Financial Stability Tracker 2023

The annual report from Creditspring that explores the financial wellbeing of people in the UK

Research undertaken between 30th June and 4th July 2023.

Research of 2,000 UK adults, by Opinium, weighted to be nationally representative.
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The research shows that the UK’s mental health is suffering as a direct result of extreme financial strain, particularly among young people. Vulnerable groups, such as people with disabilities, are being let down by the very systems that should be supporting them. And, for millions, credit is becoming harder and significantly more expensive to access.

Credit is not the answer to poverty, but it is a necessity for many, particularly during times of economic crisis such as this, and the case studies featured throughout this report demonstrate just how much of a lifeline it can be when it is offered responsibly.

When people, particularly those who may already be financially vulnerable, make a decision to borrow and can afford to repay a loan they deserve to be able to access safe, affordable credit that will not push them further into financial ruin.

We’re making moves in the right direction. More people, funders, and policymakers know about responsible finance providers and last year our members served tens of thousands more people than the year before, saving them many millions of pounds compared with higher cost options. The FCA’s new Consumer Duty forces financial institutions to rethink their priorities and put the financial wellbeing of customers over profit. In many ways it raises the bar, making other parts of the industry behave with the integrity which has long been core to social purpose lenders. But the gap in access to affordable credit now stands at several billion pounds and we must acknowledge that more must be done, particularly for the most vulnerable in our society who are suffering the most.

Everyone should be able to get a fairly made decision about a loan they are applying for. Customers and applicants should be able to get the personalised support they need, and if mainstream finance struggles to do this, the industry should increase the work it already does with community development finance institutions.

Banks, social investors, regulators and policymakers have acknowledged the impact of responsible finance providers, including Creditspring, that work to build a sector that is fairer, more inclusive, and supportive of those in need.

"This report from Creditspring shines a spotlight on the true impact of the current cost of living crisis and the extent to which it is affecting our collective sense of wellbeing."

Theodora Hadjimichael
CEO of Responsible Finance

Foreword

Theodora Hadjimichael  
CEO of Responsible Finance
Last spring, we published the first Creditspring Financial Stability Tracker report.

The nation was reeling from the impact of the pandemic and, as the cost of living crisis started chipping away at the disposable income of millions across the UK, pressure on household finances was beginning to mount.

Today, we face an even starker picture. Savings are diminishing as high inflation, real wage stagnation and the cost of living continue to erode the finances of people across the country. Many are unable to plan for their future because their financial situation is so precarious. This is reflected in levels of consumer confidence, which recorded the largest drop in sentiment for more than a year in July 2023.

Against this seemingly bleak backdrop, there are smatterings of hope. The FCA’s new Consumer Duty, for example, is forcing more financial services firms to prioritise the financial health of customers over their own bottom lines, and promises to deliver better outcomes for consumers. Whilst many responsible financial institutions have been leading the way in providing support to vulnerable borrowers and developing models that have positive outcomes front and centre, this welcome legislation is vital to bring the whole industry in line.

This latest report seeks to expose the reality of the current situation, identify areas for improvement, as well as shine a spotlight on those in our society who are most in need of support. At Creditspring, we are committed to driving positive change, and have long believed that true transformation can only happen when government, private, and public sectors are working in unison towards a common goal.

The findings of this report only cement that belief further. Now more than ever, it is critical that we seek to address some of the damage caused by the events of the past few years, and encourage multiple sectors to come together to build networks of support systems that will have a real and lasting impact on people – both financially and mentally – across the country.

"At Creditspring, we are committed to driving positive change, and have long believed that true transformation can only happen when government, private, and public sectors are working in unison towards a common goal.”

Neil Kadagathur
Co-Founder and CEO of Creditspring
An escalating crisis

A situation that continues to worsen

The cost of living crisis continues to drag on, with seemingly little cause for optimism. Households across the UK are struggling to stay afloat amidst spiralling prices, and rising interest rates are making it more expensive to borrow.

Our research reflects this rather bleak picture, revealing that people are afflicted by a sense of stagnation as the cost of living crisis ticks on. Many are finding it tougher than ever to cope with the uncertain nature of life in Britain.

