Foreword

The COVID-19 pandemic has turned lives, businesses and economies upside down...

When we launched our inaugural UK Money Wellness Index back in January 2020, little did we know what social and economic upheaval was around the corner. Since then, the coronavirus pandemic has turned lives, businesses and economies upside down, causing widespread disruption, feelings of isolation and anxiety, not to mention tragedy for those whose loved ones have been worst affected.

A variety of services have been introduced to support physical and mental wellbeing during this time. NHS trusts and mental health charities have boosted frontline capacities; we’ve gathered in our millions around laptops and smartphones to keep fit with livestreamed workouts; and who hasn’t signed-up for one of a whole host of new wellness apps? As a nation we have seen a higher value placed on our emotional and physical wellbeing. The same can’t be said, however, for people’s financial wellness.

At first direct, we believe the subject of financial wellness continues to lack the meaningful engagement that is so urgently needed when money is such a fundamental driver of mental health.

As people grapple with the unprecedented changes wrought to their lives in just a few short months, we felt compelled to bring forward our second Index to take the pulse of the nation. We’ve also incorporated several new questions specifically to understand how the pandemic has affected people’s relationship with money, and how services should evolve to support and enhance their money wellness in such uncertain times.

Helen Priestley, Chief Marketing Officer
46% of people in problem debt also have a mental health problem.

Money and Mental Health Policy Institute.
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Introduction

With our inaugural Money Wellness Index, we sought to create a baseline from which to measure changes in the nation’s relationship with money.

The term ‘wellness’ is associated with making active choices which lead toward optimal holistic health. However, although most wellness models are increasingly multi-dimensional (encompassing aspects from physical, to emotional, to occupational wellbeing), they invariably ignore a fundamental element of overall wellbeing: our financial wellness.

While increasing numbers of us are spending time and money researching and making choices to reduce our stress levels and improve wellbeing, we’re neglecting to do the same for our finances. Put simply, we’re addressing the symptoms of stress rather than the cause, leaving us feeling out of control. According to the Government’s Financial Capabilities Strategy 2018 survey, this is the case for as many as 63% of UK adults.

It’s a reality which has led first direct to champion the concept of ‘Money Wellness’. With our inaugural Money Wellness Index, launched in January 2020, we created a baseline from which to measure changes in the nation’s relationship with money.

At first direct we wanted to investigate the immediate impact the first wave of the coronavirus pandemic, and seven weeks of lockdown in the UK, had on our financial wellbeing and feed it into the steps we are taking to help get the country feeling more ‘money well’. So, we commissioned a second study – in partnership with YouGov – asking over 4,000 adults across the UK to tell us about their relationship with money and how this has been affected by the impact of the virus.

The result? The second first direct Money Wellness Index, offering compelling insights into the state of the nation’s relationship with money as we emerge from lockdown.
Understanding the score

The Money Wellness Index is more ‘emotional’. It measures how we feel about money as a society.

Unlike other studies which focus on hard numbers, such as debt and spending trends, the Money Wellness Index is more ‘emotional’. It measures how we feel about money as a society.

We do this by looking at people’s responses to 16 statements about their relationship with money. The score is then calculated based on the average proportion of respondents who provided a favourable response (either agreeing with a positive statement or disagreeing with a negative statement).

According to our August 2020 research, the British public’s current mean money wellness score is 48 out of 100.

This represents an increase (albeit a slight one) versus the January Index (47). With the survey conducted almost four months after lockdown was eased, this perhaps surprising development is likely to have been driven by two main factors. First, the period of lockdown resulted in reduced outgoings for many, resulting in a large proportion of people feeling they can better afford the things they need. Second, the support measures put in place by the Government, such as furloughing and mortgage relief, will have alleviated the immediate financial pressure on many. It is also important to note these interviews were conducted at the end of lockdown, when a general feeling of relief and getting back to normal will have buoyed consumer spirits.
According to our August 2020 research, the British public’s current mean money wellness score is **48 out of 100**.
Understanding the score

These findings are reflected in the findings of the Office of National Statistics’ (ONS) ‘Personal and economic wellbeing in the UK; June 2020’ report, which found both anxiety and happiness had improved since lockdown (at a national level):

