CHOOSING CURRENT ACCOUNTS

How the COVID-19 pandemic has affected switching attitudes and behaviours in the UK

A Frontier Economics study prepared for the Current Account Switch Service, part of Pay.UK

December 2020

FOREWORD

The COVID-19 pandemic has produced an intense economic shock and changed daily life for millions of people in the UK.

As in every sector, the financial services industry has faced significant challenges and changes. Restrictions on travel and current account providers' ability to open physical premises have been imposed. Providers have changed their services and the way that they communicate with existing customers and potential customers. There has been a significant drop in switching at the height of the pandemic, as consumers and providers thought about their immediate priorities and some incentives (for example rewards for switching) were removed from the market.

It is now vital that insights are generated into how the financial services ecosystem could adapt to this new reality and to understand the changes that COVID-19 might have on customers' switching behaviours and attitudes to choosing a current account. These insights will be invaluable in ensuring that the industry understands emerging customer needs and expectations, and can provide enough information for customers, particularly those undergoing financial vulnerability, to feel comfortable enough to engage properly in the market for current accounts.

That is why we're pleased to have commissioned Frontier Economics to produce this research – the first comprehensive look into switching behaviours and attitudes to be conducted since the pandemic.

Frontier Economics' research brings together existing literature, surveys and Implicit Association Testing, and provides analysis and recommendations.

Our Current Account Switch Service (CASS) team will be using the findings of this research to inform its strategy over the coming year – working with CASS participants and stakeholders from the consumer, financial services and regulatory sector on what this research tells us about the way forward for the current account market.

We're looking forward to working with the entire switching ecosystem on developing these ideas, allowing the market for current accounts to adapt where required and thrive in the post-COVID world.

Maha El Dimachki

Chief Payments Officer

Pay.UK

For more information

E: enquiries@wearepay.uk

W: www.wearepay.uk

Media inquiries

E: cass@mhpc.com

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EXECUTIVE SUMMARY

Current account switching so far in 2020 has been 30% lower compared to previous years. This paper explores the mechanisms that have driven these changes, including the global Covid-19 pandemic and wider changes to the financial services market.

The drivers of current account switching have been investigated many times, and there is general concensus about the factors that are important for switching decisions. Broadly speaking, there are three types of factors that drive switching in the personal current account market:

- **supply side** factors such as the availability and value of switching rewards, and the ability to access better value products with another provider;
- **behavioural and attitudinal** factors, such as being satisfied with the current bank or the perception that switching is a hassle; and
- **vulnerability factors**[1] relating to personal characteristics that make it more difficult for customers to engage with the market, and which can act as barriers to switching.

We draw on insight from a range of public sources, YouGov research, and our own primary research (including implicit association testing)[2] to understand how each of these factors has changed in 2020. We explore the impacts at aggregate level, and also for specific customer goups. We find that **consumer attitudes have remained largely unchanged** and that therefore most of the decrease in current account switching in 2020 is likely to be due to changes in supply side factors and increased levels of consumer vulnerability.

Specifically, we find that:

- Consumer attitudes towards current account switching and the Current Account Switch Service (CASS) remain positive and largely unchanged by the pandemic.
- The availability of supply-side factors such as switching rewards and differentiation in prices between current account offers, fell. At the same time, consumer vulnerability has increased significantly during the pandemic. Both of these factors are likely to have driven the aggregate switching patterns observed, to some extent.
- Attitudinal factors have, perhaps surprisingly, seen less change. Optimism about the future remains relatively high, and trust remains the most important factor for customers when considering switching. Digital services have increased significantly as a switching driver. These attitudinal factors are

[1] In the UK policy context, vulnerable consumers refer to the consumers that are at an increased risk of harm in financial services and other markets due to their financial, economic, health or other personal circumstances.

[2] Implicit Association Tests (IATs) use insights from psychology and survey techniques to measure attitudes and beliefs that people may be unable or unwilling to report using traditional survey questions.

broadly consistent across customer groups, although we do observe some differences.

- Gig economy workers[3] have been disproportionately impacted by the pandemic. We find that this group is much <u>more</u> likely than other consumers to consider switching current accounts, but they are also more likely to worry about being rejected as a customer and being able to secure equivalent access to an overdraft.
- Young people (those in the 18-34 years age group) have also been disproportionately affected by the pandemic relative to older age groups. They are more likely to feel anxious about the future and are also relatively more likely to report that they find current account switching confusing and stressful.
- Priorities have changed for small and medium enterprises (SMEs)[4]: they now place less importance on branch access, and more importance on the availability of digital services, compared to before the pandemic. Access to a relationship manager has also become more important, perhaps reflecting the increased support required by many SMEs during the pandemic. Microbusinesses[5] were less satisfied with the support they received during the pandemic than larger SMEs.

The extent to which the trends in the drivers of switching will persist is of course uncertain, and will be highly dependent on the course of the pandemic: how long it takes for the spread of the virus to be contained, how deeply various sectors of the economy are affected, and the behavioural responses of individuals and businesses as the economy returns to the “new normal”. However, there are some reasonable assumptions that can be made, based on the findings of this research.

- The importance of digital services continues to be very important for all customers, as does trust and customer understanding (relationships). 2020 appears to have accelerated existing trends in this direction.
- Worries over overdraft eligibility appear particularly important, which may point to targeted consumer engagement strategies (or advertising campaigns) to specifically address this.
- Consumer groups that are more likely to hold negative associations with switching, such as vulnerable consumers and younger people may benefit from additional support or focussed engagement strategies to break down these negative perceptions, and potentially with targeted rewards to prompt switching.
- Placing greater emphasis on the factors that are increasingly important to SMEs post-Covid-19, such as access to relationship managers and good digital features might increase engagement and promote switching for business current accounts.

Overall, by recognising the differences in switching attitudes across the consumer groups, stakeholders will be better equipped to ensure that all consumer groups get the support they need. Given the large variation in the way Covid-19 has

[3] Those who provide labour in exchange of money on a short-term, payment by task basis.

[4] In the UK, businesses must meet two out of three characteristics on size in order to be classified an SME i.e. turnover less than £25m, fewer than 250 employees and gross assets less than £12.5m.

[5] Microbusinesses are SMEs with fewer than 10 employees.

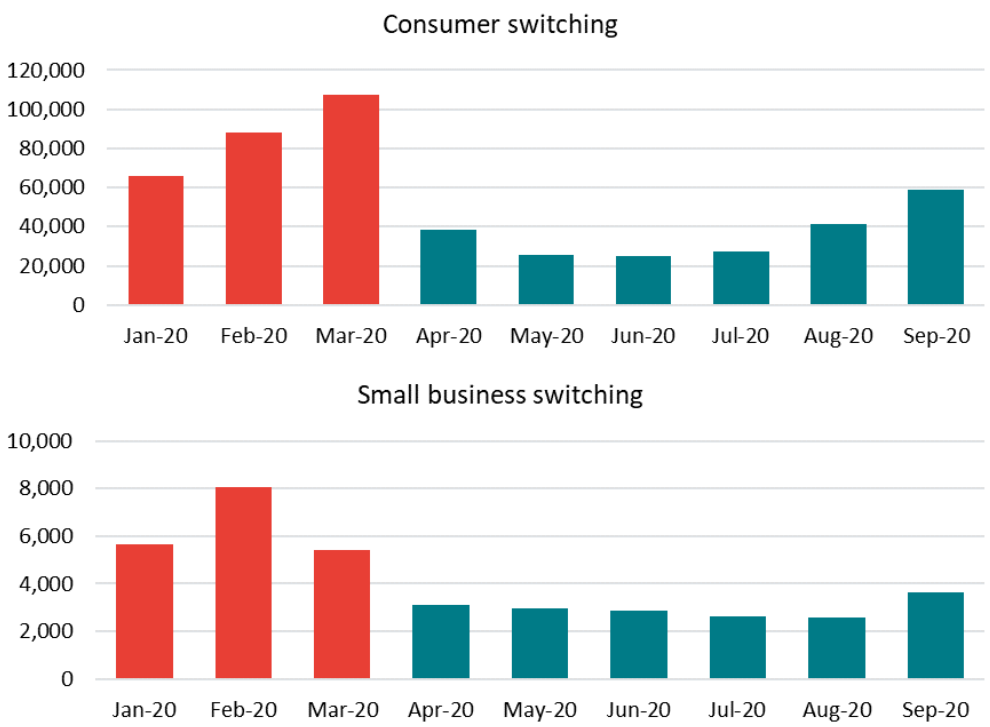
affected different groups, and the uncertainties that remain in how the pandemic will play out, identifying and targeting support, interventions and remedies at most affected groups would appear to be a sensible strategy.

1 INTRODUCTION: 2020 SWITCHING IN CONTEXT

Current accounts are an essential service for all individuals and businesses, and healthy competition in the current account market is critical in ensuring that the market works well for consumers. A key driver of competition in the current account market is consumers' ability to exercise choice and switch between current account providers. Consumers' ability to switch providers depends on the existence of any real or percieved barriers to switching: they are more likely to switch providers if they consider switching easy and stress-free rather than difficult and stressful. As consumers exercise their choice to switch providers, banks are incentivised to continuously improve the products and services they offer, which promotes choice and competition in the market. Since its inception in 2013, CASS has played a key role in increasing awareness of the ease with which consumers can switch accounts and by ensuring a smooth switching process.

Trends in current account switching in 2020 are different from previous years. The average number of monthly CASS switches have fallen by about 30% from around 83,500 per month in 2019 to around 56,600 in 2020. Figure 1 below shows the trend of CASS switching volumes through 2020.

Figure 1 Monthly CASS switching volumes



Source: Pay.UK, Current account switch service dashboard, October 2020

- Monthly personal current account (PCA) switching fell sharply from about 110,000 in March to just 40,000 in April, and further throughout May and June to about 25,000 switches a month. Since July PCA switching has increased somewhat, recovering to around 60,000 switches per month, but the level remains significantly below the 2019 monthly averages.

- Business current account (BCA) switching also followed a similar pattern, dropping significantly from around 5,500 switches in March 2020 to around 3,000 switches in April, and declining further to August when only just over 2,500 switches were recorded. BCA switching grew in September for the first time since February and reached 3,600 per month, again significantly below recent historic levels.

Over the same time period, awareness of CASS has also fallen. It was at 77% in Q3 2020, slightly lower than the long term average of 80% observed since 2018.[6]

[6] Source: CASS Monthly Tracker Report (August 2020)

2 METHODOLOGY

There are a number of factors that may in theory have impacted switching rates, and hence drive the pattern observed, most obviously the ongoing impact of the Covid-19 pandemic. In this paper we bring together insights from a range of public sources, and overlay findings from our own primary research.

- We draw on a range of public sources including previous CASS research, the UK Financial Conduct Authority (FCA), the Competition and Markets Authority (CMA), Bank of England, and the Office for National Statistics (ONS).
- We cite findings from primary research commissioned by CASS exploring consumer attitudes and behaviours towards switching. This research included a **consumer survey** and **implicit association tests** covering 1,000 respondents.
    - The survey asked respondents to answer questions about their use of current accounts and different bank services, their personal characteristics such as age, employment status and financial situation, and the extent that they have been financially affected by the Covid-19 pandemic.
    - Implicit Association Tests (IAT) use insights from psychology and survey techniques to measure attitudes and beliefs that people may be unable or unwilling to report using traditional survey questions. Participants were asked a question and had to choose between two options under time pressure, covering questions about attitudes towards current account switching, CASS, and future outlook.
- We also report findings from a YouGov survey of SMEs. CASS conducted a survey of around 2,000 SME decision makers to measure SME attitudes towards switching in February 2020 and repeated the survey in September 2020. This provides a before/after comparison, allowing us to explore how SME attitudes have changed during the course of the Covid-19 pandemic.

