

Consumer Pulse Study

COVID-19's current and future impact on household budgets, spending and debt

UK Q4 2021

TransUnion's quarterly survey helps to understand how consumers' personal finances have been impacted by the COVID-19 pandemic. The study measures changing consumer attitudes and behaviour based on the dynamics of income, debt and identity theft. The analyses and insights inform decision-making to empower consumers and help businesses create economic opportunity for consumers.

KEY TAKEAWAYS



The interesting reversal of a previous optimism increase has continued in Q4. Those who said they're optimistic about their household finances in the next 12 months declined to 48% from a peak of 61% in Q2 (note in Q3 and before, consumers were asked if they were optimistic about their future and not about their finances). This reversal in optimism was further supported by perceptions around household finances, with one in three consumers (31%) viewing their finances as "worse than planned," up from one in four (27%) in Q2.



This shift in optimism may partly be influenced by concerns around cost of living increases: 75% stated they're moderately, very or extremely concerned about the current rate of inflation. Two in five (43%) are already making changes to purchasing behaviour because of inflation; rising to 47% for Gen Z and 61% for Millennials.



One in four consumers (25%) intend on applying for new or refinancing existing credit in next 12 months. Interesting to note our survey found 81% of consumers claim lenders' sustainability practices are moderately or very important in a credit purchasing or refinancing decision. A similar percentage (62%) stated a financial incentive from a lender linked to their individual carbon and sustainability footprint would influence a potential credit purchase.



Another key trend in the UK in 2021 has been the rise of buy now, pay later (BNPL). One in three consumers (35%) stated they've used this service in the last 12 months. Of those, 50% highlighted the ability to spread payments as a key reason for using this service; 30% claimed it enables them to afford a larger purchase. Usage is increasingly common across age groups: 58% of Gen Z and 60% of Millennials stated they've used the product; 31% of Gen X have as well.

FINANCIAL HARDSHIP

Household income (HHI) and bill payment impact

One in two consumers (49%) reported not having their household income negatively impacted by the pandemic at any point, in line with Q3. There was, however, a slight uptick in consumers who stated they're currently impacted, rising from 25% in Q3 to 29% in Q4. Interestingly, the largest increase among generations was in Gen Z where 37% reported their current income had been negatively impacted, up from 32% in Q3, and Millennials up to 39% from 31%. This impact increase may be related to the UK furlough scheme's completion in Sept. Near its end, experts estimated it was being used by about 1 million people which led to unemployment rising by 150,000.

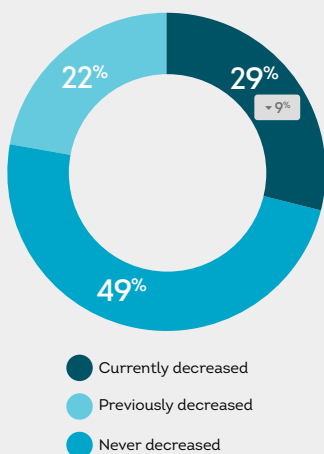
More concerning data about income is the increase in respondents expecting household income to decrease in the future due to the pandemic (28% in Q4, up from 23% in Q3 but down from 34% in Q1). Also rising were those who expected to be unable to pay at least one of their current bills and loans in full (22%, up from 18% in Q3 but down from 28% in Q1).

Millennials appear to be facing the greatest financial challenges among generations: 35% expected to be unable to pay a commitment; and 39% said their household income is currently negatively impacted. Both statistics are the highest among all generations surveyed.

Across the total population with respective bills and loans, there's been a small decrease in personal loan customers not being able to pay that loan (from 22% in Q3 to 19% in Q4). However, increases were observed in car loan customers (13% to 17%) and credit card customers (9% to 11%). Approximately 1 in 10 consumers (11%) with BNPL bills expect not to be able to pay, down from 15% in Q1 but consistent with Q2 and Q3.

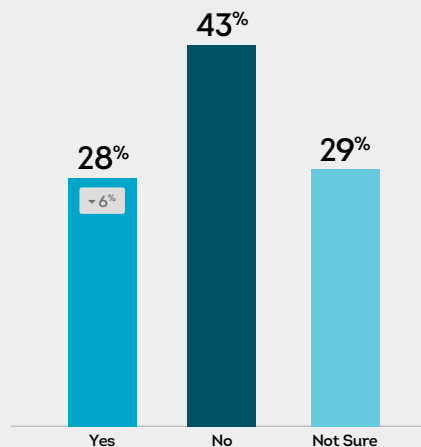
For those unable to pay one of their bills and loans in full, 26% said they'll pay a partial amount; 21% are relying on savings; 12% are looking to personal loans; and 15% will use their available credit card balance to help pay their current bills and loans. More than 1 in 10 (13%) do not know how they'll meet their commitments.

