COVID-19 and Consumers: *from crisis to recovery*

Monthly Insights Report – October Results
DECEMBER 2020

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1. Background

The Consumer Policy Research Centre (CPRC) is an independent, non-profit consumer research and policy organisation. CPRC aims to create fairer, safer and inclusive markets by undertaking research and working with leading regulators, policymakers, businesses and community advocates.

CPRC is partnering with Roy Morgan Research to conduct monthly surveys measuring the financial impacts and consumer experiences of COVID-19 across essential and important services markets, including housing, energy, telecommunications, credit and insurance.

Objectives

With governments, regulators, business and the broader policy community challenged to provide sufficient support for consumers during the COVID-19 economic crisis and into recovery, the objectives of this research are twofold:

- To **better understand the impact** that COVID-19 is having on Australian consumers' experiences, behaviours and expectations across essential and discretionary products and services markets, now and into recovery.

- To **provide policy and program insights** on how consumer experiences of COVID-19 should inform the design of support measures that aim to meet the various needs and expectations of consumers.

Research approach

We are gathering data from May to December 2020, using online and telephone surveys. As the impacts of COVID-19 unfold over this period, we will drill down and analyse consumer experiences in managing household expenses and within essential service markets. The survey tracks key subgroups of consumers and experiences across markets and provides insights into:

- what interventions are needed to support consumers during the initial stages of the health and economic crisis
- how these interventions may need to adapt as events evolve
- what policies and support programs will help build consumer resilience and deliver good consumer outcomes as we move toward economic recovery.

The research is conducted using online surveys via Computer Aided Web Interviews (CAWI) and telephone interviews via Computer Aided Telephone Interviews (CATI). In October, 2,224 online surveys, and 50 additional telephone surveys with low or non-internet users, combined to a total of 2,274 completed surveys.

2. COVID-19 - what happened in October?

In October, the number of new COVID-19 cases continued to fall in Victoria (15 new cases at the start of the month) bringing further relief but also creating pressure to reopen the state and lift restrictions. Other states remained mostly restriction free. The Victorian experience remained unlike those of the rest of Australia due to the continued social and economic restrictions.

In Victoria, cases fell slowly through the month. In mid-October restrictions for Melbournians were eased further to allow gatherings outdoors and some professional and personal services to open with adequate protections, while regional Victoria moved to “step three” restrictions which saw further easing of restrictions. Regional Victoria and Melbourne were separated by a “ring of steel” to enable the distinct restrictions arrangements. By the end of the month, new infections fell to zero and Victorian restrictions were eased further.

Around the remainder of the country, international travel recommenced with the announcement of the travel bubble with New Zealand, enabling New Zealanders to travel to NSW and the Northern Territory without quarantining. At the end of the month West Australia announced a plan to reopen boarders with the eastern states.

Figure 1: Timeline of key COVID-19 events, October 2020

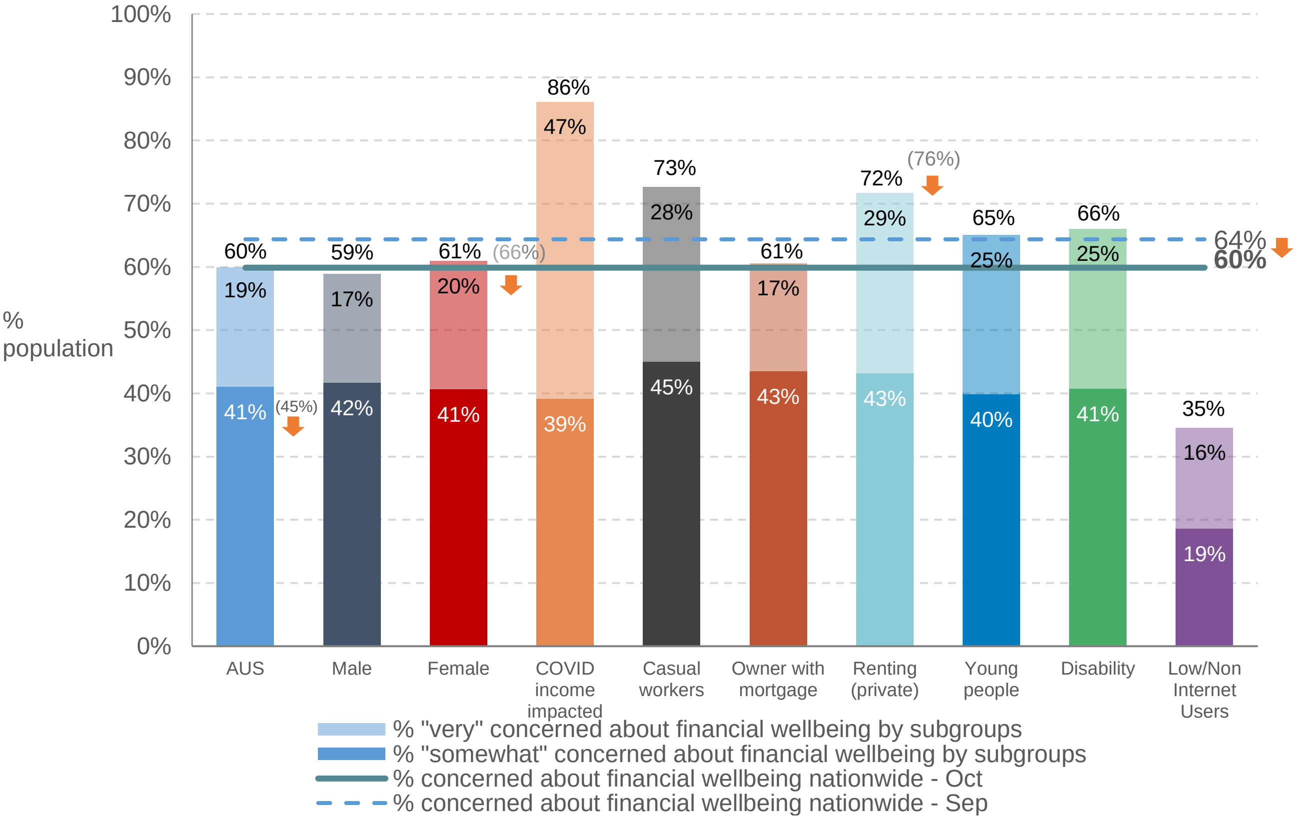
Date	Key Events
1st Oct	• VIC records 15 news cases (32 hospitalisations, 2 deaths), • NSW records 3 new cases (6 hospitalisations), • WA records 1 new case (linked to iron ore vessel), • QLD no new cases (3 hospitalisations). • No new cases or hospitalisations in other states or territories.
2nd Oct	Travel bubble announced with New Zealand. From 16th Oct, New Zealanders able to travel to NSW or the NT without having to undergo a quarantine period, as long as they haven’t been in a designated COVID-19 hotspot in New Zealand in the previous 14 days.
11th Oct	Victoria's State of Emergency and State of Disaster were extended until 11.59pm on November 8.
19th Oct	VIC eased restrictions come into effect: • the two-hour time limit for exercise and socialising was lifted, • groups of up to 10 people from two households would be allowed to gather outdoors, • outdoor sports settings like tennis courts, golf courses and skateparks could reopen, • outdoor swimming pools to host up to 30 swimmers, • hairdressers able to open with strict safety protocols in place, • outdoor real estate auctions will be allowed to go ahead with up to 10 people plus staff, • non-essential outdoor home maintenance can take place with up to five workers, and

	• many allied health services to resume face-to-face services. Regional Victoria moved to “step three” with restrictions easing further: • Regional Victorian able to invite two people, plus their dependents, to their home**.** • Cafes and restaurants in regional Victoria allowed to double the number of patrons they seat indoors from 20 to 40
24th Oct	Victoria recorded 98 active cases statewide; this was the first time since June 19 in which Victoria had under 100 cases
26th Oct	Victoria recorded 0 new cases and 0 deaths statewide for the first time since 9 June. Vic Premier announced a plan for significant easing of restrictions in the coming weeks.
27th Oct	VIC: eased restrictions come into effect for metropolitan Melbourne: • people no longer require a reason to leave home, • all retail, restaurants, hotels, cafes and bars will be allowed to open with capacity limits, • beauty, personal services and tattooing will reopen, • outdoor community sport for under 18 and outdoor non-contact sport for adults will recommence, • a maximum of 10 people will be allowed to attend weddings, a maximum of 20 mourners will be allowed to attend funerals and faith and religious gatherings will be allowed to resume, subject to patron limitations
31st Oct	WA: Premier announced hard boarder policy would be eased from 14th November, enabling residents of low risk states and territories to enter WA without quarantine.

3. Key survey findings

Consumer concern over financial wellbeing falls in October
Australian concerns about their financial wellbeing appears to have turned in October following the opening up of different states economies, falling 4% across the broader population to 60% - the lowest since May (60%). This was primarily driven by a decrease in the proportion reporting they are "somewhat" concerned - down from 45% in September to 41% in October, though the proportion who reported they were "very" concerned remained largely unchanged.

Figure 2: Consumer concern over financial wellbeing falls



QTN: How concerned are you about the impact of COVID19 on your own financial wellbeing?
Orange arrows: Survey results significantly higher/lower than previous month
Grey scores in bracket show results for previous month
- Due to rounding, totals may not equal sum of components
- * Base n<50, results are indicative only

A lower proportion of consumers reported concerns Looking at the levels of concern amongst subgroups shown in Figure 2 (see definitions of subgroups in Table A in the **Appendix**) we can see:

- Fewer females reported concerns about financial wellbeing, falling 5% overall (61% October down from 66% in September), again driven primarily by a reduction in those 'somewhat' concerned (41% October down from 47% in September).
- Fewer renters reported concerns – down 4% to 72% in October
- Males – also down 4% to 59% in October.

However among some subgroups there was still an high proportion reporting concerns about financial wellbeing:

- People whose income was impacted by COVID-19 had the greatest level of concern about their financial wellbeing at 86%, including 47% who were “very” concerned.[1]
- Casual workers (73%) and renters (72%) also had high levels of concern.

[Biggest challenge is] “…*not knowing about what income we will have in the future. Fear of not being able to service my commitments.”*

Female, 50-64, Regional VIC, Full-time, Renting (private)

Significant jump in the proportion of consumers taking steps to manage their household expenses

After a dip in the proportion of Australians taking steps to manage household expenses in September, there was a significant jump the proportion taking steps in October. More than three in five Australians (61%) reported taking steps[2] to manage their household expenses in October up from 51% in September (not shown in the chart), suggesting a continuing upward trend from August (58%). In particular, the proportion of Young People (18-34) taking steps was up 9% (72% in October up from 63% in September) and the proportion of owners with a mortgagor taking steps was up 10% (59% in October up from 49% in September).

