

Buy Now, Worry Later

*An exploratory study into spending, borrowing, and debt at
Christmas*

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About this research

The research described in this report presents findings from the initial phase of the first study being conducted as part of the Understanding Household Financial Decision Making project by the Centre for Decision Research (CDR) at Leeds University Business School.

A key goal of the Understanding Household Financial Decision Making project is to attempt to further understand how psychological characteristics may provide insight into how and why people behave in the way they do with respect to money. The first study in this project concerns peoples' spending behaviour at Christmas, and particularly the extent to which peoples' emotional experiences at this time might influence spending behaviours, given the emotional and financial significance of this time of year for many. The current study is primarily interested in factors influencing financial decision making in people from lower income backgrounds, as this demographic is at particular risk of financial difficulty at Christmas time. The study will take place in three phases: two prior to Christmas and one subsequent. The research contained in this report describes the first phase of the study, and involved a series of 12 interviews conducted in September 2013 with interviewees recruited from low income, socially deprived communities in South and East Leeds. Interviews aimed to explore the depths of peoples' opinions and knowledge about thoughts, feelings, and actions that they believe to be widely associated with Christmas.

As a final note, the CDR is extremely grateful for the help and support of two community-based charity organisations in East Leeds who assisted with our recruitment for and conducting of these interviews: our sincere thanks go to Susan Docherty and her team at the St. Vincent Support Centre (York Road) and to Sylvia Simpson and her team at Ebor Garden's Advice Centre (Haselwood Drive) who were instrumental in assisting with this phase of the research.



The Centre for Decision Research (CDR) is a multi-disciplinary research group based at Leeds University Business School. The Centre is interested in understanding how and why people make everyday decisions concerning health, finance, and sustainability, and how we can help people to make better and more informed decisions.

The CDR applies principles from the realms of psychology and economics to study how people think about and arrive at the decisions they do, and how we might act to facilitate people to be more aware of how they make decisions in order to help people avoid making decisions in such away that may lead to poor outcomes.

This research is being conducted by Dr. Simon McNair; Prof. Wandu Bruine de Bruin; Dr. Barbara Summers; and Prof. Rob Ranyard.

Executive Summary

Introduction

According to research conducted by the consumer group Which? at the end of December 2012, half of all of those surveyed indicated that they had used credit to cover the costs of Christmas, with just under 25% of those surveyed noting that borrowing money was their only option to be able to afford the expense of this time. Of interest was that the finding that 92% of those surveyed agreed that people feel under pressure to spend too much at Christmas. Given that recent figures indicate the first positive growth in credit card borrowing for four years, as well as huge increases in yearly profits for short-term money lenders such as Wonga, it is clear that borrowing is as ubiquitous now as it has ever been. Christmas, then, stands as a time when the tendency to overspend – and to borrow to fund this – may be intensified due to the social and emotional pressures people experience. This report describes the first phase of research which aims to expand upon the issue of feeling pressured to spend identified by Which?, by exploring the specific pressures people experience and how the emotional basis of these pressures may translate into particular spending or borrowing tendencies. The research also explored how people think and feel about Christmas generally, how they may prepare financially for this time, and how people think and feel after Christmas in response to financial difficulty.

Phase One: Exploratory Interviews

This research involved a series of 12 exploratory interviews designed to investigate the kinds of thoughts and emotions that people associate with Christmas; how and when people begin to consider preparing for Christmas; how people appraise spending and borrowing money at this time (and what influences these tendencies); and how people tend to feel after Christmas, particularly if experiencing financial difficulty as a result of Christmas expenditure. Questions were posed in the third-person, meaning people were asked to consider the experiences of their peer groups, rather than personal experiences. Interviewees ranged from ~20 to ~60 years old, and were recruited from socially-deprived areas in South and East Leeds. Interviews utilized a mental models approach: questioning was broad, with the interviewer encouraging interviewees to speak at length and in-depth. How interviewees responded determined how the subsequent line of questioning progressed.

Key themes to emerge from the interviews

Interviews probed five broad topics: what people feel is the main focus of Christmas and how people prepare for this time; what influences people's thoughts, feelings, and actions at this time; the effects that these influences have on what people do; what people's thoughts about and understandings of borrowing money at Christmas are; and finally what people's thoughts and feelings are about having debt after Christmas. Several recurrent issues and concerns arose according to each area of questioning, summarized below:

Focus of, and preparing for, Christmas

Interviewees indicated that Christmas is seen by many as a time for unwinding and forgetting about general life stresses, with an emphasis on having a good time with friends and family. Children are the main focus at Christmas for parents, however, many experience immense pressure to ensure their children are happy at Christmas. Of central concern for people at Christmas time is the expense of it all, with many experiencing anxiety at how much they feel they need to spend. Finally, older interviewees noted that the central values of Christmas have shifted towards more material concerns in modern times.

What influences people's thoughts, feelings, and actions at Christmas time?

Interviewees noted that many people feel a compulsion to compete with other people in their peer group at Christmas time, and also with relatives. Typically this sense of competition leads people into spending more money in an attempt to out-do others with respect to things such as Christmas decorations, and the price or amount of Christmas presents. Many people feel a great weight of expectation to live up to images portrayed in Christmas marketing and media, with many people coveting the expensive desirables advertised at Christmas. Some clear distinctions between younger and older people were noted with respect to how people value the money they have, and how people think (or fail to think) about the future.

