R3 Personal Debt Snapshot (July 2016)

R3's latest Personal Debt Snapshot, conducted before the EU referendum, looked at levels of indebtedness and how British adults deal with gaps in their finances. The research shows that British adults faced with a gap in their personal finances are most likely to plug it by cutting their spending.

The research also shows that the average in-debt British adult owes £5,778 to their creditors (excluding mortgages and student loans) - equivalent to 11 weeks' average weekly earnings for a UK worker (£503 per week) and seven months' average rent in England & Wales (£792 per month).

When the survey was conducted at the beginning of June, 37% of British adults were fairly worried about their current level of debt, the lowest level since research began in 2010. Economic pessimism was also down, with just 14% expecting their personal finances to worsen in the next six months.

Key findings

Personal debt and addressing gaps in finances

- British adults faced with a gap in their personal finances are most likely to plug it by cutting their spending.
- 58% would resort to spending less if they experienced an interruption to their regular finances, while 51% would use personal savings.
- Over 65s (68%) were twice as likely to use personal savings as those aged 35-44 (34%).
- On the other hand, 29% of British adults would ask family and friends for a loan or gift, rising to 46% among 18-24 year olds. 2.86m British adults have borrowed over £100 from family or friends in the last month.6% of British adults say they would not pay other bills to fill the gap in their finances.

Financial outlook and levels of indebtedness

- The average in-debt British adult owes £5,778 to their creditors (excluding mortgages and student loans).
- The average owed by those in debt is equivalent to 11 weeks' average weekly earnings for a UK worker (£503 per week) and seven months' average rent in England & Wales (£792 per month).
- In R3's November 2014 Personal Debt Snapshot, the average debt was £245 lower, at £5,534.
- 11% of adults owe over £10,000 and 4% owe more than £20,000.

Debt and financial planning

- More than a third (37%) of British adults say that they are at least fairly worried about their current level of debt.
- Credit card debt (45%) remains the primary cause of concern among those who say that they are at least fairly worried about their current levels of debt.
- One in five British adults (21%) say that they have no savings at all at the moment, in line with findings over the last year.
- For those concerned about debt, credit cards (45%) remain the primary source of worry, followed by overdrafts (22%) and bank loans (16%).
- When the survey was conducted at the beginning of June, 37% of British adults were fairly worried about their current level of debt, the lowest level since research began in 2010. Economic pessimism was also down, with just 14% expecting their personal finances to worsen in the next six months.

Struggling to payday

- Two in five (39%) British adults say that they often or sometimes struggle to make it to payday.
- Among those who say that they often or sometimes struggle to make it to payday, it continues to be the cost of basic household expenses that are most likely to cause problems, particularly food (51%) and energy (37%).

- Wage freezes are a lesser concern now (11%) than over a year ago (24% in March 2015), and the proportion of those struggling due to recent cuts in welfare benefits (10%) has remained stable since August 2015 (12%).
- Only 3% of British adults say that they are likely to apply for a payday or other short-term, high interest loan in the next six months.

Commentary from R3 President, Andrew Tate

"It's all too easy for people to get into serious financial trouble as a result of an unanticipated blip in their personal finances. For those trying to plug a gap, spending less is one way to avoid storing up problems for the future. A considerable portion of British adults already struggle to payday so any interruption to income can be critical.

"There is a consistently high correlation between those who are extremely worried about their current levels of debt and those that say they are likely to seek a payday loan in the next six months. It's too easy for financially vulnerable people to get caught in debt traps where one debt sparks another and a dangerous cycle emerges which is difficult to break without help."

"The continued availability of cheap money and only low levels of wage growth have contributed a significant proportion of British adults building up, once more, a sizeable amount of debt in the years after the financial crisis. Falling personal insolvency rates suggest these debts are sustainable, at least for the time being. However, the survey also finds almost two-in-five British adults struggling from payday to payday. Debts could continue to build and become unsustainable if people don't have extra money left over at the end of the month to repay the principal debt."

"There has been movement towards providing people in debt with a bit more breathing space to help them deal with their debts before it's too late. The creditors' petition level for bankruptcy has been increased from £750 to £5,000 while the government has been considering a statutory 'breathing space' from creditor action for those in debt, But attention must be paid too to encouraging people to seek early advice about unsustainable debt to prevent problem debt building up in the first place."

"On the eve of the EU referendum the British public had record low levels of debt concerns and pessimism about personal finances was low. Obviously the Leave result has brought us into a period of considerable uncertainty. While there is no reason that debt levels should necessarily rise as a result, it will be very interesting to see in the next survey how people's attitudes to their personal finances have been affected by the vote."

Method: ComRes interviewed 2,032 British adults online between 10th and 12th of June 2016. Data were weighted by age, gender, region and socio-economic grade to be representative of all British adults. ComRes is a member of the British Polling Council and abides by its rules. Full data tables are available at www.comres.co.uk

About R3: R3 is the trade body for the UK insolvency profession. From senior partners at global accountancy and law firms to practitioners who run their own small and micro-businesses, our members have extensive experience of the personal and corporate debt landscape. *For more information please contact James Jeffreys (Public Affairs and Policy Officer) on 020 7566 4220 or james.jeffreys@r3.org.uk www.r3.org.uk. Follow us @R3PressOffice*