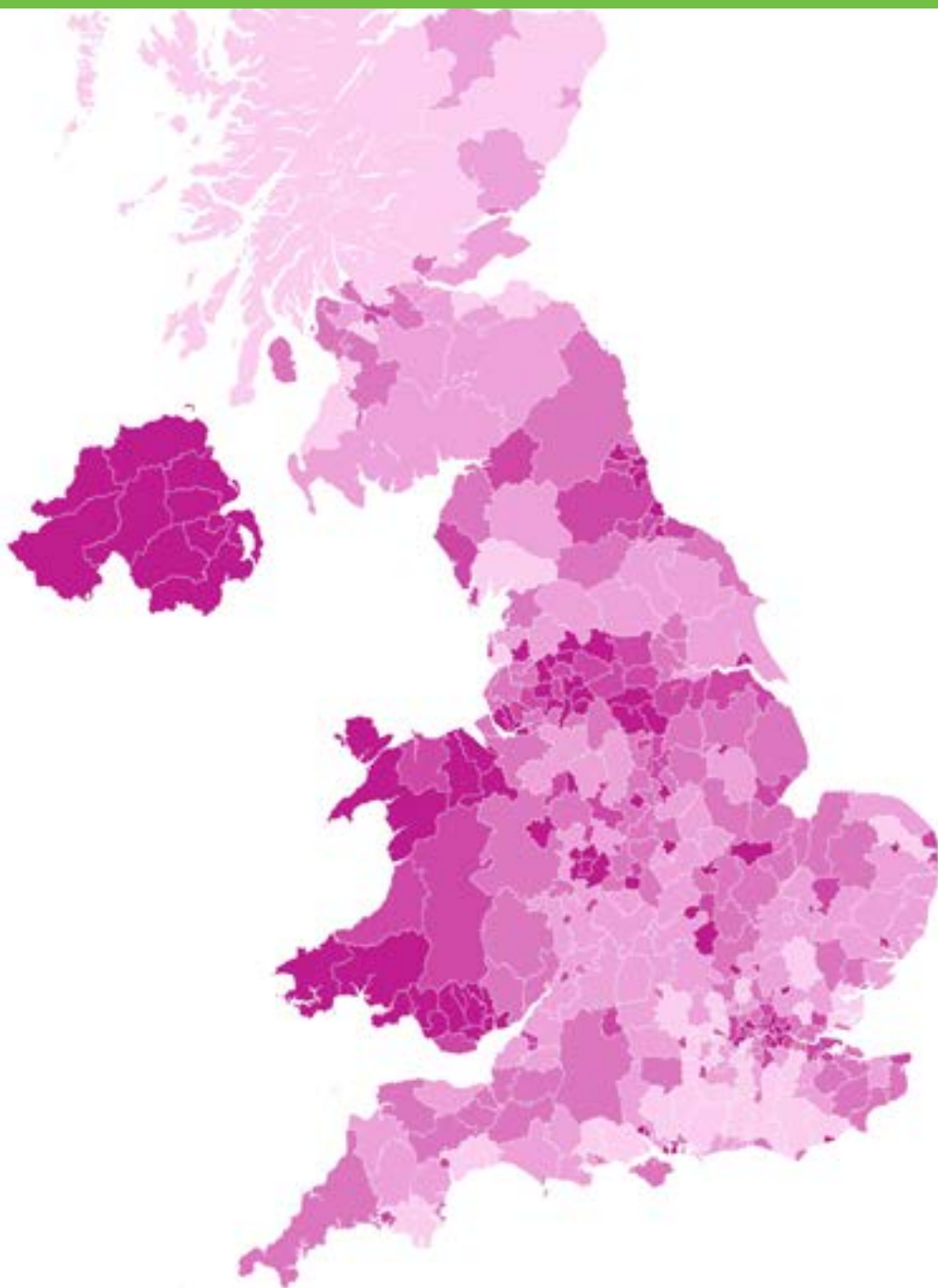


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# A Picture of Over-Indebtedness

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## Section 1

# Foreword

Understanding your client is crucial to providing good debt advice – to advise on debt prioritisation you need to understand what is owed to whom, to maximise income you have to understand family composition, and to support decisions around different debt solutions you need to understand housing tenure.

To commission debt advice services effectively, you need to know, at a population level, what the characteristics of over-indebted people are and where they can be found.

With our colleagues at CACI, we have designed and refined a model for estimating the probability that an individual is over-indebted. By applying this model across the entire population, we have produced a detailed picture of how over-indebtedness varies across the UK.

This work is unprecedented and breaks new ground in our understanding of what risk factors predict over-indebtedness.

The over-indebted population is younger, more likely to rent and more likely to have children than the UK as a whole. It feels the impact of macroeconomic changes more keenly and is more exposed to changes in the welfare system.

We will use and share the insights from this research to continue our work with partners to put in place services for over-indebted people that engage people earlier, work with them to resolve crises and support them to stay out of debt in the long term.

One in six people in the UK are over-indebted, but less than one in five of them seek advice. Because we know that debt advice is effective, the challenge of engagement is one we all share. This research helps us to locate the people we are here to help with greater clarity than ever before and I am confident it will enable us to focus our energy and resources to meet this challenge head on.



