Fair4All Finance Segmentation Model

Squeezed and Sliding: Deep Dive

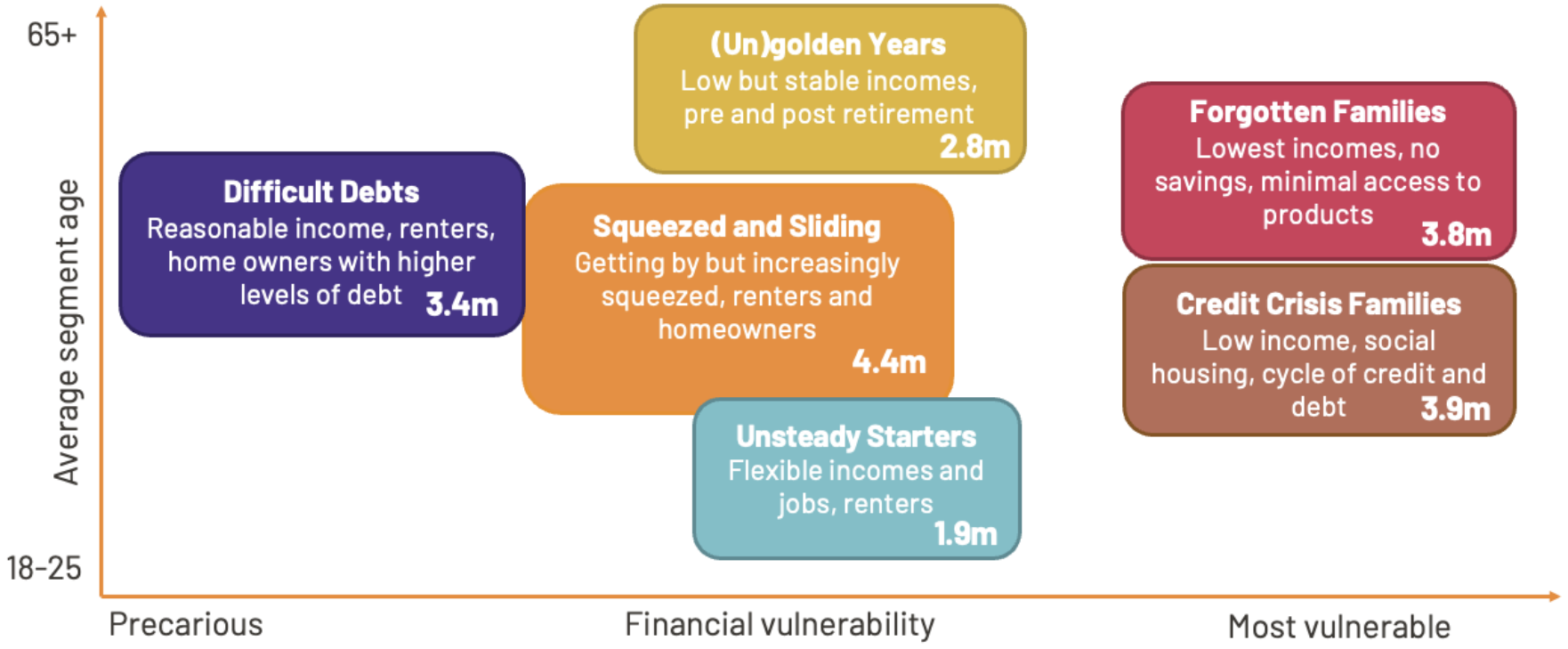
July 2024

Our purpose for segmentation

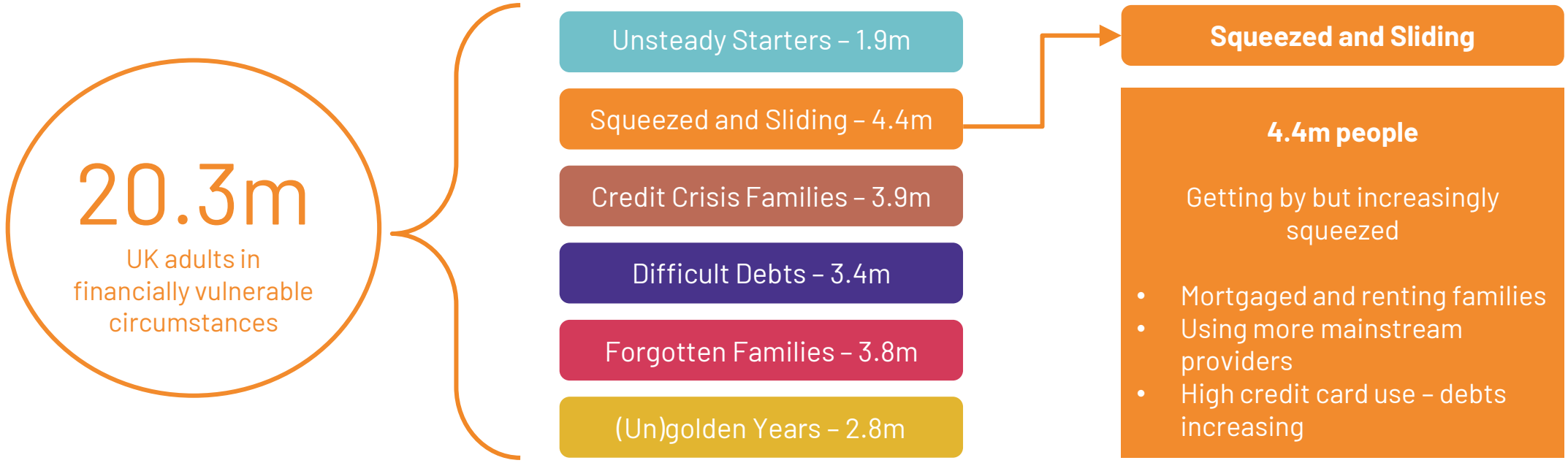
to support the design and development of more effective financial products and services that improve resilience for people in financially vulnerable circumstances

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

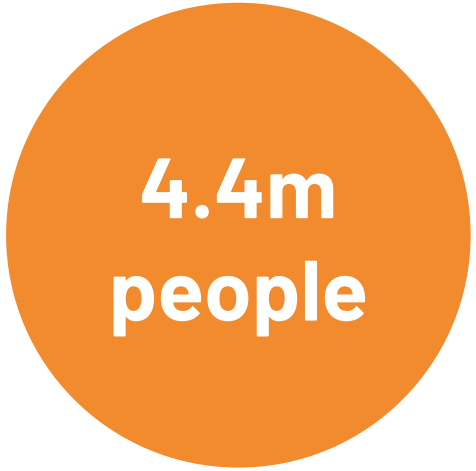
A note on data

- 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

Squeezed and Sliding

Overview

Squeezed and Sliding are mortgaged and renting families who are seeing their savings deplete and their debts rising. Currently using more mainstream providers, pressures may mean they turn to alternatives



Squeezed and Sliding at a glance

22% of the Financially Vulnerable Population

Age range **25-44**

HH income **£30k+**

Family
51% have children at home
16% are single parent families
58%Female

Housing
Primarily homeowners – either outright or mortgage

Type of work
Most work FT/PT, working more hours to cope with price rises

Debt
Increased in last year

Savings
20% = none
31% = £1-£1,000

Insurance
21% = none at all

Jack and Emma, 27 and 28, Norfolk

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

4.4m **22%**

Financially Vulnerable Population

- **Married couple in their late 20s, with two young children**
- **They live in rented accommodation in a rural area**
- **Jack works full time, and Emma part time, both getting paid at least every month**
- **Want to pay off debts and build a savings safety net**

Meet Jack and Emma

Jack and Emma have a steady income with Jack working full-time and Emma part-time, but large costs like childcare mean their dual income just about covers their expenses. Jack's paycheck sometimes comes every five weeks instead of four, and they often find themselves with more expenses than income, leading them to rely on credit to bridge the gap.

Both Jack and Emma are **proactive in trying to reduce expenses wherever possible**, whether it's shopping around, comparing products, buying second-hand, or carefully considering every expenditure. Despite their efforts, they feel their situation has worsened during the cost-of-living crisis.

They hoped the extension of free childcare in April 2024 would give them room to breathe, even with Emma working part-time to cover some of the expense, but it's not been as helpful as they hoped. Emma says that she can't see the wood for the trees, and if she didn't work, there would be even less money, and she doesn't want to make any drastic changes like quitting her job to stay at home while they are still paying down debts.

In the past, Jack worked in an unstable job with an unreliable income, heavily relying on credit cards and overdrafts. **The interest from these debts worsened their financial situation significantly**. They took out a bank loan to consolidate their debts but found that their provider kept increasing their payments.

