

Personal Debt Snapshot: Wave 16

Fraud



April 2015

Foreword

Recent Personal Debt Snapshots have been increasingly positive in tone, and this latest report continues that trend. With pessimism about personal finances at a record low, optimism about the future of personal finances is finally cementing itself as the dominant mindset after years of gloom.

Despite this optimism many individuals still face serious financial problems: concerns about levels of debt and struggles to payday remain.

With a new Government and parliament from May, both these points carry some political weight. Voters are finally feeling the effects of economic improvement, possibly just in time for the current Government, but these persisting debt issues could be storing up problems for the next parliament and risk undermining the new Government's deficit reduction efforts.

Two-fifths of British adults are worried about their debts or struggle from payday to payday, and there is a question as to how sustainable this position is. If British adults can't service their debts or their debt burden curtails their spending, tax receipts and consumer spending – two key parts of any deficit reduction plan – could well suffer.

This wave of the Personal Debt Snapshot also looks at fraud for the first time. The insolvency profession has significant powers to tackle fraud in certain situations and we believe the more opportunities insolvency practitioners have to use these powers, the more money can be brought back from fraudsters to victims and the wider economy. Expanding the opportunities to use insolvency practitioners' powers and the legislative tools available to law enforcement agencies would mean fraudsters could no longer hide behind companies and it would be much harder for them to hide their assets from their victims and avoid restitution.

Unfortunately, fraud has become part of life: around one-in-ten British adults say they have been defrauded in the last year, with victims losing an average of just over £1,000. Perhaps surprisingly, it is younger adults rather than older generations who are most likely to say that they have been victims of fraud. This could be the consequence of inexperience or possibly the impact of online retail fraud. Although online shopping is convenient, it does come with risks.

The new Government will need to get to grips with tackling personal debt levels quickly, and should also take steps to review and update the personal insolvency regime to ensure it can deal with any increase in personal insolvency numbers. Following some welcome changes last year, R3 would like to see a holistic review of the personal insolvency regime to ensure vulnerable debtors can access the most appropriate debt solution for their needs, and that creditors are protected from the reckless accumulation of debt.

On fraud, R3 will be calling on the government to review the opportunities that the insolvency profession has to combat fraud providing much needed extra resource to assist government and law enforcement as well as a number of legislative and procedural measures to disrupt fraud and make recoveries for victims.

Whoever forms the next Government there will be a lot to do; it is to be hoped that personal debt and the fight against fraud rank among its priorities.

Giles Frampton

R3 president



The Personal Debt Picture

- For the first time since late 2012, there is some daylight in the numbers between those who feel their **personal finance situation** will improve in the next six months: 26% of British adults expect their situation to improve while 16% expect it to worsen. From February 2013 until now, there has not been more than three percentage points' difference between the two sets of opinions.
- Personal finance pessimism has hit a record low (previous low: 17% in July 2014).
- This is the second biggest lead for personal finance optimism over personal finance pessimism since the first survey in July 2010 (35% to 23%). It is also the second highest personal finance optimism has been since that first survey.
- Men (30%) are more likely to be optimistic about their personal finance situation than women (23%).
- Only one age group is not more optimistic than pessimistic about their personal finances: those aged 45-54. Of this group 22% are optimistic, 23% pessimistic. This is also the highest level of pessimism among all age groups.
- Younger age groups are the most optimistic about their personal finances: 31% of those aged 18-44 expect their personal finances to improve compared to 23% of those aged over 65.