A third (33%) of Australians dipped into their savings, up from 30% in September and marking a departure from the 28-30% average seen thus far in our data. In October there was also a jump in the proportion who used a credit card or a buy now pay later service, almost a third (31%) adding more debt up from a quarter (25%) in September, which has continued trending upwards since the start of CPRC’s survey in May (21%).

The proportion of Australians selling shares, investments or household goods jumped from 4% in September to 10% in October. One in five Australians (20%) closed or cancelled ongoing services or subscriptions, up from 16% in September, also suggesting a return to an upward trend from August (18%). Concerningly, 9% reported borrowing from family and friends to manage household expenses, up from 7% in September.

Data from October shows differences in terms of the common steps certain consumer subgroups took to manage their household expenses:

- Over half of those with incomes affected by COVID-19 dipped into their savings (55%), higher than the national rate of 33%. Renters (43%), casual workers (38%) and young people (39%) also dipped into their savings at a higher rate than Australians overall.
- Almost half (46%) of those with an income affected by COVID reported cancelling or closing ongoing subscriptions or services, more than twice the rate of the broader population (20%),

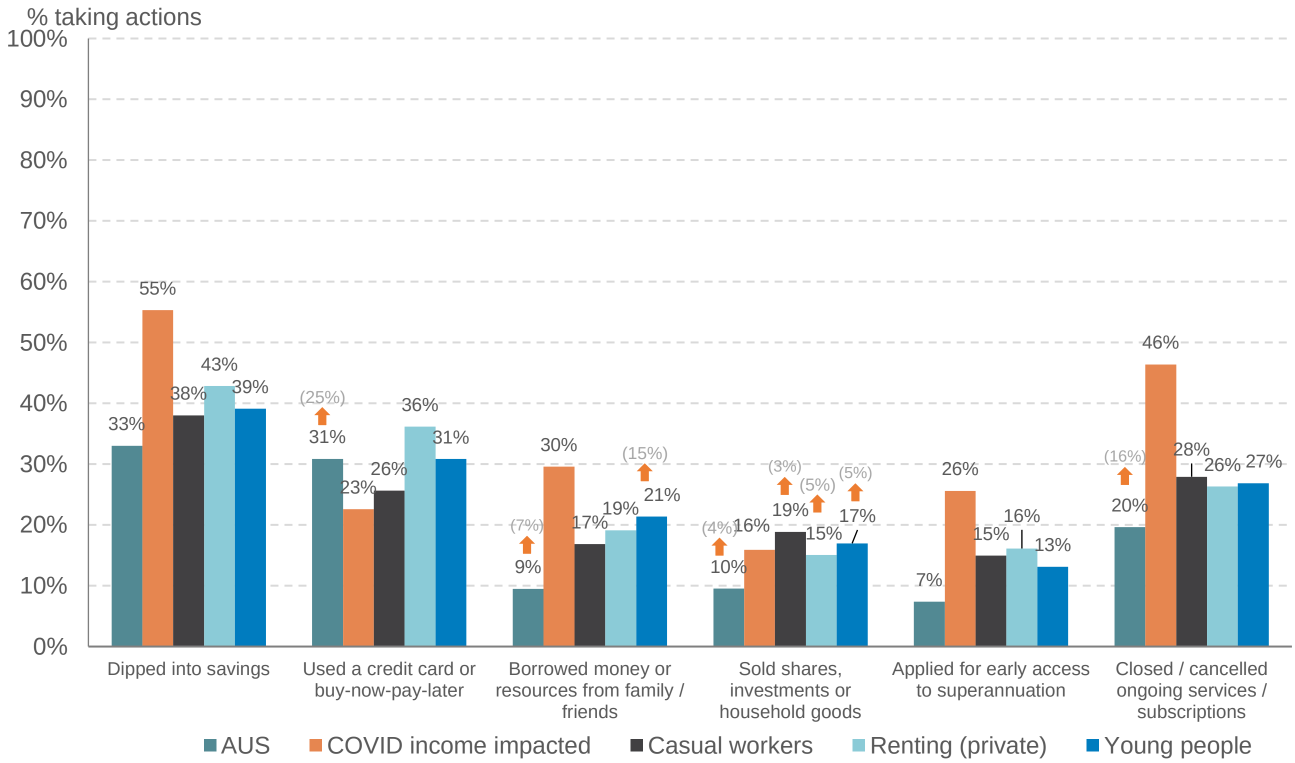
[1] COVID Income Impacted are a group of people who had an income source before COVID-19 (either Full-time employee, Part-time employee, Casual employee, Self-employed / own business, or Investment income) and have now sought or received JobKeeper, JobSeeker or other government benefits, or now have no income.

[2] Steps taken include: Dipped into savings; took out a loan from a bank or financial institution; took out a loan from a payday lender / consumer lease; used a credit card or buy-now-pay-later; drew down on home equity / interest offset account; borrowed money or resources from family / friends; sold shares, investments or household goods; applied for early access to superannuation; accessed community help / emergency relief; closed / cancelled ongoing services / subscriptions.

while more than a quarter of Casuals (28%), Young people (27%) and renters (26%) also closed accounts.

- There was a significant jump among subgroups reporting they sold shares, investments and household goods in October to manage household expenses. 19% of causals reported selling off these assets (up from 3% in September), 17% of young people (up from 5% in September) and 15% of renters (up from 5% in September).

Figure 3: Common steps taken to manage household expenses, September 2020

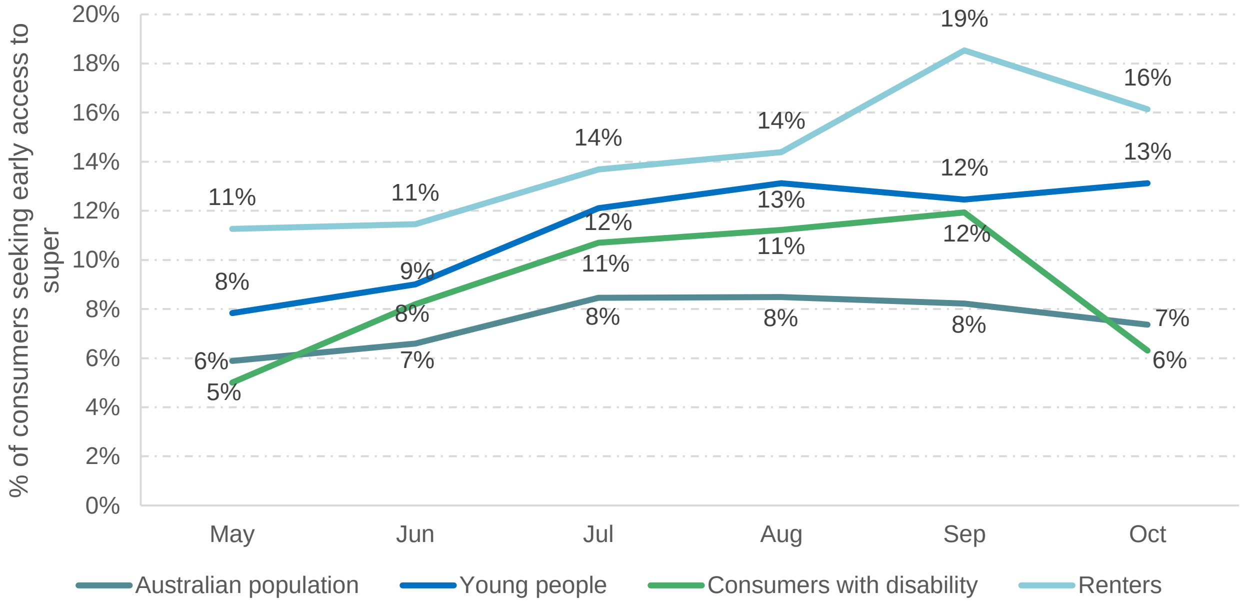


QTN. In the past month, have you taken any of the following actions to manage your household expenses?
Orange arrows: Survey results significantly higher/lower than previous month
Grey scores in bracket show result for previous month

Providing early access to superannuation has enabled people to access an additional source of capital to help manage their household bills during COVID lockdown. The proportion seeking access to their super has remained largely stable throughout the period, rising from 6% in May to 8% in June-August, before slightly decreasing to 7% in October (see Figure 4).

However, some subgroups have been far more reliant on this source of capital to manage their household costs. The proportion of consumers living with disability seeking early access to their super has increased significantly over the period, rising from 5% in May to 11% in July and rising further to 12% in September, before halving to 6% in October. A growing proportion of young people sought early access to their super throughout the period, rising from 8% in May to 12% in July, with a similar proportion (12%-13%) seeking early access to super in the subsequent months. But an even larger proportion of renters sought access to their super throughout the last 6 months, growing to double the rate of the broader population by September and October. In May, 11% reported they sought early access to super, rising to 19% in September, before falling slightly to 16% in October. It may be that the falling proportion of some subgroups seeking access to super reflects a growing proportion exhausting the early access limit of $20,000.

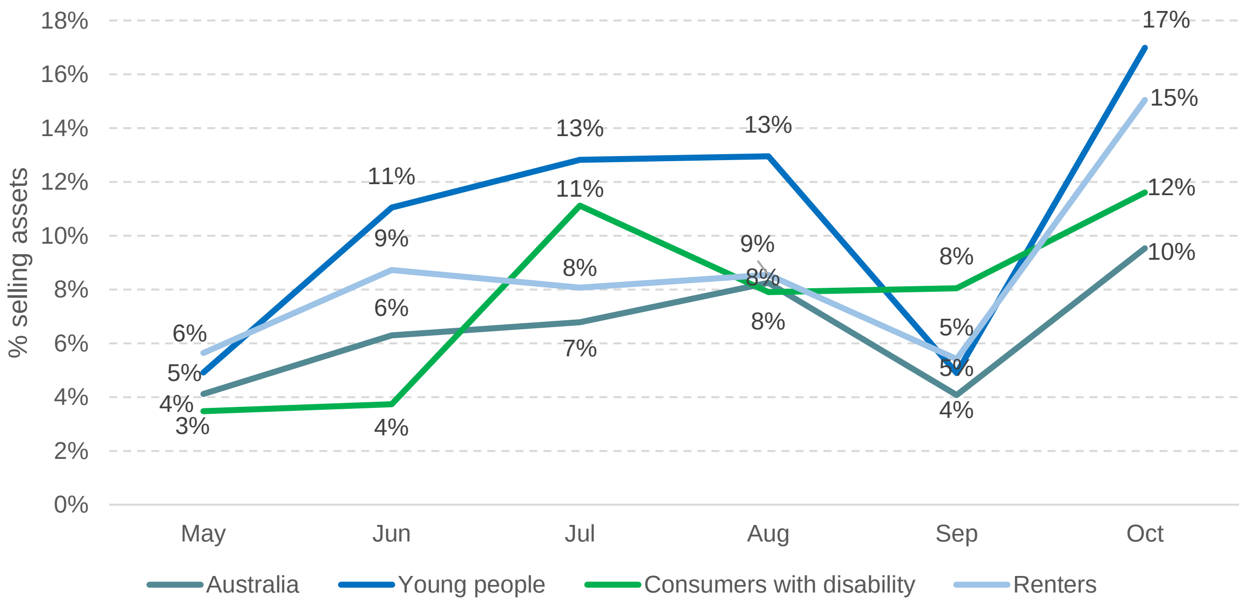
Figure 4: Drawing down on future capital - renters, young people and people living with disability are applying for early access for superannuation



QTN: In the past month, have you taken any of the following actions to manage your household expenses?

