



The COVID-19 Pandemic's Financial Impact on UK Consumers

The COVID-19 pandemic is creating a new reality as its impact has stretched to consumers of all generations and income levels.

TransUnion is tracking consumer behaviour changes and providing results to all to inform understanding and decision-making during this time of uncertainty.

7**WAVE 7 REPORT**Data collected week of **June 29**

BACKGROUND

The current global COVID-19 pandemic is creating major economic and financial distress for consumers across the globe. Many jobs in the UK economy are already being impacted or at risk due to drastic demand shifts. We've conducted research to better understand consumers' perceptions and expectations for how this rapidly evolving situation is affecting their financial situation and subsequent ability to pay their bills. The insights in this report aim to help you make informed decisions at a time when information on consumer impact is still emerging. We are providing this report and additional resources to all so we can come together to support people during this trying time.

Key Takeaways

- The financial impact of COVID-19 remains both broad and relatively unchanged, with 55% of households reporting some negative financial impact in the latest wave of the survey. On the plus side, there are signs that consumers feel the worst of COVID-19's impact is behind us: 27% of households do not expect any future financial impacts of COVID-19, up from 14% in the first round of the survey back in March.
- That said, there are more subtle long-term costs involved too. Twenty-three percent of those who have been financially impacted by the COVID-19 crisis have cut back on their saving for retirement and 11% have reduced their retirement saving. As such, even when their incomes return to pre-crisis levels, there will be a financial hole to fill.
- Only 6% of financially impacted households have not adjusted their budgets, but even among those who have not been impacted directly there has been a lot of change – 33% have made no changes, but 43% have cut back on discretionary spending.
- COVID-19 related fraud remains a threat, as 30% of British households reported being aware of some attempt to defraud them; about 25% of would-be victims do fall foul of the attempt.

RESEARCH METHODOLOGY

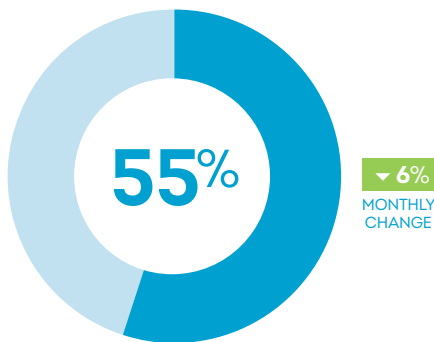
This online survey of 1,071 adults in the UK was conducted 3 - 6 July, 2020 by TransUnion in partnership with third-party research provider Qualtrics® Research-Services. Adults 18 years of age and older residing in the UK were surveyed using an online research panel method across a combination of computer, mobile, and tablet devices. Survey questions were administered in English. All regions are represented in the study survey responses. To ensure general population sample representativeness across the 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 ±2.98 percentage points based on calculated error margin.

FINANCIAL IMPACT

WHAT IS THE SCALE AND TYPE OF IMPACT?

Fifty-five percent of households are reporting some negative financial impact, a percentage that has been fairly consistent over the course of the pandemic. However, 27% of households do not expect any future financial impacts of COVID-19, which is a marked increase from 14% in the first round of the survey. Job loss among impacted consumers has remained relatively stable.

Figure 1. Perceived impact



Percentage of consumers who indicated their household income has been impacted.

Figure 2. Are you expecting to be impacted in the future?