Both Jack and Emma are proactive about budgets and their expenses, and Emma manages a lot of the payments they have manually (rather than direct debits), often moving money around and making sure she pays them on time. They will save for things and collect rewards points and vouchers wherever they can, but **they currently have less than £3 in savings.**

They look forward to the day when they can move past the cycle of living paycheck to paycheck. One of their biggest hopes is to pay off their debts and build a safety net of savings, allowing them to handle unexpected expenses without relying on credit.

fair4all finance

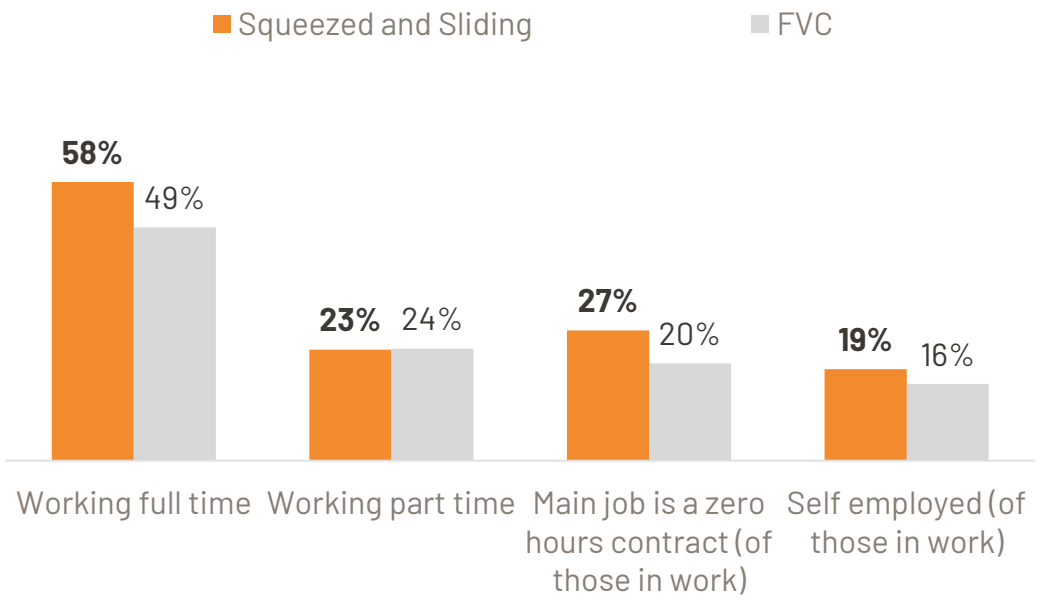
Summary: Squeezed and Sliding

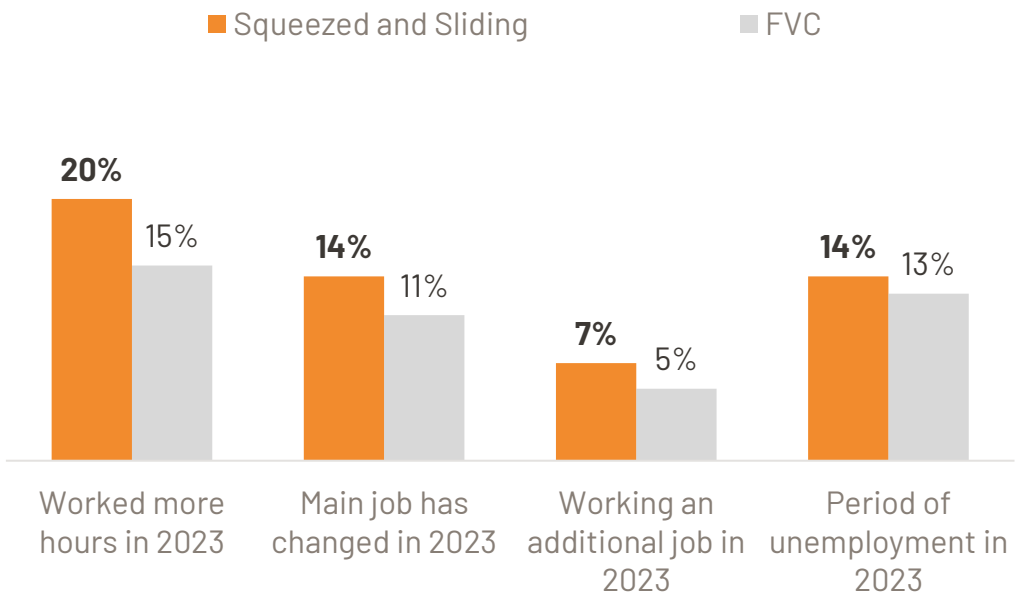
	Where were they in 2022?	Where are they now?	The future?
Lifestyle	Before the cost-of-living crisis, they had more financial security and disposable income. Some had built up savings during in the pandemic, while others had to use due to loss of income	As they are more likely to be mortgage holders, or private renters, they have been impacted the increase in rent and mortgage	Higher proportion of zero hours contracts means that additional jobs or a change of employment are common for this group to cover rising costs
Credit and debt	High credit card usage and rising debts as a result	Debts are still rising, with the proportion with low debt in decline, and the percentage with £500 to £2k in debt increasing Missed repayments on personal loans are also growing sharply	The sharp increase in missed repayments may lead to much higher debt levels, and this segment may fall behind
Savings and insurance	Have higher levels of savings than other segments – but savings being used to cover debts	Levels of savings are falling further, with an increase in the proportion of this segment without access to any savings at all 21% have no insurance products	The depletion of savings to cover outgoings is putting them in a tricky financial position with increasing precarity

Squeezed and Sliding

Work and Lives

Squeezed and Sliding are working more to cope with price rises

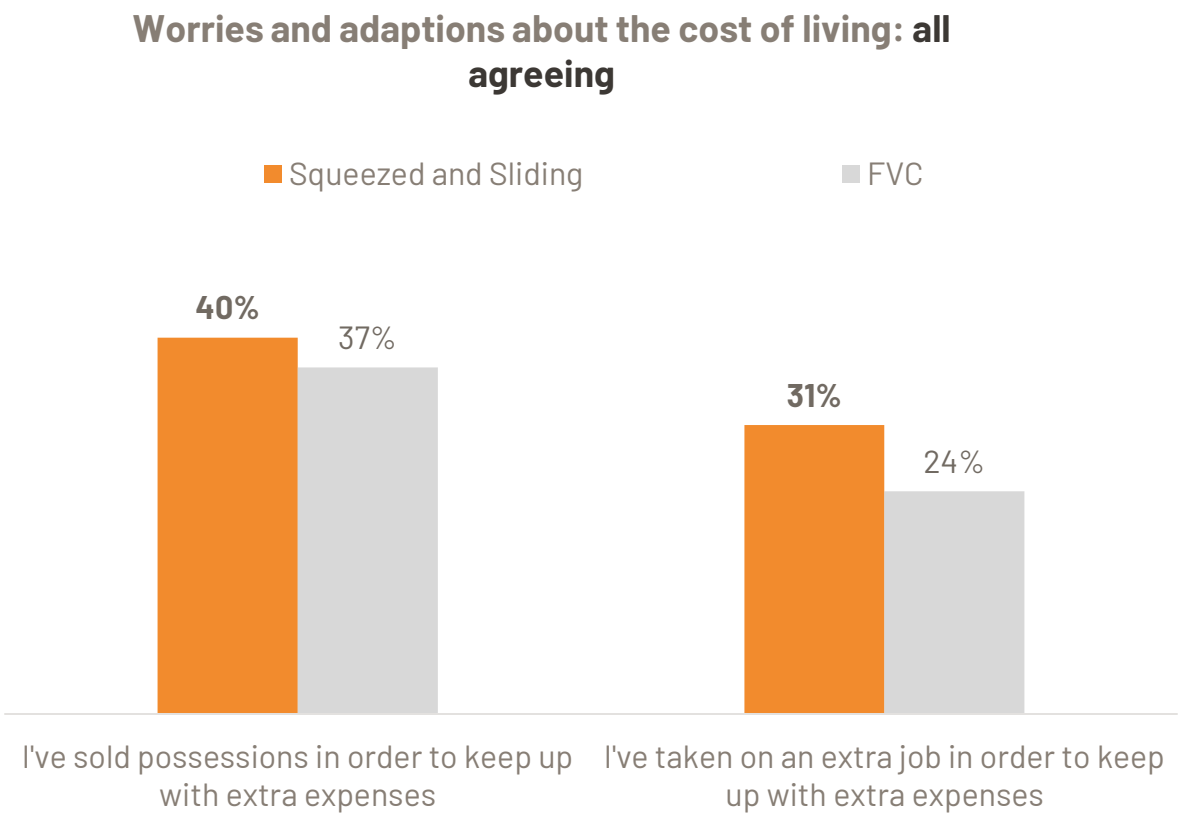




Squeezed and sliding are highly likely to be in work. But that work has been inconstant lately – 20% are working more hours and 7% working an additional job. Though the majority are already working full time (58%), this group are using work to adapt to rising prices.

More and more people are on zero hours contracts, and these people are more likely than the average FVC to want to change their job in the next year. Whilst 24% of the total FVC sample want to change their job, this rises to 32% amongst those working zero hours roles.

