Community
Investment
Coalition

The Distribution of Consumer Credit Debt in Leicester

Damon Gibbons | October 2016

Local Trust
creating
lasting
change

CfRC
centre for responsible credit

Contents

1.0 Introduction

1.1 The level of consumer credit debt held by households is an important indicator of their financial health. In the years preceding the 2008 crisis, savings fell and levels of consumer credit debt increased alarmingly. Our recent 'Britain in the Red' project,[1] conducted for the TUC, has shown that the interest payments on the outstanding stock of consumer credit debt, which has not significantly reduced in the past eight years, are now a significant burden on households. The repayment of debt requires households to cut back on spending in other areas of their budget and depresses overall consumer demand in the economy.

1.2 Britain's debt problem also has a local dimension. This is because consumer credit debt is not distributed evenly across the population. Some neighbourhoods are more likely to be home to people with consumer credit debts than others. In particular, communities with high concentrations of lower income, younger and households living in (social or private) rented accommodation are more likely to have problems than those containing older owner occupiers.

1.3 The type of credit being provided in different communities is also important. Low income communities can be at risk of financial exclusion (i.e. unable to access appropriate and affordable credit products) because mainstream lenders consider these too risky, or too costly, to serve. This can leave people with few other options than to take out high cost credit, which, for example, is provided by door to door moneylending companies, rent to own stores, or payday lenders. But the higher costs of this credit then reduce household consumption and can constrain demand for local businesses.

1.4 In addition to these economic issues, over-indebtedness is associated with poor physical and mental health and there are also a range of negative impacts on children growing up in debtor households.[2] Acknowledging this latter point, the Government has committed to monitoring the number of children living in over-indebted households as part of its Life Chances Strategy.[3]

1.5 Given the importance of household debt, both economically and socially, it is surprising that we do not have more information available to us to enable its detailed mapping at the local level. Knowing where debt is concentrated would enable more strategic responses – for example, by informing the location of debt advice or by encouraging more effective engagement between mainstream lenders and the community finance sector in order to scale-up the provision of affordable credit.

---

1 The Britain in the Red report is available from the CfRC website at http://www.responsible-credit.org.uk/wp-content/uploads/2016/03/Britain-In-The-Red-2016_0.pdf

2 In respect of the impacts of debt on children, see Gibbons, D. (2014), 'The Child Welfare Implications of Problem Debt'. Briefing Paper for the Centre on Household Assets and Savings Management, University of Birmingham

3 The Government's Life Chances Strategy replaces its previous commitment to reduce the number of children living in poverty. New indicators to measure life chances, including in respect of debt, were promised in the Queen's Speech opening the current Parliament on 18th May 2016.

1.6 The absence of a comprehensive picture of household indebtedness at the local level has been a long standing policy issue, and it is therefore welcome that the campaign to address this – led by the Community Investment Coalition ('CIC') – has made some progress in recent years.

1.7 For example, CIC pushed for the inclusion of section 1E (2) into the Financial Services and Markets Act (2000). This provides that, when considering whether or not competition is working effectively, the Financial Conduct Authority ('FCA') 'may have regard' to the ease with which consumers in lower income communities can access financial services.

1.8 Unfortunately, the FCA is yet to utilise this power, and has not, for example, conducted an analysis of the 'cost penalty' being borne by households living in lower income communities due to the failure of mainstream lenders to compete for their business.

1.9 In the absence of the FCA mandating the publication of data from lenders to enable this analysis to take place, CIC subsequently pushed for information to be made available on a voluntary basis. This has been partly successful, with quarterly data on the level of outstanding personal loans and residential mortgages having both been made available through a disclosure framework agreed with the British Bankers Association ('BBA') and Council for Mortgage Lenders ('CML'). This data has been made available at postcode sector level[4] by the major banks[5] and the Nationwide Building Society since December 2013.

1.10 In respect of the data on personal loans, the disclosure covers approximately 60 percent of the total market. The data is published on an aggregated basis by the BBA, which shows the total stock of debt held across all of the participating lenders for each postcode sector. However, individual lenders also publish their own data so it is possible to determine their share of lending in each area.

1.11 Whilst a major step forward in providing local areas with indications of the geographical distribution of household debt, it should be noted that the data release does not include details of credit card or overdraft lending, which are both major components of household indebtedness. Neither does the disclosure framework extend to the loans of smaller, often higher cost, companies which particularly focus on low income communities. Taken together, UK households owe a total of £212 billion in consumer credit debts, but the disclosure framework accounts for only £33 billion (15%) of this.

1.12 The release also fails to provide sufficient information to easily determine the debt burden on households in local areas, because:

- Only the outstanding stock of debt is provided, and the number of people holding that debt is not released; and
- The data is released at postcode sector level, which does not easily map to geographies used in local economic development analysis such as census output areas.

4 For a guide to postcode formats see http://www.bph-postcodes.co.uk/guidetopc.cgi . There are around 10,000 postcode sectors in the UK.

5 These are Barclays Bank, Clydesdale and Yorkshire Banks, HSBC, Lloyds Banking Group, Royal Bank of Scotland and Santander.

1.13 Nevertheless, there have been some attempts to make use of the data. In particular, Henry et al (2014)[6] have used it to provide a per capita measure of unsecured debt at local authority level. Comparing levels of debt against deprivation indices, after adjusting for population size, they note that:

"Total personal lending tends to decline as the area's deprivation level increases".

1.14 This finding confirms those from many household debt surveys: that lower income households borrow less in purely nominal terms than households higher up the income distribution. However, as a percentage of income, the debts held by lower income households, and the repayments required, are often a much greater burden.[7]

1.15 Whilst Henry et al's study was a useful starting point, a simple per capita measure does not take account of the fact that around half of the population has no consumer credit debt whatever, and that some types of household are more likely than others to have debts.

1.16 To improve our estimates of how debt is geographically concentrated, this study therefore cross references the lending data released by the banks with publicly available data concerning:

- The propensity of household indebtedness amongst different household types. In this respect, we have analysed the Bank of England commissioned NMG survey on household debt levels to determine the impact of age and housing tenure on the likelihood of households holding any debt; and
- The demography of local areas. We have used 2011 UK Census data concerning the age profile of households and average income levels, which are available at the Middle Super Output Area ('MSOA') level, and housing tenure, which is available at the Lower Super Output Area ('LSOA') level.

1.17 Whilst UK Census data is now some five years old, we consider it is unlikely for age distributions and housing tenure patterns to have changed significantly in most local areas during this time. However, it will be important for local agencies to apply their knowledge of recent developments which could have affected the mix of households in an area when interpreting the results. In this respect, knowledge of immigration patterns and major housing developments are likely to be particularly important.

1.18 To provide our best estimate of the distribution of debt, we have also adjusted average income levels to take account of inflation, and have selected the lending data release which is most closely aligned with the timing of the NMG household survey (second quarter, 2015).

---

6 Henry, N., Sissons, P., Coombes, M., Ferreira, J., & Pollard, J. (2014). 'Tackling Financial Exclusion: data disclosure and area based lending'. Coventry University and Newcastle University. In addition to providing an analysis of personal loan data, the study also examined disclosed lending patterns to small businesses.

7 See, for example, Gibbons, D, & Vaid, L (2015). 'Britain in the Red: preliminary report'. TUC

1.19 Previous studies have also focused only on the aggregate data published by the BBA, and have not taken advantage of the fact that lending patterns are also disclosed for the individual lenders participating in the disclosure framework. Yet, knowing which lenders are most active in those areas with the greatest debt burdens is critical if we are to ensure we have the right partners involved at the local level. We have therefore provided indications of the likely share of debt in each LSOA which is being held by Barclays, HSBC, Lloyds Banking Group, RBS, and Nationwide Building Society.[8]

1.20 This initial study is focused on the city of Leicester and has been funded by Local Trust. Local Trust is managing the delivery of the Big Local programme, which is funded by Big Lottery, and is supporting local communities to identify their own priorities and develop an action plan to address these. In Leicester, a Big Local partnership has been formed for the St. Matthews estate in the city, and this has identified a priority to help residents avoid over-indebtedness and to support the development of credit union provision in the area.[9] We therefore highlight our findings for this area throughout the report

1.21 Leicester is also taking forward a number of actions to address problem debt and financial exclusion. In 2015, the Centre for Responsible Credit ('CfRC') worked with the Diocese of Leicester to create a Fair Finance Strategy for the city and the wider Leicestershire sub-region. The strategy contains within it the ambition to hold a 'banking summit' in 2016, and to inform this with an analysis of local debt patterns.

1.22 This first report focuses on unsecured lending patterns in Leicester. A second report will analyse mortgage lending within the city, and subsequent work will then be undertaken to extend the analysis across the sub-region.

1.23 The remainder of the report is structured as follows:

- Chapter 2, details the process that we have followed and reports the findings from our analysis of unsecured lending data at LSOA level; and
- Chapter 3, discusses the relevance of these findings for the development of local strategies, and makes a number of recommendations to improve the analysis of local debt patterns moving forwards.

8 Despite their participation in the disclosure framework we were unable to locate the individual lending data on the Santander and Clydesdale websites.

9 The Leicester Big Local area is focused on LSOA E01013754 – Kamloops Crescent. Subsequent maps in this report highlight the findings for this LSOA.

2.0 Mapping the Unsecured Lending Data

2.1 As mentioned, Henry et al (2014) have previously mapped the aggregate personal loan debt data released by the BBA to provide details of the amount of debt held on a per capita basis at local authority level.

2.2 Whilst a step forwards, a per-capita measure is not likely to be very accurate, because it assumes that all households hold some personal debt, and that the level of debt is distributed equally between households of very different demographic characteristics. However, household survey data shows this is clearly not the case. Only around half of all households hold consumer credit liabilities, and the amount that they owe varies significantly relative to income, with poorer households having higher debt to income ratios.

2.3 To arrive at a better estimate of the local distribution of debt we therefore:

- Analyse which types of households are more likely to have consumer credit debts and estimate how many debtor households there are in each Lower Super Output Area ('LSOA')[10];
- Divide the amount of debt disclosed through the BBA framework for each postcode sector by the estimated number of debtor households in each LSOA; and
- Compare the average level of debt held in each LSOA to the average, after housing cost, income of households to arrive at a 'debt to income' ratio for each area.