3 BARRIERS AND DRIVERS OF SWITCHING

The starting point for considering what may have driven the observed fall in switching across 2020 is to set out the drivers of (and barriers to) switching behaviour. There is a considerable amount of research into the factors that are important for consumers when considering switching, which we summarise below.

3.1 CASS switching framework

CASS' previous work on factors affecting current account switching suggests that when using a current account, consumers go on a 'learning journey' which shapes their attitude towards switching. The 'Consumer Learning Journey' can take one of the two paths:[7]

- Consumers derive satisfaction from the value that is offered (or perceived to be offered) by their current providers. If consumers believe that the value proposition offered by their provider meets their needs sufficiently well, they enter a '**trust loop**' wherein positive associations of satisfaction, trust and loyalty with their current provider are reinforced over time. Consumers who enter the trust loop are unlikely to consider switching.
- On the other hand, if consumers believe that their needs have changed or if their perception of the current provider's value proposition has changed, a 'value gap' may be created which could cause consumers to exit the trust loop. Consumers who exit the trust loop may then act in one of two ways.
  - If the consumer's risk perception of the switching process is high, they may enter an '**inertia loop**' wherein they stay with their current provider despite not being satisfied with the product or service they receive. The consumer might have a high risk perception if, for example, they believe that the switching process will be difficult or that other providers' offers will not be better. Lack of consumer awareness about the switching process can also lead to high risk perception.
  - If the consumer's risk perception is low, they may begin to engage with the market, look for other offers available to them and **consider switching** provider.

The CASS research suggests that there can be different motivations behind the same behaviour (or lack of it): consumers in both the trust and inertia loops may not consider switching. Those in a trust loop don't switch because they are satisfied with their current provider, whereas in contrast those in an inertia loop don't switch because they perceive it as too risky. This distinction is relevant to understanding how different barriers to switching affect consumer decisions. In this CASS framework, some barriers to switching feed the trust loop, such as good service by current provider, while some feed the inertia loop, for example, a perception that the switching process is too much hassle.

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[7] Source: BACS Research Papers titled 'Consumer Engagement in the Current Account Market' (March, May, November 2016).

This Consumer Learning Journey also describes how different drivers contribute to the decision to switch. Drivers of switching can be categorised either into factors that help create a ‘value gap’ for the consumers (such as poor service by the current bank or incentives offered by other banks) or as factors that lower the consumer’s risk perception (such as ease of switching or trust in the new bank).

A consumer is likely to be affected by a combination of several barriers and drivers of switching during their learning journey.

3.2 Wider evidence on consumer switching

Understanding the factors behind consumer switching behaviour has been an important part of the Financial Conduct Authority (FCA) and Competition and Markets Authority (CMA) work on the retail banking market in the UK.

In its Strategic Review of Retail Banking Business Models, the FCA identified differences in characteristics between consumers who switch and those who do not. The FCA’s analysis indicates that barriers to switching may include old age, high deprivation, low use of digital channels, small balances held (although this interacts with age), high overdraft use and holding more credit products with PCA provider.[8]

As part of its investigation into retail banking in 2016, the CMA quantified the relative importance of different barriers and drivers of switching.[9] The CMA’s survey results highlighted that:

- For consumers who had not looked around, the most common barrier was the consumer being happy with their current provider.
- For consumers who had looked around but not switched, the most common barrier was that they perceived the switching process to be too much of a hassle.
- Better interest rates or product deals were the most common reasons that prompted consumers to consider switching.

There is also wider evidence that suggests vulnerable consumers are less likely to shop around and switch for financial services products, and in other markets:

- the FCA Financial Lives Survey found that consumers with vulnerability characteristics were significantly more likely to have been with the same home insurance, mortgage or cash savings provider for 10 years or more;[10] and
- in the UK Energy market investigation, the CMA found that vulnerable consumers were less likely to have switched their energy provider than other consumers.[11]

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8 https://www.fca.org.uk/publication/multi-firm-reviews/strategic-review-retail-banking-business-models-annex-reports.pdf#page=52

9 https://assets.publishing.service.gov.uk/media/57a9c57a40f0b608ab00000c/retail-banking-final-report-appendices-1.1-to-6.9.pdf

10 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/782542/CMA-Vulnerable_People_Accessible.pdf

11 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/782542/CMA-Vulnerable_People_Accessible.pdf

For the purposes of our research, we group the various drivers and barriers described in the existing research into supply side factors and two types of demand-side factors: behavioural and attitudinal factors, and vulnerability factors.

Figure 2 Summary of factors driving switching behaviour

	Examples of factors influencing switching behaviour	
Supply side factors *These factors tend to act as drivers for switching*	▪ Better interest rates ▪ Lower overdraft charges ▪ Better customer service ▪ Better product deals ▪ Better branch access ▪ Better mobile app ▪ Better website ▪ Ease of switching ▪ Bad experience with my current bank	▪ Following recent advertising campaign ▪ Switching Rewards ▪ Cashback ▪ Freebies (gift cards, taste cards, cinema tickets etc.) ▪ New services offered e.g. aggregation of different accounts on your app ▪ No difference in accounts
Behavioural / attitudinal factors *These factors tend to act as barriers to switching*	▪ Too much hassle ▪ Too much risk ▪ Happy with current bank ▪ No reason to change ▪ Past problems with other banks ▪ Worry I won't get the same overdraft ▪ I don't have time to deal with this right now ▪ Switching process could go wrong	▪ Might reject me as a customer ▪ It would feel disloyal to my current bank ▪ Stress of switching ▪ Security and fraud protection concerns ▪ Too digital, I prefer the traditional way of banking ▪ Trust in new bank ▪ Recommendation from family or friends
Vulnerability factors *These factors tend to act as barriers to switching*	▪ Age ▪ Deprivation ▪ Financial vulnerability ▪ Facing life events	▪ Use of digital channels ▪ Use and understanding of price comparison websites ▪ Low financial savings

Source: Frontier synthesis of CASS, FCA, and CMA research

4 COVID-19 IMPACTS AT AGGREGATE LEVEL

As mentioned in Section 1, current account switching fell sharply in the months following the start of Covid-19 related lockdowns earlier this year. On average, there have been 65% fewer account switches every month since the UK national lockdown first started in March.

Covid-19 has had a profound impact on all areas of life for consumers in the UK: there have been over 1.1 million reported cases and close to 50,000 deaths at the time of writing. In attempts to contain the spread of the virus, many governments across the world have implemented ‘lockdowns’: restrictions that severely limit the movement and interaction of people, at times to essential purposes only. While the stringency and duration of lockdowns has varied over time and across geographies, they have generally resulted in substantial disruption to the way people work and lead their personal lives.

All of these changes in behaviour have affected the ability of businesses to carry on trading as usual. In the UK up to 30% of private sector employees have been placed on furlough during the months following lockdown as ‘hours worked’ in the UK recorded the sharpest fall on record.[12] Redundancies have doubled between June and August this year compared to the same time last year and the average inflation-adjusted pay has fallen by 2% since February 2020.[13] The UK GDP also registered its greatest decline since records began, falling by 20% in the second quarter of 2020. The magnitude of these changes is unprecedented. By comparison, the UK economy bottomed out at a 6% decline during the global financial crisis in 2007-08.

Eight months on from the start of the UK lockdown businesses continue to face significant disruption. A second lockdown, starting 5 November 2020 and running for at least four weeks, is already underway and will further restrict the ability of many businesses to carry on trading as usual, especially those operating in consumer-facing industries such as retail and hospitality. Much of the economic impact, however, will play out over the next several years, as the knock-on effects make their way through the economy to the industries not directly affected by lockdowns. Survey findings indicate that a quarter of all businesses in the UK do not expect Covid-19 related uncertainty affecting their businesses to be resolved before 2022.[14] Due to lags in the realisation of economic effects and the persistence of Covid-19 related uncertainty, many of the changes in switching behaviour described in this report are likely to be relevant over the coming years.

4.1 Supply side factors

The pandemic has had a significant impact on the financial services sector. Many banks have closed branches and/or reduced opening hours and shifted towards

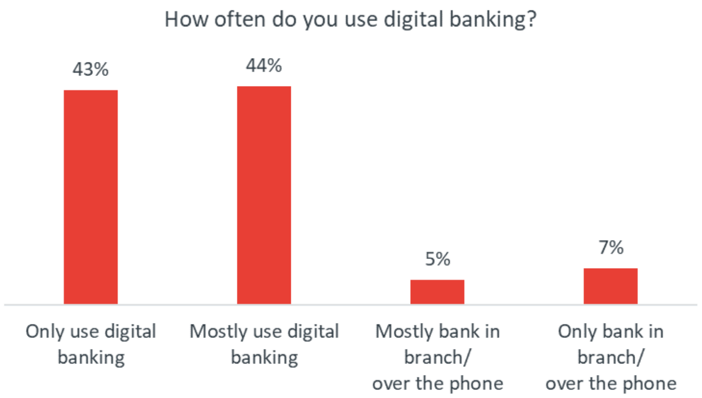
[12] Bank of England, Monetary Policy Report – August 2020

[13] Frontier analysis of ONS data on employment and earnings

[14] https://www.bankofengland.co.uk/quarterly-bulletin/2020/2020-q3/the-impact-of-covid-19-on-businesses-expectations-evidence-from-the-decision-maker-panel

online and telephone banking over the course of 2020.[15] Evidence gathered through our primary research shows that there has been significant take-up of digital channels in consumer banking. Figure 3 below shows that 87% of respondents primarily use digital banking, and 43% of those use digital banking exclusively.

Figure 3 Proportion of consumers that use different banking channels



Source: CASS consumer survey conducted as part of this report

The uncertainty across the economy led to banks taking a more cautious approach to lending and many mortgage, loan and other credit products were withdrawn.[16] In the meantime, banks were also required by the FCA to provide support for consumers facing payment difficulties across all credit products due to Covid-19.[17] As a result, many of the supply side factors that drive current account switching have been affected.

- **Overdraft fees paid**. The FCA has required all banks to offer a £500 interest free buffer on overdraft use as a Covid-19 support measure. Over 27m consumers have drawn on the free overdraft allowance[18] – indicating that an at least an additional 1 million consumers used an overdraft compared to previous estimates of around 26m overdraft users in a given year.[19] However, consumers have seen a decrease in their overdraft fees due to the interest-free buffer, which reduces the incentive to switch accounts.
- **Switching benefits**. Switching rewards have been reduced over the course of 2020. Pre-crisis, many providers offered switching bonuses of more than £100 for switching (the highest bonus offered in January 2020 was £175), and benefits such as cinema tickets and magazine subscriptions. Most banks withdrew switching bonuses between April and August: only one bank was offering a £50 bonus during this period.[20] Switching rewards have returned

15 https://www.bbc.co.uk/news/business-52021246

16 https://www.bbc.co.uk/news/business-53431056

17 https://www.fca.org.uk/firms/information-firms-coronavirus-covid-19-response

18 https://www.ft.com/content/2a8f85b0-2d50-4e96-bb32-a61d40aaf2cc

19 https://www.fca.org.uk/news/press-releases/fca-confirms-biggest-shake-up-overdraft-market

20 https://www.telegraph.co.uk/personal-banking/current-accounts/cashed-banks-pull-top-current-account-switching-bonuses/

since September and many major banks in the UK now offer switching bonuses of around £100 (the highest bonus on offer is now £125).[21]

- **Customer satisfaction.** Data from the Financial Ombudsman Service indicates that the number of complaints made against providers of financial services has fallen by 17% to around 118,000 in the first six months of 2020 compared to the last six months of 2019. Considering only the complaints filed against the six major retail banks for banking and credit related issues, there has been a small reduction from 19,000 complaints in H2 2019 to 18,000 in H1 2020. Given the significant operational and practical challenges posed by Covid-19, maintaining the same level of complaints could, at the very least, indicate that banks have not committed major failures in dealing with customers and therefore caused fewer customers to consider switching. On the other hand, financial scams have increased since March: some estimates indicate that fraudulent activities like impersonation scams, investment scams etc. have increased by two-thirds in the first half of 2020.[22] Customers harmed by these acts may report low levels of customer satisfaction and consider switching accounts to be risky.
- **Branch closures**. UK retail banks have reduced the footprint of their branch network over the last few years. The twenty biggest current account providers have closed over 3,700 branches in total since January 2015. Many banks have continued to close branches further in 2020, but current data indicates that 2020 might in fact be the year with the lowest number of branch closures since 2015.[23]
- **Overdraft fees.** While not a result of the Covid-19 pandemic, the changes to overdraft rates across the market have impacted consumer choice during this time period. Most banks have changed their arranged overdraft rates and removed usage fees and unarranged charges in response to the FCA’s High Cost Credit remedy. As a result of these changes, most consumers will see their total overdraft costs decrease, although some will see increases overall. Consumers may also perceive there to be fewer choices across the market, since most banks have set their new prices at similar levels.

