



More than a loan

How joined-up
borrowing and saving
solutions can support
financial resilience



Supported by

JPMorganChase

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Executive summary

Background

Too many UK households lack the basic financial resilience that having a small cash savings buffer can provide. The success of workplace savings solutions has led Nest Insight to consider what other touchpoints might be effective for supporting people who are currently excluded from saving to get started. For example, could loans provide another way to support people to progress towards emergency savings? Instead of taking out a loan being an isolated event, could it be a step on the way to building financial resilience?

Almost everyone wants to save, and to have emergency savings. But behavioural and structural barriers often get in the way. Our previous research shows that inclusively designed behavioural solutions, built into touchpoints where people are already interacting with money, can lead to meaningful increases in savings participation.

The hypothesis that we explore in this work is that solutions that link borrowing and saving could boost financial resilience better than loan-only options, and improve people's ability to weather future shocks.

This report shares our first learnings, bringing together insights from quantitative and qualitative research, analysis of administrative data from the credit union sector in which 'save as you repay' models are established, and early results from real-world trials of new approaches to linking borrowing and saving journeys – **'prompts to save'** and **'transition to save'**.

Further results and learnings will be published in future as our trial programme evolves and more data is collected.

Insights

Joining up borrowing and saving can support people to become savers

A loan journey is a powerful financial touchpoint. For households on lower incomes, products that link borrowing and saving from the start of the loan journey can help people overcome the hardest step in saving: getting started. For many low- and moderate-income households, borrowing is a frequent and often unavoidable part of managing their finances. Setting up a savings account at the outset reduces the need for additional decisions later on, which can require extra mental bandwidth and risk disengagement before saving begins.

Half of people with **'save as you repay'** loans hadn't saved before. New savers make frequent deposits and save more during **'save as you repay'** loan terms.

New savings habits may persist after the loan ends, and solution design could be further optimised to support more people to save at the end of a loan.

Expanding the reach of borrowing and saving solutions could help 1.38 million borrowers to start saving. For these households, access to inclusively designed joined-up borrowing and saving products could offer a pathway from having no savings at all to building at least a small financial buffer - improving resilience to future shocks.

Saving alongside borrowing helps people progress towards greater financial resilience

A joined-up approach appears to support greater day-to-day resilience and creates a pathway towards building more secure financial foundations over time. After accounting for other factors, 45% of households that borrow and save should be able to cover a £250 shock from their current or savings account, versus 17% of households that borrow without saving.

Linking saving and borrowing reflects the reality of how households manage money, particularly for those balancing tight budgets with ongoing credit commitments.

Even small, accessible savings buffers can reduce reliance on further credit and help households absorb short-term pressures.

'Save as you repay' models support different savings behaviours for people at different stages in a journey towards financial resilience. Households whose starting point is a need to borrow may be focused on budgeting

and cashflow management, building a safety net, or working towards future goals. These stages reflect different needs and capacities, highlighting the importance of flexible design rather than a single savings pathway.

For households using savings to meet immediate needs, balances may remain small and saving may not continue after loan repayment. However, saving in this way can still represent a meaningful step up from reliance on credit. Each repayment, deposit or withdrawal can help reinforce a sense of being a saver. For some, **'save as you repay'** approaches enable sustained saving beyond the loan term, reducing future borrowing needs and strengthening financial resilience.

'Transition to save' models can further support people who are already saving to make progress once their loan is paid off. People who had increased savings since loan repayment felt more prepared to handle an unexpected financial shock than those who hadn't changed their savings contributions at the end of their loan.

Joining up borrowing and saving can support small steps that improve wellbeing

Even small amounts of saving alongside borrowing can ease financial stress and improve wellbeing. These immediate wellbeing gains matter in their own right and may also support people to keep saving and build resilience over time.

Since taking out a **'save as you repay'** loan, 62% of borrowers felt more in control of money, 57% felt less worried about money, and 57% felt less stressed about money. These self-reported outcomes suggest that saving alongside borrowing can meaningfully improve people's day-to-day financial experience, even when savings balances remain relatively small.

Wellbeing gains can also support longer-term savings behaviours. Feeling less stressed, more confident, or more in control can make saving feel more achievable, increasing the likelihood that people continue to save rather than stopping once an immediate financial pressure has passed. A growing body of evidence suggests that optimism is closely linked to savings behaviour over time.

Savings buffers built whilst borrowing can act as a protective factor during financial shocks. Having some savings available does not remove the shock itself, but it can soften its impact, helping households cope without the same escalation of stress or anxiety. Those who were borrowing and saving were around half as likely to experience mental health deterioration following a financial shock.

Saving alongside borrowing isn't irrational – this behaviour can be a demonstration of sophisticated financial capability within constrained contexts.

Many borrowers choose to allocate money to building a cash savings buffer rather than using it to pay off debt as quickly as possible. Having some savings can provide greater control and peace of mind, which is often valued more highly than the potential savings from repaying a loan slightly faster. Importantly, this preference does not necessarily imply higher costs for borrowers, as not all joined-up borrowing and saving models increase the overall cost of credit.

For households on low and moderate incomes, traditional routes to financial wellbeing are often less accessible, making saving alongside borrowing a pragmatic response to constrained circumstances. Rather than prioritising rapid debt repayment, households may use the loan term to build savings that help manage day-to-day needs or provide a buffer against future shocks, disrupting continuation of debt cycles. These trade-offs between minimising debt and building financial security reflect active and deliberate money management.

Holding savings alongside credit commitments is especially reassuring for households that may not feel confident of being able to borrow again in the future. Low- and moderate-income households that borrow without saving are significantly more likely to worry about having a poor credit history and to have been declined for credit in the past. Joined-up borrowing and saving solutions can therefore meet an immediate need for accessible credit while supporting better preparedness for future shocks.

People who save alongside borrowing are better able to cope with shocks and less likely to miss loan repayments or fall behind on bills, suggesting potential benefits for both borrower stability and lender risk.

Conclusion and next steps

Solutions that integrate savings into a borrowing journey have high potential to boost financial resilience if adopted more widely. There is an opportunity to raise the standard for what high-quality, responsible lending looks like with saving journeys built in alongside borrowing.

This research points to ways that designs could more holistically and powerfully boost borrowers' financial resilience:

- › **Accessibility:** Savings must be quickly accessible to protect households, support control and confidence, and balance friction so neither easy access nor restrictions undermine resilience.
- › **Meaningful defaults:** Very low default savings limit people's ability to build usable balances or feel like savers. As long as savings are easily accessible, default amounts can be set at a meaningful level.
- › **Transparency:** Combining loan repayment and savings into one figure can reduce engagement with saving and continuation after loans end. Showing repayments and savings separately increases control, strengthens saver identity, and supports longer-term saving.
- › **Responsiveness:** Products could enable higher contributions during better pay periods or at other moments when income is higher, using nudges or income-linked proportions to capture opportunities.
- › **Empathy:** Recognising milestones can build confidence and saver identity, helping low- and moderate-income households navigate complex trade-offs.
- › **Ease/integration:** Onboarding can be a decisive moment to set expectations, pathways and guardrails.

Our trials will continue and we will share updated results once we have collected data over a longer period and are better able to understand longer-term outcomes.

We are also keen to explore the other possible models of joined up borrowing and saving solutions we've identified, including:

- › **Pre-commit to save:** In which people could commit at the point of loan origination to automatically switch to saving at the end of the loan term (unless they switch the setting off later).
- › **Save before you borrow:** People could build up savings before starting to pay off their loan so that they have a buffer in place early in the loan journey.
- › **Offset loan:** People could have savings and a loan within one wrapper, with their loan interest reduced if they hold savings alongside their loan.

We've also identified two further touchpoints at which a savings component could be integrated which we will look to explore and test in future:

- › **Saving as part of a debt management plan.**
- › **Saving embedded in small sum loans.**

Introduction



Introduction

Background

Household financial resilience – the challenge, and the opportunity

Too many UK households lack basic financial resilience. Around half (52%) of low- and moderate-income households who are working or looking for work would not be able to cover a £250 expense from savings, and nearly 1 in 5 low- and moderate-income households (17%) say not having savings is an issue for them.¹

This is costing households, constraining businesses, and holding back economic growth. Not having savings has financial impacts, including meaning people are more likely to be in bill arrears or problem debt. Households with low financial resilience:

- › **Miss more 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, or damage to their credit ratings. And there are potential costs for creditors in chasing debts and lost payments.
- › **Have 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 in the economy.

But low financial resilience also has wider health, social and productivity impacts. For example, households with low financial resilience:

- › **Go to the GP more often:** Households that are struggling financially visit their GP more frequently: 23% of individuals with very low resilience visited their GP 3 times or more in the previous year, compared with 15% of individuals with very high resilience.
- › **Are less productive at work:** Over 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.

Building greater financial resilience at the household level therefore has the potential to improve people's lives and their ability to participate socially and in the economy, to reduce public spending on health and wellbeing and to improve productivity.

Supporting households to build financial resilience

Because building a savings buffer is such an important foundation for so many potential positive outcomes, much of Nest Insight's work has focussed on understanding what works to support people to save.

Almost everyone wants to save, and to have emergency savings. But behavioural and structural barriers often get in the way.² Our research shows that inclusively designed behavioural solutions, built into touchpoints where people are already interacting with money, can lead to meaningful increases in savings participation. For example, we've explored making it easier for people to start saving via payroll. In approaches where employees start saving automatically unless they opt out, we see a dramatic rise in the proportion of employees saving. In a real-world trial at SUEZ, saving participation increased from 1% to 48%. And at Bupa and Co-op it rose from 15% to 68%. These approaches were popular, and were more inclusive of people who had previously struggled to save and those who lacked confidence than a standard approach where people need to find out about the scheme and actively sign up to save.

The success of workplace savings solutions has led us to consider what other touchpoints might be effective for supporting people who are currently excluded from saving to get started. For example, could loans provide another way to support people to progress towards emergency savings? Instead of taking out a loan being an isolated event, could it be a step on the way to building financial resilience?

¹ Unless otherwise cited, statistics are from analysis of a nationally representative survey of people living in low- and moderate-income households in the UK conducted by Nest Insight working with Quadrangle in 2025.

² Nest Insight (2025). [Easier to save](#). Opt-out payroll savings: a powerful, popular and inclusive way to support new saving.

Why consider joining up borrowing and saving?

Many economists view co-holding savings and debt as irrational. It's often advised that you should pay off debt before saving because you pay higher interest on money you borrow than you get on money you save. For example, influential consumer champion Martin Lewis says:

*"Yes, paying off debts with savings makes sense [...] let me explain the basic reasoning straightaway... £1,000 debt on a credit card at 35% costs £300 in interest over a year. £1,000 saved in a savings account at 4% earns £40 interest over a year. So pay off the debt with the savings and you're £260 a year better off. It's that simple. Debts usually cost more than savings earn. Cancel them out and you're better off."*³

But around 1 in 3 households on low and moderate incomes save while repaying loans. Is this irrational behaviour? Or is there something else going on here?

A research study by the US Consumer Financial Protection Bureau⁴ explored the psychology behind this behaviour. Participants were given a scenario of a person with \$5,000 in credit card debt and were randomised into groups in which this person also had varying levels of savings, from \$1,000 to \$10,000. They then had to decide how much of the debt the person should pay off with their savings. Overall, most participants chose to pay off some of the credit card debt, but also to preserve some savings. This was true even when the initial savings amounts were high enough to allow them to completely pay off the debt and still retain a savings balance of thousands of dollars. This finding suggests that participants were willing to retain some debt in order to maintain a savings cushion.

Most participants in the study (79%) accurately reported that the typical interest rate for a credit card exceeds that of a savings account. This suggests that participants were equipped with appropriate knowledge to understand the interest rate trade-off between credit card debt and savings. The researchers expected that people who correctly answered the interest rate questions would be more likely to use more savings to pay off the debt than those who didn't. But they did not see this. People choose to keep a savings buffer, knowing that there is a financial cost to this.

This finding is consistent with our savings research, in which we regularly hear that people really want to have a savings buffer because it gives them greater peace of mind and control over their lives. Knowing that there's a bit of money put aside to cope with an unexpected expense, or a period of lower income, reduces anxiety and allows people to feel more independent and empowered. This is perhaps particularly likely to be true for individuals with volatile incomes, for those who worry they might not be able to borrow money when they need to because of a low credit rating or thin credit file, and for those who are mistrustful of formal financial solutions and providers.

The 'co-holding' behaviour may not seem so 'irrational' if we take into account the full context of people's lived experience and the trade-offs they are making. People may value the benefits of the control and peace of mind that savings give above the financial cost in additional interest paid of maintaining their savings buffer.

There's therefore an opportunity for more joined-up, behaviourally designed approaches that could better work with existing behaviours and preferences, bringing together borrowing and saving. Instead of lending and saving sitting in silos, they could be connected in ways that help people sequence and prioritise their financial needs, thinking about consumer value holistically. It is this opportunity that this works seeks to explore, as well as better understanding when and why people want to preserve or build savings alongside borrowing, and what impact this has.

What could a hybrid approach mean in practice?

There are different possible models for joining up borrowing and saving. People could be supported to start saving at different moments in their loan journey. They could be prompted to save, or saving could be a default setting that you can opt out of. Or it could be fully built in as part of a loan. As part of exploring potential designs we set out some different possible options including:

- **Save as you repay:** people could save a small amount alongside each loan repayment from the beginning of the loan period.

³ MoneySavingExpert (2026). [Repay debts or save?](#) (accessed 06/04/26)

⁴ Consumer Financial Protection Bureau (2021). ['Balancing savings and debt: findings from an online experiment'](#)

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- › **Prompts to save:** people could be prompted to save alongside borrowing at moments during their loan journey, such as at the start, halfway through the term, or when they have paid off more than half of the loan amount.
 - › **Transition to save:** at the end of the loan term people could be prompted to convert their regular loan repayment amount into a regular savings deposit.
 - › **Pre-commit to save:** People could commit at the point of loan origination to automatically switch to saving at the end of the loan term (unless they turn the setting off later).
 - › **Save before you borrow:** People could build up savings before starting to pay off their loan so that they have a buffer in place early in the loan journey.
 - › **Offset loan:** People could have savings and a loan within one wrapper, with their loan interest reduced if they hold savings alongside their loan.

Some of these models exist already. The most prevalent is probably the ‘**save as you repay**’ model which has been in operation within the credit union sector for decades. Many credit unions’ model for lending is to include a savings contribution as part of a loan repayment as the default, automatically opening a savings account for the member when they take out the loan (or continuing some saving alongside the loan where they were already saving with the credit union). Previous research suggests that this approach supports people to become savers who might not otherwise have got started with saving, that it helps people save regularly over time and that saver-borrowers gain confidence from knowing that they are saving even as they pay off their loan.⁵

However, models that join up saving and borrowing are not currently widespread outside of the credit union sector. Savings and loans are usually considered as separate products, in silos, by financial services providers, regulators and government. With 84% of UK adults holding at least one credit or loan product in the previous 12 months,⁶ and action underway to broaden access to affordable lending under the UK’s Financial Inclusion Strategy, there’s an opportunity to explore the role that designing support for saving into borrowing journeys could play in helping more UK households towards a position of greater financial resilience.

Objectives

The hypothesis that we explore in this work is that solutions that link borrowing and saving could boost financial resilience better than loan-only options, and improve people’s ability to weather future shocks.

