

Personal Debt Snapshot: Wave 17

*Attitudes to insolvency
and the potential
impact of a rise
in interest rates*



October 2015

Foreword

With concern about debt levels declining over the last six months – now standing at the lowest level since the start of 2012 – this Personal Debt Snapshot shows that the recent positive personal finance trends have continued.

Indeed, views on the economy continue to be positive and the overall proportion of those struggling to payday has decreased to its lowest level since the start of 2013.

But the economic horizon has not fully cleared and a note of caution underpins many of the positive statistics in this latest survey – although further surveys will indicate whether this caution represents a trend. Slightly fewer Britons than in March 2015 now expect their economic situation to improve in the near future and the proportion of those struggling to payday due to non-essential spending has risen sharply since then too.

Even as the wider economic picture continues to improve, those already in most financial difficulty will remain most at risk of accumulating unsustainable levels of debt.

The Personal Debt Snapshot has shown that overall the British public is divided as to the impact of a potential rate rise in the next 18 months. In almost equal parts, British adults say an interest rate rise in the next 18 months would make them either financially better off, would make no difference, or would make them worse off. Although similar numbers would be affected, a higher interest rate will have more of an impact on those in debt than it will on those with savings.

For people facing a difficult financial situation, attitudes towards debt and insolvency can often determine where individuals find themselves once their debt situation has overtaken them.

This Personal Debt Snapshot, which looks for the first time at the social stigma and attitudes towards insolvency, has shown that half of British adults (50%) believe the stigma attached to entering an insolvency procedure has fallen over the last decade. However, a similar proportion (48%) of British adults do believe there is now a stigma attached to entering an insolvency procedure.

The idea of ‘stigma’ around entering an insolvency procedure is a real deterrent to people dealing with problem debt so it is very welcome that there appears to be an increasingly non-judgemental attitude to people entering an insolvency procedure.

The perceived fall in stigma is likely linked to the enormous rise in consumer debt and personal insolvencies since the turn of the century. This has made the idea of entering insolvency less unusual, which, in turn, may have made people less reluctant to use an insolvency procedure to deal with unmanageable debts.

However, a fact that should be of concern to policymakers is that only 29% of British adults said they had a ‘good’ understanding of what happens when an individual enters an insolvency procedure.

Financial education around how to deal with debts clearly needs to be improved. It is frustrating when people do not consider the insolvency options available because they are not clear about what is involved. We need to work to break down barriers that deter people from getting the right advice and the right solution for their situation.

Phillip Sykes
R3 President



The Personal Debt Picture

- Men (25%) are more likely than women (20%) to think that their personal financial situation will improve over the next six months.
- Younger generations are also more positive about their financial situation over the next six months, with 31% of 18-24 year olds in this position. This is compared to 15% of the over 65s. However, 18-24 year olds are also most likely to be pessimistic (23%), indicating that attitudes among this group are more polarised than among older age groups.
- 25% of women said they have no savings at all at the moment, compared to 19% of men.
- 4% of British adults say they are currently in some sort of debt management plan, equivalent to approximately 2.1 million British adults. This is in line with the previous survey (5% in March 2015).
- 2% of British adults say that they have taken out a payday loan in the last six months – maintaining the record low seen in the last survey (previous low: 3% in February 2013).
- 6% of British adults say they are likely to take out a payday loan in the next six months, in line with the previous survey (8%).

