Lives empowered

a nation empowered

Helping the nation make the most of its finances

LLOYDS BANKING GROUP

Lloyds Banking Group

Financial empowerment report 2026

Foreword

A digital revolution is reshaping how Britain manages money.

Jas Singh OBE
CEO, Consumer Relationships
Lloyds Banking Group

Financial empowerment comes when people have the confidence, tools, knowledge and opportunities to take control of their financial lives and improve their financial wellbeing over time. No financial services provider offers more choice, convenience or reach to make that happen.

As one of the UK's largest integrated financial services organisations, we wanted to understand the scale of opportunity that comes from true financial empowerment, enabled by digital transformation. So we challenged Professor John Gathergood, Professor of Financial Economics at the University of Nottingham, to explore a specific question: if the benefits of digitally-enabled financial empowerment were realised at scale across the UK population, what could be the total value to the nation over the next decade?

His answer is a striking one. Drawing on published academic research, nationally representative survey data and established economic modelling, Professor Gathergood examines seven areas of everyday personal finance where the evidence is robust and the technology is real or near-term. They are non-exhaustive, provider-agnostic and focus on a selection of the most evidence-led ways that digital tools, data and guidance can reduce friction, improve understanding and support better decision making over time.

> **"Professor John Gathergood's modelling suggests that accelerating the digital transformation of financial services could unlock up to £100 billion of economic value over the next decade – equivalent to around £3,500 per household."**

The research is a high-level projection, and a rigorous attempt to quantify the opportunity in areas where academic evidence and real-world data exists to guide us. The projections are deliberately conservative, the seven areas of focus are independently modelled, and the assumptions are transparent. As with any forward looking analysis, the actual outcomes will depend on the pace of digital adoption, the evolution of the regulatory environment, and the choices that consumers, providers and policymakers make in the years ahead.

This report is a scouting mission – a measure of the scale of what becomes possible when digital support reaches everyone who needs it, and a reminder of what is at stake if we get this right. It answers our question with the best available evidence – giving us a clearer sense of what becomes possible as rapidly evolving technology makes digital tools smarter, more personalised and more widely used in daily life.

Access to the right tools, insights and timely support can make people more likely to act – supporting longer-term planning, more confident debt management, and the development of financial resilience for households and communities, protecting their families and strengthening their communities.

But wide-reaching transformation is never a simple thing. We need to bring together digital innovation, transformative technologies and skilled people to meet the needs of customers more effectively.

Continues on next page

Foreword continued

At Lloyds Banking Group, we recognise the scale of this opportunity. And we are committed to using that opportunity – and the responsibility that comes with it – to enable financial empowerment for our customers.

Any references in this report to Lloyds Banking Group products or services are illustrative only, are provided for context, and do not constitute financial advice or a recommendation.

As a leader in digital transformation, we're already shaping the future of finance and supporting people to achieve their financial goals through simple digital tools, personalised insights and timely guidance embedded in everyday banking. For example, our Ready-Made Investments make it simple and easy to start investing, empowering over 84,000 customers to begin their investment journey since the launch.

We're also strengthening customers' credit health and helping them get better access to borrowing. More than 500,000 customers improved their credit scores through our Your Credit Score tool each quarter last year, building their resilience and confidence along the way, while our Benefits Calculator highlighted £93.3 million of support payable to customers. We launched our agentic AI financial assistant earlier this year, which will eventually enable 21 million mobile app customers to manage their money more effectively, providing tailored insight on spending, budgeting, savings and investments – all within a secure banking environment.

“More than 500,000 customers improved their credit scores through our Your Credit Score tool.”

We want everyone to have the tools, confidence and access to thrive in a digital-first economy, so we've helped more than a million people since 2023 build their digital skills and take control of their financial futures through our Lloyds Bank Academy, Digital Helpline and financial education programmes.

But there's more to be done. Professor Gathergood's research points to what is possible for the financial services sector as a whole, as regulation, data and technology evolve. Realising the potential value of digitally enabled financial empowerment will require a collective effort – from providers, regulators, policymakers, technology partners and the third sector – and a shared commitment to trust, inclusion and confidence.

When people feel empowered, they are more likely to move beyond day-to-day financial management – with greater ability to plan, adapt and invest in their futures. When these experiences of empowerment are repeated, day after day, across millions of lives, their potential impact reaches far beyond individual households.

This is how we build a more resilient and inclusive economy – **Helping Britain Prosper.**

“Our Ready-Made Investments make it simple and easy to start investing, empowering over 84,000 customers to begin their investment journey since the launch.”

Introduction from our author

“Financial empowerment is about enabling people to have the capability, confidence and control to manage their money effectively and make decisions that improve their financial lives over time.”

John Gathergood
Professor of Financial Economics

The University of Nottingham

Consumers can achieve financial empowerment by harnessing the latest advances in digital and related technologies, using products and tools which are tailored to their needs, and help them shape the lives they want to lead.

Financial empowerment in a digital age

Financial empowerment is about enabling people to have greater capability, confidence and control over their financial lives. In this analysis, I focus on how that empowerment is experienced in practice: whether people have the knowledge, skills, tools and opportunities to manage day-to-day finances, build resilience, and make informed decisions that improve their financial wellbeing over time. This framing guides the analysis throughout.

This matters because the decisions people make about money – often small, everyday choices – accumulate over time. When people feel in control of their finances, they can make more confident decisions, which pave the way for a more resilient financial future.

Advances in digital technology – and the data processing and analytics capabilities they create – are making this shift possible at scale. Real-time data visibility technologies allow people to see their financial position clearly as it evolves, while Open Banking and emerging Smart Data, intelligent frameworks and agentic AI make it possible to bring together data from different accounts and providers into a single, coherent view, in a consent-based secure data process. Building on this, predictive analytics can move beyond simply tracking past behaviour to anticipating future needs, so people can better prepare for upcoming expenses or potential shortfalls.

Support that was once generic or difficult to access can now be delivered in real time, tailored to individual circumstances, and embedded into a person’s everyday financial decisions – all within a secure banking environment.

Many of these capabilities are already part of daily life. Millions of people use digital banking tools to check balances, track spending, and move money quickly and securely. But these tools are now evolving from simple interfaces into intelligent systems that people can use to actively manage their money, through timely prompts, clearer insights, and – crucially – with the right level of support to help them make decisions that better reflect the realities of their lives.

This report examines how these developments drive better financial outcomes for people across the UK. By looking at the decisions people make about their money every day, it shows how these individual gains, when realised, can unlock economic potential and contribute to a stronger, more dynamic UK economy.

In this report, I set out the evidence for the economic value of financial empowerment, drawing on published academic research, nationally representative survey data, and established economic modelling techniques. The analysis and all the estimates presented are my own. The report is structured around seven independent use cases, each grounded in a specific body of evidence, with detailed workings provided in the Appendix.

Summary

Financial empowerment through **digital transformation**

Advances in data, technology, and digital channels enable the financial services industry to support UK consumers by giving them the information, tools, and technology to make better financial choices. Digital transformation empowers consumers by helping them manage their money in ways that are low cost, fast, easy to access, and always-on.

This report sets out how digital transformation can support consumers in seven key areas. These areas span a range of consumer finances – from everyday money management to investing for the longer term; from better access to credit and borrowing, to making sure consumers have the right insurance products. Across these areas, digitally-enabled financial services can help consumers make better decisions at every stage of life.

Digital tools already exist – in people's pockets, embedded in their banking apps – and are continuously developed and improved in ways that can make consumers meaningfully better off.

> **“Digital transformation empowers consumers by helping them manage their money in ways that are low cost, fast, easy to access, and always-on.”**

The evidence, drawn from rigorous academic research and representative survey data, is clear: these tools work, and as digital transformation takes hold, could benefit millions more people. When this next generation of digitally-delivered tools is deployed and adopted at scale, the benefits will be felt across society.

The value of **financial empowerment**

The research indicates that if digital financial empowerment were deployed at scale across the UK population, the cumulative benefit to consumers would reach £100 billion over ten years. This is equivalent to approximately £3,500 per UK household. The impact would be felt across all income groups. Projections show that the benefits are largest among those on lower incomes.

“The benefits to lower income households amass to £31bn, or approximately 9.2% of household income.”

The largest absolute monetary gains – from increased investing, mortgage decisions and higher investment returns – accrue to those with savings. But the largest relative gains – in debt management, credit access, and money management – accrue to lower-income households. These households have the most to gain, as digital transformation helps to overcome complexity, frictions, and information gaps in credit and debt markets.

“The benefits to higher income households amass to £69bn, or approximately 8.2% of household income.”

~£100bn

benefit to consumers of digital financial empowerment over 10 years

Summary continued

Use cases and benefits

The seven use cases which collectively deliver these financial empowerment benefits are:

Digital tools can help UK adults move cash savings not ear-marked for short-term needs out of low-yield accounts and into diversified investment portfolios, achieving materially higher real returns through digitally delivered investment guidance from providers.

Digital pre-approval and eligibility-checking tools could reduce the friction that leads mortgaged households to remain on uncompetitive rates when better deals become available.

Incorporating alternative data – rent payments, utility bills, Open Banking transaction data – into credit scoring can unlock mainstream credit access for millions of consumers currently excluded by thin-file status.

