COVID-19 AND CONSUMERS:
SECTOR SCORECARD

SEPTEMBER 2021

Consumer
Policy Research
Centre

The Consumer Policy Research Centre (CPRC) is an independent, non-profit, consumer think-tank established by the Victorian Government in 2016.

CPRC aims to create fairer, safer and inclusive markets by undertaking research and working with leading regulators, policymakers, businesses, academics and community advocates.

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STATEMENT OF RECOGNITION
CPRC acknowledges the Traditional Custodians of the lands and waters throughout Australia. We pay our respect to Elders, past, present and emerging, acknowledging their continuing relationship to land and the ongoing living cultures of Aboriginal and Torres Strait Islander Peoples across Australia.

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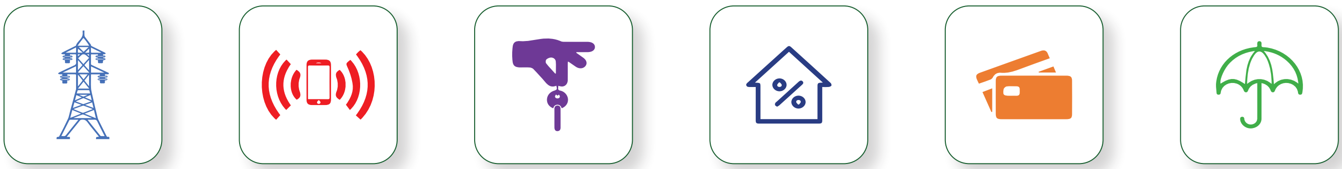
UNDERSTANDING THE SECTOR SCORECARD

The Sector Scorecard measures the experiences of consumers between May and December 2020 across key Australian services markets. Sectors measured by the Scorecard include mortgage providers; private rental providers; residential energy providers; telecommunication providers (internet, mobile or landline); credit and personal finance providers (credit cards, personal loans, buy now pay later), and; insurance providers.



ENERGY PROVIDERS

TELECCOMUNICATION PROVERS

PRIVATE RENTAL PROVIDERS

MORTGAGE PROVIDERS

CREDIT/FINANCE PROVIDERS

INSURANCE PROVIDERS

The Scorecard has been developed from the experiences of consumers who reported an interaction with their provider in the four weeks before they answered CPRC's COVID-19 survey, totalling 6,968 respondents of the 11,784 surveyed from May to December 2020. Through statistical modelling, survey responses (key behaviours, perceptions and actions) were aggregated and standardised into categories of consumer experience to better reflect the cumulative impacts with different providers. These scores were sensitive to both the incidence of consumer experiences (as in the proportion of consumers reporting experiences) and the cumulative experience (as in how many experiences were reported by consumers).

The scorecard addresses five key aspects of consumer's experience with different service providers, as captured through CPRC's COVID-19 survey:

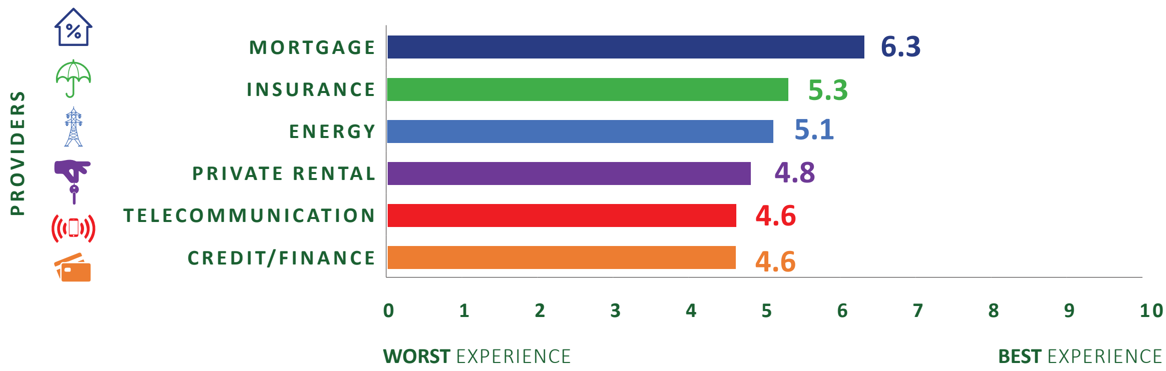
1. **Supportive Provider Practices** score was based on whether providers reached out to offer payment assistance, help to access concessions, waived fees or charges or reduce the cost of service – as reported by consumers. A higher score reflects **more** support offered by providers.
2. **Negative Provider Practices** score based on whether providers increased cost of service, engaged in cold-calling or made unsolicited pressure-sales, issued payment ultimatums, engaged debt collection services, or disconnected services or evicted consumers. A higher score reflects **less** negative practices.
3. **Fair and Transparent information** score was based on whether information provided was misleading, or the terms and conditions in contract/agreements with providers was seen as unfair. A higher score reflects **less** consumers reporting misleading information or unfair contracts.
4. **Helpful Advice and Customer Service** score was based on the extent of helpful advice/information consumers received about managing usage/payments. A higher score reflects **more** helpful staff and helpful information.
5. **User Experience and Accessibility** score was based on whether consumers reported difficulty navigating a website/phone system, difficulty understanding how to contact a provider, or experienced long wait times. A higher score reflects **less** reports of these issues.

