

Household finances in worst state since pandemic

New research shows middle-class families balancing on cliff edge

After years of high inflation, traditionally affluent areas populated by middle-income families have seen the biggest erosion of their financial security.

Households in the UK are:

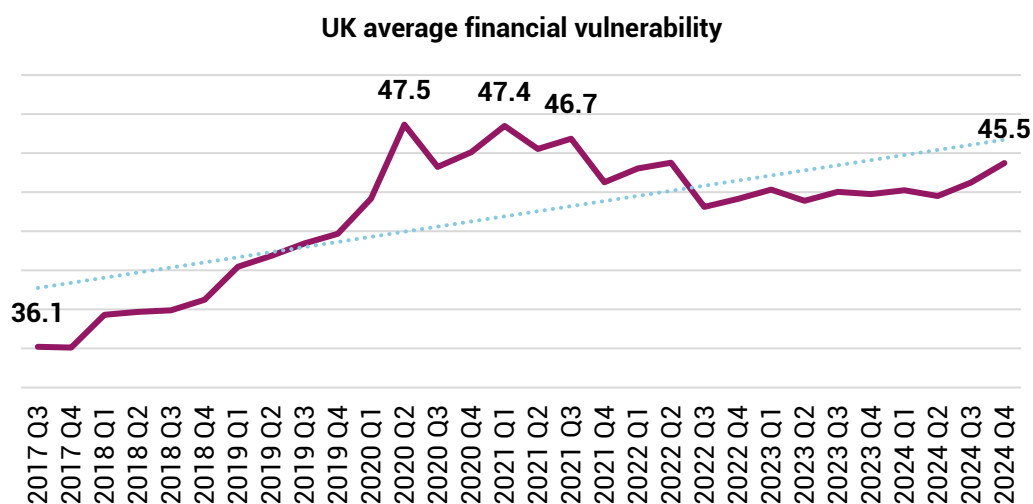
- **Using up their savings:** 6 in 10 lack sufficient savings and more than a third have less than £1,000 in emergency savings – the highest figure recorded.
- **Relying more on riskier forms of credit:** For the first time, over 1 in 10 households are using alternative financial products like payday loans and buy-now-pay-later schemes.
- **Feeling worse off:** 74% experienced no improvement in their personal financial situation in the last 12 months.
- **Pessimistic about the future:** 69% expect no improvement in their personal financial situation in the next 12 months.

The research was undertaken by Lowell and Opinium to explore the financial health of households across the UK as part of the [Financial Vulnerability Index](#).

John Pears, UK CEO of Lowell, said: "It's been five years since the first stay-at-home order was issued but, as a country, we've never recovered financially. Vulnerability is approaching pandemic peaks again and, given the broader economic environment, this is only likely to get worse.

"Nearly all our indicators are in the red. Arrears are up. Savings are being eroded. Reliance on social benefits is increasing. These are all issues that have been bubbling away under the surface and are now coming to a head – and it's not just the poorest who are struggling. Families in some of the most affluent neighbourhoods in the UK have seen their safety net fall away and are now exposed to income shocks. Layer on top of this rising bills across the board, and we have a population teetering on the edge.

"It's important, now more than ever, to tackle the root causes of problem debt to prevent more people and families from going over the cliff edge. This must be a joint effort between our industry – on the frontline of debt – and policymakers."



Middle-class families dragged into financial vulnerability

- Increasing numbers of middle-class families are defaulting on debt repayments as traditional safety nets like stable incomes and access to savings fall away.
- In areas with above average household income, the proportion without emergency savings has increased by 3% to 57.3%.
- Middle-class families are increasingly relying on credit, with above-average income constituencies seeing credit use rise 0.6% to 52.4%.
- Nearly two in five (38%) with a household income over £60,000 have insufficient emergency savings, with almost one in twenty having no savings at all.

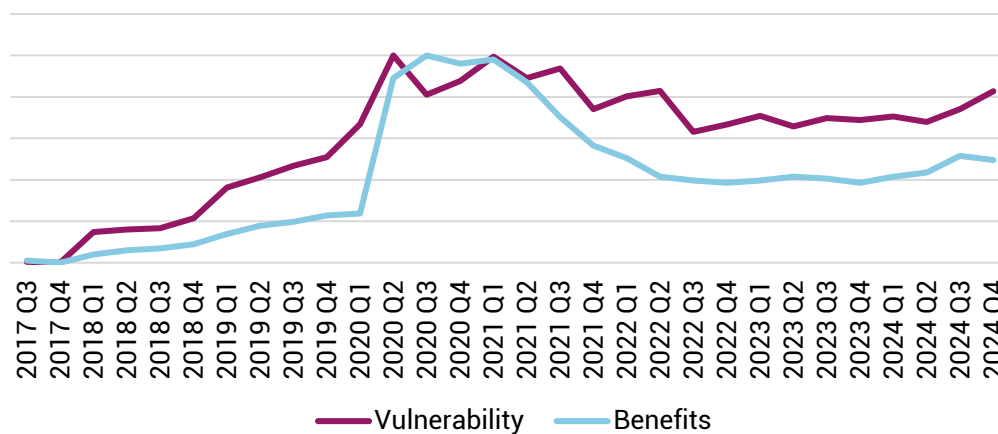
The poor are getting poorer as existing vulnerabilities intensify

