

# The debt crunch:

## Debt and financial exclusion



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# The problem with debt....



Growth of unmanageable debt

Impact of debt

Debt and financial exclusion

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## Should we start to worry?



County Court Judgments at ten-year high.

550% increase in individuals petitioning for bankruptcy over last 10 years

102,792 people want bankrupt or entered into an IVA last year

229,821 mortgage repossession actions through county court  
(Jan 06 – Nov 07)

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## Debt in Derbyshire



Derbyshire CABx managed over £33m of clients' debts in 07/08  
(£17m in 05/06)

Today, consumers in Derbyshire will borrow an estimated £4m; and will pay around £3m in interest.

28,000 Derbyshire households will have paid this year's council tax late or not at all

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## Impact of Debt



### Health

- In 2003, a quarter of CAB debt clients were receiving treatment for stress, depression and anxiety from their GP.
- Nearly half of these felt their symptoms were caused by their debt problems.

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## Impact of Debt



### Relationships

- 18% of CAB clients report relationship problems caused by debt

### Children

### Financial pressures

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## Financial exclusion and debt



### Financial exclusion is expensive

- cost of borrowing  
example: 30 day loan at 1,355% APR
- access to direct debit discounts  
“un-banked” households pay an extra £260 p.a.
- cheque-cashing

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## Financial exclusion and debt (cont)



### Financial exclusion makes it harder to cope in an emergency

- Access to insurance
- Buying essential items
- Drop in income  
25% of households have no savings  
52% of people could survive financially for just 17 days if they had an unexpected loss of income.

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## Financial exclusion and debt (cont)



### Financial exclusion makes people vulnerable to debt “solutions”

Example: a client with £7,000 of debt was offered a debt management plan costing £6,620 in charges.

### Financial capability

Money management

Over commitment

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