PRICES RISING, TEMPERATURES FALLING:
THE FINANCIAL WELLBEING OF UK HOUSEHOLDS IN OCTOBER 2022

Findings from the 7th Financial Fairness Tracker Survey

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abrdn Financial Fairness Trust has commissioned a periodic cross-sectional survey to track the financial situation of UK households since the start of the coronavirus pandemic in early 2020. The latest wave of this survey – conducted in late October 2022 – gives insight into the nation's finances during a cost of living crisis. The findings are based on responses from 6,108 households about their income, payment of bills, borrowing, debt, savings and ability to pay for other essentials such as food. A team from the Personal Finance Research Centre at the University of Bristol analysed the respondent data collected from YouGov's panel and produced these findings.

KEY FINDINGS

Following a marked fall in household financial wellbeing between October 2021 and June 2022, this seventh wave of the Tracker shows a continued deterioration for households across the income range. The proportion of UK households that are financially 'secure' fell from 31% in June to 28% in October, while there were increases in the numbers who are financially 'exposed' (from 33% to 34%), 'struggling' (from 20% to 21%) and 'in serious difficulties' (16% to 17%). In real terms, this means that 0.7 million more households are either 'struggling' or 'in serious difficulties' – up from 10.1 million in June to 10.8 million in October (the highest of any of our Tracker waves to-date).

The cost of living crisis continues to take a heavy toll, with nearly four-out-of-five households reporting an increase in overall spending since the start of 2022, mainly due to hikes in energy bills but also the cost of food, housing, and clothing. As a result, households are considerably more negative about the impact that 2022 has had on their finances than the impact of the pandemic, with half describing 2022 as 'negative' for their finances, compared to a quarter when asked about the pandemic.

New to this wave of the Tracker, we also asked households to rate the support provided to them by different types of organisations. This shows that households feel less supported now than they did during the pandemic, especially by employers (where the government's furlough scheme significantly offset the economic impact of the pandemic on the labour market) and lenders (where lenders offered payment deferrals and tailored support to borrowers during the pandemic).

Overall, UK households are less confident about their finances in the coming months than they have been at any time since our first wave of the Tracker in June 2020. Indeed, more than a third of households lack confidence for the coming quarter, compared to one-in-five this time last year. In real terms, this means that 9.9 million households are concerned about their finances over the Christmas period – an increase of over 4.2 million compared with last year (when 5.6 million were in this position). While the recently announced support measures will help struggling households, millions are facing a further decline in living standards and the daily reality of budgets that won't stretch far enough.

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The financial wellbeing of UK households substantially worsened throughout 2022

9.9m households lack confidence in their finances over the festive period - a 77% increase in a year

6 in 10 feel anxious about their finances

12m households report a worsening in their ability to keep their homes warm and comfortable

10m households have eaten lower-quality food

5m have eaten fewer meals

Households are finding it difficult to

- 45% afford holidays or breaks in the UK or abroad
- 44% keep homes warm and comfortable
- 31% participate in hobbies
- 31% participate in family and social gatherings
- 35% afford good quality food

In serious difficulties

- 41% of social renters
- 29% of private renters
- 23% of those on variable and tracker mortgages

Households would like to see

- reduced energy bills 79%
- reduced food costs 48%
- inflation-matched pay 31%

INTRODUCTION

In the four months since the last Tracker survey in June 2022, the UK has had three Prime Ministers, four Chancellors and seen the official proclamation of a new Monarch. In this period of political and economic turbulence, "*the Government has swung from announcing the biggest tax cuts in 50 years to implementing the biggest fiscal tightening since 2010 in just a few weeks*."

This edition of the Tracker also marks a year since the cost-of-living crisis started to take hold on UK households, in Autumn 2021. Fears about rising inflation have been realised, with the annual rate of inflation reaching a 41-year high of 11.1% in October 2022, driven by big year-on-year increases in domestic gas prices (up 129% since October 2021) and domestic energy prices (up 66% over the same period). Low-income households spend a larger proportion of their income on energy and food, so are more affected by price increases. As a result, the highest 12-month inflation rate was recorded among the bottom three income deciles in October 2022. Interest rates have been increased to stem inflation, benefitting savers but adding to borrowing costs for households, notably on mortgage interest rates but also consumer credit, at a time when our survey shows more households relying on multiple credit cards and around two in ten (16%) paying the minimum or less on at least one card.

In its Autumn Statement on 17 November 2022, the government announced additional help for households including targeted cost of living payments; benefits uprating; increased National Living Wage; and a social housing rent cap. Even so, the OBR forecast that *"In 2022-23 and 2023-24, living standards are set for the largest fall on record"* with a decrease of 7.1 per cent in average real household disposable incomes, equivalent to £1,700 per household.

Fieldwork for the 7th Financial Fairness Tracker survey took place between 25th October and 1st November 2022, with the findings in this report based on responses from 6,108 people. The first part of this report examines the financial wellbeing of UK households in October 2022. Following a marked fall in household financial wellbeing between October 2021 and June 2022, this Tracker shows a continued deterioration for households across the income range.

The second part looks at the ongoing cost-of-living crisis for UK households and the knock-on impacts on other elements of wellbeing, such as keeping homes warm, lowering the quality of food consumed, and generally reduced ability to take part in hobbies, social activities or exercise. The third part looks at support and help-seeking, showing that UK households generally feel less well supported than during the pandemic, with growing numbers looking for information and advice about their financial situations from a range of sources. The final section summarises the outlook for UK households' financial wellbeing in the coming three months.

Explanatory notes

- While 6,777 people responded to the survey, most figures in this report are based on the 6,108 householders who are responsible for their household finances. In other words, we exclude those who weren't in charge of paying any bills or knew little about the state of the household's finances.
- Households are grouped into four financial wellbeing categories, depending on how they score from 0 to 100 on our financial wellbeing score. This score is based on a composite measure using four measures of financial strain (assessment of current financial situation; how much of a struggle to pay for food and other necessities; how much of a struggle to pay bills and other commitments; arrears including payment holidays on bills and household commitments) and three of financial resilience against income shocks (ability to cover an unexpected bill equivalent to a month's income; how long could make ends meet if experienced a fall in income of a third or more; amount held in savings).
- For example, 77% of households in our 'in serious difficulties' category find it a 'constant struggle' to meet their bills, whereas 78% of households in our 'struggling' category say they 'struggle from time to time' – and this falls to 55% of those in our 'exposed' category. For further details see the technical note at the end of this report.

