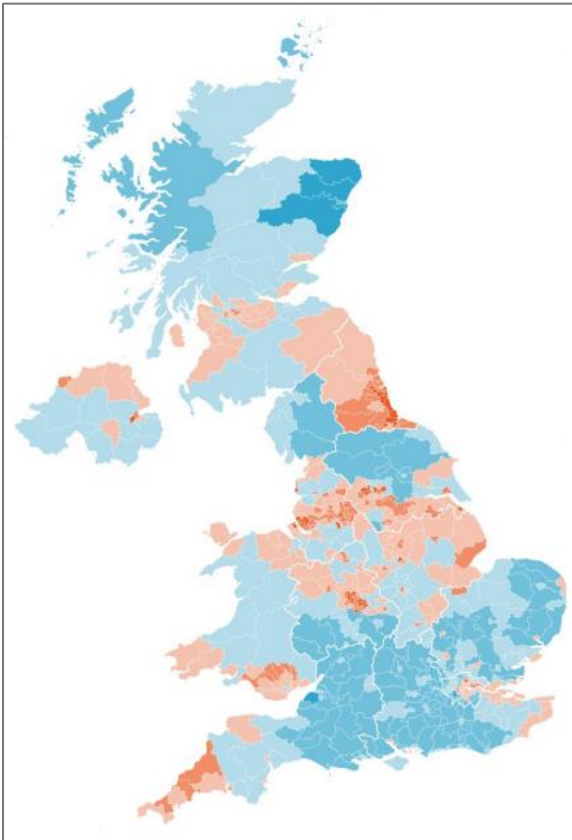


## UK households balancing on financial cliff edge, shows latest Financial Vulnerability Index

- New insight from over 9.5m Lowell UK customer accounts reveals nearly as many people in default now as there were at the pandemic peak
- This rise comes as households continue to rely on credit to meet the inflated cost of everyday necessities
- Lowell UK CEO urges Government and industry to focus on long-term drivers of debt
- The latest update to the Financial Vulnerability Index adds data across Q2 to Q4 2022



As UK households grapple with the rising cost of living, the latest update to Lowell's [Financial Vulnerability Index \(FVI\)](#), an innovative tool to measure and track financial resilience across the UK based on anonymised data from over 9.5 million Lowell UK customer accounts and other publicly available data, has shown that households are continuing to borrow and are increasingly falling into debt.

### John Pears, UK CEO at Lowell, said:

*"What this new data shows us is a complex picture of financial health in the UK. Overall it might be getting better, but we're still miles away from where we were before the pandemic. Dive a little deeper and we can see a range of issues bubbling under the surface.*

*"The decline in overall financial vulnerability is important, but it's still high. Default rates are rising. We need to think about what we're doing, at an industry and government level, to improve the country's financial health over the long term. Topics such as teaching better money management, helping people better understand financial products and destigmatising debt all need to be*

*higher on the agenda.*

*"As an industry, we are on the frontline of the rising cost of living. By working with the Government and other industry bodies, we can help them fully understand the customer debt journey, ensure the credit system is working in everyone's interests and address the underlying issues of financial vulnerability."*

The new figures show:

1. **Financial vulnerability is slowly returning to pre-pandemic levels** – UK households' financial health has been improving since the beginning of the COVID-19 pandemic but increases in the cost of living appear to be preventing a quicker return to pre-pandemic levels of financial health.
  - a. Financial vulnerability fell 6.2 points from 47 in Q2 2020 to 40.8 in Q4 2022
  - b. Financial vulnerability in Q4 2022 was at a level last seen between Q2 and Q3 2019

2. **The share of adults in default is edging up to peak levels seen at the beginning of the pandemic** – The proportion of adults in default has risen to its joint highest level since Q4 2019 as households increase expenditure during the rising cost of living.
  - a. Share of adults in default in Q4 2022 rose to 12.6% and has been steadily increasing since Q1 2022
  - b. Increase in expenditure likely to drive higher defaults over the long term
3. **Credit use remains significantly higher than before the pandemic** – Credit use has been on a clear rise since the start of the pandemic and remains well above pre-pandemic levels as households continue to borrow, despite rising interest rates, to meet the rising cost of living.
  - a. Credit use in Q4 2022 was 52.3%
  - b. Credit use has steadily increased since Q3 2017 and remains well above pre-pandemic levels that were usually below 50%
4. **The use of social benefits continues to decline from pandemic peak** – Dependence on social benefits continues to fall from the high levels seen during the pandemic but remains higher than it was between 2017 and 2019.
  - a. Share of social benefits claimants fell by 6.4% from when it peaked at 14.7% in Q3 2020 to 8.3% in Q4 2022
  - b. Decline in claimant count is beginning to plateau at 8.3%, above pre-pandemic levels of under 7%

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](#) or by clicking on the map above. The data can be downloaded for free [here](#).

**ENDS**

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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.

**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: <http://www.lowell.co.uk> or our investor website: <http://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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