

Personal Debt Snapshot:

'Zombie' debtors emerge

The sixth wave of the Personal Debt Snapshot reveals the highest level of worry over debt ever recorded. Furthermore, the survey identifies a group who could be termed 'zombie' debtors - who currently pay only the interest charges on their debt, but not the debt itself. They stand at around one in six people.

The research also examines the reason individuals struggle to make it to payday, with credit card payments topping the list again. The issue of 'payday loans' has been raised in Parliament and the Press, this wave looks at why individuals turn to a payday loan, and the consequences of taking one on. Nearly half of those thought a payday loan had made their situation worse (48%), and a significant majority regret taking on a payday loan at all (60%).



Debt concerns: Three in five (60%) of the population say they are worried about their current level of debt. This is up 21 percentage points on this time last year and is the highest level of concern ever recorded.

- In London this figure rises to 67% and to 70% in the North East - where concern is at its highest.
- A staggering 78% of 25-34 year-olds are concerned about their current levels of debt, which drops down to 31% of 65s and over.

'Zombie' debt: One in six individuals (16%) are only able to service their debt but not reduce it. This includes 11% of people who say that they are paying off only the interest charges on their **credit cards**, while 9% say that they are paying only the interest charges on their **overdraft**.

'Payday loans': From the sample, 67 people say that they have taken out a payday or other short-term loan. Of this group, two thirds (68%) did so because they were unable to get credit anywhere else. The proportion of those who regret taking out a payday loan stands at 60%, while 48% believed their payday loan had made their financial situation worse. In fact only 13% of this group believed their payday loan had a positive impact on their finances.

- Looking ahead to the next six months, 7% of the population think that it is likely they will seek a payday loan or other short-term, high interest loan. This equates to approximately 3.5 million GB adults who think it is likely that they will seek a payday loan or other short-term loan in the next six months.

Financial outlook: A fifth of individuals (20%) believe their financial situation will improve over the next six months, when in July this stood at a quarter of individuals (25%). Today's figure is closer to where it stood this time last year (22%). One in three (33%) of the population believe their financial situation will worsen over the next six months.

The struggle to 'payday': Nearly half (45%) of the population struggle to make it to payday, up 7 percentage points on this time a last year.

This struggle rises to 62% of 25-44 year-olds.

Geographically, individuals in the North East and North West are more likely to say that they struggle to payday than other regions (54% for both regions).



- Highest ever recorded concern over debt levels... 67% of Londoners and 70% in the North East are worried

- One in six are paying only the interest on their debt...but not reducing the debt itself

- Nearly half the British population (45%) struggle to make it to 'payday'

- One in three (32%) of those who took out a 'payday loan' couldn't pay it off, so had to get another one

- 60% of those who took on a payday loan now regret doing so

- 3.5 million GB adults think it is likely that they will take out a payday loan in the next six months

R3 President Frances Coulson:

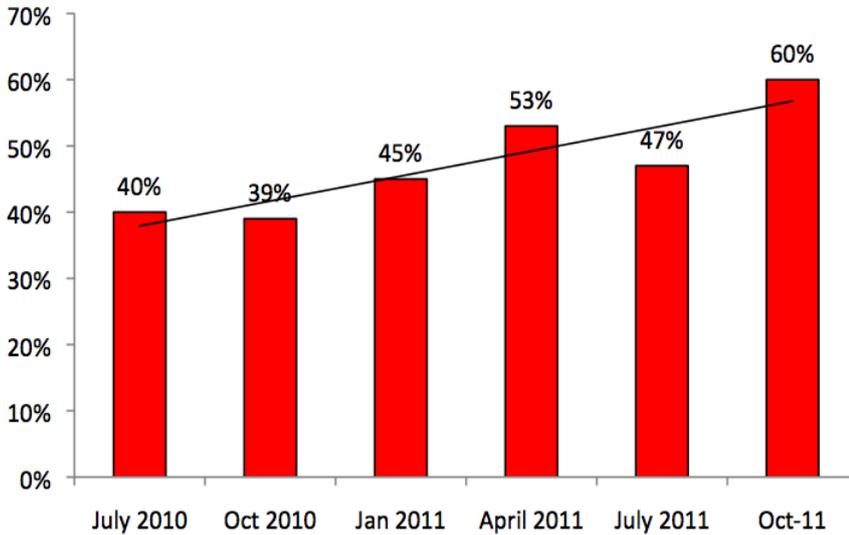
"The second half of 2011 has brought further uncertainty and this is reflected by a peak in debt concern. We have heard of 'zombie businesses' but I am troubled to hear of 'zombie' debtors who can only manage to pay off their interest charges but not attack the debt itself.

