



Personal Debt Snapshot: Wave 13

*Are personal finances taking
a turn for the worse?*

March 2014

Introduction

R3's latest Personal Debt Snapshot, the thirteenth in our series, does not paint a very positive picture: over half of British adults are concerned about their level of debts, while over two fifths of British adults sometimes or often struggle to make it from one payday to the next.

The survey reveals that it is still the rising cost of day-to-day living that is having the biggest impact on Britain's personal finances: the rising costs of food, energy, and transport are the biggest sources of concern for those who struggle to payday.

So when R3 asked individuals what steps they believe the Chancellor should take at the Budget to help personal finances, it is those measures that would tackle the cost of living such as a VAT cut back to 17.5%, which came out on top.

What is clear is that a growing economy and falling inflation on the one hand, coupled with stuttering wage growth and high debt levels on the other, will ensure that Britain's personal finances will continue to be high on the agenda.

Liz Bingham,
R3 President



Executive summary

1. Thinking ahead to the Budget, **British adults would most like the Chancellor cut the rate of VAT back to 17.5%**.
 - **31%** of British adults would like the Chancellor to announce that **VAT is being returned to 17.5%**, **15%** would like the Chancellor to **cut the green taxes** that contribute to energy bills, and **12%** would like to see the Chancellor recommend an **above-inflation increase in the minimum wage rise**.
 - **Older age groups** are more likely than others to support a **cut in the green taxes** that contribute to energy bills.
2. **25%** of British adults expect their **personal finance situation to get worse** in the next six months; **24%** expect theirs to **improve**.
 - **British adults haven't been this optimistic or pessimistic** about their personal finances **since January and September 2012**, respectively.
 - **28%** of British adults say they **do not have any savings at all at the moment** (the highest since September 2012). **25-34 year olds** are **most likely** to be in this situation: **38%** of this age group say they do not have any savings.
 - **5%** of British adults say they are currently in a **debt management plan** – this is equivalent to **2.5m** people.
3. **51%** of British adults say they are **worried about their current level of debt** – this is the highest this figure has been since September 2012.
 - **22%** of British adults are **'extremely' or 'very' worried** about their current level of debt.
 - **70%** of **25-34 year olds** are **concerned about their current level of debt** – the highest of all age groups.
- **Credit cards** are the **most common debt concern** for those worried about their debts. **43%** of people worried about their debts are worried by their credit card debt.
4. **43%** of British adults say they 'often' or 'sometimes' **struggle to payday**.
 - The most commonly cited cause of struggles to payday are the **rising cost of food (59%)** of those who struggle to payday), the **rising cost of household energy bills (52%)**, the **rising cost of transport (38%)**, making **credit card payments (27%)**, and **rent payments (24%)**.
5. **8%** of British adults say they are **likely to take out a payday loan** in the next six months, **up from 6%** in September 2013.
 - **15%** of **under-35s** are likely to take out a payday loan in the next six months compared to just **5%** of those aged **over 35**.
 - **4%** of British adults *have* taken out a **payday loan** in the last six months; **2%** of British adults have taken out a loan from a **credit union** in the same time period.
6. **42%** of British adults would approach a **family member for advice** on personal debt problems. **24%** of British adults would approach a **voluntary organisation or charity**. **16%** would approach a **financial adviser** and **16%** would approach a **friend**. Just **3%** would approach an **insolvency practitioner**.
 - **62%** of **18-24** year olds would approach a **family member** for advice and **29%** would approach a **friend**. Only **31%** of **over-65s** would ask a **family member** for advice, and only **8%** of this age group would ask a **friend**.

1. The Budget & personal debt

R3's President Liz Bingham comments:

“The good news for the Chancellor is that, with the economic recovery gaining ground, the share of British adults that feel optimistic about their personal finances is growing. The bad news is that the share of British adults who are pessimistic about their personal finances is growing faster.”

“In fact, more British adults are currently pessimistic about their personal finances than are optimistic.

“The most optimistic are the younger age groups and professionals, perhaps encouraged by the prospects of an improving economy and falling inflation: some may feel that real wage rises are on the horizon.

“On the other hand, we have the older age groups and unskilled workers who are decidedly gloomy about the prospects for their personal finances. Inflation may be falling, but the cost of living is still too high for those on low or fixed incomes; low interest rates may be helping businesses and young borrowers, but they aren't helping those approaching, or in, retirement who rely on their savings to get by.



“It is the policies that would cut the cost of living – rather than boost incomes – that would go down best with the British public were they to be announced at the Budget. Although unlikely, a VAT cut would be by far and away the most popular policy the Chancellor could announce. More affordable for the government, and still popular, would be cuts to the green taxes that contribute to energy bills – this measure is particularly popular with pensioners and others on low or fixed incomes.”

Key Stats

- When asked which measure they would most like to see George Osborne announce at the upcoming Budget in March 2014, **31%** of British adults said they would most like to see a return to a VAT rate of 17.5% (in use until January 2011).
- A cut in the green taxes that are part of household energy bills was the next most popular option (**15%**), followed by an above-inflation rise in the minimum wage (**12%**). Cuts in income tax or fuel duty were both backed by **10%** of British adults.
- A VAT cut was the most popular option for all age groups, but other options received different levels of support depending on the age group asked.
- Younger age groups were more likely to back a minimum wage rise or a freeze or cut in rail fares. **15%** 18-24 year olds backed an above-inflation minimum wage rise compared to **8%** of over-65s saying the same thing, and **12%** calling for this overall. **8%** of 18-24 year olds supported a freeze or cut in rail fares, compared to **3%** of all adults.
- Older age groups were much more likely than younger age groups to support cuts in the green taxes that make up parts of energy bills, and a 1p cut in the basic rate of income tax. Whereas **27%** of over-65s and **20%** of those aged 55-64 supported a cut in the green taxes that contribute to energy bills, only **4%** of 18-24 year olds and **10%** of 25-34 year olds did the same.

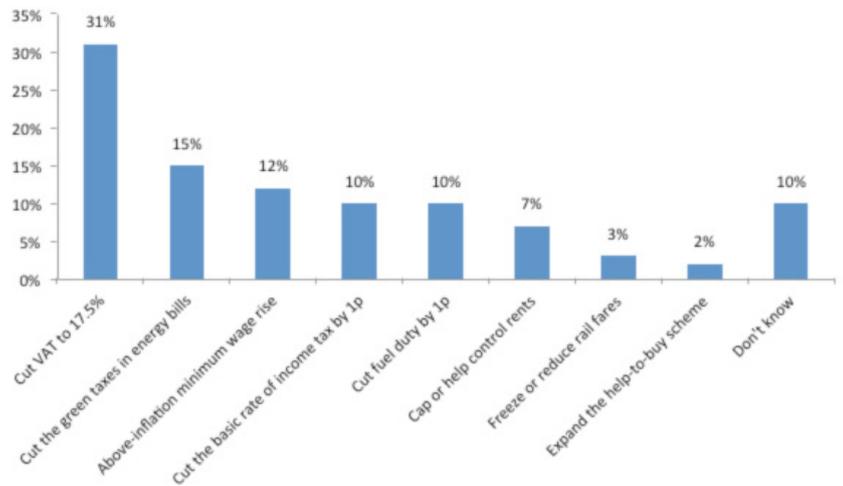


Figure 1 - Thinking ahead to the Budget statement in March this year, which one of the following measures would you most like the Chancellor to take, to help ease pressure on your personal finances? Base: n = 2,013

