

Quantum
Market
Research

Debt Management Firm Research

Consumer Action Law Centre

Report | December 2020



Research methodology



- Online survey conducted via an online research panel

- Questions relating to debt management firms were included in Quantum's AustraliaNOW survey – a weekly survey of 1,000 Australians tracking attitudes and behaviours during the COVID-19 pandemic.

- This report also contains findings from Quantum's 20-year cultural tracker AustraliaSCAN, which surveys 2,000 Australians per year about a range of cultural trends.



- Nationally representative sample by age, gender and location (State)
- Total sample size of n=2,005



- Fieldwork dates: 19th – 30th November 2020

The project was carried out in line with the Market Research International Standard, AS ISO 20252.

AUS  LIANOW

Key take outs

1. **Due to widespread financial hardship in Australia, and increasing vulnerability as a result of the pandemic and economic recession, a significant proportion of Australians are seeking assistance with their debts and credit reports.** As many as 17% of Australians surveyed indicated that the COVID-19 pandemic led to, or increased the likelihood, of them paying for advice/services to deal with their debts or credit report.
2. **Debt management companies are reaching a large proportion of Australians with their advertising, largely through TV and online advertising.** Over half (55%) have seen or heard advertising in the past year from companies providing advice or services to people to help deal with debt problems or repair credit reports.
3. **Australians overwhelmingly support the notion of having UK-style consumer protections in place to protect consumers using debt or credit report services.** Once Australians are aware that there are no consumer protections in place for companies providing debt management advice, as many as 92% feel that it is important for protections (similar to those in the UK) to apply here in Australia.
4. **Implementing protections for *some* services and companies goes part of the way towards improving confidence, but confidence increases *significantly* in a scenario where protections are in place for *all* services and companies.** In a scenario where protections or regulations are introduced for some debt management services and companies, 57% of Australians indicate they would feel more confident in the industry. This proportion increases significantly to 72% in a scenario where protections cover the whole industry.



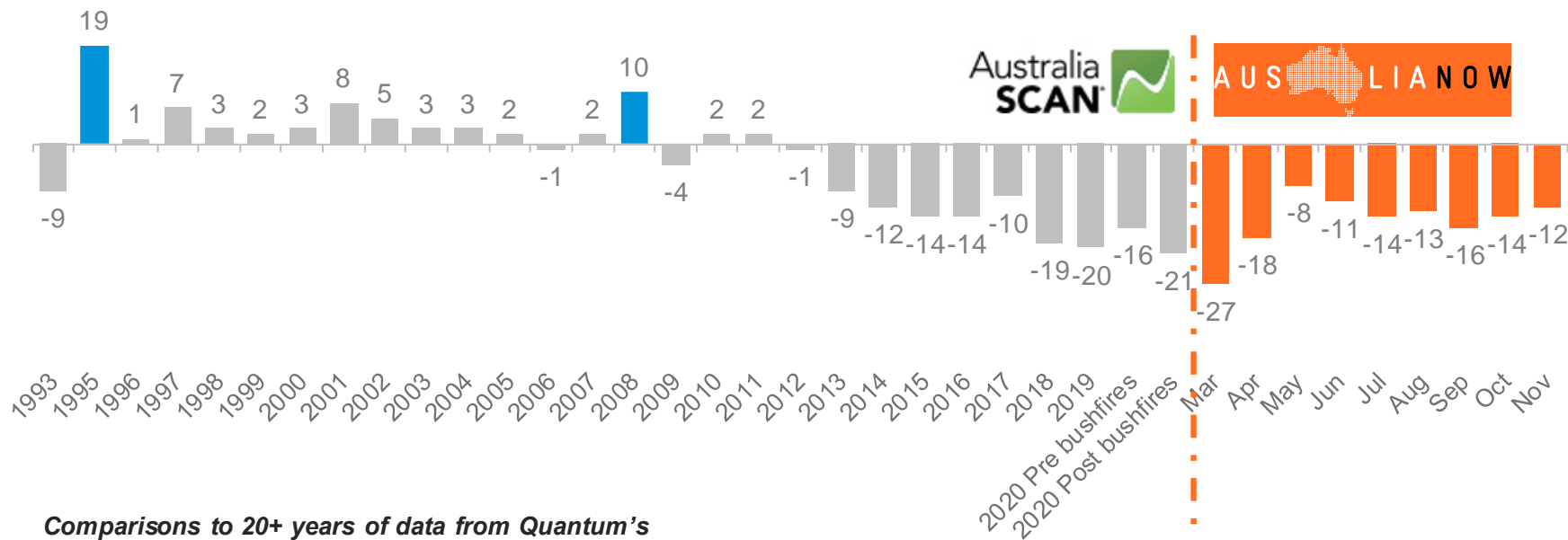
Financial Hardship in Australia



The long-term financial confidence of Australians has been on a negative path since 2013

Confidence in financial future over next five years (very confident – not confident)

Base: All respondents (n=c.1,500-6,000 per month)



Comparisons to 20+ years of data from Quantum's proprietary AustraliaSCAN survey

Q13. Which of the following statements best describes how you feel about your ability to meet your financial needs in the next five years?

