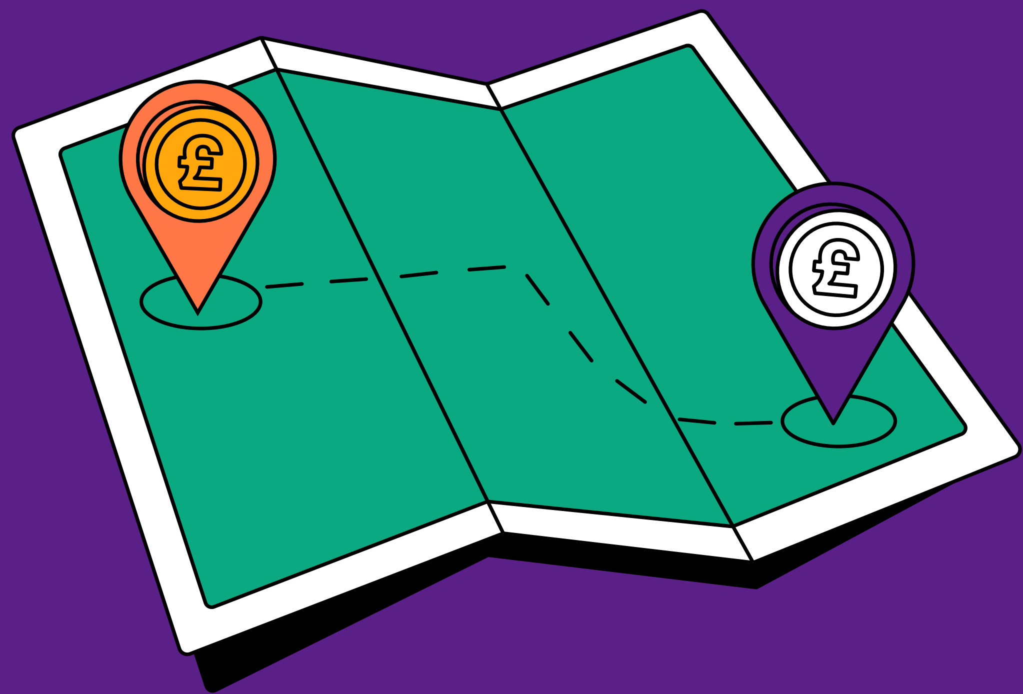
Debt's early grip: The challenges facing young adults

Client insights report

November 2024



StepChange Debt Charity

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Introduction

At StepChange, around one in ten of our clients who complete debt advice are 18–24 years old. This is in line with the proportion of 18–24 year olds among UK adults (also 10%)[1]. This report delves deeper into the demographic and debt profiles of 18–24 year olds, as well as the wider issues affecting those in this age group, to provide a more rounded picture of some of the early financial challenges they face.

In August 2024, an article by the BBC[2], based on ONS statistics, found that over 850,000 young people aged 16–24 were not in education, employment, or training (NEET), highlighting a vulnerable segment of the population. This underscores the importance of understanding the financial vulnerabilities young adults face. StepChange data suggests many debt advice clients are in this situation, with many young adults facing unemployment, and a notable proportion citing this and redundancy as their main reason for having debt problems.

Financial issues affecting younger adults are not exclusive to those identified as NEET. Alongside unemployment and redundancy, we also see many young adults facing other employment related difficulties, such as relatively low incomes and work instability. These factors, among others, contribute towards young adults' experiences of financial difficulty, compromising their financial confidence and resilience.

In addition to exploring the demographic and debt profiles of young adults, this report also looks at how young adults perceive and understand debt problems, which can influence who they seek help from. Understanding the barriers to seeking advice and the unique pressures facing young adults is crucial for addressing the growing debt crisis among the next generation. Social media has become a pervasive influence in the lives of 18–24 year olds, hence we explore the role of social media in influencing how young adults manage some aspects of their finances.

Research commissioned by StepChange from September 2024[3] found that around one in four (23%) 18–24 year olds are in some form of financial difficulty, which StepChange analysis, using ONS data[4], estimates is around 1.3 million young adults. The proportion of 18–24 year olds experiencing some form of financial difficulty is lower than the proportion among all UK adults (32%), nonetheless it is still very alarming that so many young adults are burdened with financial difficulties so early on in their life. The experiences and challenges faced by this age group are often different to older groups.

In this report we set out to explore the following research questions:

1. Which demographic attributes and financial challenges characterise young adults seeking debt advice from StepChange?

2. How do young adults understand debt problems and financial advice?

3. How does social media influence financial behaviours among young adults?

[1]Office for National Statistics (ONS), released 8 October 2024, ONS website, statistical bulletin, Population estimates for the UK, England, Wales, Scotland, and Northern Ireland: mid-2023
[2]https://www.bbc.co.uk/articles/cz55mjj4rlgo
[3]See methodology notes on page 4 for more details
[4]See footnote 1

Methodology

This report uses client data gathered between 1 January to 30 June 2024. It includes clients who completed a debt advice session with StepChange for the first time, either through an online or telephony session.

The number of clients completing first time debt advice in the first half of 2024 was 94,026, and among this group 9,373 clients were aged 18-24. This report also includes data from YouGov polling which was commissioned by StepChange Debt Charity in May[5] and September 2024[6]. The polling was fielded to a representative sample of UK adults, which included a sub-sample of 18-24 year olds. The open-end responses from the polling are routed to those that qualify to answer the given question, hence some questions are based on a low sample size and are only indicative. StepChange analysed the open-end responses to derive themes.

This report focusses on "young adults" and "young clients" which, for the purposes of this report, we have defined as those aged 18-24, unless otherwise stated. We have opted for the age range of 18-24, as the minimum allowable age for StepChange clients is 18, and the upper age limit of 24 is in line with government guidelines on labour market statistics, as well as age groupings used by other insight producers.

Any references to the "other age groups" or the "older age groups" refers to those aged 25-34, 35-49, 50-64 and 65 and over. Data for a few select questions on these age groups can be found in the accompanying data sheet for this report.

In this report, any reference to the "average" refers to the mean average only, unless otherwise stated. We appreciate that there are other measures of central tendency, however, for the purpose of this report we have opted for using the mean and have removed extreme outliers when calculating this.

In terms of definitions, finding it difficult to keep up with household bills and credit commitments, also known as 'financial difficulty' when referring to YouGov polling data, includes experiencing one or more of the following: making just the minimum repayments on debts; using overdraft in each of the last three months, using credit, loans or an overdraft to make it through to payday; falling behind on essential household bills (e.g. rent, mortgage, energy bills, council tax etc.); using credit to keep up with existing credit commitments; getting hit by late payment or default charges; missing a regular monthly payment on at least one debt; and using credit to pay essential household bills (e.g. rent, mortgage, energy bills, council tax etc).

'Financial guidance' refers to providing people with general information, advice, and recommendations to help them make informed decisions about managing their finances – this advice is typically unregulated and not personalised to the person's unique circumstances.

