

# **Capital of debt: an update**

Reducing the health consequences  
of personal debt

## **Personal debt indicators by borough / PCT**

**July 2010**

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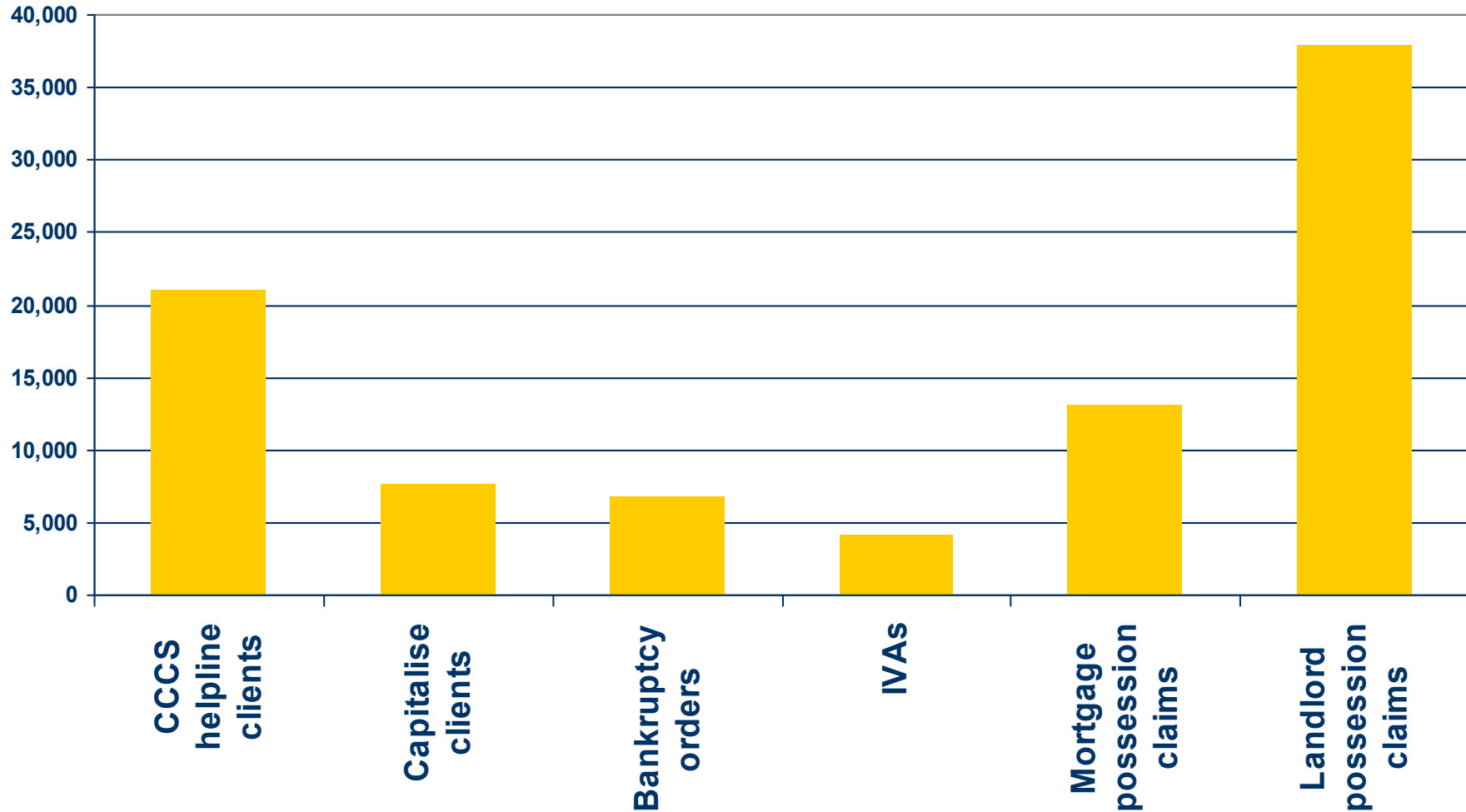
## Introduction

1. Debt counselling
2. Personal insolvencies
3. Mortgage and Landlord possession actions
4. Council tax uncollected

# Introduction

- The following slides use four sets of indicators to give an overview of personal indebtedness in London at the level of individual boroughs / PCTs. They are intended to complement the Forum's *Capital of debt: an update* report of July 2010. The four sets of indicators are:
  1. Use of debt counselling services, with data provided by:
    - CCCS (Consumer Credit Counselling Service), a national debt advice charity and pioneer of internet-based advice
    - Capitalise, a London debt advice service providing face-to-face counselling
  2. Personal insolvencies:
    - Bankruptcy orders
    - IVAs (Individual Voluntary Arrangements), and
    - DROs (Debt Relief Orders)
  3. Mortgage and landlord possession actions
  4. Uncollected council tax (as a proxy for council tax payment problems)
- The slides include data for both 2008 and 2009.
- An overview introduces each set of indicators, with explanatory notes provided at the end. An accompanying spreadsheet contains the data behind the charts.
- To provide context, the following chart shows the 2009 London-wide figures for the key indicators.

# London-wide 2009



# 1. Debt counselling

- **Overview**
- **CCCS helpline clients**
  - By borough 2009 and 2008
  - By borough per 10,000 adult population
- **New CCCS DMPs**
  - By borough 2009 and 2008
  - By borough per 10,000 adult population
- **Active CCCS DMPs at year-end**
  - By borough 2009 and 2008
  - By borough per 10,000 adult population
- **CCCS helpline clients vs new DMPs – 2009**
- **Capitalise clients**
  - By borough 2009 and 2008
  - By borough per 10,000 adult population
- **Notes**

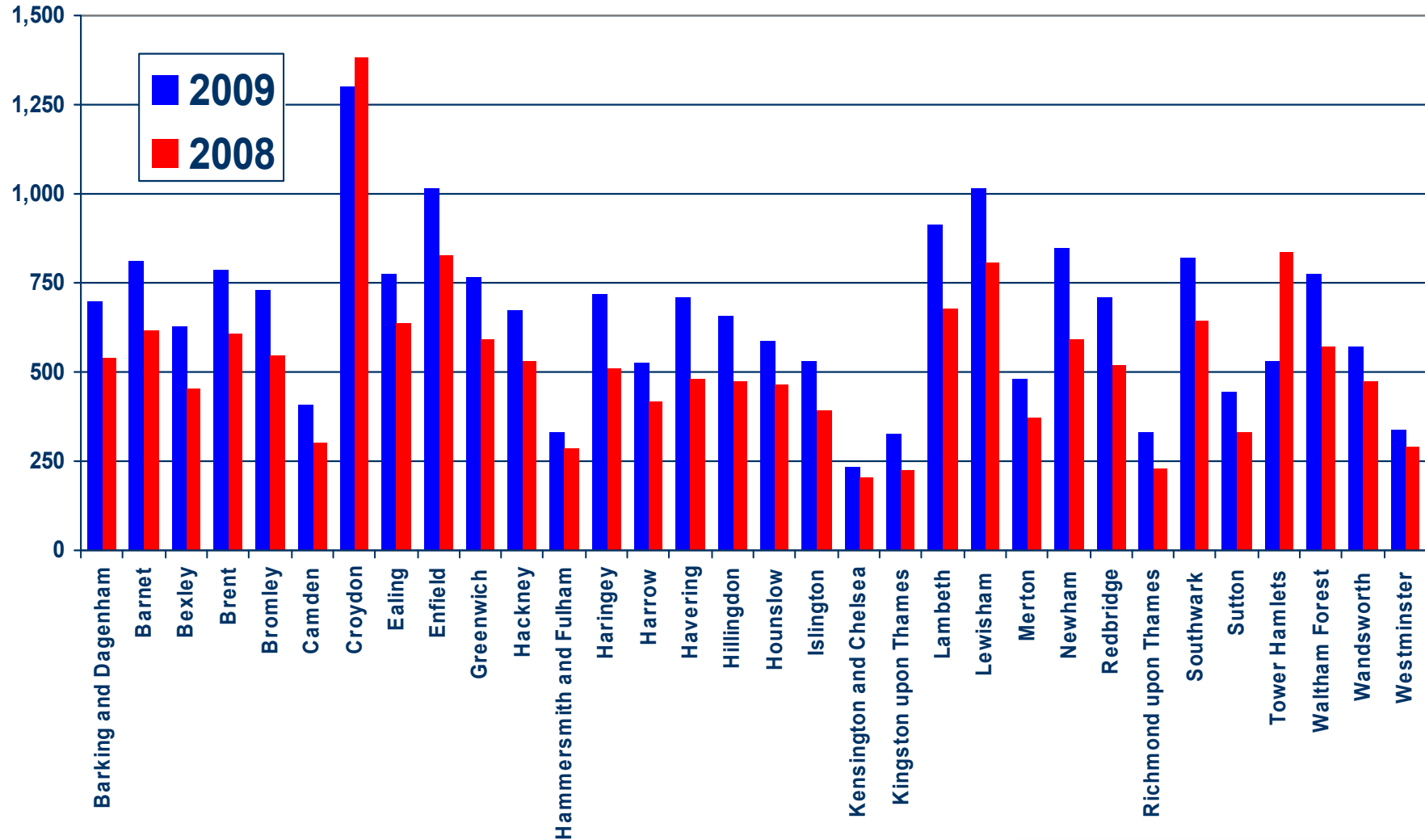
# Overview

- CCCS helpline clients and DMP numbers for London show significant variation between boroughs (and by implication PCTs).
- Focusing on helpline clients, which is the broadest of the three indicators, some of the variation between boroughs is as might be expected:
  - Poorer inner (Lambeth, Hackney, Southwark) and outer (Barking & Dagenham, Newham) London boroughs rank among the highest;
  - More prosperous inner (Kensington & Chelsea, Hammersmith & Fulham) and outer (Kingston, Richmond) London boroughs rank the lowest.
- However, it is noteworthy that Croydon, Enfield, Greenwich and Lewisham stand out among the highest. Among inner London boroughs, Tower Hamlets ranks lower than Lambeth and Southwark, with Camden and Westminster significantly lower.
- Looking at CCCS's London helpline clients in 2009 compared with 2008, the number increased in all but two of the boroughs. In most boroughs, the increase was more than 20 percent. The only two boroughs that experienced a decrease were Croydon and Tower Hamlets, though Croydon remained the borough with the most helpline clients in absolute terms (over 1,300 in both 2008 and 2009).

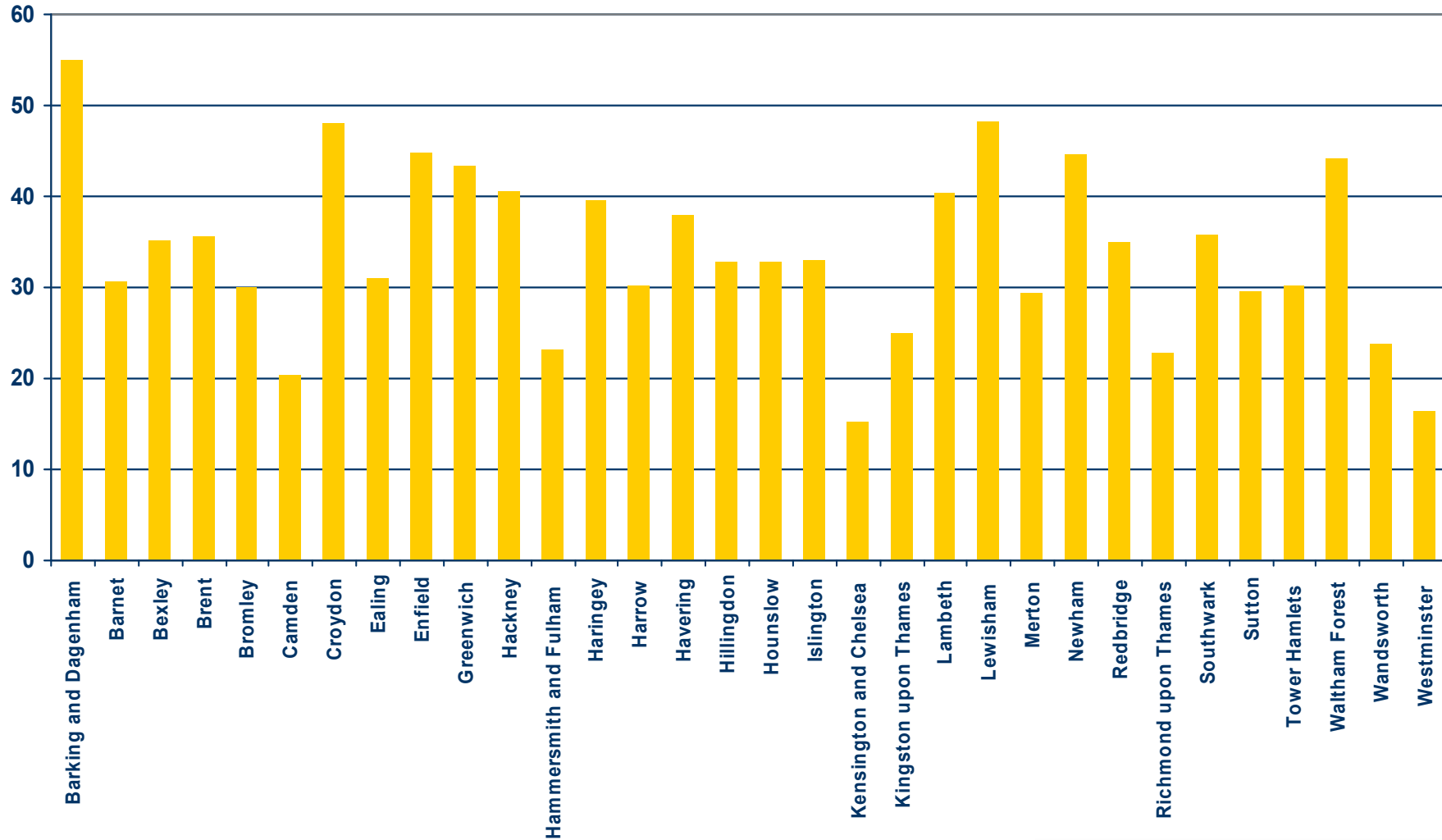
# Overview (2)

- In most boroughs, the number of helpline clients counselled by CCCS rose by more than the number of new DMPs. The smaller increase in new DMPs compared with helpline clients reflects a nationwide decline in the proportion of clients recommended DMPs by CCCS compared with other means of addressing their debt problems.
- Looking at the data for Capitalise, the highest client numbers (adjusted for population) were in neighbouring Lambeth and Southwark, with client numbers also high in Greenwich, Islington, Lewisham and Sutton. They were lowest in Hillingdon, Kingston, Redbridge and Richmond.
- Comparing 2009 with 2008:
  - The largest absolute increases were in Lewisham (387 clients in 2008 to 535 in 2009) followed by Westminster (115 to 190).
  - The largest fall in client numbers was in Barnet (547 in 2008 to 362 in 2009) followed by Tower Hamlets (307 to 234).
- However, some of the largest movements in percentage terms were in boroughs with smaller numbers of clients in absolute terms.
  - In Kensington and Chelsea, client numbers almost doubled (66 in 2008 to 130 in 2009), while in Bromley they rose by over 50 percent (88 to 138).
  - In contrast, client numbers in Hillingdon fell by 44 percent (84 to 47) and in Redbridge by 37 percent (104 to 66).

