

22 January 2010

Household debt levels in the UK rise for second successive month

- **Rising debt levels concentrated in the lower income groups.**
- **Higher demand for unsecured loans in all income brackets.**
- **Availability of credit remained tight.**

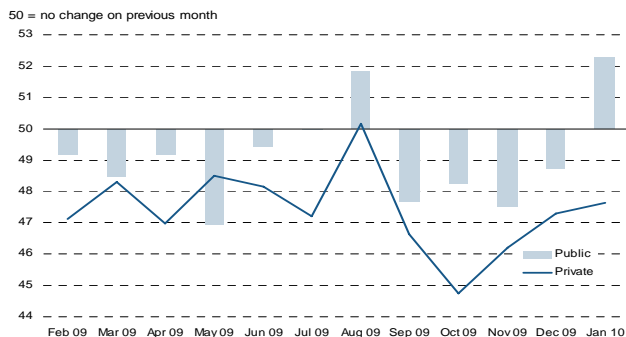
A second successive month of rising debt levels was reported by UK households in January. However, the latest increase in outstanding debt was only marginal. The need for both secured and unsecured credit rose in January, with unsecured loans seeing the sharper rate of increase. However, the perceived availability of credit worsened again, and terms and conditions grew more unfavourable.

Demand for credit

The increase in demand for mortgages in January, whilst marginal, was the joint-strongest seen in 12-months of data collection. The rise in requirements was driven mainly by households that do not currently own their home or have an existing mortgage in place.

Demand for unsecured loans increased across all groups (split by home status). However, those owning their home or who had an existing mortgage showed a smaller rise in requirements than other groups.

Chart 1: Household debt – public vs private sector employees



January data also suggested that respondents employed within the private sector were more cautious in their attitude towards debt than those working in the public sector.

Public sector employees increased their levels of household debt in January, while private sector

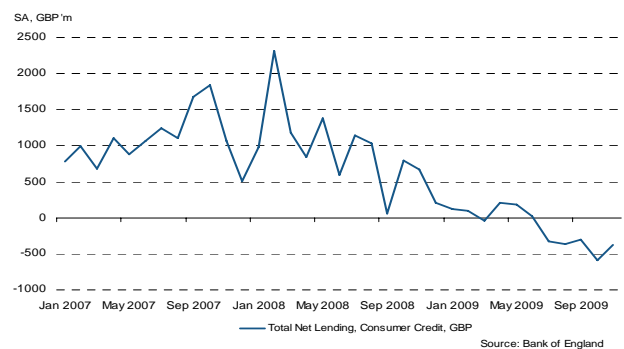
employees indicated a further fall. Moreover, public sector staff signalled a lesser level of debt reduction in previous months. Growth of demand for both secured and unsecured loans has also been higher amongst public sector employees, despite a greater resilience in earnings and job security being indicated during the 12-month period of data collection.

Availability and conditions of credit

UK households perceived that credit, both secured and unsecured, was harder to obtain in January. Higher earning households, or those that owned their house outright, were less pessimistic on their ability to gain access to additional credit.

The latest available Bank of England data (for November 2009) showed that total net consumer lending continued to fall, corroborating the HFI survey findings.

Chart 2: Trends in total net lending, consumer credit



Bank of England data also showed that while net mortgage lending rose month-on-month in November (the latest available data point), it declined year-on-year.

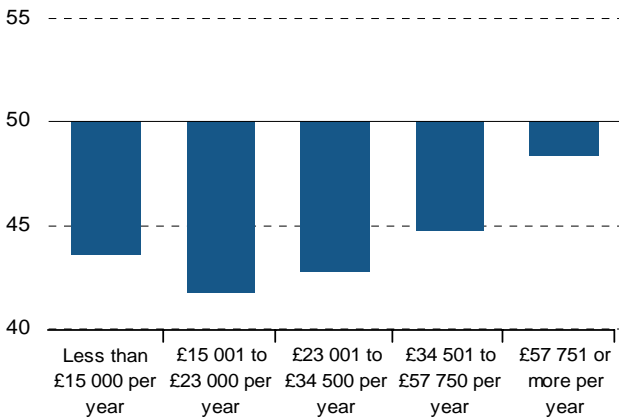
Highlighting tight credit conditions, spreads on credit card interest rates remain elevated compared to pre-recession levels.

