

MONEYSUPERMARKET

Household Money Index

Quarterly Update March 2024

FOREWORD

Welcome to the spring edition of the Household Money Index (HMI), our barometer of the UK’s daily spending. In this edition we discover that Brits are spending less on 28 of the 31 bills and everyday expenses we monitor in the HMI. The savings add up to £62.20 each a month, giving people 3.5% more disposable income than in the last quarter of 2023. That’s despite an energy price cap rise and some inflation-linked price rises.

The cost of motoring is one of the biggest categories of spending in the HMI, so this edition we’re focussing on the new generation of drivers – those aged 17-20 who are just getting on the road.

The average 17-20 year-old can expect to pay double what their parents paid to get on the road. The cost has risen 135% above the rate of inflation. It is far more than most young people can realistically afford, so Mum and Dad are now expected to pay for most of the costs. Parents are willing to help – but there is a huge disconnect between their expectations, and the reality of just how much it costs in 2024.

Read on as we investigate beyond the UK’s cost of learning to drive crisis to find out if parents are better off being the Bank or Taxi of Mum and Dad, as well as ways parents and young drivers can prepare for the cost of driving and find the best value ways to get on the road.



Sara Newell
Director of Insurance, MoneySuperMarket

CONTENTS

P3

SPRING HMI IN NUMBERS: THINGS WARMING UP FOR BILL PAYERS

Our latest Index shows reported spending has dropped by 4.5% in the first three months of this year.

P4

STING OF THE ROAD: COST TO START DRIVING DOUBLES

35 years ago a 17-20-year-old could get on the road for £1,285. Today the exact same set of costs totals £7,609 – a staggering 135% above the rate of inflation.

P5

WORKING 9-5 AND BEYOND

Minimum wage for a 17-year-old is just £6.40 an hour, meaning kids would need to work 1,188 hours and spend more than half of their annual income to get and stay on the road.

P6

MAP OF COSTS

The cost of getting on the road varies significantly depending on where in the UK you are, with Londoners paying a £1,000 premium.

P7

BANK OR TAXI OF MUM & DAD

Half of young people said they would need financial help from a parent – but are parents better off coughing up or being a taxi service?

P8

EXPERT VIEW

Our Director of Insurance, Sara Newell shares insights into young driver insurance, and ways to make savings.

SPRING HMI IN NUMBERS: THINGS WARMING UP FOR BILL PAYERS

The latest Household Money Index (HMI), MoneySuperMarket’s quarterly barometer of the UK’s daily expenses, shows that reported expenditure on 31 bills and daily expenses dropped by 4.5% in the first three months of this year.

UK households are spending an average of £1,392.00 a month. On average, Brits are £62.20 a month better off than in December.

THE BRITS REWARDS

Since the last HMI in December, it has been confirmed that while inflation remained steady at 4.2%, the UK slipped into the shortest, shallowest ‘technical’ recession in history, at the end of last year.

Our data backs this up – people spent less to protect their finances, by switching, economising and making savings.

And these changes are starting to pay off. So where are people making savings?

SAVINGS ON 9 OUT OF 10 BILLS

UK households reported spending less on 28 of the 31 different bills and services monitored in the HMI than three months ago.

This could mean that people have stopped paying for a service altogether, or that more people are switching to a better value product or policy than they had before.

Mobile phones, pet and health insurance were three areas where people are making the biggest savings – over 40% on some products.

Spending on services such as broadband, water bills and credit cards dropped between 1-5%.

Only three bills have risen, one significantly: energy, which increased 21.24% to an average of £121.90 per household, due to the colder weather and Ofgem’s January price cap hike.

DRIVING CHANGE

Driving-related costs have consistently been the biggest individual outgoing after paying for your home...depending on age.

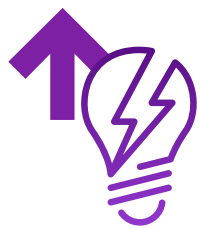
Younger people, aged 18-34, report spending twice as much per month as people aged 55 plus keeping a car on the road (£185.63 vs £96.33), with insurance and fuel the highest costs.

For younger people, driving is a significant chunk (8%) of their monthly finances. Indeed for many, getting on the road at all is near impossible.

