# The 'New Normal'?

## THE FINANCIAL WELLBEING OF UK HOUSEHOLDS IN MAY 2023

Findings from the 8th Financial Fairness Tracker Survey

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abrdn Financial Fairness Trust has commissioned a periodic cross-sectional survey to track the financial situation of UK households since the start of the coronavirus pandemic in early 2020. The latest wave of this survey – conducted in May 2023 – gives insight into the nation's finances during the ongoing cost of living crisis. The findings are based on responses from 5,766 households about their income, payment of bills, borrowing, debt, savings and ability to pay for other essentials such as food. A team from the Personal Finance Research Centre at the University of Bristol analysed the respondent data collected from YouGov's panel and produced these findings.

## KEY FINDINGS

- Compared with our previous Tracker in October 2022, we identify modest improvements in the financial wellbeing of UK households – with a decrease in the proportion of households 'in serious difficulties' from 17% to 14%, with more households instead in the 'struggling' (from 21% to 22%) and 'exposed' (from 34% to 37%) categories. Fewer households than ever are in our 'secure' category (decreasing from 28% to 26%). Overall, financial wellbeing remains significantly worse than in 2020 and 2021.
- There has been a 13-percentage point drop in households who report that thinking about their financial situation makes them anxious – from 61% in October 2022 to 48% in May 2023. This is similar to levels last seen in October 2021.
- But still 23% report that they are currently struggling to pay for food and other essential expenses (up from 22%) – and a growing proportion owe money on at least one bill or credit commitment where they have missed a payment (18%, up from 15%).
- Half of households (49%) feel that the past six months have been negative for their finances, compared to just 26% during the pandemic.
- Cutting back seems to be the 'new normal' for many UK households, including in ways that risk long-term health and wellbeing. One-in-five (19%) households are putting off dental treatments due to worries about costs. A third (35%) were not able to afford a healthy balanced diet at least once in the past month. These figures are far higher among households who are 'in serious difficulties', with 46% forgoing dental treatments and 82% unable to afford a healthy balanced diet at least once in the past month, as well as regularly missing multiple meals for reasons of cost (25%, compared with 6% of all respondents).
- The knock-on impacts of financial stress are also evident in the data: one-in-three (33%) people are losing sleep over their finances, with over a third (35%) saying that their financial situation is making their mental health worse.
- Looking to the next three months, the proportion of households who are 'not at all confident' about their financial situation is higher than at any time in the past three years (11%) – but, at the other end of the spectrum, there has been an increase in the percentage who are 'very confident' about the next three months (from 9% in October 2022 to 13%).

abrdn Financial Fairness Trust

University of Bristol

## Despite modest overall improvements, financial wellbeing remains significantly worse than in 2020 and 2021

**48%**

of households say thinking about their financial situation makes them anxious - a fall of 13 percentage points since October 2022

## Dramatic cutbacks are the new normal

**1 in 5**

were putting off dental treaments

rising to...

**5 in 10**

**1 in 3**

weren't able to afford a healthy balanced diet at least once in the last month

rising to...

**4 in 5**

among households 'in serious difficulties'

**25%**

'in serious difficulties' were regularly missing multiple meals because of cost

**1 in 5**

'in serious difficulties' couldn't afford medications or medical equipment

**1 in 3**

are losing sleep over their finances

**1 in 3**

say their financial situation is making their mental health worse

**Fewer households are seeking online information, but more are seeking formal advice**

## INTRODUCTION

The period since our last Tracker report in October 2022 has been one of pomp and turbulence for the UK, with the first Royal Coronation in 70 years set against a backdrop of widespread industrial disputes about pay and conditions, with 1 February 2023 the single biggest day of industrial action for more than a decade; and the Bank of England's Chief Economist coming under fire for suggesting that the UK has to accept that households are becoming poorer.

As the cost of living crisis continued to impact UK households, the Government committed to provide cost of living payments of between £900 and £1,350 (depending on circumstances) to low-income households on benefits, people on disability benefits and pensioners. These are part of a wider package of one-off support measures, including the Energy Bills Support Scheme, which provides all households with £400 toward energy bills, and funding to extend the Household Support Fund, which allows local authorities in England to make discretionary payments to those most in need. By 3rd May 2023 the vast majority (7 million) of eligible low-income households had received the first third of their cost of living payment, with more payments to follow later in the year. There are concerns (as with the 2022 support package) that payments don't vary by family size – meaning support is less generous for families with children – while some claimants miss out if they weren't claiming benefits during the eligibility window or if they are subject to benefit sanctions.

This support package is being rolled out against a backdrop of lower inflation, with an annual inflation rate of 8.7% in April 2023, down from a peak of 11.1% in October 2022. Even so, 93% of adults in Britain reported an increase in living costs in April-May 2023 compared with a year ago, as some prices such as food remain high. At the same time, the Office for Budget Responsibility (the UK's independent fiscal watchdog) has forecast falls in real post-tax household income in 2022/23 and real household disposable income in 2023, while interest rates have risen to 4.25% in response to inflation, leading to higher borrowing costs for households.

Fieldwork for the 8th Financial Fairness Tracker survey took place between 24th April and 3rd May 2023, with the findings in this report based on responses from 5,766 people.

The first part of this report examines the financial wellbeing of UK households in May 2023. The second part looks at how households are coping with the rising cost of living, while the third section considers the knock-on impacts of poor finances on health and wellbeing, quality of life and issues of food security. The fourth part looks at help-seeking behaviours, both in terms of negotiating with creditors and seeking information or advice. The final section summarises UK households' confidence for their financial situation in the coming three months.

### Explanatory notes

- While 6,540 people responded to the survey, most figures in this report are based on the 5,766 householders who are responsible for their household finances. In other words, we exclude those who weren't in charge of paying any bills or knew little about the state of the household's finances.
- Households are grouped into four financial wellbeing categories, depending on how they score from 0 to 100 on our financial wellbeing score. This score is based on a composite measure using four measures of financial strain (assessment of current financial situation; how much of a struggle to pay for food and other necessities; how much of a struggle to pay bills and other commitments; arrears including payment holidays on bills and household commitments) and three of financial resilience against income shocks (ability to cover an unexpected bill equivalent to a month's income; how long could make ends meet if experienced a fall in income of a third or more; amount held in savings).
- For example, 75% of households in our 'in serious difficulties' category find it a 'constant struggle' to meet their bills, whereas 80% of households in our 'struggling' category say they 'struggle from time to time' – and this falls to 50% of those in our 'exposed' category. For further details see the technical note at the end of this report.

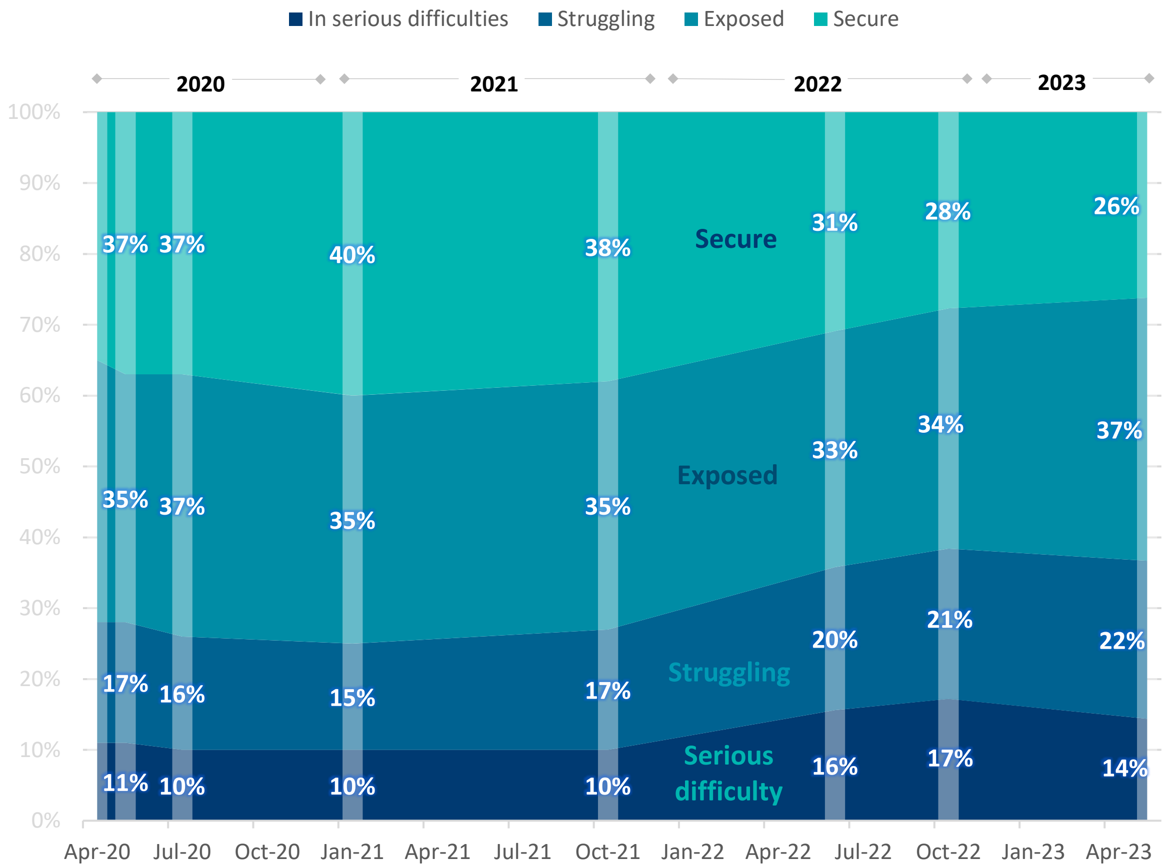
## THE FINANCIAL WELLBEING OF UK HOUSEHOLDS IN MAY 2023

### Modest improvements in financial wellbeing for some, but the crisis is not over

The previous wave of the survey (in October 2022) was the lowest point for household financial wellbeing since the Tracker began at the start of the pandemic. This eighth wave shows a modest improvement since then, with a reduction in the proportion of UK households that are financially 'in serious difficulties', from 17% in October 2022 to 14% in May 2023. At the other end of the spectrum, however, the proportion of households that are financially 'secure' continues to drop, from 28% in October 2022 to 26% in May 2023 (Figure 1). These changes are reflected in an increase in the two middle groups of households, those that are financially 'exposed' (up from 34% in October 2022 to 37% in May 2023) and those that are 'struggling' (22%, up from 21% last October).

