THE BUILDING FINANCIAL FOUNDATIONS BAROMETER

A guide to financial wellbeing in the UK

UNIVERSITY of BRADFORD

YORKSHIRE BUILDING SOCIETY

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Foreword

At Yorkshire Building Society, our purpose is Real Help with Real Life. It means members coming together to make good homes possible for more people. It means using our strength as a mutual to improve financial wellbeing across the UK.

This report, produced in partnership with the University of Bradford, offers one of the clearest pictures yet of what truly drives financial resilience. For too long, resilience has been viewed through a narrow lens – usually income or credit scores.

Our findings show a different reality: millions of households appear financially stable today but are closer than they realise to difficulty tomorrow. Vulnerability is often hidden, and it is shaped by savings buffers, debt, housing costs and confidence - not just earnings.

By combining extensive survey data with predictive modelling, this report identifies the groups most exposed to financial shocks and the tipping points that push households into crisis.

The findings are striking. Millions of people may be one unexpected life event away from financial difficulty, because they lack even the minimum buffer needed to absorb the shock of illness, job loss or a major home repair. Higher income households are still financially exposed because their housing costs are too high or their savings too thin.

Importantly, this report is not just a diagnosis. It identifies the early warning signs and provides practical steps people can take to strengthen their resilience.

Once again, we see that small, consistent actions matter. A regular saving habit – as little as £2 a day – can make a meaningful difference. A buffer covering three months of essential costs dramatically improves stability.

But individual behaviour alone is not the solution. People can't navigate their way out of systemic problems. Structural barriers – particularly housing affordability and insecure employment – are holding people back. Even households with good incomes can struggle to build resilience when too much of their budget is consumed by rent or mortgage costs.

That is why Yorkshire Building Society continues to stand up for fairer housing and design products that help people build financial security. It's why we've championed financial education and built community partnerships that equip people with skills for work.

This report provides new evidence, new insight and new clarity about what really drives financial resilience in the UK today. It reinforces our determination to help people lay stronger financial foundations for the future and use our mutual strength to fight for a more financially resilient UK.

Tina Hughes

Director of Savings

Yorkshire Building Society

Foreword

Understanding financial wellbeing requires more than measuring income or tracking credit scores. While these indicators remain important, they provide only a partial view of how secure households truly are. Too often, public debate focuses on what people have, how much they earn or the assets they hold, rather than how resilient they are when circumstances change. Financial wellbeing is shaped by the interaction between structural financial capacity such as income stability, housing costs and access to savings, behavioural habits, resilience buffers and exposure to life events.

The Building Financial Foundations Barometer was developed through a partnership between the University of Bradford and Yorkshire Building Society to reflect this broader perspective. Drawing on a survey of 10,000 UK respondents and advanced predictive modelling, the framework integrates four core pillars: Financial Security, Financial Resilience, Life Event Vulnerability, and Financial Literacy and Confidence. Each pillar was selected not only for its individual significance, but for the way it interacts with the others, recognising that financial wellbeing is inherently dynamic rather than static. Like adding layers to a Rubik's Cube, each additional dimension broadens the range of possible combinations, allowing the model to better reflect real-world financial complexity.

Rather than offering a single-point-in-time assessment, the Barometer provides a forward-looking evaluation of financial wellbeing. It identifies households that may appear stable today but are vulnerable to future shocks, particularly where savings buffers are limited, housing costs are elevated or unsecured debt is increasing. Our analysis indicates that even higher-income households can be only one significant life event away from financial distress.

The modelling, supported by AI and machine learning techniques, demonstrates that life events frequently operate as financial shocks, while resilience buffers, most notably savings, determine the degree to which households can absorb them. In this sense, life events constitute the shock, and resilience functions as the shock absorber. This interaction is central to understanding why income alone is an incomplete measure of financial health. A consistent finding across our analysis is the importance of prioritising resilience over accumulation, with a minimum three-month savings buffer emerging as a critical threshold in maintaining financial stability.

The findings also draw attention to the scale of what might be described as the "amber average": households that are neither in acute hardship nor fully financially secure, but whose resilience is thin. This group is frequently underrepresented in policy discourse, despite being disproportionately exposed to adverse financial shocks. Recognising and supporting this amber middle is critical if the UK is to strengthen financial wellbeing at scale.

By combining structural, behavioural and contextual indicators within a single, unified AI-driven predictive framework, the Barometer offers a more holistic and policy-relevant approach to assessing financial wellbeing across the UK. It extends the analytical lens beyond present circumstances to future risk, and we hope it contributes to a more rigorous, evidence-informed understanding of how to strengthen the financial foundations of households nationwide.

Dr Kamran Mahroof

Programme Leader for the MSc in the Applied Artificial Intelligence and Data Analytics programme

University of Bradford

Background

Between 2021 and 2024, the UK— like many other countries— experienced unusually high inflation, which had a significant impact on household expenditure, savings and debts. The effects of this period were outlined in a January 2026 report in the House of Commons Library.

While inflation has since subsided, cost of living pressures remain. Research published by the Financial Conduct Authority (FCA) in 2025 found that 1 in 10 people had no cash savings, and a further 21% had less than £1,000 available for emergencies.

These recent trends have helped to expose a weakness in traditional research on financial wellbeing, which places too much emphasis on income and credit scores alone.

In collaboration with the University of Bradford and Opinium Research, we conducted a comprehensive survey of 10,000 individuals to better understand the interaction between income, wellbeing and resilience as well as the other factors that shape financial wellbeing.

Next, we developed the Building Financial Foundations Barometer, combining these survey insights with predictive modelling to identify households most exposed to potential financial shocks.

Rather than providing a snapshot of today, this approach offers a forward-looking assessment, predicting future wellbeing and modelling exposure to economic stress scenarios. This helps to identify groups that are more vulnerable to future shocks - even if they appear stable today.

Our findings

Income matters - but it is not enough to build resilience. Once we account for housing cost pressures, savings buffers, debt and life events, many households with good, stable incomes are still financially exposed and not as resilient as they might appear.

In fact, millions of households in the UK could be one life event away from a financial crisis. This vulnerability is not always visible; many people look fine on the surface because they have a stable income and don't have any problems paying their bills. However, without a minimum savings buffer, a shock - such as a job loss or a major illness - can lead to a sharp and rapid decline in financial wellbeing.

Therefore, one of the main purposes of this research is to highlight these vulnerabilities and provide a more three-dimensional overview of how prepared UK households are for a financial shock.

How this report should be interpreted

This Barometer is intended to serve as a guide to financial wellbeing and resilience, not as a judgement on personal choices or character, or as a 'worst-case scenario'. Used appropriately, it can provide a valuable framework for:

- Identifying financial vulnerability - particularly where it is not always visible.
- Highlighting the structural factors that can inhibit people – including those on higher incomes – from achieving financial resilience.

Executive Summary

The Building Financial Foundations Barometer is a new framework that measures financial wellbeing and resilience more accurately than traditional metrics like income alone.