Scores below 5 (out of 10) indicate **poor** experiences for this sector compared to all sectors included in the study, and scores above 5 (out of 10) indicate **better** experiences in a sector compared to all sectors included in the study.[1]

1 Scores for each sector or consumer experience should be read in conjunction with the other scores because they are plotted along a distribution around an average score of 5. A low score in one sector is balanced by either a high score in another sector, or similar scores across all sectors.

BEST AND WORST SECTORS SUPPORTING CONSUMERS DURING COVID-19 IN 2020 – AT A GLANCE

The mortgage sector recorded the best overall experience reported by consumers with an overall score of 6.3 out of 10, indicating consumers reported far better experiences and outcomes during May - December relative to other sectors.



Mortgage providers performed best across all five consumer experience categories: ranking first across ***all* categories** in the scorecard.

Insurance ranked second overal (5.3), only slightly better than other sectors. Insurance providers ranked second best for **user experience and accessibility** (6.2), **supportive provider practices** (5.6) and **transparency** (5.5).

The **energy** sector ranked third overall with a balanced score (5.1). Energy providers registered balanced scores across each category as well.

The **rental** sector was ranked fourth with a score of 4.8 – a score just below 5 indicating slightly worse consumer outcomes compared with other sectors. Rental providers scored higher than other sectors for **user experience and accessibility** (5.7). However, rental providers registered lower scores for **support provided** (4.5), were ranked last for **fairness and transparency** of rental agreements and misleading information (4.4) and last for **helpful advice and customer service** (3.3).

The **telecommunications** and **credit and personal finance** sectors came in as worst performers overall, with scores around 4.6 – indicating the most negative consumer experiences and outcomes over the period.

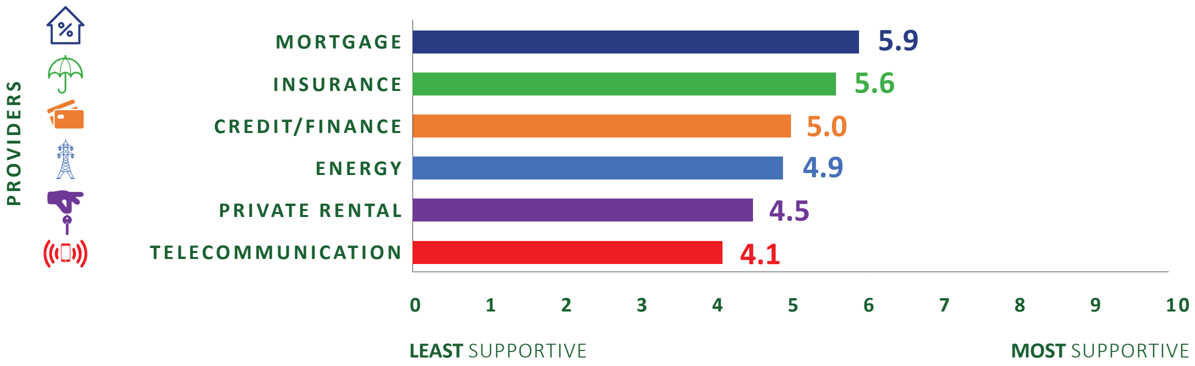
- **Telecommunications** providers were ranked last for **user experience and accessibility** (2.8) – the lowest recorded category score in the scorecard. **Telecommunications** providers were also ranked last for **supportive provider practices** (4.1), and second last for **helpful advice and customer service** (3.8). However, consumers also reported less **negative provider practices** than most other sectors, with a score of (5.6).
- **Credit and personal finance** ranked last for **negative provider practices** (4.0), second worst for **fairness and transparency** (4.6) and **user experience and accessibility** (4.7).

1

ASSISTANCE AND SUPPORT

Which sectors offered the most assistance and support to consumers?

SUPPORTIVE PROVIDER PRACTICES



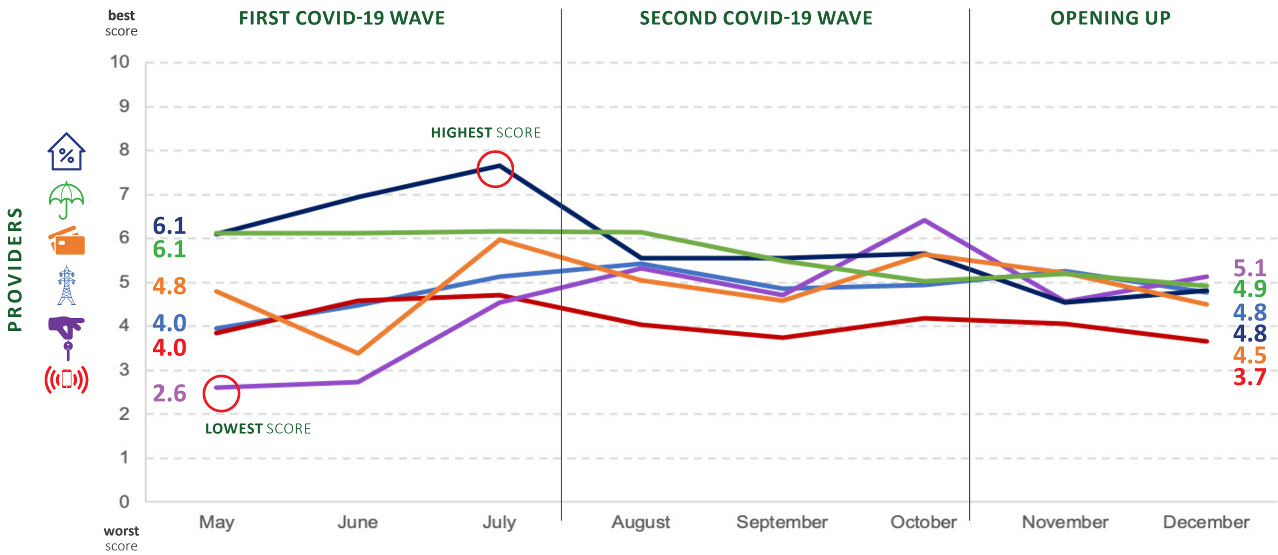
The **Supportive Provider Practices** score was based on whether providers:

