Lenvi

Reshaping Lending:

What it takes to engage Gen Z borrowers

Market Research Report, 2024

Contents

Introduction: Who is Gen Z?

Generation Z, or Gen Z, born between 1997 and 2010, represents around 10 million people in the UK[1]. As the first generation raised in a fully digital world, they expect personalisation, a range of options, and seamless user experiences in every aspect of their lives, including finance.

This generation is also highly aware of global issues, including climate change, politics, and financial management.

But generalisations only go so far. The Gen Z label encompasses people going through significant life changes as they transition into independence. At different stages, they will have various habits, concerns, and preferences.

Younger members may still be studying or just starting in the world of work and are likely to rely on their parents for financial guidance and support. At the other end, older Gen Zs are likely to be further along the road to financial independence as they move out of their family home, go to university or start full time work.

Yet, we also know that many Gen Zs continue to live at home longer - at least 620,000 more grown-up children are still living with their parents compared to a decade ago, with an average age of 24[2]. As a result, they often maintain strong parental influence through financial support ('Bank of mum and dad') and guidance ('School of mum and dad').

In this report, we'll explore Gen Z's borrowing attitudes and behaviours, offering key insights for lenders looking to meet the needs of this next generation of borrowers.

The research findings we present reflect that breadth and nuance:

> ***Gen Z's financial goals and knowledge levels vary significantly, creating unique challenges and opportunities for lenders.***

[1] Store Mintel

[2] The Guardian

Foreword: Are lenders ready for the future borrower?

By Richard Carter, Chief Executive Officer, Lenvi

Gen Z are used to being under the microscope. Their every habit, whim, like and dislike has been studied and dissected in a way previous generations were not as exposed to.

This is with good reason as Gen Z make up around 15% of the population. They're the product of forces that didn't even exist when 'baby boomers' or 'millennials' came of age: social media, smartphones, information overload, a global pandemic, and a whole host of societal shifts from a growing mental health crisis to climate change challenges. Not to mention deep financial stresses that have shaped many of their and their families' actions and lifestyles.

Businesses have been racing to re-think their offerings to cater to this different generational cohort. This is no different in financial services: all financial institutions are working hard to adapt their products, services, and processes, to ensure they remain a competitive option for Gen Z and future-proof their businesses.

We know from conversations with lenders that attracting young consumers - and crucially, keeping hold of them - is one of the biggest tests for them. But with that, also comes significant opportunity, and lenders are embracing the challenge; developing fantastic financial products that reflect the needs of this generation. Among them, Lloyds Bank has created Invest Wise to help young people aged 18-25 to learn more about investing[3]; they pay no fees and have access to tools to help them take their first steps into investing. Of the crop of newer lenders, Monzo, Revolut and Starling are also common names among Gen Z due to their user-friendly interfaces and easy access to features.

Part of the challenge, as we'll see in this report, is to cater to such a wide range of preferences and needs, which evolve from younger Gen Zs through to older members of the cohort. While also being able to harness cutting edge technology that both enhances the consumer experience and provides the security and reliability that the banking industry demands.

Taken altogether, we believe lenders have a significant opportunity to help guide young people through their borrowing journey. We hope this research helps lenders on that mission.

[3] Lloyds Bank

Methodology

Nationally representative survey

A nationally representative sample of 1,924 UK Gen Z Consumers were surveyed for this report.

All were aged between 16 and 27. Given the minimum age to get a loan in the UK is 18, we'll be focusing on Gen Zs who are aged 18 and upwards.

Of those surveyed, 49% were women; 49% men; 1% non-binary and the remainder preferred not to say.

The data was collected in October and November 2024.

The research was conducted by Censuswide.

Gen Z borrower and lender insight interviews

For additional qualitative insight, a number of interviews on this audience group were conducted in Cardiff, UK, on 16th October 2024.

An interview was also conducted with Oakbrook Finance in October 2024.

81% of Gen Z are borrowing money, but not from you.

Our research shows that 81% of Gen Z have borrowed money or used credit in their lifetime.

However, despite the high frequency of borrowing among the generation, among those that currently still owe money (73%), the majority are only borrowing small amounts - £1,400 on average.

It is not surprising that this generation often only borrows on a small scale: many of them are living at home longer than previous generations, with fewer outgoings and often greater access to financial support from the 'Bank of mum and dad'.

In fact, some of our respondents haven't taken on debt of any form. Nearly a quarter (22%) don't currently owe any money. While it is perhaps less surprising that 32% of 18-19 year olds say they have never borrowed money or bought something on credit, 11% of 26-27 year olds have still avoided borrowing entirely.