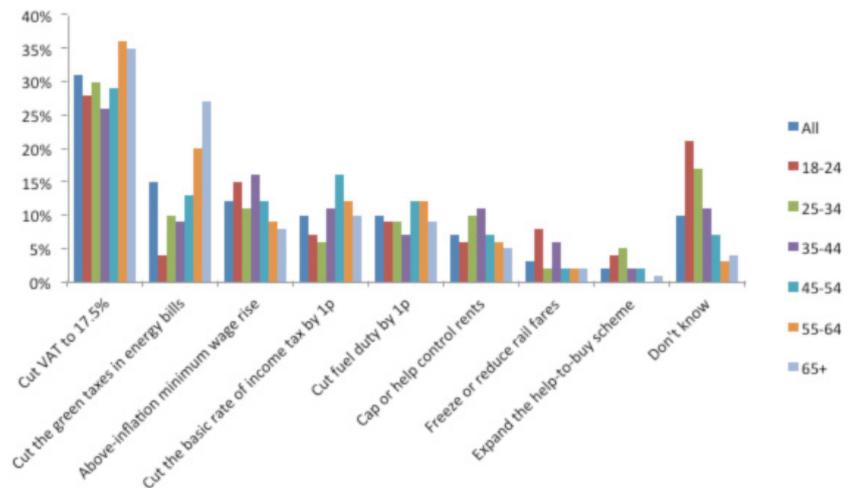


Figure 2 - Thinking ahead to the Budget statement in March this year, which one of the following measures would you most like the Chancellor to take, to help ease pressure on your personal finances? (By Age)¹

¹ Base: 18-24: 162; 25-34: 298; 35-44: 305; 45-54: 369; 55-64: 346; 65+: 533

- Likewise, while **16%** of those aged 45-54 backed a 1p cut in the basic rate of income tax (the second most popular option for this age group, but only the joint fourth most popular overall), only **7%** and **6%** respectively of 18-24 and 25-34 year olds shared the same opinion.
- Britain's wealthiest are more likely than others to back a VAT cut and an income tax cut. **34%** and **35%** respectively of those in the AB² and C1 social grades supported a VAT cut, compared to just **26%** of both C2s and DEs. **15%** of ABs supported an income tax cut, compared to just **5%** of DEs.
- **16%** of DEs favoured an above-inflation minimum wage rise (compared to **12%** for all British adults), and **11%** of DEs supported measures to cap or help control rent costs (compared to **7%** for all age groups).
- ABs and DEs were most in favour of cutting the green taxes in energy bills, with **17%** and **18%** backing this measure respectively.

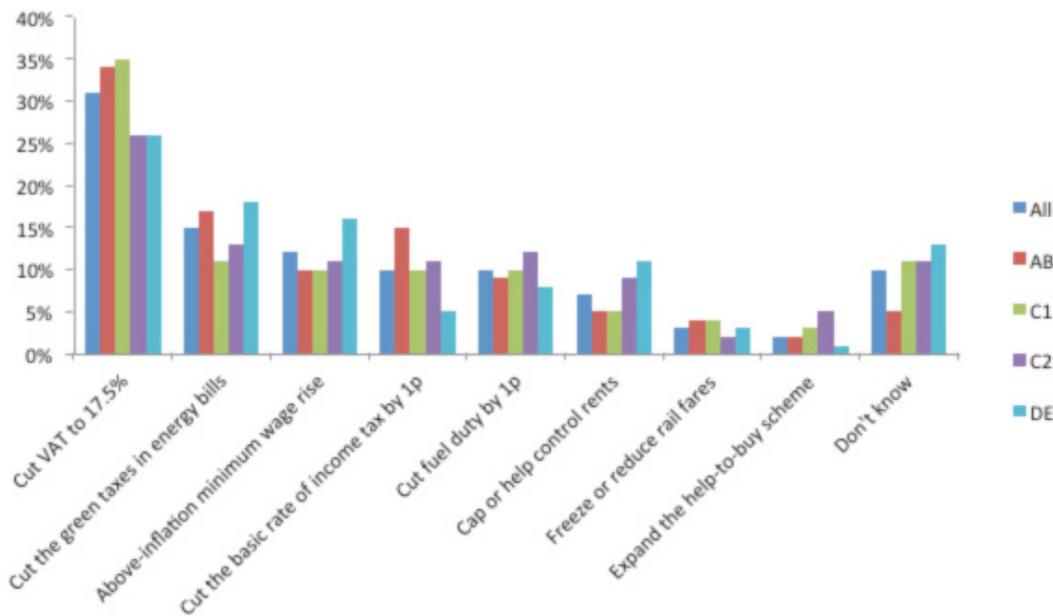


Figure 3 - Thinking ahead to the Budget statement in March this year, which one of the following measures would you most like the Chancellor to take, to help ease pressure on your personal finances? (By Social Grade)³

² NRS (National Readership Survey) social grades are a system of demographic classification developed to classify social 'classes' in the UK according to individuals' occupations. Grade 'A' includes those in higher managerial, administrative, or professional roles; 'B' roles are intermediate versions of 'A' roles; 'C' roles are supervisory or junior versions of 'A' and 'B' roles, as well as skilled manual workers; 'D' and 'E' cover semi- or unskilled manual workers and the casual or non-working groups (including pensioners and students)

³ Base: AB: 595; C1: 580; C2: 315; DE: 523

Personal Debt Picture

- Pessimism and optimism about personal finances remain finely balanced, with **25%** of British adults expecting their personal finances to worsen in the next six months, compared to **24%** who think their personal finances will improve.
- However, both pessimism and optimism are now at recent highs: the last time this many people were optimistic about their finances was in in January 2012 (when **27%** of British adults were optimistic); British adults were last this pessimistic about their personal finances in September 2012 (**27%**).
- The most optimistic are younger age groups (**30%** of 18-24 year olds expect an improvement; **18%** of over-65s expect an improvement) and those who are already more well off: 26% of ABs expect their personal finance situation to improve, compared to **19%** of DEs.
- The most pessimistic are 45-54 year olds and 55-64 year olds, **32%** and **31%** of whom respectively expect their personal finances to deteriorate. **32%** of DEs expect their personal finances to worsen compared to **20%** of ABs.

