

# CORONAVIRUS FINANCIAL IMPACT TRACKER

## Key findings from a national survey

Elaine Kempson and Christian Poppe  
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Standard Life Foundation has commissioned YouGov to conduct a monthly tracker on the financial impact of the coronavirus pandemic across the UK. Researchers questioned 6,500 people on how their personal and household finances were affected by the pandemic and the likely impact it will have over the next 12 months. They were asked about their income, payment of bills, borrowing, debt, savings and ability to pay for other essentials such as food.

The findings were analysed by a team from the University of Bristol.

## OVERVIEW



In the first three weeks after the UK government introduced the 'lockdown', an estimated 7 million households (a quarter of all households in the UK) had lost either a substantial part or all of their earned income as a consequence of the COVID-19 crisis. This included: 2.8 million who were affected by the main or secondary earner being laid off temporarily without pay; 2.2 million where either the main or the secondary earner had lost their job or all their self-employed income and become unemployed, and a further 3.1 million where earnings had fallen substantially for other reasons. Some had been hit in more than one way. Government support will, when available, go some way to mitigating these income losses. Around four in ten of those who had lost a substantial part of their income as a result of the crisis said that they expected to have some of their (or their partner's) earned income replaced by the Coronavirus Job Retention Scheme (employee furlough). And two in ten thought that they might be eligible for the Self-employment Income Support Scheme (the grant to self-employed people).<sup>1</sup>

The immediate consequences of the crisis for UK households are seen in the large numbers (28 per cent) who were experiencing financial difficulties. An estimated 3.1 million households were *in serious financial difficulty* and a further 4.8 million households were clearly *struggling to make ends meet*. Anxiety about money was widespread, with half of all householders saying that thinking about their financial situation made them anxious.

<sup>1</sup> Some households could be eligible for both types of support so the total number benefitting from the government schemes would be less than six in ten.

Moreover, there are early indications that the situation could deteriorate in the coming months. 3.4 million households (12 per cent) expect it to become even harder to pay bills and credit commitments over the next three months and it is estimated that up to 1.7 million (6 per cent) more households could move *into serious financial difficulty* over that time frame, and a similar number could begin to really *struggle to make ends meet*. Much will depend on what happens in the economy and the impact of government assistance designed to support workers affected by the crisis.

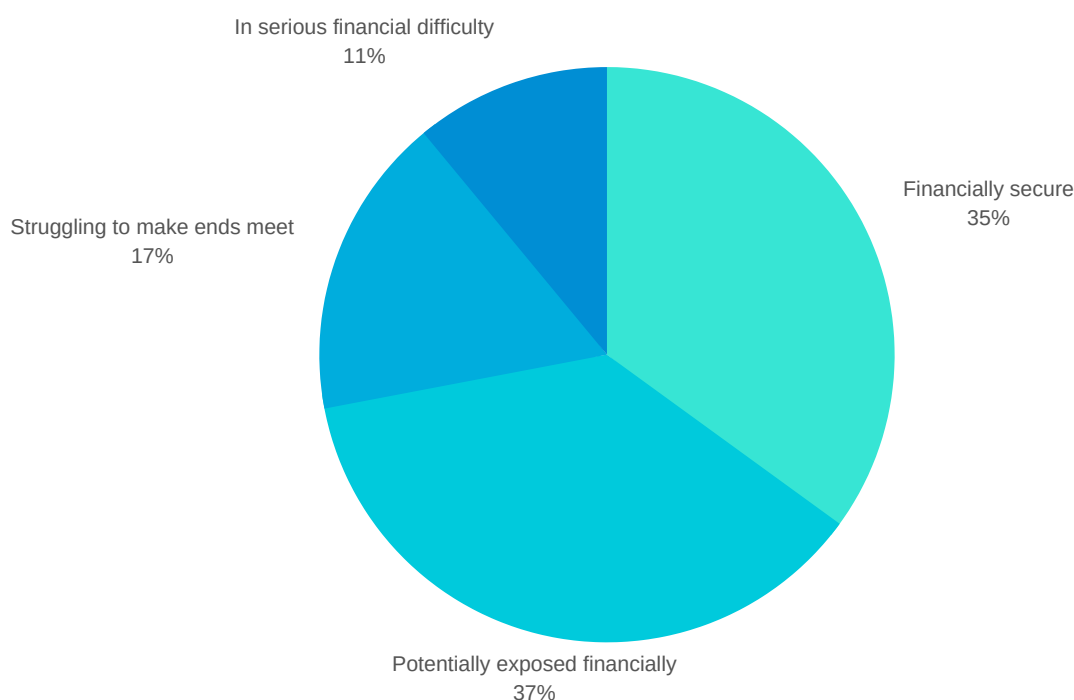
Unlike previous macro-economic shocks, however, the current one seems to be hitting all regions of the UK to a similar extent.

These are the initial findings of the first of a series of monthly surveys designed to track the impact of the COVID-19 crisis on household economies. They are based on analysis of the information provided by 5,890 householders from across the UK.

