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Use of credit and financial resilience. Analysis of the Scottish Household Survey

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Ipsos MORI Scotland

Fulfilling Work

Research

Use of credit and financial resilience

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1. Introduction and methodology

Background

1.1 Ten years on from the great financial crash the economic context for many households in Scotland, as in the rest of the UK, remains difficult. The finances of many families are still fragile. In real-terms, wage growth has stagnated[1]. A sizeable proportion of households in Scotland live below the poverty line, with latest estimates suggesting that over a million adults in Scotland are living in relative poverty[2]. Many households, whether working or not, are not well placed to deal with short-term falls in income or rises in expenditure.

1.2 In this context, access to affordable short-term credit for those in risk of financial distress can be extremely important, to help mitigate a temporary shortfall in income or unexpected expenditure

1.3 The Carnegie UK Trust is seeking to bring new solutions to help make access to affordable credit much more widely available to people across the UK. As part of this work, they have established an Affordable Credit Action Group to identify how to significantly improve access to decent, cheaper, more affordable credit to people across Scotland.

1.4 The Trust's report, "Gateway to Affordable Credit" notes that "*there is a high social and economic cost to not providing more affordable credit. […] Providing affordable credit is about more than lending money. It is about improving consumers' and citizens' wellbeing by saving them money, making it possible for them to have an improved quality of life and helping money to be retained in communities.*"

1.5 To support development of work in this area, the Trust commissioned Ipsos MORI Scotland to carry out analysis of data from the Scottish Household Survey to provide evidence on what types of credit people use, and in particular, on the link between the use of different types of credit, the presence of savings and subjective views of how well households are managing financially.

Methodology and data source

1.6 This report is based on secondary analysis of data from the 2015 Scottish Household Survey.

1.7 There is currently no alternative data source that provides robust national estimates of the use of credit in Scotland. For example, the Family Resource Survey, that provides the data across the UK for the financial position of households, does not include questions on the use of credit, either in the types of credit used or the scale of their use.

1.8 As with any sample survey results, the estimates may differ from the true value because they are based on a sample, and the figures presented in this report are estimates of the true population figures. Analysis of the SHS is also constrained by the questions asked and the sample sizes available.

1 http://www.gov.scot/Topics/Statistics/Browse/Labour-Market/Earnings

2 After housing cost figures for 2015/2016. http://www.gov.scot/Resource/0051/00515392.pdf

The Scottish Household Survey

The Scottish Household Survey is the largest household survey in Scotland. It was established in 1998 and continues to be one of the main sources of information on attitudes, characteristics and behaviours among Scottish adults and households. This includes questions on the use of credit, on potential indicators of potential financial distress, and on a variety of potential casual or influencing factors.

The survey is based on a random sample of the general population in private residences in Scotland. Questions are asked face-to-face by interviewers in over 10,000 homes all over Scotland every year. Some sets of questions are asked every year and some are asked every two years. The latest available data from the SHS on the use of credit is from the 2015 dataset.

The survey data is used in numerous outcome and performance monitoring frameworks as well as in individual local authority Single Outcome Agreements (SOAs) and Partnership Improvement Plans (PIPs). It provides around a fifth of the indicators in the National Performance Framework, more than a quarter of the Child Poverty Measurement Framework indicators, and more than half of the Active Scotland Outcomes Framework indicators.

As well as being extensively used by the Scottish Government, SHS data is used widely by academics, charities and other public sector bodies for analysis and education. These multiple uses place a premium on the data being collected and processed to the highest standards.

Financial resilience questions

1.9 Use of credit and indebtedness can have a positive impact in helping people make necessary or unexpected short-term purchases. However, it can also be problematic, and this is particularly the case if people are unable to repay loans and if they are unable to accommodate financial shocks like a significant bill. The SHS gives a number of indications of potential financial distress: whether people were behind with their rent or mortgage, indicators of material deprivation, whether they have savings, and views on how they are managing financially

1.10 However, while the question on how households are managing financially was asked of the whole sample of 10,000+ respondents (and therefore all of the sample who were asked about use of credit) questions on savings, materials deprivation and being behind with housings costs were only asked to 1/3 of the SHS sample. Moreover, except for the questions on savings, these questions are not asked of the same 1/3 as the use of credit questions. The crossover in coverage is minimal and this precludes much depth of analysis between these factors and use of credit. Therefore, the analysis on potential financial distress presented in this report is limited to whether households have savings (that is asked in the same 1/3 of the questionnaire as the questions on use of credit) and respondent’s subjective view of how their household is managing financially.

Use of credit questions

1.11 There are two key questions in the SHS on the use of credit. The first asks, "Last month, did you or your partner owe money on any of the following once you had made what payments you could?" with the list of response options including credit cards, store cards, and charge cards.

1.12 The second asks about various other forms of credit used by the Highest Income Householder or their spouse in the last twelve months. This includes the use of catalogues or mail order schemes, Hire or Rental Purchase agreements, pay day lenders, companies that collect door to door, Credit Unions, and a variety of other sources of credit. Using high cost lenders such as Brighthouse or doorstep lenders suggests an inability to access mainstream credit at reasonable rates.

1.13 These two questions were asked of around 1/3 of the SHS sample. This equates to around 3,400 responses overall. This provides a robust sample for examining the likelihood of using the different forms of credit and how this differs by sub-group. However, given the low prevalence of various forms of credit of interest, the scope for analysing the characteristics of the users of different forms of credit is limited. For example, the 3,400 responses is sufficient for analysis on the prevalence of use of Hire or Rental Purchase Agreements (3.2%) and whether this differs by tenure. However, this 3.2% equates to 98 respondents. This sample size is too small to provide a robust breakdown of this group by tenure or any other key characteristic.

1.14 These questions have been asked on the same basis since 2009. In 2013, they switched from being asked every year to being included every second year. The last available data is 2015[3].

3 The questions on use of credit within the SHS changed in 2009. Previously, respondents were asked whether they used a variety of sources to either purchase goods or to borrow money using credit. From January 2012 these questions were reduced to be asked of one-third of the sample.

2. Savings and how people feel they are managing financially

Key Findings

- Around a quarter of households have no savings in Scotland. These household were more likely to be in social rented housing, be economically inactive, and not have access to a car.

- Around one in ten household say that they don't manage very well financially, have some financial difficulties or are in deep financial trouble. A number of factors are closely associated with experiencing financial difficulties and those who are economically inactive but not retired were the most likely to be not managing financially.

2.1 In this section we summarise two potential proxies for low financial resilience that can be analysed in conjunction with the questions on use of credit: lack of savings and views on how well they are managing financially.

Savings

2.2 Overall, around three quarters of households had some savings: 17% had up to £1,000 and 59% has £1,000 or more. Just under one in four households (24%) had no savings[4]. This equates to around 588,000 households across Scotland having no savings[5].

2.3 Table 3.1 shows how savings differed by a number of factors:

- Tenure: The majority of households with no savings were in the social rented sector (316,000). Owner-occupied household were much more likely than social rented household or privately rented households to have savings of at least £1,000 (80% compared to 22% and 37%) and much less likely to have no savings (9% compared to 55% and 22%).

- Economic status: 76% of households where the highest income householder is retired had savings of at least £1,000. Where the highest income householder was working, the figure was 62%. In contrast, where the highest income householder was economically inactive but not in education (unemployed, ill, looking after family) only 14% had over £1,000 in savings. Indeed, 7 in 10 of this household type had no savings.

- Household type: A similar pattern emerges with household type. Single parents were the most likely household type to have no savings (62%) while older small households (9%) and single pensioners (14%) were the least likely to have no savings.

- Household Income: Households with lower income were more likely to have no savings: 41% of households with incomes of less than £10,000 had no savings, compared to 14% with an income of over £20,000.

