Vanquis Financial Wellbeing Index

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The Heart of Working Britain: Financial life for workers earning up to £40k a year (Q422 vs Q424)

Executive Summary

The Vanquis Financial Wellbeing Index provides a data-driven analysis of the financial realities faced by UK workers earning up to £40,000 per year.

Financial reality at £40K

Signs of progress – Income growth has improved overall financial balances.

Cost pressures persist – Essentials continue to consume the majority of income.

Spending over saving – Despite financial challenges, discretionary spending remains strong.

Financial vulnerability – Limited savings may leave households exposed to economic shocks.

A tightrope

Over the past two years, year-on-year, and in the most recent quarter, workers earning up to £40K have saved just 1% of their income each month. This leaves them financially vulnerable, with rising costs and limited flexibility making it increasingly difficult to set money aside. This delicate financial balancing act underscores the tough trade-offs households must make. While incomes have grown, the ability to build financial resilience remains constrained by the relentless rise in essential costs.

Income vs. expense growth

Surplus trends (Net difference between income and expenses)

Two-Year Surplus: 4.9% (up from 1.3%)

- **Income Growth: +17% (two-year)**
- **Expense Growth: +16% (two-year)**

One-Year Surplus: 4.7% (up from 0.8%)

- **Income Growth: +10% (YoY)**
- **Expense Growth: +11% (YoY)**

Quarterly Surplus: 2.9% (rebounding from a -2.8% deficit in Q3 2024)

- **Income Growth: +4% (quarterly)**
- **Expense Growth: +3% (quarterly)**

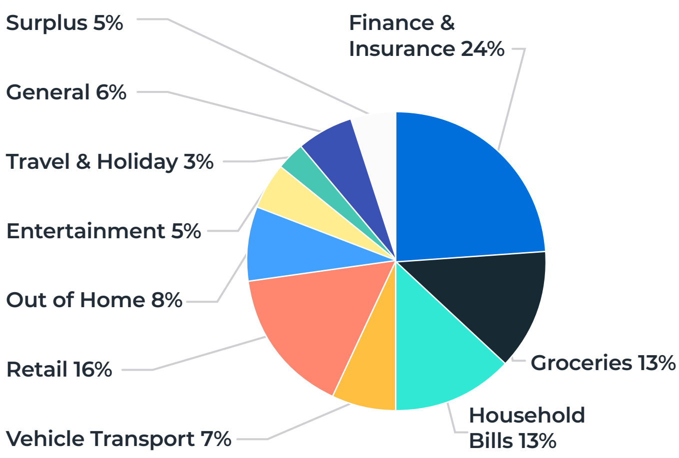
These figures suggest positive momentum, but rising expenses continue to challenge financial stability.

Rising cost pressures

Spending on essentials continues to rise, reflecting persistent cost pressures:

- **Two-year growth: +15%**
- **Year-on-year growth: +10%**
- **Quarterly growth: +1%**

Spending breakdown



Over the past two years, almost 58% of income has been allocated to essential costs, reinforcing the financial strain on households:

- **Finance & insurance (24%)** – including mortgage repayments, rent, loans, and insurance
- **Groceries (13%) & household bills (13%)** – highlighting sustained pressure from inflation
- **Transport & vehicle costs (7%)** – reflecting fuel, maintenance, and commuting expenses

Discretionary spending remains resilient, led by:

- **Retail (16%)** – including fashion, electronics
- **Out of home (7%)** – including coffee, fast food, restaurants, and bars
- **Entertainment & leisure (5%)** – covering experiences, fitness, gambling, and media subscriptions

Time periods: This report covers income and expenditure trends over two years (Q422 vs Q424), year-on-year (Q423 vs Q424), and Q324 vs Q424

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Despite some financial improvements, many middle-to-low earners continue to face significant challenges:

- Missed bill payments: In October, 16% expected to miss a bill in the next three months. By January, 21% had missed at least one
- Relying on credit: In October, 19% expected to use credit to cover expenses. By January, 24% had done so
- Financial stress: 44% said their financial situation affected their mental wellbeing in January—little change from 42% in October
- Financial outlook: Optimism is rising – In October, 29% expected their finances to improve, increasing to 31% in January
- Working longer hours: 44% have had to work more hours to make ends meet
- Second jobs: In October, 29% thought they might need a second job; by January, 32% had taken one
- Budget grocery choices: 63% of lower earners are buying more own-label products vs. 56% of higher earners
- Switching stores: 60% of lower earners have moved to cheaper supermarkets vs. 47% of higher earners
- Cutting non-essentials: 77% of lower earners have reduced spending on non-essentials vs. 67% of higher earners