Further troubles ahead

And if things were not bad enough at present, many believe that it will get even worse still. We found that 30% of UK adults are "terrified" for their financial future.

More than a third (36%) are getting by only because they have savings to fall back on. What will happen once these savings run dry? While a quarter (25%) dip into their savings every month to make ends meet, nearly four in ten (37%) don't expect to be able to save any money over the next six months. A fifth (21%) don't have any savings at all.

With people running out of options, many are turning to high-cost lenders and unregulated markets (e.g. loan sharks), which may provide a quick fix but can further damage future prospects and potentially even lead to a debt spiral. More than one in ten (12%) UK adults have borrowed money from a high-cost lender since January 2023, and nearly a quarter (23%) of those have then struggled to repay the money.

Two-fifths (38%) of UK adults claim that their financial future is unpredictable, and they are simply unable to plan six months ahead. A third (33%) say they feel stuck, without the ability to improve their financial situation in any way.

It's particularly bad for younger adults, many of whom may be having to deal with the inflated costs of starting a family or stepping onto the property ladder. More than half (53%) of those aged 25-44 say they are facing an unpredictable future.

At Creditspring, two-thirds (67%) of our members say they were denied credit from a mainstream lender, for example their bank, before turning to us. For those that don't know their full spectrum of choices when it comes to accessing credit, a high-cost lender may feel like the best option. Our research shows that 22% of those borrowers who turned to a high-cost lender did so because they were rejected by mainstream lenders.

Summing up the current financial malaise in the UK, we found that one in ten people have used a debt advice charity within the past twelve months – this equates to a staggering 5.3 million people.
5.3m

- 37%: Have used a debt advice charity within the past twelve months.
- 30%: Don’t expect to be able to save any money over the next six months.
- 22%: Are ‘terrified’ for their financial future.
- 21%: Don’t have any savings at all.
- 12%: Have borrowed money from a high-cost lender since January 2023.

Borrowers who turned to a high-cost lender did so because they were rejected by mainstream lenders.
Financial impact for disabled people

As touched upon in the previous chapter, the ongoing cost of living crisis has had a particularly profound effect on those living with a disability.

Data from the Office for National Statistics (ONS) shows that disabled adults are twice as likely to experience financial vulnerability compared with non-disabled adults, and research from Scope shows that life costs an extra £975 a month on average if you’re disabled. With the cost of living crisis compounding existing financial challenges, this is a group that is now being exposed to the full impact of a volatile economy.

More than a quarter (27%) of disabled people in the UK agree that the additional costs they have incurred because of their disability - whether it’s expensive treatment, technology or equipment - have contributed to their money worries.

And nearly one in five (17%) say that these additional, and necessary, costs have led them to apply for financial products that have subsequently got them into further debt, with the figure rising significantly to almost half (46%) of 18-24 year-olds living with a disability. These mounting costs in an unforgiving economy have led to 38% of disabled adults in the UK to be ‘terrified’ for their financial future.

A need for much greater understanding

It is time to focus on individual needs. UK consumers must not be treated as a homogenous group, but as individuals with personal needs considered and catered to. Our research reveals the banks and other financial institutions lack understanding, and compassion, when it comes to meeting the needs of those with disabilities.

A third (32%) of disabled people think that financial providers don’t understand their specific needs, and one in six (17%) believe this lack of understanding has led providers to recommend them unsuitable financial products that are inappropriate for their situation.

There is a widespread urgency for banks and other lenders to do more for those living with a disability, particularly in the nation’s capital. We found that 39% believe there is a lack of financial support for disabled people, and this is particularly acute in certain groups – notably 18-24 year-olds (64%), those from ethnic minority backgrounds (81%), and those living in London (49%).

Nearly one in five (27%) of disabled people who think that financial providers don’t understand their specific needs.

32%

Number of disabled people who think that financial providers don’t understand their specific needs.

15%

People with disabilities feel they have been discriminated against by their bank, or other financial services provider.

Further marginalising the marginalised

Whilst the financial outlook is bleak for many across the UK, things look toughest for those people living with disabilities.