4 Don't know and refused responses have been excluded.

5 Tables presenting grossed estimates are provided in Chapter 5.

- Access to cars; Similarly, household with no access to a car were more likely to have no savings than those with cars: 45% of those with no car had no savings compared to 18% with one car and 11% with two or more. The majority of households with no savings did not have access to a car.

Table 2.1 Whether household has savings by selected factors (SHS, 2015)

	No Savings	Up to £1,000	Over £1,000	Total
All	24.2%	16.5%	59.3%	100%
Tenure				
Owner-occupiers	8.8%	11.4%	79.9%	100%
Social rented	55.5%	22.8%	21.7%	100%
Private rented	35.8%	26.8%	37.4%	100%
Household income				
£0-£10,000	40.9%	14.7%	44.3%	100%
£10,000 to £20,000	34.9%	18.6%	46.5%	100%
£20,000+	13.7%	15.6%	70.8%	100%
Number of cars				
None	44.7%	21.5%	33.9%	100%
One	17.7%	15.8%	66.4%	100%
Two	11.3%	11.3%	77.4%	100%
Working status of highest income householder				
Working	19.6%	18.6%	61.8%	100%
Economically inactive (looking after home/ family, unemployed, or ill, sick or disabled)	70.4%	15.8%	13.8%	100%
Retired	12.0%	11.6%	76.4%	100%
Household type				
Single adult	38.0%	19.6%	42.4%	100%
Small adult	20.1%	18.0%	61.9%	100%
Single parent	61.9%	21.6%	16.5%	100%
Small family	26.2%	16.8%	57.0%	100%
Large family	32.3%	18.5%	49.1%	100%
Large adult	19.7%	18.1%	62.2%	100%
Older smaller	8.9%	9.4%	81.6%	100%
Single pensioner	14.2%	14.5%	71.3%	100%
How managing financially				
Very well or fairly well	9.2%	12.4%	78.4%	100%
Get by	35.5%	22.2%	42.2%	100%
Don't manage well, have some financial difficulties, are in deep financial trouble	69.0%	19.4%	11.6%	100%

How managing financially

2.4 In the SHS, householders were asked, "Taking everything together, which of the phrases on this card best describes how you and your household are managing financially these days?" In 2015, 19% said they were managing very well, 36% that they were managing quite well, 35% that they were getting by, 5% that they don't manage very well, 4% that they have some financial difficulties and 1% that they are in deep financial trouble[6].

2.5 To aid analysis, these were collapsed into three groups – those who said they were managing very or fairly well (55%, 1.34 million household), those who said they were getting by (35.5%, 863,000 household), and those who don't mange very well, have some financial difficulties or are in deep financial trouble (9.5%, 231,000 households)[7]. Table 3.2 shows this by a number of different factors:

- Tenure: The majority (122,000 households) of these who said that they were not managing were in the social rented sector. Owner-occupied household were much more likely than social rented household or privately rented households to say that they were managing financially very or fairly well (68% compared to 44% and 29%) and much less likely to say they were not managing very well or worse (4% compared to 13% and 21.5%).

- Working status of highest income householder: 66% of households were the highest income householder is retired said they are getting by very or fairly well. The corresponding figure for households where the highest income householder was working is 57%. In contrast, where the highest income household is economically inactive (unemployed, ill, looking after family etc.) only 17% said they are getting by very or fairy well and 33% of this type of household said that they are not managing financially well or worse. This means that, although there are more than 5 times as many households headed by someone in work than someone who is economically inactive (but not studying or retired), among those who say they are not managing financially, these groups are similarly sized. Among those who said that they were not managing financially, 102,000 households were headed by someone in work, 90,000 by someone who was economically inactive, and 26,000 by someone who was retired. (See Table 5.2)

- Household type: Single parents and single adults were the most likely type of household to say that they were not managing financially very well, had some financial difficulties or were in deep financial trouble (23% and 11.5%) while older small households (4%) and single pensioners (4%) were the least likely to say this.

- Household Income: Unsurprisingly, households with lower income were more likely to say they were not managing financially very well, had some financial difficulties or were in deep financial trouble: 21% of households with incomes of less than £10,000 said this, compared to 5% with an income of over £20,000.

- Access to cars; Households with no access to a car were more likely to say they were not managing financially well: 16% of those with no car said this compared to 8% with one car and 4% with two or more cars.

6 Don't know and refused responses have again been excluded.

7 Compared to 2015, in 2009/2010 slightly fewer said that there were managing very or fairly (49%) and slightly more said that they were getting by (39%) or not managing financially very well (12%).

Table 2.2 How managing financially by selected factors (SHS, 2015)

	Very or fairly well	Getting by	Don't manage well, have some financial difficulties, are in deep financial trouble	Total
All	54.9%	35.5%	9.5%	100%
Tenure				
Owner-occupiers	67.9%	28.2%	4.0%	100%
Social rented	28.6%	49.9%	21.5%	100%
Private rented	44.0%	42.8%	13.2%	100%
Household income				
£0-£10,000	39.6%	39.2%	21.1%	100%
£10,000 to £20,000	43.7%	43.4%	12.9%	100%
£20,000+	65.6%	29.7%	4.7%	100%
Number of cars				
None	38.9%	44.5%	16.5%	100%
One	57.8%	34.1%	8.1%	100%
Two	67.8%	27.9%	4.3%	100%
Working status of highest income householder				
Working	57.5%	35.2%	7.3%	100%
Economically inactive excluding students (looking after home or family, unemployed, or ill, sick or disabled)	17.2%	49.4%	33.3%	100%
Retired	65.8%	30.4%	3.8%	100%
Household type				
Single adult	43.7%	38.8%	17.5%	100%
Small adult	60.6%	31.1%	8.4%	100%
Single parent	22.8%	54.6%	22.6%	100%
Small family	52.9%	38.5%	8.5%	100%
Large family	42.2%	46.8%	11.0%	100%
Large adult	60.5%	31.4%	8.1%	100%
Older smaller	68.1%	28.1%	3.8%	100%
Single pensioner	62.0%	34.1%	4.0%	100%

2.6 Again, a number of factors were closely associated with how householders perceive that they are managing financially, with those who were economically inactive the most likely to be not managing financially.

2.7 Indeed, differences in householders' views on how they are doing financially very closely mirrors the pattern seen with savings. It is therefore not surprising that the association between savings and how well households feel they are doing financially is very strong (Table 2.3). Those with no savings are more than three times less likely those than those with savings of £1,000 or more to say that they manage very or fairly well (21% compared to 74%). Those without savings are more than 10 times likely than those with savings of £1,000 or more to say that they don't manage well, have some financial difficulties or are in deep financial trouble (28% compared to 2%)

Table 2.3 How managing financially by level of savings. (SHS 2015).

	Very or fairly well	Getting by	Don't manage well, have some financial difficulties, are in deep financial trouble	Total
All	54.9%	35.5%	9.5%	100%
Level of savings				
No savings	21.4%	50.2%	28.4%	100%
Up to £1,000	42.2%	46.1%	11.7%	100%
£1000+	73.8%	24.2%	1.9%	100%

2.8 This means that among respondents who are managing financially well, most have savings of £1,000 or more (78%). Likewise, among those who say they do not manage well, have some financial difficulties or are in deep financial trouble, a large majority do not have any savings (69%) (Table 3.1). Overall, this equates to an estimate of 168,000 households who had no savings and said they were not managing financially, and 75,000 who had some savings but said likewise. (Table 5.3)

2.9 There would be merit in exploring any profile of the groups where the relation between savings and how managing financially goes against the trend. However, the strength of the association between these two variables means that the number of cases for these groups is very small. From a sample of over 3,000 cases, less than 40 have savings of more than £1,000 but say that they do not manage financially well. This is not enough for robust analysis of the characteristics of these households.