**Caroline Siarkiewicz**  
Head of Debt Advice

## Section 2

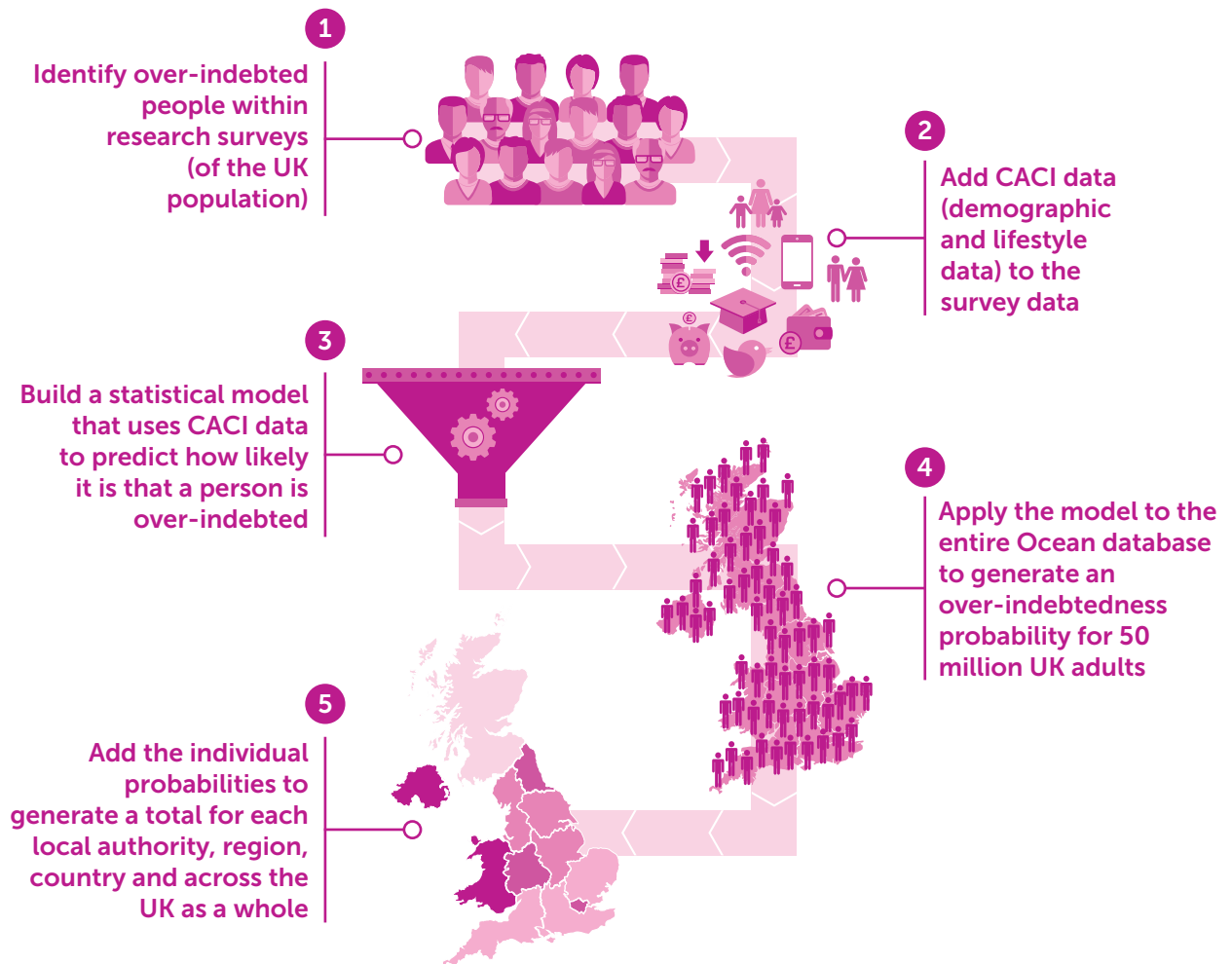
# Methodology

The Money Advice Service (MAS) commissioned CACI to build a model that could accurately estimate the levels of over-indebtedness across the United Kingdom.

To do this, CACI took a sample of adults known to be over-indebted, and identified characteristics where they differ from adults who are not over-indebted. They used these characteristics to build a model that can predict how likely someone is to be over-indebted. Finally, the model was applied across the country to produce national and regional estimates.

The sample of over-indebted people was taken from a number of research surveys, and the data used in the model came from CACI's Ocean database. Ocean contains demographic, behavioural and lifestyle information for 50 million adults in the United Kingdom.

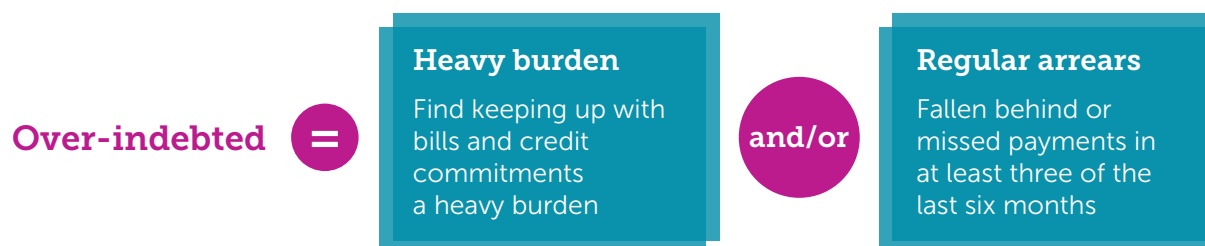
The process can be summarised in five stages:



## 1 Identifying over-indebted people

CACI combined data from three research surveys to identify a set of respondents on which to carry out this analysis (2,500 over-indebted people out of a total sample size of 16,000).

