

22 February 2010

## UK households report overall reduction in debt during February

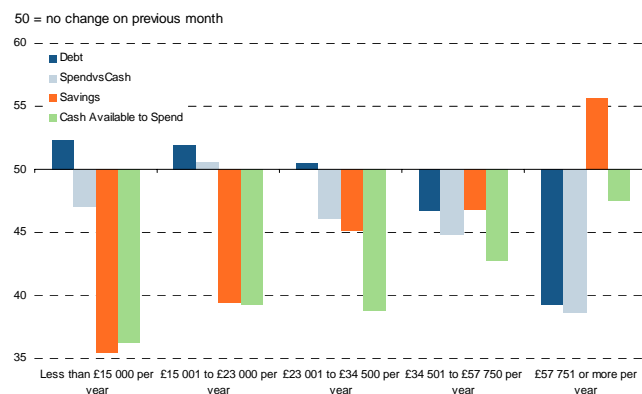
- **Debt reduction restricted to higher income groups.**
- **Demand for unsecured lending rose, predominately driven by lower earners.**

February HFI survey data showed that overall UK household debt fell during the month. The need for unsecured credit continued to rise, albeit at the slowest pace in the series history, while demand for mortgages fell marginally. Availability of both secured and unsecured credit deteriorated, with the conditions of new lending continuing to tighten.

### Household debt

Overall debt levels fell in February for the first time in three months, suggesting some repayment of debt after Christmas excesses. However, breaking down the data by income reveals that only the top two income categories managed to lower their household debt. These households also fared best in terms of available cash and savings (those earning over £57,751 p.a. actually reported a rise in savings during the month).

**Chart 1: Household debt – breakdown of February data by income**

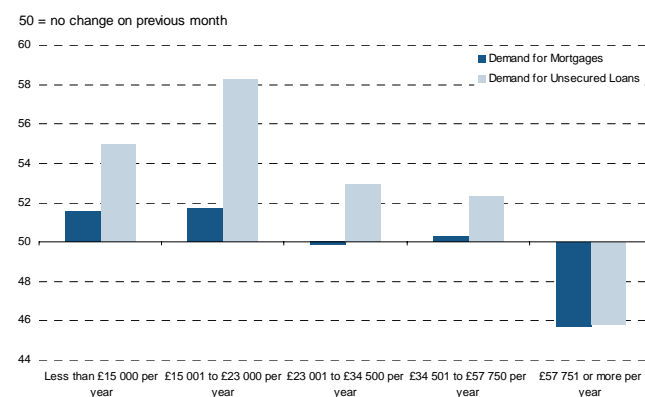


### Demand for credit

Overall demand for new mortgage lending fell marginally in February, whilst requirements for unsecured lending (credit cards, etc) rose solidly, although at the slowest pace since data collection began a year ago. However, similar to outstanding

debt levels, data showed a mixed picture across income groups. Amongst the highest earners (£57,751+ p.a.), demand for secured lending fell. Equally, the highest earning households reined in their requirements for unsecured credit. Those earning between £34,501-£57,750 p.a. saw demand for unsecured lending rise at a slower rate than the overall trend.

**Chart 2: Demand for credit – breakdown of February data by income**

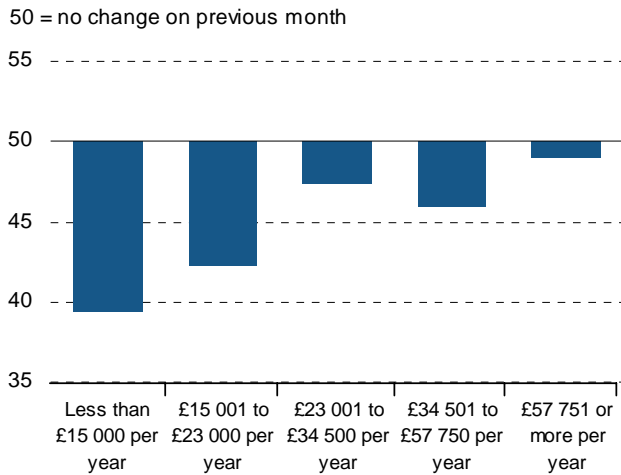


The data therefore suggest that the households with the healthiest finances appear to be taking a cautious approach to consumption (HFI data show that higher earners are increasingly spending less than the cash available to them). They are looking to spend within the bounds of their income and not increase debt. In contrast, expenditure increases by lower income groups are likely to add to their overall debt levels, with additional consumption most likely to be on essential items.

