Growing old together

Older CAB clients and debt

based on the evidence of Citizens Advice Bureau clients across Scotland

by Keith Dryburgh
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Scottish Association of Citizens Advice Bureaux

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Citizens Advice Scotland and its 71 CAB offices form Scotland's largest independent advice network. CAB advice services are delivered through 199 service points throughout Scotland, from the islands to city centres.

The CAB service aims:

to ensure that individuals do not suffer through lack of knowledge of their rights and responsibilities, or of the services available to them, or through an inability to express their need effectively

and equally

to exercise a responsible influence on the development of social policies and services, both locally and nationally.

The CAB service is independent and provides free, confidential and impartial advice to everybody regardless of race, sex, disability or sexuality.

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Key Findings

1. CAB debt clients over the age of 60 are increasingly struggling with excessive debt. The 'baby boom' generation is approaching retirement and is bringing their many forms of credit and debt with them into their pension years. In many ways, this is a new and growing phenomenon. Pensioners have often struggled to live on their relatively small incomes, but many are now faced with the prospect of trying to finance large debts on a small income.

2. This research has found a number of key findings in relation to older clients in debt:

Amount of Debt

- The clients in this survey owe an average of £17,767. Research carried out by Citizens Advice Scotland in 2004[1] found that the average debt for older clients was £14,205, which suggests that there has been a 25% increase in the average debt in five years. The amount individual debt clients owe ranges from £130 to £96,000.

- Just under half of all debt clients in this age group had overall debts of at least £10,000, while over a quarter had debts totalling more than £25,000. Over half of clients had a higher amount of debt (excluding mortgages) than their yearly income.

Income to Debt Ratio

- Debt to income ratios act as an indictor of 'debt stress' and reflect the immediate crisis situation at the time of seeking advice. The average debt to income ratio for clients in this survey is 28.9. This figure is 31% higher than the debt to income ratio (22.0) found in the 2004 'On the Cards' debt research.

- Debt to income ratios vary across different groups. Clients in the lowest net income group (less than £6,000) had a debt to income ratio of 64.4 compared to a ratio of 13.0 for clients with a net income of higher than £10,000. Other client groups with high debt to income ratios were owner occupiers (43.0), private renters (35.3) and clients who are permanently retired (32.9). This suggests that clients who are retired and who face payments for mortgages or private rent are the most likely to face 'debt stress'.

[1] 'On the Cards' Report - http://www.cas.org.uk/onthecards.aspx

Types of Debt

- The most common types of debt for older clients are from mainstream credit sources, including credit cards and bank loans.

- Other frequent sources of debt for clients include council tax and community charge, bank overdrafts, and personal loans.

- A significant minority of clients reported having a sub-prime credit debt, including doorstep credit, catalogue debt, and a store card debt.

- Credit card and bank loan debts were for significantly higher amounts than other types of debt. Around half of credit card and bank loan debts were for amounts higher than £10,000, while one in eight clients in the survey had credit card debts of over £25,000.

Debt by Social Grouping

- Male clients were more likely than their female counterparts in the survey to have mainstream credit debts, such as credit card, bank loan, and bank overdraft debts. Female clients had a high proportion of credit card and bank loan debts, although relatively fewer than male clients, and were more likely to hold sub prime credit debt, such as catalogue and store card debts.

- Clients who were in the 71-75 age group were more likely than the other age groups to have a credit card debt and a catalogue debt. Those aged 60-65 were more likely to have a bank loan, while those aged 66-70 had a higher proportion of doorstep credit and store card debts than the other age groups. The average amount of debt and the use of unsecured credit did not reduce significantly as clients became older.

- Clients in the survey with a net income band of under £6,000 had a markedly higher total debt (£23,375) compared to the survey average (£17,767).

- Clients who had an annual income of less than £6,000 were more likely than other income groups to hold a credit card debt. Clients earning between £6,000 and £10,000 were more likely to have doorstep credit and catalogue debt. Those earning between £10,000 and £15,000 were more likely than the average to hold a bank loan or bank overdraft debt.

- Clients who rent their homes from the local authority had a significantly lower average debt (£11,503) than the survey average (£17,767). Clients who were owner occupiers or who rented from a private landlord had higher than average total debts.

- The groups that had the highest average total debts included male clients (£20,626), owner occupiers (£23,896), private renters (£26,077), clients in full-time employment (£23,896), and clients with a net income of less than £6,000 (£23,375).

- The groups with the highest debt to income ratios, and therefore those with the least ability to cope with their debts, are clients earning under £6,000, clients who are single and never married, widowers, owner occupiers, private renters, and clients that are permanently retired. Therefore, despite having a below average level of debt in the survey, clients who are retired, in particular those who are single or widowed, are more likely to suffer debt stress than other groups due to their low level of income.

- Although mainstream credit, especially credit cards and bank loans, is the most prevalent source of debt across all social groups in the research, there are significant differences in types of debt by social group. Mainstream credit is a more likely source of debt for those in full-time employment, married clients, and male clients. Sub-prime debt, such as doorstep lending and catalogues, is more common for retired clients, clients who rent from the local authority, and clients living on their own.

- The use of credit and amount of debt does not vary significantly as clients get older, but there is a trend for clients to hold more sub-prime debt as they retire and advance in years. This is likely to represent the difficulties in securing mainstream credit as clients get older and have lower incomes, but it also shows that clients continue to need credit as part of their income into their 70's and retirement years.

Impact of Debt on Health

- Over a quarter of clients felt that their physical health had been affected by their experience of debt, while almost a third felt that their mental health had been affected as a result. Relatively few clients felt sure that debt had not affected their health.

- Interestingly, there was no clear relationship between a high amount of debt and a perceived impact on health. The results suggest that it is not the total amount of debt that impacts on a client's health, but the nature and experience of being in debt.

- The impact on health may also be related to the type of debt the client holds. The results suggest that everyday bills, such as council tax and utility bills, as well as sub-prime credit, have a greater perceived impact on older clients' health than mainstream credit.

Introduction

3. Consumer debt continues to rise amongst all sections of society in the UK. In 2006/07, 91,475 new debt issues were brought to Scottish bureaux - an increase of 4% on the previous year. This represents more than 250 debt issues brought to Scottish bureaux each day of the year. Consumer debt remains by far the most common single issue that clients bring to bureaux each year.

4. Citizens Advice Scotland published a report on debt in 2004 based on a detailed survey of debt clients from representative Citizens Advice Bureaux across the country. The On the Cards report[2] found that older debt clients (those over 60) had a distinct debt profile compared to the overall client population. Older CAB debt clients were found to owe 6% more than the overall average - £14,205 compared with £13,380. Older CAB debt clients were also found to earn 11% less than the overall average thus compounding the effect of debt.[3] The report found that CAB debt clients have considerably lower incomes than the population of Scotland as a whole, suggesting that debt experienced by older people has a more severe impact than on other social groups.

5. In 2004, while over half of older CAB debt clients had a credit card debt - slightly lower than average - they were more likely than other age groups to have more than one credit card debt. Older CAB clients were far less likely to borrow from friends and family than other age groups as a strategy for dealing with debt, but were more likely to have juggled their finances – and nearly a third had gone without essentials.

6. Recent anecdotal evidence from Scottish Citizens Advice Bureaux has suggested that there has been an increase in older clients seeking advice regarding large debts. This research was conducted to collect targeted information from this client group to identify the current extent of this issue across participating bureaux.

Older People and Debt

7. There is increasing evidence that individuals over the age of 60 are struggling with excessive debt. The ‘baby boom’ generation is approaching retirement and is bringing their many forms of credit and debt with them into their pension years. In many ways, this is a new and growing phenomenon. Pensioners have often struggled to live on their relatively small incomes, but many are now faced with the prospect of trying to finance large debts at the same time.

[2] On the Cards (2004) - http://www.cas.org.uk/onthecards.aspx

[3] Debt in Detail: Older CAB Debt Clients - http://www.cas.org.uk/oldercabdebtclients.aspx

8. There are a number of reasons why older individuals are struggling with debt and their finances. The trend is partly explained by the rapid expansion in credit that has characterised the financial habits of this generation, as well as the recent rises in interest rates and property prices that have pushed up mortgage costs. However, there are a number of other aspects that contribute to the trend of rising debt. Kempson and Whyley[4] identify several barriers to financial inclusion and financial planning for older people:

    a. *Low skills levels*
    b. *A lack of knowledge*
    c. *Mistrust of suppliers*
    d. *Psychological barriers including confidence*
    e. *A feeling of loss of control over money.*

9. These factors are compounded by the finding that elderly people are less likely to seek help in resolving their problems, and that bankruptcy for this age group, especially for women, still carries a stigma. [5] Consequently, elderly people in debt can be reticent to look for advice before their debt becomes unmanageable for them.