Squeezed and Sliding have sold possessions and taken on extra jobs to keep up with the cost of living

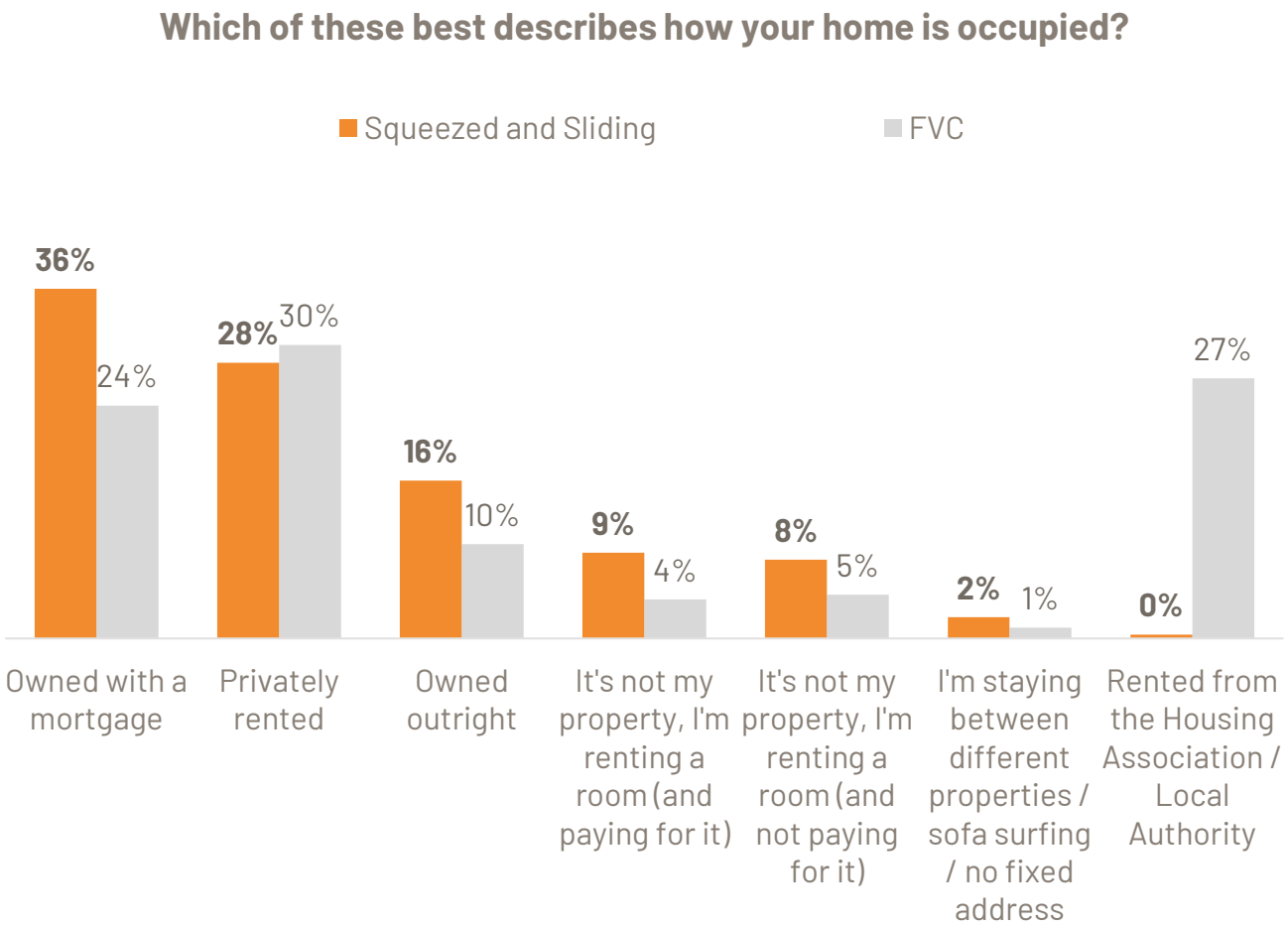


Squeezed and Sliding weren't as worried about the cost of living compared to other segments - but they have made changes to keep up with rising costs.

This includes almost 1 in 3 who have taken on an extra job.

Despite these concerns, so far this group appears to be managing without suffering further issues. Just 15% say they have fallen further into debt in the last year due to the cost of living – 4% lower than the average FVC.

Squeezed and Sliding over-index in home ownership, either outright or with a mortgage



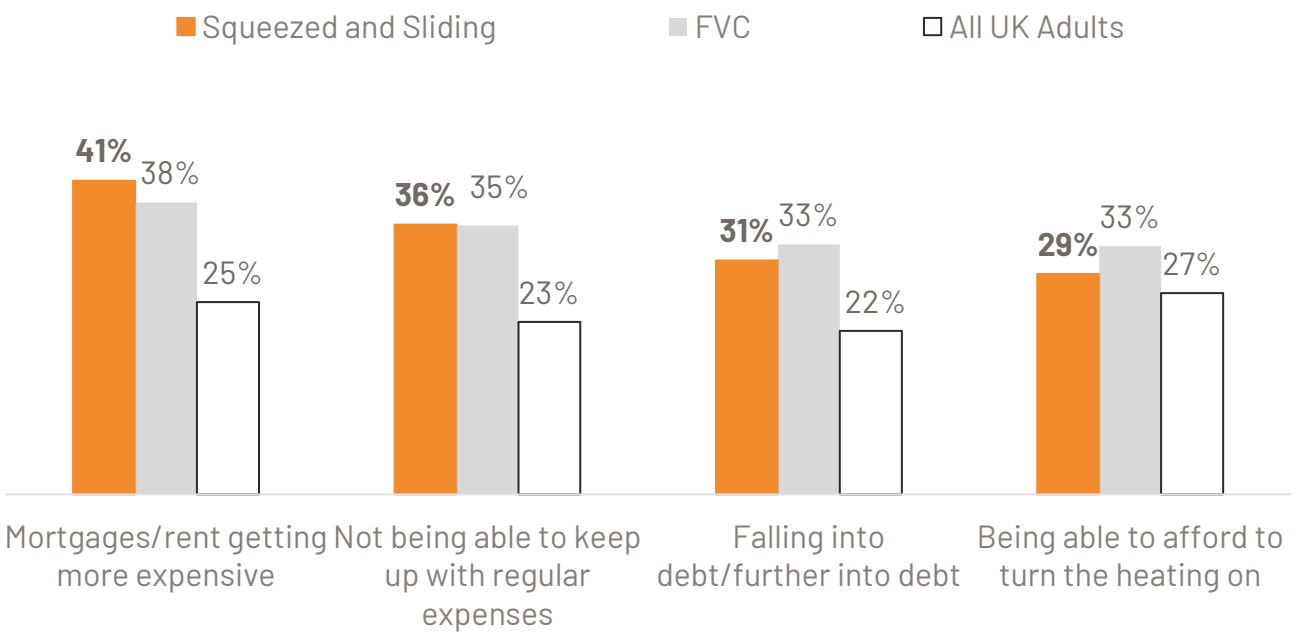
64% of this group are mortgaged or privately renting.

This is making them very concerned about – and vulnerable to – rising housing costs. Just under a third (29%) of those in this segment with a mortgage had either a tracker deal or a fixed deal that in the first six months of 2024. All will be seeing increases to their housing costs as a result.

Unsurprisingly, 74% of Squeezed and Sliding say they are either very or a bit worried about mortgages/rent getting more expensive.

Above average concerns regarding the rising cost of mortgages and rents

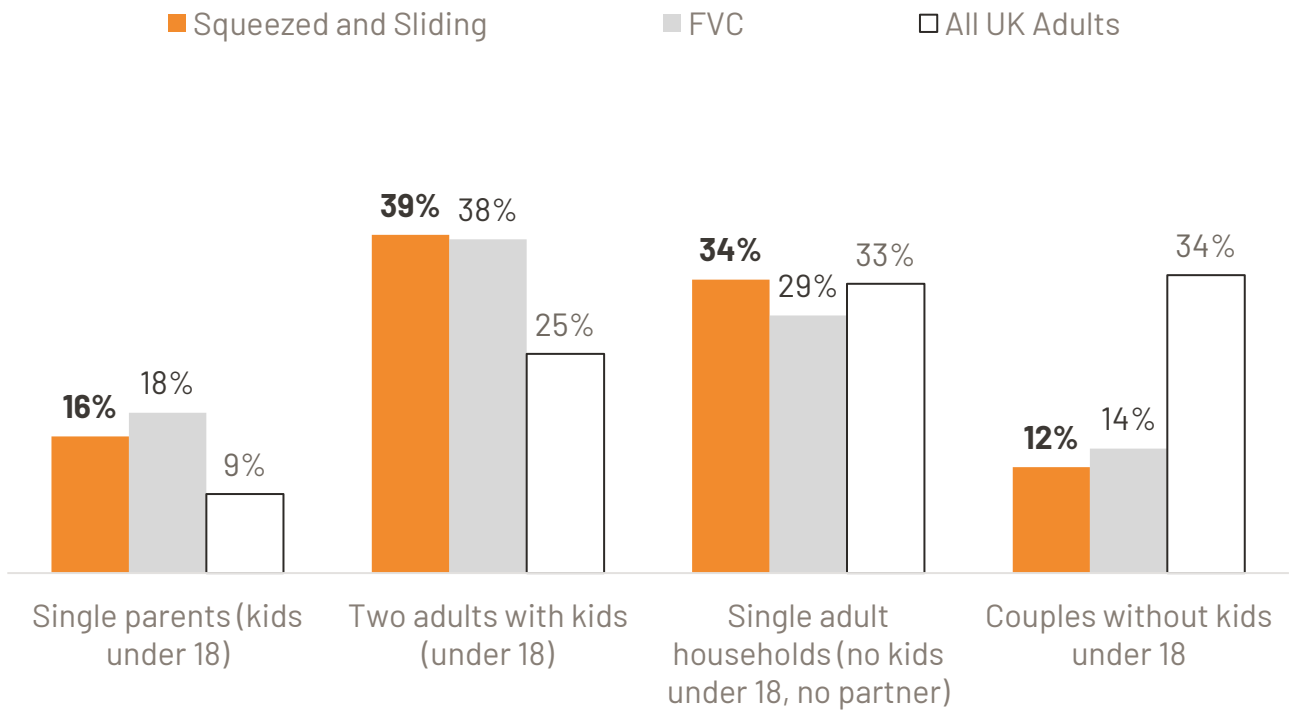
Below are a list of concerns relating to the cost-of-living crisis. Please state how worried you are about them when thinking about the next few months (all saying they are 'very' worried)



For respondents who are **very** worried – the highest area of concern is mortgage and rents, as well as keeping up with regular expenses

This segment over-index concerns about covering housing costs (34% vs 32%). Over half (52%) of Squeezed and Sliding say that an increase in their housing costs of just £200 or less a month would cause them to struggle.

