Statistical bulletin

Household debt in Great Britain: April 2016 to March 2018

Household debt in Great Britain April 2016 to March 2018, taken from the sixth round of the Wealth and Assets Survey.

Contact:
Carla Kidd
wealth.and.assets.survey@ons.gov.uk
+44 (0)1633 580088

Release date:
5 December 2019

Next release:
To be announced

Table of contents

1 . Other pages in this release

Commentary relating to the Wealth and Assets Survey in Great Britain April 2016 to March 2018 is split into three distinct bulletins. This bulletin is Household debt in Great Britain: April 2016 to March 2018. The other two can be found on the following pages:

- Total wealth in Great Britain: April 2016 to March 2018
- Pension wealth in Great Britain: April 2016 to March 2018

2 . Main points

- Total household debt in Great Britain was £1.28 trillion in April 2016 to March 2018, of which £119 billion (9%) was financial debt and £1.16 trillion (91%) was property debt (mortgages and equity release).
- Total household financial debt rose by £12 billion (11%) in the latest period, up from £107 billion in April 2014 to March 2016, with most of the change accounted for by increased hire purchase debt (up by £6 billion) and student loans from the Student Loans Company (up by £7 billion).
- Increases in total household property debt and total household financial debt in the latest period were driven by a combination of both an increase in the number of households with debt and increasing levels of debt.
- The least wealthy 50% of households held 36% of total household debt in April 2016 to March 2018, but whilst they held less debt their total debt was a relatively large proportion of their total wealth, with less wealthy households being more likely to have financial debt.
- In April 2016 to March 2018, total debt was three times larger than total wealth for the lowest wealth decile, while total wealth was larger than total debt for the other deciles.
- 4% of households in April 2016 to March 2018 were identified as having problem debt; households in problem debt were more likely to rent their home (66% renting compared with 34% for all households) and have an unemployed household head (6% compared with 1% overall).

Figures are deflated to April 2016 to March 2018 average prices using the Consumer Prices Index including owner occupiers' housing costs (CPIH) to reflect the change in the value of money over time. This is a change from previous releases, which were all in nominal terms, to allow better comparisons over time.

3 . Total household debt

Total household debt in Great Britain in the latest period April 2016 to March 2018 was £1.28 trillion. Total debt is made up of property debt (mortgages and equity release secured on properties) and financial debt (credit cards, loans and other non-mortgage debt). In April 2016 to March 2018, total household property debt was £1.16 trillion (91% of total debt) and total household financial debt was £119 billion (9% of total debt).

Both total household property debt and total household financial debt have been increasing in real terms (after adjusting for inflation) since the period July 2012 to June 2014, as shown in Figure 1. Overall, total household debt increased by 4% (£45 billion) between April 2014 to March 2016 and April 2016 to March 2018.

Figure 1: Total household debt has been increasing since the period July 2012 to June 2014, after adjusting for inflation

Total household debt by type, Great Britain, July 2010 to March 2018

Source: Office for National Statistics – Wealth and Assets Survey

Notes:

1. Figures have been deflated to April 2016 to March 2018 prices using the Consumer Prices Index including owner occupiers' housing costs (CPIH).

2. Note the change in periodicity from two-years starting in July and ended in June two years later to a two-year periodicity that starts in April and ends in March two years later (financial year-based). More information on this change can be found in the Moving the Wealth and Assets Survey onto a financial years basis methodology article.

3. Nominal values are taken from the household debt dataset Table 7.1.

Property debt

Total property debt increased by £0.03 trillion (3%) from £1.13 trillion in April 2014 to March 2016 to £1.16 trillion in April 2016 to March 2018, after adjusting for inflation. The increase in total property debt was because of a combination of both an increase in the number of households with property debt and increasing levels of property debt.

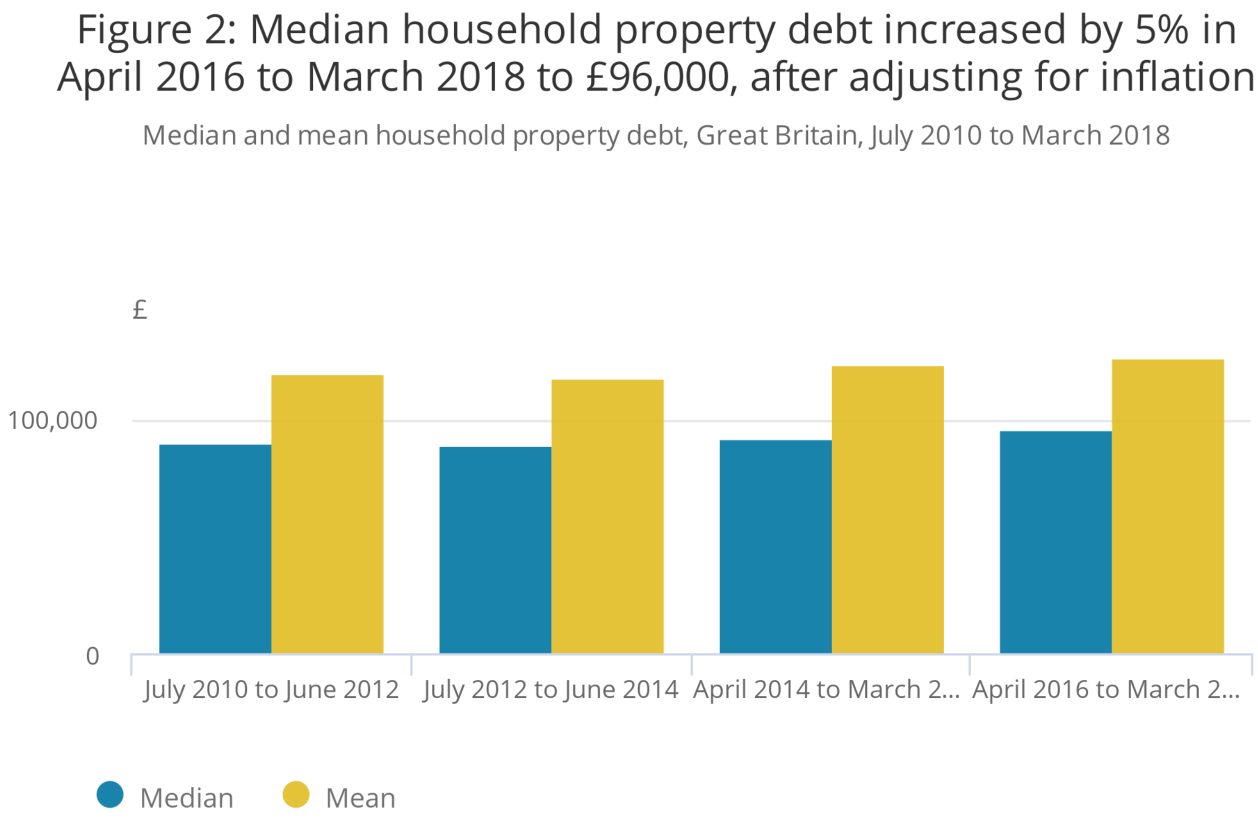
The number of households with property debt increased over the latest period, from 9.1 million in April 2014 to March 2016, to 9.2 million in April 2016 to March 2018. Average levels of property debt also increased, as shown in Figure 2.

