

Current Accounts: Inc Impact of COVID-19 - UK - October 2020

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This report looks at the following areas:

- The impact of COVID-19 on the current accounts market and satisfaction with providers' support for consumers affected by the pandemic.
- Ownership of current accounts and the type of accounts consumers hold.
- Important factors considered when choosing a current account.
- Use of overdrafts and changes in this over the last year.
- Attitudes towards free banking and the role of current account providers.

61% of current account holders are satisfied with the support that their main current account provider has given to customers whose health or finances have been harmed by COVID-19, compared to just 3% who disagree. Standing by consumers during this time, and being seen to do so, gives banks an opportunity to improve perceptions and boost trust in the industry and their own brand.

Current accounts are essential products and therefore largely insulated from the worst effects of COVID-19. Consumers will continue to need accounts. However, as unemployment is expected to rise in the coming months, this will put pressure on household finances and threaten the health of current accounts, with increased reliance on overdrafts likely and defaults expected to rise.

Weakened household finances will also make it difficult to upgrade consumers to premium accounts. This is a central goal for brands and particularly important for digital banks that have so far built growth on attractive freebies. Improving revenue and profitability will be crucial for all banks in the next few years as they try to mitigate the losses due to rising bad debts stemming from the crisis.

Despite this, there are opportunities to expand the premium segment of the market by tailoring packaged accounts to appeal to underrepresented groups. This includes under-35 year olds, who are significantly less likely than



"Current account providers offered significant support to customers during the first six months of the COVID-19 pandemic, and this will boost perceptions of the industry."

– **Rich Shepherd, Associate Director – Financial Services**

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older consumers to pay for banking but otherwise seem good candidates to upgrade given the financial responsibilities that people tend to acquire during this time of their lives.



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