

# Money on my mind

Understanding the savings, debt and financial resilience of low-to-middle income families

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September 2025



## Acknowledgements

The authors would like to thank JPMorganChase for supporting this research project. The views expressed in this publication are those of the authors and do not necessarily represent those of JPMorganChase, or its affiliates.

We are also grateful to Mike Brewer and Ruth Curtice for their advice and guidance. We would also like to thank the attendees of our roundtable discussion who shared feedback on an earlier version of this research and policy proposals. Finally, we thank the 18 participants in the interviews held in July 2025 for sharing their experiences and views. Any errors or omissions remain the responsibility of the authors.

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F. Odamtten and S. Pittaway, *Money on my mind*:

*Understanding the savings, debt and financial resilience of low-to-middle income families*,

Resolution Foundation, September 2025

<https://doi.org/10.63492/XSA802>

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## Summary

A lot of the time we think about rich and poor in terms of income: indeed, that is how our broader *Unsung Britain* project, which this paper contributes to, has set out the story so far. But living standards also depend on accrued debts and stocks of wealth. These come in lots of forms, but what matters most for the economic resilience of lower-income families are liquid savings, personal credit and arrears. These are the assets and liabilities that directly expand or restrict the ways that families can immediately adjust to financial shocks, such as job loss or unexpected costs. So in this paper we focus on those categories of debt and wealth.

If savings are the first line of economic defence, an awful lot of working-age Britain doesn't have enough of them to be more than a few pay-days away from trouble. Two-thirds (64 per cent) have less than three months' income stashed away. That proportion is, unsurprisingly, higher for the bottom half (74 per cent) of the income range, but is still large (53 per cent) across the top half. Replacing lost income is a huge stretch across the spectrum. The real differential is seen, however, not in considering the capacity to cope with anything as dramatic as a redundancy, but rather in having access to the sort of fixed cash sums needed to deal with the one-off costs that almost inevitably crop up from time to time, such as a car breakdown or a bust boiler. Across the top half of the income spectrum, one-in-seven (15 per cent) are living in families with less than £1,000 in readily-accessible savings; for the poorest fifth, that exposed proportion surges to one-in-two (49 per cent).

So could *Unsung Britain's* sense of security be transformed by devising some ingenious pro-saving policy to entice more families to set a little money aside? It might be tempting to think so, but when we asked hard-pressed families how their lives would change if they had a meaningful savings account, few talked to us about the peace of mind that would come with maintaining a durable buffer. Instead, they spoke about finally being able to make a single life-changing purchase: an overdue home repair, for example, or a car. In other words, even if savings could be achieved, it is often hard to believe they could be maintained. Especially for those on very low incomes, the prudence of keeping some money aside for rainy days cannot be considered in isolation from the urgency of foregone consumption.

Nonetheless, a significant minority of poor families do save regularly, and the trend for that proportion in the 2010s was up. On the eve of the pandemic, more than a third (35 per cent) of poorer adults usually had money to save at the end of the week or month, up from a quarter (24 per cent) before the financial crisis.

Alongside higher savings, there has been a welcome fall in debt. The broad trend in consumer debt since the financial crisis – which had been rising rapidly before the bubble burst – has been downward. Despite the late-2010s car finance boom, the average working-age family on a bottom-half income closed the 2010s owing 17 per cent less in real terms (£2,300 in 2018-20) than their counterparts had on the eve of the financial crisis (£2,700 in 2006-08).

The twin shocks of the pandemic and cost of living crisis went on to test the financial resilience of many households. There was much concern, and some evidence, in the early months of the Covid crisis that families' balance sheets were diverging, as the poor took an income hit as lockdowns disrupted in-person work and lockdowns pushed up the costs of food shopping and home schooling, while the rich saved on meals out and holidays. But if poorer families' balance sheets did take an initial hit, this did not persist. The latest evidence suggests poorer families' overall unsecured debt burdens are lower now in real terms than before the pandemic. And across the economy as a whole, the rate of saving continues to be much higher than in most of recent history (with the exception of the pandemic).

The recent reduction in debt has not arisen because fewer households are using credit cards and other consumer loans – the proportion of all families with outstanding balances of either has scarcely changed since 2016. Rather, it is because the value of those outstanding balances has come down, and indeed come down more for the poorest third than other families. The outstanding credit card balances of this group were, by September 2023, worth 34 per cent less than they had been before the pandemic, while their combined car loans, personal loans and overdrafts sank by over 20 per cent in parallel.

This may sound like a good news story, but in reality, it is more likely a reflection of changing credit conditions which could leave much of poorer Britain more exposed to the vicissitudes of life. The cost of credit has risen considerably, with, for example, average credit card interest rates up by 3.6 percentage points compared with 2021. As household bills went on to rise, one theoretical option for muddling through for a while might have been reaching back towards the credit card in order to settle up. Instead, many families in Unsung Britain seem to have put the credit card away, while leaving those bills to lapse into arrears instead. Since 2012, electricity customers behind on payments have more than tripled, climbing from 0.3 million to over 1 million by the end of last year. Gas bill arrears have followed a similar trend, rising from 0.3 million to 0.9 million over the same period. Alongside this surge in indebted energy customers, typical debt balances for both gas and electricity debts have swelled from under £500 to about £1,500.

Citizens Advice reports big changes in the debt problems observed in their caseload: although the credit card debts of their clients have fallen, the average outstanding balances for rent and council tax are up by about a third since 2019, and arrears for utilities up by roughly half. The big rise in arrears likely reflects some mix of rising household bills and the arrival of tighter credit conditions, in which debt has – like air being squeezed from one part of a balloon into another – merely changed forms. Regardless of the balance of these effects, burgeoning arrears could carry dangers. Payments due on household bills have often been classed as ‘priority debts’ for a reason. Falling behind has traditionally had consequences – including loss of basic services – that don’t immediately arise with consumer credit.

More recently, though, some of these dangers have receded. Regulation now restricts the number of homes being cut off from heating and electricity, and for a while during the cost of living crisis, utilities were prevented from putting those in arrears onto pre-payment meters, under which services can be temporarily cut off when credit runs dry. In our focus groups we heard directly from families about the complex juggling of their priorities in managing their debts, including maintaining their credit scores, controlling the flow of repayments and avoiding the spiral of high-interest loans. In some cases, people expressed a perfectly intelligible preference for interest-free arrears over costly consumer debts.

And yet it would be a mistake to retire the old idea of ‘priority debts’. When families fall behind on rent, eviction is a risk. In the case of Council Tax, so even is imprisonment. While some of the sting of utility debts has been drawn for the moment, we don’t yet know how companies and regulators will respond to the way that it has swollen, especially as they adjust to the passing of the ‘cheap money’ era on their own finances. On the other hand, we can’t expect energy companies to serve as interest-free credit for households, not least because this ultimately drives up costs for other billpayers. Ofgem has already shifted towards making pre-payment meters easier to install, but such measures are a harsh remedy and should only ever be a last resort. The regulator’s consideration of a capped debt relief scheme for families on means-tested benefits is a step in the right direction, but further thinking on consumer protection will still be needed.

Even if some energy debt is written off, advice on how to prioritise and juggle liabilities is bound to remain important. So, too, is exerting a grip as early as possible. We spoke to some stretched families who said that their anxiety eased once they had connected with the issuing authority for a bill they were behind on, and settled on a repayment plan. Relatively modest public investments in advice and possibly brokering services, between debtors and creditors, could have the potential to make a big difference.

It is also imperative to reduce the number of families who lapse into arrears in the first place. Families with more liquid savings will be less liable to do so. One way to help more families do so would be to create a so-called 'sidecar' scheme which is bolted on to auto-enrolment pension accounts, and allows for easy access to a slice of that retirement saving as a rainy-day fund. Another useful, and more tightly targeted, step would be bolstering the Help to Save matching scheme offered to Universal Credit (UC) recipients: instead of the existing 'opt-in' model, it could become something covering all recipients except those who proactively opt out. Boosting access to affordable credit in emergencies is yet another way to make a difference. So, too, could gripping the costs that have put so much strain on family budgets, for example by readying a social tariff system that could curb bills in a targeted way – focused on families who were both high-energy users and low-income – in the way sketched out in our previous work. But, ultimately, when it comes to the liquid rather than the less-liquid part of families' balance sheet, the most plausible route to sustainable repair job is ultimately via boosting income itself.

## Savings and debt play a key role in the financial lives of low-to-middle income Britain

This briefing note is part of the Resolution Foundation's *Unsung Britain* project, a programme of research designed to investigate and understand the changing economic circumstances of low-to-middle income families in the UK.<sup>1</sup> In this project, we treat income as the main factor shaping living standards. But it often doesn't tell the whole story. Another important factor is wealth, typically defined as an individual's accumulated stocks of savings and assets, minus any debts owed. In fact, the importance of wealth has risen in recent decades: aggregate household wealth is estimated to be worth six-times national income today, a doubling from typical levels half a century ago.<sup>2</sup>

This rising tide of wealth has reshaped the economic reality of low-to-middle income Britain in many ways. Higher house prices (the main driver of rising property wealth) have caused home ownership rates for young low-income families to halve since the mid-1990s;<sup>3</sup> the sheer size of Britain's current wealth stock makes it nearly impossible for those on modest incomes to save their way up the wealth distribution;<sup>4</sup> and poorer households have disproportionately missed out on the 'passive' capital gains that can fund additional spending and unlock financial constraints.<sup>5</sup>

But this briefing note has a narrower focus. It zooms in on the liquid savings, credit arrangements and bill arrears that are – for many – the most immediate way in which their 'wealth' is reflected in their day-to-day lives.<sup>6</sup> It makes use of both household survey data and our own interviews with individuals from low-to-middle income households (see Box 1 for details). We start with a mostly quantitative look at how savings, debt and arrears have changed for low-to-middle income Britain over the past two decades. We then take a deeper dive into our qualitative data, revealing the often complex and interconnected nature of poorer families' finances. Finally, we sketch out a future policy agenda for boosting financial resilience in Britain.

<sup>1</sup> M Brewer et al., *Unsung Britain: The changing economic circumstances of the poorer half of Britain*, Resolution Foundation, November 2024.

<sup>2</sup> S Pittaway, *Inequality control: Why wealth inequality has not increased while asset prices have soared and what that means for the future*, Resolution Foundation, November 2024.

<sup>3</sup> The proportion of 25-to-34-year-old families with bottom-third incomes owning their own home fell from 24 per cent in 1994-95 to a low of 10 per cent in 2015-16, before recovering slightly to 13 per cent in 2022-23. For details, see: I Acharya & M Broome, *Housing hurdles: The changing housing circumstances of young people in Britain*, Resolution Foundation, December 2024.

<sup>4</sup> Analysis of ONS, *Wealth and Assets Survey* and ONS, *Annual Survey of Hours and Earnings* shows that in 2020-22 the gap between average wealth in the fifth decile and top decile of the wealth distribution equalled 53-times median full-time earnings.

<sup>5</sup> M Broome & R Kanabar, *Wealth Audit 2025*, Resolution Foundation, forthcoming.

<sup>6</sup> Property wealth and mortgage debt are a notable omission, for the 30 per cent of low-to-middle income families who own their own homes. We omit them on that basis that trends in home ownership and housing costs have been covered elsewhere in the *Unsung Britain* project. See: L Try, *Money, money, money: The shifting mix of income sources for poorer households over the last 30 years*, Resolution Foundation, February 2025.



## BOX 1: Quantitative and qualitative data used in this briefing note

In this briefing note, we make use of a variety of data sources, including quantitative data from three different household surveys and qualitative data from our own interviews with individuals from low-to-middle income households. This box summarises these data sources.

The ONS's Wealth and Assets Survey (WAS) has, since the late 2000s, been the go-to source for household balance sheet data in Great Britain.<sup>7</sup> The survey gathers detailed information on households' finances, with each interview lasting for more than an hour on average.<sup>8</sup> While being granular and comprehensive in its coverage, the main drawback of the WAS is its unusually lagged release schedule: the latest available survey wave covers the period from April 2020 to March 2022.

We therefore also use the DWP's Family Resources Survey (FRS) and the Bank of England's NMG household survey to shed light on changes in household finances in the post-pandemic period. The FRS, the primary purpose of which is to collect data on household incomes and living standards, also collects data on liquid financial assets. Data is available up to financial year 2023-24,

and the FRS is our preferred estimate for savings in the post-pandemic period. But there are issues with the FRS. Its documentation says that "estimates should be treated with caution, as they are likely to be under-estimates, since respondents often inaccurately report their account details."<sup>9</sup> The process for estimating the total value of financial liquid assets is complicated, using survey participants' reports of both the value of the assets and the income generated, with the precise method being different for people with different levels of assets, in part because the DWP (which funds the FRS) is most interested in families whose holdings of liquid financial assets might affect their entitlement to means-tested benefits.

