A photograph of a wooden desk with a white calculator and a silver pen. The calculator is a Casio DS-818V and has several teal-colored function keys. The pen is silver and lies diagonally across the desk. The background is a light-colored surface, possibly a piece of paper or a wall.

How will the Covid 19 pandemic affect the financial wellbeing of your customers?

Dylan Jones, CEO, IE Hub

Introduction

Do you ever watch the news and wonder what the latest revelation means for your customers in terms of **Financial Wellbeing**?

Headlines can be confusing about money matters and very general, including which parts of the country they relate to. The pandemic has impacted everyone to one degree or another, and the effects of Brexit are starting to be seen across the country as average weekly shopping costs increase. The next Budget headlines will be announced on 27 October 2021, and public borrowing needs to be repaid. The Bank of England also predicts that inflation will top 4% by the end of 2021.

To see whether this IE Hub guidance is relevant to your customers ask yourself...

1. Will their energy costs go up after October 2021?
2. Is the cost of everyday shopping already going up for the same weekly shop?
3. Will they be affected by the National Insurance increases in April 2022?
4. Would they be determined as in persistent debt on their credit cards?
5. Are they routinely using their overdraft and incurring charges?

If you said yes to at least 2 of the questions then please read on.



We have related to Sonia's story below as an essential worker where she benefited from using IE Hub to bring her personal finances back under control before lockdown. However, during COVID-19, she had to help support her parents and IE Hub was then used to look at the household budget involving 3 adults. Circumstances will continue to change, sometimes at short notice. Being prepared is a lesson you don't want your customers to learn the hard way. This is consistent with the Money and Pension Service Financial Wellbeing strategy.

Watch Sonia's story **HERE!**

<https://www.youtube.com/watch?v=b1XlusrcMGg&t=3s>

Covid 19 recovery

It has been an extraordinary period of time over the last 18 months, but forbearance measures have now come to an end and we all need to look at what this means to our customer's circumstances. Like Sonia, many of your customers will have dependents who they need to support over the coming 15-18 months. For many, the start of the next tax year in April 2022 will put more pressure on stretched household budgets.



Planning is an important first step!

Over the coming pages we hope to show how usage of IE Hub can assist your customers in planning their future and can support them in taking the right actions at the right time.



Budgeting is important now!

- household cost pressures in Autumn/Winter 2021

Irrespective of where your customers live, some economic changes impacting millions of UK citizens are more imminent than others, for example:

- ✓ **Jan-21** - Brexit has influenced the costs of some goods already and impacted the labour market, most evident in the lack of lorry drivers and empty shelves in the Supermarkets, which inevitably increases the costs of some essentials goods making up the weekly shop
- ✓ **Sep-21** - End of COVID-19 forbearance measures, including dealing with deferred rent payments that may have accumulated through lockdown
- ✓ **Oct-21** - Energy price rises and a potential unplanned switch in supplier because of company failures
- ✓ **Oct-21 to end of Dec-21** - Inflation continues to rise and this further impacts the 'supply chain' and the cost of everyday goods and services
- ✓ **Oct-21** - Removal of Universal Credit top-up payments – with millions of UK households losing £20 per week in benefits

Sonia's story - "Don't bury your head in the sand"

Sonia's story reflects that of many where 'loss of income' was a trigger for falling behind on payments and taking a little too long to engage with creditors to find a way forward that also enabled her to address some of the emotion and stress that comes with being in financial difficulty.

The FCA Financial Lives survey (February 2021) puts into perspective the importance of understanding day-to-day finances and income & expenditure profiles.



14%

over-indebted

February 2021

The FCA survey of UK citizens showed that of the adults with low financial resilience, 7.2 million (equating to 14% of UK adults) were over-indebted, and of these 3.8 million were in financial difficulty (7% of UK adults) because they had missed paying bills or meeting credit commitments in 3 or more of the previous 3 months. This survey was undertaken during the pandemic.