10. There have been numerous recent reports that have highlighted the growing trend of older people and debt. The Consumer Credit Counselling Service (CCCS), voiced concerns in 2006 about the rising level of debt amongst people over the age of 60. The average amount owed by people over 60 approaching their service for help reached £33,568, an increase of 25% over the previous year. The figures also showed that men over 60 approaching the service had an average ratio of debt to monthly income of 36:1. The CCCS predicts that by the end of 2007 its counsellors will be helping more people over 60 than under 25.[6]

11. Research undertaken by Prudential UK in July 2006 further confirms this trend. Their research showed that around 10% of the UK's retired population – equivalent to 1.1 million people – have outstanding debts, averaging £15,500. A further 70,000 of the retired population have debts of between £50,000 and £75,000. The research found that one in four retired adults believe that their current household income is not sufficient to meet all their financial commitments.[7]

12. Recent figures have indicated that an increasing number of older people in Scotland are being made bankrupt by personal debt. Figures published by the Institute of Chartered Accountants of Scotland in September 2007 showed that over a hundred over 65's were made bankrupt that year – more than twice the figure for 2005.

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[4] Defined by Adult Financial Literacy Advisory Group, DfES, January 2002

[5] Consumer Credit Counselling Service (CCCS) - http://www.cccs.co.uk/media/Article.aspx?ArtID=PR20070320

[6] Consumer Credit Counselling Service (CCCS) - http://www.cccs.co.uk/media/Article.aspx?ArtID=PR20070320

[7] Prudential (20th July 2006) http://www.pru.co.uk/content/acrobat/presscenter/2006_21_07_pensionersdebt.pdf

13. A significant factor behind the increase in debt of elderly people is the changing demography of the UK. The number of elderly people living alone has increased, with the majority of this group being women. Research has shown that a high number of women do not save for retirement, or have a pension plan, leaving them with little to live on.[8] This is partly due to their employment patterns, bringing up families, and lower incomes.

14. The lack of financial knowledge and skills amongst older people can be compounded by irresponsible and ill-advised lending practices. The head of the Family Care Trust (FCT), a charity established to help those with serious debt problems, estimated that more than half of mortgages and loans that are taken out by over-50s are either 'reckless or irresponsible'. An example of this includes a pensioner unable to read or write being advised to take out a long-term, interest-only mortgage with little idea of what this entailed.[9]

15. Older people's debt and financial problems are exacerbated by the fact that inflation hits them harder than any other group in society. Research from the Alliance Trust Research Centre's Age and Inflation report in 2006 found that the inflation rate faced by people over 75 is 36% higher than the official headline figure. This is due to the impact of higher prices for essential goods and services, such as heating and food.[10]

16. The proportion of the population aged over 60 has increased markedly in recent years and is projected to increase further in the future. People of this age are therefore going to be an important client group for Scottish Citizens Advice Bureaux as well as for key public services in Scotland. The General Register Office for Scotland's mid-year population estimate for 2006 showed that the number of people living in Scotland over the age of 60 now stands at over 1.1 million (22% of the population). Older people are under-represented as clients at Scottish bureaux, but this is likely to change given the increases in personal debt that this group are bringing into retirement.

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[8] DWP figures - http://news.bbc.co.uk/1/hi/business/4778369.stm

[9] Family Care Trust (January 2005) http://www.guardian.co.uk/money/2005/jan/02/loans.creditanddebt

[10] Alliance Trust Research Centre (2006) http://www.alliancetrust.co.uk/press_releases/monthly_inflation0407.pdf

The Study

17. Anecdotally, advisers working in Scottish citizens advice bureaux have perceived an increase in this client group seeking advice regarding large debts. This research was conducted to collect targeted information from this client group to identify the extent of this issue across participating bureaux.

18. A questionnaire was devised to collect specific information relating to older clients over 60 years of age and their debt issues. The questionnaire was completed with new clients between the dates of 1st February and 15th March 2007.

19. The questionnaire aimed to gather data on a number of issues surrounding debt for older Citizens Advice Bureaux clients. This included:

    - Type of debts
    - Amount of debt per client
    - Debt to income ratio
    - The impact of debt on health
    - Variations in debt by age, income, housing and marital status

20. The questionnaire was completed by 64 clients in 7 Citizens Advice Bureaux across Scotland. The bureaux that took part in the study were self-selected and volunteered to take part:

    - Airdrie
    - Dalkeith
    - East Renfrewshire
    - Hamilton
    - Motherwell and Wishaw
    - Perth
    - Roxburgh

21. There was a spread of urban and rural bureaux in the study. The majority of bureaux (six) in the study were from urban areas (91% of all clients), and one bureau was based in a rural area (9% of all clients).

Survey Profile

22. The questionnaire was completed by 64 clients in 7 Citizens Advice Bureaux across Scotland.

23. The majority of clients that took part in the survey were female (58%). The survey included only clients that were over the age of 60. The majority of clients were between the ages of 60 and 70, although around a quarter were over the age of 70.

Table 1 - Age of clients

Age	Number of clients	Percentage
60-65	27	42%
66-70	20	31%
71-75	13	20%
76+	4	6%

24. The clients who took part in the survey were mainly married (30%) or widowed (33%). A number of clients were also divorced (18%) or had never married (13%). The profile differs from that of people aged 60+ in the Scotland population, as there is a lower proportion of clients who are married, and a higher proportion of clients who are single, divorced, or widowed in the survey.

25. The marital status of clients has an impact on the experience of debt. Married clients are likely to have a higher household income and therefore greater ability to repay debts. However, only a third of clients in the survey were married or cohabiting, meaning that the majority of clients live on their own with less ability to access credit and repay debt.

Table 2 - Marital status of clients

Marital Status	Number of clients	Percentage of clients in the survey	Percentage of people aged 60+ in Scotland[11]
Single (never married)	8	13%	7%
Married	18	30%	56%
Separated	2	3%	2%
Divorced	11	18%	5%
Widowed	20	33%	29%
Cohabiting	2	3%	1%

[11] Scottish Household Survey - http://www.scotland.gov.uk/Resource/Doc/140387/0034518.pdf

26. In terms of housing, just over half (54%) of clients in the survey rented from the local authority. The next most common housing circumstances in the survey were owner occupiers (21%) and renting from a private landlord (12%).

27. The older clients in this research had a markedly different housing tenure to that of pensioner households outlined in the Scottish Household Survey. The clients in the survey were three times less likely than the pensioner population in Scotland to be an owner occupier, and far more likely to rent from the local authority and from private landlords. Bureau clients are less likely than the general population to be a homeowner.

28. The relatively high proportion of clients who rent their homes has an impact on their access to credit and ability to repay debt. Renting their home can mean that a client's ability to borrow is restricted, and are more likely to have to pay higher interest rates for sub-prime credit.

Table 3 - Housing circumstances of clients

Housing Circumstances	Number of clients	Percentage of clients in the survey	Percentage of pensioner households in Scotland (2005/06)[12]
Owner occupier	13	21%	65%
Rent (local authority)	34	54%	21%
Rent (other social landlord)	3	5%	9%
Rent (private landlord)	8	12%	3%
Not householder	4	6%	2%

29. The majority of clients had a relatively low net income, with almost three-quarters of clients (72%) earning/receiving less than £10,000 annually. Only three clients (6% of the total) earned more than £15,000 annually.

30. The clients in the survey were significantly worse off in terms of net income than people in retirement in the Scottish population. Only 29% of clients in the survey had a net income of over £10,000, compared to 57% of pensioners in the Scottish population. This lack of income has an impact on the ability of clients to repay their debts.

[12] Scottish Household Survey - http://www.scotland.gov.uk/Resource/Doc/140387/0034518.pdf

Table 4 - Net Income of clients

Net income band	Number of clients	Percentage of clients in survey	Percentage of pensioner households in Scotland (2005/06)[13]
Under £6,000	13	25%	11%
£6,001 – 10,000	25	47%	33%
£10,001 – 15,000	12	23%	30%
£15,001 – 20,000	2	4%	13%
£20,001 – 30,000	1	2%	9%
£30,001 or above	0	0%	5%

31. As could be expected given the age group the majority of clients who took part in the survey were permanently retired (73%). A small minority were either in full or part-time employment (14%) or were unable to work due to ill health/disability (10%).

32. Clients in the survey were less likely than all those aged 60+ in the Scottish population to be retired, and more likely to be unable to work due to ill health or disability. Our 2006 report 'Paying the Price' found that clients who suffer from ill health and disability are more likely to be in debt than the average client.[14] The clients in the report were five times more likely than the general population to report being in some form of financial difficulty, while more than half had outstanding debts or arrears.

Table 5 - Employment type of clients

Employment type	Number of clients	Percentage of clients in the survey	Percentage of people aged 60+ in Scotland[15]
Full-time employment	5	9%	8%
Part-time employment	3	5%	4%
Looking after family/home (including carers)	1	2%	2%
Permanently retired	43	73%	85%
Unemployed and seeking work	1	2%	0%
Unable to work due to ill health/disability	6	10%	3%

[13] Scottish Household Survey - http://www.scotland.gov.uk/Resource/Doc/140387/0034518.pdf

[14] Paying the Price: The real costs of illness and disability for CAB clients - http://www.cas.org.uk/FileAccess.aspx?id=2980

Survey Findings

33. The research aimed to gather data on a number of issues surrounding debt for older Citizens Advice Bureaux clients. This included:

- Amount of debt per client
- Debt to Income ratio
- Type of debts
- Variations in debt by age, income, housing and marital status

Total amount of debt

34. The clients in this survey owed an average of £17,767. The 2004 'On the Cards' research found that the average debt for older clients was £14,205, which suggests that there has been a 25% increase in the average debt in a four year period. The amount individual debt clients owe ranges from £130 to £96,000. The 64 clients in this survey had a combined total debt of over £1.1 million. Table 6 shows the distribution of average debts:

Table 6 – Total amount of debt by client

Total amount of debt	Percentage of clients in this survey (2007)	Percentage of clients in the On the Cards survey (2004)
Less than £1,000	16	14
£1,001 – 1,500	9	8
£1,501 – 5,000	11	16
£5,001 – 10,000	11	14
£10,001 - 25,000	25	35
£25,001 – 50,000	21	3
More than £50,000	7	8

35. A quarter of clients in the survey had relatively small debts of less than £1,500, although the majority of clients (53%) had total debts of over £10,000. Over a quarter of clients had debts of over £25,000.

