



# 7

## Debt

On the 7<sup>th</sup> April 2008, YACSA ran the YOUTHink Forum for young people across South Australia to discuss issues important to them. YACSA identified the issues of **bullying, media, social networking sites, body image, debt and the environment** for discussion.

### Statistics

Unfortunately, debt amongst young people is an issue that does not raise a lot of public attention, despite the studies that proved debt amongst young people is a serious issue.<sup>1</sup> Approximately 75% of parents and 90% of young people are concerned about youth debt.<sup>2</sup> Being in debt is associated with having trouble paying back money or services that are owed, and can cause the individual to become involved with the law, compromise their lifestyle, or suffer personal and family stress.<sup>3</sup> It is usually identified by feelings of fear, grief, insecurity, self-doubt or being trapped, and a change of behaviour is almost always a necessity to resolve the situation, such as creating a tighter budget or getting a second job.<sup>4</sup>

In a study conducted for the Office of Fair Trading NSW Consumer Protection Agency, 30% of parents and 22% of young people considered youth debt to be a major issue, while 70% of parents and 60% of young people acknowledged that it is at least something to be worried about. Nearly a quarter of the 18 to 24 year olds involved in the study had experienced grief-causing debt. 55% of young people mentioned that either they themselves had experienced debt, or knew someone else who had.<sup>5</sup>

Overall, young people from about the age of 16 years on are more likely to experience debt, increasing between 18 and 24 years old - although a small number of young people in their early teens will also experience some form of debt. Socio-economic status can also be relevant, with those less educated and with a lower income more likely to experience debt because of fewer support systems and lower self-confidence. Gender can play a role in which types of debt are accrued; for example, young females are more likely to succumb to mobile phone debt, whereas young men are more likely to gain debt related to cars.<sup>6</sup>

### How do young people accrue debt?

Debt can be easily accrued without the young person even realising, with credit cards, loans from family and friends, mobile phones and finances around cars (including insurance, registration, petrol, general upkeep, and even motor vehicle accidents), HECS, fines, gambling and drugs and alcohol all being ways of building up increasing levels of debt.<sup>7</sup> Several strong influences can lead to debt for young people, such as: the 'have now, pay later' mentality which is deeply embedded in modern society; peer pressure; easy access to credit; and a lack of understanding and management skills surrounding money.<sup>8</sup>

### Recommendations

- Raising the profile of youth debt as a community problem

<sup>1</sup> Dangar Research 2003, 'Youth debt: a research report', Office of Fair Trading, NSW Consumer Protection Agency, p. 8; Department for Communities 2005, 'Managing and avoiding debt: a young person's guide', DFC, Western Australia, p. 1

<sup>2</sup> Dangar Research 2003, 'Youth debt: a research report', Office of Fair Trading, NSW Consumer Protection Agency, p. 22

<sup>3</sup> Ibid., p. 8

<sup>4</sup> Ibid., p. 13

<sup>5</sup> Ibid., p. 8

<sup>6</sup> Ibid., pp. 9 - 10

<sup>7</sup> Department for Communities 2005, 'Managing and avoiding debt: a young person's guide', DFC, Western Australia, p. 1; Caruso, D, Wright, C, Intagliata, A & Meek, T 2004, 'He that goes a borrowing goes a sorrowing: a report into youth debt', West Heidelberg Community Legal Service, Victoria, p. 13; Dangar Research 2003, 'Youth debt: a research report', Office of Fair Trading, NSW Consumer Protection Agency, p. 9

<sup>8</sup> Dangar Research 2003, 'Youth debt: a research report', Office of Fair Trading, NSW Consumer Protection Agency, pp. 8 - 9

- Advocating for the government to tighten rules on lending institutions by creating stricter credit limits around age and income, requiring young people to take the initiative for raising credit limits and make this subject to stronger credit check, and for information around interest rates, payment requirements, and 'risk' to be given out more freely
- Advocating for schools to increase education around 'money management' with a youth specific focus

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