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Consumer Manifesto

Personal finance priorities for the next Government

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Foreword

A key part of pre-election rhetoric has focused on whether or not there is a “cost of living crisis”. Those arguing that there is, point to the high price of energy, low pay and the uncertainty for many created by zero hour contracts. Those arguing against, might cite that unemployment is continuing to fall, wages are now rising faster than inflation, the drop in the oil price is benefiting motorists and, compared with 2010, household bills are lower today.

In terms of the imminent election and the way people will choose to vote, mathematical realities are far less important than perception. It is how people feel which will influence most where they put their cross on the ballot paper. Do individuals instinctively feel better or worse off now than they did at the beginning of the Coalition Government? To what extent do they credit or blame the Government for this perception? Do voters think there are political options at the next election which can improve their lot? Crucially, what do consumers want to see implemented by the next Government and who is most likely to provide it?

Our study (or manifesto), based on the views of more than 6,000 UK adults, sets out to address these questions. It will make worrying reading for the current Government that 40 per cent of people feel financially worse off now than they did in 2010, at the start of the Coalition. Equally, other parties will not be heartened by the fact that the voting population appears to harbour serious doubts about the Government’s ability, irrespective of who is elected, to introduce policies which will improve their personal finances.

More encouraging, though, is that we have a clear picture of consumers’ priorities for the next Government, whatever its composition. Raising the personal tax allowance threshold, freezing energy prices and greater state aid to assist with elderly care are evidently key issues that people would like to see tackled by the party – or parties – in power come May.

With the outcome of this General Election the most uncertain in living memory, it may be that meaningful pledges around precisely these topics – and a clear willingness to listen to what consumers feel makes the biggest impact on their financial circumstances – will have a major impact on the choices of voters.

Simon McCulloch
Director
comparethemarket.com

Key Findings

→ According to more than 6,000 UK adults, the top three personal finance priorities for the next Government are:
1. Increase personal tax allowance (23 per cent)
2. Freeze energy prices (20 per cent)
3. More state aid in meeting elderly care costs (13 per cent)

→ **40 per cent** of UK adults feel "worse off" now than compared to 2010. Only 30 per cent feel "better off" today.

→ Following welfare cuts, **almost half** (44 per cent) feel "less secure" now than in 2010, with only six per cent feeling "more secure".

→ **85 per cent** of people who feel worse off than in 2010 blame the Government.

→ **Less than half** (49 per cent) who feel better off than in 2010 credit the Government.

→ **More than half** (51 per cent) of consumers said that the next government will not be able to introduce measures that will improve their personal financial situation.

→ **Falling petrol prices** were cited as having the biggest impact on people's personal finances in the last five years, with almost a third (31 per cent) highlighting this.

→ In the event that there is an "In-Out" referendum on Britain's membership of the EU, the indications are that **the vote will be close and poorly represented**. 38 per cent of UK adults believe that they would be "better off" out of the EU, whilst 35 per cent believe that they would be "worse off". Only 6 in 10 (62 per cent) would "definitely vote" in a referendum.

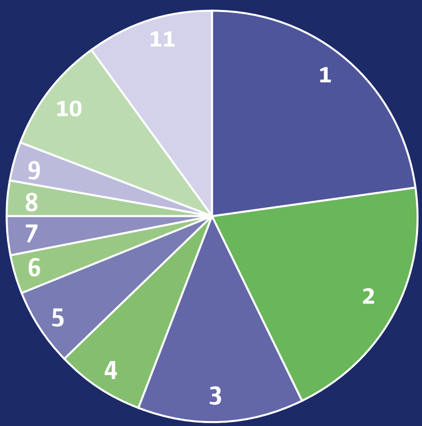
Personal finance priorities for the next Government

We asked UK adults what their number one personal finance priority for the next Government would be. The results showed clear winners; almost a quarter of people (23 per cent) opted for an increase in personal tax allowance, whilst one in five (20 per cent) specified energy price freezes. In an indication that issues associated with an ageing population are beginning to become real concerns for consumers, 13 per cent said that greater state aid to meet elderly care costs was their top personal finance priority.