36. Table 6 shows that there are a higher number of clients with large debts in this survey compared with those in the On the Cards survey. Over a quarter of clients (28%) in this survey had debts of over £25,000 compared with 11% of older clients in the 2004 report.

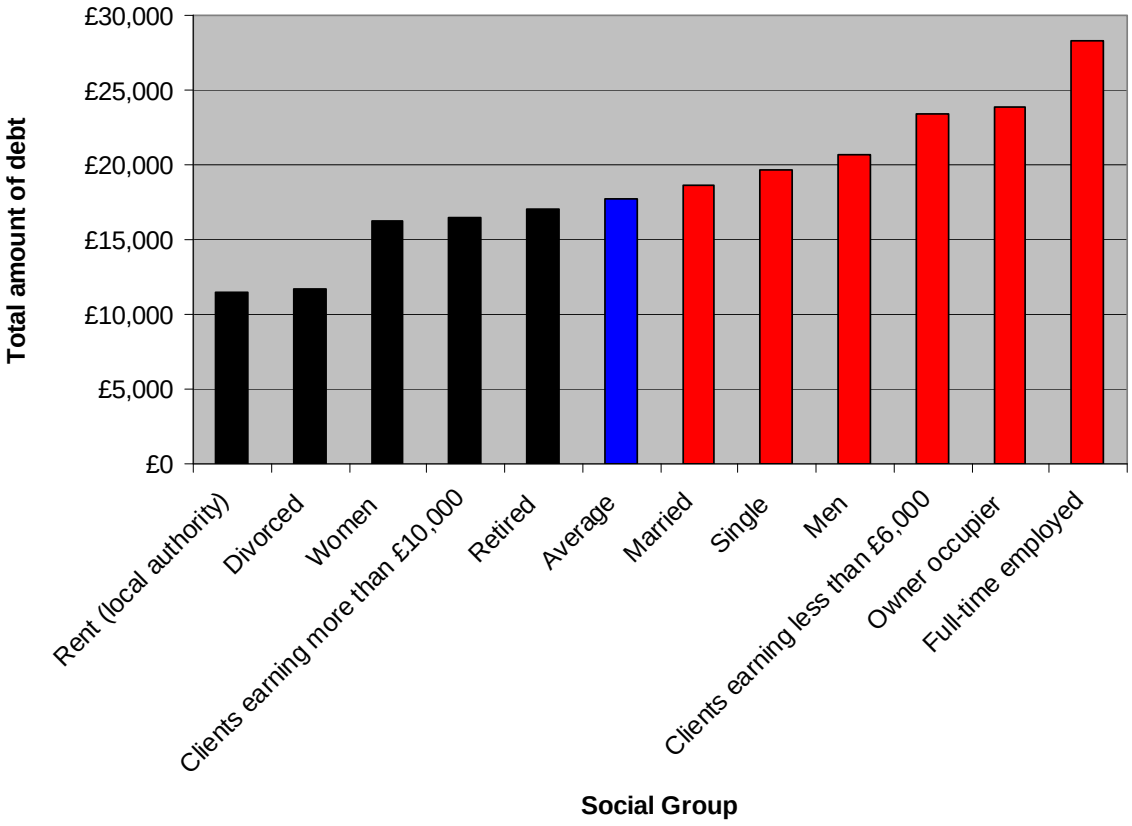
[15] Scottish Household Survey

37. The groups that had the highest average total debts included male clients, owner occupiers, private renters, clients in full-time employment, and clients with a net income of less than £6,000. The finding that clients with the lowest net income have markedly higher average debt than the survey average is significant. These clients have a reduced ability to repay debt, but a significant amount of debt – beyond their means - to repay to creditors. They are stuck in a cycle of debt.

A West of Scotland CAB reports of an elderly client with non-priority debts totalling over £80,000. The client has 15 store cards, and 9 credit cards. The client has not defaulted on any payments, but rather has been 'borrowing from Peter to pay Paul' and thus adding to his debts. His monthly income consists of his State Pension and Works pension. The bureau reports that the client's anxiety about his debts and the possibility of losing his home had made him borrow more to meet at least the minimum payments.

38. Figure 1 shows the total amount of debt for different social groups in the survey. The blue column represents the average total amount of debt in the survey, with the red columns to the right representing social groups with higher than average debt, and the black columns representing those with lower debts:

Figure 1 – Total amount of debt by social group



39. Figure 1 shows that the social groups with the highest average amounts of debt were clients who were full-time employed, owner occupiers, men, and single clients. However, while clients who are in full-time employment and/or own their homes have high levels of debt, they are also likely to have a high income level with which to repay the debt.

40. This is not the case for low-income clients, who have high levels of debt in this research. Client earning less than £6,000 also had a high level of average debt, which was 42% higher than the average total debt of clients who had a net income of more than £10,000. It is not clear in this research why low income clients have relatively high debts, but it is possible that clients need to top up their low income with borrowing in order to attain a sustainable level of income.

41. Client groups with a below average total debt included clients who rent from the local authority, divorced clients, women, and retired clients. However, these groups of clients are also likely to have a low level of income with which to repay their debts. It is therefore important to look at the client's ability to repay their loan as an indicator of how debt will affect the client. This ability to repay a loan is represented by the debt-income ratio, and is examined in the following section.

Debt to Income ratios

Table 7 - Monthly net income

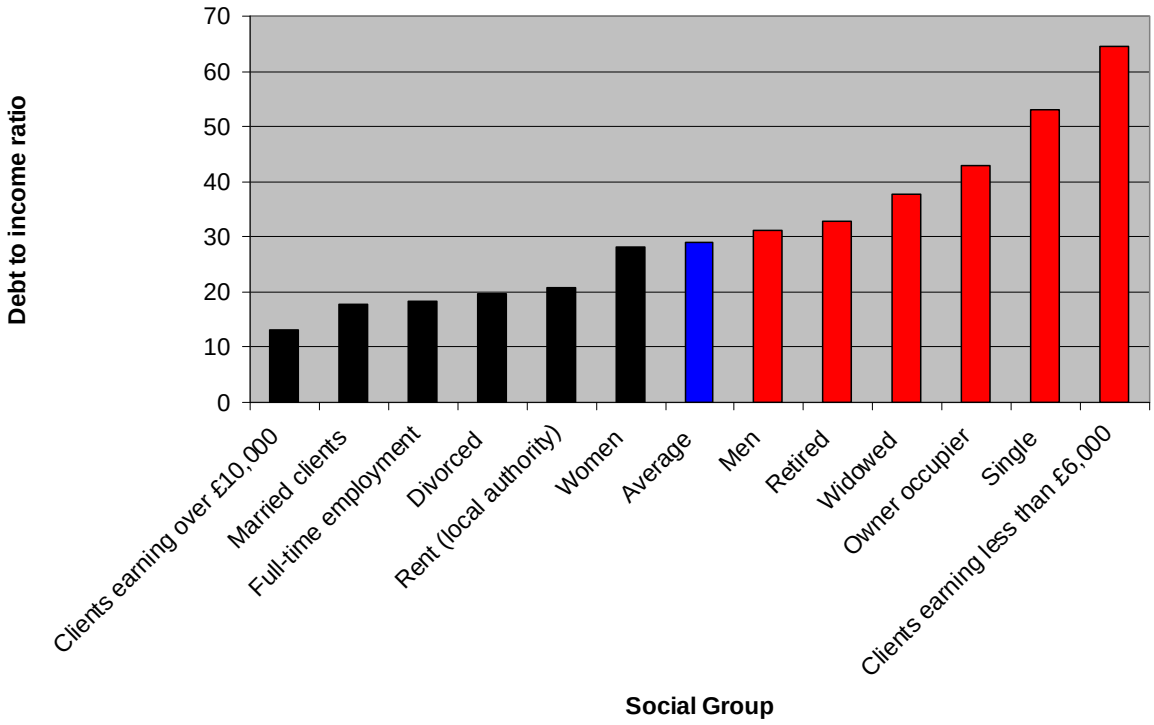
Level of monthly net income	
Lowest income	£353
Highest income	£2052
Average income	£867
Median income	£813
Debt to income ratio average	28.9

42. The average net monthly income of clients in the survey was £867. The 2004 'On the Cards' research found that the average net monthly income for older clients was £714, which suggests that there has been a 21% increase in net monthly income in this time. However, if the two highest earners in the survey, who earn substantially more than the majority of clients, are excluded from the analysis, the increase is shown to be 13%, which is likely to be more representative.

