

J.D. POWER

Banking Industry Insight
May 14, 2020

62% of Australians cannot manage their debt due to COVID-19; banks not showing enough concern

- *More than three-quarters (77%) of Australians say they feel financial stress, with 24% saying that they are extremely stressed.*
- *Only 38% of Australians say they have a manageable amount of debt or no debt.*
- *One in five (19%) say they cannot make their minimum monthly credit card payment, 11% cannot make payment on mortgages and 11% cannot make payment on personal loans.*
- *Australians are changing payment and banking habits in response to the COVID-19 pandemic.*
- *Customers need further empathy, support and communication from banks during this crisis.*

The global panic created by the outbreak of COVID-19 is palpable. Worldwide, there have been more than four million confirmed infections, leading to pessimism in global financial markets.

As the Australian Federal Government this week began talking about the possible timing to wind back JobKeeper support, the short- and long-term effects of the pandemic on individual finances is becoming a significant concern for many Australians.

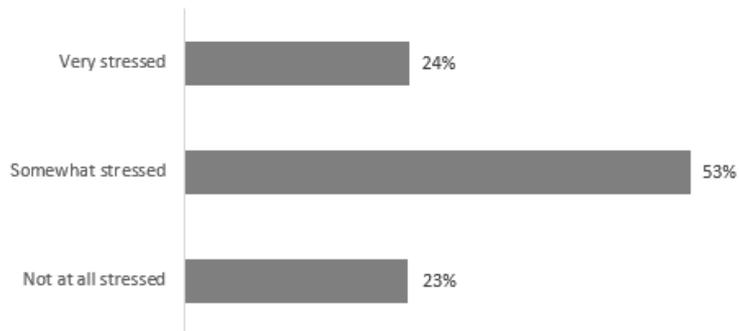
To get a deeper understanding of Australians' biggest financial concerns surrounding the pandemic and determine how these concerns might affect consumer behaviour, J.D. Power has conducted a pulse survey of 1,415 Australian adults. Following are the key findings.

Australians are feeling financial stress

Many Australians are facing increased financial hardship with 72% saying that the coronavirus crisis has negatively impacted their personal financial situation. More than three-quarters (77%) say they feel some level of overall financial stress, with 24% saying that they are extremely stressed.

Since the beginning of the pandemic, 39% are feeling worried or anxious often; 37% say their sleeping habits have changed (now sleeping too much or too little); and 35% citing a loss of energy or feeling tired. Concerningly, 10% of Australians are unable to afford enough food to eat.

Please rate your current level of stress about your overall financial situation.



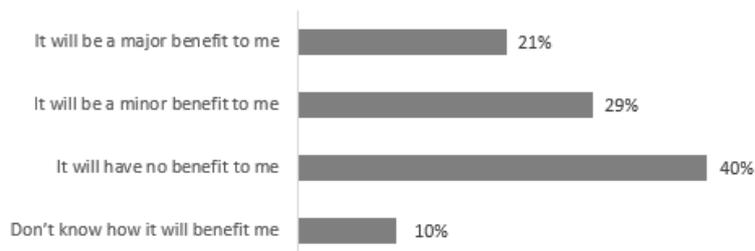
The effect of COVID-19 on personal finances may not have peaked, with 35% saying that the worst is yet to come, an outlook shared by those surveyed in Canada (41%)¹ and the U.S. (42%)².

Which statement comes closest to your view about the impact of the coronavirus crisis on your personal finances?



Government financial support is playing an important role, with 50% of Australians saying they will benefit from COVID-19 relief packages such as JobKeeper and JobSeeker allowances.

How will you benefit from Australia's coronavirus (COVID-19) relief packages (JobKeeper payments, JobSeeker payments, income support, etc.)?



