PAYING MORE FOR LESS

The poverty premium in 2026

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at the University of Bristol

PAYING MORE FOR LESS: THE POVERTY PREMIUM IN 2026

ABOUT THIS REPORT

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Overview

The ‘poverty premium’ refers to the extra amount that low-income households pay for essential goods and services as a result of barriers that they face due to being on a low income.

This study estimates the cost of the poverty premium facing low-income households in Britain in 2026, focusing on several key markets: energy, insurance, credit, and food. The research builds on our previous studies conducted in 2016, 2019 and 2022, while reflecting any changes that have occurred since then.

Methods

To update the research to a 2026 context, we first conducted a scoping stage to understand the current landscape across the relevant essential services markets where poverty premiums occur. This involved interviews with key stakeholders and a review of literature and policy documents.

Between December 2025 and January 2026, Ipsos conducted a representative telephone survey of 1,040 respondents whose household income was below 70% median income, adjusted for household size and housing costs. This allowed us to establish the proportion of low-income households incurring different forms of poverty premium, while representative costs for each component of the poverty premium were derived using a desk-based costing exercise. Where appropriate, we have replicated the costing approaches used in our previous studies, but in some instances have refined the methods or data used, typically to base the analyses on newly-available large-scale industry datasets or to recognise where poverty premiums will vary depending on household characteristics (for example, household size). This means some costs are not directly comparable with previous calculations. Costs are presented as the ‘extra’ cost relative to the baseline cost paid by other households.

Stage 1: Scoping stage

Interviews with key stakeholders + review of literature and policy documents.

Stage 2: Telephone survey

1,040 low-income households surveyed, giving prevalence of different poverty premiums.

Stage 3: Costing exercise

Desk-based costing exercise to establish typical premium costs, and assign these to survey respondents.

Findings

More than nine-out-of-ten low-income households (95%) continue to incur at least one form of poverty premium, with these households incurring an average poverty premium of £380 per year. A quarter of low-income households incur a premium of £505 or more per year, while one-in-ten face a poverty premium of £736 or more each year. Figure 1 shows how the total average poverty premium breaks down across all low-income households incurring the poverty premium, while Figure 2 gives the percentage of households incurring each premium and the cost of each premium to those who incur it.

Figure 1 – Poverty premiums incurred by low-income households in Britain in 2026

These figures represent the average premium costs incurred by the 95% of low-income households who incur any form of poverty premium. Not all of these households will incur all premium types, and energy premiums are effectively mutually exclusive (i.e. dual-fuel customers generally incur one energy premium or another).

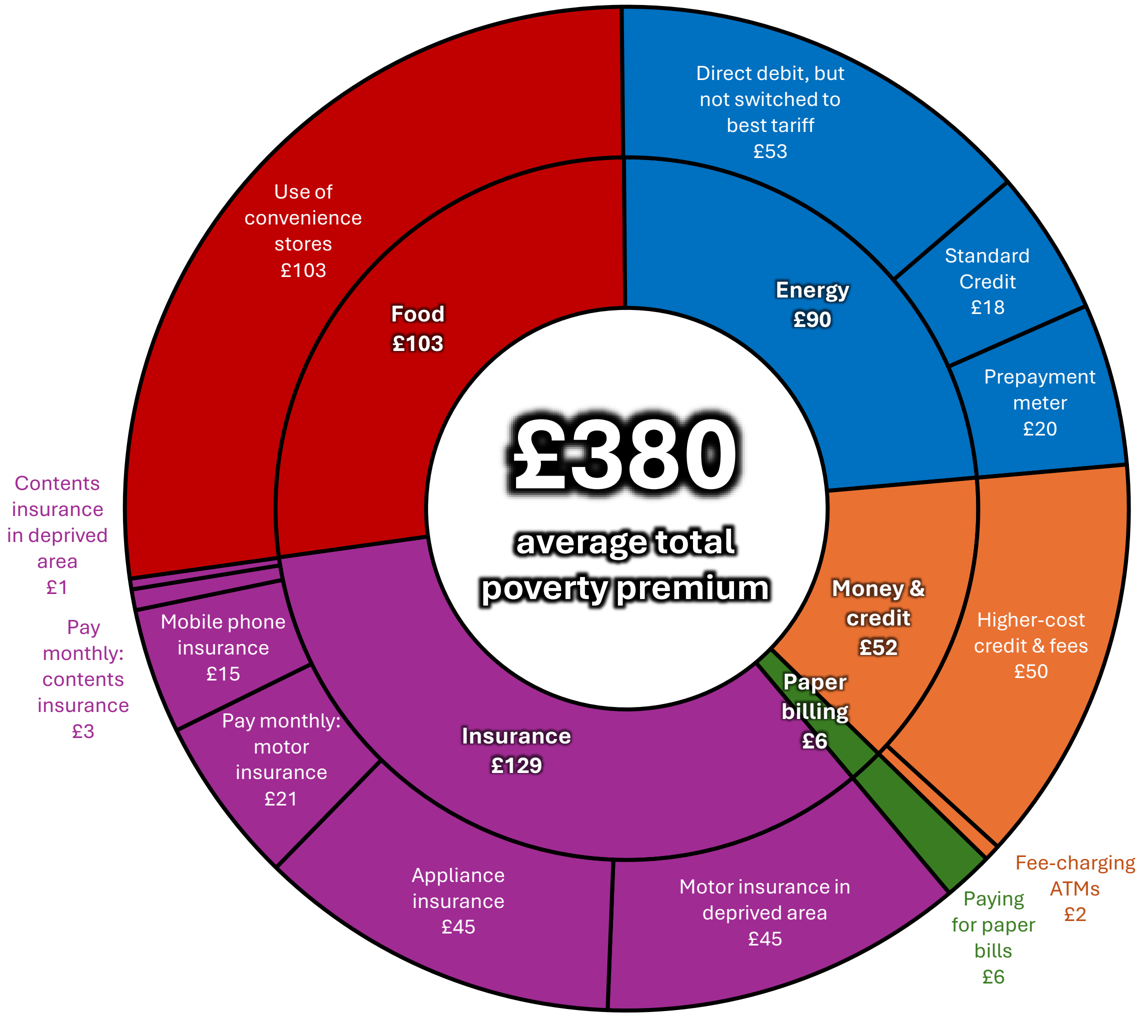
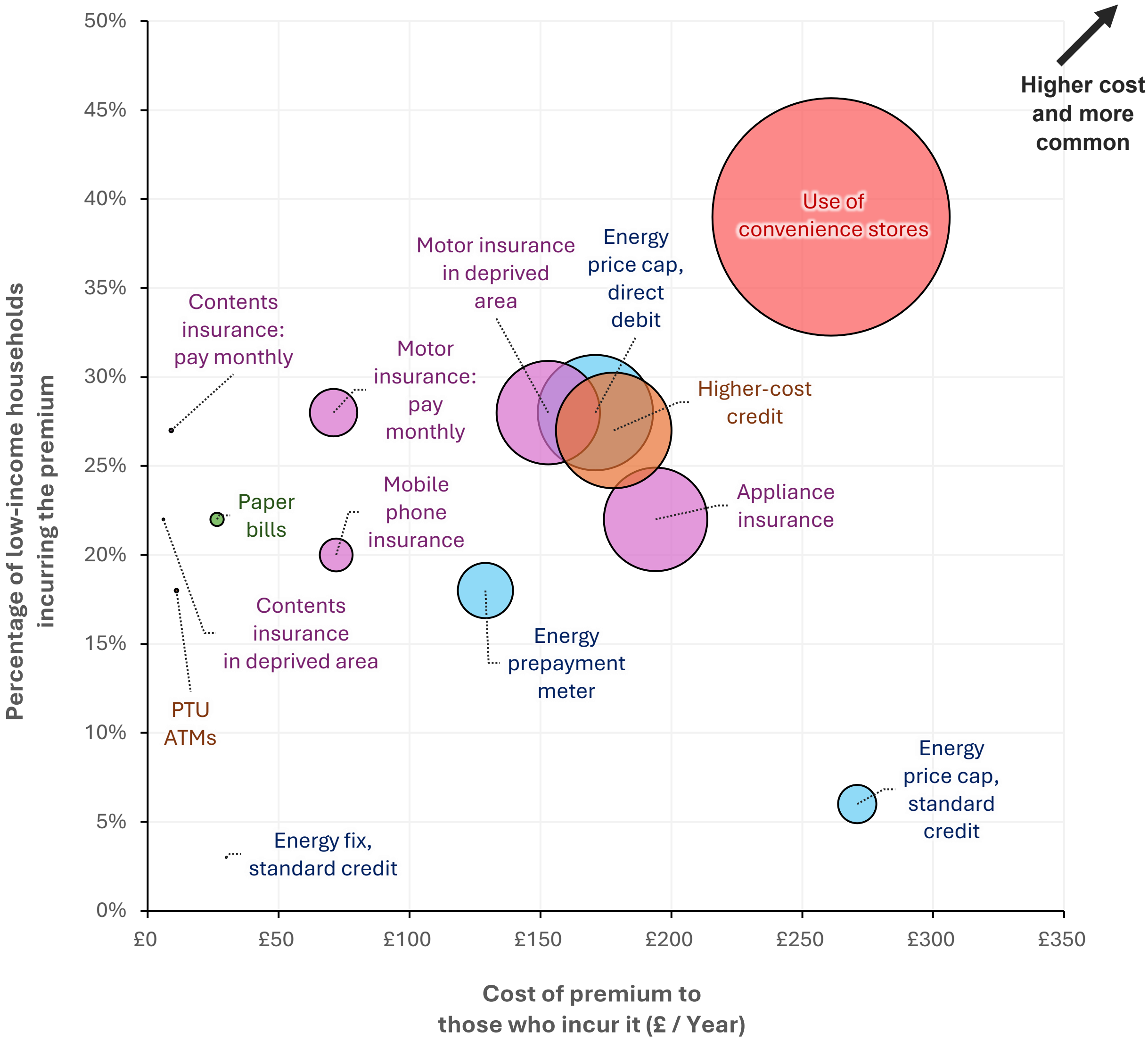


Figure 2 – The prevalence of different components of the poverty premium among low-income households and premium costs among those who incur a given premium

Colours indicate different markets / types of poverty premium: **energy**, **insurance**, **credit/money**, **food**, and **paper-billing**, while bubble size indicates total contribution to the average poverty premium incurred by low-income households (which is a function of cost multiplied by prevalence).



Energy poverty premium

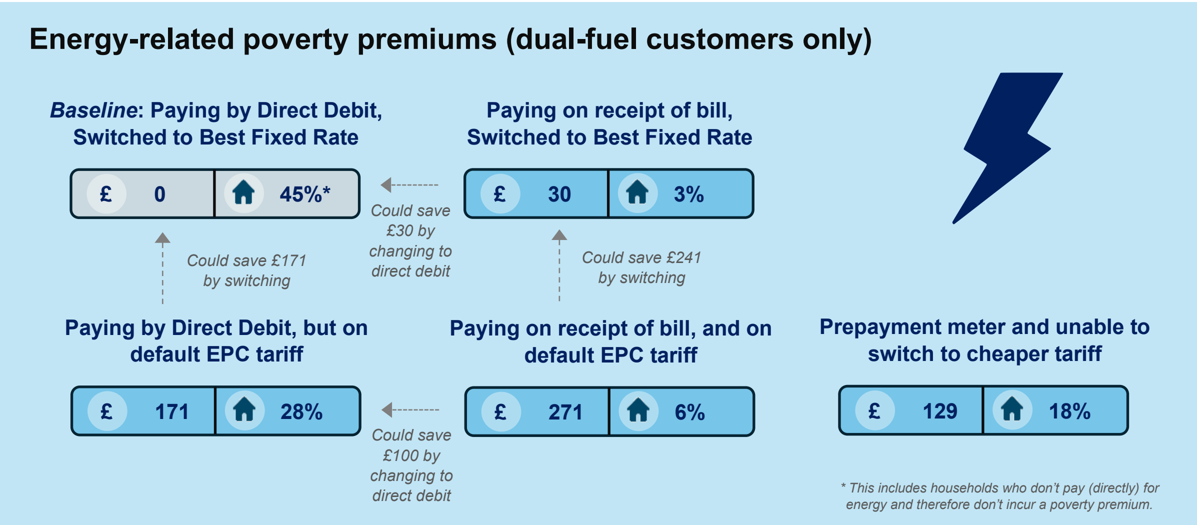
The poverty premiums related to energy are incurred through two main routes: the method of payment and whether the household is on the cheapest tariff available to them. On this basis, the baseline for the poverty premium was the price paid for their energy by those who paid by Direct Debit who had switched to a cheaper fixed rate tariff. Overall, 59% of low-income households incurred at least one energy-related poverty premium, with the mean energy-related poverty premium for these households being £145 per year.

Those dual-fuel customers who paid by Direct Debit but were on an Energy Price Cap (EPC) tariff paid a premium of £171, compared with those who paid by Direct Debit but had switched to a better fixed rate tariff.

Those who pay on receipt of bill ('standard credit') for energy incur a 'method of payment' premium, which was £271 more than the baseline if they were on an EPC tariff but only £30 if they had switched to a cheaper fixed rate one. This means that a low-income household paying on receipt of bill might expect to save £241 annually by switching to the cheapest tariff and then a further £30 by changing their payment method to Direct Debit. Therefore, a household remaining on a default EPC tariff could expect to save £100 by switching from paying on receipt of bill to Direct Debit payment (as they would now pay a poverty premium of £171, rather than £271).

Standing charges between prepayment meter and Direct Debit were levelled in 2024, so that those who pay via prepayment meters did not pay more than those paying by other methods, removing this poverty premium. However, those paying by prepayment meters were disadvantaged by the fact that most providers didn't offer cheaper fixed rate tariffs for this method of payment, and then only for those who used a smart meter. Those on prepayment meters therefore paid on average £129 more than they would have if paying by the best-value Direct Debit tariff.

Internet usage was positively linked to being on the best tariff, suggesting digital capacity plays a considerable role. Ethnic background is also associated with experiencing an energy poverty premium; those from a Black ethnic background were more likely to pay on receipt of bill, as well as being nearly twice as likely to be on an EPC Tariff.



Insurance poverty premium

The insurance poverty premium can be incurred in three different ways

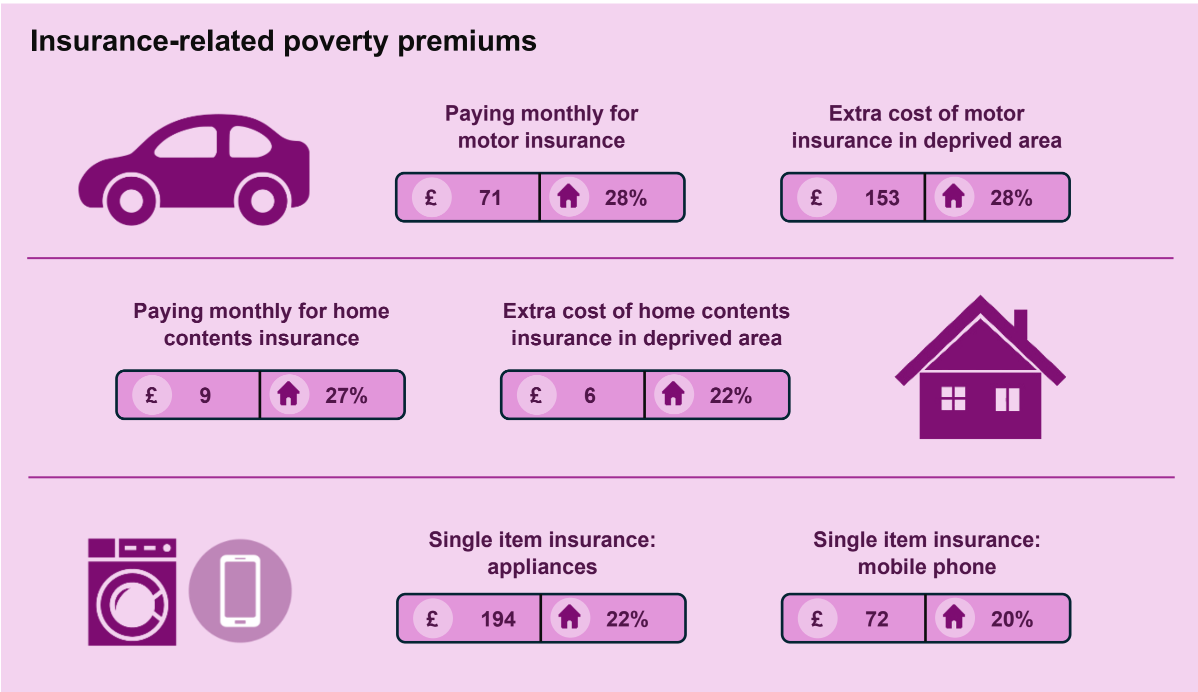
- The additional cost of premium finance, for paying monthly for insurance (home and motor), rather than in a single annual payment.
- The extra cost of paying for insurance associated with living in a more deprived area.
- The cost of insuring single items, such as purchasing household appliance insurance (or paid-for extended warranties) and mobile phone insurance.

53% of low-income households with contents insurance and 45% of low-income households with motor insurance paid for their policies monthly, paying an extra **£9 annually for contents insurance** and **£71 for motor insurance** compared with those who paid a single annual payment. As not all households held these products, this means these premiums were incurred by 27% and 28% of low-income households respectively.

Over four-in-ten of those holding contents insurance (42%) or motor insurance (44%) were likely to be paying a poverty premium as a result of living in a deprived area. We estimate this to be an extra **£6 for these households for contents insurance and £153 for motor insurance.** The latter increases to £294 for those aged under 25. Again, as these products are not held by all households, the percentages of all low-income households incurring the premiums were 22% for contents insurance and 28% for motor insurance.

The number of low-income households incurring the premium for having household appliance insurance has dropped from 27% in 2022 to 22% this year, with these households paying an extra £194. The proportion of low-income households with insured mobile phones, however, has remained steady, staying at 20% this year compared with 21% in 2022. These households paid an extra £72 per year.

Overall, renters were more likely to incur insurance poverty premiums for paying monthly, as were single parents, and those who are less digitally connected. Those from either a Black or Asian ethnic background had an increased likelihood of paying a higher insurance premium for living in a deprived area, or of having single item insurance.

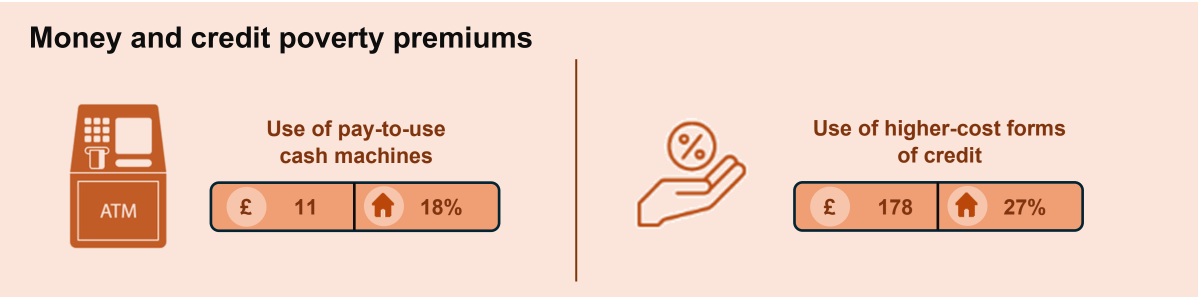


Access to Money and Credit

Just over one-in-six (18%) respondents reported that they (or someone in their household) had used a fee-charging cash point in the past 12 months, half of whom had done so less than three times in the past year. This is a considerable drop from 2022, when over a third had done so at least once in the past year. While the cost *per transaction* had increased since last measured, lower usage reduces this poverty premium from approximately £20 per year to £11 per year.

In terms of the higher-cost credit premium, just over a quarter of low-income household (27%) had incurred a poverty premium in this area, incurring each household a typical cost of £178 annually. This reflects the likely cost of interest and charges for these products, compared with being able to afford the payment up front. Most commonly, households paid unarranged overdraft fees (9%), credit card late fees (6%), rent-to-own or catalogue credit (6%) or subprime credit cards (5%). One-in-five (20%) of our sample had used Buy Now Pay Later (BNPL), however, only around one-in-six or -seven of these users (3%) incurred any late fees. However, the highest costs were incurred by those who use either subprime loans (£805) or payday loans (£698), although subprime credit cards and rent-to-own or catalogue credit were both (relatively) common and costly (£199 and £186 respectively).