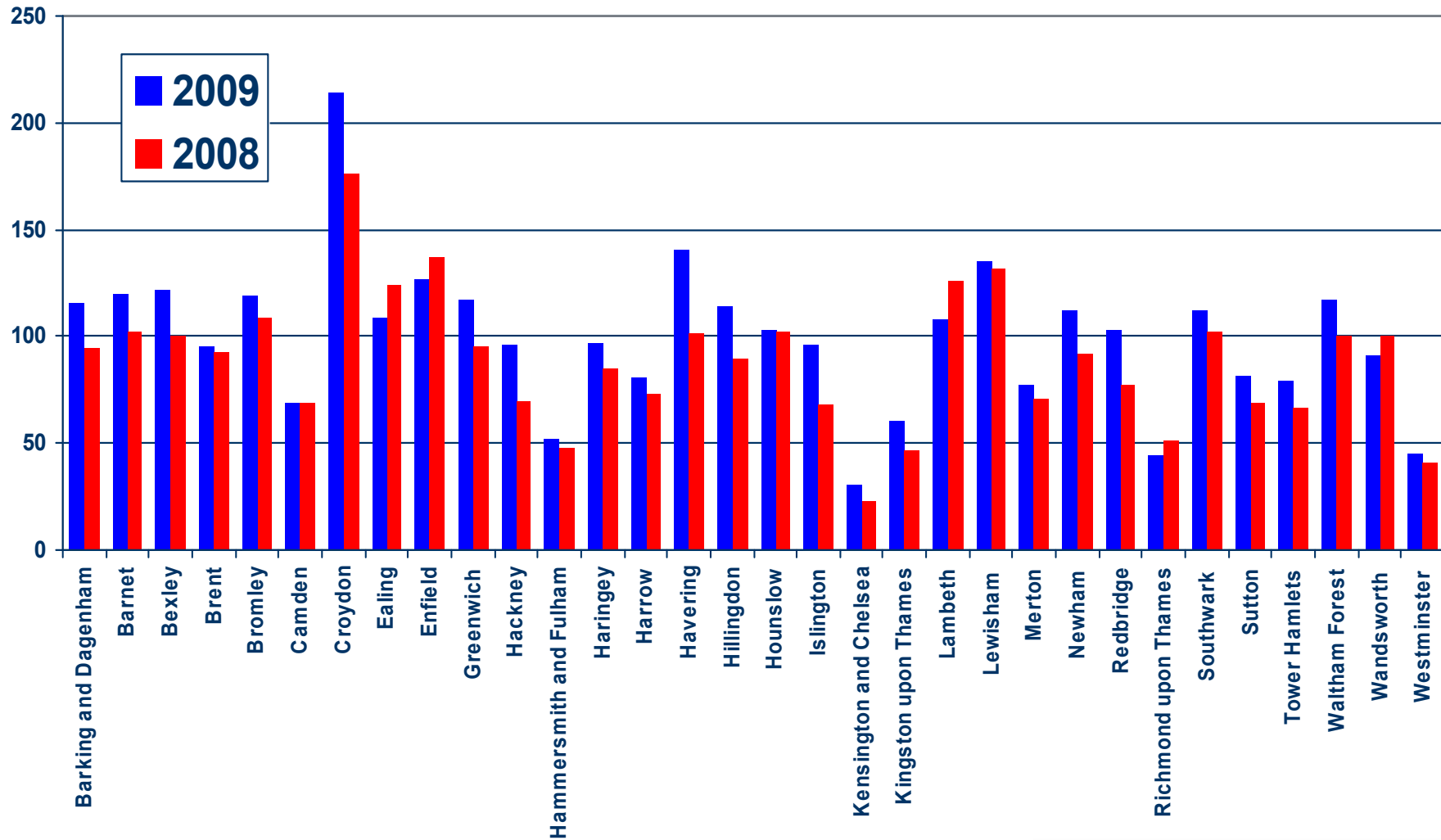
# CCCS helpline clients – 2009 & 2008



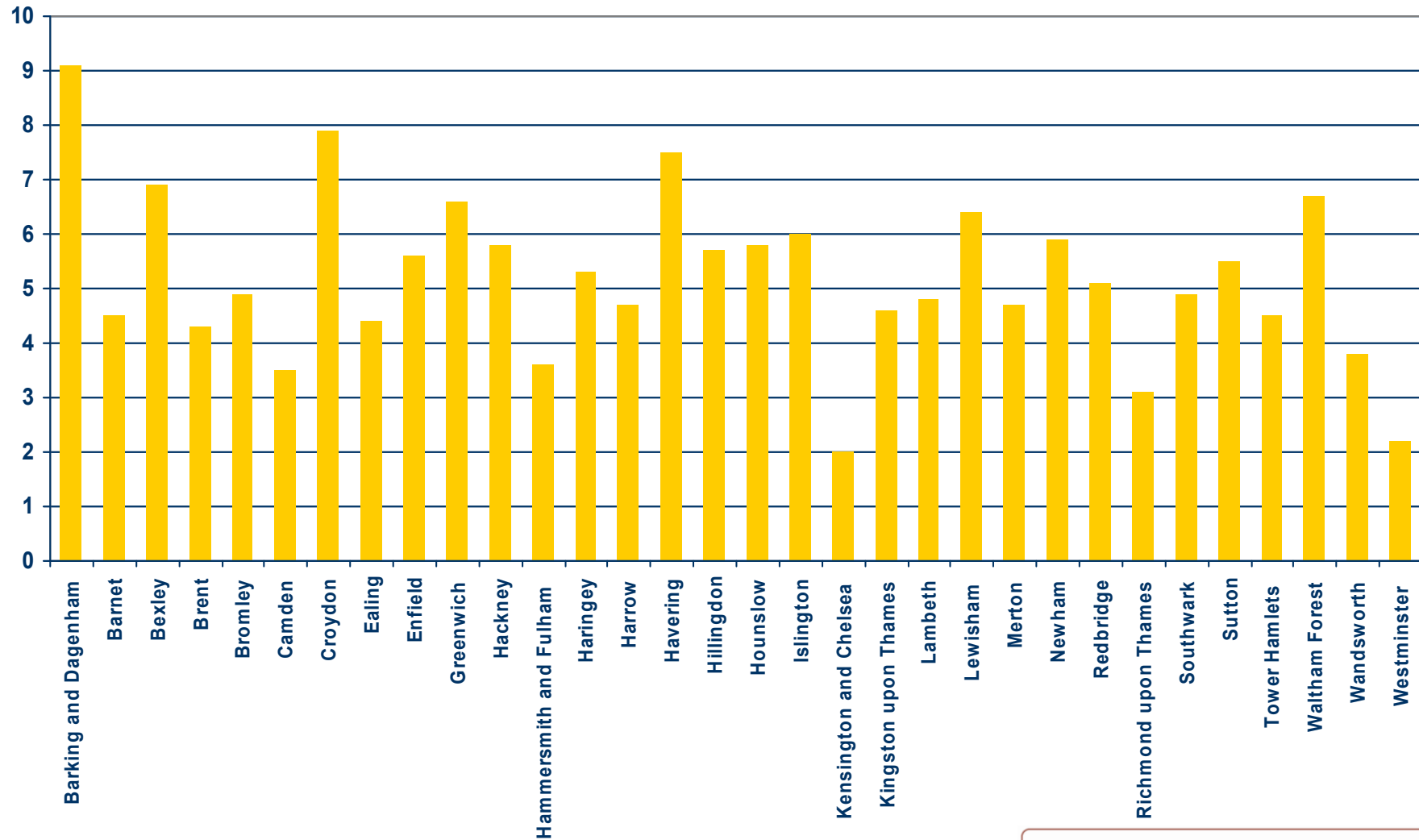
# CCCS helpline clients – 2009 rate per 10,000 adult population



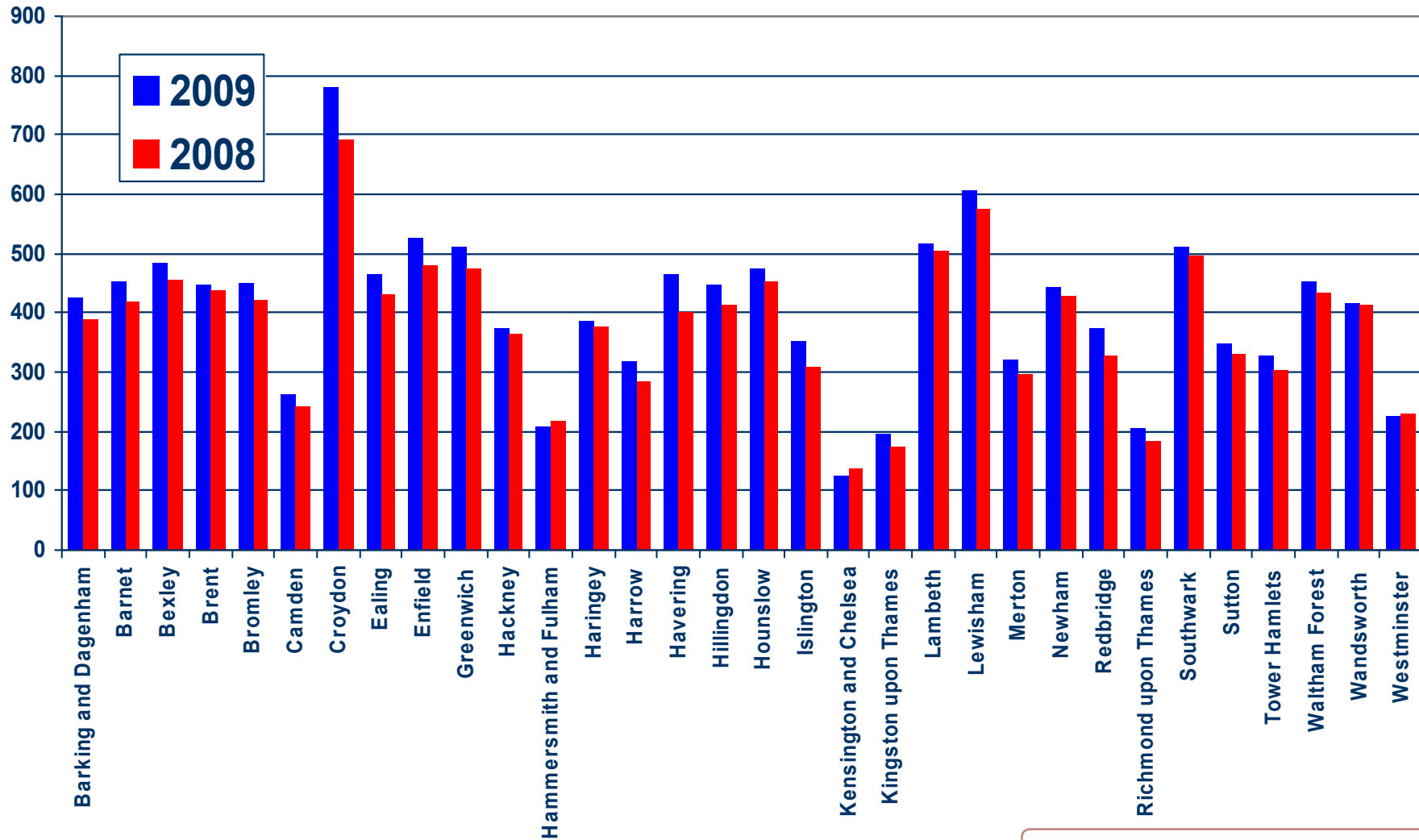
# New CCCS DMPs during year - 2009 & 2008