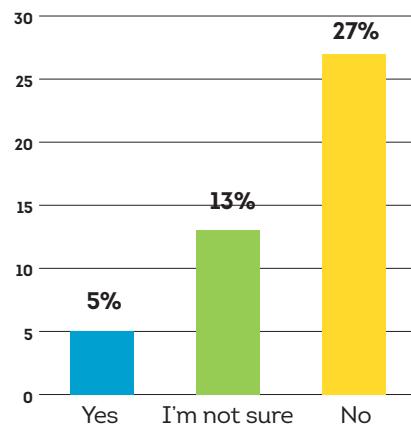
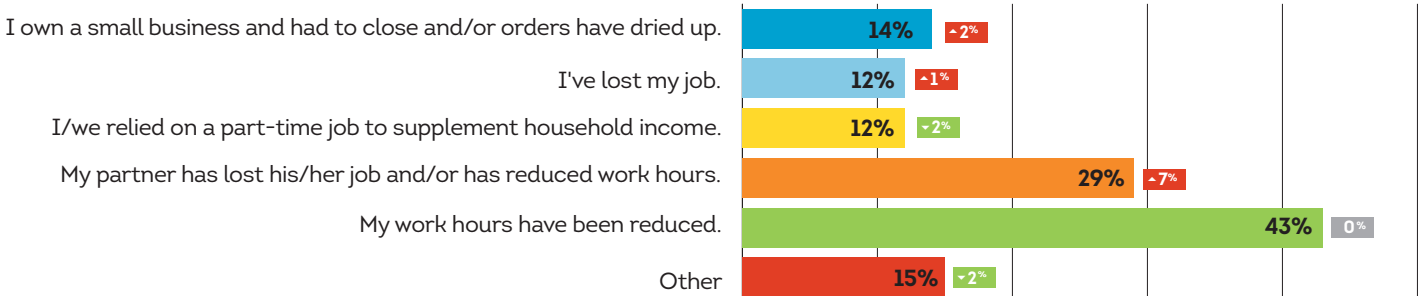


Figure 3. How is your current household income being impacted?



MANAGING THE HOUSEHOLD BUDGET

HOW ARE CONSUMERS CHANGING THEIR HOUSEHOLD BUDGET IN RESPONSE TO THE PANDEMIC?

- Sixty-nine percent of those financially impacted by COVID-19 are worried about their ability to make bill and loan payments. Living spaces continue to be major financial stressors for respondents, with 27% of impacted consumers concerned about their ability to pay rent and 24% concerned about their ability to pay their mortgage. Seven percent of renters and 18% of mortgage holders are receiving some form of payment accommodations.
- The above notwithstanding, smaller obligations are at risk, too. Thirty-seven percent of impacted consumers are worried about their ability to pay their credit cards, and 31% are concerned about their ability to pay for utilities.
- Younger consumers have been more willing to spend through the crisis, as seen by their comparatively lower reductions in discretionary spending. Looking at the cohorts, forty-five percent of financially impacted Gen Z'ers have cut back on discretionary spending compared to 51% of Millennials, 55% of Gen X'ers, and 66% of Baby Boomers in the same position. The same pattern holds among those who have not been financially impacted. Thirty-three percent of Gen Z'ers, 49% of Millennials, 44% of Ge X'ers, and 41% of Baby Boomers have cut back on discretionary spending even though they have not been directly financially impacted.

Figure 4. How much is your budget shortfall?

On average, amount consumers who were impacted expect they will be short when paying bills or loans.



How soon will you not be able to pay?

Consumers who were impacted expect they will not be able to pay their bills or loans in **6.4 weeks.**

Figure 5. Are you concerned about your ability to pay your current bills and loans?

