Britainthinks
Insight & Strategy

Wednesday 22nd July 2020

Financial Resilience post-Covid

Report

Can new beginnings solve old problems?

britainthinks.com

Contents

We've been tracking how people have been managing throughout lockdown

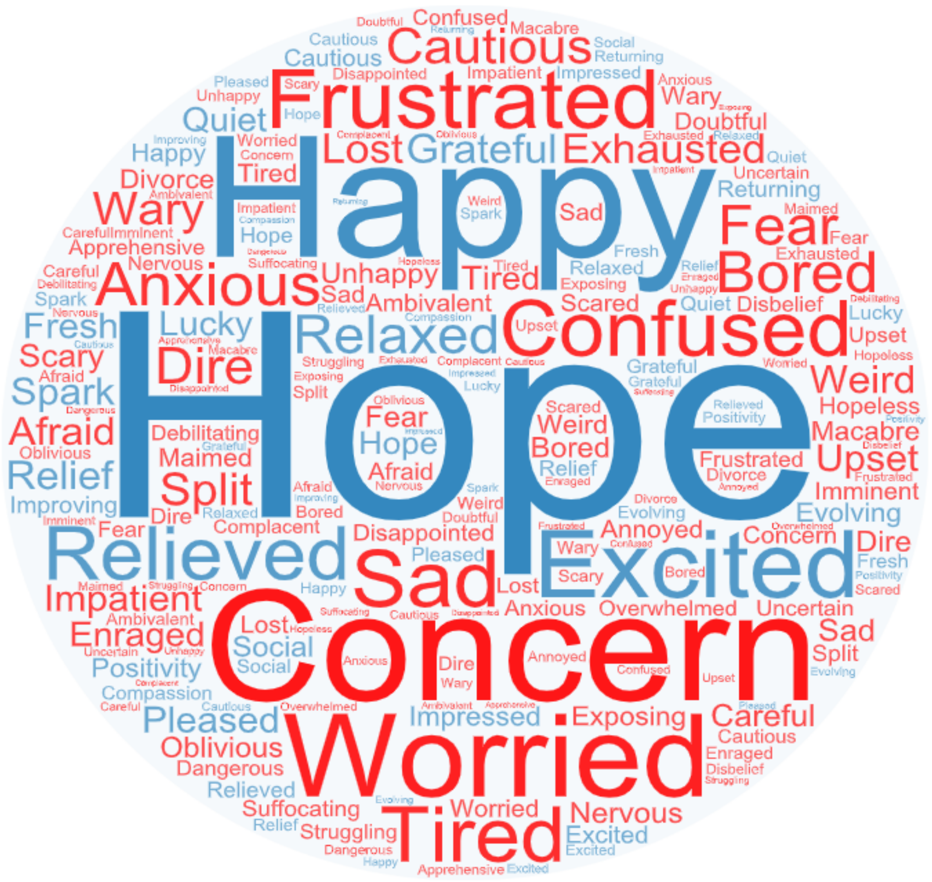
This report draws on a range of sources:

BritainThinks Coronavirus Diaries	BritainThinks Polling	Published polling and research	In depth interviews with those who are struggling financially
• 14 weeks of tracking since April • 50 people around the UK • From different locations, lifestyles and backgrounds	• 2 x nationally representative surveys with 2,000 UK adults • Conducted between 17th-19th April and 19th-21st June 2020	• Academic sources • National and international research agencies • News and grey literature	• 10 x conducted over the phone • Mix of age, gender, ethnicity, location, family situation • All describe themselves as struggling financially • 7/10 accessed support from their bank during the crisis

1. Context: a volatile and changing mood

We have seen the mood shift from fear to boredom, anger to hope – with more positive sentiments beginning to emerge through the anxiety

w/c 13th July



w/c 6th April

w/c 27th April

w/c 4th May

w/c 25th May

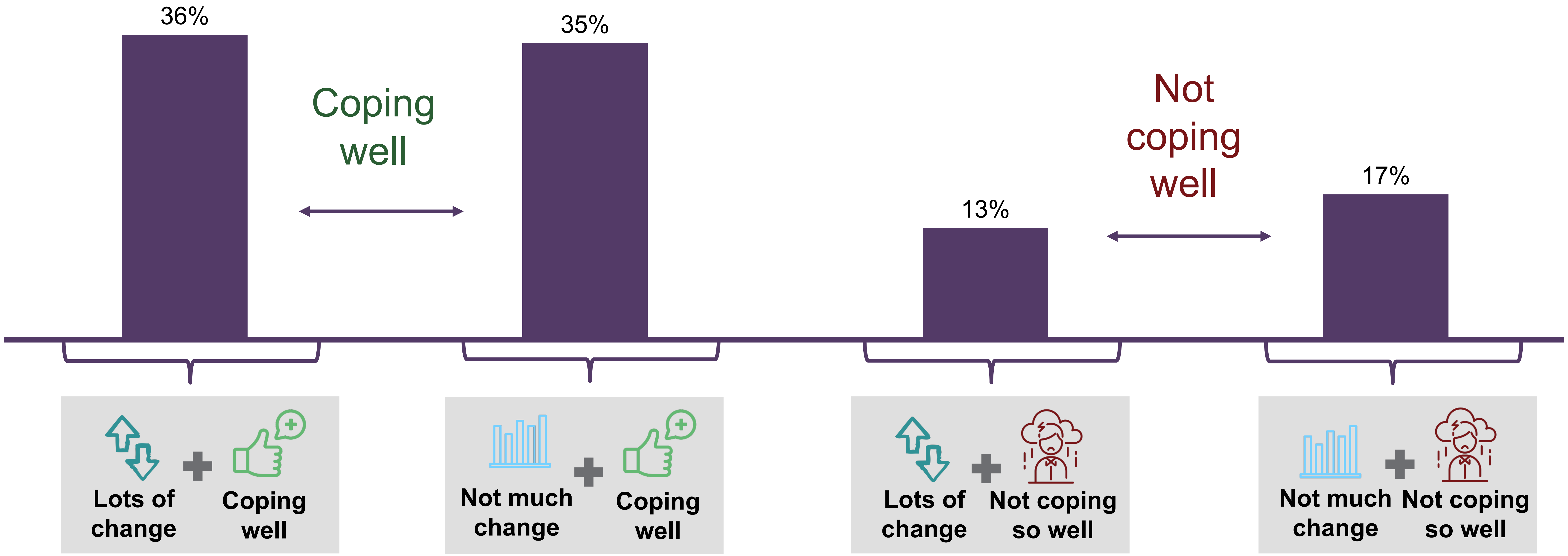
w/c 15th June

w/c 29th June

We asked Diarists which 3 words sum up their mood each week.