## Segmenting households by levels of financial stress experienced now

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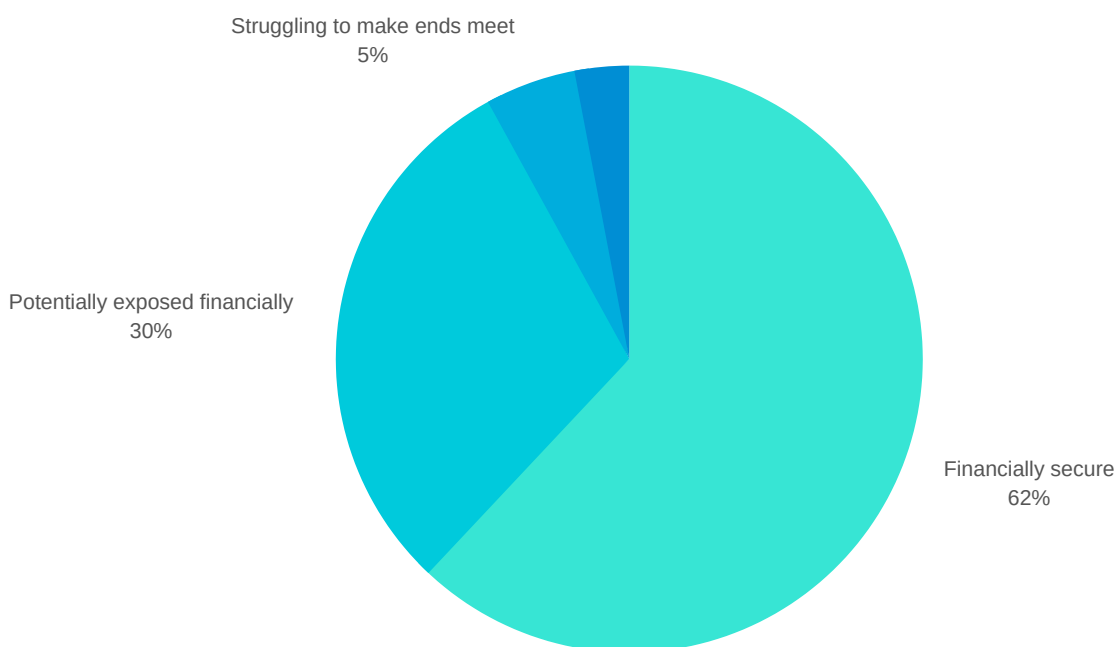
Using a set of detailed questions about the levels of financial stress experienced and the financial reserves they have to deal with financial shocks, it was possible to segment the UK population into four broad groups.<sup>2</sup>



- 35 per cent (equivalent to 10 million households) appeared to be *financially secure*; they were showing no signs of any financial difficulty and had enough money in savings to meet financial shocks in the future.
- A similar number (37 per cent or 10.4 million) had little financial resilience and were *potentially exposed* to financial shocks.
- That leaves 28 per cent (or 7.9 million) who were experiencing financial difficulties:
  - 17 per cent (4.8 million) *struggling to make ends meet* and
  - 11 per cent (3.1 million) *in serious financial difficulty*.

<sup>2</sup>These nine questions can be found on Tables 1 and 4 and the Technical note below explains how this segmentation was done.

A comparable survey has been conducted in Norway<sup>3</sup> and this shows that the Norwegian population is faring far better (see chart below). Compared with the UK, almost twice the proportion of Norwegian households (62 per cent compared with 35 per cent) was *financially secure*. And the proportion of households struggling or *in serious financial difficulty* was less than a third of the UK level (8 per cent compared with 28 per cent). The extent of the lockdown is very similar in the two countries and the nature of the government financial support to households directly affected by the crisis (the use of a furlough scheme and self-employed grants is very similar, although in Norway both schemes have been operational for a while, in contrast to the UK, where neither had come into operation at the time of the survey). But most of the explanation for the difference between the two countries almost certainly lies in three main factors: the smaller proportion of households who were either self-employed or working in the gig economy (5 per cent, compared with 21 per cent in the UK); the higher level of financial resilience of Norwegian households before the crisis (only 11 per cent had no savings compared 22 per cent in the UK) and the far higher amounts of money paid to people claiming social security and unemployment benefits. Norwegian unemployment benefit, for example, is paid at two-thirds of final salary.



## The estimated 3.1 million households who were in serious financial difficulty

11 per cent of all households were showing signs that they were *in serious financial difficulty*.

- All of them said that it was a struggle to pay bills and meet other commitments, indeed more than eight in ten (83 per cent) said it was a constant struggle. And almost all said that they struggled to pay for food and other daily necessities (87 per cent). Approaching seven in ten of them (66 per cent) admitted to owing money in missed payments on household bills or credit commitments. Unsurprisingly, just about all said that thinking about their finances made them anxious (95 per cent).

<sup>3</sup>Other countries are planning similar surveys but, at the time of writing, only New Zealand had begun collecting data.

- They had the lowest average (median) gross household incomes of the four groups (£22,500); some had low incomes even before the current crisis, while others had seen their incomes fall in the past few weeks. A third of this group (35 per cent) had been in receipt of one of the main out-of-work social security benefits<sup>4</sup> and a further one in twenty in low-paid work and receiving Working Tax Credit (6 per cent) – much higher than any of the other groups. At the same time, they were the group that has been hardest hit by the COVID-19 crisis and half of them had suffered a substantial (or total) loss of earned income in the previous three weeks (50 per cent). Indeed, one in ten (11 per cent) had made a successful claim for Universal Credit in that time.
- Very few had savings to fall back on: eight in ten (82 per cent) said that they currently had no savings at all to draw on and most of the rest (13 per cent) said that the amount they had in savings was the equivalent of less than their household income had been in February. Moreover, just about all of those with some money in savings had been drawing on them in order to make ends meet, and some had depleted them altogether. Reflecting this, two thirds (64 per cent) had borrowed money to buy food and other essentials over the same time period.
- Almost four in ten (37 per cent) said that they had already sought advice and help about their financial situation and a similar number (36 per cent) requested details of services that provide money advice.<sup>5</sup>
- Most (82 per cent) were not confident about their financial situation over the next three months, and half of them (51 per cent) anticipated that they could experience a further fall in their income over that period.
- This group of households included people from all walks of life and across the UK, but the ones most likely to be *in serious financial difficulty* were: aged in their thirties, forties, and fifties; lone parents with dependent children; social tenants, and (to a slightly lesser extent) private tenants and householders with a health problem or disability that had lasted (or was expected to last) more than 12 months and limited their day-to-day activities a great deal. This was the main group where we saw any geographical differences, although these were quite small. They were slightly less likely than others to live in the more prosperous South East, South West or Eastern regions of England.

## The 4.8 million households that were struggling to make ends meet

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This group accounted for almost one in five of all households in the UK and were clearly *struggling to make ends meet*. While their financial problems were not as acute as among the group above, we estimate from their current financial situation and anticipated changes in the next three months that up to a fifth of them (21 per cent, an estimated 1 million households) might slide *into serious financial difficulties* over that period.