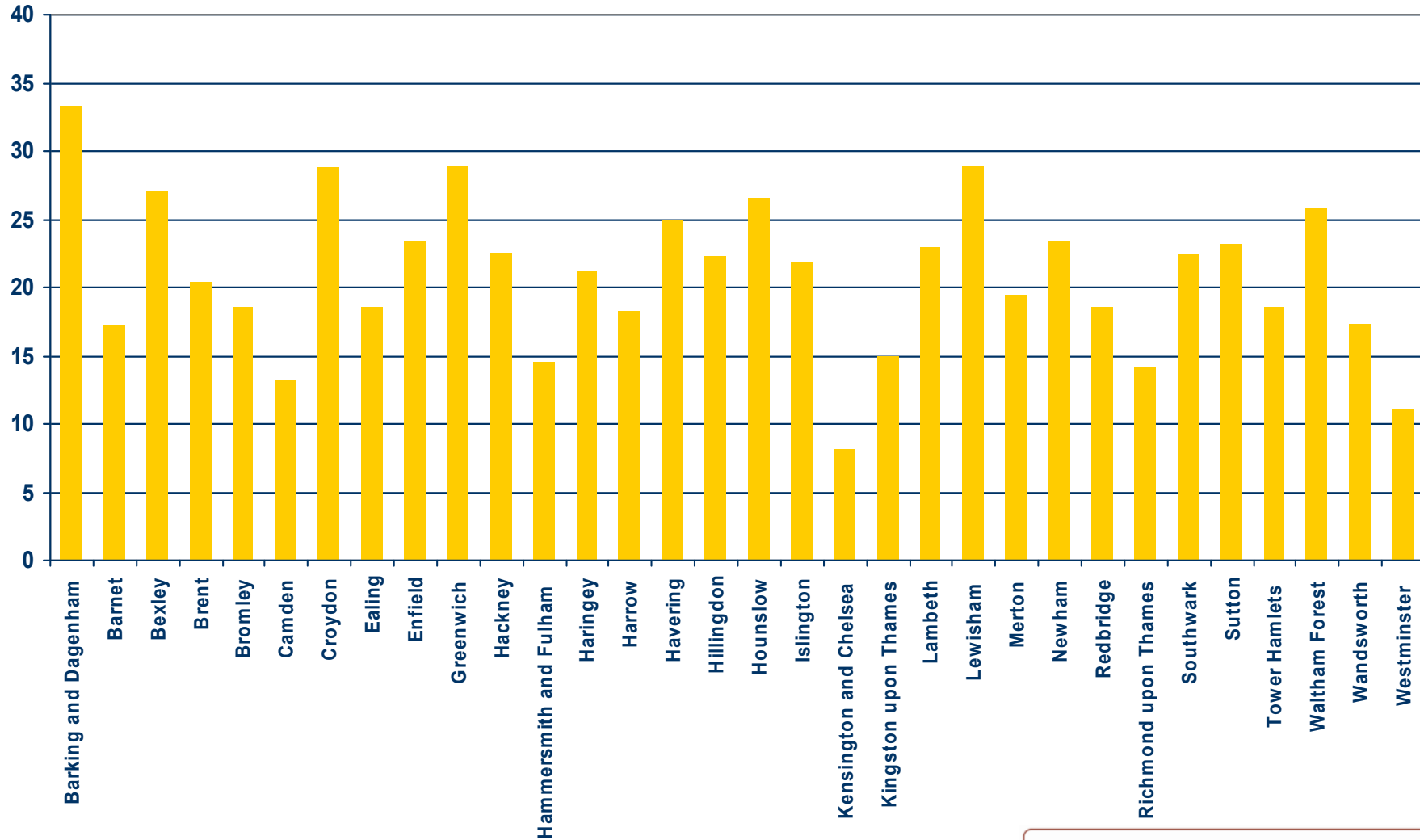
# New CCCS DMPs during the year – 2009 rate per 10,000 adult population



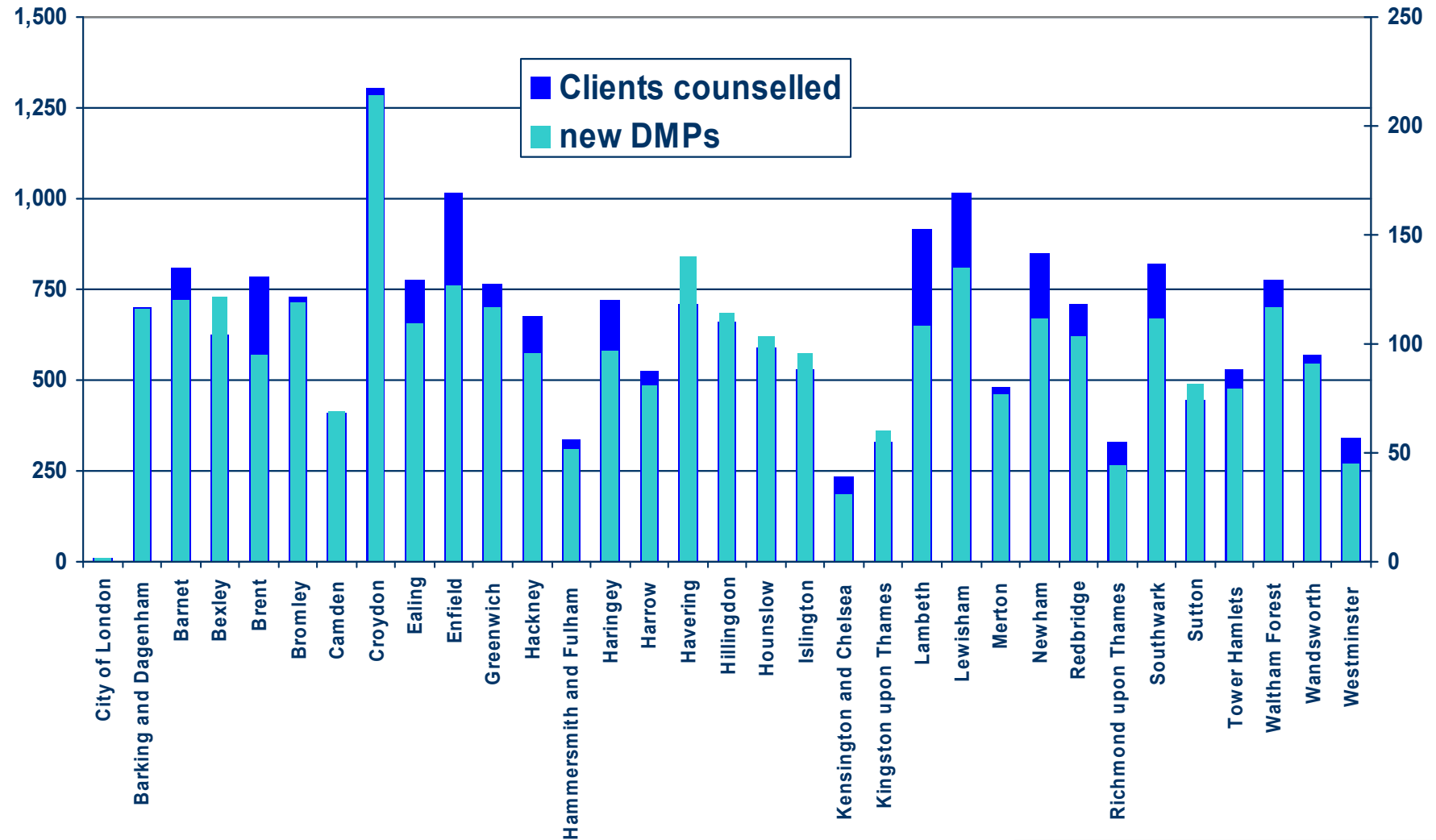
# Active CCCS DMPs at year-end - 2009 & 2008



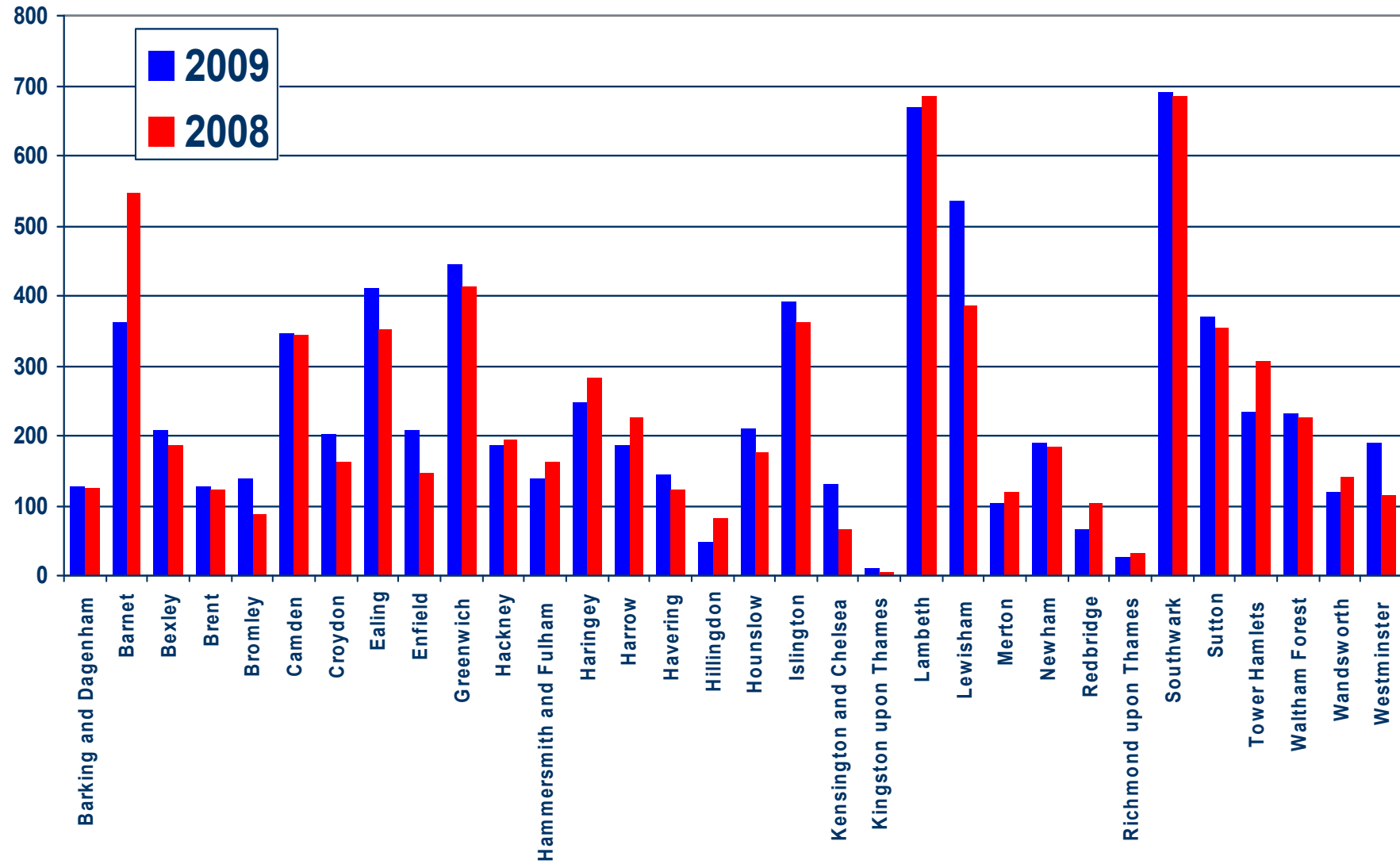
# Active CCCS DMPs at year-end - 2009 rate per 10,000 adult population