Nearly half (45%) of disabled people say their financial future is unpredictable, leaving them unable to plan. The same figure (45%) feel stuck and unable to improve their financial situation in any way, compared to 33% of the general population. And 39% of people with disabilities are now terrified for their financial future.

A financially isolated demographic

Disabled people are feeling the strain. Two in five (41%) say that their bank should do more to help them, and 35% say that there’s not been enough financial support from the government either, so they have been forced to look elsewhere.

Even more worryingly, 15% of people with disabilities feel they have been discriminated against by their bank, or other financial services provider, because of their disability, with the figure rising to 32% of 18-24 year-olds.

Looking forward, 29% of disabled people say their bank could do more to help them make smarter financial decisions, with 30% thinking that their bank could also do more to make their suite of products and services more accessible. The banks, and other lenders, must listen to these calls for help and act accordingly.

Testimonial

"Taking out a small loan with clear repayment terms has helped me to safely pay for the new sofa I had so desperately needed."

George, 63, Durham

In the past, I worked an array of different jobs over the years – I was a taxi driver, a security guard and spent some time in the army. However, after experiencing an unfortunate series of strokes, I was left paralysed on my left side and unable to work.

I have never been reliant on credit. Though at times I have had trouble accessing it in the past due to a thin credit file, I haven’t faced overwhelming debt and have never used anything like Buy Now, Pay Later. Now though, with energy bills, food prices and inflation on the rise, I have often had to dip into my savings, leaving me with very little emergency money today.

The subscription style model Creditspring offers has turned out to be the perfect boost I was looking for. Taking out a small loan with clear repayment terms has helped me to safely pay for the new sofa I had so desperately needed. Taking my paralysis into consideration, the loan from Creditspring has helped me to get around my home a lot easier and live more comfortably without having to sacrifice my financial stability.

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Money and mental health

The deepening connection

Throughout the UK, the growing financial burden is having a big impact on the mental wellbeing of millions of people, especially young adults who may be less likely to have savings or assets to fall back on.

Our research highlights that a third (30%) of UK adults say their mental health has significantly deteriorated since the start of the cost of living crisis. This rises to almost half (48%) of 25-34 year-olds - a demographic already likely to be grappling with the pressure of starting a family, buying a home, or navigating a fast-moving job market.

It’s been an enormously challenging few years. People have emerged from a world-changing pandemic and walked straight into a relentless cost of living crisis that shows little sign of easing.

Financial woes are directly contributing to this widespread decline in the nation’s mental health, with a quarter (23%) saying this is the worst their mental wellbeing has ever been because of money worries, increasing to more than a third (36%) of 25-34 year-olds.

This is an age group that needs help, and fast. Our research supports findings from the ONS, which show that those aged between 25 and 34 are more than three times more likely to experience financial vulnerability compared with those aged 75 and over.

There is a clear need for increased financial support and mental health resources to address this evolving crisis, particularly for younger generations. A quarter (23%) of those aged between 25 and 34 have already sought out mental health support as a result of their financial situation, and one in five (20%) of this age group have used a debt advice charity in the past 12 months.

Government support is widely perceived to be inadequate. Three in ten (29%) people throughout the UK say they have had to seek help elsewhere because there is simply not enough financial support from the government. Again, this rises to two-fifths (43%) of those aged 25-34.

An age group at real risk

A quarter (23%) say this is the worst their mental wellbeing has ever been because of money worries, increasing to more than a third (36%) of 25-34 year-olds.
There is an urgent need for a more integrated financial system that can provide people with holistic support systems that look at the whole person, not just their financial needs. Such support should encompass physical, emotional, and financial wellbeing. Access to the right support, at the right time, will be critical to turning the tide on this crisis.

Nearly half (45%) of young people aged between 25 – 34 say that their mental health cannot improve as long as they remain in debt. But 43% say they feel stuck and that there is nothing they can do to improve their financial situation. This has to change, and fast.

Identifying a need for a more holistic approach

45%
of 25 - 34 year - olds say their mental health cannot improve as long as they remain in debt.