"Remaining on this treadmill carries no provision for outside factors making things worse - this group should really consider taking proper budgeting advice or the correct form of debt relief. This is not a climate in which to be running personal finances on the edge."

▼ Debt concern reaches record levels:

Concern over debt levels has ratcheted up considerably since July, currently standing at 60% of individuals - the highest level ever recorded. This is a 13 percentage point jump on July's figure and 21 percentage points up on this time last year. This quarter's figure surpasses a peak of 53% recorded in April this year.

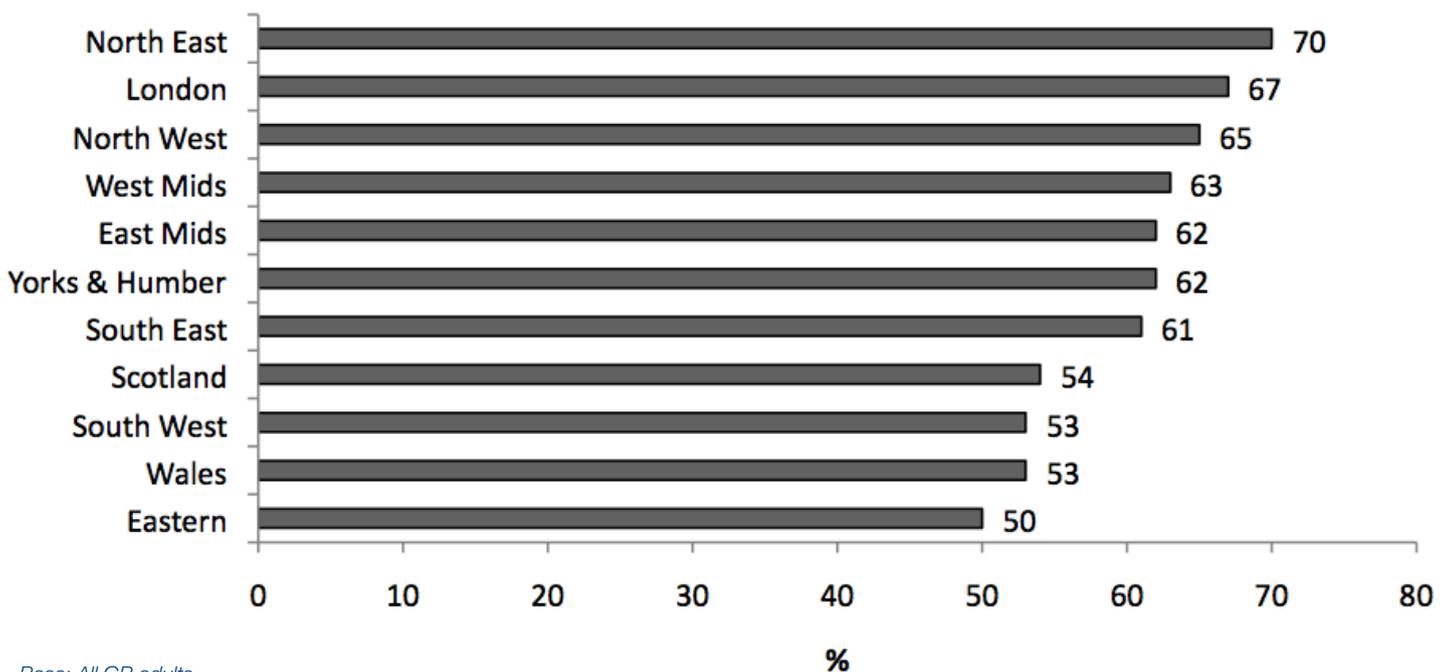
- A staggering 78% of 25-34 year olds are concerned about their current levels of debt, which drops down to 31% among people aged 65 or over.



Base: All GB adults

▼ Worry over current level of debt by region

In London, 67% of people say that they are concerned about their current level of debt, with concern at its greatest in the North East (70%). Concern is at its lowest in the Eastern region (50%).



Base: All GB adults

▼ 'Zombie' debtors increase, savers diminish:

One in six individuals (16%) are only able to service their debt but not reduce it, with 11% only paying off interest charges on their credit cards and 9% paying only the interest charges on their overdraft.

