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# TALKING MONEY

Who is seeking debt advice:  
a National Debtline perspective

November 2022

## About the research

In this briefing we combine insight from our UK wide, National Debtline service, and analysis from Experian, which uses their demographic and financial behaviour tools, to help provide a greater understanding of who is seeking debt advice at an individual and household level.

The National Debtline data is sourced from our Customer Relationship Management System and from surveys of National Debtline callers, unless otherwise stated. We also use figures from our *Impossible Choices* briefing on the rising cost of living, which is based on UK wide polling, conducted by Opinium.

The Experian analysis maps anonymised postcode data of callers to National Debtline, against their Mosaic tool and Financial Strategy Segments. Experian analysed 12 months of client data up to the end of August 2022.

Household finances are under growing pressure as day-to-day costs, including food, fuel and energy bills continue to rise. With record inflation and interest rates increasing, there is little respite in sight for millions of people. Whilst many households are able to absorb these price rises, there is a significant proportion that are not.



**A fifth of UK adults (21%) say they are behind on one or more household bill – up from 15% in March<sup>1</sup>**

Concerns about finances are also increasing. Three in 10 (29%) UK adults say they worry about money every day, while one in seven (15%) say they are regularly losing sleep due to rising costs.

For those already in financial difficulty many are facing impossible choices on a daily basis, such as which meal to skip to keep the lights on. As the impact of rising prices continues to be felt, there is a very real risk that many more people will be pushed into difficulty this winter.

Debt advice services play a crucial role in supporting people through these difficult times.

Our advisers at National Debtline and Business Debtline help people navigate the different options available to them and to take steps to deal with their situation. This often has a huge impact on both the financial and emotional wellbeing of our clients.

As a result of our advice, four in five callers saw their debts reduce or stabilise and seven in ten report a positive impact on their emotional and mental wellbeing.

At both services however, we are already seeing an increase in demand for our help. Calls into National Debtline were up 37% in the first nine months of this year compared to 2021.

We are also seeing that a significant proportion of clients delay getting in touch. During this time debts can mount and a difficult situation become harder.



**2 in 5 (39%) of callers to National Debtline wait a year or more before seeking advice**

Working with Experian, this briefing provides further insight into the lives of the people contacting our services, to help us better understand their circumstances and how we can best support their needs.

# WHO IS SEEKING ADVICE: A NATIONAL DEBTLINE PERSPECTIVE

Last year National Debtline helped 135,000 people over the phone, via webchat and through our digital advice tool, with over 1.3 million visits to our advice website.

Analysis of the people contacting National Debtline shows:

## The majority are on low incomes

- 63% of callers have an annual income below £20,000
- The average income of callers is £18,609

## The majority are in rented accommodation

- 73% of clients are in rented accommodation
- 12% have a mortgage

## Half are in full or part-time employment

- 49% of our clients are in employment
- 33% are unemployed

## The main reasons for debt amongst callers to National Debtline are:

- Income too low to cover essentials (33%)
- Mental health (20%)
- An unexpected bill (18%)
- A disputed debt (16%)
- Job loss or income shock (15%)

## A typical caller will have between 1 to 5 debts.



Half (50%) are struggling to pay £5,000 or less, although the average amount owed is £10,124

We are continuing to see a trend of people struggling with household bills.

## Most common priority debts:

- Energy arrears (30%)
- Council tax (26%)
- Benefit overpayments (21%)

Despite the rise in debts related to household bills, credit related debts remain common with 1 in 4 callers having credit card arrears (27%).

## Sally's\* story, National Debtline client

Sally is a lone parent with two young children. She lost her part-time job during the pandemic and is struggling to afford her essential bills. She receives Universal Credit and child maintenance payments; however, a previous overpayment of Carer's Allowance means deductions are made from her benefits. She is paying back a Universal Credit advance of £800 resulting in a reduction in monthly income of £120. Her energy supplier has also increased her monthly repayment of energy arrears to £200 per month, a level she cannot afford. The supplier has now passed the debt onto a debt collection agency.

\*Name changed to protect identity

# MOSAIC PROFILING: GEO-DEMOGRAPHIC ANALYSIS

Experian’s Mosaic analysis enables us to understand how the profile of our National Debtline clients matches those from the general population.