¹ J.D. Power Canada Financial Services Covid Pulse Survey April 27-30 2020

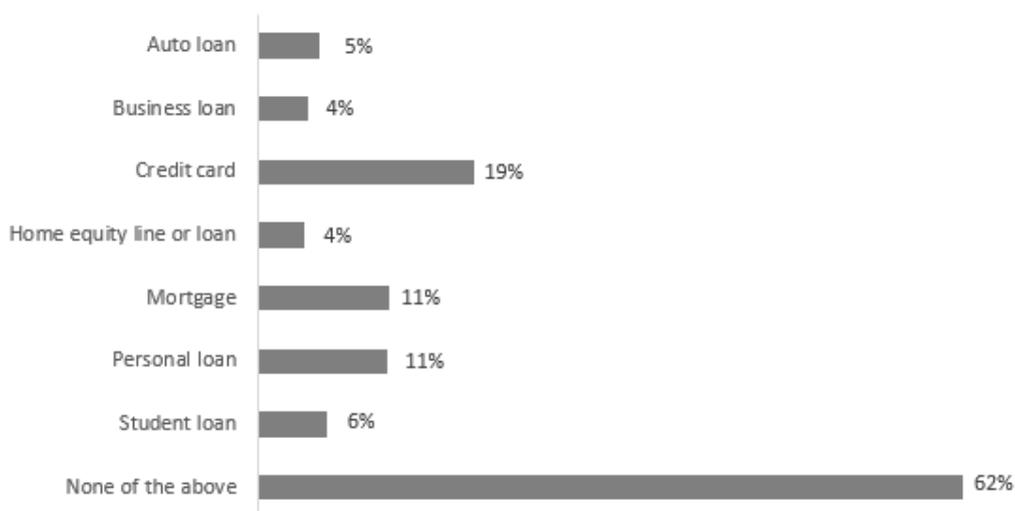
² J.D. Power U.S. Financial Services Covid Pulse Survey May 8-10 2020

Consumers are seeking ways to manage debt

Minimum monthly payments not manageable

Only 38% of Australians have a manageable amount of debt or no debt and since the pandemic began, with nearly one in five respondents (19%) saying they cannot make their minimum monthly credit card payment. Another 11% cannot make payment on personal loans and 11% cannot make payment on mortgages.

Since the coronavirus crisis began, have you been unable to make the minimum monthly payment for any of these?



Bank customers are seeking payment deferral

Bank customers say they would like to receive information from their primary bank on options to defer payments, with 24% wanting to waive monthly service fees, 15% asking for mortgage or loan payment deferral and 16% requesting credit card payment deferral.

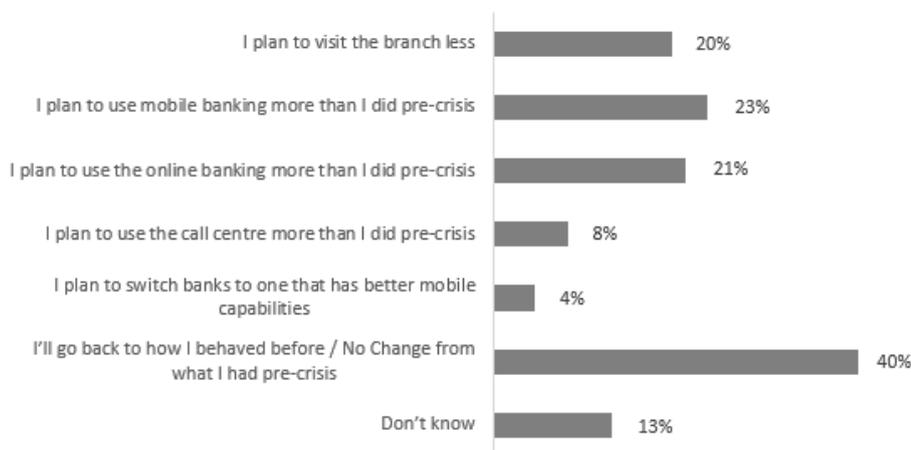
The pandemic has changed the way Australians make payments and perform their banking

The COVID-19 pandemic has altered the way Australians perform their banking, placing constraints on in-person banking and forcing customers to increase reliance on digital service channels. Indications are that changes to customer habits may be long lasting.