Incurring a higher cost credit poverty premium tended to be more common among working age adults, particularly single parents, and those from ethnic minority groups.



Food shopping

Nearly two-in-five (39%) low-income households incur a poverty premium as a result of buying an above-average proportion of their groceries from convenience stores and smaller, local branches of supermarkets – which previous research suggests are typically 13% more expensive than large supermarkets for the same basket of goods. 39% buy more than half of their food from such outlets, including one-in-six (16%) who shop almost entirely at these stores.

We estimate that the cost for a low-income household incurring this premium is £261 annually, ranging from £151 for a single-person household to £350 for larger households. Large households doing *all* of their grocery shopping at such stores can expect to pay £544 extra per year.

Paying for paper bills

Around one-in-five (22%) low-income households reported receiving a paper bill for either broadband (10%), phone (10%) or energy (18%). These households typically incurred a premium of £26.50 per year, mainly linked to broadband and mobile phone bills. As one might expect, internet usage and age are strong drivers of this premium.

Change in poverty premium costs (for those incurring them) between 2022 and 2026, and potential explanations

<table>
<tr><th>Premium</th><th>2022 cost</th><th>2026 cost</th><th colspan="2">Change</th><th colspan="2">Potential explanation for change</th></tr>
<tr><td>Any premium</td><td>£217</td><td>£380</td><td>£163</td><td>▲</td><td colspan="2"></td></tr>
<tr><td colspan="7">Energy</td></tr>
<tr><td>Direct Debit, not switched to best tariff</td><td>£0</td><td>£171</td><td>£171</td><td>▲</td><td>Return of better-value fixed tariffs (at time of costing exercise)</td><td rowspan="4">Methodological improvements account for a small amount of change. We now estimate gas and electricity usage separately, and take into account price differences between regions and differing usage by households of different sizes. Off-grid households are now removed from gas-related premiums, affecting percentages but not costs.</td></tr>
<tr><td>Pay on receipt of bill, switched to best tariff</td><td>£206</td><td>£30</td><td>-£176</td><td>▼</td><td>Related to decrease in energy bills compared with 2022.</td></tr>
<tr><td>Pay on receipt of bill, not switched to best tariff</td><td>£206</td><td>£271</td><td>£65</td><td>▲</td><td>Return of better-value fixed tariffs (at time of costing exercise)</td></tr>
<tr><td>Prepayment meter</td><td>£46</td><td>£129</td><td>£83</td><td>▲</td><td>While prepayment premium on price-capped tariffs has been removed, the return of better-valued fixed direct debit tariffs increases the premium prepayment users face – as they are unlikely to be able to switch to a cheaper deal.</td></tr>
<tr><td colspan="7">Insurance</td></tr>
<tr><td>Motor insurance: pay monthly</td><td>£103</td><td>£71</td><td>-£32</td><td>▼</td><td colspan="2" rowspan="3">Insurance premiums rose significantly post-2022 but have recently fallen slightly. Most of the change in premiums therefore is methodological, reflecting a transition away from mystery shopping data towards increased use of FCA and industry data.</td></tr>
<tr><td>Motor insurance in deprived area</td><td>£239</td><td>£153</td><td>-£86</td><td>▼</td></tr>
<tr><td>Contents insurance: pay monthly</td><td>£5</td><td>£9</td><td>£4</td><td>►</td></tr>
<tr><td>Contents insurance in deprived area</td><td>£0</td><td>£6</td><td>£6</td><td>►</td><td colspan="2">Limited change observed.</td></tr>
<tr><td>Single item insurance: appliances</td><td>£158</td><td>£194</td><td>£36</td><td>▲</td><td colspan="2">No change to methodology. May reflect general inflationary pressures.</td></tr>
<tr><td>Single item insurance: mobile phone</td><td>£82</td><td>£72</td><td>-£10</td><td>▼</td><td colspan="2">No change to methodology. May reflect changes in basic handset costs.</td></tr>
<tr><td colspan="7">Access to money and credit</td></tr>
<tr><td>Use of fee-charging ATMs</td><td>£20</td><td>£11</td><td>-£9</td><td>▼</td><td colspan="2">No change to methodology, but lower usage observed in the survey.</td></tr>
<tr><td>Use of higher-cost credit / fees</td><td>£201</td><td>£178</td><td>-£23</td><td>▼</td><td colspan="2">May reflect increased usage of BNPL, while new methodology better reflects monthly repayments (using fewer assumptions about loan size).</td></tr>
<tr><td colspan="7">Food</td></tr>
<tr><td>Use of convenience stores</td><td>£84</td><td>£261</td><td>£177</td><td>▲</td><td colspan="2">Partly related to food price inflation, partly to more households reporting buying most/all of their food from convenience stores, and partly a change in methodology to better reflect costs incurred by households of different sizes.</td></tr>
<tr><td colspan="7">Paper billing</td></tr>
<tr><td>Paper bills for broadband, mobile phone or energy</td><td>N/A</td><td>£27</td><td>N/A</td><td></td><td colspan="2">Re-introduced after not being calculated in 2022.</td></tr>
</table>

The poverty premium is pricing people out of essentials

The poverty premium is, in many ways, the price that low-income households pay to participate in society, however some households in or near poverty may not be able to afford to access some services at all. We found examples of how some low-income households are no longer able to even afford the essentials.

In the past 12 months, 3% of our survey respondents reported cancelling an insurance policy that they still needed, and around one-in-five were going without home contents insurance (19%) and income protection insurance (21%) as a result of affordability concerns (rather than lack of need), and around one in fourteen (7%) reported that they had been declined for some form of credit. One-in-twelve (8%) reported having fallen behind with their energy bills in the past 12 months, while one-in-fifty (2%) said they had to self-disconnect from gas or electricity, i.e. avoided using energy altogether as a result of the cost pressures.

Even more worryingly, nearly one-in-ten (9%) of our sample reported having used a food bank in the past 12 months, rising to 17% of those in receipt of benefits and 22% of lone parent families.

Different experiences of the poverty premium

Importantly, the poverty premium does not affect everyone equally. We found that certain groups were more impacted than others in terms of experiencing the poverty premium. Larger households were impacted by higher food and energy premiums. Renters were also harder hit, with less control over payment methods, impacting on insurance and energy poverty premiums. Those from ethnic minority backgrounds were also more likely to be incurring some insurance, credit and energy poverty premiums, suggesting systemic barriers may be in play. Finally, those who are digitally excluded are also paying more, through an inability to switch or find cheaper deals.

1 Introduction and background

This report is the fourth in a series produced by the University of Bristol, which have calculated the poverty premium in Britain and marks a decade since the first report was published.

The poverty premium is the term used to describe how those in or near poverty – living on low incomes – pay more for essential goods and services than those who are not. The intention of the original report in 2016[1], the research conducted in 2019[2], and the follow-up in 2022[3] was to understand how and where low-income households were paying more, as well as to measure the extent of this burden; how many households were paying which poverty premium, and how much was this costing them? By repeating this study again in 2025/26, we can further explore how living in or near poverty can impact on costs and try to understand why these costs might have changed in recent years.

Change and continuity in the nature of poverty in recent years

Back in 2016, the long-term impact of the 2008/09 global financial crisis was still being felt, with stalled household incomes affecting millions, and the cumulative impact of benefits cuts putting additional strain on the finances of many of the most vulnerable. Since then, there has been an almost continual set of events that have continued to hit low-income households hardest of all (see Figure 1.1). The vote to leave the EU in 2016 increased food prices[4], a cost that falls hardest on those with the least money, then the COVID-19 pandemic and the subsequent lockdown disproportionately harmed low-income workers, who were nearly twice as likely as higher-paid employees to be furloughed, experience reduced hours or pay, or lose their jobs entirely.[5] However, largely as a result of the support offered by the government – in combination with fewer opportunities for spending during lockdown – the majority of the country kept a level of financial resilience that was perhaps unexpected: around one-in-ten households were in serious financial difficulties at this time, significantly lower than what was to come in 2022.[6]

By October 2022, the UK, as with many other EU nations, was in the grip of a cost-of-living crisis, and the number of households in serious financial difficulties had risen to 17%,[7] with the biggest increases for those on low incomes, single parents, disabled households and renters, among others. Several factors had pushed the level of inflation in the UK to levels not seen since the 1980s, and, notably, the cost of gas and electricity doubled in the 12 months to October 2022.

In the intervening years to the end of 2025, when the fieldwork for this report was conducted, the financial situation of low-income households had broadly levelled off but remained worse

[1] Davies, Finney & Hartfree (2016) Paying to be poor: uncovering the scale and nature of the poverty premium.
[2] Davies & Trend (2020) The poverty premium: A customer perspective
[3] Davies & Evans (2023) The poverty premium in 2022: progress and problems.
[4] De Lyon & Dhingra (2019) 'The impact of the Brexit vote on the economy is now clear'
[5] Cominetti & Slaughter (2020) Low pay Britain 2020
[6] Evans & Collard (2022) Prices rising, temperatures falling: the financial wellbeing of UK households in October 2022. Findings from the 7th Financial Fairness Tracker survey.
[7] Ibid.

than pre-2021.[8] While food prices and other household bills continued to be high, energy prices and the overall level of inflation had improved somewhat. However, in March 2026, at the time of writing, conflict has broken out in the Middle East, and this will likely result in a return to inflationary pressures, with the consequent negative impact that this will have.

The impacts of the changing economic context on the cost of essential goods and services highlights the importance, therefore, of implementing policy and regulation which aims to ensure those on low incomes are able to keep as much of their resources as possible. Many positive regulatory and market changes have occurred which have reduced or alleviated the poverty premium – which we go on to discuss in the next section.

Figure 1.1 – A timeline of significant events relating to the poverty premium in the UK, 2008-2026

2012	Welfare Reform Act initiated significant changes to social security, including the introduction of Universal Credit & PIP from 2013.
2014	Financial Conduct Authority (FCA) confirmed cap on total cost of High-Cost Short-Term credit.
2016	The UK voted to leave the EU. UoB calculated a poverty premium of £490 per year faced by low-income households.
2018	Legislation required Ofgem to introduce a cap on standard variable and fixed term 'default' tariffs.
2019	Second UoB study found a poverty premium of £478 per year.
2020	Coronavirus pandemic saw national lockdown, with millions furloughed.
2021	Transition period ended, completing the UK's departure from the EU.
2022	Russia invaded Ukraine, causing spike in energy bills and inflation of food costs. Interest rates, mortgage costs and inflation peaked in late 2022.
2023	FCA Consumer Duty came into force. UoB calculated the poverty premium had dropped to £217, largely driven by an inability to save money by switching energy provider.
2024	Ofgem announced removal of the poverty premium faced by those paying for energy using prepayment meters.
2025	FCA analysis of motor insurance data finds higher premiums paid in more ethnically diverse areas, driven by insurer assessment of risk
2026	FCA Premium Finance Market Study confirms extra costs facing insurance customers paying monthly (despite some improvement since 2022). Israel-US war with Iran triggers likely spike in energy prices.

Market and regulatory changes since 2016

In the past decade, many organisations have recognised that tackling the poverty premium is central to anti-poverty strategies. In 2018, Fair by Design was established by several

[8] Evans & Collard (2026) Stability or stagnation? The UK's difficult recovery from the cost-of-living crisis. Findings from the 13th Financial Wellbeing Tracker survey.

funders, including the Joseph Rowntree Foundation and Big Society Capital to address the poverty premium in two different ways: the Fund (managed by Ascension)[9] was to invest in ventures that make markets fairer, and the "campaign" to advocate for systemic policy change. The impact of the campaigning undertaken by the Fair by Design campaign[10] and other organisations may be seen in some of the policy and regulatory changes that have occurred in the last decade. Indeed, there were nearly as many mentions of the term 'poverty premium' in Parliament in 2022-23 alone as there had been in the entire preceding ten years,[11] along with significant interest shown by the All-Party Parliamentary Group on Poverty in 2018[12] and the Competition and Markets Authority (CMA) in 2019.[13]

This sustained interest appears to have had tangible effects for consumers, including through the regulation that has followed such as the review of Home-collected credit in the High Cost Credit review (2018), the Rent-to-Own (RTO) Price Cap (2019) (see below) and the Domestic Gas and Electricity (Tariff Cap) Act 2018, now commonly known as the Energy Price Cap, both of which represented unusually strong market intervention. Our report of the premium in 2022 evidences some of the impacts of these interventions.[14] The Institute and Faculty of Actuaries has also examined poverty premiums in insurance markets[15], noting the inequity of the monthly payment premium, and calling for the Financial Conduct Authority (FCA) to ensure that insurers are using risk-based pricing in a way that does not breach the Equality Act. Earlier actions by the FCA – clarifying expectations on treating customers fairly and banning the sale of extended warranties at the point of sale for rent-to-own goods – have further reduced poverty-related cost burdens.

Since our previous report, there has also been growing recognition that vulnerability in markets includes, and is often defined by, low income. The introduction of the Consumer Duty by the FCA in 2023, was an important milestone in the consumer protection landscape emphasising firms' responsibility to meet all consumer needs in financial services. Further regulation has also been introduced by the Government and then Ofgem to ensure that those on prepayment meters (PPM) pay no more than those who pay for gas and electricity by Direct Debit.

To explore the most recent changes in the relevant markets, prior to designing our survey questionnaire, we conducted a scoping stage, which consisted of a high-level literature review, as well as speaking to stakeholders, and those with professional and lived experience in the below areas.

Changes in the Energy market

It is in the energy market that we perhaps note the most direct link between the level and nature of poverty premiums incurred, and the policy and regulations enacted in this area. Evidence from analysis of the longitudinal survey *Understanding Society* confirms that those in poorer households were, on average, paying more per unit of energy compared with

[9] The Fair by Design Fund is no longer investing in new ventures
[10] "Fair by Design" refers to the Fair by Design campaign throughout the rest of this report
[11] Evans, Robinson & Davies (2024) Energy inefficiency as a 'poverty premium'. *Energy Research & Social Science,* 118. DOI:10.1016/j.erss.2024.103824
[12] APPG Poverty and Inequality (2019) Report on inquiry into the poverty premium
[13] Nat Cen (2019) Advice on the Measurement of the Poverty Premium across UK markets Prepared for the CMA
[14] Davies & Evans (2023) The poverty premium in 2022: progress and problems.
[15] Institute and Faculty of Actuaries and Fair By Design (2021) The hidden risks of being poor: the poverty premium in insurance

others, and that this poverty premium was fairly stable between 2011 and 2019.[16] In our report on the 2022 poverty premium, however, a combination of the introduction of an energy price cap in 2019, and the sudden spike in the price of gas and electricity after the invasion of Ukraine had simultaneously removed most of the poverty premium (as providers were no longer offering any fixed price tariffs lower than the price cap) while increasing the cost of gas and energy to record highs. Tariff prices have reduced since then, and fixed price tariffs have been re-emerging. However, since collecting the data for this study, conflict in the Middle East has increased the likelihood of a further surge, and indeed, has already impacted on oil prices for those who have domestic oil heating,[17] affecting those in Northern Ireland and rural Scotland particularly.

While the cap on the prepayment meters tariff was in fact the first tariff cap to be introduced, it was set at a higher level than the Direct Debit tariff, on the basis that it cost energy suppliers more to service those on a prepayment meter. These extra costs were reflected in higher standing charges. In 2024, standing charges between prepayment meter and Direct Debit were levelised, so that those who pay via prepayment meters did not pay more than those paying by other methods.[18]

The energy cost crisis has unsurprisingly triggered an increase in households falling into arrears with their energy costs, reaching a record high of nearly £4.5bn in 2025.[19] While research from 2024 found some evidence of people switching payment methods to manage rising bills,[20] since our first poverty premium report in 2016 there has been a fairly steady move away from paying on receipt of bill to paying by Direct Debit. Newer technologies, however, may further influence the way in which people pay for gas and electricity: it is now possible to adjust Direct Debit payments online, to pay using Variable Recurring Payments (VRP), and furthermore, smart meters offer more flexibility, particularly for those on prepayment meters, who can now top up without needing to go to a physical shop. Smart meters offer the possibility of accessing time of use tariffs which could save some households money, although stakeholders raised concerns that these tariffs would not benefit everyone, even if they are able to access them. Furthermore, reliability issues with smart meters may be off-putting to those who cannot afford to be overcharged.[21]

Energy inefficiency also has the potential to be considered a poverty premium, as we have discussed elsewhere previously.[22] While the relationship between income and living in efficient housing is not a straightforward one – due to social housing often having been brought up to higher efficiency standards – lower-income households can face various barriers to investing in efficiency measures, including an inability to afford upfront costs, lack of access to finance, and lack of control over rented accommodation, among others. As policy is increasingly aimed at achieving a low carbon future, then without consideration of

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[16] Rasanga, Harrison and Calabrese (2024) Measuring the energy poverty premium in Great Britain and identifying its main drivers based on longitudinal household survey data. *Energy Economics,* 136. DOI 10.1016/j.eneco.2024.107726
[17] The Irish News Home heating oil prices surge 41% to three year high in Northern Ireland on back of Middle East crisis (accessed 17 March 2026)
[18] Ofgem Changes to energy price cap between 1 April to 30 June 2024
[19] Ofgem (2025) Debt strategy update: supporting the reduction of energy debt
[20] Davies, S. and Collard, S. (2024) Flexible payments: Understanding payment needs in low income households University of Bristol
[21] Guardian 23 May 2024: Almost a third of household smart meters not working properly, says Citizens Advice accessed 23/03/26
[22] Evans, Robinson and Davies (2024) Energy inefficiency as a ‘poverty premium’. *Energy Research & Social Science,* 118. DOI: 10.1016/j.erss.2024.103824

these inequities, we would expect to see an increase in disparity in who reaps the benefits of energy efficiency, although the recently announced Warm Homes Programme may help to address some of this disparity.[23]

Changes in the Credit market

As with the energy market, during the last decade, there has been considerable regulatory change within the credit market. From the introduction of the cap on the total cost of credit in 2015, the FCA has endeavoured to reign in the more costly elements of credit. Regulatory intervention across the consumer credit market since then has focused on improving transparency, fairness, and consumer protection. In the credit card sector, measures have targeted persistent debt, required firms to identify customers at risk of financial difficulty, and prevented automatic credit limit increases without customer consent. Home-collected credit is now subject to stricter rules on repeat borrowing and clearer consumer information. Catalogue and store card providers must give more transparent product information and take greater responsibility for customers in long-term debt. The FCA has also reformed overdraft pricing to make costs simpler, more transparent, and easier to compare. In the rent-to-own sector, a price cap has been introduced to limit both the cost of products and the associated credit charges.

Nonetheless, in 2022, for those who were using higher cost credit, it remained one of the costliest poverty premiums to incur. Around the time of the report, the FCA introduced the Consumer Duty. While not quite as clear cut an intervention as a price cap, for example, this regulation has the potential to positively impact on some of the factors that feed into the poverty premium. In particular, the focus on providing fair value and the focus on delivering good outcomes for customers in vulnerable circumstances have the potential to reduce the credit poverty premium.

