Turning a corner?

THE FINANCIAL WELLBEING OF UK HOUSEHOLDS IN OCTOBER 2023

Findings from the 9th Financial Fairness Tracker Survey

Jamie Evans, Katie Cross and Sharon Collard
December 2023

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 October 2023 – gives insight into the nation's finances during the ongoing cost of living crisis. The findings are based on responses from 5,594 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 data collected by Opinium and produced these findings.

KEY FINDINGS

- In the past two years, an extra two million UK households have fallen into serious financial difficulties. The number of households in difficulties has risen from 2.8 million (or 10% of all households) to 4.8 million (17% of households). The overall situation in October 2023 remains similar to that of October 2022, indicating that the effects of the cost of living crisis continue to be felt by UK households.
- There is evidence, however, that the typical household may have begun to come to terms with the higher costs they face. The proportion of households describing their energy bills as 'very unaffordable' in June 2022 was 25% but by October 2023 this had halved to 12%.
- Anxiety around finances has also improved a little. In October 2022, 61% agreed that thinking about their finances made them feel anxious. This has now dropped to 52%, which may be an improvement but still indicates high levels of financial worry overall.
- Those in difficulty face real hardship, however, with 9% of all households having used a foodbank in the past six months. This rises to 24% among those receiving income-related benefits and 20% among those receiving disability-related benefits, suggesting that the level of benefits has become increasingly insufficient against a backdrop of rising costs.
- Two-in-five (39%) of respondents told us that financial worries cause them to sleep poorly at night, but this rises to nearly seven-in-eight (85%) of those in serious financial difficulty.
- A third (32%) of all households had problems with damp, mould or condensation, rising to half (51%) of those in serious financial difficulty.
- Two-thirds (65%) of those in serious financial difficulty had taken on new debt in the past six months (compared with just 19% of financially secure households) – and a third (35%) had borrowed money for daily living expenses in the past four weeks. Nearly half (46%) of households in difficulty reported owing more than £5,000.
- One-in-five (20%) households in serious financial difficulty were repaying money borrowed from family or friends (compared to 7% of all households). Looked at another way, nearly half (46%) of those paying back family or friends were in serious financial difficulty.

abrdn Financial Fairness Trust

University of Bristol

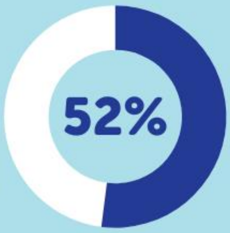
The effects of the cost of living crisis continue to be felt

4.8m

In the past two years, an extra 2 million UK households have fallen into serious financial difficulties (up from 2.8m)

However the typical household appears to be coming to terms with higher costs

In October 2023, 12% described their energy bills as 'very unaffordable', down from a high of 25% in June 2022.



agree that thinking about their finances makes them anxious

down from 61% in October 2022

9% of all households have used a foodbank in the last 6 months, rising to...

24% among those receiving income-related benefits

20% among those receiving disability-related benefits

2 in 5 (39%) say financial worries cause them to sleep poorly at night...

Rising to 85% among those in serious financial difficulty

A third (32%) of all households had problems with damp, mould, and condensation

Rising to 51% among those in serious financial difficulty

65% of those in serious financial difficulty had taken on new debt in the past 6 months

Compared with 19% of secure households

Nearly half of households in difficulty (46%) reported owing more than £5,000

One-in-five (20%) households in serious financial difficulty were repaying money borrowed from family or friends

Compared with 7% of all households

INTRODUCTION

Since our last Tracker report in May 2023, we have seen political manoeuvring get underway as parties prepare for a general election that could be held anytime between now and 28 January 2025. For the UK public, the cost of living continues to top the list of their concerns, although while prices are still rising, they are doing so less rapidly. The Consumer Price Index was 4.6% in the 12 months to October 2023, down from 6.7% in September 2023, and from a peak of 11.1% in October 2022. Technically this should provide some financial relief for the average UK household, although lower-income households will benefit less because they experience higher-than-average inflation.

These more positive inflation figures are tempered by a poor outlook for household incomes (despite real pay growth), with projections showing a two-year fall in real household income of 4% over 2022/23 and 2023/24; and the expectation that by 2028 real household disposable income per person will still be below pre-pandemic levels. In addition, households continue to face rising housing costs. Private rental prices paid by tenants in the UK increased by 6.1% in the 12 months to October 2023 - the largest annual change since the data series began in January 2016. At the same time, the interest rate for a two-year fixed mortgage ranged from 5.54% (for 60% loan-to-value) to 6.6% (95% loan-to-value) – up from 1.35% and 2.91% respectively in November 2021.

The government's energy support and cost of living support schemes in 2022/23 and 2023/24 have undoubtedly boosted the finances of low-income households - at a total net cost likely to be over £50 billion, or more than 2.0% of GDP. But there are serious concerns that these short-term measures offer a temporary reprieve at best, to those who receive help; and have not reached all the low-income households that need help. Approximately 3.8 million people in the UK experienced destitution – the most severe form of material hardship – in 2022, including around one million children. And compared to 2019, destitution is experienced by more people living in a larger number of locations in the UK. In a visit to the UK in November 2023, the UN's special rapporteur on extreme poverty and human rights said that the UK is "in violation of international law" over poverty levels.

This report begins by describing changes in the financial wellbeing of UK households as a whole, before examining the real hardship faced by those in difficulty. We then explore the various ways that households are attempting to make ends meet, including by turning to credit or relying on Cost of Living support. Following this, we consider how energy and housing costs are affecting different households, and end by considering households' financial concerns for the coming months.

Key methodological details

Sample size:	Fieldwork dates:	Type of survey:
5,594 householders (with some responsibility for bills / household finances)	20th – 30th October 2023	Online, cross-sectional survey of Opinium's nationally- and politically-representative panel

Our **Index of Financial Wellbeing** is a composite measure based on seven key questions, covering: households' perceptions of their day-to-day finances and ability to meet bills, their number of missed payments or arrears, and their longer-term financial resilience (such as level of savings). The Index is a score from 0 to 100, with those scoring <30 being considered as 'in serious financial difficulties', those scoring 30-49 'struggling', those scoring 50-79 'exposed' and 80+ 'financially secure'. For more information on this index please see the Technical Note on the back page.

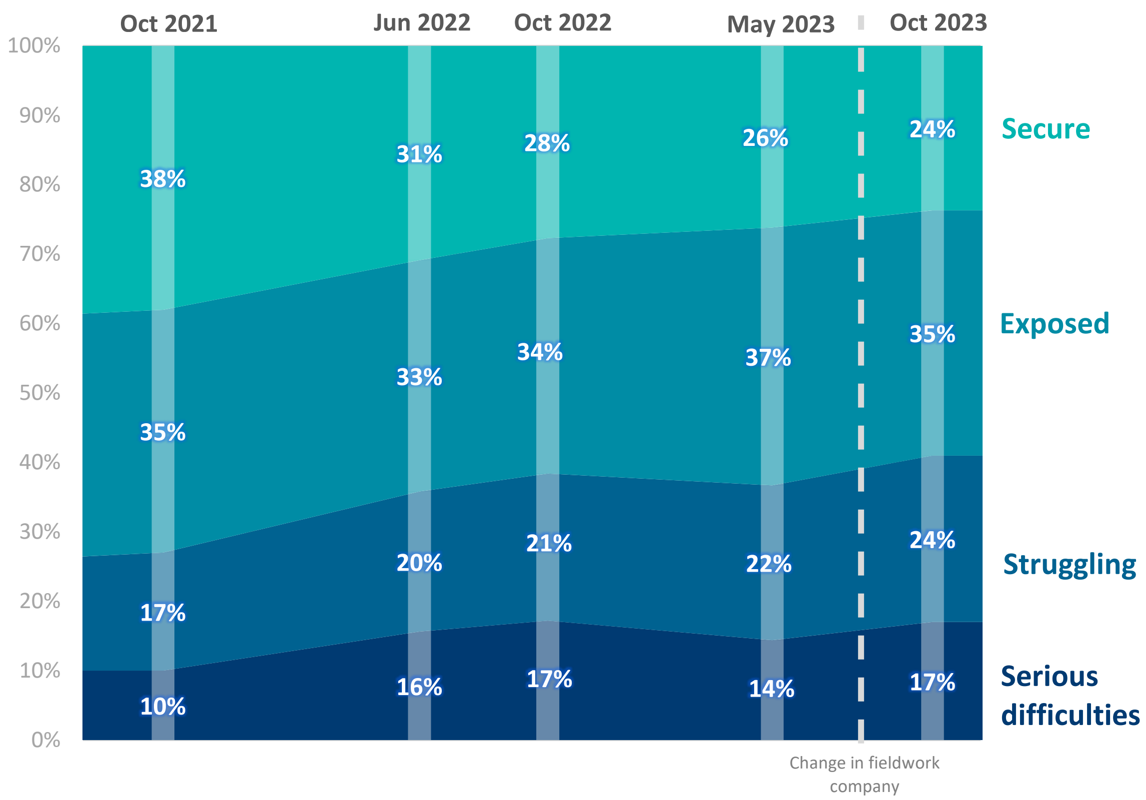
The fieldwork for this wave was conducted by Opinium, whereas YouGov had been used in previous waves. Some questions were, however, run concurrently by YouGov on a smaller sample to allow us to compare results. The results of this comparison are discussed in a separate Technical Appendix published alongside this report.