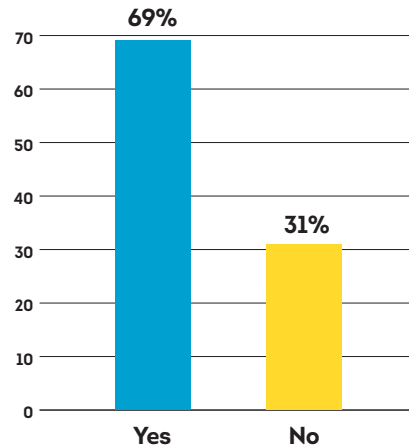


Figure 6. Regional concern over ability to pay bills/loans

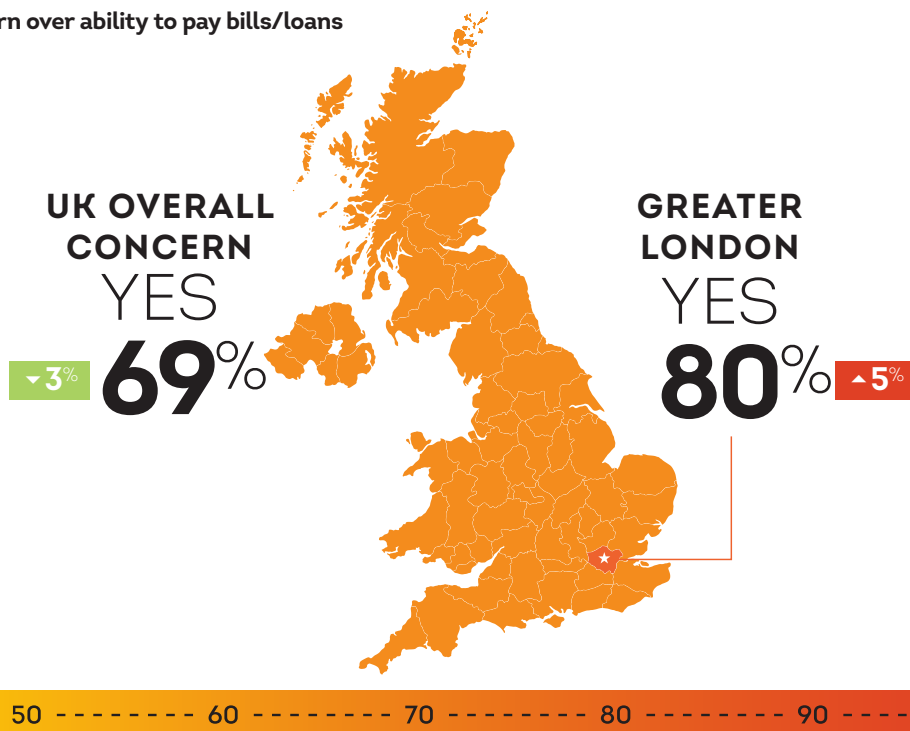
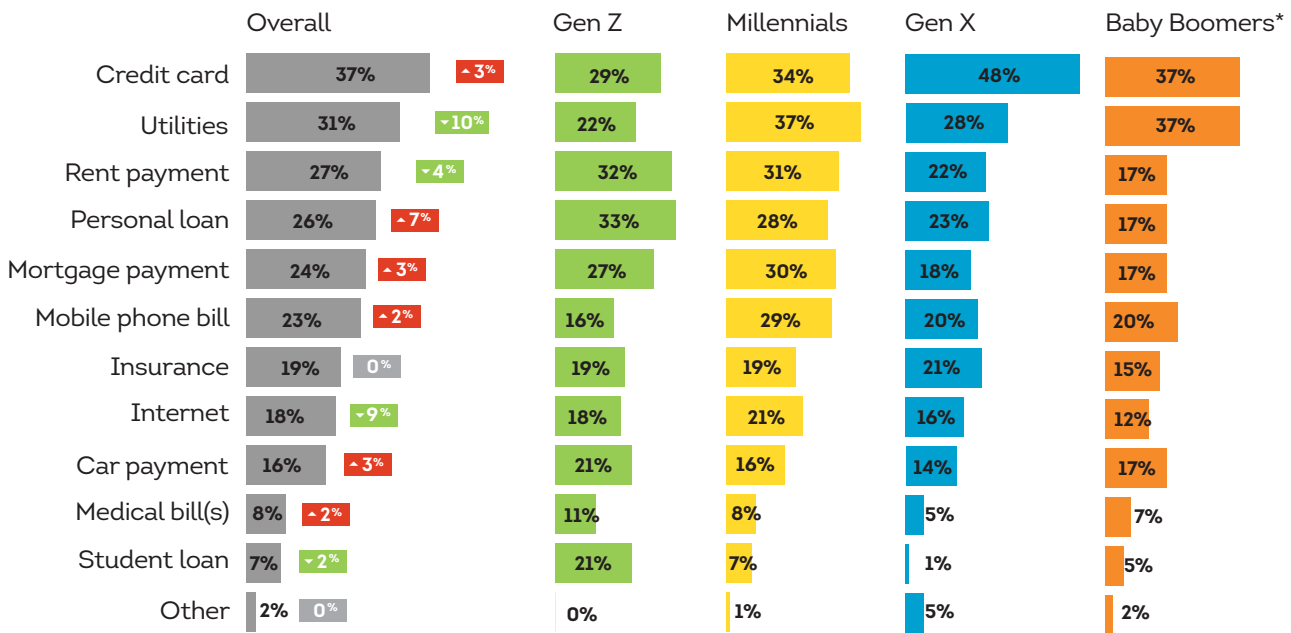
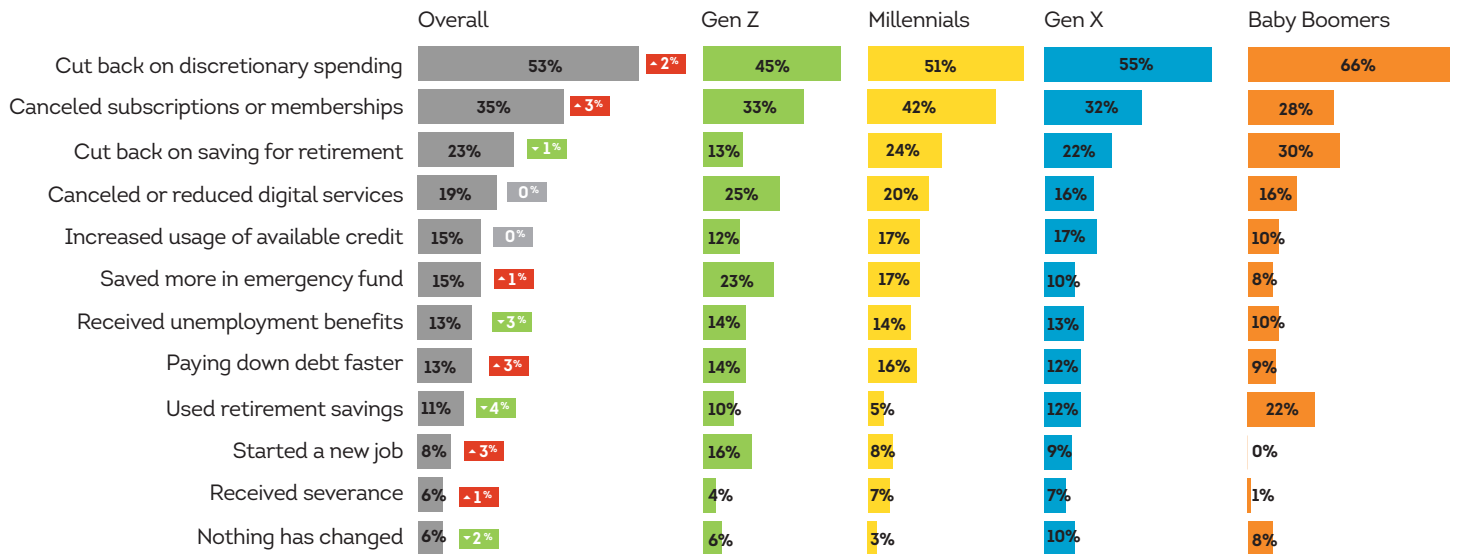


