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11 November 2022

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Digest:

- Low financial resilience describes people who are in financial difficulty, or who could quickly find themselves in difficulty if they suffer a financial shock. This can look like having little to no savings or being heavily burdened by domestic bills or credit commitments.
- The survey highlights a material increase in the proportion of UK adults who find keeping up with domestic bills and credit commitments a burden.
- The FCA plan to publish a report outlining the full details of the survey in 2023.
- The full report will include data from new questions in the survey relating to other characteristics of vulnerability such as financial abuse, erratic incomes, and low emotional resilience.

Source/Context:

On 21 October 2022, the FCA presented its latest Financial Lives survey findings. The survey looks at the financial products held, experiences with financial services providers, and their financial situation and resilience of adults aged 18 and over across the UK. The survey's findings are a timely reminder of the impact of the cost of living crisis and the role the financial services industry is expected to play with respect to protecting its vulnerable customers.

The survey found that as of May 2022, 12.9 million UK adults had low financial resilience. This equates to 1 in 4 (24%) of all UK adults.

Although the results show that some of the vulnerability caused by the pandemic has improved, there is still a 2.2 million increase in low financial resilience and a 0.9 million increase in vulnerability since February 2020.

What does this mean for financial services and other industries?

Firms should be mindful of the relationship between the cost of living crisis, the Consumer Duty and their responsibility to vulnerable customers. In their summary of the survey findings, the FCA highlights that although all consumers are at risk of harm, this risk increases if consumers "are in vulnerable circumstances" e.g. if they display one or more of the FCA's four vulnerability characteristics – health, life events, resilience and capability.

In their policy statement on the Consumer Duty, the FCA stressed how important it is for firms to recognise the possibility for overlap between socio-demographic background and vulnerability. For example, they reminded firms that previous surveys have found that that minority ethnic adults are disproportionately likely to be in vulnerable circumstances and therefore at greater risk of harm. The recent survey findings go one step further, highlighting that black adults are twice as likely to have low financial resilience and twice as likely to find keeping up with bills and credit commitments to be a heavy burden. Therefore, it is important for firms to target their support towards these already vulnerable groups.

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