- Just about all (97 per cent) said that they struggled to pay bills and meet credit and other household commitments, although only two in ten (16 per cent) described it as a constant struggle. That said, almost a third of them (31 per cent) admitted to falling behind with the payments on bills (including rent) or repayments on credit or mortgage commitments. Eight in ten (79 per cent) felt anxious when they thought about their household finances.
- They had below-average gross household incomes (median £26,500); two in ten (19 per cent) had been claiming out-of-work benefits before the current crisis and four in ten (38 per cent) had lost earned income as a result of the COVID-19 crisis. But they were also the group where the largest proportion (36 per cent) expected to have their wages covered by either the furlough scheme or the grant to self-employed people.

<sup>4</sup> Universal Credit, Jobseekers Allowance or Employment and Support Allowance.

<sup>5</sup> The questionnaire offered respondents the opportunity to request details of where they could get assistance. See the section on those *in serious financial difficulty* below for further information.

- Around half of them currently had no savings at all (53 per cent) and two thirds of those with savings had been drawing on them to help make ends meet, including people who had exhausted their savings over the previous three weeks.
- Two in ten (23 per cent) said that they had already sought advice and help about their financial situation, and a similar number requested details of where to get money advice.
- Future prospects for many in this group of households were not bright; four in ten thought it was likely that they could experience a fall in income in the next three months (40 per cent) and a similar number (46 per cent) were not confident about their financial situation over that period. One in ten (11 per cent) indicated that it would become more difficult to pay bills. Based on their current financial situation and expectations for the future, we estimate that one in five (21 per cent) could find themselves *in serious financial difficulty* in three months' time, representing almost 1 million households across the UK.
- Like the group *in serious financial difficulty* they included people from all walks of life and all parts of the UK. And again they included disproportionate numbers of households headed by someone in their twenties, thirties and forties; lone parents; tenants in both the social and private sectors, and householders with a health problem or disability that had lasted (or was expected to last) more than 12 months and limited their day-to-day activities a lot.

## The 10.4 million households that were potentially exposed financially

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This larger group (37 per cent of all UK households) were not facing anything like the financial strain of the two previous groups. But four in ten of them had very little financial resilience. With a sizeable minority (almost three in ten) anticipating losing their job or a substantial part of their earned income in the next three months, it is estimated up to two in ten (2.2 million households across the UK) could slide into financial difficulty in the next few months, including 600,000 who could find themselves in serious financial difficulty.

- Although their finances were not as stretched as the previous two groups, four in ten of them said that they struggled to pay bills from time to time (42 per cent) and one in ten (10 per cent) currently owed money because they had missed payments on household bills or credit commitments.
- A quarter of them (24 per cent) had already lost earned income as a result of the COVID-19 crisis.
- What also marked them out from the *financially secure* group of households was their much lower level of financial resilience and potential exposure to financial difficulties in the coming months.
- About two in ten had no savings at all (17 per cent), and a similar number (22 per cent) had savings that were the equivalent of less than their monthly household income had been during February.
- If their income were to fall by a third or more, only half of them (52 per cent) expected to be able to make ends meet without borrowing for more than three months. For some this could well become a reality, as about three in ten (28 per cent) thought it likely that they would suffer a substantial drop in their household income in the coming three months as a result of the COVID-19 crisis.
- Just under two in ten were not confident about their finances over the next three months and over two in ten expected it would become more difficult to pay bills (17 per cent and 18 per cent). Indeed, more than one in ten were already borrowing to pay for food and other living expenses (12 per cent).
- One in ten among this group requested details of where they could get money advice (11 per cent).

- Pulling all this together we estimate that, potentially, up to one in five of these households (2.2 million in total) could potentially slide into financial difficulties in the coming months, with around 600,000 of these (6 per cent) finding themselves *in serious financial difficulty*. Whether or not this occurs depends on what happens in the economy and the efficacy of government support schemes for those losing an earned income.
- In most respects, they were typical of the generality of UK households in terms of their age, demographic and economic circumstances. And their gross household income was about the average for all households.

## The 10 million financially secure households

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Just over a third of all UK households (35 per cent) could be considered *financially secure* at the time of the survey. They were not showing signs of financial strain and, although one in eight had lost income as a result of the COVID-19 crisis (13 per cent), this was more likely due to a fall in earnings rather than job loss or the loss of all self-employed income. Only a small minority (4 per cent) had seen their household income fall by a third or more.

- They just about all had savings equivalent to more than a month of their income in February (98 per cent) and, should their income fall by a third or more, could continue to make ends meet without borrowing for more three months, and many for far longer.
- Even so, a very small number of them (3 per cent), representing around 300,000 households, could begin to struggle to make ends meet over the coming three months and a similar number (3 per cent) requested details of where they could get money advice.
- They had above-average household incomes (£36,500), and compared with all households in the UK, they included disproportionate numbers of couples with only adult children living at home. They were also disproportionately aged over sixty, fully retired and outright homeowners. They were slightly more likely to live in the South East of England than the UK population as a whole.

Although financially secure households are included in the tables at the back of this report, we do not describe them in detail in the sections that follow.

## Technical note

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The survey was undertaken by YouGov between 9-15 April 2020 and was conducted online. The sample for this report consists of 5,890 respondents randomly recruited from YouGov's online panel. It includes booster samples for Scotland, Wales and Northern Ireland, that have been weighted back to their correct proportions for the tables in this report. The base for analysis is people who are responsible for the household finances. Non-householders who are responsible only for their own personal finances (most of whom were aged under 25 and lived at home with their parents) are not included in the analysis for this report.

The segmentation of households into four categories is based on scores from a principal component analysis of nine survey questions that cover the extent to which households could meet their financial obligations and the resources they had for dealing with an economic shock. These questions are shown in Tables 1 and 4, marked with an asterisk. Those with a score of less than 30 out of 100 were deemed to be in serious financial difficulty; scores of 30-49 were taken as indicative of struggling to make ends meet and scores of 50 to 79 of being potentially exposed financially. Full details of the methodology employed can be found in [Kempson, Finney and Poppe \(2017\)](#).

The estimation of the proportion of households at risk of falling into financial difficulties in the next three months was also based on scores from principal component analysis in the same way. This analysis is based on one survey question about the extent to which they have been exposed to financial shocks over the past four weeks, and two questions about their expectations of how they will be able to meet financial obligations over the next three months. These are shown on Tables 2 and 5.