What effects do these influences have on how people behave at Christmas time?

Many people are focused entirely on making sure they and their family have as happy a Christmas time that people feel they are expected to have and in many instances this involves giving yourself the freedom to indulge in spending without concerning yourself about the costs. Many people spend beyond their means as a result. Many people may scramble to try and raise enough money to cover the costs of Christmas but ultimately find it too close to Christmas to do so, which in turn can lead people into borrowing which, when combined with tendencies to overspend, may give rise to large debts after Christmas.

Peoples' understandings of, and thoughts about, borrowing at Christmas

Given the issues and concerns already identified, many people find it hard to resist the temptation to borrow money at Christmas either to cover costs, or to allow yourself the freedom to spend more. The pervasiveness of credit advertising was also noted as encouraging people to borrow. Furthermore, the general ease with which people can borrow, and the perception of how widespread it is, also entice people to borrow. Many interviewees noted that it is not only more convenient to use credit cards, for example, but also causes less distress than using cash.

Peoples' perceptions of, and thoughts about, having debt after Christmas

Many interviewees noted that it is only after Christmas, when faced with bills, that people begin to realize quite how much they may have spent or borrowed prior to Christmas. There is a perception, however, that it is normal to have some debt to repay after Christmas these days. Whilst many people feel there is a lack of awareness of where people can turn to for support and advice concerning any financial difficulty they may have, interviewees also noted that many people simply find it difficult to overcome emotional hurdles associated with debt, which may hold people back from making the first step to seek help.

Discussion and Conclusions

The exploratory interviews detailed in this report have helped to identify some of the key social and emotional pressures which people reportedly experience at Christmas time, and what kinds of behaviours people may display in response to these pressures. For example, the emotional pressures faced by parents in relation to providing for Children, and peoples'

tendency to compete with others, are two strong influences on peoples' propensity to spend beyond their means, and to use borrowing to fund this. The interviews have helped to establish some key research questions which will be investigated in Phases Two and Three of this study.

Planning Phase Two of the study

The next goal of this study is to explore on a larger scale the key issues raised in these interviews to get an indication of their prevalence in the wider community. To do so, Phase Two of the study will employ a survey-based approach, constructed to further explore the issues identified by these interviews. The survey will be launched in mid-November and aims to recruit upwards of 150 respondents. The Centre for Decision Research gratefully welcomes any and all support that might assist with recruiting participants, and interested parties are advised to contact Dr. Simon McNair at the Centre for further information.

Introduction

Background and goals

A survey conducted by the consumer group “Which?” at the end of December 2012 found that almost half of the 2100 people questioned had used credit cards, store cards, overdrafts, or payday loans to fund their Christmas expenditure. Perhaps more alarmingly, almost 25% of those surveyed indicated that credit cards or overdrafts were their only means of affording Christmas, borrowing £301 on average. In this sample 61% noted that they found Christmas 2012 to be financially tougher than 2011. Almost all of those surveyed (92%) agreed that people feel pressured to spend too much at Christmas. It is perhaps no surprise, then, that levels of unsecured debts among consumers remained at some of the highest levels on record in January 2013 (some £158 billion, or an average of £5998 per household), with banks writing off £385m in credit card debt alone in the same month. Overspending at Christmas and particularly using borrowing to fund expenditure have potentially dire consequences for people in the post-Christmas period, when many may struggle to pay off debts. Part of this study’s interest is to explore why people might feel pressured to spend so much, with an emphasis on how emotional and social pressures at Christmas might contribute. The study also aims to investigate what kinds of thoughts people have about financial planning, borrowing, and debt at Christmas time. Ultimately, the study aims to understand what particular kinds of thoughts or feelings people have at Christmas which might lead to overspending and, as a result, financial difficulty.

Borrowing is as big a problem now as ever

Clearly, there are a range of political, macro-economic, and socio-demographic factors which have an impact on peoples’ financial situations; since the 2008 global economic recession the UK has seen increased levels of unemployment and inflation, stagnant wage levels, cuts to benefits, and newly introduced taxes. However, access to consumer credit is as widely available now as it has ever been, despite economic hardships. Latest figures from the British Bankers Association estimate that £11.6b worth of consumer purchases on credit cards were made in August 2013, which reflected an 8% increase in the use of credit cards over August 2012. Furthermore, annual growth in household borrowing in August 2013 (including credit cards and personal loans) has now turned positive for the first time in four years, indicating that people are slowly but progressively beginning to once again utilise credit to fund expenditure. Beyond lending from banks, the payday loan industry has become increasingly

pervasive in modern society: nine of the top 10 UK payday lenders have doubled their turnover in the previous three years, with the biggest (Wonga.com) having recently reported a 36% increase in earnings for 2012 coming from a 50% increase in the number of loans it granted in that year, resulting in excess of £1m in profits every week – totalling £84.5m for the year. These profits were in spite of the company reportedly writing off £96m of their £309.3m worth of turnover. In a report released earlier this year, the Office for Fair Trading noted that 20% of the revenue accumulated in the UK payday lending industry came from 5% of loans which were rolled over four times or more. To put it in some form of perspective: the Citizen Advice Bureaux (CAB) in the UK have reportedly dealt with close to 8000 new debt issues every day over the past 12 months. Consumer debt remains a ubiquitous and pernicious problem in society today and, given the findings reported in the Which? survey noted above, Christmas may be a time of concern for many, particularly those who feel pressured to spend beyond their means.