Note that figures are presented as rounded whole numbers throughout this report. As a result of rounding, some figures may not correspond with the sum of their individual figures or add up to 100%.

[5]The poll surveyed a sample of 2,112 UK adults between 8-9 May 2024. The survey was carried out online and the figures have been weighted to be representative of the profile of all UK adults. The 18-24 year olds subsample comprises of 183 respondents.
[6]The poll surveyed a sample of 2,111 UK adults between 9-10 September 2024. The survey was carried out online and the figures have been weighted to be representative of the profile of all UK adults. The 18-24 year olds subsample comprises of 148 respondents.

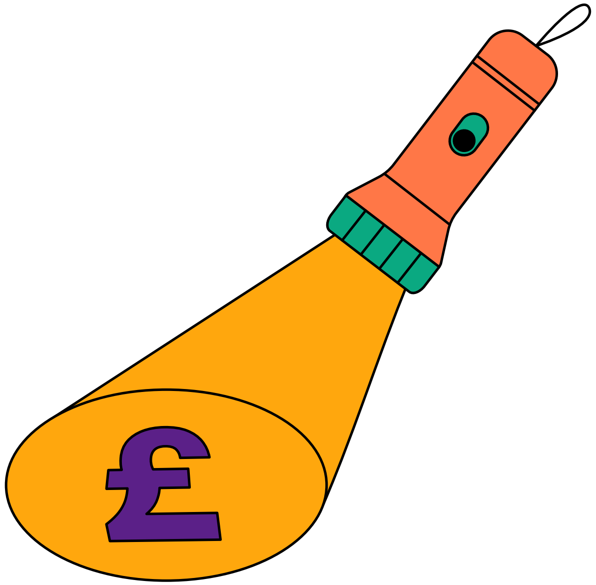
Summary of key findings

Unemployment and low incomes are drivers of debt problems for young adults

- **Higher unemployment rates:** Almost one in five (18%) young clients were unemployed at the time of debt advice, which is seven percentage points higher than the proportion among all StepChange clients (11%). Young clients cited 'unemployment or redundancy' as the most common reason for their debt problems.
- **Low and irregular incomes:** Despite the majority of young clients being in work, they had a monthly net income that is 28% lower than all clients – equating to £490 less each month. Among those that first experienced some form of financial difficulty when aged 18-24, some responses attributed low incomes, especially during their early career, with causing this[7]. Young clients are also slightly more likely to be on zero-hour contracts and cite an 'irregular income' as their main reason for debt when compared to all clients.

Young adults are more likely to be living with family and value the informal financial guidance that they can provide

- **Living with family:** Around two in five (37%) clients aged 18-24 live with their family, whereas among all clients this proportion is much lower at one in eight (13%). Living with family can lend young adults parental support, but also reflects the precarity of their labour market experiences, alongside increased housing costs of moving out.
- **Family as a source of financial guidance:** More than a half (51%) of young adults mentioned that they did or would consider consulting family for advice if in financial difficulty or needing financial guidance. Family was the number one source of financial advice and guidance among young adults, and they were lauded for being trustworthy. Alongside trust, young adults valued their families previous experience and knowledge, and them being supportive and understanding.



[7]See footnote 6

Summary of key findings

Barriers to young adults getting help include lacking knowledge about where to find advice and what money advice organisations do

- **Limited awareness of services:** The main barrier among young adults when it came to getting help from a money advice organisation was lacking knowledge about where to find advice, which was mentioned by nearly three in ten (27%) adults aged 18-24. Comparatively, among UK adults the corresponding figure was much lower at 14%.
- **Lack of knowledge about how services can help:** Another barrier identified among young adults was lacking knowledge about what money advice organisations do, this was mentioned by one in five (21%). This highlights a disconnect between the availability of support and young adults' understanding of it and their ability to find this support, in instances where they are finding it difficult to keep up with household bills and credit commitments or needing financial guidance.

Social media can be a helpful resource for some young adults, but knowing where to look and what information can be trusted poses a challenge

- **Source of financial guidance:** One in ten (9%) young adults in the wider population did or would use social media for financial guidance, and they mentioned themes around social media having a personal and relatable touch, a variety of perspectives, practical tips, as well as easy and 'anonymous' access to information.
- **Changes in financial behaviours:** As a result of seeing financial content on social media, almost three in ten (28%) 18-24 year olds mentioned that they had started saving or increased their savings. Also, one in five (21%) cited that they have started budgeting or changed the way they budget because of content they have seen on social media.
- **Need for reliable resources:** Despite there being some potentially positive outcomes for young adults, access to trusted and accurate financial information online is needed for informed decision making. Research conducted for StepChange through Channel 4's 4Youth Community[8] found that over four in five (81%) young adults would be receptive to information about money and finances if it were being provided by a registered charity, hence digital content can be a valuable tool to engage with young adults.

[8]This is based on a small sample of 43 respondents and should be interpreted with caution

The findings

1.

Which demographic attributes and financial challenges characterise young adults seeking debt advice from StepChange?

In the first half of 2024, young adults (18–24) accounted for one in ten (10%) of StepChange's client population, which is in line with the proportion of 18–24 year olds among UK adults (also 10%)[9]. This section of the report explores the demographic characteristics of clients aged 18–24 seeking debt advice, focussing in on housing tenure, family composition, employment status, income including benefits, as well as gender identity, to better understand the characteristics which contribute towards their financial challenges.

Understanding these attributes uncovered that young adults are more likely to be living with family and face employment related challenges, such as unemployment and low incomes, with many young adults linking this to their debt problems.

[9] See footnote 1

Housing tenure

StepChange data for the first half of 2024 shows that the housing situation of young adults is different from that of the total client population as a whole. Almost two in five (37%) 18–24 year olds were living with family compared to one in eight (13%) among all clients. Although a notable proportion, this is much lower than the proportion of UK adults aged 18–24 living with their parents which is around three in five (58%)[10].

Among the 18–24 age group, men are more likely than women to be living with family/parents and this is the case for both StepChange clients (50% vs. 30%) and 18–24 year olds in the UK (63% vs. 52%), respectively.

Figure: housing tenure

	All clients	Clients aged 18–24
Living with family	13%	37%
SUM: RENTING	63%	53%
Renting–private landlord	32%	27%
Renting–Council or Housing Association	31%	25%
Board payment (not with family)	3%	4%
Other	3%	4%
Mortgaged	14%	1%
Shared ownership (mortgage and rent)	2%	1%
Owns property outright	2%	<1%

Research conducted by the Standard Life Foundation and Loughborough University[11] in 2020 suggested some reasons which explain why an increased number of young adults are living with parents. This was influenced by increased housing costs, the precarity of their labour market experiences, and changing social norms.

Continuing to live with family or returning to the family home, was influenced by the needs of young adults and the support their families could offer them.