3 Who uses what type of credit

Key Findings

- Over one in four households owed money on a card credit. Credit card use is more concentrated in groups that are more likely to have assets such as a car, savings, or their own house.
- Other types of credit are used by fewer people: 7% had used a personal loan in the last year, 5% had used credit from catalogues or mail order schemes, and 0.8% had used a loan from a Credit Union. Use of these forms of credit fell between 2009 and 2015.
- 2.4% of the households (58,000) had used a cash loans than comes from a company that comes to your home, credit from pawnbrokers/cash converters, loan from a social fund, loan from a friend/relative, or loan from a payday lender in the last year.
- Use of high cost lenders such as a pawnbroker, pay day lender or a company that come to your home is closely associated with not managing financially.

Use of different types of credit

3.1 The SHS does not collect information on use of credit cards per se, but on those who have outstanding balances on a credit card. However, it is safe to assume that it is a reasonably proxy for credit card use overall.

3.2 In 2015, just over one in four (28%, 671,000) households owed money on a credit card and 3.5% owed money on a store card (Table 3.1). In 2009/2010, when the question was first asked in the SHS, slightly more (31%) reported owing money on their credit card.

Table 3.1 – "Last month, did you or your partner owe money on any of the following once you had made what payments you could?" (SHS, 2015)

Form of credit	**Percentage**	**Households**
Credit cards	27.6%	671k
Shop or store cards	3.5%	85k
Charge cards	0.5%	12k
Any of these	**28.8%**	**700k**
None of these	**71.2%**	**1.73m**
Total	100% (N = 3,393)	2.43m

3.3 Table 3.2 shows the types of loans people have said they used for credit in the past 12 months. The most common sources were through a personal loan such as through a bank or building society (7%, 180,000), through a Catalogue or mail order scheme (5%, 126,000) or Hire or Rental Purchase Agreement like Brighthouse (3%, 78,000).

3.4 The use of these types of loan has fallen in the years before 2015. In 2009/2010, 13% had used a personal loan in the last twelve months compared to 7.4% in 2015. Similarly, in 2009/2010 28% had used at least one of these types of credit compared to 18.8% in 2015.

Table 3.2 – "Have you or your partner used any of the following for credit in the past 12 months? Exclude any mortgage or any loans secured on your property." (SHS, 2015)

Type of Credit	Percentage	Households	Unweighted cases
A personal loan, e.g. with Bank, Building Society, Finance House	7.4%	180 k	233
Catalogues or mail order schemes	5.2%	126 k	185
Hire or Rental Purchase Agreements (like Brighthouse)	3.2%	78 k	98
Loan from a friend, relative or other private individual	1.5%	36 k	52
Cash loan from a company that comes to your home to collect payments	0.9%	22 k	27
Loan from a student loan company	0.9%	22 k	28
Other type of loan	0.9%	2 k	27
Loan from a Credit Union	0.8%	19 k	24
Loan from a Social Fund	0.8%	19 k	27
Student loan from a bank or building society	0.5%	12 k	18
Loan from a pawnbroker/cash converters	0.3%	7 k	8
A loan from a pay day lender	0.3%	7 k	10
Loan from an Employer	0.1%	2 k	3
Any of these	**18.8%**	**457 k**	**2,738**
None of these	**81.2%**	**1.97 m**	**614**
Total	100%	2.43 m	3,352

Who uses credit cards

3.5 Unsurprisingly, credit card use was more likely in groups that were more likely to be better off and less likely to be suffering from financial distress. This is likely to reflect differences in credit scores, higher levels of capital, ease of obtaining credit cards, and sustained prior use of credit.

- Tenure: 32% of householders who owner occupy their home had an outstanding balance on a credit card compared to 29% of private renters, and 17% of social renters (those who rent from a Local Authority or a Housing Association).

- Working status: 37% of householders where the householder with the highest income was working have an outstanding balance on a credit card compared to 15% where the main householder was retired and around 15% where the main householder was economically inactive (looking after home or family, unemployed, or ill, sick or disabled).

- Access to cars: 39% of households with access to two or more cars had an outstanding balance on a credit card compared to 31% of household with access to one car and 13% with no access to a car.

- Household income: 17% of household with income less than £10,000 have an outstanding balance on a credit card compared to 19% of those with incomes of between £10,000 and £20,000, and 36% of those with a household income greater than £20,000

3.6 Other differences in relation to credit card usage reflect differences in the factors above (rather than being drivers) of but are notable nevertheless:

- Age of main householder: Having an outstanding credit card balance was most common among middle-age householders and less common among the very old and the young. 37% of those aged 25 to 44 had an outstanding credit card loan compared to 20% of 16 to 24 year olds and 11% of 75 year olds.

- Education: 37% of those with a degree had an outstanding credit card balance compared to 31% of those with qualifications below a degree and 12% with no educational qualifications.

3.7 Differences in the use of charge cards such as Diner Club and shop or store cards (as measured by the proportion of people who reported an outstanding balance) more or less follows the same pattern as credit cards. In particular, households with children and those in the middle age groups more likely to use of shop or store cards compared to other groups. This can be seen in the pattern by household type (Table 3.3): 9% of large families, 7% of small families and 5% of single parents had an outstanding balance on a shop or store card compared to an average of 3.5% overall.

Table 3.3 – Whether had outstanding balance on credit cards etc. by household type. (SHS, 2015)

	Single adult	Small adult	Single parent	Small family	Large family	Large adult	Older smaller	Single pensioner	Total
Credit card	25%	40%	33%	39%	35%	28%	21%	12%	27.6%
Charge card	1%	1%	0%	0%	0%	0%	0%	0%	3.5%
Shop or store card	2%	4%	5%	7%	9%	3%	2%	1%	0.5%
Any of these	**26%**	**41%**	**24%**	**41%**	**37%**	**29%**	**21%**	**13%**	**28.8%**
None of these	**74%**	**59%**	**66%**	**59%**	**63%**	**71%**	**79%**	**87%**	**71.2%**
N	596	527	169	381	186	287	593	564	3393

3.8 As noted previously, the two questions contained in the SHS that can be used as proxies for potential financial distress are whether a household has savings and the subjective measure of how well households are managing financially.

3.9 While households with savings were more likely than those without savings to have an outstanding credit card, this relationship is not particularly strong (See Table 3.4). Overall, 29% of households with over £1,000 in savings had an outstanding credit card balanced, compared to 22% of those with no savings.

Table 3.4 – Whether had outstanding balance on credit cards etc. by level of savings. (SHS, 2015)

	No savings	<£1,000	£1,000
Credit card	22%	32%	29%
Charge card	0%	1%	0%
Shop or store card	4%	5%	3%
Any of these	**24%**	**33%**	**30%**
None of these	**76%**	**67%**	**70%**
N	706	489	1965

3.10 Similarly, the difference in the use of credit by whether managing financially was not particularly strong. Overall, 29% of those who say that they were managing very or fairy well had an outstanding credit card loan, compared to 26% of those who say they were "getting by" and to 24% of those who say they don't manage well, have some financial difficulties or are in deep financial trouble. Again, the difference is significant, but relatively small in scale.

Table 3.5 – Whether had outstanding balance on credit cards etc. By "How are you and your household managing financially these days?" (SHS 2015)

	Manage very or fairy well	Get by	Don't manage well, have some financial difficulties, are in deep financial trouble
Credit card	29%	26%	24%
Charge card	0%	0%	2%
Shop or store card	3%	4%	3%
Any of these	**30%**	**27%**	**25%**
None of these	**70%**	**73%**	**75%**
N	1,874	1,116	303

3.11 A logistic regression model was run to confirm the analysis of the drivers of credit card use. (See Figure 5.1 for full details[8]). It confirmed that a number of factors were all associated with having a balance on a credit card. Having access to a car, economic status of Highest Income Householder, tenure and whether had savings were all significant factors

3.12 However, neither how the household is managing financially, nor household income were significant in the model of credit card use (once all the other factors had been controlled for). This suggests that while use of credit cards is clearly linked with having assets (such as property, cars, savings), the relationship between credit card use and income is more complex.