Motivation for the current research

It is clear that Christmas has the potential to be a destabilising time for peoples' finances, with many turning to borrowing to cover costs and experiencing insurmountable debts in the post-Christmas period as a result. The informative survey conducted by Which? last year has at least suggested that people do feel pressured to spend more at Christmas time, but there remains an urgent need to understand exactly what these pressures are and why people feel compelled by them. The current research wishes to expand upon the work conducted by Which? last year by exploring how and why the various possible social and emotional pressures people experience at this time translate into thoughts, feelings, and ultimately actions which may create or exacerbate existing financial hardship. At the Centre for Decision Research we feel there is much to be gained from research which attempts to recognise how peoples' psychological characteristics play a role in how people choose to act in times of financial pressure. Some more recent work from the realm of psychology has begun to formulate the kinds of thought processes that people engage in when deciding to use credit (e.g. Garing, Kirchler, Lewis, & van Raaij, 2009; Kamleitner, Hoelzl, & Kirchler, 2012), with other research highlighting that people with consumer-credit debts in particular are likely to experience significantly higher levels of emotional distress (e.g. depressed mood, problems sleeping, anxiety) (Brown, Taylor & Wheatley-Price, 2005; Bridges & Disney, 2005; 2010), which in some instances perpetuates a debt trap (Lenton & Mosley, 2008). However, existing research has not attempted to explore and connect the way in which peoples' emotional characteristics (such as peoples' tendencies to experience certain positive or negative emotions in response to situations) and cognitive processes (the kinds of thinking that people engage in and how this

leads to certain behaviours) interact to influence financial behaviour such as spending and borrowing, as well as behaviours in response to problem debt that may result from overspending.

Christmas is a time with the potential to provide deep insights into these issues and how people might be helped to handle financial pressure better. This first study in the CDR's Understanding Financial Decision Making project focuses specifically on exploring the potential relationships between financial behaviour at Christmas and its psychological underpinnings. The potential value of such insights lies in the fact that in better recognising how certain emotional reactions or thought patterns at Christmas might give rise to certain behaviours, we can begin to think about ways to assist people in avoiding behaviours which may give rise to financial difficulty, or make existing problems worse. This study is taking an integrated qualitative and quantitative methodological approach: phase one – the topic of this report – involved qualitative interviews conducted in order to explore how people think people in general think, act, and feel at Christmas time. The findings of this phase will next be used as a basis for the construction of two further surveys, both of which will assess in more detailed and widespread terms the extent to which the issues raised in the interviews are experienced by people more generally. Phase two of the study will involve a survey of people prior to Christmas, with the goal being to retain as many respondents from phase 2 as possible to conduct a follow-up, post-Christmas survey as part of phase 3. The following sections of this report offer insight into phase one of the study, including how interviews were conducted and the key areas of questioning, a detailed synopsis of the key findings of the interviews grouped according to topic, and finally an overview of the main findings and an outline of how the next phase of the study will progress given the current findings.

Phase One: Exploratory Interviews

The goal of these exploratory interviews was to investigate the kinds of emotions that people associate with Christmas; how and when people begin to consider preparing for Christmas; how people appraise spending and borrowing money at this time (and what influences these tendencies); and how people tend to feel after Christmas, particularly if experiencing financial difficulty as a result of Christmas expenditure.

A particular form of interviewing technique known as “mental models interviewing” (see Morgan, Fischhoff, Bostrom, & Atman, 2002) was used. This process places a firm emphasis on exploring the full extent of someone’s knowledge and opinion on a particular topic, rather than the accuracy of their knowledge. Questioning thus tends to be very broad rather than pointed (e.g. “Tell me what you think about borrowing money” rather than “Do you think borrowing money is good or bad?”) affording the interviewee the chance to speak at length and in detail about their own insights and feelings into the topic of interest. To encourage this, questions were posed in the third person: interviewees were asked to consider how people in their peer group think, act, and feel at Christmas time rather than how they personally felt. Five key areas of questioning were identified for exploration in the interviews, with several questions posed according to each theme. The key areas were: 1) What people see as the focus of Christmas, and how they might prepare; 2) What influences peoples’ thoughts, feelings and actions at Christmas time; 3) What effects these influences have on peoples’ behavior at this time; 4) Peoples’ understanding of, and thoughts about, borrowing at Christmas; and 5) Peoples’ perceptions of, and thoughts about, having debt after Christmas.

This report details findings from interviews conducted with twelve residents (8 female, 4 male, ranging in age from ~20 years to ~ 60 years) from communities in the Burmantofts, Harehills, Hunslet, and Beeston areas of South and East Leeds in September 2013. Interviewees were recruited through two community-based voluntary organisations in these areas which provide financial advice to those from socially deprived areas of the city. Each interview lasted between 30 minutes and one hour, with participants receiving £20 for taking part. It was made clear to each interviewee that the interviews would be recorded, but that recordings would remain anonymous - interviewees were not asked to identify themselves at any point during the recordings. Interviewees were made aware that the interviews would ostensibly focus on Christmas time and particularly their thoughts about this time. At no point prior to beginning the interview were the interviewees told that the main purpose of the interviews was to explore their thoughts and feelings concerning finances at Christmas – the topics discussed in the interviews ultimately followed whatever issues interviewees brought up themselves.