43%
say they feel stuck and that there is nothing they can do to improve their financial situation.

As a single, middle-aged woman with no additional income (or savings), I was already struggling to make ends meet before the cost of living crisis. The added pressure of increased bills and food costs has pushed me close to the breaking point, and constantly worrying about my finances has had a huge impact on my mental health.

I had to seek support and undertook counselling for the crushing depression I felt. Also, with many sleepless nights my physical health took a crushing blow, not being able to think clearly or having the energy to help myself was a vicious circle.

Taking out a small loan has made all the difference and has eased the immediate cost of living struggle while helping me to maintain a better financial balance in the long-term. Using subscription finance – like the loan that is offered by Creditspring – is a far simpler and more affordable way to borrow money than any other credit I’ve taken out in the past. And knowing exactly what I’m paying each month without the fear of interest has taken away the worry I had about my finances and my mental health has improved as a result.

I don’t have a support network around me, which is scary when you don’t feel in control of your money. If I hadn’t used Creditspring, I would – in all likelihood – be destitute by now.

Angela, 56, Hampshire
As people’s financial troubles mount, it’s clear they are not feeling supported by banks and other lenders, particularly when it comes to these companies’ responses to the cost of living crisis.

Our research reveals a widely held negative perception of lenders. Seven in ten (70%) UK adults say that banks and other lenders are only out to make a profit, whilst around a third (36%) believe that lenders encourage them to take out more money than they can afford.

Fixing a misunderstood sector

Credit is essential in the current economic climate. When accessed correctly, borrowing is a valuable financial tool that provides peace of mind at a time when it’s needed most.

We found that 40% of UK adults believe being able to access credit when they need it has been an invaluable resource in the past. And 27% say that borrowing money has helped them to access a wider range of experiences than they would have been able to afford otherwise.

A need to build more trust

As people’s financial troubles mount, it’s clear they are not feeling supported by banks and other lenders, particularly when it comes to these companies’ responses to the cost of living crisis.

Our research reveals a widely held negative perception of lenders. Seven in ten (70%) UK adults say that banks and other lenders are only out to make a profit, whilst around a third (36%) believe that lenders encourage them to take out more money than they can afford.

Fixing a misunderstood sector

Yet still, the stigma remains around borrowing money. For some, it is a part of their life that is associated with shame and a feeling of being unable to manage. This isn’t right. Used safely, credit is simply another tool in the financial armoury to help people cope with whatever life throws at them. We need to work together to help change the perception of lenders and remove some of the stigma around short-term borrowing.

It’s encouraging to see steps being taken. On 31 July 2023, the new Consumer Duty rules came into play, setting higher and clearer standards of consumer protection across financial services, requiring firms to put their customers’ needs, and financial wellbeing, first.

Also in July 2023, the Financial Conduct Authority (FCA) announced it stopped 627 firms that failed to meet its minimum standards from operating in the UK. This is up 30% from the previous year, and illustrates the FCA’s determination to enforce higher standards in the financial services sector.

This is a good start. But whilst it’s great to see the financial watchdog cracking down on problem firms and helping beleaguered borrowers, there’s much more to be done. The picture will only truly improve when all lenders are continually, and consistently, putting consumer financial health before profit. This can be achieved by the government working closely with the industry to help foster the development of innovative, regulated financial models that can deliver safer products for consumers as they try to stay afloat amidst the fierce cost of living crisis.

Testimonial

“I had a stable income for most of my life working as a nurse and living with my long-term partner. Unfortunately, around ten years ago we ended up separating, I lost the house among other aspects of my life, and I simply couldn’t afford things by myself. Due to a thin credit file, I was taking out numerous high-interest loans to cover the last which eventually led me into vicious debt spirals. On top of this, I then had to retire from my job due to my arthritis. Once covid hit, I realised that my financial situation had really started to take a toll on my mental health. After being turned down by lender after lender, I eventually found Creditspring. The fixed subscription rate and transparency in its terms has truly set me on the road to financial recovery. As well as enabling me to safely repay and clear my debt, Creditspring has actively helped to build my credit score which has recently allowed me to apply for a credit card. Now on my third loan, Creditspring has been an ongoing financial lifeline over the past couple of years and has proved invaluable during the current cost of living crisis.”