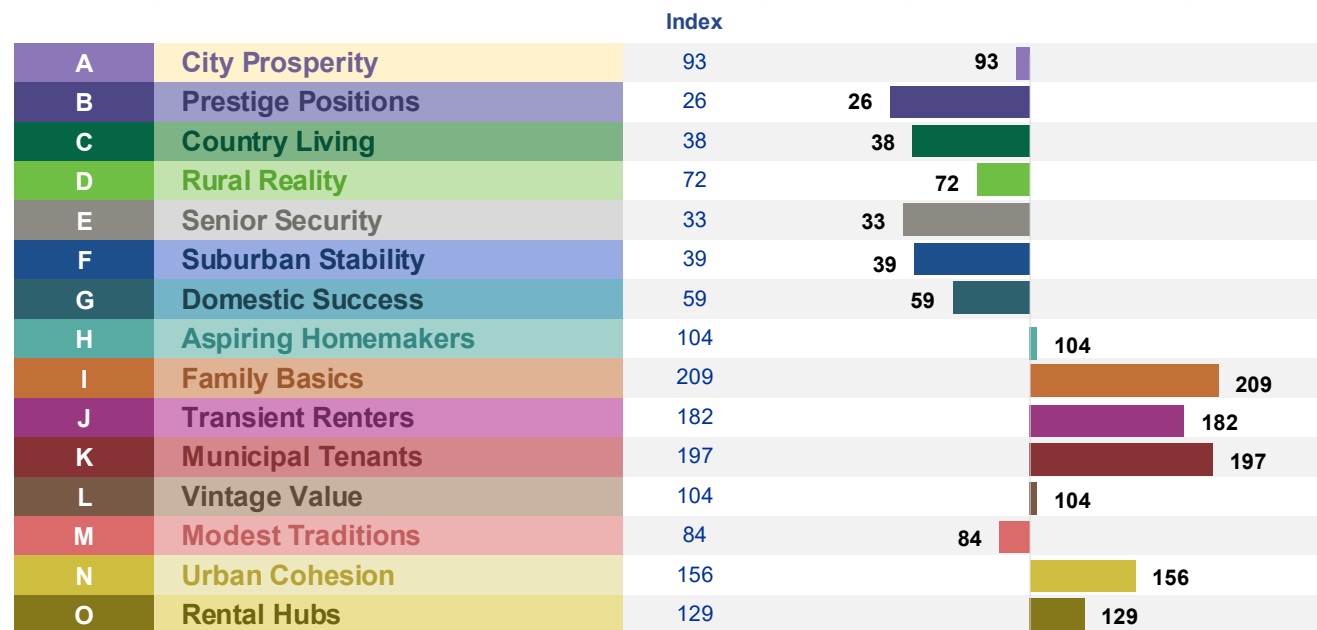
By analysing the postcode data of 48,706 National Debtline clients we are able to see a more detailed picture of how the people accessing National Debtline compare to the UK population as a whole, based on demographic characteristics, lifestyles and behaviour.

The analysis provides insight into the most over-represented groups seeking advice.

The chart shows the distribution of National Debtline callers across the different household Mosaic groups.

The analysis shows that National Debtline helped people across each segment of the population. However, as might be expected, groups that represent people on the lowest incomes are most over-represented. The three groups most over-represented - **Family Basics** - **Municipal Tenants** - **Transient Renters** - tend to live in rented or social housing, are often in work and on low incomes, with stretched budgets.

An index above 100 indicates an overrepresentation of that group. An index below 100 represents an under-representation



Source: Experian

# GROUPS MOST LIKELY TO SEEK ADVICE

The three most common groups over-represented in the analysis make up two in five (39%) of all callers to National Debtline.

## 1. Family Basics

**This group make up 16% of all National Debtline clients and 8% of the UK population**

These are households bringing up children, who have limited incomes and budget carefully. Many live as couples, others are single. Residents live in low-cost family homes, typically with three or fewer bedrooms. Many of these affordable homes are rented from local authorities or housing associations; others have been purchased with a mortgage.

Adults in employment earn modest wages. With low disposable incomes and many priorities competing for cash, with parents working hard to make their money stretch as far as possible. A credit card is sometimes used to spread payments. Parents are expert at finding value for money online and searching for discount opportunities.

## 2. Municipal Tenants

**This group make up 13% of all National Debtline clients and 7% of the UK population**

Municipal Tenants are residents who rent inexpensive city homes in central locations. A relatively high proportion are in the latter half of their working lives, but people from all generations live in these budget housing options. Many live alone but some share their living space. The group also includes some families with young or adult children.

These tenants rent high-density accommodation from local authorities or housing associations. Living spaces are compact and often have one or two bedrooms.

Those working full-time often earn basic wages. A higher than average number are not in employment. They have few savings, and many find it hard to cover all expenses.

## 3. Transient Renters

**This group make up 10% of all National Debtline clients and 5% of the UK population**

Transient Renters are young single people in their twenties and thirties who rent affordable living spaces. Levels of movement are high, and most residents have only been living at their address for a few years or less. A minority of households include a young child.

Accommodation is rented in low-value properties and are often found in locations close to urban centres. Most are rented from private landlords; smaller numbers are rented from local authorities or housing associations.

Many residents work full-time and earn relatively low wages. Their day-to-day budgets are limited and, with very few savings to fall back on, some people may take out low-value loans.