For some people with 'low financial resilience' (e.g. a limited savings buffer in the bank) this can be as straightforward as knowing when in the month they are in credit and when they may have a deficit. This needs 'cashflow' planning.

This starts to become a problem when a person can't fully repay the credit at a rate they can afford, or they start falling into a position where they meet the 'persistent debt' criteria.

Recognising this is vitally important for your customers and that is where the use of IE Hub can make a significant difference to their financial wellbeing. This may also identify if they need professional advice.

FCA warning signs

In February 2020 (just before lockdown), 39% of adults (20.3 million) said they could only continue to cover their living expenses for less than 3 months, if they lost their main source of household income.

The amount a person should set aside may vary according to each individual's or family's circumstances. Financial experts recommend a figure of 3 months of household expenses. IE Hub can help customers to look at savings opportunities.

Looking further ahead

Economic changes will affect the majority of the population in the next tax year. An example is the National Insurance increase from April 2022 for employers and the majority of employees and the self-employed. This affects pensioners from April 2023.

IE Hub can be quickly and effectively used to anticipate the impact of this type of change on a household budget and what actual disposable income will be at this moment in time. IE Hub is a free, online application for consumers to assess their affordability.



IE Hub registration is simple and confidential

Once an individual is comfortable using IE Hub they can then decide what other aspects of the service they want to use, including the Open Banking service and the ability to decide who they want to share their data with (all fully compliant with UK data protection regulations), which will continue to evolve after Brexit. As in the case of Sonia, IE Hub allows customers to share their Income & Expenditure information with multiple companies, and puts them in control of their financial information. It is entirely consent based and the individual set pace that they want to progress at.

IE Hub's built-in intelligence means customers only answer questions that are relevant to their personal circumstances. The young family scenario below illustrates where this intelligent logic would apply based on their household profile. That means a faster process, no repetition, fewer mistakes and a true Income & Expenditure profile.

To illustrate the value of planning ahead we have set out a scenario below where there are likely to be several changes in a household's financial affairs because of external factors that may squeeze disposable income (i.e. the money left over once all essential bills are paid).

Family with young children in private rented accommodation in East Midlands

Both are employed and having to pay for childcare. Net household income is back to £3,380.98 per month before taking account of Child Benefits. Both were furloughed during the worst of COVID-19 when they home schooled their 2 young children. They were just about able to cope with 80% of usual take home pay. They recognised the importance of budgeting and support from their parents.

Their rent rose by over 10% during the pandemic and they are expecting it to rise again. Their monthly rent is £868. It could go up again in March 2022 by approximately £43 per month and they are expecting their Council Tax to go up as well by 5%. Their Band C property costs £1,272.19 per year, equating to £127 a month over 10 months. This may rise by £6.35pm from April 2022.

As a tenant, they are in line with the average cost of home contents insurance at £57 per year. Insurances may start to rise with people being at homeless as they return to work. They are monitoring this, as the renewal is not until the middle of 2022.

Both are now travelling to work, just as fuel costs have started to rise and motor insurance may rise after it was reduced during lockdown because of negligible mileage.

They have a shared vehicle subject to a hire purchase agreement that they are midway through. This is £199 per month, but they will need more space in the near future as the children get older. They ideally need 2 vehicles given the location of the schools and their different workplaces. They are not well served by regular public transport, which is not flexible enough for work and school runs.

They were surprised to hear that it costs an average of £23.25 per day for a couple to raise a child from birth to the age of 18. That would be £46.50 for the 2 children in their household. The average price of childcare has increased compared to 2020. For example, the average cost of sending a child under two to a nursery for 25 hours per week (part-time) has risen to £7,160 in 2021, compared to £6,800 in 2020.

The cost of putting your child in a nursery or using a different service can be expensive but there are some ways to get financial support depending on how much you earn. When children in the UK turn three, they are entitled to some free early education and parents can receive either 15 hours or 30 hours free childcare, funded by the government. Additionally, parents can receive up to £2,000 per child to pay for the fees through tax-free childcare.

