe their financial position will improve, while 23% think their situation will worsen.

Younger people are decidedly more optimistic about their financial situation than those in older age groups – with more than half of young people claiming theirs will improve, compared to just 30% of those aged 55-64.



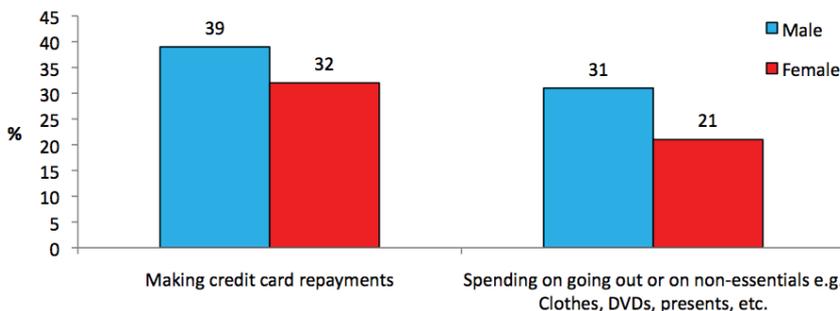
People in the middle age brackets (35-54) are more likely than their older or younger counterparts to say that they are putting off big financial decisions at the moment. Worryingly, although overall proportions are fairly low, around one in ten people aged 25-34 and those aged 35-44 say they are currently worried about being made redundant.

▼ Struggle to 'payday' by key demographics

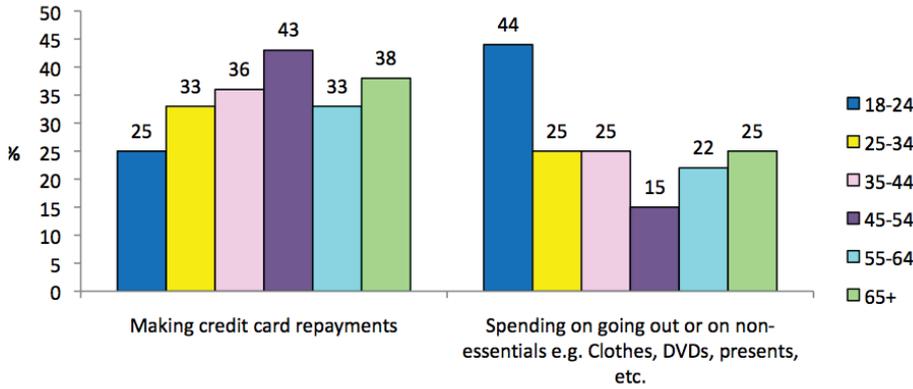


People in the North West and North East are more likely to say they struggle to 'payday' than those in any other region, followed by those in the Midlands and London. People in the South East, West and Eastern region are less likely than those in any other region to say they struggle to 'payday'. The proportion of women who struggle to 'payday' is higher than the proportion of men who fall into this category (at a 46% net struggle compared to 37%, respectively).

▼ Payments that lead to the 'payday' struggle by key demographics

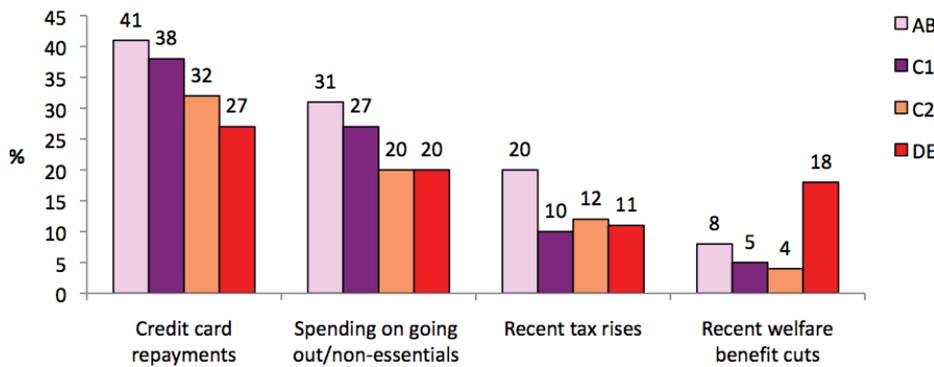


Men who struggle to 'payday' are significantly more likely than their female counterparts to say that making credit card repayments and spending on going out or non-essentials contributes to their financial struggle.