# IN SERIOUS FINANCIAL DIFFICULTY

An estimated 3.1 million households (11 per cent of all UK households) were clearly *in serious financial difficulty* after the first three weeks of the UK-wide 'lockdown'. They were the ones that had been hit hardest by the COVID-19 crisis, with half having seen a substantial fall in their incomes as a consequence. But they also included a large proportion (41 per cent) whose financial problems could have predated the pandemic and who were already receiving either out-of-work benefits or Working Tax Credit in February, before the crisis affected incomes to any real extent.

## The effects of the COVID-19 crisis were particularly evident (Table 2)

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The effects of the COVID-19 crisis were most apparent in this group of households, in part because they included the largest group who worked in the private sector, but also because they were the ones who were most likely to work in low-paid and insecure jobs (discussed in more detail below).

Half of them (50 per cent) had seen their household income fall since the beginning of March through the main or secondary earner losing all or a substantial part of their earnings as a result of one or more of the following events: having been laid off temporarily with no wage/salary (22 per cent); becoming unemployed through job loss or the loss of all self-employed income (22 per cent) or a substantial drop in earnings for some other reason (22 per cent).<sup>6</sup> Altogether, one in ten (11 per cent) had made a successful claim for Universal Credit in that time.

Moreover, half (51 per cent) expected a fall in their income for these reasons over the coming three months – some of them being hit for a second time, most likely with a second earner being affected.

A sizeable minority (21 per cent) expected to have their wages covered by the furlough scheme and one in ten thought they were likely to receive the government grant that will be paid to self-employed people (11 per cent – and half of all those who were self-employed).

## An inability to pay bills and meet the costs of essentials was their defining characteristic (Table 1)

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This group of households were clearly facing real difficulties in meeting basic living costs. Almost all (87 per cent) said that they struggled to pay for food and other daily necessities – almost six times the incidence among all UK households. All of them said that it was a struggle to pay bills and meet other commitments, indeed more than eight in ten (83 per cent) said it was a constant struggle, and two thirds (66 per cent) of them admitted to currently owing money in missed payments on household bills or credit commitments. Half of these (33 per cent) said they owed money on three or more types of commitment (we do not have a count of the total *number* of commitments in arrears). It should be noted that this included people who had been granted a payment holiday.

Arrears were common on all types of commitment: rent/mortgage (39 per cent); other bills (44 per cent) and unsecured credit (including credit cards) and car finance (42 per cent). They also included the largest proportion of people who had not paid anything by the payment due date on one or more credit cards (18 per cent) and who had made only the minimum payment (35 per cent).

<sup>6</sup> Because some households were affected by more than one of these events the percentages add up to more than 50 per cent.

Unsurprisingly, just about all (95 per cent) said that thinking about their finances made them anxious – double the rate of all households.

## Incomes were low and insecure, and many had been receiving out-of-work benefits before the COVID-19 crisis *(Table 2)*

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They had the lowest median household incomes of the four groups (£22,500 a year gross) and the majority (61 per cent) had suffered an income fall since the beginning of March. For nearly four in ten (38 per cent) this fall had been substantial and they were living on less than two thirds of their income in February.

Compared with other groups, they included the largest proportion of households where the main or secondary earner was either self-employed (22 per cent) or they worked in the gig economy (14 per cent) – both of which put them at greater risk of an income shock in the current crisis. In fact, a notable minority (8 per cent) derived all their income from working in a gig job. In this context it is interesting to note that only half of those who had been self-employed expected to be eligible for the government grant, although many others were unsure about their eligibility.

In addition to the people who had experienced an income shock, this group also included many who had been living on low incomes before the crisis hit. In February, four in ten of these households had either been receiving either one of the main out-of-work benefits (Universal Credit, Jobseekers Allowance or Employment and Support Allowance) (35 per cent) or Working Tax Credit (6 per cent) to supplement low earnings.

## They had very little in savings and were borrowing to make ends meet *(Tables 3 and 4)*

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Very few of them had savings to fall back on: eight in ten (82 per cent) said that they currently had no savings at all and most of the rest (13 per cent) said that the amount they had in savings was the equivalent of less than a month of their household income in February.

It was clear that people had been running their savings down and, in some cases, depleting them altogether. In total, three in ten (29 per cent) said that they had used their savings to help them make ends meet in the last four weeks. Hardly any (3 per cent) had savings which they had not needed to touch. And while 68 per cent said that they had had no savings that they could draw on over the last month, 82 per cent said that had nothing in savings currently. Further analysis suggested that this difference was accounted for by households whose savings had run out.

Reflecting this, two thirds (64 per cent) said they had used a credit card, overdraft or had borrowed money to buy food and other essentials in the past four weeks – three times the level among all households. And, as we note above, over half of this group had made only the minimum payment (35 per cent) or no payment at all (18 per cent) on one or more credit cards.



## A minority had sought assistance from their creditors and organisations offering money advice and there was evidence of a high level of unmet need for money advice (Table 3)

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Only a third of the households facing serious financial difficulties (33 per cent) said that they had contacted their creditors to try to negotiate a payment arrangement because of their financial difficulties. However, it is encouraging to find that two thirds of those who had done this (63 per cent) had succeeded in reaching an agreement with at least one of their creditors and that far fewer (24 per cent) had been turned down by any of them.

Slightly more (37 per cent) said that they had already sought advice and help about their financial situation from an agency in a position to help them – the largest proportion of the four groups. The main agencies contacted were Citizens Advice (17 per cent); other agencies offering free debt advice (19 per cent) and the Department for Work and Pensions (13 per cent). Hardly anyone had contacted one of the fee-charging debt management companies (well under 1 per cent).

The questionnaire offered respondents the opportunity to request details of where they could get assistance if they were facing financial difficulty (see text box above). Four in ten people who were *in serious financial difficulty* (40 per cent) requested this information and just about all of them (36 per cent) were people who had not already sought any advice or assistance.

If you are currently facing financial difficulties, or think you might in the future, free money advice is available online, and there are services you can contact by phone, web chat or WhatsApp. If you would like to know where you can get this information, please answer 'yes' below.

## Their prospects for the future looked fairly bleak (Tables 4 and 5)

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Most of the households *in serious financial difficulty* (82 per cent) were not confident about their financial situation over the next three months.