- reached out to offer payment assistance
- helped consumers access concessions
- waived fees or charges, or
- reduced the cost-of-service.

Overall, consumers reported **mortgage** providers offered the most assistance and support (score of 5.9).

The **telecommunications** sector was ranked last in providing support to consumers (score of 4.1).

SUPPORTIVE PROVIDER PRACTICES – BY MONTH



Mortgage providers registered a solid positive score in May (6.1) which jumped significantly to a high in July (7.7). This may be explained by the widespread mortgage deferrals among banks – initiated in late March 2020 – as well as other proactive measures such as defaulting consumers to interest only mortgages.[2] But after this, support from mortgage providers dropped throughout the year, falling to 4.5 in November as the lockdown restrictions lifted.

Consumers reported extremely low support from **rental** providers in May (2.6). Rental supports took longer to implement and required legislation (e.g. Victorian rental relief package was legislated on 23 April 2020) but also took longer time to flow through to landlords around Australia, often via a real-estate agent. Rental reductions were not automatic, requiring tenants negotiate with their landlord or real-estate agents who were not obliged to provide rental relief but were incentivised with tax relief – one study found among renters who sought relief from their landlord, only 42% were granted a rental reduction.[3] However, after lows in May (2.6) and June (2.7), consumers reported support from landlords and real-estate agents improved throughout the rest of the year to December (5.1).[4] The increase in supportive practices from September (4.7) to October (6.4) may reflect the changes to the rental supports in some states. For example, in Victoria, support measures included higher asset threshold for those seeking one-off rental relief grants, enlarged rental relief grants, and funding for advocacy organisations to raise awareness of supports among consumers experiencing vulnerabilities.[5]

Consumers reported **telecommunications** providers offered limited support in May (3.9), improving slightly in July (4.7) but declining steadily in the months to December (3.7). The telecommunication consumer protection framework does contain hardship assistance provisions, but the framework allows providers to choose which supports are offered in relation to financial hardship resulting in variation between providers. A number of telcos offered reduced rate mobile tariffs and suspended late fees but few offered more extensive payment assistance and supports.[6]

2 https://www.ausbanking.org.au/covid-19-banking-timeline/

3 Emma Baker et al., ***Renting in the time of COVID-19: understanding the impacts***, AHURI Final Report No. 340, (AHURI, Melbourne; October 2020), 10 https://www.ahuri.edu.au/__data/assets/pdf_file/0017/65240/AHURI-Final-Report-340-Renting-in-the-time-of-COVID-19-understanding-the-impacts.pdf

4 Better Renting found 1 in 10 who lost income received a rent reduction – survey of 1000 renters from April to June, https://www.betterrenting.org.au/coronavirus_survey_report.

5 Premier and Cabinet, ***Media Release - Further Certainty For Victorian Tenants And Landlords***, 04 September 2020. https://www.premier.vic.gov.au/further-certainty-Victorian-tenants-and-landlords

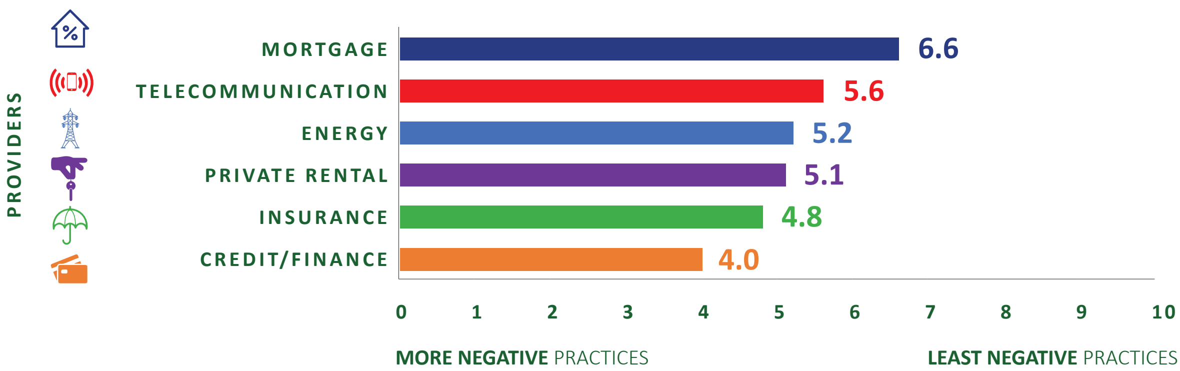
6 ACCAN, ***Supporting Families and Households***, https://accan.org.au/media-centre/media-releases/covid19-telco-services-and-technology/1708-covid-19-supporting-families-and-households#TelcoAssistance

2

PROVIDER PRACTICES MAKING CONSUMERS WORSE OFF

Which sectors undertook practices that made consumers worse off?