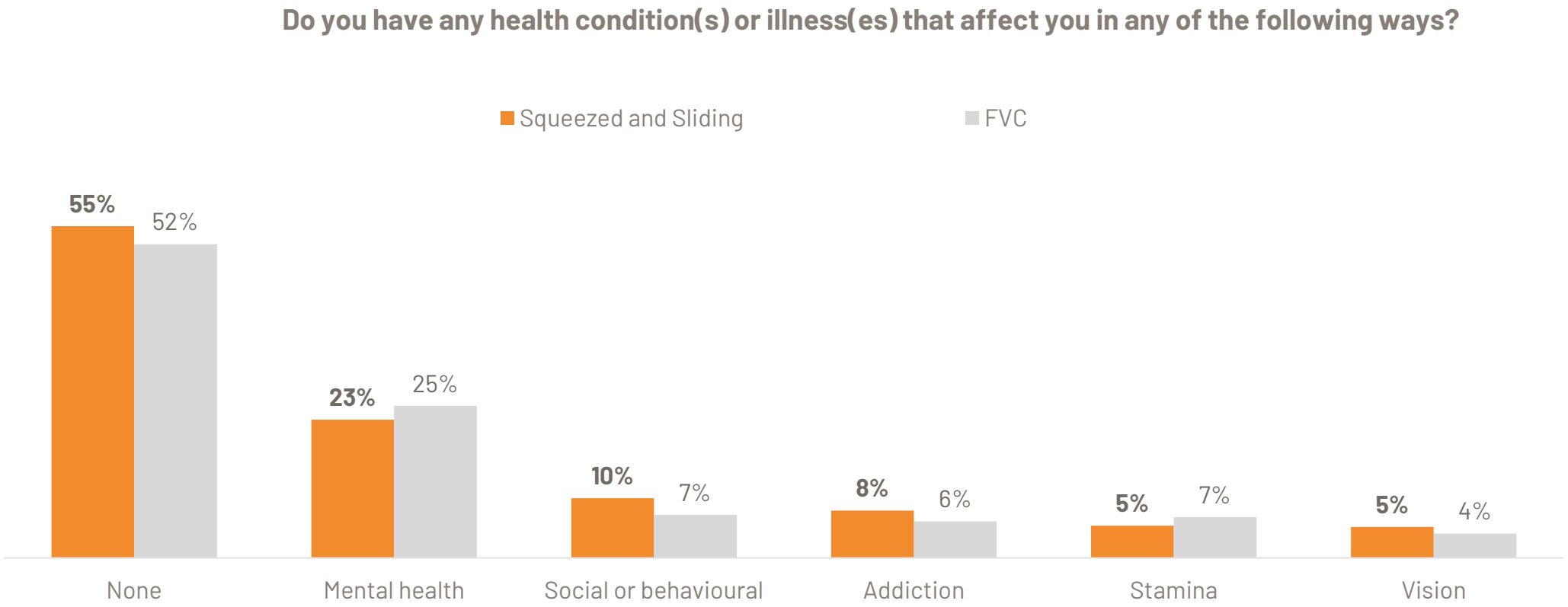
Squeezed and Sliding over-index in single adult households



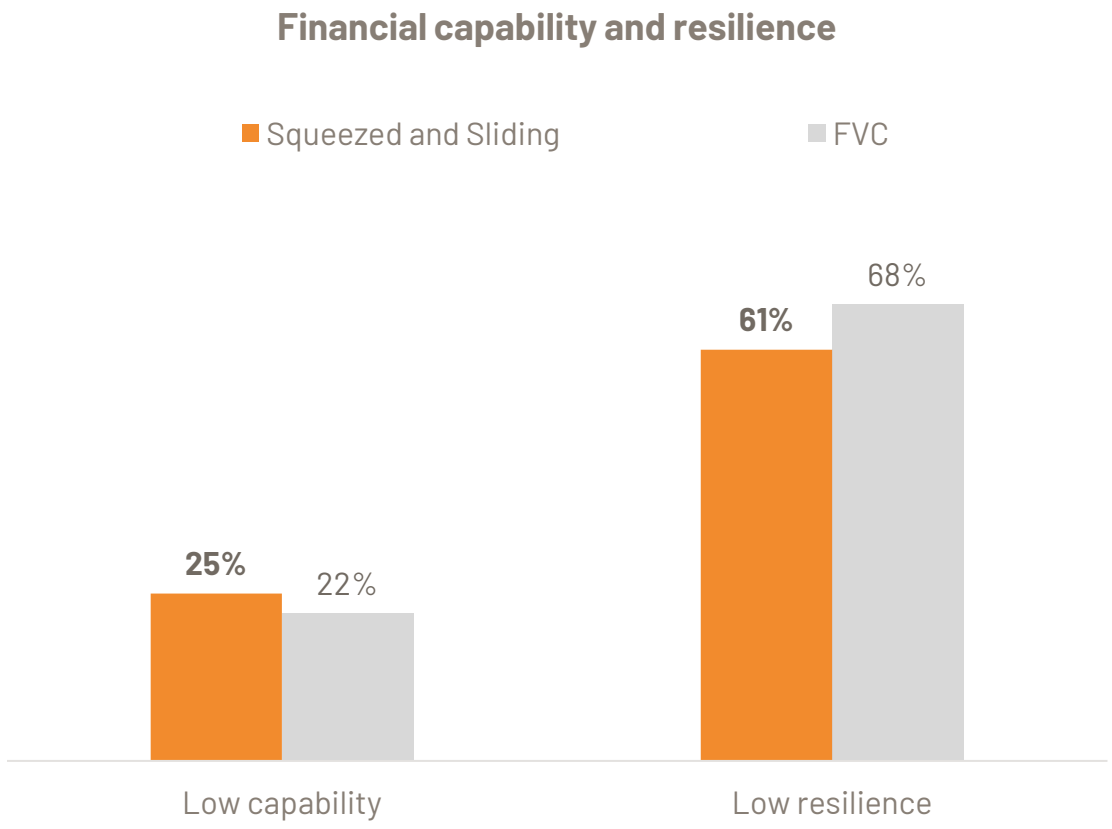
More than a third of this segment are single adult households with no children.

This segment are most likely to be a two-adult household with children.

Squeezed and Sliding slightly less likely to have a disability or health condition than the average FVC, in most areas



Squeezed and Sliding have slightly better financial resilience than the total FVC



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).

Squeezed and Sliding under-index on low resilience compared to the total FVC population – but this still substantially outweighs the proportion with low capability.