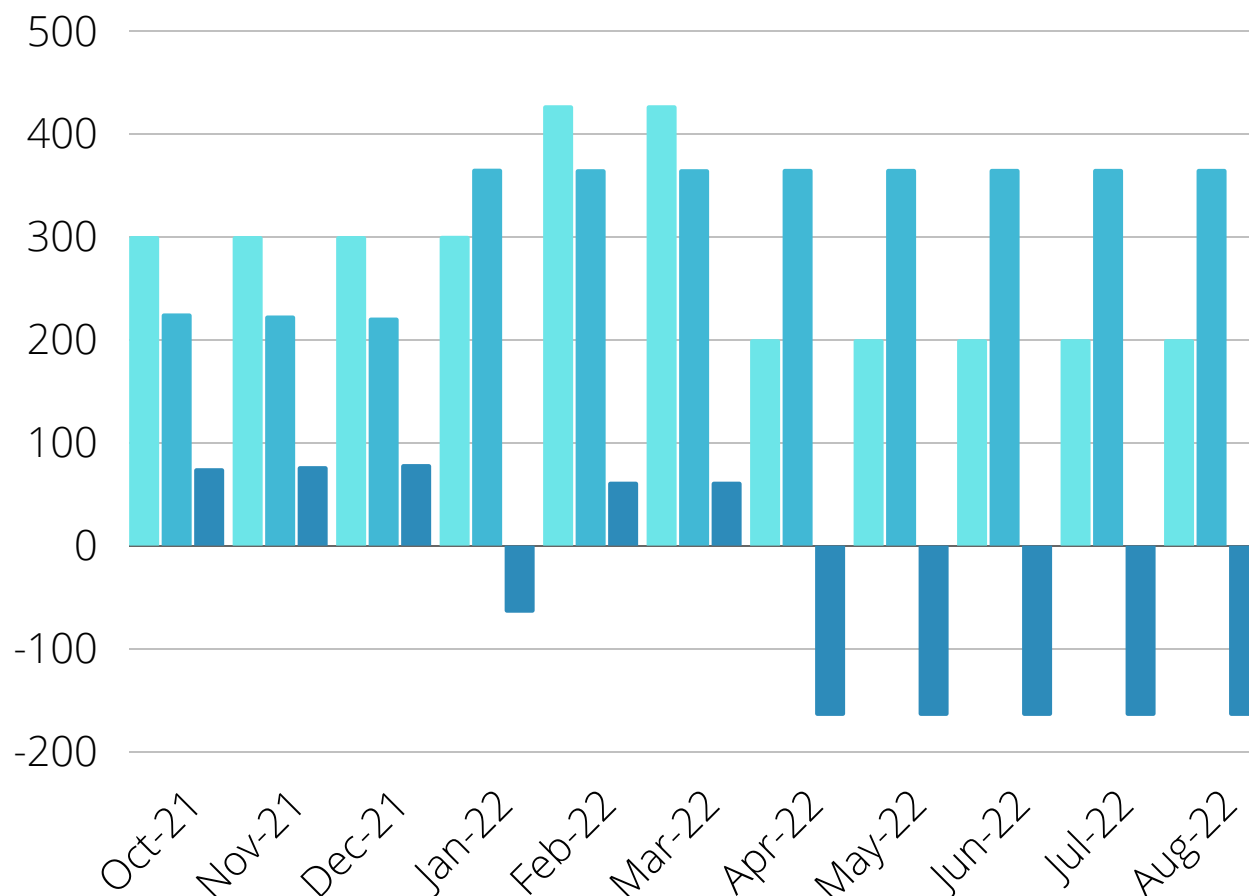
Along with 15 million other households their energy costs are about to rise by £139 per year from October 2021. They are expecting their NI deductions to be just over £500 per year more after April 2022.

They have 3 credit cards where they pay the minimum monthly payment and 2 of the cards are near limit because they used them to support the household costs between March 2020 and April 2021. They started to receive 'persistent debt' letters from card providers with suggested top-up payments. These amount to over £100 in 'top up' payments across 3 cards. One retail store card is particularly expensive with an APR of nearly 40%. They think the total balance of £10,000 will add around £100 per month to their current payments. Overdraft costs have also risen, costing nearly £1 a day when used.