3.13 That there is no significant relationship between credit card use and financial distress is of interest. It suggests that, overall, there is no clear causal link between the credit card use and financial distress. This is not to say that there may be household who end up relying on credit cards in response to financial distress (or than households get into financial distress due to relying on credit cards) but rather, that all other things being equal, credit card use is found equally in households in financial distress and those who are managing

Note on limitation of analysis

Secondary analysis is shaped by the existing data and constrained by the variables in the dataset and the available sample sizes. Unfortunately, although the SHS provides data on use of credit, sample size constrains some of the analyse that is possible to undertake.

For example, in the 2015 SHS 2015, 3,478 respondents were asked the question about use of Credit Union loans in the last twelve months. That is enough to estimate that 0.8% of households have used a Credit Union and to be confident that the true figure will be somewhere between 0.5% and 1.1% With around 2.4m households in Scotland, this would equate to an estimate of 19,200 households having done so and being confident that true figure will be somewhere between 12,000 and 26,400.

However, the 0.8% equates to 24 from 3,478 respondents. That is not enough to examine the breakdown of the 19,200 households. The best we can do with the sample available is say whether people in particular groups, owner occupiers say, are more likely to use Credit Union loans than others, say Private renters and whether there is a significant difference by these factors.

Because of this issue with small sample sizes, the potential for expanding the analysis by combining data from different years of the SHS was examined. Analysis of the characteristics of those who has used a loans from a credit union was not possible. However, examining the characteristics of those who had used a Credit Union account was possible by combining four years of SHS data (2012-2015). This analysis is shown in the final section of this chapter.

Who uses other forms of credit?

3.14 As noted previously, use of other forms of credit is less common than use of credit cards. There is also considerable variation in the types of household that use these different types of credit.

8 A full explanation of the regression modelling also is given in Chapter 5

3.15 Tables 3.6 to Table 3.8 show how use of these other forms of credit differs by tenure, household income and economic status of main householder. The variation by these three factors is illuminative especially in comparison to the pattern of credit card usage.

Table 3.6 – Use of different forms of credit in the last twelve months by tenure. (SHS 2015.)

	Owner occupier	Social Renter	Private renter	Total
A personal loan, e.g. with Bank, Building Society, Finance House	8.4%	5.0%	6.6%	7.4%
Catalogues or mail order schemes	4.2%	7.9%	4.7%	5.2%
Hire or Rental Purchase Agreements (like Brighthouse)	3.6%	3.4%	1.3%	3.2%
Loan from a friend, relative or other private individual	0.8%	2.7%	2.6%	1.5%
Cash loan from a company that comes to your home	0.1%	2.7%	1.2%	0.9%
Loan from a student loan company	0.5%	0.2%	3.9%	0.9%
Other type of loan	0.6%	0.7%	2.2%	0.9%
Loan from a Credit Union	0.7%	1.0%	0.5%	0.8%
Loan from a Social Fund	0.1%	2.6%	0.7%	0.8%
Student loan from a bank or building society	0.2%	0.4%	2.0%	0.5%
Loan from a pawnbroker/cash converters	0.0%	1.0%	0.2%	0.3%
A loan from a pay day lender	0.0%	0.7%	0.8%	0.3%
Loan from an Employer	0.1%	0.1%	0.0%	0.1%
Any of these	**16.9%**	**21.6%**	**22.7%**	**18.8%**
None of these	**83.1%**	**78.4%**	**77.3%**	**81.2%**
Total	2,127	782	443	3,352

3.16 With regard to the likelihood of using any of these different forms of credit, owner occupiers were a little less likely to use any of these forms of credit (17%) than social renters (22%) or private renters (23%) (Table 3.6). This contrasts with the greater likelihood of owner occupiers using credit cards. However, because the owner occupied sector is considerably larger than the social rented sector and the private rented sector, in absolute terms, more owner-occupied households (250,00 households) had used one of these sources of credit than social rented households (123,000) or private rented households (87,000).

3.17 In terms of the breakdown of the use of these different types of credit by tenure:

- Although owner-occupiers appear to be slightly more likely to have used a personal loan (8.4% compared to 7.4% overall) this difference is not statistically significant. They were less likely to have used forms of unsecured high-interest loans, such as cash loans from a company that comes to your home (0.1%), loans from a pawnbroker/cash converter (0%), or a loan from pay day lender (0%).

- In contrast, private renters and social renters were more likely to use these forms of unsecured high-interest loans and/or loans from friends/relatives. For example, 2.7% of social renters had used credit from a company that comes to their home in the last 12 months.

- Social renters were the most likely to have used credit from catalogues or mail order schemes (7.9% compared to 4.7% of private renters and 4.2% of owner occupiers) or loans from the social fund (2.6% compared to 0.7% of private renters and 0.1% of owner occupiers).

- Overall, 0.8% of households had used a loan from a Credit Union in the last twelve months. The difference by tenure is not statistically significant. This means that there is no evidence that using loans from a Credit Union differs to tenure, and the breakdown of users of loans from a Credit Union broadly reflects the wider distribution by tenure[9].

Table 3.7 – Use of different forms of credit in the last twelve months by household income. (SHS 2015.)

	Up to £10K	£10K-£20K	£20K+	Total
A personal loan, e.g. with Bank, Building Society, Finance House	2.4%	3.1%	11.4%	7.4%
Catalogues or mail order schemes	2.4%	5.1%	6.0%	5.2%
Hire or Rental Purchase Agreements (like Brighthouse)	2.2%	1.5%	4.6%	3.2%
Loan from a friend, relative or other private individual	1.6%	1.7%	1.4%	1.5%
Cash loan from a company that comes to your home	0.1%	1.9%	0.5%	0.9%
Loan from a student loan company	0.7%	0.8%	1.0%	0.9%
Other type of loan	1.0%	0.7%	1.0%	0.9%
Loan from a Credit Union	0.0%	0.7%	1.0%	0.8%
Loan from a Social Fund	1.6%	1.4%	0.2%	0.8%
Student loan from a bank or building society	0.9%	0.4%	0.5%	0.5%
Loan from a pawnbroker/cash converters	0.4%	0.5%	0.0%	0.3%
A loan from a pay day lender	0.0%	0.6%	0.1%	0.3%
Loan from an Employer	0.0%	0.1%	0.1%	0.1%
Any of these	**11.5%**	**14.9%**	**23.6%**	**18.8%**
None of these	**88.5%**	**85.1%**	**76.4%**	**81.2%**
Total	405	1100	1753	3352

9 This is not to say that there is no difference by tenure, but rather that no difference has been found within the survey data. The smaller the sample size, the more likely that differences in the population will not be seen in the data.

3.18 Households with an income of less than £10,000 were less likely than those with an income of £10,000-£20,000 or those with an income of £20,000+ to use any of these other forms of credit (11.5% compared to 14.9% and 23.6%, Table 3.7). This broadly mirrors the pattern for credit card use.

3.19 In terms of the breakdown of the use of different types of credit by household income there were few clear differences. Households with an income of £20,000 or above were more likely to have used a personal loan (11.4% compared to 7.4% overall). Although it appears that they were more likely to have used a Hire or Rental Purchase Agreement (4.6% compared to 3.2%) and less likely to have used a loan from a social fund (0.2% compared to 0.8% overall) these differences were not statistically significant.

