



Living from one pay day to the next

A look at how people in Scotland feel
about finances, credit and debt

May 2017





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Introduction

We asked people from across Scotland about their relationship with money, debt, credit, and planning for the future.

Citizens Advice Bureaux have seen a steady decline in the level of debt-related advice being sought by clients, this having reduced as a proportion of all bureaux business by over 20% since 2013/14¹.

However, within debt advice, bureaux have seen a steady increase in certain areas over the same period, such as an increase in debt related to rent arrears (over 40%); overpayments of Housing and Council Tax benefits (39%) and overpayments of Working and Child Tax Credits (100%).

In addition to this, one of the most common issues for bureaux clients is debt related to Council Tax arrears, with over 13,200 instances of advice on this recorded in 2015/16.

The second most common debt-related issue for bureaux clients is that related to credit and store cards, with over 10,850 instances of advice recorded in 2015/16.

A decision was therefore taken to explore financial management in general to gain a sense of how the people of Scotland view personal finance issues, including the affordability of bills/repayments and the use of credit.

To achieve this, an online survey was commissioned through Ipsos MORI of 1,500 consumers representative of the Scottish population in terms of sex, age, region and working status.

¹ A reduction in the number of debt-related enquiries from 119,492 in 2013/14, to 96,480 in 2015/16.



How are Scottish consumers' managing financially?

Almost a quarter of survey respondents (23%) reported that they were finding it difficult to manage financially, while 38% reported that they were 'coping' on their present income. A further 38% of respondents felt they were 'living comfortably' on their income.

All figures relating to how respondents said they were managing financially can be found at Appendix 1. Findings of note included:

- > Those aged 55 and over were more likely than younger respondents (aged 16 to 54) to say they were living comfortably (51% compared to 30%). Conversely, those aged 54 and under were more likely than older respondents to say they were finding it difficult to cope on their current income (28% compared to 16%);
- > Half of respondents who were unemployed (49%) and a quarter working part time (26%) said they were finding it difficult to cope, compared to 19% working full time and 12% in retirement;
- > Respondents renting their homes from council/social landlords were more likely to report finding it difficult to cope (46%) than those renting from a private landlord (36%);
- > Respondents living in the Highlands and Islands were less likely than average to say they were living comfortably (29% compared to 38%) and more likely to say they were coping (47% compared to 38%). Respondents in the South West were more likely than average to be finding it difficult (26% compared to 23%); and
- > Respondents who received their primary source of income on a non-monthly basis (either weekly/fortnightly, or less than monthly) were more likely to find it difficult to cope than those who received it on a monthly basis.

23% are finding it difficult to manage

38% are coping

38% are living comfortably

Use of credit for daily living

Respondents were asked how often in the last year, if at all, they had run out of money before pay day and needed to either use credit; an overdraft facility; or borrow money in order to 'get by'. Almost half of respondents (47%) said this never happened to them, while 15% reported that this happened 'most of the time' or 'always'.

Of the 769 respondents who had run out of money before pay day, a fifth (20%) had to borrow money/use credit to pay their rent or mortgage; 48% had to borrow money/use credit to buy food; and 29% to pay for utility bills.

Just over a quarter of respondents overall (26%)² reported having borrowed money/used credit to buy food three times or more in the previous year, with 9% having to do so in relation to their rent/mortgage.

Those under the age of 35; working part-time; living in private rented accommodation; or earning less than £16,000 per annum appear to be most likely to experience multiple instances of having to go into debt to pay for essential items. Full findings are available at Appendix 2.

Respondents were also asked how often they had to miss a payment entirely/go without in the past year, with almost one-quarter of respondents (24%) having gone without food at least once in the previous year. As with having to borrow for essentials, those aged below 35; in part-time employment; living in private rented accommodation; or earning less than £16,000 per annum seem to experience this the most.

Table 1:

How often respondents had to go in to debt to pay for essential items in the past year

	Mortgage / Rent	Food	Utility payments	Appropriate clothing	Basic toiletries
Never	76%	49%	68%	61%	63%
Once or twice	12%	26%	17%	25%	19%
Three times or more	9%	23%	12%	11%	14%
Go without/miss entirely	10%	23%	14%	37%	24%

Base: 769 respondents

² 393 respondents from the 774 who reported running out of money before payday, as a percentage of the 1501 total respondents

51%

run out of money
before payday

26%

use credit to
buy food

Coping with unexpected bills

Respondents were asked how they would cope with an unexpected bill that had to be paid within 7 days. While almost half (46%) maintained that they could pay a bill of £100 without using savings or cutting back on essentials, this proportion decreased as the bill increased in value to £250 (31%) and £1000 (17%).