For information on household debt we must turn to the NMG survey.<sup>10</sup> The NMG survey is run by the Bank of England and is released on a very timely basis, with available data up to March 2025. Despite some methodological shortcomings compared to the WAS and FRS, such as an increased risk of self-selection by survey participants, research has found it to be broadly comparable to more comprehensive but less timely surveys.<sup>11</sup>

<sup>7</sup> There is, unfortunately, no equivalent survey for Northern Ireland.

<sup>8</sup> ONS, [Wealth and Assets Survey User Guide Wave 5](#).

<sup>9</sup> DWP, [Family Resources Survey United Kingdom, 2023 to 2024, Background Information and Methodology](#), March 2025.

<sup>10</sup> The FRS has started collecting data on household debt in recent waves, but there is no comparable data available before the cost of living crisis.

<sup>11</sup> G Anderson et al., [The Bank of England / NMG Survey of Household Finances](#), Fiscal Studies 37(1), March 2016.



To complement our quantitative analysis, we undertook a series of online interviews with individuals in low-to-middle income households. We conducted 18 interviews in total, all taking place in June 2025, with a diverse mix of participants across age, gender, ethnicity and geographical location within the UK. We attempted to recruit an even split across three levels of financial vulnerability: those who were saving regularly, those who weren't saving but were able to cover their day-to-day spending without having

to run down savings or using debt on a regular basis, and those who were using debt or savings to fund day-to-day spending (a situation often known as a 'negative budget').<sup>12</sup> But, in practice, the complexity of our participants' financial situations meant there was not a clear distinction between the three groups. Our interviews covered the participants' experiences with debt and savings and how they managed their finances. Participants received a small incentive payment, and recruitment was handled by Acumen.

## Many poorer families are living with low savings, and this has wide-ranging impacts on their day-to-day lives

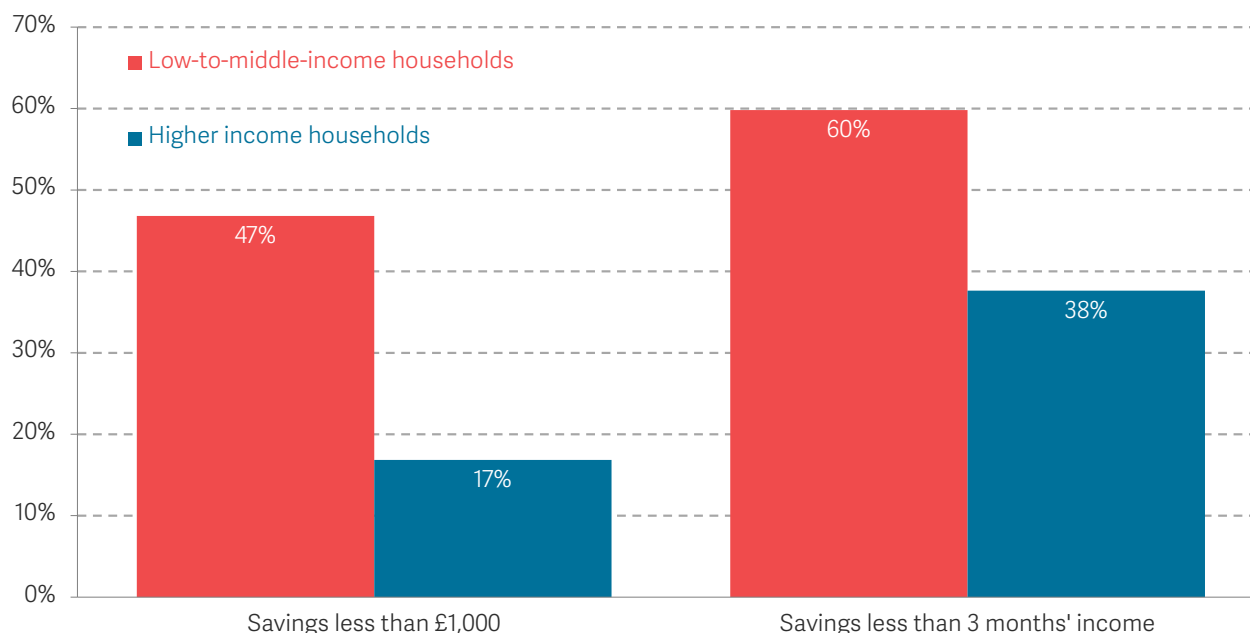
When it comes to dealing with an unexpected financial shock, savings are the obvious first line of defence. But many families have worryingly little to fall back on. In 2020-22 – the latest survey period of the ONS's Wealth and Assets Survey, the most granular survey data on household balance sheets – half of working-age families (49 per cent) had less than three months' income in liquid savings.<sup>13</sup> As Figure 1 reveals, underneath this aggregate picture is an unsurprising income split: three-in-five (60 per cent) of families in the bottom half of the income distribution had liquid savings of less than three months' income, compared to two-in-five among families in the top half of the distribution (38 per cent). This gap widens, however, if we look at a lower savings threshold of £1,000 – not enough for a prolonged period of lost income, but sufficient to cover an urgent need like a car break-down or broken boiler. 47 per cent of families in the bottom half of the income distribution have less than £1,000 in liquid savings, almost three times the proportion in the top of half of the distribution (17 per cent).

<sup>12</sup> Citizens Advice, [Negative budgets data](#), accessed 8 August 2025.

<sup>13</sup> Source: ONS, [Wealth and Assets Survey](#). We define liquid savings as the sum of current accounts in credit, savings account, ISAs, National Savings & Investment products, and informal savings (e.g. cash).

## FIGURE 1: Poorer households are disproportionately likely to have low liquid savings

Proportion of non-pensioner families with savings below a given threshold, by household income status: Great Britain, 2020-22



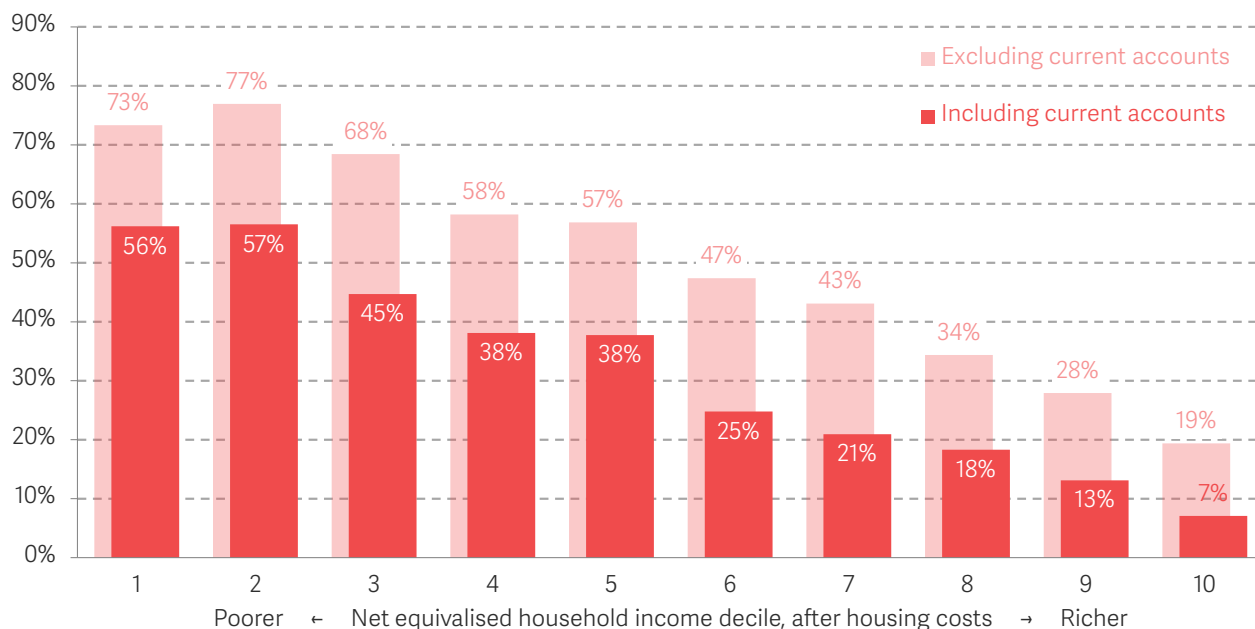
NOTES: Low-to-middle-income non-pensioner families are those where nobody is at or above State Pension age, and whose household is in the bottom half of the after-housing-costs equivalised income distribution, while higher-income households are those whose family is in the top half of the distribution. Savings are aggregated within benefit units and are the combined value of current accounts in credit, savings account, ISAs, National Savings & Investment products, and informal savings (e.g. cash).  
SOURCE: RF analysis of ONS, Wealth and Assets Survey.

It is unsurprising that the problem of low savings is particularly acute for the poorest households. On our headline measure of savings, represented by the red bars in Figure 2, a majority of households (56 per cent) in the bottom fifth of the income distribution have less than £1,000 in liquid savings. But this might understate the true scale of low savings. Our headline measure of liquid savings includes current account balances, as Britons frequently use such accounts for saving.<sup>14</sup> But not all the money recorded in current accounts can be used to cover an unexpected shock: some will have been earmarked for future day-to-day spending. The pink bars in Figure 2 show an alternative measure of low savings in which we exclude all current account balances. On this basis, the share of households with less than £1,000 in liquid savings rises to around three-quarters at the bottom of the income distribution.

<sup>14</sup> In 2024, the FCA's Financial Lives Survey found that 40 per cent of UK adults held money in their current accounts that they considered to be savings. It's likely that this share was higher in 2020-22 (the latest period for which we have Wealth and Assets Survey data) as the wedge between average current account rates (which often earn zero interest) and the rates on savings accounts was much narrower. Source: FCA, [Financial Lives 2024 survey: Cash savings](#), May 2025.

**FIGURE 2: The share of the poorest families with less than £1,000 in savings rises to three-quarters if we exclude current account balances**

Proportion of non-pensioner families with savings of less than £1,000, by income decile and definition of savings: Great Britain, 2020-22



NOTES: Non-pensioner families are those where nobody is at or above State Pension age. Savings are aggregated within benefit units and are the combined value of current accounts in credit, savings account, ISAs, National Savings & Investment products, and informal savings (e.g. cash).  
SOURCE: RF analysis of ONS, Wealth and Assets Survey.

Our interviews shed light on the myriad ways in which having low savings makes life more difficult for low-to-middle income families.

For example, living with low savings often led to persistent anxieties about future financial shocks. For some, these anxieties became more acute as they moved through uncertain periods of their lives, like facing the prospect of changing jobs or moving home.

*“Even if I’m not thinking about it 24/7, it’s in the back of my mind.”*

*“I’m thinking of changing jobs and all of that stuff. So obviously in my head, I’m like, I’m definitely going to have to dip back into my savings if I don’t move jobs quick enough... So it’s not just the level of savings, it’s that plus what you’ve got going on in your life and these kind of big life moments like thinking about changing jobs.”*

*“[Having low savings] makes you think about money more and what could go wrong and where that money might need to go instead.”*

And the stress of having low savings was often felt especially keenly by interview participants who owned their own home. Despite home ownership offering a security of tenure that it sorely lacking for those in the private rented sector, the responsibility to replace and repair household appliances brings a higher risk of financial shocks.

*“Then all of a sudden you realise you’ve got all of these expenses that you didn’t have before [you became a home owner], so the upkeep is down to you now. So it’s a very different experience... and then even though it might be that your mortgage is less than your rent, you suddenly think, oh, actually I need to be starting to put money aside yet again, because now I’m going to have to pay if the boiler goes or I’m going to have to pay for this.”*

*“Right now my roof is going a little bit, so I’m in the process of saving some money so I can do my roof and everything.”*

For some of our interview participants, a lack of savings was a reflection of their inadequate income (although these are not always words they would have used). From the discussions, it was clear that people recognise the benefits of saving, but that some people’s current situation makes that seem unaffordable.

*“I couldn’t tell you the last time I bought clothes [for myself]. If I have got that spare money, I’m on Shein buying baby clothes.”*

*“Think it’s sort of a bit of embarrassment as well. Because your friends can ask you to do something and you’re sat there being like, yeah, I can’t afford it. It could be something like my friend recently said, ‘oh, why don’t we go and do a caravan?’ And I was like, it’d take me a couple of months to save for that. And it kind of makes you a bit envious to think of their lives as well because it’s like, why have you got this disposable cash and I’ve not?”*

Participants were also able to talk about the advantages of having savings, where even a small savings buffer – especially one they were able to contribute to regularly – gave a sense of control and reassurance that unexpected costs could be handled.

*“When [there are] more savings behind you, you feel a little bit more relaxed and go, yeah, let’s treat ourselves and go out for the day.”*

*“And having a lot of savings makes me feel a bit more... well-prepared, but at the same time just more happier. I feel more secure... it makes me feel I’m not in the rat race as much as everybody else.”*

A lack of savings complicates life on a low income: as well as the day-to-day stress and anxiety it brings, having low savings can also push people towards more expensive ways of coping with financial shocks, as we will discuss later. But how has the prevalence of

low savings within low-to-middle income Britain changed over time? We turn to that question in the next section.