Consumers are increasingly selling assets to manage their household expenses. Across the broader population, 4% reported they sold shares, investments or household goods in May, rising steadily to 8% in August, dipping back to 4% in September before jumping to 10% in October.

Figure 5: Proportion selling shares, investments or household goods



QTN: In the past month, have you taken any of the following actions to manage your household expenses?

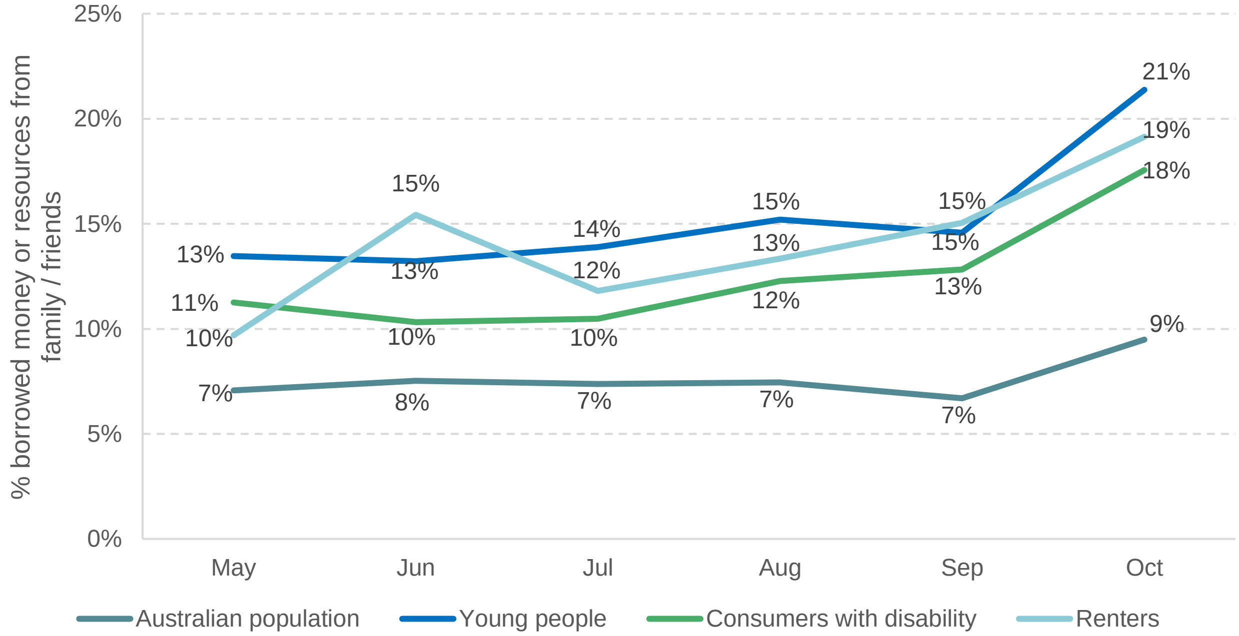
By comparison, subgroups such as young people, and to a lesser extent renters and consumers with a disability have been far more active in selling assets (Figure 5). In May, 5% of young people reported they sold assets, rising to 13% in July and August. The proportion of young people selling assets more than halved in September (5%) before spiking at more than one in six (17%) selling assets to manage household finances.

While there was a small rise in borrowing from family and friends among the broader population from September to October, there was a significant uptick among key subpopulations from an already elevated trend (see Figure 6).

- A larger proportion of young people have borrowed from family and friends rising slightly from 13% in May to 15% in August/September, jumping to 21% in October. When extrapolated out to the broader Australian population, this equates to over 1.2million Young People.
- In May, 10% of renters borrowed from family/friends, jumping to 15% in June, dipping slightly in July (12%) before gradually climbing to 19% in October. When extrapolated out to the broader Australian population, this equates to over 900,000 renters.
- A higher proportion of consumers with disability have also borrowed from family /friends, with 10-12% turning to informal supports from May to August, rising to 13% in September and jumping to 18% in October. When extrapolated out to the broader Australian population, this equates to over half a million consumers living with disability.

"How long under-employment will linger. Life is on hold at the moment."
Male, 35-49, Regional QLD, Casual employee, Renting (private)

Figure 6: Borrowing from informal sources of capital – one in five young people now borrowing from family and friends



QTN: In the past month, have you taken any of the following actions to manage your household expenses?

This growing reliance on superannuation (i.e. future wealth), liquidated assets, and borrowing from informal sources of capital such as family and friends suggests a growing vulnerability among certain groups in the community.

[Biggest challenge is] ***"…unprepared for emergency expenses so unable to afford all things needed. Have needed to borrow money."***

Female, 18-24, Regional NSW, Casual employee, Renting (private landlord)

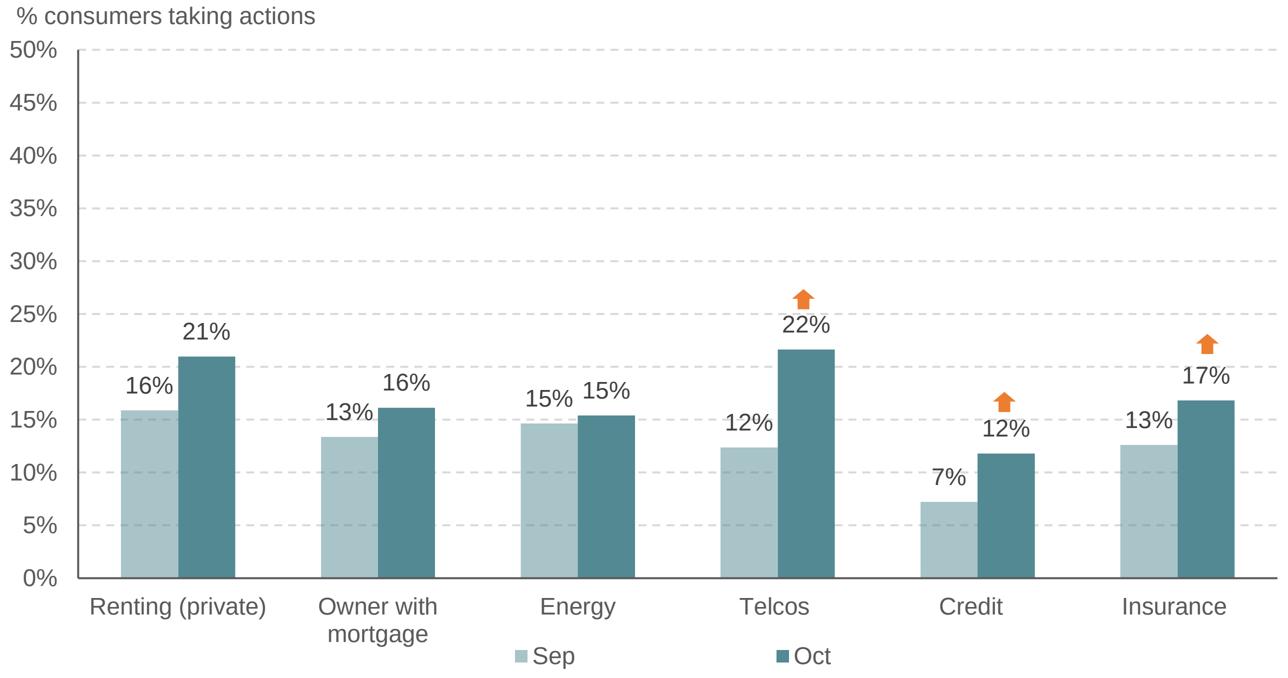
Higher activity to manage household expenses in October

Between August and September, there was a significant decrease in consumers taking action to manage their bill payments (not shown on chart). However, after this dip in September, we saw several sectors return to higher rates of activity in October as seen in August, and the following sectors registered (statistically significant) increases:

- Telecommunications (20% August, 12% September, 22% October)
- Insurance (18% August, 13% September, 17% October)
- Credit (12% August, 7% September, 12% October).

A higher proportion of renters also reported taking action to manage rental payments (21% in October up from 16% in September) as did homeowners managing their mortgage repayments (16% in October up from 13% September).[3] By comparison, the energy sector remained unchanged between months at 15%. Looking across the last 6 months of data, actions to manage household bills are trending up in all sectors other than mortgages.

Figure 6: Consumers engaging providers to manage payments



QTN Thinking of your bills (electricity, gas, rent, mortgage, telecommunications, credit, insurance), have you attempted any of the following in the last 4 weeks?
Orange arrows: Survey results significantly higher/lower than previous month

In the subgroup analysis, there was a significant jump in the proportion of young people taking action in October to manage different household bills compared with September, reporting activity well above the broader population (not shown).

- almost two in five (39%) took actions to manage their telco bills (up from 18% in September)
- nearly a third of young renters were active in managing costs (32% up from 18% in September), with a similar jump among young mortgagors (31% up from 21% in September)
- nearly double the proportion of young people reported actions to manage credit payments (31% up from 16% in September)

[3] Note these increases were not statistically significant.

- A larger proportion of young people were also active in managing their energy bills (29% up from 21% in September) and insurance payments (29% up from 19% in September)

Among other subgroups, there were also notable jumps from September to October:

- 40% of consumers with COVID- impacted income took action to manage their telco costs (up from 18% in September), and there was also a large jump among casuals managing telco costs (29% up from 11% in September).
- 31% of consumers with disabilities took action to manage their rental costs up from 20% in September, while 23% of consumers with disability were active in managing their credit costs up from 14% in September

[Biggest challenge is] *"…huge increase in water and electricity as we are confined to home and our 23 year old has lost his job."*
Female, 50-64 years, Perth, Applied for/ receiving other government income support (including pensions), Owner outright

Much of this activity can be attributed to an increase in switching between plans or providers, which was particularly pronounced among certain subgroups:

- 10% of consumers switched telco plan and 5% switched provider. This appears driven by particular subgroups: 20% of consumers with COVID-impacted incomes switched plans and 7% switched provider, while 18% of young people switched plans and 11% switched providers.
- 6% of consumers switched insurance plan and 4% switched insurance provider. Among subgroups, 11% of young people switched insurance plan and 7% switched provider. 9% of young people and consumers with COVID-impacted incomes also reported cancelling insurance plans this month.
- 5% of energy consumers switch plan and 4% switched provider. Among subgroups, 11% of young people switched plan and 9% switched provider, 10% of renters switched plan and 6% switched provider, and 9% of consumers living with disability switched plan 7% switched provider.