Key themes to emerge from the interviews

What follows is a synopsis of the recurrent thoughts, feelings, and actions identified by interviewees arranged according to themes of related concepts which were identified during the transcribing process. The goal of these interviews was to explore in as much depth as possible interviewees thoughts and feelings about what Christmas means to people, what social, emotional, and financial issues people may face at this time, and how people might behave in response to these issues. Some of the main themes identified which are discussed below include how people prepare (or fail to prepare) financially for Christmas; concerns about costs and how to cover them; the kinds of expectations people feel obliged to live up to at Christmas; peoples' attitudes to borrowing money at this time and the consequences therein; and how people feel about their circumstances after Christmas. A brief introduction to the basis of each key area of questioning is given, before a description of the main themes which several interviewees all referred to in response to each area of questioning, suggesting a commonality in thoughts and feeling which people experience in relation to Christmas and finances at this time.

Research Question 1: Focus of, and preparing for Christmas

Below we report the key common issues and concerns people noted in response to initial questions such as "What do you think are the main things that people have in mind when they're thinking about Christmas?" and "Do you think that people have a plan in mind of how to prepare for Christmas? What are the main things that people take into consideration?"

Christmas is a time for unwinding through doing

Interviewees indicated that going shopping for presents, having more food and drink than usual, and spending time with friends and families were the main focus of Christmas for most people. Christmas is seen by many as a time for unwinding by forgetting about typical life stresses, and rewarding yourself for working hard over the year. Many indicated that people tend to look forward to having a good time at Christmas by going to and having Christmas parties.

“People are happy yeah. It’s a positive time, people feel good about it I think, they look forward to having some time to relax.” **Male, 30-40 years.**

“At Christmas people just don’t want to think about negatives, or...things that...are...anything that could hold you back. It’s Christmas, and it’s about letting it all go. It’s a blowout.” **Female, 60-70 years.**

For parents, it's all about children

Children are the main focus of Christmas for parents, particularly making sure that children have a good Christmas by getting what they want, which in turn puts pressure on many parents to have to spend more in order to afford the presents their children want. However, many also reported that bringing such joy to their children on Christmas day is a source of great happiness for parents.

“I get quite excited. I get excited about seeing my daughter’s face on Christmas morning, opening her presents, she believes in Santa. That get’s me happy.” **Female, 30-40 years.**

“The problem then is...the kids...if you’ve promised them things that you will get them for Christmas, and then you don’t have money...you’ll be very pressured and desperate in trying to get these things for your kids, in trying to fulfill these promises. You can’t sleep sometimes!” **Male, 30-40 years.**

The values of Christmas have changed

A number of interviewees – particularly older interviewees – noted how they feel that Christmas is no longer about the traditions of old (quality family time, religion) and typically now represents increasingly material values: people feel pressured is to make others happy through what they buy them and how much is spent, rather than simply spending time celebrating with them. Many people are preoccupied with their wants and desires at Christmas rather than their needs.

“Christmas just isn’t as...family orientated anymore compared to how it used to be in the old days, y’know, when it was about family getting together and being happy and having dinner together and a good time and just giving each other what you *can*. Now, people seem to be more...money orientated. People feel the need to compete when buying presents.” **Female, 40-50 years.**

The cost of Christmas is a key concern for all

Concerns regarding how to cover the costs of these things were also raised as a main point of focus for people – many noted that as soon as Christmas adverts are seen it immediately focuses people on how costly Christmas tends to be, which can interrupt what is otherwise seen by many as a time for happiness. Many interviewees noted that budgeting is on peoples’ minds when they think about planning for Christmas, but that many people fail to budget for several reasons: lack of knowledge of how to budget appropriately, leaving it too late to budget effectively, or simply being unable to spare any money to save – which then drives people towards borrowing. This is apparently particularly true of younger people: older people are supposedly better at preparing themselves in advance for Christmas as they are more keenly aware of how much they could afford to put towards paying back borrowed money after Christmas or, crucially, what extraneous factors might constrain their ability to repay (such as failing ill, not having enough hours at work, other household costs). The suggestion is that perhaps older people save better for Christmas as a result of their life experience.

“Older people I find...tend to use their heads and budget because they know they have...more things to buy. Young people tend to just leave things until the last minute, and think “I know I can’t afford it now but I’ll just make it work over the coming months.” **Female, 40-50 years.**

“I think...people will always try to be happy, no matter what, because it's a nice time of year...but for some people there’s always that nagging money worry, people are thinking “How am I going to pay for this?” or “How will I afford that?”” **Male, 20-30 years.**

Some basic ways that people can prepare financially for Christmas

One way in which people might budget in a basic sense is by keeping a record of what they spent last Christmas and using that as a basis for planning their spending for the upcoming Christmas – people may ask themselves if they can afford more or less than they spent last year, or if they can afford to take an extra month or two to repay borrowed money after Christmas – however it was noted that this approach tends to be taken by “more average educated people”. Buying presents and food and drink as early as possible was another key strategy noted by many – taking advantage of January sales, and making sure to buy things before prices are raised closer to Christmas.