TOP FIVE PERSONAL FINANCE PRIORITIES FOR THE NEXT GOVERNMENT

No.	Priority	Percentage of respondents
1	Increase in personal tax allowance	23%
2	Energy price freezes	20%
3	More state aid for the elderly	13%
4	Tax simplification	7%
5	Not raising higher rate of income tax	6%

WHAT WOULD BE YOUR NUMBER ONE PERSONAL FINANCE PRIORITY FOR THE NEXT GOVERNMENT?



1 Increase Increase in personal tax allowance
2 Energy price freezes
3 More state aid in meeting elderly care costs
4 Tax simplification
5 Not raising higher rate of income tax
6 Raising the inheritance tax threshold
7 Increase in childcare allowance
8 Better advice around pensions
9 Encourage more competition in banking
10 Something else
11 Don’t know

Simon McCulloch, Director, comparethemarket.com, said:

“The top two personal finance ‘manifesto asks’ of the next Government appear to sit neatly in different Tory/Labour camps. Whilst the raising of the personal tax allowance would naturally be associated with Conservative politics, the energy price freeze has been a major campaigning point for Ed Miliband. The fact that these two policies are clear frontrunners in the ranking suggests they are vote-winners and we can reasonably expect more noise to be made around these issues in the coming weeks.

Whilst all parties have policies designed to protect pensioners, it is unclear whether increased state aid for elderly care will be introduced by the next Government. Age UK claims that spending on care homes reduced by a fifth[1] between 2010 and 2014 and that we are at a crisis point. The Office for National Statistics estimated in 2014 that the number of people aged 65 or over has grown by 17% in the last decade[2] and the trend is accelerating. With this in mind, funding for elderly care is likely to become an even bigger – and more politically heated – issue as time goes by.”

1 http://www.ft.com/cms/s/0/aa64ce32-be8c-11e4-a341-00144feab7de.html#axzz3Tzsb9mm6
2 http://ons.gov.uk/ons/rel/pop-estimate/population-estimates-for-uk--england-and-wales--scotland-and-northern-ireland/2013/index.html

How consumers feel now compared to 2010

Wealth

Asked whether they felt better or worse off now compared to five years ago (the year of the last General Election), the picture painted by UK adults was broadly pessimistic. 40 per cent say they feel worse off, with 29 per cent saying they feel "about the same" and less than a third (30 per cent) stating they feel better off.

TO WHAT EXTENT DO YOU FEEL BETTER OR WORSE OFF THAN YOU DID FIVE YEARS AGO?

Better or worse off than five years ago?	Percentage
NET: Worse off	40%
Significantly worse off	16%
Slightly worse off	24%
NET: Better off	30%
Significantly better off	6%
Slightly better off	24%
The same	29%

Protection

Responding to the extent to which they feel more or less secure than five years ago, given the ever increasing pressure to cut welfare state costs, almost half of UK adults (44 per cent) said they felt less secure, with one in five stating they felt "significantly less secure". Only six per cent of respondents said they felt more secure with half telling us that they felt "about the same".

Furthermore, almost half (49 per cent) think that they will need to spend money on private insurance in order to protect themselves if they need to leave the workforce due to illness or injury, given the prospect of further benefit cuts.

WITH THE WELFARE STATE UNDER EVER-INCREASING PRESSURE TO CUT COSTS, TO WHAT EXTENT DO YOU FEEL MORE OR LESS SECURE/PROTECTED THAN FIVE YEARS AGO?

