

## PRESS RELEASE

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### **Consumers face losing out by holding both savings and debt**

- *Pan-European study reveals that Europeans are clinging on to debt despite having enough savings to pay it off*
- *Those with both debt and savings typically hold €1,700 more in savings*
- *Europeans could be spending €32m a day on debt that could be reduced with savings*

With the ECB expected to keep interest rates very low for the foreseeable future, new research shows that European consumers may risk paying millions in unnecessary interest by not considering the use of savings to reduce expensive debts.

Based on the spending habits of more than 12,500 consumers across 13 European countries, the ING International Survey on Savings shows that almost one in four (22 per cent) consumers in Europe hold both savings AND non-mortgage debt at the same time.

Among those European consumers with debt and savings, the average (median) debt held is €3,500 while typical savings amount to €5,200 – more than enough to clear this debt and still have some left in the kitty.

With interest rates received on savings typically lower than on debt, experts at ING calculate Europeans are potentially paying €32 million a day in interest on debts that they could potentially reduce with the savings they also hold.<sup>1</sup> Furthermore, two thirds (67 per cent) of respondents with debt are still actively adding money to their savings. While consumers may hold debts and savings for

numerous and valid reasons, this suggests that many Europeans could be prioritising saving over paying off relatively expensive debts.

In aggregate, Spanish consumers have the highest average savings to average debt ratio amongst those with both savings and debt – potentially meaning that average savings could repay average debt three times.<sup>2</sup> The figures tell a similar story for the UK and Belgium, with both countries on average having enough savings to pay off their debts twice over. (See Table 1 below.)

When savings are matched to debt on an individual basis, 60% could afford to pay off all their debt from savings. The remaining 40% could at least reduce their debt.

Economic experts at ING believe that several factors could contribute to individual people having both savings and debt but they highlight two.

First, results from the survey show consumers are more likely to know what they are earning on their savings rather than what they are paying on debts, despite the latter typically being higher. More than a quarter (27 per cent) are unaware of the interest they are paying on their debts versus the one in five (19 per cent) who do not know their interest rate on savings.

Second, individuals may fall for the thinking trap of 'mental accounting' - the idea that people think of their money in separate accounts and apportion different values to it depending on where it came from. As a result, they may not recognise the joint effect on their financial wellbeing of having both savings and debt.

Ian Bright, senior economist at ING explains: *"Individual circumstances vary and there may be many good reasons to have both savings and debt. However, some may be unaware of the impact of the two on their overall financial wellbeing*

because they think of the two as separate pots and fall into the trap of mental accounting.”

**Table 1: Savings vs. debt levels across Europe\***

	Average debt	Average savings	Average amount in savings as a proportion of debt
Spain	€4,000	€12,000	300%
Belgium	€3,000	€8,000	267%
UK	€4,400	€10,100	229%
Italy	€6,000	€12,000	200%
Poland	€1,200	€2,400	200%
Czech Republic	€1,100	€1,800	164%
Romania	€700	€1,100	157%
Germany	€6,000	€8,000	133%
Luxembourg	€12,000	€15,000	125%
the Netherlands	€4,800	€5,000	104%
France	€4,500	€4,300	95%
Turkey	€2,400	€2,100	88%
Austria	€7,000	€6,000	86%
<b>Europe average</b>	<b>€3,500</b>	<b>€5,200</b>	<b>149%</b>

\* Based on consumers with both debt and savings (Figures based on the total survey of 13 countries in Europe).  
Average debt and savings are median figures

## Ends

<sup>1</sup> Calculation based on an interest rate of 2.51 for interest rates on new-denominated loans to euro area household (source: European Central Bank Monetary Financial Institutions (ECB MFI)). The interest rate of 2.51 relates to 'revolving loans and overdrafts, convenience and extended credit card debt'.

ING commissioned a survey of more than 12,000 people conducted by Ipsos using internet-based polling between October and November 2014. The 13 countries surveyed were Austria, Belgium, Czech Republic, France, Germany, Italy, Luxembourg, the Netherlands, Poland, Romania, Spain, Turkey, the United Kingdom.

The figure for unnecessary daily interest was calculated as follows:

- Adult population of Europe = 401,100,000 (source: WolframAlpha)
- 22 per cent of these consumers have savings AND debt so this figure was multiplied by the population figure  $0.22 \times 401.1 = 88,242,000$
- This group of people have an average debt of £5,200 (that could be reduced with savings) so this figure was multiplied by the above number ( $5,200 \times 88,242,000 = \text{€}459\text{bn}$  a year)
- A rate of 2.51% interest (source: European Central Bank Monetary Financial Institutions (ECB MFI)) was applied to give a figure of €12bn expected interest per year
- To find the daily figure the annual sum was divided by 365 = €32m per day

<sup>2</sup>Figures based on median averages from the research: selected as the best available method of presenting this data without skewing towards exceptionally high or low figures.

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### **Notes to editors**

The [ING International Survey](#) of 12,743 people was conducted by Ipsos using internet-based polling. The 13 countries surveyed were Austria, Belgium, Czech Republic, France, Germany, Italy, Luxembourg, the Netherlands, Poland, Romania, Spain, Turkey and the United Kingdom between 16 October and 5 November 2014. The ING International Survey is produced three times a year and covers various consumer-related themes.

### **About ING**

ING is a global financial institution of Dutch origin, offering banking, investments, life insurance and retirement services.

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