THE FINANCIAL WELLBEING OF UK HOUSEHOLDS IN OCTOBER 2023

The squeeze continues

The main results of the Tracker (shown in Figure 1) demonstrate the significant deterioration of UK households' finances over the past two years. As of October 2021, 'just' 2.8 million households were classed by our measure as being 'in serious financial difficulties' – but two years later, we estimate that this has risen to as many as 4.8 million, potentially meaning two million extra households in financial difficulties in the last two years.[1] This is based on a rise in the percentage of households in difficulty from 10% in October 2021 to 17% in October 2023. Broadly, the situation remains similar to that of one year ago (October 2022), following the Government's 'mini-budget' when households were facing into a first winter of significantly increased energy prices. There are, however, important nuances to this statement, in both positive and negative directions, which we shall discuss shortly.

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



Notes: Sample sizes range from 5,594 to 6,108. Financial wellbeing categories determined based on seven key survey questions.

[1] The October 2023 Tracker uses a different fieldwork company to that used in previous waves. Different fieldwork companies have access to different groups of respondents and also differ in the way that they sample respondents and weight responses to make them nationally representative. To test for any likely impact of changing fieldwork provider on our results, we also commissioned the original fieldwork company to undertake a short version of the survey with ~2,000 respondents (in addition to the new fieldwork company's longer survey of ~6,000 respondents). The results from this smaller sample are as follows: in serious difficulties = 15%, struggling = 22%, exposed = 35% and secure = 28%. This suggests a small (perhaps negligible) rise in serious difficulty compared with the May 2023 wave, but overall retains the same longer-term trend when compared with data from 2021. The only statistically significant difference between the fieldwork companies is in the 'secure' category, with 28% secure using the previous company and 24% secure with the new company. This is not an unexpected difference, given differences between the sampling employed across the two panels, e.g. quotas to include those with lower levels of political attention/interest and older adults with lower levels of education.

The general public has come to terms with higher costs (to some extent)

While the overall financial wellbeing of UK households has remained poor since 2022, on some indicators we do see apparent improvements. As Figure 2 shows, for example, households are now much less likely to describe their energy bills as unaffordable than they were when they first started rising dramatically in early 2022. In our June 2022 tracker, a quarter (25%) of households felt their bills were 'very unaffordable' but this had halved to 12% by October 2023. As Figures 3a and 3b show, this doesn't necessarily correlate with changes in the amount that households are actually paying for their energy but more likely reflects lower levels of consumer concern about energy prices and a normalisation of / resignation to higher prices.

Figure 2 – How households view of the affordability of their energy bills has changed over 2022-2023 (percentage of all UK households).

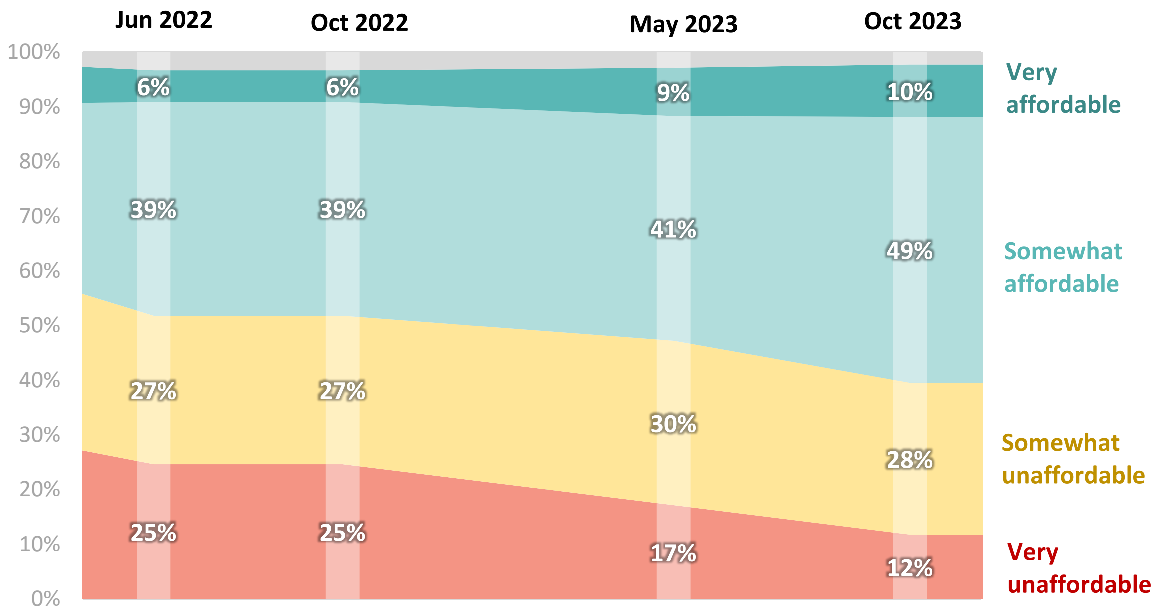


Figure 3a – Energy prices paid by a typical household (Jan-2022 to Nov-2023)

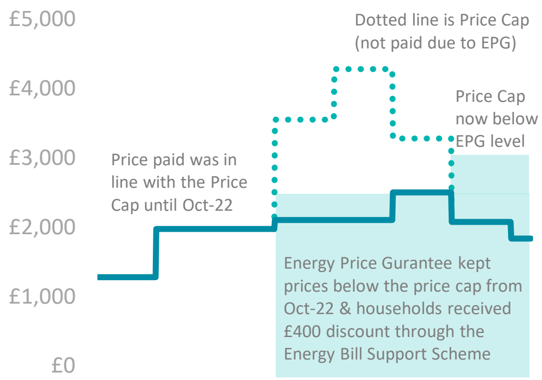
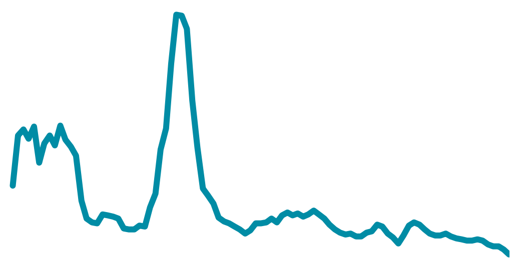


Figure 3b – Search interest via Google Trends for "Energy prices" (Jan-2022 to Nov-2023)



Notes: See House of Commons Library briefing on 'Domestic Energy Prices' for more detail on energy prices and the price cap. Figure 3b uses Google Trends data for period from 01/01/2022 to 15/11/2023. Weekly data has been smoothed to a 4-weekly moving average.

When asked about their level of worry about energy bills for the next three months, we see a slight improvement since May 2023, despite households now heading into the winter period. This may be a temporary improvement, given that households will receive less direct financial support from the Government than last year and since the fieldwork took place it has been announced that the energy price cap is rising by £94 per year from January 2024. In May 2023, one-in-eight (12% of) households were 'very worried' about their ability to afford their energy bill in the coming quarter, while 27% were 'quite worried'. By October 2023, this had fallen to 9% for 'very worried' and remained at 27% for the 'quite worried' group. General financial anxiety meanwhile remained similar to the May survey, with 52% now agreeing that 'thinking about [their] financial situation makes [them] anxious' (compared to 50% in May 2023). While still high, this remains considerably lower than the figure of 61% for October 2022, when households were heading into a first winter of elevated energy prices and were also seeing interest rates rise rapidly.

A further slight positive is that, when asked to rate their household's current financial situation, the proportion of households describing their situation as 'very bad' or 'bad' is beginning to trend downwards, from a high of 22% in October 2022 to 19% a year later (Figure 4a). This is, however, still a long way from the relative low of 15% in October 2021. And, when asked about their ability to meet their bills and credit commitments, 17% still described this as 'a constant struggle' – as high as it was in October 2022 (despite some respite in the Spring of 2023 as winter receded).

