APRIL 2011

Personal Debt Snapshot:

Increasing distress

Association of Business Recovery Professionals

R3

Rescue Recovery Renewal

"With talk of interest rate rises focusing on 'when' rather than 'if' and economic growth slowing to 0.5%, it is perhaps not surprising that individuals have become more pessimistic about their financial situation over the last quarter (Jan 11 to April 11). This quarter has seen the 'warning signs of financial distress' reach an all time high, indicating that times are increasingly hard for many people. With R3's Personal Debt Snapshot running for nearly a year, we can explore how the debt and personal finance landscape has changed since July 2010."

Frances Coulson, R3 President

The number of individuals experiencing each 'warning sign of distress' has reached record levels

One third of us are saving less than we usually do

More than 2 million people have taken out a 'payday' loan over the last year

Fewer than one in five individuals think that their financial situation will improve over the next six months

Over half of people are suffering from debt worries

84% of people have made changes to their spending habits over the last year

One in three who struggle to make it to payday say Government measures, such as tax rises and welfare cuts are to blame

- **Signs of distress:** The number of people experiencing each 'warning sign of financial distress' has reached the highest level recorded since the personal debt snapshot began in July 2010. 16% of individuals are likely to go into their overdraft this month (up by 5% since July 2010). Nearly one third of people (32%) are now saving less than they usually do (up 8% from July 2010) and 28% of people are putting off making big financial decisions (up by 14% since July 2010).

- **Financial outlook:** Individuals' financial outlook has become more pessimistic since last quarter. In January 2011, 24% of people said their financial situation will improve over the next six months. This has now fallen to just 17%.

- **Debt fears:** Since the first wave of the debt snapshot in July 2010 the number of people concerned about their level of debt has increased by 13%, with more than half of people now worried about the amount of debt they owe (53%). Credit cards continue to dominate debt fears, with 48% of those who are concerned saying that they are worrying about this kind of debt.

- **Savings barometer:** Nearly a third of people (30%) do not have any savings at all. This has increased from one in five people (22%) in January 2011.