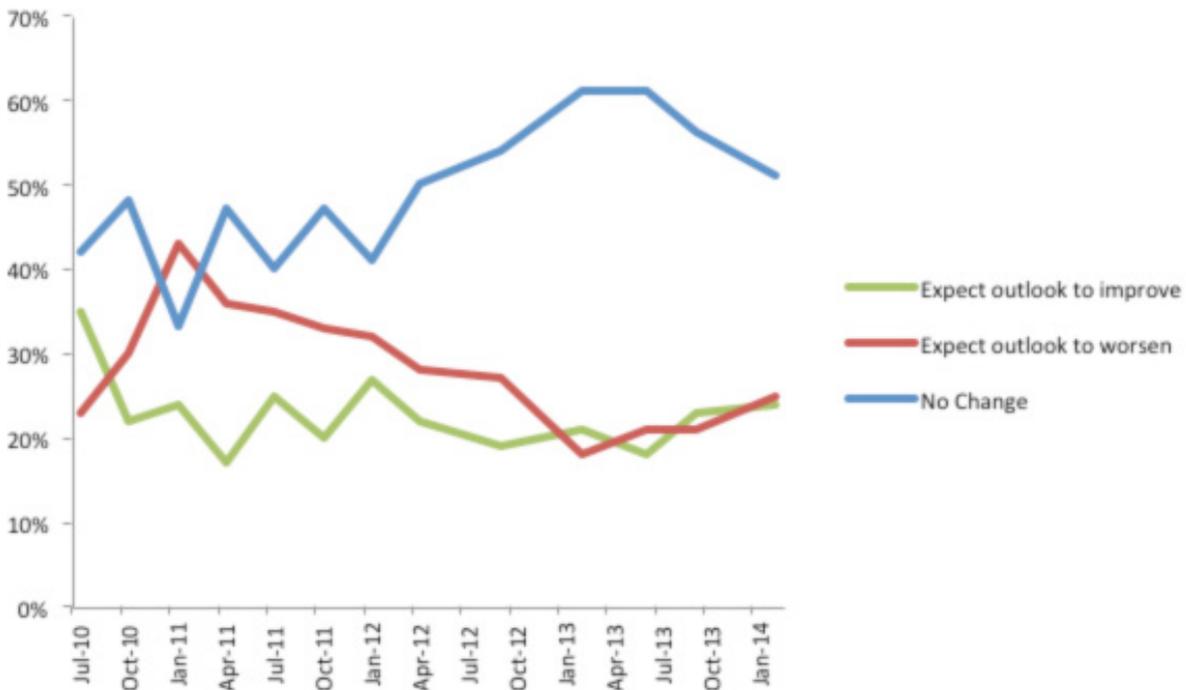


Figure 4 - I think my personal financial situation will worsen/improve over the next six months; Base: circa 2,000 each wave

- Pessimists outweigh optimists to the greatest degree in the North East (**33%** are pessimistic about their personal finances; **10%** are optimistic). The reverse is the case in Yorkshire and Humberside (**30%** are optimistic about their personal finances; **18%** are pessimistic).

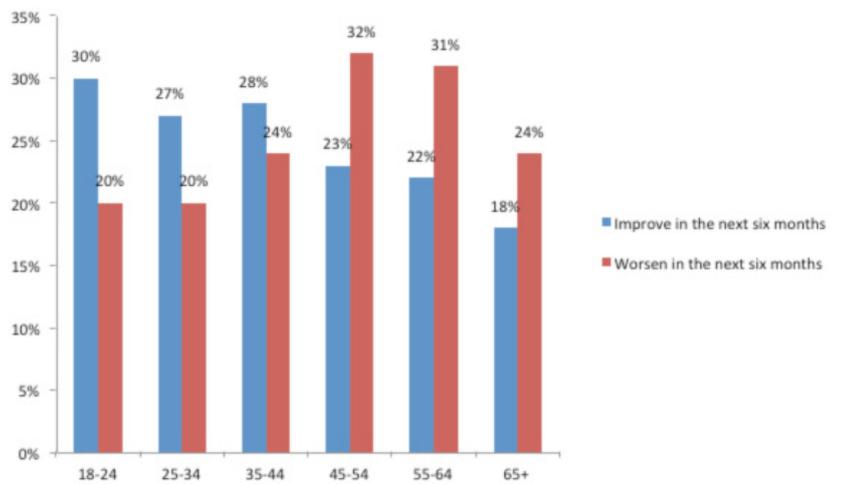


Figure 5 - I think my personal financial situation will worsen/improve over the next six months (By Age)⁴

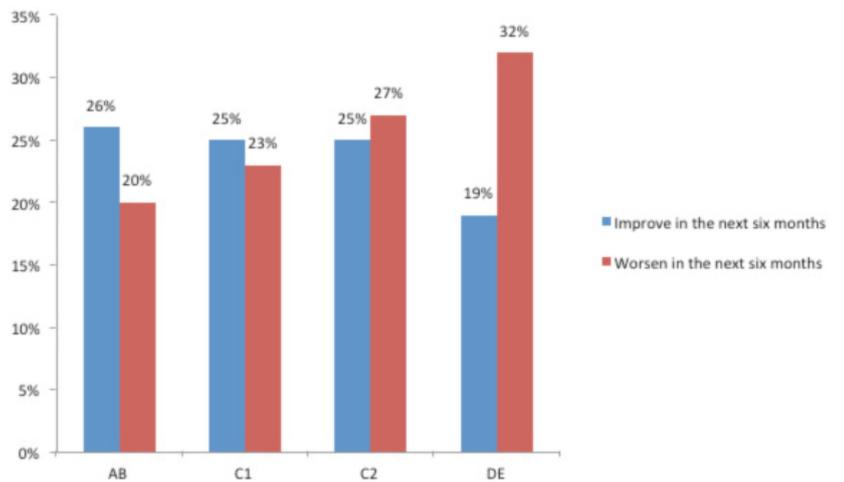


Figure 6 - I think my personal financial situation will worsen/improve over the next six months (By Social Grade)⁵

- Three in ten British adults (**28%**) say they do not have any savings at the moment.
- As in the last Wave of the Personal Debt Snapshot, the lack of savings is a particular problem for the middle age groups. The people most likely to not have any savings are in the 25-34 year old age bracket (**38%** are without savings); only **11%** of over-65s do not have any savings.
- **10%** of British adults are currently paying only the interest on their credit card bills each month, while **7%** of British adults are in the same position with their overdrafts.
- As with the last Wave of the Personal Debt Snapshot, **5%** of British adults say they are currently in a debt management plan – this is equivalent to **2.4m** people. This is down from the record of **7%** that was hit in April and September 2012, and June 2013.
- DEs are most likely to be in a debt management plan (**7%** of that group say this is the case), while **7%** of both 25-34 and 45-54 year olds say they are in a debt management plan.