Furthermore, the same research found that being unemployed or being in low-paid work made it harder for young adults to move out of their family home. The research also highlighted how living in the family home with parents is often a more advantageous situation and can lend young adults to being offered support from parents, for example in instances where living independently is no longer financially viable.

Despite living with family being markedly higher among 18–24 year olds, the majority of young clients are renting. Over a half (53%) of clients aged 18–24 were renting in the first half of 2024, with over a quarter (27%) renting from the private sector.

There are also some gender differences among young clients renting, with three in five (61%) women aged 18–24 renting compared to two in five (40%) men in the same age group. The private rented sector has many challenges as our previous report Trapped in rent[12] found, for example two in three StepChange clients who were renting privately struggled to afford their rent. This is explored in more depth later in this report.

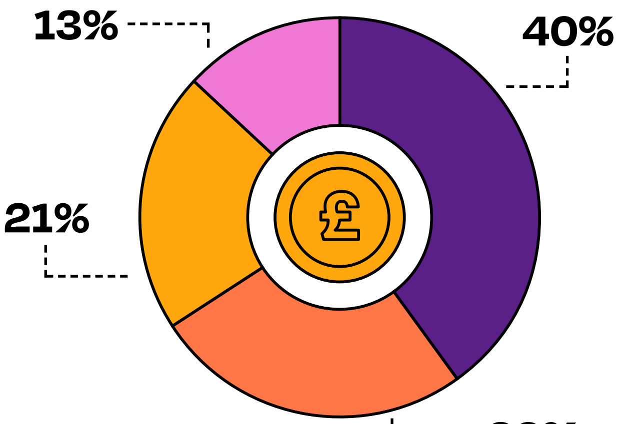
[10]This was estimated using data from Office for National Statistics (ONS), see footnote 1, and data from Office for National Statistics (ONS), released 8 May 2024, ONS website, dataset, Young adults living with their parents
[11]https://www.abrdn.com/docs?documentId=GB-191020-131715-1#:~:text=Influences%20include%20increased%20housing%20costs,of%20them%20living%20at%20home
[12]https://www.stepchange.org/policy-and-research/trapped-in-rent.aspx

Family composition

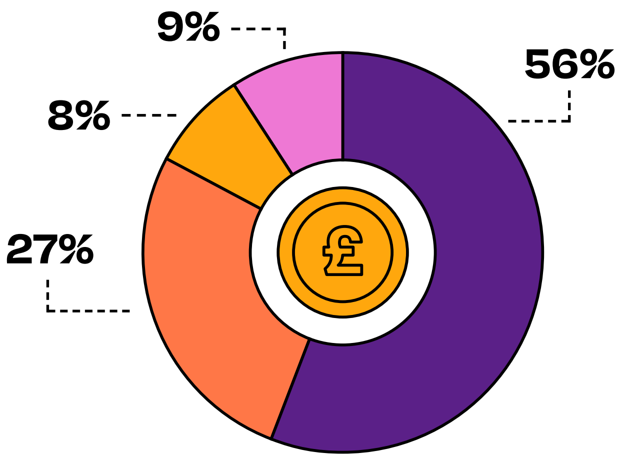
The composition of clients' households and family structures often have a substantial influence on clients' budgets and debt profiles. Most clients aged 18–24 are single with no children (56%). Clients aged 18–24 are more likely to be single with no children when compared to the other age groups, with the exception of those aged 65 and over. However, over a quarter (27%) of clients aged 18–24 are single with children, with this proportion being much higher among women (36%) than men (13%) in this age group.

Figure: family composition

All clients



Clients aged 18–24



Key:

- Single with no children
- Single with children
- Couple with children
- Couple with no children

Employment status

Over a half (54%) of StepChange clients aged 18-24 are in some form of work, which is slightly lower than the proportion of UK adults (59%)[13] in the same age group. In the first half of 2024, the most common employment status among young adults was full-time employment. Almost two in five (37%) 18-24 year old StepChange clients were in full-time employment, which is slightly lower than the proportion among all clients (42%).

StepChange client data from the first half of 2024 showed that almost one in five (18%) clients aged 18-24 were unemployed and looking for work–this proportion is much higher among 18-24s when compared to all clients (11%) and UK adults aged 18-24 (12% in H1'24)[14]. Among clients aged 18-24, 4% were on zero-hour contracts which is double the number among all clients (2%). StepChange's In work. But still in debt[15] report highlighted young adults are more likely to face the challenges of unstable employment and a reduced income, all of which contribute towards their financial vulnerability.

This aligns with wider UK statistics[16], which suggested that over 850,000 young people aged 16-24 were not in education, employment, or training (NEET), reflecting a broader trend of financial instability for this age group. However, a high proportion of StepChange clients aged 18-24 are in employment, showing that although many of our clients in this age group are working, they still find themselves in financial difficulty.

Figure: employment status

	All clients	Clients aged 18-24
Full-time employed	42%	37%
Unemployed: looking for work	11%	18%
Part-time employed	15%	13%
Not looking for work	7%	11%
Not working due to illness or disability	15%	10%
Student	1%	5%
Zero-hour contract	2%	4%
Carer	3%	1%
Retired	3%	0%

StepChange client data for the first half of 2024 shows that a small proportion of clients aged 18-24 are students. Around 5% of clients aged 18-24 are students compared to 1% of all StepChange clients. YouGov polling from May 2024 revealed that around 30% of 18-24 year olds are students. Students are underrepresented in StepChange's client population when compared to the wider UK population.

Being a student caries many risk factors which can predispose young adults into financial difficulty. For example, research by The Sutton Trust[17] found that for almost three in five (57%) students maintenance loans were unable to cover the costs of essentials, and that over a quarter (28%) of undergraduates had skipped meals to save on food costs.

[13] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/ybud/lms
[14] https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/timeseries/ybvq/lms
[15] https://www.stepchange.org/policy-and-research/in-work-but-still-in-debt.aspx
[16] See footnote 2
[17] https://www.suttontrust.com/our-research/reforming-student-maintenance/

Reasons for debt

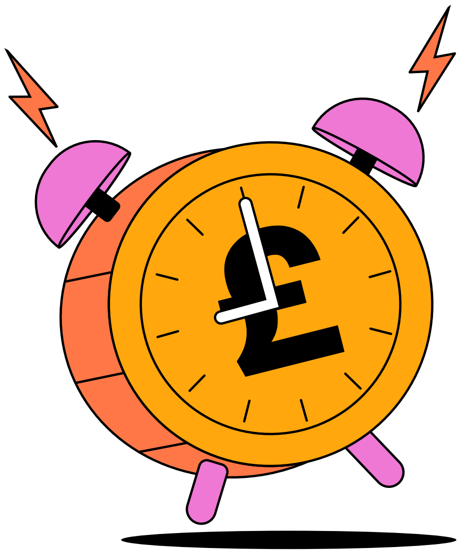
During debt advice, the main reasons for debt among StepChange clients is recorded. Young adults are more likely than other age groups to face unemployment and work-related instability, and this resonates in the main reasons for debt cited by clients aged 18-24. 'Unemployment or redundancy' ranks as the most common reason for debt among 18-24 year old clients, cited by one in five (20%), whereas among all clients it ranks as the third most common reason, cited by one in seven (14%).

