

# Easy come easy go: Research shows shift in attitudes towards borrowing

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New research by the Personal Finance Research Centre at the University of Bristol provides firm evidence of a major shift in attitudes towards borrowing in recent years.

The continued increase in outstanding debt reflects ever-higher expectations of living standards combined with the social pressures of a ‘want it now’ society. A prevailing perception that housing equity is the solution to all future financial needs, and a disconnect between the perceptions and reality of ‘debt solutions’ among a core minority of young adults, raise important questions about heightened risks of payment default and longer-term implications for financial planning. These are some of the findings of the study by the Personal Finance Research Centre.

The research, supported by Standard Life, was launched today [Wednesday 5 December] in Westminster at an event attended by representatives from a wide range of stakeholders and political commentators. The research is a study of borrowing across three key life-stages: young adults, the family years, and post-family years. It involved the detailed analysis of focus groups, secondary analysis of national survey data and a workshop with experts in the field.

The research found that with strong pressures to consume combined with the ready availability and relative cheapness of credit many people are prepared to borrow routinely to fund the lifestyle they aspire to. Consequently, borrowing has become a behavioural norm, with some

young adults even perceiving credit as ‘money’. Borrowing to buy a home or to fund higher education was seen as a legitimate and necessary use of credit.

However, some people were borrowing far more than necessary for these purposes. In particular, with a historically strong housing market and low interest rates, mortgage borrowing has widely been viewed as a sensible way of investing for the future. Even in benign economic circumstances, however, it is unlikely that housing equity on its own will meet all future financial needs.

In order to prevent problems in the future, policy responses need to focus on providing a counterbalance to the ‘want it now’ consumer culture, promoting financial capability through a coordinated approach. This should centre on the positive message of ‘making money work for you’.

Professor Elaine Kempson, Director of the Personal Finance Research Centre at the University of Bristol, said: “This study provides clear evidence of the biggest shift in attitudes towards borrowing that I have seen in more than 25 years of personal finance research. This is something that survey data simply does not show. Although we know that financial difficulties as a result of heavy borrowing still only affect a minority of people, the concern is that this may change in the event of economic downturn, which is now widely forecast.

“Without intervention there is a risk that more young people will find themselves in difficulties in the future. They may then discover that debt consolidation and insolvency do not provide the easy solutions they had hoped for.”

Anne Gunther, Chief Executive, Standard Life Bank, added: “Consumer attitudes to borrowing have changed dramatically over the last few years.

We are now in a position where credit is not only freely available but considered a way of financing lifestyles rather than reflecting need. Rising debt is becoming a key issue for younger people from primarily reasonably affluent backgrounds.”

Anne concluded: “A seismic change in mindset is required to begin to unwind the debt issues we face in the UK. Pinning your hopes on housing equity or thinking that insolvency is the easy way out of debt is financial suicide.”

The full report, along with a summary of the key findings, can be found at [www.pfrc.bris.ac.uk/](http://www.pfrc.bris.ac.uk/)

Source: University of Bristol

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