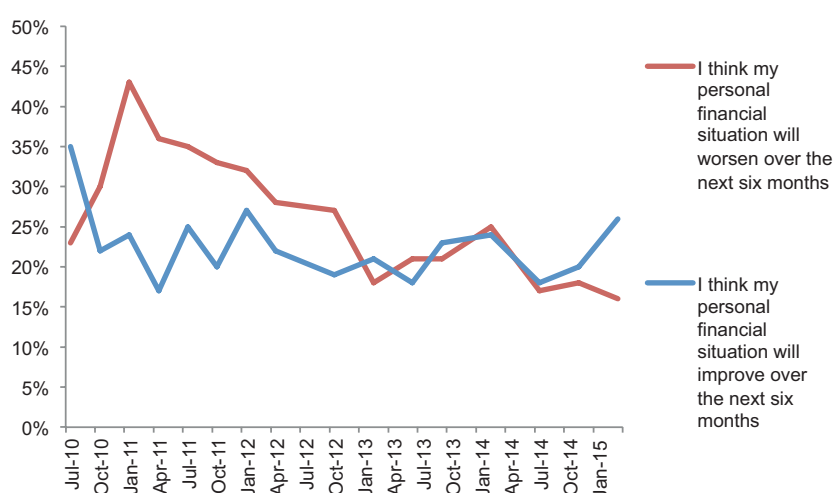


Figure 1 – Proportion of British adults optimistic or pessimistic about their financial situation.

- 23% of British adults **do not have any savings** at the moment.
- Women (26%) are significantly more likely than men (20%) to not having any savings at the moment.
- 5% of British adults say they are currently in some sort of **debt management plan**, in line with previous surveys.
- 2% of British adults say that they have taken out a **payday loan** in the last six months, while 2% have taken out a loan from a **credit union** in the last six months. This is the first time there have **not** been more people saying that they have taken out a payday loan than a credit union loan.
- It is also a record low for the proportion of people taking out a payday loan in the last six months (previous low: 3% in February 2013).
- 8% of British adults say they are likely to take out a payday loan in the next six months, in line with recent surveys.
- 25-34 year olds are the most likely to say they are likely to take out a payday loan in the near future, with 20% in this position (the highest since October 2012). 17% of 18-24 year olds say they are likely to take out a payday loan in the next six months.
- 29% of British adults who are 'extremely' worried about their current level of debt say they are likely to take out a payday loan in the next six months.

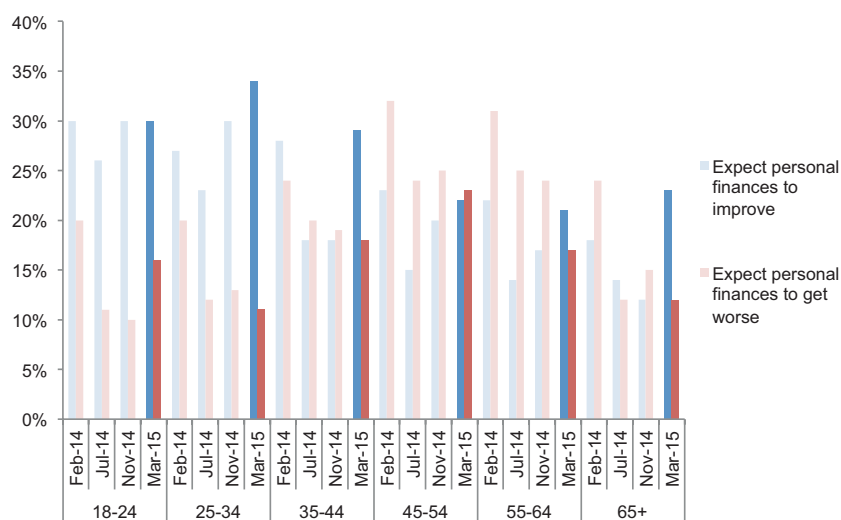


Figure 2 – Proportion of British adults optimistic or pessimistic about their personal finances, by age (last four surveys).