In the first half of 2024, another employment related factor that is markedly higher among 18-24 year olds as a main reason for debt is an 'irregular income', mentioned by 6% of young clients which is double the proportion among all StepChange clients (3%).

Figure: main reasons for debt

	All clients	Clients aged 18-24
Unemployment or redundancy	14%	20%
Cost of living increase	22%	18%
Lack of control over finances	16%	17%
Reduced income or benefits	10%	9%
Injury or health issue	10%	6%
Need credit to cover living costs	7%	6%
Irregular Income	3%	6%
Unexpected one off expense	3%	3%
Separation or divorce	6%	2%
Coronavirus (COVID-19)	1%	1%

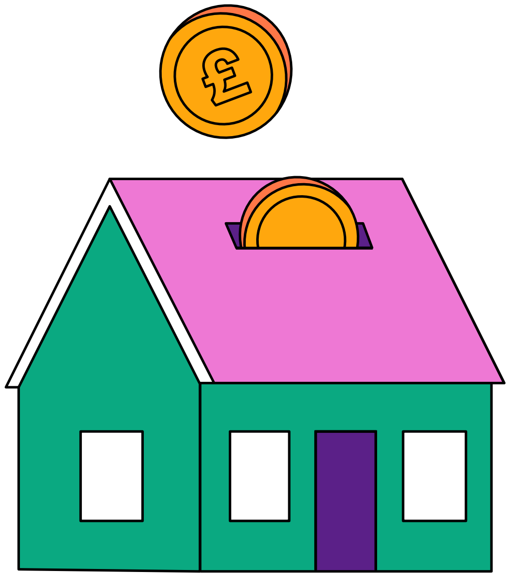
Many of the issues which affected older age groups when they were younger remain today and are still affecting those aged 18-24 now. More recent research by YouGov commissioned by StepChange in September 2024 found that among all age groups that have previously struggled with household bills and credit commitments, one in four (25%) first started experiencing this around age 18-24.



Reasons for debt

Thinking back to the first time you experienced difficulty keeping up with your household bills and credit commitments, in your own words, what caused this situation?

Among those that first experienced financial difficulty aged 18–24, themes covering low incomes (especially during early career), being unprepared for dealing with money, easy access to credit (and the accompanying high interest rates), life events, unexpected costs, and rising costs of living were raised as reasons for causing financial difficulty.



"Lack of money understanding, not taught in school in my day. Easy credit and a low public sector wage, travelling 120 miles a day to and from work and train fare and petrol." (Woman aged 35–49)

"Mother's death and having to pay for her funeral on credit. Then starting a job that paid too little." (Man aged 35–49)

"My wages just weren't enough to cover all basic bills and rent. Once travel costs and food were paid there was nothing left. Any period of illness meant no wages or anything unexpected like boiler breaking or needing dentist I would have to take a loan." (Woman aged 25–34)

"It was too easy to get credit at a young age without a stable income, with a very high interest rate." (Woman aged 25–34)

Reasons for debt

And thinking about why you have found it difficult to keep up with household bills and credit commitments recently, in your own words, what caused this situation?

In recent research commissioned by StepChange, the responses among 18-24 year olds covered similar themes such as low incomes and unemployment, being unprepared for dealing with money, as well as high living costs. Beyond these factors, other themes that emerged were the financial strain of being a student, which included things such as delays in student loans, insufficient loan amounts, and balancing part-time work with study commitments.

"I am a full time student, have lived off my savings while at uni, got a job which just pays the bills and for food but was a seasonal job and came to an end in June." (Woman aged 18-24)

"Rapid increase in prices without an increase in real terms of pay. Everything seems to be getting more expensive while wages are staying the same. Even though the economic outlook is improving I don't personally feel it." (Man aged 18-24)

"Inability to find a job that is flexible with my student schedule – in addition the student maintenance loans are too far apart from each other I would much rather have a monthly payment instead of 3 instalments." (Woman aged 18-24)

"Bills starting whilst already being in overdraft due to budgeting problems a few months ago as a result of poor mental health." (Woman aged 18-24)

"I had a month off sick and sick pay didn't cover anything. So I had to use credit which quickly led to over £500 in repayments." (Man aged 18-24)

Income, expenditure, and negative budgets

In the first half of 2024, StepChange clients aged 18–24 had an average (mean) monthly income of £1,280 after tax and deductions, which is £490 less than all clients (£1,770) – this represents an income that is 28% lower for young clients compared to all clients.

This was also the case for 18–24 year olds more widely across the UK. For example, research commissioned by StepChange in May 2024 showed that among those in work[18], one in four (24%) UK adults aged 18–24 had a monthly net income of less than £1,000, whereas among UK adults in work the corresponding figure was one in eight (12%).

Figure: monthly net personal income among those in work

	Among those in work	
	All UK adults	UK adults aged 18–24
n=	1,369	108
Less than £1,000	12%	24%
£1,000–£1,999	32%	46%
£2,000–£2,999	26%	9%
£3,000 or more	15%	2%
Don't know	1%	6%
Prefer not to answer	13%	14%

Low pay among young adults may in part be due to the National Minimum Wage (NMW)[19], where those aged 18–20 are, as of 2024, paid £8.60 an hour, whereas those aged 21 and over receive £11.44 an hour (the National Living Wage (NLW).

Some progress has been made on wages, in October 2024, it was announced that 18–20 year olds would be receiving the largest increase to the National Minimum Wage (NMW), from April 2025[20].

This will work towards aligning the NMW and National Living Wage to create a single adult wage rate in the future.

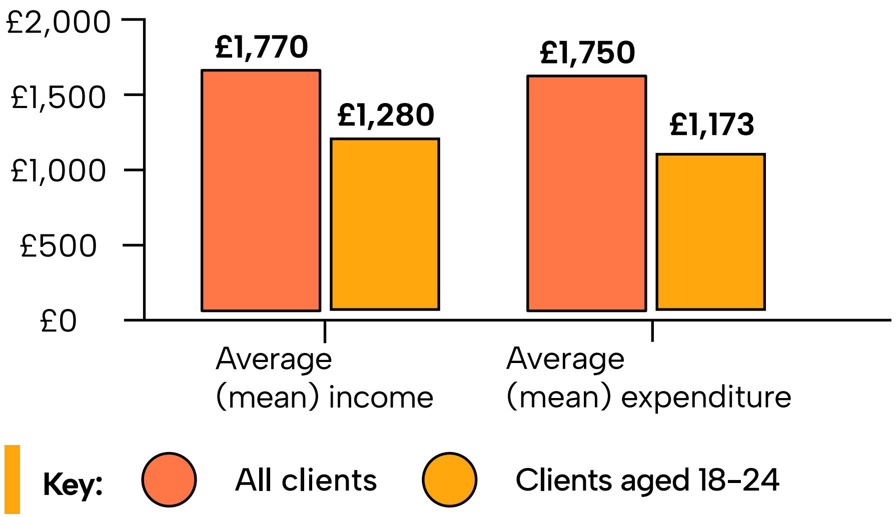
Clients aged 18–24 had the lowest average monthly net income in the first half of 2024, when compared to clients in other age groups. However, when we split the 18–24s age group further, StepChange clients aged 18–20 had an average (mean) monthly net income of £1,024 which is £307 lower than 21–24 year olds who had a monthly net income of £1,331.