Better or worse off than five years ago?	Percentage
About the same	50%
NET: Less Secure	44%
Significantly less secure	20%
Slightly less secure	23%
NET: More secure	6%
Significantly more secure	2%
Slightly more secure	5%

→ Continues on the next page

How consumers feel now compared to 2010
(continued)

IF THE NEXT GOVERNMENT MAKES FURTHER CUTS TO WHAT IS AVAILABLE TO BRITISH CITIZENS FROM THE STATE, HOW LIKELY OR UNLIKELY DO YOU THINK IT IS THAT YOU WILL NEED TO SPEND MONEY ON PRIVATE INSURANCE TO PROTECT YOURSELF IN SUCH INSTANCES?	
Likely to spend more money on private insurance over the course of the next government?	**Percentage**
NET: Unlikely	51%
Very unlikely	18%
Fairly unlikely	33%
NET: Likely	49%
Very likely	10%
Fairly likely	39%

Simon McCulloch comments:

As the election looms, the overall sense of the adult population is that they are poorer now than at the start of the last Government and more vulnerable. Of course, this is not necessarily the fault of the Government, which has presided over a major recession and received plaudits from international bodies such as the IMF and OECD for steering the economy back into better health. It is fair to assume, though, that as people go to the polls, their financial wellbeing and security will be a key consideration for them and the prevailing view is not a rosy one.

Household bills have actually fallen since the last election, the price of oil has fallen – meaning petrol is cheaper at the pump and energy costs have been reduced – and wages are now rising faster than inflation, but it appears that shockwaves from the recession and the continued debate around “the cost of living crisis” have created an aura of gloom around people’s financial prospects.

Sense of hardship – who is being blamed?

Those respondents who said they felt better off now than five years ago were asked to what extent they attributed this to the current Government, whilst those who said they felt worse off were also asked the same question. Again, the results might be concerning for the Coalition parties. There is a widespread perception that people's financial hardship can be blamed on the Government, whilst people are less likely to acknowledge politicians as having made a positive difference to their finances.

Opinion was broadly split on the positive role of the Coalition on personal finances, with 49 per cent of consumers saying it could take at least some responsibility for their sense of improved financial circumstances (although only 11 per cent stated the Government was responsible "to a large extent") and 51 per cent saying the Government played no part in this. However, those that feel worse off now than five years ago overwhelmingly point the finger at government parliament ; 85 per cent believe that their perception of being poorer is attributable to the Government, with almost half (47 per cent) holding the Government responsible "to a large extent".

TO WHAT EXTENT DO YOU ATTRIBUTE YOUR FEELING BETTER OFF FINANCIALLY TO POLICIES IMPLEMENTED BY THE GOVERNMENT?

Better off thanks to the Government?	Percentage
Not at all	51%
A small extent	38%
A large extent	11%

TO WHAT EXTENT DO YOU ATTRIBUTE YOUR FEELING WORSE OFF FINANCIALLY TO POLICIES IMPLEMENTED BY THE GOVERNMENT?

Worse off thanks to the Government?	Percentage
A large extent	47%
A small extent	38%
Not at all	15%

Simon McCulloch adds:

It is perhaps a natural human response to point the finger at the Government when times are tough. Similarly, in better times people understandably prefer to attribute an increase in their wealth to their own endeavours.

Parties of all colour will face an uphill struggle to persuade voters that they can make a material positive impact on household finances through implementing policies. Whilst this is a particular headache for the parties looking to be re-elected, consumer cynicism around the role of government is a real challenge for whatever party finds itself in power come May 2015.

Does the next Government have the ability to enhance our financial wellbeing?

Responding to whether government policies or external macroeconomic factors are more influential on financial wellbeing, a third (33 per cent) said that their financial health was more dependent on government policies compared to over a fifth (21 per cent) who said macroeconomic factors play a bigger role.

Despite the apparent greater importance of domestic politics, more than half (51 per cent) said that the next Government – whoever that may be – will not have the ability to introduce measures that will enhance their personal financial situation. This could be attributed to the widespread acceptance that, given the prolonged recession, the Government's ability to introduce major economic policies designed to improve people's personal finances is limited.

TO WHAT EXTENT WOULD YOU SAY THAT THE UK'S FINANCIAL WELLBEING WAS DEPENDENT MORE ON UK GOVERNMENT POLICIES, OR GLOBAL MACROECONOMIC FACTORS?