“So buying presents earlier, because it’s more expensive...shops and everywhere tend to put prices up at Christmas. I think some people are starting to get ready for Christmas in August; I know I started in July!” **Female, 40-50 years.**

Some interviewees mentioned that another manner in which people could ensure that they are better financially prepared for Christmas is to avoid unnecessary spending in the lead up to Christmas, for instance by not going out socialising as much. Avoiding unnecessary trips to town may also prevent people from overspending too, it was noted, as the more often people tend to be around shops at Christmas the more likely they are to spend more frequently. Of final interest was the finding that only one third of interviewees made explicit reference to being mindful of having enough money available for basic household necessities such as heating and electricity costs.

Research Question 2:

What influences peoples' thoughts, feelings, and actions at Christmas?

Interviewees noted that the main social pressure people experience at Christmas is a sense of being in competition with others. People also feel compelled to live up to expectations which are created by Christmas marketing which, typically, require people to spend a lot to achieve. Interestingly, interviewees noted some distinctions between how young and old people approach their expenditure at Christmas. An example of the types of questions asked and

follow-ups include “Do you think people are expected to feel a certain way at Christmas? What causes that? What might that cause people to do?”

People feel pressured to compete with others at Christmas

Social pressures, in particular, were noted as being a key factor in affecting many peoples’ mind-set at Christmas. Many interviewees noted how Christmas elicits a sense of competition in people. People can feel pressured to compete with friends, neighbours, and even other family members in terms of, for example, who has the most decorations, whose children has the latest toys or gadgets, who bought everyone the best presents, and who can put on the most lavish party or family gathering, which in turn influences how much people are prepared to spend.

“It’s...bravado...is that the word?...showing off. Christmas is like a competition around here – who can spend the most, who’s got the most stuff to show off. No-one can afford any of this stuff!” **Female, 40-50 years.**

This competitive aspect of Christmas also extends through children: parents do not want their children to feel envious of other children, and this influences parents to spend and buy more. Children are the single biggest influence on parents spending at Christmas, and many made reference to children flicking through Argos catalogues making lists of all the presents they want. Parents feel compelled to get as many of these things as possible in order to make their child feel loved.

“It’s popularity more than anything now, I don’t think...they’re not looking at their kids and thinking “they need this” they’re thinking “well everyone is getting their kids this so I’ll get it for mine too.” **Female, 30-40 years.**

Another key social pressure at Christmas concerns feeling that you *have* to return gifts to those who give any to you, and you *have* to spend as much (if not more) on the returned gift.

People feel the weight of expectation at Christmas

As noted previously, Christmas seems to be a time when people are focussed on things that they *want* rather than what they might necessarily *need*, and Christmas marketing and the media informs this attitude. Many people noted that marketing creates an expectation that people should have as happy and luxurious a Christmas as they see in the adverts on TV, in magazines, and in town. Many adverts attract the attention of children who then exert pressure on the parent. Christmas marketing and media tends to compound a lot of the mind-set that people have at Christmas: the idea of giving yourself what you want for this one time of the year, of avoiding thinking negatively (e.g. "I can't afford this"), and of competing with others through spending – people like to show-off by spending and marketing gives them the ideas of what to spend on by presenting desirable things that everyone wants.

"The adverts come on the telly in October. That's already putting stress onto people – "Christmas is here soon." They put a picture in peoples' heads of how they would like their Christmas to be; they make it look so perfect and I think everybody would like a Christmas like that." **Female, 40-50 years.**

Younger people and older people have different perceptions concerning money and spending

There appear to be key age differences in what influences peoples' attitudes at Christmas. Two recurring issues were that of a "here-and-now", instant gratification attitude to spending which is apparent in younger people predominantly, and differences in the perceptions of the value of money between younger and older people. Younger people appear to have a more "buy now, worry later" attitude to spending money at Christmas, and this mind-set tends to be encouraged by widely available credit; younger people focus more on their immediate temptations rather than consider in detail what the consequences of their spending/borrowing will be post-Christmas, or think about possible constraints which might preclude their ability to repay, as noted earlier in the report. Younger people display an over-optimism in their ability to afford what they may borrow to fund their spending.

"Someone who's a bit older will think "this is how much I've got, and it's all I've got for the next...two or three weeks" and they will make it work out. Younger people are just about

here and now, they're not bothered about a few weeks down the line. No way!" **Male, 30-40 years.**

"Also people just want the money don't they? It's Christmas. They just want something to spend. Nice Christmas now, consequences later." **Female, 20-30 years.**

Older interviewees also spoke of the younger generation having a distinct lack of any perception of the value of money and this is mainly due to easily available credit as well as the manner in which people tend to spend at Christmas, such as using a credit card as opposed to using cash (an idea discussed in more detail later.)

"How easy it can be to borrow money makes people appreciate it less, I think." **Female, 60-70 years.**

"I think it's the same with something like credit cards too you know? Although people have to pay it back, it doesn't feel the same...or people don't respect the money they can spend on the card because they haven't...earned it...if you know what I mean there. They have to earn the money to pay it back mind! But when spending, at least, they go crazy because it doesn't have value to them." **Female, 40-50 years.**

Research Question 3:

What affects do these influences have on how people behave at Christmas?

