Fair4All Finance Segments

Understanding the needs of people in financially vulnerable circumstances

Updated May 2023: second iteration of pen portraits and personas

Introduction

Fair4All Finance exists to drive change in financial services to help the millions of people in vulnerable circumstances. In order to design and deliver propositions and services, it's crucial to understand different user groups and their complex and diverse needs. This is increasingly challenging as the cost of living crisis impacts households across the UK

Fair4All Finance, working with CACI and Trajectory Partnership, has developed a segmentation model to **show the spectrum of financial vulnerability**, from those who are getting by each day to those who are most excluded – this is **at least 17.5m people** (as of September 2022).

The segments have been derived using information on **financial needs and behaviours**, rather than demographic information, to deepen our understanding of what needs to change, and how we can do it, when it comes to strategy and proposition development.

Our original segment materials were released in September 2022 – this pack includes **updated pen portraits and representative personas** to reflect research that was undertaken between December 2022 and January 2023. You can find the rest of our segmentation materials at **https://fair4allfinance.org.uk/segmentation/**

Fair4All finance: Who we are

We're a not for profit funded by the Dormant Assets Scheme driving change in financial services to help the millions of people in vulnerable circumstances.

We were founded in 2019 through the Department of Digital, Culture, Media and Sport (DCMS) to tackle the issue of financial inclusion.

Our mission
Is to increase the financial resilience and wellbeing of people in vulnerable circumstances by increasing that availability of fair and accessible financial products and services

Our vision
Is a society where the long term financial wellbeing of all people is supported by a fair and accessible financial services sector

Fair4All Finance

Our vision

Is a society where the long term financial wellbeing of all people is supported by a fair and accessible financial services sector

Expand the provision of affordable credit

So that the availability of affordable credit increases x10 and provision can be delivered sustainably at the scale required to meet customer needs

Over **£30m** committed backing plans to triple provision to **£900m**
51% growth in lending from our scale up programme

Partner with banks and financial services providers to increase provision of services

So that mainstream financial services serve customers in vulnerable circumstances, either directly or through funding other providers

17.5m people in the UK in financially vulnerable circumstances
Underserved by financial services – a big opportunity to do well and do good

Develop new products and services to address market gaps

So that the right products exist to meet the different needs of people in vulnerable circumstances and systems are in place to support ongoing product development for these customers

Current No Interest and Consolidation loan pilots will deliver **c£30m** to people
£30m funding would deliver **£160m**

Our segments

Our purpose for segmentation

to support the design and development of more effective financial products and services to improve financial resilience

