

# Spotlight on... financial resilience



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This spotlight summarises some of the key insights emerging from Nest Insight's work on financial resilience. It draws on the latest evidence from our research, highlights trends, and identifies opportunities for action. Our intention is to support effective system and solution design to improve financial wellbeing for millions of low- and moderate-income households in the UK.<sup>1</sup>

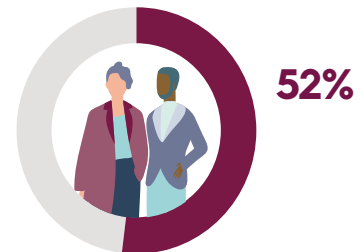
**1** Widespread vulnerability to financial shocks is hurting living standards and holding back growth.

**It is widely established that many households in the UK lack financial resilience.**

**Nearly 2 in 5**



people in the UK **would not be able to meet an unexpected expense of £250 from their savings.**<sup>2</sup>



When we look more closely at **low- and moderate-income households**<sup>3</sup>, the scale of the challenge comes into sharper focus: **around half would not be able to cover a £250 expense from their savings.**

A household struggling to save is **24% less likely** to be able to cope well with a small financial shock. That's roughly **2.81 million people** with low and moderate incomes in the UK who struggle to recover from an unexpected expense.

<sup>1</sup> Figures are representative of individuals living in low- and moderate-income households in the UK who are working or looking for work.

<sup>2</sup> Financial Conduct Authority (2025). [Financial Lives Survey 2024](#)

<sup>3</sup> Nest Insight survey of low- and moderate-income households in the UK, 2025.

## Low financial resilience is costing households, constraining businesses, and holding back growth.

Our research finds that when households are set back by a shock, they fall behind in everyday ways that have implications for their ability to progress and thrive, as well as for the wider economy.<sup>4</sup> We see key impacts to people's **health, wellbeing and work; financial participation; and household relationships**. For low- and moderate-income households this looks like:



### More missed bills and payments

**1 in 4 households (20%)** with very low financial resilience were behind on 2 or more consecutive bills, loans, hire purchase agreements or mail orders, compared with less than 2% of households with very high resilience. Their average total arrears are £759. These households face regular risks of fines and administrative charges, damage to their credit ratings. And there are potential costs for creditors in chasing debts.



### More GP visits

Households that are struggling financially visit their GP more frequently: **almost 1 in 4 (23%) people with very low resilience** visited their GP 3 times or more in the previous year, compared with **1 in 7 (15%) people with very high resilience**. People with low resilience also report being in poorer health than people with more resilience.



### More persistent debt

**Nearly half of the least resilient households (47%)** have credit card debt that is not paid off each month. Their average debt is £3,362 – money that households don't have available to them to afford their living costs or participate more fully in the economy.



### Fewer good days at work

**More than 3 in 5 households (63%)** say that an unexpected expense would have a negative impact on their productivity. That jumps to 86% for households with the lowest financial resilience.

**Addressing resilience challenges for households could help to tackle these individual-level impacts and support increased labour force participation, reduced government spending on health and welfare, increased tax revenues, and economic growth.**

<sup>4</sup> Nest Insight survey of low- and moderate-income households in the UK, 2025 and analysis of the latest [Wealth and Assets survey data \(2020-2022\)](#)

## 2 Liveable incomes and good work are foundations for resilience, but other challenges still hold households back.

**Addressing barriers beyond income unlocks new solution areas with real potential to meet households' wider barriers to resilience.**



### Unexpected bills or hikes in prices

It's not just the big shocks that keep people worried about their financial resilience. **One unexpected bill or a hike in prices** can be all it takes to knock people sideways. **1.17 million people on low and moderate incomes** have experienced this in the last year.



### Income volatility

**Nearly 2 in 5 low- and moderate-income households (39%)** in the UK experience income volatility. That means **uncertainty** about when, whether, how, and how much they get paid. Despite their tenacity and planning, people with high levels of income volatility are **twice as likely to be struggling** with their financial situation than those with consistent incomes. Households with very variable incomes are nearly twice as likely as households with very consistent incomes to find keeping up with bills and loan repayments to be a heavy burden – 22% vs 12% respectively.