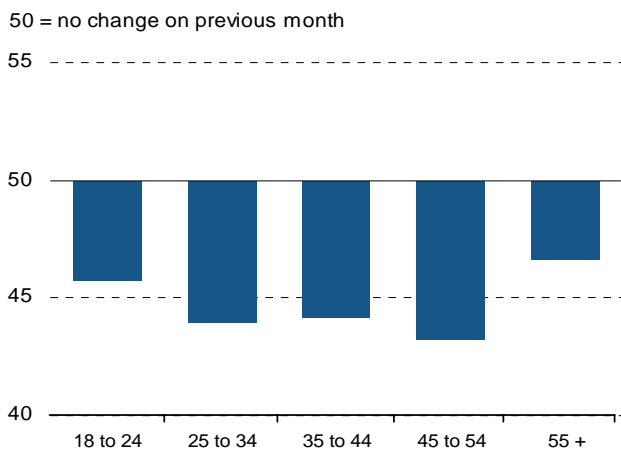
### Availability of unsecured credit

February data: Compared to one month ago, how easy is it for you to get access to credit cards / overdrafts / other unsecured loans?

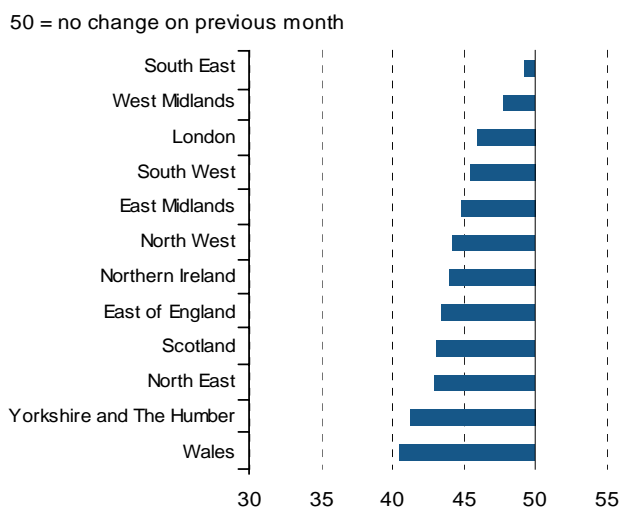
#### By income



#### By age



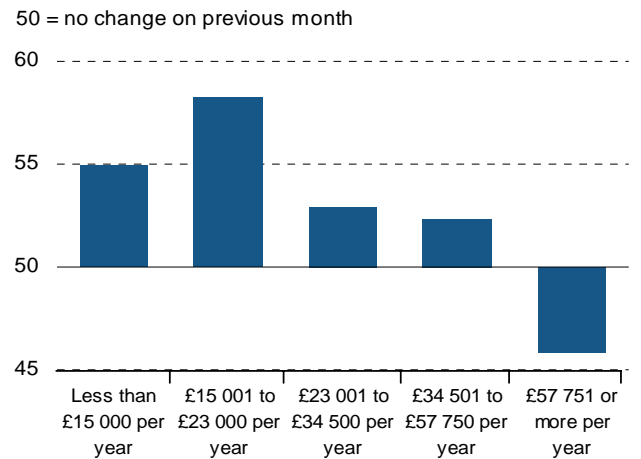
#### By region



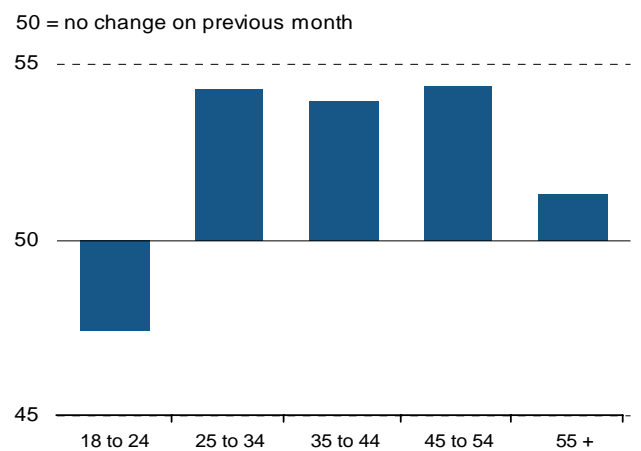
### Need for unsecured loans

February data: Compared to one month ago, how has your need for additional borrowing changed in respect of credit cards / overdrafts / other unsecured loans?