In addition to this group, 40% of the population is saving less at the moment than they usually do, compared to 27% of the population a year ago. Indeed only 12% are actually saving more because of uncertainty around the economy. In July, 19% said they had no savings at all, which has risen sharply to 27% this quarter.

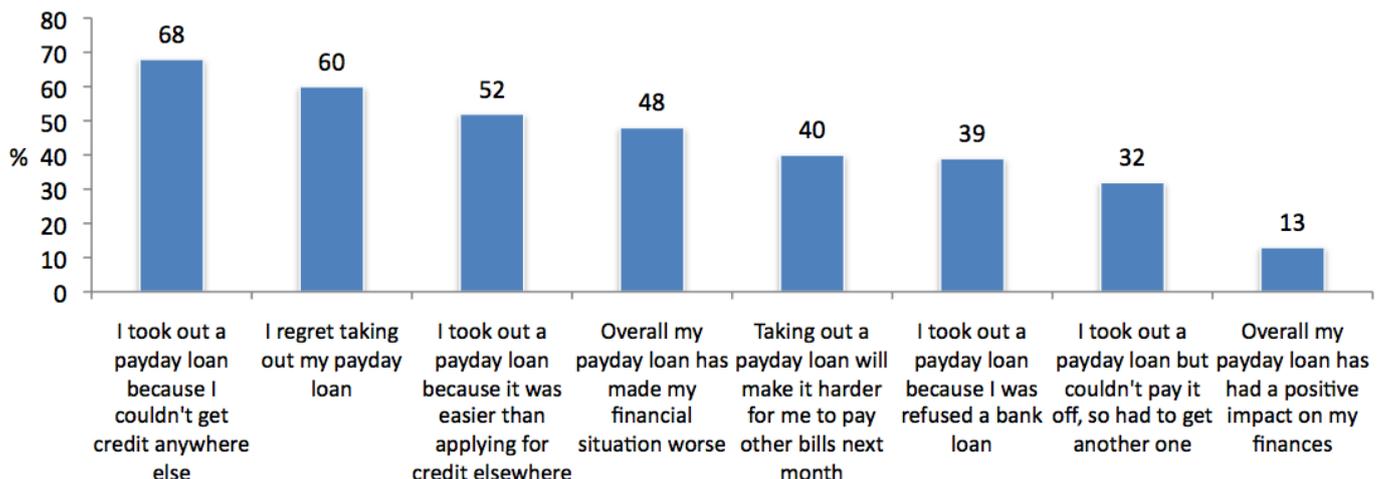
R3 President Frances Coulson:

"Economic uncertainty should encourage individuals to save more, not less - what happens should mortgage rates rise. Struggling onwards each month with high interest charges on personal debt, and with no capacity to pay back, means you are simply tipping water into the sand."



▼ 'Payday Loans':

This wave looked in greater detail at a group who had taken out a payday loan or other short-term, high interest loan. It found 68% of those who took on a payday loan did so because they were unable to obtain credit anywhere else. Some 60% of this group regret taking out a payday loan, while 48% believed their payday loan has made their financial situation worse. In fact only 13% believe their payday loan has a positive impact on their finances.



Base: Individuals who have taken out a payday or other short-term, high interest loan (67)