Figure 1. Household income decreased due to pandemic



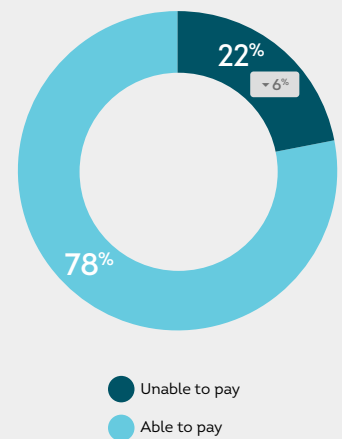
▲ X% Percentage point change from Q1 2021

Figure 2. Expect household income to decrease in the future due to pandemic



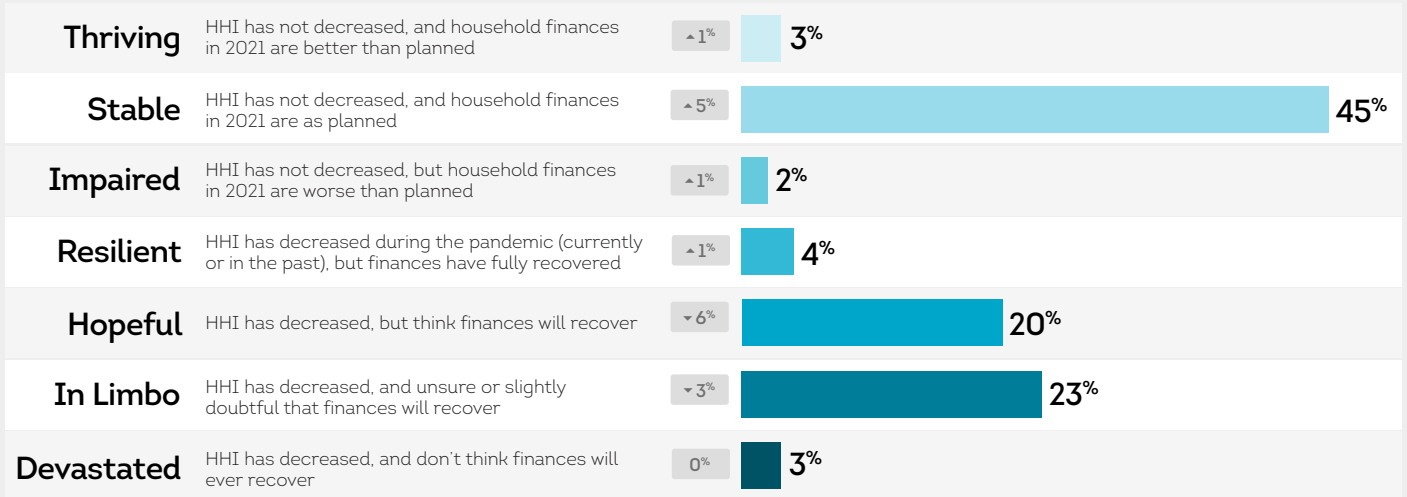
▲ X% Percentage point change from Q1 2021

Figure 3. Expect to be unable to pay at least one of their current bills and loans in full



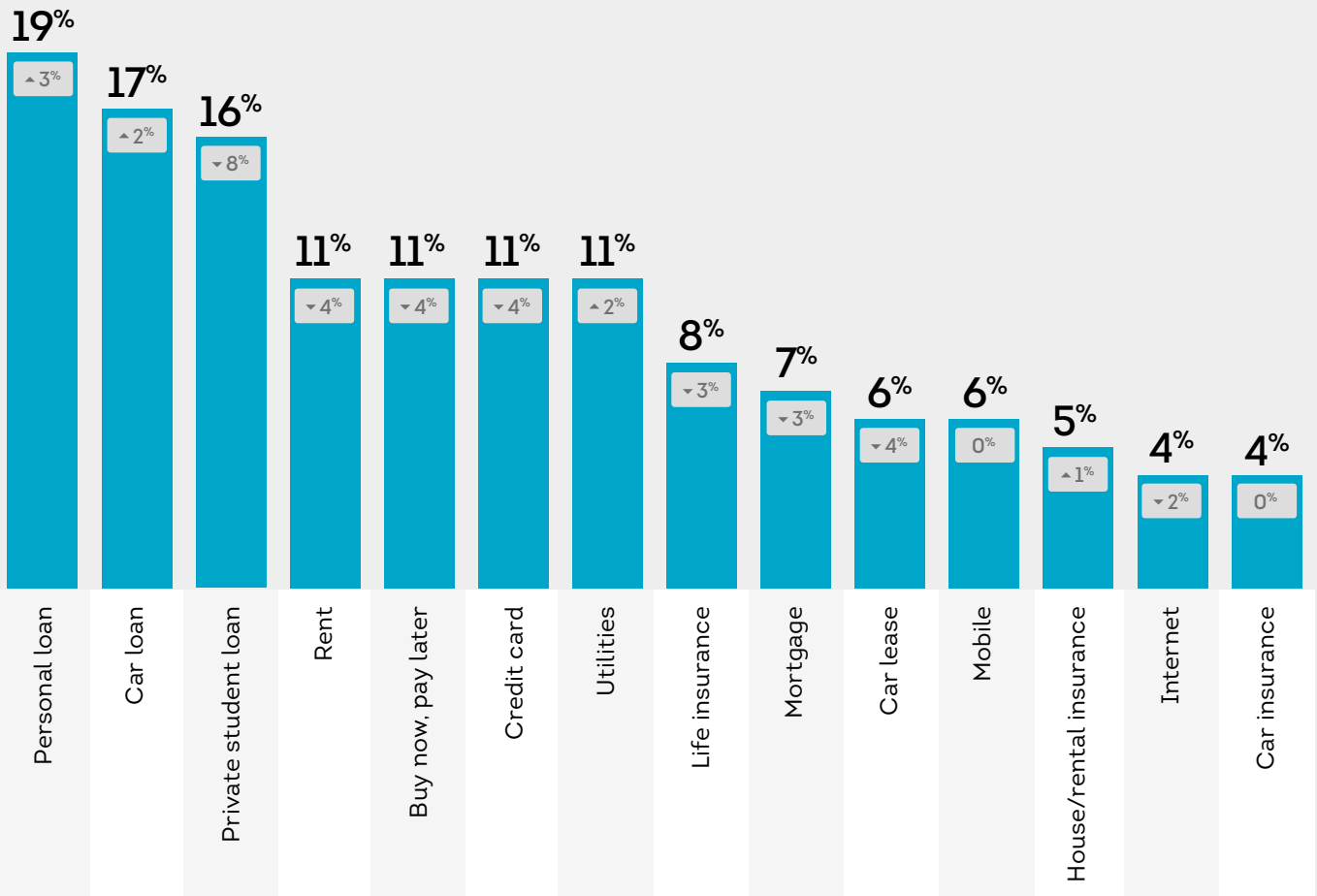
▲ X% Percentage point change from Q1 2021

