Lowell

UK resilient as borrowing falls; Financial health recovers slightly

- Falls in borrowing and loan defaults in first half of 2023 have led to an improvement in the overall financial health of the UK
- Financial health in the UK is still 12% lower than it was in 2017
- The UK has recovered to levels last seen in Q2 2019

Leeds, 20 September 2023 – UK households proved resilient as they appeared to prioritise paying down debts and reduce reliance on credit, according to new data from credit management company Lowell. With rising interest rates, credit usage in the UK fell by 1.4% in the first half of 2023. This cutback on borrowing appears to have benefited those in receipt of state support.

The data indicates that interest rate rises are hitting hard-working families hardest, as areas with a high proportion of people in full-time employment have seen a stifled recovery in financial health. Lowell has identified 133 constituencies in the UK which have experienced worsening financial health, compared with the UK as a whole.

Across the board, areas with a high level of home ownership have seen the smallest recovery in financial health while areas with a high proportion of social housing tenants have seen a larger improvement.

The most financially vulnerable areas saw the greatest improvements in the first six months of 2023, but there are reasons to be concerned as benefits claims have ticked up slightly across the UK. While borrowing and loan defaults may have declined, they remain stuck persistently above pre-pandemic levels. The UK is still 12% more financially vulnerable than it was at the start of the index in Q3 2017.

After a winter which saw borrowing levels and loan defaults rise to record levels, pressure on UK households eased in the first half of this year, according to the latest update to Lowell's Financial Vulnerability Index.

Commenting on the data, Lowell's UK CEO, John Pears, said:

"With all the doom and gloom from the Government and the Bank of England, clearly customers are taking heed. We've seen a fall in credit usage and in defaults, demonstrating customers changing their behaviour to fit the current environment.

"The picture of the UK is not a uniform one, but the data shows that there is clearly financial resilience in the economy. But we're not out of the woods yet. The UK is still more vulnerable than it was in 2017 and there is still an urgent need to address the long-term structural issues behind our relatively poor financial health."

Full data set, trends report and interactive tool

A more extensive guide to the trends in financial vulnerability affecting the UK is attached.

The Financial Vulnerability Index is an innovative tool to measure and track financial resilience, nationally and locally, across the UK. Created by Lowell and the Urban Institute, and provided by Opinium, the index brings together publicly available measures and Lowell's proprietary data to give a clear picture of financial vulnerability in the UK.

The full tool can be accessed here. The data can be downloaded for free here and a summary of the key findings are available here.

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Notes to editors

About the Financial Vulnerability Index

The Financial Vulnerability Index is based on six components that capture a household's ability to manage daily finances and resist economic shocks: (1) carrying defaulted debt, (2) using alternative financial products, (3) claiming work-related social benefits, (4) lacking emergency savings, (5) holding a high-cost loan, and (6) relying heavily on credit. These components are measured using Lowell's research and operational data, the UK Financial Lives Survey, and data from the UK's Department of Work and Pensions and the Office for National Statistics.

This data tool is a joint project of Lowell and Opinium. Lowell and Opinium researchers collaborated on all stages of the research. In addition, Lowell provided funds and operational and research data used to create the index. More information on the latest trends is available at: @lowellfvi

About Lowell

Headquartered in Leeds, Lowell is one of Europe's largest credit management service providers with a mission to make credit work better for all and a commitment to fair and ethical customer practices. It operates across eight countries with around 4,000 employees, 1,700 of which are based in the UK. Lowell's unparalleled combination of data analytics insight and robust risk management provides clients with expert solutions in debt purchasing, third party collections and business process outsourcing.

Lowell was formed in 2015 following the merger of the UK and German market leaders: the Lowell Group and the GFKL Group. In 2022, Lowell completed the acquisition of Hoist Finance UK (based in Salford), making Lowell the largest credit management company in the UK. It is backed by global private equity firm Permira and Ontario Teachers' Pension Plan.

For more information on Lowell, please visit our customer website (www.lowell.co.uk) or our investor website (www.lowell.com).

About Opinium

Founded in 2007 OPINIUM is an award-winning strategic insight agency built on the belief that in a world of uncertainty and complexity, success depends on the ability to stay on pulse of what people think, feel and do. Opinium works collaboratively with clients to design and implement research which delivers tangible impact for clients across the government, political, and public affairs space, as well as a range of other sectors.

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