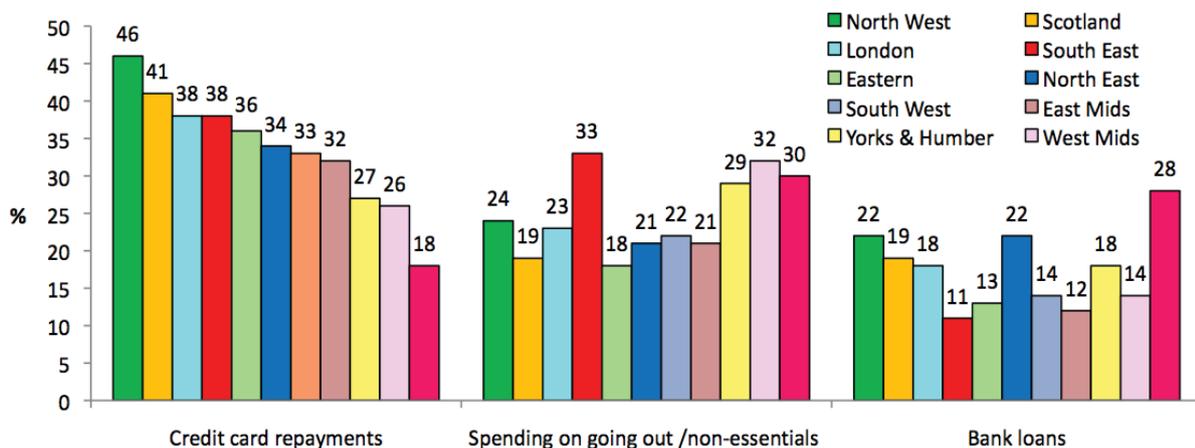
Younger people who struggle are much more likely than those in older age groups to blame their situation on spending on going out or non-essentials. By contrast, people in older age groups who find it hard to reach 'payday' are more likely than their younger counterparts to say that making credit card repayments accounts for their struggle.

Results by socio-economic group illustrate that people who struggle in higher socio-economic groups are more likely to say that spending on going out and non-essentials and making credit card payments can explain their difficulties. 41% of those in group AB say that they struggle financially leading up to 'payday' due to making credit card payments, compared to just 27% of those in group DE. Similarly, 31% of those in group AB say they struggle because of their spending on going out and non-essential, compared to just 20% of those in group DE.



Recent cuts in welfare are to blame in the eyes of a much higher proportion of those in group DE, compared to their counterparts in higher socio-economic groups (18% of those who are struggling in group DE, compared to just 4% in the nearest group, C2). By contrast, recent tax rises are blamed by a higher proportion of those in higher socio-economic groups (20% of those in group AB, and 11% of those in group DE).

People who struggle in the North West and Scotland are more likely than those in other regions to attribute their financial struggle to making credit card repayments. Those in the South East, West Midlands and Wales are more likely than those in other areas to say their struggle is a result of spending on going on or non-essentials; and struggling due to bank loans is apparently more prevalent in Wales than any other region.



▼ The start of the struggle to ‘payday’ by key demographics

The following table shows when those in each age group who find it hard to reach ‘payday’ start to struggle, indicating that those in lower age groups begin to feel the pinch sooner than their older counterparts:

Age group	Day struggle begins
18-24	19
25-34	19
35-44	19
45-54	20
55-64	21
65+	22

People in socio-economic group DE start struggling a little earlier than those in higher groups (day 18 for those in DE, compared to 20 or more in other groups).

The following table shows when those who find it hard to reach ‘payday’ start to struggle in each region, with those in the North East starting to struggle at an earlier stage than their counterparts elsewhere in the UK:

Region	Day struggle begins
North East	18
London	19
South East	19
Eastern	20
East Midlands	20
North West	20
Yorks and Humberside	20
West Midlands	20
Wales	20
Scotland	21
South West	21

R3’s policy recommendations

Seeking help at an early stage could solve many people’s debt problems, enabling them to deal with their debts and move on with their lives. All too often, people ‘bury their heads in the sand’, hoping their debt problems will go away.

- **One of the reasons people don’t seek with their debts, even though they struggle, is because they don’t know where to go for help. To encourage people to come forward at an earlier stage to prevent debts ‘snowballing’, the current system needs to be simplified to make it more accessible and easier to navigate.**
- **Pressure from creditors often drives people ‘further underground’ or pushes them into an inappropriate debt solution. Individuals in financial distress should take decisions on how to deal with their debts without creditors breathing down their necks. They should be able to apply for a ‘freeze’ in creditor action for a month, during which time they are required to take advice from a qualified advisor.**

