



Lending and Debt in Northern Ireland

February 2018

Contents

1. Executive Summary	2
2. Methodology	6
3. Economic Context	8
4. Debt	11
5. Spending	16
6. Lending	19
7. Recommendations	33
8. Appendices	36

1. Executive Summary

Economic Context

- 1.1 Of the devolved United Kingdom (UK) nations Northern Ireland (NI) has the lowest median wage¹, highest economic inactivity rate², most number of people on Personal Independence Payments (PIPs) and Disability Living Allowance (DLA)³ and lowest proportion of people with savings over £100⁴. In addition to this, NI was hit harder by the 2008 Global Financial Crash (GFC) than other UK regions, leaving 41% of households with a mortgage in negative equity in 2013⁵.

Debt

- 1.2 Given these market issues, it is unsurprising that the debt advice charities StepChange and Christians Against Poverty (CAP) both report that the average debt for clients in NI is higher than any other UK nation⁶. The overall indebtedness of people in NI, whilst still severe in many cases, is improving. In 2015, the Money Advice Service (MAS) found that NI was the most indebted UK region⁷. When MAS carried out the same study in 2017, NI had fallen to the fourth least indebted region⁸. The number of NI adults declaring to be insolvent fell for the first time in eight years in 2015 and dropped again further in 2016. This has coincided with a rise in house prices in NI and a fall in the number of people in negative equity from 41% of home owners with a mortgage to 10% between 2013 and 2016⁹.
- 1.3 These improvements should be treated with some caution as there is still reason for concern. On average each adult in NI has a personal loan of £1,109 compared to £745

¹<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/adhocs/005514medianequivalisedhouseholddisposableincomebycountry2014to2015>

²<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionallabourmarket/july2017>

³<http://www.newsletter.co.uk/news/cost-of-disability-claims-in-ni-soars-by-200m-a-year-1-7017974>

⁴<https://www.statista.com/chart/6219/half-uk-adults-less-than-%25C2%25A3100-savings/>

⁵ Consumer Council – Assessment of NI Mortgage market

⁶ See Charts 7 & 8

⁷https://masassets.blob.core.windows.net/cms/files/000/000/337/original/MAS_Report_10.03.2016.pdf

⁸<https://www.moneyadvice.org.uk/blog/are-you-one-of-the-8-3-million-adults-with-problem-debt>

⁹<https://www.housingrights.org.uk/news/41-northern-ireland-homeowners-trapped-negative-equity>

in Great Britain (GB)¹⁰. The average CAP client in NI has £26,185 in debts at the point they seek debt advice. In GB the debt figure for CAP clients is £13,968¹¹. In addition university graduates are starting their working life with more debt than ever. The average NI graduate in 2017 left university with debts of £20,990 compared to £8,020 in 2003¹².

Spending

- 1.4 Part of the root cause of NI indebtedness is economic context, another is high levels of consumer spending. People in NI spend more on hotels and restaurants, communication, clothing and footwear and have the second highest spending on alcohol and narcotics of any UK nation. A consumer spending bubble would be particularly concerning for NI, as consumer spending makes up 74% of NI's GDP¹³.

Lending

- 1.5 There are lending practices specific to NI that at a UK level may not be considered. Over 60% of personal loans in NI are held by credit unions and the four NI based banks (First Trust, Danske, Ulster and Bank of Ireland), 38.4% of adults in NI are registered to a credit union compared to 3.3% in the UK and 1,100 Consumer Credit firms¹⁴ are registered specifically to NI¹⁵.
- 1.6 A number of people in NI operate outside the banking system and may therefore be using cash in hand lending. 10% of people in NI are 'unbanked'¹⁶ compared to 4% in GB. More than half of Northern Ireland Housing Executive (NIHE) tenants aged over 65 years old and nearly 40% of tenants aged 45-59 years old do not have either a debit

¹⁰ UK Finance Postcode Lending and Bank of England Credit Union Statistics

¹¹ Figure direct from Christians Against Poverty

¹² <https://www.statista.com/statistics/376516/student-loans-northern-ireland-average-debt-on-entry-to-repayment-timeline/>

¹³ https://www.ulster.ac.uk/_data/assets/pdf_file/0008/181277/Outlook_Summer-2017_Infographic_UUEPC.pdf

¹⁴ Consumer Credit firms are companies that are regulated by the FCA to carry out some form of unsecured lending

¹⁵ <https://register.fca.org.uk/>

¹⁶ Consumer Council – Banking on Change; 'unbanked' refers to people who do not have a bank account and operate outside the mainstream banking system

or credit card¹⁷. These clients could end up turning to high interest doorstep lending or worse, illegal lending.

- 1.7 Unlike the rest of the UK, NI does not have a dedicated separate illegal money lending team, and there has been limited visible enforcement activity against such lending. Between 2004 and 2013, there were two successful prosecutions of illegal money lenders in NI¹⁸, compared to 324 made in GB¹⁹. The Illegal Money Lending Teams (IMLTs) in England, Scotland and Wales received funding of £4.6m in 2014/15²⁰. In NI, there is no specific funding and no organisation has been assigned prosecuting powers. Action is needed to set up a body or assign a current body powers to enforce against illegal lending.

Legislation & Research

- 1.8 NI has been excluded from key financial service market studies. In the last two years, Credit Reference Agencies (CRAs) Experian and Noddle have both published 'UK' reports on average credit card debts by region that exclude NI²¹. Of particular concern is that evidence points towards NI having particularly high credit card debt but this may not be seen by regulators and policy makers who view the CRA research.
- 1.9 A further difference in legislation is the place of credit unions. Credit unions in GB can charge an annual loan rate of 42.6% APR (or 3% a month), in NI the maximum annual loan rate is 12.68% APR (1% a month)²².

¹⁷ https://www.nihe.gov.uk/ctos_2015_main_report-3.pdf

¹⁸ http://www.nicva.org/sites/default/files/d7content/attachments-resources/cee_expensive_lending_in_northern_ireland_2013.pdf

¹⁹ <https://www.theguardian.com/uk-news/2014/jan/24/sixty-victims-loan-shark-witness-protection-illegal-moneylending>

²⁰ <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2014-06-24/202104/>

²¹ www.telegraph.co.uk/personal-banking/credit-cards/mapped-uk-areas-that-rely-most-upon-credit-cards;
<http://www.experian.co.uk/consumer/credit-card-hotspots/>

²² <https://www.nidirect.gov.uk/articles/borrowing-credit-union>

Recommendations

1.10 Specifically, The Consumer Council is making the following recommendations and commitments to improve the quality of lending and problems with debt in NI:

1.10.1 The Consumer Council will raise concerns with influential research bodies that are omitting NI in their UK wide regional analysis. Currently NI is not being considered in certain UK wide policy discussions and NI problems are not being seen;

1.10.2 The Financial Conduct Authority (FCA) needs to continue to tackle affordability issues to ensure that only people who can afford to repay a loan are getting them. A particular concern is that people can still self-certify their income on many loans, including car loans; self-certification did not work for mortgages²³ and it will not work for unsecured lending, particularly high value unsecured lending; and

1.10.3 Funding and resources are needed to fund a task force to tackle illegal lending in NI. The current proposition needs to be reviewed to whether more effective options are available.

1.11 The Consumer Council welcomes the work of the FCA and MAS in their remits to safeguard consumers, improve financial capability and increase debt advice. The Consumer Council openly invites discussion and feedback on any of the insight raised in this work.

²³ <https://mortgageadvisers.which.co.uk/specialist/self-certification-mortgages/>

2. Methodology

Purpose

- 2.1 The aim of this research is to understand the scale of debt and forms of unsecured lending being undertaken in NI.

Scope

- 2.2 Mortgage lending has been considered previously by The Consumer Council in separate research and is available in the public domain.
- 2.3 Where scale of debt has been considered, the research has sought to identify root causes of debt. Many different forms of unsecured lending exist, so not all could be considered. The research considered the most common forms of lending used in NI, as identified by The Consumer Council's 2017 Consumer Outlook Survey²⁴. Forms of lending were also considered when debt data indicated that it was in common use by those seeking debt advice.

Methodology

- 2.4 Where possible the research has sought to compare NI to other regions within the UK. The reason for this is to have a benchmark for comparison and to determine if a bespoke approach to NI needs to be considered.
- 2.5 The research has primarily used secondary research sources. In this approach, areas have been found where there appears to be a gap in publically available research. This has been highlighted in the text and may be considered by The Consumer Council for future research. Where research sources have used a sample based survey, at least one further study has been sought prior to drawing any conclusions. This approach has meant that some research sources have been excluded where there has not been corroborating sources.

²⁴ Appendix 9

2.6 The research has sought the views of many organisations in the course of the work. The seeking of views has come in the form of data requests and where possible meeting organisations that operate in the lending or debt markets in NI. These meetings were not meant to be recorded opinions but an opportunity for organisations to give their views of the markets they operate within. Where views have been expressed, the research has sought out data to verify. No view expressed has been included in the research. This has been to maintain the neutrality of the work and to avoid conjecture being considered as fact.

3. Economic Context

- 3.1 It is important to put NI into the context of income, cost of living and economic health. NI has a reliance on public sector jobs, relatively high unemployment and high levels of economic inactivity. Of particular note is that NI has the fourth highest unemployment rate of the 12 UK regions assessed but the highest inactivity rate by a significant margin (Appendix 1).
- 3.2 The inactivity rate includes students, the long-term sick, unpaid carers, early retirees and those who remain out of the workforce as a choice (ie to look after children or relatives). A factor in the high inactivity rate in NI is the high numbers of people who are unable to work through disability and are in receipt of DLA or PIP. Over 11% of people in NI are in receipt of DLA or a PIP²⁵ compared to UK average of approximately 6%²⁶.
- 3.3 NI has the lowest household income of the four devolved UK nations (Chart 1). The cost of housing does not offset this lower income. NI has higher private rental costs of £634pcm than Scotland (£629pcm), Wales (£626pcm) and several other UK regions (Appendix 5).

Chart 1 - Average 2015 household income²⁷



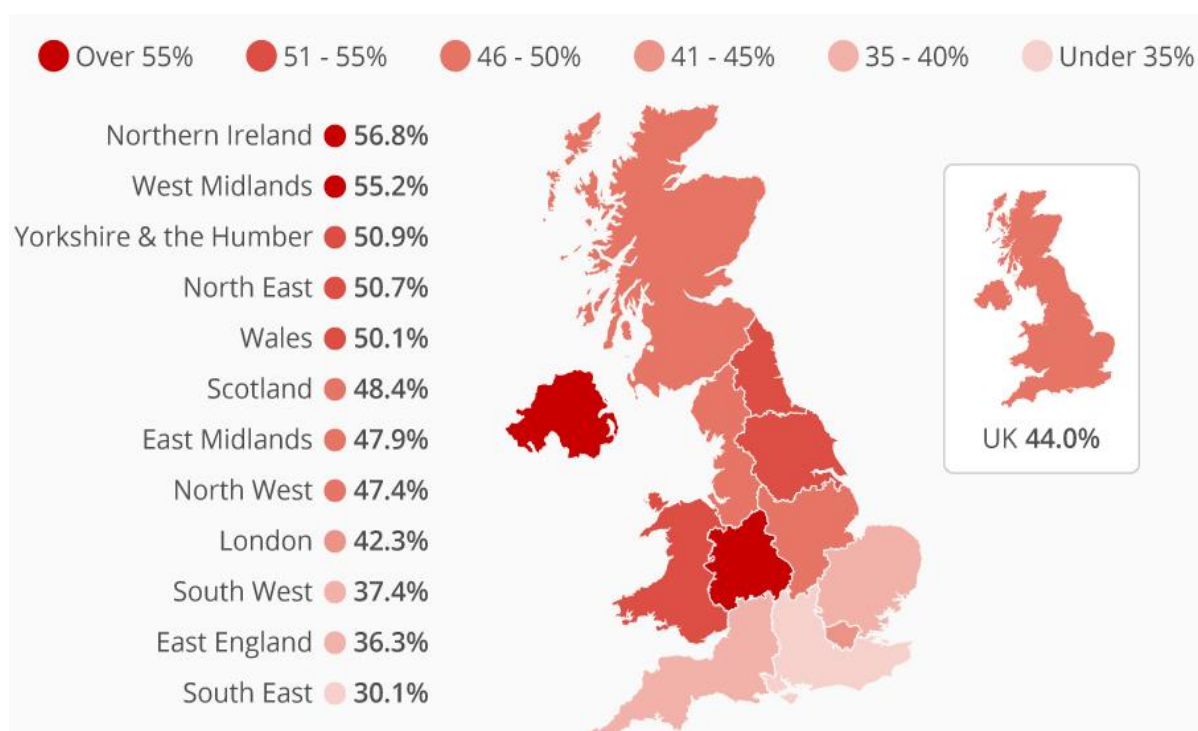
²⁵ <http://www.newsletter.co.uk/news/cost-of-disability-claims-in-ni-soars-by-200m-a-year-1-7017974>

²⁶ <https://www.statista.com/statistics/676184/share-of-families-receiving-benefits-by-benefit-united-kingdom-uk/>

²⁷ <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/adhocs/005514medianequivalisedhouseholddisposableincomebycountry2014to2015>

- 3.4 Whilst NI has the lowest mortgage spend of any UK region (Appendix 2), this is not sufficiently lower to counteract the lower wages. Average annual incomes in NI are £3,966 lower than Wales and £4,536 than Scotland but annual mortgage costs are only £254.40 and £278.40 lower respectively (Appendix 2).
- 3.5 These cost pressures combined with lower incomes have led to NI having the lowest discretionary income of any UK region (Appendix 6). Discretionary income is personal income after subtracting taxes and essential expenses (such as food, rent or mortgage, utilities, insurance, medical, transportation, property maintenance and child support, etc.) The average discretionary income in NI is £97 per week, which is £41 per week lower than the North East of England, the next lowest region (Appendix 6).
- 3.6 In addition to lower discretionary income, more people in NI have lower levels of savings than any other region in the UK. Over 56% of people in Northern Ireland have less than £100 in savings.