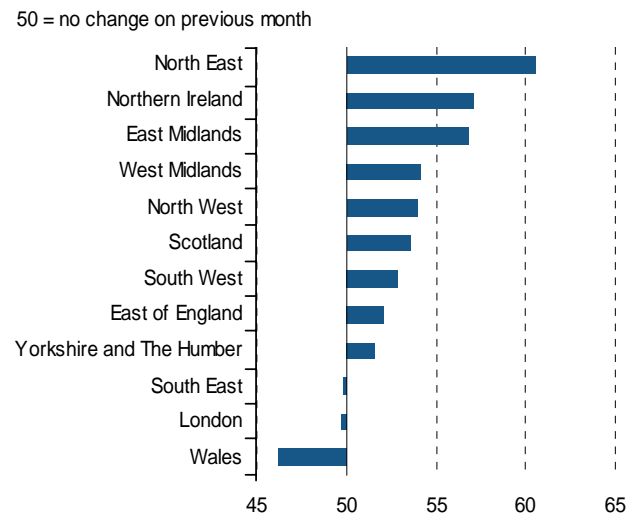
#### By income



#### By age



#### By region

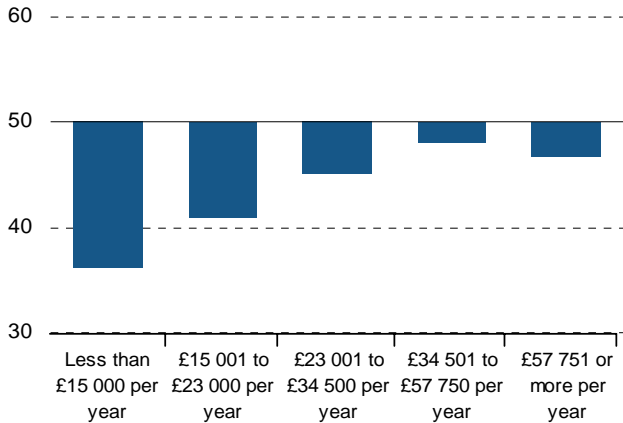


### Availability of secured credit

February data: Compared to one month ago, how easy is it for you to get access to mortgages/other secured loans?

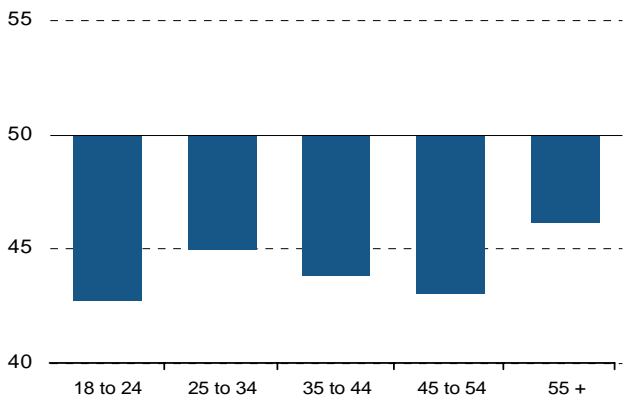
#### By income

50 = no change on previous month



#### By age

50 = no change on previous month



#### By region

50 = no change on previous month

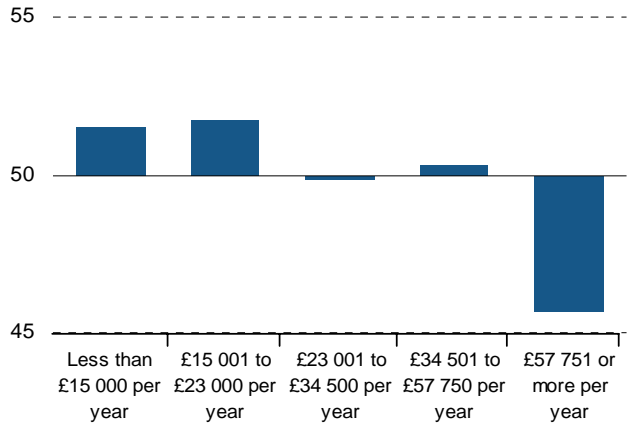


### Need for secured loans

February data: Compared to one month ago, how has your need for additional borrowing changed in respect of mortgages/other secured loans?

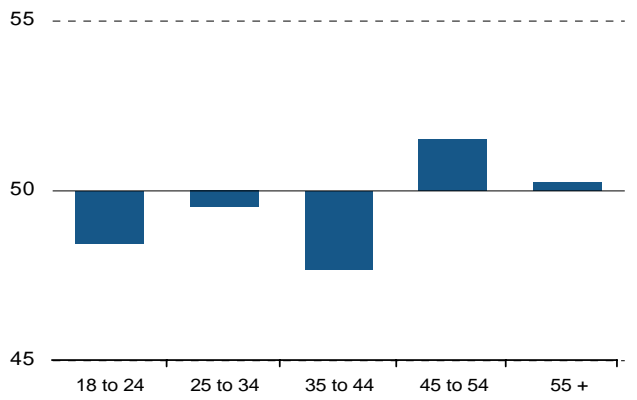
#### By income

50 = no change on previous month



#### By age

50 = no change on previous month



#### By region

50 = no change on previous month

