

Older People and Debt

Owing an average of three times their income, older clients are entering retirement mired in unrepayable debt, putting homes at risk and impacting on health

With more than 250 debt issues brought to Scottish bureaux every day of the year, Citizens Advice Scotland's latest report "Growing Old Together – older CAB clients and debt" looks at the impact of debt on older CAB clients. Consumer debt is the single biggest issue dealt with by the CAB Service in Scotland. In 2006/07 the Scottish CAB Service dealt with 91,475 new debt issues, an increase of 4% on the previous year.

Based on a detailed survey of CAB debt clients aged over 60, this new report assesses the level, type and impact of debt for this client group. The research shows that:

- Owing an average of £17,767, these clients are bringing debt with them into their retirement. And things are getting worse – there has been a 25% increase in the average debt owed by this age group in four years
- Over a quarter of older clients had debts of more than £25,000, with individuals owing between £130 and £96,000
- On average, for every £1 of monthly income, these clients owed almost £29 of debt, excluding their mortgage. This level of debt stress has increased by around one third in the last four years
- Debt levels increased as income levels decreased. Those with a net income of less than £6,000 per annum owed an average of £24,000 – 42% higher than those with a net income of more than £10,000
- Correspondingly, those with the lowest incomes had the highest level of debt stress – owing £64 for every £1 of 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.*

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Key Findings

The research revealed:

- The most common types of debt are from mainstream sources, in particular credit cards (owed by 48%), bank loans (40%) and overdrafts (22%). Around half of credit card and bank loan debts were for amounts greater than £10,000. One in eight clients had credit card debts of over £25,000
- As people retire and advance in years, they are likely to hold sub-prime credit debts¹ such as doorstep credit (19%), catalogue debt (14%) and store card debt (14%), albeit for relatively small amounts. This suggests that there is a need for credit to supplement lower incomes in retirement
- Debt clearly has an impact on our clients' health - however our research highlights that this impact is more dependent on the nature and experience of debt, rather than the size of the debt. Everyday bills, such as council tax, utility bills and sub-prime credit debts have a greater impact on older clients' health than mainstream credit debt
- Vulnerable older clients - including those on low incomes, living alone or who have retired - are fuelling the increase in debt. These clients often have high levels of debt that are far beyond their ability to repay
- Owner occupiers have a higher than average level of debt stress – for every £1 of monthly income, they owed £43 of debt excluding mortgages. The disparity between income and debt makes repayment an unlikely prospect for this client group
- Almost all of the sub-prime credit debts - such as doorstep credit, catalogues and store cards - were due by tenants of local authorities. This is likely to result from their more limited access to mainstream credit combined with lower incomes.

CAS proposals for change

A range of measures are needed to address the problems faced by older CAB debt clients, including:

- Creditors need to act more responsibly and provide appropriate levels of credit suitable for the client's situation and level of income
- Ongoing benefit take up and awareness campaigns are needed to encourage older people to claim their benefit entitlements and to enable them to access advice early on
- The Scottish Government must ensure that debt management strategies including the Debt Arrangement Scheme (DAS) and the Low Income Low Assets (LILA) route to bankruptcy are accessible for this client group where appropriate.

¹ Sub prime debts are those which carry a higher level or expectation of risk than mainstream credit, and are subject to higher interest rate charges.

Case evidence

|| 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 nine 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.

|| 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.