Chart 2 – Share of UK adult population with less than £100 savings, by region²⁸



Source: Money Advice Service

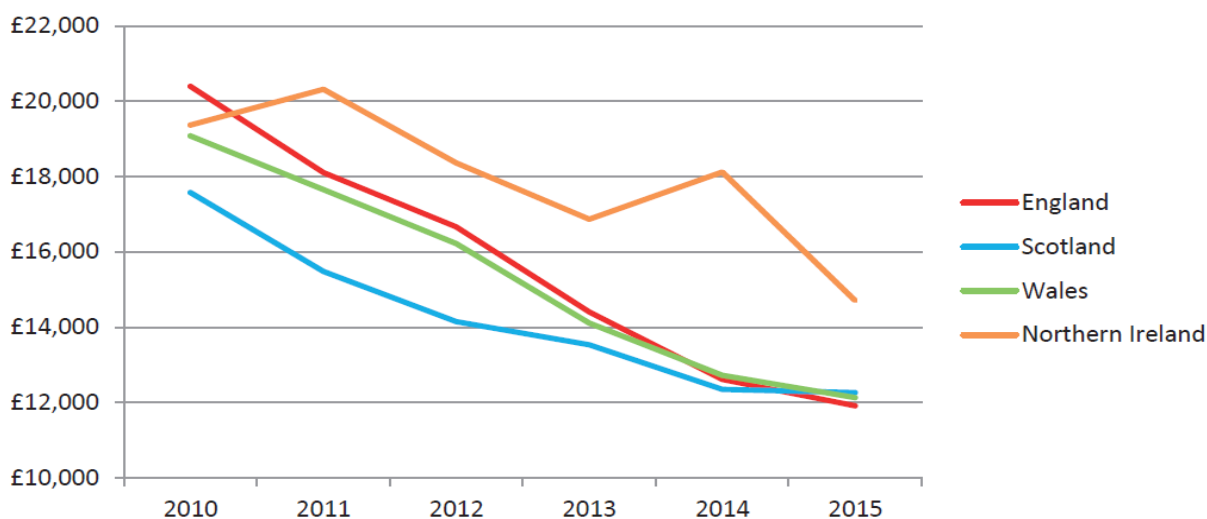
²⁸ <https://www.statista.com/chart/6219/half-uk-adults-less-than-%25C2%25A3100-savings/>

- 3.7 A lack of savings to absorb financial shocks is concerning but not surprising in the context of lower disposable incomes and higher economic inactivity. It highlights that there are a high number of people in NI living in distressed circumstances.

4. Debt

- 4.1 The Consumer Council's 2017 Assessment of the NI Mortgage Market²⁹ found that the 2008 GFC had a greater effect on NI than any other UK region. House prices fell further, more people were left in negative equity and higher numbers of people had mortgages they struggled to afford. The effect today is NI still has the highest mortgage arrears rates of any UK region. In 2016 6% of NI households with a mortgage were in arrears compared to a UK average of 3.4%³⁰.
- 4.2 Leading up to the 2008 GFC, NI had taken on an increased role in UK consumer spending, particularly high spend markets such as cars and mortgages. NI made up 2.9% of total UK new car sales by volume of sales³¹ in 2007 compared with 2.1% in 2016³². NI made up 1.9% of total UK new mortgage lending by loan amount in 2007 compared with less than 1% by 2016³³. As consumer confidence dropped following the 2008 GFC, across the UK many people tried to rein in their personal debt.

Chart 3 – 2015 StepChange average client debt balance³⁴



²⁹ Consumer Council – Assessment of NI Mortgage Market

³⁰ Ibid

³¹ It is not clear in the course of this research how many NI cars are purchased on some form of credit

³² See Appendix 4- Data from The Society of Car Manufacturers and Traders (SMMT)

³³ <https://www.thetimes.co.uk/article/mortgage-lending-hits-a-new-record-in-2007-lcq7xrmwdhw>; Consumer Council – Assessment of NI Mortgage Market <https://www.cml.org.uk/news/press-releases/gross-mortgage-lending-increases-by-12-in-2016/>;

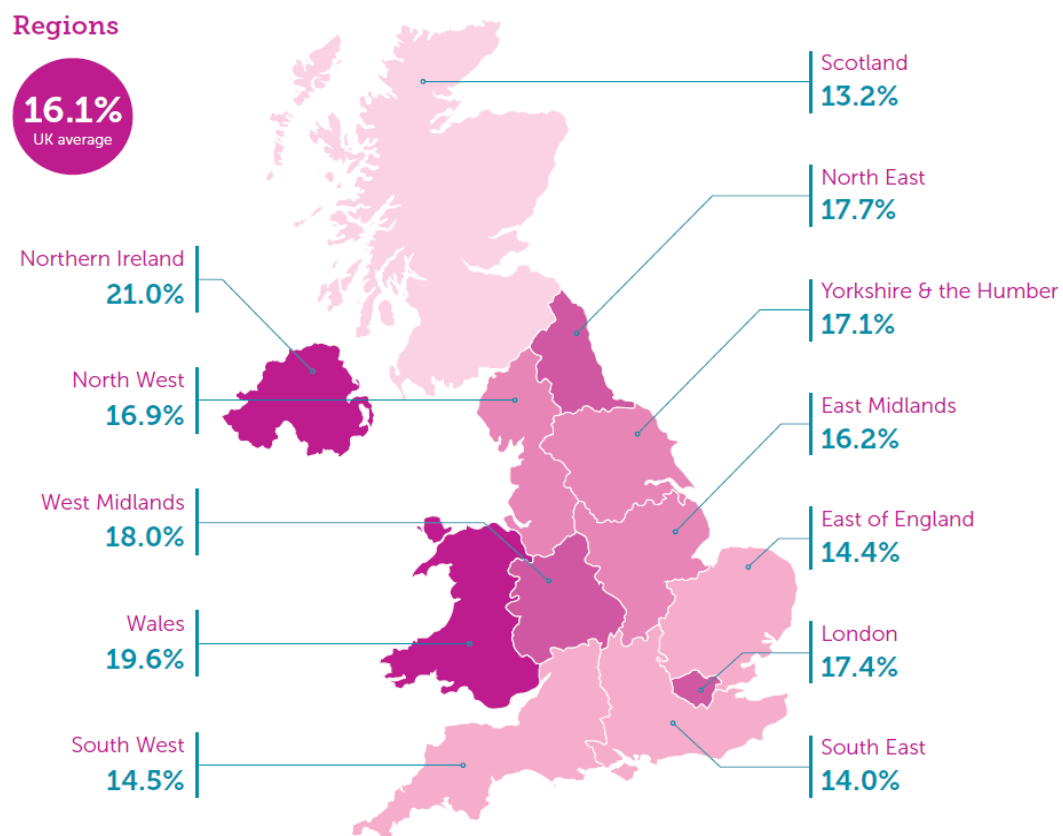
³⁴ https://www.stepchange.org/Portals/0/documents/Reports/Scotland_in_the_red_2015.pdf

4.3 Due to a number of factors, including lower incomes and long term financial commitments such as car loans and mortgages, people in NI struggled to reduce their personal debt at the rate of other UK regions.

4.4 In 2015, MAS found that NI was the most 'over-indebted' region in the UK, where over-indebted was defined as:

'Individuals who have been at least three months behind with their bills in the last six months or have said that they feel their debts are a heavy burden'.

Chart 5 – 2015 Proportion of the population that are 'over-indebted'³⁵



4.5 In the period from the 2008 GFC, NI saw a dramatic rise in the number of people who declared themselves to be insolvent, where people are unable to pay debts and enter formal bankruptcy procedures.

³⁵ https://masassets.blob.core.windows.net/cms/files/000/000/337/original/MAS_Report_10.03.2016.pdf

- 4.6 The average income of those seeking professional debt advice in NI is higher than the rest of the UK. The average income of those seeking help with StepChange is £15,648 compared to a UK average of £14,637 (see Chart 6). Similarly the average income of those seeking debt advice with CAP is £23,470 compared to a UK average of £16,520 (see Chart 7). These two charts also show a much higher debt to income ratio in NI compared to the UK as a whole.

Chart 6 - 2015 average debt amongst StepChange clients³⁶

UK Region	Average Client Income	Average client debt	Average client debt to income ratio
Scotland	£14,818	£12,263	83%
England	£14,635	£11,910	81%
Wales	£14,216	£12,721	89%
NI	£15,648	£14,708	94%
UK	£14,637	£11,977	82%

- 4.7 This higher income prior to seeking debt advice and debt to income ratio is evidence that either people in NI are taking longer to engage with professional debt advice or perhaps debt problems are happening in a higher income group.

Chart 7 - 2015 average debt amongst CAP clients³⁷

Region	Annual pre-tax income	Total debt at point of seeking help	Average client debt to income ratio
NI	£23,470	£26,185	112%
UK	£16,520	£13,968	85%

- 4.8 There are some signs of progress for NI, with evidence suggesting a slightly improving debt situation. The MAS study referred to in Chart 5 stated that 21.0% of the overall NI population was over-indebted. In this study NI was the most over-indebted UK

³⁶ https://www.stepchange.org/Portals/0/documents/Reports/Scotland_in_the_red_2015.pdf

³⁷ CAP Client Report 2015-https://capuk.org/downloads/cap_debt_help/client_report_2015.pdf. Specific data directly from CAP.

region. When MAS carried out a similar study in 2017, NI had fallen to the fourth least indebted region, with only 15.8% of the population being over-indebted³⁸. Similarly, in 2016, the numbers of insolvency proceedings in NI fell against the UK average (see Appendix 7).

- 4.9 This slight overall improvement likely stems from a rise in NI house prices in recent years, lifting many people out of negative equity³⁹. Between 2013 and 2016, the number of people in negative equity fell from 41% to 10%⁴⁰.
- 4.10 Despite evidence pointing to some improvement in overall indebtedness, NI still has high levels of problem debt. 10% of households with a mortgage are in negative equity, with an average negative equity balance of £32,000⁴¹. Furthermore, although insolvency proceedings are falling in NI (Appendix 7), the number of recorded Debt Judgements⁴² in NI has risen for the last three recorded quarters (Appendix 10). Data from StepChange showx that in 2016, NI remained the UK nation with the highest debt amongst those seeking debt advice.