Around four in ten of them (38 per cent) said that their household income had fallen by a third or more since the beginning of March and most of these reported that either that they could not cope without needing to borrow to make ends meet (38 per cent) or that they would reach that position in under a month's time (44 per cent).

Given their lack of savings it is not surprising that the great majority could not meet a major expense equivalent to a month's income. 80 per cent could not meet any of it and most of the rest said that they would need to borrow money for at least part of it.

Despite the large proportion that had already seen their household income fall as a result of the COVID-19 crisis, half of these households (51 per cent) expected to be affected by (further) job loss, temporary layoffs, collapse of their self-employed work or a substantial loss of earnings over the coming three months.

People who had not already lost a third or more of their household income since the beginning of March were asked for how long they could continue to make ends meet without borrowing should they suffer a loss of this magnitude. Half of them (51 per cent) said that they would need to rely on borrowing straight away and a further 32 per cent said that they could manage for less than a month.

## Who are they? (Table 6)

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The first thing to note is that the group of households *in serious financial difficulties* were spread across the four nations of the UK and the geographical regions of England and were not notably over-represented in any of them. This is in marked contrast to previous economic shocks where the effects were felt unevenly across the country.

They included people from all walks of life, although some were clearly over-represented relative to the population as a whole. Three quarters of them were in their thirties (27 per cent), forties (26 per cent) or fifties (21 per cent) – the key decades for wage earning. Reflecting this, families with dependent children were over-represented and lone parents in particular. They accounted for four in ten (40 per cent) of households *in serious financial difficulty*, compared with 25 per cent of all households in the UK.

Reflecting their low incomes, they included a disproportionate number of people (24 per cent) with long-term ill health or a disability that limited their daily activities a lot. And tenants – especially those renting in the social sector (35 per cent) – were greatly over-represented.

Retired people, those in their sixties or aged over 70 and outright owners were all under-represented relative to all households.

# STRUGGLING TO MAKE ENDS MEET

In addition to the ones already *in serious financial difficulty*, a further 4.8 million households were *struggling to make ends meet* – 17 per cent of all UK households. Although their financial problems were not as acute, they shared many of the characteristics of the households *in serious financial difficulty*, and there are indications that up to a fifth of them (21 per cent) could slide into serious financial difficulties over the next three months.

## The effects of the COVID-19 crisis were particularly evident *(Table 2)*

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Households struggling to make ends meet had also been hit fairly hard financially by the COVID-19 crisis.

Four in ten (38 per cent) had already lost earned income through the main or secondary earner being temporarily being laid off (16 per cent); becoming unemployed through job loss or total loss of self-employed income (14 per cent), or a substantial drop in wages or self-employed earnings (18 per cent). Some had experienced more than one of these income shocks. A similar number (40 per cent) thought it was likely that their household income would fall for one of these reasons in the next three months – again with some households being hit for the second time as both partners are affected.

Only a small number (6 per cent) had started to claim Universal Credit during March. But they were the group of households where the largest proportion (36 per cent) expected either to have their wages covered by the furlough scheme (26 per cent) or the grant to self-employed people (10 per cent).

## They were clearly struggling to pay bills and credit commitments but in the earlier stages of arrears *(Table 1)*

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Only a quarter of them (26 per cent) said that they were struggling to pay for food or other daily expenses. In contrast, just about all (97 per cent) said that they struggled to pay bills and meet credit and other household commitments – although only 16 per cent of them said it was a constant struggle.

A third of them (31 per cent) admitted to owing money through the non-payment of bills (including rent) or repayments on credit or mortgage commitments by the due date, with one in ten (9 per cent) owing money on three or more types of commitment. Again, this included people who had been granted a payment holiday.

Arrears were most common on unsecured credit (including credit cards) and car finance (20 per cent), followed by household bills (15 per cent) and rent or mortgage arrears (11 per cent). Difficulties paying off credit card balances were relatively common and in addition to 11 per cent who had not paid anything by the payment due date on one or more cards, 26 per cent had made only the minimum payment.

Levels of anxiety caused by thinking about their finances were also understandably high among the households who were struggling financially – and this was reported by eight in ten (79 per cent) of them.

## Incomes were below the national average and fairly insecure (Table 2)

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This group had below-average gross household incomes (£26,500) and more than four in ten (43 per cent) had suffered an income fall since the beginning of March. For 15 per cent the fall had been greater than one third of their previous income in February, with the remaining 28 per cent experiencing a smaller fall.

They included above-average proportions of households where the main or secondary earner was either self-employed (16 per cent) or they worked in the gig economy (11 per cent) during February, which made them particularly vulnerable to fluctuations in earned income and to an economic downturn. 6 per cent had had low wages topped up by Working Tax Credit. But, like those *in serious financial difficulty*, they included many households that had been living on low incomes before the effects of COVID-19 began to be felt. They included almost double the national proportion of households claiming out-of-work benefits during February (19 per cent, compared with 11 per cent across all households).

## They had little in savings and were running these down as well as borrowing to make ends meet (Tables 3 and 4)

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Around half (53 per cent) said that they currently had no savings at all and two thirds of those who had them at the outset of the crisis had been drawing on them to make ends meet. Like the households who were *in serious financial difficulty*, more people lacked any savings currently than had had them to call on four weeks previously (45 per cent). Further analysis showed that, over that time period, 8 per cent seemed to have spent all their savings.

Using a credit card, overdraft or borrowing in some other way was relatively common – occurring in 43 per cent of these households in the previous four weeks, compared to 19 per cent of all households.

## Few had sought assistance from their creditors; but the expressed need for money advice was higher (Table 3)

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Perhaps reflecting the less serious nature of their financial problems, only 15 per cent had contacted any of their creditors for a payment holiday or to reach some other arrangement. But where they did, they had met with more success than those in serious difficulty. Eight in ten of these (78 per cent) had reached an agreement with one or more creditors, compared with 24 per cent who had been turned down by at least one of them. This could, potentially, be a consequence of their slightly better financial circumstances.