## Overall, savings rose in low-to-middle income Britain during the 2010s

In the post-financial crisis period, there was good news for the resilience of low-to-middle income Britain in the form of rising savings balances.<sup>15</sup> As shown in Figure 3,<sup>16</sup> between 2006-08 and 2020-22 the proportion of families in the bottom half of the income distribution with less than £1,000 in liquid savings (in June 2025 prices) fell from around three-in-five (63 per cent) to around two-in-five (43 per cent) – with the bulk of the improvement coming after 2012-14, as the UK economy recovered from the post-financial crisis recession.<sup>17</sup> This trend continued into the pandemic, suggesting that poorer households as a whole did benefit from the lockdown savings glut that has been apparent in Britain's aggregate economic data for some time.<sup>18</sup> Overall, the fall in the proportion of poorer families with low savings is equivalent to an extra 2.6 million low-to-middle income families in 2020-22 living with more than £1,000 in liquid savings, compared to a world in which the share with low savings had remained at its 2006-08 level.

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<sup>15</sup> The ONS's Wealth and Assets Survey started in 2006-08, which allows us to track household balance sheets consistently from that point on. There is some data from before the financial crisis, notably in the British Household Panel Survey, but it is difficult to compare this to more recent data sources. Our analysis therefore focuses on the period from 2006-08 onwards.

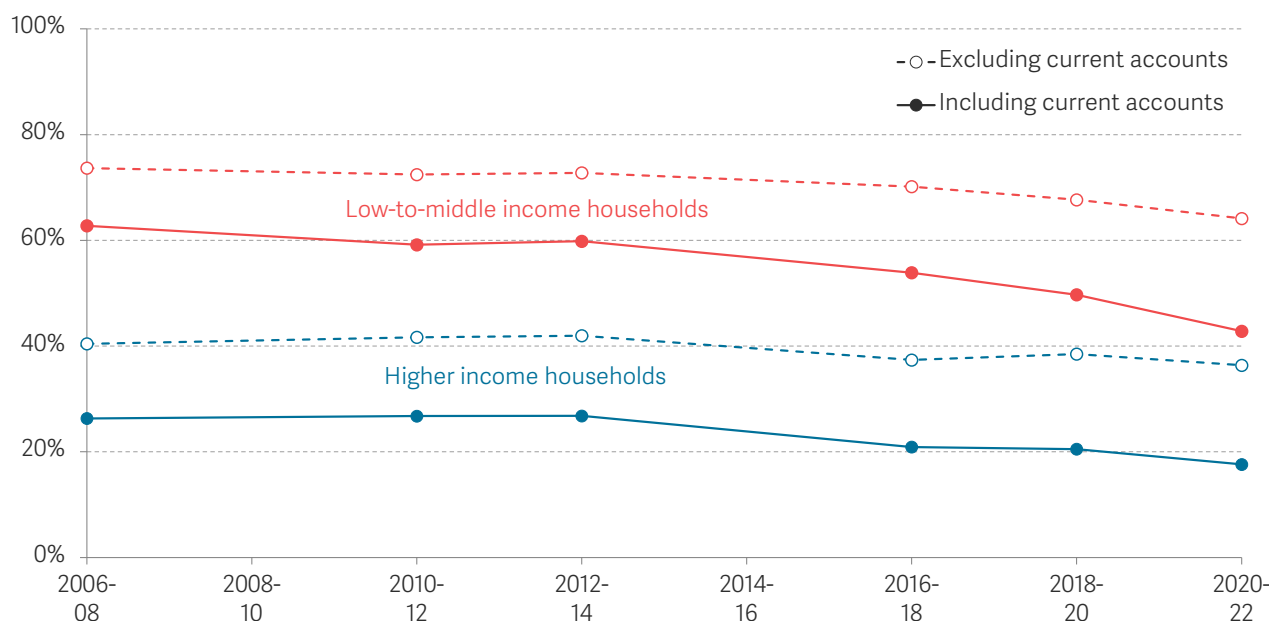
<sup>16</sup> To show a full time series, the figures in this section define low-to-middle income households according to their before-housing-costs household income, rather than using after-housings-costs data, like in other sections of this briefing note. However, the trends are similar when using before- and after-housing-costs income in the three most recent waves where the required data is available, giving us confidence in using a before-housing-costs income measure in this section.

<sup>17</sup> The fall is most pronounced when including current accounts in our definition of liquid savings (as shown in the solid lines in Figure 3), driven by a growing share of savings being held in current accounts in the world of low interest rates that preceded the cost of living crisis.

<sup>18</sup> We will do more analysis of this topic in: M Broome & R Kanabar, Wealth Audit 2025, Resolution Foundation, forthcoming.

### FIGURE 3: The prevalence of low savings among low-to-middle-income Britain fell during the 2010s

Proportion of non-pensioner families with savings of less than £1,000 in June 2025 prices, by household income status and savings definition: Great Britain



NOTES: Low-to-middle-income non-pensioner families are those where nobody is at or above State Pension age, and whose household is in the bottom half of the after-housing-costs equivalised income distribution, while higher-income households are those whose family is in the top half of the distribution. Savings are aggregated within benefit units and are the combined value of current accounts in credit, savings account, ISAs, National Savings & Investment products, and informal savings (e.g. cash). Data is expressed in June 2025 using a CPIH deflator.  
SOURCE: RF analysis of ONS, Wealth and Assets Survey.

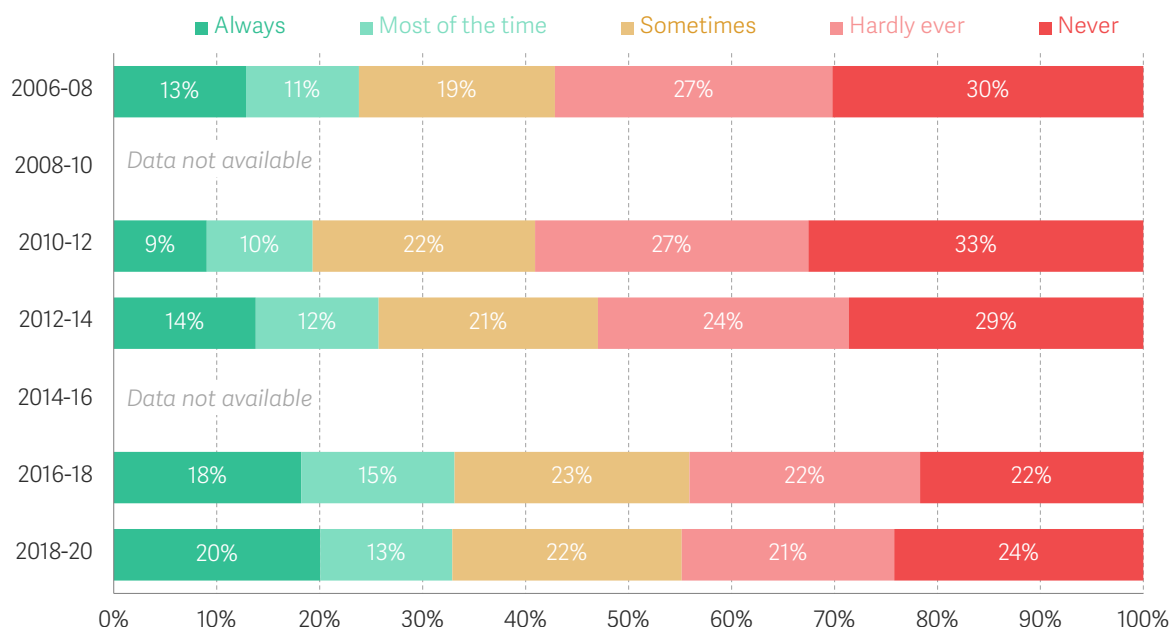
During this period, improvements in low-to-middle income families' saving stocks were matched by a rosier picture on the flows of regular saving, shown in Figure 4. In 2018-20,<sup>19</sup> a third (33 per cent) of those in the bottom half of the income distribution said they 'always' or 'most of the time' had money left over at the end of the week or month.<sup>20</sup> This share had risen from a quarter (20 per cent) in 2006-08. However, despite the rise over time, two-thirds of low-to-middle income Britain in 2018-20 were saving either sporadically or not at all – hardly a recipe for sustainably building financial resilience.

<sup>19</sup> This question was not asked in the 2020-22 wave of the Wealth and Assets Survey.

<sup>20</sup> Strictly speaking, this question asks how often an individual is in a position to save at the end of the week or month, rather than how often they do save in practice. However, a separate question in the Wealth and Assets Survey asked what respondents did with the money left over. In all survey waves, at least 91 per cent of those who had money left over said they usually saved it or left it in their current account.

**FIGURE 4: A growing share of Unsung Britain can save regularly, but most still cannot**

Proportion of working-age individuals in low-to-middle income non-pensioner families stating that they have money left over at the end of the week or month: Great Britain



NOTES: Low-to-middle-income non-pensioner families are those where nobody is at or above State Pension age whose household in the bottom half of the before-housing-costs equivalised income distribution. Problems with income data in the 2008-10 and 2014-16 waves of the Wealth and Assets Survey mean we cannot show data for low-to-middle-income households in those waves. Excludes those who answer "Don't know/too hard to say".

SOURCE: RF analysis of ONS, Wealth and Assets Survey.

## Poorer families also reduced their consumer credit balances as the country cut back on borrowing after the financial crisis

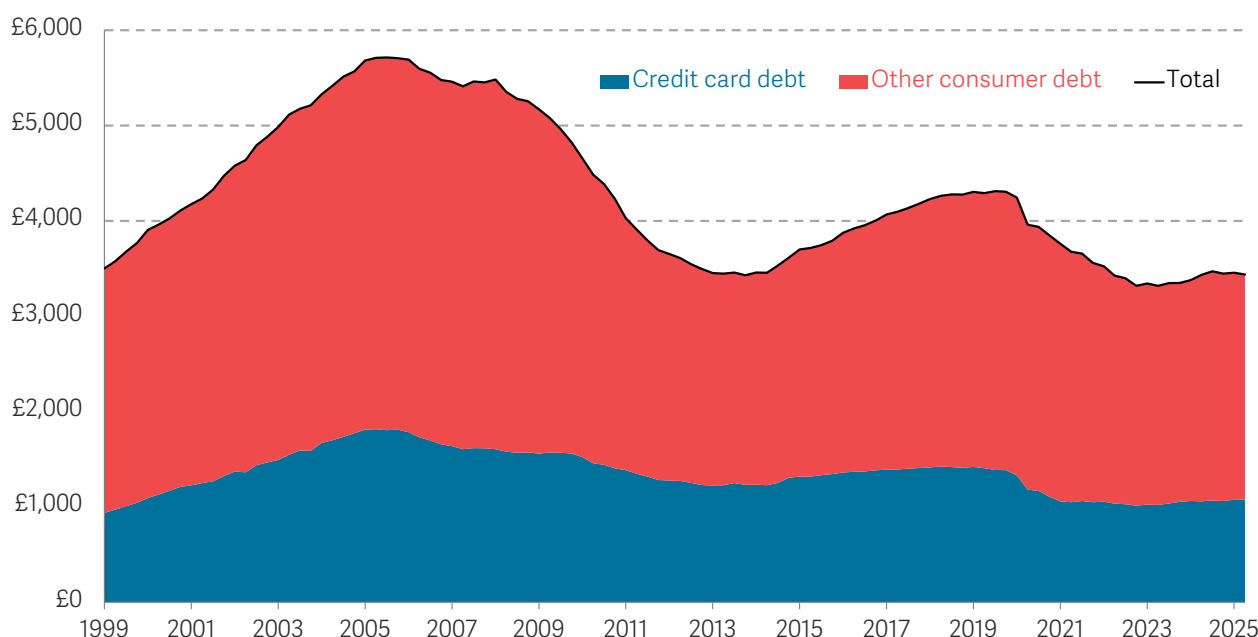
So far, our focus on savings has given only a partial look at family finances – namely at the most liquid part of households' financial assets. In the next section, we turn our attention to the other side of family balance sheets and investigate trends in consumer debt use between the financial crisis and the pandemic.

For Britain as a whole, the financial crisis was a sharp turning point in households' use of consumer debt – a catch-all term for non-mortgage debt such as credit cards, overdrafts, personal loans and car finance. Pre-financial crisis, and especially in the early 2000s, consumer debt was booming. As shown in Figure 5, Britain's stock of outstanding consumer debt peaked at £5,700 per person in Q3 2005 (in today's prices), a roughly 50 per cent real-terms increase from the turn of the millennium. Debt ticked down slowly in the years that followed but started plummeting in the aftermath of the financial crisis: between 2009 and 2011, average debt per person fell by a quarter (23 per cent) in just two years, a reduction of more than £1,000 in today's prices.



