

Personal Debt Snapshot:

Afraid to take advice?

The seventh wave of R3's Personal Debt Snapshot reveals a significant reluctance to seek advice despite high levels of concern about debt levels. This contrasts with the overwhelmingly positive experiences from those who have sought it. One important factor is continued uncertainty about where to go for good debt advice, but intriguingly just one in ten GB adults (9%) still think there is a stigma attached to seeking debt advice.

Overall, respondents were more likely to think that their financial situation will worsen, than improve in the next six months.

The survey also indicates that just over 2 million GB adults (4% of respondents) say they are currently in a Debt Management Plan – these are not counted in the Government's official Insolvency Service statistics.



Debt Advice: Approximately 1.4m (3%) GB adults are likely to seek debt advice in the next six months, despite the fact that more than 18 million (39%) of the GB population are worried about their level of debt and a similar number struggle to payday. This equates to just 1 in 13 with debt worries likely to seek advice.

- Only 2% of the GB population have sought debt advice in the past six months and only 6% have ever sought debt advice.
- This is despite half the population (44%) recommending those with debt concerns to seek debt advice.

Experiences of seeking debt advice: A quarter of all respondents (25%) do not think it is clear where to go for good, impartial advice.

Moreover, experiences are largely positive once advice had been sought. Of those who had sought advice on debt issues:

- Nearly half (48%) say that seeking debt advice gave them peace of mind.
- 41% say that they wish they had sought debt advice sooner than they did.
- A third of people (33%) said they were not aware of all the options available to them before seeking advice.

Levels of debt concern:

Concern over levels of debt is still high, affecting 39% of the population, or just over 18 million individuals. This is significantly lower than the 60% who were concerned in October 2011.

- Those aged between 25-34 are most likely to be worried their current level of debt, with half (50%) of this group worried compared to just 19% of people aged 65 or over.
- Concern was highest in London (44%), followed by the North West region (42%) and the East Midlands (41%).

Financial outlook:

There is still more pessimism than optimism when people consider their financial outlook for the next six months. Overall, 32% of individuals think their personal financial situation will worsen over the next six months, compared to 27% who think it will improve.

- Overall, men (at 33%) are currently more optimistic than women (at 21%) when it comes to thinking their financial situation will improve in the next six months.
- There have been some improvements since the last quarter – a 7 percentage point drop in both the numbers who are currently falling behind with bills and payments (now at 5%) and those who currently do not have any savings (now at 20%).



- Only 1 in 13 of those concerned about their current levels of debt are likely to seek advice in the next six months
- Only 6% of the GB population have ever sought debt advice, while just 2% have done so in the past six months
- One in four (25%) do not think it is clear where to go for good, impartial debt advice
- A third (33%) of those who had sought debt advice were not aware of all the options of relief available to them beforehand
- Over 2 million GB adults say they are currently in a Debt Management Plan
- 1 in 5 (20%) currently have no savings

R3 President Frances Coulson:

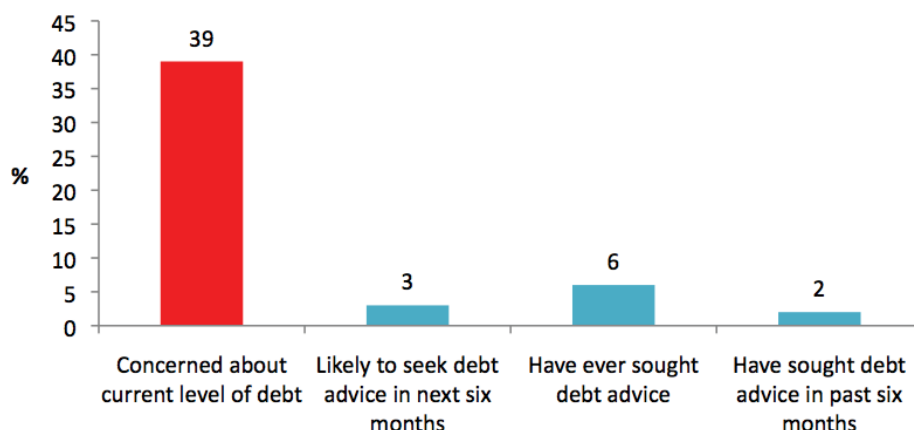
"This snapshot uncovers the huge reluctance to take debt advice – with only one in thirteen individuals concerned about their current levels of debt actually doing something about it. At the other end of the scale, if you had a sum of money to invest, you probably wouldn't think twice about taking advice first."