[Biggest challenge is] *"…dread of having to speak with Telstra and Origin."*
Female, 50-64 years, Regional Vic, no income, owner-occupier

While the proportion of consumers switching providers has increased, so too has the proportion seeking payment assistance across virtually all sectors (see Figure 7).

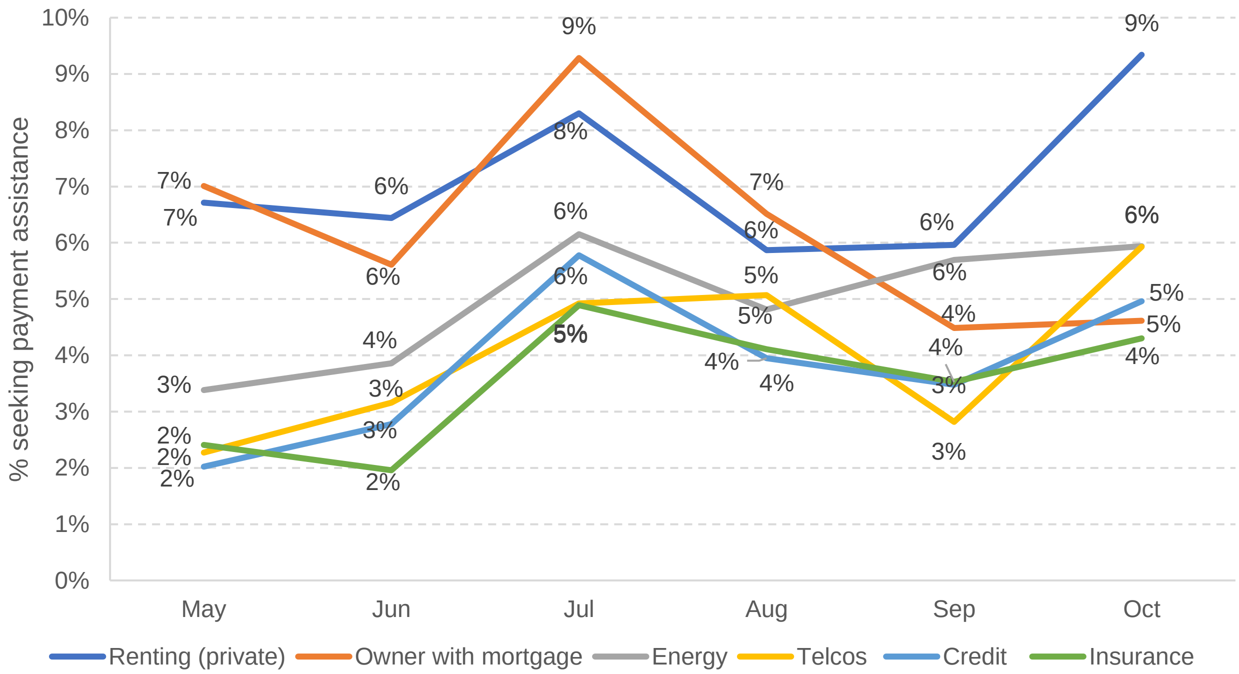
From the start of our survey in May, trend data indicates a sharp increase in the proportion of consumers seeking assistance to July. In August and September, the proportion of consumers seeking payment assistance declined somewhat across all sectors – with the exception of the energy sector where the proportion of consumers seeking payment assistance has hovered around 6% since July.

However after this dip, there was spike in the proportion of consumers seeking payment assistance in October. Across the six months of our data this indicates an increase trend:

- 9% of renters seeking rental payment support (7% in May)
- 6% of energy consumers (3% in May) and 6% of telco consumers (2% in May)
- 5% of consumers sought payment assistance from their loan/credit provider (2% in May)
- 4% from their insurance provider (up from 2% in May)

The only sector where our survey has seen a fall in the proportion of consumers seeking payment assistance across the last 6 months is mortgage-holders. A significant proportion of owners with a mortgage sought payment in May (7%), rising to 9%in July. However, the proportion seeking assistance has continued to shrink, with 5% of mortgagors seeking payment assistance in October.

Figure 7: Growing proportion of consumers seeking payment assistance across different household bill types



QTN: Thinking of your (household bills), have you attempted any of the following in the last 4 weeks?

Perhaps more concerningly, our trend data from the past 6 months indicates there has been a growing proportion of consumers who had to miss payments across sectors. The general trend across many sectors has been a gradual climb in the proportion of consumers reporting they had to miss a payment. This was led by rental (8% missed a payment in October, up from 4% in May), and telco payments (7% in October up from 1% in May).

In the energy sector, the proportion of consumers missing bills has varied between months, likely reflecting the bi-monthly, or quarterly billing cycle that is typical for many consumers.

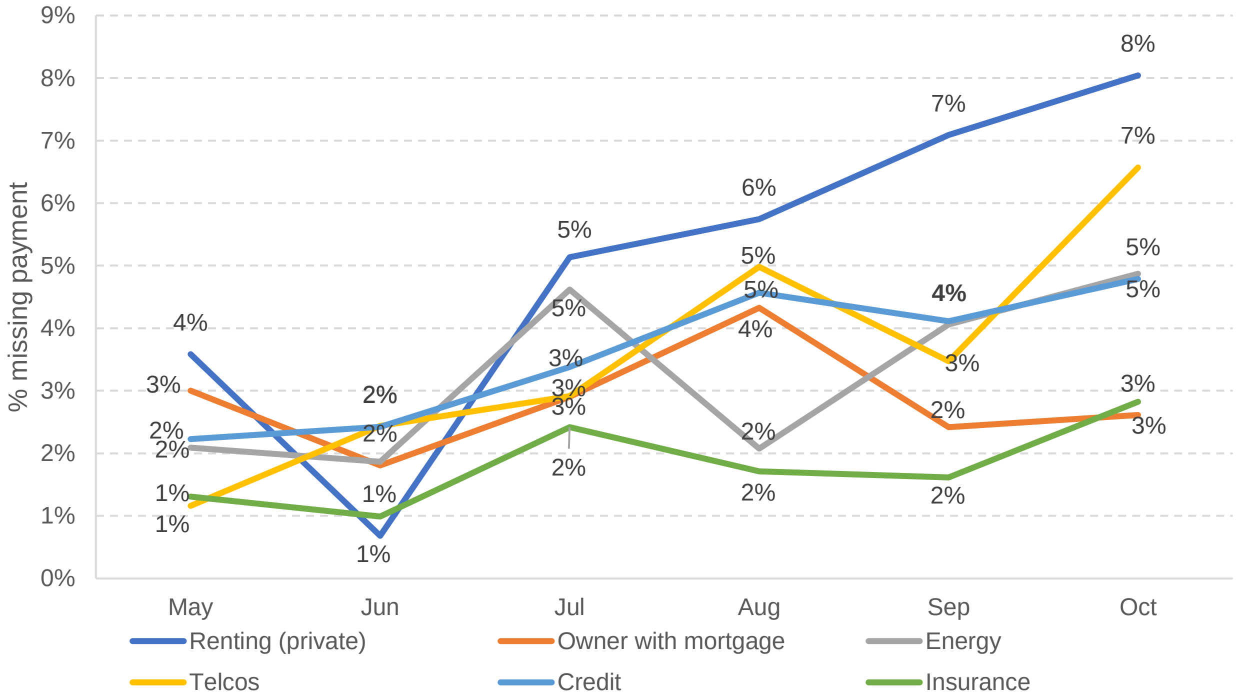
The proportion of consumers missing insurance payments has remained low throughout the period, however we note there has been a rising proportion of consumers cancelling insurance policies (not shown). Similarly, the proportion of mortgagors reporting they had to miss a payment has been low throughout the first 6 months of survey data, though notably climbed to 4% in August but fell back to 2%-3% in September/October. This may reflect clearer hardship supports through payment deferrals or refinancing mortgages to interest only loans.

[Biggest challenge is] ***"…paying my electricity and gas. I've made no payments for months and I have no idea how I'm going to get on top. I'm depressed and scared."***

Female, 35-49, Perth, Applied for/ receiving other government income support (including pensions), Renting from the government or community housing provider

However, when analysed by subgroups, a far larger proportion of young people sought missed payments across all sectors compared with the broader population and other subgroups, and a far larger proportion of young people missed payments across all sectors compared with the broader population and other subgroups (see **In Focus: Drowning in Debt?**).

Figure 8: Consumers missing household bill payments on the rise



QTN: Thinking of your (household bills), have you attempted any of the following in the last 4 weeks?

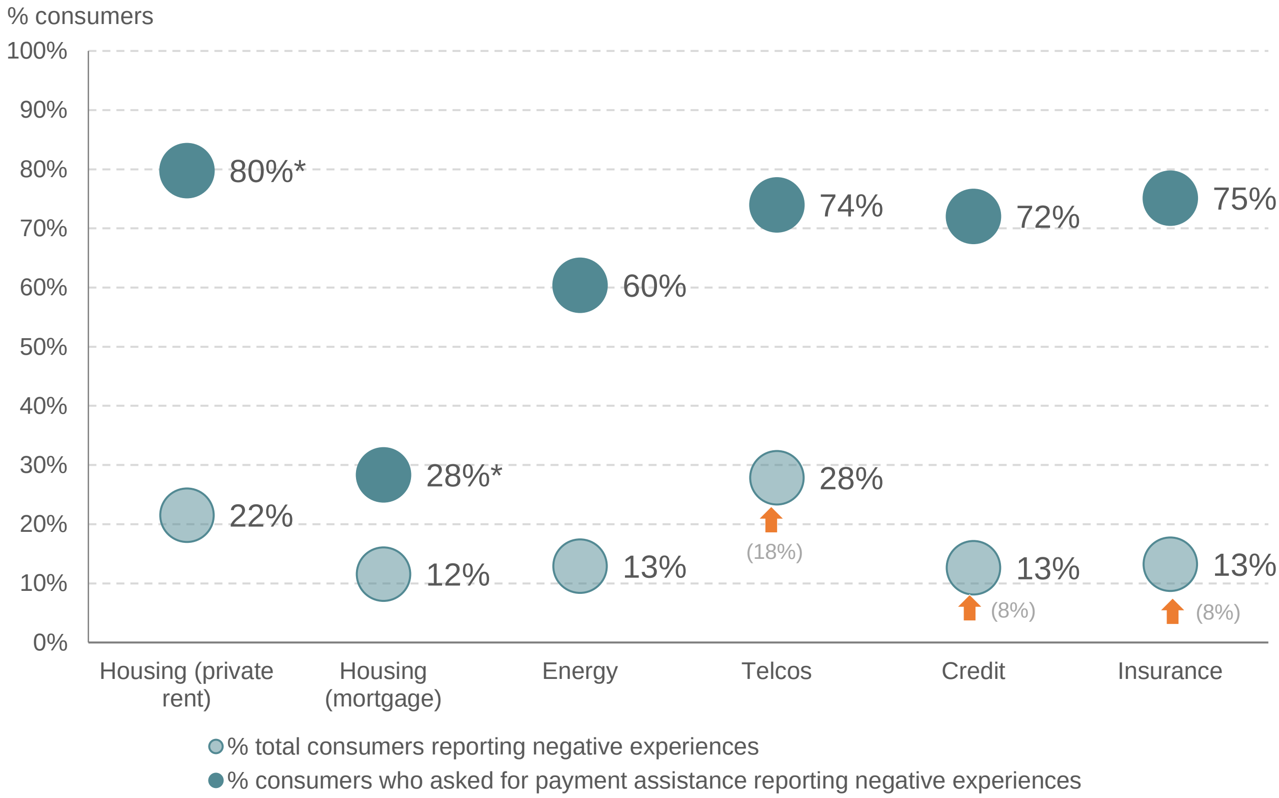
An increase in negative experiences when interacting with providers

Between September and October, significantly more consumers reported negative experiences with providers of telecommunications (28% in October up from 18% in September), credit (13% in October up from 8% September), and insurance (13% in October up from 9% in September).[4] Slightly more than one in five renters (22%) reported negative experiences with their landlord, and 12% of mortgagors reported negative experiences with their mortgage provider – both up from September results though not statistically significant changes. 13% reported negative experiences with their energy provider, largely unchanged from September results (12%).