Through a combination of research and evaluation approaches and real-world trialling we look to understand:

- › Does joining up borrowing and saving in one solution support people who are borrowing money towards financial resilience more effectively than a loan-only solution? Does this approach support more people to build a savings buffer? Do people continue saving? Do they become more able to cope with a financial shock in future?
- › What version of linking borrowing and savings is most effective / appealing / feasible?
- › Do different groups experience different resilience outcomes from borrowing and saving solutions?
- › If a solution is effective, are there any barriers to scaling it to reach more people?

This report shares first findings from the project, with further results and learnings to be published in future as our trial programme evolves and more data is collected.

Our approach

Our approach is informed by perspectives from borrowers in low- and moderate-income households, consumer advocates, industry product teams and decision-makers, as well as regulators and policymakers. Bringing these voices together has helped us surface the questions that matter most to the people involved in or affected by borrowing and saving solutions: whether such solutions appear feasible and beneficial, for whom, and under what conditions.

We have investigated these questions through three strands of work:

⁵ Fair4AllFinance, Financial Inclusion Centre and the Swoboda Research Centre (2023). [Deduction Lending: Does it add up for low-income borrowers?](#) and Fairbanking Foundation (2017). [Save as you borrow – credit unions creating good habits](#)

⁶ Financial Conduct Authority (2024). [Financial Lives Survey](#)

1. Exploratory research

- › Working with research agencies Quadrangle and Clearview, we ran a nationally representative survey alongside qualitative research to understand people's needs and experiences, and who may benefit from borrowing and saving solutions.
- › We undertook secondary analysis of national datasets, including Understanding Society, the Wealth and Assets Survey and Households Below Average Income, to help contextualise our findings and understand longer-term patterns in saving, borrowing and financial resilience.

2. Evaluation of existing borrowing and saving solutions in the credit union sector:

In partnership with researchers at the Personal Finance Research Centre (PFRC) at the University of Bristol, we evaluated **'save as you repay'** loans offered by credit unions. Eight credit unions contributed to our learning here qualitatively, with four taking part in the quantitative analysis of administrative data. Three of these featured 'save as you repay' products, alongside a comparator credit union without an integrated borrow-and-save product. These **'save as you repay'** models varied in some aspects of design and mechanism, but common to all was an automated and integrated savings mechanism from the very beginning of the loan journey (see Figure 1). In most of these models, saving was mandatory, meaning borrowers were required to make a small regular savings contribution alongside their loan repayments as part of their loan agreement, without the option to opt-out.

Anonymised administrative loan and savings data was analysed to examine patterns in borrowing, saving and withdrawals over time. This quantitative analysis was complemented by surveys and qualitative research with members and staff, helping to surface experiences and trade-offs not visible in administrative data alone. By triangulating these sources, we built a rounded picture of the effectiveness and limitations of different credit union **'save as you repay'** approaches. For additional details on this approach, see [Annexe 1](#).

3. Three new real-world trials:

In 2025, Nest Insight, alongside our partners at Harvard University, Stream and Salary Finance, designed and launched three randomised controlled trials to test new **'prompts to save'** and **'transition to save'** approaches to payroll-linked borrowing and saving solutions.

These trial solutions differ from credit union models, as they are based on behavioural nudges to encourage saving for borrowers, rather than being fully integrated borrowing and saving products.

Prompts of various strengths and timing are being tested, including:

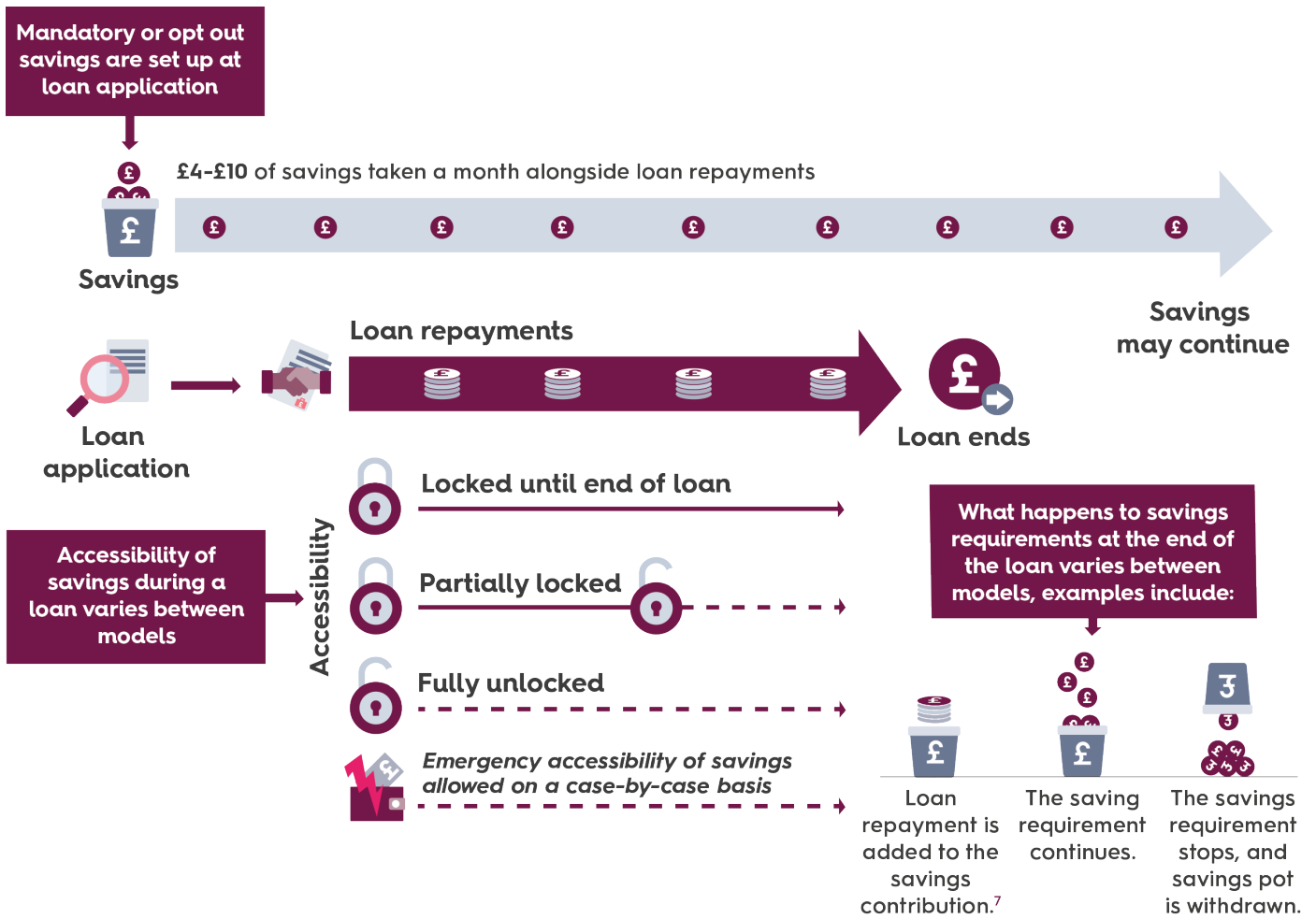
- › **Prompts to save (with Salary Finance):** trialling behavioural nudges to opt in to begin saving differing amounts (£20 vs £1) from the start of loan repayment.
- › **Transition to save – using prompts (with Salary Finance):** trialling a prompt via email at the end of loan repayment to opt in to saving. This email contains the suggestion to begin saving the full loan repayment amount. Users receiving and reading this email can decide to take no action, or click through to their savings dashboard to change their savings contributions to any amount.
- › **Transition to save – active choice (with Stream):** trialling an in-app active choice pop-up with associated notification, whereby users must decide between transitioning their loan repayment into savings, varying that savings amount, or not changing savings contributions.

In partnership with researchers at Harvard University, administrative data is being used to analyse participants' saving and borrowing behaviours, alongside qualitative research with participants.

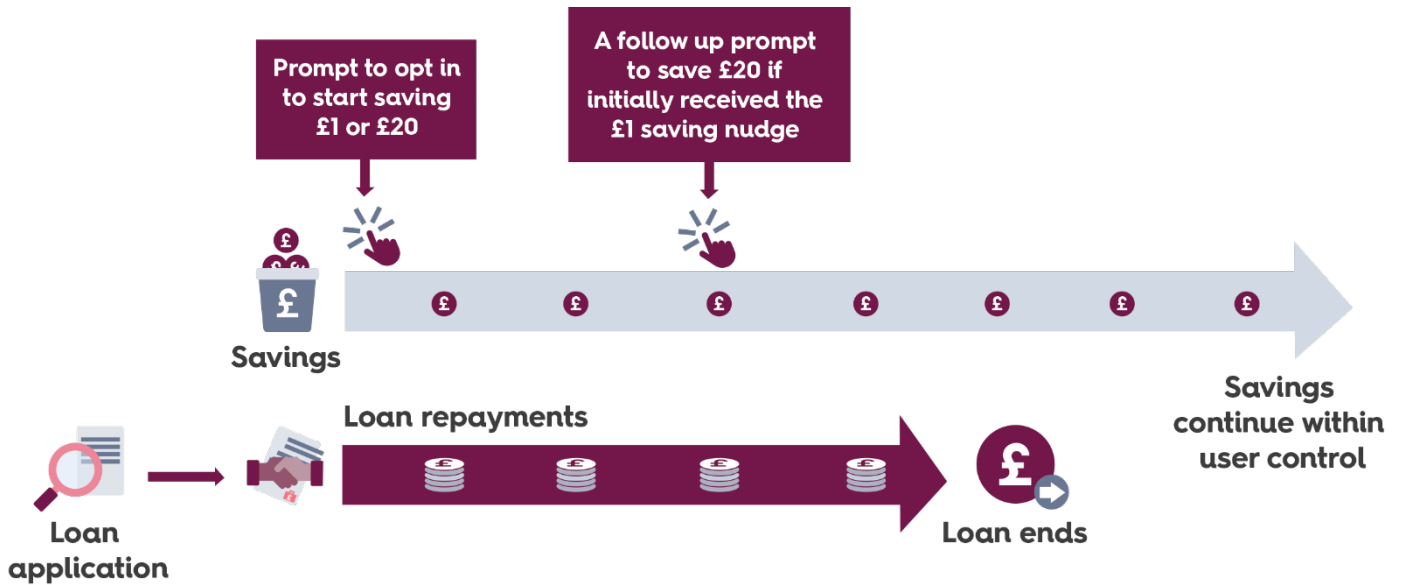
Results are currently preliminary, as the trials remain ongoing, but have already reached approximately 24,000 employees across over 2,200 employers. In this report we share early data from the Stream **'Transition to save – active choice'** trial. We will share results from the Salary Finance trials in due course.

Figure 1: 4 models we're studying

1. Credit union 'save as you repay' models

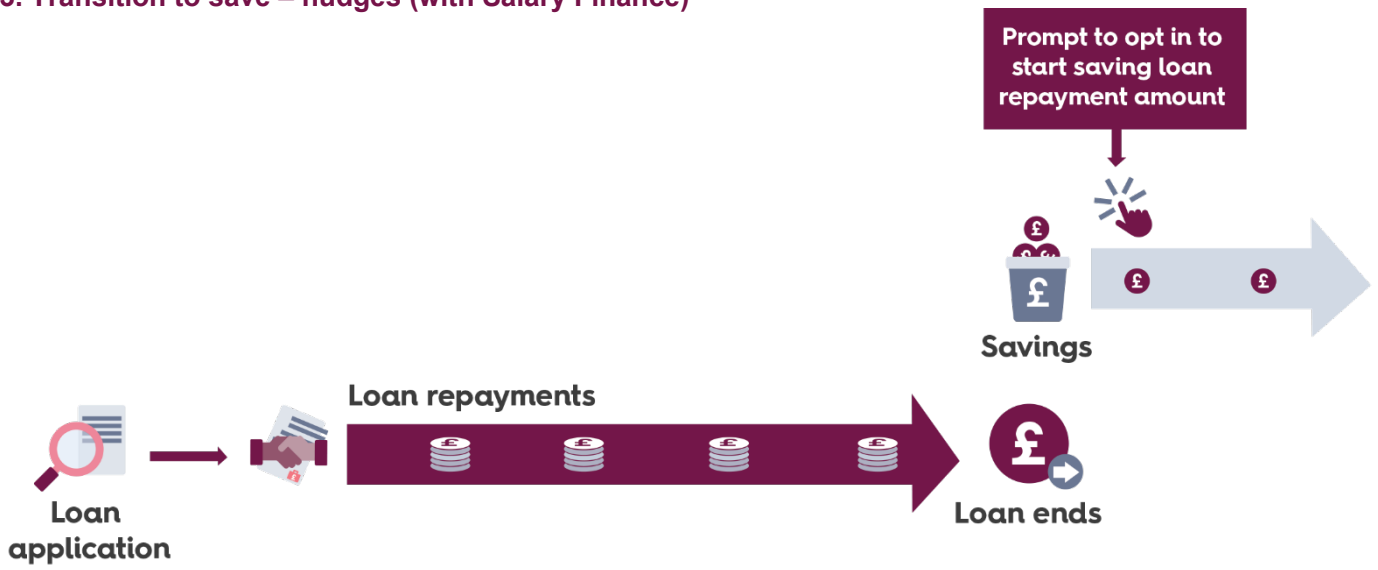


2. 'Prompts to save' trial with Salary Finance

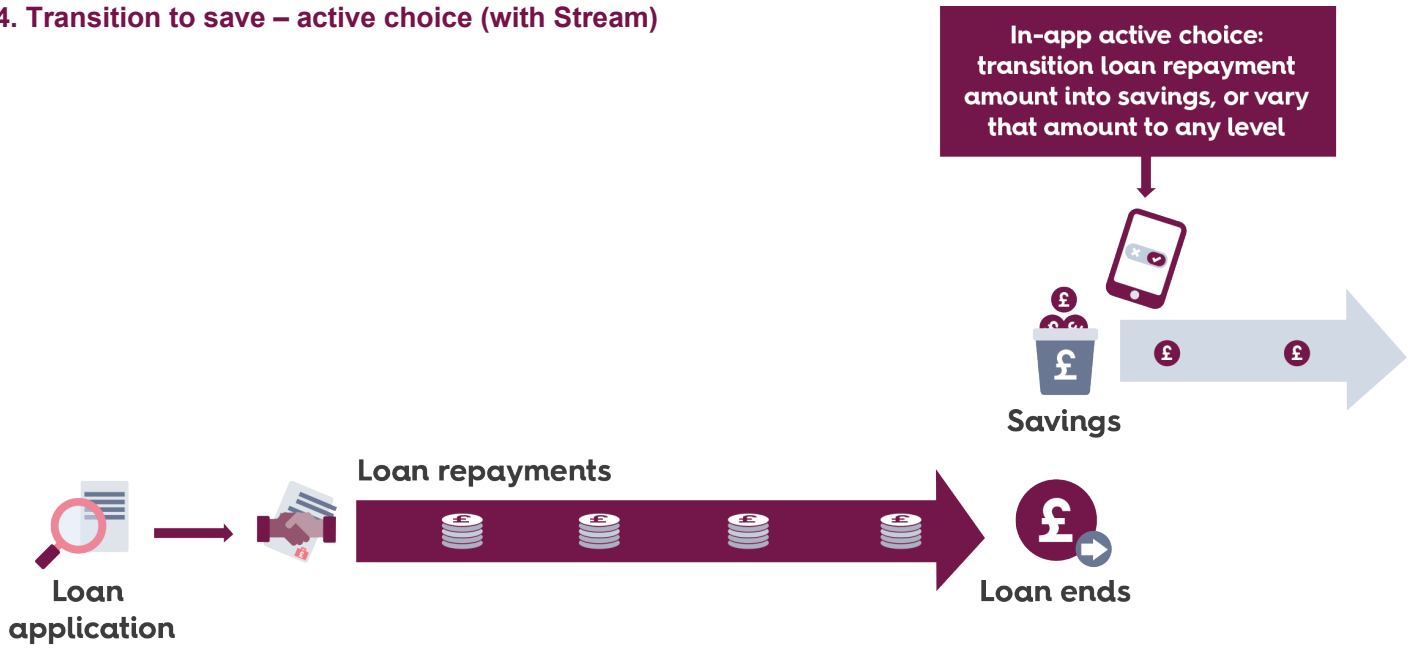


⁷ This model variant isn't studied in the quantitative evaluation, but does exist in some credit unions and worth noting.

