Original Research

FINANCE THROUGH LOCKDOWN

SUPPORT FOR CUSTOMERS

BACKGROUND : UNLOCKING UNCERTAINTY

Deep recession forecast. As the UK edges out of its current phase of lockdown the country faces stark headlines...

DOWNTURN	CLOSURES	UNEMPLOYMENT
20.4%	**50%**	**70%**
...contraction in GDP in April 2020, the largest monthly drop on record.	...increase in business insolvencies between March and April 2020.	...increase in unemployment benefit claims in April 2020, another record figure.
ONS, June 2020	London Gazette, April 2020	ONS, May 2020

Concerns about financial future. Research reveals the impact on consumer sentiment, highlighting anxieties about the economy and personal finance...

CONFIDENCE LOW	ECONOMIC CONCERNS	FINANCIAL WORRIES
25	**61%**	**40%**
...point drop in GfK UK's Consumer Confidence Index in April, the steepest decline since the survey began in 1974.	...feel the economy is the most important issue facing the UK, overtaking health for the first time since March 2020.	...are concerned about their financial situation while 12% feel their finances have been "hit hard" by the pandemic.
GfK, June 2020	YouGov, June 2020	BVA BDRC, May 2020

Against this backdrop, PaperBoat Insight asked a representative sample of 1,022 consumers in the UK about the impact of lockdown on their finances - and how they rate the financial services sector's response to their changing needs.

Online research conducted by BVA BDRC on behalf of PaperBoat Insight in June 2020.

1. IMPACT: A THIRD HAVE SEEN THEIR INCOME DECREASE...

Question: "Since the UK was put into lockdown on March 23rd, how would you describe the impact on your household income?"

12.5 million people say their finances have been affected by coronavirus (ONS).

HOUSEHOLD INCOME
SINCE LOCKDOWN (ALL RESPONDENTS)

INCREASED (7%)
STAYED THE SAME (56%)
DECREASED (37%)

...AND OVER ONE IN TEN FEEL IT IS UNLIKELY TO RECOVER

Statement[s] "My household income has decreased [but I do/ and I do not] expect it to increase again once lockdown eases."

DECREASE BY EMPLOYMENT STATUS	'Permanent' decrease %	Temporary decrease %
ALL RESPONDENTS	14%	(total decrease = 37%)
CURRENTLY FURLOUGHED	22%	(71%)
SELF-EMPLOYED	28%	(68%)
WORKING, PART TIME	14%	(46%)
WORKING, FULL TIME	9%	(26%)
RETIRED	7%	(8%)

RESPONDENTS MORE LIKELY THAN AVERAGE TO REPORT 'PERMANENT' INCOME DROP

23%	23%	23%	19%	19%	19%	17%
LIVE IN LONDON	BAME RESPONDENTS	INCOME UNDER £7K PA	PRIVATE RENT PAYERS	MALE AGED 25 TO 34	FEMALE AGED 18 TO 24	SINGLE FEMALE PARENTS

SUMMARY

Many have seen their finances affected, but when asked whether income has been 'permanently' depleted, some groups stand out. As well as the self-employed and those on furlough, this category includes individuals more likely to fall into groups classified as financially excluded or underserved.

SUMMARY

2. INDUSTRY RESPONSE: FINANCIAL SUPPORT MEASURES

Early in lockdown the FCA set expectations for how the financial sector should work with customers to help them through this uncertain time. Correspondingly, companies introduced a range of support measures.

13% ...of respondents said they had requested at least one of the measures offered by their financial service providers.

TOP FIVE SUPPORT MEASURES REQUESTED

11%	9%	7%	6%	6%
MORTGAGE REPAYMENT HOLIDAY	OVERDRAFT WITH CAPPED INTEREST LIMIT	CREDIT CARD REPAYMENT HOLIDAY	CHANGED INSURANCE COVER TERMS	LOAN REPAYMENT HOLIDAY

(REPAYMENT HOLIDAYS GENERALLY THREE MONTHS)

Figures show % of all respondents. Nine measures listed in survey. Contact PaperBoat Insight for more information.

A financial safety net...
Of the 87% who did not request, many were comforted by offers of support even if the measures were not needed at the time.

"There have been messages offering financial help during the coronavirus outbreak which have been very reassuring. I haven't had to ask for help at the present time, but it's good to know that it's there if I need it."
TSB Customer

REQUESTS WERE MORE LIKELY FROM THE FINANCIALLY VULNERABLE

70% ....of those requesting had seen their income decrease and **28% felt that decrease was 'permanent'** (vs. average of 14%).

One in three who requested support said their request was not accepted: 80% of this 'rejected' group also reported decreased income.

3. CUSTOMER REACTION: MEASURES BOOST SATISFACTION

Consistent with our previous research, most customers were broadly satisfied with their main financial provider. However satisfaction has strengthened for some during lockdown - especially those using financial support measures.

93% ...were generally satisfied with their main financial provider.

STRENGTHENED SATISFACTION

ALL RESPONDENTS	THOSE WHO HAD REQUEST FOR SUPPORT MEASURE ACCEPTED
20%	37%

...increasing to 43% where income has decreased.

Statement: "I am satisfied with my main provider and I feel their service to me has **improved** during lockdown."

"I'm happy because they've given me a overdraft and I am not being charged to use it."
Barclays Customer

DISSATISFIED WITH PROVIDER

ALL RESPONDENTS	THOSE WHO HAD REQUEST FOR SUPPORT MEASURE REJECTED
7%	20%

...increasing to 47% where income 'permanently' decreased (small base).

"We don't have any debts and applied for an overdraft to help us out - but we were refused."
Customer of 'Big Four' bank

WHAT THIS MEANS FOR FINANCIAL SERVICES COMPANIES

These findings suggest that the sector's response to this unprecedented crisis has been generally well received. Support measures have reassured and bolstered many: those using one or more measures are more likely to be satisfied with their financial provider and agree that customer service has improved during lockdown.

The research also highlights future challenges.

1. Demand will grow. In early June over a tenth of the UK had reported a sustained drop in income and many requested support measures. By early July record redundancies and localised lockdowns continue to batter the economy making it a certainty that more will need financial support - especially those from financially underserved sections of society.

2. Support must be fair and consistent. Findings suggest a minority of respondents felt that they were 'refused' support. With fair treatment of customers a reaffirmed priority for the FCA at this time, it will be essential for the sector to demonstrate a consistent approach when dealing with customers affected by coronavirus.

3. Sustainable support ...or borrowed time? Despite many measures already being extended, most are time-limited and carry cost to the consumer (e.g. additional interest on mortgage repayments and potential impact on creditworthiness). Financial services providers should anticpate that the peace-of-mind enjoyed by those currently using measures could give way to concern when those measures end, and work with the regulator to plan scenarios that continue to pragmatically support individuals if their incomes have still not recovered.

Further analysis of all the findings covered in this infographic is available upon request.

To find out more about this research please get in touch.
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