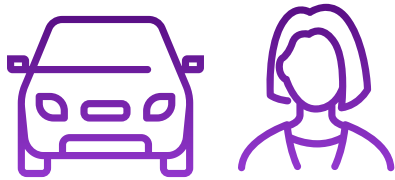
TOTAL MONTHLY HMI	£1,392	↓ 4.5%	SINCE DECEMBER
DAILY COST	£46.40	↓ £2.07	
COMMITTED SPENDING (OF INCOME)	67%	↓ 3.5%	
DISPOSABLE INCOME UP (PER YEAR)	£686	↑ £62.20	PER MONTH



Mobile phones, pet and health insurance, broadband, water bills and credit card all down



Energy bills up 21.24%



£185.63 ppm
18-34yr

vs.



£96.33 ppm
55+yr

STING OF THE ROAD: COST TO START DRIVING DOUBLES

Our HMI reveals that 35 years ago a 17-20-year-old could get on the road for £1,285 (£3,234 adjusted to today's money).

Today the exact same set of costs totals £7,609 – a staggering 135% above the rate of inflation.

For many young people, driving represents their first taste of freedom – a coming of age rite of passage and for many a necessity, especially for those in rural areas or places with unreliable public transport.

Yet official figures from the Department for Transport show that only a quarter of people aged 17 to 20 hold a full driving licence – half as many as 35 years ago.

This is a screeching cultural shift. The appetite to pass one's driving test and get out on the road is as high as ever. But very often young people cannot afford the costs of modern-day motoring.

£7,609

THE COST OF 17-20 YEAR-OLDS TO GET ON THE ROAD IN 2023

£1,285

THE COST OF GETTING ON THE ROAD IN 1990 (£3,234 inflation adjusted)

135%

ABOVE THE RATE OF INFLATION

53%

OF UNDER-25s SAID THEY HAD PUT OFF GETTING BEHIND THE WHEEL BECAUSE IT IS TOO EXPENSIVE

26%

OF PEOPLE LEARN TO DRIVE IN THEIR TWENTIES

5%

OF PEOPLE NOW DELAY LEARNING TO DRIVE UNTIL THEIR THIRTIES

WORKING 9-5 AND BEYOND

We analysed over 16 million data points that comprise the 12 core costs of getting on the road, from getting a licence to buying and insuring a car.

We found it costs **£7,609** to get – and keep – a 17-20 year-old on the road for a year.

Minimum wage for a 17-year-old is £6.40 an hour, meaning kids would need to work 1,188 hours and spend more than half of their annual income to get and stay on the road.

While the difference between 1989 and today is huge, we wanted to address a feeling that much of the acceleration in the cost of getting on the road was recent, so compared like-for-like data from 2019 to see how much has really changed.

The cost of getting on the road has risen around 6.33% since 2019, which is only a touch above the 5.22% inflationary increase in that time.

The overall cost pales in comparison to the rising cost of insurance. Data from millions of visits to MoneySuperMarket show that the average car insurance quote for a 17-20 year-old has risen by 27% since 2019 – over five times the rate of inflation.

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COST BREAKDOWN

License:	£38.50
Theory and driving tests:	£228.50
Lessons:	£1,690.59
Insurance:	£1,699.96 *
Car:	£2,987.45
Fuel:	£559.96
Parking fees and tickets:	£96.59
Road tax:	£189.00
Roadside assistance:	£118.91

Total:	£7,609.46
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* Insurance for a 17-20 year-old

2019	£1,239.63
2023	£1,699.96
Increase	£460.32

MAP OF COSTS

LONDON

London has the highest cost of getting on the road for a 17-20 year-old, at an average of £8,422 - a rise of 26% since 2019.

The capital has by far the highest insurance cost in the UK, at £2,449 per year, which is £749 higher than the UK average of £1,700 and £246 more a year than second most expensive Birmingham.

Driving lessons in the capital cost among the highest in the country, at £1,868 for 45 hours of lessons.

More than four in 10 (42%) Londoners who put off driving told us they did so because of the city’s extensive public transport, while 23% said they can cycle instead of driving.

CARDIFF

The Welsh capital has the lowest total cost of getting on the road. At £7,309, it costs over a thousand pounds less than top-placed London (£1,113).

While lessons in Cardiff are slightly less expensive than average, they are not the cheapest. Cardiff has the lowest overall cost through consistently mid-range prices, as opposed to some of the more extreme variables seen elsewhere.

That said, like the rest of the UK, insurance for 17-20 year-olds in Cardiff has risen significantly (26.05%) since 2019, from £1,167 then to £1,578 today.

GLASGOW

The city on the Clyde has seen a greater increase in the cost of getting on the road than anywhere else in the UK. Overall it costs 8% more to get on the road than it did in 2019.

