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Barbara Yaffe: Vancouver residents play with fire over debt

Conflicting reports aside, Vancouverites are probably still relying too much on credit

BY BARBARA YAFFE, VANCOUVER SUN COLUMNIST MARCH 11, 2014 4:41 PM



A cost of living well above the national average combined with incomes below the national average means Metro residents are Canada's most indebted. Gerry Kahrmann / PNG files
Photograph by: Gerry Kahrmann , Vancouver Sun

Are Vancouverites, Canada's most indebted consumers, finally getting a handle on their debts or continuing to spend cash they don't have?

It's hard to tell; two major consumer credit rating agencies based in Ontario have just released diametrically opposite findings.

The only thing Equifax and TransUnion can agree on: West Coast folks remain the most indebted spenders in Canada.

Vancouver residents are carrying non-mortgage debt of roughly \$40,000, consisting of auto loans, lines of credit, credit cards balances and bank instalment loans.

That they're the most indebted is no surprise. With Vancouver's high housing costs, little is left for life's indulgences. And so reliance on credit becomes a sort of spending safety valve.

But, according to Equifax, which issued its report Feb. 10, the trend of consumers here taking on

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ever-higher debt halted in the third quarter of 2013. In the fourth quarter, debt levels dropped 4.5 per cent from the year previous.

TransUnion, however, disagrees. Its Feb. 26 report found Vancouverites were continuing to increase non-mortgage debt. By the final quarter of 2013, indebtedness had grown by 7.09 per cent over the same period in 2012.

Whether or not Vancouver residents are starting to reduce their liabilities, they're surely playing with fire — with consumer indebtedness 40 per cent higher than the average debt carried by other Canadians.

Spokesmen for Equifax and TransUnion would not comment on the opposing findings.

Blair Mantin, VP of Sands & Associates, B.C.'s largest bankruptcy trustee, cannot figure out why the two reports are divergent.

He says, if Vancouver debtors are indeed starting to reduce debt it would be owing less to the good behaviour of borrowers, and more to the increasingly stern face of lenders.

"We've seen a tightening of lending standards with respect to lines of credit over the past 12 months."

Mantin says his clients used to be able to finance homes through a combination of a mortgage and line of credit. No longer.

"This could be due to an increased risk felt by lenders that a small price correction in the housing market could leave them under water if the house needs to be sold to pay the debts."

Mantin says he's busier than ever; and the TransUnion report is probably accurate. That is, Vancouverites are growing more indebted.

"Vancouver is unique across Canada in the severe mismatch between earning potential and cost of living. ... Our business and industrial base simply does not provide the same number of high-paying white and blue collar jobs one might find in Alberta or Ontario."

Median pre-tax household income in Vancouver is roughly \$67,000, below the Canadian average of nearly \$70,000.

"I've seen continued growth in the number of young families who walk through my door, at their wit's end because they are so far in debt."

The situation, Mantin says, is being aggravated by a slowdown in the real estate market, especially in Langley, Surrey and Abbotsford where people wanting to use home equity to reduce debt face a prospect of liquidating their homes at a loss.

Mantin reports B.C. is the only province west of Quebec that, in the past year, has not registered a decline in bankruptcies and consumer proposals (the latter involves a proposal for partial

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repayment of debt).

“B.C. consumers are extremely over-extended.”

A recent Sands & Associates study revealed consumer debt loads of \$25,000 to \$49,000 reflect a fiscal tipping point at which adult debtors start exploring bankruptcy or consumer-proposal options.

Sadly, this is the face of the affordability crisis so many have been talking about in this city.

byaffe@vancouversun.com

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