One-page summary

Fawcett
Fawcett is the UK’s leading campaign for equality between women and men. We trace our roots back to 1866, when Millicent Garrett Fawcett began her lifetime’s work leading the peaceful campaign for women’s votes. Fawcett campaigns to close the gaps between women and men’s access to power, money and justice. An unrivalled pedigree of 140 years of campaigning makes Fawcett the most authoritative independent advocate of women’s rights in the UK.

This briefing
Fawcett is running a project to look at women’s savings, debt and pensions. This briefing gives an overview of our findings on unsecured credit such as credit cards, personal loans and mail order debts; it does not deal with debt owed on mortgages or secured credit. It is intended to give a flavour of findings, to provoke thinking among policy makers about appropriate responses, and to suggest areas for further research.

Key findings
- Men owe twice as much money as women, but women are more likely to struggle with debt
- Women are more likely to use ‘sub-prime’ credit than men - credit which is easier to access, but costs more in interest rates
- We identified four groups of women who have particularly high levels of debt problems; young women, lone mothers, women who have gone through relationship breakdown, and Black and Mixed Race women
- Although young women have high levels of debt and problems with debt, they still owe less than young men and are slightly more likely to have savings

From here
The full findings of this project, looking at women’s savings, debt and pensions in the round, will be published in a final report in November 2007.
For more information please contact Project Manager Jenny Westaway. Email jenny.westaway@fawcettsociety.org.uk or call 020 7253 2598.

We are grateful to the Nuffield Foundation and the Friends Provident Foundation for funding this project.
Note on ‘debt’ definition
The term ‘debt’ is generally used to mean a variety of financial commitments, including mortgages, credit taken out on a card or in another form, or being behind with bills. This briefing excludes debt owed on mortgages and deals with ‘unsecured’ credit such as credit cards, personal loans and mail order debts. Our figures on ‘arrears’ relate to being behind on one or more bills, including rent, utilities, loans or credit agreements.

The women and debt paradox
Women and men are almost equally likely to owe money; overall 43% of women and 42% of men owe money. However, men owe much more than women. Men owe an median of £5000 in non-mortgage debt, twice women’s of £2500.

Although men owe much greater amounts of money, our analysis indicates that women are more likely to struggle with debt; 9% of women are in arrears, compared to 7% of men. At first it may appear paradoxical that women are less likely to have debts, but are more likely to struggle with debt. In fact the probable reasons for these apparently contradictory facts are closely connected.

Why men have more debt
Use of credit is not necessarily sign of financial difficulty. For most people, credit works as a useful tool, allowing greater control and flexibility with cash flow, helping to deal with large one-off expenses or irregular income. The Government’s own research indicates that in spite of an increase in the number of individuals taking on a high level of debt, the number who consider their household’s borrowing to be a heavy burden has remained low and the proportion of individuals in arrears is also low.

The use of credit is in many cases a sign of financial well-being. With greater wealth, comes a greater ability to pass the credit tests necessary to access mainstream credit and a greater confidence of being able to pay off borrowing. Our analysis shows a correlation for women and men between being in a higher income bracket and owing larger amounts. It seems likely therefore, that men’s tendency to owe more money is linked to the fact that their incomes are still around twice those of women.

The different kinds of credit used by women and men also reflect their different economic standing, levels of financial inclusion and experiences. Women are less likely to use mainstream credit, such a personal loan or overdraft from a high street bank. Women are more likely to use sub-prime credit forms, such as catalogue or home credit, which is easier to obtain if you are on a low income or have bad credit history, allows more flexibility in when repayments are made and, with home credit, provides a doorstep service with a familiar company representative. However, sub-prime lending has much higher interest rates, sometimes up to 20 times higher than mainstream credit forms.

