

# Developing a 'Rule of Thumb' to support young people using credit

Executive Summary

## Background

In 2016, the Financial Advice Market Review (FAMR) developed initial high-level financial Rules of Thumb, in areas such as ‘cleaning up’ your finances, managing borrowing, saving regularly and focussing on your pension.

The Money Advice Service (MAS) was approached to develop a new Rule of Thumb to help young adults (18 to 24) use credit successfully. Previous MAS research shows this is a topic young adults most wished they had learned more about at school. The target audience are in the Struggling and Squeezed segments.

The objective of this research was to develop an initial Rule of Thumb that can be taken forward for further communications and user testing. An online forum of 26 participants aged 24 to 34 explored what they wish they had known when first using credit. A co-development workshop consisting of MAS and industry experts was held to further develop ideas from the research; these were presented to a panel of 4 18 to 24 year olds for their initial reactions. The research was conducted by PwC Research.

## Key insights and implications

KEY INSIGHTS	WHAT ARE THE IMPLICATIONS FOR THIS?
There are many facets to managing credit use, within the areas of reducing use, selecting the right product, and managing and reviewing credit use: it is not straightforward to cover these three areas in a single rule of thumb	A Rule of thumb within <u>one area should be selected</u> that is most appropriate for Struggling and Squeezed young adults and considered for use <u>alongside additional tips and guidance</u>
Reducing use of credit is the most popular area of action for a rule of thumb	A rule of thumb in this area <u>needs careful framing</u> to be specific, positive and empowering, but not obvious or daunting
The lack of background knowledge of credit products is clear among 18 to 24 year olds	The rule of thumb also needs to be simple and <u>not assume any background knowledge of credit products</u>
To be effective, the rule of thumb will need to be supported by close collaboration between MAS and partners to support successful adoption by young adults	A <u>communications campaign</u> should be considered when launching the rule of thumb

**The outputs of this initial research are three potential rules of thumb to be refined and taken forward for further testing:**

- *Before taking out credit think about the length of the credit term and only sign up to a repayment amount you can consistently afford, even if you are having a bad month*
- *If you wouldn't buy it with cash, don't buy it with credit*
- *If you wouldn't tell your parents about what you are using the credit for you probably shouldn't be getting it*

## Next steps

1. These potential rules of thumb should be checked for copy editing
2. These will then be communications tested to check that the rules of thumb are memorable and clear and to select the best version
3. This will then need to be user tested
4. Successful communication of the rule of thumb will depend on the channels and trusted messengers used, these should be considered as part of the communications testing
5. A successful launch of the final rule of thumb will need an effective communications plan, which includes additional tips and guidance, and messengers, it should include partners already engaged through the earlier co-development workshop