

Young people, money management, borrowing and saving
A report to the Banking Code Standards Board

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Summary of key findings and implications for the Banking Code review

There are around 6 million young adults aged 16-24 in Britain, most of whom are single and live at home with their parents. Around half of them are in employment; most of the rest are in full-time education. The main financial products they hold are:

- current accounts (held by 83 per cent of young people aged 16-24);
- overdraft facilities (held by 50 per cent of 18-24 year-olds);
- credit cards (held by 34 per cent of 18-24 year-olds); and
- deposit accounts with banks and building societies (held by 32 per cent of 16-24 year-olds).

The research has not identified any areas where the Banking Code needs strengthening only for the benefit of young adults. It has, however, identified a number of areas where young people are disproportionately affected by the need for changes to the Code.

While young adults aged 16-24 have about average levels of literacy, their level of numeracy is below-average. There is evidence that they also have below-average levels of financial literacy. A survey for the Financial Services Consumer Panel assessed only a third of younger adults (aged 21-24) as financially literate, compared with nearly half of adults overall. Very few younger adults expressed confidence about purchasing new products, making them particularly vulnerable to mis-selling and mis-buying. They have a particular need for explanations of the key features of the products that they buy and would be especially likely to benefit from a summary box on agreements and promotional materials (Sections 8 and 10 of the Code).

It is usual for people to open their first transaction account in early adulthood, and as a result this age group will be disproportionately affected by the difficulties that consumers face providing suitable forms of identification and opening basic bank accounts (Section 3 paragraph 3.1). Young people also complain that they receive inadequate explanations of how debit cards work when they open a transaction bank account.

Compared with others, young people aged 18-24 have a high propensity to borrow, and to use revolving credit in particular. Consequently, they are more than four times more likely than other adults to consider themselves over-borrowed. Given their financial naivety, this has implications for the section of the Code dealing with responsible lending (Section 13).

Overdraft use is especially common among young people in their late teens; while credit cards are a prominent source of credit for those aged 20-24. In the previous 12 months, around three in ten (28 per cent) of young adults (aged 18-24) with an overdraft and two in ten (20 per cent) of young credit card holders had had an increase in their credit limit. (This is equivalent to 12 and seven per cent of all young people aged 18-24 respectively).

Moreover, one in twelve (8 per cent) of young card holders had been sent unsolicited credit card cheques (equivalent to 3 per cent of all young adults). Most of the recipients said that they had used them.

Setting this in context, young adults with overdraft facilities were *more* likely than other adults to have had an unsolicited increase in their overdraft limit, but young cardholders were *less* likely than others to have been given an unsolicited credit limit increase. Young cardholders were also less likely to have received unsolicited credit card cheques than other adults, but having received them, they were far more likely to have used them. Taken together, these findings support calls for the Banking Code to cover these practices.

Young people (aged 18-24) have a very high risk of over-borrowing and of getting into financial difficulties. This is particularly the case if they are householders, although young people living with their parents also have a high risk compared with all adults. During 2002, a third (32 per cent) of young householders and a quarter (23 per cent) of those living with their parents had fallen into arrears with one or more of their regular commitments. They will, as a consequence, account for a very high proportion of those who need the protection of Section 13 (paragraphs 13.10-13.13) of the Code.

Introduction

The Banking Code Standards Board commissioned a review of existing research into young people's approaches to money management and their interaction with financial services, to inform the 2004 review of the Banking Code. This has drawn on published research, supplemented by re-analysis of data collected for a Survey of Over-indebtedness that was undertaken for the Department of Trade and Industry (DTI) in 2002.

The main body of the report begins with an overview of the circumstances of young adults, as this provides a backdrop to the extent to which they will need to engage with financial services.

We then look at the financial products they use, focussing particularly on the types of product that are covered by the Banking Code.

This is followed by an overview of young adults' levels of literacy, numeracy and financial literacy, exploring the extent to which this might make them vulnerable as consumers of financial services.

Finally, we conclude with an overview of some of the difficulties young adults have been identified as experiencing in their use of financial services.

The circumstances of young people

There are just over six million young adults aged between 16 and 24 years old in Britain, most of whom are single and live with their parents. Recent statistics indicate that just 15 per cent of this age group were living with a partner - four per cent were married and a further 11 per cent were cohabiting - (Survey of English Housing 2003) and these proportions have changed little since 2000 (GHS 2001). Young women were twice as likely to be partnered as young men.