Fuel has risen 10.30% in Glasgow compared to an average of 6.19%.

But compared to an average of 27% nationwide, Glasgow has seen a 33% rise in the cost of insurance policies for 17-20 year-olds, from £1,166 in 2019 to £1,746 today – an average hike of £580.

NORWICH

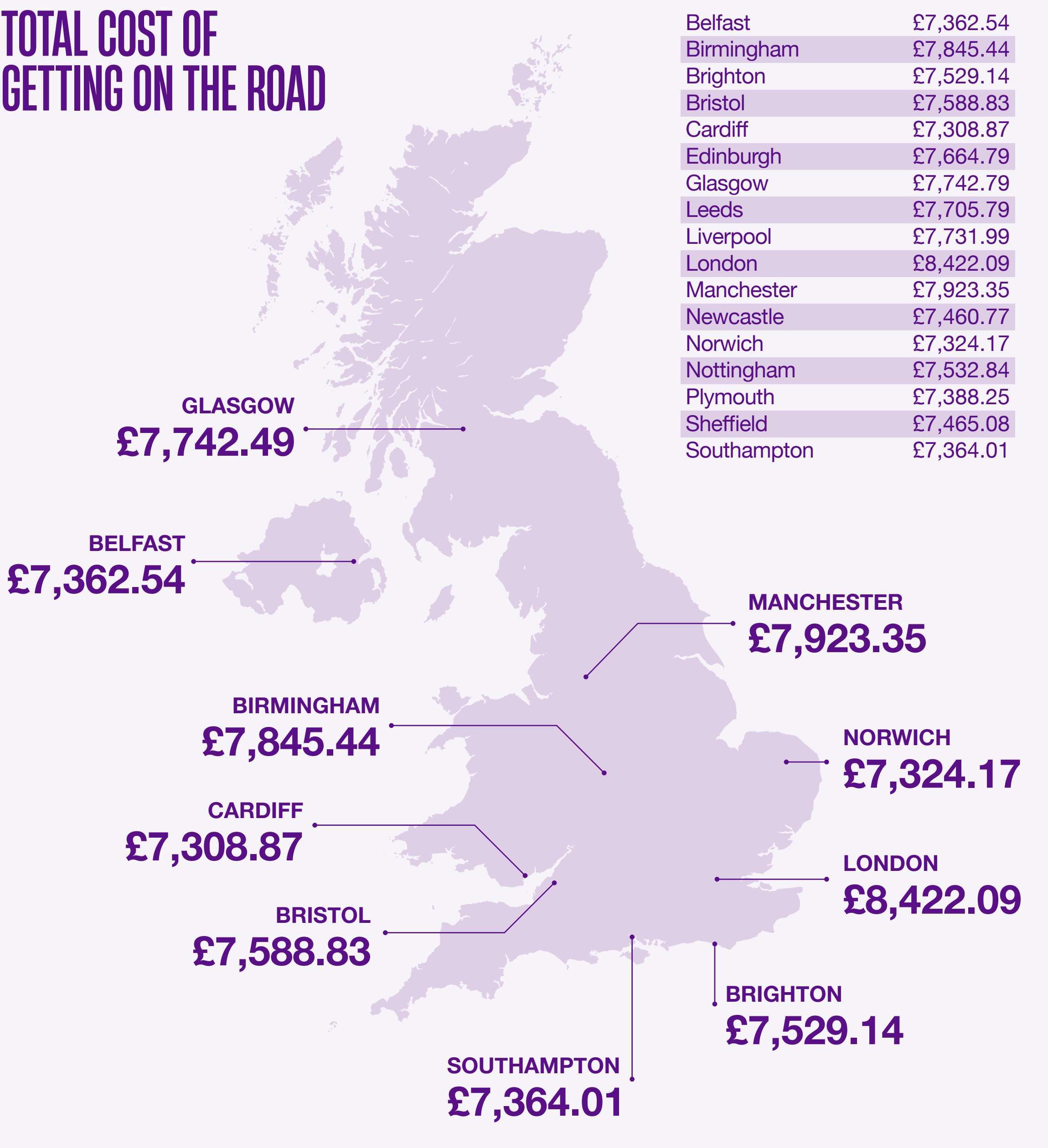
Norwich has the cheapest insurance for a 17-20 year-old in the UK. The average insurance quote in Norwich is nearly half that of London (London: £2,449 vs Norwich: £1,276).