After putting the family's finances through the IE Hub 'scenario planner' for October 2021 and just after the start of the next tax year, they identified that they are over £150 per month worse off going into the Winter months and potentially £250 per month (relative to the position in September 2021) worse off after April 2022. This requires some serious planning as they had expected to have to move a bigger property in the foreseeable future and to change the car to a larger vehicle as the children get older. The childcare costs are going to get more expensive. The family Christmas also needs to be planned for.



Family with young children in private rented accommodation in East Midlands disposable income over time.



Surplus

Credit Costs

Disposable Income

In the example provided, the East Midland's family will fall into deficit by April 2022. This scenario requires the family to take action now to manage their income and expenditure. IE Hub would allow this family to view all of their income and expenditure, in order to make some crucial financial decisions ahead of April 2022.

For anyone in problem debt then the level of disposable or surplus income is a critical 'affordability assessment' in terms of any debt repayment offers made. The Money and Pension Service (MaPS) has just updated their view of who will need debt advice in the future.

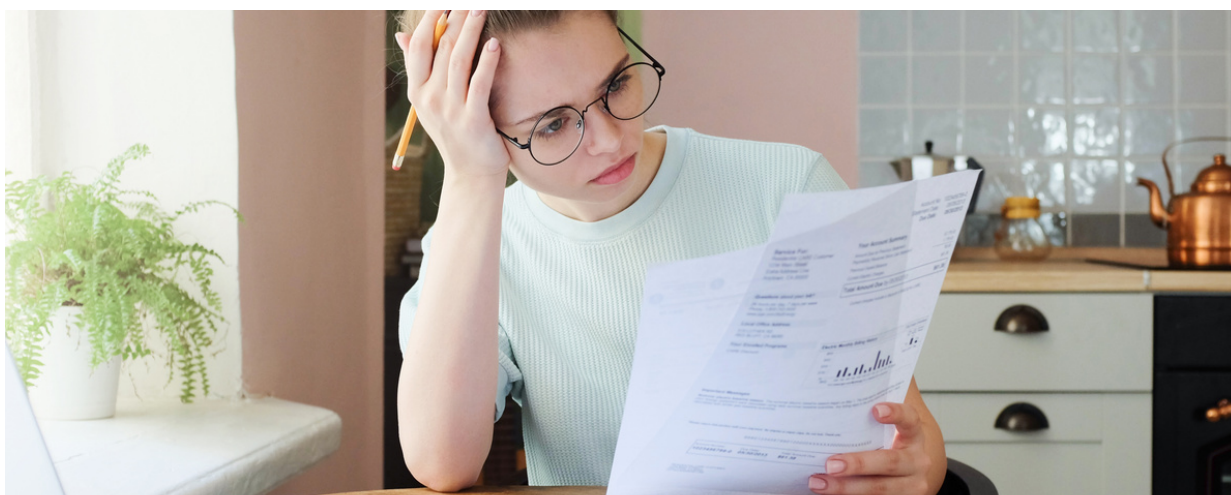
In 2021, MaPS launched MoneyHelper, which is a service designed to encourage more engagement when people are in financial difficulty.

Affordability assessments are based on the completion of a Standard Financial Statement (SFS). IE Hub uses the SFS as the heart of its Income & Expenditure assessment process, which is why the output will be recognised and accepted by the firms that we share the data with (e.g. your creditors).

FCA during the pandemic

5.1 million bank account holders were constantly or usually overdrawn. Many were using their overdraft facility to pay for essential living expenses, such as their rent or mortgage payments.

2.8 million people had persistent credit card debt because they were revolving a balance on a credit card and had paid more in interest, fees and charges over the previous 12 to 18 months than they had actually paid off on their card(s).



Putting your customers back in control



Using IE Hub to build a budget by creating and managing Income & Expenditure forms means your customers can see all of their financial information at their fingertips.