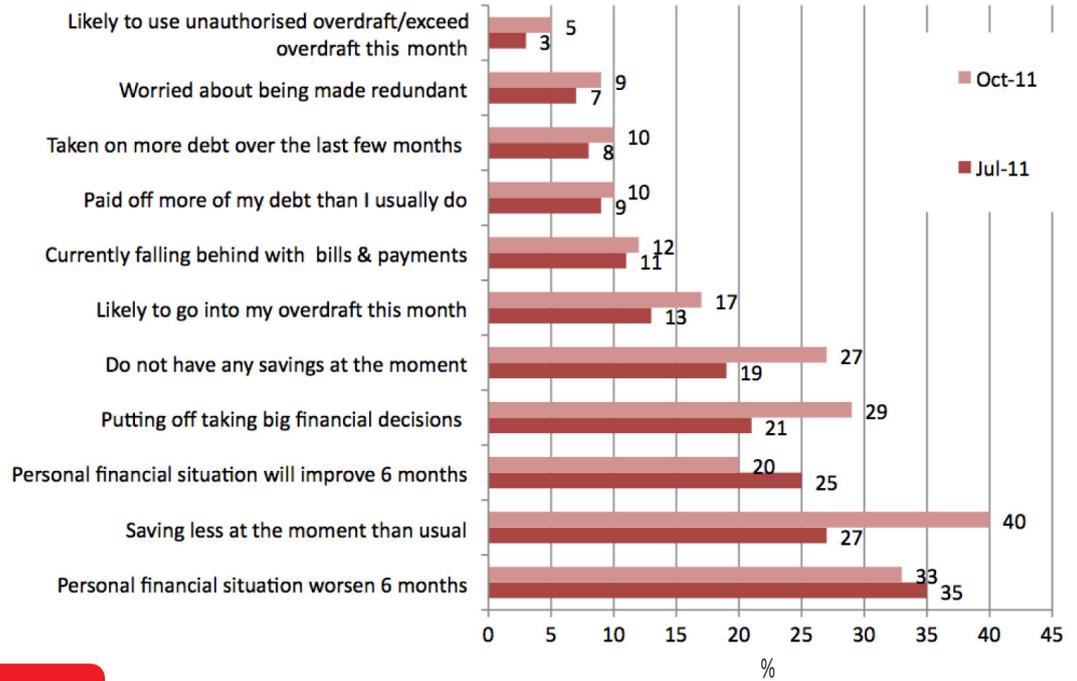
R3 President Frances Coulson:

"It is clear our credit card binge has caught up with us and servicing this debt could become unsustainable. The most vulnerable will end up paying a higher price for extending their credit as traditional avenues shut their doors and payday loans providers and pawnbrokers take their place on today's high street."

▼ Financial outlook:

A fifth of individuals (20%) believe their financial situation will improve over the next six months, when last time this stood at a quarter of individuals (25%), and is now closer to where this stood this time last year (22%). One in three (33%) of the population believe their financial situation will worsen over the next six months.

- Looking ahead to the next six months, 7% of the population think it likely they will seek a payday loan or other short-term, high interest loan, which equates to approximately 3.5m GB adults.



Base: All GB adults

R3 President Frances Coulson:

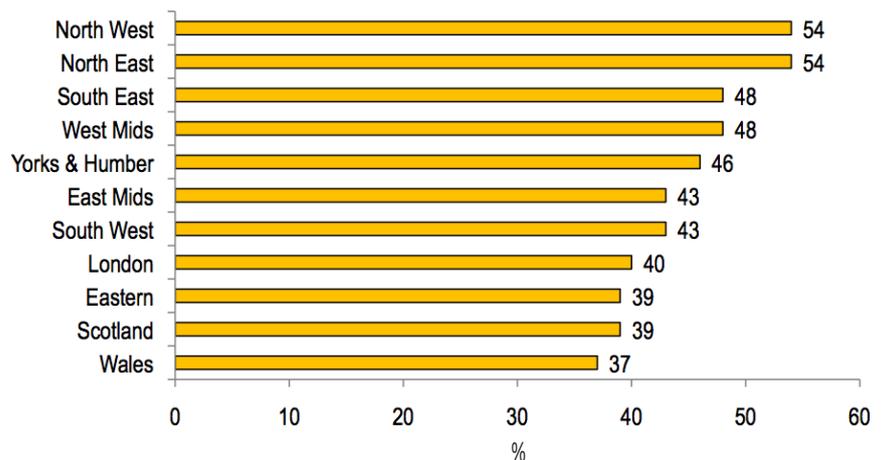
“Reflecting record levels of concern over debt, it is unsurprising that fewer people now think their financial situation will improve, indeed we seem to be going backwards in terms of confidence. This may lead to more retailers going under, over the Christmas period, as inflation leaves a lower discretionary spend for consumers already unsettled by economic uncertainty.”

▼ The struggle to ‘Payday’:

Nearly half (45%) of the population struggle to make it to payday, up 7 percentage points on this time one year ago. This struggle rises to 62% among 25-44 year-olds.



The struggle to payday is felt most keenly in the North West and North East (both at 54%) by region.