At this point in the interviews questioning tended to now focus on what effects the various attitudes, pressures, approaches to Christmas planning (or lack of approach) had on peoples' actual behaviour at this time. Key questions included "When do people start to think about how much Christmas is going to cost them?", "Do you think that some people feel they might have to spend lots at Christmas? Why is that?", and "Do you think that people have a certain limit in mind as to how much to spend at Christmas? How do people decide that limit?" The common themes to arise from this part of the interviews included the notions that people are

concerned more with having as happy a Christmas as possible rather than whether they can afford it, and turning to borrowing to fund this in instances where people have not prepared sufficiently in advance.

Happiness at whatever the cost...

All interviewees indicated that the one of the main effects of the various issues raised above concerned how much people spend at Christmas time and how they think about or appraise their spending at this time. The various social, family, and materialistic pressures noted previously all culminate in people spending more than they can afford at this time in order to, as much as possible, live up to the expectations people feel are placed on them at Christmas. As a result people tend to think less about whether they can actually afford, instead focusing on ensuring that they and their family have as good and as happy a Christmas as they feel their peers are likely having, or as they are led to believe that they should have by Christmas marketing and the media, which can lead to overspending.

“People are meant to be happy and think “I’ve got to spend, I’ve got to spend, I’ve got to spend”, and they just keep spending and spending. It just creates a big issue for them.”

Male, 20-30 years.

...Which leads people to overspend

In this sense, many people demonstrate a lack of control when it comes to expenditure at Christmas. Many of the issues raised earlier contribute to this lack of control, including failing to plan sufficiently ahead for Christmas (although there can be some unavoidable constraints on this as previously noted), the various social and emotional pressures to spend already outlined (e.g. competing with others, children), and also the “once a year” attitude of allowing yourself to spend more than normal in order to get what you and your family want. Again, interviewees indicated a sense of focussing on short-term gains rather than considering longer-term consequences of their spending.

“Because they want have a good time on that one day I don’t think people think about the consequences until after. Up until Christmas they’ll spend, spend, spend, not think about

interest rates...then after the day it's "I'll check my balance, oww I've got no money now!" **Female, 20-30 years**

"Spending only makes you feel good that day, and no matter how good it might make you feel it's never worth the misery that comes the next month." **Female, 40-50 years.**

"Parents especially...feel like they have to live up to things, people feel disappointed if they don't get the things their kids want and stuff. Kids are all "I want this and this". Parents have to get themselves into debt to cover it all." **Female, 20-30 years.**

Many have left it too late to raise the money they need

Interviewees noted that many people find themselves with little time left to somehow raise the funds they feel they need to cover the cost of Christmas, and suggested some things that people may do in response to this. Firstly, people may attempt to work extra hours, however, many noted that this was an option entirely contingent upon their employer, making it difficult for people to rely on. Furthermore, working extra hours at Christmas can, in itself, contribute to heightened stress. A further difficulty with this option is that in many cases it is simply too late to earn/save enough to cover the costs. In extreme cases, a few interviewees noted that people may turn to crime in absolute desperation.

"Some people might work more hours but...I think it could cause people to...steal. Because of the pressure. You want to prove and show that you love your family, yeah? If you don't have the money but you want to give them special presents...it can cause people to do something stupid, steal, to make sure they can please people." **Male, 30-40 years.**

It can seriously make people go commit crimes...like bad crimes...just to be able to get money in...they think "Oww yes I've got money, finally." **Male, 20-30 years.**

Borrowing affords people a means of spending more than they have

In the majority of cases, however, people indicated that the main option available to people is to turn to borrowing as people have little other means of raising the money needed so close to Christmas. There is a sense that many people are content to borrow at Christmas

because it allows them the freedom to spend as they wish, and enables them to live up any expectations they feel are placed on them. Again, people do not appear to think about the post-Christmas costs of borrowing. Borrowing allows people a means of having enough money available to treat their family and themselves at Christmas, which may compound the idea that the more spent at Christmas the better.

“People can’t afford all the stuff they’re buying, but rather than say “I can’t afford this” they stick it all on cards or take out loans” **Male, 50-60 years.**

“Definitely. I think...being off work...people are having a good time, going out y’know, and are thinking “oww it doesn’t matter I’ve got my card sure, I’ll worry about it after Christmas” **Female, 40-50 years.**

Research Question 4:

Peoples' understanding of, and thoughts about, borrowing at Christmas.

Interviewees were asked questions such as “What do you think goes through peoples’ minds if they decide to borrow money at Christmas?”, “What attracts people to borrow money at Christmas?”, and “Do people understand what it means for them to borrow money?” Credit cards, payday loans, and doorstep loans were the three most commonly referred to forms of credit which people utilise at Christmas. Interviews suggested three main issues concerning how people think about and perceive borrowing money at Christmas, including that the temptation of borrowing is hard to resist at Christmas, that borrowing can be quickly and easily arranged, and finally that many experience less “pain” in using borrowing to fund Christmas.

Many cannot resist the temptation of borrowing money at Christmas

Firstly, as well as the previously outlined influences on peoples mind-sets at this time, interviewees noted that it is particularly difficult for many people to resist borrowing at Christmas: there is a perception that lenders encourage borrowing at this time through seemingly offering bigger loans, credit limits and overdrafts closer to Christmas. On top of this, the pervasiveness of advertising (people noted text messages, phone calls, internet ads,

posted leaflets, newspapers, high street shops, and recommendations from friends), especially for payday loans, also gives the idea that credit is widely available and, crucially, being used by all.

