

Consumers and Retail Banking: Inc Impact of COVID-19 - UK - September 2020

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This report looks at the following areas:

- The impact of COVID-19 on retail banking in the UK.
- Changing consumer behaviours and attitudes as a result of the outbreak.
- Main current account switching activity and intentions.
- Channel preferences in 2020, compared to 2018.
- Opportunities and threats arising from COVID-19.

Despite the unprecedented and massive disruption to daily routines during the COVID-19 outbreak, 80% of banked adults say that online banking is the most convenient way to manage bank accounts. This has vastly contributed to money management being one of the few activities which have continued in a relatively seamless way during lockdown for a majority of people.

Social isolation and home working have resulted in people of all ages exploring technology such as video conferencing and online chat. Beyond basic everyday transactions, consumer willingness to engage with these channels for everyday activities can result in opportunities for financial services providers. This could include cheaper and more efficient distribution channels for more complex products such as mortgages as well as financial advice.

It is likely that providers will be seeking ways to cut costs. All major banks have announced multi-billion provisions to cover bad debts and potential losses linked to the pandemic, while low interest rates will place additional pressure on margins and profitability. However, despite being tasked to cover a significant amount of risk as part of the efforts to support the economy, UK banks are in a stronger financial position compared to the financial crisis.

However, during these challenging times the largest providers in the country have taken the chance to reach out to consumers and reassure them in terms of their stability and ability to continue supporting them through the crisis. Mintel's research shows this approach has been successful in helping to improve the image of the sector. Looking forward, the economic downturn will provide



“COVID-19 presents an enormous challenge to retail banks in terms of profitability, but it has also been an opportunity for providers to refresh their image and demonstrate their support for consumers.”

– Irene Salazar, Senior Financial Services Analyst

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further opportunities for providers to bolster consumer sentiment. This is particularly true when it comes to leaving a long-lasting impression on the younger generations, many of whom are looking for support and guidance to weather the COVID-19 upheaval.

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