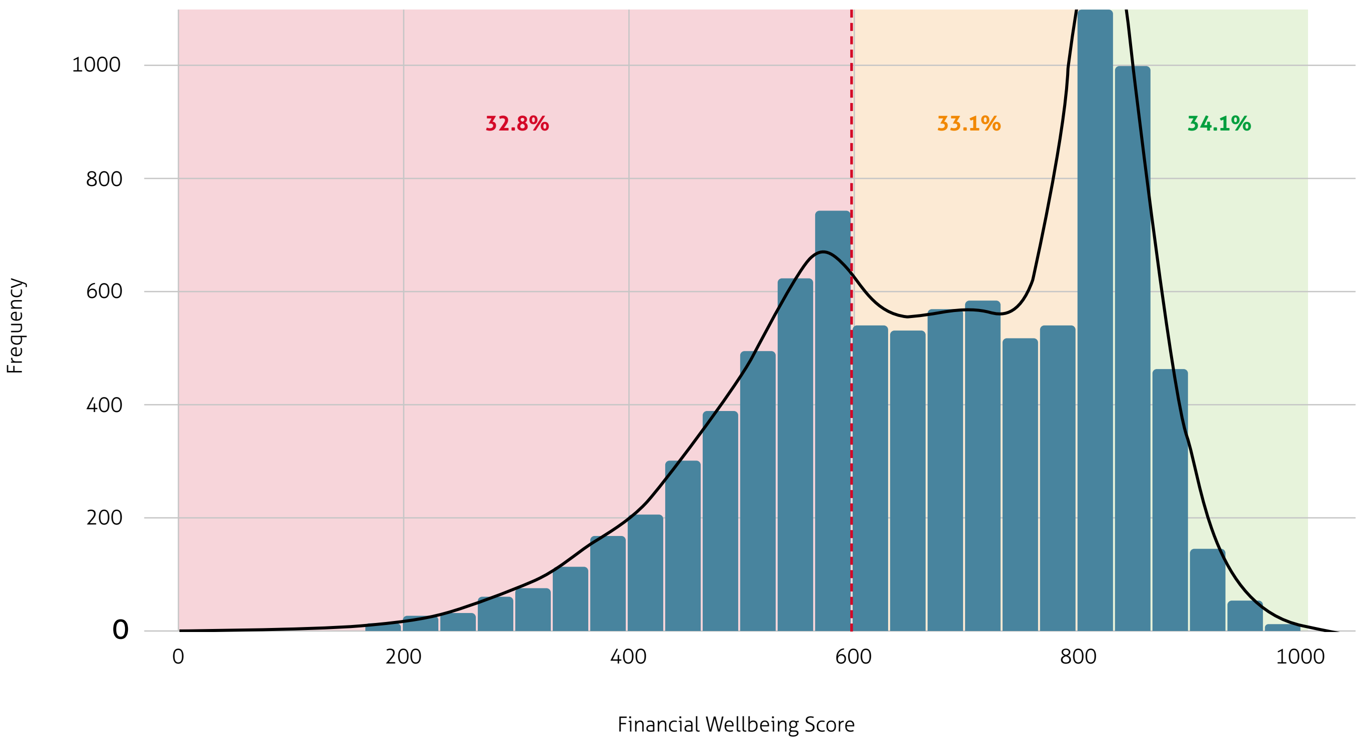
The Barometer comprises four interrelated pillars:

- **Financial Security** – focusing on traditional indicators such as income stability, housing pressure and debt.
- **Financial Resilience** – capturing buffers and protection, including emergency savings buffers (sometimes referred to as "financial runway"), which determine how effectively households can absorb shocks.
- **Life Event Vulnerability** – assessing exposure to both planned and unexpected life events, such as job loss, a significant illness or divorce.
- **Financial Literacy and Confidence** – evaluating the knowledge and confidence needed to make financial decisions, and how understanding can progress to action.

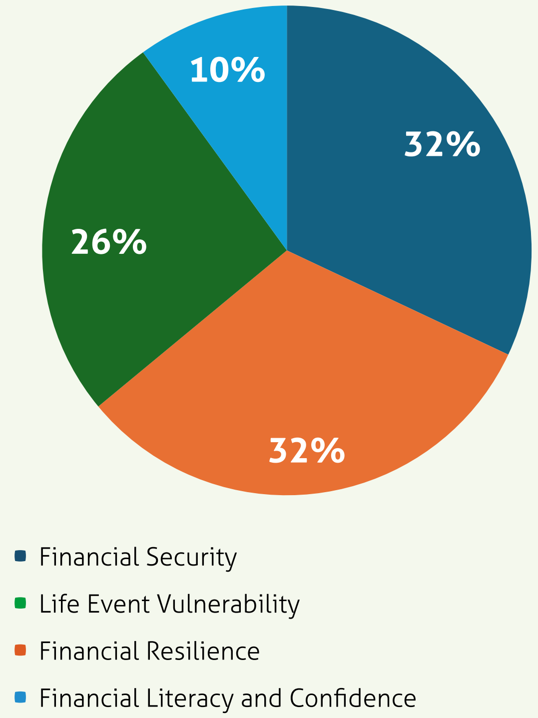
Scores are grouped into:

(0–600) - the least resilient category **(601–800)** - stable but exposed **(801–1000)** - most resilient

Distribution of Financial Wellbeing Scores



Pillar Weight Distribution



How the pillars are weighted:

While the overall score is determined by these pillars, Financial Security and Financial Resilience carry the greatest weight, followed by Life Event Vulnerability, with Financial Literacy and Confidence weighted lower. These weightings reflect the results of our modelling. Financial Security and Financial Resilience were the strongest direct drivers of predicted wellbeing, Life Event Vulnerability captured the disproportionate effect of shocks, and Financial Literacy and Confidence had a smaller, more indirect effect.

What makes the Building Financial Foundations Barometer different?

This model captures the relationship between life events and resilience by showing how the former act as the shock, while 'resilience' represents the ability to absorb them. When households have weak buffers and experience major events - such as a divorce or an illness - our modelling shows that financial wellbeing can fall sharply, even when income and other indicators appear strong on paper.

This model therefore provides a much more holistic overview of financial wellbeing and resilience compared to traditional metrics like credit scores and income-only measures. It incorporates a broader set of indicators - including savings buffers, unsecured debt, housing affordability and housing tenure - alongside structural measures such as income and home value.

> In this sense, the Barometer extends the field of view beyond immediate financial security, helping households and policymakers identify risks before they materialise.

Dr Kamran Mahroof
University of Bradford

One of the most striking observations from this research – which is harder for traditional indicators to capture - is that many people who have good financial security still have low resilience. This means they are structurally stable with a good job and income - but vulnerable to a life event.

What does financial wellbeing look like in the UK today?

This Barometer suggests that the UK is generally financially stable but financially exposed. While those two terms may sound synonymous at first glance, they reflect contrasting realities. There is a large proportion in the Amber category that is not in any immediate difficulty but is exposed to disruption – such as rising housing costs, unsecured debt or a lack of emergency savings.

Many households are close to a tipping point.

For example, an individual could have a steady income, but little money saved for an unexpected event – a situation that could quickly shift them from a coping state to a crisis.

These key tipping points include:

1. **Savings buffers**

   Financial wellbeing tends to improve sharply when savings represent at least three months of essential expenses.

2. **Unsecured debt**

   Financial wellbeing falls when unsecured debts rise, particularly when debt moves into higher bands.

