DEBT AND THE FAMILY SERIES:
REPORT 3: DEBT AND THE REGIONS

CONTENTS

SUMMARY

INTRODUCTION

- This is the third and final report in the Debt and the Family series commissioned by Consumer Credit Counselling Service (CCCS), the UK's leading debt advice charity. The report compares debt levels in the different UK regions; estimates the number of households within each region with debt problems; and assesses economic vulnerability in the regions. As with the previous 2 reports, the unique comprehensive data contained in the CCCS database allows us to provide a more detailed, in-depth analysis of the levels of debt and financial conditions of UK households – this time at a regional level. Readers who may be interested in more interactive interrogation of CCCS research should investigate CCCS' DebtView[1] which provides analysis by region and postcode area.

KEY FINDINGS

- This report finds a pronounced divide between Northern Ireland/ North/ West regions, and the South/ East regions when it comes to households in mortgage difficulty and vulnerability to deteriorating household finances. However, in economic terms, we also see a 'Tale of Two Cities' in London - average earnings are much higher than the UK norm but the city also has very large numbers of financially vulnerable households.

- New analysis from the Financial Services Authority (FSA) demonstrates the vulnerability of homeowners who took out mortgages between April 2005 and September 2010. A clear divide exists between Northern and Western regions (with higher than average proportions of mortgages in difficulty) and Southern and Eastern regions (with lower than average proportions in difficulty). However, the region with by far the largest proportion of mortgages with payment problems is Northern Ireland. A third (32%) of mortgages taken out over the period in NI have payment problems, compared to the UK average of 1 in 5.

- 8% of households in Great Britain (1.6 million households) spend more than half their incomes on total debt repayments with Londoners the most affected (nearly 1 in 10 of households). CCCS clients from London have the highest secured debt to income (DTI) ratio at more than 12 times income, followed by clients from the South East (DTI 10.1).

- 8.9% of UK households are spending more than 25% of household incomes on unsecured debt repayments. The London region tops the league table for the highest proportion and number of households devoting more than 25% of incomes on unsecured debt repayments (10.2%).

- Analysis of the CCCS database shows that clients from the South East had the highest levels of unsecured debt at just under £23,000, followed by the South West at £21,250. Clients from Scotland at £17,350, and the North East at £18,150 had the lowest. Across the UK, on average, CCCS clients had unsecured debts worth around 31% more than their incomes.

- 10.5% of households in Great Britain (2.1 million) are in arrears on any debt, with 14% (2.8 million) reporting that debt is a heavy burden.

1 See http://www.cccs.co.uk/debtview/debtview/atlas.html

Nearly 14% of London households reported being in arrears on any form of debt, with over 18% of London households reporting any debt is a heavy burden. The London region ranks as the most 'debt vulnerable' region both in terms of total debt and unsecured debt only. People in the North West are the 2nd most vulnerable with the East Midlands 3rd (this ranking excludes Northern Ireland due to unavailability of input data).

- The number of clients counselled by CCCS more than doubled between 2005 and 2010. Wales and Scotland saw the largest increase with over 150% more clients counselled. More recently, over the past 3 years Northern Ireland has seen the fastest growth in clients counselled by 80%, suggesting that debt problems may be accelerating there.

- Research from R3 the insolvency trade association found that the proportion of households reporting debt worries has grown by 20% over the past year with the highest number in the North East and London. Some 45% of households now report that they struggle to make it to pay day up from 20% in 2010. People from the North West and North East are the most likely to be struggling.

- Analysis of CCCS clients' finances shows that in most of the regions analysed, clients had on average only £10-14 left over at the end of the month (before debt repayments) so they are very vulnerable to even a small deterioration in financial circumstances. The London region again stands out as having large numbers of vulnerable households. The median budget surplus for London clients is £3. In other words, more or less half of clients from the London region have nothing left at the end of the month to service their debts. Similarly, the London region has the largest deficits – the 1st quartile deficit is -£144. This means that a quarter of London clients were living with a shortfall in their incomes of more than £150 per month.

- Only half of UK households have some form of bank or building society account, with 40% having an individual savings account (ISA)[2]. People from Northern Ireland and Inner London are least likely to have any savings. The low levels of savings in Northern Ireland could prove a problem in the event of an economic downturn in the province.

POLICY IMPLICATIONS

- A more detailed gap analysis is required comparing *the need* for debt advice and *capacity* for providing independent debt advice at a regional and local level.

- We urge policymakers to designate the most vulnerable regions and communities as 'protected zones' to be blitzed with coordinated, targeted consumer protection measures, public awareness campaigns, and support measures to promote access to fair, affordable credit. Alternative access to affordable credit is critical to protect consumers from predatory lending and to offset the drag on regional and local economies exerted by the legacy of household debt.

- Vulnerable households in specific regions and communities are at high risk from the growth in high cost, sub-prime lending (such as payday lenders) and commercial debt management companies. Policymakers, debt advice charities

2 Once accounts such as National Savings and Investment are included, around half of households have some form of liquid savings.

and other consumer protection advocates need to win the race to protect households before they are targeted to an even greater extent by predatory practices.

- Our research implies that the level of UK households facing potential difficulties with mortgage payments has been seriously downplayed. The report points to very worrying levels of mortgage payment problems in a number of regions including those most vulnerable to the impact of deteriorating economic conditions and government spending cuts. Therefore, we urge policymakers, local authorities, debt advice charities and lenders to make sure they are equipped to deal with a possible serious increase in mortgage-related debt problems.

INTRODUCTION AND BACKGROUND

This is the third and final report in the Debt and the Family series. In the first report, we saw significant differences in the financial vulnerabilities of lower, lower-medium income, medium and higher income households. In the second report, we saw clear evidence of a difference between generations with regards to debts, savings and assets. Now in this third report, we see that there are also significant differences in terms of levels of over-indebtedness and economic vulnerability at a regional and local level.

The report is structured in 4 sections:

- Section 1 analyses total, secured and mortgage debt across the UK regions. The importance of mortgage debt and regional property markets on total levels of household debt in those regions cannot be overstated.
- Section 2 compares and contrasts levels of unsecured debt across the main UK regions.
- In Section 3, we look at evidence of arrears across the regions and estimate the numbers of households within each region who find debt is a serious burden.
- Section 4 then examines economic conditions and other measures of financial vulnerability to identify those areas which are most exposed to deteriorating economic conditions, and raises a number of specific policy implications that emerge.
- The Annexes contain further detailed information on regional debt along with a 'master' table summarising the indicators available on each of the regions analysed.

Readers should note that many of the policy interventions recommended in the previous reports in the series apply to problems identified in this report. However, the level and nature of debt evident at regional and local level means there are a number of specific regional policy implications to be addressed.

The report was researched and written by Mick McAteer, Gareth Evans, and Anna Gavurin of The Financial Inclusion Centre with additional research and analysis provided by Joe Surtees and Mark Haslam from CCCS.