Technology-enabled money management tools can provide proactive, forward-looking cash flow alerts. This helps customers set aside short-term savings for emergencies, save money by cancelling dormant subscriptions, and refine their spending patterns, to avoid costly everyday financial mistakes.

A single-view debt dashboard with technology-enabled repayment prompts could enable households holding multiple unsecured products to reduce their interest costs by repaying in the optimal order.

Transaction data analysis can identify underinsurance gaps and eliminate duplicate or unnecessary premiums, helping households achieve the right coverage at the right cost while ensuring their insurance is right-sized for their needs.

Contextual digital guidance embedded in banking apps at key financial decision-making moments improves outcomes for consumers who wouldn't otherwise seek or receive financial education.

Summary continued

Use cases and projected benefits

The aggregated financial benefits from each use case are shown in the graphic opposite. The largest absolute financial gains – from accessible investing to smarter money management – reflect the compounding power of investments deployed more efficiently over time.

However, the largest relative gains, as a proportion of income, accrue to lower-income households through improved debt management, better credit access, and smarter everyday money management.

Together, the seven use cases represent a comprehensive picture of where digital transformation can unlock the most value: from one-time switching events in mortgages and debt consolidation, to continuous and compounding benefits in investment returns.

The projected benefits are achievable with existing or near-term technology and are individually supported by a robust base of published academic and empirical evidence.

Crucially, the seven use cases are non-overlapping: a consumer who benefits from both mortgage switching and accessible investing is capturing two distinct financial gains, and neither is double-counted.

It should be noted that several areas of potential consumer benefit are excluded from this analysis. Savings behaviour (the decision to save versus spend), wealth accumulation beyond the investment returns modelled in use case one (such as through pensions optimisation), and behavioural spillover effects (where improvements in one area of financial management leads to improvements in others) are all outside the scope of this report. Their exclusion contributes to the conservatism of the overall estimate.

Total
10-year cumulative
£100bn

Annual benefit (at scale)
£10.8bn

Primary beneficiaries
Mid-life savers with excess cash

£40bn
10-year cumulative

£4.3bn
Annual benefit (at scale)

Accessible investing

Primary beneficiaries
Multi-debt households

£15bn
10-year cumulative

£1.7bn
Annual benefit (at scale)

Smart debt management

Primary beneficiaries
Mortgaged owner-occupiers

£14bn
10-year cumulative

£1.6bn
Annual benefit (at scale)

Mortgage switching

Primary beneficiaries
'Thin file' consumers; renters

£8bn
10-year cumulative

£0.8bn
Annual benefit (at scale)

Credit access and choice

Primary beneficiaries
Under-insured households

£6bn
10-year cumulative

£0.7bn
Annual benefit (at scale)

Insurance optimisation

Primary beneficiaries
All digital banking consumers

£9bn
10-year cumulative

£0.9bn
Annual benefit (at scale)

Smarter money management

Primary beneficiaries
Lower-capability groups; younger adults

£8bn
10-year cumulative

£0.8bn
Annual benefit (at scale)

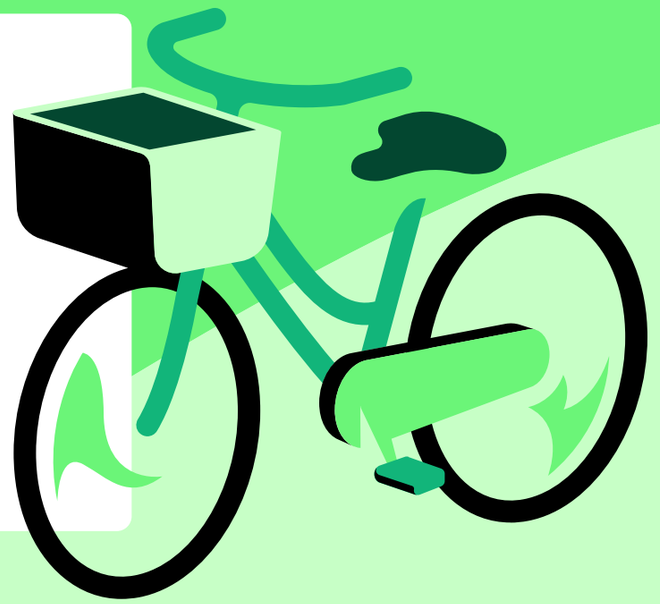
Financial capability

The use cases: **Seven routes to empowerment**

The use cases span a range of how people interact with their money, from day-to-day management of spending, budgets and bills, through to longer-term decisions about debt, savings, investment, and mortgage choices. Many readers will recognise the everyday use cases – smarter money management, better credit access, insurance optimisation – as those most immediately relevant to their daily financial lives.

Each use case below is modelled independently, drawing on a specific academic and empirical research base. UK-wide values are derived by estimating the average financial benefit per eligible individual, multiplied by the eligible population, adjusted for projected uptake rates, and scaled over a ten-year trajectory.

Find out more



The use cases: Seven routes to empowerment continued

Accessible investing

£40bn
potential value

~6.5m
beneficiaries at target uptake

The use cases: Seven routes to empowerment continued

Accessible investing

UK adults hold an estimated £430–£610 billion in ‘investable’ cash: liquid savings held by people who have already covered emergencies, sitting in accounts earning materially less than they could be.

How it works

The FCA has explicitly described this as a missing opportunity for consumers. A 60/40 equity/bond balanced portfolio delivers real returns of 5.0–5.5% per annum over the long run. Cash delivers approximately 0.5–1.0% in real terms once inflation is accounted for. The excess return available – 4.5–5.0% per annum – is the potential financial benefit by putting these long-term savings to work in investments.

Digital transformation enables this shift through two main mechanisms. First, the future rollout of digitally delivered investment guidance under the incoming Targeted Support regime, which will allow providers to offer cohort-based, evidence-informed guidance to customers who may be eligible to invest but have not yet done so. Second, frictionless digital onboarding makes the move from a Cash ISA to a Stocks and Shares ISA as simple as a few taps.

Research base

FCA Financial Lives Survey (2024); Barclays Smart Investor estimates; FCA CP24/9 Targeted Support consultation.

The projection

If 15% of the eligible investable cash pool – approximately £78–£90 billion – shifts from cash into balanced investments, the excess annual return of 4.75% generates approximately £4.3 billion per year at steady state.

Accounting for a five-year adoption ramp-up and compounding effects on invested returns, the ten-year cumulative benefit reaches **£40 billion**.

Find out more

£40bn

potential value

~6.5m

beneficiaries at target uptake

Smart debt management

£15bn
potential value

~5m
beneficiaries at target uptake

The use cases: Seven routes to empowerment continued

Smart unsecured debt consolidation and paydown

Approximately 17 million UK adults hold unsecured debt across multiple products.

How it works

Research by Gathergood et al. (2019, 2021) shows that most people do not repay their debts in the most cost-effective way, often continuing to pay down lower-interest debts while higher-interest borrowing builds up. This 'balance misallocation' costs affected borrowers an estimated £250–£450 a year. The fix is technically achievable: a single view of all debts, ranked by interest rate, with a digital prompt for the lowest-cost order, or a frictionless consolidation journey where appropriate. Smart Data legislation is creating the regulatory infrastructure for this at scale.

Research base

Gathergood, Mahoney, Stewart & Weber (2019, 2021); FCA Financial Lives Survey debt module; Experian ReFi product design; Jorring (2025).

£15bn

potential value

~5m

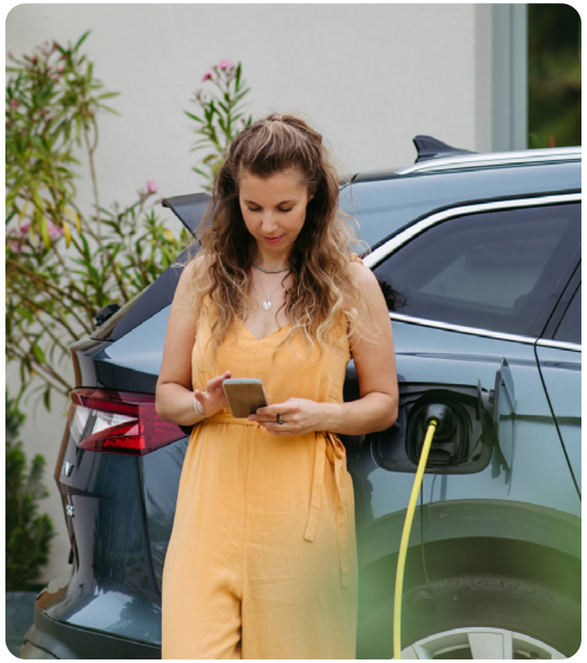
beneficiaries

The projection

5 million adults (30% of those with multi-product unsecured debt) saving an average of £340 per year through optimal repayment or consolidation generates £1.7 billion per year at scale.