Two key concerns around credit use in low incomes households emerged in the scoping stage:

- The (lack of) availability of credit in the non-prime market
- Use of Buy Now Pay Later (BNPL)

Use of high-cost credit remains an issue for those on low or volatile incomes – a recent analysis of lending data from a social lender found that frequency of salary receipt and receipt of benefits, among other variables, increased vulnerability to this poverty premium.[24] However, over the last few years, there has been a significant decline in the size of the high-cost credit market.[25] High-cost short-term credit (HCSTC) loan values have declined from £2.5bn in 2013 to £244m in 2022 and home-collected credit from £1.2bn to £200m.[26] This decline is, in part, as a result the regulatory reform detailed above, which has resulted in better lending practices, and a decline in irresponsible, unaffordable lending; this is beneficial to those who are able to access credit, but may leave others – those with poor or non-existent credit scores – without anywhere to turn in an emergency, even if the lending would be affordable for them. A report by Clear Score (2024) estimated that offer rates for sub-prime users were around 20%, compared to 65% for near-prime users and over 80% for

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[23] UK Government (2026) Warm Homes Plan
[24] Rasanga, F, Harrison, T & Calabrese, R (2024) Understanding vulnerability to the poverty premium International Journal of Population Data Science
[25] CSJ (2025) Beyond the tipping point: Where after High Cost Credit?
[26] Fair4all Finance (2024) Access to credit and illegal lending

prime consumers.[27] Affordable credit may offer an alternative - the Community Finance and credit union market has grown considerably and Fair4All Finance, along with partners, have been piloting a No Interest Loan Scheme (NILS) since 2022.[28] The interim results find the scheme to be effective in reaching vulnerable borrowers, with relatively low default rates.[29] The default rates in credit unions, however, have been rising, potentially harming their sustainability.[30]

Nonetheless, the link between non-mainstream credit and low incomes persists; 23% of all high-cost loans and 41% of all pawnbroker advances are held by the lowest income households.[31] Similarly, in 2017 one in every twelve adults (8%) with an income under £15,000 borrowed from friends or family, by 2022 this figure was one in six (16%).[32] More worrying, concerns were raised about a potential increase in illegal money lending among those who are unable to access credit in any other way. Research from the CSJ in 2022[33] estimated that up to 1 million people could be borrowing from an illegal lender, and data from 2023 estimated that 3.3 million may have used illegal money lenders in the past 3 years.[34] An inability to access other credit is one of the main drivers behind this rise in lending – over 80% of those who attempted to borrow from legal sources before turning to illegal moneylending were refused.[35] However, while it was generally agreed that illegal lending was increasing, others saw the underlying cause more a consequence of the cost-of-living crisis, and debt problems.[36]

The second issue, the steep increase in use of Buy Now Pay Later (BNPL) is perhaps related to the drop in the availability of credit. As one interviewee noted "*you could argue that some of this lending that's been displaced has gone into Buy Now Pay Later*". Overall, BNPL use increased from 17% to 27% of UK adults from May 2022 to January 2023.[37] When used carefully, BNPL offers an interest-free way of spreading costs of buying essential goods, which could be beneficial to those who are unable to access mainstream credit. There is some evidence, however, that BNPL is being used by those who may be particularly financially vulnerable. A recent report found that BNPL users were more likely to:

- have a higher debt to income ratio,
- to use High-Cost Credit,
- and to have county court judgements (CCJs) and debt relief orders (DROs).[38]

It is clear, therefore, that caution is needed in the rise of BNPL use. Research into low paid, NHS workers by the University of Edinburgh confirms this: they found use of BNPL is displacing use of some non-traditional lenders,[39] and that many who use it are struggling with over indebtedness – nearly half of people in the sample (48%) had incurred debt enforcement and fines. Furthermore, while BNPL is offered free of interest, there is a risk of

[27] ClearScore and EY (2024) Building a non-prime lending market that delivers for UK consumers
[28] https://fair4allfinance.org.uk/our-strategy/no-interest-loan-scheme/
[29] PwC (2024) No interest loan scheme pilot: Process and impact evaluation 2nd interim report
[30] Bank of England (2025) Credit union quarterly statistics - 2025 Q2.
[31] Fair4All Finance (2024) Access to credit and illegal lending
[32] *Ibid*
[33] CSJ (2022) Swimming with sharks: Tackling illegal money lending in England
[34] Fair4all Finance (2024) Access to credit and illegal lending
[35] CSJ (2022) Swimming with sharks: Tackling illegal money lending in England
[36] https://www.responsible-credit.org.uk/posts/illegal-lending-new-evidence-from-the-debt-need-survey
[37] Fair4all Finance (2024) Access to credit and illegal lending
[38] Greenwood, M (2026) Buy Now Pay Later: A review of the markets, risks and trends Fair4all Finance
[39] Harrison, T., Andreeva, G., Garzon Roza, J. and Zhang, J. (2022) Financial Resilience and Credit Landscape of Public Sector Workers University of Edinburgh Business School

incurring fees for late payment. One estimate from 2024 was that nearly half of BNPL users had incurred such a fee.[40] While forthcoming regulation intends to provide consumers with clearer information (including on fees) and to improve affordability checks,[41] there are also concerns as to whether the forthcoming regulation on BNPL will remove access to this form of affordable credit for some who benefit from it.

Changes in the Insurance market

In 2023, insurance-related premiums comprised the largest part of the poverty premium. Since then, however, there have been both positive and negative changes. The premium charged for spreading the cost of insurance premiums over the year has come under scrutiny from the FCA, with the recent publication of the Premium Finance Market Study.[42] This examined whether insurance customers were getting good value if they chose this method of payment, and explored whether using the existing regulatory framework of the Consumer Duty, the expectation of conducting a fair value assessment, could encourage cheaper premium finance. The study found that, since 2022, the weighted average APR charged by firms in their sample had decreased – though the premium remains.

The market study on General Insurance Pricing Practices (GIPP),[43] published in 2025 also assessed how effective the remedies introduced via the GIPP in 2021[44] have been in other areas of discrimination, such as price walking, which penalises customers who do not shop around, or 'sludge practices', which discourage customers from switching. The report found that the GIPP was statistically significantly associated with a decrease in consumer prices in the motor market, and that switching rates changed in the expected direction after the GIPP remedies (i.e. fewer long-standing customers switched because they no longer faced a loyalty penalty).

On the other hand, questions have also been raised about whether certain groups are unfairly charged higher premiums than others. In 2024, Citizens Advice noted how those in debt, and particularly those from minoritised ethnic backgrounds were paying much higher premiums than others.[45] The FCA, in its analysis of pricing data provided by the insurance sector, argued the price differentials were largely associated with differences in expected and actual claims costs (indicators of risk).[46] They found evidence that those living in ethnically diverse areas typically face substantially higher premiums, but that this is because risk factors – such as collisions, vehicle-related crime and the number of younger, inexperienced drivers – are higher in these areas, raising insurers' expected claims cost. The Government's Motor Insurance Taskforce therefore concluded that no action on insurers' pricing models should be taken at this time.[47]

Finally, the ongoing cost of living crisis may be having two key negative impacts in the insurance markets, disproportionately affecting those on low incomes. First, that the increased, inflationary costs in the supply chain and in the cost of parts (i.e. that replacing a

[40] Buy now, pay later (BNPL) statistics UK
[41] FCA (2026) New protections confirmed for Buy Now Pay Later borrowers.
[42] FCA (2026) Premium Finance Market Study Final Report MS24/2
[43] FCA (2025) An evaluation of our general insurance pricing practices (GIPP) remedies EP25/2:
[44] FCA (2021) General insurance pricing practices market study: feedback to CP20/19 and final rules PS21/5:
[45] Maughan, C., San, J. & Rahman, L. (2024) Popping the bonnet: Exploring affordability issues in car insurance and the ethnicity penalty Citizens Advice
[46] Barakov, D. et al (2025) Motor Insurance Pricing and Local Area Ethnicity in England and Wales FCA Research Note
[47] Department for Transport / HM Treasury (2025) Motor Insurance Taskforce: Final report and actions.

hi-tech wing mirror is more expensive than a basic one) had resulted in higher premium costs. The impact of these higher costs, along with the general pressure that increased costs has put on households' budgets, raises concerns about whether people will still be able to afford the insurances that they need. The findings from the 2024 Financial Lives Survey, for example, found a fall in insurance product holding among adults aged 25-34, but an increase among those aged 55 and over.[48] Furthermore, in the 25-34 age group in our survey, nearly one-in-six (17%) said they cancelled, reduced cover or chose not to purchase an insurance policy to save money or because they couldn't afford the premiums. Others were similarly struggling to afford insurance; 16% of those from a minority ethnic group had taken at least one of those actions compared with only 12% from a non-minority ethnic group, as had 16% of renters. Levels of holding motor insurance had also decreased across these three population groups, with statistically significant drops in holding among those with a mixed ethnicity background (8% drop), an Asian/ Asian British background (6%), among those aged 25-34 (6% drop), 35-44 (4% drop) and among renters (2%).

Methods

This study aims to build on the previous studies conducted in 2016, 2019 and 2022. As with our 2022 study, while we kept many of the questions asked in the survey the same, we have adapted, removed or added questions to reflect changes in the external environment since then. To ensure that we were capturing the poverty premium accurately, we conducted a **scoping stage**: this involved a high-level review of relevant literature since 2022, 8 interviews with stakeholders and experts across the relevant sectors, and a focus group of 12 lived experience experts. We also recruited a steering group – including two members with lived experience of paying poverty premiums – to guide the process and provide feedback on the research. In the following section we describe those premiums that were – and were not – included in the final research.

Once the questionnaire was finalised, Ipsos conducted a **telephone survey** of a representative sample of 6,159 people, who were then screened to include only the 1,040 respondents whose household income was below 70% median income (after housing costs (AHC) and equivalised for household size).[49] The survey included a 20% ethnic minority boost to improve representation among ethnic groups that would otherwise have sample sizes too small to conduct meaningful statistical analysis.

Representative costs for each component of the poverty premium were then calculated using a **desk-based costing exercise**. As with the survey questions, while we replicate the costing approaches used in previous studies where appropriate, for some premiums we have been able to make use of more detailed costing data, thereby more accurately reflecting the costs likely incurred by our sample. This means that results in some instances are not directly comparable with our previous reports.

The survey data were merged with our costing data, with each respondent being assigned an estimated premium cost for each component based on their survey answers. In some

[48] FCA (2025) General insurance & protection Financial Lives 2024 survey

[49] As in 2016 and 2022, we define low-income households as those with an income of 70% of median income or below, after housing costs. This definition is higher than the standard 'poverty line' measure of 60 per cent of median income widely used in UK research. We use the term 'low-income households' to describe the population of those in or near poverty.

instances, we apply an average cost to all respondents incurring a given premium, while for some premiums we were able to differentiate costs based on various household characteristics, including household size, region and respondent age. From this, we then produce analysis showing the prevalence of each poverty premium, the costs incurred, and how premiums vary across different types of households.

Full details about the research methods are provided separately in Appendix 2, while Appendix 1 (at the end of this document) contains more detailed results.

Poverty premiums in 2026

Poverty premiums included in the calculation

As previously mentioned, prior to running the survey, we undertook several exercises to ensure that we were effectively reflecting the poverty premium as it was experienced at the end of 2025. This scoping stage included a high-level literature review, stakeholder interviews, a lived experience focus group, as well as input from a steering group. These enabled us to consider which poverty premiums were most important to include, and how we should measure them. Table 1.1 gives an overview of the premiums included in this study.

Table 1.1 – Poverty premiums included in this study

Market	Premium	New for 2025/26 study?	Methodology updated?
Energy	Method of paying for gas and electricity (on receipt of bill / standard credit or prepayment)	-	Yes
	Whether switched to the cheapest tariff	-	Yes
Insurance	Premium finance costs for paying monthly	-	Yes
	Area-based premiums for home contents and motor insurance (associated with living in deprived area)	-	Yes
	Single item insurance: mobile phones and appliances	-	No
Access to money and credit	Withdrawing cash from fee-charging ATMs	-	No
	Cost of borrowing via high-cost credit	-	Yes
	Costs of late fees for using mainstream credit or Buy Now Pay Later (BNPL)	New	New
	Costs of unarranged overdrafts or Earned Wage Access (EWA) schemes	New	New
Food	Buying groceries from more expensive convenience stores (rather than larger stores)	-	Yes
Paper billing	Paying to receive a paper bill	Measured in 2016, not 2022	No

The majority of these premiums were included in the previous survey in 2022/23; however, we have amended how some of the questions have been asked, and notably, have used more sophisticated methods for calculating the assumed costs (see appendix for full details).

In addition to data on the poverty premiums themselves, we also included survey questions related to the issues of access to essential goods or services. These included: not being able to afford insurance that is otherwise needed; being declined for credit; falling behind on energy bills; self-disconnecting from gas/electricity; and food bank usage. As in previous surveys, we captured a range of socio-economic and demographic information to aid our understanding of who incurs which premiums.

Poverty premiums excluded from the calculation

We also identified other poverty premiums which we were unable to include in this study (Table 1.2), and below we discuss some which were not included in this study, and why.

Given that *measuring* the impact of the poverty premium is a key aim of this study, we have focussed on the most commonly incurred poverty premiums:

1. We have excluded premiums where it is not clear that there is a consistent disadvantage for people on low incomes. For example, we considered whether different ways of paying for water and sewage bills created a disadvantage for those in or near poverty but concluded that there was no consistent disadvantage as using a water meter may be the best choice for some, but paying a fixed amount may be better for others, depending on household size and water needs. This makes it difficult to conclude whether one of these is more likely to create a poverty premium than the other.
2. Some premiums could only have an impact on certain types of people on low incomes, and we have largely excluded these from our analysis. For example, transport-based premiums can be very reflective of whether someone lives in an urban or rural area, of the type of job that they do, and during what hours they need to travel. Those who work part time – often those who are lower paid, and often mothers – pay a higher daily rate to commute than those who can buy a season ticket. Some professions, care workers for example, may be effectively forced to run a car, as it would be impossible to do their job without one. This makes it difficult to calculate a likely poverty premium as there are so many potential factors and variations.

Furthermore, aside from transport, while there are other clear examples of a rural poverty premium,[50] such as distance from good value shops,[51] or from banks or ATMs to access financials services, we are only including these insofar as they may be incurred by anyone in or near poverty.

However, this is not to detract from the heterogeneity of the experience of poverty, and we analyse the data to try and understand which types of low-income households are most vulnerable to which types of poverty premium.

One area where the link between low income and higher costs is pronounced and can result in poverty premiums is that of tenure. While low income households are most

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[50] Shucksmith, M, Glass, J., Chapman, P. and Atterton, J. (2023) Poverty and social exclusion in rural Britain: a review, Rural Poverty Today pp. 17 - 39

[51] Revoredo-Giha, C. and Russo, C. (2022) Food Expensiveness in Scotland's Remote Areas: An Analysis of Household Food Purchase, Rural Sociology 88:1: 32-70

overrepresented within the social rented sector, they also disproportionately live in the private rented sector. [52] As well as some of the issues with energy inefficiency previously noted, those in the private rental sector often face the costs of an unwanted move, and over the last few years, of housing costs increasing at a higher rate than for homeowners. The extra costs (or lost equity) of renting a property compared with owning it could also be considered a poverty premium by some, but is not one we focus on in this report.

We also identified premiums that do not necessarily arise as a result of having constrained finances, but that may be considerably more damaging to those who do. In recent years, the cost of migrating to the UK has become much higher,[53] with an annual cost of £1,035 for the Immigration Heath Surcharge, and with costs for applications to remain indefinitely of over £3,000 per applicant, including dependents.

Scope, the disability charity, has highlighted the extra costs that those with disability pay, as a direct result of their disability. They estimated that in 2024, on average, disabled households may need around £1,067 extra per month, for an equivalent standard of living as non-disabled households.[54] Clearly the costs of disability would be much harder to bear for those in or near poverty, nonetheless these costs sit outside the scope of our exercise.

Other costs were similarly excluded, although they disproportionately impact on mothers, particularly those on low income. Parents on Universal Credit are only able to reclaim up to 85% of childcare costs,[55] and will have to pay upfront for them, and those with irregular or unusual working hours may struggle to claim for the childcare hours they need to do their job.[56]

Table 1.2 – Potential poverty premiums excluded from the study

Premium	Population impacted
Transport / geographical	
Interest on travel season ticket	Commuters unable to buy tickets outright Part time workers (often lower paid)
Higher travel-to-work costs	Those who cannot afford to live close work Those who work unusual hours Those who cannot afford a car
Transport costs for shopping	Those without cars who need to travel for good value shopping
Energy related	
Implementing energy efficiency measures	Low-income homeowners Renters where landlords do not address energy efficiency

[52] Gov UK (2025) English Housing Survey 2022 to 2023: Rented sectors
[53] House of Commons Library (2026) UK immigration fees
[54] Scope (2024) Disability Price Tag 2024
[55] Gov UK Guidance (2025) Universal Credit childcare costs
[56] Davies, S., Evans, J., & Cross, K. (2025). Stigma in the system: Experiences of the UK social security system.

The cost of heating an energy inefficient house	All low-income households in energy inefficient housing
Inability to afford to maintain / repair house to a decent standard	Low-income homeowners
Impact of cancelling boiler insurance	Low-income homeowners
Capacity to take advantage of agile pricing	Those not around at the cheapest times, or who have continual energy needs
Insurance costs	
Cost of cladding / flooding risks	Specific homeowners
Immigration costs	
NHS surcharge	New immigrants regardless of income, however, for low-income immigrants, a much bigger percentage of wages
Visa costs	
Requalification costs	
General	
Health impacts or on-costs of 'going without'	Low income, often older people who cut back on energy usage, food, etc.,
Costs of private renting, such as the cost of more frequent or forced moves, lost deposits	Private renters, who are more likely to be low income
Costs of not being able to shop around	Those who are digitally excluded, often older, and lower income

Structure of this report

In Chapter 2, we present the findings of our survey and analysis, focusing in turn on each market and its specific poverty premium components. We explore what costs are incurred and how many low-income households they affect, before then considering what types of households are most likely to be affected. In Chapter 3, we then bring together these analyses to examine the poverty premium as a whole. We also present analysis of four particular profiles of households, showing what combinations of premiums they face and why. Finally, in Chapter 4, we offer some conclusions and implications for policy.

2 Results: Components of the poverty premium

In this section, we detail the results of the research, providing a breakdown of poverty premiums across each of the following markets: **energy**, **insurance**, **access to finance**, **food**, and **paper-billing**.

For each market, we begin by exploring the costs incurred under each premium before looking at the proportion of low-income households that experience these costs. We then consider which types of households were more or less likely to face each premium.

Energy

The poverty premiums related to energy are incurred through two main routes: the method of payment and whether the household is on the cheapest tariff available to them.[57] As such, there are a number of different energy poverty premiums that we explore. Please note that the figures reported in this section are not based on a like-for-like comparison of all households which assumes a standard level of consumption and takes GB-wide average tariffs; rather, the figures reflect the regional make-up and household size of those who pay in a given way. For example, if low-income households on the Energy Price Cap were disproportionately based in the North West or Wales, where electricity unit rates are relatively high, and if these households were larger than average, we would expect their overall energy consumption to be higher and more expensive than it otherwise might have been. These higher prices would slightly increase the size of the poverty premium they face, despite the fact that the calculation remains the same; we calculate each premium as the extra cost that each household pays relative to what that exact same household would pay if they had been paying in the cheapest way.

As shown in Table 2.1, the cheapest method (and the only way to avoid paying the poverty premium in this area[58]) is paying by Direct Debit having switched to a fixed rate tariff. This is the benchmark cost against which all other energy premiums are measured. Those who paid for electricity by Direct Debit but were on tariffs that reflected the Energy Price Cap paid on average around £95 more annually than they would have if they had switched (although the true value of this depends on which direction the energy price cap subsequently goes in – if it decreases, the poverty premium decreases; whereas if it increases (as it looks set to), the poverty premium increases). For those paying for mains gas in this manner, the average premium was £76. Collectively, this means that a typical dual fuel household paying in this way would face an annual premium of £171. We consider this a poverty premium because low-income households often face more barriers to switching to the cheapest supplier / tariff, such as digital exclusion or time poverty.

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[57] In recent years, switching to a fixed rate has generally been cheaper than remaining on the Energy Price Cap, though this is not guaranteed – it depends on market expectations at a given time and whether the price cap goes up or down.
[58] Other than not paying for energy directly (for example, if it is included in rental payments).

While those using prepayment meters are no longer charged more than those paying by Direct Debit via tariffs based on the Energy Price Cap, most suppliers do not offer better value, fixed price tariffs for those paying by prepayment meter.[59] We assume therefore that prepayment customers are paying a tariff at the Energy Price Cap. We estimate, that on average, those paying by prepayment meters pay around £75 more for electricity and £56 more for gas than the best price they would otherwise have access to (if on a fixed, Direct Debit deal). This equates to £129 per year if on prepayment for both gas and electricity.

