

# Household debt in Great Britain

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# When is debt a 'problem'?

## **Lots of attention on total size of unsecured household debt**

- Now more than £200 billion on the Bank of England's measure

## **Might be important for financial stability...**

## **... but poor guide to extent to which debt is a problem for households**

- More than 60% of unsecured debt held by households with above-average incomes
- More than half of households with unsecured debt have enough financial assets to pay them off

# When is debt a 'problem' for households?

## **Use of consumer debt can raise household living standards...**

- E.g. buying car on hire-purchase could allow an individual to take a higher-paid job
- E.g. maintaining spending during temporary fall in income

## **...or have a significant negative impact**

- E.g. household takes out debt to cover regular spending and then finds that repayments are taking up large share of income

## **Important to try to distinguish when debt is a 'problem'**

- Using information on the wider economic circumstances of households

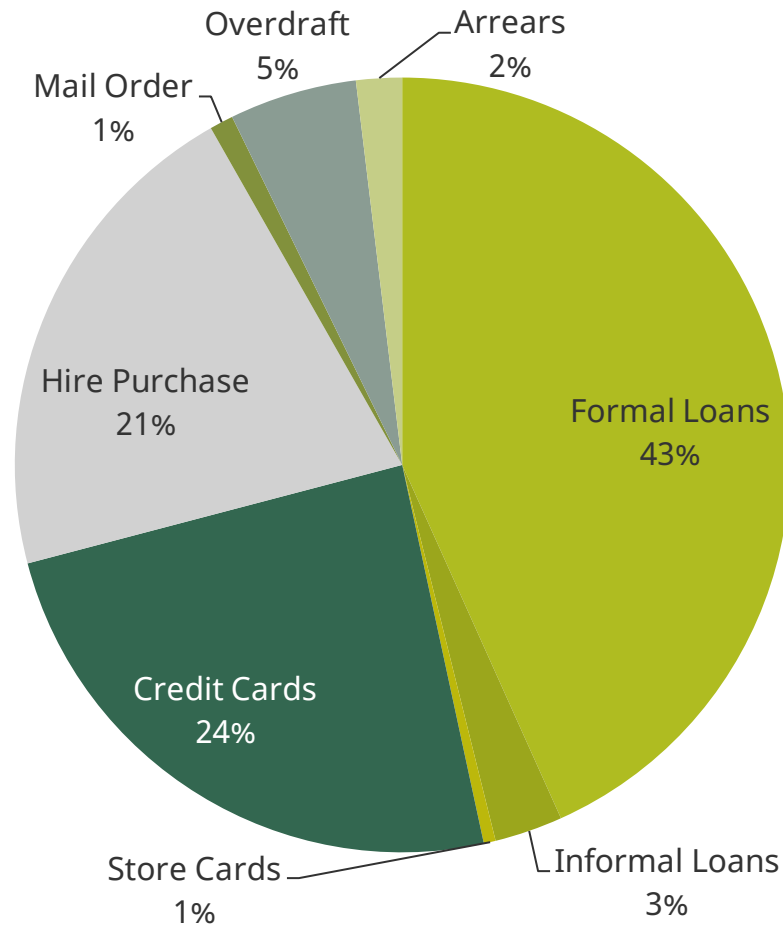
## **We use the Wealth and Assets Survey (WAS)**

- 4 waves of data (2006-08 to 2012-14) on the same households
- Over 20,000 households in each wave

