AUGUST 2011

Personal Debt Snapshot:

Mixed fortunes

Signs of distress down on last quarter…but higher than a year ago

Debt concern down on last quarter…but higher than a year ago

Increased concern about short-term credit

One in five public sector workers fear redundancy

Increased number of 'savers'

Welcome to the fifth wave of the Personal Debt Snapshot, which has now run for a full year. This wave provides both good and bad news - signs of financial distress and concern about debts have declined since last quarter, but remain higher than the same period a year ago.

Individuals feel more confident about their finances than they did a few months ago. Many have built up their savings and paid off their debts during that period. However, we are seeing increased concern about short-term credit this quarter and a profound fear of redundancy among public sector employees.

Frances Coulson, R3 President

- **Signs of distress:** The percentage of individuals experiencing each of the signs of distress has decreased since the peak in April 2011. However, a greater proportion of people are suffering signs of distress than the same period in 2010.
- **Debt concerns:** Just under half of the population say they are worried about their level of debt (47%) compared to just over half (53%) in April 2011 - the peak of the series. However, the current figure is a 7 percentage point increase on the proportion concerned about their debts this time last year.
  - Of those who are concerned about their debts, credit card debt continues to dominate fears (at 53%).
  - Worry about certain types of debt has increased since the last quarter - credit cards (up 5 percentage points), payday or other short term loans (up 2 percentage points), hire purchase (up 3 percentage points) and store cards (up 1 percentage point); while worry about others has declined, particularly secured lending such as mortgage repayments (down 4 percentage points) and bank loans (down 2 percentage points).
- **Financial outlook:** A quarter of individuals believe their finances will improve over the next six months - an 8 percentage point increase on last quarter, but 10 percentage point drop from July 2010.
- **Public sector redundancy fears:** One in five (20%) individuals in the public sector are worried about being made redundant, compared to just 9% in the private sector.

R3 President Frances Coulson:

"Early 2011 was a tough period as individuals struggled to keep control of their finances and felt uncertain about the future. It is encouraging to see decreases in distress since then as people have started to bolster their savings and pay off their debts."

"But we must remember that financial distress is still higher than it was a year ago. Fears of redundancy and delays in taking big financial decisions are considerably up on last year, indicating that the public is still hesitant about what the coming months have in store. Allied to this is fear of redundancy, which stands almost twice as high as it was this time last year."

Savings barometer:

- The proportion of individuals who do not have any savings at the moment has declined from 30% in April 2011 to 19% in July, a considerable decrease (11 percentage points).