As with the first report, we welcome any comments or queries. Please contact:
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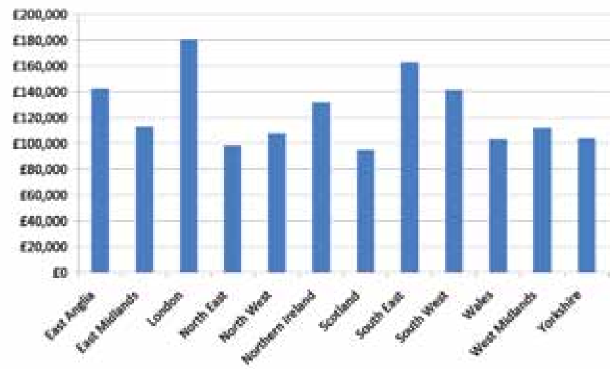
1 STATE OF THE REGIONS: TOTAL AND SECURED DEBT

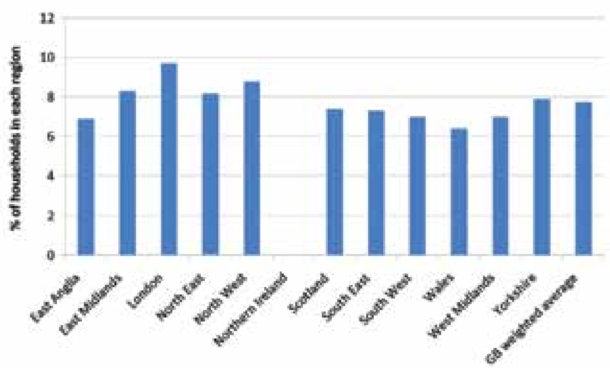
We first consider the levels of total and secured debt in the different regions of the UK. As Chart 1 below shows, the highest levels of secured debt can be found in the London and South East regions. The lowest levels of secured debt can be found in the North East and Scotland.

Chart 1: CCCS clients – average secured debt by region



Source: analysis of CCCS database

Chart 2: Households spending > 50% of income on total debt repayments



Source: Table 7, Over-Indebtedness in Great Britain: An Analysis Using the Wealth and Assets Survey and Household Annual Debtors Survey report to the Department for Business, Innovation and Skills, Bryan, Taylor, Veliziotis, Institute for Social and Economic Research, University of Essex, 2010. Weighted average calculated by FIC

We are particularly interested in identifying regions with high levels of financially vulnerability. Chart 2, below, shows the proportion of households in each region which spend more than 50% of household incomes on total debt repayments. People in London are most likely to spend more than half their incomes on total debt repayments; they are closely followed by households from the northern parts of England (data for Northern Ireland is not available).

From the above data and general population data, we estimate that in total nearly 1.6 million households in Great Britain are spending more than 50% of household incomes on debt repayment (Northern Ireland data is not available).

Table 1: Numbers of households spending >50% of income on total debt repayments

Region	Estimate of no. of h'holds
East Anglia	156,000
East Midlands	103,000
London	257,000
North East	74,000
North West	205,000
Northern Ireland	n/a
Scotland	134,000
South East	199,000
South West	119,000
Wales	64,000
West Midlands	123,000
Yorkshire	141,000
GB weighted average	1,573,000

Source: Table 7, Over-Indebtedness in Great Britain: An Analysis Using the Wealth and Assets Survey and Household Annual Debtors Survey report to the Department for Business, Innovation and Skills, Bryan, Taylor, Veliziotis, Institute for Social and Economic Research, University of Essex. Population estimates and weighted averages calculated by FIC

This figure may be an underestimate as it is not clear on what basis the calculation for mortgage payments is undertaken – that is, whether

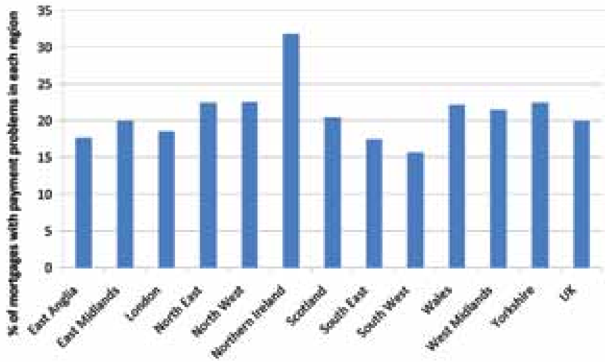
Debt repayments more than 50% of household income

mortgage repayments made by households are on a repayment and interest basis or on the actual payments made each month. Looking at the Financial Services Authority's (FSA's) Mortgage Market Review (MMR) in more detail shows that very large numbers of households are only paying the interest on their mortgage and do not have a repayment vehicle in place. This would have the effect of reducing the level of mortgage payments made each month and therefore artificially lowering the proportion of household income spent on mortgage payments. If that is the case, the total debt 'burden' would be underestimated.

REGIONAL HOUSING MARKET VULNERABILITY

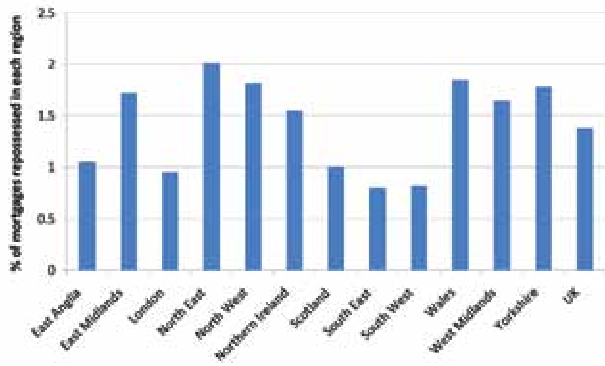
A very strong theme that emerges from this series of reports is the huge role property plays in the accumulation of debt and assets by UK households. The link between regional property markets and household vulnerability is demonstrated in new analysis from the FSA as part of its MMR. This analyses the vulnerability of homeowners with mortgages taken out between April 2005 and September 2010 in each of the UK regions. The FSA analysed the state of the mortgage market according to a number of factors including mortgage payment problems, levels of repossessions, negative equity, and the numbers of so-called 'mortgage prisoners' in each region.

Chart 3: Mortgages with payment problems in each region



Source: FSA, Mortgage Market Review, Datapack, Exhibit 6.15, http://www.fsa.gov.uk/pubs/other/mmr_datapack2011.pdf

Chart 4: Mortgage repossessions by region



Source: FSA Mortgage Market Review, Datapack, Exhibit 6.16, http://www.fsa.gov.uk/pubs/other/mmr_datapack2011.pdf

The FSA estimates that 1 in 5 mortgages in the UK taken out over the period face some sort of payment problem. But, as Chart 3 shows, despite higher property prices in London and the South East, fewer mortgages face payment problems in these regions. Northern regions have higher than average proportions of mortgages in difficulty. A third (32%) of mortgages in NI taken out between 2005 and 2010 have payment problems.

While record low interest rates are providing some degree of respite, homeowners in some regions appear particularly vulnerable to deterioration in economic conditions. Already northern regions and Northern Ireland have seen higher than average repossessions. The North East has seen repossessions at twice the rate of those in London, the South East, and the South West.

COMPARISON OF CCCS CLIENTS' SECURED DEBTS

The CCCS database allows us to analyse the size of secured debt in relation to the incomes of consumers contacting CCCS. The results show that London has by far the highest secured debt-income ratios (DTI 12.3), followed by clients from the South East (DTI 10.1), while clients in the North East (DTI 6.9) and Scotland (6.7) have the lowest debt/ income ratios. The high secured DTI ratios evident amongst clients from the London region is consistent with other findings which show that while the region taken as a whole may be wealthy in comparison to the rest of the UK, there are large pockets of serious over-indebtedness and disadvantage in London.