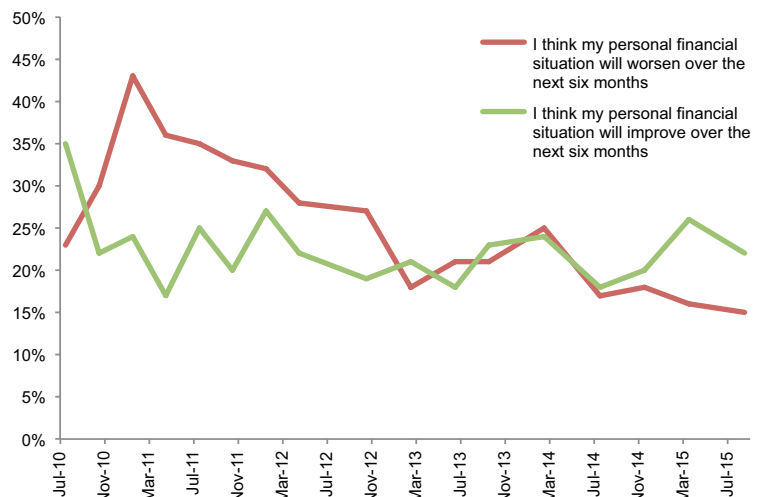


Figure 1 – Personal Finance Optimism and Pessimism of British adults.

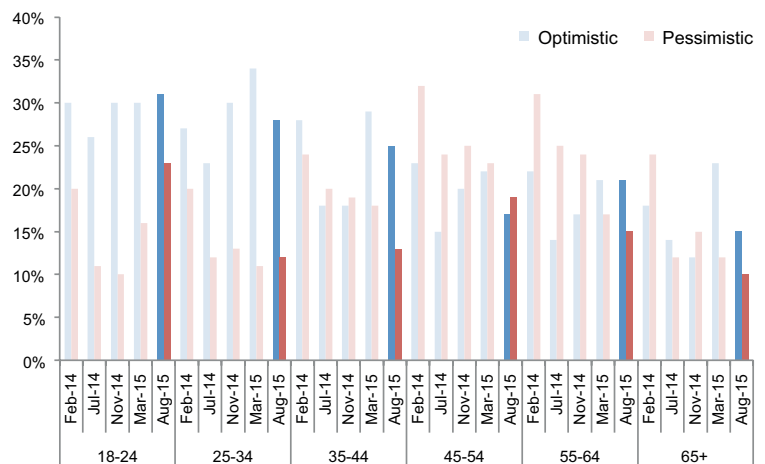


Figure 2 – Personal Finance Optimism and Pessimism of British adults, by age.

Debt Worries

- Well over half (59%) of British adults are not at all worried about their current levels of debt, an increase from 54% in the previous survey.
- Two-in-five British adults (41%) say that they are at least fairly worried about their current level of debt. Debt worries have lessened since the last survey in March 2015 (46%) and are at their lowest level since January 2012 (39%).
- Women (43%) continue to be more likely than men (38%) to say that they are worried about their current level of debt. However, this gap has narrowed (50% vs. 42% in March).
- Younger Britons are also more likely than older Britons to be worried. More than half of 18-44 year-olds (53%) say they are worried, compared to a third of 55-64 year-olds (32%) and one-in-five of those aged 65+ (20%).

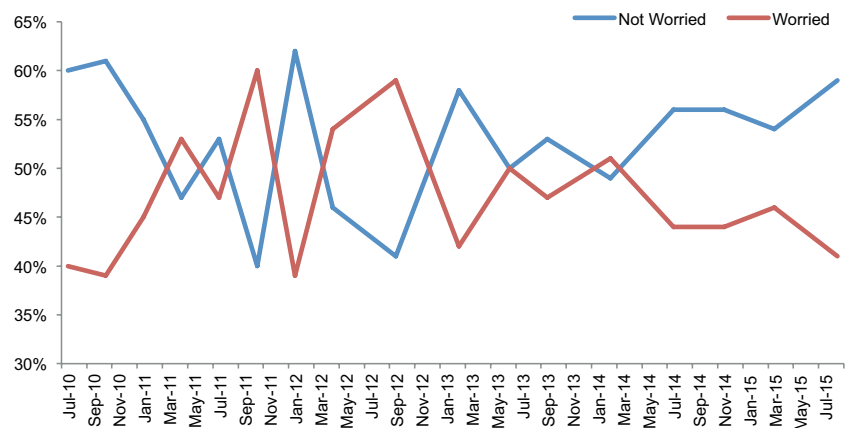


Figure 3 – Proportion of British adults worried about their current level of debt.