A higher proportion of consumers seeking payment assistance continue to report negative experiences with providers than the broader population. In October, approximately three quarters of consumers seeking payment assistance from their insurance provider (75%), their telco provider (74%) or their credit/loan provider (72%) reported negative experiences. Four in five (80%) renters seeking payment assistance reported negative experiences with their landlord, compared to less than a third of owners with a mortgage seeking payment assistance from their mortgage provider (though note these results are indicative due to small sample sizes).

[4] Negative experiences include: Could not understand how to contact my provider / resolve my issue; could not navigate the website / phone system; Wait times on the phone / live chat / email were too long; Provider was unhelpful / I received poor service; Felt misled by the information provided by my supplier; There was an unfair term/condition in my agreement; or "other" type of negative experience.

Figure 9: Negative experiences overall and for those seeking payment assistance



QTN. Thinking about any interactions with your service providers in the last 4 weeks, which, if any of the following have you experienced?
* Base n<50, results are indicative only
Orange arrows: Survey results significantly higher/lower than previous month
Grey scores in bracket show result for previous month

Significant jump in negative actions across sectors

In October, our survey recorded a jump in the proportion of consumers reporting both positive and negative provider actions across most sectors. Almost a quarter of renters (23%) reported their landlord negative or positive actions, with a significant jump in both positive actions (18% up from 12% in September) and negative actions (11% up from 5% in September) taken by landlords. 8% reported the landlord reduced the rent and 5% reported fees were waived, while there was significant jump in the proportion reporting proactive payment assistance (6% up from 2% in September). However, 5% of renters reported landlords increased the cost of service/loan fees/charges (up from 2% in September) which may reflect the expiration of temporary rental reductions. Though lower incidence, a larger number of renters reported receiving repayment ultimatums (3% up from 1% in September), and more concerningly, 5% reported landlords taking steps towards eviction (up from 1% in September) despite ongoing moratoriums in most states – 9% reported their landlord took steps in NSW and 4% of Victorians reported their landlord taking this action.

Telecommunications also saw a significant jump in both positive and negative actions, with 13% taking positive actions (up from 9% in September) however the proportion reporting negative actions doubled from 14% in October from 7% in September resulting in a significant increase in total actions (21% in October up from 14% in September). A higher proportion of consumers reported their telco reducing costs/discounting their service (5% up from 3%), proactively offered payment assistance (4% up from 2%) or waived charges (3% up from 1%). However, 7% reported their telco increased cost of service/charges (up from 3% in September), 4% reported pressure unsolicited pressure sales (1% in September) and 3% reported their telco issued a payment ultimatum (1% in September). Though lower incidence, 2% reported their telco provider engaged in debt collection and 2% reported their provider took steps towards disconnection.

[Biggest challenge is] ***"…the fact that I am elderly so I am treated as if I am senile. This is happening more and more throughout the service industry."***
Female, 65+, Regional Queensland, Applied for/ receiving other government income support (including pensions), Owner-occupier

Almost a quarter of consumers (23%) reported their insurance company took an action in October, up from 18% in September, with this increase largely attributable to an increased in total negative actions (15% in October up from 11% in September). In particular, 11% reported their insurer increased cost, up from 7% in September. There was also an increase in the proportion of consumers reporting their insurance provider issued a repayment ultimatum (2% up from 1% in September).

A higher proportion of consumers reported credit providers took actions in October (16%) than in September (12%). There was a slight increase in positive actions - the proportion reporting their credit/loan provider reduced the cost (3% up from 1%). However, 9% reported negative actions in October, up from 5% in September. A higher proportion of consumers reported an increase in cost of service (3% up from 2%), unsolicited pressure-sales/cold calls (3% up from 1%) and credit/loan providers issuing payment ultimatum (3% up from 2%).

Consumers reported little overall change in energy providers actions in October (18% total actions). Notably, positive actions were slightly down from September, including reports of helpful advice/information about managing payments (4% down from 6%) and proactive payment assistance (3% down from 5%). Moreover, the proportion reporting increased cost was stable at 6% and the proportion reporting their energy provider issued a payment ultimatum increased (3% up from 1%).

Consumers also reported little change in the actions of mortgage providers in October (17% total actions). Mortgage providers continue to lead service providers in providing helpful advice and information about managing payments (8%). Consumers continue to report mortgage providers proactively provided payment assistance (5%) and reduce the cost of service (6%). A smaller proportion of mortgagors report negative actions taken by their mortgage provider (5%), though there was a small uptick in reports of mortgage providers taking steps to repossess mortgaged houses (2% up from 0% in September).

"The range of financial products and the various terms, payment schedules and options is confusing. I want to switch providers but prices for even basic things like health insurance keep going up. And a small thing like changing my bank would cause hours of work for me so as a time poor parent, I just ignore it until I can't anymore."

Female, 25-34, Sydney, Full time employee, Renting (private landlord)

Figure 10: Most commonly reported actions taken by essential service providers, October

	Rent	Mortgage	Energy	Telcos	Credit	Insurance
Base n=	*218*	*339*	*1,106*	*1,106*	*936*	*1,037*
Total took actions	**23%** (15%) ↑	**17%**	**18%**	**21%** (14%) ↑	**16%** (12%) ↑	**23%** (18%) ↑
Total positive actions	**18%** (12%) ↑	**16%**	**11%** (14%) ↓	**13%** (9%) ↑	**11%**	**11%**
Provided helpful advice/information about managing payments during COVID-19	7%	8%	4% (6%) ↓	6%	5%	4%
Proactively offered payment assistance (payment plan / deferral)	6% (2%) ↑	5%	3% (5%) ↓	4% (2%) ↑	4%	3% (1%) ↑
Waived fees or late charges	5%	1%	3%	3% (1%) ↑	3%	2%
Proactively offered support to access government assistance to pay rent /mortgage/government concessions	2%	1%	3%	2%	na	na
Reduced cost of service / rent or cost of mortgage payments / provided a discount	8%	6%	4%	5% (3%) ↑	3% (1%) ↑	5%
Total negative actions	**11%** (5%) ↑	**5%**	**11%**	**13%** (7%) ↑	**9%** (5%) ↑	**15%** (11%) ↑
Increased cost of service / cost of rent or loan fees / charges	5% (2%) ↑	1%	6%	7% (3%) ↑	3% (2%) ↑	11% (7%) ↑
Made unsolicited pressure-sales/ cold calls to you	3%	1%	2%	4% (1%) ↑	3% (1%) ↑	2%
Issued repayment ultimatum via notice or phone call	3% (1%) ↑	1%	3% (1%) ↑	3% (1%) ↑	3% (2%) ↑	2% (1%) ↑
Engaged debt collection to recover missed payment	2%	1%	2%	2%	3%	2%
Stopped providing you the service / took steps to evict you or repossess your house	5% (1%) ↑	2% (0%) ↑	2%	2%	1%	2%
None of the above	**69%**	**75%**	**71%** (63%) ↑	**70%** (73%) ↓	**76%**	**70%**
Can't say / don't know	8%	8%	11% (17%) ↓	**9%** (13%) ↓	8% (11%) ↓	8% (11%) ↓

QTN. Which, if any, of the following actions have any of your (service providers), taken in the last 4 weeks?
Orange arrows: Survey results significantly higher/lower than previous month
Grey scores in bracket show result for previous month

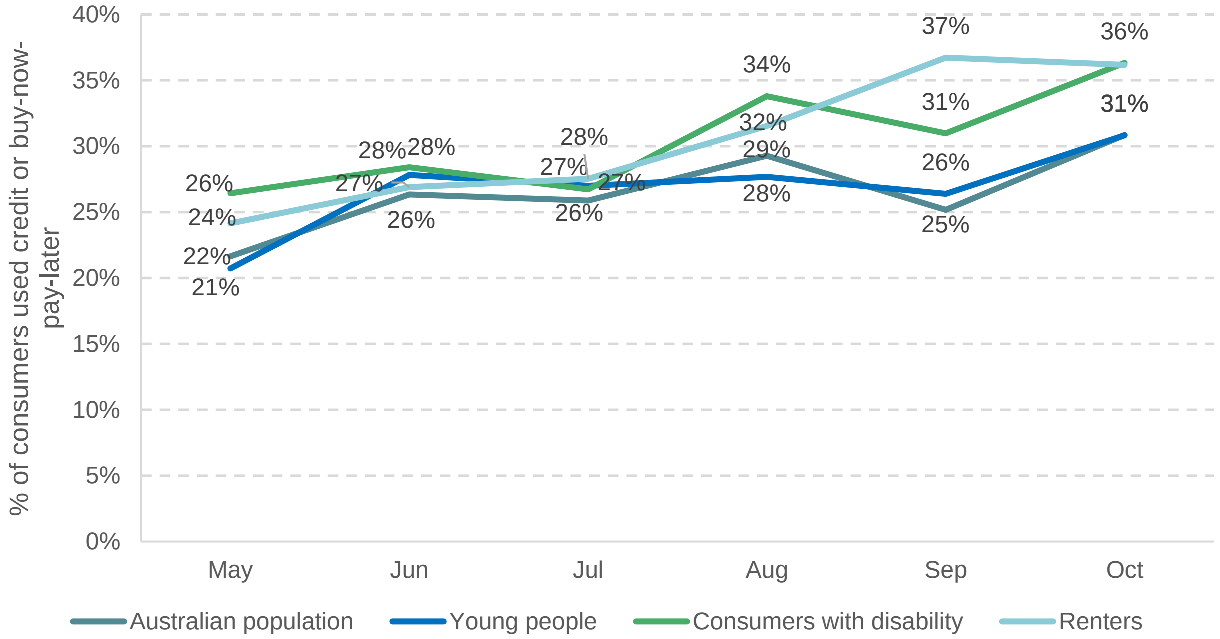
"JobSeeker Coronavirus supplement is going to disappear meaning that I will have little or no discretionary money."

