



OFFICE OF FAIR TRADING

The Consumer Survey

Appendix 4 of Vulnerable Consumers and Financial Services

**A report prepared by the
Consumer Affairs Division of the Office of Fair Trading**

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1 Introduction

1.1 The main purpose of the survey, which formed part of the inquiry into vulnerable consumers and financial services, was to investigate the extent to which different types of consumers used certain key financial products and the extent to which they received sales approaches in respect of such products. It was designed to indicate whether there is a significant minority who are excluded from basic financial services, and, if so, the characteristics of such people. Questions were also included to provide information about those who allow long term insurance and pension products to lapse.

1.2 Because of the nature of the questions, many of which related to household rather than individual matters, it was decided to base the analyses only on those interviews where the respondent was the head of household or the head of household's spouse or partner (cohabitee). The term 'household' is used frequently in this report, including occasions where some of the statistics presented relate to the individual respondent, rather than to the household.

1.3 The survey was carried out by employing the Office for National Statistics (ONS) to include questions in two consecutive waves of its Omnibus Survey. Representative samples totalling just over 3,700 adults, aged 16 or over, were interviewed in February and March 1998. Of this total, 3,384 were the head of household or the head of household's spouse or partner. Details of the sampling procedure and information relating to the accuracy of the survey results are included in Annex 1.

2 Summary of Main Findings

Current accounts

2.1 In around a tenth of households covered by the survey no one in the household had a bank or building society current account (paragraph 3.1). Households on low incomes, households in accommodation rented from local authorities or housing associations and lone parent and single pensioner households were particularly likely not to have a current account (paragraph 3.3).

2.2 Respondents with no educational qualifications and respondents who were unemployed, caring for the family or sick or disabled were also particularly likely to be living in a household in which no one had a bank or building society current account (paragraph 3.3).

2.3 The main reasons given by respondents for not having a bank or building society current account in the household were that they preferred to budget with cash or that they had no need for such an account (paragraph 3.5).

Use of credit

2.4 The use of 'high street' credit (ie credit from banks, building societies, retailers etc.) was found to be strongly related to household income and to whether or not the household had a current

account (paragraph 4.3).

2.5 Over a quarter of respondents did not use any form of credit. The household types with the highest proportions were single pensioners and households without a current account, of whom nearly three-quarters and around two-thirds respectively were not using credit (paragraph 4.5).

2.6 The main reasons given by respondents for not using credit were that they had no need to borrow (58%) or that they were opposed to borrowing (29%) (paragraph 4.6).

Home contents insurance

2.7 Nearly one in five households did not have home contents insurance, including 4% who had such insurance within the last 5 years but no longer had it (paragraph 5.1).

2.8 More than a half of households with very low incomes, with a dormant or no current account or where the respondent was unemployed did not have home contents insurance (paragraph 5.2).

2.9 Around a third of respondents mentioned cost as a reason for not having home contents insurance. About one in seven said that they did not need it and a similar proportion said that they would like home contents insurance but had not got round to arranging it (paragraph 5.3).

Savings products

2.10 The lowest take-up of long term savings products was among households with very low incomes, with accommodation rented from LA/HAs, with no current account and where the respondent was unemployed. For each of these groups the take-up was below 10% (paragraph 6.2).

2.11 Nearly a quarter of households had neither long term nor short term savings products, including half or more of households without an active current account, of households with accommodation rented from the local authority or from a housing association, of lone parent households and of households with very low incomes. Similar proportions of households where the respondent was unemployed or was sick or disabled had neither long term nor short term savings products (paragraph 6.3).

2.12 Over a half of respondents in households with no savings products said that their household had no savings (paragraph 6.4).

Life insurance products

2.13 The lowest levels of life insurance products were among households with very low incomes, single pensioners and households with no current account; for each of these household types around 80% had no life insurance products. And three-quarters of households where the respondent was unemployed had no such products (paragraph 7.2).

2.15 The highest level of premature termination of life insurance policies was among households where the respondent was unemployed (paragraph 7.4).

Methods used to pay utility bills

2.16 Nearly one in ten of households paid at least some of their utility bills by cash methods which involved paying a fee - using postal orders or prepayment meters. This proportion was three in ten among lone parent households and households in which the respondent was unemployed (paragraphs 8.2 and 8.3).

Sales approaches

2.17 Nearly a half of single pensioner households and households with no current account had received no sales approaches in respect of financial products in the previous fourteen months; this compared with just over one in five of households generally (paragraph 9.3).

3 The extent of ownership of bank and building society current accounts among the selected groups (Table 1.1)

3.1 Respondents were asked questions about their access to a bank or building society current account. 85% said that they had one and a further 3% said that another member of their household had one. 1% did not have a current account but had one within the previous 5 years. For 10% of respondents, no one in the household had a current account during the previous 5 years. A further 2% of respondents either did not know or refused to answer the question. Among those who had a current account 98% said that it was used, as opposed to being dormant. The analysis which follows concentrates on current accounts in the household rather than on whether the respondent personally has such an account.

3.2 In order to identify which households were more, or less, likely to have a current account, the data were analysed in respect of a number of key characteristics of the household and respondent:

Household - household income (including income volatility)

- type of tenure

- household type (eg couple with children)

Respondent - highest educational level achieved

- employment status

- ethnicity

3.3 Table 1.1 shows the breakdown between households with active current accounts, households with dormant current accounts and households with no current account. The following types of household were particularly likely not to have a current account in the household:

<u>Type of household/respondent</u>	<u>No current account in household</u>
<u>Household income</u> (defined in Annex 1)	
Very low income	38%
Low income	24%
<u>Household tenure</u>	
Rented from LA/HA	33%
<u>Household type</u>	
Lone parent	26%
Single pensioner	24%
<u>Respondent educational level</u>	
No qualifications	20%
<u>Respondent employment status</u>	
Unemployed	27%
Caring for family	25%
Sick or disabled	27%

3.4 Respondents who said that their current account was dormant were asked why it was not used. Nearly a half said that they preferred to budget with cash only. Less than a quarter said that it was due to a change of circumstances. Very few respondents said that it was because of concerns that a mistake might be made. The numbers with dormant accounts in individual subgroups of respondents were small but the reasons given were generally similar. The highest incidence of dormant accounts (6%) was among the unemployed.

