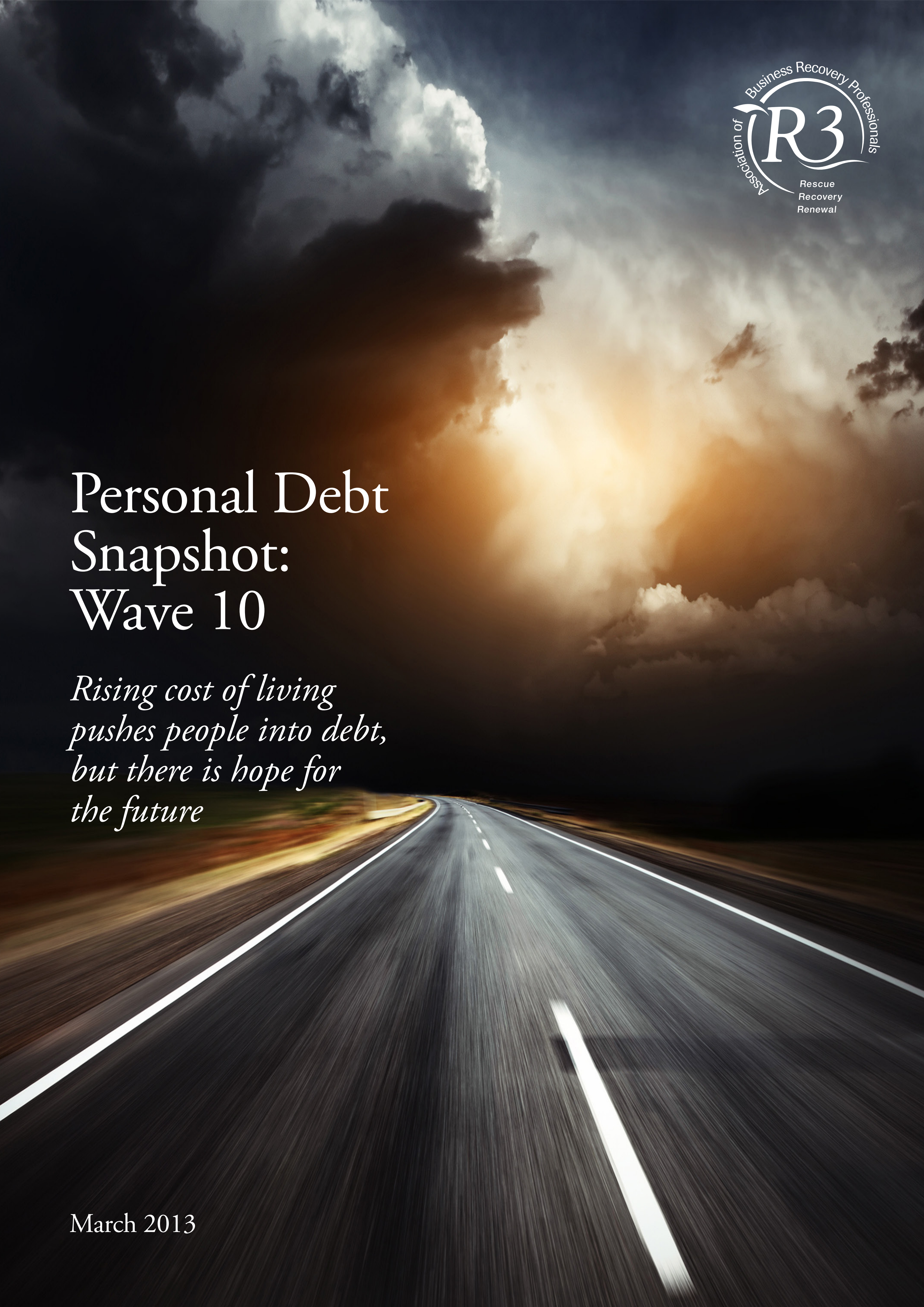

Association of Business Recovery Professionals
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Personal Debt Snapshot: Wave 10

Rising cost of living pushes people into debt, but there is hope for the future

March 2013

"Traditionally a 'life event' such as loss of employment, break-up of a relationship or even a non-essential extravagance such as a holiday was the trigger to push individuals into debt. Today's debt landscape looks different - rising living costs (with wages failing to keep up) account for those with debt concerns, as the tenth wave of R3's Personal Debt Snapshot reveals.

"There is further evidence of greater struggles at the margins, with those in a payday loan, prioritising paying back the loan ahead of buying clothes for themselves or their family and even more worryingly, food.

"The high cost of childcare is also examined in this survey – with a significant proportion of those paying for childcare using savings or even an overdraft to cover it.