2.4 We then add to these findings by estimating levels of over-indebtedness across Leicester and by highlighting the lending patterns of individual lenders. Finally, we also provide estimates of the number of children living in indebted households as a means of showing how a national indicator, which is likely to be put in place as part of the Government's Life Chances Strategy, could be localised.

2.5 The remainder of this chapter proceeds through the above steps in turn to show how each additional level of detail affects our understanding of the location of indebtedness within the city.

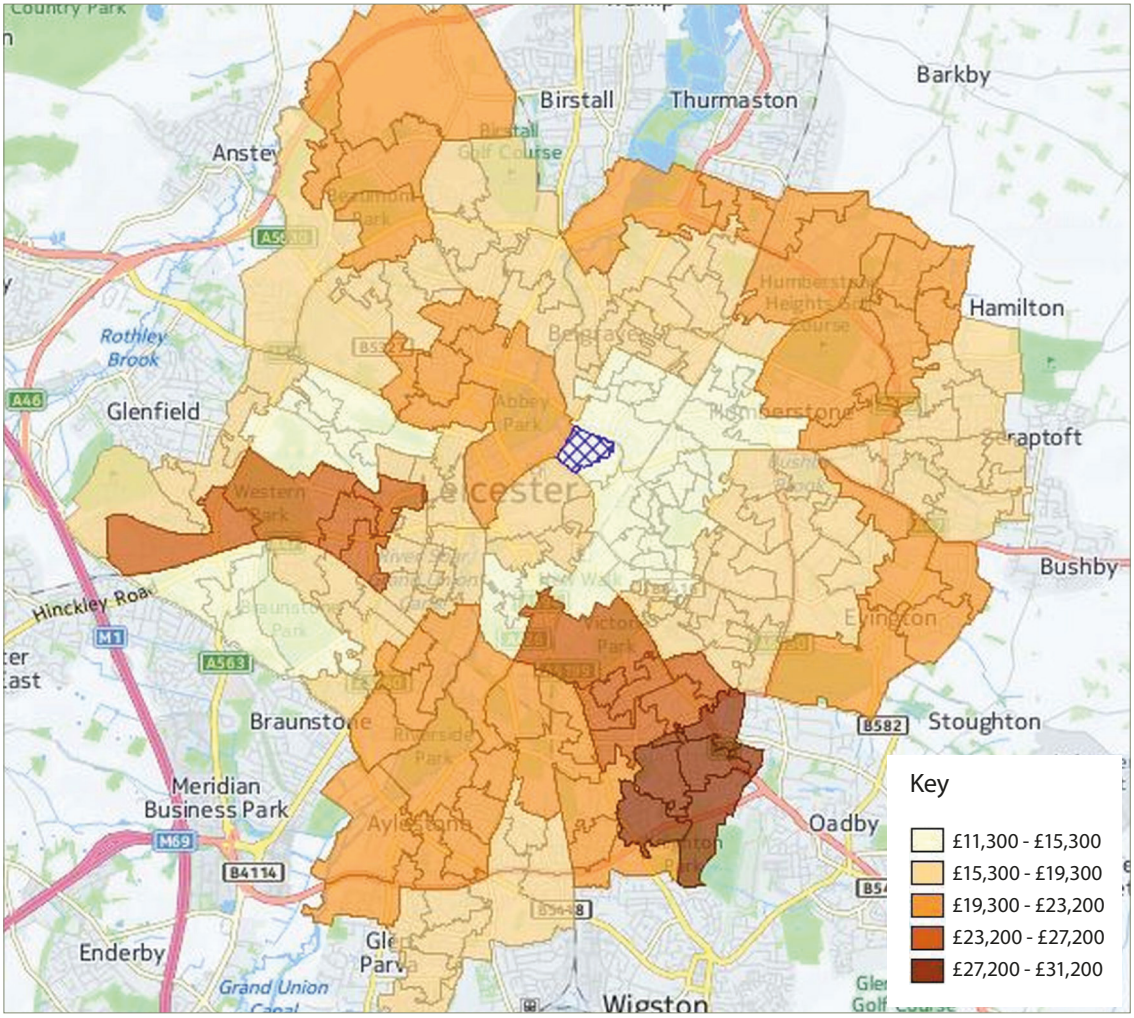
10 In Leicester each postcode sector covers an area typically containing seven LSOAs.

General context

2.6 Leicester contains a total of 192 LSOAs, and household incomes in these areas, after taking account of housing costs, range from an average of just £11,300 to an average of £31,200.

2.7 In order to provide some general context for the study, figure 1, below, maps the distribution of these incomes, after taking account of housing costs, across the city. The poorest areas – which have average incomes from £11,300 up to £15,300 – are the least shaded areas. These include the Big Local area in St Matthews (highlighted in blue).

Figure 1: Distribution of household income, after housing costs



2.8 It should be noted that incomes in Leicester are generally low, which is a result of endemic low pay.[11] There are 42 LSOAs (21%) in the city which have average household incomes after housing costs of less than £15,300, and a further 90 LSOAs (46%) with average incomes of between £15,300 and £19,300. These areas all have average incomes below the national median of £20,072[12]. At the other end of the income distribution, there are just 17 LSOAs with average incomes after housing costs of above £23,200, and only 5 (2.6%) have average incomes above £27,200.

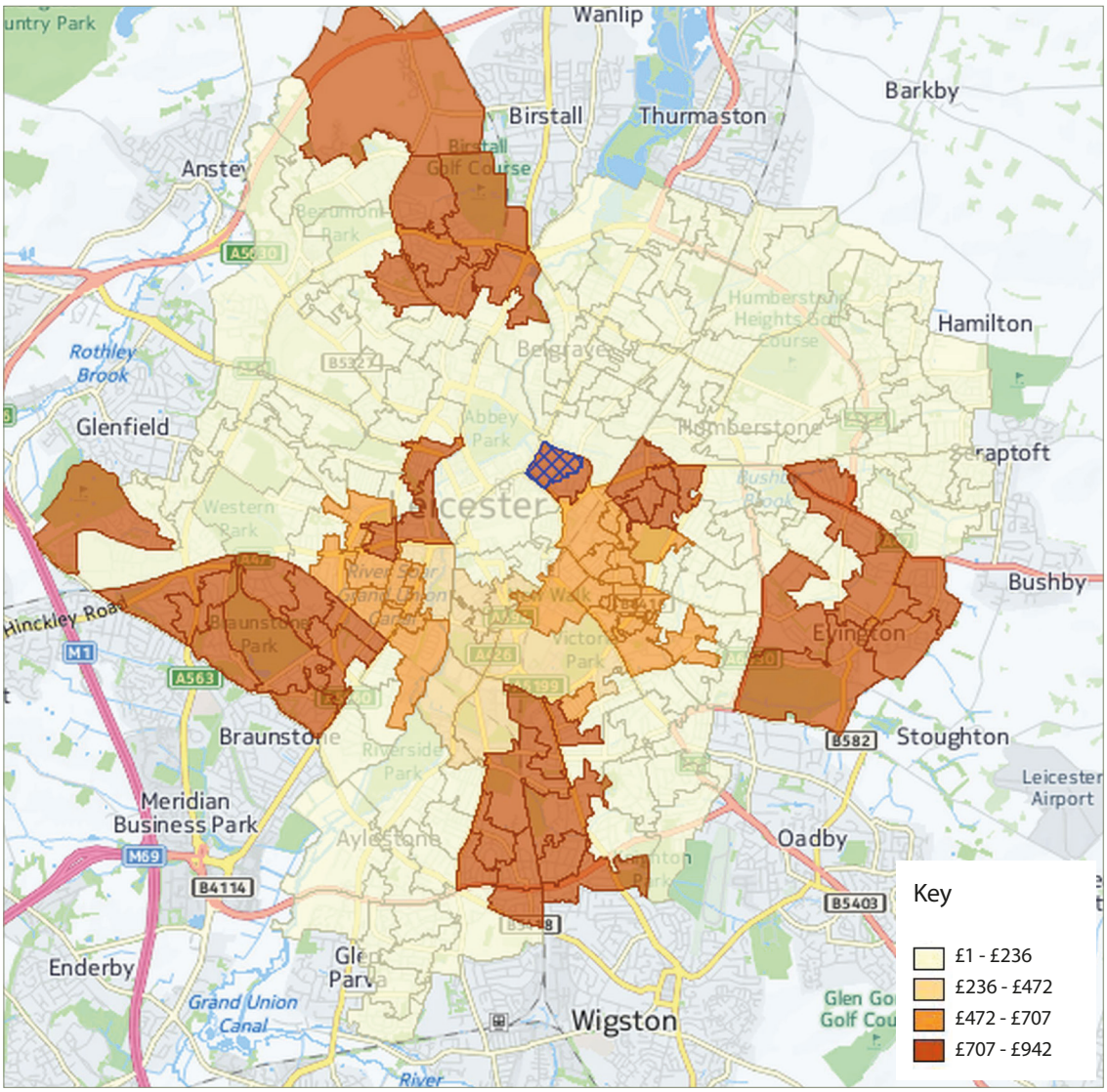
11 For a more detailed analysis see Gibbons, D. (2015). 'A Fair Finance Strategy for Leicester and Leicestershire'. Centre for Responsible Credit

12 Department for Work and Pensions, (2015). 'Households below average income: an analysis of the income distribution 1994/95 – 2013/14'.

The distribution of debt on a per household basis

2.9 To understand how debt levels map across the city, we first employed a similar method as Henry et al, by dividing the level of debt disclosed through the BBA framework by the number of households in each LSOA. The results from this are shown in figure 2, below.

Figure 2: BBA disclosed personal loan debt per household



2.10 Using this method, average household debt levels appear to be very low. Of the 192 LSOAs in the city, 116 (60%) have average debt levels of less than £236. These are the least shaded areas of the map.

