

As interest rates set to rise, 57% are experiencing financial difficulties as the cost of living soars

Submitted by: Key Loans & Mortgages Limited t/a KIS Finance

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Research by KIS Finance (<https://www.kisbridgingloans.co.uk/>) has revealed that as a direct result of the rising cost of living, 57% of people are either already struggling financially, or expect to do so in the very near future.

With inflation jumping to 5.4%, its highest level in almost 30 years, increasing numbers are finding it challenging to make ends meet.

With the anticipated announcement today from the Bank of England that interest rates will rise from 0.25% to 0.5%, (the second increase in 2 months) this will bring further misery to those trying to keep financially afloat.

In many ways it's the perfect storm. Average electric and gas bills are expected to hit £2,000 a year when the Government's price cap is raised, at the same time that food prices have seen the highest rise in nearly a decade. Motorists are facing soaring petrol prices due to the rise in the cost of crude oil and the increase in National Insurance from April will put yet more pressure on people's already stretched budgets.

Key Statistics

KIS Finance's (<https://www.kisbridgingloans.co.uk/>) research found:

- 27% are already struggling financially as direct result of the rising cost of living.
- 30% anticipate financial problems in the very near future as the impact of rising prices bites.
- 35.5% of 18 – 24 year olds report they are already financially struggling.
- 36% of over 55's are worried that the financial pinch will hit them shortly as prices continue to rise.
- The South East is the area most affected to date, with 30% already struggling financially.
- 22% of 18 – 34 year olds have had to take a second job just to make ends meet. (Take on an additional job since the Pandemic)

Over a quarter of people are already struggling financially

As the impact of rising inflation starts to really bite, over a quarter of those surveyed report struggling to make ends meet. With real wages in the UK predicted to be lower by 2026 than they were in 2008, this worrying trend looks set to remain for some time.

Whilst some inflation is needed to keep the economy running smoothly, the current rate is over double the ideal level of 2% that the Bank of England aims to maintain. With some predicting even further increases, a rising number of people are likely to struggle to get by.

With today's announcement by the Bank of England expected to see an increase in interest rates from 0.25% to 0.5%, the second rise in 2 months, this will put further pressure on stretched household budgets, as mortgage and loan repayments increase.

This is not like previous times of high inflation

Unlike previous periods of high inflation, the current rise in prices is not simply linked to increased consumer expenditure.

The increase in fuel costs and the impact on the cost of everyday goods and services, alongside rising food prices, means that today's inflation is being driven by the increase in the cost of essentials.

Research by KIS has found that only 30% of people report a rise in pay since before the pandemic, whilst 70% have seen their wages either stagnate or fall. Therefore it's not been an increase in non-essential spending that has driven the current rise in the cost of living and the announcement that interest rates are set to rise will do little to help reduce these inflationary pressures.

A third fear that the worst is still to come

Nearly a third of people reported genuine concern that rising prices and the increasing cost of living would have a negative impact on their lives in the very near future. Whilst some have been able to make use of savings built up over lock down to help meet increasing costs, this temporary buffer won't last for long and the impact of a permanently higher cost of living is a real worry for many.

As energy prices soar, pushing up both the direct cost for heating and powering our homes, and the indirect cost of other goods and services, the impact on household budgets is one that few can ignore.

Young people hit the hardest by rising costs

Over 35% of those aged 18 to 24 are reporting that they are already struggling to get by financially. Research by the think tank Demos, has found that young people are currently the hardest hit and face the 'greatest uphill battle' to make ends meet. With potentially higher levels of debt and lower incomes, it's this generation that may find it the hardest to take on additional expenses as costs rise.

As their expenditure increases on day to day living, their ability to save is likely to be hard hit. For many this will mean that the dream of saving a deposit to get onto the property ladder will now be even less of a reality than before.

Costs rise as salaries fall

24% of those aged between 18 and 34 have reported a fall in their wages compared to before the pandemic. With many younger people employed in the sectors greatest hit over the last 2 years, including hospitality and retail, it's not surprising that they have seen their incomes fall, either as a direct result of a wage cut or due to a reduction in their hours. Set alongside increasing costs for food, fuel and other essentials the impact for young people can't be under-estimated.

22% of young people forced to take additional jobs

As many of those aged 18 to 24 struggle to make ends meet, nearly a quarter have had to take an additional job to get by. Whilst people may choose to have a second job to supplement their income, many young people are now finding that they have no alternative if they are to manage financially.

When asked why they took on an additional role, some responded that they were worried about job security and took on other jobs in case their primary role was at risk in the future. Whilst this may boost their finances in the short term, the additional pressure of longer hours and juggling multiple jobs may well take its toll on the well being of those that find themselves in this situation.

36% of over 55's are worried that things are going to get a lot worse

Whilst younger people are already feeling the impact of the rising cost of living, those aged over 55 are the most worried about the impact on their finances in the coming months and anticipate finding themselves in difficulties soon. Whilst they may have higher levels of savings, anyone who is thinking

about retirement in the next few years may now be reconsidering whether they can afford to do so.

South East the hardest hit

30% of those in the South East report already being in financial difficulties as a direct result of rising costs. Whilst average wages may be higher, increases in living costs are being acutely felt by those living there. As interest rates now rise, those with large mortgages will feel the pinch even more as monthly repayments increase alongside other rising costs.

Holly Andrews, MD at KIS Finance (<https://www.kisbridgingloans.co.uk/>) comments on the findings:

“The anticipated announcement by the Bank of England that interest rates are increasing to 0.5% will be a further blow to those trying to get onto the property ladder.

Shortages in the housing market are forcing prices up at the same time that rents are at some of their highest rates ever.

With the cost of borrowing increasing alongside the rising cost of living, those saving for a deposit will find this even more challenging. Similarly those applying for a mortgage may find it more difficult to meet income requirements, as disposable income is hit by the rising cost of essentials.

With the potential for 2 further increases in interest rates this year the situation doesn't look like it will ease for home buyers anytime soon.”

[ENDS]

Notes to journalists/editors:

All figures, unless otherwise stated, are from a survey conducted by The Leadership Factor for KIS Finance. The total sample size was 1,500. Fieldwork was undertaken between 21st January 2022 and 28 January 2022. The survey was carried out online.

Further data breakdowns (by age, gender, region, and city) are available on request.

Full data report:

<https://www.kisbridgingloans.co.uk/finance-news/increased-cost-of-living-means-financial-difficulties-for-millions/>

About KIS Finance:

KIS Finance are an independent finance broker specialising in bridging finance, development finance, commercial mortgages, equity release, and secured loans. Their team of advisors have considerable experience across multiple different areas of the finance sector, as well as insurance and compliance.

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