3.5 The main reasons given for not having a current account in the household by respondents who either had an account previously or never had an account were that they preferred to budget with cash or that they had no need for an account:

<u>Reason</u>	<u>% of those without a current account</u>
<i>Had an account previously, but</i>	
prefer to budget with cash	17%
closed because not used	8%
change in circumstances	7%
account withdrawn	4%
<i>Never applied for one because</i>	
no need for an account	25%
prefer to budget with cash	13%

3.6 Again, the numbers in subgroups were small but around a third of those with very low household incomes and single pensioners said that they had no need for a current account. About one in eight lone parents without an account said that it was due to a change in circumstances.

4 Use of credit (Table 2.1)

4.1 Respondents were asked about the forms of credit used by themselves and their spouse or partner. The various forms of credit were classified as 'high street' credit, 'low income' credit and non commercial credit. These are defined below:

High Street credit

Mortgage - bank or building society
Mortgage from another lender
Other bank or building society loan
Loan from other financial institution
Overdraft facility
Credit card
Store card
Credit arranged from retailer

Low income credit

Credit weekly from the home
Pawnbrokers
Other eg loan sharks

Non commercial credit

Family and friends
Credit Union
DSS Social Fund

4.2 Two-thirds of all households used 'high street' credit, whereas only 2% used 'low income' credit (mainly credit weekly from the home?) and 5% used non commercial credit (mainly family friends and the DSS Social Fund). Table 2.1 shows the forms of credit used by household type.

4.3 The use of high street credit was found to be strongly related to household income and to

whether or not the household had a current account. In addition to low income households and households without a current account, single pensioners and households in accommodation rented from Local Authorities or Housing Associations also make limited use of high street credit.

4.4 The groups making most use of other forms of credit are shown below:

5% or more using low income credit

very low income
lone parents
no current account
respondent unemployed
respondent sick or disabled

15% or more using non commercial credit

very low income
accommodation rented privately
lone parents
dormant or no current account
respondent unemployed

4.5 27% of respondents did not use any forms of credit. The household types with the highest proportions not using credit were single pensioners (71%) and households without a current account (64%).

4.6 The main reasons given by respondents for not using credit were that they had no need to borrow (58%) or that they were opposed to borrowing (29%). No other reason was mentioned by more than 5% of respondents although some of these reasons were significant for certain subgroups, as is shown below. The main points to emerge from comparing the reasons given by household types of interest with the general pattern for households not using credit were:

very low income (53% did not use credit)
less likely to have no need to borrow

rented privately (29%)
more likely to have past financial difficulties with credit

rented LA/HA (51%)
less likely to have no need to borrow

lone parents (15%)
much more likely to have past financial difficulties with credit
much less likely to have no need to borrow

single pensioners (71%)
less likely to have past financial difficulties with credit
more likely to have no need to borrow

respondent unemployed (28%)

much more likely to have past financial difficulties with credit
more likely to believe that interest on loans is too expensive
much more likely to feel that no one will offer them a loan
much less likely to have no need to borrow

caring for family (37%)
less likely to have no need to borrow

respondent sick or disabled (38%)
more likely to have past financial difficulties with credit
less likely to have no need to borrow

respondent retired (57%)
more likely to have no need to borrow

ethnic minorities (26%)
more likely to be opposed to borrowing
much more likely to feel it is against their religion
more likely to believe that no one will offer them a loan
much less likely to have no need to borrow

5 Home contents insurance (Table 3.1)

5.1 Respondents were asked whether their household had home contents insurance and, if not, whether they had such insurance at any time in the previous 5 years. Table 3.1 shows that 81 % had home contents insurance, 4% did not but had it in the last 5 years and 14 % had not had it in the last five years.

5.2 More than a half of households with very low incomes, with a dormant or no current account or where the respondent was unemployed did not have home contents insurance. Ten percent or more of households of the following types had home contents insurance in the last 5 years but no longer had it:-

- households in rented accommodation
- lone parents
- respondent unemployed
- respondent sick or disabled

5.3 Respondents without home contents insurance were asked for the main reason why they did not have it. The reasons most commonly expressed were:

Premiums cost too much	32%
Would like it but not got round to it	14%
Don't need it	14%
Not worth the money	8%
Had not thought about it	7%
Could no longer afford it	6%
Prefer to take the risk	4%

5.4 The main points to emerge from comparing household types of interest with the general pattern for households without insurance were:

very low income - less likely (1%) to prefer to take the risk

rented LA/HA - more likely (40%) to say that the premiums cost too much

rented privately - more likely to say that they don't need it (21%)

lone parents - much more likely (49%) to say that the premiums cost too much

single non pensioners - more likely (14%) to say that it is not worth the money

no or dormant current account – less likely (1%) to prefer to take the risk

respondent with low qualifications – more likely (14%) not to have thought about it

respondent unemployed - more likely (11%) to say that they can no longer afford it

ethnic minorities - much more likely (33%) to say that they don't need it

6 Savings products (Table 4.1)

6.1 Respondents were asked whether they or their spouse/partner had certain savings products now and whether they had such products at any time in the previous 5 years. The various forms of savings products covered by the survey were classified as long term savings, Post Office schemes and other easy access savings as follows:

Long term savings

Unit trusts

Personal Equity Plans (PEPs)

Tax Exempt Special Savings Accounts (TESSAs)

Stocks or shares

Gilts or Government Stocks

Post Office schemes

Post Office accounts

Premium Bonds

National Savings Bonds

Other easy access savings

Other bank or building society savings
Other savings accounts

6.2 Table 4.1 shows that 40% had long term savings, 36% had savings in Post Office schemes and 61% had other easy access savings. The lowest take-up of long term savings was among households with very low incomes, with accommodation rented from LA/HAs, with no current account and where the respondent was unemployed. For each of these groups the take-up was below 10% and they all also had low take-ups of Post Office schemes (between 10% and 20%), as did households where the respondent had a low educational level, was sick or disabled or was from an ethnic minority. Take-up of other easy access savings accounts was above 30 % for all the groups except among households with a dormant or no current account.