Target audience definition

We have defined the audience as those who are financially vulnerable

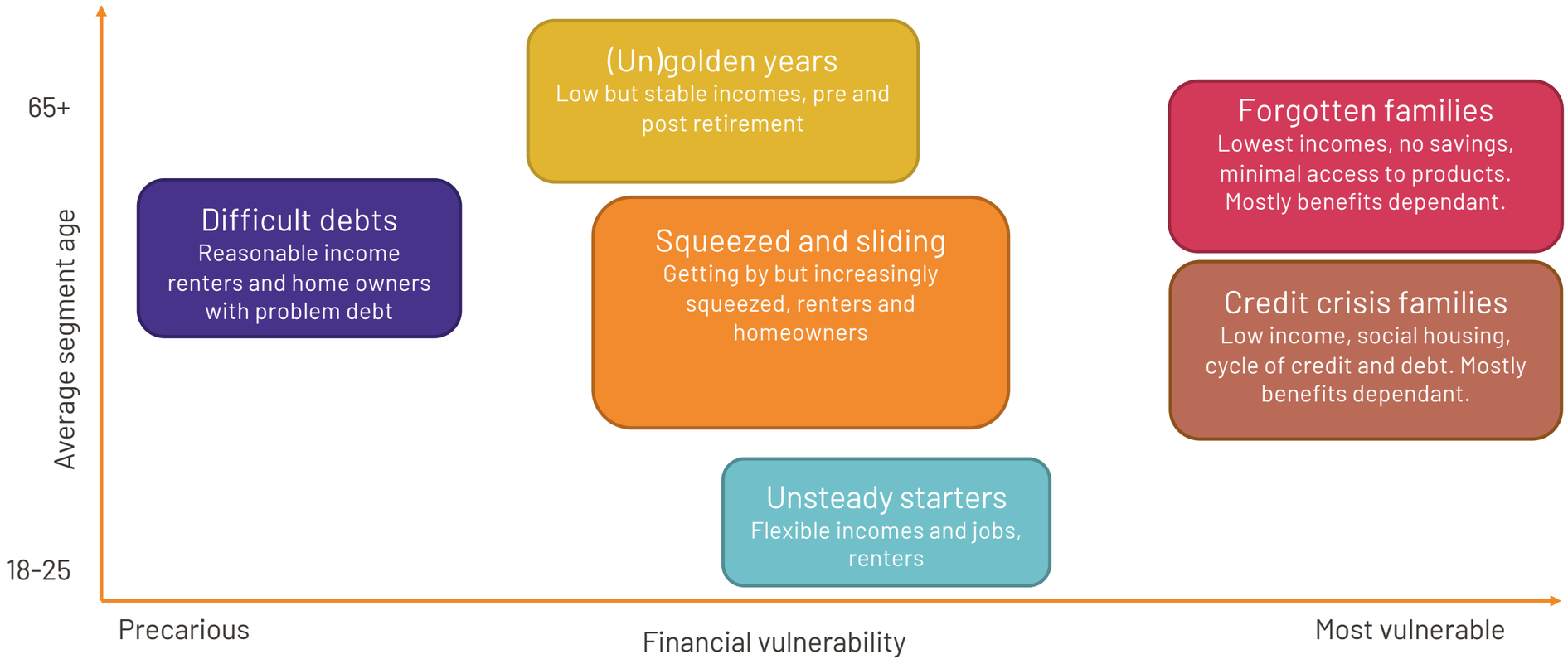
at least

17.5m

UK adults 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



Segmentation of people in financially vulnerable circumstances

Segment overview

	1.3m people **1 Unsteady starters**	3.9m people **2 Squeezed and sliding**	3.5m people **3 Credit crisis families**	2.2m people **4 Difficult debts**	3.6m people **5 Forgotten families**	3m people **6 (Un)golden years**
Defining variables	Zero hours contracts Payday loans/short term credit usage	Using savings as income	Short term loans Food bank usage Struggling to repay debt	Struggling to repay debt Higher Income	Food bank usage Lack of credit usage	Worried about money Lack of credit usage
Describing variables	18-34 HH income £25k+ Renting (private or from friends/family) Less likely to have children at home, but still present Multiple debts, regular borrowers at small amounts Debts £500 - £5k	25-44 HH income £30k+, incl. £50k+ Mortgaged and renting families Mixed levels of savings and debt – debt increased in last year High credit card usage Currently using more mainstream providers	25-44 HH income <£25k, mostly from benefits and some part time or zero hours work Social housing Higher mental health issues 5+ debt sources – BNPL, payday, loans, credit card No savings Debts <£1k-£10k	35-44 HH income £25-£50k Private renters and home owners Highest debt levels, with some missing payments and multiple debt sources Savings <£5k, and infrequently Debt levels £2k-£20k	25-54 HH income <£20k, many <£10k Social housing Reliant on benefits, some carers High health issues Where there is debt it's likely due to arrears on bills/services No savings	45-65+ HH income <30k – state pension (some private pension), some still in work Social housing, some homeowners High physical health issues Mixed savings – many not able to increase savings Lowest debt levels

1 Unsteady starters

1.3m **7.5%**
Financially Vulnerable Population

Younger people with **flexible incomes** establishing their home, work, and financial lives
They have a **real desire to save**, and do this in a variety of ways – but it's increasingly hard to put money away
They often use **short term credit** in smaller amounts to make ends meet

Age range

18-34

HH income

£25k+

House Tenure

Privately rent
Staying with friends/ family

Family

Half have children living with them and are balancing working, childcare costs and trying to save

Type of work

Majority are in work
1 in 5 zero hours contracts

Savings

30% £0
28% £1-£1000

1 in 4 have an ISA
1 in 2 have savings account with bank or building society

> I wanted to build my credit score so took out a credit card. Capital One had the lowest rate. For the first two months I paid it off in full... then I spent too much and couldn't keep up

> My family members are experiencing tough times financially and this gives me a bit of worry as at times I am having to help them out. Which puts extra pressure on me

> I've been using leftover money at the end of my budgeting week to put into savings, but I get anxious now when I cannot do so, even though I'm not technically over budget

Abi, 23, Barking

1.3m **7.5%**
Financially Vulnerable Population

- **Lives with her mum and sister**
- **Does admin work on a zero hours contract**
- **Usually 20-25 hours a week but sometimes this drops to 12**
- **Second-highest earner at home, wants to help out and save**

Situation in Summer 2022

Abi finds it tough to juggle her variable income with her desire to help her mum and save for the future. Sometimes her hours drop to as low as 12 a week. **To deal with this fluctuation Abi puts a lot onto credit cards**, and lately has started buying things – especially clothes – using Klarna and Zilch, which she prefers. Over the past couple of years **she's built up about £2,000 of debt, split between credit cards and her overdraft**.