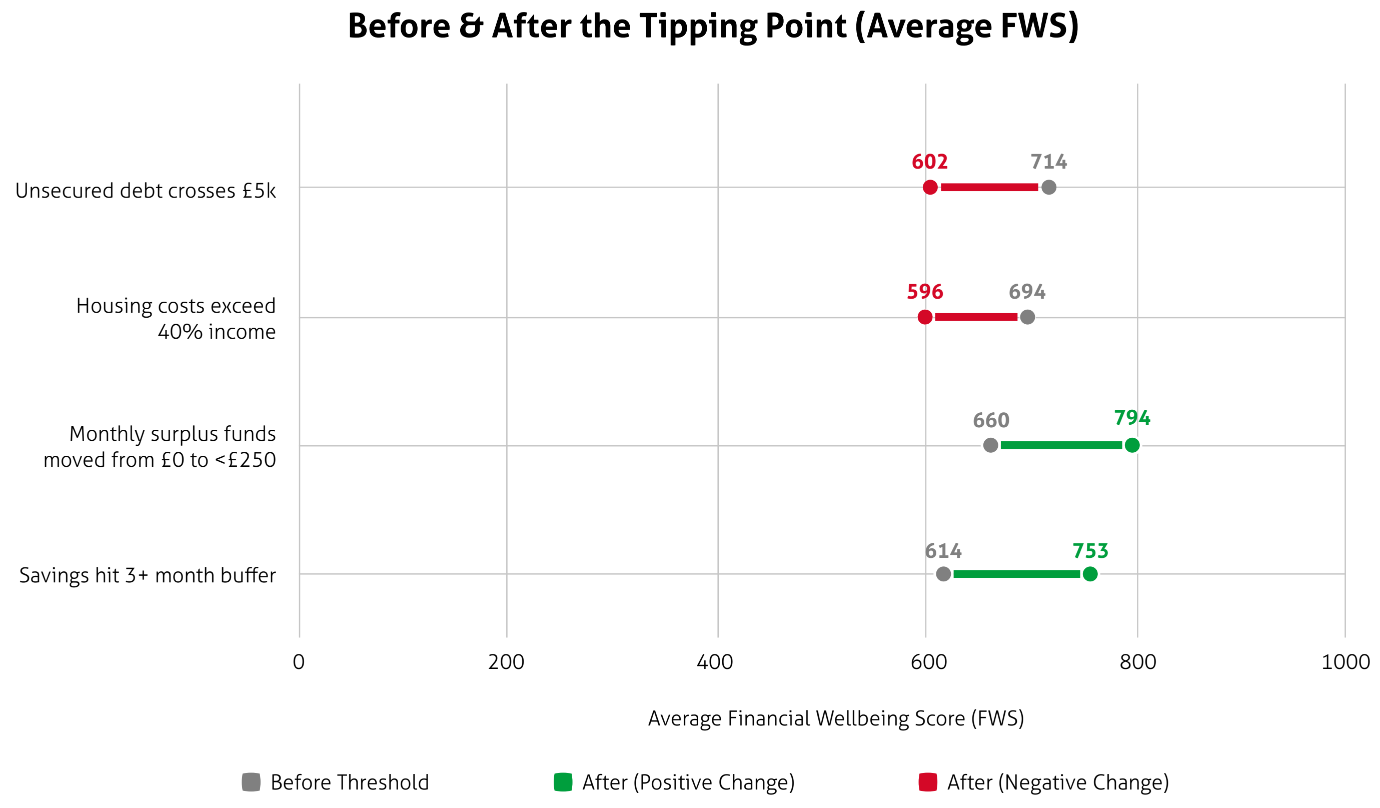
3. **Housing pressure**

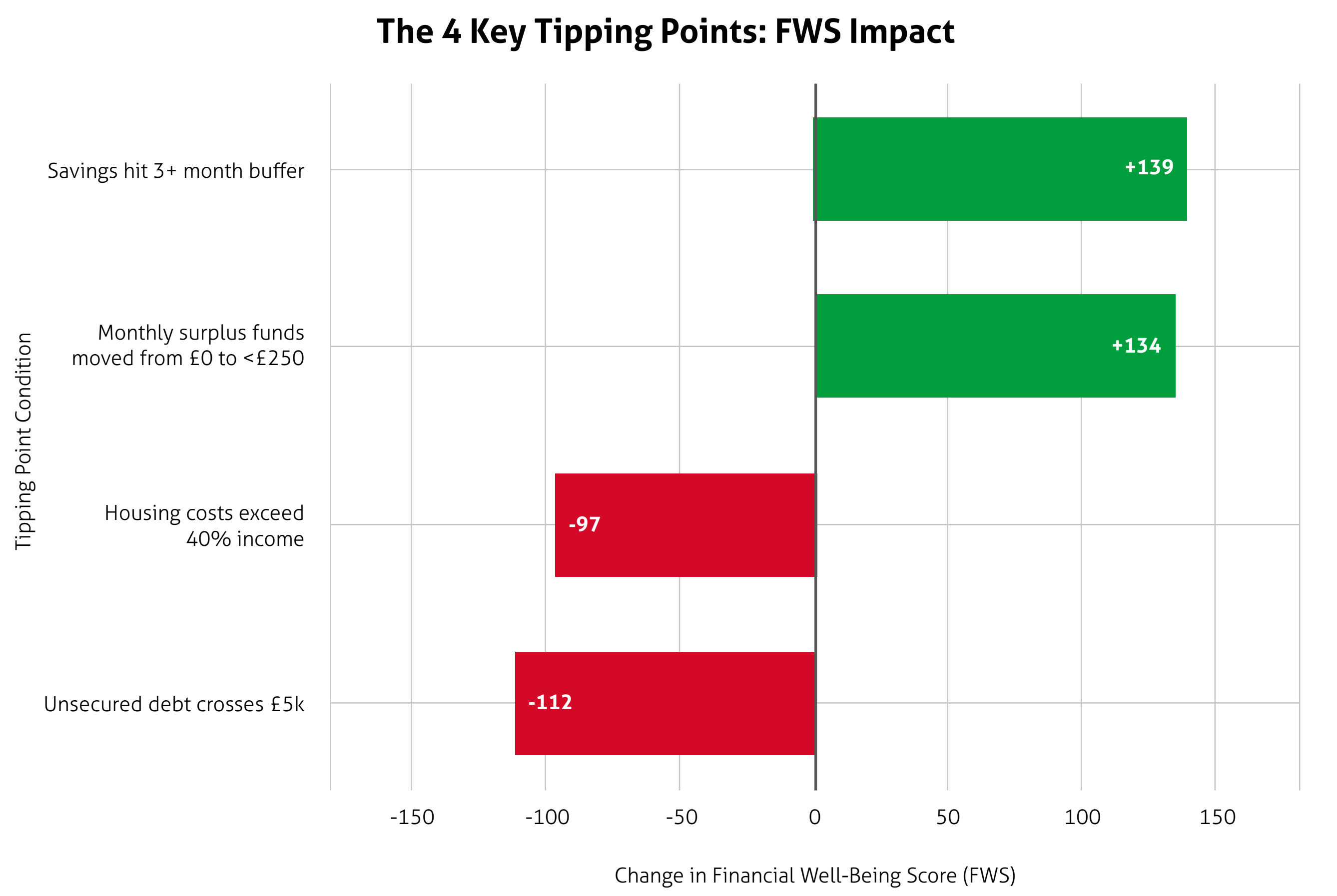
   Wellbeing drops significantly once housing costs exceed 40% of income.

4. **Monthly surpluses (leftover income)**

   This model also showed that there was a marked improvement once households moved from the 'no surplus' category to a modest monthly surplus of under £250.

These tipping points - or thresholds - should be interpreted as danger zones that could serve as early warning systems to help households take action before their wellbeing deteriorates further.





