

OPINION

B.C.'s personal debt pile growing

Financial mess: Survey finds many in Vancouver get into the red and few know much about getting help



Barbara Yaffe

When a bank marketing rep telephoned recently to offer me a second credit card, I immediately refused.

"May I ask why?" he asked. I responded that I already had all the debt I needed.

And, it seems, so do many others. Mortgages aside, the average debt per consumer in Vancouver is \$25,077, a 2014 final-quarter tally that was up 2.6 per cent from the year earlier — more than the 2.3-per-cent average increase recorded across Canada.

A study by TransUnion, a Burlington, Ont.-based company that keeps track of such numbers, reports people in Vancouver are more indebted than Torontonians or Montrealers.

Only Calgarians carry greater consumer debt, totalling \$28,751 each. But numbers show Albertans are starting to reduce their load. That said, TransUnion reports only a tiny percentage of Canadians, including British Columbians, are defaulting on their consumer debts.

Credit counsellor Sands & Associates also has a new report out, a B.C. consumer debt study that looks at 900 Lower Mainland clients of the B.C. company.

The greatest number were carrying between \$25,000 and \$50,000 in consumer-related, unsecured liabilities, not counting mortgages and car loans but including student loans and tax arrears. And a fifth of seniors in the study reported having more than \$100,000 of such indebtedness.

So, how and why did all these consumers get into a financial fix?

Perhaps surprisingly for Vancouver, only 2.1 per cent attributed their situation to being overextended on mortgages.

The average mortgage debt in



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The most common reason for needing debt help, cited by 41 per cent of Metro Vancouver study respondents, related to taking on too much credit card debt or more general financial mismanagement.

Vancouver is \$400,000. Presumably, homeowners carrying that amount of debt are disciplined enough to keep loans on the consumer side under control.

Sands vice-president Blair Mantin says only a small portion of clients are people overwhelmed by mortgages — "young families who pull out all the stops to get into the housing market. Sometimes they use credit to finance their down payment and find themselves unable to keep up."

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Another 20 per cent blamed joblessness, a layoff or pay reduction and 15 per cent pointed to a marital or relationship breakdown.

The warning sign that signalled to them the budgetary jig was up was an inability to make more

than minimum bill payments. Collection calls were another sign.

When asked about the effect on their lives of having unmanageable debt, 82 per cent said it had affected their "personal well being." More than a third said it had forced them to put major life decisions on hold and harmed their personal relationships.

Most reported having waited a year or more to contact a professional about debt problems, mainly because they thought they could handle the situation themselves or feared the stigma of bankruptcy.

While 42 per cent initially sought help from a bankruptcy trustee, 31 per cent looked to family and friends for assistance — an option surely only one step up from boiling oneself in oil.

The Sands study noted those seeking an initial consultation from bankruptcy trustees should not have had to pay fees. Yet 12 per cent of the respondents reported having been charged

fees when they sought help, nearly a quarter of those individuals paying more than \$1,000.

Those polled were found to lack a full understanding of procedures around bankruptcy or consumer proposals. Such proposals, prepared by bankruptcy trustees, are legally binding offers that can include offering to repay creditors a percentage of what's owed, seeking time extension to pay off debts, or both.

The findings "point to the overwhelming need for increased education around financial management," the Sands report said.

Meanwhile, TransUnion is warning the trend of Canadians taking on increasingly more debt is likely to continue.

Jason Wang, the company's director of research and industry analysis, pointed to a recent rate cut by the Bank of Canada which "made borrowing more affordable."

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