6.3 Nearly a quarter of households had no savings products, including around 4% of households who had savings products in the last 5 years, mainly bank or building society savings accounts, although they did not have savings products now. Among the household types, more than 50% of each of the following types had no savings products:

- no current account (65%)
- respondent unemployed (61%)
- current account dormant (59%)
- rented from LA/HA (55%)
- very low income (54%)
- respondent sick or disabled (52)
- lone parents (51%)

6.4 Respondents were asked what their total savings amounted to including, if they wished, the savings of their spouse or partner. Not surprisingly, households without any of the savings products tended to have lower levels of savings. Among those willing to answer the question the percentages observed for each level of savings were:

<u>Savings</u>	<u>All households</u>	<u>Households without savings products</u>
None	17%	58%
£1 to £199	12%	18%
£200 to £999	14%	13%
£1000 to £9999	29%	8%
£10000 or more	26%	1%
Don't know	2%	2%

7 Life insurance products (Tables 5.1 and 5.2)

7.1 Respondents were asked whether they or their spouse/partner had certain life insurance products now and whether they had such products at any time in the previous 5 years. Table 5.1 shows that 53% of households had at least one type of life insurance product, 4% did not but had such products in the last 5 years and 41% had not had such products in that period.

7.2 The lowest levels of life insurance products were among households with very low incomes (19%), single pensioners (20%), households with no current account (18%) and households where the respondent was unemployed (25%). The unemployed had the highest proportion (12%) who did not have such products but had them in the past 5 years.

7.3 Table 5.2 shows the take-up by type of household for each of the four categories of insurance product separately – endowment mortgages (27% of all households), other endowment policies (19%), private personal pensions (12%) and other life policies (27%). The types of household with low levels of life insurance products generally tended to have low take-up for each of the individual types of product.

7.4 Respondents who had a life insurance product during the last five years were asked whether they were still paying into their policies, whether they had reached the full term or whether they had stopped paying prematurely. Around 10% had stopped prematurely for at least one type of product. This proportion was 15% or above for the following groups:

Respondent unemployed	44%
Lone parents	29%
No current account	26%
Very low income	23%
Accommodation rented privately	23%
Sick or disabled people	18%
Single non pensioners	18%
Income had both risen and fallen	16%
Accommodation rented from LA/HA	15%

7.5 Those respondents who had stopped paying prematurely were asked why they had stopped. Not all the reasons for stopping prematurely given were able to be categorised easily but estimates of the proportions associated with affordability are as follows:

<u>Type of policy stopped</u>	<u>Stopped for reasons of affordability</u>
Endowment policies linked to a mortgage	50-55%
Endowment policies not linked to a mortgage	65-75%
Private personal pensions	55-70%
Other life insurance policies	75-80%

7.6 Those who stopped endowment policies early were asked what they received back relative to what they had paid in. For endowment policies linked to a mortgage, about 45% had received either nothing back or less than they had paid in. This compared with about 25% for those with endowment policies not linked to a mortgage.

8 Methods used to pay utility bills (Table 6.1)

8.1 Respondents were asked what methods they used to pay their utility bills. The various methods were classified as follows:

- Bank or similar
- Cheque
- Debit card
- Credit card
- Direct debit or standing order

Cash without a fee

Cash at post office, bank or building society

PayPoint

Deducted from benefits at source

Cash with a fee

Postal Order

Prepayment meter

8.2 Table 7.1 shows that 74% used banking type facilities (eg cheque, credit card etc), 37% paid using cash where no fee was involved and 9% used cash where a fee was payable. Some households use more than one method.

8.3 The types of household most likely to use cash with a fee were:

Lone parents	32%
Unemployed	30%
No current account in household	27%
Sick or disabled people	25%
Current account dormant	24%
Very low income	23%
Accommodation rented from LA/HA	23%
Low educational qualifications	20%

9 Sales approaches (Tables 7.1 to 7.7)

9.1 Respondents were asked, in respect of a number of financial products, whether they had received sales approaches since 1 January 1997 (ie in the previous 14 months). 78% of respondents said that they had received sales approaches about one or more of the products. On average, the number of products about which respondents received approaches was nearly four.

9.2 Tables 7.1 to 7.3 present the results in terms of the average numbers of types of products about which a sales approach had been received and in terms of what is considered to be a more pertinent indicator in the identification of vulnerable groups – the proportion of households which had received no such sales approach. In addition to the types of household analysed in the earlier sections of this appendix, household were also classified according to the financial products they had.

9.3 Among all households, 22% had received no sales approaches in the previous 14 months. It was found that the following types of household had proportions with no sales approaches of 30% or higher:

<u>Type of household/respondent</u>	<u>No sales approaches</u>
<u>Household income</u> (defined in Annex 1)	
Very low income	39%
Low income	33%
<u>Household Tenure</u>	
Rented from LA/HA	36%

<u>Household type</u>	
Single pensioner	46%
Pensioner couple	30%

<u>Household - financial products</u>	
No current account	49%
No home contents insurance in past 5 years	36%
No savings products	33%
No life insurance products	30%

<u>Respondent educational level</u>	
No qualifications	34%

<u>Respondent employment status</u>	
Sick or disabled	30%
Retired	35%

<u>Respondent ethnicity</u>	
Non white	31%

9.4 Table 7.4 shows that the proportion not receiving sales approaches varied considerably according to the type of product, ranging from around 90% for endowment policies linked to mortgages and for other types of endowment policies to below 50 % for credit cards.

9.5 The importance of household income is also investigated further in the more detailed analysis by product type presented in Table 7.4. The table shows that the differences between income groups are particularly marked where the product involves credit (ie credit cards, store cards, and loans).

