

Embargoed for 00.01 Friday 17<sup>th</sup> February 2012

### **Britons spooked into financial prudence**

Worrying economic headlines have pushed Britons towards more prudent financial behaviour, with savings rising and debts falling at the end of last year.

The *ING Direct Consumer Savings Monitor* – the only measure that tracks ordinary Britons' accessible savings levels<sup>1</sup> – shows a moderate rise (4.9 per cent/£73) in cash savings in Q4 of 2011. This follows three consecutive quarters of falling cash reserves, taking median balances to £1,574.

Most of this saving was done in October and November, leaving consumers with a buffer that they could tap into for Christmas expenses, with spare cash left over.

As a result, the public were also able to deliver on their resolution not to rely on the plastic during the festive period<sup>2</sup>. Average borrowing on credit cards, hire purchase agreements and personal loans fell by 15.4 per cent (£405) in Q4, to rest at an average of £2,224. This is the lowest level of unsecured borrowing recorded since tracking began in January 2009.

Inevitably, it was the deluge of negative economic headlines that drove consumers to this more prudent behaviour, with the recovery in savings and fall in debt correlated to a drop in consumer confidence, which fell to a three year low at the end of 2011.

And retailers did eventually benefit from this more responsible approach to Christmas. While October and November saw a subdued high street as consumers squirrelled away cash, spending rose in December compared to the same period last year.

Yet all this good news is overshadowed by the fact that savings remain close to a three-year low, with savings balances for 2011 overall falling by more than 14 per cent. This leaves each saver £260 worse off compared to the same period last year.

But savers are sufficiently concerned with this figure that they want to change it, with 41 per cent making saving their top financial priority for 2012.

ING Direct CEO Richard Doe comments:

*“It's slightly surprising that at the time of year when household budgets are at their most stretched, Britons both increased savings and relied less on plastic, but this was possible because consumers were strict with themselves in the months leading up to Christmas.”*

*“It’s good to report an increase in Britons’ savings this quarter and encouraging that so many of them are resolved to make saving a big priority this year, however in the current economic environment whether they can achieve this remains to be seen.”*

ING Senior Economist James Knightley continued:

*“While good news in terms of household balance sheets, the increase in savings and drop in borrowing has come at a price. With real incomes continuing to fall, this has left less money available to spend on goods and services. Consequently, the economy contracted in 4Q11.”*

*“However, plunging inflation through 2012 will ease the burden on households and could facilitate higher saving, lower borrowing and rising spending later this year.”*

The full report can be downloaded from [www.consumersavingsmonitor.co.uk](http://www.consumersavingsmonitor.co.uk)

#### **Level of savings**

	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
<b>£ Savings (UK)</b>	£1,834	£1,783	£1,684	£1,501	£1,574

#### **Levels of unsecured debt**

	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
<b>£ unsecured debt (UK)</b>	£2,812	£2,806	£2,513	£2,629	£2,224

**Ends**

**For a full copy of the latest report from the ING Direct Consumer Savings Monitor, visit [www.consumersavingsmonitor.co.uk](http://www.consumersavingsmonitor.co.uk)**

#### **For more information please contact:**

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#### **About ING Direct:**

- ING Direct is the world’s leading direct savings bank, with over 23 million savers worldwide. It was launched in the UK in May 2003 where it has 1.5m customers.

- The savings bank has won a number of accolades for its customer service, website and UK-based call centres, as well as being highly commended for most trusted savings provider at the Moneywise 'Most Trusted' 2009 Awards.
- ING Direct is authorised and regulated by De Nederlandsche Bank (the Dutch Central Bank) and subject to limited regulation by the Financial Services Authority. Details on the extent of ING Direct's regulation by the Financial Services Authority are available on request.
- Deposits are covered by the Dutch Deposit Guarantee Scheme to the level of €100,000 per customer.

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### **Footnotes**

All figures quoted, unless otherwise stated are from the findings of the ING Direct Consumer Savings Monitor. Full methodology can be found at [www.consumersavingsmonitor.co.uk](http://www.consumersavingsmonitor.co.uk)

1. The ING Direct Consumer Savings Monitor is the only ongoing UK measure of ordinary Britons' savings. The term '**ordinary Briton**' is used to illustrate the fact that the ING Direct Consumer Savings Ratio uses median averages for savings (rather than mean) as the distribution of savings is so strongly skewed by the very wealthy (mean averages give figures of around £20,000).
2. Previous quarterly research from the Consumer Savings Monitor (Q3 2011 and Q3 2010) showed that just six per cent of UK consumers intended to finance Xmas spending with credit in 2011, compared to 16 per cent in the run up to Xmas 2010.

### **Sampling methodology**

A sample of 1,300 UK adults, fully representative of the UK adult population is recruited on a monthly basis by PureProfile, one of the world's leading research panels, with more than 600,000 panellists worldwide. This sample contains approximately 1,000 savers (approx 27% of Britons have no savings).

The interviewees are interviewed over the same 7 day period over the last week of every calendar month. Interviewees are asked an identical series of tracking questions every month. These tracking questions commenced in January 2009 and run on a monthly basis. This quarter's findings come from the results of October, November and December 2011 tracking.

A further representative sample of 2,000 UK adults is also questioned, which ran online between 10<sup>th</sup> & 28<sup>th</sup> December.