

Is there a looming US debt crisis?

Published: January 12, 2026, 9:40 pm

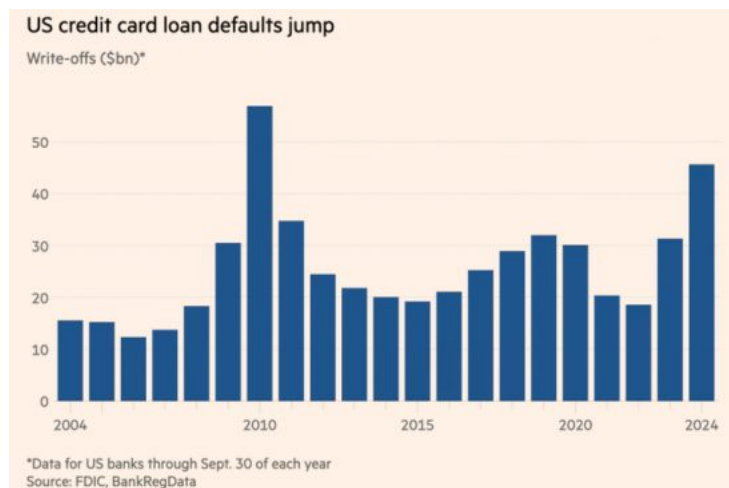
According [to the FT](#):

Defaults on US credit card loans have hit the highest level since the wake of the 2008 financial crisis, in a sign that lower-income consumers' financial health is waning after years of high inflation.

They added::

Credit card lenders wrote off \$46bn in seriously delinquent loan balances in the first nine months of 2024, up 50 per cent from the same period in the year prior and the highest level in 14 years, according to industry data collated by BankRegData.

The data looks stark:



Note that the data does not appear to be adjusted for inflation, but the trend appears to be very clear nonetheless. I think four things stand out.

First, post-Covid people have had to borrow to cover for declining real incomes. Inflation has obviously not helped this trend.

Second, many have obviously reached the limit of their capacity to borrow as indicated by their inability to repay what they owe. This suggests they face the likelihood of growing real poverty.

Third, there is a debt crisis in the US (and almost certainly elsewhere) but it has nothing to do with government debt and everything to do with private debt.

Fourth, if this is a growing trend - and it appears that way - then this only adds to the concerns for 2025. Debt crises almost always precede economic downturns.

In summary, worry, because we do not have politicians who look as though they might have the imagination to deal with situations like this.