9.6 Three types of product were thought to be of particular importance in that consumers who did not have access to them could be regarded as disadvantaged. These products were current accounts, credit cards and home contents insurance. Tables 7.5 to 7.7 show that households were less likely not to have received sales approaches in respect of credit cards (47%) than in respect of home contents insurance (56%), and sales approaches were least likely in respect of current accounts (79%). This pattern was generally independent of the type of household.

10 Illness or disability

10.1 Respondents were asked whether they had any long-standing illness, disability or infirmity. A total of 1065 respondents said that they had. However, most of these respondents were either working or retired. It was decided to restrict the main analysis in this area to 194 respondents who were not working and who were not looking for work because of illness or disability. This is the basis employed for the 'sick or disabled' category in the classification of employment status in the main tables to this appendix. Nearly all of the 194 had a long-term illness or disability.

10.2 The table below brings together the statistics in the main tables on households in which the

respondent's employment status was "sick or disabled". It is seen that such households fared less well with financial services than did respondents generally.

<u>Experience with financial products</u>	<u>Sick or disabled</u>	<u>All households</u>
<i>Sample size</i>	194	3354
No current account in household	27%	11%
No forms of credit used	38%	27%
Without home contents insurance in last 5 years	32%	14%
No savings products	52%	24%
No life insurance products in last 5 years	62%	41%
Cash (with fee) method used to pay utility bills	25%	9%
No sales approaches received	30%	22%

10.3 Respondents were also asked whether they were registered as disabled. A total of 212 respondents said that they were, of whom around a half fell into the sick or disabled employment category. Most of the others were pensioners, with a relatively small number in full or part time employment.

Table 1.1: Current accounts, by type of household/respondents

Type of household/respondent	Percentages*		
	Active Account	Dormant Account	No account in household
All households/respondents	86	1	11
Household income			
Very low income	54	4	38
Low income	70	2	24
Not low income	95	1	4
Volatile income-rise	92	1	6
Volatile income-fall	89	1	8
Volatile income-rise and fall	93	1	4
Type of tenure			
Owned outright	92	1	5
Owned - mortgage	97	-	2
Rented - LA or HA	60	3	33
Rented privately	81	2	16
Household type			
Single non pensioner	81	2	15
Lone parent	69	1	26
Non pensioner couple - no children	95	1	3
Couple with children	92	1	6
Pensioner - single	71	2	24
Pensioner - couple	88	2	9
Other	93	-	6
Highest educational level			
Degree/higher degree	97	1	2
Higher education below degree	95	1	3
A level or equivalent	95	-	4
O level/GCSE (A-C) or CSE (1)	94	1	5
GCSE (D-G) or CSE (2-5)	84	1	15
Other	91	1	5
No qualifications	74	2	20
Employment status			
FT employee	96	-	2
PT employee	93	-	5
Self employed	97	1	2
Unemployed	62	6	27
Caring for family	70	2	25
Sick or disabled	68	2	27
Retired	81	2	15
Ethnicity			
White	87	1	10
Other	75	2	19

* May not sum to 100 because some respondents refused to provide the information or did not know the answer.

Table 2.1: Use of credit, by type of household/respondent

Type of household/respondent	Percentages			
	High St Credit	Low income credit	Non commercial credit	No credit
All households/respondents	66	2	5	27
Household income				
Very low income	25	5	15	53
Low income	32	3	8	55
Not low income	82	1	3	15
Volatile income - rise	84	2	8	9
Volatile income - fall	75	2	7	19
Volatile income - rise and fall	86	2	11	6
Type of tenure				
Owned outright	51	-	-	46
Owned - mortgage	97	-	3	1
Rented - LA or HA	29	4	12	51
Rented privately	55	4	15	29
Household type				
Single non pensioner	64	2	8	26
Lone parent	52	7	24	15
Non pensioner couple - no children	82	1	1	15
Couple with children	86	1	6	9
Pensioner - single	25	-	1	71
Pensioner - couple	51	-	-	45
Other	58	2	8	36
Current account in household				
Active account	75	1	4	21
Dormant account	25	2	15	55
No account in household	14	6	15	64
Highest educational level				
Degree/higher degree	92	-	8	7
Higher education below degree	86	2	2	10
A level or equivalent	74	1	6	19
O level/GCSE (A-C) or CSE (1)	81	1	6	11
GCSE (D-G) or CSE (2-5)	66	3	13	18
Other	70	1	4	25
No qualifications	43	2	4	49
Employment status				
FT employee	89	-	4	8
PT employee	80	2	6	9
Self employed	89	1	6	7
Unemployed	46	8	21	28
Caring for family	45	4	13	37
Sick or disabled	42	5	13	38
Retired	40	-	-	57
Ethnicity				
White	66	2	5	27
Other	64	1	9	26

Table 3.1: Home contents insurance, by type of household/respondent

Type of household/respondent	Percentages		
	Yes, now	No, but had in last 5 years	Not in last 5 years
All households/respondents	81	4	14
Household income			
Very low income	46	9	43
Low income	68	8	24
Not low income	90	3	8
Volatile income - rise	81	5	14
Volatile income - fall	80	6	14
Volatile income - rise and fall	79	6	14
Type of tenure			
Owned outright	93	2	5
Owned - mortgage	93	1	5
Rented - LA or HA	51	11	38
Rented privately	55	11	32
Household type			
Single non pensioner	65	7	27
Lone parent	54	14	33
Non pensioner couple - no children	91	2	6
Couple with children	86	4	10
Pensioner - single	77	4	18
Pensioner - couple	90	1	8
Other	82	4	13
Current account in household			
Active account	87	4	9
Dormant account	48	5	48
No account in household	38	8	53
Highest educational level			
Degree/higher degree	90	3	7
Higher education below degree	87	3	9
A level or equivalent	85	5	9
O level/GCSE (A-C) or CSE (1)	85	5	11
GCSE (D-G) or CSE (2-5)	68	7	22
Other	84	3	13
No qualifications	75	5	20
Employment status			
FT employee	89	3	8
PT employee	84	5	11
Self employed	92	3	5
Unemployed	36	16	48
Caring for family	64	8	27
Sick or disabled	58	10	32
Retired	84	3	13
Ethnicity			
White	82	4	13
Other	53	8	38