# CCCS helpline clients (left axis) vs new CCCS DMPs (right axis) - 2009

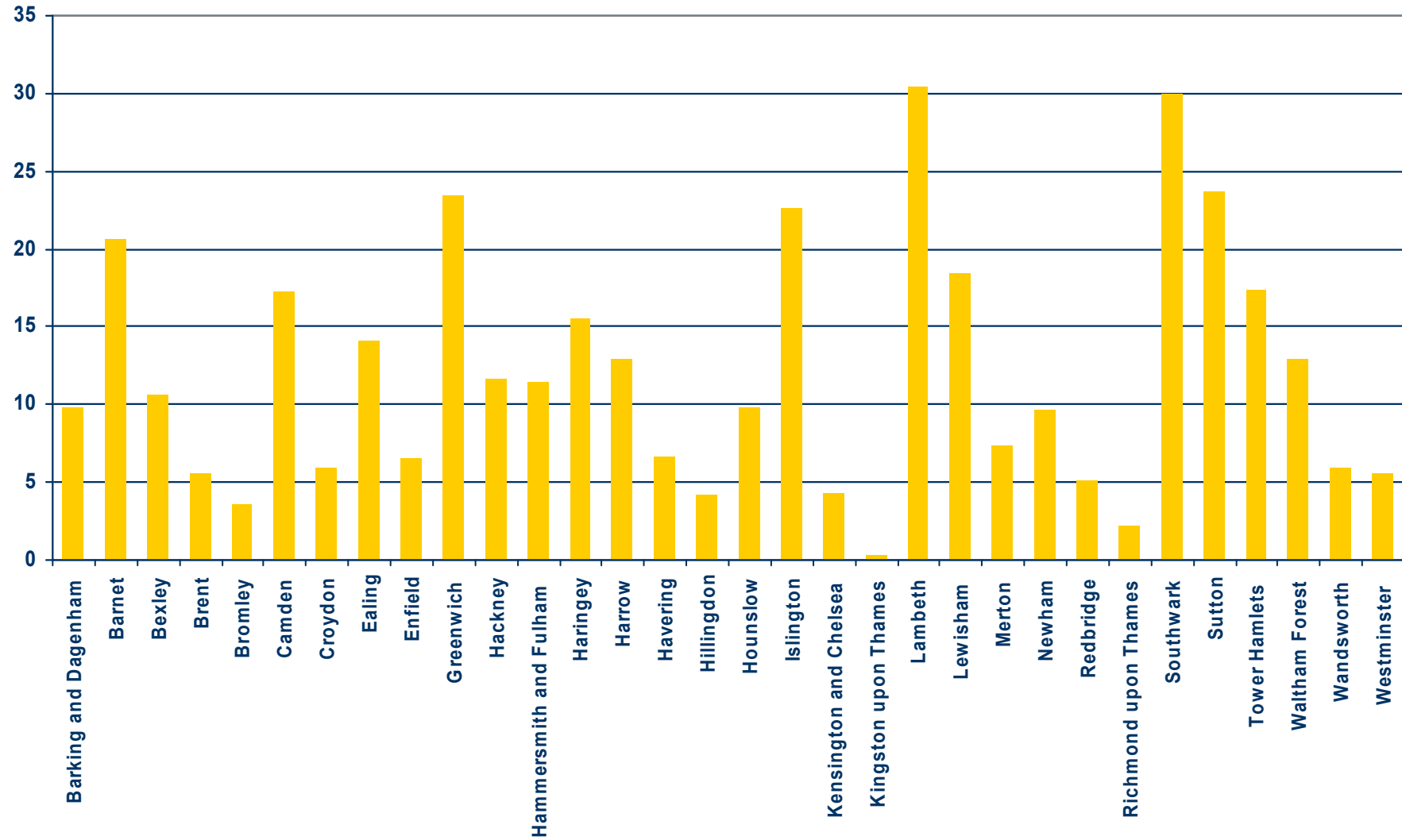


# Capitalise clients - 2009 & 2008



# Capitalise – 2009

## rate per 10,000 adult population



# Notes

- **Consumer Credit Counselling Service (CCCS)** is the largest dedicated debt advice charity in the UK. It provides advice by phone and has pioneered the provision of advice online through its Debt Remedy service.
- Where suitable, CCCS recommends Debt Management Plans (DMPs) to its clients. These are non-statutory but structured repayment plans where the client makes a single monthly repayment to CCCS which then makes pro-rata repayments to each of the client's creditors. DMPs are based on full repayment of the amount owed, though in most cases creditors waive further interest and charges.
- CCCS has provided the Forum with data on three indicators for the Forum's debt and health update:
  - The number of clients counselled by phone (online counselling is undertaken on an anonymous basis and the data cannot therefore be analysed by region);
  - The number of new DMPs set up by the charity during the year;
  - The number of active DMPs at the end of the year.
- The figures for helpline clients cover the number of distinct clients with a London postcode as opposed to the number of times they rang up. CCCS does not take postcodes from a number of people who ring up if they are really quick calls, so the figures will be an underestimate of total helpline calls from Londoners to CCCS.
- DMP figures include clients who take out a plan following online counselling via Debt Remedy (which, as noted above, is anonymous to the point of taking out a DMP) as well as those counselled by phone.

# Notes (2)

- **Capitalise** is a major provider of face-to-face debt advice in the capital.
- Capitalise is a London-wide partnership led by Toynbee Hall, Blackfriars Advice Centre, and Mary Ward Legal Centre, in partnership with 14 other independent advice organisations, CABs and homeless charities including Broadway.
- Capitalise is running a programme funded by the Government's Financial Inclusion Fund to employ 56 advisers providing face-to-face debt and money advice to financially excluded members of the public experiencing debt and other financial problems.
- In looking at the data for a major face-to-face service such as Capitalise, it is important to note that supply-side factors affect the breakdown of its clients between boroughs. Counsellors and outreach sites were originally located based on a 2006 mapping of financial exclusion.
- For both CCCS and Capitalise, rates per 10,000 population calculated using ONS mid-2008 population estimates for adults aged 16+ (the population-adjusted figures for personal insolvencies and mortgage and landlord possession actions are as published by the Insolvency Service and Ministry of Justice respectively and may not be completely consistent with those for CCCS and Capitalise).
- For both CCCS and Capitalise, the City of London has not been included in the charts because the resident population and clients counselled / number of DMPs are too low for figures to be meaningful.

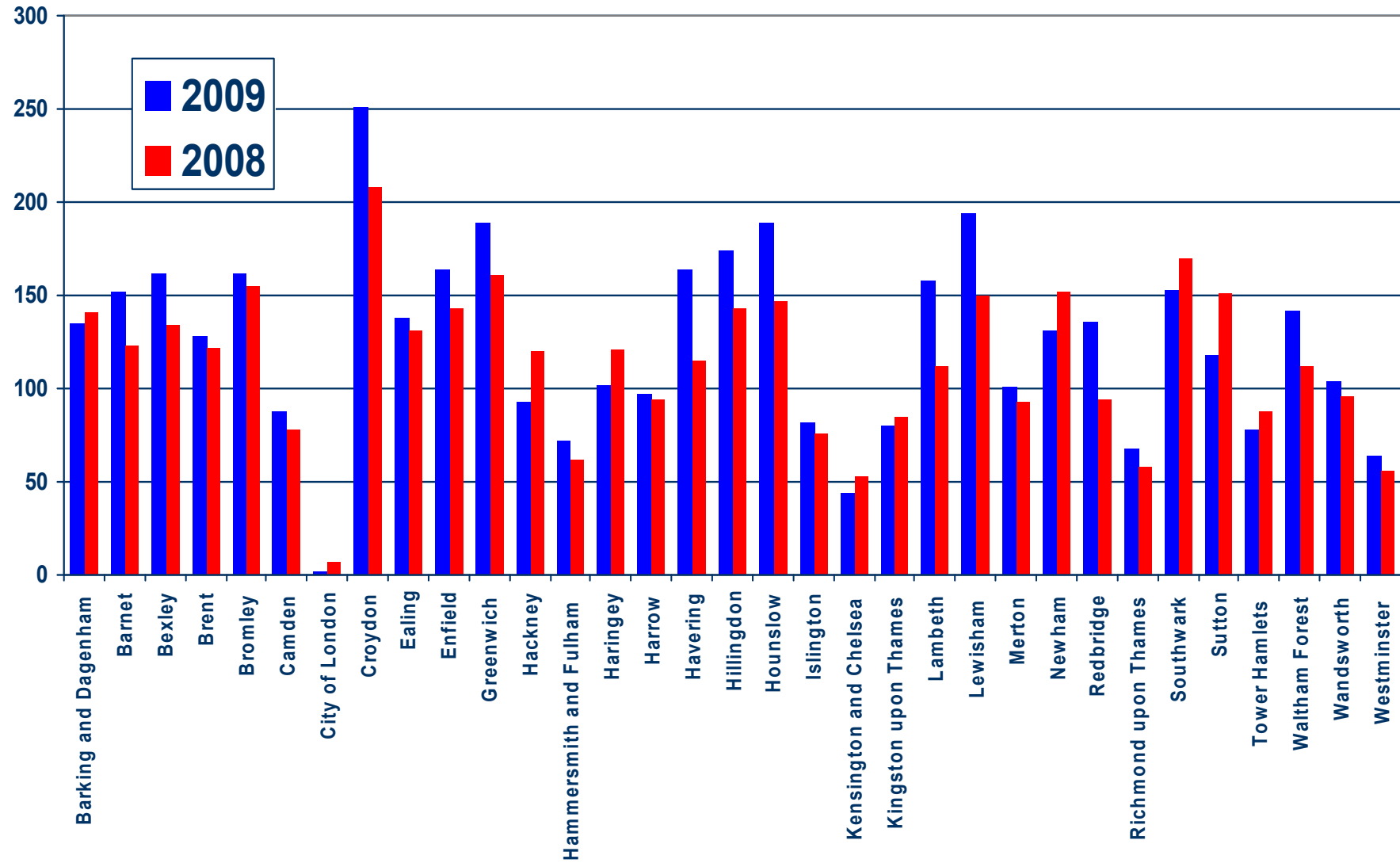
## 2. Personal insolvencies

- Overview
- IVAs
  - By borough 2009 and 2008
  - By borough 2009 per 10,000 adult population
- Bankruptcy orders
  - By borough 2009 and 2008
  - By borough 2009 per 10,000 adult population
- IVAs vs bankruptcy orders 2009
- Change in personal insolvencies – 2009 vs 2008
- DROs by borough April to December 2009
- Notes

# Overview

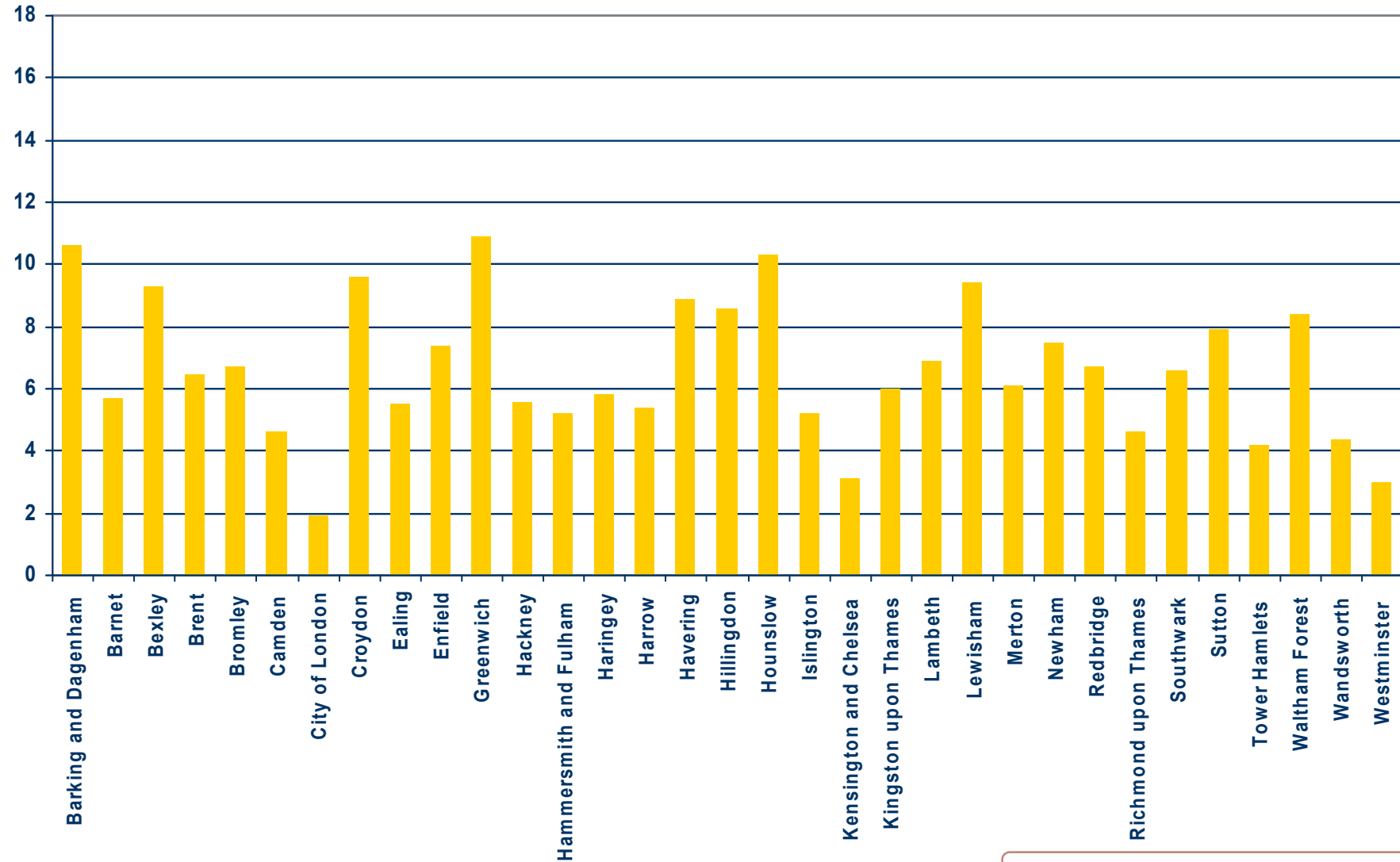
- Individual insolvencies in England, Wales and Northern Ireland comprise bankruptcy orders, individual voluntary arrangements (IVAs) and, since April 2009, debt relief orders (DROs).
- There were approximately 4,100 new IVAs in London during 2009 and almost 6,800 new bankruptcy orders. There were, in addition, over 1,000 DROs in London from their introduction in April to the year-end.
- During 2009, there were surprising differences in the ratio of IVAs to bankruptcy orders across London boroughs. In some boroughs, the number of IVAs was only a little less than the number of bankruptcy orders (eg Bexley, Brent, Croydon, Greenwich, Hillingdon, Hounslow, Lewisham). At the other extreme, in some boroughs the number of bankruptcy orders was over three times the number of IVAs (eg Kensington and Chelsea, Tower Hamlets, Westminster).
- As a result, there is no consistent pattern across the boroughs for personal insolvencies as a whole, making the data difficult to interpret. While some boroughs rank similarly or identically for both types of personal insolvency (eg Barking & Dagenham ranks among the highest for both, Wandsworth ranks among the lowest for both), other boroughs show a very different ranking for IVAs compared with bankruptcy orders (eg Brent, Kensington and Chelsea, Islington, Tower Hamlets).
- The comparison of 2009 with 2008 also shows little consistency across the capital, with significant variation between boroughs in the number of new IVAs and/or bankruptcy orders in 2009.