As set out in section 2, supply-side factors tend to act as drivers for switching, encouraging consumers to look around and move between providers. Findings from IAT research in Figure 4 below demonstrate the relative importance of different supply-side factors when considering switching. According to these findings, the strongest driver for switching is the prospect of receiving some type of a switching benefit. 76% of consumers would be motivated to switch for a switching reward, and 70% would be motivated by a cashback offer. Consumers are also motivated by better interest rates (68% of consumers) and by better product deals (57% of consumers). Whilst not as important as the financial incentives, ease of switching and the prospect of better customer service also represent significant drivers for 57% of consumers.

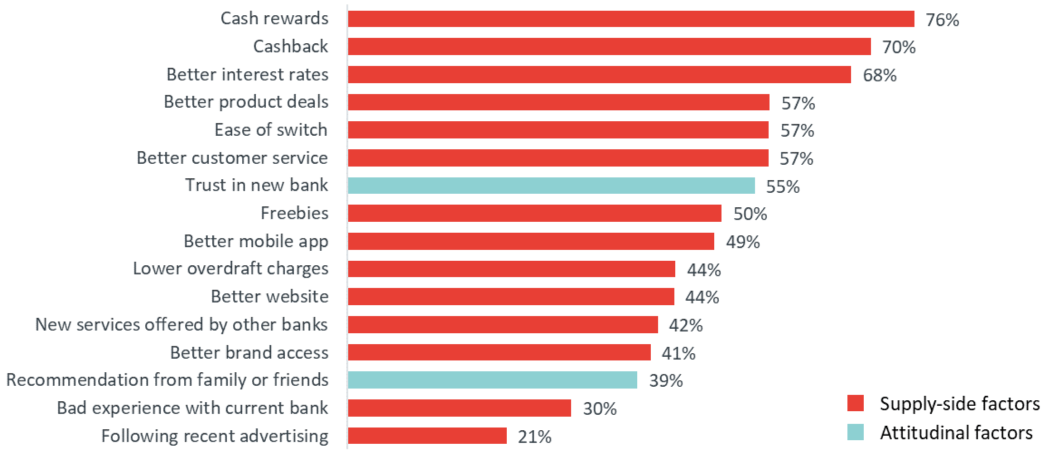
[21] https://www.thisismoney.co.uk/money/saving/article-8735531/HSBC-launches-welcome-bonus-meaning-bank-account-switchers-earn-325.html

[22] https://www.ft.com/content/fcce8128-4cf8-428b-ac28-3e9d90f66c96

[23] https://www.which.co.uk/money/banking/switching-your-bank/bank-branch-closures-is-your-local-bank-closing-a28n44c8z0h5

The results also highlight the importance of supply-side factors relative to attitudinal factors. Trust in the new bank is important to just over half of consumers, while only 39% of consumers consider a recommendation from family or friends to be important.

Figure 4 Proportion of consumers that consider different drivers to be important for switching accounts



Source: CASS Implicit Association Test conducted as part of this report

Note: Figures demonstrate the relative difference between options, not the absolute importance of factors – respondents were asked to choose between 2 options

In addition, we also asked consumers directly (in a non-IAT setting) how important they find the factors identified by CMA's analysis in 2015. Figure 5 below summarises the results. Consistent with the IAT results, better interest rates and better products and deals remain the most important factors to switch current accounts. But poor customer service and branch locations have become less important than they were five years ago, and high fees and curiosity about offers have become more important.

Figure 5 Ranking of the importance of drivers for switching between CMA research in 2015 and 2020 CASS research

	CMA 2015 rank	CASS research rank	Difference
Better interest rates elsewhere	1	1	0
Better products / deals / conditions elsewhere	2	2	0
Poor customer service	3	6	-3
Branch was closing / no local branch	4	5	-1
Charges / fees too high	5	3	+2
Just wanted to see what was available	6	4	+2

Source: CMA and CASS research

SUPPLY SIDE FACTORS: SUMMARY

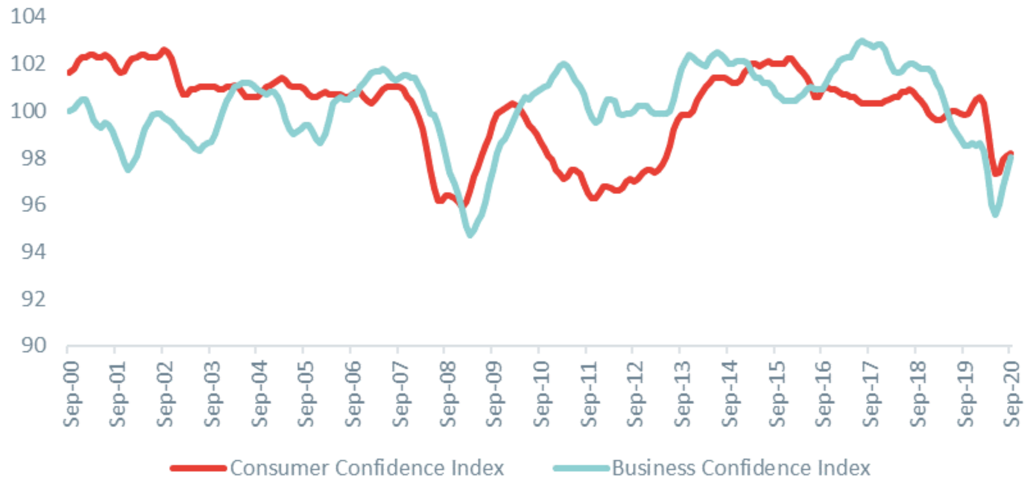
The evidence suggests that differentiation between providers has fallen over the course of 2020, in part driven by regulatory requirements in overdraft pricing, and in part as providers have reduced the prevalence and financial value of switching offers. Our research demonstrates that switching rewards and product pricing remain the most important supply-side factors influencing the consumer decision to switch accounts.

Our new survey evidence also supports the importance of better products and deals in influencing consumers decision to switch. High fees and curiosity about offers have become more important drivers for consumers than customer service levels or branch location.

4.2 Behavioural and attitudinal factors

The impact of Covid-19 on consumer emotions and attitudes is important context for all consumer decision-making, including in relation to current account switching. The pandemic has had a severe impact on consumer confidence. The OECD Consumer Confidence Index fell by 3 percentage points between February and March 2020, recording its biggest fall over a three month period in the last twenty years, and then recovered somewhat in September. Uncertainty and worry about their finances are likely to reduce the number of consumers considering switching current accounts.

Figure 6 OECD Consumer Confidence Index and Business Confidence Index for the UK over the last 20 years



Source: Frontier analysis of OECD data

We used IAT to understand consumers attitudes towards the future. The results in Figure 7 below show a mixed set of findings. Overall, and perhaps surprisingly, more respondents felt positive emotions about the future (“hopeful”, “curiosity”, “openness”, “motivation”) than negative ones (“fear”, “risk”, “anxiety”). But the strength of association varied between emotions. Associating the future with "hope" and "success" was more intuitive than with "curiosity" and "motivation". Among the negative emotions about the future, "fear" and "anxiety" were more intuitive than "risk".

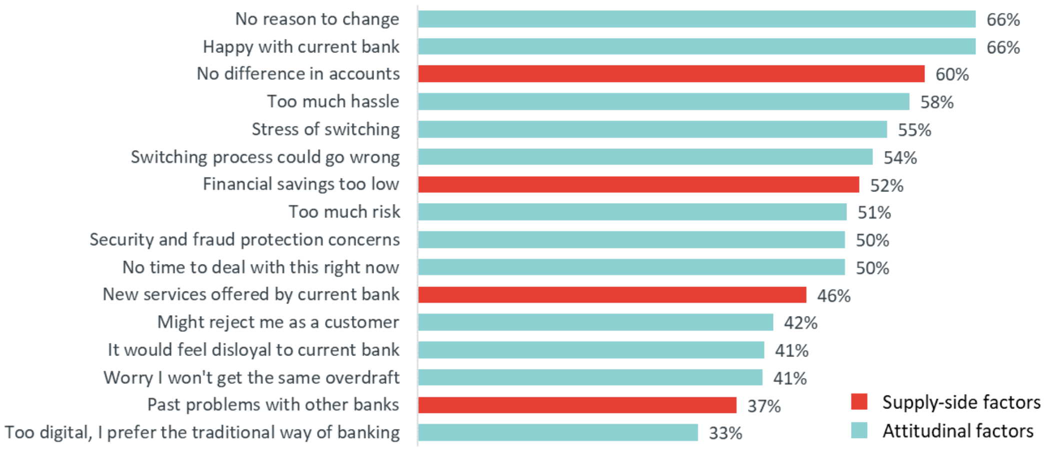
Figure 7 Associations towards the future outlook

Source: CASS Implicit Association Test conducted as part of this report

Note: Figures demonstrate the absolute difference between options, respondents were asked whether they associate each word with their future outlook or not

Attitudinal and behavioural factors tend to act as barriers to switching. IAT research shows the relative importance of different attitudinal and behavioural barriers in Figure 8 below.

Figure 8 Proportion of consumers that consider different barriers to be important for switching accounts



Source: CASS Implicit Association Test conducted as part of this report

Note: Figures demonstrate the relative difference between options, not the absolute importance of factors – respondents were asked to choose between 2 options

The strongest barriers to switching are ones associated with being in a ‘trust loop’: no reason to change and being happy with current bank which are both important for 66% of consumers. Barriers associated with the ‘inertia loop’ are also important: no difference in accounts for 60% of consumers, too much hassle for 58% of consumers and stress of switching for 55% of consumers.

We also asked consumers directly (in a non-IAT setting) how important they find the drivers identified by CMA’s analysis in 2015. In line with the IAT findings, the main reasons consumers choose to stay with their current provider appear to be attitudinal: being happy with their current provider and not seeing a need to change, consistent with the CMA’s findings in 2015. However, the importance of internet banking and website has jumped from being the least important reason to third most important.

Figure 9 Ranking of the importance of barriers to switching between CMA research in 2015 and 2020 CASS research

	CMA 2015 rank	CASS research rank	Difference
Happy with current provider	1	1	0
No need / reason to change	2	2	0
Too much hassle / can't be bothered	3	6	-3
Good customer service	4	7	-3
Convenience of current bank	5	5	0
Helpful / efficient staff	6	11	-5
Good products / best deals / rates	7	12	-5
Convenience of branch location	8	10	-2
Been with them a long time	9	4	+5
Not thought about it	10	8	+2
Bank is easy / simple / transparent	11	9	+2
Good internet banking / website	12	3	+9

Source: *CMA’s Retail Banking Market Investigation and CASS consumer survey conducted as part of this report*

Figure 10 below demonstrates the attitudes and behaviours towards switching from the IAT research. Overall, consumers are more likely to associate switching with positive emotions than negative ones, but there is a wide spread in terms of the decisiveness with which these associations were made. “Easy”, “rewarding”, “beneficial”, “worthwhile”, “satisfying” and “quick” were all intuitive and frequently used associations. Over 65% of consumers felt that switching was “beneficial” and “money saving”, but “beneficial” was much more intuitive. Of the negative emotions, “time consuming” was the most often chosen, but also the most tentative of associations – emotions such as “stressful”, “confusing”, “complicated” and “hard work” were relatively more intuitive.