2.11 Even those areas which are identified as the 'most indebted' using this method only have average household debts of between £707 and £942. These are the darkest areas on the map and are comprised of:

- The Big Local area in St. Matthews (highlighted in blue) and its neighbouring LSOA. As previously identified, these are two of the poorest areas in the city;
- Six LSOAs immediately to the east of the Big Local area. These are split across the Charnwood and Coleman wards of the city – these also have average, after housing cost, incomes of less than £15,300;
- Further east and covering six of the seven LSOAs in Evington ward, and one further LSOA in Thurncourt. These areas have average incomes ranging from £15,600 to £22,000;
- To the south of the city, one LSOA from Castle ward, five from Freemen ward, three from Knighton and one from Eyres Monsell. These LSOAs have varied average household incomes. The LSOA in Eyres Monsell and three of those in Freemen are amongst the very poorest areas of the city, whilst the LSOAs in Knighton have average incomes after housing costs of £22,000;
- To the immediate west of the city centre, two LSOAs from Fosse ward and one from Western Park. All three of these have average incomes of £18,000;
- Further west, a large area composed of nine out of the eleven LSOAs contained by Braunstone Park and Rowley Fields. Four of these are amongst the very poorest areas of the city, with five of these only slightly better off with average household incomes of £15,800;
- Immediately to the north of this area, a single LSOA in New Parks, which has an average household income of £16,000; and
- A very large area in the north of the city comprised of five LSOAs from Abbey ward and two from Beaumont Leys. The LSOAs in Abbey ward have average incomes of just over £15,300, whilst those in Beaumont Leys have average incomes of between £17,600 and £21,000.

2.12 What is apparent from this exercise is that the banks disclosing through the BBA framework are lending in some very poor areas of the city, and are not excluding these from provision. However, we look in more detail at individual patterns of lending towards the end of this chapter.

Estimating the number of debtors in each LSOA

2.13 Whilst a useful starting point, the average level of debt indicated from the above exercise is both very low, and also not likely to be accurate. This is because not all households have personal debts. Our analysis of the Bank of England commissioned NMG Household Debt survey[13], indicates that in 2015, just over half (51%) of all households had no consumer credit borrowing whatever. Consumer credit debt is also concentrated amongst certain household types, and particularly varies according to age and housing tenure.

2.14 Because we have details of age and housing tenure available for small areas from the UK Census, we conducted an analysis of the East Midlands sample of households[14] within the national NMG survey, to identify the likelihood of households holding consumer credit debt by these two characteristics. Table 1, below, sets out the results.

Table 1: Debtor households as percentage of all households, by age and housing tenure

	<=24	25-34	35-49	50-64	65+	As % of tenure, all ages
Owned outright	75.0	50.0	30.4	43.6	27.1	34.8
Owned mortgage	90.9	66.7	66.7	54.5	80.0	67.2
Social rented	75.0	66.7	46.2	56.5	71.4	60.0
Private rented	69.2	72.2	70.4	60.0	0	66.3
As % of age, all tenures	77.5	66.7	58.5	51.9	32.3	

2.15 As can be seen from the final row in the above table, the likelihood of borrowing generally reduces as households get older. Just over three quarters of all East Midlands households in the NMG survey who were aged 24 or under had consumer credit debts in 2015 compared to just less than one third of households aged 65 or over.

2.16 Housing tenure also has an impact. Across all ages (final column in the table), only one third of households who owned their homes outright held any consumer credit debt compared to 60 percent or more of households who were either buying their homes with a mortgage or renting.

2.17 However, there are significant variations from these averages depending on the specific mix of age and housing tenure. For example, households aged 24 or under who were buying their homes with a mortgage were almost twice as likely as social housing renters aged between 35 and 49 to have debts.

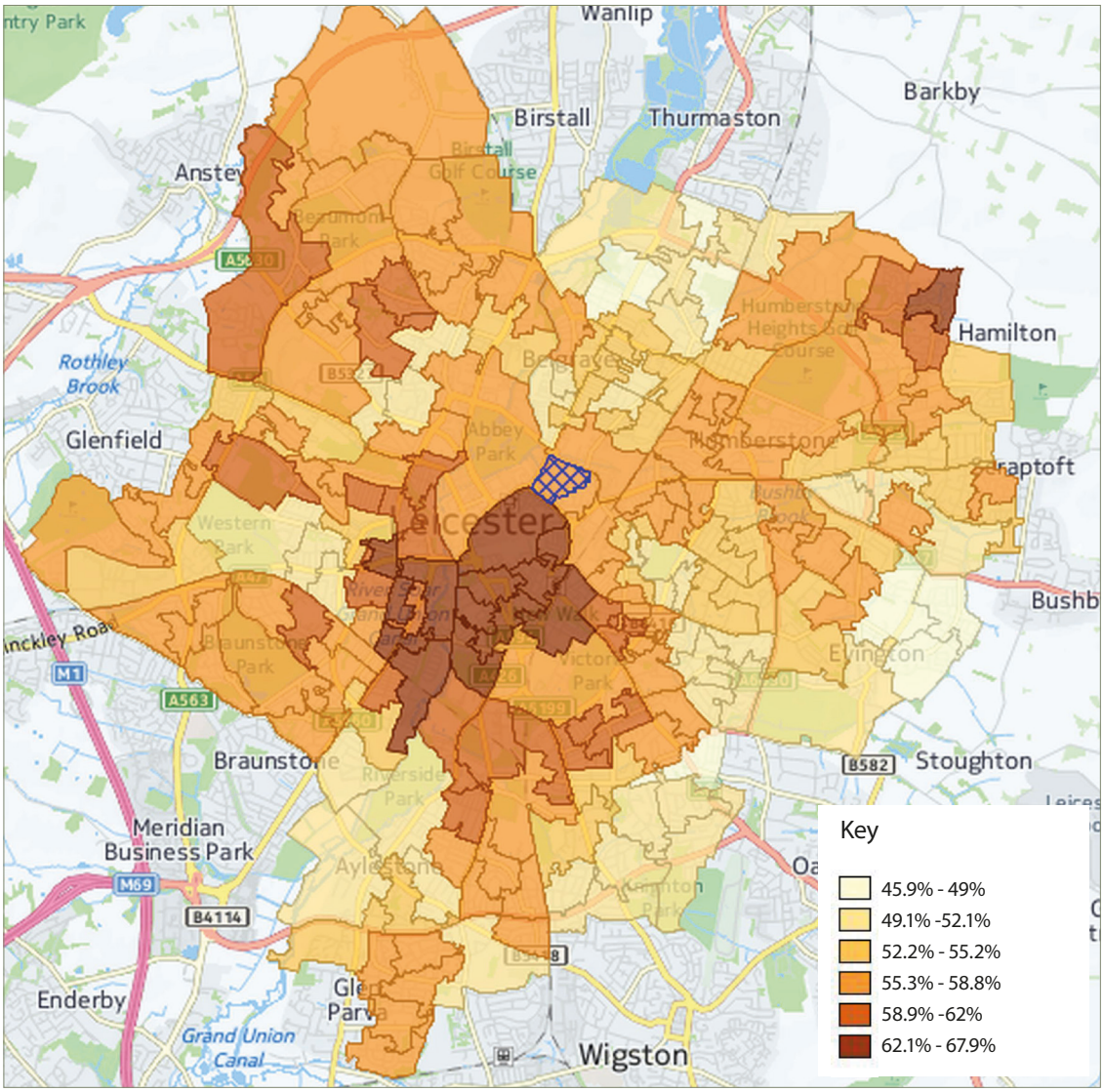
2.18 It should be borne in mind that although some groups are far more likely to have debts, they are in fact numerically much smaller than those with lower debt propensities.

13 The analysis was conducted as part of our 'Britain in the Red' project conducted on behalf of the TUC.

14 N=426

2.19 Having obtained information about the likelihood of debt by age and housing tenure, we then applied these propensities to each MSOA and LSOA in Leicester. This provided us with an estimate of the number of debtor households in each LSOA. We then took this as a percentage of all households in the LSOA to show the estimated density of debtor households, which we present in figure 3, below.

Figure 3: Estimated density of debtor households by LSOA



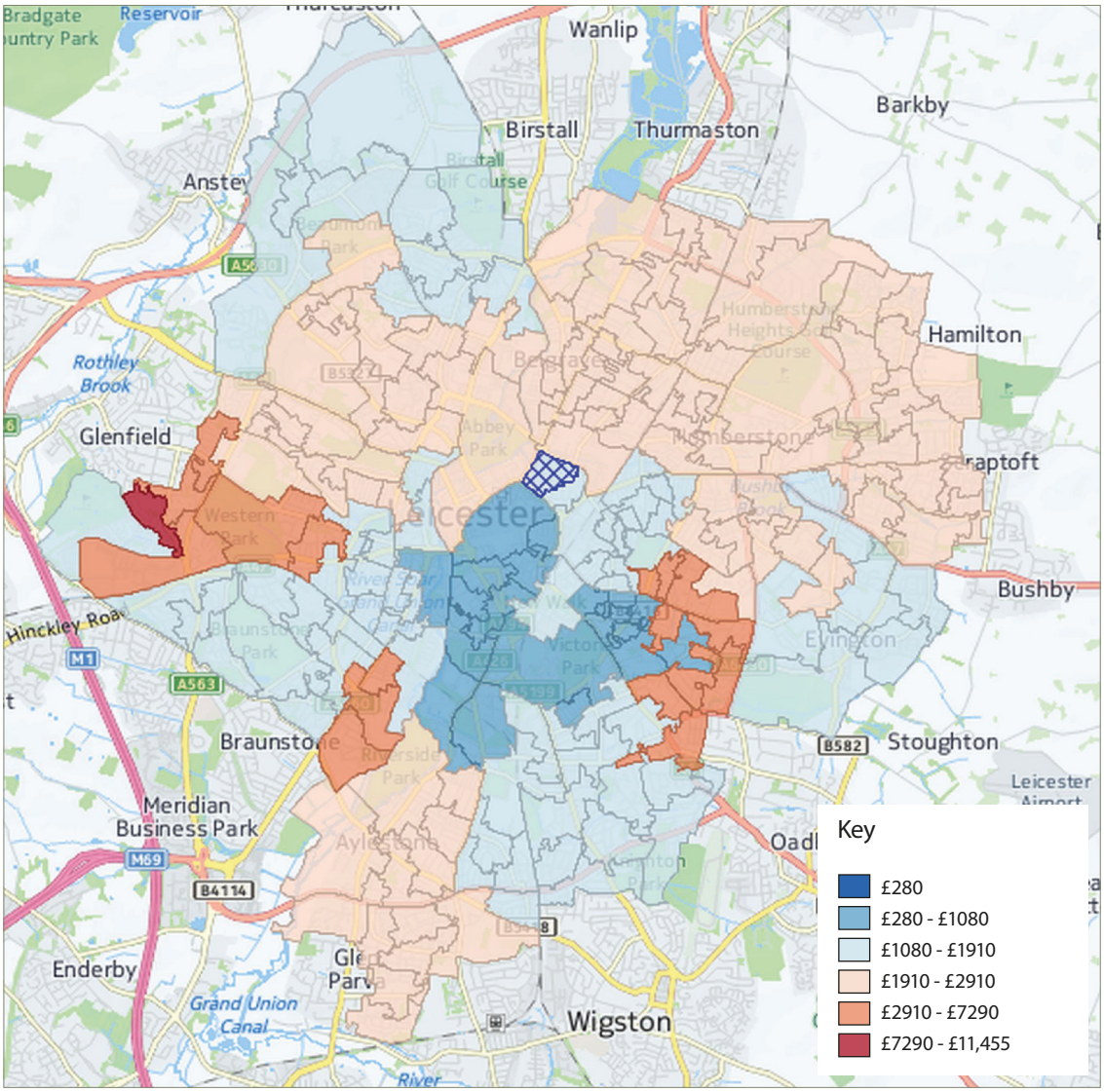
2.20 We estimate that some areas of Leicester have a much higher density of debtors than others. In the Big Local area on the St Matthew's estate, we estimate that 58.6 percent of all households have some consumer credit debt, which is significantly higher than the national average of 49 percent. Further to this, we also estimate that debtors make up between 58.9 percent and 67.9 percent in one fifth of Leicester's LSOA's.