Figure 4a – Percentage of households who describe their financial situation as bad, 2021-2023

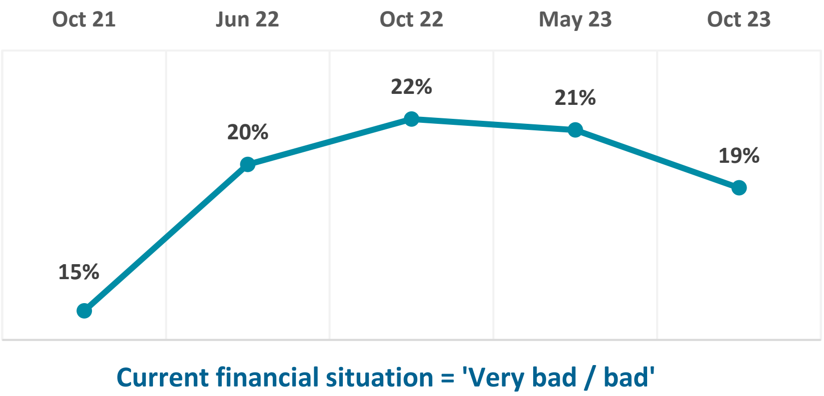
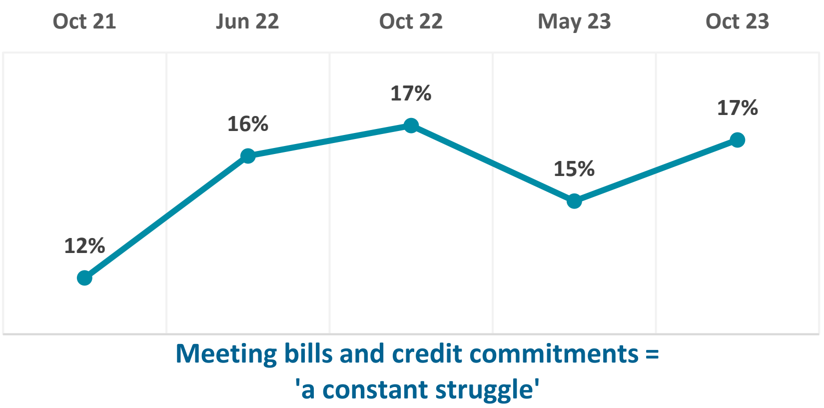


Figure 4b – Percentage of households who describe meeting their bills and credit commitments as a 'constant struggle'

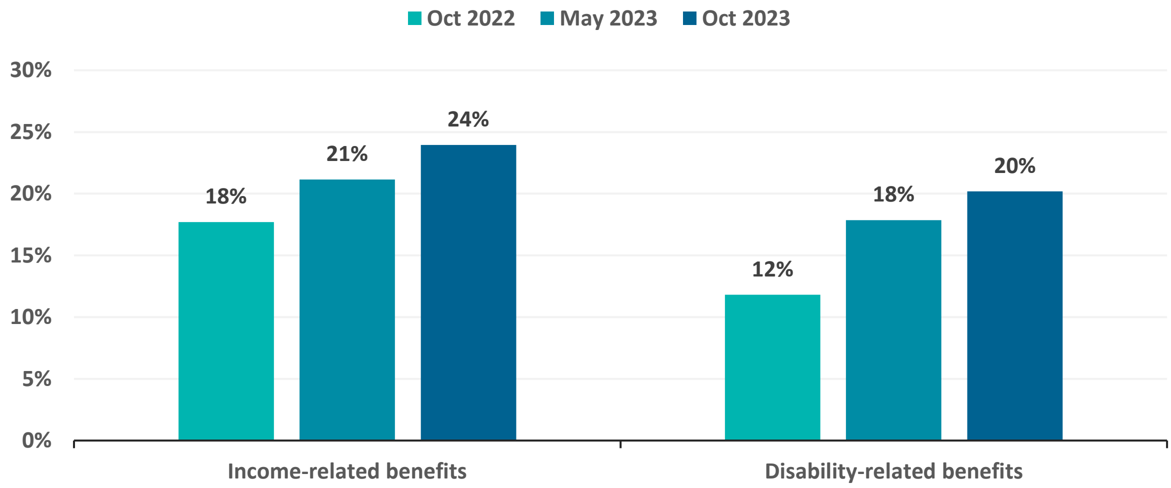


Arrears continue to trend upwards as well: from 15% of households in arrears with at least one household bill or credit commitment in October 2022, to 18% in May 2023 and 22% in October 2023. One-in-ten households (9%) are now behind with three or more bills. As we would expect, arrears rates are much higher among households in the worst situations, with half (49%) of those in serious difficulties behind on at least one bill, and three-in-ten (31%) of those who are struggling financially.

Those in difficulty are facing real hardship

While there are indicators that the average household is coming to terms with the higher costs they face, the reality for those at the bottom end of the income distribution is that things are getting worse, not better. We see in our data that real hardship exists, with foodbank use increasing drastically over the past year. As Figure 5 demonstrates, in October 2022, 6% of all households reported having used a foodbank in the past six months, but by October 2023, this had risen to 9%. Among those receiving income- and disability-related benefits we also see similar rates of increase, meaning that nearly one-in-four (24%) of those in receipt of income-related benefits had turned to a foodbank, as had one-in-five (20%) of those receiving disability-related benefits. Despite the provision of food via foodbanks, 6% of all households reported having not eaten for a whole day on three or more occasions in the past month because there wasn't enough money for food. This rises to as much as 14% for those receiving income-related social security and 13% for those receiving disability benefits.

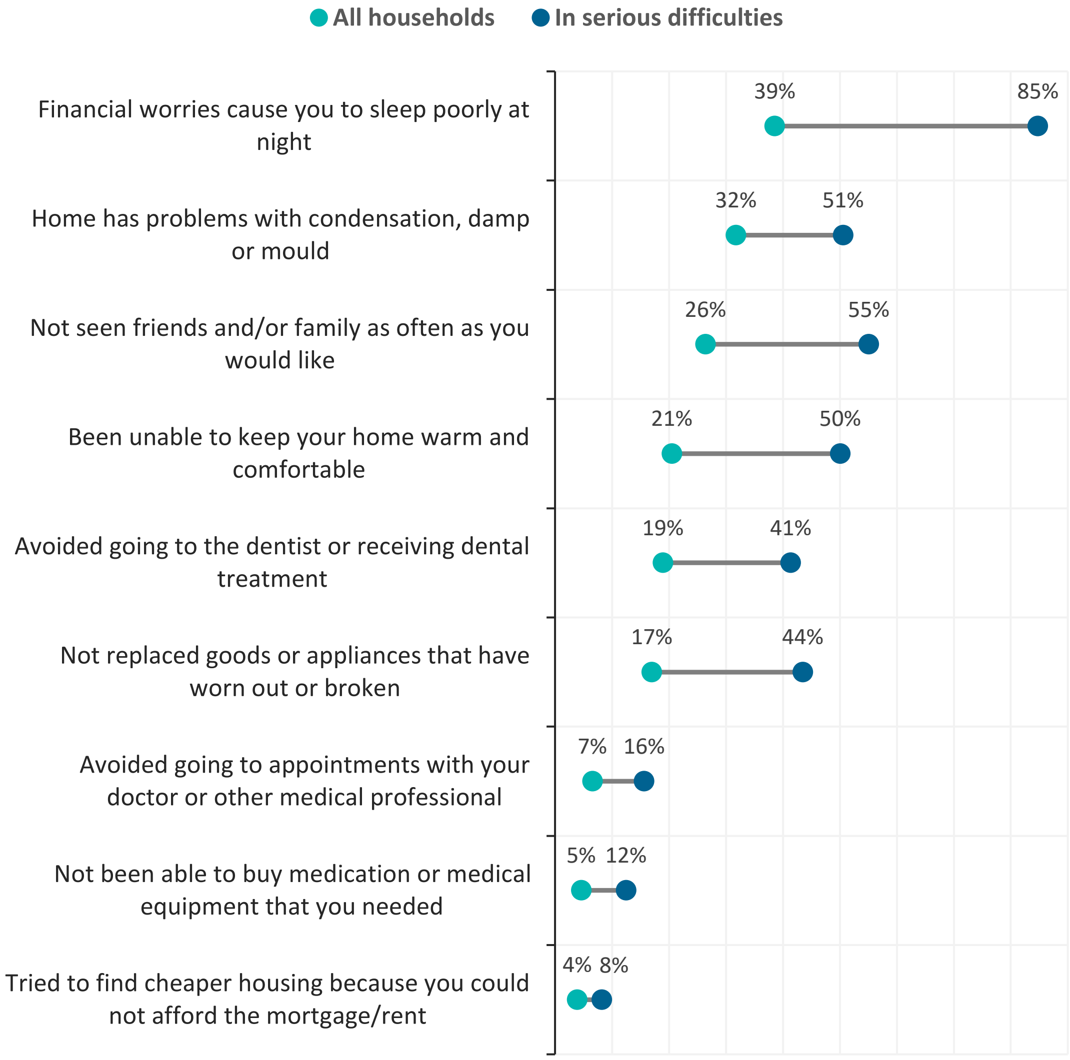
Figure 5 – Proportion of those receiving income-related benefits and disability benefits who have used a foodbank in the past six months



Notes: We define 'income-related benefits' as those receiving any of the following: Universal Credit, Jobseekers Allowance, Income Support, Employment and Support Allowance, Working Tax Credit, Child Tax Credit, Housing Benefit, Pension Credit and Scottish Child Payment. We define 'disability-related benefits' as those receiving any of: Personal Independence Payment (PIP), Disability Living Allowance (DLA), Adult Disability Payment, Employment and Support Allowance, and Carer's Allowance. October 2023 sample sizes: income-related benefits = 1,488; disability-related benefits = 912.

Financial hardship is also undermining households' wider health and wellbeing in a range of different ways. Figure 6 below highlights further elements of hardship that many families are having to endure or things that they are having to sacrifice in an attempt to stay afloat. Two-in-five (39%) of all respondents felt that financial worries were causing them to sleep poorly at night to some extent, but this rises to nearly seven-in-eight (85%) of those in serious financial difficulty. Between two-in-five and half of those in difficulty also reported: their home having problems with condensation, damp or mould (51%); not seeing friends and family as often as they wanted (55%); being unable to keep their home warm and comfortable (50%); avoiding dental treatment due to concerns around cost (41%); and not replacing worn out or broken goods/appliances (44%). One-in-six (16%) of those in difficulty have avoided medical appointments due to cost, while one-in-eight (12%) had not been able to purchase medication or medical equipment that they had needed. Lastly, 8% of those in serious difficulty had tried to find cheaper housing because they couldn't afford their housing costs (compared to 4% of all households).