**Average wellbeing measures since the beginning of lockdown, Great Britain, 20 March 2020 to 7 June 2020**

<table>
<thead>
<tr>
<th></th>
<th>March 2020</th>
<th>June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Anxiety</strong></td>
<td>7.16</td>
<td>7.13</td>
</tr>
<tr>
<td><strong>Life satisfaction</strong></td>
<td>6.36</td>
<td>7.07</td>
</tr>
<tr>
<td><strong>Happiness</strong></td>
<td>7.42</td>
<td>7.52</td>
</tr>
<tr>
<td><strong>Worthwhile</strong></td>
<td>5.18</td>
<td>3.88</td>
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It also reflects the findings of the Bank of England’s NMG H1 Survey (August 2020) in which 57% of households reported they had reduced their spending. This led the researchers to conclude “those households whose income had not changed but whose spending had fallen – would have seen their savings rise, leading to an improved financial situation.”

However, while the overall Money Wellness Index has notionally increased, a score of below 50 still demonstrates an underlying sense of negativity and uncertainty when it comes to the nation’s relationship with money.

Given the ongoing wide-reaching effects of the pandemic, we can realistically expect the effects to dampen any major improvement for some time, with worries over wellbeing (8.5 million), employment (6.2 million) and financial stability (5.3 million) coming the top of people’s list of concerns (see Figure on page 9 from the ONS Opinions and Lifestyle Survey, May 2020).
“What are you most concerned about from all the things you raised worries over?”

Great Britain, 3 – 13 April 2020.
Office for National Statistics, Opinions and Lifestyle Survey.

Worries over wellbeing
8.5m

Worries over employment
6.2m

Worries over financial stability
5.3m

- My wellbeing is being affected (for example boredom, loneliness, anxiety and stress)
- My work is being affected
- My household finances are being affected
- Schools and universities are being affected
- I am unable to make plans
- Access to groceries, medication and essentials are being affected
- My health is being affected
- My relationships are being affected
- Availability of groceries, medication and essentials are being affected
- My caring responsibilities are being affected
- Life events are being affected (for example weddings and funerals)
- Personal travel plans are being affected (for example holidays and gap year)
- Other (please specify)
- Transport is being affected
- My access to paid or unpaid care is being affected
- Work travel plans are being affected
Understanding the score

An uneven picture

While the Index indicated a slight improvement overall, this does not give the full picture as there are wider variations between specific demographics as to how positive they are feeling about money.

Respondents aged 18-54 showed a significantly lower money wellness score (42.5 on average), indicating that adults of working age are likely to have far less healthy relationships with their finances.

At the other end of the scale people aged 55+, with a likely buffer of savings and pension income on the horizon, exhibited the highest score of any age group (58).

Guy Shone, CEO of Explain the Market, says “The virus’ impact on British lives has been felt in varied and unequal ways. Changes people experienced at work have had a far more profound effect on some age groups and sectors than others. This is bound to impact on financial confidence. The Institute for Fiscal Studies report on ‘Sector shutdowns during the coronavirus crisis’ from April 2020 shows that during the nationwide lockdown, employees aged under 25 were two and a half times more likely to work in a sector that was shut down than others. And low wage earners were seven times as likely as high earners to have worked in a sector that was shut down. Women were about one third more likely to work in a sector that was shut down than men: one in six (17%) female employees were in such sectors, compared to one in seven (13%) male employees. One mitigating factor was that the majority of the affected younger workers and lower earners live with parents or others whose earnings are likely to be less affected, so many may suffer smaller hits to their living standards than otherwise.”

In terms of regional differences, our analysis showed people living in Yorkshire and the Humber (52), Wales and the South West (51) to have the highest scores, and Londoners the lowest (45).

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Guy Shone, CEO of Explain the Market

Guy Shone explains: “Rural and coastal areas – often reliant on the hospitality industry, and the centres of major cities – dependent on public transport, have been particularly exposed to economic risks during the pandemic. This is offset, however, by growth in remote working which could, over time, potentially increase the number of highly-paid jobs and workers, and increase access to economic opportunities in smaller towns.”

People with no children tend to have the highest index scores (51), while parents – faced at the time with the double whammy of employment concerns and school closures – are much more negative about their relationship with money (41).
Money Wellness Index by demographics

We can see that those aged 55+ living in Wales or the South West and in Yorkshire and the Humber too, of higher social grade and no children, have the highest index scores while those aged 35–44 living in London, of lower social grade and with children have the lowest scores.
Key findings

**Anxiety continues to be widespread**

The second Money Wellness Index highlights that worrying about money continues to be a widespread issue – spanning all age groups, life stages and demographics.

