Young people's reluctance to talk about money is putting them at risk. Here's how to help them

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Credit is an everyday, and often essential, part of young people's lives. Gaining access to credit for the first time is an important transition to adulthood that can enable you to study, earn and invest in your future.

Previously, most people's first taste of debt was either a loan for university fees, a student overdraft or a credit card. Younger generations are now much more likely to use new forms of credit such as buy now, pay later (BNPL)—a kind of credit often offered at online check-outs that allows people to borrow the cost of their shopping and repay it in installments.

But confusion about the long-term consequences of building up debt is common—and is often compounded by a reluctance to talk about money and debt. This is deeply problematic. Decisions about credit can affect financial well-being now and in the future.

I recently worked on a project about young people and borrowing with my colleague Hussan Aslam, which was funded by the charity abrdn Financial Fairness Trust. We interviewed 80 young people (aged 18–24 years old) across the UK about money. Almost two-thirds see money and credit as taboo topics.

This attitude stops people from talking openly and learning about debt and finance. One person we spoke to said, "I've always felt in society it's a taboo subject that people don't really talk about that often, and when you do bring it up everyone's a little bit sheepish to talk about it, so … where do you get the information from? It's not something you're just born knowing … and if you do research online there's an overwhelming amount of different information."

This confusion around credit and borrowing is a problem, particularly for young people who are at the start of their financial lives. But your experience of credit as a young person—both good and bad—can influence how you manage your money for the rest of your life.

Research shows young people are often especially financially vulnerable in this respect due to limited financial know-how or experience. So getting support to get the best out of credit can help people avoid common pitfalls.

People don't always know where to go for support online, which makes it difficult to gain the knowledge to make good financial decisions. Also, the financial products that are often marketed to young people—buy now, pay later deals, for example—may help them feel more in control of their money, but can actually promote irresponsible financial habits.

Such short-term financial decision making doesn't always result in the most rational outcomes for longer-term financial well-being. The subscription-style of BNPL offerings can obscure the fact that it's a form of debt and make the product appealing to young people, especially when used online at the point of sale.

There was little understanding among the people we spoke to about how credit use, including mobile phone contracts and BNPL, could affect their credit history if they were unable to repay the loan.

How to help young people

Many of the organizations people interact with—from financial services firms to employers—could do more to support people that want to use credit responsibly. For example, products and services from banks and fintechs could help people keep better control of their finances.

For younger people, this could include no or low-interest overdrafts when graduating from an interest-free student overdraft, for example. Recent "consumer duty" regulations by the Financial Conduct Authority should help to ensure firms better inform and support consumers using credit and other financial products.

Financial services and financial technology firms can also play a role in boosting responsible use of credit by using the data they hold for good to help young people manage their money effectively.

For example, young people want more products and services that help them control their credit and money. Traditional banks and lenders could learn from fintechs by developing apps to help people actually visualize their finances.

Research shows the pandemic and cost of living crisis have significantly influenced credit use. So, policy and practice by governments, regulators such as the Financial Conduct Authority, lenders, educators and advice providers such as the Money and Pensions Service (MaPS) must acknowledge the role that credit plays in helping people to make ends meet.

They could help find better ways to support financial decision-making as people transition to financial independence.

Promoting trusted sources of advice would help here, rather than leaving people to rely on self-styled social media "finfluencers." Almost half of the young people we spoke to were influenced by social media to use credit or manage their money in a particular way.

The FCA and MaPs could develop more resources on relevant social media sites such as TikTok and Instagram, or other media platforms used by young people. They could create explainer videos on key topics that would help support young people who are considering using credit for the first time.

They could also use it to track and correct new trends or incorrect assumptions about money among this age group.

Regulating buy now, pay later schemes would also be a step in the right direction. The financial services sector needs to take greater responsibility to ensure good outcomes for everyone because financial decisions made today could last a lifetime.

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