# IVAs - 2009 & 2008

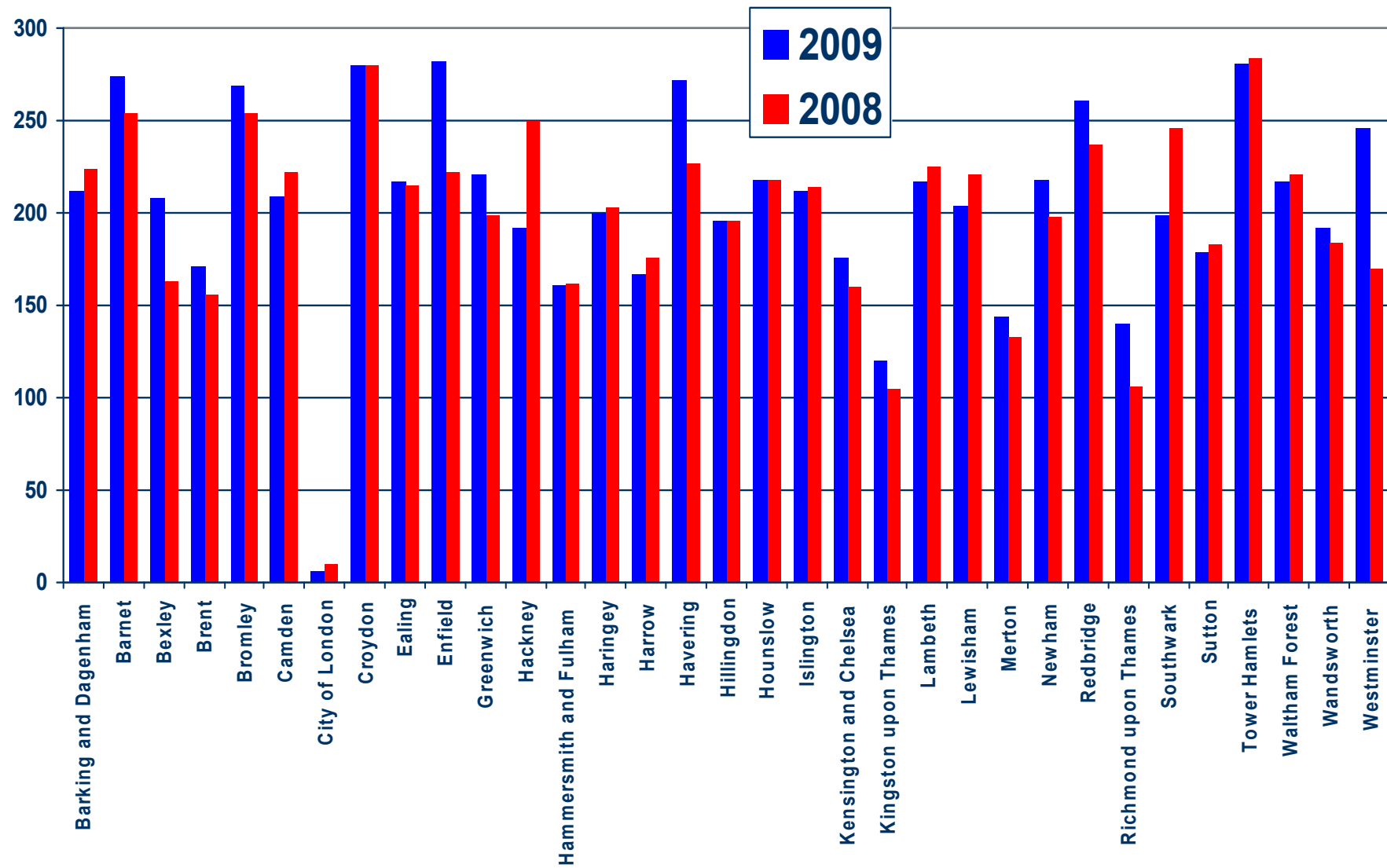


# IVAs – 2009

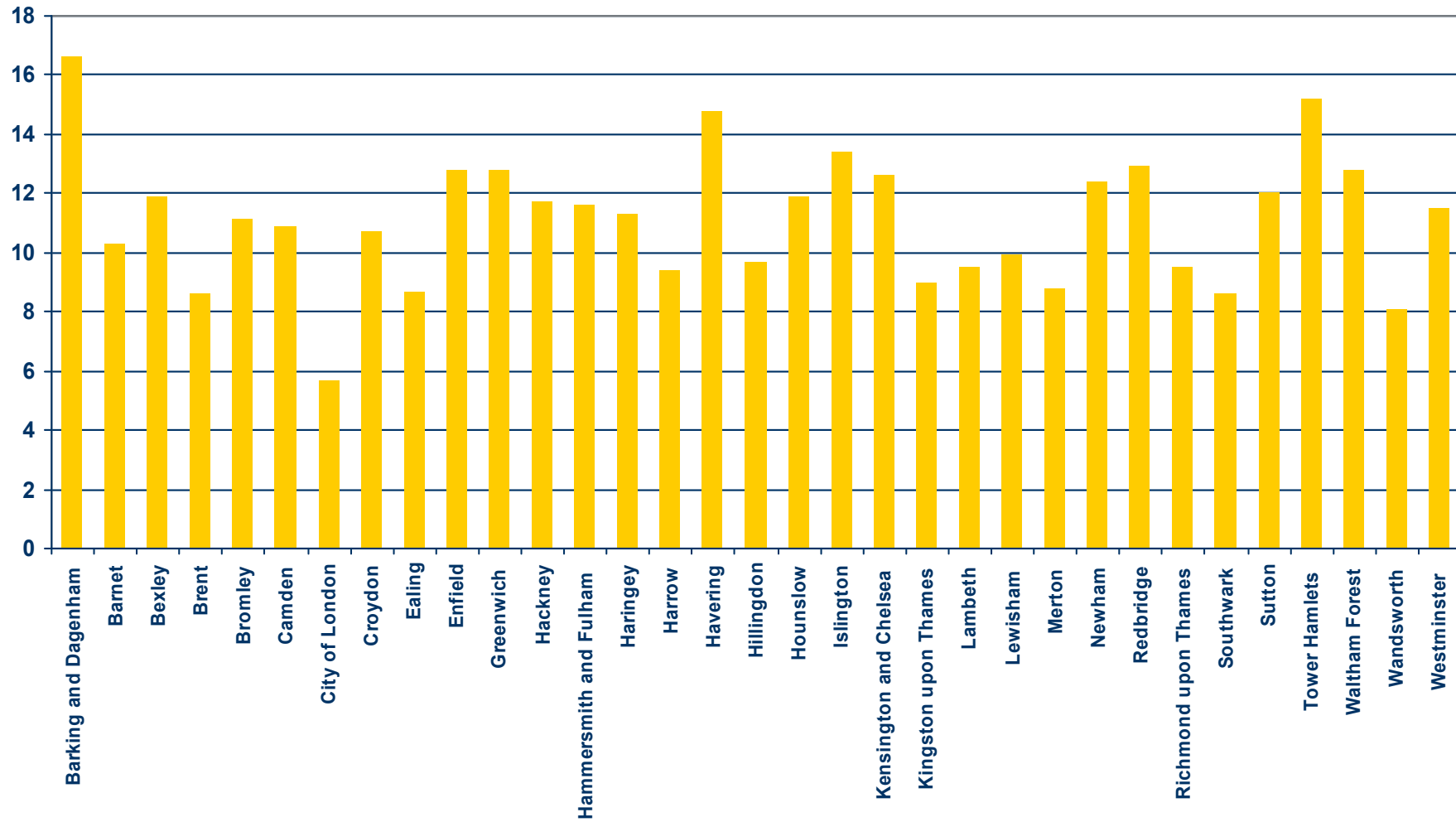
## rate per 10,000 adult population



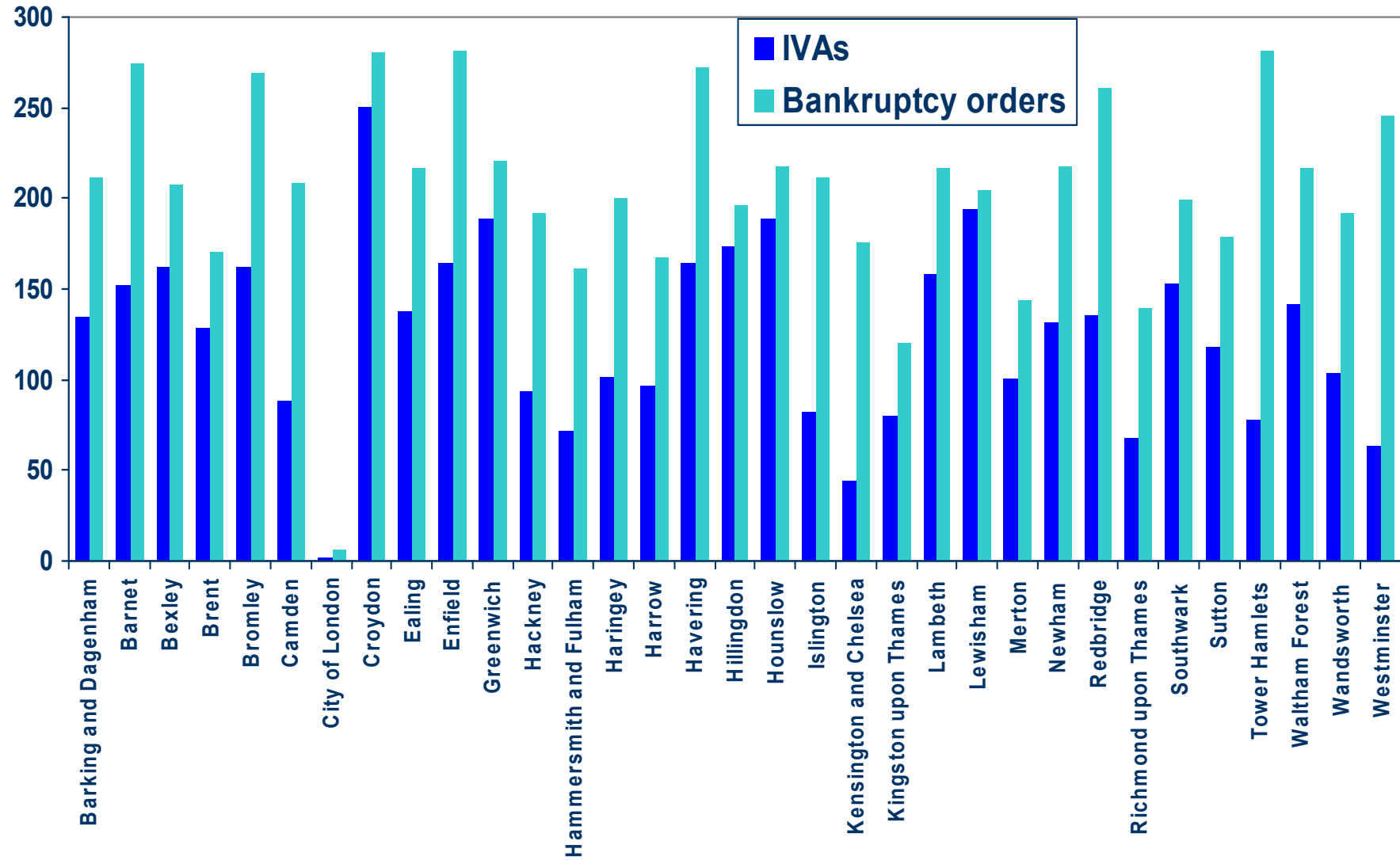
# Bankruptcy orders – 2009 & 2008



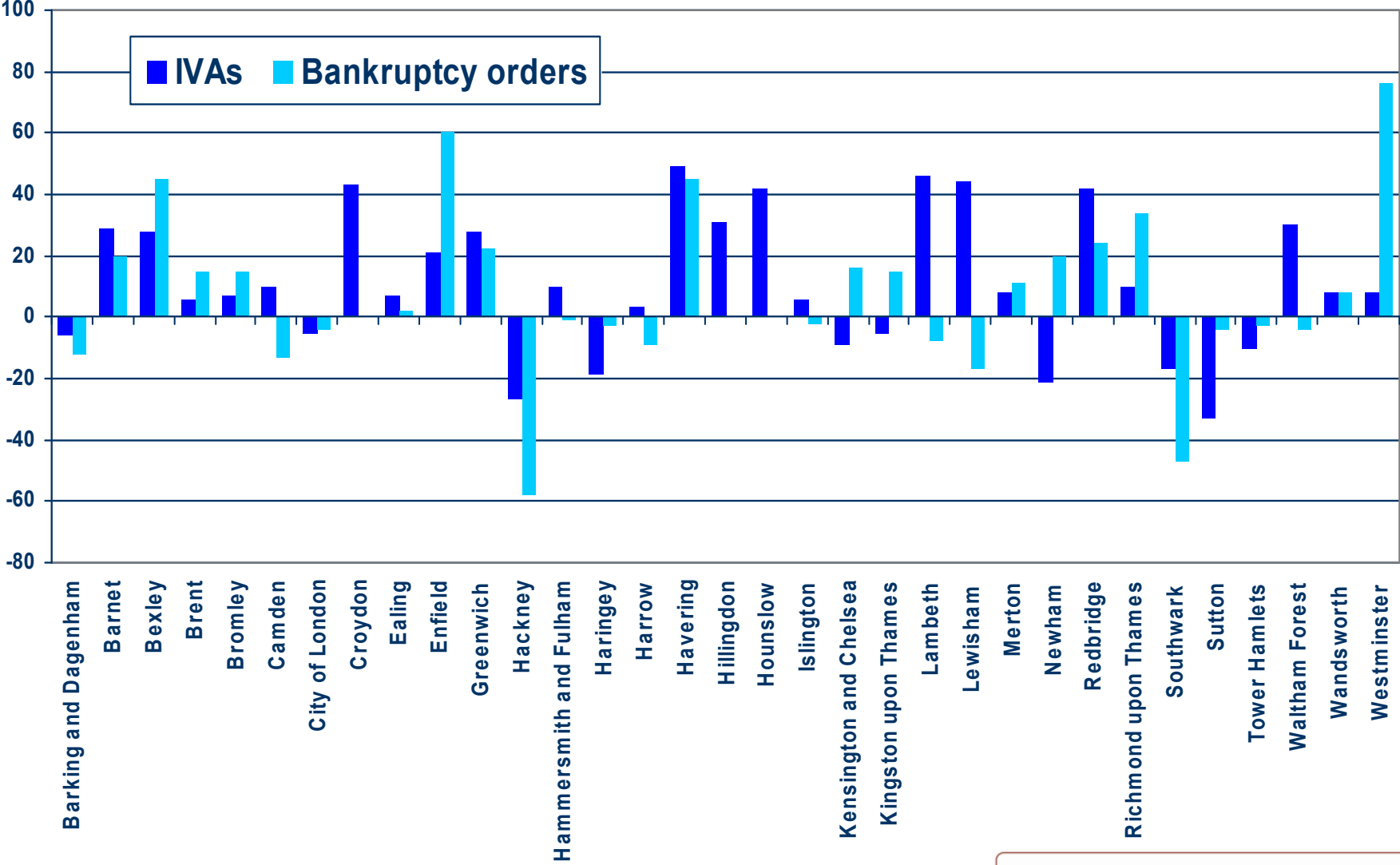
# Bankruptcy orders – 2009 rate per 10,000 adult population