She recently took out a loan from a mainstream bank to consolidate the debts, paying off the overdraft and one of the cards with a bit left over for herself. The process was really quick, she looked up which interest rates were lowest on Compare the Market and the bank approved her right away online. **The monthly payments are manageable too and it's much easier just having that come out of her account automatically each month** than having to think about cards and overdrafts and fees all the time.

Jan 2023 - How have things changed?

Increases to the cost of living have had a big impact on Abi. **Although her hourly pay has gone up it doesn't seem to cover the cost of everything else going up, particularly food and transport**. She's managed to keep up with her loan repayments, but **had to take out a second job** in a pub over Christmas to get by. Before this, she'd been borrowing little amounts from friends and family more often.

She's found herself cutting back more and more on treats and going out. When she does spend on herself she tends to use Klarna. The amount she owes across various purchases – clothes, new headphones and the odd takeaway – has been drifting up, but she hasn't incurred any late fees yet, so isn't too worried.

Her ambitions for the next year are the same as her ambitions for the last year: **change job and get a place of her own**. Both seem just as far off – and from what she's seen of rents near her, **she won't be able to afford a place of her own any time soon.**

2 Squeezed and sliding

3.9m **22.2%**
Financially Vulnerable Population

People with **less certainty around their finances** and increasingly squeezed
Most are **just about managing** their debts, but some are using savings or borrowing more to make ends meet
Their position has **noticeably worsened** in the last 12 months

Age range

25-44

HH income

£30k+

House Tenure

Home owner with mortgage
Some private renters

Family

Majority have children at home, often aged <10 and are struggling with increasing costs

Type of work

Majority in full or part time work

Savings

33% £1-£1k
27% £1k-£5k
21% no savings

1 in 3 have had to rely on savings as income in the last couple of years

> I get paid on the last day of each month so it would be helpful to be able to split payments

> Sometimes I wish the bills would just stop. Could I just have one month where I didn't have to spend money? The prices of gas, electric, my rent and food have risen sharply. It's more than doubled, which makes me very angry. I want to cry

> I'd like to say, save for a rainy day. But it's going to be more like sell for a rainy day

Gareth, 28, Hartcliffe

3.9m **22.2%**
Financially Vulnerable Population

- **Lives with his wife and two young kids**
- **Recently bought a house**
- **Started using credit cards a lot more**
- **Really worried about cost of living – especially mortgage payments**

Situation in Summer 2022

Gareth and his wife Claire have a four-year old girl and another baby on the way. **They took the pandemic in their stride – only furloughed for a few months and other than that able to carry on working**, and save a few hundred more every month. During this time they bought a new home and have been doing it up.

After the pandemic things started to get tougher. Claire tends to oversee day-to-day finances, organising child benefit, bills, and managing credit cards. They have two credit cards (each maxed out, with around £2,000 on each) originally taken out with Halifax and Sainsburys.

But lately **they've struggled to make payments so to manage the debt, they often transfer the balance to different cards once the 0% interest introductory offer ends**, using MoneySuperMarket to find new offers. They haven't missed any mortgage payments yet, but **Gareth is getting concerned as he is now constantly in his overdraft**.

Jan 2023 - How have things changed?

The end of 2022 brought a mixture of good and bad news to the family. The good news is that their baby boy arrived safely in August.

The bad news is that **their mortgage fix ended and their new deal is about £300 more a month**. With their credit cards maxed out they've had to make some big lifestyle changes to economise: Gareth now walks to work to cut down on petrol and **virtually all leisure activities have been ditched** (although Claire says that the baby has had an impact on that too…).

Their economising got them through the autumn but Christmas presented new challenges. With credit cards maxed out **they used BNPL deals to buy most of the Christmas presents for their family**, and Gareth's now right at the bottom of his overdraft and is more worried about his finances than ever.