## **Extensive information on debt holdings and repayments for a representative sample of households in Great Britain**

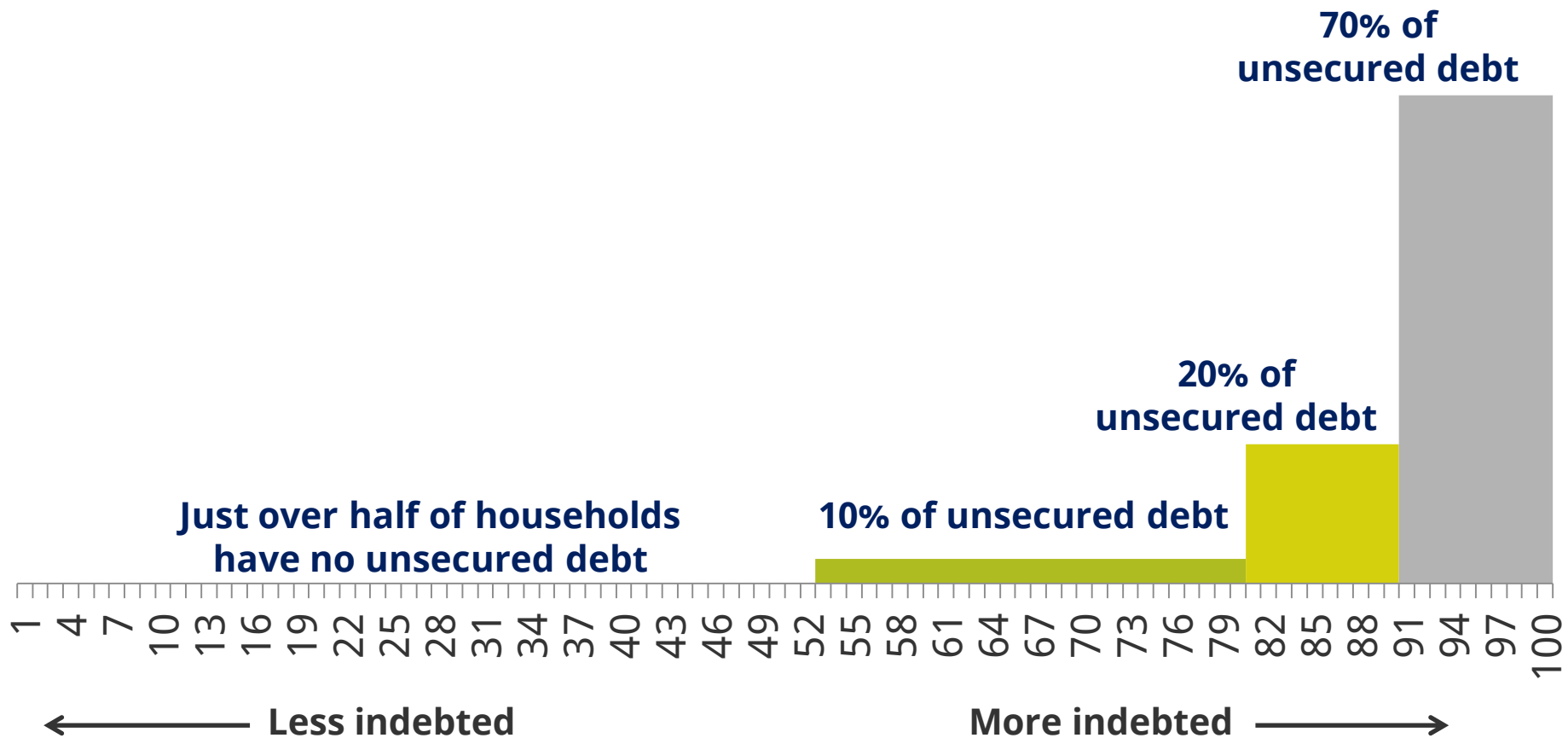
- Size of debt repayments and how long they will be made for
- Captures all different types of unsecured household debt