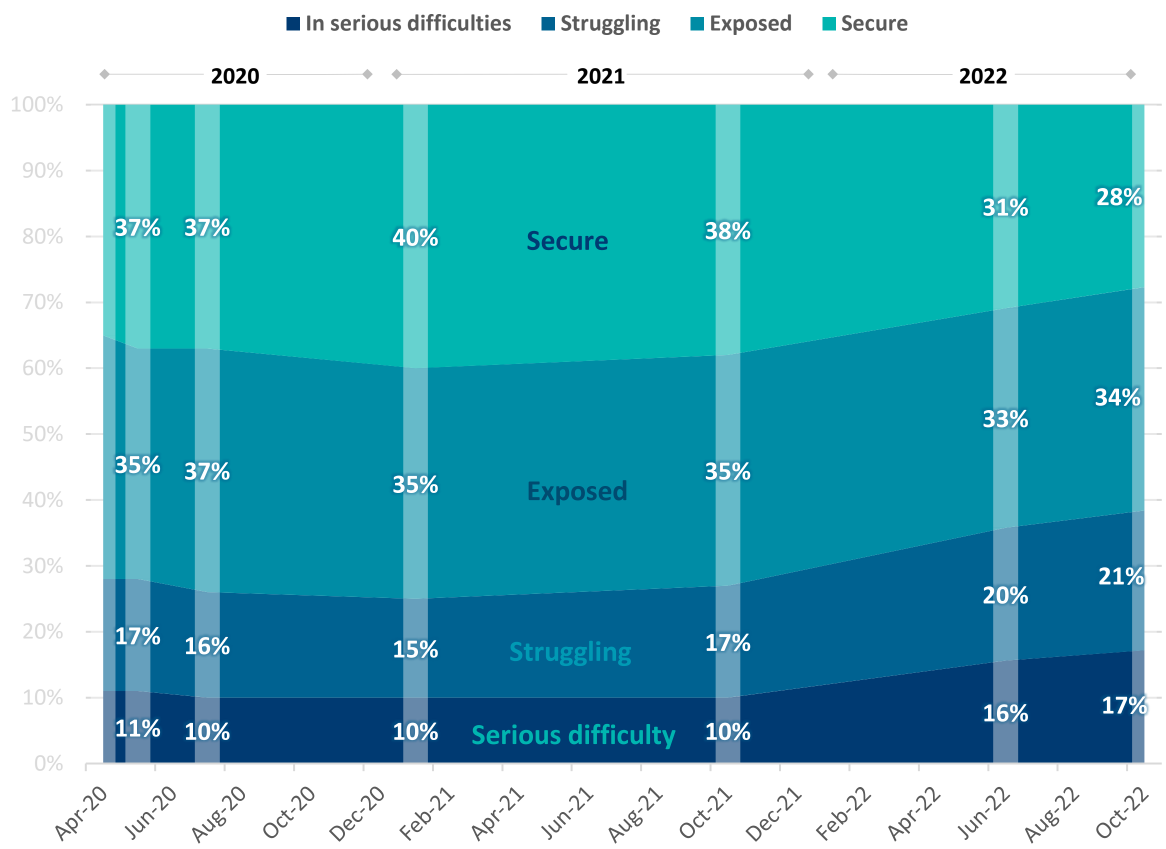
THE FINANCIAL WELLBEING OF UK HOUSEHOLDS IN OCTOBER 2022

The sixth wave of the survey (in June 2022) saw the largest decrease in financial wellbeing since the start of the pandemic. This seventh wave shows a continued deterioration, with a reduction in the proportion of UK households that are financially 'secure' (from 31% in June to 28% in October) and an increase in those who are 'exposed' (from 33% to 34%), 'struggling' (from 20% to 21%) and 'in serious difficulties' (16% to 17%) (Figure 1).

In real terms, these figures mean 0.7 million more households are either 'struggling' or 'in serious difficulties' – up from 10.1 million in June to 10.8 million in October, higher than in any of the seven Tracker waves to-date. In the 12 months since the cost of living crisis took hold, the number of households 'in serious difficulties' has increased by 72%, while the number 'struggling' has grown by 25%.

The UK's financial wellbeing substantially worsened throughout 2022

Figure 1 – Percentage of UK households in our four financial wellbeing categories in each wave of the coronavirus financial impact tracker



As the UK's cost of living crisis moves into its second year, the Tracker shows the ongoing erosion of UK household's financial wellbeing – as seen in Table 1. Only four in ten households (42%) now say they can pay their bills and credit commitments without any difficulty (down from 55% in October 2021). And while most households can still keep up with their bills, the number in arrears with at least one bill has crept up – from 9% to 15% over the last 12 months.

The depletion of savings also leaves many UK households in a precarious position. Four in ten households (38%) now have less than a month's income in savings; and fewer say they could cope with an unexpected expense without having to borrow at all (43%, down from 49% in October 2021). There are worrying signs of a potential build-up of consumer debt as well, with one-in-ten households (9%) having four or more credit cards (up from 6% in October 2021); and more households paying the minimum or less on at least one credit card (16%, up from 12% a year ago).

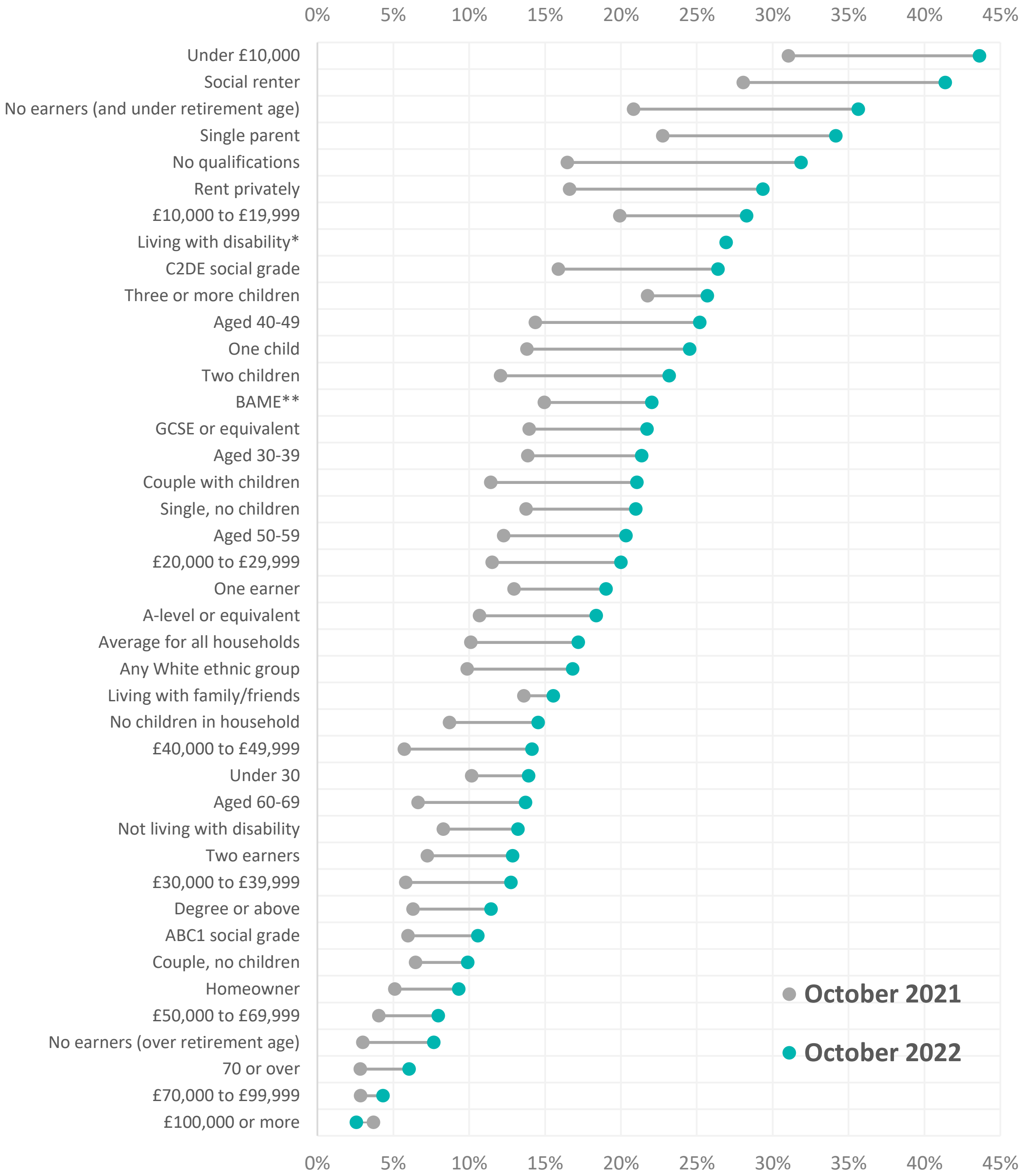
With a big jump in the number of respondents agreeing that '*Thinking about my financial situation makes me anxious'* (up 15 percentage points, from 46% in October 2021 to 61% in October 2022), it is important to remember that financial worries take their toll in non-monetary ways and can impact the health and wellbeing of individuals and families, children as well as adults.

Table 1 – Comparing the percentage of UK households in different financial states, October 2021 to October 2022

		October 2021	June 2022	October 2022	12-month change
How is your current financial situation?	Very bad	3%	4%	5%	2%
	Bad	12%	16%	17%	5%
Current ability to pay bills and credit commitments	Constant struggle	12%	16%	17%	5%
	Struggle from time to time	33%	39%	40%	7%
	Without any difficulty	55%	45%	42%	-13%
Currently struggling to pay for food and necessary expenses	Strongly agree	5%	8%	9%	4%
	Agree	8%	13%	13%	5%
Thinking about my financial situation makes me anxious	Agree / strongly agree	46%	56%	61%	15%
Savings in terms of number of month's income in February 2020	Nothing	21%	25%	26%	5%
	0-1 months	11%	12%	12%	1%
	Between 1-3 months	16%	15%	16%	0%
	Between 4-6 months	12%	12%	12%	0%
	Between 7-12 months	11%	10%	10%	-1%
	More than 12 months	29%	26%	24%	-5%
How much of an unexpected expense equivalent to one month's income could you cover without needing to borrow?	None of it	18%	22%	23%	5%
	Some of it	32%	33%	34%	2%
	All of it	49%	45%	43%	-6%
Behind with at least one household bill?	No	91%	86%	85%	-6%
	Yes	9%	14%	15%	6%
Number of credit cards owe money on	None	60%	59%	54%	-6%
	One	18%	17%	18%	0%
	Two	12%	11%	14%	2%
	Three	5%	5%	5%	0%
	Four or more	6%	8%	9%	3%
Paying the minimum or less on at least one credit card?	No	28%	27%	30%	2%
	Yes	12%	14%	16%	4%
	Don't owe money on any credit cards	60%	59%	54%	-6%

Some groups are struggling more than others

Figure 2 – Percentage of households in different socio-demographic groups who are 'in serious difficulties' with their finances. Comparing October 2022 with October 2021.