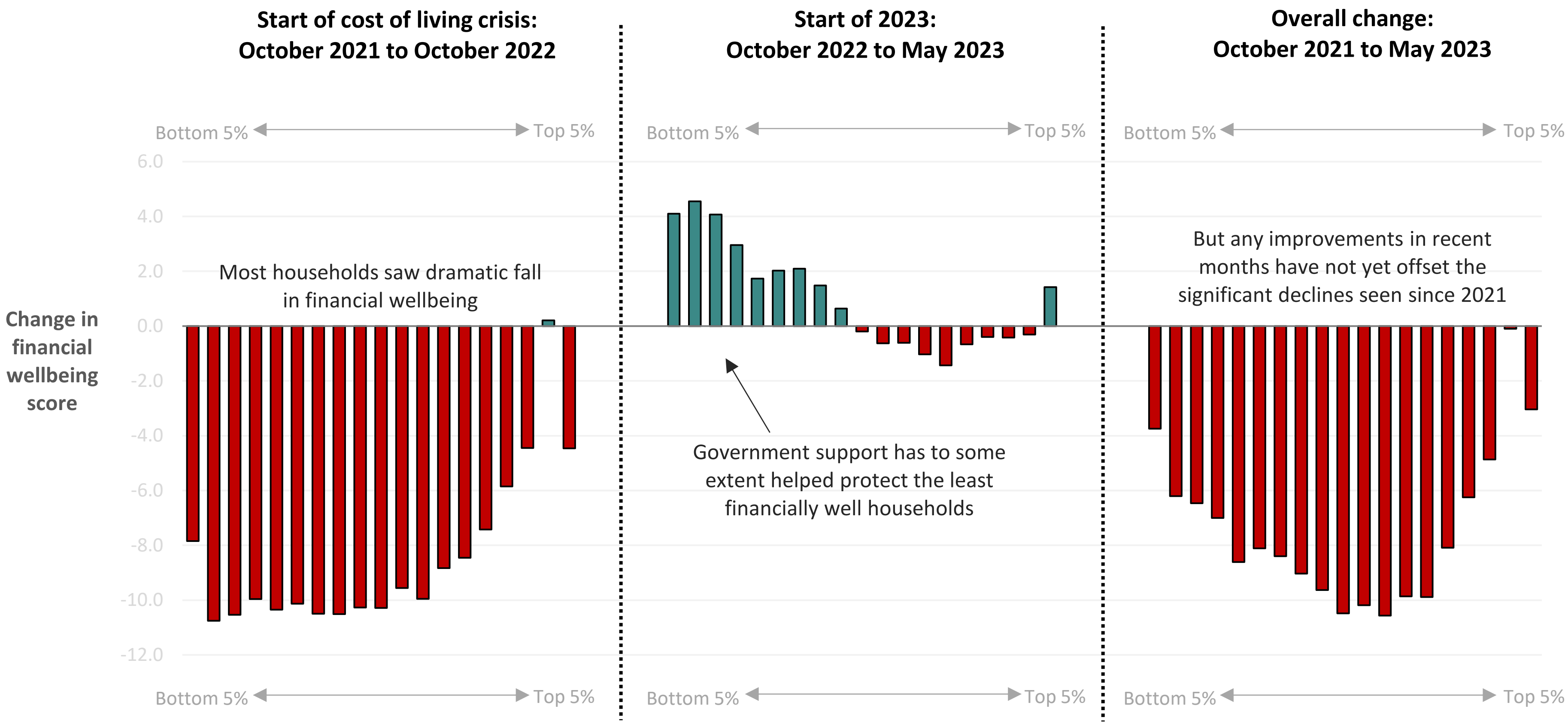
In real terms, these figures mean that 0.7 million fewer households are 'in serious difficulties' – down from 4.8 million in October 2022 to 4.1 million in May 2023. Despite this welcome improvement, there are still 1.3 million more households 'in serious difficulties' now than there were in at the start of the cost of living crisis in October 2021 (when the figure was 2.8 million households). There are also now 3.3 million fewer financially 'secure' households than there were in October 2021 – 7.4 million now, compared with 10.7 million in October 2021. In other words, the crisis is far from over for millions of UK households and the really significant declines in household financial wellbeing are yet to be reversed (Figure 2).

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



## The financial wellbeing of some households has improved recently but, overall, for the vast majority it remains well down on 2021

**Figure 2 – Change in average financial wellbeing score over given periods for financial wellbeing vingtiles (5% groups)**



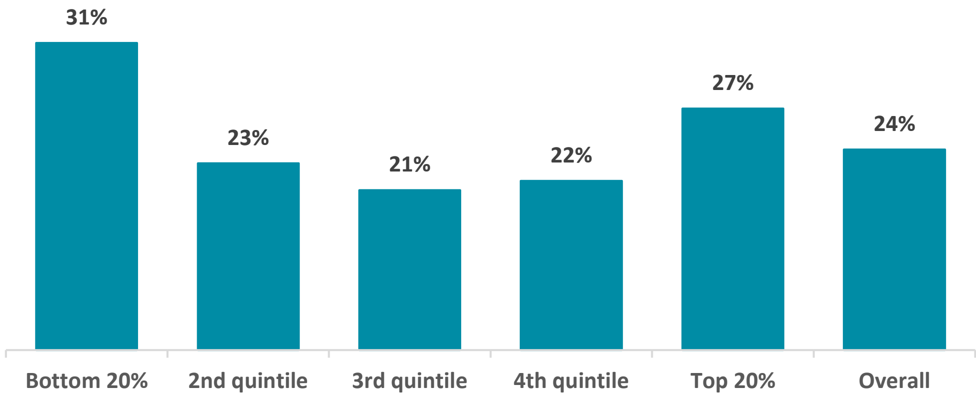

Notes: Each vertical bar represents changes in the financial wellbeing score associated with each 5% percentile of households when ordered from low to high based on financial wellbeing score. For example, the first bar (the bottom 5%) on each chart indicates how the financial wellbeing score (from 0 to 100) associated with the 5th percentile of households has changed between the first period mentioned and the second; the last bar (the top 5%) indicates changes at the 95th percentile of households.

## Household incomes continue to lag behind the rising cost of living

Most working households' incomes are still not keeping pace with the rising cost of living, although there are some signs of improvement. Only a quarter (24%) of working households in May 2023 said their household incomes had increased in line with or above inflation in the last six months, but this was up from 20% in October 2022.[1] Two-thirds (65%) of working households reported below-inflationary rises or no change at all (down from 70% in October 2022), and 11% saw their incomes decrease (up slightly from 10% in October 2022).

As Figure 3 shows, those in the bottom and – to a lesser extent – top quintiles for household income were slightly more likely to report that their income had risen in line with (or above) the rising cost of living (at 31% and 27% respectively, compared with 24% overall). This likely reflects the uprating of pensions and benefits in line with inflation from Spring 2023, which include benefits paid to people in low-paid work.

**Figure 3 – Percentage of households in each income quintile who report that their income has risen at least in line with the rising cost of living in the last six months**




Notes: Household income quintiles represent quintiles of monthly take-home income, after housing costs have been deducted (AHC) and equivalised to take into account number of adults and children in the household and financial dependents living outside of the household (using an adapted version of the OECD-modified equivalence scale).

## Fewer households are anxious about their financial situation, but more are in arrears

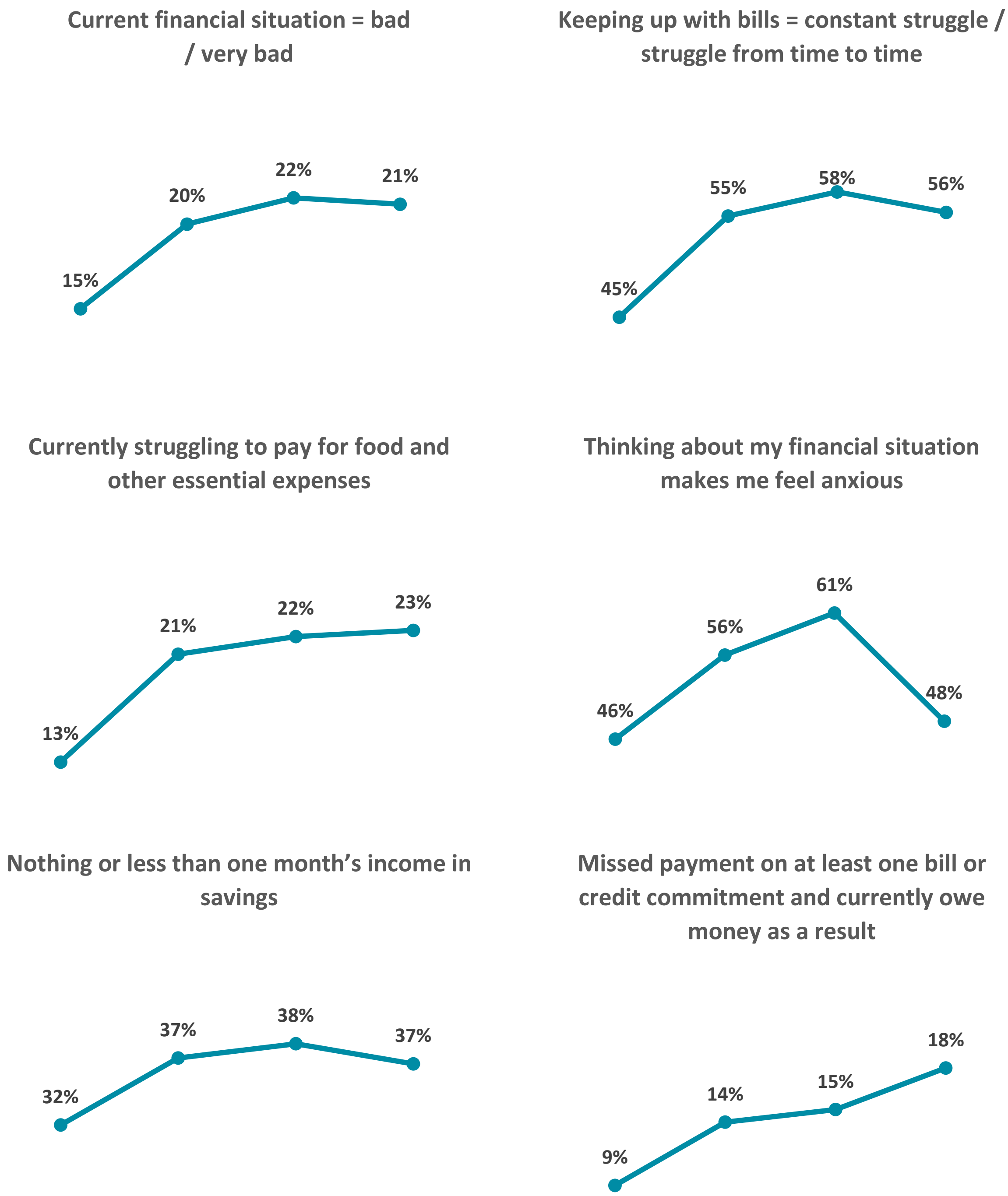
Looking at specific indicators of financial wellbeing, Figure 4 shows that things seem to be moving in the right direction on several measures, with fewer households in May 2023 saying that their current financial situation is bad or very bad; and slight drops in the proportions struggling to keep up with bills and having little or no money in savings. Most striking is a 13-percentage point drop in respondents who report that thinking about their financial situation makes them anxious – although this could suggest that people are learning to live with financial uncertainty and precarity.