There is wide variation to how people have experienced the crisis: almost half are experiencing lots of change, and ⅓ are not coping

Which of the following best describes the impact that coronavirus is having on your life and how you feel?



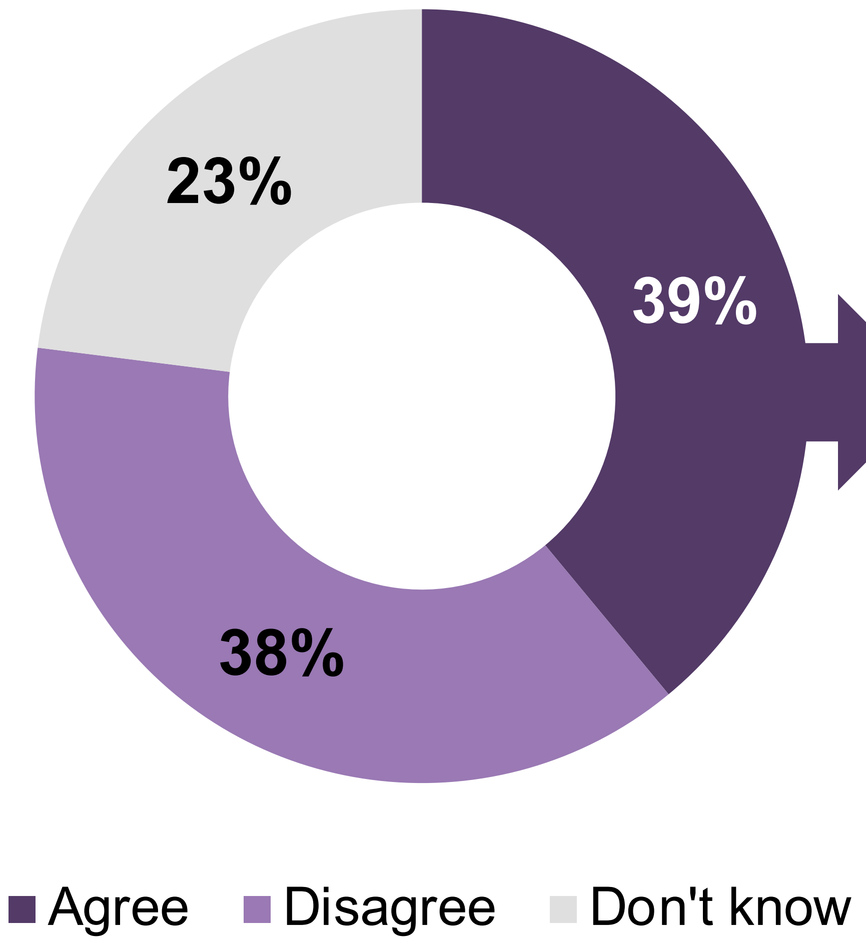
Source: BritainThinks Coronavirus Diaries polling (19th – 21st June 2020)

Whilst there remains some optimism that the crisis will lead to a better society, these hopes are fading as ‘normality’ returns

12%

prioritise a return to ‘normal’

The crisis will change the country for the better in the long term



Down from 47% in April

There is appetite for change, and a strong desire for the crisis to result in something positive, but also real fear of a ‘darker’, poorer future

“I think society will be tough. The recession will cause a lot of problems but hopefully the community spirit will help us lift each other up.”

Source: YouGov, Brits see cleaner air, stronger social bonds and changing food habits amid lockdown (April 2020)
Source: BritainThinks, Coronavirus Diaries polling (June 2020)

For our Diarists, there have been three key takeaways from the experience so far

Importance of having a good work/life balance

"I will change my schedule to spend less time working and more with those close to me."

Importance of having savings/ a safety net

"I have realised the need to have some savings behind me, as you never know what is going to happen."

Value of feeling connected to where you live

"I'd like to support local shops and local concerns and also become more self-sufficient."

This could be be a unique opportunity to influence financial behaviour and future resilience