3. Transition to save – nudges (with Salary Finance)



4. Transition to save – active choice (with Stream)



Insights



1. Joining up borrowing and saving can support people to become savers and to save more



1 in 2

with 'save as you repay'
loans hadn't saved before

A loan journey is a powerful financial touchpoint. Making saving easy to start and keep doing means that both first-time and more established savers can be supported to save more, and more consistently. Savings habits sometimes persist after the end of the loan, but there is an opportunity to do more to behaviourally support the initiation and durability of savings habits at the end of loans.

Designing saving into the loan journey at the right moments can overcome barriers to getting started

For many low- and moderate-income households, borrowing is a frequent and often unavoidable part of managing their finances, used both for larger expenses and to cope with everyday costs or unexpected shocks. As a result, borrowing represents one of the few regular moments when some people are already actively engaging with financial institutions.

There are several points within the loan journey where saving can be introduced or strengthened. One is at the end of loan repayment. Borrowers experiencing the **'transition to save'** trial described a top motivator for saving being the idea of redirecting money they had previously spent on loan repayments.

I have less financial stress because I no longer have to worry about making regular loan repayments. This has freed up extra money in my budget, allowing me to cover my daily expenses more comfortably and even save a little.

Borrower in the 'transition to save' trial

This reflects the power of the 'found money' moment at this stage. For those that did not opt in to **'transition to saving'**, the most common reason was wanting to pay off other debts first before saving.⁸

However, across our research so far, the most powerful touchpoint appears to be at the point of loan application. Setting up a savings account at the outset reduces the need for additional decisions later on, which can require extra mental bandwidth and risk disengagement before saving begins.

⁸ Nest Insight (2026). Survey of Stream's Transition to Save trial customers (n=303).

The setting up process was really straightforward... they do that on their side, so it's not something that I have to do...they do that for me, so I find that process a lot easier. I don't have to think, oh, this amount is for savings. That just happens without me knowing, and I don't have to check that account. I know the money's going in, and the savings is being built.

Credit union member with a 'save as you repay' loan

Many credit union borrowers and trial participants described long-standing difficulties with saving, linked to low confidence, competing pressures or impulsive spending. Integrating saving automatically into the loan from application stage helps lower these practical and psychological barriers, turning saving into a routine that happens automatically alongside repayment rather than something individuals must actively plan.

It makes it really easy for you to save money... someone like me who does have impulsive spending issues, I've really struggled throughout the years to save and this has made it really easy for me.

Credit union member with a 'save as you repay' loan

Borrowers save more in 'save as you repay' models than in loan only models

Over the span of 2 years, after accounting for other characteristics, credit union borrowers with an integrated loan and savings journey make savings deposits in 13 additional months compared to the loan only model.

They also accumulate higher balances. In the first 12 months of a loan, 'save as you repay' borrowers saved a median of £20-£120, compared to £0 for those with loan-only products. However, savings outcomes varied widely from person to person. Taking account of characteristic differences between borrowers, the analysis indicates a bigger effect: 'save as you repay' borrowers are likely to build £100-£458 more in savings than similar borrowers with a loan-only product in those 12 months. This range appears largely driven by differences in how much borrowers were required or encouraged to save by each credit union. Despite this variation, a common feature across all models was that saving was built into the loan from the outset.

We also found that when controlling for borrower characteristics, opt-out approaches result in nearly identical outcomes as mandated savings requirements.⁹ This suggests that it is not necessary to go as far as a mandated approach – behavioural support, preserving choice, is enough to support saving.

New savers make frequent deposits during 'save as you repay' loan terms

Credit Union integrated models appear particularly powerful for those who hadn't been saving before – who make up 1 in 2 of surveyed members with 'save as you repay' loans, consistent with prior research.¹⁰

Among credit union members where prior savings admin data were available, around 6 in 10 had no savings with their credit union before taking out a loan. Whilst this group includes those who were new to saving with the credit union but may save with other providers, this data offers useful insight into the initiation of new saving behaviours following loan initiation.

After taking out a 'save as you repay' loan, members who had no credit union savings beforehand went on to make more savings contributions during the loan term than comparable members with loan only products. This pattern holds even after accounting for differences between members.

⁹ Models differed on whether saving is compulsory. In mandatory models, borrowers are required to save alongside loan repayments with no opt-out. In opt-out models, borrowers are automatically enrolled in saving but can stop contributions if they chose.

¹⁰ Fair4All Finance (2023). [Deduction lending: Does it all add up for low-income earners](#) and Fairbanking Foundation (2017). [Save as you borrow: credit unions creating good habits](#)

In the 24 months after taking out a loan, prior non-savers made 14–15 more savings deposits with a ‘save as you repay’ loan than with a loan-only product.

These new savers were also more consistent savers during the loan term than members who already had savings with their credit union. This suggests that building saving into borrowing may be particularly effective for people who are new to saving.

On average, new savers met their savings requirement in 85% of months, versus 65% of those had previously held savings with their credit union.

New savings habits may persist after the loan ends

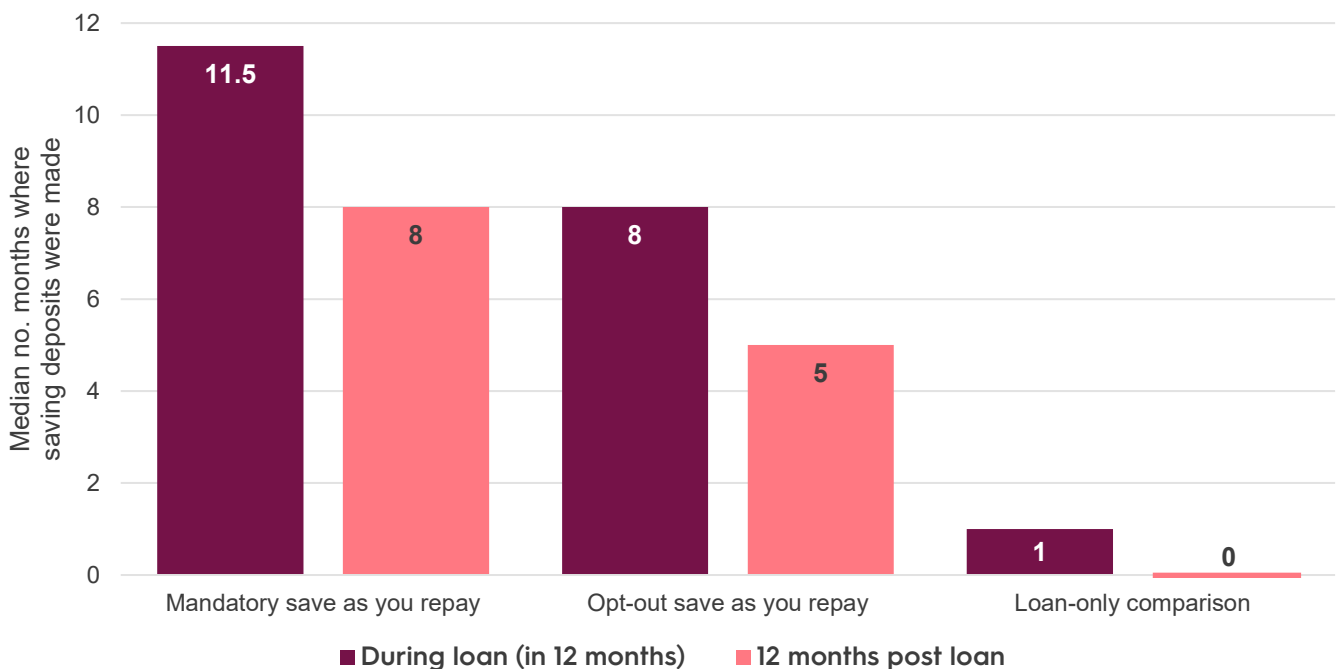
Among members who were new to saving products, almost all (93%) said in our survey that they intended to continue saving after repaying their loan. Many also reported taking steps that could support longer-term saving, beyond simply making regular contributions. For example, 71% of new savers said they had set a new savings goal during the loan repayment period. In interviews, a trial participant described how they had now set up new time-based savings goals:

Last time I’ve done 12 months [of savings], I will see if I can do 18 or 24 months... and by that time, when it will be 24 months, it will be more consistent.

Borrower in the ‘transition to save’ trial

Transaction data from credit union partners provides some early evidence that these intentions can translate into action for some. Compared with members using loan only products, those who saved alongside borrowing made savings deposits in more months after repayment.

Figure 2: Months in which savings deposits are made during and post loan in ‘save as you repay’ models vs a ‘loan-only’ model



Notes: Results shown are limited to models and individuals in which it was possible to make conclusions on the post-loan savings behaviours. Control group are borrowers at a control credit union that did not offer integrated savings.

Source: Nest Insight commissioned analysis by PFRC of credit union administrative data collected on their members from April 2020 to April 2025, n=11,240

Once we compare like for like members, we can see that those new savers made savings deposits in around 3.3 more months in the year after loan repayment than members using loan only products.

Early evidence suggests that solution design could be further optimised to support more people to save at the end of a loan

These findings above suggest that saving alongside borrowing could help lay the foundations for longer term savings habits once the loan has been repaid. However, savings activity still falls in the **'save as you repay'** credit union models once the loan ends, underlining how dependent these habits remain on the repayment structure itself.

Our preliminary results from our **'transition to save'** trials (see case study below) suggest that nudges here have potential to get savers to contribute more, but are much less effective at getting people to start saving if they don't already have the savings mechanism in place.

Taken together, these findings point to opportunities such as combining a **'save as you repay'** approach with strong behavioural prompts at the end of the loan term. Alternatively, the power of the start of loan moment could be used to set borrowers up in a **'pre-commit to save'** model, with a savings vehicle automatically added for them and saving deposits beginning in an opt-out basis at the end of the loan term. This would reduce the friction and drop off that happens when people have to go through a new process to set up an account when they want to save.

Expanding the reach of borrowing and saving solutions could help 1.38 million people to start saving

The potential impact of joined-up borrowing and saving solutions to support more people to get started with saving, or to save more, is significant. Nationally representative survey data indicate that 1.38 million households in Great Britain are on low to moderate incomes, and have no savings, and have taken out relevant forms of credit in the past 12 months.

For these households, access to inclusively designed joined-up borrowing and saving products could offer a pathway from having no savings at all to building at least a small financial buffer - improving resilience to future shocks.

Figure 3: The scale of people in low-to-moderate income households who lack savings to absorb shocks



Notes: This analysis is based on UK households with low-to-moderate equivalised incomes, individuals who are either in work or seeking employment. Borrowers are defined as those taking out relevant forms of credit or debt in the past 12 months.

Source: Nest Insight survey of Low- and Moderate-Income Households in the UK, 2025. N=4490

Case study: End of loan prompts can help existing savers to increase their savings – but design tweaks are likely to be needed to sustain savings behaviours

Early evidence from our real-world ‘Transition to save – active choice’ trial with Stream

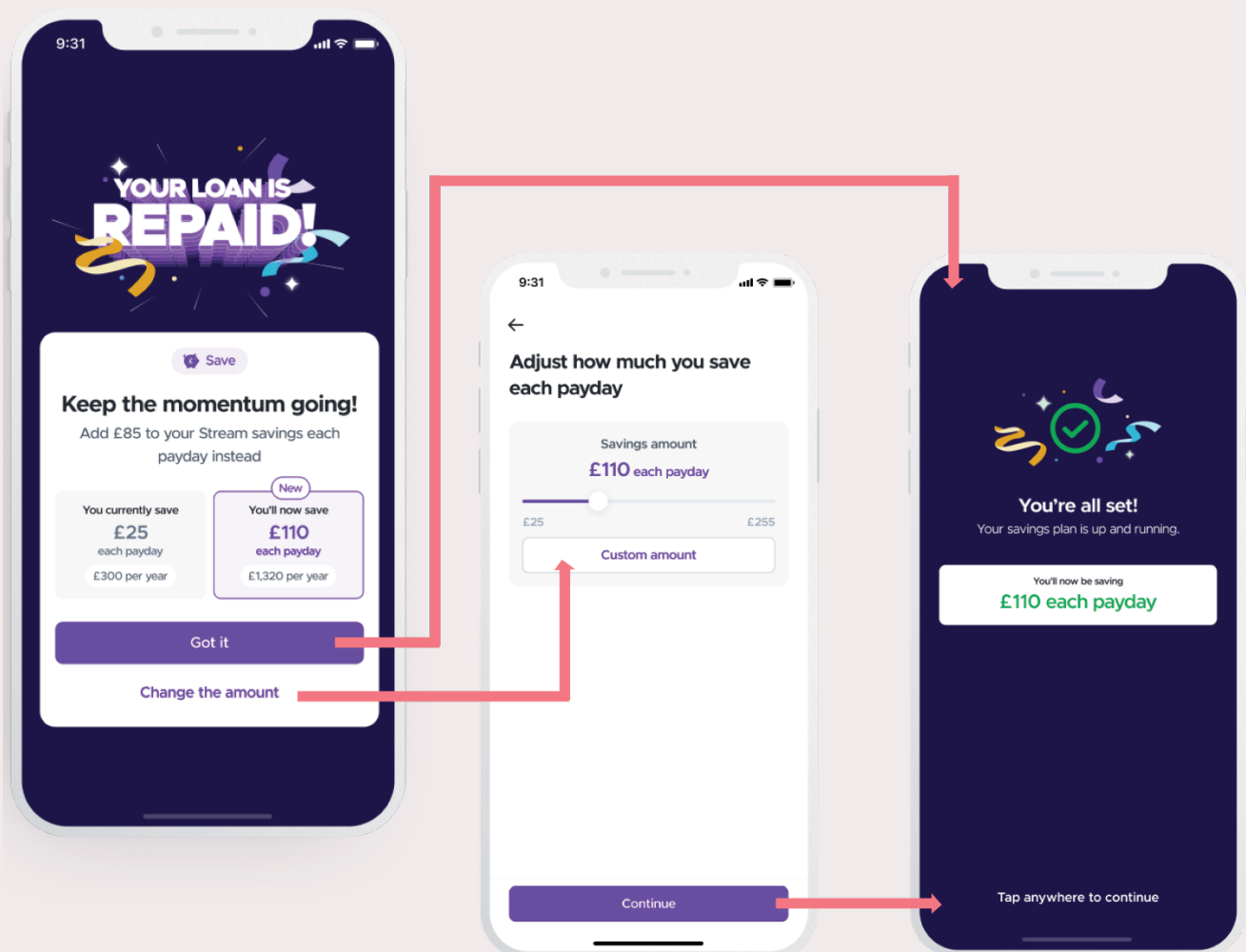
Nest Insight is working with Stream and researchers at Harvard University to trial a ‘transition to save’ active choice prompt. This trial tests whether people can be encouraged to save at the end of a loan, when they may experience a moment of ‘found money’ that no longer has to be used for loan repayments.

