

Financial Lives 2020 survey: the impact of coronavirus

Key findings from the FCA's Financial Lives 2020 survey
and October 2020 Covid-19 panel survey

11 February 2021



For all copyright queries please see our [website](#),
or contact:

The Financial Lives survey
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

All our publications are available to download from
www.fca.org.uk. If you would like to receive this paper
in an alternative format, please call 020 7066 7948
or email: publications_graphics@fca.org.uk or write
to: Editorial and Digital team, Financial Conduct
Authority, 12 Endeavour Square, London, E20 1JN

Contents

Foreword	10
<hr/>	
Executive summary	12
Introduction	12
Consumer trends from 2017 to early 2020	13
The impacts and experience of Covid-19	18
<hr/>	
Key findings	26
<hr/>	
1 Introduction to the Financial Lives survey and to this report	29
The Financial Lives survey	29
The Financial Lives 2020 survey, coronavirus and the purpose of this report	29
The research sources used in this report – and the Covid-19 timeline	30
How this report is structured	32
Financial Lives 2020 survey coverage and access to the full results	34
Other related publications	36
<hr/>	
2 Product holdings, assets and debts	37
Scope	38
Day-to-day accounts	38
Credit and debt	41
Home ownership and mortgage debt	46
Savings and investments	51
Pensions	55
General insurance and protection	60
<hr/>	
3 Consumers with characteristics of vulnerability	62
Scope	63
Who are vulnerable consumers?	63
How many UK adults have characteristics of vulnerability?	64
How many consumers display characteristics of vulnerability by each driver of vulnerability?	67
Impacts of vulnerability	73
<hr/>	
4 Impacts of the coronavirus pandemic on financial resilience and finances	78
Scope	79
Low financial resilience	80
The impact of Covid-19 on working status	84
The impact of Covid-19 on adults' financial situation overall	88
The impact of Covid-19 on unsecured debt	92
The impact of Covid-19 on savings	98

The impact of Covid-19 on household incomes	100
The impact of Covid-19 on household spending	101
Debt advice and debt management	104
Expectations for the future	108
5 Access and exclusion	116
Scope	117
The unbanked	118
Access to essential banking services	124
Open Banking	137
6 Consumer attitudes to financial services	139
Scope	140
Confidence and trust in the financial service industry	140
Trust in their own provider	145
Satisfaction with their own provider	146
Problems consumers experienced	147
7 Consumer engagement with their finances	151
Scope	152
Consumer confidence in managing money	153
Consumer knowledge about financial matters	154
Confidence working with numbers and understanding financial concepts	155
Switching and shopping around	157
Understanding of and engagement with DC pensions	162
Understanding of and engagement with insurance	174
8 Security, fraud and scams	178
Scope	179
Current account and card security	179
Unsolicited approaches about investments, pensions and retirement planning	182
Covid-19 related unsolicited approaches	184
Appendix A Product holdings	188
Appendix B Characteristics of vulnerability – the survey algorithm	191
Appendix C Methodological notes	199
Abbreviations	206
Glossary	208
The team and authors	219
Acknowledgements	221

List of figures, tables and maps

Foreword	10
Executive summary	12
Figure ES.1: Vulnerability, low financial resilience, over-indebtedness and being in financial difficulty (Feb 2020)	14
Figure ES.2: Impact of Covid-19 on adults' financial situation overall (Oct 2020)	19
Figure ES.3: Adults who say their unsecured debt, cash savings, household income and household spending has increased or decreased since February (Oct 2020)	20
Figure ES.4: Adults who expect to struggle to make ends meet, see their debt levels increase, or are not confident of being able to pay their domestic bills or meet their mortgage, rent or credit commitments in the next six months (Oct 2020)	21
Key findings	26
1 Introduction to the Financial Lives survey and to this report	29
Figure 1.1: Timeline showing recent research fieldwork periods against Covid-19 events	31
Figure 1.2: Financial Lives 2020 survey – summary of survey coverage	35
2 Product holdings, assets and debts	37
Figure 2.1: Day-to-day accounts held by year (April 2017/Feb 2020)	38
Figure 2.2: Type of current account used as main day-to-day account by year (April 2017/Feb 2020)	39
Figure 2.3: Credit and loans by year (April 2017/Feb 2020)	41
Figure 2.4: Credit and loans by age (Feb 2020)	41
Figure 2.5: Credit products held (now or in the last 12 months) by product (Feb 2020)	42
Figure 2.6: Proportion of adults who hold any high-cost credit product (now or in the last 12 months) (Feb 2020)	43
Figure 2.7: Unsecured debt levels by year (April 2017/Feb 2020)	45
Figure 2.8: Unsecured debt levels by gender and age (Feb 2020)	46
Figure 2.9: Housing tenure by age (Feb 2020)	46
Figure 2.10: Mortgage products held (April 2017/Feb 2020)	47
Figure 2.11: Help to Buy and Lifetime ISA products held (Feb 2020)	48
Figure 2.12: Average mortgage debt outstanding, mortgage debt to property values, and mortgage debt to annual household incomes (Feb 2020)	48
Figure 2.13: Residential mortgage repayment type (Feb 2020)	49
Figure 2.14: Residential mortgage interest rate type (Feb 2020)	50
Figure 2.15: Savings products held (April 2017/Feb 2020)	51
Figure 2.16: Investment products held (April 2017/Feb 2020)	52
Figure 2.17: Investible assets (Feb 2020)	53
Figure 2.18: Investible assets by gender and age (Feb 2020)	53
Figure 2.19: Proportion of investible assets held in cash savings products vs. investment products for adults with £10,000 or more in investible assets by the value of investible assets they have (Feb 2020)	55
Figure 2.20: Types of pension held in accumulation by gender and life stage (Feb 2020)	56
Figure 2.21: Proportion of adults who are currently contributing to a pension by gender and life stage (Feb 2020)	56
Figure 2.22: Total amount of DC pension savings (Feb 2020)	57
Figure 2.23: Proportion of adults who are receiving an income or taken a cash lump sum from a pension by type of pension (Feb 2020)	58

Figure 2.24: Pension decision outcome for adults who have accessed a DC pension in the last four years (since pension freedoms) (Feb 2020)	59
Figure 2.25: Insurance and protection products held (Feb 2020)	60
Figure 2.26: Proportion of adults who hold any insurance or any protection product by gender and age (April 2017/Feb 2020)	61
3 Consumers with characteristics of vulnerability	62
Figure 3.1: Proportion of adults who show characteristics of vulnerability (April 2017/Feb 2020/Oct 2020)	64
Figure 3.2: Proportion of adults who show one or more characteristics of vulnerability across a variety of demographic segments (Feb 2020) and proportional change for each segment since February (Oct 2020)	65
Figure 3.3: Proportion of adults who show characteristics of vulnerability by the four drivers (April 2017/Feb 2020/Oct 2020)	67
Figure 3.4: Negative life events experienced in the last 12 months (April 2017/Feb 2020/Oct 2020)	69
Figure 3.5: Proportions of adults who find it very difficult to recover from negative experiences (Oct 2020)	70
Figure 3.6: Proportions of adults who lack support structures (Oct 2020)	71
Figure 3.7: Proportion of adults who are vulnerable – overlapping drivers of vulnerability (Oct 2020)	71
Figure 3.8: Proportion of adults who see themselves as vulnerable by whether or not they display characteristics of vulnerability (Oct 2020)	72
Figure 3.9: Difficulties faced by adults who show characteristics of vulnerability related to their health (Feb 2020)	74
Figure 3.10: Difficulties faced by adults who show characteristics of vulnerability related to their health by type of condition (Feb 2020)	75
Figure 3.11: Difficulties faced by adults who show characteristics of vulnerability related to a recent negative life event (Feb 2020)	76
Figure 3.12: Difficulties faced by adults who show characteristics of low capability (Feb 2020)	77
4 Impacts of the coronavirus pandemic on financial resilience and finances	78
Figure 4.1: Adults with low financial resilience (April 2017/Feb 2020)	80
Figure 4.2: Comparison of the financial situations of adults with low financial resilience and those not with low financial resilience (Feb 2020)	81
Figure 4.3: Proportion of adults with low financial resilience across a variety of demographic segments (Feb 2020)	82
Figure 4.4: Changes in low financial resilience (Feb 2020 vs. Oct 2020)	82
Figure 4.5: Adults with low financial resilience (Oct 2020)	83
Figure 4.6: Impact of Covid-19 on the proportion of adults with low financial resilience across a variety of demographic segments (Oct 2020)	84
Figure 4.7: Impacts of Covid-19 on the work of employees between March and October (Oct 2020)	85
Figure 4.8: Impact of Covid-19 on self-employed business revenue between March and October by business type (Oct 2020)	87
Figure 4.9: Impact of Covid-19 on adults' financial situation overall (Oct 2020)	89
Figure 4.10: Impact of Covid-19 on adults' financial situation overall by their financial resilience before Covid-19 (Oct 2020)	90
Figure 4.11: Adults who say their financial situation overall has worsened across a variety of demographic segments (Oct 2020)	91
Map 4.1: UK and Greater London adults who say their financial situation overall has worsened as a result of Covid-19 (Oct 2020)	92
Figure 4.12: Change in unsecured debt levels since the end of February (Oct 2020)	93
Figure 4.13: Proportion of mortgage holders who have taken a mortgage payment deferral (Oct 2020)	94
Figure 4.14: Extent to which payment deferrals helped mortgage borrowers (Oct 2020)	94
Figure 4.15: Feedback on contact with mortgage lenders (Oct 2020)	96
Figure 4.16: Proportion of renters who requested a rental payment deferral (Oct 2020)	96
Figure 4.17: Feedback on contact with credit lenders (Oct 2020)	98

Figure 4.18:	Proportion of adults who used their savings to cover day-to-day expenses, make loan repayments or pay their mortgage or rent since the end of February (Oct 2020)	99
Figure 4.19:	Actions taken with investments because of Covid-19 (Oct 2020)	99
Figure 4.20:	Impact of Covid-19 on household incomes across a variety of demographic segments (Oct 2020)	100
Figure 4.21:	Impact of Covid-19 on household spending across a variety of demographic segments (Oct 2020)	101
Figure 4.22:	Proportion of adults who have cut back on essentials since the end of February (Oct 2020)	104
Figure 4.23:	Insurance/protection policies cancelled to save money because of Covid-19 (Oct 2020)	104
Figure 4.24:	Proportion of adults using debt advice (Apr 2017/Feb 2020/Oct 2020)	105
Figure 4.25:	Feedback on the debt advice process (Oct 2020)	105
Figure 4.26:	Reasons for not seeking debt advice for adults who are over-indebted and have not used debt advice since February (Oct 2020)	107
Figure 4.27:	Expectations for using debt advice over the next six months (Oct 2020)	108
Figure 4.28:	Proportion of employees who feel their job is at risk (Oct 2020)	109
Figure 4.29:	Work expectations of the self-employed (Oct 2020)	110
Figure 4.30:	Expectations for household income over the next six months (Oct 2020)	110
Figure 4.31:	Expectations of meeting mortgage, rent and credit commitments over the next six months (Oct 2020)	111
Figure 4.32:	Future challenges by gender, age and financial resilience (Oct 2020)	112
Map 4.2:	UK and Greater London adults who expect to struggle to make ends meet, see their debt levels increase, or are not confident of being able to pay their domestic bills or meet their mortgage, rent or credit commitments in the next six months (Oct 2020)	113
Figure 4.33:	Future actions (Oct 2020)	114
Figure 4.34:	Proportion of adults who say it is very likely or somewhat likely they will take the following actions over the next six months by gender, age and low financial resilience (Oct 2020)	115
5 Access and exclusion		116
Figure 5.1:	Unbanked adults by gender and age (April 2017/Feb 2020)	118
Figure 5.2:	Unbanked adults who want a current account (Feb 2020)	119
Figure 5.3:	Unbanked adults who have unsuccessfully tried to open a current account in the past and awareness of basic bank accounts (April 2017/Feb 2020)	120
Figure 5.4:	Proportion of adults declined a financial product or service in the last 2 years (Feb 2020)	121
Figure 5.5:	Proportion of adults declined a financial product or service in the last 2 years across a variety of demographic segments (Feb 2020)	121
Figure 5.6:	Refusal rates by product (Feb 2020)	122
Figure 5.7:	Factors contributing to being declined (Feb 2020)	122
Figure 5.8:	Proportion of adults refused or put off applying for a credit or loan product in the last 12 months across a variety of demographic segments (Feb 2020)	123
Figure 5.9:	Actions taken by adults who were turned down for any credit since February (Oct 2020)	124
Figure 5.10:	Channels used to undertake day-to-day banking activities in the last 12 months (Feb 2020)	125
Table 5.1:	Channels used to undertake day-to-day banking activities in the last 12 months (April 2017/Feb 2020)	125
Figure 5.11:	Proportion of adults with a day-to-day account who regularly use a particular bank branch (April 2017/Feb 2020)	126
Figure 5.12:	Proportion of adults with a day-to-day account whose branch has closed in the last 12 months (Feb 2020)	126
Figure 5.13:	Proportion of adults who say the branch they use most often is inconvenient (April 2017/Feb 2020)	127
Map 5.1:	Proportion of adults aged 55+, or younger and have a health condition or illness lasting or expected to last for 12 months or longer, who find it difficult to get to a bank, building society or credit union by area (Feb 2020)	128
Figure 5.14:	Adults who are digitally excluded (April 2017/Feb 2020)	129
Figure 5.15:	Adults who are digitally excluded by age and gender (April 2017/Feb 2020)	130

Figure 5.16: Support provided to help others get online (Oct 2020)	131
Figure 5.17: Use of payment services in the last 12 months (April 2017/Feb 2020)	131
Figure 5.18: Reliance on cash (Feb 2020)	132
Figure 5.19: Reasons for relying on cash to a very great or great extent (Feb 2020)	133
Figure 5.20: How adults would cope in a cashless society (Feb 2020)	134
Figure 5.21: How adults who were heavily reliant on cash have coped with reduced access to bank branches and ATMs and fewer businesses accepting cash (Oct 2020)	135
Figure 5.22: Contactless payment use since February by adults who relied heavily on cash (Oct 2020)	136
Figure 5.23: Willingness to give the following types of businesses permission to securely access their banking information for Open Banking (Feb 2020)	137

6 Consumer attitudes to financial services 139

Figure 6.1: Level of confidence in the UK financial services industry (April 2017/Feb 2020)	140
Figure 6.2: Agreement whether financial firms are honest and transparent (April 2017/Feb 2020)	141
Figure 6.3: Levels of trust in different types of organisation (mean scores out of 10) (Feb 2020)	142
Figure 6.4: Extent to which adults' views of different types of financial organisation have changed because of Covid-19 (Oct 2020)	143
Figure 6.5: Extent to which Covid-19 has had an impact on attitudes towards insurance and protection providers (Oct 2020)	144
Figure 6.6: Level of trust adults have in their own provider (Feb 2020)	145
Figure 6.7: Level of satisfaction adults have with their own provider (Feb 2020)	146
Table 6.1: Summary of problems and their impact by sector in rank order of percentage of consumers affected (Feb 2020)	148
Figure 6.8: Problems experienced with any financial services provider since the end of February (Oct 2020)	149
Figure 6.9: Anecdotes of the poor and positive experiences survey respondents have had with providers during Covid-19 (Oct 2020)	150

7 Consumer engagement with their finances 151

Figure 7.1: Consumer confidence in managing their money (April 2017/Feb 2020/Oct 2020)	153
Figure 7.2: Confident and savvy consumers of financial services (April 2017/Feb 2020/Oct 2020)	154
Figure 7.3: Level of consumer knowledge about financial matters (April 2017/Feb 2020/Oct 2020)	154
Figure 7.4: Confidence working with numbers in everyday life (Feb 2020)	155
Figure 7.5: Levels of numeracy involving financial concepts (Feb 2020)	156
Figure 7.6: Comparison of self-rated confidence working with numbers to numeracy involving financial concepts (Feb 2020)	156
Figure 7.7: Proportion of adults who are overwhelmed or over-confident in their financial numeracy across different consumer groups (Feb 2020)	157
Figure 7.8: Length of time customers have held their financial products with the same provider by product (Feb 2020)	158
Figure 7.9: Proportion of product holders who hold their product with their main current account provider by product (Feb 2020)	159
Figure 7.10: Switching rates by product (Feb 2020)	159
Figure 7.11: Tendency to shop around (Feb 2020)	160
Figure 7.12: Proportion of customers who shopped around for their product when they took it out recently by product (Feb 2020)	161
Figure 7.13: Impact of Covid-19 on consumers' willingness to shop around (Oct 2020)	162
Figure 7.14: Summary of pension engagement for adults currently contributing to a DC pension (Feb 2020)	163
Figure 7.15: Summary of pension engagement for adults currently contributing to a DC pension across different consumer groups (Feb 2020)	164
Figure 7.16: Proportion who have reviewed their DC pot value in the last 12 months	165
Figure 7.17: Awareness of DC pension contribution levels (April 2017/Feb 2020)	165
Figure 7.18: Awareness of auto-escalation (Feb 2020)	166

Figure 7.19: Proportion who personally chose to increase their contribution levels in the last three years (Feb 2020)	166
Figure 7.20: Proportion who have thought about how much they should be contributing to their DC pension (April 2017/Feb 2020)	167
Figure 7.21: Proportion not aware of any charges incurred on their DC pension (April 2017/Feb 2020)	167
Figure 7.22: Proportion who are not aware their DC pension is invested (Feb 2020)	168
Figure 7.23: Proportion who received and read their pension statement and understanding of pension statements (April 2017/Feb 2020)	169
Figure 7.24: Impact of pension statements on member understanding and engagement (Feb 2020)	170
Figure 7.25: The impact of Covid-19 on pension contributions (Oct 2020)	170
Figure 7.26: The impact of Covid-19 on the decision to retire, for adults who have retired since the end of February (Oct 2020)	172
Figure 7.27: The impact of Covid-19 on the retirement plans of adults aged 50+ and not retired (Oct 2020)	172
Figure 7.28: Reasons why adults aged 50 and over have changed their retirement plans because of Covid-19 (Oct 2020)	173
Figure 7.29: Pension withdrawals since the end of February (Oct 2020)	174
Figure 7.30: How policy holders who have taken out, renewed or switched their insurance product in the last three years engaged with their policy documentation (Feb 2020)	175
Figure 7.31: Extent to which Covid-19 has had an impact on understanding of and engagement with insurance (Oct 2020)	176
Figure 7.32: Actions insurance and protection policy holders have taken because of Covid-19 (Oct 2020)	177
8 Security, fraud and scams	178
Figure 8.1: Proportion of adults who always or sometimes take the following precautions to protect themselves against fraud (April 2017/Feb 2020)	180
Figure 8.2: Proportion of adults who have experienced potentially fraudulent activity in the last 12 months (April 2017/Feb 2020)	181
Figure 8.3: Success in recovering money lost as a result of fraud (Feb 2020)	182
Figure 8.4: Unsolicited approaches related to investments, pensions or retirement planning experienced in the previous 12 months that could be scams (April 2017/Feb 2020)	183
Figure 8.5: Extent to which adults feel they have experienced more unsolicited approaches related to investments, pensions or retirement planning since Covid-19 (Oct 2020)	184
Figure 8.6: Proportion of adults who have experienced a Covid-19 related unsolicited approach that could be scam (Oct 2020)	185
Figure 8.7: Anecdotes of experiences of Covid-19 related unsolicited approaches which survey respondents have had during Covid-19 (Oct 2020)	186
Figure 8.8: Proportion who responded to a Covid-19 related unsolicited approach that could be a scam (Oct 2020)	187
Appendix B Characteristics of vulnerability – the survey algorithm	191
Table B.1: The four drivers of vulnerability and example characteristics from our draft vulnerability guidance	192
Table B.2: Vulnerability algorithm	193
Appendix C Methodological notes	199
Figure C.1: Guide to reading the charts in this report	203



Foreword

To make sure we can protect consumers and help ensure competition works for them, we need to understand the financial realities of their lives. To do this, we need to collect and use evidence. Our focus on using data to help shape what and how we regulate is a stronger priority than ever.

The Financial Lives survey is fundamental to this work, enabling us to hear directly from consumers across the UK. It is a large-scale survey that gives us nationally representative consumer insights for all the retail financial sectors we regulate.

I am pleased to introduce the key findings from our latest research. This report combines results from both our Financial Lives 2020 survey (completed in February 2020) and our coronavirus (Covid-19) panel survey. This survey was run in October 2020 to understand how Covid-19 had affected consumers' finances in the first six months of the pandemic.

Many of the findings are worrying. Our research found that, even before the first lockdown, over 20 million adults could only continue to cover their living expenses for less than three months, if they lost their main source of household income. By October 2020, 20 million people report that their financial situation is worse than before lockdown, and 3.7 million more than in February have characteristics of vulnerability. The pain is not being felt equally; both younger adults and BAME adults are disproportionately represented among the growing number of vulnerable consumers – and so at greater risk of harm. Three months on, it is inevitable the picture for consumers will have got worse.

This report is full of invaluable insights on consumers and the serious challenges they face. It gives us an important reference point and will inform our thinking on where and how we intervene.

We have already used some of the survey data for a substantial December 2020 [consumer research](#) report that we used in our evaluation of the Retail Distribution Review (RDR) and the Financial Advice Market Review (FAMR). The survey has also been integral to our Covid-19 response work. For example, giving us a clear picture of consumer debt for our work on mortgage and credit payment deferrals in early 2020.

We actively encourage our stakeholders to use these survey results in their own work. The survey offers rich data that will be useful for financial services firms, consumer bodies, the Government, academics and others.

As well as sharing some Financial Lives 2020 survey results in this report, we are also publishing the full data tables on our website. By the end of April, we will also make the raw survey data available on request through the Consumer Research Data Centre at University College London.

We will continue to develop and improve how we use data to help us understand and tackle issues effectively in the markets we regulate. Using research on the real lives of consumers and the issues they face is a key part of this. We welcome your corrections and any suggestions on how we can improve future surveys. Please contact us at financiallivessurvey@fca.org.uk.

Nisha Arora

Director of Consumer & Retail Policy Division
Financial Conduct Authority

Executive summary

Introduction

Financial Lives, our flagship survey of UK consumers, provides a wealth of information about consumers' attitudes towards managing their money, the financial products they have and their experiences of engaging with financial services firms. It is unique in the combination of its design, its breadth (over 1,300 questions covering all the retail sectors that we regulate) and its size (over 16,000 respondents in the latest wave). As a tracking survey, it provides evidence of how things are improving, worsening or staying the same, from the point of view of the consumer.

As a consumer-focused and data-led regulator, it is vital that we have the insights to understand the realities of consumers' changing financial lives. The Financial Lives nationally representative data help us to deliver our consumer protection and competition objectives through identifying harm and improving consumer outcomes. The data also provide valuable insights for the financial services industry, the Government, policy-makers, consumer bodies and academics.

Our second Financial Lives survey ended in February 2020 before the pandemic. It therefore gives us an understanding of consumers' financial positions before the coronavirus (Covid-19) pandemic. This tells us much about their likely ability in February 2020 to deal with financial shocks. It also means that the survey acts as a baseline against which to understand changes in people's financial situations during and after the pandemic.

To test how the pandemic had already affected UK consumers, we ran a survey – our Covid-19 panel survey – in October 2020 with over 22,000 respondents. We will use future research and analysis – including our next Financial Lives survey – to understand the changing shape of consumers' financial lives after the pandemic.

This executive summary is in two parts. In the first part, we look at how the market has evolved since our first Financial Lives survey in 2017 to early 2020. We look in particular at how many UK adults had low financial resilience or were otherwise not well positioned to deal with the financial impacts of the pandemic. In the second part, we focus on the impacts of Covid-19 on UK adults' financial lives, drawing largely on our bespoke Covid-19 focused survey from October 2020.

See Chapter 1 (Introduction to the Financial Lives survey and to this report) for more information on the research used in this report.

Consumer trends from 2017 to early 2020

Consumers with characteristics of vulnerability

Before Covid-19, while the number of consumers with characteristics of vulnerability was falling, many faced issues with their finances or struggled to interact with financial services

All consumers are at risk of becoming vulnerable (and hence at greater risk of harm), particularly if they display characteristics of vulnerability to do with poor health, a life event, low resilience or low capability.

In 2017, 51% of UK adults (26.0m) showed one or more characteristics of vulnerability. By February 2020 this proportion had fallen to 46% (24.0m). This was largely due to fewer being digitally excluded (14% in 2017 vs. 9% in 2020) and fewer having low financial resilience (23% in 2017 vs. 20% in 2020).

Older people aged 75+ saw the largest improvements in digital inclusion in this period (41% were digitally active in 2017, compared with 64% in 2020), and financial resilience improved broadly among 18-69 year olds.

But, looking at adults with characteristics of vulnerability in February 2020 indicates many people were already struggling to interact with financial services before the pandemic. Examples include:

- Adults with poor mental health or low mental capacity or cognitive difficulties: 42% of these people found dealing with customer services on the phone confusing or difficult; 34% were anxious when shopping around for financial products and services; 33% put off dealing with financial matters, such as ignoring warning letters, and 29% had fallen into debt because they had not wanted to deal with difficult financial situations.
- Adults with a physical disability: 33% of these people faced difficulties getting to a bank branch, while 30% found dealing with customer services on the phone confusing or difficult.
- Adults with a hearing or visual impairment: 40% of these people found dealing with customer services on the phone confusing or difficult; 38% faced difficulties getting to a bank branch, and 25% struggled to follow instructions which makes it hard for them to interact with financial services providers.
- Adults who had a relationship breakdown in the previous 12 months: 20% of these people had fallen into debt because they did not want to deal with difficult financial situations, while 20% struggled to manage their money.
- Adults with low capability about money and finances: 57% of these people felt nervous, overwhelmed or stressed speaking to financial services providers or found it hard to find suitable financial products or services; 37% struggled to assess financial products or found it difficult to shop around, while 16% had fallen into debt which might have been avoidable if they had understood their options better.

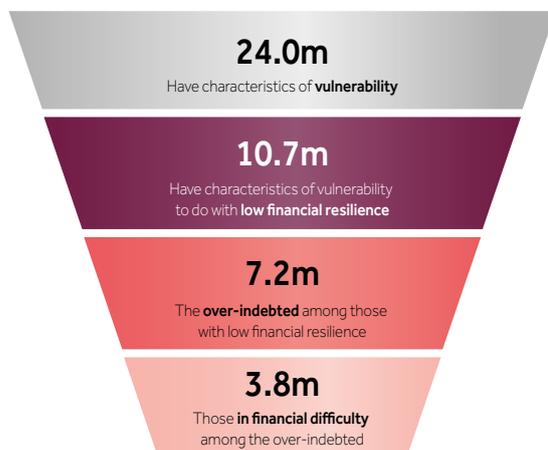
Low financial resilience

In February 2020, 10.7 million UK adults had low financial resilience, down from 11.6 million in 2017

People are described as having low financial resilience if they are over-indebted or have little capacity to withstand financial shocks. For example, they could not withstand even a £50 reduction in their monthly income or losing their main source of household income for even a week.

Before Covid-19, 20% of adults (10.7m) had low financial resilience as Figure ES.1 shows.

Figure ES.1: Vulnerability, low financial resilience, over-indebtedness and being in financial difficulty (Feb 2020)



For source information, see Appendix B.

Of these, 7.2 million (equating to 14% of UK adults) were over-indebted, and of these we define 3.8 million as being in financial difficulty (7% of UK adults) because they had missed paying bills or meeting credit commitments in three or more of the previous six months.

This was a slight improvement on the 2017 results, where 11.6 million (23%) had low financial resilience, 7.5 million (15%) were over-indebted and 4.1 million (8%) were in financial difficulty. Financial resilience improved in this three-year period more so for men than women (18% of men had low resilience in 2020, down from 21% in 2017, compared with 24% and 23% for women, respectively). The improvement spans all ages groups from 18 to 69.

In February 2020, certain demographic groups were far more likely than others to have low financial resilience, and therefore be at greater risk of harm. Those least able to cope with a financial shock included: unemployed adults (47%), renters (47%), adults with a household income of less than £15,000 (43%) and Black adults (34%).

Warning signs

In February 2020, there were warning signs many more adults might find it difficult to cope with a systemic financial shock

People with low financial resilience were in the worst financial position before Covid-19. Many others, however, only had limited financial resilience in early 2020.

Having money set aside in an accessible savings buffer, to pay for an unexpected expense or to draw on if you lose your job, is a sensible plan. While the amount that should be set aside might vary according to each individual's circumstances, financial experts generally recommend a figure of at least three months of expenses. Yet, in February 2020, 39% of adults (20.3m) said they could only continue to cover their living expenses for less than three months, if they lost their main source of household income.

People who use credit may be able to cope under 'normal' circumstances, and some will have no problems, such as those who pay off their credit or store cards every month. But a sustained income shock may push some into difficulties. This may be particularly true for those who are borrowing using high-cost credit or have levels of borrowing that are unsustainable. For example, in February 2020:

- One in ten (10% or 5.1m) were **constantly or usually overdrawn**. There was no significant change in these numbers between 2017 and early 2020. Many were using their overdraft facility to pay for essential living expenses, such as their rent or mortgage payments.
- One in twenty (5% or 2.8m) had **persistent credit card debt** because they were revolving a balance on a credit card and had paid more in interest, fees and charges over the previous 12 to 18 months than they had actually paid off on their card(s).
- One in ten (11% or 5.6m) held one or more **high-cost loans**, unchanged from 2017 (10%). It was very common for people to be using high-cost credit to cover day-to-day expenses.
- Less than 0.5% (0.2m) told us they had borrowed from an **unlicensed moneylender** or another informal lender in the previous 12 months, unchanged from 2017.
- A fifth (20%) of mortgage holders (3.5m) had **outstanding mortgage debt at least four times their annual household income**. This was a significant increase on the 14% of mortgage holders in 2017.

In total, 23.7 million adults (45%) were unable to cover their living expenses for three months or more or were borrowing in one of these ways in February 2020. This placed them at greater risk if they were to experience a persistent drop in income, for example due to furlough or losing their job.

Trust in financial services

There has been a slight improvement in levels of trust and confidence in the industry since 2017, but levels remain low

A lack of trust and confidence can result in consumers not engaging with the financial services industry, or failing to address their own financial needs.

In February 2020, only 42% of adults had confidence in the UK financial services industry, up from 38% in 2017. And just 35% agreed that financial firms are honest and transparent, up from 31% in 2017. People with characteristics of vulnerability and the over-indebted were more likely than average to lack confidence in the industry.

Similarly, trust in the different retail financial sectors remains low across the board. In February 2020 banks came out top, but were trusted highly only by one in five adults (20%). Only 7% expressed high trust in insurance companies.

A more positive picture emerges when consumers rate their own provider. People generally have higher levels of trust in their own provider than they do in the sector in general.

Levels of product holding

There has been little change in product holdings since 2017 – in February 2020, many UK adults lacked savings, had debts, and had no income protection

There has been limited change in product holdings since 2017. The most significant increases are in pensions and e-money:

- Auto-enrolment has increased **pension** take-up: 70% of non-retirees in February 2020 had a pension in accumulation, up from 62% in 2017. Pension take-up has increased particularly among employees aged 25-54 (90% had a pension in accumulation in February 2020, up from 82% in 2017).
- **E-money** alternative account use has increased fourfold – from 1% in 2017 to 4% in 2020. Usage is particularly prevalent among men aged 18-34 where 9% held an e-money alternative account in February 2020, compared with just 3% in 2017.

Before Covid-19, 77% of adults (40.5m) had a **savings account** of any type, up from 72% in 2017. The most widely held products were savings accounts with a bank, building society or with NS&I, cash ISAs and premium bonds. A third (33%) of adults (17.3m) held any investment product, up from 29% in 2017. Older adults were far more likely to have savings and investments than younger adults. However, as we have already seen, few savers had any substantive savings in these accounts.

The use of credit was high in February 2020 and had been increasing. Use of FCA-regulated **consumer credit** increased from 46% of adults in 2017 to 51% in February 2020. Informal borrowing from friends and family had also been increasing, up from 7% of all adults in 2017 to 10% in 2020. For young adults aged 18-24, 19% borrowed from friends and family, up from 12% in 2017.

In contrast, there were positive signs that the levels of unsecured debt, although high, were on a downward trend. Excluding student loans, adults owed on average £2,960 in February 2020, down from £3,320 in April 2017. Average debt levels peaked for adults aged 35-44.

The proportion of people holding any **insurance** product has increased from 81% in 2017 to 88% in 2020. However, in early 2020 there remained a significant protection gap, as just over half (53%) did not hold any **protection** products at all. Encouragingly, this was a marked improvement on the 2017 figure, where 59% had no protection in place. In early 2020, the protection gap was most prevalent among those aged 18-24, unemployed, renting, single, with no educational qualifications, with low or no confidence in managing their money, Asian, Black, or with characteristics of vulnerability.

Digital access to essential banking services

Technology is changing how consumers interact with financial services

Consumers are switching away from traditional channels to embrace digital solutions in banking:

- **Branch use** has declined significantly. In the 12 months to February 2020, 50% of adults with a day-to-day account carried out banking activities face to face in-branch, down from 63% in 2017. Despite this, usage remains high among older adults.
- **Online banking** has increased significantly in popularity among older age groups. In February 2020, 72% of adults aged 65-74 and 54% of adults aged 75+ banked online, compared with 60% and 27% in 2017, respectively.
- Younger adults have been moving away from online banking towards **mobile banking**. For example, in 2020, 60% of 18-24 year olds banked online, down from 84% in 2017, while 88% banked using a mobile app, up from 73% in 2017. Of note is the increased use of mobile banking apps in the older population: up from just 1% in 2017 to 14% in 2020 for those aged 75+, and up from 10% to 24% for those aged 65-74.
- 84% of adults have used an **ATM to withdraw money or check their balance**. Since 2017, there has been a decline in ATM usage among young adults aged 18-24 (77% in 2020, compared with 89% in 2017), but an increase in usage among those aged 75+ (67% and 54%, respectively).

Innovation and new technology are making **digital payments** easier than ever for consumers of all ages. In February 2020, 84% made a contactless payment in the previous 12 months, up from 63% in 2017.

New service providers are disrupting the traditional role banks play in the payments ecosystem. Nearly three in five (59%) used **PayPal** to pay for goods and services in the 12 months to February 2020, up from 47% in 2017.

The use of **mobile wallets** is also growing rapidly, doubling from 13% in 2017 to 27% in February 2020. Mobile wallets were more likely to be used by men (31%) and by those aged 25 to 34 (46%) or 18 to 24 (51%).

The market for **Payment Initiation Services** (PISs) is still in its infancy, but, in early 2020, one in ten (9%) adults had used these services. PISs were more likely to be used by women (10%), students (12%), those who are in financial difficulty (15%) and those aged 18 to 24 (16%).

Cash remains a vital payment method for many, including the most vulnerable in society. In February 2020, 5.4 million adults (10%) relied on cash to a very great or great extent in their day-to-day lives. Dependency on cash was highest among adults aged 85+, but it is not limited to this age group. In February 2020, 42% of those aged 85+ relied on cash. It is not possible to say how reliance on cash has changed over time, as the question was not asked in 2017.

The impacts and experience of Covid-19

Consumers with characteristics of vulnerability

Covid-19 has reversed the positive trend in vulnerability. There are now 27.7 million adults with characteristics of vulnerability – and so at greater risk of harm

Between March and October 2020, the number of adults with characteristics of vulnerability increased by 3.7 million to 27.7 million. A 15% increase on the February figure, this takes the overall proportion to 53% of all adults. This increase has been driven mostly by more people experiencing negative life events, particularly redundancy or reduced working hours (up 45%, from 20% of adults in February to 29% in October) and having low financial resilience (up 35%, from 20% of adults in February to 27% in October).

Those experiencing a negative life event in the preceding 12 months increased from 10.5 million (20%) in February to 15.3 million (29%) in October. In this period, ie from the end of February to October, over a quarter (27%) of all employees were furloughed for any length of time. This includes 4% who were put on paid leave, but not under the Coronavirus Job Retention Scheme. One in six (17%) employees reported that their employer had cut their hours, while less than one in ten (7%) had their hours increased or worked overtime. Seven in ten (71%) self-employed businesses experienced a reduction in business revenues between March and October. One in ten (9%) ceased trading altogether.

Covid-19 has had a disproportionate impact on those of working age. The largest proportional increases in vulnerability since February 2020 – by more than 40% – have been among younger adults aged 18-34 and the self-employed. In contrast, retirees have seen a small proportionate decrease in the numbers who have characteristics of vulnerability.

Our results are not showing a significant overall increase in the proportion of people saying they have a health condition or illness that reduces their ability a lot to carry out day-to-day activities (although this could have changed since October 2020, when the research was conducted). Covid-19 appears, however, to be having a significant impact on mental health, which can result in a range of difficulties when dealing with financial services. In October 2020, 18% told us they had a mental health condition or illness, up from 12% in February 2020. Over two-fifths (43%) of these were aged 18-34.

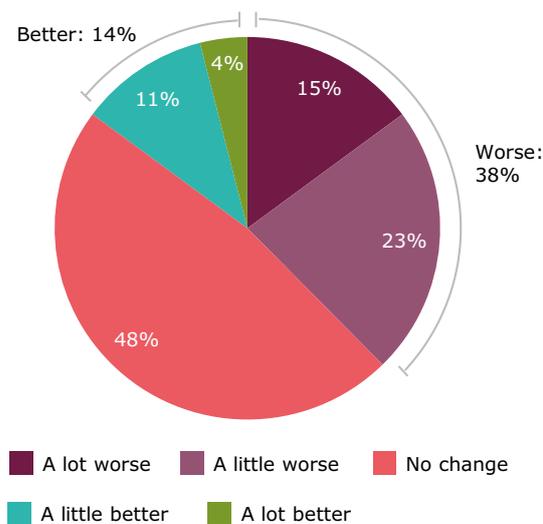
Our Covid-19 panel survey asks about emotional resilience. One in fourteen (7%) of all UK adults said they find it very difficult to recover from negative experiences. In total, 1% have low emotional resilience but no other characteristics of vulnerability. Including the emotionally vulnerable would increase the proportion of people with characteristics of vulnerability from 53% to 54% in October 2020.

Impact on finances and financial resilience

Covid-19 has had a profound impact on adults' financial situations but has not affected the finances of all groups in society equally

Three in eight adults (38% or 20.0m) have seen their financial situation overall worsen because of Covid-19; 15% (7.7m) have seen it worsen a lot. 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 BAME adults.

Figure ES.2: Impact of Covid-19 on adults' financial situation overall (Oct 2020)



For source information, see Figure 4.9.

While these numbers are of course concerning, our results also show that almost half of adults (48% or 24.9m) have not been affected financially by Covid-19, while one in seven (14% or 7.5m) have seen an improvement in their financial situation overall.

Comparatively, the retired population has been better insulated from the financial impacts of Covid-19. This is perhaps not surprising as key sources of income for this group – the State pension and defined benefit pensions – have not changed.

Given the severity of the lockdown restrictions, limitations on consumer activities, and the resulting impact on the UK's labour market, it is perhaps not surprising to see that there have been both positive and negative financial impacts of Covid-19. These are summarised in Figure ES.3.



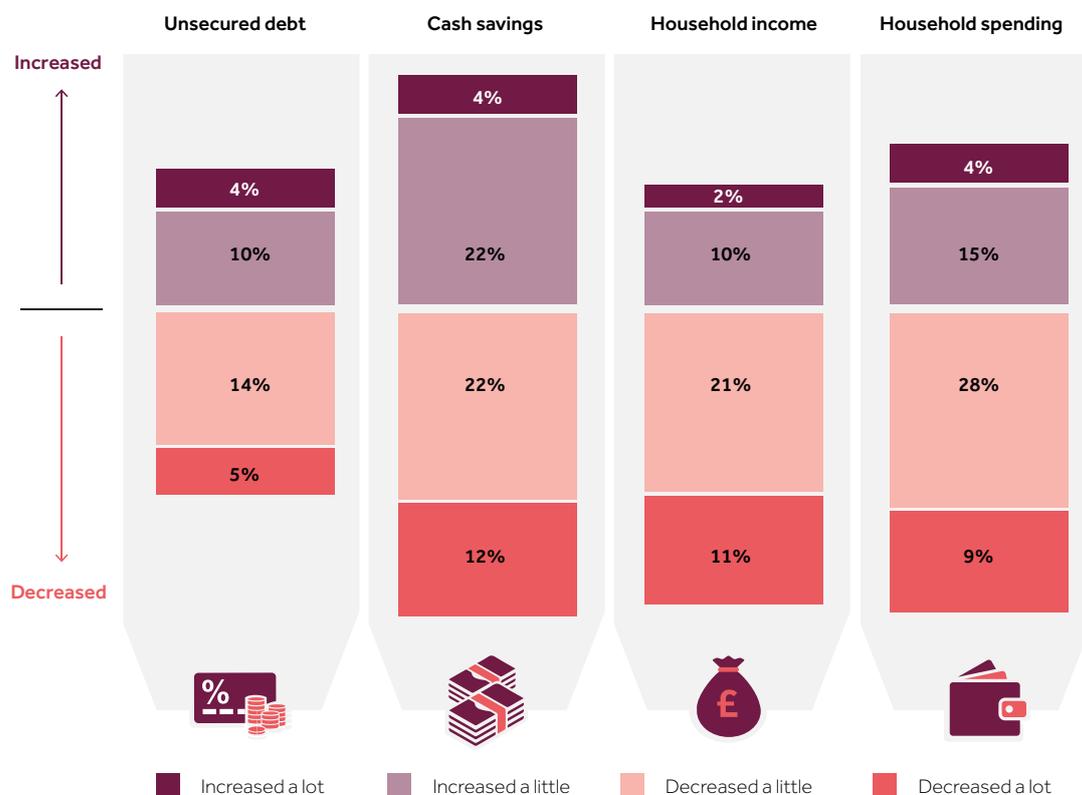
We've maxed out on credit cards. We've maxed out on the bank loan... We've got a £13,000 overdraft, and the bank put the interest rates up to 39%! So, it is really, really tough
Female, 55-64



I think, at the end of the month when all the bills are paid, I end up with about £75 disposable income, which, compared to what I'm used to, is absolutely crazy
Male, 25-34



Figure ES.3: Adults who say their unsecured debt, cash savings, household income and household spending has increased or decreased since February (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267), excluding 'don't know' responses (2%/1%/1%/1%). **Question:** F1 (Rebased)/F4 (Rebased)/F7 (Rebased)/F10 (Rebased). Comparing your ... now and at the end of February. Overall, has your ... increased, decreased or stayed the same? **Note:** The base for 'cash savings' is those with any cash savings at the end of February

Positive impacts include 37% of adults reporting an overall decrease in their household spending, 12% experiencing an increase in household income, and 19% reducing their unsecured debt.



My opportunities to spend have been reduced, which is the main reason for my financial situation being better at this stage. I have put aside some money, paid off outstanding car loans, and have made some improvements around the house
Male, 25-34



An additional 3.5 million adults now have low financial resilience

Between March and October 2020, the number of people with low financial resilience increased by 3.5 million from 10.7 million to 14.2 million. Those with low financial resilience now account for a quarter (27%) of adults.

This is not surprising given the large number of adults who, before Covid-19, had limited savings or had patterns of borrowing that placed them at greater risk if they experienced a persistent drop in income.

Looking at the groups which have been most affected since February 2020, the largest proportional increases in low financial resilience – by 40% or more – have been among those aged 18-54, and particularly younger adults aged 18-34. Adults in employment in February (employees and the self-employed) have been affected more than those who were then unemployed or retired.

We asked adults in October 2020 about their expectations for the next six months. This was before the announcement of the second England-wide lockdown that began in early November 2020 and the extension of the furlough scheme and payment deferrals. Some local lockdowns were in force, however, during October.

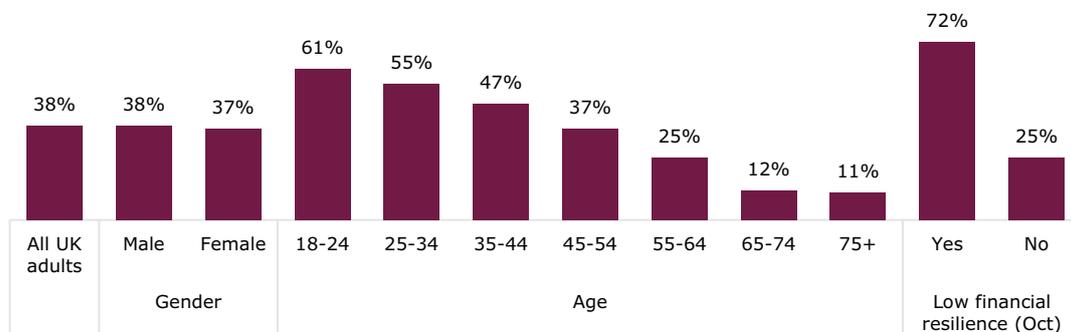
Two and a half million adults (9% of all adults working for an employer in October) have been informed that their job is at risk. A further 28% say they may be made redundant, but had not been informed that their job is at risk.

The prospects also look gloomy for almost half of those in self-employment. Although just 4% expect to cease trading in the next six months, 16% expect their revenues to decrease a lot, and 26% expect their revenues to decrease a bit.

Given this fairly bleak outlook, it is not surprising, that nearly 16 million adults (30%) expect their household income to fall in the next six months, rising to under half (45%) of those who already have low financial resilience.

As Figure ES.4 shows, almost two-fifths (38% or 19.6m) of adults anticipate either struggling to make ends meet, seeing their debt levels increase, not being able to pay domestic bills, or not being able to keep up with their mortgage, rent or credit and loan commitments over the next six months. This figure increases to 72% among those with low financial resilience in October 2020.

Figure ES.4: Adults who expect to struggle to make ends meet, see their debt levels increase, or are not confident of being able to pay their domestic bills or meet their mortgage, rent or credit commitments in the next six months (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267) **Question:** FU5/6/7sum. How confident are you that you will be able to meet your mortgage payments/rent payments/credit and loan repayments over the next 6 months? FU8a.c. Thinking about the next 6 months, how likely is it that you will face any of the following challenges?

When asked to think about the challenges they are likely to face in the next six months, many are very worried about their financial prospects:

- 26.5 million (51%) expect to cut back on or delay non-essential spending
- 17.5 million (33%) are likely to cut back on essentials
- 8.1 million (16%) expect to take out a new credit product or borrow more on an existing one
- 5.6 million (11%) say they are likely to use a food bank

Payment deferrals

Without mortgage and credit payment deferrals, many would have found it even more difficult to cope

Between March and October 2020, one in six (17%) mortgage holders (3.2m) told us they took up a mortgage payment deferral. Another 14% (2.6m) of mortgage holders were considering doing so in October. Of those who took a deferral, four in ten (40%) told us they would have struggled a lot without it. Awareness of the scheme was high, with just 6% of all mortgage holders saying they might have taken a deferral, had they been aware of it.

Mortgage holders most likely to take a mortgage payment deferral (Oct 2020)

Adults who were over-indebted in February	46%
Employees who were laid off or made redundant because of Covid-19	37%
Employees who became a full-time carer or reduced their hours to care for children/others because of Covid-19	31%
Employees who had their hours or pay cut because of Covid-19	30%
Adults employed on a fixed-term, temporary, zero hours, or agency staff contract in February	26%
Employees who were furloughed or put on paid leave because of Covid-19	26%
Black, Asian and minority ethnic (BAME) adults	23%
18-34 year olds	22%



The priority was getting us through those first few months. We were worried about things like interest rates and so on as well, but it [the payment deferral] was the only way really that we could continue to manage

Female, 35-44



A fifth (19%) of adults with any credit or loan product (excluding overdrafts) told us they took a credit deferral, rising to half (49%) of those holding high-cost short-term credit such as payday loans or short-term instalment credit. Of those who took out a credit deferral, 63% took out a deferral on more than one loan. For many this support was a welcome lifeline: 32% said they would have struggled a lot more, if credit deferrals were not available.

Two-thirds (67%) of those who took up a mortgage payment deferral felt their lender was sympathetic to their circumstances. Two-fifths (41%) report their lender had contacted them to discuss their options, for example extending their deferral or extending their mortgage term to reduce future payments. The comparative statistics for those who took credit payment deferrals are 51% and 50%, respectively.

Debt advice

There is limited take-up of debt advice during the pandemic, so far, among those who need it most, but the service is valued by those who have used it

A total of 1.7 million people accessed debt advice between March and October 2020. Far more may need debt advice: potentially up to the 8.5 million over-indebted in October 2020. This means that 6.8 million people who might benefit from debt advice were not receiving it. Over-indebted adults tell us that the biggest barriers to accessing such services are embarrassment discussing their debts or not wanting to face dealing with the problem (35% gave this reason for not using debt advice) and lack of awareness that free services exist or whom to contact (31%).

Debt advice, however, can make a difference to those who are struggling. Around two in three (64%) debt advice users felt that their needs were understood by the adviser. For a similar proportion (62%) their debts are more manageable having spoken to an adviser.

Looking forwards, 13% of all adults (6.7m) feel that it is likely they will need debt advice in the next six months. Almost half, would like to access this advice online.

Trust in financial services

Most people have not changed their opinion of financial service providers because of Covid-19

Covid-19 has had a small impact on consumers' trust in financial services institutions. On balance, banks have seen a small improvement in being trusted: 17% of adults trust them more, while 15% trust them less. Consumers' views of banks and mortgage lenders appear to have been shaped a great deal by their experiences of applying for mortgage payment deferrals, which, on balance have been positive.

Trust in insurance companies has suffered a net decline: 22% of adults trust insurance companies less because of Covid-19, while 11% trust them more. Over one in three (36%) believe that the insurance and protection industry did not do enough to help consumers in their response to Covid-19.

Consumers' views are affected by their experiences. One in four (25%) have experienced at least one service-related problem with any financial services provider – including a problem getting through to them (11%) and issues using providers' websites (9%).

Perceptions matter too. One in three (34%) adults believe that insurance companies rarely pay out, up from around one in five (22%) in February 2020. Just 4% of all adults, however, have not been able to get a refund from an insurance company or a claim has been handled poorly between March and October 2020. Of these, 21% say they trust insurance companies a little less now, and a further 14% say they trust them a lot less.

Fraud and scams

Unsolicited approaches have increased during the pandemic, increasing the risk of fraud and scams

In the 12 months to February 2020, 18% of adults (9.3m) received at least one unsolicited approach involving investments, pensions and retirement planning – that might be a scam. Over a fifth (22%) say they definitely received more unsolicited approaches since the end of February than they did before Covid-19; a further 22% think this may be the case.

We asked about potential scams since the end of February related to Covid-19, such as phishing scams designed to look like they are from the Government offering Covid-19 financial support, from the NHS Test and Trace service, or from TV Licensing offering six months of free TV licence because of the pandemic. Over one-third (36%) of adults say that they have received at least one such approach.

A total of 1.4 million adults say they paid out money as a result of a Covid-19 possible scam. People with characteristics of vulnerability are more susceptible to these approaches: 12% paid out money, compared with just 1% of those with no such characteristics. Younger adults are also more susceptible: 16% of 18-24 year olds paid out money, compared with 1% of those aged 55+.

Access to cash

Covid-19 has acted as a catalyst to speed up digital trends, but not all consumers have been able to cope without access to cash

During Covid-19, most adults have coped well with reduced access to bank branches and ATMs and with fewer businesses accepting cash. For example:

- Around three in ten (28%) say they used online or mobile banking more regularly compared with the end of February. A further 2% say they used it for the first time since the first national lockdown began. In contrast, 46% say they visited bank or building society branches less frequently compared with the end of February.
- Around three in four (72%) who were heavily reliant on cash in February coped with reduced access to bank branches and ATMs; 73% coped with fewer businesses were accepting cash. One in seven (15%) and one in six (16%), respectively, have not coped, however.
- Over half (55%) made contactless payments more frequently in October compared with the end of February. This pattern is much the same for those who were heavily reliant on cash in February.
- One in three (34%) have provided help to a digitally excluded friend, neighbour or relative during the pandemic, to use the internet (21%), make payments online (18%), or set up online or mobile banking (11%).

Switching and shopping around

Covid-19 has also led to more people shopping around and switching

Covid-19 has increased consumer interest in shopping around for financial products. We have also seen more switching in insurance and more attention being paid to policy details, but did not capture data on this for other retail sectors. For example:

- One in three (33%) adults with insurance products are more likely to shop around in the future. For those who had never shopped around for these products previously, 10% say they are now more likely to do so.
- Three in ten (29%) adults with other financial products like current accounts, savings accounts and ISAs are more likely to shop around in the future. For those who had never shopped around for these products previously, 13% say they are now more likely to do so.
- One in six (17%) adults with insurance or protection products have switched to a new provider to lower the cost of a policy. This proportion increases to 24% for adults who were employed in February but lost their job due to Covid-19.
- One in eight (12%) adults with insurance or protection products have reviewed a policy to see what it covers; 9% have renewed a policy with changes to its terms and conditions (such as opting for higher excesses or less cover), and 8% have switched to a provider offering more appropriate cover for their needs.

Key findings



Example 2017 to early 2020 trends

- **Pension take-up has increased:** in early 2020 85% of employees were saving in a pension (or their employer was doing so on their behalf), up from 75% in 2017
- **More consumers make contactless payments:** 84% of consumers had made a contactless payment in the 12 months to February 2020, up from 63% in 2017
- **Increased use of digital channels:** 81% of adults banked online or used a mobile app, up from 73% in 2017
- **Branch use has gone down:** 27% regularly used a branch, down from 40% in 2017

Many findings involve diversity and inclusion – February 2020 examples



- 60% of those showing low financial capability were **women**
- 44% of **women** aged 75+ were digitally excluded compared to 28% of men aged 75+
- 2.5 times as many **women** (18%) used catalogue credit or shopping accounts than men, and use among **women** grew since 2017 (14%)
- Only 12% of **women** saving in a DC pension are highly engaged with their pension compared with 26% of men. **Women** are less likely to read their DC pension statement, review the value of their pot, choose to increase contributions or know about pension charges
- 34% of **Black adults** had low financial resilience compared with 19% of White adults. 63% of **Black adults** showed characteristics of vulnerability compared with 45% of White adults
- 52% of **Black adults** rented their home, compared with 21% of White adults
- **Black adults** were less likely to hold any savings product (70% vs. 79%), any investment product (25% vs. 34%) or any protection product (39% vs. 48%) than White adults

Pre-Covid-19 difficulties related to vulnerability (February 2020)

- **57% of adults with low financial capability** feel nervous or overwhelmed speaking to financial services providers or find it hard to find suitable financial products or services
- **20% of adults who had a relationship break-up** in the previous 12 months have become indebted because they did not want to deal with difficult financial situations
- **42% of adults with poor mental health, low mental capacity or cognitive difficulties** find dealing with customer services on the phone confusing; 33% are put off dealing with financial matters, such as ignoring warning letters



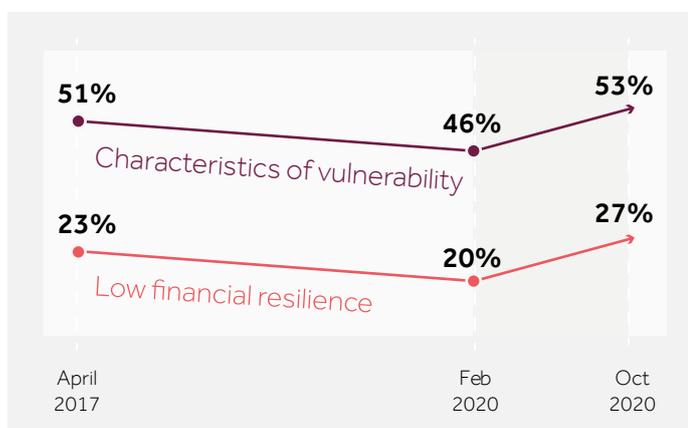
Pre-Covid-19 warning signs about debts (February 2020)

- **20.3 million** could only continue to cover their living expenses for less than three months, if they lost their main source of household income
- **5.6 million** held one or more high-cost loans
- **5.1 million** were constantly or usually overdrawn
- **2.8 million** had persistent credit card debt

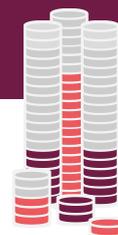


Covid-19 has reversed the downwards trend in vulnerability and low financial resilience

- **27.7 million have characteristics of vulnerability** in October 2020: an increase of 3.7 million since February 2020
- **14.2 million have low financial resilience** in October 2020, an increase of 3.5 million since February 2020



Negative financial impacts of Covid-19 (October 2020)



- **20.0 million** say their overall financial situation is a lot worse
- **9.9 million** saw their unsecured debt increase since February
- **9.8 million** cut back on essentials like food and clothing
- **3.2 million** took a payment deferral on their mortgage
- **5.9 million** borrowed from friends or family
- **2.1 million** self-employed adults have seen their income fall
- **18.6 million** received an unsolicited approach involving Covid-19 that could be a scam

Other market impacts of Covid-19 (October 2020)

- **15.8 million** are more likely to shop around for insurance in the future
- **7.8 million** have switched to a new provider to lower the cost of their insurance or a protection policy
- **14.7 million** have increased their use of online or mobile banking



Consumer expectations in October 2020 for the next six months

- **19.6 million** adults expected to struggle to make ends meet, see their debt increase, or were not confident they could pay their bills or keep up with their mortgage, rent or credit and loan payments
- **17.5 million** expected to cut back on essentials like food and clothing, and **5.6 million** expected to use a food bank
- **15.9 million** expected their household income to fall
- **9.7 million** expected to borrow from friends and family
- **8.1 million** expected to take out a new credit product or borrow more on an existing one
- **6.7 million** expected to need debt advice

1 Introduction to the Financial Lives survey and to this report

The Financial Lives survey

The Financial Lives survey is the UK's largest tracking survey of UK adults' financial behaviour and their perceptions and experience of the UK financial services industry. The survey is nationally representative. It takes place approximately every two years and is designed to provide useful longer-term trend data.

The survey reveals a wealth of information about the financial products consumers have, their engagement with financial services firms, and their attitudes to managing their money – among many other topics. It provides strong evidence on how these behaviours and attitudes change over time. We can look at findings for many different consumer groups, such as women or younger adults or the digitally excluded or adults from ethnic minorities – to give just a few examples.

As a consumer-focused regulator, it is vital that we have the data to understand the realities of consumers' changing financial lives. The data help us to deliver our consumer protection objectives through identifying harm and improving consumer outcomes. The data also provide valuable insights for the financial services industry, the Government, policy-makers, consumer bodies and academics.

The Financial Lives 2020 survey, coronavirus and the purpose of this report

Fieldwork for our second survey took place between 30 August 2019 and 18 February 2020, before the coronavirus (Covid-19) pandemic triggered the UK to enter its first national lockdown period. The survey results are therefore a pre-Covid-19 baseline, which will help understand the impacts of Covid-19 and how long-lasting they are, when measured through subsequent surveys.

Shortly after the fieldwork for the Financial Lives 2020 survey was completed it was already clear that the impact of Covid-19 on consumers' incomes and finances was likely to be profound. To help us to understand the impacts of Covid-19 better and to inform our actions to protect consumers, we undertook a number of ad hoc surveys over 2020. This includes informing our work to support mortgage and consumer credit customers experiencing payment difficulties as a result of Covid-19.

The largest of these ad hoc surveys is our Covid-19 panel survey, conducted between 2 and 25 October 2020. This survey looks at the impacts of Covid-19 on people's income and financial positions. At the time of the survey, it asked UK adults to look ahead to how things were likely to change for them over the next six months.

This report delves into key aspects of consumers' financial lives, using findings from the Financial Lives 2020 survey as well as the October Covid-19 panel survey. It provides key insights into trends in consumers' financial behaviour and experiences from 2017 to early 2020, as well as into the impacts of the first six months of the pandemic.

The report presents rich, factual evidence. While it is deliberately not a policy report, it provides a platform for policy discussion. The FCA and others will be able to use it and the underlying data tables for further analysis and interpretation to inform consumer protection work.

The research sources used in this report – and the Covid-19 timeline

Figure 1.1 (overleaf) shows the fieldwork periods for our Financial Lives and Covid-19 research against key responses to Covid-19 in 2020 – lockdown periods and the introduction of the Coronavirus Job Retention Scheme and payment deferral schemes.

Please be mindful of the different points and periods of time for which we present results in this report.

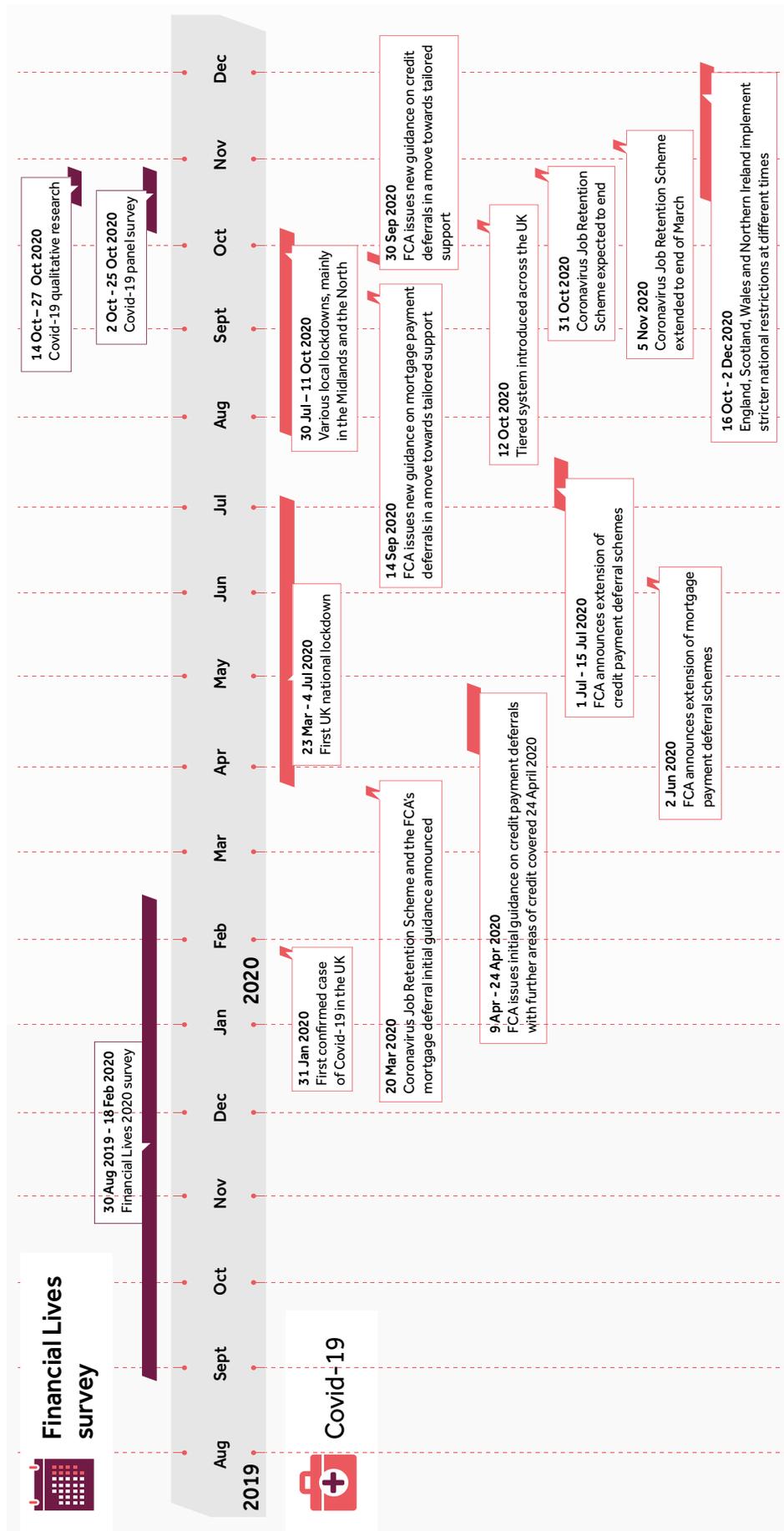
Our first Financial Lives survey was conducted from 13 December 2016 to 3 April 2017. Nearly all (95%) of the 12,685 interviews were completed in 2017, and we refer to the survey as our **Financial Lives 2017 survey**. When reporting findings from the survey we sometimes refer to 2017 and sometimes to April 2017, the month in which the survey was completed.

Although fieldwork for our second Financial Lives survey started in late August 2019, most (over 70%) of the 16,190 interviews were completed in January and the first two weeks of February 2020. Hence we refer to this as our **Financial Lives 2020 survey**. When reporting findings from the survey we sometimes refer to 2020 (when comparing results with those from 2017) and sometimes to February 2020 (when comparing results with October 2020 findings from our Covid-19 panel survey). On the last day of interviewing for our Financial Lives 2020 survey, 18 February, there were just 12 confirmed Covid-19 cases in the UK. Our 2020 results provide a robust benchmark for the UK consumer landscape before the first UK national Covid-19 lockdown began on 23 March.

Our **Covid-19 panel survey** of 22,267 interviews was completed in October 2020, with fieldwork running from the 2nd to the 25th. This was before the second England-wide lockdown started on 5 November, with heavy local restrictions at the same time in other parts of the UK. Depending on whether respondents completed their interview earlier or later in October, they may or may not have anticipated a near second national lockdown starting in early November. Throughout 2020 different local lockdowns have also occurred. The survey is set up to allow analysis by region and more local areas, but, where we do this, we have not compared the results to public health and lockdown restrictions which have been different around the UK in terms of length and severity.

In the Covid-19 panel survey, we ask respondents about three points in time. For some questions we ask how they felt in February 2020 ahead of the first national lockdown; for most questions we ask them to answer for 'now', ie for October 2020; and for a few questions we ask about their expectations for the next six months, ie from October 2020 to March 2021.

Figure 1.1: Timeline showing recent research fieldwork periods against Covid-19 events



In this report we bring alive the financial impacts of Covid-19 through illustrative stories and quotations from consumers. These come from **qualitative research** we conducted by telephone and video calls from 16 to 30 September and 14 to 27 October. These stories let us hear from individual consumers – they do not carry the weight of large-scale quantitative research findings. The respondents were recruited from among those who completed the Financial Lives 2020 survey.

Our Financial Lives surveys are of a very high quality, based on random probability sampling. Our Covid-19 survey needed to be designed and put into the field quickly and so it employs a panel. The sampling and weighting we used for it make our Covid-19 panel survey a very sound survey of its genre.

Nonetheless, the two survey methodologies are different, and the reader should be aware that, despite best efforts, some changes in results will be due to methodological differences.

Appendix C (Other methodological notes) provides more **information on survey design and data collection**. There is a lot of research and data in the public domain on the impacts of Covid-19. We have not attempted to compare every result we have with any other source for the same or similar statistic. We have, however, been as transparent as possible about the design of our research, and have given a lot of information about the questions we asked, of what population and the sample size.

How this report is structured

This report presents a large number of findings, using charts and tables and descriptive statistics. We expect the reader will wish to dip in and out of the report. Useful ways to become familiar with the content of this report are to read:

- the key facts and figures summaries at the start of each chapter
- the list of figures, tables and maps at the front of this report, as well as the contents page
- the scope section of each chapter, and the summary of these sections here:

Chapter 2 – Product holdings, assets and debts

This chapter covers how many UK adults hold retail financial products in all of the sectors we regulate. It also covers UK adults' assets, mortgage debt and credit debt. For more detailed information on product holdings, see the spreadsheet of results in Appendix A (Product holdings). The strength of the Financial Lives surveys is the provision of trend data, and the chapter looks at change in product holdings since 2017. It also summarises, therefore, how well UK adults were positioned for Covid-19 in terms of their assets and debts.

Chapter 3 – Consumers with characteristics of vulnerability

This chapter explores how the proportions of UK adults with characteristics of vulnerability have changed from 2017 to February 2020 and again to October 2020. It looks at results both at total level and for the FCA's four drivers of vulnerability: health, life events, resilience and capability. See Appendix B (Characteristics of vulnerability – the survey algorithm) for more information on the drivers of vulnerability and how we have been able to capture them through survey questions.

Chapter 4 – Impacts of the coronavirus pandemic on financial resilience and finances

This chapter looks more closely at low financial resilience, including how it has changed since 2017 and specifically between February 2020 and October 2020. It looks at the impacts of Covid-19 on household income and spending, and on savings and debts. Consumers tell us about changes in their working status, whether they think their job is at risk, and their expectations for the next six months, as at the time of interview in October 2020, including whether they expect to struggle to make ends meet. We learn about the experiences of those who have taken a mortgage or credit payment deferral. The chapter also covers how the proportion of adults using debt advice has changed since 2017 and how many people expect to use these services in the next six months.

Chapter 5 – Access and exclusion

This chapter looks at who has no bank account and why that is. It reports on those who were refused products and why they think this happened. Consumers tell us about issues involving access to bank branches and access to cash, and how access has changed from February to October 2020. The chapter also looks at greater use of the internet in 2020 and what this means for access to essential banking services and to payment services. Finally, the chapter reports on the up-take of Open Banking.

Chapter 6 – Consumer attitudes to financial services

In this chapter, we report on consumers' trust in and satisfaction with financial services firms, and how this has changed from 2017 to February 2020 and from February to October 2020. We also explore the experiences customers have had that are likely to influence their views, including ones specific to the period of the pandemic, such as taking out payment deferrals and cancelling insurance.

Chapter 7 – Consumer engagement with their finances

This chapter looks at how consumers rate their ability to manage money and their knowledge of financial matters, and how these scores have changed from 2017 to early 2020. It also looks at whether consumers in October 2020 think their confidence has improved or worsened due to Covid-19. Similarly, this chapter reports on whether consumers shop around and switch products, and on whether Covid-19 is changing these patterns of behaviour and other engagement with finances such as reading insurance policy terms and conditions.

Chapter 8 – Fraud and scams

This chapter looks at how careful consumers are in protecting themselves from fraud and scams involving their credit and debit cards and online shopping, and how that has changed from 2017 to 2020. It looks at card fraud and at the level of unsolicited approaches that may be scams related to investments, pensions and retirement planning – and whether consumers have lost money. New topics covered in the 2020 survey include push payment fraud. We look specifically at consumers' experiences when fraudsters have taken advantage of Covid-19 to invent new scams.

Appendices

- **Appendix A – Product holdings** provides detailed statistics on product holdings. It covers the proportion and number of UK adults who own one or more of over 100 financial products, or combinations of products. The appendix describes the improved way in which these statistics were collected in the Financial Lives 2020 survey.
- **Appendix B – Characteristics of vulnerability – the survey algorithm** details how the algorithm has been enhanced in 2020, and also applied to the Financial Lives 2017 survey and to the Covid-19 panel survey.

