

by Sarah Butcher, featuring Karin Peeters, Life & Executive Coach in London. in www.efinancialcareers.co.uk

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After a few years' respite, professional Britons are facing an increase in debt problems. Big-spending bankers are among those struggling to meet their commitments.

The latest report from the <u>U.K. Financial Services Ombudsman</u>, which settles disputes between consumers and financial firms, reveals that people at the top of the social hierarchy (the so-called <u>A and B strata</u>) accounted for 38% of debt-related complaints in the past year, up from 34% in 2011-2012. "The proportion of complaints we received from people in the AB groups had been falling," said Rory Stoves, a spokesman for the Financial Ombudsman Service. "There had been a steady decline in professional complaints, from 59% in 2007 to 34% last year. Now they're rising again."

The Ombudsman doesn't break out the professions of people calling to complain, or how much they earned. Nor does it record the precise reason why they called. However, it does know that a rising proportion of complaints from AB professionals are related to consumer credit companies, including so-called 'pay day lenders' which provide high interest loans to people who run out of money at the end of each month. "People will say their mortgage payments have gone up or they're having to take out a payday loan to cover the school fees," said Stoves.

Kweku Adoboli, the rogue UBS trader who lost £123k of his own money on spread betting, famously turned to consumer lenders like Wonga to help make ends meet. Adoboli earned £360k a year, and yet most of his bank accounts were overdrawn. A Wonga spokesperson was unable to say whether many of their 1 million UK clients work in banking or earn more than £100k, but informed us that it "wouldn't surprise me if they did."

Mark Dempster, an <u>addictions specialist</u> who works with professionals in the City of London, said Adoboli is not an isolated case: "A lot of the bankers I deal with have behavioural addictions, which include spending beyond their means." Dempster described one banking client who was addicted to gambling and spent so much money on betting terminals each lunchtime that he couldn't afford a tube fare and was compelled to walk home. "I've seen bankers in their 30s whose parents have taken control of their financial affairs because they've made such a mess of it," he added.

A recently-departed managing director from a European investment bank, who requested that he remain anonymous, said many of his colleagues' debt problems dated back to very large loans taken out before 2007. "In 2006, it was the norm for banks to lend amounts equal to three times annual base salaries *and* three times bonuses," he said. "Some people completely over-stretched themselves with huge mortgages which they were unable to service."

In the bad old days, bankers also over-extended themselves on credit cards according to James Falla of debt advisor <u>Wilmott Turner</u>. "I used to see bankers who had 10 credit cards, each with £20k debts," he said. After capping cash bonuses at \$100k in 2011, Barclays was <u>reportedly forced</u> to lend money to some of its bankers who were unable to sustain their lifestyles. Similarly, <u>Goldman Sachs</u> had to lend money to more than 1,000 employees who couldn't afford their commitments in 2009.

## Children are the cashflow killer

Nowadays, bankers' debt problems are more often related to high quotidian costs than costly interest payments, said <u>Karin Peeters</u>, a life coach with banking clients. "People have very high living costs, and they are mostly related to childcare," she said. "The real problem is the cost of nannies and private schooling. People in banking end up with very high outgoings because of childcare costs, and as result they get trapped into receiving a high figure into their bank accounts every month."

In London, a nanny costs <u>around £550 a week</u>, payable from net salary. In New York, <u>'elite nannies'</u> are reportedly making six digit salaries. Although banks often offer childcare facilities, bankers we spoke to said they didn't use them because they didn't want to take their children on public transport. "They're mostly used by people in back office roles," said one.

Not all bankers are struggling with money though. An ex-colleague of Adoboli's, who spoke on condition of anonymity, said people at UBS were surprised when it emerged that Adoboli was so indebted. "That certainly wasn't the case for me – or most other people there," he said. Frances Walker, a spokesperson for debt advisory service StepChange, said 70% of their clients have an income of less than £20k and that the proportion of people who seek their help and have incomes in excess of £100k is so small it doesn't show up on their charts.

The ex-banking managing director we spoke to said bankers only have themselves to blame if they become heavily indebted. "I've always been surprised to see the high standard of living some bankers have. People have lived as if there's no tomorrow. Come on – if you can't live on a salary of £200k a year, what does that say about you?" he said.