# Unsecured household debt in Great Britain



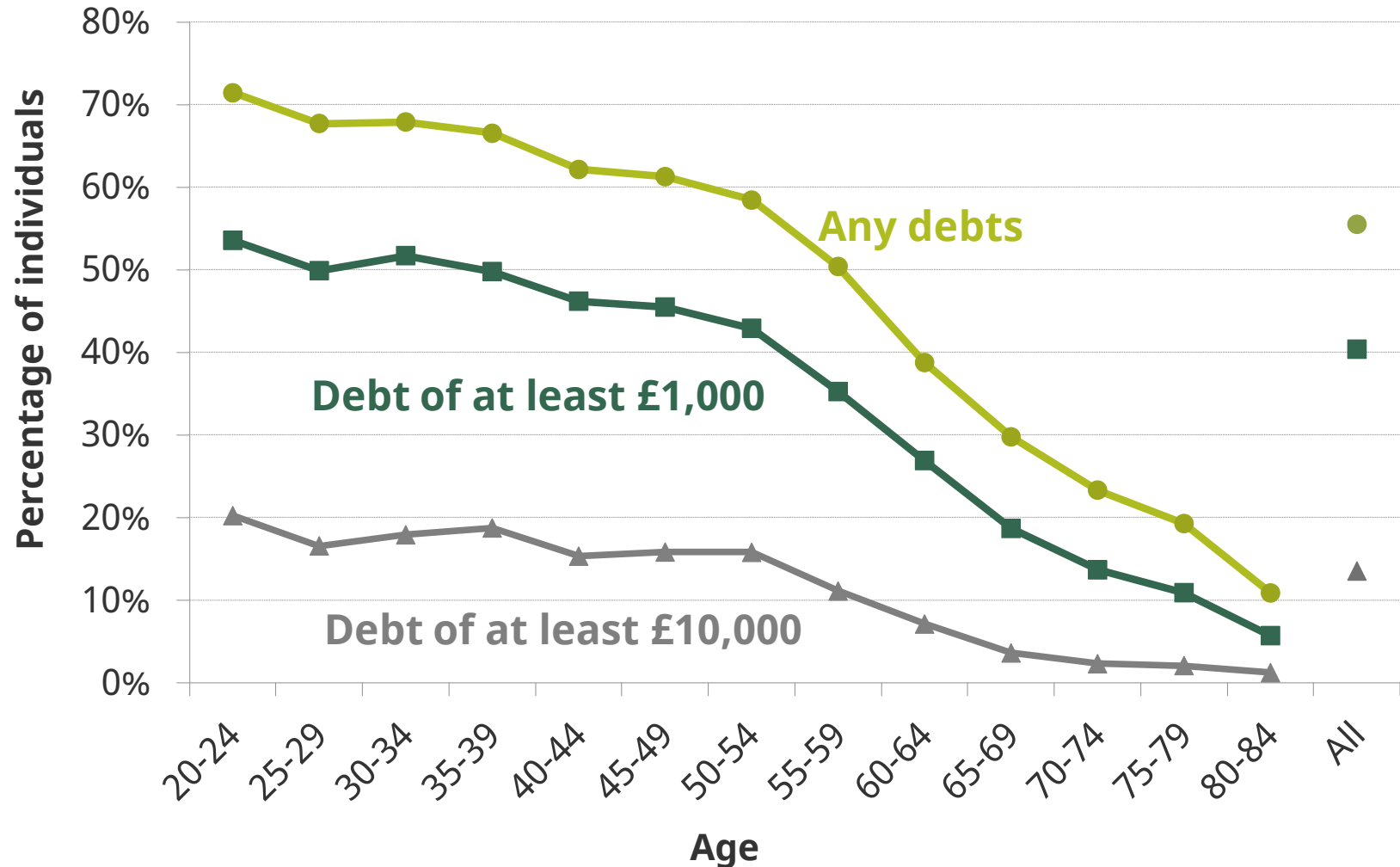
Source: Figure 2.2 of report

# How is debt distributed