2.21 As can be seen, the highest estimated density of debtor households in Leicester can be found close to the city centre. Around two thirds of households in this area are estimated to have consumer credit debts. This is likely to be a reflection of the large number of students living in private rented accommodation in the area.

Estimating the average amount per debtor household within each LSOA

2.22 By combining our estimates of the number of debtors in each LSOA with actual disclosed lending patterns (figure 4, below), we are able to provide an estimate of the average amount of unsecured personal loan debt held by each debtor household for each area.

Figure 4: Estimated average debt levels, percentiles



2.23 Using this method the estimated average household debt levels range from £280 to £11,455, with:

- The very highest average debt level of £11,455 to be found in a single LSOA in New Parks in the north-west of the city;
- Surrounding this, there are then three further LSOA's in New Parks and four LSOAs in Western Park with average debt levels of £3,200;
- To the south of these there is an area containing two LSOAs in Braunstone Park and Rowley Fields and one from Westcotes ward, which have an average debt of £7,200; and
- In a contiguous area to the east of the city centre covering three LSOAs from Spinney Hills ward, four from Stoneygate and two from Knighton. Average debt levels in this area are around £3,500;

2.24 In contrast to these areas, the Big Local area (again highlighted in blue on the map) has a much lower average debt level of £1,250.

2.25 It is important to note that these average debt levels are estimates based on the consumer credit debts disclosed through the BBA framework only, and that the framework does not contain data on credit card or overdraft debt. If we assume that debts of those types are distributed in the same way as for personal loans then the average debt levels reported above would have to be increased by 85 percent. This would indicate that in the most indebted LSOA in New Parks, debtor households owe an average of around £20,000 and those in Braunstone Park and Westcotes owe an average of £13,320.

Mapping debt to income ratios

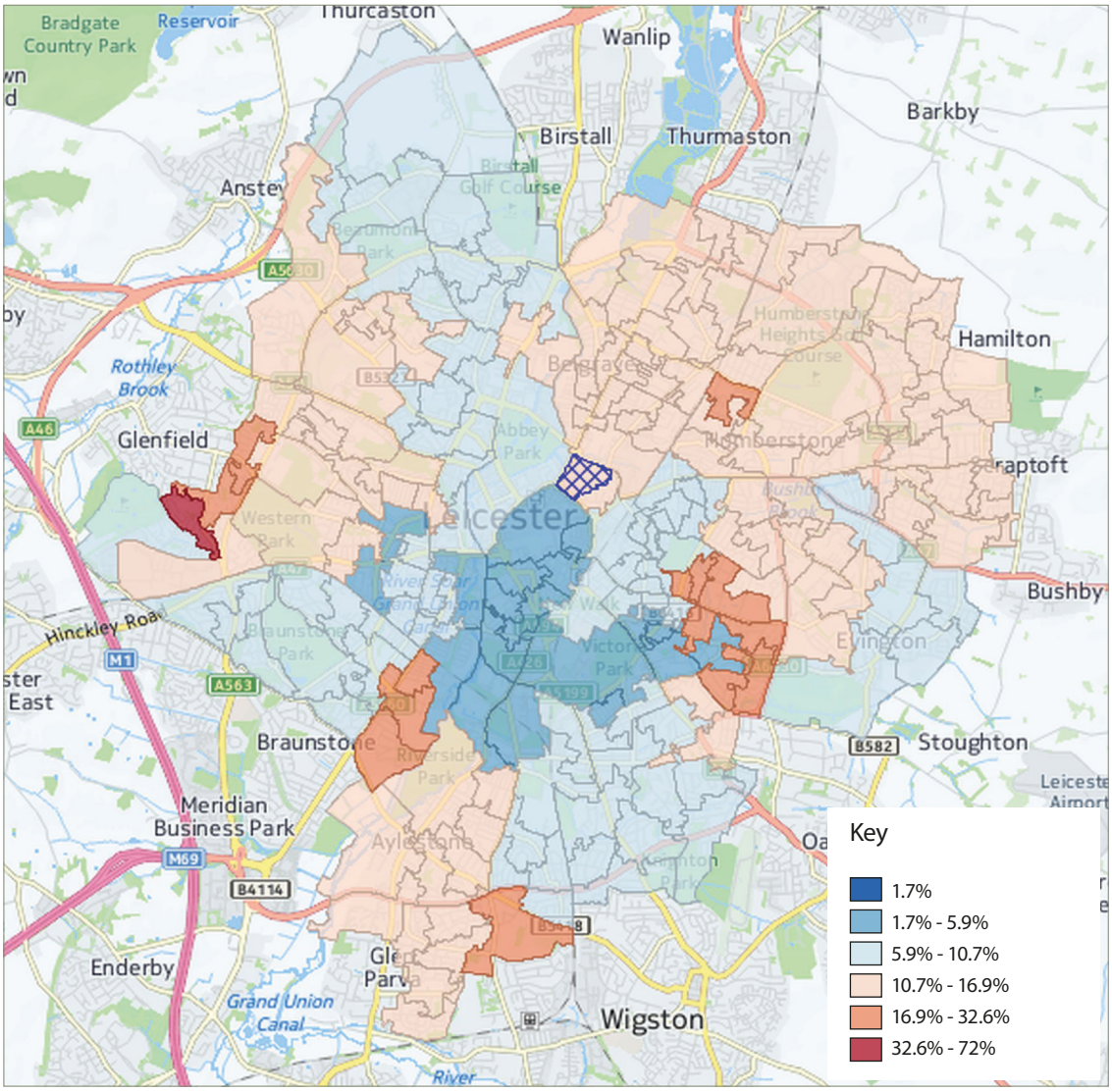
2.26 Whilst the above exercise provides an estimated distribution of average debt levels it does not give an indication of the areas which are most likely to be vulnerable to debt problems. A measure of vulnerability can, however, be arrived at by estimating the amount of debt that households have relative to their net, annual, after housing costs, income.

2.27 In effect, this measure provides us with the length of time that it would take for households to clear their debt if they devoted all of their available income after housing costs to their debt repayments. For example, a Debt to Income ratio ('DTI') of 50 percent would indicate that it would take six months for a household to clear its debts on this basis.

2.28 This pattern of repayment is, of course, completely hypothetical and extremely unlikely given that households have other essential expenditure to meet from their net income. We return to this issue later in this report, when providing estimates of over-indebtedness. Nevertheless, the DTI ratio provides a consistent measure to compare areas to each other, and highlights where debt levels are such that households are likely to be vulnerable to over-indebtedness.

2.29 To calculate the DTI ratios we utilised the 2011 Census data on average net incomes after housing costs, and adjusted this for inflation effects over the period to the second quarter of 2015. We then estimated the total net after housing costs income of all debtor households within each LSOA and divided the total amount of BBA disclosed lending into this figure. The results are provided in figure 5, below.

Figure 5: Estimated average of debt to net incomes ratios after housing costs by LSOA



2.30 Figure 5 indicates that there are 15 LSOAs of particular concern. These are:

- The previously identified LSOA in New Parks, which returns a DTI ratio of 72 percent, and two of its neighbouring LSOAs which have DTI ratios of 20 percent;
- The two LSOAs in Braunstone Park and Rowley Fields and the one LSOA in Westcotes which have DTI ratios of 32.6 percent;
- The area to the east of the city centre, comprised of three LSOAs in Spinney Hills and four LSOAs in Stoneygate. These have DTI ratios of between 19 percent and 22 percent;
- To the north of these, one LSOA in Charnwood, which has a DTI ratio of 20.7 percent; and
- One LSOA in Eyres Monsell in the south of the city, which has an LSOA of 17.5 percent.

2.31 Again in contrast to these areas, the Big Local area of St. Matthews has a lower debt to income ratio of 11 percent.

Estimating over-indebtedness

2.32 As briefly discussed, whilst DTI ratios are useful as a means of comparison between areas, they do not reflect the actual repayment levels of households and the financial burden that these represent. Even where households have very high DTI ratios, it may be the case that actual repayment levels are relatively low and are affordable. Alternatively, even low levels of debt can present a significant burden (albeit for a limited period) if repayment levels are high.