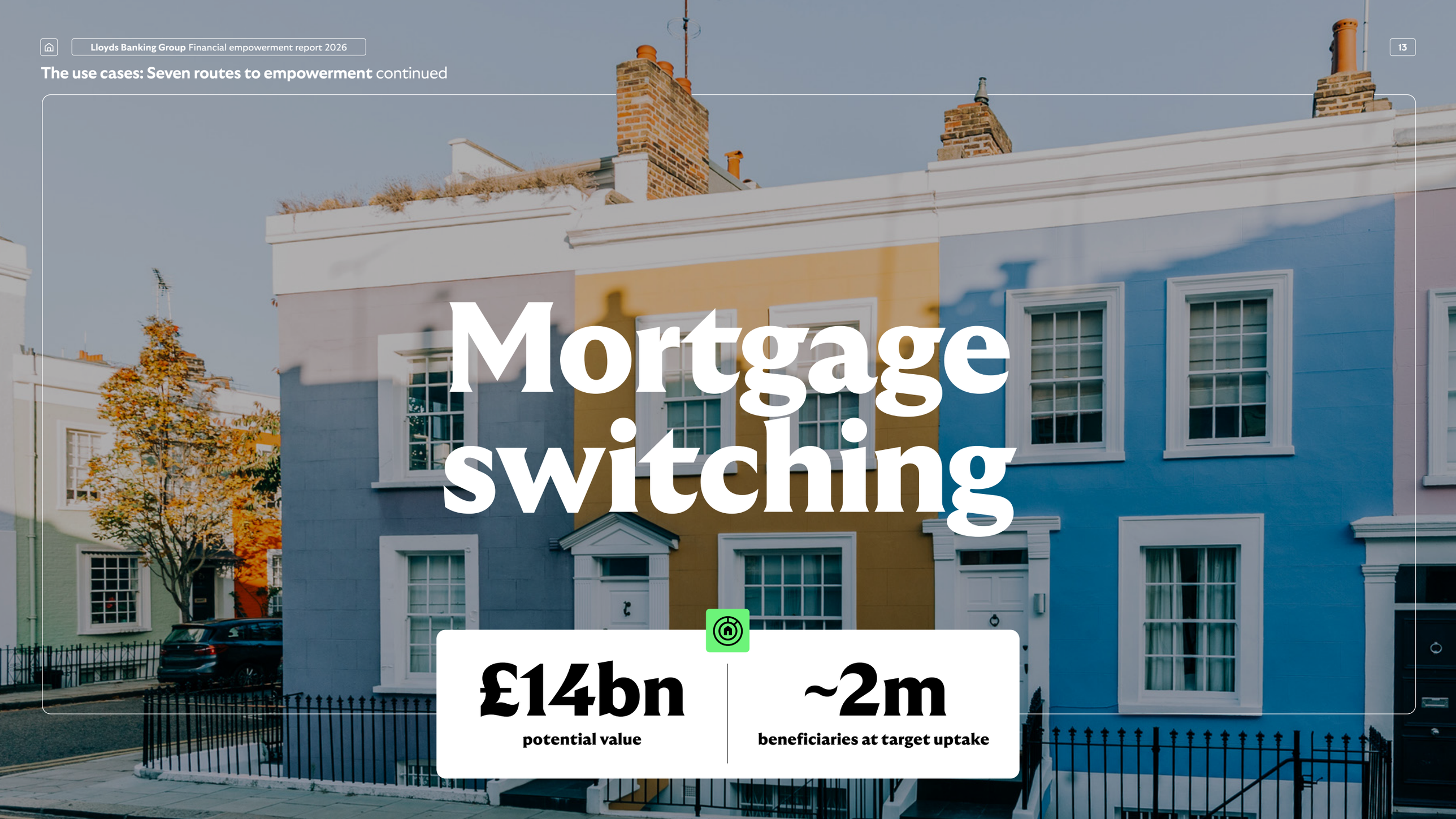
Ten-year cumulative: **£15 billion**.

Find out more



The use cases: Seven routes to empowerment continued

Mortgage switching



£14bn
potential value

~2m
beneficiaries at target uptake

Faster and lower-risk mortgage switching

Mortgage payments are the largest single outgoing for most owner-occupiers, yet academic evidence is unambiguous that households are systematically slow to refinance when better deals become available.

How it works

Andersen et al. (2020) and Bracke et al. (2024) both document large, persistent rates of mortgage non-switching. The UK base rate has fallen from 5.25% in mid-2024 to 4.5%. For many mortgaged households who are in a position to commit to fixed payments, a timely switch could save £1,500–£3,500 per year. New digital tools – eligibility checkers, decision-in-principle engines, and pre-approval platforms – are materially reducing the friction that previously trapped consumers on uncompetitive rates.

Research base

Andersen, Campbell, Nielsen & Ramadorai (2020); Bracke, Everitt, Fazio & Varadi (2024); UK Finance Mortgage Statistics Q4 2025.

The projection

2 million mortgaged households (25% of those who could benefit) saving an average of £1,600 per year through timely remortgaging generates £1.6 billion per year at scale.

Ten-year cumulative: **£14 billion**.

Find out more

£14bn

potential value

£1,500-£3,500

potential mortgage switch saving per household per year

Credit access and choice

£8bn
potential value

~2m
beneficiaries at target uptake

The use cases: Seven routes to empowerment continued

Better credit access and choice

An estimated 5 million UK adults have 'thin file' or 'credit invisible' status – not because they're poor credit risks, but because traditional scoring models don't capture evidence of their reliable financial behaviour.

How it works

Many are young adults, private renters, recent migrants, or self-employed workers who pay rent and bills consistently, but aren't as creditworthy in conventional models. The result is exclusion from mainstream credit markets and reliance on high-cost lending at APRs five to ten times higher than near-prime products.

Research by Jagtiani & Lemieux (2019) and Berg et al. (2020) demonstrates that incorporating alternative data – rent payment history, utility payments, Open Banking transaction data – into credit models can identify 'invisible prime' borrowers who are genuinely lower-risk than their thin-file status suggests.

Research base

Jagtiani & Lemieux (2019); Berg et al. (2020); Di Maggio, Ratnadiwakara & Carmichael (2022); Experian/Equifax market reports 2024.

£8bn

potential value

~2m

beneficiaries

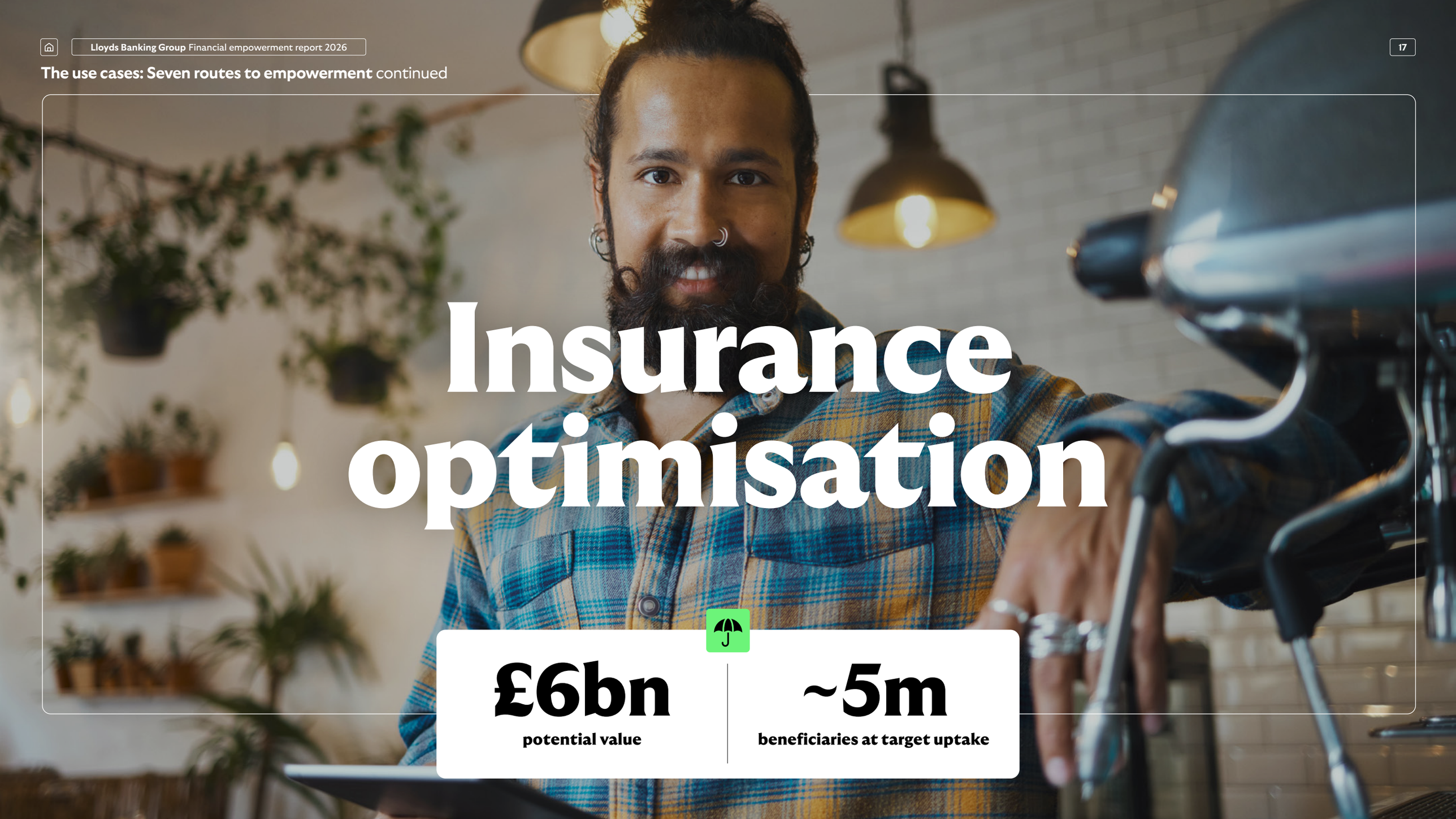
The projection

2 million invisible prime consumers moving from high-cost to near-prime lending (average APR reduction from 28% to 15% on £3,000 outstanding), saving £390 per year, generates £780 million per year at scale.