across households?



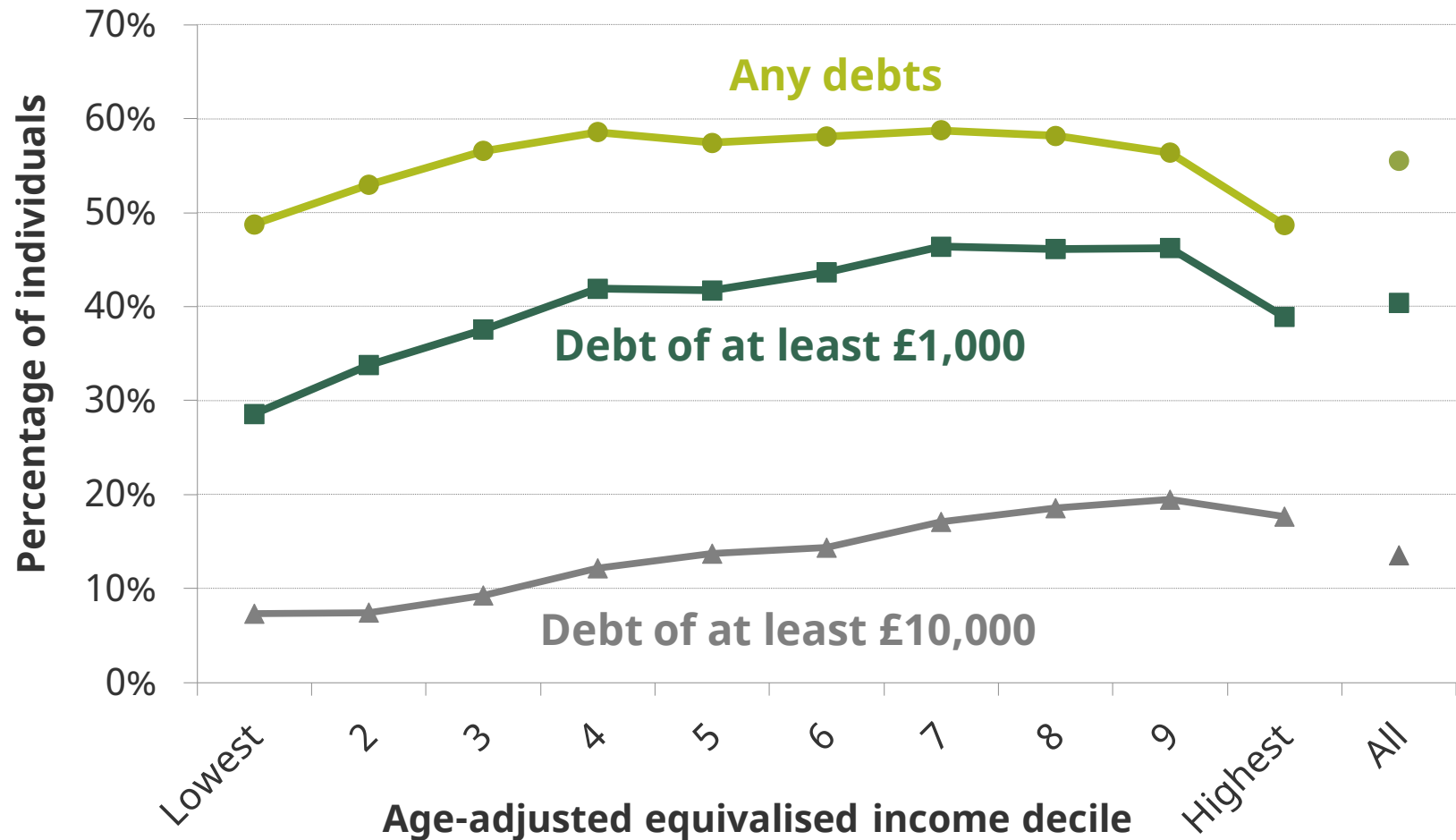
Source: Figure 2.1 of report

# % of individuals in households with some debt, by