

Embargoed:

Not for publication before 00.01hrs Friday 3rd April

BRITS RETURN TO FINANCIAL BASICS TO TACKLE CRUNCH

Significant numbers of British households are taking action and sorting out the family 'balance sheet' to weather the current economic storm, by increasing saving and turning their backs on credit.

A new study from ING Direct¹ reveals that in the first quarter of 2009, 15 million (six in 10) households have either reduced their short-term debts, paid more off their home loans or added to their savings. This follows recently published government data which showed early signs of a return to saving at the end of last year, and demonstrates that this trend has continued well into the first quarter of 2009.

Britons' 'financial prudence' is emerging as they recognise the repercussions of years of overspending and reliance on credit. In particular, this behaviour is being adopted by those with more disposable income (due to reduction in mortgage rates) and those being forced to reassess their finances because of the impact of the financial crisis.

Firstly, a third of households (34 per cent) are attending to their 'liabilities' by paying off credit or reducing their mortgage balance (12 per cent). A similar number are saving for 'big ticket' purchases such as holidays and home appliances, rather than putting them on plastic (30 per cent). More than a quarter (28 per cent) of households have stopped using their credit cards altogether.

Secondly, on the other side of the balance sheet, households are striving to shore up 'assets'. A third of households (34 per cent) is ploughing more into savings now than a year ago. What's more, of the 5.5 million households that don't currently save (23 per cent), four million (71 per cent) intend to build up reserves over the next 12 months.

The study, conducted by economic and social researchers FDS International for leading savings bank ING Direct, also reveals that Brits are making distinct sacrifices in order to meet their new financial demands – including cutting down on treats like eating out (54 per cent), going to the pub (36 per cent) and buying new clothes (44 per cent).

The upshot of such belt-tightening is a resurgence of the simpler pleasures in life. Cost efficient hobbies such as gardening (20 per cent), reading (31 per cent) and cooking (30 per cent) have all seen a recent boost in popularity and a third of us is spending more time with our family as a result of the current climate.

Commenting on the findings, ING Direct CEO, Johan de Wit said:

“The current climate has lead to a return to more traditional pastimes as the nation’s households look to balance the books. It’s also good to see that when households are confident to start spending again it will be on a firm foundation of savings rather than a reliance on credit.”

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Notes to editors

1. FDS International questioned a representative sample of 1,300 UK households online between 24 February and 06 March on behalf of ING Direct. Calculations are based on the latest ONS estimate of 24.5 million households