

HOUSEHOLDS' PAYMENT PROBLEMS 2002–2005

Payment problems facing Finnish households during the years 2002–2005 have been analysed in this survey. It has mapped out the frequency of and trends in problems relating to the payment of loans and bills. Furthermore, variations in payment problems according to population groups have been described.

The survey also examines debt amounts, the persistence of payment problems and voluntary debt settlements. It further gives an account of the frequency of payment problems in EU countries. The data is to be updated on a yearly basis.

The data about payment problems is based on Statistics Finland's sample surveys on income distribution. The data is collected through yearly interviews with some 11 000 households. Data about household debts has been retrieved from taxation registers. Furthermore, use has also been made of micro data from the EU-SILC user database (SILC, Statistics on Income and Living Conditions).

In 2005 close to one fifth of the households had at least once experienced difficulties in paying their bills (461 000 households) whereas five per cent (101 000) had had difficulties in paying their loans.¹ A good two per cent of the households estimated that their debts exceeded their perceived level of coping (59 000).

In the survey, a closer examination has been made of payment problems in households that either at least once have experienced difficulties in paying their loans, or where bills have frequently been behind schedule. This restricted indicator reveals that seven per cent of the households (168 000) had faced problems with payments in 2005. There was an average yearly decrease in payment problems by five per cent during the period 2002–2005. In households facing problems, the median amount of debts was 17 500 euro.

¹ In 2005 the households numbered somewhat more than 2.4 million.

During the 2000's households' payment problems have decreased according to all indicators used in the study (figure 1).²

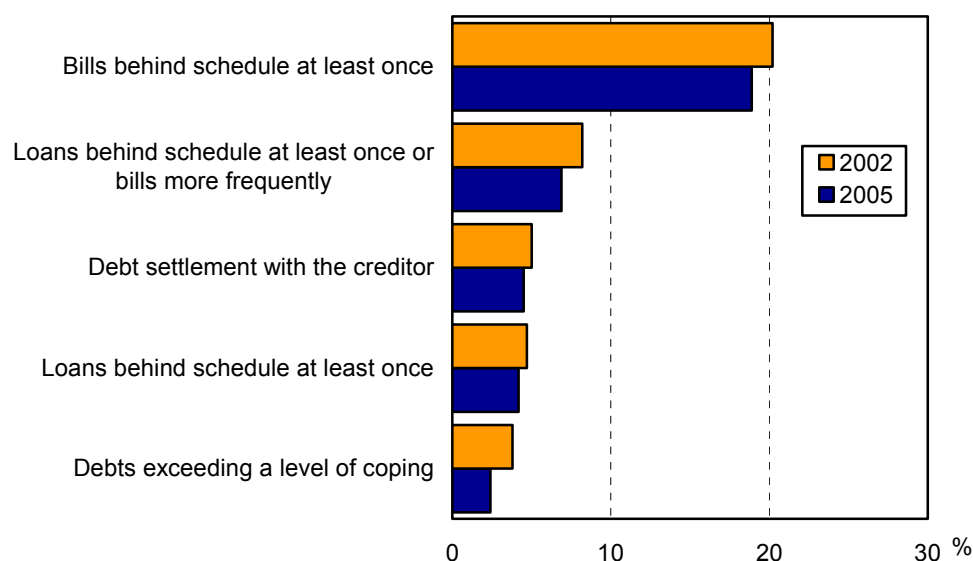


Figure 1 The share of households facing payment problems during the years 2002 and 2005, according to different indicators, out of all households, %.

The following breakdown summarises data about those groups of households, in which payment problems have been clearly more or less frequent compared to the average in the totality of households.³ This analysis is based on the above-mentioned restricted indicator of payment problems.

² The data in figure 1 is based on the following questions: “Has your household during 2005 faced a situation whereby there has not been enough money for paying fees and bills on schedule?” (1. Very often, 2. Often, 3. Sometimes, 4. Once, 5. Never). “Has your household during 2005 been in a situation whereby there has not been enough money for loan repayment or payment of interest? (1. Once, 2. More often, 3. Never). “Has your household during 2005 been in a situation whereby you have been unable to cope with your debts? (1. Yes, 2. No). In order to cope, have you (the whole household) during the year 2005 agreed with banks or credit institutions on a change of time for loan repayment or payment of interest?” (1. Yes, 2. No).

³ In this assessment payment problems are frequent if, within the group, the share of households facing payment problems is at least double the number of all households taken together. Payment problems are infrequent in those groups, in which the share of households facing such problems is half or less compared to the total number of households. In the analysis of the data concerning indebtedness, indebted households have provided the point of comparison.

Frequent payment problems

- the households of long-term unemployed and others outside the labour market, except retired persons and students
- single parent households
- households with at least six members
- households living in rental housing
- households belonging to the two lowest income decile groups
- households consisting of persons under the age of 25

Infrequent payment problems

- households of retired persons and upper-level salaried employees
- households living in their own housing without a housing loan
- households belonging to the two highest income decile groups
- households of persons having reached the age of 65
- households that only have either a housing loan or other loans except consumer credit

According to the panel data in statistics on income distribution, the yearly share of households that have overcome their payment problems has constantly exceeded the share of households falling into problems with their payments. Payment problems have thereby decreased. Data for two consecutive years covering the same households indicates that payment problems have generally been temporary during the years 2002–2005.

The trend in payment problems during 2002–2005 can be seen as positive, particularly so because there has been a sharp increase in the degree of indebtedness in households during this same period. At the end of 2005 there were a good 1,4 million indebted households, representing 58 per cent of all households. The median debt of these households was 23 800 euros. This amount is almost one third greater than the debts of households facing payment problems.

There are several reasons for this positive development in regard to payment problems. Stable economic conditions and an improved employment rate have protected households from payment problems. Interest rates on credits have remained moderate, even though there has recently been an increase. The duration of payment schedules for housing loans has constantly been prolonged. Furthermore, there are less payment problems remaining from the depression years of the 1990's.

Part of the households is apparently able to avoid payment problems through voluntary debt settlement. In 2005 somewhat more than four per cent of the households (98 000) had obtained debt settlement with their

creditors in order to make ends meet. There has also been a slight decrease in the number of these cases in the 2000's, mirroring the trend in payment problems.

In an international comparison, Finnish households are not faced with an excessive degree of payment problems, neither are they exceptionally scarce. In European statistics on income and living conditions (EU-SILC) in 2004, comparing 14 countries, Finland was placed in the middle in regard to payment problems.