

Eight Million Adults in Serious Debt

News Story

LONDON (Reuters) - More than eight million British adults are in serious debt, an increase of 30 percent in the past year, largely due to rising interest rates, according to research published on Thursday.

Some 8.2 million people, equivalent to 18 percent of the adult population, have 10,000 pounds or more of unsecured debt -- such as credit cards, overdrafts, loans and store cards -- according to a quarterly survey by debt consultancy Thomas Charles.

The number of people struggling to meet debt repayments has also increased.

A quarter of those with serious debts --10,000 pounds or more -- concede they frequently have problems meeting repayments, up 9 percent on the year.

The poll of 2,115 British adults, conducted by YouGov, also shows that people in London are the most likely to be struggling with debt.

Around 40 percent of those living in the capital with debts of 10,000 pounds or more say they have regular problems repaying their dues.

This compares with 20 percent in the rest of the south and just 18 percent in the Midlands and Wales.

James Falla, a director of Thomas Charles, said the firm had witnessed a "sharp" increase in the number of people now struggling with debt repayments because of rising interest rates.

The Bank of England has hiked the cost of borrowing five times in the past year to 5.75 percent -- the highest level in six years.

Analysts expect another rise to 6 percent by the year end.

"These high levels of unsecured debt are clearly linked to the rise in interest rates over the last 12 months," he said.

"A record rise in house prices -- especially in London and the south-east -- has led to a growing discrepancy between mortgage payments and salaries.

"The high pressure to maintain social and commercial status, particularly experienced by women, often goes hand in hand with high expenditure on the high street.

"Borrowers affected by the higher interest rates now are storing up debt problems for the future; instead of making cuts in their personal expenditure, they are taking on further unsecured loans and credit cards."

The Department of Trade and Industry is due to report personal insolvency figures for the second quarter of 2007 on Friday.