Around three-quarters of young adults live with their parents and, not surprisingly, the proportion is higher for young people in their late teens than it is among those in their early twenties. Moreover, half of young men aged between 20 and 24 years were living with their parents compared with only a third of women of the same age (Social Trends 34). This is consistent with the higher level of partnering among young women.

Young people living independently are most likely to rent their home. Altogether nearly eight in ten of young householders aged between 16 and 24 rented their home - 44 per cent from a private landlord, 34 per cent from a local authority or housing association. Just 22 per cent were buying their homes (FRS 2001).

The Labour Force Survey shows that, in 2003, around 46 per cent of young adults aged 16-24 were in employment; 38 per cent were in full-time education; 10 per cent were economically inactive for reasons other than full-time education (most of whom were young women and likely to be caring for children) and just 6 per cent were unemployed and looking for work (LFS, 2003). Despite the pressures of their studies,

around four in ten full-time students aged 16-24 were also working - 35 per cent of males and 43 per cent of females - and a further six per cent were seeking work (LFS 2003).

According to the General Household Survey, in 2001 a fifth (20 per cent) of all young adults aged 16-24 worked (or last worked) in routine occupations, such as packers, cleaners and sales assistants. A further fifth (22 per cent) were in semi-routine work. A minority had already climbed to management positions; 13 per cent were in lower managerial or professional positions and three per cent had jobs categorised as higher managerial or professional. Just 15 per cent had either never worked or were long-term unemployed (GHS 2001).

Notwithstanding attempts to widen participation in higher education, recent statistics suggest that the decision to continue in education still depends very much on social class. In the academic year 2001/2002, 50 per cent of young people from wealthier families (non-manual social class) participated in higher education, compared with just 19 per cent of those from a working class background (Social Trends 34).

Young people's use of financial services

Young adults typically begin to engage with financial institutions once they move into work (Hutton and Seavers, 2001). In particular, they open a current account and make use of overdrafts and direct debits to manage their money.

There is evidence that *some* young people plan ahead, and aspirations should not be overlooked when considering events that could trigger an interest in financial planning. The FSA found that youngsters described as having a conservative attitude towards finance were looking ahead to their next transitional period such as moving away from home. Other young people, whom the FSA dubbed "aspirers", looked ahead up to 10 years into the future. The financial goals mentioned by aspirers included starting a business, buying a home, and starting a family (Samson et al 2004).

On the whole, young people aged under 25 were slightly less likely to be users of most types of financial product than older people, but the difference seems largely to be accounted for by those in their teens. The products they are most likely to hold include a current account, an overdraft facility, a credit card and a savings account.

The Family Resources Survey shows that current account-holding among young adults aged 16-24 is just below the average (Table 1). This average is, however, pulled down by the inclusion of older people, so that young adults' current account-holding is more than ten percentage points lower than other adults aged between 25 and 64.

Table 1 Young people’s use of current accounts, and savings and investment products

	<i>Cell percentages</i>	
	Young adults (aged 16-24)	All adults (aged over 16)
Current account	83	87
Post office account	4	4
TESSA	1	8
ISA	11	23
Bank or building society deposit account	32	47
Stocks and shares	5	21
PEP	*	8
Unit Trusts	1	5
Premium bonds	6	17
National Savings bonds	1	2
No account of any kind	12	8

Source: Family Resources Survey 2001-2002

Savings products of all kinds are much less commonly held by young adults than they are among the adult population as a whole. For example, the Family Resources Survey shows that only a third of young adults aged 16-24 have a bank or building society deposit account, compared with almost half of adults overall (Table 1).

A survey undertaken for the Financial Services Consumer Panel found that while 81 per cent of adults aged 21 or over had a savings account of some kind, this fell to 62 per cent among 21-24 year olds (Collard, 2001). Younger adults also held rather fewer accounts than those who were older. Just one in five (19 per cent) of 21-24 year olds had more than three savings or investment products, compared with nearly half (48 per cent) of all adults aged 21 or over.

There are considerable costs to embarking on further or higher education, and accumulated savings can help students through the transition between relying entirely on their parents and being self-sufficient. Research carried out among school leavers and further education students discovered that only 30 per cent of those who intended going on to higher education had savings that they could use (Callender 2002). The figures ranged widely, however, from 25 per cent of young lone parents to 77 per cent of children from independent schools. A study of undergraduates attending the University of Brighton found that 41 per cent of students under the age of 26 were using savings that they had built up before going to university to supplement their income (Newell and Winn 2000).