“It’s everywhere...the adverts, so I think that people might think to themselves “Everyone’s doing this”, which might make it easier for them to go for it.” **Female, 60-70 years.**

“...If you don’t have a lot of money, and it’s Christmas, and there’s an ad basically saying “We will give you £500 in 15 minutes”, how can people who are hard-up resist that?” **Male, 20-30 years.**

Borrowing is quick, easy, and causes less pain than using your own money

Secondly, borrowing money is considered so quick and easy to do that people think little of it. A phone call, text message, or an internet search is all that may be required to secure a loan, which is again hard for people to resist if they don’t have any other means. Furthermore, spending borrowed money seems to be psychologically easier for people to do – many noted that people don’t feel like they’re spending their own money, and in some cases see it as “free money.” This perspective is compounded by using credit cards with several interviewees suggesting some critical differences between how people think about spending by credit card and spending by cash. It was suggested that people do not tend to keep track of how much they spend on credit cards in the same way they would if they paid in cash, because using a credit card at the point of purchase doesn’t “feel” like you are paying with your own money. By paying in cash, people are more sensitive to exactly how much they are spending - there is an almost tangible psychological “pain” in physically handing over cash and seeing how much (or little) you have left, which is absent when paying by card. Several interviewees noted that using cash may encourage people to think more clearly about exactly what they may be buying or how much they may be spending.

“I think once you see money in your hands, once you see how much you’ve taken out, when you go into the shop and something costs £99 you think “oww *intake of breath* I’ll only be left with a pound after this”, but with a card...it’s not coming out your pocket like that” **Female, 40-50 years.**

Thirdly, peoples' apparent focus on the short term means there is a distinct lack of foresight when borrowing to enable spending. In some instances this can stem from a lack of awareness of the full extent of costs associated with borrowing (many people do not read the fine print, for example), but in others it is simply the more immediately compelling temptation of having money to spend. It was also noted that people, particularly with credit cards, will keep spending until they have reached the limit made available to them.

"Oww I've still got this amount left and I haven't spent it", maybe in their overdraft, or on their card, and so rather than...not spend it...they think "Oww I better go out and spend it!" They don't need to. They shouldn't! But it's there. People can't resist it" **Female, 20-30 years.**

"I don't think people think about cost at the time no, they just think "I'll bang it on the card." Then, obviously when the statement comes through after Christmas I think that's when it starts really hitting people that they're going to have to start paying for it." **Female, 20-30 years.**

Research Question 5:

Peoples' perceptions of, and thoughts about, having debt after Christmas.

Questions at this point included "What do you think is generally on peoples' mind after Christmas?", "What kinds of things might hold people back from getting help for any serious debt problems they might have after Christmas?", and "What do you think are the first signs that make people realise they may have a serious financial problem?" Almost all interviewees highlighted that being faced with the cost of Christmas and realizing the extent of borrowing is the key concern of many people after Christmas. Two key issues which may prevent people from getting support for any financial issues they might face include not knowing about available services, or being unable to overcome emotional hurdles that people associate with having debt.

The costs of Christmas now become achingly clear

There is a sense that the highs of Christmas are replaced by a feeling of “back to reality” after Christmas, with panicking about debt being the number one concern now on peoples’ minds. For many people, seeing bills in their hand is the first time that the cost of Christmas begins to feel “real” to people and the first time many realise the extent of what they borrowed and spent, having not been keeping track. Other key indicators of serious financial problems which were noted included being turned down for further credit, not having money for household bills such as food and electricity, and health issues (physical and mental). There is a strong perception that failing to financially plan sufficiently ahead for Christmas (if possible) is the difference between those who may and those who may not find themselves with debt after Christmas.

“When the bills start coming through the door, then you have to face up to reality.”

Female, 40-50 years

“I think it takes a lot of people to become ill, panic attacks and not sleeping, before they start to actually see how the debt’s affecting them” **Male, 20-30 years.**

Not knowing where to turn to can exacerbate peoples’ debt problems...

Interviewees noted that peoples’ initial responses to post-Christmas debt include taking out more credit to service existing debt, which in many cases traps people in a cycle of debt. A general consensus amongst interviewees was that many people who are in serious financial difficulty respond too late in terms of seeking help or advice, for several reasons. Firstly, many people simply are not aware of where they can seek help or advice. Several interviewees commented that, considering how ubiquitous adverts for borrowing are, there are relatively few adverts for debt advice services.

“I don’t think it’s published enough. You can go home and get three or four credit leaflets through your door, but you don’t get a lot of leaflets through the door saying “We’re here to help you.”” **Female, 40-50 years.**

...But for many the emotional burden of financial difficulty prevents people from coming seeking help

Another apparently pervasive obstruction to people seeking advice or support about financial problems is the emotional burden that many people feel accompanies making admissions about debt, with many people convincing themselves to continue shouldering the debt and attempting to repay it rather than admit their problem and seek advice. Interviewees noted that peoples' main concerns are centred on how they will be viewed by others, and by their family, for having debt problems. For many people the emotional burden is simply too difficult to overcome, leading many to prolong and exacerbate their financial troubles. Embarrassment, shame, and pride were regularly noted by interviewees as the key emotions which may hold people back from seeking advice about their financial troubles. People feel ashamed and embarrassed that others may judge them as irresponsible or stupid for overspending, that everyone will look down on them, and about how they will look to their children.