Those who pay on receipt of bill (standard credit) and are on a tariff linked to the Energy Price Cap incur the most substantial premiums. In this instance, those paying for electricity in this way would pay an additional £148 per year as a result of higher unit rates and standing charges, with an equivalent figure of £127 for gas. For dual fuel customers, we therefore see an average premium of £271 per year. If they switched to the best available fixed rate tariff available to those paying by standard credit (rather than remaining on a tariff linked to the Energy Price Cap) the poverty premium drops to only £20 for electricity and £10 for gas, or £30 for dual fuel customers. This means that a household on the default tariff paying on receipt of bill could expect to save £241 (£271 - £30) per year on their dual fuel bill by switching to the best deal or could save £100 per year by changing payment method to Direct Debit (£271-£171).

Table 2.1 – Average poverty premiums paid for electricity and gas (per year), depending on method of payment and tariff type. Poverty premium is the additional cost compared to being on a fixed rate tariff paying by Direct Debit.

Poverty premium incurred?	Method of payment	Tariff	Electricity	Mains Gas	Dual fuel customer
No	Direct Debit	Fixed rate	£0	£0	£0
Yes	Direct Debit	Energy Price Cap	£95	£76	£171
Yes	Pay on receipt of bill	Fixed rate	£20	£10	£30
Yes	Pay on receipt of bill	Energy Price Cap	£148	£127	£271
Yes	Prepayment	Energy Price Cap	£75	£56	£129
No	Don’t pay for electricity / mains gas		£0	£0	£0

Notes: mean average given. Premium reflects the difference between a household’s annual bill paying in this way, compared with what that same household would have paid if they had been paying a fixed rate tariff via Direct Debit. Gas premiums only relate to mains gas and therefore do not reflect what those off the gas grid would pay. Those who were unsure what type of tariff they pay were assumed to be on the Energy Price Cap, while those on a multi-rate/time of use tariff were assumed to be on the equivalent of a fixed rate tariff (although ultimately this will depend on how they use their energy).

The majority of the energy poverty premium in 2026 therefore is created by someone not being on the best tariff, rather than which payment method is used (although those on prepayment meters were unable to switch regardless). This switching premium had disappeared completely in the previous report as there were no fixed price tariffs available in September 2022. The cost of energy at that point, however, had risen dramatically and in

[59] Which? (2026) ‘Prepayment energy meters explained.’

fact, low-income households would have been struggling even more than they were in 2016. In 2016, the poverty premium for not switching was £233 across gas and electricity and the comparable figure in 2026 is £171 (for a household paying by Direct Debit), and, as we explore in Table 2.2, fewer people incur the energy premium in 2026 than did in 2016. Low-income households still face more barriers to switching to the cheapest supplier / tariff, such as digital exclusion or time poverty, as well as having well-founded reasons for risk aversion or a need for close budgeting.[60,61] As the market for fixed energy tariffs had reemerged at the start of 2026 (albeit shakily), then those in or near poverty could end up paying more than more affluent households.

In reality, these figures will vary household to household based on a range of factors that affect energy consumption. The energy efficiency of the house, as well as the needs of the residents, will affect how much gas and electricity they use; and we have previously found evidence that a range of barriers can contribute towards those in lower-income quintiles being less likely to live in efficient housing (especially in the private rented sector).[62] This means households may require more energy to achieve similar levels of thermal comfort. Many low-income households may of course under-heat their homes in order to save money, an issue potentially exacerbated by the poverty premium (which is why we estimate premiums on the basis of a 'standard' level of consumption, rather than asking low-income households how much they spend on their energy bills).

It should also be noted that here we make no attempt to calculate a poverty premium[63] for those whose main source of heating is not a gas boiler connected to the mains grid (23% of our low-income sample). This includes the 5% of respondents whose main heating was oil-based and who have been the subject of a CMA investigation as a result of conflict in the Middle East in early 2026.[64]

Table 2.2 – Percentage of low-income households incurring each form of premium

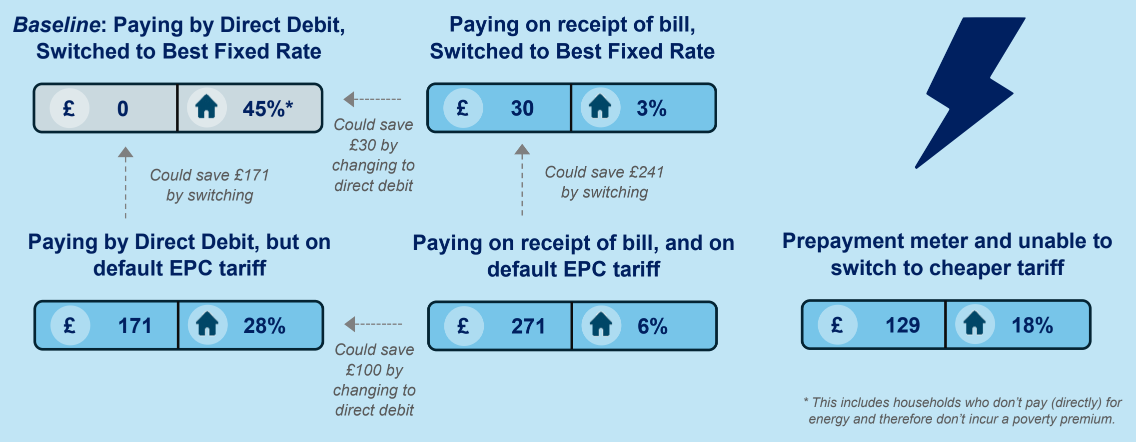
Method of payment	Tariff	Electricity	Mains Gas
Direct Debit	Energy Price Cap	27%	22%
Direct Debit	Unknown	4%	4%
Pay on receipt of bill	Fixed rate	2%	2%
Pay on receipt of bill	Energy Price Cap	6%	4%
Pay on receipt of bill	Unknown	1%	1%
Prepayment	Energy Price Cap	17%	12%
Any	Multi-rate	5%	3%
Any form of energy-related poverty premium		**58%**	**44%**
As above, excluding those who don't pay for gas / electric		**62%**	**60%**
No energy-related poverty premium:			
Don't pay for electricity / mains gas		6%	27%
Direct Debit	Fixed rate	31%	26%

[60] Davies, Finney & Hartfree (2016) Paying to be poor: uncovering the scale and nature of the poverty premium.
[61] Davies & Trend (2020) The poverty premium: A customer perspective
[62] Evans, Robinson & Davies (2024) Energy inefficiency as a 'poverty premium'. *Energy Research & Social Science,* 118. (https://doi.org/10.1016/j.erss.2024.103824)
[63] These households would still be subject to any electricity-related poverty premium, if applicable.
[64] Competition and Markets Authority (2026) CMA examines concerns about heating oil.

Nevertheless, excluding those who don't pay for electricity or mains gas respectively, we find that approximately three-in-five households face an electricity-related premium of some kind (62%) or a mains gas-related one (60%) (see Table 2.2). These figures drop to 58% and 44% respectively if we base our analysis on all low-income households in the sample, but combined this still equates to 59% of all low-income households incurring an energy-related premium. The most common form of premium was for those paying by Direct Debit but on an Energy Price Cap tariff: 27% of low-income households incurred this for electricity and 22% for gas. The cost of the poverty premium is even higher for those who are both on an Energy Price Cap tariff and who pay on receipt of bill. However, as it is much more common for people to pay via Direct Debit, it is being on the Energy Price Cap tariff, rather than a better tariff, that accounts for as much as 58% of the total value of energy-related poverty premiums paid by low-income consumers. Prepayment meters were a little less common – 17% for electricity and 12% for gas – while paying on receipt of bill on an Energy Price Capped tariff was rarer still (6% for electricity and 4% for gas). Other methods were all below 5% of low-income households, as shown in Table 2.2.

Focusing only on dual-fuel customers, we find that 45% pay no energy-related poverty premium, while 55% do. The most common premium was for those paying by direct debit but who had not switched to the best tariff (28%, incurring a premium of £171 on average), followed by those on prepayment meters (18%, incurring a premium of £129). Around 6% of dual-fuel customers faced a significant £271 premium for paying on receipt of bill and being on the default EPC tariff, while 3% were paying on receipt of bill but *had* switched to the best deal (incurring a much lower premium of £30).

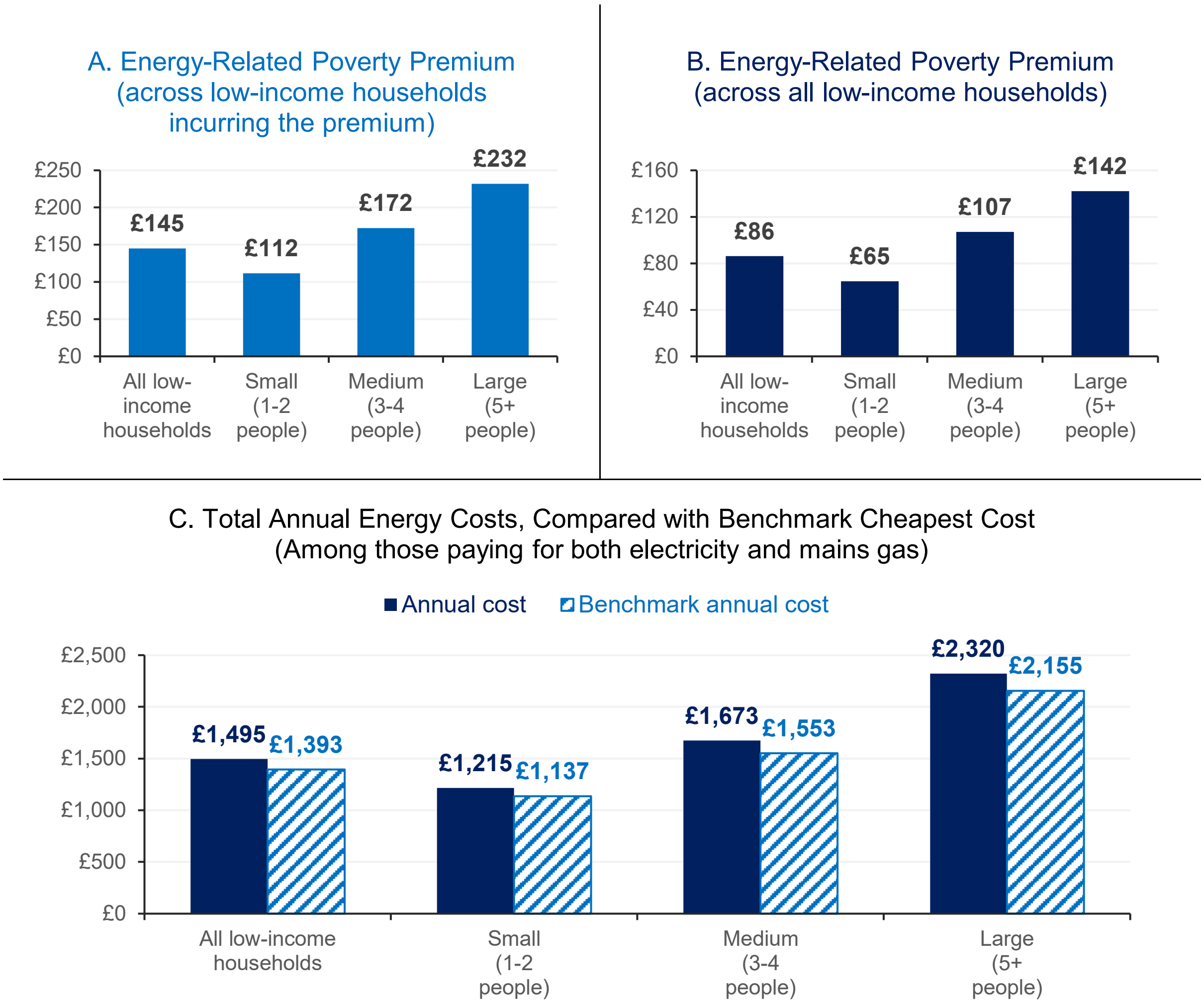
Box 2.1 – Energy-related poverty premiums (dual-fuel customers only)



Overall energy premium costs

We estimate that on average, across the 59% of households incurring some form of energy-related premium, the poverty premium for paying for energy is £145 per year, ranging from £112 for the smallest households (1-2 occupants) to £232 for larger households (5+ occupants) (Figure 2.1a). This is the average across all payment methods and tariffs, combining both gas- and electricity-related premiums. If we include those who incur no premium at all, the average drops to £86 per year, ranging from £65 for the smallest households (1-2 occupants) to £142 for larger households (5+ occupants) (Figure 2.1b).

Figure 2.1 – Estimated energy-related poverty premium among those incurring the premium (A) and for all low-income households (B), plus total estimated annual energy costs for those paying for both electricity and mains gas (C), by household size



We did not produce comparable figures in our 2022-23 report, but overall, the composition of the energy poverty premium has changed substantially. Any increase in the energy poverty premium in 2025-26 compared with 2022-23 is largely due to the reintroduction of fixed rate tariffs, starting in the middle of 2023. One element of the energy poverty premium that did in fact improve over time was the removal of the prepayment meter standard tariff poverty premium, effective from the 1st April 2024, which had been £46 for a dual fuel customer in 2022. It is in fact, now cheaper to pay by prepayment than Direct Debit if on the Energy Price Cap, and so this element of the poverty premium has disappeared. However, the absence of the ability to access the best fixed rate tariffs on prepayment means prepaying customers are still likely to be paying an extra £129 annually – an element of the premium which did not exist in 2022 as no fixed tariffs existed. So overall, in 2026, this poverty premium is higher.

The premium for paying on receipt of bill has remained of a similar scale over time: £271 for a dual fuel customer now (£206 in 2022[65]). As noted previously, this masks the fact that the

[65] Please note that these figures are not directly comparable, as we are using more sophisticated methodology here, which treats electricity and gas separately, and takes into account regional pricing and household size.

portion of this related to payment method has decreased to approximately £100 as a result of lower energy prices, with the increase mostly related to the re-emergence of the best fixed rate tariffs.

Figure 2.1c gives estimates of total annual energy costs currently incurred by households who were paying for both electricity and mains gas – and what they would pay if they were instead paying by Direct Debit on the cheapest available tariff (although many households are not in a position to pay by this method[66]). On average, it means that such households pay £1,495 in total annually for their energy, rather than £1,393. On a monthly basis, this is equivalent to the difference between paying £125 and £116. For larger households, the annual cost is £2,320 (£193 per month), whereas the benchmark cost would be £2,155 (£180 per month).The impacts of these premiums can be significant. One-in-twelve (8%) of our survey respondents reported having fallen behind with their energy bills in the past 12 months, while one-in-fifty (2%) said they had to self-disconnect from gas or electricity, i.e. avoided using energy altogether as a result of the cost pressures.

What types of households incur these premiums?

Some poverty premiums are more common among certain types of households than others. Table 2.3 gives the results of regression models which sheds light on these, allowing us to explore relationships between household characteristics and a given way of paying for energy, while controlling for other household characteristics.

Perhaps unsurprisingly, internet usage is most strongly linked to being on the best tariff: those who used the internet for many tasks were more than twice as likely to be on a fixed rate, Direct Debit tariff than those who only used the internet for some tasks. People who didn’t use the internet at all were three times as likely to be on an Energy Price Cap tariff, regardless of which payment method they used.

As we have found in previous research conducted in 2019, ethnic background can also be linked to significant differences in methods of paying for gas and electricity.[67] People from a Black ethnic background were three times more likely to pay on receipt of bill, than those from a white background, as well as being nearly twice as likely to be on the Energy Price Cap. People from an Asian background or a mixed ethnic background were also more likely to be on the cap than those from a white background, although the increase in likelihood wasn’t statistically significant.

People from an Asian background were, however, the least likely to pay for gas and electricity via a prepayment meter. Other factors significantly linked with increased likelihood of using prepayment were being a social housing tenant, receiving benefits, living in an area of high deprivation, or living in Scotland. The factors associated with being on the best deal, however, were being aged between 25 and 39, high internet usage, and (albeit not to a significant level) having either a higher or lower income than was average for the age group.

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[66] Davies, S. and Collard, S. (2024) Flexible payments: Understanding payment needs in low income households University of Bristol
[67] Davies & Collings (2021) The inequality of poverty: exploring the link between the poverty premium and protected characteristics.

Table 2.3 – Regression models predicting likelihood of different ways of paying for energy. Odds Ratios shown, where value above 1 indicates increased likelihood and value below 1 indicates decreased likelihood. Bold values are statistically significant.

Variable	Fixed rate, Direct Debit	Energy Price Cap	Prepay-ment meter	Pay on receipt of bill	Don't pay for elec-tricity
Age group (Ref = 40-59)					
18-24	1.38	**0.49**	0.72	2.50	**31.54**
25-39	**2.23**	**0.49**	0.80	1.21	**11.02**
60-74	1.28	0.97	**0.40**	1.68	3.62
75 plus	1.34	0.87	**0.11**	1.51	3.19
Household composition (Ref = Single adult, no children)					
Two adults, no children	1.57	**0.59**	1.52	0.55	1.22
Single adult, with children	0.72	1.30	0.66	0.34	0.23
Two adults, with children	0.86	0.93	1.41	**0.28**	0.24
Three or more adults, no children	0.96	0.80	1.14	0.74	1.62
Three or more adults, with children	1.22	**0.53**	1.43	0.53	0.00
Housing tenure (Ref = Owned outright / no costs)					
Owned with mortgage	1.45	1.37	0.91	0.95	0.53
Social rental	0.91	1.12	**2.63**	0.65	2.64
Private rental	1.43	0.78	1.79	1.18	**3.17**
Work status (Ref = Full-time work)					
Part-time work	1.00	1.42	0.63	1.01	3.13
Retired	1.19	1.09	0.75	0.77	3.70
Not working for another reason	0.69	**1.53**	0.98	1.00	1.86
Nation (Ref = England)					
Scotland	0.97	0.90	**2.06**	0.50	1.01
Wales	1.17	1.25	1.64	0.61	0.73
Ethnic group (Ref = White)					
Asian	1.13	1.74	**0.32**	1.46	0.54
Black	0.52	**1.92**	0.97	**3.02**	0.98
Other or Mixed	**0.17**	**3.42**	**2.18**	1.95	0.92
Income by age (Ref = Mid-income for age)					
Low income for age	1.22	0.79	1.09	1.13	1.86
High income for age	1.53	0.79	0.75	1.31	0.33
Receives benefits	0.75	1.25	**1.79**	1.26	0.87
Index of multiple deprivation (Ref = 3rd quintile)					
Most deprived quintile	0.84	0.93	**3.20**	0.73	0.70
2nd quintile	0.65	1.34	**3.14**	1.34	0.55
4th quintile	**1.68**	**0.54**	1.22	0.70	0.98
Least deprived quintile	1.21	0.77	0.75	0.39	2.31
Internet use (Ref = Internet used for some tasks)					
Don't use internet	0.59	**3.29**	1.42	1.56	**3.80**
Internet used for specific tasks	1.19	0.75	**2.06**	1.55	1.24
Internet used for many tasks	**2.19**	**0.69**	**0.44**	1.14	1.09
On the mains gas grid?	**1.46**	1.24	1.06	0.80	**0.38**
Constant	0.17	1.24	0.09	0.11	0.00

Notes: Binary logistic regression used, with each column being a different model. Those who don't pay for electricity or gas and those who don't know what kind of tariff they are on were excluded from the first four models, leaving a sample size of 817. The sample size of the final column is 928, as it includes those who don't pay for electricity. Statistical significance indicated in bold, where $p<0.05$.

Insurance

We explore insurance-related poverty premiums that occur via a number of mechanisms:

- The extra cost of premium finance, for paying monthly for insurance (home and motor), rather than in a single annual payment.
- The additional cost of paying for insurance associated with living in a more deprived area (largely connected to insurer's assessment of the extra risks of, for example, vehicle-related or other crime, and road traffic collisions).
- The cost of insuring single items, such as purchasing household appliance insurance (or paid-for extended warranties) and mobile phone insurance – rather than being able to pay in full for a replacement.

