

Higher- education students and money

Money Advice Service
briefing note

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the Money
Advice Service

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Introduction

For many young people, higher education is an opportunity to learn and grow in a safe and welcoming environment. However, greater independence can bring with it money worries and the need to make complex financial decisions for the first time¹.

Over 431,000 students are finding keeping up with their university costs a heavy burden

To understand the financial pressures facing students, the Money Advice Service (MAS), in partnership with the National Association of Student Money Advisers (NASMA), commissioned a unique survey of the student population. This research, conducted with 5,118 full-time undergraduate students in the UK², examined the student experience of money at university or college.

It shows there are reasons to be positive. Most students feel confident managing their money and pay attention to their finances. For example, **three-quarters check their bank balance at least once a week. Over half are satisfied with their financial circumstances and most do not have outstanding borrowing³**. If they need advice about money, most students will seek it out and around eight in 10 have savings in some form.

But there is still significant cause for concern. Over 431,000 students are finding keeping up with their study costs, including course materials, travel costs and accommodation, a 'heavy burden'⁴. One in five find themselves frequently overdrawn and of those, 40% have gone over their overdraft limit or used an unauthorised overdraft.

In total, 38% of students (607,000) have some form of outstanding credit with 18% owing £1,000 or more⁵. A fifth (21%) believes they owe more this year than they did last year, while only 11% believe they owe less. **In the last six months, 176,000 students have fallen behind on, or missed, payments on bills or credit for three or more months.**

This can have a big impact on their mental health. **Almost two-thirds (65%) of students, over a million, have had a negative experience, including mental health difficulties, because of their financial situation.** Over half (51%) have experienced stress or anxiety and a third low mood or depression.

1 Money Advice Service (2017), *Young adults and money management: behaviours, attitudes and useful rules of thumb*

2 Survey sample nationally representative by nation, university group and course. Fieldwork completed by Youthsight: 23rd April – 8th May 2018.

3 Not including student loans.

4 Based on HESA figures, which show there were 1,597,825 undergraduate enrolments in 2016/17 <https://www.hesa.ac.uk/news/11-01-2018/sfr247-higher-education-student-statistics/numbers>

5 Not including student loans.

Research findings

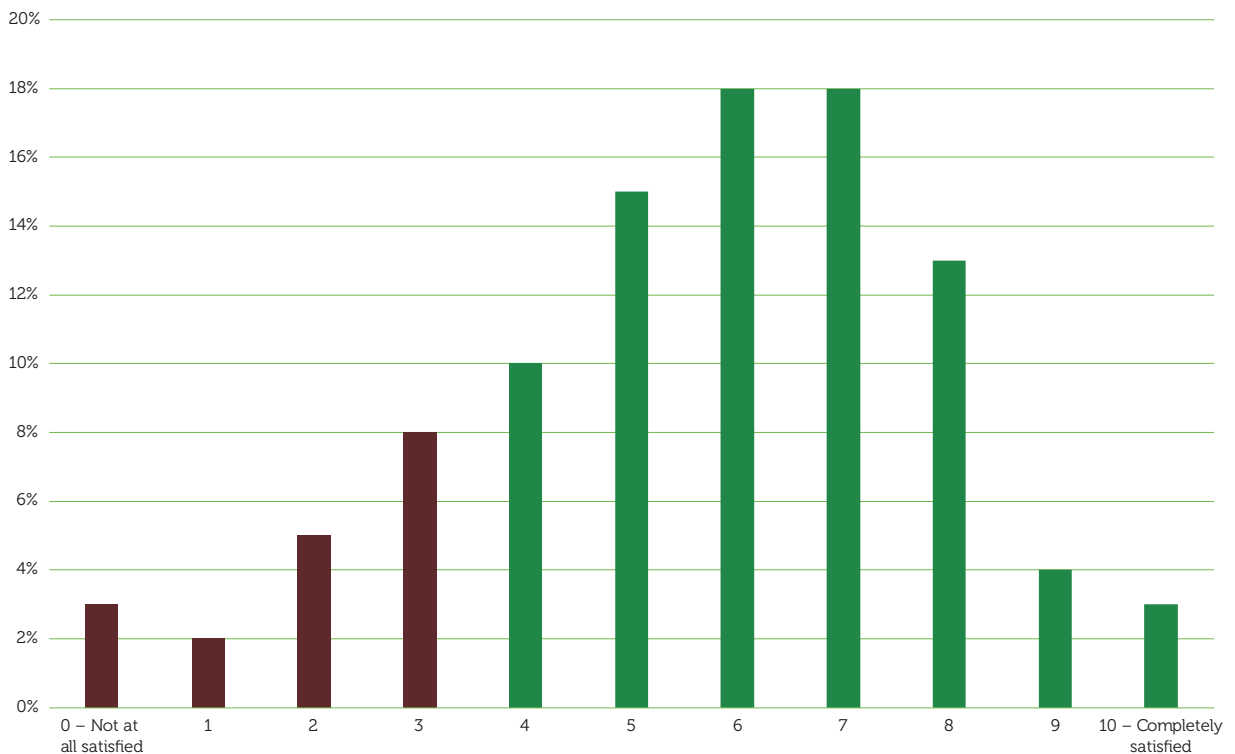
Satisfaction with financial circumstances

