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## Barbara Yaffe: Increasing indebtedness squeezing British Columbians

BY BARBARA YAFFE, VANCOUVER SUN    MARCH 17, 2016



Statistics Canada reported last week that Canadian households are holding record debt, more than \$1.65 worth for every dollar of annual disposable income.

Photograph by: Mark Lennihan , AP

Folks are happy enough to discuss government deficits, or the financial woes of people they know, but never discuss their own indebtedness. Which is what makes a new survey, spilling beans about British Columbians' money problems, so compelling.

A Sands & Associates Consumer Debt Study, to be released on Monday, polled more than 1,000 B.C. consumers who sought the company's credit counselling help.

The survey suggests that financially overburdened British Columbians are not acting quickly enough or using appropriate strategies to deal with debt.

Blair Mantin, a vice-president at Sands, describes debt as "the last great taboo. It's too personal to talk about, too embarrassing, too unpleasant."

The Sands study follows news last week from Statistics Canada that Canadian households are holding record debt — more than \$1.65 worth for every dollar of annual disposable income.

Indeed, household debt, including mortgage debt, last year jumped nearly five per cent, the fastest in four years.

Doubtless, many British Columbians, confronting onerous housing costs, are in the soup.

The Sands research focused on the most troubled among them, with 47 per cent of the respondents having filed consumer proposals (a negotiated arrangement whereby about 30 per cent of the original debt is repaid over time), 40 per cent declaring bankruptcy, and the rest doing nothing. This is a significant change from four years ago when 80 per cent opted for bankruptcy.

Among the study's most salient observations:

- Depending on age, between a quarter and a third of clients dealt with their debts by applying for even more credit, and/or using high-interest payday loans.
- More than a third blamed their situation on credit, their own mismanagement, or unexpected expenses. The next biggest group, 16 per cent, cited employment-related issues.
- The largest proportion of debtors, 40 per cent, were part of the so-called "sandwich generation", aged 40 to 54, but seniors are also becoming evermore indebted.

Debt loads, excluding mortgages and vehicle loans, differed by age group, with two thirds of younger people reporting debts of up to \$25,000.

"Students are consistently bombarded with offers of credit on campus."

A majority of those between 25 and 54 reported owing up to \$50,000. Nearly two-thirds of clients over 55 owed \$25,000 to \$50,000. And 39.2 per cent of those 65 and older reported debts of more than \$50,000.

The study confirmed a "continuing trend of residents in retirement age carrying large debt loads."

Mortgages were not a significant problem for respondents, mostly renters. But "they are spending far too much of their disposable income on housing costs and there just isn't enough left over for the monthly necessities. The gap is often filled with credit."

The survey revealed disturbing trends in how the debtors dealt with their plights.

While 30 per cent of respondents used payday loans, more than 70 per cent of this group used them for essentials like groceries and other living expenses. Many took out multiple payday loans, said Mantin, calling for a legislated cap on the number people should be able to access.

Despite the fact that creditors since 2009 have not been entitled to tap a debtor's RRSPs, the survey found, 27 per cent of respondents had cashed in RRSPs to deal with debts.

The survey highlights the issue of debtors seeking help from debt-assistance professionals charging exorbitant fees. Licensed trustees do not charge for initial consultations and their fees are federally regulated.

Only 10 per cent of respondents sought help on recognizing they were in "financial trouble". A majority waited one to four years to act.

By the time they met with Mantin, some were considering suicide as a way out. The stigma around debt needs to be eased, he asserts.

"No matter how bad the situation, there's always a chance to turn things around and start again fresh."

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