Despite having a lower income, it is worth noting that StepChange clients aged 18–24 also have lower average expenditure levels. 'Expenditure' means the amount that StepChange client's budget for in their monthly outgoings, after receiving budgeting advice.

[18] In work includes those that are on a fixed term contract, work full time, part time, zero hours contracts, a temporary contract, a permanent job, self-employed, run a small business, have a wage income that changes from month to month, and those whose amount of hours worked changes from month to month
[19] At the time of reporting, the latest rates were based on April 2024 – https://www.gov.uk/national-minimum-wage-rates
[20] https://www.gov.uk/government/news/pay-boost-for-millions-of-workers-next-year#:~:text=Over%203%20million%20workers%20will,an%20hour%20from%20April%202025.

Young clients' essential costs, which includes things such as rent, energy, council tax (and other items) are covered on average by around 92% of their net income, whereas for all clients their expenditure to income ratio is much higher at 99%, meaning that their income has to stretch much further. Clients aged 18–24 who are renting tend to have a higher expenditure level with an expenditure to income ratio of 101%, which means that they have more money going out than they have coming in.

Figure: average (mean) income and expenditure



Generally, clients aged 18–24 are less likely to be in a negative budget when compared to all clients. A negative budget is where a client's monthly expenditure exceeds their monthly income levels. Three in ten (29%) young clients are in a negative budget compared to one in three (33%) clients overall. As before, clients aged 18–24 who are renting are more likely to have a negative budget when compared to clients aged 18–24 overall.

[21]This includes dual fuel, electricity, council tax, gas, and water. TV Licence and Mortgage data was not analysed for average arrears and payment amounts among 18–24s due to a low base size, which is denoted by 'LB' in the table.

Falling behind on household bills

Although young clients have lower expenditure levels, a higher proportion of 18–24 year olds are in arrears across various household bills (except mortgages), when compared to all StepChange clients. However, clients aged 18–24 hold smaller arrears amounts and have relatively lower payment amounts towards these bills. For example, young clients' average monthly expenditure on water is £39, which is relatively lower than the expenditure amount among all StepChange clients which is £43. Also, young clients hold relatively smaller average water arrears amounts of £587, whereas among all StepChange clients the figure is almost double at £1,172.

Previously we mentioned that the majority of clients aged 18–24 were renting, and data from the first half of 2024 showed that 22% of this age group were in arrears with their rent, which is two percentage points higher than the figure among all clients (20%). Also, among clients aged 18–24 with any household bill arrears, who have a responsibility for paying these bills, almost nine in ten (86%) clients in this group were renting privately, or from a council or housing association.

Young clients held the highest arrears amount on rent (£1,742) when compared to the other household bills[21]. Also, rent was the largest expenditure item for young clients with them spending around 38%, on average, of their net income on rent. Unsurprisingly, clients aged 18–24 who were renting in the private sector had the highest average rental payment amount of £620, whereas those renting from a council or housing association paid £463 on average, and those living with family had the lowest amount of £260. This highlights some of the difficulties young adults, especially those renting in the private sector, experience with keeping on top of household bills.

Falling behind on household bills

Figure: household bills arrears and payment amounts, among those with a responsibility for paying the given bill type

	Proportion in arrears		Average arrears amount		Average payment amount	
	All clients	Clients aged 18–24	All clients	Clients aged 18–24	All clients	Clients aged 18–24
Dual fuel	48%	67%	£2,199	£1,596	£166	£134
Council tax	35%	45%	£1,907	£1,168	£120	£102
Electricity	27%	34%	£1,803	£1,227	£110	£93
Water	23%	30%	£1,172	£587	£43	£39
Gas	21%	26%	£1,418	£1,025	£92	£77
Rent	20%	22%	£2,070	£1,742	£591	£483
Mortgage	18%	13%	£9,066	LB	£725	£466
TV licence	3%	4%	£112	LB	£17	£20

Universal Credit

Data for the first half of 2024 reveals that over two in five (42%) clients aged 18–24 are in receipt of Universal Credit, which is three percentage points higher than all clients (39%). More young adults had their incomes supplemented with benefit payments from Universal Credit, and among this group we see more clients who are women, renting from a council or housing association, single parents, unemployed and looking for work, as well as those not looking for work, and clients who are not working due to an illness or disability.

Figure: clients in receipt of Universal Credit (UC)

	All clients	Clients aged 18–24
Proportion of clients in receipt of UC	39%	42%

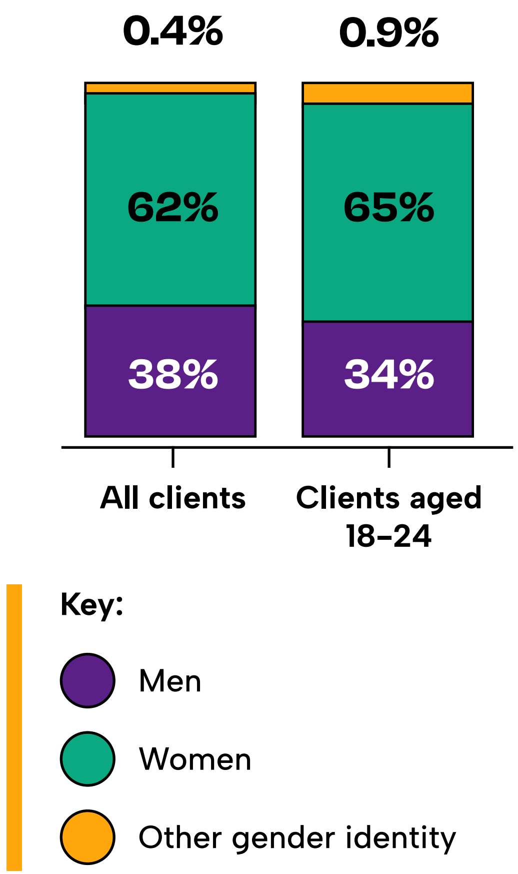
Gender Identity

The gender composition of all StepChange clients is heavily skewed towards women and among 18-24 year olds this is also the case, although there's a slightly higher proportion of women in this age group (65%), compared to all clients (62%). We see more women in the 18-24 client age group than any other age group. Young Women's Trust 2022[22] suggests that for many young women it's just not possible to work their way out of hardship due to many barriers, such as being paid less than men (and for the same work), fewer opportunities to progress, discrimination based on physical attributes, as well as caring responsibilities.

