

# Managing Household Finances - UK - 2022

Report Price: £2195 | \$2995 | €2600

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## This report looks at the following areas:

- The impact of the rising cost of living on financial wellbeing and consumer confidence.
- The impact of inflation on spending patterns.
- Priorities when managing household finances as prices rise.
- Preferred methods of managing household finances.
- Consumer financial education.
- Whether or not people set themselves a household budget, and the tools they use to help stick to that budget.

There remains a gender split when it comes to responsibility for managing household finances, with men more likely than women to say they take sole responsibility. Women are also less likely to say they enjoy managing finances. We have seen efforts from Starling Bank to highlight inequality in financial services, while the first female-centric financial management app Financielle launched in November 2021 and could help to address the imbalance.

Soaring rates of inflation and the increase to the energy cap are having a major impact on household budgeting. The ongoing conflict in Ukraine is only likely to exacerbate inflationary pressure, with further supply chain issues and rising fuel prices. As of 4 May 2022, 74% of British consumers thought that the conflict would have an impact on their finances. While many households say their finances are alright in the short term, the key issue will be the longevity of continued increases in living costs. With some consumers already struggling, financial providers will need to provide additional support.

While households can cut back in some areas and adjust spending patterns when it comes to travel, leisure and entertainment, for many there will be little room for manoeuvre. Those already limiting energy usage and shopping at the cheapest supermarket for groceries will need additional financial support, even factoring in the latest round of government support that was announced by Rishi Sunak on 26 May. Some will be forced to increase their borrowing, and



“With unprecedented inflationary pressure and soaring energy bills, managing finances could prove a difficult task for many households. Although many can withstand the rising cost of living in the short term, the key issue will be how long price increases go on.”

– Adrian Reynolds, Senior Analyst – Financial Services, May 2022

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there is a risk of households struggling to cover housing costs or defaulting on existing lines of credit.

As with the pandemic, the cost-of-living crisis could act as a driver of change when it comes to consumer habits. Open Banking has been relatively slow in adoption, largely due to a lack of awareness. There is no better time for banks and aggregators to highlight the benefits and launch innovative new tools to help consumers find cost savings and the most appropriate financial products. As prices and bills continue to increase, more people will be willing to trade their data for help managing their household finances.

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## REGULATORY AND LEGISLATIVE CHANGES

- National Insurance rate rises 1.25 percentage points
- Government offers £400 discount as energy price cap rises 54%
- Prescription charges frozen for first time in 12 years
- Government suspends the triple lock on state pensions for 2022
- FCA Consumer Duty prioritises consumer financial wellbeing
- Regulation of the BNPL sector expected by end 2022 as consultation ends
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