43. Debt to income ratios are the ratio between a debtor's monthly income and their total debt. For example, a debtor who had a debt of £20,000 and a monthly net income of £1000 would have a debt to income ratio of 20. Debt to income ratios act as an indicator of 'debt stress' and reflect the immediate crisis situation at the time of seeking advice.

44. The average debt to income ratio for clients in this survey is 28.9. This figure is 31% higher than the debt to income ratio (22.0) found in the 2004 'On the Cards' debt research. This high figure is influenced by a number of clients in the survey who have low incomes and very high debts. For example, two clients had a debt to income ratio of around 200, one with a net monthly income of less than £400 and a total debt of over £70,000. Debt to income ratios vary across different groups. This is shown in Figure 2:

Figure 2: Debt to income ratios by social group

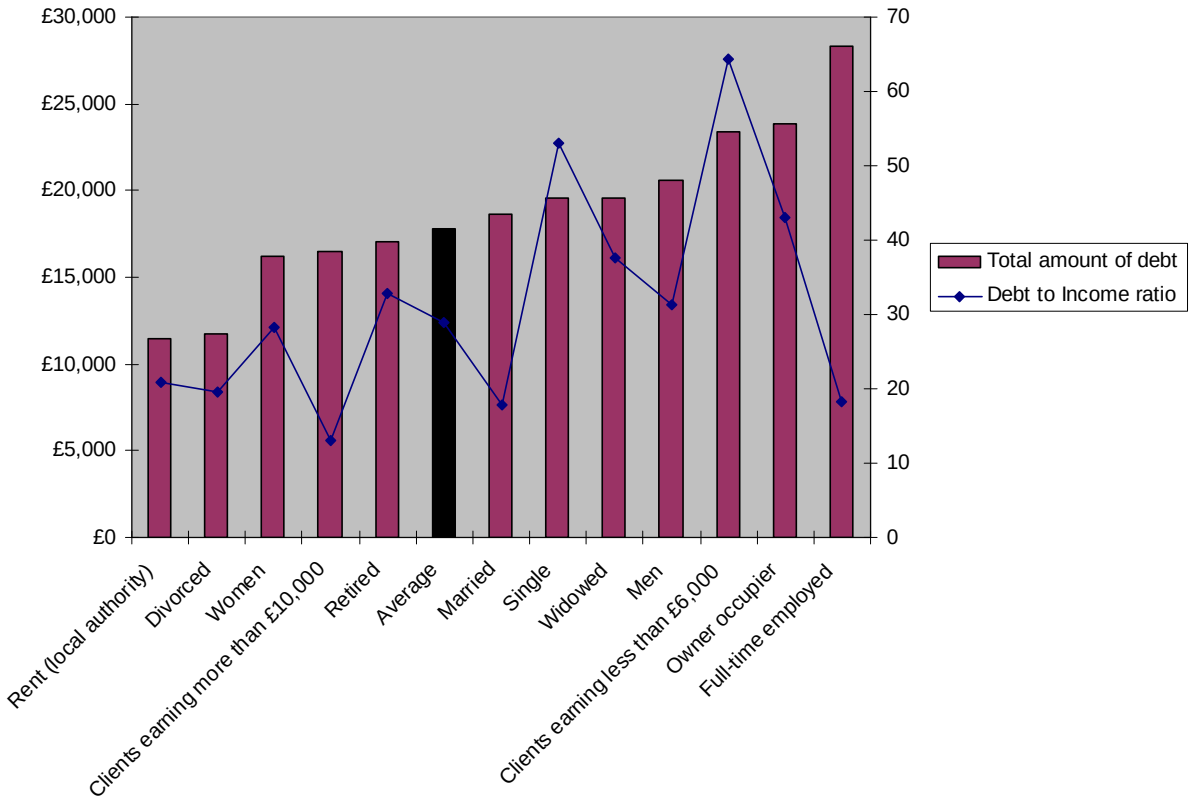


45. Clients in the lowest net income group (less than £6,000) had a debt to income ratio of 64.4 compared to a ratio of 13.0 for clients with a net income of higher than £10,000. Other client groups with high debt to income ratios were owner occupiers (43.0), private renters (35.3) and clients who are permanently retired (32.9). This suggests that clients who are retired and who face payments for mortgages or private rent are the most likely to face 'debt stress'. Clients who live on their own, both those who have never married (53.0) or who are widowed (37.6), also have high debt to income ratios.

46. However, clients still in employment, despite having a high level of average debt, have a low debt to income ratio (18.2) as they still have a relatively high income, and therefore face less debt stress. Other groups with low debt to income ratios include clients earning over £10,000, married clients, and clients who rent from the local authority.

47. Debt to income ratios depend on both levels of debt and level of income. Therefore, having a high level of debt may not represent a high level of debt stress, as the client may have available income to service the debt, whereas a less well off client may struggle to pay a relatively small debt. The disparity between debt to income ratios and total debt is illustrated in Figure 3. The bars in the figure represent total amounts of debt per social group, while the line represents debt to income ratios of each group:

Figure 3: Debt to income ratios vs. total amount of debt



48. Figure 3 shows that debt to income ratios do not necessarily always increase with total debt. For example, full-time employed clients have an average level of debt that is 60% above the survey average, but conversely have one of the lowest debt to income ratios of any group in the survey. These clients therefore have a greater ability to repay their debts despite the high level of their debt.

49. On the other hand, clients can have a low debt, but a high debt to income ratio. This is the case for retired clients and female clients. These groups have relatively low debts, but are likely to find it more difficult to repay their debts than groups with high debts and high incomes, such as owner occupiers and full-time employees.

50. Some groups have a high average amount of debt and a correspondingly high debt to income ratio. This particularly includes low income, single, and widowed clients who have high debts that they are unlikely to be able to repay. There is a relationship in the survey between one person households (single or widowed), low income, and high levels of debt – this is the type of older client that is most likely to struggle with their debts.

51. Other groups have a relatively low average level of debt and a low debt to income ratio. This includes the clients that have a relatively high level of income, which suggests that this group have less need for credit and debt, or that they have been able to repay their debts.

52. Perhaps a little surprisingly, clients who rent from the local authority, and who make up the majority of the clients in the survey, have the lowest average level of debt and one of the lowest debt to income ratios. The average level of debt for clients who rent from the local authority (£11,503) was less than half the average of the other housing tenures (£24,743). This could be due to the difficulty that clients who rent face in accessing credit.

Type of debt

53. Clients were asked to list all the types of debt that they were currently financing. The responses to the question are listed in Table 8:

Table 8 – Type and frequency of debt

Type of debt	Number of clients with this type of debt	Percentage of clients with this debt	Average amount owed by type of debt
Credit card	31	48%	£14,588
Bank loan	26	40%	£10,502
Council tax and water/community charge	15	23%	£1,380
Bank overdraft	14	22%	£1,161
Doorstep credit	12	19%	£1,303
Catalogue	9	14%	£1,505
Store card	9	14%	£1,749
Gas	8	12%	£192
Personal loan/unsecured	5	8%	£5,016
Other loan	5	8%	£3,283
Mortgage	4	6%	£27,966
Telephone (landline)	4	6%	£183
Cable or satellite TV	4	6%	£173
Social fund loan	4	6%	£187
Electricity	2	3%	£579
Mobile phone	2	3%	£1,305
Benefits/tax credits overpayment	2	3%	£2,610
Income tax	1	1%	£18,377
Other utility	1	1%	£132
Rent	1	1%	£200
Credit union loan	1	1%	£400

54. Table 8 shows that the most common types of debt are mainstream credit debt, including credit card (48%) and a bank loan (40%) debt. This shows that older clients still have access to mainstream credit and that this remains the most likely source of credit, and correspondingly debt, amongst this age group. Credit card debt was the main source of debt for every social group in the study. Almost a quarter of participants (22%) in the survey had a bank overdraft debt.

55. Credit card and bank loan debts were generally for much higher amounts of debt than other types of debt. The average credit card debt (£14,588) and bank loan debt (£10,502) are much higher than the average single debt amount in the study (£5,994). Around half of credit card and bank loan debts are for amounts higher than £10,000. Around one in eight clients in the survey had credit card debts of more than £25,001. One client aged over 75 reported having credit card debts of more than £50,000.

56. Almost half (45%) of the total debt in the survey was on credit cards, and a further quarter (24%) was taken up by bank loan debt. Around two-thirds of the total debt in the survey was from a mainstream source of credit.

57. Case evidence from bureaux shows that older clients can be as affected by multiple credit card debts as any other age group:

An East of Scotland CAB reports of a single woman, aged 77, living on a pension of £120 per week. She had two credit cards each with a total credit limit of over £15,000. She had stopped using the cards and been making the minimum payment each month, although this just covers the interest. Recently her credit limit was increased to over £16,000, more than 2.5 times her annual income.

A South of Scotland CAB reports of an elderly couple with debts totalling £96,000. They have two credit cards and a loan with a major bank. The wife has health problems and at times struggles to understand the situation. The creditors contacted the client directly and persuaded her to set up direct debits that were not affordable and would have worsened the situation.

58. Another frequent source of debt for clients was council tax and community charge (23%). Given that council tax collection rates in Scotland have increased to around the 95% level, this implies that council tax debt in this age group is likely to be higher than in the population as a whole. Although it was reported as a common debt in the survey, around three-quarters of council tax debts were low value debts of less than £1,000.