INTRODUCTION

Understanding Financial Wellbeing

Why income is a crude measure of financial health

Income alone does not provide an accurate picture of financial health, nor does it determine financial wellbeing. While it would be foolish to suggest that it doesn't have an important role to play, there are other key factors that have a material impact on financial wellbeing:

Everyday financial behaviours:

Such as saving habits, avoidance (for example, delaying opening bills, postponing financial decisions or ignoring account balances), impulsive spending and reliance on credit.

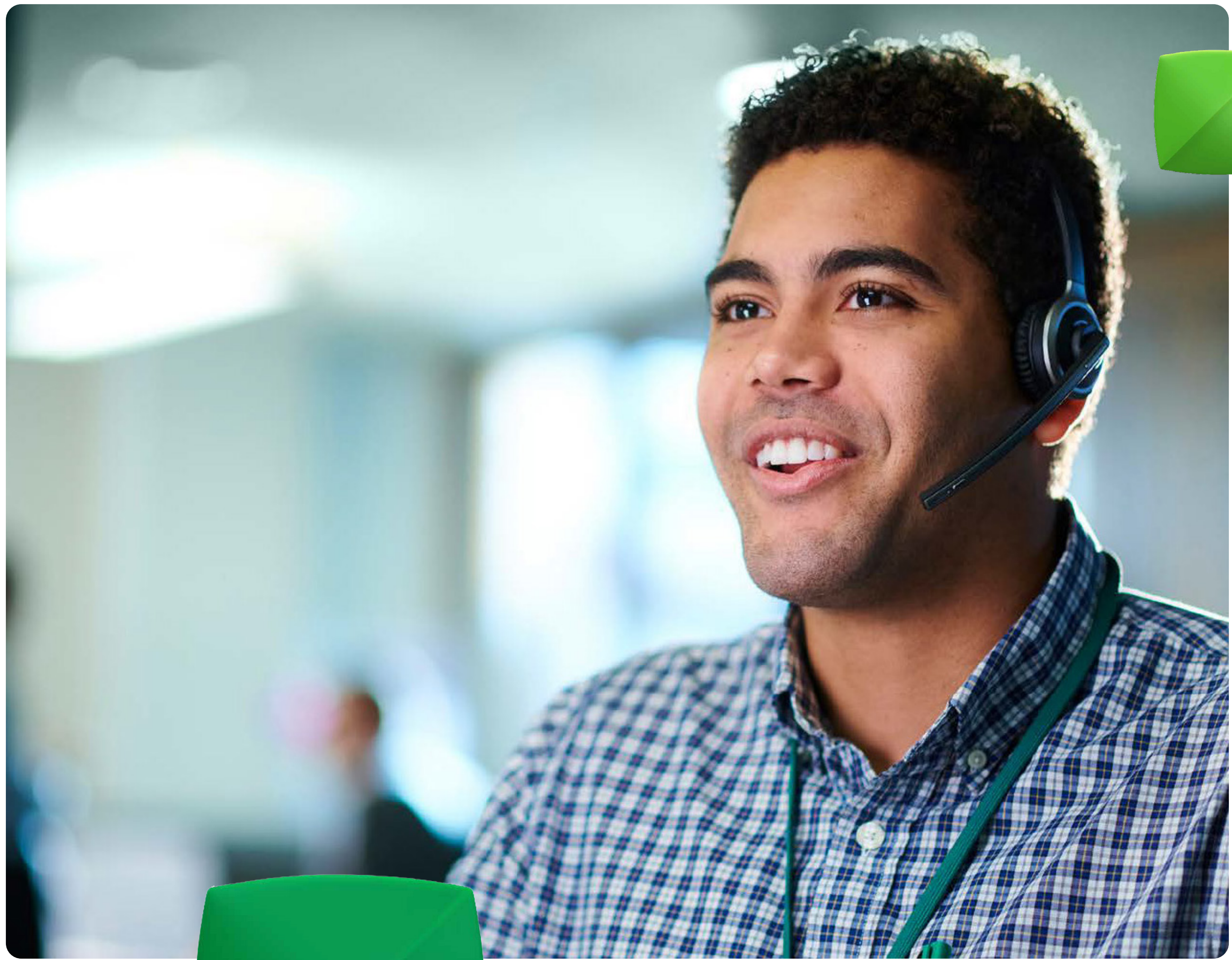
Structural factors:

Such as house value, housing costs, financial runway, unsecured debt.

Life events:

Such as unexpected illness, divorce or relationship breakdown, job losses.

Our research shows that all these factors – including income – interact with one another over time, which forms the basis of our four-pillar model.



THE BUILDING FINANCIAL FOUNDATIONS BAROMETER

How It Works

The four pillars of financial wellbeing

The rationale for these pillars is to go beyond a one-dimensional assessment of financial wellbeing, such as traditional credit scores or income, which don't examine financial capability, stability or vulnerability.

Financial security

Income stability, housing pressure, debt position.

Financial resilience

The ability to absorb shocks, savings buffers, financial runway.

Financial literacy & confidence

Understanding and confidence to make decisions

Life event vulnerability

Exposure to planned and unplanned life events

These pillars interact with one another dynamically

- Financial security is the baseline
- Resilience determines the ability to absorb shocks
- Life events are the stress tests
- Financial literacy and confidence influence long-term behaviour and decision-making.

> Adding pillars is like adding layers to a Rubik's Cube. Each one increases the number of meaningful combinations, helping us see patterns that might otherwise go unnoticed.

Dr Kamran Mahroof
University of Bradford

The Stress Test Matrix: Interacting Pillars

The Financial Wellbeing Score

How the 0–1000 score system of this research works:

The score is designed to be interpreted directionally, like a financial health check, to provide clear comparisons of the key drivers of financial resilience and vulnerability.

What the Red/Amber/Green bands mean in practice:

Red

Households in the Red category are more exposed to shocks and have fewer buffers. It's important to clarify that this doesn't just include people on low income, but anyone with high housing pressure, rising unsecured debt and/or a limited financial runway.

Amber

This research revealed that a proportion of UK households sitting in the Amber category appear to be stable on the surface and financially today - but they are closer to financial difficulty tomorrow than they might realise. They could move to the Red category if they meet one or two thresholds, for example, a major life event.

Green

People in the Green category have the strongest financial resilience, thanks to larger savings buffers, generally lower housing pressure and more ability to manage disruption - such as unexpected events - without experiencing a reduction in financial wellbeing.

UK Financial Wellbeing - A Snapshot

Top strengths across the UK

- Relatively strong financial security for many households
- Stable incomes for a large proportion of working households
- Moderate levels of financial literacy across most age groups

Top vulnerabilities

- Insufficient savings buffers
- High housing cost pressure
- Exposure to life events and unsecured debt

Financial Security is the strongest pillar across the UK, while Financial Resilience and Life Event Vulnerability are the most common weaknesses. Many households also have gaps in Financial Confidence and Financial Literacy.

- Financial wellbeing rises substantially once households have three to five months of savings runway.
- Scores rise to Green once this buffer exceeds six months.
- Housing costs above 40% of income are strongly associated with a sharp fall in wellbeing.

The State of Financial Wellbeing in the UK

The average (mean) Financial Wellbeing Score across the UK is 680 out of 1000, which means the typical household is in the Amber category. The distribution is relatively balanced, with around one-third of people in each category. Approximately 33.1% fall into Amber, indicating they are broadly stable but not particularly resilient, while 34.1% are in the Green category and 32.8% fall into Red.