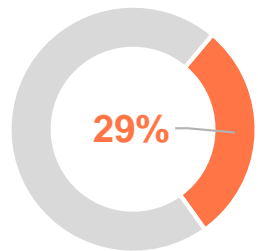
- Quantum has been tracking long-term financial confidence since 2013 via its social trends tracker, AustraliaSCAN.
- The research shows that from the early nineties until the 2000s, Australians enjoyed relatively positive levels of financial confidence.
- Since 2013, confidence has remained low, with lowest points observed immediately after the pandemic hit in March 2020.

Almost half of Australians are feeling more financially uncertain than they have felt in the past decade

Incidence and types of financial uncertainty

48% are more financially uncertain than they have been in the last 10 years

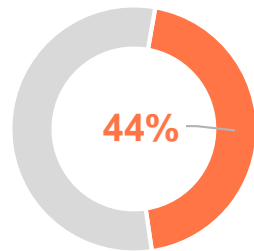
Job insecurity



I am **not** confident I can keep my current job/hours for the next 6 months

(Workers only, n=1,159)

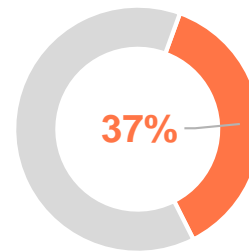
Fear of unemployment



If the main income earner suddenly becomes unemployed they will really struggle to find work

(All respondents, n=2,005)

Cost of living pressures



I have to think very carefully about what I spend because I'm on a tight budget

(June n=1,552)

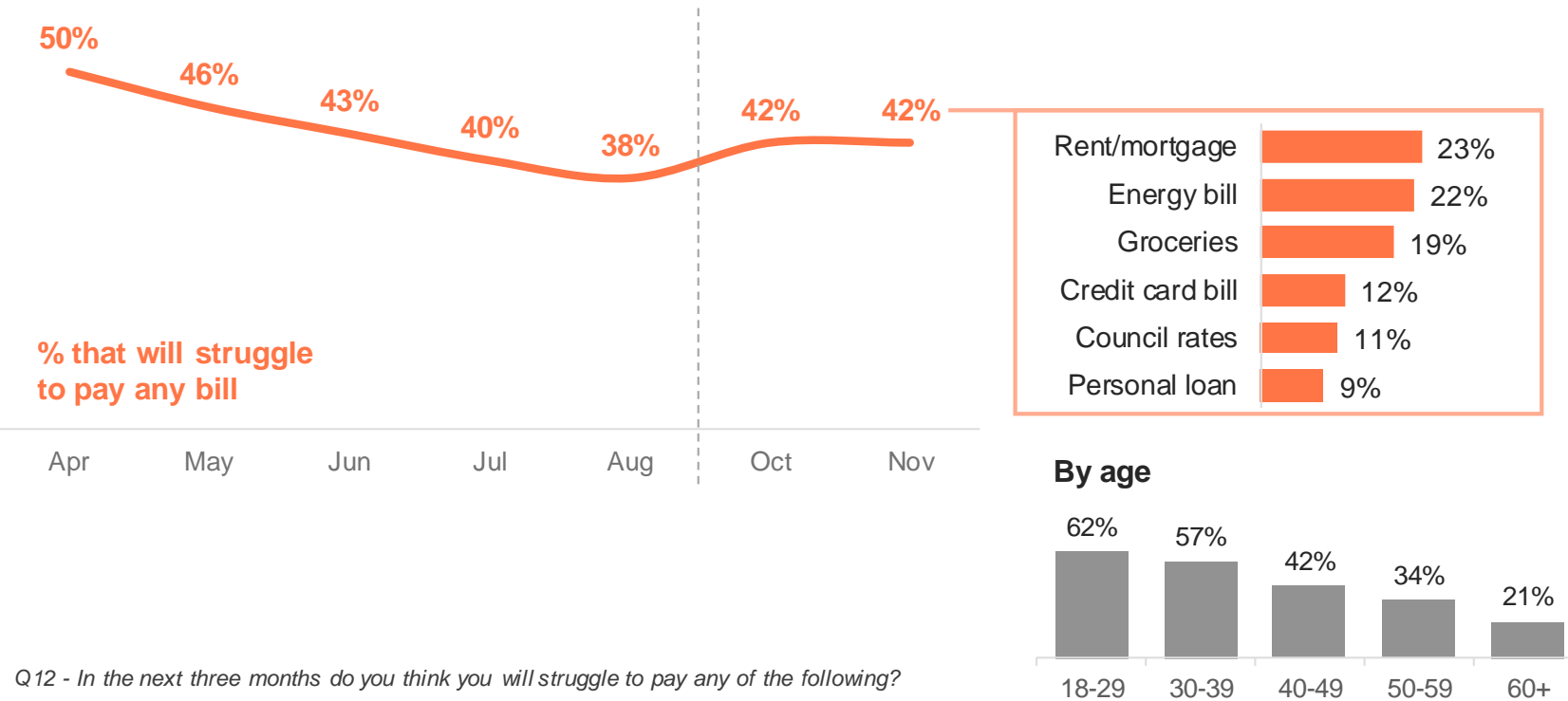
- Financial uncertainty takes various forms, with 29% of Australian workers not feeling confident about keeping their job or hours for the near future, 44% worrying about the ability to find work and 37% concerned about cost of living pressures.
- Financial pressures are felt across all age cohorts, but are particularly prevalent under the age of 50 years.