A fifth of respondents (20%) would have to use credit or borrow money to pay an unexpected bill of £100 within 7 days, while a small minority (4%) could not pay this at all. The proportion of respondents who could not pay an unexpected bill at all rose with the value of the bill, to 9% for a bill of £250 and 18% for a bill of £1000.

The respondents most likely to have to borrow money/use credit to pay a bill of £1000 were those living in private rented accommodation (31%) and those in full-time employment (26%).

What bills/repayments do Scottish consumers' give the highest priority?

Mortgage/rent payments were given the highest priority, followed by utility bills and food costs. Credit repayments were accorded middling priority. The full results can be found at Appendix 3. While there were few notable differences across the client groups, some findings of note included:

- > Those aged 55 and over would prioritise utility bills above mortgage/rent payments, as would those on low incomes;
- > Those on high incomes rank payment of motor vehicle insurance more highly than credit card repayments, with the opposite being true for those on low incomes.

Table 2: Ability to pay unexpected bills within 7 days

	Bill of £100	Bill of £250	Bill of £1000
Could pay without using savings or cutting back on essentials	46%	31%	17%
Could pay but would have to use savings	20%	28%	35%
Could pay but would have to cut back on essentials	11%	8%	5%
Would have to use credit/borrow money to pay	18%	21%	21%
Would have to sell a personal or household item to pay	2%	3%	2%
Could not pay	4%	9%	18%

Base: 1501

How financially resilient are Scottish consumers?

Respondents were asked how much they agreed or disagreed with several statements about how worried they were about financial situations.

Findings show that:

- > A quarter of respondents (26%) were worried about being unable to afford living expenses such as food, transport or clothes;
- > One-in-ten (11%) were worried about having utilities disconnected;
- > Eight percent were worried about receiving a court summons from a creditor; and
- > Seven percent were worried about being evicted from their home or having it repossessed.

There were a number of differences across the key subgroups (full details can be found at Appendix 4), some of the most notable of which were:

- > In general, those aged under 55 were more likely than older respondents to say they were worried about their financial situation. For example, one in three respondents aged under 55 worried about being able to afford living expenses, compared to 14% aged 55 and over. One in ten worried about being evicted or having their home repossessed, compared to 4% aged 55 and over;
- > Those living in council/social rented accommodation were more likely than average to be worried about their financial situation. Almost half (49%) worried about being unable to afford living expenses (compared to 26% overall), a quarter worried about utilities being cut off (26% compared to 11% overall), and 21% worried about receiving a court summons from a creditor (compared to 8% overall);
- > Just over half (54%) of those with an annual household income of less than £15,600 were

worried about being unable to afford living expenses. In that same category, 59% were worried about utilities being cut off; 40% were worried about being evicted/having their home repossessed; and 27% were worried about receiving a court summons from a creditor;

- > Those who received their primary income weekly or fortnightly were more likely than those who received their income on a monthly basis to be worried about all scenarios, with 45% worried about being unable to afford living expenses. It was noted that the higher the household income, the more likely it was to be received monthly; and
- > More than one-quarter of respondents in some form of work (26%) were worried about being unable to afford living expenses.

One measure of financial resilience is the level of savings an individual has. Around one in five of respondents (22%) reported that they had no savings as they could not afford to save, while 4% reported that they had no savings but could afford to save if they chose to. Almost a quarter (24%) said they had 2 months' pay worth of savings or less, while 40% had 3 months' pay worth or more of savings.

In considering all of those with no savings, no matter their reason for having none, those aged under 55 were more than twice as likely (35%) than those 55 or Over (14%) to fall into this category. Those living in council (55%) or private (44%) rented accommodation were far more likely than owner occupiers (16%) to have no savings. Perhaps unsurprisingly, the likelihood of not having any savings decreased as the level of income increased.

The impacts of financial uncertainty on Scottish consumers

Participants were asked about their understanding of their rights in relation to debt, and how finance issues made them feel.

Fewer than half of respondents (42%) felt they understood their rights in relation to debt. The figure was lower among:

- > Those aged less than 35 compared to older respondents (35% vs 47%);
- > Those not in work than those in work (28% vs 42%); and
- > Those with an annual income of less than £5,200 than higher earners (32% vs, for example, 52% of those with an income of over £78,000).