National benchmarks consistently show that between half to two-thirds of UK households feel financially secure. However, large proportions are financially vulnerable, due to limited savings buffers. This is supported by external research: the ONS Family Resources Survey (2023-2024) found that almost half of families have less than £1,500 in savings, while 20% have no savings and 10% have less than £100.

Demographic variations

This vulnerability isn't confined to just one demographic either; there is widespread variation across different ages and income groups. Importantly, this research has uncovered inequalities that would have been harder to identify if financial wellbeing or resilience were determined by income alone.

Three comparisons – gender, age and employment status

Gender

- Men generally achieved higher scores than women, which reflects a combination of structural and behavioural factors that the model has identified.
- The overall gender gap was just over 50 points, which is significant but much less so than other factors.

The gender gap also widened as working hours increased:

- For men and women working less than 8 hours a week, the gap in mean FWS is 28.
- For part-time workers (8 to 29 hours per week), that gap widens to 40 points.
- For full-time workers (30 hours or more per week), it is 48 points.

Men's higher scores were associated with higher income and more financial confidence, while women's lower scores were associated with pay disparities, higher likelihood of career interruptions and higher rates of part-time work.

Age

- People aged 55+ record the highest FWS, which indicates an association between later-life financial consolidation and stability.
- The 35-54 age group, however, showed the lowest average wellbeing, with the 18-34 group performing better than the mid-life group.

The findings indicate that financial support should be tailored by age. Older adults, for example, may need more validation and reassurance, while younger adults may benefit from a more foundational financial education and guardrails to reduce the risk of costly mistakes, such as incurring high-interest debt.

It is important to emphasise that housing tenure and employment status override behaviour and gender.

- For example, a woman in full-time employment can score significantly higher than an unemployed man, despite the gender gap.
- Similarly, a renter facing high housing costs may record a substantially lower score than a homeowner with comparable income, because housing pressure directly reduces their ability to build savings buffers and absorb shocks.

Employment status

Employment status was one of the strongest differentiators of financial wellbeing in this model, with notable variations across different work categories.

- Retired people recorded the best financial wellbeing overall, which is unsurprising when reflecting on the scores for the 55+ age group.
- Employment status is also strongly linked to the stability of individual or household income, the predictability of expenses and the ability to plan finances.

PILLAR

Financial Resilience

Why building a savings buffer should be a priority

How financial runway works

The term 'financial runway' explains how resilient a household is in quantitative terms - referring to the number of months it can cope without any income. This research has identified a tipping point of around three months for essential costs. Households that maintain this runway are less likely to spiral into debt and are better equipped to absorb both life events and housing pressures.

Financial resilience is the most common weak pillar across age, income and region, which indicates that many households are stable on a day-to-day basis but lack buffers to protect them from shocks.

Why three months of essential costs is a tipping point for UK households

This research has identified a tipping point - or the danger zone - at which financial vulnerability begins to increase significantly. This is about three months, although it is important to add some context.

Households that have savings that are equal to or exceed at least three months of essential expenses have greater financial resilience.

Why a savings buffer reduces vulnerability to shocks

Even households with high income can still be fragile because they may not have enough savings to protect them during unexpected events.

Financial behaviour

Different combinations of habits and decision-making can have a significant impact on financial wellbeing.

People who show very low tendencies towards delaying tasks — such as postponing bill payments, ignoring account statements or putting off financial decisions — resist impulse buying and have action-oriented financial habits —including strong debt repayment patterns — are the most behaviourally advantaged overall.

These findings indicate that improving outcomes won't be achieved by adopting a 'one-size-fits-all approach'. People may benefit from tools, behavioural nudges and guidance that align with their behavioural profiles.

> Resisting the temptation to buy those lattes isn't going to take you out of a housing crisis.
>
> **Dr Kamran Mahroof**
> **University of Bradford**

The power of small, consistent, repeatable habits

Small actions can have a disproportionately positive long-term impact on improving financial resilience. Regular saving can help people build buffers over time to increase their savings runway.

For example, saving as little as £2 a day, or about £60 a month, may seem trivial in the short term. After 5 years, however, based on an annual compounding rate of 3.5%, this could build a savings pot worth around £3,870. After 10 years, that would grow to about £8,500.

However, even these small, simple savings habits — while clearly beneficial in the long run — will not fix the structural barriers that make it much harder to build financial resilience.

While individual behaviour does matter, people cannot budget their way out of the structural pressures — like employment stability and housing affordability — that override behaviour or demographics.

Making regular saving easy

In 2025, Yorkshire Building Society introduced the Monthly AutoSaver, a mobile app feature designed to help customers easily build regular saving habits. The tool uses Variable Recurring Payments (VRP) through Open Banking to automate monthly transfers from a customer's bank account directly into their savings account. Users simply choose how much they want to save and the day of the month—between the 1st and 28th—and the app handles the rest, offering more flexibility than standing orders or direct debits.

PILLAR

Financial Security

Housing Costs and Financial Health

Housing pressure strongly shapes financial wellbeing and plays a critical role in this scoring, with high housing costs suppressing the results uniformly nationwide. These costs are also determined by housing tenure and home value, and have a significant impact on households' ability to protect themselves from shocks. For individuals experiencing high housing pressure - where costs exceed 40% of income - scores range from 576 in the West Midlands to 627 in Wales. Those experiencing low housing pressure achieve significantly higher scores - ranging from 659 in the South East to 753 in Scotland.

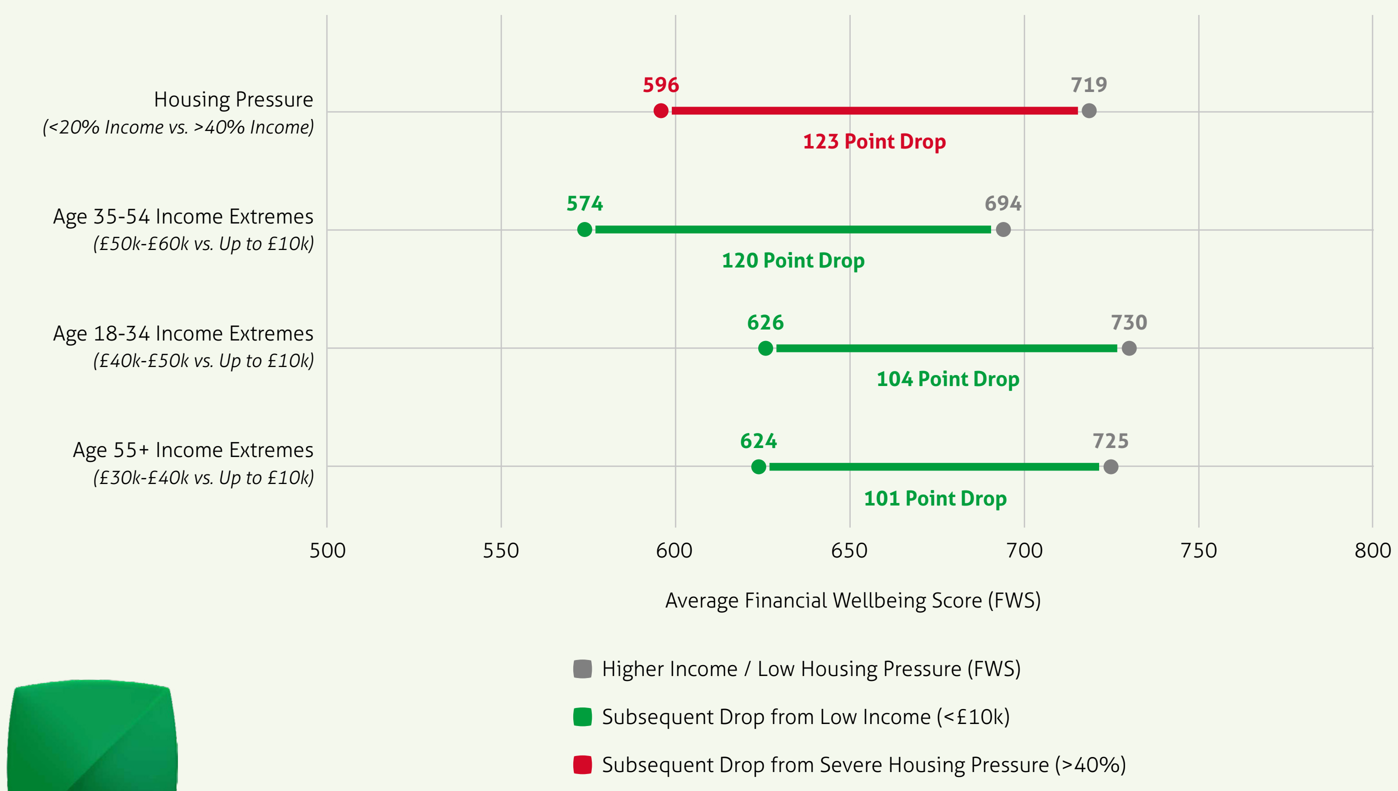
Why housing costs above 40% of income become a major pressure point