Table 2: CCCS secured debt regional comparisons

Region	Annual net income	Total Secured debt	Secured/ income ratio
East Anglia			
Mean	£15,608	£142,593	9.1
Median	£13,842	£130,000	9.4
East Midlands			
Mean	£14,981	£113,146	7.6
Median	£13,200	£100,000	7.6
London			
Mean	£14,703	£180,519	12.3
Median	£12,564	£164,000	13.1
North East			
Mean	£14,271	£98,579	6.9
Median	£12,684	£87,000	6.9
North West			
Mean	£14,775	£107,916	7.3
Median	£13,176	£94,000	7.1
Northern Ireland			
Mean	£16,141	£131,981	8.2
Median	£14,088	£111,000	7.9

Region	Annual net income	Total Secured debt	Secured/ income ratio
Scotland			
Mean	£14,244	£95,126	6.7
Median	£12,360	£82,353	6.7
South East			
Mean	£16,193	£163,264	10.1
Median	£14,196	£142,000	10.0
South West			
Mean	£15,214	£141,515	9.3
Median	£13,428	£125,000	9.3
Wales			
Mean	£14,301	£103,317	7.2
Median	£12,798	£90,000	7.0
West Midlands			
Mean	£14,413	£111,847	7.8
Median	£12,804	£98,000	7.7
Yorkshire			
Mean	£14,415	£104,105	7.2
Median	£12,960	£92,000	7.1

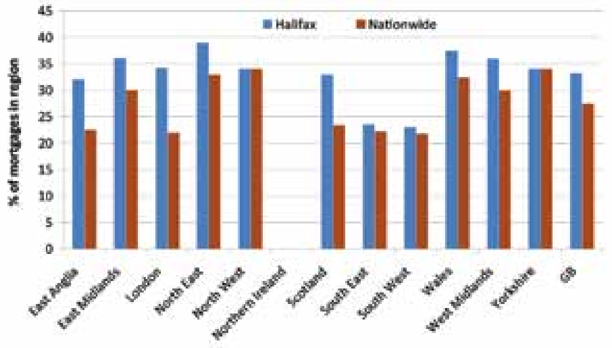
Source: Analysis of CCCS database

NEGATIVE EQUITY AND MORTGAGE 'PRISONERS'

The FSA has also estimated the proportion of households which are now mortgage 'prisoners' - households which do not have sufficient equity in their homes to move to a different property. It is clear that again northern regions are most affected. While data for Northern Ireland is not available we can be fairly certain that the province would have a higher than average proportion of homeowners who are 'mortgage prisoners' particularly amongst recent buyers.

Established debt advice agencies have tended to focus on households with unsecured debt problems. But the full extent of latent unsecured debt problems may have been concealed somewhat by the amount of debt transformation amongst UK households – that is, households obtaining further advances on mortgages to maintain payments on, or pay off, unsecured debts. The low interest rates currently charged on mortgages has meant that this transformation from unsecured debt to secured debt has cushioned many households from the comparatively high cost of unsecured debt. However, we think there is a serious risk that major mortgage debt related problems may start to emerge.

Chart 5: Mortgage 'prisoners' in each region

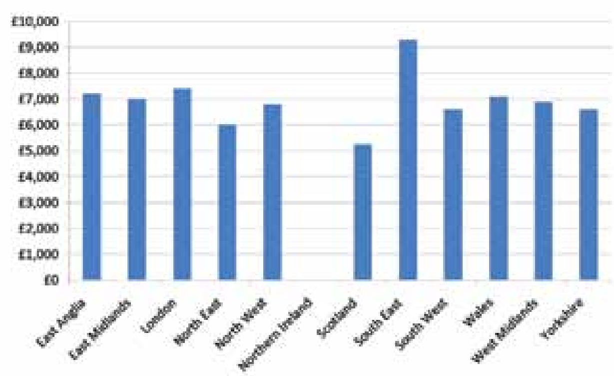


Source: FSA, Mortgage Market Review, Datapack, Exhibit 5.6, http://www.fsa.gov.uk/pubs/other/mmr_datapack2011.pdf

2 STATE OF THE REGIONS: UNSECURED DEBT

Chart 6, below, shows that households in London and the South East of England have, on average, the highest levels of unsecured debt at £7,400 and £9,300 respectively. In contrast, households in northern regions of England and Scotland have, on average, unsecured debts of under £7,000 (Northern Ireland is not covered by this particular data series).

Chart 6: Unsecured debt by region

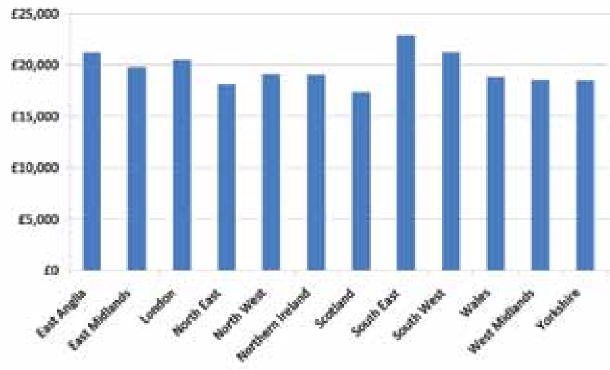


Source: ONS, Wealth in GB, 2006/08, Fig 7.9

The CCCS database provides similar information on levels of unsecured debt problems in the various regions. CCCS clients from the South East had the highest levels of unsecured debt (just under £23,000), followed by the South West (£21,250). Clients from Scotland (£17,350) and the North East (£18,150) had the lowest average debts. So, clients from the South East had unsecured debts on average worth £5,500 more than those from Scotland.

For the typical CCCS client, total unsecured debt outstrips annual household income by a third. In 4 regions – London, the South East, East Anglia, and the South West – clients had unsecured debts worth 40% more than incomes. The results are summarised in Table A2, Annex 2.

Chart 7: CCCS clients unsecured debt by region



Source: Analysis of CCCS database

IDENTIFYING HIGH RISK REGIONS

Of course, the average level of unsecured debt tells us only part of the story. As with mortgage debt, it is more relevant to consider debt levels in relation to incomes. Using government data, we estimate that nearly 1 in 11 (8.9%) households across the UK are spending more than a quarter of household incomes on meeting unsecured debt repayments (see Table 3, overleaf).

London tops the league table for the highest proportion and number of households devoting more than 25% of incomes on unsecured debt repayments (10.2%), followed by the North East (10.1%), and North West (9.5%). Equivalent data on Northern Ireland is not available.

TRENDS

One of the problems with publicly available government data is that it is difficult to get a good picture of recent debt trends. However, the CCCS database allows us to track trends over the past five years. The number of clients counselled by CCCS more than doubled between 2005 and 2010

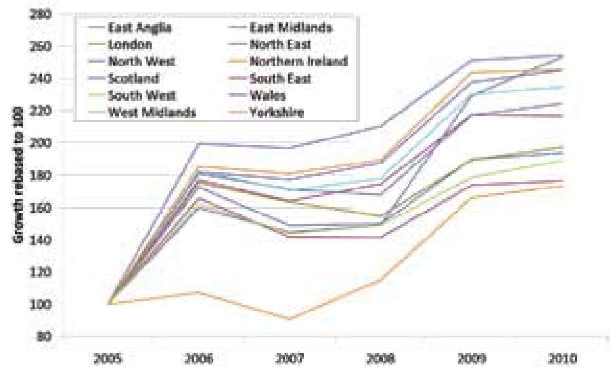
– increasing by 113%. As Chart 8 shows, Wales and Scotland saw the largest increase at over 150% increase in clients counselled, followed by Yorkshire and the North West at 145%. Northern Ireland at 73% and the South East at 77% saw the smallest increases over the period. However, Northern Ireland saw the fastest growth in clients counselled over the past 3 years (80%+) suggesting that debt problems may be accelerating there.

