# Developing a Rule of Thumb to support young people using credit

Executive Summary

# Background

In 2016, the Financial Advice Market Review (FAMR) developed initial high-level financial Rules of Thumb, in areas such as 'cleaning up' your finances, managing borrowing, saving regularly and focussing on your pension.

The Money Advice Service (MAS) has been taking this work forward by developing a new Rule of Thumb to help young adults (18 to 24) use credit successfully. Previous MAS research shows this is a topic young adults most wished they had learned more about at school. The target audience are in the Struggling and Squeezed segments.

The objective of this research was to develop an initial Rule of Thumb that can be taken forward for further communications and user testing. PwC moderated an online forum of 26 participants aged 24 to 34 to explore what they wish they had known when first using credit. PwC then facilitated a co-development workshop consisting of MAS and industry experts to further develop ideas from the research; these were presented to a panel of four 18 to 24 year olds for their initial reactions. BMG conducted communications testing, of three variants, via an online survey of 1,072 18 to 24 year olds. The sample was representative of England, Wales, Northern Ireland and Scotland, as well as the UK as a whole. It asked how understandable, memorable, practical and relevant the rules were and how likely the respondent would be to use each one.

The proposed Rule of Thumb is:

**The Cash Rule for using credit:**

*If you wouldn't want to buy it with cash, don't buy it with credit.*

## Key insights and implications

| KEY INSIGHTS | WHAT ARE THE IMPLICATIONS FOR THIS? |
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| **There are many facets to managing credit use, within the areas of reducing use, selecting the right product, and managing and reviewing credit use: it is not straightforward to cover these three areas in a single Rule of Thumb.** | **A Rule of Rhumb within one area should be selected that is most appropriate for Struggling and Squeezed young adults. It should consider supporting tips and guidance (this is listed in next steps).** |
| **Reducing use of credit is the most popular area of action for a Rule of Thumb.** | **A Rule of Thumb in this area needs careful framing to be specific, positive and empowering, but not obvious or daunting.** |
| **The lack of background knowledge of credit products is clear among 18 to 24 year olds.** | **The Rule of Thumb also needs to be simple and not assume any background knowledge of credit products. So the Cash Rule is simple and doesn't need any knowledge of credit products.** |
| **To be effective, the Rule of Thumb will need to be supported by close collaboration between MAS and partners to support successful adoption by young adults, who lack confidence and knowledge.** | **The communications launch campaign should consider how to engage a young audience with limited knowledge of credit products.** |

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| **There is a balance to be be struck between the different considerations to effectively communicate a Rule of Thumb. The Cash Rule offered the best balance beween understanding, relevance, practicality and likelihood to use while also being easiest to remember. It was also the top for preference.** | **The Cash Rule is the best to take forward to user testing.** |

## Next steps

1. The Cash Rule should be user tested.
2. Successful communication of this Rule of Thumb will need an effective communications plan, which should consider the channels and trusted messengers to use as well as any supporting additional tips and guidance.
3. The communications plan should also consider the stakeholders already engaged through the earlier co-development workshop.