2.33 Government has previously considered that households are 'over-indebted' if they are paying more than 25% of their total gross income out in unsecured debt repayments. We therefore revisited the NMG household survey to determine the likelihood of over-indebtedness by age and tenure. The results are set out in table 2, below.

Table 2: Over-indebted households as percentage of all households, by age and tenure

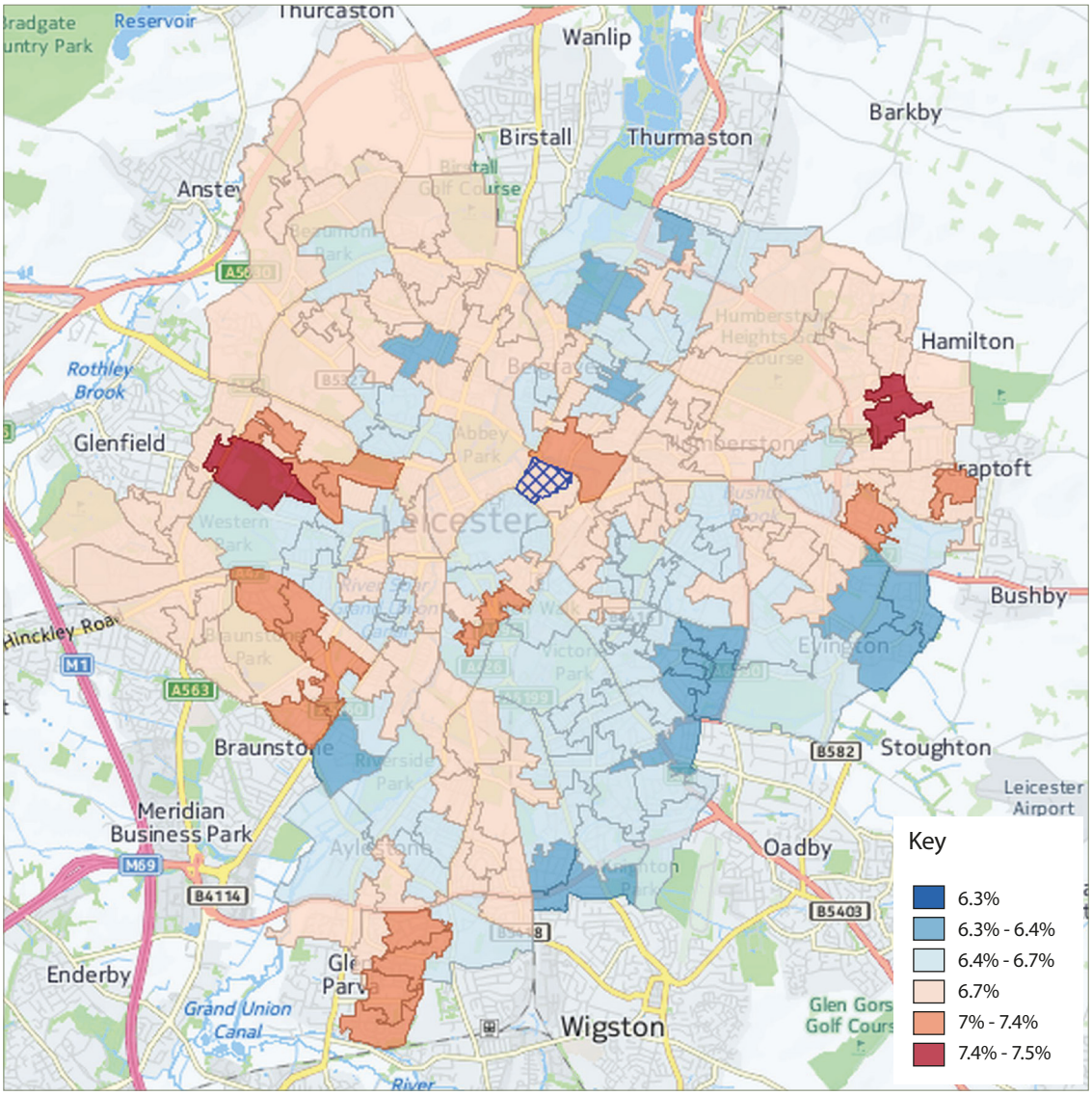
	<=24	25-34	35-49	50-64	65+	Across all ages
Owned outright	7.5	11.3	3.6	6.2	5.0	5.7
Owned mortgage	3.0	2.6	3.6	4.1	11.5	4.0
Social rented	12.8	7.4	5.3	2.8	13.6	6.5
Private rented	4.8	7.2	6.9	8.6	5.4	6.7
Across all tenures	5.8	5.7	4.7	5.1	6.3	

2.34 Approximately 5.5% of all households are over-indebted. However, there are significant variations from this average according to age and tenure. For example, over-indebtedness is particularly concentrated amongst social housing tenants at both extremes of the age range. Approximately 13% of social housing tenants aged 24 or under, and of those aged 65 or over, are spending more than one quarter of their gross income on debt repayments. This makes them more than twice as likely as the general population to be over-indebted. Over-indebtedness is also more likely amongst households who are aged over 65 and who are buying their homes with a mortgage or living in social rented accommodation, and is higher than average amongst private tenants aged between 25 and 64.

2.35 Applying these findings to the data concerning the age and housing tenure mix within each LSOA in Leicester provides for an estimated distribution of over-indebtedness across Leicester as set out in figure 6, on the following page.

2.36 The estimates indicate that households in Leicester are more likely to be over-indebted than is the case nationally. At least 6.5% of households in all LSOA's are estimated to be over-indebted based on their age and housing tenure, and the highest estimate of over-indebtedness is 7.5%.

Figure 6: Estimated distribution of over-indebtedness, based on age and housing tenure



2.37 This map provides confirmation of likely debt problems in New Parks, Braunstone Park and Rowley Fields, and in Eyres Monsell. These were all identified as areas with high DTI ratios, and this exercise indicates that they are also more likely to be home to a high proportion of over-indebted households (between 7 percent and 7.5 percent of all households).

2.38 However, the map also highlights individual LSOAs in Castle ward in the city centre, and to the north of this in Latimer. There are also two LSOAs in the east of the city in Thurncourt ward and one in Humberstone and Hamilton where over-indebtedness could be a problem.

Mapping the impact of individual lenders

2.39 Whilst the above provides some indication of the priority areas for local action, it does not indicate which lenders should be engaged, and on what basis. In this section, we address this by looking at the specific lending patterns of individual lenders.

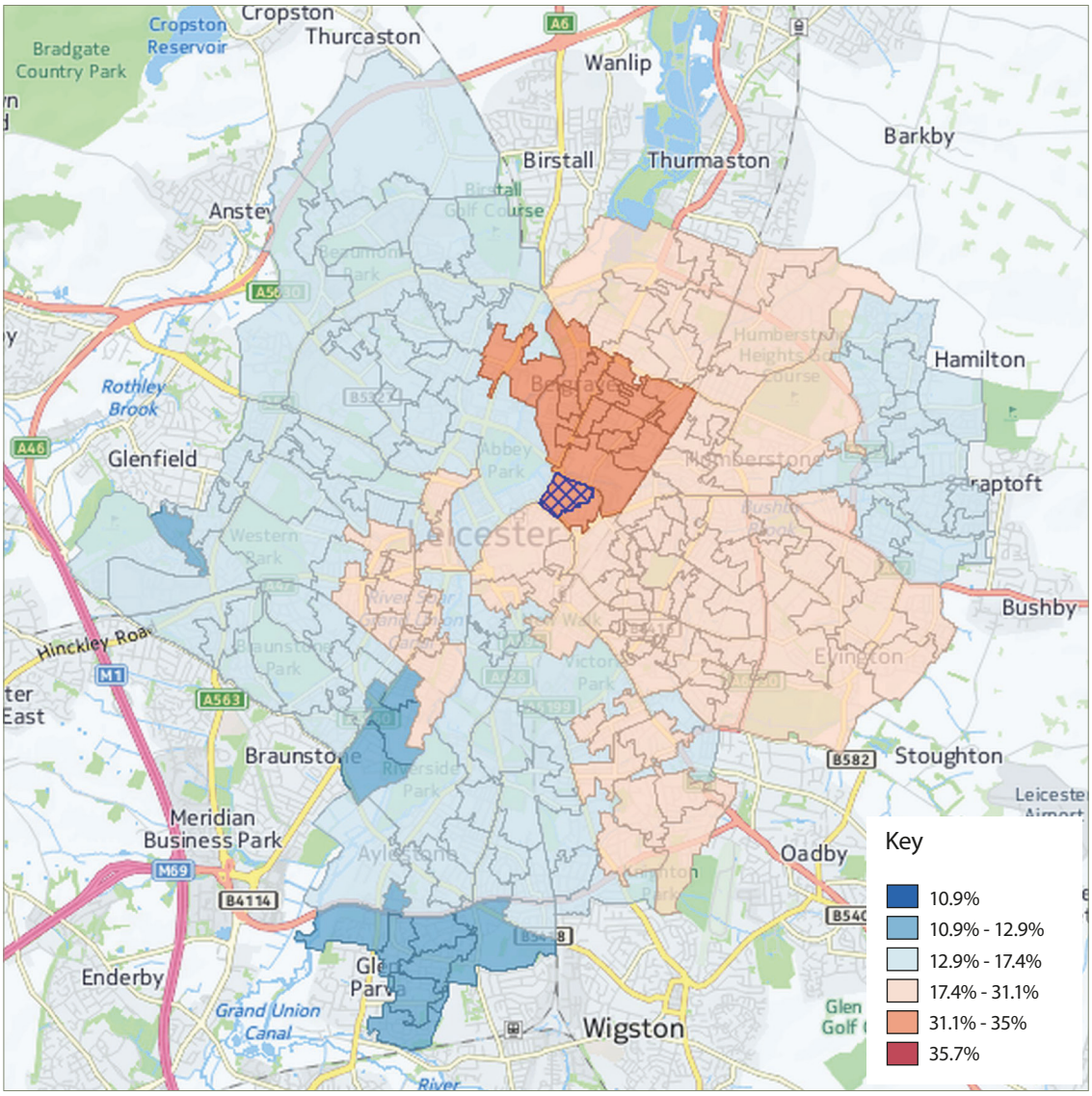
2.40 To assess the impact of individual lenders across the city, we calculated the share of the overall debt in each LSOA which was contributed by Barclays, Lloyds Banking Group, HSBC, RBS and Nationwide.[15] We now present the maps for these in turn on the following pages.