The treatment group receive an in-app pop up at the point they finish repaying their loan. Here they must make an active choice between:

- › **Redirecting their full loan repayment amount into savings:** this is set as the ‘default’ option, where all they need to do is click ‘got it’ to confirm.
- › **Adjusting this to:**
 - › **£0 (no increase).**
 - › **Any other value, higher or lower than the loan repayment amount.**

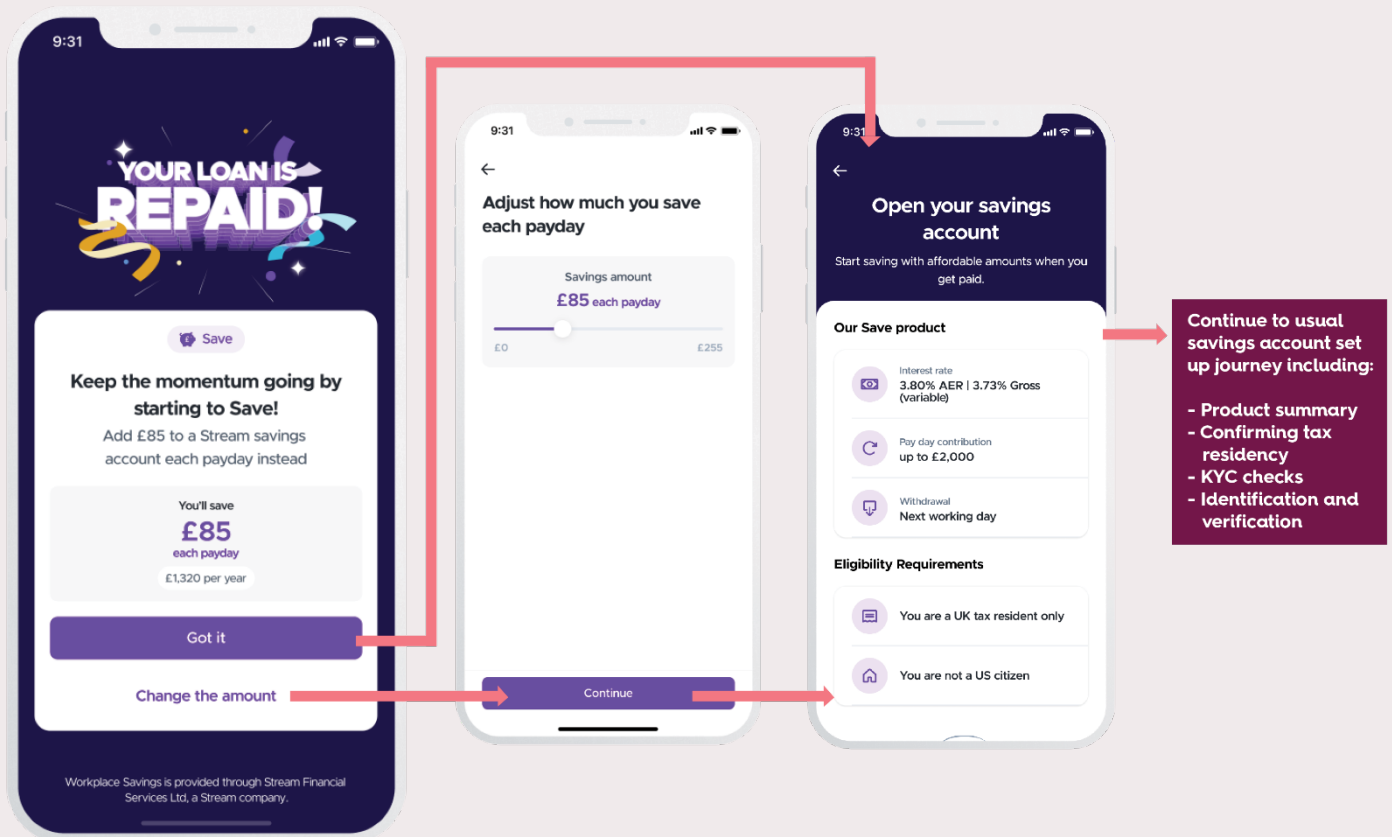
The journey differs depending on whether a user already has a savings account set up with Stream, if they do, then increasing their contributions can be done in as little as one click:

Existing savers journey



Whereas those who don't already have a savings account set up need to go through additional steps to open one before savings deposits can be made:

Non-savers journey



What we're seeing so far...

At the time of reporting, preliminary results suggest:

› **There is limited impact on getting more people to begin saving for the first time**

The prompt to transition to saving has very little effect on getting people to start saving if they weren't already doing so. This may partly reflect a 'ceiling effect'. Around half of Stream members already save, and prior nudges from Stream may mean many people who are willing or able to save with them are already doing so. This intervention may therefore have different effects in populations with lower baseline savings. It may also reflect that fact that people who were not previously saving need to go through additional steps to set up an account.

› **There is strong potential for initially increasing existing savings contributions - if people already have a savings account in place**

Stream's own analysis shows:

- › Among those with an existing Stream savings account, 78% increased their contributions immediately when prompted. For those who weren't prompted, change was far less common: at the time of publication, only 16% were contributing more than they were at loan repayment, with most (76%) making no change.
- › People who didn't have a savings account did not meaningfully increase their savings after being prompted.

Our trial analysis¹¹ also shows that the prompt initially increases contribution levels. In month 1, there is an average 37% (+£13.85) uplift per participant who received the nudge, compared to the control group.

People with existing savings account seem to drive most of this effect, with an average £20.31 increase in savings seen among this group.

Those without an existing account seem to respond positively to the initial active choice, but this doesn't carry through to saving, potentially due to the added friction of setting up an account.

› **But the saving behaviour change appears short-lived**

By month 3, there is no meaningful difference in contribution amount between treatment and control groups. Stream's internal analysis suggests that many participants reduce their savings level within the first month.

Stream have observed a smaller group of 'prompted' users who seem to sustain a higher savings rate over the course of 6 months than before loan repayment. We will continue to analyse participant's behavioural patterns, and who this type of prompt may work best for, as we continue the trial.

Implications for design

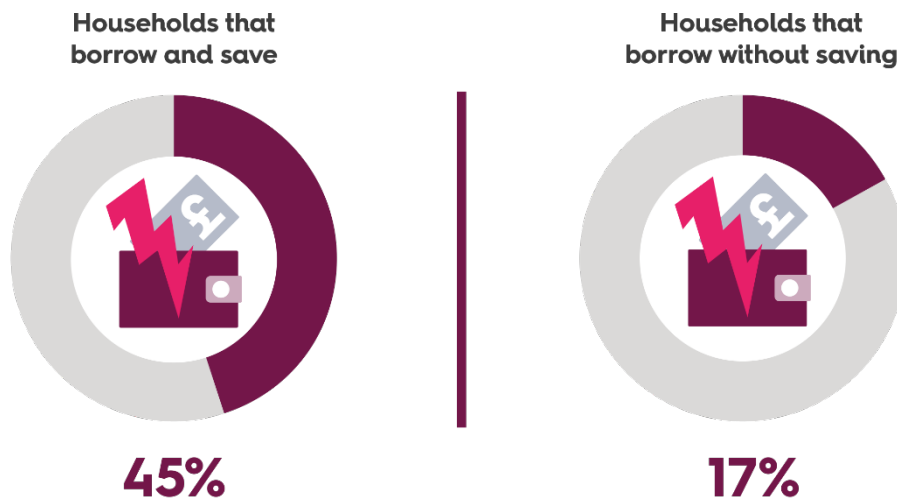
To translate this moment into sustained saving, 'transition to save' design may need to go further:

- › **Reduce friction, admin and decision-making for new-savers by starting earlier in the journey:** Setting up a savings account when the loan starts or during the loan term.
- › **Test more gradual or proportionate defaults:** This may be more sustainable than switching the full repayment amount at once.
- › **Support persistence specifically:** For example through ongoing, tailored prompts, flexibility, or adaptive contribution settings.

¹¹ Analysis took an intention-to-treat approach, comparing those who received the nudge (the treatment arm) to those that didn't (the control arm), regardless of how the user responded to the nudge.

2. Saving alongside borrowing helps people progress towards greater financial resilience

After accounting for other factors:



would be able to cover a £250 shock from their current account or savings account

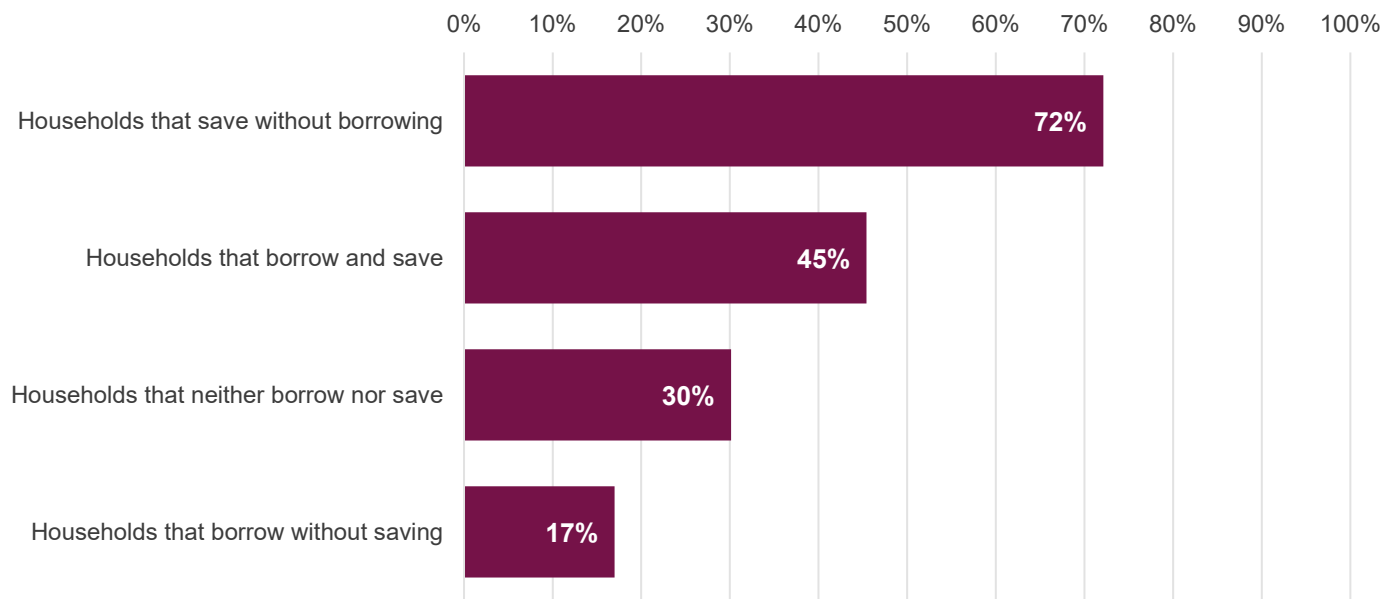
A joined-up approach appears to support greater day-to-day resilience and creates a pathway towards building more secure financial foundations over time. For some this may mean simply being able to better budget and manage cashflow, even if they are not able to build a balance. For others, savings can build to become a safety net for emergencies, or, over time a fund towards future goals. Each type of saving can be a valuable step towards greater resilience and control.

Joining up saving and borrowing support people to build greater resilience to financial shocks

All else being equal, people who save while repaying loans or credit obligations in ‘save as you repay’ models are more likely to cope with a financial shock than households that borrow without saving.¹²

¹² When controlling for age, income, gender, ethnicity. Source: Nest Insight survey of Low- and Moderate-Income Households in the UK, 2025.

Figure 4: Ability to cover a £250 unexpected expense, by borrowing and saving behaviour



Notes: Predicted probabilities from a regression model controlling for age, equivalised household income, gender and ethnicity.

Source: Nest Insight survey of Low- and Moderate-Income Households in the UK, who are in work or seeking employment, 2025. Base N = 4490, analysis N=3584

Data from our **‘transition to save – active choice’** trial supports this. The most common reasons to transition to saving were to build an emergency buffer, or manage volatility. We found that 42% of those who had increased savings with any provider since loan repayment feel more prepared to handle an unexpected financial shock since paying off the loan. This is compared to 16% who hadn’t changed their savings contributions at the end of their loan.¹³

‘Save as you repay’ models support different savings behaviours for people at different stages in a journey towards financial resilience

Saving isn’t solely about accumulating a savings pot that reaches a certain value. People bring different attitudes, objectives and behaviours with them to the products they have access to. In seeking to understand what might support people towards greater financial resilience, and how joined-up borrowing and savings products might be useful wherever people are on their resilience journey we have had to consider: what do people think their savings are for? What behaviours are they exhibiting and why?

Households whose starting point is a need to borrow may be at one of several points in their journey towards improved financial resilience:

- › **Budgeting and cashflow management:** Savings are for daily accounting, and are used often for regular living costs.
- › **Building a safety net:** Savings are earmarked for emergencies, and they are built steadily and used when needed.
- › **Working towards future goals:** Savings are earmarked for goals, and are actively maximised, left to grow and used strategically.

We observe these different behaviours and use cases amongst credit union members with a **‘save as you repay’** loan in our qualitative and survey research, as described below.

¹³ Nest Insight (2026). Survey of Stream’s Transition to Save trial customers (n=303).

Budgeting and cashflow management: households who use savings to meet immediate needs...

For some, joined up borrowing and saving products ease the day-to-day challenges of budgeting and cashflow management. But these households are less likely to keep saving after their loan ends, and more likely to take on additional credit.

Their relationship with borrowing and saving

- › Withdraws frequently if savings are accessible, or withdraws heavily once savings unlock or loan ends.
- › May stop saving altogether during the loan period if that is an option.
- › Saving may have been rule-driven, rather than self-directed in mandated saving models.

Who are they?

- › May not identify as “someone who saves”.
- › Likely to be very financially constrained.

I've used my savings to cope with bills or buying food.

Credit union member with a 'save as you repay' loan

About 20% of credit union members in the study whose loans allowed low-friction withdrawals were making six or more small (<50% of the previous months loan balance) withdrawals in the first 24 months of their loans. This use suggests that their savings are an important part of how they cover ongoing, day-to-day living costs.

Households at this stage may have limited resilience against shocks, but they still experience benefits of saving in a way that works for them. Although balances may not grow significantly, day-to-day challenges don't create as much stress as they used to. Being able to use savings for budgeting and cashflow management supports financial wellbeing, and is a step up from relying on credit. Each repayment and savings deposit moment – and even withdrawals – could reinforce their identity as a saver.

Around 1 in 5 households with **'save as you repay'** loans surveyed said they used their savings to cover everyday essential expenses. While this is not representative of all credit union members, or households who independently hold savings alongside their use of credit, it echoes findings from other areas of Nest Insight research. Data from trials of opt-out payroll-linked savings solutions suggests that a considerable proportion of people, roughly 1 in 4, do not accumulate significant balances, perhaps because they are saving but frequently tapping into their account to meet their liquidity needs.¹⁴

This pattern of high-frequency withdrawals and smaller, lower-frequency deposits often continues after the loan has ended. This appears to be driven by the usefulness of having an easily accessible solution to recurring liquidity challenges, and in some cases, the automated nature of the savings feature. People see it as helpful and convenient.