Squeezed and Sliding

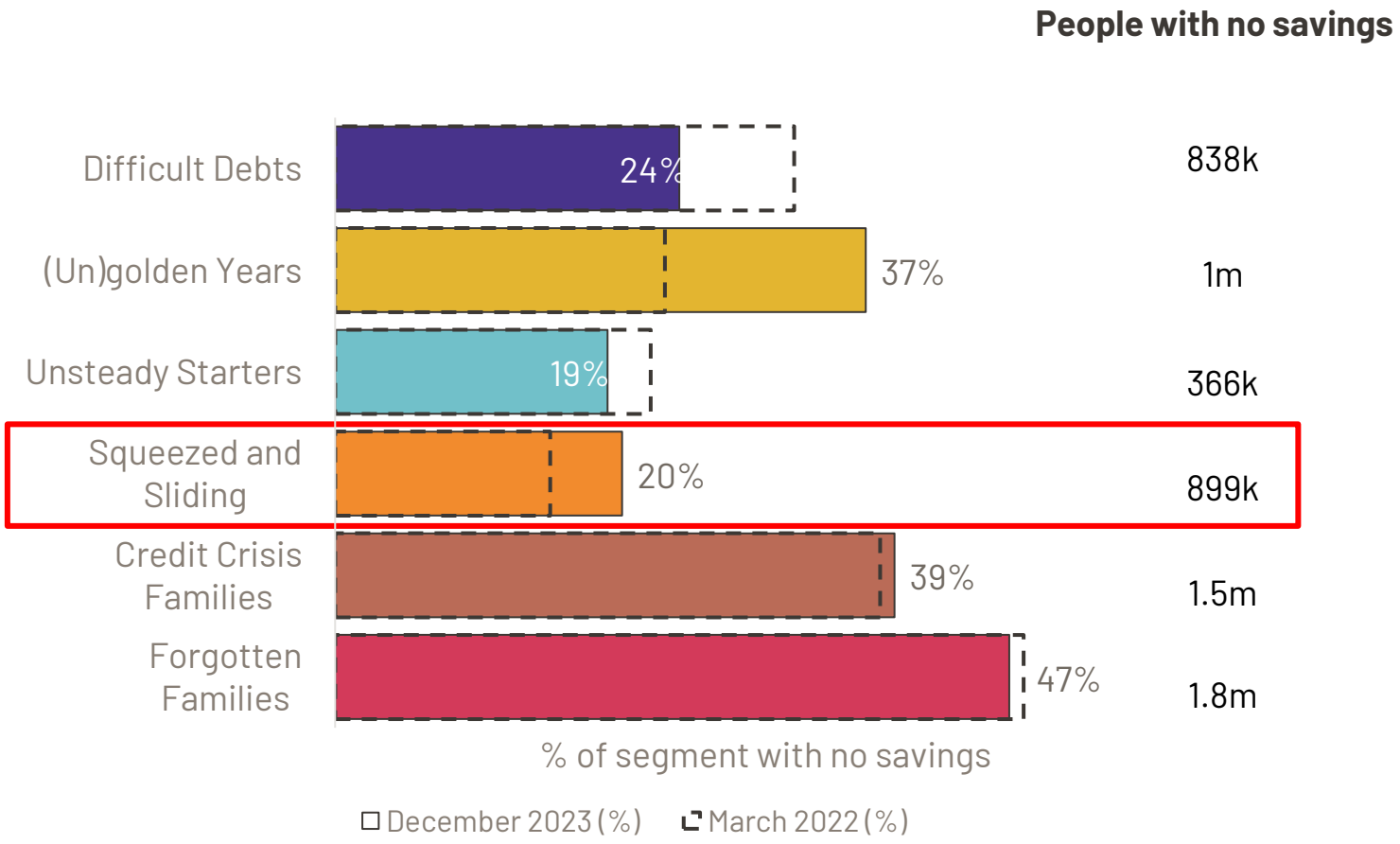
Savings

1 in 5 have no saving at all, an increase from 2022

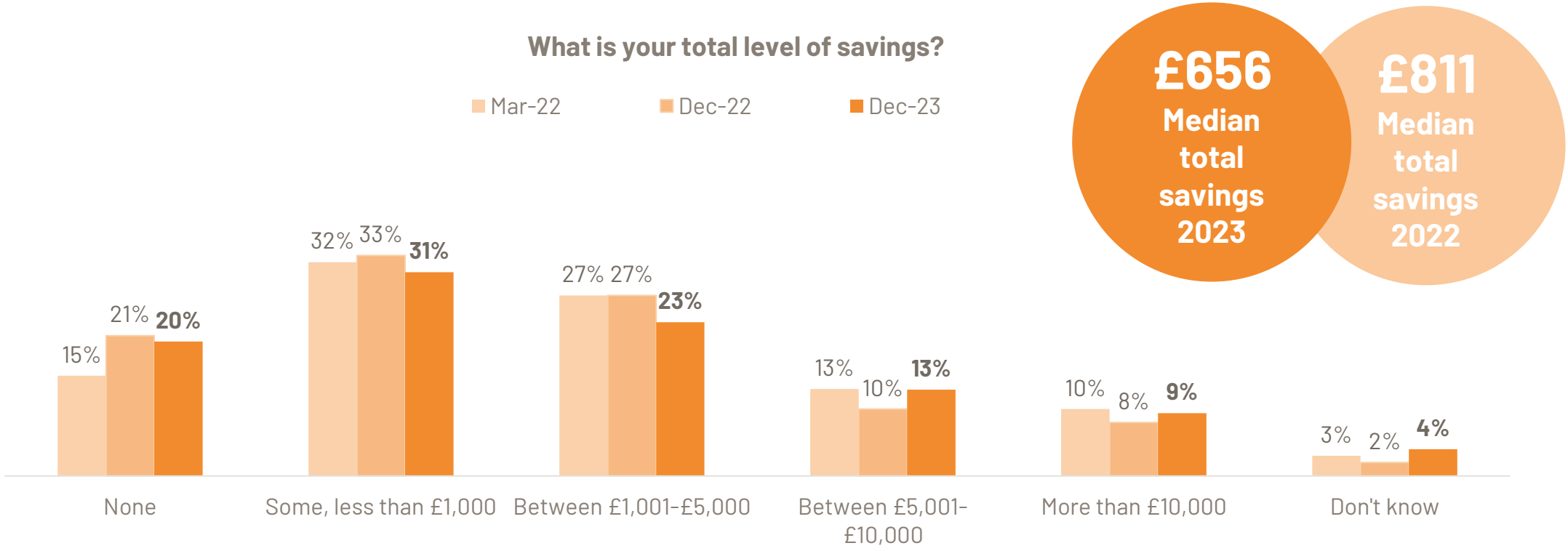
Over 20% of this segment have no savings, an increase from 15% in 2022.

There has been a slight increase in the proportion of this segment with higher levels of savings (% with more than £5k up from 18% to 22%).

However, the majority of this segment still have a lower level of savings, with one in three having less than £1k.



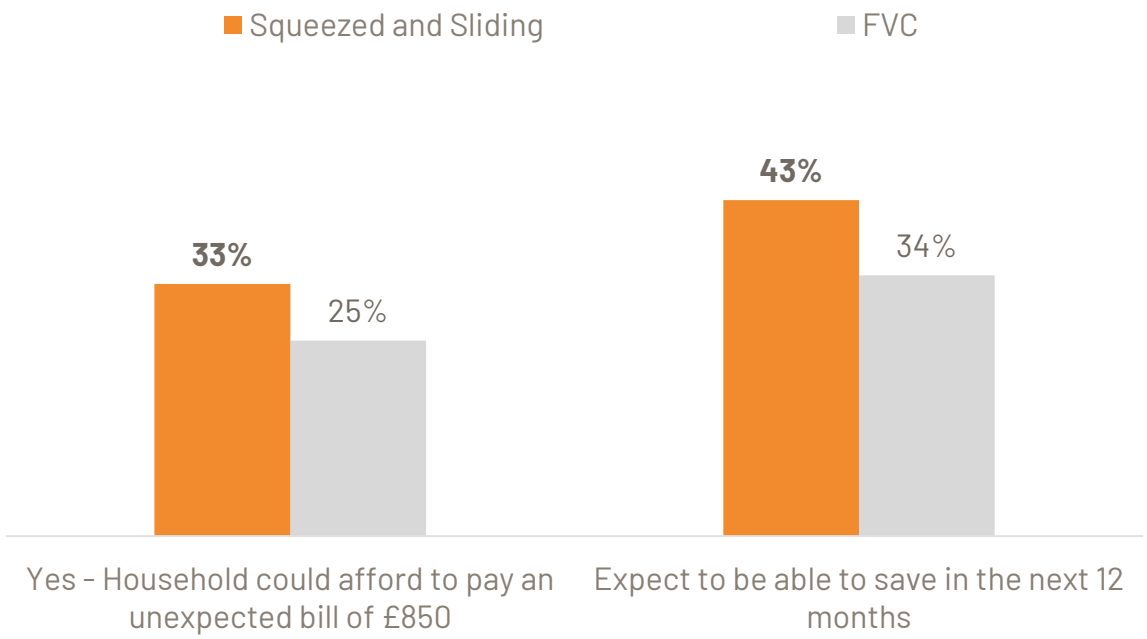
Squeezed and Sliding have the highest median level of savings



This segment has the highest median savings of all segments. However, 31% are using savings to pay for bills more than they did previously, so there is a risk of these savings running down.

Squeezed and Sliding have a greater degree of financial resilience

'Could your household afford to pay an unexpected bill? And Do you expect to save any money in the next 12 months'



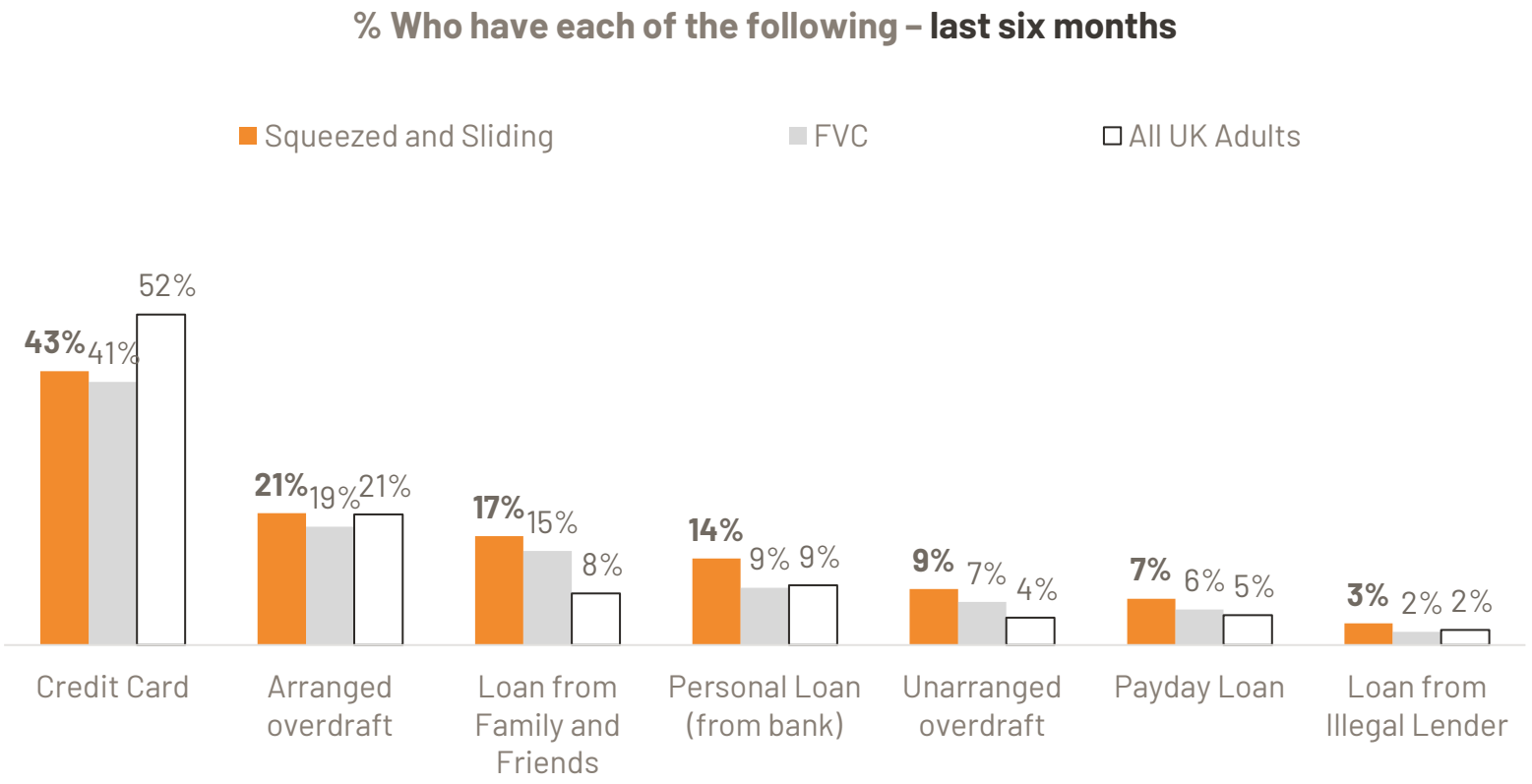
Squeezed and Sliding have some confidence in being able to save in the next year – with 43% of this segment being able to save something in the next twelve months.