Chart 8 – 2016 StepChange clients total debts⁴³

Region	Average client debt
Scotland	£15,321.77
England / Wales	£14,134.21
NI	£16,550.31

- 4.11 Further to this, university graduate debt continues to rise, reducing the optimism for further improvement to levels of indebtedness. NI student debt at the point repayment starts has risen from £10,900 in 2010 to £20,990 in 2017. This is partly due to the rise in fees at NI universities but also due to the increase in interest rates from

³⁸ <https://www.moneyadviceservice.org.uk/blog/are-you-one-of-the-8-3-million-adults-with-problem-debt>

³⁹ Consumer Council – Assessment of NI Mortgage Market

⁴⁰ Ibid

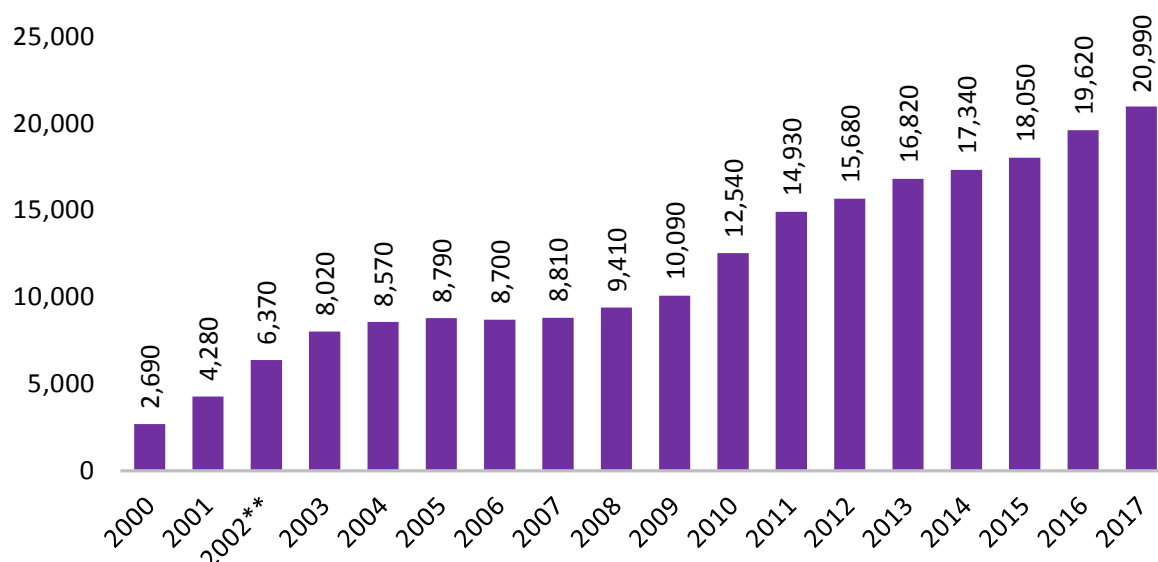
⁴¹ Ibid

⁴² Judgment debts are debts that have been reviewed by a judge in a court of law, and found to be valid.

⁴³ StepChange – Obtained by request

1.25% p.a. on pre-2012 student loans⁴⁴ to a maximum rate of RPI + 3% (6.1% as of November 2017)⁴⁵.

Chart 9 - Average student loan debt on entry to repayment in NI from 2000 to 2017 (in GBP)⁴⁶



4.12 Graduates do not start to repay any of their (post 2012) loan until they earn over £21,000 a year⁴⁷ and will cease to make repayments in the event of a job loss. Levels of student debt is not specific to NI but is still a problem in NI. University fees in England are typically higher than NI. NI graduates are starting work with less debt than their English counterparts but more than Scottish graduates (see Appendix 8).

4.13 The increasing levels of debt at the point of leaving university means university graduates will be paying off their loan for a greater amount of their working life. This in turn will decrease disposable income and could increase the likelihood of taking on further debt.

⁴⁴http://www.studentloanrepayment.co.uk/portal/page?_pageid=93,6678642&_dad=portal&_schema=PORTAL

⁴⁵Ibid

⁴⁶<https://www.statista.com/statistics/376516/student-loans-northern-ireland-average-debt-on-entry-to-repayment-timeline/>

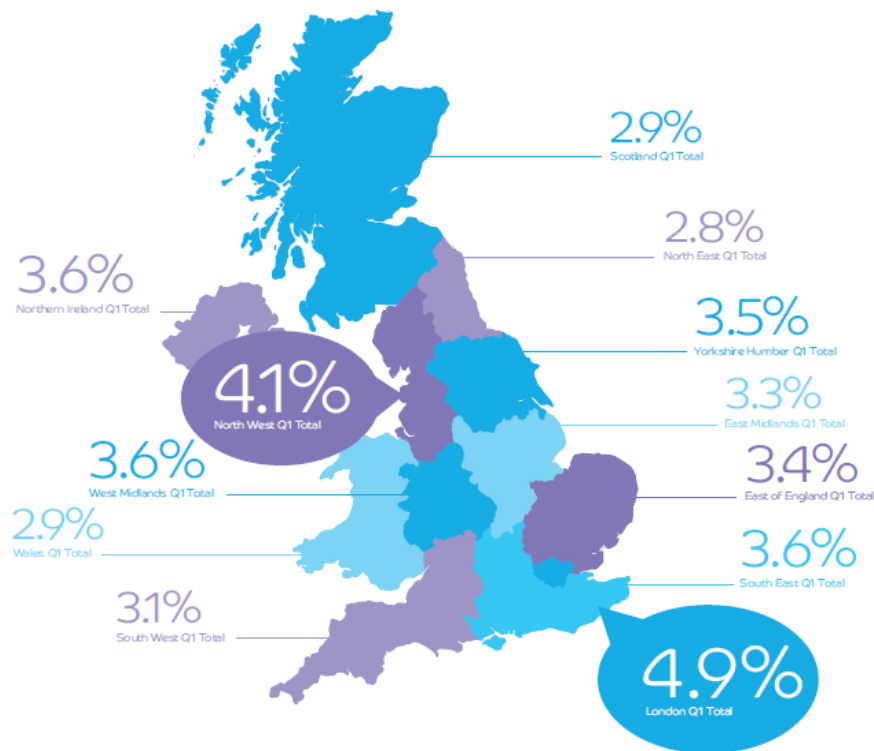
⁴⁷http://www.studentloanrepayment.co.uk/portal/page?_pageid=93,6678784&_dad=portal&_schema=PORTAL

5. Spending

- 5.1 Higher economic inactivity, lower disposable incomes and greater numbers of people in receipt of PIPs and DLA is a root cause to indebtedness experienced in NI. A further cause of indebtedness in NI is consumer spending.
- 5.2 NI has low discretionary income but many discretionary spending measures are higher in NI than other UK regions. Of the four devolved nations, NI has the highest spending on food, non-alcoholic drinks, restaurants, hotels, clothing and communication (Appendix 3). NI also has the second highest expenditure on alcohol, tobacco and narcotics.
- 5.3 Total expenditure in NI excluding housing is lower than England and Scotland (Appendix 3) but not by the margins that would be expected given the lower incomes. Monthly incomes in NI are £330.50 lower than Wales and £378 lower than Scotland but non-housing expenditure is only £42.67pcm lower than Scotland and £58.11pcm higher than Wales. Housing costs do not mitigate the difference. NI has higher private rental costs than Scotland and Wales (Appendix 5) and mortgage costs are only £21.17pcm lower than Wales and £23.20pcm lower than Scotland.
- 5.4 The 2015 Barclaycard Consumer Spending Report⁴⁸ stated that NI had high spending growth of 3.6%, the third highest in the UK. The same report stated the UK as a whole continued to spend more on '*nice to haves*' rather than essentials.

⁴⁸<https://www.home.barclaycard/content/dam/bcardpublic/FinalContent/NewsandViews/2015/Spendreport%20Q1/Barclaycard%20Consumer%20Spending%20Report%20-%20Q1%202015.pdf>

Chart 10 – 2015 Regional Spending Growth⁴⁹



Source: Barclaycard Consumer Spending Report – Q1 2015

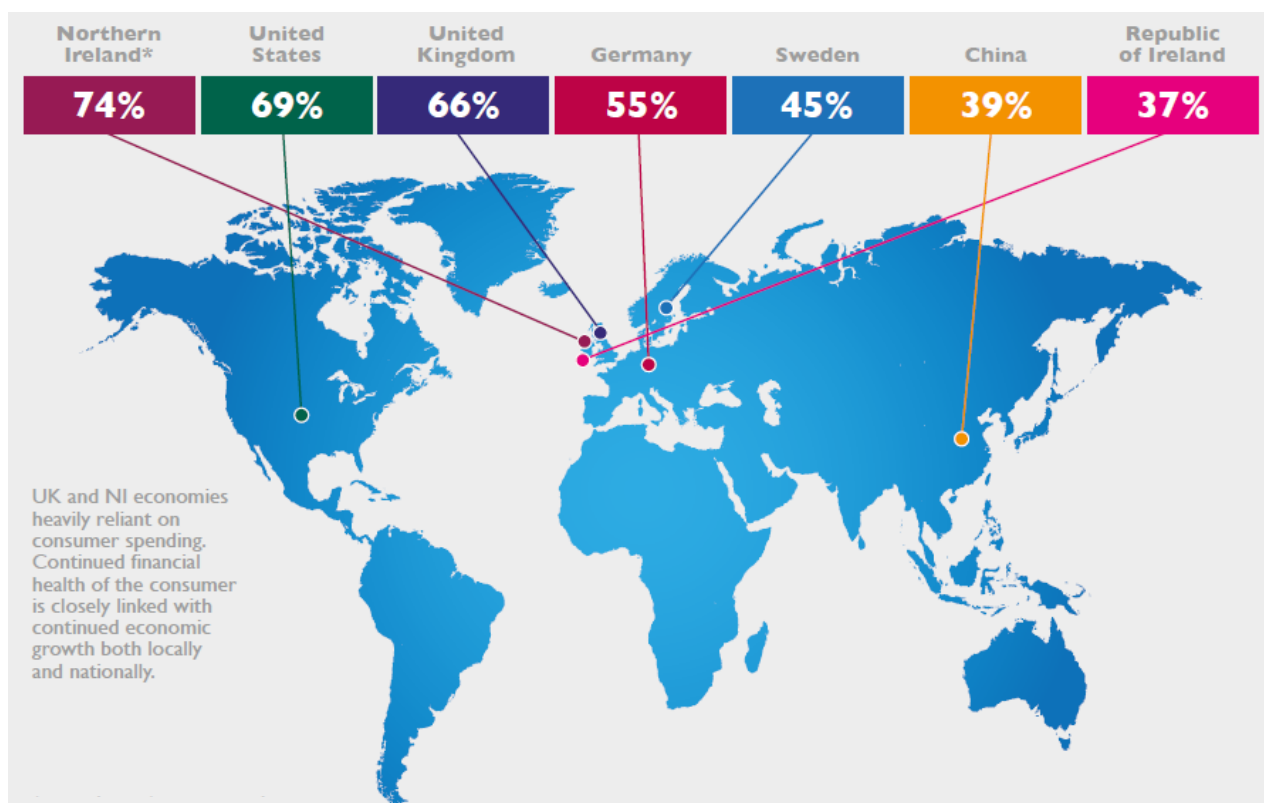
- 5.5 As debt data shows, the average income of people seeking debt advice in NI is higher than the UK, this suggests that those seeking debt advice is not entirely as a result of indebtedness arising from low incomes but for other reasons, possibly non-essential consumer expenditure.
- 5.6 When the type of debt is analysed, NI has particularly high credit and store card debt – a form of debt that is associated with consumer expenditure. This higher spending is corroborated by Castle Trust data (Appendix 2) which has NI as the fourth highest spending region in the UK – again higher than both Scotland and Wales⁵⁰.
- 5.7 Consumer spending is not specific to NI but the level of non-essential consumer spending in NI is high. It is not in NI's interest to pursue growth through unsustainable

⁴⁹[https://www.home.barclaycard/content/dam/bcardpublic/FinalContent/NewsandViews/2015/Spendreport Q1/Barclaycard%20Consumer%20Spending%20Report%20-%20Q1%202015.pdf](https://www.home.barclaycard/content/dam/bcardpublic/FinalContent/NewsandViews/2015/Spendreport%20Q1/Barclaycard%20Consumer%20Spending%20Report%20-%20Q1%202015.pdf)

⁵⁰<http://www.mortgagesolutions.co.uk/news/2013/02/18/mortgage-payments-represent-a-third-of-all-household-spending/>

consumer spending. NI has a higher proportion of GDP made up through consumer spending than the US, UK, Germany, Sweden, China and ROI (Chart 11).

Chart 11 – 2016 consumer spending as a % of overall GDP⁵¹



Source: ONS, Oxford Economics, Department for the Economy (*NI only 2012), UUEPC analysis

5.8 Any unsustainable lending will be to the detriment of NI consumers and the economy as a whole. The FCA, Bank of England and NI policy makers need to ensure that lending is affordable to individuals.

⁵¹ https://www.ulster.ac.uk/_data/assets/pdf_file/0008/181277/Outlook_Summer-2017_Infographic_UUEPC.pdf

6. Lending

- 6.1 UK-wide strategies are in place to target specific forms of problematic lending. Payday lending is one form of lending that has received much UK-wide scrutiny in recent years. Whilst there are UK wide lending issues, there are also NI specific issues. NI has unique market players, legislation and different forms of lending. There are 1,100 Consumer Credit firms⁵² registered specifically to NI⁵³, 38.4% of adults in NI are registered to a credit union compared to 3.3% in the UK and private bailiffs are not allowed in NI by law but are in GB⁵⁴.
- 6.2 The focus of this research is to look further into lending and debt issues that are particularly prominent to NI consumers. StepChange client data (Chart 12) shows for instance that personal loans, credit card and store card debt is particularly high in NI whereas payday loans and overdrafts are lower. The view that personal loans are higher in NI is further backed up by UK Finance and Bank of England data (Chart 14).