Table 4.1: Savings products used, by type of household/respondent and type of product

Type of household/respondent	Percentages			
	Long term savings	Post Office schemes	Other easy access savings	No savings products
All households/respondents	40	36	61	24
Household income				
Very low income	8	18	33	54
Low income	15	30	44	39
Not low income	52	41	72	15
Volatile income - rise	43	37	69	20
Volatile income - fall	44	37	63	23
Volatile income - rise and fall	43	39	68	19
Type of tenure				
Owned outright	52	52	73	10
Owned - mortgage	52	35	72	15
Rented - LA or HA	8	19	32	55
Rented privately	21	28	46	34
Household type				
Single non pensioner	35	27	54	33
Lone parent	15	21	36	51
Non pensioner couple - no children	57	40	71	15
Couple with children	43	33	66	22
Pensioner - single	25	36	54	26
Pensioner - couple	43	53	67	13
Other	35	39	63	23
Current account in household				
Active account	46	40	67	18
Dormant account	18	15	20	57
No account in household	4	12	27	64
Highest educational level				
Degree/higher degree	62	44	80	9
Higher education below degree	53	47	74	14
A level or equivalent	51	43	67	14
O level/GCSE (A-C) or CSE (1)	45	38	67	19
GCSE (D-G) or CSE (2-5)	22	18	48	42
Other	51	40	65	15
No qualifications	25	30	50	34
Employment status				
FT employee	50	35	71	15
PT employee	43	37	67	22
Self employed	51	38	69	14
Unemployed	9	13	32	61
Caring for family	26	28	44	41
Sick or disabled	16	19	37	52
Retired	37	44	60	21
Ethnicity				
White	40	37	62	23
Other	30	15	44	40

Table 5.1: Life insurance products, by type of household/respondent and when they had such a product

Type of household/respondent	Percentages		
	Yes, now	No, but had in last 5 years	Not in last 5 years
All households/respondents	53	4	41
Household income			
Very low income	19	7	73
Low income	28	4	67
Not low income	66	4	29
Volatile income - rise	65	4	30
Volatile income - fall	59	6	35
Volatile income - rise and fall	65	5	29
Type of tenure			
Owned outright	39	5	54
Owned - mortgage	80	3	16
Rented - LA or HA	28	5	65
Rented privately	30	8	61
Household type			
Single non pensioner	46	7	46
Lone parent	34	9	55
Non pensioner couple - no children	69	4	25
Couple with children	76	2	20
Pensioner - single	20	2	76
Pensioner - couple	34	5	59
Other	39	4	57
Current account in household			
Active account	58	4	37
Dormant account	40	2	58
No account in household	18	6	75
Highest educational level			
Degree/higher degree	69	5	25
Higher education below degree	65	5	28
A level or equivalent	51	4	41
O level/GCSE (A-C) or CSE (1)	66	4	29
GCSE (D-G) or CSE (2-5)	52	4	42
Other	55	4	39
No qualifications	38	4	56
Employment status			
FT employee	74	3	21
PT employee	67	4	27
Self employed	73	4	20
Unemployed	25	12	63
Caring for family	34	5	59
Sick or disabled	33	4	62
Retired	31	4	63
Ethnicity			
White	53	4	41
Other	40	4	51

Table 5.2: Life insurance products now, by type of household/respondent and type of product
Percentages

Type of household/respondent	Endowment (Mortgage)	Endowment (Other)	Personal Pension	Other
All households/respondents	26	12	19	27
Household income				
Very low income	3	4	2	13
Low income	5	8	2	18
Not low income	36	15	27	33
Volatile income - rise	34	13	31	30
Volatile income - fall	29	15	21	29
Volatile income - rise and fall	35	13	30	31
Type of tenure				
Owned outright	1	13	11	25
Owned - mortgage	60	15	33	35
Rented - LA or HA	1	8	6	17
Rented privately	3	9	13	15
Household type				
Single non pensioner	23	9	17	17
Lone parent	14	5	11	16
Non pensioner couple - no children	33	19	29	36
Couple with children	50	16	34	35
Pensioner - single	1	4	0	16
Pensioner - couple	2	10	2	25
Other	12	11	11	18
Current account in household				
Active account	29	14	22	29
Dormant account	11	7	7	24
No account in household	2	5	1	11
Highest educational level				
Degree/higher degree	36	16	29	35
Higher education below degree	37	12	28	33
A level or equivalent	31	12	20	25
O level/GCSE (A-C) or CSE (1)	39	16	30	32
GCSE (D-G) or CSE (2-5)	31	8	19	25
Other	26	15	25	26
No qualifications	11	10	8	21
Employment status				
FT employee	46	16	33	32
PT employee	36	16	25	32
Self employed	38	22	46	35
Unemployed	8	2	8	15
Caring for family	14	8	9	17
Sick or disabled	12	10	5	17
Retired	4	8	1	23
Ethnicity				
White	26	13	19	27
Other	22	5	10	24

Table 6.1: Methods used to pay utility bills, by type of household/respondent

Type of household/respondent	Percentages		
	Bank or similar	Cash - no fee	Cash - with fee
All households/respondents	75	37	9
Household income			
Very low income	37	68	23
Low income	52	62	13
Not low income	87	26	6
Volatile income - rise	83	31	10
Volatile income - fall	79	36	10
Volatile income - rise and fall	84	32	12
Type of tenure			
Owned outright	83	31	1
Owned - mortgage	89	23	5
Rented - LA or HA	40	68	23
Rented privately	66	44	9
Household type			
Single non pensioner	67	38	12
Lone parent	55	52	32
Non pensioner couple - no children	85	26	4
Couple with children	82	34	10
Pensioner - single	61	50	4
Pensioner - couple	76	39	2
Other	76	39	7
Current account in household			
Active account	86	30	6
Dormant account	30	82	25
No account in household	10	85	27
Highest educational level			
Degree/higher degree	93	12	1
Higher education below degree	89	22	4
A level or equivalent	88	21	7
O level/GCSE (A-C) or CSE (1)	84	31	8
GCSE (D-G) or CSE (2-5)	62	54	20
Other	80	30	6
No qualifications	59	53	12
Employment status			
FT employee	88	25	7
PT employee	81	37	8
Self employed	88	20	5
Unemployed	45	62	30
Caring for family	53	49	19
Sick or disabled	48	57	25
Retired	69	43	3
Ethnicity			
White	76	36	9
Other	59	62	6