Q10 - Do you agree or disagree with the following statements?

Over two in five Australians are struggling to pay their bills, with pressures highest on 18-29 year olds

Struggle to pay bills in next three months

Base: All respondents, n=c.900-3,000 per month



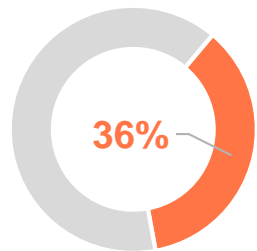
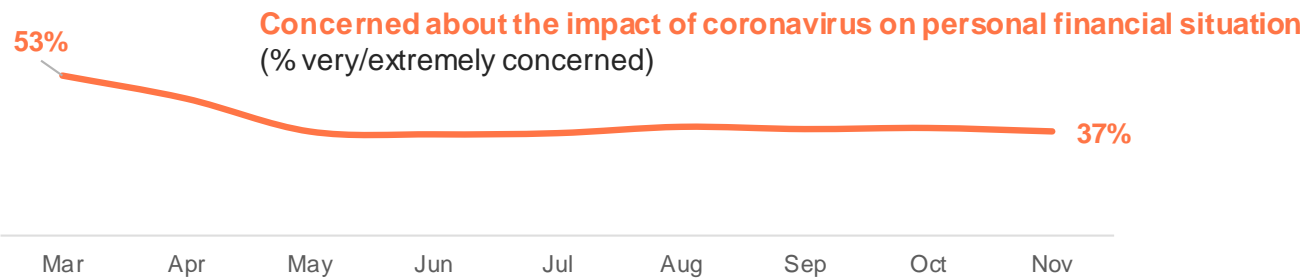
Q12 - In the next three months do you think you will struggle to pay any of the following?

- Whilst bill pressures seemed to be easing from April to August, they increased again in October and November, following the stimulus and welfare changes that were implemented in September.
- There is a clear relationship between struggling to pay bills and age, with younger people much more at risk of defaulting on their bills.

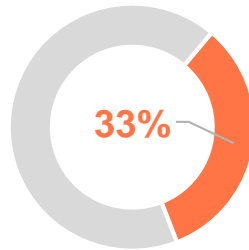
The COVID-19 pandemic has worsened the financial situations of around a third of Australians

Impact of pandemic on financial situations

Base: All respondents, n=c.2,000 per two week rolling period.



The pandemic has negatively affected my financial situation



Would be interested in receiving assistance or support in relation to money/finances

- Despite the proportion of Australians concerned about the impact of the pandemic on their personal finances easing following the initial stages of the crisis (where it peaked at 53%), it stands that 37% of Australians are very/extremely concerned about the impact of the events of 2020 on their financial situation.
- A third of Australians (33%) are interested in assistance or support in relation to their finances.

Q9 - How concerned are you about the impact Coronavirus/Covid-19 will have on the following:
Q112a - How has the pandemic impacted the following areas of your life? Q112c_ - In which of the following areas (if any) would you be interested in receiving assistance or support

Younger Australians are particularly vulnerable financially

Australians aged 18-39 years are more likely to...

- Worry about their **personal financial situation** (48% / 31%)
- Feel **out of control** (56% / 39%)
- Feel **stressed** (70% / 47%), **uncertain** (63% / 46%), **frustrated** (63% / 49%), **anxious** (62% / 42%), **sad** (55% / 38%) and **isolated** (50% / 32%)
- Struggle to **pay their bills** (60% / 30%)
- Be interested in taking out a personal loan to **consolidate their debts** (14% / 3%)

(under 40s / 40+)