- **Appendix C – Other methodological notes** briefly describes the design and data collection of the Financial Lives 2020 survey and the Covid-19 panel survey. This includes the smaller accompanying in-home and telephone surveys respectively used to ensure the research captured non-internet users. The appendix also clarifies some key reporting conventions and provides a short guide to reading the charts provided in this report.
- **Abbreviations**
- **Glossary** of important terms

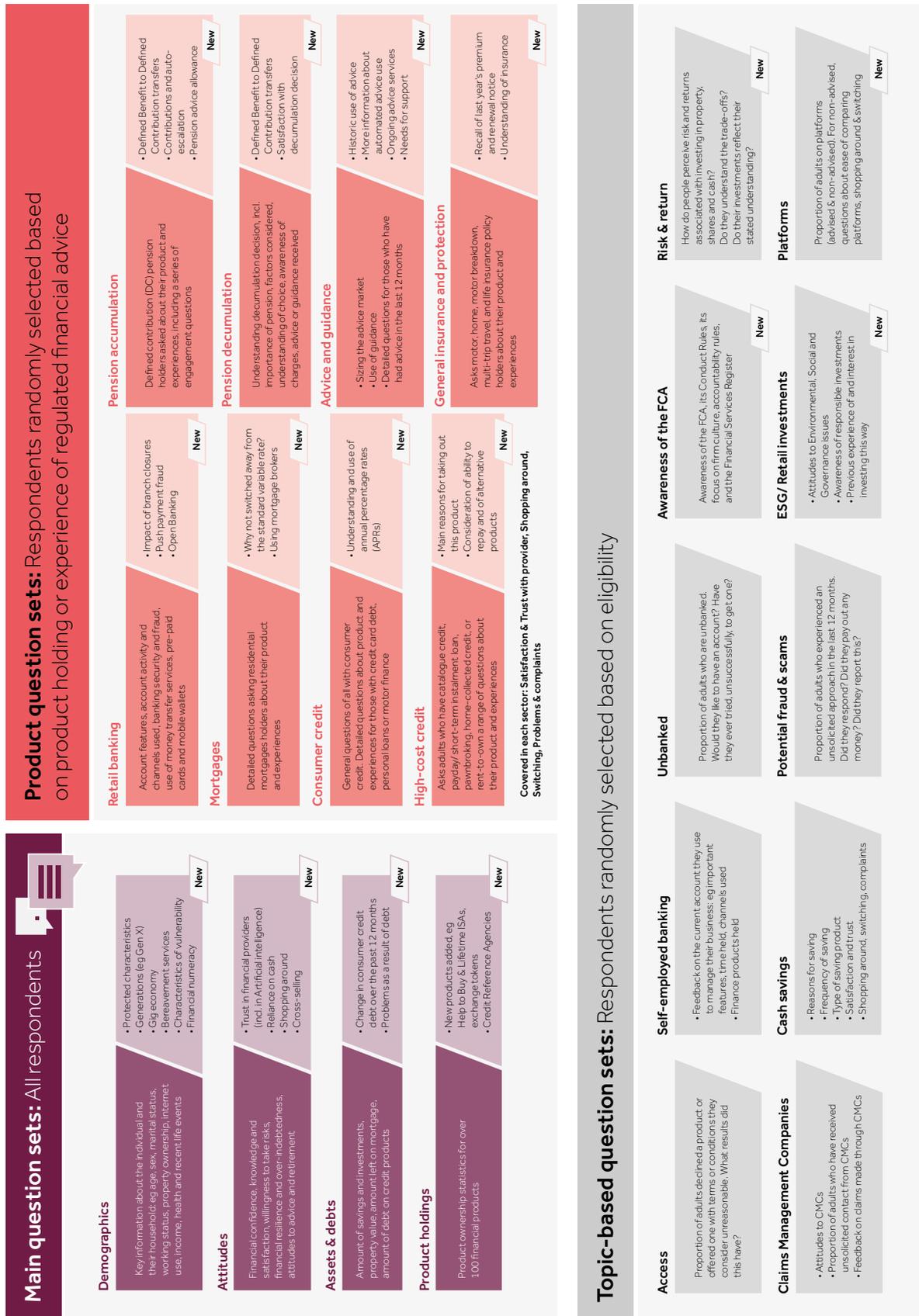
Financial Lives 2020 survey coverage and access to the full results

Our Financial Lives 2020 survey covers a very large number of topics, in over 1,300 questions. Figure 1.2 provides a small flavour of this, by showing all the main sections of the survey and a summary of the topics covered. Topics new to the 2020 survey are labelled as such.

The survey has, simply put, three types of section:

- sections asked of all 16,190 respondents, covering demographics, attitudes to finance and financial services, product ownership, assets and debts, finding out if the respondent had received regulated financial advice, and financial numeracy
- sections asked of all eligible respondents, covering high-cost credit, those who had received regulated financial advice, use of platforms for investments, banking arrangements of the self-employed, and people without a bank account
- sections asked of representative random samples of respondents, covering all other sections – these sections use a 1 in N approach or relative selection probabilities (RSPs) to select respondents; some questions within the product ownership and attitudes sections also use a 1 in N approach

Figure 1.2: Financial Lives 2020 survey – summary of survey coverage



This report does not cover all of the Financial Lives 2020 survey results. We are providing access to them by publishing alongside this report:

- [weighted data tables in 19 volumes](#)
- [a data tables user guide](#)

For these, and for the 2017 survey data tables, see our Financial Lives survey [web page](#).

The 2017 survey raw data, the weights and instructions on how to apply these are available through the Consumer Data Research Centre at UCL. We will make the 2020 survey data available through CDRC by the end of April 2020.

Other related publications

Alongside this report we are also publishing the survey questionnaire and a [Technical report](#). We have already published, on 3 December 2020, a major report using Financial Lives 2020 survey findings: '[Evaluation of the Retail Distribution Review and the Financial Advice Market Review: Consumer research to inform the FCA's Review](#)'.

Our Financial Lives 2017 survey publications are:

- [June 2017 – 'Financial Advice and Guidance: Quantitative research to inform the Financial Advice Market Review \(FAMR\) baseline'](#)
- [October 2017 – 'Understanding the financial lives of UK adults'](#)
- [June 2018 – 'The financial lives of consumers across the UK'](#)

2 Product holdings, assets and debts

Key facts and figures for February 2020: Ahead of the coronavirus (Covid-19) many UK adults lacked, had debts and/or had no income protection.

This chapter shares the results from our Financial Lives 2020 survey, completed in February 2020, on the financial product holdings, assets and debts of UK adults. These results act as a baseline, against which to assess UK adults' relative ability to weather the financial impacts of Covid-19. We also make some comparisons to the Financial Lives survey completed in April 2017.

97% of adults had a **current account** in February 2020. High street banks still dominated the market, but there has been an increase in those holding accounts with digital banks since 2017 (3% in 2020 vs. <0.5% in 2017).

Before Covid-19, **use of credit** was high. Most (85%) adults held at least one credit or loan product, up from 78% in 2017. A quarter (26% or 13.4m) had been overdrawn at some point in the previous 12 months, while 11% (5.6m) held a high-cost loan at the time of interview or in the previous 12 months. Usage of FCA-regulated credit or loan products peaked for adults in their mid-20s to mid-40s.

Unsecured debt levels were high but were on a downward trend. Excluding student loans, UK adults owed on average £2,960 in February 2020, down slightly from £3,320 in April 2017. Average debt levels peaked for adults in their mid-30s to mid-40s.

A third (32%) of adults (17.0m) had a **residential mortgage**. Most (82%) residential mortgage borrowers had a repayment mortgage; 13% had an interest-only or part repayment, part interest-only mortgage, and 5% did not know what type they had. UK mortgage holders (those with a residential or lifetime mortgage) had on average £135,000 outstanding (7% higher than in 2017). A fifth (20%) of mortgage holders had outstanding mortgage debt four or more times greater than their household income.

Three-quarters (77% or 40.5m) had a **savings account** of any type, while 33% (17.3m) held any **investment product**. Most people had very little money set aside to protect themselves against financial shocks. At least 10% had no investible assets whatsoever.

58% of adults (30.2m) had a **pension in accumulation**, rising to 70% for non-retirees. Groups least likely to have a pension in accumulation included 18-21 year olds (16% had one), those who are unemployed (28%) and the self-employed (55%). Two-fifths (39%) of adults with a DC pension in accumulation had a combined pot of less than £10,000.

Partial encashment is by far the most common method of **decumulating a Defined Contribution (DC) pension** over the last four years, since pension freedoms came in. Just over half (52%) of adults who have decumulated a DC pension under the new freedoms were not retired. Of those who fully encashed [63%] were not retired.

Almost nine in ten (88%) adults held at least one **insurance** product in February 2020. 18-24 year olds had the lowest take-up rates: 34% did not hold any insurance products. The most commonly held insurance policies were motor (68%), home contents (66%) and buildings (61%). Take-up rates for **protection** products were much lower in February 2020. Only 31% had life insurance.

Scope

This chapter covers the proportion and number of UK adults holding financial products in their own name or in joint names, covering day-to-day accounts, credit products, residential mortgages, savings and investments, private pensions, and general insurance and protection products. It also covers UK adults' assets, mortgage debt and credit debt.

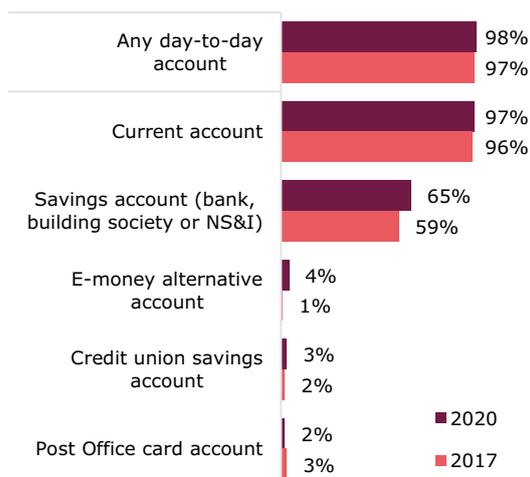
Most results come from the Financial Lives 2020 survey which was completed in February 2020, just before the first Covid-19 national lockdown began. The chapter also provides historic comparisons to the previous Financial Lives survey, completed in April 2017.

You can find out more in Appendix A (Product holdings). This appendix provides statistics on over 100 financial products, including the proportions of UK adults holding these in April 2017 and in February 2020. It also profiles the 2020 product holders by gender, age, ethnicity, employment status, housing tenure, digital exclusion, characteristics of vulnerability, over-indebtedness, being in financial difficulty, household income, Index of Multiple Deprivation (IMD) deciles, nations and English regions, and a rural-urban classification. See the Glossary for product definitions.

Day-to-day accounts

As shown in Figure 2.1, 98% of UK adults had a day-to-day account in February 2020, that is an account they could use for day-to-day payments and transactions. See Chapter 5 (Access and exclusion) for information on the 2% of UK adults who did not have a current account or other day-to-day account.

Figure 2.1: Day-to-day accounts held by year (April 2017/Feb 2020)



Overall, 97% of UK adults (50.6m) had a current account, 65% (33.9m) a savings account, 4% (2.0m) an e-money alternative account, 3% (1.8m) a credit union savings account, and 2% (1.1m) a Post Office card account.

There has been little change in product holding since 2017. E-money alternative account use increased fourfold, however. Usage was particularly prevalent among men aged 18-34; 9% held an e-money alternative account, compared with just 3% in 2017. Of non-users, 5% were aware of these accounts.

Source: FLS April 2017/Feb 2020 **Base:** All UK adults (2017:12,865/2020:16,190) **Question:** POSum1

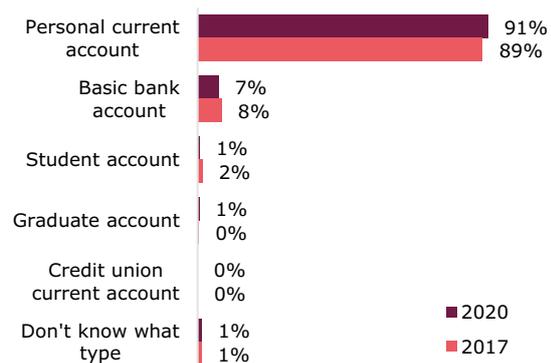
Other groups more likely to hold an e-money alternative account in February 2020, compared with the UK average, included: adults participating in the gig economy (10%), LGBT+ adults (10%), students (9%) and BAME adults (7%).

Of adults with any account they could use as a day-to-day account, 97% used a current account, while 3% used another type of account. Of those using a current account as their main day-to-day account, most (91%) had a personal current account, as Figure 2.2 shows.

Basic bank accounts were used by just 7% of adults in February 2020. Adults more likely to use a basic bank account as their main day-to-day account included those who are:

- unemployed (28%)
- over-indebted (17%)
- BAME (15%)
- in poor health (14%)
- aged 18-24 (13%)
- without formal qualifications (12%)
- non-internet users (10%)

Figure 2.2: Type of current account used as main day-to-day account by year (April 2017/Feb 2020)



Source: FLS April 2017/Feb 2020 **Base:** All UK adults whose day-to-day account is a current account (2017:2,469/2020:4,162) **Question:** RB3. Which type of account is your main day-to-day current account?

Current account providers

High street banks still dominated the market in February 2020. Nine in ten (88%) current account holders (ie those with at least one active current account) had an account with a high street bank, unchanged from 2017; 84% held their main account with a high street bank, down from 85% in 2017.

There was an increase in those holding accounts with digital banks since 2017 (3% had an account with a digital bank in 2020, compared with <0.5% in 2017). Younger adults were more likely to hold an account with a digital bank (8% aged 18-34, compared with 2% aged 35-54 and 1% aged 55+).

Please see Chapter 5 (Access and exclusion) for information on Open Banking.

Multiple active current accounts

Under half (45%) of adults with a current account had multiple active accounts. This is primarily for personal budgeting and cash flow management reasons, for example to have separate joint and individual accounts, or to have bill payments separated from other money, or to budget and manage money across more than one account. There was no significant change in these numbers between 2017 and early 2020.

Interestingly, there was a significant increase since 2017 in the proportion of adults saying they hold more than one active current account because one account has additional features, such as free cash withdrawals abroad or other 'reward' features (20% cited additional features as a reason for having more than one account in 2020, compared with 13% in 2017).

Current account features and usage

One quarter (24%) of adults in February 2020 told us they pay a fee for their current account.¹ This is not significantly different from the 22% who did so in 2017. Over half (57%) of these adults said the fee offers good value for money, but one in ten (9%) felt it offers poor value for money.

Of those adults paying a fee for their current account:

- Just over half (53%) said their account includes at least one insurance policy, such as travel, mobile phone or motor breakdown insurance.
- Two in three (66%) said their account provides other packaged account features, such as cashback on spending, commission-free foreign currency, airport lounge access, a concierge service, discounts with certain shops or businesses, or free or discounted entertainment tickets.
- Under one in two (48%) said they had actually used any of these (non-insurance) packaged account features in the last 12 months.

Looking across all types of current account:

- 64% said their account offers a debit card, of whom 97% had used it in the last 12 months.
- 43% said their account offers an overdraft facility, of whom 38% had used it in the last 12 months.
- 39% said their account offers a cheque book, of whom 65% had used it in the last 12 months.
- 17% said their account pays interest on the balance.

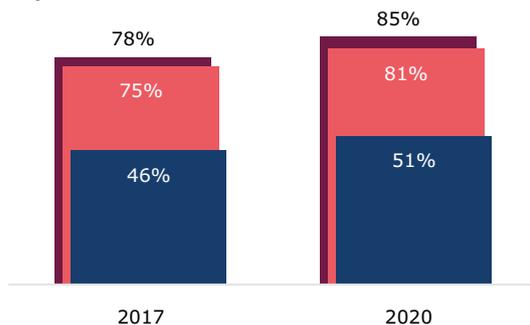
¹ Adults who use a current account as their main day-to-day account.

Credit and debt

Overall credit product holding

Figure 2.3 shows 85% of UK adults (44.4m) held in February 2020 at least one credit or loan product now or had done so at some point in the last 12 months, up from 78% in 2017.

Figure 2.3: Credit and loans by year (April 2017/Feb 2020)



- **Any credit or loan**
- As above, but also excluding student loans, loans from friends and family, and loans from unlicensed moneylenders or other informal lenders, ie **FCA-regulated credit and loans**
- As above, but also excluding adults who only hold running-account credit products (credit/store cards, catalogue credit), but who pay the full statement balance every or most months, ie **FCA-regulated consumer credit**

Source: FLS April 2017/Feb 2020 Base: All UK adults (2017:12,865/2020:16,190) Question: POSum_NETs

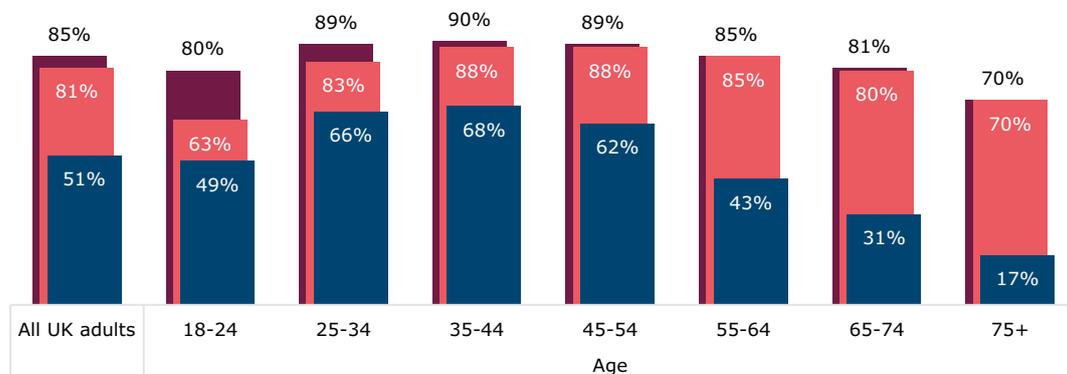
These figures include motor finance, personal loans and other FCA-regulated credit products, as well as non-FCA regulated loans (ie loans from family or friends, loans from unlicensed moneylenders, and student loans).

Only counting those who use FCA-regulated credit and loans, 81% of UK adults (42.5m) had one or more credit or loan product in the same period.

This figure falls to 51% (26.7m), if we only look at FCA-regulated consumer credit, and take out the 30% of adults whose only credit products were credit cards, store cards and/or catalogue credit, or a mix of these, which they were paying off in full every month or most months.

Looking at the 2020 results by age in Figure 2.4, we see that usage of FCA-regulated consumer credit peaked for adults in their mid-20s to mid-40s (66% for adults aged 25-34, and 68% for those aged 35-44). It starts to diminish notably for adults aged 55+, a significant proportion of whom only held running-account credit products, such as credit cards or store cards, and did not use these products as a form of borrowing.

Figure 2.4: Credit and loans by age (Feb 2020)



- **Any credit or loan**
- As above, but also excluding student loans, loans from friends and family, and loans from unlicensed moneylenders or other informal lenders, ie **FCA-regulated credit and loans**
- As above, but also excluding adults who only hold running-account credit products (credit/store cards, catalogue credit), but who pay the full statement balance every or most months, ie **FCA-regulated consumer credit**

Source: FLS Feb 2020 Base: All UK adults (2020:16,190) Question: POSum_NETs

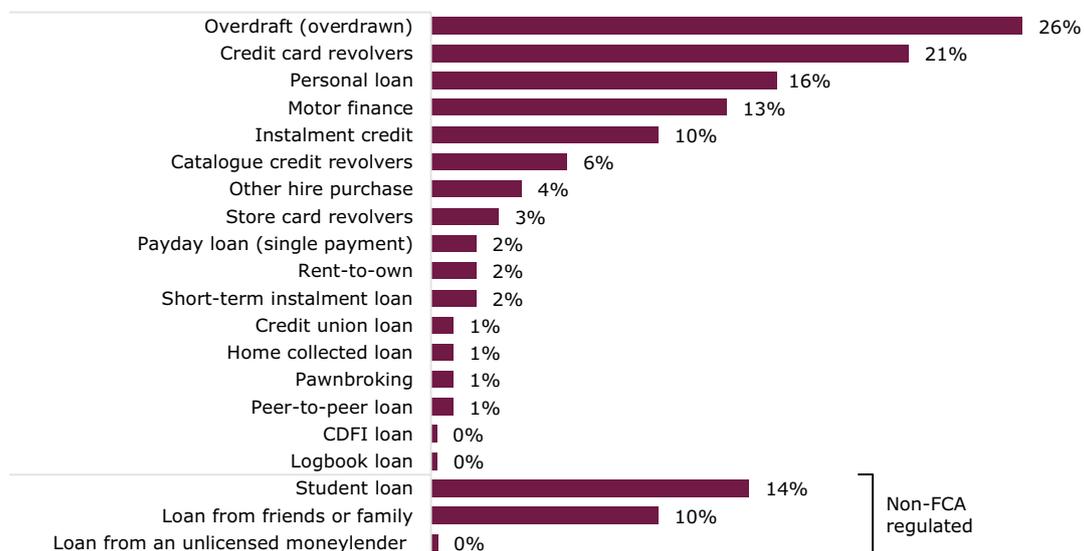
Men were slightly more likely than women to hold any credit or loan product (87% vs. 83%). However, there is no difference by gender in those holding products overall (58% vs. 57%), once we take out those who only held running-account credit products which they pay off in full every month or most months. Those in work, ie the employed and self-employed, were far more likely to hold a credit or loan product, compared with people who had no earnings, such as the unemployed and the retired.

Credit products held

Figure 2.5 shows that overdrafts, credit cards and personal loans were the most widely held credit products among all UK adults in February 2020:

- 26% (13.4m) had been overdrawn at some point in the last 12 months
- 21% (11.1m) held a credit card then or had done so in the last 12 months – and revolved a balance on it
- 16% (8.1m) held a personal loan then or had done so in the last 12 months

Figure 2.5: Credit products held (now or in the last 12 months) by product (Feb 2020)



Source: FLS Feb 2020 Base: All UK adults (2020:16,190) Question: POSum1

In terms of non-FCA regulated loans, 14% of UK adults (7.5m) had a student loan, rising to 37% for 18-34 year olds. One in ten (10% or 5.1m) had a loan from friends or family, but this overall figure masks significant differences by age: 18% for 18-34 year olds, 12% for 35-54 year olds, and 2% for those aged 55+.

Less than 0.5% of all UK adults (0.2m) said they had borrowed from an unlicensed moneylender or another informal lender in the last 12 months. However, claimed use is likely to understate the real level of use. Those more likely to use an unlicensed moneylender included those with an addiction such as to drugs, alcohol or gambling (2% of those with an addiction had borrowed from one) and those who had fallen behind on or missed payments for domestic bills or credit commitments in any month in the last six months (2% had borrowed from one).

Four in five adults ([82%]) who had used an unlicensed moneylender in the last year had also used an overdraft and/or high-cost credit. Just one in ten ([13%]) of these adults had used debt advice in the last 12 months.

Credit products held by age and gender

There are some gender differences in the types of credit used. For example, women were more likely to use retail finance (such as catalogue credit and store cards), while men were more likely to use motor finance or personal loans. Men were more likely to hold a credit card than women, but less likely to revolve a balance.

There were also some differences in the types of credit used by age, particularly for younger and older adults. For example:

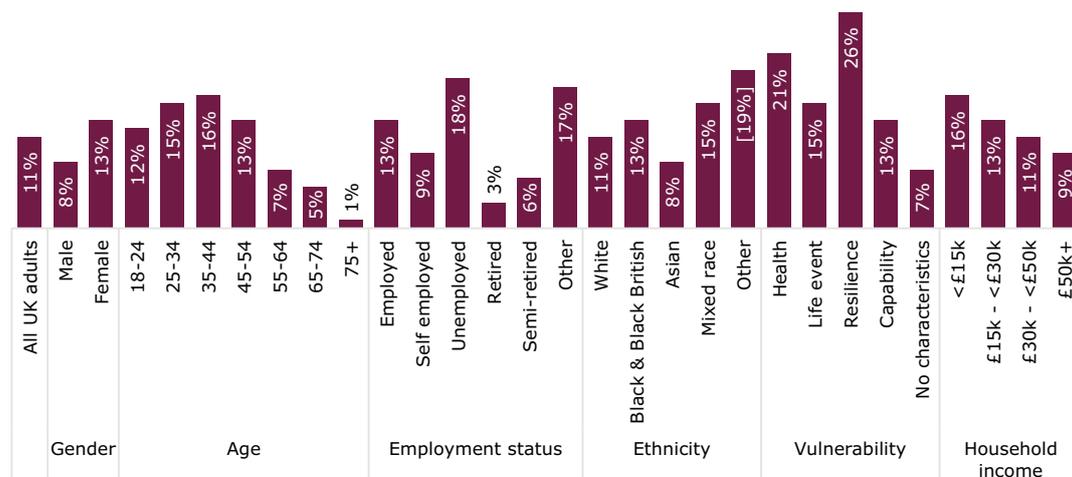
- 18-24 year olds were far less likely to borrow on a credit card (10%), personal loan (9%) or motor finance (10%) compared with older adults, but were more likely to have a student loan (39%) or a loan from friends and family (19%).
- Those aged 55+ were far less likely than younger adults to be overdrawn (12% were overdrawn in February 2020 or had been overdrawn in the last 12 months, compared with 34% of those aged 18-54). They were also more likely to hold a credit card (72%, compared with 65% for adults aged 18-54) but much less likely to revolve a balance on it (11% vs. 27%, respectively). They were much less likely than younger adults to use a personal loan, motor finance, retail finance or high-cost credit.

High-cost credit

As shown in Figure 2.6, around one in ten (11%) adults, or 5.6 million people, had a high-cost loan in February 2020 or had had one in the last 12 months. This is unchanged from 2017 (10%).

Our definition of high-cost credit includes people who revolve a balance on a catalogue credit or shopping account (6% of all adults did this), have bought products with rent-to-own finance (2%), or have one of the following loan products: pawnbroking loan (1%), home-collected loan (1%), payday loan (single payment) (2%), short-term instalment loan (2%) or logbook loan (<0.5% of all adults).

Figure 2.6: Proportion of adults who hold any high-cost credit product (now or in the last 12 months) (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults (2020:16,190) **Question:** POSum_NETs

Figure 2.6 also shows that more women used high-cost credit than men (13% vs. 8%, respectively). This is because women – in particular women aged 25-54 – were almost three times as likely to hold a catalogue credit or shopping account as men (18% vs. 7%, respectively) and over twice as likely to revolve a balance on their account (9% vs. 4%, respectively). Women were no more or less likely than men to use other high-cost credit products.

Use of payday loans, short-term instalment loans, rent-to-own finance, pawnbroking loans and home-collected credit was highest among those aged 25-44. Usage was significantly lower among those aged 55+. These products were also used more by adults with lower household incomes; for example, over half (53%) of those with a payday loan had a household income below £30,000.

SPOTLIGHT

Vulnerable consumers and high-cost credit

Nearly half (46%) of UK adults had characteristics of vulnerability in early 2020, as we explain in Chapter 3 (Consumers with characteristics of vulnerability).

These adults were over twice as likely to use high-cost credit as those who were not vulnerable (16% compared with 7%, respectively).

Unsurprisingly, adults using high-cost credit often tend to be struggling financially. One in two (49%) had **low financial resilience**. Two in five (41%) were over-indebted. Three in ten (29%) were in financial difficulty, ie they had fallen behind or missed payments for domestic bills or credit commitments in three or more of the last six months. The respective UK averages were 20%, 14% and 7%.

Use of high-cost credit was also higher for adults in **poor health** in February 2020, ie a health condition or illness that reduces the ability to carry out day-to-day activities a lot (21%, vs. 10% for those who did not have this characteristic). Use was particularly high among adults with poor health related to:

- an addiction such as to drugs, alcohol or gambling ([27%])
- a mental health condition or illness (31%)
- a social or behavioural condition (associated with a mental health condition, or with a developmental disorder like autism or attention deficit hyperactivity disorder (ADHD)) (38%)

Certain **life events** also appeared to be linked to high-cost credit use. For example, 23% of adults who were divorced or separated from their partner in the 12 months to February 2020 used high-cost credit in that same period. And 19% of those who lost their job, had a reduction in their working hours or were made bankrupt in that period used high-cost credit.

We asked adults who took out a high-cost credit product in the last 12 months² to February 2020 why they took out their product. By far the most common reason was to cover day-to-day expenses such as food, transport, bills, or socialising. This reason was cited by [48%] of adults with a pawnbroking loan, 38% with a home-collected loan and 33% with a payday or short-term instalment loan. Other commonly cited reasons included: covering an unexpected expense such as a broken boiler or car; paying for a one-off large expense such as a holiday, car or wedding; paying off debt, or covering rent or mortgage payments.

2 Not asked to adults who revolve a balance on a catalogue credit or shopping account.

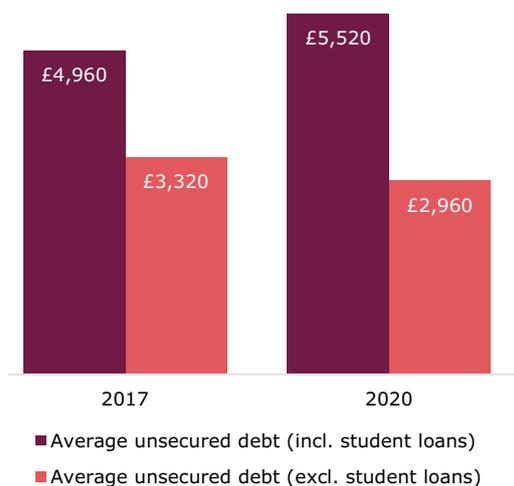
High-cost credit borrowers rarely considered alternative forms of credit when they took out their loan. For example, just 25% who had taken out a payday loan or short-term instalment loan in the last 12 months did so, 61% did not and 14% could not recall.

Additionally, very few based their decision on the Annual Percentage Rate of the charge (APR). For example, just 12% with a payday or short-term instalment loan said that the APR was an important factor in their decision to use high-cost credit rather than a different form of credit. This compares with [14%] of those with rent-to-own finance, 9% of those with a home-collected loan, 2% of catalogue credit revolvers, and [1%] of those with a pawnbroking loan.

Debt levels

As depicted in Figure 2.7, unsecured debt levels increased between 2017 and 2020 largely due to an increase in student loan debt, with UK adults on average owing £5,520 in February 2020. This figure includes the 55% of UK adults who had no debt.

Figure 2.7: Unsecured debt levels by year (April 2017/Feb 2020)



Source: FLS April 2017/Feb 2020

Base: All UK adults (2017:12,865/2020:16,190) including the 55% of UK adults who have no debt

Question: B7/8/9a-d_3/6 (Rebased to all)

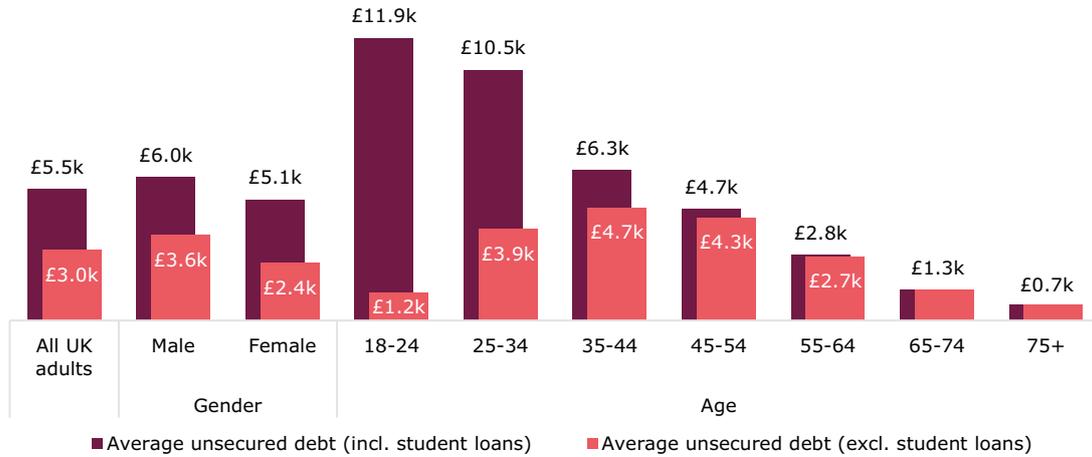
Unsecured debt includes credit and store card debt for card holders who revolve a balance, as well as all loans, motor finance, overdrafts (amount currently overdrawn), any other credit, and student loans. It does not include mortgage debt and credit card and store card balances for those who repay their balance every month or most months.

Excluding student loans, UK adults on average owed £2,960 in February 2020, down slightly from £3,320 in April 2017.

We know, however, that Covid-19 is likely to have affected people's finances considerably. We explore the impact of Covid-19 on debt levels in Chapter 4 (Impacts of the coronavirus pandemic on financial resilience and finances).

Looking at the February 2020 results by gender and age in Figure 2.8, we see that men, on average, owed more than women. We also see that average debt levels (excluding student loans) peaked for adults in their mid-30s to mid-40s.

Figure 2.8: Unsecured debt levels by gender and age (Feb 2020)



Source: FLS Feb 2020 Base: All UK adults (2020:16,190) Question: B7/8/9a-d_3/6 (Rebased to all)

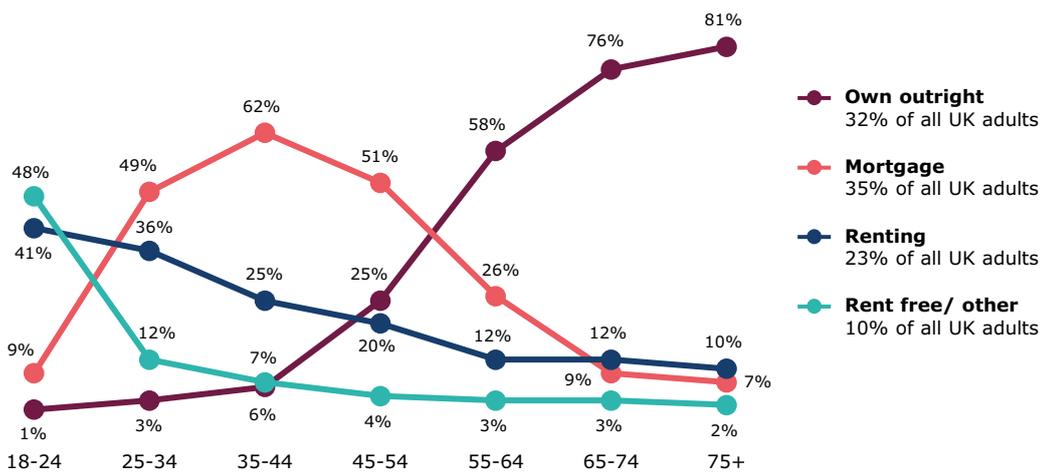
Home ownership and mortgage debt

Housing tenure

In February 2020 around one in three UK adults (35% or 18.1m) owned the property they currently lived in with a mortgage or another kind of loan, such as a lifetime mortgage, or through shared ownership. A third (33% or 17.1m) owned it outright, 23% (11.8m) were renting, and 10% (5.2m) lived rent free or occupied their property in some other way.

Owner occupation increased with age, as seen in Figure 2.9. For example, just 10% of 18-24 year olds owned their home outright or were buying it with a mortgage, compared with 88% of those aged 75+.

Figure 2.9: Housing tenure by age (Feb 2020)



Source: FLS Feb 2020 Base: All UK adults (2020:16,190) excluding 'don't know' responses (2%) Question: D13DV (Rebased) Note: Mortgage includes those who own their property with a mortgage (33% of all UK adults), with another kind or loan (such as a lifetime mortgage) (1%) or pay part rent part mortgage (shared ownership) (1%)

SPOTLIGHT

Vulnerable renters

Just under a quarter (23%) of UK adults were renting in February 2020. Two-thirds (66%) of renters had characteristics of vulnerability and 47% had low financial resilience.

Put another way: a third (33%) of vulnerable consumers rented: this is more than twice the proportion (14%) of renters among adults who did not have characteristics of vulnerability.

Almost two-fifths (38%) of those aged 18-34 rented (41% for 18-24 year olds, and 36% for 25-34 year olds). Although renting was more common in the younger age groups, it was pervasive across all age groups. For example, one in eight (12%) of those 55+ were in rented accommodation.

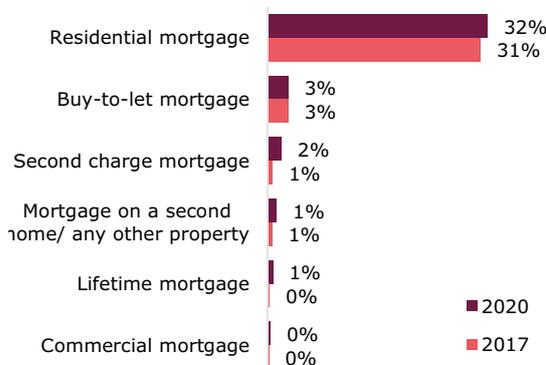
Others more likely to rent were:

- Black adults (52%) and adults of Mixed race (46%) as compared with White adults (21%)
- those with low financial resilience (51%) as compared with others (15%)
- adults in poor health (44%) as compared with everyone else (21%)
- those who had separated or divorced in the last 12 months (43%)
- single adults (34%) vs. couples (17%), and single adults aged 65+ (20%) vs. couples aged 65+ (6%)

Mortgage product holding

Figure 2.10 shows the proportion of UK adults who in February 2020 held mortgage products in their own name or joint names, including the 17.0 million (32% of all adults) who had a residential mortgage.

Figure 2.10: Mortgage products held (April 2017/Feb 2020)



Source: FLS April 2017/Feb 2020 **Base:** All UK adults (2017: 12,865/2020:16,190) **Question:** POSum1

1.0 million (2% of all UK adults) had a second charge mortgage. Most (86%) of these adults borrowed on unsecured credit as well: 25% had used high-cost credit in the last 12 months; 50% were overdrawn or had been in the last 12 months, and 20% were over-indebted (vs. 11%, 26% and 14% of all UK adults, respectively).

Just 0.4 million (1% of all UK adults) had a lifetime mortgage in their own name or joint names. This is a small number compared with the 13.8 million aged 55+ who owned their property outright.

1.6 million (3% of all UK adults) had a buy-to-let mortgage in their own name or joint names: 57% were aged 35-54, and 29% are aged 55+.

0.7 million (1% of all UK adults) had a mortgage on a second home or any other property: 70% were aged 35-64.

Help to Buy ISA and Lifetime ISA product holding

Looking at products designed to help adults save up to buy a home in Figure 2.11, we see that 5% (2.5m) held a Help to Buy ISA (individual savings account) and 1% (0.7m) held a Lifetime ISA (LISA).

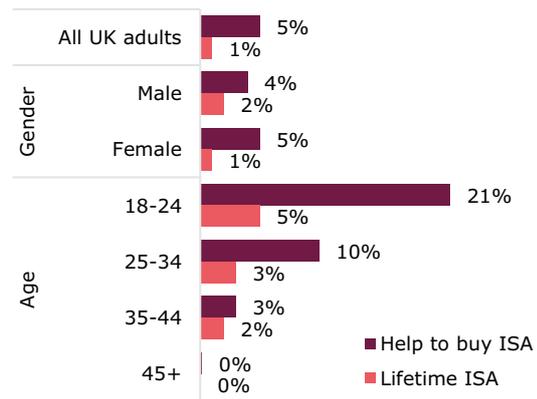
Help to Buy ISAs were launched in 2015 and closed to new applications in 2019. 88% of product holders are aged 18-34.

LISAs are designed for people between 18 and 39 and can be used to save for a first home or for retirement.

Of all adults with a LISA, 60% said they were using it to buy their first home, 33% to save for retirement, 5% for both objectives and 2% did not know.

Around half (54%) of LISA product holders said their LISA was in cash savings, 33% said it was invested, and 13% did not know.

Figure 2.11: Help to Buy and Lifetime ISA products held (Feb 2020)

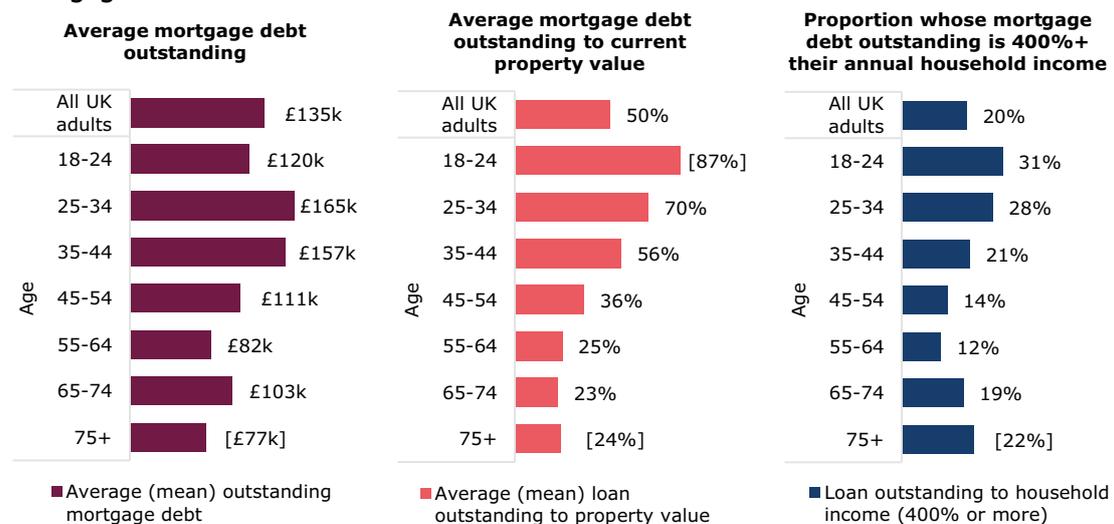


Source: FLS April 2017/Feb 2020 Base: All UK adults (2017: 12,865/2020:16,190) Question: POSum1 Note: Products not included in 2017 survey

Mortgage debt

Figure 2.12 shows average mortgage debt outstanding, mortgage debt outstanding to property values, and mortgage debt outstanding to annual household income, by age, for adults with a residential or lifetime mortgage.

Figure 2.12: Average mortgage debt outstanding, mortgage debt to property values, and mortgage debt to annual household incomes (Feb 2020)



Source: FLS Feb 2020 Base: All UK adults with a residential or lifetime mortgage on a property they currently live in, or with a mortgage and they don't know which kind (2020:16,190) excluding 'don't know' and 'prefer not to say' responses (9%) Question: B5a (Rebased)/B5a/B4sum1 (Rebased)/B5a/D38sum1 (Rebased)

Reading the charts in Figure 2.12 from left to right, in early 2020 the average UK mortgage holder had £135,000 outstanding (7% higher than the 2017 figure of

£126,000). This translates to a mortgage debt to property value ratio of 50%. A fifth (20%) of mortgage holders had outstanding mortgage debt which was four times their household income or more. Average outstanding mortgage debt, mortgage debt to property value, and mortgage debt to income was highest for adults aged 18-44.

Looking at the distribution of responses behind these numbers, under half (45%) of mortgage holders owed less than £100,000 in 2020. A similar proportion (43%) owed between £100,000 and £250,000. One in ten (11%) owed £250,000 or more. One in seven (15%) adults aged 25-44 owed £250,000 or more, compared with just 1% aged 18-24 and 7% of those aged 45+.

SPOTLIGHT First time borrowers

Of all adults with a residential mortgage, just 12% were first time borrowers in early 2020. By this we mean that they had lived in their property for less than 3 years; it was the first property they had owned with a mortgage, and they had not made any changes to their mortgage since taking it out (such as changing lender or changing to a new rate). In 2017, this figure was slightly higher at 14%.

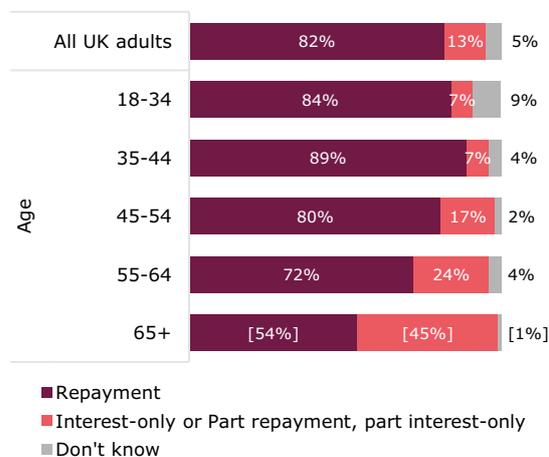
The age of the average first time borrower is 31, unchanged from 2017.

Three in ten (31%) had outstanding mortgage debt that was higher than the value of their property, while 37% had a debt four times their household income or more.

Residential mortgage type

As shown in Figure 2.13, 82% of residential mortgage borrowers had a repayment mortgage in February 2020; 13% had an interest-only or part repayment, part interest-only mortgage, and 5% did not know what type they have.

Figure 2.13: Residential mortgage repayment type (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults with a residential mortgage (2020:2,662) **Question:** M22A. Is your mortgage repayment or interest-only?

Older borrowers were much more likely than younger borrowers to have an interest-only residential mortgage or a part of their mortgage that was interest-only (24% of 55-64 mortgage holders and [45%] of mortgage holders 65+).

One in six (16%) adults with an interest-only or part repayment, part interest-only mortgage said they were already paying off some of the capital. Plans to repay the capital typically relied on using other savings and investments, downsizing or selling the mortgaged property or from an inheritance. A few (7%) had never thought about it, while 19% did not know how they would repay it.

Residential mortgage interest rate type

Figure 2.14 shows that three in four (74%) residential mortgage holders had a fixed rate mortgage, while one in five (21%) were on a variable rate. It also shows that younger adults were far more likely to have a fixed rate mortgage than older adults.

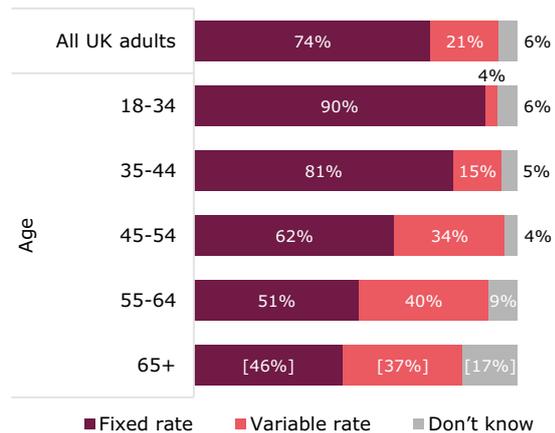
Of those on a variable rate, over half (53%) were on their lender's standard variable rate (SVR). This translates to one in ten (11%) of all residential mortgage holders.

Older people were more likely to be on their lender's SVR than younger people, eg 25% of those aged 55-64, compared with 2% of those aged 18-34.

We asked adults who knew they were on their lender's SVR whether there were any specific reasons why they had not switched to a new deal: 43% said there was not, and 14% did not know.

One in ten (11%) said they were on the SVR because they were unable to switch.

Figure 2.14: Residential mortgage interest rate type (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults with a residential mortgage (2020:2,662) **Question:** M18/M19. Summary of interest rate type



I'm self-employed, so I worry about getting approval Female, 35-44



Other common reasons given included their current mortgage having a good rate (9%); the flexibility to overpay or pay off their mortgage without penalty (7%), and their outstanding mortgage balance was too small for the switch to be worth it (7%).

Residential mortgage arrangement channels

Of residential mortgage holders who had taken out their mortgage in the last three years or made some type of change to it in this period (such as switching to a new rate with their existing lender or porting their mortgage when they moved home), 50% sought advice from a broker, 13% sought advice from an adviser at a mortgage lender, 37% sought no advice, and 3% could not recall.

Somewhat more of those using a broker, compared with those using an adviser, were highly satisfied, felt the broker understood their needs and would consider using the same broker again in the future.

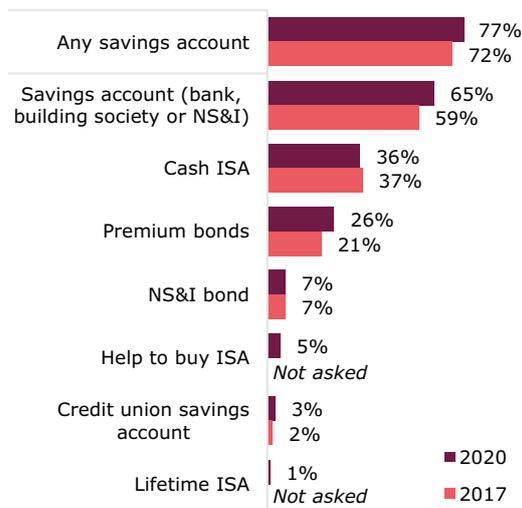
Satisfaction with mortgage brokers and advisers		
Took advice from:	A broker	An adviser
Highly satisfied	59%	47%
Felt their needs were understood	93%	83%
Would consider using again	72%	60%

Savings and investments

Savings and investments product holding

Figure 2.15 shows the proportion of UK adults that held any savings product in February 2020, and what savings products they held.

Figure 2.15: Savings products held (April 2017/Feb 2020)



Source: FLS April 2017/Feb 2020 Base: All UK adults (2017:12,865/2020:16,190) Question: POSum1

Three-quarters (77% or 40.5m) had a savings account of any type, up from 72% in 2017. Older adults were more likely to hold a savings account of any type than younger adults. For example, 83% of those aged 55+ did, compared with 63% of 18-24 year olds.

The most widely held products were savings accounts with a bank, building society or with NS&I (65% or 33.9m), cash ISAs (36% or 18.8m) and premium bonds (26% or 13.5m).

All savings products, and premium bonds and NS&I bonds in particular, were held disproportionately by older people (59% of premium bond and 61% of NS&I bond product holders were 55+).

Figure 2.16 shows the proportion of UK adults that held any investment product in February 2020, and what investment products they held.

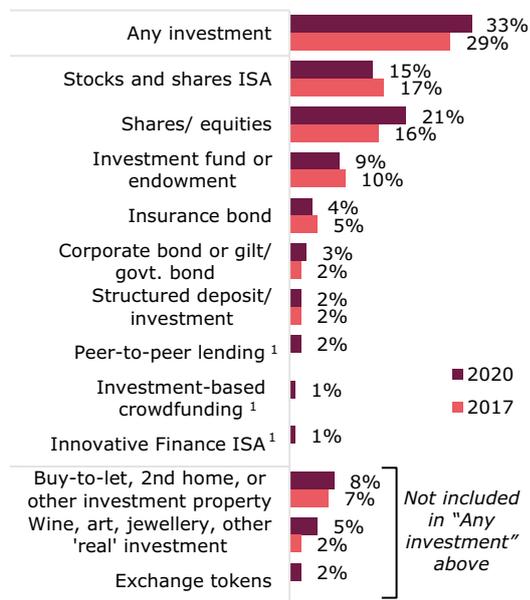
The results shown are mutually exclusive. For example, investment funds are investment funds not held in a stocks and shares ISA, while peer-to-peer lending excludes those who hold this investment in an Innovative Finance ISA.

A third (33% or 17.3m) held any investment product, up from 29% in 2017.

Again, older people were far more likely to have investment products than younger ones.

Direct holdings of share and equities (21% held, equating to 11.2m adults) and stocks and shares ISAs (15% held, equating to 7.9m adults) remained the most commonly held investment products by far.

Figure 2.16: Investment products held (April 2017/Feb 2020)



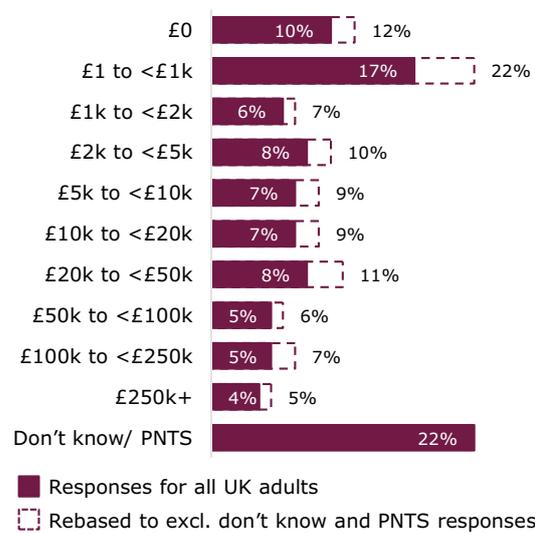
Source: FLS April 2017/Feb 2020 Base: All UK adults (2017:12,865/2020:16,190) Question: POSum1

Notes: ¹ Products added to the 2020 survey

Investible assets

Figure 2.17 shows the proportion of UK adults by investible assets. Investible assets include the total value of money held as savings in current accounts as well as cash savings products (such as savings accounts and cash ISAs), plus the total current market value of any investment products held. They do not include property, collectables like wine, art or jewellery, exchange tokens and DC pension assets. Adults who held any savings or investments jointly were asked to only include the amount they considered to be theirs.

Figure 2.17: Investible assets (Feb 2020)



A large proportion of adults (22%) did not know how much they had or preferred not to say. For this reason, we have also provided a rebased figure in the chart which takes out these people, effectively giving a range for each asset band.

Even so, it is clear is that many people in early 2020 had very little money set aside to pay for unexpected expenses or to draw on if they were to lose their main source of income. For example, between 10% and 12% of adults had no investible assets whatsoever, and a further 17% to 22% had £1 to £1,000.

In total, just 30%-38% had more than £10,000, while 4%-5% had more than £250,000.

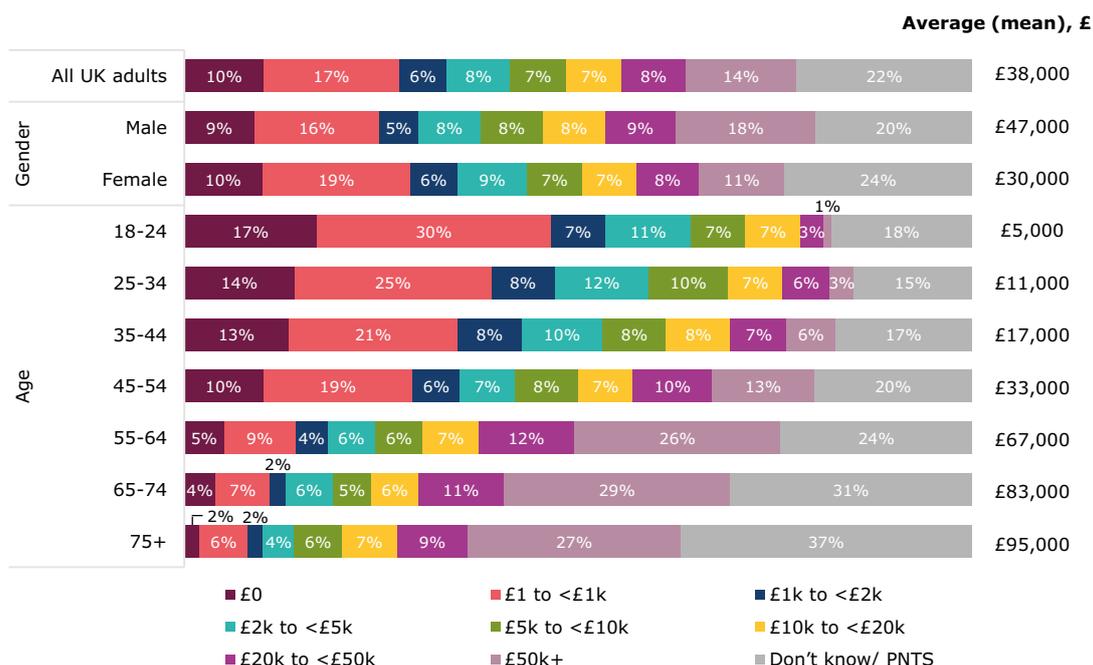
Source: FLS Feb 2020 **Base:** All UK adults (2020:16,190)
Question: InvestAssets. B11 summary – investible assets

Investible assets by age and gender

Figure 2.18 shows investible assets by gender and age, including the proportions who did not know how much they had or preferred not to say.

Unsurprisingly, younger adults, on average, had far lower investible assets than older adults. The average 18-24 year old had just £5,000, compared with the national average of £38,000. At least 17% of 18-24 year olds had no investible assets and at least 30% only had between £1 and £1,000 – figures which could rise to 20% and 36%, respectively, if we take into account the large proportion who did not know how much they have or preferred not to say.

Figure 2.18: Investible assets by gender and age (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults (2020:16,190) **Question:** InvestAssets. B11 summary – investible assets

Further analysis of these findings shows that retirees were significantly more likely than the younger age groups to have £50,000 or more in investible assets. The average retiree had £92,000. Compared with the national average of 14% to 18%, 30% to 45% of all retirees had £50,000 or more. The large range given for retirees is because they were significantly more likely not to know how much they had or to prefer not to say.

Men, on average, had more investible assets than women (£47,000 vs. £30,000).

Most adults had some cash savings, and so the average amount held by those with savings was just a little higher than the average calculated for all adults. When only just over a third of adults hold investments, the average amount held by investors is over three times as much as the amount averaged across all adults.

Average cash savers and investors		
	Cash savers	Investors
UK adults	90%	33%
Average amount among those with cash savings/investments	£25,000	£57,000
Average amount among all UK adults	£23,000	£16,000

SPOTLIGHT Investors

The proportion of adults with investments and the average amount held in investments increase significantly with age. For example, just 13% of 18-24 year olds had any investments at all. Here, the mean amount held by each investor was £6,000. This compares with 50% of those aged 75+ who had investments, with a mean amount held by each investor of £110,000.

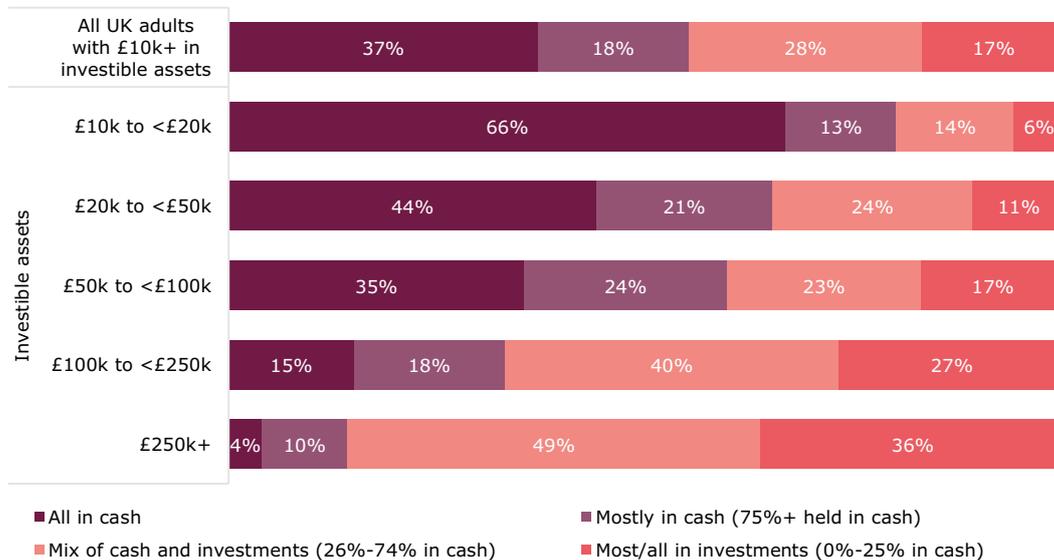
The high levels of investments were concentrated among the older age groups and those with higher incomes. For example, three-quarters (75%) of all adults with £50,000 or more in investments were 55+, and 37% had a personal income of £50,000 or more.

Beyond age, couples were more likely to have money in investments compared with those not in a couple (37% compared with 26%, respectively). The self-employed were more likely to have money in investments compared with those employed (42% compared with 29%, respectively).

Likelihood to invest

Investing is not for everyone and it comes with risks. Figure 2.19 shows the proportion of assets held in cash savings products compared with investment products for adults with at least £10,000 investible assets. It suggests that a significant proportion of wealthier adults were holding far more money in cash than is likely to be needed for an emergency savings buffer. They could potentially make their money work harder, if support was available to encourage them to engage more with their finances and consider investing.

Figure 2.19: Proportion of investible assets held in cash savings products vs. investment products for adults with £10,000 or more in investible assets by the value of investible assets they have (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults with £10,000 or more in investible assets (2020:5,184) **Question:** Investible assets x Propensity to invest **Note:** Chart compares the amount of money each adult holds in cash savings products to the amount they hold in investment products (based on the current market value). We do not collect these data at an individual product level, nor do we ask about underlying assets (for example, adults may hold some money in investment products in cash). Some adults did not tell us their cash and investment values, but rather their overall level of investible assets. These adults have been excluded from this analysis.

Pensions

In this section, we report on the 58% of UK adults who had a private pension in accumulation in February 2020, and the 22% of those who had decumulated (or accessed) a private pension. There was a small overlap between these two groups, which means that in total 74% of UK adults had any private pension, whether in accumulation and/or decumulation.

Pension accumulation

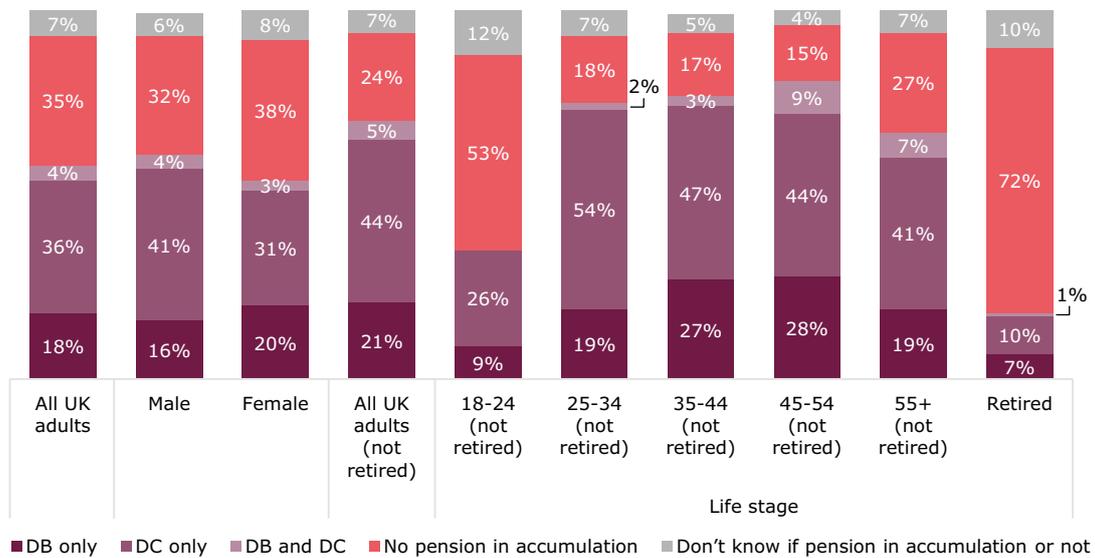
Overall, 58% of all UK adults (30.2m) had a pension in accumulation, rising to 70% for non-retirees. The success of auto-enrolment has increased pension take-up. In 2017, 51% of all UK adults and 62% of all non-retirees had a pension in accumulation.

Nevertheless, this still means that there were 9.6 million adults (24%) in early 2020 who were not retired and did not have a pension in accumulation. A few (7%) did not know.

Excluding retirees, demographic groups who were least likely to have a pension in accumulation included 18-21 year olds (16% have one), the unemployed (28%, compared with 80% of all adults in work), and those who were self-employed (55%, compared with 85% of employees). These groups were likely to be ineligible for auto-enrolment.

Figure 2.20 shows the types of pension in accumulation held by gender and life stage. Four in ten (40% or 20.8m) UK adults held a defined contribution (DC) pension in accumulation, while 11.4 million (22%) held a defined benefit (DB) pension in accumulation. Of these, 1.9 million (4%) held both a DB and a DC pension in accumulation.

Figure 2.20: Types of pension held in accumulation by gender and life stage (Feb 2020)



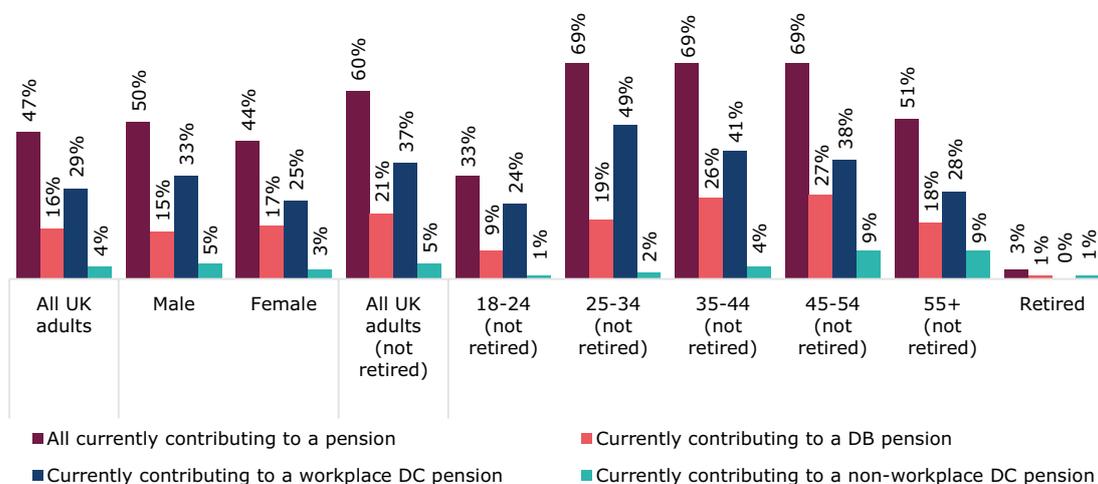
Source: FLS Feb 2020 Base: All UK adults (2020:16,190) Question: Pension in accumulation (summary 4)

Pension ownership was higher for men (62%) than women (54%). It peaked with 45-54 year old non-retirees, where 81% had a pension they had not yet accessed. This proportion subsequently drops to 66% for those aged 55+ who had not yet retired, among whom a significant minority (36%) had already accessed a pension.

Although 70% of all non-retirees had a pension in accumulation, Figure 2.21 shows that just 60% were making contributions to a pension (or their employer was on their behalf) in early 2020.

A fifth (21%) of non-retirees were contributing to a DB pension, 37% were contributing to a workplace DC pension and 5% were contributing to a non-workplace DC pension.

Figure 2.21: Proportion of adults who are currently contributing to a pension by gender and life stage (Feb 2020)



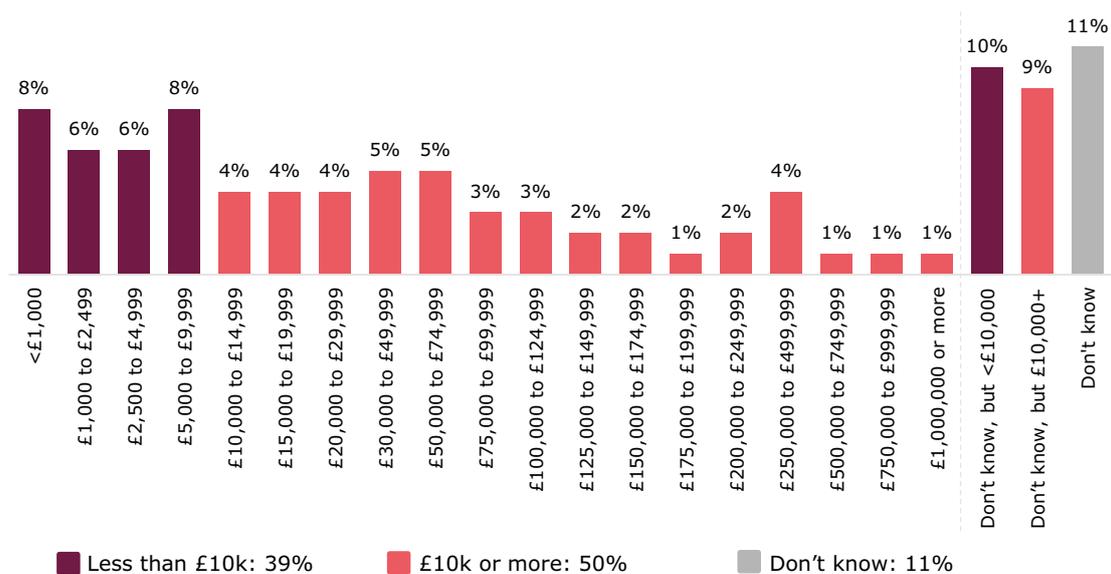
Source: FLS Feb 2020 Base: All UK adults (2020:16,190) Question: Private pension provision (summary 3)/POSumP5 (summary 5)

DC pension savings

A third (31%) of DC pension holders did not know the approximate size of their pension, dropping to the 11% shown in Figure 2.22 when those initially unable to answer were asked whether their pot was more or less than £10,000.

Auto-enrolment is still in its infancy and this is reflected in pot sizes.³ Two-fifths (39%) of adults with a DC pension in accumulation had a combined pot of less than £10,000; 50% had a combined pot of £10,000 or more.

Figure 2.22: Total amount of DC pension savings (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults with a DC pension pot in accumulation (2020:6,464) excluding 'prefer not to say' responses (4%) **Question:** B3/B3New_2 (Rebased). Approximately what is the current size of your combined pension pot in total?

Pension decumulation

Figure 2.23 shows the proportion of UK adults that were receiving an income in February 2020 or had taken a cash lump sum from a private pension. This could be from a DB pension, a DC pension, or both, but does not include the State pension.

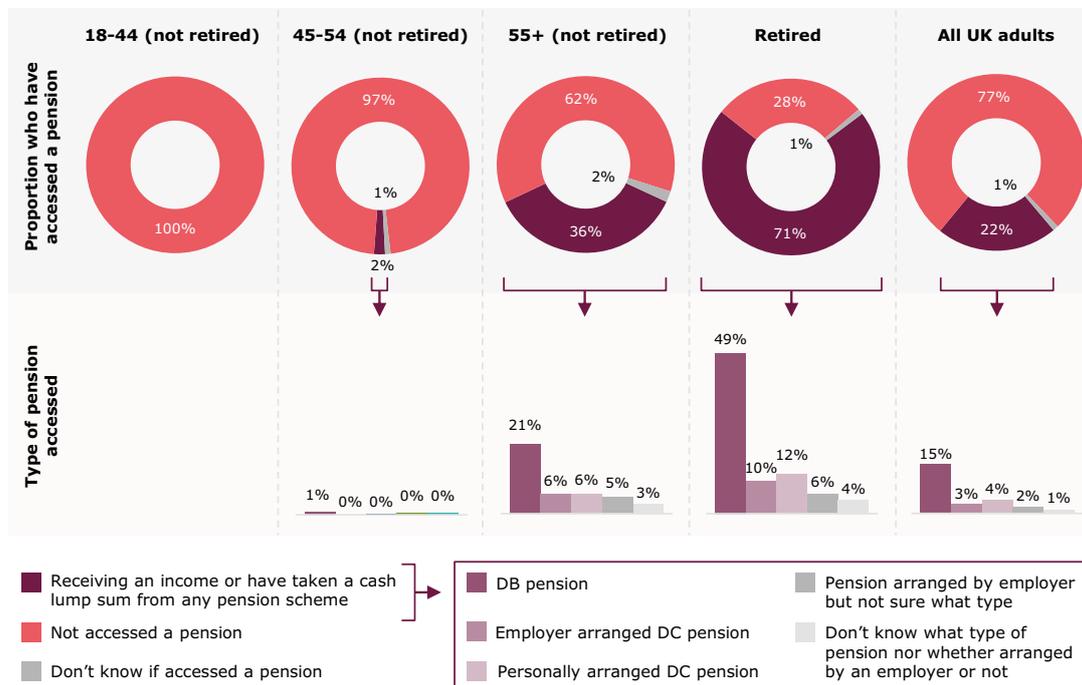
It shows that a small minority (2%) of UK adults aged 45-54 and not retired had started to access their pensions, most of which were DB. It also shows that the decision to access a pension is not strongly linked to retirement:

- One in three (36%) non-retirees aged 55+ had started to take income or cash lump sums from a pension.
- Three in ten (28%) retirees (of all ages) had not accessed a pension. Three in ten (29%) of these adults, equating to 8% of all retired adults, had a pension in accumulation they had not yet accessed. The remainder had no private pension provision or did not know whether they do or not.

Looking in the lower half of Figure 2.23 at the type of pension accessed (bearing in mind that it is possible to access both a DB and DC pension), 49% of retired adults were receiving an income from a DB pension, compared with 10% from an employer-arranged DC pension and 12% from a personally arranged DC pension.

³ Automatic enrolment began in October 2012, when larger employers (those with 250 members or more) started to enrol staff. All existing firms had to enrol their staff by April 2017, followed by all new employers by February 2018.

