

Trust in Financial Services: Inc Impact of COVID-19 - UK - August 2020

Report Price: £2195 | \$2995 | €2600

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This report looks at the following areas:

This will require proactive communication and open dialogue, as well as emotional support and practical advice as households struggle to adapt to the 'next normal' and what it means for their finances.

Overview

Just 44% of consumers think that customers' money will be protected if a bank collapses, despite the highly publicised FSCS protection. This highlights just how important trust is for the financial services sector at a time when the UK economy is experiencing a severe downturn as a result of COVID-19.

COVID-19 has given the financial services industry an opportunity to come to the rescue of households in their time of need and to finally help lay to rest the legacy of the financial crisis. Changes in the way we live and work will have an impact on what people look for from financial services products. The risk is that all the good work done by the industry during the lockdown could be undone if it doesn't keep pace with these shifting expectations.

As temporary measures to protect households are withdrawn, many consumers will be forced to face the reality of losing their jobs or returning to higher repayments on loans and mortgages. During challenging economic times consumers appreciate clear messaging and practical support. Consumers will remember those brands that supported them and treated them with respect.

Already, 45% of consumers agree that the financial services industry is doing a good job of supporting society during the COVID-19 epidemic, compared to just 10% who disagree. By going the extra mile to focus on the needs and concerns of customers in difficulty, there is now a rare but real opportunity to enhance the customer relationship and create a lasting benefit.

Key issues covered in this Report

- The impact of COVID-19 on trust in financial services.



"The immediate response of the financial industry to COVID-19 helped garner support from consumers. However, with the full economic damage of the crisis yet to be felt, the industry faces a huge challenge to convert that goodwill into long-term trust."
– Thomas Slide, Senior Financial Services Analyst

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- An exploration of what trust means to consumers in the context of the financial services industry.
- How trust differs between financial brands and how different age groups feel about financial brands.
- How the financial services sector can seek to establish customer relationships built on trust during an economic downturn.
- How trust can be formed and destroyed and why it matters.

COVID-19: Market context

The first COVID-19 cases were confirmed in the UK at the end of January, with a small number of cases in February. The government focused on the 'contain' stage of its strategy, with the country continuing to operate much as normal. As the case level rose, the government ordered the closure of non-essential stores on 20th March.

A wider lockdown requiring people to stay at home except for essential shopping, exercise and work 'if absolutely necessary' followed on 23rd March. Initially, a three-week timeframe was put on the measures, which was extended in mid-April for another three weeks.

The Health Protections Regulations 2020 came into effect on 15th June allowing the reopening of all non-essential stores in England as well as the mandatory use of face coverings on public transport. Pubs, restaurants, hotels and hairdressers were able to reopen on 4th July, with many beauty businesses following on 13th July.

From 24 July, it became mandatory to wear face coverings in shops and supermarkets. Rules on travel remain fluid: from 10 July, travellers from more than 50 "low risk" countries no longer had to self-isolate for 14 days, but the removal of several key tourist destinations, including Spain and France, from the list of low-risk countries dominated headlines in late July and throughout August.

Domestically, there have been limited lockdowns and increased restrictions on social interaction in a number of areas within the UK, meaning that the prospect of a second wave of infections is still front-of-mind for consumers.

Economic and other assumptions

Mintel's economic assumptions are based on the Office for Budget Responsibility's central scenario included in its July 2020 Fiscal Sustainability Report. The scenario suggests that UK GDP could fall by 12.4% in 2020, recovering by 8.7% in 2021, and that unemployment will reach 11.9% by the end of 2020, falling to 8.8% by the end of 2021.

The current uncertainty means that there is wide variation on the range of forecasts, however, and this is reflected in the OBR's own scenarios. In its upside scenario, economic activity returns to pre-COVID-19 levels by Q1 2021. Its more negative scenario, by contrast, would mean that GDP doesn't recover until Q3 2024.

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