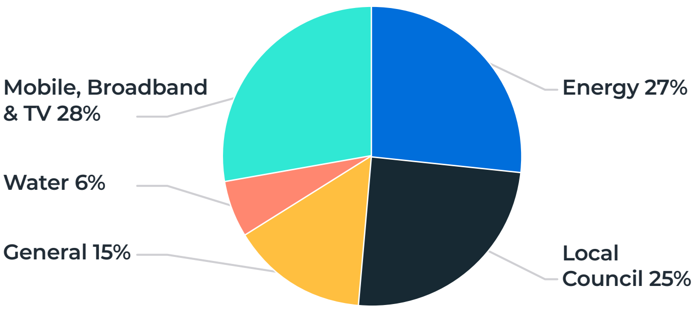
Source: Mintel Survey (1,000 respondents | 6 January – 21 January 2025)

Household bills

- 2-Year Growth: +23%
- YoY Growth: +6%
- Quarterly Growth: 0%

Household bills have risen significantly by 23% over the past two years, highlighting the sustained impact of inflation on essential expenses. This increase has been particularly challenging for lower-income households, as rising energy, water, and local council costs continue to stretch budgets. While year-on-year growth stands at 6%, the absence of quarterly growth suggests a possible stabilisation. However, costs remain elevated, keeping financial pressure on households.

Household bill breakdown over 2 years



Energy

- 2-Year Growth: +18%
- YoY Growth: -1%
- Quarterly Growth: +4%

Energy costs have surged 18% over the past two years, largely driven by inflation in the energy sector. However, there has been a 1% decrease year-on-year, indicating some price stabilisation in the markets. In the most recent quarter, energy bills rose 4%, likely due to seasonal variations. While prices remain volatile, the steepest increases appear to have slowed.

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Water

- **2-Year Growth: +38%**
- **YoY Growth: +21%**
- **Quarterly Growth: +4%**

Water bills have experienced a 38% increase over two years, with a 21% rise year-on-year, significantly outpacing inflation. The 4% quarterly increase highlights the long-term upward trajectory of household water bills.

Mobile, Broadband & TV

- **2-Year Growth: +12%**
- **YoY Growth: +5%**
- **Quarterly Growth: -1%**

The cost of mobile, broadband, and TV services has risen 12% over two years and 5% year-on-year. The 1% quarterly decline suggests that some households may be switching to cheaper alternatives or renegotiating contracts. While overall costs continue to rise, the slower growth rate in this category may indicate increasing consumer efforts to manage expenses.

> **"Household bills have risen sharply, with energy and water costs putting significant pressure on budgets. Despite some easing in quarterly growth, the long-term trend suggests financial strain persists—though early signs of cost moderation in some sectors offer cautious optimism for the future."**
>
> **Ian McLaughlin,**
> **CEO Vanquis Banking Group**

Supermarket

- **2-Year Growth: +12%**
- **YoY Growth: +8%**
- **Quarterly Growth: +2%**

While two-year growth in supermarket spending has slowed to 12% (down from 22.8% last quarter), grocery costs remain a major pressure point for households. Year-on-year growth of 8% suggests food inflation is far from easing, with shoppers continuing to pay more at the checkout.

A 2% quarterly increase indicates that rising prices, combined with seasonal holiday spending, are keeping grocery bills elevated. Despite signs of slowing long-term growth, food costs remain a key driver of household financial strain.

Convenience Store

- **2-Year Growth: +6%**
- **YoY Growth: -11%**

Quarterly Growth: -10%

While convenience store spending has grown 6% over two years, the 11% year-on-year decline and 10% drop in the latest quarter suggest a shift away from smaller, higher-cost purchases. Households appear to be consolidating grocery trips at supermarkets to cut costs.

> **"Grocery spending remains a key financial pressure, with costs rising 12% over two years and 8% year-on-year. While a modest 2% quarterly increase suggests some stabilisation, food inflation continues to strain household budgets."**
>
> **Ian McLaughlin,**
> **CEO Vanquis Banking Group**

Fuel

- **2-Year Growth: -12%**
- **YoY Growth: -9%**
- **Quarterly Growth: -7%**

Fuel costs have decreased by 12% over the past two years, with a 9% drop year-on-year and a 7% decline in the most recent quarter. This trend could reflect fluctuating fuel prices or the potential for more people opting for fuel-efficient or electric vehicles. As fuel prices continue to fluctuate, this decline suggests that consumers may be reducing their driving or seeking more efficient options to mitigate fuel costs.