Reliance on the branch has decreased

Nearly one-quarter (23%) of Australians visiting bank branches less often since the pandemic began. A continuation of less in-person interaction is expected as 20% say they plan to continue to use branches less often after the pandemic is over and it is safe to have in-person interactions. 23% plan to use mobile banking more than they did pre-virus and 21% plan to use online banking more.

After the coronavirus crisis is over and it is safe to have in-person interactions, what are your plans for interacting with your primary bank compared to before the crisis?



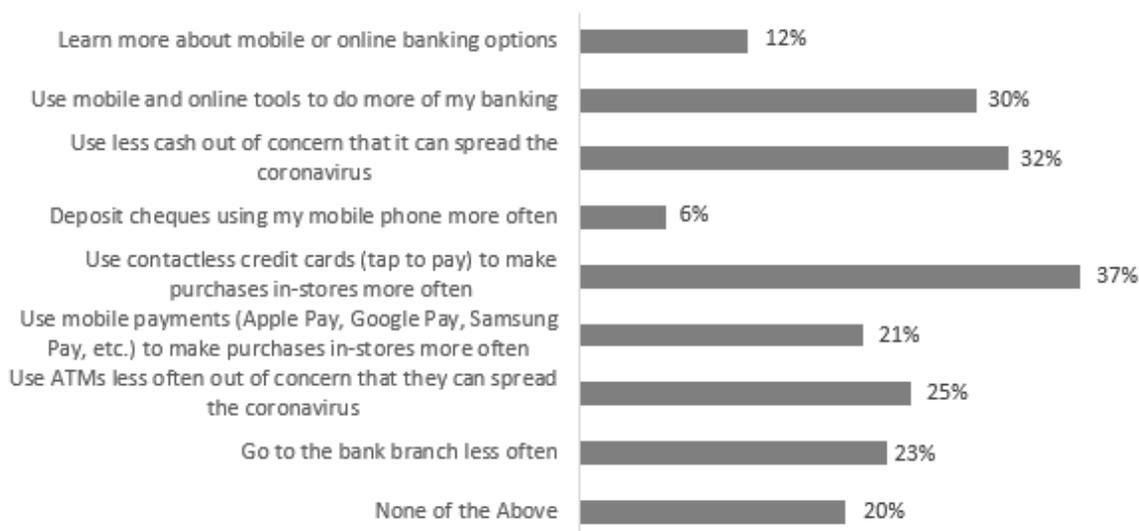
Digital banking usage is up

As a result of the pandemic, 30% say they use their primary bank's mobile and online tools to do more of their banking. Mobile app usage has increased, with 20% using their primary banks app a lot more often than before the pandemic and 5% are using it for the first time. Online usage has also increased, with 19% using this a lot more often and 3% for the first time.

Cash payments have declined

Almost one-third (32%) of Australians say they use less cash out of concern that it can spread COVID-19, with 25% using ATMs less often and 37% using contactless credit cards (tap to pay) to make in-store purchases more often.

Which of the following changes to how you bank and make payments have you made or plan to make due to the coronavirus crisis?



Credit card are being relied on for necessities

While 42% of cardholders say they are spending less on their credit card, 26% indicate using their card for more household necessities. More than one-quarter (26%) are making more online purchases and 22% are using their card more often to pay household bills.

The role of financial institutions in a public health crisis

The financial challenges Australian consumers are facing are serious and will continue even after the immediate threat of COVID-19 has subsided. Financial institutions need to recognise the precariousness of many Australians' financial situations and develop methods of educating and empowering their customers to prepare for unforeseen financial challenges. J.D. Power data shows that, during this pandemic, customers don't believe that banks are showing the level of concern that they expect. Financial institutions can do more to alleviate customer stress through communication that is in tune with customer needs, such as financial hardship support on offer and alternate ways to perform routine banking.