### Mismatched patterns of income and recurring expenses

People's incomes and expenses being on mismatched schedules drives low resilience for **more than 1 in 3 households (35%)**.



### No savings

**Nearly 1 in 5 low- and moderate-income households (17%)** say not having savings is an issue for them.



### Life and work events

Events in people's personal and working lives can impact their resilience in unexpected ways. Households rate the **potential financial setback impact of getting divorced or ending a long-term relationship the same as being made redundant from their job**.



### Mental health problems

**1 in 5 low- and moderate-income households (20%)** have experienced a mental health problem, which made it harder for them to recover from a financial shock.

### 3 When you lack financial resilience, you simply have fewer options. And the options you do have are less likely to lead to good outcomes.

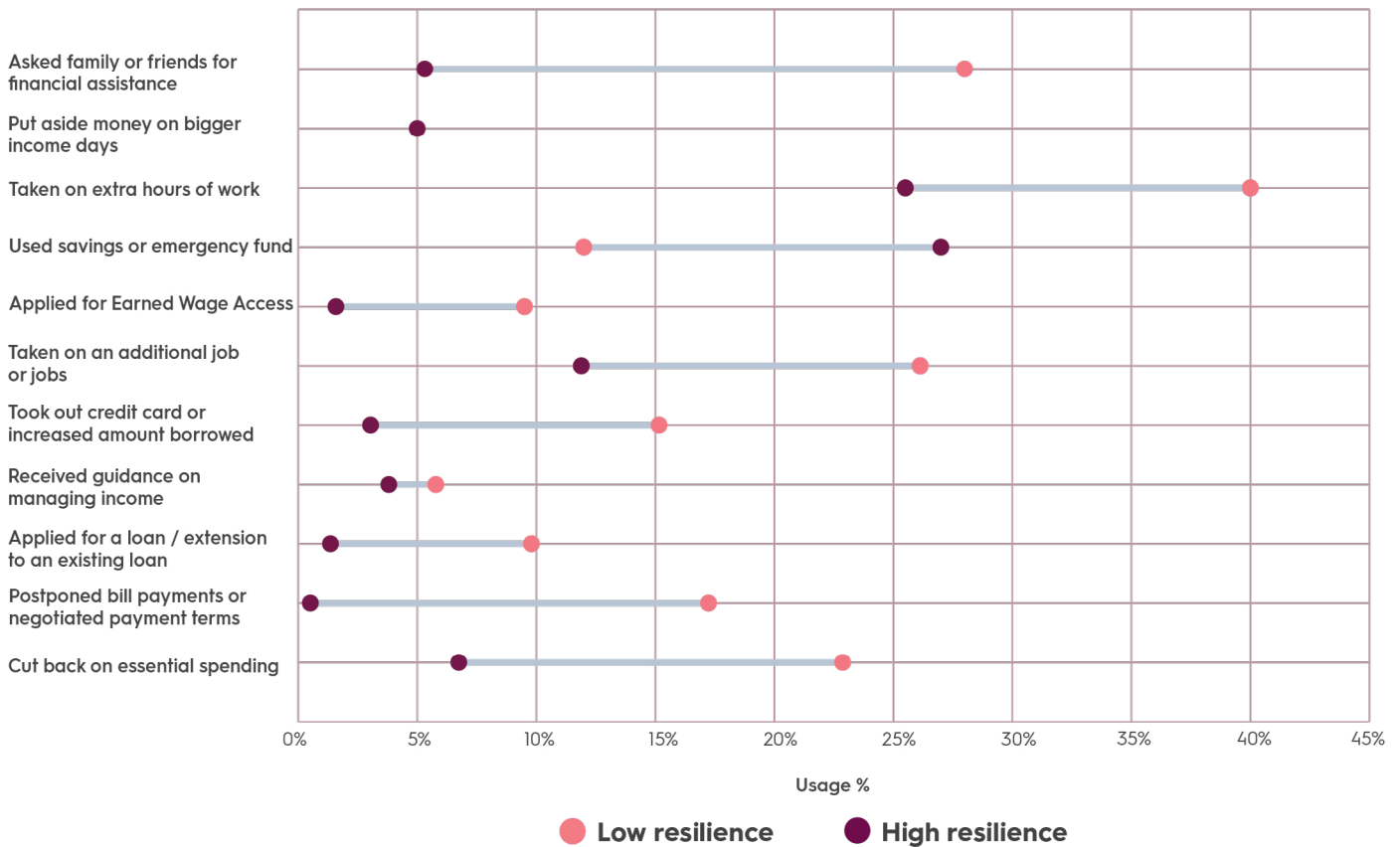
The coping strategies used by households with low financial resilience might help with immediate needs, but are often the least effective for building resilience. These households are:

**2.1x** more likely than the most resilient households to cope with an unexpected expense by taking on additional jobs.

**2.3x** more likely to cope by asking friends and family for help, rather than using an emergency savings buffer.

The least resilient are the least well-served by the status quo. This is because they are more likely to be excluded from formal solutions like credit cards, mainstream loans and overdrafts. They are also more likely to access solutions that keep them in a **'managing in place' cycle** – just about meeting an immediate need, but not being set up to prepare for the next shock. Households with higher resilience have better access to solutions that disrupt that cycle by helping them **step up and out of financial insecurity**, building resilience instead of being held back.

**Usage of coping mechanisms: lowest vs highest resilience groups<sup>5</sup>**



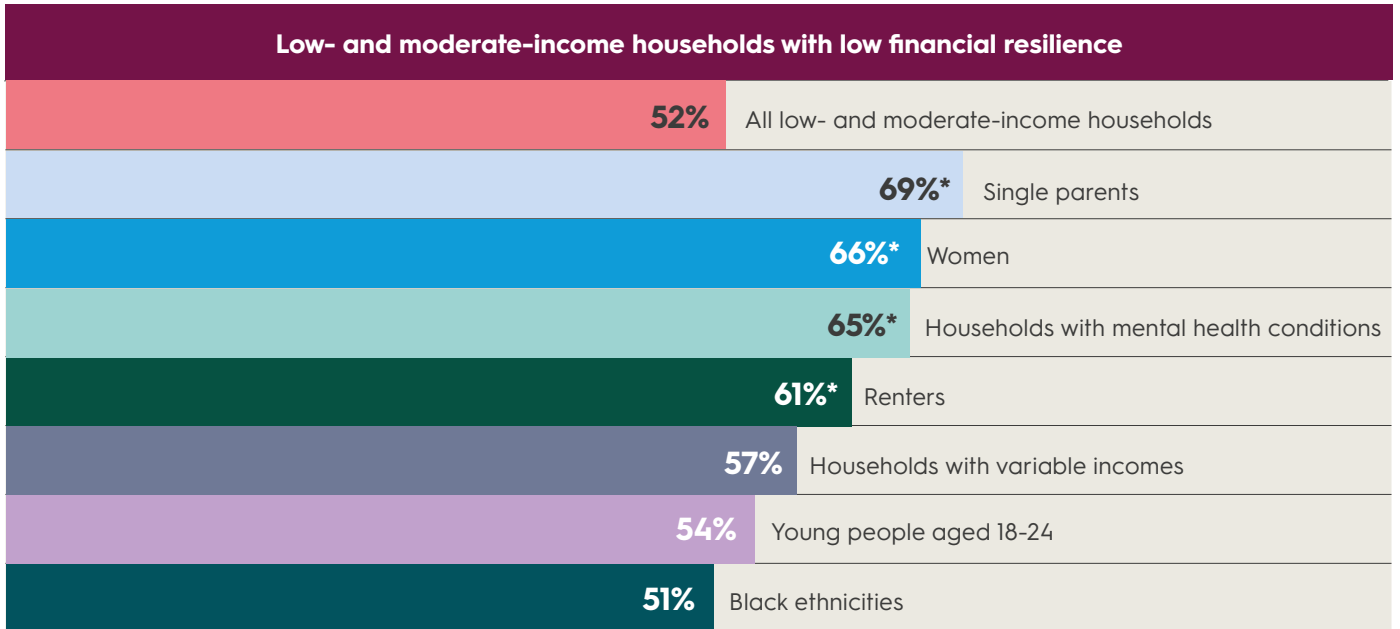
Despite seeing higher usage of most of these mechanisms with the least resilient group, our findings show they are also less likely to find any of them helpful.