At least one-in-ten respondents were experiencing one or more negative impacts due to their current financial situation, including health problems; sleep disturbance; relationship issues and/or being worried about deductions being made from their income for outstanding debts.

Full details can be found in Appendix 5; however, the respondents most likely to feel such negative impacts were:

- > Aged under 35;
- > Not working;
- > Living in council/social rented accommodation;
- > On an income of less than £15,600 per annum; and/or
- > Receive their income weekly/fortnightly.

1 in 4 people worry about living expenses

35%

of 16-34 year olds

44%

of people not in work

The main financial worries for those in council or social housing are:



1 in 4
utilities
being cut off



1 in 5
court
summons



15%
being
evicted



Half
paying for
living expenses

More than **1 in 10** people say finance worries are causing them:



**physical or
mental health
problems**



**sleep
problems**



**problems
with their
relationships**

Use of credit by Scottish consumers

Over a third of respondents (34%) stated that they had never checked their credit rating, while a small proportion (5%) said that they either did not know how to check it or did not know what a credit rating was.

A further 14% of respondents were not sure, or could not remember if they had ever checked their credit rating. One-quarter of respondents had checked their credit rating in the last 6 months, while for 15% of clients it has been over 12 months since they checked their credit rating.

A little over one-quarter of respondents (26%) had not used any form of credit (including loans; store cards; overdrafts; hire purchase; etc.) in the previous 5 years. In contrast, twice this proportion (52%) had used a credit or store card and 29% had used an overdraft facility. A further 20% had obtained a 'formal' loan (i.e. from a bank or finance company) while 17% had obtained a loan from a friend or relative.

Respondents were asked if they had been turned down for any type of credit within the past 12 months, with 13% stating that they had been. It is of interest to note that those in full- or part-time employment were as likely to have been refused credit as those who were not in work³, while renters were more than twice as likely as owner occupiers to have been refused.

The most common reason for being refused credit was that the individual had a poor credit rating (52%), followed by already having too much debt (27%) or having no regular source of income from employment (20%). A little less than one-fifth of respondents (18%) had been refused credit as they were not earning enough.

Table 3: Types of credit held and experience of being turned down for credit

	Had credit in the past five years	Been turned down for credit in past 12 months (n=93)
Any type of credit	72%	13%
Any loan	37%	7%
Standard interest loan	24%	5%
High interest loan	7%	3%
Hire purchase/catalogue	16%	3%
Informal loan	17%	2%
Only one type of credit	31%	8%
More than one type of credit	41%	5%

Base: 1501

³ This figure does not include those who were retired.

Table 4: Groups being turned down for credit/loan

	Refused credit	Refused a loan
All	13%	7%
Working full-time	16%	10%
Working part-time	15%	9%
Not working	16%	9%
Retired	3%	2%
Owner-occupier	8%	4%
Council tenant	25%	17%
Private rented tenant	21%	11%

Base: 1501



Scottish consumers and debt

A little over one-quarter of respondents (28%) reported that they currently had more debt than compared to 5 years ago, while 14% said they had the same amount.

A higher proportion (33%) said they had less debt while almost one-quarter (23%) reported having never been in debt in the previous 5 years. The full results can be found at Appendix 6.

A higher proportion of female respondents (31%) than male respondents (25%) reported being in more debt than 5 years ago, while those below the age of 35 (45%) appeared far more likely than the other age groups to have more debt. Those living in private rented accommodation were more likely to have more debt than 5 years ago (40%) than either council tenants (32%) or owner occupiers (25%).

Of those who reported being in more debt than 5 years ago (28%), the most common reason for being so was an increase in bills (43%), while just over one-third (37%) said the reason was employment related. Almost one-quarter of respondents (24%) said their increased debt was due to poor financial management in general while 14% said it was as a result of a reduction in/loss off

benefits or tax credits. The full results can be found at Appendix 6.

It was also found that it was more likely for debt to have arisen due to multiple issues (56%), than only one issue (40%). For example, female respondents were more likely to cite multiple reasons (61%) than only one (35%) in comparison to their male counterparts (49% and 47% respectively).

A small proportion of respondents (13%) had been contacted in relation to a debt they thought they either no longer owed, or knew nothing about. Of those contacted (n=192), the majority (65%) had been contacted by letter while 20% had been contacted by phone. One-third of those contacted (33%) had queried the debt; 29% had repaid/were repaying the debt; and almost one-quarter (24%) either did nothing or ignored the contact. A small proportion (13%) made contact with an organisation like the Citizens Advice Bureau for advice.



