

**Date:** 2 April 2013

**R3**

## **Rising costs of living the main trigger for going into debt**



Across Yorkshire and Humber, over half of those with debt concerns now blame rising costs of living for pushing them into debt, above traditional reasons such as job loss or the end of a relationship, with 58% of individuals in the region citing this as the main cause, slightly higher than the national average of 50%. Research by insolvency trade body R3, revealed that in the region the next trigger was paying for non-essential items, such as a holiday (18% in the region compared with 17% across the UK) followed by loss of employment (11% regionally and 20% nationally).

Robert Adamson, chair of R3 in Yorkshire and Northern restructuring partner for Mazars, comments: “In the past those worried about their debt spoke of one-off events that happened to them, such as losing their job or partner or something they did such as paying for an expensive holiday, being the cause. Nowadays, rising living costs and stagnant wages failing to keep up is a reason alone, and the prolonged effects of this squeeze are taking their toll on the nation’s finances.”

Today’s picture is no brighter for those with specific debt obligations – in Yorkshire and Humber, 72% of those with a payday loan had prioritised paying back the loan over buying food, way above the national average of 46%. In addition, 72% in the region chose paying back the loan over buying clothes for themselves or family members, again above the national figure of 62%.

Mr Adamson continues: “According to the providers, payday loans were created as a one-off fix to a financial shortfall, but in reality leave some unable to buy clothes for their family or even to buy food. These findings illustrate that while these loans are convenient and quick to access, paying them back can be a much greater slog. I would question whether the loan was right in the first place if repaying it means someone has to prioritise that over food.”



media relations and profile

Of those who currently pay for childcare, 37% in Yorkshire and Humber have had to use their savings, and 32% their overdraft to meet these costs.

“The crippling costs of childcare are well reported: this research shows us that of those who currently pay for childcare, many are dipping into savings or an overdraft. In addition, 25% of respondents in the region use loans from the bank or friends and family, with another 15% resorting to credit cards to meet these costs. It is clear that paying for childcare is proving a real struggle.”

Looking ahead, there is a change of mood. For the first time since July 2010, in the next six months, more think their financial situation will improve (21% of respondents nationally and 22% in Yorkshire and Humber) than worsen (18% both nationally and in the region).

Mr Adamson concludes: “Signs of optimism are clearly to be welcomed, and many have tailored their budgets to suit their circumstances by now. I remain concerned for those on the extremities of the debt landscape, those with no savings or saddled with high cost loans, and would urge this group to consider all their options, including speaking to a professional.”

- ENDS -

**Photo shows:** Robert Adamson, chair of R3 in Yorkshire and Northern restructuring partner for Mazars

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Notes to editors:

- R3 is the trade body for Insolvency Professionals, and is made up of 97% of the UK’s Insolvency Practitioners.
- R3 promotes best practice for professionals working with financially troubled individuals and businesses; all R3 members are regulated by one of nine recognised professional bodies.
- R3 stands for ‘Rescue, Recovery, and Renewal’ and is also known as the Association of Business Recovery Professionals. Website [www.r3.org.uk](http://www.r3.org.uk)

Methodology: ComRes interviewed 2,007 adults online between 1st and 3rd February 2013. Data were weighted to be demographically representative of all British adults aged 18+. ComRes is a member of the British Polling Council and abides by its rules.