Table 7.1: Average numbers of products for which sales approaches received and percentage with no sales approaches, by type of household

Type of household	Sample size	Average number of products	No sales approaches, %
All households	3332	3.8	22
Household income			
Very low income	385	1.8	39
Low income	483	2.4	33
Not low income	2085	4.6	14
Volatile income - rise	680	4.9	9
Volatile income - fall	1229	4.2	17
Volatile income - rise & fall	359	5.0	8
Type of tenure			
Owned outright	946	3.4	25
Owned - mortgage	1381	4.9	12
Rented - LA or HA	712	2.2	36
Rented privately	289	3.7	20
Household type			
Single non pensioner	440	4.1	20
Lone parent	270	4.0	17
Non pensioner couple - no children	777	4.5	14
Couple with children	831	4.4	14
Pensioner - single	440	1.8	46
Pensioner - couple	331	3.1	30
Other	244	3.2	23

Table 7.2: Average numbers of products for which sales approaches received and percentages with no sales approaches, by whether household has financial products

Type of household	Sample size	Average number of products	No sales approaches %
All households	3332	3.8	22
Financial products			
<i>Whether current account in household</i>			
Current account - active	2871	4.1	18
Current account - dormant	39	2.5	25
No current account	354	1.4	49
<i>Type of credit used</i>			
High Street credit	2214	4.6	13
'Low income' credit	51	2.2	29
Non commercial credit	179	3.7	21
<i>Home contents insurance</i>			
Yes, have home contents insurance	2696	4.1	19
No, but had in past 5 years	148	3.1	24
No, not in past 5 years	475	2.4	36
<i>Savings and investments</i>			
Long term savings	1350	4.9	12
Post Office saving schemes	1207	4.6	16
Other easy access savings	2069	4.3	17
No savings products	792	2.5	33
<i>Life insurance products</i>			
Endowment linked to a mortgage	855	5.0	10
Private personal pension	642	5.3	9
Endowment not linked to a mortgage	416	4.5	15
Other life insurance	891	4.5	15
No life insurance products	1539	2.9	30

Table 7.3: Average numbers of products for which sales approaches received and percentages with no sales approaches, by type of respondent

Type of respondent	Sample size	Average number of products	No sales approaches, %
All respondents	3332	3.8	22
Highest educational level			
Degree/higher degree	404	5.8	7
Higher education below degree	304	5.5	13
A level or equivalent	261	4.5	14
O level/GCSE (A-C) or CSE (1)	618	4.4	15
GCSE (D-G) or CSE (2-5)	201	3.6	15
Other	276	3.7	23
No qualifications	1269	2.3	34
Employment status			
FT employee	1074	5.0	10
PT employee	449	4.1	15
Self employed	229	4.8	17
Unemployed	116	2.8	26
Caring for family	294	2.8	28
Sick or disabled	192	2.7	30
Retired	885	2.6	35
Ethnicity			
White	3183	3.8	21
Other	112	2.5	31

Table 7.4: Percentage of respondents not receiving a sales approach, by income group and type of product

Type of product	Percentages			
	Very low income	Low income	Not low income	All
<i>Sample size (number)</i>	387	490	2088	3384
Bank or Building Society Current Account	91	87	74	79
Credit card	74	64	35	47
Store card	87	83	59	68
Catalogue	61	58	44	50
Bank building society loan	87	78	50	61
Loan from another source	82	76	51	61
Home contents insurance	76	71	47	56
Savings accounts	96	93	76	82
Endowment policy linked to mortgage	97	94	88	90
Other endowment policy	97	94	89	91
Other life products	82	76	57	65
Personal pension	89	86	66	74

Table 7.5: Percentages of respondents not receiving sales approaches in respect of certain types of product, by type of household

Type of household	Percentage without a sales approach for:		
	Current account	Credit card	Home contents insurance
All households	79	47	56
Household income			
Very low income	91	74	76
Low income	87	64	73
Not low income	74	35	47
Volatile income - rise	74	34	44
Volatile income - fall	77	43	53
Volatile income - rise and fall	75	34	43
Type of tenure			
Owned outright	80	50	55
Owned - mortgage	74	33	48
Rented - LA or HA	90	69	72
Rented privately	74	45	60
Household type			
Single non pensioner	76	44	51
Lone parent	77	50	56
Non pensioner couple - no children	77	36	49
Couple with children	78	37	53
Pensioner - single	88	76	74
Pensioner - couple	84	52	57
Other	75	51	67

Table 7.6: Percentages of respondents not receiving sales approaches in respect of certain types of product, by whether household has financial products

Type of household	Percentage without a sales approach for:		
	Current account	Credit card	Home contents insurance
All households	79	47	56
Financial products			
<i>Whether current account in household</i>			
Current account - active	77	41	52
Current account - dormant	89	66	69
No current account	94	80	82
<i>Type of credit used</i>			
High Street credit	75	35	47
'Low income' credit	93	76	67
Non commercial credit	76	53	60
<i>Home contents insurance</i>			
Yes, have home contents insurance	77	42	52
No, but had in past 5 years	84	60	61
No, not in past 5 years	86	65	75
<i>Savings and investments</i>			
Long term savings	73	33	43
Post Office saving schemes	74	38	45
Other easy access savings	76	39	50
No savings products	87	63	72
<i>Life insurance products</i>			
Endowment linked to a mortgage	75	28	45
Private personal pension	70	29	42
Endowment not linked to a mortgage	75	37	48
Other life insurance	74	38	48
No life insurance products	83	58	65

