

# Demand, capacity and need for debt advice in the UK

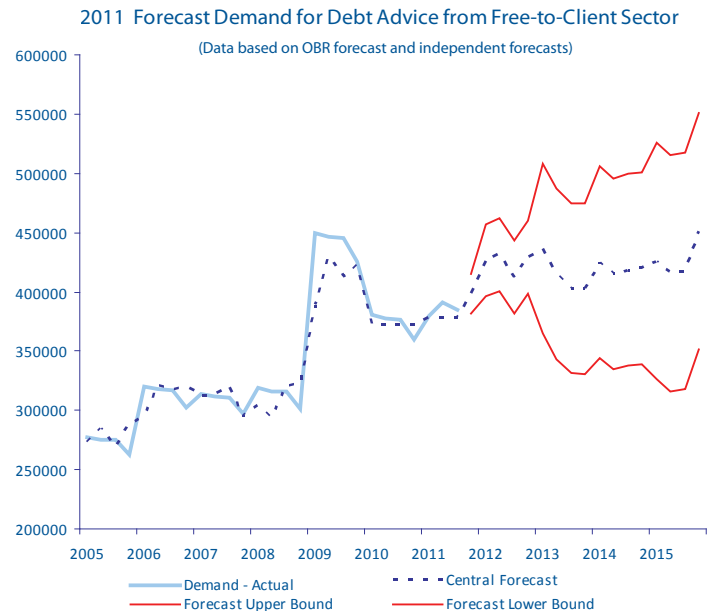
## Summary of findings (Updated December 2011)

The Money Advice Trust has commissioned Dr John Gathergood from the University of Nottingham to provide further analysis of the drivers of demand for debt advice following on from the first 'Demand, Capacity and Need for Debt Advice in the UK' report published by MAT in January 2011.

In 2011, free advice agencies provided advice to 1.54 million individuals, up from 1.4 million in 2010.

### Demand for debt advice in 2011 has exceeded that forecast in January's first report.

In the first quarter of 2011 advice demand was below forecast. This was mainly attributable to the better than expected performance of the UK labour market, with unemployment falling below 8%. However, the UK labour market has deteriorated considerably during the second and third quarters of 2011, with unemployment rising above 8% and average earnings growth weakening. The OBR November 2011 forecast for the UK economy is much more downbeat. The OBR sees unemployment rising to 8.5% in 2011 (2.75 million), weak GDP and earnings growth and a flat housing market. On the basis of this revised forecast, we now expect demand for debt advice to grow sharply in quarter one of 2012 remaining strong into the first two quarters of 2013. In line with a weaker forecast for demand in the economy, the OBR sees interest rates remaining at their current level until the end of 2013.



Demand for debt advice is expected to grow sharply in quarter one 2012 and remain strong into the first two quarters of 2013.

Demand for debt advice is distributed unevenly across the regions of the UK and Northern Ireland. The largest concentration of individuals seeking advice is found in the south of the UK, with 35% of all advice seekers located in London, the South East or the South West. However, when considered relative to regional population size and the proportion of individuals with arrears and debt problems, **advice seeking is most prevalent in Northern Ireland, the East Midlands, the South West and Wales.** The regional distribution of levels of credit product usage, debt and income gearing is much more uniform compared with the distribution of household income, so low income regions are particularly vulnerable to rising unemployment and poor earnings growth. The regional outlook for unemployment is particularly uneven, with Northern Ireland, Wales, the North East and Scotland likely to be particularly affected by the reduction in Government employment, which is set to fall by 700,000 over the next six years (one in eight public sector jobs), with most of this reduction front-loaded. **It is expected that Northern Ireland, Wales, the North East and Scotland will experience the strongest growth in debt advice demand** in proportional terms.

Approximately 10 million individuals in the UK (20% of the population) describe meeting their debt obligations as a 'constant struggle'.

Results from the quarterly YouGov Debt Track survey indicate the prevalence of problem debt in the UK is increasing. As at quarter three 2011, an estimated 2.5 million individuals in the UK are delinquent on at least one consumer credit product or in arrears on a household bill or payment. Approximately 10 million individuals in the UK (20% of the population) describe meeting their debt commitments as a 'constant struggle'. Only one in five individuals in the latter category seeks advice about their debts from a free advice provider. The main reason given for not seeking advice is that individuals do not perceive that they can be helped in their debt situation. A challenge for the free-sector is to raise awareness of the help that can be provided.