We see that the solutions that work for higher resilience households are **built on a cycle of saving** – building, using, and replenishing their emergency savings buffers rather than focusing on reducing expenses, negotiating payments or borrowing.

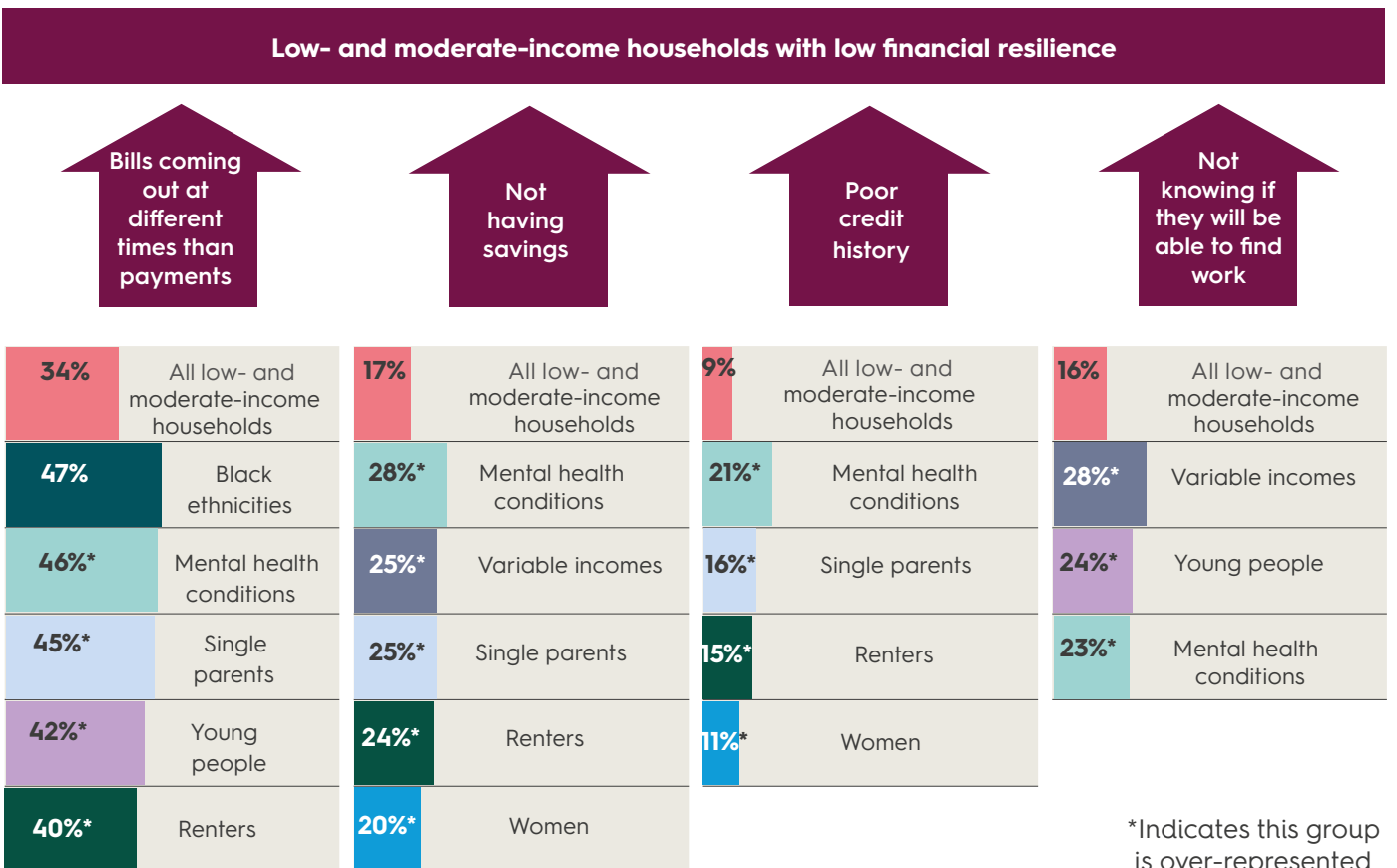
<sup>5</sup> Nest Insight survey of low- and moderate-income households in the UK, 2025.