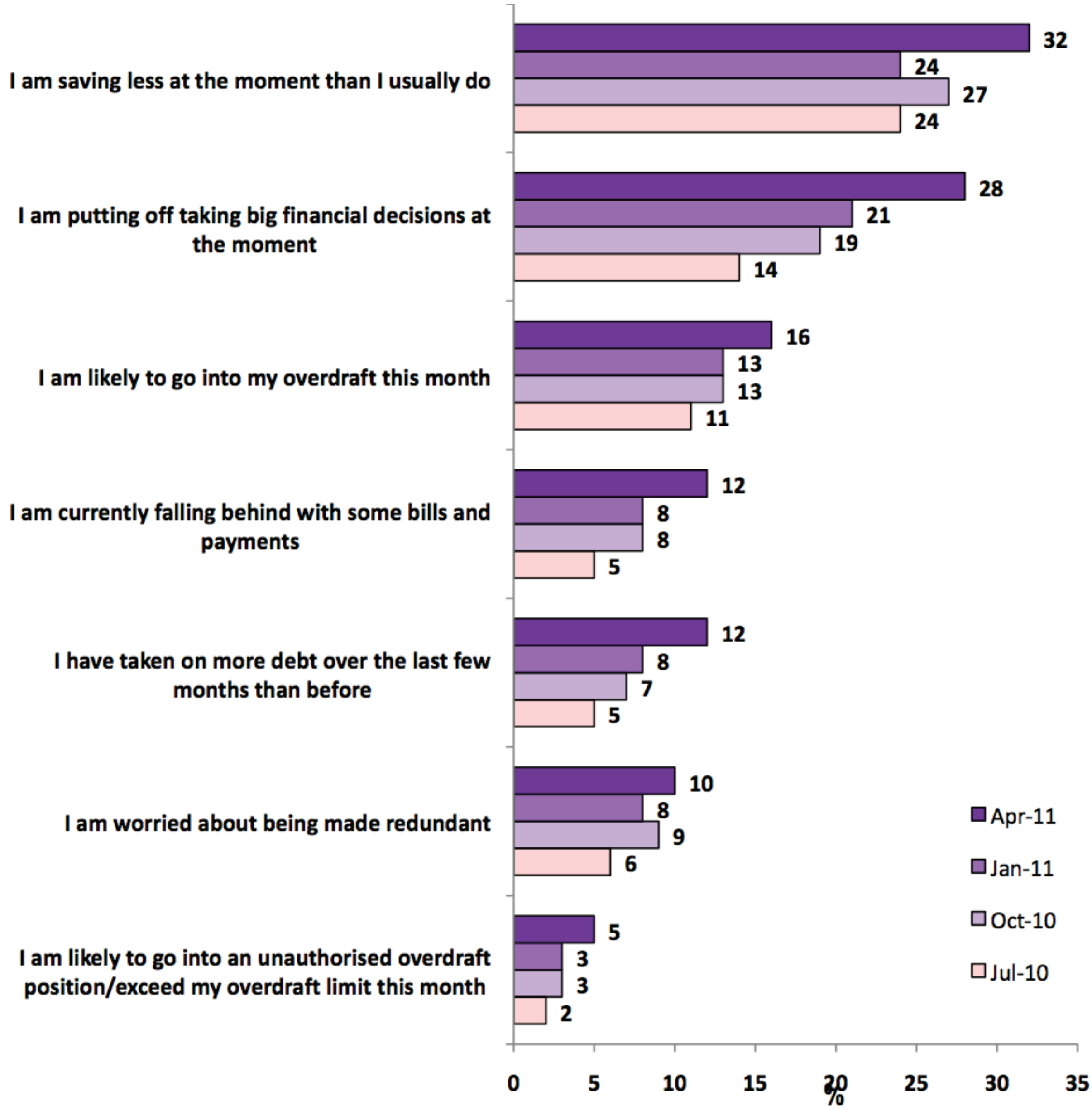
- **Payday index:** The percentage of people who say they struggle to make it to payday has increased by 2% since last quarter – now at 46%. Credit card payments are cited as the most common reason for the struggle to payday (38%), followed by recent tax rises and paying off bank loans (both at 21%).

- **The nation's spending habits:** Four out of five individuals in Great Britain (84%) have made changes to their spending habits in the last year. Women are leading the change; with just 11% of women saying they have made no changes to their spending habits, compared to 21% of men. The most common change is buying fewer non essential items, such as clothes and DVDs (51%).

▼ Signs of distress

The number of people experiencing each sign of distress has increased to the highest level recorded by the Personal Debt Snapshot. Nearly one third of people (32%) are now saving less than they usually do (an increase from 24% in January 2011) and one in ten individuals (10%) are now worried about being made redundant.

Alongside those saving less than they usually do, other significant changes since previous quarters include the proportion of those likely to go into their overdraft this month, which has increased to 16% (11% in July 2010) and those putting off taking big financial decisions, which has increased by 14% since July 2010 (now 28%).



Frances Coulson, R3 President comments:

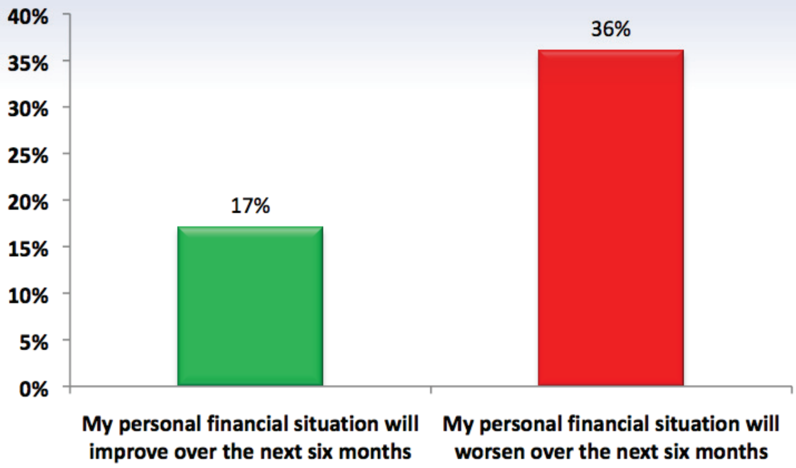
"It is extremely worrying that the warning signs of financial distress have increased across the board. Over the last year people have seen the cost of living increase at a time when their pay has been frozen, cut or in the worst scenarios they have lost their jobs. The fact that a greater proportion of individuals are taking on more debt and falling behind with bills suggests that individuals are struggling to cope with these changes and need to act fast to regain control of their financial situation."