Individuals spending less than 20% of their income on housing sit firmly in the Amber category with an average score of 719. This falls to 694 points for those who spend 20-40% of their income on housing, although this isn't a substantial fall from the aforementioned group. However, once housing costs exceed 40% of income, the score drops sharply to just 596, which is firmly in the Red category.

Higher housing costs reduce financial resilience because they reduce households' ability to build savings buffers, even among high earners for whom housing may represent a substantial share of their take-home income.

Households living in rented accommodation are particularly exposed, as they tend to face higher housing cost pressure, less security of tenure and are generally more sensitive to life events. This can make it more difficult to build buffers and absorb financial shocks.

The Housing Pressure Penalty vs Demographic Income Gaps



Here are some comparisons to reiterate the significance of this sharp drop:

- The gap in FWS between people who spend less than 20% of income on housing compared to those that spend 40% or more is 123 points. This is greater than the gap in mean FWS between:
  - People aged 18-34 earning £40,001 to £50,000 a year (average FWS score: 730) versus people aged 18-34 earning up to £10,000 a year (average FWS score: 626).
  - People aged 35-54 earning £50,001 to £60,000 a year (mean FWS score: 694) versus those in the same age group earning up to £10,000 a year (574)
  - People aged 55+ earning £30,001 to £40,000 a year (mean FWS score: 725) versus those in the same age group earning up to £10,000 a year (624)

Regional differences

When housing costs exceed 40% of income, wellbeing scores drop consistently across all regions. Scores are low everywhere — from around 576 in the West Midlands to 627 in Wales — showing that heavy housing costs have a strongly negative impact regardless of where people live.

In Wales, people with moderate housing costs (20-40% of their income on housing) had an almost identical mean FWS score to those in Wales spending less than 20% of income on housing, which is a surprising finding. One possible explanation is that housing costs are only one component of overall financial wellbeing.

Households with slightly higher housing costs may still maintain similar scores if they have greater income stability and/or savings buffers, or experience fewer adverse life events, which can offset the additional housing pressure in the overall model.

A similar but less pronounced result is also evident for the East of England, North East, South East, South West and Yorkshire & Humberside, where the results between those two groups are less than 20 points.

However, in the North West there was a striking gap of 80 points between those in the low (20 or less) and those in the 20-40% categories, which is a clear outlier.

Mean FWS: Region by Housing Cost Pressure

PILLAR

Financial Literacy & Confidence

The Confidence Gap

Confidence often lags behind understanding, particularly among older adults.

Notably, there was a gap of 40 points between financial knowledge and confidence, but this gap was only 23 points for younger adults.

Age Differences

- Older adults tend to know more but are less confident.
- Younger adults tend to know less but are more confident.

Gender Differences

- Men generally have higher financial wellbeing, which is linked to higher income and greater confidence.
- Women often exhibit more cautious behaviour but face structural constraints that make it harder for them to achieve buffers.

The key theme:

The financial wellbeing gap this research has uncovered is driven more by systemic and structural factors than by behaviour alone.

Turning knowledge into action – UK Savings Week

Founded by Yorkshire Building Society and the Building Societies Association in 2022, UK Savings Week (UKSW) is an annual event which encourages people to start a savings habit and help them to make the most of their savings. During UKSW in 2025, Yorkshire Building Society continued to build people's financial confidence and helped turn knowledge into action. Through blogs, social campaigns and community events we delivered important financial education, and used national media to share research on what people need to feel financially secure. Our marketing activity reached 5.3m people, with 2.1m engaging. To turn knowledge into action, we launched a new £50 Regular Saver, which rewarded regular savers with competitive savings rates, and opened all branches on the Saturday, supporting 9,929 people to open 11,148 new accounts.

PILLAR

Life Event Vulnerability

Shocks, debt and financial tipping points

How life events disproportionately affect wellbeing

Life events have a major role in financial wellbeing and resilience. Job loss, illness or other unexpected life events can lead to sharp drops in financial wellbeing - often more than long-term financial factors. This is more likely to appear as a vulnerability among people in middle- and lower-income brackets, which suggests the impact of personal disruptions - such as job loss or health issues - is proportionately greater.

Planned or positive changes, such as marriage or retirement, are associated with better wellbeing, which strongly suggests that life events determine financial wellbeing just as much as money does.

The sharp, non-linear impact of rising unsecured debt

Unsurprisingly, higher debt burdens were closely associated with lower predicted financial wellbeing. Individuals with less than £5,000 of unsecured debt recorded the strongest average score overall - at 714 - whereas scores declined sharply for those with debt levels of £5,000 to £15,000.

The average score for households with debts exceeding £15,000 fell to 563, which demonstrates the impact unsecured debt has on these households' ability to absorb shocks. Therefore, from this data, there is a clear correlation between lower financial wellbeing and higher debt brackets.

This underscores the importance of intervening early and addressing rising debt before it reaches the threshold where it has a disproportionate impact on financial wellbeing.

What Can People Do to Strengthen Their Financial Foundations?

Financial wellbeing is shaped by structural factors, but there are practical steps individuals can take to improve resilience over time.

1 Understand your housing and fixed costs

Understanding how much of your income goes toward housing and essential bills is a key starting point. If housing costs exceed 40% of income, this may limit your ability to build financial buffers.

2 Build an emergency savings buffer

Where possible, aim to build savings that could cover at least three months of essential expenses. Even small, regular contributions can gradually strengthen resilience.

3 Review unsecured debt commitments

High levels of unsecured debt are strongly associated with lower financial wellbeing. Reviewing repayment plans, prioritising high-interest balances and seeking support early can reduce vulnerability.

4 Put a simple financial plan in place

Having a basic plan — even a one-page overview of income, expenses, savings goals and debts — improves financial confidence and reduces avoidance behaviours.

5 Seek guidance if needed

Financial wellbeing is not only about income. Speaking to a trusted adviser, using free debt advice services or accessing workplace financial education can help individuals make informed decisions.