2. Finances: pulling in two directions and falling between the cracks

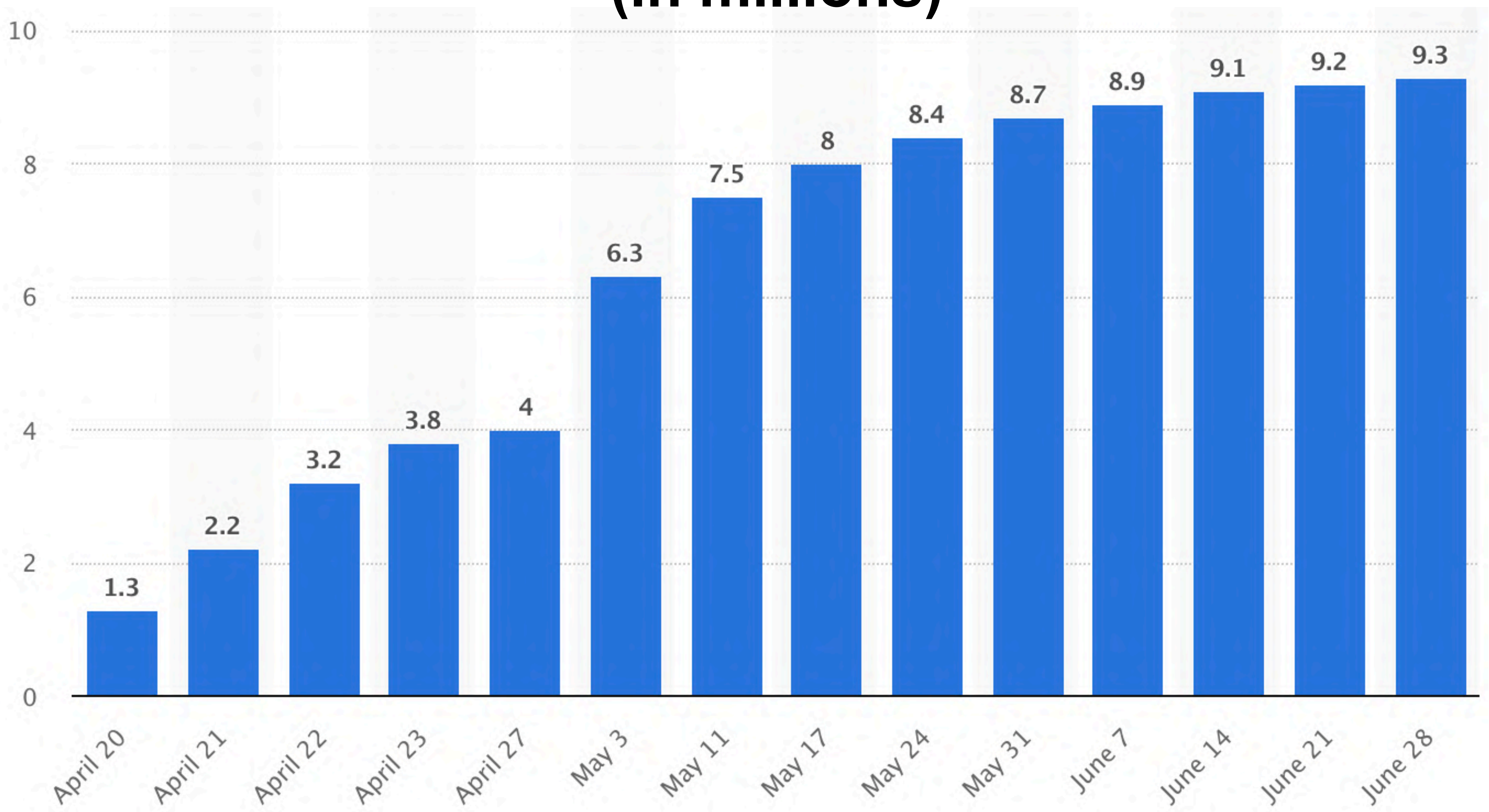
Almost two fifths of people say their income has decreased since the crisis

36% — **Say their income has decreased (May 2020)**

1.2m — **Nº of forbearance requests up to May**

1 in 6 — **Mortgages in the UK now subject to a payment deferral**

Number of jobs furloughed under the job retention scheme in the UK between 20/04/20 and 28/06/20 **(in millions)**



Source: BritainThinks, Virgin Money Report (July 2020)
Source: Credit Strategy, Forbearance requests to lenders surge to nearly 1.2 million (May 2020)
Source: UK Finance, Lenders grant 1.9 million payment deferrals to mortgage holders in three months (June 2020)

However others have been spending less during lockdown and have been able to save more overall

- Many have made savings over the last 4 months across a number of areas
- *NB. this is in their current account, and does not necessarily translate into long term planning*

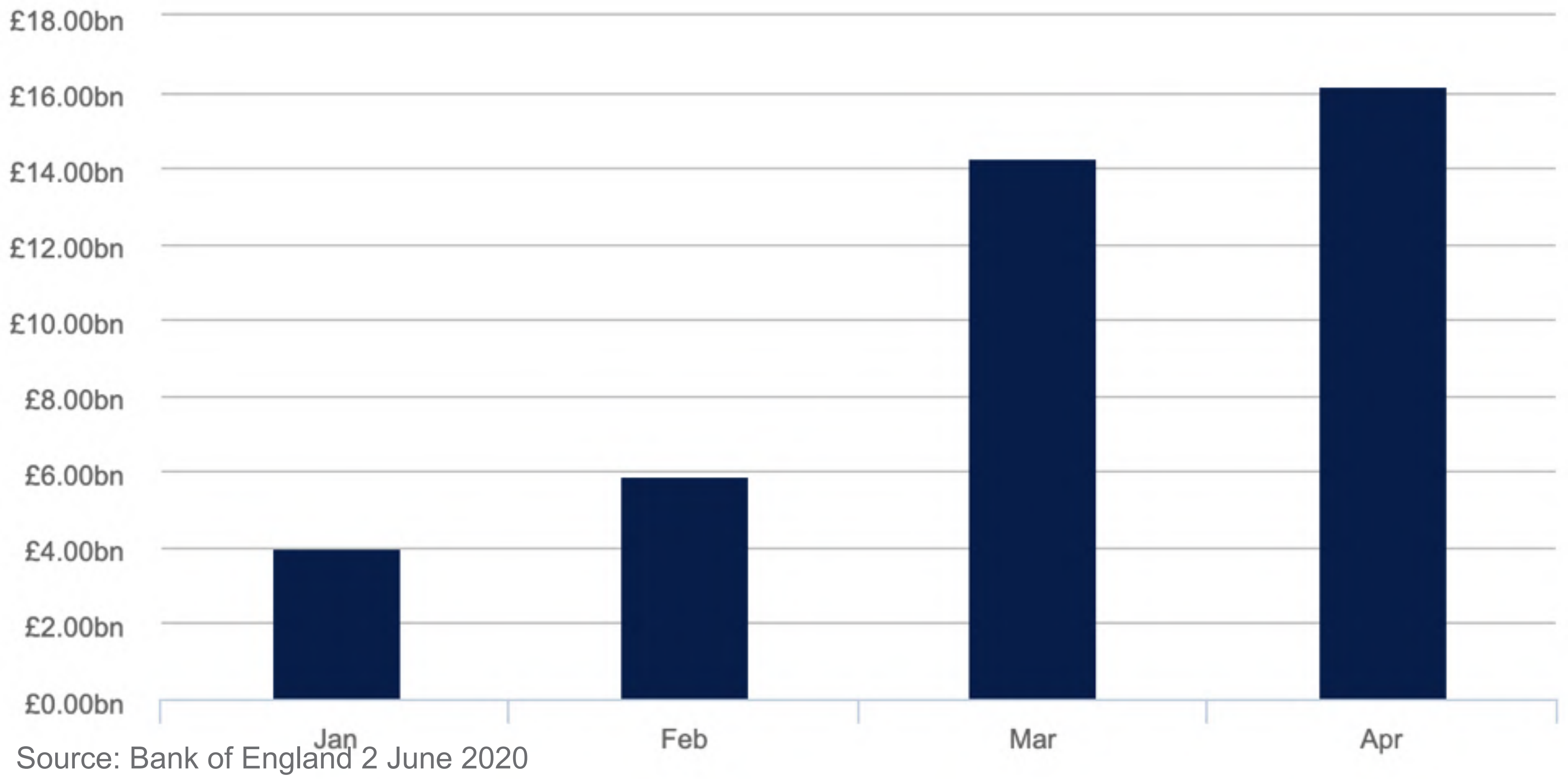
Petrol + travel costs

Childcare costs

Eating out

Other non-essential spending

Increase in savings deposits - Households



Source: Bank of England 2 June 2020

Currently the crisis has affected finances in two opposite directions

Deterioration

Susanne has an architectural practice with her husband. The business is closed now and there's no pipeline of work. She's expecting they will have to spend their savings to get through 2020.