The table below shows extrapolated figures indicating approximately how many adults in the UK fall into each category this time around compared to the previous three quarters (**in millions**):

	July	October	January	April
I am saving less at the moment than I usually do	11	13	11	15
I am putting off taking big financial decisions at the moment	7	9	10	13
I am likely to go into my overdraft this month	5	6	6	8
I am worried about being made redundant	3	4	4	5
I am currently falling behind with some bills and payments	2	4	4	6
I have taken on more debt over the last few months	2	3	4	5
I am likely to go into an unauthorised overdraft position or exceed my overdraft limit this month	0.9	1	2	2

Financial outlook

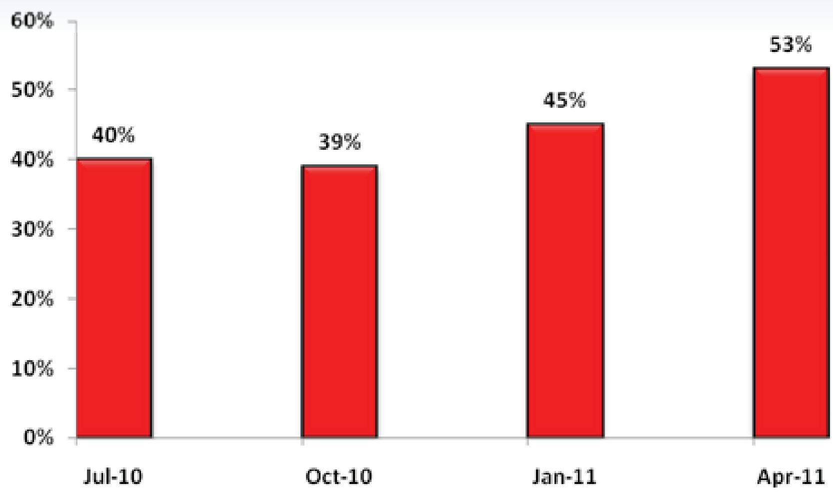
People appear to have become more pessimistic about their personal finances since January 2011. Less than one in five people (17%) think their personal financial situation will improve over the next six months, which compares to about a quarter of people (24%) who said the same in January 2011. More than a third (36%) of people now believe their financial situation will worsen over the next six months.

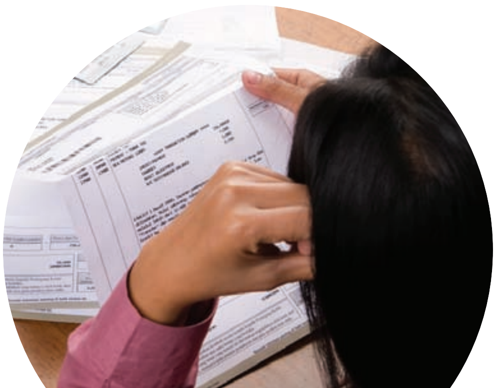


Debt fears

The number of people worried about their debts continues to increase (up 8% on last quarter). Over half of people (53%) are now concerned about the amount of debt they owe. This compares to 45% in January 2011 and 39% in October 2010. Extrapolating the figures indicates that approximately 25 million individuals in Great Britain are worried about their current level of debt.

Analysis shows that those working in the public sector are more likely to worry about their current level of debt (66%) than those working in the private sector (59%).