# FINANCIAL STRATEGY SEGMENTS ANALYSIS

Experian also conducted an analysis of the same 48,706 National Debtline clients' postcode data using its Financial Strategy Segments (FSS) tool. This analysis provides insight into the financial position and financial behaviour of clients contacting National Debtline.

The segmentation is linked to a person's age and affluence and gathers people together based on similar financial behaviours.

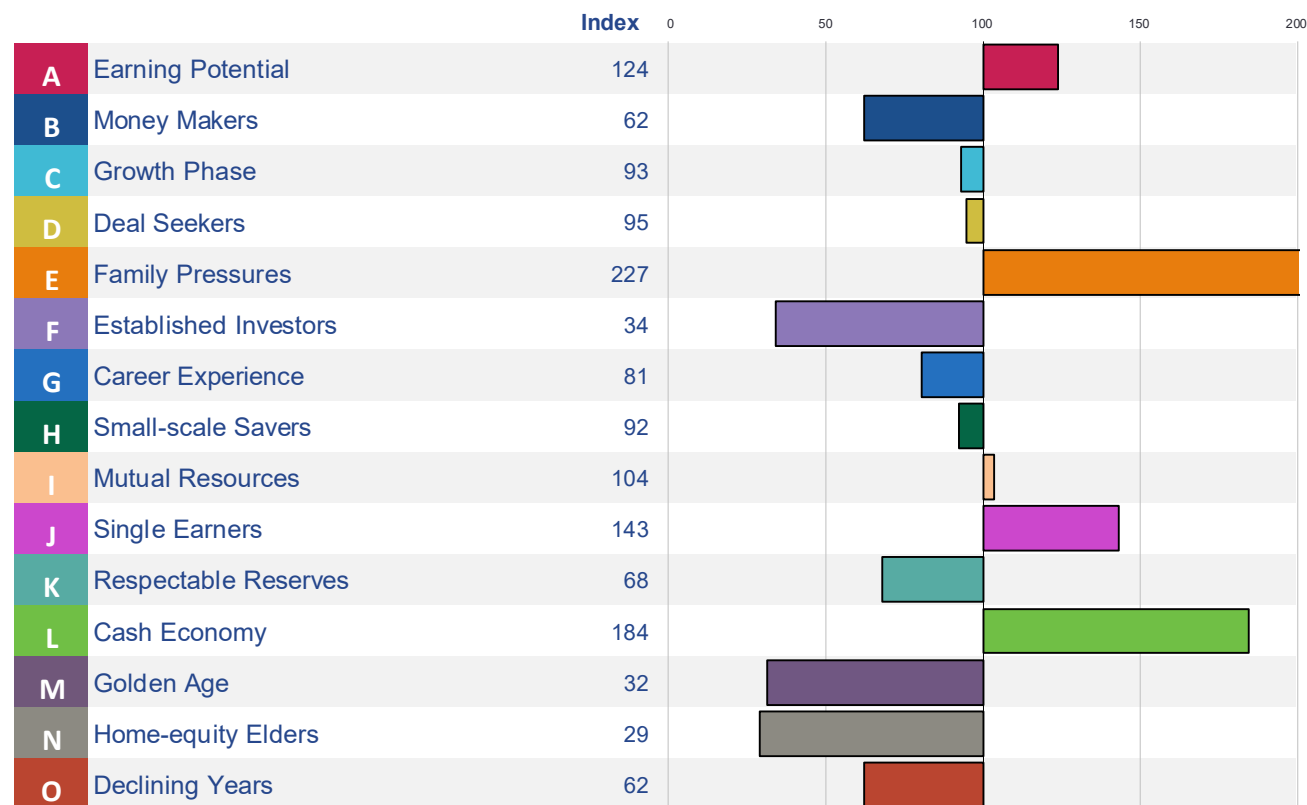
The chart shows the distribution of National Debtline callers across the 15 different FSS groups.

Similarly to the Mosaic findings, and as might be expected, the most over-represented groups in the analysis include those from the lowest incomes.

**An index above 100 indicates an overrepresentation of that group. An index below 100 represents an under-representation.**

**The most over-represented groups contacting National Debtline are Family Pressures, Cash Economy and Single Earners. People in these groups tend to be on low incomes, with very limited savings and pensions.**

**Those groups most under-represented, Money Makers, Established Investors and Golden Age tend to have high disposable incomes, own homes and are older.**



Source: Experian

# MOST FINANCIALLY STRAINED SEEKING ADVICE

The three most common groups over-represented in the FSS analysis represent more than two in five (42%) of all callers to National Debtline.

## 1. Family Pressures

**This group make up 14% of all National Debtline clients and 6% of the UK population**

These are households that have children and whose incomes are often insufficient for their needs. They use a variety of forms of credit to make ends meet and look for advice on managing debt and money-saving tips.