NEGATIVE PROVIDER PRACTICES

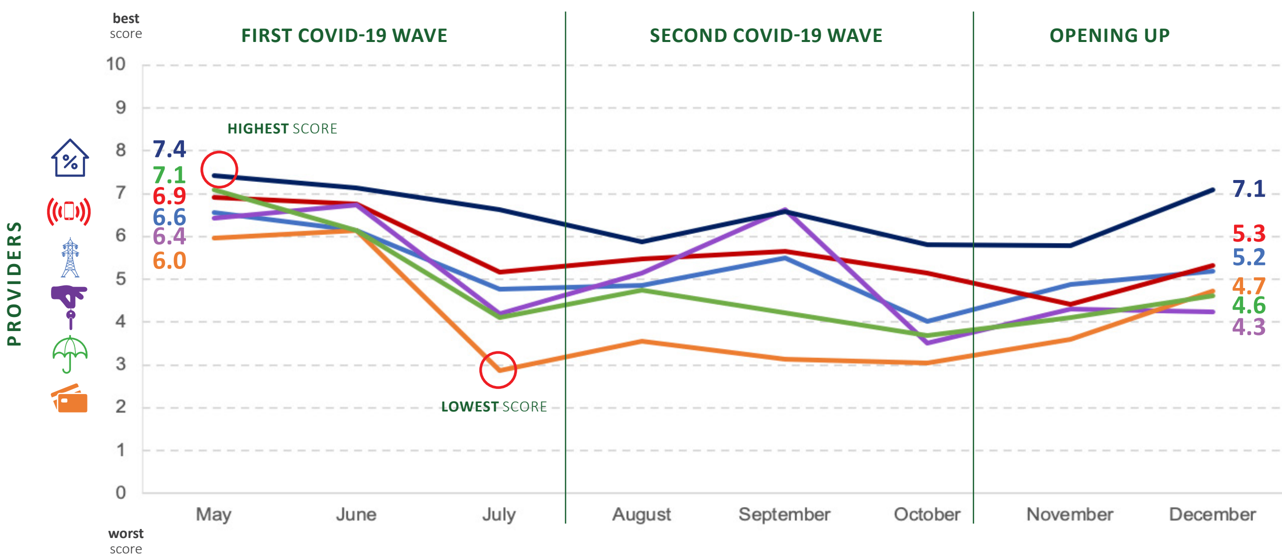


The **Negative Provider Actions** score was based on whether providers:

- increased cost of service
- engaged in cold-calling or made unsolicited pressure-sales
- issued payment ultimatums
- engaged debt collection services, or
- disconnected or evicted consumers.

Mortgage providers engaged in the fewest negative practices according to consumers and thus ranked first for this category (score of 6.6). By comparison, **credit and personal finance** providers registered the worst score (4.0) indicating more negative actions taken with consumers from May - December.

NEGATIVE PROVIDER PRACTICES - BY MONTH



Mortgage providers recorded the best scores in this category, with a high in May (7.4), remaining firmly positive throughout the period. Widespread take-up of mortgage deferral support may have offset debt recovery and foreclosure actions that otherwise may have taken place.

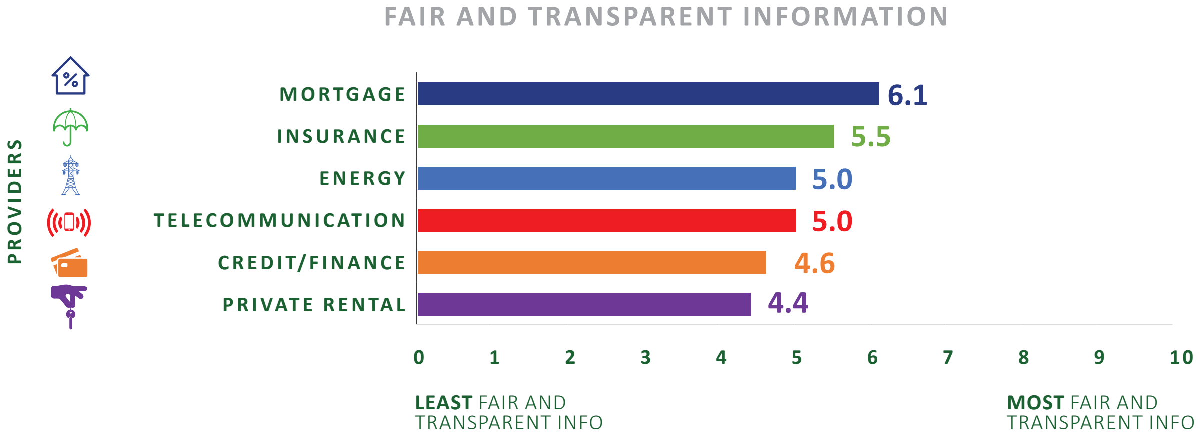
Credit providers registered a positive score in May (6.0) and June (6.1) but dropped significantly to July (2.9), indicating a significant increase in reported negative practices. This may reflect growing credit arrears and difficulty servicing personal debts, resulting in providers engaging in debt recovery processes from the end of the first lockdown.