Across the UK, just over half of students (56%) are satisfied with their financial circumstances. However, 28% of students, 447,000 in total, are unsatisfied with their financial circumstances and 18% score 3 or below on a 10-point scale where 0 represents being not satisfied at all.

Confidence managing money

Almost three-quarters of students (73%) feel confident managing their money with only 16% feeling unconfident. Most students report they keep track of their personal expenditure (83%), although only 59% set a personal budget.

Satisfaction with financial circumstances



Students whose parents are in the C2DE social and economic group, are more likely to be unsatisfied with their financial circumstance (34%) than those whose parents are in the ABC1 group (25%). The same is the case for students attending post-1992 Universities, a third of whom are unsatisfied with their financial circumstances, compared with 20% of students attending a Russell Group University.

However, we know confidence can be misplaced and students should stay on top of their financial situation by engaging with free support and looking out for any student friends who appear to be struggling. **Students are less confident when it comes to making decisions about financial products and services⁶, with only 57% feeling confident, whilst 29% feel unconfident.**

⁶ For example, choices about bank accounts, overdrafts, credit cards, etc.

More students say they are unlikely to shop around for better deals on products and services (36%) than say they are likely to do so (29%). They are particularly unlikely to shop around for better deals on their bank current or saving accounts (48%).

Keeping up with bills

Most students find keeping up with their study costs, e.g. course materials, travel costs and accommodation costs, either somewhat of a burden (59%) or a heavy burden (27%). In total, this means over **431,000 undergraduates find their study costs a heavy burden.**

The proportion of students falling behind on non-study-related bills (e.g. utilities) and credit commitments (e.g. credit cards) is lower at 4%. Those who have fallen behind are most likely to be struggling to pay utility bills (34%) and mobile phone bills (34%).

73% of students feel confident managing their money with only 16% feeling unconfident

Overall, in the last six months, 11% of students, 176,000, have fallen behind on, or missed, payments for accommodation, credit cards, household bills, or other debts for three or more months⁷.

Borrowing

One in five students, 320,000, find themselves frequently overdrawn on a bank account. They are more likely to be living in private rented accommodation (24%), be from a C2DE background (23%) and/or attend a post-1992 University (23%).

Of those who have been overdrawn, 40% have gone over their overdraft limit or used an unauthorised overdraft. This means they are likely to have incurred additional fees and charges. One in 10 students who have used their overdraft say they frequently go over their overdraft limit or use an unauthorised overdraft.

Students often have other forms of borrowing. Almost a third (30%) have a credit card, 6% have had some form of short-term loan (including payday loans) and 4% catalogue credit.

In total, 38% of students (607,000) have some form of outstanding credit with 18% owing £1,000 or more. One in five (21%) believes they owe more this year than they did last year and 9% think they owe a lot more. Only 11% believe they owe less now than they did last year.

Saving

Around eight in 10 students have savings in some form (77%), most commonly in a savings account (46%), current account⁸ (36%) or an ISA (26%). Most students recognise the importance of saving and 77% agree saving money for a rainy day is either 'Very' or 'Fairly' important. Students from a C2DE background are more likely to have no personal savings (26%) than those from a more affluent background (16%).