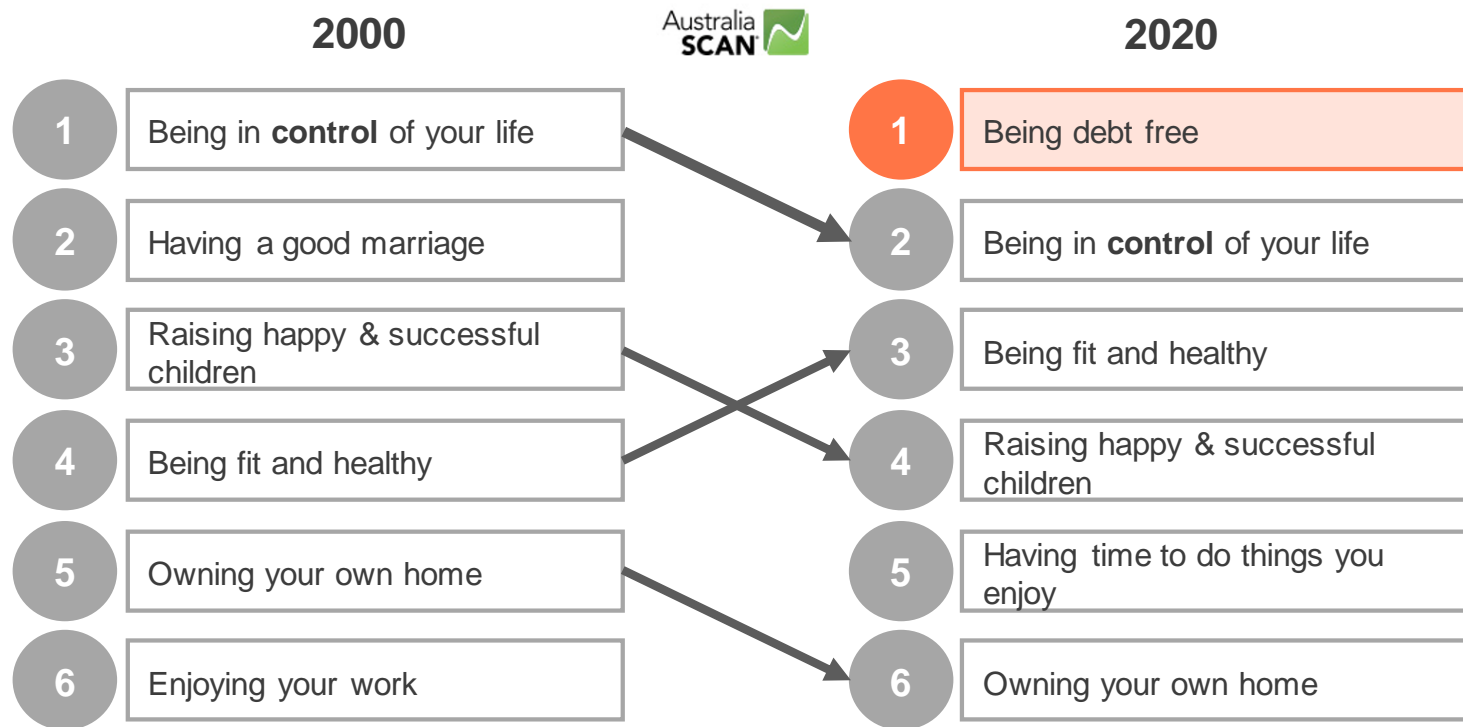
- Australians aged 18-39 are significantly more likely than those aged 40+ to worry about their personal financial situation, feel a range of different negative emotions including stress, uncertainty and frustration, and struggle to pay their bills.
- Although the proportion is low at 14%, 18-39 year olds are also the cohort most likely to be interested in taking out a personal loan to consolidate their debts.

Base: Under 40s n=818; over 40s n=1,187.

Being debt free is now the top sign of success and accomplishment among Australians

Signs of success and accomplishment

Base: All respondents (AustraliaSCAN), n=2,000 per year



- In twenty years of capturing Australians views on what the top signs of success and accomplishment are, there have been some enduring needs, such as being in control, being fit and healthy and raising happy and successful children.
- However, an emerging priority in 2020 is the desire to be debt free. While this is important across all age groups, it is most important amongst older Australians.

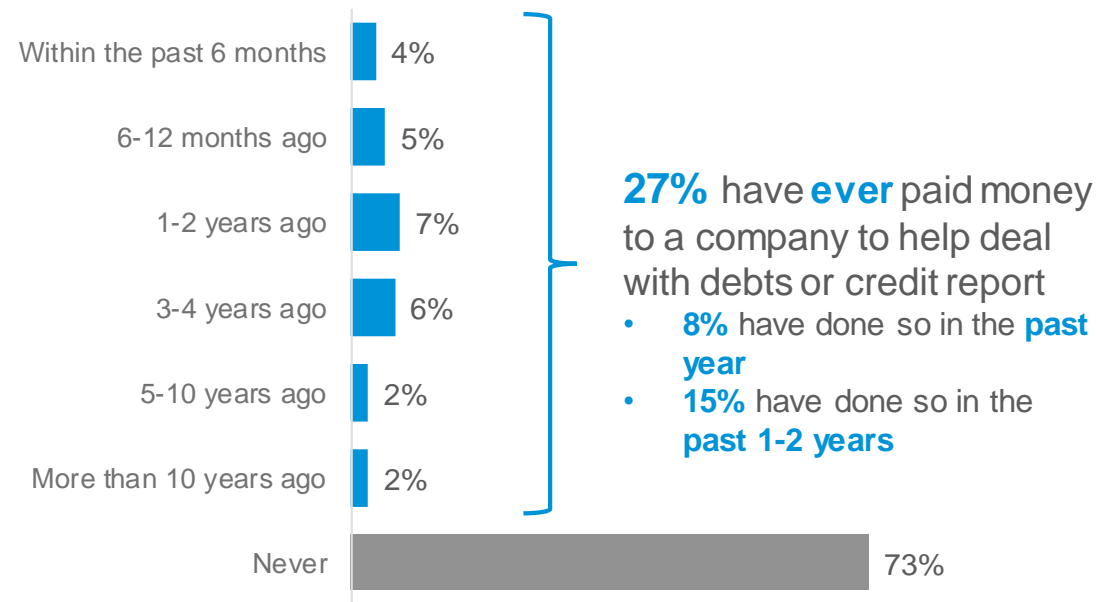
Which of the items listed below do you personally consider to be signs of success and accomplishment?