The city has the second lowest cost of getting on the road and has seen price changes almost exactly in line with inflation since 2019 (5.29%)

Despite this, Norwich has the highest annual fuel cost in the UK – £649 a year – due to the rural city having by far the highest quoted mileage in the country, at 6,787 miles.

Among Norwichers who put off driving, twice as many said it was due to the higher cost rather than having access to good public transport.

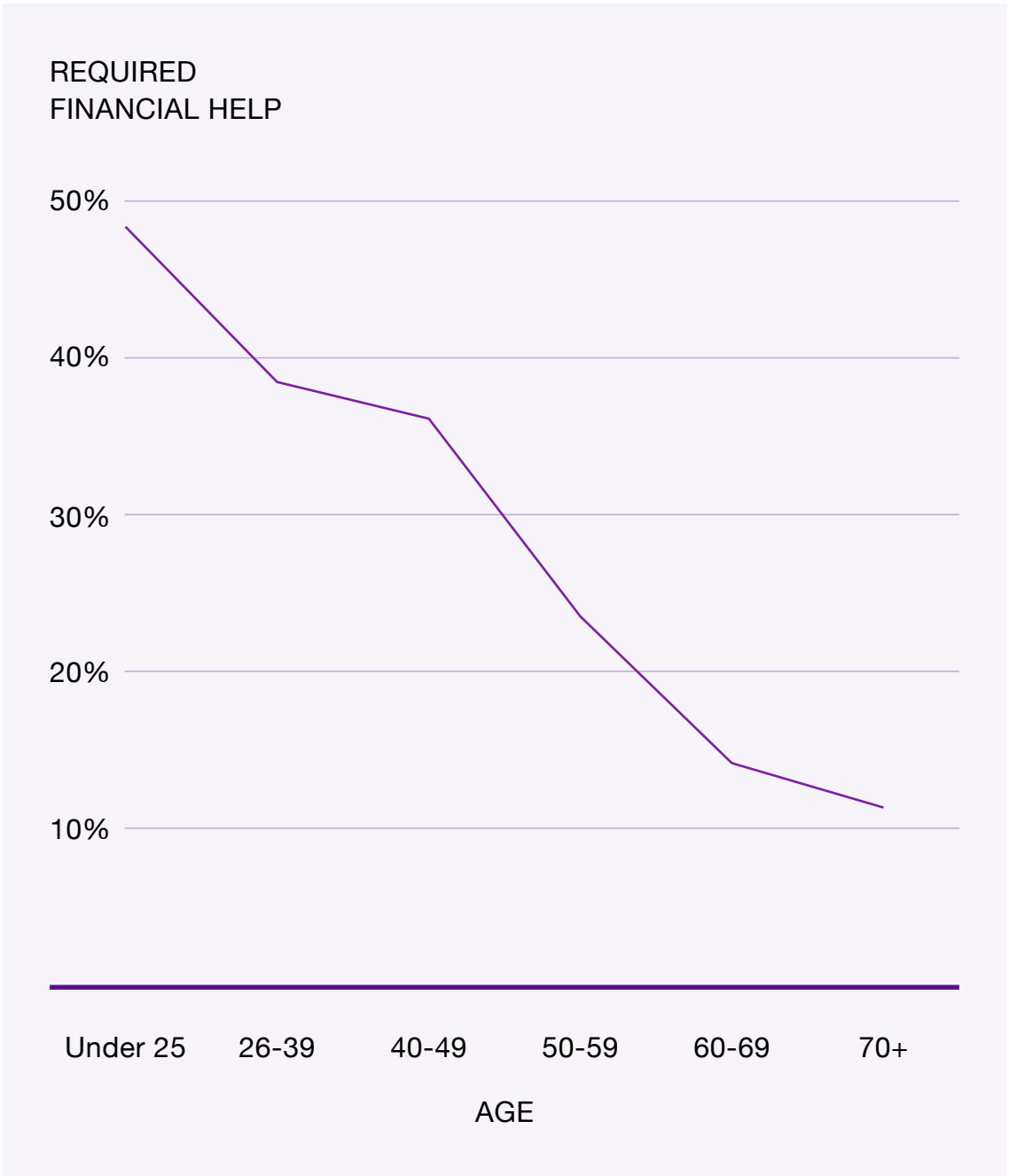
TOTAL COST OF GETTING ON THE ROAD



BANK OR TAXI OF MUM & DAD

Given it costs £7,609.46 for a 17-20 year-old to get on the road for a year, it's perhaps unsurprising that half (47%) of young people said they would need financial help from a parent or carer to get on the road.

