

UK Consumers Financially Fragile As Recession Fails To Prompt Sensible Saving

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The recession has done little to convince UK consumers of the merit of saving for tough times.

Only 22% of UK consumers are certain they could meet an unexpected expense of just Â£1,500 according to TNS's Personal Risk Assessment and Literacy Survey " suggesting that the loss of confidence in the banking system has not spurred consumers to protect their future finances.

Half of those questioned (49%) admit that they could not come up with enough money from savings, borrowing or credit to meet what is a typical cost of unexpected car or home repairs.

The UK has emerged from the study as one of the world's most financially fragile, second only to Mexico. Its European neighbours are far better prepared, with just one in ten consumers in Luxembourg struggling to come up with Â£1,500 (â,~1.500).

According to Peter Tufano of Harvard Business School, "These figures include more than just the unemployed or lowest income households. In many countries, there is widespread financial fragility with a significant number of seemingly middle-class consumers extremely vulnerable to sudden financial emergencies."

Although half of the UK respondents questioned by TNS would turn to their savings in an emergency, these savings frequently amount to very little.

A significant 32% would have to ask for help from their family, with women more likely to ask for help than men (32% vs 27%). The younger the consumer, the more likely they are to borrow from family.

20% of UK respondents would turn straight to their credit cards to fund an emergency cost - almost double the number who would use plastic in most other countries surveyed.

Waheed Aslam, Director of TNS Finance, comments:

"It is perhaps surprising to see that the UK is one of the markets where consumers are the most financially fragile, especially as the government actively encourages saving through schemes including tax free allowances on savings held in Individual Savings Accounts (ISAs). Although 55% of respondents indicated that they held savings, for many the amounts were not substantial. This could be attributed to a lack of understanding about the potential financial products available, or even a general lack of education on the benefits of saving over relying on credit for those rainy day emergencies."

The survey developed by TNS Finance in association with professors from Harvard Business School and Dartmouth College. The survey analyses nationally representative consumers across eleven countries with respect to their risk literacy, household financial fragility, and financial experience and behaviour during the economic crisis of 2008-2009.

TNS Finance Personal Risk Assessment and Risk Literacy Survey is a consumer survey developed by TNS in association with researchers at Harvard Business School and Dartmouth College.

The survey analyzes nationally representative samples of consumers across fifteen countries and regions with respect to their risk literacy, household financial fragility, and financial experience and behavior during the economic crisis of 2008-2009.

Survey Methodology:

Fielded between June and September 2009. Countries and sample size: US (2148), UK (1001), Germany (1107), France (1097), Canada (1132), Italy (935), The Netherlands (1001), Mexico (904), Argentina (1000), Portugal (1011), Luxembourg (504), Hong Kong (1000), Singapore (1000), Saudi Arabia (453) and United Arab Emirates (400). Total sample size: 14693.

Samples are nationally representative of the general population in all countries but Mexico (main cities), United Arab Emirates (main cities, working population having a banking relationship) and Saudi Arabia (main cities, working males having a banking relationship). Methodology was online but for Argentina, Saudi Arabia and United Arab Emirates (face to face); and Mexico (telephone).

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