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PRESS RELEASE FROM THE CENTRE FOR SOCIAL JUSTICE

More than 5,000 people a year 'homeless' as household debt crisis deepens, CSJ warns

- Increasing number of people turning to high-cost lenders to pay for essentials
- Personal debt problems pre-date economic crash and have been building for decades
- Serious debt is fuelling a host of social problems, including mental illness and family breakdown

Hundreds of people are made homeless every month in the UK because they are unable to meet mortgage and rent payments, according to a new report which exposes the damage of problem debt.

The Centre for Social Justice (CSJ) study, led by former Labour Work and Pensions Minister Chris Pond, finds that despite signs of national economic recovery, personal debt in the UK remains close to its all-time high at £1.4 trillion. There is now an average household debt of £54,000 – nearly twice the level of a decade ago.

The report, *Maxed Out*, says poor people are bearing the brunt of a storm that has seen unsecured consumer debt almost triple in the last 20 years, reaching nearly £160 billion today.

Worryingly, indebted households in the poorest 10 per cent of the country have average debts more than four times their annual income. Average debt repayments within this group amounted to nearly half their gross monthly income, the report highlights.

Christian Guy, Director of the CSJ, said:

"Years of increased borrowing, rising living costs and struggling to save has forced many families into a debt trap that is proving very difficult to escape.

"Problem debt can have a corrosive impact on people and families. Our report shows how it can wreak havoc on mental health, relationships and wellbeing.

"Across the UK people are up until the early hours worrying about their finances and bills."

He added: "Some of the poorest people in Britain are cut off from mainstream banking and have no choice now but to turn to loan sharks and high-cost lenders."

More than 26,000 UK households have been accepted by councils as homeless in the last five years because of rent and mortgage arrears, with 5,036 becoming homeless last year.

There are fears that this number will increase in the coming years should interest rates rise. Increasing homelessness is also putting more strain on local authorities, many of whom are already finding it difficult to balance budgets.

As mainstream banks reduced access to credit following the financial crash, the market for short-term high-cost credit (payday lenders, pawnbrokers, rent-to-buy and doorstop lenders) increased dramatically and is now worth £4.8 billion a year.

Payday lenders have increased business from £900 million in 2008/09 to just over £2 billion (or around 8 million loans) in 2011/12. Around half of payday loan customers reported taking out the money because it was the only form of credit they could get. The number of people going to loan sharks is also said to have increased – the most recent estimate puts it at 310,000 people.

The CSJ study found that many people are forced to take out loans because of low financial resilience. For example, 3.9 million British families do not have enough savings to cover their rent or mortgage for more than a month.

Mr Pond, who is also a former PPS at the Treasury under Labour, chaired the CSJ report and said problem debt carries a major human cost.

He said: "With falling real incomes and increasing costs of basic essentials, many – especially the most vulnerable – are sliding further into problem debt. The costs to those affected, in stress and mental disorders, relationship breakdown and hardship is immense. But so too is the cost to the nation, measured in lost employment and productivity and in an increased burden on public services."

The CSJ report also highlights a section of society that is excluded from the mainstream financial sector – around 1.4million people have no transactional bank account. It is estimated that millions of other people do not use their bank account because of fears over penalties and overdraft charges, which can often be more expensive than payday loans.

There is also concern over the availability of reliable financial advice. The number of people seeking free professional debt advice from charities has been increasing since well before the crash, reaching 1.7 million people in 2012. But research suggests there is a major gap between this number and the 5.3 million households who are struggling to meet credit commitments.

In light of the rising cost of domestic energy and other household bills, there are fears more households might be pushed into problem debt. Essential bills have increased by 25 per cent since 2007 and evidence suggests that one in six payday loans are now used to pay for an outstanding household bill.

The CSJ review panel conducting this research included charities the Money Charity, Money Advice Trust and Christians Against Poverty.

This interim report, part of the CSJ's Breakthrough Britain II project, will be followed up next year with another report outlining a host of policy recommendations to tackle problem debt.

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Copies of the full report are available on the Centre for Social Justice website (http://www.centreforsocialjustice.org.uk/) or, alternatively, by contacting one of the individuals above.

NOTES TO EDITORS

'Homeless' refers to households to whom a local authority owes a legal duty of care to provide housing. Legal duties vary by country and far more households are accepted as 'homeless' in Scotland than other parts of the UK. As the statutory burden is relatively high in

all UK jurisdictions, the 'homeless' figure used here is a conservative estimate. As the level of 'homelessness' relates to households, the total number of people impacted will be far higher.

The Centre for Social Justice (CSJ) is an independent think tank established in 2004 to put social justice at the heart of British politics. In June, the CSJ was awarded UK Social Policy Think Tank of the Year 2013 at Prospect magazine's Think Tank Awards.

In 2007 the CSJ published its landmark report, Breakthrough Britain. This publication, which set out 190 evidence-based policy recommendations to tackle poverty in Britain, transformed the social policy and political landscape and was awarded Publication of the Year by Prospect Magazine in 2008.

Since Breakthrough Britain the CSJ has published over 40 reports which have shaped government policy and influenced opposition parties. This has included the seminal paper Dynamic Benefits, which led the Coalition Government's welfare reforms.

Further to this, the CSJ manages an Alliance of more than 350 of the most effective grass roots, poverty-fighting organisations. The CSJ is able to draw upon the expertise and experience of Alliance charities for research work and media inquiries. Journalists wishing to conduct grass-roots research into social problems can be put in touch with front-line charity directors and staff. \x