Whilst this includes those on low incomes it also includes some more affluent people who have never faced precarity in their finances before

Improvement

Liam is a father of three. He works for an oil rig maintenance company and is currently WFH on full pay. He's always struggled to pay the bills and has gone into overdraft but now he's finding he can save £500 a month.

This includes those who may have been 'just about managing' before but are able to work from home and are now finding they are able to save

The crisis has thrown everything up in the air in terms of who is or isn't 'fortunate'

Certain groups in society have been disproportionately impacted in comparison to others due to the closure of particular sectors

Young people

…under 25 are about two and a half times as likely to work in a sector that has been shut down vs. other age groups

Women

…are approximately one third more likely to work in a sector that has been shut down than men

Low earners

…are seven times more likely than high earners to work in a sector that has been shut down

SMEs

Almost 2 in 10 SMEs have closed permanently or plan to do so in the next month

Source: IFS, Sector shutdowns during the coronavirus crisis: which workers are most exposed? (April 2020)
Source: Opinium, Impact of Coronavirus on SMEs (March 2020)

Looking ahead, those who struggled less during lockdown are beginning to worry more about what their financial future may hold

46%

Say they are very/ fairly concerned about their personal finances over the next 12 months (YouGov, June)

Any support taken is only seen to have helped people 'weather the storm' of the past few months

Impending economic crash and further job losses anticipated

→ The future is unknown, and therefore so is people's financial security

Source: YouGov, How concerned are you, if at all, about your personal finances over the course of the next 12 months? (June 2020)

These longer-term concerns are felt to be out of their control

Looking ahead, people are particularly concerned about:

Tougher job market

- Young people anticipating it will be harder to find a job
- Widespread redundancies when the furlough scheme ends

"I feel very lucky at the moment, but I am aware redundancies will probably come."

Pension/savings losses

- Older people noting their pensions may lose value
- Those who have used up their savings no longer having this cushion

"We are OK at present as, being retirees, we do have pensions; however, longer term, this could change."

Housing market challenges

- Homeowners finding it difficult to buy/sell
- Mortgage providers less likely to lend to those in unstable employment (e.g. self-employed)

"I don't think I will get a mortgage to buy a house very easily."

Source: YouGov, Daily Question: 12th June 2020

3. Creative solutions or last resort? The experience of those struggling financially

To learn more about the experience of those who have been impacted financially, we conducted ten case study interviews

Interviews were conducted over the phone

Mix of age, gender, ethnicity, location, family situation

All describe themselves as struggling financially

7/10 accessed support from their bank during the crisis

Among those struggling, it is clear that starting point matters considerably – all had either static or dynamic vulnerability

Some had long term low financial resilience, and started lockdown in a more financially insecure place

- In low paying, insecure employment (living paycheck to paycheck)
- No savings
- High debt before the crisis

"I'm really just robbing Peter to pay Paul. I do other odd jobs here and there like barbering when I have clients and then I have another job which is just a couple of hours a week and brings me £30 a month."

Others were managing before the crisis, but the crisis came at a time when they were vulnerable

- In between jobs (recently left job)
- Recently self-employed
- Recently depleted savings (e.g. on setting up a business, training or qualification)

"When you're self employed, you don't get any help from the government if you've just started, so I had to go onto UC which has been a slight help, but it doesn't really touch the sides."

Those who have fallen between the cracks of government support have been hit hardest financially

Those who have fallen between the cracks had lower financial resilience to begin with

Recently left a job

People in between jobs, or even those who had secured contracts but not started, were left out of furlough schemes

"When lockdown hit, I'd already left my job and didn't get any furlough pay from them. I was on a salary of £2k per month but quit as I hated it there."

Recently made redundant

Those working in closed sectors who were made redundant rather than put onto the furlough scheme

"It's hard to save when you work in hospitality as it's all minimum wage jobs, and we weren't offered any furlough money when they made us redundant."

Self-employed for under 12 months

Those without the relevant paperwork were entirely ineligible for government support; or those paid through dividends

"I was pushing ahead with advertising, was about to get new website, was starting to spend money pre-empting the business, and then everything stopped."

From the deep dive case studies we have identified four broad groupings of those impacted financially

More financially secure pre-crisis

Managing during the crisis

Not managing during the crisis

Cushion to stay comfortable

Income has decreased but have accessed support in order to live a 'normal' life during lockdown with minimal changes

Double blow

Life circumstances combined with the crisis has resulted in a precarious financial situation, including high debt

