Fair4All Finance Segmentation Model

Forgotten Families: Deep Dive

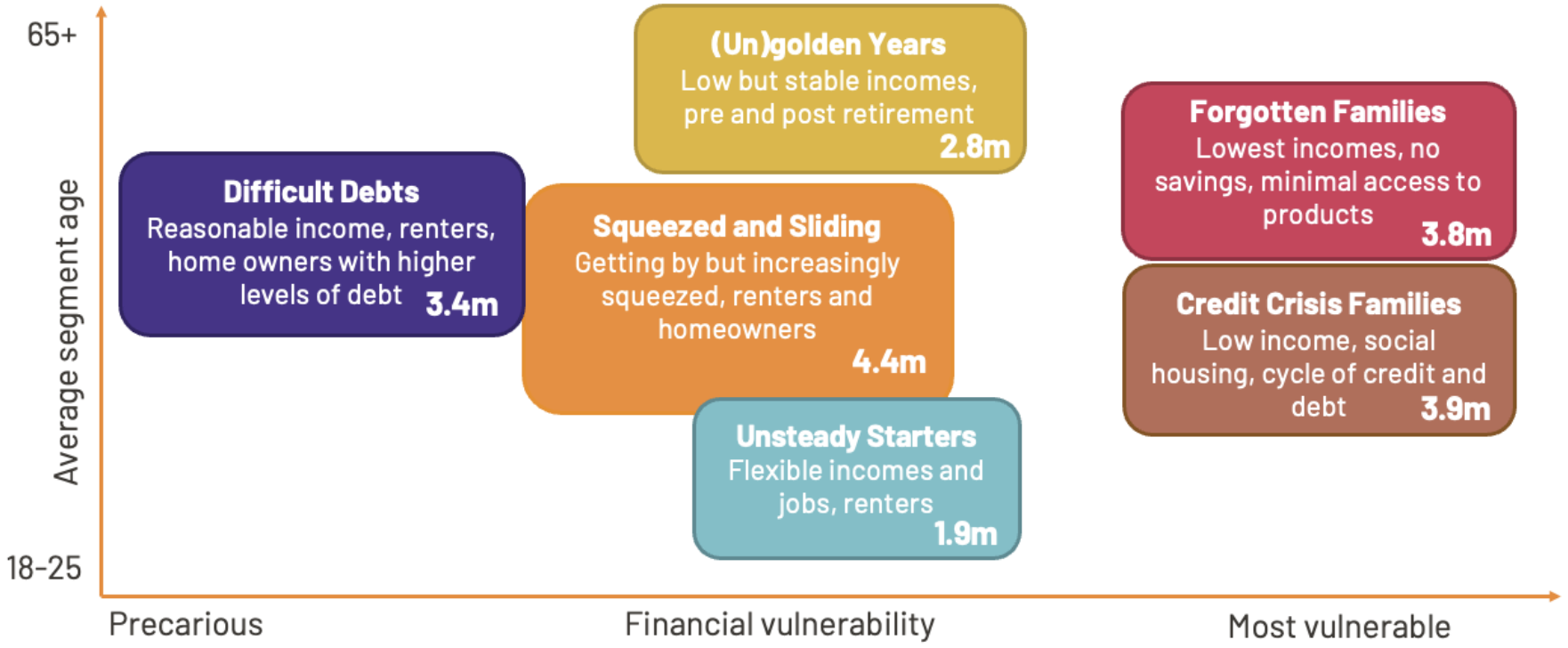
July 2024

Our purpose for segmentation

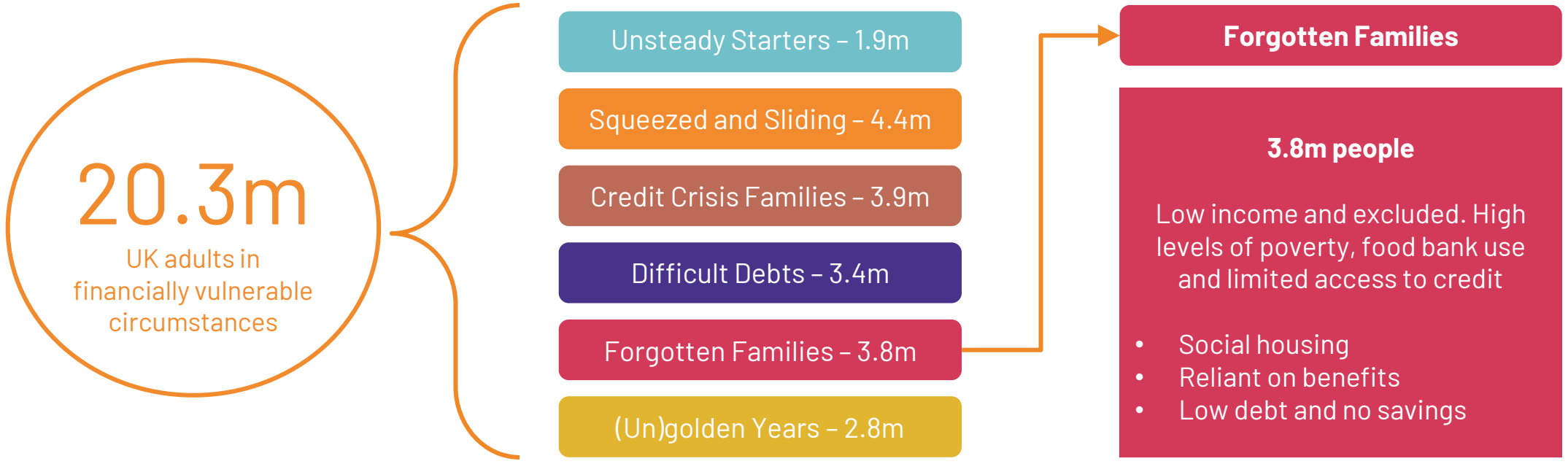
to support the design and development of more effective financial products and services that improve resilience for people in financially vulnerable circumstances

Segments by age and vulnerability

Six segments show the breadth of financial vulnerability – the size of the box represents the size of the cohort



This segment deep dive



Total audience | **6 segments** | **This segment deep dive**

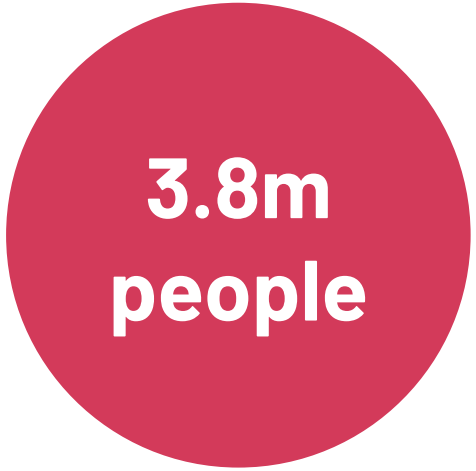
A note on data

- We surveyed 3,101 people in financially vulnerable circumstances online in early December 2023
- Where we look at one segment vs other segments this is labelled as 'FVC' to denote all people in financially vulnerable circumstances. This allows us to understand how a specific segment differs to all people across our segments
- Where we have a 'All UK Adults' this is taken from a different survey that was conducted at the same time (December 2023), and is helpful when comparing the segments to the overall population
- There have been 3 waves of our survey – March 2022, December 2022 and December 2023. Where it's appropriate to track changes over time, this has been included

Forgotten Families

Overview

Forgotten Families are an excluded group with little access to credit and low savings. There are high levels of poverty, many carers and people with health problems, and many reliant on benefits. They generally have low levels of debt



Forgotten Families at a glance

18.7% of the Financially Vulnerable Population

Age range **25-54**

HH income **£20k or less**

Family
21% are single person HH
45% have kids at home
60%Female

Debt
Low debt, and little change in profile

Housing
Housing association tenants

Savings
47% = none
27% = £1-£1,000

Type of work
Full or part time
Not working

Insurance
33% = none at all

Hayley, 45, Redcar

This is a fictional persona, but based on findings from the Nest Real Accounts participants

3.8m 19%

Financially Vulnerable Population

- **Lives alone, recently downsized to a smaller council house**
- **In full time employment (19k pa)**
- **Previous recipient of benefits, stopped post pay rise**
- **Distrustful of credit from past negative experience, but uses 'informal' lending to get by**

Meet Hayley

Hayley started a new job as an office administrative assistant after the pandemic. She used to be self-employed and on a slightly higher income across the year**, but work was very unstable so she sought a full-time position to reduce her day-to-day worries.** When she started, she was eligible for some benefits to top-up her income, but these stopped after a recent pay rise and she is now worse off.

She thinks that she is bad with money, but she has many tactics; **including a google calendar of all her direct debits and incoming salary to check she has enough funds and overpaying her utilities to have a slight buffer.**

Her negative emotions with money date back to when she was younger and was offered credit cards and an overdraft. She has since paid off the credit cards but is still paying around £30 a month for a £1.6k overdraft.

Hayley's early experience has left her with a reluctance to use formal credit. Now, if she needs help, she relies on her family to lend money. She also exchanges money with some friends and her daughter. **They all get paid their wages at different points during the month which ensures that there is always someone who has money to lend if someone needs it**. She trusts this network, has known them for a long time and feels confident that they will always repay as she does to them. However, on occasion her daughter has repaid a bit late, which can make it tricky.

Despite being on a four-week salary cycle, she finds her spending changes significantly. If she includes informal loans, she thinks that on average she would typically spend circa £250 repaying debts, about 12% of her income.