Concluding remarks

Debt and the use of credit are complex issues and it seems reasonable to conclude from the survey findings that the people of Scotland experience these complexities in both a wide range of contexts and in relation to different needs.

The fact that over one-quarter of respondents to the survey reported having to go into debt at least once in the previous year to pay for food provides a stark indication of how fundamental the impacts of financial difficulties can be.

It would also appear to be the case that financial issues such as running out of money before 'pay day' and having to go into debt to pay for essentials are having as much impact on those in employment as those not.

For example, if all survey respondents in full-time employment are considered then it can be said that 30% of these had to go in to debt at least once in previous year to pay for food, a slightly higher proportion than for the sample as a whole (26%).

These and other findings indicate that issues related to credit; debt; and financial resilience are of relevance to Scottish citizens from all walks of life and cannot be dismissed as impacting only on certain sub-sections of society.

Appendix 1: How Scottish people are managing financially

	N	%	Male	Female	16-34	35-54	55+	Urban	Rural
Living comfortably	572	38%	42%	34%	32%	29%	51%	39%	34%
Coping	574	38%	36%	40%	42%	41%	33%	37%	43%
Finding it difficult	348	23%	21%	25%	26%	30%	16%	23%	22%

	N	%	Full time	Part-time	Not working	Retired
Living comfortably	572	38%	38%	32%	16%	58%
Coping	574	38%	43%	41%	35%	30%
Finding it difficult	348	23%	19%	26%	49%	12%

	N	%	Owner occupied	Rented (council/ social)	Rented (private)
Living comfortably	572	38%	49%	11%	20%
Coping	574	38%	36%	42%	43%
Finding it difficult	348	23%	15%	46%	36%

	N	%	Eastern Scotland	South Western Scotland	North Eastern Scotland	Highlands & Islands
Living comfortably	572	38%	40%	37%	41%	29%
Coping	574	38%	39%	36%	37%	47%
Finding it difficult	348	23%	21%	26%	21%	23%

	N	%	Less than £5,200	£5,200 - £15,599	£15,600 - £36,399	£36,400 - £77,999	£78,000 or more
Living comfortably	572	38%	15%	13%	32%	57%	81%
Coping	574	38%	21%	37%	46%	34%	14%
Finding it difficult	348	23%	65%	50%	23%	9%	4%

	N	%	Weekly/ Fortnightly	Monthly
Living comfortably	572	38%	17%	43%
Coping	574	38%	39%	39%
Finding it difficult	348	23%	43%	18%