"However, while finances remain tight for many, there is a change in mood. For the first time since the tracker began in July 2010, more people think their financial situation will improve than worsen when thinking ahead to the next six months. Perhaps an indication that while individuals are feeling squeezed by high living costs, or are now used to it, they can see brighter skies ahead."

Lee Manning,
President of insolvency trade body R3 and Restructuring Partner at Deloitte

Executive Summary

1. **The rising costs of living continue to bite:**

- Of those with concerns about their current level of debt, **50% say increases in the cost of living alongside wages failing to keep up**, was responsible for pushing them into debt. This contrasts to the one in five (20%) who blame loss of employment for pushing them into debt.
- Of those who struggle to payday, **68% blame rising costs of living** for this. This is way ahead of credit card payments being responsible for their struggle (25%).

2. **There are signs of a serious struggle for those with specific debt obligations:**

- Of those with a **payday loan**, more than half (62%) have prioritised paying it back over buying clothes, while almost half (46%) say the same about buying food.
- Of those who currently pay for **childcare**, 33% have had to use their savings and 24% their overdraft to meet these costs.

3. **However, there are signs of a change in mood that perhaps point to a brighter future:**

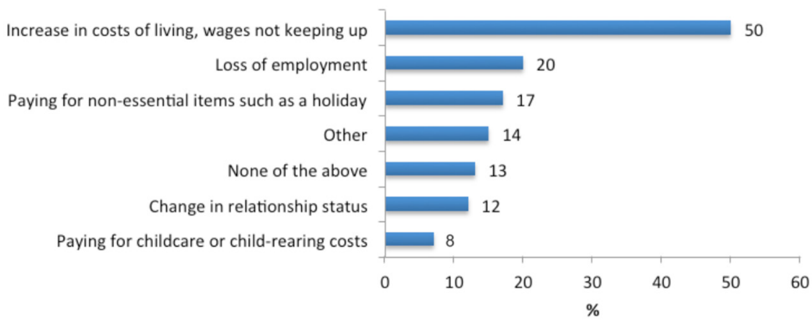
- For the first time since the tracker began in July 2010, people are more likely to think their financial situation **will improve** (21%) than worsen (18%) when looking ahead to the next six months.
- Similarly, those who are 'not at all worried' about their current level of debt (58%) has over taken those who are 'worried' to some degree (42%).
- Nearly a quarter (23%) do not have any savings, but this is down from 29% in October 2012.

1. The rising cost of living impacts on the nation's finances:

R3's President Lee Manning comments:

"We are all familiar that increases in costs of living are here to stay, but it is only now that their impact can truly be felt in the debt landscape. There is a new reality as traditional 'life events' have been overtaken by the relentless drag imposed by spiralling food and fuel costs. These factors are unlikely to go away anytime soon."

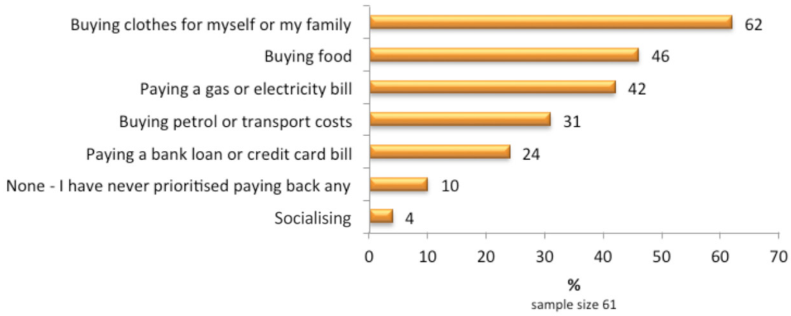
- Of those with concerns about their current level of debt, 50% say the increase in cost of living, alongside wages failing to keep up, was responsible for pushing them into debt. This contrasts to the one in five (20%) who blame loss of employment for pushing them into debt.
- Intriguingly, pressures from rising costs of living are most likely to be felt by 45-54 year olds for 57% of the group.
- 'Traditional' triggers for debt came lower down the list, with 17% citing paying for non-essential items such as a holiday, and 12% citing a change in relationship status.



- Of those who struggle to payday, 68% blamed rising costs of living for this. This is way ahead of the 25% who blame making credit card payments for their struggle. These results are consistent with the last set of figures in September 2012, when 67% blamed the rising cost of food for the struggle to payday.