She hopes she may get another pay rise but knows that the earning opportunity in her role is limited; for now, she is enjoying the stability. **She is a little worried from not putting much into a pension but if her health is kind to her, she sees herself working for a long time yet.**

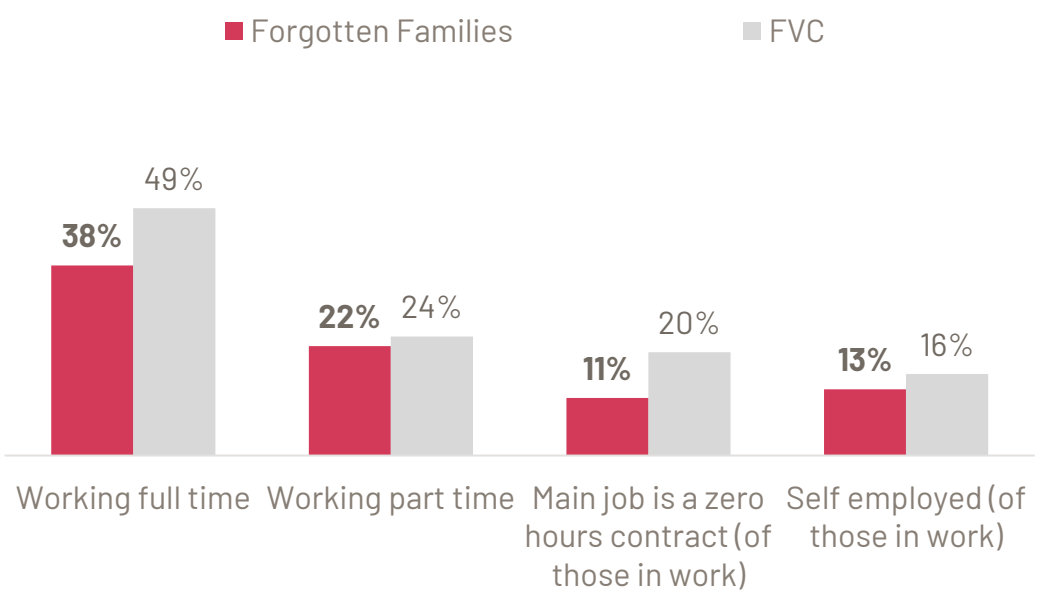
Summary: Forgotten Families

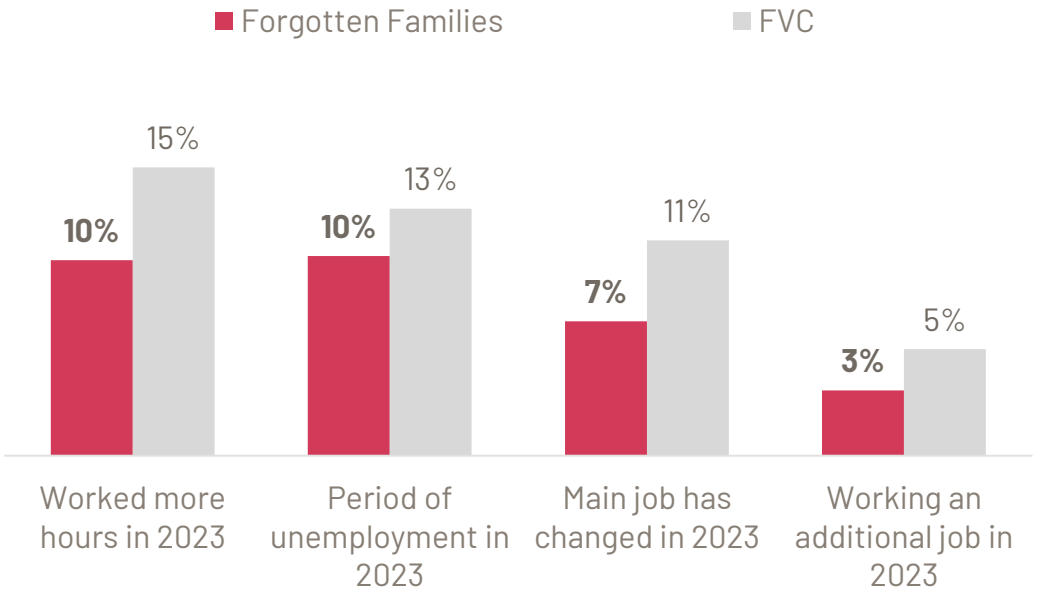
	Where were they in 2022?	Where are they now?	The future?
Lifestyle	They are more likely to be living in single households, with or without children 2 in 5 are in work, but they also have the highest unemployment rate across the segments	With high levels of social housing, they are slightly protected from sharp housing increases, but any cost increase has a big impact. They're struggling with other costs – including essentials like food. They have the highest increase in food bank use of all segments	Forgotten Families are not optimistic about the future, with only 41% believing that 2024 will be better for them than 2023, and half saying that their long-term expectations have worsened
Credit and debt	Forgotten Families lack access to credit and are one of the most excluded segments, with high decline rates Many are also behind on essential bills or repaying benefit overpayments	They're really worried about rising bills, but previous rejections make them unlikely to apply for credit and more likely to either go without or turn to informal borrowing	As hardship increases, loans from family and friends is likely to remain high as these are the only forms of loan easily accessible to this group. Those that do not have these options will continue to sometimes go without essential items and services including food
Savings and insurance	Very low financial resilience: half have no savings at all and insurance levels are low	There is a real lack of savings – almost 2 million people in this segment have no savings at all 1 in 3 have no insurance products at all, but there are higher levels of car and contents insurance	A lack of savings is a real worry for resilience – one financial shock can push them further into poverty Only 21% could afford to pay an unexpected bill of £500

Forgotten Families

Work and Lives

Forgotten Families are less likely to be in full-time work compared to other vulnerable segments





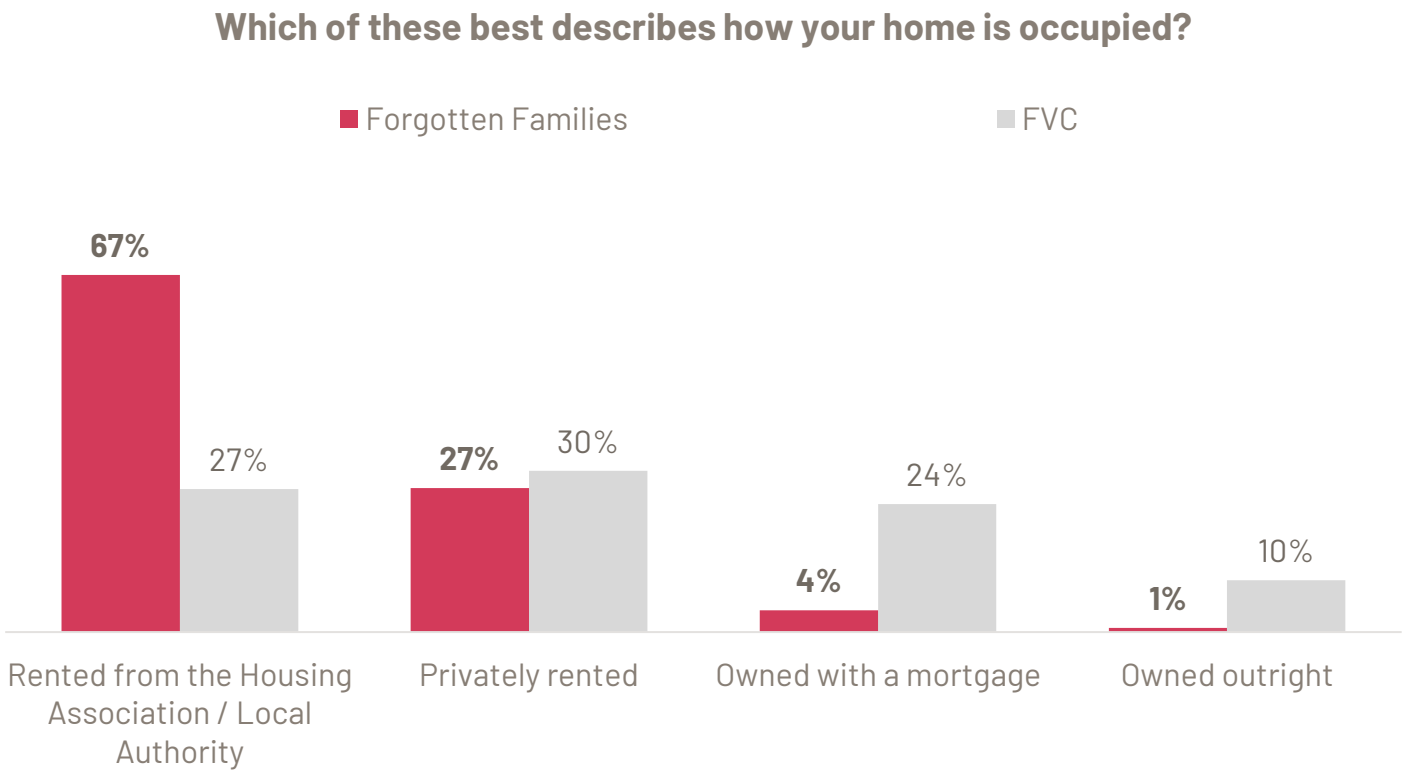
Only 38% of this segment are in full-time work, 11% lower than average. Those working full-time are twice as likely to have a credit card compared to those not working and not seeking work (48% vs 26%).

This group are less likely to have a zero hours contract, be self-employed or have experienced working changes in the last year.

46% of this segment say that all of their income comes from benefits – far higher than any other segment.

Forgotten Families over-index in particular for universal credit payments (32% vs 22% total FVC) and disability benefits (19% vs 9% total FVC).