Figure 2.23: Proportion of adults who are receiving an income or taken a cash lump sum from a pension by type of pension (Feb 2020)



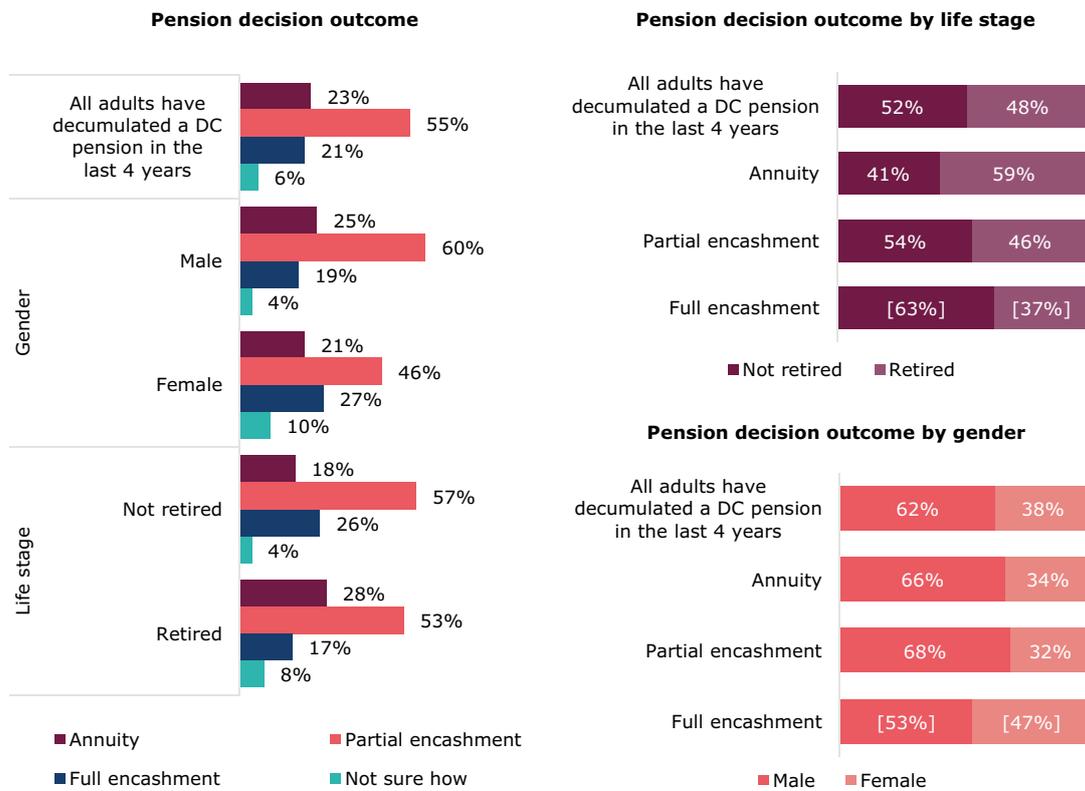
Source: FLS Feb 2020 Base: All UK adults (2020:16,190) Question: POSumP6

Figure 2.24 builds on these findings to show pension decision outcomes for the 1.4 million adults aged 50+ who had accessed a DC pension in the last four years, ie since pension freedoms came in April 2015. Partial encashment was by far the most common decision, with just over half (55%) making this choice, ie to take some cash out of the pension and leave the remainder invested, either via income drawdown or Uncrystallised Funds Pension Lump Sum (UFPLS).

Just over half (52%) of those who had decumulated a DC pension under the new freedoms were not retired, increasing to [63%] of those who encashed fully.

Three-fifths (62%) of those who had decumulated a pension under the new freedoms are male, and just 38% are female. Men were more likely than women to partially encash their DC pension.

Figure 2.24: Pension decision outcome for adults who have accessed a DC pension in the last four years (since pension freedoms) (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults who are aged 50+ and have decumulated a DC pension in the last four years (2020:521) **Question:** POSumP6a

The State pension is an important underpinning for many of those in, and approaching, retirement. Of retired adults:

- Just over one in three (35%) said the State pension was their main source of income.
- Women were almost twice as likely to say this than men (43% vs. 26%, respectively).
- Single retirees were more likely to say this than those living in a couple (47% vs. 29%, respectively).

For those aged 65+ who had not yet retired, 37% expected the State pension to be their main source of income in retirement.

For those who had accessed a DC pension in the last four years, one in three (31%) said the State pension was, or was expected to be, their main source of income, increasing to [51%] who had encashed fully.

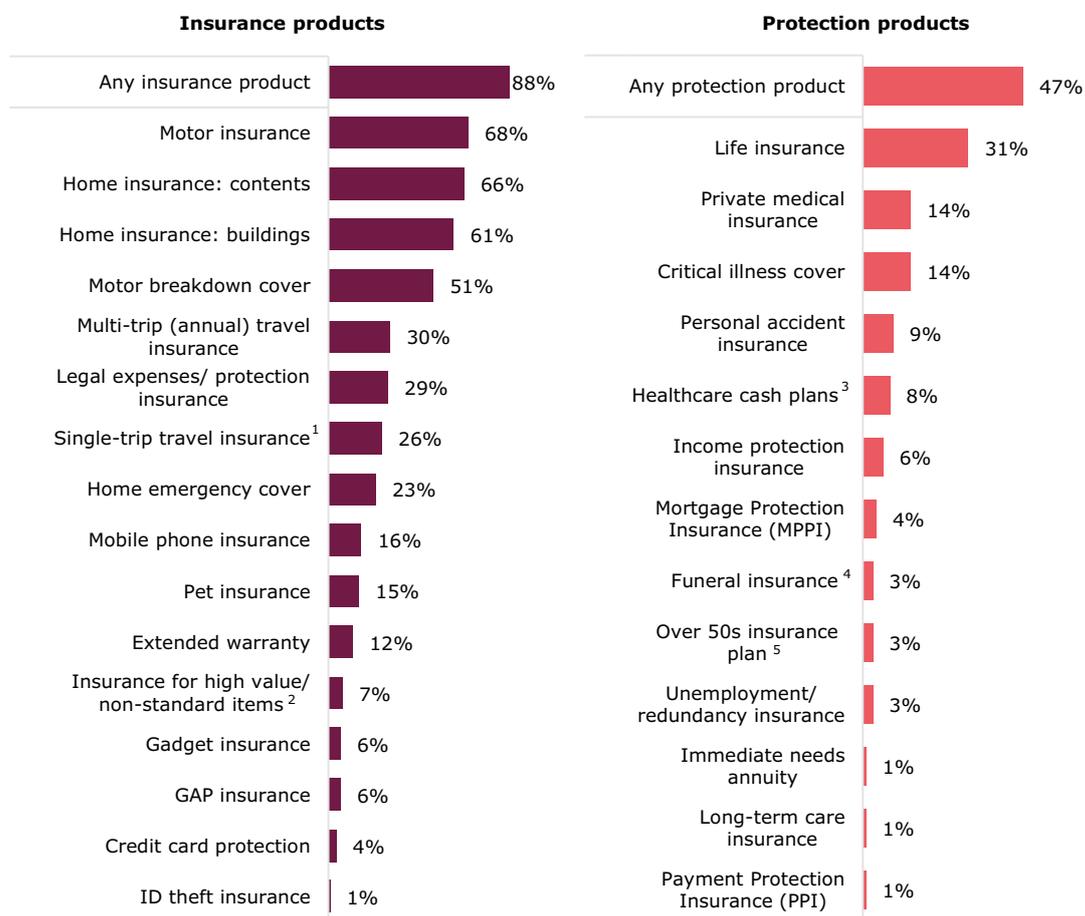
General insurance and protection

Figure 2.25 shows the proportion of UK adults who held any general insurance product or any protection product in February 2020. It also shows ownership rates by product.

The most commonly held insurance policies were motor (68%), home contents (66%) and buildings (61%). Just one in three (31%) renters had home contents insurance, compared with 88% of home owners.

Take-up rates for protection products were much lower. Even the most common, life insurance, was held by only three in ten (31%). After that, take-up rates drop considerably. Just 14% held the next most popular protection product, Private Medical Insurance (PMI).

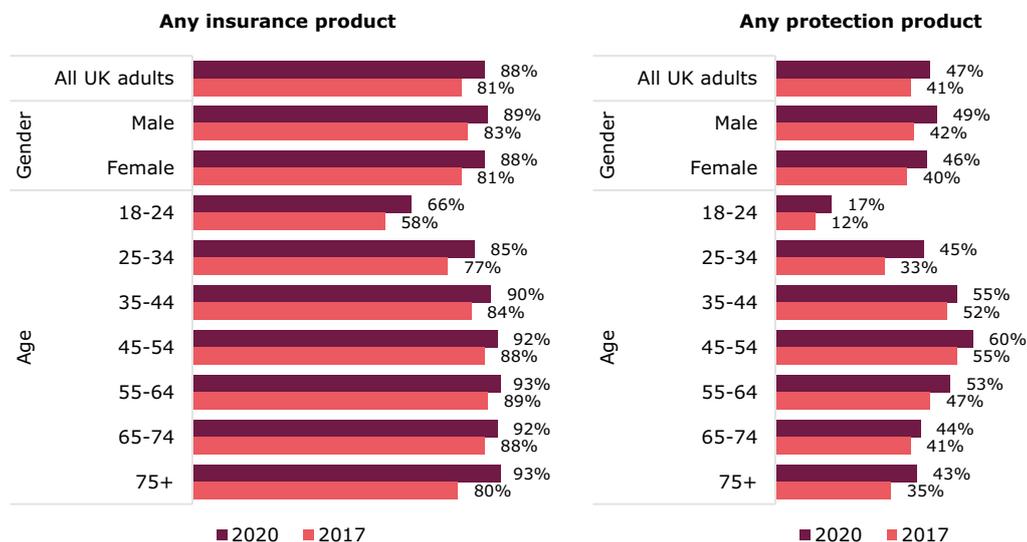
Figure 2.25: Insurance and protection products held (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults (2020:16,190) **Question:** POSum1 **Notes:** ¹ Held in the last 12 months. ² That are not covered by another policy. ³ Including dental. ⁴ Or hold a funeral plan or insurance but do not know the type. ⁵ Also known as a guaranteed whole of life plan.

Figure 2.26 shows the proportion of adults who held any general insurance product or any protection product, split by gender and age.

Figure 2.26: Proportion of adults who hold any insurance or any protection product by gender and age (April 2017/Feb 2020)



Source: FLS April 2017/Feb 2020 Base: All UK adults (2017:12,865/2020:16,190) Question: POSum_NETs

Overall, almost nine in ten (88%) held at least one insurance product, up from 81% in 2017. 18-24 year olds had the lowest take-up rates: one in three (34%) did not hold any insurance products.

Just over half (53%) of all adults did not hold any protection products, down from 59% in 2017. This was most common among those who were aged 18-24, were unemployed, renting, single, had no educational qualifications, had low or no confidence in managing money, were Black, or who showed one or more characteristics of vulnerability.

Adults not holding any protection products (Feb 2020)	
Aged 18-24	83%
Unemployed	79%
Renters	73%
Singles	67%
No educational qualifications	66%
Low confidence in managing money	65%
Black	61%
Have characteristics of vulnerability	59%

3 Consumers with characteristics of vulnerability

Key facts and figures for March to October 2020: The proportion of UK adults with characteristics of vulnerability increases significantly over the period to 53%.

All consumers are at risk of becoming vulnerable, particularly if they display characteristics of vulnerability to do with poor health (and hence at greater risk of harm), a life event, low resilience or low capability. In the seven months between March and October 2020, the total number of UK adults with characteristics of vulnerability increased by 3.7 million to 27.7 million. This is a 15% increase on the February 2020 figure.

The coronavirus (Covid-19) pandemic has had a profound impact across society, but it has not affected all groups equally. The largest proportional increases in consumers displaying characteristics of vulnerability have been among those aged 18-34, those in employment in February (but particularly the self-employed), those with a mortgage (and to a lesser extent those who rent) and BAME adults.

We have identified four key drivers which may increase the risk of consumer vulnerability: poor health, experiencing a negative life event (such as a bereavement, job loss or relationship breakdown), low resilience (including low financial resilience) and low capability. Over half (53%) of UK adults have characteristics of vulnerability at October 2020, equating to:

- 5% of UK adults having **poor health**. Three in ten of these adults have had issues dealing with customer services over the phone in the year to October 2020, and a similar proportion has had difficulties getting to a bank branch.
- 29% of UK adults having experienced a **negative life event** in the preceding 12 months, up from 20% in February 2020. This increase is almost entirely the result of income shocks due to Covid-19. For some, their life event has resulted in difficulties managing their money and falling into debt.
- 27% of UK adults having **low financial resilience**, up from 20% in February 2020. This includes those who are already in financial difficulty because they are falling behind on their domestic bills or credit commitments. It also includes those who could quickly find themselves in difficulty if they suffer a financial shock, because they have a low or erratic income or low savings.
- 20% of UK adults having **low capability**, unchanged since February 2020, but notably lower than in April 2017 due to a significant reduction in the number of older people who are digitally excluded. Low capability can have a significant negative impact on how people feel about dealing with their finances. They often feel nervous, overwhelmed or stressed speaking to financial services providers, and are less able to find suitable products, assess whether products represent good value or shop around for a better deal.

76% of adults with characteristics of vulnerability do not see themselves as vulnerable. Adults with poor health are more likely to see themselves as vulnerable than adults who are vulnerable for other reasons.

Scope

In this chapter, we estimate the number of adults with characteristics of vulnerability in the UK, including how that number has changed over 2020 since the Covid-19 pandemic began. We look at results for the four drivers that we have identified may increase the risk of vulnerability: health, life events, resilience and capability.

We explore some of the negative impacts that can occur due to poor health, a recent negative life event or low capability. We also touch briefly on emotional resilience, while the financial aspects of resilience are the focus of Chapter 4 (Impacts of the coronavirus pandemic on financial resilience and finances).

This chapter reports findings from the Financial Lives survey for February 2020, just before the first Covid-19 national lockdown began, while providing historic comparisons to April 2017. We also draw on our Covid-19 panel survey from October 2020 to show how, at that stage in the pandemic, the impacts of Covid-19 were affecting consumers who have characteristics of vulnerability.

Who are vulnerable consumers?

The FCA's definition of vulnerable consumers

We define a vulnerable consumer as somebody who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care.

Being in vulnerable circumstances may affect the way consumers engage with financial services. Vulnerable consumers may be much less able to represent their own interests; they may have different needs and they may be more prone to behavioural biases that affect their decision-making.

We think about vulnerability as a spectrum of risk. All consumers are at risk of becoming vulnerable (and hence at greater risk of harm), particularly if they display characteristics under one or more of our four drivers of vulnerability:

- **Health:** health conditions or illnesses that affect the ability to carry out day-to-day tasks
- **Life events:** life events such as bereavement, job loss or relationship breakdown
- **Resilience:** low ability to withstand financial or emotional shocks
- **Capability:** low knowledge of financial matters or low confidence in managing money, and low capability in other relevant areas such as literacy or digital skills

Survey-based estimates of the number of UK adults with characteristics of vulnerability

To report on vulnerability, we apply an algorithm to our survey results, to identify whether respondents display at least one characteristic of vulnerability across the four drivers. Each characteristic is in effect the answer to a survey question, such as 'Yes, I have low confidence in managing my money.'

While this algorithm includes survey questions relevant to all four drivers of vulnerability, it cannot be exhaustive as there is no definitive list of these characteristics. Not all the characteristics of vulnerability in our draft [Vulnerability Guidance](#) are covered in the survey. For example, the Financial Lives survey does not capture having retired recently or poor literacy.

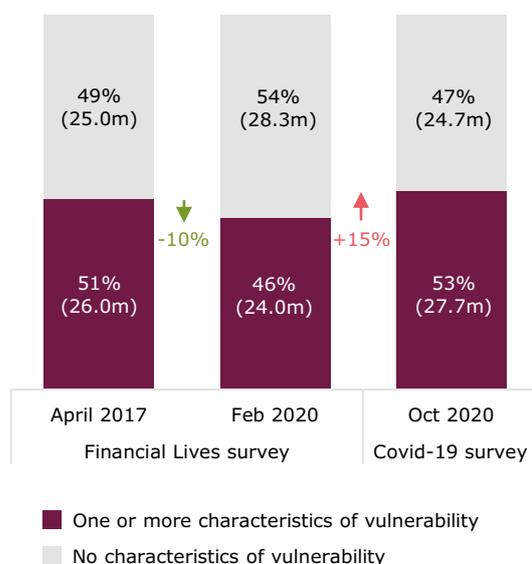
As a result, our research probably somewhat underestimates the proportions, and numbers, of UK adults we might otherwise identify as displaying characteristics of vulnerability.

You can find out more about the vulnerability algorithm in Appendix B, including which characteristics mentioned in our draft vulnerability guidance are included in the survey algorithm, and which are not.

How many UK adults have characteristics of vulnerability?

Figure 3.1 reveals that the proportion and number of UK adults displaying one or more of the characteristics of vulnerability captured by the Financial Lives survey fell between April 2017 and February 2020. The impacts of Covid-19 have reversed this trend.

Figure 3.1: Proportion of adults who show characteristics of vulnerability (April 2017/ Feb 2020/Oct 2020)



In 2017, 51% of UK adults (26.0m) showed one or more characteristics of vulnerability. By February 2020 this proportion had fallen to 46% (24.0m).

In the seven months between March and October, the total number of adults with characteristics of vulnerability increased by 3.7 million to 27.7 million. This is a 15% increase on the February figure.

While we cannot categorically say that the changes observed between March and October are entirely driven by the pandemic, it is highly likely that it is largely responsible for the shift.

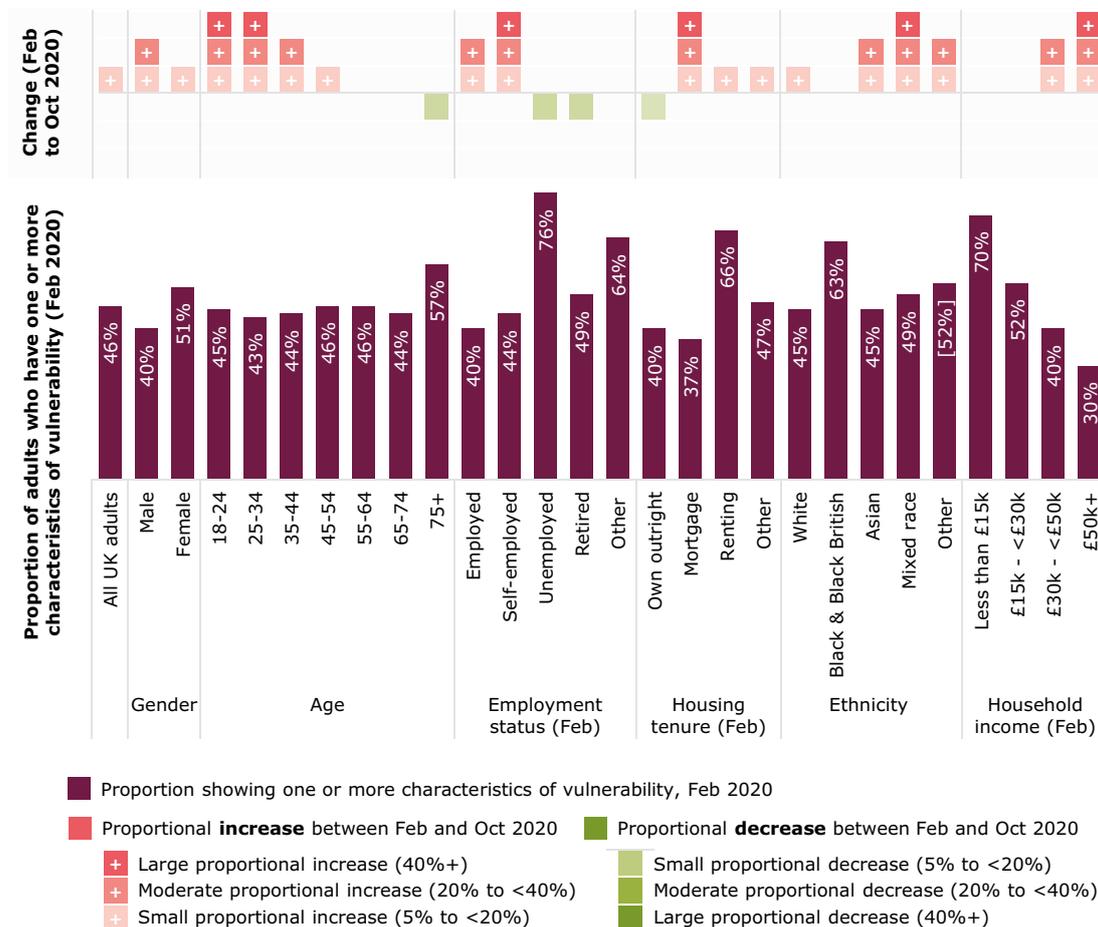
Source: FLS April 2017/FLS Feb 2020/Covid-19 survey, Oct 2020 **Base:** All UK adults (2017:12,865/Feb 2020:16,190/Oct 2020:22,267)

Vulnerability across different consumer groups

Figure 3.2 looks in detail at how different groups have been affected by Covid-19 in terms of vulnerability. The lower section of the chart shows the proportion of each group with one or more characteristics of vulnerability in February 2020. The top section shows the proportional change between March and October for each group.

Looking first at the February 2020 results, we see that certain demographic groups are far more likely to display characteristics of vulnerability than others. This is true in particular for: unemployed adults (76%), those with a household income of less than £15,000 (70%), renters (66%), Black adults (63%) and those aged 75+ (57%).

Figure 3.2: Proportion of adults who show one or more characteristics of vulnerability across a variety of demographic segments (Feb 2020) and proportional change for each segment since February (Oct 2020)



Source: FLS Feb 2020/Covid-19 survey, Oct 2020 Base: All UK adults (Feb 2020:16,190/Oct 2020:22,267)

Looking at the proportional change in characteristics of vulnerability since February 2020, we see that Covid-19 has had a profound impact across society, but it has not affected all groups equally. The largest proportional increases have been among adults:

- aged 18-54, but particularly younger adults aged 18-34, as opposed to those aged 55+
- in employment in February, but particularly those who were self-employed, as opposed to those who were unemployed or retired before the pandemic began
- with a mortgage, and to a lesser extent those who rent, as opposed to adults who own their home outright
- who are BAME, as opposed to White

SPOTLIGHT

The impacts of Covid-19 on those with characteristics of vulnerability across the different groups reported in Figure 3.2

By gender

- In February 2020, women were more likely than men to have at least one characteristic of vulnerability (51% compared with 40%, respectively). While this remains the case in October, men have seen a greater proportional increase in having characteristics of vulnerability due to Covid-19.

By age

- There has been an increase in the proportion of adults displaying one or more characteristics of vulnerability for all age groups under 55, but the youngest adults appear to have suffered a greater impact from the pandemic.
- For example, 45% of those aged 18-24 and 43% of those aged 25-34 had one or more characteristics of vulnerability in February 2020, similar to the UK average (46%). Between March and October both age groups have experienced large proportional increases (of more than 40%) in having characteristics of vulnerability, meaning that almost two-thirds of each age group have at least one characteristic in October 2020. In contrast, there has been little change in the proportion of adults with characteristics of vulnerability among those aged 55-74 and a small decrease among those 75+.

By employment status

- Adults who were in employment in February have been disproportionately affected by Covid-19 compared with retirees. For example, 40% of employees and 44% of the self-employed had one or more characteristics of vulnerability in February 2020, compared with 49% of retirees. Yet, in October, more adults in employment display characteristics of vulnerability than retirees. The self-employed have seen a large proportional increase since February 2020.

By housing tenure

- Three in eight (37%) mortgage holders had one or more characteristics of vulnerability in February 2020, compared with 66% of renters. While renters are still more likely to show characteristics of vulnerability in October overall, the gap between the two groups has narrowed since February.

By ethnicity

- Black adults did not see an increase in characteristics of vulnerability between March and October 2020. However, many of this group (63%) already had a characteristic of vulnerability in February. By ethnicity, all other groups saw an increase, albeit from a much lower baseline.

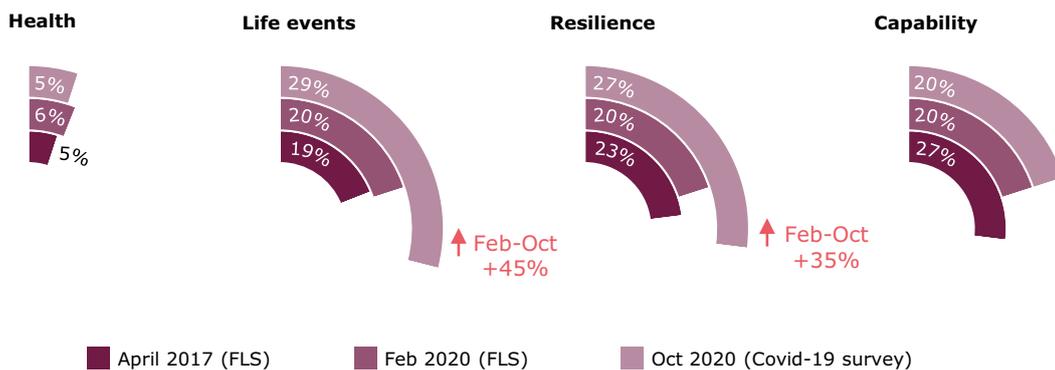
By household income

- Adults with an annual household income of less than £15,000 were the most likely to show characteristics of vulnerability in February, and this remains the case in October. However, those with household incomes of more than £50,000 had the largest proportionate increase in having these characteristics between March and October.

How many consumers display characteristics of vulnerability by each driver of vulnerability?

We group the relative contribution of each of the four key drivers of vulnerability in Figure 3.3.

Figure 3.3: Proportion of adults who show characteristics of vulnerability by the four drivers (April 2017/Feb 2020/Oct 2020)



Source: FLS April 2017/FLS Feb 2020/Covid-19 survey, Oct 2020 **Base:** All UK adults (2017:12,865/Feb 2020:16,190/Oct 2020:22,267)

Health

One in twenty (5%) UK adults have a physical or mental health condition or illness that has lasted or is expected to last 12 months or more that reduces their ability to carry out day-to-day activities. As shorthand, we say that 5% of adults have poor health. For more information on the term 'poor health' see Appendix B.

This may in turn affect their ability to access or understand financial services.

There has been no material change since 2017 in the overall proportion of adults reporting the characteristics that sit within this vulnerability driver. While Covid-19 is affecting many people's health, survey statistics are not (yet) showing an increase in those saying they have a condition that reduces their ability by a lot to carry out day-to-day activities.

SPOTLIGHT Mental health

Covid-19 appears to be having a significant impact on mental health. In October 2020, 18% of UK adults told us they currently had a mental health condition or illness, up from 12% in February 2020.

There appears to be a link between mental health and experiences since the start of the pandemic. The following groups report above-average incidence of mental health issues in October 2020:

- 35% of adults who were employees in February and have had to self-isolate or take sick leave on statutory sick pay because of Covid-19
- 24% of those who were employed in February, and who became full-time carers or reduced their hours to care for children or others due to Covid-19
- 21% of those who were employees in February and were laid off or made redundant because of Covid-19
- 20% of those who were employees in February and have been furloughed, although this result is not significantly different from the 18% UK average

Having a mental health condition can result in a range of difficulties when dealing with financial services. For example, of the 3% of all UK adults who told us in early 2020 that they have a mental health condition that reduces their ability to carry out day-to-day activities a lot:

- 63% have problems with debt or their ability to manage money
- 56% find interacting with financial services providers difficult
- 37% are anxious to shop around for financial products or services in case they make a mistake

Adults with a mental health condition have higher average unsecured debt levels than other adults. They are also more likely to be over-indebted.

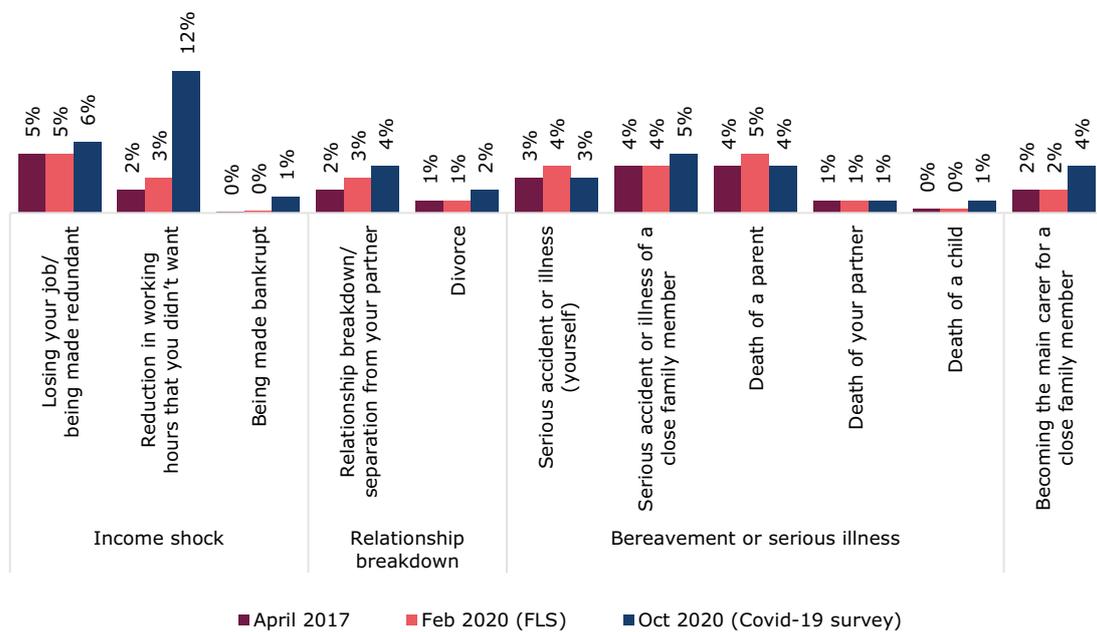
Life events

The proportion of adults experiencing a negative life event, such as an income shock, relationship breakdown, bereavement, or ill health in the last year has increased by 45% in the seven months between March and October 2020: from one in five (20%) in February to three in ten (29%) in October.

As highlighted in Figure 3.4, this increase is almost entirely down to income shocks experienced since Covid-19, such as a reduction in hours (presumably in the main due to being on the Coronavirus Job Retention Scheme, commonly known as furlough) or being made redundant.

The number of those who report gaining caring responsibilities in the last 12 months has doubled, from 2% in February to 4% in October. There has also been a small increase in the proportion of adults that have experienced relationship breakdowns.

Figure 3.4: Negative life events experienced in the last 12 months (April 2017/Feb 2020/ Oct 2020)



Source: FLS April 2017/FLS Feb 2020/Covid-19 survey, Oct 2020 **Base:** All UK adults (2017:12,865/Feb 2020:16,190/ Oct 2020:22,267) excluding 'don't know' (3%/2%/3%) and 'prefer not to say' (0%/4%/3%) responses **Question:** D21b (Rebased) Which of the following events have you or your partner experienced in the last 12 months?

Resilience

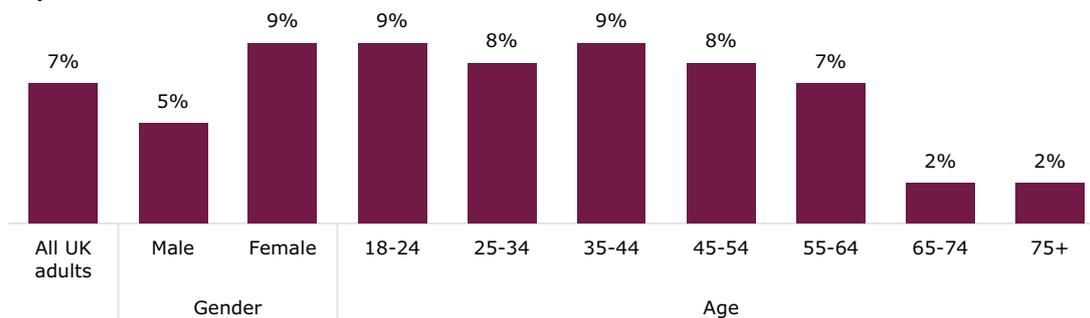
There was a 35% increase in the proportion of adults with low financial resilience between February 2020 (when 20% had low financial resilience) and October 2020 (when the same was true for 27%). For a detailed discussion of low financial resilience, see Chapter 4 (Impacts of the coronavirus pandemic on financial resilience and finances).

Low emotional resilience is a non-financial aspect of resilience that could increase the risk of consumer vulnerability. While we do not cover emotional resilience in the Financial Lives 2020 survey, we do ask about it in our October Covid-19 panel survey.

As shown in Figure 3.5, 7% of adults find it very difficult to recover from negative experiences. While emotional resilience increases with age, a significantly higher proportion of women (across all age groups) report finding it difficult to recover from negative experiences, compared with men.

In total 1% of UK adults have low emotional resilience but no other characteristic of vulnerability. In other words, if we count emotional resilience as a characteristic of vulnerability, then we would be reporting 54% of UK adults as having these characteristics in October 2020, not 53%.

Figure 3.5: Proportions of adults who find it very difficult to recover from negative experiences (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267) excluding 'don't know' responses (4%)
Questions: CD5 (Rebased) In general, how easy or difficult do you find it to recover from negative experiences?

Capability

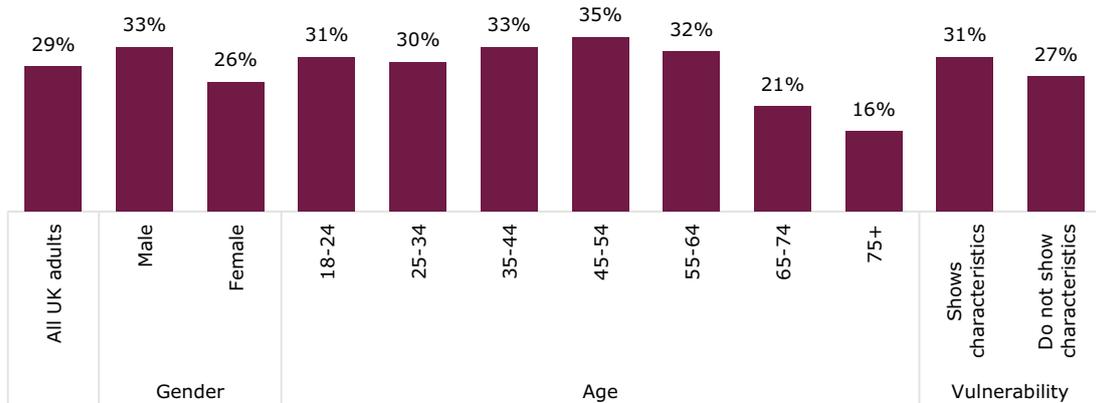
Our capability measure includes adults who view their own financial capability (their financial knowledge or confidence in managing financial matters) as particularly low and those who have poor or non-existent digital skills.

A disproportionately high proportion of those who exhibit characteristics of low capability are women (60%), adults aged 65+ (37%) and those with no formal qualifications (28%). To put these numbers in perspective, these groups account for 51%, 22% and 10% of the UK adult population, respectively.

Since 2017, there has been a notable reduction in the proportion of adults exhibiting characteristics of low capability (see Figure 3.3). This is largely due to a significant reduction in the number of older people who are digitally excluded, rather than a reduction in the proportion viewing their own financial capability as particularly low. However, there has been no significant change since the start of the Covid-19 pandemic. This is perhaps not surprising. Improving capability is a long-term task, so we would not expect to see big swings in this driver in seven months.

One aspect of capability not covered in the Financial Lives survey (and so not included in our statistics on those with characteristics of vulnerability), is adults who have no or low access to help or support. We do, however, ask about having someone to turn to for help with tasks related to financial services in our October Covid-19 panel survey. Around a third (29%) of adults say they lack this kind of support, as Figure 3.6 shows. Here, there is less of a difference by gender. Younger adults are more likely to lack support than older adults.

Figure 3.6: Proportions of adults who lack support structures (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267) excluding 'don't know' responses (8%)
Questions: CD4 (Rebased) Thinking specifically about tasks related to financial services, do you have anyone you could turn to for help if you needed it?

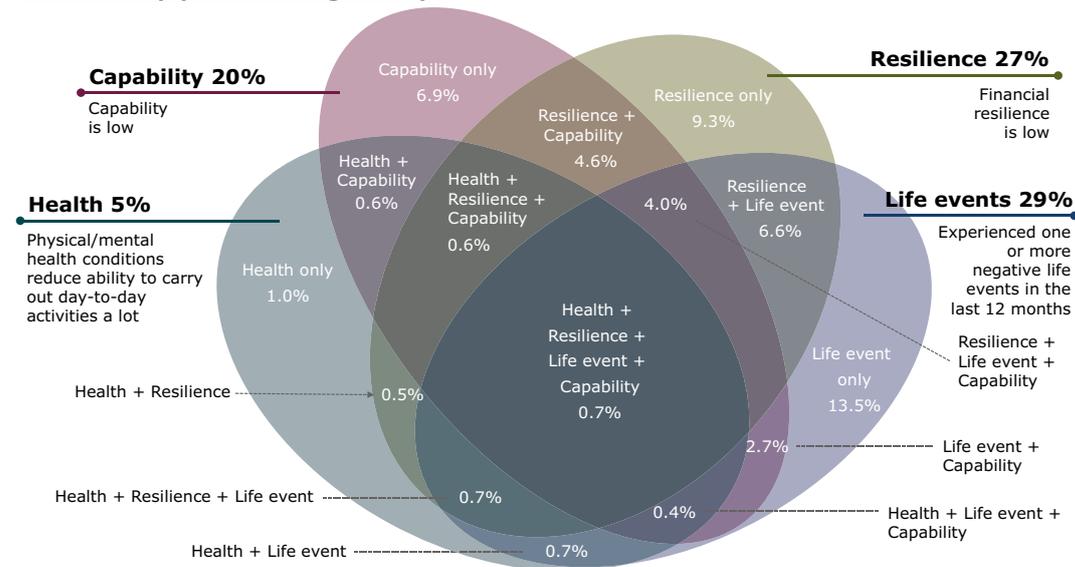
Overlapping drivers of vulnerability

Adults can have multiple characteristics of vulnerability, which can be permanent for some or transient for others as their circumstances change. For example, of the 27.7m adults in October 2020 with one or more characteristics of vulnerability, over half (53%) had two or more characteristics, and 28% had three or more.

Figure 3.7 shows how this translates to the four drivers of vulnerability. For example, of the 29% of adults who have experienced a negative life event in the last 12 months, over half also have characteristics of vulnerability to do with capability, health or resilience. Only one in three UK adults with low financial resilience or low capability are classified on this alone as having characteristics of vulnerability. The same is true for one in five with a health issue.

Figure 3.7: Proportion of adults who are vulnerable – overlapping drivers of vulnerability (Oct 2020)

Panel Survey (Enhanced algorithm)



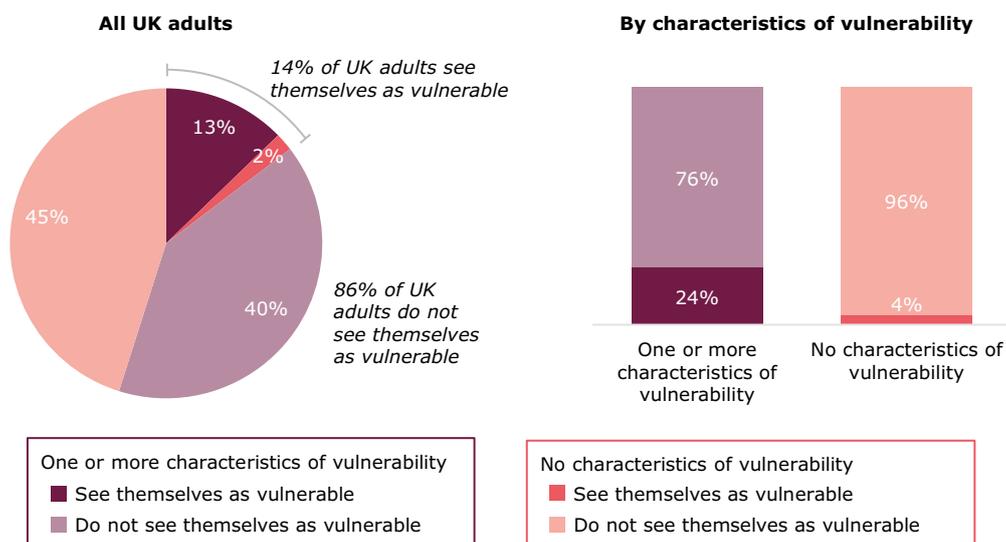
Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267)

Few UK adults see themselves as vulnerable

While consumers who display a characteristic of vulnerability are at greater risk of harm, particularly when a firm is not acting with appropriate levels of care, they are not necessarily vulnerable. Even where consumers are vulnerable to harm, they may not consider themselves to be vulnerable.

This is reflected in Figure 3.8. Over half (53%) of adults have characteristics of vulnerability in October 2020. Only one in eight (13%) adults, however, have characteristics of vulnerability and also consider themselves to be vulnerable. This means that most (76%) of those with these characteristics do not see themselves as vulnerable.

Figure 3.8: Proportion of adults who see themselves as vulnerable by whether or not they display characteristics of vulnerability (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267) excluding 'don't know' (12%) and 'prefer not to say' (2%) responses **Question:** CD6 (Rebased). A key priority of the FCA is to protect the most vulnerable in society. The FCA has defined a 'vulnerable consumer' as someone who, due to their circumstances, may not be able to engage well with financial services providers, represent their own interests, or handle difficult situations, particularly if a financial services provider is not acting with appropriate levels of care. Based on this description, do you think of yourself as a vulnerable consumer?

Adults with poor health are more likely to see themselves as vulnerable than those with other characteristics of vulnerability (52% do, compared with just 24% for all adults with characteristics of vulnerability). In contrast, those with low capability, those with low financial resilience and those who have experienced a recent negative life event are much less likely to see themselves as vulnerable (31%, 31% and 25%, respectively). The more characteristics of vulnerability an adult has, the more likely they are to see themselves as vulnerable.

This can create a challenge for the industry, as consumers may not consider discussing their circumstances or needs with their financial service provider. Our draft vulnerability guidance sets out the actions we expect firms to take to understand, recognise and respond to the needs of consumers displaying characteristics of vulnerability including through product and service design, training staff to spot signs and taking steps that encourage customers to disclose their needs.

Vulnerable consumer who did not realise that support could be available

Keelan

Keelan is divorced, around 50, and lives on his own in rented council housing. He has ongoing issues with his mental health (which is being managed with medication under NHS supervision) and an alcohol addiction. He has had debt problems for some years, following his divorce, and is on an Individual Voluntary Agreement. He is over £200,000 in debt.

After 35 years in his job, Keelan was made redundant at the end of 2019. He has not been able to find a new job, as Covid-19 has reduced employment opportunities in his local area. He has been living off his redundancy money, which he has tried to stretch out for as long as possible.

When Covid-19 hit, he set up payment deferrals with his credit providers, which he reported were 'easy to do'. He said that his providers were sympathetic to his situation at first. More recently he has noticed a change, with some 'aggressively chasing him for the money' he simply does not have. This is having a negative impact on his mental health. He has had support from various sources in the past, such as StepChange, but does not think they would be able to offer any further assistance.



'I didn't tell them that I was vulnerable. It was the last thing on my mind.'



While Keelan recognises himself as vulnerable, he did not know that firms might be able to offer more support in response to his situation, nor was he aware that there might be specialist teams in place to support people like him. This support was not signposted by any of his lenders, and he had not thought to ask.

Impacts of vulnerability

While the numbers of UK adults showing a characteristic of vulnerability has increased, the types of problem this causes are unlikely to change much over time. We therefore draw on data from the Financial Lives 2020 survey to explore some of the detrimental financial impacts that can occur as a result of poor health, a recent negative life event, or low capability.

Difficulties related to poor health

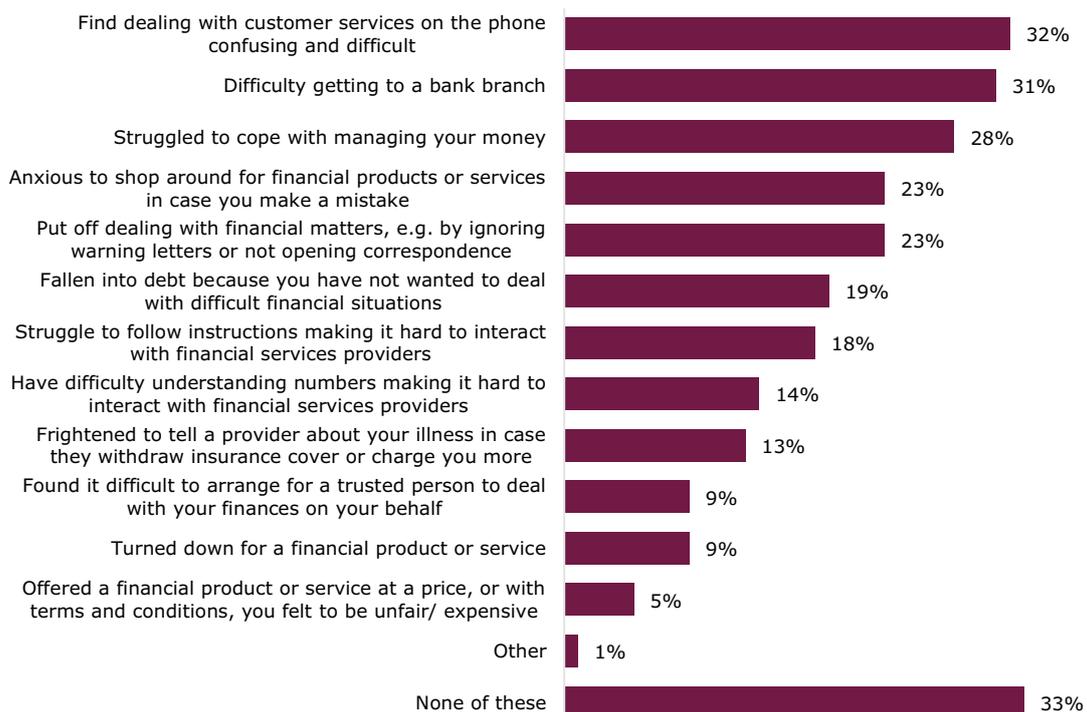
Given we are still in the middle of a pandemic, it is important to explore how poor health, both physical and mental, could potentially result in consumer detriment in relation to financial services.

Around three in ten adults who show characteristics of vulnerability related to health have had problems dealing with customer services over the phone, and a similar proportion has had difficulties getting to a bank branch.

One in six (18%) struggle to follow instructions, and just over one in ten (13%) are frightened to tell providers about their illness.

These results are shown in Figure 3.9.

Figure 3.9: Difficulties faced by adults who show characteristics of vulnerability related to their health (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults with physical or mental health condition(s)/illness(es) expected to last 12 months or more which reduces their ability to carry out day-to-day activities a lot (Feb 2020:872) excluding 'don't know' (4%) and 'prefer not to say' (4%) responses **Question:** D35b (Rebased) For some people, their condition or illness can result in a range of issues when dealing with financial services. Have you experienced any of the following issues specifically due to your condition(s) or illness(es)?

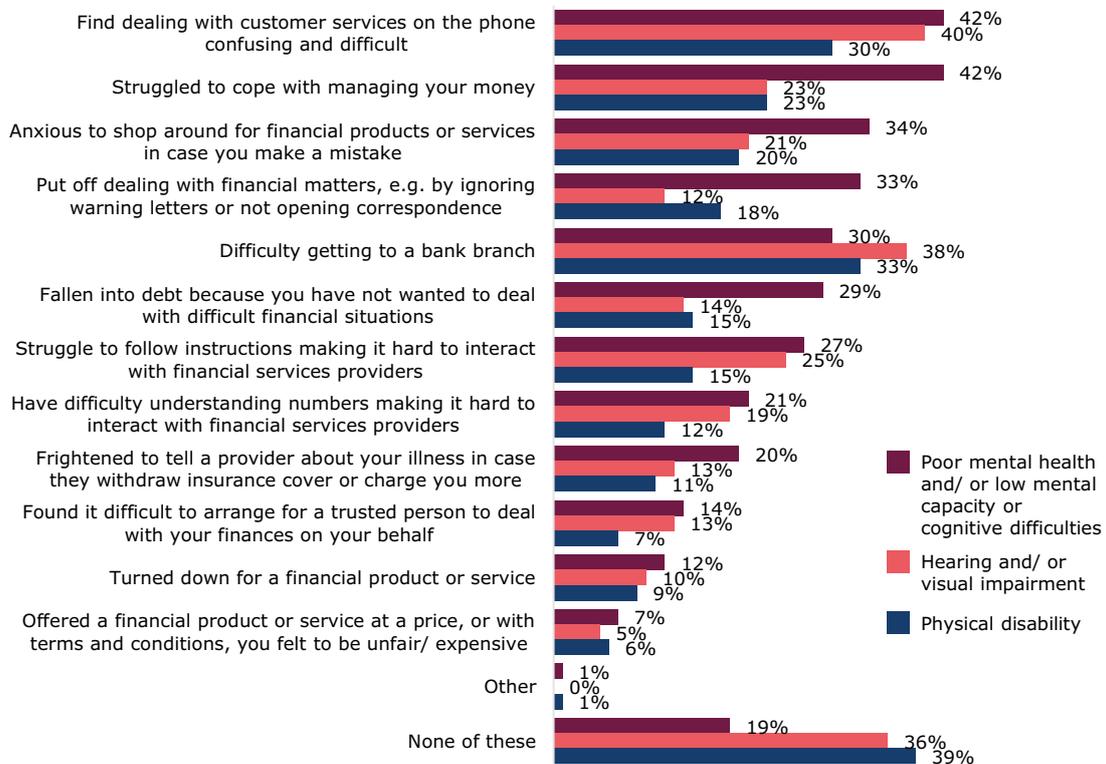
Figure 3.10 looks at the difficulties adults with different types of health conditions or illnesses (all of which are characteristics of vulnerability) had dealing with their finances or financial services.

Those with poor mental health or low mental capacity or cognitive difficulties are the most likely to face these difficulties. This group includes those with poor mental health and those who have a health condition or illness that affects their learning, understanding or ability to concentrate; those with memory problems, and those with social or behavioural difficulties (eg associated with a mental health condition or with a development disorder like autism or ADHD). Just one in five (19%) of adults with these conditions do not face any of the difficulties we asked about.

Two in five (42%) of these adults find dealing with customer services on the phone confusing or difficult. The same proportion struggle to manage their money. This group are also more likely to be anxious shopping around for financial products and services (34%), put off dealing with financial matters, such as ignoring warning letters

or not opening correspondence (33%), and to have fallen into debt because they have not wanted to deal with difficult financial situations (29%).

Figure 3.10: Difficulties faced by adults who show characteristics of vulnerability related to their health by type of condition (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults with physical or mental health condition(s)/illness(es) lasting or expected to last 12 months or more which reduces their ability to carry out day-to-day activities a lot (Feb 2020:872) excluding 'don't know' (4%) and 'prefer not to say' (4%) responses – and affecting their physical disability; their hearing and/or visual impairment, or meaning they have poor mental health and/or low mental capacity or cognitive difficulties **Question:** D35b (Rebased) For some people, their condition or illness can result in a range of issues when dealing with financial services. Have you experienced any of the following issues specifically due to your condition(s) or illness(es)?

Around two in three (64%) adults who have a hearing or visual impairment face one or more of the difficulties we asked about. The most common difficulties are finding it confusing or difficult to deal with customer services on the phone (40%) or difficulty in getting to a bank branch (38%). A quarter (25%) struggle to follow instructions which makes it hard for them to interact with financial services providers.

Three in five (61%) adults with a physical disability face one or more of the difficulties we asked about. The most common difficulties are again to do with getting to a bank branch (33%) or dealing with customer services on the phone (30%).

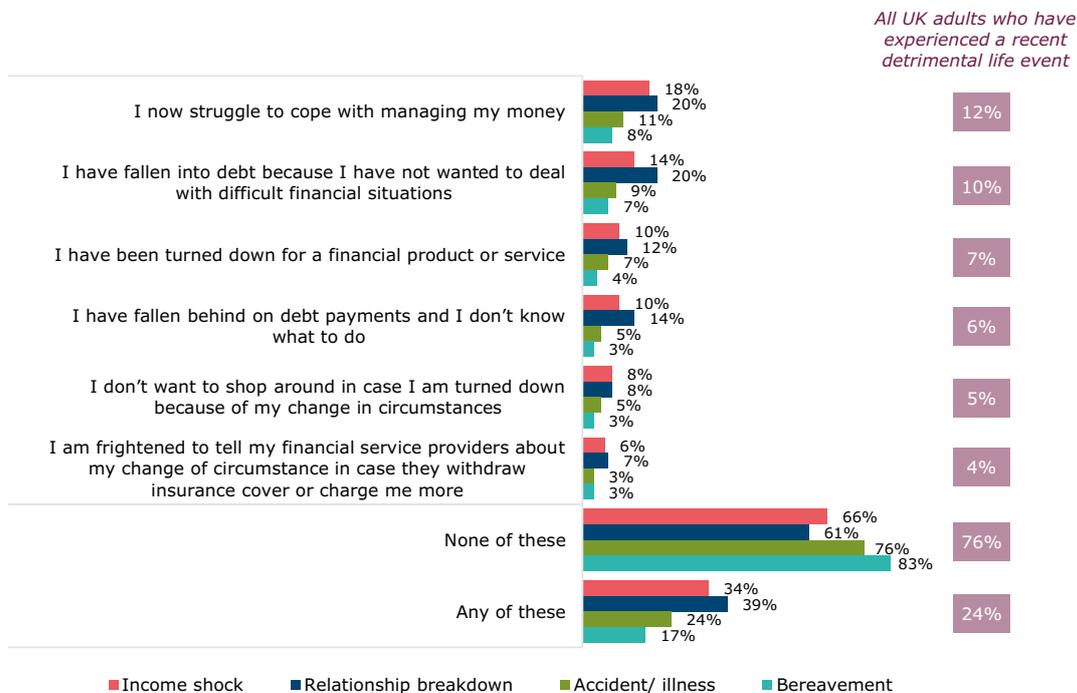
Difficulties related to a recent negative life event

It is clear from Figure 3.11 that the vast majority (76%) of those who have experienced a negative life event in the last 12 months do not feel that that this has resulted in any problems when dealing with their finances or financial services.

Managing money and falling into debt are the most common difficulties, mentioned by around one in ten of all adults who have experienced a negative life event and increasing to around one in five of those going through a relationship breakdown.

In fact, of all the life events asked about, relationship breakdowns appear to have the most potential to result in a negative impact related to financial services, closely followed by an income shock.

Figure 3.11: Difficulties faced by adults who show characteristics of vulnerability related to a recent negative life event (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults who have experienced a recent negative life experience (Feb 2020:3,227) excluding 'don't know' (3%) and 'prefer not to say' (3%) responses **Question:** D21e (Rebased) For some people, dealing with difficult events can result in a range of issues when dealing with financial services, whilst for other people these issues have no detrimental impact. Do any of the following apply to you?

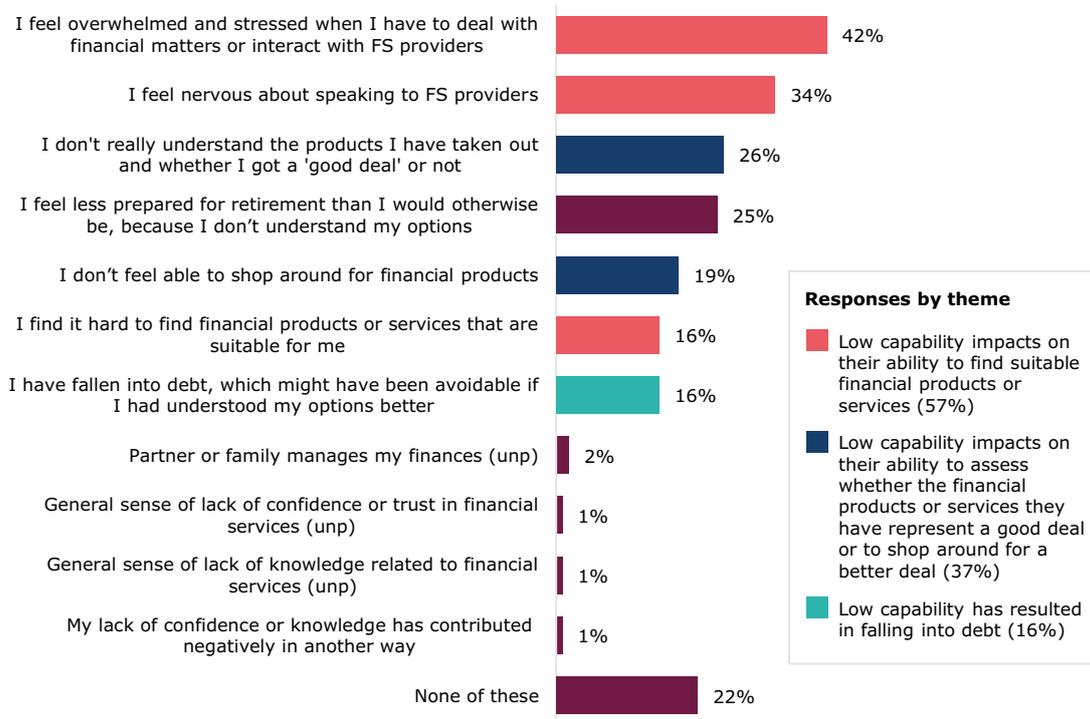
Difficulties related to low capability

Figure 3.12 paints a very different picture. Here, it is clear that low capability about money and financial matters has a significant negative impact on how adults feel about dealing with financial matters. Around four in five (78%) have felt one or more of the impacts tested.

Adults with low capability admit that they often feel nervous, overwhelmed or stressed speaking to financial services providers. This can have a direct impact on their financial wellbeing. They are less able to find suitable products, assess whether products represent good value or shop around for a better deal.

Worryingly, one in six adults (16%) with low capability say they have fallen into debt which might have been avoidable if they had understood their options better.

Figure 3.12: Difficulties faced by adults who show characteristics of low capability (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults who have either very low confidence in managing money (0-3), very low knowledge of financial matters (0-3) or strongly disagree they are a confident and savvy consumer (2020:2,220) excluding 'don't know' (7%) and 'prefer not to say' responses (3%) **Question:** D21f (Rebased) Earlier you mentioned not feeling particularly confident or knowledgeable about money and financial matters. Because of this, do any of the following apply to you? **Note:** This question is reported for those with low capability but not including those who count as having low capability only on the basis that they are digitally excluded.

4 Impacts of the coronavirus pandemic on financial resilience and finances

Key facts and figures: The coronavirus (Covid-19) pandemic has led to considerable financial impacts for many, and more hardship is anticipated. Many adults who took up payment deferrals would have struggled without them.

Before the pandemic, there were some positive signs that **financial resilience** was improving. Between 2017 and early 2020 the proportion of UK adults with low financial resilience had decreased. Covid-19 has firmly reversed that trend. Between March and October 2020, the number of adults with low financial resilience increased by 3.5 million to 14.2 million, ie to 27% of UK adults.

Adults are described as having low financial resilience if they are over-indebted, or have low or erratic incomes or low savings, meaning they have little capacity to withstand financial shocks. In October 2020, of UK adults:

- 16% were over-indebted
- 18% had low or erratic incomes or low savings
- 6% were over-indebted and had low or erratic incomes or low savings

Overall, one in three (31%) suffered a drop in their **household income** between March and October. By far the hardest hit have been the self-employed and younger working age adults. Three-fifths (61%) of those who were self-employed and 43% of those who were working for an employer say their financial situation overall has worsened.

This is not surprising when we look at how Covid-19 has affected the **labour market**. According to our survey statistics, between March and October 2020, over a quarter (27%) of all employees were furloughed for any length of time and 17% reported that their employer had cut their hours or pay.

Lockdowns have placed severe restrictions on day-to-day activities. Perhaps not surprisingly, three in eight (37%) adults reported an overall decrease in their **household spending** between March and October. One in five (19%) have cut back on essentials because of Covid-19, while 6% (2.9m) have cancelled an insurance or protection policy to save money because of it.

Other financial impacts of Covid-19 are:

- In February 2020, many adults had very little set aside to pay for unexpected expenses or to draw on if they lost their main source of income. One in three (32%) adults have drawn on their **savings** to cover day-to-day expenses, rising to over half (56%) of those aged 18-24.
- One in seven (15%) saw their **unsecured debt** levels increase in this period (10% by a bit and 4% by a lot). Those aged 25-44; those who were employed or self-employed in February, and those who rent or have a mortgage have seen their debt levels increase the most.
- One in six (17%) mortgage holders took up a **mortgage payment deferral** between March and October 2020. Just 6% of mortgage holders say they might have taken a deferral had they been aware of it. Of those who have taken a payment deferral, 71% said they would have struggled without it.

- One in five (19%) adults with any credit or loan product (excluding overdrafts) told us they took a **credit payment deferral** between March and October 2020. Over half took out a deferral on more than one loan. Of those who have taken a payment deferral, 70% would have struggled without it.
- 3% of all adults used a **debt advice service** between March and October 2020, while 4% think they are very likely to use a debt service in the next six months. Of those who used a debt advice service, just over three-fifths (62%) feel that their debts are now more manageable.

Comparatively, the retired population has been broadly insulated from the financial impacts of Covid-19. Just 17% of retirees say their financial situation has worsened due to the pandemic, compared with the UK average of 38%. This is perhaps not surprising as key sources of income for this group – the State pension, defined benefit pensions and annuities – have not changed.

We asked adults in October 2020 about their **expectations for the next six months**. The research was carried out before the announcement of the second England-wide lockdown and the extension of the furlough scheme and payment deferrals:

- Three in ten (30% or 15.9m) told us they expect their household income to fall, and one in four (25% or 13.2m) expect to struggle to make ends meet.
- To cope with the hardships they expected to face over the next six months, many told us they were likely to cut back on essentials (33% or 17.5m) or to use a food bank (11% or 5.6m). 8.1 million (16%) expected to take on more debt.

Based on evidence from our research in October 2020, the proportion of UK adults with low financial resilience was set to rise.

Scope

In this chapter, we report on low financial resilience and the financial impacts of Covid-19. The concept of low financial resilience was introduced in Chapter 3 (Consumers with characteristics of vulnerability). In this chapter, we differentiate adults with **low financial resilience** – which indicates an increased risk of harm – from those who do **not have low financial resilience**.

We draw on findings from our Financial Lives 2020 survey to identify adults with low financial resilience, ie those most at risk financially before the pandemic, because they were over-indebted or had limited ability to weather a financial shock. These findings provide a baseline to help us understand the impacts of Covid-19.

We go on to look at how the pandemic has significantly increased the number and severity of issues affecting consumers. To do so, we draw on our Covid-19 panel survey from October 2020 to show how adults have been affected so far in terms of their working status, household incomes, spending, savings levels and debt levels.

We explore the type and numbers of consumers taking up payment deferrals. We also explore the take-up and use of debt advice since the start of the pandemic.

Finally, we explore consumer expectations for the next six months from the time of interview in October 2020.

Low financial resilience

Financial resilience before Covid-19

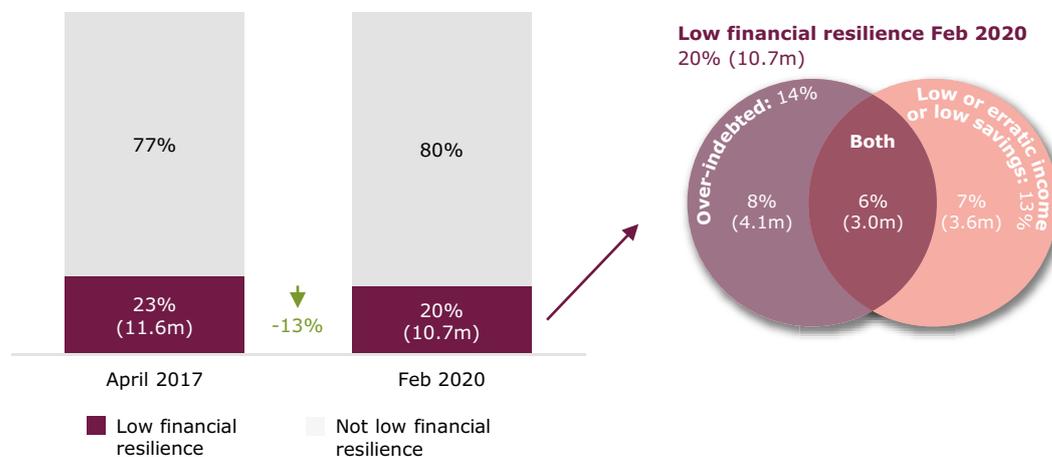
Before Covid-19, 20% of UK adults (10.7m) had low financial resilience. As Figure 4.1 shows, this was a slight improvement on the 23% (11.6m) of those with low financial resilience in April 2017.

Adults are described as having low financial resilience if they:

- are **over-indebted**: some may already be **in financial difficulty**, because they have failed to pay domestic bills or meet credit commitments in three or more of the last six months; others may be managing to keep up with their bills and credit commitments, but find doing so to be a heavy burden
- have **low or erratic incomes or low savings**: this means they have little capacity to withstand financial shocks because, for example, they could not withstand even a £50 reduction in their income or losing their main source of household income for even a week

Figure 4.1 also shows that in February 2020, 14% of UK adults (7.2m) were over-indebted, while 13% (6.6m) had low or erratic incomes or low savings. There was some overlap between these two groups, with 6% (3.0m) being over-indebted and having low or erratic incomes or low savings.

Figure 4.1: Adults with low financial resilience (April 2017/Feb 2020)



Source: FLS April 2017/FLS Feb 2020 **Base:** All UK adults (2017:12,865/Feb 2020:16,190) **Note:** In the Financial Lives survey, we use a number of questions to assess whether UK adults have low financial resilience. These questions are detailed in the Appendix B.

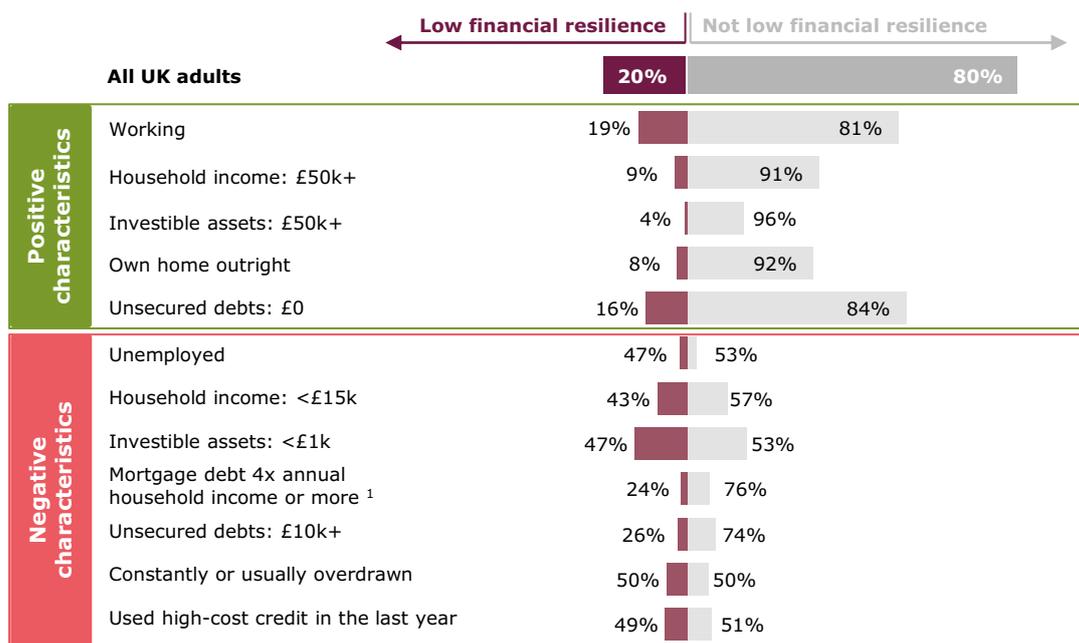
Of the 14% of adults who were over-indebted in February 2020, half, equating to 7% (3.8m) of all UK adults, were in financial difficulty, because they had failed to pay domestic bills or meet credit commitments in three or more of the last six months. This was a slight improvement on the 8% in financial difficulty in April 2017.

Dividing adults into those who have low financial resilience in February 2020 and those who do not is a useful baseline ahead of the pandemic. Figure 4.2 shows characteristics (broadly organised into ones that may be considered to be positive and ones that may be considered to be negative) split between those with low financial resilience and those who do not have low financial resilience.

Bar length in the chart indicates the size of the population, eg a third of adults own their home outright, so the 'own home outright' bar is a third of the length of the 'all UK adults' bar. Hence we see, for example, that:

- of the relatively small population of those unemployed in February 2020, roughly half (47%) have low financial resilience and half (53%) do not
- of the larger population of working adults, 19% have low financial resilience and 81% do not

Figure 4.2: Comparison of the financial situations of adults with low financial resilience and those not with low financial resilience (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults (Feb 2020:16,190) **Note:** The length of all bars represents the size of the given population.

Some people in the low financial resilience group will be in a better financial position than others, for example because they have no unsecured debts.

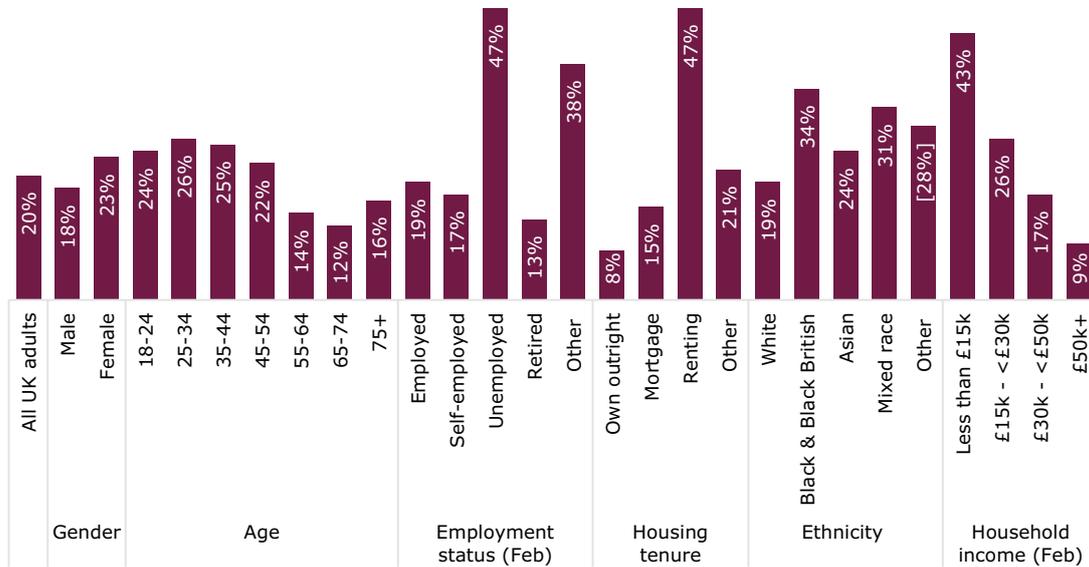
Likewise, some people in the group that does not have low financial resilience will be in a worse financial situation than others, for example because they have £10,000 or more of unsecured debt. Even though they do not have low financial resilience, these adults could find themselves in financial difficulty if their main source of income were reduced for an extended period.

Low financial resilience across different consumer groups

Figure 4.3 shows the proportion of adults with low financial resilience in February 2020 before Covid-19, by gender, age, employment status, housing tenure, ethnicity and household income at that time.

It highlights that certain demographic groups were far more likely to have low financial resilience than others. Those least able to cope with a financial shock include: unemployed adults (47%), renters (47%), adults with a household income of less than £15,000 (43%), adults with 'other' working status (38%), and Black adults (34%).

Figure 4.3: Proportion of adults with low financial resilience across a variety of demographic segments (Feb 2020)



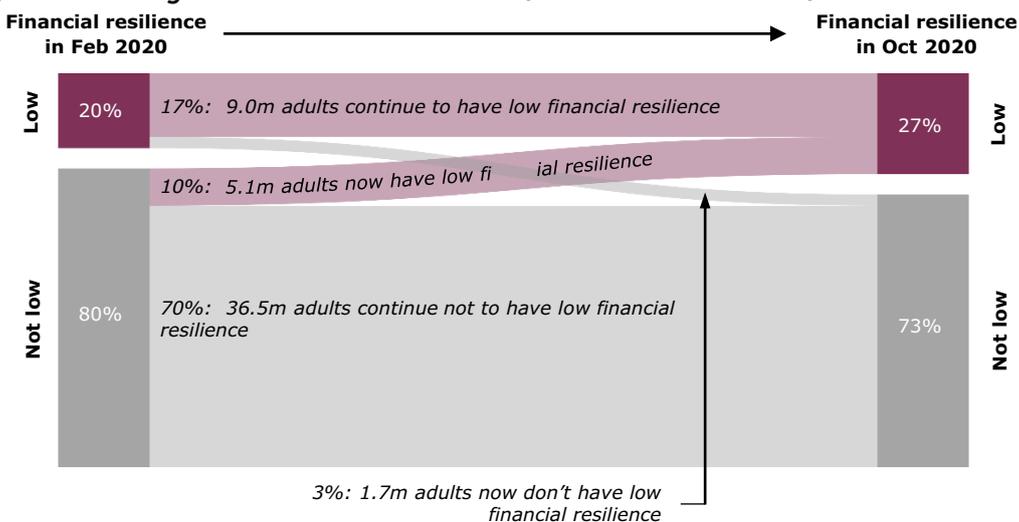
Source: FLS Feb 2020 Base: All UK adults (Feb 2020:16,190)

The impact of Covid-19 on financial resilience

Before the pandemic, there were some positive signs that financial resilience was improving. Covid-19 has firmly reversed that trend. Between March and October 2020, the number of adults with low financial resilience increased by 3.5 million to 14.2 million, or 27% of UK adults.