Chart 12 – 2016 average StepChange client debt by UK region⁵⁵

Type	Scotland	England/Wales	NI
Payday Loan	£1,363.24	£1,419.00	£1,371.43
Credit Card	£8,518.16	£8,264.11	£9,173.72
Catalogue	£2,082.63	£1,996.54	£2,078.58
Personal Loan	£8,852.79	£8,915.76	£9,118.40
Store Card	£1,221.66	£1,079.19	£1,537.05
Overdraft	£1,652.37	£1,706.14	£1,428.56

- 6.3 The Consumer Council has researched in greater detail different forms of unsecured lending in NI. The research has not sought to include all forms of lending, but has given

⁵² Consumer Credit firms are companies that are regulated by the FCA to carry out some form of unsecured lending.

⁵³ <https://register.fca.org.uk/>

⁵⁴ <https://www.moneyforce.org.uk/Debt/Bailiffs>

⁵⁵ StepChange Data requested directly – not all clients will have each type of debt. Total of these debts is not total average debt for each client

focus to lending that is commonly held or has featured as high use of those in problem debt.

Credit Unions

- 6.4 A credit union is a not-for-profit financial co-operative that provides savings and loan facilities for the benefit of its members. Surplus income generated is returned to the members as a dividend to savers and interest-rebate to borrowers. The place of credit unions in the NI lending market should not be underestimated. In the UK as a whole, 3% of adults are credit union members, whereas in NI, 38% of adults are⁵⁶. NI accounts for 2.76% of the UK adult population, but 32.4% of all UK credit union members (Chart 13) and 41% of the UK credit union loan market⁵⁷.
- 6.5 With a third of NI bank branches closing in the last five years⁵⁸ the place of credit unions in serving customers who want a physical place to carry out financial transactions is increasing. At the end of 2017 there were 219 bank branches and 162⁵⁹ credit union branches in NI.

Chart 13 – 2017 credit union adult members⁶⁰

UK Region	Adults in Region	Adult Credit Union members	Share of UK Adult Population	Share of UK Adult Credit Union Members
England	43,530,822	744,834	84.09%	44.12%
Scotland	4,372,939	330,284	8.45%	19.56%
Wales	2,437,212	65,637	4.71%	3.89%
NI	1,426,570	547,456	2.76%	32.43%
UK	51,767,543	1,688,211	100.00%	100.00%

⁵⁶ <http://www.bankofengland.co.uk/prd/Pages/regulatorydata/cu/creditunionsstatistics/default.aspx>

⁵⁷ Ibid

⁵⁸ <http://www.consumercouncil.org.uk/publications/banking-on-change-report/>

⁵⁹ https://www.online.economy-ni.gov.uk/ECUIP_App/ECUIP_Ext/CompanySearch.aspx

⁶⁰ <http://www.bankofengland.co.uk/prd/Pages/regulatorydata/cu/creditunionsstatistics/default.aspx>

- 6.6 One notable difference between credit unions in NI and GB is the maximum interest rate that can be charged. In GB credit unions can charge a maximum annual loan rate of 42.6% APR (or 3% a month). In NI, the maximum annual loan rate is 12.68% APR (1% a month). This is due to differences in legislation⁶¹.
- 6.7 Credit unions are often found in the most financially deprived areas and serve the lending needs of a wide demographic. They will lend to any member that can demonstrate a realistic repayment plan and many people who have high cost short term credit (HCSTC) products would have lower interest payments if they used credit union loans instead. Credit unions are not a form of HCSTC⁶². Credit unions can offer short term loans but are not high cost and are seen by some as a possible alternative to payday loans in the sub-prime unsecured lending market⁶³.
- 6.8 Credit unions for many can be a viable alternative to forms of HCSTC. However policy makers would be prudent not to rely solely on credit unions to tackle high interest indebtedness. Further policy and regulatory measures are needed in addition to the lending credit unions provide. In a 2013 report undertaken by the Northern Ireland Council for Voluntary Action (NICVA) a representative from the Ulster Federation of Credit Unions (UFCU) stated that credit unions are⁶⁴:
- ‘not currently equipped to compete with payday lenders. In order to protect their members’ interests they encourage prudent lending, whereas the payday lending model is designed to accommodate a high proportion of defaults.’*
- 6.9 Many forms of HCSTC employ loose lending criteria, offsetting the costs that come with this approach by having high interest rates on loans. This again is different to the credit union model. The advantage of HCSTC for customers is the low levels of checks which in turn means easy and quick access to credit. The reason for high interest rates

⁶¹ <https://www.nidirect.gov.uk/articles/borrowing-credit-union>

⁶² <https://www.fca.org.uk/publication/consultation/cp14-10.pdf> - section 1.20

⁶³ <https://www.theguardian.com/money/2013/jul/25/church-england-wonga>

⁶⁴ http://www.nicva.org/sites/default/files/d7content/attachments-resources/cee_expensive_lending_in_northern_ireland_2013.pdf

on HCSTC is to offset against a numbers of customers who are not able to pay back the loan. NICVA's 2016 'Affordable Alternatives to High Cost Credit in Northern Ireland' report sought to scope alternatives to home credit and illegal lending in NI⁶⁵. The research concluded that to create a replicable product to compete with forms of HCSTC, even a 100% APR loan may not be sustainable for a not-for-profit organisation to provide an alternative to payday lending⁶⁶. As noted earlier, by law, the maximum interest rate a credit union in NI can provide is 12.68% APR.

Personal Loans

- 6.10 In NI, banks and credit unions compete for loan business. The average value of a personal loan to consumers from high street banks in NI and GB loan values are similar (Chart 14). The average personal loan per adult in GB is £730 and £751 in NI. When credit unions are considered, the average loan in GB goes up by £15 per adult to £745, whereas it goes up by £358 to £1,109 in NI. The personal lending outlined in Chart 14 supports the debt advice charity findings (Charts 7 and 8) that NI has higher levels of debt than other parts of the UK.

Chart 14 – 2017 loans per adult in NI⁶⁷

UK Region	Adult Population	Total Banking Loans	Credit Union Loans	Personal Loan per adult		
				Bank	Credit Union	Combined
GB	50,670,444	£37,009,906,391	£738,099,000	£730	£15	£745
NI	1,437,885	£1,079,545,175	£514,435,000	£751	£358	£1,109

- 6.11 It is also noteworthy that the banks that are lending in NI are often different from GB. NI has four dominant banks, where the majority of their UK business comes from NI. Danske Bank, First Trust (part of the AIB group), Ulster Bank (part of the RBS group) and Bank of Ireland hold 65% of the NI personal current account (PCA) market⁶⁸,

⁶⁵ http://www.nicva.org/sites/default/files/d7content/attachments-resources/40536_nicva_credit_report_web.pdf

⁶⁶ Ibid

⁶⁷ UK Finance Postcode Lending and Bank of England Credit Union Statistics

⁶⁸ <https://publications.parliament.uk/pa/cm201314/cmselect/cmniaf/uc650-ix/uc65001.htm>

whereas these same firms hold 19% of the GB market⁶⁹. This is similar for personal lending. The four NI based banks have similar levels of outstanding loans as Barclays, HSBC, Lloyds Banking Group (LBG), Nationwide & Santander combined (Chart 15).

Chart 15 – Q3 2017 total personal loan lending in NI by outstanding amounts⁷⁰

Personal Loans held by	Outstanding Loan Amount
Danske Bank	£81,925,748
First Trust (Allied Irish Bank)	£62,080,014
Bank of Ireland	£270,666,262
Ulster Bank	99,136,693
GB Based Banks - Barclays, Clydesdale & Yorkshire, HSBC, LBG, Nationwide, Santander.	£554,568,499
NI Credit Unions	£514,435,000
Total	£1,594,921,216

Credit Cards

- 6.12 NI is not being considered in UK-wide conversations on credit cards because the region is excluded from key credit card studies. Credit reference agencies Experian and Noddle have both published ‘UK’ reports on average credit card debts by region in the last two years that have excluded NI from the data⁷¹. Credit card problems in NI are unlikely to be identified and therefore cannot be proactively addressed.
- 6.13 Despite being excluded from major pieces of research there is evidence to suggest NI has higher levels of credit card debt than the rest of the UK. In the UK, 66% of credit card holders are paying interest on their balance each month (ie the balance is not fully paid off)⁷² compared to 76% in NI⁷³. Further to this, at the point of seeking debt

⁶⁹ 18% of the GB market is with RBS. BOI, Danske and First Trust has 1% of the market between them.

⁷⁰ UK Finance Postcode Lending and Bank of England Credit Union Statistics

⁷¹ <http://www.experian.co.uk/consumer/credit-card-hotspots/>; www.telegraph.co.uk/personal-banking/credit-cards/mapped-uk-areas-that-rely-most-upon-credit-cards/;

⁷² http://digitalnewsroom.media/zopa/debt-age-crisis/#_edn3

⁷³ <http://digitalnewsroom.media/zopa/debt-age-northern-ireland/>

advice the average StepChange client in NI has over £1,300 higher combined credit and store card debt than those in England and Wales.

Chart 16 – 2016 Average Credit and Store Card Debt of people who have sought debt advice

Region	Average Credit Card Debt	Average Store Card Debt	Total Store and Credit Card Debt
England/Wales	£8,264	£1,079	£9,343
NI	£9,174	£1,537	£10,711
Scotland	£8,518	£1,222	£9,740

- 6.14 Going forward, NI data needs to be included in UK studies looking at regional debt or the remedies offered to problem debt will be reactive rather than proactive.

Car Finance

- 6.15 Car finance is the purchase of vehicles by consumers on a credit arrangement. It is an issue that is not specific to NI but is still concerning. Between 2009 and 2016 the annual value of new car finance issued in the UK rose from just under £6bn to £18bn a year. In the same period the proportion of new vehicles bought on credit rose from 50% to 88% of all new car sales⁷⁴. There is growing concern among some market commentators that car finance arrangements could trigger the next financial crash⁷⁵ as growing inflation, low wage growth and increasing interest rates erode disposable income and make repayment arrangements unaffordable.
- 6.16 The rise in car finance levels comes as a result of the rapid rise in personal contract purchase (PCP) arrangements. PCPs differ from traditional finance arrangements where consumers pay off a loan in instalments and own the product at the end of the agreement. With PCP arrangements, customers pay lower monthly amounts over the

⁷⁴ <http://uk.businessinsider.com/statistics-uk-bank-exposure-pcp-car-finance-debt-2017-7>

⁷⁵ <https://www.theguardian.com/money/2017/feb/10/are-car-loans-driving-us-towards-the-next-financial-crash>; <http://www.independent.co.uk/news/business/news/fca-chief-andrew-bailey-defends-car-finance-despite-fears-of-financial-crisis-a7983301.html>; <https://www.ft.com/content/8b6607de-6304-11e7-91a7-502f7ee26895>;

contract (often between 24 and 48 months), leaving a final 'balloon payment' to be made at the end of the agreement. The total borrowing is the same in both cases, and interest is payable on the entire amount (including the balloon payment on the PCP). Many people will not have the means to make the final 'balloon payment' and will enter another PCP agreement.