3.20 In terms of use of Credit Union loans in the last twelve months, there is no statistical difference by household income. Therefore, while it appears that households with incomes of more than £20,000 and those with between £10,000 and £20,000 are more likely to use this form of credit than those with less than £10,000 (1.0% and 0.7% compared to 0.0%) this difference should be treated with caution.

Table 3.8 – Use of different forms of credit in the last twelve months by economic status. (SHS 2015.)

	Working	Inactive (excluding in education)	Retired	Total
A personal loan, e.g. with Bank, Building Society, Finance House	11.5%	3.0%	1.6%	7.4%
Catalogues or mail order schemes	6.0%	8.5%	2.5%	5.2%
Hire or Rental Purchase Agreements (like Brighthouse)	4.3%	3.3%	1.2%	3.2%
Loan from a friend, relative or other private individual	1.5%	5.5%	0.0%	1.5%
Cash loan from a company that comes to your home	0.7%	3.0%	0.4%	0.9%
Loan from a student loan company	1.2%	0.0%	0.0%	0.9%
Other type of loan	1.3%	1.3%	0.0%	0.9%
Loan from a Credit Union	0.8%	1.3%	0.5%	0.8%
Loan from a Social Fund	0.2%	5.5%	0.0%	0.8%
Student loan from a bank or building society	0.4%	0.4%	0.0%	0.5%
Loan from a pawnbroker/cash converters	0.1%	1.8%	0.0%	0.3%
A loan from a pay day lender	0.4%	0.7%	0.0%	0.3%
Loan from an Employer	0.2%	0.0%	0.0%	0.1%
Any of these	**23.8%**	**26.5%**	**5.6%**	**18.8%**
None of these	**76.2%**	**73.5%**	**94.4%**	**81.2%**
Total	1,859	359	1,053	3,352

3.21 While there is relatively little variation (with the exclusion of the use of personal loans) by household income, there is considerable variation by working status of the highest income householder. Overall, while only 5.6% of households where the main householder was retired used any of these forms of credit, 23.8% of households where the main householder was working did so, and 26.5% of households where the main householder was economically inactive (looking after home or family, unemployed, or ill, sick or disabled) did likewise.

3.22 However, in absolute terms, more households where the main householder was working had used one of these forms of credit than household where the main householder was economically inactive but not in education or retired (333,000 compared to 71,000 and 39,000).

3.23 In terms of the breakdown of the use of these different types of credit by working status:

- Households where the highest income householder was economically inactive (looking after home or family, unemployed, or ill, sick or disabled) were more likely to use loans from a friend or relative (5.5% compared to 1.5% overall), cash loans from a company that comes to your home (3.0% compared to 0.9% overall), or loans from the Social Fund (5.5% compared to 0.8% overall).

- Households where the main householder was working were more likely to have used a personal loan in the last twelve months (11.5% compared to 3.0% among those where the main householder was economically inactive).

- Households whose main householder is retired are generally less likely to use any of these forms of credit

- In terms of using a loan from a Credit Unions, there was no significant difference in the likelihood of use by working status. The differences shown in Table 3.8 are not statistically significant and should be treated with caution. In relation to working status, we cannot say that the profile of households who have used a loan from a Credit Union is different from the general population.

3.24 But how does use of these forms of credit differ by the measures of financial resilience? Table 3.9 shows how use of these forms of credit differed by level of savings and Table 3.10 by the subjective measure of how the household was managing financially[10].

10 Additionally, Tables 5.7 and 5.8 show estimates of the absolute number of households using each form of credit.

Table 3.9 – Use of different forms of credit by whether have any savings (SHS 2015.)

	No savings	Up to £1,000	Over £1,000	Total
A personal loan, e.g. with Bank, Building Society, Finance House	6.7%	12.7%	6.6%	7.4%
Catalogues or mail order schemes	9.0%	8.1%	3.0%	5.2%
Hire or Rental Purchase Agreements (like Brighthouse)	3.4%	3.4%	3.3%	3.2%
Loan from a friend, relative or other private individual	5.0%	1.2%	0.3%	1.5%
Cash loan from a company that comes to your home	2.8%	1.2%	0.1%	0.9%
Loan from a student loan company	0.8%	2.0%	0.7%	0.9%
Other type of loan	1.1%	1.0%	0.7%	0.9%
Loan from a Credit Union	1.0%	2.0%	0.4%	0.8%
Loan from a Social Fund	2.6%	1.0%	0.0%	0.8%
Student loan from a bank or building society	1.0%	0.7%	0.4%	0.5%
Loan from a pawnbroker/cash converters	1.1%	0.1%	0.0%	0.3%
A loan from a pay day lender	1.2%	0.0%	0.0%	0.3%
Loan from an Employer	0.4%	0.0%	0.0%	0.1%
Any of these	**17.8%**	**16.7%**	**14.1%**	**18.8%**
None of these	**72.2%**	**73.3%**	**85.9%**	**81.2%**
Total	708	492	1971	3,352

Table 3.10 – Use of different forms of credit by how managing financially (SHS 2015)

	Manage very or fairy well	Get by	Don't manage well, have some financial difficulties, are in deep financial trouble	Total
A personal loan, e.g. with Bank, Building Society, Finance House	7.2%	7.4%	8.2%	7.4%
Catalogues or mail order schemes	4.0%	5.9%	9.4%	5.2%
Hire or Rental Purchase Agreements (like Brighthouse)	3.6%	2.3%	3.9%	3.2%

Loan from a friend, relative or other private individual	0.4%	1.3%	8.6%	1.5%
Cash loan from a company that comes to your home	0.3%	0.8%	4.4%	0.9%
Loan from a student loan company	0.8%	1.4%	0.2%	0.9%
Other type of loan	0.9%	0.7%	1.5%	0.9%
Loan from a Credit Union	0.4%	1.0%	1.6%	0.8%
Loan from a Social Fund	0.0%	0.8%	4.9%	0.8%
Student loan from a bank or building society	0.5%	0.3%	1.6%	0.5%
Loan from a pawnbroker/cash converters	0.0%	0.2%	2.1%	0.3%
A loan from a pay day lender	0.0%	0.2%	1.9%	0.3%
Loan from an Employer	0.0%	0.0%	1.0%	0.1%
Any of these	**16.4%**	**18.9%**	**33.5%**	**18.8%**
None of these	**83.6%**	**81.1%**	**66.5%**	**81.2%**
Total	1902	1129	305	3352

3.25 Use of the following types of credit was more prevalent among those most at risk of financial distress (those with no savings or not managing well financially):

- Loan from a friend, relative or other private individual. (8.6% among those not managing very well compared to 0.4% of those managing very or quite well).
- Catalogues or mail-order schemes (9.4% among those not managing very well compared to 4.0% of those managing very or quite well).
- Cash loan from a company that comes to your home (4.4% among those not managing very well compared to 0.3% of those managing very or quite well).
- Loan from a social fund (4.9% among those not managing very well compared to 0.0% of those managing very or quite well).
- Loan from a pawnbroker/Cash Converters (2.1% among those not managing very well compared to 0.0% of those managing very or quite well).
- A loan from a pay day lender (1.9% among those not managing very well compared to 0.0% of those managing very or quite well).
- Loan from an Employer (1.0% among those not managing very well compared to 0.0% of those managing very or quite well).

3.26 None of the types of credit asked about was used more by those least at risk of financial distress.

3.27 In contrast, there was no clear association between being at risk of financial distress and use of a personal loans, and use of Hire or Rental Purchase Agreements (like Brighthouse).

3.28 This analysis shows that use of high cost lenders such as a pawnbroker, a pay day lender or a company that come to your home is closely associated with not managing financially and suggests an inability to access mainstream credit at reasonable rates.

3.29 In order to extend the analysis, we grouped together five forms of credit that we considered to be “loans of last resort” for further analysis. These were: cash loans than come from a company that comes to your home; pawnbrokers/cash converters; loan from a social fund; loan from a friend/ relative; and loan from a payday lender.