Attitudes to Debt Management Firms

Over a quarter (27%) of Australians have ever paid for debt management or credit repair services – 8% in the past year

Paid money to a company to help deal with debts or credit report

Base: All respondents, n=2,005



More likely to have used debt management services in past 2 years

(15% of Australians)

- Males (18%)
- 18-29 year olds (32%) and 30-39 year olds (25%)
- Metropolitan residents (17%)
- Full time workers (25%), Students (24%)
- Young families (27%)
- Middle income – \$50-100K households (20%)
- Those in public housing (37%)
- Those with additional expenses such as a negatively geared investment property (15%)

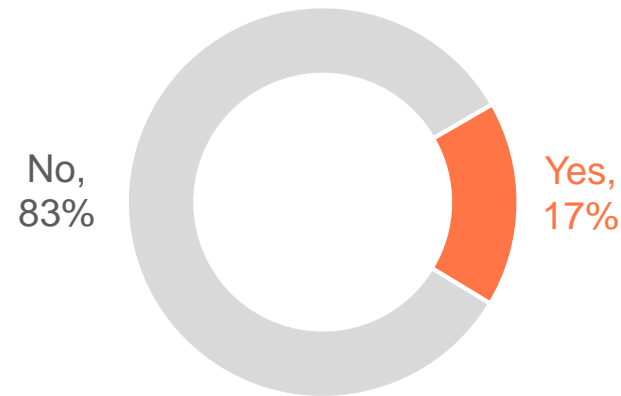
- 8% of Australians indicated that they paid for debt management or credit repair services in the past year – this represents approximately 1.4 to 1.9 million Australians[^]
- The cohorts more likely to pay for these services include males, 18-29 year olds, metropolitan residents, full time workers, those with young families and middle income households.
- Those in public housing are also over-represented, as are those with negatively geared investment properties.

[^]Based on 8.43% among a population of 19,752,086 Australian adults aged 18+ years (Australian Bureau of Statistics) and a margin of error of +/-1.19% Q511 - Have you ever paid money to a company to help deal with your debts or credit report? This might include asking a company for advice on how to reduce or manage your debts, or to negotiate with those you might owe money to, fix your credit report or credit rating, develop or manage your budget, arrange a debt agreement or bankruptcy, or help stop the repossession of your home.

For one in five (17%) Australians, the pandemic has increased the likelihood that they would seek out debt or credit repair services

COVID-19 pandemic led to, or increased the likelihood, of paying for advice/services to deal with debts/credit report

Base: All respondents, n=2,005



More likely to say that the pandemic has led to, or increased the likelihood, of paying for advice/services to deal with debts/credit report:

(17% of Australians)

- Males (22%)
- 18-29 year olds (34%) and 30-39 year olds (30%)
- Metropolitan residents (19%)
- Full time workers (28%)
- Single person living with friends (27%), Young families (32%)
- Middle income – \$50-100K households (23%)
- Those in public housing (38%)
- Those with additional expenses such as a negatively geared investment property (29%)

- Those feeling that the pandemic is leading them to seek out debt management services tend to closely resemble the profile of those that have used them in the past.
- Younger people, in public housing, with families are the most likely to feel that the events of the pandemic are likely to lead them towards paying for debt management services.

Q512. Has the COVID-19 pandemic led to, or increased the likelihood of, you paying for advice or services to help deal with your debts or credit report?

