"Cheap loans and attractive credit card deals have fuelled a boom in unsecured lending since the recession. However, the economic fallout from Brexit means consumers are already feeling the squeeze of a combination of rising prices and slow wage growth.

– Rich Shepherd, Senior Financial Services Analyst

This report looks at the following areas:

- Surge in micro-debts points to the first signs of difficulty
- On balance, Brexit is expected to cause problems for borrowers
- Will Open Banking make it easier for challengers to compete?

Unsecured credit has boomed in the last few years, and total consumer credit gross lending reached £250 billion in 2016. Record-low interest rates, boosted further by the reduction to the base rate in August 2016, have incentivised consumers to take advantage of the current climate to fund big-ticket purchases. Despite this, consumers remain generally averse to using debt if they can avoid it, with most consumers looking to reduce the amount that they owe in the near future.
Consumer Attitudes towards Debt - UK - July 2017

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Low rates mean credit is still attractive despite gathering clouds
Consumer confidence is starting to fall
Gross consumer credit lending reached £260.2 billion in 2016
Mortgage lending is expected to slow
Write-offs and bankruptcies fell again last year

Economic Outlook

GDP growth fell to 0.2% in Q1 2017
Rising prices put the squeeze on consumers...
...as wage growth fell last year
Interest rates remain attractive for borrowers
Unemployment fell throughout 2016

A note on Brexit

Inflation has hit financial well-being
Most consumers’ finances are about the same as last year...
... but confidence for next year is dropping

Consumer Credit Lending

Gross lending continues to grow
Credit card balances increased by £5.5 billion in 2016
Growth in loan lending is expected to slow

Mortgage Market Lending

Mortgage lending was boosted by a surge in BTL sales in 2016
Consumer Attitudes towards Debt - UK - July 2017

Write-offs, Repossessions and Insolvencies

Write-offs fall despite credit card rise

Mortgage arrears and repossessions stable through 2016

Rise in IVAs fuels increase in all insolvencies

Online bankruptcies help to remove stigma

The Consumer – What You Need to Know

61% of consumers have outstanding unsecured debts

Paying off debt is the priority for most

Consumers are largely undecided on the impact of Brexit

Cost is key when choosing a credit product but brand is still a factor

Credit cards are the favoured form of credit

Credit Product Ownership

61% of consumers have outstanding unsecured debts

25-44-year-olds are the most likely to have unsecured debt

Hard-up consumers most likely to use an overdraft or borrow from peers

Half of those with unsecured debt only have one type of product

Level of Outstanding Unsecured Debt

Micro-debts have increased in the last year

More well-off consumers more likely to have larger unsecured debts

Expected Debt Situation in the Next Two Years

Paying off debt is the priority for most

Card users are less sure about their plans for credit use
Anticipated Effects of Brexit

Consumers are largely undecided on the impact of Brexit

Three in ten say Brexit will make it harder to repay debt

Interest rates considered more likely to go up than down...

... but credit should be freely available still

Attitudes towards Debt

Cost is key when choosing a credit product...

... but brand is still a factor

Half would be interested in borrowing guidance from their bank

Most consumers’ borrowing plans are unaffected by Brexit...

... but current debt users are more wary

A third of Millennials would prefer to rent than buy with credit

Future Use of Credit Products

Credit cards are the favoured form of credit for almost all needs...

... but consumers are generally reticent to use credit

Under-44s are more open to using credit for non-essentials

Appendix – Data Sources, Abbreviations and Supporting Information

Abbreviations

Consumer research methodology