3.30 Overall, 2.4% had used at least one of these types of credit. This equates to around 58,000 households.

3.31 While the sample size (N=84) remained too small to look at the distribution of characteristics within this group, modelling who uses loans of last resort using logistic regression was possible. Seven potential factors were included in the model as potential explanatory factors: tenure, how managing financially, access to cars, economic status, household type, whether had savings, and household income. The full results are provided in Figure 5.3.

3.32 The model found that three factors were significant drivers of use of these types of credit: not managing financially, not having savings, and the householder being economically inactive. The remaining four factors were not significant. In order words, once everything else is controlled for, tenure, access to cars, household type and household income characteristics were not significant drivers of usage. This strongly suggests that these types of loan, are indeed, loans of last resort and that they use contrasts sharply with that of credit card use.

3.33 As to the use of loans from Credit Unions, the evidence is not clear. Although it appears that a higher proportion of households who are not managing well financially used this form of credit compared to those who were getting by and those who are managing very or fairy well have used this form if credit (1.6% compared to 1.0% and 0.4%) this difference is not statistically significant.

What do we know about the profile of users of Credit Unions?

3.34 There is a particular interest in the potential role of Credit Unions as a vehicle for new solutions to making affordable credit available. However, as mentioned previously, the potential for analysis of users of Credit Unions is limited by the small number of users recorded in the SHS 2015. Because of this, the potential for expanding the analysis by combining data from different years of the SHS was examined.

3.35 Questions on the use of Credit Union loans were asked in 2012 and 2015. Only 22 said yes in 2012 & 24 in 2015 giving a total of 46. This was not enough for robust analysis on the characteristics of users even after combing data from different years. However, in contrast, use of a Credit Union account has been asked in all four years between 2012 and 2015. This has been consistent at 4% over this time. This means that, overall, we have 473 people who said that had used a CU account. This is enough to examine the key characteristics of this group.

3.36 Table 3.11 that compares the distribution of key variables in the general population against people who said they had a Credit Union account.

Table 3.11 – Whether have had a Credit Union account by selected characteristics compared to all households (SHS 2012-2015).

	All household SHS 2012-2015 (N = 42,253 bar savings 13,979 and number of cars, 33,394		Breakdown of households with a Credit Union account (n =473 bar number of cars 387)	
All	100.0%	2.3 m	(3.8%)	87 k
Tenure				
Owner-occupiers	61.3%	1,410 k	62.2%	54 k
Social rented	23.4%	538 k	27.0%	24 k
Private rented	15.4%	354 k	10.9%	10 k
Household income				
£0-£10,000	13.2%	304 k	6.6%	6 k
£10,000 to £20,000	34.2%	787 k	28.4%	25 k
£20,000+	52.7%	1,212 k	65.0%	57 k
Number of cars				
None	31.7%	729 k	26.4%	23 k
One	45.7%	1,051 k	47.4%	41 k
Two	22.6%	520 k	26.2%	23 k
Working status of highest income householder				
Working	57.0%	1,311 k	73.2%	64 k
Economically inactive excluding students (looking after home or family, unemployed, or ill, sick or disabled)	12.1%	278 k	9.0%	8 k
Retired	28.3%	651 k	16.0%	14 k
Household type				
Single adult	18.7%	430 k	16.5%	14 k
Small adult	17.5%	403 k	23.3%	20 k
Single parent	5.2%	120 k	6.0%	5 k
Small family	12.4%	285 k	15.4%	13 k
Large family	5.5%	127 k	7.8%	7 k
Large adult	9.7%	223 k	13.0%	11 k
Older smaller	15.2%	350 k	8.5%	7 k
Single pensioner	15.9%	366 k	9.5%	8 k

How managing financially				
Very well or fairly well	50.3%	1,157 k	44.0%	38 k
Get by	38.0%	874 k	45.9%	40 k
Don't manage well, have some financial difficulties, are in deep financial trouble	11.7%	269 k	10.1%	9 k

3.37 Overall, people who had a Credit Union account were representative of population in Scotland in terms of these characteristics:

- Tenure: Credit Union account users broadly match the overall population in Scotland - nearly two thirds were owner-occupiers (62% compared to 61%) over a quarter were social renters (27% compared to 27%).They were slightly less likely to be private renters (11% compared to 15%).

- Working status: Credit Union account users broadly match the overall population. They were slightly more likely to be working (73% compared to 57%) and slightly less likely to be retired (16% compared to 28%).

- Household income: Credit Union account users were more likely than the overall population to have a net annual household income above £20,000. (65% compared to 53%) and less likely to have an income less than £10,000 (7% compared to 13%).

- How managing financially: Credit Union account users were broadly similar to the overall population with 44% managing well (compared to 50% overall), 46% getting by (compared to 38% overall) and 10% experiencing difficulties (compared to 12% overall).

4. Conclusions

4.1 This report confirms that one of the key challenges to tackling financial distress is to help reduce the credit gap faced by some groups who are not served well by the mainstream credit markets. Credit Unions have an important role to play in enabling access to affordable credit by these groups.

4.2 A significant proportion of people in Scotland were either in, or at risk of, financial distress. One in ten households said they don't manage very well financially, had some financial difficulties or considered themselves to be in deep financial trouble.

4.3 While those who were economically inactive of working age were the most likely to be not managing financially, financial distress was not only confined to this group – 7% of workers saying they don't manage financially.

4.4 Financial distress was closely associated with having no savings. Those without savings are more than 10 times more likely than those with savings of £1,000 or more to say that they don't manage financially. Those with no savings are likely to find it harder to access the mainstream market for credit as they have less tangible assets and are likely to have a much poorer credit history. Overall, a quarter of households in Scotland have no savings.

4.5 Use of credit and indebtedness can have a positive impact in helping people make necessary or unexpected short-term purchases. Credit can help people deal with short term difficulties or as one financial tool of convenience among many. However, it can also be problematic, particularly if people are unable to repay loans.

4.6 Over one in four households owed money on a credit card. Other types of credit were used by fewer people, with 2% of households (58,000) using cash loans that come from a company that comes to your home, credit from pawnbrokers/cash converters, loan from a social fund, loan from a friend/relative, or loan from a payday lender.

4.7 However, access to credit is not equal. Overall, credit card use was more prevalent in groups that were more likely to be better off and less likely to be suffering from financial distress. This is likely to reflect differences in credit scores, higher levels of capital, ease of obtaining credit cards, and sustained prior use of credit. Despite this, there is no clear causal link between credit card use and financial distress. This is not to say that there may be households who end up relying on credit cards in response to financial distress (or than households get into financial distress due to relying on credit cards) but rather, that all other things being equal, credit card use is found equally in households in financial distress and those who are managing.

4.8 In contrast, the analysis showed a clear relationship between use of loans of last resort – such as using a pay day lender - and financial distress. Using such lenders suggests an inability to access mainstream credit at reasonable rates.

4.9 There is a particular interest in the potential role of Credit Unions to help provide credit to people who may struggle to access mainstream credit. , The data enables analysis of the characteristics of Credit Union account holders, although not specific analysis on who has used Credit Union loan products. The analysis shows that Credit Union account holders are, at present, broadly representative of the overall population and as such, action would likely be required to enable them to have a more specific focus on supporting those excluded from mainstream financial products and/or in financial distress.

4.10 Overall, this analysis of the best data available on credit and financial distress in Scotland clearly supports the assertion in the Report of the Affordable Credit Working Group, 'Gateway to Affordable Credit':

"The routes through which many people – often the poorest members of society – currently borrow money are far from optimal. Their small-scale, short-term, immediate borrowing needs are often met by a commercial high-cost credit market that serves those who are unable to access cheaper, mainstream financial products such as bank loans."