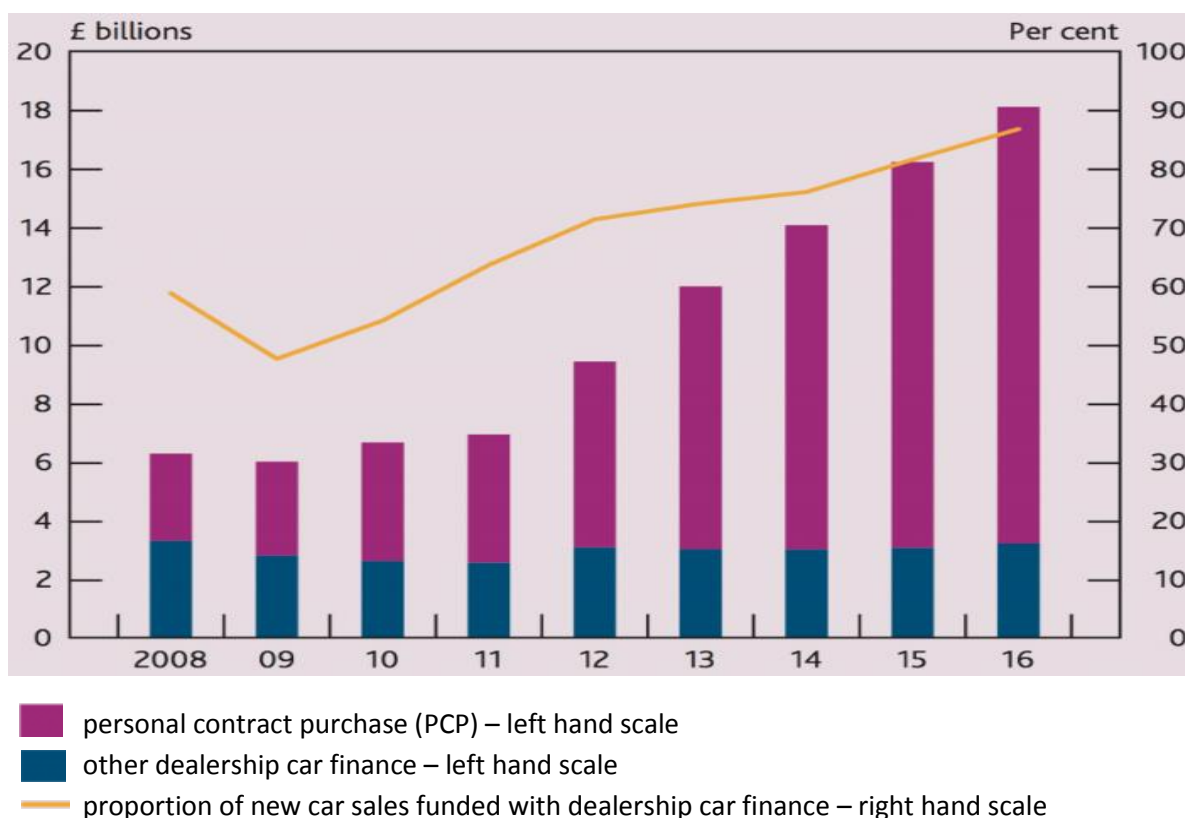
- 6.17 The fact that people choose to use PCP arrangements as a route of access to the new car market is not an issue in itself, however there are troubling elements. The Consumer Council have expressed concern in previous research that many NI consumers are unprepared for Bank of England interest rate rises that will inevitably happen⁷⁶. In the event of Bank of England interest rate rises, mortgage costs will rise and household expenditure will become squeezed. Unlike other expenditures PCP arrangements cannot be reduced and consumers with insufficient spare income could enter repayment difficulties either with their PCP or mortgage.
- 6.18 Due to a lack of publically available information, it is difficult to know how exposed NI is to the UK car finance market. The best measure is the activity of NI consumers in the UK new car market. Since 88% of new cars are bought on some form of finance arrangement, new car purchases will give some indication to exposure. It should be noted that measuring car finance exposure by new car purchases will not take into account loans taken for second hand cars. NI consumers purchased 2.1% of new cars in the UK in 2016 (Appendix 4). Given NI has 2.76% of the adult population, this would indicate that NI has a less than proportionate exposure to the potential UK car finance problem⁷⁷.
- 6.19 Although NI might be less than proportionally exposed, the rise in UK car finance has been exponential and adds further credence to the view that NI consumers are becoming increasingly indebted. As car finance is a UK wide and not an NI specific issue, The Consumer Council does not have any NI specific recommendations.

⁷⁶ Consumer Council – Assessment of NI Mortgage Market

⁷⁷ It is not clear through this research the proportion of cars in NI bought on finance. Statement is made on the assumption that people in NI are equally likely to purchase a new car on credit as people in the rest of the UK.

However, we are concerned at the level of car finance debt in the UK. More needs to be done by car finance companies to ensure that people can afford repayments even in the event of changing circumstances (ie in the event of an interest rate rise or unexpected bills). This is currently the case when applying for a mortgage but not when purchasing a new car.

Chart 17 – 2008 to 2016 value of annual dealership car finance for new car purchases, and proportion of private new car purchases funded with dealership car finance in the UK⁷⁸



6.20 Incentives for car sales staff to sell cars specifically on debt should be looked at by the FCA. It is questionable whether car sales staff should benefit further by selling a debt plan, rather than commission being linked just to the sale of the car.

Payday loans (High Cost Short Credit)

6.21 Loans referred to as payday loans in this section are high interest loans for up to six months. Payday loans became FCA regulated in April 2014, and a price cap was

⁷⁸ <http://uk.businessinsider.com/statistics-uk-bank-exposure-pcp-car-finance-debt-2017-7>

introduced by the FCA in January 2015. The price cap means payday loan interest and fees cannot exceed 0.8% per day of the amount borrowed, default charges must not exceed £15 and a total cost cap of 100% of the initial loan amount applies.

6.22 Payday loans have been much publicised and criticised. Prior to 2014, loans attracted interest rates of over 4,000% APR⁷⁹, were sold to vulnerable customers, carried out few affordability checks and had high default fees. Payday loan borrowing rose significantly between 2006 and 2013 in the UK, when the market value peaked at £2.5 billion.⁸⁰

6.23 Since coming under FCA regulation and having a price cap introduced the market has got smaller. The number of payday loan problems coming through Citizens Advice has halved⁸¹ and StepChange reports that the proportion of people coming to the charity with payday loan debts has fallen from its peak of 23% in 2013 to 16% in 2016⁸². The FCA noted in its 2017 review of the payday loan market and price cap that complaints to the Financial Ombudsman Service (FOS) have continued to increase even after 2014. However FOS state in their 2016/17 Annual Report that⁸³:

‘The FCA’s tougher rules for high-cost short-term credit are having an impact. Most of the payday loan complaints we’re now getting involve loans that were taken out some time ago’

6.24 Although conduct has improved in the payday loan market, the loans still have very high interest rates of up to 1,286%⁸⁴, are often taken by people in distressed circumstances and are still a popular form of easy access finance. In the course of this research we have not come across evidence that determines the prevalence of payday loans in NI.

⁷⁹ <https://www.theguardian.com/money/2011/dec/09/payday-loans-get-cheap-credit>

⁸⁰ <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/Payday%20Loan%20Report%202.pdf>

⁸¹ Ibid

⁸² <https://www.stepchange.org/Mediacentre/Pressreleases/Paydayloansindustryregulations.aspx>

⁸³ Financial Ombudsman Service Annual Review 2016/2017, page 19

⁸⁴ Consumer Council – ‘Borrowing Money’ publication

- 6.25 However NI debt charities reported in 2012 and 2013 that payday loans were damaging to NI communities⁸⁵. There is some evidence to suggest payday loans are slightly less popular in NI than the UK as a whole. Chart 12 shows that StepChange clients in NI have on average lower payday loan debt than their clients in England and Wales.
- 6.26 Whether they are more or less popular in NI, what is certain is that payday loans are a UK wide product and issue. They have received much attention from the FCA, national debt charities and UK wide politicians. As payday loans are often accessed online, a UK wide approach to tackling payday loans will achieve results in NI and no specific NI measures are needed.

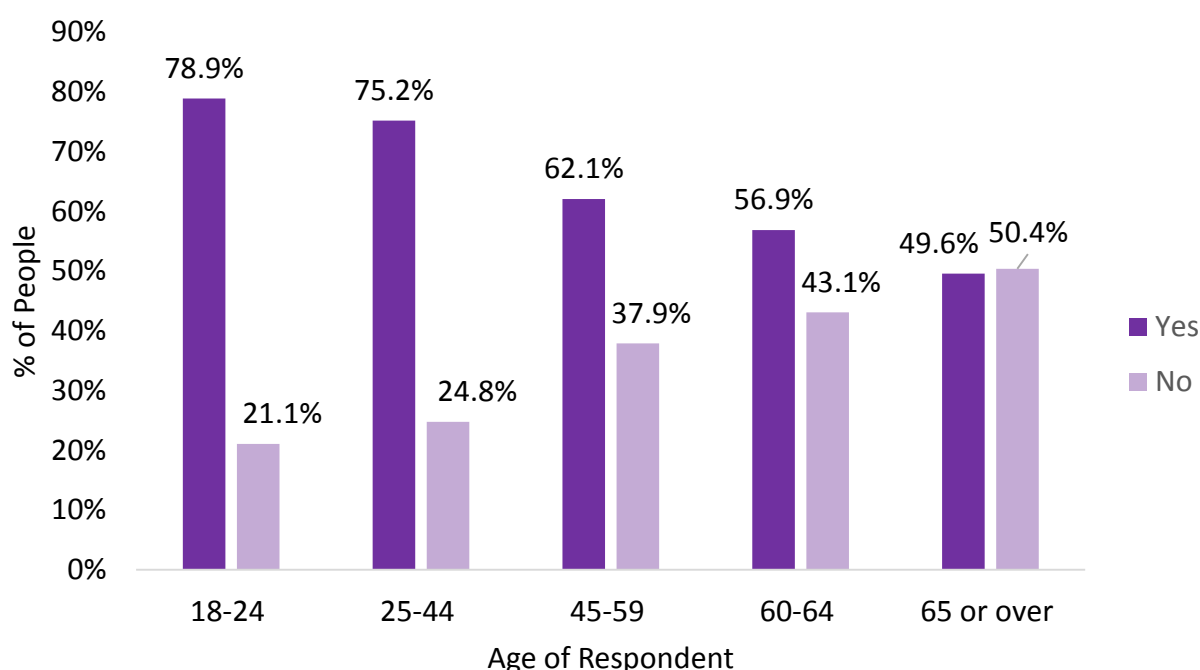
Home Collection Credit (Doorstep Lending)

- 6.27 When reviewing lending products from a policy perspective, much focus is inevitably given to innovative, electronic and online forms of lending, such as credit cards, payday loans, store cards and peer to peer lending. It can be forgotten that many people in distressed circumstances often operate outside the banking system and do not make electronic payments. This problem is more widespread in NI than in GB. In NI, 10% of people are 'unbanked' (ie they do not have a bank account and operate outside the mainstream banking system)⁸⁶. The equivalent figure in GB is only 4%.
- 6.28 NIHE undertake a comprehensive survey each year of their tenants. The survey gives an insight into lower income households. More than half of NIHE tenants aged over 65 years old and nearly 40% of tenants aged 45-59 years old do not have either a debit or credit card (Chart 18). This corroborates the view that many people, particularly with lower incomes, are operating outside mainstream finance channels. This in turn means that many forms of lending will not be available to them.

⁸⁵ <https://www.belfasttelegraph.co.uk/news/northern-ireland/payday-loan-debt-crisis-is-spiralling-in-northern-ireland-29114823.html>; <https://www.belfasttelegraph.co.uk/news/northern-ireland/pay-day-loans-blamed-for-soaring-debt-in-derry-28923864.html>

⁸⁶ Consumer Council – Banking on Change

Chart 18 – 2015 NIHE tenants with debit payment card (switch) and/or credit card ⁸⁷



6.29 One form of lending open to unbanked individuals are credit unions, which have been covered earlier in this report. A further form of lending is home credit finance, which is also known as doorstep lending. As the name suggests, doorstep lending offers people access to credit without needing to leave home. The loan agreement can be made in an individual's home and may be paid in cash or bank transfer to the person. The repayments are then collected by a collections officer who takes cash payments at the individual's home. The lending does offer access to credit to people on low incomes or who are unbanked, however the interest rates of up to 272% APR⁸⁸ are very high. Whilst doorstep lending can fulfil a need, it can also compound indebtedness if there is not a realistic means of repayment.

6.30 The conditions in NI (low incomes, large urban areas⁸⁹ of deprivation and higher levels of people who are unbanked) create an environment where doorstep lending could thrive. StepChange have warned that with the introduction of Universal Credit to NI,

⁸⁷ https://www.nihe.gov.uk/ctos_2015_main_report-3.pdf

⁸⁸ <https://www.moneyadviceservice.org.uk/en/articles/home-credit-or-doorstep-lending#why-home-credit-can-cause-problems>

⁸⁹ Doorstep lending is more likely to occur in urban areas as the close proximity of housing makes time between collections and sales shorter

doorstep lending could grow further⁹⁰. How exposed NI is to doorstep lending is unclear but there is certainly a significant presence in NI⁹¹. Any increase in doorstep lending is concerning as it is often used as a lender of last resort.

- 6.31 The Consumer Council are concerned that, as a result of bank branch closures, the convenience of doorstep lending could become more prevalent as people who are less familiar with online options seek convenience over value. The Consumer Council are committed to raising awareness of different forms of lending and want consumers to be aware of the costs involved with HCSTC such as payday loans and doorstep lending.
- 6.32 Doorstep lending can fulfil a need and policy makers must be careful not to stamp out lending just because it is high cost. If supply is stopped without a commensurate reduction in demand, people will find different, more concerning ways of borrowing, particularly illegal lending.

Illegal lending

- 6.33 Lending in the UK is regulated by the FCA. The FCA has a register where consumers can see whether the company they are dealing with is a regulated lender. Non-regulated lending to consumers in almost all cases is illegal. The detriment for consumers undertaking illegal loans is significant, including expensive and unfair repayment terms and possible physical violence⁹².
- 6.34 Whereas the regulation of legal lending is carried out by one body across the UK, the FCA, the enforcement of illegal lending is devolved to the four home nations⁹³. In Scotland, Wales and England, the Illegal Money Lending Teams (IMLT) prosecute illegal lenders. Within the IMLT, there are devolved functions. In Scotland cases are sent to the Scottish Illegal Money Lending Project, in Wales it is the Wales Illegal Money Lending Unit and England it is the IMLT. In NI, prosecution of illegal lending is

⁹⁰ <https://www.belfasttelegraph.co.uk/news/northern-ireland/universal-benefit-changes-driving-more-people-to-doorstep-loans-says-debt-manager-36166470.html>

⁹¹ Ibid

⁹² <https://www.fca.org.uk/publication/research/illegal-money-lending-research-report.pdf>

⁹³ <https://www.fca.org.uk/publication/mou/mou-fca-latss.pdf>

not assigned to any organisation. The GB IMLT received specific funding of £4.6m in 2014/15⁹⁴. In NI, no specific funding as yet has been provided to tackle illegal lending.