age



Source: Figure 2.3 of report

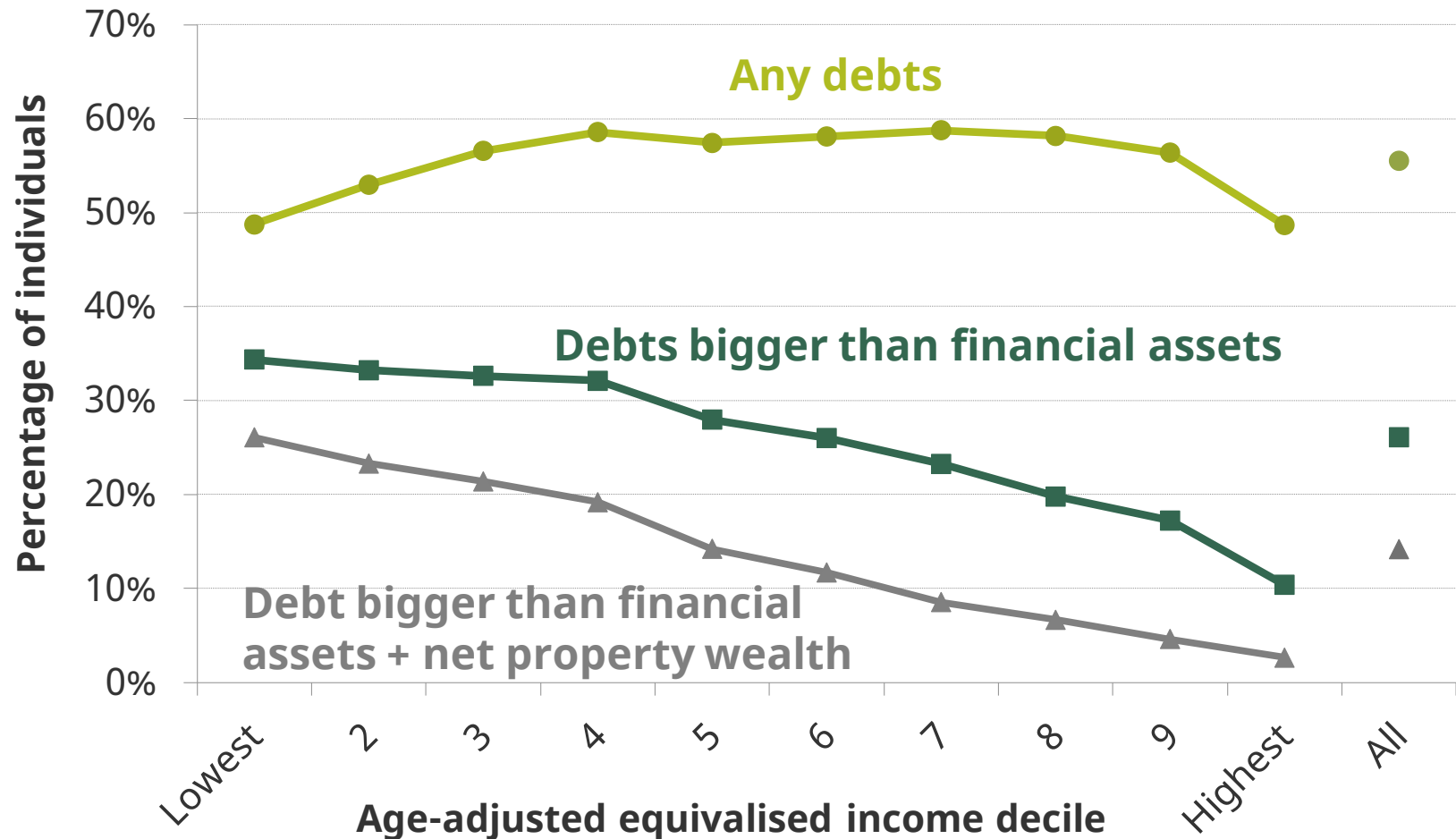
# % of individuals in households with some debt, by income