5. Annex tables

This chapter contains two sets of annex tables. The first set of tables provides grossed up estimates the main tables presented in the report. The 2015 mid-year household estimate of 2.43 million households has been used as the base and results are rounded in the main to the nearest thousand.

The second set of tables provide detail on the two logistic regression models that were run.

Table 5.1: Whether household has savings by selected factors: household estimates (SHS, 2015)

	No savings	Up to £1,000	Over £1,000	Total
All	588 k	401 k	1.44 m	2.43 m
Tenure				
Owner-occupiers	130 k	169 k	1.18 m	1.48 m
Social rented	316 k	130 k	123 k	569 k
Private rented	137 k	103 k	144 k	384 k
Household income				
£0-£10,000	119 k	43 k	129 k	292 k
£10,000 to £20,000	283 k	151 k	377 k	812 k
£20,000+	182 k	207 k	939 k	1.32 m
Number of cars				
None	343 k	165 k	260 k	768 k
One	196 k	175 k	736 k	1.11 m
Two	63 k	63 k	429 k	554 k
Working status of highest income householder				
Working	274 k	260 k	865 k	1.4 m
Selected economically inactive (looking after home or family, unemployed, or ill, sick or disabled)	190 k	43 k	37 k	270 k
Retired	83 k	80 k	529 k	693 k
Household type				
Single adult	173 k	89 k	193 k	454 k
Small adult	87 k	78 k	268 k	433 k
Single parent	75 k	26 k	20 k	122 k
Small family	78 k	50 k	170 k	299 k
Large family	42 k	24 k	64 k	131 k
Large adult	44 k	40 k	139 k	224 k
Older smaller	33 k	35 k	305 k	374 k

Single pensioner	55 k	56 k	277 k	389 k
How managing financially				
Very well or fairly well	123 k	165 k	1.05 m	1.33 m
Get by	306 k	192 k	364 k	863 k
Don't manage well, have some financial difficulties, are in deep financial trouble	161 k	45 k	27 k	233 k

Table 5.2 How managing financially by selected factors: household estimates (SHS, 2015)

	Very or fairly well	Getting by	Don't manage well, have some financial difficulties, are in deep financial trouble	Total
All	1.334 m	863 k	231 k	2.43 m
Tenure				
Owner-occupiers	1.00 m	417 k	59 k	1.48 m
Social rented	163 k	284 k	122 k	569 k
Private rented	169 k	164 k	51 k	384 k
Household income				
£0-£10,000	115 k	114 k	62 k	292 k
£10,000 to £20,000	355 k	352 k	105 k	812 k
£20,000+	870 k	394 k	62 k	1.33 m
Number of cars				
None	296 k	347 k	125 k	768 k
One	646 k	373 k	89 k	1.11 m
Two	376 k	154 k	24 k	554 k
Working status of highest income householder				
Working	805 k	493 k	102 k	1.40 m
Selected economically inactive (looking after home or family, unemployed, or ill, sick or disabled)	46 k	133 k	90 k	270 k
Retired	456 k	211 k	26 k	693 k
Household type				
Single adult	199 k	176 k	80 k	454 k
Small adult	262 k	135 k	36 k	433 k
Single parent	28 k	66 k	27 k	122 k

Small family	158 k	115 k	25 k	299 k
Large family	55 k	61 k	14 k	131 k
Large adult	135 k	70 k	18 k	224 k
Older smaller	255 k	105 k	14 k	374 k
Single pensioner	241 k	133 k	16 k	389 k

Table 5.3 How managing financially by level of savings: households (SHS 2015).

	Very or fairy well	Getting by	Don't manage well, have some financial difficulties, are in deep financial trouble	Total
All	1.33 m	863 k	231 k	2.43 m
Level of savings				
No savings	126 k	296 k	168 k	590 k
Up to £1,000	168 k	184 k	47 k	399 k
£1000+	1.08 m	355 k	28 k	1.46 m

Table 5.4 – Use of different forms of credit in the last twelve months by tenure: households (SHS 2015.)

	Owner occupier	Social Renter	Private renter	Total
A personal loan, e.g. with Bank, Building Society, Finance House	124 k	28 k	25 k	180 k
Catalogues or mail order schemes	62 k	45 k	18 k	126 k
Hire or Rental Purchase Agreements (like Brighthouse)	53 k	19 k	5 k	78 k
Loan from a friend, relative or other private individual	12 k	15 k	10 k	36 k
Cash loan from a company that comes to your home	1 k	15 k	5 k	22 k
Loan from a student loan company	7 k	1 k	15 k	22 k
Other type of loan	9 k	4 k	8 k	22 k
Loan from a Credit Union	10 k	6 k	2 k	19 k

Loan from a Social Fund	1 k	15 k	3 k	19 k
Student loan from a bank or building society	3 k	2 k	8 k	12 k
Loan from a pawnbroker/cash converters	-	6 k	1 k	7 k
A loan from a pay day lender	-	4 k	3 k	7 k
Loan from an Employer	1 k	1 k	-	2 k
Any of these	**250 k**	**123 k**	**87 k**	**457 k**
None of these	**1.23 m**	**446 k**	**297 k**	**1.97 m**
Total	1.48 m	569 k	384 k	2.43 m

Table 5.5 – Use of different forms of credit in the last twelve months by household income: households (SHS 2015.)

	Up to £10K	£10K-£20K	£20K+	Total
A personal loan, e.g. with Bank, Building Society, Finance House	7 k	25 k	151 k	180 k
Catalogues or mail order schemes	7 k	41 k	80 k	126 k
Hire or Rental Purchase Agreements (like Brighthouse)	6 k	12 k	61 k	78 k
Loan from a friend, relative or other private individual	5 k	14 k	19 k	36 k
Cash loan from a company that comes to your home	-	15 k	7 k	22 k
Loan from a student loan company	2 k	6 k	13 k	22 k
Other type of loan	3 k	6 k	13 k	22 k
Loan from a Credit Union	-	6 k	13 k	19 k
Loan from a Social Fund	5 k	11 k	3 k	19 k
Student loan from a bank or building society	3 k	3 k	7 k	12 k
Loan from a pawnbroker/cash converters	1 k	4 k	-	7 k
A loan from a pay day lender	-	5 k	1 k	7 k
Loan from an Employer	-	1 k	1 k	2 k
Any of these	**34 k**	**121 k**	**313 k**	**457 k**
None of these	**258 k**	**691 k**	**1.01 m**	**1.97 m**
Total	292 k	812 k	1.33 m	2.43 m

Table 5.6 – Use of different forms of credit in the last twelve months by economic status: households[11] (SHS 2015.)

	Working	Selected inactive	Retired	Total
A personal loan, e.g. with Bank, Building Society, Finance House	161 k	8 k	11 k	175 k
Catalogues or mail order schemes	84 k	23 k	17 k	123 k
Hire or Rental Purchase Agreements (like Brighthouse)	60 k	9 k	8 k	76 k
Loan from a friend, relative or other private individual	21 k	15 k	-	35 k
Cash loan from a company that comes to your home	10 k	8 k	3 k	21 k
Loan from a student loan company	17 k	-	-	21 k
Other type of loan	18 k	4 k	-	21 k
Loan from a Credit Union	11 k	4 k	3 k	19 k
Loan from a Social Fund	3 k	15 k	-	19 k
Student loan from a bank or building society	6 k	1 k	-	12 k
Loan from a pawnbroker/cash converters	1 k	5 k	-	7 k
A loan from a pay day lender	6 k	2 k	-	1 k
Loan from an Employer	3 k	-	-	2 k
Any of these	**333 k**	**71 k**	**39 k**	**444 k**
None of these	**1.07 m**	**198 k**	**654 k**	**1.92 m**
Total	1.40 m	270 k	693 k	2.36 m

Table 5.7 – Use of different forms of credit by whether have any savings: households (SHS 2015.)