Two questions were used across all three surveys to identify over-indebtedness. Respondents that answered yes to either, or both, of these questions were classified as “over-indebted”.



## 2 Adding demographic and lifestyle data

Using name, address and date of birth, CACI matched survey respondents to an extensive database, which contains a wide range of information. More than 500 data variables were matched to each respondent, ranging from demographics (e.g. age, gender, presence of children) to financial attributes (e.g. income, product holding).

## 3 Statistical modelling

CACI used a statistical technique called logistic regression, which uses a collection of known information (such as age and type of housing) to predict the probability of an unknown event (in this case over-indebtedness). Using this technique, CACI looked for patterns and characteristics amongst the combinations of variables that best described over-indebtedness.

A number of different models were then tested and refined. The final model contains sixteen different variables, which in combination can predict a person’s probability of being over-indebted.

Some of these variables are explored in detail in section 3. It’s important to emphasise that the model variables are those that best predict over-indebtedness, and are not necessarily an exhaustive list of the underlying causes of over-indebtedness.

## 4 Applying the model across the UK

CACI used the model to estimate over-indebtedness probabilities for all adults in the United Kingdom, based on the information held on the Ocean database (which includes all the model variables).

## 5 Generating regional and national estimates

The expected numbers of over-indebted adults within each postcode were calculated by allocating the 50 million adults into their separate postcodes, before adding the individual probabilities within each.

CACI then summed the postcode figures in order to estimate the number of over-indebted adults in the UK as a whole, as well as within each local authority, region and country.

A full and detailed description of the modelling procedure and technical output can be found in the technical report, on the MAS website.