59. A significant minority of clients reported having a sub-prime credit debt, including doorstep credit (19%), catalogue debt (14%), and a store card debt (14%). These debts were typically for amounts of less than £1,500, although despite the relatively small amounts of debt, there can still be a high level of stress attached to this type of debt. The majority of sub-prime debts were held by female clients, clients living on their own, and clients living in local authority housing.

60. Household bills are another source of debt for clients. A minority had utility debts such as outstanding gas bills (12%). Other household debts included telephone (landline) (6%), cable or satellite TV (6%), and mobile phone debts (3%).

61. Table 9 shows the percentage of clients in the survey and CAB clients in general who have each type of debt. The table shows that older clients have a higher proportion of consumer and utility debts, but fewer housing debts, when compared to all CAB clients.

Table 9 - Type of debt by group

Type of debt	Number of individual debts	% of all debts	2006/07 CAB clients - % of all debts
Consumer	117	72%	67%
Tax	16	10%	9%
Utility	17	10%	7%
Housing	5	3%	10%
Benefit	7	4%	4%
Other	0	0%	2%
Relationship	0	0%	1%

62. Table 9 shows that consumer debts make up the majority of older clients' debts, and that they represent a higher proportion of older clients' debts than for CAB clients in general. This goes against conventional wisdom that older people are less likely to use, and misuse, consumer credit sources, and credit cards in particular.

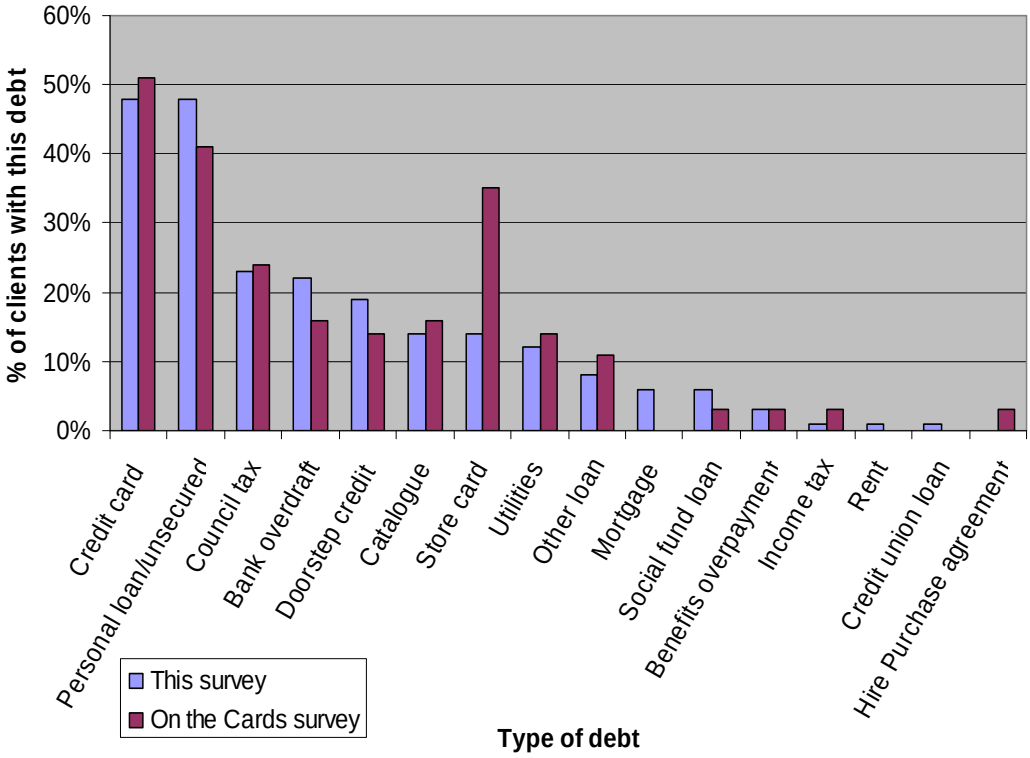
63. Utility debts also make up a higher proportion of debts for older clients than for CAB clients in general. National evidence shows that retired people find it more difficult to pay for utilities, and this is reflected in this research.[16] Older clients are also likely to spend more time in their home and have a higher usage of fuel.

64. Only a very small proportion (3%) of older clients' debts concerned housing compared to CAB clients in general (10%). This is possibly due to clients living in houses where the mortgage has been paid off.

65. The amount and type of debt that older bureau clients hold has changed significantly since the 2004 On the Cards survey. The differences between the two surveys in the type of debt held by older clients are illustrated in Figure 4. The graph shows the proportion of older clients in each survey that hold each type of debt:

[16] Age Concern - http://www.ageconcern.org.uk/AgeConcern/E6904EA890784AD6A1948DC77B832216.as

Figure 4 – Comparison on types of debt



66. Credit card debt remains the most common debt, but personal/unsecured loans have risen in this research to almost the same level. Bank overdraft debts and doorstep credit debt have risen in frequency since the 2004 survey.

67. The main type of debt that has decreased as a source of debt for older clients is store cards, which has dropped from 35% to 14% in terms of the proportion of clients that hold this type of debt. This may be due to a change in creditor behaviour after the Competition Commission's investigation into store card credit services which finished in 2006. Store card providers may be more reticent in giving credit to older clients, while older clients themselves may be less keen to use this type of credit due to the negative publicity surrounding the investigation.

68. There were also differences in the amount of debt older clients held by type of debt. This is outlined in Table 10:

Table 10 – Comparison on amounts of debt by type

Type of debt	Average amount owed by type of debt (2007)	Average amount owed by type of debt (2004)	Change since 2004
Credit card	£14,588	£13,337	**+ 9%**
Personal loan/unsecured (including bank loan)	£10,502	£6,253	**+ 68%**
Council tax and water/community charge	£1,380	£1,013	**+ 36%**
Bank overdraft	£1,161	£1,393	**- 17%**
Doorstep credit	£1,303	£2,494	**- 47%**
Catalogue	£1,505	£1,185	**+ 27%**
Store card	£1,749	£5,414	**- 68%**
Other loan (including secured and consolidation)	£3,283	£1,950	**+ 68%**

69. Table 10 shows that the amount owed for each type of debt has changed significantly for older debt clients since the 2004 On the Cards Research. Personal loan debt has risen significantly (by 68%) in the time period, while there has also been smaller increases in the average amount of credit card and council tax debt. However, the average amount owed on a bank account overdraft has decreased in this time.

70. The average amount of sub-prime credit debt, including doorstep credit debt and store card debt, has decreased significantly in this time period. Store card debt has decreased in prevalence by 60% and in average amount owed by 68% since 2004, suggesting that this type of credit is a diminishing source of debt for older clients.

Summary

71. This research has found that older clients' total debt and debt to income ratio has increased in recent years. Table 11 compares the findings of this research with the 'In Too Deep' research[17], a joint report by Citizens Advice and Citizens Advice Scotland (CAS) that looked at the debt characteristics of UK bureaux clients in 2001, and the 'On the Cards' research that looked at debt and Scottish clients in 2004. The figures represent **only** the findings on older clients aged 60+:

Table 11 – Comparison of research findings on older bureaux clients

	Total average amount of debt	Average monthly income	Debt to income ratio average
UK 2001 (In Too Deep research)	**£9,580**	£702	12.7
Scotland 2004 (On the Cards research)	**£14,205** *(+ 48% since 2001)*	£714 *(+ 2% since 2001)*	22.0 *(+ 73% since 2001)*
Scotland 2007 (This research)	**£17,767** *(+ 25% since 2004)*	£867 *(+ 21% since 2004)*	28.9 *(+ 31% since 2004)*

72. Comparing the research studies shows that the total average amount of debt for an older bureau client (aged 60+) has increased by 85% between 2001 and 2007. The average monthly income of these clients has not kept pace with this upward trend, increasing by 24% in the same time period. Between 2001 and 2007, the average amount of debt of older clients has increased 3.5 times faster than average monthly income.

73. The debt to income ratio has risen from 22.0 in 2004 to 28.9 in this research, an increase of 31% over three years. This is an indicator that 'debt stress' for older clients has increased – that is, that clients will find their debts more difficult to repay than the previous studies found.

74. This increase in debt stress is being fuelled by clients who can be termed as vulnerable, including those on low incomes, older clients living alone or widowed, and those who have retired. Clients in these social groups often have high debts that are far beyond their ability to repay through their low incomes. Two cases in this research found single older clients with credit card debts of over £50,000, but with a net monthly income of less than £500.

[17] 'In Too Deep' research, Citizens Advice England and Wales, Citizens Advice Scotland, 2001

Debt by Social Group

75. There were variations in the types and amount of debt by social grouping. This section will analyse the variations in debt by the following headings:

- Gender
- Age group
- Income
- Housing
- Marital status
- Employment type

Debt by Gender

76. There were variations in the number and amount of debts by gender, which is shown in Table 12:

Table 12 – Debt by gender

Gender	Total people	Average individual debt	Debt to income ratio
Male	27	£20,626	31.2
Female	37	£16,217	28.2
All ages	**64**	**£17,767**	**28.9**

77. The majority of clients interviewed in the survey were female (58%). However, the data show that the male clients in the survey had a higher average total debt and debt to income ratio than female clients.