Cutting back to get by

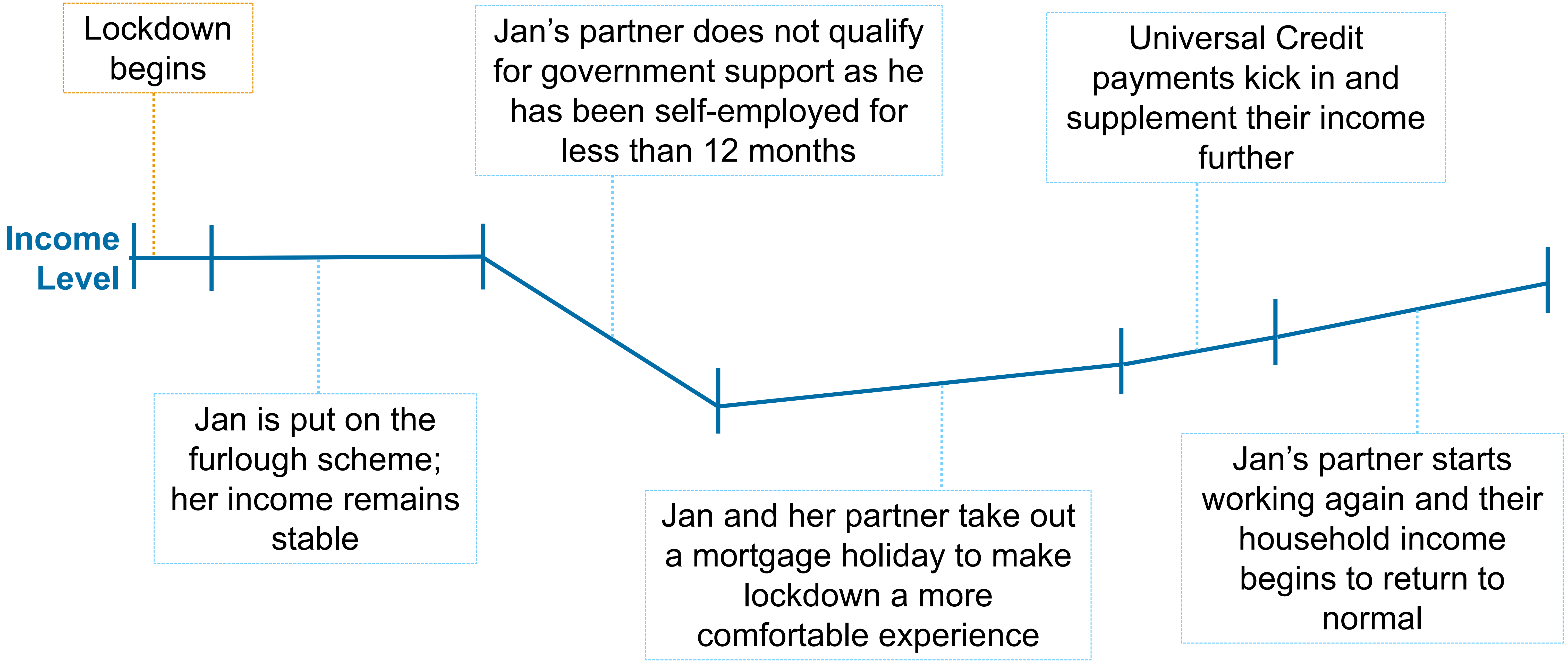
Had to cut back on outgoings significantly and have accessed some support during the crisis in order to manage

On the edge

Struggling to cover outgoings but reluctant to access any other types of debt to manage

Less financially secure pre-crisis

Cushion to stay comfortable - Jan, 41, The Highlands



More financially secure

Managing now

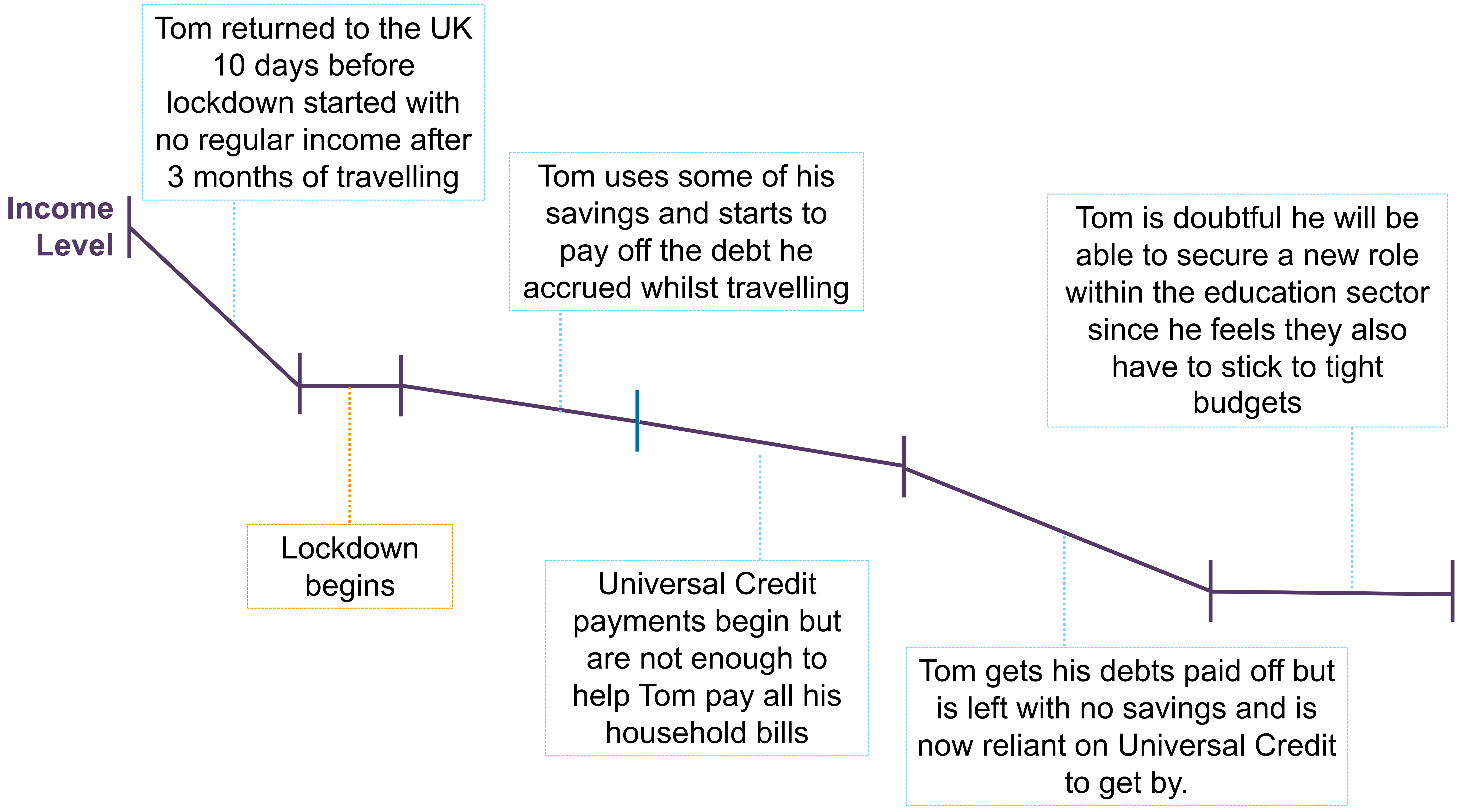
Self employed HH

Furloughed

"We were definitely comfortable before. I had my 3 jobs and my partner was earning a good wage from his job. Between us, our finances are very simple."