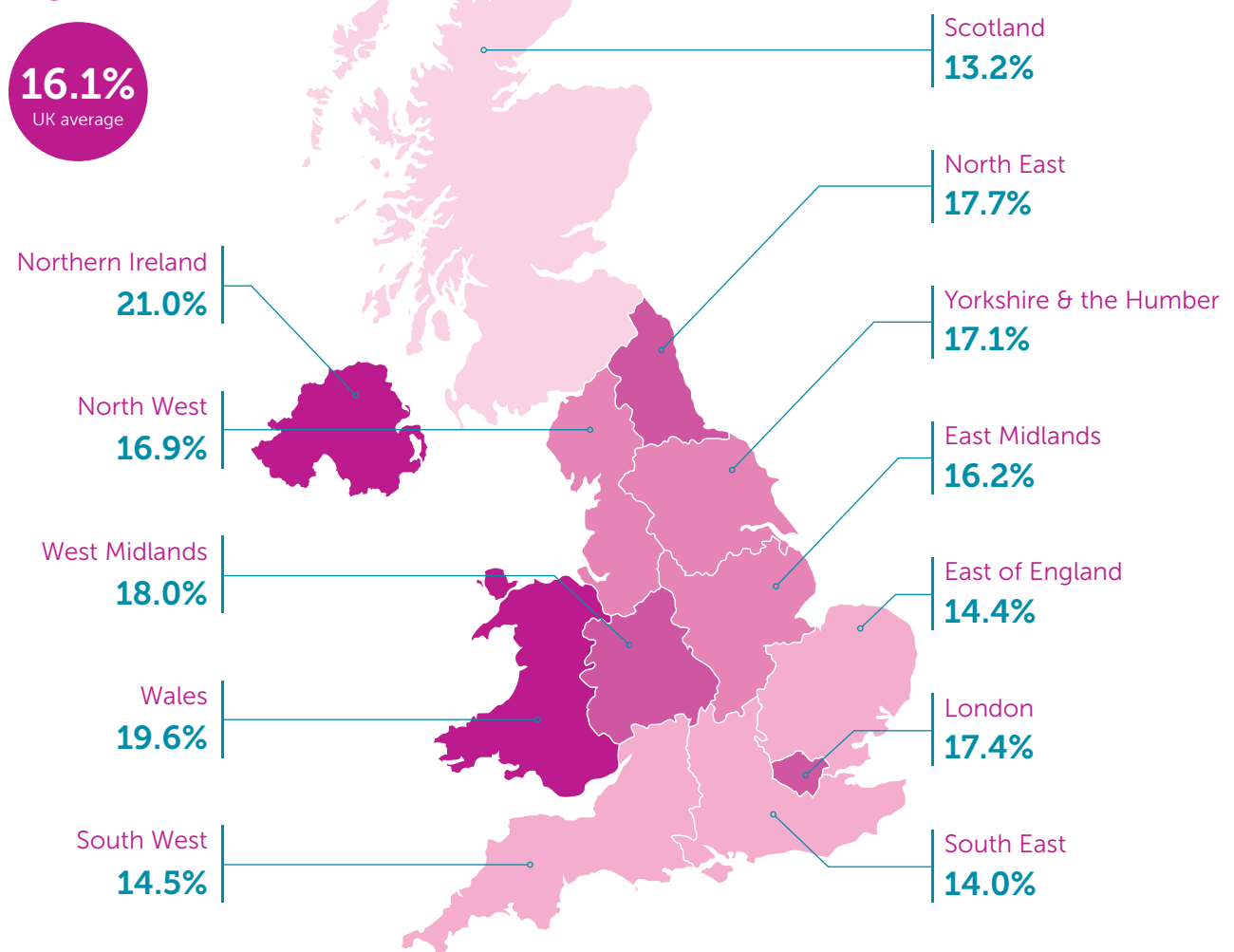
## Section 3

# Findings

### A Picture of Over-Indebtedness



#### Regions

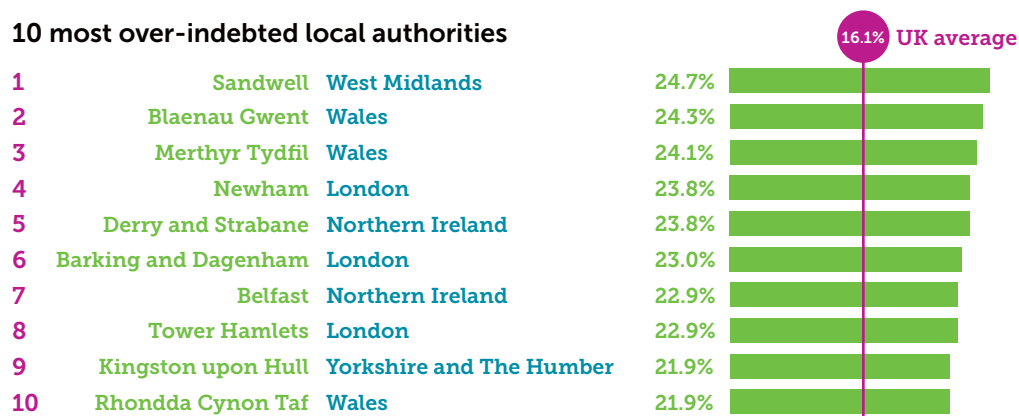


#### A profile of the over-indebted population

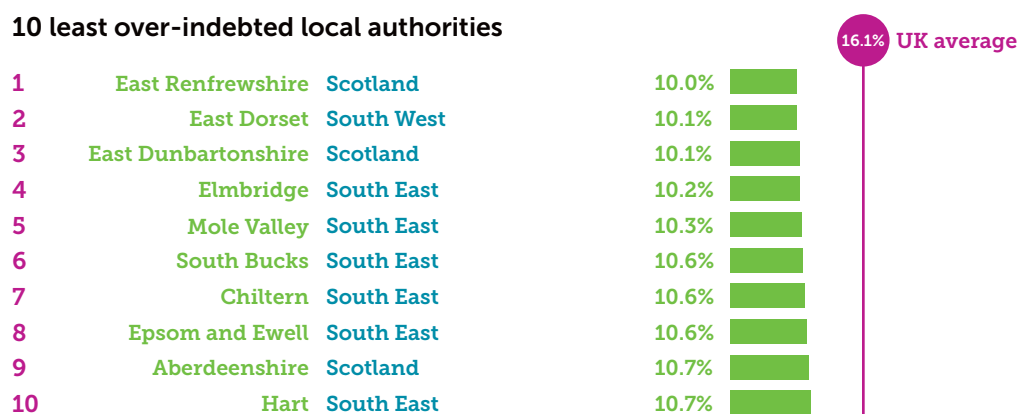


## Most and least over-indebted local authorities

### 10 most over-indebted local authorities



### 10 least over-indebted local authorities



With the exception of the South Wales Valleys and parts of rural Northern Ireland, there is a strong urban skew to over-indebtedness. Eight of the ten most over-indebted local authorities are mainly urban, whilst the ten least over-indebted local authorities are mainly rural.

London and Wales both contribute three local authorities to the ten most over-indebted local authorities, while Northern Ireland contributes two.

The ten least over-indebted local authorities are dominated by Scotland and South East England, where nine of the ten can be found.

A full list of local authorities and their over-indebtedness levels is given in Appendix: Over-indebted individuals by local authority.

## Five key factors

There are a number of key factors which are linked with over-indebtedness, according to the model. Five of these are described across the next few pages.

It's important to note that these factors *predict* over-indebtedness – they do not necessarily *cause* it.

### 1 Renting



16 million people in the UK – about one in three – rent their home.

Renting your home makes you much more likely to be over-indebted, with the proportion of over-indebtedness among tenants more than twice as high as among homeowners.

Within renters, social tenants (who rent from a local authority or housing association) have a higher probability of over-indebtedness than those who rent from a private landlord (29% vs. 21%).

The highest concentrations of tenants can be found in London, where half of adults rent their home. Renting is particularly common in Hackney and Tower Hamlets, where 70% are renters (mainly social). These are two of the most over-indebted boroughs in London, and analysis suggests that renting is a large contributor to the model's predictions for these areas.

There is still over-indebtedness among homeowners, particularly mortgage holders, who are almost twice as likely to be over-indebted than those who own outright. However, both groups are much less likely to be over-indebted than renters.