Using our Covid-19 panel survey, we can track the impact of Covid-19 on the financial resilience of individual adults. This is shown in Figure 4.4.

Figure 4.4: Changes in low financial resilience (Feb 2020 vs. Oct 2020)



Source: FLS Feb 2020/Covid-19 survey, Oct 2020 Base: All UK adults (Feb 2020:16,190/Oct 2020:22,267)

A fifth (20%) of UK adults had low financial resilience before Covid-19. Very few (just 3% – mostly retirees and those aged 75+) have seen enough of an improvement in their financial situation over the last seven months that they are no longer considered to have low financial resilience.

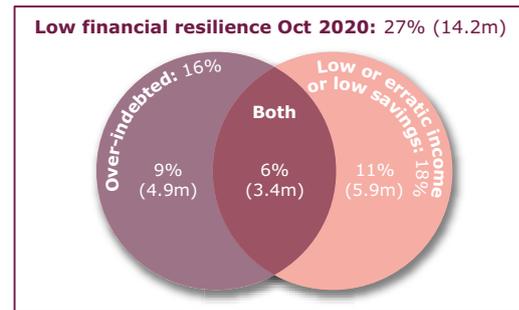
In contrast, a much larger proportion of UK adults (10%) have moved the other way. Covid-19 has affected their finances so significantly that they are now considered to have low financial resilience.

Figure 4.5 shows why 14.2 million adults in October 2020 were classified as having low financial resilience.

In October 2020, of UK adults:

- 16% were over-indebted
- 18% had low or erratic incomes or low savings
- 6% were over-indebted and had low/erratic incomes or low savings
- 7% were in financial difficulty because they had failed to pay domestic bills or meet credit commitments in three or more of the previous six months

Figure 4.5: Adults with low financial resilience (Oct 2020)



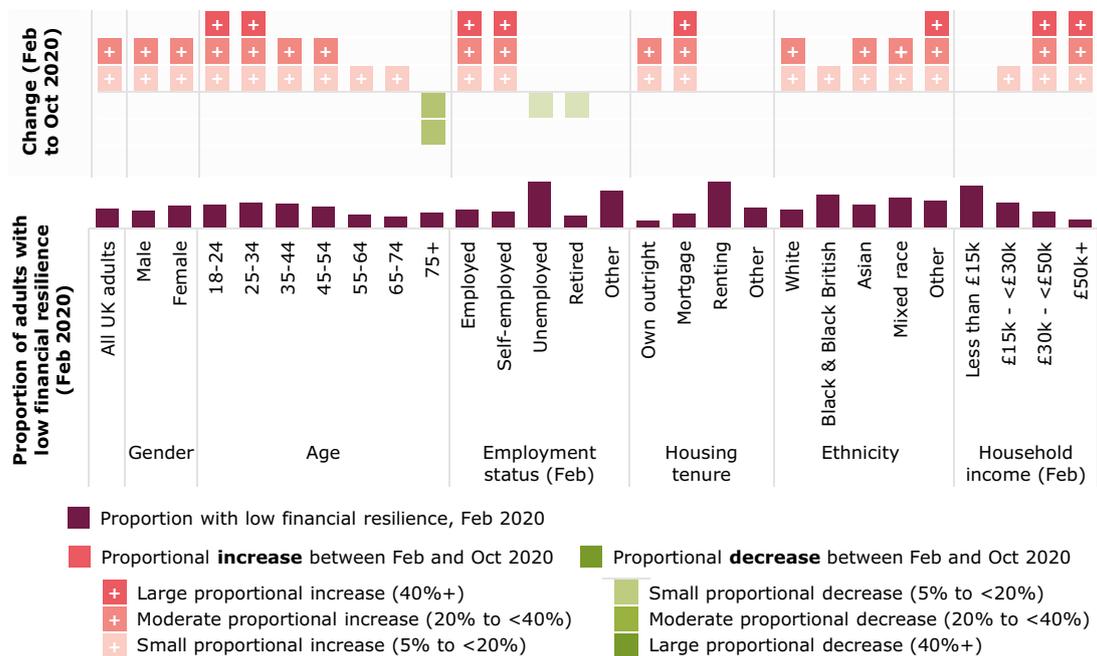
Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267)

The impact of Covid-19 impact on financial resilience across different consumer groups

Figure 4.6 looks in detail at how different groups have been affected by the pandemic in terms of their levels of financial resilience.

The lower section of the chart, which repeats the findings shown in Figure 4.3, shows the proportion of each group who had low financial resilience in February. This acts as a reference point for the top section of the chart, which shows the proportional change in low financial resilience between March and October.

Figure 4.6: Impact of Covid-19 on the proportion of adults with low financial resilience across a variety of demographic segments (Oct 2020)



Source: FLS Feb 2020/Covid-19 survey, Oct 2020 Base: All UK adults (Feb 2020:16,190/Oct 2020:22,267)

Looking at the proportional change in low financial resilience since February, we see that Covid-19 has had a profound impact across society, but it has not affected all groups equally. The largest proportional increases in low financial resilience have been among:

- adults aged 18-54, particularly younger adults aged 18-34, as opposed to those aged 55+
- adults in employment in February, as opposed to those who were unemployed or retired before Covid-19
- adults with a mortgage

On balance, adults aged 75+ (and more broadly the retired population) have seen a slight improvement in their financial situations during Covid-19.

The impact of Covid-19 on working status

The first national Covid-19 lockdown in the UK officially began on 23 March 2020. Localised lockdowns and further lockdowns have followed, and the UK economy has not yet come anywhere close to returning to 'normal'. In this section, we look at the impact of these restrictions on the UK's workforce so far, separately assessing the impact on employees and those who are self-employed.

Covid-19 impacts on employees

We asked adults who were employees at the end of February whether their work has been affected by the pandemic. The results are shown in Figure 4.7.

Figure 4.7: Impacts of Covid-19 on the work of employees between March and October (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults working for an employer at the end of February (Oct 2020:12,185) **Question:** W4. Still thinking about your working status, which, if any, of the following have you experienced since the end of Feb because of Covid-19?

Between March and October, over a quarter (27%) of all employees were furloughed for a period. This includes a small minority (4%) who said they were put on paid leave, but not under the Coronavirus Job Retention Scheme.

One in six (17%) reported that their employer had cut their hours, while less than one in ten (7%) had their hours increased or worked overtime.

Just 4% say they have reduced their working hours to care for children or others or stopped work to become full-time carers, rising to 9% for single parent households. This proportion is surprisingly low given that schools were shut during the first national lockdown, and perhaps suggests that many parents had to take on childcare responsibilities while maintaining their working hours or did so while on furlough.

Just under one in ten (7%) of all employees said they had been made redundant or had lost their job between March and October, because their employer had ceased trading.

SPOTLIGHT

Covid-19 impacts on employees between March and October 2020, as reported in Figure 4.7

By sector and contract

- Covid-19 has not been felt equally across all sectors of the economy, with adults employed in the accommodation, food services, and arts, entertainment and recreation sectors more likely to have been furloughed, have had their hours or pay cut, or lost their jobs.
- Covid-19 has disproportionately affected employees on fixed-term or temporary employment contracts, zero hours contracts, and agency staff contracts (as opposed to those on full-time or part-time contracts).

By gender

- Men are much more likely than women to have had their hours or pay cut (20% vs. 13%, respectively), but slightly less likely to have been furloughed or put on paid leave (26% vs. 28%, respectively).
- Women are no more likely than men to say they have reduced their working hours to care for children or others, or to stop work to become full-time carers (4% for men, compared with 5% for women). That said, 9% of single parents (62% of whom are female) say they have had to cut their hours or stop working to care for children or others.

By age

- Adults aged 18-24 (31%) and those aged 65+ (33%) are more likely to have been furloughed or put on paid leave than employees aged 25-64 (26%).
- Younger adults are far more likely to have had their hours or pay cut by their employer: 26% for adults aged 18-24, 21% for adults aged 25-34, and 18% for adults aged 35-44, compared with 12% for adults aged 45+.
- 18-24 year olds are the most likely age group to have lost their job: 13%, compared with 7% of all adults.

By ethnicity

- A smaller proportion of Black (23%) and Asian (21%) adults were furloughed or put on paid leave, compared with White adults (28%), but a greater proportion have had their hours or pay cut (25% and 23%, respectively, compared with 16% of White adults).

By housing tenure

- Renters are more likely to have been furloughed or put on paid leave than mortgage holders or adults who own their home outright. This is not surprising given young adults account for a disproportionate share of renters.

By household income

- Employees in low income households (those with a household income of less than £15,000) were far more likely to be furloughed or put on paid leave, have their pay or hours cut or lose their job than adults in higher income households.

By having characteristics of vulnerability

- Across all measures, employees with characteristics of vulnerability in February have been more affected than those without these characteristics.

Lost job and struggling to make ends meet

Chloe

Chloe and her husband have a baby and a school-aged child. They rent their home and have low-income jobs.

Chloe lost her job when her employer – a large high street retailer – went into administration. She did not receive any redundancy pay. Her partner was furloughed at the start of lockdown. He found part-time temporary work for a large supermarket, before going back to his original job on reduced hours. The drop in his income was very difficult as they were already struggling to make ends meet.

Chloe urgently needed a new job, but this was not practical given she had to care for her children and provide home-schooling during lockdown.

Chloe applied for Universal Credit and had a five-week waiting period before her first payment arrived, meaning they were unable to pay bills during this time. While they managed to delay some payments, such as their rent, they had to rely on financial support from friends and family, as well taking on new debt, even though they cut back their expenditure as much as possible.

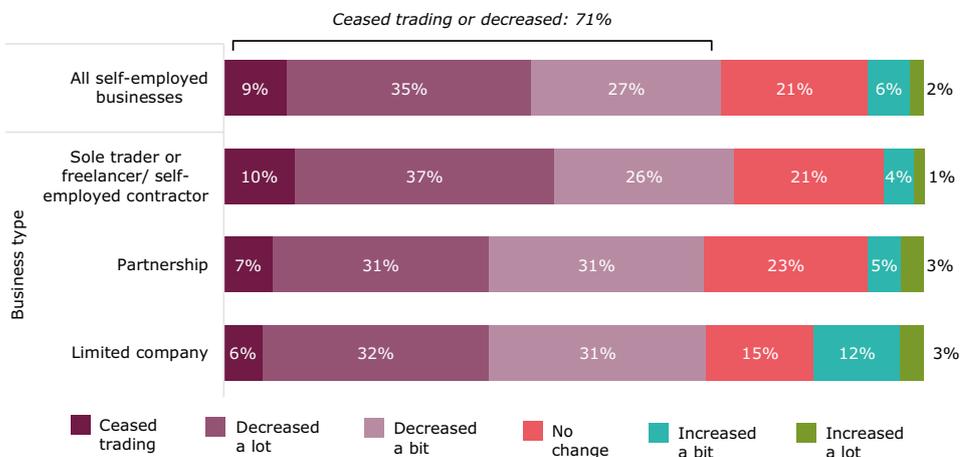
My husband's wage tided us over for shopping. For other bills, we did just have to ring up everywhere and delay the payment date

Covid-19 impacts on the self-employed

The self-employed too have been hit hard by Covid-19. Figure 4.8 shows that 71% of self-employed businesses experienced a reduction in business revenues between March and October. One in ten (9%) ceased trading altogether.

Looking at self-employed business types in Figure 4.8, sole traders or freelancers and self-employed contractors have been more negatively affected by Covid-19, compared with partnerships or limited companies.

Figure 4.8: Impact of Covid-19 on self-employed business revenue between March and October by business type (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults who were self-employed at the end of February (Oct 2020:1,607) excluding 'don't know' responses (1%) **Question:** W6 (Rebased). Since the end of February, to what extent, if at all, has your business revenue (turnover) been affected by the Covid-19 pandemic?

Self-employed and facing serious financial difficulties

Karen and Steve

Steve is the sole company director of a training business he runs from their home. At the start of lockdown, his company's training sessions were all cancelled. His wife, Karen, works in the charity sector. Her job has not been affected by Covid-19.

Before Covid-19, the couple, who are in their late fifties to early sixties, were already juggling their debt and had little in the way of savings. With Steve's income falling dramatically overnight and Karen's not nearly enough to cover their mortgage, the couple was facing serious financial difficulties.

When lockdown started, Steve explored his options. As a company director, he did not qualify for the Self-Employed Income Support Scheme. He felt that the Coronavirus Job Retention Scheme was not an option either, as he paid himself primarily through dividends rather than a salary. He also needed to continue to work to transition his business online. As he has no premises, he did not receive a grant from his local authority. He did qualify, however, for the Bounce Back Loan Scheme. He applied for it and received £25,000. The application process was very straightforward.

The loan was immediately used to clear off debt and to cover day-to-day living expenses. Since then, Steve and Karen have been using credit to survive, including their credit cards, high-cost credit and an overdraft (which was at £13,000 at the time of interview). Steve has also taken £40,000 tax-free cash from his pension. They are aware these actions will have serious consequences for their future, but they 'just need the money to survive'. They decided not to apply for any payment deferrals as they were worried this would affect their credit rating and their ability to borrow in the future.



Steve got a Bounce Back Loan of £25,000 and he hasn't paid his tax, which is £20,000 ... We've maxed out on credit cards. We've maxed out on the bank loan ... We've got a £13,000 overdraft, and the bank put the interest rates up to 39%! So, it is really, really tough

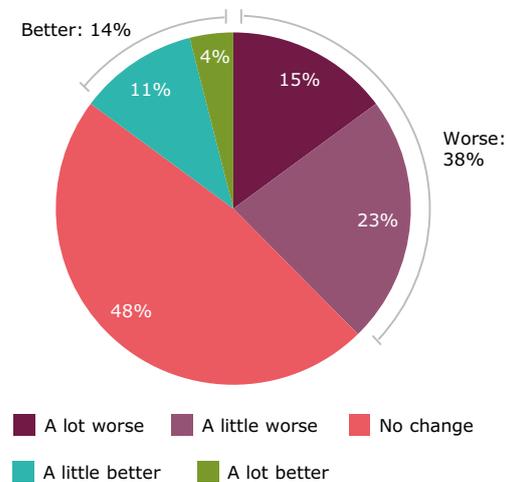


The impact of Covid-19 on adults' financial situation overall

So far, we have shown how Covid-19 has had a significant impact on the financial resilience of UK adults. It has greatly increased the number of UK adults who are over-indebted or who have little ability to withstand financial shocks.

However, this tells us little about the scale of the impact Covid-19 has had on all adults' finances. Figure 4.9 shows us the extent to which adults say their financial situation overall has changed because of the pandemic.

Figure 4.9: Impact of Covid-19 on adults' financial situation overall (Oct 2020)



Summarising these results:

- Three in eight (38%) adults (20.0m) have seen their financial situation overall worsen, while 15% (7.7m) have seen it worsen a lot.
- Almost half (48%) say their financial situation overall has not been affected by Covid-19.
- One in seven (14%) have seen an improvement in their financial situation overall due to Covid-19: 11% say it has improved a little and 4% say it has improved a lot.

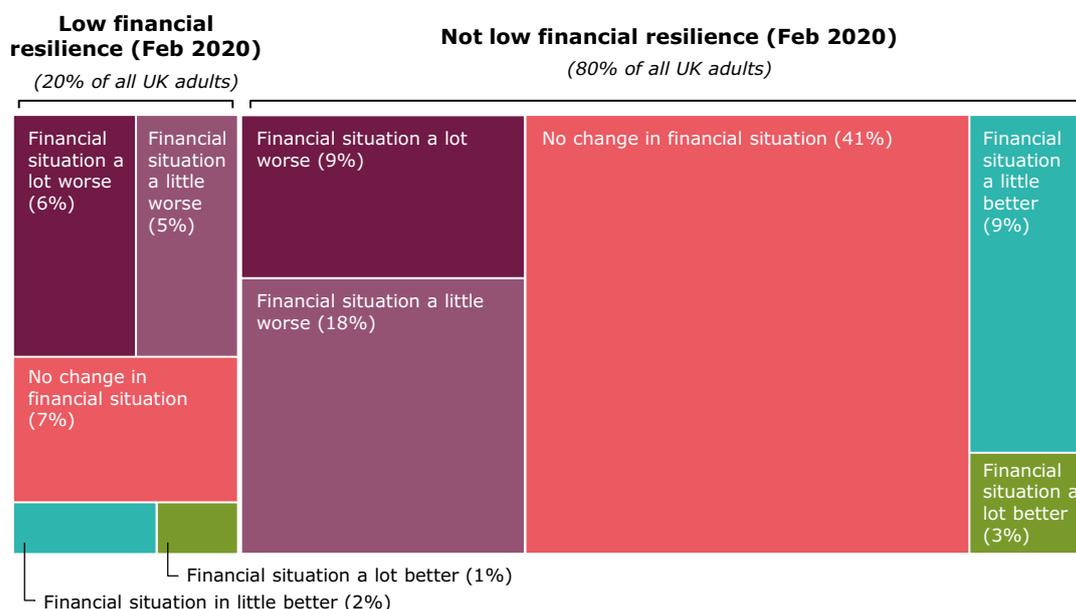
Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267), excluding 'don't know' responses (3%)
Question: F16 (Rebased). Thinking about your financial situation overall, to what extent have you been impacted by the Covid-19 pandemic to date? **Note:** This question uses a seven-point scale. Two codes have been condensed to 'a lot worse' and another two codes to 'a lot better'.

Figure 4.10 shows the impact of Covid-19 on the finances of adults who had low financial resilience before the pandemic versus those who did not, as a proportion of all UK adults. Broadly speaking, the results highlight how Covid-19 has had a disproportionate effect on adults who were already in a worse financial situation before the pandemic.

For example, of the 20% of all UK adults who had low financial resilience in February 2020, 30% say their financial situation overall has worsened a lot due to the Covid-19 pandemic. This means that 6% of all UK adults had low financial resilience in February and say their financial situation overall has worsened a lot.

In contrast, of the 80% of all UK adults who did not have low financial resilience in February 2020, 11% say their financial situation overall has worsened a lot due to the Covid-19 pandemic. This means that 9% of all UK adults did not have low financial resilience in February and say their financial situation overall has worsened a lot.

Figure 4.10: Impact of Covid-19 on adults' financial situation overall by their financial resilience before Covid-19 (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267), excluding 'don't know' responses (3%)
Question: F16 (Rebased). Thinking about your financial situation overall, to what extent have you been impacted by the Covid-19 pandemic to date?

Lost job and struggling to make ends meet

Jane

Jane is single, aged 45-54, renting and has a history of mental health issues.

She works in an administrative role and is also a part-time self-employed sports coach. During lockdown, she was able to work from home, but her self-employed income dried up completely.

Jane was already struggling to manage her finances before Covid-19. She had an IVA. Without her self-employed income, she found it impossible to keep up with her loan repayments and struggled to cover her day-to-day expenses.

She asked her loan provider for a payment deferral, but was refused on the basis of being in arrears – which she disputes. When her car broke down, she turned to a high-cost credit provider to borrow £500.

//

My car ran into major difficulties and I needed £500 to repair it and I just didn't have any savings. So I went to a doorstep lender and I borrowed £500 at 500%, which is absolutely appalling

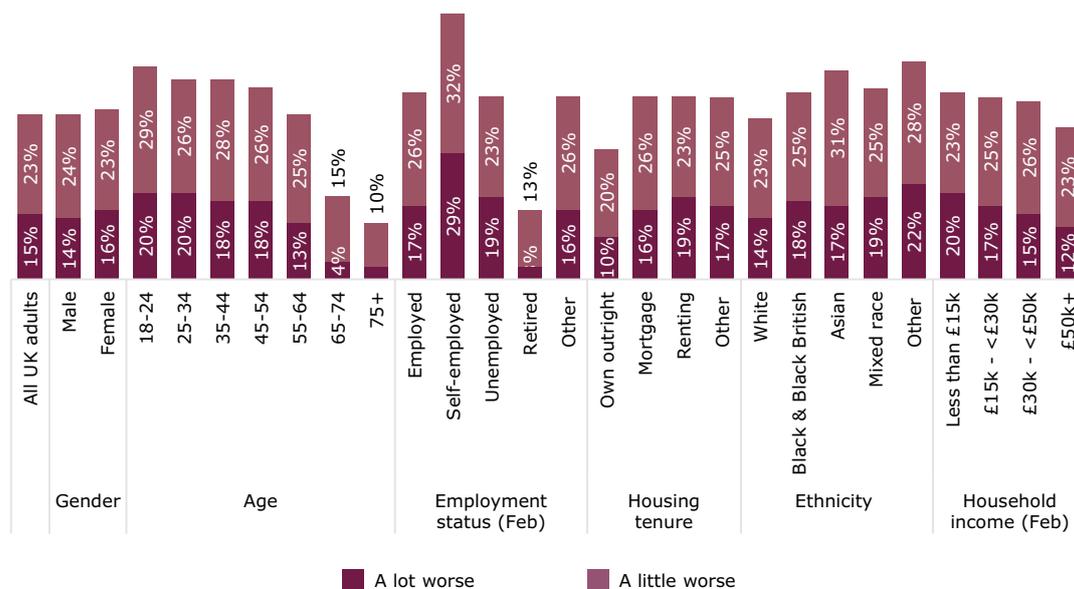
//

Figure 4.11 shows the proportion of adults who say their financial situation overall has worsened across different demographic groups. It demonstrates how Covid-19 has had a profound effect on adults' financial situations across society.

Groups that have been particularly hard hit include:

- **the self-employed:** 61% of adults who were self-employed in February report that their financial situation overall has worsened (29% worsened a lot; 32% worsened a little), compared with just 10% who say it has improved
- **employees:** 43% of adults who were employees in February report that their financial situation overall has worsened (17% worsened a lot; 26% worsened a little), compared with just 16% who say it has improved
- **those aged 18-54,** as opposed to adults aged 65+. For example, 46% of adults aged 18-54 say their financial situation overall has worsened (19% worsened a lot; 27% worsened a little), compared with just 17% of adults aged 65+

Figure 4.11: Adults who say their financial situation overall has worsened across a variety of demographic segments (Oct 2020)

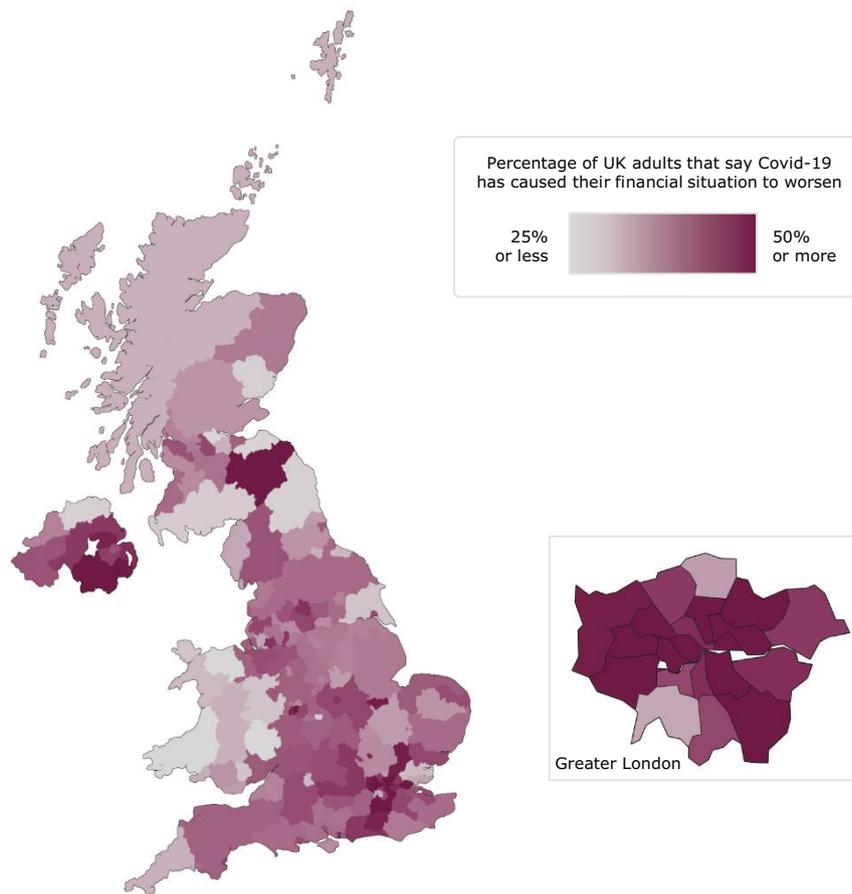


Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267), excluding 'don't know' responses (3%)
Question: F16 (Rebased). Thinking about your financial situation overall, to what extent have you been impacted by the Covid-19 pandemic to date?

Map 4.1 shows, at the county or council level, the proportion of UK adults who say their financial situation has worsened as a result of Covid-19. It emphasises that, while these results vary around the UK, a significant proportion of adults (mostly at least 25%) across all parts of the country have been affected financially by Covid-19.

At a regional level, adults in London and Northern Ireland are most likely to say they have been affected financially (48% and 43%, respectively). Indeed, nine of the ten areas most affected are in London or Northern Ireland: Kensington & Chelsea and Hammersmith & Fulham ([64%]), Brent (64%), Armagh City, Banbridge and Craigavon ([59%]), Newry, Mourne and Down ([56%]), Thurrock ([55%]), Haringey and Islington (55%), Bromley (54%), Westminster ([53%]), Ealing (53%) and Scottish Borders ([53%]).

Map 4.1: UK and Greater London adults who say their financial situation overall has worsened as a result of Covid-19 (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267), excluding 'don't know' responses (3%)
Question: F16 (Rebased). Thinking about your financial situation overall, to what extent have you been impacted by the Covid-19 pandemic to date? **Notes:** The areas of the map are based on NUTS 3. Base sizes for each area are at least 30, with a few exceptions. The base sizes of the 4 areas of Lochaber, Skye and Lochalsh, Arran and Cumbrae and Argyll and Bute (24), Eilean Siar (Western Isles) (5), Orkney Islands (8) and the Shetland Islands (6) were under 30; in mapping, these areas have been combined with the neighbouring areas of Caithness and Sutherland and Ross and Cromarty (37) and Inverness and Nairn and Moray, Badenoch and Strathspey (68) – together they form the NUTS 2 area of Highlands and Islands which is the area we have mapped. Three other areas also have low bases: Isle of Anglesey (17), Mid Ulster (24), and Fermanagh and Omagh (28); in these cases, we have mapped each area's results – they should be treated with care.

The impact of Covid-19 on unsecured debt

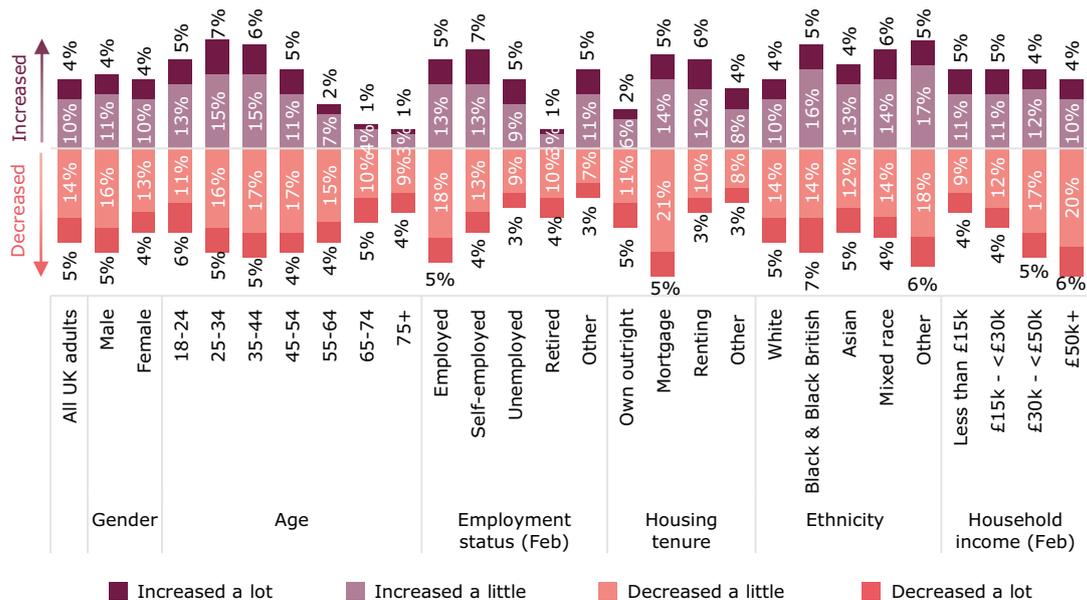
As discussed in Chapter 2 (Product holdings, assets and debts), before Covid-19 the use of credit was high. Most adults (85%) held at least one credit or loan product. One in four (26%) had been overdrawn at some point in the previous 12 months. One in ten (11%) were using high-cost credit.

Figure 4.12 explores how levels of unsecured debt have been affected by Covid-19. It shows the proportion of all UK adults who say their debt levels have increased or decreased since the end of February. It does not show those adults whose debt levels have stayed about the same or who had no credit or loan products at the end of October.

One in five (19%) reported that their level of unsecured debt decreased between March and October (14% a bit and 5% a lot). Some 15%, however, saw their debt levels increase in this period (10% a bit and 4% a lot).

Those who have seen their debt levels increase the most include adults aged 25-44; those who were employed or self-employed in February, and those who rent or have a mortgage.

Figure 4.12: Change in unsecured debt levels since the end of February (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,096) excluding 'don't know' responses (1%)
Question: F10 (Rebased). Overall, since the end of February, have your debts...?

The role of mortgage and credit payment deferrals

In March 2020, the Government and the [FCA](#) announced that homeowners could apply for a mortgage payment deferral if they were experiencing financial difficulties due to the pandemic. A ban on home repossessions was put in place at the same time.

When initially announced, the scheme was due to end in June 2020, but was extended to allow homeowners to apply for up to two payment deferrals amounting to a total of six months. When we conducted our Covid-19 research in October 2020, the window for applications was set to close on 31 October 2020.

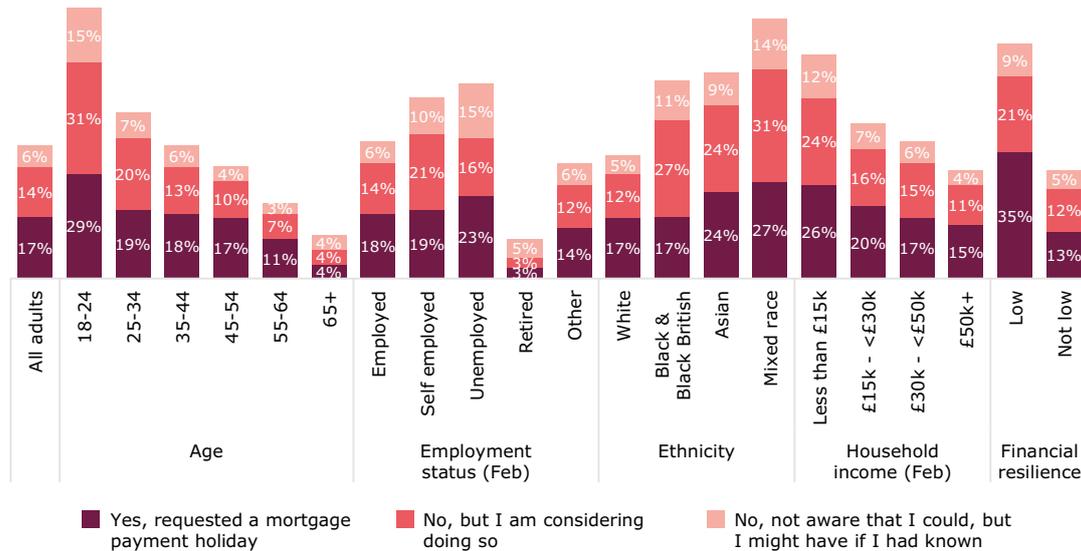
Similarly, credit payment deferrals came in April 2020 and were extended in July 2020. When we conducted our Covid-19 research, the window for applications was set to close on 31 October 2020.

Mortgage payment deferrals

Figure 4.13 shows that by October one in six (17%) mortgage holders had requested (ie taken) a payment deferral because of Covid-19, and a further one in seven (14%) were still considering doing so in October (the survey used the more consumer-friendly term 'payment holiday'). A third (35%) of mortgage holders who had low financial resilience in February had used the scheme.

Awareness levels were high, with just 6% of all mortgage holders saying they might have taken a deferral had they been aware of it, rising to one in seven (15%) among 18-24 year olds. Similarly, just one in ten (9%) of those with low financial resilience might have taken it up if they had known about the scheme.

Figure 4.13: Proportion of mortgage holders who have taken a mortgage payment deferral (Oct 2020)

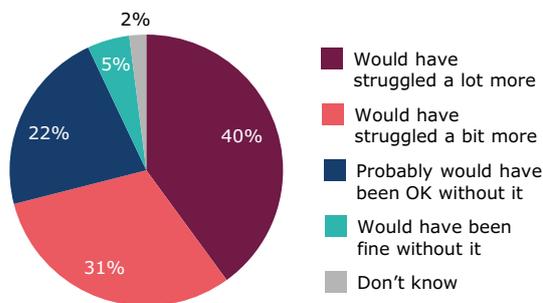


Source: Covid-19 survey, Oct 2020 **Base:** All UK adults who occupy the property currently live in with a mortgage, another type of loan (eg a lifetime mortgage) or shared ownership (Oct 2020:6,414) **Question:** PH1. You said earlier you have a mortgage on the property you currently live in. Have you requested a mortgage payment holiday because of Covid-19?

The likelihood to take, or consider, a payment deferral falls by age. By ethnicity, Asian and Mixed race adults are more likely to have taken a payment deferral than White or Black adults. Household income is also a driver of take-up, although take-up spans the entire income distribution. A quarter (26%) of those with household incomes of less than £15,000 have taken a deferral, compared with one in seven (15%) of those with £50,000+.

In Figure 4.14 we consider the extent to which the payment deferral scheme has helped those adults who have used it.

Figure 4.14: Extent to which payment deferrals helped mortgage borrowers (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults who have taken a mortgage payment holiday because of Covid-19 (Oct 2020:1,146) **Question:** PH2. How would you have coped financially, if you had not had a mortgage payment holiday?

Just over a quarter (27%) said they took the deferral as a precautionary measure, with 5% feeling certain that they would have been fine without it.

Two in five (40%) report that they would have struggled a lot without their payment deferral. Those aged 35-64 were the most likely to say they would have struggled a lot without it.

Our qualitative discussions with a few mortgage holders illustrate why payment deferrals helped people to cope. For example, we heard from couples where one wage only covers the mortgage and that wage was lost. Some said they have no savings to draw on to meet their mortgage commitments when their income drops.



I lost my job ... I take home £1,200 and our mortgage is £1,300, and that's before you've paid the bills, had a holiday, your car goes wrong – all of those things. I think we'll probably be struggling for a while because we've still got so many credit cards that need paying off and the bank loan
Female, 55-64



The priority was getting us through those first few months. We were worried about things like interest rates and so on as well, but it [the payment deferral] was the only way really that we could continue to manage
Female, 35-44



Some mortgage holders in our qualitative research were critical, though, that their knowledge about deferrals only came from friends, the media and social media. Lenders, they said, could have been more proactive in letting their customers know this help was available. And when their lender wrote to inform them that their payment deferral was coming to an end, some people were critical that there was no signposting to additional support.



From next month, we're due to start paying the mortgage back again as normal which will be difficult with Christmas coming up and things like paying for credit cards and things. We had a letter saying that the payment holiday was coming to an end, but there was nothing on there about offering any help
Female, 35-44



In our Covid-19 panel survey we asked adults who had taken out a mortgage payment deferral to say whether they had had any contact with their lender before their mortgage payment deferral ended; whether their lender discussed any options with them, for example extending their mortgage payment deferral or extending their mortgage term to reduce their future payments and how sympathetic to their circumstances they felt their mortgage lender had been across all of their interactions with them. The headline results are shown in Figure 4.15.

Figure 4.15: Feedback on contact with mortgage lenders (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults who have taken a mortgage payment holiday because of Covid-19 (Oct 2020:1,146) **Question:** PH6+PH6a/PH7 (Rebased)

Note: Sympathy question excludes 'don't know' responses (5%)

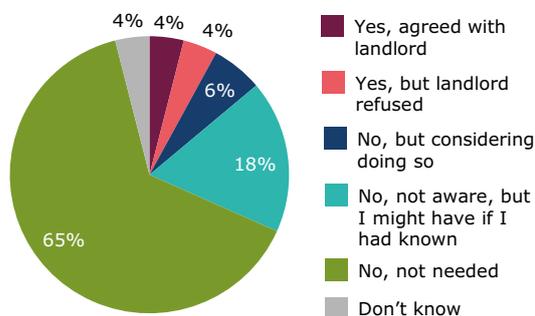
We also asked adults whose mortgage payment deferral had ended, whether they were now repaying their mortgage at the same rate as before. Over half (54%) said they were, 32% said they were repaying at an increased rate, and 13% said they were repaying at a reduced rate.

Just 1% said they were not making repayments or had missed payments since their mortgage payment deferral ended.

Rent payment deferrals

In contrast to the relatively high take-up rates of mortgage payment deferrals, Figure 4.16 shows that fewer than one in ten (7%) renters requested a payment deferral from their landlord between March and October because of Covid-19. As less than half (47%) were granted one, this means that just 4% of renters agreed a payment deferral with their landlord during this period.

Figure 4.16: Proportion of renters who requested a rental payment deferral (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults who rent (Oct 2020:7,091) **Question:** PH8. You said earlier you rent the property you currently live in. Have you requested a rental payment holiday since the end of February because of Covid-19?

One in six (18%) did not consider asking their landlord, but in retrospect might have done so had they had thought about it.

Two-thirds (65%) of renters said they did not need to ask for a payment deferral. These renters were more likely to be older (age 45+).

It's a private landlord so they need the rent at the end of the day. I've got the money to pay the rent, so I didn't want to really go down that route
Female, 55-65

Credit payment deferrals

Credit payment deferrals allow borrowers to take a short break from making loan repayments, if they face payment difficulties as a result of Covid-19 and a break is in their best interests. Interest accrues as normal, increasing the overall balance while the deferral is in place.

Overall, 19% of adults with any credit or loan product (held at the end of February or October 2020, including high-cost credit, personal loans, motor finance, and credit and store cards, but excluding overdrafts) told us they took a deferral between March and October; 81% said they did not.

Higher proportions of adults with high-cost credit said they took a payment deferral than adults with other types of credit. For example, half (49%) of adults with high-cost short-term credit, such as a payday loan or short-term instalment credit, took a deferral between March and October.

Of those adults who took out a credit deferral in this period:

- Just under two-thirds (63%) took out a deferral on more than one loan.
- Seven in ten (70%) said they would have struggled more if credit deferrals were not available, while 28% said the deferral was precautionary or they would have been fine without it.

Of UK adults who have not taken out a payment deferral for any type of credit or loan because of Covid-19, 84% said they do not need one; 10% might have taken one out if they had been aware they were available, and 6% did not take one out because they thought they would be declined.

Our qualitative research sheds some light on the stories behind these numbers. People told us they were wary about taking out a credit deferral, particularly if they had had problems with debt in the past. They saw deferrals as a last resort. Some people were not clear about the potential impact of a deferral on their (often poor) credit ratings. They were wary even of contacting a provider to inquire about a deferral, in case this set up a 'red flag' on their account:



Our main concern was the mortgage and paying the council tax... I phoned up about taking out a credit card holiday and the option was that I could stop payments for, I think, three months. But I didn't want to risk losing the credit as we rely on that security of being able to use the credit cards for food shops

Female, 35-44



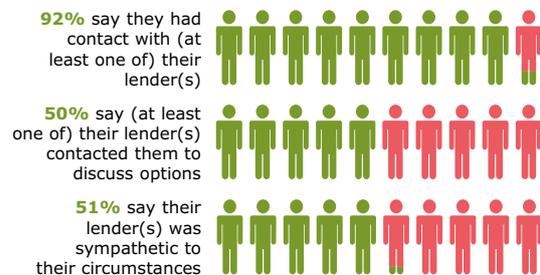
We should have done a payment holiday on the credit cards really, but I'm just scared to do that, in case it impacts on our credit rating... I was too scared to phone up as it might alert them to the fact we were struggling to manage

Female, 55-64



Figure 4.17 highlights some of the experiences of those who had taken out a credit deferral.

Figure 4.17: Feedback on contact with credit lenders (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults who have arranged a payment deferral for any type of credit or loan (excluding overdrafts) because of Covid-19 (Oct 2020:3,073) **Question:** PH16/PH17 (Rebased) **Note:** Sympathy question excludes 'don't know' responses (3%)

We asked adults who had taken out a credit deferral to say:

- whether they had had any contact with their lender before their deferral ending: 92% had
- whether their lender contacted them to discuss any options such as extending their deferral: 50% had experienced this
- how sympathetic to their circumstances they felt their lender had been across all their interactions with them: just 51% said their lender was sympathetic

The impact of Covid-19 on savings

In February 2020, before the first national lockdown, many adults had very little set aside to pay for unexpected expenses or to draw on if they lost their main source of income. For example, as we show in Chapter 2 (Product holdings, assets and debts), between 10% and 12% of adults had no investible assets whatsoever, ie no savings and no investments, and a further 17% to 22% had less than £1,000.

Of those who had cash savings at the end of February, a third (34%) saw their cash savings decrease between March and October, whereas just over a quarter (26%) saw an increase.

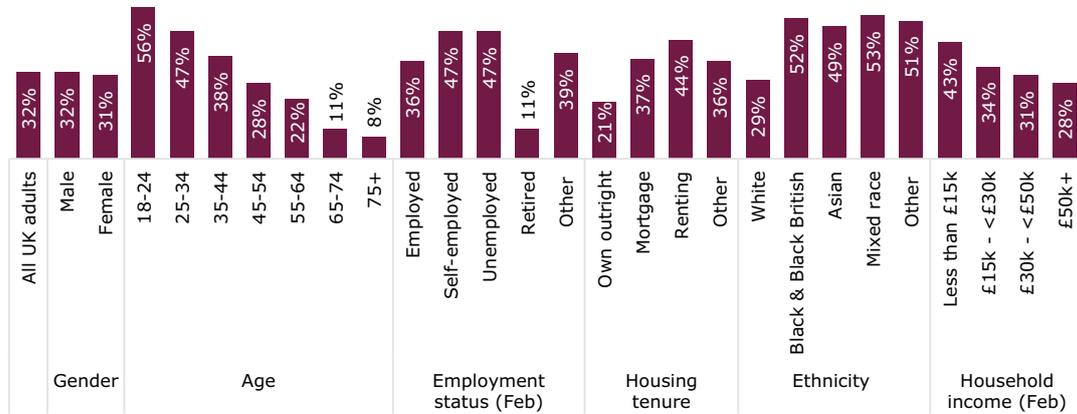
Among those more likely to save more were men (29%), older adults aged 65-74 (29%), adults who were retired before Covid-19 (27%), those who own their property outright (29%), White adults (26%) and those with household incomes of £50,000 or more a year before Covid-19 (34%).

Among those more likely to save less were women (37%), the youngest adults aged 18-24 (41%), adults who were self-employed in February (50%) and the unemployed (49%), those renting (42%), Black adults (43%) and those with household incomes of less than £15,000 a year before Covid-19 (43%).

Figure 4.18 shows that by October one in three (32%) adults who had any savings and/or investments at the end of February had drawn on these to cover their day-to-day expenses, rising to over half (56%) of those aged 18-24. The likelihood to draw down savings decreases with age; just 8% of those aged 75+ report having had to take this action.

A much higher proportion of BAME adults (50%) have had to draw down on their savings to cover their day-to-day expenses than White adults (29%).

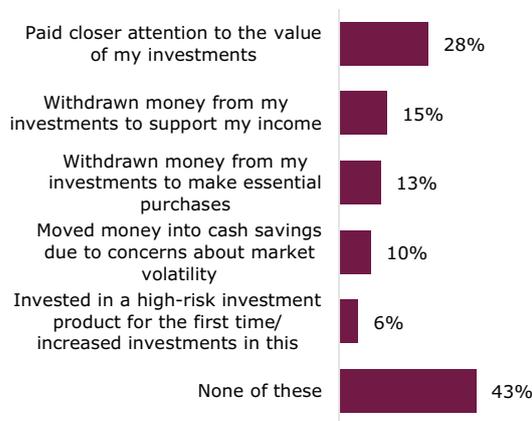
Figure 4.18: Proportion of adults who used their savings to cover day-to-day expenses, make loan repayments or pay their mortgage or rent since the end of February (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults with savings and/or investments at the end of February (Oct 2020:16,490) **Question:** F11. Since the end of February, just before the Covid-19 lockdown began, have you done any of the following?

Figure 4.19 considers the actions UK adults have taken with their investments because of Covid-19, including whether they have accessed their investments to support their income or paid closer attention to their value.

Figure 4.19: Actions taken with investments because of Covid-19 (Oct 2020)



Three in ten (28%) adults who had investments at the end of February said they have paid closer attention to their value because of Covid-19, presumably due to market volatility.

10% moved money into cash savings due to concerns about market volatility.

15% said they have withdrawn money to support their income (rising to 38% for adults who lost their job due to Covid-19), while 13% withdrew money to make essential purchases (31% for adults who lost their job).

Source: Covid-19 survey, Oct 2020 **Base:** All UK adults who had investments at the end of February (Oct 2020:6,184) **Question:** F8. Since the end of February, have you done any of the following with your investments because of Covid-19?



Our investments were valued at £10,000. They went down to £6,000 with Covid-19. They've gone back to £8,000. So, we are keeping an eye on it, but we've always just seen it as like buying a lottery ticket

Female, 75+

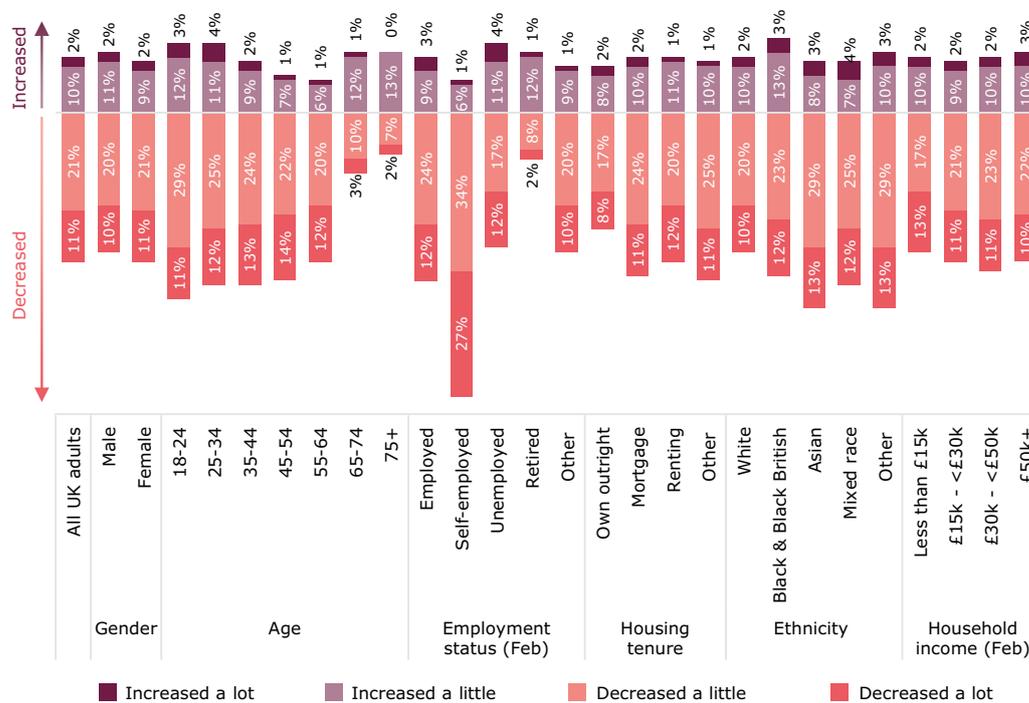


The impact of Covid-19 on household incomes

Given the severity of the lockdown restrictions, and the resulting impact on the UK's labour market, it is not surprising to see in Figure 4.20 that one in three (31%) UK adults experienced a drop in their household income between March and October (21% a small decline and 11% a large decline).

By far the hardest hit have been the self-employed, where six in ten (60%) have seen their income fall: 27% say their household income has decreased a lot, and a further 34% say their household income has decreased a little.

Figure 4.20: Impact of Covid-19 on household incomes across a variety of demographic segments (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267), excluding 'don't know' responses (2%) **Question:** F1 (Rebased). Comparing your household income now and at the end of February, has your household income...?

By age, we see again that the impact of Covid-19 is falling disproportionately on the younger age groups. Comparatively, the retired population has been broadly insulated from the financial impacts of Covid-19. This is perhaps not surprising as key sources of income for this group – the State pension and defined benefit pensions – have not changed.



We now have the State pension and I have an occupational pension and an NHS pension. One car I took off the road because we weren't going anywhere – that saved us £50 a month. We got a refund on both the holidays that we'd booked. So, that was two quite substantial injections of cash. We've only eaten out about once ... Money-wise, we're better off: I'd say by about £500 per month, if you average out the cost of our holidays over the year

Female, 65-74



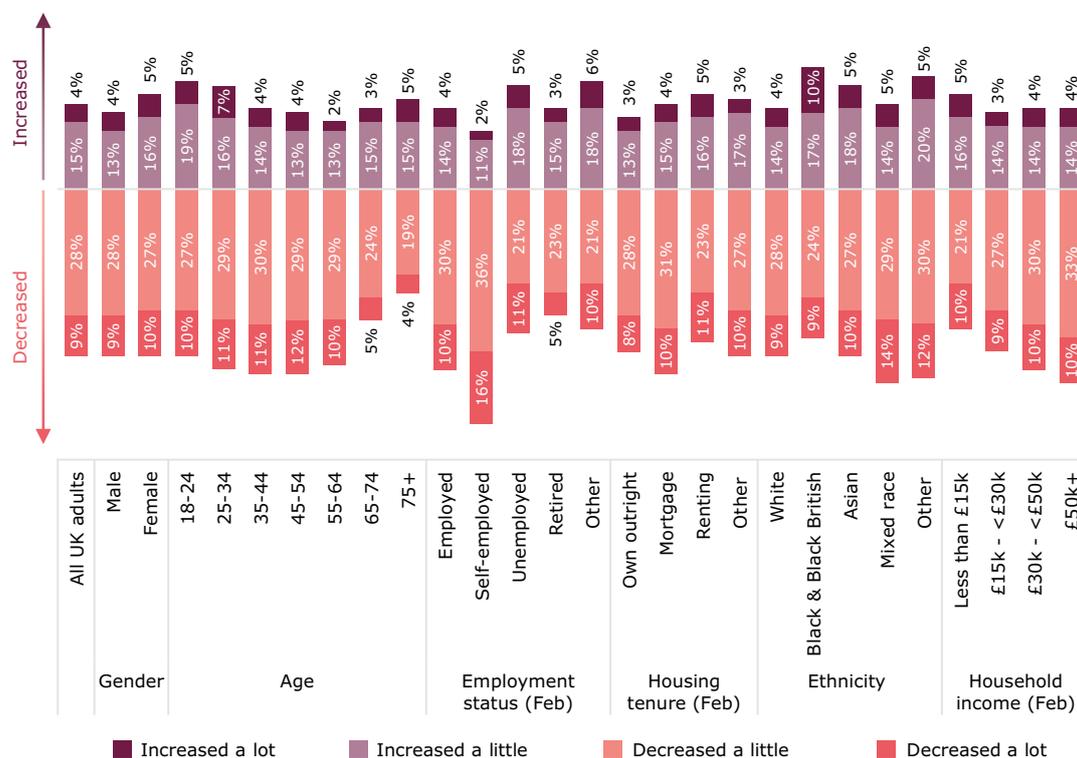
Workers in all industry sectors have seen a fall in household incomes. The most badly affected are those in sectors where the highest proportion of staff have been laid off or furloughed, ie the accommodation sector (59%); the arts, entertainment and recreation sector (58%), and the food services sector (51%). Agency staff (57%) and zero hours workers (58%) have been affected much more than full-time or part-time workers (35%).

The impact of Covid-19 on household spending

Lockdowns placed severe restrictions on day-to-day activities, for example non-essential retail and restaurants were closed for an extended period of time. Workers were told to work at home where possible; building sites and factories were closed, and the Foreign Office advised against all but essential travel.

Figure 4.21 shows that three in eight (37%) UK adults reported an overall decrease in their household spending between March and October. One in five (19%), however, said that their household spending had increased.

Figure 4.21: Impact of Covid-19 on household spending across a variety of demographic segments (Oct 2020)



Source: Covid-19 survey, Oct 2020 Base: All UK adults (Oct 2020:22,267), excluding 'don't know' responses (1%)

Question: F4 (Rebased). Thinking now about your household spending. Overall, compared with the end of February, has your household spending...?

Our qualitative research provides some insights into where people spent less. This included spending less on non-essential items, such as new clothes. Some people saved money on travel costs, for both work and leisure. Some switched to lower-cost supermarkets.



We now shop at Aldi ... I think we actually knocked our food costs down by probably about £100, maybe £150, pounds a month
Female, 25-34



Obviously the petrol in the car – we’re not spending nearly so much on travel. Because I used to do quite a lot of travelling with my job to meet people to go out
Female, 55-64



I am helping my daughter with as much as I am able to give her every month ... Her husband has a small business which has made very little profit since February because of Covid. ... I spend as little as possible, in order to enable the family to buy food and nappies
Female, 65-74



I’m very lucky. There’s a work pension coming in and then there’s the old age pension ... we’re probably spending less than we would normally expect. We don’t go out as often as we might have done beforehand. And we are probably not buying as much as we would normally have bought either, as we are shopping more locally
Male, 75+



I’m not buying any clothes. There’s no point getting clothes or shoes. I’m just recycling or upcycling what I’ve got. I’m just not shopping, full stop
Female, 45-54



We also heard some examples of where lockdown meant having to use more expensive shops, leading to increases in spending that were not sustainable. And we heard about difficulties in spending more on food when free school meals were not available, or about expenses for entertaining children when they were at home instead of at school.



It was really hard just to find anything and we just had to go to any shop to find what we needed. So, we were spending a lot at the beginning
Female, 24-34



We paid for Disney Plus and Netflix so at least the kids would have some things to watch in the day while we were working
Female, 35-44

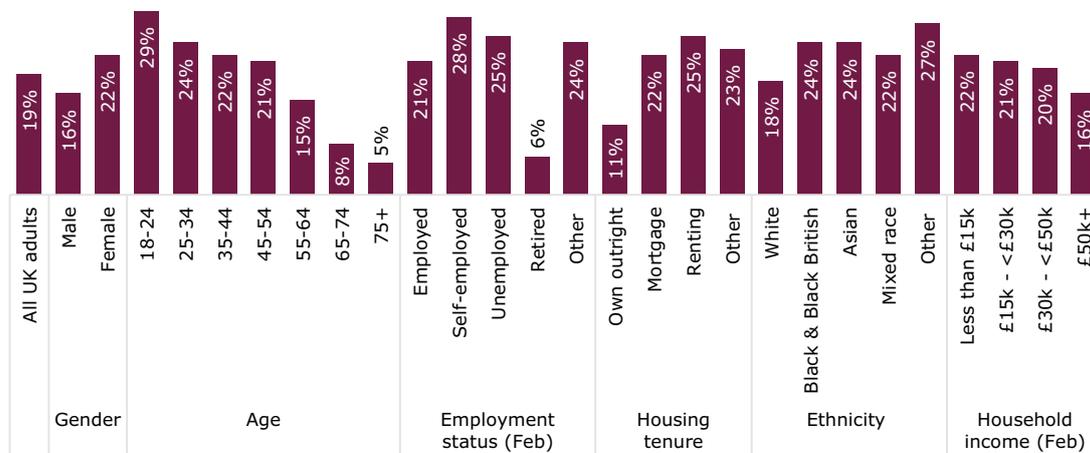


We're not buying as much of the fresh stuff. Food got more expensive because of the kids being off school – whereas before they had the free school dinners
Female, 35-44



We asked adults if they had cut back on essentials, such as food, clothing, medical care or housing, since the end of February. Figure 4.22 shows that one in five (19%) said they had, rising to three in ten for adults aged 18-24 (29%) and the self-employed (28%).

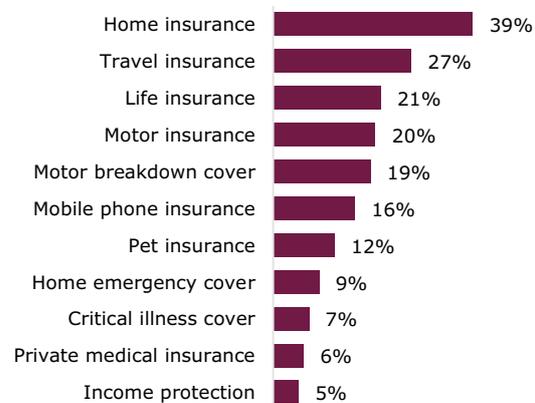
Figure 4.22: Proportion of adults who have cut back on essentials since the end of February (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267) **Question:** F11. Since the end of February, just before the Covid-19 lockdown began, have you done any of the following ... cut back on essentials (eg food, clothing, medical care, housing)?

A small proportion (6%) of adults, equating to 2.9 million, had cancelled an insurance or protection policy since the end of February to save money because of Covid-19.

Figure 4.23: Insurance/protection policies cancelled to save money because of Covid-19 (Oct 2020)



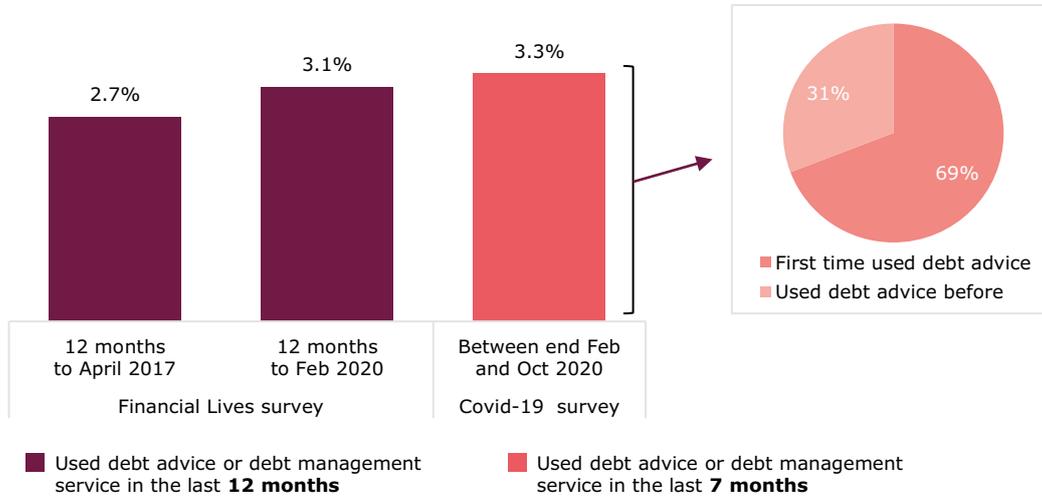
As shown in Figure 4.23, of those who cancelled an insurance or protection policy to save money because of Covid-19, 39% cancelled home insurance (contents and/or buildings insurance); 27% cancelled travel insurance (multi-trip or single-trip), and 21% cancelled life insurance.

Source: Covid-19 survey, Oct 2020 **Base:** All UK adults who have cancelled a policy to save money because of Covid-19 (Oct 2020:1,304) excluding 'don't know' responses (5%) **Question:** AE2a (Rebased). What policy have you cancelled? **Note:** A small number of 'Other (write in)' responses not shown, including appliance insurance, gadget insurance and business insurances.

Debt advice and debt management

Looking now at debt advice, 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 in the 12 months up to February 2020.

Figure 4.24: Proportion of adults using debt advice (Apr 2017/Feb 2020/Oct 2020)



Source: FLS April 2017/FLS Feb 2020/Covid-19 survey, Oct 2020 **Base:** All UK adults (2017:12,865/Feb 2020:16,190/Oct 2020:22,267) excluding 'don't know' responses (na/1%/3%) **Question:** P_CC20 (Rebased). In the last 12 months, have you used a debt advice or debt management service?/PH18 (Rebased). When, if ever, did you last use a debt advice or debt management service?/PH19 (Rebased). Was this the first time you have ever used a debt advice or debt management service, or had you used one before lockdown?

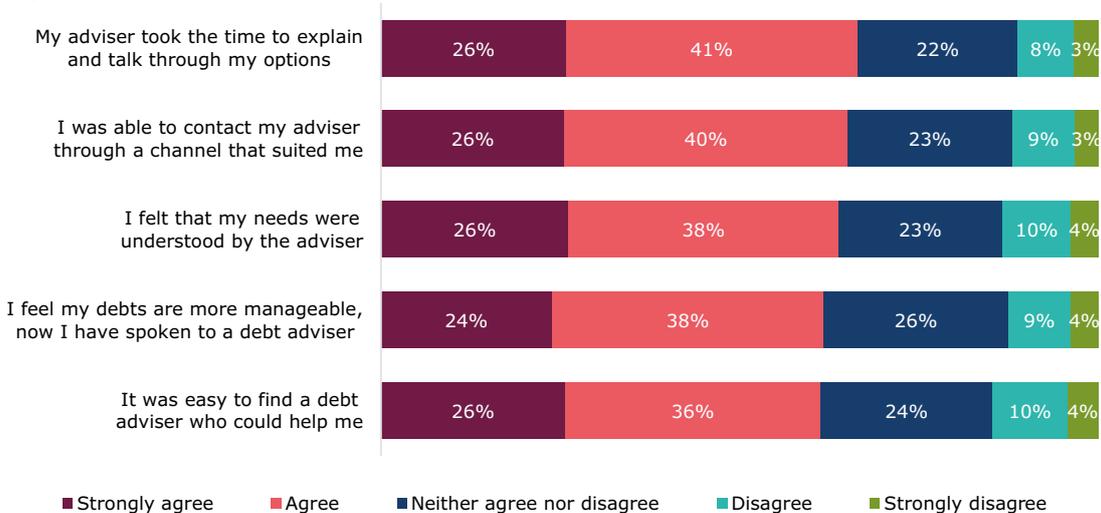
Among over-indebted adults, the proportions using debt advice in the 12 months to April 2017, the 12 months to February 2020 and the seven months to October 2020 were, respectively, 13%, 16% and 13%.

Feedback on the debt advice process

Adults who used debt advice between February 2019 and October 2020 gave their feedback on the process. The results are shown in Figure 4.25.

Debt advice can make a difference to those who are struggling. Around two in three (64%) debt advice users felt that the adviser understood their needs. A similar proportion (62%) said their debts are more manageable having spoken to an adviser.

Figure 4.25: Feedback on the debt advice process (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults who last used debt advice or a debt management service since February 2019 (Oct 2020:2,249) excluding 'don't know' responses (1%-2%) **Question:** PH21 (Rebased). Thinking about the last time you sought debt advice, how much do you agree or disagree with the following statements...?

Helpful signposting by a mortgage lender to debt advice

Amit

An engineer in the aviation industry, and in his late forties, Amit thought he had a highly paid 'job for life'. He was 'living for today', with a large mortgage and several loans. He paid off only the minimum balance on several credit cards.

He was furloughed at the start of lockdown. The only income earner, as his wife is a stay-at-home mum, Amit knew he would struggle to pay the bills on 80% of his salary. So he arranged a payment deferral on his large mortgage, as well as on his credit cards – the process was online and he found it easy.

In May, Amit was made redundant. His redundancy money only covered his bills while he waited to receive Universal Credit. Already out of work when he applied to extend his mortgage payment deferral, his provider, a large high street bank, asked him to get in touch to talk through his options. Having explored his financial situation in detail on a call, the bank refused to extend his payment deferral. Rather, he would need to set up a mortgage repayment plan, and the bank signposted him to StepChange to set this in motion.

Amit called StepChange and spent over three hours with a 'brilliant' adviser, who explained the difference between secured and unsecured debt, helped him understand his legal position and created a sensible repayment plan with him. Amit received template letters to send to his mortgage and credit lenders, to request 12-month, interest-free suspensions. His mental health improved and he would heartily recommend this debt advice service to others in a similar situation.



Speaking to them [StepChange] helped me a lot, because they said 'Not to worry – you're not on your own. We can help you with this.' It's like a weight off your shoulders

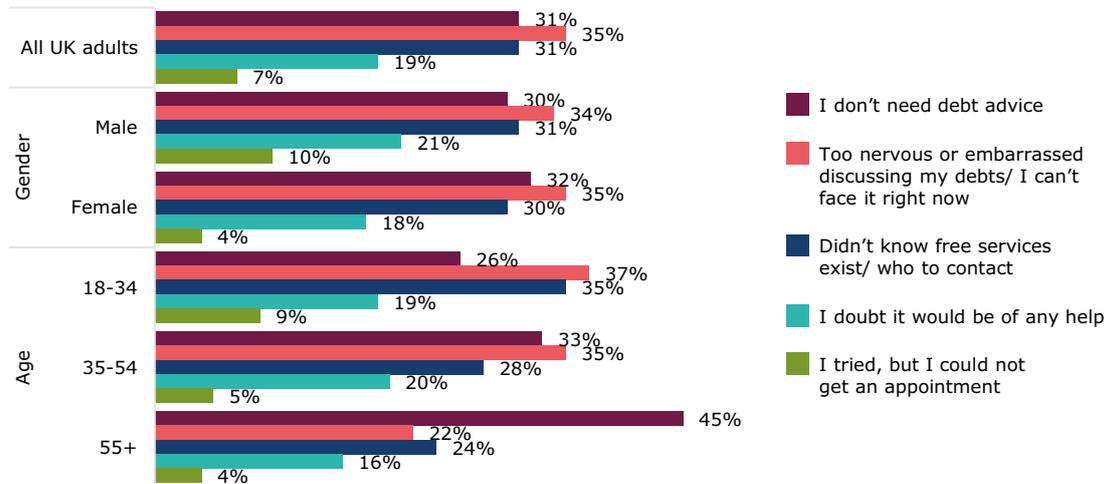


Reasons for not taking debt advice

A total of 1.7 million adults accessed debt advice between March and October. Far more may need debt advice; potentially up to the 8.5 million who were over-indebted in October 2020. This means that 6.8 million people might benefit from debt advice but were not receiving it in October.

As Figure 4.26 shows, other than believing they do not need debt advice, the biggest barriers to accessing such services among adults who are over-indebted are embarrassment discussing their debts with someone or not wanting to face dealing with the problem (35% cited this as a reason for not using debt advice) and a lack of awareness that free services exist or whom to contact (31%).

Figure 4.26: Reasons for not seeking debt advice for adults who are over-indebted and have not used debt advice since February (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults who have not had debt advice or debt management service since February 2020 and are over-indebted in October 2020 (Oct 2020: 3,469) **Question:** PH20. Why have you not sought debt advice either from a not-for-profit organisation or from a commercial service since the end of February?

Just 10% of adults who have taken a mortgage payment deferral because of Covid-19 say that their mortgage lender told them that free debt advice is available if they are experiencing difficulties, increasing to just under one in five (18%) for adults with who have arranged a payment deferral for any type of credit or loan (excl. overdrafts) because of Covid-19.

From our qualitative research too, we learned about individuals' low awareness of debt advice services and providers. Citizens Advice was the most mentioned provider, although some people thought it focused more on benefit claims than on debt. Those who had never used debt advice were unsure what this service would offer and how it could help them. One barrier to using debt advice we heard about is the concern about negatively affecting credit ratings and reducing access to credit in the future:



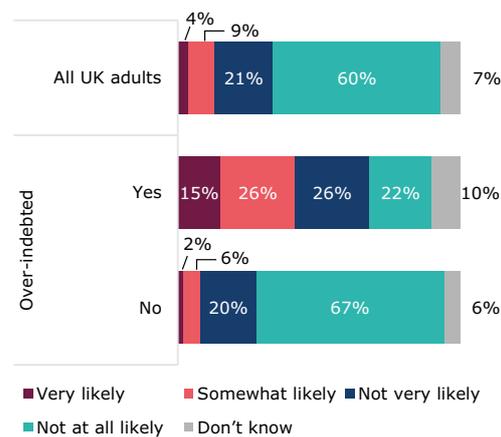
There is a bit of a stigma isn't there to get help in that way? My dad did mention to me about going to see the Citizens Advice but I sort of just assumed that actually there wasn't much help they would be able to give because of us both still working. And it's hard for us being self-employed to give an exact amount of how much we're going to make that month and things like that

Female, 22-34



As shown in Figure 4.27, 4% of UK adults think they are very likely to use a debt service in the next six months, and a further 9% think it is somewhat likely. For over-indebted adults, these proportions increase to 15% and 26%, respectively.

Figure 4.27: Expectations for using debt advice over the next six months (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267) **Question:** FU9. And, still thinking about the next six months, how likely is it that you will seek debt advice?

Adults who think they will very likely need debt advice in the next six months, as reported in Figure 4.27 (Oct 2020)

Adults who have taken a mortgage payment deferral	14%
Employees who were laid off or made redundant because of Covid-19	13%
Employees who became full-time carers or reduced their hours to care for children or others because of Covid-19	13%
BAME adults	8%
Aged 18-34	7%
Adults who show characteristics of vulnerability	7%



Now you've told me what they [debt advisers] can do, I've written it down because I am concerned that now that the mortgage holiday is going to stop that we're going to get into a lot of trouble, not being able to make the minimum monthly payments and still feed ourselves and so on

Female, 22-34



Expectations for the future

In this section, we take a closer look at people's expectations for the next six months. These findings are based on research carried out in October 2020, before the announcement of the second England-wide lockdown and the extension of the furlough scheme and payment deferrals.

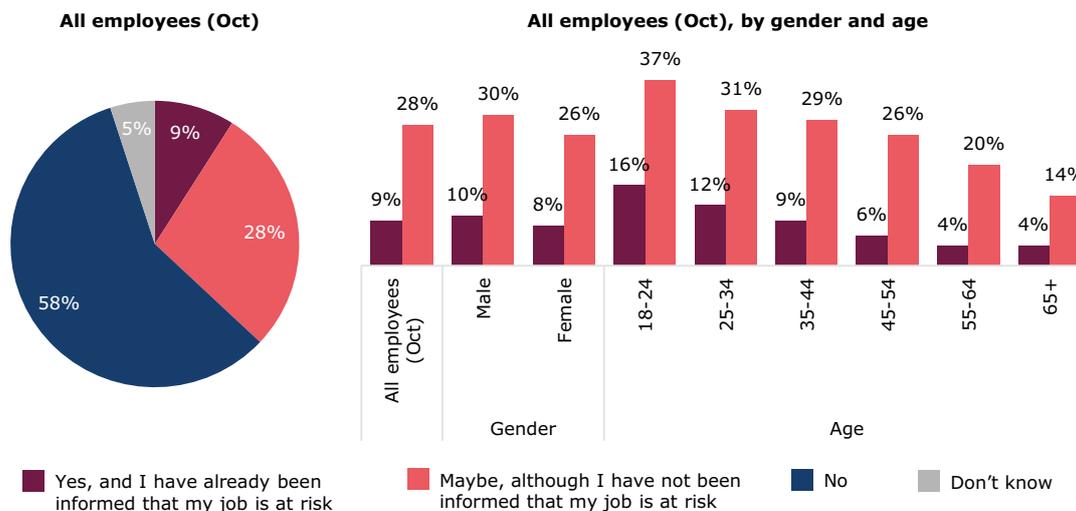
Our findings show the extent of consumers' concern for their job security and their ability to keep up with credit payments, and how they plan to manage their financial situation.

Expectations for job security

Expectations of employees

Figure 4.28 shows that 9% of all adults working for an employer in October (2.5m) had been informed that their job is at risk. A further 28% told us they may be made redundant, although they have not been informed that their job is at risk.

Figure 4.28: Proportion of employees who feel their job is at risk (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults working for an employer in October 2020 (Oct 2020:11,543)
Question: FU1. Thinking about the next six months, do you expect to be made redundant or lose your job because of the Covid-19 pandemic?