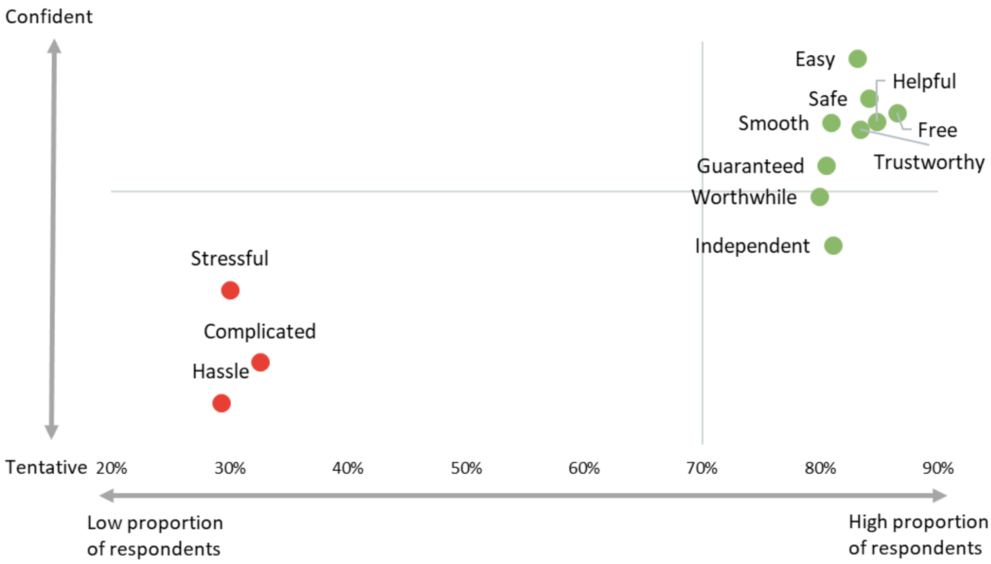
Figure 10 Associations with current account switching

Source: *CASS Implicit Association Test conducted as part of this report*

Note: *Figures demonstrate the absolute difference between options, respondents were asked whether they associate each word with current account switching or not*

Our research also shows that consumers tend to have strong and positive associations with CASS, as demonstrated in Figure 11 below. The associations “easy”, “safe”, “free”, “helpful”, “smooth” and “trustworthy” were all used frequently and with a high degree of confidence by respondents. “Negative”, “Complicated” and “Hassle” were not chosen often and were relatively less intuitive than the positive associations.

Figure 11 Associations with CASS



Source: *CASS Implicit Association Test conducted as part of this report*

Note: *Figures demonstrate the absolute difference between options, respondents were asked whether they associate each word with CASS or not*

BEHAVIOURAL AND ATTITUDINAL FACTORS: SUMMARY

While consumer confidence dipped during the initial months of the Covid-19 pandemic, it has since rebounded to some degree and IAT research demonstrates a relatively positive outlook for the future. Factors such as being content with their current provider and not seeing a reason to switch remain the most important barriers to switching. Our research shows that the switching and CASS are generally associated with positive feelings such as "beneficial", "easy" and "rewarding".

This suggests that any impact that attitudinal factors arising from the Covid-19 pandemic have had on switching are due to an increased likelihood of being in a 'trust loop' where the current account is not something that the consumer is worried about, and not due to any increased worries or negative associations with the switching process itself.

4.3 Vulnerability factors

During the pandemic, so far, an estimated 12 million people in the UK had low financial resilience and struggled to pay their bills.[24] To help those in need, the UK government has rolled out a substantial package of support measures to attempt to limit the economic impact of the crisis caused by the Covid-19 pandemic. There has been widespread take-up of the government's job retention scheme (or 'furlough scheme') which is aimed at preserving jobs and existing relationships between workers and has recently been extended to last until March 2021. Data from the HMRC suggests that a total of 9.6m jobs have been furloughed under the government's support scheme in recent months. The cost of furlough to the UK government rose above £40 billion in October and is expected to rise to £50 billion as the scheme continues to March.[25]

Government backed-loan guarantee schemes have also helped firms raise much needed finance. Since their launch, around £50 billion have been approved under the three key loan guarantee schemes by the government.[26] Despite the increased supply of credit, firms in the sectors most affected by the pandemic such as travel and retail have struggled to secure loans or access trade credit.[27] Estimates also indicate that at least 250,000 SMEs have failed to access government backed loans, illustrating that smaller businesses may face greater challenges in getting government support.

[24] https://www.fca.org.uk/news/press-releases/fca-highlights-continued-support-consumers-struggling-payments

[25] https://www.bbc.co.uk/news/explainers-52135342

[26] Bounce Back Loan Scheme (BBLS), the Coronavirus Business Interruption Loan Scheme (CBILS) and the Coronavirus Large Business Interruption Loan Scheme (CLBILS)

[27] https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2020/august/monetary-policy-report-august-2020.pdf?la=en&hash=75D62D3B4C23A8D30D94F9B79FC47249000422FE

The UK Financial Conduct Authority (FCA) has also announced measures for banks to support their credit consumers. In the last few months, lenders have approved around 1.5m payment holidays on credit cards and loans, with banks offering additional help through reduced rates and flexible repayment options. For overdraft borrowing, banks offered a mandatory £500 interest free buffer to all consumers and provided other support through reduced interest rates and appropriate forbearance.

Despite these efforts, evidence suggests consumer vulnerability has increased over the course of 2020. The evidence base is diverse, but largely consistent.

- The FCA has publicly stated that it expects **Covid-19 to have significantly increased the number and severity of issues affecting vulnerable consumers**. The FCA's consumer research shows that the challenges faced by consumers that were already vulnerable have been exacerbated by the pandemic, and that a large number of people are finding themselves newly vulnerable.[28]
- A **large number of people across the UK have suffered a major life event during the pandemic**. The FCA reports that 23% of workers nationally have been either furloughed, lost their job or lost hours and pay.[29] The number of people experiencing bereavement has increased: there have been over 44,000 deaths from Covid-19 in the UK and an estimated 90-102 excess deaths per 100,000 people during the first wave of the virus (February and May) in England and Wales.[30,31]
- There has been a reported **increase in the number of people suffering from physical health issues** due to Covid-19. The UK has recorded over 600,000 cases of coronavirus, and 150,000 Covid-19 patients have been admitted to hospital.[32] Evidence also shows that many individuals with other health conditions have experienced a worsening of their symptoms as a result of delaying or avoiding care during the pandemic.[33,34]
- The **number of people suffering from mental health issues has also increased** significantly. A UK psychiatry study has found that the proportion of individuals displaying a clinically significant level of mental distress increased by over 40% from 19% to 27% between financial year 2018/2019 and April 2020. Individuals on lower incomes and those unemployed displayed poorer mental health scores than other groups, highlighting the overlapping nature of different drivers of vulnerability.
- The Covid-19 crisis has led to an increase in the number of individuals on **low incomes**. The Institute for Fiscal Studies estimates that in May 2020 median after-tax household earnings were 9% lower compared to the pre-crisis trend. This trend is exacerbated for the poorest households whose incomes have

[28] https://www.fca.org.uk/publication/guidance-consultation/gc20-03.pdf

[29] https://www.fca.org.uk/publication/guidance-consultation/gc20-03.pdf

[30] https://coronavirus.data.gov.uk/deaths

[31] https://www.nature.com/articles/s41591-020-1112-0

[32] https://coronavirus.data.gov.uk/healthcare

[33] https://www.asthma.org.uk/about/media/news/avoiding-or-delaying-treatment/

[34] https://www.bma.org.uk/bma-media-centre/thousands-of-doctors-unable-to-offer-patients-the-desperate-care-they-need-as-a-result-of-covid-19-pandemic-bma-survey-finds

fallen by 15%.[35] This mirrors the FCA's finding that consumer vulnerability has increased both through more individuals findings themselves newly vulnerable and through vulnerable consumers facing more challenging circumstances.

We use IAT research to understand how groups of consumers that are potentially vulnerable feel about switching current accounts. Figure 12 below shows the difference between the overall average score for each association and the difference to the average score of five groups of potentially vulnerable consumers: the financially vulnerable (as per CASS definition[36]), overdraft users, those financially affected by the pandemic, consumers that do not use digital banking, and older consumers.[37]

- Financially vulnerable, overdraft users and consumers financially affected by the pandemic report **consistently lower scores for positive associations with switching** (such as "quick" and "easy") and significantly higher scores for negative associations with switching (such as "confusing" and "complicated").
- **Older consumers generally report higher than average scores for positive associations** ("quick", "reassured" and "easy") and much lower scores for negative associations (such as "hard work" or "complicated").
- Consumers that do not use digital banking do not appear to be more or less positive about current account switching than the average consumer.

These findings suggest that the **groups that display vulnerability due to financial factors hold considerably less favourable associations with switching** than other groups that are sometimes considered vulnerable (older consumers and digital banking non-users).

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35 https://www.ifs.org.uk/uploads/BN298-FULL-The-effects-of-coronavirus-on-household-finances-and-financial-distress.pdf

36 CASS defines financially vulnerable consumers as those that agree with at least one of the following: have taken out high interest loans before, in debt and struggling to pay it off, have little to no savings, have no regular income, or sometimes struggle to pay bills on time.

37 While there is no single definition of vulnerability, financial difficulty, frequent overdraft use, lack of engagement with digital channels and older age are all considered potential vulnerability factors by the CMA and FCA.

Figure 12 Associations with switching current accounts, consumers in potentially vulnerable groups

	Average	Difference from average				
		Financially vulnerable	Overdraft users	Financially affected by pandemic	Digital banking non-users	60-85 year olds
Positive associations						
Money saving	*66%*	-1%	2%	1%	0%	-2%
Beneficial	*67%*	-2%	2%	0%	2%	0%
Worthwhile	*64%*	-1%	2%	0%	1%	0%
Rewarding	*62%*	-1%	0%	1%	1%	0%
In control	*64%*	-3%	0%	-5%	3%	6%
Satisfying	*58%*	-2%	0%	-2%	1%	2%
Easy	*58%*	-3%	-5%	-5%	1%	7%
Guided	*54%*	-3%	-3%	-1%	2%	1%
Quick	*55%*	-4%	-5%	-6%	1%	10%
Reassured	*53%*	-3%	0%	-1%	3%	6%
Exciting	*46%*	2%	3%	-2%	-1%	-6%
Negative associations						
Time consuming	*56%*	4%	8%	9%	0%	-11%
Hard work	*52%*	4%	6%	4%	1%	-11%
Complicated	*49%*	4%	9%	9%	1%	-11%
Stressful	*48%*	5%	8%	9%	0%	-11%
Confusing	*43%*	6%	9%	8%	0%	-8%
Risky	*39%*	4%	5%	7%	2%	-9%
Pressured	*32%*	4%	8%	6%	2%	-7%

Source: *CASS Implicit Association Test conducted as part of this report*

Note: *Figures demonstrate the absolute difference between options, respondents were asked whether they associate each word with current account switching or not*

Figure 13 below shows the difference in the associations with drivers for switching between the average population and the three consumer groups that display vulnerability due to financial factors. Vulnerable consumers perceive many switching drivers differently to the overall population.

- Lower overdraft charges are significantly more important for overdraft users than for other consumers. They are also more likely than other groups to report having had a bad experience with their current bank. This group places much less importance on all of the main factors valued by other consumers, for example, cash rewards, cashback and better interest rates.
- Financially vulnerable consumers and those affected by the pandemic also consider lower overdraft charges more important than other consumers, although to a much smaller effect than overdraft users.