6.35 Illegal lending will sometimes be discovered in the course of other work that Trading Standards Service NI (TSSNI) and the Police Service for Northern Ireland (PSNI) undertake but there is no dedicated body that proactively pursues the activity. Consequently between 2004 and 2013 there have been only two successful prosecutions of illegal money lenders in NI⁹⁵. Over the same period in GB there have been 324 successful prosecutions⁹⁶.

6.36 It is not known how big the problem of illegal lending is in NI, but NICVA's 2013 'Expensive Lending' report suggests it could be significant⁹⁷. More recently the FCA hosted a roundtable in Belfast with consumer facing organisations, as part of its research into illegal lending⁹⁸. This FCA insight highlighted different individual cases from NI:

'A father took on his son's loan from a paramilitary and found that a £5k loan quickly became £50k as penalties and unexplained charges were added on.'

'Paramilitary lenders would charge sky-high rates. Debts could quickly escalate. A £20 loan for drugs could quickly become a £500 loan. The client resorted to stealing to buy food and two years later still owed £550 despite having made many payments.'

6.37 The IMLT estimate as many as 310,000 households in the UK are in debt to an illegal money lender⁹⁹. Irrespective of the extent of the problem in NI, there needs to be a

⁹⁴ <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2014-06-24/202104/>

⁹⁵ http://www.nicva.org/sites/default/files/d7content/attachments-resources/cee_expensive_lending_in_northern_ireland_2013.pdf

⁹⁶ <https://www.theguardian.com/uk-news/2014/jan/24/sixty-victims-loan-shark-witness-protection-illegal-moneylending>

⁹⁷ http://www.nicva.org/sites/default/files/d7content/attachments-resources/cee_expensive_lending_in_northern_ireland_2013.pdf

⁹⁸ <https://www.fca.org.uk/publication/research/illegal-money-lending-research-report.pdf>

⁹⁹ <http://www.stoploansharks.co.uk/who-we-are/>

fully empowered and resourced body to proactively tackle illegal lending in NI. This could take the form of greater funding and powers for TSSNI, PSNI or a new, separate body to address the issue.

7. Recommendations

- 7.1 The Consumer Council are concerned that a significant number of people in NI are over-indebted. Whilst many people will be well positioned to service the debt they hold, many are not. The high number of people economically inactive and with lower disposable incomes suggests more people in NI could turn to debt to afford basic expenditures. This suggestion is corroborated by the high numbers of people in NI with less than £100 in savings (Chart 2).
- 7.2 At the same time, there are people in NI who are spending beyond their means. The higher average income of clients who are seeking debt advice suggests problem indebtedness does not solely exist with those on lower incomes. The high levels of discretionary spending seen in NI, in the context of lower disposable incomes, give further reason to consider a spending problem may also exist.
- 7.3 It should be noted that high levels of debt is not just a banking issue and that credit is available from a multitude of sources. The average personal loan from a bank to an adult in NI is broadly similar to that in GB (Chart 14), but overall indebtedness appears to be higher in NI than the UK as a whole (Charts 3, 5, 7 & 8) suggesting the greater indebtedness stems from non-bank lending.
- 7.4 The challenge for policy makers and regulators is to reduce overall indebtedness to sustainable levels, ensure problem debt is identified early and where possible get people on the lowest cost debt available for their circumstances. A supply of lending products is required for those who might not be able to access mainstream forms of finance, but are not the intended market for high interest rate loans of doorstep and payday lenders. Policy makers may need to consider if there are private sector alternatives that can operate in NI. Solutions may be available that do not need specific government funded initiatives to improve customer outcomes. Further specific research is needed on whether NI consumers could benefit from greater competition in the unsecured lending market.

- 7.5 The Consumer Council will follow ongoing developments in the lending market and attendant mitigating strategies. The FCA took over the regulation of the majority of unsecured lending only in April 2014. Since the introduction of new regulation, industry practices are starting to change and affordability requirements have become stricter on a range of products. Time is required to determine whether these measures are having the required effect. These and other developments may be the subject of future research undertaken by The Consumer Council.
- 7.6 MAS and its successor body the Single Financial Guidance Body (SFGB) have an NI specific strategy in place to increase debt advice provisions and uptake in NI. Again, it will be some time before the success or otherwise of this strategy to mitigate indebtedness can be determined. The Consumer Council awaits the outcomes of these UK-wide initiatives.
- 7.7 The issues highlighted in this report inform the following recommendations to improve the quality of lending and address debt problems in NI:
- 7.7.1 Further research is needed to identify the extent to which illegal lending is happening in NI. In GB specific funding and enforcement powers are given to bodies whose sole purpose is to tackle illegal lending. In NI, there is no body that prosecutes illegal lending and the issue is not being dealt with. Consideration should be given to how this arrangement in NI can be rectified;
- 7.7.2 More data is needed to represent NI at a UK policy level. The Consumer Council are offering to work with relevant agencies that have failed to include NI in research they have presented as UK wide. In the course of this research we have found three CRAs that have presented themselves as UK wide but do not include NI in their research¹⁰⁰. CRAs often sell UK wide data to policy makers and

¹⁰⁰ <http://www.thisismoney.co.uk/money/cardsloans/article-3273996/How-neighbours-manage-money-Interactive-map-reveals-average-credit-scores-postcode.html>; <http://www.experian.co.uk/consumer/credit-card-hotspots/>; <http://www.telegraph.co.uk/personal-banking/credit-cards/mapped-uk-areas-that-rely-most-upon-credit-cards/>

regulators. The Consumer Council are concerned that if NI is not being included in high profile regional analysis, then it will not be considered in any form of solution; and

7.7.3 It is also imperative that stronger affordability requirements are put in place for credit products. Easy access to credit for people who cannot afford the repayments is an avoidable root cause of debt. Greater affordability checks need to be taken on a range of credit products – most notably credit cards and car finance. The FCA are in the process of implementing a range of measures from their recent 2016 Credit Card Market Study¹⁰¹. No such increased requirements have been made for car finance. The Consumer Council does not believe that cars loans should be agreed on the basis of self-certification of income. It did not work in the mortgage market¹⁰² and it will not work for car financing.

7.8 The Consumer Council's primary concern is to promote and safeguard the interests of NI consumers. We therefore welcome discussion and feedback on any of the topics raised in this report.

¹⁰¹ <https://www.fca.org.uk/publications/market-studies/credit-card-market-study>

¹⁰² <https://mortgageadvisers.which.co.uk/specialist/self-certification-mortgages/>

8. Appendices

Appendix 1 – 2017 UK regional unemployment and inactivity¹⁰³

UK Region	Unemployment rate aged 16 and over	Inactivity rate aged 16 to 64
United Kingdom	4.50%	21.50%
Great Britain	4.40%	21.30%
England	4.50%	21.00%
North East	6.00%	22.90%
North West	4.30%	22.50%
Yorkshire and The Humber	4.80%	22.90%
East Midlands	3.80%	22.30%
West Midlands	5.90%	23.60%
East	4.00%	19.10%
London	5.50%	21.50%
South East	3.40%	18.30%
South West	3.50%	17.80%
Wales	4.60%	23.80%
Scotland	3.80%	22.90%
Northern Ireland	5.30%	27.40%

Source: Office for National Statistics

¹⁰³ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionallabourmarket/july2017>

Appendix 2 – 2013 average mortgage & monthly household spending¹⁰⁴

UK region	Average monthly mortgage spending	Average monthly household spending	Mortgage spending as % of household spending
South East	£692.40	£2,157.20	32.10%
North East	£484.00	£1,536.80	31.50%
London	£716.80	£2,299.60	31.20%
South West	£587.20	£1,919.60	30.60%
North West	£534.40	£1,776.00	30.10%
UK	£557.20	£1,882.80	29.60%
Wales	£459.60	£1,592.80	28.90%
Yorkshire and Humberside	£469.60	£1,640.40	28.60%
West Midlands	£478.00	£1,698.40	28.10%
East	£553.20	£1,988.40	27.80%
East Midlands	£477.20	£1,787.60	26.70%
Scotland	£461.60	£1,762.40	26.20%
Northern Ireland	£438.40	£1,957.60	22.40%

Source: Castle Trust 2013

¹⁰⁴ <http://www.mortgagesolutions.co.uk/news/2013/02/18/mortgage-payments-represent-a-third-of-all-household-spending/>

Appendix 3 - 2015 Cost of Living Survey ¹⁰⁵

No.	Average monthly individual expenditure	England	Wales	Scotland	NI	UK Average
1	Food and non-alcoholic drinks	£106.50	£98.26	£109.20	£113.03	£106.43
2	Alcoholic drinks, tobacco and narcotics	£21.92	£18.53	£29.94	£26.31	£22.53
3	Clothing and footwear	£41.83	£41.41	£44.33	£63.40	£42.50
4	Household goods and services	£60.47	£53.40	£53.54	£53.16	£59.35
5	Health	£12.60	£8.54	£8.64	£9.54	£12.09
6	Transport	£128.24	£110.06	£140.67	£113.74	£127.87
7	Communication	£26.85	£24.52	£26.29	£28.43	£26.75
8	Recreation and culture	£120.38	£105.34	£115.92	£99.78	£118.71
9	Education	£15.89	£20.16	£12.47	£5.65	£15.39
10	Restaurants and hotels	£75.99	£60.30	£74.85	£81.77	£75.29
11	Miscellaneous goods and services	£73.44	£55.76	£65.63	£67.82	£71.81
12	Other expenditure items	£132.99	£101.71	£117.26	£93.43	£129.15
13	Total expenditure (exc. housing)	£817.10	£697.96	£798.74	£756.07	£807.87

Source: Office for National Statistics

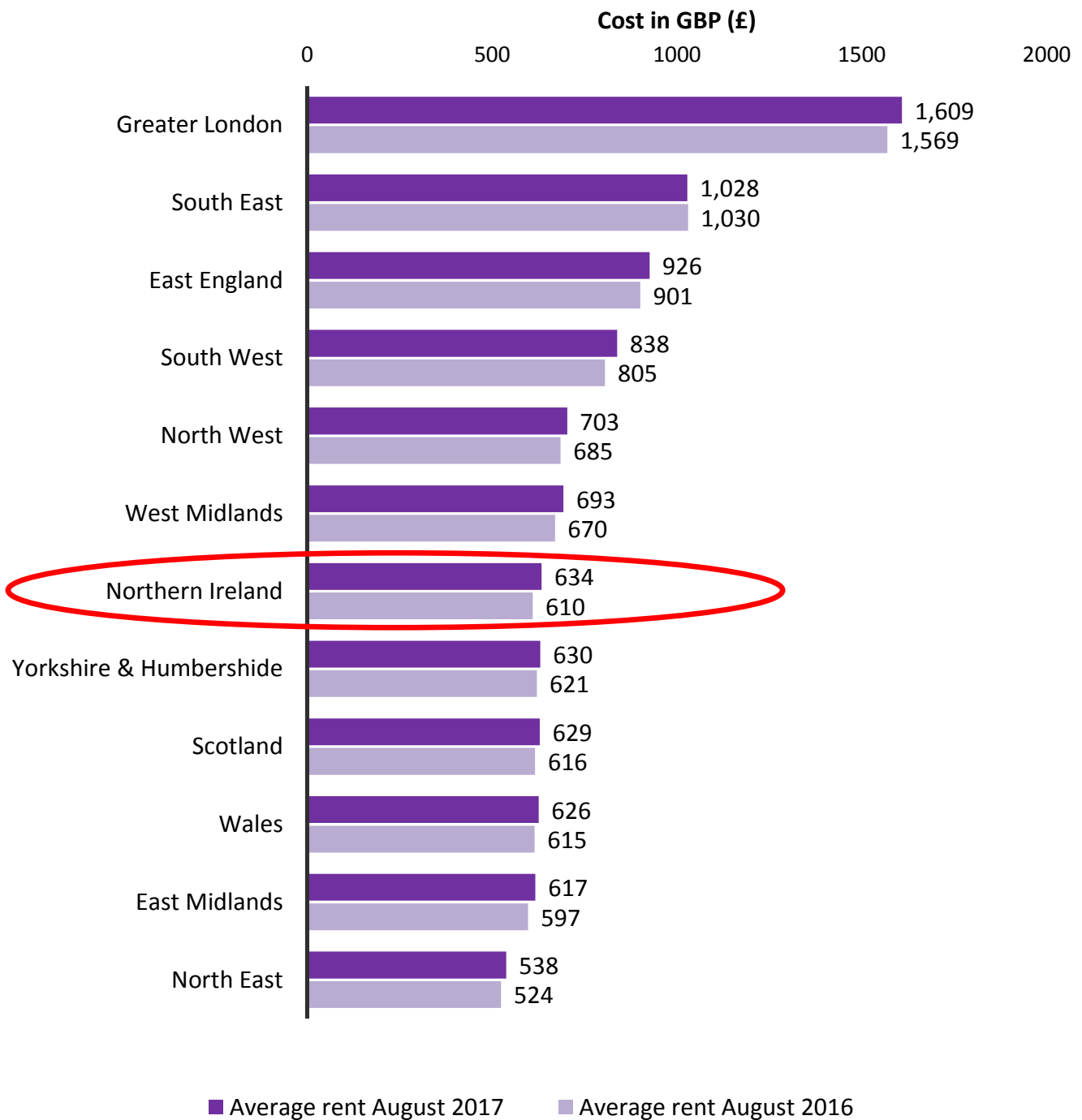
¹⁰⁵ <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/compendium/familyspending/2015/familyspending2015referencetables> - Table A33