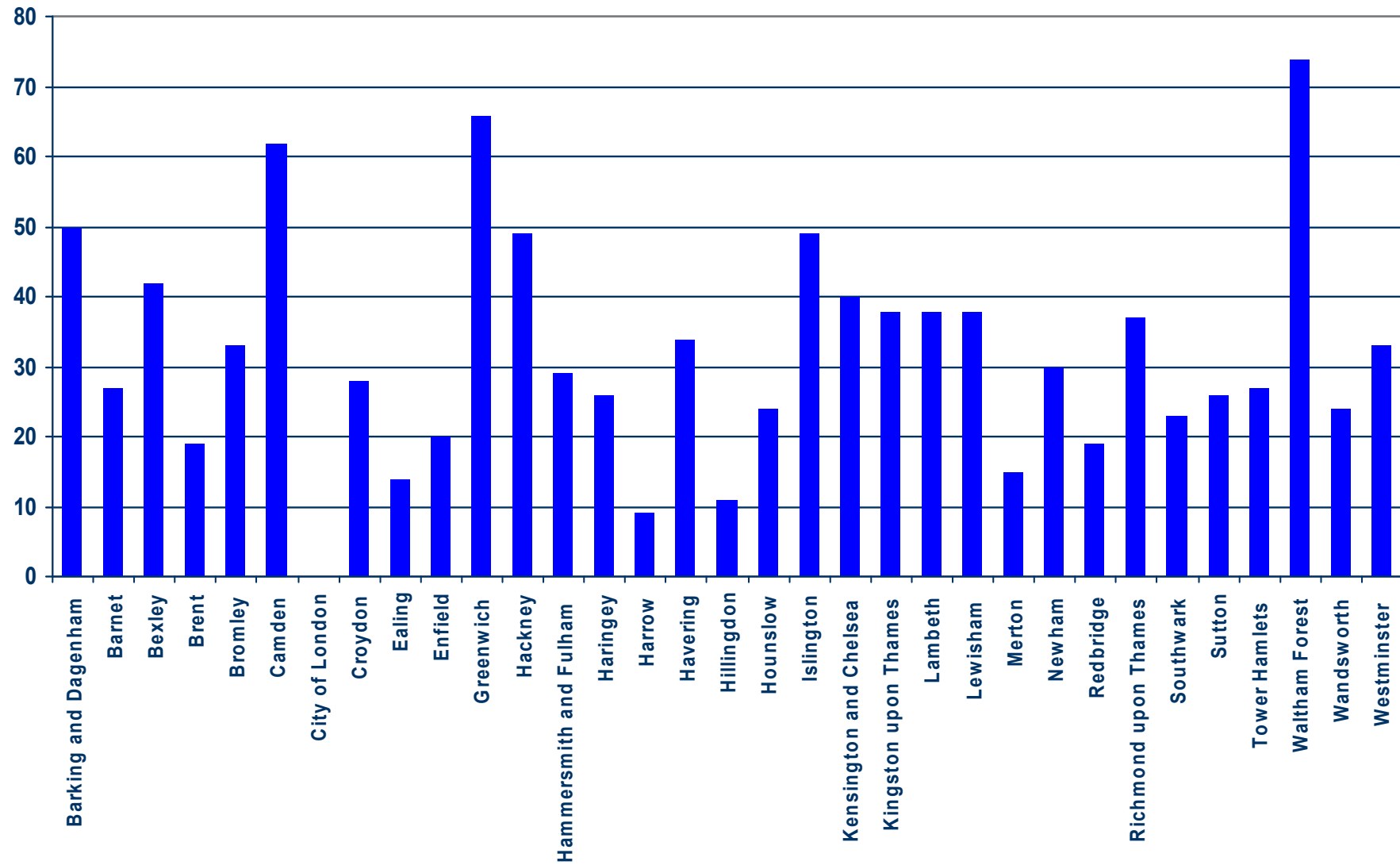
# IVAs vs Bankruptcy orders - 2009



# Change in personal insolvencies – 2009 vs 2008 (absolute change in number of new cases)



# Debt Relief Orders – April to December 2009



# Notes

- Individual insolvencies in England and Wales and in Northern Ireland are made up of **bankruptcy orders** and **individual voluntary arrangements (IVAs)**.
- Insolvent individuals in England and Wales are dealt with mainly under the Insolvency Act 1986. A bankruptcy order is made on the petition of the debtor or one or more of his creditors when the court is satisfied that there is no prospect of the debt being paid. (Figures for bankruptcy orders include orders relating to the estates of deceased debtors).
- There are also individual voluntary arrangements (IVAs) and deeds of arrangement (the latter under the Deeds of Arrangement Act 1914), which enable debtors to come to an agreement with their creditors.
- Changes to bankruptcy law in England and Wales introduced by the Enterprise Act 2002 came into force on 1 April 2004 – the Act made no changes to the existing individual voluntary arrangement regime.
- The Tribunals, Courts and Enforcement Act 2007 introduced a new route into personal insolvency called the **debt relief order (DRO)**, which came into effect from 6 April 2009. DROs provide debt relief, subject to some restrictions, and are suitable for people domiciled in England and Wales who do not own their own home, have little surplus income (no more than £50 a month), assets (other than possibly a car) not exceeding £300, and less than £15,000 of debt. DROs do not involve the courts; they are run by The Insolvency Service in partnership with skilled debt advisers, called approved intermediaries. A DRO lasts for a period of one year before discharge and, as for bankruptcy, there are penalties in place for debtors who seek to abuse the process.

# Notes (2)

- The statistics on individual insolvencies are published by the Insolvency Service: <http://www.insolvency.gov.uk/otherinformation/statistics/regionalstatisticsmenu.htm>
- The Insolvency Service covers national figures on a quarterly basis. The regional figures are published annually. The Insolvency Service describes the regional figures as experimental statistics, and says the numbers are not consistent with the official, headline National Statistics published as they have been extracted from a live database at a different point in time and on a slightly different basis.
- The figures cover new cases during 2009 and 2008.
  - Numbers of bankruptcies reported are based on the date of the bankruptcy order.
  - Numbers of IVAs reported are based on the date of registration.
  - Numbers of DROs reported are based on the date of the order.
- Rates per 10,000 are calculated using area population figures for adults aged 18+.
- Given the comparatively small number of personal insolvencies in certain boroughs (excluding the City of London, there were less than 100 new IVAs in ten of the boroughs and more than 200 in only one borough), the change in absolute numbers rather than the percentage change has been used to compare 2009 with 2008.

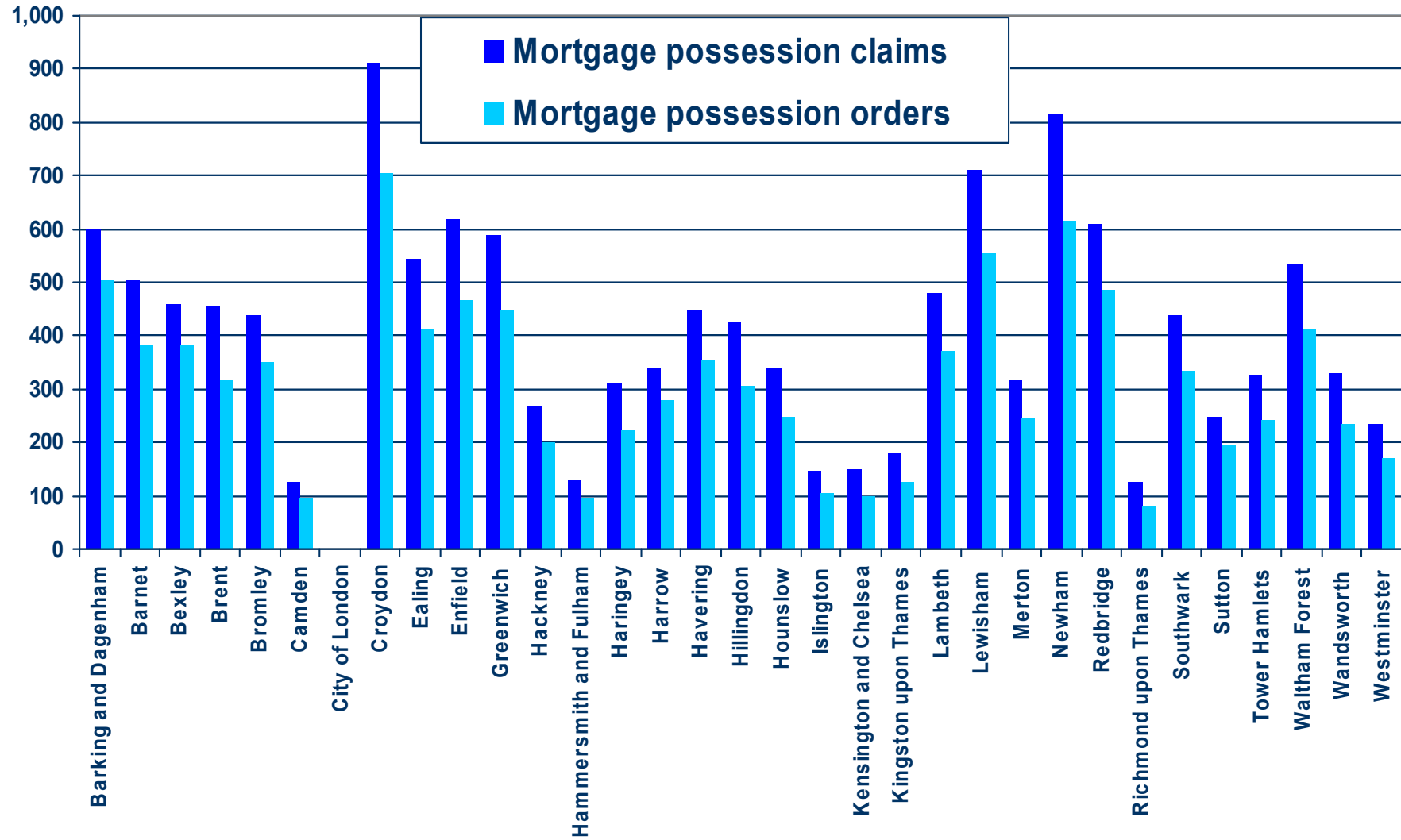
# 3. Mortgage and Landlord repossessions

- Overview
- Mortgage possession claims and orders 2009
  - By borough
  - By borough per 1,000 households
- Landlord possession claims and orders 2009
  - By borough
  - By borough per 1,000 households
- Mortgage vs Landlord possession claims
- Notes