In the summer, Claire's maternity leave ends, and she should be able to earn more by picking up more shifts. They have family nearby so childcare should be available. If that's not enough, **Gareth thinks the only option will be for him to find a second job** – but with two young kids, he'd hate to spend more time out of the house.

3 Credit crisis families

3.5m **19.8%**
Financially Vulnerable Population

Families who are in a **cycle of juggling and struggling** with everyday bills and debts
Using any **available credit** in all forms
Generally have **no savings**, or very little that gets eaten up quickly

Age range

25-44

HH income

<£25k

House Tenure

Housing association or local authority owned

Family

65% have children at home
1 in 3 are single parent families

Type of work

Not working
Need to provide care
Some in full or part time work

Savings

48% none
27% £1-£1000

Debt

Many have multiple sources of debt across different product types

> Mum put me in touch with Citizens Advice. Was in trouble with water but we came up with a plan. They also helped, made me realise I was entitled to extra child benefits - you don't get told that at the job centre

> When you are on benefits, there are different types you are on, and I think you are always in the back of your mind, are they going to stop it at any time?

> I'd love to buy food that's not just only own brand. I'd love to be able to fill my car up rather than hoping £20 will last me a week when I clearly know it will last me 3 days max. I'd love to be able to go on trips with my family

Aisha, 34, Leicester

3.5m **19.8%**
Financially Vulnerable Population

- **Single mum with two kids**
- **Has two credit cards and maxed out overdraft**
- **Recently took out a loan**
- **Care leaver and doesn't have much of a support network**

Situation in Summer 2022

Over the past year **Aisha's overdraft has been maxed out (at £1,500) and she has two sub-prime credit cards** each with about £1,000 on them. Her rent is covered by her benefits but some other bills are in arrears. She recently took out a loan, from Lending Stream, just to give her a bit of breathing space over the summer. She hadn't heard of them before, but after being rejected from Halifax and Barclays (who she already had accounts with) she went with the first lender that accepted her.

Aisha is really feeling the strain of her situation. She has trouble sleeping and finds herself anxious more often. She left care at 18, and although she's in touch with her foster parents, **doesn't have much of a support network around her**, certainly not people she's comfortable talking to about money.

She very conscious of the debt hanging over her and isn't sure how she's going to cope. **At times, she feels like she's in a landslide – she just can't find her footing.**

Jan 2023 - How have things changed?

Aisha is glad she put money away for school uniforms and Christmas presents for her daughters, because the last few months have been really tough. **She used the loan to pay off one credit card but is now facing those repayments** - it's feels impossible to find the money.

Aisha's found rises to the cost of living really difficult. When her daughters are at school and nursery she tries to just walk around to avoid sitting at home in the cold – eventually one of the other mums mentioned **a 'warm bank' at the local library and she's been going there a few times**. Avoiding turning the heating on during the day means she can save it for a few hours in the evening, and **the whole family have got used to sleeping in their coats.**

She went to Citizen's Advice is September and they were able to help a bit - they sorted out an issue with her housing benefit and gave her the number of a debt advice charity. **She's waiting for two things: the weather to improve so she can turn the heating off for good, and her youngest to start pre-school full time**. When this happens, she hopes to be able to find a job.

4 Difficult debts

2.2m 12.4%
Financially Vulnerable Population

Reasonable income, renting families
They have **complex financial lives**, burdened with repayments on higher, longer-term, debt levels from multiple sources
For their income level, they have very **low financial resilience**

Age range

35-44

HH income

£25-50k+

House Tenure

Private renters
Some mortgaged

Family

Majority of children at home, spread of ages

Type of work

Full time
Some part time

Savings

36% none
24% £1-£1000

Debt

1 in 5 have debts over £10,000

> I know how much [money] I need for food, for electricity, and for things like that... but I'm not in control of my debt

> It's just interest payments, you're not seeing the balance going down

> Working overtime plus a second job and not able to save money, have started selling items. I took out a £700 overdraft and owe council tax and other debts I'm not paying because I can't afford it, I just bury my head in the sand

Louisa, 39, Wolverhampton

2.2m 12.4%
Financially Vulnerable Population

- **Lives with her partner and teenage sons**
- **Works full time, household income is c.£45k**
- **£20k+ in debt in total, some recent, some much older**
- **Has been paying down debt and cutting back recently**

Situation in Summer 2022

Louisa's had to cut back a lot over the past couple of years, as Covid hit the family finances. They **also took out two loans to keep up with rent and bills**. She's found herself losing sleep and for a while was worried about being unable to afford what she thinks of as 'essential indulgences' – like Christmas presents for the boys.

