



Tales of the credit crisis

Is it time to start hoarding food? Or put your money into gold? Or emigrate to Australia? Patrick Barkham and Alexandra Topping on the lengths some of us are already going to

Mark Innocenti, a 26-year-old commercial surveyor from London, lost his job last month. He joined recruitment agencies and attended interviews but, with the construction industry completely crunched by credit and the banking crisis, found hundreds of people scrambling for the same position. As Britain slips towards a dangerous recession, he has taken a radical decision: letting his home, selling his car and scrimping and saving to pay £9,000 to take a masters degree at a university in Australia.

Every day, stupefying sums of money are wiped from stock exchanges across the globe and taxpayers' billions are spent propping up faltering banks. Bewildered ordinary people are left worrying how this market chaos will affect them. With the transformation of the economic landscape, many feel compelled to alter their own lives in a new search for security. Tales of city-dwellers stockpiling tins of beans and heading for the hills may have the whiff of urban myth, but life overshadowed by the prospect of a recession is already taking drastic or curious turns. Couples are deciding they can't afford children, downsizing to live in caravans or taking their houses off-grid; pensioners are buying safes in which to stash savings whipped out of the banks.

Innocenti hopes his foreign degree will increase his chances of finding work in Australia, at least until the building industry recovers in the UK. Another friend in the industry has already relocated to Abu Dhabi. "People are looking to go to Hong Kong, Singapore and Dubai," Innocenti says.

Emigration specialists report a huge surge in people seeking to move

overseas. Stefan Watts, a director of Study Options, which helps place people in universities in Australia and New Zealand, has found inquiries have increased by 100% in the last three months. Many are from professionals who have lost their jobs and are seeking to retrain. The Emigration Group (EG) says inquiries about moving abroad have quadrupled since the beginning of August and it is now handling 2,000 each month.

The problem for those wanting to take the next flight out of the country is, increasingly, their house. "The big frustration is that people can't sell their houses and realise their biggest asset," says Paul Arthur, a director at EG.

Sam and David Donaldson are so desperate to emigrate they are trying a radical new way to sell their five-bedroom home in Bradwell, Essex: they have put it up for a "reverse" auction, which could see it sold for as little as 1p. Humraz.com is selling a restricted number of "seats" to participate in the online auction. Once 7,500 people have paid £97 each for the right to bid up to 220 times for the Donaldsons' £515,000 home, a quick-fire online auction will result in the winner being the person who bids the lowest unique amount (the only person to bid, for instance, £906.26p). The Donaldsons' receive their house price through the sale of the auction seats. The total of £727,500 also

covers VAT, stamp duty, a charitable donation and Humraz.com's 1.5%-1.7% commission.

Asmat Monaghan set up the site with the intention of helping first-time buyers get on the property ladder. She is now inundated with homeowners – 200 a week, compared with two a week in April – unable to sell their houses and attracted by the idea of a guaranteed sale price based on official valuations.

Sam Donaldson, an orthopaedic technician, says if all the auction seats are sold she will receive the price she would have got for her house six months ago; the winner will buy the house for far below its market value. Then, she and her husband and 10-year-old son will relocate to Perth, western Australia.

"I could easily find work in Australia but I'm stuck here with this house," she says. "We came off our fixed-rate mortgage and are now paying a variable rate which has gone up. It's now £2,700 a month. It's a lovely area but we're not enjoying the house because we resent paying that money."

Hull City may be storming football's Premier League but that feelgood factor is too little too late for Paul Carmichael and his young family, who are moving to Australia in search of greater job security. Carmichael, 36, last week accepted an offer on his three-bedroom house in Hull of nearly £20,000 less than its initial asking price, fearing it would only lose more value if he waited.

For years he has helped build up a small family business making resin floors for factories but work has dried up. "Everybody is spending less and it's now fix and make do, rather than buy new flooring," Carmichael says. "You hear about manufacturing in the UK. What do we make now? It doesn't seem like there is going to be the level of security for the next 20 or 30 years until I retire that I assumed there would be."

“Every other caller is someone saying, 'I want to take my money out of the bank'”



While he accepts that Australia will be suffering from elements of the same global downturn, he believes its stronger manufacturing sector benefits from the country's proximity to China. "Australia has an expanding population and plenty of space to build new factories," he says. "The way things are going I think we're getting out at the right time especially when banks are starting to collapse."

Living without mains electricity, gas or water may once have been a middle-class, environmental idea. But it is increasingly motivated by more pressing financial imperatives. Nick Rosen, the author of *How to Live Off-Grid*, says traffic to his blog has risen by 30%-40% this month and interest has "intensified" owing to fear and a lack of credit. "People are particularly interested in small houses and sheds – looking at where they are going to go if they can't pay their rent or if they get evicted. That wasn't on the agenda a month ago."