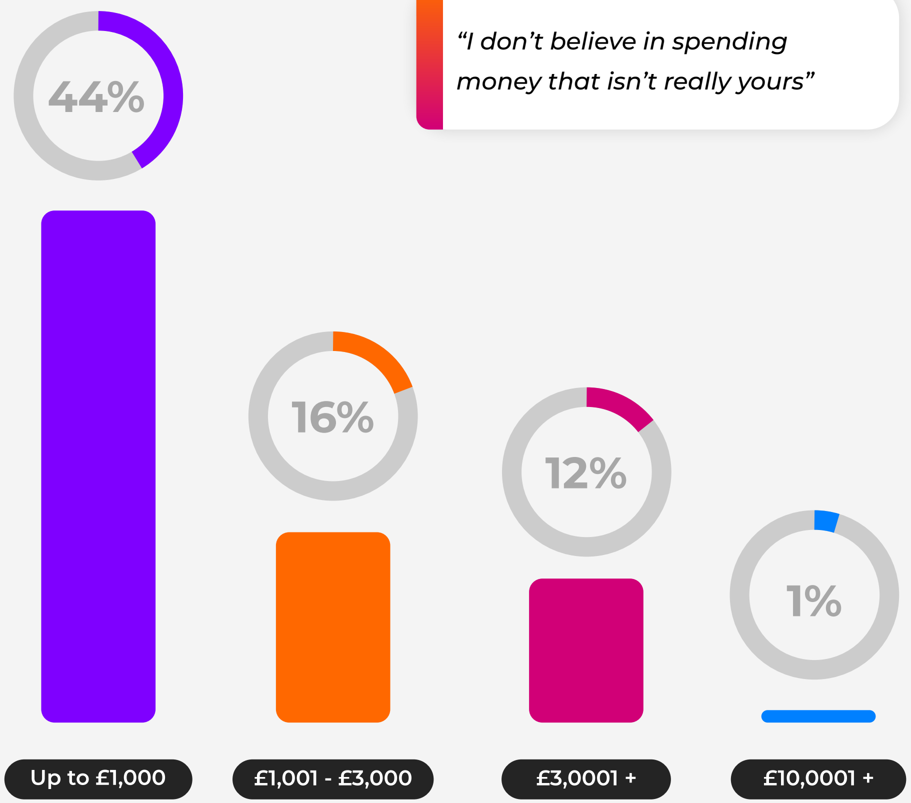
This tallies with the perception of a more financially conservative generation that grew up in the wake of the 2008 global financial crisis.

"Most people shouldn't [borrow money] because you can get in a hole thinking you've got it, but you don't have it," one interviewee told us.

Another said: "I don't believe in spending money that isn't really yours."

"Most people shouldn't [borrow money] because you can get in a hole thinking you've got it, but you don't have it"

"I don't believe in spending money that isn't really yours"



Average amount currently owed by Gen Z

40% turn to parents or guardians for loans: Are parents the real challenger banks?

Surprisingly for a digital first, convenience-led generation, only 20% of those surveyed had used Buy Now Pay Later (BNPL). Instead, our data found members of Gen Z often turn to trusted family sources for financial support, with the most popular form of loan being their parents or guardians (40%).

This is with the expectation that the money will be paid back. Of our respondents, 18% of those that borrowed from their parents have since paid it back in full. Those that do still owe their parents, owe on average £1,800, 25% more than the total cohort (£1,400). Further, 18% of them owe £3,000 or more, demonstrating that parents are lending institutional levels of investment, not merely providing pocket-money.

The significant number of respondents borrowing non-institutionally is perhaps indicative of a generation that are encouraged to borrow in a safer way first, avoiding interest charges and any potential harm to credit scores in the event of being unable to repay on a regular basis.

In many cases, the 'Bank of mum and dad' supplements other sources of borrowing. Of those respondents who have borrowed from family, 70% were also borrowing from at least one other source; including 33% that have taken out or used a credit card, and 23% who have taken out a loan and used it to pay for something.