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Vehicle maintenance

- **2-Year Growth: +31%**
- **YoY Growth: 16%**
- **Quarterly Growth: -3%**

Vehicle maintenance spending has risen by 31% over two years, driven by rising repair and upkeep costs. However, year-on-year growth has slowed to 16%, and the latest quarter saw a 3% decline. While costs remain high, the slowdown suggests consumers are delaying non-essential repairs, seeking cost-effective alternatives, or benefiting from easing supply chain pressures.

Mortgage & rent

- **2-Year Growth: +16%**
- **YoY Growth: +10%**
- **Quarterly Growth: +3%**

Housing costs remain a major financial burden, with mortgage and rent payments up 16% over two years and 10% year-on-year. While the pace of growth has slowed, affordability pressures persist. A 3% quarterly rise suggests ongoing strain, as households navigate higher borrowing costs and a tight rental market.

Car & home insurance

- **2-Year Growth: +52%**
- **YoY Growth: +20%**
- **Quarterly Growth: +7%**

General insurance costs have soared by 52% over two years, with premiums continuing to climb—up 20% year-on-year and 7% this quarter. This relentless upward trend reflects rising underwriting costs, inflation-driven price adjustments, and a tightening insurance market, leaving households facing ever-higher financial outlays for essential coverage.

> **"With mortgage, rent, and insurance costs continuing to rise, families are feeling the squeeze—grappling with higher borrowing costs, a tight rental market, and inflation-driven premium hikes, all of which are straining household budgets."**
>
> **Ian McLaughlin,**
> **CEO Vanquis Banking Group**

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Conclusion

The Vanquis Financial Wellbeing Index paints a complex picture of the financial lives of working Britons earning up to £40,000 a year.

Household finances are improving, with income slightly outpacing expenses in some areas. But pressure remains, and many households remain financially fragile.

Essential spending continues to climb, driven by persistent inflation in crucial areas like household bills, groceries, and insurance. This squeeze leaves little room for savings, rendering households vulnerable to unforeseen financial shocks. Discretionary spending, however, remains surprisingly resilient, suggesting a prioritisation of experiences and small luxuries even amidst financial strain, while savings languish at a critically low 1% of income. As a result, many households remain financially vulnerable to unexpected expenses.

This delicate balancing act, where income gains are immediately absorbed by rising essentials, underscores the ongoing pressure on household budgets.

For some, access to affordable credit remains a critical factor in maintaining financial stability. As living costs rise, more individuals may turn to borrowing to bridge short-term gaps, making responsible lending options essential in supporting long-term financial resilience.

The findings of this report serve as a crucial barometer of the nation's financial health. The challenge remains: translating modest improvements into lasting financial security. This will require continued vigilance on affordability, savings behaviour, and access to responsible financial support.

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About the Vanquis Financial Wellbeing Index

This report examines income, expenses, and overall financial wellbeing of people earning up to £40,000 a year, offering a timely snapshot of the financial resilience of this income group.

- **Data Source:** Snoop / SpendMapper
- **Data:** The analysis is based on anonymised transactional data from a stable cohort of 2,607 people, covering a two-year period from Q4 2022 to Q4 2024. The data reflects consistent transaction and income history over this time frame. Within this broader cohort, a focused subset of 1,324 participants earning up to £40,000 annually provides targeted insights into the financial behaviours and pressures faced by lower- to moderate-income earners.
- **Mintel:** Consumer Financial Wellbeing Survey on behalf of Vanquis - 2025
    - Fieldwork dates: 6 January – 21 January 2025
    - Source: Kantar Profiles/Mintel
    - Market: Great Britain
    - Base: 1000 internet users aged 16+

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The next Vanquis Financial Wellbeing Index will be published in May 2025.

About Vanquis

- Vanquis is the UK's largest specialist finance provider for financially underserved customers and one of the biggest financial services businesses outside the Southeast.
- Headquartered in Bradford and listed on the London Stock Exchange, Vanquis serves 1.75 million customers through core banking services and Snoop, a platform that helps individuals save up to £1,500 annually on spending and household bills.
- Committed to financial inclusion and social mobility, Vanquis provides tailored products and services that empower customers to take control of their financial futures. This aligns with our mission: to deliver caring banking so our customers can make the most of life's opportunities.

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