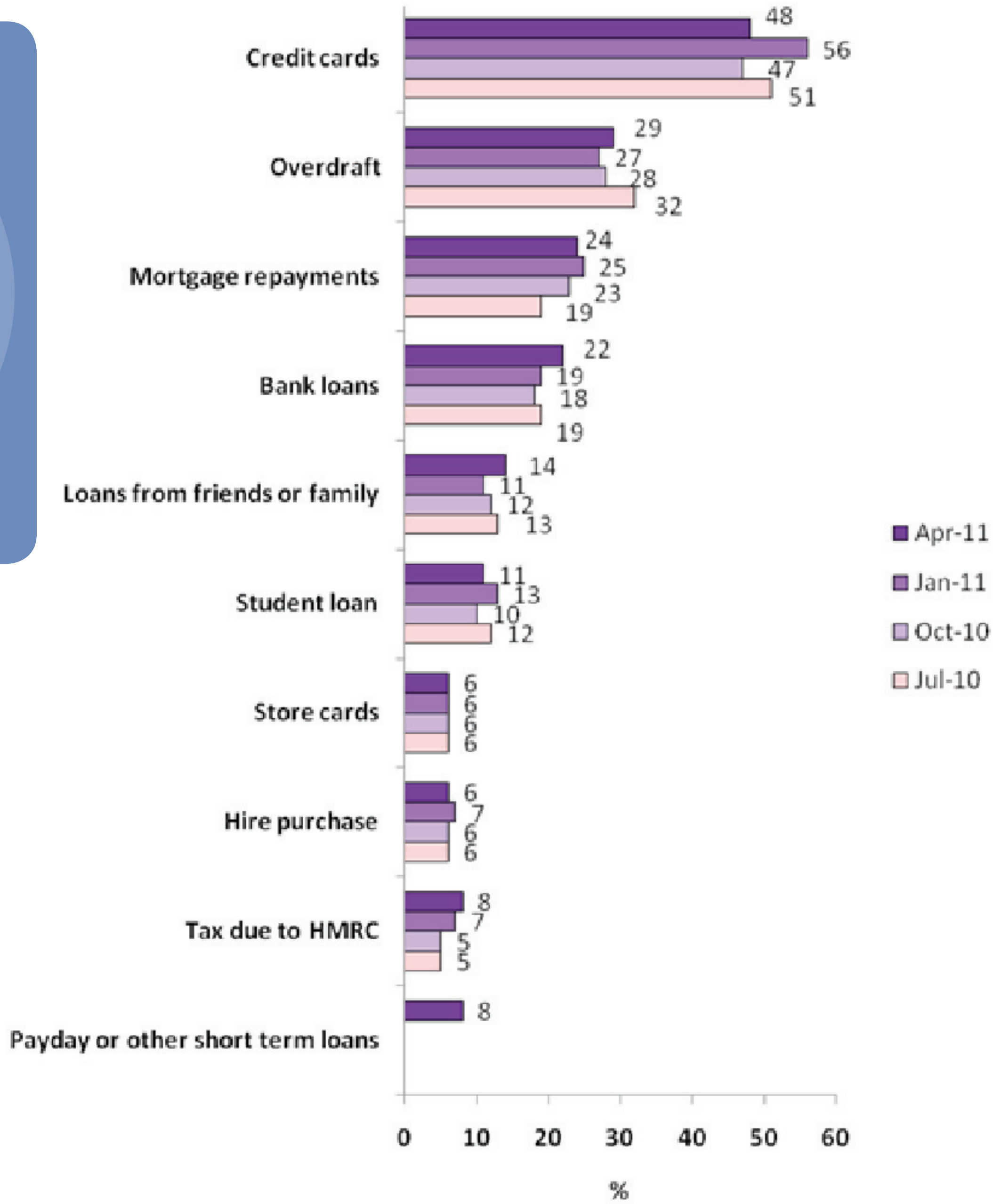


Reasons behind debt concerns

Among those who are worried about their debts, fears about credit cards continue to dominate (48%). However concern about this kind of debt has diminished since January 2011 (previously at 56%). As in previous quarters, fears about credit card debts are followed by overdraft (29%) and mortgage repayments (24%). Concern about overdraft debt is once again beginning to rise but it has not reached the levels of summer 2010 (32%). The percentage of people worried about bank loans has increased from previous quarters, rising from 18% in October 2010 to 22% in April 2011.