15 We were unable to locate the individual lending data from the Clydesdale and Yorkshire Banks and Santander websites.

Barclays Bank

2.41 Barclays Bank lending (figure 7, below) varies significantly across Leicester. In some LSOAs it contributes as little as one tenth of total lending and in others as much as one third.

Figure 7: Barclays Bank, share of total personal loan lending by LSOA



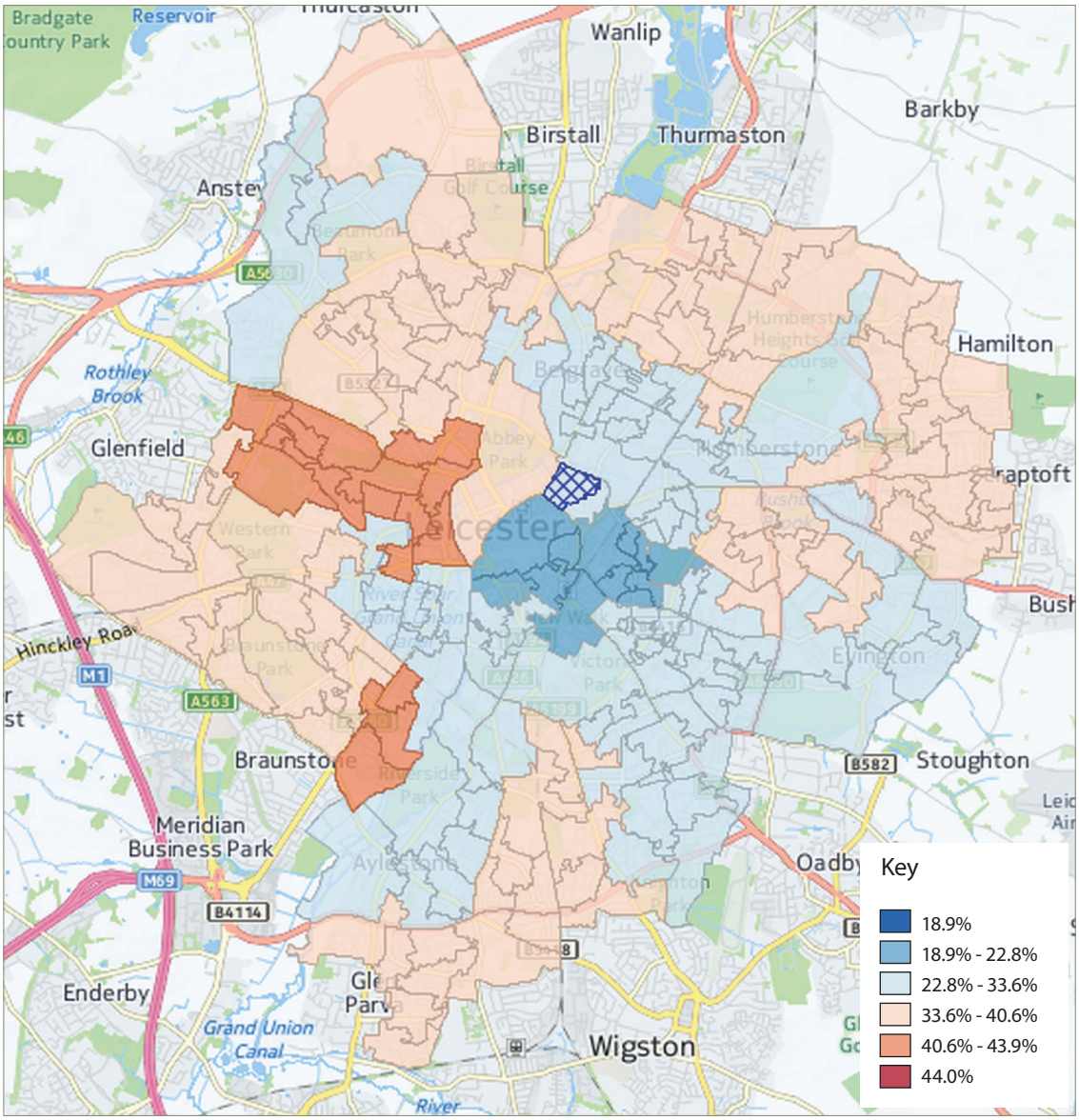
2.42 Barclay's lending is particularly limited in the west and south of the city, with its share of the debt in the highly indebted areas of New Parks, Braunstone Park and Rowley Fields and Eyres Monsell areas restricted to about 11 percent.

2.43 However, Barclays has a much higher share of lending in an area to the north-east of the city centre. This contains 23 LSOAs, falling mainly within Belgrave, Coleman, Latimer, and Charnwood wards and extends into Spinney Hill. It also contains the Big Local area on the St Matthew's estate, where Barclays has a 33.2 percent share of outstanding personal loans.

Lloyds Banking Group

2.44 In contrast, Lloyds Banking Group (figure 8, below) has a higher overall lending presence in the city – with shares of lending across all LSOAs ranging from 18.9 percent to 44 percent of total lending. It also has a much greater lending presence in the west and south-west of the city, and has around a 40 percent share of personal loans outstanding in the highly indebted LSOAs in New Parks, Braunstone Park and Eyres Monsell.

Figure 8: Lloyds Banking Group, share of total personal loan lending by LSOA

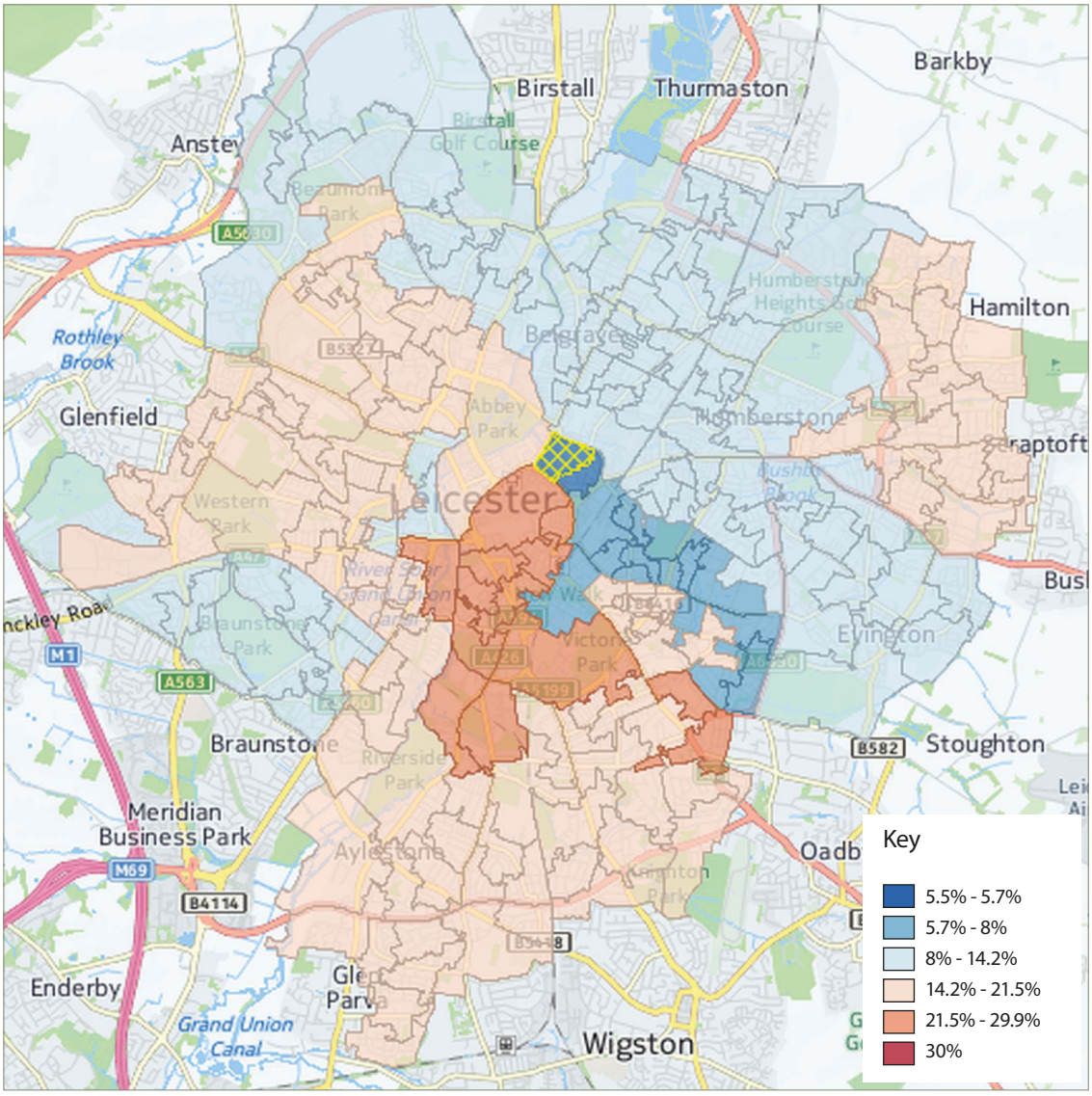


2.45 Although not one of its main areas of concentration, Lloyds also still holds a significant share (29%) of lending in the Big Local area.

HSBC

2.46 HSBC's lending pattern (figure 9, below) is very different. It has a similar overall share of the market to Barclays, with its presence ranging from just a five percent share in some areas to 30 percent in others, but it is very concentrated in the city centre.