The **rental** sector saw highly variable results, dropping from a high in June (6.7) to July (4.1), climbing back up in September (6.6) before dropping to October (3.5), recovering only slightly in December (4.3). These results may reflect the slow build-up of arrears during periods of lockdown and conversely the one-off supports announced at various points by state governments. The six-month moratorium on evictions announced in March 2020 was extended in most states in late August or early September.[7] However, landlord lobby groups initially sought to counter the eviction moratorium and publicly encouraged landlords to refuse negotiation with tenants.[8] The power asymmetry with landlords means some tenants may have been supported at times but also experienced negative actions, particularly as arrears accrued.

7 All states extended eviction moratoriums except QLD, which wound back supports in September, and the NT – though the NT did not have a moratorium during COVID-19 restrictions on account of its constitution.
8 William Jolley, "Victorian real estate body tells landlords, agents to 'refuse rent reductions'", ***Savings.com.au***, 08 September 2020, https://www.savings.com.au/home-loans/investing/victorian-real-estate-body-tells-landlords-agents-to-refuse-rent-reductions

FAIR AND TRANSPARENT INFORMATION

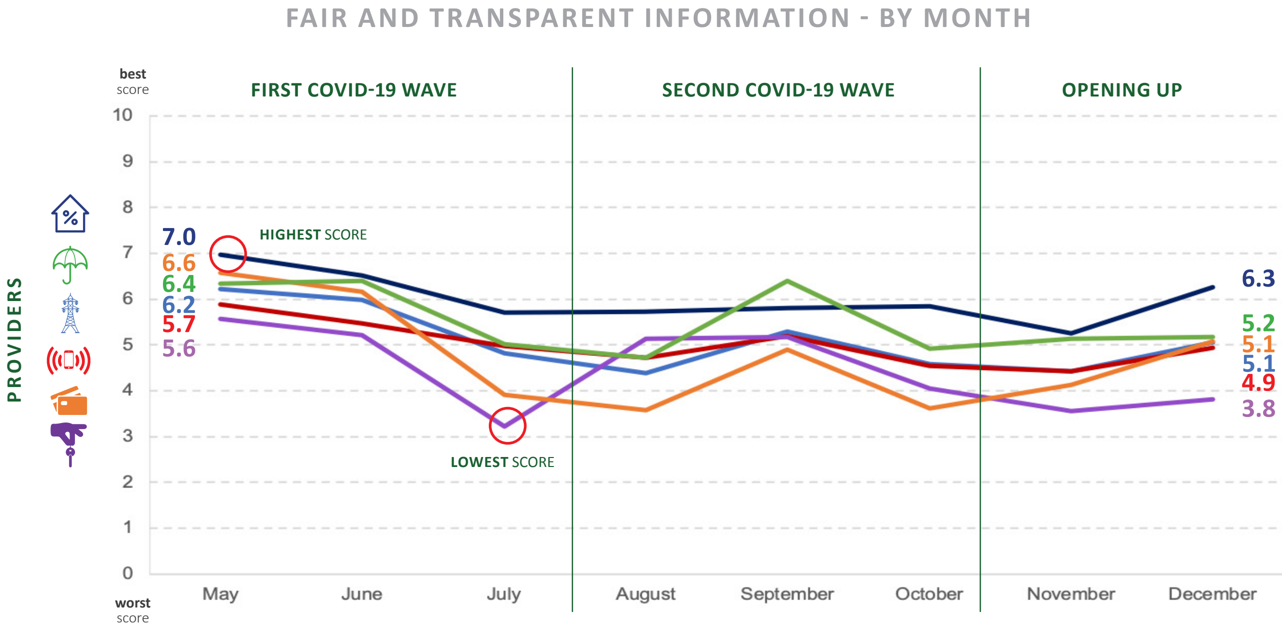
Which sector was most fair and transparent in providing information in contracts or agreements?



The **Fair and Transparent Information** score was based on whether consumers:

- felt misled by the information provided by my supplier
- reported an unfair term/condition in the agreement (e.g. exit fees, penalties, hidden costs).

Mortgage providers ranked best on fair and transparent information (score of 6.1) while **rental** providers ranked worst for this category (4.4).



Mortgage providers ranked best for fair and transparent information almost throughout the period (eclipsed by insurance in September) which may reflect the standardisation of information through institutions such as the Australian Banking Association and the mortgage deferral scheme.