A small minority (17 per cent) said that they had already sought advice and help about their financial situation. Most commonly they had contacted a free debt advice agency (10 per cent), followed by Citizens Advice and the Department for Work and Pensions (6 per cent each). A quarter of them requested details of where they could access money advice, which included 18 per cent who had not previously sought any previously.

## The future prospects were far from bright (Tables 4 and 5)

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The future prospects for many of the households who were *struggling to make ends meet* were not positive. About half (45 per cent) were not confident about their financial situation over the next three months and one in ten (11 per cent) expected it to become more difficult to pay bills and credit commitments on time.

Four in ten (40 per cent) thought it was likely that they could experience a fall in income in the next three months and a further 13 per cent were not sure. Should that result in a fall of a third or more in their income, over half would be unable to make ends meet for more than a month without resorting to using credit. Indeed, three quarters currently had either no savings at all (53 per cent), or less than one month of their total household income before the beginning of March (23 per cent).

They would, likewise, be highly susceptible to an unexpected expense, equivalent to a month's income or more, and only 7 per cent would be able to cover it in full without needing to borrow. Half (53 per cent) would need to borrow some of the money and four in ten (40 per cent) all of it.

Based on this information we estimate that up to one in five (21 per cent) of those currently struggling financially could find themselves *in serious financial difficulty* in three months' time, an estimated 1 million households across the UK.

## Who are they? (Table 6)

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Like the group *in serious financial difficulty*, those who were *struggling to make ends meet* included people from all walks of life and all parts of the UK. They were not over-represented in any of the four nations or any of the English regions either.

They were the youngest group of households, with all age groups up to the age of 50 over-represented. They included disproportionate numbers of lone parents (10 per cent) and couples with dependent children (26 per cent), and also people with a long-standing health problem or disability that limited their daily lives (17 per cent).

Like the households *in serious financial difficulty*, they also included above-average proportions of tenants in the social and private rental sectors (24 per cent in each case). At the same time, the proportion who were buying a home on a mortgage reflected the national average (31 per cent).

# POTENTIALLY EXPOSED FINANCIALLY

This relatively large group representing 10.4 million households (a little under four in ten of all households in the UK) were not facing anything like the financial strain of the two previous groups. However, four in ten of them had very little financial resilience. With a sizeable minority (almost three in ten) anticipating losing their job or a substantial part of their earned income in the next three months, and two in ten expecting it to become more difficult to pay bills and meet credit commitments, it is estimated that potentially two in ten (1.7 million households across the UK) could begin to *struggle to make ends meet*, plus a further 600,000 experiencing *serious financial difficulty*. This will depend on what happens in the economy and the efficacy of government financial support for those losing an earned income.

## Effects of the COVID-19 crisis were more muted (Table 2)

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A quarter of the potentially exposed (24 per cent) had already lost earned income as a result of the COVID-19 crisis, although only 8 per cent had seen their household income fall by a third or more, both of which are about the national average for all households. A reduction in earnings (14 per cent) was far more common than a total loss of them through temporarily being laid off without pay, or becoming unemployed through job loss or a cessation of self-employed earnings (6 per cent).

Despite far fewer of them having lost earnings, compared with the households in serious financial difficulty, a similar proportion of them expected to have their wages covered by the furlough scheme (23 per cent, compared with 21 per cent *in serious financial difficulty*). They were much less likely to be households where the main or secondary earner was self-employed (11 compared with 22 per cent) and consequently fewer were anticipating receiving a grant from the government to cover loss of self-employed earnings (7 per cent).

Finally it is worth noting that a quarter (23 per cent) of the *potentially exposed* householders interviewed were employed in the public sector, which was above the national average and double the proportion among households in serious difficulty (12 per cent).

## Incomes were close to the UK average and most were currently making ends meet (Tables 1 and 2)

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Their median gross household income was around £32,500 a year, slightly above the average of £32,000 for all households.

Their finances were nothing like as stretched as the previous two groups; four in ten of them (42 per cent) said that they struggled to pay bills from time to time and one in ten (10 per cent) owed money because they had missed payments on household bills or credit commitments. However, they were doing better than the generality of UK households in these respects. And hardly any of them (2 per cent) said that they struggled to pay for food and other daily expenses.

## Few had sought assistance from their creditors or money advice services

(Table 3)

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Reflecting their relatively more comfortable financial position currently, very few had contacted either their creditors (4 per cent) or an organisation that offers advice and help with financial matters (6 per cent).

However, a surprising one in ten (11 per cent) requested details of organisations offering money advice, possibly as a precautionary measure against an expected deterioration in their circumstances – discussed below.

## Some had low financial resilience and uncertain prospects for the future

(Tables 4 and 5)

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What distinguished the potentially exposed households from those who were considered *financially secure* was their much lower level of financial resilience and greater potential exposure to financial difficulties in the coming months.

A minority (17 per cent) were not confident about their financial situation over the next three months and a similar proportion (18 per cent) expected it to become more difficult to pay bills and any credit commitments on time.

A sizeable minority had few reserves to call on. About two in ten had no savings at all (17 per cent) and a similar number (22 per cent) had savings that were the equivalent of less than a month of their salary in February.

Should they experience a fall in income equivalent to a third or more of their income, half would struggle to make ends meet for more than three months. A minority (16 per cent) had savings that would tide them over for less than a month and a further 32 per cent would be able to make ends meet without borrowing for essentials for less than three months.

For some this could well become a reality as 28 per cent thought it likely that they would suffer a substantial drop in their household income in the coming three months as a result of the COVID-19 crisis (by being laid off temporarily, becoming unemployed or suffering a substantial drop in earnings).

Pulling all this together we estimate that, potentially, 16 per cent of these households (1.7 million in total) could begin to struggle to make ends meet in the coming months, depending on what happens in the economy and how many qualify for government assistance in some form to tide them over. And a further 6 per cent (600,000) could find themselves *in serious financial difficulty*.

## Who are they? (Table 6)

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In just about every respect, households who were potentially exposed were typical of the generality of UK households in terms of their age, demographic and economic circumstances.