Male, 50-64, Melbourne, JobSeeker, Renting (Private)

4. In focus May to October: Drowning in Debt?

Since the start of CPRC's survey, the proportion of consumers relying on credit card/buy-now-pay-later has trended upwards, from 22% taking this step in May gradually climbing to 31% in October (Figure 11). Some subpopulations have followed the national trend closely, such as young people. However other subpopulations have been more dependent on credit and buy-now-pay-later throughout the period. In May, 26% of consumers living with disability relied on credit/buy-now-pay-later to manage their household expenses, rising to 36% in October. By comparison, 24% of renters took this financial step in May, which increased to 37% in September, before slightly falling back to 36% in October. While our data reflects a growing proportion of consumers relying on debt to manage household expenses through COVID-19, this trend is accentuated among particular subgroups who may not have alternative supports and resources available to them.

Figure 11: Proportion of consumers relying on credit and buy-now-pay-later

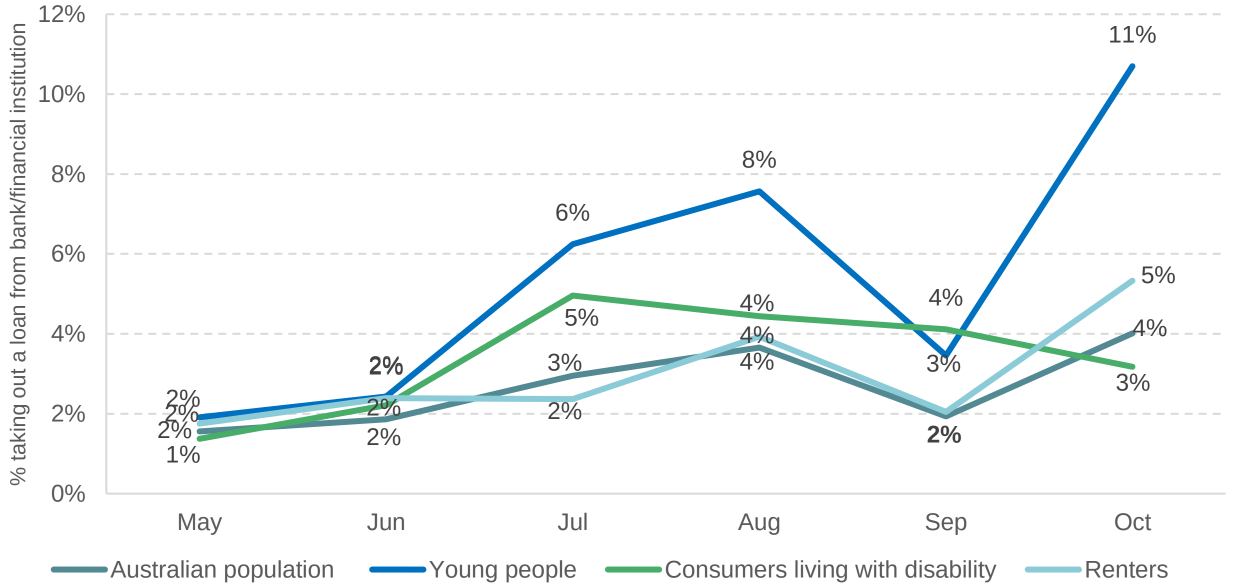


QTN: In the past month, have you taken any of the following actions to manage your household expenses?

Our survey has recorded an increase in the proportion of consumers taking out personal loans throughout the last 6 months (see Figure 12). In May, 2% of the broader population took out a personal loan, which increased incrementally to 4% in August, dipping back to 2% in September before rising again to 4% in October.

Again, we see some subgroups following the trend of the broader population closely, with the proportion of renters largely tracking the broader population, other than a slight increase in October of 5% taking out a personal loan. The proportion of consumers living with disability taking out a personal loan increased from 1% in May to 5% in July, more slowly declining in the subsequent months to 3% in October. By comparison, a far larger proportion of young people have taken out personal loans over the period – 2% took out a personal loan in May, rising to 6% in July and further to 8% in August, halving to 4% in September before jumping to 11% in October. Extrapolating this proportion out to the broader population suggests 640,000 young Australians took out new personal loan debts in October. The key issue for policymakers is whether these loans are manageable and "productive" – taken out to renovate a home or buy a new large asset such as a car, serviced by ongoing employment – or whether they are providing a stopgap for household expenditure where young people are running out of alternative supports and resources due to a lack of income.

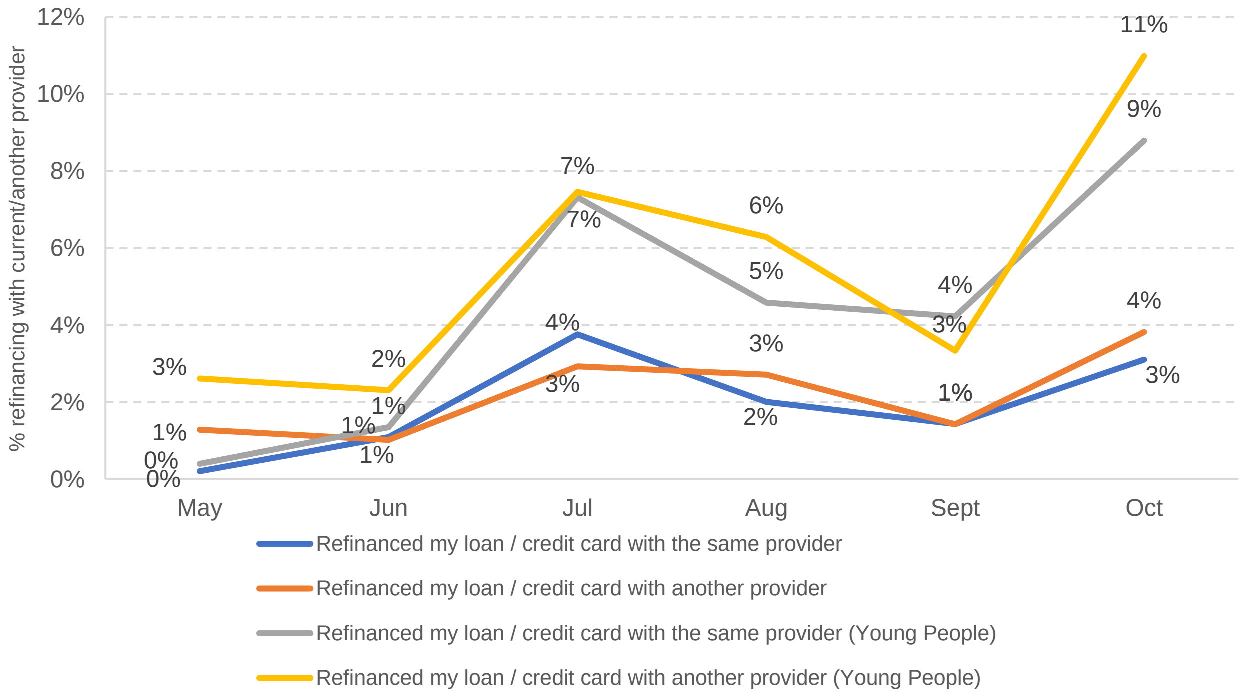
Figure 12: Young people lead the nation taking out personal loans from a bank or financial institution



QTN: In the past month, have you taken any of the following actions to manage your household expenses?

Consumers have also been active in taking a range of actions to manage their outstanding loans or credit costs with their provider throughout the last 6 months – some more clearly than others (see figure 13).

Figure 13: Young consumers most active refinancing personal credit/loans with current or different providers



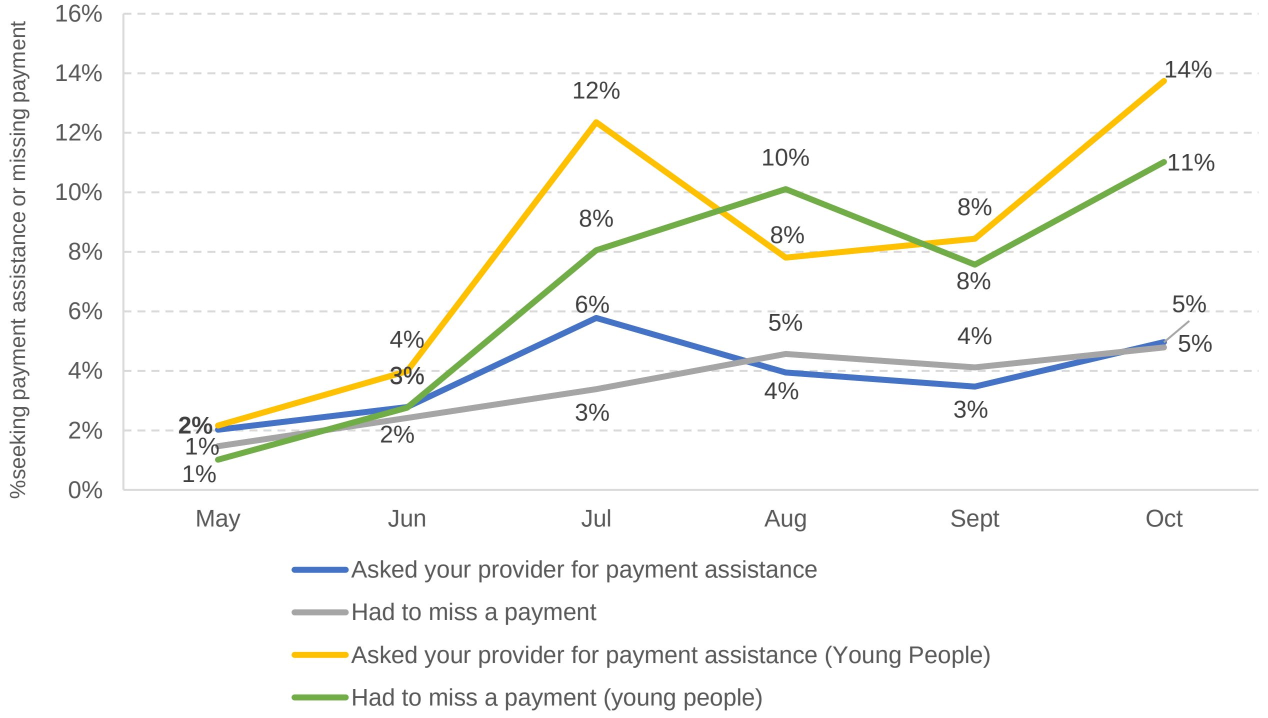
QTN: Thinking about your credit card / personal loan / buy now pay later provider, have you attempted any of the following in the last 4 weeks?