Median household property debt (for households with this type of debt) was £96,000 in April 2016 to March 2018. After adjusting for inflation, this is 5% higher than April 2014 to March 2016 when the median was £91,600. The median is the mid-point of the distribution when ranked from low to high.

The mean is another measure of the average and is the sum of all values divided by the number of households. Both the median and mean both have value in different contexts. Mean household property debt also increased over the same period, rising by 2% from £123,600 to £126,500.

Figure 2: Median household property debt increased by 5% in April 2016 to March 2018 to £96,000, after adjusting for inflation

Median and mean household property debt, Great Britain, July 2010 to March 2018



Source: Office for National Statistics – Wealth and Assets Survey

Notes:

1. Figures have been deflated to April 2016 to March 2018 prices using the Consumer Prices Index including owner occupiers' housing costs (CPIH).

2. Excludes households without this type of debt.

3. Note the change in periodicity from two-years starting in July and ended in June two years later to a two-year periodicity that starts in April and ends in March two years later (financial year-based). More information on this change can be found in the [Moving the Wealth and Assets Survey onto a financial years basis methodology article]

4. Nominal median values are taken from the [household debt dataset Table 7.1].

Financial debt

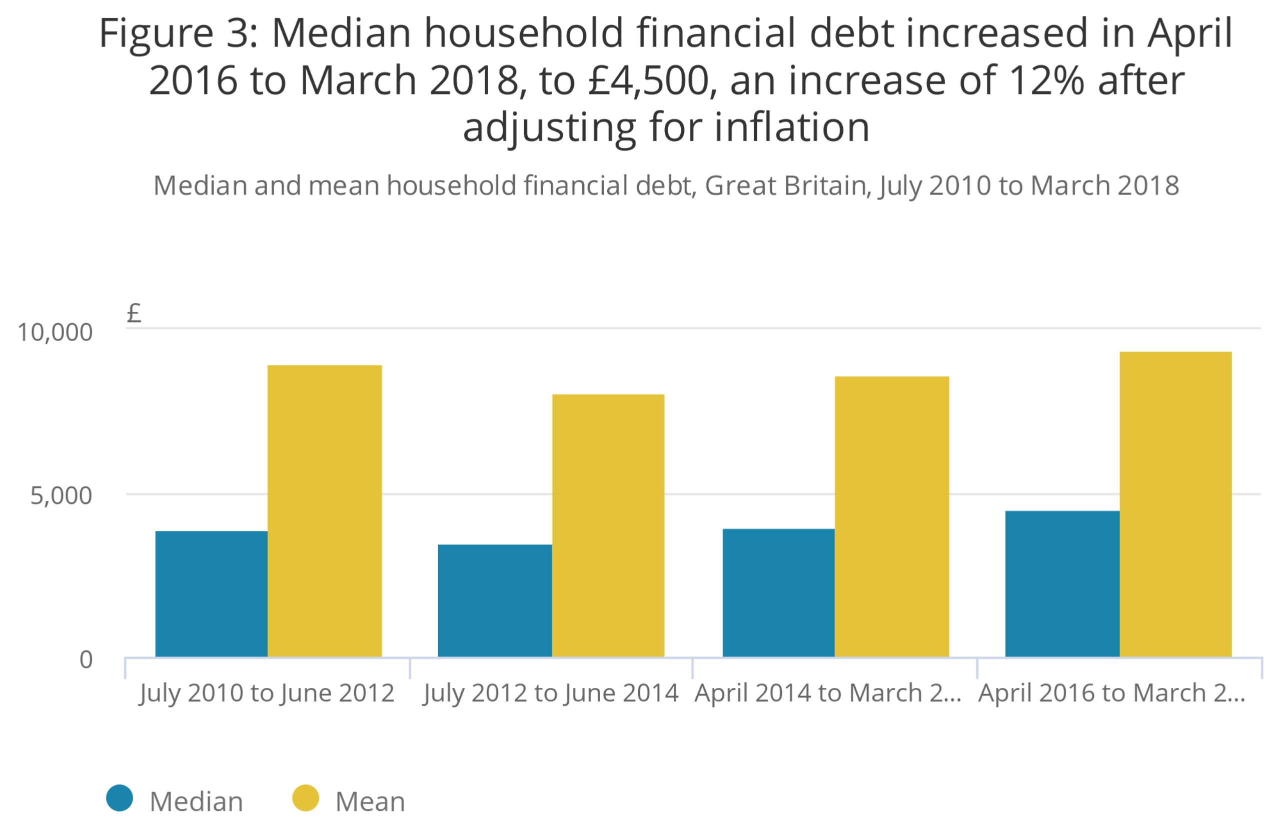
Total financial debt has also risen, from £107 billion in April 2014 to March 2016 to £119 billion in April 2016 to March 2018, an increase of £12 billion (11%). As with property debt, the increase in total household financial debt in the latest period was driven by a combination of both an increase in the number of households with financial debt and increasing levels of financial debt. The number of households with financial debt increased over this period from 12.4 million to 12.7 million.

Median household financial debt (for households with financial debt) was £4,000 in April 2014 to March 2016, after adjusting for inflation, as shown in Figure 3. This rose to £4,500 in the latest period, April 2016 to March 2018, an increase of 12%.

Mean household financial debt also rose over this period, from £8,600 to £9,400, an increase of 9%.

Figure 3: Median household financial debt increased in April 2016 to March 2018, to £4,500, an increase of 12% after adjusting for inflation

Median and mean household financial debt, Great Britain, July 2010 to March 2018



Source: Office for National Statistics – Wealth and Assets Survey

Notes:

1. Figures have been deflated to April 2016 to March 2018 prices using the Consumer Prices Index including owner occupiers' housing costs (CPIH).