Not all the indicators are positive, however, with increases since October 2022 in the proportion of households constantly struggling to pay for food and other essentials; and households in arrears with bills or credit commitments rising from 15% to 18% (Figure 4), which may be indicative of the longer-term consequences of a cost of living squeeze, for example as households use up any financial safety nets they had and start to fall behind with payments.

[1] In October 2022, respondents were reflecting on income changes in the last 12 months rather than the last six months.

The proportion of households in arrears is substantially higher among those 'in serious difficulties' for all types of household bills and credit commitment. Between one-in-ten and two-in-ten of these households are behind on TV licence (9%), rent (11%), gas/other energy (15%), electricity (18%) and Council Tax bills (19%), all of which are priority debts that carry the most serious consequences for non-payment.

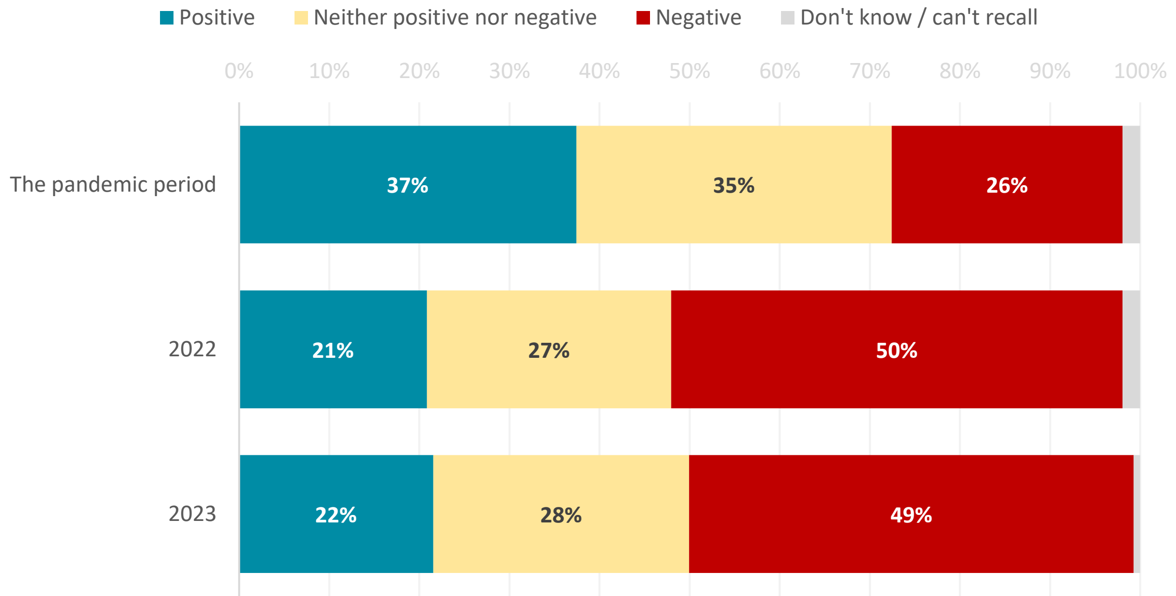
**Figure 4 – Change in indicators of financial wellbeing: Oct 2021; Jul 2022; Oct 2022; May 2023**



## The cost of living crisis is seen as more financially damaging than the pandemic

Wave 8 survey respondents were asked how positive or negative they felt the last six months (November 2022-May 2023) had been for their financial situation. As Figure 5 illustrates, 49% felt it had been negative and only 22% felt it had been positive. In other words, for every household that felt the last six months had been positive for their financial situation, more than two households considered it to be negative. This is similar to Wave 7 respondents' views about their financial situation in 2022, which compared very unfavourably with their views about the financial impact of the pandemic.

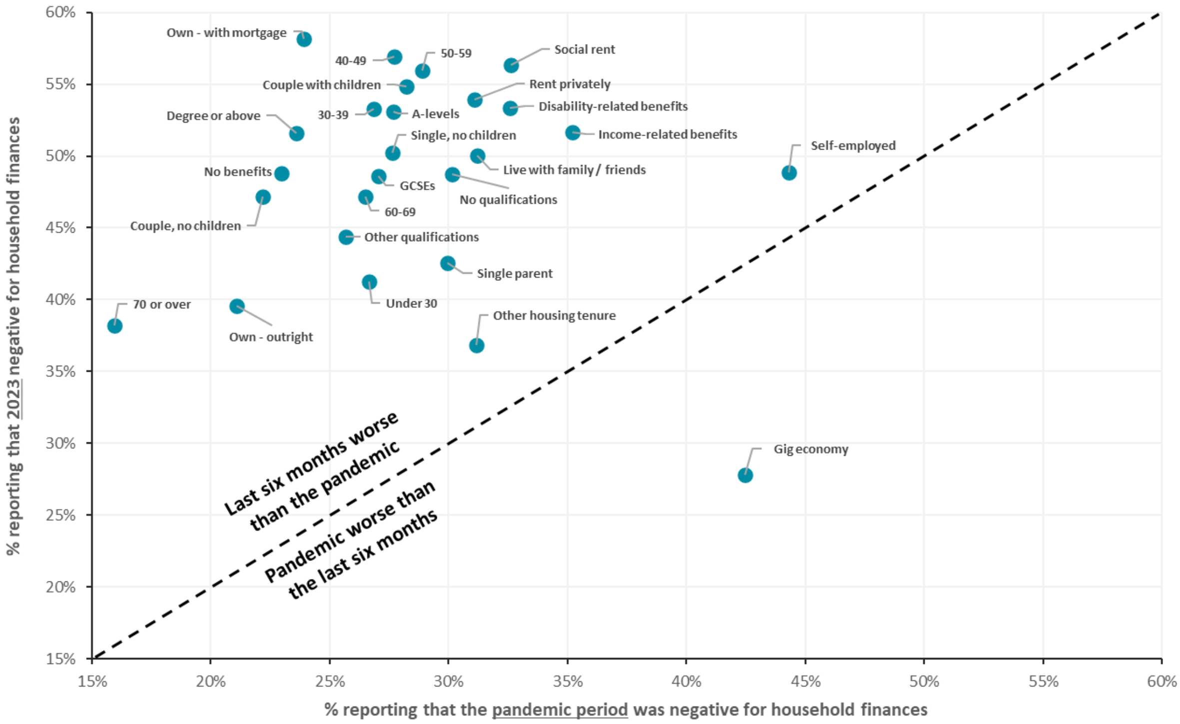
**Figure 5 – How positive or negative do households feel that each of the following periods were for their financial situation?**




Notes: The 'pandemic period' and 2022 figures were both asked in Wave 7 of the Tracker (October 2022), with respondents asked to retrospectively describe how positive or negative they felt the pandemic period had been. The 2023 figure was asked in Wave 8 (May 2023), with respondents given the timeframe of the last six months to think about.

Figure 6 highlights how different socio-economic and demographic groups appear to hold differing views about the impact of the last six months and the pandemic period on their finances. We see, for example, that mortgagors were most likely to report that the last six months had been negative for their finances (58%) but were a group who were relatively less likely to say that the pandemic had been bad for their finances (24%). Those in their 40s and 50s, social renters and couples with children also appear to view the last six months relatively negatively. Conversely, households whose main income comes from the gig economy were the only group to report that the pandemic period was worse for their finances than the six months to May 2023 (42% negative about the pandemic, compared to 28% negative about the last six months). There will of course be variation within all of these groups, and it should be noted that different groups will be starting with higher or lower bases than others – as we will see in the following section. A worsening from a relatively strong financial position does not necessarily mean lower financial wellbeing than those who see an improvement from a relatively weak financial situation.