Why women are more likely to be over-indebted
For some people debt stops being a useful tool and becomes a problem. There are several different ways of defining ‘over-indebtedness’ women are over-represented on all these measures. Previous research for the Department of Trade and Industry identified households which were more likely to be in arrears. The table below lists the types of households in which incidence of arrears stood at more than 20%.
<table>
<thead>
<tr>
<th>Type of household</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lone parent</td>
<td>36</td>
</tr>
<tr>
<td>New baby*</td>
<td>33</td>
</tr>
<tr>
<td>Separation*</td>
<td>32</td>
</tr>
<tr>
<td>Income £7,500-£9,999</td>
<td>32</td>
</tr>
<tr>
<td>Caring for family/home</td>
<td>31</td>
</tr>
<tr>
<td>Age 20-29</td>
<td>30</td>
</tr>
<tr>
<td>Unemployed</td>
<td>28</td>
</tr>
<tr>
<td>Had a rise and fall in income</td>
<td>26</td>
</tr>
<tr>
<td>Income under £5,000 or £9999-14,999</td>
<td>24</td>
</tr>
<tr>
<td>Fall in income</td>
<td>23</td>
</tr>
<tr>
<td>Working PT</td>
<td>23</td>
</tr>
<tr>
<td>All</td>
<td>13</td>
</tr>
</tbody>
</table>

It is striking that all but two of these characteristics (the age and the unemployment status) are associated with being female. More than 90% of lone parents are women, women’s incomes are lower than men’s and women are more likely to be caring for family and/or working part-time. Women’s earning patterns fluctuate more than men’s, mainly due to their caring responsibilities and therefore women are more likely to experience a rise or a fall in income. Lastly, while women and men are statistically as likely as each other to become a parent or experience separation, previous research shows us that these events tend to have a greater negative financial impact on women than on men. So, women are more likely to experience some of the factors that are associated with being in debt.

There is a widespread belief, reflected in the media, that women, and young women in particular, are becoming over-indebted due to spending on consumer items that could be considered frivolous. While our new analysis does not provide a detailed breakdown on what women are using credit for, there is some evidence that indicates that the use of credit for consumer spending within a context of pressure to maintain social status may play a part in the over-indebtedness of some young and single women.

However, it is important to emphasise that this factor has most likely been over-played, after all, similar proportions of young men and young women have credit cards and store cards and these proportions are relatively low compared to older age groups. Among 16-24-year-olds, 29% of women have a store or credit card, compared to 23% of men. In the 25-29-year-old age group, 57% of women and 59% of men have either or both of these sorts of cards. Among 40-49-year-olds the figure is 71% for women and 75% for men. Furthermore, young women are slightly more likely to have savings; 62% of 16-30-year old women have savings, compared to 59% of men in this age group. Young women also appear to be as likely to be comfortably managing their credit and store card payments each month as young men. Below the age of 30, around 80% of young women and men either have nothing to pay usually on their monthly card bill or pay off the full amount or more than the minimum. Just 1.3% of young women and 1.6% of young men in the 16-24 age group sometimes cannot pay their card bills.

It is also important to point out that spending on ‘frivolous’ items is highly unlikely to be a major cause of the debt of the most financially excluded women. Citizens Advice points out that their female clients are “more likely to have debts associated with poverty than men. For example, 15% of female clients had catalogue debts, compared to 4% of male
clients. Women were also more likely to owe money to local moneylenders or home-collected credit providers than men. Male clients were more likely to have bank loans, credit cards debts and finance company loans." Furthermore, a study\textsuperscript{15} undertaken by Oxfam with 24 low income families in Teeside, illustrated that women were using credit to pay for essential items such as washing machines or school uniforms.

**Focus on over-indebted women**
Fawcett’s work on women and debt is concentrating on four groups of women who the evidence suggests are particularly experiencing problems:

1. Young women
2. Mothers, particularly lone mothers
3. Women who have experienced relationship breakdown
4. Black and Mixed Race women

**Young women**
As figure 1 below shows, the two youngest age groups of women tend owe less than men of the same age but to have higher levels of debt than other women. Our analysis showed that among young women there was a concentration of small numbers owing large amounts.

**Figure 1**
Median amount (£) owed by age and gender (BHPS 2005)

The relatively high levels of debt held by younger compared to older women do not necessarily mean that young women are over-indebted – as long as they can cope with these levels of debt there may be no problem. However, as figure 2 illustrates, younger women are almost twice as likely as young men to be in arrears on bills.
Mothers
The birth of a child heralds an increase in the likelihood of both women and men to owe money. Of all household types, lone parents stand out as being the most likely to have debt, with 48.4% owing money.