- Over a third (36.9%) of constituencies that experienced a decline in financial health were already highly vulnerable, suggesting existing vulnerabilities are intensifying – e.g., Luton North, Clacton, Hemel Hempstead and South West Hertfordshire.
- Driven primarily by rising arrears (+2.7%), growing number of benefits claimants (+1.1%) and erosion of emergency savings.
- Many of these constituencies have long faced economic hardship, including high levels of deprivation and below average household incomes.

Growing dependence on benefits among the poorest

- Many areas seeing the sharpest rise in benefits claimants are already struggling with high financial vulnerability – e.g., Birmingham (+5.5% at 26.2% of population) and Bradford (+4.1% at 19.7% of population).

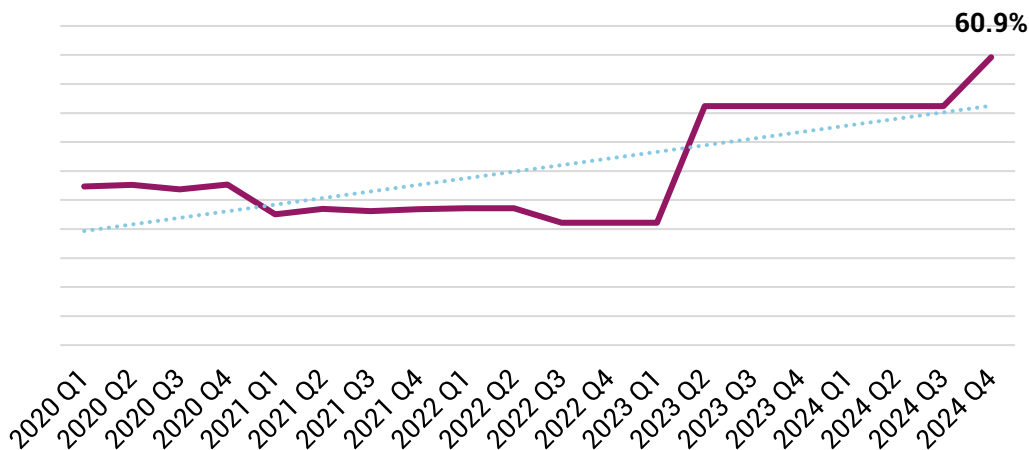
Correlation between financial vulnerability and benefits usage in the UK



Savings depletion as people strapped for cash

- Three in five (61%) UK adults are without sufficient savings (less than £5,000).
- 1.7% increase on 2023 and the highest figure recorded since 2017.
- 26% have less than £1,000 and 15% have no emergency savings at all.
- An indicator of further problems to come as more people using their savings for some form of outgoings or expenses.

Share of UK adults with less than £5,000 in emergency savings



The full report can be accessed [here](#).

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Notes to editors:

About the Financial Vulnerability Index

The Financial Vulnerability Index is a powerful tool designed to measure and monitor financial resilience both nationally and locally across the UK. Developed by Lowell in partnership with Opinium, the Index combines Lowell's Customer data with publicly available metrics to provide this one-of-a-kind view of financial resilience.

The tool enables policymakers, local authorities and other key stakeholders to gain deep insights into the financial wellbeing of their communities, helping them make informed decisions to enhance financial resilience. Users can access detailed Financial Vulnerability Index scores, along with their key components, for any county or parliamentary constituency, with quarterly data available since 2017.

The Index looks at the key measures including Customers in default, those in late arrears, average credit use, those using alternative financial products and households without emergency savings. Over 8 million records are analysed to provide key insights.

About Lowell

Lowell is one of Europe's largest credit management companies with a mission to make credit work better for all: clients, customers and communities and a commitment to fair and ethical customer practices. It operates in the UK, DACH and the Nordic regions and employs over 3,600 people.

For more information on Lowell, please visit our investor website: www.lowell.com

About Opinium

Founded in 2007 OPINIUM is an award-winning strategic insight agency built on the belief that in a world of uncertainty and complexity, success depends on the ability to stay on pulse of what people think, feel and do. Opinium works collaboratively with clients to design and implement research

which delivers tangible impact for clients across the government, political, and public affairs space, as well as a range of other sectors.

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