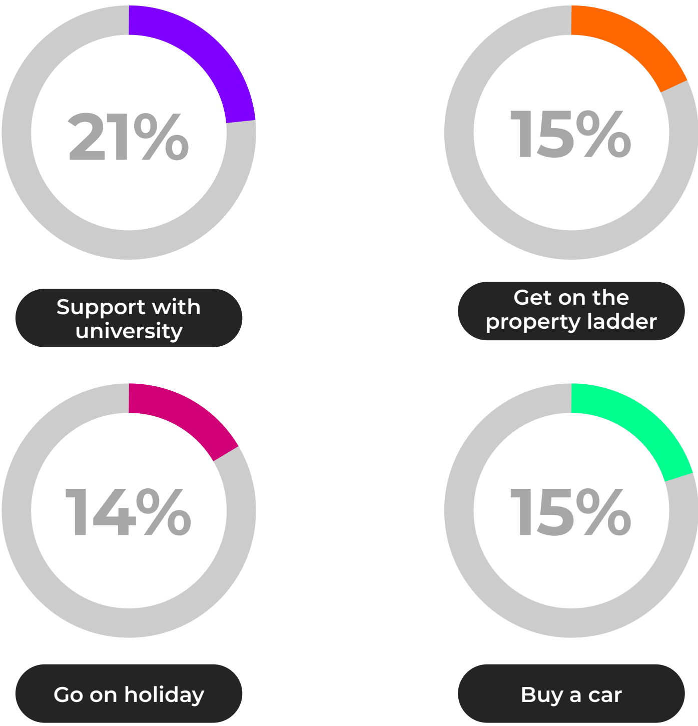
Some Gen Zs, however, are reluctant to borrow from loved ones.

In contrast to the 40% that have borrowed from parents or guardian, or are currently doing so, two in five Gen Z respondents said they borrow from lenders to *avoid* having to borrow from family and friends. Perhaps owing to the knowledge that borrowing from family and friends can bring its own complications, and there is always a risk of putting a strain on relationships.

65% of parents have borrowed, so their children don’t have to

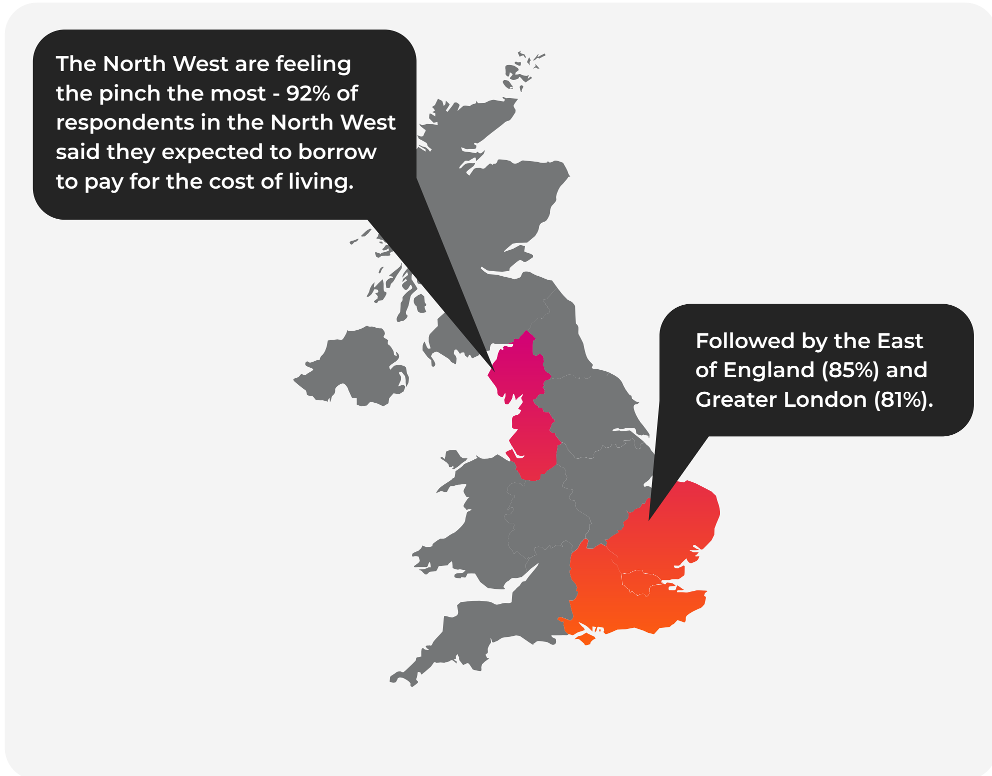
Parents and guardians are increasingly taking on debt to support their children’s major life goals, acting as both borrowers and lenders.

Of the 65%, respondents claimed that a fifth (21%) of parents or guardians have taken out a loan to support them with university, 15% borrowed to help them get on the property ladder, 14% to pay for a holiday, and 15% to purchase a car. However, we suspect the reality is likely even higher than what is reported here, as we take account of the number of parents and guardians who are likely borrowing without their children’s knowledge.



This trend is likely driven by rising financial challenges, including lower disposable income, higher student debt burdens, and elevated costs of food and housing. The limited credit experience of younger generations may also have led parents to step in as supporters and guarantors.

This trend of parent indebtedness varies by region, with London parents the most likely to borrow to help their children enter the housing market (23%), followed by parents in the North West and West Midlands (10% each).