"We took a mortgage holiday so it wasn't that bad really with a bit of financial help with the UC. We have some savings too and I've not had to use them."

Double blow – Tom, 32, Sheffield

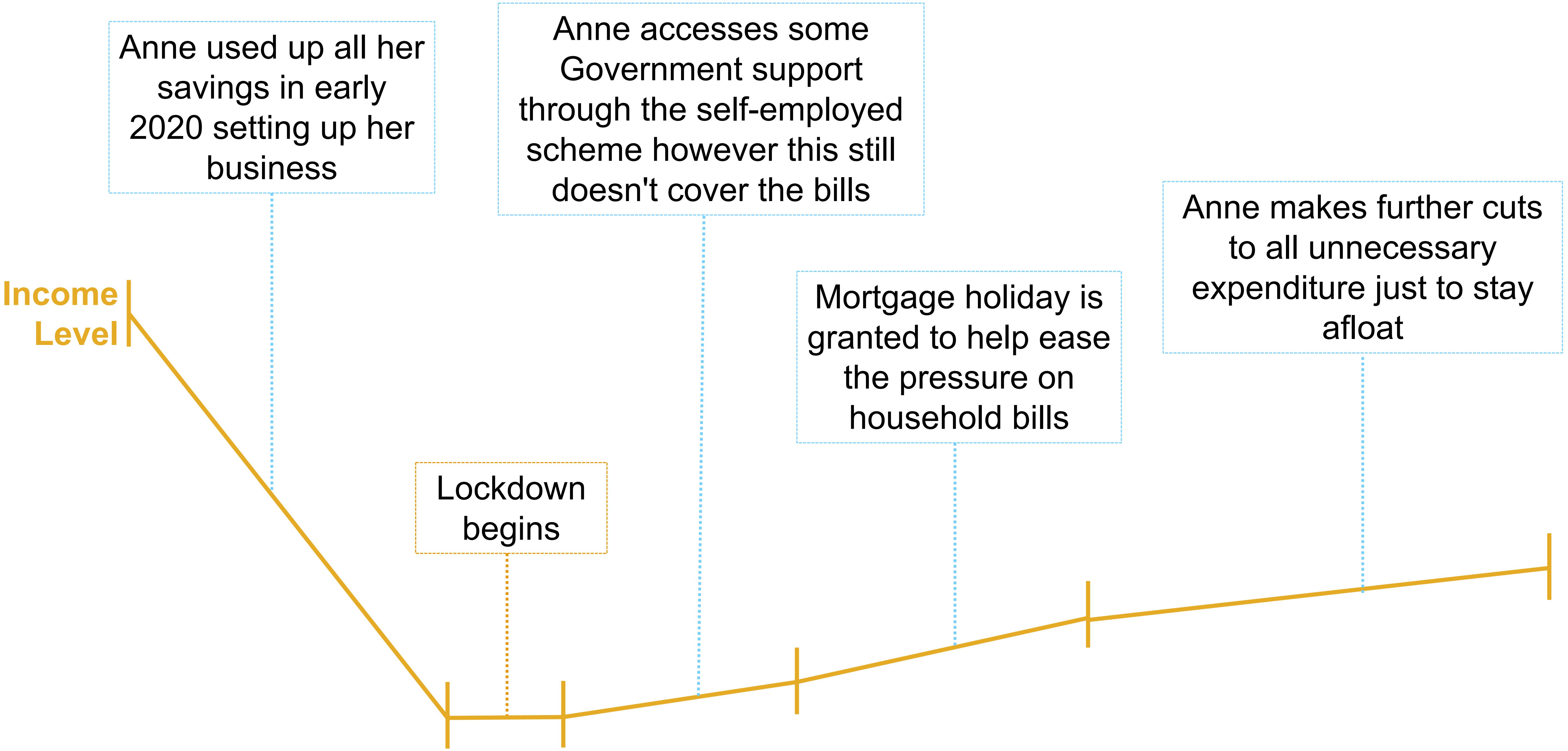


More financially secure	**Not managing well**
Previously University researcher	**Unemployed after travelling**

"I feel frustrated as there was a huge missed opportunity. I could have been earning all throughout this period, but instead I'm scraping by on the government approved minimum."

"I've dipped into my overdraft a couple of times by forgetting I have bigger bills coming out around this time of year, and it was a long old slog to getting UC set up."