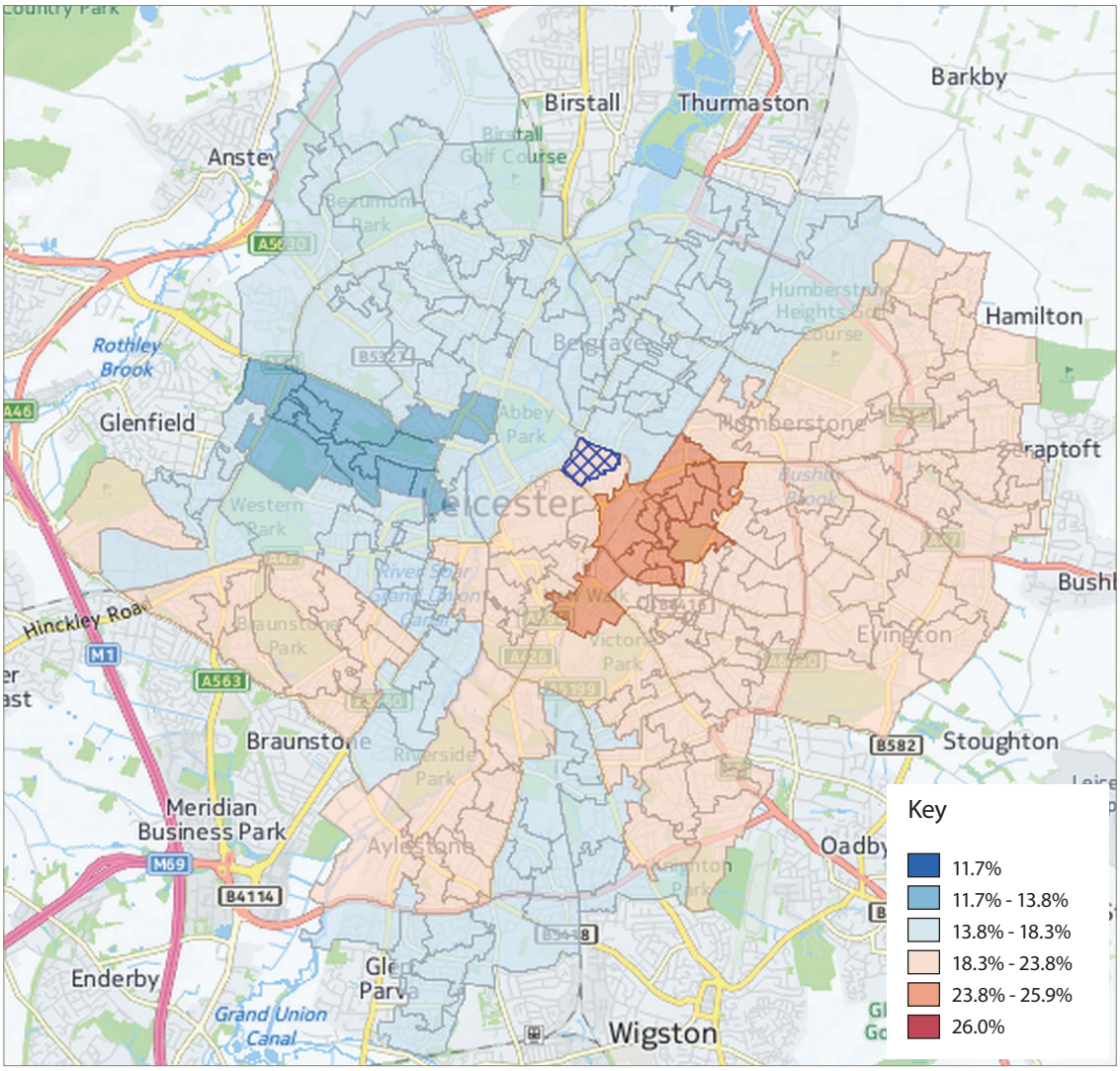
Figure 9: HSBC, share of total personal loan lending by LSOA



RBS

2.47 Again, RBS has a similar overall share of lending to HSBC and Barclays, ranging from 11 percent to 26 percent depending on the specific LSOA.

Figure 10: RBS, share of total personal loans by LSOA



2.48 Although not holding a large proportion of outstanding personal loan debt in New Parks, RBS (figure 10, above) is responsible for approximately one fifth of lending in both Braunstone Park and Eyres Monsell, and in the Big Local area.

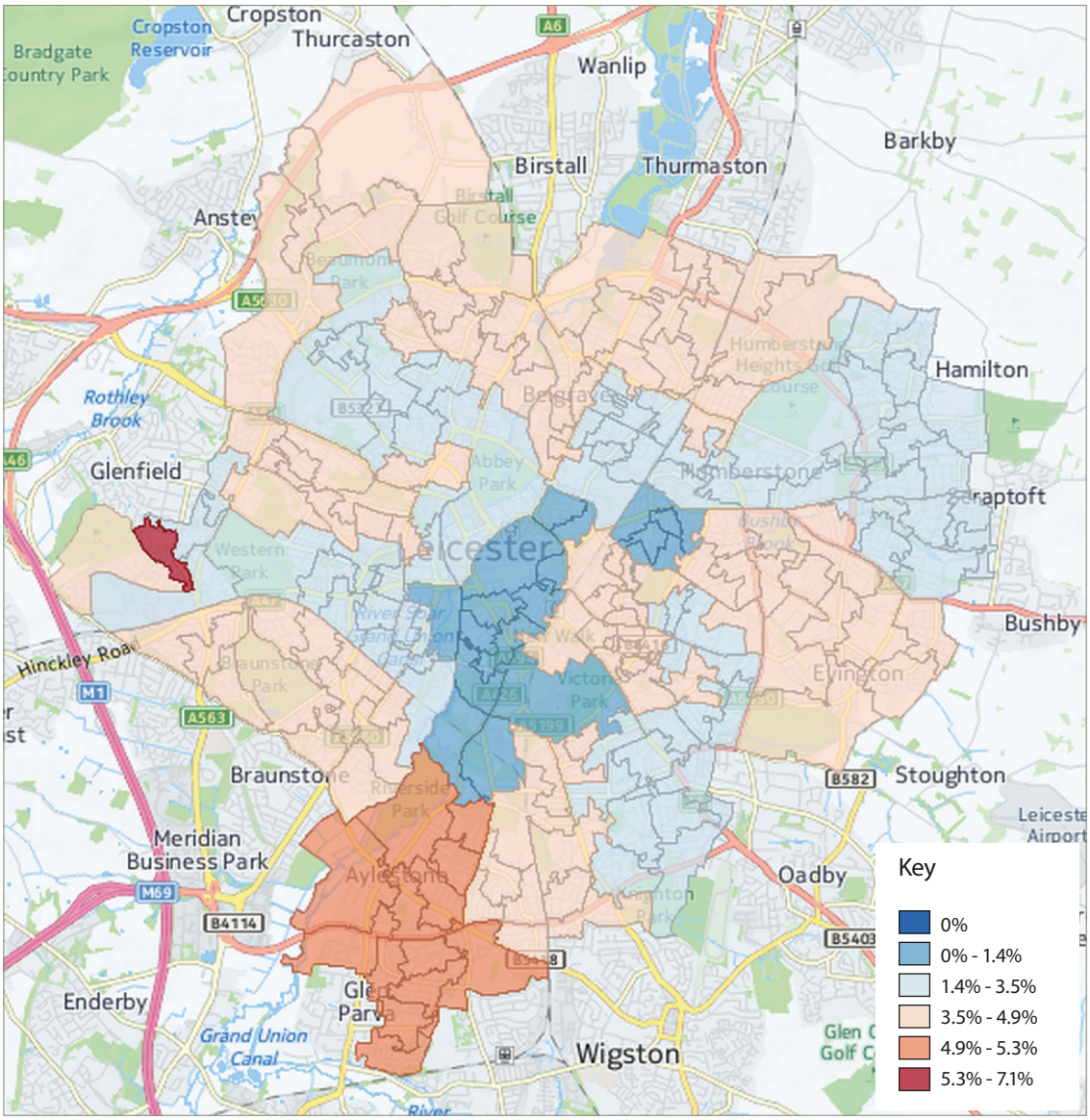
2.49 However, it holds larger shares of lending in Spinney Hills, Charnwood and Latimer wards to the east of the city centre.

Nationwide Building Society

2.50 Finally, Nationwide Building Society has a much lower share of overall lending across the city than the banks. In some areas it has no lending whatever, and its largest share in any individual LSOA is seven percent (figure 11, below).

2.51 However, that LSOA is also the single most indebted area of New Parks, and the Nationwide also has shares of between four percent and five percent of all disclosed debt in the indebted areas of Braunstone Park and Rowley Fields and Eyres Monsell.