Table 7.7: Percentages of respondents not receiving sales approaches in respect of certain types of product, by type of respondent

Type of respondent	Percentage without a sales approach for:		
	Current account	Credit card	Home contents insurance
All respondents	79	47	56
Highest educational level			
Degree/higher degree	62	23	35
Higher education below degree	68	31	39
A level or equivalent	77	32	54
O level/GCSE (A-C) or CSE (1)	77	38	47
GCSE (D-G) or CSE (2-5)	81	48	59
Other	82	47	56
No qualifications	88	64	71
Employment status			
FT employee	73	30	44
PT employee	80	45	52
Self employed	71	31	50
Unemployed	85	60	69
Caring for family	87	61	68
Sick or disabled	86	56	66
Retired	84	62	66
Ethnicity			
White	79	46	56
Other	88	61	70

ANNEX 1

Part 1 : Coverage of the survey and Sampling methodology

The survey research was put out to tender and the successful bid was from the Office for National Statistics (ONS), which carried out the research by including questions in its omnibus survey. The interviews took place in respondents' homes using face-to-face, computer-assisted personal interviewing (CAPI) techniques. Altogether 3,708 adults¹ were interviewed between mid-February and mid-April 1998.

(i) **Sampling Frame** (list from which the sample is selected)

The ONS Omnibus uses the Postcode Address File of 'small users', which is a list of all private household addresses in Great Britain, as its sampling frame. A new sample of 100 postal sectors is selected each month and is stratified by: region; the proportion of households renting from local authorities; and the proportion in which the head of household is in Socio-Economic Groups 1-5 or 13 (ie a professional, employer or manager). The postal sectors are selected with probability proportionate to size² and, within each sector, 30 addresses are selected randomly.

If an address contains more than one household, the interviewer uses a standard ONS procedure to randomly select just one household. When a household includes two or more adults, the interviewer uses random number tables to select the one adult to be interviewed. The interviewer endeavours to interview that person. The interviewer does not interview any other adult within the household if the person selected cannot be interviewed³.

(ii) **Weighting the Data**

ONS applies weighting factors to its Omnibus data to correct for unequal probability of selection caused by interviewing only one adult per household. Alternative methods of weighting the data are available depending upon whether the unit of analysis is considered to be:-

- a. the household; or
- b. the individual; or
- c. the head of household or their spouse/partner.

Since it was thought that some of the information about the household could only be supplied reliably by the head of household or his/her spouse or partner, it was decided to restrict the analysis to such respondents. This reduced the sample size to 3,384 respondents and the appropriate weighting factors were employed.

¹ individuals aged 16 or over.

²so that postal sectors with more private household addresses are more likely to be selected.

³for instance, if the person selected is on holiday for the period of the survey fieldwork.

Part 2 : Reliability, confidence intervals etc.

As with all sample surveys, we cannot be certain that the results obtained are identical to those which would be obtained by interviewing the entire population. However, statistical theory enables us to assess the reliability of our survey estimates by drawing confidence intervals around them. For 95% confidence intervals, we can estimate that in the long run (of identical repetitions of the survey), the survey estimates obtained would lie within these confidence intervals nineteen times out of twenty.

The following table would allow one to estimate 95% confidence intervals around percentages calculated from various sample sizes under the assumption that the sampling method employed by ONS provides estimates which are equivalent in terms of accuracy to those which would be obtained by a survey which employed simple random sampling. A 95% confidence interval means we run only a 5% (1 in 20) risk that the true *population* percentage lies outside the range from the sample percentage minus the tabulated figure to the sample percentage plus the tabulated figure, if certain assumptions on survey bias are met. These assumptions are that bias arising from the design of the questionnaire and from non response are not significant.

As an example, if a particular proportion is estimated to be 30% and the sample size (number of interviews) used to calculate that proportion is 250, then the 95% confidence interval for the true population proportion would be in the range 30 ± 5.7 ie between 24.3 and 35.7

Estimated confidence interval for a simple random sample (design factor = 1.0)⁴
eg the confidence interval for a statistic estimated to be 5% with a sample size of 250 is 5%±2.7%

Sample size	Percentage observed from Sample									
	5	10	15	20	25	30	35	40	45	50
50	6.0	8.3	9.9	11.1	12.0	12.7	13.2	13.6	13.8	13.9
100	4.3	5.9	7.0	7.8	8.5	9.0	9.3	9.6	9.8	9.8
250	2.7	3.7	4.4	5.0	5.4	5.7	5.9	6.1	6.2	6.2
500	1.9	2.6	3.1	3.5	3.8	4.0	4.2	4.3	4.4	4.4
1,000	1.4	1.9	2.2	2.5	2.7	2.8	3.0	3.0	3.1	3.1
2,000	1.0	1.3	1.6	1.8	1.9	2.0	2.1	2.1	2.2	2.2
3,000	0.8	1.1	1.3	1.4	1.5	1.6	1.7	1.8	1.8	1.8
4,000	0.7	0.9	1.1	1.2	1.3	1.4	1.5	1.5	1.5	1.5

N.B. The table is symmetric about 50%, so, for example, for 55% use the (100-55) i.e. the 45% column.

As noted in Part 1, the ONS Omnibus does not employ simple random sampling. However, because it does employ a version of random sampling, ONS is able to calculate for individual statistics produced from the survey results estimates of the design factor - the ratio of the width of the confidence interval from the ONS sample to the width of the confidence interval from a simple random sample of the same size. Where the design factor is known it may be applied to the tabulated figure in the table above to provide confidence intervals for the survey results. For example if the design factor for a particular statistic is 1.2, then the confidence interval is 1.2 times as wide.

Thus, if a design factor of 1.2 was appropriate for the example above where the proportion is estimated to be 30% and the sample size is 250, then the 95% confidence interval for the true population proportion would be the range 30±6.8 ie, between 23.2 and 36.8.

The table which follows shows the design factors for Table 1.1 of Appendix 4.