Figure 7. What bills and loans are you concerned about your ability to pay?



*Small base size (n<50)

Figure 8. What has changed in your household budget during the COVID-19 pandemic?



RECOVERY PLANS

WHAT IS YOUR GAME PLAN?

- Twenty percent of households say they have received a form of financial forbearance, with support occurring most commonly among consumers with private student loans, personal loans, mortgages and auto leases. And while most consumers are confident that they understand the terms of these forbearances, 25% are only somewhat confident and a further 5% are less confident than that.
- With the growing prevalence of forbearances, it is important to consider exit strategies. Forty-one percent of households would like to structure their payment plans in such a way that they can catch up gradually while paying their regular monthly payments, and a further 21% would like to at least extend the accommodation for another few months.
- As the lockdown has extended, fewer people have escaped without having to defer some major expense. Only 16% of households say they have been planning major outlays that have not had to be adjusted due to COVID-19. The most commonly delayed outlays are holidays (57%) and home improvements (26%). However, as we look to leave lockdown this may change quite quickly: 39% of households say they are planning a local or international holiday in the next three months: 22% say they will undertake some home improvements.

Figure 9. What is your plan to help pay your current bill(s) or loans?

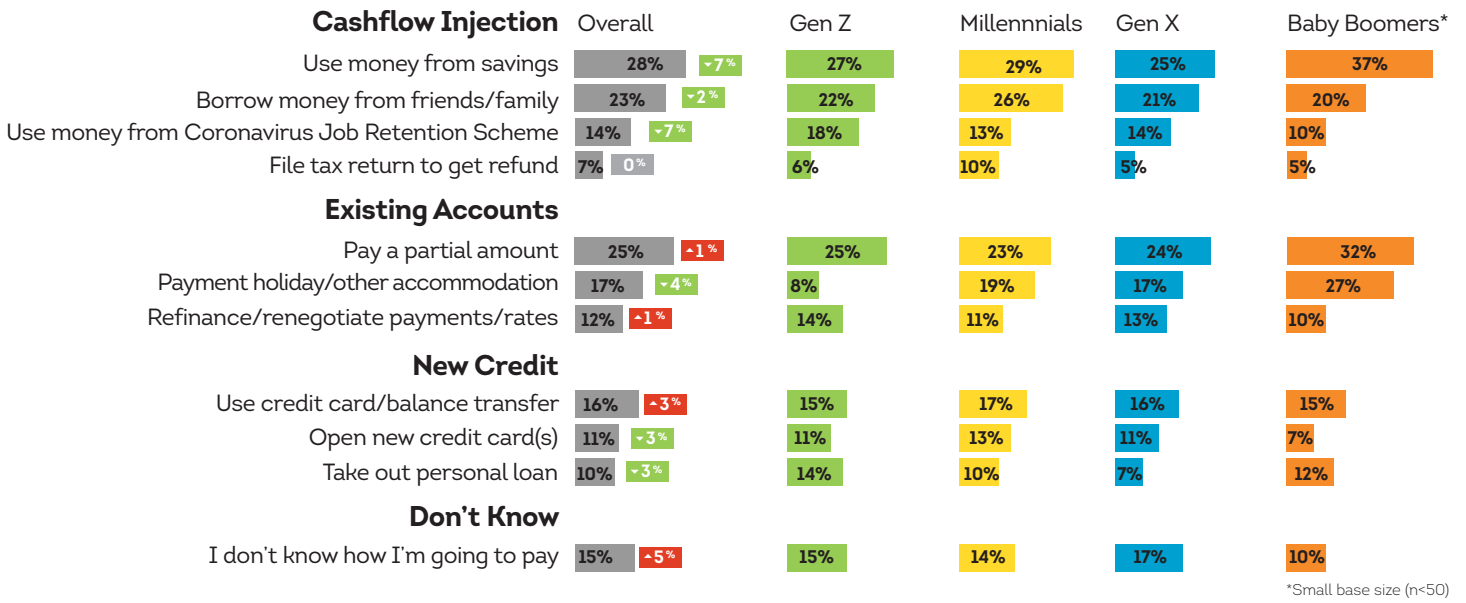


Figure 10. Have you reached out to companies you have accounts with to discuss payment options?