Whilst only a third (33%) of the segment expect to be able to pay an unexpected bill of £850, this is far higher than the average FVC.

Squeezed and Sliding

Credit

Above average use of personal loans from banks and arranged overdrafts for Squeezed and Sliding

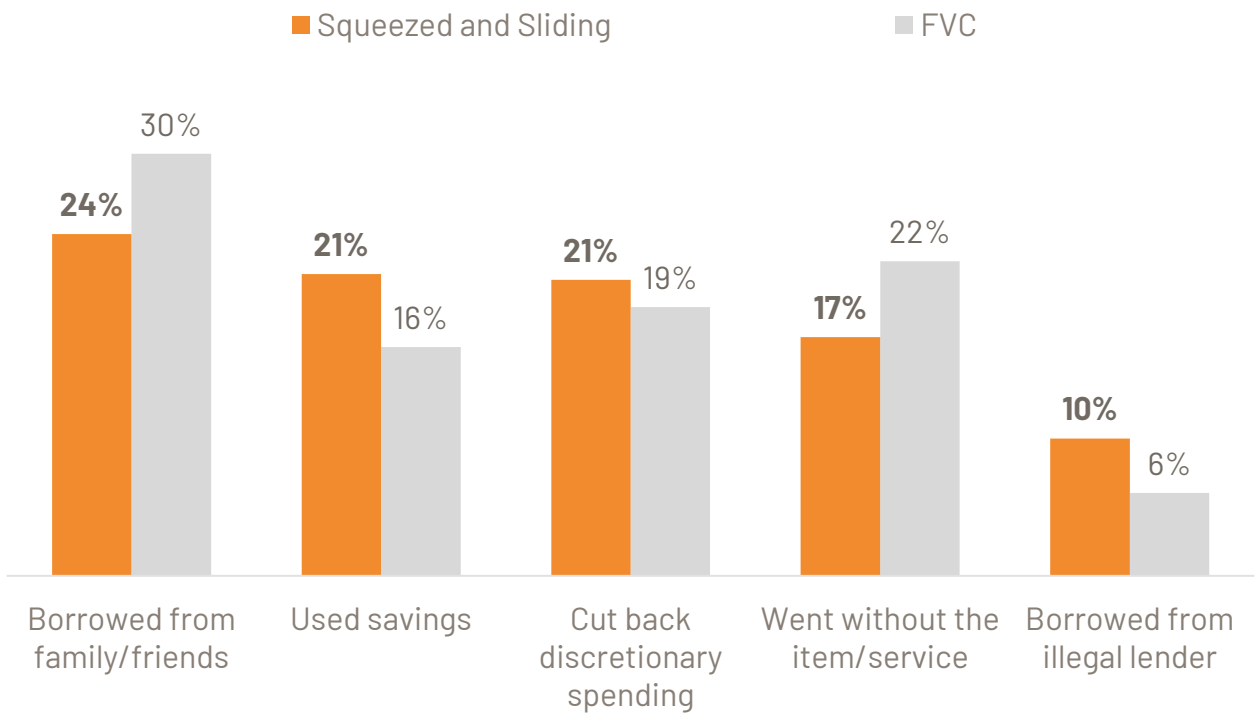


Squeezed and Sliding are active users of credit, and particularly of personal loans from their banks.

They use personal loans the most across all segments, borrowing money from friends and family and using their overdraft.

Squeezed and Sliding are dipping into savings when they are turned down for credit

Alternatives when turned down, or put of applying for credit
[Of people who applied or who were put off applying for credit]



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

21% of this segment say they have used savings when they were turned down for credit – 5% higher than compared to the average FVC consumer.

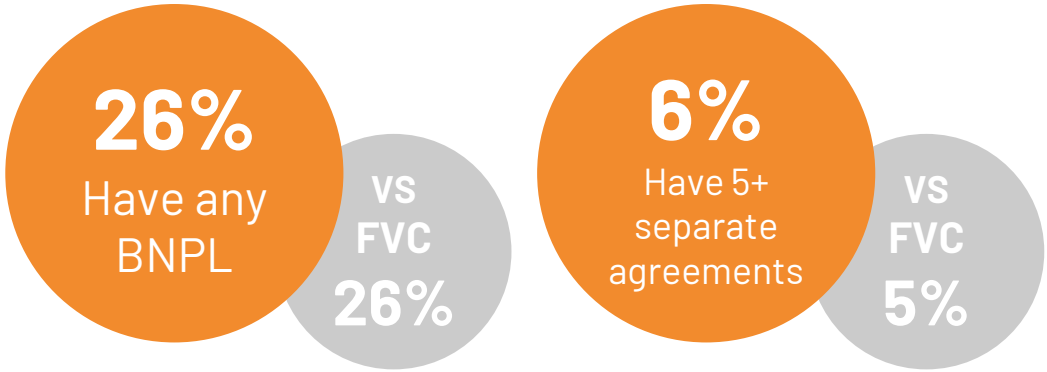
This aligns with the higher levels of savings amongst this group of vulnerable consumers, with only 17% saying they went without the product/service – 5% lower than the FVC total.

BNPL usage amongst Squeezed and Sliding is in line with the average FVC

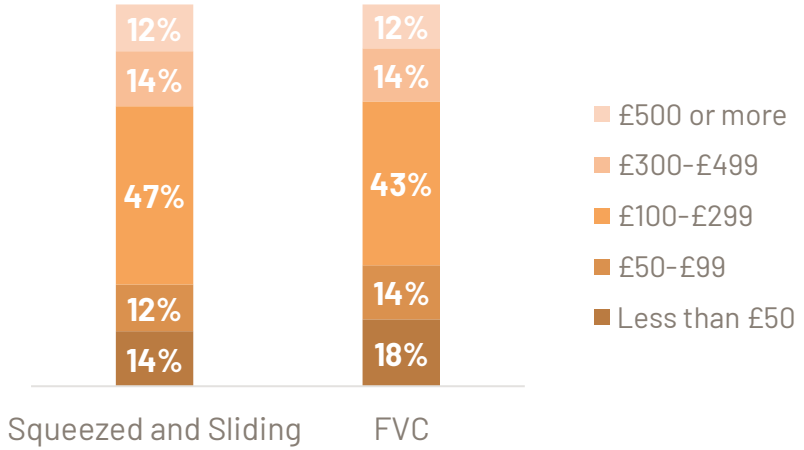
Squeezed and Sliding are as likely as the total FVC population to use BNPL and are only slightly more likely to have more than five agreements.

They are less likely to owe amounts less than £100 and more likely to owe between £100 and £300, compared to the FVC population.