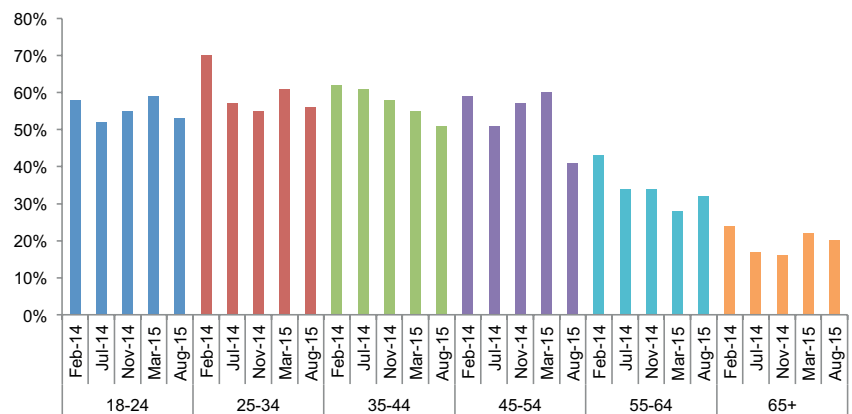


Figure 4 – Proportion of British adults worried about their current level of debt, by age.

Type of Debt

- Credit card debt (46%) remains the primary cause of concern among those who say that they are at least fairly worried about their current levels of debt. Credit card debt concerns have remained stable since November 2014 (47%).
- A quarter (24%) of Britons who are worried about debt say they are worried about overdrafts, and one-in-five (19%) say the same about mortgage repayments.
- One-in-seven are worried about bank loans (15%) and one in eight about loans from friends or family (12%), in line with findings from previous surveys.
- Less than one in ten are worried about rent arrears (6%), payday loans (6%) or tax due to HMRC (6%). Only 3% are worried about debts relating to guarantor loans.
- Younger people are more likely than older Britons to be worried about overdraft debt. Three-in-ten 18-24 year-olds who say that they are at least fairly worried about their current levels of debt (31%) say they are worried about an overdraft, compared to one-in-seven of those aged 65+ who are worried (14%).
- Worries about student loan debt have reached an all-time peak, with one-in-six Britons who are worried about their current level of debt (17%) now saying that they are worried about this form of debt. This is almost twice as high as in November 2014 (9%).
- More than half of 18-24 year-olds who are worried about their current level of debt (56%) now say they are worried about student loan debt, compared to 42% in March 2015 and 32% in November 2014.



Struggle to Payday

- Less than two-in-five British adults (38%) say that they often or sometimes struggle to make it to payday, the lowest figure since January 2013 (38%).
- Women are more likely to struggle to payday, with 42% saying they often or sometimes struggle, compared to 34% of men.
- Debt concerns and struggling to payday appear to go hand in hand, with more than three quarters of those who are extremely worried (76%) or very worried (79%) about their current level of debt also saying that they often or sometimes struggle to payday, compared to a fifth (19%) of those who are not at all worried about their current level of debt.
- Of those who often or sometimes struggle to payday, 25% struggle as a result of spending on going out or on non-essentials.
- 53% of those in either full or part-time work often or sometimes struggle to payday.
- 25-34 year olds (58%) are most likely to often or sometimes struggle to payday.