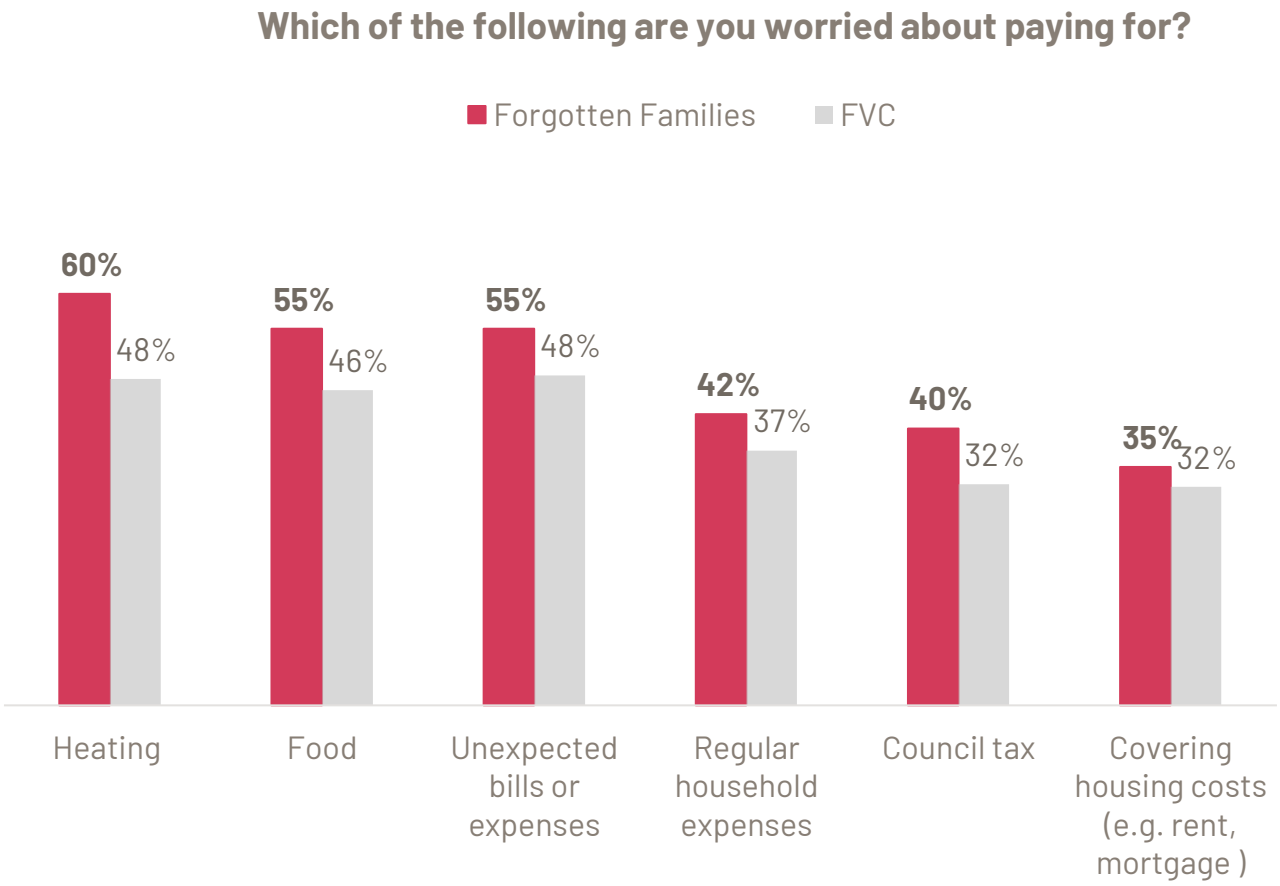
Forgotten Families are overwhelmingly likely to be social renters, with only a small proportion on the housing ladder



Along with Credit Crisis Families (61%) they are the most likely to live in social housing. This provides some protection against private rental and mortgage increases, but with all housing costs rising there will still be a big impact.

35% are worried about covering their housing costs, slightly more than the segment average.

Forgotten Families are more worried than most



Forgotten Families are noticeably more worried about household bills and expenses than other segments.

They are the most concerned about paying for food and heating costs – and they have the highest worry about food compared to all segments. 40% are **desperately** worried about feeding themselves or their family.

And they struggle to see a way out - only 58% believe that inflation going down will help them.

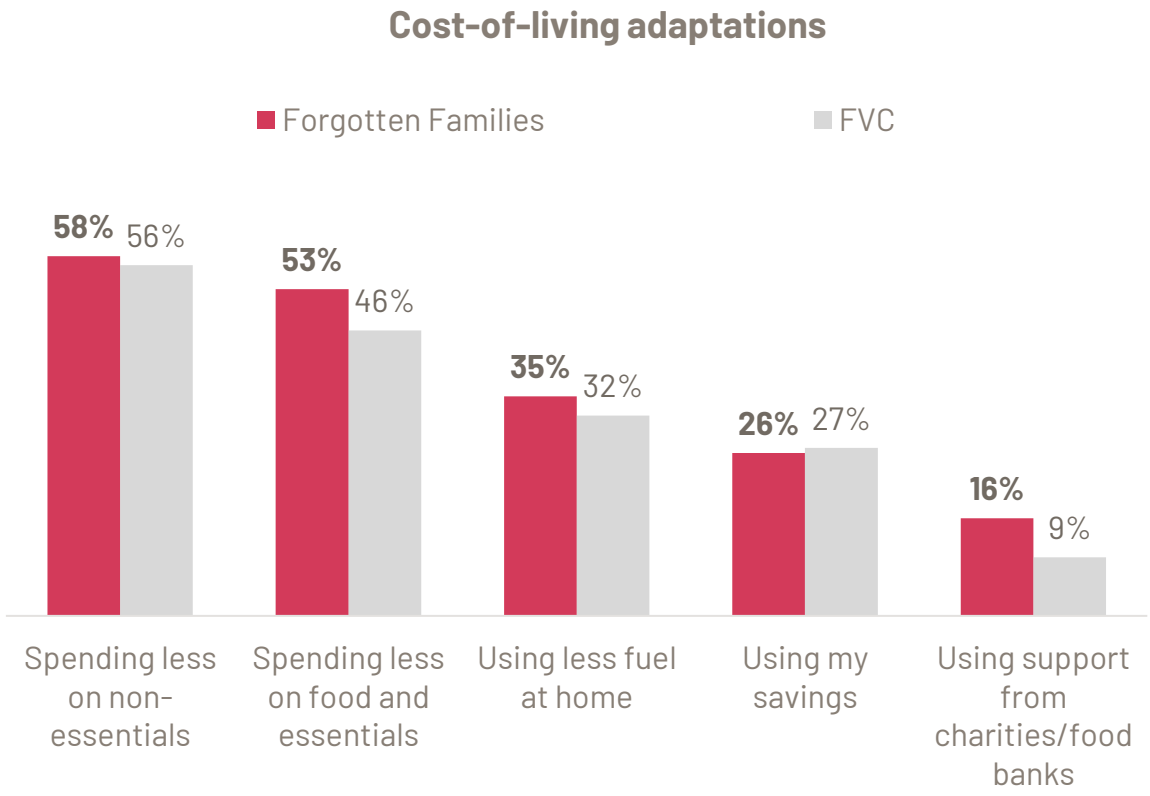
Forgotten Families are more likely to use support from charities and food banks

This group are one of the most likely to have accessed support from a food bank or charity (16% vs 9%).

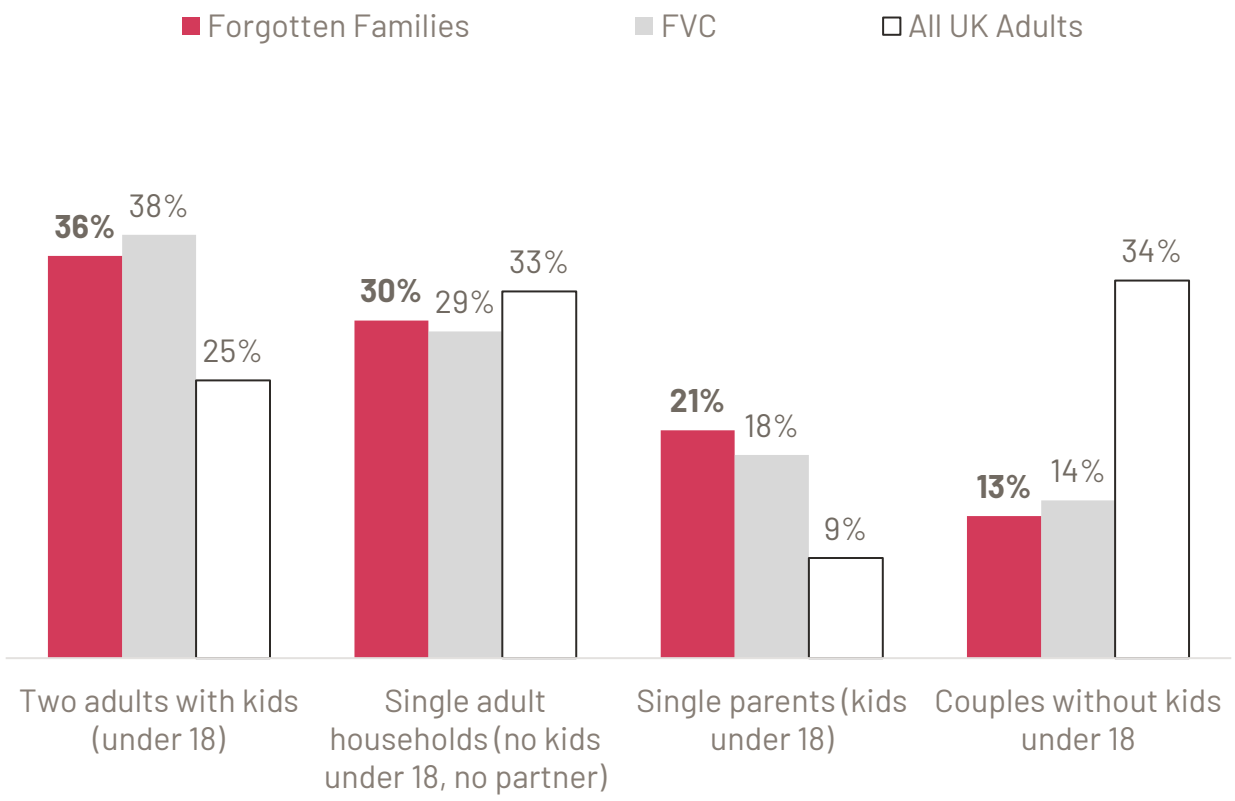
They are also more likely to be cutting back on food and other essentials due to the cost-of-living crisis.

As a result, this segment are more likely to be skipping meals or going without food (42% vs 35% total FVC) and struggling to afford a healthy diet (47% vs 40% total FVC).

There has been a similar degree of cutbacks on non-essential spending, however this is more in line with the average FVC consumer.