The poverty premium is pricing people out of essential cover

These were all premiums that were identified as part of our original 2016 research, often reflecting the lack of choice that low-income consumers had in insurance markets. Since then, however, the situation for many households in these circumstances has deteriorated further, to the point where more households are going without insurance. In the past 12 months, 3% of respondents reported cancelling an insurance policy that they still needed, while others had gone without altogether. Table 2.4 gives the percentage of low-income households who reported holding each type of insurance asked about, and the reason given for not holding it among those who didn't. The reasons differentiate between those who simply do not need the insurance product, to those who cannot afford it and those who 'don't think it is worth it' – which reflects concerns around value-for-money, not solely affordability.

Table 2.4 – Percentage of low-income households who do and don't hold different types of insurance, and the reason given for not holding it

			Reason for not having this product			
Type of insurance	Have this	Don't have this	Do not need	Cannot afford	Don't think it is worth it	Don't know
Car, motorbike or any other vehicle insurance	61%	39%	34%	3%	1%	1%
Home contents insurance	51%	49%	11%	19%	12%	6%
Buildings insurance	41%	59%	38%	11%	3%	6%
Insurance or paid-for extended warranties on kitchen / elec. appliances	22%	78%	30%	13%	32%	3%
Mobile phone insurance	20%	80%	31%	13%	32%	3%
Pet insurance	18%	82%	59%	12%	8%	2%
Income protection insurance	6%	94%	51%	21%	15%	8%
None of these	16%	84%				

Notes: all figures presented give the percentage of all low-income households. This means that, within a given row, the percentages given in the final four columns should add up the value given in the 'Don't have this' column (with the exception of small differences due to rounding).

This reveals that home contents insurance and income protection insurance were the products most likely to be rejected as a result of affordability concerns, with 19% of all low-income households choosing to go without the former due to affordability and 21% for the latter. The top reason for going without income protection insurance, however, was feeling that they did not need it (51% of all low-income households). A lack of need was also the main reason why households chose to go without vehicle, buildings or pet insurance; whereas the most common reason for not holding appliance or mobile phone insurance was feeling that it wasn't worth it.

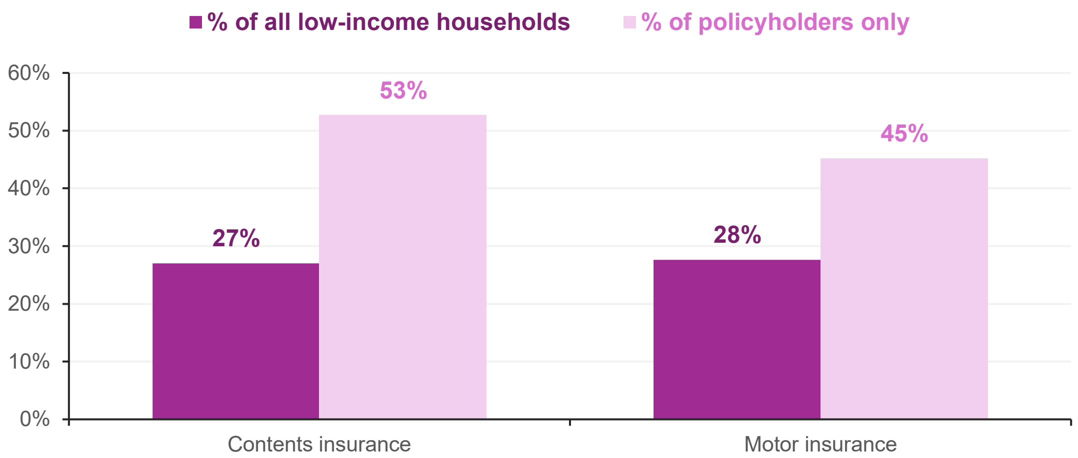
There were few differences amongst those who were going without insurances because they couldn't afford it. Broadly speaking, those who received income-related benefits were more likely to go without insurances because of affordability concerns, notably home contents insurance, mobile phone insurance, extended warranties and pet insurance. Age was also a factor in perceived inability to afford certain insurances; those 39 or under were significantly more likely than those in some older age groups to be unable to afford income protection, extended warranties or mobile phone insurance.

What percentage of households incur these premiums?

Half (53%) of low-income households who hold contents insurance incur a poverty premium for paying monthly (Figure 2.2), while 42% incur a deprivation-related poverty premium (Figure 2.3). As not all households hold this insurance, this equates to 27% and 22% of all low-income households respectively.

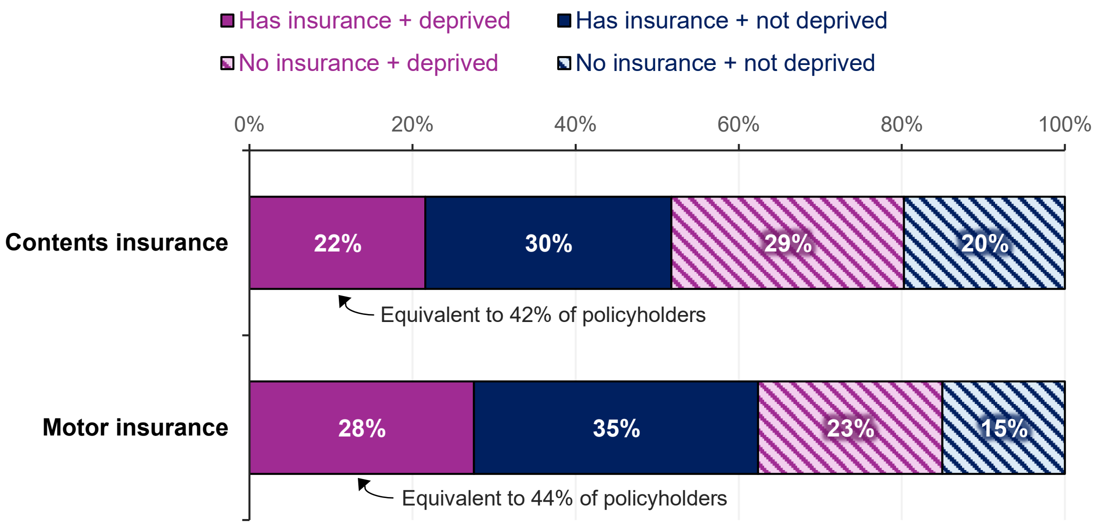
For motor insurance, 45% of policyholders reported paying monthly (Figure 2.2) and 44% lived in a deprived area (Figure 2.3), thereby incurring a premium. Again, as not all households have a car, these figures drop if looking at the entire population of low-income households (with or without a car): both to 28%.

Figure 2.2 – Percentage of low-income households and policyholders paying monthly for their contents or motor insurance



Notes: Sample sizes for policyholders are 571 for contents insurance and 674 for motor insurance.

Figure 2.3 – Break-down of insurance-holding and deprivation among all low-income households, for home contents and motor insurance



Notes: deprivation data not available for all respondents, reducing sample size to 954. This also means that figures in this analysis may not sum-up exactly to totals for overall insurance-holding reported elsewhere. 'Deprived' here refers to living in the bottom two deprivation quintiles.

The proportion incurring the premium for having household appliance insurance has dropped from 27% in 2022 to 22% this year. However, in 2016, just 13% reported having insurance for specific household items like kitchen appliances. The propensity to have mobile phone insurance has remained steady with the proportion of low-income households insured staying at 20% this year compared with 21% in 2022.

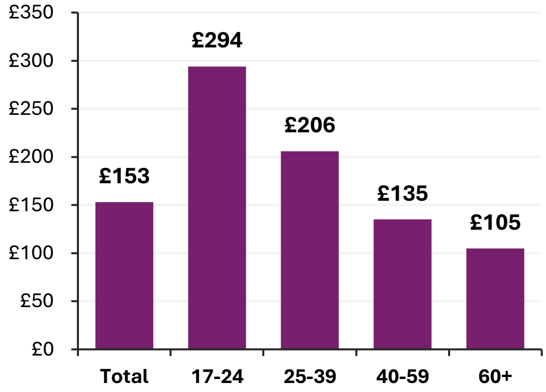
Overall insurance premium costs

The FCA's assessment of the costs of premium finance shows that paying monthly, rather than annually, pushes the average cost of motor insurance up by 10% and by 8% for home insurance.[68] On a typical home contents insurance policy of £122,[69] this means a poverty premium of £9 per year (not including any additional premium paid by mortgagors on their buildings insurance). The average poverty premium paid by those paying monthly for motor insurance is £71 per year, but this ranges from £48 for those aged 60 and over to £181 per year for 17-to-19-year-olds.[70]

[68] FCA (2026) Premium Finance Market Study Final Report MS24/2
[69] Association of British Insurers (2026) 'Adverse weather pushes property insurance payouts to £6.1 billion in 2025'.
[70] Annual premiums by age group taken from: Money Super Market (2026) 'Car Insurance Facts, Trends, and Statistics'. [accessed Feb 2026]

As for costing the relationship between deprivation and increased motor insurance prices, we know from FCA analysis of pricing data from millions of insurance policies that '[Expected Claims Cost] has a strong positive association with the percentage of low-income individuals in an area'.[71] This means that insurers deem that the risk of insuring individuals in more deprived areas is generally higher and the price of insurance policies rise as a result. The analysis from the FCA,[72] in combination with previous mystery shopping that we have conducted,[73] suggests that this leads those in more deprived areas to pay around 25-30% more for their insurance. To estimate the poverty premium here, we use a more conservative estimate of 22.5% and apply this to typical motor insurance costs for individuals of different ages,[74] but then apply a multiplier of 1.25 to take into account the fact that a quarter of car-owning low-income households have more than one car.[75] This gives a deprivation-related annual poverty premium on motor insurance of between £105 for the over 60s and £294 for those aged 17-24. The mean annual poverty premium incurred by the 44% of policyholders who live in a deprived area therefore is £153 (Figure 2.4). While this is a decrease compared with the figure of £233 in our 2022 report, this is due to the methodological change of moving away from mystery shopping using price comparison websites and a single profile of consumer towards the use of larger industry datasets.

Figure 2.4 – Average poverty premium for households holding motor insurance in a deprived area, by age group



Previously, we have generally found that the deprivation-related poverty premium is less significant for home contents insurance than motor insurance. Based on a small-scale mystery shopping exercise using price comparison websites, we find a small premium of approximately 5% for those living in areas in the bottom two deprivation quintiles compared with the median area. Applied to a typical contents-only insurance policy, this equates to just shy of £6 annually among the 42% of policyholders who live in more deprived areas.

In 2026, the premium for mobile phone insurance was £72. This is a slight decrease from £82 in 2022, particularly when the level of inflation over that period is taken into consideration. Prior to this year, the costs of mobile phone insurance had been fairly stable.

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71 FCA (2025) 'Research note. Annexes for motor insurance pricing and local area ethnicity in England and Wales.'

72 In addition to the published Research Note cited above, the FCA shared detailed results of Expected Claims Costs (ECC) by deprivation percentile (in England). This suggests that, on average, those in the bottom two most deprived quintiles have an ECC 29% higher than those in the 50th percentile. Please see the appendix for more detail.

73 Evans & Davies (2024) 'Driving up costs: the car insurance poverty premium in 2024'.

74 Annual premiums by age group taken from: Money Super Market (2026) 'Car Insurance Facts, Trends, and Statistics'. [accessed Feb 2026]

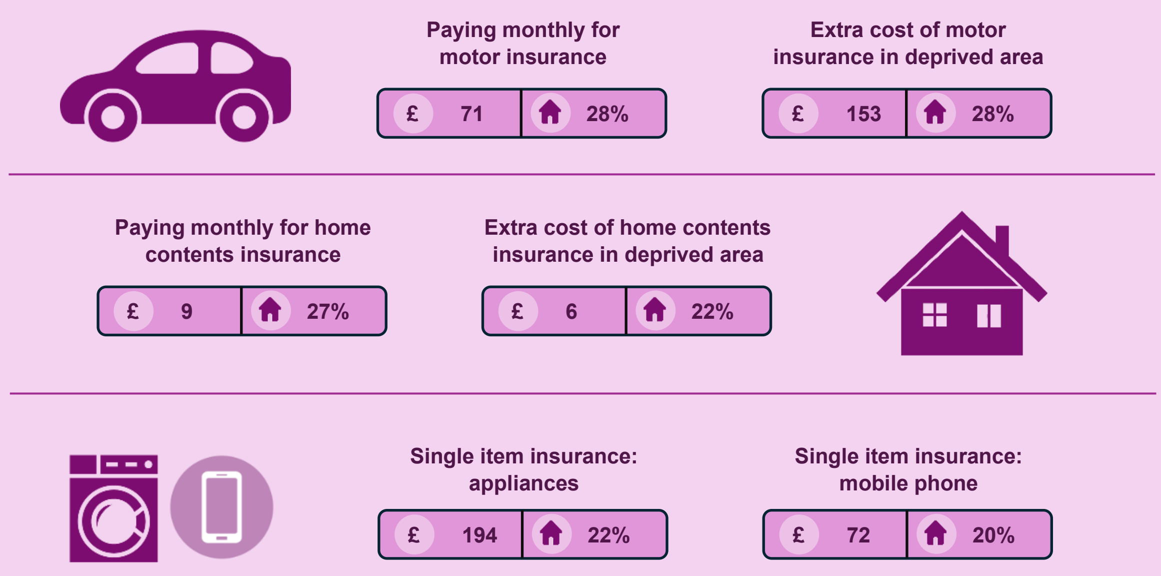
75 ONS data for England suggests that around a quarter of low-income households have two or more cars or vans. For this reason, we apply a multiplier of 1.25 to our calculations.

The cost of insuring white goods is £194, which is an increase from 2022, when the cost was £154 per year. This increase likely reflects the extent of inflation in both the costs of white goods and the cost of labour in this time. While the sharp increase in the cost of white goods happened in the run up to 2022,[76] these prices may not have filtered down to the cost of extended warranties at the time the 2022 costing exercise was run.

Table 2.5 – Typical cost and prevalence of each component of the insurance-related poverty premium

Insurance-related Poverty Premium component	Prevalence of premium among low-income households (%)	Prevalence of premium among policyholders (%)	Average premium among those incurring it (£ / year)
Pay monthly: motor insurance	28%	45%	£71
Pay monthly: home contents	27%	53%	£9
Motor insurance in deprived area	28%	44%	£153
Contents insurance in deprived area	22%	42%	£6
Single item insurance: appliances	22%	n/a	£194
Single item insurance: mobile phone	20%	n/a	£72

Box 2.2 – Insurance-related poverty premiums



[76] Phillips, J. (2022) 'Cost of living at HOME crisis: analysis reveals how prices of white goods and gadgets have soared by nearly 50% in just two years – as UK is hit by supply chain woes and inflation.' *Daily Mail, 16 Feb..*

What types of households incur these premiums?

Table 2.6 gives the results of regression models which explore the household characteristics associated with different types of insurance-related poverty premiums.[77] Tenure appears to hold many statistically significant relationships across the premiums for either paying monthly or living in a deprived area. For example, private renters who hold home contents insurance are around 6 times more likely to pay monthly than outright homeowners, with this figure falling to 3.9 times for social renters and 2 times for mortgagors. This is similar for paying monthly for motor insurance, but with social and private renters reversed. Social renters were also significantly more likely to incur the premium for living in a deprived area and holding either contents or motor insurance.

Ethnic group wasn't substantially related to paying monthly for insurance, but it was for paying the deprivation-related premium. Asian respondents with contents insurance had 3.5 times higher odds of living in a deprived area than White respondents with contents insurance. This rises to 7 times if considering motor insurance. Black respondents (who held motor insurance) were over 3 times more likely than White respondents to live in a deprived area.

Other notable results included:

- Single parents had over 3 times higher odds of paying monthly for their motor insurance than single adults;
- Those who use internet for many tasks had 40% lower odds of paying monthly for their contents insurance than those who used the internet for only some tasks;
- Those in receipt of benefits had 74% higher odds of paying monthly for their home contents insurance;
- Those in the 18-24 age bracket had over 70% *lower* odds of paying monthly for home contents insurance (than those aged 40-59). This may relate either to it being relatively rare for this age group to hold such insurance, or the availability of specific insurance policies for students (who would comprise a substantial portion of this age group).
- Those in the least deprived quintile of areas had around half the odds of paying monthly for home contents insurance (than those in the middle quintile).

Turning to the premiums related to purchasing individual item insurance, regression analysis shows that the following groups had significantly higher odds of having single appliance insurance or a paid-for extended warranty: Asian (O/R = 2.78) or Black (2.83) respondents; households with three or more adults and no children (1.97); and respondents who were 'not working for another reason' (1.60). Mortgagors (0.50) and private renters (0.36) had lower odds of holding such insurance than outright homeowners, while the 18-24 age group was also less likely to do so (0.41).

The odds of holding mobile phone insurance increase with the number of people in the household (and therefore number of phones) (1.9-3.73) and for those who are frequent internet users (2.16). This was also the case for Black respondents (1.84) and private renters (1.82), whereas those working part-time were less likely (than full-time workers) to report having insurance for their phone (0.57).

[77] The models exclude those who do not hold each policy in the first place, so that the models show the factors correlated with incurring the specific premium (e.g. paying monthly), rather than just showing the factors correlated with holding the policy.

Table 2.6 – Regression models predicting likelihood of policyholders incurring different insurance-related poverty premiums. Odds Ratios shown, where value above 1 indicates increased likelihood and value below 1 indicates decreased likelihood. Bold values are statistically significant.

Variable	Pay monthly for contents insurance	Pay monthly for motor insurance	Contents insurance, deprived area	Motor insurance, deprived area
Age group (Ref = 40-59)				
18-24	**0.28**	0.83	0.90	1.77
25-39	1.06	1.17	1.58	**1.70**
60-74	1.21	0.93	0.95	0.81
75 plus	1.00	0.93	0.97	0.68
Household composition (Ref = Single adult, no children)				
Two adults, no children	1.49	0.95	0.82	0.75
Single adult, with children	1.76	**3.29**	0.78	0.55
Two adults, with children	1.88	1.63	0.67	0.82
Three or more adults, no children	1.52	1.18	0.97	0.79
Three or more adults, with children	1.95	1.37	2.08	0.72
Housing tenure (Ref = Owned outright / no costs)				
Owned with mortgage	**2.09**	**2.61**	**0.52**	0.59
Social rental	**3.91**	**5.09**	**2.72**	**2.23**
Private rental	**5.93**	**4.05**	0.72	0.94
Work status (Ref = Full-time work)				
Part-time work	0.96	0.91	0.89	0.68
Retired	1.11	0.62	1.30	1.11
Not working for another reason	1.10	0.86	1.06	0.80
Nation (Ref = England)				
Scotland	0.76	1.60	1.11	1.15
Wales	1.30	0.91	1.47	0.98
Ethnic group (Ref = White)				
Asian	0.56	0.58	**3.52**	**7.21**
Black	2.14	2.33	2.58	**3.41**
Other or Mixed	1.00	1.11	0.43	1.52
Income by age (Ref = Mid-income for age)				
Low income for age	0.92	0.84	0.58	0.76
High income for age	**1.90**	0.68	**0.54**	**0.53**
Receives benefits	**1.74**	1.68	0.97	1.01
Index of multiple deprivation (Ref = 3rd quintile)				
Most deprived quintile	1.21	1.30	-	-
2nd quintile	0.73	1.30	-	-
4th quintile	0.68	0.74	-	-
Least deprived quintile	**0.48**	1.01	-	-
Internet use (Ref = Internet used for some tasks)				
Don't use internet	0.66	0.69	1.77	1.96
Internet used for specific tasks	0.55	**0.40**	1.74	1.27
Internet used for many tasks	**0.57**	0.70	1.26	1.06
Constant	0.47	0.40	0.69	1.19

Notes: Binary logistic regression used. Samples based only on those who hold each type of policy, rather than all low-income households. Sample size = 523 for home contents insurance columns and 622 for motor insurance. Statistical significance indicated in bold, where p<0.05.

