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- **Figures show Britons borrowing £330million/day with credit cards & person loans**
- **Nearly £10billion borrowed in September – the highest figure for almost a year**
- **The spike in borrowing triggered concerns Britons are living beyond their means**

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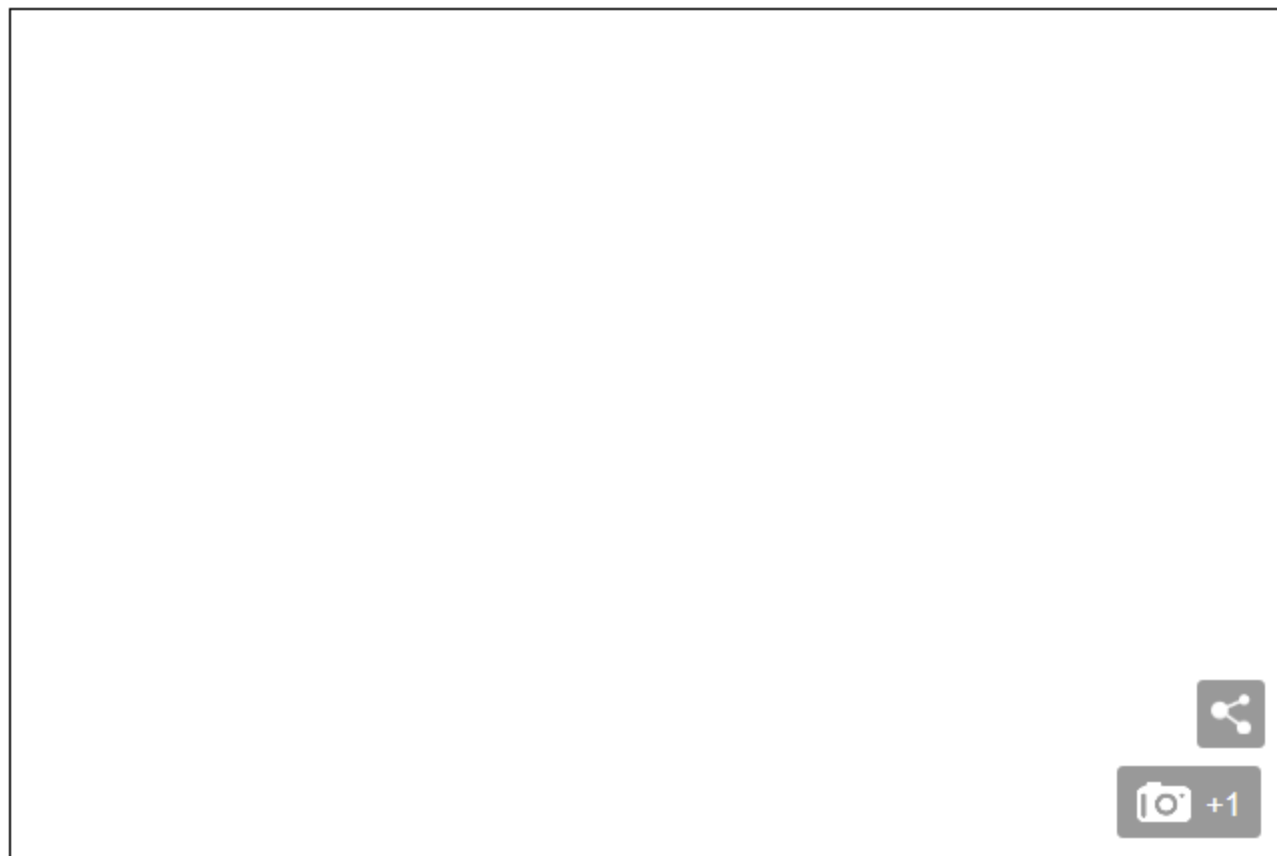
Car finance deals, credit cards and personal loans are fuelling a £330million-a-day debt binge in Britain.

Industry figures show nearly £10billion was borrowed in September – the highest

figure for almost a year.

A total of £9.9 billion was racked up on credit, an 8 per cent per increase over the last 12 months, according to the Finance & Leasing Association. The figures do not include mortgages.

The rise has been fuelled by the amount borrowed by drivers to buy new cars, as well big increases in credit card spending.



The rise has been fuelled by the amount borrowed by drivers to buy new cars, as well big increases in credit card spending (stock image)

With car loans accounting for 40 per cent of the September total, one car finance expert acknowledged that drivers are now upgrading their cars as freely as their mobile phones.

The spike in borrowing has triggered fresh concerns that huge numbers of Britons are living beyond their means.

Last night one debt charity estimated more than nine million are resorting to credit to cover basic living expenses, while a former pensions minister warned of a dangerous 'debt culture'. Experts fear that many will struggle to meet their repayments if the economy takes a turn for the worse.

Although interest rates remain at near-record lows, average repayment rates on credit cards are at a record high of 25.1 per cent, according to comparison website Moneyfacts.

Baroness Ros Altmann, former pensions minister, said: 'This is dangerous. Banks appear to be taking advantage by encouraging people to get into more debt.

'They are also fuelling the problem by charging extraordinarily high rates on credit cards.' The latest debt figures come from the Finance Leasing Association, whose members include banks, credit card and store card providers and motor finance firms. They show a rise in the amount borrowed to buy cars, despite flagging sales.

Drivers borrowed £4.3billion on car finance, up 7 per cent in a year.

The FLA said the increase has been driven by the popularity of Personal Contract Purchase deals, a form of loan in which drivers typically 'flip' their car for a new one every few years. Around eight in ten new cars are sold via PCP deals.

Adrian Dally at the FLA, stressed that car finance accounts for less than 1 per cent of total household debt including mortgages, according to Bank of England figures.

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But he acknowledged PCP deals encourage drivers to splash out on more expensive cars. He said: 'The culture of upgrading your mobile phone has moved the car finance.' According to the FLA, households also borrowed almost £4.4billion on credit cards and personal loans in September, up 8 per cent in a year.

In addition, shoppers splashed out more on store credit or online credit – often offered by retailers to enable those on lower income to make bigger purchases. Some £736million was borrowed on store credit in September, up 5 per cent in a year.

Experts warned that zero per cent balance-transfer credit cards are encouraging many to borrow more.

Rachel Springall of Moneyfacts said: 'It's worrying to see debts are on the rise and there could be consumers living beyond their means.'

Sue Anderson from the StepChange Debt Charity said it has dealt with record numbers of people with debt problems in the first half of this year. She added:

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'Although rising borrowing may indicate consumer confidence, it can also indicate that people can't cover the basics without resorting to credit. We estimate that over nine million are in this position.'

The biggest percentage increase in borrowing has been on second charge mortgages, which enable home owners to use their house as security to take out a loan. Households borrowed £105million during the month, up 18 per cent.

Fiona Hoyle of the FLA insisted: 'We are seeing responsible lending and responsible borrowing.' She pointed out that the figures represent just one month and borrowing over the longer term has grown more slowly.

Mike Hawes, of the Society of Motor Manufacturers and Traders said: 'Motor finance, being asset-backed, it is much lower risk than unsecured borrowing. The market is governed by very strict rules.'