Table 3: Proportion of households spending > 25% of income on unsecured debt repayments

Region	Unsecured repayments > 25% h'hold income	No. Of h'holds
East Anglia	8.6	162,000
East Midlands	8.7	130,000
London	10.2	270,000
North East	10.1	91, 000
North West	9.5	221,000
Northern Ireland	n/a	n/a
Scotland	8.7	158,000
South East	8.3	226,000
South West	8.1	138,000
Wales	6.5	65,000
West Midlands	8.6	151,000
Yorkshire	9.1	163,000
GB weighted average	8.9%	1,772,000

Source: Table 7, Over-Indebtedness in Great Britain: An Analysis Using the Wealth and Assets Survey and Household Annual Debtors Survey report to the Department for Business, Innovation and Skills, Bryan, Taylor, Veliziotis, Institute for Social and Economic Research, University of Essex. Population estimates and weighted averages calculated by FIC

Chart 8: Regional trends in clients counselled



Source: Analysis of CCCS database 2005-2010

3 ANALYSING PROBLEM DEBT IN THE UK REGIONS

10.5% of households in Great Britain are in arrears on any debt, with 14% reporting that debt is a heavy burden. Nearly 14% of households in London reported being in arrears on some form of debt, with over 18% of London households reporting debt as a heavy burden. Scotland scored the lowest on both counts with fewest households reporting arrears and debt as a burden.

Similarly, analysis of the same national survey shows London has the highest proportion of households which have unsecured debt arrears and which report that debt is a heavy burden.

Overall, we estimate that based on this data around 2.8 million households in Great Britain find debt a heavy burden, 2.1 million are in some form of arrears[3].

Table 4: Households in arrears and facing debt burden by region

Region	Any arrears (%)	Rank	No. H'holds	Any debt heavy burden	Rank	No. H'holds	Any unsec. arrears (%)	Rank	No. H'holds	Unsec. debt heavy burden(%)	Rank	No. H'holds
East Anglia	9	10	169,110	14.3	5	268,697	3.5	7	65,765	6.2	3	116,498
East Midlands	10.5	3	156,030	14.1	6	209,526	4.1	2	60,926	6.4	2	95,104
London	13.9	1	368,350	18.4	1	487,600	4.8	1	127,200	8.1	1	214,650
North East	10.3	4	92,185	10.5	9	93,975	4.1	2	36,695	4.7	10	42,065
North West	11.6	2	269,700	13.4	7	311,550	4.1	2	95,325	5.9	7	137,175
Northern Ireland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Scotland	8.8	11	159,368	10	11	181,100	2.6	11	47,086	5.1	8	92,361
South East	9.5	9	258,495	15.4	2	419,034	3.4	8	92,514	6.2	3	168,702
South West	10.1	6	172,003	14.4	4	245,232	3.9	5	66,417	6.2	3	105,586
Wales	9.7	8	96,709	10.4	10	103,688	3.4	8	33,898	4.6	11	45,862
West Midlands	10.2	5	178,602	15.1	3	264,401	3.6	6	63,036	6	6	105,060
Yorkshire	9.9	7	176,814	11.8	8	210,748	3.1	10	55,366	4.8	9	85,728
GB weighted average	10.5		2,097,366	14.0		2,795,551	3.7		744,228	6.0		1,208,791

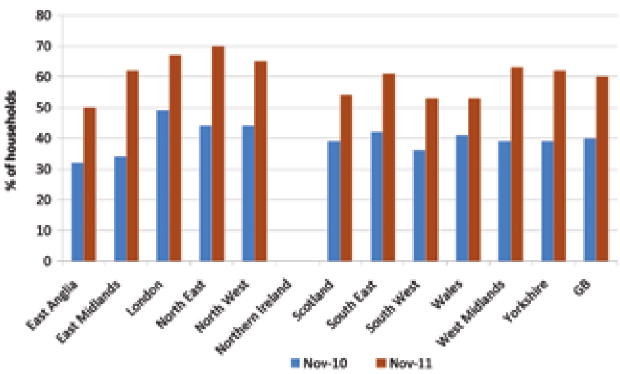
Source: Table 6, Over-Indebtedness In Great Britain: An Analysis Using The Wealth And Assets Survey And Household Annual Debtors Survey report to the Department for Business, Innovation and Skills, Bryan, Taylor, Veliziotis, Institute for Social and Economic Research, University of Essex. October 2010, Population data, rankings and weighted averages calculated by FIC

3 Please note these estimates are not directly comparable with the estimates for 3.1 million households in financial difficulty in the previous reports. The government data on which that was based is not available at regional level. Moreover, the estimates above are for Great Britain and do not include Northern Ireland.

DEBT WORRIES

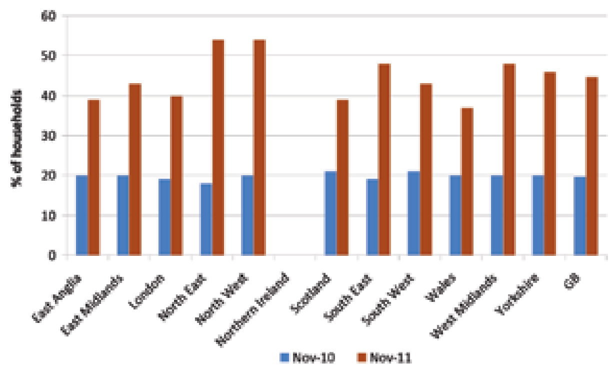
Research from R3 the insolvency trade association, shows that the proportion of households reporting debt worries has grown by 20% over the past year. The regions with the highest number reporting debt worries are the North East and London. The East Midlands and North East saw the largest growth in the proportion reporting debt worries.

Chart 9: Households with debt worries



Source: R3 Personal Debt Snapshot 2010 – 2011

Chart 10: Households who struggle to payday



Source: R3 Personal Debt Snapshot 2010 – 2011

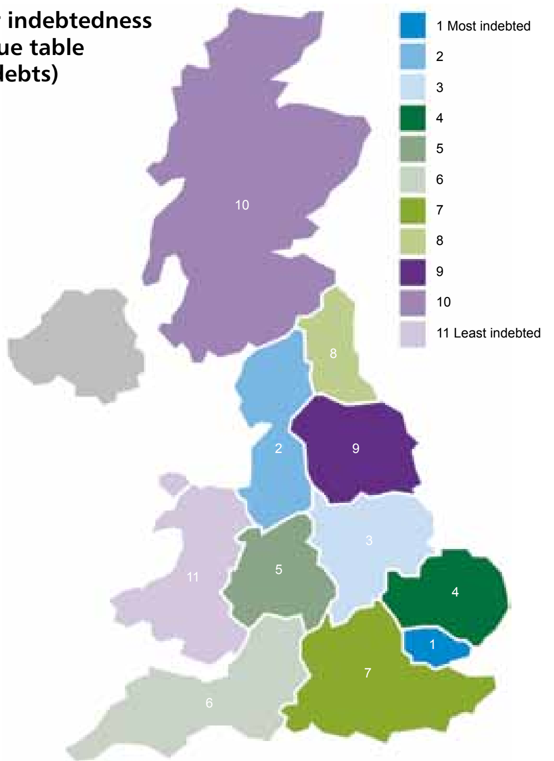
The R3 research also examines the degree to which households are struggling to make ends meet. Some 45% of households now report that they struggle to make it to pay day, up from 20% in 2010. The regions that stand out as having the highest proportion of households who say they are struggling are the North West and the North East. The proportion of households who say they are struggling has more than doubled according to this survey. This gives rise to the need for increased consumer protection given the expansion of payday lenders and commercial debt management firms in the UK. It is a reasonable assumption that such operators are targeting highly economically vulnerable regions and communities using publicly available data and indeed more sophisticated intelligence sources.