Bank concern for customer's personal financial situation

In their hour of need, only 29% of customers say their bank has shown concern for their personal financial situation during the pandemic. A significant percentage of Big 4 bank customers have expressed a similar sentiment: 33% at ANZ, 33% at NAB, 28% at Westpac and 26% at Commonwealth.

Has your primary bank shown concern for your personal financial situation during the coronavirus crisis?



Banks response to COVID-19 has changed customers impressions of banks

COVID-19 has changed customers' impressions of banks. Only 15% of customers say they have a more positive impression of their primary bank since the pandemic began, and 11% say they have a more negative impression. Of the Big 4 banks, NAB has been most successful in positively changing customer perception, with 22% stating a more positive impression of their bank than before COVID-19, compared with 18% of Westpac customers, 16% of ANZ customers and 16% of Commonwealth Bank customers. On the flipside, 14% of ANZ customers say they now have a more negative impression of their primary bank, compared with the study average of 11%.

Communication in an uncertain time

Banks need to revisit their customer communication, as only 38% of customers say they received helpful communication from their bank. Only 20% said they received communication that was not helpful and 14% say they haven't heard from their bank but would like to.

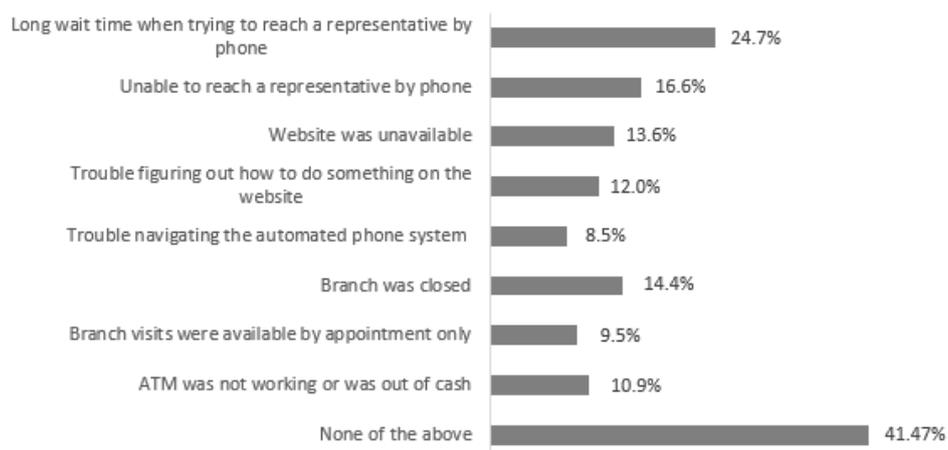
Customers are most interested in receiving communication from their bank about options to waive monthly service fees (24%); what the bank is doing to prevent service disruptions (20%); and information about branch hours, closures and appointments (20%).

Call centres aren't keeping up with demand

As customers turn to call centres, 25% say that they have experienced long wait times when trying to reach a financial services representative by phone, compared with 28% of ANZ customers, 25% of Commonwealth Bank customers, 22% of NAB customers and 22% of Westpac customers.

Surprisingly, 17% of customers are unable to reach a representative by phone. NAB's call centre is the only one of the Big 4 to be handling call volumes better than the industry average, with only 10% of customers unable to reach a phone representative.

Which of the following have you recently experienced with a financial institution?



Methodology

This J.D. Power Banking Industry Insight is based a survey of 1,415 Australian adults from April 28 through May 13, 2020.

Find out more

This J.D. Power Banking Industry Insight was authored by [Bronwyn Gill](#), head of Australia Banking and Credit Card Intelligence at J.D. Power. Please contact us at the numbers below to connect with Ms. Gill, or to learn more about the underlying research.

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