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Borrowers in Financial Difficulty

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Executive Summary

This report presents the insights from our research into borrowers in financial difficulty. It shares the views and experiences collected in 7 expert interviews with representatives of consumer support and advice organisations, 48 in-depth interviews with borrowers in financial difficulty, and the findings of a survey of 2,969 UK borrowers in financial difficulty. The fieldwork was undertaken between October 2021 and March 2022.

Defining financial difficulty

When we talk about financial difficulty in this research, we are referring to consumers who have one or more credit or mortgage products, provided by a firm regulated by the Financial Conduct Authority (FCA) and who have missed any payments, find bills a heavy burden, sought debt advice, or borrowed on one loan specifically to make payments on another. We deliberately took a broader definition of financial difficulty than commonly used when looking at financial distress. This ensured that people who were on the cusp of missing their payments were included, to give a wider view of the perspectives of borrowers in financial difficulty.

Findings apply to both current and future challenges

While the timing of the research means that borrowers' most recent experiences with financial difficulty are in the context of the COVID-19 pandemic, this research was developed to capture needs, behaviours and experiences beyond this period. Giving the timing of its inception, the research was not designed to gather any specific insights of the cost of living crisis. However, insofar as it is about borrowers in financial difficulty it will have relevant insights.

Credit matters greatly

Credit matters greatly for consumers, allowing them to better manage their money, smooth the cost of goods, and help them cope in tough times. However, borrowing also brings with it the risk of harm. Changes in household circumstances including the impact of increases in the cost of living can mean that some borrowers will find it harder to pay off their debts. If borrowers get into financial difficulty, they will need support from their lenders and may also need debt advice. Ensuring that borrowers get the right help and support they need when they get into financial difficulty, is a key priority for the FCA.

Financial situation of borrowers in financial difficulty

This research found that borrowers in financial difficulty owed on average £8,970 across all regulated credit products (excluding any mortgage debt), with amounts owed generally increasing in line with increasing household income.

Over half of these borrowers have suffered a negative life event through no fault of their own and were facing financial difficulties as a result. Additionally, a significant proportion also had physical or mental health issues, which needed to be taken into consideration when seeking support on their financial difficulties

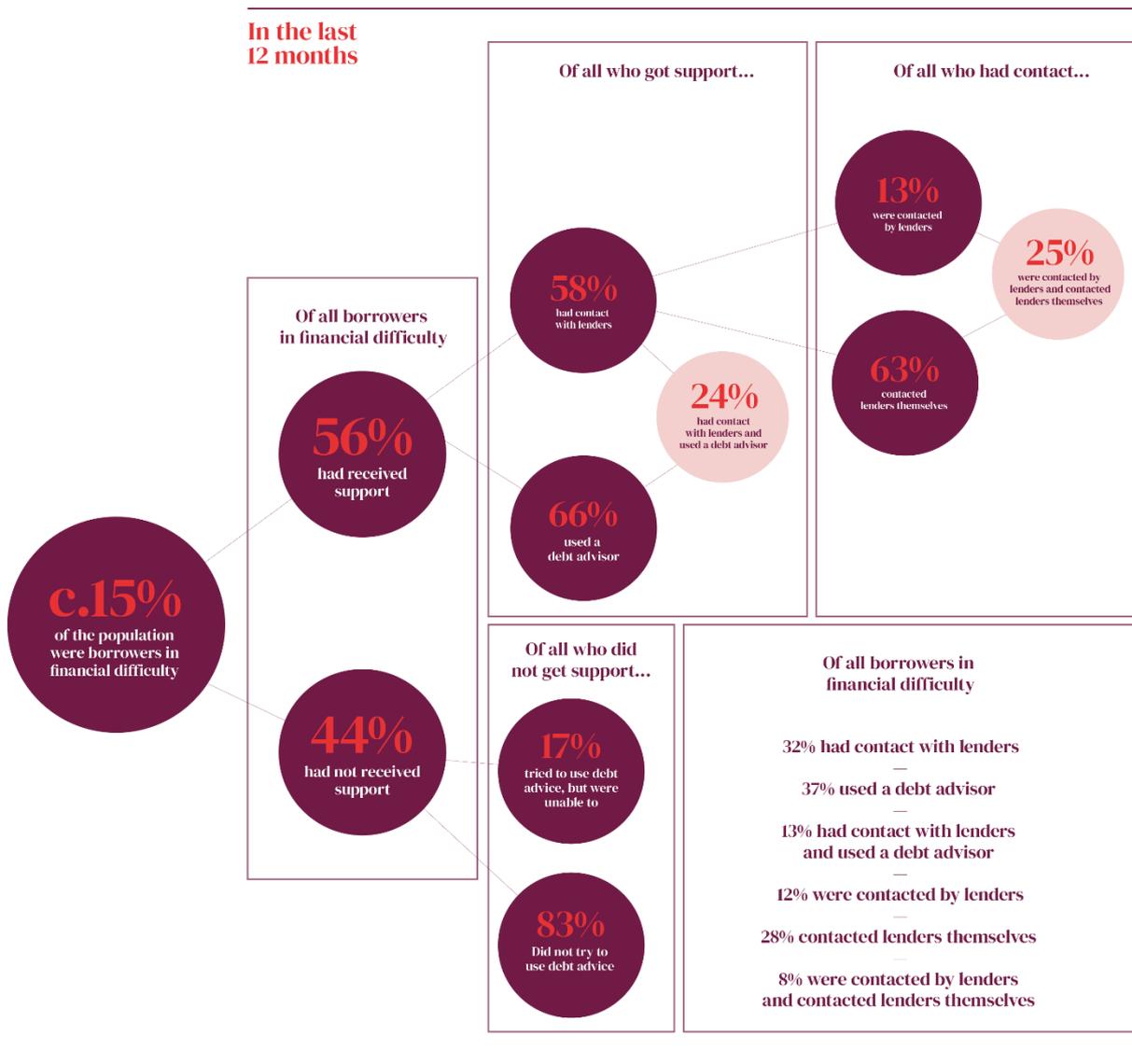
The majority of borrowers in financial distress, (59%), had missed one or more payments on credit products (including mortgages) in the last six months. While we found there are a range of reasons why borrowers miss payments, there tended to be some prioritisation of what to pay. There is some evidence of borrowers in

financial difficulty prioritising payments for housing, car finance, mobile phones, and any debts with family members.

Actions taken when in financial difficulty

Figure ES1 shows the breakdown of borrowers in financial difficulty in terms of how many received support from lenders or debt advisers in the 12 months prior to the survey, which highlights the different approach taken by individual borrowers in financial distress with different lenders. The key findings for each area are summarised below.

Figure ES1: A summary of borrowers in financial difficulty routes to support



Over half of borrowers in financial distress had received support – either from lenders, debt advisers or both.

Contact with lenders

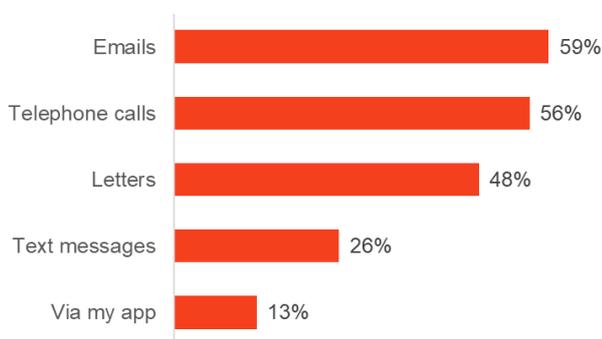
In total, only 32% of the total sample of borrowers in financial difficulty recalled having any contact with one or more of their lenders to discuss their financial challenges, which, if extrapolated, equates to approximately 2.5 million adults across the UK. Among all borrowers in financial difficulty 12% recall being contacted by one or more lenders, 28% proactively contacted one or more of their lenders to discuss their financial difficulties, and 8% did both with different lenders.

Overall, 13% of borrowers in financial difficulty proactively engaged with their one or more of their lenders without having had any other form of lender contact, from any of their lenders, to prompt them into action. This form of contact was highest among those contacting regarding mortgages (21%), personal loans (18%) and high-cost cash loans (17%)

It is not clear from these results the extent to which lenders are adhering to regulatory requirements regarding making contact when payments are missed, and to what extent borrowers in financial difficulty do not recall being contacted by any of their lenders. However, recall of lender contact was higher among those who had missed any repayments compared to those who had not – 36% compared to 27%.

When contacted by their lender, borrowers in financial difficulty typically recalled being contacted through multiple channels, with email and telephone used most frequently:

Figure ES2: contact methods used by lenders when contacting borrowers in financial difficulty



CL2. In which of the following ways did your lender contact you or try to contact you? Base: Those whose lender contacted or tried to contact (925)

Of those borrowers in financial difficulty who contacted one or more of their lenders proactively, the majority did so by telephone (66%). Telephone was often the initial starting point for contact as it was perceived to be immediate, more human and easier to discuss complex situations, whereas online contact methods were generally preferred when seeking specific information or when dealing with more straight-forward issues.

The point at which borrowers in financial difficulty contacted their lenders proactively to discuss their financial difficulties varied hugely. However, many were likely to have reached crisis point before contacting their lender themselves, and with hindsight wish they had got in touch sooner. The likelihood to contact increased in line with the number of credit products held and level of debt, suggesting that borrowers in financial difficulty were waiting until problems escalated before getting in touch. Half of those with five or more credit products (50%) and two-fifths of those who owed more than £15,000 (38%) had contacted their lender about their difficulties with payments generally.

Of all borrowers in financial difficulty who spoke to their lender about their financial difficulties:

- **52% recalled being asked about their financial circumstances,**
- **44% recall being asked about their personal circumstances,**
- **49% recall being asked how much they could afford to pay and**
- **41% recall being asked why they couldn't afford to pay.**

The majority (60%) of those borrowers in financial difficulty who had contact with their lender were positive about their overall experience. However, this was not universal, with 39% either negative, or indifferent about their experiences. This was often based on the perceived capability of the individuals they spoke to at the lender, with greater positivity from these experiences where participants spoke to staff who appeared to be specialists in dealing with customers in vulnerable circumstances.

Of those borrowers in financial difficulty who had contact with their lender, fewer than half agreed that they felt their overall financial position had improved since the contact (43%). For those borrowers with an overdraft, 33% said that it was reduced or withdrawn because of having contact with their lender, but only just over half of these said that they recall the impact of the removal of the overdraft being discussed with them by their lender before it was withdrawn.

The research highlighted consumer views on how lenders should improve the experience of making contact when in financial difficulty. These were:

- 1. ensuring all staff deal with customers with empathy and sympathy;**
- 2. improving consistency with service delivery across the organisation;**
- 3. providing clear information on the impact of making contact on their credit rating;**
- 4. applying the consumer's individual situation in any solutions offered;**
- 5. where a customer has reached out, ensuring appropriate follow-up, and;**
- 6. having a dedicated telephone number, not just a call centre leading to a lengthy wait.**

Barriers to contacting lenders

The research identified a range of barriers which put off borrowers in financial difficulty from contacting lenders, which can be broadly categorised as psychological barriers, negative views of lenders in general, and misconceptions about what the value and impact might be of contacting lenders.

Psychological barriers: of those borrowers in financial difficulty who did not respond when their lender tried to contact them about their difficulties, 42% did not respond because they felt too embarrassed or ashamed. Additionally, some told us they were burying their heads in the sand about their financial situation and contacting lenders would mean having to acknowledge there was a problem.

Negative views of lenders: only 34% of all borrowers in financial difficulty agreed that lenders were approachable and sympathetic to those in difficulty. Similarly, 38% said they were comfortable talking to lenders if there were having trouble making payments, and only 37% would consider their lender to be a trusted source of information about ways to better manage their finances. These findings are key in understanding why many consumers do not want to contact their lenders when they are in difficulty.

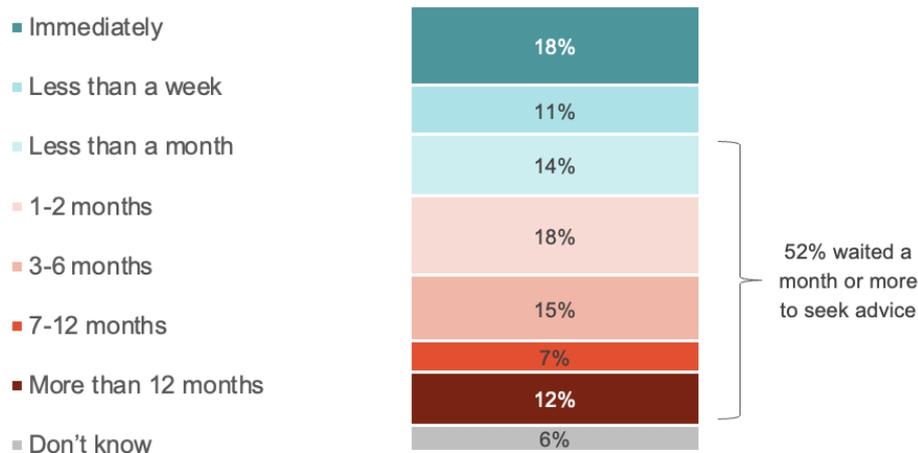
Value/ impact of contacting lenders: there were also some negative perceptions about the potential outcomes of making contact with their lender that impacted the likelihood of borrowers in financial difficulty from doing so. Of all borrowers in financial difficulty who did not respond when their lender tried to contact them about their difficulties:

- 20% did not respond because they felt it wouldn't be any help;
- 18% were worried about losing access to their credit products, and;
- 16% were worried about their credit rating or future access to credit.

The use of debt advice

Just over a third (37%) of the total sample of borrowers in financial difficulty had used or sought debt advice in the past 12 months. Just over half of these did not seek debt advice as soon as they started facing difficulties, as summarised in figure ES3:

Figure ES3 time after first experiencing difficulties before seeking debt advice



*DA6. Roughly, how long did you wait from when you first faced difficulties (such as missing repayments, finding bills a burden) before seeking debt advice?
Base: All respondents who have used or sought debt advice (1,133)*

Of the 52% who waited a month or more to seek help, 53% regretted not seeking this sooner. Respondents highlighted elements of information and support which would have encouraged them to seek debt advice sooner.

The most important areas they identified were:

- information on what debt advice is and how it can help;
- information about how seeking advice affects credit files, and;
- providing help on how to contact a debt adviser.

Of those borrowers in financial difficulty who sought debt advice, 22% pursued a debt management plan which incurred a fee. The most common reasons for paying a fee were a lack of knowledge about free providers, a lack of awareness of the difference between paid and free services, and some fee-paying debt advice seekers were not aware that they would be charged.

Overall, for both free and fee-paying debt advice, the experience was generally positive amongst borrowers in financial difficulty, as:

- 79% agreed that they would recommend debt advice to others in a similar situation;
- 79% felt that the debt advice was communicated in a way that was clear and easy to understand;
- 70% agreed that they found the debt advice more helpful than they expected, and;

- 64% agreed that the advice they received helped them to improve their financial situation.

The research also identified areas where the delivery of both free and fee-paying debt advice could be improved, as:

- **26% of all borrowers in financial difficulty who sought debt advice felt they had to use channels of advice that were not tailored or suited to their needs,**
- **42% felt they had to repeat the same information multiple times, and,**
- **34% needed to have multiple advice sessions to resolve their financial issues.**

Barriers to using debt advice

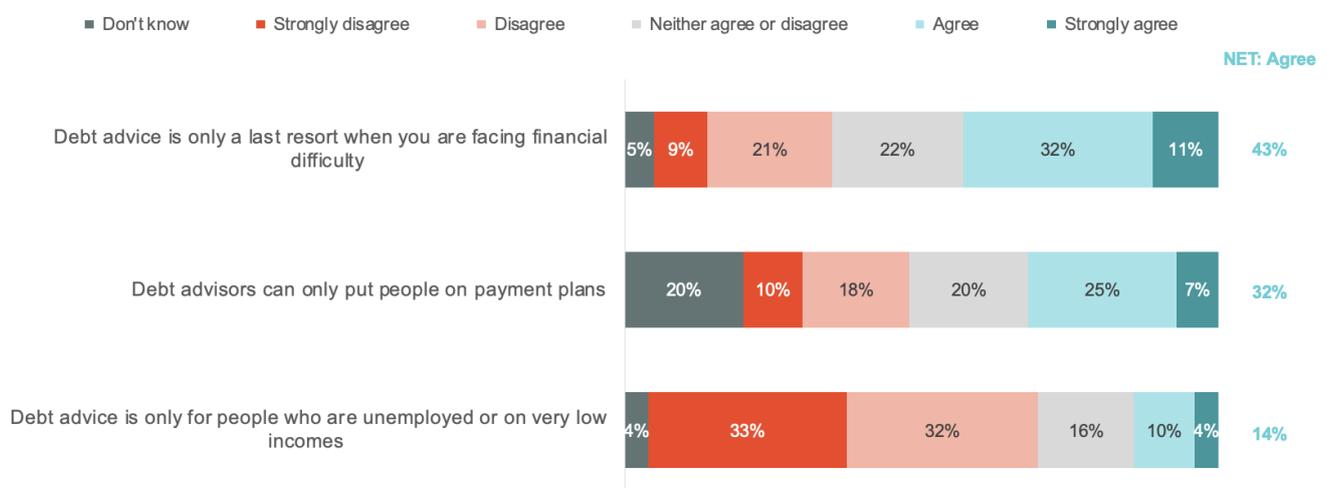
Similar to the barriers to contacting lenders, the main barriers to using debt advice amongst borrowers in financial difficulty relate to a lack of understanding as to who debt advice is for and what it is, as summarised by figure ES4.

There were also factually incorrect views on how seeking debt advice might impact their credit file, as 40% of all borrowers in financial difficulty believed it would have a negative impact; 12% believed it would be significant. There was concern that this would restrict access to other sources of credit they thought they may need to balance their finances.

The lack of awareness of which organisations offered debt advice, and more importantly, exactly what they were able to do to help someone in financial difficulty was also a barrier to seeking debt advice. This was also cited as a common reason for not getting debt advice among the 17% of borrowers in financial difficulty who tried to use debt advice dropped out.

Collectively these findings show a high level of misunderstanding of what debt advice is for and how to access it.

Figure ES4: Perceptions of debt advice



| AK1. Thinking about borrowing and support generally, to what extent do you agree or disagree with the following statements: Base: All respondents (2,947)

Overall conclusions

In commissioning this research, the FCA wanted to better understand the wider experiences of borrowers in financial difficulty. Below we summarise the key findings against each of the specific hypothetical problem statements the FCA wanted to investigate in this research.

- Customers are reluctant to engage early with firms and there is limited support for them before they miss payments.

This research finds evidence that many borrowers in financial difficulty are reluctant to engage early with lenders, driven by their views of lenders, a lack of understanding of what their options are, and their unwillingness to engage with their financial difficulties. Contact with lenders is limited overall and tends to take place after payments have been missed. This research also shows that borrowers often waited until their issues had escalated before seeking support in some form, and some actively ignored contact with lenders along the way. The research findings suggest there is scope for more activity to engage borrowers in financial difficulty, to challenge misconceptions, and explain options open to them.

- Appropriate solutions are not tailored to the customers individual circumstances and the payment difficulties they are facing.

The findings in this research indicate low levels of recall among consumers about being asked about their financial circumstances – with less than half being asked how much they could afford to pay. If this level of recall is accurate, this would suggest lenders are not always collecting the information required to offer appropriate solutions for individual consumers.

- Forbearance works poorly in practice because firms have inadequately trained staff, poor QA, poor automation and / or lack of oversight.

From the borrower's perspective, of those who had contact with lenders two out of five reported negative experiences largely based on their experiences with the staff they spoke to, and fewer than half felt their overall financial position had improved.

- Lenders do not do enough to refer their customers who would benefit from debt advice or support customers in debt advice.

Most participants said they had noticed or knew that debt advice is mentioned at the bottom of letters from lenders and on the telephone when talking to some lenders, but this wasn't a sufficient prompt because they were not in the right frame of mind at the time for reaching out.

- Customers have a poor journey into and through debt advice.

Overall, the experience of debt advice was positive – both in terms of the service they received and the outcomes it achieved. Notably nearly two thirds of those who had sought debt advice said that it had helped them to improve their financial position. However, the experience could be improved through reducing the need to provide the same information multiple times.

While there is evidence of good practice among lenders, and positive outcomes for borrowers in financial difficulty, this research shows there are areas for improvement.

Critical to this is the level of confusion and lack of knowledge about the implications of contacting lenders and seeking debt advice when facing financial difficulty. This was evidenced through numerous elements of the research findings, perhaps most notably by the fact that over half of borrowers in financial difficulty did not have a good understanding of what their options were. We also found that misunderstandings about the impact on their credit file drove potentially harmful behaviours, as 47% of borrowers in financial difficulty mistakenly believed that the simple act of contacting lenders would have an adverse impact on their credit file, and 16% ignored contact from lenders because of this.

Background & Methodology

Background

Credit matters greatly for consumers – allowing them to better manage their money, smooth the cost of goods, and helping them to cope in tough times. However, borrowing also brings with it the risk of harm. Changes in household circumstances including the impacts of increases in the cost of living, can mean that some borrowers will find it harder to pay off their debts. If borrowers get into difficulty, they will need support from their lenders and may also need debt advice. According to the FCA's Financial Lives Survey (FLS)¹, the financial position of three in eight adults (38% of the UK adult population, or 20 million adults) worsened in the first eight months of the COVID-19 pandemic.

FLS provides insight into how many people face financial difficulties, and how many contact their lenders or seek debt advice. What is less understood is what the experience of seeking support is like and what barriers stop borrowers from accessing the support that is available. There is also limited information on how consumers find themselves in financial difficulty.

Therefore, in September 2021, the FCA commissioned Yonder Consulting to conduct both qualitative and quantitative research to better understand the experiences of borrowers in financial difficulty when contacting their lenders or debt advice agencies for support on their difficulties, and the barriers that stop some consumers from seeking support.

The focus of this project is on those borrowers who are in financial difficulty and this report provides a descriptive profile of who these borrowers are. To note, when referring to 'borrowers in financial difficulty' within this report, findings are from the research. Throughout this report we also make occasional reference to some of the findings of the FLS on borrowers as a whole, and the UK adult population. This is to provide context to the findings of this research project. Because of differences in survey methodology we only make broad comparisons and these differences have not been tested for statistical significance.

While the timing of the research means that borrowers' most recent experiences with financial difficulty are in the context of the COVID-19 pandemic and its impacts on the economy, the focus of the research was broader than the recent pandemic, so the approach was developed to capture needs and behaviours and experiences beyond this period.