Notes: unweighted bases for each sub-group range from a minimum of 106 (living with family/friends) to 5,481 (any White ethnic group). All but the following rows show statistically significant changes between 2021 and 2022: Three or more children; Living with family/friends; Under 30; £70,000 to £99,999; and £100,000 or more.

* We have excluded the October 2021 figure for disability because in that wave, we asked whether the respondent was living with a disability, whereas the October 2022 wave is based on if anyone in the household was living with a disability. This means these results would not be directly comparable between waves.

** There may be considerable variation between different ethnic groups, but due to the small number of respondents who were not from white ethnic backgrounds, it was necessary to group a large number of ethnic groups under the umbrella term 'BAME', which we appreciate is far from ideal.

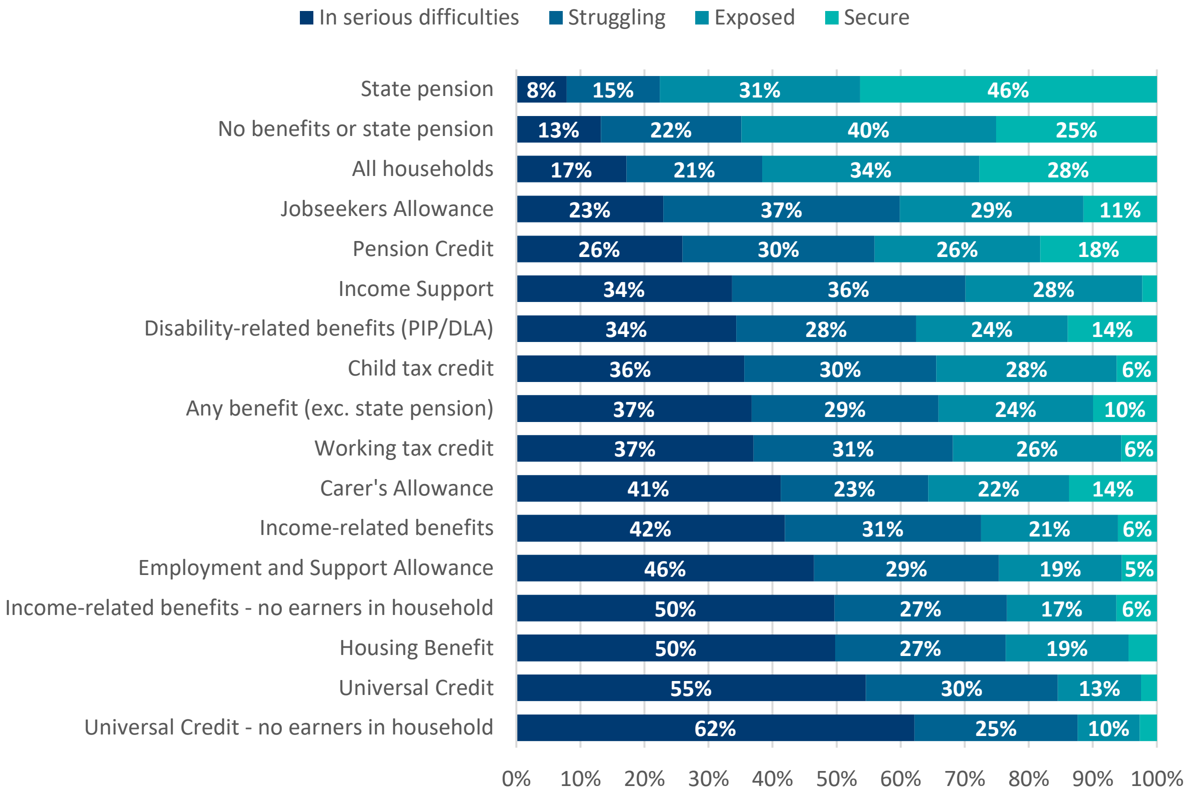
Most socio-economic and demographic groups have seen a deterioration in their finances in the last 12 months, between October 2021 and October 2022, as measured by the proportion who are in serious financial difficulties (Figure 2).

But as we have shown in previous Tracker reports, some groups are more likely to be in serious financial difficulty than others, including 44% of those on incomes under £10,000 per year, 41% of social renters, 36% of working-age households with no earners, and 34% of single parent households. Those with no qualifications saw the biggest increase in difficulty (up 16 percentage points from 16% to 32%), followed by working-age households with no earners (up 15 percentage points from 21% to 36%). Unsurprisingly, households on higher incomes were less likely to be in serious financial difficulty, as were older households: for example, just 6% of households where the respondent was aged 70 or over were in serious difficulty, compared with 25% of those aged 40-49 and 21% of those aged 30-39.

There are large variations in financial wellbeing for households in receipt of benefits

Figure 3 gives more detail on the financial wellbeing of households in receipt of different types of benefit. It highlights that those in receipt of the state pension were least likely to be in serious difficulty (8%, compared with 17% of all households), while those not in receipt of any benefits (including the state pension) also have relatively low levels of difficulty (13%). Households receiving Universal Credit, Housing Benefit or Employment and Support Allowance were most likely to be in serious difficulty, and this is exacerbated in situations where there are no earners in the household.

Figure 3 – Percentage of households receiving different benefits who are in each financial wellbeing category



Notes: 'State pension' was not asked about directly so only includes those households where there is at least one retired person in the household and the respondent is aged 66 or older. This is an under-estimate of numbers receiving the state pension given that there may be cases where the respondent is not yet at retirement age but their partner is; however, in doing this, we ensure that those who have taken early retirement and are not yet receiving the state pension are excluded. 'No benefits' means none of the benefits asked about and no state pension received either. 'Income-related benefits' includes all benefits listed, except for the state pension, PIP/DLA and carer's allowance. Unweighted bases for sub-groups range from 52 (JSA) to 1,525 (State Pension).

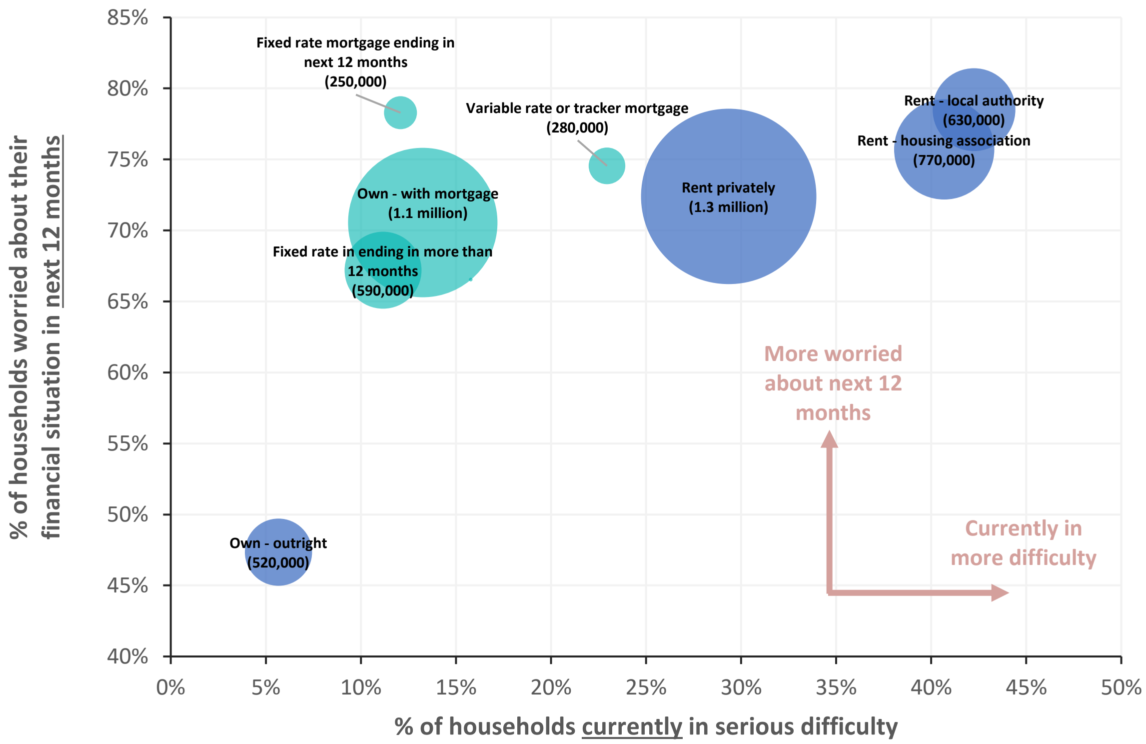
Both renters and mortgagors are worried about their future financial situation

In recent months, there has been increasing coverage and concern about the impact of rising interest rates on the ability of mortgaged households to meet their housing costs, especially those on fixed rates who are nearing the end of their term and those on variable rate or tracker mortgages. In the Government's November Autumn Statement it was announced that from Spring 2023 households will be able to claim Support for Mortgage Interest (SMI) after just three months of claiming other benefits, rather than the current nine months.