### 2 Larger families



Having children increases the probability of being over-indebted by more than 50% (from 13% for adults without children, to 20% for those with children).

The analysis shows that there is a particularly strong relationship between over-indebtedness and having three or more children. Whilst 19% of families with one or two children are over-indebted, this rises to 26% amongst families with three or more children.



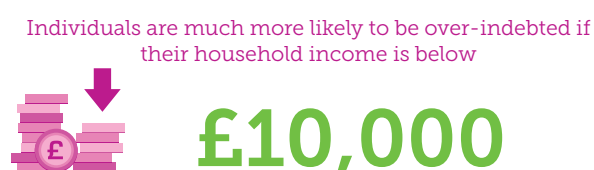
### 3 Single parents



There are 3.8 million single parents in the United Kingdom, with more than half a million in the capital alone. Within single parents, 28% (one million people) are over-indebted. This is almost twice the national average, and around one and a half times more likely than two-parent families.

The likelihood of single parents being over-indebted rises when they have larger families, with a third of single parents with three or more children being over-indebted. This is one-and-a-half times the probability of a two-parent family with the same number of children being over-indebted.

### 4 Low incomes

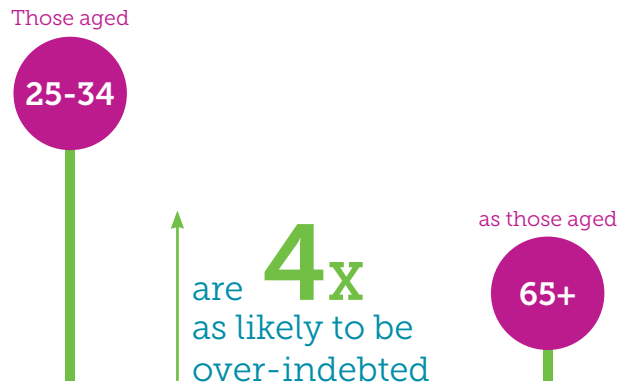


As shown in our previous research (*Indebted lives: the complexities of life in debt*, 2013), there is a relationship between over-indebtedness and household income, but it is not as strong as might be expected.

Above £10,000, household income is not strongly associated with over-indebtedness, with all income bands having similar probabilities of being over-indebted (around 15%). Analysis suggests that above £10,000, other factors (e.g. number of children) are more important.

However, when household incomes fall below £10,000, over-indebtedness becomes much more likely – with 24% of people in this group being over-indebted.

## 5 Age

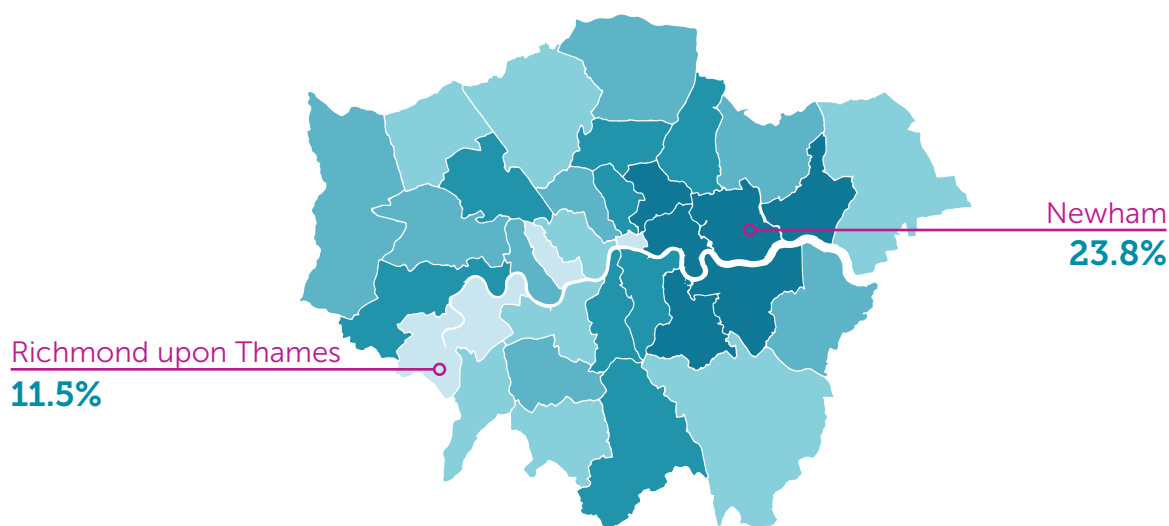


The analysis shows that younger people are much more likely to be over-indebted. Amongst 25-34 year-olds, one in four are over-indebted – the highest probability of all the age bands. Age bands either side of this (18-24 and 35-44) show similarly high rates of around 20% – again higher than the national average.

When individuals reach the 55-64 age band, their probability of being over-indebted falls to 13%. This probability then continues to decrease with age, and by the oldest age band, 75+, only one adult in twenty is over-indebted.

Additionally, the older adults who are over-indebted tend to be finding their bills a ‘heavy burden’, rather than missing payments. This contrasts with over-indebted younger adults, who are less likely to be finding their debts a ‘heavy burden’, but are more likely than other age groups to be missing payments.

## Variation within regions: London



London is the most variable region of the United Kingdom in terms of over-indebtedness. Although its overall average of 17% is only marginally above the UK average, there are large variations within it, often between neighbouring boroughs.