Figure 6 – Indicators of hardship being experienced among those in serious financial difficulties, compared with all households



Notes: The results for sleeping poorly at night and having problems with condensation etc are based on questions which asked how well the following statements fit your household situation; those who answered 'fits very well' or 'fits fairly well' are included in the percentages shown. The other questions were all asking about actions that the household had taken in the last six months because of concerns around cost.

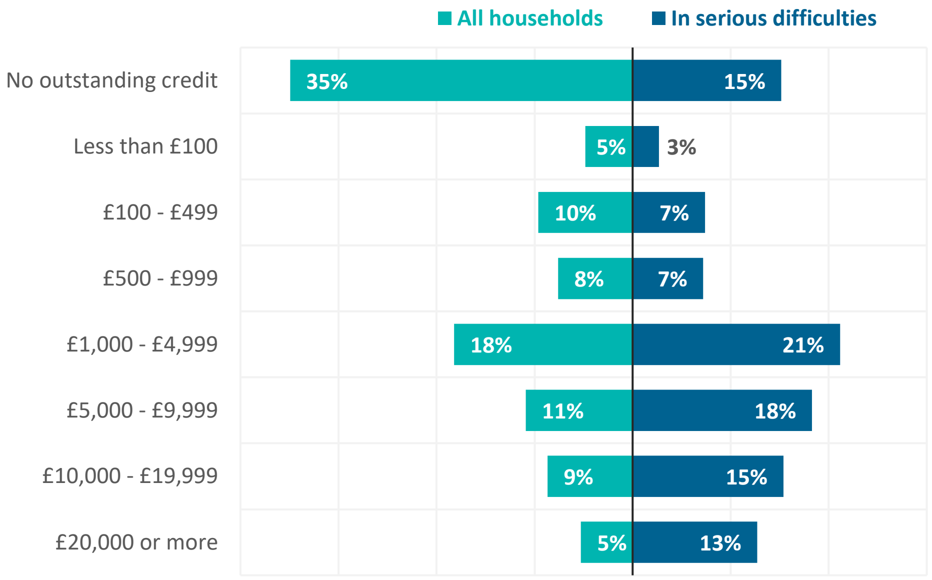
TRYING TO MAKE ENDS MEET

Consumer credit continues to prop up household finances

This wave of the Tracker asks new questions about consumer credit use (i.e. excluding mortgages, secured loans including pawnbroking loans, and Student Loan Company loans) to better understand levels of credit stress among UK households. These new questions ask about the amounts that households owe and their patterns of borrowing and debt repayment in the last six months.

In October 2023, most UK households (65%) held consumer credit debt. Credit cards are by far the most common type of debt, with a third (35%) of households making repayments on at least one card in the past six months. The next most common all lag quite some way behind: personal loans (12%); buy-now-pay-later or BNPL (11%); and overdrafts (9%). As we touch on below, borrowing from family and friends is also not uncommon (7%), especially among those in serious financial difficulty (20%). A quarter of households (25%) owed at least £5,000 across all of their consumer credit commitments (Figure 7) – although the total amount of credit owed doesn't necessarily relate to the level of financial difficulty that households experience, as Figure 8 overleaf shows.

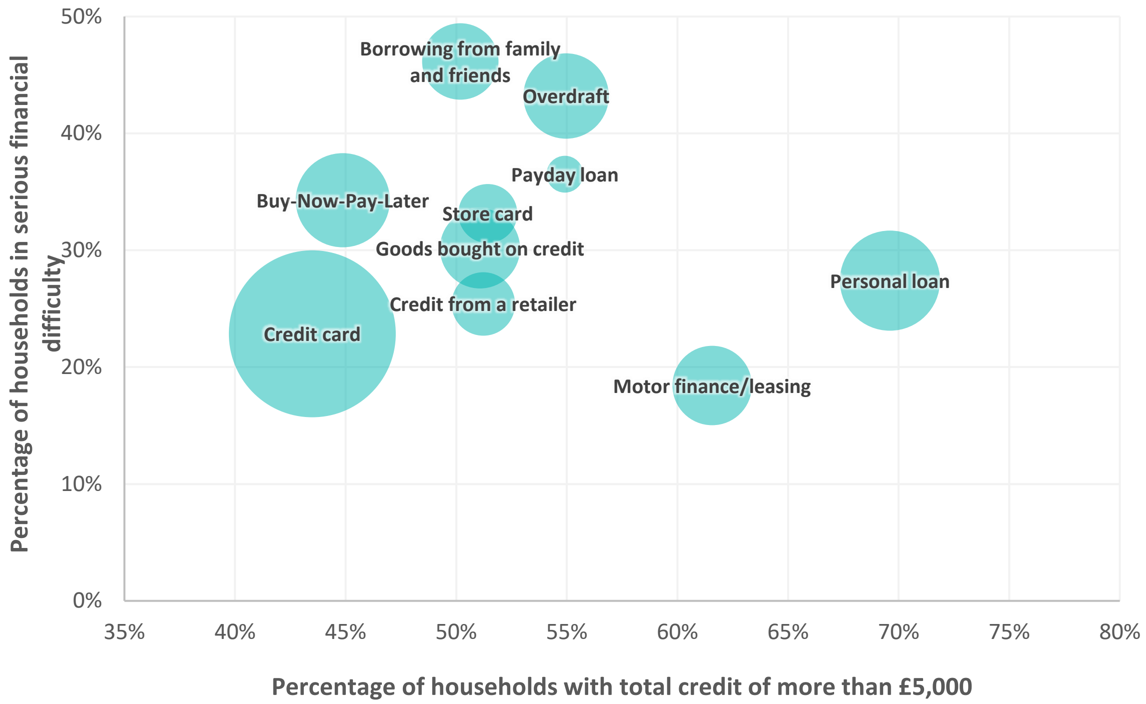
Figure 7 – Total amount owed on credit (excluding student loans, mortgages and other loans secured on property), all households compared with those in serious financial difficulties



Four-in-ten households (44%) had taken out new borrowing in the past six months. Again, credit cards were top of the list, with one-in-five households (22%) taking out a new card in that time.

While we don't know why households had taken on credit debt, one-in-seven (15%) had borrowed money for daily living expenses in the previous four weeks; and most households (57%) said they would have to borrow to meet a large, unexpected expense at short notice. These figures were largely unchanged from October 2022.

Figure 8 – Percentage of households making repayments on different credit products (size of bubbles), and how total amount of credit owed (x-axis) doesn't necessarily relate to level of financial difficulty (y-axis)



These consumer debt indicators are significantly amplified among those in the worst situations:

- **Outstanding credit**: eight-in-ten (85%) of households in serious difficulties had outstanding credit (Figure 7), compared with four-in-ten (38%) of households that were financially secure.
- **Paying back the minimum:** regarding credit card debt, six-in-ten (59%) households in serious difficulties 'always' (28%) or 'usually' (31%) pay only the minimum payments on credit cards – making this the norm for them. In comparison, three-in-ten (28%) of all households with credit card debt 'always' (11%) or 'usually' (17%) pay only the minimum on their cards.
- **New borrowing**: alarmingly, two-thirds (65%) of households in serious difficulties had taken on new debt in the past six months compared with two-in-ten (19%) households that were financially secure.
- **Using credit when unable to make ends meet**: a third (35%) of households in serious difficulties had borrowed money for daily living expenses in the previous four weeks compared with a handful (4%) of households that were financially secure.
- **Amounts owed**: half (46%) of households in serious difficulties owed £5,000 or more, compared with just one-in-ten households (9%) that were financially secure**.**

Those on the lowest incomes are also increasingly turning to credit: three-in-five (61%) working age households in the bottom income quintile[2] had taken out some form of new borrowing in the last six months (compared to 48% of middle income households), with 28% taking out two or more different

[2] Based on equivalised household income, after housing costs (AHC), among working age households only.

types of borrowing (26% for middle income households). Amounts owed, however, are lower for those on the lowest incomes, likely reflecting lower credit limits and access to credit – for example, 24% of those in the bottom income quintile owe more than £5,000, whereas this rises to 31% for those in the middle income quintile.

In addition, the Tracker shows that friends and family are a much more important source of financial help for households in serious difficulties than for other households – as Figure 8 above highlights. Two-in-ten (20%) of households in serious difficulties had been repaying money they borrowed from family and friends in the last six months (compared with 7% of all households); and a quarter of them (25%) had taken out new borrowing from family and friends in the same period (compared with 8% of all households). Looked at another way, 46% of those repaying family or friends were in serious financial difficulties.

It could be the case that some of this 'friends and family' borrowing relates to loans from an illegal lender. When asked directly, 2% of all households said they had borrowed from an unlicensed or informal lender in the previous four weeks to make ends meet (which was the same for households in serious difficulties), rising to 3% of those who were struggling financially or exposed financially.

There are signs of increasing credit stress

There are some signs that credit stress may be worsening for UK households. In the last six months, 4% of all households (or 8% of those in serious difficulties) had had some form of discussion (verbally or in writing) with a provider of unsecured credit about being unable to meet their repayment. Two-in-ten (16%) of all households currently owed money as a result of previously missing at least one repayment on a credit commitment, up from 11% in May 2023.[3] Among households in serious difficulties, nearly a third (31%) were now behind on their credit repayments, up from 25% in May 2023. Similarly, a third (33%) of working age households in the bottom income quintile owed money as a result of missing payments on a credit commitment, falling to 17% among households in the middle income quintile.