6 Focus on consistency rather than perfection

Small, repeatable habits — such as checking balances regularly or setting up automatic savings — can have a meaningful long-term impact.

CONCLUSION

Building Stronger Financial Foundations

Our research strongly indicates that financial wellbeing is not determined by one factor alone, such as income. It is shaped by the interaction of financial security, resilience, literacy and confidence, which are the Barometer's four core pillars. Many UK households are structurally stable but are vulnerable to unexpected events and may not be aware of this. Millions of people in the UK also face sustained housing cost pressure and unsecured debts, which can make it harder to achieve financial resilience even with a stable income.

It is important to avoid interpreting this research too pessimistically. Our findings show that small, practical steps - such as regular saving and building financial runway - can have a significant impact on improving financial wellbeing and resilience over time. However, these outcomes are also influenced by the cost of living, the usability of financial products for building buffers, and the support and guidance that is provided by financial institutions and policymakers. Financial wellbeing and resilience is a shared responsibility, individual behaviours and income alone cannot override the structural factors that keep many households in the Amber or Red categories.

The model also sheds light on a large, ignored middle group that may look fine on paper but is more likely to move into Red than Green without buffers. This should encourage policymakers to focus on strengthening safety and addressing housing affordability to prevent this vulnerability from increasing.

Technical Appendix & Methodology

Overview

Full methodological detail, supporting charts and technical tables are included in this appendix. The methodology has been adapted from research conducted in collaboration with the University of Bradford.

This appendix is intended to provide a transparent overview of how the Barometer has been developed and how its findings should be interpreted.

Appendix 1: Methodology Summary (Adapted from University of Bradford)

Data collection and sample

The Building Financial Foundations Barometer is based on a survey of 10,000 UK adults, conducted in collaboration with the University of Bradford and Opinium Research.

The survey was designed to capture a wide range of financial, behavioural and contextual factors that influence financial wellbeing. The sample was structured to be broadly representative of the UK population, with weighting applied where appropriate across key demographics, including age, gender, region and income.

While the survey was conducted at an individual level, responses were used as a proxy for household financial circumstances where relevant.

Data preparation

Survey responses were processed to ensure consistency and analytical reliability:

- Multi-select responses were converted into binary variables
- Ordinal responses were standardised so that higher values consistently reflected stronger financial wellbeing
- Non-substantive responses (such as "prefer not to say") were excluded or treated appropriately

This ensured all variables could be consistently incorporated into the modelling framework.

Model architecture

The Barometer uses a dual-model approach based on gradient boosting decision trees (CatBoost).

- A regression model predicts a continuous Financial Wellbeing Score (0–1000), enabling a granular assessment
- A classification model predicts Red / Amber / Green categories directly, providing a validation layer around category boundaries

Together, these models provide both granular precision and clear interpretability.

Scoring framework

The overall Financial Wellbeing Score is calculated as a weighted combination of four pillars:

- Financial Security (32%) – income stability, housing costs and debt
- Financial Resilience (32%) – savings buffers and ability to absorb shocks
- Life Event Vulnerability (26%) – exposure to life events and their financial impact
- Financial Literacy and Confidence (10%) – knowledge and confidence in financial decision-making

RAG classification

- Red (0–600): Higher vulnerability and limited buffers
- Amber (601–800): Stable but exposed to potential shocks
- Green (801–1000): Strong resilience and capacity to absorb disruption

Model validation

Performance was evaluated using a 20% holdout test dataset:

- Classification accuracy: 83.5%
- Macro-F1 score: 0.84
- R^2 score: 97%
- Mean Absolute Error: approximately 1 point on the 0–1000 scale, indicating a high level of predictive precision within the model

These results indicate strong predictive performance.

Macroeconomic stress modelling

Macroeconomic factors such as inflation, interest rates and labour market conditions are incorporated indirectly through their impact on individual financial circumstances.

These effects are modelled through:

- Disposable income
- Housing and debt servicing costs
- Employment stability
- Financial strain and spending flexibility

The impact is calibrated at an individual level, ensuring that stress scenarios reflect each household's financial position, buffers and exposure.

Limitations

- Data are self-reported and may be subject to bias
- The model reflects conditions at the time of data collection
- Not all factors influencing financial wellbeing can be captured

Despite these limitations, the size of the dataset and the modelling approach provide a robust basis for the findings presented.

Appendix 2: Detailed Charts and Tables

The following charts and tables support the findings presented in this report.

Figure A1: Distribution of Financial Wellbeing Scores (UK)

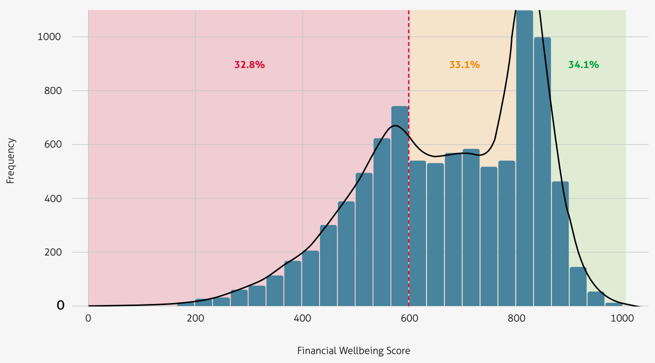
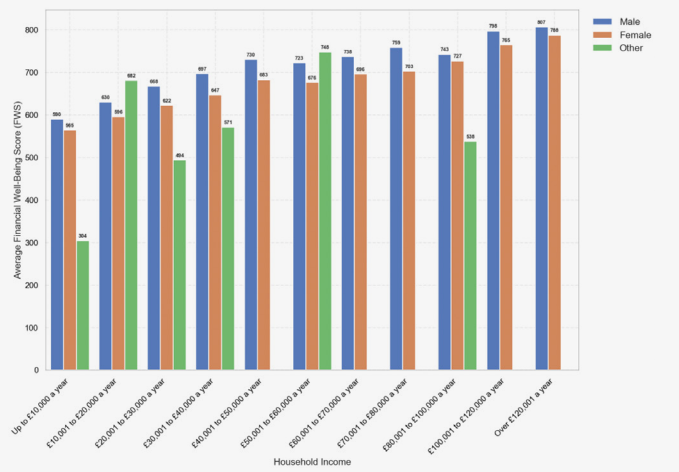
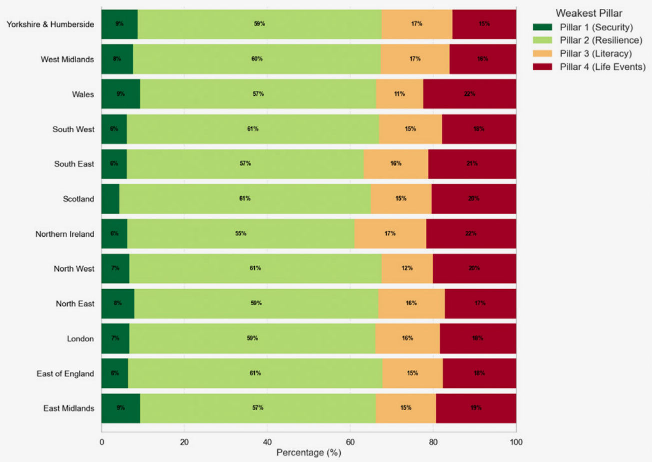


Figure A2: Average Financial Wellbeing Scores by Income and Gender



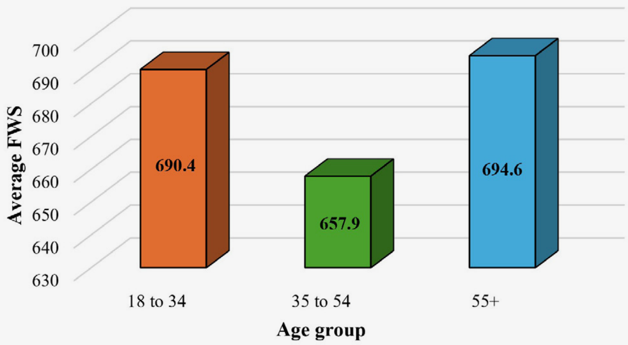
Average scores broken down by Household Income levels and Gender

Figure A3: Weakest Financial Wellbeing Pillars by Region (%)



Breakdown of the most common weakest pillars by region.