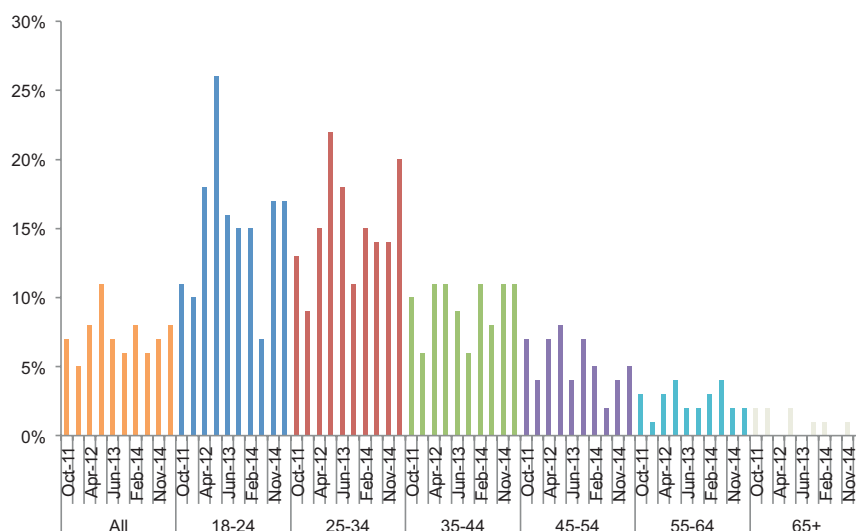


Figure 3 – British adults at least 'likely' to take out a payday loan in the next six months, by age.

Debt Worries and Type of Debt

- The majority (54%) of British adults continue to be **unconcerned about their debts**, continuing a run stretching back to July 2014. With those unconcerned about their debts in the majority for the third survey in a row, this is the most stable this indicator has been since the Personal Debt Snapshot began.
- Women continue to be more likely to be worried about their debts than men: half of women are at least fairly worried about their debts compared to just 42% of men.
- Debt worries are highest in the 25-34 years old age group (61%). Over the last year, debt worries have noticeably climbed for those in the 18-24 and 45-54 years old age groups, while those in the over-65 years old and the 25-34 years old age groups have increased in the latest survey. Debt worries are falling for those aged 35-44 and 55-64.

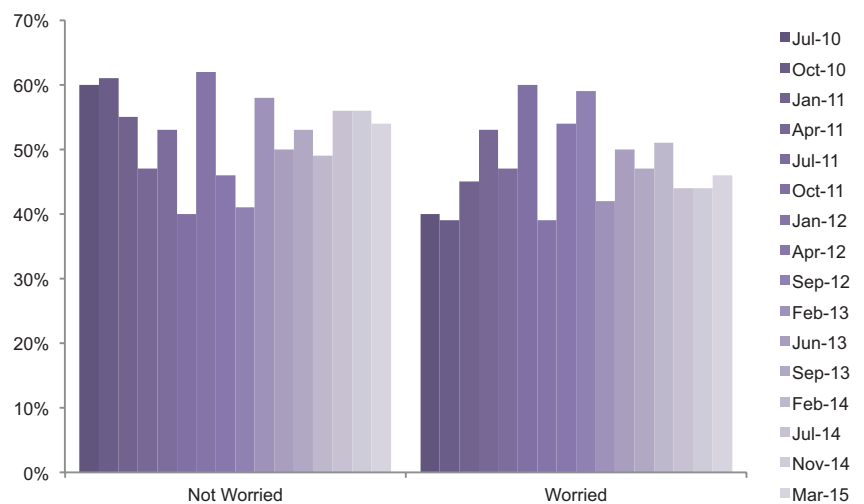


Figure 4 – Proportion of British adults at least fairly worried about their current level of debt vs. British adults not at all worried about their current level of debts.

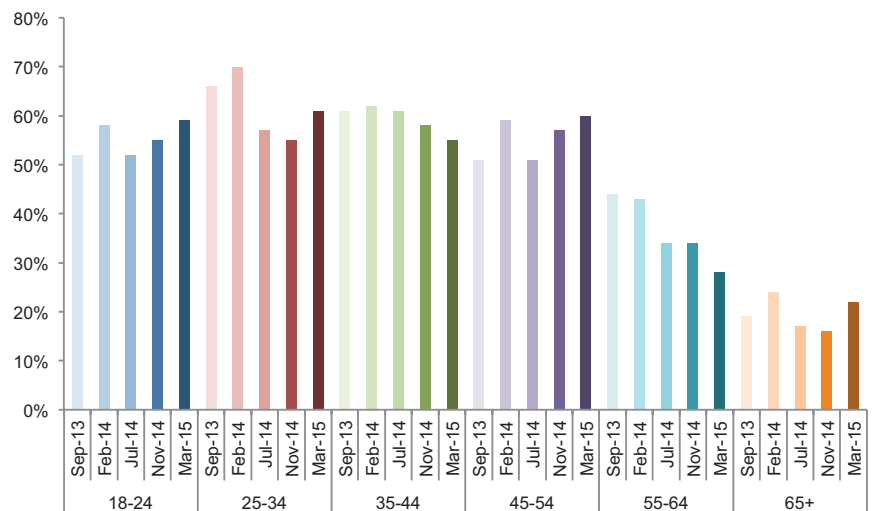


Figure 5 – Proportion of British adults at least fairly worried about their current level of debt, by age (last five surveys).