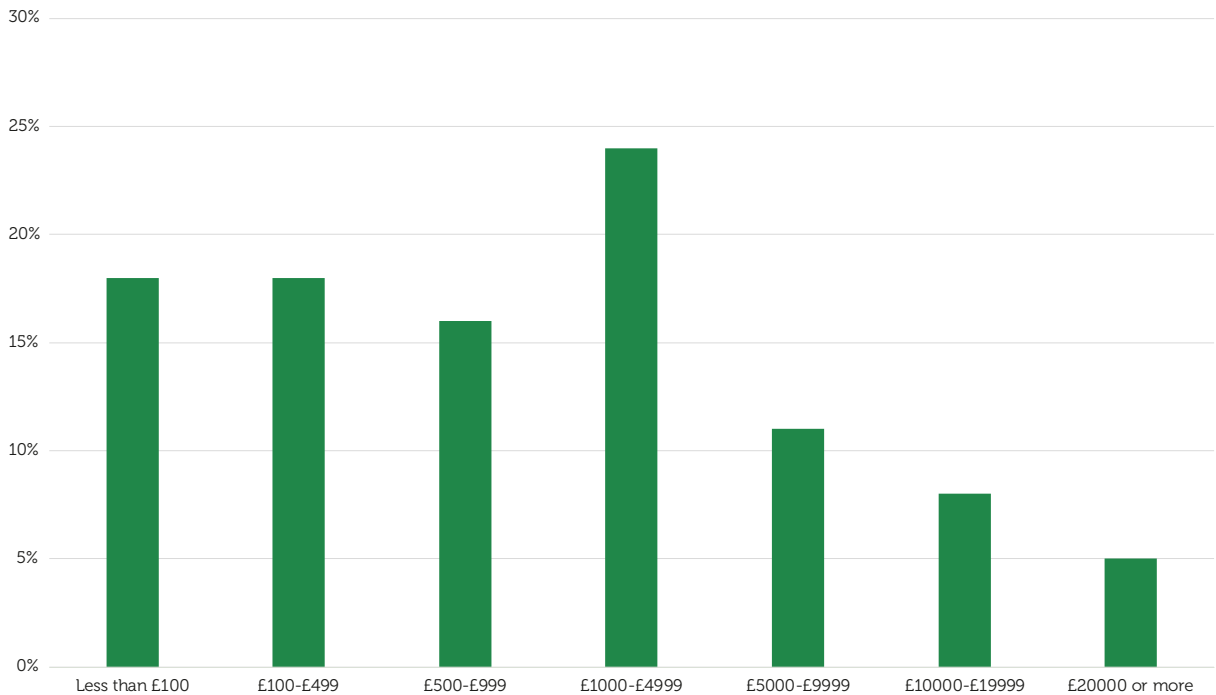
Two in five respondents say they save either every month (26%) or most months (14%). However, 31% say they rarely or never save. Students who do save are most likely to be saving for a holiday (42%), living expenses after graduation (39%) or a deposit to purchase a home in future (31%).

If they had an unexpected bill of £300 which they had to pay within seven days, 37% of students say they could use savings to cover it while 33% say they could pay it without dipping into savings, although it would mean them having to cut back on essentials. Some students believe they would borrow the money, either from their parents (28%), friends or other family (13%) or use credit (7%).

⁷ These three months don't necessarily have to be consecutive months.

⁸ Including student accounts.

If you added up all of your balances on overdrafts, credit cards, store cards, personal loans, hire purchase, car finance arrangements, other loans (excluding student loan), approximately how much do you owe in total?⁹



Wellbeing

Almost two-thirds (65%) of students, over a million, have had a negative experience, including mental health difficulties, linked to their financial situation¹⁰. Among those most likely to have had trouble are students who frequently go into their overdraft.

The data shows students are most likely to experience stress or anxiety (51%) and/or low mood or depression (33%). A significant proportion will have difficulty sleeping (27%), experience panic attacks (9%) or even turn to alcohol to cope (7%).

Seeking advice

If they need advice about money, most students will seek it out (89%). They are most likely to seek advice from either their parents (71%) or friends (54%) who may not always be the best source.

Most students (84%) are familiar with at least one organisation that provides financial advice or guidance. The most well-known is the NUS, which 53% of students are aware of as a provider of advice and guidance, followed by the website The Student Room (51%).

If they need advice about money, most students will seek it out (89%)

⁹ Excluding students with no borrowing.

¹⁰ Stress or anxiety; Low mood or depression; Difficulty concentrating or relaxing; Eating too little or eating too much; Difficulty sleeping; Panic attacks; Increased use of alcohol; Dependence on prescription or over-the-counter drugs; Use of illicit (illegal) drugs.

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