Ten-year cumulative: **£8 billion**.

Find out more

The use cases: Seven routes to empowerment continued



Insurance optimisation

£6bn
potential value

~5m
beneficiaries at target uptake

Informed insurance and coverage

Fewer than half of UK adults hold any form of income or life protection insurance, despite widespread financial vulnerability to income shocks documented by the FCA.

How it works

Even where people do have insurance, it is not always well matched to their needs or actively reviewed, meaning some pay more than necessary by not switching products, or unknowingly hold overlapping cover across different policies. Transaction data provides a powerful lens for identifying both gaps and waste: an individual with childcare outgoings but no life insurance visible in their transaction history is, in data-evidenced terms, under-insured. Digital tools can surface these opportunities and eliminate wasted premiums at scale. This can ensure that insurance is right-sized for the individual: holding appropriate insurances to cover risks at the most competitive prices available.

Research base

Kunreuther, Pauly & McMorrow (2013);
FCA Financial Lives Survey (2024) insurance module;
Swiss Re Sigma UK Protection Gap Report.

£6bn

potential value

~5m

beneficiaries

The projection

Benefits accrue across two sub-groups – 3 million households gaining coverage value through right-sizing (average coverage uplift value: £150 per year) and 2 million avoiding duplicate premiums or overpayment (average saving: £120 per year). Annual benefit at scale: £690 million.

Ten-year cumulative: **£6 billion**.

Find out more

The use cases: Seven routes to empowerment continued

Smarter money management

£9bn
potential value

~12m
beneficiaries at target uptake

The use cases: Seven routes to empowerment continued

Smarter money management

This is the use case with the broadest reach, relevant to virtually every digital banking customer. Evidence from Jorring (2025) and others shows that financial AI has the potential to change this significantly.

How it works

With transaction classification, pattern recognition, and forward-looking prediction, emerging app capabilities could alert consumers to avoidable financial mistakes and suggest the optimal time to move money into savings within the pay cycle. In this way, better money management can help customers build emergency savings pots, and predict when those pots are at risk of becoming depleted.

Research base

Jorring (2025); LBG Consumer Digital Index; FCA Financial Lives Survey 2024; UKDS Understanding Society financial behaviour module.

£9bn

potential value

~12m

beneficiaries

The projection

12 million engaged app users realising an average annual benefit of £75 (through avoided mistakes, acting on switching prompts, and optimised savings behaviour) generates £900 million per year at scale.

Ten-year cumulative: **£9 billion**.

Find out more

Financial capability

£8bn
potential value

~8m
beneficiaries at target uptake

The use cases: Seven routes to empowerment continued

Improved financial capability

Low financial capability is expensive. It's associated with worse debt outcomes, lower savings rates, higher susceptibility to fraud, and worse long-run wealth accumulation – effects documented across multiple national studies.

How it works

The Money and Pensions Service's baseline survey found that fewer than half of UK adults felt confident managing money, with gaps deepest among younger adults and lower-income groups. Traditional financial education has struggled partly because it's abstract, infrequent, and disconnected from actual decision-making moments. Digital delivery changes this: guidance embedded in a banking app – contextual, timely, triggered by real financial events – has materially higher engagement. AI has the potential to amplify this by making guidance more relevant to individual circumstances: not 'here's how compound interest works', but 'here's how compound interest works on your balance, and what that means for your plan'.

Research base

Money and Pensions Service (2020); Lusardi & Mitchell (2014); OECD/INFE 2023 International Survey of Adult Financial Literacy; Behavioural Insights Team (2024).

The projection

8 million adults achieving measurable improvements in financial outcomes through digitally delivered financial education that builds financial capability, delivers an average annual benefit of £100. This comes from better product choices, reduced exposure to fraud, and improved financial planning. At scale, this generates £800 million per year.

Ten-year cumulative: **£8 billion**.

Find out more

£8bn

potential value

> **"The Money and Pensions Service's baseline survey found that fewer than half of UK adults felt confident managing money, with gaps deepest among younger adults and lower-income groups."**

Aggregation

The seven use cases are independent in their mechanisms and consumers can benefit from more than one use case. For example, a consumer who benefits from mortgage switching and accessible investing is capturing two distinct financial gains, which aren't double-counted. The aggregate is therefore additive, summing across the individual use cases with minimal overlap.

The estimates presented throughout this report are intentionally conservative. Uptake rates are calibrated to observed adoption curves for comparable digital financial services, and in most cases represent the lower end of plausible ranges. The use cases are designed to be non-overlapping: where there is potential for a benefit to be captured by more than one use case (for example, between financial capability and investing), explicit overlap adjustments are applied to prevent double-counting. Certain areas of potential benefit – including savings behaviour, wealth accumulation effects, and broader macroeconomic multipliers – are excluded from the modelling entirely, further reinforcing the conservatism of the headline estimate.

Aggregation continued

	Eligible population	Target uptake	Beneficiaries	Avg. annual benefit	10-year cumulative
Accessible investing	~18m adults	36%	6.5m	£660 per person	**£40bn**
Smart debt management	~17m adults	29%	5.0m	£340 per person	**£15bn**
Mortgage switching	~8m households	25%	2.0m	£1,600 per household	**£14bn**
Credit access and choice	~5m adults	40%	2.0m	£390 per person	**£8bn**
Insurance optimisation	~14m households	36%	5.0m	£138 per household	**£6bn**
Smarter money management	~30m app users	40%	12.0m	£75 per person	**£9bn**
Financial capability	~25m adults	32%	8.0m	£100 per person	**£8bn**
Total					**£100bn**

Aggregated financial benefits

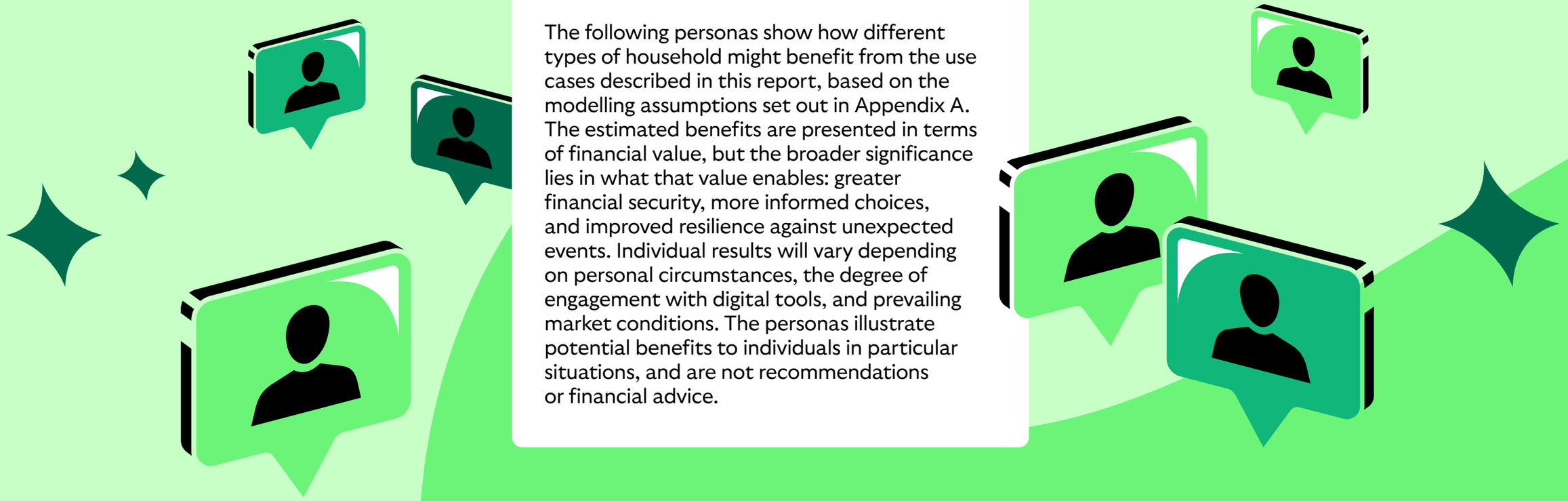
It is assumed that customers' adoption of digital financial tools will take time, and that the benefits won't materialise in full from year one. The modelling assumes a graduated ramp-up over years one through five (from 10%–80% of target uptake), reaching steady state by year six. Year 1 benefits: ~£3.5bn. Year 5: ~£9.5bn. Full scale (Year 6+): ~£10.8bn per year. (Note: the headline of £100 billion is a central estimate, not an upper limit – a move from 36% to 45% uptake in accessible investing alone adds approximately £5 billion to the ten-year total for that use case.)

The total ten-year benefit of £100 billion equates to approximately £3,500 per benefiting household on average. But for a mortgaged family that pays down debt smartly, the combined benefit can exceed £14,000 over ten years.