Giving the timing of its inception, the research was not designed to gather any specific insights of the cost of living crisis. However, insofar as it is about borrowers in financial difficulty it will have relevant insights.

¹The Financial Lives Survey is the FCA's flagship survey of UK consumer attitudes towards managing their money, the financial products they have and their experiences of engaging with financial services firms. More information can be found here: <https://www.fca.org.uk/financial-lives-survey/resources-library>

Approach

The research was conducted in three distinct stages:

Expert interviews	Qualitative interviews with borrowers in financial difficulty	Quantitative survey of borrowers in financial difficulty
<ul style="list-style-type: none">• 7 in-depth interviews conducted with representatives of consumer support and advice organisations.	<ul style="list-style-type: none">• 48 in-depth interviews conducted.• Equal split across types of credit products owned, whether they had contacted their lender, or not, and whether they had used a debt advice service, or not.	<ul style="list-style-type: none">• 2,969 interviews conducted between 24 January and 19 February 2022.• Mixed methodology combining online and telephone interviews.• Data weighted to be representative of borrowers in financial difficulty based on the known profile from FCA's Financial Lives Survey.

Defining financial difficulty

For this study we deliberately took a broader definition of financial difficulty than is commonly used elsewhere.² This was designed to ensure that people who were on the cusp of missing their payments were included in the research.

To be eligible to participate in the research respondents must have:

- currently owned, or have owned in the past 12 months, one or more forms of credit or mortgage from an FCA regulated lender;

AND meet at least one of the following conditions:

- have missed **three or more payments** in the past six months on a bill or to a FCA regulated lender;
- have used/ tried to use a debt advice or a debt management service in the last 12 months;
- have been contacted by/ made contact with a lender or mortgage provider to discuss payment difficulties in the last 12 months;

OR

- have missed **one or two payments** in the past six months on a bill or to a FCA regulated lender **AND** find keeping up with bills and credit commitments a heavy burden;

OR

- in the past 12 months have borrowed on one form of credit specifically to make payments on another **AND** find keeping up with bills and credit commitments a heavy burden.

Following the qualitative stage, this definition was revised to ensure we excluded those showing typical borrower behaviour, which could be misinterpreted as someone in difficulty. For example, consumers moving debt from one credit card to another to simply benefit from a better rate, as opposed to doing so because they could not afford the payments.

² For example by the Money and Pensions Service (see chapter 4 in [here](#))

A breakdown of how respondents qualified for the survey is outlined below, with a relatively equal split between those who missed payments, sought debt advice, had contact with lenders and used credit to pay bills.

Figure B1: Breakdown of how respondents qualified for the survey



S2 Please confirm if you have experienced any of the following: S3. To what extent do you feel that keeping up with your domestic bills and credit commitments is a burden?
Base: All respondents (2947)

Please note, those respondents who only selected 'borrowed on one loan to make payments on another' or 'missed 1 or 2 payments in the last 6 months' at S2 also had to select 'find bills a heavy burden' at S3 to qualify for the survey.

For further details on the background, approach and methodology please see the technical appendix included at the end of this document.

Who are borrowers in financial difficulty?

How many borrowers are in financial difficulty?

FLS shows that as of February 2020, 43.9m (83%) of all UK adults had one or more credit products from an FCA regulated lender, or a residential mortgage.

FLS also shows that in October 2020, 8.3 million adults were over-indebted, up from 7.1 million in February 2020. Of the 6.5 million adults who had missed a payment on any credit commitments on the 6 months up to October, 69% (4.5 million) had missed a payment on some form of credit from an FCA regulated lender, and 51% (3.4m) had missed another type of bill or payment. In addition, in the 6 months up to February 2020, 787k UK adults had missed payments in one or two months.

Further, FLS shows that 3.3% of UK adults (1.7m) used a debt advice or debt management service between March and October 2020. This is similar to the proportion who used debt advice in the 12 months up to February 2020 (3.1%). Among over-indebted adults, the proportions using debt advice in the 12 months to February 2020 and the seven months to October 2020 were, respectively, 16% and 13%.³

From the screening figures for this borrowers in financial difficulty survey we estimate that in the region of c.15% of UK adults were borrowers in financial difficulty, using the definition outlined in the technical appendix of having missed bills, borrowed on one form of credit to pay another, had contact with lenders or sought debt advice. This equated to approximately 7.8m UK adults. However, these figures should be used for guidance only and should not be directly compared with the FLS data above, given different sample composition, qualifying criteria and methodology (please see the technical appendix for more information).

The different types of borrowers in financial difficulty

Borrowers in financial difficulty often have complex experiences meaning it is hard to identify clear pathways to how people have found themselves in financial difficulty. Most participants we spoke to could not recall a clear chronological path for how or when they first got into difficulty with their borrowing or how those difficulties escalated. This research showed that this is often because being in financial difficulty can make people anxious and be an emotive subject, so people tended to push it to one side and try to forget about it.

"It's all a bit of a mishmash in my mind."



Expert view: "Chaos is a much better word [than journey]. It's messy, paper everywhere, there's emotion, there's anger, there's confusion."

³ Financial Lives 2020 survey: the impact of coronavirus 11 February 2021, [page 78 onwards](#)

We saw that people who have experienced major life events such as a cancer diagnosis, losing their job, divorce or who suffer from poor mental health found it particularly difficult to describe how they got into financial difficulty. Overall 56% of borrowers in financial difficulty had experienced a negative life event in the preceding 12 months, compared to 29% of the population as a whole as of October 2020⁴. These personal issues were often cited as reasons why borrowers in financial difficulty didn't contact lenders or reach out for support with their financial situation, as they felt very overwhelmed if anyone asked for any information from them.

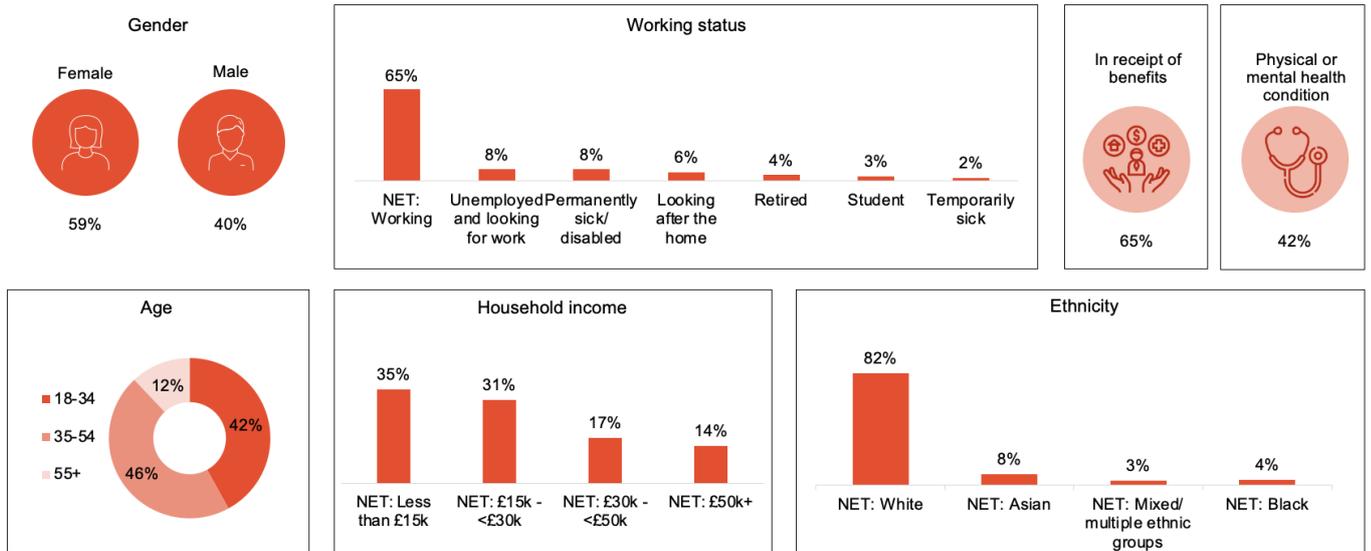
Looking at the different socio-demographics of borrowers in financial difficulty and making broad comparisons with the overall population of borrowers (using results from the FLS), shows that:

- While the FLS shows that similar proportions of men and women have any type of credit or mortgage from an FCA regulated lender, borrowers in financial difficulty were more likely to be female (59%) than male (40%);
- Borrowers in financial difficulty had a younger age profile than borrowers as whole – 42% of borrowers in financial difficulty were aged between 18-34 compared to 27% of all borrowers;
- A higher proportion of borrowers in financial difficulty had low household incomes – a third lived in households with incomes of less than £15,000 (35%), close to half lived in households with incomes between £15,000 to £50,000 (48%) and 14% lived in households with an income of £50,000 or more. This compares to 14%, 48% and 38% respectively for all borrowers. Reflecting these lower incomes, two-thirds of borrowers in financial difficulty were also in receipt of benefits (65%);
- Two-in-five experienced a physical or mental health condition (42%), compared to around 5% of all borrowers.

There were no broad differences between borrowers in financial difficulty and borrowers as a whole in terms of ethnicity or working status.

⁴ Financial Lives 2020 survey: the impact of coronavirus 11 February 2021, [page 68](#)

Figure 1: A summary of the profile of borrowers in financial difficulty



Profiling
Base: respondents (2,947)

From both the consumer and expert interviews, we found that borrowers in financial difficulty, as defined for this study, can be classified into three broad groups based on their overall financial circumstances:

1. Using credit and have debt, but feel they are managing
2. Middle incomes who appear to be living a relatively comfortable, mainstream lifestyle
3. Low incomes who are struggling to make ends meet

An overview of these three groups of borrowers in financial difficulty is outlined below, alongside case studies illustrating individual borrowers' circumstances that led them to miss payments, use credit to pay bills, or contact lenders or seek debt advice.

1. Using credit and have debt, but feel they are managing

This group of people tended to be middle to high income earners and juggled multiple credit products such as credit cards, mortgages, personal loans and car finance. As already outlined, close to half of borrowers in financial difficulty had household incomes of between £15,000 and £50,000 (48%) and more than one-in-ten seemed to be comfortable earning more than £50,000 (14%). These income groups are the consumers who were likely to make up this group of borrowers in financial difficulty.

So far, most had not yet missed any payments because they could not afford to, but typically qualified for the research due to having missed the occasional payment due to an administrative error or having had recent contact with their lender to take advantage of the payment holiday/ COVID-19 schemes to ease the burden of paying bills. For some, despite not missing any payments so far, felt they were on the cusp of financial difficulty which is why they took advantage of the COVID-19 financial support.

They were more than likely to have ISAs and other savings to help them should they face financial difficulty. Most felt they were in control and on top of their finances, and any perceived financial difficulties would be short term rather than a long-term problem.

Most felt debt advice is something for other people/ not for them as they felt in control of their finances and perceived debt advice as for people who are in 'serious' debt.



Expert view: The group of people who use 'credit and have debt but feel they are managing' and are on the cusp of financial difficulty, is likely to grow in 2022 as we see the effects of COVID-19 support packages being withdrawn.

Case Study: Using credit and have debt, but feel they are managing



A bit about me....

My name is Tony, and I am 57 years old and live in London and work in the public sector. I have recently bought a new house that I also need to furnish.

My financial situation is...

Normally I feel I am financially comfortable but at the moment there is pressure on my finances as I have just moved into a new house which has cost more than expected with the need to buy new furniture and furnishings and on top of that there was the cost of the actual move too.

But also, over time I've built up a large balance on my credit card, taken out short-term credit and other purchasing agreements and feel I am just at the point where I'm struggling to stay on top of payments. I've also noticed that I'm reaching out the limit of my overdraft every month and there is a chance I could run into trouble in the next 6 months.

I missed one payment on a credit card by mistake but was able to pay off the amount as soon as it was explained to me why it happened. There was also a missed annual fee that I didn't realise I needed to pay on top of my monthly payment. Apart from that mishap, I generally feel on top of my credit products such as credit cards and monthly car lease payments.

If I do run into trouble later down the line, then I will first liquidate my savings (stocks and shares ISA) but would consider taking a personal loan to consolidate all my debts. Taking out a personal loan feels like a slippery slope so is not something I'm thinking about at this moment but if I do I feel confident to sort myself. I would look at Experian credit ratings to find lenders with the best rates, look into Money Saving Expert and I might speak to my own bank who I have my mortgage with.

How do you feel about your financial future?

I think the next 12 months will be difficult with tax increases; rising costs of food and energy and is something that I just need to get through. But I'll do this without needing to speak to lenders or seek advice because I have reserves with my ISA which I could use if I need to. But I think I'll look to streamline my outgoings by not having my second car or looking at seeking better deals with utilities and internet providers, and I might review subscriptions.

"If it gets to the point where I've exhausted my overdraft, and also I'm not managing to meet my payments, then I'll liquidate my savings."

"I feel relatively confident of my knowledge of my incremental outgoings and what is available in the market. If I were to use those services, it would take time away from someone else."

2. Middle incomes who appear to be living a relatively comfortable, mainstream lifestyle

We found there was a group of people who on the surface are living relatively comfortable and mainstream lifestyles but were using credit to fund this lifestyle.

They may have a good car, all the latest tech and go on holiday but this was all managed through credit products and managing this credit was a normalised part of their life and thus they felt like they were coping. However, a big life event (e.g. divorce, bereavement, illness) or a major unexpected outgoing could trigger a financial crisis.

This group might have contacted a lender although said they are often unsure about sharing personal information with lenders and were also unsure if debt advice is for them, given that they were employed and used to staying afloat.

It could take them several months to adjust their perception from 'normalised' coping to a crisis situation.

Case Study: Middle incomes who appear to be living a relatively comfortable, mainstream lifestyle



A bit about me....

My name is Jane, and I am 37 years old and live in Manchester with my husband and three children. I've been working with the council for 20 years and my husband works in a stable job too. After the birth of my third child, I was diagnosed with terminal breast cancer.

My financial story is...

Debt started at a very young age with my first credit card which I took out at Uni at 18 years old and took 8 years to pay off. Since then, I've been in and out of debt from getting store cards to buy baby bits and got stuck in a rut. That debt ended in debt collectors, but I managed to pay it off. In 2016, I took out a

bank loan to go to a family wedding abroad, but also took two store cards and accumulated credit card debt. But I was managing to make the monthly payments.

Then about 3 years ago I was diagnosed with breast cancer and couldn't work and was put on 12 months sick pay. But once my sick pay ended, I knew I would need to rely on benefits, but it took 3-4 months until I got that money. For those 3-4 months I had no income, so the credit card and store card debt built up again. We also moved to a new house so had moving costs and as we moved into an unfurnished place, we needed to buy furniture too. Then there was lockdown, so we also had an increase in food and energy bills which resulted in missing a council tax bill, credit card and store card payments.

This was a really difficult time for me emotionally and physically with the cancer diagnosis, treatment and three kids so I just buried my head in the sand about my finances as it was too overwhelming to contact everybody (lenders).

How did you get out of financial difficulty?

There's been various stages and no real process or journey. A catalyst for getting out of debt was when I went back to work after 12 months sick, and I spoke to someone on my team at work who is a Financial Inclusion Officer. This woman "did everything for me, she wrote me supporting letters for council tax and she claimed Disability Living Allowance for me, sorted out benefits and encouraged me to call lenders".

Before speaking to my colleague at work I had googled impartial debt advice and came across [a debt management provider]. I was looking for a big organisation with no strings attached that could help me either lower my payments or consolidate my debt. I had also called my credit card company but I'm not 100% sure what they did for me but think they froze the interest for 3 months.

For my credit card debt my lender did an Income & Expenditure sheet which felt very businesslike; "it felt scripted and not at all friendly". I struggled to get through to them initially as when I called, I had to wait or get passed around.

They did mention a debt advice service BUT after 3 months I got my benefits and I was also able to go back to work, so things started to improve again (a combination of benefits and wages meant that my income was higher).

How do you feel about your financial future?

I feel OK that it's under control and I have a bit more savings. Now I know (if/ when it happens again) to contact lenders earlier and to ask for things to see what they can offer. I've also just got a new job which is more money.

"After the diagnosis it felt overwhelming to contact everybody (lenders). Looking back, I should have done it sooner."

3. Low incomes who are struggling to make ends meet

This group tended to be lower paid or infrequent workers who found themselves in and out of cycles of debt and often 'treading water' to survive. A major life event could be catastrophic for their already fragile finances and financial difficulties were very much part of everyday life. As already outlined, a third of borrowers in financial difficulty had a low household income of less than £15,000 (35%) and two-thirds were in receipt of benefits (65%). Two-in-five of these low earners believed they could continue covering their living expenses for less than a week if they lost their main source of income (40%), and the vast majority could last less than a month (70%). If mortgage or rent payments went up by just £50, half of low earners in financial difficulty believed they would struggle to repay them (49%).

Case Study: Low incomes who are struggling to make ends meet



A bit about me....

My name is Karen and I'm a 38-year-old mum working as a bus driver with 2 primary school aged children. I am recently divorced and have also left a job in retail due to low pay.

My financial story...

My current debt is a personal loan I took on behalf of my ex-husband, but I first got into debt in my early 20s when I took credit cards out to go out and have fun. After a while, I realised I couldn't pay this back so borrowed money from my mum. Then I wanted to retrain so took out more credit to fund a course and my lifestyle. My mum stepped in again by getting a loan to pay off the debt. But I really wanted to pay mum back so contacted a company about an Individual Voluntary Arrangement (IVA).

Then when I got divorced, I started trading in bitcoin/ crypto currency. I took £20,000 on credit cards as I was promised by an account manager that they would double my money. I lost this which is why I am in debt.

How did you get out of financial difficulty?

I can't really remember all the details over the years but think I had to give bank statements, identification and working and payment history to the IVA. My family took on the £20,000 of credit card debt and I pay them back £600 per month.

In the past I have talked to [a debt advice charity] but at the time didn't feel I needed to go down that route.

How do you feel about your financial future?

I worry about things like Christmas as I can't afford much for my kids as I am paying my family back. I am earning more than I used to, but it is still not enough. My main focus is trying to keep my credit score intact so I can buy a house in the future.

"I was young and going out all the time, getting credit cards and not realising the debt I was getting into. This is what my life revolves around now."

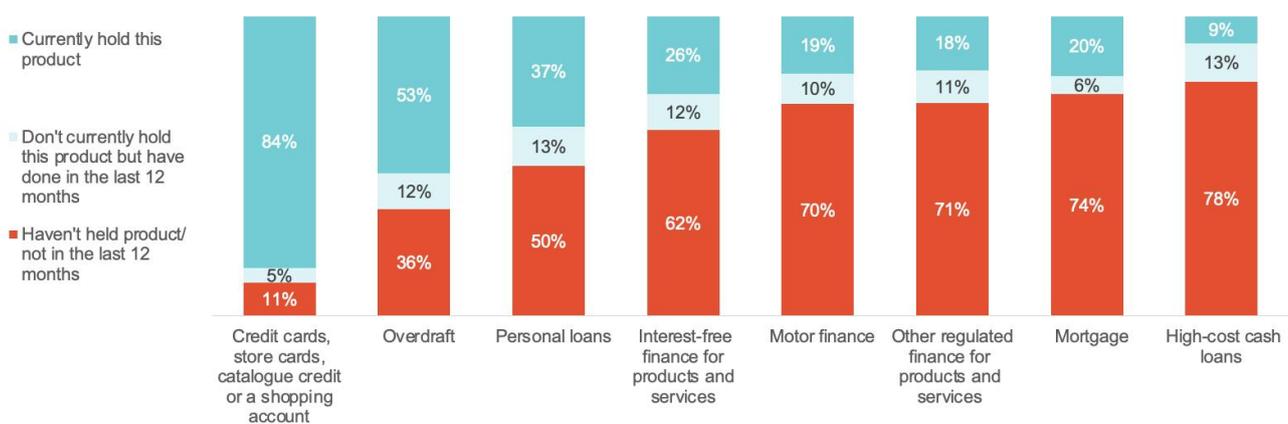
Products owned and amount owed

Our research showed that borrowers in financial difficulty were using a range of credit products to stay afloat, most notably credit cards (84%), overdrafts (53%) and personal loans (37%). More than a fifth had a high-cost cash loan or had held one in the last 12 months (22%), see figure 2. While the levels of ownership for this group of consumers was obviously higher than the adult population of the UK, the differences within the groups were similar, with the exception of mortgages.

FLS shows that within the adult population as a whole, 68% have a credit card, 33% have a residential or lifetime mortgage, 26% have an overdraft, 13% have motor finance, 16% have a personal loan, and 11% have a high-cost loan.⁵ The lower levels of mortgages among those in financial difficulty likely reflects the lower incomes and home ownership rates among this group of consumers.

"My debt started with a credit card when I was very young...I used two personal loans to pay it off but stupidly didn't close it, so I ended up using it again."