Over a third (34%) of all adults say they often worry about not having enough money to get by – down three percentage points since December last year. Over a third (down three percentage points to 35%) feel they are not able to afford the things they want, and almost one in five (18%) admitted to sometimes pretending they have more money than they do.

Interestingly, however, the coronavirus pandemic appears to have had a markedly uneven impact when it comes to anxiety over money: one third (34%) of UK adults say they are more anxious about money as a result of the pandemic, whilst a similar number (31%) say they are not more anxious. This is likely a knock-on effect of the uneven impact of lockdown on different demographic groups (as described on pages 10-11).

“Higher earners have still suffered problems – the same problems and worries, just with different manifestations.”

Guy Shone, CEO of Explain the Market

“Higher earners have still suffered problems – the same problems and worries, just with different manifestations. According to IFS’ June data, whereas poorer households seem to be falling behind by more on council tax and utility bills, non-payment of mortgages is spread more evenly across income distribution. During recent months people on average and higher incomes have also been missing mortgage payments.” Guy Shone, CEO of Explain the Market.
Key findings

The Money Wellness Index

September 2020

The pandemic has made us more cautious

Perhaps unsurprisingly, another outcome of the coronavirus crisis is increased awareness and cautiousness when it comes to our finances. 48% of respondents claimed to feel more aware about money and their financial situation post pandemic. The figures show a high percentage of the population are more likely to pay more attention to their day to day spending (43%), save for a rainy day or emergency fund (40%) and reduce non-essential spending (39%). With awareness a key factor in being able to proactively improve wellbeing, this is an encouraging development for financial wellness in the years to come.

This caution is also reflected in a reduced appetite for borrowing. Coming out of lockdown, 46% of UK adults say they are less likely to borrow money from their bank. One quarter (24%) say they are less likely to use a credit card, and 28% say they will be more likely to pay off debts as a result of the pandemic. Most encouragingly, around a third (31%) say that they are thinking about money in a smarter way.

“There is plenty of anecdotal evidence of lockdown finally forcing Brits to face doing a family budget, start saving or even just digest the small print on insurance documents. The findings from the Money Wellness Index reflect this behaviour change entirely, as we start to see people being more pro-active with managing their money and wanting to increase their awareness about finances.” Guy Shone, CEO of Explain the Market.
Key findings

**Battening down the hatches**

The coronavirus pandemic has shaken all levels of society. With warnings of a second wave ahead, the majority of the British public appear to be readying themselves for further storms ahead.

More than half (54%) say they want to become more financially resilient (with most associating this with the ability to cope with either a personal or economic crisis). This further explains the desire to bolster emergency savings and pay off debts.

The crisis has also made people think more about their money and shoring themselves and their families up for the future. 39% of consumers say they are motivated to get better prepared in case of another economic crisis, with 27% saying the pandemic has inspired them to improve their financial knowledge.

54% want to become more financially resilient

39% are motivated to get better prepared in case of another economic crisis

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Key findings

Out of sight, not out of mind

Coming through strongly in the report is a growing understanding ignoring your financial worries will not make them disappear. Quite the opposite in fact. Reassuringly, half (49%) of people interviewed say that turning a blind eye to their finances makes them feel worse about money, whereas only 7% say it makes them feel better.
So, what can be done?

**Of course, there’s a school of thought that we Brits have always felt anxious about money, so what’s new?**

And to an extent that’s true.

Today, however, we have much more information on the crippling impact anxiety can have on our lives and those around us – particularly the growing correlation between money problems and mental health.

At first direct, we have always taken a human-first approach to banking. We understand money is an emotional topic. It’s completely right that it’s personal to every individual, and it’s this understanding that forms our approach to banking services. We are serious about our ambition to be the bank that gives people a better relationship with their finances and helps them feel well as a result.

Today, we are working alongside an extensive panel of experts (from financial thought leaders, to influencers and psychologists) to find new ways to help our customers understand and improve their relationship with money.

The Money Wellness Index provides critical input to these efforts.
So, what can be done?

“I feel alone when it comes to managing my money”

Over two fifths (43%) admit to feeling on their own in terms of their finances. A similar number said they would feel better if they realised others felt the same way (41%).