Table 13 – Three most common sources of debt by gender

Male clients		Female clients	
Credit card	(67%)	Credit card	(41%)
Bank loan	(37%)	Bank loan	(30%)
Bank overdraft	(19%)	Catalogue/Store card	(24%)

78. Male clients were more likely than their female counterparts in the survey to have mainstream credit debts, such as credit card, bank loan, and bank overdraft debts. Male clients were also more likely to report having a council tax or utility debt. Female clients had a high proportion of credit card and bank loan debts, although relatively fewer than male clients, and were more likely to have sub-prime debts, such as catalogue and store card debts. Sub-prime debts are often associated with poverty and low income, which could suggest that female clients are worse off than the level of debt would suggest.

Debt by Age

79. There were variations in the number and amount of debts by age group, which is shown in Table 14:

Table 14 – Debt profile by age

Age	Total people	Average individual debt	Debt to income ratio
60-65	27	£16,354	21.2
66-70	20	£18,211	32.5
71-75	13	£17,297	23.8
76+	4	£25,881	68.0
All ages	**64**	**£17,767**	**28.9**

80. There were only small variations between age groups in terms of levels of debt, although those aged over 75 had a higher than average level of debt. However, there were only four clients in this age group in the survey; therefore this result should be treated with caution. The results show that clients in the 66-70 age group had higher than average levels of total debt and a higher debt to income ratio. This group is likely to represent clients who have recently taken retirement, taking debts with them that they are now struggling to afford on their lower income. The data suggest that average debt does not decrease with age.

81. In terms of the types of debt by age group, clients who were in the 71-75 age group were more likely than the other age groups to have a credit card debt and a catalogue debt. Those aged 60-65 were more likely to have a bank loan, while those aged 76+ had a higher proportion of doorstep credit and store card debts than the other age groups. The results suggest that, for the clients in this survey, use of unsecured credit does not significantly reduce as clients get older; however there is a trend towards sub prime credit for clients over the age of 70. The three most common debts for each age group is shown in Table 15:

Table 15 – Most common debts by age group

60-65	66-70	71-75	76+
Credit card	Credit card	Credit card	Credit card
Bank loan	Bank loan	Catalogue	Doorstep credit
Council tax	Bank overdraft	Bank loan	Catalogue

82. The use of credit and amount of debt does not vary significantly as clients get older, but there is a trend for clients to hold more sub-prime debt as they retire and advance in age. This is likely to represent the difficulties in securing mainstream credit as clients get older and have lower incomes, but it also shows that clients continue to need credit to as part of their income into their 70's and retirement years.

Debt by Income

There were variations in the number and amount of debts by income, which is shown in Table 16:

Table 16 – Debt profile by income band

Net income band	Total people	Average individual debt	Debt to income ratio
Under £6,000	13	£23,375	64.4
£6,001 – 10,000	25	£16,661	22.9
£10,001 – 15,000	12	£15,225	14.8
£15,001 – 20,000	2	£15,892	11.5
£20,001- 30,000	1	£33,299	16.0
Missing	11		
All people	**64**	**£17,767**	**28.9**

83. The majority (77%) of the clients in the survey had a net income of less than £15,000, and over half had a net income of less than £10,000. Aside from one client with a high income and a high debt, the clients with a lower net income tended to have higher average total debts. Clients in the survey with a net income band of under £6,000 had a markedly higher total debt (£23,375) compared to the survey average (£17,767).

84. Clients with a net income of less than £6,000 had the highest level of debts and the highest debt to income ratio. The ratio (64.4) was over double that of the survey average (28.9). Therefore, low income clients were the most affected by debt stress. There was a trend for the total amount of debt to decrease as income increased. This could suggest that those on low incomes need credit, and therefore debt, to make up for their lack of income.

85. In terms of the types of debt by income group, clients who had an annual income of less than £6,000 were more likely than other income groups to hold a credit card debt. Clients earning between £6,000 and £10,000 were more likely to have doorstep credit and catalogue debt. Those earning between £10,000 and £15,000 were more likely than the average to hold a bank loan or bank overdraft debt. These findings suggest that credit card debts are associated with low income and poverty, and that other mainstream debts - bank loans and overdrafts - are associated with higher incomes.

86. The findings show that low income clients are relatively unlikely to hold a bank loan debt, but that they are just as likely as higher income clients to have a credit card debt. This suggests that low income is not necessarily a barrier to accessing credit, although mainstream sources may be more difficult to access.

Debt by Housing

87. There were variations in the number and amount of debts categorised by housing tenure, which is shown in Table 17:

Table 17 – Debt profile by housing status

Housing	Total people	Average individual debt	Debt to income ratio
Owner occupier	13	£23,896	43.0
Rent (local authority)	34	£11,503	20.9
Rent (other social landlord)	3	£34,591	38.7
Rent (private landlord)	8	£26,077	35.3
Not householder	4	£35,251	68.0
All people	**64**	**£17,767**	**28.9**

88. Clients who rent their homes from the local authority had a significantly lower average debt (£11,503) than the survey average (£17,767). Clients who were owner occupiers had higher than average total debts. The small number of clients who rented privately or who were not householders had significantly higher debts than the average.

89. Owner occupiers had a high debt to income ratio (43.0), despite home ownership typically being an indicator of higher than average income. Both the average debt and debt to income ratio of home owners were more than double that of local authority renters.

90. In terms of the types of debt by housing type, owner occupiers were relatively likely to have a credit card debt, whereas those who rented privately were more likely than the average to have a bank loan or overdraft debt. Almost all of the sub-prime credit debts, such as doorstep credit, catalogues and store cards, were held by respondents who rented from the local authority, which is likely to be due to the clients have lower incomes and less access to mainstream credit.

Debt by Marital Status

91. There were variations in the number and amount of debts by marital status, which is shown in Table 18:

Table 18 – Debt profile by marital status

Marital Status	Total people	Average individual debt	Debt to income ratio
Single (never married)	8	£19,477	53.0
Married	18	£18,616	17.9
Separated	2	£151	N/A
Divorced	11	£11,748	19.6
Widowed	20	£19,607	37.6
Cohabiting	2	£29,490	37.0
Missing	3		
All people	**64**	**£17,767**	**28.9**

92. There were small variations in the level of debt across different marital status. Clients who are widowed, single (never married), and married, all had similar levels of debt. The significant difference between the groups lies in the debt to income ratio, which shows that the debt stress for married clients (a debt to income ratio of 17.9) is much lower than that of single clients (53.0) and widowed clients (37.6). This is likely to be due to married clients having a higher than average level of income.

93. In terms of the types of debt by marital status, clients who were married were significantly more likely than the average to have a credit card debt, and relatively more likely to have a bank loan or overdraft debt. Clients that were widowed were more likely than the other marital types to have council tax, utility, and catalogue debts. Divorced clients were significantly more likely than the average to have a doorstep credit debt.

Debt by Employment Type

94. There were variations in the number and amount of debts by employment type, which is shown in Table 19:

Table 19 – Debt profile by employment type

Employment type	Total people	Average individual debt	Debt to income ratio
Full-time employment	5	£28,283	18.2
Part-time employment	3	£33,300	44.0
Looking after family/home (including carers)	1	£18,377	24.0
Permanently retired	43	£17,042	32.9
Unemployed and seeking work	1	£40,603	50.0
Unable to work due to ill health/disability	6	£9,791	14.8
Missing	5		
All people	**64**	**£17,767**	**28.9**

95. The majority of clients (66%) in the survey were permanently retired. This group of clients had lower than average total debt, but due to their low level of income, clients who are retired had a high debt to income ratio.

96. Clients in full-time or part-time employment had a much higher average debt than retired clients. However, clients in full-time employment had a high level of income, and therefore had a low debt to income ratio. Conversely, clients in part-time employment had a high average debt and less ability to repay this debt.

97. Clients in full-time employment and those unable to work due to ill health/disability had considerably more debts than the survey average, but had relatively small total debts. However, those not working due to ill health are likely to be on a lower income and may require additional expenditure for their day-to-day life, so are much more likely to be affected by any amount of debt.

98. In terms of types of debt by employment status, full-time employees in the survey were far more likely than the average to have a bank loan or bank overdraft debt. Retired clients in the survey were much more likely than other employment groups in the survey to have doorstep credit and catalogue debts. Half of the clients who are unable to work due to ill health/disability had a council tax debt.

Summary

Table 20: Summary of debt profiles by social group

Social group	Average debt	Average net monthly household income	Debt to income ratio average
Overall	£17,767	£876	28.9
Men	£20,626	£907	31.2
Women	£16,217	£768	28.2
60-65	£16,354	£878	21.2
66-70	£18,211	£763	32.5
71-75	£17,297	£888	23.8
Single	£19,477	£616	53.0
Married	£18,616	£1144	17.9
Divorced	£11,748	£802	19.6
Widowed	£19,607	£725	37.6
Owner occupier	£23,896	£970	43.0
Rent (local authority)	£11,503	£773	20.9
Rent (private landlord)	£26,077	£817	35.3
Full-time employment	£28,283	£1,521	18.2
Permanently retired	£17,042	£759	32.9
Under £6,000	£23,375	£535	64.4
£6,001 – 10,000	£16,661	£717	22.9
£10,001 – 15,000	£15,225	£1,066	14.8
£15,001 – 20,000	£15,892	£1,385	11.5

99. Table 20 compares the average debt, monthly income, and debt to income ratio averages across different social groups. The table shows that the groups that had the highest average total debts included male clients, owner occupiers, private renters, clients in full-time employment, and clients with a net income of less than £6,000.