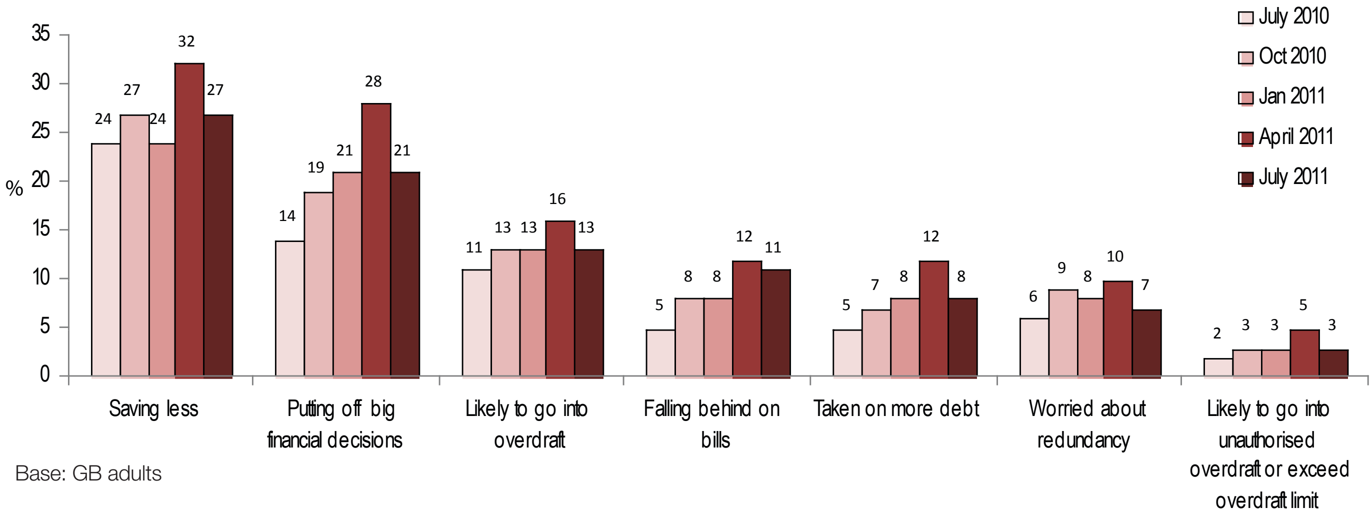
Payday index

- The proportion of people who struggle to 'payday' has declined by 2 percentage points since April 2011, but has marginally increased since July 2010 (up 2 percentage points). The average day of the month when those who struggle say they begin to feel the pinch also remains similar - from 'day 20' in July 2010 to 'day 19' in July 2011.
- There have been increases since last quarter in the proportion of those who cite credit card repayments (up 1 percentage point), non-essential spending (up 5 percentage points), big ticket purchases (up 3 percentage points) and paying off 'payday' loans (up 1 percentage point) as the reason behind their struggle to 'payday'.
- There is a considerable regional divide, with more than a quarter of individuals in the North East and more than a fifth in Yorkshire and Humberside saying they often struggle to make it to 'payday' (29% and 21%, respectively).

Signs of distress

The percentage of individuals experiencing each of the signs of distress has decreased since their respective peaks in April 2011, yet each remain higher than this time last year.

The most significant declines from April are the number of people putting off big decisions (down 7 percentage points to 21%) and the number of people saving less than they usually do (down 5 percentage points to 27%). There have also been marginal decreases in the rest of the signs – the proportion of people likely to go into their overdraft stands at 13%; 11% are falling behind with bills; 8% have taken on more debt recently; 7% are worried about being made redundant; and 3% fear they will go into their unauthorised overdraft.



Base: GB adults

However, in comparison to the same period in 2010, a greater proportion of people are suffering signs of financial difficulty. In July 2010, 14% of people admitted to putting off big financial decisions; this compares to 21% of individuals this time around. The number of people falling behind with bills has increased from just 5% to more than one in ten. There have been marginal increases in the numbers of individuals saving less (up by 3 percentage points), saying they are likely to go into their overdraft (up 2 percentage points) or unauthorised overdraft (up 1 percentage point), taking on more debt (up 3 percentage points) and worried about redundancy (up 1 percentage point).

Numbers of individuals affected

	July 2010	Oct 2010	Jan 2011	April 2011	July 2011
Saving less	11m	13m	11m	15m	13m
Putting off big financial decisions	7m	9m	10m	13m	10m
Likely to go into overdraft	5m	6m	6m	8m	6m
Falling behind on bills	2m	4m	4m	6m	5m
Taken on more debt	2m	3m	4m	5m	4m
Worried about redundancy	3m	4m	4m	5m	3m
Likely to go into unauthorised overdraft/exceed overdraft limit	1m	1m	2m	2m	1m

Public sector redundancy fears

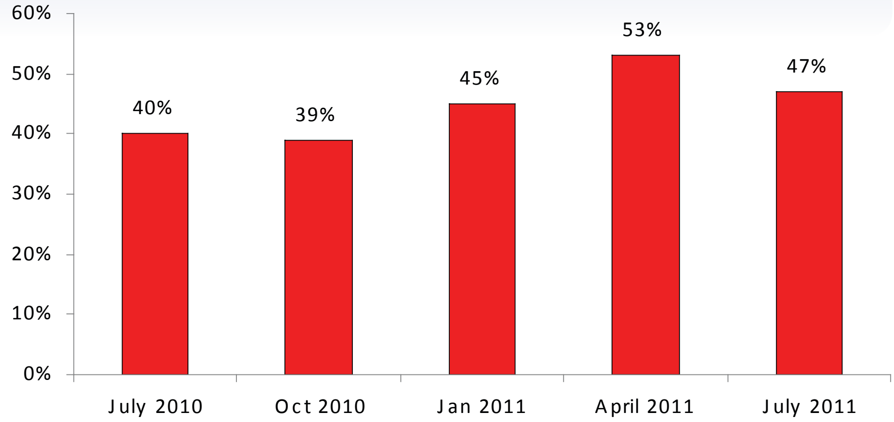
There is a stark contrast between the redundancy fears of those employed by the public sector compared to those in the private sector, with fear of redundancy standing twice as high in the public sector as private. One in five (20%) individuals in the public sector are worried about being made redundant, compared to just 9% in the private sector.