Figure 13 Proportion of consumers that consider different drivers to be important for switching accounts, by vulnerable group

	Average	Difference from average		
		Financially vulnerable	Overdraft users	Financially affected by pandemic
Cash rewards	*76%*	0%	-4%	1%
Cashback	*70%*	-1%	-3%	2%
Better interest rates	*68%*	-4%	-4%	0%
Better product deals	*57%*	-2%	-1%	-2%
Ease of switch	*57%*	0%	-4%	-2%
Better customer service	*57%*	-1%	0%	0%
Trust in new bank	*55%*	-2%	-1%	-2%
Freebies	*50%*	1%	0%	2%
Better mobile app	*49%*	3%	2%	-1%
Lower overdraft charges	*44%*	7%	18%	6%
Better website	*44%*	-2%	-3%	0%
New services offered by other banks	*42%*	-2%	-3%	-2%
Better branch access	*41%*	-1%	-5%	-2%
Recommendation from family or friends	*39%*	0%	0%	-1%
Bad experience with current bank	*30%*	2%	7%	0%
Following recent advertising	*21%*	1%	2%	-1%

Source: CASS Implicit Association Test conducted as part of this report

Note: Figures demonstrate the relative difference between options, not the absolute importance of factors – respondents were asked to choose between 2 options

Figure 14 compares the associations with barriers to switching between the overall population and the three groups of consumers that display vulnerability due to financial factors.

- All three groups of vulnerable consumers are significantly less likely to consider the top three barriers (no reason to change, happy with current bank, no difference in accounts) to be important.
- Instead, vulnerable consumers report being much more worried about being rejected as a consumer and not getting access to the same overdraft facility. They are also more likely to perceive switching to be a hassle, stressful and feel like they do not have time to deal with it.

Figure 14 Proportion of consumers that consider different barriers to be important for switching accounts, by vulnerable group

	Average	Difference from average		
		Financially vulnerable	Overdraft users	Financially affected by pandemic
No reason to change	*66%*	-3%	-8%	-2%
Happy with current bank	*66%*	-4%	-8%	-5%
No difference in accounts	*60%*	-4%	-5%	-3%
Too much hassle	*58%*	1%	1%	2%
Stress of switching	*55%*	2%	1%	3%
Switching process could go wrong	*54%*	-1%	-2%	-1%
Financial savings too low	*52%*	0%	0%	2%
Too much risk	*51%*	1%	-2%	0%
Security and fraud protection concerns	*50%*	-1%	-2%	-2%
No time to deal with this right now	*50%*	0%	3%	1%
New services offered by current bank	*46%*	-3%	-3%	-2%
Might reject me as a customer	*42%*	7%	9%	6%
It would feel disloyal to current bank	*41%*	0%	-1%	-1%
Worry I won't get the same overdraft	*41%*	5%	18%	3%
Past problems with other banks	*37%*	1%	1%	0%
Too digital, I prefer the traditional way of banking	*33%*	-2%	-3%	-4%

Source: *CASS Implicit Association Test conducted as part of this report*

Note: *Figures demonstrate the relative difference between options, not the absolute importance of factors – respondents were asked to choose between 2 options*

VULNERABILITY FACTORS: SUMMARY

Evidence suggests that consumer vulnerability has increased significantly over the course of 2020. Given that vulnerable consumers are less likely to switch current accounts, the increase in vulnerability is a likely driver behind at least some of the decrease in CASS switching volumes in 2020.

We also observe that vulnerable consumers are much more likely to switch to access lower overdraft charges, and hold off switching if they feel they might be rejected as a customer. The reduction in differentiation in overdraft pricing between banks and their limited focus on attracting new consumers during the pandemic is therefore likely to have contributed to the drop in switching by vulnerable consumers.

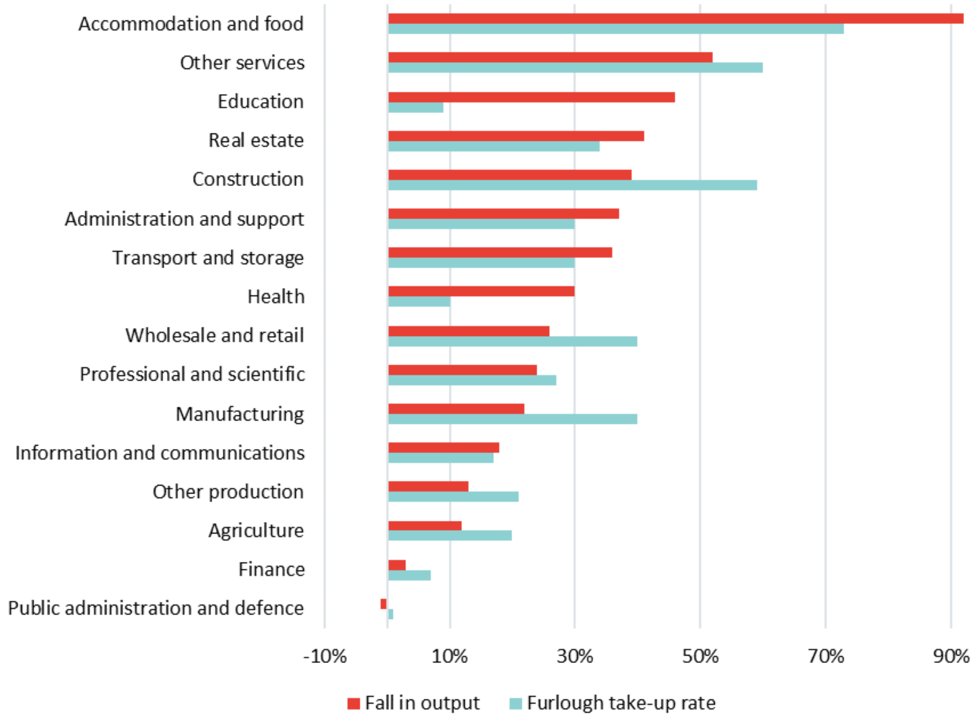
5 IMPACTS ON GIG ECONOMY WORKERS AND BY AGE

The aggregate picture of switching behaviours and Covid-19 impacts encompasses different impacts across particular sub-segments of consumers. In this section we look at switching barriers for two specific segments: gig economy workers, and across age groups.

5.1 Gig economy workers

The fall in income and employment from Covid-19 has not been felt evenly across sectors. Industries that require face-to-face contact, such as hospitality and retail, have been disproportionately affected, as illustrated in Figure 15 below. The fall in economic output for the accommodation and food sectors has been as high as 90% and over two-thirds of employees in these sectors – around 3m workers – have been furloughed. The lockdown measures introduced in November will likely affect consumer-facing sectors like accommodation and food disproportionately.

Figure 15 Fall in output and furlough take-up, by sector



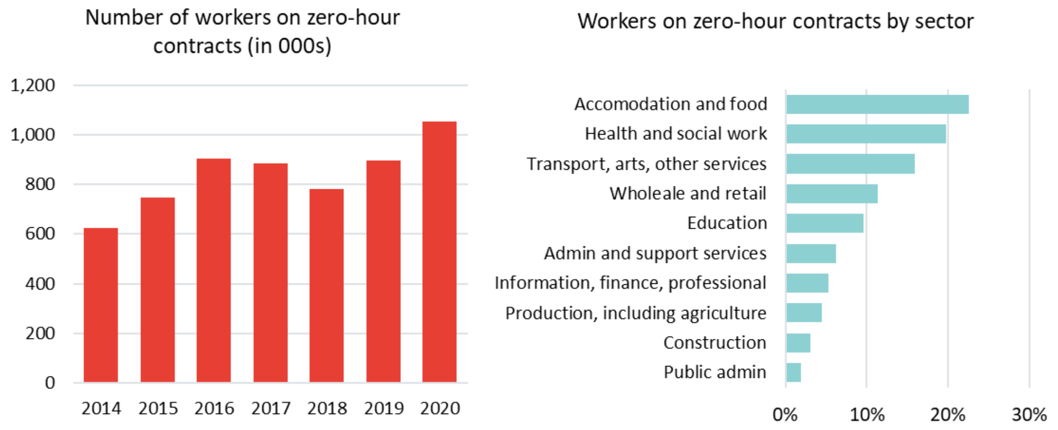
Source: Bank of England analysis of data from ONS and HMRC

Note: (a) Employment furlough is calculated before end of June 2020 as a percentage of eligible employments, (b) Fall in output is calculated as the percentage change between average output in Q4 2019 and the month of May 2020

The future outlook on employment remains gloomy. The Office of Budget Responsibility's (OBR) current set of scenarios suggest a range of 0.6m to 2.7m unemployed workers by next year with much of this unemployment likely to be concentrated in the worst affected sectors.

There has also been an increase in gig economy work during the pandemic, as demonstrated by Figure 16 below. The number of workers on zero-hour contracts in the UK in 2020 was the highest on record, which may reflect a preference for flexible working during uncertain labour market conditions. A large proportion of gig economy workers are employed in consumer-facing sectors such as accommodation and food, health, transport which have been worst affected by the pandemic, supporting the view that employers prefer flexible working in the face of tough economic conditions.

Figure 16 Workers on zero-hour contracts

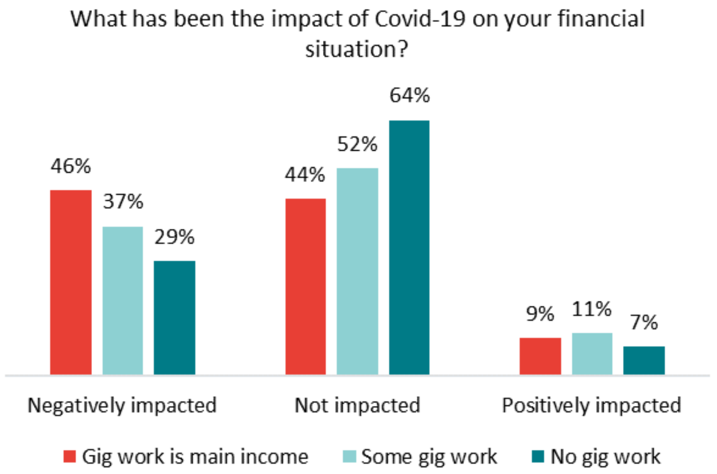


Source: Frontier analysis of ONS data

Despite a rise in aggregate employment level, our research shows that gig economy workers have been the hardest hit financially by the Covid-19 pandemic. Figure 17 below shows that those that earn a higher proportion of their income through gig work are also more likely to have been negatively impacted by the pandemic. 46% of respondents whose main source of income is gig work have been negatively impacted by the pandemic, compared to 37% of those who sometimes do gig work, and only 29% of those that do not do any gig work. The significant negative impact on gig-economy workers may reflect the lower pay or increased uncertainty in finding work they may have faced since the start of the pandemic.

At the same time, not all gig economy workers have been worse off due to the pandemic. Only about half of the respondents whose main source of income is gig work have been negatively affected, while 44% have not been affected and 9% have been impacted positively.

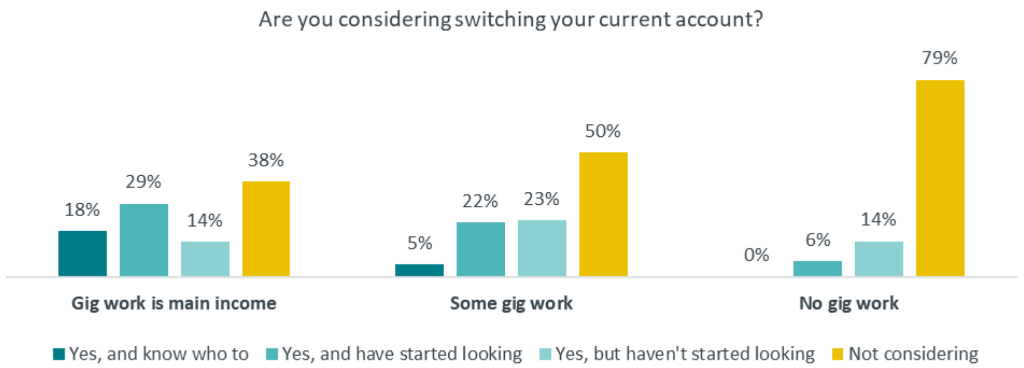
Figure 17 Impact of Covid-19 on gig economy workers



Source: CASS consumer survey conducted as part of this report

Our research shows that gig economy workers are generally more likely to consider switching current accounts than other consumers. 18% of those with gig work as the main source of income are planning to switch and have chosen their new provider, as opposed to 5% of those who do some gig work, and 0% of those who do not do any gig work. Only 38% of those with gig work as the main source of income do not consider switching, compared to 50% of those that do some gig work and 92% of those that do not do gig work.