The Covid-era loans are only part of the financial pressure – she also has collectors after some old credit card debt too. Some of it dates back so far she has trouble remembering taking out the card. She was put in touch with StepChange, who gave her some really helpful advice about managing the debt, and her rights. **She's since gone onto a debt management plan which is okay – but also a lot of pressure.**

She's torn at the moment between looking into more credit and drawing a line. On one hand, another loan would ease the cost of living pressure a bit, and potentially even mean they could go away this year. She's also keen to get her credit score up – it feels like there's a mark against her name at the moment.

Jan 2023 - How have things changed?

Louisa's resisted the temptation to take out another loan or line of credit and is now **just a few months away from clearing her debts**.

It's been a lot of work – she's cut back massively on virtually all socialising and taken on a couple of extra jobs, like dog-walking, to earn a bit of cash. She was also helped out by her parents, who chipped in with some money (and cash for a new computer) when her eldest started university.

She's really feeling the cost of living and **has cut back massively to ensure she can keep paying down the debt** – from cooking with an air fryer to getting a more economical electric space heater to cut down on energy bills. She gets the government support but thinks it hardly makes a difference.

With the debt almost clear she's thinking again about credit – a new card would really help and mean she could spend a little more freely. But she's still cautious – she thinks she'd never get more than one, and never get into trouble like before.

5 Forgotten families

3.6m 20.6%
Financially Vulnerable Population

People with **very low income and low savings**, with many living in poverty
They have **lower levels of debt** potentially explained by fewer options to access credit, or attitudes to credit

Age range

25-64

HH income

<£20k

House Tenure

Housing association or local authority

Family

2 in 5 have children at home
1 in 5 are single person households

Type of work

Not working
Need to provide care
Some in work
Higher proportion of physical health conditions

Savings

42% none
27% £1-£1000

Benefit linked lending and saving has helped some

> Not in debt but really struggling to keep head above water, bills increasing monthly and some illness, finding it hard to find work. Out of work for the first time in 17 years, food bank very helpful... Have to wait 5 weeks for benefits because I had earnt £6000 before tax this year

> Don't agree with Credit you should only buy if you can afford it

> I'm on my own expecting twins, my mum has stage 4 breast cancer and I am caring for her. I can't afford to heat the flat, I buy my clothes at charity shops and I also have an incurable health condition, so I can't work and rely on PIP and ESA payments

Max, 47, Stockport

3.6m 20.6%
Financially Vulnerable Population

- **Lives alone, his ex and grown up kids nearby**
- **Has been out of work since the pandemic**
- **Universal Credit his only income**
- **Distrustful of financial services, dislikes credit**

Situation in Summer 2022

Max worked as an engineer for years before the firm went bust in 2019. He worked as a delivery driver for a while, but a period of illness stopped him working in 2020 and he hasn't worked since. Universal credit is his only income. He's tried to access other sources of money over the past couple of years but without success. He applied for a loan at his bank but was rejected as he's unemployed.

He occasionally gets offers through the post from companies he's never heard of, telling him he's been pre-approved for a loan or credit card but he doesn't trust them. **The only thing he's been able to access in the last year is a budgeting advance loan.** Lately he's been getting angrier about his situation and the lack of help that seems to be on offer. There seem to be a few more vacancies in the area since the end of the pandemic and he's hoping one of his recent job applications comes through for him.

Jan 2023 - How have things changed?

Max has really struggled over the winter. His benefits went up a bit, and there was some help with energy bills, but none of it seemed to cover the prices rises. **He barely put anything on the meter all winter.**

He's getting savvier around shopping – after years of not having to do it, since the divorce he's getting better. **He goes at the end of the day to the local Tesco and Aldi just when they're putting the yellow stickers on things**. He's not fussy about food. His ex-wife also reminded him that there's loads of stuff you can freeze – eggs, bread, milk, which was good advice.

He's managed to get a couple of odd jobs over the winter – fixing stuff in the pub his daughter works in for a bit of cash. On his ex-wife's advice **he opened a credit union account in June, and whenever he has any spare cash he puts it in, building up £100 in savings so far**. He's given up applying for loans and credit, but knows the budgeting loan is there if he needs it.

