

# UK: Working-class families in record levels of debt

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New figures reveal that household debt in Britain has reached the record level of £1.5 trillion after growing by 3.5 percent since last year, according to the Bank of England.

This is equivalent to 82 percent of the value of the UK's entire economic output each year. It is placing an unprecedented financial burden on working-class households due to rising house prices and depleted savings.

Indebtedness is becoming the “new normal” for families struggling to make ends meet. Economic stagnation and government austerity measures are eviscerating incomes and pushing thousands more into unemployment.

Mortgages secured against property comprise the overwhelming majority of the debt, with the remainder made up of personal loans and credit card debt. This is equivalent to an average of £30,000 per person, or 113 percent of average income, according to The Money Charity. In reality, household debt is unequally distributed across society and affects the poorest worst, with most having small or no savings. The figures also neglect student debt, which typically stands at £44,000 upon graduation.

The national total of personal debt ballooned at a rate of 10 percent per year during the 1990s and 2000s, trebling between 1997 and 2008, when it reached the previous record level of \$1.39 trillion. The figure plateaued in the wake of the global financial crash in 2008 as consumer spending collapsed and has begun to rise again during recent years.

The renewed growth in personal debt is mainly due to increasing secured debt such as mortgages, driven by soaring house prices. The average house price for first-time buyers rose by 8 percent since last year to over £180,000, according to the Office of National Statistics.

However, the British Bankers' Association has noted that consumer credit is also growing more rapidly than at any time since the 2008 crash. Dependence upon credit increases the risk of serious debt problems caused by unexpected changes in economic circumstances. Trades Union Congress (TUC) research found that squeezed wages have pushed millions to rely on credit to cover essential costs, with over 3 million households unable to keep up with debt repayments.

The scale of the debt crisis is expressed by the following figures from The Money Charity. Every day in Britain:

- \* 1,322 people report being made redundant.

- \* 247 people are declared insolvent or bankrupt, up 22 percent since last year.

- \* 17 properties are repossessed and over 300 landlord possession orders are made.

- \* The Citizens' Advice Bureaux deals with 4,495 debt cases, second only to benefit enquiries.

The crisis will intensify in the aftermath of the decision for Britain to leave the European Union (EU) following the June referendum. Economic growth and business investment are predicted to fall amid uncertainty over the outcome of the negotiations on the terms of Britain's exit from the EU.

Living standards will be hit by rising inflation and the fall in the value of the pound. Inflation is expected to spike from the current rate of 1 percent to 4 percent next year, while the value of the pound sterling has fallen to a 31-year low, making imported goods more expensive.

The Bank of England reduced the base interest rate to a record low of 0.25 percent in August, after maintaining a 0.5 percent rate since 2009, in an attempt to boost the economy. This had little effect on consumer interest rates due to a rise in credit card

interest rates.

The rate cut was seen as a political move by the governor of the Bank of England, Mark Carney, who supports Britain remaining in the EU and was seen to be casting a critical judgement on the outcome of the Brexit referendum. Expressing sharp divisions within the British bourgeoisie, he faced harsh criticisms from major pro-Brexit figures on the right wing of the Conservative party, but has remained in his post.

These trends, along with possible interest rate hikes, will make the debt burden more difficult to cope with. Money Advice Trust boss Joanna Elson, responsible for National Debtline, warned, “The spectre of significantly higher inflation is a real concern. Many households have still not recovered from the last big squeeze on incomes in the aftermath of the financial crisis. The risk is that this new pressure on household budgets could tip many more people into financial difficulty.”

Wages fell precipitously during the years following the 2008 crash, falling 10.4 percent in real terms, the largest fall among leading Organization for Economic Co-operation and Development (OECD) countries, according to a recent study. Political responsibility for these social attacks lies with the trade union bureaucracy, the Labour Party and their pseudo-left apologists. These forces have worked to systematically demobilise any collective defence of jobs, conditions and social services.

Wages will be cut further as the corporate elite impose the costs of economic contraction and market uncertainty on the working class. The National Institute of Economic and Social Research predicts a 0.5 percent fall in disposable incomes in 2017. If current trends continue, real wages will not rise before 2020, according to the *Guardian*.

This will only intensify the debt crisis facing workers. “A further squeeze on household incomes, made worse by the freeze on benefit uprating, will leave even more households struggling. With over 7 million people already using credit to pay for everyday essentials, there is a real danger of more falling into severe problem debt,” warned Peter Tutton of debt charity StepChange.

Chancellor of the Exchequer Philip Hammond is attempting to project a mood of calm control in the run-up to the autumn budget statement on November 23,

having made statements that he will pull back from the harsh imposition of austerity associated with his predecessor George Osborne. This myopic and rose-tinted view has been buoyed by claims that the Brexit vote has not had the cataclysmic result predicted by the supporters of Britain remaining in the EU. This is merely the calm before the storm. The chancellor seeks to avoid spooking international markets and sparking a debt crisis on the scale of that which engulfed Greece after the financial crash.



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