However, households in this group also tend to continue to make withdrawals at a similar rate after the end of the loan. Although this helped households feel more in control of their day-to-day expenses, it means that their savings balances do not grow to a more protective level that could be used to weather emergencies or prepare for larger, foreseeable expenses. Across the credit unions in our study, households who primarily used their savings for routine living costs held median savings balances of £0.80-£4.00 at the end of their loans. Those who withdraw from their savings more often were also slightly more likely to take out extra borrowing during their initial loan.

¹⁴ Nest Insight (2025). [Easier to save](#). Opt-out payroll savings: a powerful, popular and inclusive way to support new saving. p.41

Because it goes straight to them, I don't miss it... I budget around what I get after.

Credit union member with a 'save as you repay' loan

Households using joined-up borrowing and saving products to manage day-to-day expenses spoke about the efficiency of being able to make two transactions at the same time without having to deal with additional admin. Knowing that the savings are there and readily available supports them to smooth consumption.

For households in this category, the monthly pattern looks like:

1. **Transaction day:** Their loan payment is deducted and received by lender, and at the same time their savings contribution is deposited into their savings account.
2. **Budgeting:** Households plan living expenses around 'what's left', but keeping their savings balances in mind as being available to supplement if necessary.
3. **Withdrawals from their savings:** Accessing their savings later in the month, particularly when they've experienced income volatility or higher than expected costs for day-to-day expenses.

Building a safety net: Households who save enough for a buffer but also experience debt cycles

For some, using a joined-up borrowing and saving product helps them build a small emergency buffer. Their objective shifts from managing day-to-day to accumulating a balance that can be used to manage unexpected shortfalls or shocks.

Their relationship with borrowing and saving

- › Makes withdrawals to cope with expense spikes and/or income dips.
- › Net balance may stay broadly flat over time.
- › Use savings as short-term shock-smoothing, but may not get to accumulation.

Who are they?

- › Saving may feel functional, rather than aspirational.
- › Often juggling ongoing pressures.

I put money in, but then something comes up and it goes back out.

Credit union member with a 'save as you repay' loan

These households reported using these emergency savings for minor shocks such as unexpected expenses for their children, or higher than expected energy bills. They also used their savings to smooth predictable spikes such as birthdays and Christmas as well as budget shortfalls. Many reported that without savings, they would rely on support from their families to cover these costs.

For many credit union borrowers, the size of buffer built remains modest, but useful for coping with minor shocks. While these small savings buffers may not be sufficient to cover larger shocks, they provide an important stepping stone towards building more substantial savings over time.

Households with **'save as you repay'** credit union loans built a median savings buffer of £59-£95 by the end of their loan term, varying across models. Those who had a loan-only product saved a median £1 by the end of their loan terms.

Many of these households could potentially be saving more. Those who view their joined-up borrowing and savings products as a way to build an emergency savings buffer (rather than meet regular living costs) are often likely to be capable of saving more than most defaults or minimum deposit requirements ask of them. Designing in higher default saving amounts to boost savings may support households to reduce their 'cycling' between saving and borrowing, and begin building towards their longer-term goals.

Working towards future goals: households who build long-term savings

For some, **'save as you repay'** approaches help them to build longer-term savings, powered by continued saving after their loan term ends, or continued access to joined-up borrowing and savings products when they have needed a loan later on.

Their relationship with borrowing and saving

- › Continues making deposits post-loan.
- › Withdraws little or not at all.
- › Balance grows steadily over time.

Who are they?

- › Often already had some saving confidence.
- › Motivated by seeing balances rise.
- › More likely have a loan with a higher required savings contribution.

I put money in, but seeing it go up makes me want to keep it there.

Credit union member with a 'save as you repay' loan

We found that a smaller group of credit union members who saved alongside their loan repayments continue to accumulate larger savings buffers over time and are likely to keep saving after the loan term.

This does not mean that they never borrowed again. At the moments they did need to borrow, they had an integrated borrowing and saving product and used it to build momentum on their savings. They have had a long, nearly uninterrupted run of saving.

After the loan term ends, outcomes are varied

After their loan ends, savings balances tend to grow very little for most people who experienced the credit union **'save as you repay'** model. The median balance for credit union members in the study increases by less than £5 over the following year, with people withdrawing from previously locked savings pots, despite continuing to make deposits. This is still more than among households that do not save alongside their loan repayments, whose balances remain close to zero. Average balances, on the other hand, rise by much more – £117-£284. This suggests that a small number of people keep saving and build up large buffers, while most do not.

For some, having larger savings balances helps reduce their need to borrow, further boosting their financial resilience. As one longer-term saver explained: 'They [the lender] ringfenced that amount that I had in savings,

and said, 'Well, instead of borrowing £3,000, borrow £2,000. Because you've already got £1,000 there. And it brought down the amount that I had to borrow, which was a positive.'

In another example, a borrower in the **'transition to save'** trial built up a savings buffer of over £4,000, for the first time while borrowing. When he experienced a bereavement, he was able to use his savings to completely cover the costs of the funeral and travel expenses. This meant he did not need to take on any additional credit at a highly stressful moment.



Now I'm preparing myself... not to pay debt, but to build something for the future...
In my head I can restart again because I've already done that.

Borrower in the 'transition to save' trial

3. Joining up borrowing and saving can support small steps that improve broader wellbeing

Since taking out a 'save as you repay' loan:



People who save alongside borrowing in low- and moderate-income households are:



Even small amounts of saving alongside borrowing can ease financial stress and improve wellbeing. Savings buffers built whilst borrowing can act as a protective factor to mental health during financial shocks. These wellbeing gains may help people keep saving and building resilience over time, and could translate into wider economic benefits.

Saving is emotional as much as it is financial. For people on low or unpredictable incomes, financial stress often shows up in everyday ways like worrying about bills, struggling to concentrate, or losing sleep. The act of saving itself, even when balances are small, can help ease some of this pressure. People often described their savings as a “light at the end of the tunnel”, even when balances remained relatively small.

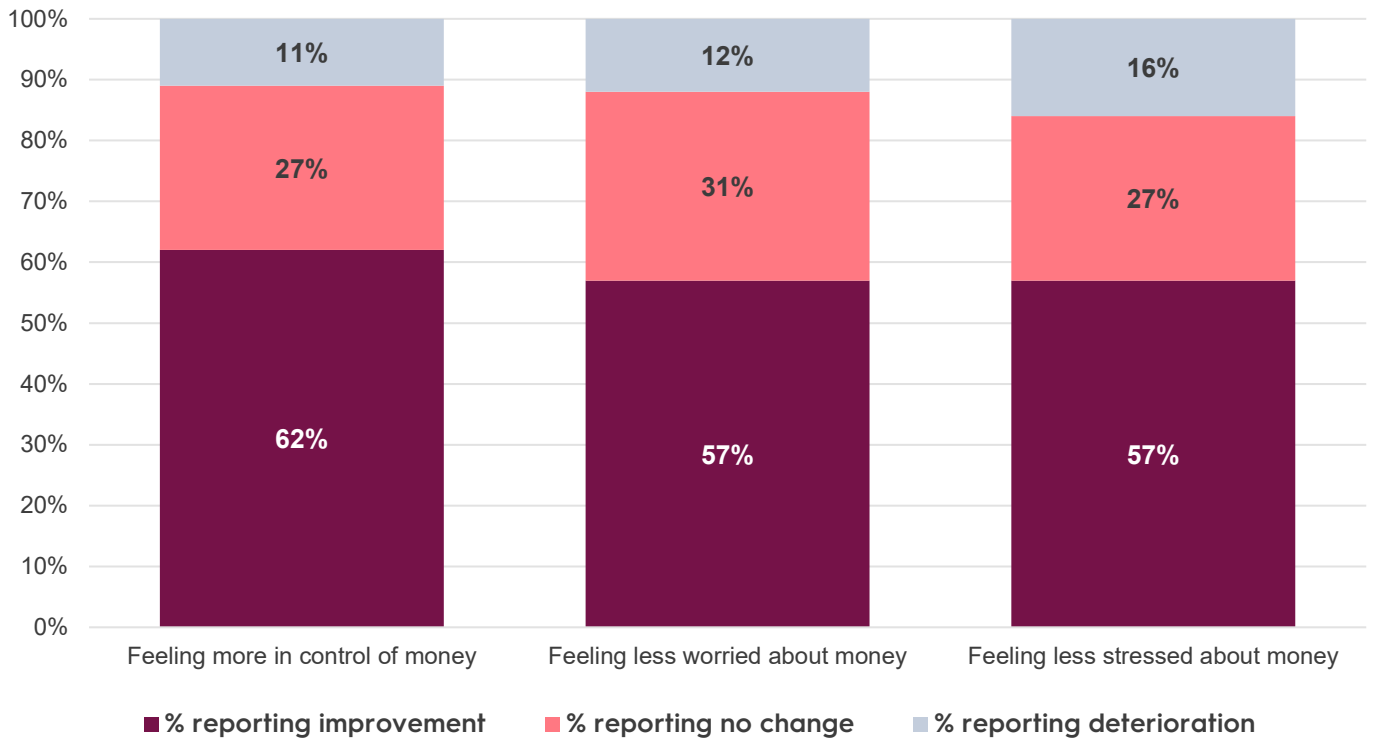
The harms associated with low financial resilience can be immediate and cumulative. For some people, a short-term liquidity crisis can quickly translate into missed bills or rent arrears, increased reliance on high-cost credit, and growing financial exclusion, through not having access to appropriate and affordable products and the erosion of their credit score. Their need to borrow increases, while they appear progressively less creditworthy to mainstream lenders. These financial pressures are often accompanied by deteriorating mental health and can place people on a path towards longer-term negative outcomes.

¹⁵ Nest Insight (2025). Survey of 'save as you repay' Credit union members (n=460).

¹⁶ Survey of Low- and Moderate-Income Households in the UK (n=4,490).

Our credit union member survey findings demonstrate that saving alongside borrowing could increase people’s sense of control over their finances, and reduce worry and stress, helping them feel better able to cope with day-to-day demands.

Figure 5: Self-reported wellbeing changes among credit union members since taking out their ‘save as you repay’ loans



Notes: Improvements are reported descriptively alongside loan repayment, and should not be interpreted as causal effects of 'save as you repay' alone

Source: Nest Insight survey of 'save as you repay' credit union members (n=460)

We hear similar experiences qualitatively from borrowers who transitioned into saving in our trial. Ongoing research will explore these wellbeing changes over time, using longitudinal data and a comparison group to better understand how experiences differ for borrowers who do and do not save alongside repayment.

Wellbeing gains can support longer-term savings behaviours

Improvements in wellbeing matter immediately in their own right, and they may also play an important role in shaping future financial behaviour. Feeling less stressed, more confident, or more in control can make saving feel more achievable.

Throughout our qualitative research, we also heard how saving alongside borrowing can improve people’s sense of optimism about their financial future. Individuals described feeling more hopeful, capable, or reassured once saving had begun, even when early balances were small.

Having even just a small pot of savings gives us that little bit of hope that we can do it... even if you save the smallest amount. Although we're really struggling, there is still that pot, even if it is only £40, but that's the potential to put four days' worth of meals on the table, for the children if we absolutely need it to.

Credit union member with a 'save as you repay' loan

This matters because a growing body of evidence suggests that optimism is closely linked to savings behaviour over time. Research¹⁷ shows that people who are more optimistic about their future are more likely to accumulate savings, and that this relationship is particularly strong among households on lower incomes, where barriers to saving are greatest. Optimism appears to support persistence helping people to keep saving even when progress is slow or financial pressures remain.

In this way, the wellbeing effects of joined-up borrowing and saving may help lay the foundations for longer-term savings behaviours, initiating a virtuous cycle. By supporting optimism and confidence, saving alongside borrowing could enable people to continue saving beyond the loan term itself, gradually building larger savings buffers and strengthening financial resilience over time.

Savings buffers built whilst borrowing can act as a protective factor to mental health during financial shocks

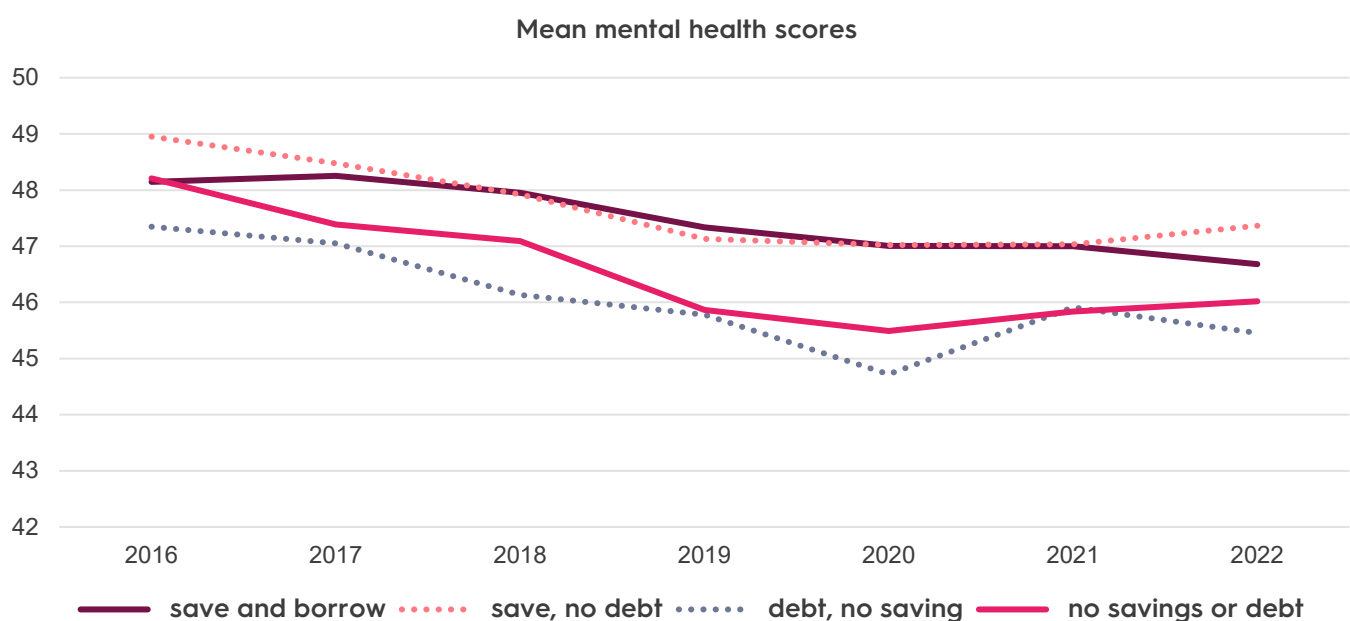
As we've seen, persisting with saving over time allows people to begin building savings buffers, even if balances remain relatively small at first. These buffers can play an important protective role when financial shocks occur. Many households experience shocks not as isolated events, but as compounding pressures that affect both their finances and their wellbeing.

Having some savings available does not remove the shock itself, but it can soften its impact, helping households to cope without the same escalation of stress or anxiety. We see this in our nationally representative survey: those who were borrowing and saving were half as likely to experience mental health deterioration from financial shocks than those who were not saving alongside borrowing.

Across our wider research we see that having larger savings buffers is associated with higher levels of wellbeing and life satisfaction, and a lower likelihood of experiencing issues such as loss of sleep or difficulty concentrating.