# TABLES

**Table 1 - Financial strain at different levels of current financial wellbeing**

	SERIOUS DIFFICULTIES	STRUGGLING	EXPOSED	SECURE	ALL
<i>Percentage of households</i>	11	17	37	35	100
<b>*Current financial situation</b>					
Is very bad (a2)	25	2	-	-	3
Is bad (a2)	57	27	4	-	12
<b>Thinking about my financial situation makes me anxious (bekymret)<sup>1</sup></b>	95	79	52	19	49
<b>*Struggle to pay for food/expenses (b3)<sup>1</sup></b>	87	26	2	-	15
<b>*Current ability to pay bills and credit commitments (b18)</b>					
Constant struggle to pay bills	83	16	1	-	12
Struggle from time to time to pay bills	17	81	42	2	32
Pay bills without difficulty	-	3	57	98	56
<b>*Arrears on bills and credit commitments</b>					
Arrears on rent/mortgage (arr_housing)	39	11	3	1	7
Arrears other bills (arr_bills)	44	15	4	-	9
Arrears on unsecured credit and car finance (arr_com)	42	20	7	2	11
Any arrears (arr_all)	66	31	10	3	17
1	20	13	6	2	7
2	14	9	2	-	4
3+	33	9	2	-	6
<b>Credit card repayments</b>					
Missed last payment on at least one card (b19_13_new)	18	11	3	-	5
Minimum payment on at least one card (card2_pop)	35	26	11	3	13

Cell percentages. Households. Weighted results. United Kingdom, April 2020. N=5,890.

All results are significant at  $p < .001$  (chisq) and t-tests using multinomial logistic regression.

<sup>1</sup>All agreeing/agreeing strongly.

\*Included in the financial wellbeing score that was used to create the categorisation of households used in this and other tables.



## Table 2 - Economic circumstances by levels of current financial wellbeing

	SERIOUS DIFFICULTIES	STRUGGLING	EXPOSED	SECURE	ALL
<i>Percentage of households</i>	11	17	37	35	100
<b>Gross household income (Median)</b>	£22.5k	£26.5k	£32.5k	£36.5k	£32k
<b>Lost income sources because of the crisis</b>					
Temporarily laid off, no wage (corona1)	22	16	9	4	10
Unemployed, lost job/lost all self-emp income (corona2)	22	14	6	2	8
Substantial drop in wages/self-emp income (corona3)	22	18	14	9	13
Any of these (corona_impact)	50	38	24	13	25
<b>Social security benefits</b>					
Out-of-work benefits before crisis (benefits_feb)	35	19	8	2	11
WTC before crisis (benefits_feb)	6	6	3	1	3
UC since crisis (uc_mar_new)	11	6	2	0	3
<b>Income loss (c17)</b>					
Decreased by less than a third	23	28	20	13	19
Decreased by one third or more	38	15	8	4	11
<b>Government support</b>					
Furlough (govgrant_1)	21	26	23	13	20
Self-emp grant (govgrant_2)	11	10	7	3	7
<b>Work status (before the crisis)</b>					
Full-time (wrk_full)	41	46	49	36	43
Part-time (wrk_prt) <sup>1</sup>	17	17	14	13	15
Retired (wrk_ret)	6	14	21	44	27
Unemployed (wrk_unempl)	10	5	3	1	3
Economically inactive (wrk_soc)	18	11	7	4	8
Self/partner self-employed (insecure_2)	22	16	11	10	13
Self or partner worked in the gig economy (insecure_sum)	14	11	8	4	8
Main/all income from gig economy	8	4	2	1	3
<b>Work sector</b>					
Private	48	37	38	29	36
Public	12	20	23	18	19
Third/voluntary	4	5	7	4	5

Cell percentages, except where noted. Households. Weighted results. United Kingdom, April 2020. N=5,890.

All results are significant at p<.001 (chisq) and t-tests using multinomial logistic regression, except:

<sup>1</sup> Part-time work p<.01

**Table 3 - Strategies to make ends meet at different levels of current financial wellbeing**

	SERIOUS DIFFICULTIES	STRUGGLING	EXPOSED	SECURE	ALL
<i>Percentage of households</i>	11	17	37	35	100
<b>Use of savings to make ends meet (c10_1)</b>					
Didn't have any savings	68	45	17	1	22
Have used savings last four weeks to make ends meet	29	37	22	10	21
Have savings but did not use any of them	3	18	61	89	57
Has depleted savings <sup>1</sup>	14	8	0	0	2
<b>Use of credit to make ends meet (b10)</b>					
Have used credit for food and other expenses last four weeks (b10)	64	43	12	2	19
<b>Contacted creditors to get agreed payment arrangements and outcome</b>					
Have contacted creditors (con1)	33	15	4	-	8
<i>Outcome 1: Agreed with one or more creditor (con11)<sup>2</sup></i>	63	78	67	-	23
<i>Outcome 2: Turned down by one or more creditor (con12)<sup>2</sup></i>	24	24	20		
<i>Outcome 3: Waiting for reply from one or more creditors (con13)<sup>2</sup></i>	39	34	25		34
<b>Advice/help sought about financial situation</b>					
Citizens Advice (advice_ca)	17	6	2	-	4
Dept for Work and Pensions (advice_dwp)	13	6	3	1	4
Free debt advice agency (exc. Citizens Advice) (debt_free)	19	10	3	-	5
Fee-charging debt advice company (debt_fee)	-	1	-	-	-
Any of these (advice_dum)	37	17	6	2	10
<b>Requested details of sources of money advice for people in fin. difficulties</b>					
All who requested details	40	23	11	3	14
All who requested details and had not already sought advice	36	18	10	3	10

Cell percentages. Households. Weighted results. United Kingdom, April 2020. N=5,890.

All results are significant at p<.001 (chisq).

<sup>1</sup> Calculated from Amount currently held in savings (c10 Table 4) and Whether has had savings to draw on in the past 4 weeks (c10\_1) above.

<sup>2</sup> Base: all those contacting one or more creditors. Note responses do not sum to 100% because more than one creditor could have been contacted.