However, this higher likelihood of owing money does not seem to lead to parents owing higher amounts on average than others. Parents in couples owe almost the same as couples without children. Lone parents owe meanwhile owe considerably less than couples with or without children. But parents, and particularly lone mothers, are more likely to experience difficulties with debts, as shown by the Figure 3 below
Citizens Advice Bureaux report\(^1\) that 53% of their debt clients have one or more children, compared to 29% of all households in the UK and that over a quarter of their debt clients are lone parents, compared to 8%\(^2\) of the working age population. Another piece of previous research by the National Consumer Council\(^3\) shows that lone parents, spend on average 19% of their income on servicing, compared to an average of 14% for couples with children, 17% of benefit dependents and 11% of all those on low incomes.

In larger families we see that the proportion of mothers and fathers in arrears grows with the size of the family and that where there are children, this debt is born disproportionately by mothers. In families with two children, 13% of mothers have arrears, compared to 9% of fathers and in families with three children the figures are 19% and 13%.

**Relationship breakdown**

Previous research\(^4\) has suggested that there is a correlation between relationship breakdown and being in arrears and our analysis reflects this. Our evidence shows that for women this effect is even stronger than for men.

**Figure 4**

Percentages in arrears by gender and relationship status (FRS 2004-5)

![Figure 4](image-url)

Black and Mixed Race women

The BHPS indicates that Black women are slightly more likely to have debt than White women and that both Black and White women are much more likely to have debt than Asian women. However, the BHPS has a small sample of ethnic minority respondents, so these figures should be treated with some caution.

The FRS figures, which are more reliable for ethnic minority breakdowns due to the larger sample, show that Black and Mixed Race women are considerably more likely to be in arrears than other women. This may be because Black and Mixed Race women are also more likely than other women to be lone parents\(^5\) and to be on lower incomes\(^6\), but more data in this area would be useful in order to ascertain whether these or other factors are at play.
Government policy
In March 2007, the Government published *Financial inclusion: the way forward*, setting out its ongoing strategy to tackling financial exclusion. This set out the Government’s goals for financial inclusion:

- that everyone should be able to manage their money effectively and securely;
- that everyone should be able to plan for the future and cope with financial pressure; and
- that everyone should be able to deal effectively with financial distress, should it arise.

The Government should be commended for a considerable extension of focus and funding to work towards these goals in recent years. With this expansion it is important to ensure that new policies are gender sensitive. Indeed, the new public sector gender equality duty which came into force in April this year, puts a legal duty on the Government to actively promote gender equality through its policies. In these areas, addressing women’s over-representation among the over-indebted should be a priority.

There are also many examples of non-governmental organisations doing excellent work, however where we believe a greater understanding of gender differences could improve this work, we highlight it. Our policy recommendations focus on three main areas; financial capability programmes, access to affordable credit, and access to advice and debt resolution.

Financial capability

- The proposed new financial capability teaching in secondary schools should cover strategies for managing money within relationships
- Financial capability outreach services must be designed so that they will reach women, using trusted intermediaries\(^22\) and with services located in the right places for women to access, such as family and childrens centres\(^23\). The FSA’s recent pilot using midwives to distribute guides to managing money for new parents folders is a good example.
Access to affordable credit

- The Government’s Growth Fund\textsuperscript{24} has already allowed an expansion of affordable credit schemes provided by Credit Unions and figures provided by the Treasury show that between July 2006 and June 2007, 72\% of loans were made to women (almost 21,000 loans) and 46\% of loans were made to lone parents. We urge the Government to further expand the coverage of this scheme and provide stability of funding to ensure good schemes can continue.

- Loans under the Social Fund\textsuperscript{25} have been widely criticised\textsuperscript{26} for failing to meet need. Amongst other problems, the Fund has been shown to be hard and unpredictable to access and not well known. Reforming the Fund must be a key step to addressing, financial exclusion. This would be of particular benefit to women as they are more likely than men to have to rely on the Fund\textsuperscript{27}.