Figure A4: Financial Wellbeing Score by Age Group



Average scores across generational cohorts (18-34, 35-54, 55+)

Figure A5: Financial Wellbeing Score by Housing Cost Ratio

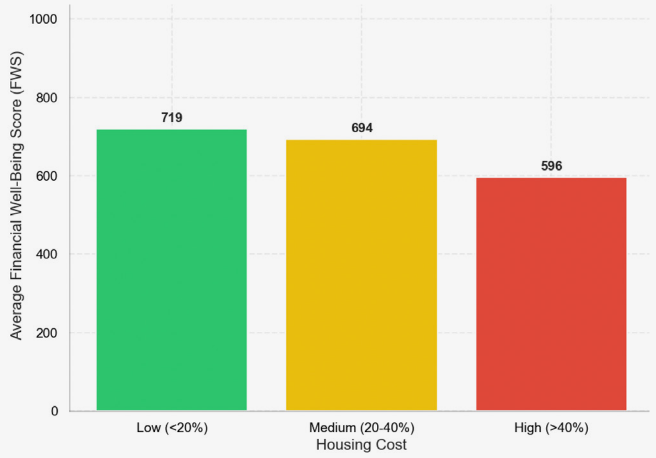


Figure A6: Financial Wellbeing Score by Savings Runway

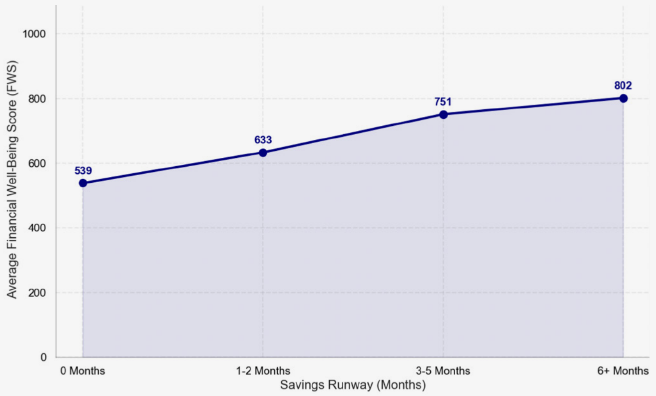
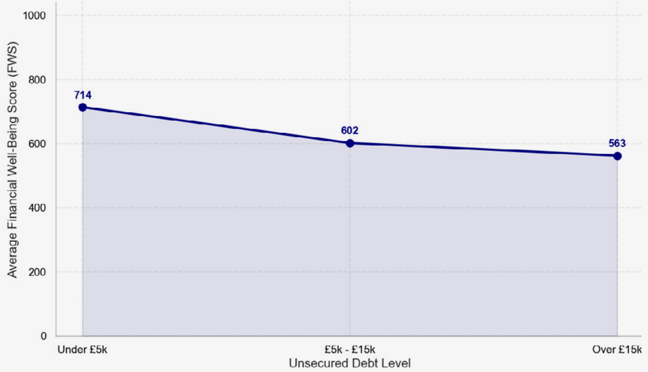
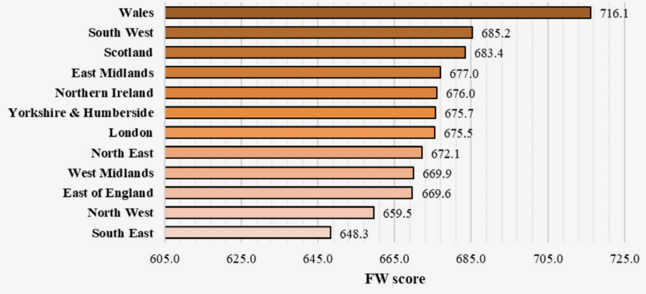


Figure A7: Financial Wellbeing Score by Unsecured Debt Bands



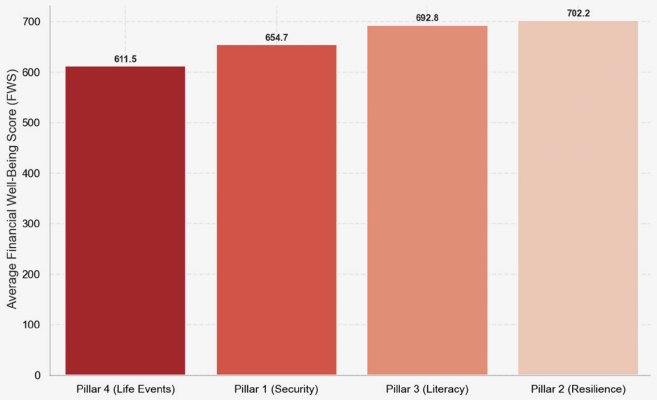
Financial wellbeing score step-changes across unsecured debt levels

Figure A8: Regional Variations in Financial Wellbeing



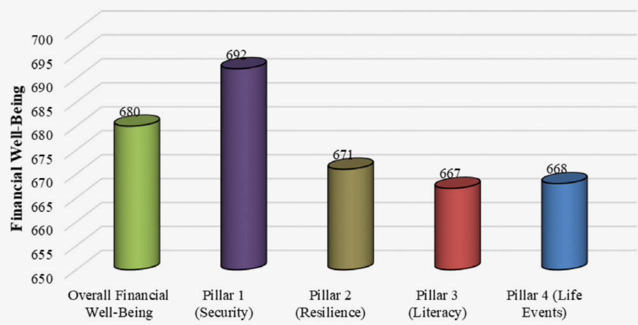
Average Financial Wellbeing Score across different regions

Table A1: Pillar-Level Average Scores



Average Overall Score for users with a specific weakest pillar

Table A2: Cross-Tabulation of Key Variables



Overview of the mean scores for Overall Financial Wellbeing and the 4 pillars

Appendix 3: Definitions and Notes

Financial runway

The number of months a household could continue to meet essential expenses without income.

Housing pressure

The proportion of income spent on housing costs. Levels above 40% are associated with lower financial wellbeing.

Unsecured debt

Debt not tied to an asset, such as credit cards, personal loans or overdrafts.

Life events

Significant events—such as job loss, illness or relationship changes—that may affect financial wellbeing.

Savings buffer

Accessible savings available to cover unexpected expenses or income shocks.

Appendix 4: Interpreting the Barometer

The Building Financial Foundations Barometer is designed to serve as a directional and forward-looking framework - indicating relative financial wellbeing rather than exact outcomes.

It should be used to:

- Identify potential financial vulnerabilities
- Understand how different factors interact
- Highlight areas where resilience can be strengthened

Financial wellbeing is dynamic. Households may move between categories as their circumstances, behaviours and external conditions change.

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