- Debt worries are by far the highest in the North East: 63% of adults here are at least fairly worried about their debts. Scottish adults (38% fairly worried or worse) have the least acute debt worries.
- **Credit cards** remain, by far, the most likely source of debt worries. 47% of British adults worried about their debts are worried about credit card debt.
- Concerns about credit card debt have remained fairly stable over the last two years; but the last time concerns about credit card debt were higher was back in January 2012.
- Older age groups are more likely to have credit card concerns: 62% of 55-64 year olds and 60% of those aged over 65 who are worried about their level of debt are worried about credit card debt. Only 20% of 18-24 year olds with debt worries have credit card debt concerns.
- **Student loans** continue to be the predominant source of debt concern for 18-24 year olds with debt worries. 42% of students with debt worries are worried about student debts.

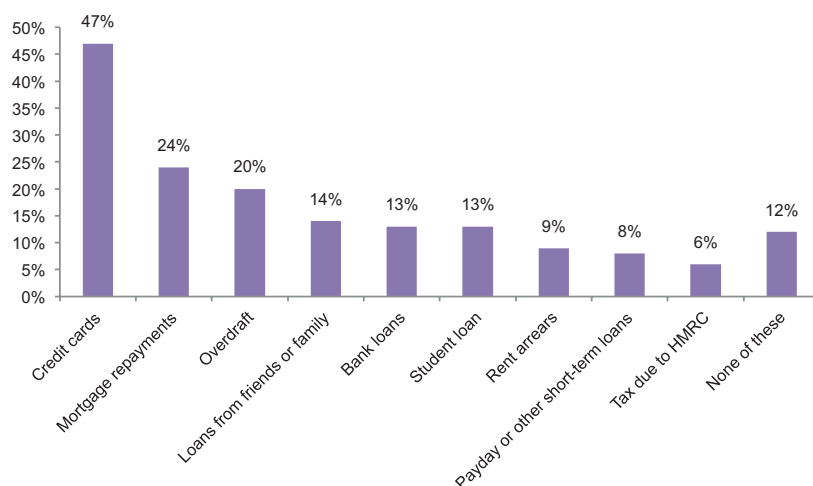


Figure 6 – Proportion of British adults at least fairly worried about their debts, by type of debt that worries them. Base: all who are at least fairly worried about their current level of debt (n=880).



The Struggle to Payday

- As is typical, around two-in-five British adults (41%) currently say they often or sometimes **struggle to payday**.
- Among those in work, this climbs to 58%.
- Women are much more likely than men to struggle to payday: 47% of women often or sometimes struggle, compared to 35% of men.
- 79% of British adults who are 'extremely' worried about their current level of debt say they struggle to payday.
- As is most typically the case, those aged 25-34 years old are most likely to often or sometimes struggle to payday: 61% of this age group are in this position.
- **Cost of living** related concerns are still most likely to be blamed for the struggle from payday to payday. 52% of those who struggle blame the rising **cost of food**, 39% blamed rising **energy costs**, and 29% blamed **transport costs**, while 29% also blamed making **credit card repayments**.
- However, with inflation falling sharply, the cost of living concerns have fallen. In May 2012, 79% of people who said they often or sometimes struggled to payday blamed the rising cost of food.
- Rent payments are a particular problem for those aged 25-34 (34%) and 18-24 (32%).
- **Rent concerns** are, by far, highest in London: 42% of Londoners who struggle to payday say they struggle because of rent, compared to the national figure of 25% (the next worst affected region is the South West where 33% blame rent for their struggles).