Figure 4. Consumer financial situation due to pandemic



▲ X% Percentage point change from Q1 2021

Figure 5. Bills and loans unable to pay (among those with these bills/loans)



▲ X% Percentage point change from Q1 2021

Figure 6. Plans to pay current bills or loans (among those unable to pay bills/loans)

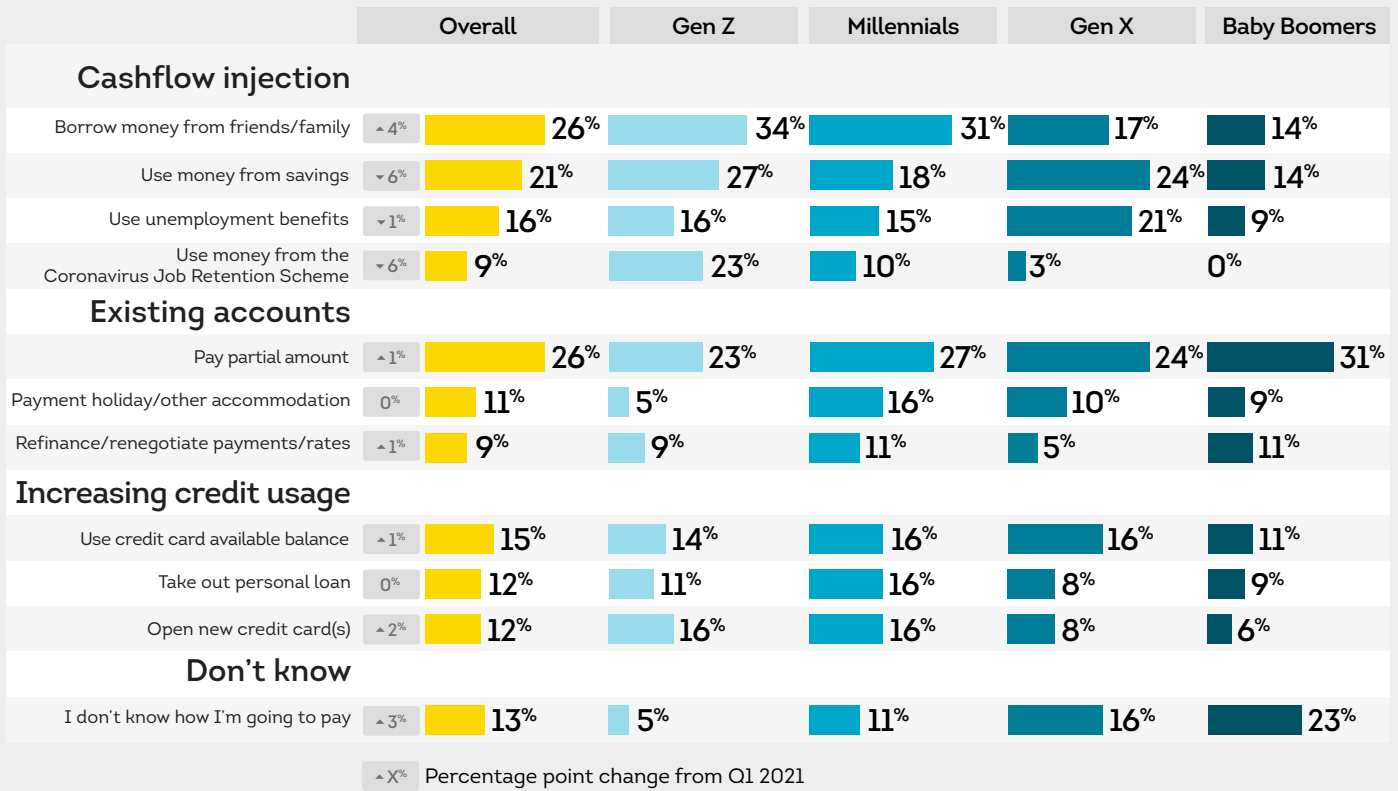
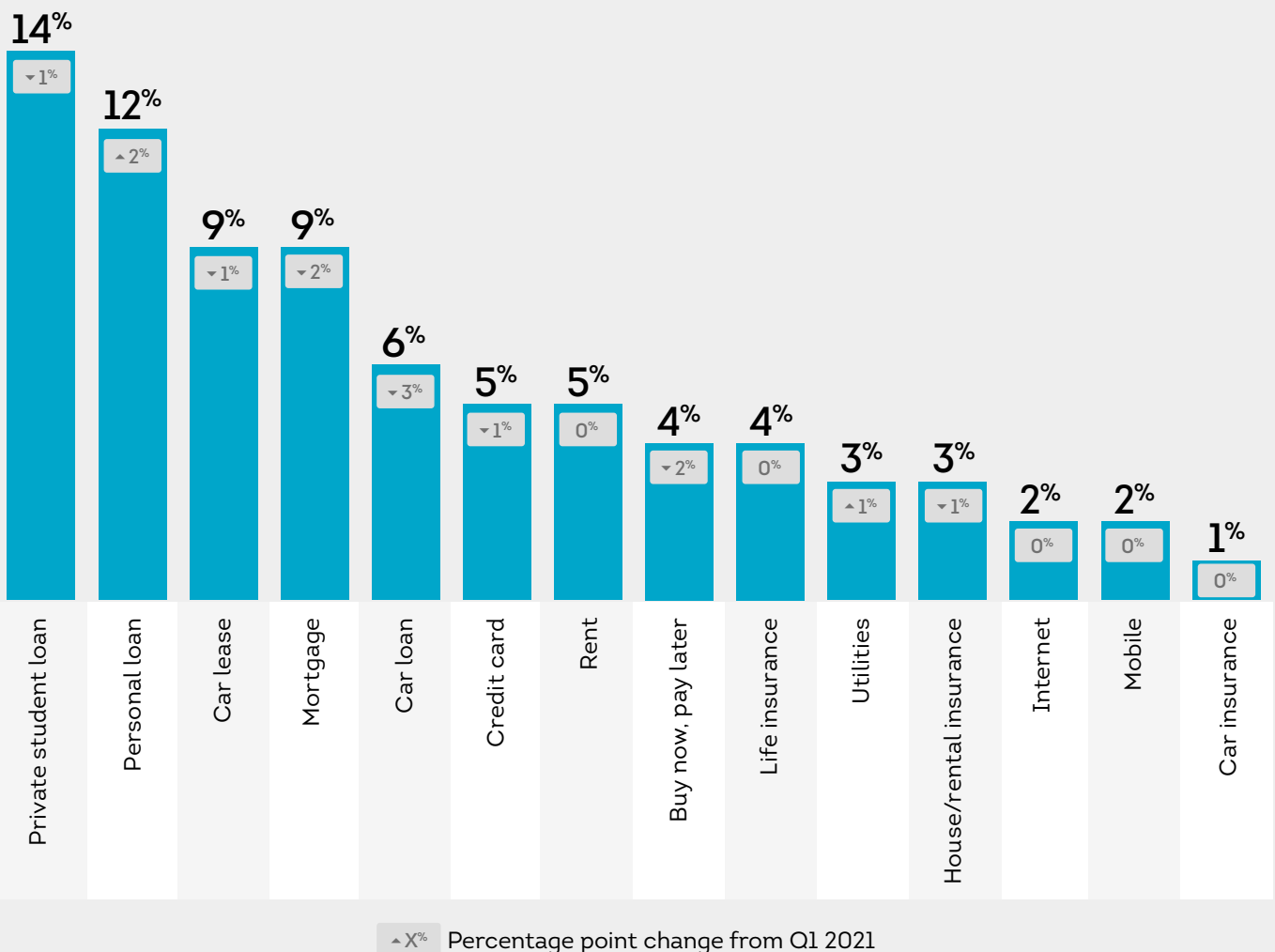


Figure 7. Types of bills or loans enrolled in financial accommodation in past year (among those with that bill/loan)



FINANCIAL INCLUSION

Attitudes and plans for economic participation

Perceived access to credit revealed a potential unmet customer need with 20% claiming they don't have sufficient access, rising to 26% with Gen Z and 29% with Millennials. One in four (25%) consumers plan to apply for new credit or refinance credit in the next 12 months. Millennials appetite for credit is largest; 42% are looking to apply for credit in the next 12 months followed by Gen Z at 38%.

Discretionary spending appears on the rise: 39% of respondents stated they'd cut back in the past few months compared to 45% in Q1 2021. However, bills and loans may take up a higher proportion of spend: 47% of consumers expected bills and loans, such as housing, utilities, insurance and credit cards to increase in the next three months.