Forgotten Families slightly over-index in single parent households

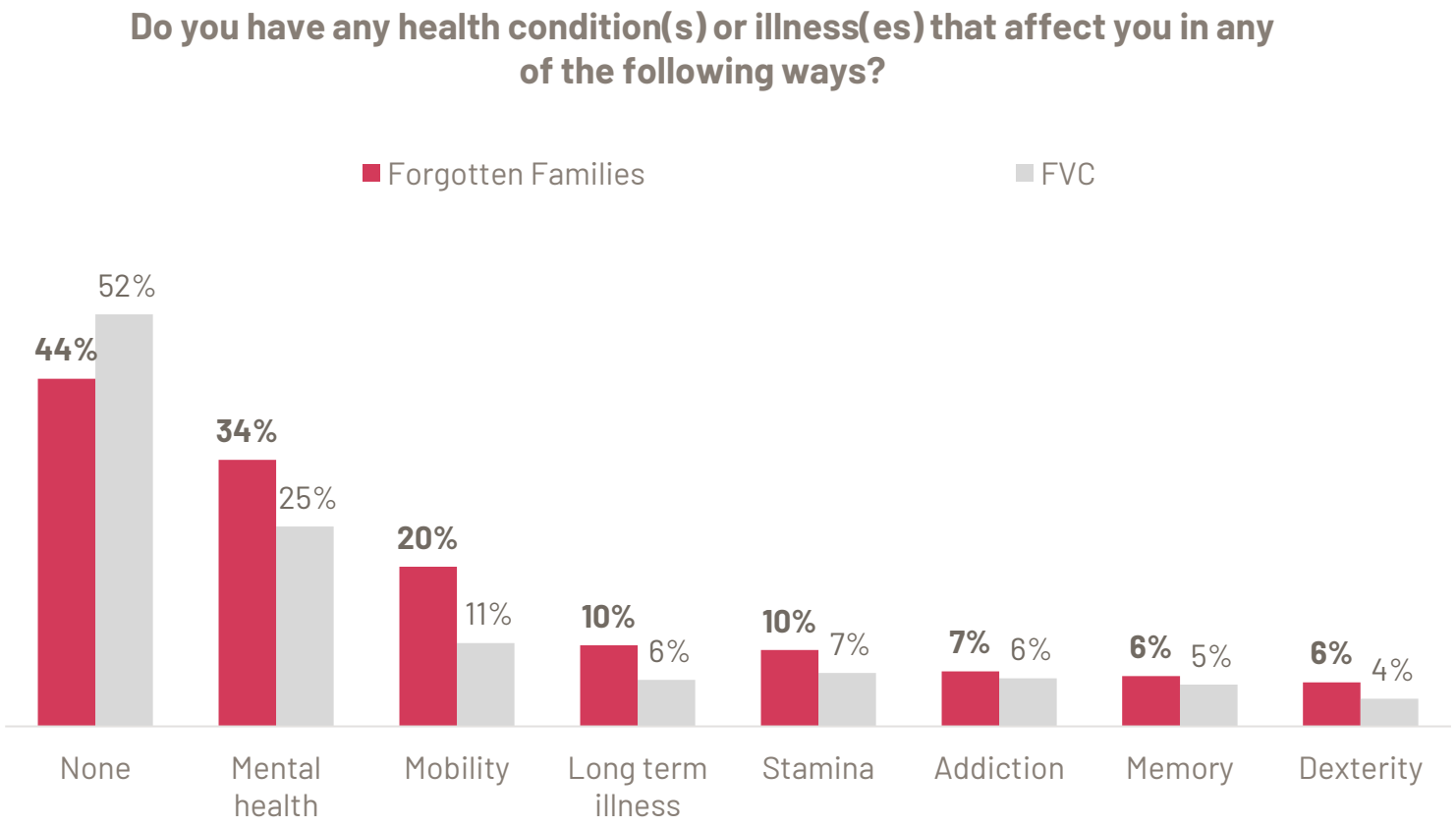


Forgotten Families are more likely to be on their own – they over index as single-adult households (ie no partner present, with or without kids).

In some cases, this might make budgeting easier – they only have to cover their own needs (unlike Credit Crisis Families, which are more likely to be single parents).

But it can also mean less financial resilience and greater isolation.

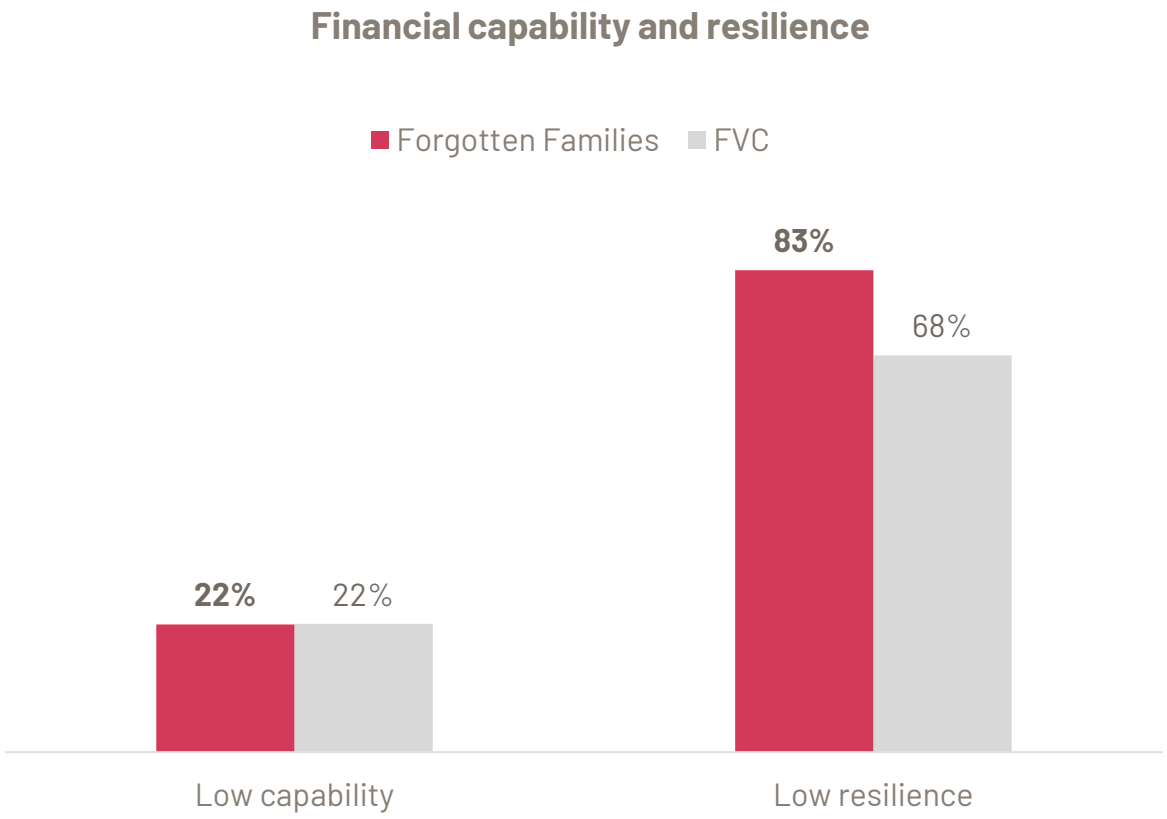
This segment are the most likely to have at least one health condition



Most Forgotten Families have at least one health condition, most commonly, mobility or mental health issues.

They over-index for almost every area, with one in ten having a long-term illness and the same proportion having a stamina related issue.

Forgotten Families have reasonably high financial capability, but very low resilience



A significant proportion of this segment report either low levels of financial capability (confidence managing money, knowledge of financial matters) or low levels of financial resilience (would struggle to afford increases to outgoings or an unexpected bill).

There's no difference in levels of low capability but a much larger difference levels of resilience. More than 80% of this segment lack resilience, the highest of any segment.