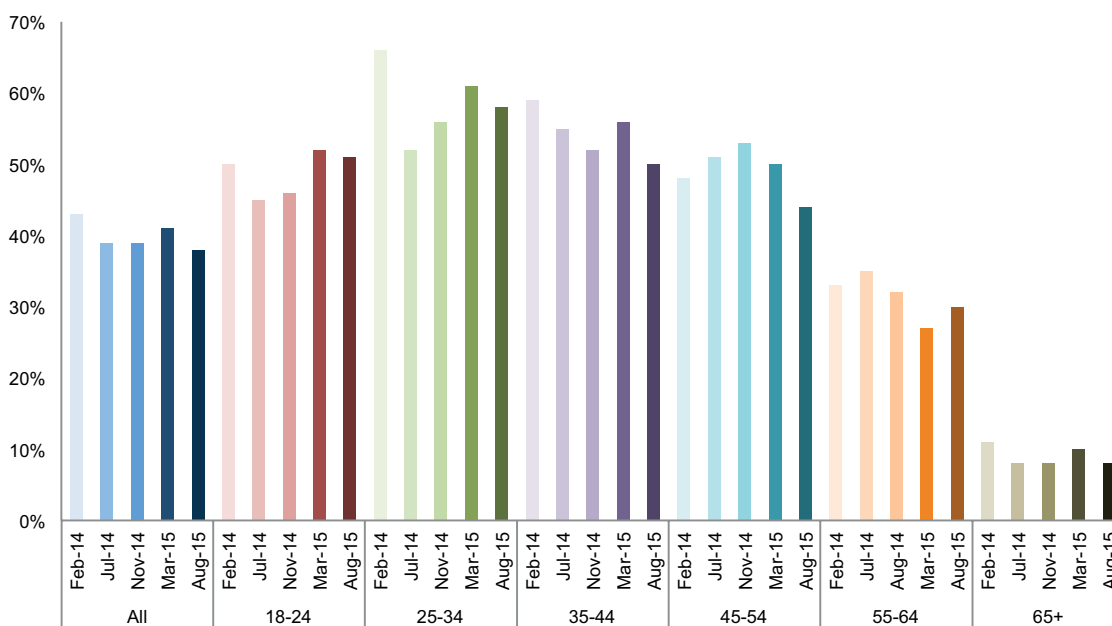


Figure 5 – Struggle to payday by age.

Attitudes to Insolvency

- Only three-in-ten Britons (29%) agree that they have a good understanding of what happens when an individual enters into an insolvency procedure.
- Those who are extremely worried (40%) about their current level of debt are more likely than those who are not at all worried (27%), to agree that they have a good understanding of what happens when an individual enters into an insolvency procedure.
- Half of Britons (48%) agree that there is a social stigma attached to entering an insolvency procedure. However, a similar proportion (50%) agree that this social stigma is less now than it was ten years ago.
- Half of British adults (51%) also agree that entering an insolvency procedure can be an opportunity for a fresh start.
- Slightly more than a third of Britons agree that entering an insolvency procedure is an easy way out from having to repay debts (37%), and the same proportion agree that insolvencies are more likely to occur because of an individual's reckless spending than because of a factor outside of their control, such as job loss (37%).
- 18-24 year-olds are consistently most likely to say that they 'do not know' when answering any of the statements tested.

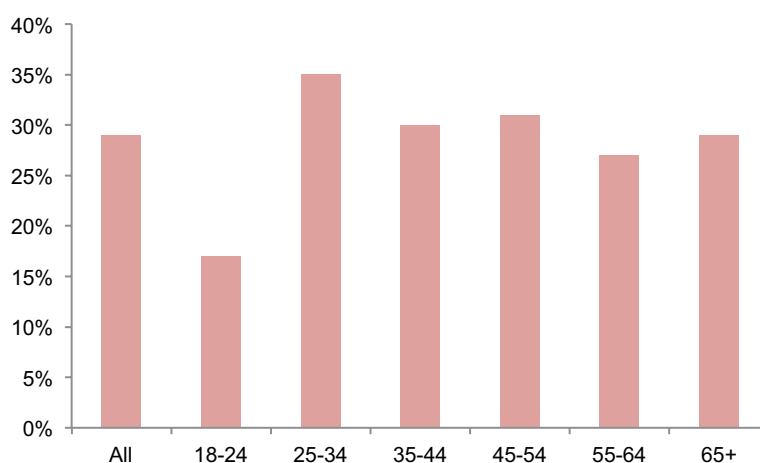


Figure 6 – Proportion of British adults who believe they have a 'good understanding' of how insolvency works, by age.