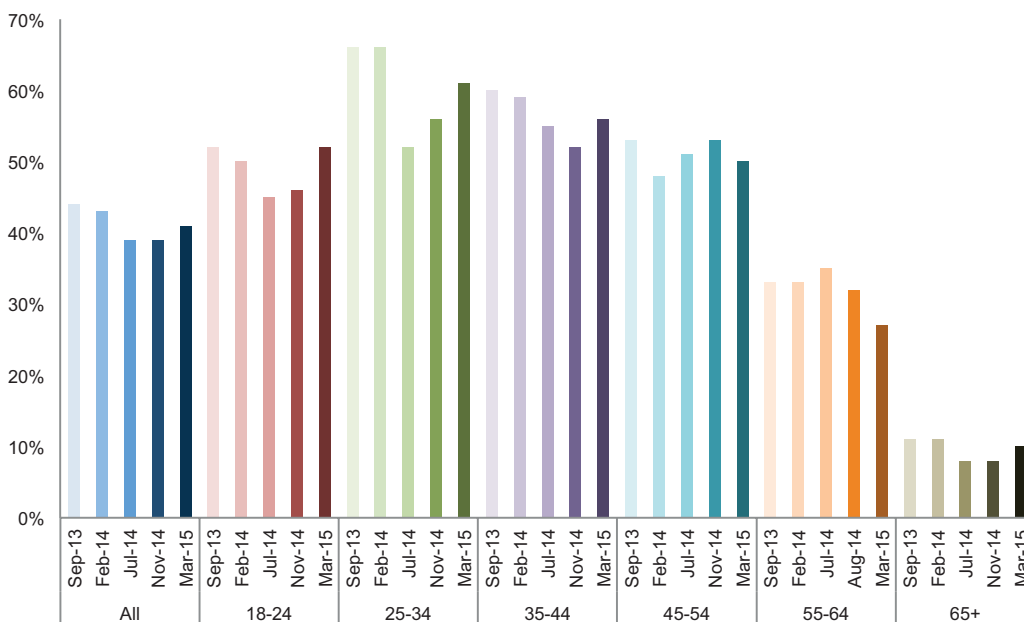


Figure 7 – Proportion of British adults who often or sometimes struggle to payday, by age (last five surveys).

