Many divorcees end up with nothing or only debt after divorce, says new study

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Contrary to the impression given by divorces covered in the media, most do not entail couples sharing vast amounts of wealth and spending huge sums on legal proceedings.

The Fair Shares Project is the first nationally representative study to examine the financial arrangements of divorcing couples in England and Wales. Our team's new report shows that most couples have very modest levels of assets to divide. In fact, 17% of divorcees in our survey had no assets at all, while 23% ended up with nothing or only debts following their divorce.

Divorce is a financial shock that ex-spouses—and their children—have to cope with as they adjust to living in two households. That shock can be particularly hard and long-lasting for older women, and women who have children.

The study surveyed 2,415 people who had divorced up to five years previously, and interviewed 53 recent divorcees.

Not much to share

Couples may have less wealth to divide than you think: 28% of divorcees in our study had been living in rented accommodation and so, other than their pension, had very little by way of any capital to divide. It is not surprising, then, that 21% ended up with an amount less than £25,000.

The median net value of the assets, including property and pensions, that divorcing couples owned when they divorced was £135,000—including those who had nothing or only debts. More than a quarter (28%) had assets below £100,000, while only 9% had over £1 million at their disposal.

Our study found that wives generally had lower incomes than their husbands during the marriage, usually due to childcare responsibilities that prevented them working fulltime. This meant that divorcing wives had typically built up smaller pension pots than their husbands, pointing to greater financial hardship in later life. UK government data also shows mothers spend more time on unpaid housework and childcare than fathers.

The law allows for a spouse to allocate rights in their pension to their ex-partner upon divorce. This may be used to help make up for one spouse having lost out on contributing to a pension due to caring responsibilities. However, our study found that only 11% of divorcees yet to retire had made such a pension-share arrangement—and of these, only a fifth (22%) shared the pension equally.

Lack of awareness of their finances

This failure to take account of pensions seemed to reflect a general lack of awareness or understanding of them, and even of their finances generally.

Nearly four in 10 (38%) divorcees felt they'd had poor knowledge of their ex's finances during the marriage. A third did not know the value of their own pension pot. And 10% did not know the equity value (how much of the mortgage had been paid off) of the former matrimonial home. This meant they were potentially in a weak position when it came to negotiating with their ex about how to share out their assets.

Yet 12% of those surveyed said they had sought out no information or advice when they divorced, and only a third had used a lawyer to help make their financial arrangements. Many divorcees were deterred by fear of legal costs.

However, contrary to popular misconception, where legal or mediation costs were incurred, the costs were relatively modest: 24% of divorcees had to find less than £1,000, and a further 18% had costs between £1,000 and £3,000. Only 9% incurred costs of £10,000 or more.

Yet even modest costs may put legal help out of reach for some people.

Losing out in the longer term

The longer-term impact of making a poor deal is demonstrated by our data comparing divorcees' household incomes at the time of the survey, up to five years after their divorce. Female divorcees, particularly mothers and those older in age, tended to be worse off than men, even when they had found new partners. For example, only 29% of women with dependent children, and 22% of women over 50 without children, had a household income above £35,000, compared with 45% and 32% of men.

The law that applies to the financial consequences of divorce is 50 years old. In 2020, Baroness Fiona Shackleton introduced a private member's bill into the House of Lords, arguing that it would be much simpler for couples managing their arrangements without help if there was a clear legal presumption that marital assets should be split 50/50.

But our study found that a 50/50 split would not reflect the needs or priorities of most divorcees. Only 28% had split their assets roughly equally; the majority either focused on who needed the assets most, or divided them according to who was the legal owner. For such divorcees, "fairness" lay in meeting needs or getting back what they had put into the marriage, not splitting a very small cake into two even smaller halves.

We believe it's not the substantive law that needs reforming, but the means by which divorcees can access advice and help. Ensuring divorcing couples have access to affordable, appropriate and authoritative information, advice and support is key to ensuring that the deal they get is fair to both, and also protects their children.

A fair deal is one that takes account of all their available assets—including any pensions—so that they can each best adjust financially to life after the end of their marriage.