Source: Figure 2.4 of report



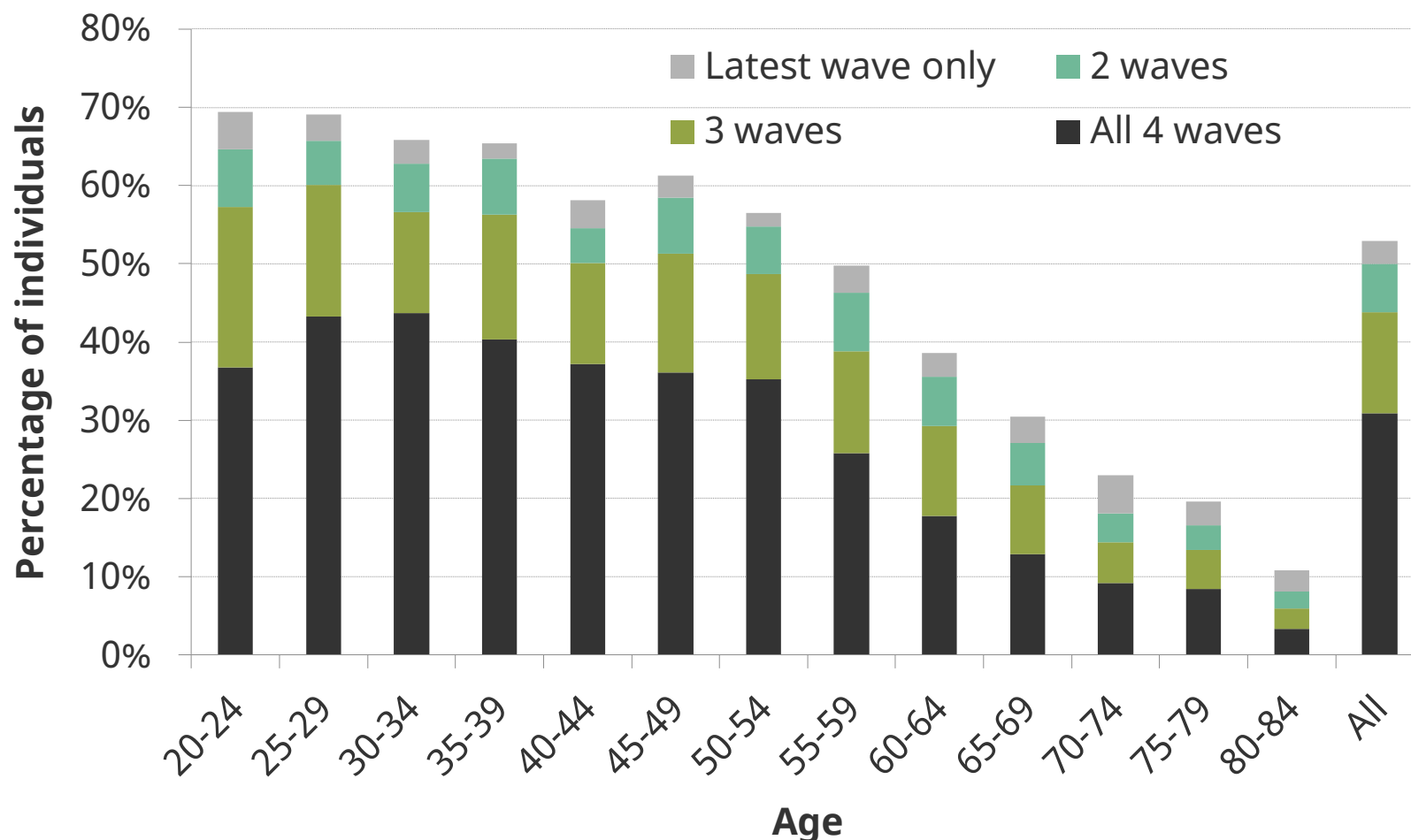
# % of individuals in households in debt and net debt, by income