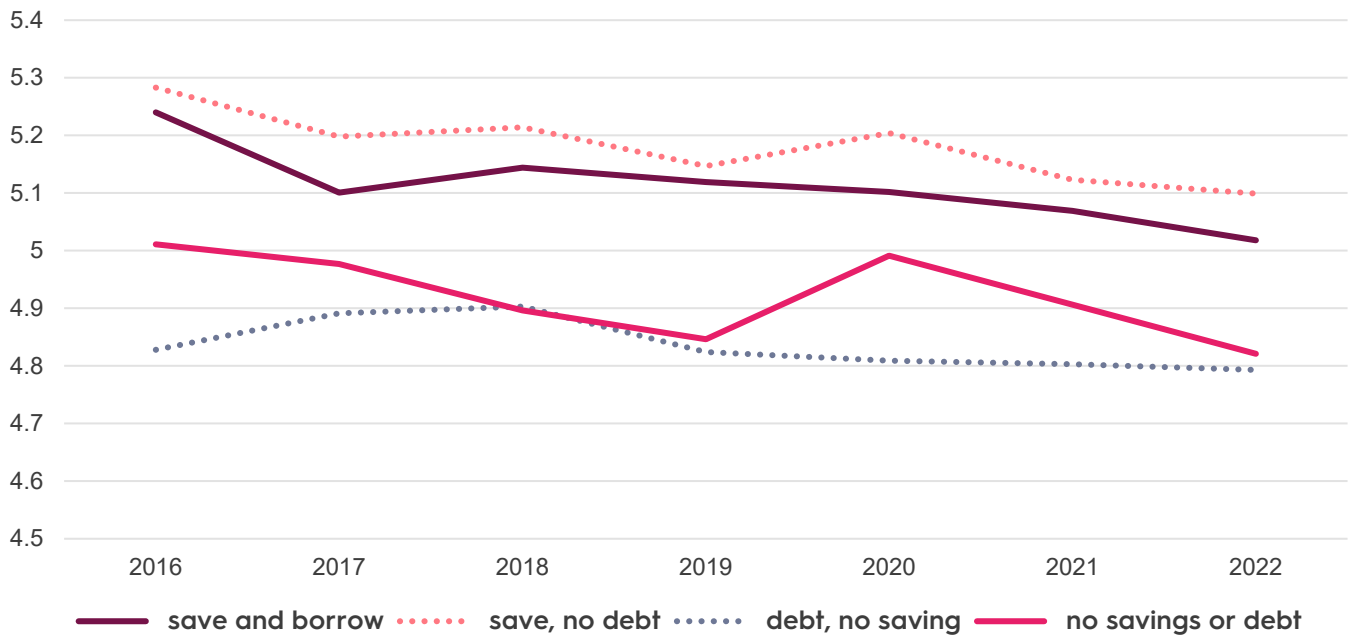
This protective relationship between savings and wellbeing may help reduce the longer-term wellbeing gap associated with debt, even many years after the loan period itself. Looking back over several years, people who were saving alongside borrowing in 2016–17 report levels of life satisfaction and mental health in 2021/2022 that are much closer to those of people with no debt who were saving.

Figure 6: Mean mental health and life satisfaction scores over time, by borrowing and saving status in 2016/17



¹⁷ Gladstone, J. J. & Pomerance, J. (2025). **A glass half full of money: Dispositional optimism and wealth accumulation across the income spectrum.** *Journal of Personality and Social Psychology.* 128 (1). Doi: [10.1037/pspp0000530](https://doi.org/10.1037/pspp0000530)

Mean life satisfaction scores



Notes: Mental health measure uses the SF-12 score. Life satisfaction measure uses the sclfsato variable, a 1-7 scale. The scores are observational, with no additional controlling for other factors. Individuals are grouped based on their borrowing and saving status in wave 8 (2016/17). They are classed as borrowers if they have any of the following: hire purchase agreements, personal loans, catalogue or mail order, DWP/SSA social fund loan, other loans from private individuals, overdrafts, other types of debt (excluding mortgage & student loan debt).

Source: Nest Insight analysis of Understanding Society (UKHLS), waves 8 (2016/17) to wave 14 (2022/23) n= 4,577

Joined up borrowing and saving products can help households manage with less stress, but ‘just in time’ access to savings is key to preventing people from turning to more harmful routes

Having access to your savings during your loan term can be the difference between weathering a shock, or being set back even further. Our research suggests that joined-up borrowing and saving solutions can support some households to reduce their reliance on high-cost credit over time. For these households, these integrated products improve the quality of options available to them and improve their ability manage short-term financial pressures.

Among credit union members in the study who experienced a major life event or financial change while repaying their loan, one in ten reported using their savings to cope with the event, whilst only 3% reported taking out higher credit (payday loans, buy-now-pay-later products, unarranged overdrafts, peer-to-peer lending or retail credit).

This pattern is also reflected descriptively in our nationally representative UK survey data. Borrowers who save alongside their loans appear to rely less on credit based coping strategies when faced with a financial shock. Those who save while borrowing are around half as likely to report by applying for a new loan or extending an existing one, compared with borrowers who do not save alongside their loans. They are also less likely to use other coping mechanisms that carry additional costs. For example, 4% of borrowers who save alongside borrowing reported postponing bill payments or negotiating payment terms, compared with 17% of those who only borrow. Similarly, 14% reported taking out credit card debt or increasing borrowing on an existing card, compared with 20% among borrowers who do not save alongside their loans.

Table 1: Coping mechanisms used in face of a financial shock

	Households that save alongside borrowing	Households that do not save alongside borrowing
Postpone bill payments or negotiate payment terms	4%	17%
Take out credit card debt or increase borrowing on an existing card	14%	20%

These differences may also reflect underlying characteristics of households who save, rather than the effects of saving itself.

Building saving buffers via joined up approaches to borrowing and saving could translate into wider economic benefits

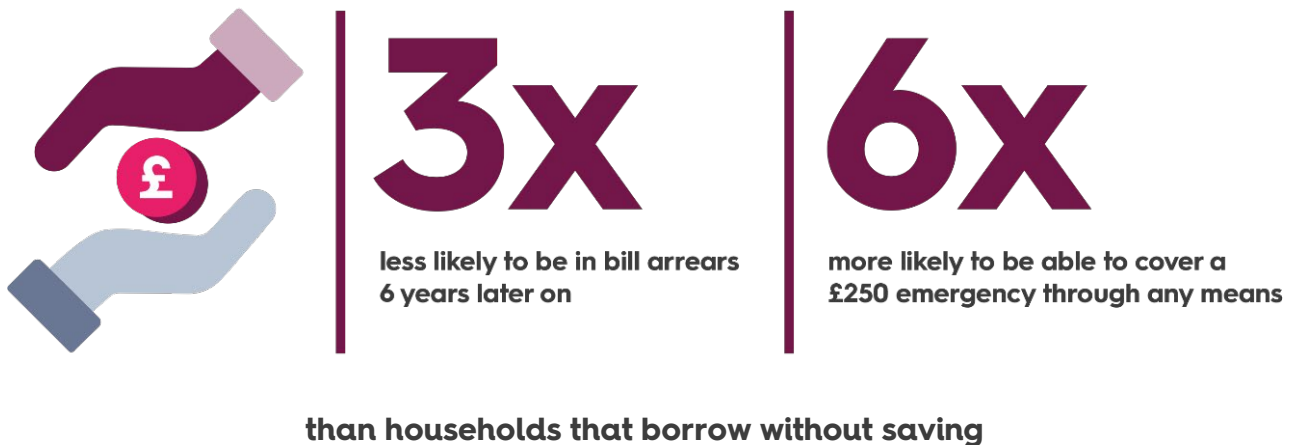
Improvements in financial resilience via savings and resulting wellbeing outcomes matter not only for individuals, but also for the wider economy, as set out in the introduction to this report. Emerging findings from our economic research suggest that savings buffers can reduce pressures on public services and improve outcomes in the workplace.

A lack of a savings buffer appears associated with higher use of health services, including more frequent GP visits, reflecting the close link between financial strain, stress and health. Low savings buffers are also linked to reduced productivity, with people experiencing fewer good days at work when they are worried about money or struggling to manage day-to-day finances.

While evidence on the return on investment from improving financial resilience is still emerging, these pathways highlight the potential economic value of interventions that support saving and wellbeing together. Understanding the scale of these impacts, and the contribution that borrowing and saving solutions could make, remains an important focus for future research as this evidence base develops.

4. Saving alongside borrowing isn't irrational – this behaviour can be a demonstration of sophisticated financial capability within constrained contexts

After accounting for other factors, households which borrow and save are:



Many borrowers choose to allocate money to building a cash savings buffer rather than using it to pay off debt as quickly as possible. Having some savings gives greater control and peace of mind, which is often valued above the option of saving some money on a loan by paying it back more quickly.

People at all income levels save while they borrow to feel in control and build financial security

For households living on low and moderate incomes, traditional routes to financial wellbeing are often less accessible. Households that lack resilience and take out a loan to cope with a financial shock have dealt with the immediate need but may have no way of dealing with the next shock because they face uncertainty about being able to borrow again. So rather than prioritising paying off the loan they've secured as quickly as possible, they may choose to use the loan term to build up savings that soften the impact of smaller day-to-day needs or become a buffer against future shocks. We've seen that this decision can become easier for households to make when it is one journey, built into the design of the original loan.

Higher-earning and more resilient households are more likely to prioritise and have access to 'optimal' (though not always inexpensive) options in the event of a financial shock such as an overdraft or credit card, affordable credit from a selection of mainstream lenders, or savings to draw from and replenish. It's also common for them to hold some form of savings alongside their borrowing at similar rates to those with lower resilience. Around a third (35%) of low- and moderate-income households with higher resilience (who would be able to cover their living costs for three months or more if they lost their main income source) still save alongside borrowing. Wealthier or more resilient households do not typically stop saving into their ISA or pause their pension contributions while paying off their mortgages, clearing their credit card balances that have carried over from the previous month, or addressing other unsecured debts. Four in ten households (40%) in the top half of incomes which are in debt also have some savings, compared with around three in ten (27%) in the bottom half

of incomes.¹⁸ Co-holding and making trade-offs between minimising debt and building financial security are part of active money management.

Holding savings alongside credit commitments is especially reassuring for households that may not feel confident of being able to borrow again in the future

That [requirement to save] gave me reassurance... that I was being taken care of, taken seriously...

Credit union member with a 'save as you repay' loan

Millions of low- and moderate-income households experience budgeting and cashflow management as a primary concern, and are choosing from a limited, and less favourable market of options to cope when they need money. They may have less affordable or no borrowing options, are more likely to have experienced problem debt, or may have an irregular earning pattern that makes a traditional monthly repayment plan challenging to manage.

Low- and moderate-income households that borrow without saving are significantly more likely to be concerned about having a poor credit history (26% vs 8%). That concern is often based on experience—they are about 2.5 times as likely to have been declined for a loan in the past year than households that save while they borrow (26% vs 10%).

Joined-up borrow and saving solutions could therefore be a way to meet a need for accessible credit, while finding ways to be better prepared for future shocks. This reframes the behaviour from one of irrationality to one of pragmatism in a context of limited resources and which may not offer them an ideal suite of tools or circumstances in which to build their resilience.

Saving alongside borrowing can help disrupt debt cycles

Our analysis of long-term borrowing outcomes (when controlling for other factors) suggests that the greatest predictor of having debt in the future is having debt today. And saving alongside borrowing appears to disrupt that debt cycle.

Having savings also appears to provide long-term protection against later debt. All else being equal, people who saved alongside borrowing in 2016 were 3 times less likely to be in bill arrears 6 years on, compared to those who were borrowing but not saving in 2016. Put another way: 1 in 25 cohorters (from 2016) are expected to be in bill arrears in 2022, compared to 4 in 25 borrowers who had no savings in 2016.¹⁹

These savings also protect against current debt and arrears problems: we expect about half of low- and moderate-income borrowers without savings to have missed a payment in the past 6 months. This drops to about a third of those who do save while repaying loans.²⁰

We also found that those households were somewhat less likely to be borrowing at all six years later. 55.5% of borrowers who saved alongside in 2016 were expected to be borrowers in 2021/22, compared to 59.4% of those who did not save alongside.²¹

¹⁸ Here, debt is any sort of financial debt (excluding student loans and 'transitory' credit card debt that the respondent expects to pay off before their next bill) or bill arrears. Savings are any amounts held in savings accounts, ISAs, NS&I products and informal savings. Source: Resolution Foundation analysis of the [Wealth and Assets](#) survey.

¹⁹ Predicted probabilities following cross-sectional probit model estimation. Controls include age, sex, couple, ethnicity and log equivalised household income. Source: Nest Insight analysis of 2021/2022 Understanding Society data.

²⁰ Nest Insight (2025). Survey of Low- and Moderate-Income Households in the UK.

²¹ Predicted probabilities following cross-sectional probit model estimation. Controls include age, sex, couple, ethnicity and log equivalised household income. Source: Nest Insight analysis of 2021/2022 Understanding Society data.

People understand the potential trade-offs of borrowing alongside saving

There's a starting framework for viewing saving alongside borrowing which assumes that households should assess the trade-offs as follows:

- › Interest on the loan versus interest on savings – *'You shouldn't pay more interest on your loan than you'll earn in interest on my savings.'*
- › Paying off the loan quickly vs paying off the loan slowly – *'Your biggest priority should be eliminating your debt as fast as possible.'*

We have found that low- and moderate-income households' decision-making contexts often require more nuance and flexibility than this framework suggests. This way of thinking assumes that any available 'spare' resources would be allocated to reducing debt. Some households do make this choice, because it works best for them, and the loan design makes it easy:

I needed a loan to get some adaptations done... because of my ill health... so I did that and now the money comes directly every 4 weeks out of my PIP, so that way I know it's covered. I live within my means and coming towards the end of the loan I use whatever's in the savings to clear the loan early.

Credit union member with a 'save as you repay' loan

But many households with lower financial resilience and more stretched circumstances meet their most pressing needs by putting that money towards managing expense spikes and income dips. As described earlier, households that manage every pound closely understand that, in some cases, it may take them longer to pay off their loan and it may cost a bit more as a result if they save alongside borrowing.

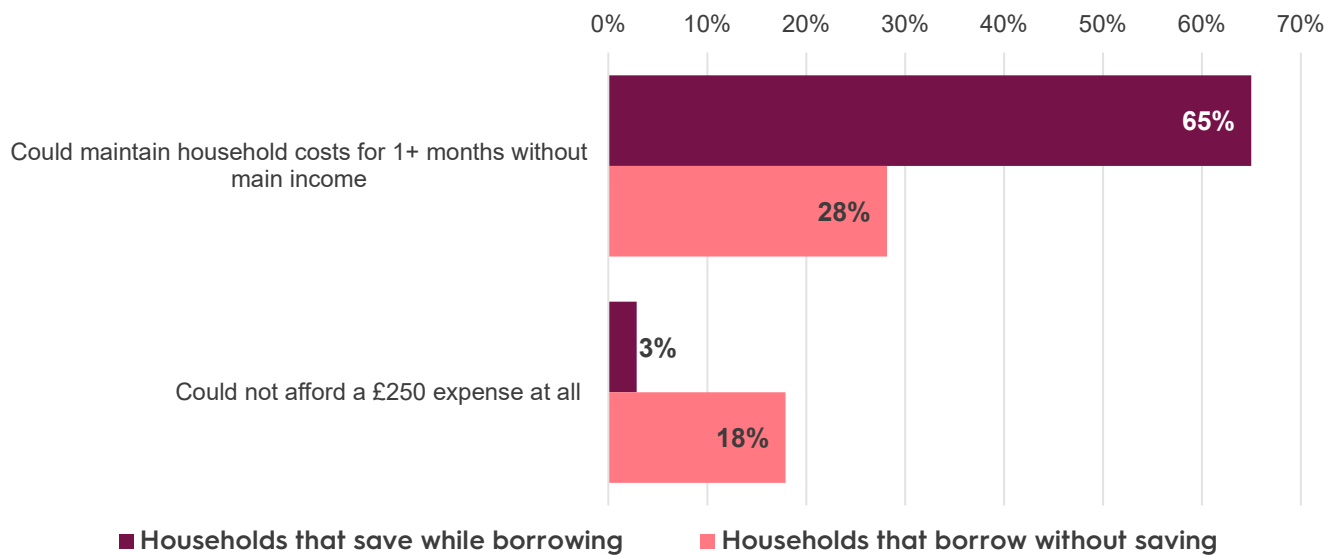
All households need solutions that meet them where they are, and pushing people to a single 'rational' path in which they are encouraged to always pay off even a higher-cost a loan before saving may not ultimately leave them more able to manage financial shocks. Real-world needs and constraints trump optimal sequencing, especially for those with lower resilience.