⁴Large sample confidence interval for a proportion. See for example *Mathematical Statistics* 4th ed. by J Freund & R Walpole page 376.

Design factors for Table 1.1: Current accounts, by type of household/respondents

Type of household/respondent	Active Account	Dormant Account	No account in household
All households/respondents	1.4	0.9	1.4
Household income			
Very low income	1.2	0.9	1.2
Low income	1.1	1.0	1.3
Not low income	1.1	1.0	1.1
Volatile income-rise	1.0	1.0	1.0
Volatile income-fall	1.1	0.9	1.1
Volatile income-rise and fall	1.1	1.0	1.1
Type of tenure			
Owned outright	1.2	1.0	1.0
Owned - mortgage	1.2	1.3	1.2
Rented - LA or HA	1.0	0.9	1.1
Rented privately	1.1	0.9	1.1
Household type			
Single non pensioner	1.1	0.9	1.1
Lone parent	1.0	1.1	1.1
Non pensioner couple - no children	1.1	1.0	1.0
Couple with children	1.1	1.0	1.3
Pensioner - single	1.0	1.0	1.0
Pensioner - couple	1.1	1.1	1.1
Other	1.2	N/A	1.4
Highest educational level			
Degree/higher degree	1.1	1.0	1.1
Higher education below degree	1.2	1.0	1.2
A level or equivalent	1.1	1.1	1.1
O level/GCSE (A-C) or CSE (1)	1.2	1.1	1.2
GCSE (D-G) or CSE (2-5)	1.1	0.9	0.9
Other	0.9	0.9	0.9
No qualifications	1.2	1.1	1.3
Employment status			
FT employee	1.1	0.6	1.0
PT employee	1.0	1.2	0.9
Self employed	1.0	1.1	1.0
Unemployed	0.9	1.1	0.8
Caring for family	1.0	1.0	1.1
Sick or disabled	1.1	1.0	1.1
Retired	1.1	1.0	1.2
Ethnicity			
White	1.4	1.0	1.4
Other	1.6	1.0	1.9

N/A = not available

It is seen that a large majority of the design factors are within the range 0.85 to 1.25 (allowing for rounding to one decimal place). Design factors for the other tables are available from the Office of Fair Trading on written request to Peter Atkinson, Consumer Affairs Statistician, Room 630,

Chancery House, 53 Chancery Lane, London WC2A 1SP. Although the design factors in other tables tended to be higher than those shown for table 1.1, for most tables the majority of design factors were below 1.25 and very few were as high as 1.5, which is the level sometimes assumed for surveys which employ quota sampling instead of random sampling.

Table 7.1 provides information on sample sizes for the analyses relating to sales approaches. The sample sizes varied only slightly between the different types of analyses in the tables as is indicated by the table of aggregate sample sizes below:

<u>Type of analysis</u>	<u>Sample size</u>
Current accounts (Table 1.1)	3,342
Access to credit (Table 2.1)	3,348
Home contents insurance (Table 3.1)	3,353
Savings products used (Table 4.1)	3,330
Life insurance products (Tables 5.1 and 5.2)	3,347
Methods used to pay utility bills (Table 6.1)	3,362
Sales approaches (Tables 7.1 to 7.7)	3,332/3320

The reason why sample sizes were not the same throughout all the analyses was that small proportions of respondents did not provide answers to particular questions.

Bank accounts

It is thought that the survey results underestimated the proportions of respondents without a bank or building society current account. A survey run by the Association of Payment Clearing Services (APACS) suggests slightly higher proportions without such an account. In aggregate, the difference amounted to about 3 percentage points.

The methods employed in the two surveys were compared. As a result of this comparison, it is thought that underestimation in the OFT survey probably arose through some respondents confusing different types of account. This conclusion was supported by a comparison of the results of the two surveys for certain subgroups of respondents - the comparison showing a relationship between the likely level of financial sophistication of the respondents in the subgroup and the difference in the results. The APACS survey with its higher sample size and more detailed questioning in this area is less likely to have suffered from such bias than the broader based OFT survey.

Part 3 : Definition of income categories employed in the analysis

Ideally, the first step in defining income categories would have been to adjust the income data using McClements equivalence scales⁵. However, the survey sought only gross income (rather than net) and the income data collected were in income bands of £1,000 or more in width, which are

⁵see *Households below Average Income 1979-1996/7* Appendix 4, for details of McClements scales.

considered too wide to allow for equivalisation. Both the DSS and the Personal Finance Research Centre at Bristol University advised against use of the McClements scales.

One possibility was to define a low income group simply by taking the lowest 30% of respondent households (by gross household income). However, this was recognised as inadequate because it would not have taken any account of different household compositions. Thus some thought was given to the construction of a better alternative based on a household composition variable which had been constructed for other analyses. This variable allocated respondent households into seven categories.

For each of the seven categories, an assessment was made of the relative levels of income as defined by the upper bound of those income bands which would equate approximately to low income as defined in OFT's Research Report 15, Vulnerable Consumer Groups: Quantification and Analysis (1998) for each type of household. A similar process split the resultant low income group by creating a very low income group. In terms of income bands, the two groups were defined as follows:

	<u>Very low income</u>	<u>Low income</u>
Single non-pensioners	<£4,000	£4,000 - £5,999
Lone parents	<£5,000	£5,000 - £6,999
Non-pensioner couple, no kids	<£6,000	£6,000 - £8,999
Couple with kids	<£7,000	£7,000 - £11,999
Pensioners - single	<£4,000	£4,000 - £6,999
Pensioners - couple	<£6,000	£6,000 - £8,999
Other	<£7,000	£7,000 - £7,999

Part 4 : Miscellaneous

Bought mail order/catalogue

One of the categories of credit identified (para 4.1) was 'bought by mail order or from a catalogue and paying by installments'. Nearly a fifth of respondents said that they used this form of credit. Because it did not fit naturally into any of the three categories - High Street credit, low income credit and non commercial credit - these data were not employed in the analysis presented in Section 4 of the Appendix.