For example, Hounslow is the 64th most over-indebted local authority in the UK (out of 391), yet just across the river, Richmond upon Thames is the 364th most over-indebted – and the least over-indebted in London. London's most over-indebted local authority is Newham, which is the fourth most over-indebted in the UK.

To understand this variation, it is worth looking at how diverse London's population is. London's boroughs include those with the highest proportion of single parents (Southwark, 12% of adults); the highest incidence of families with three or more children (Newham, 14% of adults); and the highest proportion of social renting (Hackney, 45% of adults). These three boroughs' over-indebtedness levels are all higher than the London and UK averages.

At the same time, Havering has one of the lowest proportions of single parents (5% of adults), Kensington and Chelsea one of the lowest incidences of families with three or more children (4% of adults), and Richmond upon Thames has one of the lowest percentages with household income less than £10,000 (6% of adults). These boroughs are some of the least over-indebted in London.

However, even within the least over-indebted borough (Richmond upon Thames), 11.5% (17,000 people) are over-indebted. Whilst Richmond is an affluent area – it has the third highest average income of all local authorities in the UK – the data shows that 12% of its population live in social housing and one in twelve is a single parent. And there may be additional influences to consider, with 34% currently paying off mortgages, in an area where homes are worth three times the UK average.

This illustrates that to truly understand over-indebtedness at a regional level, it is crucial to look at the variation within regions. Every part of the United Kingdom, London especially, has pockets of high and low over-indebtedness.

## Section 4

# Case Studies

At local authority level

21.9%

### Kingston upon Hull

Yorkshire and The Humber

Adult population

203,000

Over-indebted population

44,500

Kingston upon Hull, commonly known as Hull, is an industrial port situated on the Humber estuary. The city has a rich legacy of fishing, maritime trade and military supplies. In 2017 Hull will become the UK City of Culture.

46%

UK = 32%



are renting their home

8%

UK = 7%



of adults are single parents

7%

UK = 6%



of adults have 3+ children

16%

UK = 9%



of households have income <£10K

20%

UK = 17%



are aged 25-34

10.1%

### East Dorset

South West

Adult population

73,000

Over-indebted population

7,400

East Dorset is a rural authority situated just outside the New Forest and to the north of Bournemouth. It contains the small market towns of Verwood and Wimborne Minster.

22%

UK = 32%



are renting their home

4%

UK = 7%



of adults are single parents

5%

UK = 6%



of adults have 3+ children

6%

UK = 9%



of households have income <£10K

11%

UK = 17%



are aged 25-34

Map contains public sector information licensed under the Open Government Licence v3.0

## Section 5

# Implications

We hope this summary report, the accompanying technical report and the data that underpins it will inspire thought and discussion amongst many of our partners. Whilst we will continue to digest the insights from this, at this stage we have identified the following implications:

Services designed to prevent over-indebtedness should focus on the groups that the model shows are more likely to be over-indebted. We will work with our colleagues co-ordinating the UK Financial Capability Strategy to build this into their multi-year approach.

Partnerships with social housing providers are a clear priority for engaging with over-indebted people. We will work with the services we fund across the UK to deepen their engagement with registered social landlords and other providers of socially rented accommodation.

Commissioning decisions should be based on the best available data. Therefore we will share the detailed findings of this work as widely as possible with other funders of advice and use updated model results as the basis of our own future funding decisions.

The next step in our understanding of the over-indebted population will be the development of a dynamic model that uses publicly available data (both current and forecasted) to predict over-indebtedness levels. We will work with partners to scope and initiate this work in the coming year.