We heard from people in our qualitative research who were considering the precarious nature of their employment and were fearful of the impact of further lockdowns. These had not been announced at the time of interview, although a number of those we spoke to were anticipating them:



I would say in terms of job security, no, I don't feel we are safe because I work for a media travel company, so we were hit particularly hard by Covid-19. We were told we should be fine until December, but with this looming second lockdown, I really can't say what January is going to be like
Female, 45-54



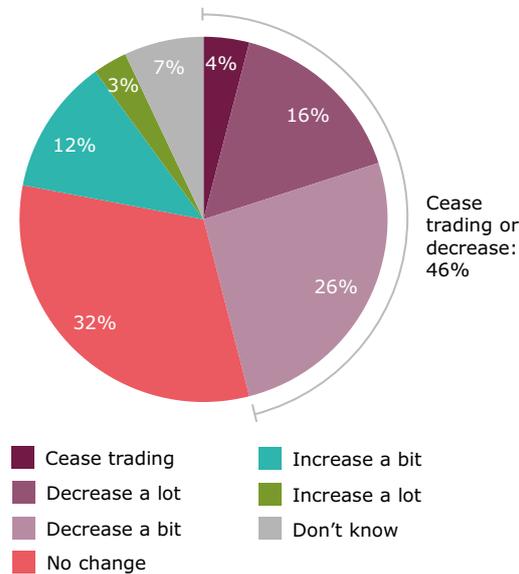
I work for a firm of solicitors. I am currently on flexi furlough working two days a week. We were already struggling whilst in receipt of 100% wages so this may tip us over the edge. My work have not been able to give any indication when we will return to full time work
Female, 35-44



Expectations of the self-employed

The prospects also looked gloomy for almost half of those in self-employment. Although just 4% expected to cease trading in the next six months, a further 16% expected their revenues to decrease a lot, and 26% expected their revenues to decrease a bit.

Figure 4.29: Work expectations of the self-employed (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults self-employed in October 2020 (Oct 2020:1,520) **Question:** FU2. Thinking about the next six months, how do you expect the Covid-19 pandemic will affect your business revenue (turnover), if at all?

Some of our self-employed qualitative research respondents were used to dealing with erratic income and many have lived through previous recessions. In October 2020 they were, however, finding the levels of uncertainty and the inability to plan for even the short term very difficult to cope with:

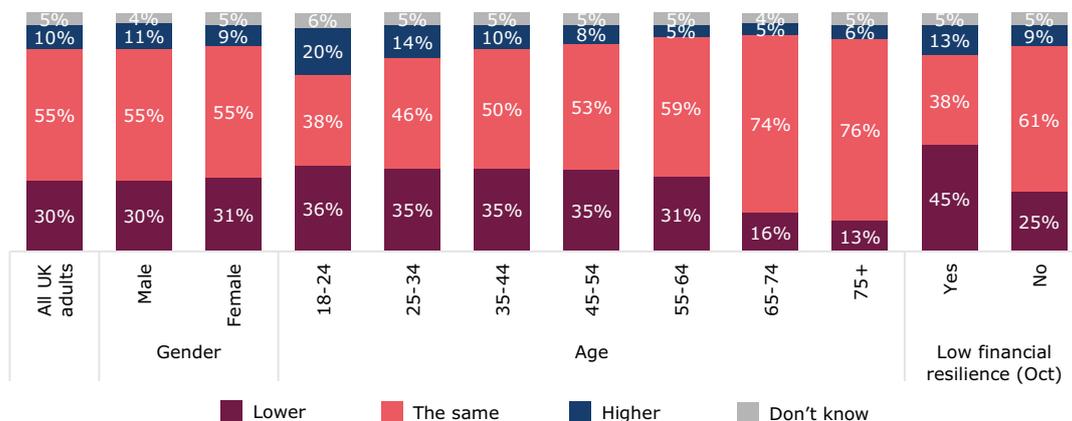
//
I've never been very comfortable with my finances to be honest, but it has definitely been worse, much worse and because there's that uncertainty of what's around the corner. So, you know, things seem to be getting better, but then we have no idea in three weeks' time what's going to happen. It's very depressing. There's always that constant worry in the back of my head that money is getting really tight again towards the end of the month
Female, 35-44

//

Expectations for household income

Given this fairly bleak outlook, it is worrying, but perhaps not surprising, that nearly 16 million adults (15.9m or 30%) said they expected their household income to fall in the next six months, rising to under half (45%) of those who had low financial resilience. The anticipated impact on household incomes will be felt hardest among those of working age. The majority of those aged 65+ felt their incomes would be unaffected.

Figure 4.30: Expectations for household income over the next six months (Oct 2020)

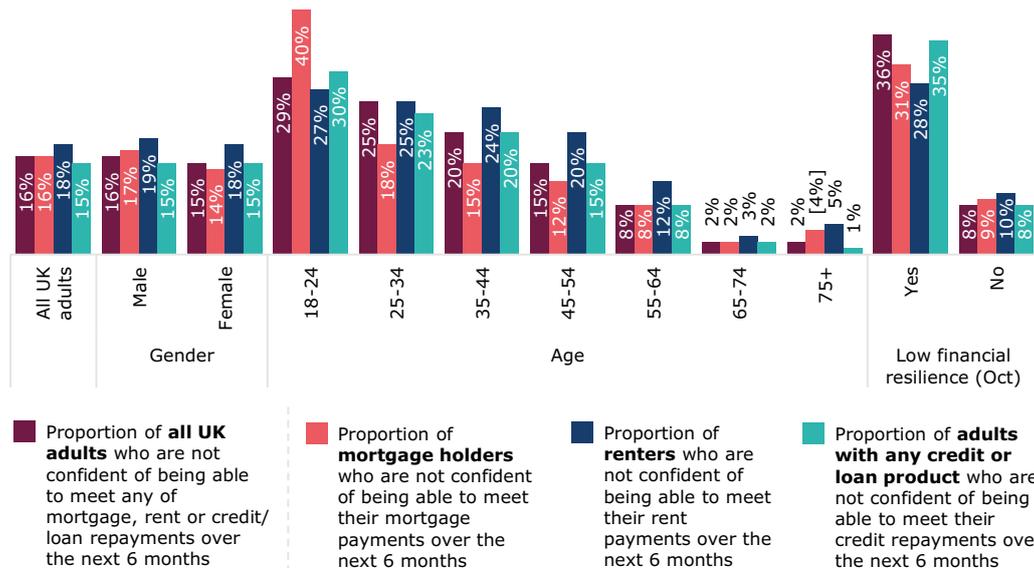


Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267) **Question:** FU4. How do you expect the Covid-19 pandemic will affect your household income over the next six months?

Expectations for meeting mortgage, rent and credit commitments

Figure 4.31 shows that, in October 2020, one in six (16%) adults were not confident of being able to meet one or more of their mortgage, rent or credit and loan commitments over the next six months. This proportion increases to 36% for adults with low financial resilience.

Figure 4.31: Expectations of meeting mortgage, rent and credit commitments over the next six months (Oct 2020)

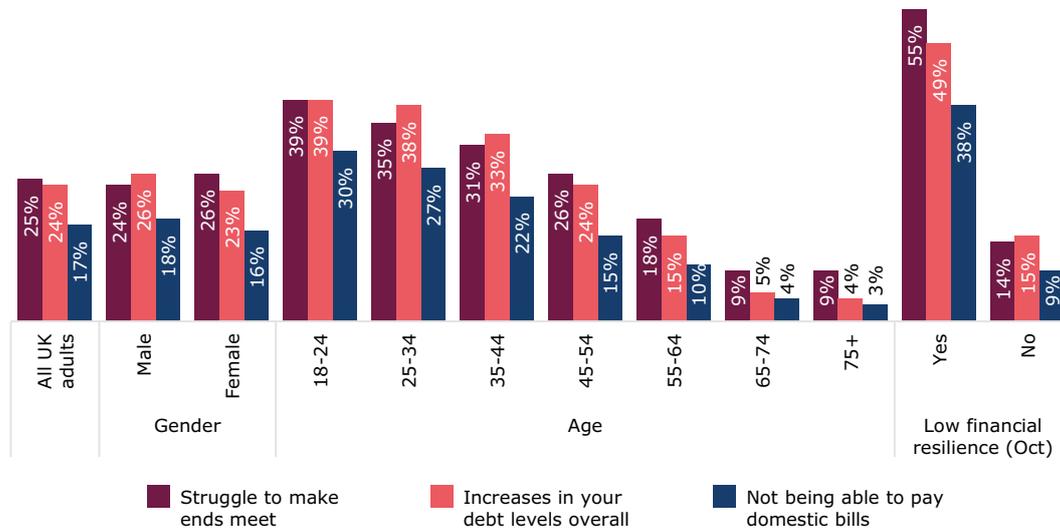


Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267)/All UK adults who occupy property currently live in with a mortgage, another type of loan (eg a lifetime mortgage) or shared ownership (Oct 2020:6,414)/All UK adults who rent privately, rent from a council or social landlord or pay rent to a relative or friend (Oct 2020:7,089)/All UK adults who hold a credit or loan product now (16,551) **Question:** FU5/6/7sum. How confident are you that you will be able to meet your mortgage payments/rent payments/credit and loan repayments over the next six months?

When asked to think about the challenges they are likely to face in the next six months, a quarter of all UK adults, 13.2 million people, said it is likely that they will struggle to make ends meet and are likely to see their debt levels increase. One in six (17%, or 8.9m) expressed concerns about not being able to pay domestic bills, as shown in Figure 4.32 below.

These figures increase dramatically among those already struggling financially. Half of those with low financial resilience in October said they will struggle to make ends meet over the next six months, and expected to see their debts increase. Nearly two in five (38%) expected to miss a domestic bill payment.

Figure 4.32: Future challenges by gender, age and financial resilience (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267) **Question:** FU8a-c. Thinking about the next six months, how likely is it that you will face any of the following challenges?

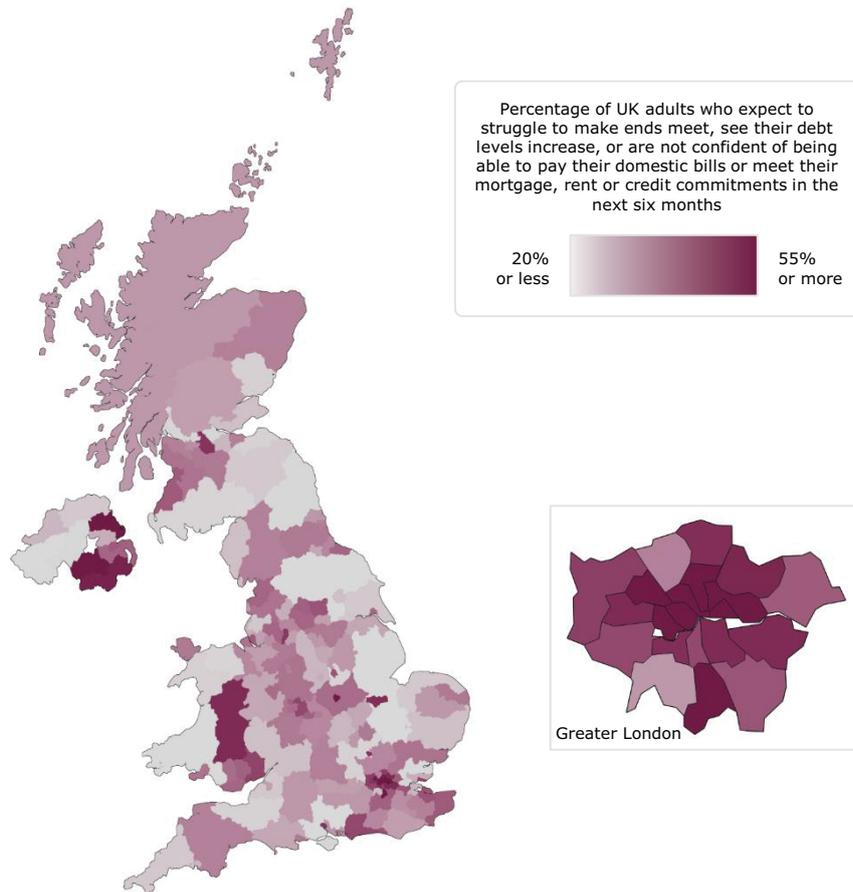
Almost two in five (38% or 19.6m) adults anticipated facing one or more of these challenges (see Figure 4.32) or were not confident of being able to meet their mortgage, rent or credit and loan commitments over the next six months (see Figure 4.31).

All parts of the UK are affected, although there is also wide variation in results by region. For example:

- Adults in Northern Ireland (42%) were more likely to have this negative outlook in October 2020, compared with adults in England (38%), Wales (35%) or Scotland (34%).
- London was the worst hit region (50%) and the South West the least (32%).
- Adults living in urban areas (39%) were more likely to have this negative outlook than those living in rural areas (32%). The same was true of adults living in core cities (46%) compared with those living in villages (31%).
- Adults living in the most deprived areas (44%) were more likely to have this negative outlook than those living in the least deprived areas (27%).

Looking at findings at the county or council level, as charted in Map 4.2, the five areas most likely to have this negative outlook were all in London: Camden and City of London ([66%]), Westminster ([64%]), Hackney and Newham (64%), Kensington & Chelsea and Hammersmith & Fulham ([62%]) and Tower Hamlets (60%).

Map 4.2: UK and Greater London adults who expect to struggle to make ends meet, see their debt levels increase, or are not confident of being able to pay their domestic bills or meet their mortgage, rent or credit commitments in the next six months (Oct 2020)



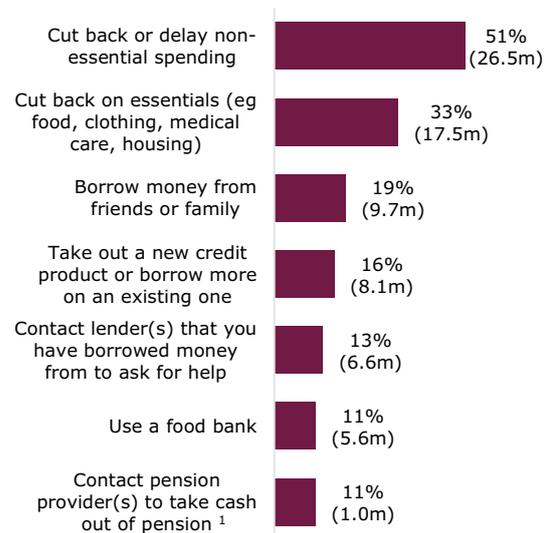
Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267) **Question:** FU5/6/7sum. How confident are you that you will be able to meet your mortgage payments/rent payments/credit and loan repayments over the next six months? FU8a-c. Thinking about the next six months, how likely is it that you will face any of the following challenges?

Notes: The areas of the map are based on NUTS 3. Base sizes for each area are at least 30, with a few exceptions. The base sizes of the 4 areas of Lochaber, Skye and Lochalsh, Arran and Cumbrae and Argyll and Bute (24), Eilean Siar (Western Isles) (5), Orkney Islands (8) and the Shetland Islands (6) were under 30; in mapping, these areas have been combined with the neighbouring areas of Caithness and Sutherland and Ross and Cromarty (37) and Inverness and Nairn and Moray, Badenoch and Strathspey (68) – together they form the NUTS 2 area of Highlands and Islands which is the area we have mapped. Three other areas also have low bases: Isle of Anglesey (17), Mid Ulster (24), and Fermanagh and Omagh (28); in these cases, we have mapped each area's results – they should be treated with care.

Expected actions to be taken in the next six months

Figure 4.33 shows the actions UK adults said they might take in the next six months (describing this as very or somewhat likely). By far the most common response is to cut back on non-essential spending.

Figure 4.33: Future actions (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267) **Question:** FU9. And, still thinking about the next six months, how likely is it that you will do any of the following? **Note:**¹ Base is all UK adults aged 50+ who have a pension in accumulation

As Figure 4.34 shows, different consumer groups are likely to take different actions in order to cope. For example, fewer older adults will cut back on non-essential or essential spending, although some (11% of all adults aged 50+ who have a pension in accumulation) will take cash out of their pension. Considerably more younger adults expected to borrow from family and friends: 42% of those aged 18-24, compared with the UK average of 19%.

When asked to think how they would cope with the hardships they will face over the next six months:

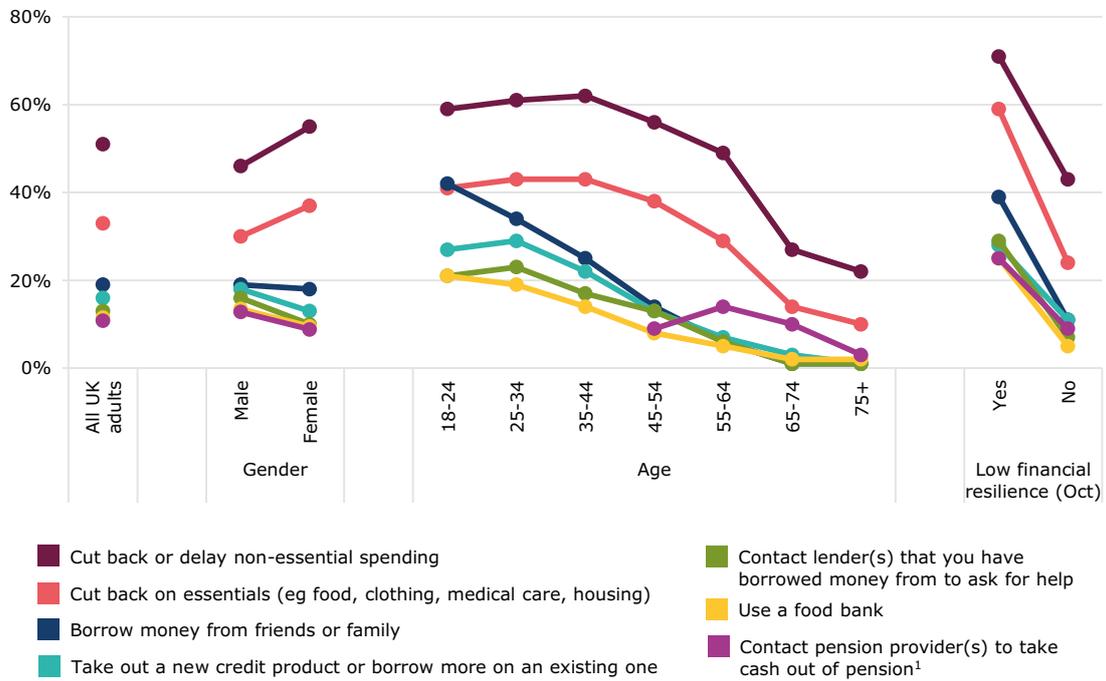
- 26.5 million (51%) expected to cut back on or delay non-essential spending
- 17.5 million (33%) were likely to cut back on essentials in the next six months. Not all expecting to cut back have experienced a fall in income, suggesting some of this behaviour is precautionary.
- 8.1 million (16%) expected to take out a new credit product or borrow more on an existing one.
- 5.6 million (11%) said they are likely to use a food bank. These were most likely to be younger adults aged 18-44.



I was furloughed from work for over 5 months. Having a reduced income in a single person household means I've had to ask for financial help from my parents. If they hadn't been able to, then I would be in arrears with rent and council tax
Female, 35-44



Figure 4.34: Proportion of adults who say it is very likely or somewhat likely they will take the following actions over the next six months by gender, age and low financial resilience (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267) **Question:** FU9. And, still thinking about the next six months, how likely is it that you will do any of the following? **Note:** ¹ Base is all UK adults aged 50+ who have a pension in accumulation

5 Access and exclusion

Key facts and figures: A minority lacks access to basic financial products and services.

In total 1.2 million adults (2.3%) were **'unbanked'** in February 2020, which is not significantly different from 1.3 million in 2017. Groups most likely to be unbanked include the unemployed (11%), adults with no educational qualifications (7%), those who work in the gig economy (7%) and those who are digitally excluded (7%).

Under a quarter (22%) of unbanked adults would like to have a current account; 57% do not want one, and a further 20% are unsure whether they want one or not. One in ten (9%) have tried, unsuccessfully to open a current account at some point in the past.

As at February 2020, 3.1 million adults (6%) had been **refused one or more financial products** or services in the previous two years. The most commonly refused products are credit cards, personal loans, and overdrafts.

Refusal rates appear to have increased dramatically since the coronavirus (Covid-19) pandemic. Between March and October 2020, 10% of UK adults were declined a credit product. Another one in ten (11%) applied (and were either successful, or had not been declined by the time of interview), and 79% did not apply.

Technology and innovation are changing the way that people access essential banking services. In February 2020, three in four (74%) adults with a day-to-day account **banked online**, while nearly six in ten (58%) banked using a **mobile app**. Since 2017, online banking has become more popular with older adults, while younger adults have moved away from online banking towards mobile banking.

Around three in ten (28%) adults have used online or mobile banking more regularly since Covid-19. A further 2% say they used it for the first time since Covid-19.

In contrast, **branch use** has decreased significantly for all age groups. In February 2020, of adults with a day-to-day account:

- around a quarter (27%) regularly used a branch
- one in six (16%) had a branch they previously used regularly close down in the last 12 months
- one in eight (13%) aged 55+, or younger with a health condition or illness lasting or expected to last for 12 months or longer, found it difficult to get to a bank, building society or credit union

Almost half (46%) of all UK adults say they have visited bank or building society branches less frequently since the first lockdown began.

Using digital channels is not an option for all adults. In February 2020, 4.7 million adults (9%) were **digitally excluded**. Exclusion is strongly correlated with age: 28% of those aged 75-84 were digitally excluded, rising to 74% of those 85+. Exclusion rates vary by household income, suggesting that some households are experiencing 'data poverty'. Three in ten (27%) adults in poor health are digitally excluded.

Covid-19 has also shone a light on the importance of **support networks**, particularly for the most vulnerable in society. One in three (34%) adults provided some form of online support to a friend, neighbour or relative during the pandemic.

Looking at **digital payment services**, in the 12 months to February 2020, 84% of adults had made a contactless payment, 59% used PayPal to pay for goods and services, 27% used a mobile wallet, and 9% a Payment Initiation Services Provider (PISP). The use of contactless payments has increased dramatically due to Covid-19, with 55% of all UK adults saying they made contactless payments more frequently in October 2020 compared with the end of February.

Cash remains a vital payment method for many, including the most vulnerable in society. In February 2020, 5.4 million adults (10%) relied on cash to a very great or great extent in their day-to-day lives. They paid for everything or most things in this way. A similar proportion (10%) say they do not know how they would cope, or that they would not cope at all, in a cashless society.

Dependency on cash is highest among older adults. For example, 42% of those 85+ rely on cash to a great or very great extent. Other groups who rely heavily on cash include the digitally excluded (46%), those with no educational qualifications (31%) and those in poor health (26%).

Encouragingly, the majority (73%) of adults who were heavily reliant on cash in February say they coped when fewer businesses were accepting cash during Covid-19. One in six (16%), however, did not cope.

Open Banking was introduced in January 2018 to increase innovation and choice in financial services and give consumers new ways to access financial services. In February 2020, of adults with a day-to-day account:

- 7% (3.5m) were using a website or mobile app that allows them to see all the accounts they hold with different banks in one place
- 2% (1.0m) were using a website or mobile app to build their savings by monitoring their current account and automatically transferring funds

On face value, many consumers are reluctant to give businesses permission to securely access their banking information. Services that lead to measurable benefits could, however, convince almost half (45%) of adults with a day-to-day account to use Open Banking.

Scope

Financial services play a key role in most people's daily lives. Most rely on bank accounts to receive their salaries, to pay bills and to make other financial transactions. Yet a minority lacks access to basic financial products and services. Those unable to access basic financial services pay more to manage their money, find it difficult to plan for the future and are more likely to be over-indebted.

This chapter starts by presenting results from the Financial Lives survey on the proportion of adults who are unbanked and the reasons for this. Financial exclusion tends to be concentrated among certain groups of people, and we explore where people are more likely to be unbanked.

We go on to look at the proportion of adults who have been refused financial products or services, or have been offered them at a price or with terms and conditions that they felt to be completely unreasonable. We explore whether adults more likely to be declined think their personal circumstances contributed to this.

Technology and innovation are changing the way people access essential banking services. We look at the channels adults use to access their day-to-day account and how these are changing over time. We also look at how branch closures are particularly problematic for some adults. We draw on our Covid-19 panel survey from October 2020 to explore the impact of the coronavirus pandemic on access to essential banking services, including access to bank branches and access to cash.

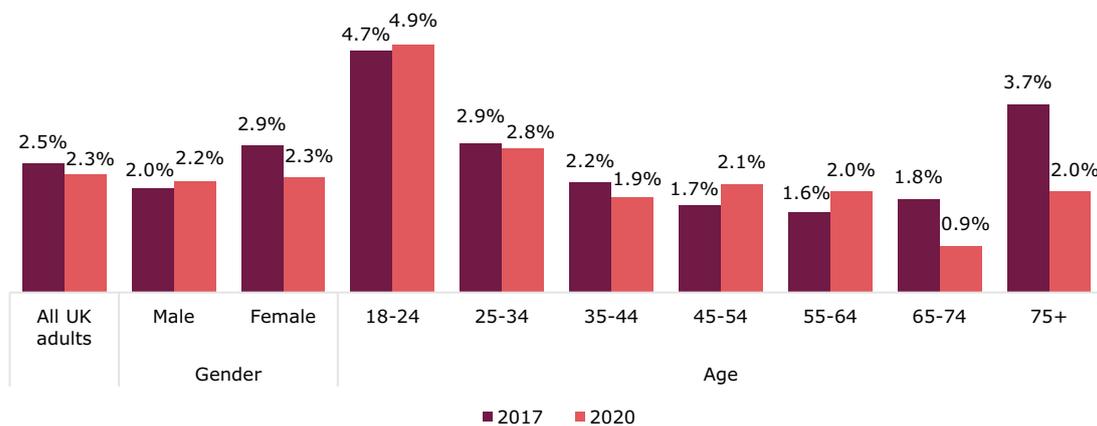
Open Banking was introduced in January 2018 to increase innovation and choice in financial services and give consumers new ways to access financial services. In the final section of this chapter, we share findings from the Financial Lives 2020 survey on Open Banking.

The unbanked

Proportion of adults who are unbanked

We define 'unbanked' adults as those without a current account or an alternative e-money account. As shown in Figure 5.1, the unbanked make up 2.3% of the UK adult population (1.2m) in February 2020. This proportion is not significantly different from the 2.5% (1.3m) reported as unbanked in 2017. For more detailed statistics on the profile of the unbanked, see Appendix A (Product holdings).

Figure 5.1: Unbanked adults by gender and age (April 2017/Feb 2020)



Source: FLS April 2017/Feb 2020 **Base:** All UK adults (2017:12,865/Feb 2020:16,190) **Question:** POSum1.

Adults aged 18-24 are the most likely to be unbanked. Overall, 4.9% of 18-24 year olds are unbanked. Put another way, 18-24 year olds account for almost one in four (23%) of all unbanked adults.

There has been little change in the proportion of adults unbanked by age since 2017, with the notable exception of a decline among those aged 65-74 and 75+. Most older adults in these age bands who are unbanked are using another type of account for their day-to-day banking, typically a savings account or a Post Office card account.

Adults most likely to be unbanked, as reported in Figure 5.1 (Feb 2020)

	Unbanked (No current account or e-money account)	Unbanked+ (No day-to-day account at all)
All UK adults	2.3%	1.3%
Unemployed	11%	9%
No educational qualifications	7%	4%
Not the financial decision-maker in their household	7%	5%
Work in the gig economy	7%	5%
Have an addiction	7%	3%
In financial difficulty	7%	4%
Digitally excluded	7%	3%
Aged 18-21	6%	3%
Asian	6%	3%
Low confidence in managing money	5%	3%
Have a health condition or illness that affects learning, understanding or concentration	5%	5%
Household income of less than £15,000 a year	5%	3%

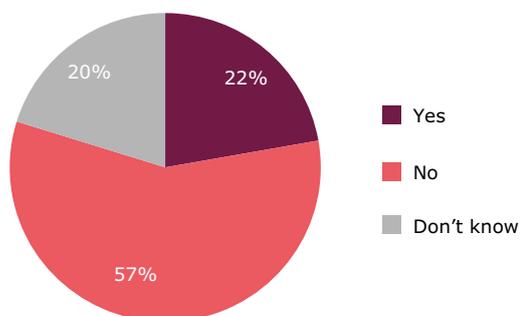
The unbanked are also geographically clustered. There are higher proportions of unbanked adults in Lancashire (6%), East Yorkshire and Northern Lincolnshire (6%), West Central Scotland (5%), Derbyshire and Nottinghamshire (4%), Northumberland and Tyne and Wear (4%), South Yorkshire (4%), and the Tees Valley and Durham (4%).

There is a strong link to deprivation, as 6% of adults in the most deprived areas are unbanked compared with less than 0.5% in the least deprived.

Reasons for being unbanked

Figure 5.2 shows that under a quarter (22%) of unbanked adults would like to have a current account. Nearly six in ten (57%) do not want one and a further 20% are unsure whether they want one or not.

Figure 5.2: Unbanked adults who want a current account (Feb 2020)



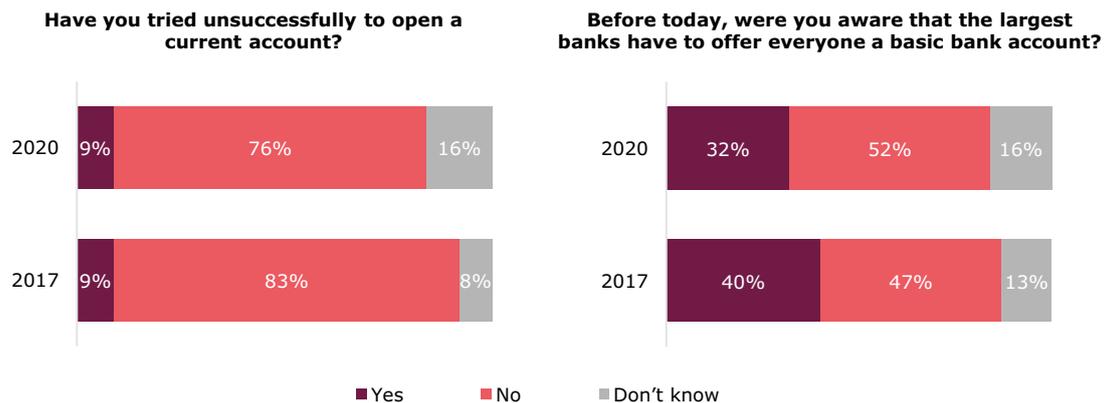
Three in ten (30%) unbanked adults say they have had a current account in the past. When asked why they no longer have one:

- 35% no longer want or need one
- 15% say their previous account was too expensive
- 13% say there are no accounts available that suit their needs
- 3% say they use another person's account (typically their partner or spouse)

Source: FLS Feb 2020 **Base:** All unbanked adults (Feb 2020:303) **Question:** UN3/4sum. Right now, would you like to have a current account?

As shown in the left-hand chart in Figure 5.3, one in ten (9%) unbanked adults have tried, unsuccessfully, to open a current account at some point in the past; there has been no change in this proportion since 2017. The main reasons these adults gave for not being able to open an account were that banks did not consider them creditworthy and that they were unable to provide adequate proof of their identity.

Figure 5.3: Unbanked adults who have unsuccessfully tried to open a current account in the past and awareness of basic bank accounts (April 2017/Feb 2020)



Source: FLS April 2017/Feb 2020 **Base:** All unbanked adults (2017:272/Feb 2020:303) **Question:** UN5. Have you ever tried, unsuccessfully, to open a current account?/UN8. Before today, were you aware that the largest banks have to offer everyone a basic bank account?

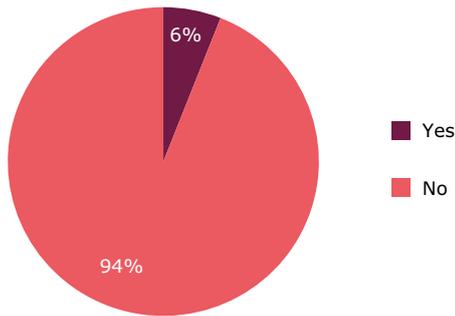
A basic bank account is a simplified form of current account that does not provide an overdraft facility. They are designed for people who do not have a bank account and would not qualify for a standard current account, perhaps because they have a poor credit rating. Banks can reject applicants they consider to be a criminal risk.

As shown in the right-hand chart in Figure 5.3, awareness of basic bank accounts among unbanked adults is relatively low. Just one in three (32%) were aware that the largest banks have to offer everyone a basic bank account, regardless of their credit rating. Awareness has also fallen since April 2017. The biggest falls in awareness levels have been among women (44% in 2017, down to 30% in 2020) and 18-34 year olds (43%, down to 31%).

Those unable to access financial products

Our Financial Lives survey looks at the incidence of UK adults who have been refused financial products or services. As Figure 5.4 shows, in 2020, 6% of UK adults (3.1m) were refused one or more financial products or services in the previous two years.

Figure 5.4: Proportion of adults declined a financial product or service in the last 2 years (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults (Feb 2020:16,190) excluding 'don't know' responses (5%) **Question:** AC1NEW (Rebased). In the last 2 years, has a financial services provider declined to sell you, or provide you with, any financial products or services? **Note:** In 2017, 9% of UK adults said they had been refused one or more financial products or services in the previous two years. Due to survey changes, this figure is not directly comparable to the 6% reported in 2020.

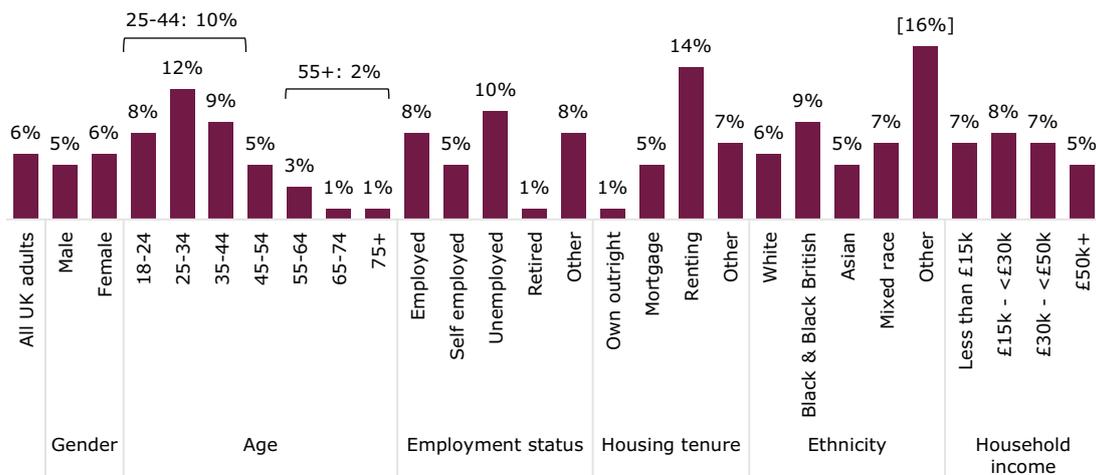
Figure 5.5 shows differences in result by several demographics. Women are marginally more likely to have been refused a financial product or service in this period than men (6% compared with 5%, respectively). By age, refusal rates are higher for adults aged 25-44 (10%) and lower for adults aged 55+ (2%).

Refusal rates are over twice as high for renters (14%) as for adults with a mortgage (5%).

These figures represent the incidence of adults who have been refused products, not the rate of refusals among applicants. Consequently, fewer refusals in some groups may result from fewer of those people applying.

The variation we see for different age groups is likely to be driven by higher application levels. Adults aged 25-44 are more likely than older adults to apply for and hold certain types of products where refusal rates are likely to be higher, such as mortgages and credit.

Figure 5.5: Proportion of adults declined a financial product or service in the last 2 years across a variety of demographic segments (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults (Feb 2020:16,190) excluding 'don't know' responses (5%) **Question:** AC1NEW (Rebased). In the last 2 years, has a financial services provider declined to sell you, or provide you with, any financial products or services?

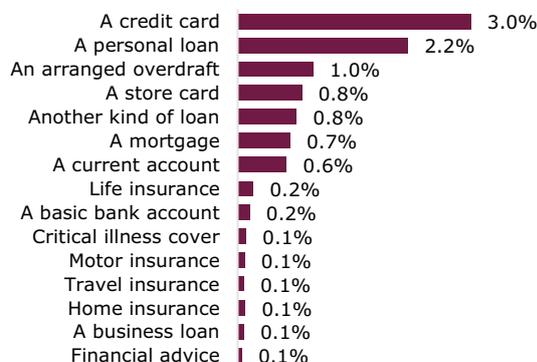
Figure 5.6 shows the proportion of UK adults who had been refused a variety of financial products or services in the previous two years.

Credit cards, personal loans and overdrafts are the most commonly refused products: 3.0%, 2.2% and 1.0% of UK adults were refused these products in the previous two years, respectively.

Among those who have been refused any financial product or service in the last two years, four-fifths (80%) have been declined some form of credit.

This contrasts with 12% refused any type of bank account and 8% refused any form of insurance or protection.

Figure 5.6: Refusal rates by product (Feb 2020)

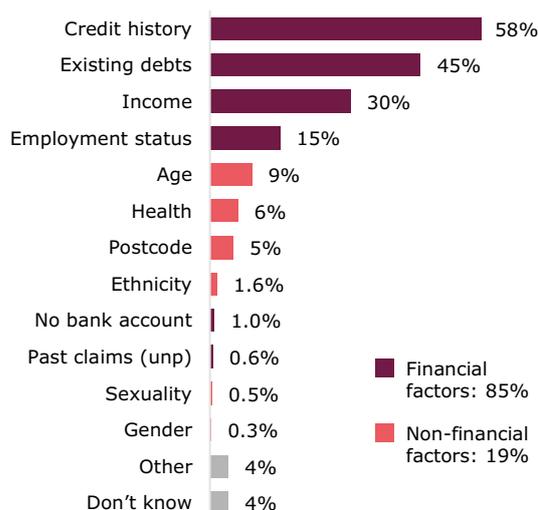


Source: FLS Feb 2020 **Base:** All UK adults (2020:16,190), excluding 'don't know' and 'none of these' **Question:** AC1 (Rebased). Which products or services were these?

Refusals often mean the consumer going without the desired product or service. Of all adults who were refused a product in this period nearly three in five (57%) were unable to get the product or service they needed at all.⁴ One in five (20%) had to get the product or service from an alternative supplier, 14% were able to get a similar product or service but with different terms or conditions and 9% were able to get the product or service but had to pay extra for it.

We also asked adults who were refused a product whether they think their personal circumstances contributed to this. The results are shown in Figure 5.7.

Figure 5.7: Factors contributing to being declined (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults who have been declined a financial product or service in the last 2 years and knew which product or service that was (2020:632)

Question: AC9. Do you think any of the following circumstances contributed to your being declined?

Three in five (58%) attributed the refusal to their credit history, and under half (45%) to their existing debts. This is not surprising given credit applications account for most refusals.

However, one in five (19%) think non-financial factors were involved, such as their age, health or ethnicity.

- Those who think their age contributed to being declined are most likely to be 18-24 ([31%]) or 55+ ([15%]).
- One in eight ([12%]) BAME adults who were refused a product in this period think their ethnicity was a contributory factor; no White adults said this.
- Just 0.6% of women think their gender contributed to their being declined; no men said this.

⁴ We ask those adults who were declined more than one financial product or service in the last years to think about the occasion that was most serious for them.

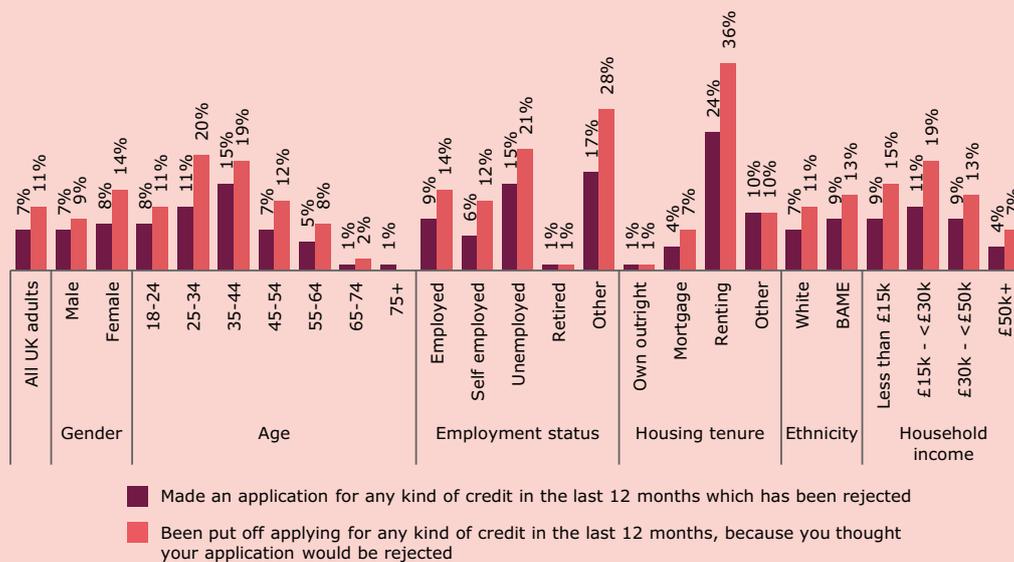
Some consumers were not declined outright for a product, but were offered one at a price, or with terms and conditions, they felt to be completely unreasonable. In total 7% of all UK adults (3.4m) had been in this situation in the two years before February 2020. They more commonly cited price as the problem, rather than terms and conditions. The main products mentioned were credit cards, personal loans and motor insurance.

SPOTLIGHT

Credit and loans

In the Financial Lives 2020 survey, we asked adults who held any credit or loan product (either now or in the last 12 months) whether they made an application for any kind of credit in the preceding 12 months which was rejected, or alternatively whether they were put off applying because they thought their application would be refused. As Figure 5.8 shows, one in fourteen (7% or 3.0m) had an application rejected, while 11% (4.7m) were put off applying because they thought their application would be refused. This was most common among adults aged 44 or under, the unemployed and renters.

Figure 5.8: Proportion of adults refused or put off applying for a credit or loan product in the last 12 months across a variety of demographic segments (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults holding one or more consumer credit or loan products now or in the last 12 months (Feb 2020:3,604) excluding 'don't know' responses (2%/3%) **Question:** CC57 (Rebased). Have you made an application for any kind of credit in the last 12 months which has been rejected?/CC58 (Rebased). In the last 12 months have you been put off applying for any kind of credit, because you thought your application would be rejected?

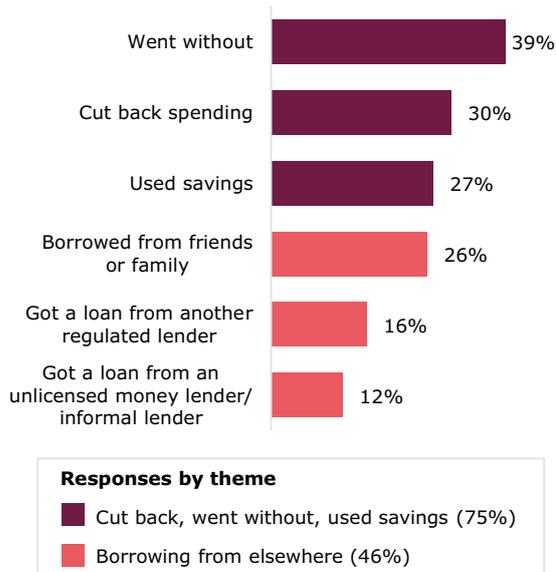
For those who were rejected or have been put off from applying, 63% said they went without the product, 28% cut back on spending, 20% saved up the money they needed and 13% sold something. Other responses include borrowing the money from friends or family (14%), applying to a different lender (11%), using savings (11%), defaulting on another loan, bill or payment (5%) or requesting more time to pay the money they owed (3%).

For those who were put off applying, almost six in ten (58%) did not apply because they were worried about the damaging impact this could have on their credit rating, their chances of getting credit elsewhere or their chances of applying to the same provider in the future.

Impact of Covid-19 on credit and loan refusals

One in ten (10%) UK adults have been declined for any credit product since the end of February 2020, while 11% applied for credit (and were either successful, or had not been declined by the time of interview) and 79% did not apply. This means that roughly half of all adults who applied for a credit or loan product in this period were declined.

Figure 5.9: Actions taken by adults who were turned down for any credit since February (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults who have been turned down for any loan or credit since February (Oct 2020:2,447) **Question:** F13. Which of the following did you do after being turned down for loan, credit card, or other type of credit product?

Of those declined credit since the end of February one in four (26%) borrowed money from friends or family; 16% got a loan from another regulated lender, and 12% got a loan from an unlicensed moneylender or another informal lender.

//
I said to my bank I'm doing really well with my loan and I've only got eight months left, could I increase it by £500 because I really do need to get my car repaired. No, they completely rejected me for any sort of sensible loan at a sensible rate of interest. So, I went to a doorstep lender and I'm paying it off weekly, but the interest rate was 500%.

Female, 45-54

//

Access to essential banking services

Banking channels and access to the branch

Technology is changing the way that people access essential banking services. Figure 5.10 summarises the channels used over the 12 months to February 2020 by day-to-day account holders to undertake day-to-day banking activities, such as checking their account balance, paying bills, transferring money, or depositing and withdrawing money. Supporting statistics are provided in Table 5.1.

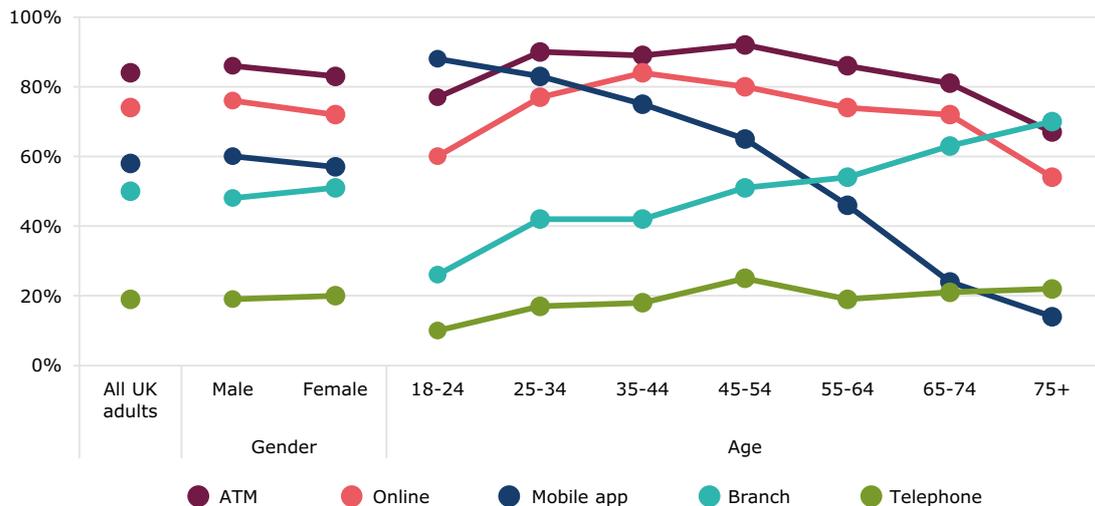
The majority (84%) have used an ATM to withdraw money or check their balance. Since 2017, there has been a decline in ATM use among young adults aged 18-24 (79% in 2020, compared with 89% in 2017), but an increase in use among adults aged 75+ (67% and 54%, respectively).

Overall, three in four (74%) adults bank online, while nearly six in ten (58%) bank using a mobile app. Since 2017, younger adults have moved away from online banking in favour of mobile banking. For example, in 2020, 60% of 18-24 year olds bank online, down from 84% in 2017, while 88% bank using a mobile app, up from 73% in 2017.

Online banking has increased significantly in popularity among older aged groups since 2017. For example, 72% of adults aged 65-74 and 54% of adults aged 75+ banked online in 2020, compared with 60% and 27% in 2017, respectively.

Most noticeable is the increased use of mobile apps: up from just 1% in 2017 to 14% in 2020 for adults aged 75+, and up from 10% to 24% for adults aged 65-74.

Figure 5.10: Channels used to undertake day-to-day banking activities in the last 12 months (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults who have undertaken day-to-day banking activities in the last 12 months (Feb 2020:4,089) excluding 'don't know' responses (0%) **Question:** RB32B/csum (Rebased).

Table 5.1: Channels used to undertake day-to-day banking activities in the last 12 months (April 2017/Feb 2020)

		ATM		Online		Mobile app		Face to face in branch		Telephone	
		2017	2020	2017	2020	2017	2020	2017	2020	2017	2020
All UK adults		84%	84%	75%	74%	41%	58%	63%	50%	20%	19%
Gender	Male	85%	86%	77%	76%	44%	60%	64%	48%	23%	19%
	Female	83%	83%	73%	72%	38%	57%	61%	51%	17%	20%
Age	18-24	89%	77%	84%	60%	73%	88%	57%	26%	21%	10%
	25-34	91%	90%	91%	77%	70%	83%	51%	42%	20%	17%
	35-44	89%	89%	88%	84%	51%	75%	53%	42%	21%	18%
	45-54	89%	92%	81%	80%	39%	65%	63%	51%	24%	25%
	55-64	82%	86%	70%	74%	21%	46%	70%	54%	21%	19%
	65-74	80%	81%	60%	72%	10%	24%	74%	63%	17%	21%
	75+	54%	67%	27%	54%	1%	14%	82%	70%	14%	22%

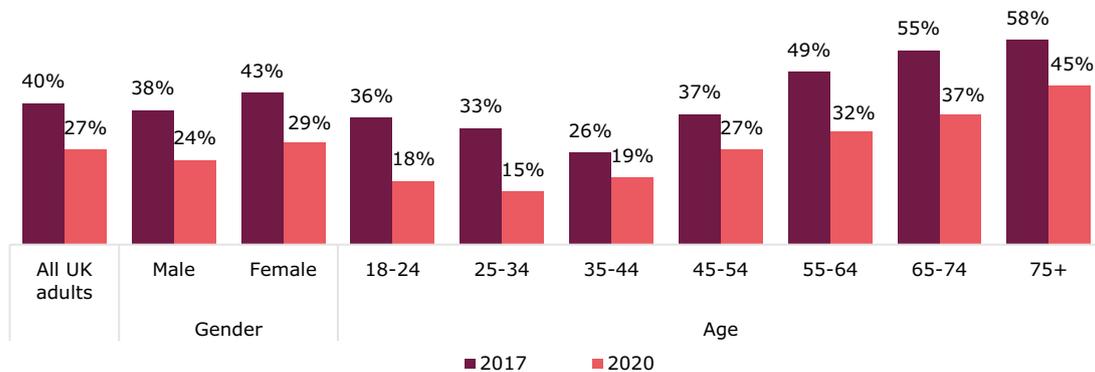
Source: FLS April 2017/Feb 2020 **Base:** All UK adults who have undertaken day-to-day banking activities in the last 12 months (2017:2,472/Feb 2020:4,089) excluding 'don't know' responses (1%/0%) **Question:** RB32B/csum (Rebased).

Branch usage

Our findings show that the proportion of UK adults with a day-to-day account who have been into a branch to undertake banking activities face to face in the previous 12 months dropped significantly since 2017, from 63% in 2017 to 50% in 2020.

Figure 5.11 reports only for those adults who have *regularly* used a particular branch in the previous 12 months, ie at least once a month. Again, we see a drop in regular users, from 47% of UK adults in 2017 to 27% in 2020.

Figure 5.11: Proportion of adults with a day-to-day account who regularly use a particular bank branch (April 2017/Feb 2020)

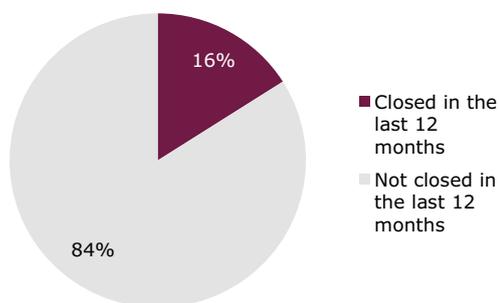


Source: FLS April 2017/Feb 2020 **Base:** All UK adults who have a day-to-day account (2017:2,565/Feb 2020:4,310)
Question: RB133a. Still thinking of your main day-to-day account, over the last 12 months have you used a particular branch regularly, ie at least once a month?

Adults most likely to regularly use a branch include the digitally excluded (52%), those aged 75+ (45%), those in poor health (38%) and the self-employed (37%).

The number of bank branches has roughly halved between 1986 and 2014. This trend naturally creates concerns about access to financial services, particularly among customers more likely to be vulnerable, such as the elderly and those in poor health. Figure 5.12 shows that 16% of UK adults with a day-to-day account have had a branch they previously used regularly close in the last 12 months.

Figure 5.12: Proportion of adults with a day-to-day account whose branch has closed in the last 12 months (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults who have a day-to-day account (Feb 2020:4,310) excluding 'don't know' responses (6%) **Question:** RB133 (Rebased). Has a branch that you used to use regularly closed in the last 12 months?

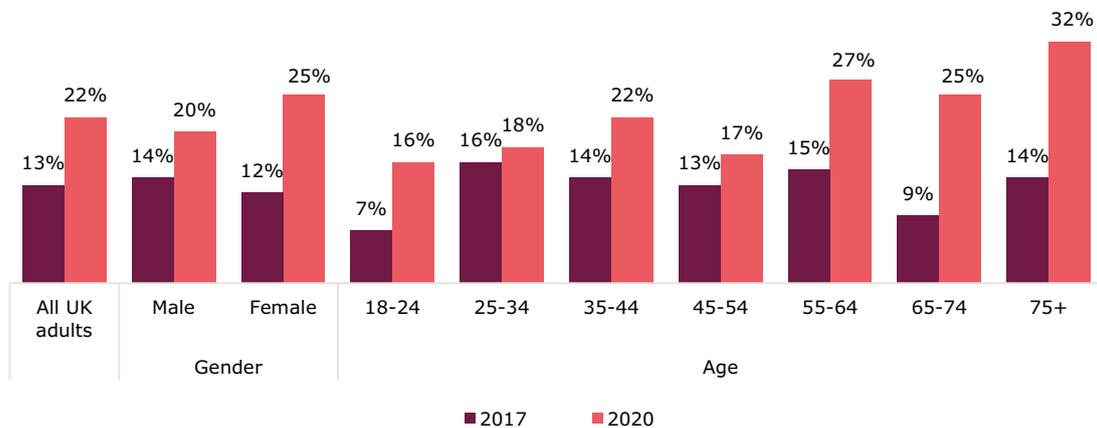
Adults living in certain countries or English regions are more likely to have had their branch close in the last 12 months. The highest rates, compared with the UK average of 16%, are:

- Scotland: 26%
- Northern Ireland: 21%
- North West: 20%
- West Midlands: 20%

Adults aged 55+ are the most affected: 20% say a branch they previously used regularly has closed in the last 12 months. A higher proportion of this age group live in rural areas. People in rural areas have seen more branch closures in the last 12 months (19%) than those living in urban areas (15%).

As shown in Figure 5.13, one in five (22%) of those still using a branch describe the location of the branch they use most often as inconvenient, up from 13% in 2017. This is felt most acutely among women and those aged 75+.

Figure 5.13: Proportion of adults who say the branch they use most often is inconvenient (April 2017/Feb 2020)



Source: FLS April 2017/Feb 2020 **Base:** All UK adults who have a day-to-day account and have used the branch in the last 12 months for day-to-day banking activities (2017:1,441/Feb 2020:2,823) excluding 'don't know' responses (1%/2%)
Question: RB36 (Rebased). How convenient or inconvenient is the location of the branch you use most often?

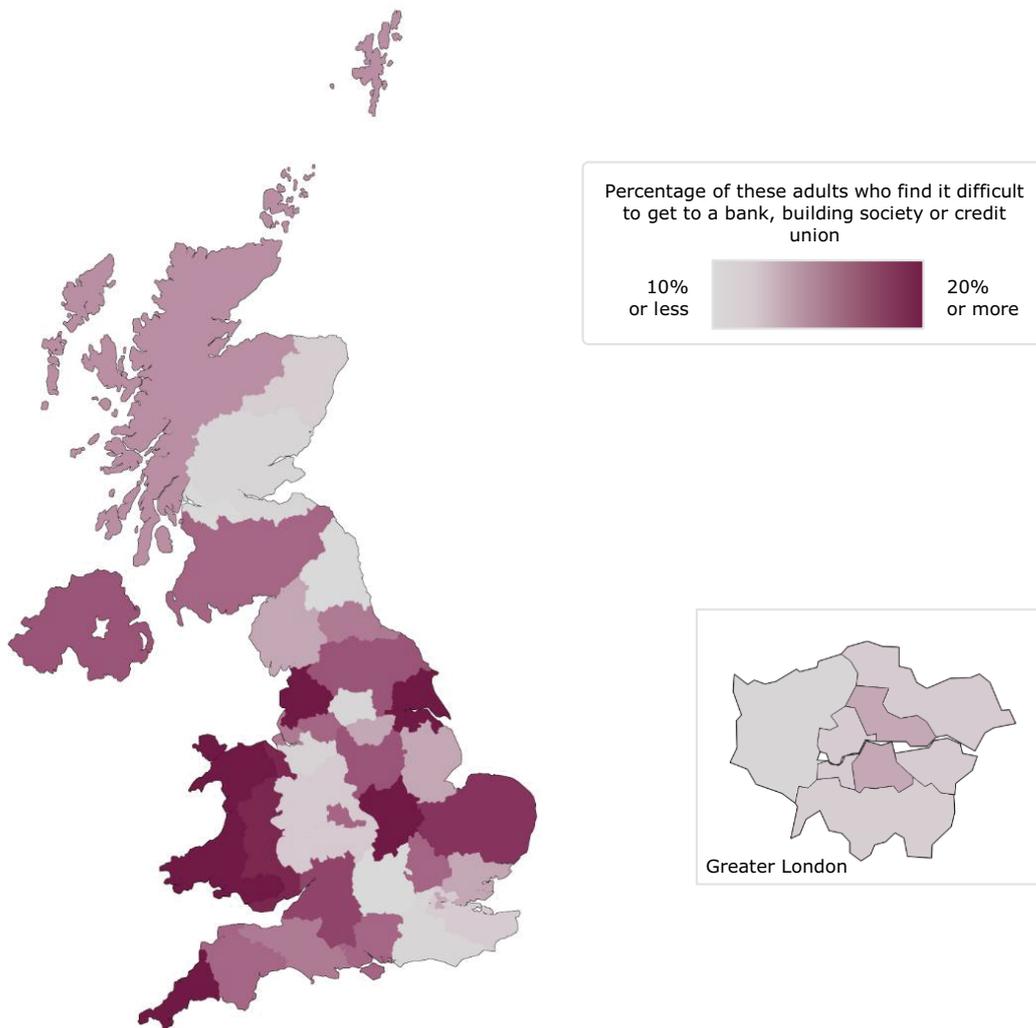
To explore this issue further, we asked all adults aged 55+ and all younger adults with a health condition or illness lasting or expected to last for 12 months or longer whether they find it difficult to get to a bank, building society or credit union. In 2020, one in eight (13%) found it difficult, up from one in ten (10%) in 2017. Around one in twenty (6%) found it difficult to get to an ATM, slightly improved on 2017 (7%).

Again, these results vary considerably by geography. For example, 18% of adults who are aged 55+, or are younger and have a health condition or illness lasting or expected to last for 12 months or longer, and who live in rural areas, found it difficult to get to a bank, building society or credit union. Fewer (7%) found it difficult to get to an ATM. The result for those living in urban areas are 12% and 5%, respectively.

Map 5.1 charts the proportion of these adults who find it difficult to get to a bank, building society or credit union, by county council and comparative areas. Of the four nations of the UK the results are worst for Wales (21%). And Wales includes two of the six worst-off areas: East Yorkshire and Northern Lincolnshire (26%), Cornwall and the Isles of Scilly ([24%]), West Wales and The Valleys (22%), East Wales (19%), Leicestershire, Rutland and Northamptonshire (21%), and Lancashire (21%).

In sharp contrast, far fewer of these adults find it difficult to get to a bank, building society or credit union in London (8%). London includes three of the six least affected areas: Herefordshire, Worcestershire and Warwickshire (5%), Inner London-West ([6%]), Outer London-East and North-East (6%), Kent (6%), Shropshire and Staffordshire (6%) and Outer London-South (7%).

Map 5.1: Proportion of adults aged 55+, or younger and have a health condition or illness lasting or expected to last for 12 months or longer, who find it difficult to get to a bank, building society or credit union by area (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults aged 55 or over, or younger and have a health condition or illness lasting or expected to last for 12 months or longer (Feb 2020:8,266) **Question:** D15bsum1. Using your normal forms of transport, how easy or difficult is it for you to get to a bank, building society or credit union? **Notes:** The areas of the map are based on NUTS 2. Base sizes for each area are at least 30.

The impact of Covid-19 on branch usage

At the start of the first national lockdown in late March 2020, consumers were urged to visit branches only when necessary and to use online services wherever possible. Banks, building societies and credit unions made significant efforts to maintain essential services for their customers during the pandemic, although many reduced opening times. As restrictions eased, firms re-opened branches and increased opening times and the range of in-branch services available.

To understand whether these actions have had any impact on the way UK adults access essential banking services, we asked adults whether they banked online or used a mobile app in October more or less frequently than in February, ie just before the first lockdown began. Around three in ten (28%) say they used online or mobile banking more regularly. A further 2% say they used it for the first time since lockdown.

In contrast, 46% of adults say they visited bank or building society branches less frequently compared with the end of February.

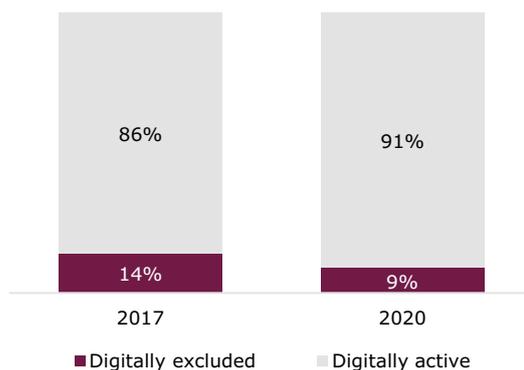
Digital exclusion

New technologies are changing the financial services landscape. Access to the internet opens up many opportunities for consumers, including access to online banking services, affordable credit and money saving deals.

In February 2020, the clear majority (81%) of adults used the internet at least once a day, and a further 7% used it almost every day. Just one in twenty (5%) have never used the internet, and 3% have not used it in the last three months. Of those who have used the internet before, just 4% rate their ability to use it as poor or bad. These results show the extent to which internet usage has become embedded in the everyday lives of most UK adults.

Digital and financial exclusion often overlap, and it is important to recognise the harmful impact that any digital divide can have on people's financial lives. By digital exclusion we mean their ability to use the internet is poor, they use the internet rarely, they never use it, or don't know if they use it. As Figure 5.14 shows, 9% of UK adults (4.7m) are digitally excluded, an improvement on 14% in 2017.

Figure 5.14: Adults who are digitally excluded (April 2017/Feb 2020)



Source: FLS April 2017/Feb 2020 Base: All UK adults (2017:12,865/Feb 2020:16,190) Question: Digitally excluded

Digital exclusion may be due to a combination of factors – such as affordability, connectivity or a lack of skills.

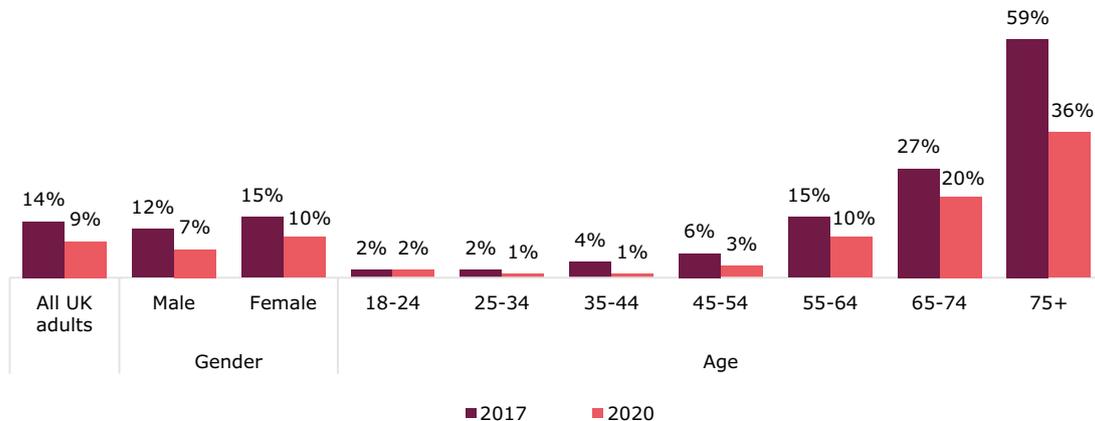
//
I'm a bit old-fashioned. I don't have the internet. I can't search for better deals or pay my bills online. I don't have that. I prefer to do it all in person or by phone.
Male, 55-65

//

Exploring the digitally excluded by age and gender, we see from Figure 5.15 that exclusion is strongly correlated with age and that it is particularly common among older adults. In 2020, 28% of those aged 75-84 were digitally excluded, rising to 74% of those 85+. Exclusion is higher among older adults who are single. For example, looking at those 65+, 41% of single people are digitally excluded compared with 18% in a couple.

In general, women are marginally more likely to be digitally excluded than men, but this gender difference increases with age. Looking at those aged 75+, 28% of men are digitally excluded, compared with 44% of women.

Figure 5.15: Adults who are digitally excluded by age and gender (April 2017/Feb 2020)



Source: FLS April 2017/FLS Feb 2020 **Base:** All UK adults (2017:12,865/Feb 2020:16,190) **Question:** Digitally excluded.

Digital exclusion is not just a generational issue. It reflects the broader inequalities which run through the social fabric of the UK. As a group, BAME adults are more likely to be digitally excluded than White adults (11% and 8%, respectively). This figure increases to 19% for Black adults.

There is strong evidence that exclusion rates vary by household income, suggesting that some households are experiencing 'data poverty', a term that is increasingly used and refers to unaffordable connectivity options. Here, our survey shows that 20% of adults with a household income of less than £15,000 are digitally excluded, versus just 1% of those with an income of £50,000+.

Exclusion rates are also high among some of the most vulnerable in society. Three in ten (27%) adults in poor health are digitally excluded.

Over half (55%) of digitally excluded adults say their knowledge about financial matters is low, 30% are not confident managing their money, and 31% are not confident working with numbers when they need to in everyday life (36%, 21%, and 17% for digitally active adults, respectively).

By region, digital exclusion is highest in East Yorkshire and Northern Lincolnshire (19%), West Central Scotland (19%), Southern Scotland (17%), Northern Ireland (17%), South Yorkshire (15%) and London (14%). There is also a link to deprivation, as 11% of adults in the most deprived areas are digitally excluded compared with less 7% in the least deprived.

In our Covid-19 panel survey we asked adults who were internet users in February 2020, whether they had used the internet more or less frequently compared with the time before the first lockdown began. Four in ten (40%) said they are using it more frequently; 52% said there had been no change in frequency, and 5% were using the internet less frequently. One in twenty (5%) adults who did not use the internet in February, or very seldomly used it, said they were using the internet more frequently in October.

Covid-19 has also shone a light on the importance of support networks, particularly for the most vulnerable in society. Our Covid-19 panel survey asked UK adults if they had provided any help to get a digitally excluded friend, neighbour or relative so that they could conduct activities online during the pandemic.

Figure 5.16: Support provided to help others get online (Oct 2020)

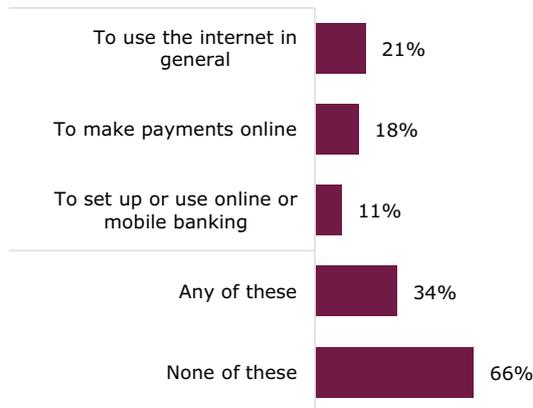


Figure 5.16 shows that 34% of all UK adults (18.1m) have provided some form of online support.

One in five (21%) have provided general online support, and a similar proportion (18%) have helped someone make online payments.

Slightly fewer have helped someone set up or use online banking, but, nevertheless, one in ten (11%) UK adults say they have provided this vital help.

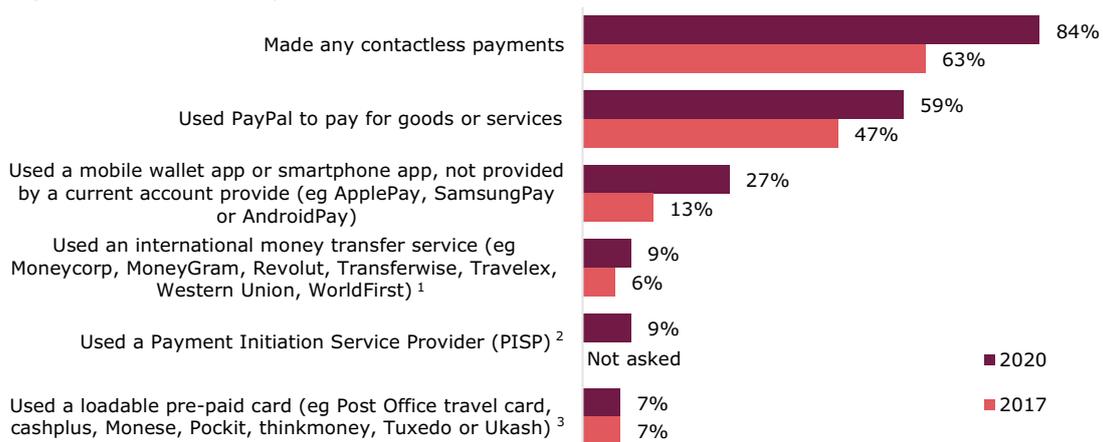
Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267) **Question:** I2. Have you provided any help or support to others (such as relatives, friends or neighbours) since the end of February, to help them conduct any of the following activities?

Payments and access to cash

Use of digital payment services

Innovation and new technology are making digital payments easier for consumers to adopt. The pace of change in consumer technology is rapid, with banking and managing payments now possible on a range of digital devices, including mobile phones and watches. New service providers are disrupting the traditional role banks and financial institutions play in the payments ecosystem. This rapidly changing landscape is reflected in changes from 2017 to early 2020, shown in Figure 5.17.

Figure 5.17: Use of payment services in the last 12 months (April 2017/Feb 2020)



Source: FLS April 2017/FLS Feb 2020 **Base:** All UK adults (2017:12,865/2020:16,190) **Question:** P_RB1b/P_RB7_DV/P_RB7a. In the last 12 months have you ...? **Notes:** ¹ Respondents told not to include mobile payment services, eg Paym and Pingit. ² 'PISP' terminology not used in the questionnaire. Rather respondents were asked: In the last 12 months, have you paid for anything online without giving your card details to the seller, ie you have provided your online banking details to a financial provider, eg Bancontact, Klarna, Ideal, Rapid Transfer, Sofort, for them to transfer money straight from your bank account to the seller? ³ Respondents told not to include gift cards from retailers.

In 2020, 84% of adults had made a contactless payment, up from 63% in 2017. Contactless payments are more likely to be made by men (86%), those aged 25 to 34 (92%), those aged 35 to 44 (92%), those with postgraduate or degree level education (92%) and those who report an 'excellent' ability to use the internet (93%).

Nearly three in five (59%) adults use PayPal to pay for goods and services, and it is more likely to be used by men (62%), those with postgraduate/degree level or A level/diploma education (67%), those aged 25 to 34 (71%) or 35 to 44 (73%), and those who rate their ability to use the internet as 'excellent' (73%).

Use of mobile wallets is growing rapidly, doubling between 2017 and 2020. This payment method is now used by 27% of UK adults. It is more likely to be used by men (31%), those with postgraduate/degree level (32%) or A level/diploma education (33%), those aged 25 to 34 (46%) or 18 to 24 (51%), and those who rate their ability to use the internet as 'excellent' (60%).