53% of Gen Z borrowers are concerned about what they owe

Those members of Gen Z that have borrowed are often concerned about their debts – this is perhaps unsurprising for a generation considered to be more cautious and risk-averse than previous generations gone by.

The level of worry caused by borrowing is at its highest for 23-year-olds, perhaps with good reason as they are also an age that owe, on average, 30% more than the rest of the cohort.

This section of concerned borrowers are also more likely to have borrowed than the rest of the cohort. They are also more likely to:

- **47%** have used a store card
- **20%** have taken out a personal loan
- **25%** have borrowed from friends

Their concerns mostly centre on: how long it will take to pay off debts (40%), the impact debts could have on financial freedom and lifestyle (34%), or the impact on saving for future goals, like buying a house or travelling (29%).

These concerns are reflective of the wider cohort too, with credit score impacts and worries over potential hidden fees featuring as additional stressors.

However, there may be another significant reason for worries about debt: a lack of understanding about how loans or borrowing works.

This was the case for 49% of worried respondents, suggesting lenders have a role to play in educating them.

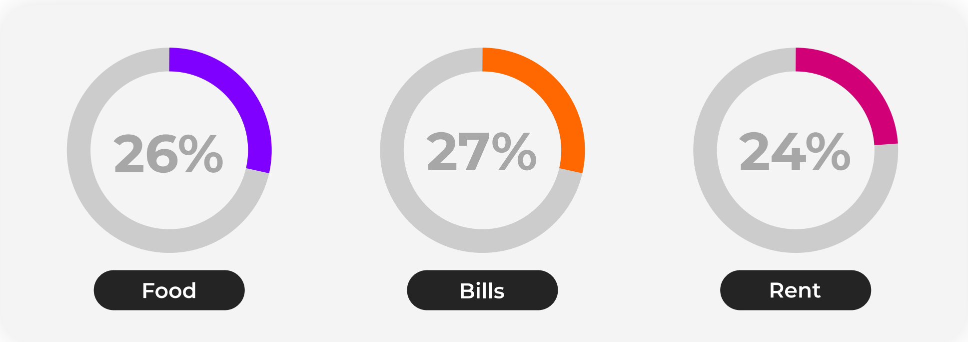
Key takeaways: what this means for lenders

- **Attract Gen Z borrowers with accessible, tailored lending options:** Gen Z's reliance on informal borrowing from family and friends highlights a demand for accessible, low-cost credit that accommodates their cautious approach to debt. Flexible lending solutions can relieve the financial burden on family members who often step in to support younger borrowers, while establishing lenders as trusted alternatives.
- **Provide financial literacy resources to boost confidence:** With nearly half of Gen Z lacking a solid understanding of borrowing, there's a clear opportunity for lenders to bridge the gap through educational resources. Empowering young borrowers with tools to make informed choices can foster trust. Involving parents in this journey further strengthens confidences and builds brand advocacy.
- **Build a multi-touchpoint support system:** To meet Gen Z's preference for both digital and personal support, a multi-channel approach is essential. This could be through additional support or repayment reminders that reflect the guidance and financial coaching sought from a parent. While straightforward needs may be served digitally, offering human support for more complex decisions adds value and reassurance.

76% of Gen Z are borrowing to survive

While Gen Z often uses borrowing cautiously, we now know that an alarming number of young people are reliant on credit just to fund essential living costs. This is a reminder of the diverse needs of this generation.

In total, 76% of 18-27 year olds are expecting to borrow to pay for the cost of living in 2025. Of those, food (26%), bills (27%) and rent (24%) were the most likely expenses to drive the need to borrow. This indicates a section of our cohort currently borrowing to survive, despite the large proportion still living in their family home.