As Figure 4 highlights, it is certainly true that a high proportion of mortgaged households are worried about their financial situation in the next 12 months – especially those currently on variable rate or tracker mortgages (75% are 'very' or 'quite' worried, compared with 63% of all households) and those whose fixed rate is ending in the next year (78% worried).

Levels of concern about the future, however, are also high among private renters (72% worried) and social renters (housing association = 76% worried; local authority = 79%). For many households in these groups the situation is already bad: 29% of private renters and more than 41% of social renters are currently in serious financial difficulty, compared to 13% of mortgagors and just 6% of those who own their home outright. Those on variable rate or tracker mortgages are perhaps the exception among mortgaged households, with nearly a quarter (23%) already in serious difficulty.

Figure 4 – Percentage of households in different housing situations who are in serious financial difficulty and who are worried about their financial situation in the next 12 months. Size of circle indicates total number of households of that housing situation who are both in serious difficulty and worried about the next 12 months.



Notes: unweighted bases for sub-groups are as follows: own-outright = 2,231; own – with mortgage = 1,891; rent privately = 980; rent – housing association = 418; rent – local authority = 327; fixed rate ending in next 12 months = 449; fixed rated ending in more than 12 months = 1,120; variable or tracker mortgage = 260.

600,000 private renters face difficulties but have no access to additional support

In real terms, we estimate there are 1.1 million mortgaged households who are both currently in serious difficulty and who are worried about the next 12 months, while the equivalent figures for privately renting households and social renters are 1.3 million and 1.4 million respectively. Whether support for each of these groups will be sufficient remains to be seen. The Government introduced a 7% cap on rent increases in the social housing sector in the Autumn Budget – lower than the 11.1% rent increase that would otherwise have taken place in 2023 – with the majority of benefits also being uprated in line with inflation.

Analysis of our survey data suggests that private rented households in serious financial difficulty and worried about the next 12 months were considerably less likely to be receiving any benefits[1] than social renters (56%, cf. 85% of local authority renters and 79% of housing association renters), which would leave around 600,000 private renters in difficulty without access to additional support.

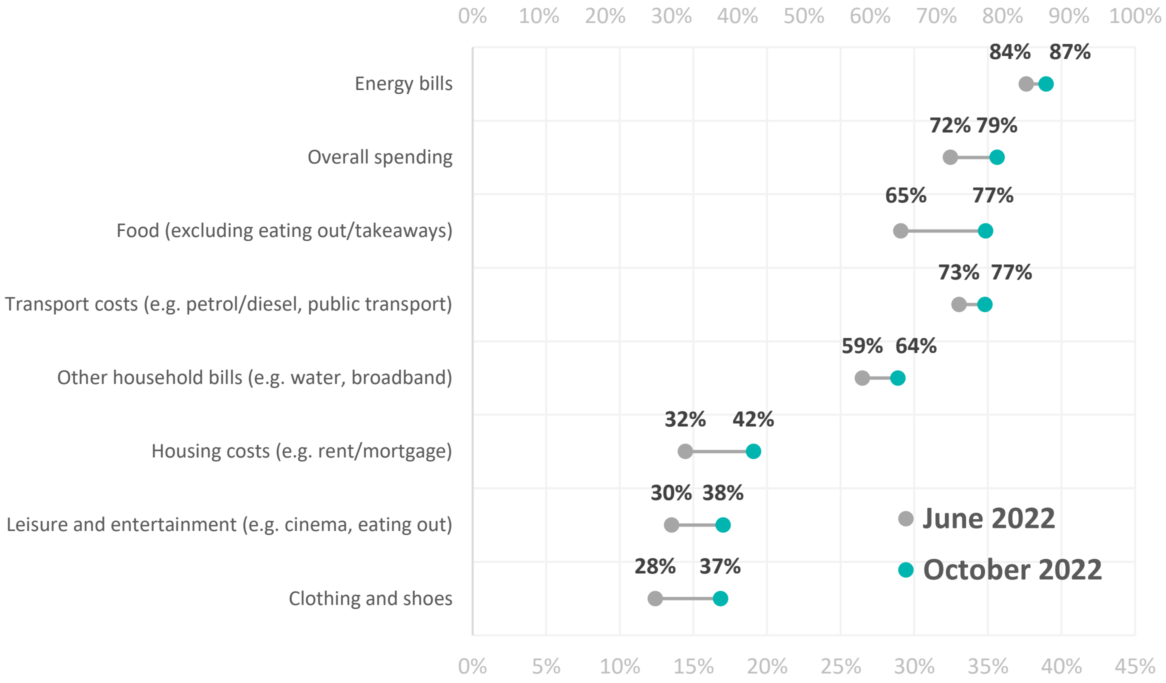
Even for private rented households who do receive benefits, support may still be insufficient as a result of Local Housing Allowances – the maximum amount of rental support a household can receive as part of either Universal Credit or Housing Benefit – being frozen. This means that the 22% of private renters who receive either of these benefits may not see their benefits rise in line with their rent, meaning they need to try and make up the shortfall. This could prove challenging for this group, given that 56% of private renters current receiving UC or housing benefit are already in serious financial difficulty (higher than the figure of 51% for social renters on these benefits). We look at support for households in more detail later on.

[1] This includes the state pension, which is also being uprated in line with inflation. Excluding the state pension means these figures drop to 54%, 81% and 76% respectively.

THE ONGOING IMPACT OF THE RISING COST OF LIVING

As in the June 2022 wave of our tracker, we again see that households are reporting considerable rises in their spending on a range of essentials since the start of the calendar year. As Figure 5 shows, four-out-of-five (79%) households report that their overall spending has increased 'a lot' (37%) or 'a little' (42%) since the start of 2022, compared with 72% who said the same in June 2022 ('a lot' = 29%; 'a little' = 43%). While energy bill increases remain the most noticed increase, it was the cost of food that saw the biggest jump in households reporting increases, up by over 11 percentage points from 65% in June 2022 to 77% in October 2022.[2] This is followed by housing costs, up 10 percentage points from 32% to 42%, and then the cost of clothing and shoes, also up by nearly 10 percentage points from 28% to 37%.

Figure 5 – Percentage of households who had seen different types of cost increase 'a lot' or 'a little' since the start of 2022

