

**Strictly Embargoed for 00.01 Friday 29<sup>th</sup> July 2011**

#### **4.8 million break free of credit card debt – at the expense of savings**

- *Savings fall to lowest level in 2.5 years, but unsecured debt levels also down*
- *Nearly five million Brits have escaped credit card debt in last year*
- *Determination grows to restock savings*
- *Inflation (driven by VAT and fuel price rise) is greatest pressure on consumer finances as wages fall in real terms*

Nearly five million Britons have pulled themselves out of credit card debt in the last 12 months, but have done so by raiding rainy-day savings and cutting back on spending.

Figures from the latest *ING Direct Consumer Savings Monitor* – the only measure tracking ordinary Britons' savings levels<sup>1</sup> – shows average reserves now stand at £1,684. This marks a 5.6 per cent fall (-£99) on the first quarter of 2011 and is the lowest level of saving yet seen in the on-going study.

The research highlights that inflation, driven by the increase in VAT and fuel price rises is the main factor squeezing family budgets, as wages fall in real terms and unemployment remains high. But a determination not to rely on the credit card means reducing spending and using savings to plug the gap.

As a result consumer lending on credit cards, unsecured loans and hire-purchase agreements is at an 18 month low, averaging £2,513 for the ordinary Briton, down nearly £300 (10 per cent) compared to the first quarter of 2011 and down nearly 15 per cent since the beginning of 2010.

As a consequence, over the last year 4.8 million Britons (10.4 per cent) claim to have climbed out of unsecured debt entirely and 7.5 million (16.3 per cent) say they have less debt than they did this time last year.<sup>2</sup>

However, the latest report shows a significant number have also struggled to realise their financial aspirations in a difficult climate, with the equivalent of 5.3 million people (11.5 per cent) reporting that their unsecured debts are greater than they were 12 months ago.

ING Direct CEO Richard Doe comments

*“Since we began tracking the financial behaviour of ordinary Britons in 2009 consumers have been juggling with spending, paying off debt and putting money away for a rainy day. And while many have reduced their debts – often at the expense of spending and saving – others continue to rely on their credit cards.”*

*“However, the report demonstrates that there is a determination among the public to further reduce debts and rebuild savings, with the latter a growing priority. But in the current environment it may prove difficult for consumers to realise both of these aims.”*

Not only are savings levels hitting record lows, but with falling real wages over the last year,<sup>3</sup> the amount that Brits have in reserve in proportion to earnings is also falling fast, with the £1,684 savings figure equating to a little under 40 days’ pay (1.3 months) in cash savings.<sup>4</sup>

The findings are also supported by a number of other studies, including ONS figures on household spending power, which fell by a record 2.7 per cent in the 12 months up to the end of Q1 2011 and the British Retail Consortium, which recorded a 13 per cent fall in the use of credit cards last year.<sup>5</sup>

And while savings have hit their lowest levels yet, the determination to rebuild them has grown, with four in 10 Britons (39 per cent) now stating this as their main financial priority, up from 32 per cent at the beginning of the year.

The ING Direct study also reveals the beginnings of a turnaround in consumer confidence, particularly in relation to household income (up six points), spending potential (up seven points) and job security (up 10 points).

ING Senior Economist James Knightley comments:

*“The economic headwinds battering the household sector are not relenting. With food prices going up and utility bills set to increase sharply, household finances will remain strained. This suggests that savings are likely to be run down further this year. However, the employment situation is showing signs of improving and inflation is expected to slow, which could help prompt a reversal of this trend next year.”*

The full report can be downloaded from [www.consumersavingsmonitor.co.uk](http://www.consumersavingsmonitor.co.uk) (from 29 July).

**Ends**

**For a full copy of the latest report from the ING Direct Consumer Savings Monitor, visit [www.consumersavingsmonitor.co.uk](http://www.consumersavingsmonitor.co.uk)**

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Martin Rutland, ING Direct

### **About ING Direct:**

- ING Direct is the world's leading direct savings bank, with over 23 million savers worldwide. It was launched in the UK in May 2003 where it has 1.4m customers.
- The savings bank has won a number of accolades for its customer service, website and UK-based call centres, as well as being highly commended for most trusted savings provider at the Moneywise 'Most Trusted' 2009 Awards.
- ING Direct is authorised and regulated by De Nederlandsche Bank (the Dutch Central Bank) and subject to limited regulation by the Financial Services Authority. Details on the extent of ING Direct's regulation by the Financial Services Authority are available on request.
- Deposits are covered by the Dutch Deposit Guarantee Scheme to the level of €100,000 per customer.

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### **Footnotes**

All figures quoted, unless otherwise stated are from the findings of the ING Direct Consumer Savings Monitor. Full methodology can be found at [www.consumersavingsmonitor.co.uk](http://www.consumersavingsmonitor.co.uk)

1. The ING Direct Consumer Savings Monitor is the only on-going UK measure of ordinary Briton's savings. The term '**ordinary Briton**' is used to illustrate the fact that the ING Direct Consumer Savings Ratio uses median averages for savings (rather than mean) as the distribution of savings is so strongly skewed by the very wealthy (mean averages give figures of around £20,000).
2. 10.4 per cent of Britons report that they are now debt free compared to this time last year according to the ING Direct representative survey – equivalent to 4.8 million British adults. An additional 16.3 per cent report that they have less debt than this time last year (but still some) – equivalent to 7.5 million adults (based on ONS estimates of 46m UK adult population). 11.5 per cent (5.3 million) reported that their debts were worse than 12 months ago and 13.5 per cent (6.2 million) report roughly no change. 48.4 per cent (22.3 million) have no debt and didn't have any 12 months ago.
3. ONS monthly update on wages and labour market (13 July 2011).
4. As well as monitoring savings, the ING Direct Consumer Savings Monitor records average median earning. This currently stands at £1,306 per month, meaning that savings make up 1.29 months' worth of pay (£1,684/£1,306).
5. Office for National Statistics real household disposable income figures for Q1 2011 – released 28 June 2011. British Retail Consortium Cost of Payment Collection Survey – released 27 June 2011.

### **Sampling methodology**

A sample of 1,300 UK adults, fully representative of the UK adult population is recruited on a monthly basis by PureProfile, one of the world's leading research panels, with more than 600,000 panellists worldwide. This sample contains approximately 1,000 savers (approx 25% of Britons have no savings).

The interviewees are interviewed over the same 7 day period over the last week of every calendar month. Interviewees are asked an identical series of tracking questions every month. These tracking questions commenced in January 2009 and run on a monthly basis. This quarter's findings come from the results of April, May and June 2011 tracking.

A further representative sample of 2000 UK adults is also questioned in the midpoint of each quarter, on a quarterly basis.