Other eco-friendly habits are spreading because of economic fears. More than 60,000 UK residents are now members of car-sharing schemes such as Streetcar. It has 40,000 members and membership is growing 40% faster than earlier in the year.

Apart from selling their cars or securing their homes, the recession-hit are also seeking more secure jobs. James Carter is one of an increasing number of former City workers retraining as teachers. A headhunter, the 29-year-old left his job this year and is now four weeks into a PGCE at the Institute of Education in London, after which he will become a secondary school science teacher.

"A factor in my final decision was a lack of security in the City, as well as wanting something less repetitive that would also help people more," he says. Looking at struggling former colleagues now, "almost makes you think, thank goodness I got out for the right reasons

and actually have a career rather than just worrying about where the next sale is coming from."

The search for security is also preoccupying those lucky enough to have savings. Reports of worried savers frantically closing their bank accounts and stashing their money under mattresses may be exaggerated although research by the market and consumer research firm Mintel shows just 16% of adults trust a major high street bank brand compared with 33% last year.

Anthony Neary, of online retailer The Safe Shop, reports a flurry of concerned callers this week after an expected sales increase in September: "Every other caller is someone saying, 'I want to take my money out of the bank.' It has definitely become an issue now. People see the government's rescue package is not making a difference to share prices and so they don't trust it now."

Fears over disappearing savings, falling share and property prices is creating a boom in the gold trade, as people look for what they perceive to be a safe bet. While the phones at BullionVault, an online gold broker in west London, "lit up" after Northern Rock collapsed last year, according to Adrian Ash, head of research, interest in the precious metal has gone through the roof in the past month. "The interest in buying gold at the moment is just phenomenal. Yesterday we opened 1,400 new online accounts, which is three times our previous record set the week before."

Frank Cochran, 50, the founder of an investment company from Wolverhampton, sold a house he owned in Portugal three months ago. Rejecting offers to invest in everything from coffee to orange juice he put his money into a gold fund instead. "In times of trouble, the one thing people always run to is

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gold. We're going into a period where the UK could go into deflation and in a deflationary climate, precious metals hold their value," he says. "People are starting to question the wisdom of investing in banks and building societies. Alistair Darling has said he will guarantee up to £50,000 in individual savings accounts but if it all goes terribly wrong does the government stand a chance of paying it back to everyone?"

Worried investors are also lodging their life savings in liquid: fine wine retailers report brisk business. "People

are attracted to wine as an investment because it is a tangible asset and over the long term it almost always performs strongly," says Joss Fowler at wine merchant Berry Bros & Rudd, where sales are up 5% on this time last year.

When it comes to spending, people are not just cutting back on luxuries such as holidays or beauty treatments. Richard Lee, a leading cosmetic dentist in London, says many clients are not only postponing cosmetic work "while they sort out their finances" but also cancelling routine check-ups because of job insecurity and the fear their boss would notice they were not in the office.

"Over the last three or four weeks things have been a lot quieter," says Lee. "People are concerned and worried and don't want to be seen to be out of the office. Talking to colleagues in London, everyone is pretty quiet at the moment."

When people do dare leave their desks, there is plenty of evidence that they are eating more modestly. Sales of the humble mackerel are up by 76% in



Sam Donaldson is 'reverse' auctioning her house Photograph: Graham Turner

“If you grow, breed, shoot of steal anything that may look at home on our menu, bring it in and let's do a deal



Waitrose in recent weeks, while Allinson reports sales of bread making and culinary flour have risen by more than 50% in the last month. Pubs are having to adapt: The Pigs in Edgefield, Norfolk, is running a bartering scheme whereby locals can bring in vegetables from their gardens and exchange them for pints or meals. "If you grow, breed, shoot or steal anything that may look at home on our menu, bring it in and let's do a deal," says a sign at the pub. The Swan

Inn in North Petherton, Somerset, has introduced a BYO food rule so customers cutting down on eating out "can bring their own food in so they can have a drink while they eat it", says its landlady, Julie Barnard. "We did do food and had a full time chef but it just wasn't feasible to carry on."

This pervasive insecurity and uncertainty is even reaching deep into people's personal lives. Claire Blakemore, a senior solicitor at the law firm Withers, says many divorces are in "limbo" because financial volatility is seeing people's asset values vary hugely each day.

"People can't sell or remortgage their properties, so reaching a final settlement becomes more problematic. Some couples are having to stay living under the same roof because their liquid assets have been reduced and they can't afford to move out," she says. "At the moment we are confronted by a lot of bankers who are fearful of committing themselves to a settlement that they think they may not be able to afford if the financial crisis continues."