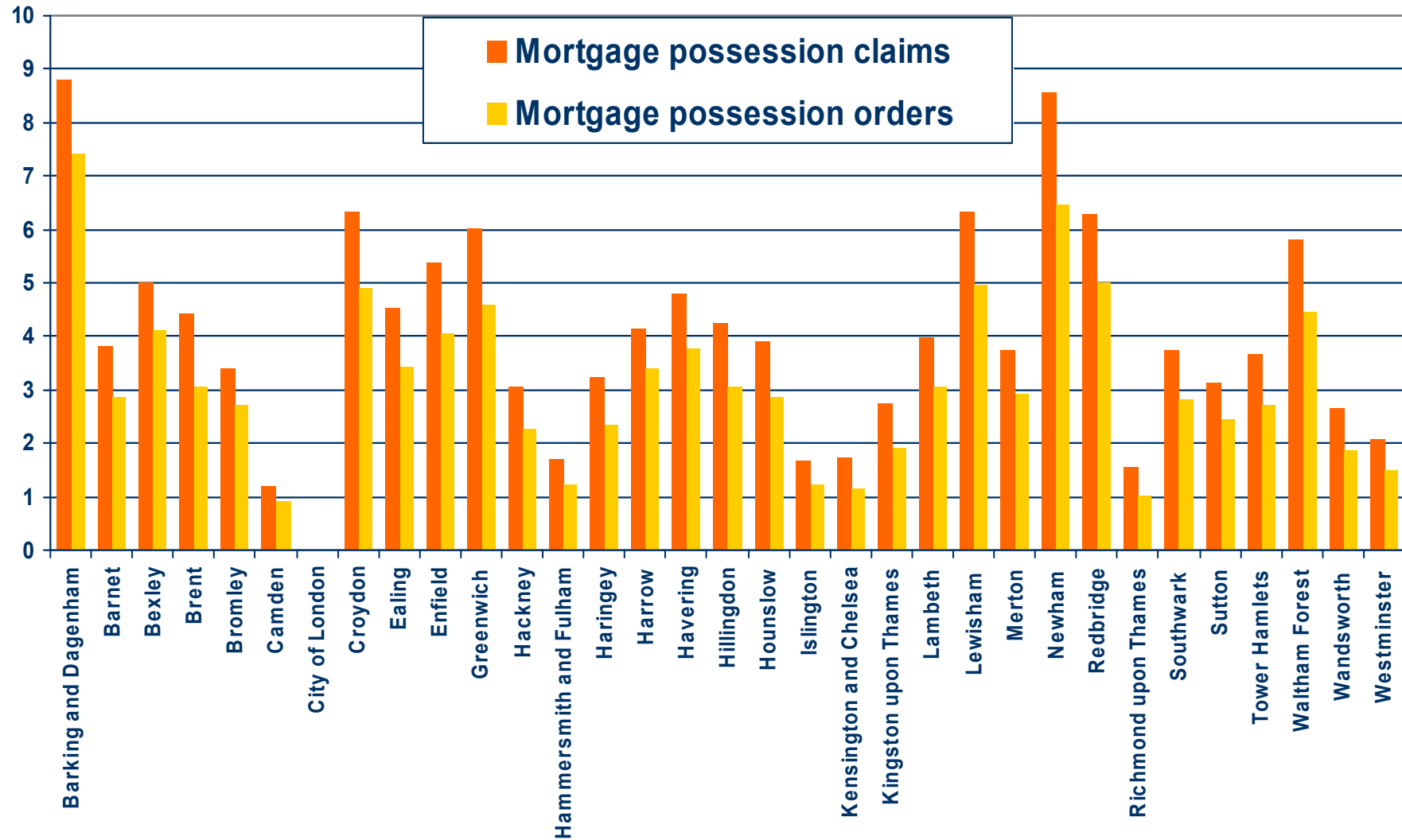
# Overview

- Broadly speaking, the ratio of landlord to mortgage possession claims is higher in Inner London compared with Outer London boroughs, reflecting the relative mix of rented and owner-occupied property.
- Mortgage possession claims were highest during 2009 in Outer London boroughs in the North East of the capital (Barking & Dagenham and Newham, and to a lesser extent Redbridge and Waltham Forest). They were lowest in more prosperous Inner London boroughs (Camden, Hammersmith & Fulham, Islington, Kensington & Chelsea) and Richmond.
- Landlord possession claims were highest in certain Inner London boroughs (Hackney, Lambeth, Lewisham, Southwark) and also in Brent and Haringey. They were lowest in Kingston and Richmond.
- Looking at the percentage change in possession orders between 2008 and 2009, there is a striking contrast between mortgage and landlord actions.
  - The fall in mortgage possession claims is largely consistent across the boroughs, reflecting the introduction of the Mortgage Pre Action Protocol in November 2008 (see notes).
  - In contrast, though most boroughs show a fall in landlord possession claims in 2009, this varies significantly between the boroughs, while nine show an increase.

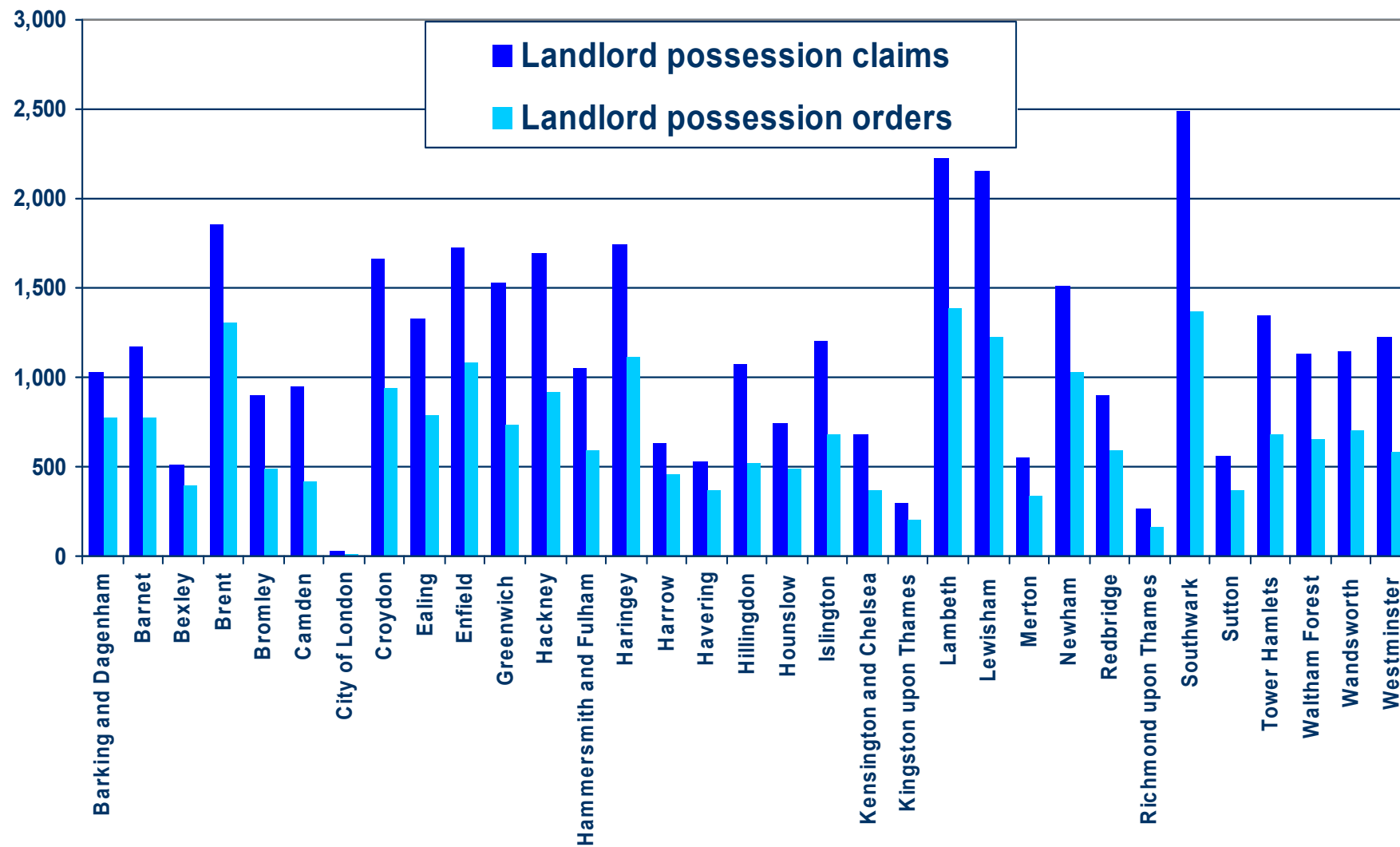
# Mortgage possession claims & orders - 2009



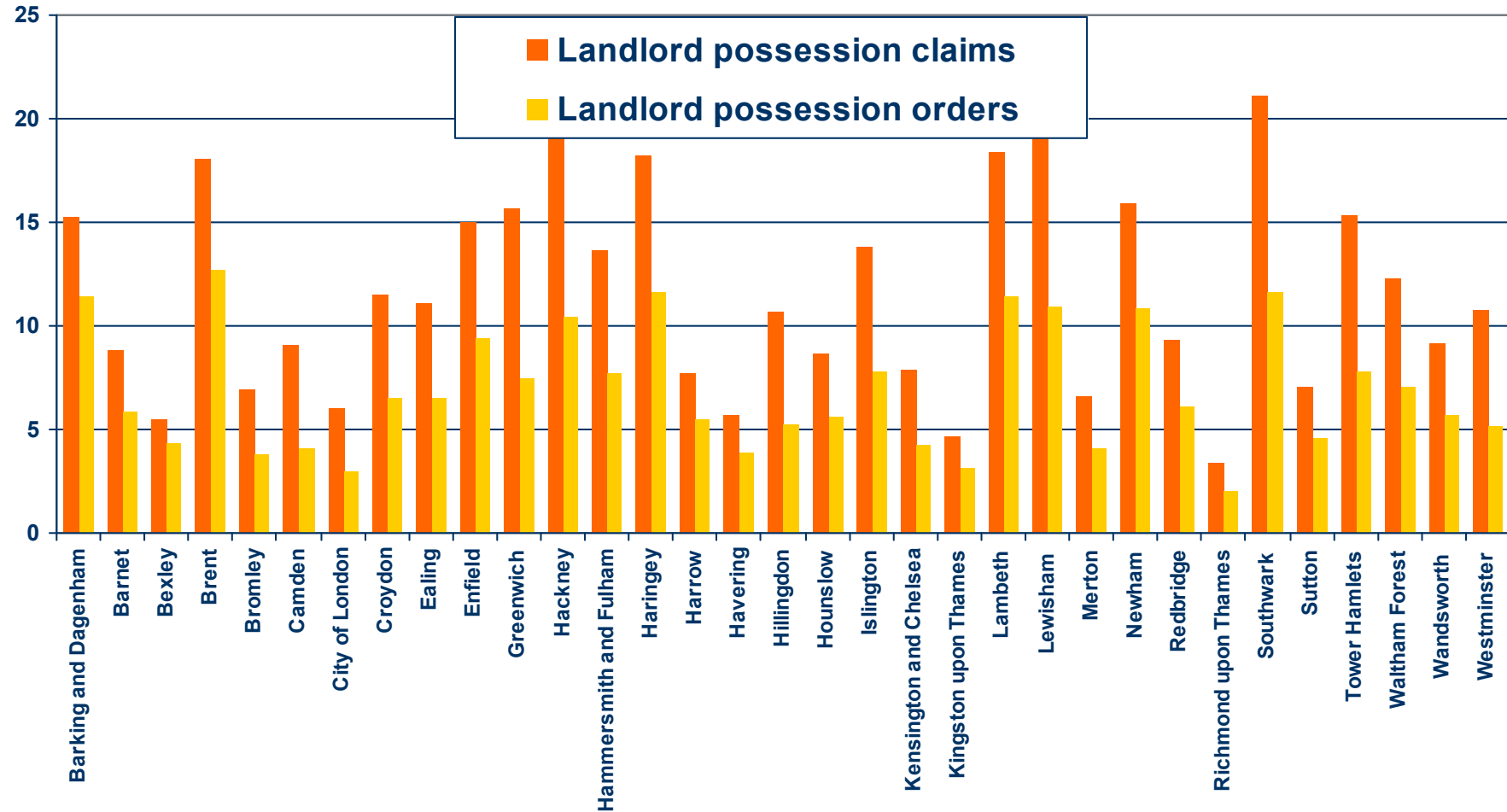
# Mortgage possession claims & orders – 2009 rate per 1,000 households



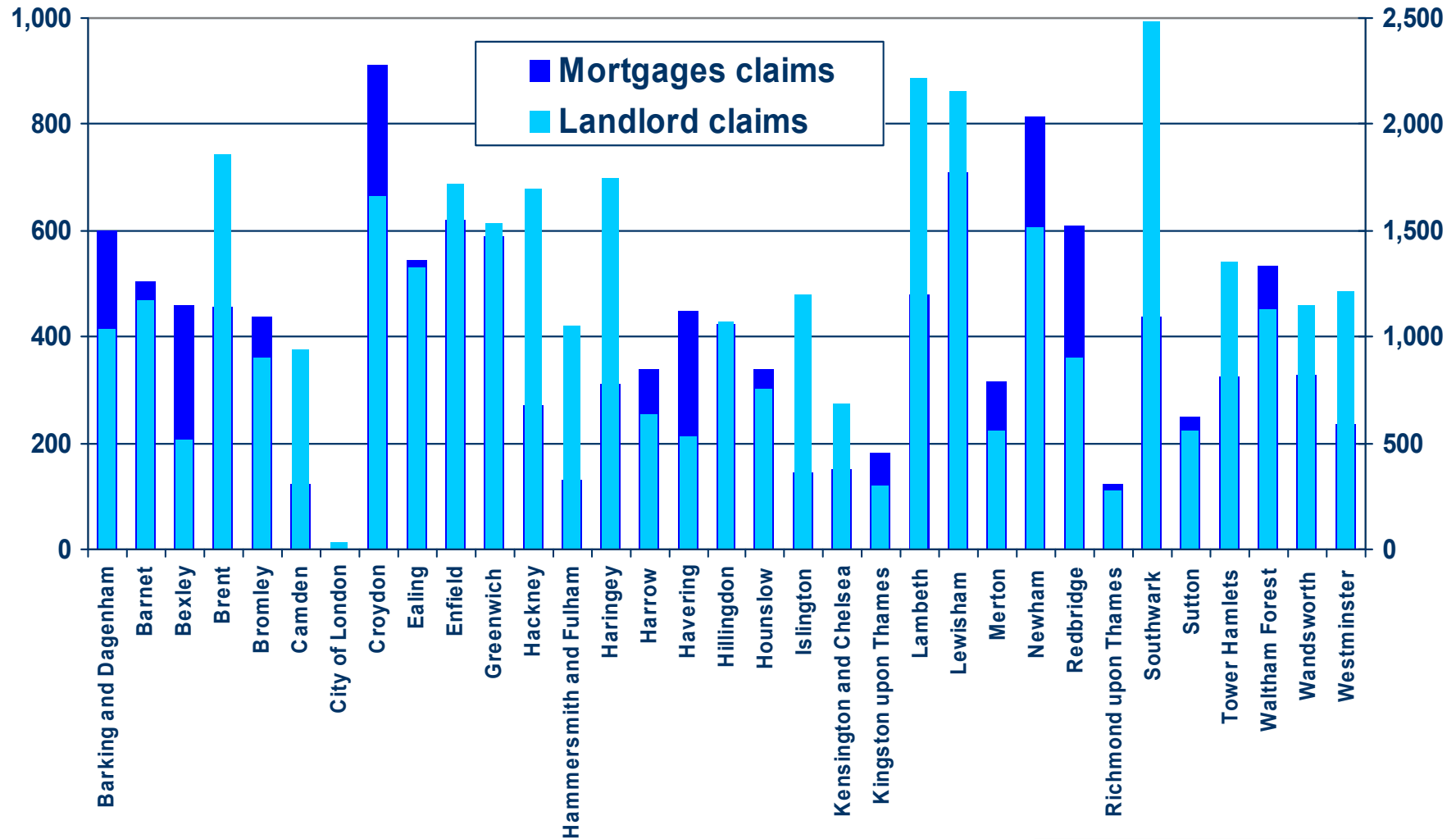
# Landlord possession claims & orders - 2009



