70% of young people regularly borrow to pay bills or everyday living expenses

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Young people in Britain are facing mounting debts and unaffordable living expenses, new research from Neyber (http://www.neyber.co.uk) has found.

The study, carried out among 10,000 UK employees, found that an alarming 70 per cent of people under-34 need to regularly borrow either to pay their monthly bills or deal with day-to-day living expenses.

More worrying, young people are turning to more dangerous forms of lending just to get by. 33 per cent of 25-34 year olds are using credit cards for day-to-day borrowing – higher than any other age group.

The younger you are, the more likely you are to use a payday lender. 8 per cent of 18-24 year olds said they had used one, compared to 4 per cent of 25-44 year olds and 0 per cent of those who were over 65. One in 20 young people have resorted to a loan shark.

One of the reasons for this regular borrowing may be that more young people have jobs with fluctuating income. Sixty eight per cent of 18-24 year olds said their income changes each month. Over a quarter (27 per cent) said their income varies by more than 30 per cent.

The combination of regular borrowing and uncertain incomes has led to many young people feeling stressed. Sixteen per cent of 18-24 year olds said that their finances were out of control, while 20 per cent of 25-34 year olds said they were only just coping.

Even worse, there is evidence that debts are spiralling. The average unsecured debt among 25-44 year olds has risen to GBP £14,794.35 in 2018.
Neyber found that those in the GBP £20,000 - £29,999 earnings bracket – which includes those on an average salary - are spending an average of 37 per cent of their income on debt repayments, including mortgage or rent, per month.

Excluding mortgages and rent, the average amount of unsecured debt employees pay each month is GBP £325.

Heidi Allan, head of employee wellbeing at Neyber said: “Financial worries can lead to sleeplessness, stress and even depression. Clearly our research demonstrates that young people in Britain are not coping and are having to borrow just to get by. More needs to be done to support people, whether that’s providing better financial education in schools, working with employers to offer their young staff financial education or even providing debt support and guidance. If we don’t act now, we will see young people in Britain spiralling into debt they’re unable to repay.”

Phil Andrew, CEO of StepChange added: “There are nine million people who have to use credit to pay for essential expenditure. This includes over one million people using high cost credit to make ends meet. When borrowing becomes a safety net for meeting basic needs the outcomes are often bad. Not financial wellbeing, but the corrosive hardship and harm of problem debt.”

“Employers have a strong interest in improving the financial wellbeing of employees and can be well placed to sell the benefits of seeking advice before problems get out of control. This timely report from Neyber gives a call to action to ensure working life is a source of support rather than worry for young people struggling with their finances.”

Top tips for managing money

Neyber’s Heidi Allan has identified top tips for young people looking to reduce money stress.

1. Use technology to help manage money: contactless pre-pay wrist bands mean that you can’t spend more than you plan to, and will stop you accidentally slipping into your overdraft.

2. Be open and honest and talk about money: it’s all too easy to feel pressured into spending lots of money socialising, but if finances are tight why not suggest dinner parties instead of restaurants or house parties instead of expensive night’s out.

3. Be wary of deals that sound too good to be true: never enter into a financial agreement that you don’t fully understand. If it sounds too good to be true, it probably is!

4. Avoid impulse buys: Set budgets before you hit the shops and always ask yourself if you really need or want the item you are about to buy. Don’t spend on impulse or to ‘keep up with your mates’. If you’re unsure, ask the shop assistant to hold an item for an hour and see if you really still want it later.

5. Educate yourself about different types of debt: Make sure that before you take on any debts - whether that’s credit cards or phone plans or even a mortgage – that you fully understand the terms and conditions. Some debts are better than others, so make you understand what you’ll need to repay and when and that you can really afford the credit.

Neyber’s full report can be found here (http://go.neyber.co.uk/dna-borrowing-needs-2018).

About Neyber

Neyber is a multi-award-winning financial wellbeing provider that helps UK employees to be better with their money. It partners with employers to support their workforce’s financial wellbeing with access to affordable, salary-deducted loans, financial education insights and a range of savings and investment products – all at no cost or risk to the employer.

Its vision is to build a community of employees who can confidently deal with money and have access to fairer finance when they need it.

Neyber has been included in KPMG’s 2017 global list of the top 100 fintech companies, recognised as Ethical Financial Services Provider of the Year at the Money Age Awards and became the first alternative lender to be accredited by the Lending Standards Board. It has been recognised as one of the top 50 most disruptive companies in the UK by Real Business and won “Benefits Innovation of the Year”, at the Workplace Savings and Benefits Awards in both 2016 and 2017. Neyber is also the Financial Wellbeing provider to the winner of the Employee Benefits Awards’ “Best Financial Wellbeing Strategy”.

Neyber was founded by former Goldman Sachs investment bankers Martin Ijaha and Monica Kalia along with financial technology expert Ezechi Britton. The founders joined together to deliver a genuine alternative to the solutions offered by financial service providers whose high borrowing rates and low returns on savings have helped to create an unprecedented era of financial stress. Clients include the UK Police Service, London City Airport, Anglian Water, NHS Trusts and FTSE listed firms.

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