Forgotten Families

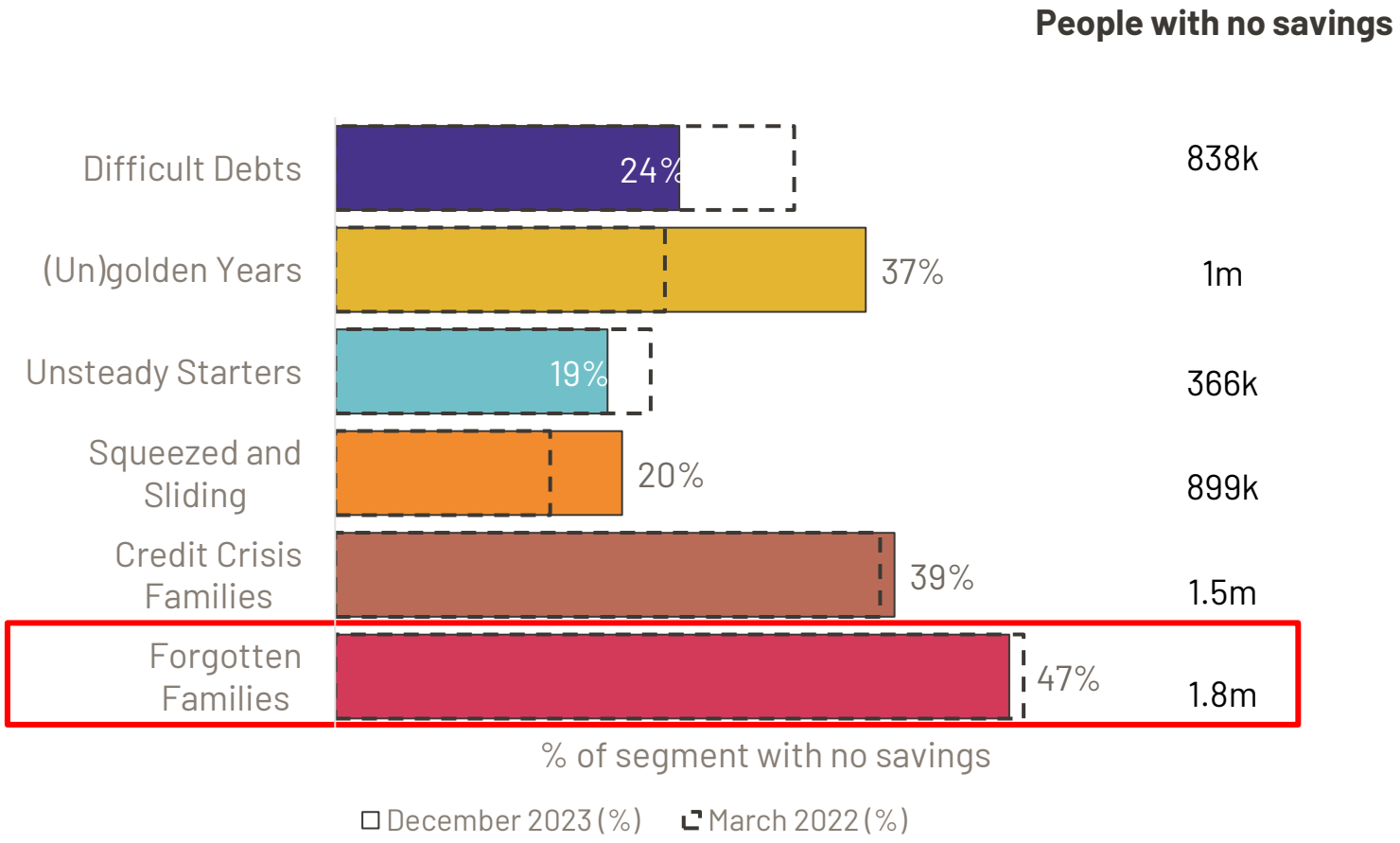
Savings

This segment remain the least likely to have any savings

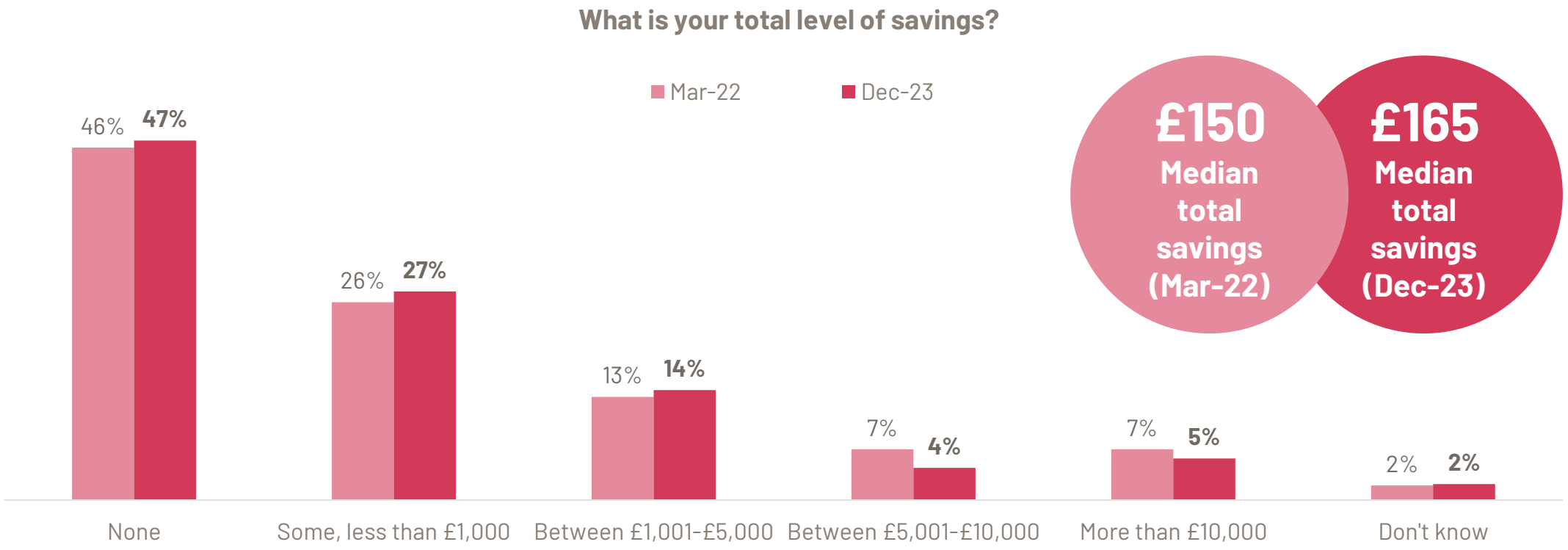
Almost half (47%) of this group have no savings, with almost no change since Q1 2022.

They are 17% more likely than the average FVC consumer to have no savings.

Only 39% of this segment are looking into savings products, compared to 55% of the total FVC.



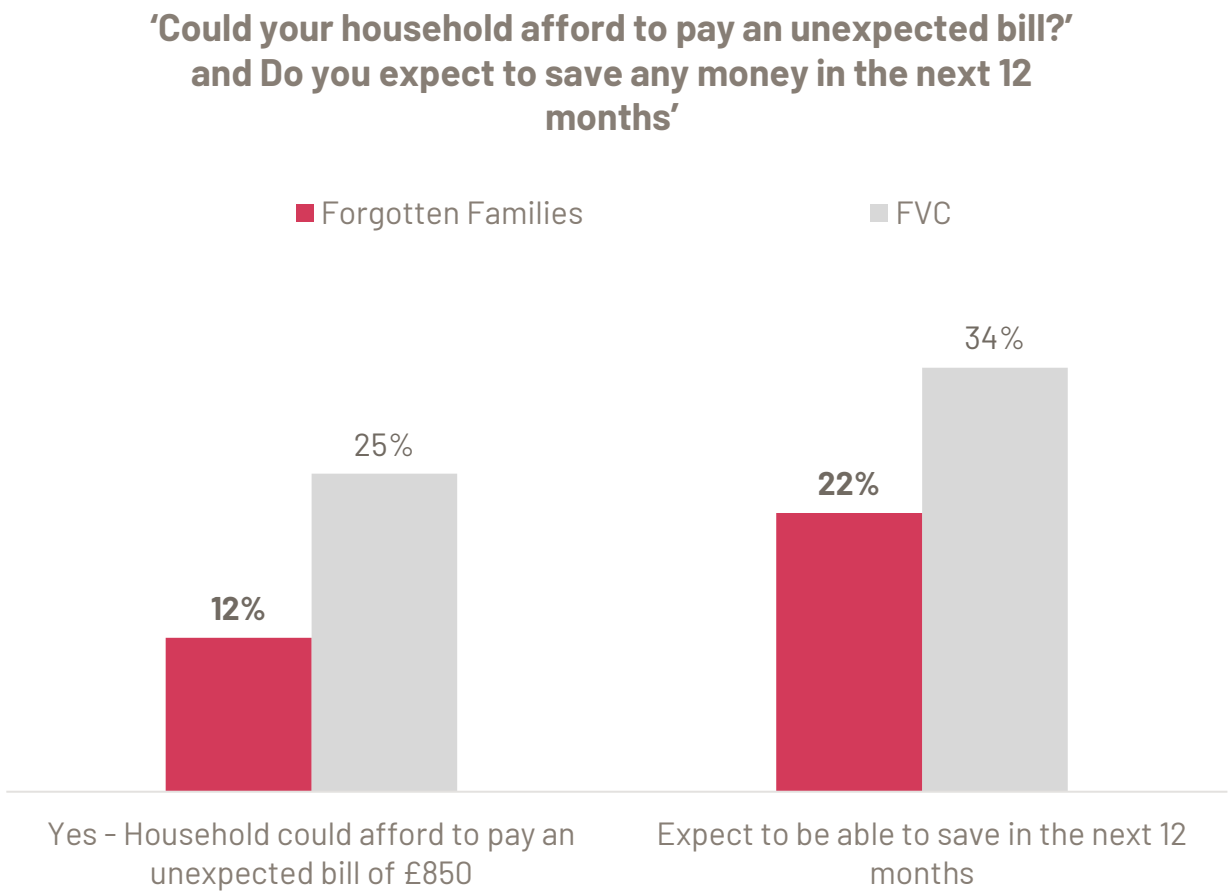
Little change in savings levels over the last two years



For those who can save, this is usually much less than the average FVC consumer. 45% of savers in this group save less than £50 each time, which is 13% higher than the total FVC sample (32%).

Their reasons for saving are similar to the total FVC, often driven by the need for a financial safety net in the case of unexpected bills.

Resilience expectations are far lower among Forgotten Families



The outlook for savings is particularly poor for Forgotten Families.

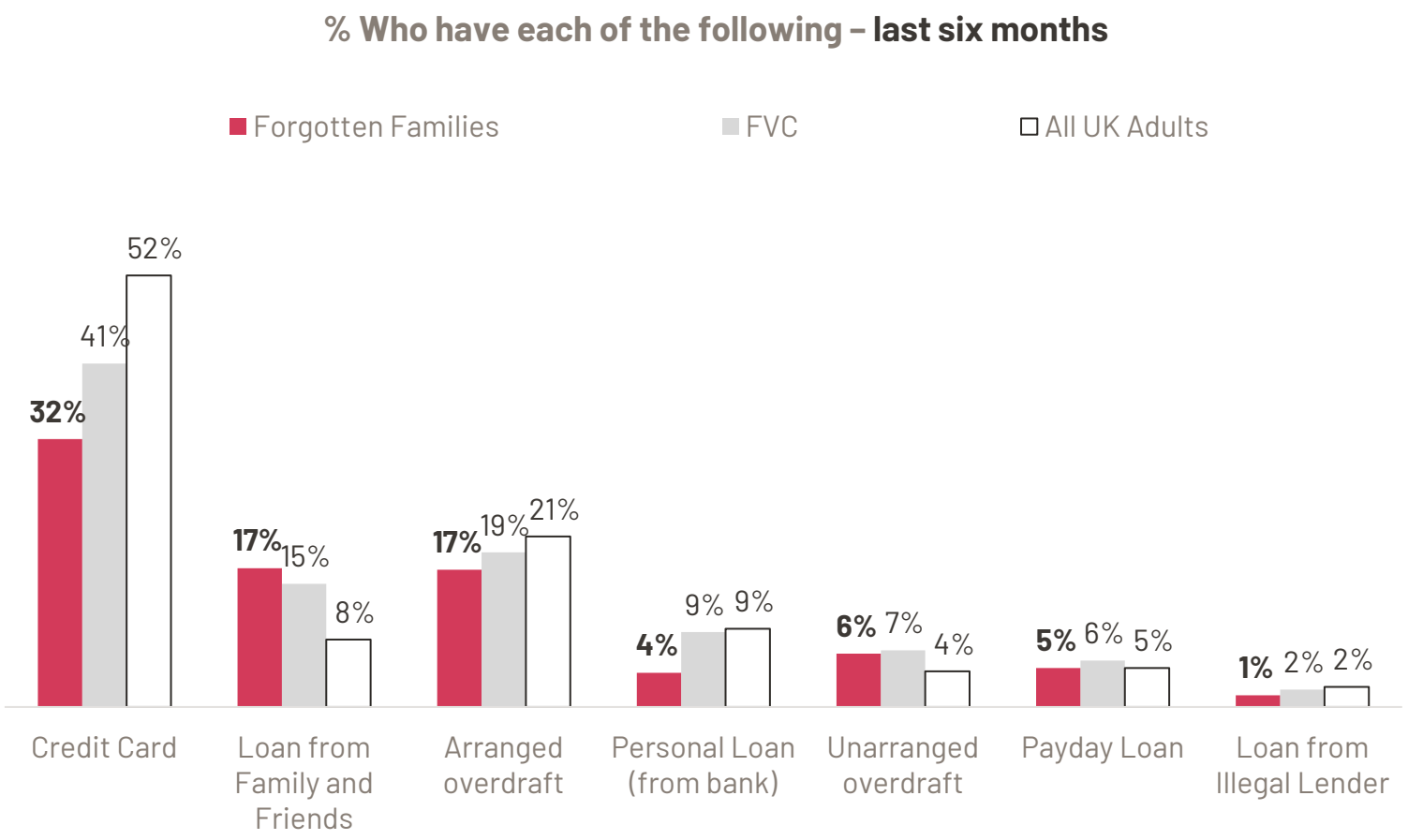
Only 12% of this segment say they could afford an unexpected bill of £850, whilst only 22% anticipate being able to save over the next twelve months.