Figure 2: Product ownership

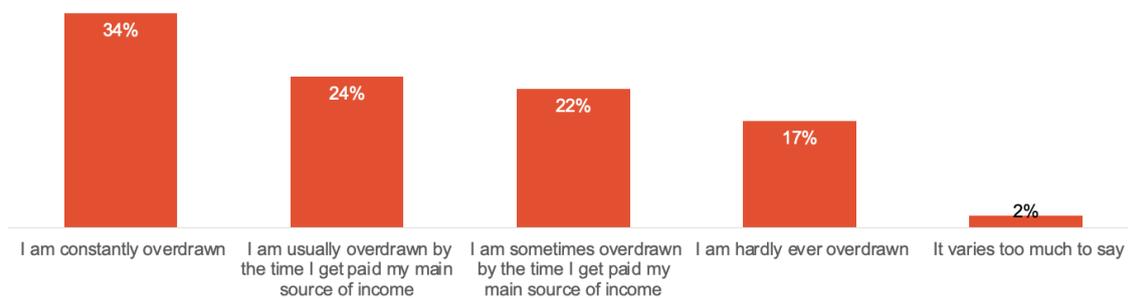


| S1. Do you currently hold, or have you held in the last 12 months any of the following credit products? Base: All respondents (2,969)

⁵ See <https://www.fca.org.uk/publication/research/financial-lives-survey-2020-appendix-a.pdf>

Overdrafts play a prominent role in the finances of borrowers in financial difficulty, with the majority saying they were either constantly overdrawn or usually overdrawn by the time they get paid (see figure 3). For the UK population as a whole, the FLS found that 1 in ten UK adults were constantly overdrawn in 2020.⁶ In the qualitative research we found participants were regularly using overdrafts as a safety net. Additionally, overdrafts were not frequently perceived as a debt, suggesting they are regarded as part of everyday banking – almost invisible and hardly noticed. By way of contrast, FLS found that 70% of all UK adults did consider using an overdraft as having debt.⁷

Figure 3: Overdraft behaviour



| PO2. Which of these statements best describes how often you are overdrawn on your current account(s)? Base: Those with an overdraft (1,725)

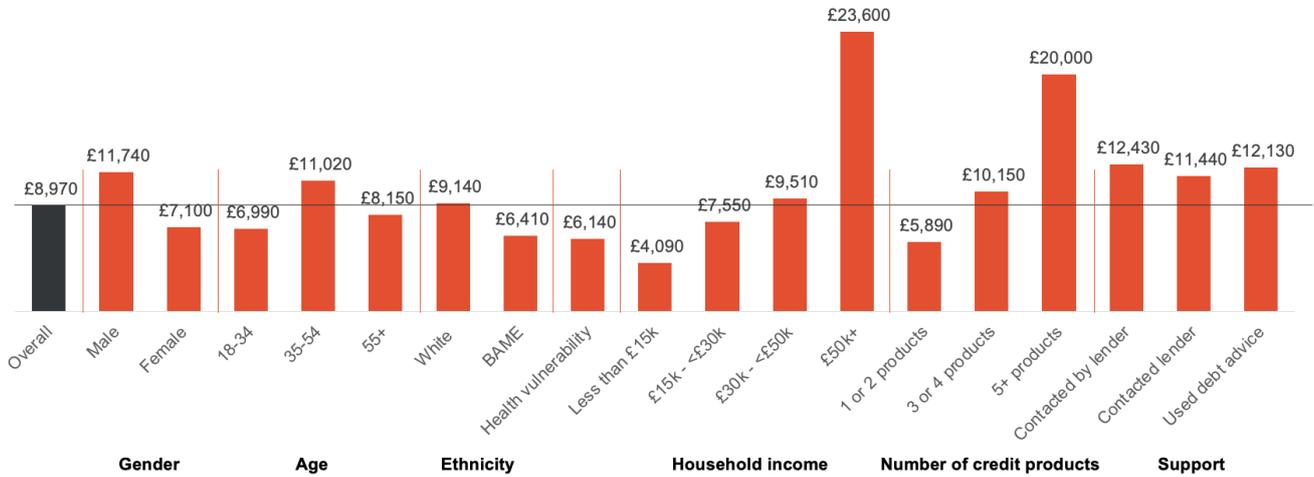
As shown in figure 4, an average of £8,970 was owed across all credit products held by borrowers in financial difficulty (excluding any mortgage debt). The level of debt, however, varied across demographics, with men typically owing more than women, and those aged 35-54 had higher levels of debt than other age groups. BAME consumers and those with a health vulnerability had among the lowest levels of debt.

The amount owed also increased in line with household income – from just over £4,000 for those with a household income of less than £15,000 to £23,600 for those who earned more than £50,000. As the number of credit products increased so did the level of debt – as those with five or more credit products owed an average of £20,000.

⁶ Financial Lives 2020 survey: the impact of coronavirus 11 February 2021, [page 14](#)

⁷ P_CC2B Do you think of using an overdraft as having debt?, [data table 3 Part 2](#)

Figure 4: Average amount owed by demographic and product ownership



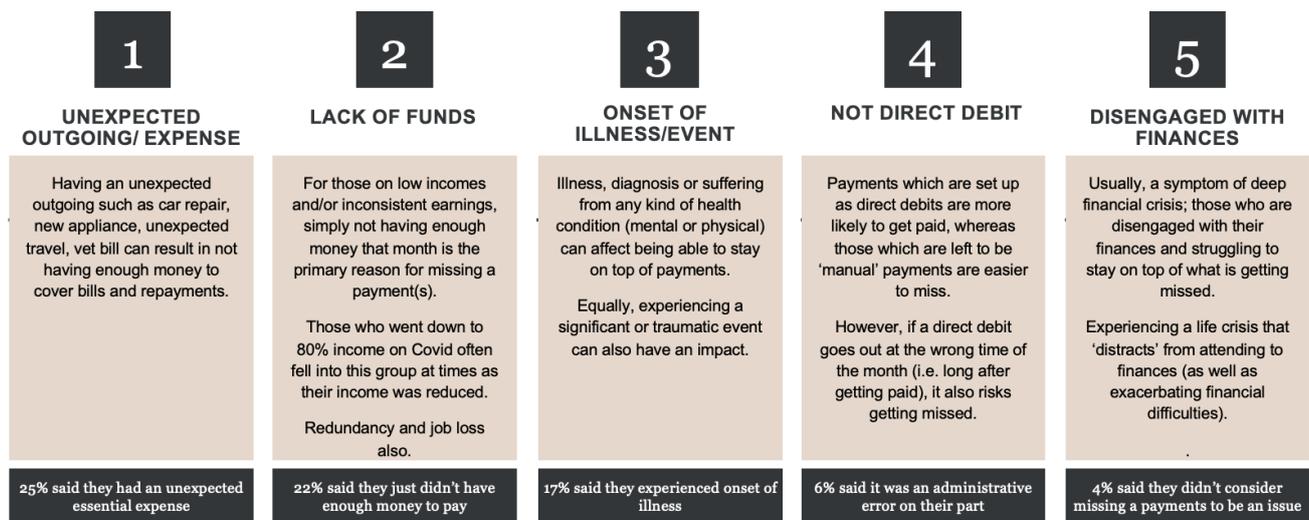
PO3. Thinking about the credit products you currently owe, approximately how much do you owe in total? Please exclude your mortgage debts.

Why payments are missed

The majority of borrowers in financial difficulty had missed at least one or more payments in the last six months (59%).

When borrowers miss payments, it is rarely a calculated decision. This research showed that there were many reasons why payments were missed including a lack of funds, an unexpected outgoing or expense, people who are not on top of their income/ outgoings, onset of illness, or an administrative error if a payment is not paid via Direct Debit, but it is paid manually. Figure 5 below summarises key reasons for missing payments.

Figure 5: summary of why payments are missed



Those on low incomes were particularly likely to report that they just didn't have enough money to pay, with 27% of those with an income of less than £15,000 attributing their missed payment to this, compared to just one-in-ten of those who earned more than £50,000 (12%). High earners were instead more likely to attribute the missed payment to unexpected essential expense (30%).

While we found there are a range of reasons why borrowers miss payments, there tended to be some prioritisation of what to pay rather than what to miss. Participants told us that there is often a prioritisation in terms of making payments on secured loans, such as mortgages or car finance payments because there is an immediate consequence if a payment is missed i.e., they can't get to work if car lease payments are not made and their car is repossessed, or they could lose their home if they do not keep up mortgage payments.

"I always pay for my car as it's essential for getting to work."

Participants also told us that they often de-prioritise clearing credit card debt because there is no immediate consequence; rather it's something to deal with down the line. This often meant opening and juggling multiple credit or store cards, making the minimum payment every month, to ensure that they have enough money to pay this month's bills or other credit payments. Two-in-five (42%) borrowers in financial difficulty had missed payments for credit cards, store cards, catalogue credit or shopping accounts in the last 6 months and this was the payment most likely to have been missed across all credit types

Borrowers in financial difficulty tended to prioritise payments as follows:

1. housing (mortgages, rental) was often regarded to be a priority and is usually set up as automatic payments such as direct debits (driven by primal fear of losing their home), and we found only 8% of borrowers in financial difficulty had missed mortgage payments in the last 6 months;

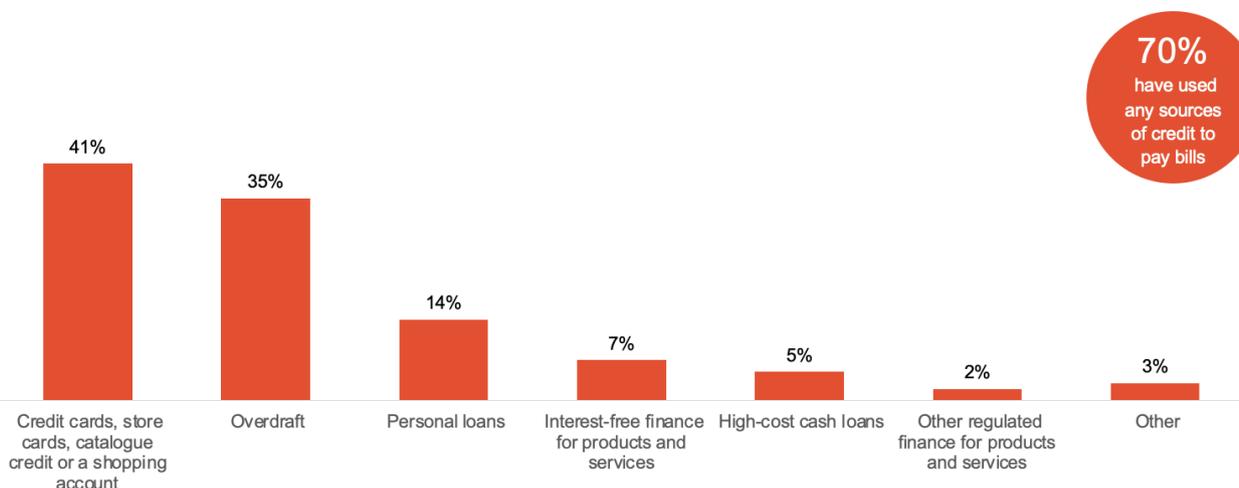
2. car payments were a priority if relied on for work and/ or health reasons, and we found less than one-in-ten borrowers in financial difficulty had missed a car finance payment (8%) – and when this is missed it is done on a less frequent basis;
3. mobile phones were a priority, given their integral role to all spheres of life (work, seeking employment, family, children, online access etc.);
4. any debts taken out in family member's names were a priority, to protect them and as gratitude for their help.

We also found that participants prioritised payments that could adversely impact their credit file, because failing to make those payments may prevent them getting credit further down the line. Indeed, this research has shown the importance that borrowers in financial difficulty put on protecting their credit file, and we explore this in more detail in the following chapter, *Experience of Lender contact*. However, for some, while they knew missing a credit payment would impact their credit file, they said they sometimes have no choice but to use credit to pay for basic expenses such as council tax and utility bills.

Use of credit to pay for basic expenses such as council tax and utility bills

As well as regularly falling behind on loan payments, borrowers in financial difficulty frequently used their credit products to pay basic expenses such as council tax or utility bills. Seven-in-ten have done this in the last 12 months, with credit cards (41%) and overdrafts (35%) most frequently used, see figure 6.

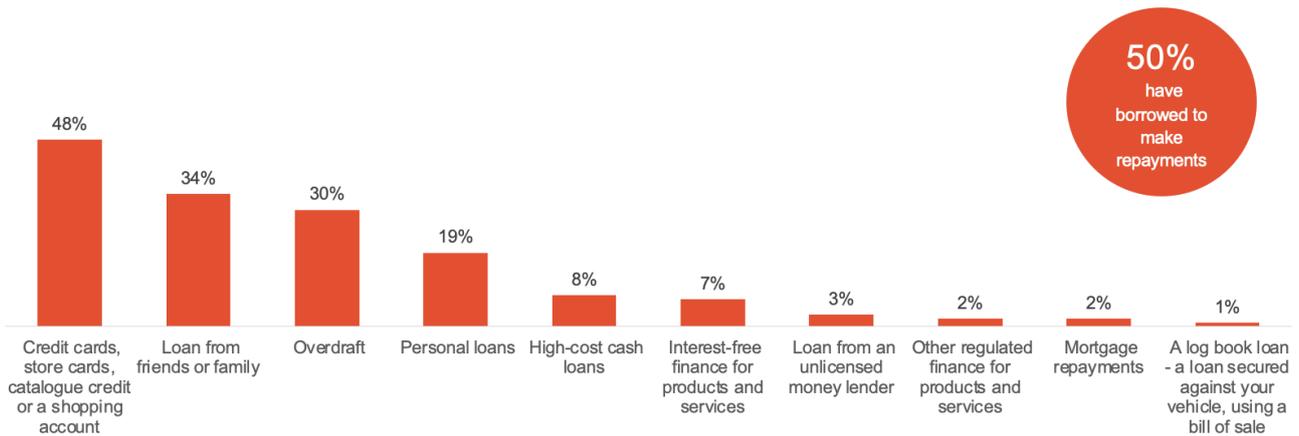
Figure 6: Use of credit to pay basic expenses such as council tax or utility bills



FS1c. In the past 12 months have you used any of the following sources of credit to specifically pay basic expenses such as council tax, or utility bills? Base: All respondents (2,947)

Half of all borrowers in financial difficulty had borrowed on one form of credit specifically to make payments on another, though only a third had done this and found keeping up with payments a heavy burden (31%). Credit cards were most frequently used to do this (48%), see figure 7, and were also the most frequently repaid debt (54%). To note, this is largely a function of the level of ownership of credit cards, given that 89% of borrowers told us they have a credit card, or have had one in the last 12 months.

Figure 7: Credit products used to make payments



FS7. You said that you had borrowed on one type of loan to make repayments on another in the last 12 months. What type of product did you borrow on to do this?
 Base: Those who have borrowed to make another payment (1,519)

The impact of COVID-19 for borrowers in financial difficulty

While this study explores the broader difficulties that borrowers in financial difficulty face, clearly there have been impacts from the COVID-19 pandemic.

The research found that COVID-19 prompted financial difficulties for some borrowers. This was the result of losing employment, self-employed people with reduced freelance opportunities or limited access to support, being put on severely reduced hours, and those employed but not necessarily put-on furlough. For those on low incomes, even though being furloughed at 80% sometimes meant only a modest reduction in income overall, this could have a major impact on their already precariously balanced finances.

Others who were working from home because of COVID-19 found living expenses increased from having to spend more on bills and food to feed children for those who would typically access free school meals.

One-in-ten borrowers in financial difficulty were furloughed in the previous 12 months (11%) and just under a fifth had used COVID-19 related financial support provided by lenders (19%). Experts reported that COVID-19 had also seen an increase in ‘new’ kinds of people seeking debt advice/ in financial crisis, notably self-employed people and those working in the hospitality sector.

However, while COVID-19 has exacerbated the poor financial situation for many, this is not the only driver to missing payments and many borrowers are likely to have been in similar financial difficulties pre-pandemic, evidenced by the fact that two-in-five had missed payments prior to COVID-19 (41%).



Expert view: debt advice experts reported having found things ‘quieter’ during COVID-19 which may be due to a combination of the temporary uplift in Universal Credit, Furlough, Government intervention to stop utilities being cut off, landlord evictions etc. However, numbers are now starting to pick up again and are anticipated to increase in 2022 in light of inflation, energy costs, NI rise etc. Experts also shared a concern that vulnerable people may have fallen off the radar during COVID-19 and not been in touch for support with debt advice services – especially since contact switched to online, rather than face-to-face.

They also confirmed that while COVID-19 measures allowed some people temporary space, ultimately, those measures did little to alleviate the underlying financial distress of those struggling, including unstable employment, low incomes and complex circumstances.

What has happened since they first missed any payments or faced financial difficulties

As everyone’s experience is different and not linear there were no overall clear steps that were taken once a payment is missed or participants found themselves in financial difficulty. Everyone responded differently and had taken different paths.

However, most participants who had missed their first payment or faced financial difficulty didn’t act straight away. Survey findings show that less than a third of borrowers in financial difficulty sought debt advice as soon as they started facing difficulties (29% - immediately or within a week), and 52% waited a month or more. It often took several missed payments and communication from lenders before action was taken. Participants who had missed a payment by accident and had sufficient funds elsewhere were most likely to have taken action and fixed the missed payment.

For some who had missed payments on one credit product this then meant other credit products had been missed. In most cases lenders had reached out to participants and this was often ignored – survey findings show that of those cases where a lender attempted to contact a borrower in financial difficulty, around a third did not respond. Others relied on other credit products such as overdrafts or credit cards to cover bills and other payments.

Experiences of lender contact

In the 12 months prior to participating in the survey, and since their difficulties began, 32% of borrowers in financial difficulty had contact with one or more of their lenders or mortgage providers to discuss the challenges they were facing in meeting their payments. This equates to approximately 2.5 million UK adults. Overall, 28% of borrowers in financial difficulty proactively made this contact, while 12% recall being contacted by their lender⁸.

When reviewing this section on experiences of lender contact it should be noted that contact figures are based on consumer recall, so it may be that there has been further contact above and beyond what is recalled that has not resonated or registered with borrowers in financial difficulty. Further because of the definition used in this research, not all borrowers in financial difficulty will have missed any payments – the usual trigger for a lender to make contact.

Contact with lenders

Levels of recall of lender contact were consistent by age, vulnerability, household income and ethnicity, but males were more likely to recall having been contacted than females (15% and 10% respectively).

Recall of contact is also significantly higher when borrowers had already found themselves in more complex financial situations, for example when juggling multiple credit products and with levels of debt of more than £15,000 – see figure 8. As would be expected, those who had fallen behind on credit payments within the last 6 months were significantly more likely to recall having been contacted – with three-in-ten of those who had missed high-cost cash loans (29%) and a quarter of those missing personal loans (26%), mortgage payments (25%) and motor finance (25%) contacted.

Among all borrowers in financial difficulty contact from lenders was typically recalled as being via email (59%), telephone (56%) and letters (48%), while significantly fewer received text messages (26%) or contact via an app (13%), see figure 9. Those contacted about difficulties with high-cost credit were most often contacted by telephone (76%), while contact regarding difficulties with credit cards or personal loans most often came via letters (67%).

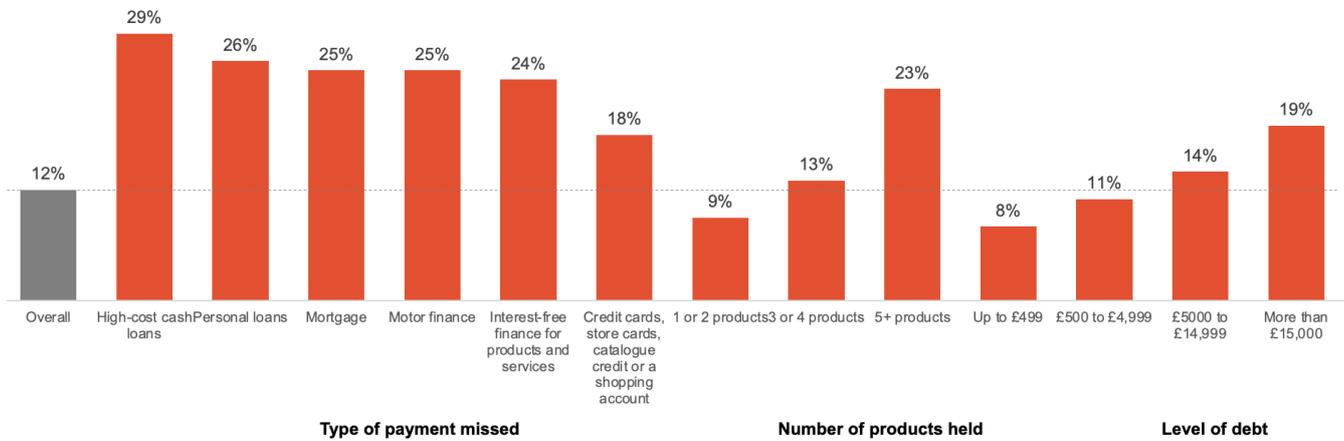
Some borrowers in financial difficulty had been in contact with lenders about multiple products. For the purpose of the survey, we asked them to think about contact regarding just one specific product, rather than all contact with lenders that they may have had. This is important when a participant is recalling frequency of contact, and noting that consumers may have had further contact regarding other credit products not captured within the survey.

For those who recall being contacted by their lender in the last 12 months, they recall contact being made by lenders approximately three times on average for a specific product (2.8)⁹, with a quarter recall being contacted by their provider four times or more (25%).

⁸ Note, these data points have been taken from the FLS survey, and were used to weight the data for the experiences of lender contact section

⁹ The calculation for the mean number of contacts is based on the midpoints for each category tested at CL5 – just once (1 contact); two or three times (2.5 contacts); and four to five times (4.5 contacts). For 'more than five times' an average of 6 contacts was assigned.

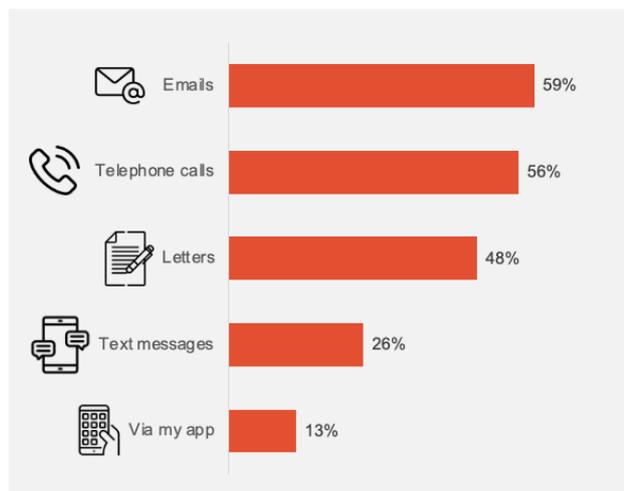
Figure 8: Contact from lenders in last 12 months by payments missed, product ownership and level of debt



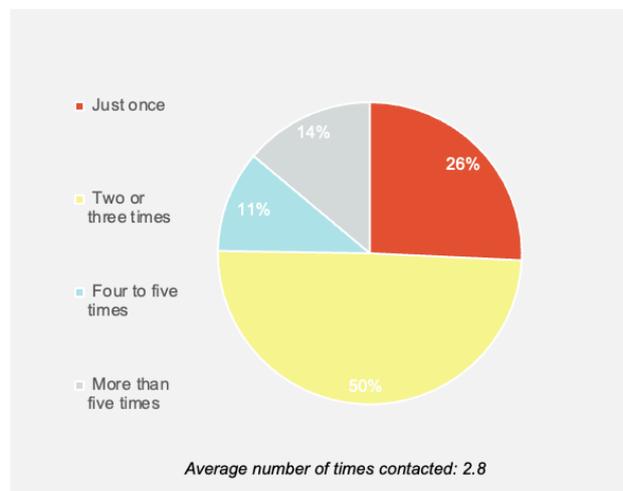
S2. Please confirm if you have experienced any of the following: In the last 12 months I have been contacted by my lenders or mortgage providers to discuss challenges I was facing in meeting my credit repayments.
 Base: All respondents (2947), Payment missed (365-1347), number of products held (536-1223), level of debt (498-1074)

Figure 9: Contact method and number of times contacted in the past 12 months

CONTACT FROM LENDER



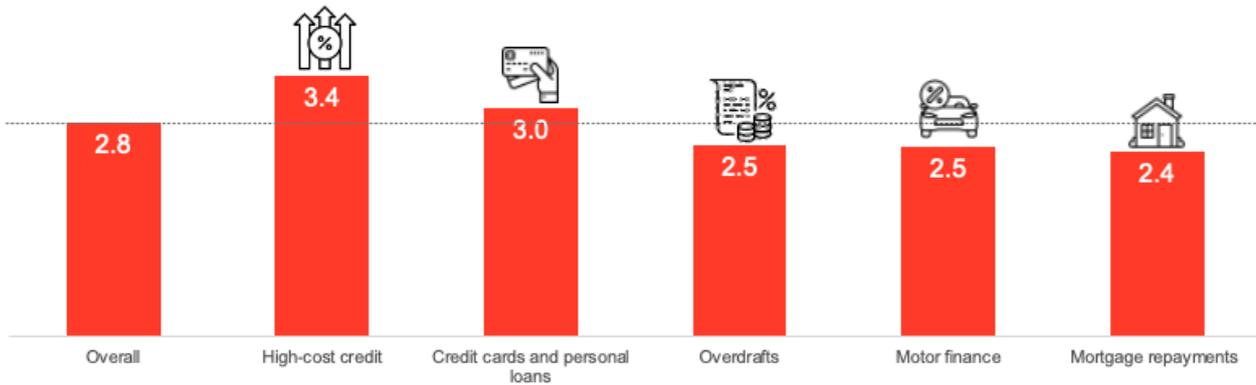
HOW MANY TIMES LENDER HAS CONTACTED



CL2. In which of the following ways did your lender contact you or try to contact you? CL5. Roughly how many times has the lender contacted you about difficulties with repaying your <Product>? Base: Those whose lender contacted or tried to contact (929)

Recall of contact frequency varied significantly by product type, see figure 10. The average number of time lenders contacted borrowers in financial difficulty was higher for high-cost credit (3.4) and credit cards/ personal loans (3.0), compared to overdrafts (2.5), motor finance (2.5) or mortgage payments (2.4). Frequency of contact also increased in line with level of debt, from 2.2 contacts on average for those with debts of up to £500, to 3.4 for those with debts of more than £15,000.