Cutting back to get by – Anne, 38, West Sussex

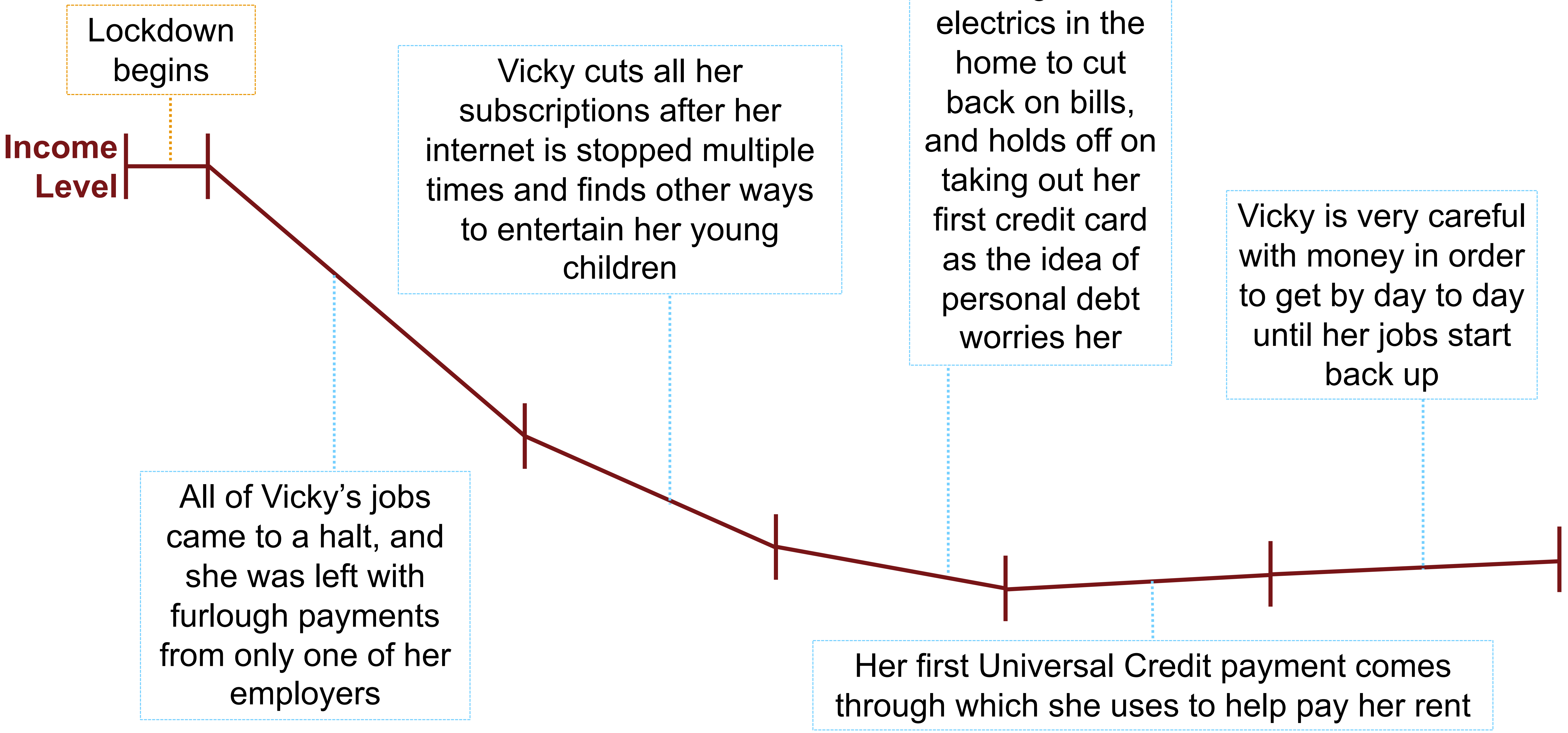


Less financially secure	**Managing now**
Key worker in HH	**Self employed (new business)**

"We had no savings, I wasn't going to be earning anything and there was also the overdraft to pay. We took a mortgage break when we did because we just didn't know how long lockdown would last."

"Our current situation feels uncomfortable, I know I've got a tax bill coming and I've still got to find that money at some stage. If we have to live on toast for a week, I will."

On the edge - Vicky, 34, Glasgow



Less financially secure | **Not managing well**

Self employed /furloughed | **Single parent**

"We aren't using anything really. We haven't had the heating on, just showers and cooking, and we have the lights on a little bit. I don't spend a lot, I don't buy new clothes or things like that."

"If I have to give up anything else, I will give up my car, but I don't really want to. Sacrificing good food is the only other thing I can do."

Across these groups there have been nuances in tactics they have taken to survive and manage

Cutting back to the bare minimum

- Cutting back on unnecessary costs (e.g. take-aways, clothes, alcohol)
- Shopping around to get a better deal on bills
- Reducing bills by reducing usage (e.g. switching the heating off)

Cutting back to get by, On the edge and ***Double blow***

"We've kept our finances to just buying food, we've not bought takeaways, we've not had the capacity to have treats, and we've just stuck to shopping we need, nothing else."

Seeking financial support

- Seeking Universal Credit
- Accessing support through banks

Cushion to stay comfortable, Double blow and Cutting back

"I had been paying back £40 a month on my overdraft, but during the crisis my bank agreed that I could just pay back £10 a month instead."

Those accessing support from banks have generally said they have had a positive experience

Those accessing support from banks report:

- ✓Ease of application process (e.g. applying for a mortgage holiday online)
- ✓Quick to set up (e.g. minimal eligibility questions)
- ✓Clear communication (e.g. how many payments would be missed, when payments would re-start)

Anne, *Cutting back to get by*

"They agreed straight away and told us what payments would be missed and that the mortgage would restart on 1st July. We got a letter letter confirming what the new repayments would be. It was very simple, very easy and very straight forward. There was no unnecessary Spanish inquisition."

Although many of those who accessed support from their bank heard about support through other channels (namely Martin Lewis or friends and family) rather than directly from their bank

However there have also been instances where the response from a bank has fallen short

‘Salesy’ calls	Lack of clarity around overdraft fees	Lack of personal communication
A ‘here to help’ phone call that quickly transitions into a sales call; feels inappropriate and lacks sensitivity	Delayed response about postponing 40% overdraft fees in April, and unclear if/when this will come into force	For example, receiving a phone call from someone who doesn’t know what support you’ve already accessed
“I got a call from a nice lady, she asked lots of questions about my finances and fudged it as a call about being there for me. But then she started telling me about mortgages and it felt like a sales call. I felt perturbed and angry.”	*“Banks were charging 40% interest on overdraft and I’d seen this as Martin Lewis mentioned it. It was going to happen in April, but then it got delayed to July, so I don’t know where we’re at now, but this could still possibly happen.”*	*“They said I would get a letter, but I don’t think I have received that. Maybe that would have told me more about when my payment holiday will end or what will happen after. Ignorance is bliss.”*

For some, accessing support from banks has made lockdown life more comfortable than it otherwise would have been

Some have accessed support so they don't have to cut back elsewhere, or as a safety net

Case study: Amanda, Cushion to be comfortable

Amanda is 46 and lives in London with her partner and two children. She works as a drug counselor in a drug rehabilitation centre and supplements her income by working as a private counselor. Prior to the crisis Amanda describes her finances as comfortable; she has never been in debt and never had a credit card, and they always managed to cover everything they needed. Two months in to the crisis Amanda was furloughed by the drug rehabilitation centre, however while she receives her full salary from them, her income dropped as she hasn't been working with private clients. Amanda took a new credit card out during the crisis to give her peace of mind.

"I've not been struggling too much during lockdown if I'm honest, and I'm not sure what we're spending the money on, but I guess its food. Some costs have gone down, so fuel, pub, but we still seem to be spending the same amount of money. I took the credit card and overdraft for more of a security. It's 6 month 0% interest on the new credit card, which is reviewable in 6 months.