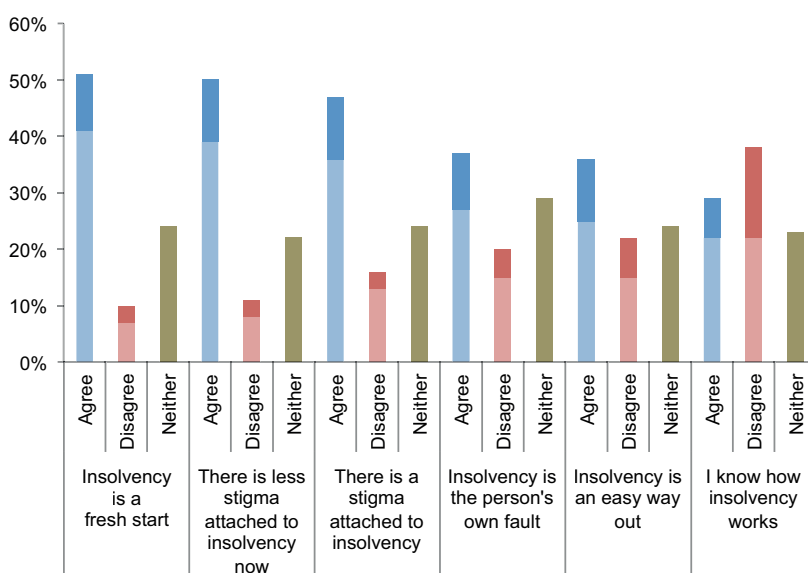


Figure 7 – Proportion of British adults who agree/disagree with the following statements (dark colours = strong agreement/disagreement).

- Older people are the least likely to say there is a social stigma attached to entering an insolvency procedure: only 44% of over-65s believe there is a stigma compared to 52% of those aged 25-34 (the age group most likely to say there is a stigma).
- However, old age groups are the most likely to agree with critical statements about those entering insolvency. 42% of those aged 55-64 and 41% of those aged over 65 believe an insolvency procedure is 'an easy way out' (compared to 33% of 18-24 year olds), while 40% of those aged 55-64 say an insolvency is more likely to have been caused by an individual's reckless spending rather than a factor outside of their control (compared to 30% of 18-24 year olds).
- Older people are more likely than younger people to agree that entering an insolvency procedure can be an opportunity for a fresh start, with three-in-five 55-64 year-olds (59%) saying this, compared to slightly more than a third of 18-24 year-olds (36%).

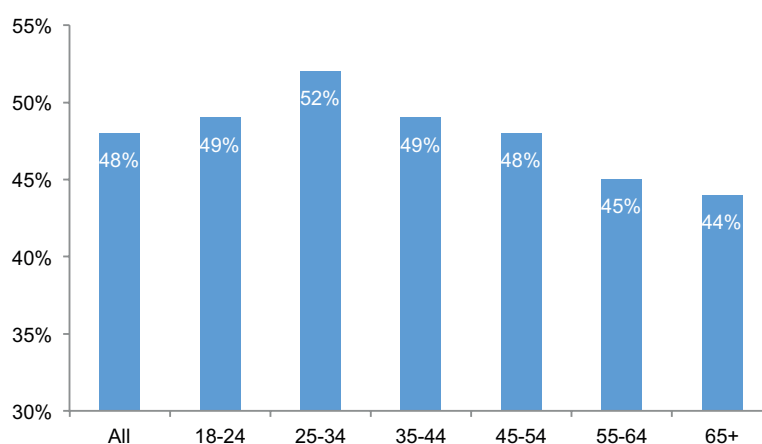


Figure 8 – Proportion of British adults who believe there is a stigma attached to entering an insolvency procedure, by age.