Access to money and credit

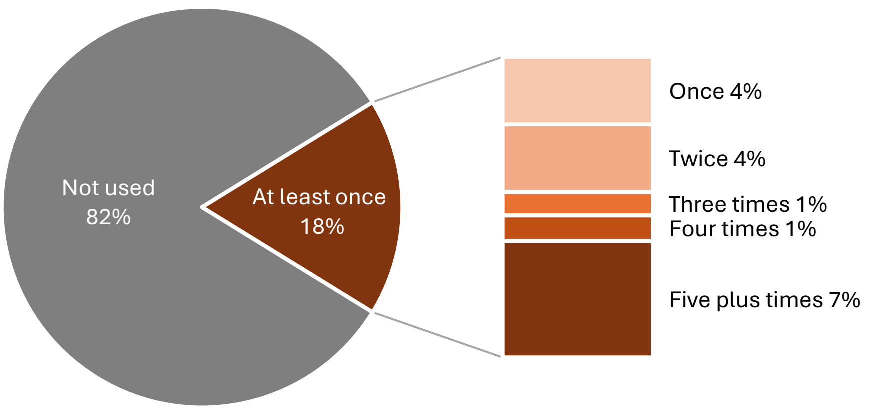
In this section, we consider premiums related to either the cost of accessing cash via fee-charging ATMs or the cost of using a range of potentially higher-cost forms of credit, whether experienced through higher interest rates or through incurring late fees or penalties.

Paying to access cash

Access to cash is considered a poverty premium because – despite increasing use of cards and digital money – cash remains an important method by which lower-income households manage their day-to-day budget or purchase goods (especially from second-hand sources, such as Facebook Marketplace). The prevalence of pay-to-use ATMs in more deprived areas[78] makes paying to access cash potentially more likely among those from lower-income backgrounds.

We estimate, based on a sample of ATMs in four cities/towns,[79] that the average cost of a withdrawal from a pay-to-use ATM has increased from £1.68 in 2022/23 to £1.84 in 2025/26. This value is then applied to a survey question where we asked respondents about the number of times they had made such a withdrawal in the past 12 months to give an overall cost. This was relatively rare, with just over one-in-six (18%) respondents reporting that they (or someone in their household) had used a fee-charging cash point in the past 12 months (Figure 2.5). Of these, half (9%) had done so less than three times. Overall usage was lower than in 2022/23 when 29% reported having used a fee-charging ATM at least once in the past 12 months.

Figure 2.5 – No. of times respondents paid to withdraw cash in the past 12 months



Interestingly, the following groups were significantly more likely to have used a fee-charging ATM at least once in the past 12 months: 17–24-year-olds (28%), those living in London (25%), and those living in the most deprived quintile of areas (22%).

Because of the relative rarity of incurring this premium, it means the average low-income household only incurs a premium of just under £2 per year. For those who do incur the premium, it totals £11 per year – equivalent to paying to access cash about once every other month. Despite the increase in the per transaction cost, as a result of fewer households

[78] Tischer *et al* (2020) Where to withdraw? Mapping access to cash across the UK. University of Bristol / FCA.
[79] The four urban areas used for sampling in both years were: Bradford, Birmingham, Bristol and Brighton.

paying to access cash, this premium cost is lower than our estimates in 2022/23, which ranged from £20-25.

Use of higher-cost credit

While credit plays an important role in helping households to spread costs over time, we consider the use of *higher-cost* forms of credit or incurring *late fees* on lower-cost forms of credit as forms of poverty premium. We find that just over a quarter (27%) of our sample of low-income households incur a poverty premium as a result of using one of the forms of higher-cost credit shown in Table 2.7 in the past 12 months.[80] Two-in-five (41%) meanwhile used some form of mainstream credit in the past 12 months, including mainstream credit card lending (27%), overdrafts (19%), personal loans from a bank or building society, and motor finance (6%). While the relationship between income and credit use is complicated – with slightly higher income households often having improved access to credit – both the mainstream and higher-cost credit figures are still arguably lower-than-expected for a low-income group. This may reflect a certain amount of under-reporting because of the survey mode, with some people potentially reluctant to give out any information about financial products over the telephone.

Nevertheless, we estimate that the 27% of low-income households using higher-cost credit products incur a typical poverty premium of £178 annually. This adds £48 per year to the overall poverty premium incurred by the average low-income household. This reflects the likely cost of interest and charges for these products, compared with being able to afford the payment up front. No cost is added for the use of mainstream credit, except where late fees or unauthorised overdraft fees are incurred.

The largest overall contributors to the poverty premium are subprime personal loans, subprime credit cards and other forms of retail finance (such as rent-to-own, mail order or catalogue credit). These each contribute £10 to the overall average poverty premium, but with those holding subprime personal loans estimated to pay around £800 in interest per year, and equivalent figures of £199 for subprime credit cards and £186 for retail finance. While BNPL (20%) was the next most common form of credit after mainstream credit cards (27%), it generally did not incur interest. Just 3% of respondents reported incurring any late payment fees on BNPL, equivalent to between one-in-six and one-in-seven BNPL users. UK Finance[81] meanwhile suggest that one-in-twenty (5%) of all BNPL users incurred late payment fees (in 2024), while the Centre for Financial Capability put this figure at nearly a quarter (22%) of users.[82]

Use of higher-cost forms of credit tended to be higher among working age adults: 36% of those aged 17-24, 39% of those aged 25-39 and 32% of those aged 40-59; but dropping to 15% among the 60-74 age group and 6% among those aged 75 plus. Single adults with children also had higher usage (43%, compared with 20% of single adults without children and 31% of couples with children). This was also the case among ethnic minority groups (35%, compared with 25% of White respondents), most notably among those from 'Other or Mixed' groups (42%).

[80] This 27% counts those who incurred BNPL late fees but not those who used BNPL without incurring late fees.
[81] UK Finance (2025) BNPL trends in the UK: growth, usage and regulatory challenges.
[82] Centre for Financial Capability. In: Financial Times (2024) 'One-quarter of UK buy now, pay later users hit by late repayment fees'.

Table 2.7 – Use of higher-cost forms of credit and typical costs associated with each.

Type of credit	% used / incurred in past 12 months	Costs	
		Indicative cost	Average cost to those using / incurring
Buy Now Pay Later (BNPL)	20%	£0	£0
BNPL late fees	3%	£7.25 fee	£22
Unarranged overdraft fees	9%	£4 fee	£16
Credit card late fees	6%	£12 fee	£37
Other retail finance: rent to own, mail order and catalogue credit	6%	30% APR	£186
Credit cards for people with a bad or limited credit rating	5%	30% APR	£199
Borrowing from family or friends – with interest	4%	5% APR	£34
Salary Advance / Early Wage Access scheme	3%	£1.85 fee	£6
Christmas hamper scheme	1%	29% mark-up	£103
Subprime personal loan	1%	50% APR	£805
Credit repair service	1%	£50 fee	£50
Credit union / CDFI loan	1%	30% APR	£195
Payday loan / short-term loan (under 3 months)	1%	1283% APR	£698
Any high-cost credit (including BNPL late fees, but not BNPL)	27%	-	£178
Any high-cost credit (including BNPL)	36%	-	£178

As with insurance, some low-income households may struggle to access the credit products they need: 7% reported that they had been declined for some form of credit in the past 12 months. This was more common among those aged 17-24 or 25-39 (12% and 11% respectively), single adults with children (20%), those receiving income-related benefits (11%), those in part-time work (11%), and social renters (10%).

Box 2.3 – Money and credit poverty premiums

Use of pay-to-use cash machines

ATM

£ 11 | 18%

Use of higher-cost forms of credit

£ 178 | 27%

Food: the cost of convenience

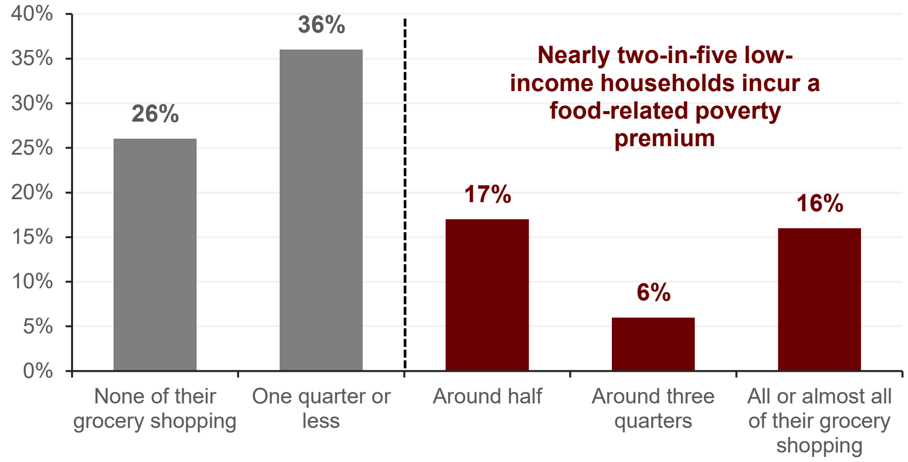
This premium reflects the extent to which low-income households purchase groceries from smaller, more expensive outlets rather than from larger supermarkets or discount stores. The link between access to food and deprived households is well known, with deprived households being disproportionately likely to be located in a 'food desert'[83] and with issues such as time poverty or lack of transport also forcing lower-income households to turn to more local, but often more expensive, options.

We have calculated the premium using the same broad method we used in 2022: based on data collated by *Which?* showing that a basket of groceries are, on average, 13% more expensive in local versions of mainstream supermarkets than in larger supermarkets (compared to 9% in 2022).[84] We then apply this to detailed ONS data on the amounts that different income quintiles and different household sizes typically spend per week on food and non-alcoholic drinks (which we adjust for inflation and multiply to annual figures). In our survey, households were asked to estimate approximately what proportion of their grocery shopping they do at convenience stores or smaller branches, and this estimate then feeds into our final poverty premium calculation. As ONS data shows that the average household (not low-income) typically spends 16% of their food spending at smaller outlets, we treat this as our benchmark. So, if, for example, a household reported buying 50% of their food from convenience stores, we would apply the premium only to the 34% above the 16% mark. Overall, this means that a two-person household would incur a premium of £152 if they buy half their food shopping at convenience stores, £264 if buying three-quarters, and £376 if buying all of their food from such outlets. Those who reported buying up to a quarter of their groceries from convenience stores are not treated as incurring any premium at all. Premium figures are adjusted up and down depending on household size, with a household of four or more people incurring a premium of £544 per year if they buy all their food from convenience stores.

As Figure 2.6 shows, nearly two-in-five (39%) low-income households incur some form of poverty premium in this area. One-in-six (17%) buy around half of their groceries from smaller, more expensive outlets, with one-in-twenty (6%) buying approximately three-quarters of their groceries at such outlets, increasing to 16% who shop almost entirely at these stores. While figures are not directly comparable due to question wording changes, this is a higher percentage than in our 2022/23 report, particularly for those who do the majority of their shopping at a higher cost; previously only 8% did at least three-quarters of their shopping in this way.

[83] Janatabadi, Newing & Ermagun (2024) Social and spatial inequalities of contemporary food deserts: A compound of store and online access to food in the United Kingdom. *Applied Geography,* 163. DOI: 10.1016/j.apgeog.2023.103184
[84] Which? (2024) Supermarket convenience stores charge up to twice the price for the same items.

Figure 2.6 – Proportion of groceries that low-income households buy from convenience stores or local branches of supermarkets (% of low-income households)



Overall food premium costs

Taking the survey results and premium calculations together, we estimate that the average food-related poverty premium among the two-in-five households who incur it is £261 annually (Table 2.8). This ranges from £151 for a single-person household to £350 for larger households but depends on the proportion of shopping done at small outlets. Collectively, this adds £98 to the average poverty premium incurred across all low-income households (including the three-in-five who do not incur this specific premium).

Table 2.8 – Average food-related poverty premium paid per year, by household size and amount of grocery shopping done at small outlets

	Amount of grocery shopping done at small outlets					Overall average
	None or up to a quarter	Around half	Around three quarters	All or almost all	More than half	
All low-income households	**£0**	**£161**	**£263**	**£367**	**£261**	**£98**
One-person household	£0	£85	£148	£210	£151	£60
Two-person household	£0	£152	£264	£375	£272	£101
Three-person household	£0	£196	£341	£484	£329	£115
Four or more-person household	£0	£220	£383	£544	£350	£129

As before, it should be noted that these figures reflect the difference in shopping costs between large and small supermarkets of the same brand – and therefore do not reflect differences in prices at other convenience store chains and independents. However, even allowing for the level of inflation in costs, which the ONS estimates to be over 30%, there is a clear increase in the food premium since 2022, when the average premium for those who bought three-quarters of their food in more expensive stores was £177.[85] This reflects the change in the *Which?* estimate from a 9% premium in 2022/23[86] to a 13% premium in 2025/26.

These high food costs are likely to contribute to wider food insecurity and the continued demand for food banks. Nearly one-in-ten (9%) of our sample reported having used a food bank in the past 12 months, rising to 17% of those in receipt of benefits and 22% of lone parent families.

Box 2.4 – Food-related poverty premium

Regular grocery shopping at convenience stores

£ 261 | 39%

What types of households incur this premium?

Regression analysis shows that this premium is significantly more common among Asian respondents, whose odds were 2.5 times higher in incurring it than White respondents, and less common among those living in Wales and in the least deprived areas, where the odds were halved. There was also a (non-significant) connection between internet usage and incurring this premium, as those who used the internet for many tasks had around 25% lower odds of incurring it, while those who don't use the internet at all or only use it for specific tasks had 30% higher odds. This may be linked to an ability to do grocery shopping online or otherwise search more broadly for the best prices.

Paying for paper bills

In an increasingly digital world, there can often be a premium for continuing to use offline approaches in day-to-day life. One area where this is the case is paying to receive paper bills for utilities and other household services. From desk research, this is particularly prevalent in telecoms, with the average annual cost of receiving a monthly paper bill coming in at £28 in both the broadband and mobile phone markets.[87] In the energy sector, practices are more varied, ranging from free paper bills to a £48 annual charge. From this, we derive a weighted average yearly cost of £5.60 for energy paper billing, which reflects different companies' market shares; however, in our calculations we assume that propensity to receive a paper bill is sensitive to the price charged and therefore further reduce the assumed cost to £2.80. While many councils and water companies prefer to send bills digitally to reduce costs and indeed actively encourage customers/council taxpayers to go paperless, it is generally still free to receive these bills on paper.[88]

Comparing with 2016 (when we last looked at the paper billing premium), it actually appears that the increase in this premium has been below the level of inflation. For example, in 2016, the annual cost of paper billing for broadband or mobiles was £23, which would be equivalent to nearly £32 today (compared to the £28 charge identified). The energy market

[85] The 2022/23 calculations are not directly comparable, as we introduced the ability to differentiate by household size in 2026 and also refined the survey question wording.
[86] Which? (2021) The cost of convenience: how much extra will you pay at Sainsbury's Local and Tesco Express?
[87] Averages are weighted by approximate market share of each business included in the calculation.
[88] We did not ask about receipt of paper bills for financial services, such as bank or credit card statements.

looks broadly similar, given that of the Big 6 suppliers in 2016, three did not charge for paper billing and three did – ranging from about £10-12 per year for dual fuel.

As Table 2.9 shows, around one-in-five (22%) low-income households reported receiving a paper bill for either broadband (10%), their mobile phone (10%) or energy (18%). These figures are all lower than in 2016, when 49% of low-income households received at least one of these paper bills. Taken together with the costs previously described, this means that households incurring a paper billing-related premium typically paid just under £27 extra per year to do so, mainly driven by broadband and phone bills. This adds £5.80 to the overall poverty premium incurred by the average low-income household (including those not incurring this specific premium).

Table 2.9 – Prevalence and cost of paper billing premiums among low-income households

	% of low-income households receiving a paper bill	Average annual premium incurred if receiving paper bill	Average annual cost among all low-income households
Broadband	10%	£28	£2.65
Mobile phone	10%	£28	£2.65
Energy	18%	£2.80	£0.50
Any paper bill	**22%**	**£26.50**	£5.80

Notes: respondents were asked only if they *receive* a paper bill, not if they *pay* to receive one (as many households may not be aware of this charge). This is why we assign a cost based on desk research.

As one might expect, internet usage and age are strong drivers of this premium. Over a third (36%) of those who don’t use the internet reported receiving any paper bill (driven mainly by energy), compared with just 17% of those who use the internet for many tasks. Relatedly, more than a quarter (27%) of those aged over 65 received a paper bill, compared to 20% of those of working age. Interestingly, those from minoritised ethnic backgrounds were also more likely to receive a paper bill (29%, compared with 20% of white respondents).

Box 2.5 – Paper billing poverty premium

Paying to receive paper bills for utilities or telecoms

£ 27 | 22%

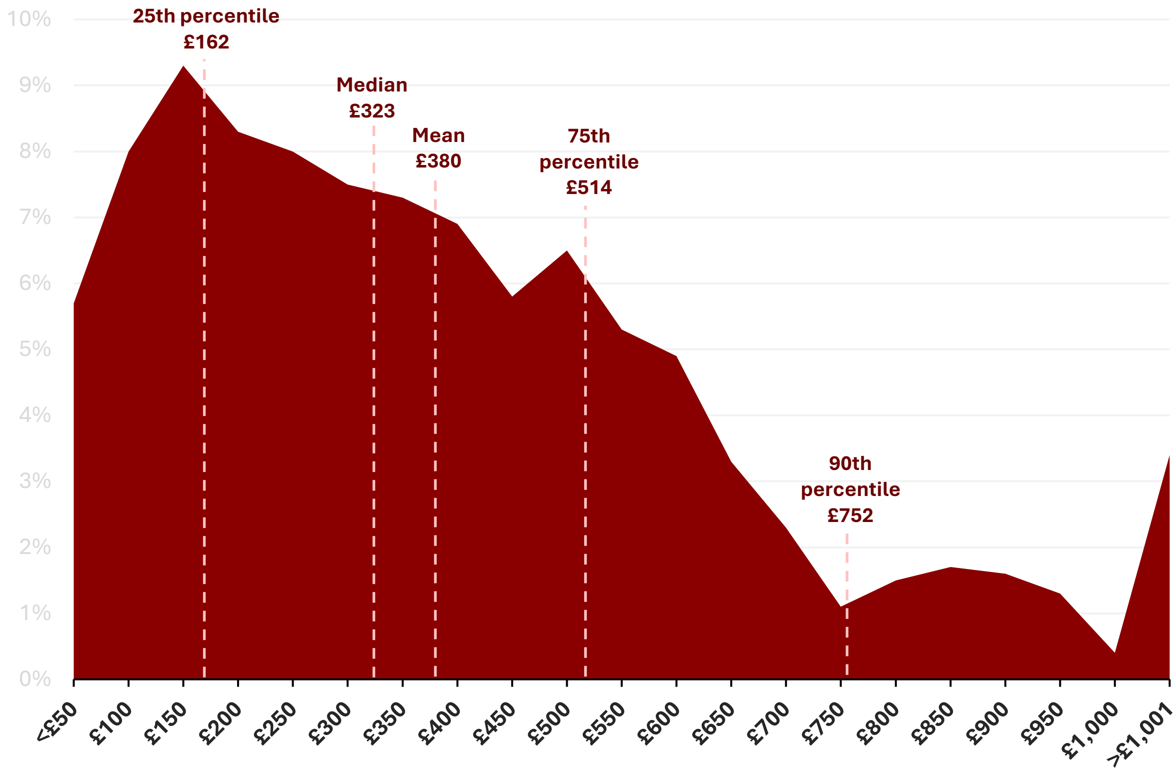
3 Results: The overall poverty premium in 2026

In this chapter, we bring together the individual components of the poverty premium to calculate an overall poverty premium paid by low-income households. We then explore the nature of the poverty premium paid by different types of low-income household.

Overall premium costs

The 95% of low-income household in 2026 who incur a poverty premium pay an extra £380 per year. The overall distribution of poverty premium costs among low-income households is given in Figure 3.1. It shows that, while the mean poverty premium is £380 per year, there is still a considerable amount of variation. The median (50th percentile) is £323, while the bottom quarter face a poverty premium of £162 and the top quarter face a cost of £514. One-in-ten face an annual premium of £752 or more.

Figure 3.1 - Distribution of total poverty premium costs (£ / year) (among those incurring a premium)



Notes: percentages on the left axis refer to the percentage of low-income households falling into a given 'bin'. Only the upper limit of the 'bin' is shown on the x-axis, e.g. £10 refers to the £50.01 to £100.00 range.