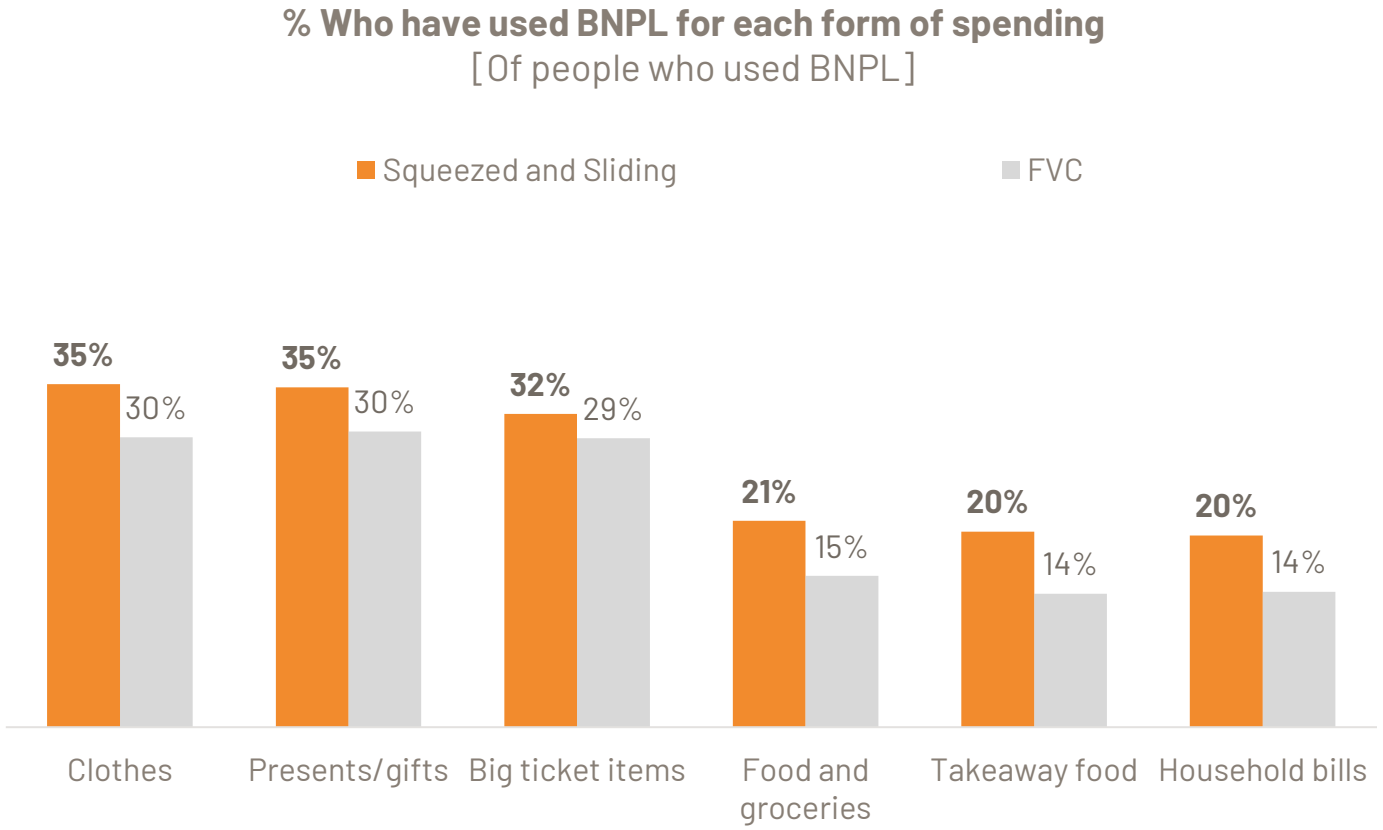
This segment are among the **most likely to have incurred a late payment fees or additional interest payments due to not being able to repay on time** – suggesting that BNPL is filling a gap when money is the most stretched.



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



This segment over-index in BNPL usage for a wide range of spending behaviours



For each aspect of spending listed, Squeezed and Sliding are more likely to have already used BNPL payments. This is most likely for spending on clothes and presents (35%), as well as big ticket items (32%).

Also worth noting is that this segment over-index in BNPL payments for everyday spending such as household bills and groceries.

This segment appear to show less crossover between credit card and BNPL usage. Whilst 31% of credit cards users also use BNPL amongst the total FVC sample, this falls to just 27% amongst Squeezed and Sliding.

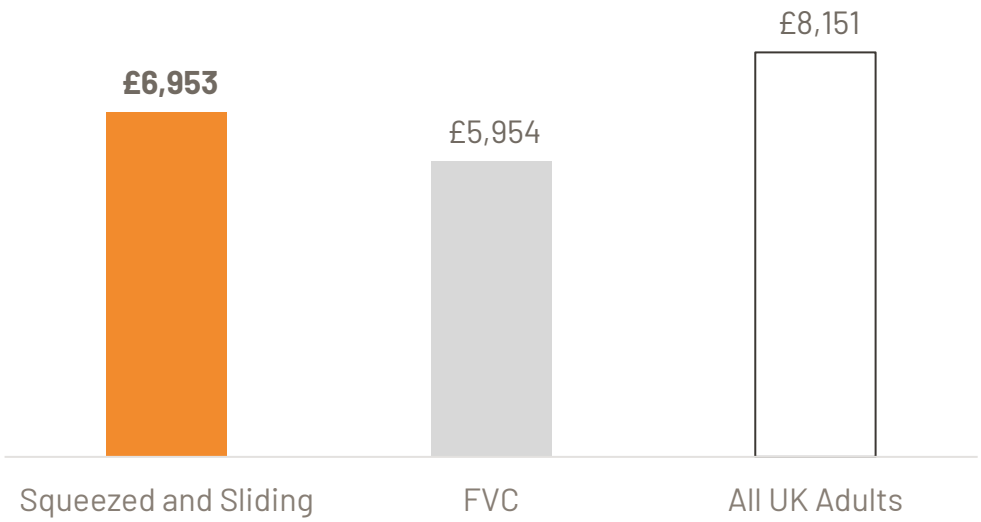
Squeezed and Sliding

Debt

More than three-quarters have debt, with the average amount of debt higher than the average FVC

£1,630
Median total debt

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



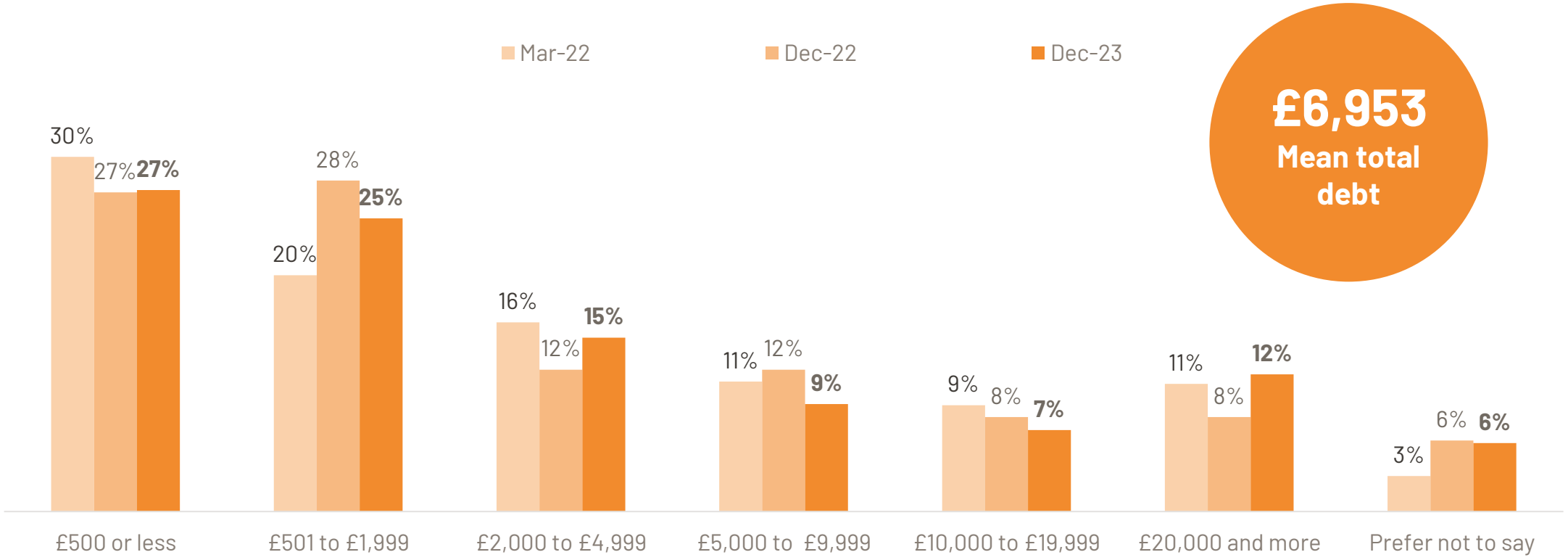
Squeezed and Sliding are slightly more likely than the average FVC to have debt (75% vs 72%).

Four in ten in this segment have £1k or less of debt. Higher overall incomes and greater prevalence of employment in this segment are likely contributing factors.

But those that are struggling are really struggling – there's been a substantial rise in missed or partial loan repayments among those with a loan, up from 23% in March 2022 to a worrying 48% in December 2023.