Frances Coulson, R3 President comments:

"January 2011 saw a spike in the number of individuals worried about credit card debt, which has subsequently dropped this quarter. Many people rely on credit cards to fund Christmas spending, so as individuals begin to pay off their credit card bills their worry about this type of debt is likely to decrease."

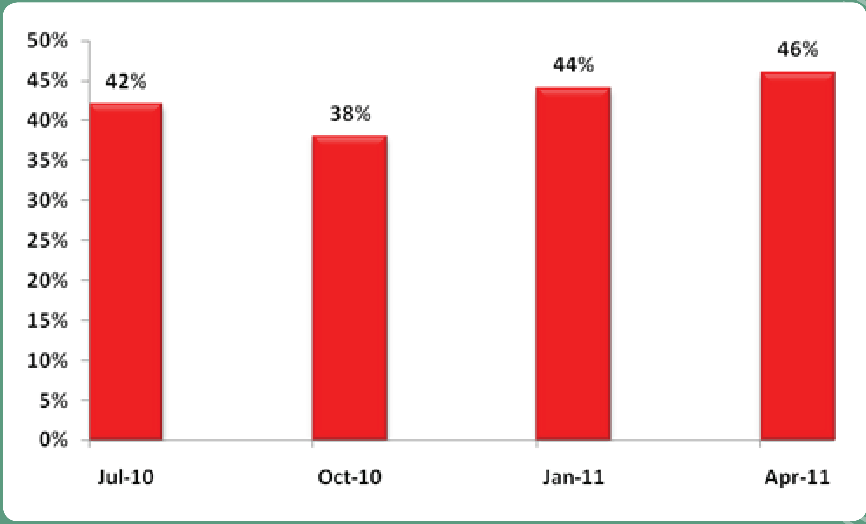


The savings barometer

Nearly a third of people (30%) do not have any savings at all. This has increased from one in five people (22%) in January 2011. Men are more likely to have savings than women, with 33% of women saying they don't have any savings at all (7% increase on last quarter). Perhaps surprisingly those aged between 45 and 54 are less likely to have savings than 18-24 year olds. The socio-economic gap has also widened slightly since last quarter. 40% of those in group DE have no savings compared to just 19% of those in group AB, this compares to 32% and 12% respectively in January 2011.

'Payday index': the struggle to payday

The percentage of people who say they struggle to make it to payday has increased by 2% on last quarter (now 46%).