For others, accessing support from banks has been a lifeline and they don’t know how they would have survived without this

Others are accessing support out of absolute necessity to enable them to buy food and pay bills

Case study: John, Cutting back to get by

John is 43, single, and lives in Cambridge. Prior to the crisis he was working in a bar, however he was made redundant as a result of crisis and has since been accessing Universal Credit. While John had a low income, he felt that his finances were manageable before the crisis as his outgoings were relatively minimal; he lives in a rented house (with all bills included) and was steadily paying back his overdraft. John’s income dropped when he moved onto Universal Credit, and so he accessed a payment holiday on his overdraft to make sure he’s still able to buy the basics.

“Since lockdown, I’ve tried to pay what I can of my rent, the £200 I get for rent from UC I give straight to the landlord of where I live. Then I’ll do a big shop with my housemate and we will spend £50 each, and that food is meant to last up to 2 weeks. So to be honest, that spending covers a lot of what I get.”

Most would like to be able to access this support for between six months to a year – due to the future being so uncertain

Some of the participants who have accessed support have now started making repayments, though they feel that they would have liked longer

Strong sense that the **next 6 months** could be particularly challenging, likelihood of a recession seems high

Majority would like to have the option of having longer, though they don't necessarily want to make use of this

- Most want to start repaying as soon as they are able to
- There is concern about the longer term implications of delaying repayments

"I'd rather have too much than too little, 6 months feels like reasonable time to sort things out."

"Even if I was told I needed to start to repay everything in a year's time, I think I'd still start paying it back sooner if I could, but again, it would give you that total safety net."

Concern about debt and lack of trust means some of those struggling have avoided support from banks

Among some of those struggling to manage their money there was underlying resistance to the idea of seeking financial support from banks due to:

- Fear of getting into debt and not being able to repay this later down the line
- Borrowing seen as a last resort, when savings and support from friends/family is not available
- Lack of trust in banks and perceptions they are self-interested, compounded by negative experience with insurance companies during lockdown

Polling has also shown that despite many people being on reduced pay with the furlough scheme, there is little change to the number of people seeking loans

"I don't have a credit card because I don't want to get into debt. If I cannot afford something, I won't have it. I have been using my overdraft but am nearly at the end of that now."

"They've been a little bit helpful, but I don't like banks that much. To be honest, I wasn't expecting much from them."

% saying they are likely to take out an unsecured loan in the next 12 months (YouGov)

May 2019	May 2020
7%	4%

Source: YouGov, Changing Consumer Landscape: financial products (3rd June 2020)

4. Implications: key learnings and opportunities to take forward

So, an old problem: low levels of financial resilience and wellbeing

Thrown into sharp relief during the unprecedented changes recently experienced

Creating new solutions? People feel the tangible need to save for the future

Only 12% of the population say they want to go back to ‘normal’ – this is a genuinely unique context to tap into change

Many say the crisis will lead to them taking a different, more prudent approach with their personal finances in the future

Last week (17th July) we asked Diarists how they feel about their finances over the next 2 – 3 months and whether their spending has changed:

Finances are a real concern

Some remain unaffected and are doing fine

However, most are worried about what the future holds and how they will recover or manage longer term

"Reducing pensions are our worry as these are our sole income; the markets and economy have, of course, taken a huge hit."

People are being cautious

Unable to spend due to lack of income; or being actively cautious due to concerns for the future and having had a chance to reflect on money during lockdown

"I tried to buy things I needed or really wanted to support businesses, but now that my job is at risk I am being more cautious."

Though there is a desire to develop greater financial resilience, many are unsure how to make improvements

Lack of belief

"I've always thought people can't change their approach to money management, it's too much of an engrained habit."

Low levels of knowledge

"I would like to save more, but interest is low, and I don't have a lot of confidence in knowing about other options…I've heard about stocks and shares, but don't know anything about that."

Reduce spending, but what then?

"I want to be really careful with money, I'm terrified of completely losing my job in a second wave and there being no government support. I would be happier spending if there was guaranteed support."

We have identified four broad areas to consider for the future to support financial resilience, based on Diarists' experiences

Consumer contributed data	Employers & training	Community champions	Transparent comms & new tools
Using open banking and internal systems to help customers know what they can afford, what they can access, and to spot patterns for targeting comms	What role can employers play in helping people to save? What role can corporates play in supporting people to re-train and take up opportunities in less affected sectors? People need income	Diarists told us they trust friends and family to talk about finances, and local connections matter more than ever – can this be tapped into?	There is an openness to change and new technology – but also a sense of fatigue. Simple, clear messages and tools make a difference.

From Diarists' responses to 'Covid-19' adverts, we've also identified four principles for communicating now, with relevance to FS

Be specific rather than general	Have a lightness of touch	Capture the moment	Tap into hope
Show how your product is right for this time and can provide tangible benefit rather than putting out a more generic 'we are there for you' message	Down to earth, tones resonate whilst anything that is felt to be trying too hard to tap into emotions is rejected as manipulative	Show that you understand what life is like *right now* and that you are directly responding to this with something new to make a difference	Looking to the future and providing a message that gives a sense of possibility, not just averting disaster

Key findings

Key findings

1. Lockdown has been a turbulent and emotional time, with the mood changing week on week. Diarists have experienced this period in vastly different ways, but most see it as a time for reflection and change. Greater financial security, a work/life balance and connecting to the local community are (stated) future priorities.

2. Financial impacts pull in two directions: some who were already comfortable have saved more as expenditure drops, and many have been buffered by government support. However certain groups have been disproportionately negatively impacted and there are significant concerns about the economy and what this means for personal finances in the future.

3. Those lacking financial resilience due to static or dynamic vulnerability, with limited access to support, have fallen rapidly through the cracks. Some have found successful coping strategies via cutting back and seeking help until their financial situation improves. Others remain more precarious. Whilst banks support has generally been well received, some remain distrustful of this support. Most are seeking six months to a year of this support as a buffer.

4. Diarists are being cautious with their money and there is a strong desire to have greater financial security in the future – whatever their starting point. However those most in need of support continue to lack knowledge, confidence and belief in their ability to save. Now is a unique context for the FS industry (and others) to support genuine change.

Britainthinks
Insight & Strategy

Thank you

For more information or to discuss guest speaking or presenting this to your company:

Carol McNaughton Nicholls
+44 (0)207 8455880
cmcnaughtonnicholls@britainthinks.com
Alice Hayward & Isabel Gill

BritainThinks
Somerset House
Strand
London
WC2R 1LA

britainthinks.com