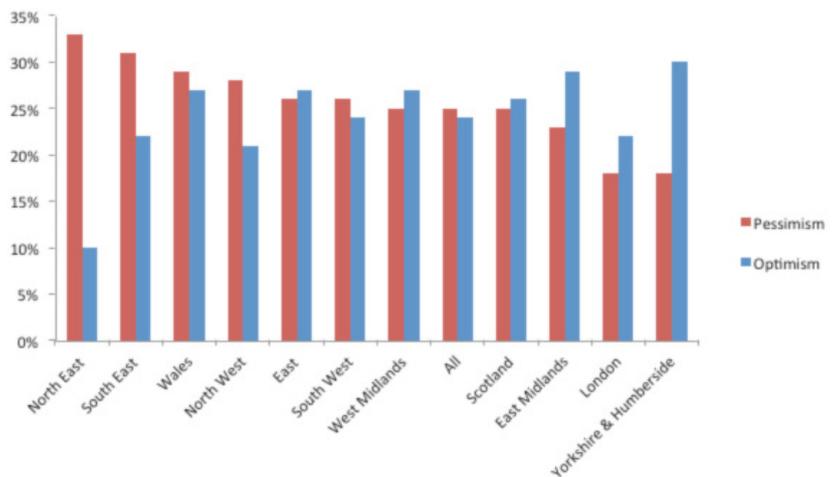


Figure 7 - I think my personal financial situation will worsen/improve over the next six months (By Region)⁶

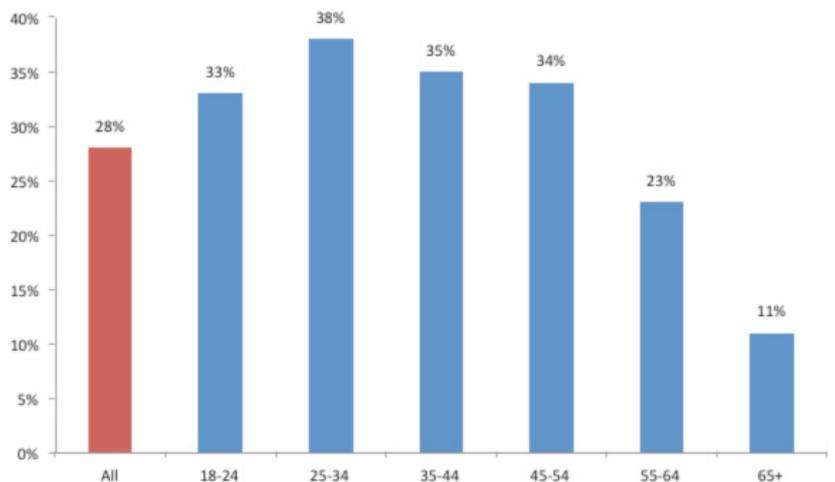


Figure 8 - I do not have any savings at all at the moment (By Age)⁷

⁶ Base: Scotland: 180; Wales: 110; North East: 80; North West: 243; Yorkshire & Humberside: 179; West Midlands: 184; East Midlands: 156; Eastern: 174; London: 185; South East: 326; South West: 196

⁷ Base: 18-24: 162; 25-34: 298; 35-44: 305; 45-54: 369; 55-64: 346; 65+: 533

2. Debt worries and type of debt

R3's President Liz Bingham comments:

“One of the most noticeable findings from the Personal Debt Snapshot series has been the degree to which personal debt concerns are now engrained in the British psyche. Frequently, at least, or close to, half of British adults are worried about their debts – a shocking 70% of those in their late twenties or early thirties are concerned about their debts.”

“Over the last two or three decades, there has been a huge shift in the British public’s attitude to debt: cheap credit and the cost of living have seen indebtedness become an accepted fact of life. The explosion in personal insolvency numbers over the last decade is testament to this.

“This presents a number of questions that need answering: how well can the system deal with people with unmanageable debts? And, given the economy’s dependence on consumer spending, what will be the long-term impact on the UK economy of this level of indebtedness?”



Key Stats

- Once again, more British adults are worried about their level of debts than not. **51%** of British adults say they are worried about their current level of debts. This is the highest 'worried' figure since September 2012.
- This is the fifth time in five surveys where the majority opinion ('worried' vs. 'not worried') has changed from one survey to the next (including June 2013, where attitudes were evenly split between 'worried' and 'not worried').
- The proportion of British adults that say that they are 'very worried' or 'extremely worried' about their debts is now **22%** – again, the highest this figure has been since September 2012.
- Seven in ten (**70%**) 25-34 year olds say that they are worried about their level of debts – this is the highest of all age groups (by comparison, only **24%** of over-65s have debt concerns).

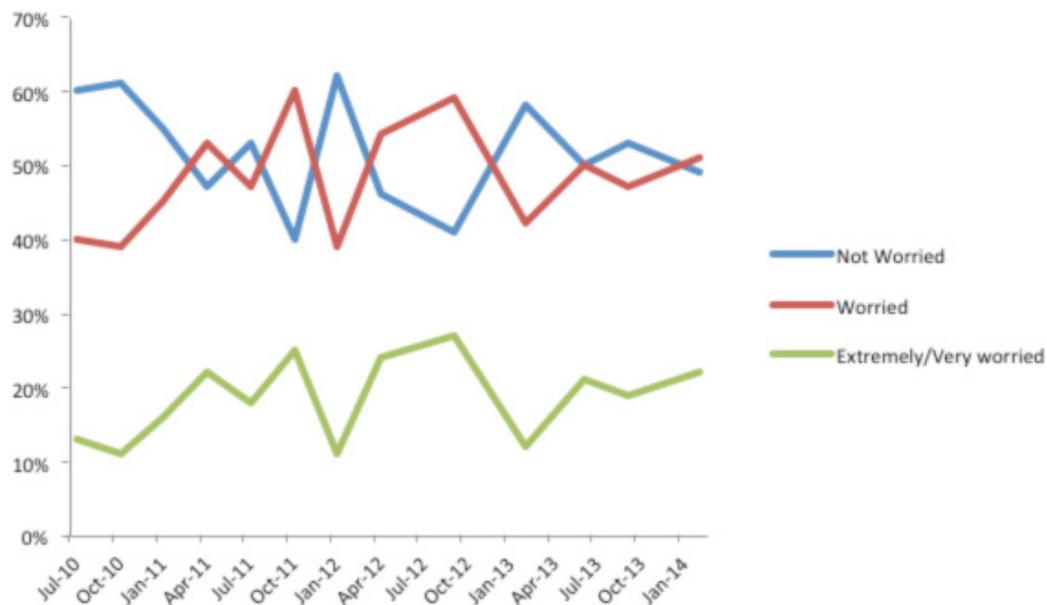


Figure 9 - The proportion of British adults who are worried, or otherwise, about their current level of debt; base: circa 2,000 each wave

² Low sample size means this figure is not necessarily representative of all British over-65s

- **65%** of British adults in the North East are worried about their current level of debts – the highest out of all British regions. British adults in the South West and East Midlands are least concerned about their debts (**44% each**).
- For the last two years, debt worries have fallen in the first post-Christmas Wave. However, this Wave has seen debt concerns rise after Christmas for the first time since the beginning of 2011.
- The gap in debt worries between men and women (50% and 53% respectively) has closed since the last Wave (44% and 51% respectively).