"We know the experience of those who seek advice is invariably positive and I am concerned that only 6% of the UK population have ever sought debt advice, given last year's record numbers of personal insolvencies. While there is some confusion about where to seek clear advice (25%) – there seems to be a 'head in the sand' approach or maybe it is the stigma of bankruptcy. With an explosion of savvy lenders out there including payday loan providers, continuing down the spending track is tempting, but misguided."

▼ 1. Debt Advice:

Only 1 in 13 of those with debt concerns is likely to do something to address their concerns. Almost 1.5 million GB adults are likely to seek debt advice in the next six months, despite the fact that more than 18 million (39%) of the GB population are currently worried about their level of debt and a similar number struggle to payday.

- Nearly half the population (44%) recommend those with debt concerns to seek debt advice and only 9% believe there is a stigma attached to seeking advice.
- A significant majority (61%) think debt advice should be free. A separate survey of insolvency practitioners (IPs) revealed that 85% of IPs offer free initial advice and those who do, on average, tend to give five hours of free advice a week.



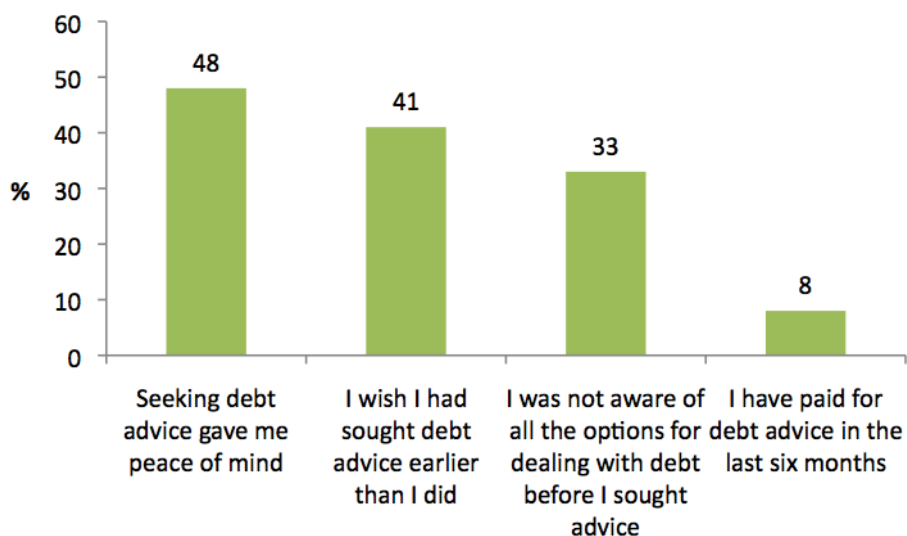
Base: All respondents (GB adults)

▼ 2. Experiences of seeking debt advice:

Experiences are largely positive once advice had been sought, however the problem remains of where to find it. A quarter of all respondents (25%) do not think it is clear where to go for good, impartial advice.

Of the group who had sought advice on debt issues:

- Just under half (48%) say that seeking debt advice gave them peace of mind.
- 44% say that they wish they had sought debt advice sooner than they did.
- A third of people (33%) said they were not aware of all the options available to them before seeking such advice.



Base: All those who have sought debt advice on debt issues (147)

Frances Coulson adds:

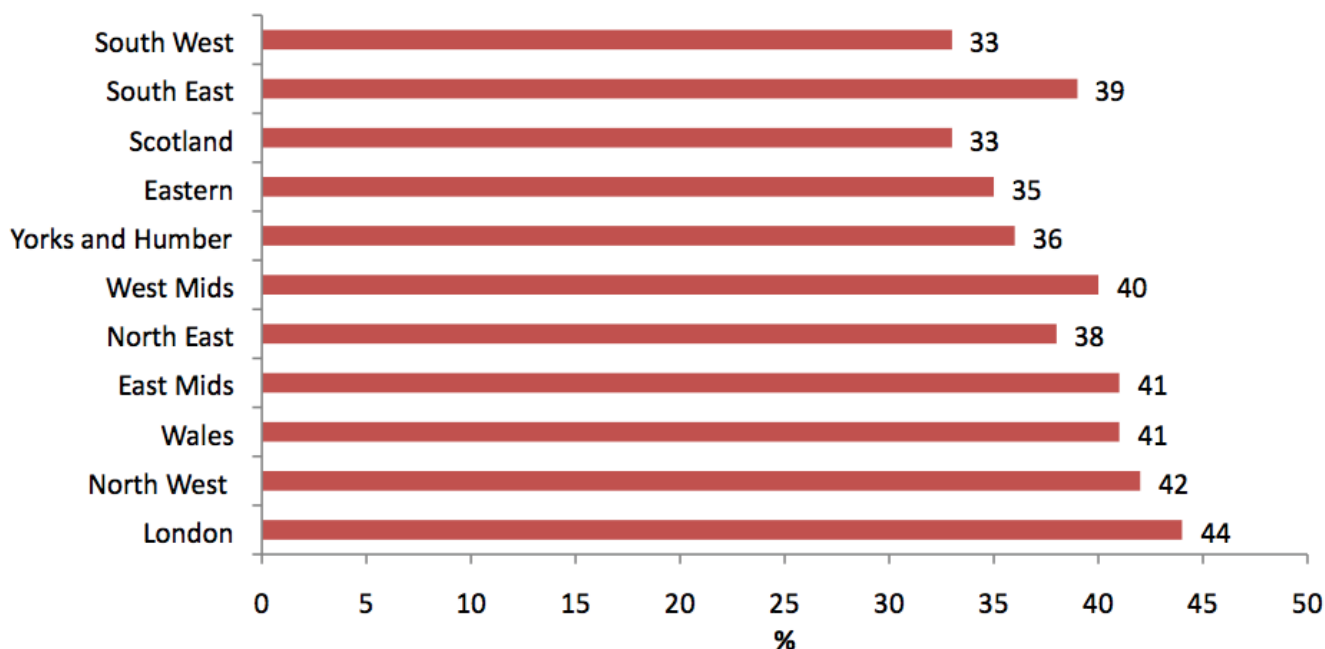
"Overwhelmingly, people benefit from seeking debt advice yet the vast majority of those with debt concerns will not take it. It may just be that simple budgeting advice is needed or in other scenarios one of the formal debt solutions may be necessary. Unsurprisingly a third of those who had sought debt advice were not aware of the different debt solutions beforehand."

"I am pleased that the stigma attached to seeking debt advice is low, but this is obviously being stymied by a lack of certainty of where to go for good impartial advice. Clearly this is an area that needs clarity – an online search of debt advice could lead you to someone with a vested interest in 'selling' you a particular 'product'. Individuals need to consider all their options before charging ahead with the first solution they are presented with. While an initial consultation can be free, paid for advice can also provide the best range of options, much as in other financial arenas."

▼ 3. Levels of debt concern:

There is a significant drop on October's figure (60%) but concern over levels of debt is still high affecting 39% of the population, or more than 18 million individuals.

- Those aged 25-34 are most likely to be worried their current level of debt, with half (50%) of this group worried compared to just 19% of people aged 65 or over.
- Concern was highest in London (44%), followed by the North West region (42%) and the East Midlands (41%).