- Work is currently being undertaken by the Joseph Rowntree Foundation\textsuperscript{28} to explore the commercial feasibility of a not-for-profit home credit service offering some of the features appreciated by the current largely female customers but with lower costs. This could be of particular benefit to women as they are much more likely than men to use home credit\textsuperscript{29}. We urge the Government to strongly consider any options for developing options identified by this work.

Access to advice and resolutions

- The debt advice sector capacity continues to grow, partly due to funding from the Government’s Financial Inclusion Fund. But there are still problems due to low recognition of the services available. The Government must ensure that money spent on expansion is providing additional capacity in the right places for women to access it\textsuperscript{30}.

- If the proposed development of a national approach to generic financial advice goes ahead\textsuperscript{31}, the service must be sensitive to women’s very different life trajectories and therefore very different financial planning needs.

Areas for further research

Our new analysis does not provide data on links between poor mental health and over-indebtedness, however previous research\textsuperscript{32} has indicated that there is a strong correlation. Furthermore a project\textsuperscript{33} undertaken recently by Oxfam, found that this correlation was particularly strong among lone mothers and single women. Although this project looked at just 24 low income households, it would be worth exploring whether there is a gender effect here.

There is a need for clearer data on the reasons for debt and arrears, broken down by variables such as gender, age and ethnicity. Government surveys such as the BHPS, the FRS and the new Wealth and Assets Survey could be used to collect this information.

Background to the data

This briefing gives initial findings emerging from a new project Fawcett is undertaking looking at women’s savings, debts and pensions. As part of this project, Professor Steve McKay of the Institute of Applied Social Studies, University of Birmingham provided new analysis of the British Household Panel Survey (BHPS) and Family Resources Survey (FRS) datasets.

The FRS data is based on the 2004-5 survey which conducted interviews with 49,220 adults living in 33,202 family units. In order to track individuals over time, we have used
BHPS data from a number of years in the period 1995-2005, notes in the text make clear what year(s) a particular piece of data relates to; numbers of adults answering the debt question fluctuate from year to year, but is normally around 8,500.

To give a rounded picture on women and debt, we have also drawn on previous research and published information, sources are clearly marked.

Endnotes

1 BHPS 2005  
2 FRS 2004-5  
3 Department of Trade and Industry, *Over-indebtedness in Britain, A DTI report on the MORI Financial Services survey 2004*  
4 BHPS 2005  
7 Department of Trade and Industry, *Over-indebtedness in Britain*, Elaine Kempson, 2002  
8 Stared categories are based on small numbers and so should be treated with caution  
9 Labour Force Survey, 2004  
13 BHPS 2005  
14 Citizens Advice Bureau, *In too Deep, CAB clients’ experience of debt*, 2003  
15 Oxfam, *When Ends Don’t Meet*, 2006  
16 Citizens Advice, *Deeper in Debt, The profile of CAB debt clients*, 2006  
17 Labour Force Survey 2004  
18 National Consumer Council and Policis, *Affordable credit, a model that recognises real needs*, 2005  
19 Department of Trade and Industry, *Over-indebtedness in Britain, A DTI report on the MORI Financial Services survey 2004*  
20 Fawcett Society, *Black and Ethnic Minority Women in the UK*, 2005  
21 Ibid  
22 See, for instance, Citizens Advice, *Would you credit it?*, for evidence on the importance of using trusted intermediaries to deliver financial capability outreach services to hard-to-reach groups  
23 See Legal Services Research Centre, *Putting the Money Advice Where the Need is*, for an evaluation of outreach centres most likely to reach women  
24 Provides funding to increase the availability of affordable personal loans via third sector (not-for-profit) lenders such as credit unions and community development finance institutions. http://www.dwp.gov.uk/advisers/growthfund/  
25 The Social Fund is administered by Jobcentre Plus and provides loans and grants to people to meet important or emergency expenses they cannot pay out of their regular income  
27 BHPS 2005  
29 National Consumer Council, *Home Credit*, 2004
30 See Legal Services Research Centre, *Putting the Money Advice Where the Need is*, for an evaluation of outreach centres most likely to reach women
31 Otto Thoresen has been appointed by the Economic Secretary to the Treasury to carry out a review examining the feasibility of delivering a national approach to generic financial advice.
33 Oxfam, *When Ends Don’t Meet*, 2006