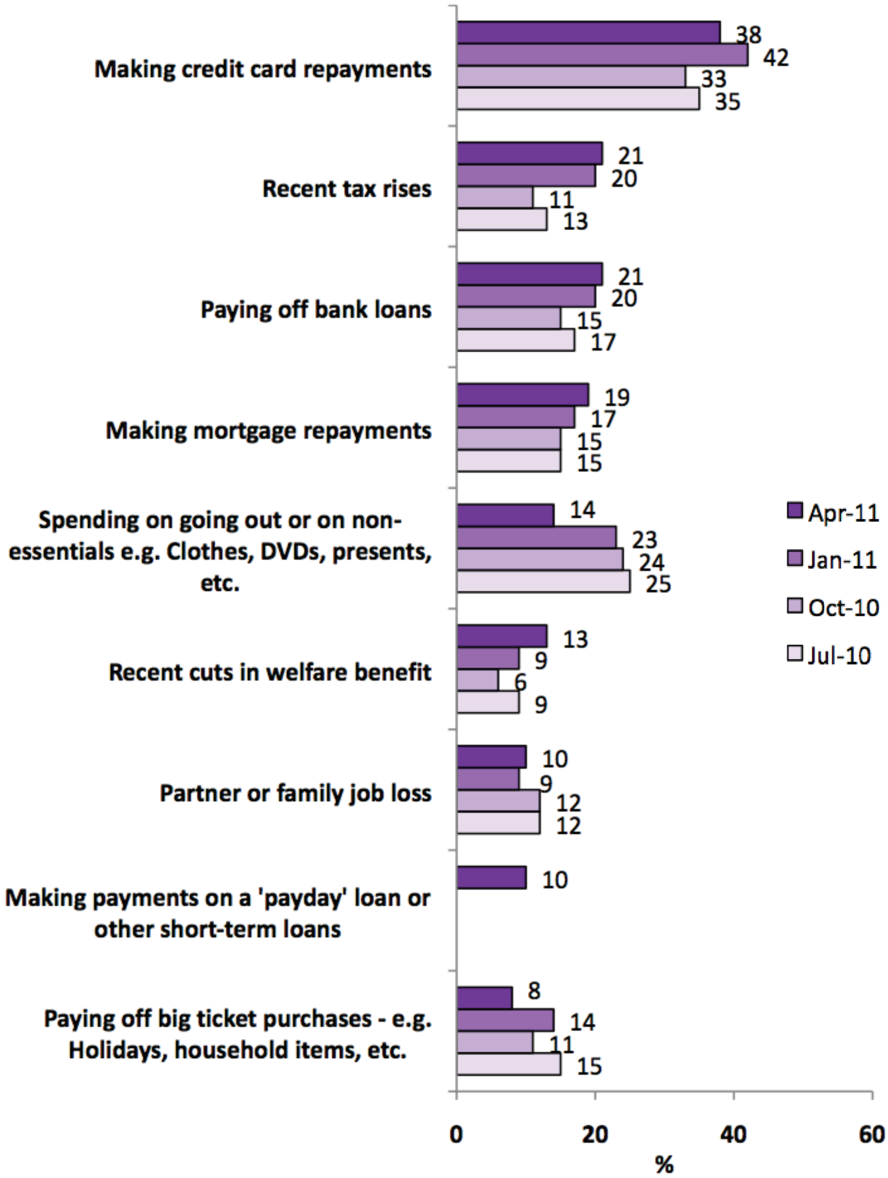


Reasons behind the payday struggle

Nearly four in ten (38%) individuals this quarter who struggled to make it to payday say they did so as a result of credit card payments. This was followed by recent tax rises (21%) and paying off bank loans (21%). Increasingly individuals who struggle are blaming Government measures such as tax rises and welfare cuts, with 13% of those who struggle, now attributing it to welfare cuts. Meanwhile, since January 2011 the number of individuals struggling to make it to payday as a result of spending on non-essentials has dropped 9 percentage points on last quarter (now at 14%).