Figure 10: Average number of times contacted for each product type



CL5. Roughly how many times has the lender contacted you about difficulties with repaying your <Product>?
 Base: Those whose lender contacted or tried to contact (929), about each product (148-257)

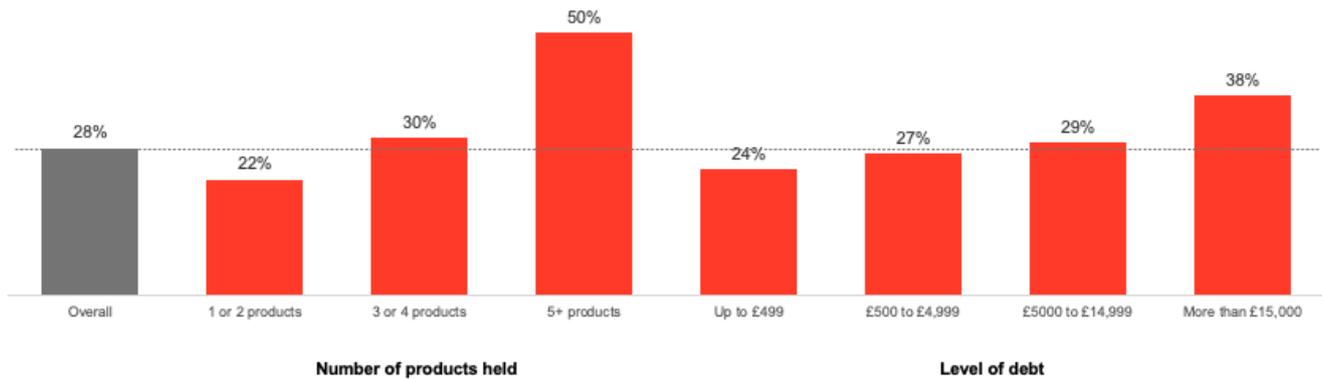
Why borrowers in financial difficulty contacted or responded to lenders about their difficulties

The point at which borrowers in financial difficulty contacted their lenders to discuss their financial difficulties varied hugely. For some participants that we interviewed, missing or struggling to meet one payment was enough to prompt them to reach out to a lender. Some participants also said they only contacted a lender once their perceptions were that the frequency and volumes of letters, calls, emails, texts from a lender got ‘too much’ for them. Escalated warnings from lenders, such as bailiff threats or warnings of a significant impact on credit file also prompted participants into action, when the language changed to ‘urgent’. Many told us that with hindsight, they wish they had got in touch sooner.

“I buried my head in the sand, it felt overwhelming to contact everybody. Looking back, I should have contacted them before. But I got letters chasing for payments, it was overwhelming and non-stop. Relentless.”

Survey findings reinforce that borrowers in financial difficulty were likely to have reached crisis point before contacting their lender. The survey showed that the likelihood to contact increased in line with the number of credit products held and level of debt, suggesting that borrowers in financial difficulty were waiting until problems escalated before getting in touch. Half of those with five or more credit products (50%) and two-fifths of those who owed more than £15,000 (38%) had contacted their lender about their difficulties with payments generally. This is difficulties relating to their regulated credit or mortgages, their domestic bills or both, see figure 11.

Figure 11: Making contact with lenders by number of products and level of debt

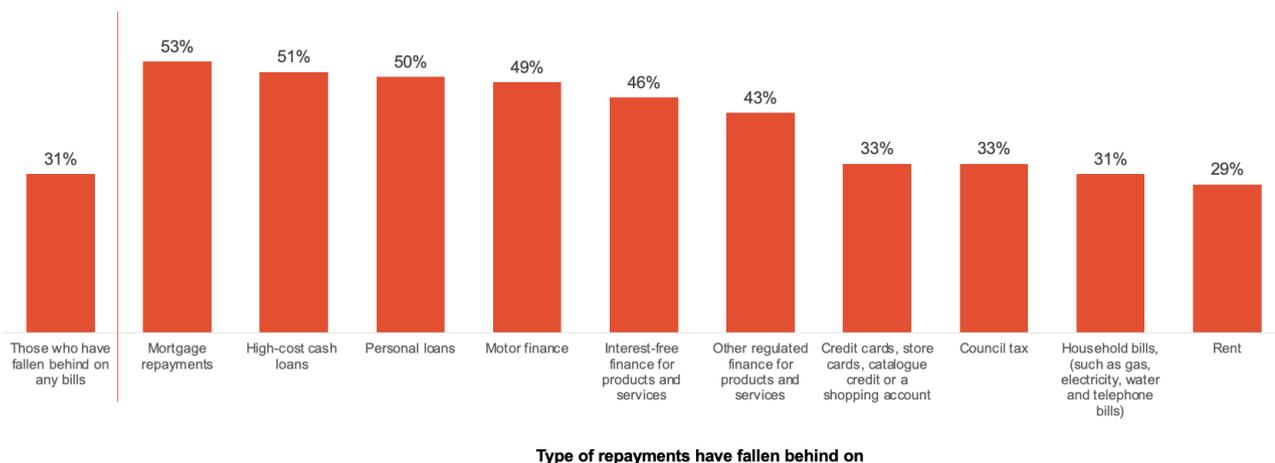


S2. Please confirm if you have experienced any of the following: In the last 12 months I have made contact with my lender or mortgage provider to discuss challenges I was facing in meeting my credit repayments.

Base: All respondents (2947), number of products held (536-1223), level of debt (498-1074)

The survey also showed that when borrowers in financial difficulty started to miss what are typically considered high-risk or high-importance bills, the likelihood of making contact with lenders increased. Around half of those who had missed mortgage payments (53%), high-cost cash loans (51%), personal loans (50%) or motor finance (49%) had contacted their lender, see figure 12. Interview participants felt that high-cost cash loans such as payday loans were often taken out as short-term solutions but then found themselves paying back twice as much as they had borrowed so felt they needed to address this with their lenders. Others discovered that by missing payments and then defaulting on loan products this impacted their credit score. This in affected other credit products for example, for one participant personal loan rates jumped from 5% to 25% after defaulting on a loan.

Figure 12: Percentage who have contacted their provider by type of payments have fallen behind on



S2. Please confirm if you have experienced any of the following: In the last 12 months I have made contact with my lender or mortgage provider to discuss challenges I was facing in meeting my credit repayments.

Base: All who have fallen behind on repayments in the last 6 months (1833), specific payments have fallen behind on (365-1347)

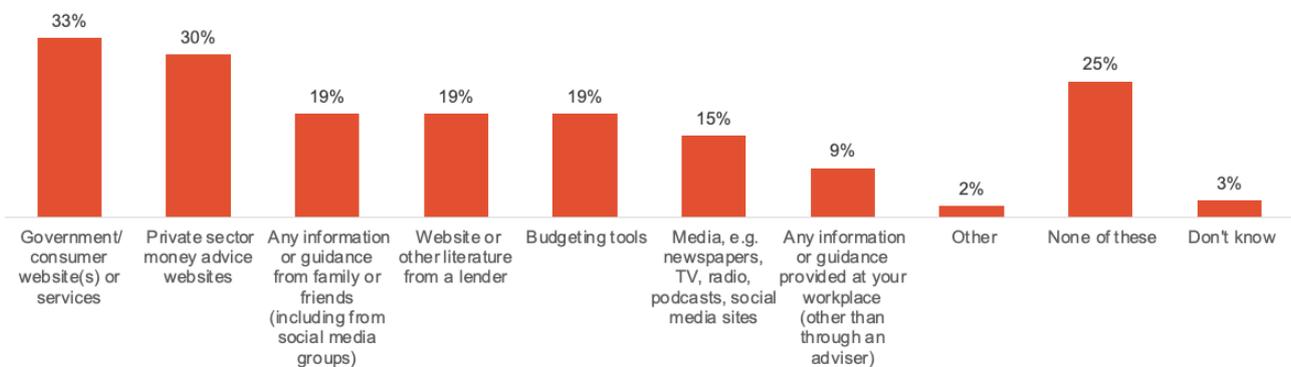
Other sources of support used before making contact with lenders

The research highlighted that participants lacked a real understanding of the broader support systems and mechanisms which exist for those in financial difficulty. Only 43% agreed that they had a good understanding of what their options were if they were struggling to make payments, even though they had all experienced or were experiencing financial difficulties.

When looking for more information, Google and online resources were generally the first places they turned to. A third had used Government/ consumer websites before contacting lenders (33%) and a similar proportion had used private sector money advice websites (30%) – see figure 13. Money Saving Expert was frequently mentioned during consumer interviews, as it was perceived to be impartial advice from someone who can be trusted. There was a general awareness of The Citizens Advice Bureau, but beyond that the perception was that there is little support out there for them, unless they had used debt advice previously and so know where to look.

Word of mouth from friends, family and colleagues played an important role in raising awareness of options available, with a fifth of borrowers in financial difficulty seeking guidance from friends or family (19%) and 9% seeking support from their workplace (see figure 13). Participants reported that this tended to be limited to specific ‘solutions’ with, for example, suggestions to look into an individual voluntary arrangement (IVA) rather than general support. Many said they were put off from speaking to their families due to the shame, guilt or embarrassment they felt at being in financial difficulty, so many preferred not to seek this support.

Figure 13: Sources of support used before contacting lenders



| CL10. Now thinking again more broadly about contact you have had with providers. Before contacting your lender or lenders had you looked at any of the following sources of support? Base: All respondents who contacted one or more lender directly about any product (967)

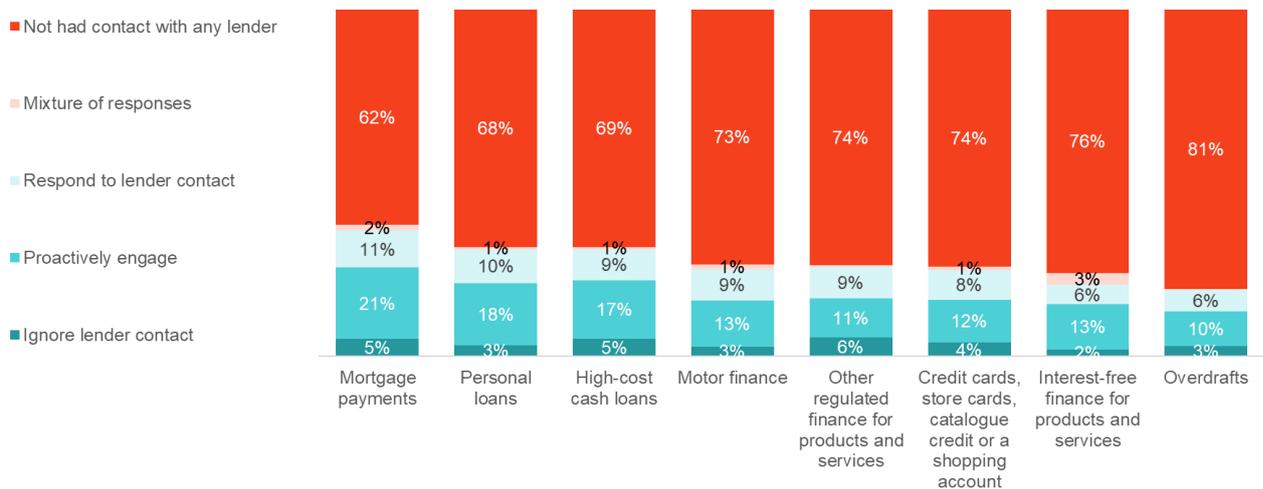
Sources of support used were consistent by gender. There were some variations by age and ethnicity, with younger borrowers in financial difficulty aged 18-34 and BAME more likely to seek guidance from family and friends (26% and 30% respectively). 18-34s were also more likely to consult media sources (17%) and the workplace for information (13%), compared to those aged 55+ (6% and 4% respectively).

Those with incomes of £50,000 or more were typically more likely to use sources of support prior to contacting their lender (82% did so, compared to 68% of those with an income less than £15,000). Specific information sources that were more likely to be used by these high earners included media (25%) or advice from their workplace (18%).

Reasons and prompts for initiating contact with lenders

13% of borrowers in financial difficulty proactively engaged with their lenders without having had any other form of lender contact to prompt them into action. This form of contact was highest among those contacting regarding mortgages (21%), personal loans (18%) and high-cost cash loans (17%) – see figure 14¹⁰.

Figure 14: Type of contact by product



*CL1. You earlier said that you have had contact with your lender or mortgage provider in the last 12 months about challenges you were facing in meeting your credit repayments. For which of the following products was this about and what type of contact was this?
Base: All respondents (2947), who have each product (607 – 1,833)*

Those in more complex financial situations were also more likely to have done this – increasing to one-in-five of those with debts of more than £15,000 (19%), compared to 9% of those with debts less than £500. Importantly, those who believed that there would be no impact on their credit file from speaking to a lender were significantly more likely to have made this type of contact (16%), compared to those who felt lender communication would impact their rating (11%).

Older borrowers in financial difficulty were more likely to have made proactive contact than younger (17% of those aged 55+ compared to 11% of 18-34s), but there were no other clear demographic differences by gender, income or ethnicity. There were also very few demographic differences between those who made proactive contact with their lender and those who had no contact; their profile was consistent by gender, age, working status and disability. The only difference was that those who made proactive contact were more likely to be from a minority ethnic group than those who had no contact.

Participants told us that a key prompt for reaching out to their lender was because they had missed a payment or felt they were about to miss a payment and wanted to know what their options were. The purpose of the call was to find out what help and support was available rather than a more detailed discussion to agree a solution. This was an important finding from this research, in that there was a lack of understanding and awareness of what help a lender could offer, and they were often contacting lenders without knowing what can be achieved or the possible outcomes.

¹⁰ Please note that Figure 14 shows the type of contact at a product level, while Figure ES1 shows the type of contact at an overall level based on the screening criteria at question S2.

“I didn't know what to expect, I just didn't know what they could do.”

While some participants were prompted to contact a lender because of a missed payment, or a payment about to be missed, others were prompted based on advice from friends and family who felt they had had a positive experience themselves. Those who had a positive experience highlighted understanding, empathetic, knowledgeable, supportive and solution-oriented lenders. This informal encouragement from someone they know, and trust could, in fact, influence whether participants reached out to their lenders or not. Additionally, if they had a positive experience with one lender, it then encouraged them to contact other lenders about their financial situation.

Case Study: Impactful communications

One participant spoke of the letter which finally made her contact a lender. She received a letter which showed it taking her 15 years to pay off the debt at the current rate.

This had a significant impact on her, compared with the 'usual' rates, increases, percentages, and charges which she hadn't been engaging with/ had no real effect.

Others felt the timings of communications helped them take action and contact their lender. For example, some received the initial friendly e-mail that they had missed a payment, then there were more e-mails sent to them with various degrees of urgency but then an e-mail titled 'urgent reminder' the day before the next payment was due was the final nudge for them to contact their lender.

A few participants thought it would be beneficial for them to be told about the impact of defaults on credit payments and how that can affect other credit products such as interest rates going up because of the default impacting their credit score. Some did not know the size of the knock-on effect of defaulting can be on their other credit products.

Methods used to contact lenders

The majority of those borrowers in financial difficulty who contacted their provider did so by telephone (66%), see figure 15. Telephone was the most popular method regardless of gender, age, ethnicity, working status, income, ethnicity, level of debt or credit products held. Those who were older and those with larger levels of debt favoured telephone even more (83% of those aged 55+ use telephone and 75% of those with debts of over £15,000), likely to be reflecting a preference for telephone contact due to lower levels of digital confidence, concerns about online safety and the sensitive nature of the discussions.

As outlined earlier, lenders were mostly making contact with borrowers in financial difficulty via a mixture of email (59%) and telephone (56%). This contrasts to the behaviour of borrowers, who are overwhelmingly using telephone to instigate contact and represents an area of disconnect between consumers and lenders. While half

of lenders communicated to borrowers in financial difficulty by letter (48%), just 8% of borrowers sent letters to their lender.

The qualitative research highlighted that telephone was often the initial starting point for contact as it was perceived to be more immediate, more human and easier to discuss complex situations compared with digital methods. For those seeking to find out what options are available to them, then telephone was often cited as the preferred channel, as it was easier to ask questions and explore different options.

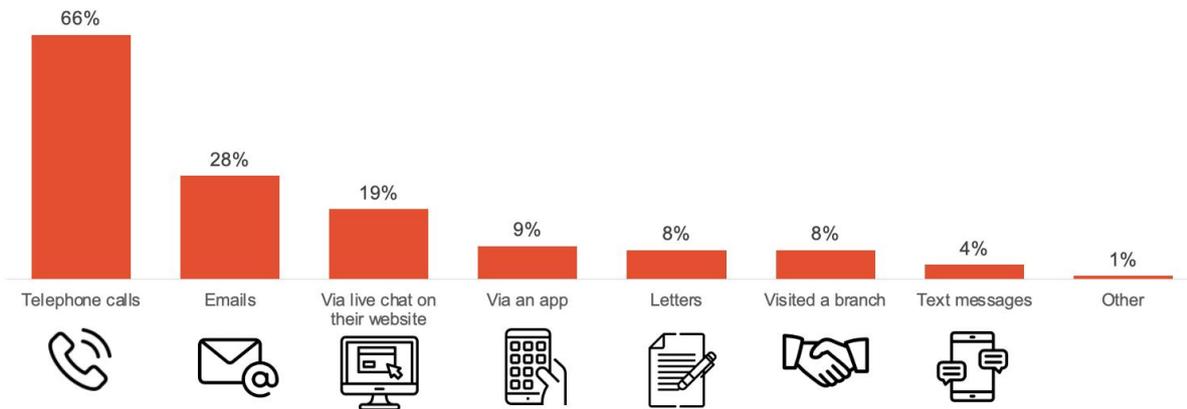
However, talking on the telephone was a real barrier for those who lack confidence, e.g., for those whom English is not their first language, or who had conditions which made it difficult for them (e.g., stutter, learning difficulties, or mental health issues like anxiety). Another barrier to using the telephone was the expected waiting and call times, which was especially problematic if trying to call during working hours.

The personal nature of a telephone call could also be off putting for some if they were reluctant to share their situation with the lender. Feelings of shame and guilt can accompany this.

"I tried to contact my lender online 2 years ago, but they will only speak on the phone. Due to mental health issues, I cannot speak on the phone about such matters."

"I was ill and spent some time in hospital, this led to me being unable to work. My breathing was bad – so it was difficult to speak on the phone."

Figure 15: Methods for contacting lenders



CL8. How did you contact your lender?
Base: All respondents who contacted their lender directly (725)

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While telephone was the dominant contact method overall, there were a number of borrowers in financial difficulty who used email (28%) or web chat (19%) to contact their providers. The qualitative research highlighted that these online contact methods were preferred when seeking specific information or when dealing with more straight-forward issues.

“I was on the Marbles website to check something else, and then I saw a pop-up window about a payment holiday, I clicked on it and within 10 minutes it was done.”

Online methods were also seen to benefit from providing relative anonymity compared with the telephone. They can also be easier to navigate for those whom English is not their first language, given it can be done at their own pace.

However, digital methods of contact can also be frustrating and prolong the process of seeking support. For instance, if an online process asked for more detailed information, this was often when problems came about, without support or guidance from a human on the end of the line. Another frustration was when talking to an online ‘bot’ that couldn’t answer questions or going through a whole online process only to be told that they needed to be called on the telephone. Additionally, for participants who were digitally disengaged, online presents a real barrier to contacting a lender.

“Bank ‘bots are useless, I want action and want to get things going, so phone feels more positive to me.”



Expert view: We've seen massive issues around people being excluded because of technology in the last 18 months. And let's face it, that whole culture is affecting people not wanting to access online content, because everything's going online.

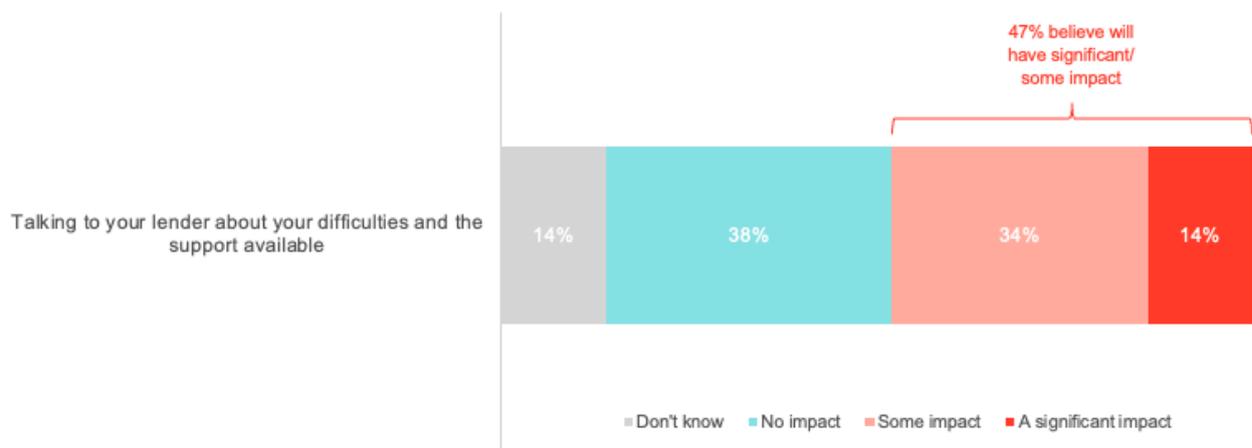
It is clear, however that no one-size-fits all approach will work, and consideration should be given to individuals' circumstances to determine the best method for contact.