The largest single contributor to the overall average is the extra cost of grocery shopping at convenience stores (£103), but collectively the premiums associated with insurance contribute more (£129) (Figure 3.2). Energy-related premiums contribute an average of £90 per year, but – by definition – a household cannot incur more than two of the eight energy-related poverty premiums listed in the table (one for gas and one for electricity). Use of higher-cost credit meanwhile adds £50 to the overall poverty premium, and paper-billing contributes £6. Table 3.1 then gives more detail on the prevalence and costs of each premium, importantly showing individual premium costs for those who incur them (not just overall averages).

Figure 3.2 – Poverty premiums incurred by low-income households in Britain in 2026

These figures represent the average premium costs incurred by the 95% of low-income households who incur any form of poverty premium. Not all of these households will incur all premium types, and energy premiums are effectively mutually exclusive (i.e. dual-fuel customers generally incur one energy premium or another).

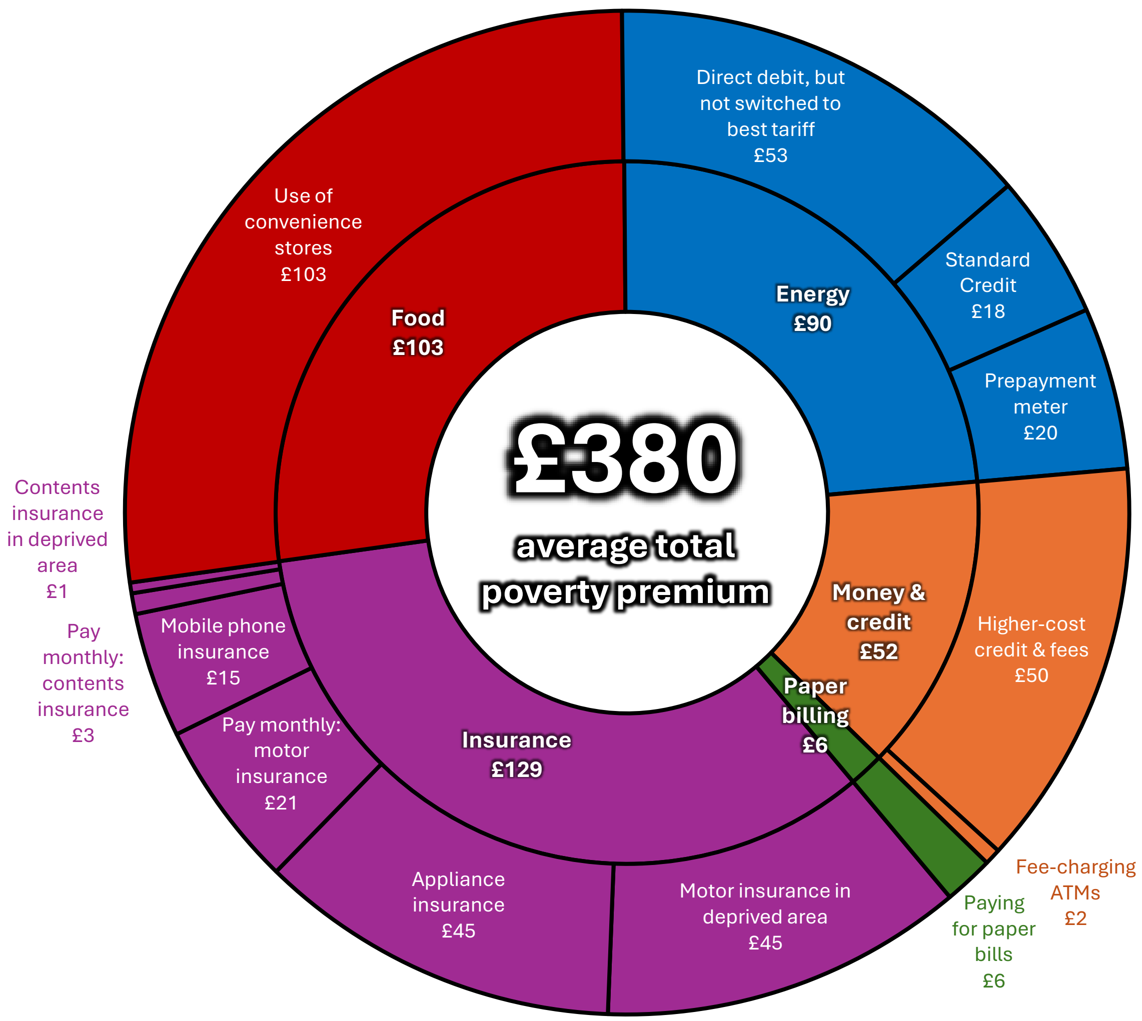


Table 3.1 – Summary of prevalence and costs associated with each component of the poverty premium

Premium	Prevalence of premium among low-income households (%)	Average premium among those incurring it (£ / year)	Average premium among low-income households who pay any poverty premium (£ / year)
Any premium	**95%**	**£380**	**£380**
Energy	59%	£145	£90
Elec: Energy Price Cap tariff, Direct Debit	31%	£95	£32
Elec: Fixed rate, pay on receipt of bill	2%	£20	£0.60
Elec: Energy Price Cap Tariff, pay on receipt of bill	7%	£148	£11
Elec: Prepayment meter	17%	£75	£13
Gas: Energy Price Cap Tariff, Direct Debit	26%	£76	£21
Gas: Fixed rate, pay on receipt of bill	2%	£10	£0.20
Gas: Energy Price Cap Tariff, pay on receipt of bill	5%	£127	£6
Gas: Prepayment meter	12%	£56	£7
Insurance	71%	£174	£129
Pay monthly: motor insurance	28%	£71	£21
Pay monthly: home contents	27%	£9	£3
Motor insurance in deprived area	28%	£153	£45
Contents insurance in deprived area	22%	£6	£1
Single item insurance: appliances	22%	£194	£45
Single item insurance: mobile phone	20%	£72	£15
Access to money and credit	38%	£132	£52
Use of fee-charging ATMs	18%	£11	£2
Use of higher-cost credit / fees	27%	£178	£50
Food	39%	£261	£103
Use of convenience stores	39%	£261	£103
Paper billing	22%	£27	£6
Paper bills for broadband, mobile phone or energy	22%	£27	£6

How have premium costs changed since 2022?

Table 3.2 gives an overview of how the cost of each component of the poverty premium has changed since 2022 (among those households incurring that specific premium). It shows that the most substantial increase was in the food-related premium; the extra cost of buying groceries from convenience stores has increased from £84 annually to £261. This is partly because shopping at convenience stores appears to have become relatively more expensive since 2021: data from *Which?* that feeds into this calculation suggests that the average basket was 13% more expensive in local stores than large supermarkets in 2024,[89] compared with 9% in 2021.[90] The increase in our calculated poverty premium is also partly related to food price inflation, partly to an increase in the percentage of households buying most or nearly all of their food from such stores, and partly due to methodological changes which mean we now better take into account the different food costs for households of different sizes. Taking the latter two points out of the equation, our raw calculations show, for example, that a household buying half of their groceries from convenience stores would pay an extra £152 in 2026, compared with a figure of £101 in 2022 (a 50% increase).

Decreases in the cost of poverty premiums associated with motor insurance are predominantly connected to a change in methodology, which shifts away from using mystery shopping of price comparison websites towards basing the analysis on FCA and industry data. While the scale of the premium is largely unchanged in percentage terms – the extra cost of motor insurance in a deprived area is still around 25-30% of an insurance policy – the newer methodology means that we are no longer basing the analysis on a single customer profile (a 40 year female with a five-year old car) and are instead using more representative data about the average consumer. This means, for example, that older adults in our sample, who would typically incur lower insurance premiums and therefore a lower poverty premium, are better accounted for in our analysis. Young adults, who typically pay higher premiums, are also better represented – but, crucially, they are effectively down-weighted in the new analysis as a result of their lower likelihood of driving (for example, due to living in more urban areas and relying on public transport to a greater extent).

As explained previously, changes in the energy market since 2022 have led to the re-emergence of certain premiums – related to not switching – and a lessening of others – related to the overall cost of energy. While the methodology has been improved upon to give more accurate results, there is no indication that this has led to any substantial change in the overall average cost.

In the high-cost credit market, we present an updated methodology which better reflects how much households are actually repaying per month, rather than relying on assumed amounts based on an 'average customer profile'. This methodological change likely contributes a small amount to the decrease in this poverty premium. Our findings also show the importance of the increased usage of BNPL, which is ultimately a low-cost way of borrowing if consumers avoid fees, but becomes problematic if it leads to households buying more than they could otherwise afford.

[89] Which? (2024) Supermarket convenience stores charge up to twice the price for the same items.
[90] Which? (2021) The cost of convenience: how much extra will you pay at Sainsbury's Local and Tesco Express?

Table 3.2 – Change in poverty premium costs (for those incurring them) between 2022 and 2026, and potential explanations

<table>
<tr><th>Premium</th><th>2022 cost</th><th>2026 cost</th><th colspan="2">Change</th><th colspan="2">Potential explanation for change</th></tr>
<tr><td>Any premium</td><td>£217</td><td>£380</td><td>£163</td><td>▲</td><td colspan="2"></td></tr>
<tr><td colspan="7">Energy</td></tr>
<tr><td>Direct Debit, not switched to best tariff</td><td>£0</td><td>£171</td><td>£171</td><td>▲</td><td>Return of better-value fixed tariffs (at time of costing exercise)</td><td rowspan="4">Methodological improvements account for a small amount of change. We now estimate gas and electricity usage separately, and take into account price differences between regions and differing usage by households of different sizes. Off-grid households are now removed from gas-related premiums, affecting percentages but not costs.</td></tr>
<tr><td>Pay on receipt of bill, switched to best tariff</td><td>£206</td><td>£30</td><td>-£176</td><td>▼</td><td>Related to decrease in energy bills compared with 2022.</td></tr>
<tr><td>Pay on receipt of bill, not switched to best tariff</td><td>£206</td><td>£271</td><td>£65</td><td>▲</td><td>Return of better-value fixed tariffs (at time of costing exercise)</td></tr>
<tr><td>Prepayment meter</td><td>£46</td><td>£129</td><td>£83</td><td>▲</td><td>While prepayment premium on price-capped tariffs has been removed, the return of better-valued fixed direct debit tariffs increases the premium prepayment users face – as they are unlikely to be able to switch to a cheaper deal.</td></tr>
<tr><td colspan="7">Insurance</td></tr>
<tr><td>Motor insurance: pay monthly</td><td>£103</td><td>£71</td><td>-£32</td><td>▼</td><td colspan="2" rowspan="3">Insurance premiums rose significantly post-2022 but have recently fallen slightly. Most of the change in premiums therefore is methodological, reflecting a transition away from mystery shopping data towards increased use of FCA and industry data.</td></tr>
<tr><td>Motor insurance in deprived area</td><td>£239</td><td>£153</td><td>-£86</td><td>▼</td></tr>
<tr><td>Contents insurance: pay monthly</td><td>£5</td><td>£9</td><td>£4</td><td>►</td></tr>
<tr><td>Contents insurance in deprived area</td><td>£0</td><td>£6</td><td>£6</td><td>►</td><td colspan="2">Limited change observed.</td></tr>
<tr><td>Single item insurance: appliances</td><td>£158</td><td>£194</td><td>£36</td><td>▲</td><td colspan="2">No change to methodology. May reflect general inflationary pressures.</td></tr>
<tr><td>Single item insurance: mobile phone</td><td>£82</td><td>£72</td><td>-£10</td><td>▼</td><td colspan="2">No change to methodology. May reflect changes in basic handset costs.</td></tr>
<tr><td colspan="7">Access to money and credit</td></tr>
<tr><td>Use of fee-charging ATMs</td><td>£20</td><td>£11</td><td>-£9</td><td>▼</td><td colspan="2">No change to methodology, but lower usage observed in the survey.</td></tr>
<tr><td>Use of higher-cost credit / fees</td><td>£201</td><td>£178</td><td>-£23</td><td>▼</td><td colspan="2">May reflect increased usage of BNPL, while new methodology better reflects monthly repayments (using fewer assumptions about loan size).</td></tr>
<tr><td colspan="7">Food</td></tr>
<tr><td>Use of convenience stores</td><td>£84</td><td>£261</td><td>£177</td><td>▲</td><td colspan="2">Partly related to food price inflation, partly to more households reporting buying most/all of their food from convenience stores, and partly a change in methodology to better reflect costs incurred by households of different sizes.</td></tr>
<tr><td colspan="7">Paper billing</td></tr>
<tr><td>Paper bills for broadband, mobile phone or energy</td><td>N/A</td><td>£27</td><td>N/A</td><td></td><td colspan="2">Re-introduced after not being calculated in 2022.</td></tr>
</table>

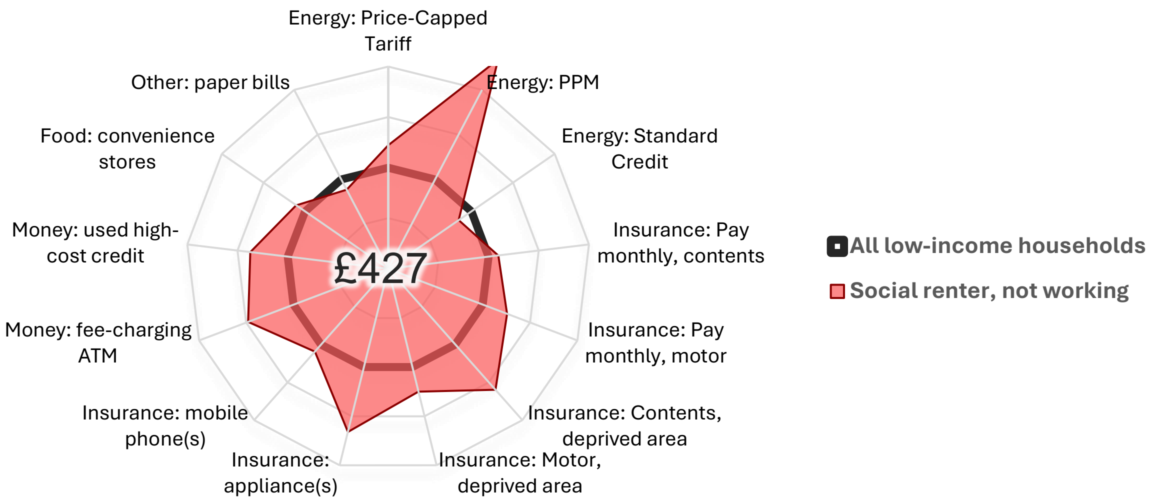
How exposed are different groups to the poverty premium?

In this section, we explore how exposed four different groups of households are to different combinations of poverty premiums. While in the previous chapter, we presented breakdowns and regression analyses showing which household characteristics were more or less associated with which premiums, in this section, we're interested in the different collection of poverty premiums experienced by a group. We use five profiles for this analysis, picked to give insight into a variety of different experiences:

- Social renters who were currently out-of-work
- Mortgagors with children
- Private renters aged under 35
- Ethnic minority respondents
- Retired, outright homeowners

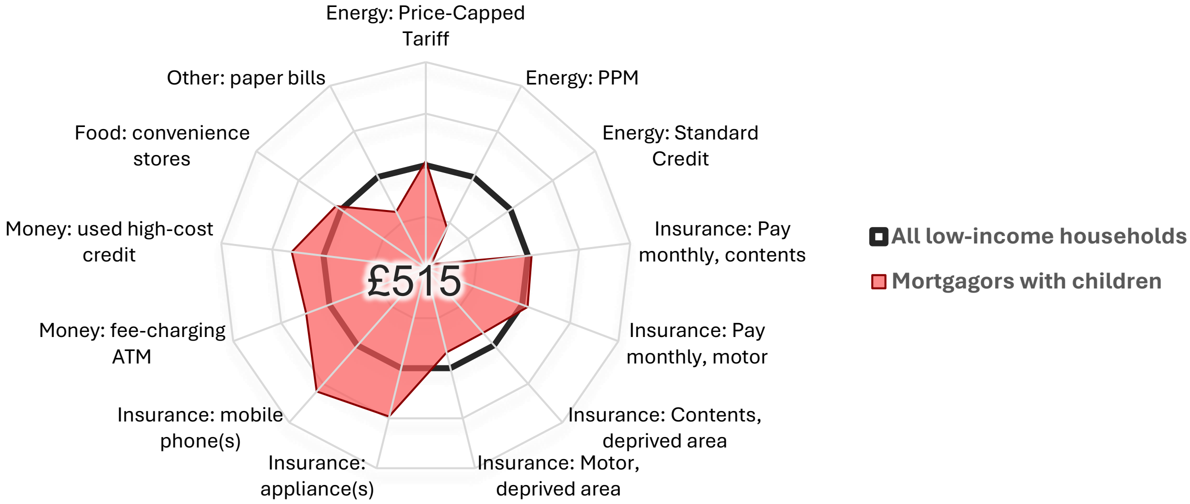
For each group, we present a chart showing whether that group is more or less likely than average (the thick black line) to incur a given premium. If a given point of the (red) radar is closer to the centre than the average and the black line is visible, it means this group is less likely to incur said premium. If the red area extends outside of the black line, it means this group is more likely to incur that premium. The figure in the centre of the diagram gives the average total premium incurred by households within that group.

Social renters who are currently out-of-work



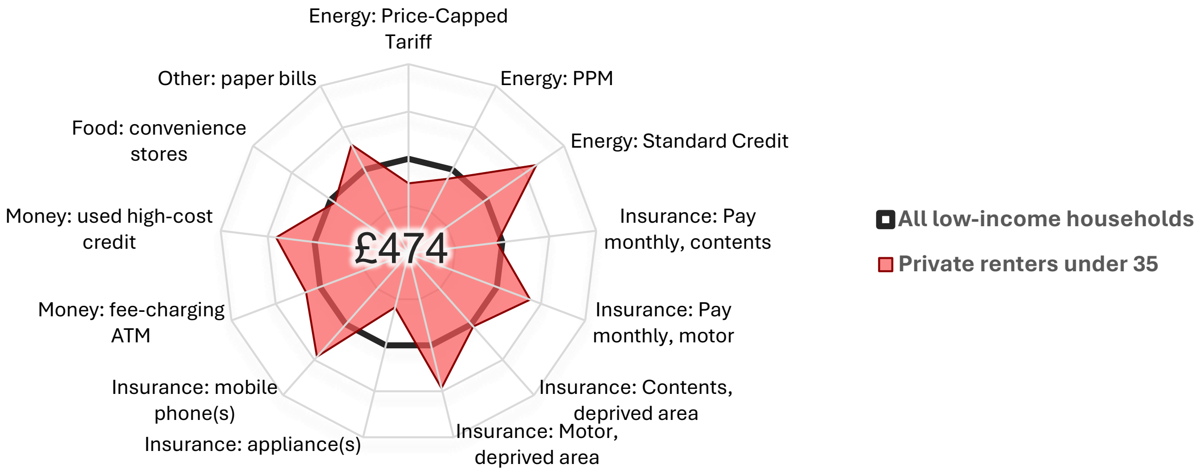
As indicated by the diagram, those out-of-work living in socially rented accommodation were more likely than average to incur all premiums – except for paper billing and paying for energy by standard credit (on receipt of bill). The latter relates to them being disproportionately likely to incur a premium for paying for their energy by prepayment meter and therefore being unable to access the cheapest fixed rate tariffs. Collectively, this means that this group incurs an average total premium of £427.