Certain types of household were more likely to have fallen behind on consumer credit than others. These include: single parent households (38%), Asian respondents (35%) or those from Black or Mixed ethnic backgrounds (34%), households with children (28%), younger households (under 30s = 34%; 30-39 = 27%), disabled households (25%), and private or social renters (both 22%).[4]

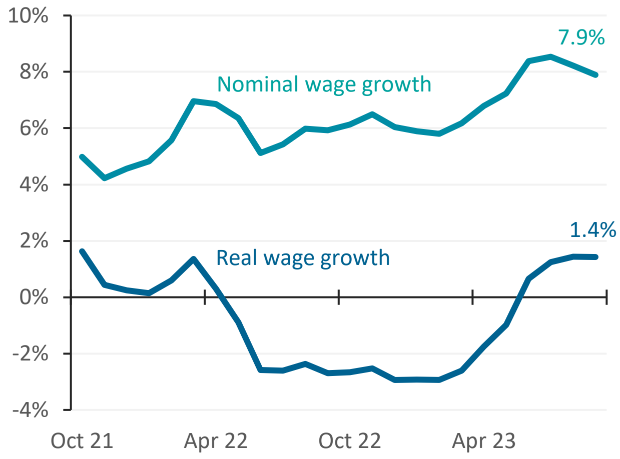
[3] This includes the following credit commitments: personal loan, credit card, hire purchase, mail order, payday loans, home collected credit, motor finance and buy-now-pay-later.

[4] Sample sizes as follows: single parents (N=350), Asian respondents (N=241), Black/Mixed ethnicity respondents (N=277), households with children (N=1,692), under 30s (N=686), 30-39 (N=985), disabled households (N=1,440), private renters (N=955), social renters (N=839).

The impact of positive and negative income shocks

For those in work, there has generally been strong growth in earnings, with annual growth rates in nominal pay being among the highest they've been since comparable records began in 2001. As Figure 9 shows, nominal annual wage growth reached 7.9% for July to September 2023 (including bonuses, and 7.7% excluding them). This of course has been significantly tempered by the high rate of inflation over the past two years; however, since June 2023 real wages (taking into account inflation) have begun rising again (1.4% annual growth). Despite this, they have not yet risen by enough to make wages have the purchasing power that they had in 2021.

Figure 9 – Annual rate of growth in average weekly earnings, nominal and real growth (inc. bonuses) (Source: ONS)



Those responding to our Tracker were asked whether anyone in their household had experienced any of a range of events in the past six months that would have affected their income, either positively or negatively. Table 1a shows the proportion of working age households and proportion of households with at least one full-time earner that had experienced a positive impact shock in the past six months. Table 1b meanwhile shows the proportion of working age households and working age benefit recipients who had experienced negative income shocks.

In terms of positive income shocks, 24% of working age households reported that they had either a pay rise (20%), received a bonus (7%) or had a promotion (5%). One-in-twelve (8%) had started a new job (within either the same or a different organisation), while 6% had taken on a second job. Unsurprisingly, those experiencing pay rises, bonuses or promotions had below-average levels of financial difficulty – but those starting a new job or taking on a second job had a higher than average proportion with such difficulties.

Table 1a – Proportion of working age households incurring a positive impact shock in the last six months, and the proportion of those incurring a shock who are in serious financial difficulty

Positive impact shock in last six months	% of working age households	% of households with at least one full-time earner	% in serious difficulty (working age)
Had a pay rise	20%	25%	12%
Received a bonus or one-off pay award	7%	9%	10%
Had a promotion	5%	7%	7%
Any of the above positive income shocks: pay rise, bonus or promotion	24%	30%	11%
Started a new job (within the same or a different organisation)	8%	9%	20%
Taken on a second job	6%	6%	22%

Table 1b – Proportion of working age households incurring a negative impact shock in the last six months, and the proportion of those incurring a shock who are in serious financial difficulty

Negative impact shock in last six months	% of working age households	% of working age benefit recipients	% in serious difficulty (working age)
Lost your job / made redundant	4%	6%	26%
Left work or reduced hours – to retire (or semi-retire)	1%	2%	5%
Left work or reduced hours – for health / wellbeing reasons	3%	5%	33%
Left work or reduced hours – for caring-related reasons	1%	3%	15%
Left work or reduced hours – to undertake a qualification	1%	2%	16%
Left work or reduced hours – for other reasons	1%	2%	16%
Taken a pay cut or moved to lower paid job	1%	1%	19%
Been on sick leave	12%	15%	27%
Been on maternity / paternity / parental leave	3%	6%	13%
Been on other unpaid leave	3%	5%	27%
Any of the above negative income shocks	25%	32%	22%
Any of the above negative income shocks (exc. sick leave)	16%	23%	21%

Notes for tables 1a and 1b: 'Working age households' refers to households where the respondent was below state pension age. Other members of the household may have been over 'working age'. Sample sizes as follows: working age households = 4,462; working age households with at least one full-time earner = 3,030; working age benefit recipients = 1,635.

More working age households reported some form of negative income shock than a positive one, though this is only true when sick leave is included (25%, compared with 16% when sick leave is excluded). The most common forms of negative income shock were being on sick leave (12%), losing their job or being made redundant (4%), going on maternity, paternity or parental leave (3%), taking other unpaid leave (3%), and leaving work or reducing hours for health-related reasons (3%). Those who had cut their work for health-related reasons were considerably more likely to be in serious financial difficulty (33%), followed by those taking other unpaid leave (27%), on sick leave (27%) and those who had lost their job (26%). Another kind of income shock that wasn't asked about directly but appears important is relationship breakdown. We see, for example, that 51% of those who were divorced or separated (at any time, not necessarily the last six months) reported that the last six months had been 'very' or 'somewhat' negative for their financial situation – more than any other relationship status (e.g. 34% for married households and 45% for those never married).

Cost of Living Payments help in the short-term, but not all in difficulty receive them

At various points during the cost of living crisis the UK Government has provided certain groups of households with Cost of Living (CoL) payments. The timings and amounts of these payments to different groups are shown below:

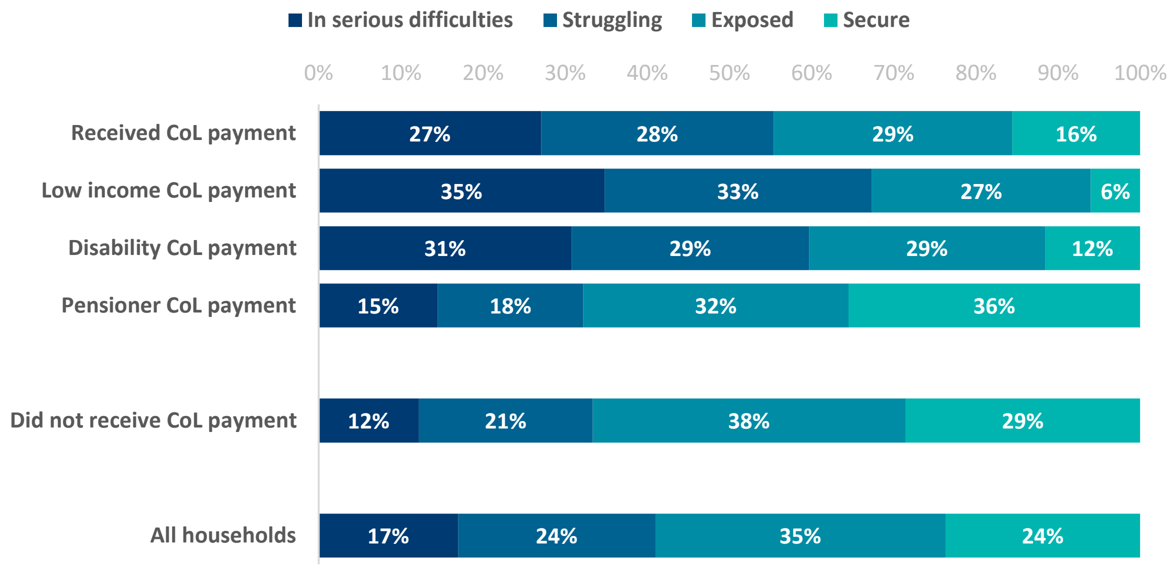
Group	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Low-income households (in receipt of certain benefits, such as UC)	£326 (Jul)	£324 (Nov)		£301 (Apr)		£300 (Oct)		£299 (Apr)
Pensioner households		£150/300 (Nov)				£150/300 (Nov)		
Households receiving qualifying **disability** benefits (such as PIP)	£150 (Sep)			£150 (Jun)				

Notes: dates indicate the period during which each payment *started* being made, not when all households will have received the payment. For example, the most recent payments to low-income households started on 31st October 2023, but many/most will not have received the payment until November.