Perceived impact of contacting lenders

The quantitative research found that concerns on the impact on credit files by talking to lenders were relatively widespread. Half of all borrowers in financial difficulty mistakenly believed that the simple act of contacting lenders would have an impact on their credit file (47%), see figure 16. A significant minority were also unsure of what the impact will be on their file (14%). This was further evidenced in the qualitative research where participants perceived that contacting their lender may affect their credit file and was a barrier for not contacting lenders.

"I really didn't want to speak to my bank as I was worried it would affect my credit score."

Figure 16: Perceived impact of talking to lenders on credit file



AK1b. What type of impact do you think the following would have on your credit file?
Base: All respondents (2947)

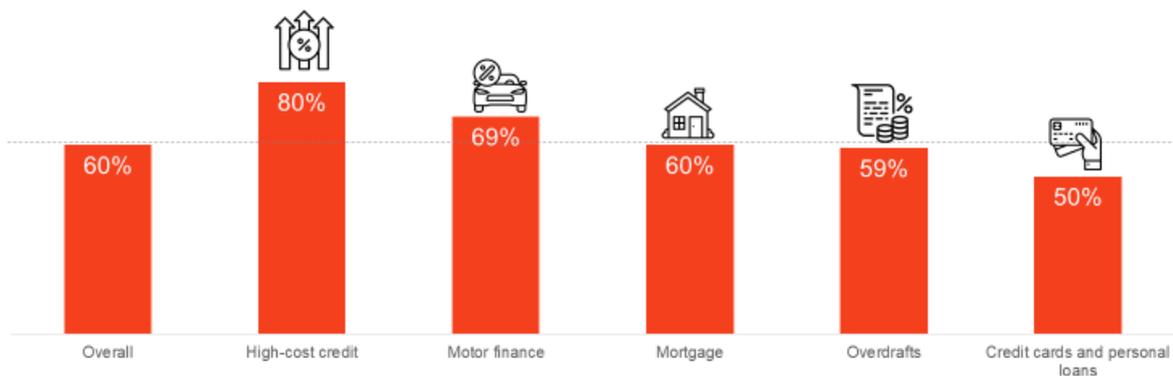
How lenders explain impact on credit files

Most of those who had contact with their lender recalled that their lender explained how missing payments and seeking support would be recorded on their credit file (60%).

Whether being provided with this information was recalled varied significantly by product type, with four-in-five of those contacting about high-cost credit saying that they were provided with this explanation (80%), compared to just half of those contacting about credit cards or personal loans (50%).

Of those who were told about this impact, just over half said that it influenced the type of support that they agreed to use (56%). Influence was higher among younger groups compared to older (64% of those aged 18-34 said it had an impact vs. 36% of those aged 55+), and significantly more important to those who had a higher number of credit products (71% of those with five or more products), see figure 17.

Figure 17: Recall of explanation of how missing payments/ support would be recorded on credit file

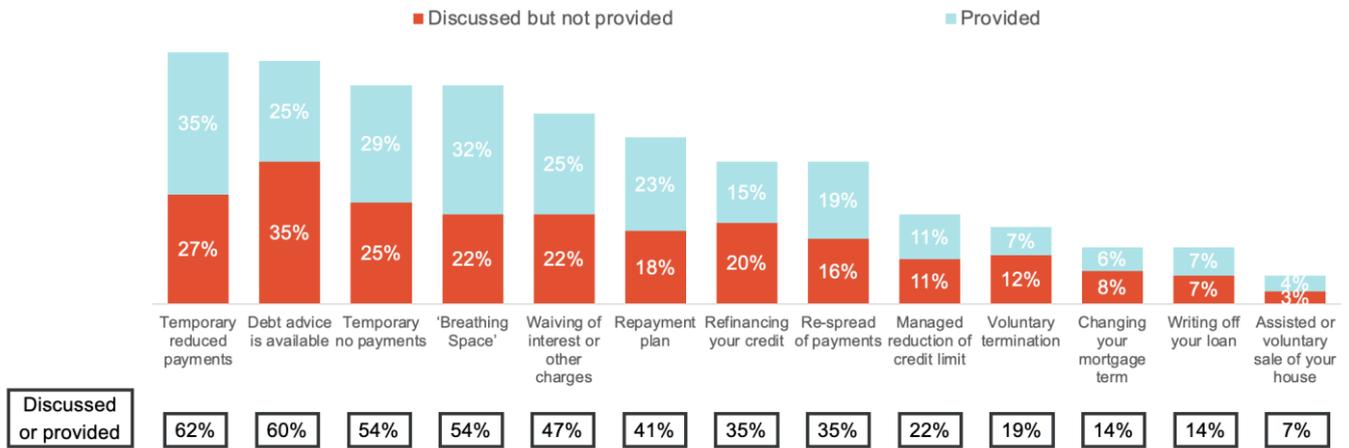


CL16. Did your lender explain how missing payments and support would be recorded on your credit history?
 Base: Those who have been in contact with their lender (1315), about each product (216-341)

The types of support provided by lenders

Temporary reduced payments were the type of support most frequently recalled by participants as being provided by lenders to borrowers in financial difficulty who had contact with their lender (35%), followed by the provision of some form of space from payments (32%), see figure 18. 60% discussed debt advice in some way, and this didn't tend to differ significantly regardless of how they contacted their lender.

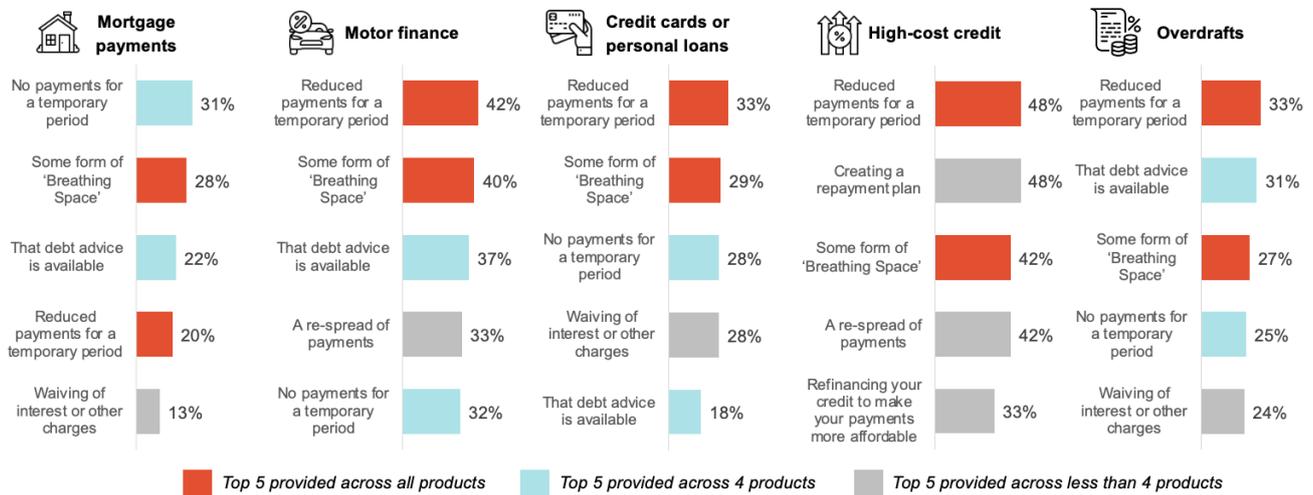
Figure 18: support provided/ discussed by lenders



CL13. Thinking about the contact with your lender, which, if any, of the following types of support were discussed or provided?
 Base: All respondents who contacted their lender or were contacted by them and they responded (1,315)

Reduced payments and some form of space from payments were widely provided for difficulties across all product types. A temporary period of no payments and referral to debt advice were also commonly provided. Interestingly, those who were contacting about difficulties with high-cost credit were more likely to be provided with different types of support compared with other product types, including payment plans, respreading of payments and refinancing, see figure 19.

Figure 19: Type of support provided by product type



CL13. Thinking about the contact with your lender, which, if any, of the following types of support were discussed or provided?
 Base: All respondents who contacted their lender or were contacted by them and they responded (1,315), mortgage (269), motor finance (256), credit cards or personal loans (341), high-cost credit (216), overdrafts (233)

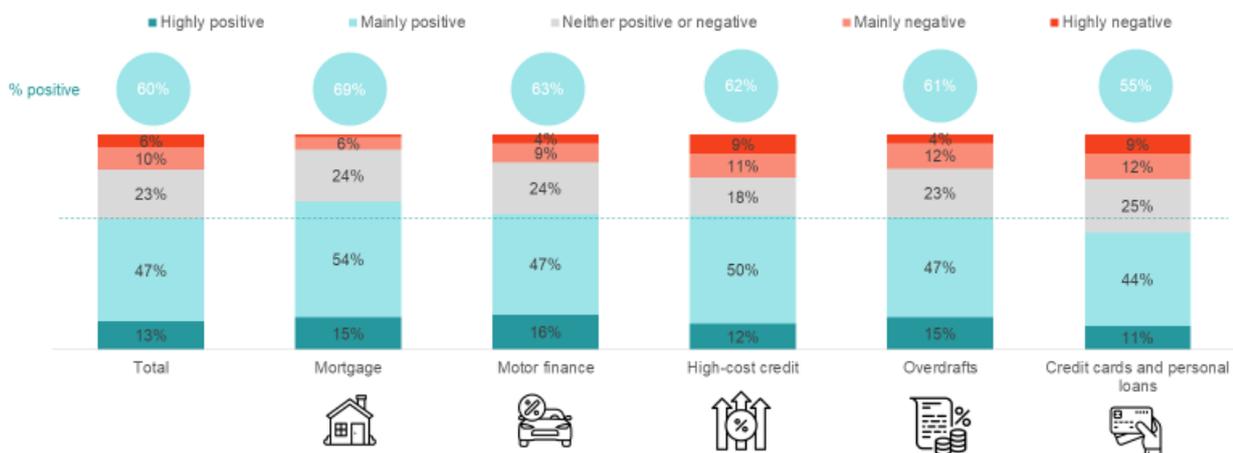
Experiences when contacting lenders

Speaking to borrowers in financial difficulty, it is clear that experiences of dealing with lenders varied depending on the experience or capability of the individual they spoke to at the lender. Participants spoke of having mixed experiences, even when dealing with the same lender, perceived to be based on an inconsistency in knowledge and skills and capability. For example, one participant talked about calling their bank and being referred to what felt like a team of people who had been trained in dealing with vulnerable people and she felt safe talking about her debt with those customer service members. However, a few weeks later she had called the bank again and ended up talking to someone who wasn't as empathetic and struggled to make her feel comfortable and thus she wasn't able to continue the conversation and get the support she needed.

"They were very understanding, I have to say. I actually came off the call and started crying because I hadn't expected them to be so understanding."

In line with these findings, the survey found that while the majority of borrowers were positive about their overall experience of contacting their lender (60%), this was by no means universal, with two-in-five either negative or indifferent about their experiences (39%), see figure 20. Experiences were seen to differ by credit product and were significantly better for contact regarding mortgages (69%), compared to credit cards and personal loans (55%).

Figure 20: Overall experience of contacting lender by product type



CL19. Thinking about your discussions with your lender about difficulties repaying your <Product> how would you describe the overall experience?
Base: All respondents who contacted their lender or were contacted by them and they responded (1,321), mortgage repayments (271), motor finance (256), credit cards and personal loans (344), high-cost credit (216), overdrafts (224)

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Perceptions of staff were generally positive. More than two-thirds agreed that the staff they communicated with appeared knowledgeable (68%) and just slightly fewer felt that staff seemed well trained (62%), see figure 21.

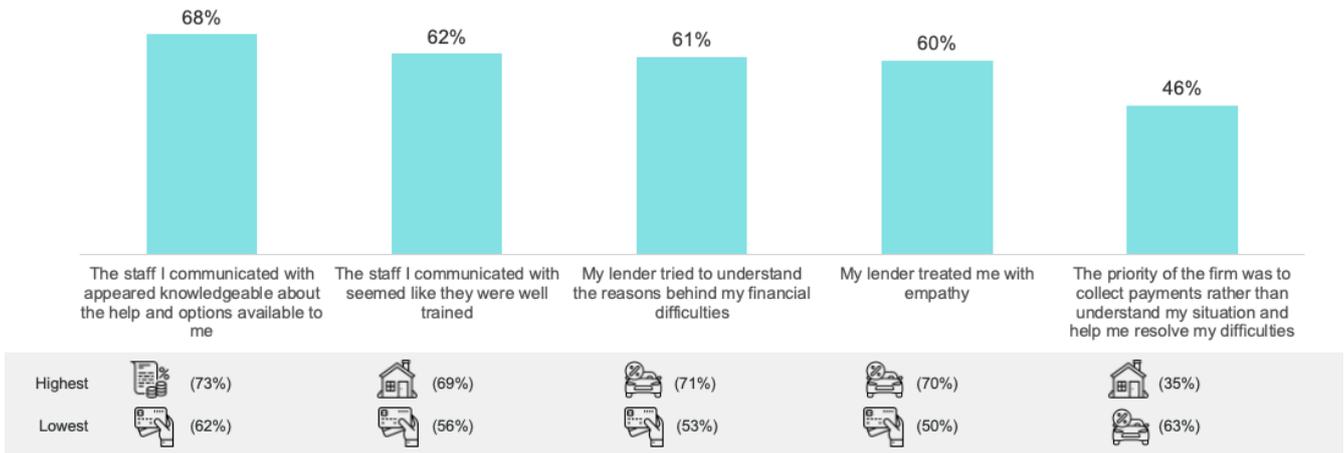
Participants said that this was particularly true when put through to staff who the lenders felt to be specialists in dealing with customers in vulnerable circumstances. In these instances, they felt like their personal situation was taken into account, and that they were treated with dignity and understanding. However, this was not consistent. While most borrowers in financial difficulty (60%) felt that they were treated with empathy, close to half still

thought that the priority of the firm was to collect payments rather than helping them to resolve their difficulties (46%).

Those making contact regarding mortgage payments were significantly less likely to feel that the priority of lenders was to collect payments rather than understand their situation (35%) than those making contact regarding motor finance (63%) or high cost credit (60%), see figure 22.

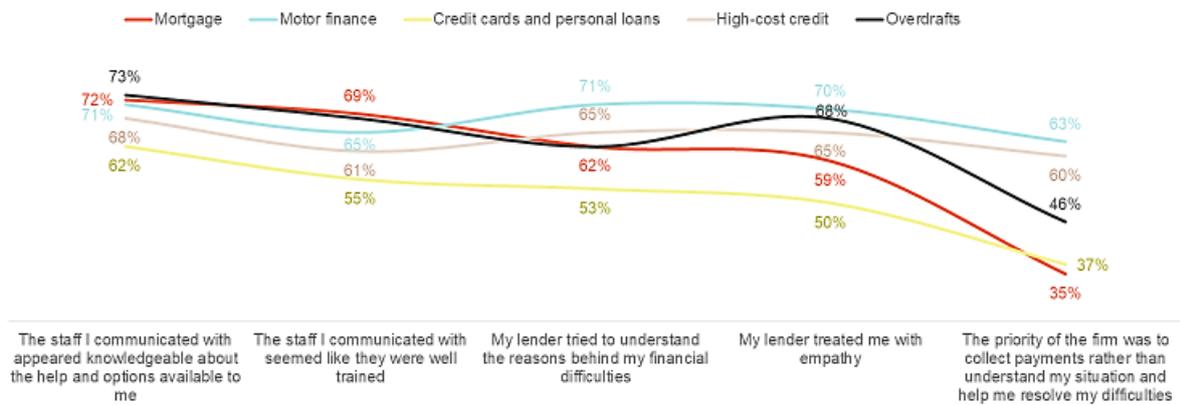
"You can tell they're not really interested in you and your circumstances; she was knowledgeable but not supportive."

Figure 21: Experience of specific elements of contact - % Strongly/ somewhat agree



CL21. Thinking about your communication with your lender about difficulties repaying your <Product> to what extent do you agree or disagree with each of the following statements?
 Base: All respondents who contacted their lender or were contacted by them and they responded (1,315), mortgage repayments (269), motor finance (256), credit cards and personal loans (341), high-cost credit (216), overdrafts (223)

Figure 22: Experience of specific elements of contact by product type contacted about - % Strongly/somewhat agree



CL21. Thinking about your communication with your lender about difficulties repaying your <Product> to what extent do you agree or disagree with each of the following statements? My financial position has improved since I had contact with my lender
 Base: All respondents who contacted their lender or were contacted by them and they responded (1,315), mortgage repayments (269), motor finance (256), credit cards and personal loans (341), high-cost credit (216), overdrafts (223)

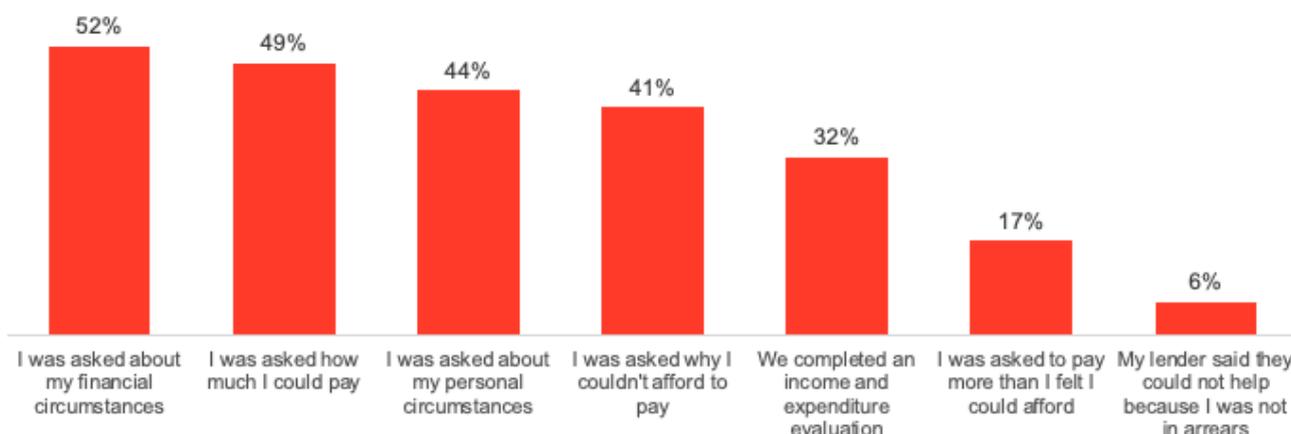
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There were other areas for improvement. The qualitative research found that negative experiences with lenders often left participants feeling upset and judged, with long wait times and being passed around different teams leading to feelings of frustration and resentment. Others described feeling like the conversations were automated and scripted, without considering their personal circumstances or individual needs, which is in contrast to what the majority of borrowers in financial difficulty want, as most felt it was important that lenders understood the reasons behind their financial difficulties to be able to really help (86%), but this topic was not universally discussed during contact with lenders.

"There's no empathy or personality. It's just ticking boxes. You feel so judged. There's no way of helping you. I get that they don't have to care, but there is a real person behind it. The country is crippled by mental health."

Further, only half of borrowers in financial difficulty recalled being asked about their financial circumstances (52%), while slightly fewer were asked how much they could afford to pay (49%) or asked about their personal circumstances (44%). Just two-in-five were asked why they couldn't afford to pay (41%), see figure 23.

Figure 23: Specific content of discussions with lenders



CL18. As part of your discussion with your lender about difficulties repaying your <Product> which, if any, of the following happened?
 Base: All respondents who contacted their lender or were contacted by them and they responded (1,315)



Expert view: “Companies don’t have enough information on the customer, they don’t understand the fuller situation. People approach their lender and ask for a minimal, unrealistic break, but this doesn’t work, and they try another short-term solution, and suddenly the company feels that it’s allowed 2 payment holidays and the situation has escalated.

It would be better to have a more realistic, substantial intervention, recognising that the customer is struggling and can’t easily resolve the debt. But there are reasons for a customer not to provide full disclosure on their situation”.

The research highlighted both consumer and expert views of where lenders could improve the experience of making contact when in financial difficulty. These were:

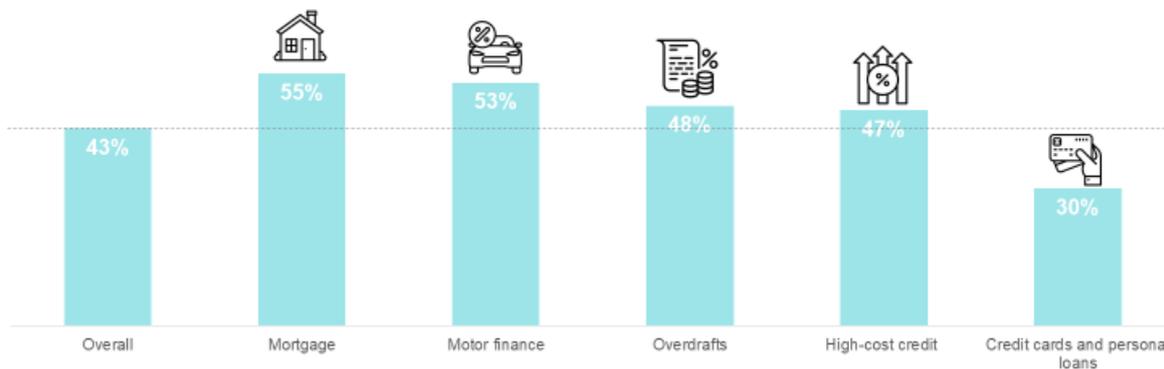
1. improving the interpersonal aspect, ensuring that staff are always able to deal with customers in a way which imparts empathy, sympathy, tone of voice;
2. improving consistency within the organisation, so customers feel assured that when they come back to a different person, the level of service and understanding will be the same;
3. providing a clear outline of the impact of the solution being offered on their credit rating, future payments and remaining debt, to ensure affordability in the future;
4. ensuring that as much of the customer’s personal and unique situation is taken into account, with reassurances around the impact of sharing this information;
5. where a customer has reached out, ensuring that follow-ups are made to review, not to chase. This serves to reassure and shows the lender has ‘listened’;
6. having a dedicated number, not just a call centre leading to a lengthy wait.