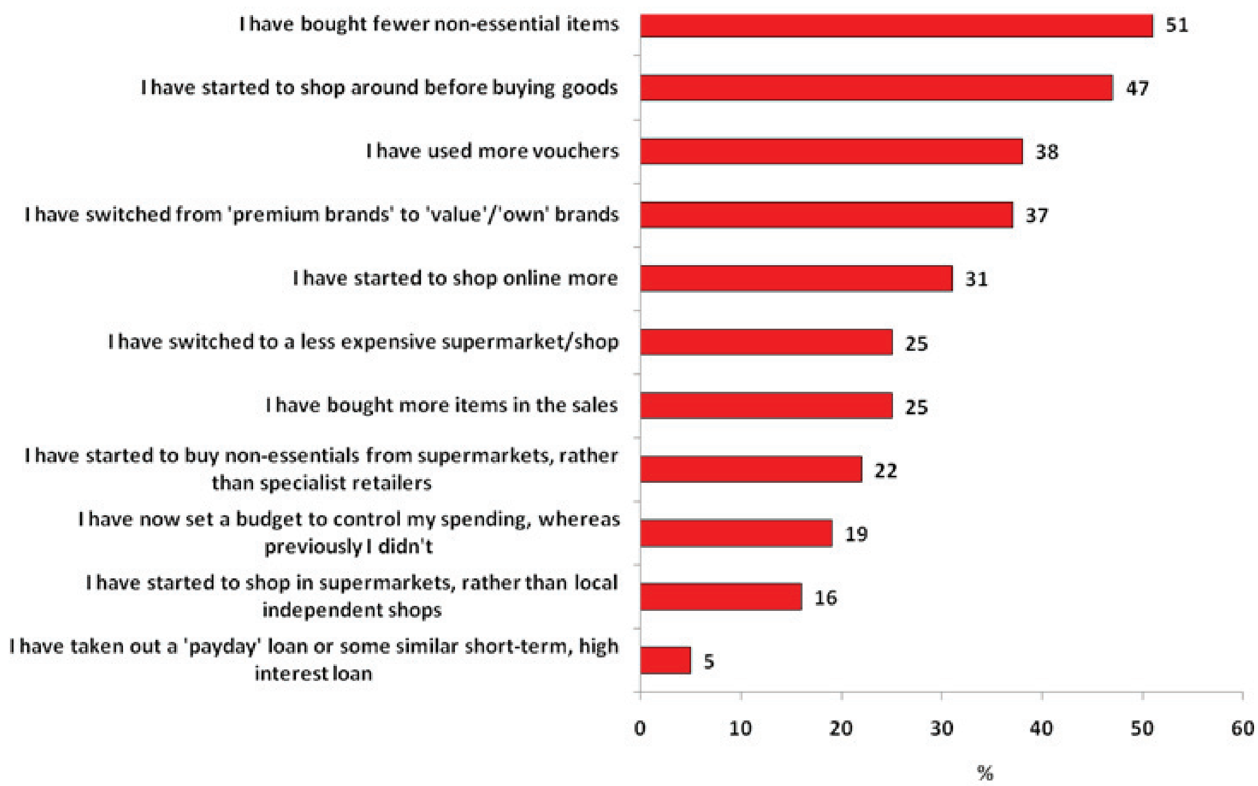
Frances Coulson, R3 President comments:

"As predicted last quarter, the impact of Government measures, such as tax rises and welfare cuts have increasingly impacted on many individuals' ability to make it to payday. If interest rates were to rise, this would push up the cost of living which will put added pressure on finances. It is encouraging to see that the number of people citing spending on going out and/or on non-essentials, as a reason for their struggle has dropped this quarter, which suggests that people are responding to increased living costs and are reigning in their spending in order to live within their means."



The nation's spending habits

84% of individuals in Great Britain have made changes to their spending habits in the last year. Over half of people (51%) have bought fewer non-essential items, such as clothes and DVDs and 47% have started to shop around before buying goods. Less common changes included setting a budget to control their spending where before they didn't (19%) and starting to shop in supermarkets rather than independent shops (16%). 5% of people have taken out a payday loan over the last twelve months, which equates to more than 2 million individuals.



Frances Coulson, R3 President comments:

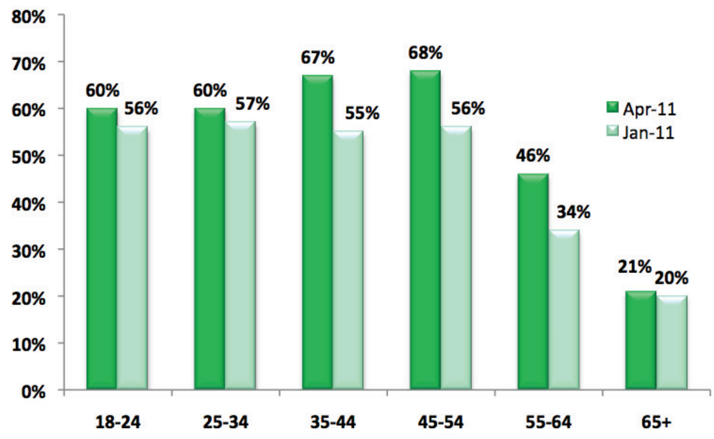
"A considerable percentage of people are actively trying to lower their expenditure which will help them to live within their means. At this time of uncertainty it appears that the nation's natural response has been to tread with caution and cut back where possible. The first port of call for many people seems to have been reducing their expenditure on non-essentials, whether this be cutting them out completely or switching to supermarkets, offering similar products at lower prices."