Potential combined value over 10 years to a household accessing multiple digital financial empowerment benefits

£14,000+

Who benefits? **Six UK personas**



The following personas show how different types of household might benefit from the use cases described in this report, based on the modelling assumptions set out in Appendix A. The estimated benefits are presented in terms of financial value, but the broader significance lies in what that value enables: greater financial security, more informed choices, and improved resilience against unexpected events. Individual results will vary depending on personal circumstances, the degree of engagement with digital tools, and prevailing market conditions. The personas illustrate potential benefits to individuals in particular situations, and are not recommendations or financial advice.

Who benefits? Six UK personas continued

Anya, 28

Private renter
Marketing executive
£34k salary
Limited credit history

Estimated 10-year benefit: £5,200

How Anya achieves this benefit

Moving from high-cost to near-prime credit saves her £390/year. Smart debt paydown reduces credit card interest by £180/year. AI budgeting flags £95/month in unnecessary subscriptions. Anya achieves lower borrowing and better budgeting.

Martin, 64

Phased retirement
Part-time consultant
Combined part-time earnings of around £15k/year and a small direct benefit pension of £12,000/year
Three previous-employer direct contribution pension pots totalling £165,000
£40,000 in a cash ISA
Homeowner with no mortgage

Estimated 10-year benefit: £11,400

How Martin achieves this benefit

£25,000 of his cash ISA holdings is redeployed into a balanced investment returning approximately £500/year more relative to cash, with cohort-based guidance on drawdown tax efficiency adding a further £100/year. An insurance review right-sizes his home contents cover and removes a duplicate life policy carried over from an employer group scheme (£140/year), while digital money management clears around £100/year of previous-employer direct debits now that regular income has stepped down.

Marcus & Sarah, 41

Mortgaged homeowners
Two children
Combined £72k income
Tracker mortgage rolling onto standard variable rate

Estimated 10-year benefit: £15,400

How Marcus and Sarah achieve this benefit

Digital pre-approval enables swift remortgage, saving £1,900/year. £22,000 in a Cash ISA is moved to a balanced investment portfolio. A life cover gap is identified and duplicate travel insurance is eliminated, saving £140/year. Marcus and Sarah save money on mortgage payments, improve their portfolio returns, and expand their insurance coverage.

Denise, 55

Mid-career professional
Four pension pots from previous employers
Higher-rate taxpayer

Estimated 10-year benefit: £10,800

How Denise achieves this benefit

£45,000 in a cash ISA is redeployed to earn a higher real return. Money management flags recurring charges on expired contracts totalling £34/month. Denise improves the returns on her investments, and benefits from better everyday money management.

Who benefits? Six UK personas continued

Mo, 23

- Recent graduate
- Trainee software developer
- £29k salary
- Limited credit history
- Default workplace pension at statutory minimum contributions

Estimated 10-year benefit: £3,400

How Mo achieves this benefit

Open Banking-derived rental and bills data supplement his thin credit file, saving approximately £120/year on borrowing costs. AI-enabled money management flags dormant subscriptions and supports better product selection, saving around £100/year. A modest £50/month contribution into a diversified Stocks and Shares ISA, initiated through digital onboarding, generates an excess real return of approximately £80/year.

Terry, 34

- Self-employed tradesperson
- Irregular income
- Multiple credit products

Estimated 10-year benefit: £4,100

How Terry achieves this benefit

Open Banking income data enables near-prime credit access. A single-view of four credit products helps him repay them in the optimal order. AI-delivered guidance improves Terry's understanding of self-assessment tax efficiency. Income smoothing tools help manage his irregular cash flow. Terry benefits from simpler management of his credit products, better cash flow, and faster and simpler tax decisions.

These 6 personas illustrate two patterns.

A

Absolute gains are highest for those with more assets – a mortgaged household with investable savings has more resources for digital financial empowerment tools to act on.

B

But relative gains – as a proportion of income – **are often highest for lower-income households**, for whom reducing the cost of debt or unlocking better credit is transformative.

Enablers of financial empowerment

There are three main enablers which allow digital transformation to financially empower consumers, and which span the seven use cases described earlier:

01

Commercial scale

The tools for financial empowerment exist or are imminent. Digital investment onboarding, AI-powered money management, mortgage eligibility engines – these are products being built now. The challenge isn't technical invention per se, but scale: reaching the significant share of consumers not yet engaging with their finances digitally at the depth required to capture these benefits.

02

Regulatory

There are two key enablers. The FCA's Targeted Support framework will allow firms to deliver cohort-based digital guidance to groups of consumers with similar characteristics – the mechanism that makes the investing use case viable at population scale. The Data (Use and Access) Act's Smart Data provisions may create the infrastructure for consumers to share financial data across providers in a consented, standardised way – unlocking debt management, credit access, and mortgage use cases.

03

Consumer trust

A strong theme in the use cases is trust. Trust is not a soft concern – it's the precondition for consumer consent-based data sharing, guidance uptake, and ultimately financial action. Building it requires demonstrating, consistently and verifiably, that digital financial tools serve consumer interests – with transparency about data use, clarity about the distinction between guidance and advice, and a genuine commitment to inclusion.

Conclusions

This report has set out to answer a specific question: if the benefits of digitally-enabled financial empowerment were realised at scale across the UK population, what would the total value to consumers be over the next decade?

The analysis shows that **the answer is**

£100bn

This answer is derived bottom-up from seven independent use cases, grounded in academic research and national survey data, and applied with conservative assumptions.

That figure breaks down into components that are individually legible and verifiable. £40 billion from shifting investable cash into better-returning portfolios. £15 billion from smarter debt management. £14 billion from timely mortgage switching. £8 billion from unlocking credit for the currently invisible. £6 billion from right-sizing insurance. £9 billion from AI-powered money management. £8 billion from digitally-delivered financial capability.

Each component is a conservative estimate, achievable with technology that already exists or is close to market, and is grounded in published research.

Taken together, these findings highlight a significant opportunity to **improve outcomes for millions of people across the nation.**

By harnessing the power of data, technology and digital channels – alongside accessible guidance, inclusive services and trusted support – there is a clear path to helping people build financial security, pursue their aspirations, and unlock opportunities to thrive.

Acknowledgment and Disclaimer

This report was authored by Professor John Gathergood, Professor of Financial Economics, University of Nottingham, and commissioned by Lloyds Banking Group. The analytical framework, economic modelling, and all estimates presented are the author's own, based on published academic research, nationally representative survey data, and publicly available sources as cited. The views and analytical judgements expressed do not necessarily represent the formal position of Lloyds Banking Group or any other organisation. This report does not constitute financial advice. Projected benefits are modelled estimates based on stated assumptions and should not be interpreted as forecasts or guarantees of future outcomes.

Reflections from Lloyds Banking Group

For our customers, financial empowerment is experienced through everyday choices – when digital tools remove friction, provide clarity and support better decisions over time, enabling people to engage with their finances in ways that reflect their own goals and circumstances.

The use cases: Seven routes to empowerment

- Accessible investing
- Smarter debt management
- Mortgage switching
- Credit access and choice
- Insurance optimisation
- Smarter money management
- Financial capability

Set against the independent evidence in this report, our reflections focus on how financial empowerment shows up in practice for our customers today.

For our customers, financial empowerment is experienced through everyday choices – when digital tools remove friction, provide clarity and support better decisions over time, enabling people to engage with their finances in ways that reflect their own goals and circumstances.

While this report quantifies the potential impact of digitally enabled financial empowerment across seven evidence-led use cases, it is not exhaustive.

Among the areas not covered, pension savings and retirement optimisation stand out as a particularly significant opportunity – where digital guidance and smarter consolidation could transform long-term outcomes for millions.

Realising opportunities like this is not simple. Wide-reaching transformation depends on bringing together digital innovation, evolving technologies and skilled people in ways that genuinely meet customer needs.

At Lloyds Banking Group, we recognise both the scale of the opportunity and the responsibility that comes with it – and we are committed to creating the conditions in which customers can empower themselves through practical tools, accessible guidance and trusted support as they make decisions about their financial futures.

That starts by helping people to take control of their finances. For example, our Ready-Made Investments make it simple and easy to start investing, empowering over 84,000 customers to begin their investment journey since the launch.

> **“At Lloyds Banking Group we are committed to creating the conditions in which customers can empower themselves.”**

We’re also strengthening customers’ credit health and helping them get better access to borrowing. More than 500,000 customers improved their credit scores through our Your Credit Score tool each quarter last year, building their resilience and confidence along the way, while our Benefits Calculator highlighted £93.3 million of support payable to customers. We launched our agentic AI financial assistant earlier this year, which will eventually enable 21 million mobile app customers to manage their money more effectively, providing tailored insight on spending, budgeting, savings and investments – all within a secure banking environment.

We want everyone to have the tools, confidence and access to thrive in a digital-first economy, so we’ve helped more than a million people build their digital skills and take control of their financial futures through our Lloyds Bank Academy, Digital Helpline and financial education programmes since 2023.

Together, these examples reflect how digital tools can support the seven routes to financial empowerment explored in this report, helping customers to act with greater confidence at moments that matter most to them.

When acts of financial empowerment are repeated, day after day, in millions of lives, their potential impact reaches far beyond individual households – contributing to a more resilient and inclusive economy.