This is a huge intergenerational shift. The number of people who need (or needed) financial assistance from their parents to get on the road decreases through the generations – just 10% of those over 70 required help.



And, parents aren't so sure they can afford – or even want – to help. Only 10% of parents say that no matter the cost, they would pay 100%. Around twice that number said they would pay nothing, with unaffordability understandably given as the main reason.

Among parents who said they would financially help, the average they would contribute is £989.26 – barely 13% of the cash their kids would actually need.

EXPECTATIONS VS REALITY
The consensus among Brits of parenting age is that they would feel comfortable contributing 42% of the total cost of their child getting on the road.

However, people massively underestimate how much it actually costs. The average prediction of the total cost of getting a child on the road is £2,379.92, less than a third (31%) of the true figure – and not even enough to cover insurance in some parts of the UK.

POP GEAR
Much has been written about the Bank of Mum and Dad, but much less about their other business, the Taxi of Mum and Dad.

The average UK parent estimates they spend 9.3 hours a month – 4.6 days a year – taxiing their 17-20 year-old kids around.

Time is money – and in this case that four and a half days is worth £1,336 a year to a British parent who earns the UK average pre-tax salary of £34,900.

For an average 17-year-old starting out driving, their first three years of driving will cost £13,099.

For the average parent, those three years of giving lifts are worth £4,065 – not to mention the days (and late night pick ups) of lost time.

Spread over the three years of 17-20, the value of the lifts parents give their kids would pay for 31% of their total motoring costs in the same period – 11% less than the 42% most parents said they anticipate spending on getting their kids on the road.

DOES IT PAY TO BE A TAXI SERVICE?
When looked at in the short term, it may seem that way: it is far cheaper to give your kids lifts than to cough up the cash.

But spread over the three years between 17-20, if you can afford it, it's a better investment of time and money to be a bank than a taxi service. Paying for your kids' licence, lessons, and first year of insurance totals an average of £3,658, leaving them to pick up the cost of the car itself plus fuel, taxes and charges.

Due to regional disparities in costs, the choice of whether to be a taxi or bank varies around the country.

The £5,560 worth of lifts a parent in Plymouth gives their kids are worth nearly half the £12,196.80 it would cost to get them on the road for three years. Compare that to Leeds, where the £ 3,017 of lifts barely covers a quarter of the £13,725 it costs to get on the road.

42%

THE AMOUNT UK PARENTS WOULD BE WILLING TO CONTRIBUTE TO THE COST OF THEIR CHILD GETTING ON THE ROAD

£4,065

THE AVERAGE VALUE OF THREE YEARS OF LIFTS

31%

THE AMOUNT WHICH PARENTS COULD CONTRIBUTE TO THEIR CHILD'S FIRST YEAR OF DRIVING INSTEAD OF TAXIING

EXPERT VIEW



Sara Newell
Director of Insurance,
MoneySuperMarket

Our Director of Insurance, Sara Newell shares insights into young driver insurance, and ways to make savings.

When you’re faced with the decision of slogging it out as a taxi service or coughing up the cash so your kids can get on the road, it’s not a straightforward choice – as the Household Money Index shows.

In our survey, 95% of people underestimated the costs of learning to drive today. If you have children who are approaching 17 knowing the breakdown of the £7,609 total cost means you can prepare and discuss early on how much you might be able to help.

There are ways you can make savings. Black box or telematics insurance policies and technology have come a long way. A smartphone app or plug-in device collects data about your driving which can help to bring down prices for careful motorists, especially new drivers facing higher premiums.

Be aware that you may have to pay extra, or your policy could even be cancelled, if driving behaviour is erratic or there is speeding.

Compare policies to find the one that suits the driver’s needs - check for mileage limits and if driving at night is allowed. When you buy car insurance through MoneySuperMarket you become a member of our SuperSaveClub, which means you can earn cash rewards on a range of qualifying products - another welcome saving.

If you’re considering adding a child to your car insurance policy, make sure the main driver on the policy is the primary user. In our research, 80% said they don’t know what fronting means.

Fronting is when someone falsely declares that someone is the main driver, when in reality someone else drives the car more. It’s insurance fraud and the consequences include a criminal record, the insurer refusing to pay out on a claim, policy cancellation, and higher future premiums. It’s really not worth the risk.