Additionally, only 21% say they would be able to afford an unexpected bill of £500, which is substantially lower than the total FVC sample (36%).

Forgotten Families

Credit

Forgotten Families have far lower access to formal credit than the average FVC consumer

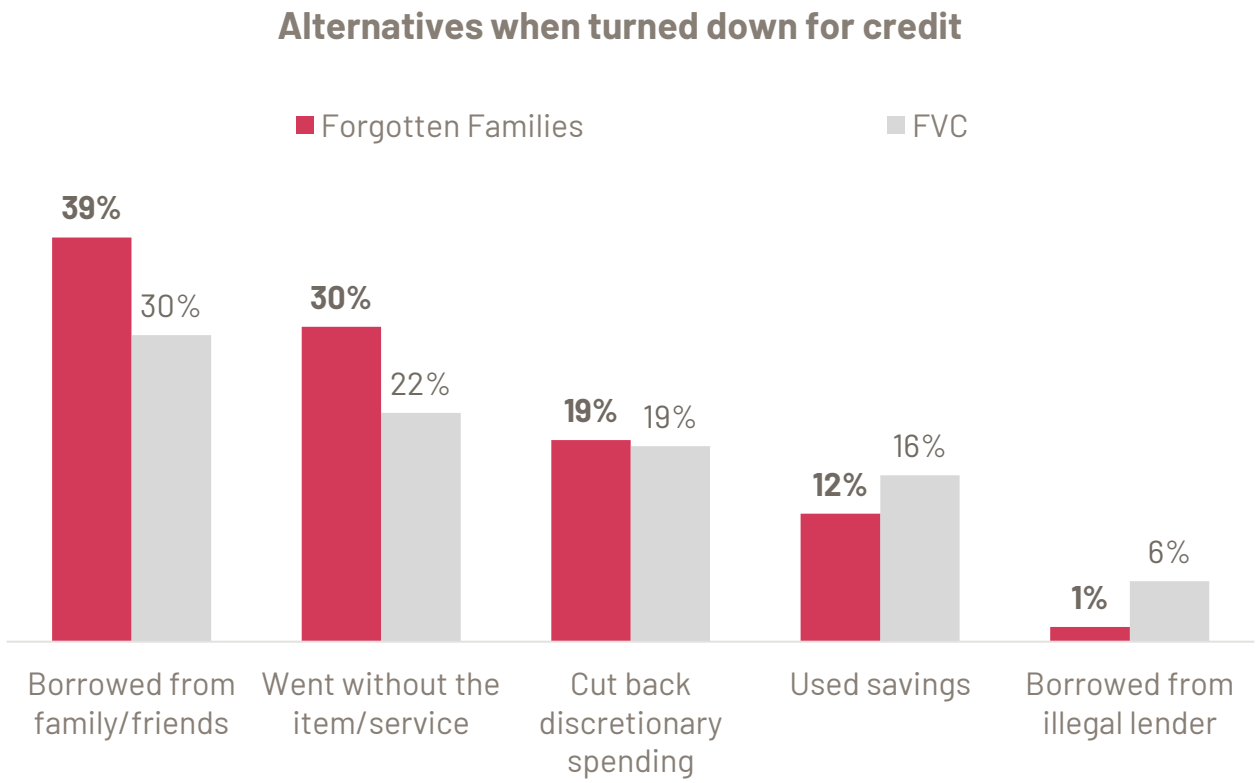


Some in this segment choose not to use credit due to difficulties in the past and would rather go without something essential then go back to being in debt.

For many there is no choice, and they struggle to access credit.

Additionally, 2 in 5 say they are never or rarely out of their overdraft.

Forgotten Families are borrowing from family and friends or going without altogether when declined for credit



26%
Have been turned down for credit (vs 22% of FVC)

30% choose to go without the item or service, and this can include essential items like white goods.

This segment also over-index in being put off of applying for a credit application because they thought they would be rejected (37% vs 33% total FVC).

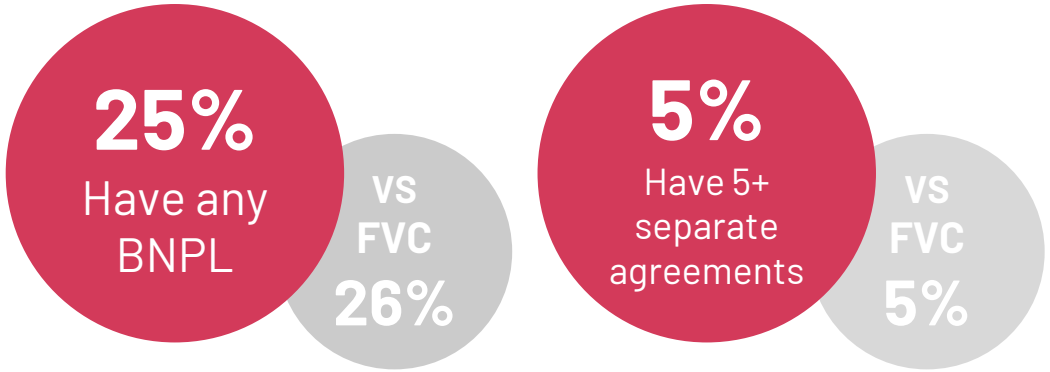
A previous rejection often discourages them from applying again, with 43% citing this reason compared to 34% of the total FVC.

BNPL usage in line with the average FVC sample

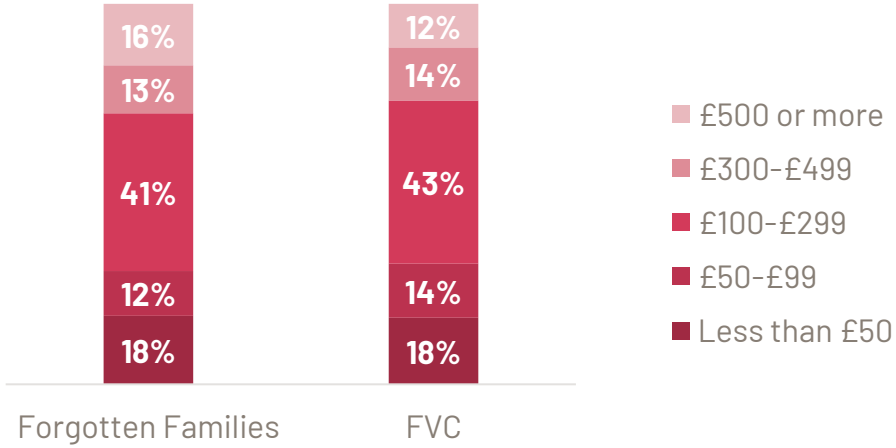
The segment's use of BNPL to make purchases is in line with the average FVC.

5% of the segment have five or more BNPL agreements, with the average amount owed also in line with the average. The majority owe less than £300.

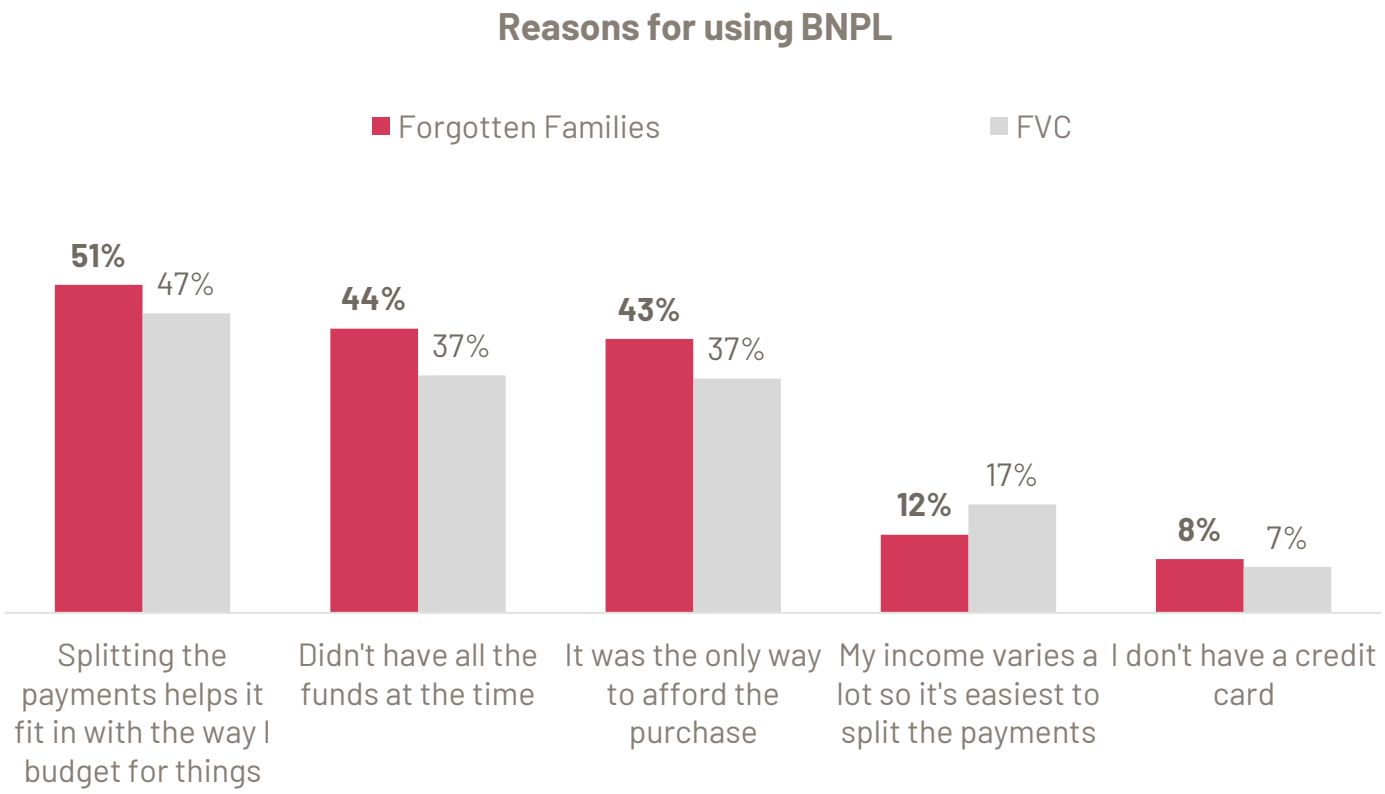
There's little difference in levels of BNPL debt depending on personal income levels among Forgotten Families. Those earning 20k to 50k are slightly more likely to owe between £150 and £600 in BNPL payments than those earning less than 20k (40% vs 35%).