	Working	Selected inactive	Retired	Total
A personal loan, e.g. with Bank, Building Society, Finance House	40 k	51 k	95 k	180 k
Catalogues or mail order schemes	53 k	32 k	43 k	126 k
Hire or Rental Purchase Agreements (like Brighthouse)	20 k	14 k	48 k	78 k
Loan from a friend, relative or other private individual	30 k	5 k	4 k	36 k
Cash loan from a company that comes to your home	17 k	5 k	1 k	22 k

11 Those in full-time education not shown

Loan from a student loan company	5 k	8 k	10 k	22 k
Other type of loan	6 k	4 k	10 k	22 k
Loan from a Credit Union	6 k	8 k	6 k	19 k
Loan from a Social Fund	15 k	4 k	-	19 k
Student loan from a bank or building society	6 k	3 k	6 k	12 k
Loan from a pawnbroker/cash converters	6 k	-	-	7 k
A loan from a pay day lender	7 k	-	-	7 k
Loan from an Employer	2 k	-	-	2 k
Any of these	**105 k**	**67 k**	**203 k**	**457 k**
None of these	**426 k**	**292 k**	**1238 k**	**1973 k**
Total	590 k	399 k	1441 k	2430 k

Table 5.8 – Use of different forms of credit by how they are managing financially: households (SHS 2015)

	Manage very or fairy well	**Get by**	**Don't manage well, have some financial difficulties, are in deep financial trouble**	**Total**
A personal loan, e.g. with Bank, Building Society, Finance House	96 k	64 k	19 k	180 k
Catalogues or mail order schemes	53 k	51 k	22 k	126 k
Hire or Rental Purchase Agreements (like Brighthouse)	48 k	20 k	9 k	78 k
Loan from a friend, relative or other private individual	5 k	11 k	20 k	36 k
Cash loan from a company that comes to your home	4 k	7 k	10 k	22 k
Loan from a student loan company	11 k	12 k	-	22 k
Other type of loan	12 k	6 k	3 k	22 k
Loan from a Credit Union	5 k	9 k	4 k	19 k
Loan from a Social Fund	-	7 k	11 k	19 k
Student loan from a bank or building society	7 k	3 k	4 k	12 k
Loan from a pawnbroker/cash converters	-	2 k	5 k	7 k
A loan from a pay day lender	-	2 k	4 k	7 k
Loan from an Employer	-	-	2 k	2 k
Any of these	**219 k**	**163 k**	**78 k**	**457 k**
None of these	**1115 k**	**700 k**	**155 k**	**1973 k**
Total	1334 k	863 k	233 k	2430 k

Interpreting Logistic Regression models

Figure 5.2 shows the output for the logistic regression model for whether had an outstanding credit card balance in the last 12 months. The first two columns indicate the different predictor factors included in the model. All variables have been treated as categorical variables.

Logistic regression models compare different categories against a reference category. In Figure 5.2, owner occupied has been set as the reference category for the tenure variable, and the other categories are a series of comparisons with this category.

The columns headed 'Sig.', shows whether the factor is significant. A value of less than 0.05 in these columns suggests that this factor is significant. In Table F1a, the figure for 'social rented' (vs. owner occupied) is less than 0.05, it follows that - after controlling for the effect of all other factors in the model - the likelihood of people living in owner occupied households having an outstanding credit card balance is different from the likelihood among those in the social rented sector. Significant factors are highlighted in yellow in the tables.

The column headed 'Beta' indicates the direction of the effect. A positive value indicates that those in the category are more likely to have used a credit card and vice versa. For example, those in social rented housing were less likely than those in owner occupied households to have had an outstanding credit card balance.

The column headed "Exp(B)" gives the odds ratio. This indicates the size of the effect. The further above 1 that the odds ratio is, the greater the increase in likelihood of using at least one substance. The further below 1, the greater the decrease in the likelihood of using at least one substance. A value of 1 for the odds ratio means that a factor has no effect. (The odds ratio is the inverse natural log of the Beta value.)

In the following tables, where a factor is significant, we have colour coded the odds ratios to give an indication of the size of the effect.

Figure 5.1: Key to colour coding of log odds

Large increase in likelihood: (Exp(B) > 1.67)	
Some increase in likelihood: (1 < Exp(B) < 1.67)	
Some decrease in likelihood: (0.6 < Exp(B) < 1)	
Large decrease in likelihood: (Exp (B) < 0.6)	

Note that for factors that are significant, it follows that ranges of likely values for the odds ratio (the values within the associated confidences internals) will all be either above or all below 1. The 95% confidence intervals can be calculated by taking the inverse of the natural log of the Beta values plus/minus 1.96 * of the standard error.

Figure 5.2 Logistic regression of whether had a balance on their credit card (SHS 2015

		B	S.E.	Sig.	Exp(B)
Tenure	Owner occupied			0.04	
	Social Rented	-0.37	0.14	0.01	0.69
	Private renter	-0.14	0.14	0.32	0.87
How managing	Manage very or fairy well			0.76	
	Get by	0	0	0.54	1.06
	Don't manage well to in financial trouble	0	0	0.30	1.21
Access to cars	None			0.00	
	One car	0.83	0.13	0.00	2.30
	Two or more cars	0.90	0.16	0.00	2.47
Economic Status	Working			0.00	
	Selected economically inactive	-0.45	0.19	0.02	0.64
	Retired	-0.59	0.16	0.00	0.55
Household type	Single pensioner			0.30	
	Single adult	0.22	0.21	0.29	1.25
	Small adult	0.42	0.21	0.04	1.53
	Small family	0.48	0.26	0.07	1.62
	Single parent	0.23	0.22	0.30	1.26
	Large family	0.11	0.26	0.66	1.12
	Large adult	0.17	0.24	0.47	1.19
	Older smaller	0.04	0.18	0.82	1.04
Savings	No savings			0.03	
	Less than £1,000	0.16	0.15	0.29	1.17
	£1,000 or more	-0.16	0.14	0.25	0.85
Income	£0-£10K			0.69	
	£10K-£20K	0.05	0.17	0.77	1.05
	£20k+	0.13	0.18	0.45	1.14

Figure 5.3 Logistic regression of ‘loans of last resort’ (SHS 2015)

		B	S.E.	Sig.	Exp(B)
Tenure	Owner occupied			0.58	
	Social Rented	0.01	0.39	0.99	1.01
	Private renter	0.31	0.40	0.44	1.36
How managing	Manage very or fairy well			0.00	
	Get by	0.84	0.43	0.05	2.31
	Don't manage well to in financial trouble	1.97	0.45	0.00	7.16
Access to cars	None			0.71	
	One car	0.12	0.32	0.70	1.13
	Two or more cars	-0.24	0.52	0.64	0.78
Economic Status	Working			0.06	
	Selected economically inactive	0.85	0.33	0.01	2.35
	Retired	-16.55	1140	0.99	0.00
Household type	Single pensioner			0.57	
	Single adult	-0.69	0.81	0.40	0.50
	Small adult	-0.56	0.86	0.52	0.57
	Small family	-0.01	0.84	0.99	0.99
	Single parent	-0.51	0.88	0.57	0.60
	Large family	-0.08	0.91	0.93	0.93
	Large adult	-0.28	0.93	0.76	0.76
	Older smaller	-1.44	1.31	0.27	0.24
Savings	No savings			0.00	
	Less than £1,000	-0.75	0.35	0.03	0.47
	£1,000 or more	-1.92	0.51	0.00	0.15
Income	£0-£10K			0.61	
	£10K-£20K	0.35	0.37	0.34	1.42
	£20k+	0.22	0.48	0.64	1.25

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