

26th November 2020

Young people wading in sea of debt as they bear the brunt of COVID-19

Consumer data released today by the **Consumer Policy Research Centre (CPRC)** reveals growing proportion of young Australians left vulnerable as they face a future of mounting debt due to the lasting impact of COVID-19. After 6 months of steep financial challenges, many young consumers have turned to unsustainable practices to get by, including a growing reliance on loans and credit card/buy-now-pay-later services, borrowing from family and friends, and drawing down on limited available capital. The numbers of young people seeking payment assistance and missing basic household bill payments are on the rise.

- 1 in 10 young people reported taking out a personal loan in October, rising significantly from just 1 in 50 in May.
- At the same time, 1 in 5 young people reported borrowing from family and friends to manage basic household expenses in October, a significant increase from 1 in 8 in May.
- A significant jump in young people missing basic household bill payments such as energy, telco, insurance, credit and rent was recorded in October, and at rates two to three times the general population.
- When it comes to personal loans and outstanding credit, the proportion of young people now seeking payment assistance or missing payments with credit or loan providers has risen dramatically from 2% and 1% in May to 14% and 11% in October respectively.
- Consumers with disability and renters have also been more reliant on credit and buy-now-pay-later since the start of CPRC's survey (26% and 24% in May), gradually climbing each month to now more than a third for both groups in October (36%).

Although incredible challenges have been faced by consumers of all ages, the survey has shed light on the growing vulnerability of certain groups, particularly young people and those living with disability being hit by a wave of debt.

Despite economies reopening and rebuilding, among younger consumers there have been concerning spikes in payment assistance, missed payments and refinancing activity in October. Missed household bill payments have been on the rise across almost all sectors, with 12% missing a telco payment, 12% missing a rental payment and 11% now missing a credit/loan repayment.

Media Release



October data also saw a significant jump in young people seeking payment assistance from a credit or loan provider (14%) or refinancing with another provider (11%).

“We can clearly see that young Australians are exhausting all available options to make ends meet. Spikes are being recorded in the numbers of young people taking out new personal loans, those seeking payment assistance and missing household bill payments.” said CPRC CEO Lauren Solomon. *“With 1 in every 5 young Australians now borrowing from family and friends just to meet basic household expenses we’re deeply concerned about growing risks disproportionately impacting this cohort”.*

Among renters and consumers living with a disability, reliance on credit cards and BNPL services is also more prevalent. Early access to super is also elevated among renters and young people, peaking at nearly 1 in 5 renters in September.

As supports such as JobKeeper and JobSeeker taper off in the coming months, the data highlights the risks posed by proposed changes to wind back responsible lending laws, exposing many vulnerable consumers to unsustainable lending practices.

“As the economy rebuilds, it is crucial that vulnerable parts of our community are not pushed further behind after being left stranded without adequate income support and protections from exploitative lending practices. Young people particularly are at high risk of drowning in debt, from which it may take a lifetime to recover.” said CPRC CEO Lauren Solomon. *“A consumer-led recovery that is fair, safe and inclusive will build a more resilient economy and community coming out the other side of this crisis.”*

CPRC have signed onto an Open Letter along with over 120 other community organisations calling on parliamentarians to block proposed changes to responsible lending laws:

<https://debtdisaster.consumeraction.org.au/>

CPRC’s research initiative ***Consumers and COVID-19: from crisis to recovery*** collected and analysed the experiences, behaviours, expectations and challenges of Australians throughout the COVID-19 pandemic with monthly quantitative surveys conducted by Roy Morgan Research from May to October.

To download the full report and monthly briefings go to: <https://cprc.org.au/consumers-and-covid-19-from-crisis-to-recovery/>

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Consumer Policy Research Centre CEO, Lauren Solomon is available for interview on request.

For more information:

Please contact Darren Saffin 0411 089 209 or Jodie Artis 0414 699 186 at Progressive PR for interviews or further data sets.