

OVERINDEBTEDNESS, WHAT'S THE MEANING?

So, firstly, we'll try to define the over indebtedness

There is no uniform definition of over indebtedness. The term is sometimes associated with loans that don't get repaid, or with loans whose repayment ties up more than 36 or 42 percent of household income, or with loans whose repayment becomes stressful for the borrower, or with clients taking loans from too many sources at once.

"Indebtedness" refers to loan obligations—that's easy enough. And the "over" part means too much.

How do you become over-indebted?

Over indebtedness occurs when borrowers owe so much that their loans (or at least their last loan) have made them worse off than they would have been without the loan(s).

A single drop in revenue, accident, job loss or any other unexpected event can cause over-indebtedness

Over-indebted people are not inevitably those very spendthrift or living beyond their resources

What is the typical profile of a person over-indebted?

According to a survey from the Bank of France, There is first a strong majority (58%) of those over-indebted are single, divorced, separated or widowed. aged between 35 and 55

The debt relates more particularly to single-parent family with at least one dependent child

The majority of cases concern the category of workers or employees earning low incomes

THE EVOLUTION OF INDEBTEDNESS OF THE FRENCH

As we can see on this graph, the number of cases processed each year has increased significantly in 15 years.

The boom in early 2000 of revolving credit and consumer loans may explain this rapid increase.

Currently, the bank of France treats over 200 000 cases of excessive debt or recovery per year.

Even if the debt ratio in France has increased, we can see on this last graph that the situation of French is better than the British or American. Indeed, American households are 2.5 fold more indebted than the French.

We also note that changes in the UK ratio follow the same trend as those of Americans

The two nations have indeed the same economic model and the same philosophy of life, based on mass consumption and the need to access the property.

Finally, we'll see how can we fight against over indebtedness, and what are the actions taken by the French government

HOW FIGHT AGAINST OVER INDEBTEDNESS?

To begin we can stress a fundamental problem: The policy against over indebtedness is unbalanced, since the law seeks to resolve the individual situation of indebted rather than preventing over indebtedness.

Thus, to prevent the problem and raise awareness about the dangers of debt, the government has increased supervision of consumer credit

This new law aims to make credit more responsible, by empowering lenders and protecting borrowers.

The consumer credit is a very important point because now 9 million households (or 1 / 3 of all households) have one. It is indeed very easy to take out this type of loan, but the interest rate is very high.

The main points of this law are:

- supervision of advertising related to credit
- the requirement for lenders to assess the solvency of borrowers
- supervision revolving loans
- enhancing consumer protection

Finally, the project of creating a file of all the loans taken by each French household has been dropped. This would have allowed to know all the commitments made in different banks. The calculation of the debt ratio would be much more effective. However, lobbying of lenders is so strong, and financial issues are so high that the project has not emerged.