Appendix 4 – 2004 to 2016 UK & NI car sales

Year	Total Cars Sold		NI sales as % of UK
	NI	UK	
2004	65,898	2,567,269	2.60%
2005	64,881	2,439,717	2.70%
2006	65,024	2,344,864	2.80%
2007	68,708	2,404,007	2.90%
2008	56,688	2,131,795	2.70%
2009	52,061	1,994,999	2.60%
2010	53,489	2,030,846	2.60%
2011	47,229	1,941,253	2.40%
2012	47,519	2,044,609	2.30%
2013	52,460	2,264,737	2.30%
2014	57,202	2,476,435	2.30%
2015	57,097	2,633,503	2.20%
2016	57,234	2,692,786	2.10%

Source: The Society of Car Manufacturers and Traders (SMMT)

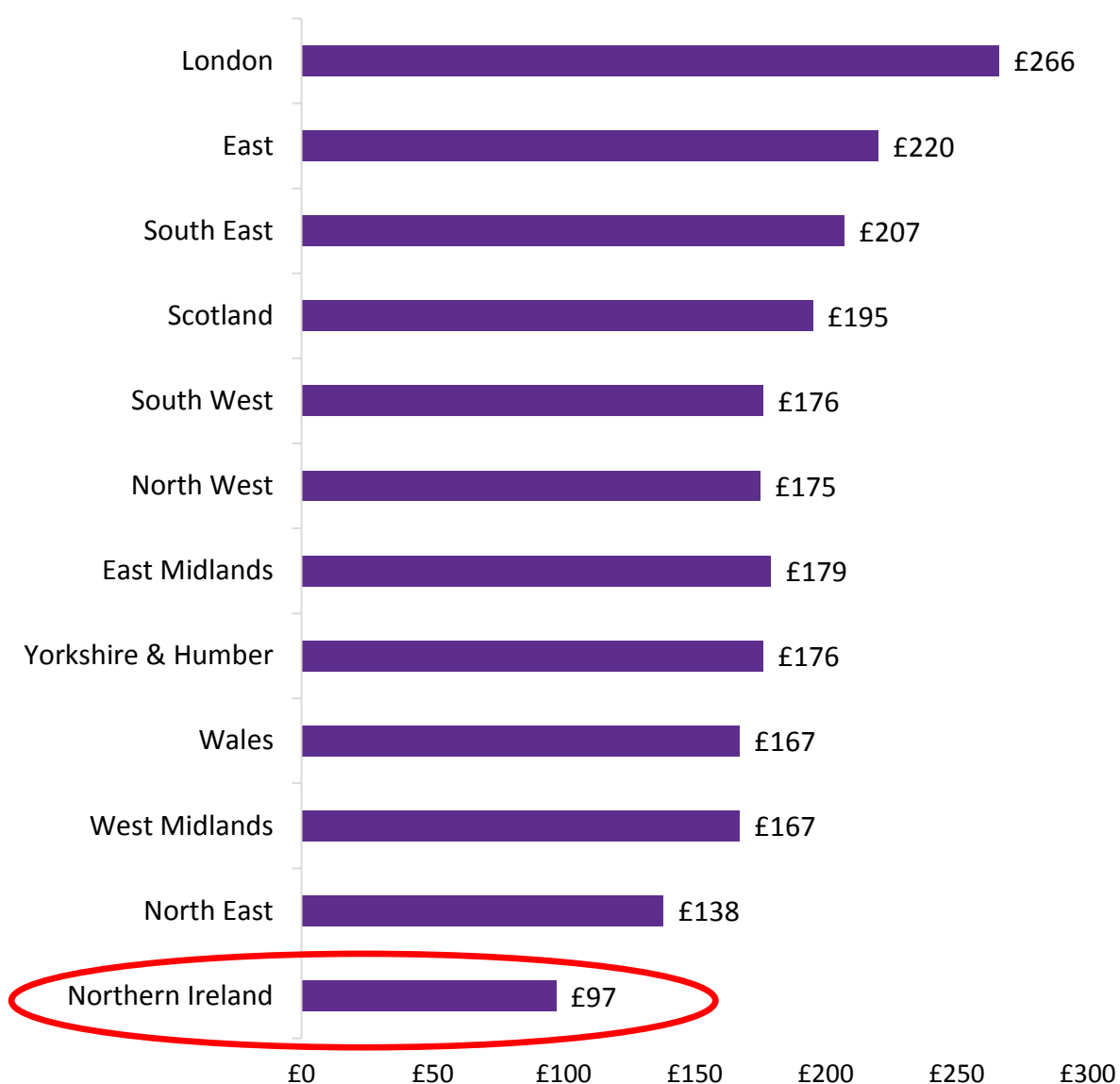
Appendix 5 – 2016 to 2017 average rental costs in UK regions¹⁰⁶



Source: HomeLet

¹⁰⁶ <https://www.statista.com/statistics/752203/average-cost-of-rent-by-region-uk/>

Appendix 6 – 2017 average discretionary income in the UK by region¹⁰⁷

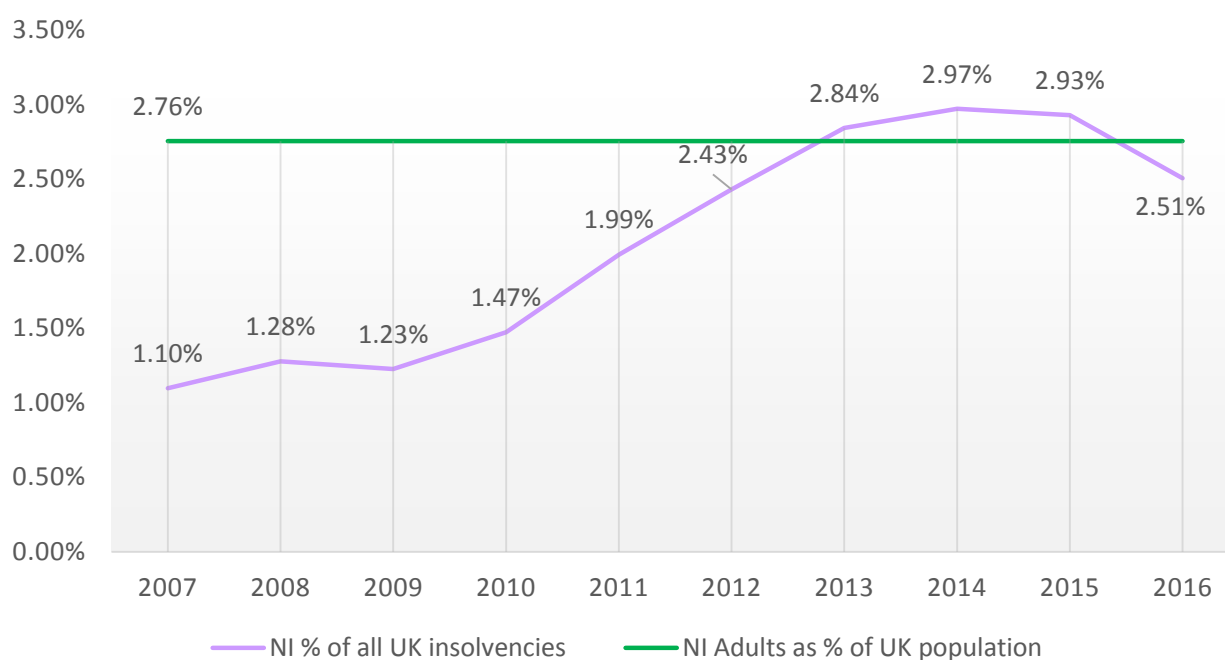


Source: ASDA Income Tracker 2017

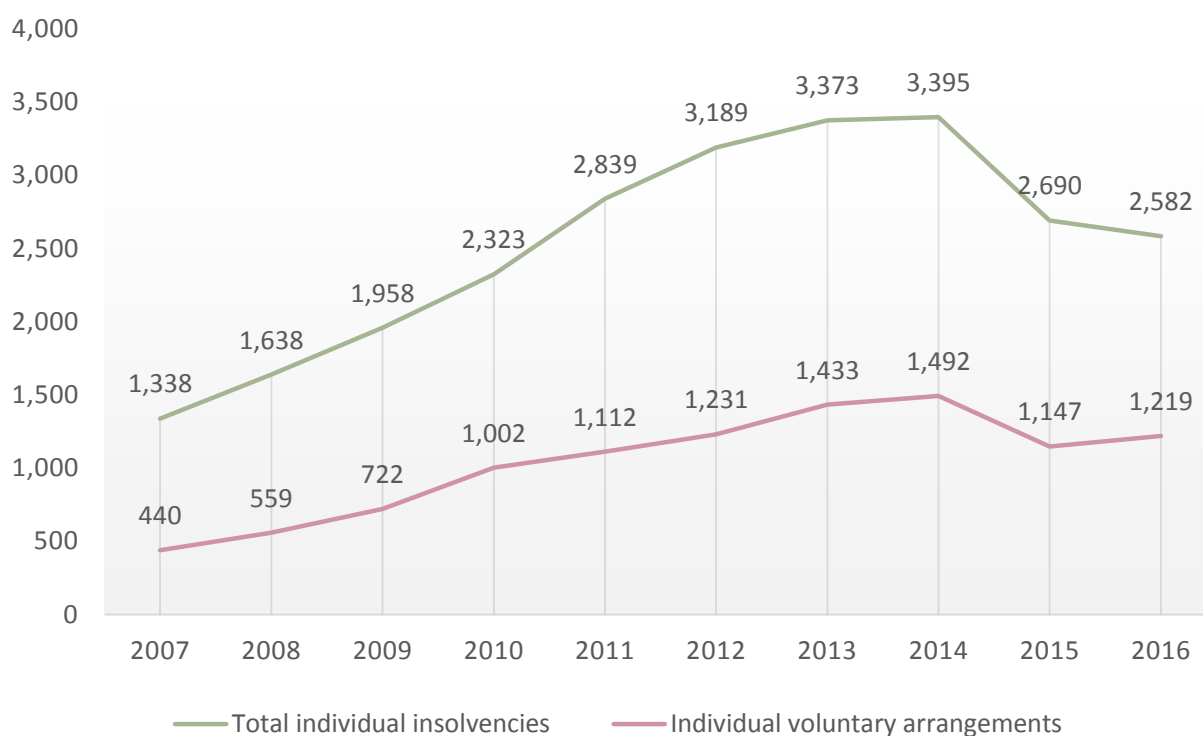
¹⁰⁷ <https://cdn.corporate.walmart.com/ef/ba/e0c0bcc14313a5733e68e1b8e379/v1.1%20ASDA%20income%20tracker%20July%202017%20Final.pdf>

Appendix 7 – Insolvency trends

2007 to 2016 NI insolvency Proceedings as a % of all UK insolvency proceedings¹⁰⁸