The financial resilience benefits of having a savings buffer often outweigh the potential costs

As we've seen earlier in this report, households that save while borrowing are more able to absorb financial shocks, and experience better mental health, relational and labour market outcomes. These benefits can outweigh the potential additional costs of saving alongside borrowing.

In the face of a £250 unexpected expense, households that borrow and save are nearly three times more likely to rely on their savings or current accounts. Households who don't save alongside borrowing tend to rely more heavily on informal and high-risk coping mechanisms – and are 6 times more likely to report not being able to afford the expense at all. They are also report being significantly less able to withstand an unexpected loss in income.

Figure 7: Resilience against income shocks for those that save alongside borrowing, after accounting for factors



Notes: Predicted probabilities from a regression model controlling for age, equivalised household income, gender and ethnicity.

Source: Nest Insight survey of Low- and Moderate-Income Households in the UK, who are in work or seeking employment 2025. Survey base N = 4490

Beyond this, households that save while borrowing report fewer negative spillovers when shocks occur. Shocks are around half as likely to affect their mental health. And they are less likely to report impacts on their relationships, work and productivity. People’s sense of their financial circumstances is also better. Even after accounting for other differences between households, those that save while borrowing are about 28 percentage points more likely to describe themselves as ‘living comfortably’ or ‘doing alright’ compared to those who borrow without saving.

The model could benefit lenders too – people who save alongside borrowing are less likely to miss loan repayments

We found that these benefits to households do not appear to come at the cost of credit repayments.

Only 1 in 10 households who save alongside borrowing find keeping up with their bills and repayments to be a heavy burden, vs 4 in 10 households who borrow without saving.

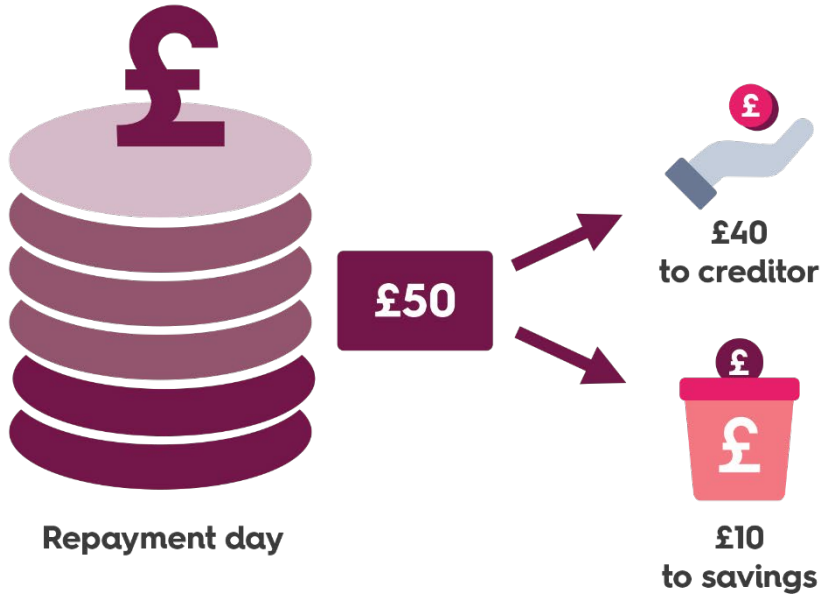
Households who save alongside borrowing are less likely to have missed or fallen behind on bills and credit repayments in the past 6 months (33% vs 51%).

Not all models of joined-up borrowing and saving products come with a higher cost to the borrower

The difference lies in the design, and whether the amount taken for repayment is split to include some savings over a longer period or where a savings amount is added on top during the loan term. The illustrative scenarios below depict two potential approaches (and serve as worked examples rather than generalisable rules). Scenario one outlines a traditional view of a borrowing and saving model and the additional costs that households might incur in some cases. Scenario two outlines how households more commonly experience borrowing and saving, whether they’re using a product designed to join up these behaviours or managing their loan and their savings on their own.

Example: A £500 loan at 19% interest

Scenario 1



Customer has been approved for a £50 loan repayment each month. Part of the monthly repayment is diverted to savings.

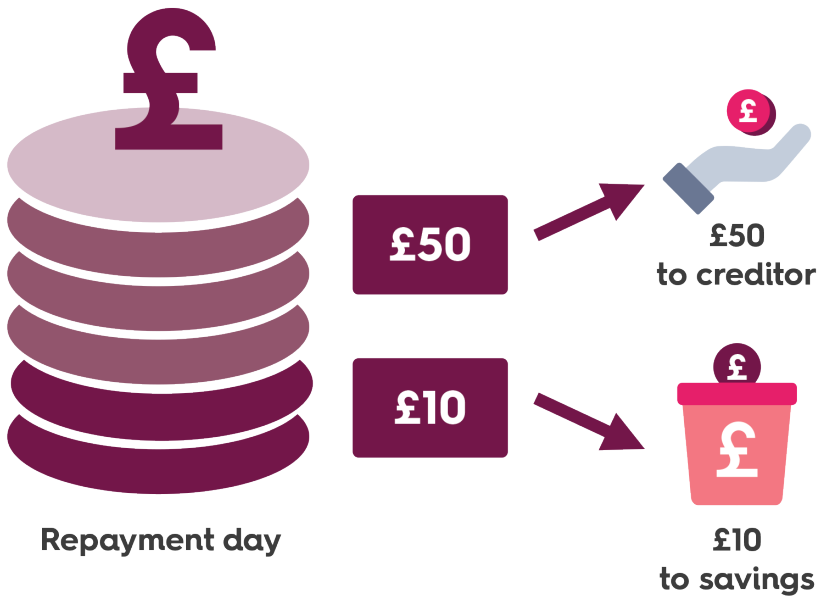
Total cost of the loan: **£561.57**

Interest total: **£61.57**

Loan duration: **15 months**

Savings (2.75%): **£152.78**

Scenario 2



Customer has been approved for a £50 loan repayment each month, and the design enables an additional £10 savings deposit at the same time.

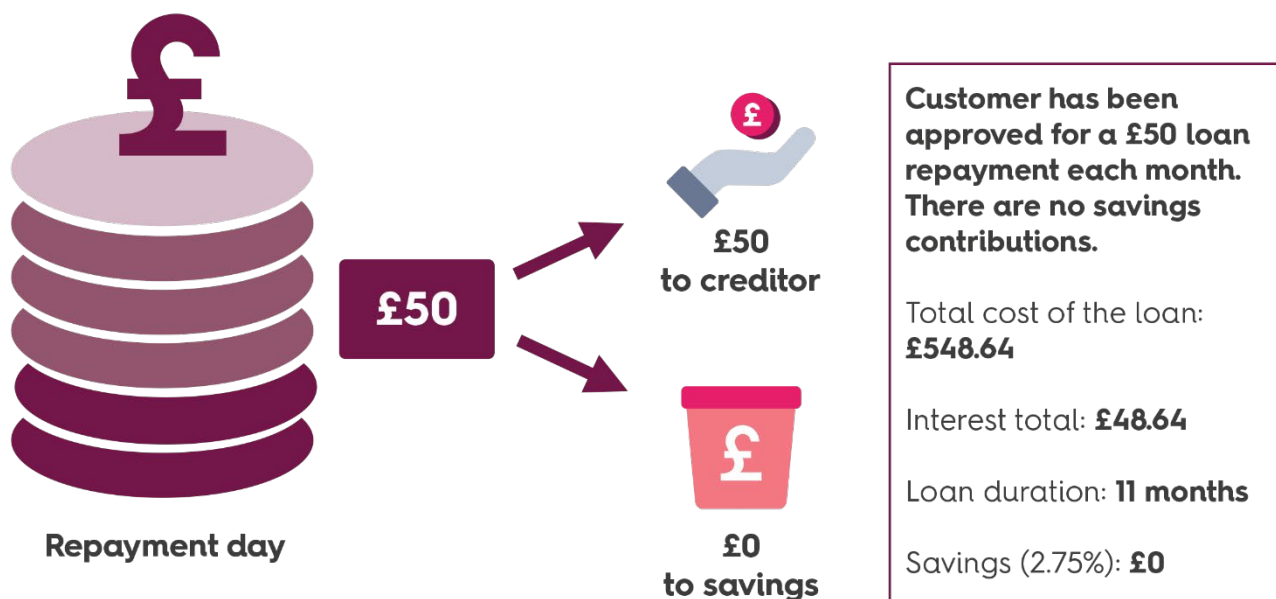
Total cost of the loan: **£548.64**

Interest total: **£48.64**

Loan duration: **11 months**

Savings (2.75%): **£111.52**

Scenario 3



In scenario 1 the loan costs more and takes longer to pay off. In scenario 2 the customer saves on top of the approved repayment amount, meaning the loan is paid off quicker and costs less.

Even where a household might have a loan and the model of scenario one, overall the additional costs in interest as compared to a shorter-term loan in scenario two works out to about 86p per month. Just as importantly, when that household experiences another financial shock after this loan term they may be better placed to recover, having over £150 in savings to draw from. In scenario 2 the household has been assessed as being able to afford the same £50 loan as the scenario one household, however the design has also enabled £10 savings deposit to be made at the same time on payment day rather than with deducting this amount. In this design, the £50 repayment amount works for both the lender and the borrower, as in scenario 1 (i.e. commercially viable and affordable). The additional £10 that may otherwise be spent right away has been allocated to savings which can either be used towards paying the loan, meeting immediate household needs or preparing for future shocks. As long as the savings are accessible the additional saving deposit can be considered 'affordable' on top of the approved repayment amount, because it can be accessed if needed.

And the additional costs to households disappear entirely in 'transition to save' models, where people only begin to save after their loan term ends. An 'offset loan' model would also address this, as loan interest would only be paid on any amount above the savings held. We are keen to explore this in future research.

Conclusion and next steps



Conclusion and next steps

Solutions that integrate savings into a borrowing journey have high potential to boost financial resilience if adopted more widely

This work brings together quantitative research and analysis, evaluation of administrative data from existing models in the credit union sector and early results from three new real-world trials. Together this evidence demonstrates the potential of more systematically linking saving with loan journeys:

1. Joining up borrowing and saving can support people to become savers for the first time, including those who have previously struggled to save.
2. Saving alongside borrowing helps people progress towards greater financial resilience, including supporting different types of savings for people at different starting points – from budgeting and cashflow management to building a buffer to cope with financial shocks to saving towards goals.
3. It can also support small steps that improve wellbeing, including people feeling less stressed, more confident and more in control and acting as a protective factor to mental health during financial shocks.
4. Saving alongside borrowing isn't irrational – this behaviour can be a demonstration of sophisticated financial capability within constrained contexts.

Solutions that join up borrowing and saving are not currently widespread outside of the credit union sector, although we note two recent encouraging examples of mainstream market adoption beyond the approaches researched and piloted by Nest Insight:

- › Informed by their involvement in this work, Stream has implemented a **'save as you repay'** model for all loan customers (see case study below).
- › Monzo now offers a credit card, called FlexBuild, which is designed for customers who struggle to access credit due to a low or limited credit score. As well as providing access to small, manageable credit limits, Flex Build helps customers build a track record of on-time repayments and progress to mainstream credit over time. In 2025, Monzo introduced a version of Flex Build with a one-time interest-earning deposit that partially secures a small initial credit limit of up to £250. This enables them to widen eligibility for Flex Build. The digital bank has received positive customer feedback regarding the deposit, with early customer research suggesting that customers value the interest-bearing-deposit as a safety net, and they are considering what this might mean for the wider role that joining up saving with borrowing could play.

Case study – Stream's 'save as you repay' rollout

Stream have recently developed a prompt-based **'save as you repay'** feature based on evidence from their prior collaboration with Nest Insight on our Emergency Savings trials and the lessons learnt while implementing current **'transition to save'** trials. They also acted on the direct feedback from users, who have a strong interest in both savings and loans. People told them that they value saving as a way to build longer-term resilience, and feel proud when they save, but often need a simpler way to get started. Offering a savings option at the point of taking out a loan uses a moment of high engagement to support positive, ongoing saving behaviour.

The feature is now available across Stream's client base of more than 2,000 employers, covering hundreds of thousands of UK workers. Loans and savings remain distinct products, each with their own eligibility criteria, terms and product information. The focus is on simplicity: members are prompted to 'round up' their loan repayment into a Stream Save account, with three preset amounts and a one-click 'no thanks' option, making it easy to opt in without pressure.

Members can change, pause or stop contributions at any time and withdraw savings by the end of the next working day. They receive a pre-payday email confirming upcoming loan and savings amounts. Among all new Stream users, 40% already open a savings account straight away. The new **'save as you repay'** feature encourages 36% of existing savers to save more, and introduces 13% of previous non-savers to saving for the first time.

The potential impact of increasing access to joined-up borrowing and saving solutions is significant. We've seen that 1.38 million people in the UK are both on low to moderate incomes, have no savings, and have taken out relevant forms of credit in the past 12 months. For these households, access to inclusively-designed joined-up borrowing and saving products could offer a pathway from having no savings at all to building at least a small financial buffer - improving resilience to future shocks. Saving alongside borrowing can also protect people from more harmful alternatives, as long as the savings are fully and easily accessible.

The approaches explored in this work have can have a positive impact on behaviours which build resilience and could be further optimised and scaled

In this first stage of this work, we are exploring three models in particular:

- › **Save as you repay:** people save a small amount alongside each loan repayment from the beginning of the loan period.
- › **Prompts to save:** people are prompted to save at moments during their loan journey.
- › **Transition to save:** at the end of the loan term people are prompted to convert their regular loan repayment amount into a regular savings deposit.

'**Transition to save**' is a straightforward model which a broad range of stakeholders instantly understand – as people come to the end of their loan repayment there is a moment where the loan repayment amount could become a regular savings deposit, before people 'feel' it back in their pocket.

This approach could be further optimised if borrowers pre-committed to transition to saving when their loan is repaid at the start of the loan term, with a savings vehicle automatically added for them and saving deposits beginning automatically, unless the borrower turned the setting off at a later date. This would reduce the friction and drop off that happens when people have to go through a new process to set up an account when they want to save.

We've heard more mixed responses during our stakeholder engagement around the '**save as you repay**' and '**prompts to save**' models, which both see people saving at the same time as borrowing rather than afterwards as in '**transition to save**.' Some have expressed concerns that perhaps borrowers could pay off their loan quicker if they used their savings to do so, reducing the cost of the loan.