"I think people are embarrassed about saying "I spent this much and now I can't afford this" ...People are embarrassed about saying that they've got no money." **Female, 20-30 years.**

"They're ashamed, they don't want other people to think "oww so-and-so's got huge debts". I think they're scared that everyone's going to know their business if they speak up, and that makes people feel like they'll be judged, y'know? People will look down on them, or judge them. They're ashamed for getting into this situation, and now everyone's looking at them." **Female, 60-70 years.**

Discussion and Conclusions

The purpose of these exploratory interviews was to gain a preliminary insight into the salient thoughts and feelings that people associate with Christmas and the kinds of behaviours these may give rise to with respect to spending. The goal was to identify any key psychological characteristics that might influence peoples' financial decisions around Christmas time, with a particular focus on how peoples' emotional experiences at this time might act as a catalyst for overspending, borrowing, and ultimately debt after Christmas. These interviews have lent support to the idea that some peoples' spending behaviours at Christmas time, as well as how they respond to financial troubles after Christmas, can be understood in terms of peoples' psychological characteristics including emotional tendencies and present/future thinking. The following synopsis summarises the main recurrent issues expressed by interviewees and the behaviours that may result.

People see Christmas as a time to release yourself from thoughts about typical life stresses and instead focus on relaxing with friends and family, with many noting it as a "blowout" period, and a once-a-year opportunity to really treat yourself for having worked hard all year. Spending more money than usual is one key way in which people treat themselves, which can lead people to spend above and beyond their means, with such expenditure funded through borrowing (particularly credit cards, payday loans, and doorstep loans). Children are also a huge source of happiness (as well as stress) for parents – making the kids happy on Christmas Day gives parents a great sense of reward, but parents often struggle financially to achieve this. Stresses concerning the costs of Christmas and how to afford them were recurrently noted as a source of anxiety for people at Christmas; many people find themselves with little time left to save enough income and so turning to borrowing as a result. People have a tendency to focus on the present when deciding to borrow money, with many only realizing the full extent of their expenditure *after* Christmas when bills arrive. After Christmas, people become concerned with being able to afford what they may have borrowed and may feel regretful, embarrassed, and ashamed about being in financial difficulty as a result of their spending at Christmas.

These exploratory interviews have helped to identify several key research questions which will be studied as part of phases two and three of this study. What are the predominant emotions that people associate with Christmas (both positive and negative)? Are certain emotions associated with particular behaviours at Christmas time? Is age associated with better financial preparation for Christmas, or lower tendency to borrow and overspend? What are the key factors which influence peoples' decisions to borrow at Christmas (temptation, ease of access, pressure etc)? These questions, and more, will form the main focus of phases two and three of this study.

Planning Phase Two of the study

Phase one of this study has indicated that in some instances peoples' tendencies to overspend at Christmas, and the related tendencies to borrow at this time, may arise primarily from their emotional responses to the various pressures experienced at this time, with other salient psychological factors (such as a focus on thinking in the here and now rather than considering the future) perhaps acting to compound these tendencies. Interviews also suggested that, besides a general lack of awareness of where to go for advice and support about debt issues, there are particularly strong emotional pressures that may hinder people from seeking help, in turn prolonging and ultimately exacerbating their financial hardship.

Whilst these interviews have proven incredibly insightful, their main use has been in exploring a basis for Phases Two and Three of the research. The next goal of the study is to explore on a wider scale the key issues raised in these interviews to get an indication of their prevalence. To do this, the Centre for Decision Research will construct an objective survey which will ask a new set of respondents about the most recurrent thoughts, feelings, and actions associated with Christmas that were brought up during the interviews. Such an approach provides the most direct way of assessing the prevalence in the wider community of the various issues raised in the interviews as potentially explaining peoples financial behaviour at this time. Phase two of the study will take from November until Christmas, and will require in excess of 150 participants to complete a survey which will take up to 30 minutes. Based on findings from the interviews, the survey will explore in more specific detail the kinds of emotions people associate with Christmas (both positive and negative); how people view Christmas, what it means to them, and how people may or may not prepare (e.g. a time for unwinding, for rewarding yourself, for having a strict budget etc); their thoughts about spending and borrowing money at this time (e.g. reasons people feel pressured to spend more, and the circumstances under which people would consider borrowing); and what people think about having debt after Christmas. The survey will also assess peoples' stress levels at this time at this time of year.

A large part of the Centre for Decision Research's interest in conducting this research is to inform professional and voluntary agencies that offer support and guidance to people experiencing financial problems. Working with such agencies can assist in the research itself (allowing us to promote the research, thus aiding our attempts to recruit participants, but also develops a way to put the insights gained from this research into practice, by feeding our findings back into these agencies. An obvious benefit of this research to organisations would be to gain a fuller understanding of the kinds of psychological considerations that can act to influence peoples' financial behaviour – particularly where that behaviour may have

Buy Now, Worry Later

...

damaging results – as well as their responses to problem debt; this, in turn, may enable organisations to improve or refine the crucial services they provide.