OVERALL ASSESSMENT OF OVER-INDEBTEDNESS

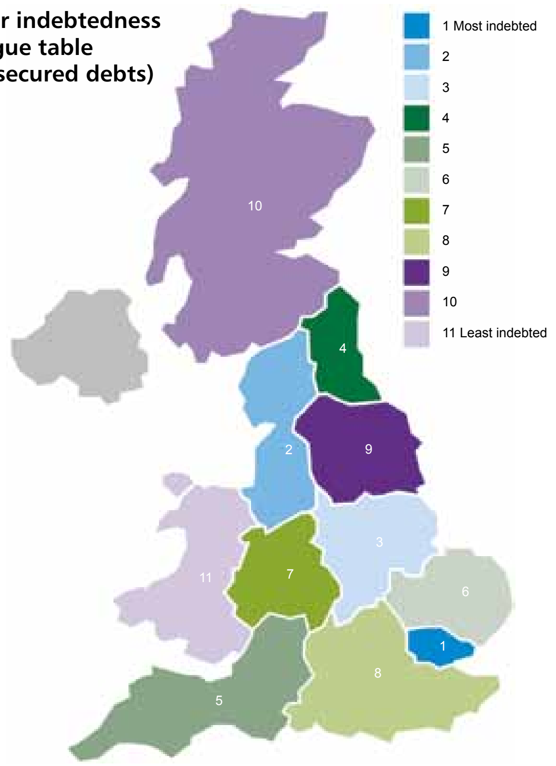
We have combined existing government data (see Annex 4) to analyse which regions score consistently poorly on the key over-indebtedness indicators presented in the above tables. To determine the ranking, we calculated an over-indebtedness ratio for each of the indicators and for each of the regions. The ratio is the extent to which the proportion of households in each region was greater than the weighted average for Great Britain. For example, in the London region the 'heavy burden' ratio is 18.4/ 14.0 = 1.3. Whereas the West Midlands has an unsecured 'heavy burden' ratio of 1.0 meaning the region has the same proportion of households reporting that debt is a heavy burden as the Great Britain weighted average.

Combining the various indicators for each of the regions, we are able to determine an overall over-indebtedness ranking for each of the regions. The results are then ranked by overall debt and by unsecured debt.

Over indebtedness league table (all debts)



Over indebtedness league table (unsecured debts)



As we can see, on this basis people in London appear to be the most 'debt vulnerable' both in terms of overall/ total debt, or on unsecured debt only. The North West is the 2nd most vulnerable with the East Midlands 3rd.

This analysis excludes Northern Ireland due to lack of data. But, based on the available mortgage market data from the FSA, it seems fairly certain that Northern Ireland should be treated as one of the highest priority regions in terms of need for objective debt advice.

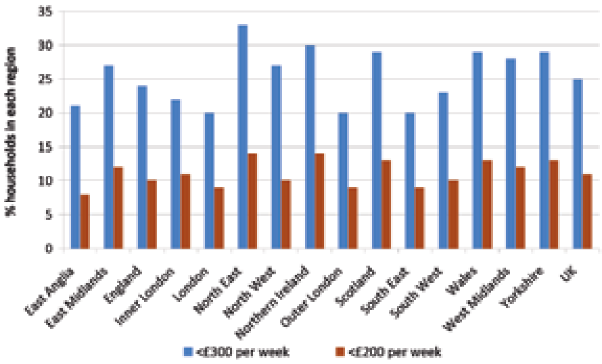
4 FINANCIAL VULNERABILITY AND POLICY IMPLICATIONS

The analysis in the previous sections provides us with an indication of the legacy of debt that needs to be addressed. However, it is also important to consider *future* prospects to identify which regions are vulnerable to a combination of existing debt and weak economic conditions.

CURRENT ECONOMIC CONDITIONS

Around a quarter of UK households have weekly incomes less than £300, with just over 1 in 10 earning less than £200. But as Chart 11 shows, again there is a large variation across the regions. A third of households in the North East and 30% of households in Northern Ireland have incomes less than £300 per week, compared to 20% in London and the South East.

Chart 11: Households on low incomes by region



Source: Family Resources Survey, DWP, Distribution of Household Incomes

The regional picture becomes more complex when housing costs are factored in. One notable finding is that although average weekly earnings are highest in London, people living in the capital are the most squeezed if you look at take-home pay after living costs.

Table 6: % of households below 50%, 60%, 70% of median income by region after housing costs

Region	50%	Rank	60%	Rank	70%	Rank
East Anglia	14	9	20	10	27	11
East Midlands	15	8	22	8	29	9
Inner London	25	1	32	1	39	1
London	21	2	28	2	34	2
North East	16	4	24	4	33	2
North West	16	4	24	4	31	5
Northern Ireland	14	9	22	8	30	8
Outer London	19	2	26	2	32	4
Scotland	13	12	19	12	26	12
South East	12	13	18	13	24	13
South West	14	9	20	10	28	10
Wales	16	4	23	6	31	5
West Midlands	17	3	25	3	33	2
Yorkshire	16	4	23	6	31	5
UK	15		22		30	

The table shows that for 21% of London households housing costs account for 50% of average earnings compared to 15% of households among the UK population as a whole. Furthermore, when housing costs are taken into account 28% of London households have incomes below 60% of median income compared to 22% of households across the UK. Other regions with high proportions of households on low incomes include the North East, North West, and West Midlands.

HOUSEHOLD EXPENDITURE BY REGION

As Table 7 overleaf shows, London households have the highest weekly household expenditure, followed by the South East. This high level of expenditure can be mostly explained by the amount spent on mortgage payments and rent by households in these regions.

Table 7: Household expenditure and income by region

Region	Average Weekly h'hold expend. £	Rank	Average Weekly net income £	Expend/ net income	Rank
East Anglia	488	3	572	85%	5
East Midlands	423	9	488	87%	3
London	552	1	700	79%	9
North East	387	12	466	83%	7
North West	430	8	490	88%	2
Northern Ireland	486	4	503	97%	1
Scotland	439	7	521	84%	6
South East	524	2	637	82%	8
South West	474	5	683	69%	12
Wales	396	11	508	78%	10
West Midlands	446	6	512	87%	3
Yorkshire	401	10	512	78%	10
UK	462		560	83%	

Source: Family Resources Survey, Regional Trends, FIC analysis

To get an idea of how much of a cushion households have against unforeseen events, we have estimated how much of their weekly incomes households spend as a proportion of incomes. As we can see from Table 7, the regions where households spend the largest proportions of incomes are now Northern Ireland and the North West.

In several regions, even a relatively small reduction in income would push the typical household into deficit unless household spending is also cut.

As ever, we emphasise that high level analyses can conceal a wide disparity in experiences within regions. For instance, although average income is highest in London, this disguises the fact that London has a disproportionately high number of households on low incomes and people living in the capital are most likely to be squeezed by high housing costs – therefore it is not surprising that it scores poorly on overall indicators of over-indebtedness.

The vulnerable position of disadvantaged households in the London region is reinforced by detailed analysis of the CCCS database. The median surplus for London clients is £3. In other words, half of clients from the London region have nothing left at the end of the month. Similarly, clients in the London region have the largest deficits – the 1st quartile deficit is -£144. This means that one quarter of London clients were living with a shortfall in their incomes of nearly £150 per month. The results are set out in more detail in Annex 1: Analysis of CCCS clients' financial position.

The comparatively poor position of London clients is re-emphasised by Table 8 which shows the average surplus/ deficit as a proportion of net incomes. As we can see, the budget surplus of the median London household as a proportion of income is the lowest in the UK (0.29%). Indeed, the deficit of first quartile clients is proportionally highest in London, where the shortfall amounts to more than 25% of net income.

