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Lex: UK consumer credit

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The UK Citizens Advice bureau observes, with some alarm, that nearly a quarter of those who have a credit card or loan have no idea how much money they owe. The Bank of England, on the other hand, has a pretty good idea of the amount outstanding: an average of £6,900 per household. Credit card balances alone have climbed to £51bn at the end of July - up 16 per cent over the last 12 months. This does not amount to strong evidence that the consumer borrowing boom is slowing down or that consumers are consolidating their debts in cheaper mortgage borrowing.

Barring a sharp fall in house prices, consumers still have a substantial cushion of collateral in their homes, against which they could borrow. Nevertheless, an upwards move in interest rates, combined with a slowdown in the growth of real personal disposable incomes, could quickly eat up many households' margin for manoeuvre. Last December, Standard & Poor's placed the UK on its list of countries whose banking systems faced potential stress, noting that mortgage debt had moved above 60 per cent of gross domestic product. Since then, it has climbed still further to 66 per cent of GDP. Against this backdrop, the strains on the UK's public sector finances - with general government debt at 38.5 per cent of GDP last year - look almost trivial.