100. However, despite these high levels of debt, some of these groups are better able to handle this debt than others. For example, those in full-time employment had the highest level of debt of any group, but also had a high income level, and thus had the lowest debt to income ratio average. Therefore, the debt stress attached to the high level of debt that clients in full-time employment hold is relatively low, as these clients are in a better position to be able to repay their debts. However, this situation could of course change very quickly as these clients could head into retirement, with a subsequent lower income, with the same high debts.

101. The debt to income ratio is perhaps a better indicator than total levels of debt in showing the level of stress that debts put on a client. The ratio takes into account the client's ability to repay as well as their total indebtedness. Table 21 shows the client groups with highest and lowest debt to income ratios:

Table 21 – Client groups by debt to income ratios

Client groups with **high** debt to income ratios	Client groups with **low** debt to income ratios
Clients earning less than £6,000 (64.4)	Clients earning £10,000+ (14.4)
Clients who are single (53.0)	Married clients (17.9)
Owner occupiers (43.0)	Full time employed (18.2)
Widowed (37.6)	Local authority renters (20.9)
Private renters (35.5)	
Clients who are retired (32.9)	

102. Table 21 shows that the groups with the highest debt to income ratios, and therefore those with the least ability to cope with their debts, are clients earning under £6,000, clients who are single and never married, widowers, owner occupiers, private renters, and clients that are permanently retired. Therefore, despite having a below average level of debt in the survey, clients who are retired, in particular those who are single or widowed, are more likely to suffer debt stress than other groups due to their low level of income.

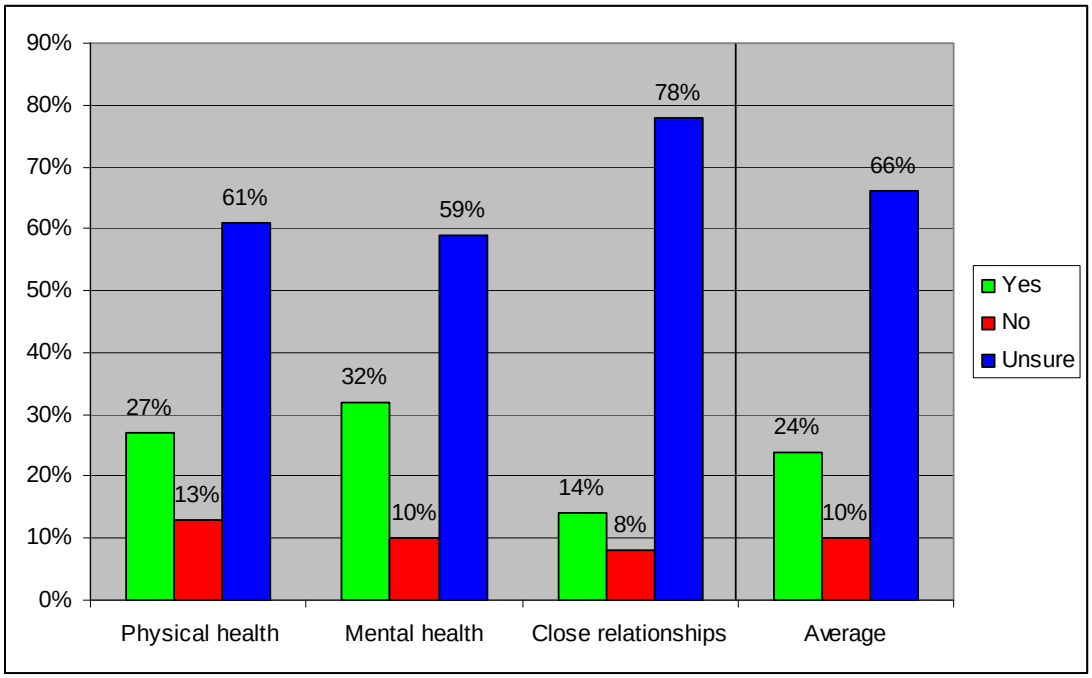
103. Although mainstream credit, especially credit cards and bank loans, is the most prevalent source of debt across all social groups in the research, there are significant differences in types of debt by social group. Mainstream credit is a more likely source of debt for those in full-time employment, married clients, and male clients. Sub-prime debt, such as doorstep lending and catalogues, is more common for the older clients in this age group, retired clients, clients who rent from the local authority, and clients living on their own.

104. The use of credit and amount of debt does not vary significantly as clients get older, but there is a trend for clients to hold more sub-prime debt as they retire and advance in years. This is likely to represent the difficulties in securing mainstream credit as clients get older and have lower incomes, but it also shows that clients continue to need credit as part of their income into their 70's and retirement years.

Impact of debt on health

105. Clients were asked whether they felt that their debt had had adverse effects on their health, in terms of physical health, mental health, and close relationships. The responses to this question are outlined in Figure 5:

Figure 5 – Impact of debt on the health of clients



106. Figure 5 shows that clients felt that debt can have an adverse impact on their health. Over a quarter of respondents (27%) felt that their physical health had been affected by their experience of debt, while almost a third (32%) felt that their mental health had been affected as a result. A minority of clients (14%) stated that their debt had affected their close relationships with friends and family.

107. The majority of clients were unsure about whether their health had been affected by their experience of debt. However, relatively few were sure that it had ***not*** had an effect. This could suggest that a number of clients who were unsure may have been affected by debt without consciously realising or being ready to admit that this was the case.

108. There were certain demographic differences in the impact of debt on health. Men were far more likely to say that their physical health had been affected by their experience of debt, although women were more likely to say that their mental health had been affected. The majority of clients who were unable to work due to ill health/disability felt that debt had adversely affected their physical and mental health. A relatively high proportion of clients who were widowed felt that their health had been affected by debt.

109. Interestingly, there was not a clear relationship between a high amount of debt and a perceived impact on health. This is shown in Table 22:

Table 22 – Average client debt by perceived health impact

Health impact	Yes	No	Unsure
Physical health	£12,811	£26,203	£19,145
Mental health	£14,079	£25,050	£19,571
Close relationships	£19,866	£17,151	£17,761
Average	**£15,585**	**£22,801**	**£18,826**

110. Table 22 shows that the average total debt of clients who perceived their health to be affected by their debt is markedly lower than the average debt of clients who considered their health to be unaffected. This is the case for physical and mental health, although clients with higher debts were more likely to say that their close relationships had been affected.

111. These results suggest that it is not the total amount of debt that impacts on a client's health, but the nature and experience of being in debt. The impact on health may also be related to the type of debt the client holds. Clients were not asked directly which debts had an impact on their health, however Table 23 shows the type of debts that clients who reported an impact on their health were most likely to have:

Table 23 – Types of debt most associated with perceived health impact

Physical health impact	Mental health impact	Close relationships
Social fund loan	Mortgage	Social fund loan
Gas	Council tax	Bank overdraft
Council tax	Doorstep credit	Council tax
Telephone	Catalogue	Credit card

112. Table 23 shows the debts that are most closely associated with physical and mental health impact, as well as the impact on close relationships. For example, all clients with a social fund loan reported a physical health impact, while all clients with a mortgage reported that their debt had impacted on their mental health.

113. The results suggest that everyday bills, such as council tax and utility bills, as well as sub-prime credit, have a greater perceived impact on older clients' health than mainstream credit. Council tax debt features prominently for clients reporting an impact on all aspects of their health, while the small number of clients with a social fund debt were very likely to report an impact on their health, possibly due to the adverse circumstances that led them to situation in which they needed the social fund loan. These debts may be associated with health impacts due to the consequences of non-payment that may result. For example, non-payment of council tax can lead eventually to bank/earnings arrestments or bankruptcy, while non-payment of utilities may lead to threats that a vital service will be disconnected.

114. Mainstream credit debt, such as bank loans, overdrafts, and credit cards, were less associated with impact on health. However this may be because this is a generation that will have used this source of credit for a number of years. In other words, older clients may be more accustomed to owing money on bank loans and credit cards, and the associated consequences of non-payment, than they are with more sporadic debts, such as utility and council tax debts, which are more likely to lead to hardships such as fuel disconnection or harsh recovery methods. However, given the high number of clients with these types of debts and their high amounts, mainstream credit is still the most pressing source of debt for older clients.

A South of Scotland CAB reports of an elderly client who has suffered from two forms of dementia for more than ten years. The client was referred to the CAB by the local Alzheimer's Association because she had debt problems. The stress of trying to deal with the creditors was having an adverse effect on the health and wellbeing of both the client and her daughter. The client has no assets and no available income to offer payments to her creditors and it is unlikely that the situation will improve. The CAB wrote to all creditors asking them to consider writing off the debts because it was unlikely that the client was mentally capable of entering into the agreements.