Table 2 Young people's use of credit products, by age*Cell percentages*

	All young adults aged 18-24	Young adults aged 18-19	Young adults aged 20-24
Overdraft facility	50	35	57
<i>Actually overdrawn</i>	20	23	18
Credit card facility	34	18	43
<i>Money owed on credit card</i>	19	8	24
Loans	27	5	38
Store cards	7	3	9
Mail order	17	11	20
Hire purchase	10	6	12
Any credit commitment	57	42	64

*Source: DTI Survey of Over-indebtedness***Table 3 Young people's use of credit products, by householder status***Cell percentages*

	Non-householders aged 18-24	Householders aged 18-24	All householders aged over 18
Overdraft facility	46	58	43
<i>Actually overdrawn</i>	23	14	24
Credit card facility	32	38	50
<i>Money owed on credit card</i>	16	23	26
Loans	20	40	32
Store cards	6	9	10
Mail order	11	29	24
Hire purchase	8	14	23
Any credit commitment	51	68	68

Source: DTI Survey of Over-indebtedness

Turning now to credit use, data collected for the DTI Survey of Over-indebtedness shows that, in 2002, half (50 per cent) of all young people aged 18-24 had an overdraft facility, although only two in ten (20 per cent) were actually overdrawn (Table 2). Interestingly, while overdraft facilities were much more common in the 20-24 age group, it was the teenagers (18-19) who were more likely to be overdrawn (Table 2). Likewise, while more young adult householders had an overdraft facility, it was the young people who still lived at home who were most likely to be overdrawn (Table 3).

Around a third of young adults aged 18-24 had a credit card, although 20-24 year olds were more than twice as likely to have a credit card as those aged 18-19 (Table 2). The levels of card-holding did not, however, vary a great deal between those living independently and those still living at home. Again, many of these facilities were not actually being used to borrow money – either the card had not been used at all or the account was habitually settled in full each month. Consequently, fewer than one in ten (8 per cent) 18-19 year olds owed money on a credit card, compared with a quarter (24 per cent) of those aged 20-24. The difference between young adult

householders and those still living at home was rather less marked. Even so, those who lived at home were less likely to owe money to a credit card company.

Only a quarter of young adults had a loan that they were repaying and these loans were predominantly held by those who were older (aged 20-24) (Table 2) or who lived independently (Table 3).

Much attention has been focussed on levels of borrowing among students. The latest survey of student finances for the Department for Education and Skills found that two thirds (65 per cent) of students were actually overdrawn at the time they were interviewed and a quarter (24 per cent) owed money on other forms of commercial credit (mostly bank loans and credit cards) (Callender and Wilkinson, 2003). In other words, students were three times as likely to be overdrawn as 18-24 year olds as a whole, although their use of other forms of credit was, if anything, slightly lower than the average. The students interviewed in this study owed an average of £6,481 – the bulk of which was in the form of student loans (£5,461 in cash terms or 84 per cent of the total they owed). Moreover, although the amounts owed by students had doubled in the four years since 1998/99, the proportion of money that they owed to commercial creditors had fallen from 22 per cent to 14 per cent (Callender and Wilkinson, 2003).

Basic skills and financial literacy

The *Skills for life survey* found that young people, under the age of 25, have levels of literacy that are at about the average - with 43 per cent of 16 to 19 year-olds and a similar proportion of those aged 20 to 24 achieving level 2 or above (Department for Education and Skills, 2003(a)). At this level people are judged to be able to:

- understand a range of texts of varying complexity, accurately and independently; and
- obtain information of varying length and detail from different sources.

In contrast, young people performed less well on the numeracy tests than older people (Department for Education and Skills, 2003(a)). Only half of them (50 per cent of the 16-19 age group and 51 per cent of 20-24s) achieved at least level 1, where people can understand straightforward mathematical information used for different purposes and can independently select relevant information from given graphical, numerical and written material. This was a significantly lower proportion than in older age groups – for example 57 per cent of 23-34 year olds reached this level of competence. The researchers conclude that this can be explained either by a cohort effect or by numeracy skills being developed through engagement with the labour market.

Young women aged between 16 and 24 performed much less well than their male peers on the numeracy tests (48 per cent compared with 53 per cent at level 1 or above), but rather better on the literacy ones (46 per cent reached level 2 compared with 40 per cent of young men).