Figure 8. Believe important to have access to credit and lending products to achieve financial goals (extremely or very important)

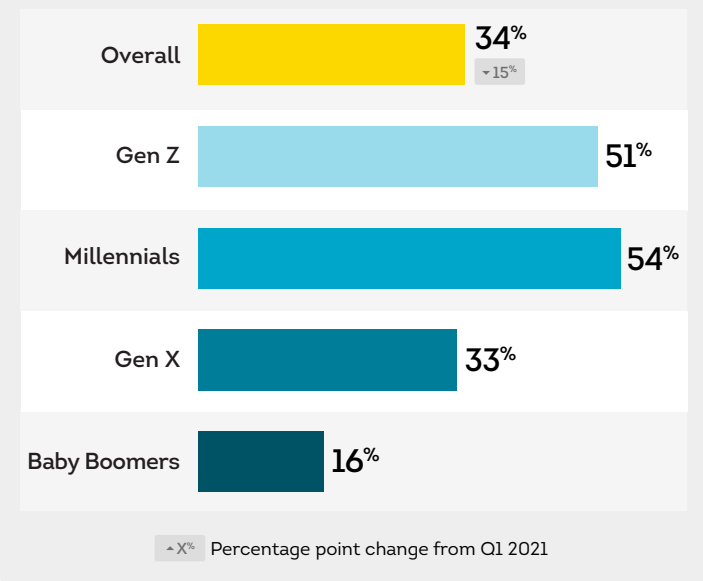


Figure 9. Believe have sufficient access to credit and lending products

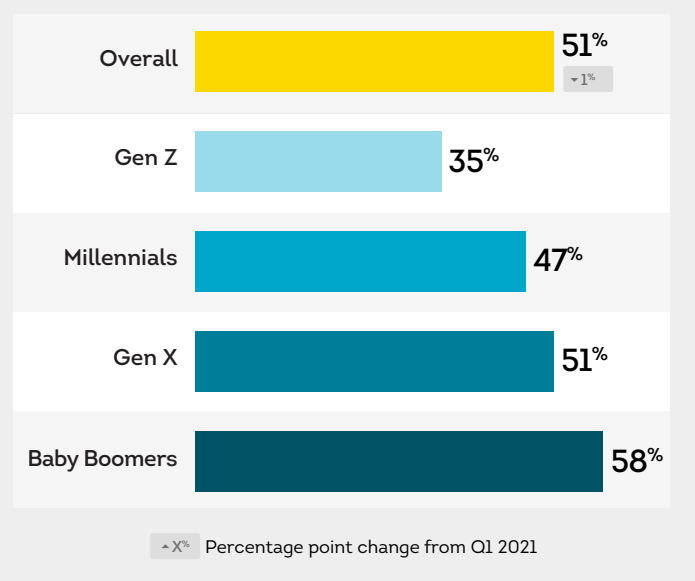


Figure 10. Plan to apply for new credit or refinance existing credit within the next year

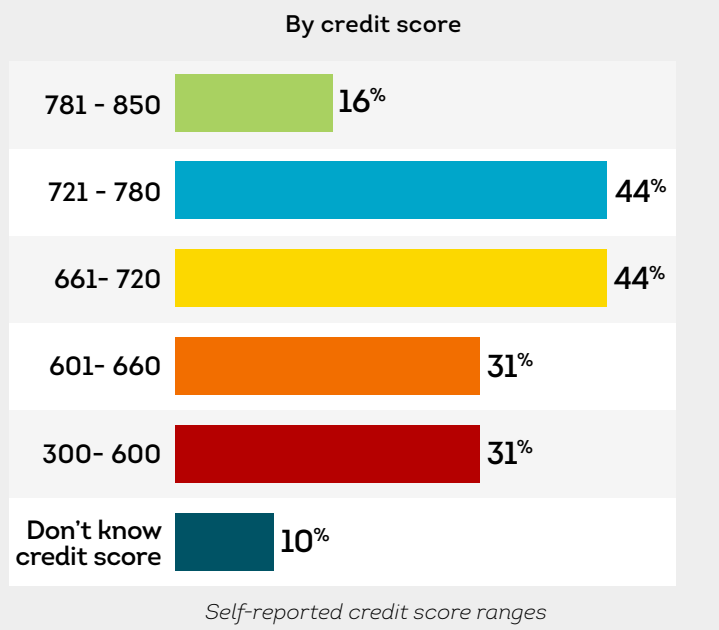
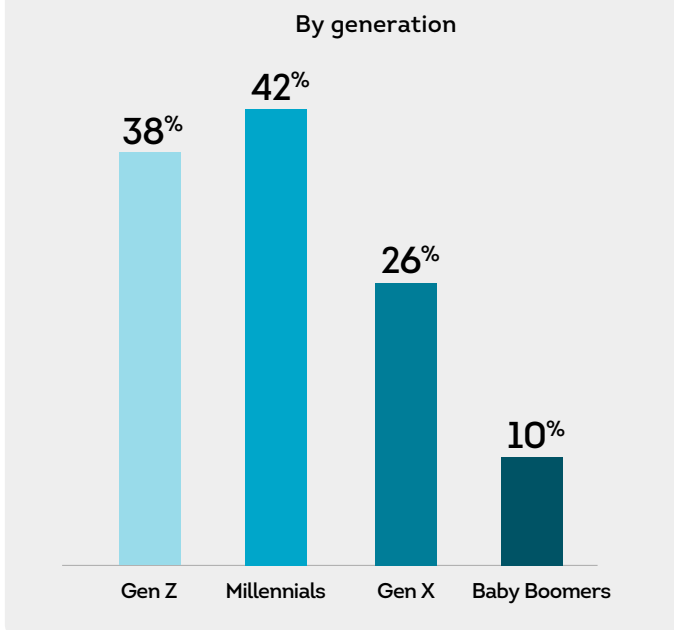