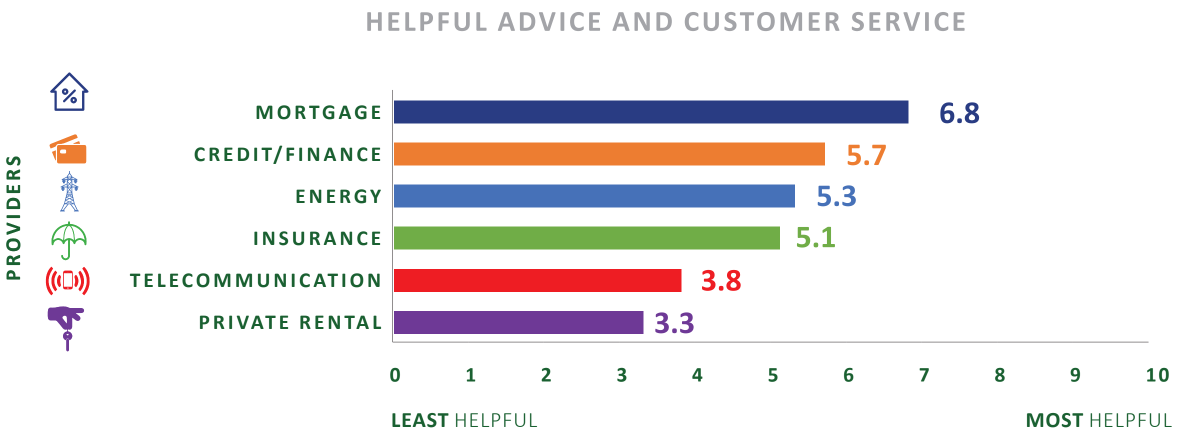
The **rental** sector registered a positive score in May (5.6), which fell sharply in July (3.2). The sector registered a balanced score in August (5.1) and September (5.1), but declined as restrictions lifted, registering 3.8 in December. The overall low score and clear drop in scores towards the end of lockdown periods may reflect renters' difficulties in renegotiating leases with real-estate agents and landlords, and facing limited choice.[9]
Throughout the second wave of COVID-19, **credit** providers registered the lowest fair and transparent information score (a low of 3.6 in August), indicating a growing number of consumers reporting misleading information or unfair terms in agreements and contracts. This might be explained by inflexible repayment arrangements in agreements as significant debts accrued along with the rapid growth of buy-now-pay-later (BNPL) products- ASIC reported one in five missed a BNPL repayment which might be due to a misunderstanding around contract terms.[10]

9 Emma Baker et al., ***Renting in the time of COVID-19: understanding the impacts***, AHURI Final Report No. 340, (AHURI, Melbourne; October 2020) https://www.ahuri.edu.au/research/final-reports/340
10 ***ASIC, Buy now pay later: An industry updat***e (REP 672), November 2020.

4

HELPFUL ADVICE AND CUSTOMER SERVICE

Which sector provided the most helpful advice and customer service?

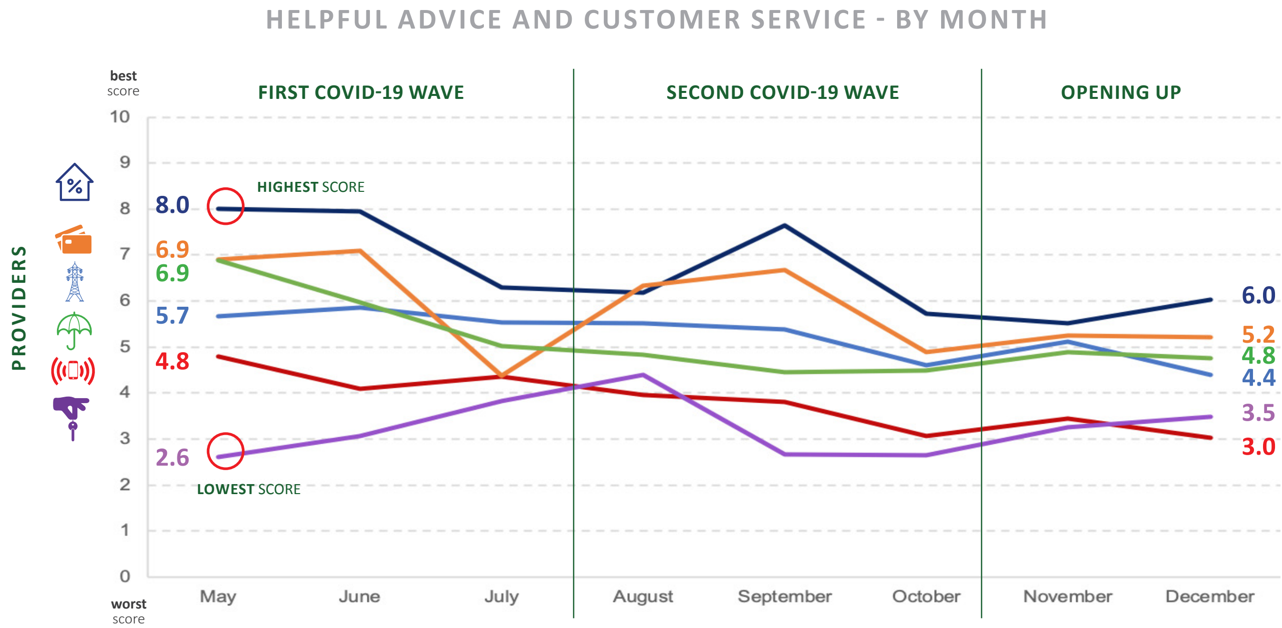


The **Helpful Advice and Customer Service** score was based on whether consumers reported providers:

- offered helpful advice/information about managing usage/payments
- were unhelpful/consumers received poor service.