It’s the banking sector’s obligation to normalise such feelings, minimise the negativity in customers’ relationship with money, and demonstrate the breadth of practical support available more effectively.

first direct will continue its mission in this space, working towards a large-scale campaign in 2021. Throughout the coronavirus pandemic, in addition to the standard support packages offered by most banks, we called all our elderly and vulnerable customers proactively, trained front line staff on financial and domestic abuse (as it can be ‘safe’ to call your bank) and made ourselves actively available as a first point of call to other services. We also used our 10,000-strong community hub (fdesign) to track and communicate on important issues and concerns, helping customers see others felt the same. And we shared helpful tips and information on our social channels and our Money Wellness Hub. These are valuable services for our customers, which we will continue to enhance and evolve.
So, what can be done?

“Knowing more about financial matters would help me feel better about money”

Over half of UK adults (51%) would feel more positive about money if they understood it better.

We are convinced education is the key to giving people a healthier, less stressful relationship with money and helping them feel more in control of their finances. As an industry, we need to take this seriously and provide differentiated, user-friendly solutions.

To protect customers who bank online, education about fraud is particularly critical. We have ramped up our fraud communications, sharing details of all known incidents in real time on our social channels. We also understand that, for most people, reading long articles on financial matters is a struggle. This is why we integrate education in simple ways, throughout everyday customer interactions, designed with the individual in mind. We have a number of excellent tools in development for 2021 to help people do the things they put off much more easily.

51% UK adults would feel more positive about money if they understood it better.
So, what can be done?

“I just want to speak to a real human being at my bank”

Only 1 in 8 people (14%) would turn to their bank for help or guidance, with almost half (47%) still preferring to turn to friends and family. 37% of people said that being able to speak to a real human being at their bank would make them feel better about money.

As brick and mortar branches close and fintechs reduce phone services to a minimum, many customers feel that services have become too impersonalised. Giving access to speak with real people about important issues may help give people a more positive mindset when it comes to their money.

While customers don’t need a human for every transaction, they need to know they can turn to their bank when they really need it. Bucking the industry trend, first direct’s lines have remained resolutely open 24 hours a day, seven days a week. We know it’s critical for financial confidence to have this safety net, so our phones are always answered by a fully trained, safe and secure human.

37% of people said being able to speak to a real human being at their bank would make them feel better about money.
Conclusion

This second edition of the first direct Money Wellness Index is another important step in our mission to understand and meaningfully enhance the nation’s financial wellness.

Interestingly, amid acute economic crisis, our findings point towards a shifting attitude towards money. People appear to be wanting to get themselves in better financial shape, improve their money wellness and empower themselves with better financial knowledge.

The increase we have observed in the Index immediately after lockdown proves the correlation we were convinced exists between the health of your finances and your emotional, financial confidence. We will look to conduct another survey in December to investigate how this progresses.

Meanwhile, with money wellness figures still significantly lower than we would like, it is vital that our industry continues to provide a range of support services to help customers develop and maintain long-term good habits. Because people cannot feel truly well, unless they are financially well.
Our partners

We’ve partnered with research and personal finance experts to conduct the study and to help provide further insights into our findings and what they tell us about the state of the nation’s feelings about money.

YouGov
The globally renowned and widely recognised public opinion research company, recognised as most accurate research agency by Pew Research Centre. YouGov data is regularly referenced by the press worldwide and it is the most quoted market research source in the UK.

Guy Shone, CEO of Explain the Market, a leading financial research agency, has been leading global research projects for over 15 years. He is also the previous Head of Consumer & Market Insight for the Money Advice Service, backed by the UK Government.
The Money Wellness Index 2020 is a measure of how UK adults feel about their relationship with Money.

The Index was derived from a large quantitative research study of 4,304 nationally representative UK adults, making the findings robust and reflective of the wider population.

The research was conducted by YouGov, an international research data and analytics company, based in the UK. Respondents were sourced from YouGov’s proprietary online panel of c. 1.3 million UK adults and invited to complete a short survey capturing how they feel about their relationship with money.

The Money Wellness Index score is based on people’s responses to 16 statements which specifically measure how people feel about money. The score has been calculated based on the average proportion of consumers who provided a favourable response (either agreeing with a positive statement or disagreeing with a negative statement).

All figures, unless otherwise stated, are from YouGov plc. Total sample size was 4,304 adults. Fieldwork was carried out between 4 and 6 August 2020. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).