



Applied Financial Economics >

Volume 18, 2008 - [Issue 15](#)

456 | 36

Views | CrossRef citations to date | Altmetric

3

Original Articles

# The impact of unsecured debt on financial pressure among British households

Ana del Río  & Garry Young

Pages 1209-1220 | Published online: 21 Jul 2008

 Cite this article  <https://doi.org/10.1080/09603100701604233>

Sample our  
Economics, Finance,  
Business & Industry Journals  
>> [Sign in here](#) to start your access  
to the latest two volumes for 14 days

 Full Article

 Figures & data

 References

 Citations

 Metrics

 Reprints & Permissions

Read this article

 Share

## We Care About Your Privacy

We and our 909 partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting I Accept enables tracking technologies to support the purposes shown under we and our partners process data to provide. Selecting Reject All or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the Show Purposes link on the bottom of the webpage. Your choices will have effect within our Website. For more details, refer to our Privacy Policy. [Here](#)

We and our partners process data to provide:

Use precise geolocation data. Actively scan device

 I Accept

Reject All

Show Purposes

## Notes

<sup>1</sup> 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).

<sup>2</sup> 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).

<sup>3</sup> 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 debt among households with a history of financial problems. The relationship between debt and psychological distress is explored in Whitley et al. (2004).

<sup>4</sup> Whitley et al. (2004) find that psychological distress is associated with higher levels of debt at the household level. This is also true for the individual level, but the relationship is weaker.

<sup>5</sup> The BHPS sample is representative of the population of Great Britain with a population of around 5500 households. The sample is divided into three waves of data collection. The first wave of data collection was in 1991, the second in 1994 and the third in 1997. Our sample is drawn from the first wave of data collection.

<sup>6</sup> In 2000, the BHPS sample was expanded to include a new sample of 709 individuals. This new sample was drawn from the BHPS sample and was used to study the impact of the 2000 election on the population.



<sup>7</sup> 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](#)).

<sup>8</sup> 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.

<sup>9</sup> A fuller description of the distribution of unsecured debt and an econometric investigation of its determinants is in del-Río and Young ([2006](#)).

<sup>10</sup> 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.

<sup>11</sup> Assuming there is not substantial variation across households. However, terms and interest rates depend largely on the type of unsecured debt.

<sup>12</sup> The results presented in this section are qualitatively similar to those obtained with BHPS weights. SEs do not take into account the fact that some households are sampled in both years.

<sup>13</sup> Thus,  $\exp(1.39) = 4.01$ , which is the ratio of the probability of being in debt in 2000 to the probability of being in debt in 1995 for the reference group. The probability of being in debt in 2000 is 18.79% and in 1995 is 4.69%.

<sup>14</sup> Average income in the lowest income group fell from £7.59 in 1995 to £5.59 in 2000. The probability of being in debt in 2000 is 18.79% and in 1995 is 4.69%.

<sup>15</sup> The fact that the probability of being in debt in 2000 is 18.79% and in 1995 is 4.69% suggests that the probability of being in debt in 2000 is 18.79% and in 1995 is 4.69%. The probability of being in debt in 2000 is 18.79% and in 1995 is 4.69%.

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.

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

Related Research Data

The determinants of unsecured borrowing: evidence from the BHPS

Source: Applied Financial Economics

Debt and distress: Evaluating the psychological cost of credit

Source: Journal of Economic Psychology

Partnership Dissolution in the UK - the Role of Economic Circumstances

Source: Oxford Bulletin of Economics and Statistics

The Impact of Unsecured Debt on Financial Distress Among British Households

Source: SSRN Electronic Journal

The Determinants of Unsecured Borrowing: Evidence from the British Household Panel Survey

Source:

Do Pe

Source:

An En

Source:

Linkin



Relat



Financi

Siti Nur

Emerging Markets Finance and Trade

Published online: 9 Oct 2018

## Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

## Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

## Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

## Help and information

- Help and contact
- Newsroom
- All journals
- Books

## Keep up to date

Register to receive personalised research and resources by email

 Sign me up



Copyright

Accessib

Registered  
5 Howick Pl



or & Francis Group  
orma business