If they are sharing the data they can decide when changes are notified. They are in control of what financial information is being shared in an industry standard format (i.e. the Standard Financial Statement).



If their personal or financial circumstances change, they simply update their profile on IE Hub and share with the relevant companies. IE Hub is very secure, meaning all data and information is completely safe.



The IE Hub core service is to enable customers to share their Income & Expenditure with companies on a share list in strict compliance with UK GDPR.

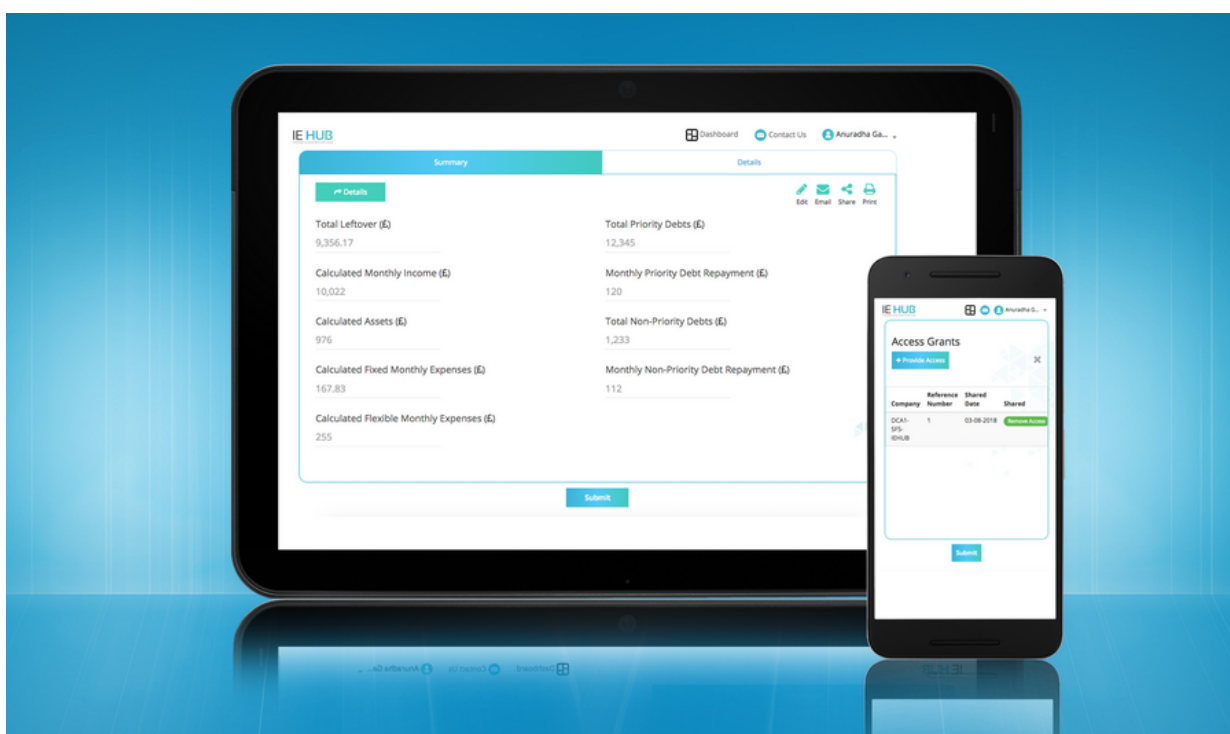
We also provide a free service where, with customer consent, we can print and send an individuals Income and Expenditure to the companies that are not on our share list.