Our recent analysis shows that among 18-24 year olds, women (£1,268) have a lower monthly net income than men (£1,310). This gender income gap narrows between the ages of 25-49, before widening again among those aged 50 and over. Beyond a lower income, young women are also more likely to be single parents, in a negative budget, and in part-time employment when compared to men aged 18-24 – these issues generally affect women as a whole irrespective of their age.

Among clients aged 18-24, men accounted for 34% of clients, and clients aged 18-24 are more likely than all clients to identify with another gender identity. Almost 1% of 18-24's identify with another gender identity, compared to 0.4% of all clients.

Figure: gender identity



The overall demographic data highlights many of the challenges that 18-24 year olds face which may leave them financially vulnerable. A substantial proportion of young adults are living with family which may be due to financial constraints and unemployment. Young adults are also more likely to be affected by unemployment and low incomes. Our previous report In work. But still in debt[23]. highlighted insufficient incomes and unstable employment as risk factors for indebtedness, which young adults typically face. This unique blend of young adults' circumstances, alongside being faced with potentially challenging housing costs, as highlighted by the significant proportion of young adults in arrears across various household bills, illustrates their financial vulnerability.

[22] https://www.youngwomenstrust.org/our-research/annual-survey-report-2022/
[23] See footnote 15

The findings

2.

How do young adults understand debt problems and financial advice?

YouGov data from July 2024, highlights a level of social acceptance of debt among young adults. Their research found that over a third (36%) of 18-24 year olds agree that 'when you're young it's fine to be in debt', whereas this proportion is much lower among all British adults (26%). Despite this, nine in ten (88%) 18-24s tend to agree that they find the 'idea of being in debt stressful', compared to 83% of British adults.

In 2024, young adults in the UK aged 18-24 are facing significant financial challenges and the stress and long-term consequences of financial instability are evident. Previous research by Abrdn Financial Fairness Trust and Coventry University[24] suggests that if young people become over-indebted, they risk getting caught in a debt spiral, impacting their ability to build a secure financial future.

Understanding young adults' perceptions around money advice organisations, and the barriers to seeking advice, alongside their preference for informal support from family is crucial for addressing the growing debt crisis among the next generation.

[24] https://www.coventry.ac.uk/globalassets/media/global/08-new-research-section/cbis/projects/project-reports/your-money-your-life---report.pdf

Perceptions of money advice organisations

In research among the general population commissioned by StepChange, respondents were asked what sources they did or would use for advice if in financial difficulty or needing financial guidance. Only a quarter (24%) of 18–24 year olds in the wider population considered using a money advice organisation, like StepChange, if in financial difficulty or needing financial guidance. The 18–24 year olds age group were the least likely to consider this source compared to the other age groups.

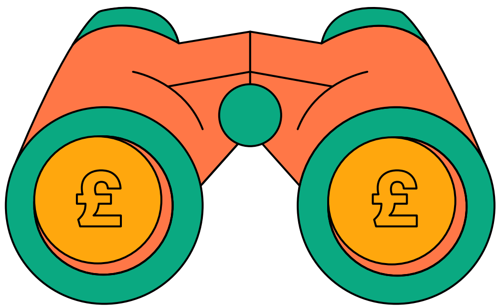


Figure: Which, if any, of the following sources did/would you seek advice from if you were finding it difficult to keep up with your household bills and credit commitments or needing financial guidance?

	UK adults					
	All	18–24	25–34	35–49	50–64	65+
n=	2,211	148	309	577	567	610
Money Advice Organisations (e.g. Citizens Advice Bureau, StepChange Debt Charity, National Debt Line etc.)	32%	24%	31%	35%	32%	34%

Despite this group being the least likely to seek debt advice, young adults are receptive to receiving advice. Over four in five (81%) 18–24 year olds mentioned that they would be receptive to information on money and finances if they were being provided it by a registered charity, according to research conducted for StepChange through Channel 4's 4Youth Community[25]. This raises questions around why more young adults don't actually seek out advice.

Interestingly, research commissioned by StepChange in September 2024 explored why 18–24 year olds did not or would not seek advice from money advice organisations when in financial difficulty or needing financial guidance. The main barrier was lacking knowledge about where to find advice, which was mentioned by nearly three in ten (27%) young adults – this proportion is almost double (14%) the figure among all UK adults who said that they did not or would not seek advice from money advice organisations.

[25]See footnote 8

Perceptions of money advice organisations

Figure: Which of the following reasons, if any, explain why you did not/ would not seek advice from Money Advice Organisations?

	All UK adults	UK adults aged 18–24
n=	1,437	110
Lack of knowledge about where to find advice	14%	27%
Lack of knowledge around what money advice organisations do	12%	21%
Belief that I can manage my finances on my own	44%	21%
Lack of time	8%	13%
Fear of judgment or stigma	11%	12%
Lack of trust in advisors	13%	12%
High cost of advice	7%	12%
Lack of relevant advice for my specific situation	7%	11%

Another barrier was lacking knowledge around what money advice organisations do, which was mentioned by one in five (21%) 18–24 year olds. Once again, this proportion was much lower among UK adults who said that they did not or would not seek advice from money advice organisations, at one in eight (12%).

These findings suggest that young adults lack awareness of where to get help, making it clear that a significant knowledge gap of availability of advice exists. These insights illustrate the disconnect between the availability of support and young adults' understanding of it and their ability to find this support when they may need it. Our report, Mixed messages[26], highlighted that not knowing where to go for advice and what debt advice does was an issue across all age ranges. However, our most recent research shows that young adults are more likely to report these than their older counterparts.

[26] https://www.stepchange.org/policy-and-research/mixed-messages.aspx

Family as a source of advice

YouGov polling from September 2024 found that family was the number one cited source of advice among 18-24s if they were finding it difficult to keep up with their household bills and credit commitments or needing financial guidance. Over half (51%) of young adults in the UK would turn to family if they were in financial difficulty or needed financial guidance. This proportion was much lower among UK adults, across all age groups, at one in three (32%).

Figure: Which, if any, of the following sources did/would you seek advice from if you were finding it difficult to keep up with your household bills and credit commitments or needing financial guidance?

	UK adults					
	All	18-24	25-34	35-49	50-64	65+
n=	2,211	148	309	577	567	610
Family	32%	51%	46%	35%	26%	18%

As part of research commissioned by StepChange, young adults in the general population were asked for further details on why they would turn to their family if they were in financial difficulty or needed financial guidance. The reasons behind why 18-24 year olds would go to family for advice covered the following themes: trustworthiness, previous experience and knowledge, and family being supportive and understanding. Related to trust, young adults felt that they could be confident in the advice family gives them as they have been previously reliable.