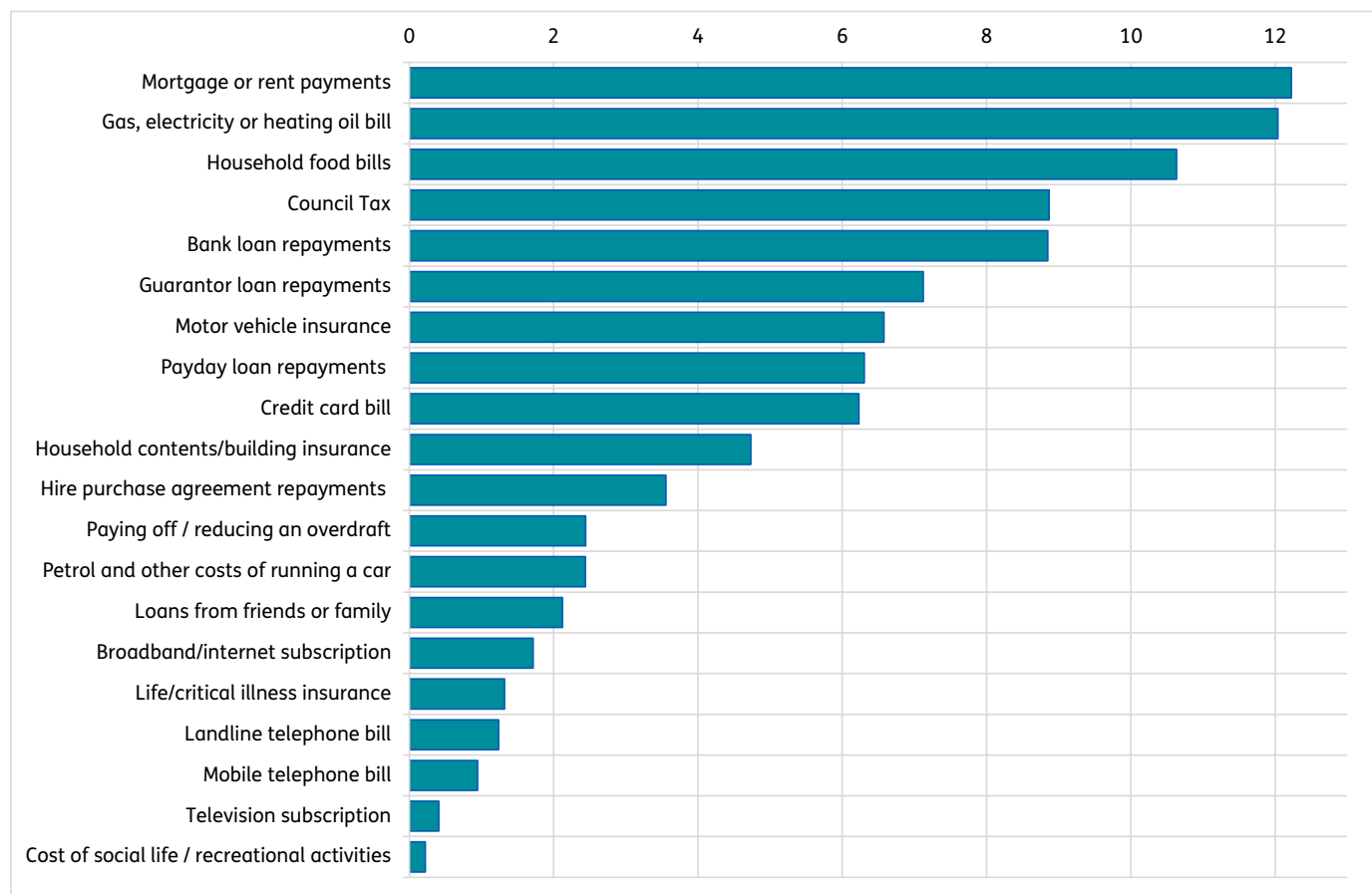
	N	%	High School Education	College or University
Living comfortably	572	38%	36%	41%
Coping	574	38%	38%	38%
Finding it difficult	348	23%	26%	21%

Base: 1501

Appendix 2: Using credit/loans to pay for essential items (asked of all those who reported running out of money before pay day - Base 769

	Rent or mortgage payments		Food for the household		Utility payments		Appropriate clothing or footwear		Basic toiletries	
	Never	3 times or more	Never	3 times or more	Never	3 times or more	Never	3 times or more	Never	3 times or more
All respondents	76%	9%	49%	23%	68%	12%	61%	11%	63%	14%
Male	76%	8%	54%	20%	69%	12%	64%	9%	67%	13%
Female	76%	10%	46%	25%	68%	12%	59%	12%	60%	15%
16-34	68%	13%	44%	29%	60%	16%	51%	15%	53%	19%
35-54	76%	9%	44%	25%	68%	12%	65%	12%	60%	14%
55+	89%	2%	65%	12%	79%	6%	68%	3%	76%	6%
Full-time work	76%	9%	51%	21%	70%	10%	60%	10%	63%	12%
Part-time work	73%	11%	43%	29%	69%	14%	53%	16%	59%	21%
Not working	72%	9%	38%	29%	55%	19%	63%	11%	56%	18%
Retired	90%	4%	67%	13%	79%	7%	71%	5%	78%	8%
Owner occupied	85%	5%	57%	19%	77%	9%	64%	9%	70%	11%
Council/social rented	66%	13%	41%	25%	57%	14%	59%	10%	54%	17%
Private rented	58%	17%	35%	31%	50%	19%	54%	16%	48%	22%
Urban	76%	8%	50%	22%	69%	11%	60%	12%	63%	14%
Rural	78%	12%	45%	26%	61%	15%	63%	6%	63%	16%
Eastern Scotland	75%	9%	51%	22%	71%	11%	62%	10%	66%	12%
S.W. Scotland	78%	8%	49%	23%	70%	12%	58%	12%	61%	14%
N.E. Scotland	76%	10%	50%	25%	58%	17%	72%	10%	63%	19%
Highlands & Islands	73%	8%	43%	25%	47%	11%	60%	8%	58%	19%
Less than £5,200	72%	-	21%	25%	51%	41%	53%	16%	37%	25%
£5,200-£15,599	64%	13%	38%	27%	50%	17%	58%	13%	51%	21%
£15,600-£36,399	77%	10%	50%	27%	69%	13%	61%	10%	65%	15%
£36,400-£77,999	85%	6%	54%	19%	80%	7%	61%	12%	66%	11%
£78,000 or more	85%	-	70%	5%	81%	-	65%	11%	71%	5%
Weekly/fortnightly	67%	10%	48%	24%	57%	17%	61%	11%	59%	17%
Monthly	79%	9%	50%	23%	72%	10%	61%	11%	64%	13%

Appendix 3: Relative importance assigned to each bill / repayment⁴



⁴ This is the result of a 'Maxdiff' analysis where respondents are asked to say which bill/repayment from a series of lists was the most/least important to pay if they were 'short of money' and could not afford to meet all demands.