Figure 11. Credit monitoring frequency

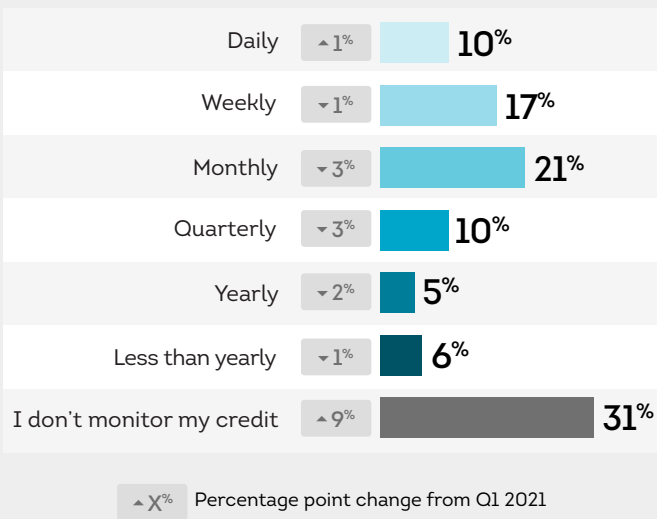


Figure 12. Believe monitoring credit is important

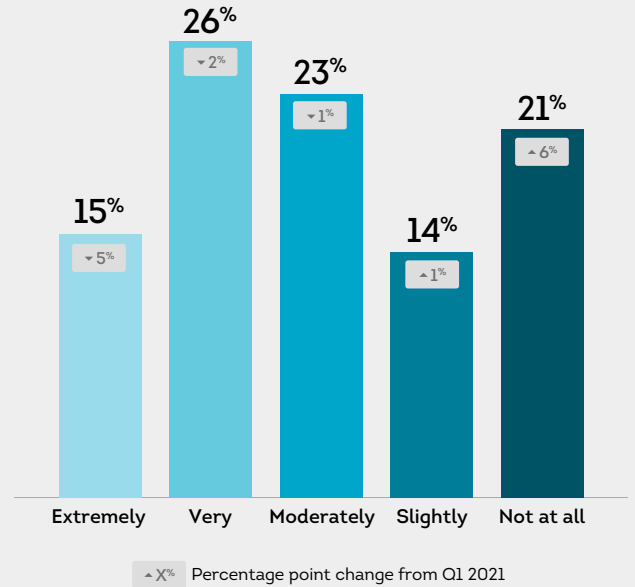


Figure 13. Changes to household budget in the last three months