2. Excludes households without this type of debt.

3. Note the change in periodicity from two-years starting in July and ended in June two years later to a two-year periodicity that starts in April and ends in March two years later (financial year-based). More information on this change can be found in the Moving the Wealth and Assets Survey onto a financial years basis methodology article

4. Nominal median values are taken from the household debt dataset Table 7.1.

Components of financial debt

As financial debt is made up of several different types of debt it is useful to look at how these components have changed in the latest period to understand the drivers of the £12 billion (11%) increase in the level of financial debt.

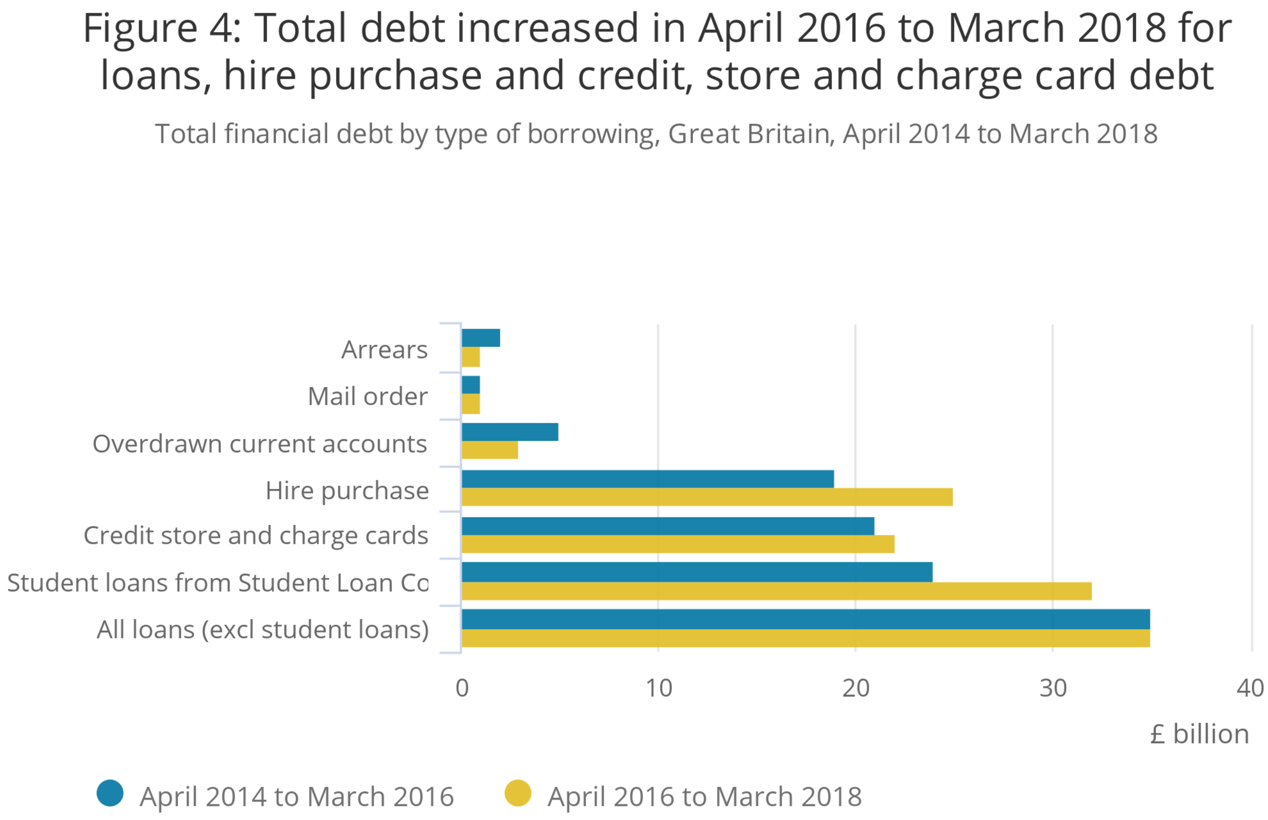
Total financial debt increased in April 2016 to March 2018 for loans, hire purchase and credit, store and charge card debt. This is shown in Figure 4.

Between April 2014 to March 2016 and April 2016 to March 2018, total debt for loans (including student loans) increased by £7 billion (13%). This increase in loans was almost entirely because of an increase in student loans from the Student Loans Company, which increased by 30%.

Total hire purchase debt increased by £6 billion (30%) and credit, store and charge card debt increased by £1 billion (4%) between April 2014 to March 2016 and April 2016 to March 2018, after adjusting for inflation.

Figure 4: Total debt increased in April 2016 to March 2018 for loans, hire purchase and credit, store and charge card debt

Total financial debt by type of borrowing, Great Britain, April 2014 to March 2018



Source: Office for National Statistics – Wealth and Assets Survey

Notes:

1. Figures have been deflated to April 2016 to March 2018 prices using the Consumer Prices Index including owner occupiers' housing costs (CPIH).
2. Nominal values are taken from the household debt dataset table 7.2.
3. Arrears includes arrears on credit commitments or household bills.

Most of the increase in financial debt was from an increase in hire purchase debt and student loans from the Student Loans Company. Both types of debt had an increase in the number of households with debt and an increase in average levels of debt.

The number of households with hire purchase debt in April 2014 to March 2016 was 3.9 million. This increased to 4.6 million in April 2016 to March 2018, an increase of 708,000 households (18%). Median hire purchase debt also increased from £3,300 to £3,500 over this period, after adjusting for inflation.

The number of households with student loans from the Student Loans Company also increased from 1.6 million households in April 2014 to March 2016 to 1.8 million in April 2016 to March 2018, an increase of 231,000 households (15%). Median student loan debt for these households increased from £11,300 to £13,000, after adjusting for inflation.