R3 President Frances Coulson:

"We know that unplanned changes of circumstance, such as job loss, are key triggers of insolvency. With around six million people employed in the public sector in the UK, significant redundancies could result in increased insolvency levels. More people have started saving and paying off their debts, so these reserves should serve them well if they do face a period of unemployment."

Concerns about debt levels

Perhaps understandably, concern about debt levels follows a similar trend to signs of distress. A little under half of the population say they are worried about their level of debt (47%) compared to just over half (53%) in April 2011 - the peak of the series. However, the current figure is a 7 percentage point increase on the proportion concerned about their debts this time last year.

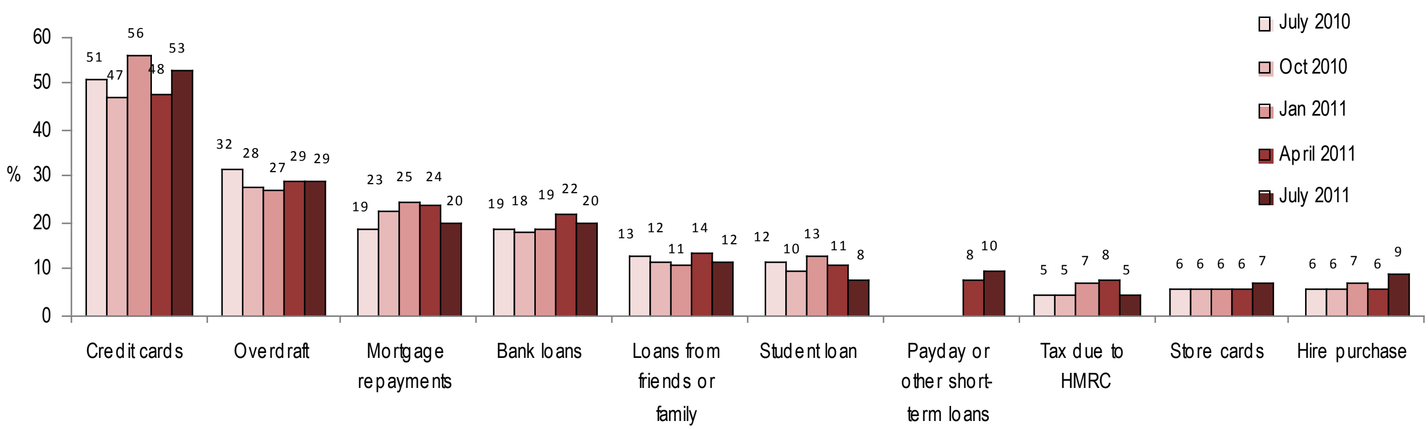


Base: GB adults

Reasons behind debt worry

Of those who are worried about their debts, the types of debt that concerns them remains similar to previous waves - credit card debt dominates (53%), followed by overdraft (29%), mortgage repayments (20%) and then bank loans (20%).

Among those who are concerned about their debts, worry about certain types of debt has increased since last quarter, while worry about others has declined. The proportion who cite credit card debt as the source of their worry has increased from 48% in April 2011 to 53%; worry about payday or other short-term loans has increased from 8% to 10% [it was not included in the survey prior to April]; hire purchase from 6% to 9%; and store cards from 6% to 7%. Meanwhile, the proportion who cite mortgage repayments as the source of their debt concern has declined from 24% to 20%; bank loans from 22% to 20%; loans from family or friends from 14% to 12%; student loan from 11% to 8% and tax debt from 8% to 5%.



Base: GB adults concerned about their debts

A greater proportion of those who were concerned about their debts in July 2011 cited credit card debt, mortgage repayments, bank loans, store cards and hire purchase than the proportion that did so in July 2010. However, the proportion who cite their overdraft, loans from family and friends and students loans has decreased from the same time last year.