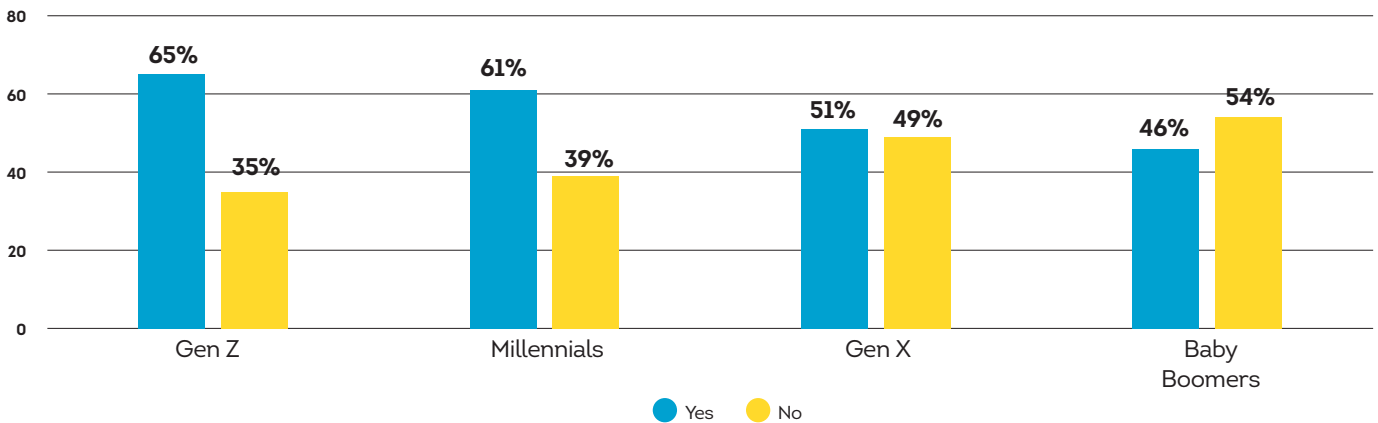


Figure 11. Loans/bills enrolled in financial accommodation (among those with financial product).

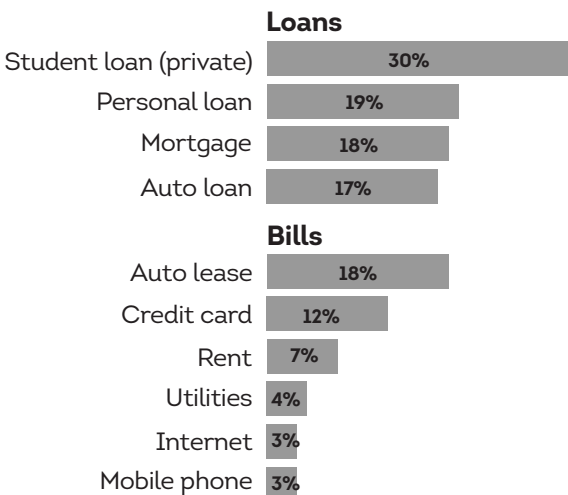
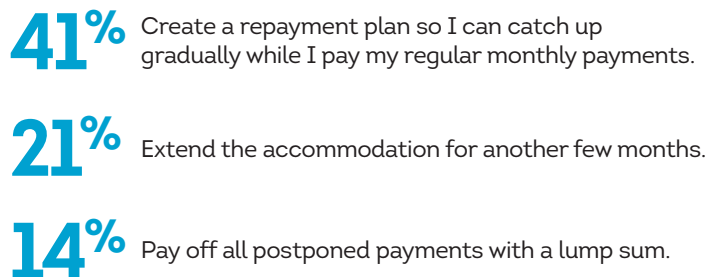


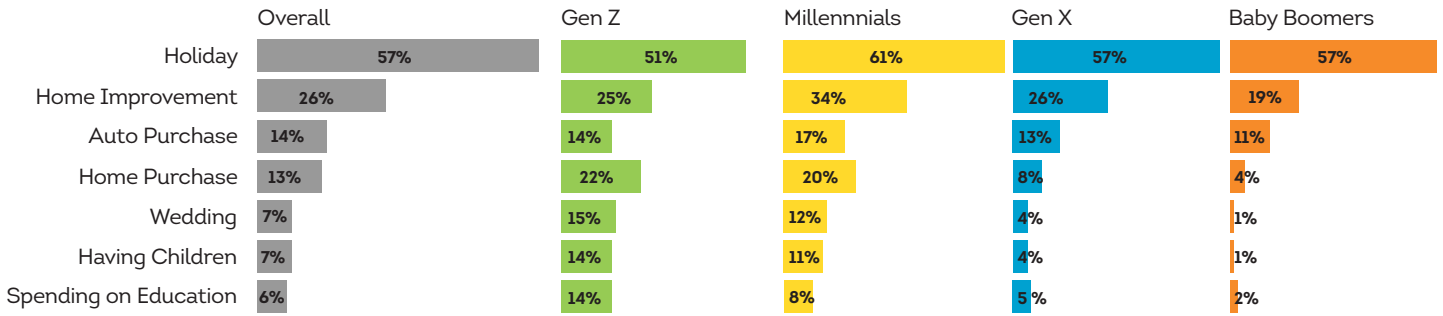
Figure 12. Repayment preference when financial accommodation period ends (Top 3 options).