Source: Figure 2.6 of report

# Persistence of debt by age

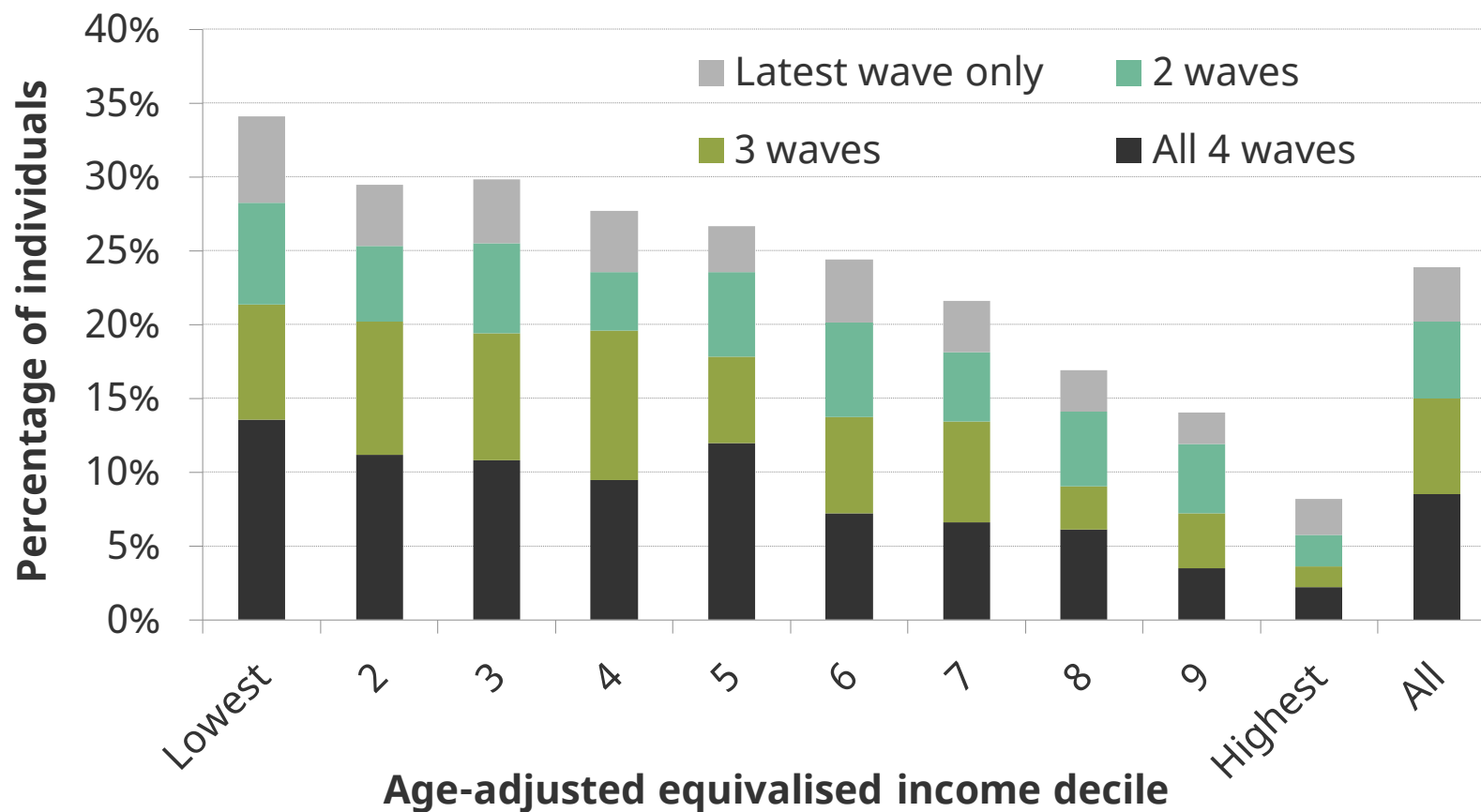
How many waves out of the last 4 were individuals in debt?



Source: Figure 2.7 of report

# Persistence of 'net debt' by income

How many waves out of the last 4 were individuals in net debt?



Source: Figure 2.8 of report

## **Unsecured household debt in GB significant**

- 50% of households have some debt, 10% have more than £10,000

## **Crucial to try to distinguish when debt might be a problem**

- E.g. low-income households less likely to hold some debt
- But much more likely to have more in debts than in financial assets

## **Unsecured debt persistent over time**

- More than half of those with debts in latest data had debts on all four occasions they were interviewed (spanning a period of six years)