Knowledge and awareness of financial services

Thanks to the work of the Personal Finance Education Group (pfeg) and Financial Services Authority, personal finance education is now seen as an important part of the school curriculum. However recent research in secondary schools commissioned by pfeg has shown that the extent and quality of teaching in this area varies greatly (Thomas, 2004). On the whole, teachers did not feel that they had the skills or knowledge to teach this subject and required extensive support and training to do so. When this was provided, teachers' levels of confidence increased.

Other research has highlighted that young people aged 15 to 19 believed that schools could and should be doing more to inform young people about financial matters. Indeed, none of those who were interviewed spontaneously mentioned school as a source of information (Jarvis 2002; Samson et al 2004).

Moreover, the research commissioned by pfeg found that secondary school pupils expressed very low levels of confidence in all areas of personal finance (Thomas, 2004). For example, between 60 and 80 per cent (depending on their age) said that they lacked confidence in their knowledge of loans, overdrafts and mortgages; a similar proportion lacked confidence in their knowledge of interest rates; while between 40 and 60 per cent did not feel confident about their knowledge of current and savings accounts, bank statements and wages/pensions.

In contrast, secondary school pupils did have a strong familiarity with many everyday financial matters, with their knowledge and attitudes gleaned from family, friends and the media (Thomas, 2004). Other research has, however, found that from an early age, children have quite different levels of exposure to financial matters (Loumidis and Middleton 2000). Poor children know far less about banks and banking services than their better-off peers. On the other hand, if their family is poor, children tend to have a much greater awareness of the budgeting techniques used by their parents, and they are acutely aware that their parents have to pay regular bills. Indeed, the research concluded that young people's experiences outside school lead to very firmly held beliefs and attitudes on financial matters that can impede personal finance education in schools (Thomas 2004).

Research undertaken for the Financial Services Consumer Panel has found that a lack of confidence amongst school children is carried forward into early adulthood (Collard, 2001). Drawing together replies across a range of questions, the research concluded that only a third (35 per cent) of younger adults aged between 21 and 24 could be considered financially literate, compared with nearly half (45 per cent) of adults overall. In particular, younger adults were much less likely to agree with the proposition '*I have a clear idea of the sorts of financial products I need*' (9 per cent, compared with 33 per cent overall) On the other hand they were judged to be much less risk-averse (39 per cent compared with 52 per cent overall) (Collard 2001). This lack of knowledge combined with a lack of risk aversion makes them much more susceptible to mis-selling and mis-buying, as we discuss in more detail below.

Younger adults (21-24) were also less likely than average to review their finances regularly than adults overall (23 per cent compared with 33 per cent) or to keep a written record of their finances (35 per cent compared with 57 per cent) – putting

them at greater risk of falling into financial difficulties. Again this is discussed in more detail below.

Sources of information about financial services used by young people

The majority of consumers think it is essential to seek advice before buying financial products and agree it is best to get several opinions, yet many fail either to get advice or to shop around (Collard 2001). Young adults are no different, and typically turn only to family or friends to find out about various financial products (Dezyk and Slater 2003; Samson et al 2004). Indeed, 45 per cent of young people under the age of 20 surveyed in 2003 used their parent's advice more than any other source of information (Samson et al 2004).

If you go to a company they're biased, but your parents know what's best for you (Samson et al 2004).

This may not be the best approach. Financial advisers have expressed concern that parental recommendations, whilst well-meaning, might be out-of-date (Hutton and Seavers, 2001). Parents may also be offering advice that is contrary to their own behaviour (almost all parents advocated saving, and not getting into debt, regardless of their own financial situation) sending mixed messages to young people (Samson et al 2004).

Young people are most at risk from poor, informal advice when choosing relatively straight forward products. They have acknowledged that they would be more likely to shop around when the time came for them to buy large-scale financial products such as insurance and mortgages (Samson et al 2004).

Given their low levels of knowledge, experience and confidence, young people need information about financial products that is straightforward and easy to comprehend. In recent qualitative research for the Financial Services Consumer Panel, some young adults said that they had difficulty understanding all the information they were provided with about financial products and services.

It's down to you to read the information but I think it's down to them to put it in terms so you can understand it (FSCP, 2003).

There was also evidence to suggest that those who had opened a bank account had not read the small print in their contract and were not aware of the terms and conditions of the agreement they had entered into (FSCP, 2003).

Transaction bank accounts

Most young people open their first transaction bank account in early adulthood, either when they start work or move into higher education.