4 . Analysis by total wealth decile

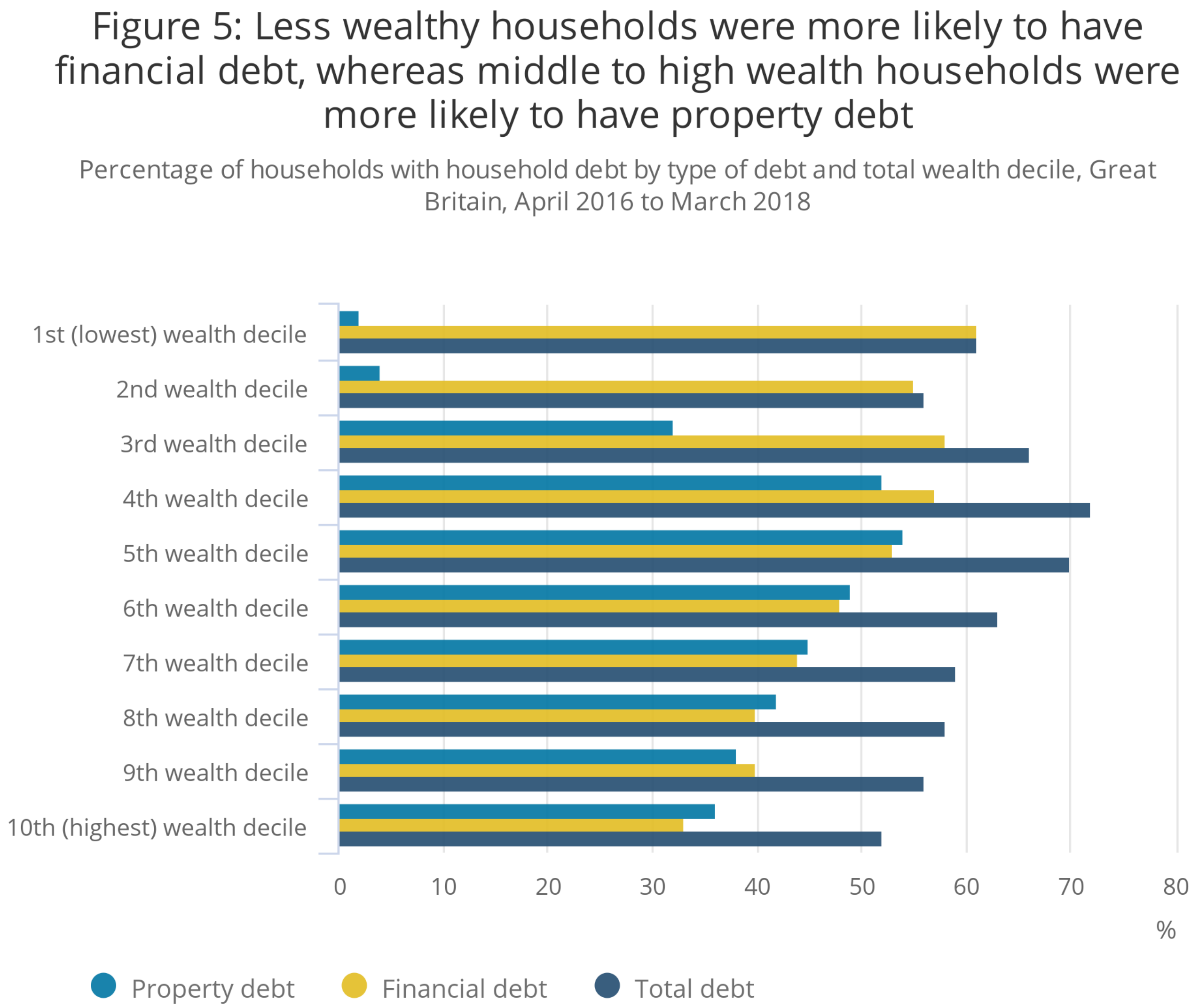
This section considers households with debt by total wealth bands. Households are ranked by their total wealth and split into 10 equal (by number of households) “deciles”. The 10% of households with the most total wealth were in the 10th (highest) decile and the 10% of households with the least total wealth were in the first (lowest) decile.

A different pattern across the total wealth deciles can be seen when comparing property debt with financial debt, as shown in Figure 5. The bottom wealth deciles are the most likely to have financial debt. In April 2016 to March 2018, of all households in the bottom four total wealth deciles, 55% to 61% had financial debt. This compares with 33% of households in the top decile.

The middle wealth deciles are the most likely to have property debt. The percentage of households with property debt was 45% to 54% for the middle (fourth to seventh) total wealth deciles in April 2016 to March 2018, compared with 2% of households in the lowest decile.

Figure 5: Less wealthy households were more likely to have financial debt, whereas middle to high wealth households were more likely to have property debt

Percentage of households with household debt by type of debt and total wealth decile, Great Britain, April 2016 to March 2018



Source: Office for National Statistics – Wealth and Assets Survey

Notes:

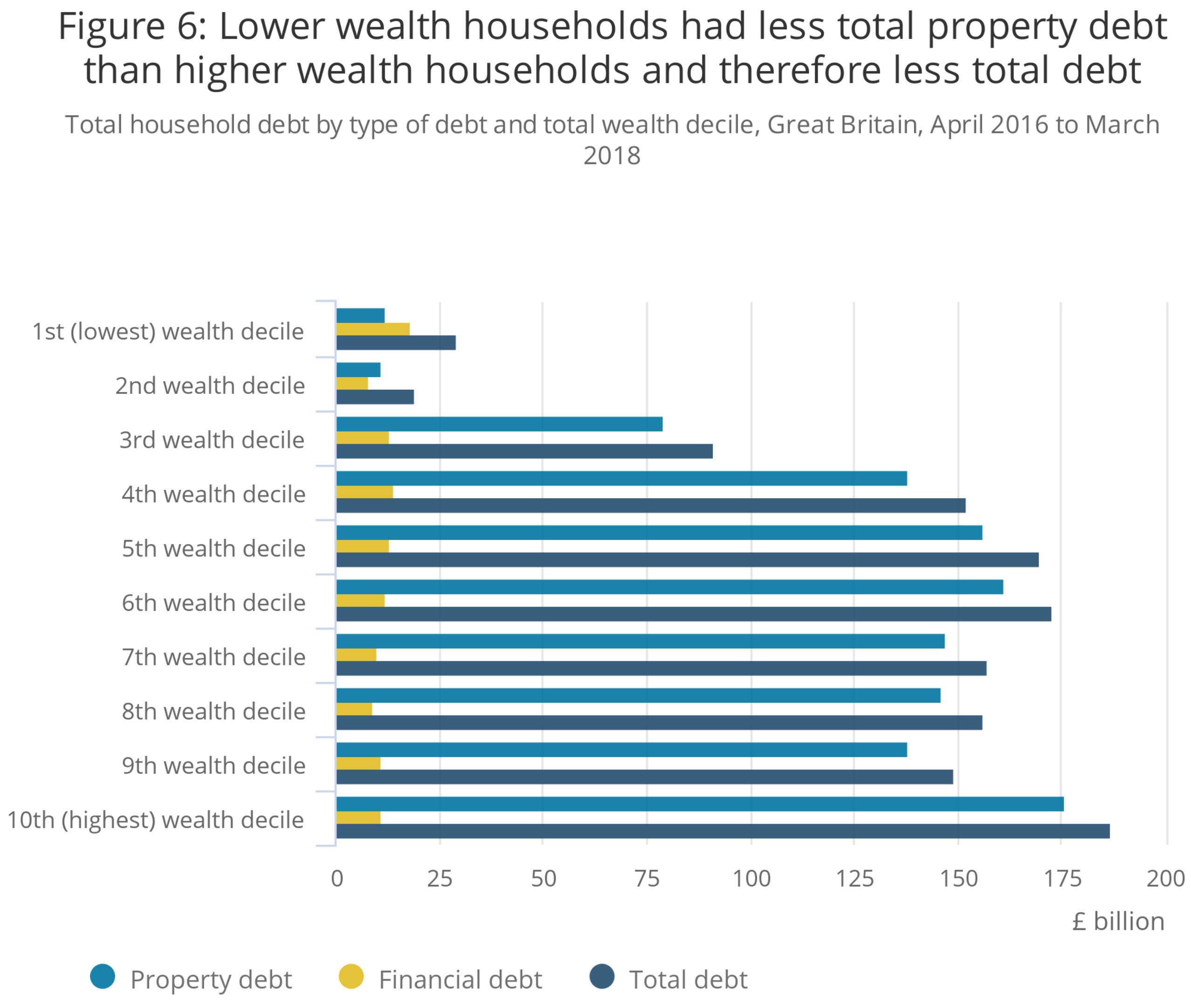
1. Values are taken from the household debt dataset table 7.3.

This pattern of the middle deciles being more likely to have property debt is not surprising as these households are sufficiently wealthy that they are able to secure mortgages, yet not so wealthy that they can purchase outright.

Focusing on the total value of debt, the higher total wealth deciles hold most of the debt, as shown in Figure 6. The wealthiest 50% of households held 64% of total household debt in April 2016 to March 2018. Therefore, the least wealthy 50% of households held 36% of total household debt. This is because of wealthier households being more likely to have property debt, which has higher average values than financial debt. Also, wealthier households will be more likely to have higher value mortgages than households with less wealth.

Figure 6: Lower wealth households had less total property debt than higher wealth households and therefore less total debt

Total household debt by type of debt and total wealth decile, Great Britain, April 2016 to March 2018



Source: Office for National Statistics – Wealth and Assets Survey

Notes:

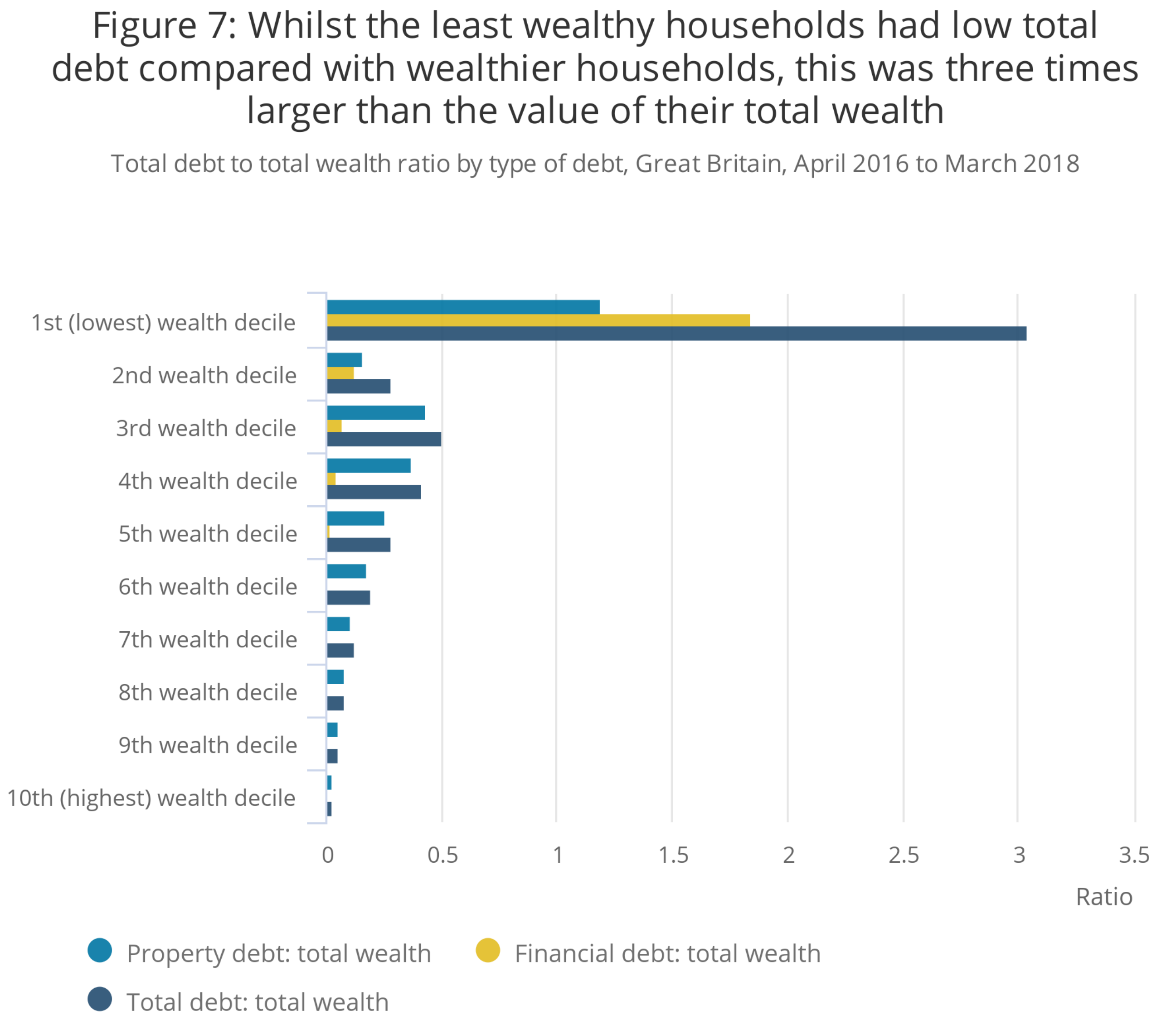
1. Values are taken from the household debt dataset table 7.3.

