

One in five would have to borrow £200 if needed in an emergency

Posted on Thursday 25th July 2013

One in five people would have to borrow money if they needed £200 at short notice, new research shows.

The economic crisis and subsequent squeeze on incomes means some people have "very little capacity to meet unexpected expenses, even relatively small ones" according to a new report.

The Financial Inclusion report (</Documents/college-social-sciences/social-policy/CHASM/2013/Financial-inclusion-report-2013-final.pdf>), released today by the University of Birmingham, found that:

- Most people are cutting back on their spending
- The poorest 30 per cent of households are finding it difficult to manage
- Unsecured borrowing is up by 10 per cent

The report states: "This is the longest and deepest slump in a century, with the slowest recovery and we are already seeing signs of a major impact on people's finances. The situation looks set to worsen still further in coming years unless the government takes action to better support those who are struggling to make ends meet."

The report found that 12 per cent of households were finding it difficult to manage financially and a further 27 per cent were 'just about getting by'.

But the most startling findings were in regard to meeting one-off expenses.

"About one in five of the population said they would have to borrow money if they needed £200 at short notice – either through a formal loan (credit card, overdraft, loan etc) or through an informal loan (from family/friends)," the report states.

Means-tested benefits for single people out of work in 2013 gave them only 38 per cent of the income they would need to have an acceptable standard of living. A couple with two children had only 58 per cent of what they would need, according to the report.

Professor Karen Rowlingson (</staff/profiles/social-policy/rowlingson-karen.aspx>), lead author of the document and the leading academic on the University of Birmingham policy commission on wealth, said: "It is frightening that some people, particularly young people, might tip over the edge into problem debt, to meet a relatively small expense. As wages stagnate and benefits are cut, financial insecurity is on the rise and the situation looks set to worsen further unless the government does more to support those who are struggling to make ends meet."

Co-author, Prof Stephen McKay, added: "Our report documents the first effects of the recession, which fed through in terms of stagnating wages, shorter working weeks and high youth unemployment. Just around the corner are reductions or restrictions to benefit income, which is likely to push some people further into difficulties. Meanwhile, many of those in the top part of the income distribution have barely been affected."

Note to editors

1. Financial Inclusion Annual Monitoring Report 2013 is the first in a series of five annual reports on financial inclusion
2. It was carried out by Prof Karen Rowlingson (Professor of Social Policy at the University of Birmingham) and Prof Stephen McKay (Distinguished Professor of Social Research, University of Lincoln).
3. The research was funded by the Friends Provident Foundation (www.friendsprovidentfoundation.org) and included secondary analysis of existing data sources alongside a module of questions on an Ipsos/MORI omnibus survey. The omnibus survey was carried out between 7th and 16th June 2013. A total of 967 adults aged 18+ in Great Britain were interviewed as part of the face-to-face omnibus. The data for this module was collected through self-completion.
4. A copy of the Financial Inclusion Report can be found here: <http://www.birmingham.ac.uk/financial-inclusion-report> from 25th August, 2013.
5. Prof Rowlingson is Director of the **Centre on Household Assets and Savings Management** (</research/activity/social-policy/chasm/index.aspx>), University of Birmingham. She is also the academic lead on the University of Birmingham Policy Commission on The Distribution of Wealth in the UK. <http://www.birmingham.ac.uk/research/impact/policy-commissions/wealth/index.aspx>

More information

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Download a copy of 'Financial Inclusion Annual Monitoring Report 2013' (PDF) (</Documents/college-social-sciences/social-policy/CHASM/2013/Financial-inclusion-report-2013-final.pdf>)