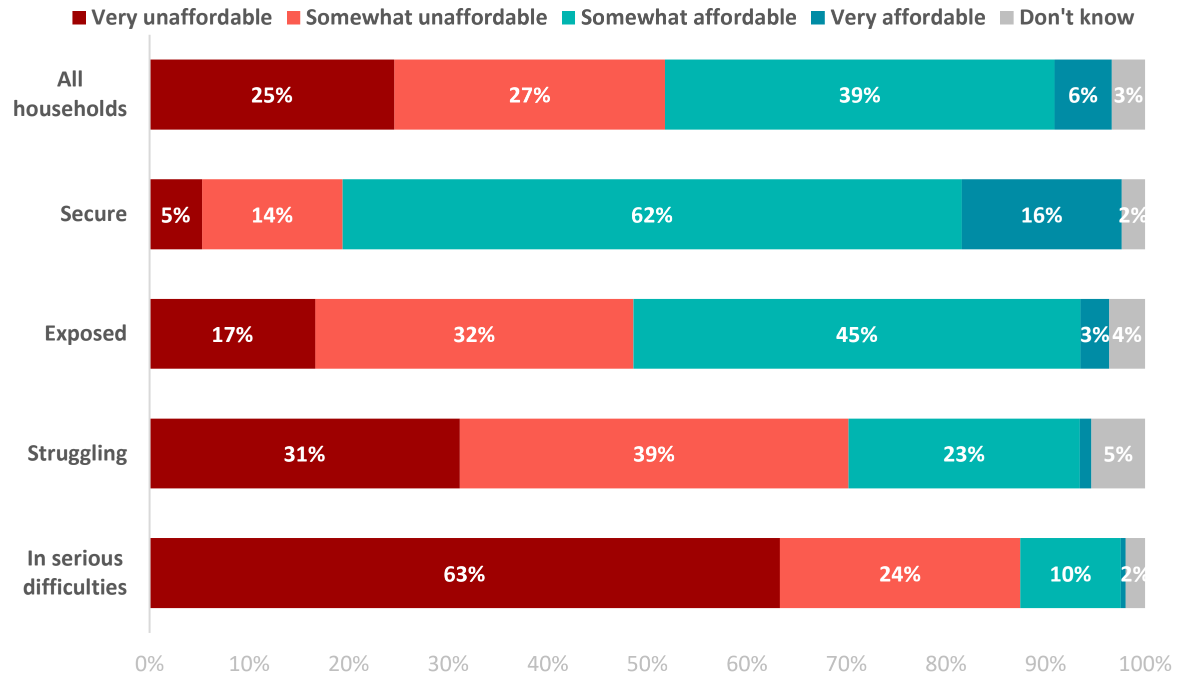


Notes: Figures for both survey waves exclude those who answered 'not applicable' or 'don't know'. Unweighted bases for June 2022 range from 4,002 (housing costs) to 5,692 (food), while for October 2022 they range from 4,386 (housing costs) to 6,017 (food).

Figure 6 shows how affordable or unaffordable current energy bills are for households in different financial wellbeing categories. Overall, a quarter of households (25%) describe their current energy bills (in October 2022) as 'very unaffordable' – but this rises significantly to 63% of households in serious financial difficulty and falls to just 5% of financially secure households, suggesting that energy support at the time of the survey was not sufficiently targeted to fully support those who are struggling. Overall, over half of all households (52%) felt that their energy bills are either 'very' or 'somewhat' unaffordable. This reflects the substantial adjustment that households are having to make, given that – despite significant government intervention – energy prices are more than twice as high as they were last year.

[2] Please note that all percentage changes are calculated prior to rounding.

Figure 6 – Affordability of current energy bills, by financial wellbeing category



Notes: Unweighted bases for each sub-group as follows: Secure = 1,760; Exposed = 2,064; Struggling = 1,260; In serious difficulties = 1,024.

To help them afford their energy bill, households have been taking a wide range of actions to minimise their energy usage (Table 2) – despite the fieldwork for this survey taking place in late October, *before* the weather in most of the UK had taken a wintery turn. Nearly three-quarters (74%) have avoided turning on their heating at some point in 2022 and 57% have reduced their consumption of electricity or gas in other ways. Around half have reduced their use of their cooker or oven (50%) and nearly two-in-five (39%) have reduced the number of showers or baths that they take.

Table 2 – Have you done this since the start of 2022 to help you afford your energy bill?	**Jun-22**	**Oct-22**	**Change**
Avoided turning on the heating	59.7%	73.8%	14.1%
Reduced the consumption of electricity/gas in other ways	49.9%	57.1%	7.2%
Turned down the temperature in your home	52.4%	54.9%	2.5%
Reduced the use of the cooker/oven	33.0%	50.3%	17.3%
Reduced the number of showers/baths taken	30.9%	38.6%	7.7%
Only heated part of your home	24.3%	31.3%	7.0%
Switched electricity/gas consumption (e.g. washing machine, dishwasher) to times of day when the tariff is cheaper	17.4%	22.9%	5.5%

As one would expect given the slight deterioration in household finances since Wave 6 in June 2022, we see small increases in the proportion of households who are taking various actions to help them make ends meet (Table 3). For example, we see a four percentage point increase in the proportion of households saving less money than they normally would (up to 44% from 40%), a 2.9 percentage point increase in the proportion using money from savings for daily living expenses (up to 23% from 20%), and a 2.5 percentage point increase in the proportion borrowing money from formal lenders to meet their daily living expenses (up to 17% from 14.5%). We also see that a not-insignificant minority are selling/pawning possessions, cancelling insurance policies and reducing pension contributions or accessing their pension earlier than planned.

Table 3 – Have you done this within the last four weeks to help you make ends meet?	**Jun-22**	**Oct-22**	**Change**
Saved less money than you normally would	39.6%	43.8%	4.2%
Used money from savings for daily living expenses	19.9%	22.8%	2.9%
Used a credit card, overdraft or borrowed money from other formal lenders for daily living expenses	14.5%	17.0%	2.5%
Tried to access additional benefits or support funds (whether successfully or not)	6.6%	8.4%	1.8%
Received financial help (e.g. money, food, gifts) from family or friends	8.2%	8.3%	0.1%
Sold or pawned possessions that you would have preferred to keep	5.3%	7.1%	1.8%
Cancelled or not renewed an insurance policy to save money	4.5%	6.2%	1.7%
Stopped or reduced your pension contributions	3.3%	4.4%	1.1%
Accessed pension savings earlier than planned*	N/A	3.4%	N/A
Accessed a food bank	2.2%	2.5%	0.3%
Got a loan from an unlicensed money lender or another informal lender	0.8%	1.1%	0.3%

* Not asked in June 2022 wave. Re-based to include only those aged 55 and over (Unweighted base = 2,709)

Notes: All but the following rows were statistically significant changes: received financial help from family or friends; accessed a food bank; got a loan from an unlicensed money lender.

The figures in Table 3, however, mask the fact that there is considerable variation in actions taken to make ends meet, depending on household financial wellbeing. Most notably, we find that those in serious financial difficulty were substantially more likely to: have borrowed money for daily living expenses (43%, cf. 17% of all households); received financial help from family or friends (28%, cf. 8%); tried to access additional benefits (25%, cf. 8%); and sold or pawned possessions (22%, cf. 7%). Level of foodbank use meanwhile is more than three times as high in this group (8.2%, cf. 2.5%).

The decline in financial wellbeing also has knock-on impacts on other elements of households' wellbeing and living standards (Table 4). A greater proportion of households report difficulty affording holidays, finding it harder to keep their warm home, lowering the quality (and to a lesser extent quantity) of food they eat, and generally reduced ability to take part in hobbies, social activities or exercise.

Table 4 – Has your quality of life been negatively impacted by the cost of living in any of the following ways since the start of 2022?	Jun-22	Oct-22	Change
Ability to afford holidays/ breaks away (in the UK or abroad)	37.9%	44.6%	6.7%
Ability to keep your home warm and comfortable	33.4%	43.6%	10.2%
The quality of food you eat	28.2%	34.8%	6.6%
Ability to participate in hobbies and pastimes	25.9%	31.0%	5.1%
Ability to participate in social activities or family gatherings	25.5%	30.6%	5.1%
The number of meals you eat	15.8%	18.1%	2.3%
Ability to participate in physical exercise or activity	11.0%	13.3%	2.3%

Survey respondents were asked how their finances were affected during the pandemic and during the 2022 calendar year. As Figure 7 shows, households were considerably more negative about the impact that 2022 had had on their finances than the impact of the pandemic, with around half (50%) describing 2022 as 'negative' for their finances, compared to just a quarter (25%) when asked about the pandemic.