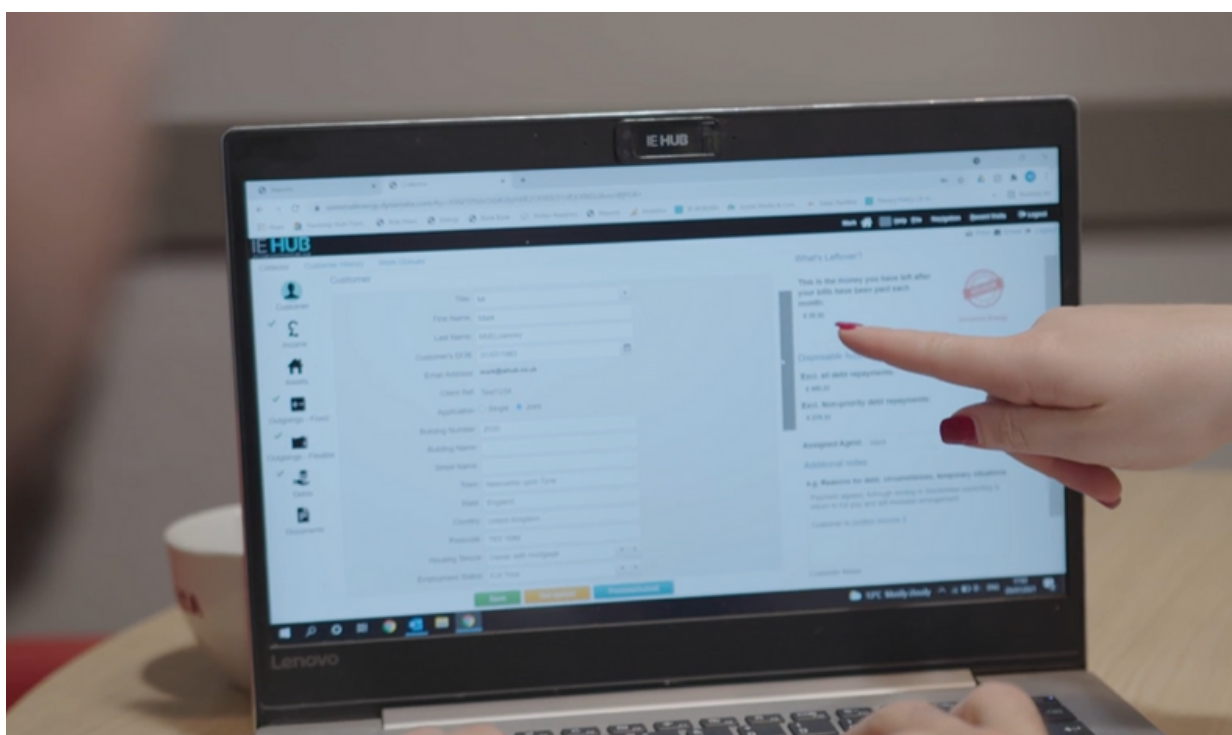
IE Hub - Top tips for customers

The below information can copy and pasted directly to your customers!

1. Register for IE Hub and complete all of the basic information and take stock. You don't have to do this all in one go, but always remember to 'save' as you go along <https://customer.iehub.co.uk>
2. IE Hub is designed to be routinely accessed and updated. You can login with Google, Microsoft or Yahoo. It is very mobile friendly. Once you are comfortable with the service then look at using the Open Banking integration. This will save time going forward in populating updates to your financial statement, which is generated in an industry standard format recognised by your creditors
3. Once you have put the basic information in then you can start looking at different 'what if' scenarios taking account of probable changes in your circumstances at different points in time (e.g. start of the next tax year in April 2022)



4. Access your credit file from the leading providers. If you haven't done this before then it should be free of charge as well. Check you have included payments to all creditors on the file.
5. Your credit file can generally be accessed electronically and then stored in your IE Hub for future reference and comparison, as you look at progress made over time. If you have any financial impairment (e.g. a County Court Judgment – CCJ) then you will want to see when it has been satisfied when paid off.
6. Check your credit card and bank statements to look at the interest & charges you are paying. You need to determine if you have prioritised them in the right way. You can generally download statement electronically and then store them in your IE Hub account for future reference. This can be important if you need to access professional advice in the future or you need to access debt respite schemes like 'Breathing Space'. Evidence and immediate access to account numbers will be important with an estimated balance.



Contact the IE Hub team for more information



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