These payments do make a difference in alleviating some of the most severe forms of hardship faced by households. Citizens Advice, for example, report decreases in foodbank referrals in the weeks following CoL payments being made; however, these impacts tend to be short-lived, with referrals ticking upwards in the months that follow. A YouGov survey for the Trussell Trust meanwhile found that 70% of those who received a payment in July 2022 had already spent it by the time they were surveyed a month later, again suggesting that the impacts may be fairly temporary. Similar conclusions were reached from qualitative interviews with CoL payment recipients by researchers at the University of Bath. The Institute for Fiscal Studies (IFS) concluded, based on analysis of bank transaction data for CoL payment recipients, that one-off lump-sum payments may also be less effective at helping households budget effectively for essentials than permanent uplifts to benefits, which give households smaller but more sustainable income rises. They also argue that the CoL payments introduce an arbitrariness, with households that happen to be eligible in the 'right' month receiving the payment while those in the same situation the month before or after the qualifying month do not.

Analysis of the Tracker data shows that a third (32%) of households told us that they had received a CoL Payment from the Government in the past 12 months. Of those receiving such a payment, 27% were currently 'in serious financial difficulty', 28% were 'struggling', 29% were 'exposed' and 16% were 'secure' (Figure 9). This means that recipients were typically less financially well-off than the average household, as expected, but that some groups receiving CoL payments were struggling more than others. Perhaps unsurprisingly, those in receipt of the low-income payment were most likely to be in difficulty, with 35% being in serious difficulties. This compares with 31% of those receiving the disability CoL payment and just 15% of those reporting that they received the pensioner CoL payment (which went to the vast majority of pensioners, regardless of financial situation). We do not, of course, know the counterfactual; in other words, what these figures would have looked like if these households had not received such a payment. It is important to bear in mind too that we generally expect older households to have slightly higher levels of financial wellbeing because they are more likely to have savings (that they are likely to draw upon throughout the course of their retirement).

Figure 9 – Proportion of households in each financial wellbeing category, by receipt of CoL payment



Notes: Sample sizes as follows: Received CoL payment = 1,711; low income CoL payment = 1,081; disability CoL payment = 673; pensioner CoL payment = 451; did not receive CoL payment = 3,653; all households = 5,594. Receipt of CoL payment is determined based on whether the respondent reported that they had received a payment in the past 12 months, not based on whether they theoretically should have been eligible for one.

Using the Tracker data, we can consider what types of households are likely to be in serious difficulty but had *not* received a CoL payment. We see that compared to those in difficulty who *had* received a payment, those who did not were more likely to be: younger households (38% were under 40, c.f. 29%), mortgagors (36%, c.f. 10%) and in two earner households (57%, c.f. 24%). They were also more likely to be couples without children and less likely to be single parents. Essentially, these are households that are just above thresholds for benefit eligibility.[5]

This group typically has higher incomes than those in difficulty who did receive the CoL payment, but appear slightly more likely to be affected by higher housing costs; 42% are in the bottom two quintiles for income *before housing costs (BHC),* rising to 50% *after housing costs (AHC)* (compared to 73% and 78% respectively for those who received a payment). Two-in-five (43%) had seen their housing costs increase by more than £100 per month in the past six months (c.f. 27%) – with 13% (over a third of the 36% with mortgages) seeing their mortgage costs rise as a result of remortgaging or being on a variable rate mortgage. Under a quarter (23%) are currently in receipt of benefits (c.f. 86%) (but may not have been when eligibility for CoL payments was assessed), while a third (33%) reported some form of negative income shock in the past six months (c.f. 19%) – such as going on sick leave (18%), leaving work or reducing hours for health-related reasons (6%), or losing their job (5%). Those who had incurred an income shock and had gone onto benefits may have been in difficulty at the time of being surveyed but should theoretically now find themselves eligible for upcoming CoL payments, which may offer a temporary reprieve.

In terms of coping strategies, those in difficulty who hadn't received CoL support were more likely in the last six months to have borrowed money (63%, c.f. 53%) or used savings (58%, c.f. 48%) to pay for daily living expenses – but were less likely to have received financial support from friends or family (42%, c.f. 54%) or to have accessed a foodbank (10%, c.f. 23%).

[5] Some who did not receive a CoL payment may have been in receipt of benefits throughout the course of the 12 months but may not have received them in the qualifying period for the payment, for instance, due to higher pay, bonuses or sanctions.

THE CHALLENGE OF RISING COSTS

Energy affordability is still a worry for those in the worst financial situations

While the average UK household is less worried about future energy affordability now than in May 2023, unsurprisingly anxiety levels remain far higher among those households in the worse financial situations. A third (32%) of households that are in serious difficulties are 'very worried' about affording their energy bills in the next quarter – three and a half times higher than average (9%).

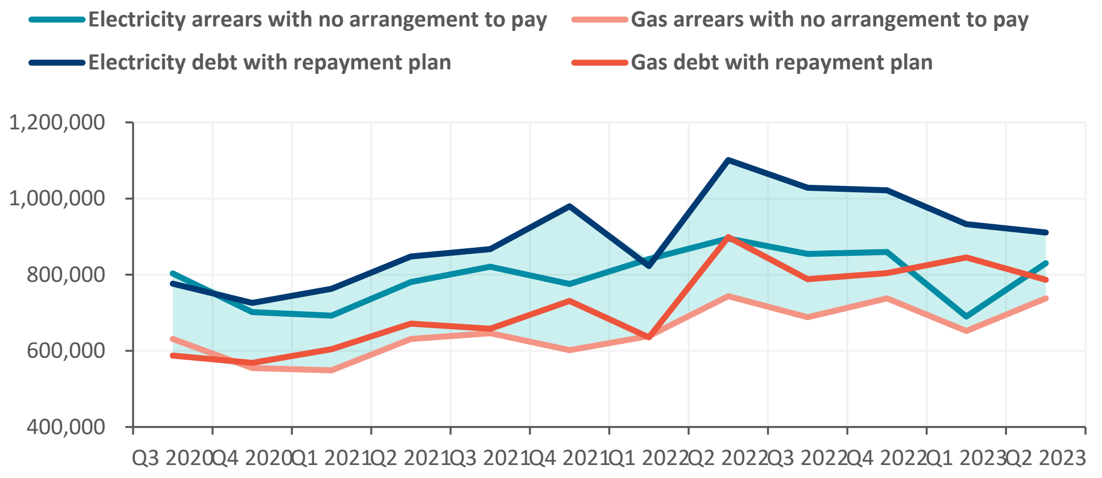
Similarly, four-in-ten (38%) of households in serious difficulties report finding their current energy costs 'very unaffordable', compared with 12% of all households. This is the case despite the government's universal energy support measures over the previous winter and even though the great majority of households in serious difficulties are taking at least some action to afford their energy bills – mainly by cutting their energy consumption; indeed, two thirds of them (64%) reported taking four or more actions.

Among the groups struggling most with energy costs and anxious about future costs are single parent households and disabled households – both of which are likely to have comparatively high energy needs. Indeed, the most common extra cost faced by disabled people in our 2023 survey was energy or other utility bills (incurred by 78% of respondents), as one participant described:

> "On any given day, it's mandatory that I have power for: an electric bed (all night), an electric toilet (several times a day), an electric bath (once a day), an electric wheelchair (charged daily at nights), an electric hoist (used several times a day and permanently on charge), a lift (used frequently daily)… and that's not including any 'normal' devices that folks use like kettle, internet, TV, heating and oven!" (Evans et al, 2023, page 47).

Official figures from the energy regulator Ofgem show that energy arrears seem to have peaked but remain high compared with 2020 (Figure 10). In the Tracker, 6% of all households were behind with their electricity bills in October 2023 and 5% with gas/other energy bills. Energy arrears rates were, however, double for households with children (11% for electricity and gas/other energy) and disabled households (13% for electricity; 11% gas/other energy). For families with three or more children, arrears rates were three times the average (18% for electricity; 17% for gas/other energy).

Figure 10 – Number of energy accounts with consumers repaying energy debts or in arrears with no arrangement to repay the debt (data source: Ofgem)



Notes: chart created using data published by Ofgem: Debt and Arrears Indicators | Ofgem

Cutting consumption far outstrips home energy efficiency as a coping strategy

While cutting back on heating is a common energy saving strategy among households – with six-in-ten (57%) of all households avoiding turning on the heating or turning it on less, rising to eight-in-ten (76%) of households in serious difficulties - it is not without risks to health and wellbeing, particularly in the colder months. It is estimated that 21.5% of excess winter deaths are attributable to cold homes and that the NHS spends at least £2.5 billion per year on treating illnesses that are directly linked to cold, damp and dangerous homes.

Compared to cutting back energy consumption, far fewer households in the Tracker survey said they had taken steps in the past six months to improve the energy efficiency of their home (e.g. installing insulation, using draught-excluders) – reported by only one-in-eight of all households (13%), with not much difference by their financial situations. It may be the case that households have already done as much as they can to improve the energy efficiency of their home or – more likely – these measures are financially out of reach or out of their control. Indeed, we see that outright homeowners (14%) and mortgagors (16%) were significantly more likely than private (9%) or social (8%) renters to have invested in such measures. Home energy efficiency measures could lead to saving on energy bills between £500 and £2,000 per year and raise the thermal comfort of UK homes with knock-on benefits for residents but would require significant public investment. A study by the University of Nottingham estimates that the cost of retrofitting a home to the highest levels of energy efficiency averages around £69,000, while the UK Government estimates that the average cost of improving an owner-occupied house to band C is around £7,900.