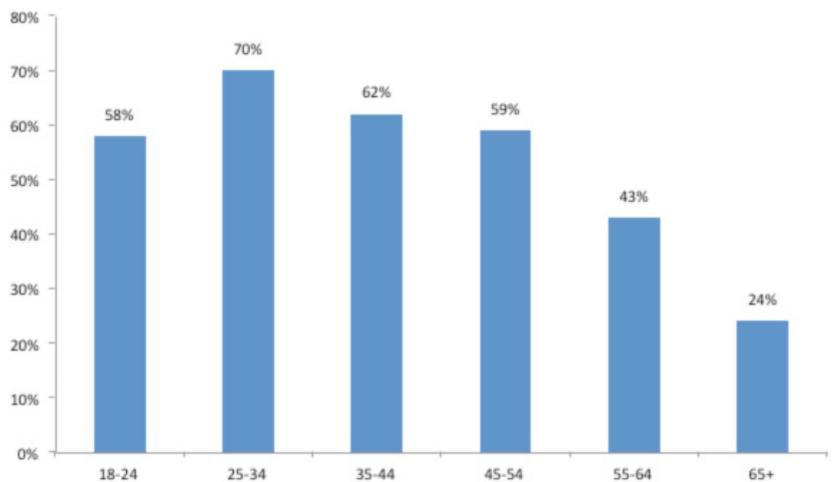


Figure 10 - Proportion of British adults that are fairly/very/extremely worried about their current level of debt (By Age)⁸

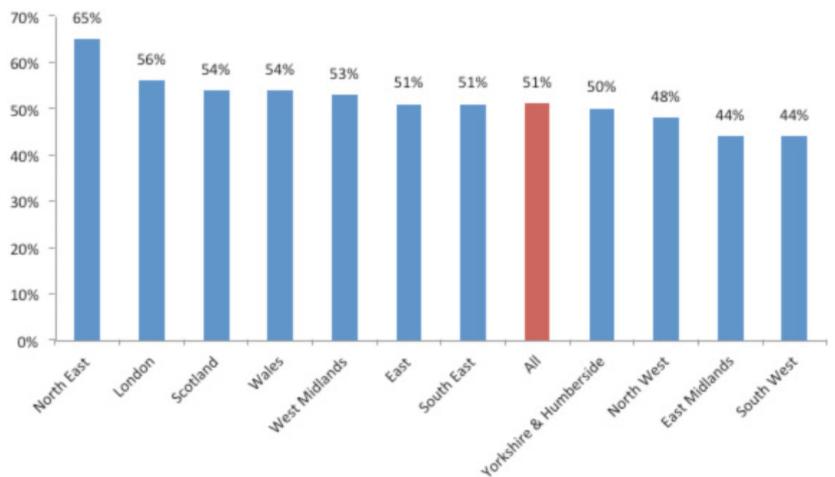


Figure 11 - Proportion of British adults that are fairly/very/extremely worried about their current level of debt (By Region)⁹

⁸ Base: 18-24: 162; 25-34: 298; 35-44: 305; 45-54: 369; 55-64: 346; 65+: 533

⁹ Base: Scotland: 180; Wales: 110; North East: 80; North West: 243; Yorkshire & Humberside: 179; West Midlands: 184; East Midlands: 156; Eastern: 174; London: 185; South East: 326; South West: 196

- Credit cards remain the most common debt concern amongst those who are worried about their level of debt. **43%** of people with debt worries are worried by credit card debt. This is the case for **50%** of 35-44 year olds, 45-54 year olds, and over-65s.
- Compared to other age groups, British adults under 35 are much more likely to be concerned by loans from family and friends and, particularly for those aged 18-24, student loans.
- **32%** of those aged 18-24 who are concerned about their debts are concerned by student loan debt.

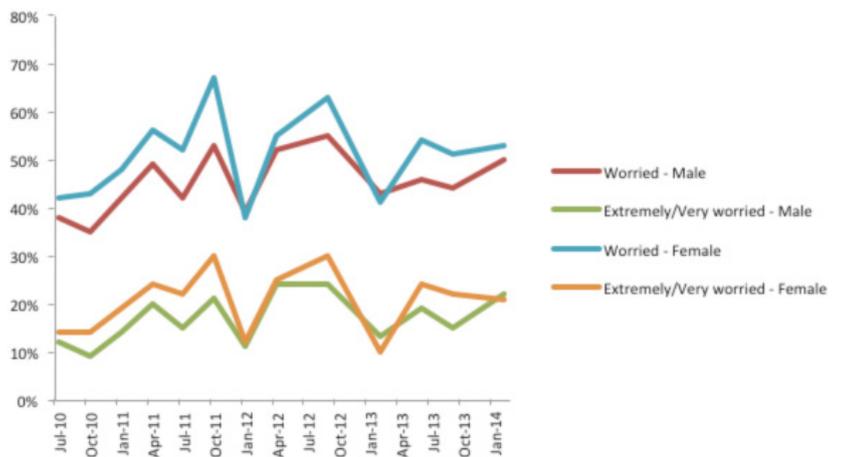


Figure 12 - Proportion of British adults that are fairly/very/extremely worried about their current level of debt; base: circa 1,000 men and 1,000 women each wave

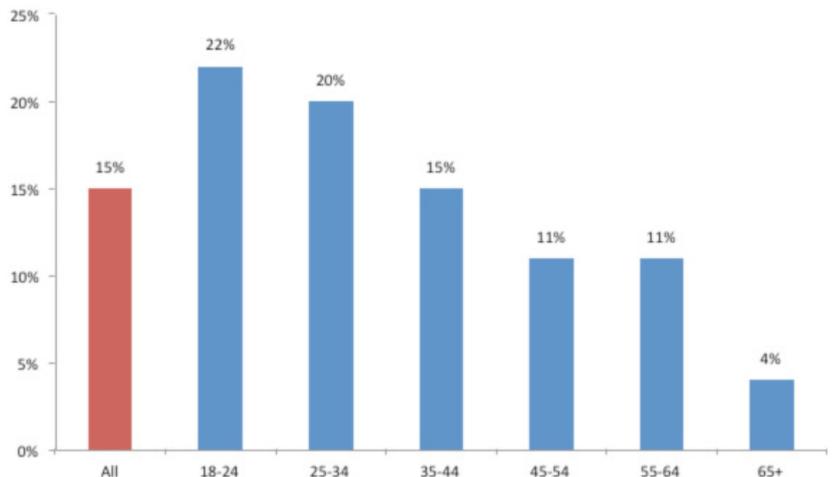


Figure 13 - Proportion of British adults concerned about their debts who are concerned about loans from family or friends (By Age)¹⁰

¹⁰ Base: All: 985; 18-24: 98; 25-34: 206; 35-44: 188; 45-54: 225; 55-64: 141; 65+: 127

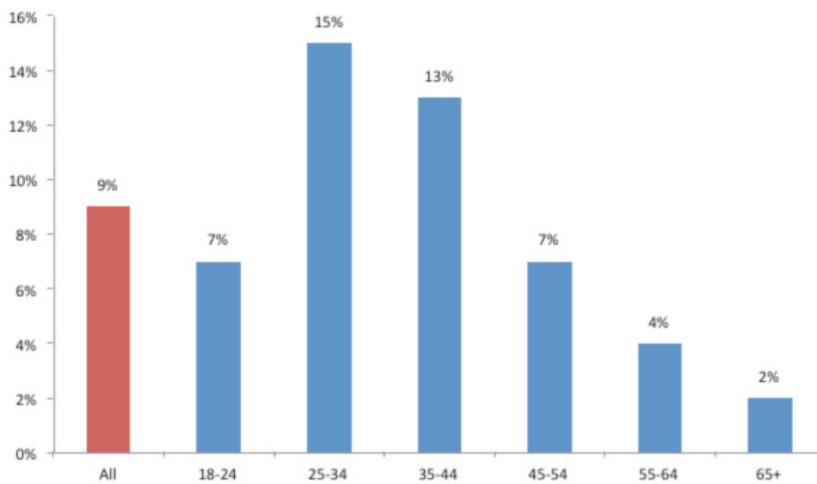


Figure 14 - Proportion of British adults concerned about their debts who are concerned about payday loan debts (By Age)¹¹