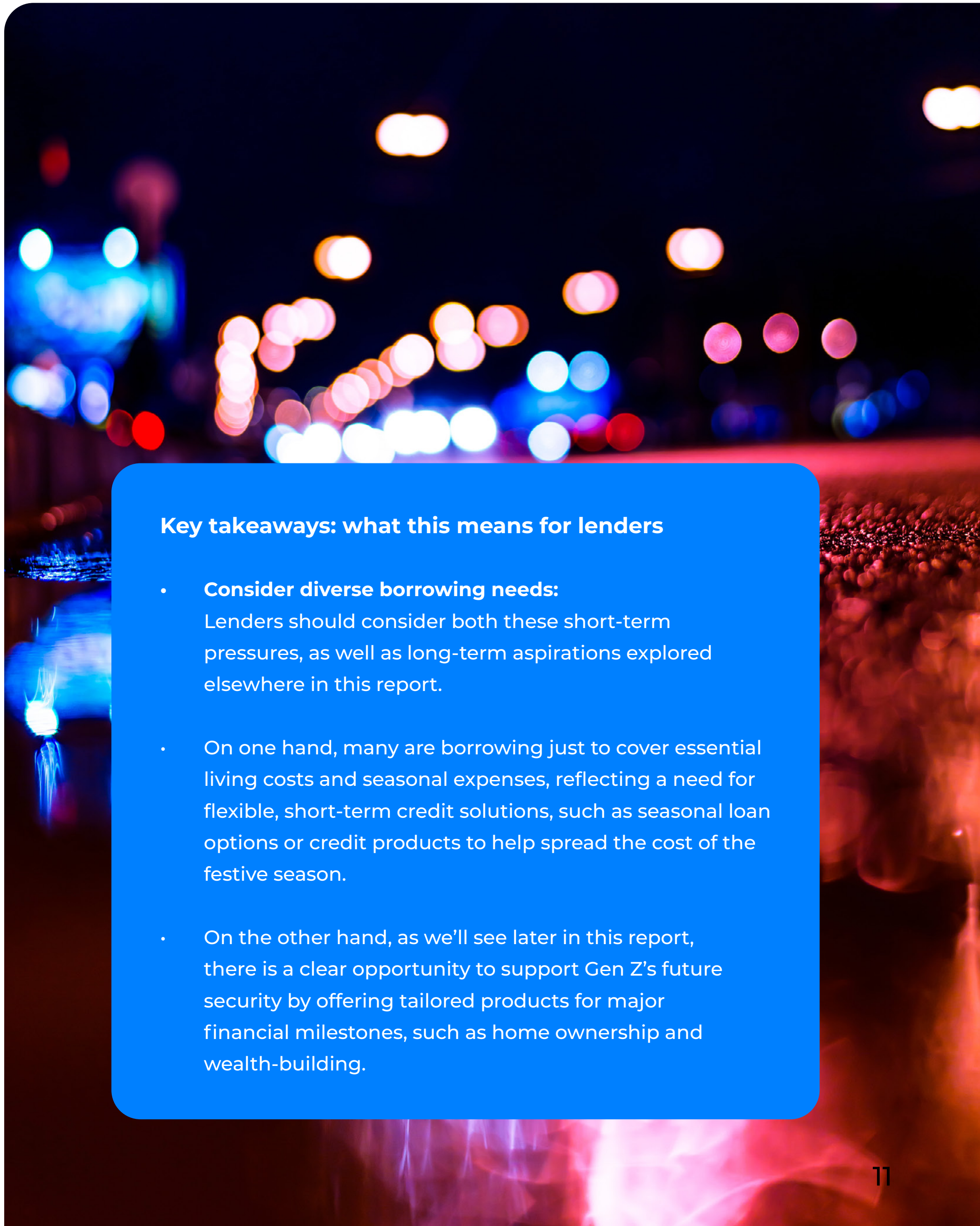


'76% of 18-27 year olds are expecting to borrow to pay for the cost of living in 2025.'

2 in 3 Gen Zs are borrowing for Christmas

At the time of this report (November 2024), two thirds (66%) of Gen Z have told us they are planning to borrow to help fund Black Friday and Christmas spending.

While only 34% said they did not plan to borrow money in the run up to Christmas or Black Friday, they may however succumb to the need to take on debt in the new year.