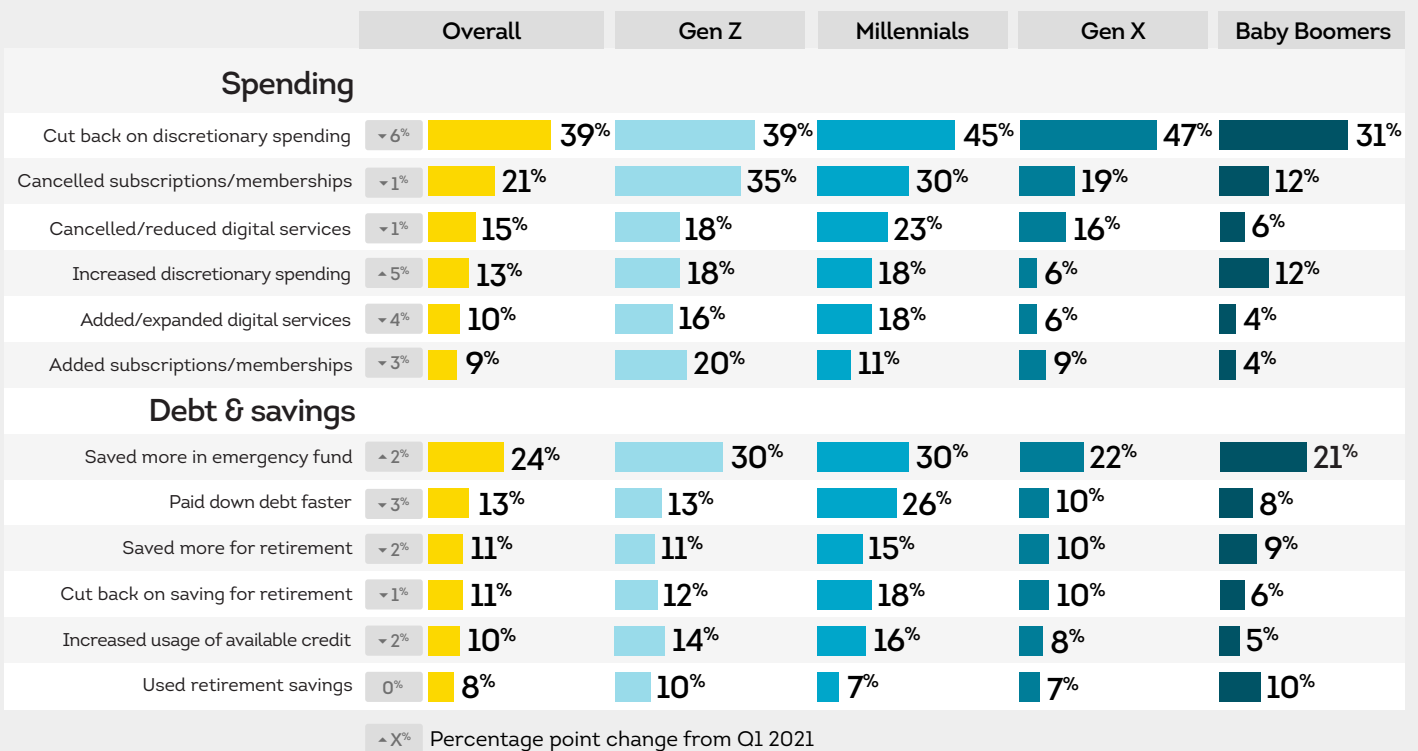


Figure 14. Expected change to household spending over next three months

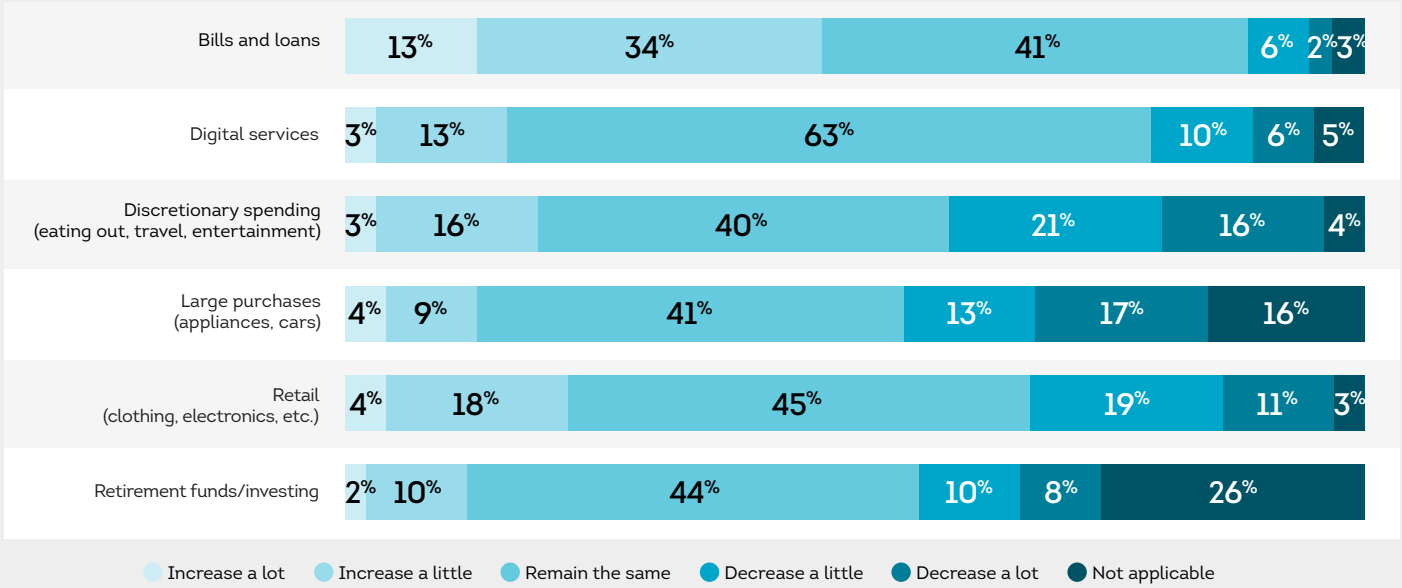
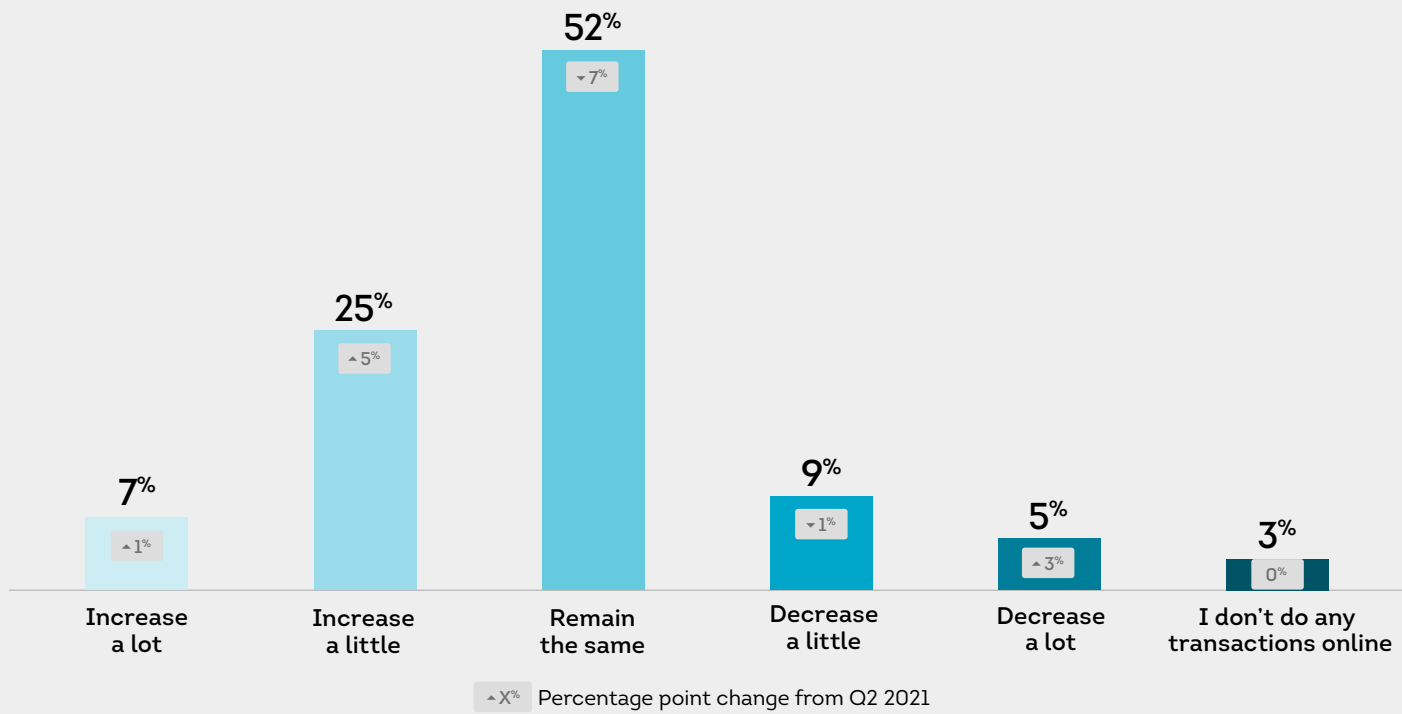