6 (Un)golden years

3.1m **17.5%**
Financially Vulnerable Population

Pre and post retired group – many with health issues
They have better financial circumstances than other segments but having **limited ability to earn** means they are worried about the future

Age range
45-65+

HH income
£10-30k

House Tenure
Paid off the mortgage or Housing association

Family

1 in 5 have children at home
1 in 3 still have financial dependants

Type of work

Retired
Some still working
Need to provide care

Savings

27% £1k-£5k
26% none
22% £1-£1k

On average, highest savings levels of all segments
Limited ability to increase income for many

> I stopped doing Christmas presents years ago as I have so many grandchildren and can't afford it

> I didn't have the heating on at all in Nov, I used an electric heated blanket when sitting in the house, costing a few pence per hour

> I'm in sheltered accommodation this year which is better than the room I was renting last year. On Universal Credit as I'm not fit enough to do the manual jobs I used to.
> I don't go out for a drink, it's very expensive to live these days, and I'm just getting by using the foodbank when I can.

Christine, 69, Middlesbrough

3.1m **17.5%**
Financially Vulnerable Population

- **Widower, lives alone in a council house**
- **Lived in area all her life, kids have moved away**
- **No savings, lives off state pension**
- **Never had a credit card – never would**

Situation in Summer 2022

Christine **retired from her part time supermarket job seven years ago**. **She lives on her state pension, and has no savings, although she does get housing benefit to help cover the rent and pension credit**. She feels she can live very comfortably on about £100 a week, although it does mean a quiet life.

She's never had a credit card or a loan of any kind and never would. In fact, Christine thinks the reason she's still going is because she's avoided debt – it results in a stress-free life. She thinks it sounds silly, but Christine's main concern is about looking after her dog. Dog food seems to be the one thing that never gets reduced at the end of the day.

Money worries are particularly acute now because she expects things to get even tougher over the winter. **She has no savings so isn't sure how she'll pay for food and bills if energy prices go up even more**. She supposes she'll just have to go without. At one point she asked her old employer if there was any casual work going, but was actually relieved when they said there was already a long waiting list – she has arthritis and isn't sure how she'd cope with working again.

Jan 2023 - How have things changed?

The winter was tough, just as Christine expected, but she thinks she's survived worse in her time. **She didn't turn the heating up** – kept it at 16C – and just made sure she had an extra layer. And the government support helped too.

The worst moment was when her dog became ill and needed to go to the vet. Fortunately her daughter was staying with her at the time and offered to cover the bill (she couldn't believe it came to £400). She plans to pay her back when the weather improves and she can turn the heating off altogether. That should save enough to give her daughter the money – but she hates the feeling of being in debt.

She felt awkward claiming the housing benefit and pension credit the first time but is now hoping that they go up again this year. Unless things start getting cheaper she's not sure how she'll manage.

Additional information

Target audience definition

Survey respondents had to meet one of the following criteria:

- Personal income below £25k, or household income below £50k
- Has sought debt advice in the past two years
- Has used a credit union, community finance provider, home collected credit provider or a payday loan in the last two years
- Has been in debt for the last 12 months (excluding mortgage debt)
- Currently struggling to get out of debt (excluding mortgage debt)
- At some point during the last 24 months has had to rely on savings as an income
- Lives in council or social housing, or has done in the last two years
- Has been without permanent housing at some point in the last two years (for example staying with family/friends, in a hostel or accessing services for homelessness)
- Is certain that the projected cost of living increases will push them into, or very close to an income deficit

Notes on pen portrait usage and segment creation

These pen portraits describe key traits of each segment, but not everyone in the segment will have these traits – for example, not everyone in segment 1 is privately renting or staying with friends/ family – but this is much more likely to be the case than seen in general for the financially vulnerable population.

Segments were created to focus on behaviours more than demographics. Behaviours are more useful than demographics when it comes to giving an in-depth understanding to gauge needs, drive strategy and inform the industry.

The factors which puts an individual into a segment is built from a combination of behaviours:

Has personal, unsecured loan debt	Zero hours contracts
Struggling to repay debt they owe	Has a payday loan
Has used a foodbank in the last 12 months	Rejected for any kind of credit in the last 12 months
Has used savings as a primary form of income in the last year	

Therefore a combination of one or more circumstances decides a customer's segment. There is not a decision-tree or similar rule set (e.g. based on age) that customers follow to get placed in a segment. So, every segment will have a distribution across, for example, age range, presence of children and housing type, but within the same segment they share similar characteristics for the key drivers.