New research reveals high levels of consumer debt among majority of UK households

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A new survey, analyzed by the University of Bristol and commissioned by abrdn Financial Fairness Trust, shows nearly two-thirds (65%) of households, amounting to 18.4 million, have consumer debt and more than 4 in 10 households (44% or 12.5 million) have taken out new borrowing in the past six months.

There are signs credit stress may be worsening, with 2 in 10 (16%) owing money due to missing at least one repayment on a credit commitment, up from 11% in May 2023.

The Financial Fairness Tracker has been monitoring the personal finances of households since the start of the pandemic, sampling around 6,000 households in each of the nine survey waves to-date.

The latest survey found 1 in 7 households (15%) have borrowed money in the past four weeks just to cover basic daily living expenses, such as food and bills. This rises to 35% among those in financial difficulty. Households on the lowest incomes were especially likely to be taking on debt, with 3 in 5 (61%) taking out new borrowing in the past six months (compared to 48% of middle-income households).

A quarter of households (25%) owe at least £5,000 across their various consumer credit commitments. This was higher among middle income households (31%) than those on the lowest incomes (24%), showing the total amount of credit owed does not always relate to the level of financial difficulty households experience.

Credit cards are the most common form of borrowing that households are using. A third (35%) of households owe money on at least one credit card, but 3 in 10 (28%) of those with credit card debt "always" or "usually" make only the minimum payment on their cards, potentially storing up problems meeting their commitments in future.

While 7% of all households had borrowed money from family or friends, this was much more common among those in financial difficulty (20%), which may be a sign they cannot access formal credit. Of all households, 2% (0.6 million) had borrowed from an unlicensed or informal lender in October because they could not make ends meet.

Households with children are behind on their energy bills at twice the rate of other households (11% compared with 5%). For families with three or more children, arrears rates were three times the average (18% for electricity; 17% for gas/other energy).

While there has been an improvement since last year, over half of people still agreed thinking about their finances made them feel anxious (52%, down from 61% last year). Financial worries caused 2 in 4 (39%) to sleep poorly at night, and this rose to as many as 85% among those in financial difficulties. Overall, 17% are finding it a constant struggle to cover bills, the same level as this time last year.

Professor Sharon Collard, chair in personal finance at the University of Bristol, said, "While there are indicators that the average household is coming to terms with the higher costs they face, the reality for those at the bottom end of the income distribution is that things are getting worse, not better. We see in our data that real hardship exists, with foodbank use increasing.

"Nearly 1 in 4 (24%) of those in receipt of income-related benefits had turned to a foodbank, as had 1 in 5 (20%) of those receiving disability-related benefits. Despite the provision of food via foodbanks, 6% of all households reported having not eaten for a whole day on three or more occasions in the past month because there wasn't enough money for food."

Karen Barker, Head of Policy and Research at abrdn Financial Fairness Trust, said, "It is particularly worrying that many in serious financial difficulties continue to take on debt just to pay for essentials. This group is also more likely to borrow from friends and family, meaning their loved ones may be going without to help keep them warm and fed.

"Financial hardship has ripple effects through communities, and in a small number of extreme cases, some of these 'friends' may actually be loan sharks. With headlines showing January's energy bills are going to increase once again, and government support for energy bills not available this winter, there is a risk that those in serious financial difficulties are going to be forced to fall even further into debt to stay afloat."

Provided by University of Bristol

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