Understanding of Accommodation:

70% of consumers who have received a financial accommodation are extremely/very confident in their understanding of the terms.

Figure 13. Are you delaying any of the following major purchases or events?

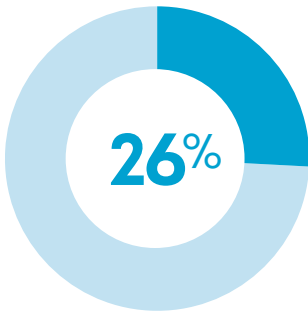


TAKING CARE OF YOURSELF

HEALTHCARE, FRAUD, AND CREDIT MONITORING

While the proportion of people checking their credit profiles regularly has changed little – 49% said they checked their credit profiles at least once a quarter when we asked this question in early May (wave 5) and it's 51% now – there are also some signs that borrowers may be more actively monitoring their own credit profiles: 14% are now doing so weekly, up from 9% in May. We have also seen the proportion of respondents who believed credit monitoring is very or extremely important rise from 16% to 20%.

Figure 14a. Delayed medical procedures.



Percentage of consumers who have had an elective surgery, medical appointment or procedure delayed or canceled due to COVID-19.

Figure 14b. How urgently do you plan to reschedule your elective surgery, medical appointment or procedure?

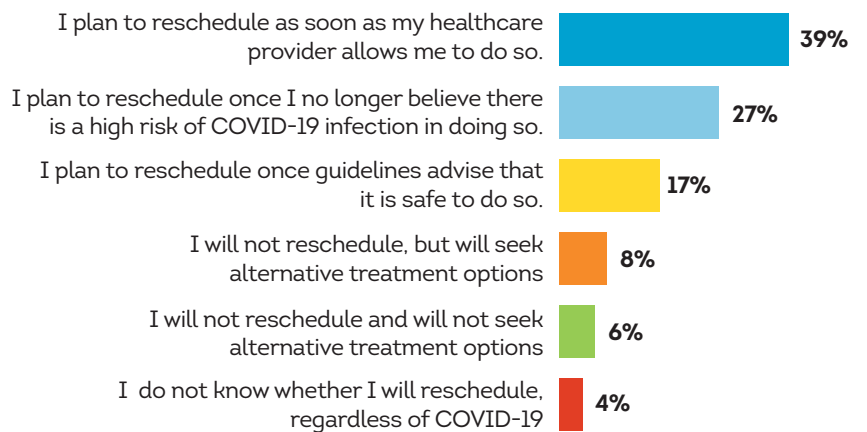


Figure 15. Which statement best describes your personal experience with any digital fraud attempts related to COVID-19?