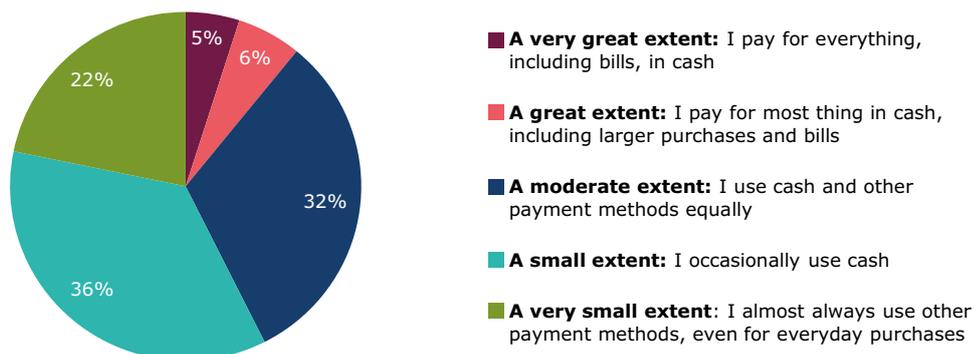
The market for Payment Initiation Services (PIS) is still in its infancy, but nevertheless one in ten (9%) UK adults have adopted these services. They are more likely to be used by women (10%), students (12%), those who have credit commitments that are a heavy burden (14%) and those aged 18 to 24 (16%).

Access to cash

While use of cash is declining as more consumers adopt alternative payment methods, cash remains a vital payment method for many, including the most vulnerable in society.

In February 2020, 5.4 million (10%) relied on cash to a very great or great extent in their day-to-day lives. They paid for everything or most things in this way.

Figure 5.18: Reliance on cash (Feb 2020)



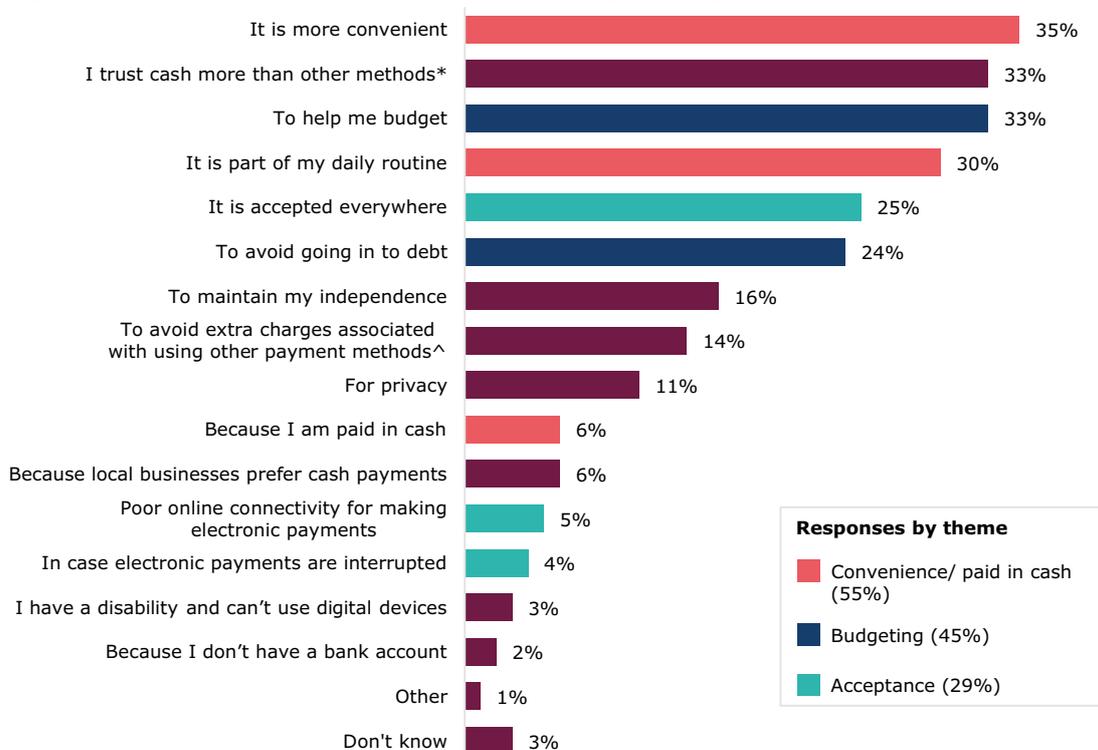
Source: FLS Feb 2020 **Base:** All UK adults (Feb 2020:3,542) **Question:** AT12. To what extent would you say you rely on cash (rather than other payment methods) in your day-to-day life?

Dependency on cash is highest among the digitally excluded and older adults. For example, 42% of those 85+ rely on cash to a great or very great extent. However, age is not the only driver of the need for cash.

Adults most likely to rely on cash to a very great or great extent, as reported in Figure 5.18 (Feb 2020)	
Digitally excluded	46%
Aged 85+	42%
No educational qualifications	31%
Have an addiction	27%
Household income of less than £15,000 a year	26%
Low financial capability	26%
In poor health	26%
In financial difficulty	21%
Not working	17%
Low financial resilience	17%
Renting	16%
Over-indebted	16%

Figure 5.19 looks at why there is this strong preference to use cash among certain segments of the population. As summarised in the themes box in the chart, just over half (55%) of adults who rely on cash to a great or very great extent do so for reasons of convenience (eg because cash is more convenient (35%), it is part of their daily routine (36%), or they are paid in cash (6%)). Under half (45%) rely on cash for budgeting reasons (eg to help them budget (33%) or to avoid getting in to debt (24%)). One in three (33%) rely on cash because they trust it more than other payment methods.

Figure 5.19: Reasons for relying on cash to a very great or great extent (Feb 2020)

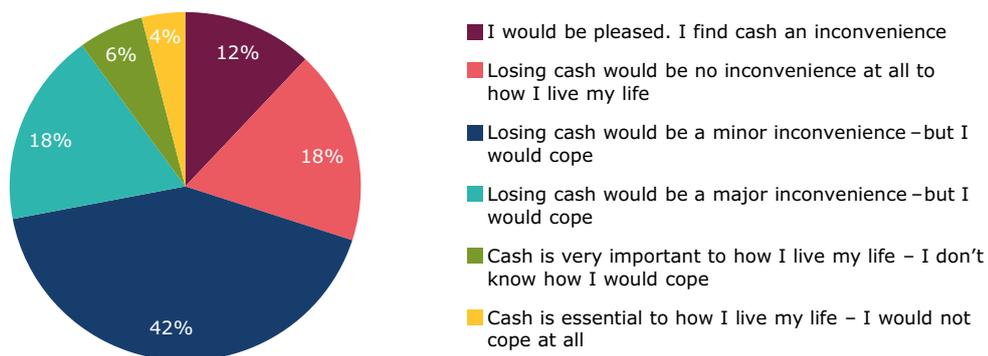


Source: FLS Feb 2020 **Base:** All UK adults who rely to a very great or great extent on cash (2020:499) **Question** AT12a. Why do you rely to a great extent on cash in your day-to-day life? **Notes:** * Eg a debit or credit card. ^ Eg charges applied by some merchants when using a debit or credit card.

In Figure 5.20 we explore how UK adults would cope in a cashless society. Three in ten (30%) would be pleased as they find cash an inconvenience, or say losing cash would be no inconvenience at all to how they live their lives. A further three in five (60%) say it would be an inconvenience but they would cope.

One in ten (10%), however, do not know how they would cope or say they would not cope at all. Again, these adults were more likely to be the oldest in society (those aged 85+), but the inability to cope is present in all age groups.

Figure 5.20: How adults would cope in a cashless society (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults (2020:3,542) excluding 'don't know' responses (4%) **Question** AT12b (Rebased).
How would you cope with a cashless society?

The impact of Covid-19 on access to cash

It has been widely reported that many adults have avoided using cash due to Covid-19 transmission concerns and used debit and contactless cards more. Physical transactions moved online as high street retailers were forced to shut. Many retailers still open on the high street actively encouraged customers to use contactless payments where possible for hygiene reasons.



I forget exactly when it was they closed the local branch altogether. My nearest branch [of my bank] is some way away and I just wasn't willing to physically go there because I was shielding. [A competitor's branch] across the road was on reduced opening hours, which is not very helpful. Within days it had run out of money
Male, 65-74



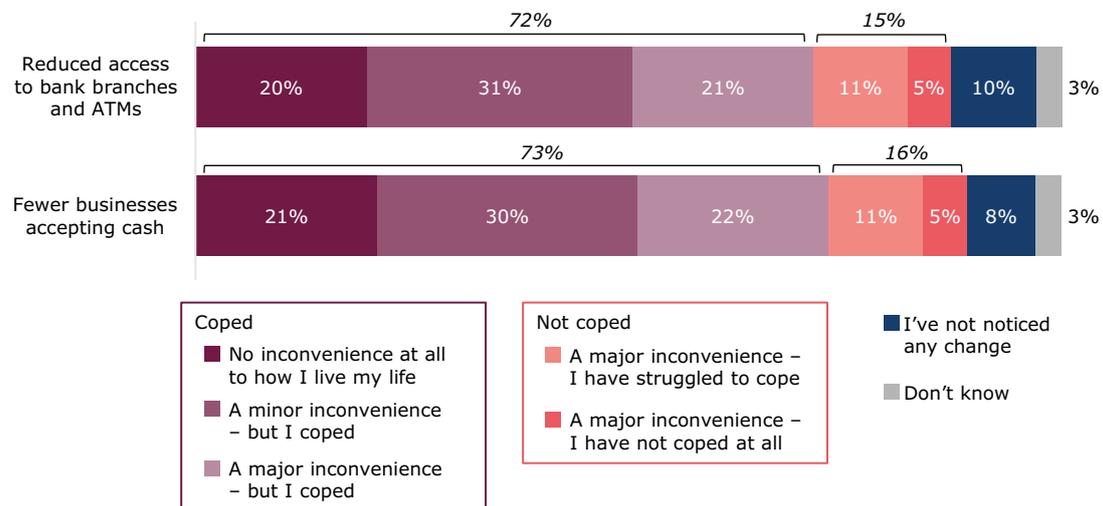
Figure 5.21 shows that, encouragingly, the majority (73%) of adults who were heavily reliant on cash in February coped when fewer businesses were accepting cash:

- 21% said it was no inconvenience at all to how they live their life
- 30% said it was a minor inconvenience, but they coped
- 22% said it was a major inconvenience, but they coped

However, one in six (16%) have not coped.

Figure 5.21 also shows similar results when looking at the extent to which adults are heavily reliant on cash have coped with reduced access to bank branches and ATMs since the start of the Covid-19 pandemic.

Figure 5.21: How adults who were heavily reliant on cash have coped with reduced access to bank branches and ATMs and fewer businesses accepting cash (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults who relied on cash to a very great extent or a great extent in their day-to-day life at the end of February (Oct 2020:4,063) **Question:** I4 (Rebased). How have you coped with reduced access to bank branches and ATMs since the Covid-19 lockdown began?/I5 (Rebased). How have you coped with fewer businesses accepting cash since the Covid-19 lockdown began?

Adults heavily reliant on cash who have not coped with reduced access during Covid-19, as reported in Figure 5.21 (Oct 2020)		
	Not coped as fewer businesses accept cash	Not coped with reduced access to bank branches and ATMs
Adults who are partially sighted or blind and this reduces their ability to carry out day-to-day activities a lot	29%	28%
Over-indebted	27%	28%
Aged 18-24	23%	28%
Have an addiction	22%	22%
BAME adults	22%	24%
Key workers	22%	21%
Self-employed	21%	22%

Heavily reliant on cash but changing her behaviour due to reduced access to cash

Jasmin

Jasmin is a young adult, but describes herself as 'stubborn' and 'old fashioned' when it comes to banking. Before Covid-19, she refused to use contactless payments or bank online. She does not understand these technologies and does not trust that they are secure.

During the first national lockdown her local cash point was continually out of order, and her bank reduced its opening hours and was closed at the weekend. As she is a key worker, working long hours, this meant she could no longer go to the branch.

In the summer, when lockdown lifted, Jasmin went out with a group of friends and saw them all easily transferring money via their online banking apps to split the bill. She asked her friends about their experiences and decided to try it herself. It has been a good experience so far. She is still refusing to activate contactless payments.



I got sent a contactless card when they first came around a few years ago. And I sent it back because I didn't really trust it. So, I've had a few issues in shops where I've just had to say I have no contactless card. But most of the time I've not really had any issues



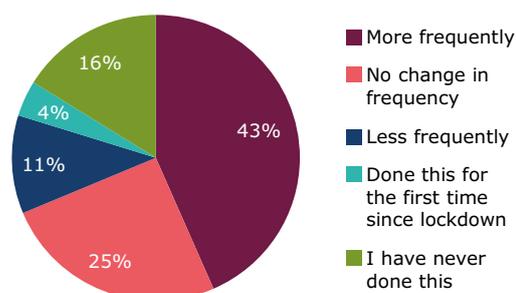
The impact of Covid-19 on contactless card payments

The spending limit for contactless card payments was increased from £30 to £45 on 1 April 2020 to support consumers choosing to pay this way during the Covid-19 pandemic.

The use of contactless payments has increased dramatically due to Covid-19, with 55% of all UK adults saying they made contactless payments more frequently in October 2020 compared with the end of February.

This pattern is much the same for those who were heavily reliant on cash in February, before the first Covid-19 national lockdown.

Figure 5.22: Contactless payment use since February by adults who relied heavily on cash (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults who relied on cash to a very great extent or a great extent in their day-to-day life at the end of February (4,063) **Question:** 11e. Do you now make contactless payments more or less frequently compared with the end of February 2020?

As Figure 5.22 shows, 43% of this group say they make contactless payments more frequently now compared with the end of February. A few (4%) have done this for the first time since the first national lockdown began.

Among this group heavily reliant on cash, those still not using contactless payments are largely over 65 (49%).

Put another way, over half (52%) of adults heavily reliant on cash who have never used contactless payments are over 65.

Open Banking

Open Banking was introduced in January 2018 to increase innovation and choice in financial services. Consumers can choose to give banks and other regulated companies, such as apps and websites, secure access to their banking information.

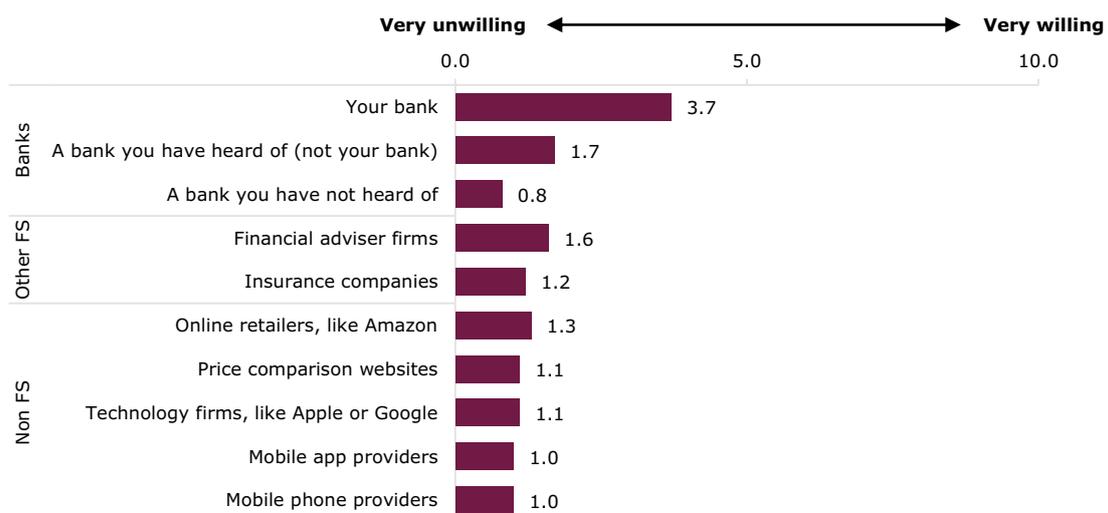
Open Banking opens the way to new digital products and services that could give consumers a more detailed understanding of their money or tools to help them budget and find the best deals. In February 2020, of adults with a day-to-day account:

- 7% (3.5m) were using a website or mobile app that allows them to see all the accounts they hold with different banks in one place
- 2% (1.0m) were using a website or mobile app to build their savings by monitoring their current account and automatically transferring funds
- 7% (3.6m) had given access to their bank, savings or credit account information to a price comparison website, credit reference agency, bank or other financial firm so they can, variously, provide personalised results, credit checks or affordability checks

After providing a definition of Open Banking and listing some of the services it enables, we asked respondents how willing or unwilling they would be to give a variety of different businesses permission to securely access their banking information. Respondents were asked to answer on a scale of 0 to 10, where 0 is 'not willing at all' and 10 is 'very willing'. Figure 5.23 shows the average (mean) results given by business type and highlights that very few UK adults would be willing to give permission.

For example, when asked how willing they would be to give permission to a bank they have heard of, 61% would not at all be willing (score of 0), while just 2% would be very willing (score of 9 or 10). The average score given was just 1.7 out of 10.

Figure 5.23: Willingness to give the following types of businesses permission to securely access their banking information for Open Banking (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults who have a day-to-day account (Feb 2020:4,310) **Question:** RB103. Thinking about Open Banking, how willing would you be to give the following types of business permission to securely access your banking information? Answer on a scale of 0 to 10, where 0 is 'not at all willing' and 10 is 'very willing'.

Those who were not willing to do this gave a range of concerns, notably: the risk of suffering financial loss if fraudsters access their data (80% are very concerned), identity theft (79% are very concerned), their data not being stored securely (77% are very concerned), and how their account data would be used and who would have access to it (72% are very concerned). This suggests that there are still obstacles to overcome to reassure the public.

We told respondents about services that lead to measurable benefits, such as the ability to have a single view of their accounts in one place, receiving a better interest rate, getting a financial product that better meets their needs, or help with managing their money. At least one of these could convince almost half (45%) of adults with a day-to-day account to use Open Banking. Once they are aware of the potential benefits, younger adults are far more willing than older adults to adopt Open Banking, eg 54% of 18-44 year olds, compared with 33% of adults 55+.

6 Consumer attitudes to financial services

Key facts and figures: While consumers often lack trust in the financial services industry, most rate their own providers highly. The coronavirus (Covid-19) pandemic, however, has had somewhat of a negative impact, particularly on their trust in the insurance sector.

Trust is important for an effective financial services sector. A lack of trust and confidence can result in consumers not engaging with the financial services industry or failing to address their own financial needs.

Although there has been a slight improvement in levels of **trust and confidence** in the industry, as a whole, since 2017, trust in the different institutions that make up the sector remains low across the board. While banks are the most trusted type of institution, just one in five (20%) adults trust them highly; 44% do not have much trust in them. Adults trust insurance companies the least.

Covid-19 has brought increased financial uncertainty, and the sector has provided support to consumers and businesses. On balance, **banks have seen a small improvement in levels of trust** (17% of adults trust them more because of Covid-19, versus 15% who trust them less). Mortgage lenders, on the other hand, and financial advisers, pension companies, credit card companies and insurance companies have all seen net declines in the proportions of UK adults trusting them. This is particularly so for insurance companies: 22% of adults trust insurance companies less because of Covid-19, while 11% trust them more.

A more positive picture emerges when consumers are asked to rate their own provider. **People generally have higher levels of trust in their own provider than they do in institutions in general**, confirming the behavioural tendency for people to trust at an organisational level (where they have experiences to draw on) but to mistrust at an institutional level (where trust is based on opinions or general knowledge). Satisfaction with their own provider is also high, with the mortgage sector having the highest scores.

Trust, confidence and satisfaction are all interlinked and scores can be affected by bad experiences. **In the 12 months to February 2020, some consumers told us they experienced problems.** Where problems occurred, the most commonly reported were poor customer service, delays, IT system failures or service disruptions, and unexpected fees or charges – resulting in increased stress levels and time spent resolving the issue.

Financial services providers faced logistical difficulties maintaining customer services during the pandemic. **Since February 2020, one in four (25%) UK adults have experienced at least one of the service-related issues we tested.** This includes 11% who had a problem getting through to a provider and 9% who have had issues using a provider's website (5% could not find the information they needed, and 4% could not access their own products or services because they could not use the providers' online services).

Scope

In this chapter, we draw on findings from the Financial Lives 2020 survey and our Covid-19 panel survey to explore how consumers feel about the financial services sector and how this compares with trust and confidence in other types of institutions. We look at groups who have particularly low levels of trust and confidence and so are more at risk of not engaging with financial services firms and addressing their own needs.

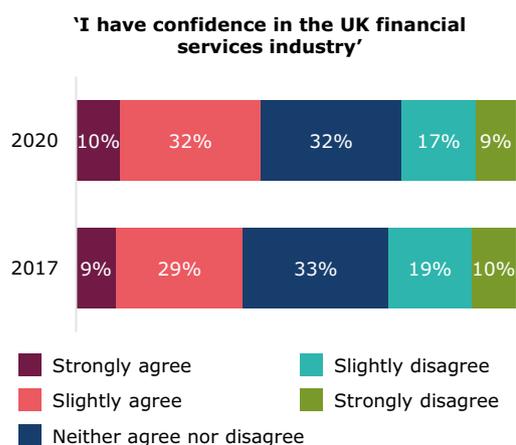
The concept of trust is multi-faceted and difficult to define. Trust is fundamentally driven by how people and organisations in the industry behave and the experiences consumers have.

Trust is driven by how people and organisations in the industry behave and the actual experiences that consumers have dealing with firms. To understand what impact this is having, we look at the proportion of adults who have experienced a problem with their product, and the types of problems experienced during the Covid-19 pandemic.

Confidence and trust in the financial service industry

As Figure 6.1 shows, one in ten (10%) UK adults strongly agree that they have confidence in the UK financial services industry. A further one in three (32%) slightly agree, meaning that in total 42% agree. This is a slight improvement on the 2017 results (9%, 29% and 38%, respectively). In contrast, one in four (26%) disagree that they have confidence in the UK financial services industry; again, a slight improvement on the 2017 results (29%).

Figure 6.1: Level of confidence in the UK financial services industry (April 2017/ Feb 2020)



Source: FLS April 2017/Feb 2020 **Base:** All UK adults (2017:12,865/Feb 2020:16,190) **Question:** AT2_d (Rebased).

In 2020, men were slightly more likely to have confidence in the financial services industry than women (46% vs. 39%, respectively).

Confidence also increases a little with age. For example, 49% of adults aged 75+ have confidence in the industry, compared with 35% of 18-24 year olds.

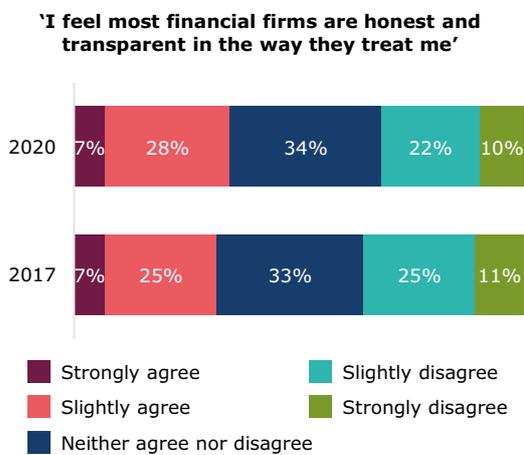
Adults who particularly lack confidence in the industry include:

- those with low financial resilience (37%) – particularly those who are over-indebted (42%)
- those in poor health (40%)
- those with low capability (36%)
- those with an annual household income of less than £15,000 (32%)

Figure 6.2 shows the extent to which UK adults believe financial firms are 'honest and transparent' in the way they treat them, and how this has changed between 2017 and 2020.

In 2020, 35% of UK adults agreed with the statement that financial firms are honest and transparent (7% strongly agreed and 28% slightly agree), while 32% disagreed (22% slightly and 10% strongly). This is a slight improvement on the 2017 results where 31% agreed that financial firms are honest and transparent and 36% disagreed.

Figure 6.2: Agreement whether financial firms are honest and transparent (April 2017/Feb 2020)



Adults with one or more characteristics of vulnerability are much more likely to disagree than adults with no characteristics of vulnerability (38% vs. 27%, respectively).

This is particularly true for over-indebted adults (50% disagree) and adults in poor health (45% disagree).

A notably high proportion of adults who identify as LGBT+ disagree with this statement (42%).

Source: FLS April 2017/Feb 2020 **Base:** All UK adults (2017:12,865/Feb 2020:16,190) excluding 'don't know' responses (4%/5%) **Question:** AT1c_d (Rebased).



I think they are a lot more honest and transparent than they used to be five years ago

Male, 18-24



I think they're just out to make money from you

Female, 55-64



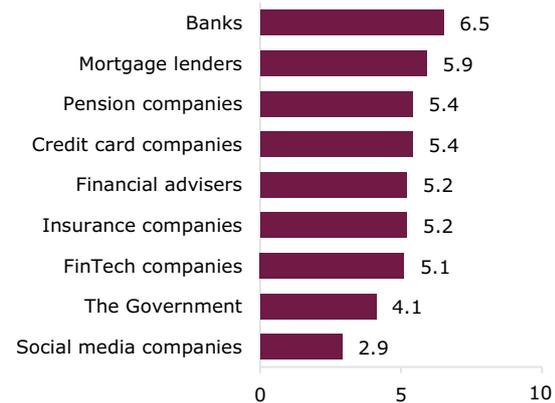
We asked adults in the Financial Lives 2020 survey to say how much trust they have in different types of organisation, such as banks or insurance companies. We used a scale of 0 to 10, where 0 is 'do not trust at all' and 10 is 'trust completely.' Figure 6.3 shows the average scores given.

This simple exercise clearly demonstrates that levels of institutional trust in the financial services sector are relatively low across the board.

While banks are the most trusted, just one in five (20%) adults trust them highly (a score of 9-10 out of 10), while 44% do not have much trust in them (0-6 out of 10). Of the financial institutions tested, adults have the least trust in insurance companies.

Levels of trust in financial services institutions are, however, significantly higher than levels of trust in social media companies and the Government, which were tested as comparators.

Figure 6.3: Levels of trust in different types of organisation (mean scores out of 10) (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults (2020:2,308)
Question: AT14 (Rebased). In general, how much trust do you have in the following types of organisation? **Note:** Respondents told FinTech companies are technology-led financial services firms, eg ApplePay, Monzo, or Revolut

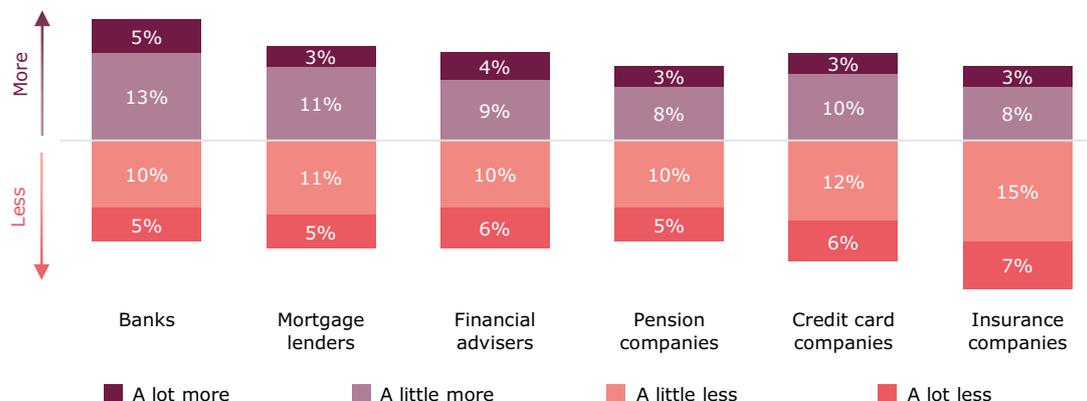
Levels of trust in financial services institutions tends to increase with age. For example, 30% of adults aged 75+ trust banks highly, compared with just 19% of adults aged 18-24. The opposite, however, is true for FinTech companies, where younger adults have more trust than older adults.

The impact of Covid-19 on trust

Figure 6.4 shows that Covid-19 has had an impact on consumers' trust in financial services institutions. Around seven in ten adults have not changed their views (ranging from 66% for insurance companies to 74% for pension companies). Figure 6.4 focuses only on those adults whose views have changed, ie those who now view financial firms in a more positive or a more negative light.

On balance, banks have seen a small improvement in levels of trust (17% of adults trust them more because of Covid-19, versus 15% who trust them less). Mortgage lenders, financial advisers, pension companies, credit card companies and insurance companies have all seen net declines in the proportions of UK adults trusting them. This is particularly so for insurance companies: 22% of adults trust insurance companies less because of Covid-19, while 11% trust them more.

Figure 6.4: Extent to which adults' views of different types of financial organisation have changed because of Covid-19 (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267) excluding 'don't know' responses (3%,17%,14%,11%,9%,7%) **Question:** AT14 (Rebased). In general, to what extent, if at all, has the Covid-19 pandemic affected the amount of trust you have in the following types of financial organisation?

Consumers' views of banks and mortgage lenders appear to have been shaped significantly by their experiences of applying for mortgage deferrals. For example, 38% of adults who have taken out a mortgage deferral because of Covid-19 view banks more positively, while 15% view them more negatively. The remainder (47%) say their level of trust has not changed. This compares with 16%, 15% and 70%, respectively, for adults who have not taken out a deferral.



It was really easy. I just did it on the app on my phone. And I got an email a few hours later saying your holiday payment and request has been accepted
Male, 45-54



I might be wrong, but my impression is that they just tell you what they need you to know and they don't tell you about the help they can give you ... things like mortgage payment holidays
Female, 35-44



They're in it to make money. That's all they care about. Because, at the moment, they're making money out of me. They're taking advantage of the situation because they know I can't do anything about it
Male, 25-34



Consumers' views of insurers appear to have been shaped somewhat by their experiences claiming on policies. For example, 4% of adults say they have not been able to get a refund from an insurance company or a claim has been handled poorly between March and October 2020. Of these, 21% say they trust insurance companies a little less now, and a further 14% say they trust them a lot less. This compares to 15% and 7%, respectively, for adults who have not had an issue with an insurance claim in this period.



A claim on airline and travel insurance as a result of cancelled business trips ... it has been appallingly handled!

Male, 55-64



Wedding insurance will not cover for anything Covid-related, which is morally corrupt, making it a huge risk for us to plan and book our wedding

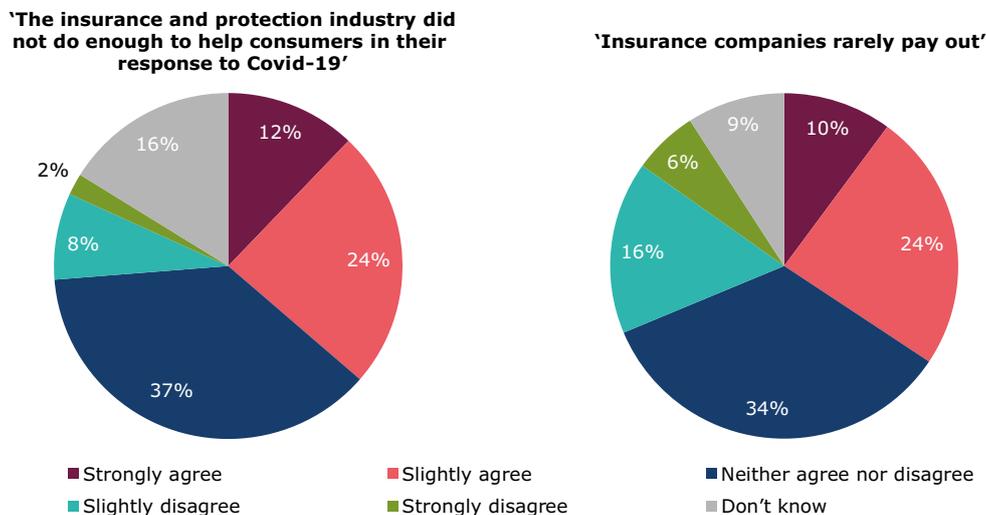
Male, 18-24



We explore the impact of Covid-19 on trust in the insurance industry further in Figure 6.5. This shows that over one in three (36%) believe that the insurance and protection industry did not do enough to help consumers in their response to Covid-19.

One in three (34%) believe that insurance companies rarely pay out, up from around one in five (22%) in February 2020.

Figure 6.5: Extent to which Covid-19 has had an impact on attitudes towards insurance and protection providers (Oct 2020)



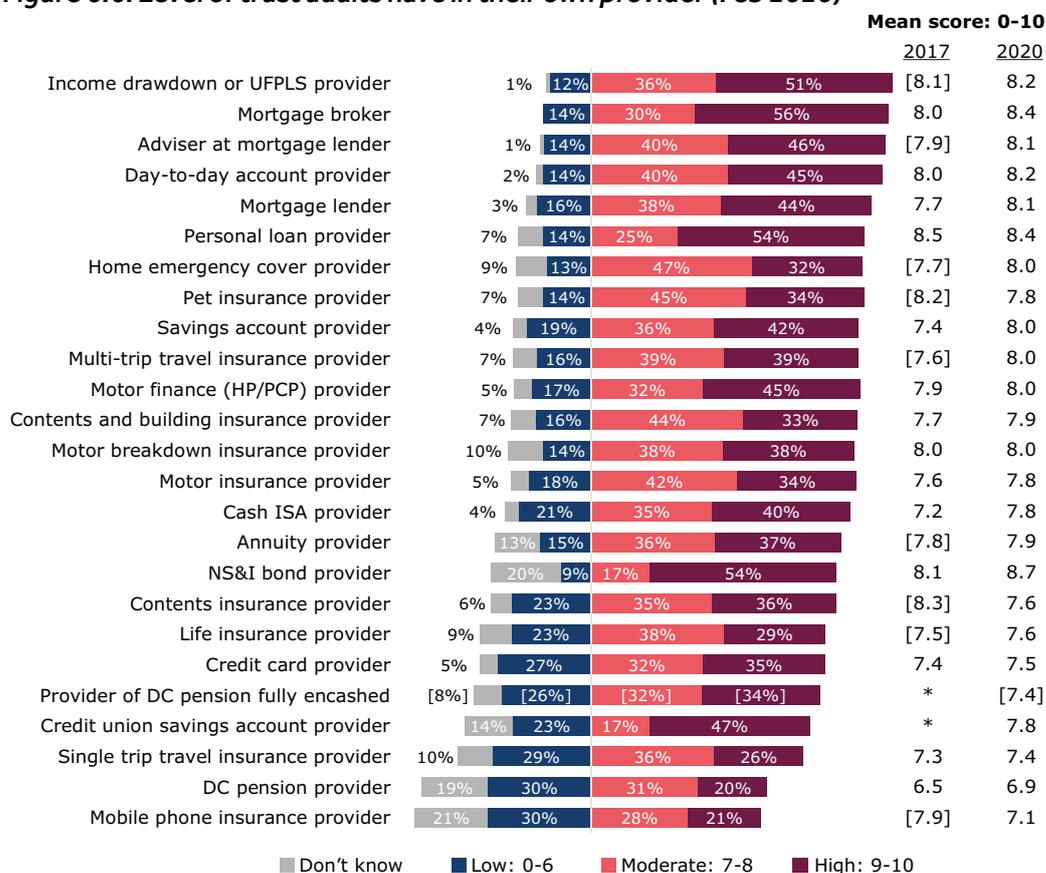
Source: Covid-19 survey, Oct 2020 **Base:** All UK adults with an insurance or protection product (Oct 2020:19,562)
Question: AE3c/d. How much do you agree or disagree with the following statements about your attitudes towards insurance and protection policies, and how these have changed, if at all, because of the Covid-19 pandemic?

Trust in their own provider

Trust in generic institutions or sectors, such as 'banks' or 'mortgage lenders', is based on 'ambient trust'. This means it is driven by opinions or general knowledge. In contrast, trust in individual organisations is typically based on familiarity, proven competence or personal experiences.

We asked adults to say how much they trust their *own provider*, using a 0 to 10 scale. The results, shown in Figure 6.6, demonstrate that people generally have higher levels of trust in their own provider than they do in the sector in general. This is perhaps not surprising given the behavioural tendency for people to trust at an organisational level, but to mistrust at an institutional level.

Figure 6.6: Level of trust adults have in their own provider (Feb 2020)



Source: FLS Feb 2020 **Base:** All adults who hold each product (varies by product) **Question:** Trust_sum1. How much trust do you have in your provider?

Looking at how different types of product providers fare in Figure 6.6, drawdown and Uncrystallised Funds Pension Lump Sum (UFPLS) providers, mortgage brokers and mortgage advisers are the most trusted providers. Mobile phone insurance providers and DC pension providers are the least trusted. This may be because customers of the former products have interacted more recently with them, and so are more familiar with them, than they are with the latter.

For example, adults providing a rating on their drawdown pension provider have accessed their pension in the last four years, so have had direct contact. In contrast, adults providing a rating on their DC pension provider include everyone who has a DC pension in accumulation; many may never have had direct contact with their provider, particularly if they have a workplace scheme.



It takes a lot to gain my trust, but so far the finance team that I've had working with my mortgage have been super, super helpful. Really open and transparent
Female, 18-24

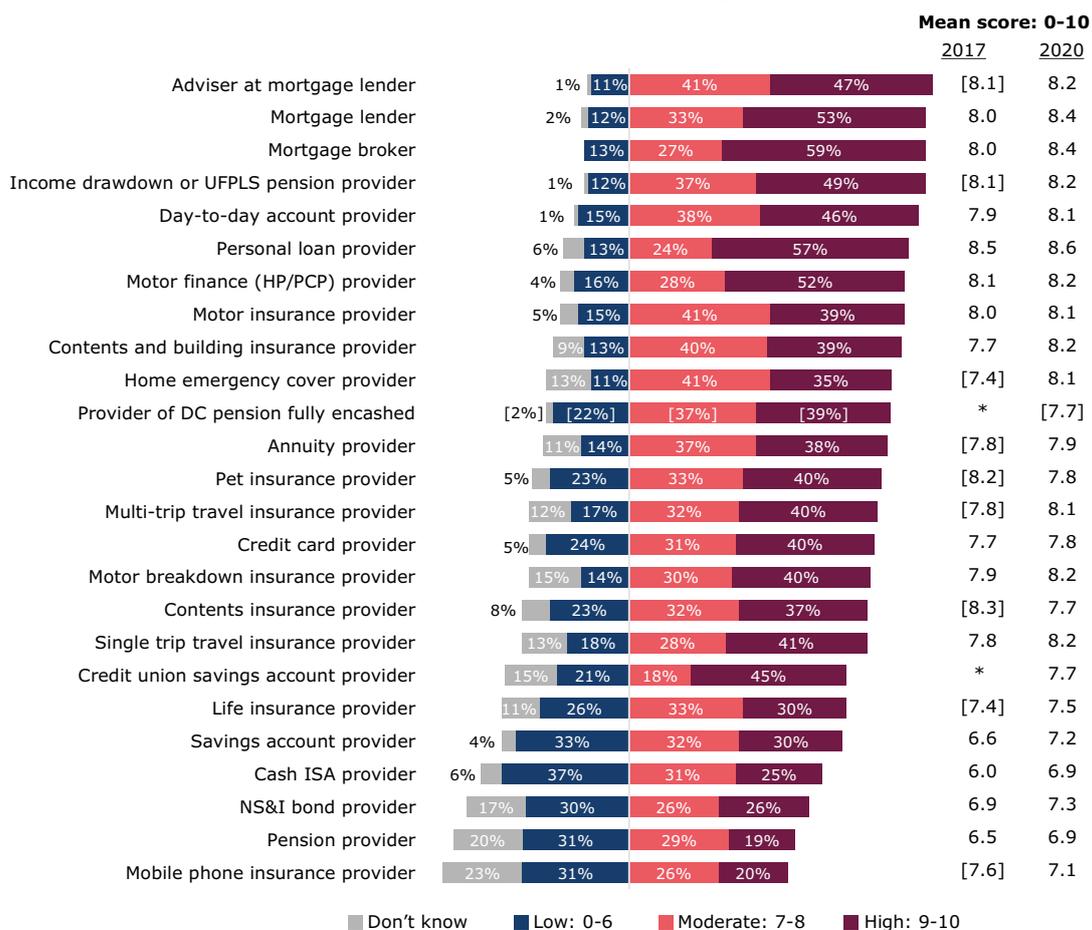


Satisfaction with their own provider

We asked adults to say how satisfied they are in their providers, using the same 0 to 10 scale. The results in Figure 6.7 show that satisfaction scores are quite high across the board, with the mortgage sector having the highest scores.

DC pension providers and mobile phone insurers have the lowest satisfaction scores. However, a relatively high proportion of customers (20% of DC pension holders and 23% of mobile phone insurance holders) were unable to say how satisfied they are.

Figure 6.7: Level of satisfaction adults have with their own provider (Feb 2020)



Source: FLS Feb 2020 **Base:** All adults who hold each selected product (varies by product) **Question:** Sat_sum1. Overall, how satisfied are you with your provider?

Problems consumers experienced

Trust, confidence and satisfaction are all interlinked and scores are often affected by actual experiences. Table 6.1 shows the proportion and number of product holders, by financial services sector, who report having had a problem with their product or provider in the 12 months to February 2020. It shows the top three problems experienced, and – for those who have experienced a problem – the top three impacts of these problems. Comparative results are shown in brackets for the proportion and number of product holders experiencing a problem in 2017.

Retail investment and consumer credit product holders are more likely to have had a problem than product holders of other retail financial services products (22% and 17% respectively) in the 12 months to February 2020.

The most common problems across all retail sectors are poor customer service, delays, IT system failures or service disruptions and unexpected fees or charges. The most common impacts include increased stress and time spent resolving the issue. Poorer than expected investment performance was mentioned for both retail investments and DC pensions in decumulation.

Table 6.1: Summary of problems and their impact by sector in rank order of percentage of consumers affected (Feb 2020)

	Number of product holders who experienced a problem in the last 12 months by sector		Top 3 problems experienced by product holders	Top 3 impacts for those who experienced a problem
	%	Millions		
 Retail investment	22% (2017: 15%)	3.8m (2017: 2.2m)	Investments didn't perform as well as I was led to believe (6%) Poor customer service (4%) Complex fees and charges (4%)	Lost money (23%) Suffered stress (17%) Spent significant time resolving the problem (15%)
 Consumer credit	17% (2017: na)	6.9m (2017: na)	Poor customer service (7%) IT system failure/ service disruption (4%) Unexpected fees or charges (3%)	I suffered stress (30%) Spent significant time resolving the problem (17%) Had problems paying bills (13%)
 Day-to-day account	16% (2017: 18%)	8.4m (2017: 8.7m)	IT system failure/ service disruption (8%) Poor customer service (3%) Unexpected change to interest rate (2%)	I suffered stress (21%) Spent significant time resolving the problem (18%) Incurred bank charges (9%)
 Decumulated a DC pension (in the last 4 years)	12% (2017: na)	0.2m (2017: na)	Poor customer service (4%) Poor advice from financial adviser (2%) Pension investments didn't perform as well as I was led to believe (2%)	Spent significant time resolving the problem ([32%]) I suffered stress ([18%]) Lost money ([15%])
 General insurance or protection	11% (2017: 16%)	5.2m (2017: 6.6m)	Poor customer service (4%) Policy costing more than expected (3%) Complex product information (2%)	Spent significant time resolving the problem (31%) I suffered stress (21%) Lost money (13%)
 Savings	11% (2017: 12%)	4.1m (2017: 4.1m)	Unexpected change to interest rate (4%) IT system failure/ service disruption (2%) Poor customer service (2%)	I suffered stress (13%) Spent significant time resolving the problem (9%) Incurred bank charges (7%)
 Residential mortgage	9% (2017: 11%)	1.5m (2017: 1.8m)	Complex product information (2%) Delays when making changes to my mortgage (2%) Poor customer service (2%)	I suffered stress (31%) Spent significant time resolving the problem (25%) Lost money (12%)
 DC pension in accumulation	8% (2017: 10%)	1.7m (2017: 1.7m)	Complex product information (2%) Poor customer service (2%) Product costing more than expected (1%)	I suffered stress (11%) Spent significant time resolving the problem (8%) Lost money (8%)

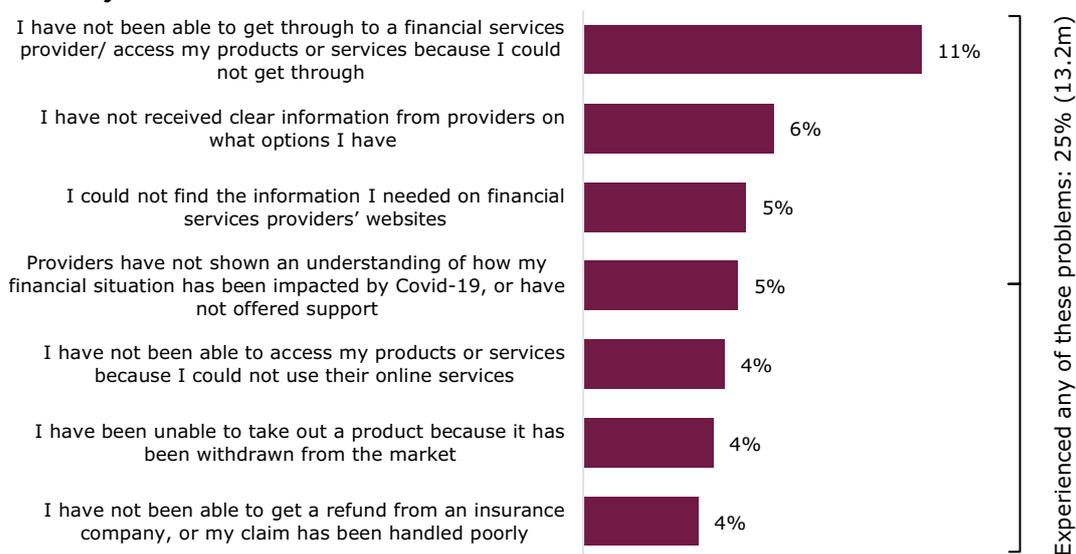
Source: FLS Feb 2020 **Base:** All adults who hold each product (varies by product)/All adults who have experienced a problem in the last 12 months (varies by product) **Source:** Summary of problems and complaints **Note:** The survey asked consumers whether they had experienced problems in the last 12 months with any of their products in a given retail sector. In the case of retail investments, they were asked to mention any problems related to advice on investments or platforms they had used. Similarly, with respect to residential mortgages, they were asked about problems with that mortgage or any advice received about it. In terms of DC pensions, the questions were about pensions or related advice (if in accumulation) or pensions recently accessed or advice related to products purchased such as an annuity (if decumulated in the last 4 years). Respondents were provided with a list of problems and impacts as a prompt, but could also specify other problems or impacts experienced. For the small number of respondents who experienced more than one problem in the last 12 months with any product in a given retail sector, they were asked about the impacts of the most serious problem they experienced. No comparable data are available for 2017 for consumer credit or DC pensions in decumulation.

Problems experienced as a result of Covid-19

Covid-19 has presented the financial services sector with huge logistical challenges in running a 'normal' service while many staff have been told by the Government to work from home if possible.

Figure 6.8 shows that a minority of UK adults, one in four (25%), have experienced at least one of the service-related problems we tested. This includes 11% who have experienced a problem getting through to a provider and 9% who have had issues using providers' websites (5% could not find the information they needed, and 4% could not access their own products or services because they could not use the providers' online services).

Figure 6.8: Problems experienced with any financial services provider since the end of February (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267) **Question:** EF4. Since the end of February (just before the Covid-19 lockdown), have you experienced any of the following when interacting with any financial services provider?

Respondents have given us some anecdotes of the poor experiences and the positive experiences they have had with providers in 2020. In most cases their story is about communications – praising unsolicited contact from providers and criticising difficulties with contacting providers, particularly by telephone – as illustrated in Figure 6.9.

Figure 6.9: Anecdotes of the poor and positive experiences survey respondents have had with providers during Covid-19 (Oct 2020)



7 Consumer engagement with their finances

Key facts and figures: The coronavirus (Covid-19) is having a detrimental impact on consumers' self-rated confidence in money management, but it is also encouraging more insurance holders to pay attention to policy details and to shop around to save money.

In October 2020, 14.6 million adults (28%) had **low confidence** in their ability to manage their money, 7.1 million adults (14%) did not consider themselves to be 'confident and savvy' when it comes to financial services and products, and 15.9 million (30%) felt they have low knowledge about financial matters.

Covid-19 has had a negative impact on **consumers' confidence in money management** – and has also reversed a more positive trend in these results from 2017 to early 2020. For example, 55% of adults whose finances have worsened because of Covid-19 and are now considered to have low financial resilience say their confidence has decreased since February 2020. Under half (45%) of employees who were laid off or made redundant because of Covid-19 say the same.

A total of 9.4 million adults (18%) rate their **confidence working with numbers** when they need to in everyday life as low. Those who lack confidence working with numbers are also likely to lack confidence managing their money (60%). They are less likely to engage with financial services and products, are more likely to hold high-cost credit and are less likely to hold savings, investments, insurance or protection products.

More adults (17.7 million or 34%) have poor or low **levels of numeracy** involving financial concepts. Financial numeracy is not always closely related to self-rated confidence working with numbers. For example, 22.9 million adults (44%) are over-confident in their financial numeracy.

Inertia is common across many users of financial services products. Taking savings accounts as an example:

- one in four (25%) adults have held their account with the same provider for 10 years or more, while 17% have held it for five to 10 years
- four in five (79%) hold their account with their main current account provider
- just 6% have switched provider in the last three years
- of those who took out a savings account in the last three years, three in five (60%) shopped around by looking at products, prices or the terms and conditions offered before they took it out

In February 2020, 35.1 million adults (67%) always or usually **shopped around** for insurance products, while 22.9 million (44%) did so for other financial products, such as current accounts, savings accounts and ISAs. One in three (33%) say they are more likely to shop around in the future for insurance products because of Covid-19, while 29% are more likely to shop around for other financial products.

Over half (55%) of active DC pension scheme members have **low levels of pension engagement**. Whether or not a member has read their annual statement and understood it well makes a clear difference on engagement, yet three in ten (29%) DC pension members cannot recall receiving a statement in the last 12 months, and a further one in seven (14%) received one but did not read it.

Looking at the impact of Covid-19 on pension contributions, 6% of adults who were contributing to a pension at the end of February 2020 had stopped making contributions by October (6%), while 10% had reduced their contributions.

Poor engagement with retirement planning means that members can be put in a difficult situation, if an unexpected event such as Covid-19 occurs and they have to give up work:

- almost three in five (58%) of those who retired between March and October 2020 did so because of Covid-19
- one in seven (14%) adults aged 50+ who have not yet retired say that Covid-19 has affected their retirement plans: 9% have delayed their retirement plans, while 6% have brought them forward

Engagement levels with insurance are also low. While most policy holders recall receiving a Key Facts document when they took out or renewed their policy in the last three years, at best one quarter (24%) and at worst one in ten (10%) read it carefully.

Covid-19 has highlighted the importance of understanding exactly what is and is not covered by policies, and this is reflected in the six in ten (58%) policy holders who report that next time they take out a policy they will pay closer attention to what it covers. On another positive note, three in ten (29%) have been inspired by Covid-19 to get a better understanding of their policy cover.

Because of Covid-19, 17% of adults with an insurance or protection product have switched to a new provider to lower the cost of a policy, and one in twenty (6%) have cancelled a policy to save money.

Scope

In this chapter, we explore consumers' engagement with their finances, and how this has changed as a result of Covid-19.

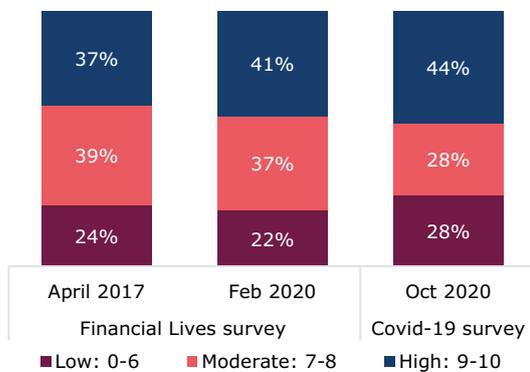
We share self-reported scores for consumer confidence in managing their money, knowledge about financial matters and the extent to which they see themselves as a confident and savvy consumer. We go on to look at shopping around and switching, and discuss how inertia is common across many users of financial services products. Finally, we examine consumer engagement within the pensions and insurance sectors and see how Covid-19 has affected this.

Consumer confidence in managing money

Figure 7.1 shows the extent to which UK adults feel confident managing their money and how this has changed between 2017 and 2020.

In October 2020, 44% of UK adults felt highly confident managing their money, 28% felt moderately confident, and 28% had low levels of confidence. On balance, this is a worse result than that recorded in February 2020, before the first Covid-19 national lockdown, when 41% felt highly confident, 37% moderately confident, and 22% had low levels of confidence.

Figure 7.1: Consumer confidence in managing their money (April 2017/Feb 2020/Oct 2020)



Source: FLS April 2017/FLS Feb 2020/Covid-19 survey, Oct 2020 **Base:** All UK adults (2017:12,865/Feb 2020:16,190/Oct 2020:22,267) excluding 'don't know' responses (1%/1%/2%)
Question: AT1a (Rebased). How confident do you feel managing your money?

Covid-19 is having a negative impact on consumers' confidence in money management. For example:

- 55% of adults whose finances have worsened as a result of Covid-19 and are considered to have low financial resilience say their confidence has decreased since February 2020
- 45% of employees who were laid off or made redundant because of Covid-19 say their confidence has decreased since February
- 34% of employees who were furloughed or put on paid leave say their confidence has decreased since February



I've never been very comfortable with my finances to be honest. I do find it a bit overwhelming anyway, but it's definitely been worse, much worse, because there's that uncertainty of what's around the corner. We have no idea what's going to happen in three weeks' time. Are we going to have any more work coming in?

Female, 35-44



Figure 7.2 shows that the majority of UK adults consider themselves to be 'confident and savvy' when it comes to financial services and products.

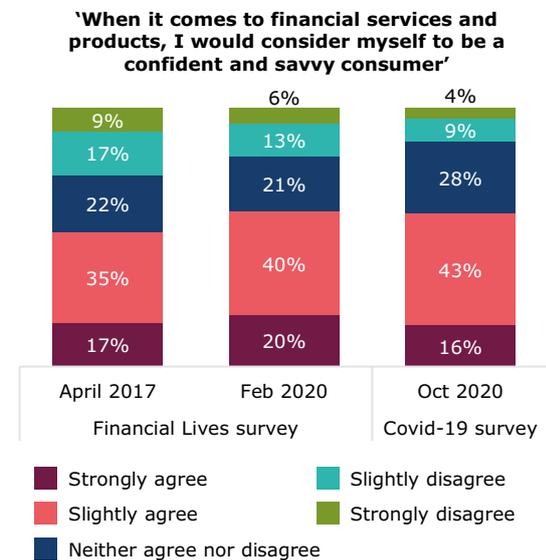
This sentiment has changed a little since Covid-19: 59% agreed that they were confident and savvy in October 2020, compared with 61% in February 2020.

Adults most likely to lack confidence in October 2020 are:

- over-indebted (28% disagreed) and those in financial difficulty (28%)
- aged 18-24 (23%)
- those who have arranged a mortgage payment deferral because of Covid-19 (19%)
- BAME (16%)

Women are more likely to disagree that they are confident and savvy when it comes to financial services and products than men (16% vs. 11%, respectively).

Figure 7.2: Confident and savvy consumers of financial services (April 2017/Feb 2020/Oct 2020)

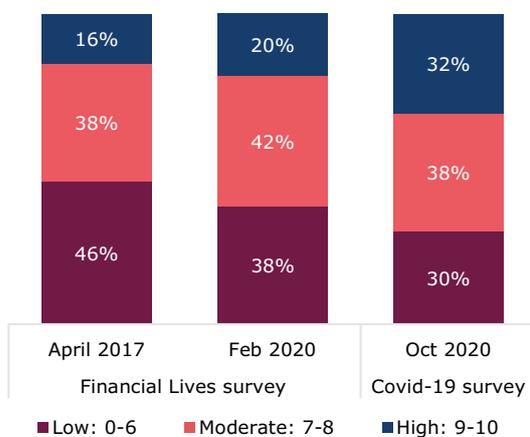


Source: FLS April 2017/FLS Feb 2020/Covid-19 survey, Oct 2020 **Base:** All UK adults (2017:12,865/Feb 2020:16,190/Oct 2020:22,267) excluding 'don't know' responses (2%/2%/3%)
Question: AT1c_c (Rebased).

Consumer knowledge about financial matters

Figure 7.3 shows that 30% of adults felt they had low knowledge about financial matters in October 2020, fewer than in February 2020 (38%) and April 2017 (46%).

Figure 7.3: Level of consumer knowledge about financial matters (April 2017/ Feb 2020/Oct 2020)



Source: FLS April 2017/FLS Feb 2020/Covid-19 survey, Oct 2020 **Base:** All UK adults (2017:12,865/Feb 2020:16,190/Oct 2020:22,267) excluding 'don't know' response (1%/1%/3%)
Question: AT5 (Rebased). How knowledgeable would you say you are about financial matters?

Self-rated knowledge improves with age, but a significant number of adults in all age groups rate their knowledge as low. Low knowledge ranges from 45% of 18-24 year olds to 19% of 65-74 year olds and 20% of adults aged 75+.

Women are more likely to rate their knowledge of financial matters as low than men (33% vs. 27%, respectively).

As these are self-rated scores, they should be treated with some caution, especially as there is a tendency for less-knowledgeable consumers to be over confident when it comes to financial services, while some more knowledgeable consumers may doubt their own abilities.

Confidence working with numbers and understanding financial concepts

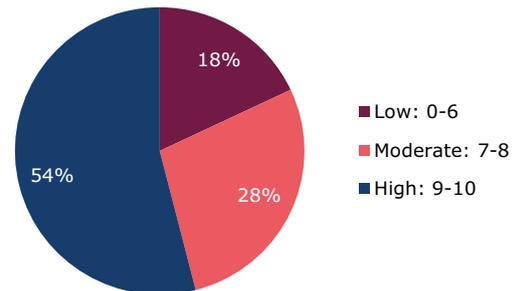
Confidence working with numbers

We asked adults to say how confident they feel working with numbers when they need to in everyday life. As shown in Figure 7.4, 18% (9.4m) rate their confidence as low, 28% (14.9m) as moderate, and 54% (28.1m) as high.

Confidence working with numbers in everyday life is closely linked to other aspects of confidence, such as confidence managing money and in making decisions with financial services and products.

For example, six in ten adults (60%) who are highly confident working with numbers are also highly confident managing their money. Three in four (75%) consider themselves to be 'confident and savvy' when it comes to financial services and products.

Figure 7.4: Confidence working with numbers in everyday life (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults (2020:16,190)
Question: AT1D (Rebased). How confident do you feel working with numbers when you need to in everyday life?

The opposite is also true: 60% of adults who lack confidence working with numbers in everyday life also lack confidence managing their money; 43% do not consider themselves to be 'confident and savvy' when it comes to financial services and products. Most (86%) rate their knowledge about financial matters as low. Seven in ten (69%) are dissatisfied with their financial situation.

Adults who lack confidence working with numbers are less likely to engage with financial services and products. For example, just half (53%) always or usually shop around for insurance products and just three in ten (31%) always or usually shop for other financial products like current accounts, savings accounts and ISAs. By comparison, 72% and 50% of adults who are highly confident working with numbers shop always or usually around for these products, respectively.

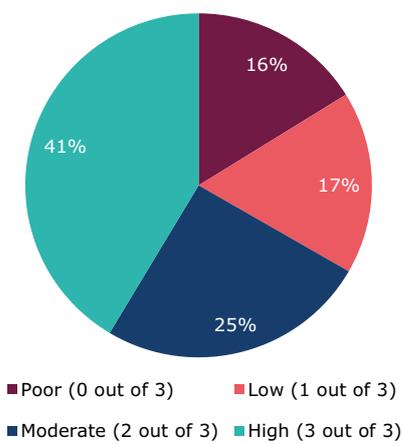
There is also a link between confidence working with numbers and financial product holdings. For example, in comparison to adults with high levels of confidence, adults who lack confidence working with numbers are more likely to hold high-cost credit (15% vs. 9%), but less likely to hold any savings products (62% vs. 84%), investment products (22% vs. 47%), insurance products (78% vs. 93%) or protection products (35% vs. 53%). One in twenty (5%) are unbanked, compared with just 1% of adults with high levels of confidence.

Understanding financial concepts

To test whether self-rated confidence working with numbers is closely aligned to actual numeracy, we asked adults three multiple choice questions, developed by National Numeracy, to test their numeracy involving financial concepts.

As Figure 7.5 shows, 41% of UK adults answered all three questions correctly, 25% answered two questions correctly and 34% answered none or one question correctly.

Figure 7.5: Levels of numeracy involving financial concepts (Feb 2020)



Numeracy related to financial concepts questions:

NUM1. Suppose you put £100 into a savings account with a guaranteed interest rate of 2% per year. There are no fees or tax to pay. You don't make any further payments into this account and you don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made?

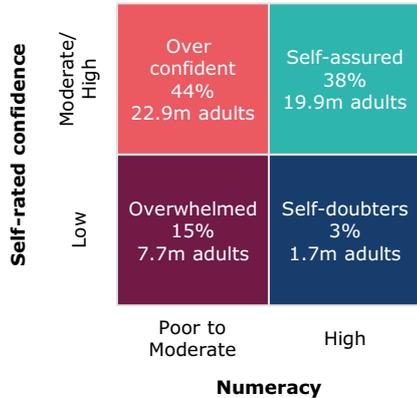
NUM2. And how much would be in the account at the end of five years (remembering that there are no fees or tax deductions)?
1. More than £110; 2. Exactly £110; 3. Less than £110; 4. It is impossible to tell from the information given; 5. Don't know

NUM3. If the inflation rate is 5% and the interest rate you get on your savings is 3%, will your savings have more, less or the same amount of buying power in a year's time?
1. More; 2. The same; 3. Less; 4. Don't know

Source: FLS Feb 2020 Base: All UK adults (2020:16,190) Question: Numeracy (Financial summary)

By comparing adults' confidence working with numbers with their level of financial numeracy we can assign them to one of four segments:

Figure 7.6: Comparison of self-rated confidence working with numbers to numeracy involving financial concepts (Feb 2020)

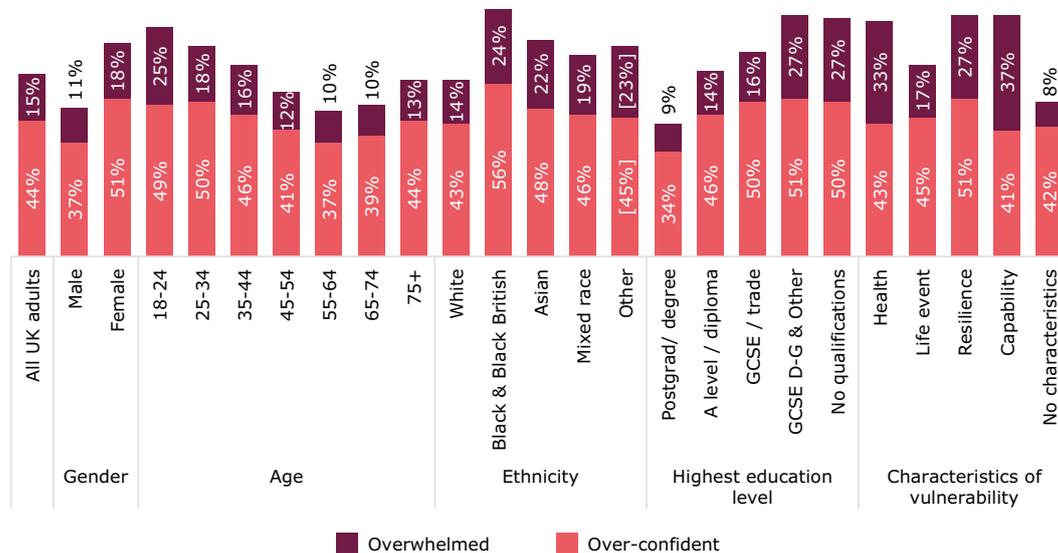


- **Over-confident (22.9m adults):** rate their confidence working with numbers as moderate or high, but have poor to moderate financial numeracy
- **Self-assured (19.9m adults):** rate their confidence working with numbers as moderate or high and have high levels of financial numeracy
- **Overwhelmed (7.7m adults):** rate their confidence working with numbers as low and have poor to moderate financial numeracy
- **Self-doubters (1.7m adults):** rate their confidence working with numbers as low, but have high financial numeracy

Source: FLS Feb 2020 Base: All UK adults (2020:16,190)
Question: AT1D (Rebased)/Numeracy (Financial summary)

As Figure 7.7 shows, groups over-represented within the 'overwhelmed' and 'over-confident' populations, in total, include: Black adults, adults with low capability, adults in poor health, those with no formal qualifications, those educated to GCSE D-G level, and adults aged 18-24.

Figure 7.7: Proportion of adults who are overwhelmed or over-confident in their financial numeracy across different consumer groups (Feb 2020)



Source: FLS Feb 2020 Base: All UK adults (2020:16,190) Question: Numeracy – Financial concepts (segmentation)

Switching and shopping around

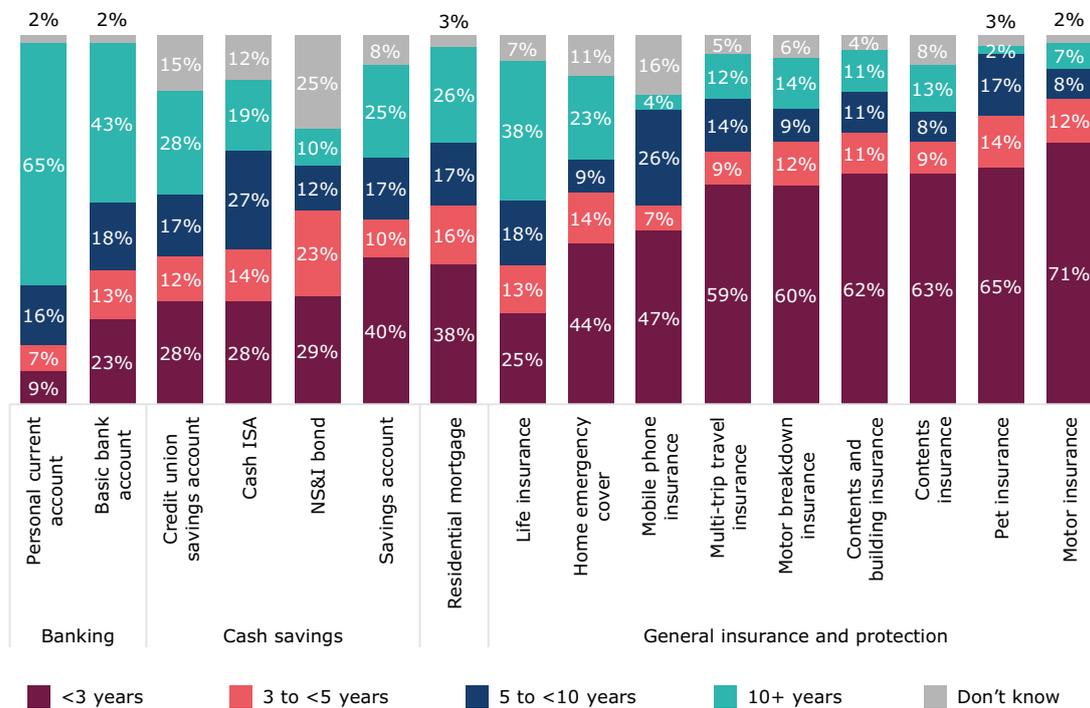
Longstanding customers

Although many adults consider themselves to be confident and savvy when it comes to financial services and products, inertia is common across many users of financial services products.

This is highlighted in Figure 7.8, which compares the length of time adults have held their product with the same provider across 16 products in retail banking, cash savings, mortgages and general insurance and protection.

Two-thirds (65%) of personal current account holders have had their account with the same provider for 10 years or more, and one in six (16%) have done so for between five and 10 years. In contrast, 7% of motor insurance policy holders have held their policy with the same provider for 10 years or more, while 8% have done so for between five and 10 years.

Figure 7.8: Length of time customers have held their financial products with the same provider by product (Feb 2020)



Source: FLS Feb 2020 Base: All adults who hold each product (varies by product) Question: Length of time held.

Products consumers hold with their main current account provider

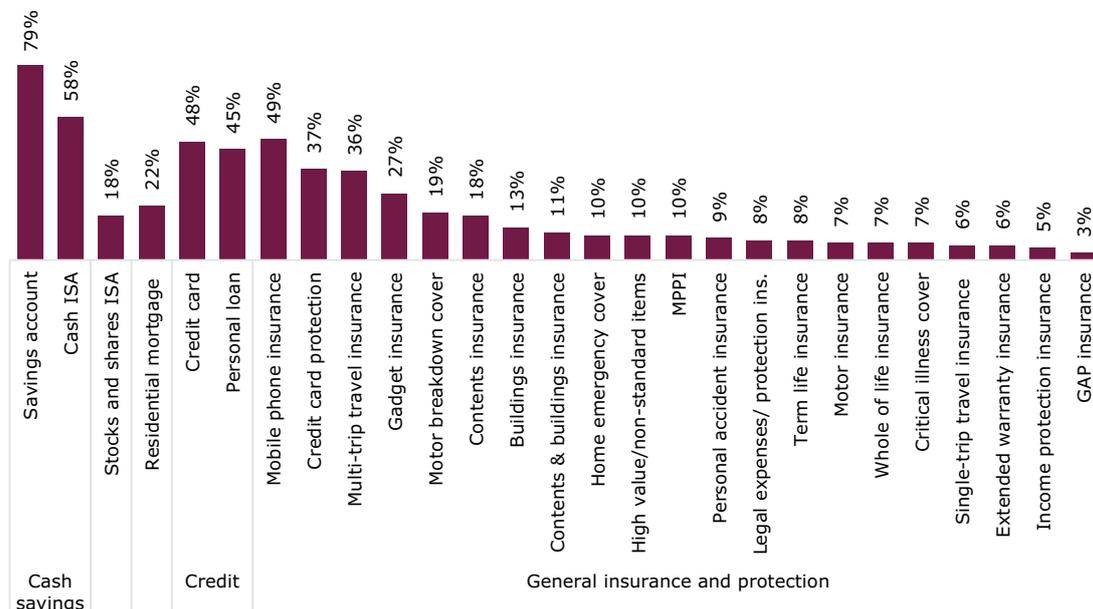
In Figure 7.9 we show the proportion of adults who have taken out other financial products with their main current account provider. These results are self-reported so may underestimate the true proportions, especially where a current account provider offers products under a different brand name.

It is very common for people to take out cash savings with their current account provider: four in five (79%) savings account holders have a saving account with their main current account provider. Nearly three in five (58%) cash ISA product holders have a cash ISA with their main current account provider. This contrasts with the 18% who have a stocks and shares ISA.

Just over one in five (22%) have a mortgage with their current account provider, while close to half of those with credit cards (48%) and personal loans (45%) do so.

The popularity of packaged bank accounts helps to explain why a significant proportion of UK adults have general insurance products with their current account provider, eg one in three (36%) have multi-trip travel insurance and one in two (49%) have mobile phone insurance.

Figure 7.9: Proportion of product holders who hold their product with their main current account provider by product (Feb 2020)

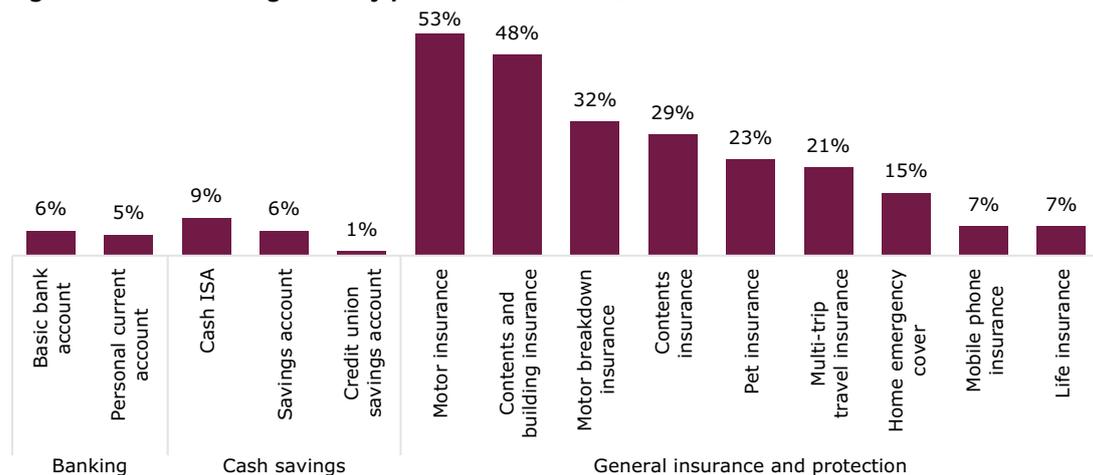


Source: FLS Feb 2020 **Base:** All adults who hold a current account and each product (varies by product) excluding 'don't know' responses **Question:** PONEWXsum_products. Summary of products held with main current account provider

Switching rates

Figure 7.10 shows the proportion of adults who have switched their provider in the last three years. Switching is lowest for current accounts, cash savings products, mobile phone insurance and life insurance. Motor insurance has the highest level of switching, with 53% of consumers switching their provider in the last three years.