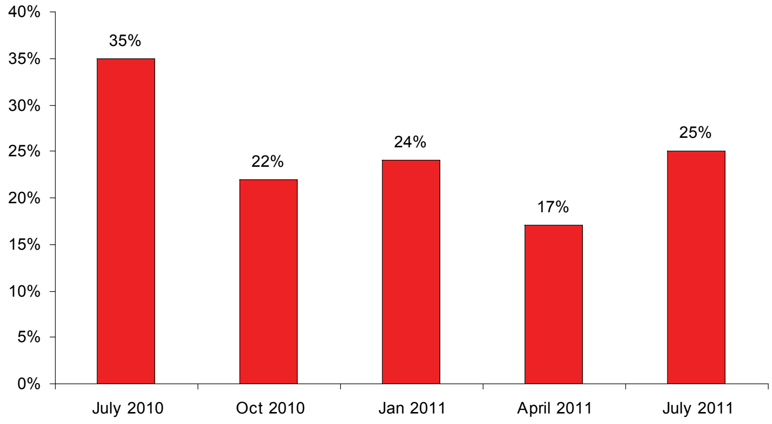
R3 President Frances Coulson:

"Short-term credit has been a source of increased worry since the last quarter, while concern about secured debt, such as mortgage or banks loans, has diminished. Those who are already struggling may find traditional lenders unwilling to provide credit and are therefore drawn to short-term credit sources. Individuals turning to short-term loans and credit cards should be wary of the high interest rates that often accompany these products. Overall debt can quickly snowball out of control."

Financial outlook

"I think my personal financial situation will improve over the next six months"

The peak of optimism was in July 2010, when 35% of people felt positive about their upcoming financial prospects. A year on, 25% believe their finances will improve over the next six months - a 10 percentage point drop. However, during the intervening period, optimism levels have fluctuated, with a particularly low period in April 2011 (just 17%).

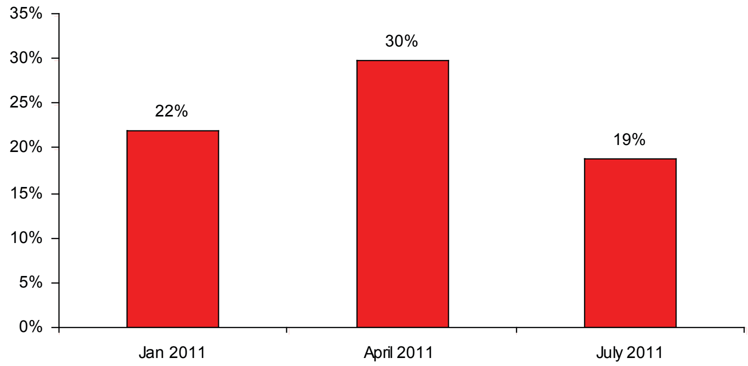


Base: GB adults

The Savings Barometer

"I do not have any savings at the moment"

The proportion of individuals who do not have any savings at the moment has declined from 30% in April 2011 to 19% in July - a considerable decrease (11 percentage points). The current level is more in line with January, where the proportion of people without savings stood at 22%.



Base: GB adults

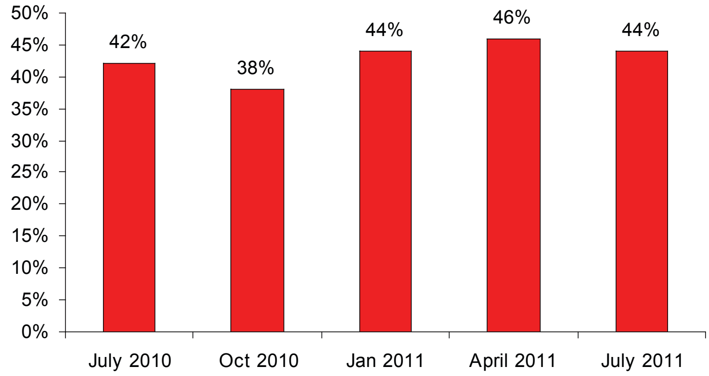
R3 President Frances Coulson:

"It is encouraging to see less concern about debt, fewer signs of distress and increased confidence. This may be at least in part attributed to increased saving as individuals have realised the importance of building up a financial buffer to fall back on in times of uncertainty."

Payday Index

The proportion of people who say they struggle to make it to 'payday' has declined by 2 percentage points since April 2011, but has increased by 2 percentage points since July 2010.

The average day of the month when those who struggle say they begin to feel the pinch also remains similar - from 'day 20' in July 2010 to 'day 19' in July 2011.