Whilst the lower total wealth deciles hold less household debt, this makes up a relatively large proportion of their total wealth. For the lowest total wealth decile, the value of total debt was three times the value of total wealth held by this decile in April 2016 to March 2018.

For the rest of the total wealth deciles, the value of total debt is lower than the value of total wealth. From the third total wealth decile onwards the ratio of total debt to total wealth decreases as debt becomes a smaller proportion of total wealth, as shown in Figure 7. The ratio is lowest for the highest decile where total wealth is 35 times larger than total debt.

Figure 7: Whilst the least wealthy households had low total debt compared with wealthier households, this was three times larger than the value of their total wealth

Total debt to total wealth ratio by type of debt, Great Britain, April 2016 to March 2018



Source: Office for National Statistics – Wealth and Assets Survey

Notes:

1. The debt to total wealth ratio is calculated as debt divided by total wealth. A value larger than 1 indicates that debt is larger than total wealth, whereas a value less than 1 indicates that debt is lower than total wealth.

2. Values are taken from the household debt dataset table 7.3 and the total wealth dataset table 2.2.

5 . Debt burden and problem debt

Whilst looking at the level of debt is useful to see how debt is distributed and how the level of debt is changing over time, it is also useful to consider the extent to which debt is a burden or problem for households. One measure is to look at the extent to which households consider their debt to be a burden.

In the latest period April 2016 to March 2018, of all households with property debt, 7% considered their property debt to be a “heavy burden” and 30% considered it to be “somewhat of a burden”. The Wealth and Assets Survey only captures property debt burden for households that are not in arrears for their mortgage. If these households were also included, then these percentages would likely be higher.

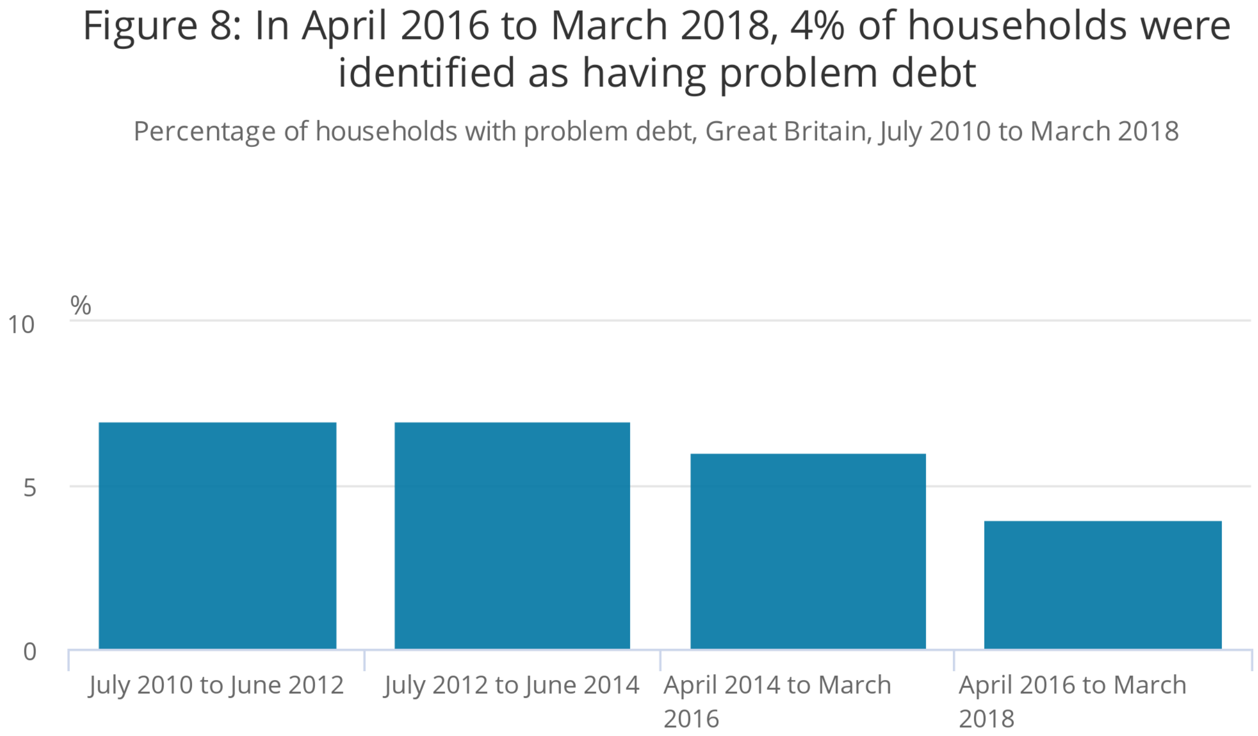
As financial debt is held by individuals, financial debt burden is collected at the individual (rather than household) level. In April 2016 to March 2018, of all adults with financial debt, 14% considered their financial debt to be a “heavy burden” and a further 30% considered it to be “somewhat of a burden”. This only includes adults who are 16 years old and above and not in full-time education.

For some households, debt may be considered more than just a burden. Their debt may be a problem that could lead to adverse effects on the household’s finances. This could affect families’ living standards, family stability and financial inclusion. The level of debt that is considered a problem is difficult to define as this will differ between households. Here, a household is defined as being in “problem debt” if it has liquidity problems only, solvency problems only or both liquidity and solvency problems. These terms are defined in the glossary and use a combination of both objective and subjective measures.

In April 2016 to March 2018, of all households, 4% were identified as having problem debt compared with 6% in April 2014 to March 2016, as shown in Figure 8.

Figure 8: In April 2016 to March 2018, 4% of households were identified as having problem debt

Percentage of households with problem debt, Great Britain, July 2010 to March 2018



Source: Office for National Statistics – Wealth and Assets Survey

Notes:

1. Note the change in periodicity from two-years starting in July and ended in June two years later to a two-year periodicity that starts in April and ends in March two years later (financial year-based). More information on this change can be found in the [Moving the Wealth and Assets Survey onto a financial years basis methodology article]

2. From July 2016 onwards the household income variable used in the derivation of problem debt changed so that annual Council Tax payments were removed. This was to bring the definition of income in line with that used on other household financial surveys. This has little impact and does not change the percentage of households with problem debt.