Figure 7.10: Switching rates by product (Feb 2020)



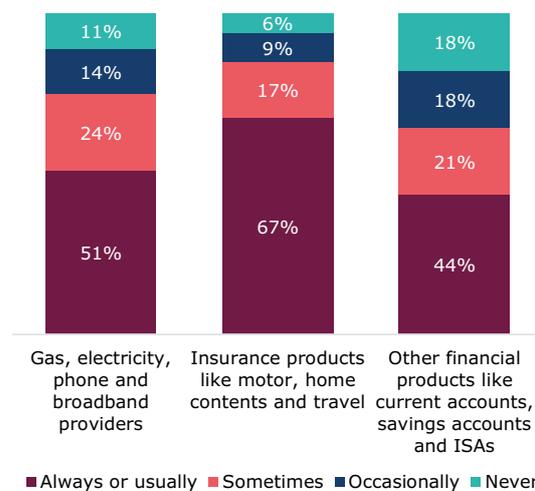
Source: FLS Feb 2020 **Base:** All adults who hold each product (varies by product) excluding 'don't know' responses **Question:** Switching (Rebased).

The context in which customers might switch products differs. For example, some products are re-negotiated each year, such as motor insurance, where there is an annual prompt to consider switching in the form of a new price offer. For other products like current accounts there is no such prompt. It is also possible that a high switching rate might be a good thing for one product but not for another.

Shopping around

Social norms have made it more commonplace to shop around for insurance products (such as motor, home and travel insurance), where it is relatively easy to compare prices and features; comparison sites have been developed to enable this process. But even here, as Figure 7.11 shows, a third (33%) of UK adults do not always or usually shop around. By shopping around, we mean comparing at least two different providers by looking at products, prices or the terms and conditions offered before they take out their product.

Figure 7.11: Tendency to shop around (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults (2020:16,190) excluding 'don't know' responses (2%/3%/2%) **Question:** AT11 (Rebased) When you arrange your [product], do you shop around?

The tendency to always or usually shop around for insurance products is highest among 25-34 year olds (76%), and lowest among those 75+ (44%).

Couples are more likely to always or usually shop around than singles (71% and 59%, respectively).

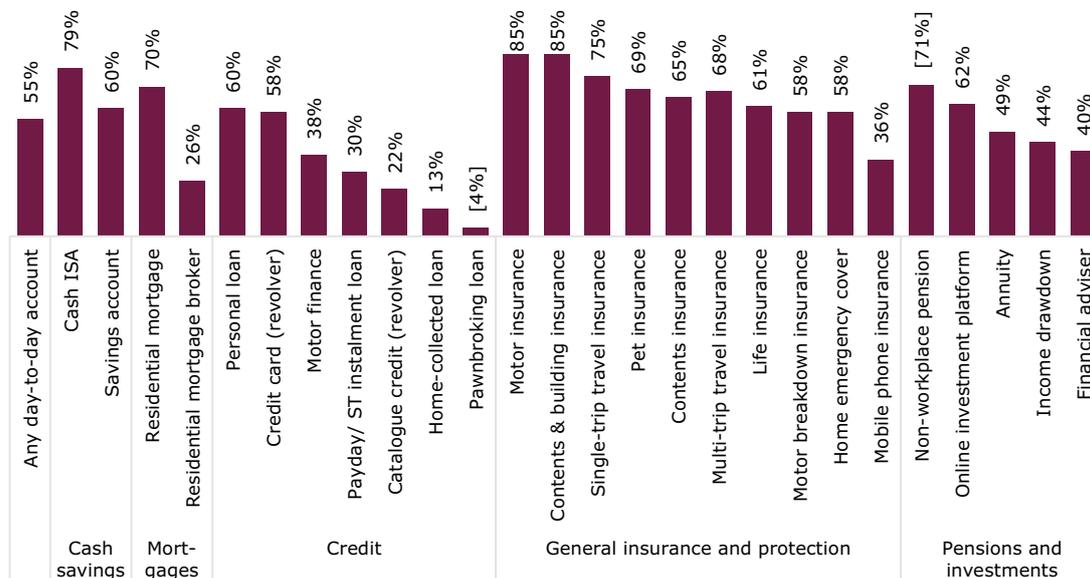
Three-quarters (76%) of those who have excellent internet ability always shop around for insurance, compared with 63% who self-rate as good or fair, 39% who self-rate at poor or bad, and 25% who never use the internet.

Figure 7.12 looks at shopping around by product type. To ensure likely good recollection, only adults who took out their product recently were asked this question. For most products, this is within the last three years (see base notes in Figure 7.12 for more information).

The tendency to shop around varies considerably by retail sector, and by product within each sector. Shopping around is most common for motor insurance, content and buildings insurance, cash ISAs and single-trip travel insurance. It is least common for high-cost credit, such as home-collected loans, catalogue credit and payday and short-term instalment loans.

When looking for professional support to make financial decisions, UK adults are less likely to shop around for a mortgage broker than a financial adviser (26% and 40%, respectively).

Figure 7.12: Proportion of customers who shopped around for their product when they took it out recently by product (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults who took out their product in the last three years (day-to-day account, cash ISA, savings account, residential mortgage, credit card revolver, catalogue credit revolver, all general insurance and protection products, non-workplace pension)/All UK adults who took out their product in the last 12 months (personal loan, motor finance, payday/short term instalment loan, home-collected loan, pawnbroking loan)/All UK adults who took out their product in the last four years (annuity, income drawdown)/All UK adults who hold investments on an online investment platform which they manage themselves without advice/All UK adults who took out their mortgage in the last three years and the mortgage was recommended by a broker or they used a broker but didn't take out the recommend product/All UK adults who have used their financial adviser for around 2-3 years or less. Data exclude 'don't know' responses. **Question:** Shopped_sum1 (Rebased). Before you opened your ... did you compare accounts from two or more different providers by looking at products, prices or the terms and conditions offered?

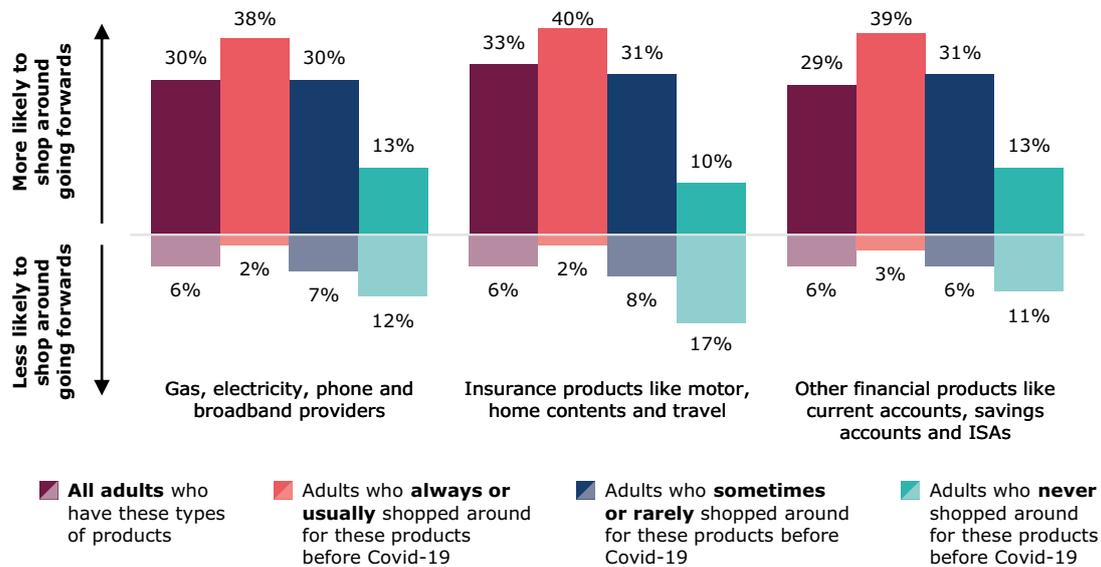
The impact of Covid-19 on shopping around

Despite the pressure on household finances, around two-thirds of UK adults say Covid-19 has had no impact on their likelihood to shop around. Figure 7.13 focuses on those who say Covid-19 has had an impact. It shows that, on balance, these people say they are more likely to shop around because of Covid-19 than less likely. For example:

- 33% who hold insurance products are more likely to shop around in the future because of Covid-19, while 6% are less likely
- 29% who hold other financial products like current accounts, savings accounts and ISAs are more likely to shop around in the future because of Covid-19, while 6% are less likely

Figure 7.13, however, also shows that much of the impact will simply reinforce existing shopping around behaviours. If people shopped around before they will continue do so. Relatively few will change their behaviour. For example, just 10% of those who had never previously shopped around for insurance products say they are more likely to do so because of Covid-19, while just 13% of those who had never shopped around for other financial products say they are more likely to do so because of Covid-19.

Figure 7.13: Impact of Covid-19 on consumers' willingness to shop around (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults who have these types of products (Oct 2020: 21,776/20,601/20,795) excluding 'don't know' responses (4%) **Question:** AE4 (Rebased). Do you think it will be more or less likely that you will shop around going forwards because of the Covid-19 pandemic for the following types of product?



I'm kind of aware of the costs and for a few pounds here or there it's not actually worth my time to investigate to go around changing these things
Male, 35-44



Understanding of and engagement with DC pensions

In Chapter 2 (Product holdings, assets and debt) we show that 58% of all UK adults (30.2m) had a pension in accumulation in early 2020, rising to 70% for non-retirees. Three-fifths (60%) of non-retirees were making contributions to a pension (or their employer is on their behalf).

We also discuss how auto-enrolment has increased pension take-up. For example, 85% of adults working for an employer in February 2020 had a pension in accumulation, compared with just 75% in April 2017.

DC pensions are increasingly becoming the bedrock of a decent retirement income as most Defined Benefit schemes have now closed to new members and new accruals. This places far more risk and responsibility on the individual. In this section, we look at the extent to which DC pension holders are engaging with their pension savings and planning for retirement, ie whether they understand the amount they are saving, the charges they are paying and what happens to their money once it leaves their pay packet.

We go on to consider whether Covid-19 has had any impact on contribution levels, retirement plans and DC pension withdrawals.

Overall understanding and engagement levels among active members

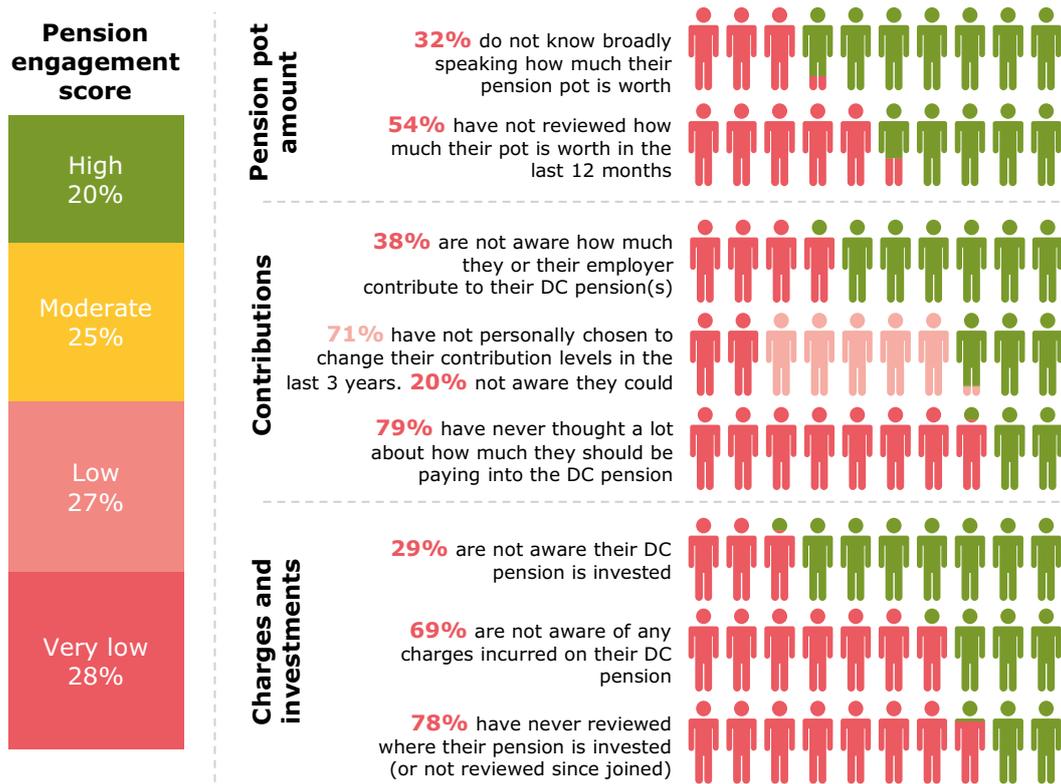
Understanding of DC pensions is poor, both among those who are currently contributing (active members) and those deferred members whose pensions are frozen (ie they have a DC pension but are no longer contributing to it).

Figure 7.14 summarises the level of engagement of active DC pension members using nine engagement indicators from our Financial Lives 2020 survey. These indicators are related to awareness of their pension pot value, understanding their contribution levels, and understanding charges incurred and that their pension is invested.

We use this information to assign a score out of nine to each active member (one point for each positive indicator). This allows us to segment the population into four DC pension engagement groups. These groups are, of course, subjective, but they are a useful way to summarise overall levels of engagement and to look at demographic groups that are more or less engaged.

Figure 7.14 shows that that one in five (20%) active members have high levels of engagement with their DC pension. Conversely, three in ten (28%) have very low engagement.

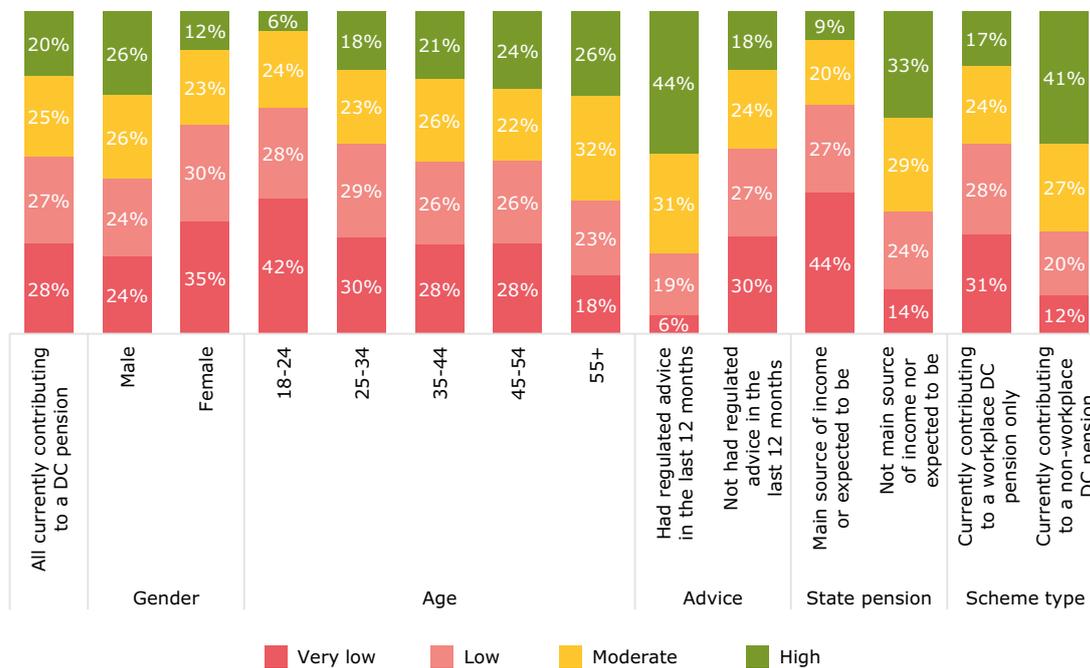
Figure 7.14: Summary of pension engagement for adults currently contributing to a DC pension (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults who currently contribute to a DC pension in accumulation (2020:2,112)
Question: Pensions engagement summary 3. **Note:** The pension engagement score is calculated by assigning a score to each adult by reviewing the 9 underlying indicators of engagement. Those deemed to have very low levels of DC pension engagement scored 0-2 out of 9; those with low levels scored 3-4 out of 9; those with moderate levels scored 5-6 out of 9 and those with high levels scored 7-9 out of 9.

Figure 7.15 shows how engagement and understanding levels for active members vary by gender and age. It also explores whether engagement varies based on advice usage, expected reliance on the State pension income in retirement (and conversely the expected importance of their private pension to their retirement income), and DC scheme type (workplace vs. non-workplace).

Figure 7.15: Summary of pension engagement for adults currently contributing to a DC pension across different consumer groups (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults who currently contribute to one or more than one DC pension (2020:2,112)
Question: Pensions engagement summary 2.

Here we see that women are more likely to have lower engagement levels than men. Just one in eight (12%) women are very engaged with their pension, compared with one in four (26%) men. This gender gap is worrying, if poor levels of engagement result in poorer outcomes at retirement.

Although engagement levels increase with age, just a quarter (26%) of active members aged 55+ have high levels of engagement. This is only a little higher than the overall figure of 20% for all active members.

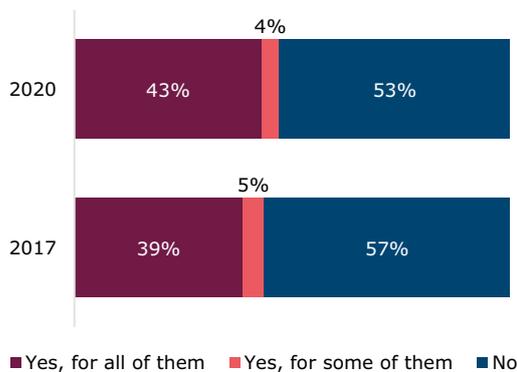
Those who have had regulated financial advice in the last 12 months are more engaged and have a better understanding of their pension than those who have not. This is very encouraging, although we cannot be sure from the questions asked whether the advice results in better engagement and understanding, or if those with better engagement and understanding are more likely to seek advice.

Awareness of DC pension pot value

As we show in Chapter 2 (Product holdings, assets and debt), a third (31%) of all DC pension holders (active and deferred members) in February 2020 did not know the approximate value of their pension. Women were less likely to know than men (26% vs. 36%, respectively). The results were similar by age and for those who were, and were not, currently contributing to a DC pension.

As Figure 7.16 shows, 53% of all adults with a DC pension in accumulation had not reviewed how much their pension is worth in the last 12 months. This is a small improvement on the 2017 result (57%).

Figure 7.16: Proportion who have reviewed their DC pot value in the last 12 months



Source: FLS April 2017/FLS Feb 2020 Base: All UK adults with a DC pension in accumulation (2017:1,496/2020:2,679) excluding 'don't know' responses (7%/5%) Question: P13c/esum1 (Rebased). In the last 12 months, have you reviewed how much your defined contribution pension pot(s) are worth?

Older adults are far more likely to review their pension value regularly than younger adults. For example, three-quarters (76%) of adults aged 18-24 had not reviewed their pot value in the last 12 months, compared with 38% of adults aged 55+.

There is also some difference by gender: 48% of men had not reviewed their pot value in the last 12 months, compared with 60% of women.

The results are similar for those adults currently contributing to a DC pension and those who are not (54% compared with 49%).

Awareness of contribution levels

As Figure 7.17 shows, almost two in five (38%) active DC pension members do not know how much they or their employer are paying into their pension, either in monetary terms or as a percentage of their salary. This is an improvement on the result for 2017 (43%).

Men are more likely to be engaged with their pension contributions than women: 64% of men are aware how much they pay into all of their pensions, compared with 51% of women.

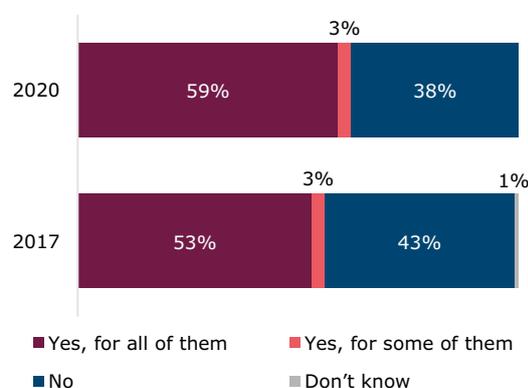
Engagement levels increase with age, but even among the 55+, only around two in three (65%) are aware of all their contribution levels.

A majority of those who do not know how much is being contributed to their DC pension know how to find this information, but two in five (41%) do not.

This means that 2.6 million adults are contributing to a DC pension but do not know what they are contributing or how to find out.

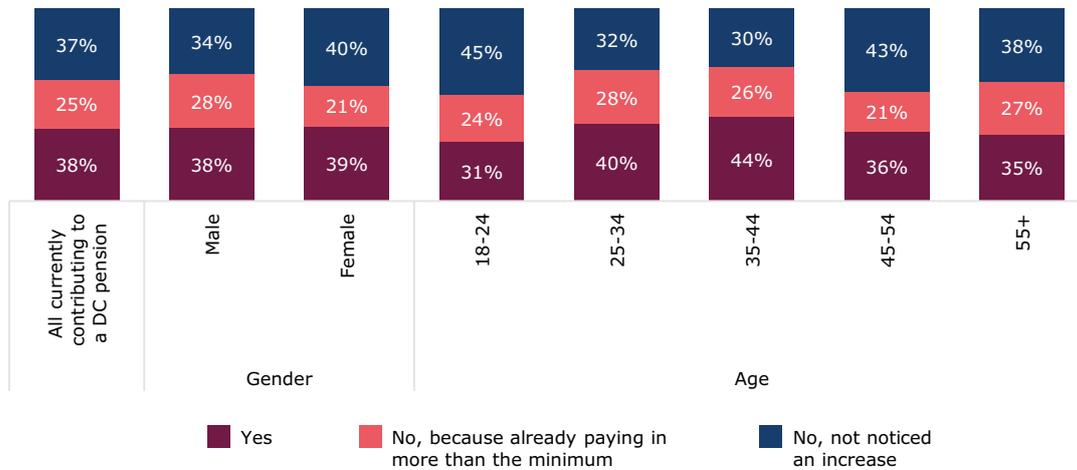
Under auto-enrolment, employee contribution rates have been automatically increasing: from 1% in 2017 to 5% in April 2019. As Figure 7.18 shows – ignoring those who were not affected as they were already paying more than the minimum – around half of those currently contributing to a workplace DC pension are aware of the change and half are not. Women were less likely to notice the increase than men. Adults aged 18-24 were the least likely to notice an increase, closely followed by the 45-54 year olds.

Figure 7.17: Awareness of DC pension contribution levels (April 2017/Feb 2020)



Source: FLS April 2017/FLS Feb 2020 Base: All UK adults currently contributing to a DC pension (2017:1,075/2020:2,112) Question: P8A/Bsum1. Do you know how much in total you and/or your employer contribute to your defined contribution pension(s)? This can be each week, each month, each year or as a percentage of your salary Note: Don't know option removed from 2020 survey

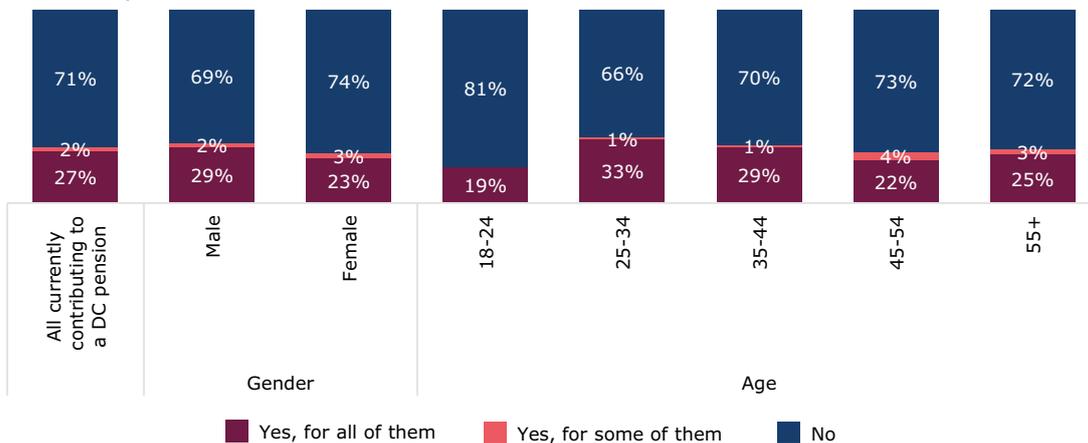
Figure 7.18: Awareness of auto-escalation (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults currently contributing to a DC pension and this is an employer DC pension or at least one is (2020:1,936) **Question:** P56b. The Government is increasing the minimum amount of money you and your employer pay into your workplace pension. The first increase was in April-May 2018 and the second was in April-May 2019, when the minimum amount increased to 5% of your salary for you to pay and 3% of your salary for your employer to pay. Have you noticed an increase to the percentage of your salary automatically deducted from your salary that goes into your pension?

The contribution levels set in auto-enrolment schemes are minimums, and members can choose to pay in more if they wish. As Figure 7.19 shows, seven in ten (71%) active members have not personally chosen to increase their pension contributions in the last three years. There is little difference by age or gender.

Figure 7.19: Proportion who personally chose to increase their contribution levels in the last three years (Feb 2020)

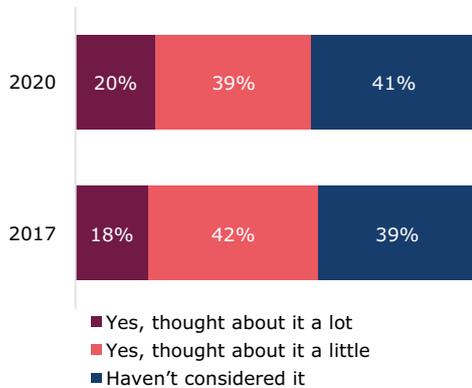


Source: FLS Feb 2020 **Base:** All UK adults currently contributing to a DC pension (2020:2,112) excluding 'don't know' responses (3%) **Question:** P55a/b_sum1 (Rebased). In the last three years have you chosen to increase the percentage of your salary you personally contribute to your pension?

Encouragingly, most adults (71%) who are currently contributing to a DC pension but who have not personally increased their contributions in the last three years are aware that they can do so.

As Figure 7.20 shows, of all those with a DC pension in accumulation, just one in five (20%) have thought a lot about how much they should be contributing each year to maintain a reasonable standard of living when they come to retire.

Figure 7.20: Proportion who have thought about how much they should be contributing to their DC pension (April 2017/Feb 2020)



Source: FLS April 2017/FLS Feb 2020 **Base:** All UK adults with a DC pension in accumulation (2017:1,496/2020:2,679)
Question: P7. Have you ever thought about how much you should be paying into your defined contribution pension(s) each year to maintain a reasonable standard of living when you come to retire?

Men are much more likely than women to say they have given a lot of thought to their contribution levels (26% of men have thought about it a lot, compared with 13% of women).

The extent to which adults consider whether they are saving enough improves as they approach retirement: 31% of adults aged 55+ who have not retired say they have thought about it a lot, compared with 16% of adults aged 18-44.

Advice also *appears* to play an important role: 42% of adults who have had advice in the last 12 months say they have thought a lot about how much they should be paying in to their pension, compared with 18% of those who have not had advice.

Awareness of charges and investments

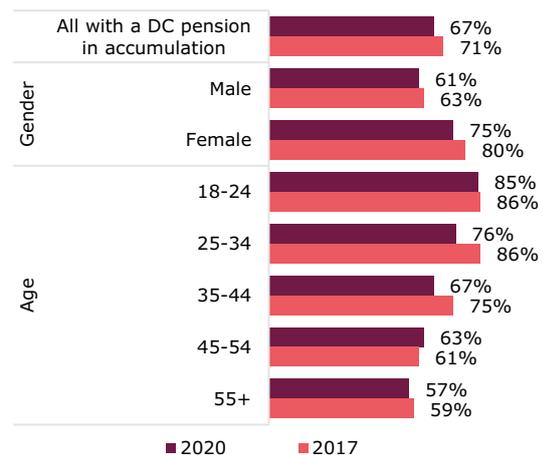
We asked adults with a DC pension in accumulation whether they are aware of any charges incurred on their DC pension. As Figure 7.21 shows, although there has been a slight improvement in awareness of charges since 2017, two in three (67%) are still not aware of any charges incurred.

Awareness improves with age: 15% of those aged 18-24 are aware, compared with 43% of those aged 55+.

Three in five (69%) of those who are not aware that charges are incurred do not know how to find out what charges they might be paying.

Over half (54%) of those who are aware that charges are incurred think pension charges are easy to understand, 26% think they are difficult to understand, and 20% did not have an opinion either way.

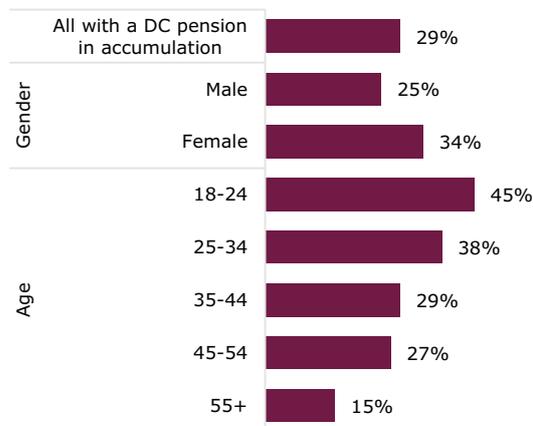
Figure 7.21: Proportion not aware of any charges incurred on their DC pension (April 2017/Feb 2020)



Source: FLS April 2017/FLS Feb 2020 **Base:** All UK adults with a DC pension in accumulation (2017:1,496/2020:2,679)
Question: P26a/bsum1. Are you aware of any charges incurred on your defined contribution pension(s)?

Adults with a DC pension in accumulation were asked whether they understand that their money is invested, and that being invested means their money can go up or down. Worryingly, three in ten (29%) had not realised that this was the case.

Figure 7.22: Proportion who are not aware their DC pension is invested (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults with a DC pension in accumulation (2020:2,679) **Question:** P27c. The money in your defined contribution pension(s) is invested. In some years, these investments may perform well and go up in value. In other years they may go down in value. Before today, were you aware that your defined contribution pension(s) are invested?

Women were more likely to report this misunderstanding than men (34% and 25%, respectively).

The likelihood to be unaware decreases with age, with just under half (45%) of those aged 18-24 misunderstanding the nature of the risk associated with their pension money.

Over three-quarters (77%) say they have never reviewed where their DC pension is invested, or have not done so since they joined or set up their pension. Even among those close to retirement (those aged 55+ who have not retired) this figure only falls to 64%.

There is no notable difference in these figures for active vs. deferred members.

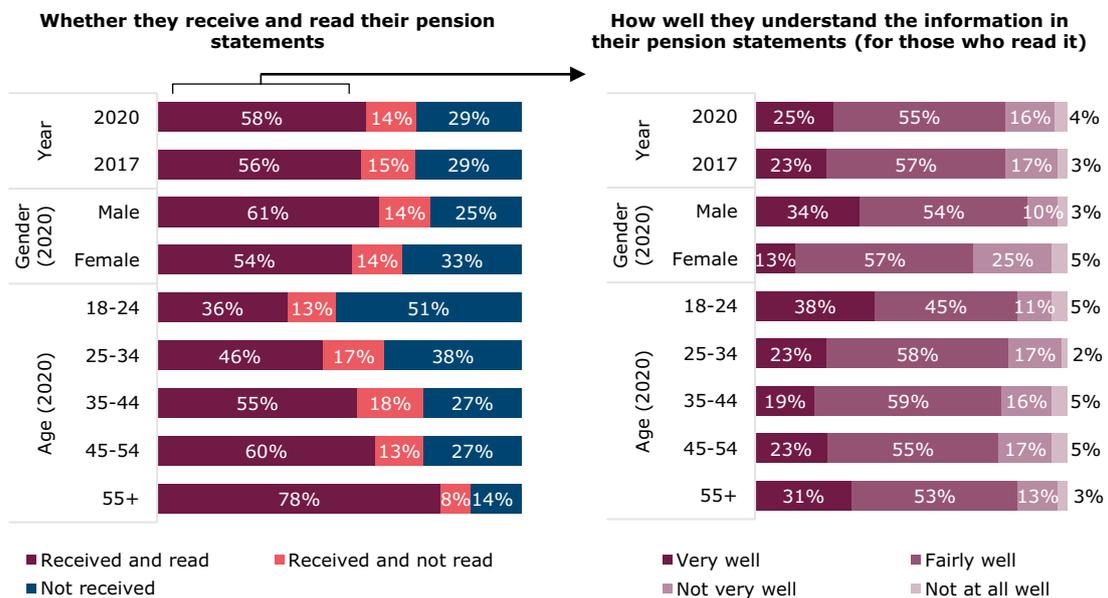
Pension statements

Pension statements are a key source of information for members and pension providers are legally obliged to provide one to their members once a year. Yet as Figure 7.23 shows, three in ten (29%) cannot recall receiving a statement in the last 12 months, and a further one in seven (14%) received one but did not read it. There has been no improvement in these figures since 2017.

Similarly, there has been no change in member understanding of the information within these statements, for those who received and read a statement. In 2020, just 25% of those who read their statement understood it very well, and this figure is not significantly different from 2017.

There is a marked gender difference, both in terms of the likelihood of reading statements and how well they have been understood. The likelihood of reading a statement increases with age. However, the one in three (36%) younger members aged 18-24 who do read their statements are more likely to say they understand them.

Figure 7.23: Proportion who received and read their pension statement and understanding of pension statements (April 2017/Feb 2020)



Source: FLS April 2017/FLS Feb 2020 **Base:** All UK adults with a DC pension in accumulation (2017:1,496/2020:2,679) excluding 'don't know' responses (7%/0%) **Question:** P20sum (Rebased) Do you recall receiving an annual statement from your defined contribution pension provider(s) in the last 12 months?

Source: FLS April 2017/FLS Feb 2020 **Base:** All UK adults with a DC pension in accumulation and have read any statements (2017:766/2020:1,574) excluding 'don't know' responses (0%/1%) **Question:** Did you read the annual statement(s) you received in the last 12 months?/P21_DEC (Rebased) And generally, how well do you understand the information in your pension statement(s)?

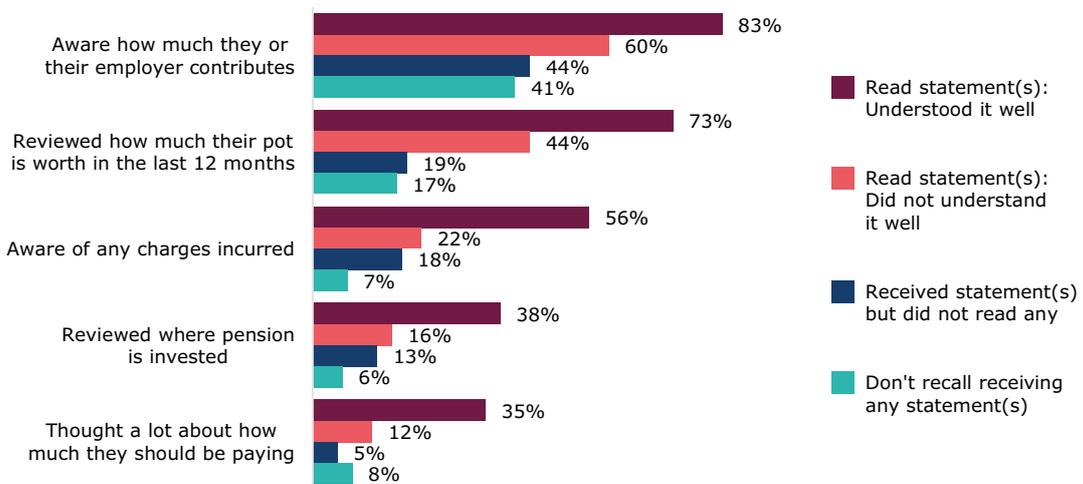
Looking at other demographics, 24% of BAME members received their statements but did not read them, compared with 12% of White members. Similarly, 19% of White members who had read their statement had not understood it well, compared with 27% of BAME members.

Impact of pension statements on pension understanding and engagement

Not surprisingly, whether or not a member has read their annual statement and understood it well has a marked difference on our key engagement metrics.

Figure 7.24 shows that if a member has read and understood their pension statement well, they are more likely to have reviewed their pot in the last 12 months; to be aware of their contribution levels and to have thought about how much they should be paying in. They are also more likely to be aware that there are some charges incurred and to have thought about the way their pension is invested.

Figure 7.24: Impact of pension statements on member understanding and engagement (Feb 2020)

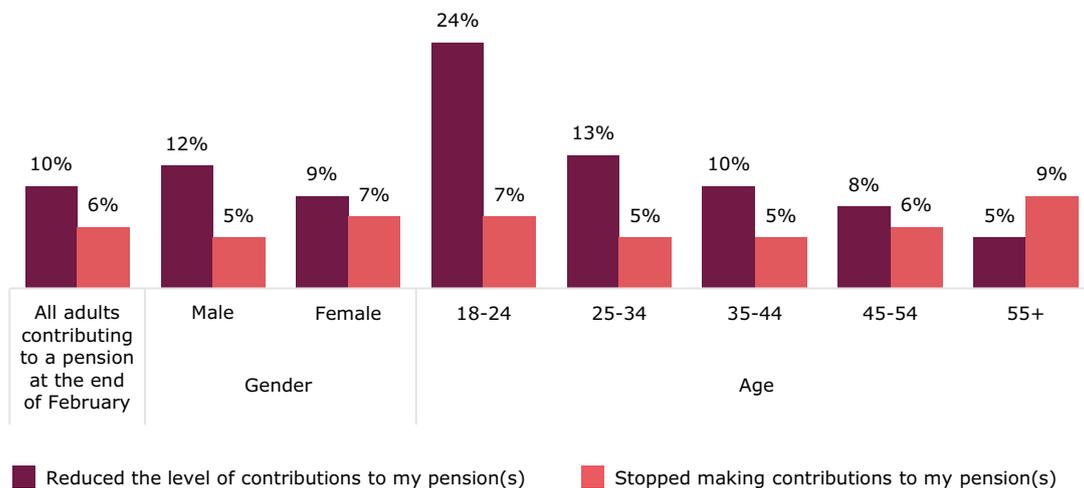


Source: FLS Feb 2020 **Base:** All UK adults with a DC pension in accumulation/All UK adults currently contributing to a DC pension (see preceding charts for accurate base information and questions)

The impact of Covid-19 on pension contributions

Chapter 4 (Impacts of the coronavirus pandemic on financial resilience and finances) explores in detail the severe impact that Covid-19 has had on household finances. However, despite financial pressures, Figure 7.25 shows that relatively few adults who were contributing to a pension at the end of February⁵ reduced their contributions (10%) or stopped making contributions (6%) because of Covid-19.

Figure 7.25: The impact of Covid-19 on pension contributions (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults who were contributing to a pension at end of February 2020 (Oct 2020: 9,368) **Question:** W16. You told us you were contributing to a pension in February (or your employer was contributing on your behalf). Since the end of February, have you made any changes to the amount you are contributing to your pension because of Covid-19?

⁵ Note that this Covid-19 panel survey question includes all adults who were contributing to a pension at the end of February, which will include those contributing to a DC pension and those contributing to a DB pension.

Adults whose work has been directly affected by Covid-19 are the most likely to say they have reduced or stopped making pension contributions, as reported in Figure 7.25 (Oct 2020)

	Reduced the level of contributions	Stopped making contributions
Employed in February but lost their job due to Covid-19	16%	31%
Employed in February and had their hours or pay cut due to Covid-19	27%	5%
Employed in February 2020 and had to self-isolate or take sick leave for a period of time	15%	5%

The impact of Covid-19 on retirement plans

Many private pension scheme members are not well prepared for retirement. Looking at those getting close to retirement age:

- 58% of those aged 45+ who are not retired have put little or no thought into how they will manage financially in retirement.
- 37% of those aged 45+ with a DC pension in accumulation do not understand the different options they can choose from to take their money from their pension.
- 29% of those aged 45+ with a DC pension in accumulation have no idea how much income they can expect from their DC pension, and a further 24% have relatively little idea.
- 23% of those aged 45+ with a DC pension in accumulation have not considered whether their outgoings will change over their retirement years, and a further 41% have considered it but not in any detail.

Poor engagement with retirement planning means that members can be put in a difficult situation, if there is an unexpected event such as Covid-19 and they have to give up work. Figure 7.26 shows that almost three in five (58%) of those who retired between March and October 2020 did so because of Covid-19 (ie they had not always planned to retire during this time).

One in four (23%) retired because they lost their job or could not find work because of Covid-19, and a further 15% had to retire on ill-health grounds (directly as a result of ill-health caused by Covid-19 or because they needed to 'shield' or self-isolate).

One in six (18%) reported that the pandemic had made them realise that they wanted to change their lifestyle.

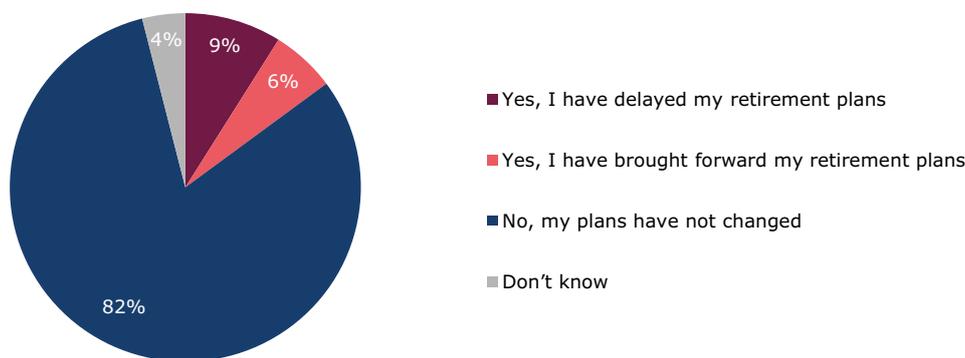
Figure 7.26: The impact of Covid-19 on the decision to retire, for adults who have retired since the end of February (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults not retired at end February and retired in October (Oct 2020:168) **Question:** W8. You are retired now but were not retired in February. Was your retirement affected by the Covid-19 pandemic?

Conversely, as shown in Figure 7.27, most adults (at least 82%) aged 50+ who have not yet retired say that Covid-19 has not changed their retirement plans. There is an impact for only 14%: 9% have delayed their retirement because of Covid-19, and 6% have brought forward their expected retirement date.

Figure 7.27: The impact of Covid-19 on the retirement plans of adults aged 50+ and not retired (Oct 2020)



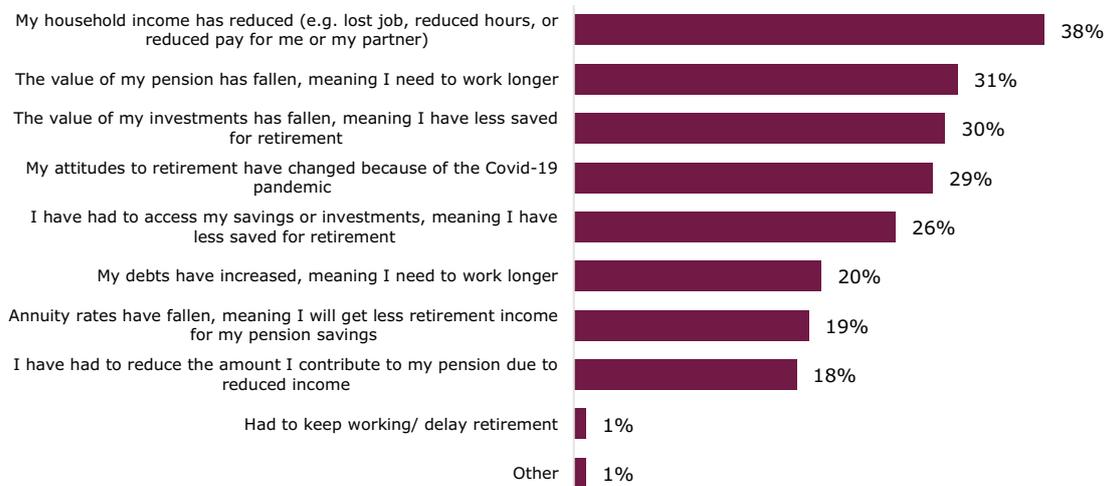
Source: Covid-19 survey, Oct 2020 **Base:** All UK adults aged 50+ and not retired in October 2020 (Oct 2020:5,196) **Question:** W9. Thinking about retirement, have your retirement plans changed at all because of the Covid-19 pandemic?

Adults whose work has been directly affected by Covid-19 are the most likely to say they have reconsidered their retirement plans, as reported in Figure 7.27 (Oct 2020)

	Delayed retirement plans	Brought forward retirement plans
Adults aged 50+ who were employed in February but lost their job due to Covid-19	20%	17%
Adults aged 50+ who were employed in February and had their hours or pay cut due to Covid-19	15%	8%
Adults aged 50+ who were employed in February and had to self-isolate or take sick leave for a period of time	12%	14%

Figure 7.28 gives the reasons why some adults aged 50+ have delayed their retirement plans. By far the most common is a reduction in household income, mentioned by nearly four in ten (38%). This was closely followed by concerns about the value of their pension (31%) or investments (30%) due to falls in the stock market. One in five (20%) report that their debts have increased, and they will have to work longer to pay them off.

Figure 7.28: Reasons why adults aged 50 and over have changed their retirement plans because of Covid-19 (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults aged 50+, not retired now, and delayed retirement plans because of Covid-19 (Oct 2020:462) **Question:** W10. Why have you delayed your retirement plans/decided that you have to work for longer?



I had planned to work until I was 55, which would have boosted my final salary pension. But being made redundant, I'll need to work at least another four years now
Male, 45-54



Having worked for my employer for 20 years, I was furloughed in April... I am now in the last days of my 12 weeks redundancy notice period. I will have a statutory redundancy payment, but I need to find a new job to cover my mortgage and outgoings asap. It is stressful as I am a single divorced woman in my 50's with a mortgage and inadequate pension... I haven't really got enough in my pension to [retire now]

Female, 55-64

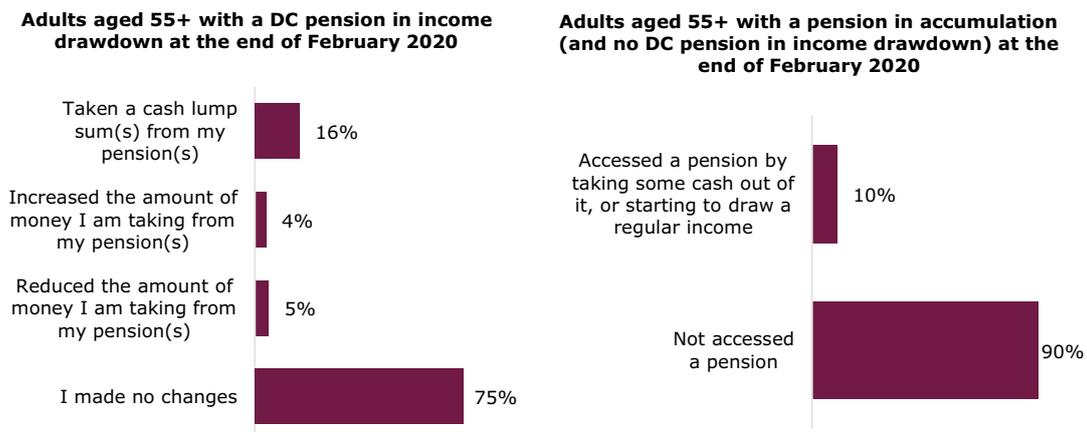


The impact of Covid-19 on pension withdrawals

Figure 7.29 shows the actions adults aged 55+ have taken with their DC pensions since the end of February for two populations:

- those who had a DC pension in income drawdown at the end of February before the pandemic (ie they had already taken a cash lump sum from a DC pension or were taking regular income payments)
- those who did not have a DC pension in income drawdown but did have a pension they had not yet accessed (either a DC or DB pension in accumulation)

Figure 7.29: Pension withdrawals since the end of February (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults aged 55+ who at the end of February had a DC pension in income drawdown (Oct 2020:853)/All UK adults aged 55+ who at the end of February were not already in DC income drawdown but had a pension not yet accessed (Oct 2020:2,632) **Questions:** W13 (Rebased). Since the end of February, have you taken more cash from your pension(s), or have you changed the amount of money you are taking from your pension on a regular basis?/W14 (Rebased). Since the end of February, have you accessed a pension by taking some cash out of it, or starting to draw a regular income?

Looking at the left-hand chart first: 25% of adults with a DC pension in income drawdown have changed the amount of money they are taking from their DC pension pot since the end of February. One in six (16%) have taken a cash lump sum, 4% have increased the amount of income they are taking, and 5% have reduced it.

These decisions were not all directly related to the impacts of Covid-19. In fact, just 4% say they have taken a cash lump sum from their pension as a direct result of Covid-19, while 2% have increased the amount of income they are taking and 4% have reduced it.

Looking at the right-hand chart: 10% of adults aged 55+ who had not accessed a DC pension before the pandemic but had a pension in accumulation have accessed their pension by taking some cash out of it or starting to draw a regular income since the end of February. This figure falls to 3% if we only include those who say they accessed their pension as a direct result of the impact of Covid-19.



I'm in the process of cashing in my pension. It's a private pension and it's due to mature on my 65th birthday, which is next month. So, in an ideal world, you'd let it run for the extra year, get the extra bonus, but then I got laid off. I'm taking 25% and then an annuity

Male, 55-64



Understanding of and engagement with insurance

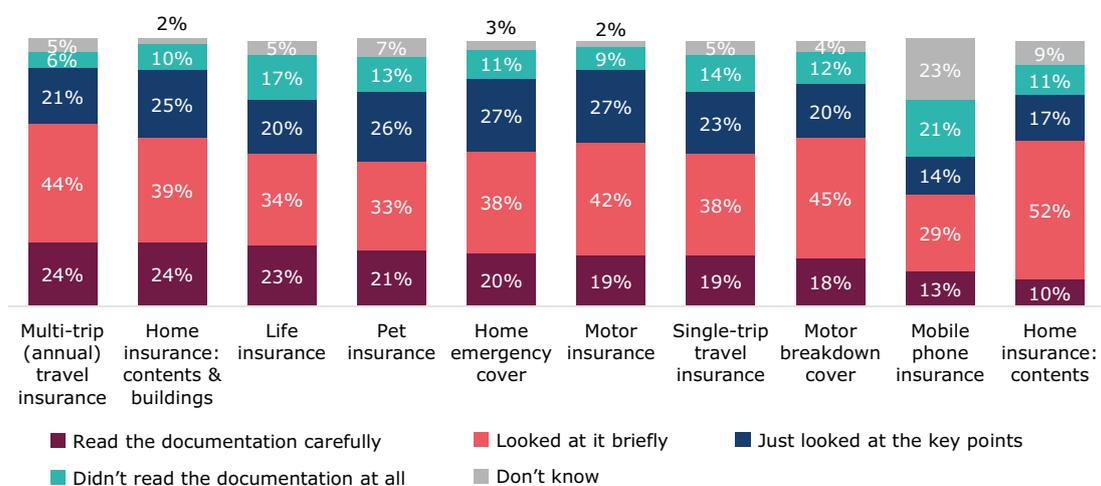
In this section, we explore briefly whether Covid-19 has had an impact on consumer engagement and understanding of insurance. We also explore some of the actions adults have taken since the start of the pandemic, such as reviewing a policy to see what it covers or cancelling a policy as a direct result of Covid-19.

Engagement levels with insurance are low. For example:

- Three-tenths (30%) of UK adults with one or more insurance or protection products say they tend to choose the cheapest policy rather than compare what different policies cover.
- A significant minority have held their policy with the same provider for three or more years, or don't know how long their product has been held. For example, 29% for motor insurance, 38% for home contents and buildings insurance, 41% for multi-trip travel insurance, and 56% for home emergency cover.
- Relatively few check that they are not already covered by a different policy (ie one they or someone else in their household has) before taking out their policy, and some of those who took out a policy acknowledge that they may be covered elsewhere. For example, 25% of those with mobile phone insurance, 11% of those with single-trip travel insurance, and 10% of those with home emergency insurance did not check they were not already covered by another policy and acknowledge they may be covered elsewhere.

As Figure 7.30 shows, while most policy holders recall receiving a Key Facts document when they took out or renewed their policy, at best one quarter (24%) and at worst one in ten (10%) read it carefully.

Figure 7.30: How policy holders who have taken out, renewed or switched their insurance product in the last three years engaged with their policy documentation (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults who have less than three years ago taken out, renewed or switched their motor insurance (2020:800), home insurance: buildings (442), home insurance: contents (160), motor breakdown cover (380), multi-trip (annual) travel (255), pet insurance (100), mobile phone insurance (121), home emergency cover (128), single-trip travel insurance (471), life insurance (107) **Question:** GI44. When you [took out/renewed] your [selected product], which of the following best describes how you read the policy documentation?

We asked a set of true or false questions in the Financial Lives 2020 survey to gauge levels of consumer understanding of insurance. In summary:

- Three-fifths (61%) of UK adults with one or more general insurance or protection products think switching at the end of the contract will usually save them money. Those who think it will not or who do not know are more likely to older (55+), be less educated, have low financial capability or lower financial numeracy.
- Around a quarter (23%) of those with motor insurance think that comprehensive policies allow them to drive any car. Again, those who think this are more likely to be older, less educated or have low financial capability.

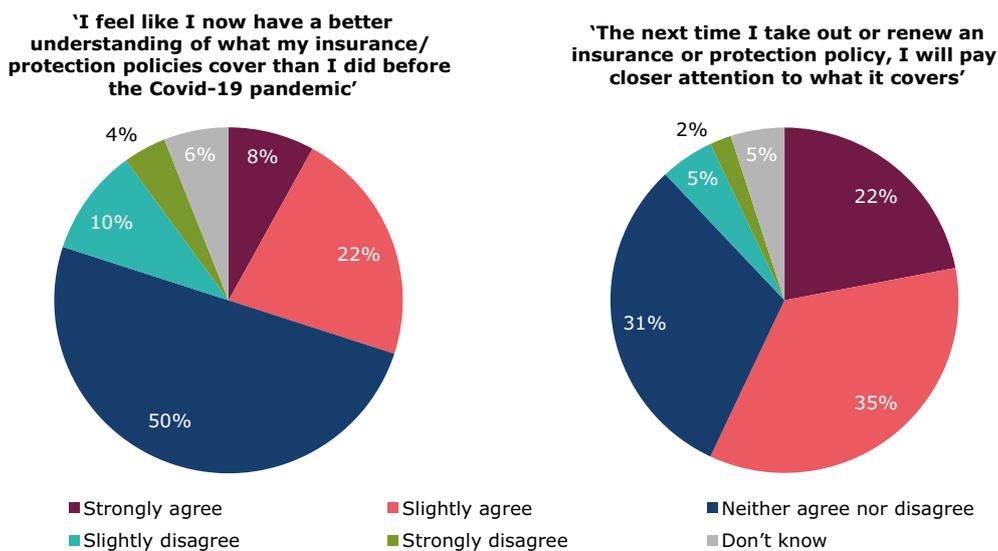
- Around three-fifths (35%) of those with buildings insurance do not think their home should be insured for its full market value. They are more likely to be 55 to 64 (45%), be self-employed (46%), have a personal income of over £50,000 (46%) or think they are highly knowledgeable about financial matters (43%).
- Under half (46%) of those with motor insurance think legal protection insurance covers them for any legal dispute, even if they are at fault. There is little variation in this misunderstanding by age or by levels of self-rated financial capability.

The impact of Covid-19 on understanding and engagement of insurance

Covid-19 highlights the importance of understanding exactly what is and is not covered by policies. This is reflected in the six in ten (58%) policy holders who report that next time they take out a policy they will pay closer attention to what it covers. Three in ten (29%) have also been inspired by Covid-19 to get a better understanding of their policy cover.

These results are shown in Figure 7.31.

Figure 7.31: Extent to which Covid-19 has had an impact on understanding of and engagement with insurance (Oct 2020)



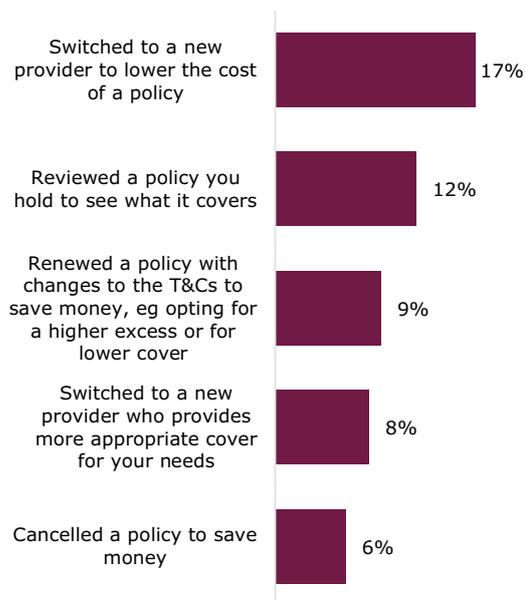
Source: Covid-19 survey, Oct 2020 **Base:** All UK adults with an insurance or protection product (Oct 2020:19,562)

Question: AE3a/b. How much do you agree or disagree with the following statements about your attitudes towards insurance and protection policies, and how these have changed, if at all, because of the Covid-19 pandemic?

Actions taken because of Covid-19

Figure 7.32 shows some of the actions insurance and protection policy holders have taken since the start of the pandemic.

Figure 7.32: Actions insurance and protection policy holders have taken because of Covid-19 (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults with an insurance or protection product (Oct 2020:19,562)
Question: AE2 (Rebased). Thinking now about any insurance or protection policies you have, have you done any of the following since the end of February, because of the Covid-19 pandemic?

One in six (17%) have switched to a new provider to lower the cost of a policy. This proportion increases to one in four (24%) for adults who were employed in February but lost their job due to Covid-19.

One in eight (12%) have reviewed a policy to see what it covers; 9% have renewed a policy but made changes to its terms and conditions (such as opting for higher excesses or less cover), and 8% have switched to a provider offering more appropriate cover for their needs.

Just one in twenty (6%) have cancelled a policy as a direct result of Covid-19.

Six in ten (61%) policy holders have made none of these changes since the end of February because of the Covid-19 pandemic.

8 Security, fraud and scams

Key facts and figures: Although most adults are careful, there were more frauds at the start of the year compared with 2017. There has been a noticeable increase in fraud in 2020 as fraudsters take advantage of the coronavirus (Covid-19).

Most adults are **careful with their cards and account details**. Two-thirds (65%) always check their statements for unfamiliar transactions. Similar proportions always dispose of their statements and documents securely (63%) and always cover their PIN when withdrawing money or using their cards to pay for goods (62%). Three-fifths (60%) always check if an internet site is secure when giving their bank or credit card details. Not all adults are security-conscious. Those least likely to take these precautions include younger adults aged 18-24 and older adults aged 75+.

More adults have **experienced potentially fraudulent activity** since 2017. In the 12 months to February 2020:

- 2.4 million had their account or debit card used without their permission to take cash from their account or had money charged to them
- 1.0 million had money taken from their account in some other way which involved their personal details being used without their permission
- 2.3 million were contacted by an individual or company with a request to transfer money through their account
- 1.1 million were asked to share their online account log-in details, typically involving someone pretending to be their account provider
- 1.1 million became victims of 'push payment fraud'

Overall, 1.9 million adults **lost money to fraud** in the 12 months to February 2020. Of these, 65% fully recovered it, 13% recovered some of it, 8% tried but failed to recover it, 5% did not try to recover it and 5% had not tried yet.

9.3 million (18% of all UK adults) **experienced one or more unsolicited approaches** about investments, pensions and retirement planning which could potentially be a scam in the 12 months to February 2020. 1.0 million responded to an approach and 0.1 million paid out money.

Fraudsters are taking advantage of Covid-19. Almost one in two adults (44%) say they have had more unsolicited approaches about investments, pensions and retirement planning which could potentially be a scam since the end of February. Over one-third (36%) have received one or more Covid-19 related unsolicited approaches which could potentially be scams. Examples include approaches designed to look like they are Government offers of Covid-19 financial support, from the NHS Test and Trace service, from TV Licensing or from HMRC. 1.4 million say they paid out money after an unsolicited approach involving Covid-19.

Scope

In this chapter, we use findings from the Financial Lives 2020 survey to explore current account and card security, looking at how consumers who have a day-to-day account protect themselves from fraud and their experiences when things go wrong.

We look at how consumers handled unsolicited offers in the 12 months before they completed the Financial Lives survey – offers which could potentially be scams – and how many people responded to these approaches. From our Covid-19 panel survey we report on consumers' experiences of unsolicited approaches during the pandemic and whether they have changed their behaviour towards internet security.

Current account and card security

In this section, we look at the precautions people take to protect their account and card details and at those who have experienced potentially fraudulent activity. We report findings for those who have a day-to-day account, which is 97% of all UK adults.

Although most UK adults are careful with their cards and account details, some still share their details. In the 12 months to February 2020, 18% of UK adults gave their debit or credit card to someone else to use. One in ten (11%) shared their current account, savings account or credit card PIN or password with another person – usually their spouse or partner, another family member or a friend.

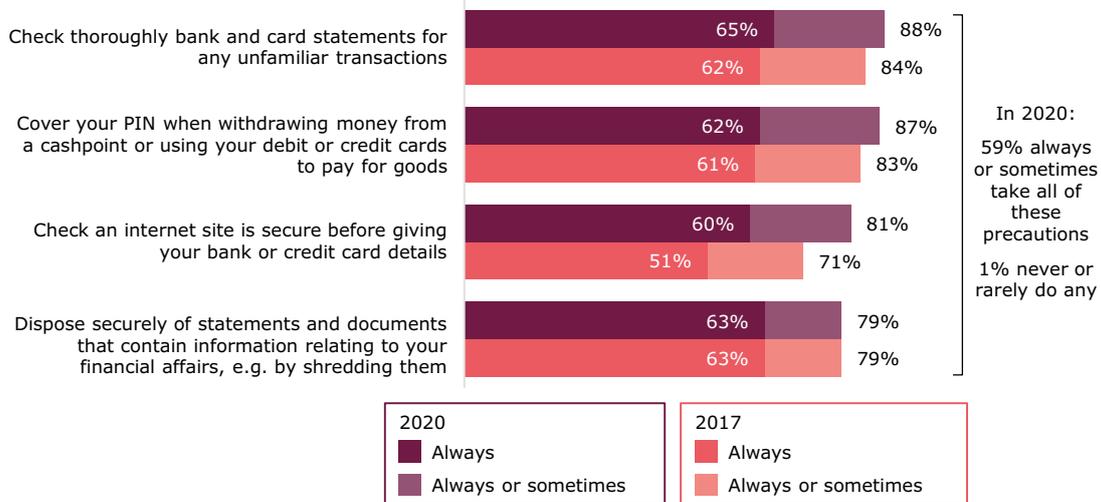
Of most concern is that following an unsolicited approach 1.4% gave their current account or savings account details by email or over the telephone. This is not significantly different from the 0.8% who did so in 2017.

Figure 8.1 shows the proportion of UK adults who say they always or sometimes take specific precautions to protect themselves against fraud:

- 65% always check their statements for unfamiliar transactions
- 63% always dispose securely of their statements and documents that contain information relating to their financial affairs
- 62% always cover their PIN when withdrawing money from a cashpoint or using their bank or credit cards to pay for goods
- 60% always check if an internet site is secure when giving their bank or credit card details

These results are largely unchanged from 2017, although there is a notable improvement in those always checking that an internet site is secure, from 51% to 60%.

Figure 8.1: Proportion of adults who always or sometimes take the following precautions to protect themselves against fraud (April 2017/Feb 2020)



Source: FLS April 2017/FLS Feb 2020 **Base:** All UK adults (2017:6,337/Feb 2020:1,729) **Question:** F13. How often do you...?

A significant minority, however, say they rarely or never do any of these things:

- 10% never or rarely check their statements for unfamiliar transactions
- 11% never or rarely cover their PIN
- 12% never or rarely check internet sites are secure before giving their bank or credit card details, although this proportion reduces to 11% if we take out adults who are digitally excluded
- 15% never or rarely dispose of statement and documents securely

Combining these results, 59% of adults take all four of these precautions always or sometimes, up from 55% in 2017. Just 1% only rarely or never do any of these things, down slightly from 2% in 2017.

Adults least likely to always or sometimes take all four precautions as reported in Figure 8.1 (Feb 2020)	
Aged 75+	42%
Aged 18-24	39%
Those who are not the financial decision-maker in their household	33%
Those with low capability	29%
Digitally excluded	[16%]

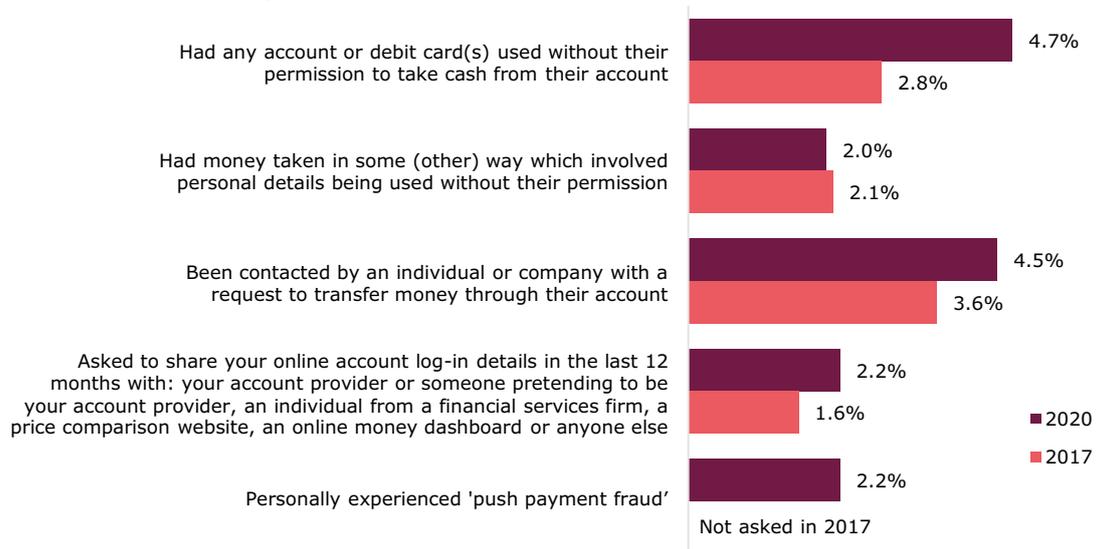
Adults with one or more characteristics of vulnerability are less likely to take all four of these precautions always or sometimes, compared with those who do not have these characteristics (51% vs. 66% in 2020, respectively). This is particularly true for those with low capability (29%).

Since the start of the pandemic, many consumers have relied more on digital channels (see Chapter 5 (Access and exclusion) for changes in internet use). We asked adults in our Covid-19 panel survey whether their behaviour towards internet security had changed considering this. Encouragingly, one in four (26%) digitally active adults said in October 2020 that they check an internet site is secure more often before giving their bank or credit card details, compared with the end of February 2020. A further 2% have done this for the first time since the first lockdown.

Adults targeted by potentially fraudulent activity

Figure 8.2 shows the proportion of adults who encountered potentially fraudulent activity in the 12 months to February 2020, compared with the 12 months to April 2017.

Figure 8.2: Proportion of adults who have experienced potentially fraudulent activity in the last 12 months (April 2017/Feb 2020)



Source: FLS April 2017/FLS Feb 2020 **Base:** All UK adults who have a day-to-day account (2017: 2,565/Feb 2020:4,310)
Question: RB79, RB80, RB81, RB87, RB80a

In the 12 months to February 2020:

- 2.4 million adults (4.7% of those with a day-to-day account) had their account or debit card used without their permission to take cash from their account. This was highest among 25-34 year olds (7%) and lowest among adults aged 75+ (2%).
- 1.0 million (2.0% of those with a day-to-day account) had money taken from their account in some other way which involved their personal details being used without their permission.
- 2.3 million (4.5% of those with a day-to-day account) were contacted by an individual or company with a request to transfer money through their account (this is sometimes referred to as 'money muling').
- 1.1 million (2.2% of those with a day-to-day account) were asked to share their online account log-in details. Typically, this was by someone pretending to be their account provider (0.7m).
- 1.1 million (2.2% of those with a day-to-day account) were victims of 'push payment fraud'. Because the term is not well understood, we provided respondents with the following definition: 'This is where you are deceived into transferring funds to someone other than the person you intended to pay (eg when a fraudster poses as your bank and requests a transfer of funds to an account they control), or where you paid somebody for what you believed were legitimate purposes but turned out to be fraudulent (eg when a fraudster convinces you to invest in a fake investment scheme).'

Not everyone reported these fraudulent activities, and the likelihood of doing so varied by the type of fraud. At best, 95% of those who had had their personal details used in some other way, other than their account or cards being used without their permission in the last 12 months reported this. This fell to just 27% of those who had been contacted by an individual or company with a request to transfer money through their

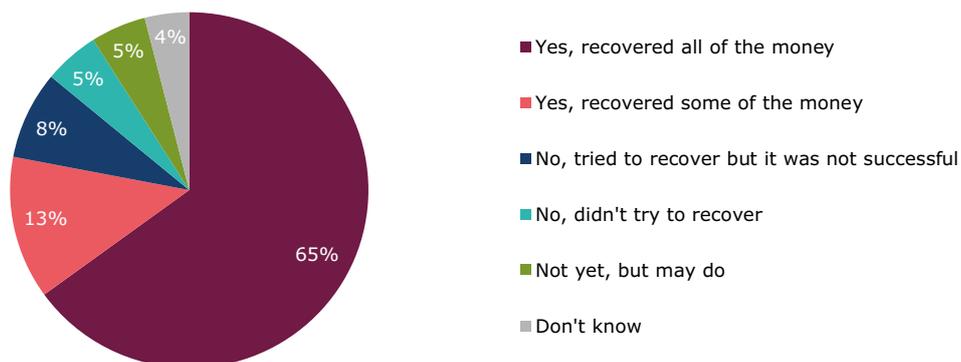
account. Most people who reported the activity did so to their account provider, but a minority got in contact with Action Fraud or the police.

We asked adults who had experienced any of these fraudulent activities, excluding money muling, whether they lost money as a result, even if they later got all or some of it back. Overall, 1.9 million (4% of those with a day-to-day account) lost money due to a fraud.

Of those who lost money and could recall how much, 26% said they lost less than £50, 23% lost £51 to £100, 11% lost £101 to £200 and 39% lost more than £200. Among those who lost money and could recall how much, the mean average sum lost was £1,650 and the median amount lost was £180. This disparity means that there were a small number of people who lost a lot.

As Figure 8.3 shows, of those who lost money, 65% recovered all of it, 13% recovered some of it and 8% tried to recover it but were unsuccessful.

Figure 8.3: Success in recovering money lost as a result of fraud (Feb 2020)



Source: FLS Feb 2020 **Base:** All UK adults with a day-to-day account who have had cards used without permission, money taken from their account without permission, lost money through unauthorised transactions, and/or experienced push payment fraud (2020:117) **Question:** RB84. Did you recover the money lost as a result of fraud?