Financial wellbeing dependent more on government policies or macroeconomic factors?	Percentage
NET: More dependent on UK government policies	33%
Much more dependent on UK government policies	13%
A little more dependent on UK government policies	20%
About the same	30%
NET: More dependent on macroeconomic factors	21%
Much more dependent on macroeconomic factors	6%
A little more dependent on macroeconomic factors	15%
Don't know	16%

DO YOU BELIEVE THAT THE GOVERNMENT WILL HAVE THE ABILITY TO INTRODUCE MEASURES WHICH WILL MATERIALLY ENHANCE YOUR PERSONAL FINANCIAL WELLBEING?

Will the next government be able to enhance your financial wellbeing?	Percentage
Yes	49%
No	51%

Simon McCulloch observes:

Whilst it may seem difficult for politicians on the face of it, to persuade voters that they have the ability to boost people's coffers, as our Manifesto clearly shows, there are measures that, if introduced, would be favourably received. Raising the personal tax allowance threshold and freezing energy bills would both make a meaningful difference and at the moment appear to be firmly on the table.

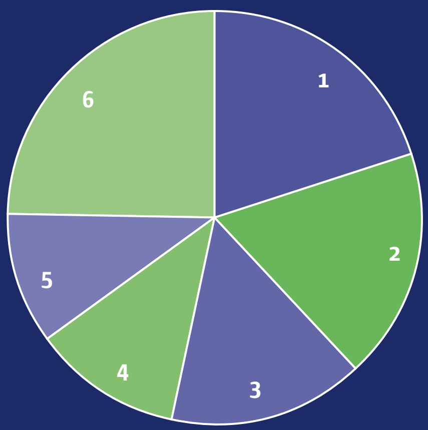
The biggest factors which have impacted personal finances since 2010

Questioned on which economic or political factors have made a material difference to their personal finances since the last general election, nearly a third (31 per cent) of consumers said that falling petrol prices had the biggest impact. This was followed closely by falling inflation (28 per cent) and, interestingly, a quarter of respondents (24 per cent) specified an increase in personal tax allowance – the policy which was voted the number one personal finance priority for the next Government in our Consumer Manifesto.

TOP 5 BIGGEST ECONOMIC OR POLITICAL FACTORS THAT HAVE MADE A MATERIAL DIFFERENCE TO PEOPLE'S PERSONAL FINANCES IN THE LAST FIVE YEARS

No.	Factor	Percentage of respondents
1	Lower fuel/petrol prices	31%
2	Falling inflation	28%
3	Increase in personal tax allowance	24%
4	Energy tariffs freezes/cuts	18%
5	Low mortgage repayments	16%

BIGGEST FACTORS THAT HAVE IMPACTED PEOPLE'S PERSONAL FINANCES SINCE 2010



1 Lower fuel/petrol prices
2 Falling inflation
3 Increase in personal tax allowance
4 Energy tariffs freezes/cuts
5 Low mortgage repayments
6 None of these

Commenting on these factors, Simon McCulloch, said:

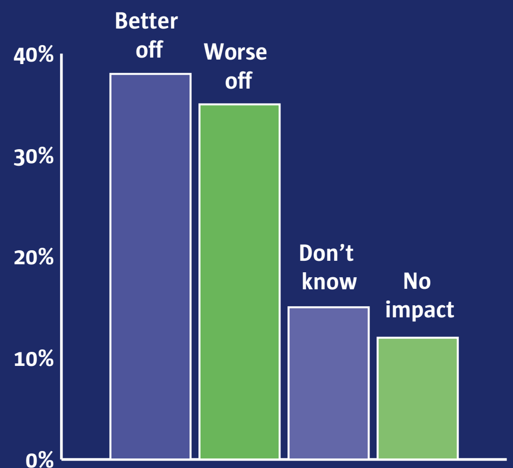
Whilst the factors that people say had the most influence on their purses over the last five years owe more to macroeconomic conditions than domestic politics, the top two personal finance priorities in our Consumer Manifesto are singled out as important contributors to people's wealth since the last election. The increase in personal tax allowance and energy tariff cuts collectively were cited by 42 per cent of people, as having had a major influence on their personal finances.

The top five factors relate to driving, shopping, disposable income, heating and house buying. This gives an insight into the concerns uppermost in the minds of UK consumers.