A West of Scotland CAB reports of a client who currently has a bank loan which she is scheduled to repay through regular instalments. The client opted to amend an upcoming repayment date so as to avoid complications in other areas of her finances. The bank agreed to do this but neglected to inform the client that an additional payment would have to be made in order to avoid falling into arrears. The client was later instructed to make this payment in full even though the bank conceded that they had misadvised her over repayments and arrears. The client suffers from anxiety and depression, and the stressful nature of this situation induced a panic attack in the bank branch waiting room. This case serves to show the stress and anxiety that debt can place on older clients.

Financial Capability

115. The survey did not assess the financial capability of clients. However, there is case evidence from bureaux that suggests that a lack of understanding of financial topics can lead to increased problems of debt. In the On the Cards research (2004), nearly half of older CAB debt clients gave money mismanagement or budgeting problems as a reason for their debts.

116. Kempson and Whyley[18] identify several barriers to financial inclusion and financial planning for older people:

    a. *low skills levels*
    b. *a lack of knowledge*
    c. *mistrust of suppliers*
    d. *psychological barriers including confidence*
    e. *a feeling of loss of control over money.*

117. A key issue for clients in this age range is whether they are deemed to be capable of understanding and agreeing to a loan or credit. There is case evidence that demonstrates that loans can be given to clients who are not capable of fully understanding the agreement that they are entering into.

> An East of Scotland CAB reports of a client who came in on behalf of her mother who is elderly, registered blind and suffering from dementia. Her mother allegedly entered into a contract with a door step lending agency in 2002 for £200 and £300 in 2003. The client believes that her mother never agreed to this and there is no evidence of cash or its disposal. The doorstep lending agency admitted that a loan should not have been made to a person of her age and health.

118. Further to this, clients who are capable of understanding an agreement in terms of the money owed and the amount of repayments, may not have a full understanding of the terms and conditions of credit, especially concerning the APR of a loan. It is therefore possible that older clients may be given poor terms and conditions associated with credit due to a difficulty in understanding agreements. There is evidence that this can be due to the lack of transparency of the terms of the agreement.

> An East of Scotland CAB reports of an elderly client living alone who has had several loans from a door-step lending organisation. The client is over 65 and should not have been offered a loan according to the organisation's policy. The interest being charged is high and has varied from loan to loan. He has variously been charged 60.49% APR, 440.3% APR, 246.5% APR, 497.4% APR and 596.3% APR. Every time loan re-payments reach completion, a new loan is offered.

[18] Defined by Adult Financial Literacy Advisory Group, DfES, January 2002

119. There have been a number of reported cases in which clients have got into debt due to the arrangement of their direct debits. For example, it may be the case that direct debts are taken out before benefits or wages are paid in, which can mean incurring late fees or overdraft fees. Case evidence from citizens advice bureaux illustrates this type of debt.

A West of Scotland CAB reports of an elderly couple whose pension payments are received on the 21st of the month. As a result they are always late with their council tax instalments, although they have never missed a payment and have paid the full amount due. The clients were issued with a bill of £156.10 for late payment charges on their council tax. When the situation was explained to the local authority by the CAB, the late payment charges were written off.

A West of Scotland CAB reports of an elderly couple struggling with debt due to direct debits being arranged for dates prior to funds being deposited. The clients' bank has taken debt recovery methods and has twice arrested the clients' account. This has left the clients without any access to money and they have had to rely on relatives for financial assistance. The elderly couple are very distressed by the situation of not being able to access their pension.

120. Financial capability relates to issues other than an individual's understanding of financial topics. It can also relate to the individual's ability to undertake the tasks of financial management regardless of their financial literacy. For example, many older clients are capable of understanding their financial situation, but find that their own circumstances preclude their capability to influence their situation. A case example from a citizens advice bureau shows the difficulty that clients can face in managing their finances due to their own circumstances.

A North of Scotland CAB reports of an elderly client in a nursing home whose bank account was frozen due to debt. The client had been in arrears with payments and had an overdraft on his account. A payment plan was negotiated and the overdraft was subsequently cleared with adequate funds available for payments. However, the account was then arrested by the bank without a reason being stated. The client has a mobile phone in the care home and is not physically able to go to the bank or the CAB. The cost of the call from his mobile phone to the bank was £15. The CAB queried the arrestment with the bank and was informed that it was now going to be lifted.

Conclusion

121. This research has made a number of expected, and some unexpected, findings on older clients and debt. The average total debt of older clients has increased by 24% since 2004 to a total of £17,767. This is an expected finding as it is generally accepted that levels of debt are increasing across all areas of society. However, the increase in the debt to income ratio amongst older clients suggests that the increase in levels of debt is going hand-in-hand with an increase in debt stress. In other words, debt is increasing at a faster rate than income, and the increase in debt is disproportionately affecting clients with low incomes. The effect of debt stress on clients is now higher than it was in 2004.

122. This increase in debt stress is being fuelled by clients who can be termed as vulnerable, including those on low incomes, older clients living alone or widowed, and those who have retired. Clients in these social groups often have high debts that are far beyond their ability to repay through their low incomes. Two cases in this research found single older clients with credit card debts of over £50,000, but with a net monthly income of less than £500.

123. Mainstream credit debts, such as credit cards and bank loans, predominate as the main sources of debt for older clients. This disproves a popular conception that these types of debts are the preserve of younger people. Credit card debt, which makes up nearly half of the value of all the debts in the survey, is the most common debt across all social groups in the study.

124. The use of credit and amount of debt did not reduce significantly as clients get older, but there is a trend for clients to hold more sub-prime debt as they retire and advance in years. This is likely to represent the difficulties in securing mainstream credit as clients get older and have lower incomes, but it also shows that clients continue to need credit as part of their income into their 70's and retirement years.

Appendix 1: Research Questionnaire – Older Clients and Debt

Bureau name: Date:

Q1 *Gender*

Male	[1]
Female	[2]

Q2 *Age*

60 – 65	[1]
66 – 70	[2]
71 – 75	[3]
76+	[4]

Q3 *Marital Status*

Single (never married)	[1]
Married	[2]
Separated	[3]
Divorced	[4]
Widowed	[5]
Co-habiting	[6]

Q4 *Housing circumstances*

Owner occupier	[1]
Part owner (part rent & part mortgage)	[2]
Rent (local authority)	[3]
Rent (other social landlord)	[4]
Rent (private landlord)	[5]
Not householder	[6]
Homeless	[7]
Supported accommodation	[8]
Other	[9]

Q5 *Employment type*

Self-employed	[1]
Full-time employed	[2]
Part-time employed	[3]
Looking after family/home (including carers)	[4]
Permanently retired	[5]
Unemployed and seeking work	[6]
School/Higher/Further education	[7]
Government work/training scheme	[8]
Unable to work due to ill health/disability	[9]
Other	[10]

Q6 *Net income band*

Under £6,000	[1]
£6,001 – 10,000	[2]
£10,001 – 15,000	[3]
£15,001 – 20,000	[4]
£20,001 – 30,000	[5]
£30,001 – 40,000	[6]
Over £40,000	[7]

Q7 *Does the client have any outstanding debts?*

Yes [1] No [2]

Q8 *If client does have outstanding debts, please circle all that apply*

Bank loan	[1]	Mobile phone	[15]
Bank overdraft	[2]	Mortgage	[16]
Benefits/tax credits overpayment	[3]	Other housing costs	[17]
Catalogue	[4]	Other loan	[18]
Cable or satellite TV	[5]	Other secured loan	[19]
Council Tax and water/community charge	[6]	Other utilities	[20]
Credit card	[7]	Personal loan/unsecured	[21]
Credit Union loan	[8]	Rent	[22]
Doorstep credit	[9]	Repairs/maintenance	[23]
Electricity	[10]	Social fund loan	[24]
Fines	[11]	Store card	[25]
Gas	[12]	Telephone (landline)	[26]
HP/conditional sale	[13]		
Income tax	[14]		

Q9 *For each debt circled in Q8, please indicate the total amount of debt using the numbers in brackets from the following scale:*

Less than £1,000	[1]	£5,001 – 10,000	[4]	More than £50,000	[7]
£1,001 – 1,500	[2]	£10,001 – 25,000	[5]	Unsure	[8]
£1,501 – 5,000	[3]	£25,001 – 50,000	[6]		

Type of debt	***Amount of debt***
Bank loan	
Bank overdraft	
Benefits/tax credits overpayment	
Catalogue	
Cable or satellite TV	
Council tax and water/community charge	
Credit card	

Credit Union loan	
Doorstep credit	
Electricity	
Fines	
Gas	
HP/conditional sale	
Income tax	
Mobile phone	
Mortgage	
Other housing costs	
Other loan	

Other secured loan	
Other utilities	
Personal loan/unsecured	
Rent	
Repairs/maintenance	
Social fund loan	
Store card	
Telephone (landline)	

Q10 *Please indicate if this debt has had any impact on the client in the following ways:*

	Yes	No	Don't know
Physical health			
Mental Health			
Close relationships			

Other _____

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Citizens Advice Scotland and its member bureaux form Scotland's largest independent advice network. CAB advice services are delivered using service points throughout Scotland, from the islands to city centres.

The CAB service aims:
to ensure that individuals do not suffer through lack of knowledge of their rights and responsibilities, or of the services available to them, or through an inability to express their need effectively

and equally
to exercise a responsible influence on the development of social policies and services, both locally and nationally.

The CAB service is independent and provides free, confidential and impartial advice to everybody regardless of age, disability, gender, race, religion and belief and sexual orientation.

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