Recent research by the Banking Code Standards Board identified that verifying an individual's identification has become problematic for people wanting to open a bank

account. In particular, mystery shoppers faced difficulties ascertaining acceptable forms of identification other than passports and driving licences (Knight, 2003). This is likely to be especially problematic for young people, particularly if they still live at home and have not yet started to drive.

Young adults are more likely to be living on low incomes so that a basic bank account (with no overdraft facility) may be more appropriate to their needs than a conventional current account. Again, qualitative research has identified the problems that people face trying to open such accounts. They may not be told about them if they simply ask to open a bank account and, even if they specifically ask for a basic bank account, they may be steered away from one (Knight, 2003).

When they do open an account, research has found that young people often complain that banks either do not tell them how debit cards work, or give them incorrect information (FSCP, 2003).

I just got a Switch card a few years ago and I didn't think they let you swipe it if you didn't have any money in you account. But they do and then they fine you. It's simple things like that when it's new to you, I think they should tell you about it. (FSCP, 2003)

Similarly, promotional research conducted by the Royal Bank of Scotland highlighted that over 40 per cent of 16 year olds were unaware of how a debit card worked, and 46 per cent agreed that they did not really understand the difference between debit and credit cards (RBS 2004).

Attitudes to banking

For some young people banking is a positive experience, particularly when they feel they are being listened to and supported (Lebens and Lewis 2001). Other young adults appear to variously take on roles of victim and tormentor in relationships with banks. On the one hand, researchers found that young people did not believe that banks would provide impartial advice (Hutton and Seavers 2001, Samson et al 2004). On the other hand, canny British students admitted playing banks off against each other in a scene reminiscent of early childhood manipulation of parents, promising to "be good" in interviews with banking staff whilst fully intending to spend freely (Lebens and Lewis 2001). Indeed, British students often have more than one current account in order to maximise access to free overdrafts and attractive incentive gifts.

Some banks, like the customers discussed above, can appear rather duplicitous, offering both support and temptation. Banks have been criticised for not conveying consistency, but rather bombarding young people with conflicting messages, such as imposing charges for unauthorised overdrafts then offering more money (Lebens and Lewis 2001).

Savings accounts

Given their low levels of knowledge and limited information-seeking, it is not altogether surprising that young adults make mistakes when choosing from the enormous array of savings and investment products. Collard (2001) found that 16 per

cent of 21-24 year olds had bought a savings or investment product in the last 5 years that they later regretted. Whilst this is similar to the level among of adults as a whole (14 per cent) it needs to be set in the context of the much lower level of product-holding among younger adults.

Moreover, young consumers were much less likely to have made a complaint about a savings or investment product in the past five years than was the case overall (four per cent, compared with 13 per cent overall) (Collard, 2001). Indeed, the great majority (91 per cent) of those aged 21 to 24 did not know of any official bodies or watchdogs that regulate financial products, compared with around a third of financial consumers overall.

Unsecured credit

As we note above, overall levels of unsecured credit use by young adults (aged 18-24) are slightly below average – but only because use is particularly low among those in their late teens. Use by 20-24 year-olds and young adults living independently is no lower than the average.

Of particular note is the extent to which young people rely on revolving credit. Overdrafts are the main source of borrowing for young adults who are in their late teens or who are still living with their parents. Credit cards are an important source of borrowing for those aged 20-24.

It would seem that, on the whole, young people differentiate between borrowing for necessary items such as cars and homes, and borrowing brought on by overspending (Samson et al 2004). However, some young people do not even see an overdraft as borrowing at all, but think of it merely as available money.

I'm into my overdraft but I suppose that's not really debt (Rettig 2001).

Concern has been expressed about the extent to which credit limits are increased on both overdrafts and credit cards. Re-analysis of the data from the DTI Survey of Over-indebtedness shows that altogether 12 per cent of young adults aged 18-24 had had an increase in their overdraft limit in the past 12 months (which is equivalent to 28 per cent of those with overdraft facilities). Rather fewer – seven per cent – had received an increased limit on a credit card (equivalent to 20 per cent of all those with a credit card). Setting this in context, young adults with overdrafts were *more* likely than average to have had an increase in their overdraft limit, but young credit cardholders were *less* likely to have been given an increased credit limit than cardholders as a whole. Moreover, fewer than five per cent of young adults thought that the practice of unsolicited increases in credit limits was acceptable and this varied little by age or whether they lived at home or independently.