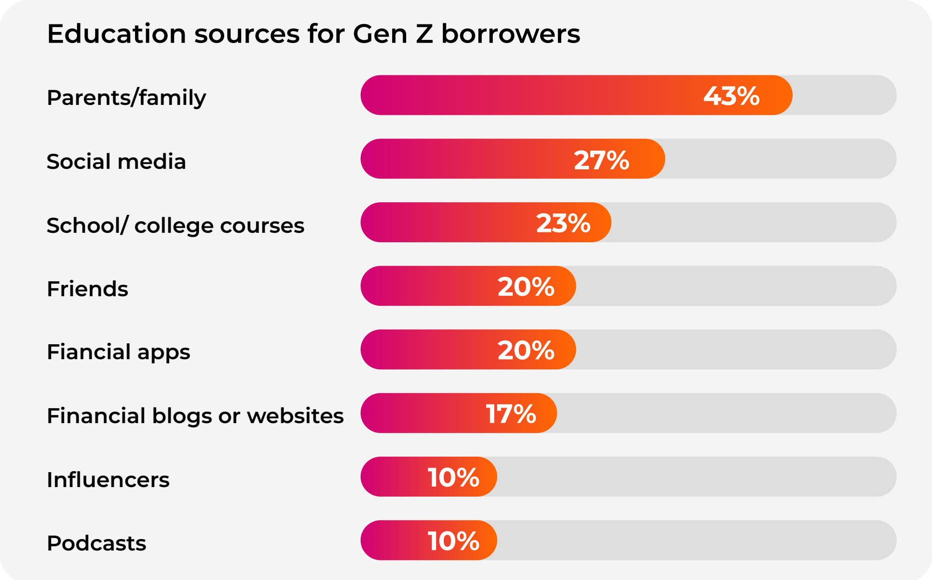


Key takeaways: what this means for lenders

- **Consider diverse borrowing needs:** Lenders should consider both these short-term pressures, as well as long-term aspirations explored elsewhere in this report.
- On one hand, many are borrowing just to cover essential living costs and seasonal expenses, reflecting a need for flexible, short-term credit solutions, such as seasonal loan options or credit products to help spread the cost of the festive season.
- On the other hand, as we'll see later in this report, there is a clear opportunity to support Gen Z's future security by offering tailored products for major financial milestones, such as home ownership and wealth-building.

The ~~bank~~ school of mum and dad

The Gen Z generation don't just rely on the 'Bank of mum and dad' to lend them money; they have also been benefiting from the 'School of mum dad' as a trusted source of financial advice.



Our research shows 43% of this cohort go to family for guidance on financial matters, rising to 50% for those aged between 18-19 years old.

"I just talk to my parents, ask them pretty much everything,"

20% of this generation are also turning to their friends for financial advice.

"You hear it from older friends...from your friends around you,"

Nearly a quarter (23%) rely on what they learn at school or on college courses to inform their financial decisions. This peaks among younger Gen Zs, who have benefited from financial education on the secondary school curriculum, since it was introduced in England in 2014. For those aged 24-27 years old, however, they are less likely to have benefited from financial education through schools, making financial education tools particularly pertinent to this cohort.

Despite Gen Z being digital natives, it's surprising that a smaller number turn to social platforms for advice; 27% seek out financial guidance from social platforms and only 10% say they turn to influencers.

Taken altogether, communications and educational tools that match the tone and role of those traditionally played by parents, educators, and close friends are most likely to chime with this generation, over and above the aspirational ideals often reflected across social media. But a blended approach of the two may win the day.

84% say they have got debt sussed, or do they?

Our research shows that 84% of Gen Z claim to understand debt; despite 49%, earlier in this report, naming a misunderstanding of borrowing and how loans work, as a cause of concern when considering borrowing.

The terms and conditions of loans appear to be one significant source of confusion in this regard. Only 1 in 3 said they understood the terms and conditions of lending very well. Indicating that, despite bold claims of understanding debt, it is in the small print where this generation struggle. Highlighting a need for clearer, more accessible communication from lenders.

Outside the specifics of the borrowing process, there are other areas where Gen Z would benefit from greater support. These include credit scores, with just 27% claiming a full understanding of their credit profile.

Other areas where Gen Z may lack confidence include interest rates and mortgages, with 28% and 22% claiming a full understanding, respectively. This creates an opportunity to educate this generation on the more complex areas of borrowing that support long-term goals, such as buying a house.

Only 1 in 3 said they understood the terms and conditions of lending very well

Claire Smith, Head of Marketing, Oakbrook Finance, shared similar concerns, saying:

> *"I think there's a role for lenders to look at educational pieces as well. For example, do Gen Z really know the benefits of a loan versus a credit card, and what it means for them in the longer term? Is it cheaper than BNPL?"*

Key takeaways: what this means for lenders

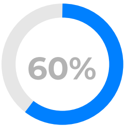
- **Make the most of parental influence:**
  Given Gen Zs, especially younger members, often turn to family for financial guidance, lenders should consider offering information or guidance geared toward both Gen Z and their families.
- **Launch financial education tools:**
  Lenders could consider collaborating with schools, universities, or financial education organisations on campaigns, tools or content to improve Gen Z's financial knowledge, particularly around mortgages, where understanding is low. Ensuring it is engaging and relevant to their lives.
- **Clarify complex terms:**
  With many Gen Zs confused by terms and conditions, prioritise transparency in loan documentation. Looking ahead to the future, AI tools may be able to support in clarifying and understanding complex terms and conditions.

Using AI to empower, not overpower, Gen Z

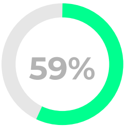
As lenders strive for ways to engage and retain the interest of Gen Z, one evolving tool that is offering the ability to customise user experiences is AI.

Overall, this generation is reasonably open and accepting of the involvement of AI in the lending process. However, they are more amenable to AI being used in support, rather than as a means of delegation: 'help me' rather than 'do it for me'.