The impact on financial position following contact with lenders

Where the financial difficulty was genuinely short/ medium term, the solution provided usually allowed participants the necessary space. Given that many didn't have specific expectations or goals in mind when they contacted the lender, beyond hoping that they could help in some way, most initially felt that some help had been offered.

However, given the short-term nature of the solutions (e.g., payment concessions for one-to-three-months), most participants reflect that this only delayed the problem, as they then struggled to make the new (payments, which could sometimes be higher than existing payments). This showed the challenge with short term solutions, as it is not a fix and payments are then likely to be missed again in the future, which was evidenced by the fact that fewer than half of borrowers in financial difficulty agreed that their financial position had improved since they had contact with their lender (43%), which equates to approximately 1 million adults across the UK. This was even lower for those where the discussion was on a credit card or a personal loan, see figure 24. Agreement was also lower for those with more deep-rooted financial difficulties, with just a third of those earning less than £15,000 (33%) and those out of work (31%) agreeing that their position had improved.

Figure 24: Agreement that financial position has improved due to contact with lender

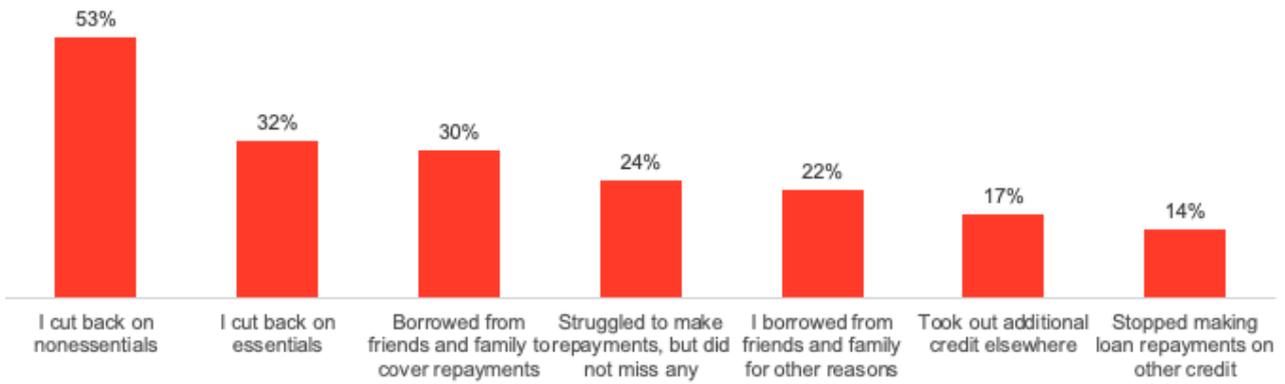


CL21. Thinking about your communication with your lender about difficulties repaying your <Product> to what extent do you agree or disagree with each of the following statements? My financial position has improved since I had contact with my lender
 Base: All respondents who contacted their lender or were contacted by them and they responded (1,315), mortgage repayments (269), motor finance (256), credit cards and personal loans (341), high-cost credit (216), overdrafts (223)

A third of those with an overdraft said that their overdraft was reduced or withdrawn as a result of having contact with their lender (33%). 25% had this reduced and 8% had it withdrawn completely. Only just over half said that the impact of this was discussed with the lender before it was withdrawn (55%).

The range of specific impacts on those who had their overdraft withdrawn are shown in figure 25. For those borrowers in financial difficulty who had their overdraft withdrawn or reduced, the consequences were wide reaching, with a third cutting back on the purchase of essential products as a result (32%), and just under a fifth taking out additional credit elsewhere (17%) or missing payments for other types of credit (14%). This research has found that an overdraft is very much seen as part of everyday banking for those in financial difficulty, and they are often used to juggle other credit commitments – for example, to pay credit or bills when needed. From the qualitative research, some participants told us that they live in their overdraft and when they get paid, they simply go back to zero.

Figure 25: Impact of having overdraft reduced or withdrawn



CLNew3. As a result of your overdraft being reduced or removed, did any of the following happen?
Base: All respondents who have had contact with their lender and had their overdraft withdrawn/reduced (319)

Barriers to contacting lenders

68% of borrowers in financial difficulty (approximately 5.3 million adults) did not recall having any contact with their lender in the past 12 months about the financial difficulties that they have been experiencing.

Reasons for not seeking support

There were many reasons why borrowers in financial difficulty didn't seek support from their lenders that ranged from psychological barriers to more conscious reasons.

Many participants were burying their heads in the sand about their financial situation. They were in denial that there was an issue, so didn't want to contact their lender as this would mean acknowledging there is a problem. Their debt was viewed as overwhelming and taking control required a lot of effort, so it was easier for some to avoid the situation and ignore the debt.



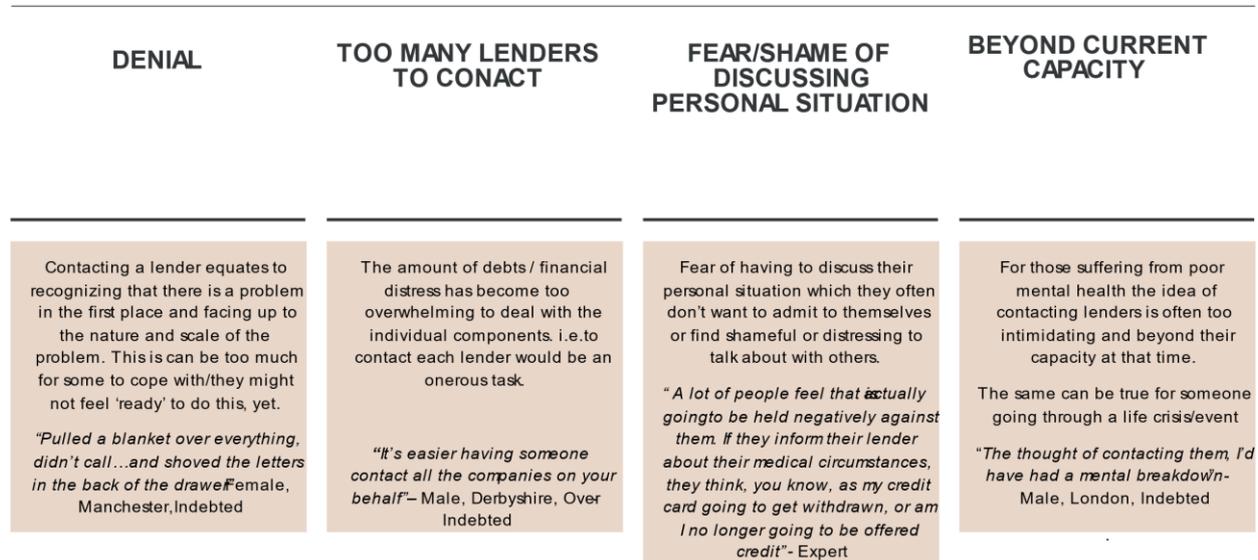
Expert view: “People bury their heads in the sand and have not been able to solve their debt problems, for multiple reasons. It’s not as simple as ‘I’m not organised’, people have not been able to face dealing with the kind of oppression that’s there in their finances”.

For other participants, we found they had so many credit products that it was too overwhelming to think about which lenders to contact. Being in financial difficulty raised many emotions including fear and shame that participants found themselves in this situation, so it was very hard to have the courage to speak to someone else about it. For others who were suffering from poor mental health or were experiencing a negative life event, they reported that they did not have the emotional strength to deal with the debt and contact a lender as they were dealing with their own personal challenges.

The prospect of having to go through a detailed income and expenditure process with a lender can be a particularly daunting prospect, creating a hurdle to contact. Those in the midst of a negative life event, often spoke about not having the head space or perspective to engage with this level of detail. Others couldn't face the prospect of having to consider the extent of their difficulties. Additionally, the process of recording income and expenditure was an increased barrier if they needed to contact several lenders (and was one of the reasons why they 'wanted someone to sort it all out'). Figure 26 summarises the core psychological barriers.

Figure 26: Psychological barriers to contacting lenders

Psychological barriers to contacting lenders



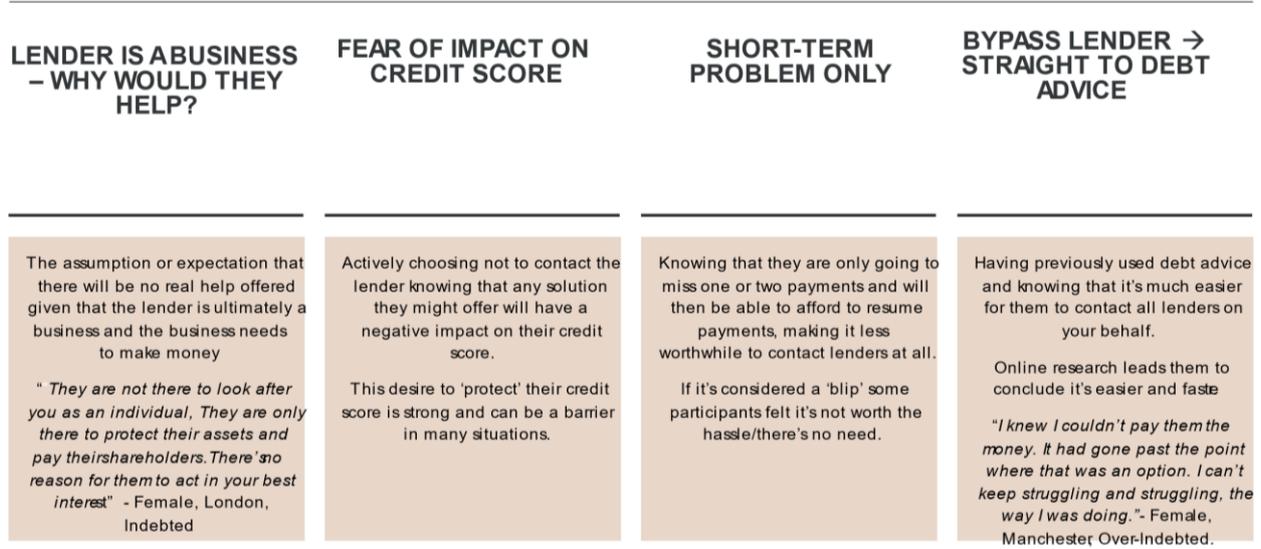
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The importance of these psychological barriers is evidenced by the fact that of those borrowers in financial difficulty who did not respond when their lender tried to contact them about their difficulties to make payments, 42% did not respond because they felt too nervous or embarrassed. Women were more likely to feel this way (57%) than men (25%). A third stated that they knew they needed to take action but hadn't been able to face it yet (32%) and this did not differ significantly by other socio-demographics, such as ethnicity.

There were also more conscious reasons why participants didn't contact their lender, such as an assumption that as a lender is a business; why would they help me? Others felt that by reaching out they would somehow impact their credit file, so by avoiding approaching their lender, they mistakenly felt they were protecting their credit file, which was important to them, see figure 27.

Figure 27: Conscious reasons for not contacting lenders

Others make a conscious decision not to contact lenders

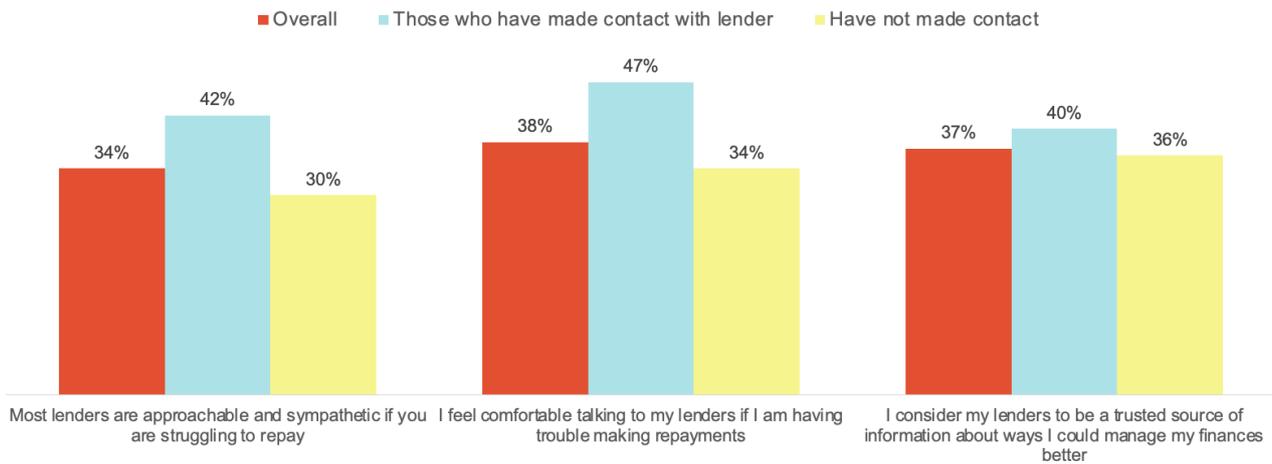


These reasons were also evidenced by the fact that one-in-five borrowers in financial difficulty did not respond to lender contact because they felt it wouldn't be any help (20%), were worried about their credit rating (16%) and losing access to current credit products (18%) or felt that their issues were only temporary and would resolve themselves (19%).

"Lenders will only try to twist any information given to maximise their own income rather than help the person concerned."

There was also an issue in that lenders were typically not seen as a valued source of guidance or support on financial difficulties. Only around a third of all borrowers in financial difficulty agreed that lenders were approachable and sympathetic to those in difficulty (34%). This was 31% among those who had not made any contact, and 42% for those that had. Similarly, 38% said they were comfortable talking to lenders if there were having trouble making payments, and this was 34% among those who had not made any contact, and 47% for those that had. Additionally, 37% would consider their lender to be a trusted source of information about ways to better manage their finances and this was 36% among those who had not made any contact, and 40% for those that had, see figure 28.

Figure 28: Attitudes to lender contact – % agree



AK1. Thinking about borrowing and support generally, to what extent do you agree or disagree with the following statements? Base: All respondents (2947), have made contact with their lender (1162), not made contact with lender (1731)

Additionally, participants in the qualitative research reported that it may be difficult to influence those who are in denial about having any problems and are not yet in the mindset to make changes or access support, as they were often resolute in trying to avoid the issue. By having knowledge and awareness of the support and solutions that are available, participants felt they would be better placed to know where to access this when ready. Participants also felt that better education on the risks of not making contact, and the benefits of contact may lead them to seek support from their lenders. They felt that a variety of contact methods should be available from lenders, all of which should suit their customers (i.e. allowing borrowers to use telephone, and not forcing them to use webchat, email etc.). They felt that this would further encourage them to make contact.

The use of debt advice

Just over a third (37%) of borrowers in financial difficulty had used debt advice in the past 12 months, which equates to approximately 2.9 million adults across the UK.

Those who have fallen behind on or missed a payment in the past six months were less likely to have used or sought debt advice than other types of borrowers in financial difficulty, although this may be driven by the length of time that has passed since they missed a payment.

Men (41%) were more likely than women (34%) to have sought debt advice; whilst there were no significant differences by other socio-demographics.

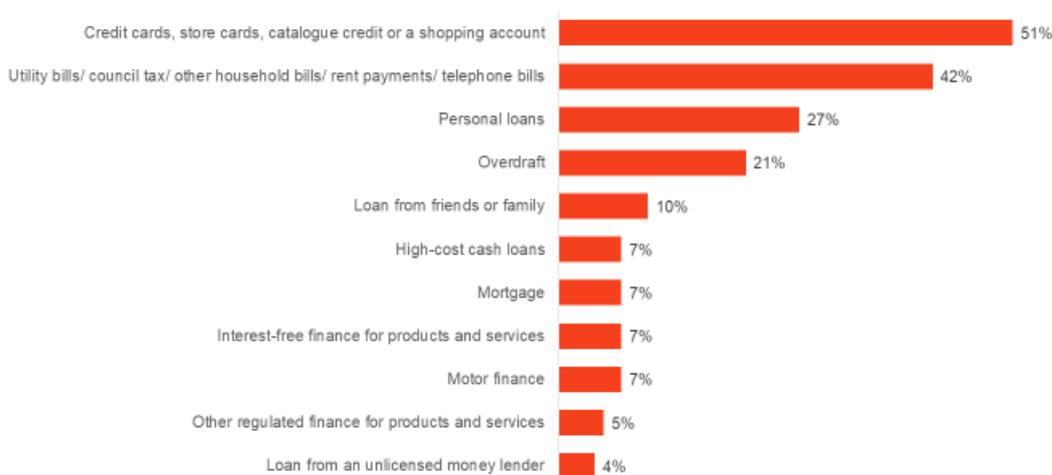
When debt advice is sought and on what products

Figure 29: Percentage of borrowers in financial difficulty who own specific products

Credit cards, store cards, catalogue credit or a shopping account	Overdraft	Personal loans	Interest-free finance for products and services	Mortgage	Motor finance	Other regulated finance for products and services	High-cost cash loans
84%	52%	37%	26%	20%	19%	18%	9%

There were two main products borrowers in financial difficulty sought debt advice about, with around half (51%) seeking debt advice about credit cards, store cards, catalogue credit or shopping accounts, and around two in five (42%) seeking debt advice about household bills, rent payments or telephone bills. About a quarter (27%) sought advice about personal loans and one in five (21%) did so about an overdraft – compare figure 29 to figure 30.

Figure 30: Types of bills/ payments sought debt advice about



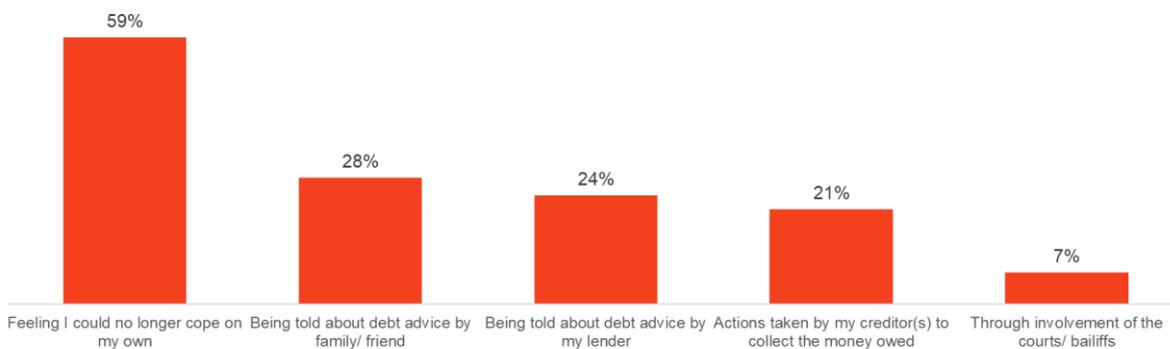
DA2. Which types of bills or repayments did you get debt advice about?
Base: All respondents who have used or sought debt advice (1,133)

The main reasons for seeking debt advice

There were a range of reasons why borrowers in financial difficulty sought debt advice. Being told by their lender about debt advice was a key factor for a quarter (24%). This was higher among those who felt comfortable talking to their lender (38%), considered their lenders a trusted source of information (36%) or felt that lenders were approachable (32%).

Similarly, 28% sought debt advice as a result of being told about the benefits of it by friends/ family. However, the most frequently cited factor was a feeling that they could no longer cope (59%), see figure 31.

Figure 31: Reasons for seeking debt advice



DA7. What factors were important in your decision to seek debt advice when you did?
Base: All respondents who have used or sought debt advice (1,133)

This feeling of not being able to cope was often reported to be an indication that a ‘crisis’ point had been reached which usually meant being chased by enforcement, court action, repossession threats and so on.

It should be noted that most participants told us that they had noticed or knew that debt advice is mentioned at the bottom of letters from lenders and on the telephone when talking to some lenders. However, they had not acted on seeing/ hearing this information as they were not in the right frame of mind at the time for reaching out. This is because they were either so emotionally involved in the crisis surrounding their debt that contacting debt advice was ‘too much’, or they perceived themselves to be coping and not at the stage of needing debt advice yet. Typically, once borrowers in financial difficulty feel they can no longer cope, then they seek debt advice.

“Our backs were against the wall by that point.”

Further, one in five borrowers in financial difficulty sought debt advice, in part due to the involvement of creditor(s). The involvement of courts/ bailiffs wasn’t a primary driver to seeking debt advice (only 7%), although this is likely a result of lower levels of court involvement for all borrowers in financial difficulty. However, this was more likely to be a driver of seeking debt advice among those who had experienced missed payments (10%).



Expert view: Experts also felt that people in financial difficulty reached out to them when they had reached the end of the road and on average, they waited 18 months before they contacted them. There tends to be a gradual escalation of worry with increasing concern that they will lose their home or be taken to court. People are often prompted to contact them by the language in the communications from debt collection agencies.

Their survey work suggests people wait 6-12 months before contacting them.

Delays to seeking debt advice

Among those borrowers in financial difficulty who sought debt advice, there was variation in how long they experienced financial difficulty before seeking help.

Around one in five (18%) sought debt advice as soon as they started facing difficulties, such as missing payments or finding bills a burden – which equates to approximately just over half a million adults across the UK. Interestingly, men were more likely to have immediately sought help (21%) than women (15%), but there were no other significant demographics across socio-demographics; whilst it also didn't significantly differ by product type.

Around one in ten (11%) sought advice within a week of experiencing difficulties, with a similar proportion doing so within a month (14%). Just under a fifth waited one to two months to seek help, with a similar proportion waiting three to six months (15%). One in five experienced issues for seven months or more before getting help (19%).

Of the half of borrowers in financial difficulty who waited more than a month before seeking help (52%), half (53%) regretted not doing so sooner. This feeling became stronger the longer people waited after first experiencing difficulties, increasing to two in three (67%) among those who waited more than 6 months. Some participants in the qualitative interviews, who did not seek debt advice or delayed doing so, felt that debt advice is something that is not for them and there was a lack of understanding around who debt advice is for. There were other reasons why participants delay or didn't contact debt advice as highlighted in figure 32.