This is how we build a more resilient and inclusive economy – **Helping Britain Prosper.**

LLOYDS BANKING GROUP

Appendix A:

Detailed methodology and workings

General methodology

Four methodological steps apply across all use cases:

1. **Identify the population of potential beneficiaries** (those 'at risk' of benefiting from the use case) **based on nationally representative survey data.** These are the FCA Financial Lives Survey, ONS Wealth and Assets Survey, UKDS Understanding Society Survey, and/or English Longitudinal Study of Ageing.

2. **Estimate the per-person annual benefit.** Estimates are drawn from a combination of the relevant academic literature and policy literature.

3. **Apply realistic uptake rates based on comparable digital adoption curves.**

4. **Project over ten years with a five-year adoption ramp.** This approach assumes that digital transformation takes a period of time, so there is a ramp-up in benefits as we extend towards the 10-year horizon. (The rate of adoption for the affected population is assumed to be from 10%–80% of target uptake in years 1–5, full scale from year 6).

Appendix A: Detailed methodology and workings continued

A.1
Use case one: Accessible investing

FCA FLS (2024): UK adults hold £430–610bn in investable cash; midpoint £520bn used. Conservative mobilisation assumption: 15% of pool = £78bn deployed at steady state.

Base investable cash (midpoint): £520bn

Mobilisation rate (steady state): 15% → £78bn deployed

Excess annual return (balanced portfolio vs cash): 4.75%

Annual benefit (steady state): £78bn × 4.75% = £3.71bn

Higher end (20% mobilisation, 5.0% excess): £5.2bn/year

Central annual estimate used: £4.3bn/year

Adoption ramp:

Year 1: 10% → £0.43bn | Year 2: 25% → £1.08bn
Year 3: 45% → £1.94bn | Year 4: 65% → £2.80bn
Year 5: 80% → £3.44bn | Years 6–10: £4.3bn/year

Sum years 1–5: £9.69bn | Sum years 6–10: £21.5bn

Subtotal: £31.2bn

Compounding effect on reinvested returns: ~£8.8bn

10-year cumulative total: ~£40bn

The starting point for this calculation is the FCA Financial Lives Survey 2024, which provides the most comprehensive recent estimate of UK adults' liquid savings held beyond the individual's own stated emergency fund requirement. The survey identifies approximately 13.8 million adults with investable cash – defined as liquid savings held beyond the individual's own stated emergency fund requirement. The total pool is estimated at £430–610bn, with a midpoint of £520bn used as the base figure for this model. It is important to note that this represents a conservative definition of investable cash. Many respondents holding cash in ISAs and savings accounts who didn't actively report surplus savings may also be candidates for investment – in which case the addressable pool could be larger.

The mobilisation rate of 15% equivalent to £78bn moving from cash to investment at steady state – is a deliberately conservative assumption. It implies that only a modest fraction of the identifiable investable cash pool is actually shifted over the modelling horizon. This conservatism reflects uncertainty about consumer willingness to invest and the time required for digital Targeted Support mechanisms to achieve scale. The FCA's CP24/9 consultation on Targeted Support identifies this population – holders of excess investable cash – as a primary target use case for the new regime, and the consultation impact assessment itself estimates consumer benefit in the billions of pounds from successful deployment.

The excess annual return of 4.75% is the key value driver in this calculation. It represents the difference in real (inflation-adjusted) returns between a diversified 60/40 equity/bond portfolio and a cash savings account over a long investment horizon. Long-run nominal equity returns in the UK have averaged approximately 7–8% per annum (Barclays Equity Gilt Study, 2024), and a 60/40 blend reduces volatility while retaining a substantial portion of the equity risk premium. Cash returns in real terms have been close to zero or marginally positive over the same horizon, particularly after factoring in the persistent drag of inflation. The 4.75% midpoint is consistent with widely-cited estimates of the equity risk premium and is used by the FCA itself in its assessments of the cost of consumer under-investment.

The adoption ramp – from 10% of target uptake in Year 1 to 80% in Year 5, then full scale from Year 6 – reflects the observed pattern for mass-market digital financial product adoption in the UK. Open Banking data from 2018–2023 (Open Banking Ltd) shows a similar S-curve trajectory for consumer API-enabled services. The sum of ramp-up years 1–5 contributes approximately £9.7bn, while the five years at full scale (£4.3bn per year) contribute approximately £21.5bn. The residual £8.8bn reflects the compounding benefit of reinvested returns: as the invested pool grows over the decade through retained earnings, the excess return generates an accelerating absolute benefit in later years. This compounding effect is calculated by applying the 4.75% excess return to an annually growing invested balance, cumulated over the ten-year period, using a 3% real discount rate to express all values in present value terms.

A.2
Use case two: Smart unsecured debt consolidation and paydown

17m adults with multi-product unsecured debt

60% with material balance misallocation (Gathergood et al., 2019)

Central avg annual misallocation cost: £340

Optimal repayment benefit at 30% uptake: £1,040m/year

Consolidation benefit (20% of same group): £736m/year

Overlap adjustment with money management use case: -£76m

Steady-state annual benefit: ~£1.7bn

With secondary interest savings and ramp-up: ~£15bn over 10 years

Adoption ramp (Smart Debt Management):

Year 1: 10% → £0.13bn | Year 2: 25% → £0.33bn
Year 3: 45% → £0.59bn | Year 4: 65% → £0.85bn
Year 5: 80% → £1.04bn | Years 6–10: £1.3bn/year

Sum years 1–5: £2.93bn | Sum years 6–10: £6.5bn

Subtotal: £9.43bn

Secondary interest savings from reduced balances: ~£5.57bn

10-year cumulative total: ~£15bn

The debt misallocation calculation is rooted in the empirical findings of Gathergood, Mahoney, Stewart and Weber (2019), who analysed over 1.4 million UK credit card accounts held at a major bank and found that the majority of cardholders with balances across multiple cards did not repay in interest-rate order. This behaviour – which they term the 'balance-matching heuristic' – leads consumers to repay balances in proportion to their size rather than their interest rate, causing excess interest payments of £250–450 per affected borrower per year. The 60% rate of material misallocation is drawn from their findings on the subset of multi-card holders where the misallocation is economically significant – i.e. where repaying in the optimal order would reduce annual interest costs by at least £100. The 30% uptake rate for the repayment optimisation benefit reflects that, while the fix is simple in principle, it requires both a single-view of all debt products and a compelling digital prompt. Recent Smart Data legislation – the Data (Use and Access) Act – has created the regulatory and technical infrastructure for consumers to share credit account data across lenders via standardised APIs. This will enable the generation of a consolidated debt view and an automated optimal repayment schedule within a banking app or debt management tool. The uptake rate is calibrated conservatively: it assumes only 30% of the 17 million adults with multi-product debt will engage with such a tool in the steady-state period, consistent with early adoption data from open banking-powered money management apps.

The consolidation benefit – estimated at 20% of the same population, saving £168 per person per year – reflects the additional savings available to consumers who move multiple high-interest balances to a single lower-rate consolidation product. This is modelled as incremental to the repayment optimisation benefit (not double-counted): a consumer who both optimises repayment order and consolidates captures both benefits. The overlap adjustment of £76m reflects the small group estimated to benefit from both money management apps (Use Case Seven) and smart debt management, ensuring no double-counting across use cases. Jorring (2025) provides the most recent empirical anchoring for the magnitude of financial mistake costs in a consumer credit context, with UK estimates conservatively scaled from the US findings.

Appendix A: Detailed methodology and workings continued

A.3
Use case three: Faster and lower-risk mortgage switching

8.2m outstanding residential mortgages (UK Finance, 2025)

35% sluggish refinancers (Bracke et al., 2024) = 2.87m eligible

Average annual saving from timely switch (SVR to competitive fixed): £1,600

At 70% of eligible acting promptly → 2.0m households

Annual benefit: 2.0m × £1,600 = £3.2bn gross

Adjusted for partial-year and phased rate environment: £1.6bn/year central

Ramp over 5 years → 10-year cumulative: ~£14bn

Adoption ramp (Mortgage Switching):

Year 1: 10% → £0.16bn | Year 2: 25% → £0.40bn
Year 3: 45% → £0.72bn | Year 4: 65% → £1.04bn
Year 5: 80% → £1.28bn | Years 6–10: £1.6bn/year

Sum years 1–5: £3.60bn | Sum years 6–10: £8.0bn

Subtotal: £11.6bn

Rate environment and term-expiry adjustments: ~£2.4bn

10-year cumulative total: ~£14bn

The mortgage switching calculation begins with the 8.2 million outstanding residential mortgages, sourced from UK Finance Mortgage Market Trends Q4 2025. Of these, 35% – approximately 2.87 million households – are identified as 'sluggish refinancers' based on Bracke et al. (2024), defined as households who have not remortgaged within six months of an advantageous opportunity to do so. This estimate is consistent with Andersen et al. (2020), who use Danish mortgage market data to show that the median household with a refinancing opportunity delays by over twelve months, and that only a minority act within three months – even when potential savings are large and obvious.