Anthony, 56, St Helens

627 firms stopped by FCA because they failed to meet its minimum operating standards in the UK

2023

482

2022

70%

36%

Seven in ten UK adults say that banks and other lenders are only out to make a profit.

More than a third believe that lenders encourage them to take out more money than they can afford.
Addressing issues head on

It’s time for action

Our research highlights the scale of the problems that have emerged during the cost of living crisis. Two-fifths of UK adults tell us their financial future is unpredictable, whilst the same proportion of disabled people are terrified for their financial future. Constant financial stress has impacted heavily on mental health, with nearly half of young adults saying that their mental wellbeing has significantly deteriorated since the start of the cost of living crisis.

And amidst this crisis, banks and other lenders are failing to provide adequate support. Seven in ten UK adults believe their bank is only out to make a profit, whilst many of those living with a disability say that financial institutions fail to understand their specific needs.

Firstly, there is a pressing need for better financial education, which has an important role to play in empowering people to take closer control of their finances. It’s vital that this begins in school and then carries on throughout further education and vocational training. Two in five (42%) of those aged 18-24 agree they need financial education to help them make smarter decisions.

As touched on earlier, there also needs to be a more integrated financial system that provides people with holistic support systems. Only 10% of people say their bank has contacted them about mental health support, and the majority (57%) say they have heard nothing at all from their bank on this topic.

When a system more carefully considers the whole person, it becomes far easier to provide tailored support that is personalised to people’s individual needs. Banks and other lenders also need to think more carefully about marginalised groups and their experience of accessing and using financial services. It’s crucial that banks and other lenders show willingness and step up to the plate, but none of these developments will be possible on a wider scale without supportive regulation that mandates certain policies across the industry. The Consumer Duty rules are a good start, but we need to go deeper, exploring the requirements of different demographics and thinking about mental, as well as financial, wellbeing.

More can – and must – be done. Much will depend on cross-sector collaboration, with the financial services industry finding better ways to work with public sector bodies and government departments to pave the way towards a brighter financial future.
In a time when financial products are becoming more confusing and potentially dangerous for customers and their finances, a significant change is needed.

This change comes from something we all know and use daily: subscription!

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Upfront Cost</strong></td>
<td>We have removed the confusing interest aspect of credit to make things easier for our members.</td>
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<tr>
<td><strong>No Hidden Costs</strong></td>
<td>You pay your small monthly fee, the no-interest loans, and that’s it!</td>
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<td><strong>Easy To Plan</strong></td>
<td>Our membership model makes it easy to plan your repayments. The moment you sign up you know exactly how much and when you will repay.</td>
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<tr>
<td><strong>No Debt Spiral</strong></td>
<td>The membership model is specially designed to eliminate the risk of a debt spiral, so you can work on your financial resilience without worries.</td>
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<tr>
<td><strong>Same Price For All</strong></td>
<td>We believe it’s unfair for financial products to become more expensive when you are tight on money. With Creditspring, the Prime Minister would pay the same as you.</td>
</tr>
<tr>
<td><strong>Clarity</strong></td>
<td>You shouldn’t need to be a banker to understand your products. We use easy-to-understand words so you know exactly what you’re signing up for.</td>
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<tr>
<td><strong>Easy Access To Your Funds</strong></td>
<td>Access your loans when you want to, not when someone else wants to give them to you!</td>
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<tr>
<td><strong>Easy To Understand</strong></td>
<td>We use a language and a model our members know and get from everyday life, which can’t be said about APRs.</td>
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At Creditspring, we believe that subscription finance can deliver the clarity, transparency and safety consumers need in their credit products. This is why we’re confident our model is the best solution for UK consumers looking for credit. With a Trustpilot score of 4.8 and thousands of thank-you notes, our members agree.
Research of 2,000 UK adults, by Opinium, weighted to be nationally representative. Research undertaken between 30th June and 4th July 2023.

creditspring.co.uk