Refinancing of existing debt has continued throughout COVID-19, and has risen sharply for some groups since the lifting of restrictions. Refinancing with either current or another provider was extremely low in May among the broader population, but this increased in July to 4% refinancing with their current provider and 3% refinancing with another provider. This dipped in September to 1% for both current/alternative providers, and rose again in October to 4% refinancing with another provider and 3% refinancing with their current provider.

By comparison, a far larger proportion of young people have refinanced loans or credit cards throughout the period. Starting from a similar base of 1-3% refinancing with another/current provider in May, the proportion refinancing climbed to 7% in July (both with their current or alternative provider). After a drop in refinancing activity in September, there was a significant jump in October, with 11% of young people refinancing their personal loans or credit cards with another provider and 9% refinancing with their current provider.

But our data also indicates consumers are encountering growing difficulties servicing outstanding loans and credit card debts (see Figure 14). In May, only a small proportion of the Australian population reported seeking payment assistance (2%) or missing a payment (1%) from credit and personal loan providers, but by July this had increased to 6% seeking assistance and 3% missing a payment. This dropped in September (3% and 4% respectively), before rising again in October - with 5% seeking assistance and 5% reporting they had to miss a payment.

Figure 14: Significant increases in young people asking for payment assistance from credit/loan providers and missing payments



QTN: Thinking about your credit card / personal loan / buy now pay later provider, have you attempted any of the following in the last 4 weeks?

Again, a much higher proportion of young people sought payment assistance or had to miss a payment with credit providers, which has continued to increase throughout the last six months.

In May, just 2% of young people sought payment assistance or missed a payment. By July, 12% reported seeking payment assistance and the proportion missing payments reached 8%, rising further to 10% in August. Again, our data shows a lull in the proportion seeking assistance or missing a payment in September (8%). But there was a significant jump in October with 14% reporting they sought payment assistance and 11% missing a payment. Likewise, other vulnerable subgroups like consumers living with disability (not shown) followed a similar trend, seeking payment assistance and missing payments at an elevated rate above the broader population.

A growing number of young people seeking help and accruing debts

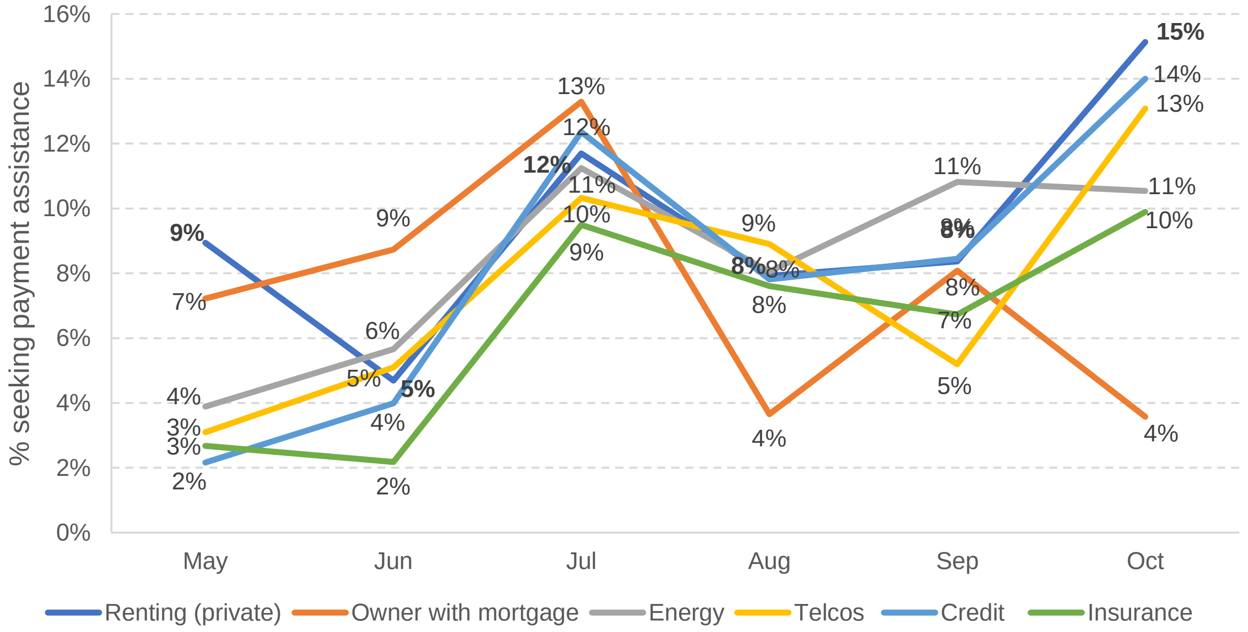
As previously outlined (see Figures 7 and 8 above), the proportion of the broader population seeking payment assistance and missing household bill payments has trended upwards across all sectors (other than mortgagors) in the last 6 months. However, a larger proportion of some consumer cohorts such as young people have sought payment assistance across all essential service sectors (with the exception of mortgagors), increasing sharply in October (see Figure 15).

"I am on such a tight budget I am afraid soon I will not be able to afford it anymore. JobKeeper is rolling back and my employer currently has very few shifts available for the foreseeable future"

Female, 25-34, Regional Victoria, JobKeeper, Renting (privately)

Much like the trend among the broader population, the proportion of young people who reported they sought payment assistance with their rent or mortgage payments in May was higher than others sectors. The proportion of mortgagors seeking payment assistance from their bank increased to 13% in July (compared to 9% of the broader population) but thereafter stepped down, falling to 4% in August, 8% in September and 4% in October. By comparison, the proportion of renters seeking payment assistance fell in June to 5%, jumping to 12% in July. The proportion of young renters seeking payment assistance fell to 8% in August and September, but almost doubled month on month, with 15% reporting they sought payment assistance in October. Extrapolating out to the broader population, this suggests that 330,000 renters sought payment assistance in October.

Figure 15: Young people seeking payment assistance on the rise



QTN: Thinking of your (household bills), have you attempted any of the following in the last 4 weeks?

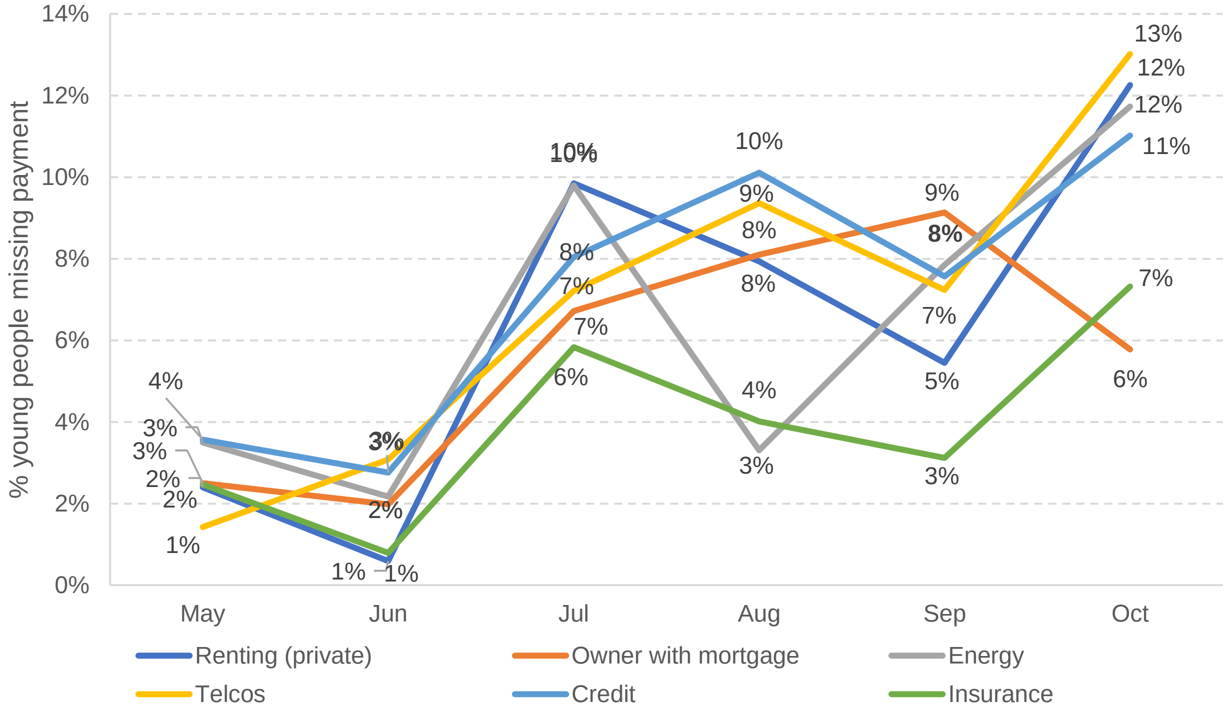
And again, young people seeking payment assistance from their energy provider, telco provider, insurance provider and credit/loan provider followed a similar trend to the broader population, though the proportion of young people increased over the period. There was a significant increase in the proportion of young people seeking payment assistance for energy, telco bills, credit and insurance from May to July, though this fell somewhat across these sectors in August. There was a small rise in the proportion of young people seeking payment assistance in September for their energy bills, their mortgage, servicing debts and credit cards and to pay the rent. However, in October, there was a significant jump in the proportion of young people seeking payment assistance across nearly all sectors, including:

- 14% seeking payment assistance from their credit/loan provider (equivalent to 648,000 young people)
- 13% seeking payment assistance from their telco provider (equivalent to 787,000 young people)
- 11% seeking payment assistance from their energy provider (634,000 young people)
- 10% seeking payment assistance from their insurance provider (equivalent to 533,000 young people).

> ***"It has become harder to pay my bills and put food on the table"***
> Female, 18-24, Sydney, "Other income", Renting (privately)

Similarly, the proportion of young people who reported they had to miss a payment across all sectors has roughly followed the upward trend of the broader population – though again at much higher rates, suggesting elevated vulnerability among this group (Figure 16). A similar proportion of young people missed payments across all sectors in May compared with the broader population, but by July a much larger proportion of young people reported missing payments across all sectors, led by 10% missing a rental payment or energy payment (twice the rate of the broader population).

Figure 16: Young people missing household bill payments at much greater rates



QTN: Thinking of your (household bills), have you attempted any of the following in the last 4 weeks?