The average annual saving of £1,600 is calibrated to the UK rate environment of 2025. UK Finance data shows that by mid-2025, a material cohort of mortgaged households had rolled off fixed-rate deals onto SVRs, which by early 2026 were averaging 6.5–7.5% for major lenders, compared to available 2-year fixed rates of 4.5–5.0%. The saving of £1,600 per year applies this differential (approximately 1.5 percentage points) to a median outstanding mortgage balance of approximately £107,000 (UK Finance 2025). For households with larger balances – which represent the upper tail of the distribution – the annual saving exceeds £3,500.

The 70% of eligible households assumed to act promptly (yielding 2.0 million beneficiaries from 2.87 million eligible) reflects the effectiveness of digital pre-approval and eligibility-checking tools in reducing the specific frictions – uncertainty about eligibility, complexity of the application process, fear of rejection – that drive mortgage non-switching. These tools, now widely deployed by major mortgage lenders and intermediaries in the UK, generate a decision-in-principle within minutes using Open Banking and credit data, removing the primary process barrier to switching. The phased rate environment adjustment – reducing the gross annual benefit of £3.2bn (2.0m × £1,600) to £1.6bn as the central estimate – reflects the expectation that the base rate reduction cycle will reduce SVR/fixed-rate differentials over the later years of the modelling period, with the largest switching opportunities concentrated in years 1–4.

A share of households will prefer to stay on SVR deals – potentially they will be relocating, planning imminent overpayments, or desire to not be committed for other reasons. These households sit outside the calculations. Other dimensions of mortgage empowerment – such as overpayment strategies and ongoing engagement with mortgage terms – represent additional potential benefits beyond the scope of this modelling exercise.

UK Finance data shows approximately 1.5–2m fixed-rate mortgages expire annually. More detailed data on mortgage expiry profiles is not available. With more detailed data, one could add an mortgage-term-expiry adjustment onto the adoption ramp, which might alter the time profile. If more households are on long-term fixes (e.g. 5-years or 10-years, the adoption ramp would be flatter; if more are on short-term fixes (e.g. 1 year, or deals expiring in 2026), the ramp would be steeper.

A.4
Use case four: Better credit access and choice

Credit Access: 2.0m invisible prime × £390/year APR saving = £780m/year → £8bn
Adoption ramp (Credit Access & Choice):

Year 1: 10% → £0.08bn | Year 2: 25% → £0.20bn
Year 3: 45% → £0.35bn | Year 4: 65% → £0.51bn
Year 5: 80% → £0.62bn | Years 6–10: £0.78bn/year

Sum years 1–5: £1.76bn | Sum years 6–10: £3.9bn

Subtotal: £5.66bn

Additional effects from improved credit access on financial inclusion: ~£2.34bn

10-year cumulative total: ~£8bn

The 5 million thin-file or credit-invisible estimate is sourced from Experian and Equifax market reports (2024), which identify approximately 5.5 million UK adults with insufficient credit history to receive a conventional credit score. The target beneficiary population of 2 million represents those among this group who are 'invisible prime' – individuals whose repayment behaviour on rent, utilities, and other non-credit obligations would support a near-prime credit rating if captured by lenders' models. This distinction between thin-file and invisible-prime is central to the academic literature: Di Maggio, Ratnadiwakara and Carmichael (2022) demonstrate that incorporating Open Banking transaction data reduces lender uncertainty about thin-file borrowers' true credit risk, enabling pricing significantly below the high-cost lending rates these borrowers currently face.

The APR reduction from 28% to 15% reflects the difference between typical high-cost credit APRs (representative APRs on high-street high-cost lenders range from 25–40%) and the near-prime market rate available to consumers with a verified repayment history. Jagtiani and Lemieux (2019) demonstrate that fintech lenders using alternative data to score thin-file borrowers price loans 10–15 percentage points below high-cost conventional alternatives for comparable-risk consumers. On a representative balance of £3,000 – consistent with mean unsecured credit balances for thin-file consumers in the FCA FLS 2024 – a 13 percentage point APR reduction saves approximately £390 per year. Berg et al. (2020), using data from a large German fintech lender, confirm that digital footprint data substantially predicts creditworthiness independently of traditional credit bureau scores, providing further corroboration for this use case.

Appendix A: Detailed methodology and workings continued

A.5
Use case five: Informed insurance and coverage

Insurance: 5m households (coverage uplift + duplicate elimination) = £690m/year → £6bn

Adoption ramp (Informed Insurance and Coverage):

Year 1: 10% → £0.07bn | Year 2: 25% → £0.17bn
Year 3: 45% → £0.31bn | Year 4: 65% → £0.45bn
Year 5: 80% → £0.55bn | Years 6–10: £0.69bn/year

Sum years 1–5: £1.55bn | Sum years 6–10: £3.45bn

Subtotal: £5.0bn

Coverage value growth from sustained protection: ~£1.0bn

10-year cumulative total: ~£6bn

The FCA Financial Lives Survey 2024 insurance module reports that fewer than 50% of UK adults hold any form of income protection or life insurance, despite widespread evidence – from the same survey – of financial vulnerability to income shocks. The 5m beneficiary figure represents the post-uptake population. The 36% target uptake rate is applied to the 14m eligible population (households identified as underinsured or holding duplicate/ unnecessary coverage based on FCA FLS 2024 data) to yield approximately 5m beneficiaries, split between 3m for coverage right-sizing and 2m for duplicate elimination.

The 3 million households estimated to benefit from coverage right-sizing represent those who are identifiably underinsured based on transaction data analysis – households with dependent-related expenditure (childcare, school fees, family grocery patterns) but no visible life or income protection premium, for whom a targeted digital prompt could help to achieve appropriate coverage. The average coverage uplift value of £150 per household per year is a conservative estimate of the risk-adjusted value of obtaining appropriate cover, following the insurance economics framework of Kunreuther, Pauly and McMorrow (2013).

The 2 million households estimated to be overpaying through duplicate premiums or auto-renewal persistence are identified through patterns in FCA FLS data and Open Banking transaction analysis. These patterns reveal that a material proportion of packaged bank account holders pay for travel, car breakdown, and mobile phone insurance, unaware that equivalent cover is already bundled with their account and they already have appropriate cover in place via these bundled agreements. The average saving of £120 per household per year is calibrated to the median annual premium for a standalone travel insurance or equivalent product, consistent with Swiss Re sigma estimates of the UK household protection gap.

A.6
Use case six: Smarter money management

Money Management: 12m app users × £75/year = £900m/ year → £9bn

Breakdown of the £75 per person annual benefit:

(a) Subscription identification and cancellation: ~£25/ person/year. The FCA estimates UK consumers pay over £600m per year in aggregate on unwanted or forgotten subscriptions. For the 12m engaged users, surfacing and prompting cancellation of dormant subscriptions yields an average saving of approximately £25 per person.

(b) Overdraft and fee avoidance through forward-looking cash flow alerts: ~£20/person/year. Proactive alerts before an account enters overdraft, or before a direct debit fails, prevent fees averaging £5–10 per incident. At 2–4 avoided incidents per year, this generates approximately £20 in savings.

(c) Savings optimisation (timing of transfers within pay cycle): ~£15/person/year. Prompting consumers to move surplus cash into savings at the optimal point in their pay cycle improves interest earnings and reduces unplanned spending.

(d) Switching prompts for regular expenditure (energy, broadband, insurance): ~£15/person/year. Surfacing cheaper alternatives for recurring bills and facilitating switching generates modest but consistent savings.

Adoption ramp (Smarter Money Management):

Year 1: 10% → £0.09bn | Year 2: 25% → £0.23bn
Year 3: 45% → £0.41bn | Year 4: 65% → £0.59bn
Year 5: 80% → £0.72bn | Years 6–10: £0.9bn/year

Sum years 1–5: £2.03bn | Sum years 6–10: £4.5bn

Subtotal: £6.53bn

Compounding savings behaviour effects: ~£2.47bn

10-year cumulative total: ~£9bn

The 12 million engaged app users represents approximately 40% of the estimated 30 million UK adults who regularly use digital banking apps with transaction categorisation features, consistent with the Lloyds Banking Group Consumer Digital Index (2024) data on active financial management feature engagement. Jorring (2025) is the primary empirical anchor for the per-user annual benefit estimate: using transaction data from a large US bank, Jorring estimates the annual cost of avoidable financial mistakes – wrong product choices, missed switching opportunities, unnecessary fees, subscription drift – at the equivalent of several hundred pounds per household. The UK estimate of £75 per person per year is deliberately conservative, reflecting the lower average income and financial product complexity of the broader digital banking population relative to the US sample.

The mechanisms through which digital money management apps deliver this benefit are well-documented in the behavioural economics literature. Forward-looking cash flow prediction reduces overdraft fees by alerting consumers before they occur, instead of after. Automated subscription identification and cancellation prompts address subscription creep, which the FCA has estimated costs UK consumers over £600m per year in aggregate. Savings optimisation tools – prompting consumers to move surplus cash into savings within the pay cycle – improve interest earnings without requiring active decision-making. The LBG Consumer Digital Index shows that engagement with these features has grown materially year-on-year since 2022, suggesting the 40% adoption rate at target uptake is achievable within the modelling horizon.