## 4 Identifying underlying drivers of low resilience could help us design more effective solutions and close demographic gaps.

The common starting point is the demographic characteristics of groups understood to face significant resilience challenges. We start by looking at how many people within a group have low financial resilience:



But what drives their resilience challenges? These common drivers help us identify target areas for action, to address and reduce gaps in the system:



**5** There are clear opportunities for inclusively-designed solutions to address households' challenges weathering financial shocks with low, moderate and irregular incomes.

**The financial resilience challenge in the UK today calls for policy and market solutions that bolster resilience at scale, meet people where they are and support them to live with greater financial security and peace of mind. These are solutions that:**

- › **Join up across product silos to meet multiple needs at once:** in the moment of a financial shock, needs can become increasingly complex while the options available don't necessarily become more comprehensive. Households need solutions that meet multiple needs, such as both borrowing for today's shock and saving to be better prepared for tomorrow's.
- › **Provide behavioural support,** and make it easier to save and smooth income without additional mental load.
- › **Create more flexibility and give households more control** over how they earn, spend, save and borrow.

Nest Insight is currently working on high-potential solutions that address the common drivers of low financial resilience which cut across the needs of vulnerable groups, including:

- › **Joined-up borrowing and savings products,** which make the first step on a borrowing journey the first step on a journey towards improved financial resilience. We're exploring solutions that support people to save more and for longer after the end of their loan term, and mechanisms for people on debt management plans to be able to save, building on and enhancing existing provisions.
- › **Workplace payroll-based solutions that allow workers who have irregular pay and/or mismatched pay frequencies to choose to smooth their income.** These solutions are designed to reduce the mental load of volatility as well as premiums, freeing up households' capacities to plan ahead.
- › **Workplace emergency savings schemes that are pension-adjacent or pension-linked,** supporting employees to save easily and automatically, and piloting designs that catalyse provider innovation to increase participation and savings.



Saving is something that I've wanted to do in my head, but the minute it comes to putting it into practice it falls by the wayside, sadly... It's something I genuinely wish I could do sometimes. There's nothing worse than when something side swipes you and you get hit with a massive debt and you haven't got a penny saved.



**Nest Insight research participant**



We know that the things that happen when you're in financial difficulty are really bad for your mental health. In particular, debt collection activity and going without essentials that we all rely on. So that financial difficulty is driving mental health problems. But on the other side, we know that the mental health problems are also driving financial difficulty. And that's because when we're struggling with our mental health... it's harder to earn money. It's harder to stay in work. It's harder to make and manage a benefits claim. Income is likely to go down. It's also harder to control your spending. Your outgoings are likely to go up. And it's harder to manage the difference between the two and to ask for help. So, you find yourself in this vicious cycle of money and mental health problems.



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CEO, Money and Mental Health Policy Institute



To find out more about this research or to explore getting involved in Nest Insight's industry and policy innovation work, including if you are interested in partnering with us on real-world trials, please get in touch:

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