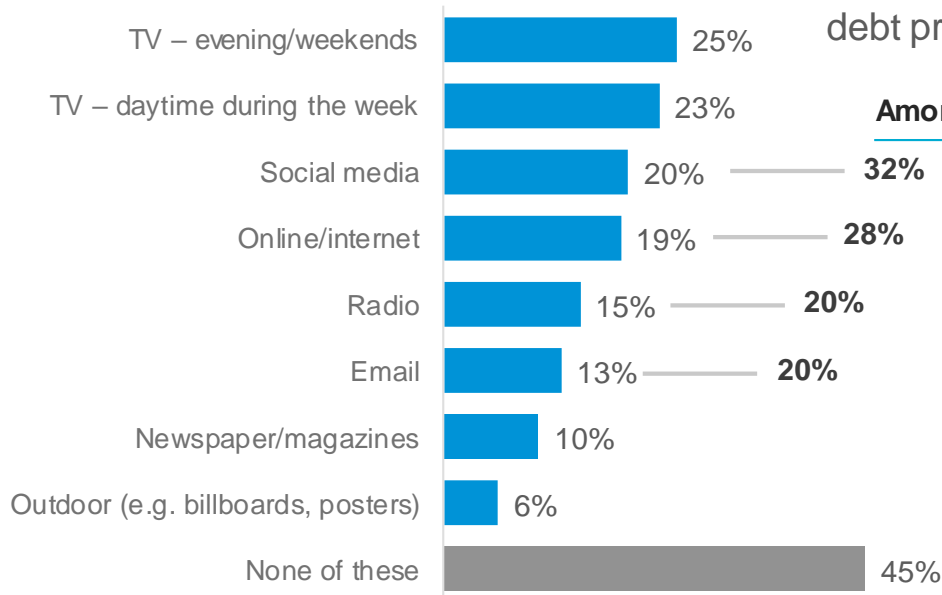
Advertising from debt management companies is achieving a high reach (55% seen or heard), largely through TV and online channels

Seen or heard any advertising in the past year from debt management companies

Base: All respondents, n=2,005

55% have seen or heard *any* advertising in the past year from companies providing advice or services to people to help deal with debt problems or repair credit reports

Among 18-39 year olds



- Over half of Australians (55%) have seen or heard advertising in the past year from companies providing advice or services to people to help deal with debt problems or repair credit reports.
- This represents approximately 10.5 to 11.3 million Australians[^]
- This proportion increases to 65% among 18-29 year olds, who are comparatively more likely to have seen or heard advertising on social media, online, radio or via email.

[^]Based on 55.15% among a population of 19,752,086 Australian adults aged 18+ years (Australian Bureau of Statistics) and a margin of error of +/-1.19% Q513. Have you seen or heard any advertising in the past year from companies providing advice or services to people to help deal with debt problems or repair credit reports?

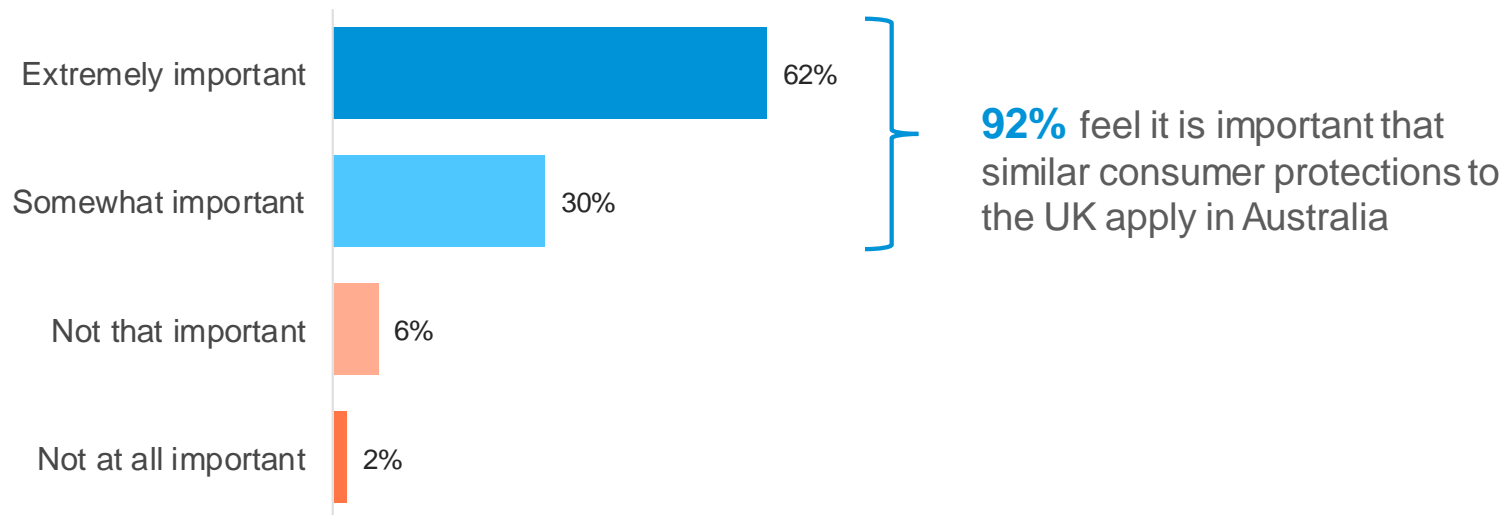
Australians overwhelmingly support the notion of having UK-style consumer protections in place

Perceived importance of UK-style consumer protections for the debt management industry in Australia

Base: All respondents, n=2,005

In the United Kingdom, a company providing debt advice or services must make sure the advice it gives to people is: a) in their best interests; b) appropriate to their individual circumstances; and c) based on a full assessment of their financial circumstances. These protections do not currently apply in Australia.