The **mortgage** sector also registered the best score for helpful information and customer service (6.8).

Highlighting the difference between tenancy types, the rental sector scored worst for this category (3.3), followed closely by the **telecommunications** sector (3.8).



The **rental** sector registered its lowest category score in May (2.6) which may reflect the lag between passing of rental support legislation (end of April) and the implementation of the relevant supports by landlords and real estate agents. From May, consumers reported improvement in the helpfulness of landlords/real estate agents until August (4.4), suggesting information about payment assistance and support mechanisms increasingly filtered through to renters.

However, there was a sharp drop in the rental score between September and October (2.7) which may reflect landlord tensions around the second wave of COVID-19 and the extension of the eviction moratorium in September, limiting the ability of landlords to evict tenants with significant and/or accumulating arrears. By comparison, many deferred mortgages were renegotiated in August and September which saw **mortgage** provider scores jump from August (6.2) to September (7.7).

Consumers reported the knowledge and helpfulness of **telecommunications** call centre staff steadily declined from May (4.8) to December (3.0). This may reflect a growing backlog of issues, the limited support to those in payment difficulty, or growing numbers of consumers encountering difficulties with their internet connection. Low scores may also reflect more deep-seated cultural issues within telecommunication providers with implications for staff training – in July 2021, the ACMA found Telstra failed to notify almost 50,000 customers of underperforming internet speeds.[11]

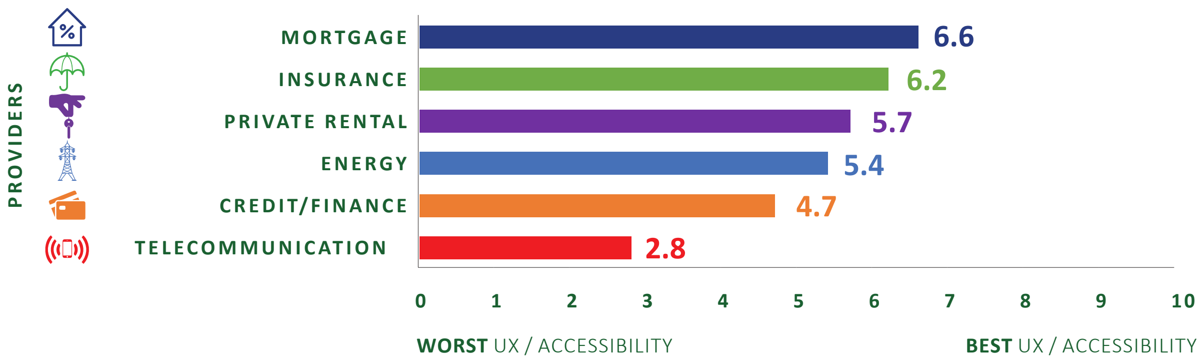
11 Zoe Samios, 'Very concerned': Telstra to pay $25 million in refunds for slow NBN speeds, ***The Age***, 7 July 2021 https://www.theage.com.au/business/companies/very-concerned-telstra-to-pay-25-million-in-refunds-for-slow-nbn-speeds-20210706-p587bk.html

5

USER EXPERIENCE AND ACCESSIBILITY

Which sector was most accessible and delivered positive user experiences when contacted by consumers?

USER EXPERIENCE (UX) AND ACCESSIBILITY

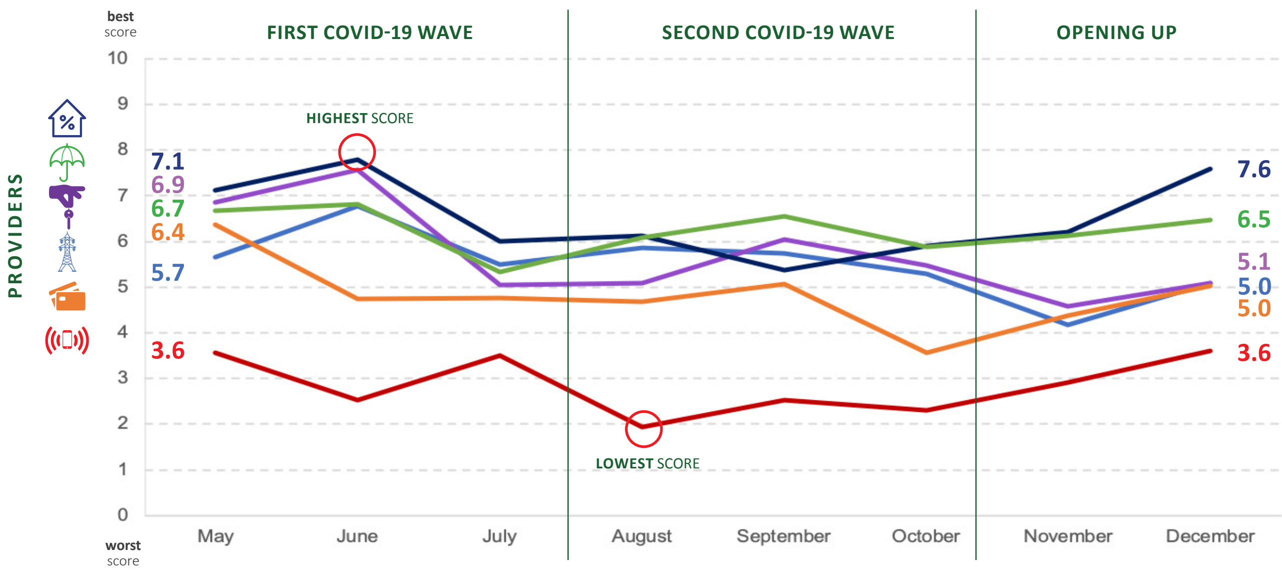


The **User Experience and Accessibility** score was based on whether consumers reported:

- they understood how to contact their provider
- could navigate the website or phone system, and
- long wait times (phone, chat, email).

