

Perceptions and reality of debt

With levels of personal debt being on the rise, we conducted online research to find out more about current perceptions and attitudes towards debt. Comparing the survey findings with TDX Group data about those in personal insolvency revealed some interesting similarities and differences between perceptions and realities of debt.

Survey findings

Research we conducted online revealed that 45% of people think it's too easy to get into debt with a further 20% stating that banks and other lenders need to be more strict about the amount they lend to consumers.

The survey, conducted with Gorkana, also highlighted that 68% of people think a monthly debt repayment of more than 10% of their salary would be unmanageable. When asked what they would be willing to forgo to help pay off their debt, almost a quarter (24%) said they wouldn't be willing to sacrifice buying a new car, new clothes or a holiday in order to help pay off a debt.

A quarter of consumers (25%), with a current loan, view unexpected bills as the biggest threat to managing payments, while 20% see increased living costs, such as food and rent, as the main risk. If their debt was to become unmanageable, over a quarter (27%) of people would turn to their friends and family for help; almost a third of women (32%) would opt for this, versus 22% of men.

TDX Group commentary

Personal debt is on the up in the UK and it's increasingly important consumers are aware of their debt levels, only taking on loans they can afford to repay. The high number of consumers who think it's too easy to become saddled with high levels of debt, illustrates banks and other lenders still have their work cut out to ensure they only lend to those who can afford it.

The responsibility to limit debt must also fall on the individual. Education is essential; although it's encouraging consumers recognise that repayments exceeding 10% of their monthly income would be difficult to manage, many need to rethink their spending priorities to better manage their debt.

Our own data shows the financial profile of people using personal insolvency to actively manage their debts has worsened in the last six months, with average monthly income decreasing to £1,899, average monthly contributions towards unsecured debt falling to £145 and average total of unsecured debt remaining between £24,000 – £26,000.

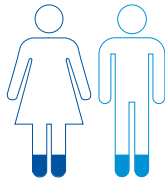
Different age groups have similar attitudes to debt...

25s -34s

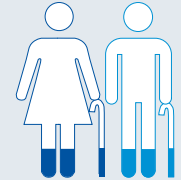
Over 55s

See debt as a normal part of life

11%

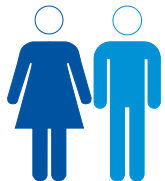


14%

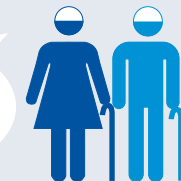


Are comfortable talking about their debt problems

87%

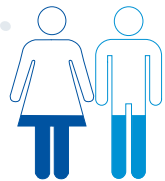


91%

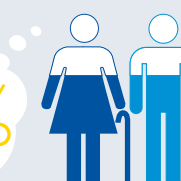


Those who are older are more likely to think it's too easy to get into debt

32%



59%



All ages

There is an unrealistic view on affordable repayments

67% think that 10% or less of their salary is a manageable repayment level



However the average repayment level on live debts at point of insolvency is 26% of total salary



But, positively, the majority say they would seek free advice

46%

would speak to the Money Advice Service if they got into trouble

and only 5% would respond to a debt advice advert