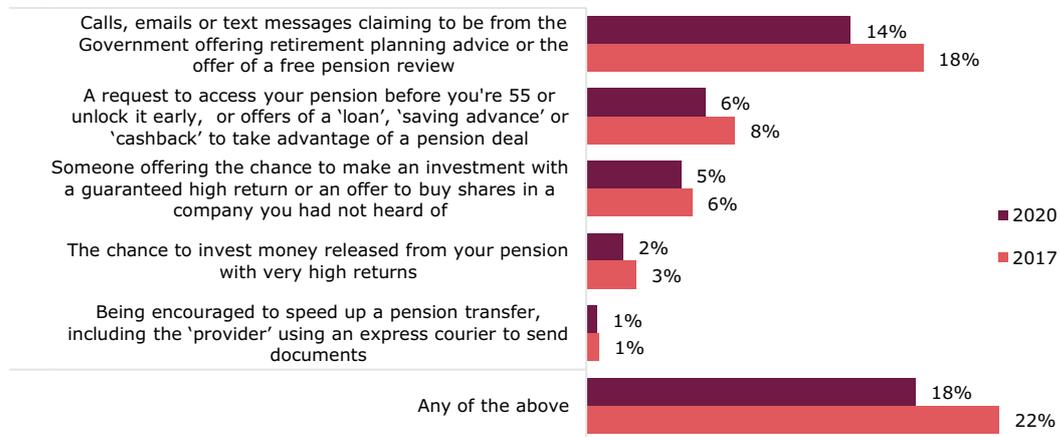
The clear majority (88%) of those who recovered or tried to recover money say their provider treated them well.

Unsolicited approaches about investments, pensions and retirement planning

The Financial Lives survey explores instances of unsolicited approaches made to people in the previous 12 months involving investments, pensions and retirement planning. We do not know whether these unsolicited approaches were scams, but they might be.

In sum, 9.3 million adults (18% of all UK adults) received one or more unsolicited approach – which could potentially be a scam – in the 12 months to February 2020. This compares to 11.3 million (22%) in 2017. By far the most common approaches involve pensions.

Figure 8.4: Unsolicited approaches related to investments, pensions or retirement planning experienced in the previous 12 months that could be scams (April 2017/ Feb 2020)



Source: FLS April 2017/Feb 2020 **Base:** All UK adults (2017:6,337/2020:16,190) **Question:** F1A. Have you experienced any of the following unsolicited approaches in the last 12 months?



I get phone calls from people saying that they're from a financial institution, and asking if I want to arrange for them to give me advice. One pertained to be from my bank and I just cut the call off

Female, 55-64

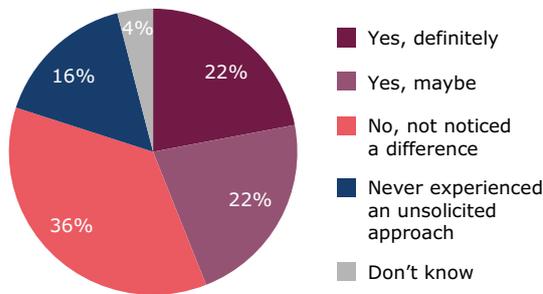


Of those adults who experienced at least one unsolicited approach that could be a scam, one in ten (10%) took up or responded to the approach, up from 5% in 2017. One in ten (11%) of those who responded paid out money.

Adults with characteristics of vulnerability are marginally more likely to respond to unsolicited approaches: 13% of those who received one responded, compared with 9% of adults with no characteristics of vulnerability. This is particularly true for those with low capability (16%) and those in poor health (15%).

In our Covid-19 panel survey, we asked adults whether they feel they have had more of these types of unsolicited approach since the end of February 2020.

Figure 8.5: Extent to which adults feel they have experienced more unsolicited approaches related to investments, pensions or retirement planning since Covid-19 (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,017) **Question:** EF1. Do you feel like you have experienced more unsolicited approaches that could be potential scams since the end of February than you did before Covid-19?⁶

As Figure 8.5 shows, one in five (22%) UK adults say they definitely received more of these approaches between March and October 2020, than before Covid-19, and a further one in five (22%) think this may be the case.

//
Emails inviting participation in pension unlocking and bitcoin 'opportunities'. I did not respond, and reported them to the relevant phishing department
Male, 45-54

//

//
Companies offering to review my pension. Several calls asking for personal information. I block all of these, as I think most are scams
Male, 65-74

//

Covid-19 related unsolicited approaches

We asked people whether they have received any unsolicited Covid-19 related approaches that could be potential scams.

We listed a range of examples to help respondents, including: phishing scams designed to look like they are from the Government offering Covid-19 financial support; from the NHS Test and Trace service, or from TV Licensing offering six months of free TV licence because of the pandemic; fake adverts for Covid-19-related products that do not exist, or fake investment opportunities encouraging victims to take advantage of the financial downturn. Please see question EF2 in the questionnaire for all examples.

⁶ Respondents were told that by 'unsolicited approaches that are potential scams, we mean a company or person contacting you, without your having contacted them first. This could include things like calls or emails from the government offering retirement planning advice, the offer of a free pension review or the chance to unlock your pension early, or the chance to invest money with guaranteed high returns.'

As Figure 8.6 shows, over one-third (36%) of adults say that they have received at least one of these approaches.

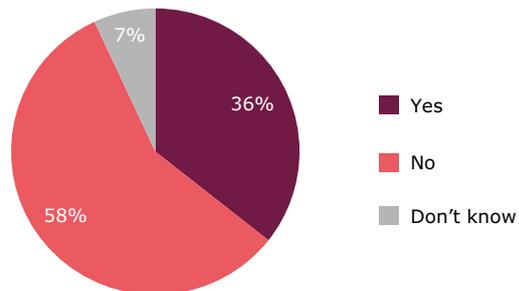
There is no real difference by gender (37% of men had been targeted, compared with 35% women).

However, there are some key differences by age and ethnicity. For example:

- 41% of those aged 18-24 said they had been a target, compared with just 28% of those aged 65+
- 40% of BAME adults had been targeted, compared with 35% of White adults

Figure 8.7 provides some illustrations of these experiences.

Figure 8.6: Proportion of adults who have experienced a Covid-19 related unsolicited approach that could be scam (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults (Oct 2020:22,267) **Question:** EF2. Since the end of February, have you experienced any of the following unsolicited approaches that could be potential scams, which are Covid-19 related?

Figure 8.7: Anecdotes of experiences of Covid-19 related unsolicited approaches which survey respondents have had during Covid-19 (Oct 2020)

//
I got a text from NHS Track and Trace and that said 'if you can't see the message, follow the link'. But when I asked around, I knew a few people that had had a similar experience, so I just ignored it. It looked pretty realistic

// **Female, 18-24**

//
I've had various unsolicited approaches by phone (landline and mobile). Some claim to be a government or NHS survey and are clearly hoovering up personal information. Others have claimed to be from people like Amazon Prime and claim that Covid has caused some processing error and seek account details, including a password as 'verification'. I just put the phone down on all of these

// **Male, 55-64**

//
I have received fake TV Licensing phishing emails on several occasions (at least four), saying that TV Licensing has tried to take out an annual payment to no avail. I have not responded and have marked the emails as phishing right away. In this case it was easy as I knew exactly when I last made a payment and that no payment was due in any case

// **Female, 35-44**

//
I was rung on my mobile in July and left a voicemail message - very plausible well-spoken message about some kind of HMRC tax I owed and possible court proceeding and warrant deadline looming. I googled this and realised it was a scam so did not reply. Even so, it alarmed me at first

// **Female, 55-64**

//
We had one today actually from HMRC to say that the police will be round because of something to do with not paying our taxes. I honestly thought I was in trouble with HMRC. I thought I'd not paid my tax return or I had filed something incorrectly because I do my own accounts

// **Female, 25-34**

//
I had a text from Google Payback. They said I had money outstanding to HMRC & unless I selected option 1 to make payment I would have somebody at my door with a warrant within 30 minutes. I knew this was suspicious as it wasn't HMRC

// **Female, 25-34**

//
Lots of scams targeting me as an NHS worker trying to sell PPE. I received a text pretending to be from Test and Trace

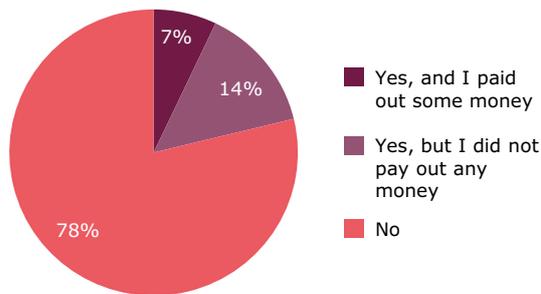
// **Male, 25-34**

//
A man claimed that he worked for a teachers magazine and that since Boris had put money into the education sector they were getting grants for home improvements and if we paid £100 right there and then he would add us to this magazine that would lead teachers to our business

// **Female, 25-34**

As Figure 8.8 shows, of those adults who received a Covid-19 related unsolicited approach that could be a scam, 22% responded to the approach and 7% paid out some money.

Figure 8.8: Proportion who responded to a Covid-19 related unsolicited approach that could be a scam (Oct 2020)



Source: Covid-19 survey, Oct 2020 **Base:** All UK adults who have experienced a Covid-19 related unsolicited approach that could be a scam (Oct 2020:8, 354) excluding 'don't know' responses (0%) **Question:** EF3 (Rebased). Did you take up or respond to any potential scam which is Covid-19 related?

This means that a total of 1.4 million adults say they paid out money as a result of a Covid-19 related unsolicited approach.

Adults with characteristics of vulnerability are far more susceptible to these approaches: 12% paid out money, compared with just 1% of those with no such characteristics.

Younger people are also more susceptible than older adults: 16% of 18-24 year olds paid out money, compared with 1% of those aged 55+.

Of all who paid out some money, the mean average amount paid out was £6,160 and the median amount paid out was £240, showing again that a small proportion of people lost considerably more than others.

Appendix A

Product holdings

This appendix takes the form of a spreadsheet. It shows the proportions and absolute numbers (also referred to as gross estimates) of UK adults who have – in their own name or, where applicable, in joint names⁷ – each of around 100 different financial products.⁸

In this section, we detail some small changes we made to how we collect product holding data in the Financial Lives 2020 survey, compared with the 2017 survey, which could have an impact when directly comparing the 2017 and 2020 data. We also provide notes for the reader on how to navigate the spreadsheet.

Improving how we collect product holding data

In our 2020 survey we have given more survey time to capturing product holding data, seeking to improve the accuracy of our product holding estimates. These methodological improvements, detailed below, mean that our 2020 results should be a bit more accurate. However, these improvements are also likely to account for some of the difference in changes in results between 2017 and 2020.

- **Asking about each product in turn:** In the 2017 survey respondents were shown a list of products, for example all general insurance products, and asked to select the ones they had. Alternatively, they could choose to select 'none of these' or 'don't know'. When we reported that 81% of UK adults in 2017 had any general insurance, this was therefore likely to be a small underestimate, as some of those answering 'don't know' may have held at least one insurance product. We acknowledge this in our October 2017 report 'Understanding the financial lives of UK adults'.

To correct for this underestimate and improve accuracy, in our 2020 survey we instead ask respondents to give a 'yes', 'no' or 'don't know' answer for each product in turn, thereby avoiding the option for a respondent to give a blanket 'don't know' answer covering, for example, every general insurance product. This approach is also beneficial because it requires respondents to consider each product in turn and reduces the risk that they do not spot a product they hold in a long list of products.

- **Adding 'check' questions:** Another improvement is the introduction of a small number of product 'check' questions to the 2020 survey, used to confirm whether the respondent is likely to have or not have a particular product. For example, if a respondent has an employer-arranged pension in accumulation but they are not sure if it is a DB or a DC pension, we show them a list of the largest DB pension schemes in the UK. If one of these DB schemes is selected as their pension scheme, we take it that the respondent has a DB pension. Otherwise, we take it that they have a DC pension.

7 We did not ask about joint holdership in the case of: pensions, credit cards (we asked respondents to think about the credit card where they are the main card holder), store cards and single-trip travel insurance.

8 Our survey does not estimate the number of products held by UK adults, nor does it estimate how many people are covered by a product not held in their own name. For example, some young adults may have home contents insurance or motor insurance cover, but on a policy held by a parent.

- **Improving product definitions:** We conducted cognitive testing to help develop the 2020 survey. Cognitive interviews were conducted face to face and involved a researcher probing to establish what respondents understood by specific questions, or parts of questions, and how they composed their answers (more information about the cognitive testing is provided in the Technical report). Based on our findings, some product definitions were improved (compared with the 2017 survey definitions), and some new definitions were added.

These methodological improvements to how the product holdings survey data are collected are likely to account for some of the difference in changes in results between 2017 and 2020. For example, when we report that the proportion of people holding any insurance product has increased from 81% in 2017 to 88% in 2020, the 2020 88% estimate ought to be a bit more accurate than the 2017 81% estimate, meaning that the seven percentage point increase is likely to be a small overestimate.

Nonetheless, it is still the case that some 2020 survey respondents report not knowing whether they have a given product. Consequently, our figure for the proportion of adults who have a product is likely still to be underestimate, albeit a smaller one than would have been the case without the methodological improvements we have made.

Conversely, the proportion of adults not having a given product is likely to be a small overestimate, because it will include some respondents who do not know whether they have the product or not. For example, when we report on the proportion of adults that have no protection products, this will include a small number of respondents who answered 'don't know'. For pensions, where there is a particularly high proportion of adults saying 'don't know', probably due to lower engagement levels, we report the 'don't know' responses separately.

Navigating the spreadsheet

The products and the analysis breaks included in the spreadsheet

Reading the spreadsheet from top to bottom, the results are grouped by product type: retail banking and savings, investments (FCA-regulated), other investments (not FCA-regulated), private pensions, mortgage on the property you currently live in, mortgage on property you do not currently live in, consumer credit – now or in the last 12 months, other credit (not FCA-regulated) – now or in the last 12 months, general insurance, and protection insurance.

Within each product group, there are summary rows (eg any general insurance) and then individual product rows listed in descending order of incidence rate (eg motor insurance is the first individual insurance product listed).

Please see the Glossary for any terms in the appendix that may be less familiar, such as 'transactor', or to see how we define terms like 'retail finance' and a 'high-cost loan'.

Reading the spreadsheet from left to right, the results are first reported at total level for 2017 (the survey was conducted between 13 December 2016 and 3 April 2017, with 95% of the interviews taking place in 2017) and then for 2020 (conducted between 30 August 2019 and 18 February 2020, with over 70% of the interviews taking place in 2020).

How the results differ in 2020 is then shown: by gender, by age, by ethnicity, by employment status, by property status, by being digitally excluded or not, by having characteristics of vulnerability or not, by the four drivers of vulnerability (negative life event, poor health, low capability, low financial resilience – or not), by being over-indebted or not, by being in financial difficulty, by household income, by the top and bottom IMD deciles, by nations and English regions, and by a rural-urban split.

The statistics provided in the spreadsheet

Three rows provide information on the UK adult population:

- The **'Unweighted base'** row is the number of respondents. For example, 16,190 respondents took part in the 2020 survey, and 1,256 of these respondents were aged 18-24.
- The **'Weighted row %'** row shows what percentage of the total UK population is represented, after results have been weighted to be nationally representative. For example, 18-24 year olds in 2020 represent 11% of the UK population.
- The **'Gross weighted base (millions)'** row shows the number of UK adults represented. For example, the 1,256 18-24 year old respondents represent around 5.7 million UK adults.

As we can also see, the UK population has increased by over a million between the two surveys: from 51.1 million in 2017 to 52.4 million in 2020. Consequently, it is possible for there to be a small percentage decrease in results between 2017 and 2020, yet a small increase in the number of adults included in that result.

Each survey result is provided in three ways. Taking loans from friends and family by 18-24 year olds as an example, we see:

	Age (Feb 2020)	
	18 to 24	
Loan from friends or family	19%	This is the 'column percentage' . It tells us that 19% of adults aged 18-24 have a loan from friends or family now (at the time of interview) or had one in the previous 12 months.
	22%	This is the 'row percentage' . It tells us that of all adults who borrowed from friends and family in the last 12 months 22% were aged 18-24. Comparing this 22% with the statistic that 11% of UK adults are 18 to 24, we see that a disproportionately high percentage of these young adults are included in this type of borrower.
	1.1m	This is the 'gross estimate' . It tells us that 1.1 million 18-24 year olds have borrowed in this way.

Appendix B

Characteristics of vulnerability – the survey algorithm

Introduction

The FCA defines a vulnerable consumer as someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care. Characteristics associated with four key drivers of vulnerability (poor health, low capability, low resilience or the impact of a life event) may increase the risk of a consumer's being vulnerable to harm.

In this report, we cite several results from the Financial Lives 2020 survey, eg that at the end of February 2020 24.0 million UK adults displayed one or more characteristics of vulnerability.

This methodological appendix describes the underlying survey algorithm used to generate such results. It also explains:

- why the survey algorithm does not cover all of the characteristics of vulnerability included in the non-definitive list the FCA has published in its [draft Vulnerability Guidance](#)
- which characteristics are and are not covered by the survey algorithm
- the algorithm itself, and why we refer to those as having characteristics of vulnerability under the health driver not as 'disabled' but as being 'in poor health'
- how the algorithm has changed since we first used it to report results from our Financial Lives 2017 survey
- the new question added to our Covid-19 panel survey, conducted in October 2020, to capture low emotional resilience

Why the survey algorithm does not cover all characteristics of vulnerability

In our draft vulnerability guidance we published a table outlining four drivers of vulnerability and example types of circumstances (or vulnerability characteristics) under each of the drivers. This was not intended to be an exhaustive or definitive list of characteristics of vulnerability. Table B.1 is a copy of the drivers and example characteristics. These examples have been developed through consultation on our vulnerability guidance.

Table B.1: The four drivers of vulnerability and example characteristics from our draft vulnerability guidance

Health	Life events	Resilience	Capability
Physical disability	Caring responsibilities	Low or erratic income	Low knowledge or confidence in managing finances
Severe or long-term illness	Bereavement	Over-indebtedness	Poor literacy or numeracy skills
Hearing or visual impairments	Income shock	Low savings	Low English language skills
Poor mental health	Relationship breakdown	Low emotional resilience	Poor or non-existent digital skills
Addiction	Domestic abuse		Learning impairments
Low mental capacity or cognitive disability	Having non-standard requirements such as people with convictions, care leavers and refugees		No or low access to help or support
	Retirement		

The survey questionnaire does not contain questions linked to each of these example characteristics of vulnerability. There are two reasons for this. One is about timing: some characteristics were added to the table following our first consultation on the vulnerability guidance, after the survey questionnaire was finalised. The other is about sensitivity: some characteristics are of a very sensitive nature, and it is not appropriate to seek the information in a survey.

Consequently, the Financial Lives 2020 survey-based algorithm of consumer vulnerability will somewhat underestimate the proportions, and numbers, of UK adults who are displaying characteristics of vulnerability.

Characteristics of vulnerability covered by Financial Lives 2020 survey questions

The survey-based algorithm is shown in Table B.2.

The characteristics of vulnerability, organised by driver and covered by survey questions, are:

- 1. Health:** those with a physical disability, severe or long-term illness, hearing or visual impairment, poor mental health, addiction or low mental capacity or cognitive difficulties that reduce their ability to carry out day-to-day activities a lot
- 2. Life events:** suffering a recent negative life event such as a bereavement, an income shock (eg losing their job or a reduction in working hours against their wishes) or a relationship breakdown; or becoming the main carer for a close family member
- 3. Resilience:** over-indebtedness, low savings, or low or erratic income
- 4. Capability:** low confidence or knowledge in managing financial matters, or poor or non-existent digital skills (the 'digitally excluded')

The Financial Lives 2020 survey does not collect information on the following characteristics of vulnerability:

- **Life events:** having non-standard requirements such as ex-offenders, care leavers or refugees; experiencing domestic abuse; or having retired recently
- **Resilience:** non-financial characteristics of low resilience, specifically low emotional resilience (consequently, when we report on resilience using the Financial Lives 2020 survey we are reporting only on financial resilience)
- **Capability:** having poor literacy or poor numeracy skills,⁹ learning impairments, or having no or low access to help or support

The enhanced algorithm

Table B.2 shows the enhanced algorithm we are using to report 2020 survey results. The algorithm has also been applied to the Financial Lives 2017 survey data.

The table explains any changes in the relevant questions or answer codes between the two surveys.

Full details are set out for transparency, for example that the characteristic of low or erratic income is covered by one question asked of retirees, while most characteristics are covered by questions asked of all respondents.

Table B.2: Vulnerability algorithm

Type of characteristic	Question ¹⁰	Description of characteristic	UK population asked the question
Health may indicate access or capacity issues¹¹			
Physical disability	D33=1 AND D35=1 AND D34=4,5,9,11 (2017: D35=1 AND D34=3,4,8,10)	Have a physical or mental health condition(s) or illness(es) lasting or expected to last for 12 months or more, that reduces their ability to carry out day-to-day activities a lot, and that affects them in one or more of the following ways: mobility; dexterity; stamina, breathing or fatigue; or another effect	All adults
Hearing or visual impairment (specifically)	D33=1 AND D35=1 AND D34=2,3 (2017: D35=1 AND D34=1,2)	Have a physical or mental health condition(s) or illness(es) lasting or expected to last for 12 months or more, that reduces their ability to carry out day-to-day activities a lot, and that affects them in one or more of the following ways: vision; hearing	All adults

9 The Financial Lives survey 2020 added new questions on understanding financial concepts, but does not ask more broadly about numeracy.

10 Questions cited are from the 2020 survey, with any coding differences in the 2017 survey also noted.

11 Any of the four characteristics set out here may relate to 'severe or long-term illness,' one of the characteristics included in Table B.1.

Type of characteristic	Question ¹⁰	Description of characteristic	UK population asked the question
Poor mental health and/or Low mental capacity or cognitive difficulties	D33=1 AND D35=1 AND D34=6-8,10 (2017: D35=1 AND D34=5-7,9)	Have a physical or mental health condition(s) or illness(es) lasting or expected to last for 12 months or more, that reduces their ability to carry out day-to-day activities a lot, and that affects them in one or more of the following ways: learning, understanding or concentrating; memory; mental health; socially or behaviourally (associated with a mental health condition, or with a developmental disorder like autism or ADHD (attention deficit hyperactivity disorder))	All adults
Addiction	D33=1 AND D35=1 AND D34=1	Have a physical or mental health condition(s) or illness(es) lasting or expected to last for 12 months or more, that reduces their ability to carry out day-to-day activities a lot, and that affects them in the following ways: addiction; eg drugs, alcohol, gambling (2017: Addiction was added as an explicit response option to the 2020 survey. In the 2017 survey, respondents had the option of stating this as an unprompted 'other' response)	All adults
Experienced one or more life events in the last 12 months (if one or more of the following characteristics apply) – all life events covered by the survey are negative ones			
Caring responsibilities	D21b=15 or (D4a=1 AND D37a=8) (2017: D21b=15 or (D4a=1 and D37=Carer's Allowance (unprompted))	Adult (or their partner) become the main carer for a close family member in the last 12 months, or living in a one adult household and in receipt of Carer's Allowance (2017: In the 2017 survey, some respondents said that they received Carer's Allowance unprompted when asked what other benefits they receive. Carer's Allowance was added as an explicit response option to the 2020 survey. As a result, there is likely to be some underreporting of Carer's Allowance in the 2017 survey, compared with the 2020 survey)	All adults
Bereavement (or serious accident or illness of a close family member or experienced themselves)	D21b=10-14	One or more of the following events experienced by the adult (or their partner) in the last 12 months: serious accident or illness (or of a close family member); death of a parent, partner or child	All adults

Type of characteristic	Question ¹⁰	Description of characteristic	UK population asked the question
Income shock	D21b=5-7	One or more of the following events experienced by the adult (or their partner) in the last 12 months: losing job/ being made redundant; reduction in working hours (against wishes); bankruptcy	All adults
Relationship breakdown	D21b=8-9	One or more of the following events experienced by the adult (or their partner) in the last 12 months: relationship breakdown/separation; divorce	All adults
Have low resilience (if one or more of the following characteristics apply) – all characteristics covered by the survey are about low financial resilience			
Low or erratic income	AT10_d=5	Strongly disagree with the statement 'I do not have difficulty paying for day-to-day expenses since I retired'	All adults who are retired
Over-indebted	K1=3 or K2=1	Over-indebted, ie keeping up with domestic bills and credit commitments is a heavy burden, and/or payments for any credit commitments and/or any domestic bills have been missed in any three or more of the last six months ¹²	All adults
Low savings	AT4=1	If the main source of household income were lost, their household could continue to cover living expenses for less than a week, without having to borrow any money or ask for help from friends or family	All adults
	M104=1 or 2	Mortgage and/or rent payment increases of less than £50 a month would be a struggle to meet	All adults who own the property they currently live in with a mortgage or a different kind of loan, who rent it, or who pay part rent and part mortgage (shared ownership)

12 This definition of over-indebtedness was created by the Money and Pensions Service (MaPS), formerly the Money Advice Service (MAS).

Type of characteristic	Question ¹⁰	Description of characteristic	UK population asked the question
Capability is low (if one or more of the following characteristics apply)			
Low knowledge or confidence in managing finances	AT1a=0-3	Score 0 to 3 out of 10, where 0 is 'not at all confident' and 10 is 'completely confident' when asked to rate confidence in managing money	All adults
	AT5=0-3	Score 0 to 3 out of 10, where 0 is 'not at all knowledgeable' and 10 is 'very knowledgeable' when asked to rate knowledge about financial matters	All adults
	AT1c_c=5	Strongly disagree with the statement 'When it comes to financial services and products, I would consider myself to be a confident and savvy consumer'	All adults
Poor or non-existent digital skills	D16a=2-5 or (D16=4 AND D20=4,5) 2017: D16=8-11 or (D16=5-7 AND D20=4-5)	Digitally excluded adults are defined as those who have never used the internet; have not used the internet within the last three months or don't know when they used internet last; or those who have used the internet in the last three months but less often than once a week and rate their ability to use it as poor or bad (2017: Digitally excluded adults are defined as those who have never used the internet; use the internet about once every six months or less often, or don't know how often they use the internet; or those who use the internet about once a fortnight, once a month or once every 2-3 months and rate their ability to use it as poor or bad)	All adults

Having poor health

In this report, we refer to those who have characteristics of vulnerability under the health driver as having 'poor health'.

Our definition for poor health includes the wording 'have a physical or mental health condition or illness that has lasted or is expected to last 12 months or more ... that reduces your ability to carry out day-to-day activities'. This has broad similarities, with some differences, to the definition of disability in the Equality Act 2010, which sets out when someone is considered to be disabled and therefore protected from discrimination. The Equality Act defines disability as having a physical or mental impairment that has a substantial and long-term adverse effect on their ability to carry out normal day-to-day activities.

There are some differences between the definitions. The Equality Act definition of disability also automatically includes people with progressive conditions such as HIV infection, cancer and multiple sclerosis, from the day of diagnosis. This is not captured by our FLS definition for 'poor health', and our Financial Lives survey does not ask respondents if they have these conditions. In addition, our FLS definition of 'poor

health' includes gambling and other addictions (which are not part of the Equality Act definition of disability) as conditions which may reduce a person's ability to carry out day-to-day activities a lot.

Our survey wording captures people who are disabled but not all those who are considered to be disabled under the Equality Act. Consequently, we have decided to use the phrase 'have poor health' or 'in poor health' as shorthand for 'have a physical or mental health condition or illness that has lasted or is expected to last 12 months or more, that affects you in one or more of the following ways: mobility; dexterity; stamina, breathing or fatigue; learning, understanding or concentrating; memory; mental health; socially or behaviourally (associated with a mental health condition, or with a developmental disorder like autism or ADHD); addiction; vision; hearing, or another effect – that reduces your ability to carry out day-to-day activities'.

Changes made to the vulnerability algorithm in 2020

Our enhanced vulnerability algorithm has also been applied retrospectively to our previous, 2017, survey data to allow us to track changes over time.

In summary, we have made the following changes to the algorithm compared with the version reported in our October 2017 publication 'Understanding the financial lives of UK adults':

- Addition of adults who have poor or non-existent digital skills (the 'digitally excluded'): 3.7% of UK adults in 2020 are considered vulnerable based on this characteristic alone
- Addition of adults who are in receipt of Carer's Allowance. As the Financial Lives survey asks about benefits being received by the respondent or by any other adult in their household, it is not always possible to identify respondents in receipt of Carer's Allowance. To overcome this issue and to err on the side of caution, we only include in the algorithm adults who say they receive Carer's Allowance and live in a one-person household: 0.8% of adults in 2020 are considered vulnerable based on this characteristic alone
- Addition of adults with a health problem related to addiction (eg drugs, alcohol, gambling) that reduces their ability to carry out day-to-day activities a lot: to one decimal place, 0.0% of adults in 2020 are considered vulnerable based on this characteristic alone
- Addition of adults who have a physical or mental health condition(s) or illness(es) lasting or expected to last for 12 months or more, that reduces their ability to carry out day-to-day activities a lot, and say it affects them in another way than the ways prompted at the question (ie the 'other – write in' response at question D34 was selected): to one decimal place, 0.0% of adults in 2020 are considered vulnerable based on this characteristic alone
- Removal of adults who say they are constantly overdrawn or usually overdrawn by the time of being paid/ receiving income. While this is a useful survey question to help identify adults who have low or erratic incomes, changes made to the Financial Lives survey questionnaire made tracking results from 2017 to the 2020 impossible.¹³ Some 3.2% of adults in 2020 would have been considered vulnerable based on this characteristic alone

13 In the 2017 Financial Lives survey, this question was asked of a small representative sample of adults with a day-to-day account (19% of all survey respondents). In 2020, it was asked of all survey respondents.

These changes help to explain why we have previously published that in April 2017 50% of UK adults showed characteristics of vulnerability and 30% had low financial resilience. There was also an error in the calculation of low financial resilience, which should have been published as 23%. The revised statistics for April 2017, using the enhanced algorithm, are 51% and 23%, respectively.

Capturing low emotional resilience in the October 2020 Covid-19 panel survey

In this survey, we have added a new question about emotional resilience: 'In general, how easy or difficult do you find it to recover from negative experiences?' We count someone as having low emotional resilience if their answer is 'very difficult' (CD5 = 5).

Appendix C

Methodological notes

Introduction

This appendix covers research design and data collection, including a brief description of the Financial Lives 2020 survey, the Covid-19 panel survey and the qualitative research used in this report.

It also provides some important reporting conventions, including a guide to reading the charts in this report.

Research design and data collection

The information contained in this report is drawn from three different sources:

- **The FCA's Financial Lives survey:** a robust, large-scale nationally representative tracking survey of UK adults' financial behaviour and their perceptions and experience of the UK financial services industry. It takes place approximately every two years and is designed to provide useful longer-term trend data.
- **The FCA's Covid-19 panel survey:** a survey using an independent sample drawn from blended online panels, supplemented with telephone interviews.
- **Qualitative consumer research:** one-hour depth interviews conducted by telephone and video call. Respondents were drawn from those who had taken part in the Financial Lives 2020 survey and had agreed to be re-contacted.

In this section, we discuss each research source briefly in turn.

Financial Lives 2020 survey design and data collection

The Financial Lives survey is the UK's largest tracking survey of UK adults' financial behaviour and their perceptions and experience of the UK financial services industry. The survey is nationally representative. It takes place approximately every two years and is designed to provide useful longer-term trend data.

Fieldwork for the 2020 survey took place between 30 August 2019 and 18 February 2020, before the Covid-19 pandemic triggered the UK to enter its first national lockdown period. The survey results therefore provide a pre-Covid-19 baseline, which will help us to understand the impacts of Covid-19 and how long-lasting they are, when measured through subsequent surveys.

Of the 16,190 interviews conducted for the 2020 survey, 15,217 were completed online and 973 were completed by in-home interview. The in-home survey was designed principally to make sure non-internet users could take part; it also served to increase the number of participants aged 70 or over.

For more information on the Financial Lives 2020 survey, including sampling and weighting, please see the [Technical report](#) and the [questionnaire](#).

Structure of the Financial Lives 2020 survey questionnaire

Asking all respondents all parts of the survey for which they were eligible would have resulted in too long an interview. For that reason, respondents were allocated to some of the sections for which they were eligible in a way that controlled both the overall interview length and the sample for each section, ensuring samples of sufficient size for analysis purposes.

The online survey has, simply put, three types of section:

- sections asked of all 16,190 respondents, covering demographics, attitudes to finance and financial services, product ownership, assets and debts, finding out if the respondent had received regulated financial advice, and financial numeracy
- sections asked of all eligible respondents, covering high-cost credit, those who had received regulated financial advice, use of platforms for investments, banking arrangements of the self-employed, and people without a bank account
- sections asked of representative random samples of respondents, covering all other sections – these sections use a 1 in N approach or relative selection probabilities (RSPs) to select respondents; some individual questions or sets of questions within the product ownership and attitudes sections also use a 1 in N approach

See the [Technical report](#) for more information on survey structure and how it differs a little for the in-home survey. See Figure 1.2 for more information on the content of the survey.

Covid-19 panel survey design and data collection

To understand the impacts of Covid-19 better and to inform our work to protect consumers, we undertook a number of ad hoc surveys over 2020. The largest of these is our Covid-19 panel survey, which looks at the impacts of Covid-19 on people's income and financial positions.

The survey was conducted between 2 and 25 October 2020. Most interviews (22,017) were completed online, using a blended online panel. A top-up of 250 telephone interviews were undertaken, using RDD sample (random telephone numbers which have been pre-contacted to ensure the telephone number is valid). These interviews ensured that non-internet users were included in the sample, although they represented a very small percentage of the total of 22,267 interviews.

The natural fall-out from panel surveys is often a biased sample (eg people not in work are overrepresented and younger men are underrepresented), meaning that weighting can result in a lower than desirable effective sample size. To maximise the accuracy of the survey results, we set quotas on several parameters (including age, gender, region, working status, education, housing tenure, marital status, ethnicity and internet use) using the Financial Lives 2020 weighted profile of interviews.

Sophisticated rimb weighting, including weighting to the Financial Lives measure of vulnerability (described in Appendix B), achieved a sampling efficiency of 62%.

The survey was designed to measure the changes in consumers' financial positions and to understand their experiences with financial firms since March 2020. This included measuring the change in the number of UK adults with characteristics of vulnerability.

Structure of the Covid-19 panel survey questionnaire

The Covid-19 panel survey questionnaire was designed to be completed both online – and by telephone for non-internet users. The questionnaire comprised 130 questions and took an average of 25 minutes to complete online (45 minutes to complete on the telephone). The questionnaire covered:

- **Demographics**, for example: age, gender, ethnicity, housing tenure, health conditions and recent life events
- **The impact of Covid-19 on working status and pension contributions**, for example: change in working status, work experiences (eg furloughed, made redundant, decline in self-employed business revenue), and impacts of Covid-19 on retirement plans, and impacts of Covid-19 on pension contributions
- **The impact of Covid-19 on finances**, for example: household income, spending, savings and investments, debt levels and over-indebtedness
- **Payment deferrals**, for example: the proportion of adults who have taken a mortgage or credit payment deferral and their experiences of this
- **Attitudes and engagement**, for example: confidence managing money, knowledge of financial matters, trust and confidence in financial firms, attitudes towards insurance and protection and shopping around behaviours
- **Innovation and technology**, for example: change in use of the internet, online/mobile banking and contactless payments since the Covid-19 pandemic, reliance on cash, impact of Covid-19 on access to cash and essential services
- **Experiences of fraud and scams and interactions with firms**: experiences of unsolicited approaches, and issues experienced when interacting with financial services providers since the Covid-19 pandemic
- **Expectations for the next six months**, for example: related to their work, household income, savings levels and debt levels

For more information, please see the [survey questionnaire](#).

Qualitative consumer research

In this report, we bring alive the financial impacts of Covid-19 through:

- **Pen portraits**: Short case studies about a respondent's financial situation and experiences.
- **Verbatim comments**: These are respondent quotations, based on interview recordings, reported word for word with only minor editing. The quotations are labelled with the respondent's gender and age.

Most of these stories and verbatim comments come from 32 one-hour interviews, conducted by telephone and video call from 14 to 27 October. The respondents were recruited from among those who completed the Financial Lives 2020 survey.

For this qualitative research, we were particularly interested in hearing stories from people who had been affected by Covid-19. For this reason, we focused on speaking to people whose financial situation had worsened significantly due to Covid-19 or who had experienced certain hardships, such as being furloughed, losing their job, or being forced to take early retirement. While a small number of interviews were also conducted with adults who said their financial situation had improved since the Covid-19 pandemic, the qualitative research was not designed to be representative of the overall population.

Furthermore, a small number of respondents were selected because they had:

- taken a mortgage or credit payment deferral
- changed the way they interact with essential banking services
- had positive or negative interactions with financial services providers
- experienced unsolicited offers which could potentially be scams

Some of the verbatim comments in this report come from another short Covid-19 survey conducted from 16 to 30 September among Financial Lives 2020 survey respondents who agreed to take part in follow-up research.

Reporting conventions

Table and chart conventions

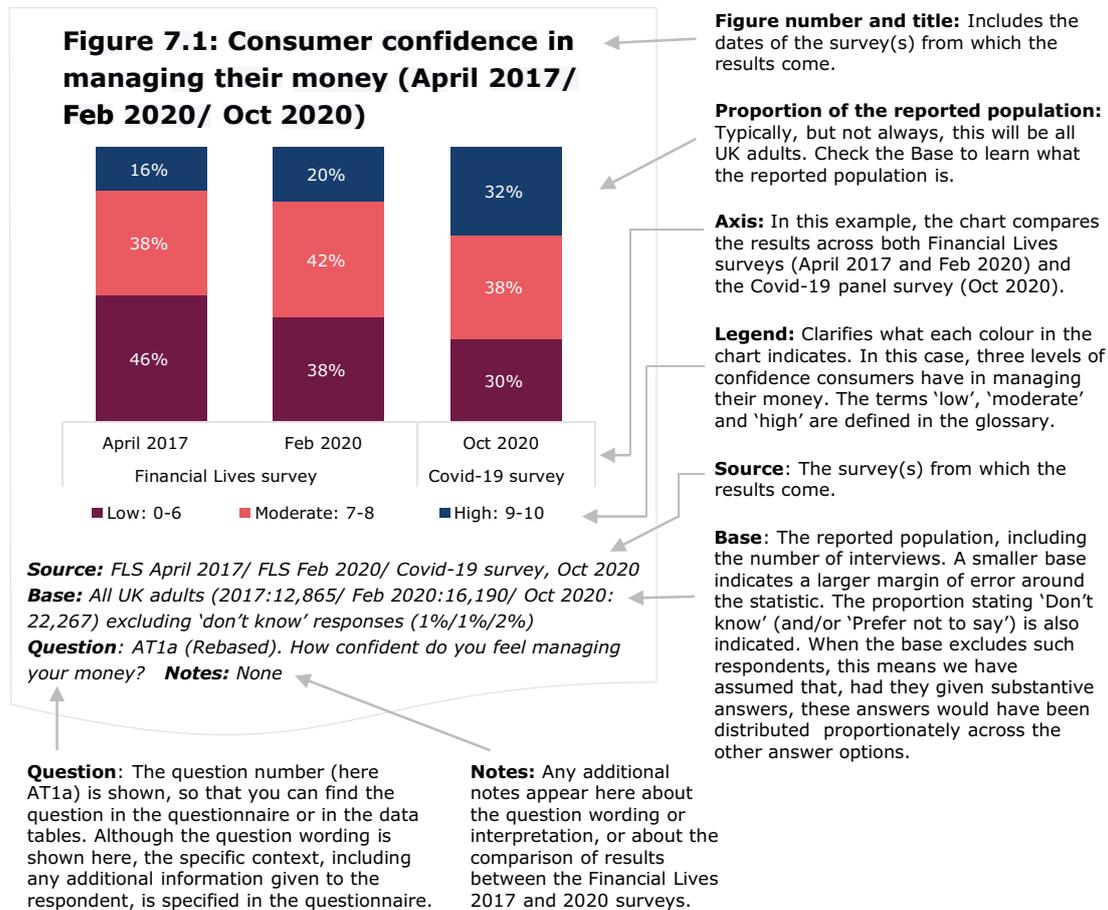
In this report and in [Appendix A \(Product holdings\)](#), the following conventions are used when displaying results:

- * An asterisk is used, and percentage results are not provided, where the unweighted base is too low, ie fewer than 50 observations.
- [x%] Percentage results based on 50 to 99 unweighted observations are caveated through the use of square brackets.
- 0% Observations, but less than 0.5%.
- No observations.
- unp An unprompted response. The answer code frame for many survey questions includes an 'Other (write in)' response option. This allows respondents to give a response which has not been prompted. These unprompted responses are not directly comparable to the selection of pre-existing, or prompted, response options.

A guide to reading charts in this report

The charts (or figures, as we call them) in this report use a set of conventions. Understanding these makes it easy to read and to gain the maximum value from the charts. Figure C.1 explains the main elements of each chart.

Figure C.1: Guide to reading the charts in this report



The figures in this report often show results for all adults responding to a particular question (typically, but not always, this will be all UK adults) as well as for selected analysis breaks. These analysis breaks usually include gender and age, but may also include other breaks of particular interest to the given question, such as employment status, housing tenure, ethnicity and household income. We do not always chart all responses within an analysis break:

- Gender: We do not chart results for the very small bases of those who prefer to self-define and those who 'prefer not to say' (we have rebased the responses)
- Employment: We do not chart results for those who are semi-retired and those who 'don't know'
- Housing tenure: We do not chart results for those who 'don't know' (we have rebased the responses)
- Ethnicity: We do not chart results for those who 'prefer not to say' (we have rebased the responses)
- Household income: We do not chart results for those who 'don't know' or 'prefer not to say' (we have rebased the responses)

Rounding

In figures, tables and report text, percentages derived from the survey analysis or associated calculations are usually rounded upwards or downwards to the nearest whole number. Where a percentage, calculated to one decimal place, is x.5% the convention is to round upwards, eg 56.5% is shown as 57%. Totals may, therefore, not add to 100%. When we report means for monetary amounts, such as household

income or mortgage debt, our convention is to report to the nearest £1,000, except for unsecured debt and losses related to fraud and scams, where we report to the nearest £10.

Rebasing: the treatment of 'don't know' and 'prefer not to say' responses

Findings are usually rebased to exclude respondents who refuse to answer a question by selecting a 'prefer not to say' code. We also rebase the results to exclude respondents who say 'don't know', where this response is not a meaningful result. As an example:

- If x% of the UK adult population does not know who their pension provider is, then we would consider this to be a meaningful result and would include 'don't know' responses in the data (here, the fact that they do not know who provides their pension is an interesting finding that conveys some meaning)
- If x% of the UK adult population does not know how confident they feel in managing their money, then we would not consider this to be a meaningful result and would rebase the results to exclude 'don't know' answers (here, people should be able to say how they feel, even if they have no feeling one way or another)

The base information below the figures and tables gives the details on the weighted proportion of respondents that have been excluded because they selected 'don't know' or 'prefer not to say'.

Whether a result is meaningful or not is sometimes a matter of interpretation. We encourage the reader to consult the weighted data tables published with this report, which include both the rebased results and the non-rebased results.

Statistically significant differences

We have tested all the survey results to a confidence interval (CI) of 95%. Where we pick out results in the report text, they are **always statistically significant** to a confidence level of 95%, unless we explicitly say they are not. This applies to comparison of results both for different consumers in the same survey (e.g. men and women) and for the same consumer group between the Financial Lives surveys (e.g. results for women in 2017 compared with results for women in 2020).

For example, if we say that 'women are more likely to use catalogue credit or shopping accounts than men', there is less than 5% chance that this difference would have been observed in the survey, if there was no significant difference in the actual population. The same is true for time series data. For example, if we say that 'more women use catalogue credit in 2020 than in 2017', there is less than 5% chance that this difference would have been observed in the survey, if there was no significant difference in the actual population.¹⁴

How we calculate and why we report means

The majority of questions which request a monetary value (such as adults' household income or mortgage debt) capture this information using pre-defined discrete ranges, rather than requesting a precise number. This approach has the advantage of reducing non-response, because participants feel more inclined to answer in ranges.

This approach does mean, however, that calculating averages from these questions has some limitations. For example, means are calculated from the distribution of

14 By 'chance' we technically mean the chance of errors associated with sampling.

answers and a midpoint of each range. This approach inherently assumes that all answers in the specific range are grouped evenly around that midpoint, which may not be the case. As a result, the mean averages may be over- or under-estimates.¹⁵

On the other hand, the use of ranges in this way eliminates outliers: any extreme answer is in effect removed by being allocated to the uppermost or lowermost range (by respondents themselves). The uppermost range is always in the format '£X or above' and a 'midpoint' for that range is set with a value close to the bottom end to limit the impact of outliers. Therefore, while medians are typically used to report an average which minimises the impact of outliers, this approach is not as necessary for the Financial Lives survey, as means are calculated in a manner that already does so.

15 In the 2020 survey we have increased the number of ranges offered at monetary value questions, as one way to improve the accuracy of responses.

Abbreviations

Term	Definition
ADHD	Attention deficit hyperactivity disorder
APR	Annual Percentage Rate
BAME	Black, Asian and Minority Ethnic
DB	Defined benefit
DC	Defined contribution
FCA	Financial Conduct Authority
FLS	(The FCA's) Financial Lives survey
FS	Financial Service(s)
HMRC	Her Majesty's Revenue and Customs
IMD	Index of Multiple Deprivation
ISA	Individual savings account
LGBT+	Lesbian, gay, bisexual and transgender, and related communities
LISA	Lifetime ISA
na	Not applicable
NHS	National Health Service
NS&I	National Savings and Investments
PIS	Payment Initiation Service
PISP	Payment Initiation Service Provider
PMI	Personal Medical Insurance
RDD	Random Digit Dialling
RSP	Relative Selection Probability
ST	Short-term (as in short-term instalment loan)

Term	Definition
SVR	Standard variable rate
UFPLS	Uncrystallised funds pension lump sum
UK	United Kingdom
unp	Unprompted response

Glossary

This glossary is of terms used in this report including some survey questionnaire definitions. Where we refer to survey definitions they are from the Financial Lives 2020 survey, except where otherwise stated.

Where a gloss contains a term that is itself a gloss, that term appears in bold.

Term	Definition
Accumulation	The process of building pension savings before retirement. For the purpose of reporting the Financial Lives survey, DC pensions that have been partially accessed (for example, via UFPLS) are not considered to be in accumulation
Active account	Defined for survey respondents as: 'An active current account has had at least one payment or transfer in or out of it in the last 12 months (including standing orders and Direct Debits, but excluding charges and interest on the account)'
Active member	Adults currently contributing to a DC pension (or an employer is contributing to it on their behalf)
Adult	Aged 18 years or over
Agree	Those answering 'strongly agree' or 'slightly agree'
Alternative e-money account	Defined for survey respondents as: 'A current account provided by any of the following e-money institutions: Amaiz, Arromoney, Bilderlings, cashplus, Contis, Countingup, Dozens, Engage, epayments, Frees, Getcoconut, ipagoo, Lycamoney, Mettle, Mifinity, Monese, Nimbl, Paystree, Pockit, Revolut, Soldo, squirrel, Think Money, Tide, Tuxedo, UKash, Wirecard'
Auto-enrolment	Automatic enrolment makes it compulsory for employers to offer, enrol and make minimum contributions to a workplace pension for all eligible employees
Bank	A bank is a financial institution licensed to receive deposits and make loans. For the purpose of analysis in this report, banks have been allocated to one of four types: high street bank , challenger bank, digital bank and other bank
Basic bank account	Defined for survey respondents as: 'A basic bank account is a free simple account that does not have an overdraft facility, so you can only spend money you actually have in the account. They are designed for people who do not have a bank account and would not qualify for a standard current account, perhaps because they have a poor credit rating. Banks can reject applicants who are considered to be a criminal risk.'
Black	Shorthand for Black and Black British
Borrow on a credit card	Revolve a balance on a credit card

Term	Definition
Black, Asian and minority ethnic groups (BAME)	All UK adults are BAME or White by ethnicity BAME adults include Black and Black British, Asian, Mixed race and other ethnic groups. See survey question D22 for more details
Bounce Back Loan	Bounce Back Loans are a government initiative designed in response to Covid-19. They are intended to help smaller businesses access finance more quickly during the pandemic. Businesses can borrow between £2,000 and up to 25% of their turnover. The maximum loan available is £50,000
Cash savings	The amount held in savings accounts (savings accounts, NS&I bonds, credit union savings accounts, and cash ISAs) and any cash held in current accounts, alternative e-money accounts or Post Office card accounts that they consider to be savings. Respondents were asked, if they hold any savings jointly, to only include the amount they consider to be theirs
Characteristics of vulnerability	Circumstances associated with four key drivers of vulnerability that may indicate a consumer is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care. See Appendix B
Contactless payment	Defined for survey respondents as: 'This is where you can pay for items with your card or mobile device (up to a value of £30) by tapping it against the card reader, without having to enter your PIN.' Note the maximum value increased to £45 in April 2020
Coronavirus Job Retention Scheme	The UK Government's support measure for organisations and employees during the Covid-19 pandemic. It offers grants to cover a proportion of the salaries of furloughed staff
Credit or loan	Hold any type of loan regardless of whether it is FCA-regulated or not
Credit deferral (Covid-19 panel survey)	Defined for survey respondents as: '[This is] where your lender or finance company agrees to reduce or pause your payments for a limited time, if you can't pay because of Covid-19.' We ask about credit deferrals to all adults who held any FCA-regulated credit or loans in February or October 2020, excluding those who only held an overdraft (ie they were overdrawn in February or October but held no other FCA-regulated credit or loans. Adults who were overdrawn were asked about 'interest-free buffers' on overdrafts
Current account	Account, held either in own name or in joint names, on which money may be withdrawn without notice. Respondents were asked to include current accounts held with a bank, building society, a Post Office current account, or a credit union current account, but to exclude current accounts used solely for business purposes, credit union savings accounts or Post Office card accounts

Term	Definition
Day-to-day account	The account people use for day-to-day payments and transactions. For most people, this is a current account . For others, it can be a savings account (with a bank, building society or NS&I), a credit union savings account, an alternative e-money account or a Post Office card account
Decumulation	Pension decumulation is the process of converting pension savings into retirement income. Adults may access a DC pension by buying an annuity, entering into income drawdown or UFPLS , or taking cash from it
Deferred member	Adults that have a DC pension , but it is 'frozen' as they are not currently contributing to it (nor is their employer contributing to it on their behalf)
Defined benefit (DB) pension scheme	A type of workplace pension that promises to pay the member an income in retirement. The income is calculated using a formula based on their salary and how long they have worked for their employer. Also known as a 'final salary' or 'career average' pension
Defined contribution (DC) pension scheme	A type of pension where the value of the pension is determined by the amount paid in by the individual (or their employer) and any investment returns. The value of the pension can go up or down depending on investment performance. These pensions may be set up by an individual or by an employer. When respondents have an employer-arranged private pension, the Financial Lives survey prompts them with a description of a defined benefit and a defined contribution pension. If they do not recognise these descriptions, we assume they have a defined contribution pension
Digital bank	For the purpose of analysis the following banks have been allocated into this grouping: Atom Bank, Fidor, Smile, Monzo and Cahoot
Disagree	Those answering 'strongly disagree' or 'slightly disagree'
Drivers of vulnerability	The FCA's four key drivers of vulnerability are: health, life events, resilience and capability. See Appendix B
Exchange tokens or cryptocurrency (new to 2020 survey)	Defined for survey respondents as: 'Primarily designed to be used as a means of exchange and not usually issued by a central entity, in most cases exchange tokens utilise a network of computers on the internet (known as blockchain) using cryptography to secure transactions'
FCA-regulated consumer credit	Hold any FCA-regulated credit or loans , but excluding those adults who only hold running-account credit products (credit cards, store cards, catalogue credit), <u>and</u> pay the full statement balance every or most months
FCA-regulated credit or loans	Hold any credit or loan product that is FCA-regulated, ie excludes student loans , loans from friends and family, and loans from unlicensed moneylenders or other informal lenders

Term	Definition
First time borrower (residential mortgage)	Have lived in their property for less than 3 years; it is the first property they have owned with a mortgage, and they have not made any changes to their mortgage since taking it out (such as changing lender or changing to a new rate)
Furloughed	Those who have received support from the Coronavirus Job Retention Scheme . Where we report on the furloughed population, we have usually included those on paid leave not under the Coronavirus Job Retention Scheme
General insurance (any)	Have one or more general insurance policies in own name or in joint names. To see what products are included under 'any general insurance', see Appendix A
Gig economy	Defined for survey respondents as: 'In the last 12 months, using any of the following websites or apps to earn an income: provided food delivery services (eg via Deliveroo, UberEATS); provided transport in their own vehicle (eg via Uber, Hailo); provided courier services (eg via CitySprint, AnyVan), or performed short-term jobs found via websites or apps (eg via TaskRabbit, Upwork, PeoplePerHour, Fiverr)'
Help to Buy ISA	Government scheme to help first time buyers purchase their first home
Heavily reliant on cash	Adults who rely on cash to a 'great' or 'very great' extent (rather than other payment methods) in their day-to-day life
High	The description of something when respondents score it 9-10 out of 10. For example: confidence in managing money, knowledge of financial matters, satisfaction with financial circumstances, and trust and satisfaction with providers
High-cost credit/loan	Having one or more of the following forms of credit now or in the last 12 months: catalogue credit and shopping accounts (revolvers only), pawnbroking, home-collected loan, payday loan, short-term instalment loan, logbook loan, rent-to-own (rent-to-own is included as a discrete product in the 2020 survey; it is grouped as 'hire purchase/rent to own' in the 2017 survey). This grouping of products is used for reporting purposes. These products were not described to respondents as high-cost credit
High street bank	High street banks include: Bank of Scotland, Barclays, Halifax, HSBC, Lloyds Bank, Nationwide, NatWest, RBS, Santander and Ulster Bank
Household	Defined for survey respondents as: 'The group of people (not necessarily related) living at the same address who share cooking facilities and also share a living room or sitting room or dining area'
Household income	Defined for survey respondents as: 'Total annual household income from all sources (including benefits) before tax and other deductions'

Term	Definition
In financial difficulty	Description used for adults when they have fallen behind on, or missed, any payments for credit commitments or domestic bills for any three or more of the last six months
Individual Voluntary Arrangement (IVA)	An IVA is a formal debt solution to pay back debts over a period of time
Interest-free buffers on overdrafts (Covid-19 panel survey)	Defined for survey respondents as: 'To support people who have been impacted because of Covid-19, banks have been providing "interest-free buffers" on overdrafts. This is where the first £500 of an overdraft is automatically interest-free, for up to three months. It applies to arranged overdrafts on a person's primary personal current account only'
International money transfer	Examples given to survey respondents are: 'Moneycorp, MoneyGram, Revolut, Transferwise, Travelex, Western Union, WorldFirst'
Investible assets	The total value of money held in cash savings plus the total current market value of any investments . Respondents who hold any savings or investments jointly are asked to only include the amount they consider to be theirs. Investible assets do not include DC pension assets
Investments	Have at least one FCA-regulated investment. To see what products are included in 'any investments', see Appendix A
Least and most deprived areas of England	The Index of Multiple Deprivation ranks every small area in England from most deprived to least deprived. We use the equivalent measures for Scotland, Wales and Northern Ireland (Scottish Index of Multiple Deprivation, Welsh Index of Multiple Deprivation and Northern Ireland Multiple Deprivation Measures, respectively). Areas can then be cut by decile by country to identify whether an area falls into the most or least deprived 10 per cent of small areas in that country. Decile 1 areas are the most deprived areas from each country, and decile 10 areas are the least deprived areas from each country
LGBT+	Those who define themselves: gay or lesbian, bisexual or trans, or they self-define gender (survey answers included: pre-op transgender, gender neutral, gender fluid, non-binary, mixed gender, no gender, agender) or they self-define sexuality (survey answers included: pansexual, asexual, queer, not categorizable, open to loving a person regardless of gender)
Lifetime ISA (LISA)	Similar to a Help to Buy ISA , this also enables people between 18 and 39 to start to save money for the future

Term	Definition
Lifetime mortgage	Defined for survey respondents as: 'This is a long-term loan secured on your property and is often known as equity release. The usual arrangement is that the loan is not typically repaid until death or moving into care.' Respondents are asked not to include home reversion plans
Loadable pre-paid card	Examples given to survey respondents are: 'Post Office travel card, cashplus, Monese, Pockit, thinkmoney, Tuxedo or UKash.' Respondents are asked not to include gift cards from retailers
Low	The description of something when respondents score it 0-6 out of 10. For example: confidence in managing money, knowledge of financial matters, satisfaction with financial circumstances, and trust and satisfaction with providers
Low capability (in the context of vulnerability)	Capability is one of the four key drivers of vulnerability . Adults are described as having low capability if they have low confidence or knowledge in managing financial matters or have poor or non-existent digital skills (the 'digitally excluded'). See Appendix B for greater detail on how low capability is defined
Low financial resilience (in the context of vulnerability)	Resilience is one of the four key drivers of vulnerability . Or algorithm captures low financial resilience. Adults are described as having low financial resilience if they are over-indebted or have low or erratic incomes or low savings. See Appendix B for greater detail on how low financial resilience is defined
Main current account provider	For adults with one current account, this is their current account provider. For those who have more than one current account, this is the account which their primary income is paid into and/or from which Direct Debits and other payments are paid. They may also use it for regular cash withdrawals
Mobile wallet	Defined for survey respondents as: 'A mobile wallet is where you use your mobile phone or other mobile device to store your debit or credit card details and make payments in store and online'
Moderate	The description of something when respondents score it 7-8 out of 10. For example: confidence in managing money, knowledge of financial matters, satisfaction with financial circumstances, and trust and satisfaction with providers
Mortgage debt	Amount left to pay on a residential or lifetime mortgage (first-charge) on the property they currently live in.
Mortgage payment deferral (Covid-19 panel survey)	The survey used the more consumer-friendly term 'payment holiday.' Defined for survey respondents as: '[This] provides flexibility in repaying your mortgage by allowing you to stop or reduce your monthly payments for up to three months'
Motor finance	Hire purchase (HP) and personal contract purchases (PCPs) with the option to buy the vehicle, or loans to buy outright from a vehicle dealer, vehicle manufacturer or motor finance specialist

Term	Definition
Negative life event (in the context of vulnerability)	Life events are one of the four key drivers of vulnerability . Negative life events included in our algorithm are events that have occurred in the last 12 months, and include bereavement, an income shock (e.g. losing their job or a reduction in working hours against their wishes), a relationship breakdown, or becoming the main carer for a close family member. See Appendix B for greater detail on how negative life events are defined
Non-internet user	Adults who have never used the internet before – at home, at work or elsewhere, on any device, on behalf of themselves, other members of their family or for friends
Not low financial resilience	All adults who have not been classified as having low financial resilience . This will include some people for whom we could not establish definitively that they do not have low financial resilience (eg answered 'don't know' or 'prefer not to say' to key input questions)
NUTS 2	The Nomenclature of Territorial Units for Statistics (NUTS) is a hierarchical classification of administrative areas. There are 41 NUTS 2 regions in total. An example of a NUTS 2 region is Greater Manchester (UKD3)
NUTS 3	The Nomenclature of Territorial Units for Statistics (NUTS) is a hierarchical classification of administrative areas. NUTS 3 is more granular than NUTS 2 . There are 179 NUTS 3 regions in total. An example of a NUTS 3 region is Greater Manchester North West (UKD36)
Open Banking	<p>Defined for survey respondents as: 'Open Banking was introduced in January 2018 to give people a more detailed understanding of their accounts, and help them find new ways to make the most of their money. Should you wish to use it, you can give banks (and other regulated companies, eg apps and websites) secure access to your banking information.</p> <p>Open Banking opens the way to new products and services that could give you a more detailed understanding of your money, eg:</p> <ul style="list-style-type: none"> • services that allow you to see all your bank accounts in one place and analyse your spending • tools to help you budget, find the best deals, or shop for financial products and services that suit you • debt management tools and help finding lower interest rates and lower overdraft charges • price comparison website that give you results based on what you actually spend (by allowing the price comparison websites to access to your account information)'
'Other' working status	Includes those who are temporarily sick with no job to go to, those who are permanently sick or disabled, students, those looking after the home, and those who self-defined their working status (survey answers included: employed, but hours not stated – including all maternity leave, sick with unstated hours, agency work/zero hours contract, voluntary work, carer)

Term	Definition
Over-indebted, over-indebtedness	<p>Terms adopted from the Money and Pensions Service (MaPs) to describe having one or both of the following characteristics:</p> <ul style="list-style-type: none"> • Keeping up with domestic bills and credit commitments is a heavy burden • Have fallen behind on, or missed, any payments for credit commitments or domestic bills for any three or more of the last six months. The three months do not need to be consecutive months <p>See Appendix B for more detail on how over-indebtedness is defined</p>
Partial encashment	<p>Taking some cash out of your pension and leaving the remainder invested, either via income drawdown or UFPLS</p>
Pension freedoms/ pension freedom and choice	<p>In April 2015, the tax rules were changed to give people greater access to their pensions. Consequently, individuals now have much greater flexibility in how and when they access their defined contribution savings regardless of pot size. Pension savers can now choose to withdraw their entire pension pot as cash, either in one go or in smaller sums over time; draw an adjustable income from their pension; purchase an annuity to deliver a guaranteed income, or choose to leave their pension untouched</p>
Personal income	<p>Defined for survey respondents as: 'Total annual personal income from all sources (including benefits) before tax and other deductions'</p>
Payment Initiation Service (PIS)	<p>Defined for survey respondents as: 'Paying for anything online without giving your card details to the seller, ie you have provided your online banking details to a financial provider, eg Bancontact, Klarna, Ideal, Rapid Transfer, Sofort, for them to transfer money straight from your bank account to the seller'</p>
Porting	<p>The most recent thing a residential mortgage holder has done with their mortgage is to move home keeping the same lender and their current mortgage deal</p>
Poor health (in the context of vulnerability)	<p>Health is one of the four key drivers of vulnerability. Poor health is characterised by having a physical or mental health condition(s) or illness(es) lasting or expected to last for 12 months or more, that reduces someone's ability to carry out day-to-day activities a lot, and that affects them in one or more of the following ways: mobility; dexterity; stamina, breathing or fatigue; learning, understanding or concentrating; memory; mental health; socially or behaviourally (associated with a mental health condition, or with a developmental disorder like autism or ADHD); addiction; vision; hearing; or another effect. See Appendix B for greater detail on how poor health is defined</p>
Private pension	<p>A DB pension arranged through an employer, or a DC pension arranged by individuals themselves (or an adviser for them) or through an employer</p>

Term	Definition
Private pension provision	An adult has a private pension they have not yet accessed and/or they have a private pension which they have already been accessing and from which they have taken a cash lump sum or are taking an income. Those without private pension provision may only have a pension from the State
Protection (any)	Have one or more protection policies in own name or in joint names. To see what products are included in 'any protection', see Appendix A
Regulated financial advice	Defined for survey respondents as: 'Advice that is paid for, or would be paid for if you took out a product, from one of the following advisers: <ul style="list-style-type: none"> • An adviser from a financial advice firm, eg an IFA (Independent Financial Adviser) • An adviser from a bank or building society • An adviser from an insurance company, investment company or pension provider • Automated advice online, as an app or as downloadable software. This is personalised advice which usually incurs a charge, where you input information about yourself and your objectives and this information is used to generate suitable recommendations in relation to your financial affairs. It does not include simple online tools, apps and calculators'
Residential mortgage	Defined for survey respondents as: 'The main (first charge) mortgage on a property you occupy. You repay it over time (repayment mortgage), or at a specific point in the future (interest-only mortgage) or in a combination of these repayment methods ('part-and-part')' Respondents are asked not to include buy-to-let mortgages, second charge mortgages or lifetime mortgages. For the purposes of reporting, we assume that those who hold a mortgage on the property in which they currently live but do not know which kind have a residential first charge mortgage
Retail finance	Retail finance includes store cards, catalogue credit, hire purchase, rent-to-own and retail instalment credit.
Retirement planning	Defined for survey respondents as: 'The choices you need to make when starting to take money from your pension savings to fund your retirement. This could include buying an annuity or entering into income drawdown or taking cash from your pension pot'
Revolve, revolver, revolving	Hold a credit card, store card and/or catalogue credit now or in the last 12 months but do not usually repay, or don't know if usually repay, the balance in full every month or most months
Running-account credit	Credit cards, store cards and catalogue credit

Term	Definition
Self Employed Income Support Scheme	A government initiative designed in response to Covid-19 to help the eligible self-employed access financial support during the pandemic.
Shared ownership	Defined for survey respondents as: 'Paying part rent and part mortgage (shared ownership)'
Single adult	Those adults who are not married, in a civil partnership or otherwise living as a couple
Standard variable rate (SVR)	Defined for survey respondents as: '[This is a variable rate mortgage] where your lender can change your interest rate'
State pension	The State pension is a regular income paid by the UK Government to people who have reached State Pension Age (SPA). For people reaching the SPA before the 6 April 2016, there are two parts to the State pension – the Basic State pension and the additional State pension (also called SERPS/ State Second Pension). For people reaching the SPA on or after 6 April 2016 the two-tier system has been replaced by a single-tier system
Student loan	Defined for survey respondents as: 'Loans from the Student Loans Company, or its equivalents in Scotland, Wales and Northern Ireland.' Respondents are asked not to include student finance from commercial providers. In the Financial Lives 2017 survey, respondents were not provided with a reference to the equivalents of the Student Loans Company
Transactor	Hold a credit card, store card and/or catalogue credit now or in the last 12 months and usually repay the balance in full every month or most months
Unbanked	Have no current account or alternative e-money account
Unbanked+	Have no day-to-day account at all
Uncrystallised Funds Pension Lump Sum (UFPLS)	A way of taking a cash lump sum or sums from a pension without purchasing an annuity or going into income drawdown (ie crystallising the pension). Normally, 25% of each withdrawal is received tax-free, with the remainder added to the individual's taxable income and taxed accordingly
Unlicensed moneylender or another informal lender	Defined for survey respondents as: 'This is a where someone lends money on a commercial basis, but without being authorised by the Financial Conduct Authority (FCA)'

Term	Definition
Unsecured debt	<p>The total amount of money currently owed on:</p> <ul style="list-style-type: none"> • Credit and store cards: the outstanding balance not repaid in the previous month for adults who revolve a balance. Respondents are asked to only include cards where they are the main cardholder • Overdrafts: the amount currently overdrawn. Respondents who hold an overdraft on a joint account are asked only to include the overdraft amount they consider to be theirs or, if in doubt, to include 50% of the total • Loans: the amount currently owned on student loans, motor finance, retail credit (ie retail hire purchase, rent-to-own, or instalment credit) and personal loans. Respondents who hold any of these jointly are asked only to include the amount they consider to be theirs or, if in doubt, to include 50% of the total
Vulnerable consumers	<p>Someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care. See Appendix B</p>
Working	<p>This is the collective term used for adults that are employed, self-employed, semi-retired or said they were employed in another way, ie self-defined their working status as employed, but hours not stated – including all maternity leave, sick with unstated hours, agency work/zero hours contract, voluntary work, carer)</p>

The team and authors

The Financial Lives team is part of the FCA's Consumer Research and Partnerships team, managed by Maria-Jose Barbero, within the Consumer and Retail Policy Division.

The lead author of this report is Edward Ripley from Ignition House. Margaret Watmough, who leads the Financial Lives project, co-designed and co-wrote the report. Janette Weir, also from Ignition House, is also a co-author. Andrew Fernando and Val Semenova have contributed significantly to the production of this report. Great support has been provided by James Hopkins from Critical Research and by Tim Burrell and Rob Cross from the FCA.

Maria-Jose Barbero: A Senior Manager, Maria-Jose has managed a variety of teams at the FCA (and previously at the FSA) – building a deep understanding of the financial sector, and, in particular, of how consumers use financial products. She is an economist with 20 years' experience in applying robust analysis to policy development, implementation and regulation.

Tim Burrell: An FCA Senior Associate, Tim has worked on a wide range of financial services market research projects. He has specialised in investments and retail banking research and was also part of the team that delivered the Financial Lives 2017 survey. Prior to joining the FSA in 2008, he worked at the Office for National Statistics on large-scale government surveys.

Rob Cross: An FCA Senior Associate, Rob joined the FCA in 2019. He has worked on a range of financial services consumer research projects including research into the experiences of vulnerable consumers. Prior to that, Robert was a research manager at a legal services regulator and worked on wide range of market research projects, including identifying the legal needs of individual and small business consumers and measuring changes in the level of innovation in the legal services market.

Andrew Fernando: An FCA Senior Associate, Andrew has been at the FCA since 2017. Andrew started in the FCA's Intelligence and Information Centre, where he provided insights to the business across a range of sectors. He joined the Financial Lives project in 2019. Previously, Andrew worked at Kantar Insights focusing on consumer research for Financial Services and Technology clients.

James Hopkins: A Director at Critical Research, James has more than 25 years' experience in agency-side financial research fieldwork and analysis. James has worked with financial services companies, intermediaries, regulators and consumer bodies. He has written a number of academic papers, and presents regularly at market research conferences. James recently led a steering group committee at the House of Commons with the Money and Pensions Service.

Edward Ripley: A Director at Ignition House since 2008, Edward has 20 years' experience working in the market research and advisory industry, previously as Director for Corporate Strategy and New Business Development at the Corporate Executive Board and as Lead Analyst for the Retail Banking team at Datamonitor.

Ed has worked extensively with the FCA as a consultant to the Financial Lives survey team over the past four years, helping to design questionnaires and producing analysis and reporting for internal use and external publication.

Val Semenova: An FCA Senior Associate, Val is a quantitative researcher with a proven history of working in the financial services sector. Prior to joining the FCA, Val worked at a strategic management consultancy firm where she specialised in high-net-worth market research. Specifically, Val delivered client engagement and brand tracking studies for a number of the UK's largest private banks and leading private client investment management firms.

Dr Margaret Watmough: A Technical Specialist at the FCA since 2008, Margaret has specialised in the design and management of large-scale programmes of research including the evaluation of the pilot to set up the Money Advice Service; market sizing and communications research to help manage the transfer of consumer credit firms to the FCA, and the Financial Lives survey. Previously a director at a market research consultancy, since 2005 she has specialised in public policy research, mainly in pensions, advice, consumer credit and other retail financial sectors.

Janette Weir: Ignition House's Managing Director, Janette has more than 30 years' experience in the financial services sector and brings a broad range of research and consultancy skills and experience from her previous roles as Chief Economist of the ABI, Economist at the DWP, and Head of UK Financial Services Research at McKinsey and Company. Janette is an expert in asset management, pensions and retirement saving. Her influential work spans behavioural research into pension engagement and retirement journeys through to more technical research, guiding providers and public policy to deliver better outcomes for members.

Acknowledgements

The organisations involved

The National Centre for Social Research (NatCen) helped to finalise the design of the Financial Lives 2020 survey. They conducted the online survey, managed sampling and delivered sophisticated weighting.

Ipsos Mori worked closely with NatCen and conducted the Financial Lives in-home survey to ensure UK adults who are digitally excluded could take part in the survey.

Critical Research produced the weighted data tables that are published alongside this report. They also conducted the Covid-19 panel survey and partnered with Ignition House on the qualitative research.

The Stats People worked closely with NatCen and Critical Research, advising on survey design and weighting.

Ignition House has worked closely with the FCA on questionnaire design and reporting. They also conducted the qualitative research used in this report.

The people involved

The FCA would like to thank the following leads and team members from our partner organisations:

Critical Research: James Hopkins and Steve Pick, with Karen Dowley, Ellen King, Nigel Marriott and Nick Williams.

Ignition House: Edward Ripley, with Eirik Barr and Janette Weir.

The Stats People: Gary Bennett.

Ipsos Mori: Sam Clemens and Stephen Finlay, with Steve Banister, Adele Bearfield, Kirsty Burston, Colin Gardiner and Duncan Peskett, Kevin Pickering, and all the interviewers and supervisors.

Natcen: Alun Humphrey, with Emma Berteen, Richard Boreham, Tim Buchanan, Christos Byron, Alina Carabat, Ruxandra Comanaru, Joe Crowley, Alessio Fiacco, Tahmineh Hendron, David Hussey, Joanne Maher, Gerry Nicolaas, Charlie Ridley-Johnson and Pamela Ritchie.

Our participants

A very big thank you goes to the thousands of consumers throughout the UK who gave up their time to complete a survey or take part in an interview.



12 Endeavour Square London E20 1JN
Telephone: +44 (0)20 7066 1000
Website: www.fca.org.uk
All rights reserved

PUB REF: 007356