**Figure 6 – How did different socio-economic and demographic groups view the financial impact of the pandemic period compared with the six months to May 2023?**

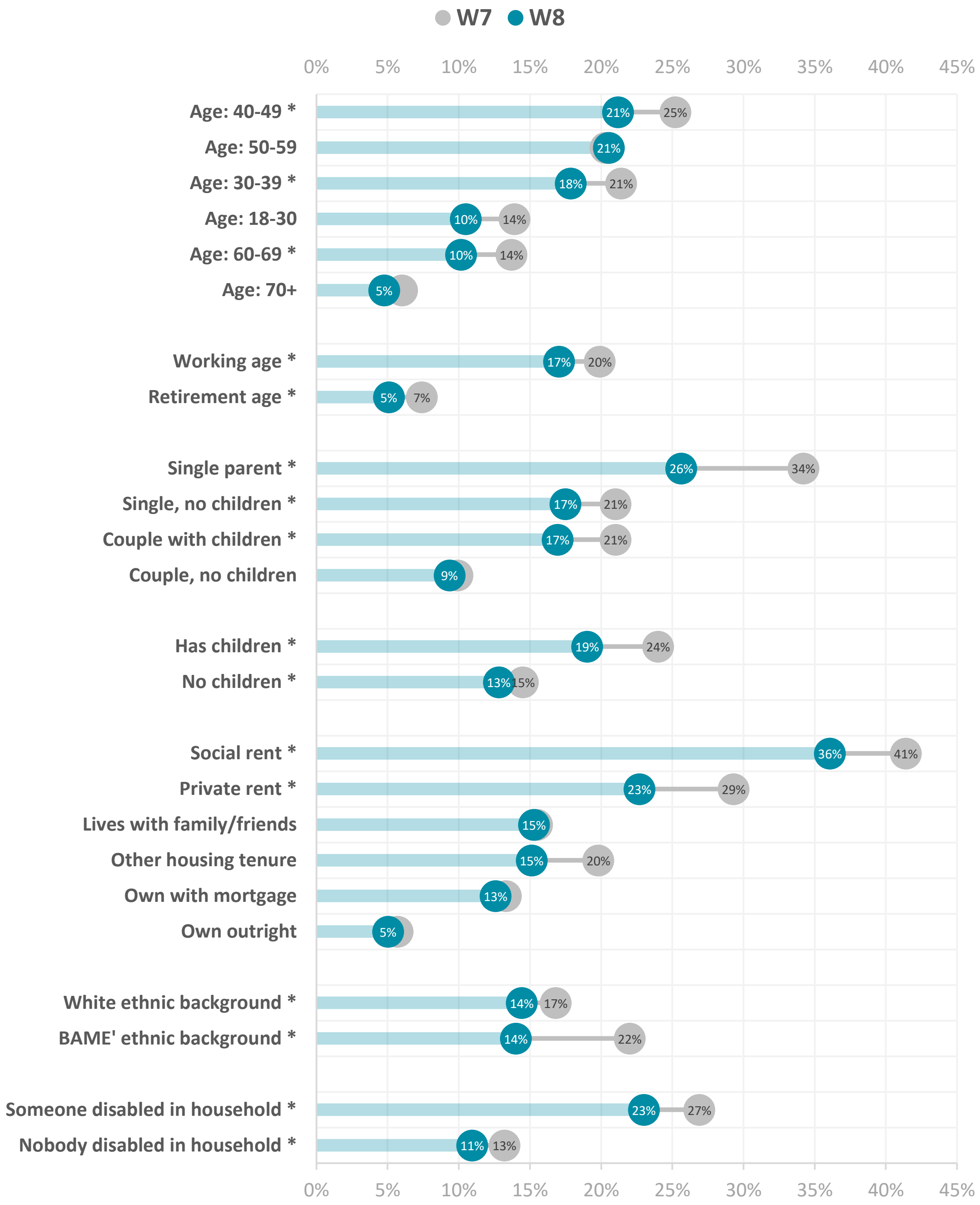



Notes: The 'pandemic period' figures were asked in Wave 7 of the Tracker (October 2022), with respondents asked to retrospectively describe how positive or negative they felt the pandemic period had been. The 2023 figure was asked in Wave 8 (May 2023), with respondents given the timeframe of the last six months to think about.

## Certain types of household fare better than others

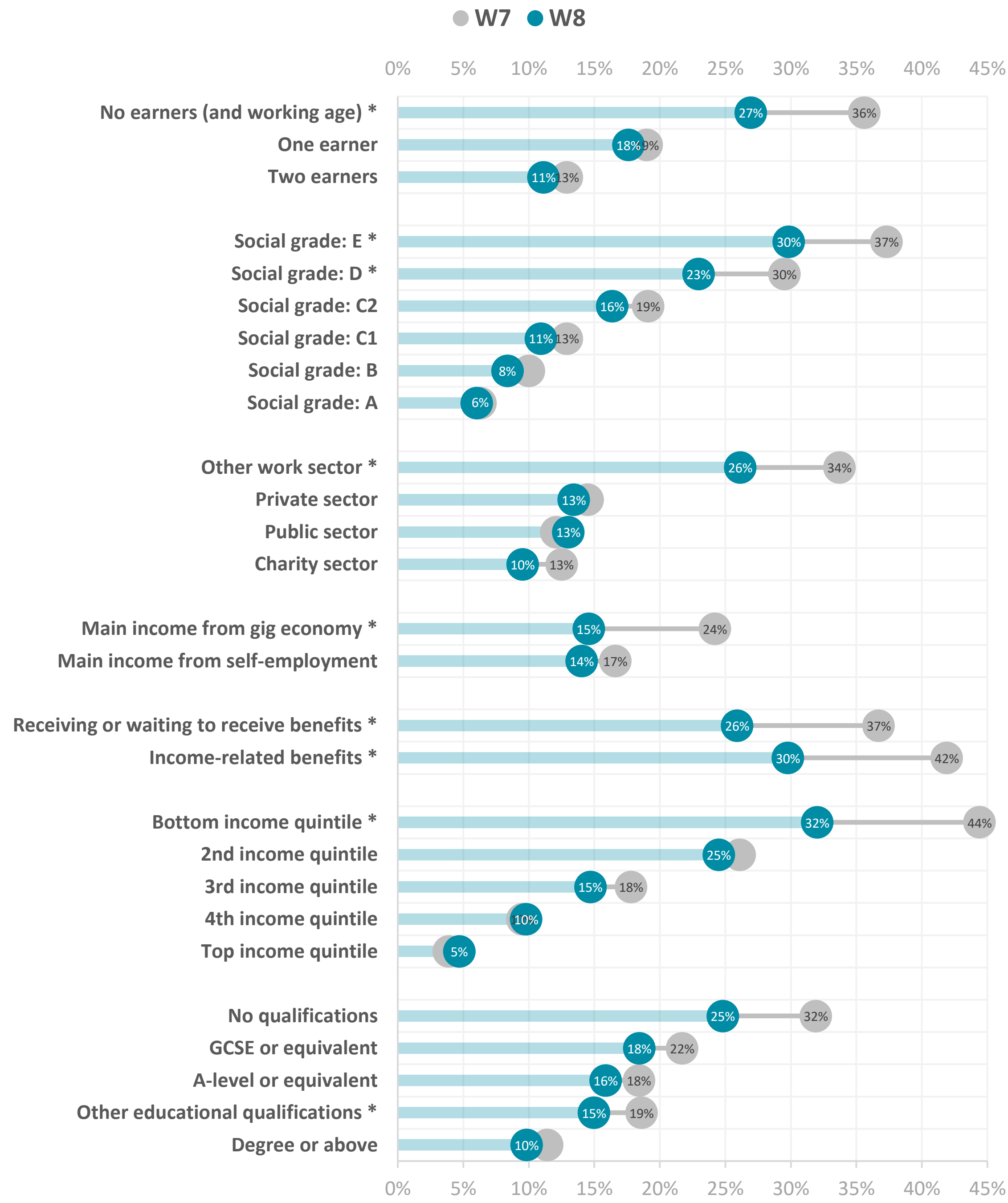
There continues to be wide variation in levels of financial difficulty between different types of household, with some groups also seeing greater reductions in difficulty than others between Wave 7 and Wave 8 (Figures 7a-7c). As is largely to be expected, being 'in serious difficulties' was most common among: social renters (36%), those in the lowest income quintile (32%), those in social grade E (30%), those receiving income-related benefits (30%), workless working age households (27%) and single parents (26%). Many of these groups, however, also saw some of the largest falls in financial difficulty between October 2022 and May 2023, with households in the bottom income decile, for example, seeing a 12 percentage point fall in the proportion 'in serious difficulties'. Gig economy workers also saw a significant reduction in level of financial difficulty in this time (from 24% to 15%).

**Figure 7a – Percentage of households 'in serious difficulties', by household characteristics**



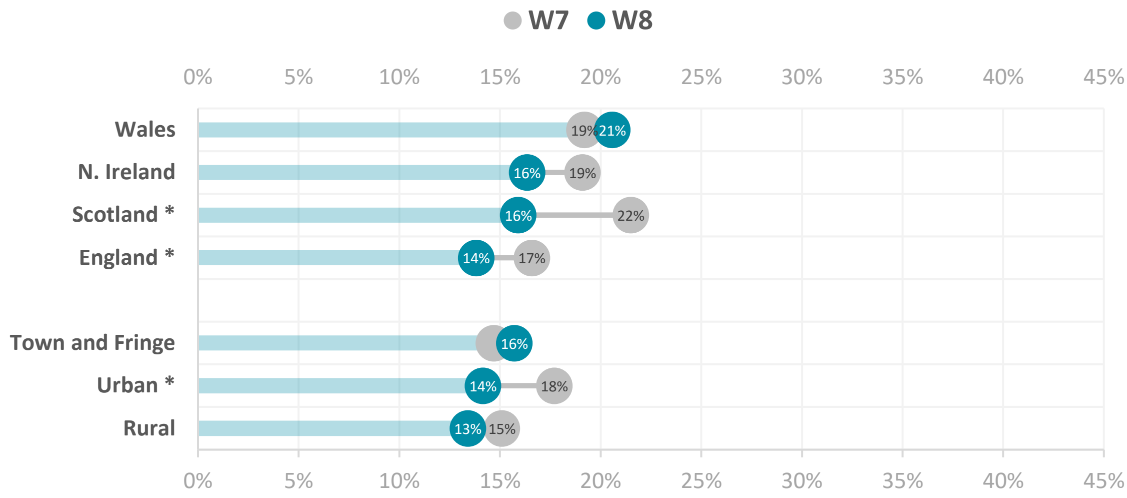

Notes: Statistically significant changes between waves (at 95% confidence level) indicated by asterisk (*). The age and ethnicity variables represent that of the survey respondent, not that of every member of the household.