Table 8: Surplus/ deficit as % of income

Region	% of Median income	% of Quartile 1 income
East Anglia	1.04%	-12.17%
East Midlands	1.36%	-12.07%
London	0.29%	-25.53%
North East	1.89%	-8.87%
North West	1.28%	-12.04%
Wales	0.94%	-14.15%
Northern Ireland	4.26%	-8.06%
Scotland	1.84%	-22.05%
South East	0.85%	-15.46%
South West	1.25%	-12.60%
Wales	0.94%	-14.15%
West Midlands	0.94%	-14.83%
Yorkshire	1.02%	-12.08%

Source: FIC analysis of CCCS database

Clearly, large numbers of vulnerable households in each of the regions are in a precarious position – on these measures, people in the London region emerge as the most vulnerable.

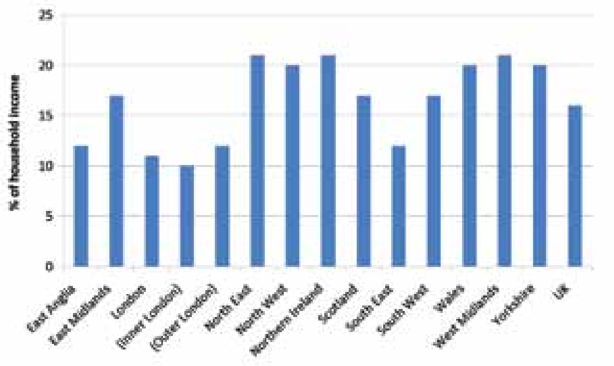
IMPACT OF DEFICIT REDUCTION MEASURES AND OTHER ECONOMIC FACTORS

The various deficit reduction measures and continued economic slowdown are affecting the UK regions to different degrees. The key factors to consider are i) how reliant households in the regions are on various welfare benefits; ii) how reliant regional economies are on public sector jobs and vulnerable to deficit reduction measures.

RELIANCE ON WELFARE BENEFITS

Chart 12, shows that on average UK households rely on benefits for just over 16% of their total household income. However, we can see that households in some regions derive 20% or more of their total income from welfare benefits. Households in these regions will be vulnerable to reductions in the availability and level of welfare benefits.

Chart 12: Proportion of household income from benefits and social security by region



Source: National Statistics/ DWP, Households below Average Income, An analysis of the income distribution 94/95 - 09/10

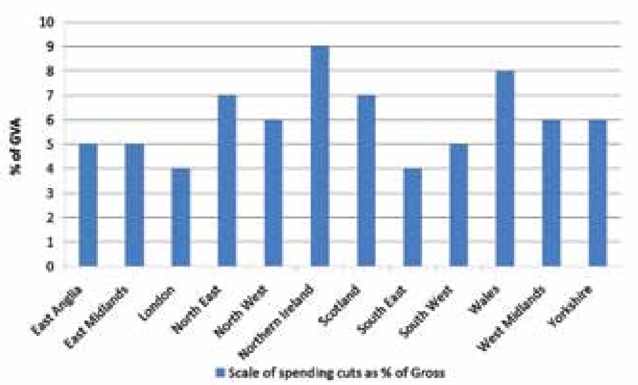
This contrasts with households in the London and South East regions which rely on benefits for around 10-12% of their total incomes and therefore may not be as badly affected by cuts in benefits. However, again it is critical to remember that the benefits/ household income ratio is calculated using total household incomes. The impact of some very high household incomes in the London areas will reduce the proportion of total incomes derived from benefits.

IMPACT OF PUBLIC SECTOR CUTS

The next chart shows how the various deficit reduction measures are estimated to affect regional economies. The regions that are forecast to be hit worst by the measures are Northern Ireland and Wales. This can be explained by the high proportion of public sector jobs and the high contribution the public sector makes towards the economy in these regions.

In contrast, the impact on London and the South East regional economies is expected to be much lower given the comparative sizes of the private and public sectors in those regions.

Chart 13: Spending cuts have different impacts on the various regions



Source: PWC Sectoral and regional impact of the fiscal squeeze, 2010, chart shows estimates of scale of spending cuts as % of GVA by 2014/15.

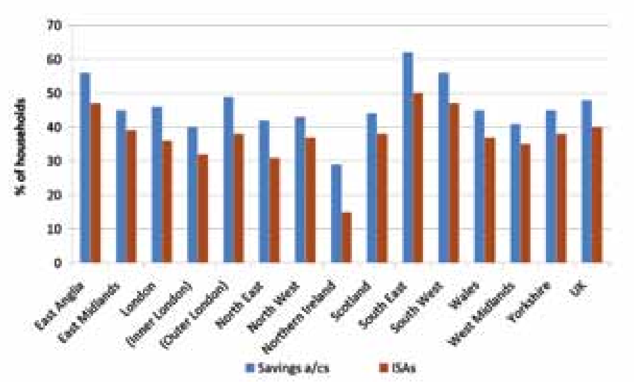
New work by PricewaterhouseCoopers shows that households in London and the South East have suffered relatively lower levels of financial stress compared to other regions[4]. It appears that the North/ South divide that existed well before the financial crisis and recession is being exacerbated by recent economic conditions and impact of deficit reduction measures.

SAVINGS

As with the previous reports in the series, we include a comparison of savings to get a better picture of the capacity of households to withstand changes to financial circumstances. The next chart shows that just under half of UK households have some form of bank or building society savings account, with 40% having an individual savings account (ISA)[5].

The low levels of savings in Northern Ireland could prove a problem in the event of an economic downturn in the region. As we see above in the section on mortgages, Northern Ireland has by far the greatest proportion of mortgages with payment problems. The savings data suggest that many homeowners in Northern Ireland may have nothing to fall back on in the event of getting into difficulties with mortgage payments.

Chart 14: Regional savings - % with bank or building society savings account, or ISA



Source: Family Resources Survey, 2009-10, Table 8.9 (note: we have included figures for Credit Unions for Scotland and Northern Ireland)

4 PWC, Regional Household Financial Stress Index, UK Economic Outlook, November 2011
5 Once accounts such as National Savings and Investment are included, around half of households have some form of liquid savings.

POLICY IMPLICATIONS

This final report raises a number of specific policy implications including:

1. The requirement for more detailed gap analysis comparing the need for debt advice and capacity for the provision of independent debt advice at a regional and local level. Linked to this, a detailed analysis is needed of how cuts in funding at regional/community level will affect the provision of debt advice given the priorities identified in this report.

2. The research and analysis contained in this report – in terms of multiple indicators of over-indebtedness and economic vulnerability – raise serious consumer protection issues due to the vulnerability of households in specific regions and communities to continued, substantial growth in high cost, sub-prime lending (such as payday lenders) and commercial debt management companies. It goes without saying that commercial subprime lenders and service providers will be in possession of similar and more sophisticated research and analysis to target economically vulnerable regions and communities. We do not think it is alarmist to warn that policymakers, debt advice charities and other consumer protection advocates need to win the race to protect households before they are targeted to an even greater extent by predatory practices.

3. Specifically, we urge relevant government departments including HMT, BIS, DCLG, the OFT and local authorities to develop targeted consumer protection policies to protect at-risk households in the most vulnerable regions and communities. The established indices of multiple deprivation (IMD) are useful. However, these should be combined with the range of indicators we have looked at in this report to analyse and identify i) the most vulnerable regions and communities and ii) the characteristics of households at highest risk of over-indebtedness and predatory practices. These ‘protected zones’ should be blitzed with coordinated, targeted consumer protection measures, public awareness campaigns, and support measures to promote access to fair, affordable credit. Alternative access to affordable credit could be critical to protect consumers from predatory lending and to offset the drag on regional and local economies exerted by the legacy of household debt.