## Section 6

## Appendix

## Over-indebted individuals by local authority

% of over-indebted people

high low

North East		Yorkshire & The Humber					
Sunderland	20.6%	Kingston upon Hull	21.9%	Blaby	13.2%	Broxbourne	14.6%
Middlesbrough	19.9%	Bradford	18.9%	Rutland	12.3%	Dacorum	14.1%
Newcastle upon Tyne	19.1%	Barnsley	18.4%	South Northamptonshire	12.3%	Central Bedfordshire	14.0%
South Tyneside	18.9%	Sheffield	18.2%	Derbyshire Dales	12.2%	Huntingdonshire	14.0%
Hartlepool	18.6%	Rotherham	18.0%	Rushcliffe	12.0%	Braintree	14.0%
Gateshead	17.8%	Wakefield	17.9%	Harborough	12.0%	Waveney	14.0%
County Durham	17.0%	Leeds	17.8%	<b>West Midlands</b>		North Hertfordshire	13.8%
Stockton-on-Tees	17.0%	Doncaster	17.7%	Sandwell	24.7%	Cambridge	13.6%
Redcar and Cleveland	16.6%	North East Lincolnshire	17.6%	Stoke-on-Trent	21.7%	St Edmundsbury	13.6%
Darlington	16.3%	Kirklees	17.6%	Wolverhampton	21.1%	Hertsmere	13.1%
North Tyneside	16.2%	Calderdale	16.7%	Birmingham	21.0%	Tendring	13.0%
Northumberland	15.2%	North Lincolnshire	16.5%	Walsall	20.6%	Chelmsford	13.0%
<b>North West</b>		York	14.7%	Coventry	19.4%	East Cambridgeshire	12.9%
Manchester	21.4%	Scarborough	14.3%	Telford and Wrekin	19.2%	South Norfolk	12.9%
Knowsley	20.3%	Selby	14.3%	Dudley	18.1%	Babergh	12.9%
Salford	19.8%	Richmondshire	14.3%	Tamworth	17.9%	Mid Suffolk	12.7%
Blackburn with Darwen	19.8%	East Riding of Yorkshire	13.6%	Nuneaton and Bedworth	17.7%	North Norfolk	12.5%
Liverpool	19.5%	Ryedale	12.8%	Cannock Chase	17.5%	East Hertfordshire	12.4%
Rochdale	19.3%	Hambleton	12.4%	Newcastle-under-Lyme	17.4%	Epping Forest	12.2%
Halton	19.0%	Craven	12.1%	Redditch	17.4%	South Cambridgeshire	12.1%
Oldham	18.9%	Harrogate	12.1%	Worcester	17.1%	Suffolk Coastal	12.0%
Preston	18.8%	<b>East Midlands</b>		East Staffordshire	16.6%	Three Rivers	12.0%
Hyndburn	18.7%	Nottingham	21.8%	Wyre Forest	15.9%	Maldon	11.8%
Burnley	18.4%	Leicester	20.9%	Rugby	15.6%	Broadland	11.8%
Bolton	18.4%	Lincoln	19.6%	North Warwickshire	15.2%	Uttlesford	11.7%
Tameside	18.2%	Corby	19.4%	Herefordshire	14.5%	St Albans	11.7%
Pendle	18.2%	Derby	18.2%	Stafford	14.5%	Castle Point	11.3%
St. Helens	17.8%	Northampton	18.1%	Solihull	14.4%	Rochford	11.2%
Wigan	17.4%	Bolsover	17.9%	Shropshire	14.3%	Brentwood	11.2%
Blackpool	16.9%	Boston	17.8%	Lichfield	13.9%	<b>London</b>	
Rossendale	16.6%	Chesterfield	17.1%	Warwick	13.8%	Newham	23.8%
Bury	16.4%	Mansfield	17.1%	Staffordshire Moorlands	13.6%	Barking and Dagenham	23.0%
Barrow-in-Furness	16.3%	Ashfield	16.8%	Wychavon	13.5%	Tower Hamlets	22.9%
Copeland	16.3%	Wellingborough	16.3%	South Staffordshire	13.5%	Greenwich	21.2%
Carlisle	16.2%	Bassetlaw	15.9%	Bromsgrove	12.8%	Hackney	20.9%
Allerdale	15.9%	Kettering	15.8%	Malvern Hills	12.7%	Lewisham	19.9%
Warrington	15.6%	Erewash	15.7%	Stratford-on-Avon	12.4%	Brent	18.6%
Lancaster	15.4%	Charnwood	15.4%	<b>East of England</b>		Hounslow	18.5%
Wirral	15.4%	Newark and Sherwood	15.2%	Norwich	19.7%	Southwark	18.4%
Sefton	15.0%	Amber Valley	15.2%	Peterborough	18.7%	Islington	18.2%
Chorley	14.9%	South Holland	15.1%	Harlow	18.5%	Waltham Forest	18.1%
West Lancashire	14.6%	North East Derbyshire	15.0%	Ipswich	18.3%	Lambeth	17.9%
Cheshire West & Chester	14.5%	High Peak	14.5%	Luton	18.0%	Haringey	17.9%
South Ribble	14.3%	South Derbyshire	14.5%	Stevenage	17.7%	Croydon	17.6%
Trafford	14.2%	Broxtowe	14.4%	Forest Heath	17.0%	Enfield	17.4%
Stockport	14.1%	Hinckley and Bosworth	14.4%	Great Yarmouth	16.7%	Hillingdon	17.3%
Eden	13.2%	Gedling	14.4%	Basildon	16.0%	Ealing	17.3%
Cheshire East	13.2%	East Northamptonshire	14.4%	Thurrock	15.9%	Bexley	17.0%
Wyre	13.2%	West Lindsey	14.3%	Bedford	15.8%	Camden	17.0%
Ribble Valley	12.2%	North West Leicestershire	14.2%	Welwyn Hatfield	15.6%	Redbridge	16.7%
Fylde	12.0%	East Lindsey	14.2%	Fenland	15.6%	Hammersmith & Fulham	16.1%
South Lakeland	11.9%	South Kesteven	14.1%	Watford	15.3%	Merton	15.8%
		Oadby and Wigston	13.9%	Colchester	15.1%	Harrow	15.4%
		Melton	13.9%	Breckland	14.8%	Sutton	15.1%
		North Kesteven	13.8%	Southend-on-Sea	14.8%	Havering	15.0%
		Daventry	13.6%	King's Lynn & W Norfolk	14.7%	Wandsworth	14.5%
						Barnet	14.4%