Amount owed on BNPL products (£)
[Only people who have used BNPL]



Lack of funds is a key reason why Forgotten Families use BNPL



The most likely reason for using BNPL is to split payments – followed by because they didn't have the funds.

Just over half (51%) say that splitting payments is the best way for them to afford things, which is higher than compared to the total FVC sample.

Notably, **this segment are less likely to incur late payment fees on their BNPL agreements**, with only 24% having late fees, compared to 36% of the total FVC sample.

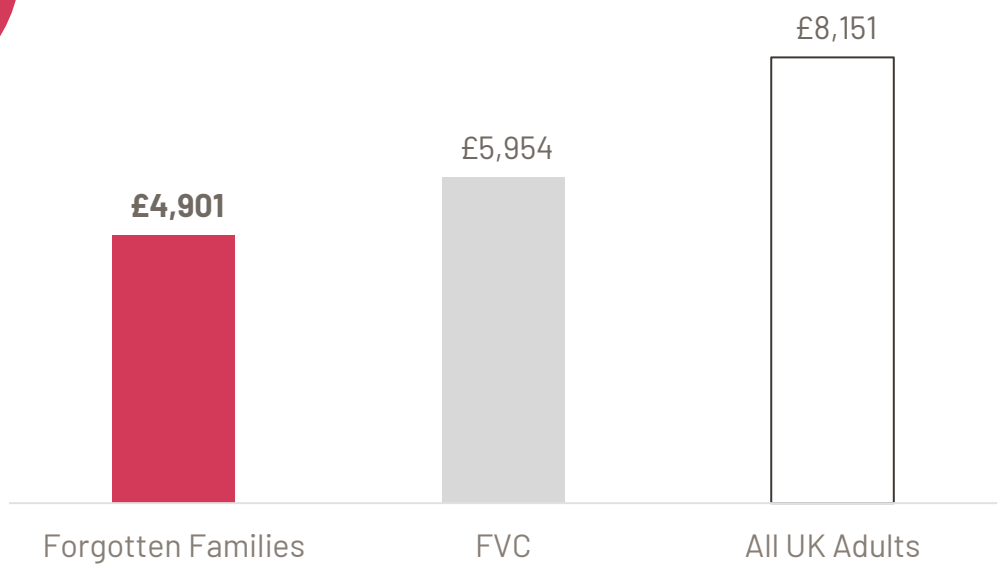
Forgotten Families

Debt

More than two-thirds have debt, but generally at lower levels than other segments

£1,590
Median total debt

Average debt levels for Forgotten Families, total FVC and nationally representative sample (all those with debt)



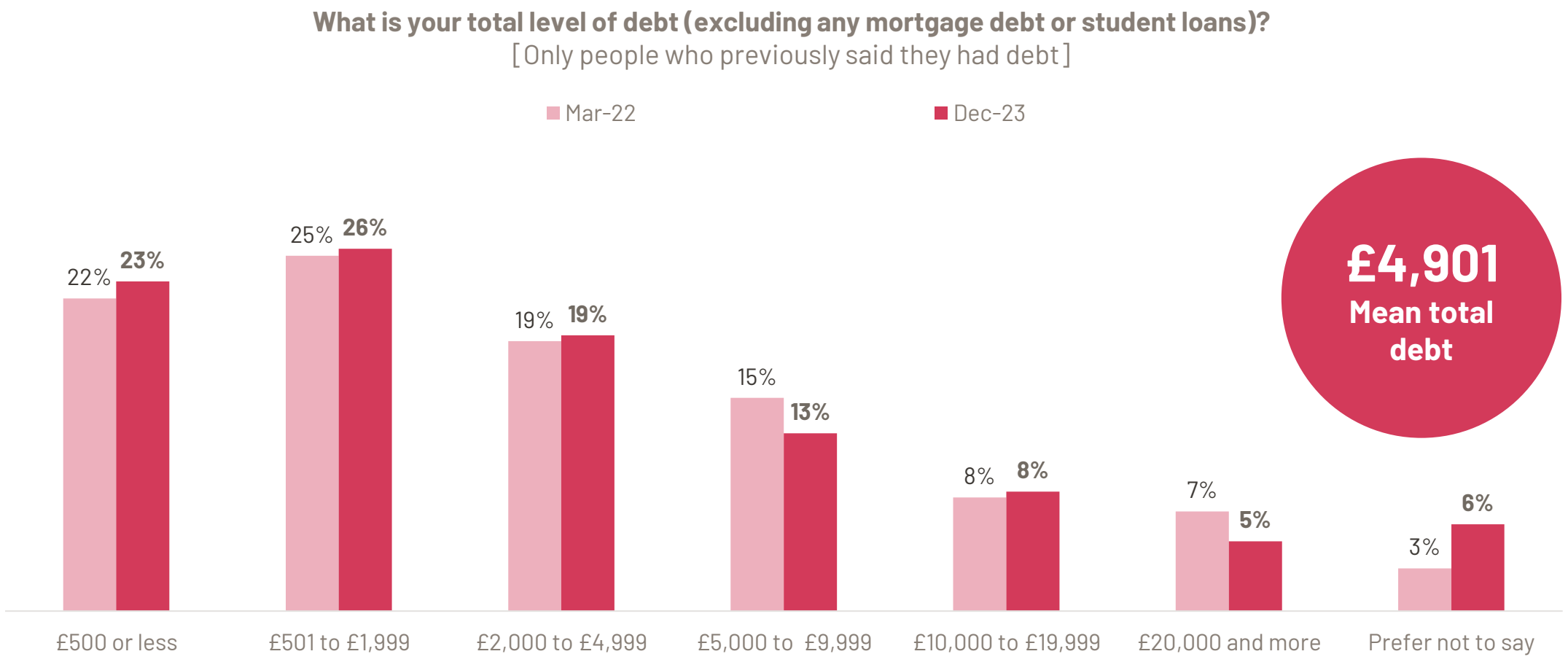
Whilst two thirds (67%) of this segment have debt, this is slightly lower than the average FVC.

The average amount of debt held by Forgotten Families is also lower than average.

Overall, this segment appear to be coping with the cost-of-living crisis by going without, rather than taking out credit.

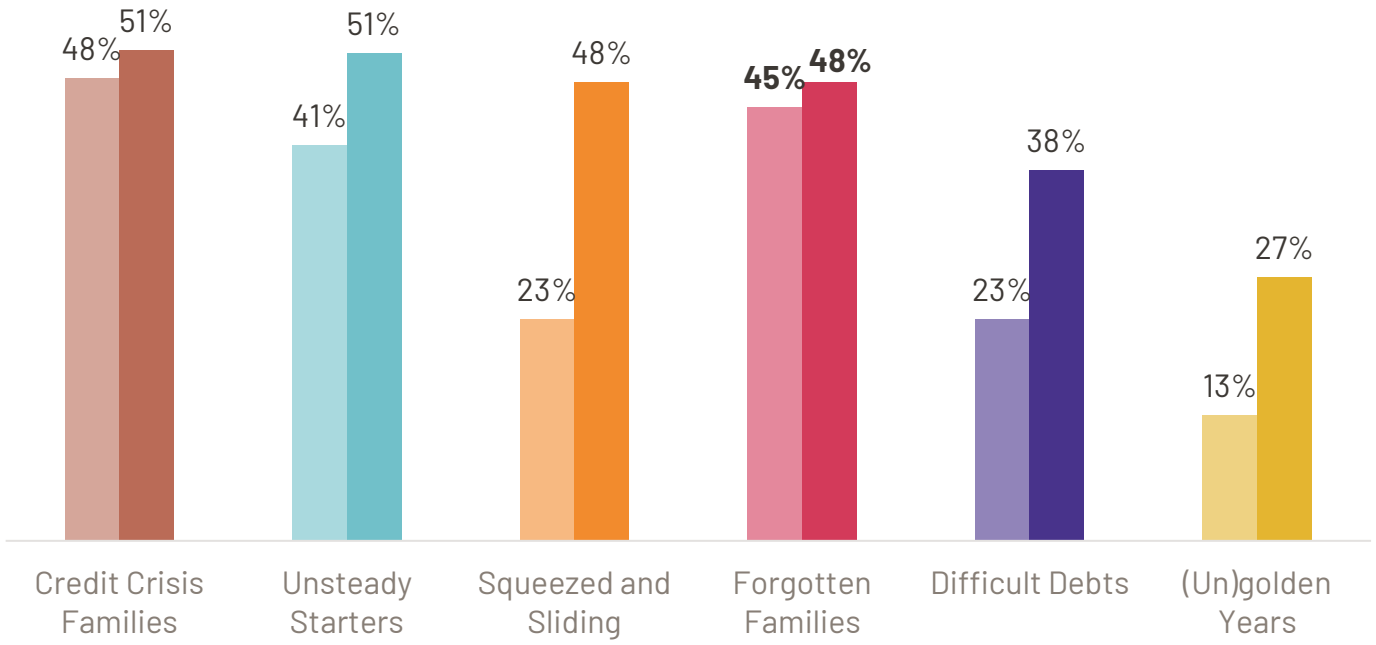
30% say they went without the item/service they wanted when turned down for credit, compared to only 22% of the total FVC sample.