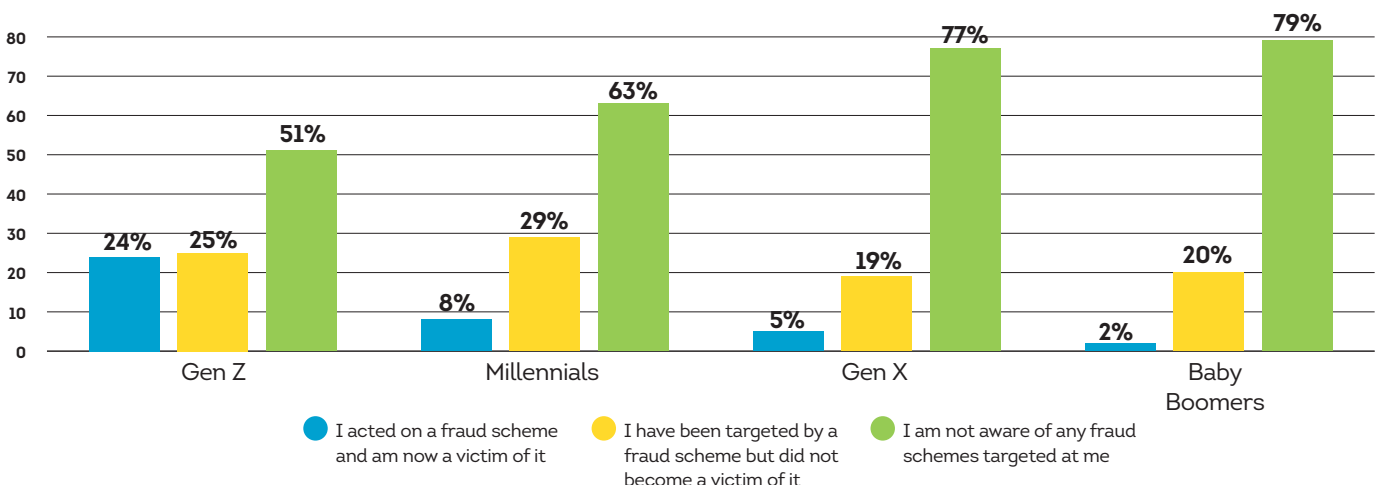


Figure 16a. Frequency of checking credit score.

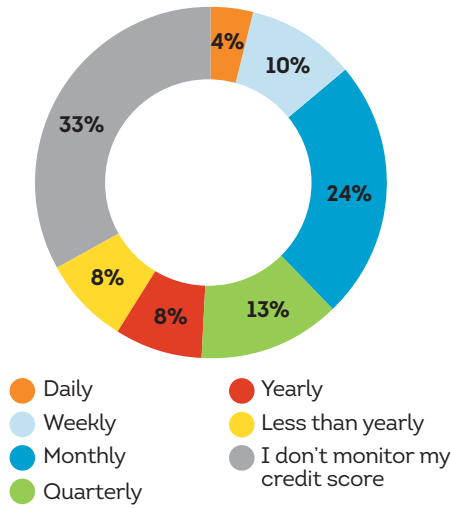
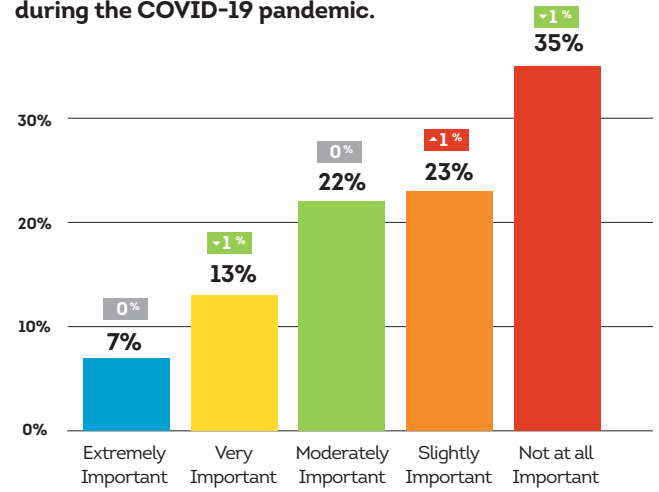


Figure 16b. Importance of monitoring credit during the COVID-19 pandemic.



CALL TO ACTION

If you found this information useful and would like to learn more, please come back for next month's report and visit our [UK Consumer Financial Hardship Study website](#). We at TransUnion are committed to continuing to provide you the updates, tools and resources you need to understand this evolving situation.

If you are a member of the media and would like to learn more, please contact:

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