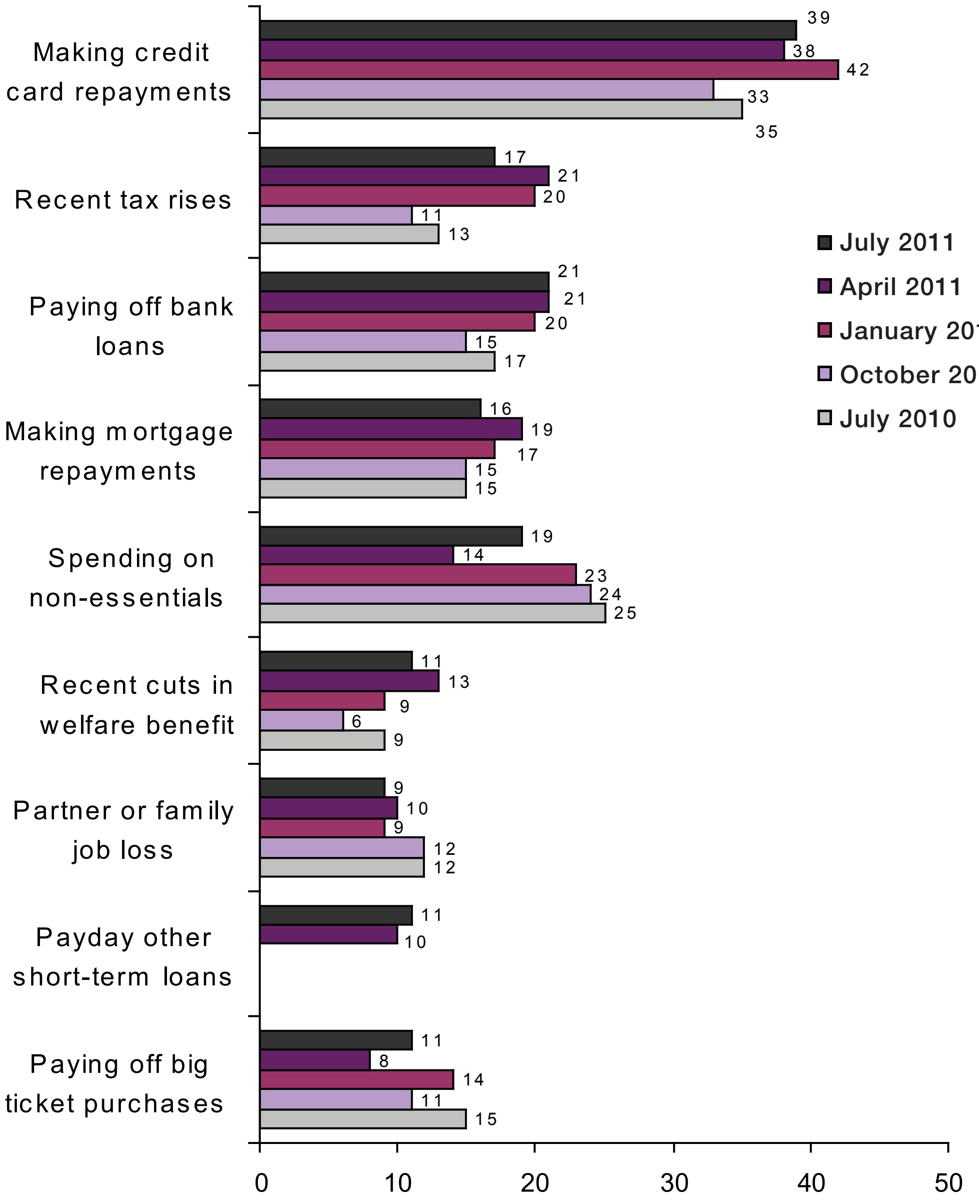


Base: GB adults

Reasons behind the payday struggle

There have been increases since the last quarter in the proportion of those who cite credit card repayments (up 1 percentage point to 39%), non-essential spending (up 5 percentage points to 19%), big ticket purchases (up 3 percentage points to 11%) and paying off 'payday' loans (up 1 percentage point to 11%) as the reason behind their struggle to 'payday'.

There have been decreases in the proportion who cite tax rises (now 17%), mortgage repayments (16%), welfare cuts (11%) and partner/family job loss (9%).