Figure 7 – Comparing the impact of the pandemic and 2022 on UK households' finances

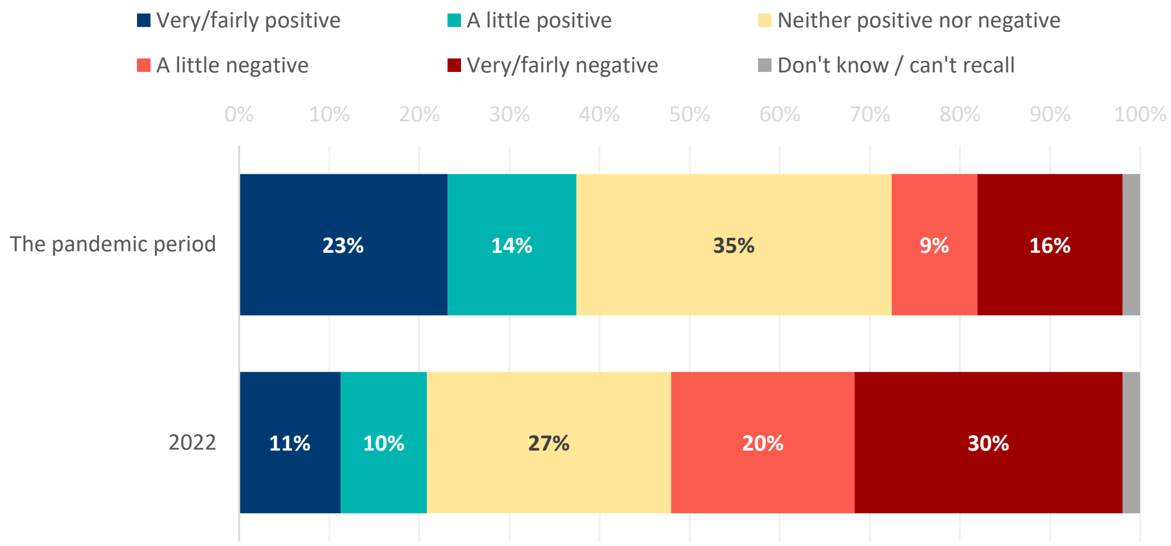
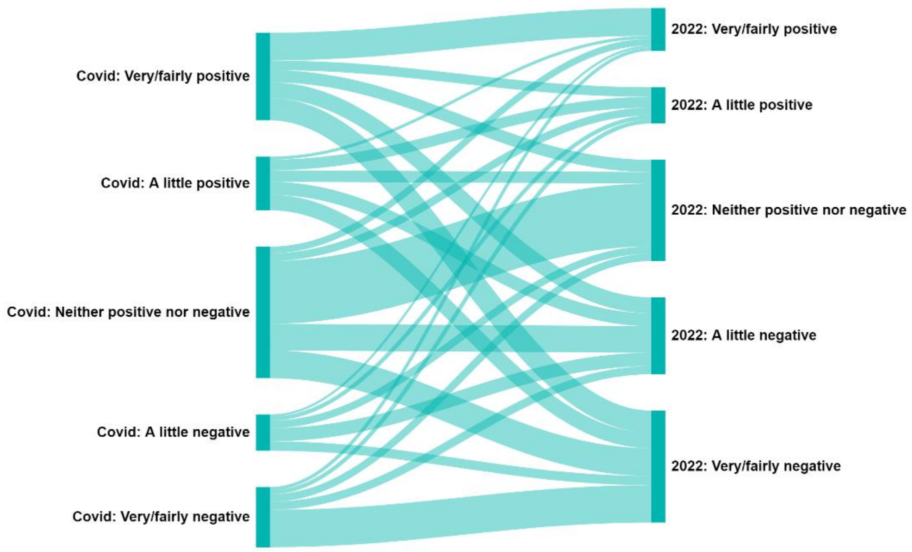


Figure 8 meanwhile reveals how the pandemic impact and the impact in 2022 are related, showing that households who have been badly affected in 2022 are not necessarily just those who were badly affected during the pandemic. Rather, those negative affected also includes a considerable number of households who had been positively impacted by the pandemic. For example, around one-in-six households (18%) were positively impacted in the pandemic but negatively impacted in 2022, while the same proportion reported being negatively impacted in both instances.

Figure 8 – The relationships between the financial impact of the pandemic and the financial impact of 2022. Flows indicate how households who were positively/negatively impacted by the pandemic have fared during 2022.



Note: Diagram made with SankeyMATIC.

Incomes not keeping pace with the rising cost of living

For the vast majority of workers, incomes have not kept pace with the rising cost of living. Just 20% of all workers have seen their household income increase in line with or above inflation in 2022, while 70% have seen below-inflationary rises or no change at all, and 10% have seen their incomes decrease. The private sector was significantly more likely than the public sector to see incomes rise in line with inflation (23% cf. 17%), but it is the self-employed who were most likely to see their income decrease (21% cf. 10% overall). If all households are included, not just those of working age and in work, we see a slight decline in the proportion who have seen their incomes keep up with inflation (18% cf. 20%). The uprating of benefits and pensions in line with inflation from Spring 2023 should help to ensure that these groups are not left behind.

Households where the respondent described themselves as self-employed were more likely to have seen their household income decrease (in absolute terms) in 2022 (21%, cf. 10% overall).[3] Where the respondent worked in the private sector, their households were more likely to have seen their income rise in line with inflation (23%) than where the respondent was in the public sector (17%); however, these figures should be treated with caution given that we only know the respondents' work sector, not that of other people in the household who are also contributing to the overall household income.[4]

Those with lower financial wellbeing were less likely to report that their household income had risen in line with inflation: 14% of households in serious difficulty (of working age and in work) had seen an inflation-matching increase, compared to 20% of those in the struggling and exposed groups and 25% of the secure group. Looking at this another way, those who had not had at least an inflation-matching increase in income were more likely to be in serious financial difficulty.

[3] Base is working age adults where the respondent was in full-time or part-time employment and where they were self-employed = 255.

[4] Working age adults where the respondent was in full-time or part-time employment. Bases: private sector = 1,264; public sector = 946.

SUPPORT PROVIDED TO HOUSEHOLDS

In March and May 2022, the government introduced a range of measures to help households with the cost of living, including a Council Tax Rebate, targeted one-off payments and energy bill discounts. Additional help was announced in the November Autumn Statement (see Table 5 below), which occurred after this survey was conducted. New to this wave of the Tracker, we asked respondents about the support provided to them by different organisations, in the pandemic and in 2022. The proportion of households who required support[5] was generally lower in 2022 than in the pandemic. For example, while 36% of respondents said they needed employer support in the pandemic, this dropped to 31% in 2022. In contrast, the proportion of households needing support from household bill providers (which includes energy suppliers) stayed about the same (32% in the pandemic and 33% in 2022).

Table 5 – Summary of main cost of living support announcements in the 2022 Autumn Statement[6]

Support	Who benefits?	By how much?
Cost of living payments to households on means tested benefits	Eligible UK households receiving: Universal Credit; Income-based Jobseekers Allowance; Income-related Employment and Support Allowance; Income Support; Pension Credit; Working Tax Credit; Child Tax Credit.	Tax-free payment of £900 in the 2023/24 financial year. Details on timing and eligibility yet to be published. Payments will not count toward the benefit cap and won't have any impact on existing benefit awards.
Cost of living payments to pensioners	Around eight million pensioner households across the UK.	Tax-free payment of £300 in the 2023/24 financial year. Details on timing and eligibility yet to be published. Payment will not impact on existing benefit awards.
Cost of living payments for people on disability benefits	Over 6 million people across the UK on eligible 'extra costs' disability benefits including: DLA; PIP; Attendance Allowance; Scottish Disability Benefits; Armed Forces Independence Payment; Constant Attendance Allowance; War Pension Mobility Supplement.	Tax-free payment of £150 in the 2023-24 financial year. Details on timing and eligibility yet to be published. Payment will not have any impact on existing benefit awards.
Benefits uprating	Benefits recipients across Great Britain (DWP benefits are fully devolved in Northern Ireland, so the NI Executive will decide uprating in NI).	A rise of 10.1%, in line with September Consumer Prices Index (CPI) inflation, from April 2023.
Pensions uprating	Nearly 12 million pensioners in GB (DWP benefits are fully devolved in Northern Ireland, so the NI Executive will decide uprating in NI). 1.4 million of the poorest pensioner households will be further protected from inflation by increasing Pension Credit.	A 10.1% increase in State Pension in April 2023 under the triple lock. he full basic State Pension will increase from £141.85 to £156.20 (£748.75 per year), and the full weekly rate of the new State Pension will increase from £185.15 to £203.85(£975.75 per year). Pension Credit will also increase by 10.1%.
Benefit cap levels increase	Benefit recipients across GB.	The benefit cap will increase by 10.1% from April 2023, meaning cap levels will rise from £20,000 to £22,020 nationally (and from £23,000 to £25,323 in Greater London).
Household Support Fund extension	Those who require extra support for household essentials. The fund allows local authorities to make discretionary payments.	An additional £1bn (bringing total funding for this support to £2.5bn) in 2023-24.
National Living Wage rise	Around 2m low-paid workers	From 1 April 2023, the National Living Wage (NLW) will increase by 9.7% to £10.42 an hour for workers aged 23 and over
Changing energy price guarantee	UK households	Up until April 2023, the fixed cost of energy means a typical household is paying the equivalent of £2,500 on their energy bills a year. This will rise to an average of £3,000 from April 2023 (a guarantee that will be in place for one year).
Social housing rents cap	Social housing tenants	Rent increases in social housing will be limited to 7% in 2023/24.
Reforms to Support for Mortgage Interest	Mortgagors on Universal Credit	Waiting period for SMI cut from 9 months on Universal Credit to 3 months & eligibility widened