However, we see in this research that the benefits of saving alongside borrowing are frequently judged by borrowers to outweigh modest additional interest costs and do not undermine lenders' repayment outcomes. Given the picture that emerges here, we believe that we should move away from considering co-holding savings alongside debt as an 'irrational' behaviour, and instead consider behaviours and outcomes more holistically, understanding that people make rounded judgements in the context they are working within, and value highly the control and independence that having even a small savings buffer gives.

Different models of joining up borrowing and saving may work in different ways for different people, suggesting the value of offering flexible pathways that reflect diverse financial circumstances

It is often assumed that transitioning to saving at the end of a loan is the most straightforward and least risky approach. Once a loan is repaid, 'found money' can be redirected into savings, with little risk of harm or financial jeopardy. For borrowers managing volatile incomes or multiple debts, this linear model often breaks down though. In these circumstances, the ability to reduce or adjust saving amounts, and to save small sums alongside borrowing, may be more realistic and achievable. Allowing people to save a little while they repay a loan can help them make progress towards resilience in situations where waiting for a clear 'end point' is unlikely to work. Without this flexibility, some borrowers may never reach a point where saving feels possible at all.

This provides a further rationale for genuinely integrated borrowing-and-saving models, which better reflect the financial realities faced by people juggling ongoing debt and uncertainty, rather than assuming a simple transition from borrowing to saving.

This work has highlighted that many borrowers value saving during repayment, and the ability to do both at the same time is an important part of how they manage their finances. For many low-and moderate-income households, borrowing, saving and managing competing demands tend to happen simultaneously rather than in sequence. In this context, saving small amounts alongside a loan can support resilience in a world where people often hold multiple debts and are likely to continue borrowing over time. This is particularly relevant for borrowers,

who are in a different position from people who are not carrying debt or who already have higher levels of savings.

While the idea of ‘found money’ works for some, others may feel that any surplus that becomes available at the end of one loan should first be directed to other debts, meaning they may never build even a small savings buffer. In these cases, waiting until an end point to begin saving may still not be realistic.

There is an opportunity to raise the standard for what high-quality, responsible lending looks like with saving journeys built in alongside borrowing

This research points to ways that designs could more holistically and powerfully boost borrowers’ financial resilience:

- › **Accessibility:** Saving alongside borrowing can play an important role in preventing financial harm by helping households avoid riskier debt and disruptive debt cycles and missed bill payments and arrears. However, accessibility matters: savings that have access restrictions may mask underlying strain and drive continued borrowing. Savings need to be easily and quickly accessible to play a protective role. In addition, savings need to be accessible for people to feel in control and to feel that saving is in reach for them. We have learnt that this should be balanced with protection; too little friction can push people back into borrowing, while too much also undermines resilience.
- › **Meaningful defaults:** In some designs, default saving amounts are set very low because of concerns that otherwise saving will not be affordable to borrowers. This means though, that people struggle to build up usable amounts of savings, or to feel that they are ‘savers’. We see that even people who are very financially constrained benefit from saving in this way as long as the savings are accessible, because they use the mechanism for supporting budgeting and cashflow management. As long as people know they can use their savings easily, and as frequently as they need, affordability is less of a concern, and the default saving amount can be set at a more meaningful level.
- › **Transparency:** If the savings amount is incorporated in one repayment amount – for example £50 that includes the loan repayment and the savings amount together – then people may be less likely to engage with the savings component, or to continue saving after the end of the loan as a result. Giving full visibility of the repayment amount plus savings, gives people greater control over their savings, and better helps them build an identity as a saver and to save for longer.
- › **Responsiveness:** Default savings amounts could be more flexibly designed to match the circumstances and real lives of people using joined up borrowing and saving products. At the moment, lower than necessary defaults and inflexible designs sometimes create low savings balances and missed opportunities to build resilience. For example, borrowers could be offered a means of saving more than the default minimum when they have a better than usual pay period during their loan term. This could be by a nudge to save more, or by anchoring their regular savings contribution to a proportion of their income.
- › **Empathy:** If wellbeing is treated as a meaningful outcome of joined-up borrowing and saving, there are clear implications for product design. Design choices that minimise mental bandwidth - such as ease, automation and a single joined-up journey can help make building a small savings buffer feel achievable rather than overwhelming. Recognising achievements such as when people have been saving for six months or when they have hit a savings goal could build greater confidence and empower people to take further steps to boost their resilience, and builds their identity as savers.
- › **Ease/integration:** Make saving a core feature, rather than an add-on, helps borrowers make the most of the moment they are taking out their loan. Onboarding can be a decisive moment to set expectations, pathways and guardrails.

Next steps

Our trials with Salary Finance and Stream continue and we will share full results once we have collected data over a longer period of time and are better able to understand longer-term outcomes.

We are also keen to explore effectiveness and potential to scale the other possible models of joined up borrowing and saving solutions we’ve identified, including:

- › **Pre-commit to save:** In which people could commit at the point of loan origination to automatically switch to saving at the end of the loan term (unless they switch the setting off later).

-
- › **Save before you borrow:** People could build up savings before starting to pay off their loan so that they have a buffer in place early in the loan journey.
 - › **Offset loan:** People could have savings and a loan within one wrapper, with their loan interest reduced if they hold savings alongside their loan.

As part of investigating the feasibility of these models we plan to explore any relevant regulatory considerations.

We've also identified two further touchpoints at which a savings component could be integrated:

- › **Saving as part of a debt management plan:** debt management plans include a provision in the budget for saving, but no mechanism for doing so. Following consultation with debt charities we are keen to explore ways in which a savings component could be effectively designed into a plan.
- › **Saving embedded in the small sum loan pilots:** The UK Financial inclusion Strategy announced that Fair4All Finance will run a pilot of small sum lending products in England, partnering with mainstream lenders. There is an opportunity here to join up two inclusion goals – access to affordable credit and access to support to get started with saving.

If you are interested in working with us going forward or have other ideas for solution design, please do [get in touch](#).

Technical annexe



Technical annexe 1: Approach to credit union evaluation

This technical annexe provides information on the credit union administrative data analysis that underpins several findings in this report. It explains *who is included in the analysis, how borrowing and saving behaviour is examined, and how the findings should be interpreted.*

We conducted a theory-based evaluation, using a mixed-methods observational design. The study assessed the effectiveness of existing **'save as you repay'** products as implemented in real-world credit union contexts, in improving financial resilience outcomes and supporting behaviours.

The study brought together several strands of evidence, including analysis of longitudinal administrative data, and qualitative methods. Overall, eight credit unions took part in some way: six offering integrated **'save as you repay'** products and two ('no requirement') credit unions that did not offer an equivalent product. For the analysis of longitudinal administrative data, four credit unions took part: three offering integrated **'save as you repay'** products, alongside a ('no requirement') comparison credit union that did not offer an equivalent product.

Qualitative work included:

- › A member survey (n=460): results represent 'save as you repay' members only, as the sample size for the comparison group without the integrated product was too small to draw conclusions from.
- › Qualitative interviews and focus groups with credit union members and staff.

Together, these methods helped to build a complete picture of how these products operate and are experienced in practice, and the difference they may make to members financial resilience. They also explored how key features of the credit union models effect these outcomes too – such as differing levels of savings requirements and accessibility to savings whilst borrowing. As well as the trade-offs and motivations behind the quantitative behaviours observed in the analysis of administrative data.

The rest of this technical annexe focuses specifically on the administrative data analysis, which examined how credit union members used borrowing products with and without linked saving features.

Sample Composition

While administrative data was provided by multiple credit unions, due to gaps in coverage and incomplete histories, the analysis drew on anonymised administrative data provided by the four credit unions with a full dataset, namely Cardiff and Vale Credit Union (CVCU), Serve and Protect Credit Union (S&P), Manchester Credit Union (MCU), and Great Western Credit Union (GWCU). The analysis looked at each member's entire borrowing portfolio, rather than looking at each loan separately. This reflects our research focus on people's overall borrowing and saving journeys rather than individual products.

Who is included

Members were included in the final analytical sample only if they:

- › appeared in all relevant datasets (demographics, loan balances and savings balances);
- › took out their first observed loan between April 2020 and April 2023; and
- › had at least 24 months of subsequent loan and savings balance data available.

These criteria allowed changes in borrowing and saving behaviour to be observed consistently over time. For analysis of savings and borrowing behaviour after the end of the loan, additional criteria were applied, such as having at least 12 months post-loan-end data available for analysis.

The four credit unions in this study each have distinct membership bases. In some cases, this reflects the nature of a credit union's common bond, such as concentration in particular industries or locations, and local economies. As a result, the demographic composition of members varies across credit unions in terms of age, income, housing tenure, and levels of deprivation. Across all four, members are predominantly of working age but tend to differ in their employment and family situations, and the socioeconomic contexts in which they live.

Distinct member profiles

Table 2: Sample Composition: Credit Union Member Demographics

Characteristic	Credit Union 1 (n=8,538)	Credit Union 2 (n=287)	Credit Union 3 (n=7,254)	Credit Union 4 (n=2,730)
	N = 18,809			
	Family Loans with locked 'save as you repay' mechanisms linked to Child Benefit and standard loans with opt-out savings contributions.	Standard loans with locked, 'save as you repay' mechanisms, the final sample mainly captures members with longer-term loans.	Larger loan products (such as car loans) with unlocked 'save as you repay' mechanisms	Family Loans linked to Child Benefit and standard loans, with no savings requirement
INCOME				
Under £1,500/month	44%	<i>Missing Data</i>	10%	21%
£1,500 – £2,499/month	34%	<i>Missing Data</i>	38%	38%
£2,500+/month	20%	<i>Missing Data</i>	50%	19%
HOUSING				
Homeowners	2%	12%	23%	2%
Private renters	42%	2%	22%	7%
Social housing	16%	6%	1%	18%
Employer accommodation	0%	0%	37%	0%
Living with family or friends	13%	2%	11%	3%
Other	0%%	79%%	1%	1%
EMPLOYMENT				
Employed	19%	9%	19%	15%
Unemployed	37%	2%	<1%	2%
<i>Missing Data</i>	24%	89%	81%	70%
AGE				
Under 30	21%	6%	40%	20%
30–45 years	63%	36%	40%	54%
46–64 years	15%	51%	18%	24%
65+ years	1%	7%	3%	3%
AREA DEPRIVATION				
Most deprived quintile	69%	37%	12%	41%
2nd most deprived	19%	15%	12%	23%
Less deprived quintiles	12%	47%	66%	35%

DEPENDENTS (Children)				
No dependents	4%	87%	68%	56%
1–2 dependents	68%	5%	28%	36%
3+ dependents	7%	1%	4%	8%

Loan Product Categorisation

For each included member, the administrative data covers:

- › demographic characteristics;
- › monthly loan balances;
- › monthly savings balances; and
- › characteristics of each loan product held.

The finalised member-level data was structured so that time was measured relative to key events, such as the start or end of a loan, rather than by calendar month. This ensured that outcomes were compared at equivalent points across members and models (e.g. 12 or 24 months after loan start, or the change in balance between month 0 and month 12).

How members are grouped

Across all credit unions, there are key differences in how ‘save as you repay’ products are modelled. These include whether saving is **mandatory** (borrowers are required to save alongside repayments), or **opt-out**, (automatic savings set up that can be opted out of); the level and frequency of required savings contributions; and the **accessibility of savings** (fully locked, partially restricted or fully accessible), during the loan term.

Members were grouped according to the type of loan and savings model they participated in:

- › **Unlocked, mandated ‘save as you repay’ model** – monthly saving mandated, with savings accessible.
- › **Locked, mandated ‘save as you repay’ model** – monthly saving mandated, with savings typically not accessible during the loan term or until certain parameters have been met.
- › **Unlocked, opt-out model** – monthly savings is set up at the start of a loan but opt-out is available and savings accessible.
- › **No requirement comparison model** – no saving required beyond a minimum membership balance.
- › **‘Other’ models** – a small group with atypical product combinations, grouped separately to avoid distorting results.

These groupings are central to the analysis throughout the study, allowing outcomes to be compared between different types of ‘save as you repay’ models and the ‘no requirement’ comparison group.

Analytical Approach Taken

The analysis explored how different types of ‘save as you repay’ models influenced outcomes, comparing them to the ‘no requirement’ comparison group across the following areas:

- › **Savings habits** – how regularly members contribute to their savings and whether this is sustained over time;
- › **Savings balances** – the amount that members build in their savings over time;
- › **Withdrawals** – how often and how much members withdraw from their savings; and
- › **Borrowing behaviours** – changes in members’ loan balances over time, as a result of paying down their loan or taking out extra borrowing.

Analytical methods

The analytical approach combines descriptive analysis with regression modelling to control for other characteristics that may differ between members. Core control variables used across regression models include, credit union hybrid model, year of loan, number of loans taken out (2020-25), initial loan term (1st loan) and initial

loan size, prior savings, age, tenure, local area deprivation and loan category. In some analyses, additional variables were included where data were available; for example, income category was included only in models excluding CVCU, as income data was not available for that credit union.

Most outcomes were analysed using OLS regression, except where outcomes were percentages or proportions, where fractional logit models were used. For savings balances measured 12 months post loan, a log transformed version of the outcome variable was used to reduce the influence of a small number of very high savings balances. Sensitivity checks tested robustness to alternative specifications or sample restrictions. Discussion of association in this report focusses on statistically significant associations from regression analyses, unless flagged as descriptive statistics ($p < 0.05$).

Key Limitations

The analysis is based on administrative data from multiple credit unions and should be interpreted considering the following limitations and data considerations:

- › **Monthly (not transaction-level) data:** The analysis relies on monthly balance changes, inferring deposits and withdrawals from these. Individual transactions within a month are not visible (i.e., if monthly deposits exceed withdrawals, this is counted as a deposit, and vice versa).
- › **Limited visibility of pre- and post-loan behaviour:** Activity prior to April 2020 is not captured, potentially affecting observed savings. Post-loan behaviour is only tracked for members remaining in records, and analysis is restricted to loans with linked saving requirements and members who did not take out a subsequent loan.
- › **No information on activity outside credit unions:** Savings and debts held elsewhere are not observed but may influence behaviour within credit union accounts. This was partly addressed through the survey and qualitative research, which explored members' use of external savings and credit products.
- › **Constraints on loan-level information:** For some members, only their most recent loan is detailed, limiting analysis of earlier borrowing. Where loan completion is unclear, post-loan analysis is restricted, possibly under-representing shorter-term loans. Periods of unchanged loan balances were retained but interpreted with caution.
- › **Associational rather than causal evidence:** Results show associations between 'save as you repay' models and outcomes. Regression analysis controls for observable characteristics, but unobserved factors may still influence results, so findings should not be viewed as causal.

Technical annexe 2: Use of the Understanding Society longitudinal data

Understanding Society is a longitudinal survey covering roughly 40,000 households in the UK. The sample used in the analysis for this report includes individuals aged 18-65 in 2016/17 who were economically active and living in low-and moderate-income households. Low- and moderate-income households are defined as households with annual net equivalised household income below the median. Individuals are classed as being economically active if they are employed or unemployed and looking for work. This therefore excludes individuals who are retired, studying full-time, long-term sick or disabled, or otherwise not in the labour force (e.g. due to caring responsibilities).

The sample only includes individuals for which we have information for all of the years covered in the analysis, therefore the results may not be fully representative of the wider population. The analysis is based on individual saving and borrowing behaviour in 2016/17 and therefore does not take into account possible changes in saving and borrowing behaviour in subsequent years.



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