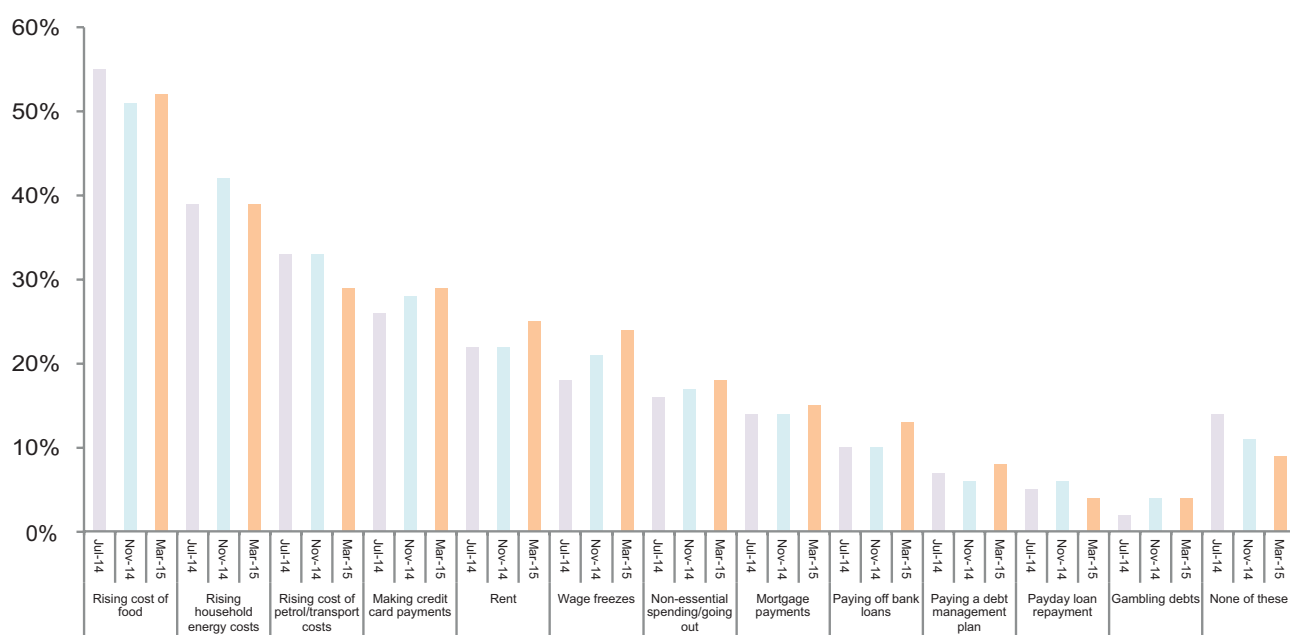


Figure 8 - Reasons for struggles to payday, according to those who often or sometimes struggle to payday (last three surveys).

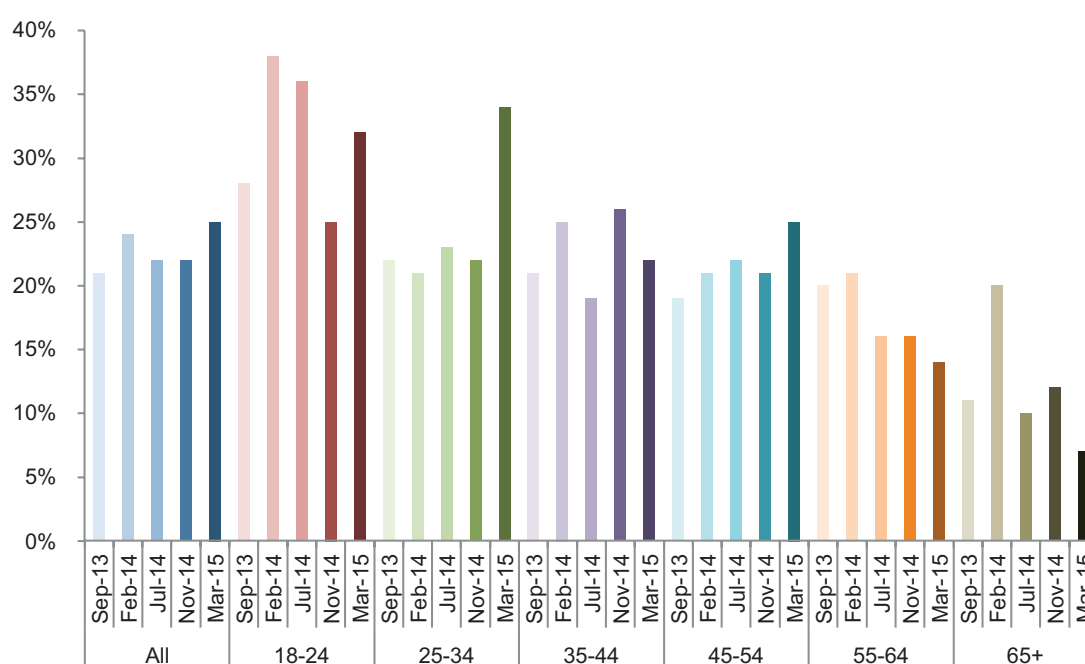


Figure 9 - People who often or sometimes struggle to payday who struggle because of rent, by age.

The Cost of Fraud

- 11% of British adults say they have been a **victim of fraud** in the last 12 months.
- 17% of Londoners say they have been a victim of fraud in the last 12 months; the highest proportion of any region.
- Those aged 25-34 years old were most likely to have been defrauded (16%). Those aged 55-64 were the least likely to have been defrauded (6%).
- Those who are 'extremely' worried about their current level of debt are also particularly likely to say they have been a victim of fraud: 22% of adults in this position have been knowingly defrauded in the last year.
- The average financial loss to victims of fraud was £1,016.