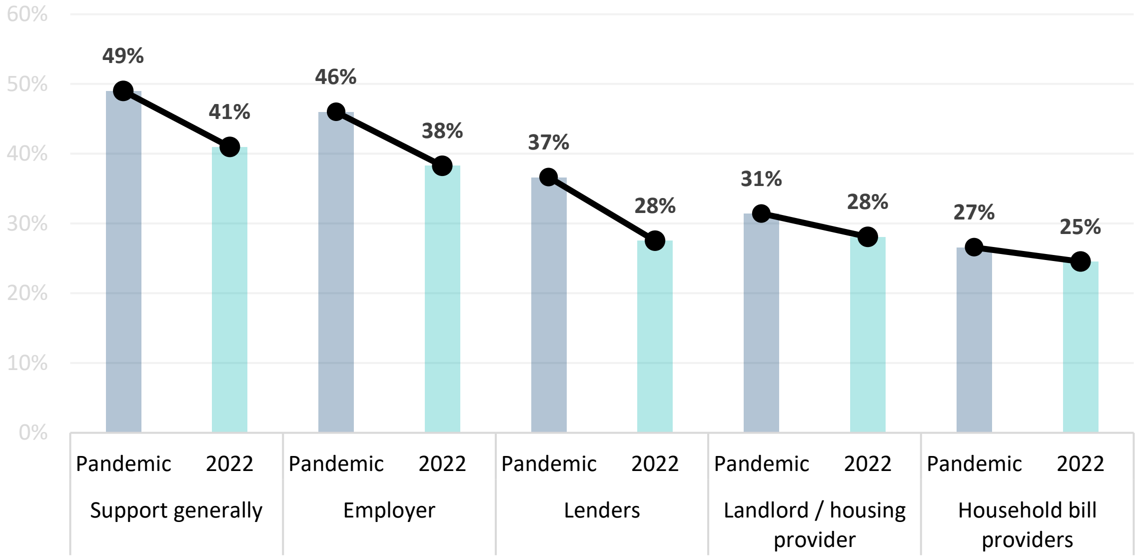
[5] Households who did not respond 'not applicable' to the survey questions on support.

[6] Sources: GOV.UK (2022) Policy paper – Cost of living support factsheet; House of Commons Library (2022) Autumn Statement 2022: A summary

UK households feel less supported in 2022 than they did during the pandemic

As Figure 9 shows, in terms of how households rated the support provided to them by different types of organisation, the overall picture is clear: UK households feel less supported in 2022 than they did during the pandemic, especially by employers (where the government's furlough scheme significantly offset the economic impact of the pandemic on the labour market) and lenders (where lenders offered payment deferrals and tailored support to borrowers during the pandemic). Households also feel less supported by housing providers and household bill providers, although the differences are not statistically significant, perhaps reflecting the fact that these organisations offered less substantial support in the pandemic.

Figure 9 – Proportion of households who rated different types of support as very/quite good, during the pandemic and in 2022



Note: For 'support generally', participants were asked specifically about the support provided in their devolved nation within the UK. Due to a fieldwork error the questions on 'support generally' were asked of a different group of respondents and are therefore not directly comparable with the other responses. The base for this sample is also larger, as non-householders were not able to be removed from the sample as they were for the rest of the analysis. All but the following changes were statistically significant: landlord/housing provider; household bill providers.

Generally, disabled people feel less well supported, as do private renters and people living with parents, family or friends (whether rent-free or paying some rent). Variable rate mortgagors feel less supported by their lenders than other mortgagors.

Households would like support with energy costs, food costs and incomes

Across the board, all UK households prioritised reduced energy bills (79%) and food costs (48%) as the support they would like to see during the cost-of-living crisis (Table 6).

Households also want to see support for incomes. Interestingly, both those in serious difficulty and financially secure households want to see increased social security or pensions (35% for each group respectively). This reflects the fact that those in serious difficulty are already more likely to be on low incomes and in receipt of working-age benefits; while financially secure households have an older age profile with higher receipt of state retirement pension.

In contrast, households that are financially struggling or exposed are more interested in inflation-matched increases in earnings (31% and 36% respectively), in line with the fact they are more likely to be working households with somewhat higher incomes and less likely to receive benefits.

Notably, twice as many households in serious difficulties, who tend to rent their homes, would like to see reduced rental payments, compared to households as a whole (12% vs. 6% respectively).

Table 6 – What support households would like to see, by financial wellbeing category

Support need	In serious difficulties	Struggling	Exposed	Secure	All households
Reduced energy bills	81%	79%	78%	80%	79%
Reduction in the cost of food	58%	50%	45%	41%	48%
Inflation-matched increase in your social security benefits / pension	35%	25%	24%	35%	29%
Inflation-matched increase in your pay from work	26%	31%	36%	26%	31%
Reduction in the cost of transport (e.g. fuel or public transport)	24%	26%	28%	27%	27%
Reduction in other household bills (e.g. water, internet)	20%	19%	16%	14%	17%
Tax cuts	13%	13%	12%	13%	13%
Reduced interest rates, e.g. on mortgage payments	12%	18%	19%	12%	16%
Reduced rental payments	12%	8%	6%	2%	6%
Lower cost childcare*	7%	10%	12%	11%	10%
More good-quality job opportunities in your local area	6%	6%	4%	6%	5%

* Figures for 'lower cost childcare' based only on households with at least one child (Unweighted base = 1,672)

More households are seeking information and advice about their financial situations

In October 2022, nearly four in ten UK households (37%) said they had sought professional information or advice about their financial situation since the start of the year, up from 28% in June (Table 7). While those in the most serious difficulties were more likely to seek information or advice (57% in October 2022), the increase in help-seeking is seen across the board, including among financially secure households.

Table 7 – Whether any information or advice sought about financial situation, Wave 5-7

	In serious difficulties	Struggling	Exposed	Secure	All households
Wave 6, June 2022	47%	35%	26%	15%	28%
Wave 7, October 2022	57%	44%	35%	21%	37%

The Tracker asks about a wide range of help sources, from government (DWP), through to advice charities, fee-charging advice services (which could include mortgage and financial advisers as well as fee-charging debt management firms) and consumer advocates (such as Which? and MoneySavingExpert); as well as the channel through which help was delivered (online, webchat, phone, face-to-face). The data shows interesting patterns of advice-seeking, for example mortgagors and private renters were more likely to only use online consumer advocates; whereas households in receipt of social security benefits were less likely to only access online advice.

Outcomes are generally better for face-to-face services

New for Wave 7, we asked help-seeking respondents about the outcomes of getting information and advice – whether they felt clear about what action they needed to take; whether they felt less anxious; and crucially whether they felt it improved their financial situation.

As Table 8 shows, across the different channels between four in ten and five in ten respondents said they felt clear about what action they needed to take. However, only between a quarter and a third of help-seekers said the information or advice had improved their financial situation; and the picture was similar in terms of reduced anxiety. One possible explanation is that not enough time had elapsed for positive improvements to happen; or that information and advice was focused on how to manage a difficult financial situation so it didn't get worse, rather than improving it.

Overall, face-to-face services seemed to deliver more positive outcomes from the perspective of help-seekers than other channels. This could be down to the profiles of people who seek face-to-face help and the type of help they need as much as the channel through which help is delivered.

In terms of provider types, fee-charging advice providers delivering help face-to-face were particularly highly rated (although the numbers using these services were comparatively small). This may reflect the fact that consumers pay for a tailored and personalised service; and that help-seekers using fee-charging services had more scope to improve their financial situation, for example by re-mortgaging or switching to savings or investments with higher returns.

