**Press Release – The Money Charity – For Immediate Release**

(BEGINS)

**Consumers Turn Away From Traditional Credit**

**As Interest Rates Continue to Climb**

**The Money Statistics November 2022**

**While evidence shows that many people are turning to credit in order to pay for essentials, concerns are growing that consumers may be diversifying which forms of credit they turn to, according to the November 2022 Money Statistics, produced by The Money Charity.**

As costs and interest rates continue to climb, there are many signs and reports of UK households having to turn to credit and borrowing in order to meet essential costs and cover the basic costs of living. However, recent figures suggest people are not solely turning to the route of accessing ‘typical’ credit. In September 2022, consumer credit lending to individuals, decreased by **£93 million**[[1]](#footnote-1), the first time that this figure has fallen since December 2021.

However, widespread reports have pointed to consumer groups needing to borrow to cover their costs of their essential bills. For example, of the one in four students who reported taking on new debt in response to living cost increases, **66%**[[2]](#footnote-2) said their student loan was not enough on which to live. Meanwhile between January and June 2022, **£5.6 billion**[[3]](#footnote-3)was spent on Buy Now Pay Later (BNPL) services, a total not reached in 2021 until October. **42%**[[4]](#footnote-4) ofpeople using BNPL have reported having to borrow from other sources to make repayments.

The surprise fall in traditional credit lending could therefore indicate consumers are looking at different places to borrow and away from the most common, highest rates of interest. In October 2022, the average interest rate on credit card lending bearing interest was **21.85%**[[5]](#footnote-5). In comparison, the average APR for a £5,000 personal loan was **9.19%**. For a £10,000 loan it was **5.17%**, while the average rate for an overdraft was **35.28%**, making credit cards and overdrafts two of the most expensive forms of credit. In November, the Bank of England raised the base rate by **0.75%** to **3%**[[6]](#footnote-6), the seventh increase since December 2021 as an attempted measure for controlling inflation. As the base rate rises, so too do all other interest rates, meaning consumers might be pressed towards ‘shopping around’ more for their borrowing needs.

This is especially true for more financially vulnerable people, such as the **32%**[[7]](#footnote-7)of families with no savings who have reported that they would need to turn to friends and family if faced with an unexpected expense, compared to just **3%** for families with some savings. Further evidence can be seen by recent StepChange figures, stating that the percentage of their clients behind on personal loans, overdrafts and short-term credit or payday loans all decreased in September 2022, compared to August, by **44%**, **32%** and **9%**[[8]](#footnote-8) respectively.

**Michelle Highman, Chief Executive of The Money Charity says:**

“This month’s headline numbers are both unexpected and surprising. There can be little denying that many people right across the UK are truly struggling to make ends meet. In that scenario, it would usually be expected that more people would be turning to the most common forms of borrowing and credit, but these areas instead falling suggests people are looking elsewhere.

“Shopping around is not in itself a problem. In fact, it’s one of the areas we encourage people to be aware of and alive to in our Financial Wellbeing Workshops and Webinars. If it indicates households getting the best value for their financial situation, that’s a good thing. Similarly, if friends and family are willing, able and comfortable to support each other, this can also meet a need well. The concern though, is more what we can’t see; people using unregulated and/or unsafe borrowing options, or simply unsustainable options. If that is a route people are finding themselves pushed down, we would urge them to seek out independent, reliable and free advice and support as soon as possible.”

**Other Striking Numbers from the November Money Statistics:**

* The number of people unemployed in the UK fell by **625** per day in the twelve months to August 2022. *(P20.)*
* The inflation rate in the year to October 2022 was **11.1%**. *(P19.)*
* Unleaded petrol fell by **0.6 pence per litre** in October 2022. *(P14.)*

**Get the full picture and many more fascinating facts about money in the UK in our monthly** [**Money Statistics**](https://themoneycharity.org.uk/money-statistics/)**.**

Notes to Editors

* For over 25 years, The Money Charity has been the UK’s Financial Capability charity. We proactively provide education, information, advice and guidance to people of all ages, to reach our vision of seeing everyone achieving Financial Wellbeing by managing their money well. We empower people across the UK to develop the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives. Find out more at <https://themoneycharity.org.uk/>
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  + You do not make substantive adjustments to the presentation of the statistics, such as amending the statistic phrasing, or for example, repurposing the statistics into a format they are not appropriate for, such as an editorial/’opinion piece’ from the charity.
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* Any media or press enquiries should be directed to our Communications & Marketing Manager, James Yelland, on [james@themoneycharity.org.uk](mailto:james@themoneycharity.org.uk)

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1. (The Money Statistics November 2022 Full Report, P6) [↑](#footnote-ref-1)
2. (The Money Statistics November 2022 Full Report, P4.1) [↑](#footnote-ref-2)
3. (The Money Statistics November 2022 Full Report, P4.1) [↑](#footnote-ref-3)
4. (The Money Statistics November 2022 Full Report, P4.1) [↑](#footnote-ref-4)
5. (The Money Statistics November 2022 Full Report, P15) [↑](#footnote-ref-5)
6. (The Money Statistics November 2022 Full Report, P15) [↑](#footnote-ref-6)
7. (The Money Statistics November 2022 Full Report, P4.1) [↑](#footnote-ref-7)
8. (The Money Statistics November 2022 Full Report, P4.1) [↑](#footnote-ref-8)