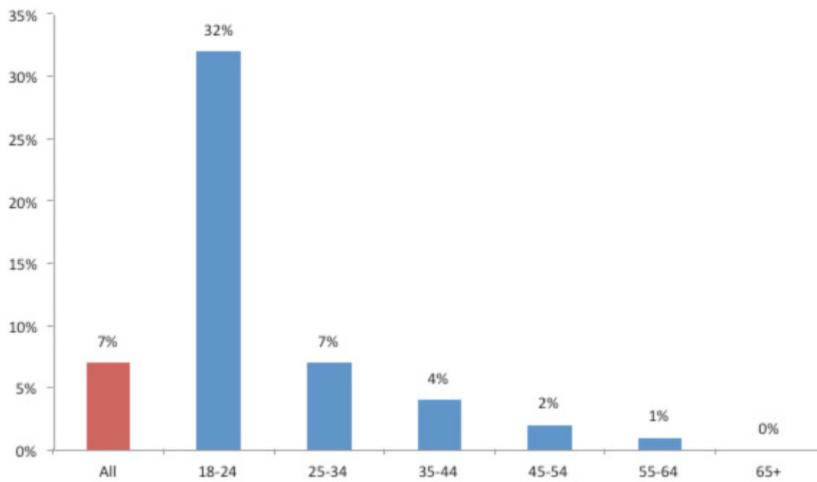


Figure 15 - Proportion of British adults concerned about their debts who are concerned about student loan debts (By Age)¹²

¹¹ Base: All: 985; 18-24: 98; 25-34: 206; 35-44: 188; 45-54: 225; 55-64: 141; 65+: 127

¹² Base: All: 985; 18-24: 98; 25-34: 206; 35-44: 188; 45-54: 225; 55-64: 141; 65+: 127

3. The struggle to payday

R3's President Liz Bingham comments:

“Inflation fell to 1.9% in January, the first time since 2009 that inflation has been below its 2% target, with the Office for National Statistics attributing the decrease to falling prices for ‘recreational and cultural activities’.”

“Unfortunately for those British adults struggling to payday, the cost of ‘recreational and cultural activities’ is not exactly high up on their list of spending worries.

“While just over one-in-ten blame the cost of going out for their struggles, the rising cost of food, energy, and transport, credit card debts, rent, wage freezes, and mortgages are all putting much more pressure on British household finances.

“Limited savings, falling real wages, and the high cost of essential spending mean a worryingly high proportion of British adults are walking a constant financial tightrope. Only when these pressures begin to fall away will we see an improvement in people’s day-to-day financial health.

“It is particularly concerning that it is the absolute basics – food, household energy, transport, and housing – that are amongst the biggest financial concerns. People can stay out of financial trouble if they have the room to cut back on some spending, but when it comes to feeding your family or putting a roof over your head, you can only cut back so far.”



Key Stats

- **43%** of British adults say they 'often' or 'sometimes' struggle to payday. The last time this figure was below 40% was February 2013.
- As has been typical over the course of R3's Personal Debt Snapshots, the age groups most likely to struggle to payday are 25-34 year olds (**66%** say they struggle to payday in the latest Wave) and 35-44 year olds (**59%** say they struggle to payday).

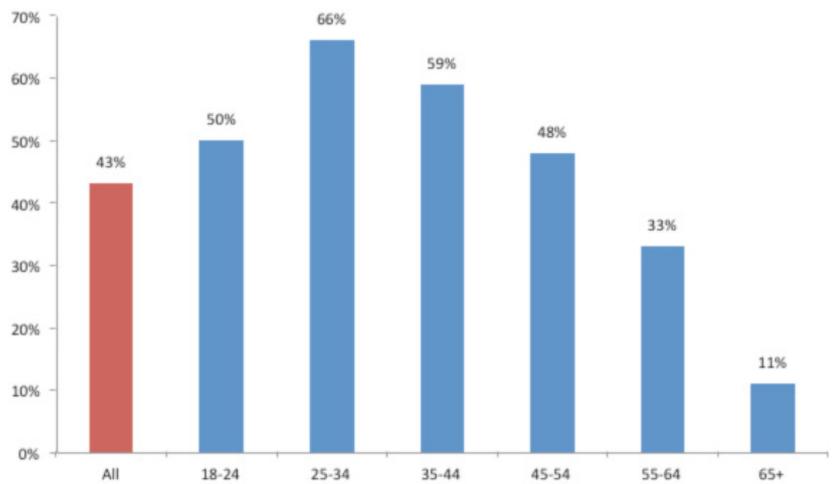


Figure 16 - Proportion of British adults who often/sometimes struggle to payday (By Age)¹³

¹³ Base: 18-24: 162; 25-34: 298; 35-44: 305; 45-54: 369; 55-64: 346; 65+: 533

- The most commonly cited cause of struggles to payday are the rising cost of food (**59%** of those who struggle to payday), the rising cost of household energy bills (**52%**), the rising cost of transport (**38%**), making credit card payments (**27%**), and rent payments (**24%**).
- **13%** of those that struggle to payday say this is because of spending on non-essential items, down from **19%** in June 2013.
- The struggle to payday is most acute in the North East, where **56%** of adults say they 'often' or 'sometimes' struggle to payday. London (**49%**), the West Midlands (**47%**), and Yorkshire and Humberside (**46%**) have higher proportions of adults struggling to payday than the country as a whole.

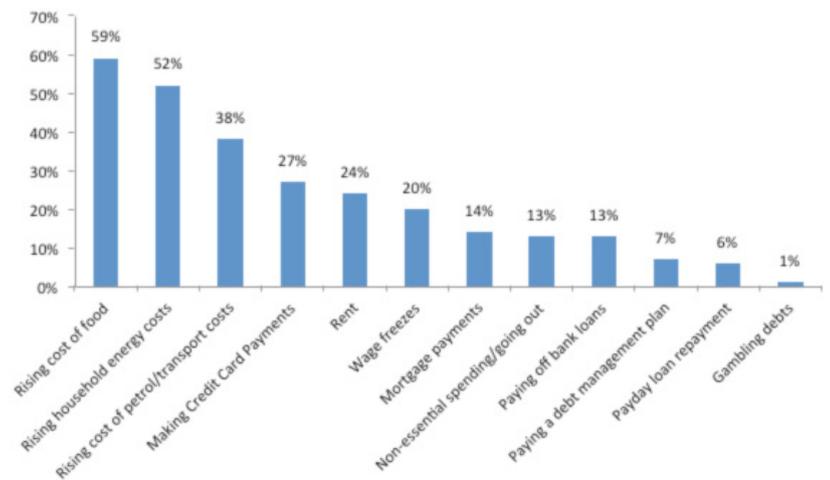


Figure 17 - Proportion of British adults that struggle to payday that say they struggle as a result of...
Base: n = 795