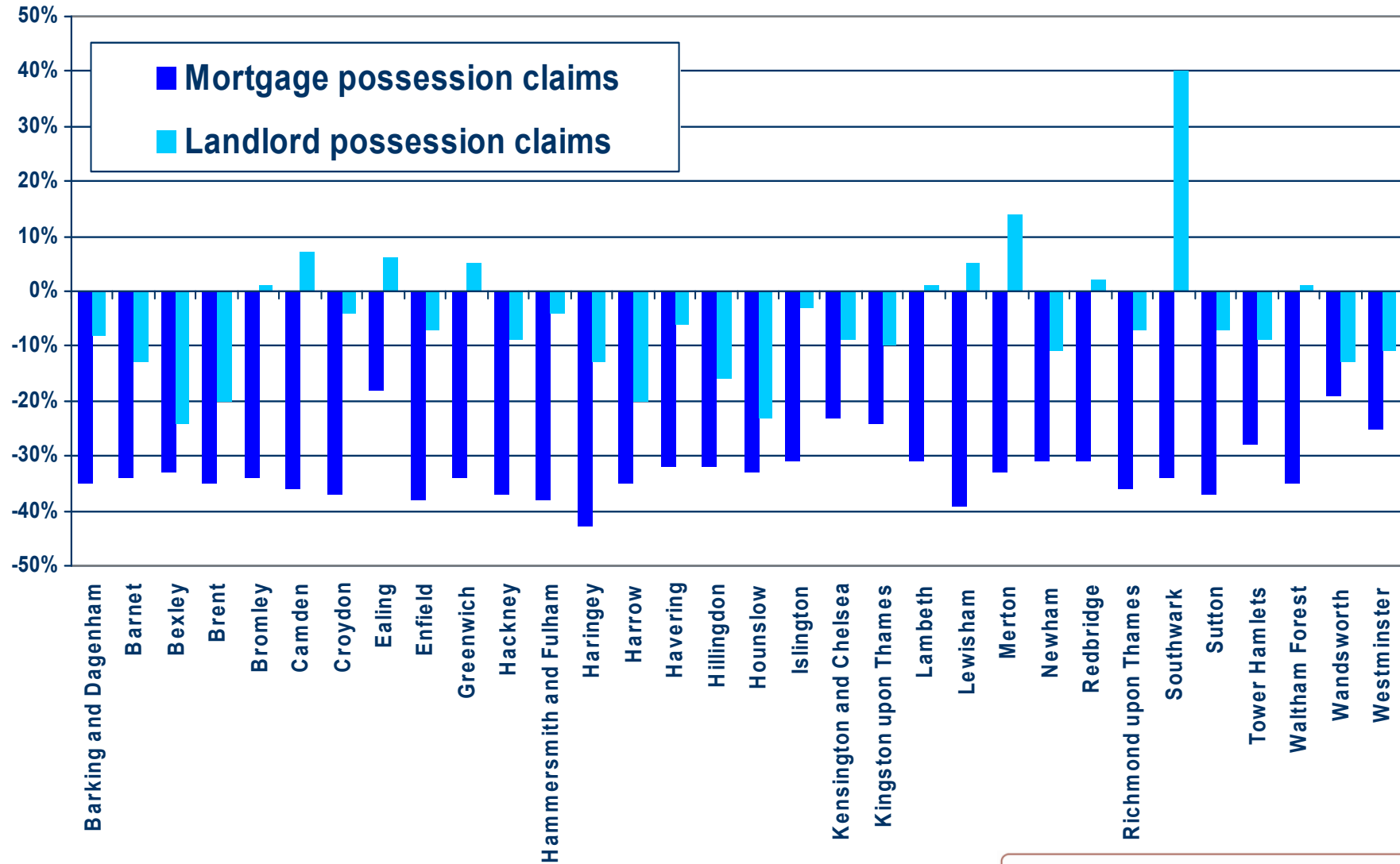
# Landlord possession claims & orders – 2009 rate per 1,000 households



# Mortgage possession claims (left axis) vs Landlord possession claims (right axis) - 2009



# Mortgage and landlord possession claims - 2009 vs 2008 (percentage change)



# Notes

- The figures on mortgage and landlord possession actions in the county courts of England and Wales relate to the numbers of possession **claims issued** and **claims leading to an order made**. The count of claims leading to an order includes all claims in which the first order, whether outright or suspended, is made during the period.
- The figures are published quarterly by the Ministry of Justice:  
<http://www.justice.gov.uk/publications/mortgagelandlordpossession.htm>
- The mortgage data include all types of lenders whether local authority or private (e.g. banks and building societies).
- The landlord data include all types of landlord whether social or private sector, and cover actions made using both the standard and accelerated possession procedures. The accelerated possession procedure is used by landlords in relation to assured shorthold tenancies, when the fixed period of tenancy has come to an end. It enables orders to be made by the court solely on the basis of written evidence and without calling the parties to a hearing.
- The possession action figures do **not** indicate how many houses have actually been repossessed through the courts. Repossessions can occur without a court order being made while not all court orders result in repossession.
- **Claims Issued**. A claimant begins an action for an order for possession of property by issuing a claim in a county court.
- **Orders Made**. The court, following a judicial hearing (or judicial involvement in accelerated procedure cases) may grant an order for possession immediately. This entitles the claimant to apply for a warrant to have the defendant evicted. However, even where a warrant for possession is issued, the parties can still negotiate a compromise to prevent eviction.

# Notes (2)

- **Suspended Orders.** Frequently, the court grants the claimant possession but suspends the operation of the order. Provided the defendant complies with the terms of suspension, which usually require the defendant to pay the current mortgage/rent instalments plus some of the accrued arrears, the possession order cannot be enforced.
- The Mortgage Pre-Action Protocol (MPAP) of 19 November 2008 gives guidance on what the courts expect lenders and borrowers to have done prior to a claim being issued. According to the Ministry of Justice, the introduction of the MPAP coincided with a fall of around 50% in the daily and weekly numbers of new mortgage repossession claims being issued in the courts as evidenced from administrative records.
- The statistics on possession actions per 1,000 households (including mortgaged and rented) are based on 2006 household estimates for England, published by the Department of Communities and Local Government.
- Disaggregation at local authority level based on the physical location of the property which is the subject of the possession action.

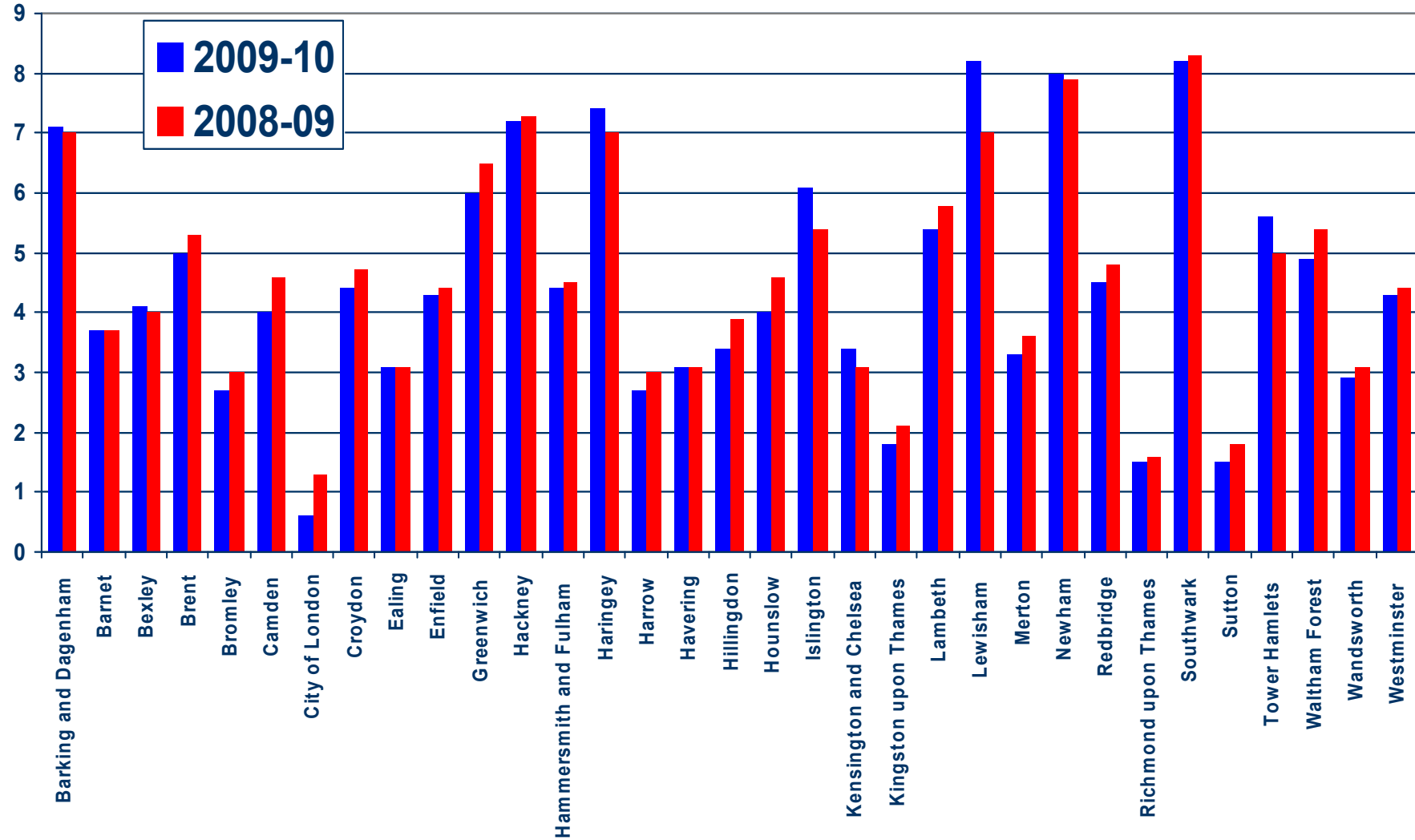
# 4. Council tax uncollected

- Overview
- Uncollected council tax receipts as a % of net collectible debit – 2008/09 & 2009-10
- Notes

# Overview

- **Uncollected council tax used as a proxy for council tax repayment problems**
- **Comparing the data for end 2008-09 with that for end 2009-10, there were few significant changes in the collection rates and rankings of individual boroughs.**
- **Looking at the data for end 2009-10, the boroughs with highest uncollected council tax (as a proportion of total receipts due) were mainly poorer:**
  - Inner London (Hackney, Lewisham, Southwark);
  - Outer North East (Barking & Dagenham, Haringey, Newham) boroughs.
- **Those with the lowest levels of uncollected council tax were mainly Outer London boroughs in the prosperous South West of the capital (Kingston, Richmond, Sutton).**
- **But some of the figures by borough are perhaps a little surprising.**
  - Prosperous Inner London boroughs have comparatively high levels of uncollected council tax (Hammersmith & Fulham, Kensington & Chelsea) compared with prosperous Outer London boroughs. This may reflect the large council estates in some prosperous inner London boroughs.
  - And there are noticeable differences between poorer Inner London boroughs in the proportion of council tax uncollected. For example, the proportion of tax uncollected in Southwark is higher than in Lambeth or Tower Hamlets. This may reflect differences in the efficiency of collection.

# Uncollected council tax receipts as a % of net collectible debit



# Notes

- Data on the proportion of council tax due that remained uncollected at year-end have been used as a proxy for council tax repayment problems.
- The data is published by the Department of Communities and Local Government: <http://www.communities.gov.uk/publications/corporate/statistics/1620336>
- Care needs to be taken in interpreting the data. Collection rates will reflect the efficiency of council tax collection as well as the ability of local residents to pay. Nonetheless, across the 33 London boroughs, the proportion of council tax uncollected at year-end should provide some indication of variations in repayment problems.