Figure 11: Nationwide Building Society, share of personal lending

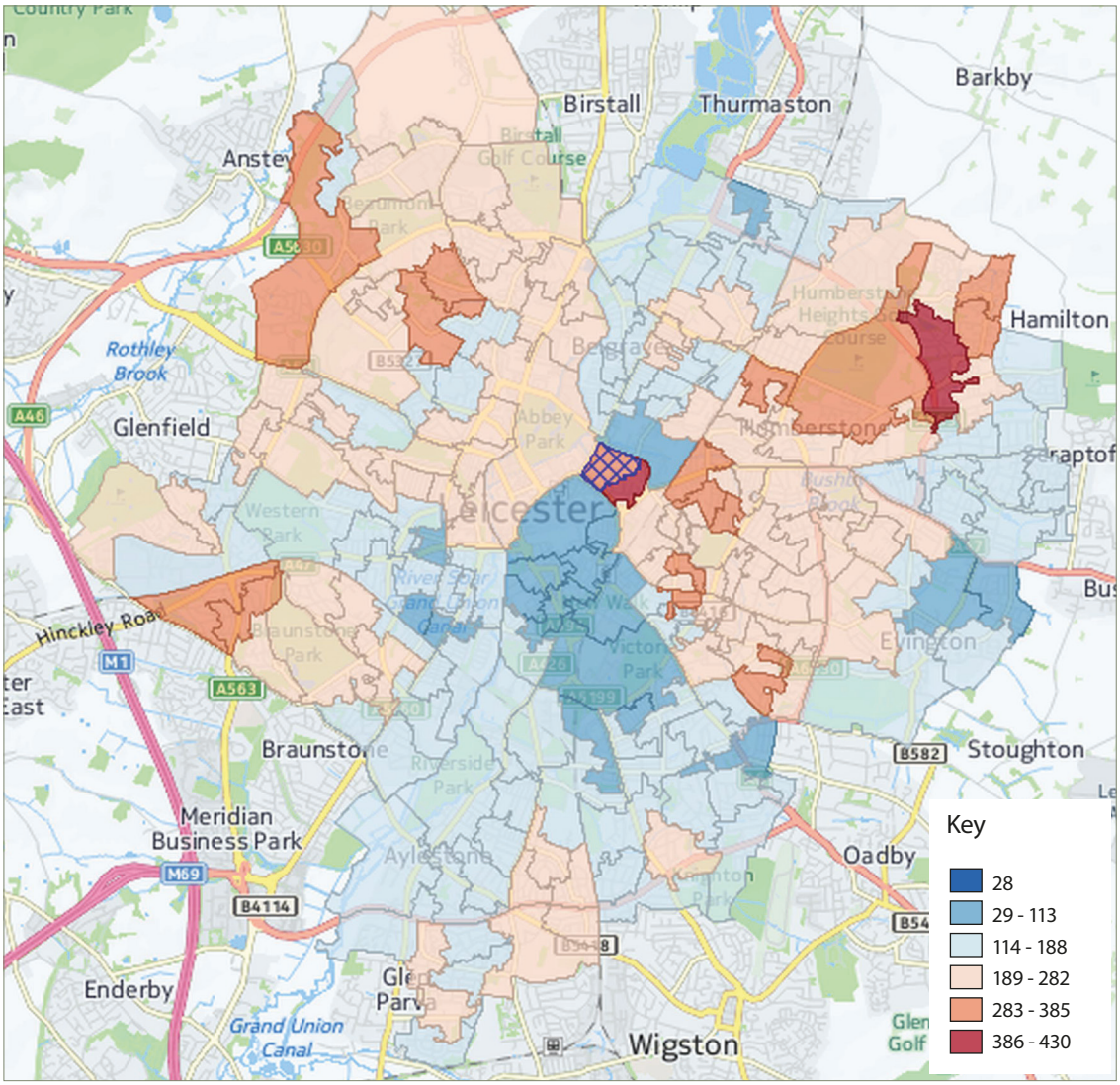


Estimating the number of children living in debtor households

2.52 A number of recent reports have highlighted the potential negative impacts of debt on children, and the Department for Work and Pensions is shortly expected to set out a number of indicators for its Life Chances Strategy, which will detail how it intends to monitor the number of children living in households with 'problem debt'.

2.53 As a starting point, and to help local agencies in Leicester plan their response to this agenda, we have combined our estimates of the likely numbers of debtor households in each LSOA with UK Census data concerning the concentration of households with children (figure 12, below).

Figure 12: Estimated number of children living in debtor households by LSOA



2.54 This exercise indicates that there are 18 possible priority LSOAs (each with between 282 and 430 children likely to be living in debtor households). These include the highly indebted area of Braunstone Park and Rowley Fields and the Big Local area.

3.0 Conclusions and Recommendations

3.1 This study has utilised the data on personal loans disclosed through the BBA framework and Census data on income, age, and housing tenures to provide an estimate of the distribution of consumer credit indebtedness across Leicester.

3.2 In doing so, we have demonstrated that:

- Simply dividing the disclosed debts by the number of people or households in any area is unlikely to accurately identify local 'debt hotspots', because this method does not take account of the fact that around half the population does not hold any consumer credit debt, and that debts are concentrated in particular types of household;
- By using national household surveys to identify those types of household most likely to have consumer credit debts and proceeding to distribute the debt disclosed through the framework amongst these, a very different debt map emerges; and
- Once the average, after housing costs, incomes of communities are taken into account, a number of likely 'debt hotspots' can be identified. In Leicester, the highest average debt to income ratios are located within New Parks, Braunstone Park and Rowley Fields, Spinney Hills, Stoneygate, Charnwood and Eyres Monsell.

3.3 However, it is important to note that this debt map of Leicester is based on partial information. In particular, the debts disclosed through the current BBA framework only cover personal loans, and do not include credit card or overdraft lending. In addition, the participation in the disclosure framework only covers BBA members, and does not include details of smaller lenders. Many of these, such as payday firms, rent to own companies, and door to door moneylenders are particularly focused on lower income communities, which are also likely to be home to higher concentrations of over-indebted households.

3.4 For this reason, our estimated distribution of over-indebtedness, which is based on household survey data which includes all types of consumer credit debt is different to the map produced using the data on personal loans. Nevertheless, there are some areas which appear as priorities on both maps. These are New Parks, Braunstone Park and Rowley Fields, and Eyres Monsell. We therefore suggest that these should be the initial priorities for local strategies seeking to address problems of over-indebtedness in Leicester.

3.5 However, to obtain a comprehensive and robust picture requires more data to be available, and it is clear to us that both the scope of the disclosure framework needs to be extended (to include credit card, overdraft, and other forms of consumer credit) and that the number of lenders participating needs to be increased.

3.6 Further to this, it is also clear that mapping local levels of indebtedness would be made simpler if the disclosure framework not only included details of the outstanding stock of debt for individual areas, but also provided the number of people in any area which were holding that debt.

3.7 We also consider that it would be beneficial if the data disclosed through a revised framework were to be released at LSOA rather than postcode sector level. Participants in the framework have access to full postcode information and would be able to do this relatively easily.

3.8 It is extremely disappointing that the Financial Conduct Authority ('FCA') has not conducted an analysis of how well competition is working within the financial services sector to meet the needs of lower income households. Mandating financial services providers to make a full disclosure on the above basis, and conducting a comprehensive analysis of this, is within the power of the FCA, and we call on it to do so.

3.9 However, if the FCA continues to refuse to engage positively with this agenda, then we must look to financial services providers themselves. We therefore recommend that the BBA work with CIC to revise the framework in line with the recommendations made above. To assist in the design of any revised framework it may also be useful to first run a pilot exercise in Leicester to see if the proposed revisions make any substantive difference to the estimated distribution of indebtedness provided in this report, and to assess the value of increased disclosure for local policymakers and providers of financial support services.

3.10 Despite these broader criticisms of the existing disclosure framework, we do recognise the value of the data that is already being released. In particular, we highlight the importance of having data on individual lending patterns of participant lenders. In Leicester, this indicates that discussions concerning how best to address over-indebtedness in the 'debt hotspots' that we have identified particularly need to involve Lloyds Banking Group and RBS as these appear to have a significant presence the areas.

3.11 There are also discussions that need to be held with Barclays Bank and HSBC concerning their apparently limited level of lending in some of the poorer areas of the city, and whether this is contributing to problems of financial exclusion.

3.12 It is also important not to overlook the fact that individual data concerning Santander and Clydesdale and Yorkshire Bank lending patterns could not be located for this report. Santander are likely to be particularly important as they acquired the former Alliance and Leicester, which was a major employer in the area, in 2008.

3.13 We therefore recommend that these issues are pursued further by the Fair Finance Strategy Group in Leicester, with a view to informing its proposed 'banking summit' later this year.

3.14 Finally, the report has also highlighted a number of opportunities to mitigate the problems of living in indebted households for children. The Government's proposed Life Chances Strategy is expected to set out indicators to monitor the number of children living in households experiencing problem debt, and we recommend that these include a local measure based on the number of children living in households with high debt to income ratios, after taking account of housing costs. Revising the disclosure framework along the lines that we have suggested would make the monitoring of such an indicator possible.

3.15 In the meantime, the existing data identifies 18 possible priority LSOAs for actions to mitigate the impact of debt on children. These include the Big Local area in St Matthews. The Leicester and Leicestershire Fair Finance Strategy has indicated that possible actions could include engaging with local schools to help identify and support children affected by financial problems, and we recommend that it details how it proposes to take this forward in the identified LSOAs.

About the Community Investment Coalition

The Community Investment Coalition is a partnership of national organisations including financial providers, charities, trade associations and academic bodies. Our mission is to promote access to affordable financial services for families, businesses and communities.

CIC campaigns for:

- Increased transparency and public accountability of financial service providers to support consumer choice and allow effective intervention in under-served markets.
- Increasing diversity of providers and choice for consumers in the financial services sector, with more providers offering a wider range of fair and affordable products to households, individuals, communities and businesses.
- More innovation in the financial services sector so that affordable financial products are delivered accessibly to all communities.
- Sustainable local economic growth with a greater share of locally generated income remaining within communities.
- Improvements in financial literacy for all sections of the community.

In June 2014, the Community Investment Coalition (CIC) launched its Community Banking Charter, which champions a fresh approach to banking in the UK so that every household, adult and business has access to basic financial tools, including access to a transactional bank account. Road-tested by community groups in low income communities, the Charter calls for everyone to have access to a basic package of financial tools.

A video regarding financial exclusion by CIC partner Local Trust can be found here :

https://www.youtube.com/watch?v=KGuf4Lkqvr8

and a CIC animation on banking data disclosure can be found here:

https://www.youtube.com/watch?v=x-63jPF_vlo

Partners include:

The Centre for Responsible Credit (CfRC) is a dedicated unit established within the Centre for Economic and Social Inclusion to: monitor the development of credit markets; research models of responsible provision and promote policy responses which protect the long term interests of households.

CCLA manages money for more charities than any other fund manager in the UK and we are owned by our not-for-profit clients. We engage with the banking sector every day on behalf of our charity and local authority clients, who are concerned with issues that may affect shareholder value, but also wish to see account taken of their ethical investment concerns. CCLA is ranked top manager of ethical and responsible investment funds in the UK by assets under management.

Local Trust delivers the **Big Local** programme with an investment of over £200m from the Big Lottery Fund. Big Local is happening in 150 communities across England over the next 15 years. It provides residents in each community with at least £1m and a range of other support and funding to develop ways of making their areas even better places to live.

Responsible Finance's mission is to support the development of thriving and sustainable community development finance (CDFI) sector that provides finance for disadvantaged and underserved communities and, as a consequence, contribute to the increasing prosperity of these communities.

E: info@communityinvestment.org.uk

W: communityinvestment.org.uk