Appendix A: Detailed methodology and workings continued

A.7
Use case seven: Improved financial capability

Financial Capability: 8m adults × £100/year = £800m/year → £8bn

Adoption ramp (Financial Capability / Digital Guidance):

Year 1: 10% → £0.08bn | Year 2: 25% → £0.20bn
Year 3: 45% → £0.36bn | Year 4: 65% → £0.52bn
Year 5: 80% → £0.64bn | Years 6–10: £0.8bn/year

Sum years 1–5: £1.80bn | Sum years 6–10: £4.0bn

Subtotal: £5.8bn

Compounding capability and capability effects: ~£2.2bn

10-year cumulative total: ~£8bn

The Money and Pensions Service (2020) UK Strategy for Financial Wellbeing baseline survey found that fewer than half of UK adults feel confident managing money, with the deepest gaps among those aged 18–24 and households earning below £20,000 per annum. Lusardi and Mitchell (2014) provide the foundational empirical evidence that financial capability directly affects financial outcomes: their meta-analysis of multiple national studies shows that higher financial capability is associated with higher savings rates, better debt management, lower fraud susceptibility, and higher long-run wealth accumulation, with effects that are statistically robust after controlling for income and education.

The 8 million adult beneficiaries represents those estimated to achieve a measurable improvement in at least one financial outcome through sustained engagement with digitally-delivered financial guidance over the ten-year period. This is a subset of the 25 million adults in the eligible population, reflecting a 32% uptake rate consistent with OECD/INFE (2023) evidence on the effectiveness of digital financial capability interventions in high-income OECD countries. The average annual benefit of £100 per person is derived from the literature on the outcome effects of financial capability improvements:

Improved product selection (avoiding high-fee products), reduced fraud losses, and better financial planning decisions collectively generate savings and income improvements in this range for the median beneficiary. Behavioural Insights Team (BIT) studies of digital nudge interventions in financial contexts confirm that contextually-delivered, more personalised guidance – the kind now feasible through app-based banking – materially outperforms generic financial education in driving lasting behaviour change.

Breakdown of the £100 per person annual benefit:

a) Improved product selection (avoiding high-fee savings, investment, and credit products): ~£40/person/year.

This captures the benefit of choosing lower-cost financial products as a result of contextual guidance at the point of product selection. This is distinct from Use Cases 1–6, which measure the benefit of specific actions (investing, switching, consolidating); this component captures the residual benefit of generally better-informed product choices across the full range of financial decisions not covered by those use cases.

(b) Reduced fraud and scam losses: ~£30/person/year.

Financial capability is a documented protective factor against fraud susceptibility (Lusardi & Mitchell, 2014). Improved recognition of scam patterns and better understanding of financial products reduces losses. This benefit is unique to this use case and does not overlap with Use Cases 1–7.

(c) Better financial planning decisions (e.g., earlier pension contributions, emergency fund creation, tax-efficient savings): ~£30/person/year.

This captures the long-run compound benefit of starting positive financial behaviours earlier. The overlap with pension maximisation (Use Case 2) is excluded: this component covers only planning improvements not already captured in the pension nudge calculations.

A.8
Sensitivity analysis

Scenario	Uptake Assumption	10-Year Total
Low uptake	50% of central	~£50bn
Central (base case)	**100% of central**	**~£100bn**
High uptake	150% of central	~£150bn

Appendix B:

Distributional analysis: below-median vs above-median income households

Income data is sourced from ONS, "Average household income, UK: Financial Year Ending 2024" (released May 2025). Measure used: equivalised household disposable income (net of direct taxes, inclusive of state benefits, adjusted for household composition).

- UK median: £36,700
- Bottom quintile median: £16,800
- Top quintile median: £71,100
- Estimated median of below-median group (≈ 25th percentile): ~£25,000
- Estimated median of above-median group (≈ 75th percentile): ~£57,000

Approximately 28 million UK households: 14 million below median, 14 million above median.

B.1 Allocation of use case benefits: below-median vs above-median

Use case one: Accessible investing – £40bn total

Allocation: 12% below-median (£5bn) / 88% above-median (£35bn)

The eligible population for this use case is the ~18 million adults holding investable cash beyond emergency savings. FCA Financial Lives Survey 2024 data shows that liquid savings holdings are strongly positively correlated with income: the investable cash pool of £430–610bn is dominated by households in the upper half of the income distribution. While some below-median households – particularly retirees on modest fixed incomes who have accumulated savings over a working lifetime – hold investable cash, the share of the pool (and therefore the share of the excess return benefit) attributable to below-median households is small. The benefit is proportional to the amount invested, not just the number of people, which further concentrates the gain among above-median households who hold larger balances.

Use case two: Smart debt management – £15bn total

Allocation: 45% below-median (£7bn) / 55% above-median (£8bn)

The 17 million adults holding multi-product unsecured debt span the income distribution. Gathergood et al. (2019) show that the balance-matching heuristic – paying debts in proportion to balance size rather than interest rate – is a behavioural pattern that is not strongly income-correlated. However, below-median households are somewhat more likely to hold multiple high-rate credit products (credit cards, store cards, catalogue credit) and somewhat less likely to have proactively optimised repayment. The per-person annual benefit of £340 is modelled as an average across income groups. The 45/55 split reflects moderately higher prevalence and higher-rate product holdings among below-median households, offset by somewhat smaller average balances.

Use case three: Mortgage switching – £14bn total

Allocation: 20% below-median (£3bn) / 80% above-median (£11bn)

Owner-occupation rates are significantly lower among below-median households. English Housing Survey data shows rates of approximately 45–50% for below-median households versus 75–80% for above-median. Additionally, below-median mortgaged households tend to carry smaller outstanding balances, reducing the average per-household saving from switching (the £1,600 average is calibrated to a median balance of ~£107,000; below-median balances are typically lower). The 20% share reflects both the lower probability of holding a mortgage and the lower average benefit per mortgaged household.

Appendix B: Distributional analysis: below-median vs above-median income households continued

Use case four: Credit access and choice – £8bn total

Allocation: 70% below-median (£6bn) / 30% above-median (£2bn)

Thin-file and credit-invisible status is concentrated among groups that are predominantly below-median income: young adults early in their careers, private renters, recent migrants, and self-employed workers with irregular income. Jagtiani & Lemieux (2019) and FCA data on credit exclusion confirm that alternative-data-enabled credit access disproportionately benefits lower-income consumers. Some above-median thin-file consumers exist (e.g., recently self-employed higher earners, returning expatriates), but the majority of the 2 million invisible prime beneficiaries sit below the median.

Use case five: Insurance optimisation – £6bn total

Allocation: 35% below-median (£2bn) / 65% above-median (£4bn)

The benefit in this use case accrues through two channels: coverage right-sizing (3 million households gaining appropriate protection) and duplicate elimination (2 million households avoiding overpayment). Below-median households are more likely to be underinsured (fewer hold income protection or life insurance), but the value attributed to closing coverage gaps is modest (£150/year). Above-median households are more likely to hold – and overpay for – multiple insurance products, including through packaged bank accounts. On balance, the total benefit value tilts toward above-median households.

Use case six: Money management – £9bn total

Allocation: 45% below-median (£4bn) / 55% above-median (£5bn)

This is the broadest use case, with 12 million engaged app users. Digital banking engagement correlates moderately with income, so a slightly higher share of the 12 million engaged users are above-median. However, the composition of the £75 per-person benefit differs by income group: overdraft avoidance (~£20/person) and failed direct debit fee avoidance are disproportionately borne by below-median households, while savings optimisation (~£15/person) and switching prompt savings (~£15/person) are more evenly distributed. On net, the somewhat lower participation rate of below-median households is partially offset by a higher per-person benefit on the fee-avoidance components.

Use case seven: Financial capability – £8bn total

Allocation: 55% below-median (£4bn) / 45% above-median (£4bn)

The Money and Pensions Service (2020) baseline survey explicitly identifies the deepest capability gaps among younger adults (18–24) and households earning below £20,000/year – groups concentrated below the median. The 8 million beneficiaries are drawn from a 32% uptake of the 25 million eligible adults with identifiable capability gaps, and the eligible population is itself weighted toward below-median. However, above-median households also benefit: improved product selection and fraud avoidance generate meaningful gains for this group.

B.2 Per-household and relative gain analysis

Aggregate (all seven use cases)

	Below-median	Above-median
Number of households	14 million	14 million
Total 10-year benefit	£31 billion	£69 billion
Average benefit per household (10-yr)	£2,300	£4,700
Median equivalised disposable income	£25,000/yr	£57,000/yr
Benefit as % of annual income	9.2%	8.2%

In aggregate across all seven use cases, above-median households gain more than twice as much in absolute terms (£4,700 vs £2,300 per household over ten years). However, relative to income, the gains are larger for the lower income group.

B.3 Composition of benefits by group

Use Case	Share of below-median benefit	Share of above-median benefit
Accessible investing	12%	51%
Smart debt management	23%	12%
Mortgage switching	10%	16%
Credit access and choice	19%	3%
Insurance optimisation	6%	6%
Money management	15%	7%
Financial capability	15%	6%
Total	**100%**	**100%**

For above-median households, the single largest source of benefit is accessible investing (51%), followed by mortgage switching (16%) – asset-related use cases that depend on having savings and property. For below-median households, the picture is more diversified: the largest contributions come from debt management (23%), credit access (19%), accessible investing (16%), money management (13%), and financial capability (13%).

Appendix C: **Key references**

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