

R3 Personal Debt Snapshot: A fifth of British adults would find it difficult to pay immediately an unexpected bill of £20 without external assistance (October 2018)

Research by insolvency trade body R3 has found that a fifth (**20%**) of British adults would find it somewhat difficult, very difficult or impossible to immediately pay an unexpected bill for an amount as little as £20, without assistance from an external source.

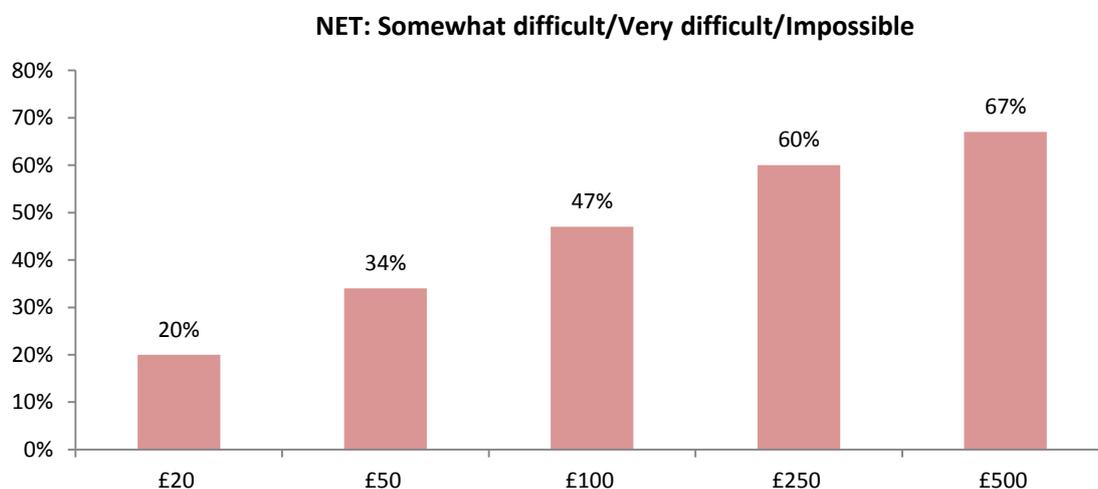
Key findings

The research, carried out by ComRes on behalf of R3, surveyed over 2,000 British adults in April 2018 to give an insight into the current financial position of Britain's personal finances. The survey found that **6%** of British adults said they would find it 'very difficult' or 'impossible' to immediately pay an unexpected £20 bill without external assistance, while another **14%** said that doing so would be 'somewhat difficult'.

Dealing with unexpected bills

- A third (**34%**) of British adults said they would find it at least somewhat difficult to pay an unexpected £50 bill.
- **47%** said the same about a £100 bill, **60%** said the same about a £250 bill, while **67%** said this would be the case for a £500 bill.
- Half (**52%**) of British adults would find it very difficult or impossible to immediately pay an unexpected £500 bill.
- Half (**51%**) of renters would find it very difficult or impossible to pay immediately an unexpected bill of £100 without assistance from an external source, over three times the proportion of homeowners (**16%**) who said the same thing.
- Women (**32%**) were significantly more likely than men (**23%**) to say it would be very difficult or impossible for them to immediately pay an unexpected bill of £100 without external assistance. Women are also significantly more likely to say the same for any other amounts tested: £20 (**7%** women vs. **4%** men); £50 (**19%** vs. **13%**); £250 (**47%** vs. **36%**), and £500 (**60%** vs. **45%**).
- Those aged 35-44 were most likely to say they would struggle to immediately pay an unexpected bill for £100 without external assistance, with more than two in five (**44%**) saying it would be very difficult or impossible for them, followed by those aged 25-34 (**38%**). In comparison, just **15%** of people aged 55+ said the same.

Q6: Without assistance from an external source (e.g. friends, family, a financial institution), how difficult, if at all, would you find it to pay immediately an unexpected bill for the following amount?



Source: R3/ComRes; Base: All respondents (n=2042)

Wider personal financial distress findings

- Approaching two in five British adults say that they are worried about their current level of debt (37%).
- Almost half of British adults who are worried about their current level of debt say they are worried about their credit card debt (48%), in line with April 2018 (49%), with the next highest proportion worried about bank loans (18%), followed by an overdraft (17%).
- One in five British adults (21%) say that they do not have any savings at all at the moment, although they are more likely to think their personal financial situation will improve over the next six months (21%) than worsen (16%).
- Almost two in five British adults (37%) say they often or sometimes struggle to make it to payday – a 3 percentage point increase since the last wave (34%).
- The cost of food remains the most common reason for struggling leading up to pay day (50%), followed by household energy costs (37%).

R3 Commentary



Stuart Frith, President of R3, said: “The research is more evidence of financial precariousness in Britain, and a worrying sign that many people do not have any kind of financial cushion to fall back on if needed.

“Many people are one unexpected bill away from losing financial stability. A missed payment for a relatively small amount can be the trigger for an escalation in debt that soon becomes impossible to juggle.

“Unexpected bills for these amounts aren’t uncommon: £20 for a school uniform, £50 for a train ticket to visit a sick relative, £100 for a new washing machine motor, £250 for car servicing or repair, or £500 for a boiler repair or replacement.

“When bills like these become too much, people in debt might discover another unexpected and unaffordable bill: it costs £680 in government fees to enter bankruptcy. This kind of artificial barrier to an insolvency procedure makes it harder for people to resolve their debts and rehabilitate themselves financially. The Government must look at how to make bankruptcy more accessible.”

Stuart Frith added: “The differences between homeowners and renters, men and women, and those in varied age brackets show that the picture is far from homogenous. Sadly but unsurprisingly, people in more financially insecure situations are the most at risk of having their situations deteriorate due to a single unexpected bill.

“Although it has slowed recently, the rate of growth of consumer credit has continued to rise, and the consumer debt burden is approaching levels last seen just before the global financial crisis. Borrowers who are just skating by may be caught out by future interest rate rises, making the cost of servicing their debt just that little bit too high – our research shows that a small but significant number of people would be hard-pressed to find even an extra £20.

“With consumer spending underpinning much of the UK’s economy, and with consumer confidence strongly linked to levels of disposable income, the economic impact of low levels of savings and people’s vulnerability to financial shocks could be severe.

About R3: R3 is the trade association for the UK’s insolvency, restructuring, advisory, and turnaround professionals. From senior partners at global accountancy and legal firms to practitioners who run their own small and microbusinesses, our members have extensive experience of helping businesses and individuals in financial distress. If you have any queries, or would like a meeting to discuss insolvency trends in the UK please contact R3’s Policy Executive, Mira Lodhia, on 020 7566 4202 or mira.lodhia@r3.org.uk

ComRes surveyed 2,042 members of the GB general public online between the 17th and 18th of October 2018. Data were weighted to be representative of GB adults aged 18+ by age, gender, region and socio-economic grade.