How households heat their homes and pay for energy is strongly patterned by tenure

The two most common ways that UK households heat their homes is mains gas (71% of households) and electric heating (including storage heaters – 28% of households). Notably only 4% of households say they use renewable energy (such as solar thermal or heat pumps). There are stark differences in how households heat their homes by tenure, with more than three-quarters of outright homeowners (76%) and mortgagors (78%) having mains gas heating, compared with only half (54%) of private renters, who are much more likely to have electric heating (40%). Based on the energy price per unit alone, gas is considerably cheaper than electricity[6], although factors such as system efficiency and maintenance costs are also important to consider.

When it comes to paying for energy, most UK households pay by direct debit via a bank account either monthly or quarterly which has historically been the cheapest method of payment. Seven-in-ten (68%) of households in our survey paid by direct debit for electricity; and six-in-ten (60%) for gas.

In contrast, an estimated 4.5 million domestic energy customers in the UK use prepayment meters (PPM), 'topping up' their meter either online or by visiting a local store. Due to the nature of their metering arrangement, PPM customers have traditionally paid a 'price premium' for their energy compared to other consumers. This price premium was scrapped in July 2023, saving PPM households around £21 a year on their bills. However, PPM households remain vulnerable to self-disconnection and under-consuming of energy because they must pay for their energy upfront on a pay-as-you-go basis, whereas direct debit users can spread payments across the year.

The Tracker data highlights how PPM use is concentrated among tenants (who may have little choice about how they pay for energy) and associated with low levels of household financial wellbeing:

[6] The energy price per unit for customers on a standard variable (default) tariff for the period Oct-Dec 2023 is 27 pence per kilowatt hour for electricity and 53 per day standing charge; for gas it is 7 pence per kilowatt hour and 30 pence daily standing charge.

- **Tenure**: Four-in-ten (39%) of social housing tenants and three-in-ten (28%) of private tenants pay use a PPM to pay for energy, compared with two-in-ten (18%) of all households and just one-in-ten (9%) of owner occupiers.
- **Financial wellbeing**: Four-in-ten households that have a PPM are struggling financially (38%); three-in-ten are exposed financially (31%) and a quarter (26%) are in serious difficulties. Fewer than one-in-ten (6%) of those with a PPM are financially secure.

In turn, these associations are reflected in the socio-economic characteristics of PPM users, with single parent households (32%), households headed by someone under 30 (31%), or by someone from a non-White ethnic background (33%), those in the bottom 20% of household income (28%) and those with a disabled household member (28%) all being more likely to pay for energy using a PPM than the average UK household (18%).

Rising housing costs are placing extra strain on household finances

While outright homeowners are generally immune from rising housing costs, many of those with mortgages or those renting from private or social landlords have seen their housing costs increase. Overall, around a third (32%) of all UK households have seen their housing costs increase in the past six months, with one-in-six (16%) seeing their rent or mortgage go up by £100 or more per month. Once those without housing costs are excluded, these figures rise to 55% and 26% respectively. As Table 2 shows, social renters were most likely to report an increase in their housing costs (66%) but were more likely to say that their costs had gone up by less than £100. Private renters were slightly more likely than mortgagors to have seen housing costs increase (54% cf. 50%), but mortgagors tended to see higher increases in their monthly payments – 21% had seen costs increase by £100-300 per month (compared to 18% of private renters), while 12% had seen costs increase by more than £300 per month (compared to 5% of private renters).

Table 2 – Proportion of households of different types who have seen their housing costs increase, and the proportion of the above who are currently in serious financial difficulty

Tenure group	Change in housing costs in last 6 months	% of tenure group	% in serious difficulty
Mortgagors	No change / decrease	50%	10%
	Increased by up to £100	17%	9%
	Increased by £100-300	21%	17%
	Increased by more than £300	12%	29%
	All mortgagors	*100%*	*13%*
Private renters	No change / decrease	46%	21%
	Increased by up to £100	31%	28%
	Increased by £100-300	18%	37%
	Increased by more than £300	5%	46%
	All private renters	*100%*	*27%*
Social renters	No change / decrease	34%	27%
	Increased by up to £100	52%	36%
	Increased by £100-300	10%	55%
	Increased by more than £300	4%	63%
	All social renters	*100%*	*37%*

Notes: Sample sizes as follows: Mortgagors = 1,470; Private renters = 882; Social renters = 665. Those who reported no housing costs are not included within the sample.

Households were asked what they currently pay towards their rent or mortgage each month. This shows that the average (median) mortgagor was paying £695 per month, but those who had remortgaged in the last six months when their fixed term came to an end were paying £780. The typical private renter was paying £714 per month, but this increased to £745 for those whose landlord had recently upped the rent. Social renters were paying a median of £382, rising to £414 where the housing provider had increased the rent.

Unsurprisingly, those who experienced greater increases in their housing costs were more likely to face financial difficulty (as Table 1 shows). For example, just 10% of mortgagors with no change (or a decrease) in their housing costs were in serious financial difficulty, whereas this rises to 29% among those who had seen costs increase by more than £300 per month. Nevertheless, tenure arguably plays a more important role in financial wellbeing – mortgagors incurring a large increase in housing costs (£300+) still have a lower level of financial difficulty (29%) than the average social renter (37%).

As a result of rising costs, many households are turning to emergency support when they can't make ends meet. Indeed, we find that one-in-eight (12%) private renters whose landlord had increased the rent had used a foodbank in the past six months, as had 14% of social renters in the same situation. This compares with 3% of mortgagors whose mortgage costs had increased after remortgaging when their fixed term came to an end. Renters were also more likely to be seeking alternative accommodation – 12% of private renters had sought cheaper housing because they could not afford the rent (compared to 4% of social renters and 2% of mortgagors).

While generally not facing the same level of hardship, many mortgage-holders are certainly feeling the squeeze. This is especially true for those mortgagors who had remortgaged in the past six months. As expected, three-in-five (58%) of this group felt the last six months had been negative for their finances, while half (48%) were worried about meeting their housing costs in the next three months and 60% were concerned about their finances over the coming 12 months (see Table 3). Those currently on a variable-rate or tracker mortgage were also particularly negative about the past six months (55% negative) and worried about their overall situation in the next 12 months (54%), but interestingly appeared to have lower levels of concern about their housing costs for the next 3 months (33%). Those on a fixed term mortgage coming to an end within the next 12 months were understandably anxious about the next 12 months (55% worried), while those with fixed rates ending less immediately appear marginally less concerned.

Table 3 – Views on past six months' financial impact and concerns for the future among mortgagors, by when they need to remortgage

When remortgaged / remortgaging	Last 6 months had been negative for finances	Worried about ability to meet housing costs in next 3 months	Worried about overall financial situation in next 12 months
Remortgaged within last 6 months	58%	48%	60%
Remortgaging in next 12 months	36%	36%	55%
Remortgaging in next 12-24 months	39%	30%	48%
Remortgaging in more than 2 years	44%	26%	45%
On variable rate or tracker mortgage	55%	33%	54%
All mortgagors	44%	33%	50%
All households	40%	34%	47%

Notes: Sample sizes as follows: Within last 6 months = 190; next 12 months = 279; 12-24 months = 378; 2 years + = 459; variable/tracker rate = 190; all mortgagors = 1,492; all households = 5,594. Those with no housing costs excluded from column on worry about housing costs (which predominantly affects the 'all households' row, as it mainly removes outright homeowners).

Relatively few households incur regular large expenses

New to this wave of the Tracker, we asked households about a number of regular large expenses – items on which they regularly spend more than £200 a month. These were relatively uncommon: three-quarters of households (74%) said they didn't regularly incur any of the expenses asked about. The most common large expense that households do incur is travel to work (14% of all households), followed by childcare (7%) (Table 4).

The types of households that were more likely to incur these costs included two-earner households; families with children; households headed by someone in their 30s; and those headed by someone working in a higher-grade position. For example, one-in-five (22%) of families with children spend more than £200 a month on childcare (c.f. 7% all households); and one-in-ten of them (12%) pay more than £200 a month in school fees (c.f. 4% of all households). In contrast, these types of large expenses were almost non-existent among households headed by someone of pensionable age. While this is to be expected for work-related expenses of more than £200 per month, it was also true of care costs and treatment for health conditions. Those who were paying a lot to travel to work and those who were paying for care for someone in their household were most likely to be in serious financial difficulty, as Table 4 shows.