2007 to 2016 total number of NI adults declaring to be insolvent¹⁰⁹

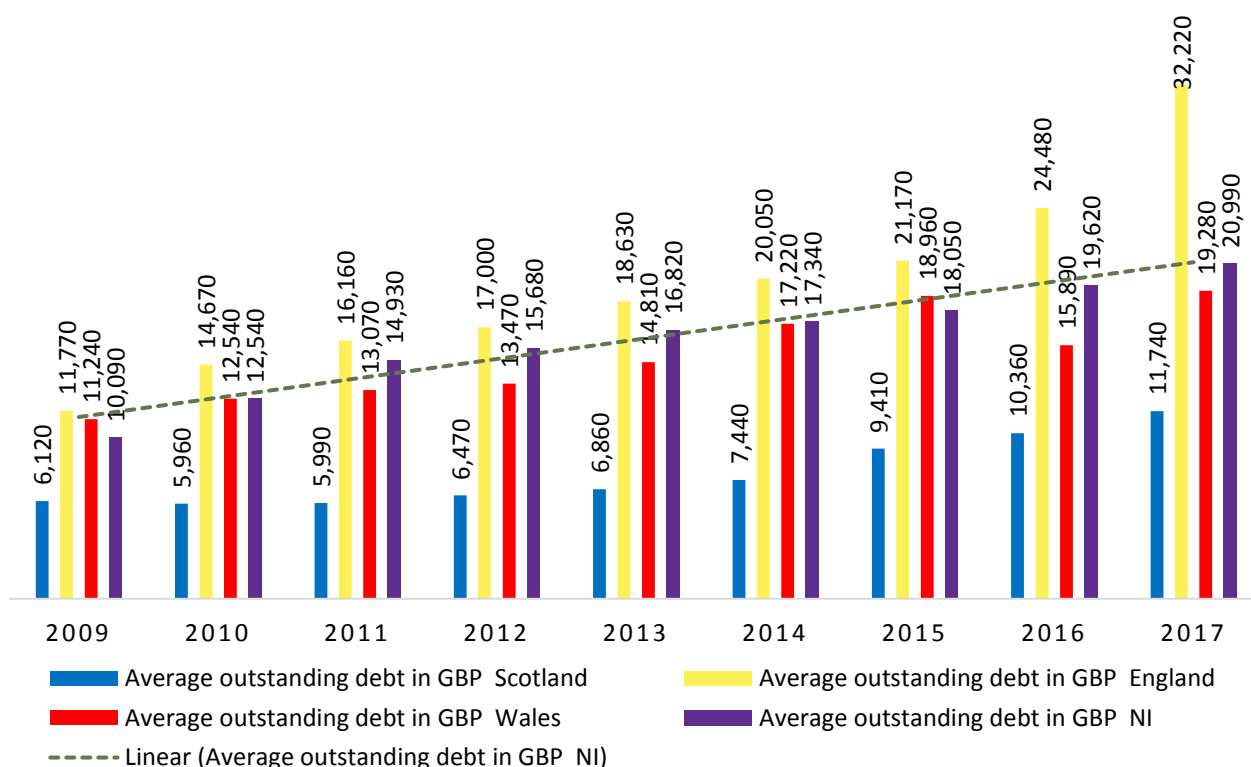


Source: The Insolvency Service

¹⁰⁸ <https://www.gov.uk/government/statistics/insolvency-statistics-april-to-june-2017>

¹⁰⁹ <https://www.gov.uk/government/statistics/insolvency-statistics-april-to-june-2017>

Appendix 8 - 2009 to 2017 average student loan debt on entry to repayment in UK by home nation (in GBP)¹¹⁰



Source: Student Loans Company

¹¹⁰ <https://www.statista.com/statistics/376516/student-loans-northern-ireland-average-debt-on-entry-to-repayment-timeline/>

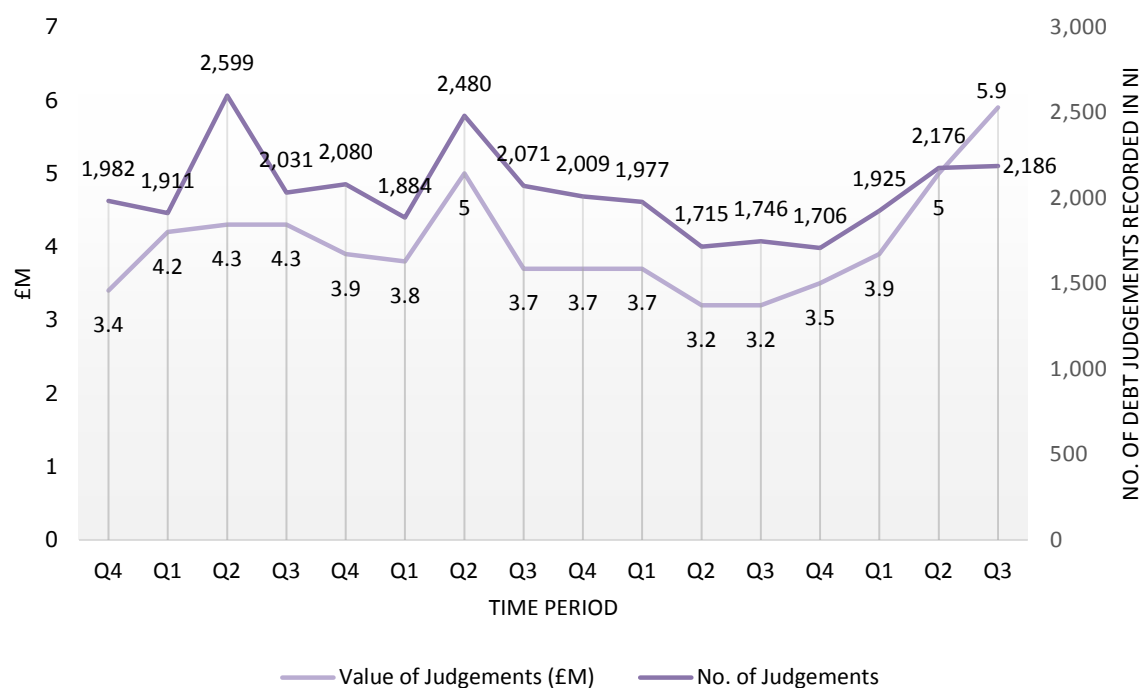
Appendix 9 – Consumer Council 2017 Outlook Survey

Q4A. Which, if any, of these loan/credit products do you have in your name or jointly with someone else?

Product	TOTAL
Credit card	40%
Mortgage	25%
Overdraft	13%
Hire purchase agreement eg on car, furniture	10%
Store card - eg Debenhams, Top Shop, Argos	8%
Student loan	5%
Personal loan from credit union	5%
Personal loan from bank/building society	4%
Loan from family/friend	4%
Catalogue Debt eg Next, Littlewoods	4%
Pay-day loan eg Wonga, Quick-quid	1%
Doorstep loan eg provident	1%
Instore Finance	1%
Secured loan/second home loan	<1%
Log book loan ie secured on a vehicle	<1%
None of these	40%
Don't know	1%

Source: Consumer Council 2017 Outlook Survey, Sample Size: 1,016, respondents from NI only.

Appendix 10 – Value and Number of Debt Judgements¹¹¹



¹¹¹ Judgment debts are debts that have been reviewed by a judge in a court of law, and found to be valid.

References

ASDA

- <https://cdn.corporate.walmart.com/ef/ba/e0c0bcc14313a5733e68e1b8e379/v1.1%20ASDA%20income%20tracker%20July%202017%20Final.pdf>

Barclaycard

- <https://www.home.barclaycard/content/dam/bcardpublic/FinalContent/NewsandViews/2015/SpendreportQ1/Barclaycard%20Consumer%20Spending%20Report%20-%20Q1%202015.pdf>

Bank of England

- <http://www.bankofengland.co.uk/prd/Pages/regulatorydata/cu/creditunionsstatistics/default.aspx>

Belfast Telegraph

- <https://www.belfasttelegraph.co.uk/news/northern-ireland/pay-day-loans-blamed-for-soaring-debt-in-derry-28923864.html>
- <https://www.belfasttelegraph.co.uk/news/northern-ireland/universal-benefit-changes-driving-more-people-to-doorstep-loans-says-debt-manager-36166470.html>

Business Insider

- <http://uk.businessinsider.com/statistics-uk-bank-exposure-pcp-car-finance-debt-2017-7>

Christians Against Poverty

- https://capuk.org/downloads/cap_debt_help/client_report_2015.pdf

Citizens Advice

- <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/Payday%20Loan%20Report%202.pdf>

Daily Mail

- <http://www.thisismoney.co.uk/money/cardsloans/article-3273996/How-neighbours-manage-money-Interactive-map-reveals-average-credit-scores-postcode.html>

Daily Telegraph

- <http://www.telegraph.co.uk/personal-banking/credit-cards/mapped-uk-areas-that-rely-most-upon-credit-cards/>

Digital News Room

- http://digitalnewsroom.media/zopa/debt-age-crisis/#_edn3
- <http://digitalnewsroom.media/zopa/debt-age-northern-ireland/>

Experian

- <http://www.experian.co.uk/consumer/credit-card-hotspots/>

Financial Conduct Authority

- <https://register.fca.org.uk/>
- <https://www.fca.org.uk/publication/consultation/cp14-10.pdf> - section 1.20
- <https://www.fca.org.uk/publication/mou/mou-fca-latss.pdf>
- <https://www.fca.org.uk/publication/research/illegal-money-lending-research-report.pdf>
- <https://www.fca.org.uk/publications/market-studies/credit-card-market-study>

Financial Times

- <https://www.ft.com/content/8b6607de-6304-11e7-91a7-502f7ee26895>

Financial Ombudsman Service

- <http://financial-ombudsman.org.uk/publications/annual-review-2017/index.html>

Illegal Money Lending Team

- <http://www.stoploansharks.co.uk/who-we-are/>
- http://www.studentloanrepayment.co.uk/portal/page?_pageid=93,6678642&_dad=portal&_schema=PORTAL

Money Advice Service

- https://masassets.blob.core.windows.net/cms/files/000/000/337/original/MAS_Report_10.03.2016.pdf
- <https://www.moneyadviceservice.org.uk/blog/are-you-one-of-the-8-3-million-adults-with-problem-debt>
- <https://www.moneyadviceservice.org.uk/en/articles/home-credit-or-doorstep-lending#why-home-credit-can-cause-problems>

Money Force

- <https://www.moneyforce.org.uk/Debt/Bailiffs>

Mortgage Advisers

- <https://mortgageadvisers.which.co.uk/specialist/self-certification-mortgages/>

Mortgage Solutions

- <http://www.mortgagesolutions.co.uk/news/2013/02/18/mortgage-payments-represent-a-third-of-all-household-spending/>

Newsletter

- <http://www.newsletter.co.uk/news/cost-of-disability-claims-in-ni-soars-by-200m-a-year-1-7017974>

NI Government

- <https://www.nidirect.gov.uk/articles/borrowing-credit-union>
- https://www.online.economy-ni.gov.uk/ECUIP_App/ECUIP_Ext/CompanySearch.aspx

Northern Ireland Centre for Voluntary Action

- http://www.nicva.org/sites/default/files/d7content/attachments-resources/cee_expensive_lending_in_northern_ireland_2013.pdf
- http://www.nicva.org/sites/default/files/d7content/attachments-resources/40536_nicva_credit_report_web.pdf

Northern Ireland Housing Executive

- https://www.nihe.gov.uk/ctos_2015_main_report-3.pdf

Office for National Statistics

- <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionallabourmarket/july2017>
- <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/adhocs/005514medianequivalisedhouseholddisposableincomebycountry2014to2015>
- <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/compendium/familyspending/2015/familyspending2015referencetables>

Statista

- <https://www.statista.com/chart/6219/half-uk-adults-less-than-%25C2%25A3100-savings/>
- <https://www.statista.com/statistics/376516/student-loans-northern-ireland-average-debt-on-entry-to-repayment-timeline/>
- <https://www.statista.com/statistics/676184/share-of-families-receiving-benefits-by-benefit-united-kingdom-uk/>
- <https://www.statista.com/statistics/752203/average-cost-of-rent-by-region-uk/>

StepChange

- <https://www.stepchange.org/Mediacentre/Pressreleases/Paydayloansindustryregulations.aspx>
- https://www.stepchange.org/Portals/0/documents/Reports/Scotland_in_the_red_2015.pdf

The Consumer Council

- <http://www.consumercouncil.org.uk/publications/borrowing-money-support-leaflet/>
- Assessment of NI Mortgage market
- http://www.consumercouncil.org.uk/filestore/documents/39156_Banking_on_Change_Report_FINAL.pdf

The Guardian

- <https://www.theguardian.com/money/2011/dec/09/payday-loans-get-cheap-credit>
- <https://www.theguardian.com/money/2013/jul/25/church-england-wonga>

- <https://www.theguardian.com/money/2017/feb/10/are-car-loans-driving-us-towards-the-next-financial-crash>
- <https://www.theguardian.com/uk-news/2014/jan/24/sixty-victims-loan-shark-witness-protection-illegal-moneylending>

The Independent

- <http://www.independent.co.uk/news/business/news/fca-chief-andrew-bailey-defends-car-finance-despite-fears-of-financial-crisis-a7983301.html>

The Times

- <https://www.thetimes.co.uk/article/mortgage-lending-hits-a-new-record-in-2007-lcq7xrmwdhw>

UK Finance

- <https://www.cml.org.uk/news/press-releases/gross-mortgage-lending-increases-by-12-in-2016/>

UK Government

- <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2014-06-24/202104/>
- <https://publications.parliament.uk/pa/cm201314/cmselect/cmniaf/uc650-ix/uc65001.htm>
- <https://www.gov.uk/government/statistics/insolvency-statistics-april-to-june-2017>

Ulster University

- https://www.ulster.ac.uk/_data/assets/pdf_file/0008/181277/Outlook_Summer-2017_Infographic_UUEPC.pdf