Appendix 4: Worries related to financial issues

	Proportion agreeing with each statement			
	Worried about utilities being cut off	Worried about receiving a court summons from a creditor	Worried about being evicted/ having home repossessed	Worried about being able to afford living expenses
All respondents	11%	8%	7%	26%
Male	11%	8%	7%	21%
Female	11%	9%	8%	30%
16-34	14%	12%	11%	35%
35-54	12%	10%	9%	32%
55+	7%	4%	4%	14%
Full-time work	10%	10%	7%	24%
Part-time work	9%	7%	6%	33%
Not working	23%	14%	16%	44%
Retired	4%	3%	2%	10%
Owner occupied	6%	5%	4%	17%
Council/social rented	26%	21%	15%	49%
Private rented	15%	12%	16%	40%
Urban	11%	9%	8%	26%
Rural	8%	8%	4%	25%
Eastern Scotland	9%	7%	6%	22%
S.W. Scotland	12%	10%	9%	28%
N.E. Scotland	8%	8%	4%	25%
Highlands & Islands	15%	4%	7%	26%
Less than £5,200	35%	23%	24%	56%
£5,200-£15,599	24%	14%	16%	52%
£15,600-£36,399	11%	9%	7%	26%
£36,400-£77,999	4%	5%	3%	14%
£78,000 or more	2%	2%	4%	4%
Weekly/fortnightly**	21%	17%	16%	45%
Monthly	8%	6%	6%	21%

Base: 1501

** The more money earned, the more likely to receive that income monthly.

Appendix 5: Impact of financial issues on wellbeing

	Proportion agreeing with each statement			
	Experiencing physical/ mental health problems	Experiencing sleep problems	Relationships with family, partner or friends suffering	Worried about deductions being made from income for outstanding debts
All respondents	11%	13%	11%	12%
Male	10%	10%	11%	11%
Female	13%	15%	12%	12%
16-34	18%	18%	18%	20%
35-54	14%	17%	14%	14%
55+	4%	6%	4%	4%
Full-time work	11%	13%	13%	13%
Part-time work	16%	18%	13%	15%
Not working	20%	23%	19%	20%
Retired	3%	3%	3%	2%
Owner occupied	7%	9%	9%	7%
Council/social rented	23%	27%	18%	30%
Private rented	19%	17%	14%	16%
Urban	11%	13%	11%	12%
Rural	12%	13%	11%	9%
Eastern Scotland	9%	11%	8%	9%
S.W. Scotland	14%	15%	14%	13%
N.E. Scotland	11%	12%	11%	13%
Highlands & Islands	9%	12%	12%	17%
Less than £5,200	32%	28%	13%	40%
£5,200-£15,599	21%	24%	19%	24%
£15,600-£36,399	13%	14%	12%	11%
£36,400-£77,999	5%	8%	9%	7%
£78,000 or more	5%	4%	4%	4%
Weekly/fortnightly	19%	21%	17%	23%
Monthly	9%	11%	10%	9%

Appendix 6: Experiences of debt

Table A: Volume of debt compared to 5 years ago

A lot more than 5 years ago	15%
A little more than 5 years ago	13%
About the same as 5 years ago	14%
A little less than 5 years ago	13%
A lot less than 5 years ago	20%
I have never been in debt in the last 5 years	23%

Base: 1079

Table B: Reasons for having more debt than 5 years ago

Increased bills/payments	43%
<i>Utilities</i>	30%
<i>Rent/Mortgage</i>	28%
Employment/Income related	33%
<i>Reduced wages/loss of overtime</i>	27%
<i>Loss of job</i>	11%
Poor financial management	24%
Household repairs/improvements	21%
Health/Relationships	19%
<i>Sickness or disability</i>	14%
<i>Breakdown of relationships</i>	6%
Loss of/reduced benefits or tax credits	14%
Only one issue	42%
Multiple issues	55%

Base: 307



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The Scottish Association of Citizens Advice Bureaux -
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