Figure 32: Reasons for not seeking or delaying debt advice



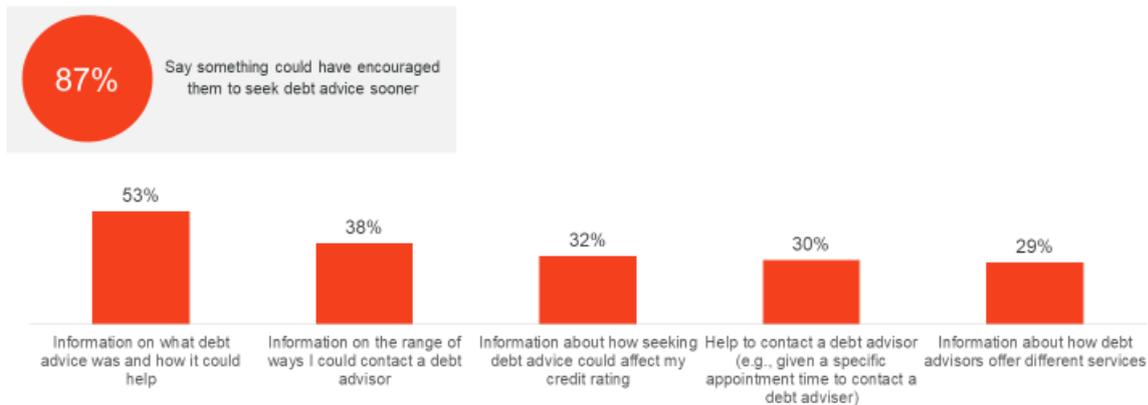
| FCA Borrowers in Financial Distress - Qualitative

What would make borrowers in financial difficulty seek debt advice sooner?

Nine in ten (87%) of borrowers in financial difficulty who did not immediately seek help claimed that they could have been persuaded to seek debt advice sooner, although those aged 55 and over were slightly less likely (83%) to feel they could have been persuaded to do so.

Information on what debt advice is and how it can help was the primary factor that would encourage borrowers in financial difficulty to seek help sooner (53%), and this did not vary across demographics and groups of interest. Information on the range of ways debt advisers can be contacted was a secondary factor (38%), followed by information about how seeking advice would affect credit files (32%), providing help to contact a debt adviser (30%) and information about how debt advisers offer different services (29%), see figure 33. Interestingly, for those who missed payments recently, being given information on which debt advisers offer different services would have been more impactful (33%). There were no significant differences in prompts to contact among those who had a more positive view of their lender.

Figure 33: What could have made them seek debt advice sooner



DIAB: Do you think any of the following actions would have made you seek debt advice sooner than you did?
Base: All respondents who have used or sought debt advice who did not seek it immediately (892)

How debt advisers were chosen

We found participants tended not to actively engage with the information in relation to debt advice provided in lenders’ letters/ phone calls, however, the information provided raised latent awareness and therefore made the likes of Citizens Advice and Step Change more top of mind for many when deciding where to go for debt advice. Google can play a role in searching for debt advice, with most participants aware of Money Saving Expert. They might also check consumer reviews to reassure themselves that a debt advice organisation is legitimate. Other sources mentioned include:

1. Word of mouth from e.g., friends, family or colleagues;
2. Referrals from other groups e.g., food banks, community support groups, etc. (Expert opinion).

Participants also told us they receive lots of information about debt advice (e.g., in letters), but this signposting is not considered the same as a referral, and that this provision of information did not compel them to act.

Main contact channels used for debt advice

At an overall level, three quarters (76%) of borrowers in financial difficulty who sought debt advice were able to contact an adviser through a channel that suited them. However, this was a perception that differs across age groups, as those aged 55 and over were far more likely to feel they were able make contact through a channel that suited them (85%) than those aged 18-34 (73%).

The research showed there were different benefits and drawbacks of using online or telephone for debt advice. Similar to the insights we saw in the *Experience of contacting lenders* chapter, online approaches tended to be preferred by those who seek to remain as anonymous as possible and find the prospect of human contact (telephone or face to face) daunting. Whereas others felt the need to have the reassurance of a human voice and find it easier to talk through different options and the process on the telephone or in person.

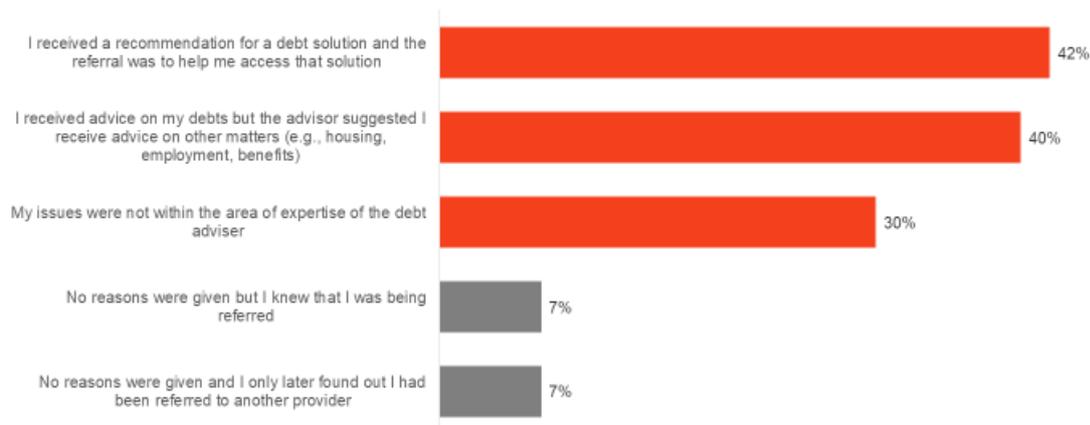
Experience of adviser referrals

One in five borrowers in financial difficulty who sought debt advice were referred from one debt adviser to another within the same organisation (20%) and a third were referred either internally like this or externally to another organisation (32%). Being referred either internally or externally was more common among those who were seeking advice about multiple products, rather than just one. 32% of those seeking advice about one product were re-referred either internally or externally compared to 39% among those seeking advice about two or three products, and 41% among those seeking advice about four or more products.

The majority of those who were referred to another adviser were referred elsewhere either to help them access a specific debt solution (42%), or because they received advice on their debts and the adviser recommended that they could also get help with other matters if they spoke to another adviser within the team (40%), see figure 34.

However, for around a third (30%) they were referred to another adviser because their issues were not within the expertise of the original debt adviser they spoke to. This was more common among those who contacted about debt issues relating to their mortgage (44%) and those contacting about four or more products (37%).

Figure 34: Why referred to a different adviser



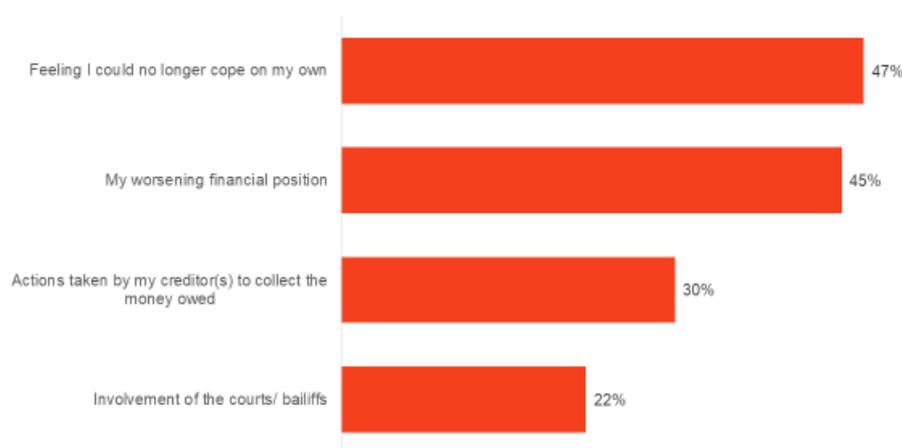
DA13. What reasons were given for the referral or being told to contact another adviser?
 Base: All respondents who were referred from one debt adviser to another (368)

Of those who were referred to another adviser, just one in four (24%) were directly referred to their new adviser, with a similar proportion claiming they were only given a name and told to contact the new adviser themselves (23%). While one in five (21%) were helped to set up a time for a call or meeting with the new adviser, it was clear that the majority of those who were referred were left to initiate contact by themselves, therefore increasing the possibility of them dropping out of the process.

When referred to an alternative adviser, around a quarter (26%) made contact immediately, with a similar proportion (22%) doing so in the first week. Interestingly, those making contact about one product were more likely to make immediate contact (34%), than those who contacted about two or three products (23%) or four or more products (19%).

After being referred to a new advisor, a sense of burden and concern were the primary causes for making contact with the new advisor - nearly half initiated contact as they felt they could no longer cope (47%), with a similar proportion doing so as they felt their financial situation was worsening (45%). Those who recently missed payments were more likely to feel they could no longer cope (56%), driving them to make contact with a new provider/ adviser. The actions of others also played a role, with three in ten (30%) contacting a new source of advice due to actions taken by creditors to collect the money owed and two in ten doing so due to the involvement of courts/ bailiffs (22%), see figure 35.

Figure 35: Why contact was made with the new provider/ adviser



DA13aNew: What factors made you contact another source of advice when you did? Base: All respondents who were referred from one debt adviser to another (368)

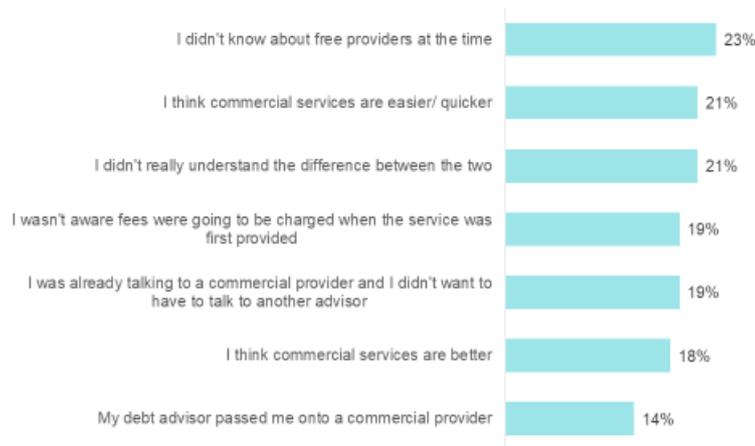
However, just under one in ten of those who were re-referred (8%) did not make any contact with their recommended new adviser after being referred. While this suggests a low risk of drop out from debt advice due to referrals, extrapolated to the population this 8% represents approximately 74,000 UK adults who could have been helped.

Types of debt advice service used

Six in ten (60%) of those who sought debt advice pursued a debt management plan, with two in ten (22%) paying fees as part of this. Interestingly, those making contact about a mortgage debt (35%), motor finance (31%), high-cost loans (31%) and overdraft debts (30%) were more likely to pay a fee as part of their service than borrowers in financial difficulty making contact about other products

There were a wide range of reasons why some paid for debt management services rather than use a free service. While no single reason stood out as a primary driver, overall, there seemed to be a general lack of knowledge about the available services. Around one in five used a paid service as they didn't know about free providers (23%), with a similar proportion not aware of the difference between those services that were free and those that were paid for (21%), and others not aware that a fee was going to be charged (19%). Additionally, for some, there was a perception that commercial services were better (18%) and that they were quicker/ easier (21%), so they preferred to pay rather than use a free service, see figure 36.

Figure 36: Why a paid debt advice service was used



DA15. Just to check, why did you pay for the debt management services rather than get a free debt management plan, for example from a not-for-profit organisation?
Base: All respondents who paid for debt management services (286)

For one in five, they used a paid service as that was where they began receiving debt advice and didn't want to go through the process of talking to another adviser (19%). While for just over one in ten (14%) a paid service was used as they were passed onto a commercial provider by their original debt adviser.

Clarity of debt advice provided

The debt advice received was generally communicated clearly, with four in five (79%) of those borrowers in financial difficulty who sought debt advice claiming it was communicated in a way that was clear and easy to understand. Those aged 18-34 were least likely to feel like this (75%), with those aged 55+ most likely to feel the advice they received was easy to understand (85%). However, there were no differences by other socio-demographics, such as gender, ethnicity or vulnerability.

In addition, the majority (78%) also felt that their options were clearly set out by the adviser, and with this perception, there was little difference by age (77% among those aged 18-34 and 82% among those aged 55 and over).

Among those who sought debt advice or used a debt management service with their partner or spouse, the majority felt the advice they received reflected the fact they were a couple. Just under four in ten (39%) claimed the advice set out what they should do as a couple, with a similar proportion (38%) claiming the advice made it clear what was best for them as an individual, but also took into account they were a couple.

Furthermore, for those who sought advice or used debt management services about debts held jointly, the majority (69%) felt the advice they received made it clear how the recommended action could impact other people linked to the debt. Although men were less likely to feel this way (61%), than women (77%).

The extent to which written advice was provided

Three in five (61%) borrowers in financial difficulty who sought debt advice or used a debt management service received a written summary of advice. Of those, just 3% said they did not look at it as they didn't find it useful,

which was a result of either not being clear on what actions or next steps were needed (41%), or because there was too much information (41%). Furthermore, the language used was not clear for some (27%).

However, around six in ten (58%) of those who received a written summary did share it with someone, with those aged 18-34 more likely (70%) to share it than those aged 55 and over (48%).

Family was the main group with which the written summary was shared (31%), followed by lenders (22%) and friends (18%). However, older age groups (aged 55 and over) were more likely to share it with lenders (23%) ahead of family (21%).

Nine in ten (89%) of those who received a written summary, used it. Predominantly, it was kept as a record in case of problems later (60%) or as a reminder of the advice received (46%), see figure 37.

Figure 37: How any written summary was used



DA19a. In what ways, if at all, have you used the written summary of advice? Base: All respondents who have used or sought debt advice who received a written summary of advice (722)

Experiences and outcomes of seeking debt advice

The majority of borrowers in financial difficulty agreed they would recommend debt advice to others in a similar situation, which reflects that fact they tended to find the debt advice process positive, with many speaking about the relief they felt and how grateful they were for the advice and support provided. Furthermore, seven in ten (70%) found the debt advice more helpful than they expected. However, those who sought debt advice having missed a payment in the past 6 months were less likely to feel it had helped them improve their financial situation (57% vs 64% at an overall level).

For some, the initial part of the process of getting the details of the debts can be a major task and an overwhelming prospect. However, those participants who received debt advice spoke of how the organisation helped them to gather all the information needed and provided support during this process.

“They were just so helpful on the phone, almost I’d say empathetic. They were very nice about it. It wasn’t just like, ‘We’re a company. You have to deal with us.’ They gave me good advice.”

“They’re very good, very caring, genuine and you can tell they’re deeply committed to their Christian faith, they were knowledgeable - both in how to deal with people who are in financial distress and the finances themselves.”

“I’m bad with paperwork and that kind of thing, the hassle of it. I just thought, ‘This is great. They’re doing it all for me. Crack on with it.’” [after being cold-called by a debt management company]

“I just needed someone to take it all off my hands.”

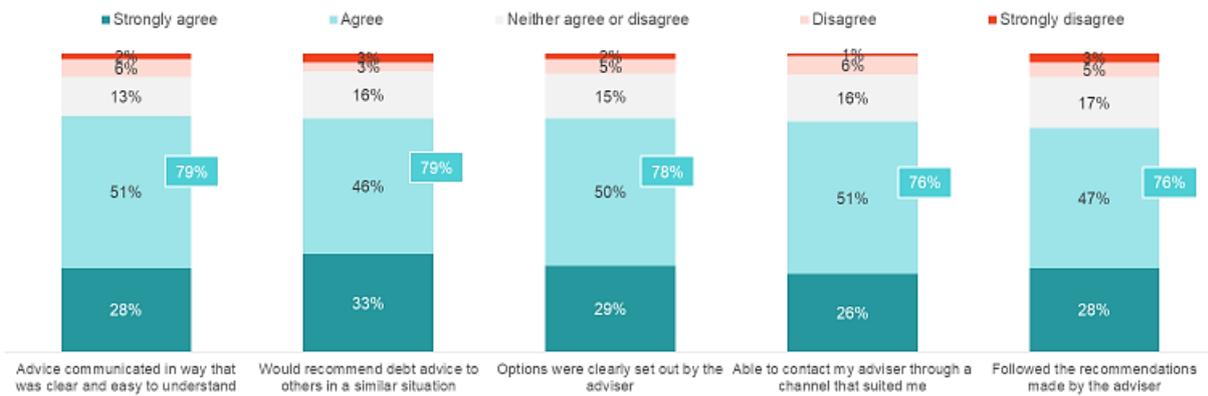
Among those borrowers in financial difficulty who sought debt advice, three quarters followed the recommendations made by the adviser (76%), with those aged 55 and over more likely to do so (84%), than those aged 18-34 (75%).

In addition, six in ten (61%) wished they had spoken to a debt adviser sooner; with this rising to seven in ten (72%) among those who sought advice about four or more products.

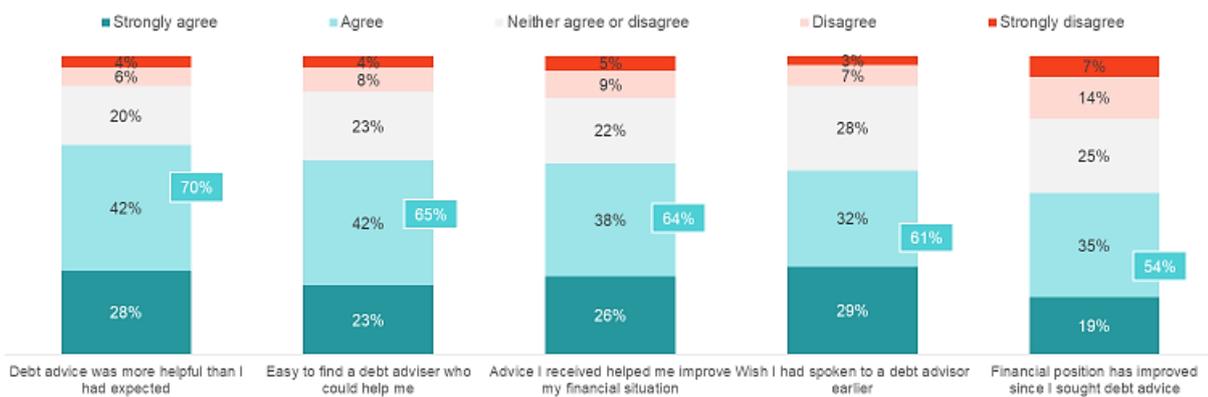
However, only just over half (54%) felt their financial position improved after they sought debt advice. There were some interesting differences across groups in relation to perceptions, including those with a higher income of over £50,000 (70%) being more likely to feel that their perception had changed compared to those earning less than £15,000 (44%). Additionally, those who were not working (36%) and those less confident managing money (36%), were also less likely to think their financial position had positively changed. This may suggest that those in more deep-rooted financial difficulty may need more support and reassurance from debt advice providers, both in term of ensuring the advice is right for them, and that is realistic for them to achieve.

See figure 38 for a summary of the overall perceptions of debt advice.

Figure 38: Overall perceptions of debt advice



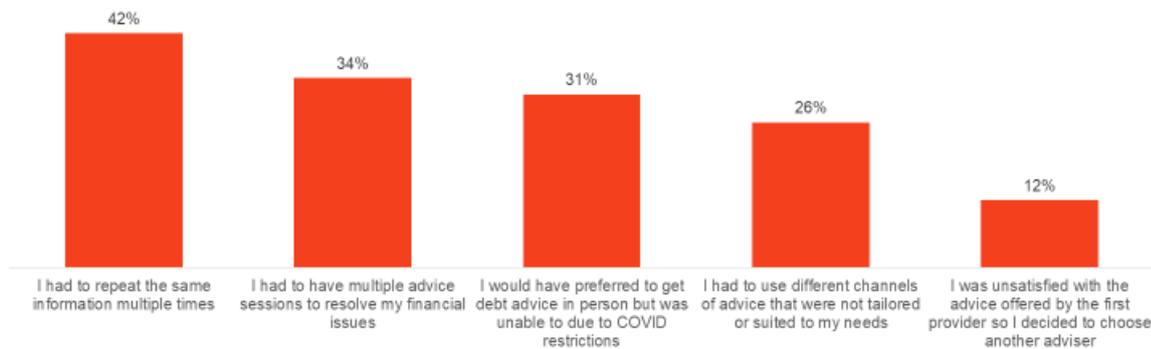
74 | DA18. To what extent do you agree or disagree with the following statements:
Base: All respondents who have used or sought debt advice (1,133)



75 | DA18. To what extent do you agree or disagree with the following statements:
Base: All respondents who have used or sought debt advice (1,133)

The research also showed that there was scope to better tailor the method of advice delivery, as one in four (26%) had to use channels of advice that they felt were not tailored or suited to their needs. This was a particularly relevant issue for those aged 18-34 (35%), but less of a challenge for those aged 55 and over (17%). Additionally, when seeking debt advice, two in five (42%) felt they had to repeat the same information multiple times, with a third (34%) needing to have multiple advice sessions to resolve their financial issues. Unsurprisingly, those who were seeking debt advice about multiple products were more likely to need multiple sessions to resolve their financial issues (28% among those seeking advice about one product compared to 53% among those seeking advice about four or more products), see figure 39.

Figure 39: Experience of debt advice



DA11. Thinking about when you were seeking debt advice did any of the following happen?
Base: All respondents who have used or sought debt advice (1,133)

.YONDER

The process of getting debt advice was not always felt to be straightforward, as one in ten (12%) were unsatisfied with the advice they were offered by the first provider, so they decided to choose another adviser. Those seeking advice about high-cost loans (24%) or about four or more products (21%) were most likely to have been unhappy with the advice first-received.

However, overall, the quantitative research showed that two-thirds of borrowers in financial difficulty would seek debt advice if they faced similar problems in the future (67%). 57% of those who had not used debt advice say that they would do so, increasing to more than four-in-five (84%) of those who used debt advice. Despite there being room for improvement in the process, this reflects the fact it was helpful for the majority of borrowers in financial difficulty who sought debt advice.