▼ Demographic trends

Age:

Younger people are more likely to worry about their debts than the older generations. At least 60% of those in age brackets 18-24; 25-34; 35-44 and 45-54 are concerned about their current level of debt. This compares to 46% of those aged 55-64 and 21% aged 65 and over. The number of people who are worried about their debts has increased across all age groups since January 2011.

Age also appears to have a bearing on the kind of debt people are worried about. Younger 'worriers' are more concerned about student loans, with 42% of 18-24 year olds citing it as a worry compared to no more than 9% in any other age group. 32% of those between the ages of 35 and 54 are worried about mortgage repayments.



Although the warning signs of financial distress have increased across the board, individuals aged 35-44 and 45-54 are experiencing the signs of distress more than any other age brackets. On average, approximately 16% of 35-54 year olds are worried about being made redundant, 17% are currently falling behind with some of their bills and 22% are likely to go into their overdrafts this month – a greater proportion than other age brackets. Meanwhile those in the younger age groups are more likely to have taken on more debt in the last few months.

Gender:

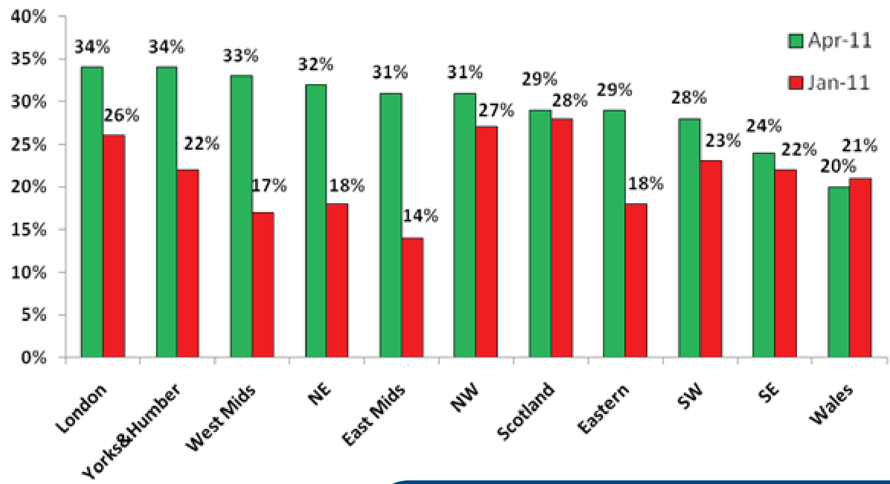
Women are more likely than men to say that they struggle to make it to payday, at 51% and 40% respectively. There are also some notable differences by social group. 32% of those in group AB say they never struggle to make it to payday compared to just 12% of those in group DE.

Meanwhile, women are also more likely than men to say they have implemented changes to their spending habits. 42% of women have switched to 'value' or 'own' brands compared to 32% of men and nearly half of women (44%) have started using vouchers when shopping, compared to just 31% of men.

Regional analysis:

Regional analysis indicates that individuals in Yorkshire and Humberside are most likely to struggle to payday than those in other regions. As with last quarter, those in the Eastern region were least likely to struggle to payday.

The regional results for the number of individuals with savings indicate significant differences from the previous quarter. The number of individuals without any savings has increased across all but one of the regions. The findings indicate that individuals in London and Yorkshire are more likely to say they do not have any savings than those in other regions, closely followed by individuals in the West Midlands. This is particularly surprising as last quarter showed the Midlands as the region with the greatest number of savers. This quarter, Wales appears to have the greatest number of savers with just 21% saying they do not have any savings at all.



Methodology note:

ComRes interviewed 2052 GB adults online between 15th and 17th of April 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.