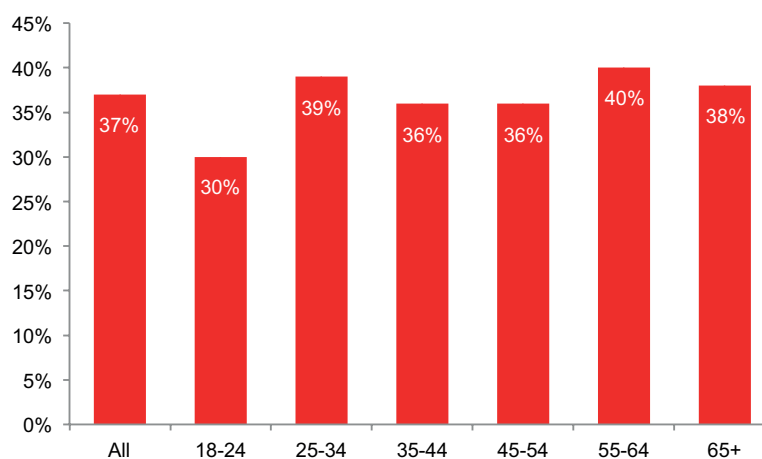


Figure 9 – Proportion of British adults who believe insolvency is caused by reckless spending rather than other factors, by age.

Potential Impact of a Rise in Interest Rates

- When considering the impact of a potential interest rate rise of one percentage point or more in the next 18 months, the British public is divided over whether their financial situation would be better or worse. Respectively, three-in-ten Britons say that they think their financial situation would be better off (31%), unchanged (31%) or worse off (28%). 10% say they do not know.
- Older people are most likely to say that they think they will be better off, with half of 65+ year-olds (50%) saying this, compared to only one-in-six 35-44 year-olds (16%).
- Those who are not at all worried about their current level of debt (42%) are more likely than those who are extremely worried (11%) to think that their financial situation will be better.

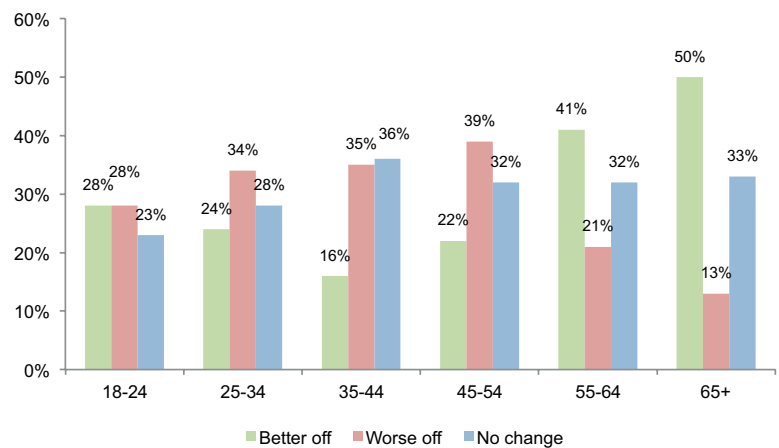


Figure 10 – British adults by age and expected impact of an interest rate rise.

The table below shows the individual base sizes for all British adults as well as the relevant age groups in previous waves of research.

Appendix 1: Total base sizes and base sizes by age group (referenced in figures 1-10)

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 17 – August 2015	2,047	207	326	315	396	303	500
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	-	-	-	-	-	-
Wave 11 – May-June 2013	2,060	-	-	-	-	-	-
Wave 10 – February 2013	2,007	-	-	-	-	-	-
Wave 9 – September 2012	2,051	-	-	-	-	-	-
Wave 8 – April-May 2012	2,044	-	-	-	-	-	-
Wave 7 – January 2012	2,016	-	-	-	-	-	-
Wave 6 – October 2011	2,005	-	-	-	-	-	-
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	-	-	-	-	-	-

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Methodology

ComRes interviewed 2,047 GB adults online between 21st and 23rd August 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**

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