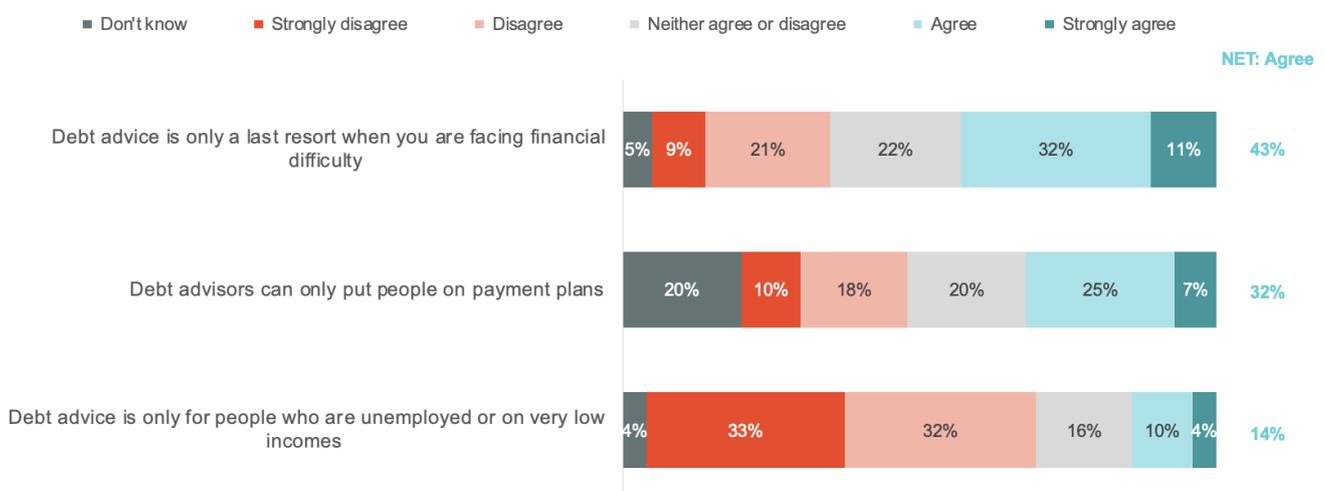
Barriers to seeking debt advice

Reasons for not seeking debt advice

Of those participants from the qualitative research on middle incomes who were juggling debt in a way they perceived to be reasonably normalised, many regarded debt advice as something for other people. They thought that debt advice was for those who were unemployed, on very low income, or on benefits. So, if they had an income, and a job, it couldn't be for 'someone like me', and they 'didn't want to take up someone else's space for getting help', even if they had lots of debt. This was also evidenced through the quantitative survey, which showed that more than two-in-five of all borrowers in financial difficulty saw debt advice as a last resort (43%), notably those on a higher income of over £50,000 (49%), and 14% associated it only with those who were unemployed or on very low incomes, see figure 40.

Interestingly, men were more likely to think of debt advice as a last resort than women (47% vs 41%) and were also significantly more likely to feel it is only for people who are unemployed or on very low incomes (17% vs 12%); which was also a view that was more likely to be shared by 18-34 year-olds (20%) than 55 year-olds and over (7%).

Figure 40: Perceptions of debt advice

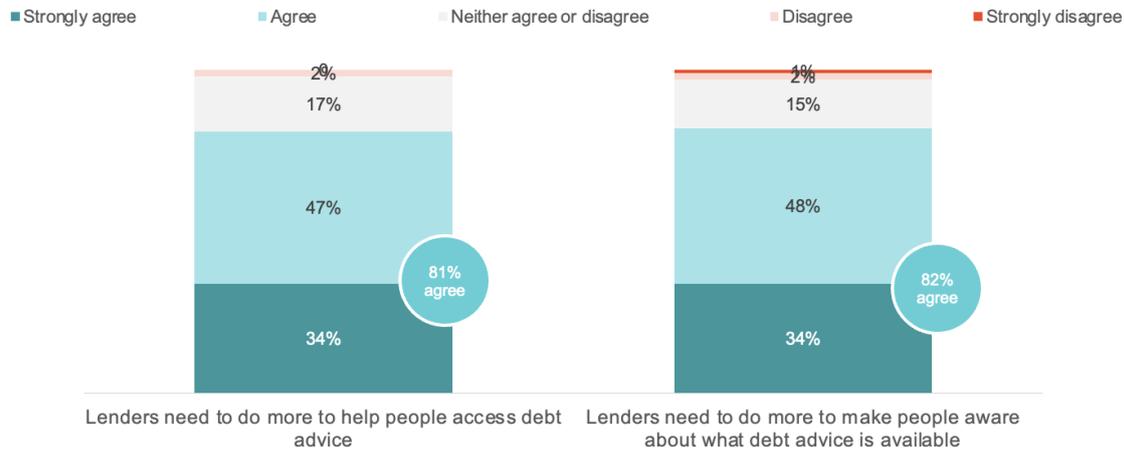


| AK1. Thinking about borrowing and support generally, to what extent do you agree or disagree with the following statements: Base: All respondents (2,947)

There was also a lack of awareness of what support and guidance was available. Despite a latent awareness of some debt advice organisations, there was often little awareness of exactly which organisations offered debt advice, and more importantly, exactly what they were able to do to help someone in financial difficulty. Participants from the qualitative research told us things like they didn't have other sources of money, so couldn't see how debt advice could help, and 'paying my mortgage is my biggest problem – and they can't help me with paying my mortgage'. Participants in the qualitative interviews highlighted the need for greater clarity on what debt advice is and the solutions it could offer. The vast majority of borrowers in financial difficulty from the survey

agreed that it is the lender’s role to do more to help people access debt advice (81%) and need to make people aware about what debt advice is available (82%), see figure 41. This view was held regardless of their perception of their lenders (i.e. whether they felt they were approachable, would be comfortable speaking to them, trust them to provide information).

Figure 41: Perceptions of lender support with debt advice



DA21. To what extent do you agree or disagree with the following statements:
Base: All respondents (2947)

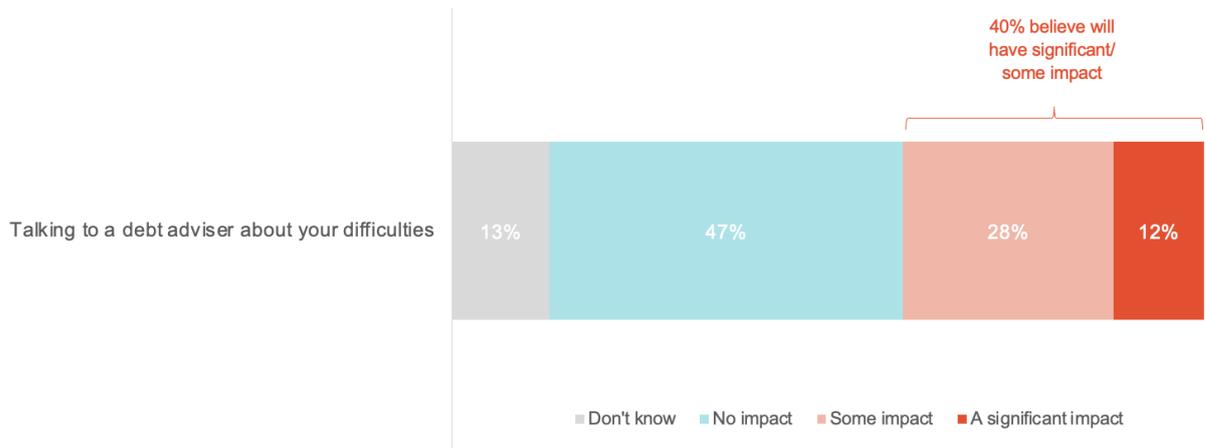
For those who were more aware of debt advice and understood the support available, it was often seen as the last option. This was because finally recognising the nature and scale of the problem and that it may have long term consequences on their credit file, is why many held off seeking debt advice for so long. Two-in-five of all borrowers in financial difficulty believed this would have an impact (40%), while one-in-ten believed the impact would be significant (12%), see figure 42. Those aged 18-34 were significantly more likely to think that this would have an impact compared to those aged 55+ (48% and 31% respectively), as were those with a greater number of credit products (50% of those with 5+ products).

““[Debt advice] is for others. I don’t meet the criteria. I’m not unemployed with six children.”

“It’s the nuclear option it’s the worst-case scenario if they offer you some kind of debt relief order. It’s helpful but it does have long-term implications on your credit file, which is what I would look to.”

Those who did not respond to contact from their lender were also more likely to think that speaking to a debt adviser would have an impact on their credit file (50%). As a result of this perceived impact on their credit file, there was a concern that they might lose access to credit, or be put into debt management, therefore restricting access to other sources of credit they thought they may need to balance their finances.

Figure 42: Perceived impact on credit file by seeking debt advice



AK1b. What type of impact do you think the following would have on your credit file?
 Base: All respondents (2947)



Expert view: There are several barriers that borrowers face that prevent them from seeking debt advice, including:

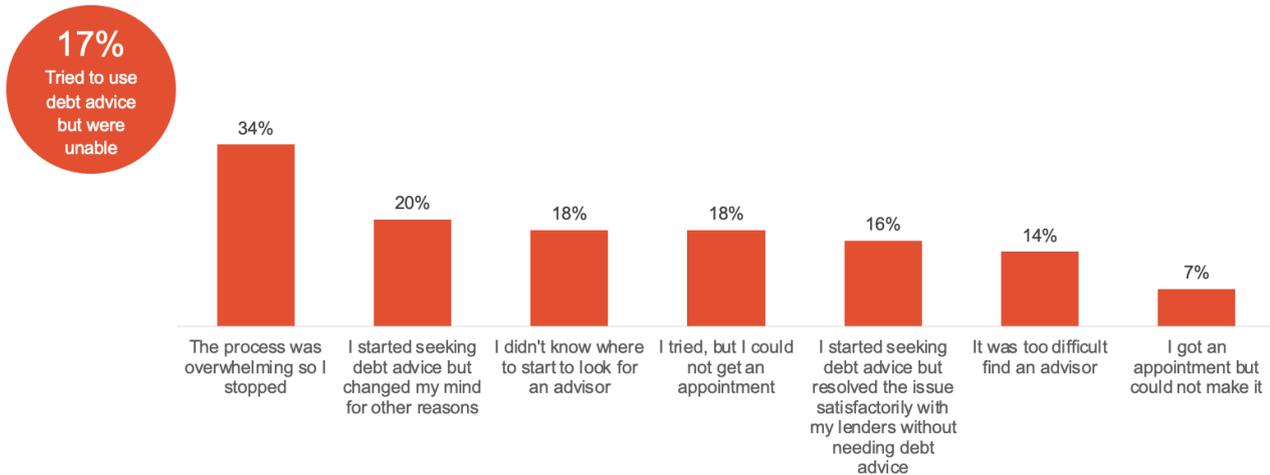
- **Borrowers feel awkward and ashamed to talk about their financial problems**
- **Details about debt advice are generally contained in the communications that people are receiving from lenders/ creditors, but often people don't engage or act upon this information**
- **There is a lack of awareness and understanding of debt advice and what it can deliver**
- **There are concerns about the longer term impact on their credit file/ score**

Overall, experts held the view that there is a clear need to provide greater clarity on what debt advice can deliver and to break the stigma that it is only for those on lower income and is there to help anyone in financial difficulty.

Disengagement from the debt advice process

Just under one-in-five borrowers in financial difficulty who tried to use debt advice dropped out (17%). Among this group, a third stopped as they found the process overwhelming (34%), while lack of knowledge meant that a fifth did not know where to start to look for an adviser (18%), or thought it was difficult to find one (14%), see figure 43.

Figure 43: Reasons for disengaging with debt advice



S2. Please confirm if you have experienced any of the following:
 DA20. You said that you sought to use debt advice but were unable to do so. Which of the following reasons explain why this happened?
 Base: All respondents who sought to use debt advice but were unable to do so (560)

Additionally, the qualitative research showed that if the suggested advice/ options as part of the debt advice involved a lengthy solution (e.g., a debt management plan over 10 years) then some participants wanted a faster solution, so chose not to continue. This was further evidenced through the expert opinion:



Expert view: Long term debt plans can be problematic for borrowers, as there's greater scope for a change in circumstances, creating concern that they may not be able to make the payments for the entirety of the plan. Research suggests that a 5-year plan is more effective than longer ones.

On completing the income and expenditure there can be some resistance as people realise what they will have to give up/ how they will have to compromise once in the plan.

For some people it's the first time they've realised the full extent of their difficulties. Sometimes people don't want to deal with the reality. So, a payment plan needs to be developed with the needs of the borrower in mind (including an exploration of changes in circumstances), and positioned in a way to provide reassurance that it is the best solution for them, in consideration of potential changes in circumstances.

Technical appendix

Background

The Financial Conduct Authority (FCA) was created to regulate the conduct of the UK's financial services. The regulator's three key objectives, as set out by parliament include: to protect consumers, protect and enhance market integrity and promote competition in the interests of consumers. The FCA, and its predecessor the FSA, have regulated residential mortgages since 2004, and second charge mortgages since 2016. In 2014, the FCA took responsibility for consumer credit. As such, the FCA is focused on protecting consumers who take out credit products by ensuring fair treatment from lenders¹¹, and appropriate support and guidance for those borrowers who are in financial difficulty and find it hard to meet their payments.

According to the FCA's Financial Lives Survey (FLS)¹², the financial impacts of the COVID-19 pandemic have seen the financial position of three in eight adults (38% of the UK adult population, or 20 million adults) worsen. Groups that have been particularly hard hit include: the self-employed, adults with a household income of less than £15,000 per year, those aged 18-54, and minority ethnic adults. 14% of UK adults have seen their unsecured debt increase.

During the COVID-19 pandemic, the FCA introduced a series of measures to help consumers with their financial difficulties, including payment deferrals for mortgages and credit products, and guidance for lenders on the provision of tailored support for consumers who are struggling with their borrowing commitments as a result of coronavirus. What is not clear, however, is what the experience of seeking support is like and what barriers stop borrowers from accessing the support that is available or result in them disengaging during the process. Additionally, while the FLS has a clear picture of those who are missing credit commitments and using debt advice, there is limited information on the journey into financial difficulty for different consumers. This means that further research was required into how consumers behave when they are missing payments or are struggling to meet them, and how firms treat them when they show signs of financial difficulty.

The FCA therefore commissioned Yonder Consulting to conduct both qualitative and quantitative research to understand these borrowers in financial difficulty in terms of who they are, how they got into their situation and their experiences when contacting their lenders or debt advice agencies for guidance on their difficulties.

Research objectives

The objectives for this study are far reaching, however, in summary the core objectives are to explore borrowers in financial difficulty experiences to:

- uncover the nuances of individual experiences of financial difficulty that may be driving different strategies and approaches towards payment, seeking support from lenders (or not), and seeking debt advice (or not);

¹¹ Note the term 'lender' here and throughout this report also refers to mortgage administrators including those acting on behalf of unregulated or unauthorised firms.

¹²The Financial Lives Survey is the FCA's flagship survey of UK consumer attitudes towards managing their money, the financial products they have and their experiences of engaging with financial services firms. More information can be found here: <https://www.fca.org.uk/financial-lives-survey/resources-library>

- explore experiences with and/ or expectations of lenders, and what drives borrowers to contacting lenders once payments have been missed, or as they are struggling to make payments;
- explore experiences with and/ or expectations of debt advice, and what drives borrowers to seek advice once payments have been missed, or as they are struggling to make payments;
- understand the barriers which stop some borrowers from contacting their lenders/ seeking debt advice once payments have been missed, or as they are struggling to make payments.

Methodology

This chapter provides a brief introduction to the methodology and outlines the different audiences we engaged with at each of the three stages of the project. Please see the Technical Appendix for full details of the methodology.

Defining financial difficulty

As the focus of this research is on those who are missing payments or are struggling to meet their payments but have not yet missed any, the definition of financial difficulty was wider than that used in other research, including FLS.

To be eligible to participate in this research respondents must have:

- currently owned, or have owned in the past 12 months, one or more forms of credit from an FCA regulated lender or a mortgage;

AND meet at least one of the following conditions:

- have missed **three or more payments** in the past six months on a bill or to a FCA regulated lender;
- have used a debt advice or a debt management service;
- have tried to use a debt advice or a debt management service but not been able to;
- have been contacted by a lender or mortgage provider to discuss payment difficulties;
- have made contact with a lender or mortgage provider to discuss payment difficulties;

OR

- have missed **one or two payments** in the past six months on a bill or to a FCA regulated lender **AND** find keeping up with bills and credit commitments a heavy burden;

OR

- have borrowed on one form of credit specifically to make payments on another **AND** find keeping up with bills and credit commitments a heavy burden.

Following the qualitative stage, this definition was revised to ensure we excluded those showing typical borrower behaviour, which could be misinterpreted as someone in difficulty. For example, consumers moving debt from one credit card to another to simply benefit from a better rate, as opposed to doing so because they could not afford the payments.

Stage 1: Expert interviews with financial advisers/ charities

This stage consisted of seven in-depth interviews among representatives of consumer support and advice organisations. The bodies involved included Citizens Advice Scotland, Macmillan, Step Change, Christians Against Poverty, Money Advice Scotland and Advice UK.

The purpose of this stage was to understand the reasons why those in difficulty approach such bodies and the needs and challenges they face. This was to ensure that the ongoing qualitative and quantitative stages were grounded in appropriate consumer language, and to build on the understanding of issues and overall experiences.

Stage 2: Qualitative in-depth interviews with borrowers in financial difficulty

This stage consisted of 48 in-depth interviews with borrowers identified as being in financial difficulty. Within the sample, we ensured an equal split across different types of credit they own, whether they had contacted their lender to discuss their difficulties, or not, and whether they had used a debt advice service, or not. To ensure this captured a full range of consumer experiences, we also included an extra dimension to capture experiences of consumers in different levels of financial difficulty. For this stage we made a distinction between those who are defined as 'indebted' and those defined as 'over-indebted'. The differences between these two groups are set out below. :

Indebted

Currently own, or have owned in the past 12 months, one or more forms of credit from an FCA regulated lender or mortgage, and have missed **one or two payments** in the past six months on a bill or to a FCA regulated lender;

AND meet at least one of the following conditions:

- find keeping up with bills and credit commitments a heavy burden;
- have borrowed on one form of credit specifically to make payments on another;
- have sought debt advice in the past 12 months.

Over-indebted

Currently own, or have owned in the past 12 months, one or more forms of credit or mortgage from an FCA regulated lender,

AND must agree with BOTH of the following statements:

- keeping up with domestic bills and credit commitments is a heavy burden;
- have missed **three or more** payments in the past six months on a bill or to a FCA regulated lender.

The following grid shows the full sample breakdown, split by product group, consumer behaviour, and level of financial difficulty:

	Contacted provider and used debt advice	Contacted provider and <u>not</u> used debt advice	Not contacted provider and used debt advice	Not contacted provider and have not used debt advice	Total
Mortgage	1 x Indebted 1 x Over-indebted	1 x Indebted 1 x Over-indebted	1 x Indebted 1 x Over-indebted	1 x Indebted 1 x Over-indebted	N=8
Credit card(s) or store card(s)	1 x Indebted 1 x Over-indebted	1 x Indebted 1 x Over-indebted	1 x Indebted 1 x Over-indebted	1 x Indebted 1 x Over-indebted	N=8
Personal loans	1 x Indebted 1 x Over-indebted	1 x Indebted 1 x Over-indebted	1 x Indebted 1 x Over-indebted	1 x Indebted 1 x Over-indebted	N=8
Motor finance/ car loan	1 x Indebted 1 x Over-indebted	1 x Indebted 1 x Over-indebted	1 x Indebted 1 x Over-indebted	1 x Indebted 1 x Over-indebted	N=8
High-cost short-term credit	1-2 x Indebted 1-2 x Over-indebted	1-2 x Indebted 1-2 x Over-indebted	1-2 x Indebted 1-2 x Over-indebted	1-2 x Indebted 1-2 x Over-indebted	N=12
Other high-cost credit product					
Any interest free deferred payment credit	1 x Indebted or Over-indebted	1 x Indebted or Over-indebted	1 x Indebted or Over-indebted	1 x Indebted or Over-indebted	N=4
Total	12	12	12	12	N=48

The interviews covered a broad range of topics, however, the main areas of discussion were:

- to explore and understand the journey into financial difficulty for the different consumers;
- to investigate the needs and challenges of borrowers in financial difficulty across each audience group;
- to explore the different approaches towards seeking support, contact with lenders (or not) and seeking advice around debt (or not);
- to explore the options available for people who are struggling to meet payments;
- to understand the differences between borrowers who had contacted their lender or sought debt advice compared with those who had not;

- to explore and ascertain if financial difficulty journeys vary by product type, i.e. does the product affect the journey or not.

Stage 3: Quantitative surveys

This stage was designed in a way to ensure a representative sample of borrowers in financial difficulty. In total 2,969 interviews were conducted using a mixed methodology:

1. Main online survey: The main sample consisted of an online survey recruited via Yonder’s proprietary online panel, YonderLive. Respondents were recruited using screening questions and the survey, which covered all research objectives, lasted 20 minutes on average.

2. Online survey using FCA sample: The FCA provided Yonder with a sample of c.90,000 borrowers who had used the services of debt advice and debt management providers in the last 12 months. Yonder invited each member of this sample to complete the full on-line survey to increase the robustness of the volume of respondents who have used debt-advice. Any over-representation of this group was corrected through weighting of the final data, as described later in this section.

3. Telephone interviewing using Yonder’s Computer Assisted Telephone Interviewing (CATI) Omnibus: this element of the quantitative design was to boost the overall sample size while also ensuring that respondents with no internet access were not excluded from the research. A reduced version of the online questionnaire, focusing on areas most likely to impact consumers without internet access, was included on Yonder’s nationally representative 1,000 respondent telephone omnibus, which runs weekly.

Data weighting

To ensure representation of borrowers in financial difficulty, final data was weighted based on the known profile from FCA’s Financial Lives Survey. The variables applied from FLS were as follows:

Variable	Weighting applied (from FLS)
Gender	
Male	40%
Female	59%
Use of debt advice	
Have used debt advice	37%
Have not used debt advice	62%
Age	
18-34	42%
35-54	46%
55+	12%
Lender contact	
Have made contact with lender	28%
Have been contacted by lender	12%
Household income	

Less than £15k	36%
£15k - <£30k	32%
£30k - <£50k	17%
More than £50k	14%
Employment status	
NET: Employed/ self-employed/ other employed/ semi-retired	64%
Unemployed	11%
Retired	4%
NET: Perm sick, student, looking after home, other	20%
Frequency of using internet	
At least once a day	84%
Almost every day	8%
At least once a week (but not every day)/ less often than once a week	2%
Not used within last three months	6%
Product ownership	
Mortgage	20%
NET: Has any non-mortgage product (currently hold any product other than mortgage at S1)	95%
Ethnicity	
White	82%
BAME	16%

To note, we down-weighted the boost interviews from the FCA provided sample, so not to over represent those who have contacted a debt advice provider in the overall sample. To do this, we used the FLS data in relation to *Lender Contact* as per the table above.

Report interpretation

Not all figures in the charts/ tables on the quantitative data in this report sum to a total of 100%. This is the case if more than one response was possible; and, where all responses have been included, figures may not sum exactly to 100% due to rounding.

Data comparisons highlighted within this report are not statistically different unless explicitly defined. Statistical significance is defined using a confidence level of 95%.

To note, when we refer to 'participants', these are individuals involved during the qualitative stages, and 'borrowers in financial difficulty' refer to respondents in the quantitative survey.