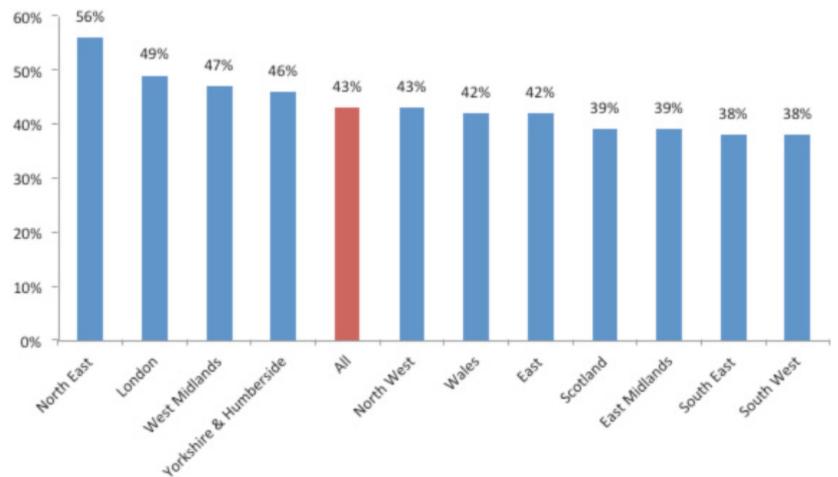


Figure 18 - Proportion of British adults who often/sometimes struggle to payday (By Region)¹⁴

¹⁰ Base: Scotland: 180; Wales: 110; North East: 80; North West: 243; Yorkshire & Humberside: 179; West Midlands: 184; East Midlands: 156; Eastern: 174; London: 185; South East: 326; South West: 196

4. Payday loans and credit unions

“Potential demand for payday loans has fallen significantly from its peak, especially amongst younger age groups, possibly as a result of the negative press attention this type of loan received over the last year.”

“Still, a significant chunk of the British public say they are likely to use a payday loan in the near future. Indeed, this Wave of the Personal Debt Snapshot sees the first rise in likely demand for payday loans since September 2012.

“While the appeal of payday loans as a trendy ‘lifestyle choice’ may have dimmed, there are still plenty of people that feel payday loans are their only option to make it from week-to-week or month-to-month.

“The problem is that, while appropriate in some circumstances, payday loans are not a long-term financial solution, and there is a danger that those individuals who feel reliant on them are digging themselves into a deeper and deeper financial hole.

“Frequently mentioned as a potential alternative to payday loans are credit union loans. However, this latest Personal Debt Snapshot shows that credit unions have a lot of catching up to do when compared to payday loans – twice as many British adults say they have taken out a payday loan recently as those who have taken out a credit union loan.



Key Stats

- For the first time since September 2012, there has been an (albeit small) increase in the proportion of British adults who say they are likely to take out a payday loan in the next six months.
- **8%** of British adults say they are likely to take out a payday loan in the next six months, compared to **6%** in September 2013. This is still down from the peak of **11%** in September 2012.
- Under-35s are most likely to take out a payday loan in the next six months: **15%** of this age group say they are likely to take out a payday loan in the next six months, compared to **5%** of those aged over 35. However, this gap is much smaller than it has been in the past: in September 2012, **24%** of under-35s were likely to take out a payday loan in the next six months, compared to **6%** of over-35s.

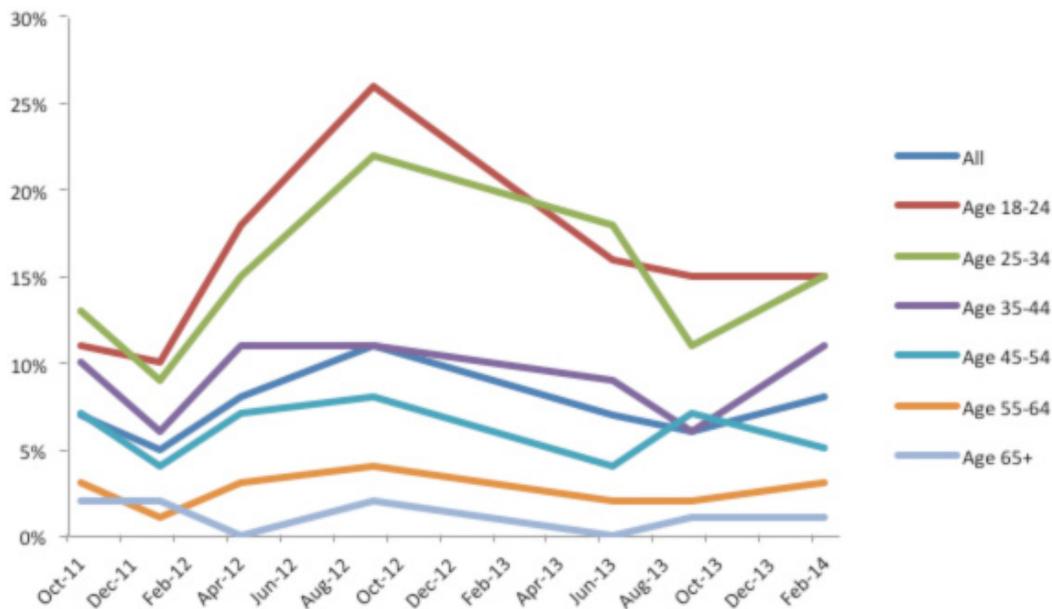


Figure 19 - British adults who say they are likely to take out a payday loan in the next six months (By Age)¹⁵

¹⁵ Base: 18-24: circa 150 each wave; 25-34: circa 300 each wave; 35-44: circa 300 each wave; 45-54: circa 350 each wave; 55-64: circa 350 each wave; 65+: circa 500 each wave

- Londoners are most likely to take out a payday loan in the next six months: **17%** of British adults in London are in this position, compared to just **3%** of those in the East Midlands.
- **4%** of British adults have taken out a payday loan in the last six months.
- The British adults most likely to have taken out a payday loan in the last six months are aged 25-34 (**8%** have taken out a payday loan; **2%** of this age group had taken out a loan from a credit union).
- Only **2%** of British adults have taken out a loan from a credit union in the last six months.
- The British adults most likely to have taken out a loan from the credit union in the last six months are those aged 35-44 (**4%** have taken out a loan from a credit union; **6%** of this age group had taken out a payday loan).