Figure 18 Proportion of gig workers that consider switching current account



Source: CASS consumer survey conducted as part of this report

Note: Excluding consumers that answered "Don't know"

Figure 19 below shows the barriers to switching current account that are important to gig workers and other groups by employment type. Gig workers and full-time employed consumers are less likely to hold off from switching because they do not see a reason to change or are happy with their current bank. Gig workers are more likely to worry that they might be rejected as a customer or not get the same overdraft than the average person.

Figure 19 Proportion of consumers that consider different barriers to be important for switching accounts, by employment status

	Average	Difference from average			
		Gig workers	Full time employed	Part time employed	Unemployed
No reason to change	*66%*	-6%	-3%	3%	1%
Happy with current bank	*66%*	-7%	-4%	0%	3%
No difference in accounts	*60%*	-2%	-1%	0%	-1%
Too much hassle	*58%*	0%	-1%	6%	3%
Stress of switching	*55%*	1%	1%	2%	1%
Switching process could go wrong	*54%*	-1%	1%	-2%	0%
Financial savings too low	*52%*	2%	1%	-8%	-2%
Too much risk	*51%*	1%	-1%	2%	1%
Security and fraud protection concerns	*50%*	0%	0%	0%	-3%
No time to deal with this right now	*50%*	-1%	2%	4%	-1%
New services offered by current bank	*46%*	2%	-1%	2%	-2%
Might reject me as a customer	*42%*	5%	2%	-3%	5%
It would feel disloyal to current bank	*41%*	-2%	-2%	-4%	1%
Worry I won't get the same overdraft	*41%*	4%	4%	-2%	-3%
Past problems with other banks	*37%*	2%	2%	2%	-3%
Too digital, I prefer the traditional way of banking	*33%*	0%	0%	0%	-1%

Source: CASS Implicit Association Test conducted as part of this report

Note: Figures demonstrate the relative difference between options, not the absolute importance of factors – respondents were asked to choose between 2 options

IMPACTS ON GIG ECONOMY WORKERS: SUMMARY

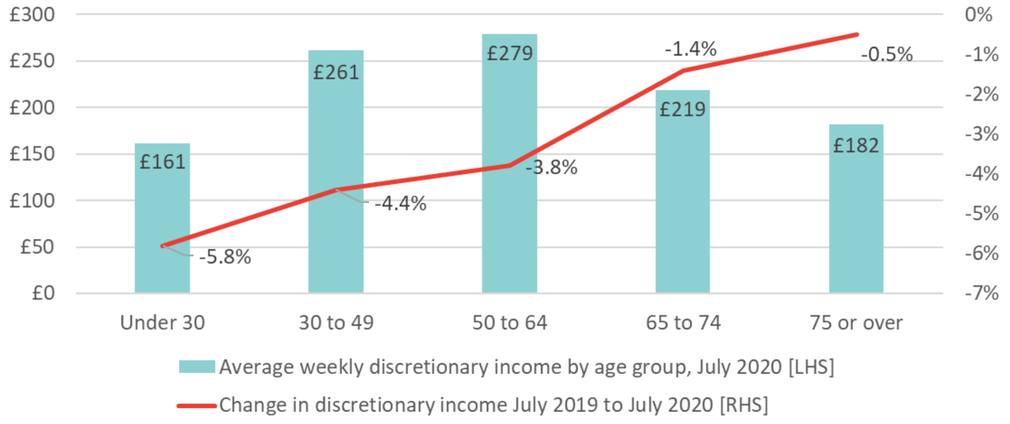
Gig economy workers have been hit disproportionally hard by the Covid-19 pandemic compared to other groups of consumers. 46% of those whose main source is gig work have been negatively impacted by the pandemic, compared to just 29% of workers who do no gig work.

Our research shows that gig economy workers are considerably more likely to consider switching accounts than other groups. But they face different barriers when considering switching than other consumers. Gig economy workers are much more likely to see being rejected as a consumer or not getting the same overdraft facility as the key barriers to switching than the average consumer.

5.2 Age

Age is an important factor for engagement with the financial services market. As Figure 20 below shows, incomes are the lowest for the youngest and the oldest consumer groups and peak at age 50 to 64. The impact of the Covid-19 pandemic has been felt disproportionally by young people. Weekly discretionary income was down 5.8% for under 30s in July 2020, compared to 3.8% for 50-64 year olds, and just 0.5% for 75+ year olds.

Figure 20 Discretionary weekly income and annual change in the UK, by age group



Source: Source: ASDA income tracker

Our research finds that attitudes towards the future outlook differ greatly depending on age. Figure 21 below compares the differences in associations with the future outlook between different groups.

- People aged 35-45 are the most likely to feel positive about the future, associating words like “openness”, “motivation” and “confidence” with their outlook. Those aged 46-59 feel considerably less positive about their outlook and chose “openness”, “motivation” and “success” much less frequently than other groups.
- Young people are however much more likely to feel negative associations with their future. 18-34 year olds were much more likely to choose “anxiety”, “risk” and “fear” to describe their outlook than other groups. 35-45 year olds associate the future with “risk” less than other groups, and 60-85 year olds feel less “fear” than others.

Figure 21 Associations towards the future outlook, by age group

	Average	**Difference from average**			
		18-34	**35-45**	**46-59**	**60-85**
Positive associations					
Hopeful	72%	-1%	2%	-5%	5%
Curiosity	71%	2%	3%	-5%	-1%
Openness	66%	0%	5%	-8%	4%
Motivation	64%	3%	4%	-7%	0%
Success	60%	5%	3%	-8%	0%
Confidence	59%	-1%	4%	-4%	2%
Negative associations					
Anxiety	56%	8%	-3%	-1%	-3%
Risk	51%	9%	-5%	-2%	-2%
Fear	50%	7%	-3%	0%	-4%

Source: CASS Implicit Association Test conducted as part of this report

Note: Figures demonstrate the absolute difference between options, respondents were asked whether they associate each word with their future outlook or not

Figure 22 below shows how different age groups view current account switching. There is a clear link between age and likelihood of feeling negative about switching. 18-34 year olds are 10% more likely to find switching “confusing” and 9% more likely to find it “hard work” and “risky”. At the other end of the spectrum, 60-85 year olds are 11% less likely to find it “time consuming”, “hard work”, “complicated” or “stressful”.

Figure 22 Associations with switching current accounts, by age group

	Average	Difference from average			
		18-34	35-45	46-59	60-85
Positive associations					
Beneficial	*67%*	3%	0%	-3%	0%
Money saving	*66%*	3%	1%	-2%	-2%
In control	*64%*	-4%	0%	-2%	6%
Worthwhile	*64%*	0%	3%	-3%	0%
Rewarding	*62%*	2%	0%	-3%	0%
Easy	*58%*	-6%	-2%	0%	7%
Satisfying	*58%*	-1%	3%	-4%	2%
Quick	*55%*	-5%	-4%	-2%	10%
Guided	*54%*	-2%	-1%	2%	1%
Reassured	*53%*	-6%	-2%	2%	6%
Exciting	*46%*	8%	4%	-5%	-6%
Negative associations					
Time consuming	*56%*	8%	7%	-3%	-11%
Hard work	*52%*	9%	6%	-4%	-11%
Complicated	*49%*	5%	7%	-1%	-11%
Stressful	*48%*	8%	5%	-2%	-11%
Confusing	*43%*	10%	3%	-5%	-8%
Risky	*39%*	9%	1%	-1%	-9%
Pressured	*32%*	5%	4%	-1%	-7%

Source: *CASS Implicit Association Test conducted as part of this report*

Note: *Figures demonstrate the absolute difference between options, respondents were asked whether they associate each word with current account switching or not*

Our research also finds differences in the drivers that are important for different age groups. The preferences of the youngest and the oldest consumer groups are the most different from the average. This is summarised in Figure 23 below. For the 18-34 group, freebies, better mobile app and lower overdraft charges are more important than for other age groups. They are less likely to be driven by ease of switch and trust in the new bank. The pattern is the opposite for 60-85 year olds. They value freebies, mobile apps and low overdraft charges significantly less than other groups. For this age group, branch access is particularly important, as is the ease of switch and trust in the new bank.

Figure 23 Proportion of consumers that consider different drivers to be important for switching accounts, by age group

	Average	Difference from average			
		18-34	35-45	46-59	60-85
Cash rewards	76%	-1%	2%	0%	-1%
Cashback	70%	-4%	0%	3%	1%
Better interest rates	68%	-3%	-4%	1%	5%
Better product deals	57%	1%	-2%	0%	1%
Ease of switch	57%	-6%	-1%	1%	6%
Better customer service	57%	-1%	-4%	-1%	5%
Trust in new bank	55%	-7%	-1%	1%	7%
Freebies	50%	9%	1%	-1%	-9%
Better mobile app	49%	5%	7%	0%	-12%
Lower overdraft charges	44%	5%	3%	-1%	-6%
Better website	44%	-4%	0%	1%	3%
New services offered by other banks	42%	1%	0%	-1%	0%
Better branch access	41%	-4%	-3%	-1%	8%
Recommendation from family or friends	39%	4%	1%	-2%	-3%
Bad experience with current bank	30%	2%	-3%	4%	-4%
Following recent advertising	21%	3%	0%	-3%	0%

Source: CASS Implicit Association Test conducted as part of this report

Note: Figures demonstrate the relative difference between options, not the absolute importance of factors – respondents were asked to choose between 2 options

IMPACTS BY AGE: SUMMARY

The financial impact of the Covid-19 pandemic has been the greatest for young people. The average weekly discretionary income is 5.8% lower for under 30s in 2020 than it was in 2019. Young people are also much more likely to feel negative associations with the future such as “anxiety”, “risk” and “fear” than other age groups do.

18-34 year olds are also more likely to have negative associations with current account switching, for example “confusing” and “hard work” than other age groups. When they do consider switching, young people find freebies, mobile app and low overdraft charges to be particularly important drivers.

6 SME IMPACTS

Compared to February 2020, switching among small businesses has fallen by around 60% on average over the course of the rest of the year. Small businesses have been disproportionately affected by the pandemic and report having faced greater difficulties in accessing government support schemes. However, given the outsized contribution that SMEs make to the UK economy (over 95% of all businesses in the UK are classified as SMEs and collectively employ over 40% of the workforce), differences in how various types of SMEs have been affected by Covid-19, and how their attitudes towards switching have evolved, are to be expected.

Overall, small and medium enterprises are particularly exposed to extended periods of depressed economic activity: by the end of July 2020, over 95% of the furlough claims were made by companies with less than 50 employees.[38] SMEs have also relied heavily on the emergency loan schemes offered by the government and will find themselves in significant debt as the support schemes are removed.

6.1 SME switching drivers

Data from the CASS monthly tracker gives insight into SME attitudes towards switching. SMEs are as aware of CASS as individuals, and more likely to consider switching. Awareness of CASS among both SMEs and consumers has averaged 80% over the last few years, but 41% of SMEs stated that they were actively considering switching in August compared to only 15% of consumers who considered switching. This indicates that switching might be more important in a business context than in personal capacity.