**FIGURE 5: In aggregate, consumer debt balances fell sharply after the financial crisis and have fluctuated since**

Outstanding consumer debt per person, in June 2025 prices: UK



NOTES: Historic data has been manually break-adjusted to reflect significant changes to the basis of preparation. Balances are for the quarter end and are expressed in June 2025 prices using a CPIH deflator. Up to Q1 2025, quarterly population data is taken from the ONS's quarterly interpolated series for the UK resident population. Q2 2025 population has been estimated by extrapolating the Q1 2025 figure based on the latest quarterly growth rate.

SOURCE: RF analysis of Bank of England, Bankstats; ONS, Consumer prices and UK resident population: mid-year estimates.

Since then, consumer debt in Britain has continued to fluctuate, albeit with a smaller amplitude than around the financial crisis. During the 2010s, average consumer credit balances rose. In part, this reflected the gradual recovery of incomes and easing of credit conditions from post-financial crisis levels. But the proliferation of car finance played a major role, accounting for about half of the growth in consumer credit in the mid-2010s.<sup>21</sup> The latest twist in the tale was the sharp fall in consumer debt during the pandemic, reaching its lowest recorded level of £3,300 per person in Q2 2023.<sup>22</sup>

This aggregate data, with its long time series and comprehensive coverage, is useful scene-setting. But it tells us little about the experience of low-to-middle income Britain. In particular, the question remains as to how much poorer families were part of the post-financial crisis deleveraging in consumer credit.

In fact, data from the Wealth and Assets Survey (shown in Figure 6) suggests that, overall, low-to-middle income Britons have reduced their use of consumer debt since the financial crisis. The average amount owed (across all families, not just those with outstanding debts) fell by 14 per cent in real terms between 2006-08 and 2020-22, from

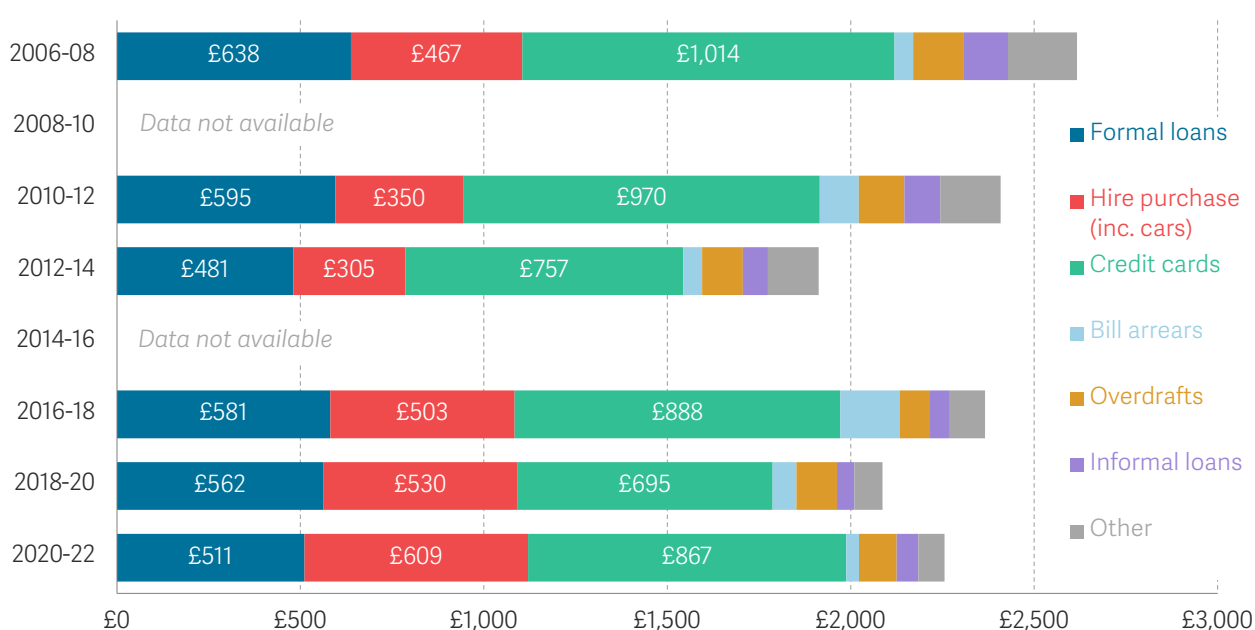
<sup>21</sup> The rise of car finance is discussed in: Bank of England, [Inflation Report](#), November 2017.

<sup>22</sup> For more on recent trends in consumer debt, see: F Odamtten & S Pittaway, [In too deep?: The impact of the cost of living crisis on household debt](#), Resolution Foundation, February 2024.

£2,600 to £2,300 in today's prices. This was less of a deleveraging than among higher-income families, whose average debts fell by 21 per cent over the same period.<sup>23</sup> But it is significant nonetheless, especially as it occurred in the face of the structural shift to car finance, whose impact can be seen in the real-terms doubling of overall hire purchase debts between 2012-14 and 2020-22.

**FIGURE 6: On average, low-to-middle income households have less consumer debt than before the financial crisis**

Mean per-adult debt of low-to-middle income non-pensioner families, June 2025 prices: Great Britain



NOTES: Low-to-middle income non-pensioner families are those where nobody is at or above State Pension age whose household is in the bottom half of the before-housing-costs equivalised income distribution. Problems with income data in the 2008-10 and 2014-16 waves of the Wealth and Assets Survey mean we cannot show data for low-to-middle income households in those waves. Debts are summed within benefit units and divided by the number of adults in the benefit unit. Data is converted to June 2025 prices using a CPIH deflator.

SOURCE: RF analysis of ONS, Wealth and Assets Survey & Consumer prices.

The fall in average consumer debt was driven by lower average balances among debt holders, rather than a fall in the proportion of poorer households using debt products: half of families in the bottom half of the income distribution had some outstanding consumer debt in both 2006-08 (50 per cent) and 2020-22 (48 per cent).

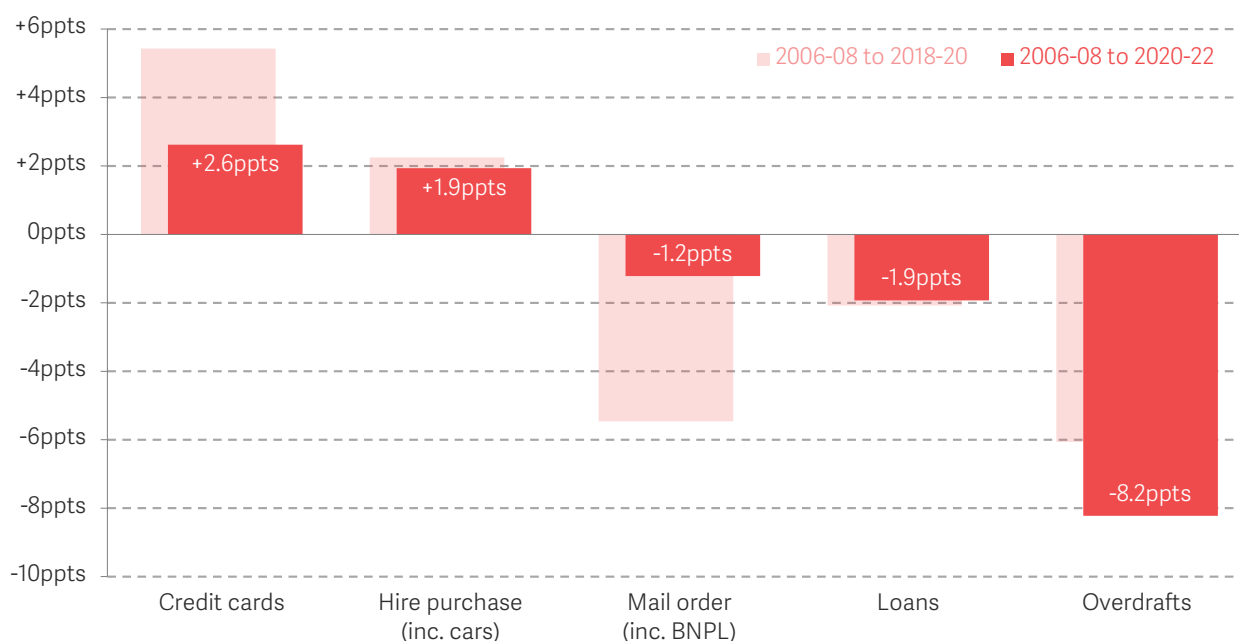
That said, there was a shift in the type of consumer debt products held by poorer families. Between 2006-08 and 2020-22, there was a rise in the share of families in the bottom half

<sup>23</sup> The aggregate consumer credit data in Figure 5 registered a 31 per cent fall between 2006-08 and 2020-22. This larger fall than the one implied by the Wealth and Assets Survey could suggest a particularly large role played by individuals – such as those on the highest incomes – who are not well-captured by the survey. For more on the difficulties with capturing the richest households in the Wealth and Assets Survey, see: F Alvarado, A B Atkinson & S Morelli, *The Challenge of Measuring UK Wealth Inequality in the 2000s*, Fiscal Studies, March 2016.

of the distribution with outstanding debt on credit cards (up 2.6 percentage points) and hire purchase agreements (up 1.9 percentage points, likely reflecting the increased use of car finance). At the same time, the share owing money on an overdraft fell sharply (down 8.2 percentage points) as the regulation of overdrafts tightened.<sup>24</sup> There were also some notable shifts in product use between 2018-20 and 2020-22, shown by the difference between the pink and red bars in Figure 7. Credit card use fell sharply, consistent with pandemic restrictions limiting spending opportunities in this period. The only major consumer debt category to see a significant rise in use was ‘mail order’ credit, which in recent survey waves has included ‘buy now, pay later’ (BNPL) agreements. The rising share of poorer households with this category of debt is consistent with the rapid growth of the BNPL market during the pandemic (Box 2 below discusses this in more detail).<sup>25</sup>

**FIGURE 7: Among all types of consumer debt, overdraft use declined the most for low-to-middle income households.**

Change in the proportion low-to-middle income non-pensioner families with selected types of outstanding debt: Great Britain



NOTES: Low-to-middle- income non-pensioner families are those where nobody is at or above State Pension age whose household is in the bottom half of the before-housing-costs equivalised household income distribution. Debt use is measured at the family level – i.e. we are counting the proportion of individuals where someone in their family holds a given type of consumer debt.

SOURCE: RF analysis of ONS, Wealth and Assets Survey.

So far, our analysis has relied on the ONS’s Wealth and Assets Survey (WAS) as the most reliable and detailed measure of low-to-middle income Britain’s debts and assets. This has naturally restricted our focus to the period covered by the survey, spanning the financial

<sup>24</sup> For an overview of key regulatory changes, see Section 3 of: M Wilson & O Bennett, *Protecting consumers from unfair high-cost credit*, House of Commons Library, February 2020.

<sup>25</sup> In the UK, the total value of transactions using BNPL more than tripled between January and December 2020. FCA, *The Woolard Review - A review of change and innovation in the unsecured credit market*, February 2021.

crisis and the Covid-19 pandemic, but stopping short of the cost of living crisis. We now take a closer look at how poorer households' finances have fared in recent years.

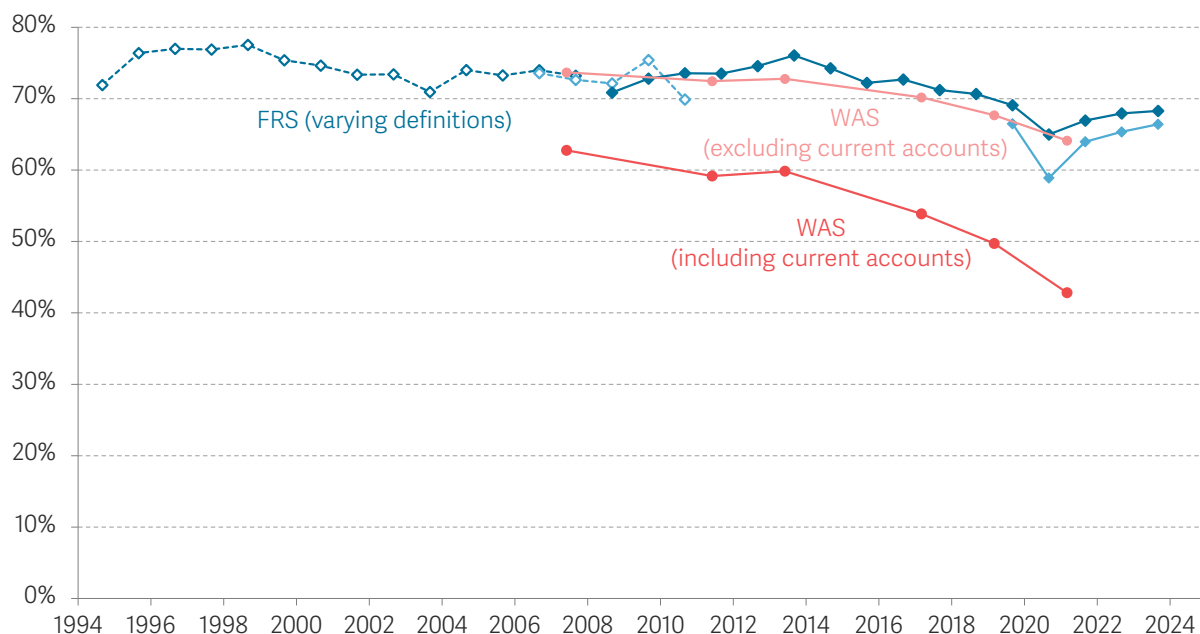
## Faced with a pandemic and cost of living crisis in recent years, poorer families' balance sheets have held up better than expected

The unusually lagged release schedule of the WAS complicates matters as we attempt to track household finances through the cost of living crisis. With no WAS data beyond March 2022, we must rely on other surveys. Unfortunately, no other survey in Britain captures household finances as reliably or thoroughly as the WAS. So our analysis in this section predominantly makes use of other surveys with more limited, but timelier, data on household balance sheets.