How important do you feel it is for similar consumer protections to apply in Australia?

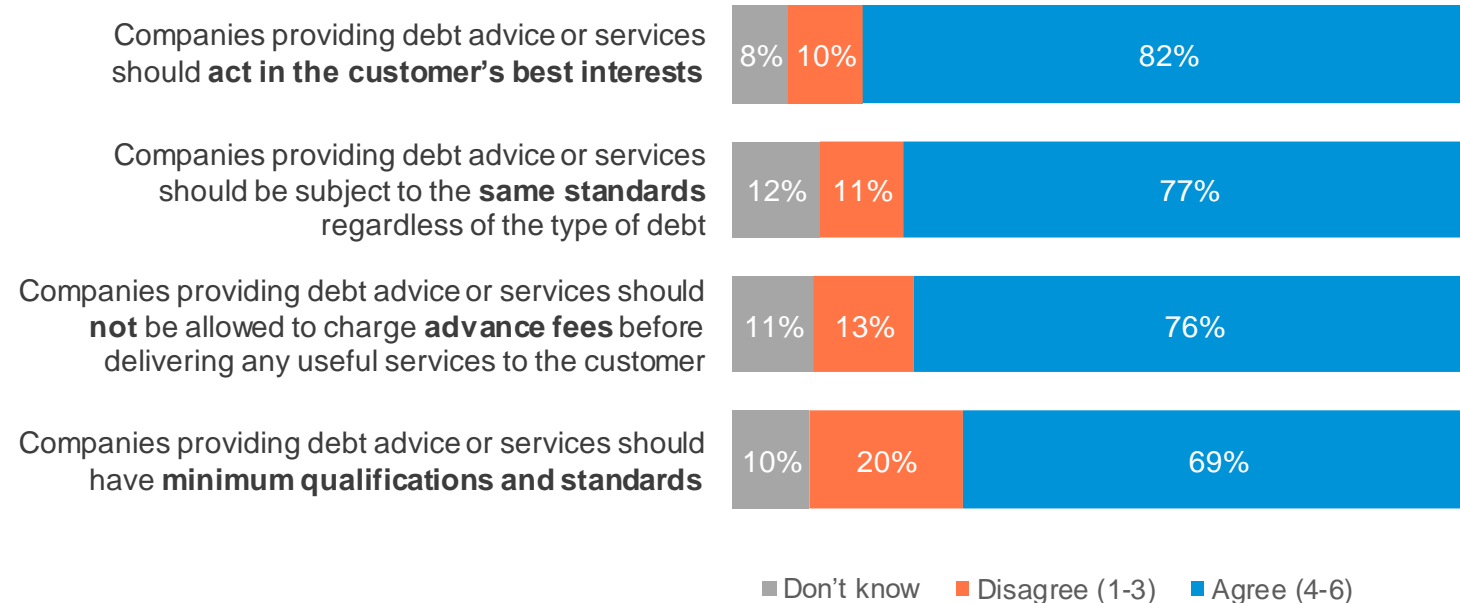


- Once Australians are aware that there are no consumer protections in place for companies providing debt management advice, as many as 92% feel that it is important for protections (similar to those in the UK) to apply here in Australia.
- Those with a lower household income (<\$50K) are more likely to feel that these protections are *extremely* important (68%).

There is strong support for the notion that debt management companies should act in customers' best interests

Agreement with statements regarding debt management companies

Base: All respondents, n=2,005



- Over four in five Australians (82%) feel that companies providing debt advice or services should act in the customer's best interests and over three quarters (77%) feel that the same standards should apply regardless of the type of debt.
- Strong support is also behind the notion of not permitting fees to be charged before delivering services (76% agree) and companies having minimum qualifications and standards (69%).

Q514. To what extent do you agree or disagree with the following statements about companies that charge money for advice or services to help people deal with debt problems or repair credit reports? (Scale of 1-6)

Consumers appreciate the benefit of having protections introduced for all debt management services and companies

Impact of changes to protections on perceived confidence in the industry

Base: All respondents, n=2,005

	Don't know	Less confident	A little more confident	Much more confident	TOTAL MORE CONFIDENT
Protections/regulations are introduced for some debt management services and companies (e.g. covering loans but excluding energy bills, phone or internet bills, buy now pay later debts, school fees)	23%	20%	43%	14%	57%
Protections/regulations are introduced for all debt management services and companies	17%	10%	31%	41%	72%

- Under a scenario in which protections or regulations are introduced for *some* debt management services and companies (e.g. covering loans but excluding energy bills, phone or internet bills, buy now pay later debts, school fees), 57% of Australians indicate they would feel more confident.
- However, this proportion increases significantly to 72% in a scenario where protections cover the whole industry.

Q515. At present in Australia, these debt management companies are mostly unregulated. This means anyone can advertise and provide debt advice and credit repair services without a licence, professional qualifications, or being required to act in their clients' best interests. To what extent would your confidence in the debt management industry change under the following circumstances...?