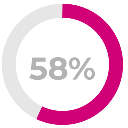
This is reflected in varying levels of acceptance over the use of AI for different tasks in lending:



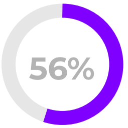
60% would be happy for AI to be used by lenders to support in understanding terms & conditions



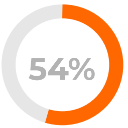
59% would be happy for AI to help with budgeting and borrowing advice



58% would be happy for AI to monitor their credit score and help them improve it



56% like the idea of AI helping them to manage their money



54% would be happy for AI to be used to help complete their loan applications

Enthusiasm for AI is less strong when it comes to other tasks, such as deciding whether they can borrow (41%), how much (44%) or at what interest rate (43%).

> *"I think every case for borrowing money is very different", commented one interviewee, "and I don't think AI will be able to determine whether or not someone either deserves the money or needs it."*

These results broadly reflect what we see in society at large: Gen Z and other age groups may not trust AI to make decisions but would often value it being applied to help and guide them to make their own choices. This tallies with the approach taken by companies like Microsoft to promote AI co-piloting tools to support decision-making rather than making them.

Clearly, AI provides an opportunity for huge efficiencies for lenders. But our Gen Z respondents remind us that having a human in the loop remains essential, particularly when it comes to our finances. By combining the human touch, while leveraging AI, there is an opportunity to provide improved end-user experience, service, and value.

Key takeaways: what this means for lenders

- **Position AI as a "co-pilot" to support borrowing decisions, not make them:**
  Gen Z appreciates AI as an assistant rather than a decision-maker. They favour AI that provides clarity and simplifies processes, like summarising terms and conditions or offering budgeting support, rather than determining eligibility or loan terms outright. For lenders, this means positioning AI as a support tool that helps customers remain in control; offering assistance rather than replacing human judgment.

- **Balance AI with the human touch:**
  Integrating AI for initial customer interactions, document tracking, and prioritising potentially vulnerable customers can streamline processes and free up experts to handle nuanced cases. Ensuring critical touchpoints are human led will meet Gen Z's preference for connection on their terms, building both trust and credibility.

In supporting inclusive, intuitive, and responsive lending experiences, AI becomes a tool for empowering customers, helping lenders resonate with a generation that values transparency and guidance.

1 in 3 Gen Z hoping to take first steps on the property ladder by 2027

When it comes to saving, many members of Gen Z show a strong sense of financial responsibility and are focused on saving for a variety of financial goals. The most common of these is to buy a home: 29% of 18-27 year olds are planning to buy a property within the next three years.

To help make this a reality, saving for a home was the most common savings goal cited by respondents to our research: 30% of Gen Z savers are putting money aside for their own property, while 13% of our survey respondents already have a mortgage or are in the process of applying for one.

London-based members of Gen Z are particularly likely to be saving to get on the property ladder, which is the case for 37% of them. The largest proportion of those hoping to get a mortgage in the next one to three years live in London (20%).

This is no small challenge considering the average age of a first-time buyer in the UK is 34[4] and the average asking price of a first-time buyer home is £227,000[5]. Compare this with the Boomer generation (born 1946 to 1960), for example, who might have bought their first home for around £4,000[6] (~£64k in today's money). House prices are a key factor for young buyers, yet only one-third of respondents cited them as their primary concern or the reason they don't yet have a mortgage—suggesting that, while important, other factors are also weighing on this generation, such as raising the adequate funds for a deposit[7].

A lack of understanding of the mortgage process (23%) and anxiety over taking on long-term financial commitments (22%) also featured highly. Once again, reiterating the requirement for lenders to focus on education and support to this generation.

The Gen Z classification also spans different phases of life, and there are many Gen Zs who aren't yet ready for home ownership and a mortgage. Many others aren't looking to buy (36%), or they prefer to rent (20%): for many young people, home-buying has become such an impossibility that it doesn't feature in their current list of life goals.

[4] Uswitch

[5] Rightmove

[6] The Guardian

[7] Financial Reporter

To lend or not to lend – let's ask AI

Lenders looking to support Gen Z onto the housing ladder may look to make greater use of AI: despite scepticism among the wider cohort.

27% of those who are looking to buy a house in the next five years would be happy for AI to decide whether to lend to them or not.

However, there is a broader challenge: first time buyers (and those further up the chain) are calling out for innovation in mortgages and home buying. A lot of pressure is being put on lenders and their tech providers to provide solutions and new products for buyers.

The mortgage process, rooted in a centuries-old, often analogue system, faces increasing pressure to modernise, yet inefficiencies persist, partly because those involved have limited financial incentive to streamline it. Fintechs like us are harnessing AI and machine learning to optimise parts of the mortgage lifecycle, such as processing applications, verifying information, and underwriting processes. However, these innovations can only push the market so far. Real transformation will require decisive government action to fully digitise and modernise the homebuying process.

