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Canadians paying down debt faster, Equifax says

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Canadians are paying down their debt, a quarterly report from credit monitoring firm Equifax says. (Canadian Press)

Canadians are paying off their debts faster, with the number of those more than three months behind on loan payments dropping to a record low, according to a report Thursday from Equifax Canada.

The latest National Credits Trends study by the credit monitoring firm found that the percentage of unpaid non-mortgage debt past-due more than 90 days was 1.19 per cent in the fourth quarter of 2012, a slight decrease from 1.22 per cent in the third quarter.

Nadim Abdo, Equifax's vice-president of consulting solutions, says these rates have been declining since the pre-recession level in 2007 when it was at 1.75 per cent.

Credit card balances shrinking

"Part of it I would attribute to people looking after their credit and not taking on too much credit," he said. "Credit has become very important for consumers in general. There is more awareness, I would say, than there was before."

The study, which is released each quarter, also found that average credit card balances have dropped by 3.7 per cent compared with the July-September quarter — a sign that people may be trying to pay these off quicker than before.

Despite this, the study also saw an increase of 3.2 per cent on non-mortgage loans, including bank loans, lines of credit, car leases and credit cards in the October-December period, up from a 1.8 per cent increase in the previous quarter.

Equifax said that suggested that Canadian non-mortgage debt totalled \$497.4 billion in the fourth quarter, up from \$489 billion in the third quarter.

The firm says it found that fewer consumers applied for new loans in the

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latest quarter, but rather made do with the loans they already had.

Less demand for new credit

And it found an 11 per cent decline in new credit applications, compared with pre-recession levels.

This shows that consumers are learning more control over their credit and debt levels, Abdo said.

"People are (being) financially responsible," he said. "They have the facilities and they're just using them, versus just going crazy and getting those 25 credit cards like we used to back in the heyday."

Abdo also said he expected the drop in loan balances and loan defaults to continue if the economy remains stable.

In previous years, he says Equifax studies have shown that consumers tend to take out more loans, and do not pay them back as quickly, during a volatile economy or periods of high unemployment.

Meanwhile, the Bank of Canada on Tuesday downgraded its economic growth outlook for the country to 1.9 per cent for 2012 and to two per cent for 2013, both three-tenths of a point lower than previously forecast.

The central bank says as a result, interest rates will be kept lower for longer due to the weak economy.

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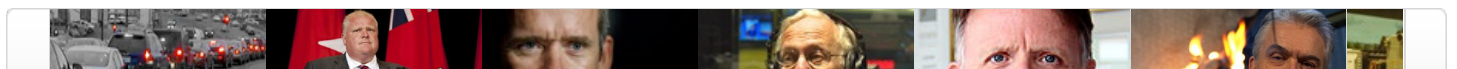
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