

# Young people are borrowing to cover basic living costs, warns City watchdog

The GARDIAN 14 Oct 2017

FCA boss raises alarm over growing debt burden of young people in UK as number of insolvent 18- to 34-year-olds in the UK jumps by a third

The head of Britain's financial regulator has warned that a growing number of young people are having to borrow to cover basic living costs.

Andrew Bailey, the chief executive of the Financial Conduct Authority, told the BBC that while it had not yet reached crisis levels, it was worrying that debt among young people was growing. He talked about a shift in the generational pattern of wealth and income.

"There is a pronounced buildup of indebtedness amongst the younger age group," Bailey said. "We should not think this is reckless borrowing. This is directed at essential living costs. It is not credit in the classic sense, it is [about] the affordability of basic living in many cases."

The number of 18- to 34-year-olds becoming insolvent jumped by nearly a third (31.3%) between 2015 and 2016, according to the Insolvency Service. Seaside towns in England and Wales have the worst levels of debt among young adults in the UK, led by the Isle of Wight, Torbay and Scarborough.

The Liberal Democrat leader, Vince Cable, said: "The under-40s, in particular, are suffering financial hardship because of the worrying accumulation of debt in the UK. The Conservatives have forgotten about their manifesto pledge to create a 'breathing space' scheme so that people in serious difficulties can have legal protection from interest, charges and bailiffs for six weeks. For the head of the FCA to make this intervention shows how urgently this must be introduced."

Bailey added: "There are particular concentrations [of debt] in society, and those concentrations are particularly exposed to some of the forms and practices of high-cost debt which we are currently looking at very closely because there are things in there that we don't like."

He said he would like to see "more focus on what is sustainable, affordable credit provision", with action being taken to reduce long-term credit card debt and high-cost payday loans.

The regulator is also scrutinising the rent-to-own sector, which can charge high levels of interest for white goods such as washing machines, he said.