Looking forward – the impact of a possible EU referendum

The Conservatives have pledged to hold an "In-Out" referendum on the UK's membership of the European Union (EU) if they remain the majority party in power. The party may be heartened by the opinions expressed in response to whether consumers think the country would be financially better or worse off if we were to leave the EU. If the results had showed a strong opposition to a "Brexit" in that people would think it would harm the nation's finances, it could have been a major concern ahead of the general election. Instead, opinion was divided but overall there was a marginally larger proportion of people who think the country will be "better off" than "worse off" if Britain left the EU (38 per cent versus 35 per cent).

TO WHAT EXTENT DO YOU THINK BRITAIN WOULD BE FINANCIALLY BETTER OR WORSE OFF IF WE WERE TO LEAVE THE EU?



TO WHAT EXTENT DO YOU THINK BRITAIN WOULD BE FINANCIALLY BETTER OR WORSE OFF IF WE WERE TO LEAVE THE EU?

Would Britain be better or worse off if we left the EU?	Percentage
NET: Better off	38%
Significantly better off	18%
Slightly better off	20%
NET: Worse off	35%
Significantly worse off	18%
Slightly worse off	17%
Don't know	15%
No impact	12%

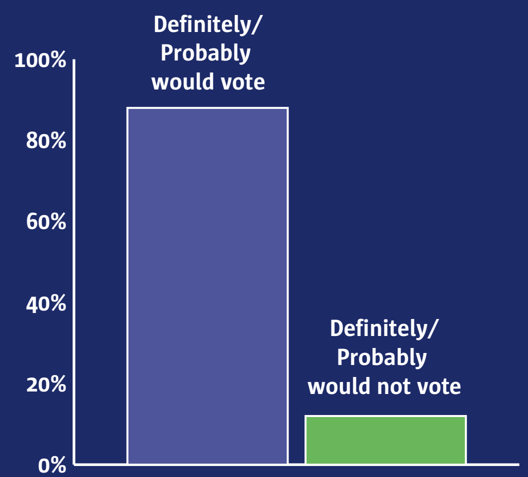
The downside of opinion being split – perhaps an indication that people have no firm handle on how they might be impacted by a Brexit – is that the voting turn out at a possible referendum may be affected. Asked how likely they would be to vote on Britain's membership of the EU, only six in ten (62 per cent) said that they would "definitely vote"; twelve per cent said that they would "probably" or "definitely" not vote.

→ Continues on the next page

Looking forward – the impact of a possible EU referendum (continued)

Compared to the Scottish referendum in September 2014 – where the ramifications of a Scottish break away from the UK were perhaps better understood and the turnout was a record 85 per cent – the indications are that voting levels for an historic referendum on Europe would be significantly lower. This is supported by the fact that only just over a third (34 per cent) of UK voters turned out to vote in 2014's European parliamentary elections.

IF THERE WAS A REFERENDUM ON BRITAIN'S MEMBERSHIP OF THE EUROPEAN UNION, HOW LIKELY OR UNLIKELY WOULD YOU BE TO VOTE?



IF THERE WAS A REFERENDUM ON BRITAIN'S MEMBERSHIP OF THE EUROPEAN UNION, HOW LIKELY OR UNLIKELY WOULD YOU BE TO VOTE?

How likely is it that you'd vote on referendum on Britain's EU membership?	Percentage
NET: Definitely/Probably would vote	88%
I would definitely vote	62%
I would probably vote	26%
NET: Definitely/Probably would not vote	12%
I would definitely not vote	4%
I would probably not vote	8%

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Simon McCulloch adds:

Whilst Britain's involvement with the EU may be a divisive political issue in the Westminster village, the potentially low turnout indicates that consumers are not quite as engaged in the debate. Although there were marginally more respondents feeling they would be worse off than better off, this is perhaps because the pros and cons of EU membership to the vast majority of us are hazy at best. Those who think that the UK will be better off will point to the fact that Britain could have greater freedom around trade and regulation. Those who think that we will be worse off may be concerned about our reliance on the EU for business and jobs and our loss of global influence. The split of opinion in our poll strongly suggests that a referendum could be a very close run thing – albeit, potentially, with a low turnout.