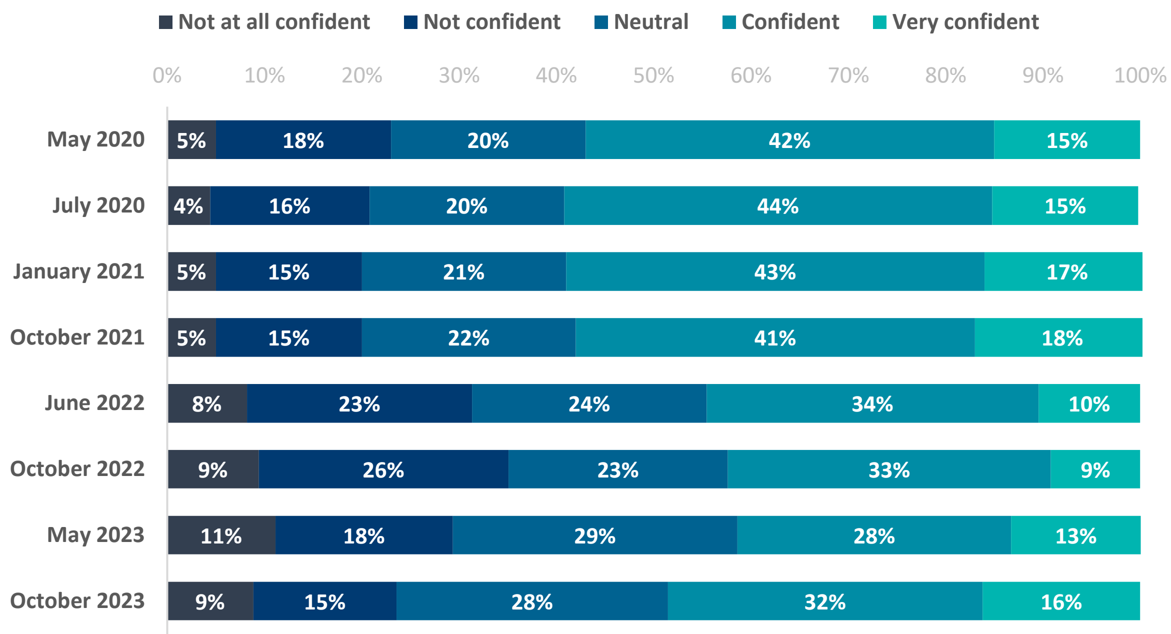
Table 4 – Regular large expenses

Do you (and your partner, if you have one) regularly spend more than £200 a month on any of the following items?	% all households	% of those incurring expense who are in serious difficulty
Travel to work	14%	19%
Rent paid because you work away from home and cannot claim it back	2%	17%
Childcare	7%	15%
School fees	4%	9%
Care for you or someone in your household	4%	22%
Care for someone outside of your household (including nursing home)	3%	13%
Treatment for a health condition e.g. private physio, counselling	4%	13%
None of these	74%	16%

FUTURE OUTLOOK

Looking to the future, the typical household appears slightly more confident than they might have been in the previous three waves (covering 2022-2023), but less confident than they were prior to the start of the cost of living crisis. As shown in Figure 11, 48% of households are now either ‘confident’ or ‘very confident’ about their financial situation in the next three months – up from 41% in May 2023, but still significantly down on October 2021 (59%). Nearly one-in-ten (9%) report that they are ‘not at all confident’ about the coming quarter, which is a marginal improvement since May but no change when compared with the same time a year ago.

Figure 11 – Households’ confidence about their financial situation in the next three months



Notes: Some rows may not add up to 100% or match combined figures in text due to rounding.

As Table 5 shows, households are generally not worried about one specific element of their financial situation. Rather, they appear to be worried about the cumulative impact of rising prices across the board – with similar levels of concern about meeting the cost of their energy bills, housing costs and food costs. Households are similarly worried about the stability of their income. Overall, 43% of households said they were worried about their overall financial situation in the next three months, with 15% being ‘very worried’.

Table 5 also highlights the types of households who are especially concerned about the coming months. These groups remain essentially unchanged from previous waves of the Tracker: single parents, those with children, those who have separated or been divorced, those never previously married, the 30-49 age group, those with a disabled householder, private and social renters, the unemployed, those who have left work due to poor health, students, and working age households with no earners.

Table 5 – Worries about next three months, by household characteristics

	Group	'Very' / 'Quite worried' about the following in next 3 months…				
		Energy bills	Housing costs	Food costs	Stability of income	Overall financial situation
Total	All households	37%	34%	31%	36%	43%
Family type	Single, no children	39%	36%	34%	39%	48%
	Couple, no children	28%	24%	22%	27%	33%
	Single parent	52%	51%	48%	52%	61%
	Couple with children	43%	40%	37%	43%	48%
Any children in household?	No children	33%	30%	28%	32%	40%
	Has children in household	45%	42%	40%	45%	51%
Marital status	Married / Civil Partnership	33%	29%	27%	32%	36%
	Living as married	39%	35%	32%	38%	46%
	Separated / divorced	47%	43%	41%	42%	55%
	Widowed	33%	29%	25%	24%	35%
	Never married	40%	39%	37%	43%	52%
Respondent age group	Under 30	37%	38%	35%	40%	46%
	30-39	48%	44%	44%	48%	54%
	40-49	43%	39%	37%	42%	53%
	50-59	38%	35%	32%	40%	46%
	60-69	29%	23%	22%	27%	33%
	70 or over	23%	18%	16%	16%	24%
Anyone disabled in household?	No one disabled	31%	29%	25%	30%	38%
	Someone disabled	53%	49%	49%	53%	59%
Housing tenure	Own outright	23%	19%	18%	21%	26%
	Own with mortgage	36%	33%	29%	35%	44%
	Private rent	47%	44%	42%	51%	56%
	Social rent	56%	49%	52%	52%	61%
Quintiles of household monthly take-home income, after housing costs (AHC) and after equivalisation (inc. outside dependents)	Bottom 20%	56%	53%	50%	56%	63%
	2	46%	41%	39%	45%	54%
	3	34%	33%	30%	33%	42%
	4	26%	20%	18%	25%	30%
	Top 20%	25%	23%	22%	25%	29%
Economic status present in household	Someone unemployed in household	51%	50%	40%	56%	66%
	Someone not working due to poor health in household	58%	50%	54%	57%	66%
	Someone not working due to caring	49%	43%	42%	42%	46%
	Someone working full-time	38%	35%	32%	38%	45%
	Someone working part-time	37%	36%	32%	39%	44%
	Someone is a student	40%	46%	46%	46%	59%
Number of earners in household (out of respondent and their partner)	No earners - working age	48%	43%	44%	46%	55%
	No earners - pension age	22%	17%	16%	17%	25%
	One earner	38%	36%	33%	40%	49%
	Two earners	38%	35%	33%	39%	44%

With three-in-five disabled households (59%) worried about their financial situation in the next three months, many disabled people will be further concerned by the rhetoric within and surrounding the Chancellor's Autumn Statement. The disability charity Scope responded to the Statement saying that the Chancellor had "doubled down on a plan that will ramp up sanctions and demonises disabled people". This tallies with our recent research on the financial wellbeing of disabled people, which found that seven-in-ten (71%) disabled benefit recipients had been made to feel guilty about applying for benefits, predominantly caused by societal stigma about doing so.

The Autumn Statement did, however, include some measures that will provide a welcome reprieve to households in financial difficulty. Those on the National Living Wage (NLW) will see an increase in their pay, with the age threshold for receiving the full NLW also reducing to 21. The uprating of working age benefits to the September inflation rate of 6.7% from April 2024 will provide some longer-term security to lower-income households, while the temporary unfreezing of Local Housing Allowance and associated increase to the 30th percentile of rents will also be welcome news to housing benefit recipients. Those in receipt of the state pension will benefit from the uprating of the state pension by 8.5% from April 2024 in line with the increase in earnings. This will be particularly important for the quarter (25%) of pension-age households that we identify as in serious difficulties (10%) or struggling (15%).

The latest round of Cost of Living payments that many households started receiving from November 2023 will go some way to bridging the shortfall in benefit payments until April. However, in the absence of further support it is likely we will see an increase in financial difficulties by February or March of 2024 - especially given the 5% increase in the energy price cap expected from January. Recent research by the University of Bristol and National Energy Action has recommended that future policy in this area should be anticipatory rather than reactive, to provide much-needed certainty for struggling households, with energy bill support tailored towards low-income households (including those in work) and the introduction of a social tariff.

Based on the trends we have seen over the past year or so, we can expect a large number of households to continue to turn to emergency sources of support, such as foodbanks, and to resort to borrowing – whether from family, friends, regulated or even unregulated lenders – because they are simply unable to make ends meet. While the economy has begun to turn a corner in its battle against inflation, the cost of living remains high and for far too many households the coming months will be a real struggle.

Technical note

The survey was undertaken by Opinium between 20th and 30th October 2023 for the abrdn Financial Fairness Trust and was conducted online. It is the ninth 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 5,594 respondents recruited from Opinium's online panel (which is designed to be nationally- and politically-representative). 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 tables on which this report is based are available to view via Google Sheets or by emailing pfrc-manager@bristol.ac.uk.

University of BRISTOL
/PFRC

Authors:
Jamie Evans, Katie Cross and Sharon Collard

Jamie Evans is a Research Fellow at the Personal Finance Research Centre.

Katie Cross is a Senior Research Associate at PFRC.

Sharon Collard is Professor of Personal Finance and Research Director of the Personal Finance Research Centre.

Acknowledgements
Our thanks to the team at Opinium, and to the members of their online panel who gave their time to take part in the survey. We hope that this report accurately reflects the situations they are experiencing. There are also many people whose input was important to this report. First, thanks to Christian Poppe, Elaine Kempson and Nick Smith who have been crucial in the development of the Tracker, and to David Collings who helped prepare this report. Our thanks also to Mubin Haq, Charlotte Morris, Karen Barker and the team at abrdn Financial Fairness Trust for their ongoing input and feedback, and for their generous support in funding this research.

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.

www.bristol.ac.uk/pfrc

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.

www.financialfairness.org.uk/

abrdn
Financial Fairness Trust