A YouGov survey of over 2,000 SMEs from February 2020 suggests the key reasons why SMEs stay with their current providers and the factors they consider when switching accounts: having a prior relationship with their bank is the most common reason for staying with their current provider, which indicates that loyalty plays an important role. Having no monthly fee, easy branch access and good digital services are other common reasons for staying with an existing provider.

Figure 24 below shows the most important factors that drive switching for SMEs. When looking for a new provider, the key considerations by SMEs involve an assessment of product features (e.g. low charges for account or overdrafts, good interest rates) or services on offer (e.g. digital offering, access to a relationship manager).

[38] https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-september-2020

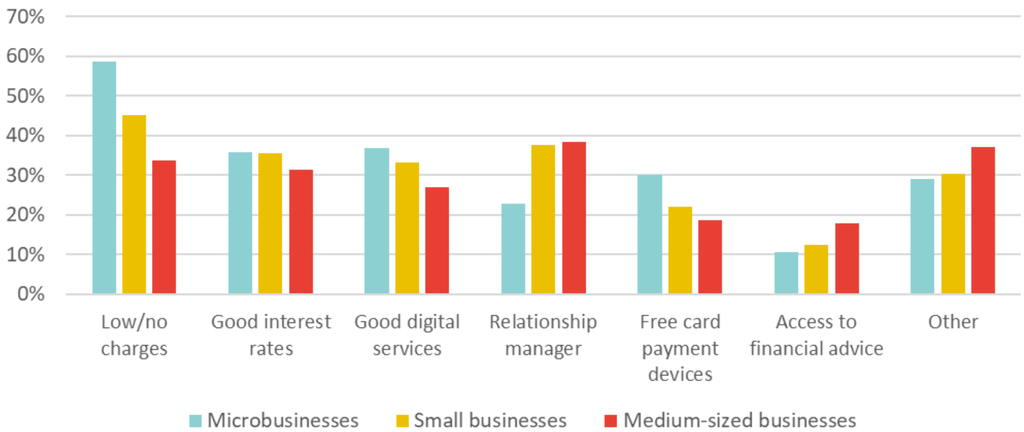
Figure 24 Proportion of SMEs for which each factor would be important when considering to switch bank accounts

Source: Frontier analysis of YouGov data (Feb 2020)

As with barriers to switching, there are some differences in priorities across SMEs. Figure 25 below illustrates the differences by SME size: microbusinesses (fewer than 10 employees), small businesses (10 to 49 employees) and medium-sized businesses (50 to 249 employees).

Microbusinesses are more likely to be tempted by low charges (59% compared to 45% and 34% for small and medium-sized businesses) and free card payment devices (30% compared to 22% and 19% for small and medium-sized businesses) when choosing a new provider. For larger SMEs, the availability of a relationship manager (38% for small and medium-sized SMEs compared to 23% for microbusinesses) and good turnover limits (11% for small and 15% for medium-sized SMEs compared to 6% for microbusinesses) are relatively more important.

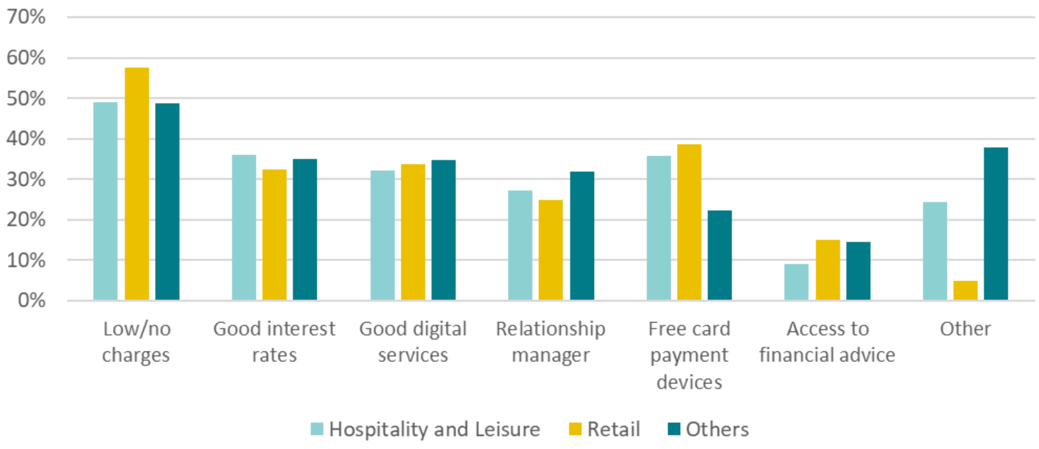
Figure 25 Proportion of SMEs for which each factor would be important when considering to switch bank accounts, by size of SME



Source: Frontier analysis of YouGov data (Feb 2020)

Looking across sectors, for SMEs in the Hospitality and Leisure and Retail sectors the offer of free card payment devices is a significantly more important driver compared to other sectors (39% for Hospitality and Leisure, 36% for Retail compared to 22% elsewhere) and access to a relationship manager is much less important (25% and 27% compared to 32% in other sectors).

Figure 26 Proportion of SMEs for which each factor would be important when considering to switch bank accounts, by sector



Source: Frontier analysis of YouGov data (Feb 2020)

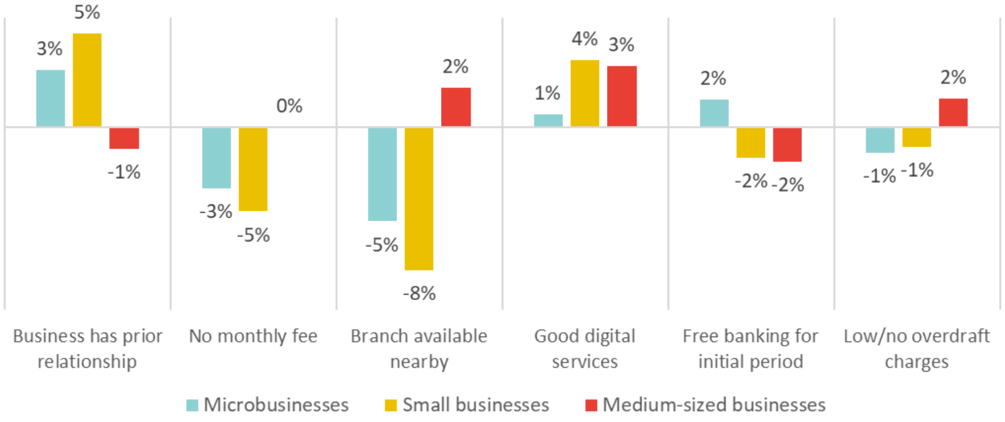
6.2 Covid-19 impact on SME switching

Comparing the results from February 2020 to a subsequent YouGov survey of business banking consumers from September 2020 provides insight into how these SME switching drivers have changed between February and September.

The main barriers to switching remain the same as before the Covid-19 pandemic, but their relative importance has changed depending on the size of the SME. This is illustrated in Figure 27 below.

- The importance of branch availability has decreased for smaller businesses: 5 percentage points fewer microbusinesses and 8 percentage points fewer small businesses that before the pandemic said that this was an important reason for staying with their current bank. This finding is consistent with the changes in mobility patterns across the economy during the pandemic.
- In line with the greater use of digital channels over the last several months, availability of digital services became increasingly important for all SMEs – but in particular for small and medium-sized businesses (up 4 percentage points and 3 percentage points respectively).
- For small and microbusinesses, having a prior relationship has gained in importance, perhaps reflecting the increased support many required during the Covid-19 crisis.

Figure 27 The change in proportion of SMEs for which this is an important factor for being with their current provider, by SME size (in percentage points)



Source: Frontier analysis of YouGov data

Figure 28 below summarises the impact of Covid-19 on SME switching barriers by sector. In both the Hospitality and Leisure and Retail sectors prior relationship with the provider have become significantly more important (up 10 and 5 percentage points respectively). This is likely to be a result of the increased support required by many of these businesses during the pandemic.

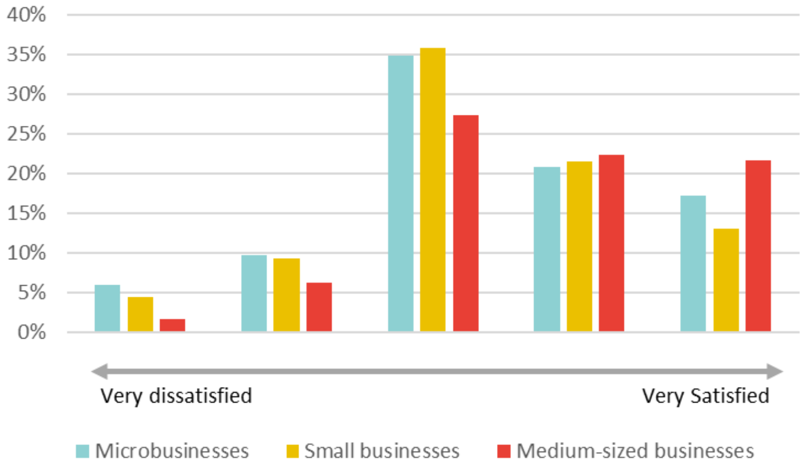
While SMEs in the Retail section reported branch presence as 12 percentage points less important than before, SMEs in the Hospitality and Leisure sector actually considered it to be 6 percentage points more important.

Figure 28 The change in proportion of SMEs for which this is an important factor for being with their current provider, by sector (in percentage points)

Source: Frontier analysis of YouGov data

SMEs generally reported a medium-to-high level of satisfaction with the support that they have received from their current account provider during the Covid-19 pandemic, as shown in Figure 29 below. Satisfaction was highest among medium-sized businesses and lowest among microbusinesses. Satisfaction with their current provider can act as a barrier to switching, which is consistent with the trends in CASS data.

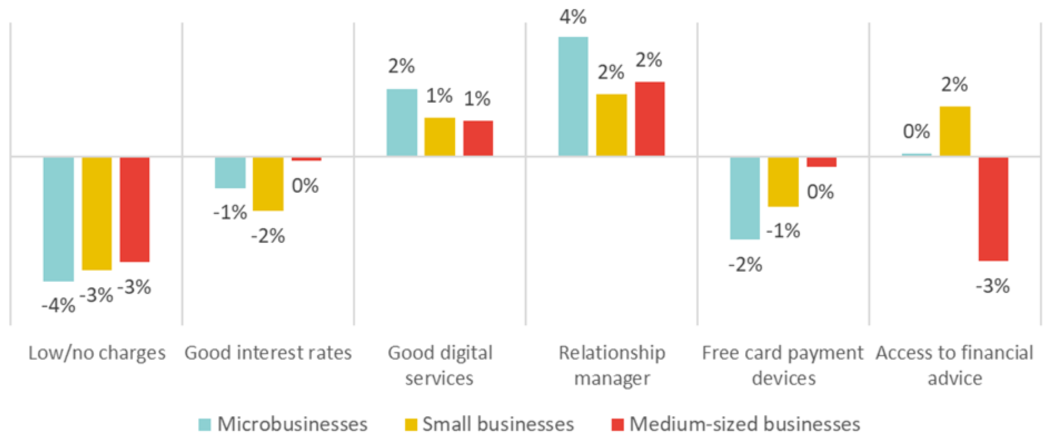
Figure 29 SME satisfaction with support offered by their current account provider, by SME size



Source: Frontier analysis of YouGov data (Sep 2020)

The Covid-19 impact of drivers of switching for SMEs has been consistent across different sizes of SMEs, as summarised in Figure 30 below. SMEs of all sizes increasingly look for good digital services and access to a relationship manager when considering switching. Despite the financial difficulties that many businesses have experienced as a result of the pandemic, low charges have become a less important factor for SMEs when consider switching.