Base: GB adults who struggle to 'payday'

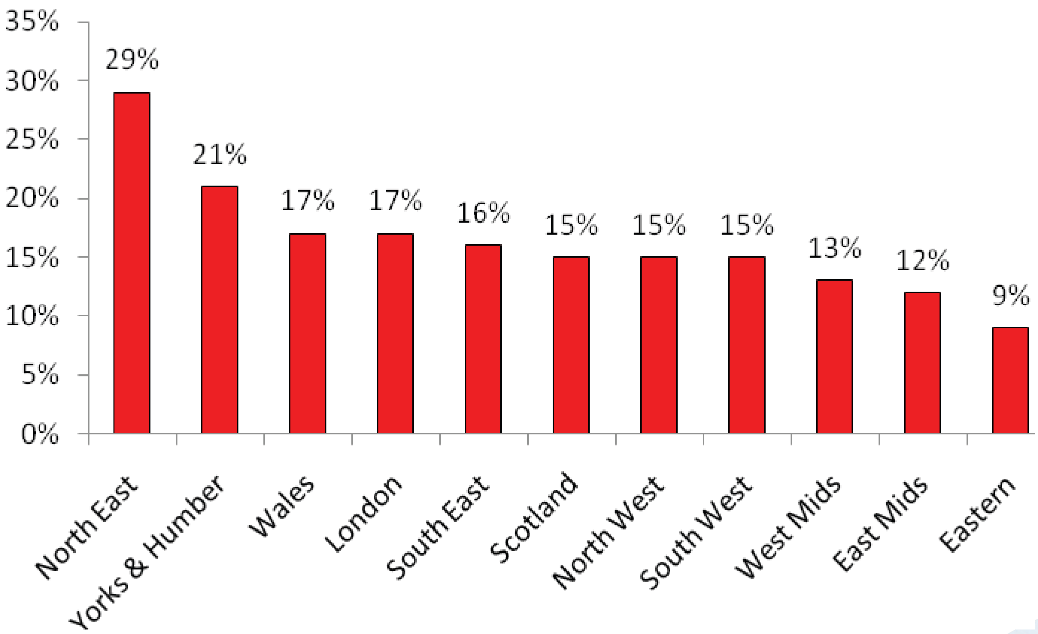
The most significant difference from July 2010 to July 2011 is the decreasing proportion of those who say they struggle as a result of spending on non-essentials, down 6 percentage points.

A greater proportion of those who currently say they struggle to 'payday' cite credit card repayments (up 4 percentage points), bank loans (up 4 percentage points), tax rises (up 5 percentage points) and mortgage repayments (up 1 percentage point) as reasons for their struggle than the proportion who did so in July 2010. However, the proportion who cite spending on non-essentials, paying off big ticket purchases, or partner/family job loss has decreased since the same time last year.

Payday Index: regional analysis

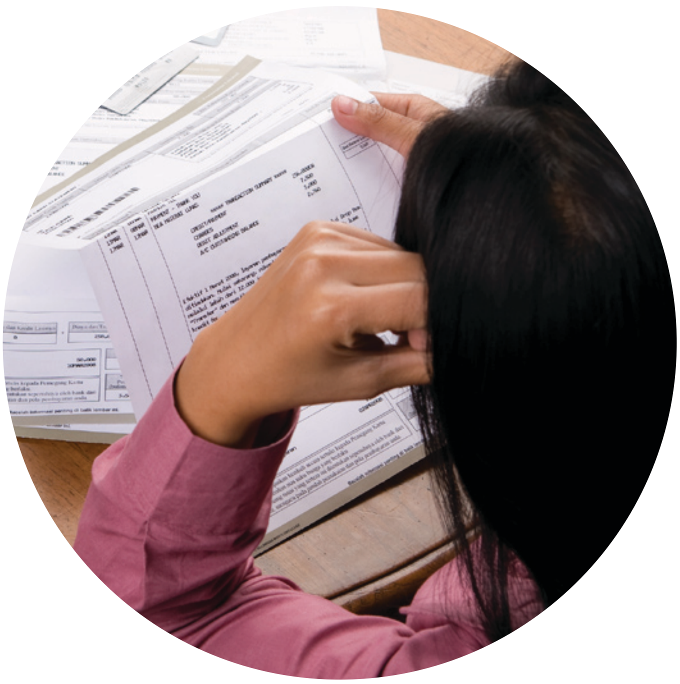
Individuals in the North East are more likely than those in other regions to say they often struggle to make it to 'payday' (29%). This is followed by individuals in Yorkshire and Humberside (21%), Wales (17%) and London (17%). Those in the Eastern region are least likely to say they often struggle to reach payday (9%).

"I often struggle to make it to payday"



Base: GB adults who struggle to 'payday'

Methodology note:
ComRes interviewed 2047 GB adults online between 22nd and 24th July 2011. 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.



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.