About the research

Respondent profile

Nationally representative sample by age, gender and location.

N=2,005

Quotas and weighting

Quotas were applied to ensure a representative spread of responses by gender, age and State. Data has also been weighted by State and gender to achieve a representative profile.

Sample accuracy

The results are based off a total sample size of n=2,005, yielding a maximum margin of error of +/-2.2% (at the 95% confidence interval). This means that for a result of 50%, we can be 95% confident that the result in the actual population will range between 47.8% and 52.2%.

November 2020	Proportion of sample (weighted %)	Number of respondents (n=)
Total	100%	2,005
Gender		
Male	48%	997
Female	51%	995
Gender fluid/diverse/non-binary	1%	13
Age		
18 – 29 years	22%	449
30 – 39 years	18%	369
40 – 49 years	16%	325
50 – 59 years	16%	320
60+ years	27%	542
State		
NSW	32%	648
VIC	26%	513
QLD	20%	420
SA	7%	162
WA	10%	177
Other	5%	85

Appendix I: Survey questions

Survey questions

Survey questions added to AustraliaNOW from 19th – 30th November 2020.

New debt management questions exclusive to Consumer Action Law Centre

ASK ALL

- Q511. Have you ever paid money to a company to help deal with your debts or credit report?
This might include asking a company for advice on how to reduce or manage your debts, or to negotiate with those you might owe money to, fix your credit report or credit rating, develop or manage your budget, arrange a debt agreement or bankruptcy, or help stop the repossession of your home.

[SINGLE RESPONSE]

Within the past 6 months	1
6-12 months ago.....	2
1-2 years ago	3
3-4 years ago	4
5-10 years ago	5
More than 10 years ago.....	6
Never	7

ASK ALL

- Q512. Has the COVID-19 pandemic led to, or increased the likelihood of, you paying for advice or services to help deal with your debts or credit report?

[SINGLE RESPONSE]

Yes	1
No	2

Survey questions

Survey questions added to AustraliaNOW from 19th – 30th November 2020.

ASK ALL

Q513. Have you seen or heard any advertising in the past year from companies providing advice or services to people to help deal with debt problems or repair credit reports?

[MULTIPLE RESPONSE; RANDMISE]

TV – daytime during the week.....	1
TV – prime time (evening/weekends)	2
Radio.....	3
Newspaper/magazines	4
Outdoor (e.g. billboards, posters)	5
Online/internet.....	6
Social media.....	7
Email	8
Other (please specify).....	9
None of these	10

Survey questions

Survey questions added to AustraliaNOW from 19th – 30th November 2020.

ASK ALL

- Q514. To what extent do you agree or disagree with the following statements about companies that charge money for advice or services to help people deal with debt problems or repair credit reports?
- ▲ If you are unsure, please select 'don't know'.

[SELECT ONE ANSWER PER ROW, RANDOMISE STATEMENTS]

		Strongly disagree					Strongly agree	Don't know
1	Companies providing debt advice or services should act in the customer's best interests	1	2	3	4	5	6	7
2	Companies providing debt advice or services should have minimum qualifications and standards	1	2	3	4	5	6	7
3	Companies providing debt advice or services should be subject to the same standards regardless of the type of debt (e.g. phone or internet bills, credit cards, buy now pay later, mortgages, energy bills, etc.)	1	2	3	4	5	6	7
4	Companies providing debt advice or services should not be allowed to charge advance fees before delivering any useful services to the customer	1	2	3	4	5	6	7

Survey questions

Survey questions added to AustraliaNOW from 19th – 30th November 2020.

ASK ALL

- Q515. At present in Australia, these debt management companies are mostly unregulated. This means anyone can advertise and provide debt advice and credit repair services without a licence, professional qualifications, or being required to act in their clients' best interests. To what extent would your confidence in the debt management industry change under the following circumstances...?

[SELECT ONE ANSWER PER ROW]

		Much less confident	A little less confident	A little more confident	Much more confident	Don't know
1	Protections/regulations are introduced for some debt management services and companies (e.g. covering loans but excluding energy bills, phone or internet bills, buy now pay later debts, school fees)	1	2	3	4	5
2	Protections/regulations are introduced for all debt management services and companies	1	2	3	4	5

Survey questions

Survey questions added to AustraliaNOW from 19th – 30th November 2020.

ASK ALL

Q516. In the United Kingdom, a company providing debt advice or services must make sure the advice it gives to people is: a) in their best interests; b) appropriate to their individual circumstances; and c) based on a full assessment of their financial circumstances. These protections do not currently apply in Australia. How important do you feel it is for similar consumer protections to apply in Australia?

[SINGLE RESPONSE]

- Extremely important 1
- Somewhat important 2
- Not that important..... 3
- Not at all important..... 4

Quantum Market Research

Level 3, 650 Chapel Street,
South Yarra, VIC 3141, Australia

research@qmr.com.au