**Figure 7b – Percentage of households 'in serious difficulties', by economic characteristics**




Notes: Statistically significant changes between waves (at 95% confidence level) indicated by asterisk (*). The social grade, education and work sector variables represent that of the survey respondent, not that of every member of the household. Here, in order to ensure comparability across waves, we use a different measure of income to that used elsewhere in this report; it is based on households of working age only and uses annual gross household income (before housing costs) equivalised to take into account number of adults and children in the household (using the OECD-modified equivalence scale).

**Figure 7c – Percentage of households 'in serious difficulties', by geographical characteristics**

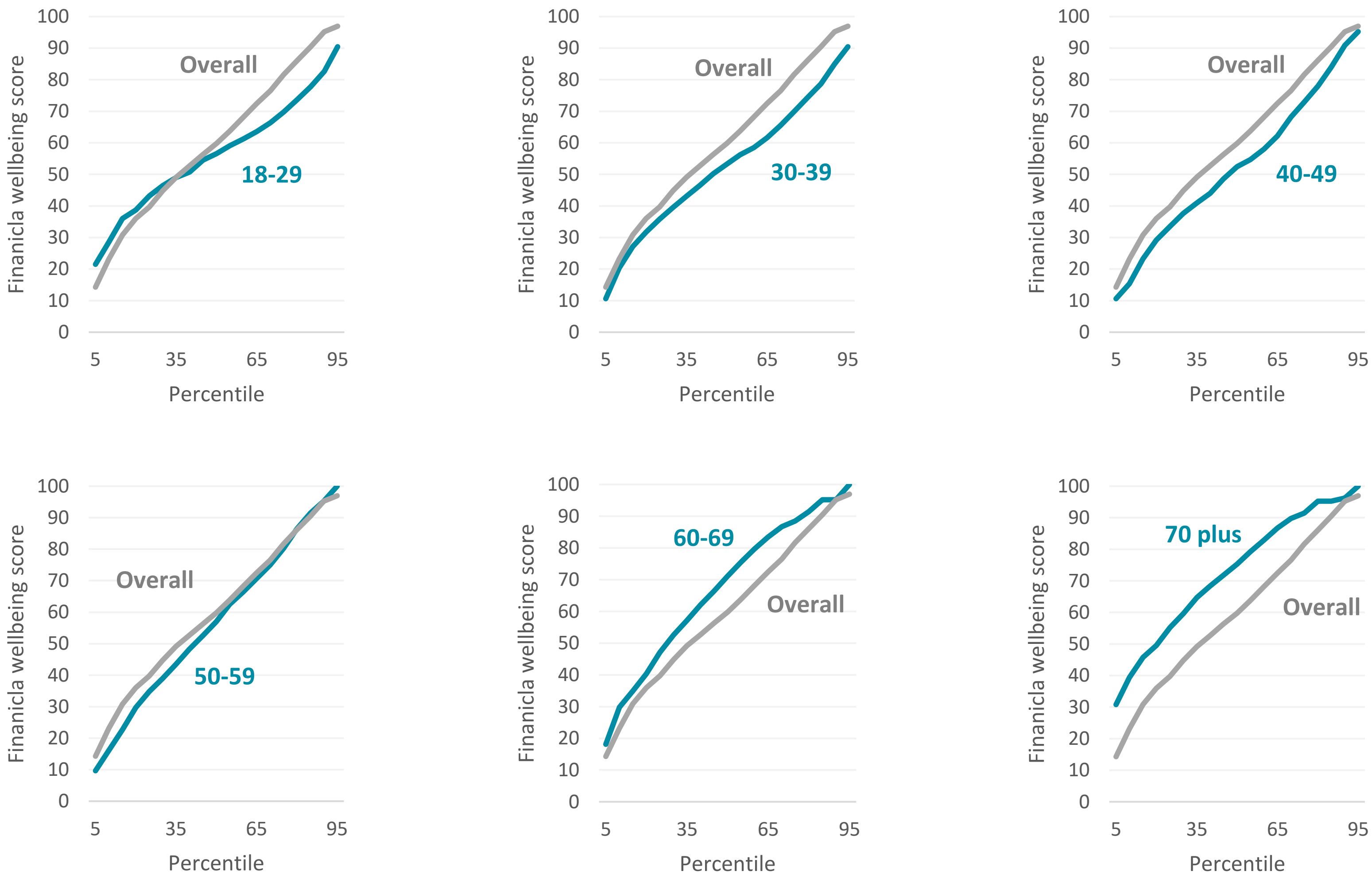



Notes: Statistically significant changes between waves (at 95% confidence level) indicated by asterisk (*).

While these charts highlight considerable variation *between* different groups, we should also be mindful that there remains a lot of variation in financial wellbeing *within* groups. As Figure 8 demonstrates, the various age groups have quite different distributions of financial wellbeing scores. For example, by looking at the distribution of scores within the 30-39 group, we see that there is an acute absence of high-scoring households, rather than a particular concentration of low-scoring households. In other words: an absence of affluence, not a concentration of difficulty. A similar pattern also exists for householders aged 18-29.[2] The 40-49 age group has below-average financial wellbeing across the distribution but is closer to average at the bottom and the top of the distribution, while only the bottom 50% or so of households aged 50-59 score poorly. Households over 60 meanwhile score above-average across the entire distribution, though the gap is noticeably narrower for the bottom 20% of households aged 60-69.

[2] It is important to bear in mind that this is a *household*-level survey, which focuses on those responsible for paying bills and handling household finances. Young adults living in the parental home tend to be more responsible for their personal finances only and are therefore excluded from this analysis. The results for this age group represent those who have left home and are responsible for paying bills, etc.

**Figure 8 – Distribution of financial wellbeing scores, by age group of respondent. Comparison with the overall distribution across all UK households.**



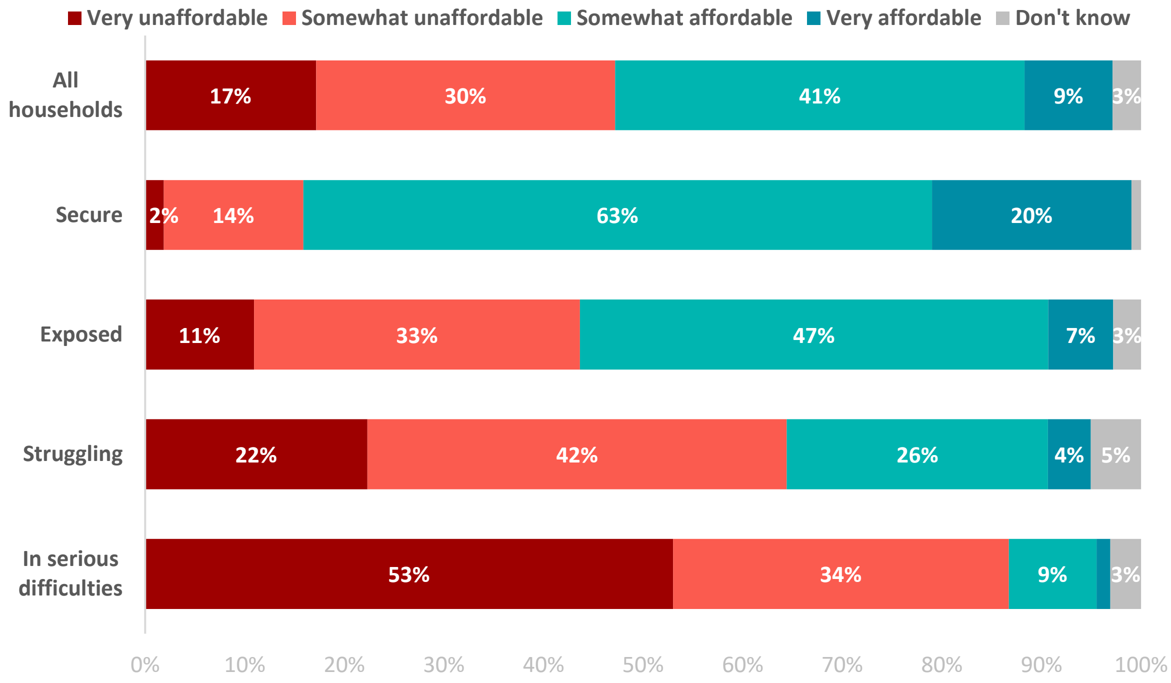

Notes: values shown are the financial wellbeing score at each 5% percentile of the population within each category, e.g. 5th, 10th, 15th percentile. Age group based on age of survey respondent. Please note that only those survey respondents who are responsible for financial matters in their household are included in the analysis – this means that young adults living in the parental home are not included.

## COPING WITH THE RISING COST OF LIVING

### Pressures on energy affordability appear to be easing to some extent

In the previous wave of the survey, in October 2022, a quarter (25%) of all households reported that their energy bills were 'very unaffordable', with a further 27% describing them as 'somewhat unaffordable'. Figure 9 shows the situation in May 2023, with an encouraging decrease in the proportion of households feeling their energy bills are 'very unaffordable' (now 17%). This is likely to reflect a combination of government financial support for households and the onset of warmer weather. Still, nearly half (47%) describe their energy bills as at least somewhat unaffordable. This rises to 87% of households 'in serious difficulties'– unchanged from the previous wave.

**Figure 9 – Affordability of current energy bills, by financial wellbeing category**




Notes: Unweighted bases for each sub-group as follows: Secure = 1,554; Exposed = 2,148; Struggling = 1,255; In serious difficulties = 809.

To help them afford their energy bill, households are still taking a wide range of actions to minimise their energy usage (Table 1). Compared with a similar time of year in 2022, we find significant increases in the proportion of households who, in the past six months, had used their heating less or only heated part of their home, kept their home cooler than usual, or reduced their use of the cooker/oven. Similar proportions reported taking fewer baths or showers, or switching energy consumption to times of the day when the tariff is cheaper. Nearly three-in-five households (59%) reported wearing more clothes than usual to keep warm indoors, a third (33%) had cut back their spending on food to afford energy, and nearly one-in-six (15%) had attempted to improve the energy efficiency of their home. The majority of the actions asked about show strong patterns by financial wellbeing, with those in greater difficulty being more likely to take each action – but no such pattern is evident for investing in energy efficiency measures, with no significant differences between any of the four financial wellbeing categories.