Availability of unsecured credit

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

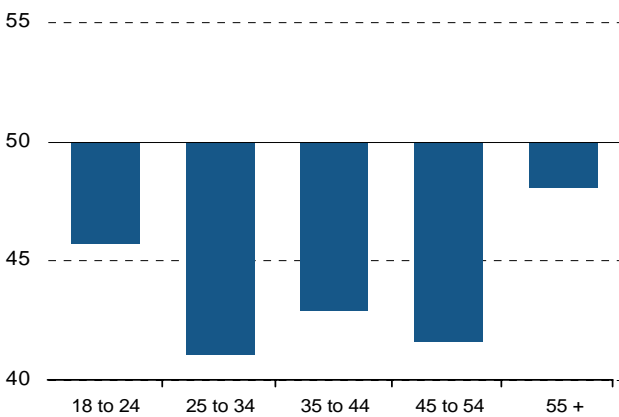
By income

50 = no change on previous month



By age

50 = no change on previous month



By region

50 = no change on previous month

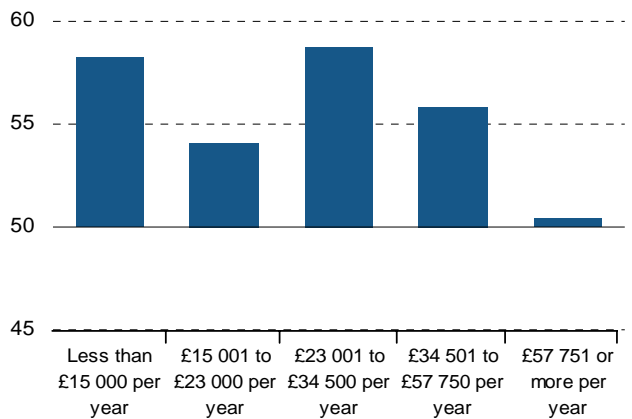


Need for unsecured loans

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

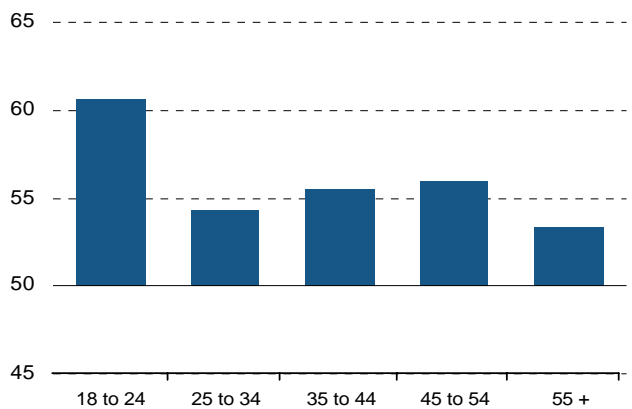
By income

50 = no change on previous month



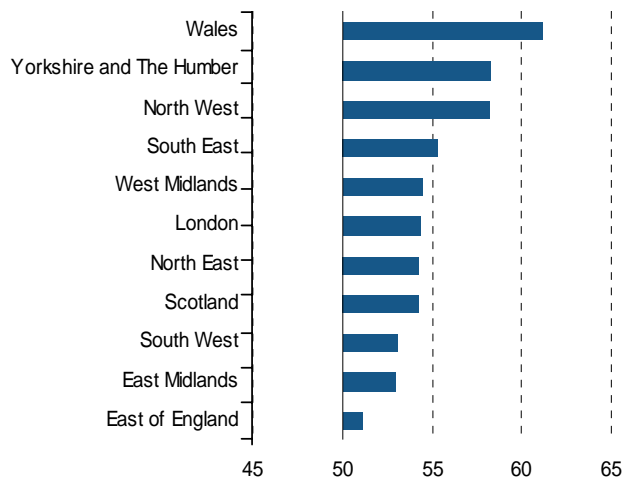
By age