Key takeaways: what this means for lenders

- **Innovate to fulfil home-owning aspirations:**
  Despite the rising cost of buying a home and delayed age of first-time buyers, many Gen Zs are still prioritising saving to get on the housing ladder. Lenders need to rethink mortgage products to meet their unique needs and circumstances. Solutions like Skipton Building Society's "Track Record" mortgage, which leverages rental history to assess affordability, represents a promising start.

- **Invest in digitising the process:**
  Home buyers within this generation are looking to technology to ease the complex mortgage process. Lenders who focus on providing fast, transparent, and interactive digital platforms will likely appeal to this demographic, who are worried about navigating the process successfully

- **Flexibility to take the edge off long-term debt:**
  Flexible repayment features and tools that help users see the impact of changes to the repayment schedule on their loan could resonate well. Such features offer practical ways to manage long-term debt and give this generation's borrowers greater control.

Connecting with Gen Z

Our research suggests that lenders need to be prepared to offer multiple touchpoints; there is no one single preferred method of communication.

- WhatsApp (16%) is better than in-person (13%), according to the research
- With contact by post only a preferred method for just 2% of Gen Z, who are also perceived as the first properly eco-conscious generation.

The touchpoints that lenders offer Gen Z need to be slick and seamless. Claire Smith, Head of Marketing, Oakbrook Finance, said:

> *"This demographic are looking for digital first journeys. They're looking for speed and transparency."*

Remember also, members of Gen Z do turn to social platforms and influencers for advice, so this is also a key way to reach them at the right moments.

Could hyper-personalised pricing be the way to really gain Gen Z's attention?

When asked about the most important factors when borrowing money, low interest rates came out top, ranked first by 34% of respondents. Recommendations from friends and family matter too, a top priority for 25% of Gen Z.

Special features, and clear information and documentation are next up in this generation's lender wish lists - only then followed by brand reputation. This is in contrast to Lenvi's 2024 Consumer Borrowing Report, which surveyed a much wider demographic and found that 47% of our younger demographic chose brand as the most important factor when borrowing money, while only 20% prioritised low interest rates.

Key takeaways: what this means for lenders

- **Offer multiple communication channels:**
  Gen Z prefers digital over in-person communication, particularly WhatsApp and email. But they want to be able to speak on the phone too. This means lenders should offer multiple channels throughout the Gen Z customer journey enabling them to interact seamlessly, moving from one platform/medium to another.

- **Learn from fintechs:**
  Traditional lenders can learn from fintechs to provide more personalised services, leveraging AI, data analytics, and technology.

Conclusion

Gen Z stands out as a sensible, financially cautious generation. They tend to balance a desire for financial freedom with a thoughtful approach to borrowing, keeping an eye to the potential impacts of debt and staying mindful not to overextend themselves.

For many, financial independence starts at home. This cohort taps into the ‘Bank of mum and dad’ as well as the ‘School of mum and dad’, relying on family for both financial support and guidance - signalling an opportunity for lenders to offer products and services that echo the familiarity of family support.

Throughout this report, we’ve highlighted how this generation spans a wide range of life stages and priorities. But one common theme is the opportunity for lenders to support and guide Gen Zs across different life stages as partners who nurture their financial futures.

This ranges from younger Gen Zs, who are aware of the need to borrow money but lack knowledge, to older members who are moving toward greater independence (but still require guidance and resources to make informed financial decisions). It also spans both immediate and long-term needs.

Our research shows that while some Gen Z borrowers are forced to rely on credit to cover basic living expenses, many also positively seek to build their long-term financial security.

This points to a need for both short-term, flexible credit solutions to help manage cash flow challenges, as well as long-term lending products that support aspirations like buying a first home.

Technology plays an essential role. As digital natives, Gen Zs are comfortable with AI in the lending process, but as a tool that supports rather than makes decisions: a ‘help’ rather than ‘do it for me’ attitude, highlighting the value Gen Z places on autonomy alongside guidance.

So, what does it really take to engage Gen Z borrowers?

> ***Recognise the unique traits and diverse needs of this generation - and offer the right mix of guidance, digital tools, and tailored lending products - to nurture the financial futures of this fantastic generation.***

About Lenvi

Lenvi is a seasoned fintech offering market-driven, evergreen technology and services that empower lenders to deliver powerful, seamless, and responsible lending products to customers. Backed by 30+ years of industry expertise and regulated by the FCA, Lenvi drive growth, streamline operations, and ensure regulatory compliance for 150+ lenders across the UK and globally.

Contact our team today to find out how we can support you to help guide young people through their borrowing journey.

Hello@lenvi.com
0330 236 8386
lenvi.com