**Table 1 – Actions taken in last six months to afford energy bills**

| Have you done this in the <u>last six months</u> to help you afford your energy bill? | Wave 6 June 2022 | Wave 8 May 2023 | Percentage point change |
|---|---|---|---|
| Avoided turning on the heating or turned on less than usual | 59.7% | 63.3% | +3.6* |
| Turned down the temperature in your home | 52.4% | 57.9% | +5.5* |
| Reduced the use of the cooker/oven | 33.0% | 42.0% | +9.0* |
| Only heated part of your home | 24.3% | 33.5% | +9.2* |
| Reduced the number of showers/baths taken | 30.9% | 31.1% | +0.2 |
| Switched electricity/gas consumption (e.g. washing machine, dishwasher) to times of day when the tariff is cheaper | 17.4% | 17.9% | +0.5 |
| Wearing more clothes than usual to keep warm indoors | Not asked | 58.7% | N/A |
| Cut back spending on food | Not asked | 32.6% | N/A |
| Improved the energy efficiency of your home (e.g. insulation, draught-excluders) | Not asked | 15.3% | N/A |

Notes: Statistically significant changes (at 95% confidence level) indicated by asterisk (*). Some percentages may not add up due to rounding. Slight change in wording between waves, with respondents being asked in June 2022 about the period since the start of 2022 (i.e January to June 2022), while respondents in May 2023 were asked about the last six months (i.e. December to May 2023). Both cover a period of six months. Similar question asked in Wave 7 (October 2022) but results not presented here as respondents were asked about the period since the start of 2022 (a period of ten months).

## Actions taken to make ends meet

Reflecting the modest improvements in UK household financial wellbeing in May 2023, the survey also shows reductions in the proportion of households who took some steps in the last four weeks to help them make ends meet (Table 2). Particularly notable are the large percentage point drops in households saving less than they normally would or using savings for daily living expenses – although this could potentially mask the fact that some households are no longer able to save any money at all or do not have any savings left to draw on to cover everyday costs.

Households ‘in serious difficulties’ were substantially more likely than the average household to have taken steps to help make ends meet, such as receiving financial help from family or friends (21% compared with 7% of all households); used consumer credit for daily living expenses (36% compared with 13%); tried to access additional benefits or other funds (15% compared with 6%); and sold or pawned possessions they would have preferred to keep (12% compared with 4%).

### Table 2 – Actions taken in last four weeks to help you make ends meet

| Have you done this within the last four weeks to help you make ends meet? | Wave 7 Oct 2022 | Wave 8 May 2023 | Percentage point change |
|---|---|---|---|
| Saved less money than you normally would | 43.8% | 19.7% | -24.1* |
| Used money from savings for daily living expenses | 22.8% | 12.4% | -10.4* |
| Used a credit card, overdraft or borrowed money from other formal lenders for daily living expenses | 17.0% | 12.9% | -4.1* |
| Tried to access additional benefits or support funds (whether successfully or not) | 8.4% | 5.7% | -2.7* |
| Received financial help (e.g. money, food, gifts) from family or friends | 8.3% | 6.8% | -1.5* |
| Sold or pawned possessions that you would have preferred to keep | 7.1% | 4.3% | -2.8* |
| Cancelled or not renewed an insurance policy to save money | 6.2% | 4.3% | -1.9* |
| Stopped or reduced your pension contributions | 4.4% | 3.4% | -1.0* |
| Accessed pension savings earlier than planned (aged 55 plus only) | 3.4% | 1.6% | -1.8* |
| Got a loan from an unlicensed money lender or another informal lender | 1.1% | 1.7% | +0.6* |

Notes: Statistically significant changes (at 95% confidence level) indicated by asterisk (*). Some percentages may not add up due to rounding. Figures for 'accessed pension savings earlier than planned' have been re-based to include only those aged 55 plus (N=2,611).

# IMPACTS ON HOUSEHOLDS' QUALITY OF LIFE

## Cutting back is the 'new normal' for UK households

As Figure 10 shows, cutting back on spending because of concerns about cost is an ongoing response to the rising cost of living for many UK households, especially those that are 'in serious difficulties' and 'struggling'. Cutting back on eating out/takeaways, shopping for cheaper food, and not booking holidays are the three most common ways that households are cutting back.

While 'savvy shopping' and thriftiness can be signs of good money management, having to cut back for reasons of cost may also impact on people's quality of life in potentially damaging ways: 61% of households 'in serious difficulties', for example, reported not being able to keep their home warm and comfortable in the last six months; and similar numbers said they were cutting back on social interaction with friends and family (64%) and participating less in hobbies and pastimes (61%).

In terms of negative health impacts, two in ten of all UK households (19%) said they had avoided going to the dentist or receiving dental treatment because of cost, but this rises to almost half of households 'in serious difficulties' (46%). Similar patterns are seen in relation to avoiding medical appointments on account of cost (6% of UK households, rising to 19% of those 'in serious difficulties') and not being able to buy medication or medical equipment (5% of households, rising to 18% of those 'in serious difficulties'). Worryingly, all three of these negative health impacts are seen at higher rates within households that receive disability-related benefits: 25% of these households had avoided going to the dentist due to cost, 12% had not been able to buy medication or medical equipment that they needed, and 11% had avoided medical appointments.

Many families with children had seen impacts on their children's quality of life, with one-in-seven families (14%) reporting that they had been unable to give their children what they needed – rising to two-in-five (40%) of families 'in serious difficulties'. A quarter of households 'in serious difficulties' (26%) said they had cut back spending on pets compared to 9% of households generally.[3]

[3] While we didn't ask households if they had a pet or not, if we use industry figures suggesting that 62% of households own some form of pet, this would imply that around 15% of all pet-owning households had cut back spending on their pet(s).

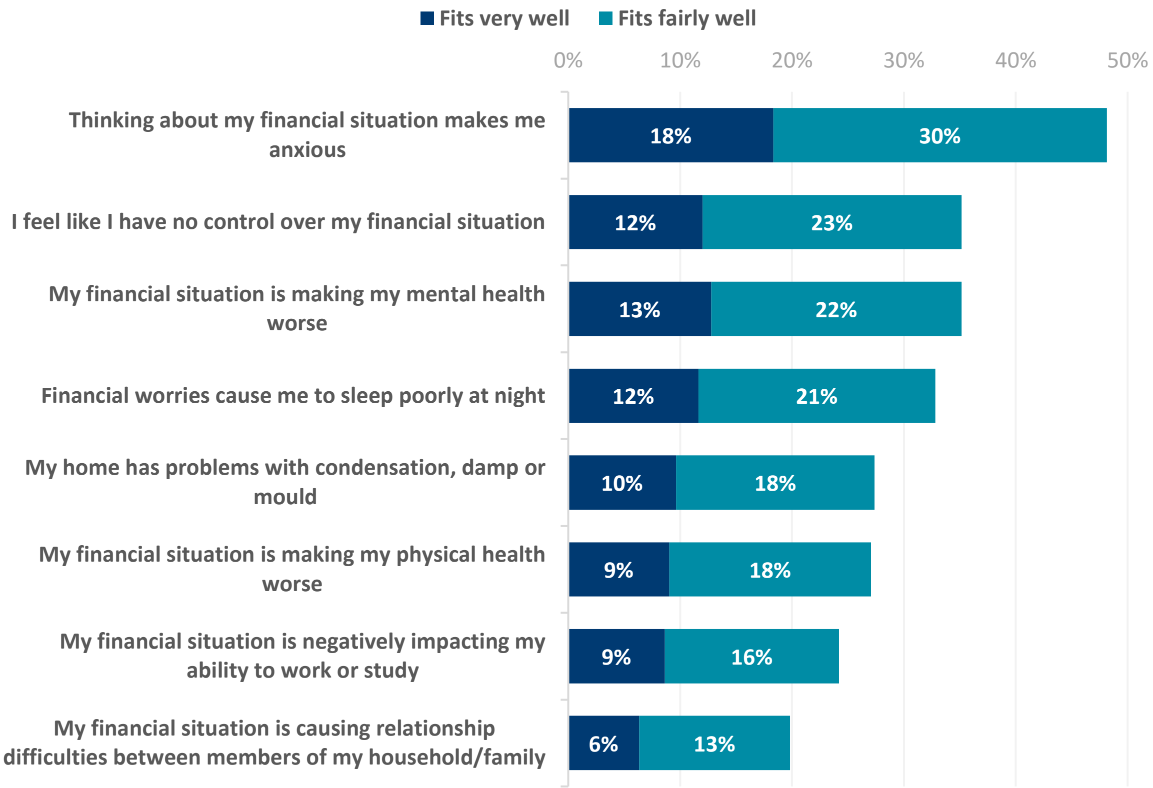
**Figure 10 – Quality of life impacts on households within the last six months, by financial wellbeing category**


Notes: Figures for 'been unable to give your child(ren) what they need' and 'been unable to put your child(ren) in nursery / childcare' have been re-based to include only those households with children (N=1,389).

## Financial issues and poor wellbeing remain inter-connected

We asked respondents about how their financial situation was affecting their wellbeing, in a range of different ways (Figure 11). As previously noted, fewer households in May 2023 said that thinking about their financial situation made them feel anxious (48%, down from 61% in October 2022). This is comprised of 18% who say this fits them 'very well' and 30% who say it fits them 'fairly well'. Similarly, a third said that they feel like they 'have no control over their financial situation' (35%), that their 'financial situation is making [their] mental health worse' (35%) or that 'financial worries cause [them] to sleep poorly at night' (33%). A quarter reported that their 'financial situation is making [their] physical health worse' (27%) – possibly linked to the same proportion who described their home having 'problems with condensation, damp or mould' (27%). Economic issues may also be taking their toll on productivity – with nearly a quarter (24%) of working age respondents agreeing that their 'financial situation is negatively impacting [their] ability to work or study'. Lastly, one-in-five (20%) felt that their 'financial situation is causing relationship difficulties between members of [their] household or family'.