2. Those struggling on the edge: Meeting childcare costs and paying back payday loans

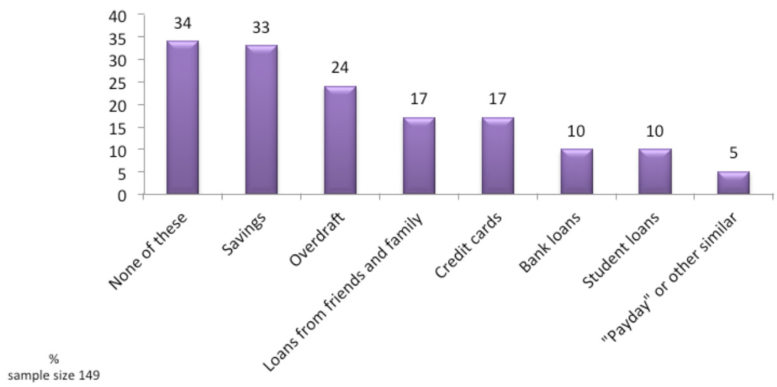
- Of those with a **payday loan***, more than half (62%) have prioritised paying it back over buying clothes for themselves or their family, while almost half (46%) say the same about buying food. Further down the list, 42% have prioritised paying back a payday over gas and electricity, while 31% have done the same ahead of buying petrol or meeting transport costs.



Lee Manning continues:

"When a significant proportion of those with a payday loan cannot afford food, electricity and heating, one has to doubt whether payday loans are meeting the objectives they were set up for. If an individual has to make these sacrifices, I would seriously question the choice of taking out further high cost credit in this way. These are supposed to be one-off loans to meet a specific short-term need, not a supplement to cover essentials."

- Of those paying for **childcare costs**, 33% have had to use their savings and 24% their overdraft to meet them.



3. Hope for the future

- For the first time since the tracker began in July 2010, more people think their financial situation will improve (21%) than worsen (18%) when looking ahead to the next six months. In October 2012, 27% of respondents thought their situation would worsen over the next six months.

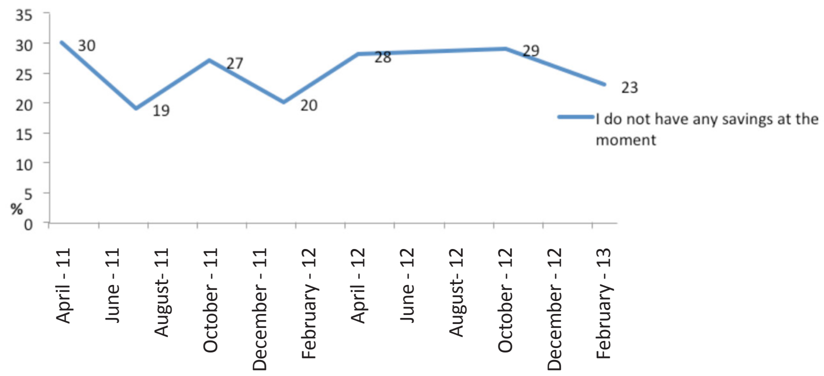
- Similarly, those who are 'not at all worried' about their current level of debt has overtaken those who are 'worried' (to some degree).

	Worried (net)	Not at all worried
October 2012	59%	41%
February 2013	42%	58%

Debt Picture

- Nearly a quarter (23%) do not have any savings, but this is an improvement on the 29% in September 2012

"It is encouraging that the mood, if not the reality, is taking an upward turn for many."



Lee Manning concludes:

"While it is hard to see the pressure from increasing livings costs abating, perhaps people feel the end is in sight – or more simply they have just learnt to cope. It is greatly reassuring to see a reduction in stress levels that arise from debt concern, and hopefully that will continue as individuals adjust their budgets to suit their means. They will need to in the coming months.

"I remain concerned for those on the extremities of the debt landscape, a persistent group with no savings or struggling with an expensive loan. For these people, life is not going to get easier while their debt or expensive credit cycle stays unbroken. Given what we know about rising livings costs, this is not a good time to be without the safety net of savings. Anyone with debt concerns should seek professional advice at the earliest opportunity."

Methodology

ComRes interviewed 2,007 GB adults online between 1st and 3rd February 2013. Data were weighted to be representative demographically of all GB adults.

A lower sample size (61) made up the group of those who have taken a payday loan in the past six months on page 4. As did for the group who pay for childcare (149).

ComRes is a member of the British Polling Council and abides by its rules (www.britishpollingcouncil.org). This commits us to the highest standards of transparency.

About R3:

R3 is the trade body for Insolvency Professionals, and is made up of 97% of the UK's Insolvency Practitioners.

R3 promotes best practice for professionals working with financially troubled individuals and businesses; all R3 members are regulated by one of nine recognised professional bodies.

R3 stands for 'Rescue, Recovery, and Renewal' and is also known as the Association of Business Recovery Professionals. Website www.r3.org.uk