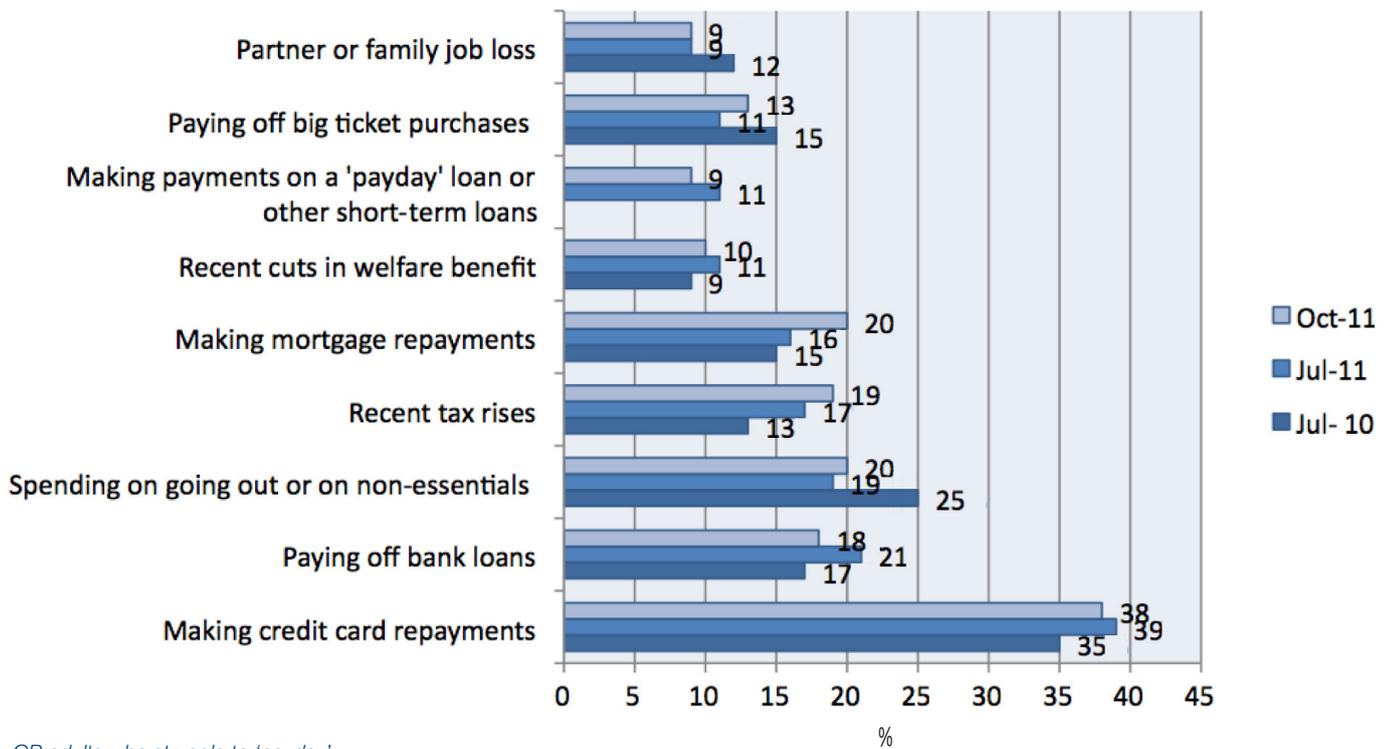


Base: All GB adults

▼ Reasons behind the struggle to 'Payday':

Making credit card payments is still the main reason individuals struggle to payday, cited by 38% of those who struggle to payday, which has remained consistent since the tracker began.

The percentage of those who are struggling due to making mortgage repayments is up four percentage points on the last quarter to 20%. The same proportion of people say that they are struggling due to spending on non-essentials such as clothes, DVDs and presents.



Base: GB adults who struggle to 'payday'

R3 President Frances Coulson:

"In some areas of the UK over half of us now struggle to payday, which is unsettling for the future. The messages about careful budgeting and planning must be heeded, and it looks as though those good intentions are being torpedoed by credit card debt – the perennial reason for this struggle. There is perhaps some 'wriggle room' around spending on non-essentials, which ranks alongside making mortgage repayments as a reason for the struggle to payday."

"Alternative lending will not bring proper financial resolution it is merely a way of keeping the relentless 'hamster wheel' of personal debt turning. Seeking early, professional advice is the only way to step off and end the financial struggle."



Methodology note:

ComRes interviewed 2,005 GB adults online between 21st and 23rd October 2011. Data were weighted to be representative demographically of all GB adults. ComRes is a member of the British Polling Council and abides by its rules (www.britishpollingcouncil.org).

About R3

R3, the trade body for insolvency professionals, represents over 97% of Insolvency Practitioners.

Members are trained and regulated accountants and lawyers who have extensive experience of helping businesses and individuals in financial distress.