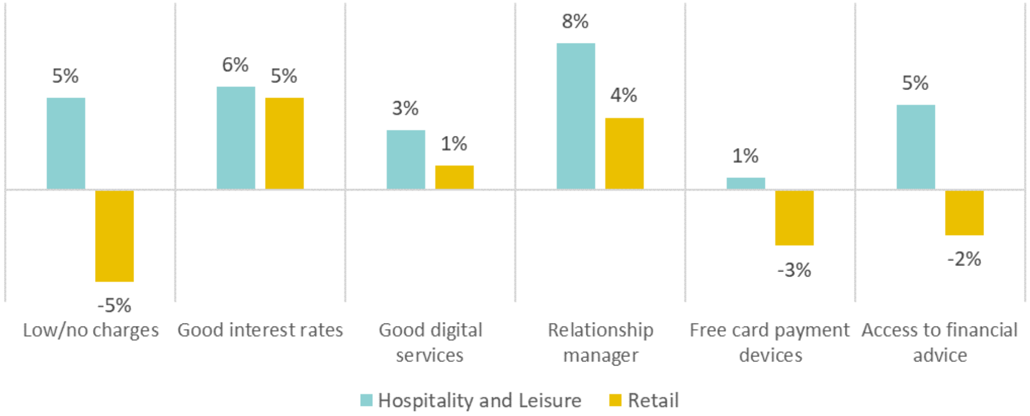
Figure 30 The change in proportion of SMEs for which this is an important factor for switching provider, by SME size (in percentage points)



Source: Frontier analysis of YouGov data

Access to a relationship manager has become especially important to SMEs in the Hospitality and Leisure sector (up 8 percentage points). SMEs in both Hospitality and Leisure and Retail industries are placing additional importance on interest rates when considering switching – likely reflecting the increased need for borrowing in these sectors that have been most affected by Covid-19.

Figure 31 The change in proportion of SMEs for which this is an important factor for switching provider, by sector (in percentage points)



Source: Frontier analysis of YouGov data

SME IMPACTS: SUMMARY

The main factors that drive SME switching are product features (e.g. low charges for account or overdrafts, good interest rates) and services (e.g. digital offering, access to a relationship manager). For smaller SMEs (microbusinesses), low charges and free card payment devices are more important than for other SMEs when considering switching. For larger SMEs, the availability of a relationship manager and good turnover limits are relatively more important.

Since the start of the Covid-19 pandemic, having access to a relationship manager and good digital features have become relatively more important considerations for switching, and access to a branch nearby has become less important. Smaller SMEs were less likely to be satisfied with the support provided by their bank during the pandemic than larger SMEs.

7 CONCLUSIONS AND IMPLICATIONS

7.1 Overall summary of findings

Switching is one part of a larger financial context for individuals and businesses. The considerations that feed into the decision to switch have a critical impact on switching rates, and it is important to understand the factors consumers and businesses take into account in making the decision to switch accounts or remain with their provider.

In this report we combine existing literature, public material and our own primary research to understand how the Covid-19 pandemic has affected switching attitudes and behaviours. The evidence from these sources paints a consistent overall picture:

- Consumer awareness of CASS has remained high, and attitudes towards CASS and how easy the switching process is expected to be have also held up remarkably well over the course of the pandemic. We **do not find evidence suggesting increased concerns over the switching process itself have acted as a driver of the lower levels of switching** observed.
- When considering **supply side factors**, the majority of switching rewards and bonuses were withdrawn towards the start of the year, with some reintroduction thereafter. This pattern is remarkably consistent with the pattern of switching activity overall, and with attitudinal evidence that suggests switching rewards are an important consideration for consumers. The **availability and value of switching rewards appears to be a strong explanatory factor** for the different levels of switching.
- Consumer **vulnerability** has increased significantly over the course of the year, as many people have lost income, jobs and businesses, and suffered from poor mental and physical health. Vulnerable consumers have been shown in previous research to be less likely to shop around and switch accounts, and our new behavioural research supports this: vulnerable groups are much more likely to hold negatively views of switching, compared to other groups. The **increase in vulnerability over the course of 2020 is likely to have been a driver of the lower switching levels** observed.
- In particular, the research suggests that **overdraft availability and pricing remain an important factor** for switching. Overdraft pricing is now less varied following introduction of the FCA’s pricing remedies, meaning it may be harder for providers to differentiate their product offering. In addition, concerns over eligibility with new providers remains an important barrier, consistent with increased levels of uncertainty and a worsening financial position for many.
- The research suggests that the main **attitudinal reasons** why consumers do not switch remain satisfaction with their current provider and not seeing a reason to switch. This might be increasingly relevant in a global pandemic where a large proportion of consumers will have other more immediate concerns than switching current accounts. Beyond this, the research highlights the **importance of digital functionality, and (for SMEs) the importance of building relationships with consumers i.e. trust**. While these have always

been important, the pandemic may have accelerated existing trends towards digital services, lowering the impact of physical branches as a possible switching driver.

We also explore attitudes and behaviours for specific segments of the economy. The research suggests that consumers who work in the gig-economy and/or are younger, and consumer-facing sectors have been disproportionately affected by the pandemic, and show different behaviours in relation to switching.

- **Gig economy workers** have seen a significant negative impact on their financial position. While they are considerably more likely to consider switching accounts than other workers, they are also more likely to see being rejected as a consumer or not getting the same overdraft facility as the key barriers to switching than the average consumer.
- **Younger age groups** (under 30s) have experienced the largest percentage fall in income due to Covid-19. They also have a more pessimistic view of the future and are more likely to have negative associations with CASS relative to other groups. The research suggests lower overdraft charges and good digital features are the key drivers of switching for young consumers.
- **SMEs** have seen disproportionately large falls in output and employment during the pandemic. They are more likely than consumers to consider switching and view price and product features such as low charges, good interest rates and digital services as the key drivers to switch. Since the start of the pandemic, SMEs reported that having access to a relationship manager and good digital features have become relatively more important considerations for them.
- For **microbusinesses** and businesses in the most badly affected sectors such as **Hospitality and Leisure or Retail,** low charges and free payment card devices are the key drivers of switching. Since the start of the pandemic, Hospitality and Leisure and Retail businesses are placing additional importance on interest rates when considering switching – likely reflecting the increased need for borrowing in these sectors that have been most affected by Covid-19. Access to a relationship manager has also become more important, perhaps reflecting the increased support required by many SMEs during the pandemic. Microbusinesses were less satisfied with the support they received during the pandemic than larger SMEs.

7.2 Implications

The extent to which the trends in the drivers of switching will persist is of course uncertain, and will be highly dependent on the course of the pandemic: how long it takes for the spread of the virus to be contained, how deeply various sectors of the economy are affected, and the behavioural responses of individuals and businesses as the economy returns to the “new normal”. However, there are some reasonable assumptions that can be made, based on the findings of this research.

Supply side factors partly drive switching levels, and as shown in the year to date these can be turned on and off relatively quickly. Once providers are confident and willing to re-introduce switching incentives (beyond the levels already reintroduced), this may feed through to higher levels of switching relatively quickly.

The timing of this is likely to depend on the resilience of the banking sector in the medium term, driven by the macroeconomic strength of the economy.

Levels of consumer vulnerability, on the other hand, are likely to take longer to reduce: the economic impacts of the pandemic (including on jobs, incomes and mental health) will take several years to play out through various sectors of the economy, and the position may deteriorate from today before things start to get better. Even once the virus is being effectively managed, it may take several years for consumer vulnerability to return to pre-2020 levels.

The differences in attitudes between groups have important lessons for regulators and industry bodies including CASS in designing mechanisms to promote current account switching, and indeed for providers seeking to attract switchers and maintain their existing customer bases. For example:

- The importance of digital services continues to be very important for all customers, as does trust and customer understanding (relationships). 2020 appears to have accelerated existing trends in this direction.
- Worries over overdraft eligibility appear particularly important, which may point to targeted consumer engagement strategies (or advertising campaigns) on this point.
- Consumer groups that are more likely to hold negative associations with switching, such as vulnerable consumers and younger people may benefit from additional support or focussed engagement strategies to break down these negative perceptions, and potentially with targeted rewards to prompt switching.
- Placing greater emphasis on the factors that are increasingly important to SMEs in a post-Covid-19 world, such as access to relationship managers and good digital features might increase engagement and promote switching for business current accounts.

Overall, by recognising the differences in switching attitudes across the consumer groups, stakeholders will be better equipped to ensure that all consumer groups get the support they need. Given the large variation in the way Covid-19 has affected different groups, and the uncertainties that remain in how the pandemic will play out, identifying and targeting support, interventions and remedies at most affected groups would appear to be a sensible strategy.

ANNEX A METHODOLOGY FOR SURVEY AND IMPLICIT ASSOCIATION TEST (IAT)

A.1 Sample

1000 participants took part in this research. All participants lived in the UK and efforts were made to make the sample as nationally representative of the UK population as possible in terms of things like age, gender and location.

Recent current account switchers were a key demographic of interest for this research. The incidence rate among the UK population of these recent switchers is relatively low - especially in the current climate as a result of the recent pandemic - because of this, it was agreed that the recent current account switchers would make up roughly 30% of the overall sample. Of the recent current account switchers in the final sample, 57% had switched in the last 12 months, with the remainder having switched at some point in the last three years.

The **financially vulnerable** were another demographic group of interest. It was, however, unfeasible to target this group directly (alongside the recent current account switchers), which was why the decision was made to collect a broad sample of 1000 participants. This was done with the expectation that, from the overall sample, a significant number (enough to produce valid data splits) of these would naturally fall within the financially vulnerable category. Participants were treated as financially vulnerable if they agreed with at least one of the five statements used by CASS as a method of identifying financial vulnerability. Of the final sample, 55% ended up being treated as financially vulnerable based on the method just described.

Other demographic groups identified from the sample through survey questions were those who had been **financially affected by the pandemic**, **gig economy workers** and **high-overdraft users**.

A.2 Survey Questions Methodology

Participants' responses in this test were collected in two forms - **the time-pressured IAT** and more **traditional survey type questions**. Participants typically responded to the survey questions by selecting their responses from a list of available options to a question. For some questions, participants were allowed to select just one option and for others multiple options were available to be selected.

To begin the test, participants first completed a series of survey style questions which looked to gather demographic data that would later be used as points of comparison for the results of the IAT. Quotas were put in place to ensure that we were collecting a balanced sample (in terms of gender, age etc) and that at least 30% of respondents were recent current account switchers.

The rest of the test was a mixture of survey questions and IAT methodology. Each section of the test was typically introduced to participants through a range of survey questions around the area of interest, following this participants would then complete an IAT before moving on to the next section. The sections of this research can be broken down into five areas: emotions towards switching accounts, barriers to switching accounts, motivators to switching accounts, associations with CASS and post-pandemic impacts and attitudes towards switching accounts.

A.3 IAT Methodology

After completing a series of demographic questions in survey format, participants completed the first IAT of the study. This first test looked to uncover the **emotions that are most strongly associated with switching current accounts**. Participants were asked to think about the types of feelings they may experience when switching accounts. They were then shown an association word or short phrase - they were then asked to indicate, as quickly as possible, whether they thought the association word fit with their view on switching current accounts.

Following this test, participants completed another IAT which looked to **understand the different barriers and motivators involved in switching current accounts**. Two barriers or motivators were pitched against each other - participants were then asked to decide, as quickly as possible, which motivator/barrier they felt was more important to them when switching current accounts.

After completing the previous tests which focused on the emotions and reasons behind why someone might switch current accounts, the next IAT tested the **associations towards CASS as a service and brand**. Participants were shown a description of CASS and the service it provides - participants then completed a time-pressured associations test on CASS based on the description they had just read. Participants were shown CASS alongside an association word or short-phrase, they were then asked to indicate whether or not they thought the association word fit with their view of CASS.

The final IAT involved in this research was one that looked to gather participants' **implicit feelings towards the future and the post-pandemic world**. Participants were asked to think about what they thought the future might have in-store for them - they were then shown a series of association words and were asked to indicate, as quickly as possible, if they thought the word fit with their view of the future well or not.

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