

## EUROPEANS EXPECT TOUGH TIME WHEN INTEREST RATES RISE

- About a third (34%) of people with debt admit they will struggle when rates rise
- Over a quarter (26%) of European households have no savings at all
- Turkey, USA, Australia and the UK have higher shares of people with credit card debt

A new study finds that people in Europe with debt will struggle when interest rates rise, with pessimism highest in Romania, Turkey and Spain.

According to the [ING International Survey Savings 2018](#), a survey now in its seventh year which covers 15,000 people across 13 countries in Europe as well as the USA and Australia, about one in three (34%) people with debt admit they are in this fragile position.

Last year the Bank of England (BoE) raised rates for the first time in 10 years – from 0.25% to 0.5%<sup>1</sup>. However the European Central Bank (ECB) has been reluctant to increase rates yet, opting in January 2018 to leave its benchmark interest rate unchanged at 0.0 per cent<sup>2</sup>.

### Lack of savings

The latest research reveals that just over a quarter (26%) of households across Europe have no savings at all.

Across Europe, the highest shares of people with no savings are in Romania (36%) and Germany (29%); with Belgium, Poland and the UK next (27% each). Luxembourg finished top - with only 13% of people saying they have no savings. Luxembourg also has the highest GDP per capita across the 15 countries surveyed<sup>3</sup>.

### Debt and financial trouble

Over the last 12 months financial regulators have warned about the perils of rising unsecured consumer debt<sup>4</sup>.

ING's latest survey on savings looks at types of consumer debt and finds that the most common form, excluding mortgages, is a personal loan from a bank or other financial services provider. Across Europe, the share who have a personal loan, on average, is 23%.

Exceptions to this rule are Turkey (51%), USA (40%), Australia (30%) and the UK (27%), which all have much larger shares with credit-card debt than who have personal loans. In Turkey, about half (51%) say they have credit card debt. Personal credit-card accounts often have high interest rates, which can cause hardship for consumers who fall behind on payment<sup>5</sup>.

### Something hidden away

ING's research also delves into couples' relationships with money.

The study finds that three per cent of Europeans who define themselves as part of a couple have a money secret they've kept from their partner. One in five (21%) indicate they might hide some spending, savings or debt from their partner, though, in some circumstances.

When asked, coupled-up people in Europe with money secrets have a range of reasons for doing so – including not wanting their partner to know how much they spent (16%) or wanting to keep debt secret (9%).

**Ian Bright, senior economist and managing director of Group Research at ING, commented:**

*“The number of households with limited savings indicates how financially fragile many people are. Many simply do not have any money left at the end of the month to put aside. But there are also those who could save but don’t; they may have fallen victim to present bias – over-valuing immediate rewards at the expense of the long-term.*

*“Low interest rates have also reduced the incentive to save. However, we’re starting to see more central banks increasing interest rates. As these mostly modest rate rises are passed onto consumers, the motivation to save is likely to increase.”*

**James Knightley, chief international economist at ING, said:**

*“The global economy is growing strongly and we suspect inflation pressures will gradually rise. The majority of central banks target inflation when setting interest rates so we believe households are right to start thinking how they will manage their finances in an environment where borrowing costs are higher.*

*“That said, central banks are aware that many people have never experienced a period of rising interest rates in their adult life, meaning they are likely to tread cautiously. In fact many are looking at other policy options to mitigate the need for aggressive moves. These ‘macro-prudential’ policy tools include making banks hold more capital against loans they make and should mean that interest rates don’t rise to levels seen in previous economic cycles.”*

**- ENDS -**

<sup>1</sup> Bank of England: Statistical Interactive Database - official Bank Rate history  
<http://www.bankofengland.co.uk/boeapps/iadb/Repo.asp>

<sup>2</sup> European Central Bank - Key ECB interest rates  
[https://www.ecb.europa.eu/stats/policy\\_and\\_exchange\\_rates/key\\_ecb\\_interest\\_rates/html/index.en.html](https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.en.html)

<sup>3</sup> OECD – Luxembourg’s Gross Domestic Product (GDP) <https://data.oecd.org/gdp/gross-domestic-product-gdp.htm>

<sup>4</sup> Treanor, J. (2017) Unsecured consumer credit tops £200bn for first time since 2008  
<https://www.theguardian.com/business/2017/jul/31/fca-unauthorised-overdrafts-car-loan-market>

<sup>5</sup> Peachey, K. (2017) Credit card interest “could be waived” for longstanding debt  
<http://www.bbc.co.uk/news/business-39476895>

### **About the research**

The ING International Survey Savings 2018 was conducted by Ipsos using internet-based polling. Fifteen countries were surveyed: Austria, Belgium, Czech Republic, France, Germany, Italy, Luxembourg, the Netherlands, Poland, Romania, Spain, Turkey, the United Kingdom, Australia and the United States of America. Polling took place from 19 to 31 October. The full report is at [www.economics.com/ing\\_international\\_surveys](http://www.economics.com/ing_international_surveys) and also on [www.slideshare.net/ING](http://www.slideshare.net/ING)

The ING International Survey is produced several times a year by ING eZonomics. It is about money and life - combining ideas around financial education, personal finance and behavioural economics to produce regular and practical information about the way people manage their money.

**For further information, please contact:**

#### **Press enquiries**

Beth Hardwick/Tim Amoui  
Third City PR  
+44 20 3657 9773



+44 7919 592 408  
+44 7710 529 953  
[ingteam@thirdcity.co.uk](mailto:ingteam@thirdcity.co.uk)

Carolien van der Giessen  
ING Group  
+31 20 576 6386  
[Carolien.van.der.Giessen@ing.com](mailto:Carolien.van.der.Giessen@ing.com)

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ING Group shares are listed on the exchanges of Amsterdam (INGA AS, ING.AS), Brussels and on the New York Stock Exchange (ADRs: ING US, ING.N).

Sustainability forms an integral part of ING's strategy, which is evidenced by the number one position among 395 banks ranked by Sustainalytics. ING Group shares are being included in the FTSE4Good index and in the Dow Jones Sustainability Index (Europe and World) where ING is among the leaders in the Banks industry group.

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