The families in this group have very low incomes, and money is tight. Many are not in full-time employment. Some are unemployed and looking for work, many are looking after family, and others work part-time. Jobs are usually low-skill and low-wage. Many receive a range of benefits.

Most rent their low-cost homes from a social landlord. Others rent privately, and a few own their homes.

Most have a standard bank account, but a proportion only have a basic bank account after experiencing financial difficulties in the past. They have the lowest levels of savings of any group.

## 2. Cash Economy

**This group make up 14% of all National Debtline clients and 8% of the UK population**

Cash Economy are mature households struggling to get by on minimal incomes. They have few accounts and often prefer to use cash for payment. These are older people with such low incomes that most pay nothing in tax. Many are dependent on state support and receive a range of benefits.

Those who live alone have a particularly low amount to spend week to week, and many are at risk of being unable to afford essentials such as fuel. They live in the lowest-value homes, and most rent from a council or housing association.

The number in work can be low, and others are already retired. They have very low levels of savings, and many have nothing put by at all. Pension provision is low.

## 3. Single Earners

**This group make up 14% of all National Debtline clients and 10% of the UK population**

Single Earners are individuals who live in small, low-cost homes and depend on their own resources. These individuals live alone and earn below-average wages. Most work full-time, but a few find themselves unemployed for periods of time.

They live in small homes in urban locations. Many rent privately, some from a social landlord, and some own their property with a mortgage. Some receive benefits, but most rely solely on their income from work. They have little in the way of savings. Some have a pension through their work, but some have no pension provision at all.

These people are of working age, with many in their thirties and forties. Most aren't married and live alone; some are lone parents.

# UNDERLYING CHALLENGES

The analysis provided by Experian shows that the least affluent groups in their models were the most likely to seek debt advice from National Debtline. Many of these groups are characterised by low financial resilience, limited or no savings and potentially in receipt of benefits.

Unfortunately, as the cost of living continues to rise, we are again seeing that people on lower incomes are being hit the hardest.

At National Debtline we are seeing this impact first-hand as clients' incomes are not able to keep pace with rising prices.



**Among the people we help at National Debtline, average personal expenditure has increased by 7% in the past year, but average income has only risen by 1%.**

The proportion of clients with deficit budgets, where their income is not enough to cover essential costs, has also risen. This year 45% of clients have a deficit budget, up 8 percentage points from 2021 (37%).

Even among people who have a positive budget, the money they have left over after paying for essentials has decreased by a fifth (20%) – from £307 a month in 2021 to £244 a month in 2022.

## Impact of debt advice

As we continue to hear at National Debtline and Business Debtline, the role debt advice plays in supporting people through these challenging times is more important than ever.

Whilst the circumstances of people coming to our services grows in complexity, due in part to many of the challenges already outlined, the role free, independent debt advice plays in hundreds of thousands of peoples' lives is huge.

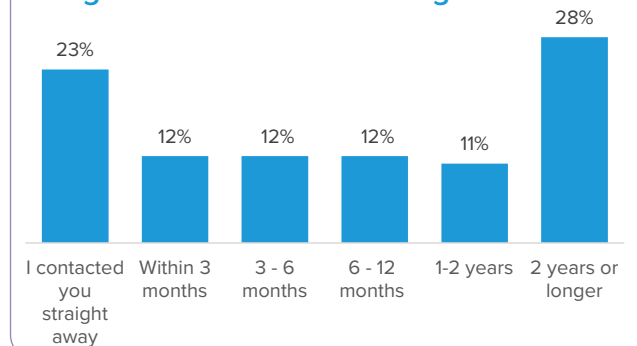
## After receiving advice from National Debtline:

- 4 in 5 callers saw their debts reduce or stabilise
- 7 in 10 saw a positive impact on their emotional and mental wellbeing

## Delays in seeking advice

Whilst nearly a quarter (23%) of the people helped via National Debtline said they contacted us straight away; a substantial proportion of people delay seeking debt advice.

### Length of time before seeking advice



Two in five (39%) of callers to National Debtline wait a year or more before seeking advice, during which time their circumstances often become even harder.

This work with Experian will help us to continue to develop our understanding of who is and who is not seeking debt advice to help us tailor our support and outreach work.



## References

<sup>1</sup> *The Money Advice Trust, Impossible Choices: An updated snapshot of the challenges facing households on the cost of living, September 2022*

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### Money Advice Trust

The Money Advice Trust is a charity formed in 1991 to help people across the UK tackle their debts and manage their money with confidence.

### Experian

Experian is the world's leading global information services company. During life's big moments – from buying a home or a car to sending a child to college, to growing a business by connecting with new customers – we empower consumers and our clients to manage their data with confidence. We help individuals to take financial control and access financial services, businesses to make smarter decisions and thrive, lenders to lend more responsibly, and organisations to prevent identity fraud and crime.

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