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Conclusion

What are consumers telling us from this report?

Many feel poorer than before the last election and are disillusioned with the role they think government has played in their financial circumstances. People who feel worse off now appear to be laying the blame squarely at the doors of Downing Street and those who feel better off seem more reluctant to attribute this to political activity. With an election imminent, this will be a concern in Westminster as will a widespread sense of doubt that the next Government, whoever is voted in, will be able to deliver policies which will boost household finances.

What can the next Government do to help consumers?

Consumers are telling us that action on personal tax allowances and energy bills are top of their agenda. Whilst a desire to see further increases in personal tax allowance is perhaps unsurprising, many households are clearly still struggling with the high costs of energy, despite recent price cuts announced in January of this year. We want to play an active role to help repair the energy market which is fundamentally uncompetitive. We would like to see the format of energy bills simplified and standardised; the creation of an annual "trigger" for consumers to review their energy expenditure; and the introduction of a "switching guarantee", whereby the energy supplier would guarantee that the consumer would suffer no loss of service and that mistakes made in calculating bills would be the responsibility of the supplier, not the customer.

Funding for the care of the elderly, as issues connected with an ageing population start to bite, is also a major concern. Unlike macroeconomic factors beyond their control, these are within the sphere of governmental influence – and consumers are asking for meaningful measures to be taken.

What can consumers do to help themselves?

Against the backdrop of a country which feels poorer than five years ago, and is cynical about the ability of government to change this, much of the onus to improve personal finances will rest with individuals. The recession may be over, but the indications are that we are still recovering from its impact.

Regardless of the composition of the Government in May, a prudent approach to managing personal finances is crucial. It is encouraging to see that half of consumers already recognise the need to insure themselves against unexpected absences from the workplace due to illness or injury.

Lower energy bills were cited as a major beneficial factor to household finances over the last five years, but these lower costs were mainly driven by falling wholesale gas prices not by consumer behaviour; 88 per cent of people do not switch their energy provider and could be on an uncompetitive tariff. We estimate that the collective "energy dividend" that UK households would receive if they all switched to the best energy tariff for them would be in the region of £4bn.
By contrast to the energy market, switching activity for motor insurance is more commonplace – but still only a third of drivers shop around. On average, people stand to save more than £90 a year by switching policy – this is even bigger for young drivers, with under 25 year olds saving on average almost £250 a year[3].

Ultimately, through a proactive approach to managing their personal finances, consumers can maximise their savings and minimise the risk of feeling even more hard up come an election in 2020.

Consumers should not feel that their financial destiny is the hands of politicians or the outcome of the next general election. They have the power to make significant savings and we suggest a simple five point plan in order to do this, whichever party or parties governs the country.

3 According to comparethemarket.com's Premium Drivers motor insurance index, Q1 2015.

The Five Point Plan

Debt
The rate of interest people pay on their debt will generally be greater than what they will receive from any savings product. Whilst always keeping a buffer, consumers should use their savings to pay down as much debt as possible.

Entertainment
"Rationalise" your entertainment spend. Consumers should review what they pay every month for television, online streaming and cinema viewing and ensure that, if they have multiple packages (eg. Netflix, Amazon Prime, Sky Movies), they don't overlap in terms of the services they offer and are all being used.

Insurance
Check your renewal quotes carefully. Do not simply automatically renew your home, car and travel policies. Be sure that you are getting the best deal and the best price.

Food shopping
Different supermarkets offer discounts on different sorts of goods, so simply getting everything from one store – though convenient – means you will not save as much as you could. Make sure you have loyalty cards for all supermarkets you are likely to visit to ensure your expenditure is working as hard as possible for you.

Energy
Switch your energy provider every 18 months, as this will almost certainly result in meaningful savings. Also ensure your energy is as efficient as possible; look into smart meters and energy saving technology such as LED lightbulbs and, where possible, try to reduce your energy consumption.

Methodology
The findings are based on an independent survey, conducted by Populus, the research house, of more than 6,000 UK adults. The poll was undertaken between 27 February and 8 March 2015.