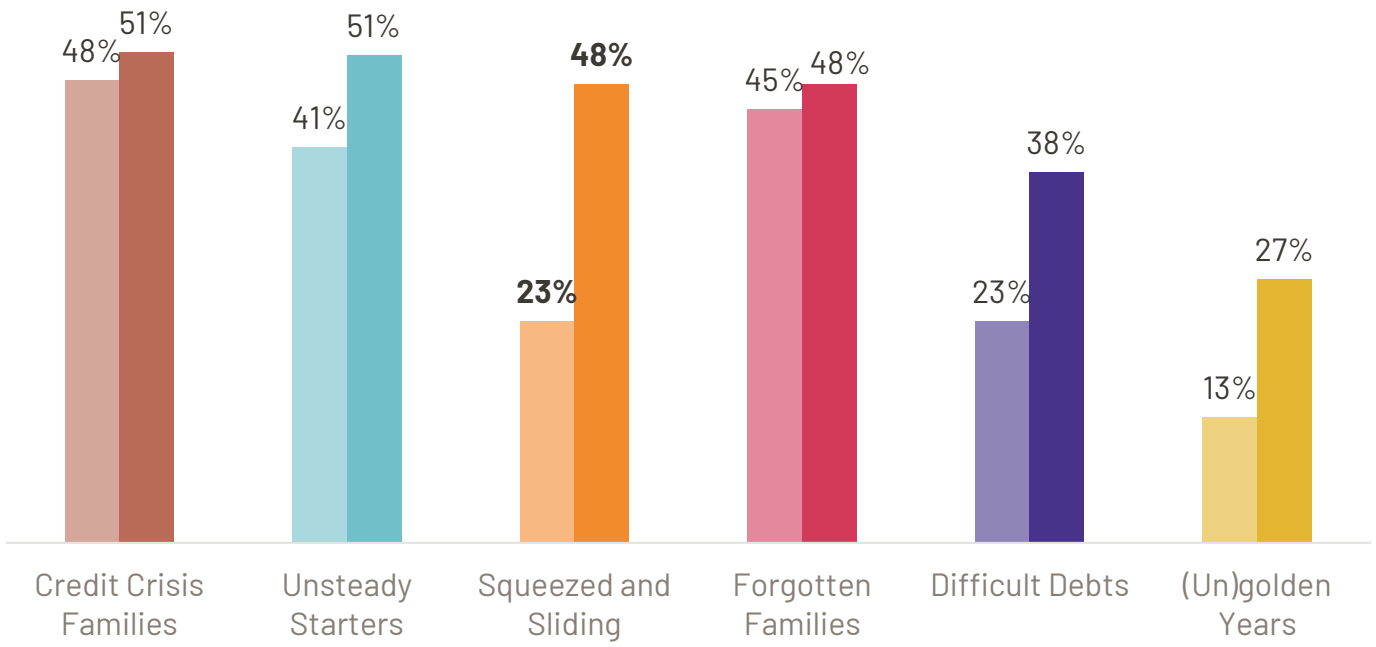
Majority of debt amongst this Segment is of a lower value – typically less than £2k

What is your total level of debt (excluding any mortgage debt or student loans)?
[Only people who previously said they had debt]



Squeezed and Sliding are much more likely to have missed a loan repayment than they were in 2022

% 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]



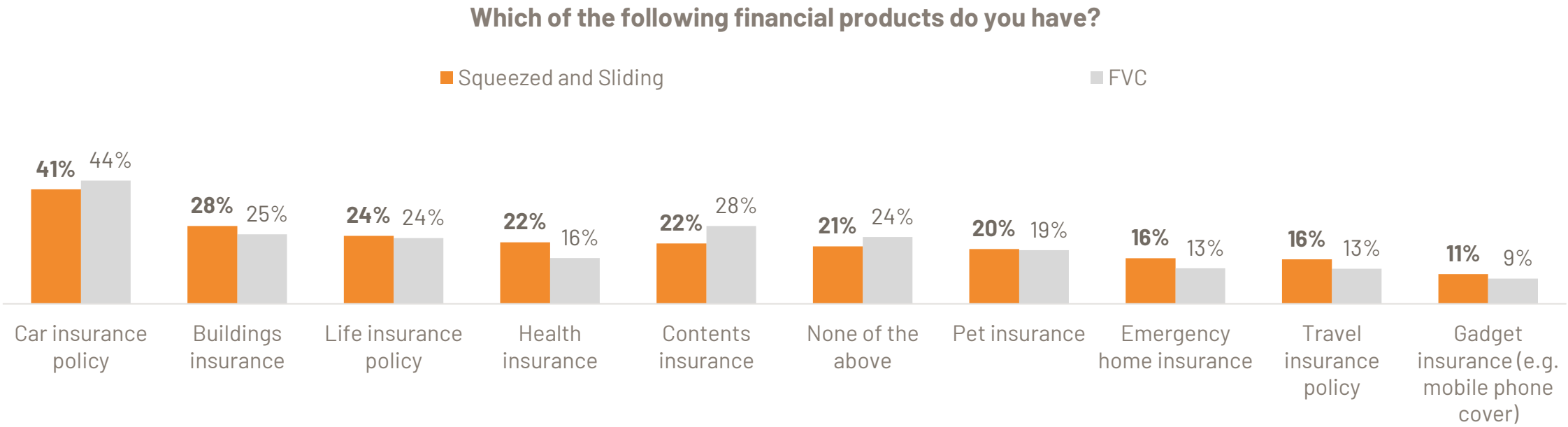
There has been a substantial rise in the proportion of this segment who have missed repayments on their personal loans in the last eighteen months.

In March 2022, just 23% of those with a loan said they'd missed a payment or not made a full repayment. In December 2023, that had risen to an alarming 48%. This means the proportion of Squeezed and Sliding who are struggling with loans is now on a par with those in the most vulnerable segments.

Squeezed and Sliding

Insurance

Squeezed and Sliding over-index in most insurance types



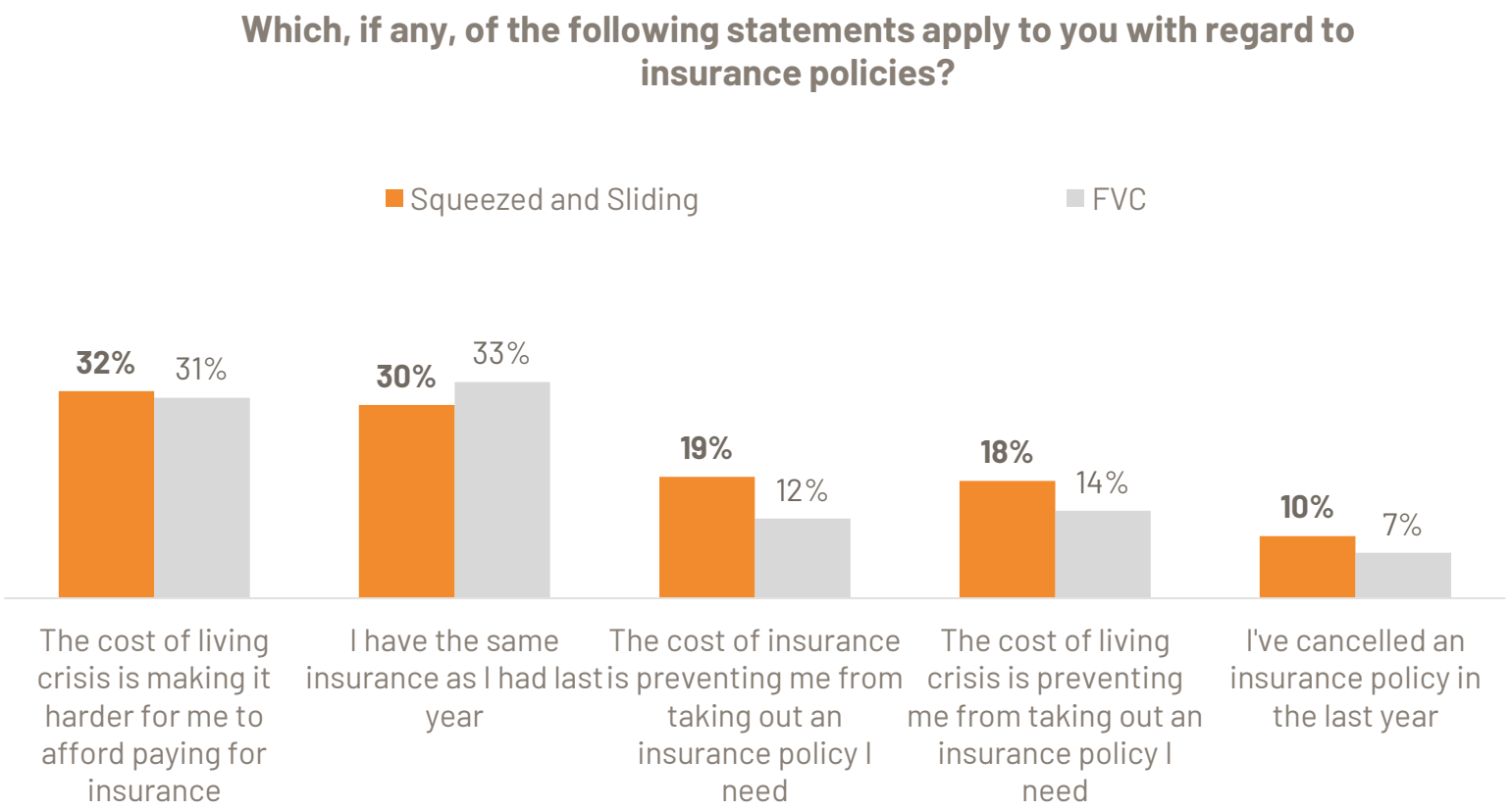
For most types of insurance, Squeezed and Sliding are more likely than the average FVC to have cover.

This partly reflects their life-stage and circumstances (mortgage paying families), making things like home and life insurance necessary. They are also highly likely to have additional cover designed to protect income and health.

They under index on car insurance, with many commuting for work they may be more likely to use public transport.

Their increasing precarity may threaten the level of cover they currently have.

Cost of insurance policies a notable barrier to purchasing an insurance product



This segment over-index in concerns over the cost of insurance products, with 19% saying the cost is preventing them from getting the insurance they need.

This segment also slightly over-index in cancelling policies in the last year (10% vs 7%), with only 30% saying they have the same insurance as they did last year.

Squeezed and Sliding

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 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