The DWP's Family Resources Survey (FRS) is one such survey. It is a long-running survey that collects data on families' savings, primarily for the purpose of calculating benefit eligibility. The most recent FRS data covered the financial year 2023-24, giving us an initial look at the prevalence of low saving in the immediate aftermath of the cost of living crisis, plotted here in Figure 8.

**FIGURE 8: While the proportion of low-to-middle incomer Britons' with little saved fell during the pandemic, some of this improvement eroded away during the cost of living crisis**

Proportion of low-to-middle income non-pensioner families (WAS) and individuals living in low-to-middle income non-pensioner families (FRS) with real-terms savings of less than £1,000: GB



NOTES: For comparability between surveys data is plotted at the mid-point of each survey wave. Low-to-middle income households are those where nobody is at or above State Pension age and in the bottom half of the before-housing-costs (WAS) or after-housing-costs (FRS) equivalised household income distribution. Savings are summed within benefit units or households and are expressed in May 2025 prices using a CPI deflator. The FRS has changed the way it imputes or estimates the value of liquid financial assets, and so we show estimates from different series, not all of which are available in every year. SOURCE: RF analysis of ONS, Wealth and Assets Survey & Consumer prices; DWP, Family Resources Survey; Bank of England, NMG Survey.

The FRS suggests that, as a whole, low-to-middle income Britain was able to save during the pandemic: on the FRS's most recent measure of savings (the solid, lighter blue diamonds in Figure 8) the proportion of families in the bottom half of the income distribution with real-terms savings of less than £1,000 fell by 8 percentage points between 2019-20 and 2020-21.<sup>26</sup> This mirrors the fall seen in the WAS between 2018-20 and 2020-22.

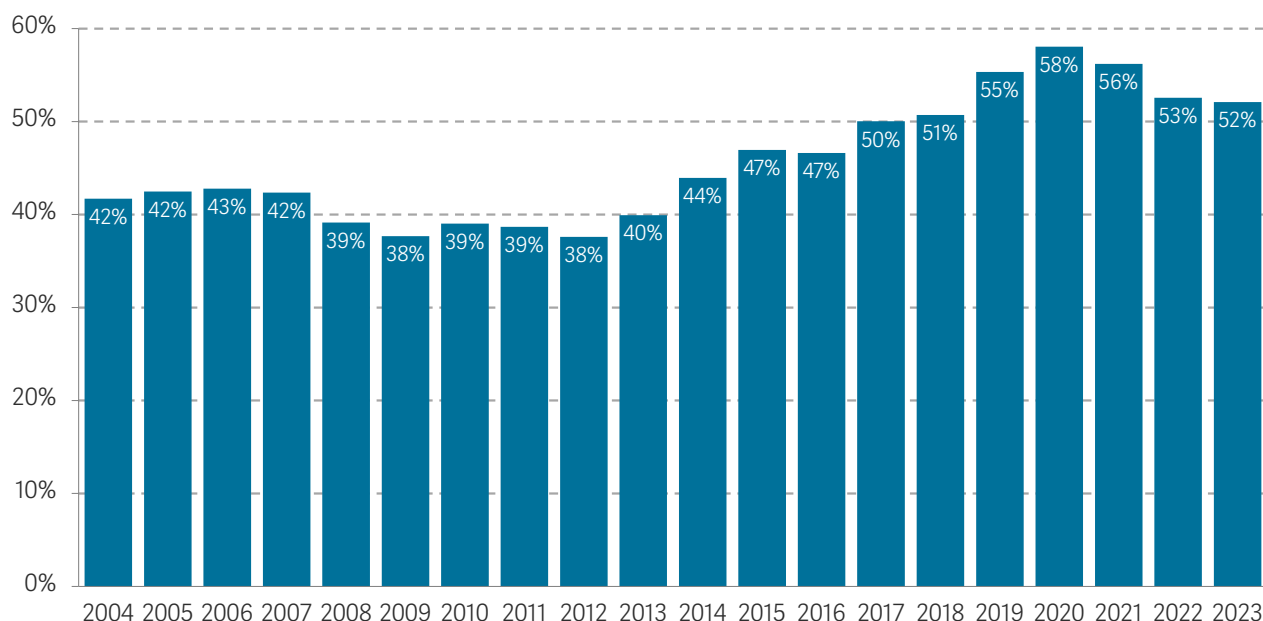
But those savings buffers shrank as the country moved from the pandemic into the cost of living crisis. The share of low-to-middle income families with less than £1,000 in real-terms savings rose by a total of 8 percentage points between 2020-21 and 2023-24, returning the share with low savings almost exactly back to its pre-pandemic level. We see a similar picture in the proportion of individuals in low-to-middle income households who are saving modest amounts on a regular basis, shown in Figure 9. The prevalence of regular saving rose in the pandemic, fell subsequently, but remains above typical levels in the 2010s.

<sup>26</sup> This is based on the variable TOTCAPB4 in the FRS.

## FIGURE 9: Many low-to-middle income families continued to save during the cost of living crisis

Proportion of individuals living in low-to-middle income non-pensioner families where at least one adult is saving £10 or more per month: UK

NOTES: Years refer to financial years. Low-to-middle income non-pensioner families are those where nobody is at or above State Pension age whose household is in the bottom half of the after-housing-costs equivalised household income distribution.



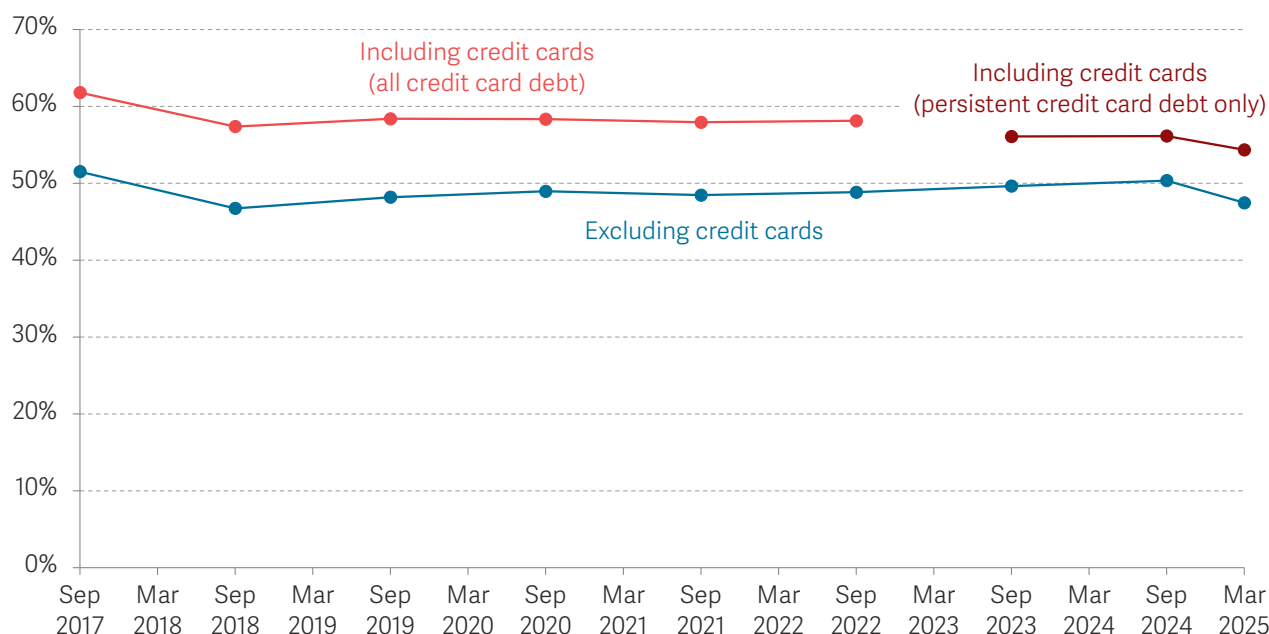
SOURCE: RF analysis of DWP, Households Below Average Income & Family Resources Survey.

But what of consumer debt? Here too, according to Bank of England's NMG survey, there is no sign of an overall deterioration in the financial resilience of low-to-middle income Britons. As shown in Figure 10, the proportion of households in the bottom half of the income distribution with outstanding consumer credit has been flat in recent years.<sup>27</sup> Despite a sharp income squeeze in the cost of living crisis and the expansion of BNPL credit (discussed in Box 2) the overall share of poorer households using consumer debt to fund spending didn't rise.

<sup>27</sup> The NMG survey changed the way it asked about credit cards in the September 2023 wave, making it impossible to compare the change in credit card use between 2022 and 2023. However, our own surveys conducted over the same period suggests little change in credit card use over this period. See Figure 2 in: F Odamtten & S Pittaway, *In too deep?: The impact of the cost of living crisis on household debt*, Resolution Foundation, February 2024.

**FIGURE 10: Consumer credit was another dog that didn't bark with little change in the trend during pandemic or cost of living crisis**

Proportion of low-to-middle income households with outstanding consumer debt: UK



NOTES: Low-to-middle income households are those where nobody is aged 65 or above and in the bottom half of the before-housing-costs equivalised household income distribution.

SOURCE: RF analysis of Bank of England, NMG survey.

## BOX 2: Buy Now, Pay Later

Buy Now, Pay Later (BNPL) products like Klarna, ClearPay and store-specific arrangements are a fast-growing form of credit in the UK. The FCA estimates that the unregulated BNPL more than tripled in size in 2020. Recent figures from the FCA's Financial Lives Survey revealed that 20 per cent of adults had used BNPL at least once in the 12 months to May 2024, up from 17 per cent on 2022.<sup>28</sup> Unlike revolving credit arrangements such as credit cards, BNPL, allows consumers to split the cost of a purchase across fixed interest-

free payments over a relatively short period of time. These short repayment periods, combined with the fact that many customers use BNPL for specific purchases such as furniture, electronics, travel etc., means that average outstanding BNPL balances at any point in time tend to be lower than for other forms of consumer debt.

But, as with any other credit agreement, it carries risks. There is no limit to taking out multiple agreements simultaneously, which can make it easy to lose track of payment dates

<sup>28</sup> FCA, Financial Lives 2024 survey: Credit & Loans, May 2025



or add to financial strain when several instalments are at once. The Government plans to bring all BNPL agreements under formal regulation from 2026, in line with other forms of consumer debt. This regulation will include a range of requirements such as affordability checks, consistent information as well as giving consumers the right to escalate complaints to the Financial Ombudsman.<sup>29</sup>

Interviews we conducted revealed a wide range of views. Some found BNPL helpful when used for specific purchases, often citing the lack of interest charged and clear, flexible repayment schedules as attractive features. But a few participants were more sceptical, raising concerns of the ease of access and risk of overspending.

I think it's pretty horrific.... I'd say shopping is addictive so I can have a look at something and it could be £70 and I've got that. But if it gives me the option, I'll do the buy now pay later

because I don't want to pay it at once. I'm still going to pay the £70, but that's how my brain sees it. You've got three months. Then you forget that you've agreed to this payment coming out your bank, and it can come out when you've barely got anything left and you've got a bill to pay.... And I think it's just causing the society to spend above their means.

I do think just generally lending is just too easy now. It's so easy to just buy now, pay later and I think that's so dangerous. You know, I mean it's one thing if you're doing it to buy a washing machine and things like that, but I think especially like the rise of things like Klarna, you know, it's just such a slippery slope.

There's one thing [type of borrowing] I don't mind as much. I'm not so much against, that Klarna thing. I only have one thing at a time. Like the airport parking, I paid that, and it paid over three instalments. So that, that's fine... I don't mind that kind [of borrowing].