**Table 4 - Financial resilience at different levels of current financial wellbeing**

	SERIOUS DIFFICULTIES	STRUGGLING	EXPOSED	SECURE	ALL
<i>Percentage of households</i>	11	17	37	35	100
<b>*How much of a large unexpected expense could be covered? (c3)<sup>1</sup></b>					
None of it	80	40	10	1	20
Some of it	15	53	59	7	34
All of it	5	7	31	92	46
<b>*Ability to make ends meet if income were to fall (has fallen) by a third or more</b>					
Income has increased, remained stable or fallen by less than one third (c17)	62	85	92	96	89
Could not cope (c5a) <sup>2</sup>	51	22	7	1	10
Could cope up to month without borrowing (c5a) <sup>2</sup>	32	29	9	0	10
Could cope between 1 and 3 months without borrowing (c5a) <sup>2</sup>	12	36	32	1	19
Could cope longer than 3 months without borrowing (c5a) <sup>2</sup>	5	13	52	98	61
Income has fallen by one third or more (c17)	38	15	8	4	11
Could not cope (c5b) <sup>3</sup>	38	14	3	0	19
Could cope up to one month without borrowing (c5b) <sup>3</sup>	44	21	2	0	22
Could cope between 1 and 3 months without borrowing (c5b) <sup>3</sup>	14	48	43	0	28
Could cope for longer than 3 months without borrowing (c5b) <sup>3</sup>	4	17	52	96	31
<b>*Amount currently held in savings (c10)</b>					
No savings	82	53	17	1	24
Have savings (one month's income in February or less)	13	23	22	1	14
Have savings (more than one month's income in February)	5	24	61	98	62

Cell percentages. Households. Weighted results. United Kingdom, April 2020. N=5,890.

All results are significant at p<.001 (chisq)

<sup>1</sup> Unexpected expense corresponding to 1 month's income.

<sup>2</sup> Base all whose income has increased, remained stable or fallen by less than one third = 5,275.

<sup>3</sup> Base all whose income has fallen by one third or more = 615.

\*Included in the financial well-being score that was used to create the categorisation of households used in this and other tables.

**Table 5 - Future prospects at different levels of current financial wellbeing**

	SERIOUS DIFFICULTIES	STRUGGLING	EXPOSED	SECURE	ALL
<i>Percentage of households</i>	11	17	37	35	100
<b>Anticipates income fall next three months</b>					
Yes (future_fall)	51	40	28	15	28
Don't know (future_dk)	16	13	8	4	8
<b>How confident about the financial situation next three months (a3)</b>					
Not at all	38	6	2	3	6
Not very	44	39	15	10	18
<b>Ability to pay bills and credit commitments next three months (b18_1)</b>					
Will be a constant struggle	75	19	3	-	12
Will be a struggle from time to time	25	78	53	9	38
Will be done without any difficulty	-	4	45	91	50
<b>More difficult to pay bills/debt commitment next three months (more_diff)<sup>1</sup></b>	6	11	18	7	12
<b>Could potentially face financial difficulties next three months (fut_fwbs_cat)</b>					
Potentially in serious difficulties	na	21	6	-	6
Potentially struggling to make ends meet	na	na	16	3	7

Cell percentages. Households. Weighted results. United Kingdom, April 2020. N=5,890.

All results are significant at  $p < .001$  (chisq).

<sup>1</sup>Calculated from replies to b18\_1 above and b18 on Table 1.

## Table 6 - Demographics at different levels of Current Financial Wellbeing

	SERIOUS DIFFICULTIES	STRUGGLING	EXPOSED	SECURE	ALL
<i>Percentage of households</i>	11	17	37	35	100
<b>Nation (nation)<sup>1</sup></b>					
England <sup>1</sup>	82	83	83	86	84
Wales <sup>1</sup>	6	6	5	4	5
Scotland <sup>1</sup>	9	9	9	7	8
Northern Ireland <sup>1</sup>	3	2	3	2	3
<b>Family types (famtyp)</b>					
Single	27	22	23	18	21
Couple	10	15	20	21	19
Lone parents	14	10	4	1	5
Lone parents with adult children only <sup>1</sup>	11	11	9	9	10
Couples with children	26	26	21	13	20
Couples with adult children only	10	16	21	36	24
<b>Age</b>					
Under 30	11	14	13	7	11
30-39	27	23	21	12	19
40-49	26	23	19	12	18
50-59	21	18	17	16	17
60-69	12	14	17	27	20
70 or over	3	8	13	26	15
<b>Disability</b>					
Limited a lot	24	17	9	6	11
<b>Housing tenure</b>					
Outright owner (o_owner)	8	15	26	59	34
Mortgagor (m_owner)	23	31	38	27	31
Private tenant (p_rent)	29	24	20	8	17
Social tenant (s_rent)	35	24	11	4	13
Other (t_other)	6	6	4	3	4

Table continues on next page

Cell percentages. Households. Weighted results. United Kingdom, April 2020. N=5,890.

All results are significant at p<.001 (chisq), except:

<sup>1</sup>City, Town and surroundings, East of England and South West England p<.05 and

<sup>2</sup>Wales, Scotland, N. Ireland, Lone parent with adult children only all of which were not significant

**Table 6 - Demographics at different levels of Current Financial Wellbeing (continued)**

	SERIOUS DIFFICULTIES	STRUGGLING	EXPOSED	SECURE	ALL
<b>Urban/rural</b>					
City (city) <sup>1</sup>	77	78	76	73	75
Town and surroundings (town) <sup>1</sup>	11	10	11	11	11
Rural (rural)	11	9	11	14	11
<b>UK regions that were statistically significant</b>					
East of England (profile_GOR_r_6) <sup>2</sup>	4	7	9	8	8
South East of England (profile_GOR_r_8)	9	12	14	18	15
South West of England (profile_GOR_r_9) <sup>2</sup>	6	7	8	9	8

Cell percentages. Households. Weighted results. United Kingdom, April 2020. N=5,890.

All results are significant at p<.001 (chisq), except:

<sup>1</sup>City, Town and surroundings, East of England and South West England p<.05 and

<sup>2</sup>Wales, Scotland, N. Ireland, Lone parent with adult children only all of which were not significant.

**Authors:**

Elaine Kempson and Christian Poppe

Elaine Kempson is Emeritus Professor of Personal Finance and Social Policy Research at the University of Bristol and Associate Professor at Oslo Metropolitan University. Christian Poppe is a Senior Researcher based at SIFO (Consumption Research Norway) at Oslo Metropolitan University.

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