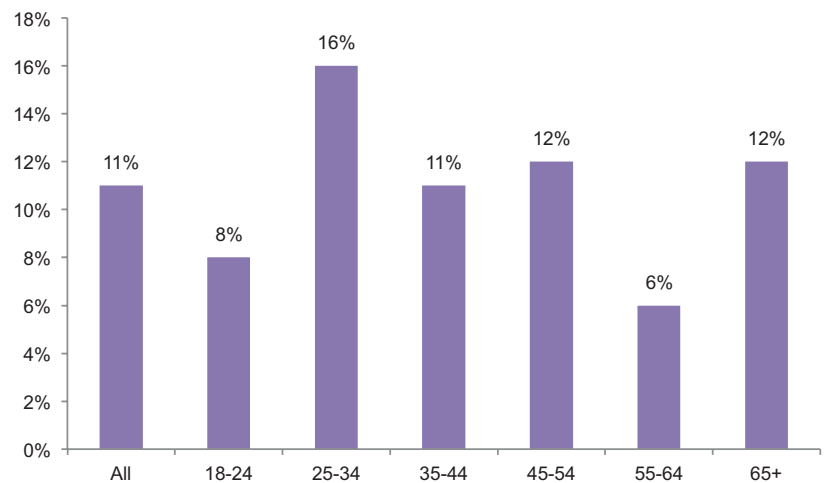


Figure 10 – Proportion of British adults who have been a victim of fraud in the last 12 months, by age.



Figure 11 – Money lost by fraud victims in the last 12 months, by amount lost. Base: all who have been the victim of fraud (n=215).

Notes

Appendix 1: Total base sizes and base sizes by age group (referenced in figures 1, 2, 3, 4, 5, 7, 10)

Wave	Total base, n=	Base 18-24, n=	Base 25-34, n=	Base 35-44, n=	Base 45-54, n=	Base 55-64, n=	Base 65+, n=
Wave 16 – March 2015	2,011	214	243	321	393	336	504
Wave 15 – November 2014	2,054	219	344	310	390	329	462
Wave 14 – July 2014	2,035	205	314	356	388	323	449
Wave 13 – February 2014	2,013	162	298	305	369	346	533
Wave 12 – September 2013	2,006	219	354	334	342	304	453
Wave 11 – May-June 2013	2,060	222	334	356	390	314	444
Wave 10 – February 2013	2,007	191	339	414	360	321	382
Wave 9 – September 2012	2,051	178	357	444	377	332	363
Wave 8 – April-May 2012	2,044	213	335	406	340	307	443
Wave 7 – January 2012	2,016	206	319	427	363	318	383
Wave 6 – October 2011	2,005	162	335	397	341	315	455
Wave 5 – July 2011	2,047	-	-	-	-	-	-
Wave 4 – April 2011	2,052	-	-	-	-	-	-
Wave 3 – January 2011	2,031	-	-	-	-	-	-
Wave 2 – October 2010	2,035	-	-	-	-	-	-
Wave 1 – July 2010	2,008	-	-	-	-	-	-

Appendix 2: Total base sizes for British adults who struggle to make it to payday and base sizes by age group (referenced in figures 8 and 9)

Wave	Total base, n=	Base 18-24, n=	Base 25-34, n=	Base 35-44, n=	Base 45-54, n=	Base 55-64, n=	Base 65+, n=
Wave 16 – March 2015	732	100	144	177	186	73	52
Wave 15 – November 2014	799	101	193	169	205	99	32
Wave 14 – July 2014	790	93	173	192	191	102	39
Wave 13 – February 2014	795	79	189	180	186	104	57
Wave 12 – September 2013	882	112	233	207	179	99	52

www.r3.org.uk

Methodology

ComRes interviewed 2,011 GB adults online between 13th and 15th March 2015. 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

About R3:

R3, the insolvency trade body, represents the UK's insolvency practitioners. R3's full members are all regulated by their recognised professional bodies, they can be licensed insolvency practitioners, solicitors, chartered accountants or certified accountants. They have extensive experience of helping businesses and individuals in financial distress. For more information please contact R3's Communications Manager, Nick Cosgrove on 020 7566 4215 or nick.cosgrove@r3.org.uk