4. As we pointed out in the previous report, Debt and the Generations, the level of UK households which are facing potential difficulties with mortgage payments has been seriously downplayed. In particular, an alarming number of mortgages taken out in the 5 years in the run up to the financial crisis and recession are showing signs of being in financial difficulty. So far, record low levels of interest rates and welcome forbearance by major lenders has dampened down actual repossessions. Moreover, we think that another effect of low interest rates and forbearance has been to reduce the number of households in seriously affected regions seeking advice from independent debt advice charities on mortgage-related problems. However, there is no guarantee that interventions such as forbearance can continue to cushion over-indebted mortgage borrowers in the face of deteriorating regional economic conditions. The analysis presented in Section 1 points to very worrying levels of mortgage payment problems in a number of regions. Therefore, we urge policymakers, local authorities, debt advice charities and lenders to make sure they are equipped to deal with a possible serious increase in mortgage-related debt problems.

ANNEXES

ANNEX 1: TOTAL DEBTS AND MORTGAGES Table A1: Regional analysis of CCCS clients

2010	Annual net income	Surplus / Deficit	Total Unsecured Debt	Total Secured - for those with	COMBINED TOTAL	TUnsec/ Netinc ratio	Tsec/ Netinc ratio
East Anglia							
Mean	£15,608	-£13	£21,230	£142,593	£78,946	1.36	9.14
Median	£13,842	£12	£14,448	£130,000	£24,442	1.04	9.39
Q1	£8,280	-£84	£6,380	£88,000	£7,992	0.77	10.63
Q3	£20,601	£162	£28,060	£178,000	£136,956	1.36	8.64
Male - mean	£15,847	-£20	£24,136	£147,968	£88,478	1.52	9.34
Male - median	£14,190	£13	£16,977	£134,000	£31,978	1.20	9.44
Female - mean	£15,365	-£6	£18,380	£136,030	£69,439	1.20	8.85
Female - median	£13,584	£12	£12,377	£127,000	£19,563	0.91	9.35
East Midlands							
Mean	£14,981	£5	£19,764	£113,146	£69,688	1.32	7.55
Median	£13,200	£15	£13,361	£100,000	£28,447	1.01	7.58
Q1	£7,857	-£79	£5,927	£69,105	£7,670	0.75	8.80
Q3	£20,076	£165	£26,967	£140,000	£116,706	1.34	6.97
Male - mean	£15,129	-£7	£21,941	£119,148	£76,817	1.45	7.88
Male - median	£13,200	£10	£15,387	£105,000	£34,887	1.17	7.95
Female - mean	£14,892	£19	£17,606	£106,888	£62,951	1.18	7.18
Female - median	£13,200	£21	£11,746	£99,396	£23,258	0.89	7.53
London							
Mean	£14,703	-£55	£20,528	£180,519	£80,948	1.40	12.28
Median	£12,564	£3	£13,636	£164,000	£19,581	1.09	13.05
Q1	£6,768	-£144	£6,001	£105,000	£7,200	0.89	15.51
Q3	£19,944	£132	£26,582	£222,250	£130,000	1.33	11.14
Male - mean	£14,927	-£71	£23,633	£190,737	£90,687	1.58	12.78
Male - median	£12,600	£2	£15,700	£170,000	£23,025	1.25	13.49
Female - mean	£14,502	-£37	£17,514	£170,287	£72,084	1.21	11.74
Female - median	£12,480	£5	£11,961	£157,000	£16,829	0.96	12.58

2010	Annual net income	Surplus / Deficit	Total Unsecured Debt	Total Secured - for those with	COMBINED TOTAL	TUnsec/ Netinc ratio	Tsec/ Netinc ratio
North East							
Mean	£14,271	£24	£18,149	£98,579	£100,386	1.27	6.91
Median	£12,684	£20	£12,844	£87,000	£24,713	1.01	6.86
Q1	£7,308	-£54	£5,376	£61,000	£7,330	0.74	8.35
Q3	£19,200	£162	£24,161	£121,000	£174,148	1.26	6.30
Male - mean	£13,742	£8	£19,740	£104,411	£107,372	1.44	7.60
Male - median	£12,000	£9	£14,100	£92,000	£27,000	1.18	7.67
Female - mean	£14,766	£39	£16,613	£93,134	£93,672	1.13	6.31
Female - median	£13,176	£30	£11,679	£83,000	£22,986	0.89	6.30
North West							
Mean	£14,775	£6	£19,088	£107,916	£68,462	1.29	7.30
Median	£13,176	£14	£12,871	£94,000	£28,291	0.98	7.13
Q1	£7,776	-£78	£5,537	£62,000	£7,604	0.71	7.97
Q3	£19,668	£160	£24,988	£130,000	£109,652	1.27	6.61
Male - mean	£14,587	-£12	£21,516	£115,774	£75,194	1.48	7.94
Male - median	£12,954	£8	£14,436	£99,000	£33,000	1.11	7.64
Female - mean	£14,921	£27	£16,696	£99,798	£61,521	1.12	6.69
Female - median	£13,272	£23	£11,482	£90,000	£23,907	0.87	6.78
Northern Ireland							
Mean	£16,141	-£108	£19,057	£131,981	£96,288	1.18	8.18
Median	£14,088	£50	£13,611	£111,000	£66,241	0.97	7.88
Q1	£8,892	-£60	£6,635	£70,000	£12,495	0.75	7.87
Q3	£21,756	£160	£24,802	£157,940	£145,196	1.14	7.26
Male - mean	£15,836	-£242	£21,048	£149,824	£112,463	1.33	9.46
Male - median	£13,920	£30	£14,756	£122,000	£83,494	1.06	8.76
Female - mean	£16,437	£18	£17,202	£113,880	£81,122	1.05	6.93
Female - median	£14,244	£60	£12,567	£100,000	£52,297	0.88	7.02

ANNEX 1: TOTAL DEBTS AND MORTGAGES Table A1: Regional analysis of CCCS clients *(continued)*

2010	Annual net income	Surplus / Deficit	Total Unsecured Debt	Total Secured - for those with	COMBINED TOTAL	TUnsec/ Netinc ratio	Tsec/ Netinc ratio
Scotland							
Mean	£14,244	£5	£17,350	£95,126	£56,059	1.22	6.68
Median	£12,360	£19	£11,500	£82,353	£21,406	0.93	6.66
Q1	£6,912	-£127	£4,848	£53,000	£6,316	0.70	7.67
Q3	£19,197	£190	£23,450	£121,000	£89,704	1.22	6.30
Male - mean	£13,747	-£24	£18,868	£101,025	£59,479	1.37	7.35
Male - median	£11,760	£5	£12,000	£88,757	£22,350	1.02	7.55
Female - mean	£14,742	£35	£15,990	£89,766	£53,069	1.08	6.09
Female - median	£12,930	£36	£11,075	£78,000	£20,630	0.86	6.03
South East							
Mean	£16,193	-£22	£22,887	£163,264	£89,464	1.41	10.08
Median	£14,196	£10	£15,036	£142,000	£26,412	1.06	10.00
Q1	£8,304	-£107	£6,875	£95,000	£8,596	0.83	11.44
Q3	£21,600	£165	£29,487	£194,125	£147,306	1.37	8.99
Male - mean	£16,475	-£43	£26,718	£174,633	£103,438	1.62	10.60
Male - median	£14,400	£7	£17,799	£145,000	£35,147	1.24	10.07
Female - mean	£15,900	£1	£18,837	£149,394	£74,900	1.18	9.40
Female - median	£14,004	£17	£12,716	£138,000	£20,170	0.91	9.85
South West							
Mean	£15,214	-£6	£21,254	£141,515	£74,279	1.40	9.30
Median	£13,428	£14	£14,110	£125,000	£22,551	1.05	9.31
Q1	£8,190	-£86	£6,318	£84,868	£7,800	0.77	10.36
Q3	£20,310	£168	£27,470	£170,000	£121,369	1.35	8.37
Male - mean	£15,268	-£29	£23,982	£151,878	£83,922	1.57	9.95
Male - median	£13,368	£8	£16,000	£133,000	£27,530	1.20	9.95
Female - mean	£15,161	£18	£18,529	£129,787	£64,546	1.22	8.56
Female - median	£13,464	£24	£12,598	£118,000	£18,695	0.94	8.76

