UK household debt, excluding mortgages, tops a third of a trillion pounds

Liz Smith
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A report, *Britain in the Red*, paints a devastating picture of the huge increase in households in extreme debt between 2012 and 2015. Commissioned by the Trades Union Congress (TUC) and the main public-sector union, UNISON, it finds that in 2015 almost half the UK population had some form of unsecured debt.

At the end of 2015, 3.2 million households or 7.6 million people were over-indebted, an increase of 700,000 or 28 percent since 2012. On this basis, nearly one in eight UK households is currently over-indebted. Likewise, 1.6 million households are in “extreme debt.” Overall, 1.2 million low-income households are estimated to be in “extreme problem” debt. This is defined as households who have to pay out more than 40 percent of their gross household income on unsecured debt repayments.

Between 2012 and 2015, total unsecured debt for UK households (which includes credit cards, payday loans and student loans, but *not* mortgages) rose by £48 billion to £353 billion. Unsecured debt previously peaked at £364 billion in 2008 and fell in the recession. However, the increase since 2012 is in part due to the major extension of student loans.

Consumer credit—i.e., household borrowing, excluding both student loans and mortgages—peaked in 2008 at £230 billion. It fell back to £184 billion in 2012, but had risen again to £212 billion by the end of 2015. Bank of England figures now show consumer credit growing at an annual rate of 10 percent, the highest for over 10 years.

The report points out that many conventional measures may understate the scale of these debts. As a result, the authors instead show interest payments as a share of a household sector “surplus”—that is, the amount that households have left to meet the cost of debt payments, once living costs have been taken into account.

The report finds that interest payments on unsecured borrowing are at an all-time high, and are high relative to other countries.

Britain in the Red reveals that the largest growth of over-indebtedness is among low-income households that are in employment. In 2015, 9 percent of these were “extremely over-indebted,” up from 5 percent in 2014.

The report notes that in 2015, 49 percent of all households had some form of unsecured debt. In total, there were an estimated 13.2 million “debtor households,” containing 31 million people.

A closer look shows that it is the working poor who are the most indebted. The report finds that approximately two thirds of households containing someone in paid employment, excluding self-employment, hold unsecured debts. This number increased significantly between 2012 and 2014 from 3 to 10 percent.

This situation has worsened markedly over the course of the past year for working households with incomes of £30,000 or less. Nearly three quarters (72 percent) of these households hold unsecured debts, and the report finds there has been an increase, from 10 to 14 percent, in the number of these who are over-indebted during the past year.

This increase has occurred in respect to households that are extremely over-indebted (paying out more than 40 percent of their income on debt repayments).

Significantly, over the past year, the age distribution of over-indebtedness amongst lower-income working households has changed. Many more young people are in debt. Households aged between 18 and 25 years now make up 20 percent of all over-indebted lower-income working households—compared to half this level a year ago.

Student loan debt has grown from £15 billion in 2004 to £86 billion at the end of 2015. This massive growth can be accounted for by the increase in fees from £3,290 to £9,000 in 2012 (making the UK the second most expensive country in the world for university education). The report points out this has had little impact on consumer debts, as interest rates are lower and do not have to be repaid until earnings are over £21,000. Despite this, nearly three quarters of full-time students have unsecured debt, rising in the last year from 8 to 13 percent.

Another finding is that many of the over-indebted can no longer afford to buy homes. The report notes that the percentage of over-indebted, lower-income, working households living in mortgaged accommodation appears to have significantly reduced in the past year—falling by one-third. In contrast, the percentages of these households living in either social or private rented accommodation have doubled.

Retired households are less likely to have any unsecured debts, the report finding that "In 2012, only 6 percent of retired households holding unsecured debts were over-indebted." It notes that this "increased only marginally to 7 percent in 2014, but by 2015 was 17 percent. There has also been a considerable increase in the past year in the percentage of these households which are extremely over-indebted."

The *Financial Times* noted that social inequality, and attendant indebtedness, is set to increase in the immediate period ahead. "The sharp fall in sterling since the vote to leave the EU [European Union] is expected to push up inflation, bringing a renewed squeeze on real wages in the absence of meaningful pay increases," it warned.

Britain in the Red calls for a raise in wages and the removal of the public-sector pay cap, as well as increase in infrastructure spending. TUC general secretary Frances O'Grady said, "Families can't continue relying on credit cards and loans to get by. But with the average wage still worth £40 [a week] less than before the 2008 crash, lots of families have little choice.

"Higher wages must be at the heart of the government's economic plan. We need a return to proper year-on-year pay rises and a higher national minimum wage," added O'Grady.

Owen Jones, the self-styled "left" author and journalist, responded with a piece in the *Guardian* entitled, "Too many people face unmanageable debt. The cure is trade unions."

He wrote, "[T]he positive case for trade unionism cannot just be left to politicians: it needs to be made by all of us. It needs to be put in a language that resonates with the millions of non-unionised workers, and particularly for younger people for whom the very notion of trade unionism seems culturally alien. Personal debt is a blight in modern Britain—and trade unionism is one of its cures."

The trade unions are not part of the solution to this crisis for working people, but a major cause of it. The reality is that, for decades, not just since the onset of the economic crisis, the unions have not lifted a finger to mobilise the working class against a massive onslaught on wages, jobs and conditions. This is why workers have abandoned the unions in droves and that for a whole generation of young workers the unions are indeed "alien."

The unions have stepped up their collaboration with the ruling elite since the financial crash of 2008, as more than 1 million jobs in the public sector have been destroyed, and services run down or terminated. With union complicity, a pay freeze was imposed across the public sector, and changes made to pension provisions adversely affecting those retiring for years to come.