Comparable to the trend of the broader population, a smaller proportion of young people missed energy and insurance payments in August (though elevated above the broader population rate), while the proportion of young people missing credit/loan payments, telco payments and mortgage payments continued to rise (at twice the rate of the broader population). In September there was a small drop in missed payments across most sectors other than mortgagors (which increased to 9%) and in energy, where missed payments jumped to 8%. However, in October, there was a significant jump in young people missing payments across all sectors (bar mortgagors):

- 13% of young people missed a telco payment, equivalent to more than 780,000 young people
- 12% missed a rental payment, equivalent to more than 270,000 young people
- 12% missed an energy payment, equivalent to more than 700,000 young people
- 11% missed a credit/loan repayment, equivalent to more than 510,000 young people
- 7% missed an insurance payment, equivalent to more than 390,000 young people.

5. Consumer policy implications

In each edition of the Monthly Policy Briefing we highlight some key consumer policy implications, drawn from the survey results, to help inform consumer support and recovery measures. CPRC's *Consumers and COVID-19: from crisis to recovery report* (Chapter 5) sets out 'building blocks' policymakers and industry can adopt to support consumers during the uncertain journey from crisis through to recovery, including:

Help consumers cope with the shocks

Sustain, adapt and adjust consumer support measures

Build resilience through fairness and inclusion in recovery

In October, the easing of restrictions and the end of lockdown in Victoria marked the full reopening of the Australian economy. And in early December, ABS data indicated the end of Australia's technical recession.[5]

However, our data from October, and trend data from across the period, indicates a growing proportion of Australians are relying on credit and drawing from informal sources of capital to manage household finances, while a growing proportion are seeking payment assistance or even missing payments on key household expenses. While Australia has moved beyond the initial crisis of the pandemic, widespread accumulation of debt signals growing financial vulnerability among the broader population, but more acutely among key subpopulations, indicating Australia is still in the midst of transition towards recovery.

Growing financial vulnerability

Pre-COVID, two in three Australians experienced some level of financial stress, savings buffers were low (with 30% of Australians having savings of less than one month's income or none at all),[6] and casual/insecure work was common at around one quarter of workers, often resulting in unpredictable, fluctuating incomes.[7] But in August 2020, the ABS found that Australians now have fewer financial resources, with almost 1 in 5 people unable to raise $2000 for something important within a week, an increase since mid-June.[8]

CPRC's own data provides further evidence of growing vulnerability among consumers. After a significant dip in financial steps taken in September, we saw 61% of Australians take steps to

[5] Stephanie Chalmers and Rachel Clayton, 'Australia 'emerges from recession' after GDP figures show economy growing for the first time this year' *ABC News,* 2 December 2020, https://www.abc.net.au/news/2020-12-02/australia-september-quarter-economic-growth-gdp-figures/12934336
[6] Centre for Social Impact and NAB, *Financial Security and the Influence of Economic Resources: Financial Resilience in Australia 2018*, December 2018, 20.
[7] Half of casual workers in Australia do not have guaranteed hours. OECD, *Employment outlook 2019: The future of work*, OECD Publishing, 2019, 60.
[8] Australian Bureau of Statistics, Household Impacts of COVID-19 Survey, August 2020, released 31 August 2020.

manage their household expenses in October, the highest recorded in our survey to date. Looking across the last 6 months, our data finds a steady upward trend in the accumulation of debt with credit and buy-now-pay-later providers to manage household expenses. Moreover, a higher proportion of consumers with disability and renters relied on credit or buy-now-pay-later to make ends meet throughout the period. ASIC's own research has found one in five using a buy-now-pay-later service missing repayments, but also that some consumers using these services were experiencing hardship – going without meals or taking out other loans in order to make their buy-now-pay-later repayments on time.[9]

As supports such as JobKeeper and the JobSeeker supplement taper off in the coming months, a growing number of consumers may find themselves in crisis. A significant proportion of young people, consumers living with disability, and renters have tapped into their super, effectively reducing their future wealth to make ends meet today. And a growing proportion of some subpopulations are relying on informal sources of capital – borrowing from family or friends to make ends meet. In particular, more than one in five young people turned to informal sources of capital in October, reflecting a jump well above the elevated proportion already resorting to this kind of support across the last 6 months. As highlighted in our June report, and more recently by the Reserve Bank and the OECD, a key lesson from Europe during the last recession was that withdrawal of financial stimulus and income support too early prolonged recession and slowed recovery.[10]

Borrowing out of recession

One proposed lever identified to lift the economy into recovery is to increase the availability of credit, to stimulate investment and consumer spending, through the removal of responsible lending legislation. This proposal hinges on the assumption that consumers encounter difficulty accessing credit.

CPRC's data shows there has been a slight increase in consumers taking out new personal loans in the last 6 months across the broader population. Moreover, among particular consumer subgroups such as young people and consumers living with disability – groups our research has identified as more vulnerable – a far higher proportion have taken on new debts compared with the broader population. Moreover, across the period - but particularly in October - young people have been highly active in refinancing with their current personal credit/loan provider or another provider, well above the proportion of the broader population refinancing loans. This trend data does not suggest these groups are encountering difficulties accessing new credit or are less able to refinance their existing debts. On the contrary, our data provides a range of indicators of growing vulnerability among these same groups accessing credit – in October more than one in ten young people (11%) missed a credit repayment, while one in seven (14%) sought payment assistance from their credit/loan provider.

[9] Nassim Khadem and Stephanie Chalmers, 'One in five consumers using buy now, pay later miss payments, but ASIC stops short of imposing new regulation on the sector', *ABC News,* 16 Nov, 2020, https://www.abc.net.au/news/2020-11-16/asic-releases-report-into-buy-now-pay-later-sector-consumer-harm/12877126

[10] CPRC, *Consumers and COVID-19: from crisis to recovery,* June 2020; Katharine Murphy, 'OECD warns Australia not to withdraw economic support too early in pandemic recovery', *The Guardian,* 1 December, 2020 https://www.theguardian.com/business/2020/dec/01/oecd-warns-australia-not-to-withdraw-economic-support-too-early-in-pandemic-recovery?CMP=Share_AndroidApp_Gmail ; Amy Remeikis, 'RBA warns government: 'Be careful of removing the stimulus too early', *The Guardian,* 24 Nov 2020, https://www.theguardian.com/australia-news/2020/nov/24/rba-warns-government-be-careful-of-removing-the-stimulus-too-early

Given the increasing vulnerability of these particular groups, the proposal to wind back responsible lending laws exposes many vulnerable consumers to unsustainable lending practices, rather than facilitating new investment and "productive" spending. As noted by an alliance of consumer advocates, people need more income not more debt.[11]

A growing wave of debt and defaults

In our *Consumers and COVID-19: from crisis to recovery* June report, we highlighted the importance of service providers preparing for different waves of consumer need that might arise. Looking at our data over the last 6 months, we saw a wave of consumers seeking payment assistance or missing payments build towards July. There was a notable dip in the proportion of consumers seeking assistance or missing payments across some sectors in August or September – which might be explained by tax returns providing some immediate relief or that accessing super in the new financial year helped to provide income required to manage household costs. But in October, a new wave has emerged, with the proportion of consumers seeking help and reporting they had to miss a payment in October exceeding the earlier wave in July. Alarmingly, this trend is elevated among particular consumer groups, including young people, consumers with disability and renters.

In our *Consumers and COVID-19: from crisis to recovery* June report, we noted that the onus is often on consumers to engage with service providers, particularly vulnerable consumers seeking hardship support. But it is well documented that many consumers can struggle to engage for various reasons, such as mental health issues, family violence, and a lack of digital access.[12] Improving awareness and accessibility of support measures, and providing flexible responses to non-engagement, are necessary and ongoing steps for service providers. Our survey found that missed payments were more common in October than reports of proactive payment assistance from service providers. Our October findings also highlight the ongoing poor experiences of those seeking payment assistance from their service provider – particularly from landlords, telco, credit or insurance providers. Addressing growing vulnerability provides an opportunity for firms to think more creatively about how to use consumers' data for good, to identify vulnerability before it materialises in a missed payment or financial hardship.

Strengthening consumer protection frameworks

Our data also points to the need for strong consumer protection frameworks. While our survey recorded an increased rate in some positive actions by service providers, there was also an increase in poor practices among particular sectors in October – including unsolicited pressure-sales and issuing payment ultimatums. Perhaps most alarming was the significant number of renters who reported their landlord taking steps towards eviction – despite ongoing moratoriums banning eviction in many states. Likewise, the small, but not insignificant proportion of consumers reporting steps taken by their energy or telecommunications provider to disconnect their service, despite regulatory expectations to the contrary. In the case of both the rental market and telecommunications this points to the need for an effective consumer protection framework, made

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[11] Consumer Action Law Centre *et al, Treasury consultation: Consumer Credit Reforms'*, 20 November 2020, https://consumeraction.org.au/wp-content/uploads/2020/11/201120-Treasury-sub-RLO-repeal-bill-final.pdf

[12] Andrew Thomsen, Emma O'Neill, Ben Martin Hobbs and Lauren Solomon, *Consumers and COVID-19: from crisis to recovery,* (Consumer Policy Research Centre, June 2020), 41-43, https://cprc.org.au/app/uploads/2020/08/Consumers-and-COVID-19_full-report_25June2020_compressed.pdf

enforceable through direct regulatory oversight, to ensure providers of essential services do not create further vulnerability in the community by failing to provide adequate and accessible payment difficulty support.[13]

As we transition beyond the crisis phase, policymakers will need to adjust supports based on evidence about consumers' lived experience, rather than anticipated outcomes, and adapt policy measures to ensure we can move towards a sustainable recovery that includes all Australians.

Appendix

Table A: Survey definition key

Sectors	Definition
Housing (mortgage)	Housing expenses / services from: mortgage providers to consumers who are an "owner-occupier with a mortgage" for their main place of residence.
Housing (private rent)	Housing expenses / services from: private landlord / real estate agency / property manager to consumers "renting from a private landlord/ real estate agency" for their main place of residence.
Energy	Electricity / gas services.
Telcos	Internet and mobile / telephone services.
Credit	Credit card / personal loan / buy now pay later services.
Insurance	Insurance providers (e.g., vehicle, health, home, travel).
Consumer Subgroups	**Definition**
COVID income impacted	Consumers who had an income source before COVID-19 (either Full-time employee, Part-time employee, Casual employee, Self-employed / own business, or Investment income) and have now sought or received Jobkeeper, JobSeeker or other government benefits, or now have no income.
Casual workers	Casual employee (as opposed to a Part-time or Full-time employee).
Renters	Renting from a private landlord / real estate agency for their main place of residence.
Youth	18-34 years of age.
Disability	Consumers who reported that a disability restricts them in their everyday activities, and this has lasted or is likely to last for 6 months or more.
Low/no internet use	Consumers who reported that they used the internet (in any device) less than once a day (either a few times a week, less often, or not at all). This subgroup was comprised mostly of people aged over 50 years.

[13] CPRC, *Submission -Consumer Safeguards Review Part C: Choice and Fairness*, 24 September 2020, https://cprc.org.au/publications/submission-to-the-consumer-safeguards-review-part-c-choice-and-fairness/