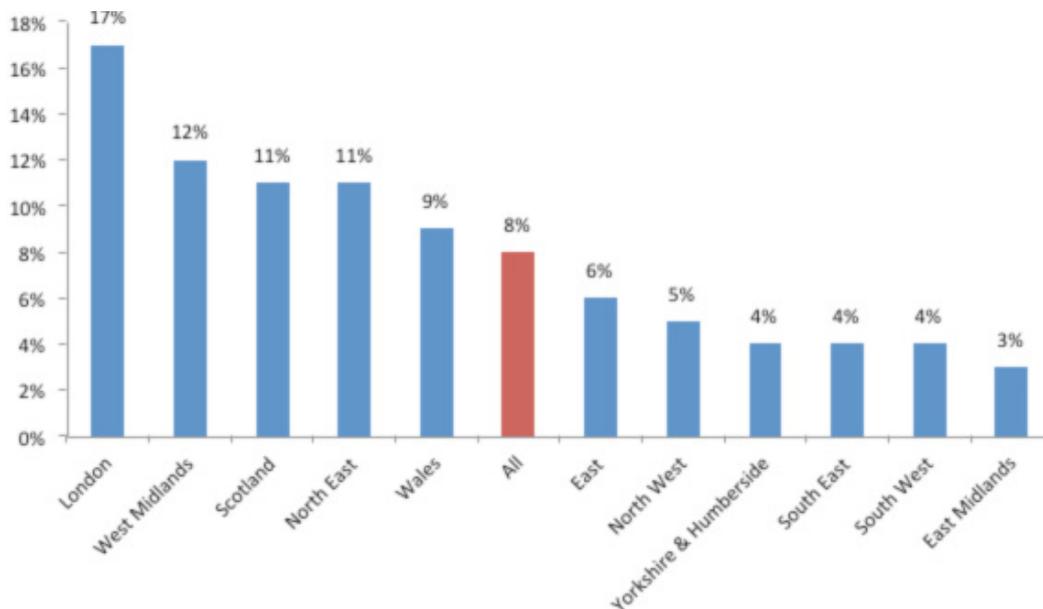


Figure 20 - British adults who say they are likely to take out a payday loan in the next six months (By Region)¹⁶

¹⁶ Base: Scotland: 180; Wales: 110; North East: 80; North West: 243; Yorkshire & Humberside: 179; West Midlands: 184; East Midlands: 156; Eastern: 174; London: 185; South East: 326; South West: 196

5. Sources of advice

“Seeking advice is often the best way to begin to get a grip on debt problems, but, given the sensitive nature of personal finance problems, it is understandable that many people might be reluctant to talk to someone about their problems.”

“Unfortunately, delays in taking action often only mean debt problems continue to mount and become harder to deal with.

“According to this Wave of the Personal Debt Snapshot, British adults are most likely to turn to their family for advice with debt problems. This is unsurprising, but it is also a little concerning that relatively so few people would seek the free, expert advice that is available – and that relatively so many British adults wouldn’t know who to turn to at all.

“The vast majority of accountants and insolvency practitioners will offer an hour’s worth of advice for free, while many debt charities employ qualified advisers too. While debt can be difficult to talk about with a stranger, speaking to someone sooner rather than later is an important step towards dealing with money worries.



Key Stats

- British adults with debt worries are most likely to approach a family member for advice. **42%** of British adults say they would do this, followed by **24%** who say they would approach a voluntary organisation or charity, **16%** say they would approach a financial adviser, and **16%** say they would approach a friend. Just **3%** of British adults would approach an insolvency practitioner for advice.
- Those aged 18-24 are most likely to approach a family member or friend for help with personal debt problems (**62%** of this age group would approach a family member, **29%** a friend).
- Those aged over 65 are least likely to ask a family member (**31%**) or a friend (**8%**) for help.
- 21%** of British adults wouldn't know who to turn to for advice with their debt worries.

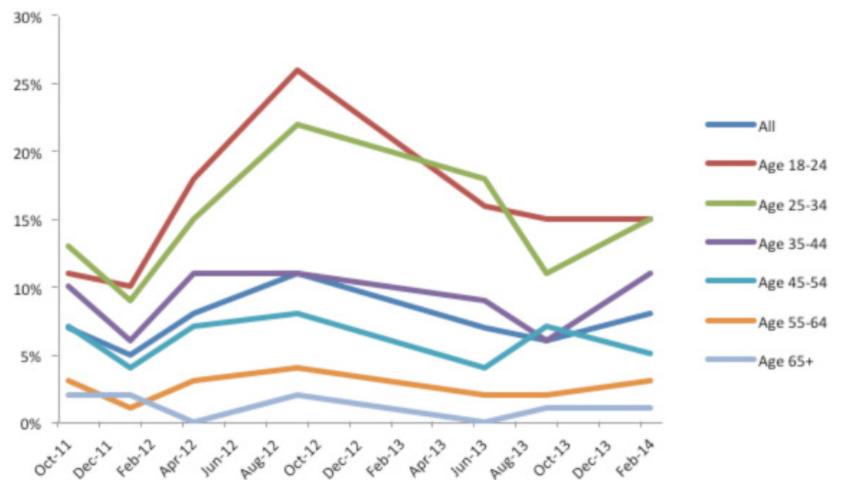


Figure 21 - Proportion of British adults who say they would approach the following people for help with personal debt worries (By Age)¹⁷

¹⁷ Base: 18-24: 162; 25-34: 298; 35-44: 305; 45-54: 369; 55-64: 346; 65+: 533

Conclusion

Liz Bingham concludes:

“The economy is turning a corner, but personal finances are yet to turn with it – at least for some. While certain groups are starting to benefit from the recent spurt of economic growth, there are plenty – particularly those on low or fixed incomes – still waiting for their ‘turn in the sun’.”

The rising cost of ‘the basics’ – housing, food, energy – has been a particular problem and has hit the already less well-off the hardest.

Economic recovery and falling inflation should – eventually – provide breathing room for all when it comes to personal finances, but it is worth noting that the next personal finance challenge is already looming on the horizon: an interest rate rise.

How far rates rise when the time comes, and the impact this will have, remain to be seen, but it is unlikely there will be no personal debt fallout at all.



Notes

Dates on graph axes provide a relative timescale only and do not necessarily correspond to dates when surveys were carried out.

Personal Debt Snapshot surveys have been carried out during:

- Wave 13** – February 2014 (base: n = 2,013)
- Wave 12** – September 2013 (base: n = 2,006)
- Wave 11** – May-June 2013 (June in report) (base: n = 2,060)
- Wave 10** – February 2013 (base: n = 2,007)
- Wave 9** – September 2012 (base: n = 2,051)
- Wave 8** – April-May 2012 (base: n = 2,044)
- Wave 7** – January 2012 (base: n = 2,016)
- Wave 6** – October 2011 (base: n = 2,005)
- Wave 5** – July 2011 (base: n = 2,047)
- Wave 4** – April 2011 (base: n = 2,052)
- Wave 3** – January 2011 (base: n = 2,031)
- Wave 2** – October 2010 (base: n = 2,035)
- Wave 1** – July 2010 (base: n = 2,008)

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Methodology

ComRes interviewed 2,013 GB adults online between 7th and 9th February 2014. Data were weighted to be demographically representative of all British adults aged 18+. ComRes is a member of the British Polling Council and abides

by its rules (www.britishpollingcouncil.org). This commits us to the highest standards of transparency. Data tables are available on the ComRes website, www.comres.co.uk



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