Figure 15. Expected change in number of online transactions over the next three months



FOCUS ON FRAUD

Experience with digital fraud

Digital fraud remains prevalent: 34% said they've been targeted in the last three months. Phishing continues to be the top type of digital fraud by far: 45% of those targeted said fraudsters used this scheme.

One in three consumers (32%) said they're extremely or very concerned about being victimised this holiday season. Interestingly, it's younger demographics that are concerned: One in four Baby Boomers (25%) are extremely or very concerned compared to Millennials at 45%.

Figure 16. Personal experience with digital fraud attempts in last three months

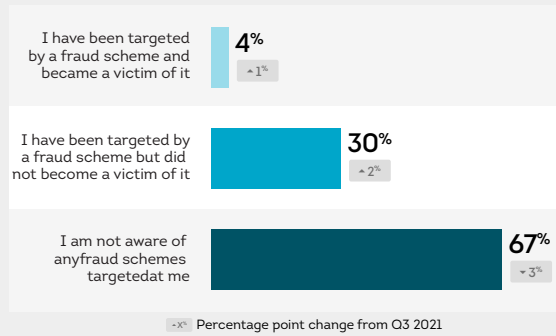


Figure 17. Digital fraud by generation

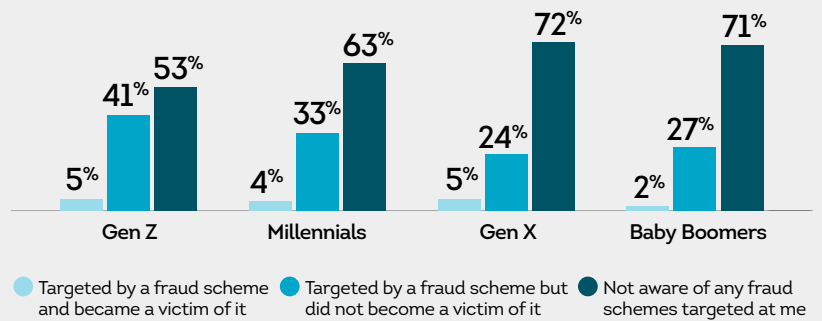


Figure 18. Most frequent fraud schemes targeting consumers (among those targeted with digital fraud)



Methodology

This online survey of 1,100 adults in the UK was conducted 1-5 Nov. 2021 by TransUnion in partnership with third-party research provider, Qualtrics® Research-Services. Adults 18 years of age and older residing in the UK were surveyed using an online research panel method across a combination of computer, mobile and tablet devices. Survey questions were administered in English. All regions are represented in the study survey responses. To increase representativeness across UK resident demographics, the survey included quotas to balance responses to the census statistics dimensions of age, gender, household income and region. These research results are unweighted and statistically significant at a 95% confidence level within ±2.96% percentage points based on calculated error margin.

For previous Consumer Pulse Studies, visit
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