Little change in debt profiles overall – slight increase in those owing a lower amount (< £2k)



Almost half of this segment have missed repayments on a personal loan

% Who have missed or not made a full repayment on a personal loan
Mar-22 vs Dec-23
[Only people who have said they have a personal loan]



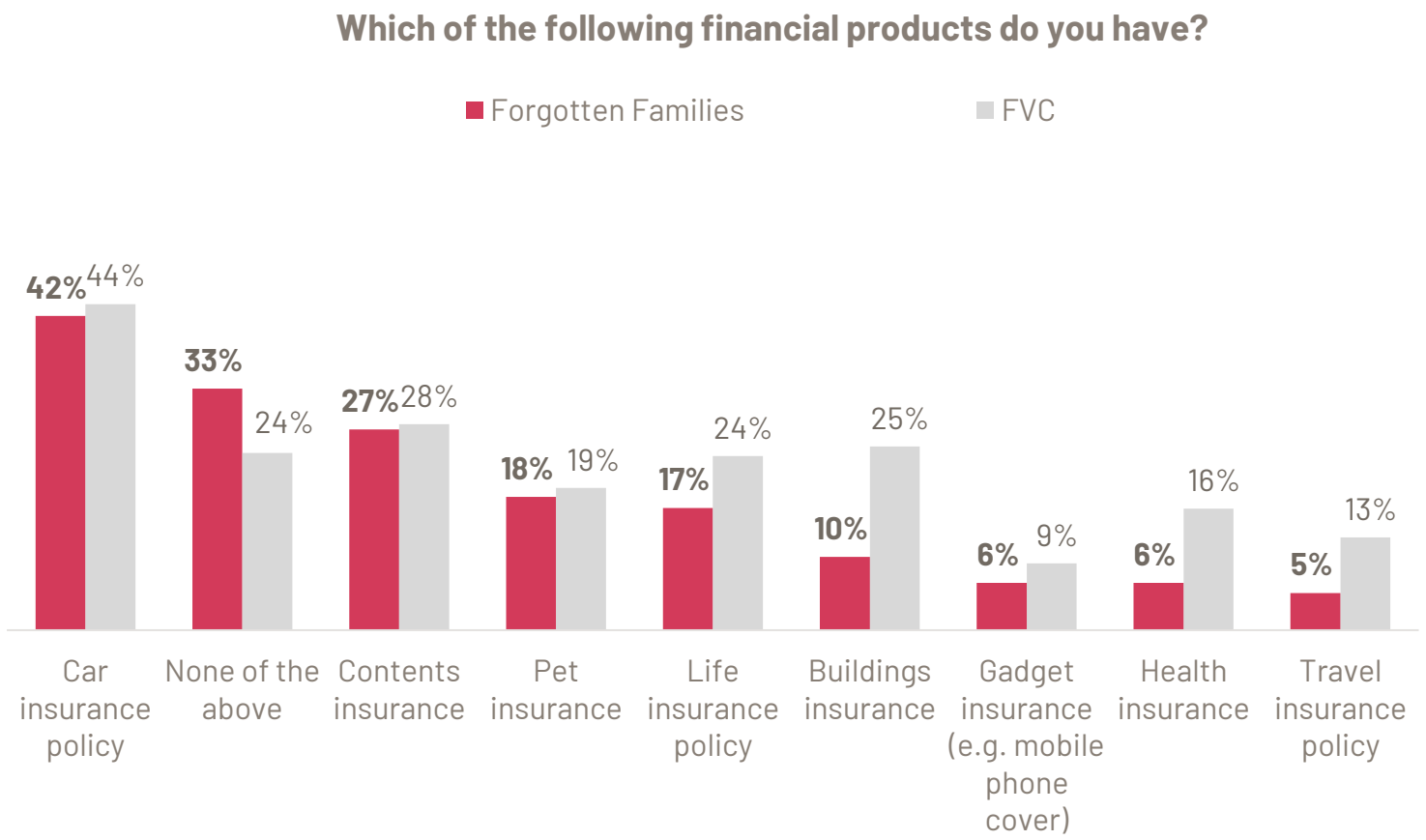
At the start of 2022, Forgotten Families were among the most likely to have missed a repayment or only made a part-payment.

That proportion remains high (48%) of those with a loan) but is largely unchanged from 2022. Whilst other segments have seen a greater increase in missed payments, this group remain amongst the most likely to do so.

Forgotten Families

Insurance

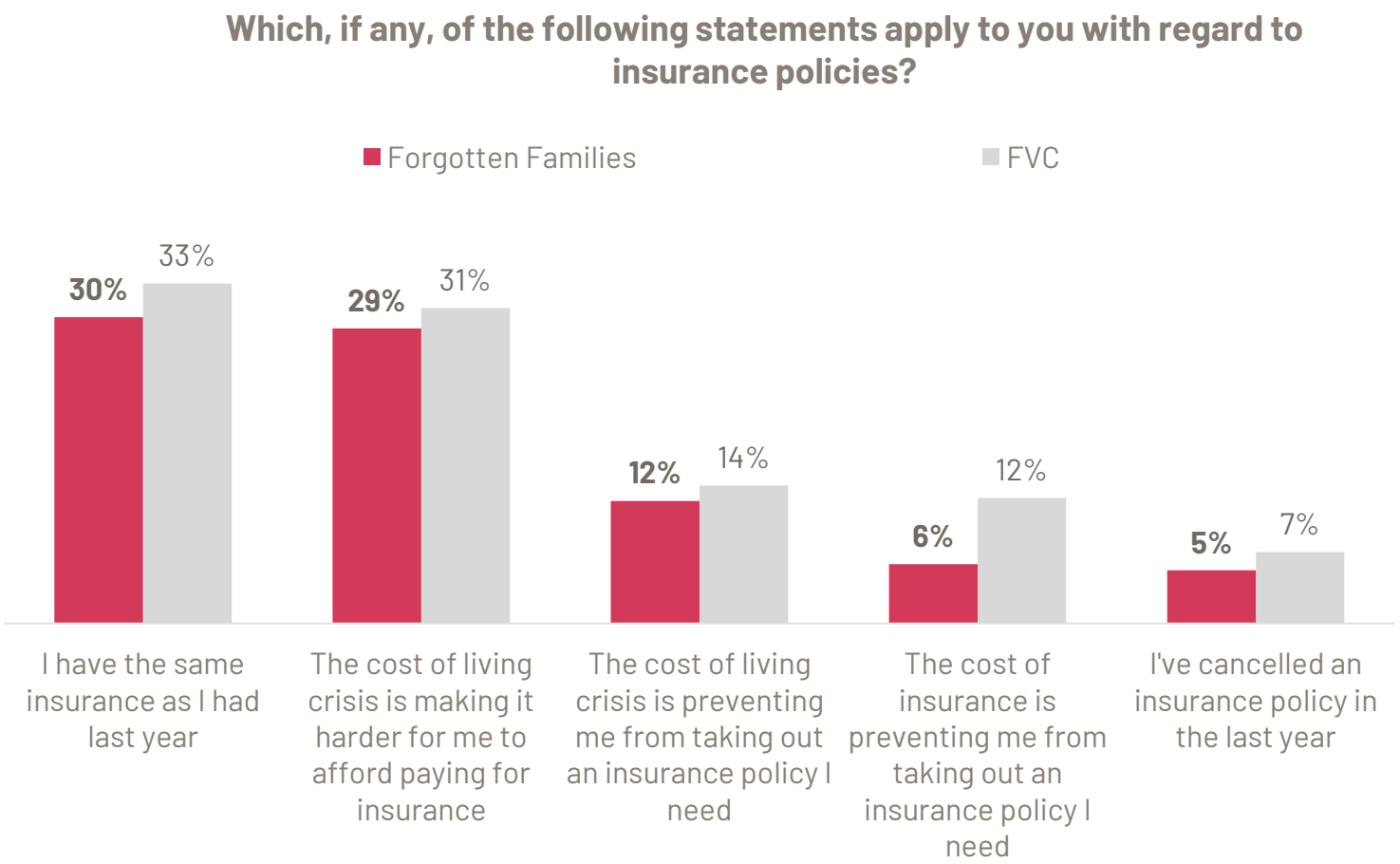
Lower prevalence of all insurance product ownership amongst Forgotten Families



This segment are notably less likely than the average FVC consumer to have at least one insurance product.

The greatest disparities are regarding buildings insurance, health insurance and life insurance. The former is likely due to the far lower prevalence of home ownership amongst this segment than compared to the average, but there is still a gap in contents insurance.

Forgotten Families are less likely to feel that the cost of living is a barrier to insurance spending



This segment have significantly lower ownership of most insurance products and are therefore not concerned with the impacts of the cost of living on insurance spending, but rather on more essential aspects of spending such as food and bills.

It is likely that insurance is not high on their priority list, leaving them at risk.

Forgotten Families

What next?

From insights to action

Building a more inclusive financial services system

The segments exist to help organisations deliver tailored propositions to people in financially vulnerable circumstances.

We encourage all providers to use the segments as a starting point for service and proposition design. You may wish to consider:

- Which of these segments are you already serving? And what could you do differently to build their resilience?
- Which segments could you serve with your existing products, or with iterations to these, who you're not serving today?
- Where can you collaborate with organisations who have relationships with these segments to get more insight and deliver new solutions?
- How can you use your own data to understand the unmet needs of these segments?

Want to know more?

- You can access information about all six segments at http://www.fair4allfinance.org.uk/segmentation
- The Financial Inclusion Action Plan is a sector wide framework with focus areas for all stakeholders
- For those new to inclusive design, this framework from Fair By Design and Money Advice Trust is a helpful starting point