The **mortgage** sector registered the best user experience and accessibility score (6.6). By comparison, the **telecommunications** sector scored worst for user experience and accessibility across the period (2.8), significantly worse than all other sectors. This was also the lowest category score (2.8) recorded overall in the scorecard, highlighting significant consumer frustration. This indicates that the **telecommunications** sector still has a long way to go to improve accessibility and communications with consumers, particularly during times of difficulty.

USER EXPERIENCE AND ACCESSIBILITY - BY MONTH



The **telecommunications** sector consistently scored worst for user experience/accessibility in every month across the period by a significant margin. User experience and accessibility fell from May (3.6) to a category low in August (1.9), before climbing back to December (3.6). The **telecommunications** sector has long been plagued with poor delivery of service and complaints about service - ACCAN's Still Waiting report estimates the time spent trying to resolve issues with their provider in the year before COVID-19 cost consumers between $106-$132 million.[12]

During periods of lockdown, a reliable internet connection became imperative to remain connected to family and friends, as well as for work and school. However, many offshore call centres were forced to close due to international lockdown restrictions, and the slow onshoring of these staff may have led to customer service headaches for Australian consumers.[13]

12 ACCAN, *The Cost of Still Waiting* (December 2020), https://accan.org.au/files/News%20items/Still%20waiting%20analysis%20report%20v.1.1.pdf

13 James Fernyhough, "Telstra, Optus call centre chaos as Manila locks down", *AFR*, 17 March 2020, https://www.afr.com/companies/telecommunications/telstra-closes-call-centres-as-telcos-form-crisis-group-20200317-p54asy; Callum Godde, "Coronavirus fuels Australian telco customers ire with queries unanswered", *7News*, 30 Sept 2020, https://7news.com.au/technology/virus-fuels-aust-telco-customer-ire-c-1352334

KEY TAKEAWAYS

Mortgage providers were reported by consumers as delivering best overall experience, as well as the best experience for each category of our scorecard. This may well be a consequence of mortgage deferrals offsetting debt collection activity for the duration of the deferral, as well as the closer scrutiny of customer service and bank practices post Royal Commission into Banking and Finance to improve consumer outcomes. It's likely the relatively greater financial stability of consumers with a mortgage going into the pandemic, relative to consumers of other essential services analysed impacted these scores.

Credit and personal finance providers delivered the (equal) worst consumer experience overall – particularly around **negative provider practices** which includes increased cost of service, unsolicited pressure-sales and issuing payment ultimatums. This may reflect a combination of accruing debts and the business model for credit and personal finance loans, which relies heavily on late fees and charges on debt. Growing numbers of young people used largely unregulated BNPL services during 2020, which may also account for higher reported rates of negative practices.

Telecommunications providers delivered (equal) worst consumer experience overall – providing the least support to consumers and extremely poor **user experience and accessibility**. This may be explained by increased demand for services, but also the largely voluntary hardship framework for for the types of support required by telco providers which results in inconsistency and often a case-by-case approach to payment difficulty. CPRC and consumer advocates have called for stronger consumer protections and hardship supports in the telecommunication sector, and to treat the telecommunication sector as an essential service.

The **rental** sector saw significant variation between sector scores and even within category scores across time, scoring particularly poorly on **fair and transparent information**, and **helpful advice and customer service**. We note the significant power imbalances in this market and the importance of having a safe, secure and affordable home within which to weather lockdown periods and meet health requirements. The rental market is fragmented by nature, in which more than a million investors own a single property, either leased privately or managed by an agent, and without ongoing payment assistance obligations to tenants. This highlights significant policy challenges for providing consistent, clear information and adequate support to renters in times of financial difficulty.

While the **energy** and **insurance** sectors have not featured as delivering particularly poor experiences to consumers, they did not deliver overly positive outcomes either. The energy sector has seen significant reforms to improve consumer outcomes in recent years, however the extent to which retailers have genuinely embraced these reforms in a cultural shift has been raised.[14] Insurance premiums are often paid yearly which may reduce touch points for consumer interaction relative to other sectors. However, our data also indicates significant numbers of consumers cancelled their policies throughout the year, which may reflect affordability challenges and reprioritisation by consumers as they grappled with reduced income. Clearly there is room for these sectors to improve.

In the coming weeks, CPRC will release a supplementary report further exploring the differences in approaches to policy and regulation in essential service markets during COVID-19 and ways that policymakers can continue to support consumers now and beyond the crisis.

For more information go to **cprc.org.au**.

14 CPRC, *COVID-19 in review: CALD Consumers*, March 2021; ESC, *"Getting to fair": Breaking down barriers to essential services*, 6 May 2021