2010	Annual net income	Surplus / Deficit	Total Unsecured Debt	Total Secured - for those with	COMBINED TOTAL	TUnsec/ Netinc ratio	Tsec/ Netinc ratio
Wales							
Mean	£14,301	£1	£18,837	£103,317	£63,922	1.32	7.22
Median	£12,798	£10	£12,476	£90,000	£25,303	0.97	7.03
Q1	£7,632	-£90	£5,657	£59,000	£7,524	0.74	7.73
Q3	£19,167	£155	£24,725	£130,000	£103,569	1.29	6.78
Male - mean	£13,905	-£29	£20,926	£113,970	£71,300	1.50	8.20
Male - median	£12,384	£4	£13,983	£99,000	£29,712	1.13	7.99
Female - mean	£14,718	£32	£16,878	£93,283	£57,336	1.15	6.34
Female - median	£13,080	£24	£11,290	£83,000	£21,962	0.86	6.35
West Midlands							
Mean	£14,413	-£2	£18,544	£111,847	£66,692	1.29	7.76
Median	£12,804	£10	£12,290	£98,000	£24,486	0.96	7.65
Q1	£7,284	-£90	£5,500	£68,000	£7,337	0.76	9.34
Q3	£19,404	£149	£24,500	£134,000	£108,006	1.26	6.91
Male - mean	£14,234	-£24	£20,809	£117,469	£73,099	1.46	8.25
Male - median	£12,504	£6	£14,179	£100,000	£28,970	1.13	8.00
Female - mean	£14,558	£21	£16,357	£106,359	£60,389	1.12	7.31
Female - median	£13,032	£17	£10,932	£95,000	£20,681	0.84	7.29
Yorkshire							
Mean	£14,415	£8	£18,499	£104,105	£64,991	1.28	7.22
Median	£12,960	£11	£12,456	£92,000	£26,973	0.96	7.10
Q1	£7,548	-£76	£5,574	£63,000	£7,754	0.74	8.35
Q3	£19,368	£152	£24,453	£127,316	£105,700	1.26	6.57
Male - mean	£14,134	-£13	£20,331	£108,761	£70,711	1.44	7.69
Male - median	£12,564	£6	£13,800	£95,000	£31,084	1.10	7.56
Female - mean	£14,731	£29	£16,638	£99,369	£59,450	1.13	6.75
Female - median	£13,332	£25	£11,450	£90,000	£23,521	0.86	6.75

ANNEX 2

Table A2: CCCS clients unsecured debt regional comparison

	Annual net income	Total Unsecured Debt	Unsecured/ income ratio
East Anglia			
Mean	£15,600	£21,230	1.4
Median	£13,840	£14,450	1.0
East Midlands			
Mean	£14,980	£19,760	1.3
Median	£13,200	£13,360	1.0
London			
Mean	£14,700	£20,530	1.4
Median	£12,560	£13,640	1.1
North East			
Mean	£14,270	£18,150	1.3
Median	£12,680	£12,840	1.0
North West			
Mean	£14,780	£19,090	1.3
Median	£13,180	£12,870	1.0
Northern Ireland			
Mean	£16,140	£19,060	1.2
Median	£14,090	£13,610	1.0
Scotland			
Mean	£14,240	£17,350	1.2
Median	£12,360	£11,500	0.9
South East			
Mean	£16,190	£22,890	1.4
Median	£14,200	£15,040	1.1
South West			
Mean	£15,210	£21,250	1.4
Median	£13,430	£14,110	1.1

	Annual net income	Total Unsecured Debt	Unsecured/ income ratio
Wales			
Mean	£14,300	£18,840	1.3
Median	£12,800	£12,480	1.0
West Midlands			
Mean	£14,410	£18,540	1.3
Median	£12,800	£12,290	1.0
Yorkshire			
Mean	£14,420	£18,500	1.3
Median	£12,960	£12,460	1.0

ANNEX 3: ANALYSIS OF CCCS CLIENTS FINANCIAL POSITION

Monthly deficit	Annual net income	Surplus / Deficit	% with no money left	Impact of £50 per month cut in income	Increase
East Anglia					
Average	£15,608	-£13	41%	59%	18%
Median	£13,842	£12			
Q1	£8,280	-£84			
East Midlands					
Average	£14,981	£5	40%	57%	17%
Median	£13,200	£15			
Q1	£7,857	-£79			
London					
Average	£14,703	-£55	47%	64%	17%
Median	£12,564	£3			
Q1	£6,768	-£144			
North East					
Average	£14,271	£24	39%	57%	18%
Median	£12,684	£20			
Q1	£7,308	-£54			
North West					
Average	£14,775	£6	41%	58%	17%
Median	£13,176	£14			
Q1	£7,776	-£78			
Northern Ireland					
Average	£16,141	-£108	32%	51%	19%
Median	£14,088	£50			
Q1	£8,892	-£60			

Monthly deficit	Annual net income	Surplus / Deficit	% with no money left	Impact of £50 per month cut in income	Increase
Scotland					
Average	£14,244	£5	41%	57%	16%
Median	£12,360	£19			
Q1	£6,912	-£127			
South East					
Average	£16,193	-£22	42%	59%	17%
Median	£14,196	£10			
Q1	£8,304	-£107			
South West					
Average	£15,214	-£6	40%	58%	18%
Median	£13,428	£14			
Q1	£8,190	-£86			
Wales					
Average	£14,301	£1	42%	59%	17%
Median	£12,798	£10			
Q1	£7,632	-£90			
West Midlands					
Average	£14,413	-£2	42%	60%	18%
Median	£12,804	£10			
Q1	£7,284	-£90			
Yorkshire					
Average	£14,415	£8	41%	59%	18%
Median	£12,960	£11			
Q1	£7,548	-£76			

Source: analysis of CCCS database

ANNEX 4: MASTER TABLE

Region	Mortgage Reposs.	Mortgages Payment Problems	Mortgage prisoners	Any debt heavy Burden	Any debt arrears	>50% of income on repayments	Unsecured heavy burden	Unsecured debt arrears	>25% unsecured repayments	CCCS £50 month income reduction	Debt worries	Struggle to payday	H'hold savings	Economic impacts	Job losses
East Anglia	8	10	9	5	10	3	3	7	7	3	11	9	10	8	10
East Midlands	5	8	5	6	3	10	2	2	5	9	5	6	6	8	10
London	10	9	8	1	1	1	1	1	1	1	2	8	9	11	9
North East	1	3	1	9	4	4	10	2	2	9	1	1	3	3	3
North West	3	2	4	7	2	2	7	2	3	7	3	1	4	5	5
Northern Ireland	7	1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	12	n/a	n/a	1	1	1
Scotland	9	7	7	11	11	6	8	11	5	9	8	9	5	3	3
South East	12	11	10	2	9	7	3	8	9	3	7	3	12	11	12
South West	11	12	11	4	6	8	3	5	10	7	9	6	10	8	8
Wales	2	5	3	10	8	12	11	8	11	3	9	11	6	2	2
West Midlands	6	6	6	3	5	8	6	6	7	2	4	3	2	5	7
Yorkshire	4	3	2	8	7	5	9	10	4	3	5	5	6	5	6

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