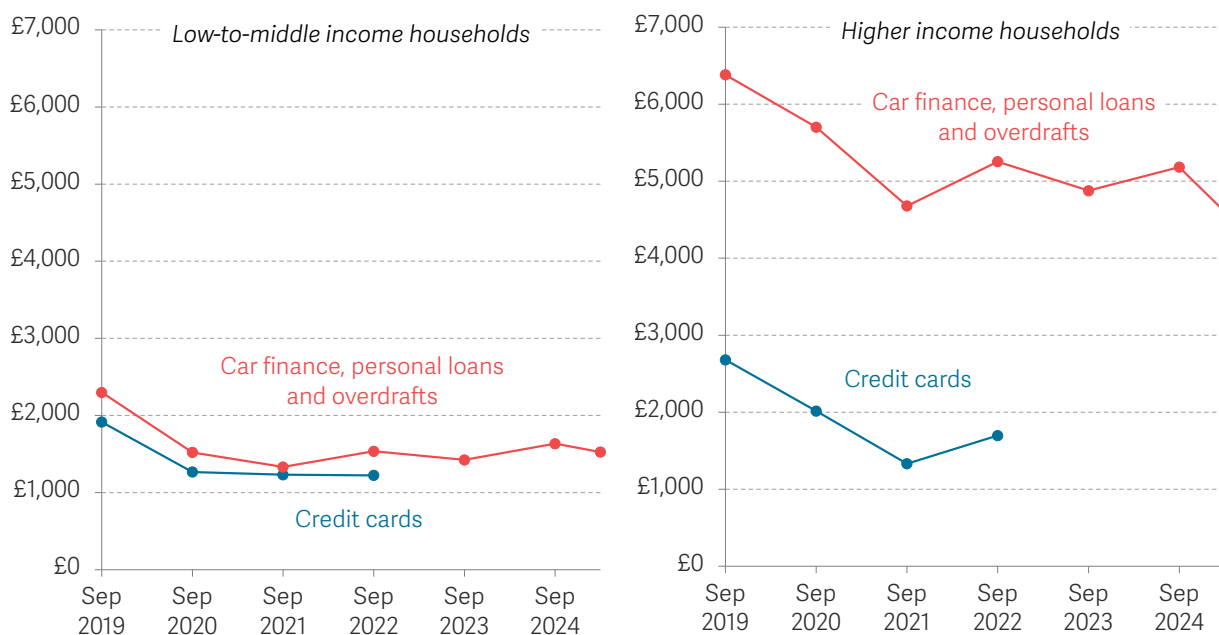
Moreover, while the share of low-to-middle income households using consumer debt held steady during the pandemic and cost of living crisis, the average balances of those with outstanding debts fell. Among those who had credit card debt, in September 2019 the median household in the bottom half of the income distribution owed £1,900 (in June 2025 prices), shown in the left panel of Figure 11. That amount had fallen to £1,300 by September 2020 and stayed at around that level until September 2022 (the last wave with credit card data that is comparable to before the pandemic). We see a similar picture for the combined amount owed across car finance, personal loans and overdrafts, with

<sup>29</sup> HM Treasury, <https://www.gov.uk/government/news/new-rules-to-end-buy-now-pay-later-wild-west-protect-millions-of-shoppers-and-drive-growth>

a significant fall during the pandemic and only a very slight rise up to March 2025.<sup>30</sup> The experience of richer households in recent years has been similar, shown in the right panel of Figure 11.

**FIGURE 11: Among those with consumer debt, typical amounts owed fell sharply in the pandemic for both rich and poor households**

Real median outstanding balance for households with each debt type, by income group: UK



NOTES: Low-to-middle-income non-pensioner families are those where nobody is at or above State Pension age, and whose household is in the bottom half of the after-housing-costs equivalised income distribution, while higher-income households are those whose family is in the top half of the distribution. Data is converted to June 2025 prices using a CPIH deflator. SOURCE: RF analysis of Bank of England, NMG Survey; ONS, Consumer prices.

To be clear, this data does not mean that low-to-middle income households haven't experienced hardship in recent years. Indicators of material deprivation ticked up during the cost of living crisis, including a rising share of poorer families saying they were unable to adequately heat their home or put sufficient food on the table.<sup>31</sup> Many of our interview participants expressed how things had felt tight financially in recent years. But it does suggest that, for *Unsung Britain* overall, this hardship hasn't materialised as a widespread running-down of savings or accumulation of new debt.

On its own, this is a positive development: recovering from the cost of living crisis will be easier without having to pay down new debts or rebuild savings buffers. Unfortunately,

<sup>30</sup> High inflation during the cost of living crisis means that a flat real-terms trend implies rising median balances in nominal terms. Among households with any such debts, the median amount owed on car finance, personal loans and overdrafts rose from £1,082 in September 2021 to £1,500 in March 2025 in nominal terms.

<sup>31</sup> S Pittaway & L Try, *The bare necessities: Unpacking the rising cost of essentials for low-to-middle income Britain*, Resolution Foundation, June 2025.

zooming out from savings and consumer debt paints a more worrying picture, with rapidly rising arrears on household bills.

## In recent years, soaring bill arrears have changed the nature of financial hardship for many

Falling behind on bills, otherwise known as going into arrears, has always been a manifestation of financial pressure for stretched families. In this section, we focus on arrears on what are sometimes known as ‘priority’ household bills, where continued non-payment can lead to more than just interest payments, fees and impaired credit.<sup>32</sup> Sometimes the consequences can have severe impacts on someone’s day-to-day life: arrears on energy bills come with the threat of forced pre-payment meter installation, rent arrears can result in eviction, and unpaid Council Tax can lead to a prison sentence in England.

In recent years, there has been a rapid accumulation of arrears on the biggest household bills. For example, total Council Tax arrears in England in 2024-25 stood at £6.7 billion in today’s prices, a 48 per cent real-terms increase since 2019-20 (see Figure 12). A lot of this happened in the pandemic, as courts closed and local authorities scaled back their tax collection.<sup>33</sup> But arrears continued to rise during the cost of living crisis, with £445 million added to England’s stock of arrears between 2023-24 and 2024-25. The recent rise in arrears is much greater than the rise seen after the financial crisis: the annual real-terms increase in arrears in 2024-25 (£445 million in today’s prices, or £16 per eligible dwelling) was double that in 2008-09 (£205 million, or £8 per eligible dwelling).

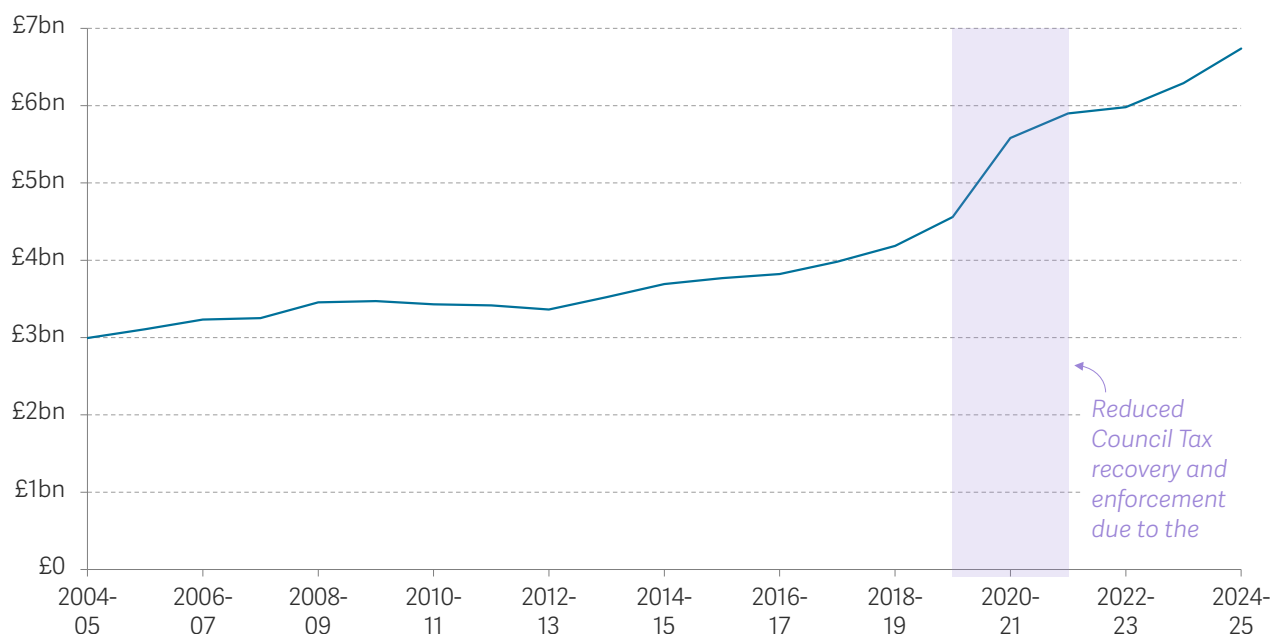
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<sup>32</sup> Specifically, we look at bills for electricity, gas, other fuels, water, telephone, insurance, Council Tax and rent. We exclude arrears on financial debt, namely mortgages, credit cards, hire purchases and other loans.

<sup>33</sup> DLUHC, [Collection rates and receipts of council tax and non-domestic rates in England, 2021-22 \(revised\)](#), June 2022 (updated October 2022).

**FIGURE 12: Council Tax arrears in England have risen by almost a half since before the pandemic**

Real-terms stock of Council Tax arrears at fiscal year-end: England



NOTES: Amounts have been converted to June 2025 prices using a CPIH deflator.

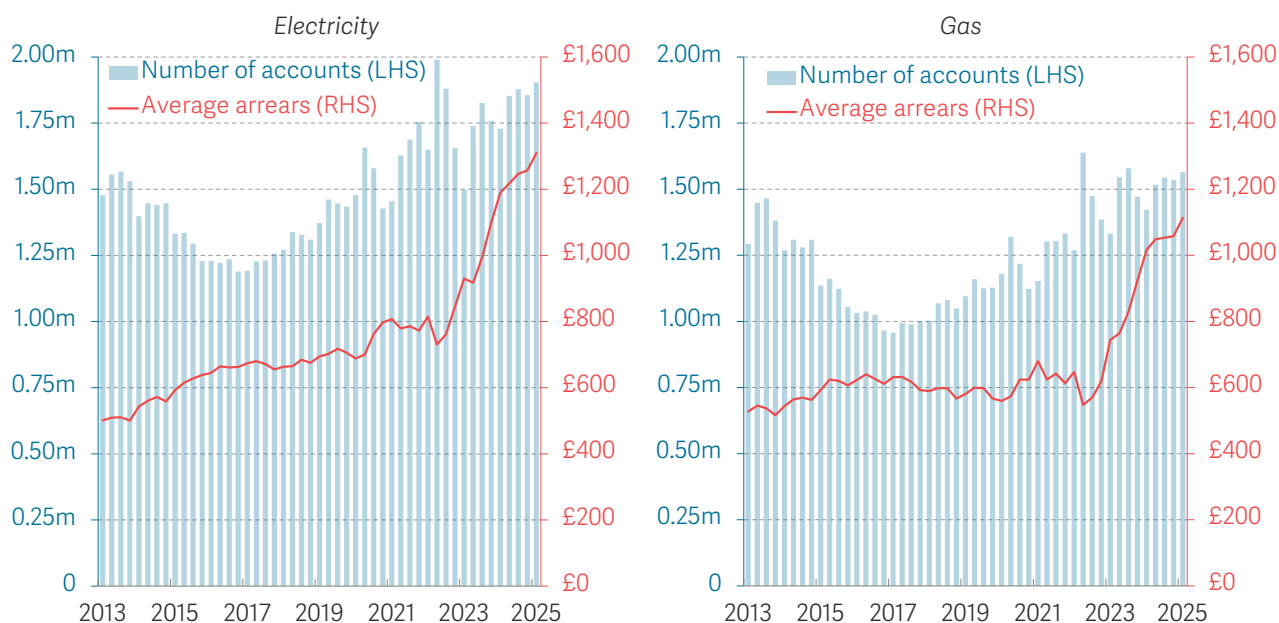
SOURCE: RF analysis of MHCLG, Collection rates for Council Tax and non-domestic rates in England; ONS, Consumer prices.

The recent rise in energy bill arrears has been even sharper.<sup>34</sup> The number of energy accounts in arrears started rising in 2017 (the blue bars in Figure 13). What's changed more recently, however, is a surge in the average amounts owed by those in arrears (the red lines in Figure 13). This has led to Great Britain's aggregate stock of energy arrears more than doubling in real terms over the past five years, rising from £1.7 billion in Q1 2019 to £4.2 billion in Q1 2025.

<sup>34</sup> Ofgem uses 'arrears' when referring to customers who owe a debt to their supplier, but do not yet have a debt repayment arrangement in place, and 'debt' for customers who have entered a formal arrangement with their supplier to repay outstanding debts. We refer to both as 'arrears', which is consistent with the terminology used in household surveys on this topic.