Mortgagors with children



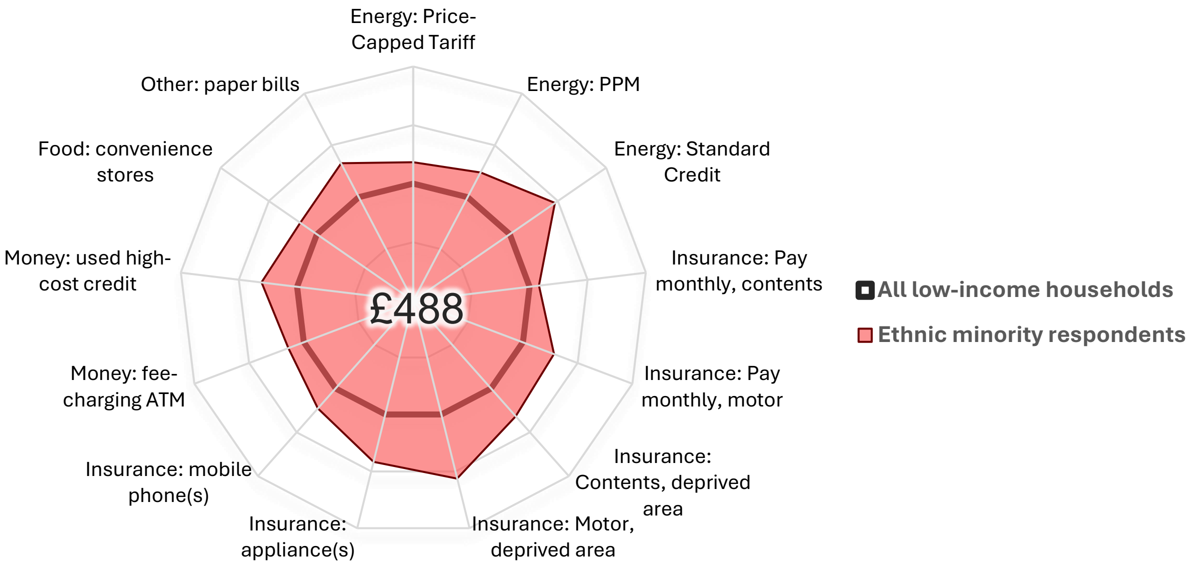
Interestingly, families with children who own their home with a mortgage tended to be below average on more premiums, but their overall average premium was still high (£515). This relates primarily to the fact that these households are larger than average, which means that energy and food consumption will be higher. The premiums they incur in these areas therefore are particularly high, inflating the overall average.

Private renters aged under 35



Younger private renters incur a patchwork of different premiums, ultimately facing an overall lower premium cost of £474. Use of credit can be a challenge for this group, as can issues related to motor insurance – particularly as a result of living in relatively deprived areas. Contents insurance uptake is fairly low, so those who do have it tend to be less likely to incur poverty premiums. However, paper billing and paying for energy on receipt of bill are actually above-average for this group, which may be linked to the challenges of navigating bills within a house-share situation.

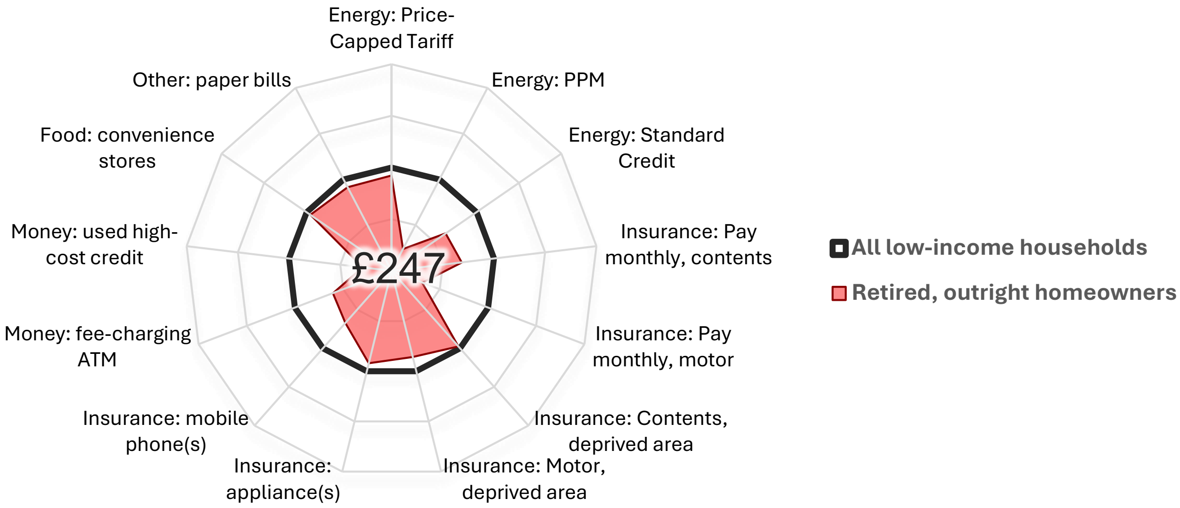
Ethnic minority respondents



Respondents from a minority ethnic background were more likely than White British respondents to incur most poverty premiums, although the exception to this were those related to home contents insurance – as ethnic minority respondents were less likely to have contents insurance in the first place. Where they did hold this product, however, they were more likely to either pay monthly or live in a deprived area and pay a poverty premium as a result. This means that, overall, ethnic minority respondents lived in households that paid an average poverty premium of £488 per year. This is lower than mortgagors with children (£491) but only by virtue of that group by definition being made up of larger households, which have higher energy and food consumption costs.

The term ‘ethnic minority’ of course masks variation across a range of different races, cultures and backgrounds. Looking at more detailed (though still broad) ethnic categories reveals some heterogeneity: those from an Asian background, for example, were more likely to do over half of their grocery shopping at convenience stores (62%, compared with 45% across all ethnic minority groups and 37% among White respondents). Black respondents who had car insurance meanwhile were more likely to pay monthly (78% vs 58% of all ethnic minority policyholders and 43% of White respondents) and were more likely to hold mobile phone insurance (32%, compared with 25% of all ethnic minority respondents and 19% of White respondents).

Retired outright homeowners



Retired outright homeowners were generally less likely than average to incur any of the poverty premiums – and had the lowest overall premium of the five groups explored here (£247). This age group tend to face lower motor insurance premiums, and generally only have one or two residents, which can help to keep food- and energy-related premiums down. Outright homeowners – while low-income and not necessarily cash rich – may also have greater assets to draw-on to help them avoid the need to pay monthly for insurance or turn to credit.

4 Conclusions and policy implications

In this section, we discuss the key findings of the report, and consider the policy implications of these findings

Through examining the poverty premium in 2026, this report has identified how the experiences of low-income households have evolved over time and the factors shaping these changes. A decade on from the first UK estimates, the poverty premium remains both widespread and deeply embedded, affecting the vast majority of low-income households. While there has been meaningful regulatory progress across several markets, these findings suggest that the underlying drivers of the poverty premium are largely structural.

The poverty premium remains persistent and structural in nature
Despite improvements in specific areas, 95% of low-income households continue to incur at least one form of poverty premium, typically paying £380 extra per year across the components measured, a considerable increase from £217 in 2022.[91] This is likely to underestimate the true scale of the issue, as several important cost pressures – such as those relating to housing, transport, disability, and energy efficiency – remain outside the scope of this analysis.

Tracking changes over time demonstrates that the poverty premium is not simply the result of individual choices but reflects systemic constraints. Across energy, insurance, credit, food, and billing, low-income households face higher costs due to restricted access to the cheapest options, limited ability to engage with markets, and pricing practices that disadvantage higher-risk or less profitable consumers. As such, shifts in the level and nature of the poverty premium tend to reflect external changes in regulation and market conditions, rather than behavioural change amongst the households affected.

The two main reasons for the increase from 2022 were the reintroduction of fixed-rate energy tariffs, and the increase in the price of groceries, both generally and specifically in convenience stores. The uncertainty around the conflict in the Middle East has already changed the tariff market from when the costing exercise was conducted, but at the time, on average, the fixed deals were ~11% cheaper than the standard tariffs.[92] This is, however, a lower differential than was found in 2016, when the average difference was ~29%. The price of the tariffs available at the time of the costing exercise likely reflected the expected trend in the EPC, which at the point was indicated to be downward, however as noted, events now suggest otherwise,

Elsewhere, increases in the cost of essential goods – particularly food - reflect wider inflationary pressures, which disproportionately affect those with the least financial flexibility.

[91] Please note that the £380 figure in 2026 and the £217 figure in 2022 use slightly different bases. The former is based on the 95% of low-income households who incur the poverty premium, whereas the latter is based on all low-income households (including those who don't incur any poverty premiums). The equivalent figure in 2026 would be £363 – as shown in the Appendix.
[92] For someone paying by direct debit (with medium consumption). Equivalent figures for pay on receipt of bill were ~16% in 2026 and ~23% in 2016.

The high level of inflation in food is clearly impacting the food poverty premium, with food prices 36.4% higher in November 2025 than November 2020 (with the majority of that rise post September 22). There is no clear explanation, however, why more people in low-income households are doing more of their shopping in higher prices stores.

Many of the other premiums have remained relatively stable over time, once inflation is accounted for, such as mobile phone insurance, or paying to access cash. Intervention by regulators has resulted in a decrease in the cost of premium finance for paying monthly for insurances, and the removal of the prepayment meter premium. Increasing use of Buy Now Pay Later (BNPL) has also impacted the credit poverty premium, offering an interest free way of borrowing for small purchases, assuming late fees aren't incurred. Indeed, the majority of respondents who used BNPL did so as both interest- and fee-free (or believed this to be the case, at least).

Some poverty premiums have reduced, but gains are uneven and reversible
Elements of the poverty premium have reduced since 2022:

- As a result of regulation, the element of the prepayment meter poverty premium related to payment method has disappeared,[93] although households on prepayment meters continue to face indirect disadvantages through limited access to the most competitive tariffs and so overall the premium has increased.
- There has been some reduction in the costs of premium finance to pay for insurance; the cost of paying monthly for car insurance has decreased from £103 in 2022 to £71 in 2025 (though some of this is due to methodological changes).
- While the cost differential for paying for gas or electricity on receipt of bill remains, for those on the best fixed tariffs it has reduced considerably from £132 to £30, as a result of competition returning to the market.

However, these improvements are not uniform, and in some cases may prove temporary. The reintroduction of competition in energy tariffs has already led to a re-emergence of disparities, with clear evidence that many low-income households are again less able to access the best deals.

Access to affordable options remains a central constraint
A consistent theme across all markets is that low-income households are often unable to access the cheapest options available. In energy, the most competitive tariffs are again restricted to those paying by Direct Debit and actively switching providers – conditions that exclude many households who are digitally excluded, in rented accommodation, or reliant on prepayment meters. In insurance, while the costs of premium finances have dropped, many are still incurring additional costs to pay monthly.

This suggests that improving outcomes will require more than simply increasing the availability of cheaper products through competition. Without addressing the barriers that prevent access – such as payment requirements, digital exclusion, and housing tenure – many households will remain locked into higher-cost options.

[93] And is now technically negative, as price-capped tariffs are slightly cheaper via prepayment than on direct debit.

Market structures and exclusion continue to drive inequality
The findings also highlight the role of market structures and pricing practices in shaping the poverty premium. Risk-based pricing can embed existing inequalities, with those living in deprived areas often facing higher costs for essential services such as insurance. At the same time, convenience-based pricing – particularly in food retail – means that households constrained by transport or time are more likely to pay higher prices.

Digital exclusion remains a particularly significant factor. Households with limited internet access are less able to identify and switch to better deals, more likely to incur additional charges such as paper billing fees, and more exposed to less competitive financial products. As markets continue to digitise, this form of exclusion risks becoming an even more prominent driver of disadvantage. Some suppliers have made it far easier to offer flexibility in payments for those who pay online.[94] It is also clear that having a smart meter will become increasingly important to be able to access cheaper gas and electricity, notably in terms of 'time of use' tariffs. Already, in February 2026, the only prepayment meter cheaper fixed rate tariff available was restricted to households with a smart meter.

There is increasing evidence of a broader 'poverty of access'
In some markets, the issue is no longer limited to paying more but extends to going without altogether. In credit and insurance markets in particular, a growing number of households report being unable to access products at any price. This suggests a shift from a poverty premium to a wider 'poverty of access', where exclusion from essential services becomes an additional dimension of financial hardship.

At the same time, the poverty premium remains unevenly distributed. Certain groups – including social renters, households out of work, lone parents, and those living in deprived areas – are more likely to experience multiple overlapping premiums. Younger people and those from minoritised ethnic backgrounds also face specific disadvantages in particular markets, notably in insurance. By contrast, those with greater financial resilience or asset ownership are better able to avoid many of these additional costs.

People from minority ethnic background are notably disadvantaged

The ways in which people from minority ethnic backgrounds incur the poverty remains distinct. In 2020,[95] we found that those from a minority ethnic background were significantly more likely to pay on receipt of bill, less likely to pay by Direct Debit, and significantly more likely to have never switched provider. Furthermore, there was evidence that minority ethnic households had lower rates of home and motor insurance at that time as well.

In 2026, we still find that those from minority ethnic backgrounds are paying more for their gas and electricity: people from a Black ethnic background more likely to pay on receipt of bill, and more likely to be on the EPC. People from an Asian background or a mixed background were also more likely to be on the EPC. Those from a minority ethnic background have suffered a disproportionate increase in insecure employment between

[94] Davies, S. and Collard, S. (2024) Flexible payments: Understanding payment needs in low income households
[95] Davies & Collings (2021) The inequality of poverty: exploring the link between the poverty premium and protected characteristics.

2011 and 2024,[96] which may account for the need to pay on receipt of bill, a finding consistent with previous research.[97]

Ethnicity also had a big influence on how the insurance poverty premium was incurred, with levels of holding insurance generally being lower among those from a minority ethnic background, but with higher levels of holding single item and mobile insurance, and overall being more likely to incur multiple insurance poverty premiums. The impact was particularly acute for those from a Black background.

In 2026, unlike in previous years, we found that some types of high-cost credit use was higher among those from minority ethnic backgrounds: unauthorised overdraft fees (highest among those from a Black background); Personal loan from a company that does not require a good credit rating (highest among those from an Asian background) and borrowing from family or friends (or other private individual) where you have to repay more than you borrowed (highest among those from a mixed or other ethnic background).

Implications for policy, regulation and market design

The poverty premium can be addressed through three routes:

1. Cutting costs, i.e. direct intervention on specific poverty premiums
2. Boosting incomes, typically through social security
3. Designing markets with low-income consumers in mind from the outset

In some instances, the first two can be linked, for example through provision of free or reduced cost services for those who are in receipt of social security. However, while this can be a very effective way of helping those on low incomes manage, it can produce cliff edges for those who are not in receipt.

Overall, the findings of this report strongly support the case for Fair by Design's approaches to tackling the poverty premium. Reducing unfair costs cannot rely on financial education, behavioural change or increased consumer engagement alone. Instead, it requires markets to be designed so that fair outcomes are the default.

The increase in the cost of groceries over the last few years has put considerable strain on the finances of those in low-income households. Politicians are even calling for price caps in the cost of essential goods such as bread and milk.[98]

Potential ways to address **the convenience store premium** include:

- Asking major supermarkets to price match the cost of essential goods across all stores, regardless of size or location.
- Ensuring loyalty card discounts are available in local stores.
- Encouraging retailers to stock essential / own-brand ranges of key products in all stores.
- Landlords could be given guidance on minimum fridge/ freezer or cupboard space needed to allow households to shop in bulk.

[96] TUC (2025) The scale of insecure work in the UK
[97] Davies & Trend (2020) The poverty premium: A customer perspective
[98] The Guardian 16 Apr 2026 SNP pledges cap prices bread milk (accessed 20/04026)

In the insurance sector, while the reduction on the pay monthly premium in insurance is good to see, ongoing monitoring is needed to ensure it doesn't start to creep up again. The debate will continue about what 'fairness' in insurance markets looks like, to address the deprivation premium. The FCA could publish further analysis of the deprivation premium and work with insurers to understand the exact causes of this premium. Are area-based premiums 'fair' if they are related to factors beyond an individual's control?

Other causes of this poverty premium could also be tackled, such as collisions or crime. Can anything be done to reduce these? Insurers report that 20 mph zones have helped lower insurance premiums; action can be taken to design safe roads or to reduce supply chain costs for parts,[99] or to consider how lower-income households can secure their vehicle?

In the credit sector, much of the focus will be on the impending Buy Now Pay Later regulations, as this has become a common source of credit for low-income households. As BNPL has been of benefit to many low-income households, it is important that those people are still able to access it, while also trying to avoid further over indebtedness. For larger amounts of borrowing, supporting the expansion of credit union/ CDFIs as well as the NILS programme or interest free loans would help reduce this poverty premium. Support also needs to be put in place for those who are not in a position to take on any more debt, yet who are not managing financially.

In the energy sector, as with insurance, consideration needs to be given to how risk is considered in an unequal society. While the higher charges for those on prepayment meters have been removed, they remain for those who pay on receipt of bill, on the basis that these customers have a higher risk of going into arrears. Again, the question arises of how fair it is charge someone for a factor outside of their control (other people's arrears).

Solutions to address the switching premium are not straightforward either. In the period between conducting the costing exercise and writing this report, the conflict in the Middle East has resulted in the removal of many of the cheaper fixed tariffs. In general, since 2022, the energy market has been typified by a marked instability. Even the Energy Price Cap tariffs change every quarter, which can make budgeting difficult for those for whom it is most important. Many of the existing barriers to switching, such as paying the new supplier before receiving any refunds from the existing one, or having arrears, still apply, making it difficult to suggest that supporting people to switch is the main solution to remove the switching premium.

Finally, some drivers of the poverty premium lie beyond individual markets but are worth thinking about as part of the overall strategy to reduce costs for those in or near poverty.

- Improving the energy efficiency of low-income housing, especially in the private rented sector, could significantly reduce both energy costs and associated premiums.
- Addressing "food deserts" and transport barriers could reduce reliance on high-cost convenience shopping.
- Considering place-based approaches to pricing and service provision in deprived areas.

Given the concentration of poverty premiums among particular groups, there remains a strong case for more targeted support, notably in expanding and promoting social tariffs.

[99] Dept for Transport/ HM Treasury (2025) Motor insurance taskforce: final report

This needs to be done in a way that doesn't create 'cliff edges' that may exclude those in need, such as targeted energy support[100], and modelling of various options.[101] Finally, the existence of poverty premiums in so many different sectors should also be considered evidence that the most efficient and effective route to resolving such premiums could lie in ensuring that the social security system provides an adequate safety net for those on lower incomes.

Taken together, these findings suggest that while regulation can reduce specific costs, it is unlikely to eliminate the poverty premium without addressing the structural factors that underpin it. **Attention needs to be paid to the role that AI and increasing personalisation of risk will play in these markets**. Regulators should continue to build on recent progress – such as the introduction of the Consumer Duty – by embedding **fairness and inclusion as core objectives across all essential markets.** Greater coordination between regulators (e.g. Ofgem, FCA, CMA) will be important in tackling cross-market issues.

[100]Public First (2025) Closing the Fuel Poverty Gap
[101] The Resolution Foundation (2025) Power struggle

APPENDIX 1

Appendix Table 1 – Summary of prevalence and costs associated with each component of the poverty premium, depending on base population used to calculate the average. The final column is most comparable to headline figures reported in previous years.

Premium	Prevalence of premium among low-income households (%)	Average premium among those incurring it (£ / year)	Average premium among the 95% of low-income households incurring *any* premium (£ / year)	Average premium among all low-income households (£ / year)
Any premium	**95%**	**£380**	**£380**	**£363**
Energy				
Elec: Energy Price Cap tariff, Direct Debit	31%	£95	£32	£29
Elec: Fixed rate, pay on receipt of bill	2%	£20	£0.60	£0.40
Elec: Energy Price Cap Tariff, pay on receipt of bill	7%	£148	£11	£10
Elec: Prepayment meter	17%	£75	£13	£13
Gas: Energy Price Cap Tariff, Direct Debit	26%	£76	£21	£20
Gas: Fixed rate, pay on receipt of bill	2%	£10	£0.20	£0.20
Gas: Energy Price Cap Tariff, pay on receipt of bill	5%	£127	£6	£6
Gas: Prepayment meter	12%	£56	£7	£7
Insurance				
Pay monthly: motor insurance	28%	£71	£21	£20
Pay monthly: home contents	27%	£9	£3	£2
Motor insurance in deprived area	28%	£153	£45	£43
Contents insurance in deprived area	22%	£6	£1	£1
Single item insurance: appliances	22%	£194	£45	£43
Single item insurance: mobile phone	20%	£72	£15	£14
Access to money and credit				
Use of fee-charging ATMs	18%	£11	£2	£2
Use of higher-cost credit / fees	27%	£178	£50	£48
Food				
Use of convenience stores	39%	£261	£103	£98
Paper billing				
Paper bills for broadband, mobile phone or energy	22%	£26.50	£6	£6