50 = no change on previous month



By region

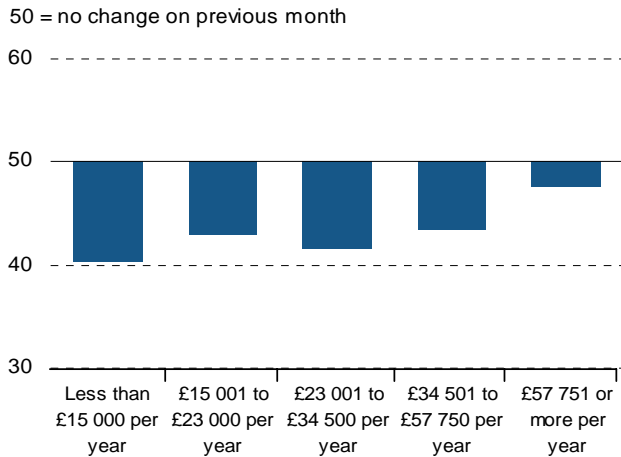
50 = no change on previous month



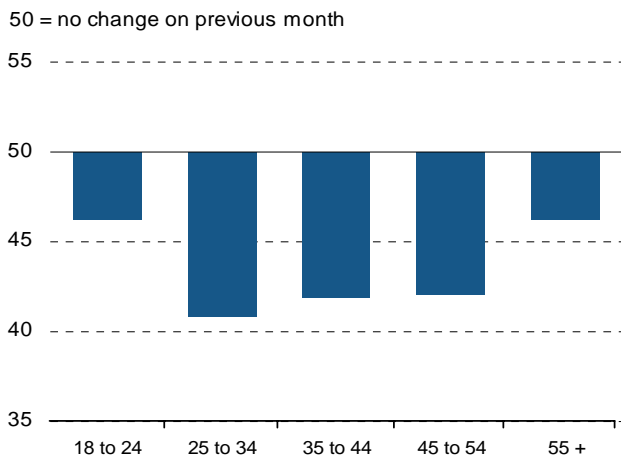
Availability of secured credit

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

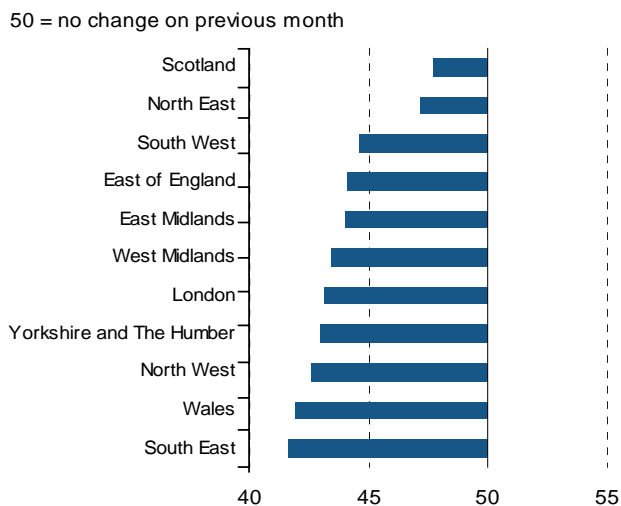
By income



By age



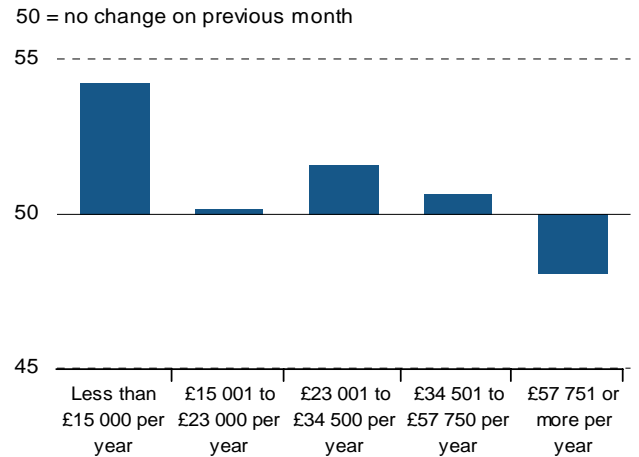
By region



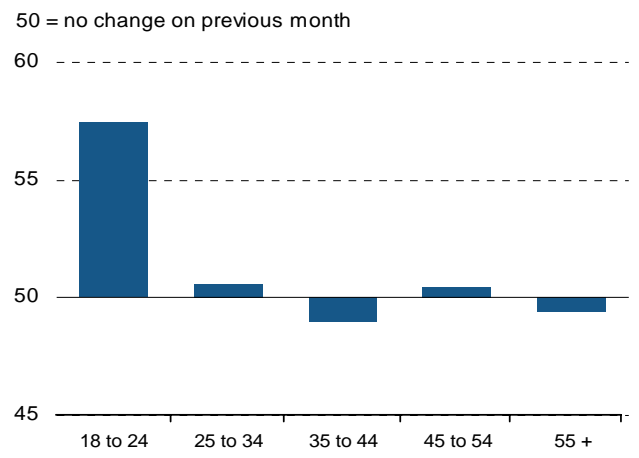
Need for secured loans

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

By income



By age



By region