FIGURE 13: As energy prices soared, so did energy bill arrears

Number of electricity and gas accounts in arrears and average outstanding balance of accounts in arrears (June 2025 prices): GB



NOTES: Data covers accounts where there is an agreement to repay outstanding debt (what Ofgem refers to as 'debt') as well as accounts where there is no repayment agreement in place (what Ofgem refers to as 'arrears'). Amounts outstanding have been converted to June 2025 prices using a CPIH deflator.

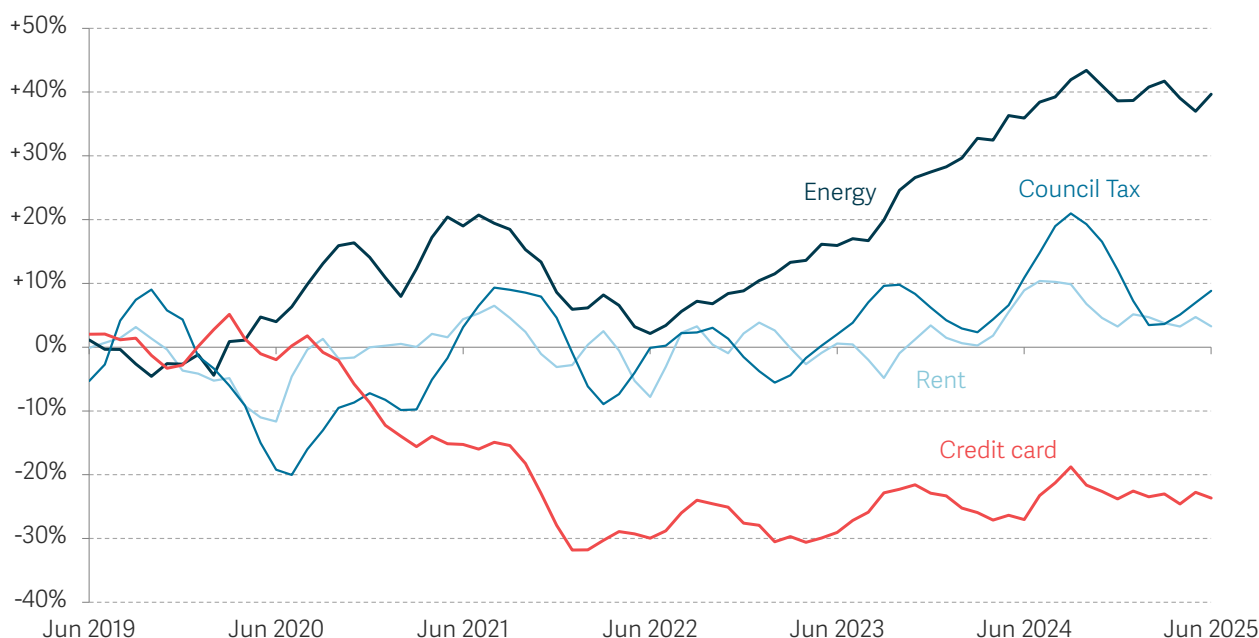
SOURCE: RF analysis of Ofgem, Debt and Arrears Indicators; ONS, Consumer prices.

Similar trends can be seen in the finances of those seeking debt advice. Figure 14 shows the recent change in the average levels of different debt types among Citizens Advice clients. Compared to 2019, the average Citizens Advice client in April-June 2025 owed around 40 per cent more in energy arrears and 30 per cent less in credit card debt, after adjusting for inflation. The average level of Council Tax arrears is more cyclical than other debt types, making it hard to compare the latest data to 2019 as a whole, but its recent peak in July-September 2024 was 13 per cent higher in real terms than the same period in 2019.<sup>35</sup>

<sup>35</sup> Citizens Advice clients are not drawn from a population-based random sample. This means the figures may not represent the population as a whole, but they still offer valuable indications of how debt types are changing over time.

**FIGURE 14: Those seeking debt advice today tend to have less credit card debt and more energy debt than before the pandemic**

Real-terms change in Citizens Advice clients' average debt levels relative to 2019 levels, three-month rolling average by debt category: UK



NOTES: Data is converted to real terms using a CPIH deflator.

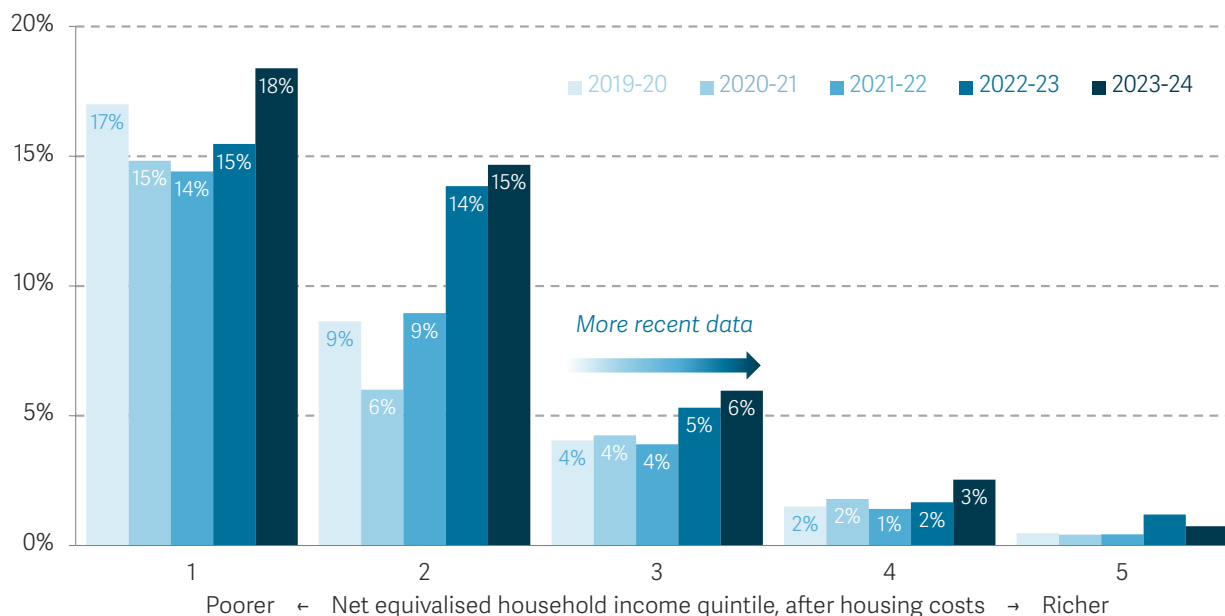
SOURCE: RF analysis of Citizens Advice, Our Debt Data; ONS, Consumer prices.

If we move from aggregate data to data from household surveys, we can see that, perhaps surprisingly, this rise in arrears has not been concentrated among the poorest households. Instead, it has been those just below the middle of the income distribution – that is, the relatively better off portion of *Unsung Britain* – who have seen arrears spike the most. As shown in Figure 15, pre-pandemic bill arrears were heavily concentrated among the poorest in society: in 2019-20, 17 per cent of those in the poorest fifth of the income distribution were behind on at least one major household bill, almost double the rate seen among the next poorest fifth (9 per cent), and more than four times the middle fifth (4 per cent).

Since then, however, the prevalence of bill arrears has crept up the income distribution. Among the poorest fifth, the proportion of families in arrears actually fell during the pandemic before rising in the cost of living crisis, but by 2023-24, it was only 1 percentage point above its 2019-20 level. The second-poorest fifth, by contrast, saw a much sharper rise: the proportion in bill arrears shot up by 6 percentage points between 2019-20 and 2023-24, moving close to typical rates of arrears seen in the poorest fifth. The middle fifth of the income distribution also saw a large relative increase in arrears, albeit from a low base.

**FIGURE 15: The prevalence of bill arrears crept up the income distribution during the cost of living crisis**

Proportion of individuals living in families behind on at least one priority household bill, by income group: UK



NOTES: Priority household bills consist of electricity, gas, other fuels, water, telephone, insurance, Council Tax and rent.

SOURCE: RF analysis of DWP, Family Resources Survey.

This recent shift in debt and arrears – with consumer debt falling in real terms and bill arrears soaring – has changed the nature of financial hardship for the most vulnerable among low-to-middle income Britain. As we said at the start of this section, the historical focus on priority bills or debts has usually been motivated by the idea that the not paying utility bills or Council Tax can have much more serious consequences than taking out a personal loan or using a credit card to make purchases. In many cases, the consequences are also worse than missing a payment on a financial product. So, it is worth considering what is behind the recent trends and whether it is something we should be alarmed about.

The most obvious explanation for the rising arrears is that the bills are significantly larger than they used to be for low-to-middle income Britain. This is true across the board for energy bills,<sup>36</sup> while dwindling Council Tax support has increased its burden on the poorest households.<sup>37</sup> Moreover, gas and electricity prices are set to remain much higher

<sup>36</sup> S Pittaway & L Try, [The bare necessities: Unpacking the rising cost of essentials for low-to-middle income Britain](#), Resolution Foundation, June 2025.

<sup>37</sup> Real-terms average Council Tax is lower in 2024-25 than it was in the late 2000s, but Council Tax as a share of income has risen a lot at the bottom of the distribution. See: L Try, [Money, money, money: The shifting mix of income sources for poorer households over the last 30 years](#), Resolution Foundation, February 2025.



than their pre-pandemic levels,<sup>38</sup> while Council Tax is set to continue rising in real terms indefinitely.<sup>39</sup>

We can identify two other drivers. One is that (formal) borrowing costs have increased in recent years. Since the Bank of England started hiking interest rates in December 2021, credit card rates have risen by 3.6 percentage points and personal loan rates by 2 percentage points. Credit has tightened too. Lenders consistently tightened credit through the peak of the cost of living crisis,<sup>40</sup> with some evidence that this has disproportionately reduced poorer individuals' access to credit.<sup>41</sup>

At the same time, regulatory changes have softened the immediate consequences of falling into arrears. Disconnection from vital services is now less common, and the forced installation of pre-payment meters is more tightly regulated. For example, Ofgem data shows that on average between 500 and 1,000 gas and electricity customers were disconnected each year in the late 2000s, but today disconnections for non-payment have fallen to virtually zero.<sup>42</sup> Following concerns around poor practice, in 2023 Ofgem put in place tighter restrictions to stop energy companies installing prepayment meters without household consent. These protections were formalised in new rules, effective from 8 November 2023, which require suppliers to meet strict criteria before any involuntary installation. The criteria includes multiple contract attempts, welfare visits and an outright ban on the most vulnerable customers.<sup>43</sup>

So, the balance of risks has shifted. A combination of higher borrowing costs alongside stronger regulatory protections against disconnection, makes arrears the more manageable option for some households than expensive consumer debt.

## But there's a complex interplay between savings and debt across households; neither should be viewed in isolation, as financial resilience depends on how these interact in practice

Both household surveys and administrative data make plain that there has been a shift in poorer families' finances over recent years, with a clear move away from unsecured consumer debt towards arrears on priority bills. But this quantitative data says little about the drivers of this shift, the complexity behind financial pressures and the impacts on the day-to-day lives of Unsung Britain. In this section, we therefore dive deeper into

<sup>38</sup> Cornwall Insight, [Great Britain Power Market Outlook to 2030](#), July 2023.

<sup>39</sup> A Corlett & L Try, [Happy new tax year 2025: Tax, utility bill and social security changes in April 2025](#), Resolution Foundation, April 2025.

<sup>40</sup> F Odamtten & S Pittaway, [In too deep?: The impact of the cost of living crisis on household debt](#), Resolution Foundation, February 2024.

<sup>41</sup> Fair4All Finance, [Evidence beats assertion: Shape and size of the credit market](#), April 2025.

<sup>42</sup> Ofgem, [Number of domestic gas and electricity customers disconnected by their supplier for non-payment of debt - Debt and arrears indicators](#), June 2025.

<sup>43</sup> Ofgem, [New rules for installing involuntary prepayment meters](#), 13 September 2023.

the findings of our interviews and unpack some of their key insights into the financial lives of those on low and middle incomes.

Insights from interviews we conducted with low-to-middle income households highlight that savings, debt, and credit can't be viewed in isolation. For many, financial resilience isn't just about having money in the bank or avoiding debt: it's about how these elements interact, shape their decisions and determine the options available to them. While every household's situation was different, most pointed to the same core factors influencing their choices: how much they had saved, the types of debt they were managing, and whether they had access to affordable credit. In many cases, their financial starting point - their "balance sheet" - set the boundaries of what was possible. Even in times of financial pressure, families still tried adopt a pragmatic approach. And for the low-to-middle income households we spoke to, this meant carefully balancing the need to preserve savings, keep up with bills, and manage existing debts, often in the context of incomes that simply didn't stretch far enough to cover everything.