Table 8 – Outcomes of information and advice, by delivery channel and type of provider

Channel	Organisation	Felt clear about what action to take	Felt less anxious	Improved my financial situation	*Unweighted base*
Online only	DWP	41%	19%	18%	*395*
	Citizens Advice	36%	20%	16%	*165*
	Other charity	37%	21%	11%	*133*
	Local authority or housing association	36%	19%	15%	*152*
	Fee-charging advice provider	32%	20%	16%	*44*
	Consumer advocates	50%	27%	27%	*1252*
	Any organisation	48%	26%	25%	*1436*
Any webchat advice, but no phone or F2F	DWP	41%	24%	18%	*68*
	Citizens Advice	36%	26%	21%	*44*
	Other charity	41%	26%	22%	*49*
	Local authority or housing association	44%	29%	24%	*55*
	Fee-charging advice provider	63%	44%	23%	*25*
	Consumer advocates	39%	24%	18%	*90*
	Any organisation	41%	24%	20%	*141*
Any phone advice, but no F2F	DWP	48%	30%	27%	*254*
	Citizens Advice	46%	24%	23%	*199*
	Other charity	50%	31%	26%	*190*
	Local authority or housing association	44%	24%	19%	*205*
	Fee-charging advice provider	55%	29%	25%	*113*
	Consumer advocates	52%	32%	30%	*204*
	Any organisation	48%	29%	26%	*416*
Any F2F advice received	DWP	51%	37%	36%	*143*
	Citizens Advice	56%	36%	34%	*127*
	Other charity	58%	40%	36%	*117*
	Local authority or housing association	58%	40%	39%	*129*
	Fee-charging advice provider	69%	46%	48%	*98*
	Consumer advocates	61%	39%	41%	*132*
	Any organisation	54%	38%	34%	*202*

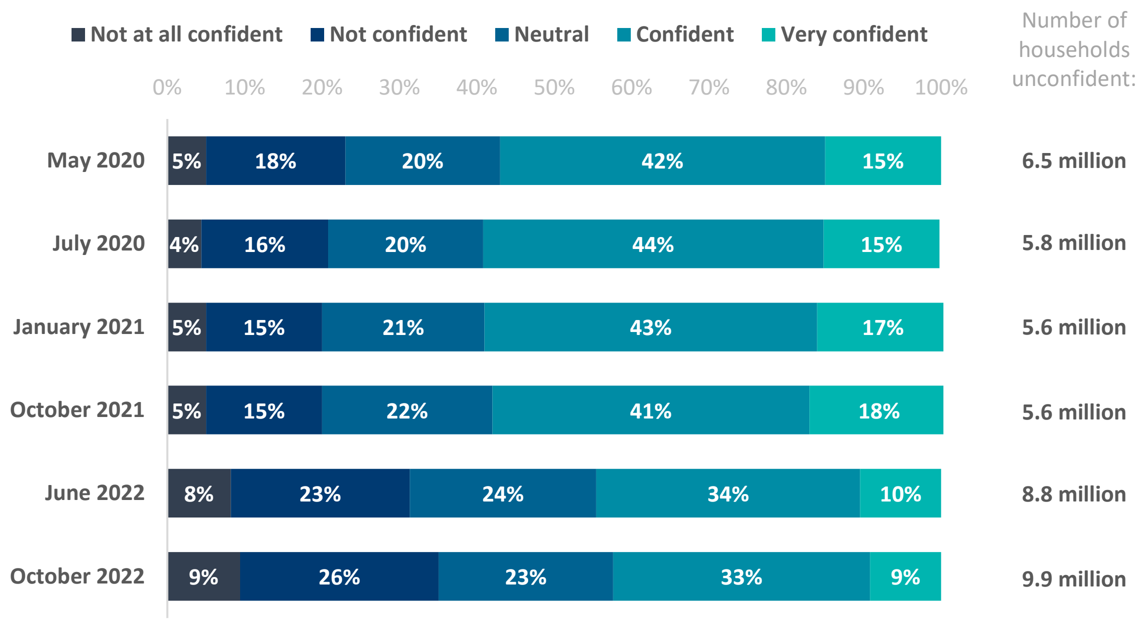
We explore these findings further through regression analysis, to enable us to control for other household characteristics which may be linked to better or worse outcomes. Controlling for age, nation, disability, tenure, income and education, we find that phone and face-to-face advice are associated with significantly higher odds of having positive outcomes. The type of organisation advice is sought from appears less important, although fee-charging advice is linked to higher odds of feeling clear about what action to take, while advice given by consumer advocates was linked to improved financial situation. All these findings, however, may be in part down to who is seeking advice via these channels in the first place. In other words, we are unable to control for what someone's financial situation looked like at the time that they sought advice – so it may be the case that people in more difficult situations are more likely to use some channels rather than others.

We do, however, control for some factors which may give clues to underlying financial situation. For example, by controlling for income, we see that those with higher household incomes have significantly better outcomes, while social renters have worse outcomes.

FUTURE OUTLOOK

Overall, households are understandably less confident about their finances in the next three months than they have been at any time since our first wave of the tracker in lockdown in 2020. Indeed, more than a third of households (35%) are now lacking confidence for the coming quarter, compared to just one-in-five at the same time last year (Figure 10). This means that 9.9 million households are concerned about their finances over the Christmas period – an increase of 4.2 million compared with last year (when 5.6 million were in this position).

Figure 10 – Households' confidence about their financial situation in next three months



Note: Number of households 'unconfident' is based on combining the 'not at all confident' and 'not confident' groups, using a figure of 28.1 million households overall in the UK.

Using a separate index of future financial outlook, which is a composite measure of several different questions about households' upcoming financial situation and financial resilience[7], we find that 26% of households have a 'poor' future outlook. This is an increase from 24% in June 2022.[8] Three-in-five (62%) of those with a 'poor' outlook are already in serious financial difficulty, while the majority of the remainder are currently in our struggling group. Three-quarters (74%) of households whose financial outlook is rated poor have nothing in savings, while 96% are 'very' or 'quite' worried about their overall financial situation in the next 12 months.

Our latest Tracker data shows that concerns about finances are already taking a significant toll on people's physical and mental wellbeing. Over 12 million households in the UK report a worsening in their ability to keep their home warm and comfortable this year, while nearly 10 million have eaten lower quality food and 5 million have eaten fewer meals. More than 17 million report that thinking about their finances makes them anxious (with over 7 million strongly agreeing with this statement).

[7] This includes households' ability to cover a large, unexpected expense or to cover a fall in income of a third, savings in terms of number of months income it could cover, confidence in their financial situation in the next three months, how well they expect to meet their bills and credit commitments in the next three months, and their level of worry about meeting different types of cost in the next three months.

[8] The measure of future financial outlook used in June 2022 and October 2022 isn't directly comparable to the measure used in prior waves (October 2021 and before).

In addition, nearly 11 million agree to some extent that they feel like they have no control over their financial situation (with over 4 million strongly agreeing that they have no control). This raises real questions for policy-makers – and society more generally – about how best to mitigate the effects of financial difficulty in the coming months. If there is too little support for households' immediate finances, there will almost certainly be costs of inaction which hit other parts of society – for example, increased pressure on the NHS due to conditions caused by cold homes, worsening diets or worsening mental health. The support measures announced in the November Autumn statement are not insignificant and will indeed make a real difference to many households – but, while the wider economy continues to struggle, millions of households across the country will be forced to contend with a further decline in living standards and the daily reality of budgets that just won't stretch far enough.

Technical note

The survey was undertaken by YouGov between 25 October and 1 November 2022 for the abrdn Financial Fairness Trust and was conducted online. It is the seventh in a series of cross-sectional surveys tracking the financial impact of the coronavirus pandemic and subsequent cost of living crisis on UK households, by asking key questions repeated at several time points. In each wave, these key questions are supplemented by new questions that aim to capture and reflect the evolving situation.

The sample for this report consists of 6,108 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 seven 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. 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) Financial Wellbeing: A Conceptual Model and Preliminary Analysis. The estimation of households' future outlook for the next three months was also based on scores from principal component analysis in the same way. This analysis is based on questions relating to households' ability to cover a large, unexpected expense or to cover a fall in income of a third, savings in terms of number of months income it could cover, confidence in their financial situation in the next three months, how well they expect to meet their bills and credit commitments in the next three months, and their level of worry about meeting different types of cost in the next three months.

All analysis was tested for statistical significance. This report only covers findings that were found to be statistically significant (at least p<.05 chisq), unless otherwise stated. The tables on which this report is based are available to view via Google Sheets or by emailing pfrc-manager@bristol.ac.uk.

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About the Personal Finance Research Centre (PFRC)
PFRC is an interdisciplinary research centre exploring the financial issues that affect individuals and households. It combines multi-method approaches with specialisms drawn from social policy, human geography, psychology and social research.

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About abrdn Financial Fairness Trust
abrdn Financial Fairness Trust is an independent charitable foundation supporting strategic work which tackles financial problems and improves living standards. Its focus is improving the lives of people on low-to-middle incomes in the UK.

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