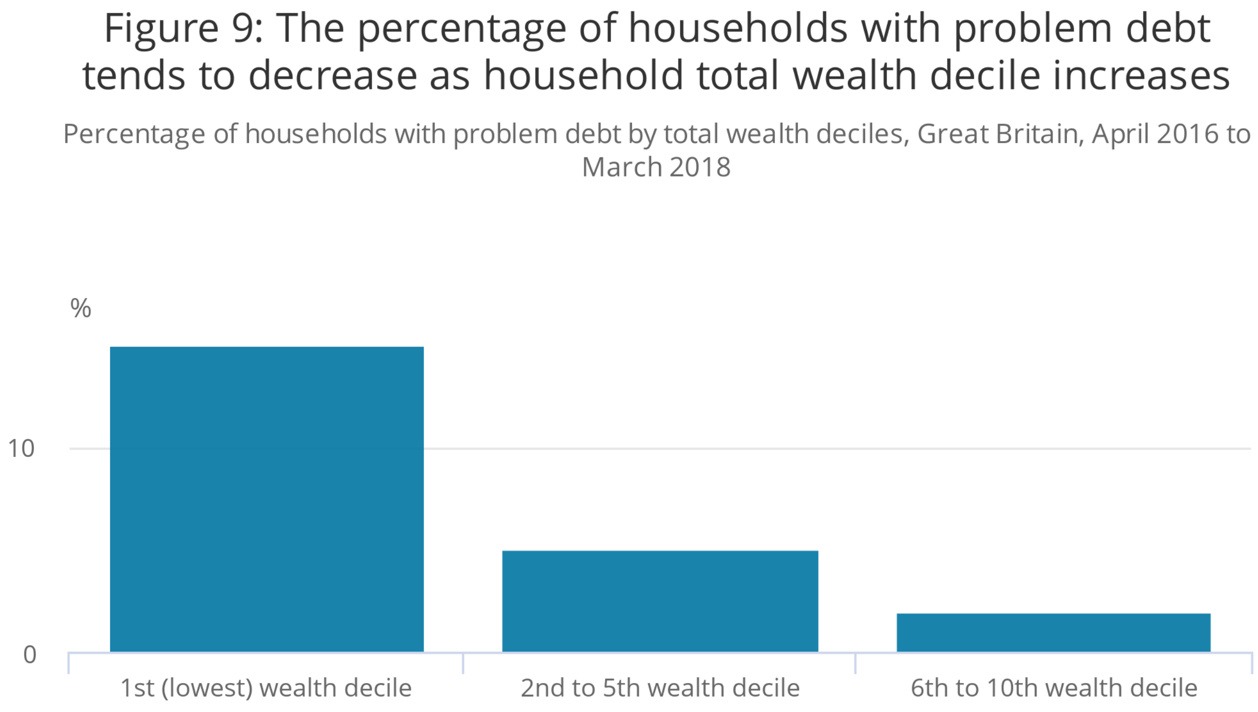
3. Values are taken from the [household debt dataset] Table 7.15.

Considering households by total wealth decile, the percentage of households with problem debt tends to decrease as household total wealth decile increases, as seen in Figure 9. In April 2016 to March 2018, of all households in the lowest wealth decile, 15% were in problem debt. The percentage of households with problem debt in the next four wealthiest deciles was 5%, a third of the number of households in the bottom decile. This compares with only 2% of households in the wealthiest 50% of households (top five wealth deciles).

Given that total debt for the lowest total wealth decile is three times more than the value of total wealth (as shown in Figure 7), it is unsurprising that households in the lowest wealth decile are more likely to be experiencing problem debt.

Figure 9: The percentage of households with problem debt tends to decrease as household total wealth decile increases

Percentage of households with problem debt by total wealth deciles, Great Britain, April 2016 to March 2018



Source: Office for National Statistics – Wealth and Assets Survey

Notes:

1. From July 2016 onwards the household income variable used in the derivation of problem debt changed so that annual Council Tax payments were removed. This was to bring the definition of income in line with that used on other household financial surveys. This has little impact.

2. Values are taken from the [household debt dataset table 7.17](#).

As well as being more likely to be in the bottom wealth decile, households in problem debt are also more likely to be renting their home. In April 2016 to March 2018, of those households with problem debt, 66% rented their homes, compared with 34% of all households.

The household head (household reference person or HRP) is the person that is the sole or joint householder or is responsible for household affairs. Where there are joint householders, the HRP will be the person with the highest income. In cases where income is the same for a joint householder, the eldest person is assigned as the HRP.

Considering the characteristics of the household head, households in problem debt are less likely to have a retired household head than all households. In April 2016 to March 2018, of all households in problem debt, 6% had a household head who was retired, compared with 29% for the population.

Households in problem debt are more likely than all households to have a household head who is unemployed. In April 2016 to March 2018, of all households in problem debt, 6% had a household head who was unemployed, compared with 1% of the overall population.

6 . Household debt in Great Britain data

[Total wealth: wealth in Great Britain](#)
Dataset | Released on 5 December 2019
Total wealth is the sum of the four components of wealth and is therefore net of all liabilities.

[Household debt: wealth in Great Britain](#)
Dataset | Released on 5 December 2019
Values for household property debt (mortgages and equity release secured on properties) and household financial debt (credit cards, loans and other non-mortgage debt).

[Financial wealth: wealth in Great Britain](#)
Dataset | Released on 5 December 2019
The values of any financial assets held including both formal investments, such as bank or building society current or saving accounts, investment vehicles such as Individual Savings Accounts, endowments, stocks and shares, and informal savings.

7 . Glossary

Financial debt

Borrowing such as: overdrafts; loans; outstanding balance on credit or store cards; mail order or hire purchase; student loans; or any arrears on credit commitments or household bills.

Households

A household is defined as a single person, or a group of people living at the same address who have the address as their only or main residence and either share one main meal a day or share living accommodation (or both).

Liquidity problems

Where household debt repayments represent at least 25% of monthly disposable (net) income and at least one adult in the household reports falling behind with bills or credit commitments; or where at least one adult in the household is currently in two or more consecutive months arrears on bills or credit commitments and at least one adult in the household reports falling behind with bills or credit commitments.