Many followed what could be described as a traditional financial hierarchy: essential bills came first, then debt repayments, followed by saving where possible. This order was grounded in logic. Interest on savings tends to be low, while interest on consumer credit is often high, and the consequences of falling behind on bills like rent or energy have historically been severe. Interviewees were strongly aware of this hierarchy and many stuck closely to it. Where savings were available, they were typically used first, though often reluctantly, as families aimed to preserve some form of financial buffer for the future.

"My bills are paid like touchwood. I have never ever ever ever missed a bill in my life. And if I don't have money to eat, I'll put that on a credit card. I would never, ever, ever miss a bill - that just doesn't happen....but I know I can put it on a credit card, and I know even if it means that gets paid off over a certain amount of time"

*"I would never use a credit card if I had savings, because obviously I've got the APR and the credit card and stuff, so it just wouldn't make sense... I would always use the cash first and the credit card would be the last resort."*

*"If the debt outweighs my savings that is a bit of a stress point."*

*"I would never borrow from a bank for anything for like for bill payments or like groceries, because that's more just digging yourself more of a hole. It doesn't really help in the long term... [Bills] We always prioritise those. So, Council tax and rent and electric and everything like that, we always do those first. The other thing I'll fall behind on is my own personal debts, those loans and the credit card is mine and they are my responsibilities. I have fallen behind on those due to the nature of my work."*

Many families described the careful balancing act between using credit and preserving their savings. Credit cards and other forms of borrowing were often used strategically to smooth costs and split up payments, or simply just to build up credit scores. What also stood out across the interviews was the emotional value placed on retaining a small buffer. Even when some savings were available, those with large debts often opted to protect them, not because it made financial sense, but because it offered psychological security - a sense of control, and the comfort of knowing there was still one option left if things got worse. Interviewees were acutely aware of the risks and implications of different forms of borrowing. When neither savings or credit were available, some turned to friends or family for help. But this was emotionally difficult for many, and often only considered once all other options had been exhausted or in order to steer clear of accumulating new or more financial debt.

*“I’d rather put the holiday on the credit card and buy myself the extra month or two of not having to pay that interest.”*

*“[When] I did have [savings] that I could use and I felt like ‘let’s just use it’ rather than have added interest and paying more for a car than if you bought it outright... Now I think differently. And [would] probably proceed differently. [Because] my savings have gone down, I feel like I want to protect it a lot more, because I can’t build it up in quite the same way at the same pace.”*

“I’d rather take advantage of the interest-free [rate] on the credit card instead of using my cash savings. So, it gives me a little bit longer to pay it off and it doesn’t take a massive chunk out of what I’ve got left. I mean, I’d prefer not to use anything that’s going to cost me more money... I don’t like to dip into that unless I really have to.”

Across the interviews, it was clear that households were not failing to manage their finances, they were simply adapting, often under severe constraints. The decisions they made reflected careful trade-offs, shaped by their financial position, options, and emotional capacity. These findings help explain the shift seen in aggregate data – from consumer credit to rising arrears – as adaptation. In the final section, we explore what this means for policy: how to ease pressure and support resilience.

## A continued focus on living standards should be combined with targeted interventions on saving, access to finance, and support with rising essential costs

The Government is currently undertaking a review into financial inclusion.<sup>44</sup> Our research suggests a number of policy changes that would help Unsung Britain with their financial lives.

<sup>44</sup> HM Treasury, [Financial Inclusion Committee](#), GOV.UK, accessed August 2025.

First, we should do more to tackle the low levels of saving, because it isn't the case that all of low-to-middle income Britain lacks the income to save. As shown in Figure 4, around a third of low-to-middle income Britain are already saving regularly, a share that rises to two-fifths of those in work.<sup>45</sup> But research by Nest Insight has found there is a gap between the proportion of workers who would like to save and the proportion that do in practice.<sup>46</sup> For many, life simply gets in the way of setting up a savings account.

One approach to this is to auto-enrol workers into workplace saving schemes, something which has been shown (when piloted) to close the gap between saving intentions and saving behaviour.<sup>47</sup> Similarly, previous Resolution Foundation research has suggested building on the success of pensions auto-enrolment by augmenting Britain's workplace pensions system with a 'sidecar' scheme for building up liquid savings.<sup>48</sup> Another approach is to use very targeted incentives. For workers on Universal Credit, the existing Help to Save matched saving scheme seems to have been effective in boosting saving.<sup>49</sup> Raising awareness of the scheme and reducing barriers to getting set up – potentially by integrating it into a workplace saving scheme – would build on the scheme's early success.<sup>50</sup> And excluding these balances from capital assessments in Universal Credit would give low-income families in particular greater flexibility to build financial resilience against unexpected income shocks effectively.<sup>51</sup>

But we cannot expect all families to build up liquid savings to cover every eventuality. There will always be some shocks where families will have to borrow from somewhere. And, as discussed above, there are concerning signs that credit conditions for low-income borrowers have tightened particularly sharply in recent years. Moreover, our interviews revealed the extent to which anxieties around accessing credit often weigh on the minds of those on low and middle incomes. So it is welcome that the Government has committed to developing a Financial Inclusion Strategy for the UK, which should include efforts to boost access to finance for those on low incomes.<sup>52</sup> An ambitious approach would complement improved access to traditional credit with the option for individuals to borrow limited amounts from their pension pots, as is already the case in systems in the US, Canada, Australia and New Zealand.<sup>53</sup>

<sup>45</sup> RF analysis of ONS, Wealth and Assets Survey.

<sup>46</sup> A Kuipers et al., *Workplace sidecar saving in action: Learnings from a multi-year, multiemployer UK trial of a new approach to supporting employees with emergency and retirement saving*, Nest Insight, 2023.

<sup>47</sup> J Phillips & E Stockdale, *Opt-out autosave at work: A popular and proven way to powerfully boost people's saving*, Nest Insight, 2022.

<sup>48</sup> M Broome, I Mulheirn & S Pittaway, *Precautionary tales: Tackling the problem of low saving among UK households*, Resolution Foundation, February 2024.

<sup>49</sup> HMRC, *Help to Save Customer Experience Research: Quantitative and qualitative findings from research with Help to Save customers*, Research Report 623, August 2021.

<sup>50</sup> M Broome, A Corlett & J Leslie, *ISA ISA Baby: Assessing the Government's policies to encourage household saving*, Resolution Foundation, January 2023.

<sup>51</sup> M Broome, A Clegg & E Pybus, *Saving penalties: Reforming the capital rules in Universal Credit*, Resolution Foundation, April 2025.

<sup>52</sup> HM Treasury & T Siddiq, *Help for vulnerable Brits to access banking and credit in spotlight*, December 2024.

<sup>53</sup> There is a tension between allowing people access to what is likely to be their largest financial asset and undermining the principle of saving for retirement. This is why our previous recommendation was for people to borrow no more than 20 per cent of their pension pot (capped at £15,000), and that any loans would be accompanied by mandatory earnings-related repayments. See: M Broome, I Mulheirn & S Pittaway, *Precautionary tales: Tackling the problem of low saving among UK households*, Resolution Foundation, February 2024.

When it comes to borrowing, our interviews revealed the importance of ensuring that low-to-middle income individuals properly understand the financial arrangements at play. Multiple interview participants expressed regret over their lack of understanding when getting into debt earlier in their lives. And, when we asked our participants what policies the Government should pursue, better financial education was the most common response, but that shouldn't be thought of as an extra burden to be placed on schools: such education needs to be available to all adults, as their actual lives progress and the financial lives become more complex. The importance of getting an early grip on spiralling financial difficulties also came through strongly. Some of the families we spoke to said that their anxiety eased considerably once a repayment plan had been set up – even if the outstanding debt were still on their balance sheets. Relatively modest public investments in advice and possibly brokering services, between debtors and creditors, could have the potential to make a big difference.<sup>54</sup>

The ongoing rise in the prevalence of priority debts (particularly on Council Tax and energy bills) demands attention from policy makers. In a world of higher interest rates and less severe consequences for many arrears, lower-income households choosing less formal financial debt and more debt on priority bills is understandable. Yet it would be a mistake to retire the old idea of 'priority debt' as a source of concern, particularly as our current system is inadequately prepared to handle the complexity and scale of today's priority debt challenge.

As we have previously highlighted, long-term solutions will be required to address the size of these bills. In the case of energy bills, one approach could be through a 'social tariff' – a targeted unit-price reduction of energy bills specifically aimed at poorer households administered directly by energy companies. As we set out in our previous analysis, such a scheme would offer more effective and better targeted relief and could be designed to respond to both income levels and actual energy need.<sup>55</sup> Alongside energy support, there is also an urgent need to reform Council Tax support. Since the national Council Tax benefit was abolished in 2013, support has become less generous, increasingly regressive and inconsistent across councils – all while council tax bills have risen since the early 2010s. As a result, the burden of Council Tax now falls disproportionately on the poorest households, who by 2020–21 were paying more than three times the share of their income compared to the richest households.<sup>56</sup> But this issue extends beyond the size of the bill; debt collection practices by councils have been found to compound emotional distress, as a single missed payment can quickly escalate

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<sup>54</sup> Broadening access to debt advice and financial education are both pillars of the Money and Pension Service's UK Strategy for Financial Wellbeing. [maps.org.uk/en/our-work/uk-strategy-for-financial-wellbeing](https://maps.org.uk/en/our-work/uk-strategy-for-financial-wellbeing), accessed 7 August 2025.

<sup>55</sup> S Pittaway & L Try, *The bare necessities: Unpacking the rising cost of essentials for low-to-middle income Britain*, Resolution Foundation, June 2025.

<sup>56</sup> L. Try, *Money, money, money: The shifting mix of income sources for poorer households over the last 30 years*, Resolution Foundation, February 2025.

into demands for the full year's bill, court summons, and additional fees. For vulnerable households this aggressive approach can often be deeply distressing.<sup>57</sup>

However, while reforms such as social tariffs and improved Council Tax support are essential for easing and preventing future pressures, they do little to address the legacy of priority debt already built up – and the fact that so much of this household debt now sits with non-financial organisations marks uncharted territory. In the energy sector, the sheer scale of arrears raises legitimate public policy concerns. Ordinarily, such a build-up of household debt held by non-financial organisations would be cause for alarm particularly for the households who have accumulated the debts. However, given how tightly utility companies are regulated and the fact that Ofgem has demonstrated a willingness to intervene when debt recovery practice become unsavoury, this offers some protection to indebted households and reduces the risk of harmful enforcement. Energy companies should not have to serve as interest-free credit for families, especially as the costs associated with this debt are passed through the energy system to other billpayers. Ofgem has moved back towards making it easier to install pre-payment meters, but these are a drastic solution that should only be used as a final backstop.

But the size of the debt pile means this action alone is not enough. As such, in a bid to improve the financial sustainability of the sector, the regulator is beginning to size up a debt relief scheme that offers a capped write-off for households on means-tested benefits. This is a good first step, but Ofgem should not be looking to write off all of the debt stock, so further thinking on consumer protection is needed, especially as many low-income families have acquired energy debt because of a lack of anywhere else to run.

Of course, when thinking about policy to support financial resilience, it would be a mistake to focus on interventions that operate on savings, debt and arrears themselves. Often, a lack of financial resilience – be it low savings or restricted options for borrowing – is simply downstream of an individual or family's lack of income, rather than the result of imprudent financial decisions. Indeed, as discussed above, our interviews revealed just how adept some low-to-middle income families are at managing their finances. Boosting incomes for the poorest must be a core part of any strategy to boost financial resilience. Faster real wage growth will need to play a big role, as employment earnings make up more than half of poorer households' incomes, even at the very bottom of the income distribution.<sup>58</sup> Ultimately, that will require turning around Britain's dire record on productivity growth, which has been the main driver of flatlining wages since the

<sup>57</sup> T Murray and F Smith, [In the public interest? The psychological toll of local and national government debt collection practices](#), Money and Mental Health Policy Institute, September 2024.

<sup>58</sup> L Try, [Money, money, money: The shifting mix of income sources for poorer households over the last 30 years](#), Resolution Foundation, February 2025.

financial crisis.<sup>59</sup> But over the next few years, even optimistic projections for wage growth are not enough to ensure income growth for the poorest, least financially resilient families.<sup>60</sup> Targeted income support for poorer families – such as abolishing the two-child limit and, in the longer term, indexing working-age benefits to earnings – are also needed.<sup>61</sup>

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<sup>59</sup> G Thwaites, [The Macroeconomic Policy Outlook Q2 2024](#), Resolution Foundation, May 2024.

<sup>60</sup> A Corlett, [The Living Standards Outlook 2025](#), Resolution Foundation, June 2025.

<sup>61</sup> A Corlett, [The Living Standards Outlook 2025](#), Resolution Foundation, June 2025; M Brewer et al., [Sharing the benefits: Can Britain secure broadly shared prosperity?](#), Resolution Foundation, July 2023.



The Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged.

We do this by undertaking research and analysis to understand the challenges facing people on a low to middle income, developing practical and effective policy proposals; and engaging with policy makers and stakeholders to influence decision-making and bring about change.

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