**Figure 11 – How finances are affecting households' wellbeing**




Notes: Figures for 'my financial situation is negatively impacting my ability to work or study' re-based to only include working age respondents (N=4,353). Figures may not add up to totals presented due to rounding.

Across these wellbeing impacts, we see that certain groups are more commonly affected than others: for example, 58% of single parents agreed that their financial situation was making their mental health worse, as did 56% of those receiving disability benefits, 52% of private renters and 47% of social renters. Working age households (38%) and two-earner households (36%) were more than twice as likely to report that financial worries were causing them to sleep poorly at night than those of pensionable age (16%).

## UK households are experiencing multiple dimensions of food poverty

New to this wave of the Tracker are more questions about the affordability of food and whether households are cutting back on food consumption for reasons of cost. A household can broadly be defined as experiencing food poverty or food insecurity if they cannot (or are uncertain about whether they can) acquire "an adequate quality or sufficient quantity of food in socially acceptable ways". The Tracker data shows that while food poverty is virtually non-existent in financially 'secure' households, worrying proportions of households 'in serious difficulties' say they cannot afford adequate food (Figure 12). While households that are 'struggling' financially are also more likely to experience food poverty than the average UK household, the magnitude is far greater among those 'in serious difficulties', as Figure 12 shows.

As this is the first time we have asked detailed questions about food affordability, we do not know if food poverty was worse in the past and has improved; or whether it is an area where a significant minority of households continue to make relatively deep cuts in order to make ends meet. Other data sources suggest that the situation is getting worse: Trussell Trust reported a 37% increase in the food parcels distributed by its network in the period March 2022-April 2023 compared with the previous financial year; and the Food Foundation's Food Insecurity Tracker showed a doubling in food insecurity in the UK from 9% in January 2022 to 18% in January 2023.

The Tracker captures four dimensions of food poverty that are described below: food affordability; going without food; food assistance; and heat-or-eat situations. The data shows that households 'in serious difficulties' are between two and five times more likely than the average household to experience most of these food-related issues. There is evidence of both low food security which means that households reduce the quality, variety and desirability of their diets; and very low food security where household members disrupt eating patterns or reduce food intake because they lack money or other resources for food.

**Food affordability**: 30% of all households said they had *worried* about running out of food before they could afford to buy more at least once in the last month, but this rises to most households (80%) 'in serious difficulties'. Six-in-ten (62%) of households 'in serious difficulties' said they *had run out of food* and been unable to afford to buy more at least once in the last month, compared with 22% of all households. Eight-in-ten households 'in serious difficulties' (82%) had not been able to afford a *healthy and balanced diet* at least once in the last month, compared with a third of all households (35%).[4]

**Going without food:** Nearly half of survey respondents 'in serious difficulties' (48%) had *eaten less than they felt they should* in the last month because there wasn't enough money for food, something reported by 15% of all respondents. Four in ten (38%) of those 'in serious difficulties' said they had *been hungry but didn't eat* because there was not enough money for food (compared with 10% of all households). A significant minority of respondents 'in serious difficulties' *regularly missed multiple meals* (25%, compared with 6% of all respondents) or had *not eaten for a whole day* on three or more occasions in the last month for reasons of cost (19%, compared with 5% of all respondents) – both signs that these households are at risk of very low food security. Single parent families were the most likely family type to report going without food, with 17% not eating for a whole day on three or more occasions due to cost. This compares with 10% of all households with children but rises to 17% among households with three or more children.

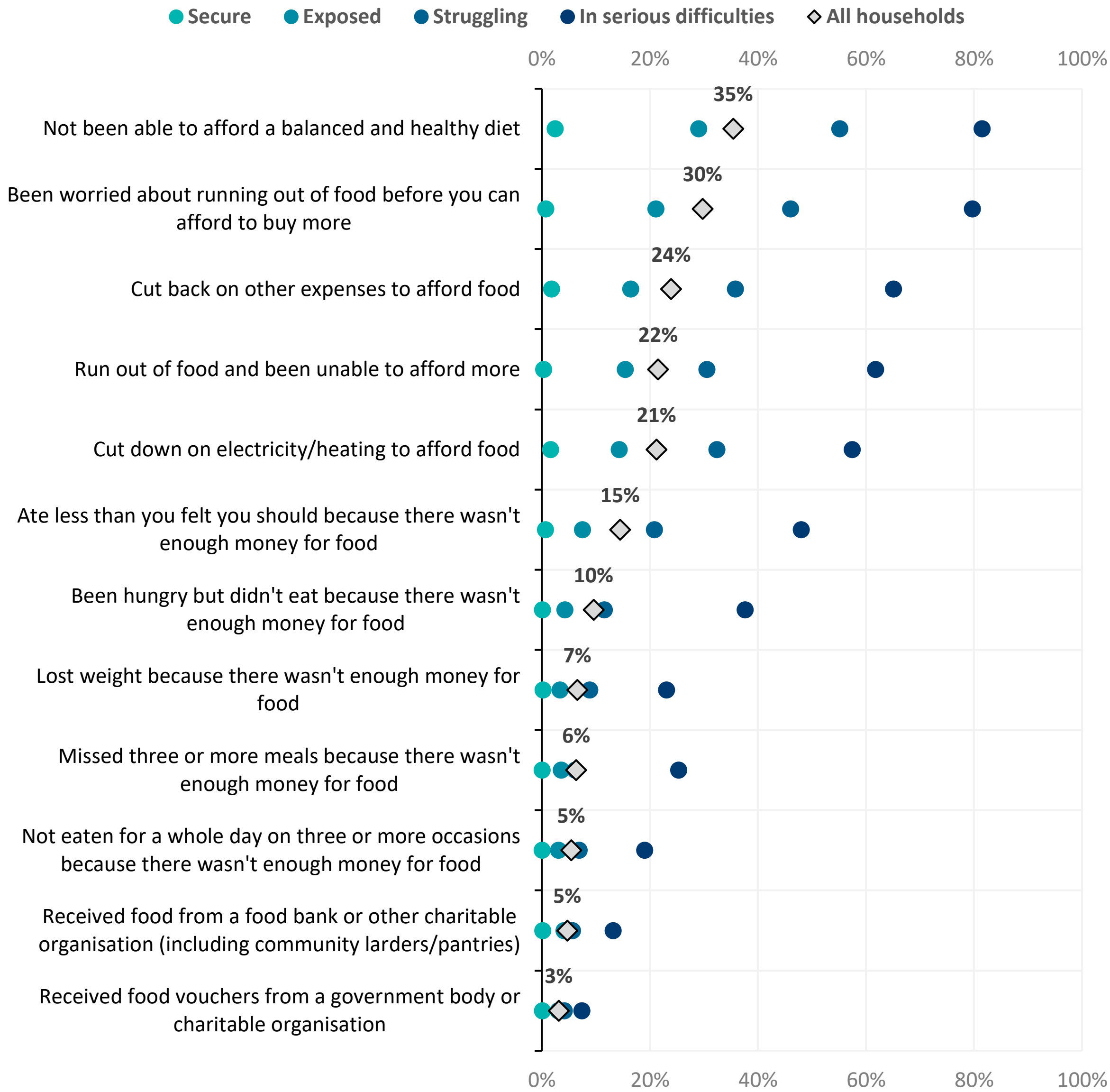
**Food assistance**: Food bank use in the last month was previously asked in the Tracker and has almost doubled among UK households since October 2022 (from 2.5% to 5% in May 2023). The figure is almost three times higher for households 'in serious difficulties' (13% in May 2023, up from

[4] The response options for these questions were: very often in the last month; somewhat often, occasionally; once; never; don't know.

8% in October 2022). In addition, 3% of households in May 2023 said they had received *food vouchers* from a government body or charity, rising to 7% of those 'in serious difficulties'.[5]

**Heat-or-eat**: The ongoing cost of living crisis means that many UK households are faced with tough decisions when it comes to meeting their basic needs. In May 2023, one-in-five households (21%) had *cut back on electricity/heating* to afford food in the last month; and a quarter (24%) had *cut back on other expenses* for the same reason. This was the case for the majority of households 'in serious difficulties', 57% of whom had cut down on electricity or heating to afford food, and 65% had cut back on other expenses to afford food.

**Figure 12 – Food insecurity experienced by households at least once within the past month, by financial wellbeing category**




Notes: all percentages refer to whether this had happened at least once within the past month.

[5] Food voucher use was not asked in October 2022.

# GETTING HELP

## Households experience mixed outcomes from negotiation with creditors

Also new to this wave of the Tracker, all households were asked whether they had had any discussions in the last six months with their creditors about being unable to meet their payments now or in the future. A total of one-in-seven households (14%) had talked to at least one of their creditors about this, rising to a third (34%) of those 'in serious difficulties'. Looking only at those who had reported being behind on at least one payment (18% of all households), we see that nearly two-thirds (63%) had been having some form of contact with their creditors about being unable to meet their payment.

Interestingly, we see that households behind with their bills who had contacted their creditors were significantly less likely to be 'in serious difficulties' (34%) than those who had not done so (47%) – possibly suggesting either that contact with creditors can help reduce financial difficulty or that, for whatever reason, those in greater difficulty are less likely to contact their creditors.

For those self-negotiating households that did have discussions with their creditors, the three most common outcomes they reported were:

- Setting up an affordable payment plan (32%)
- Being expected to pay creditors the full amount owed (25%)
- Setting up a payment plan that the respondent felt was not affordable (19%).

In addition, 17% of these self-negotiators were referred to a money adviser; 16% were changed to a pre-payment meter because they were behind with their energy payments; and 15% said that creditors had applied to make deductions from their income to repay the amounts owed.