For young adults, family also felt like a safe space, due to having strong bonds and the perception that they will reserve any judgement. Research by Abrdn Financial Fairness Trust and Coventry University[27] suggests that young adults opening up about money concerns to family and friends can provide them with opportunities to share their concerns, as well as aid them in finding relevant support for their situation.

[27] See footnote 24

Family as a source of advice

What are the main reasons behind why you would seek advice from family? Please explain in your own words.

"I trust my family with personal matters and feel comfortable discussing financial challenges with them, knowing they won't judge or share my situation with others." (Man aged 18–24)

"Trust them, they are knowledgeable, wouldn't do me wrong or misinform me." (Woman aged 18–24)

"They have experienced trouble with keeping up with bills when I was younger but are now stable, so they know how to do it." (Man aged 18–24)

"My family have also lived through financial struggle, and I trust them not to judge me." (Woman aged 18–24)

"People in our family know where to start with seeking help or navigating a situation when it comes to these types of situations." (Man aged 18–24)

For many young adults, credit and debt is often viewed as a normal and acceptable aspect of financial management in their everyday life[28]. Despite this acceptance, they experience stress related to debt and face challenges in managing their finances effectively. Additionally, young adults are less likely to seek financial advice due to lacking knowledge on where to find advice and lacking knowledge around what money advice organisations do. Family is the number one source of advice among young adults on financial matters, as they are seen as trustworthy.

[28]See footnote 24

The findings

3.

How does social media influence financial behaviours among young adults?

Research commissioned by StepChange in September 2024 found that 97% of 18–24 year olds in the wider population were active social media users, compared to 88% of all UK adults. Social media has become a pervasive influence in the lives of 18–24 year olds, shaping not just how they communicate and entertain themselves, but also how they come to manage their finances. With an overwhelming number of young adults actively engaging with social media platforms, financial content on these platforms has become more accessible. However, while social media can be beneficial in encouraging positive financial habits, it also introduces some potential challenges and risks.

Social media as a source of advice

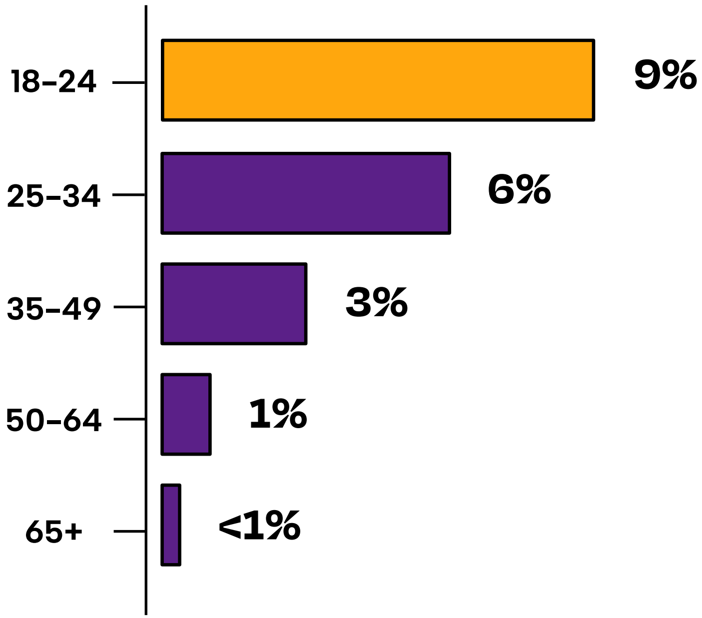
Recent research by StepChange through Channel 4's 4Youth Community[29] found that a third (33%) of 18-24 year olds could recall seeing financial advice on social media. Interestingly YouGov polling from September 2024 found that only around one in ten (9%) 18-24 year olds did or would use social media for advice if they were finding it difficult to keep up with household bills and credit commitments or needing financial guidance. This proportion is three times higher than the corresponding figure among all UK adults (3%).

Research commissioned by StepChange in September 2024 found that 18-24 year olds mentioned a whole host of reasons when it came to why they did or would use social media if finding it difficult to keep up with household bills and credit commitments or needing financial guidance. This includes themes such as social media having a personal and relatable touch, a variety of perspectives, practical tips, as well as easy and 'anonymous' access to information.

Figure: Which, if any, of the following sources did/would you seek advice from if you were finding it difficult to keep up with your household bills and credit commitments or needing financial guidance?

	UK adults					
	All	18-24	25-34	35-49	50-64	65+
n=	2,211	148	309	577	567	610
Social media content (e.g. TikTok, Instagram, X etc.)	3%	9%	6%	3%	1%	<1%

% of UK adults using social media as a source of advice



[29]See footnote 8

Social media as a source of advice

What are the main reasons behind why you would seek advice from social media? Please explain in your own words.

"Personal stories and opinions like from family but not people you know but people who have gone through the same thing." (Woman aged 18–24)

"The accounts to save money in, and the best credit cards to build my credit." (Man aged 18–24)

"It is a quick way to gather a lot of information from many different perspectives." (Woman aged 18–24)

"I can anonymously seek information from people in a similar situation to me." (Woman aged 18–24)

"Social media is full of money saving tips, which would help me save money which could be put towards bills. For example, I learned how to read Tesco shelf labels so that I know when clubcard offers expire." (Woman aged 18–24)

Actions after seeing content on social media

Research also highlights that viewing financial content on social media does impact young adults' actions. After seeing financial content on social media, only one in five (22%) 18–24 year olds did not act on what they had seen.

However, the same research commissioned by StepChange in September 2024 also found that as a result of seeing financial content on social media, almost three in ten (28%) 18–24 year olds mentioned that they had started saving or increased their savings. This proportion is much higher among 18–24 year olds than any other age group and double the figure among all UK adults (14%) who use social media.

Social media users aged 18–24 were more likely to also report that they had started budgeting or changed the way they budget which was mentioned by a fifth (21%) of 18–24s compared to a seventh (15%) of UK adults across all age groups. Interestingly the research also highlighted how one in ten (9%) social media users aged 18–24 also reported that they themselves had shared financial tips or advice with others after seeing financial content on social media – this proportion is slightly lower at 6% among all UK social media users.

Despite social media helping young adults, and in some cases allowing them to help others, with aspects of their finances, YouGov polling from September 2024 showed that over one in eight (13% vs. 6% all UK social media users) social media users aged 18–24 also mentioned less helpful behaviours such as making impulsive purchases after seeing financial content online.

Actions after seeing content on social media

Figure: Which of the following actions, if any, have you done as a result of financial content you have seen on social media? Among active social media users

	All UK adults	UK adults aged 18-24
n=	1,955	145
All those who have taken action as a result of what they have seen on social media	37%	50%
I haven't done anything as a result of the financial content I have seen on social media	35%	22%
I have not seen financial content on social media	23%	14%
I have started saving or increased my savings	14%	28%
I have started budgeting or changed the way I budget	15%	21%
I have used financial apps or tools recommended	8%	16%
I have made impulsive purchases	6%	13%
I have shared financial advice or tips with others	6%	9%
I have followed or subscribed to financial influencers or experts for advice	5%	8%
I have borrowed money from friends or family	6%	7%
I have invested in stocks, cryptocurrency, or other financial products	4%	7%

Research by Abrdn Financial Fairness Trust and Coventry University[30] found that young adults did not always know where to go for support online to help them understand things such as credit products, which meant that some found it difficult to make good financial decisions. This highlights the need for making it easier for young adults to know where they can access trusted and tailored resources so they can better assess whether something is appropriate and affordable for them. Also, it has been suggested that easily digestible digital content can be a valuable tool to engage with young adults if it is signposted and delivered by a source considered to be trustworthy and impartial[31].

