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he impact of unsecured debt on financial pressure among British households

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Peter Brierley, Jonathan Crook, Orla May and Merxe Tudela and seminar participants at the Bank of England and Banco de España. Any remaining errors are our own.

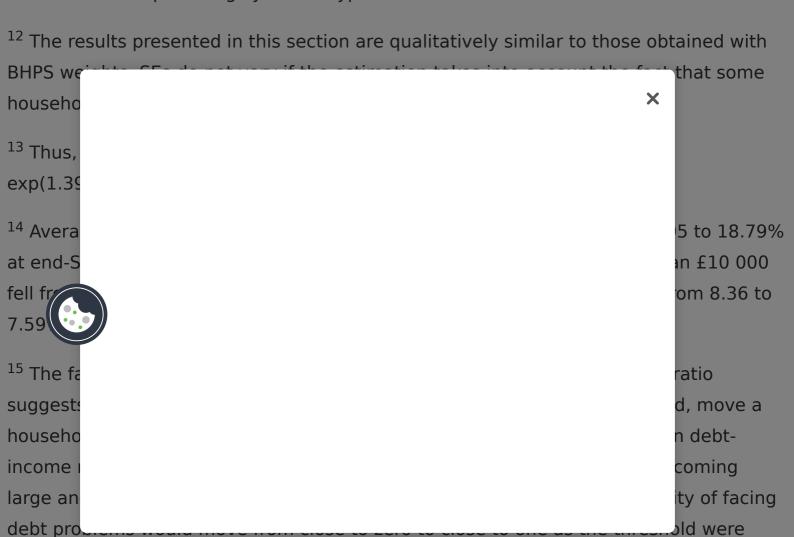
Notes

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- ¹ The Insolvency Service estimates that only around 10% of bankrupt individuals have secured debt arising from mortgaged property. Similarly, around two-thirds of the debt clients of Citizens Advice Bureaux are tenants and so without mortgages (Citizens Advice, 2006).
- ² The BHPS is managed by the ESRC UK Longitudinal Studies Centre with the Institute for Social and Economic Research at the University of Essex. The BHPS is an annual national survey whose sample has remained broadly representative of the population. The BHPS sample excludes households located north of the Caledonian Canal in Scotland. The sample we use excludes new samples that were included in BHPS since 1997. Detailed information can be found in Brice et al. (2002).

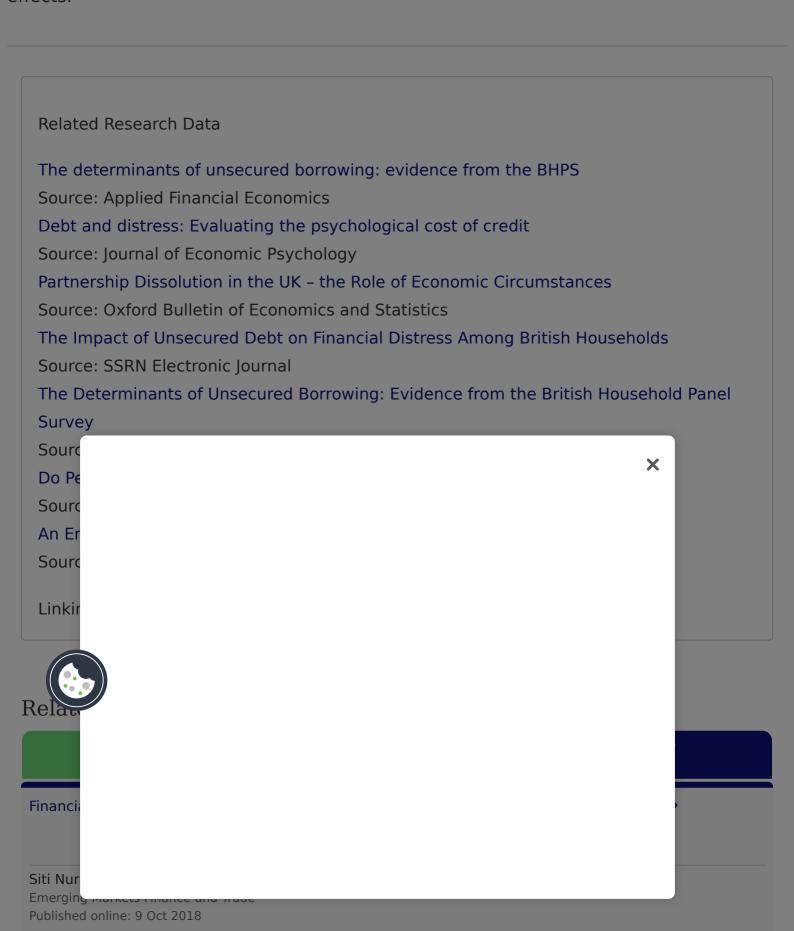
³ See Berthoud and Kempson (1992), Cox et al. (2002), Kempson et al. (2004) and May et al. (2004) for household-level analyses of factors likely to affect financial distress among British households and Canner et al. (1995) for an analysis of the affordability of etween debt debt am X and psy 4 Whitley at the aggrega ⁵ The Bh ly represer 5500 **BHPS** hous and. Our samp sample 6 In 200 ot use this and 709 informat

- 7 A likely reason for the addition of the student loan category in the 2000 survey is that loans had by then become the main form of financial support for students. Details on the extent of student loan finance are provided by Callender and Wilkinson (2003).
- ⁸ We have also considered the case excluding households with at least one member reporting student loans and overdrafts in 2000. Since there is no information on the amount of debt by instrument, excluding households with overdrafts implies also excluding the debt that these borrowers may hold in other instruments. All figures are available upon request.
- ⁹ A fuller description of the distribution of unsecured debt and an econometric investigation of its determinants is in del-Río and Young (2006).
- ¹⁰ We use annual household income provided by BHPS which contains a conversion factor to allow for the effects of household size and composition. Income groups are percentiles of the income distribution for the sample in 1995. For 2000 the percentiles are updated using the Retail Price Index.
- ¹¹ Assuming there is not substantial variation across households. However, terms and interest rates depend largely on the type of unsecured debt.



crossed. Instead, it is likely that the level of any such thresholds vary by household. In this sense the appropriate information is the proportion of households of a particular type that would face debt problems with debt-income ratios above a particular threshold.

¹⁶ Note that with cross-sectional data it is not possible to separate age and cohort effects.



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