Raised credit limits were much more common among young adults aged 20-24 than they were among those in their late teens. Moreover, while around half of all overdraft limits were raised at the request of the young person, just about all increases in credit card limits were unsolicited. The majority were at or over the limit when it was increased.

A further area of general concern is the unsolicited mailing of credit card cheques. One in twelve (8 per cent) young people with credit cards (equivalent to 3 per cent of young adults aged 18-24) had received credit card cheques and the majority of recipients had used them. Compared with older cardholders, young people were only half as likely to have received such cheques but they were five times as likely to have used them.

There is evidence that many young adults find it hard to control their spending, although it does seem to improve with age. Re-analysis of data from the DTI Survey of Over-indebtedness shows that nearly half of all young people aged 18-24 agreed with the statement '*I am an impulsive spender and tend to buy things even though I can't always afford them*'. And the younger they were, the more impulsive they seemed to be - over half (55 per cent) of 18-19 year olds described themselves as impulsive spenders, compared with 41 per cent of 20 -24 year olds. This compares with an average, across all age groups, of just 18 per cent.

The great majority of young people (85 per cent) agreed with the proposition that '*credit encourages you to buy things you don't really need*' and here there was no difference between the different groups of young people. For some young people, there is an irresistible temptation to spend, which can be fuelled by access to credit.

You've got money in your account and if you spend that you've always got the banks to fall back on (Hesketh 1999).

It's brilliant being in the red, because you can live a little bit above what you should do. (Lebens and Lewis 2001)

Moreover, it is clear that many young people borrow money with little thought to how easy it will be to repay, and some borrow in the full knowledge that repayment will be difficult. Re-analysis of the DTI data shows that two in ten (20 per cent) of those who took out a loan knew it would be a struggle to find the money to repay it, while a further two in ten (20 per cent) said that they gave the matter no thought at all.

This lack of forethought relating to loan repayments is also apparent from research focussing on higher education students. University leavers are typically aged around 21 and many have thousands of pounds to repay, but no guarantee of secure employment. It has been found that some are unprepared for the level of repayments, and their knock-on affects.

When I took out my student loan I didn't really think about the repayments. I now have to make repayments every month for five years, which affects the amount you can borrow for a mortgage (Scott and Lewis 2001)

Re-analysis of the DTI data also indicated that 11 per cent of young people aged 18-24 considered that they had over-borrowed - compared with just 4 per cent of their elders. This was somewhat higher among those who were in their early twenties (14 per cent) but lower for those in their late teens (6 per cent). It was also higher for young people living independently (16 per cent) than it was among those still living at home (11 per cent). This same data shows that rather more of them (35 per cent)

disagreed with the proposition '*I am not worried about the money I owe, because I know I can eventually pay it back*'. Worryingly, other research found that the heaviest users of pay-day lenders were young adults who had reached the credit limits on their overdrafts and credit cards (Dominy and Kempson 2003).

There are long-term implications of early acceptance of owing money, and it has been found that people who were heavy credit users later in life had started to borrow early in their lives (Dezyk and Slater 2003). Research has also found that student loans were the only significant predictor of graduates finding credit acceptable (other loans and gender were not significant), indicating that widespread reliance on student loans may lead to an increased propensity to borrow in the future (Scott and Lewis 2001).

Financial difficulties

Young people are very likely to experience financial difficulties, especially if they are living as independent householders. Re-analysis of the data from the DTI survey of Over-indebtedness showed that a third (32 per cent) of householders aged 18-24 had been in arrears in the previous 12 months and a similar number (30 per cent) were in arrears at the time of the survey. (The comparable figures for householders of all ages were 18 per cent and 13 per cent respectively). Not all these arrears related to consumer credit – 11 per cent of young householders were currently in arrears with credit commitments, while 25 per cent had fallen behind with household bills. Even so, the level of arrears on credit commitments was nearly three times as high as that found among householders as a whole (4 per cent).

Levels of financial difficulty were also high among young people still living at home - nearly a quarter (23 per cent) of whom said that they had been in arrears during the previous year and 15 per cent said that they were currently in arrears. The high level of arrears among these non-householders is remarkable given the fact that they would not have had responsibility for paying household bills other than the council tax.

Remarkably, the level of arrears differed little between young adults in their early twenties and those in their late teens. In each case about a quarter had been in arrears in the previous 12 months and around a fifth were currently in arrears.

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