In terms of the types of content that social media users aged 18-24 would be most likely to seek financial guidance or advice from, financial tips or advice articles were mentioned by one in four (26%). This is followed by reviews or testimonials (9%), and stories or posts sharing financial experiences (9%) – the latter two were mentioned by one in ten social media users aged 18-24.

[30]See footnote 24
[31]https://www.fincap.org.uk/en/articles/improving-the-financial-capability-of-young-adults

Actions after seeing content on social media

Figure: Which of the following types of content on social media, if any, are you most likely to seek financial guidance or advice from? Among active social media users

	All UK adults	UK adults aged 18–24
n=	1,955	145
Financial tips or advice articles	15%	26%
Reviews or testimonials	4%	9%
Stories or posts sharing financial experiences	4%	9%
Recommendations and endorsements from influencers	1%	4%
Advertisements of financial products	1%	0%

Social media is a powerful tool for financial guidance among young adults, due to factors such as having a personal and relatable touch, a variety of perspectives, practical tips, as well as easy and 'anonymous' access to information. Young adults are also more likely than older age groups to actively seek and act on financial information seen on social media platforms. Notably, they are more likely to start saving and alter their budgeting practices based on social media content compared to other age groups. However, there are also notable drawbacks, such as difficulties in identifying reliable information online. So, while social media can offer valuable and relatable financial tips, there is a pressing need to enhance access to trusted and tailored resources to better support financial decision-making among young adults.

Conclusion

For many in the UK, the age of 18–24 is often a crucial transition period, where most young adults typically finish full-time education and start or finish further/higher education, training, or enter the labour market – this can also happen at other ages but is more typical for this age group. Research[32] found that around two thirds of young adults (16–25) do not have plans in place to help them through this transition period.

The financial difficulties facing 18–24 year olds paints a worrying picture for both StepChange clients and young adults in the wider population. Despite being at the beginning of their adult lives, around a quarter (23%) of young adults in the UK are experiencing some form of financial difficulty. Young adults are grappling with significant challenges such as unemployment and low incomes, which disproportionately affects them, leaving them vulnerable to debt problems.

Employment related issues are a key driver of debt among 18–24 year olds. One in five (21%) young StepChange clients seeking debt advice cited 'unemployment or redundancy' as their main reason for debt, a much higher proportion than all clients. Additionally, low and irregular incomes are more prevalent among young clients, with them having a monthly net income that is £490 less than all debt advice clients.

Even among young adults in work, in the wider UK population, one in four (24%) had a monthly net income of less than £1,000, which is double the figure among UK adults in work (12%). In October 2024, it was announced that 18–20 year olds would be receiving the largest increase on record to the National Minimum Wage (NMW), from April 2025[33]. It is encouraging to see that some progress is being made to uprate wages for 18–20 year olds, which will work towards aligning the NMW and National Living Wage to create a single adult wage rate in the future.

With more young adults who are unemployed and on a low income, it is unsurprising that a higher proportion of 18–24 year olds live with family – around two in five (37%) – when compared to all StepChange clients (13%). Family plays an essential role, as they can lend young adults to being offered parental support, with many young adults living at home or returning to the family home. Furthermore, family is the most sought out source of financial guidance for young adults, with aspects such as familial trust being mentioned.

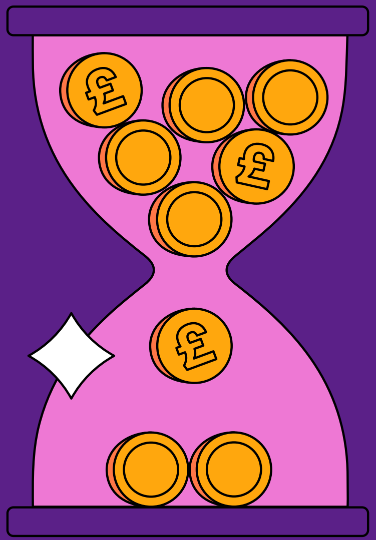
Debt can be overwhelming at any age, but for young adults particularly the idea of being in debt is enough of a stressor at a crucial transition period in their lives. When in debt, it's hard to know where to get help and among young adults there is a significant gap in them seeking advice. The vast majority of young adults would be receptive to information about money and finances if it were being provided by a registered charity, hence digital content can be a valuable tool to engage with young adults. However, among those who said they did/would not seek advice from money advice organisations, nearly three in ten (27%) young adults lack knowledge on where to find advice and one in five (21%) lack knowledge on what money advice organisations do.

Social media has become a significant part of young adults' lives, influencing many aspects, including how they manage their finances. For one in ten (9%) young adults social media serves as a source of financial guidance. Whilst social media can be a powerful tool in aiding young adults with their finances, such as helping them save more, some young adults did not always know where to go for support online, highlighting a need for information which is trustworthy and accurate.

[32]See footnote 31
[33]See footnote 20

Conclusion

The challenges young adults face are vast, so better support is needed at this early stage to protect young adults from falling into a rabbit hole of debt problems, which can quickly spiral without appropriate support. Many of the issues which affected older age groups when they were younger still remain today and are still affecting those aged 18-24 now. Public policy reform is needed to better support young adults establishing themselves in the adult world. Better support is needed especially for young adults that find themselves in financial difficulty, so they can keep out of debt and not be trapped in a vicious cycle of financial worries in the future.



Questions raised for discussion:

1. **Exploring research gaps:** The report highlights StepChange client data that reveals some critical, yet unresolved, issues related to young adults' debt, which will need further exploration. For example, what specific challenges do young renters face, especially those living independently? Why do we see less students in our client population? To this end, what further research is needed to deepen our understanding of these areas and other unexplored areas which contribute towards young adults' debt problems?

2. **Barriers to debt advice and the role of social media:** While social media can be a powerful tool for engaging with young adults, it also presents challenges, especially in ensuring information is trustworthy. How can money advice organisations and others improve awareness, understanding, and engagement with free advice among young adults through social media and other routes?

3. **Public policy implications for financial resilience:** Our research suggests that experiencing problem debt as a young adult can have a lasting impact on financial security. Should public policy place a greater emphasis on building and supporting financial resilience for young adults, particularly those entering the workforce, to help mitigate any long-term effects?

Editor: Asiya Uddin

We want to create a society free from problem debt.

For more expert debt research and insights,
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