Property debt

Any loans secured on a property – main residence and any privately-owned other properties in or outside of the UK and the value of any equity release secured on properties.

Problem debt

A household is defined as being in problem debt if they are living in a household that has liquidity problems only, solvency problems only or both liquidity and solvency problems. Student loans are very different to other forms of debt as the levels of monthly repayments are determined by the level of income. As a result, they have been excluded from the calculation of problem debt. Further details can be found in the methods note in the household debt dataset.

Solvency problems

Where household debt represents at least 20% of annual disposable (net) income and at least one adult considers their debt a heavy burden.

8 . Measuring the data

Data sources and collection

The Wealth and Assets Survey (WAS) was launched in 2006 and is a biennial longitudinal survey conducted by the Office for National Statistics (ONS). This survey measures the well-being of households and individuals in terms of their assets, savings and debt, and planning for retirement. The survey also examines attitudes and attributes related to these. Classificatory variables (age, sex, employment status) are also collected.

Data from this longitudinal survey will also provide users with the ability to measure changes of wealth in Great Britain over time. The survey is currently sponsored by a funding consortium, including the ONS, Department for Work and Pensions (DWP), HM Revenue and Customs (HMRC) and the Scottish Government (SG). Interviewers working on the survey refer to it as the Household Assets Survey (HAS).

The first wave of the survey began with interviews carried out over two years from July 2006 to June 2008 with approximately 30,000 households interviewed. A second wave took place two years on from initial interviews, covering the period July 2008 to June 2010, with approximately 20,000 households obtained. Wave 3 obtained approximately 21,000 households, wave 4 obtained 20,000 and wave 5 obtained 18,000.

This periodicity that started in July and ended in June two years later is referred to as a “wave” and was maintained until wave 5, which covered the period July 2014 to June 2016. The survey has now moved to a two-year, financial year-based periodicity (April to March) with this periodicity being referred to as a “round”. Therefore, round 6 covers the period April 2016 to March 2018. This move to a two-year, financial basis allows WAS to be integrated with other household financial surveys that are based on financial years. This allows WAS to be analysed on a consistent basis alongside other components included within other household financial surveys (income and expenditure). Round 6 achieved approximately 18,000 household interviews.

As wealth is known to be unevenly distributed, addresses more likely to contain wealthier households were sampled at a higher rate to improve the efficiency of the sample. These addresses were identified using data from HMRC.

The WAS is a continuous survey with interviews spread evenly over the year, which helps to ensure that estimates are not biased by seasonal variations. The survey samples private households in Great Britain, excluding north of the Caledonian Canal, the Scottish Islands and the Isles of Scilly.

Quality and methodology

More quality and methodology information on strengths, limitations, appropriate uses, and how the data were created is available in the Wealth and Assets Survey QMI.

Future developments

The time series included in the household debt datasets currently begins from July 2010 to June 2012, wave 3 of WAS. This is because of some of the tables only being available from this period. We are planning on expanding the time series to begin from July 2006 to June 2008 (wave 1 of WAS) for the tables where this is possible for future releases.

9 . Strengths and limitations

Accounting for inflation

Accounting for inflation in wealth is more complex than for income or expenditure as the components of wealth, such as property, pensions and investments undergo complex changes over time. However, as the survey has now been in the field for over a decade, some form of adjustment for price changes is necessary to allow sensible comparison of trends over time within this report.

We have used the Consumer Prices Index including owner occupiers' housing costs (CPIH) for this purpose, to reflect the general change in the value of money over time. Where inflation-adjusted "real" prices are provided, these are in April 2016 to March 2018 prices (that is, average prices for the period April 2016 to March 2018). Note that the background tables are in nominal terms so may not match the figures quoted here.

Briefly, the nominal figures, recorded over a survey period (t), are multiplied by the ratio of the average of the monthly CPIH index for round 6 months (April 2016 to March 2018) to the average of the CPIH index for the survey period (t):

$$£(\text{real (round6 terms)}) = £(\text{nominal (t)}) * \frac{\text{CPIH (April 2016 to March 2018)}}{\text{CPIH (t)}}$$

To allow for replication of the inflation-adjusted figures, the following table contains the deflators used for each time period. The nominal figure multiplied by the deflator for the relevant time period will give the figure in April 2016 to March 2018 prices.

Time period	Deflator
July 2006 to June 2008	1.23
July 2008 to June 2010	1.17
July 2010 to June 2012	1.10
July 2012 to June 2014	1.05
July 2014 to June 2016	1.03
April 2014 to March 2016	1.03

More detailed work on adjusting for price changes over time is planned ahead of publication of the next round of the Wealth and Assets Survey (WAS), including exploration of specific deflators for individual components of wealth.

Sampling errors and significance testing

All reasonable attempts have been made to ensure that the data are as accurate as possible. However, there are two potential sources of error that may affect the reliability of estimates and for which no adequate adjustments can be made; these are known as “sampling” and “non-sampling” errors. These concepts are explained further in the Wealth and Assets Survey QMI.

No estimates are included that are based on fewer than 30 responding households. However, because of the complexity of the data (such as imputed values and complex weighting) no formal significance testing has been undertaken at this stage, though this will be covered in later releases.

Wave 1 half sample

A methodological decision at wave 1 (July 2006 to June 2008) of the WAS to reduce respondent burden resulted in a selection of questions, including components of physical wealth, to be asked only of a subset of households. This decision had implications for the estimation of aggregate total wealth. This subsequent “half sample” was sufficiently large to produce robust results and does not affect the reliability of the wealth distributions at a household level. Estimates of total household wealth are therefore based upon data from this half-sample of 17,316 households.

To estimate aggregate total wealth, the full sample has been used for property wealth, financial wealth and private pension wealth. However, estimates of aggregate physical wealth are based on responses for the half sample (17,316 households), which have been adjusted using a “rating up factor” in addition to our standard weighting procedures. For subsequent periods of the survey, each household was asked the full suite of questions on the components of net wealth. Consequentially, later estimates of total household and aggregate total wealth are both based upon the full responding sample.

10 . Related links

Moving the Wealth and Assets Survey onto a financial years' basis
Article | Last revised 8 July 2019
Guidance and methodology in moving the Wealth and Assets Survey (WAS) from waves to financial years.

Households below average income: 1994/95 to 2017/18
Bulletin | Last revised 28 March 2019
The number and percentage of people living in low income households for financial years ending 1995 to ending 2018.