THE COST OF TAXI OF MUM AND DAD

CITY	TAXI OF MUM AND DAD HOURS PCM	TAXI OF MUM AND DAD COST PA	TAXI OF MUM AND DAD COST FOR 3 YEARS	PERCENTAGE OF COST OF 17-20 YEAR-OLD ON THE ROAD FOR THREE YEARS
PLYMOUTH	12.90	£ 5,560.56	£ 12,196.80	46%
BRIGHTON	11.60	£ 5,000.19	£ 12,566.16	40%
BRISTOL	11.00	£ 4,741.56	£ 12,424.34	38%
BELFAST	10.40	£ 4,482.93	£ 12,489.00	36%
EDINBURGH	10.10	£ 4,353.60	£ 12,734.08	34%
CARDIFF	9.60	£ 4,138.08	£ 12,417.47	33%
SHEFFIELD	9.70	£ 4,181.19	£ 12,988.26	32%
SOUTHAMPTON	9.00	£ 3,879.45	£ 12,215.33	32%
NEWCASTLE	8.90	£ 3,836.34	£ 13,052.31	29%
NORWICH	8.20	£ 3,534.63	£ 12,124.33	29%
MANCHESTER	9.70	£ 4,181.19	£ 14,359.83	29%
NOTTINGHAM	8.40	£ 3,620.82	£ 12,762.94	28%
BIRMINGHAM	9.30	£ 4,008.78	£ 14,291.37	28%
LONDON	9.50	£ 4,094.97	£ 15,221.69	27%
LIVERPOOL	7.60	£ 3,276.00	£ 13,650.57	24%
GLASGOW	7.40	£ 3,189.78	£ 13,467.28	24%
LEEDS	7.00	£ 3,017.34	£ 13,724.92	22%

SOURCES & METHODOLOGY

Polling

All consumer polling figures unless otherwise stated are from a poll of 2,000 adults carried out on behalf of Moneysupermarket Group by Opinium between 13 February 2024 - 16 February 2024. Opinium are company partners of the MRS and abide by its code of conduct and guidelines for best practice when carrying out research for clients, ensuring results are accurate, impartial and fair to both clients and participants.

The core Household Money Index (“HMI”) was calculated from the replies of 2,000 adults self-reporting how much they spend per average month on 31 different categories. The categories were determined by Moneysupermarket Group experts to represent a ‘basket’ of common household bills and expenditures. Results have been weighted to be nationally representative.

Polling data was subjected to statistical analysis, including cross-tabulations and sentiment analysis. These analyses allowed for the identification of significant trends, preferences, and consumer sentiments pertaining to the HMI.

Proprietary data

MoneySuperMarket.com is a price comparison site processing millions of quotes per month on over 40 financial products and services. These millions of quotes provide a rich source of data from which MoneySuperMarket has determined historic policy prices for the insights throughout this document.

All of the data pertaining to average insurance and car prices, as well as the quoted mileage used to calculate fuel costs, are proprietary to MoneySuperMarket and correct as of 15 March 2024.

External sources

The document uses a number of external sources to calculate and compare its findings and to provide historical context where necessary.

- The Bank of England’s inflation calculator has been used throughout the accompanying report for consistency in comparisons, comparing 1989 to March 2024.
- National Archive data has been used in all instances where historic income figures are used for comparison.
- The most recent ONS Employee earnings data has been used for average salary
- The most recent GOV.UK data for ‘National Minimum Wage and National Living Wage’ was used in instances where national minimum wage has been utilised.
- GOV.UK data was used for the cost of driving tests and licensing, the average time it takes to pass a driving test, the number of fines issued, and the number of full driving licences issued in 1989 and 2023. “Full driving licence” constitutes full manual or full automatic in this context.
- Parkers was used to calculate the MPG of example cars.
- Parkopedia data was used to calculate the annual cost of parking.
- A range of sources were used to determine the historic cost of services and policies where prices were not available through Moneysupermarket Group proprietary data.

Expertise Integration

Moneysupermarket’s three decades of experience and expertise in the finance sector played a pivotal role in the analysis process. Subject matter experts with a deep understanding of financial services were actively involved in interpreting the data, providing insights, and contextualising findings.

Synthesis of Findings

The insights derived from website data analysis, consumer polling, and the invaluable input of Moneysupermarket Group’s seasoned experts were meticulously synthesised. This synthesis encompassed identifying key trends, challenges, opportunities, and actionable recommendations to produce the results throughout the Index and accompanying report.

Fact checking

All information in the index and accompanying report has been professionally fact-checked and is correct to the best of Moneysupermarket Group’s knowledge at the time of publication 15 March 2024

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