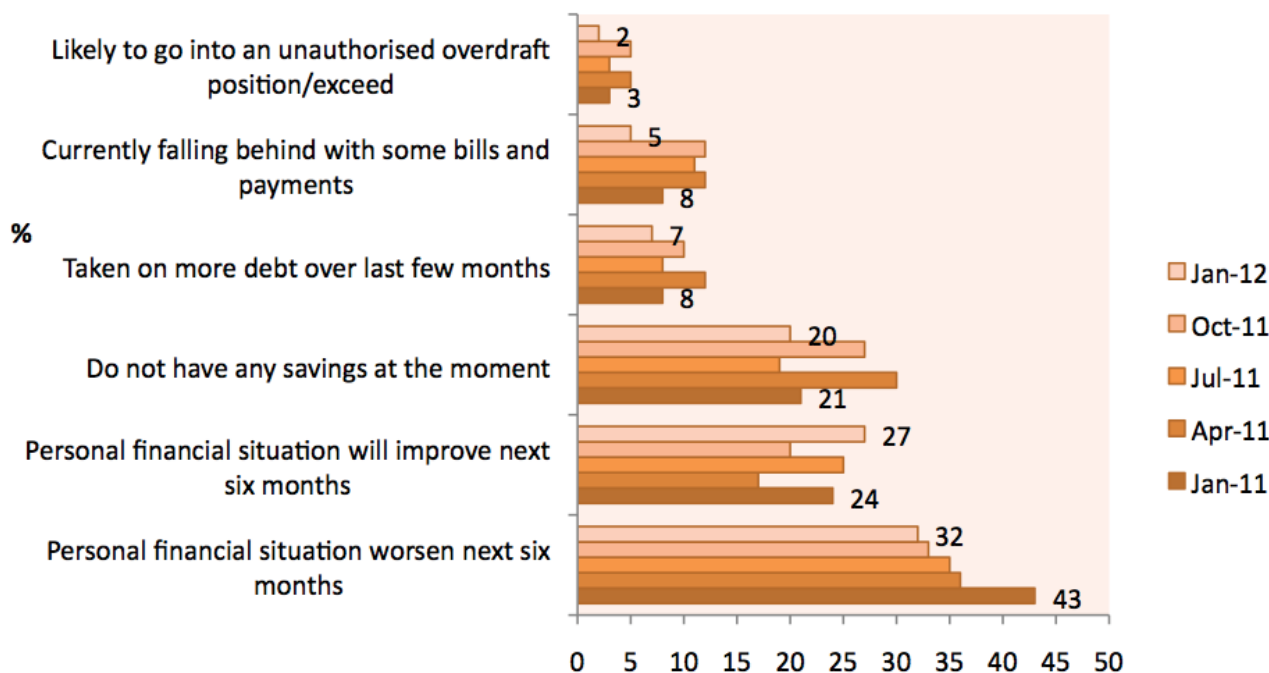
Base: All respondents (GB adults)

- As in previous quarters, credit cards are the main cause for concern, with 50% of those who are worried (at least to a fair extent) about their level of debt, citing credit cards. This is a five percentage point increase on November's figure. Overdrafts cause concern for 25% of respondents.
- The survey also captured high numbers currently saying they are in a Debt Management Plan (DMP) – at 2 million GB adults (4% of respondents). R3's figures from 2010 put this number between 300,000 and 700,000. No-one knows the true figure as they are not recorded or counted in the official Insolvency Service statistics. R3 believes the Government should keep records of the numbers of people in a DMP, and that providers should be obliged to make their fees clear from the outset.



▼ 4. Financial outlook:

A key question has been that of individuals' financial outlook for the next six months, and there is still more pessimism than optimism. Overall, 32% of individuals think that their personal financial situation will worsen over the next six months, whereas only 27% think it will improve. This is broadly unchanged from the last quarter, but 'pessimism' has decreased by over 10 percentage points since January last year.



Base: All respondents (GB adults)

- Pessimism is highest in the North West (41%), and also amongst the 55-64 year old age group (42%).
- Overall, men (at 33%) are currently more optimistic than women (at 21%) when it comes to thinking their financial situation will improve in the next 6 months.
- There have been some improvements since the last quarter – a 7% drop in both the numbers who are currently falling behind with bills and payments (now at 5%) and those who currently do not have any savings (now at 20%).



Frances Coulson concludes:

“Overall, pessimism wins over optimism when it comes to an individual's personal financial situation yet there are some green shoots. Fewer individuals are falling behind with bills or have no savings. This is reflected by the current reluctance to take on more credit, and our figures reveal that levels of debt concern have in fact dropped over the past three months.

“However, there is still a significant amount of debt out there to be paid back and I would urge those with concerns to consider taking advice. Government needs to address the confusion about where to go for good debt advice, perhaps supporting the Money Advice Trust and Citizens Advice further. The UK's insolvency practitioners can also offer initial free advice, and will offer impartial suggestions as to the right solution for the individual. Seeking debt advice from an expert should be as routine as seeing a doctor for a health problem.”

Methodology note:

ComRes interviewed 2005 GB adults online between 25th and 26th January 2012. Data were weighted to be representative demographically of all GB adults.

ComRes is a member of the British Polling Council (www.britishpollingcouncil.org) and abides by its rules. Full data tables are available at: <http://www.comres.co.uk>.

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.