## Fewer households seeking online information, more seeking advice

This eighth wave of the Tracker sees a decline in the proportion of all households seeking some form of information or advice about their finances – from 37% in October 2022 to 30% in May 2023 (Table 3). However, when we look in detail at the nature of help that households are seeking, we see that this drop is driven purely by fewer households seeking information online (or via media such as TV, radio or podcasts) (from 24% to 15%). This is likely to reflect slightly lower levels of concern among the population at-large about their finances or them having already accessed any relevant information or online money guidance. When we consider more formal money or debt advice involving direct communication with an adviser, we see increases in the proportion of households who have sought advice via these routes – in particular, by face-to-face advice (from 3.9% to 5.3%). These findings tally with evidence from advice agencies of increased client numbers in recent months and are also supported by data from Google Trends shown in Figure 13 below, which gives an indication about the type of advice that consumers have been seeking over the past year.

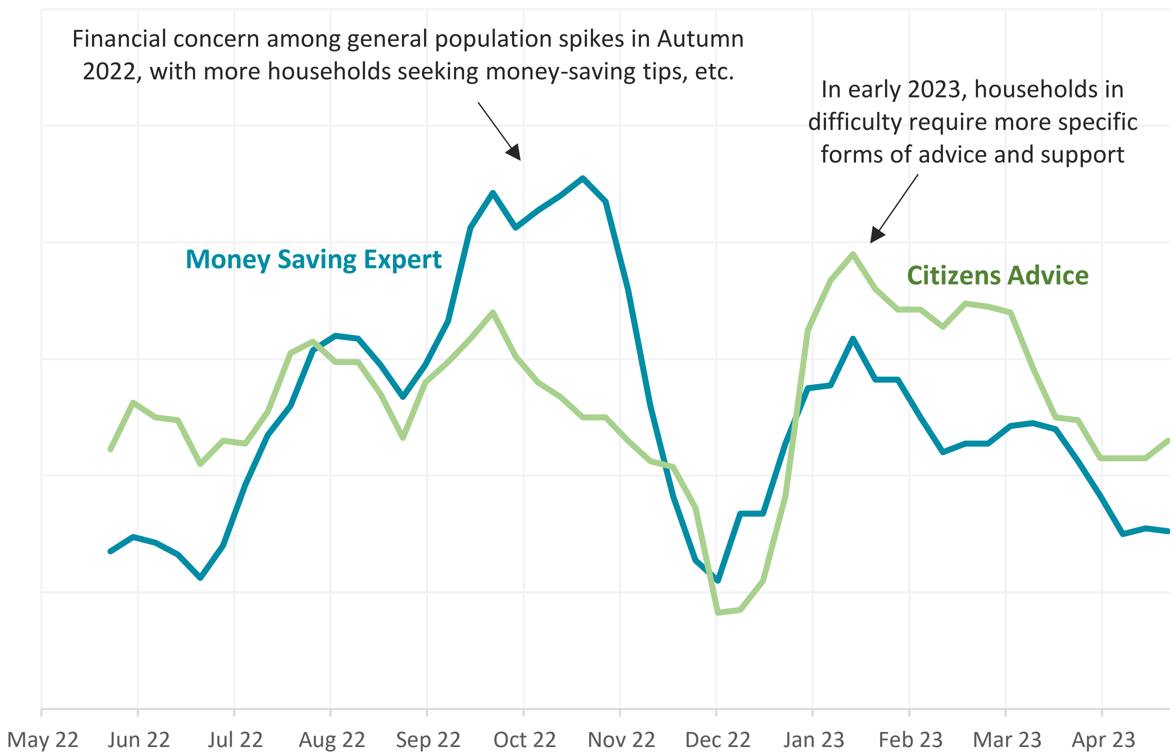
In terms of outcomes from help-seeking, six-in-ten of all help-seekers (56%) said they felt clear about what action they needed to take after getting information or advice. However, fewer said the information or advice had improved their financial situation (33%) or made them feel less anxious about it (36%). The outcomes reported by help-seekers 'in serious difficulties' were worse across the board, with fewer feeling clear about what action they needed to take (35%), feeling less anxious (17%), or feeling that their financial situation had improved (14%). This likely reflects the increasing challenges of providing advice to people who are living within their means but still facing a negative budget, where their income simply isn't enough to cover their basic living costs.

**Table 3 – Advice-seeking behaviour in the last six months**

| Type of advice sought | Wave 7 Oct 2022 | Wave 8 May 2023 | Percentage point change |
|---|---|---|---|
| No advice or information | 63% | 70% | +6.7* |
| Any form of advice or information | 37% | 30% | -6.7* |
| Only online information or information via TV / radio show or podcast | 24% | 15% | -8.7* |
| Webchat only | 2.4% | 2.5% | +0.1 |
| Phone advice, but no face-to-face advice | 6.9% | 7.4% | +0.4 |
| Any face-to-face advice | 3.9% | 5.3% | +1.5* |

Notes: Statistically significant changes (at 95% confidence level) indicated by asterisk (*). Some percentages may not add up due to rounding.

**Figure 13 – Relative levels of Google search interest for 'Money Saving Expert' and 'Citizens Advice' in the past 12 months (Source: Google Trends)**

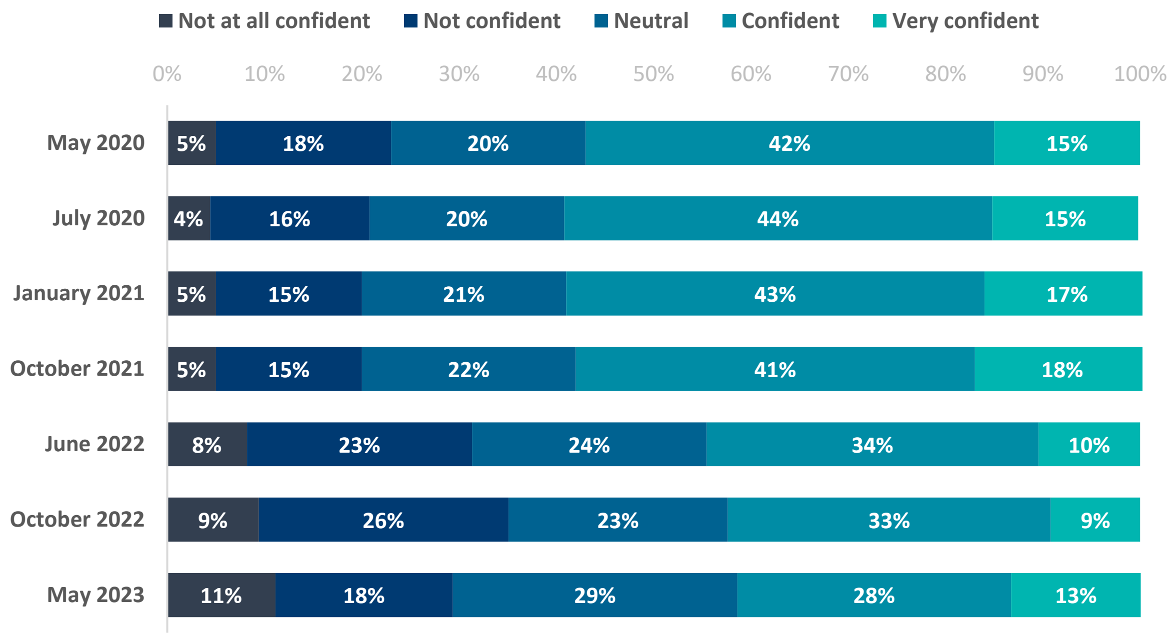



Notes: Author analysis of Google Trends data [accessed May 2023]. Lines show four-weekly moving average.

# FUTURE OUTLOOK

The Tracker shows a mixed picture in terms of how confident households feel about their financial situation in the next three months (Figure 14). There has been a drop in the proportion that *do not* feel confident about the short-term future (from a high of 35% in October 2022 to 29% in May 2023), but – within this – the proportion of households saying they are 'not at all confident' is at its highest point (11%) since the Tracker started. At the other end of the spectrum, there has been a very slight drop in the proportion that *do* feel confident (from 42% in October 2022 to 40% in May 2023), but within this a rise in the proportion who feel 'very confident' (from 9% to 13%). At the same time, more households have a neutral view (being neither confident nor unconfident) suggesting greater ambivalence about the future than we have seen in earlier waves.

**Figure 14 – 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.

Much clearer is the stark correlation between financial wellbeing and financial confidence about the future, so the more financially secure households are, the more confident they feel about their future financial situation and vice versa. In particular, 82% of households that are financially 'secure' feel confident about their short-term financial future; whereas 81% of households 'in serious difficulties' do not. While many better-off households may celebrate lower *inflation* in the coming weeks and months, many worse-off households will not feel relief until they see lower *prices* and higher incomes. Until then, the severe impacts on poorer households' wellbeing and quality of life described in this report will continue to take their toll.

## Technical note

The survey was undertaken by YouGov between 24 April and 3 May for the abrdn Financial Fairness Trust and was conducted online. It is the seventh in a series of cross-sectional surveys tracking the financial impact of the coronavirus pandemic and subsequent cost of living crisis on UK households, by asking key questions repeated at several time points. In each wave, these key questions are supplemented by new questions that aim to capture and reflect the evolving situation.

The sample for this report consists of 5,766 respondents randomly recruited from YouGov's online panel. It includes booster samples for Scotland, Wales and Northern Ireland, that have been weighted back to their correct proportions for the tables in this report. The base for analysis is people who are responsible for the household finances. Non-householders who are responsible only for their own personal finances (most of whom were aged under 25 and lived at home with their parents) are not included in the analysis for this report.

The segmentation of households into four categories is based on scores from a principal component analysis of seven survey questions that cover the extent to which households could meet their financial obligations and the resources they had for dealing with an economic shock. Those with a score of less than 30 out of 100 were deemed to be in serious financial difficulty; scores of 30-49 were taken as indicative of struggling to make ends meet and scores of 50 to 79 of being potentially exposed financially. Full details of the methodology employed can be found in Kempson, Finney and Poppe (2017) Financial Wellbeing: A Conceptual Model and Preliminary Analysis.

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

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### About the Personal Finance Research Centre (PFRC)

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

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### About abrdn Financial Fairness Trust

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

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