Westminster	14.3%	Waverley	10.8%	Powys	17.1%
Bromley	13.8%	Hart	10.7%	Monmouthshire	15.3%
Kingston upon Thames	13.8%	Epsom and Ewell	10.6%		
City of London	13.0%	Chiltern	10.6%	<b>Scotland</b>	
Kensington and Chelsea	12.9%	South Bucks	10.6%	Glasgow City	16.1%
Richmond upon Thames	11.5%	Mole Valley	10.3%	West Dunbartonshire	15.5%
		Elmbridge	10.2%	North Lanarkshire	15.4%
				Dundee City	14.9%
<b>South East</b>		<b>South West</b>		East Ayrshire	14.8%
Southampton	21.2%	Plymouth	17.9%	North Ayrshire	14.5%
Portsmouth	19.6%	Bristol	17.2%	Inverclyde	14.3%
Milton Keynes	19.2%	Swindon	17.1%	Clackmannanshire	14.1%
Hastings	18.3%	Gloucester	16.9%	Falkirk	14.0%
Gosport	18.0%	Exeter	16.7%	Renfrewshire	13.9%
Slough	17.7%	Weymouth and Portland	15.3%	West Lothian	13.8%
Thanet	17.3%	Bournemouth	15.2%	South Lanarkshire	13.4%
Gravesham	16.5%	Cheltenham	15.1%	Fife	13.4%
Medway	16.4%	Taunton Deane	15.0%	Shetland Islands	13.1%
Reading	16.4%	Sedgemoor	15.0%	Midlothian	12.7%
Rushmoor	16.4%	South Somerset	14.6%	Dumfries & Galloway	12.6%
Dover	16.0%	Torbay	14.6%	Aberdeen City	12.5%
Crawley	16.0%	Cornwall	14.3%	Angus	12.4%
Swale	15.9%	Wiltshire	14.2%	Moray	12.4%
Havant	15.8%	Forest of Dean	14.2%	Scottish Borders	12.1%
Dartford	15.8%	Mendip	14.1%	South Ayrshire	12.0%
Oxford	15.7%	North Devon	14.1%	Highland	11.9%
Eastbourne	15.5%	Mid Devon	14.0%	Stirling	11.9%
Shepway	15.2%	South Gloucestershire	13.8%	East Lothian	11.7%
Isle of Wight	14.8%	Tewkesbury	13.6%	Argyll & Bute	11.6%
Brighton and Hove	14.8%	Bath and North East Somerset	13.5%	Edinburgh	11.5%
Basingstoke and Deane	14.6%	Stroud	13.5%	Orkney Islands	11.4%
Ashford	14.5%	Torridge	13.4%	Perth & Kinross	11.2%
Maidstone	14.4%	Poole	13.4%	Eilean Siar	11.2%
Bracknell Forest	14.0%	West Somerset	13.1%	Aberdeenshire	10.7%
Worthing	13.7%	North Dorset	13.1%	East Dunbartonshire	10.1%
Aylesbury Vale	13.7%	North Somerset	13.0%	East Renfrewshire	10.0%
Canterbury	13.7%	Teignbridge	13.0%		
Eastleigh	13.5%	Isles of Scilly	12.8%	<b>Northern Ireland</b>	
Cherwell	13.3%	West Devon	12.7%	Derry and Strabane	23.8%
Tonbridge and Malling	13.3%	Cotswold	12.5%	Belfast	22.9%
Wycombe	13.1%	Purbeck	12.4%	Mid Ulster	21.7%
Adur	13.0%	West Dorset	12.3%	Armagh, Banbridge and Craigavon	21.3%
Spelthorne	12.9%	South Hams	11.8%	Newry, Mourne and Down	20.9%
Test Valley	12.9%	East Devon	11.6%	Fermanagh and Omagh	20.6%
Tunbridge Wells	12.8%	Christchurch	11.5%	Causeway Coast and Glens	20.5%
West Berkshire	12.8%	East Dorset	10.1%	Antrim and Newtownabbey	20.0%
West Oxfordshire	12.7%			Mid and East Antrim	19.7%
Arun	12.7%	<b>Wales</b>		Lisburn and Castlereagh	18.6%
Guildford	12.5%	Blaenau Gwent	24.3%	North Down and Ards	18.0%
Vale of White Horse	12.4%	Merthyr Tydfil	24.1%		
Woking	12.4%	Rhondda Cynon Taf	21.9%		
Runnymede	12.4%	Caerphilly	21.5%		
Fareham	12.1%	Neath Port Talbot	21.1%		
Reigate and Banstead	12.0%	Torfaen	20.9%		
Winchester	11.9%	Newport	20.7%		
Lewes	11.9%	Bridgend	20.1%		
Mid Sussex	11.9%	Wrexham	20.0%		
Chichester	11.9%	Swansea	20.0%		
South Oxfordshire	11.8%	Cardiff	19.5%		
Rother	11.7%	Carmarthenshire	19.0%		
Sevenoaks	11.7%	Gwynedd	18.7%		
New Forest	11.4%	Flintshire	18.4%		
Surrey Heath	11.3%	Isle of Anglesey	18.2%		
Windsor and Maidenhead	11.3%	Denbighshire	18.1%		
Tandridge	11.1%	Pembrokeshire	18.1%		
Horsham	11.1%	Ceredigion	17.6%		
East Hampshire	10.9%	Conwy	17.4%		
Wealden	10.8%	The Vale of Glamorgan	17.3%		
Wokingham	10.8%				

**16.1%**  
UK average

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A Picture of Over-Indebtedness  
Jamie Morawiec, CACI  
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March 2016

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