

PRESS RELEASE

DIGITAL WALLETS, BUY NOW PAY LATER AND CRYPTO GAIN MOMENTUM, AS FINANCIAL LITERACY LAGS IN AUSTRALIA

New research from Choosi sheds light on Aussie attitudes and behaviours towards digital spending as the economy opens up.

Sydney, December 2021 – Australians are gravitating toward new and more complex financial products to save and spend money. Buy Now Pay Later (BNPL) services and cryptocurrencies are now being used by one-third and one-tenth of Australians respectively, according to a new report by insurance comparison site Choosi. However, the nation's long-running problem with financial literacy is showing no signs of abating.

Choosi's *Digital Finance Trends 2021 Report*, a survey of more than 1,350 Australians 18 years and over conducted by CoreData, reveals only 1 in 3 respondents (35%) have a good idea of what a credit score is and how it can impact their future finances, with only the same small proportion actually having checked their credit score within the last year. Alarming, 2 in 5 Aussies (41%) said they had no idea what a credit score is, with one-third of respondents unsure of what would influence their credit.

Many Australians said they were unsure about how BNPL payment methods operate and the implications it could have on their future financial position. Specifically, the research found that more than 3 in 5 respondents were unaware that BNPL shows up on your credit history (63%) and almost as many didn't know that BNPL can impact future loan assessments (57%). Additionally, a significant number of Aussies either didn't know or thought using BNPL was different to having debt (37%) and that it's harder to get into debt problems with BNPL than a credit card or were not sure (44%).

Meanwhile, 1 in 5 BNPL users admitted to experiencing issues with credit checks or loan assessments because of their history with BNPL. Interestingly, half of Aussies would not be inclined to use BNPL if it were true that it could shake their credit score, suggesting that many are due for a 'wake up call' on the potential consequences of using BNPL services.

Buy Now Pay Later sector gaining popularity

With people looking to avoid interest payments (43%), high fees (29%), and having to worry about getting a credit card approval (32%), the BNPL trend is showing no signs of slowing down. Over 1 in 3 Australians (36%) have used the payment method already and 1 in 5 (20%) use it regularly or very often.

The urgency of improving financial literacy as BNPL and other financial solutions become mainstream is heightened by the fact that more than half of Aussies worry about debt. Already, 1 in 5 of BNPL users admit to being late in their payments over the past three months. Concerningly, just as many respondents (20%) say they experience debt stress often or always.

Practical academic, Whitely Bradford, who specialises in financial literacy at Griffith University commented: "There is a lot of work to be done within Australia to increase both financial literacy and financial capability. Despite Australia being ranked in the top 10 countries for financial literacy in 2014, recent evidence suggests that many Australian adults have significant financial knowledge gaps, for instance how credit scores work".

Alarmingly, 2 in 5 Aussies (41%) said they had no idea what a credit score is, with one-third of respondents unsure of what would influence their credit.

From the pocket to the phone: Aussies choose digital wallets for everyday purchases

Using digital wallets for everyday transactions is fast becoming the norm, with 2 in 5 Aussies (44%) saying they're using it at least sometimes, while 1 in 5 (21%) use them always or most of the time. Additionally, 2 in 5 Aussies (42%) say they rarely or never use cash, with one-third of digital wallet users (32%) even indicating they would never go back to using cash again.

Contactless pay is the leading benefit Aussies report with digital wallets (48%) demonstrating the impacts of the pandemic upon our purchase behaviours. In addition, close to 4 in 5 (78%) think they're more likely to purchase certain things now because digital payments are so easy and discrete, mainly ordering takeaway and impulse shopping online.

"I think that young people do not understand the value of money as they've had very limited interactions with physical cash. BNPL products provide instant gratification as they can obtain the product or service prior to it being paid off (so it is not the same as a lay-buy purchase) which can result in over-spending in the same way as someone maxing out their credit card", added Bradford.

More people eyeing the crypto market

After a period of hesitation, more and more Aussies are starting to consider dabbling in crypto. Currently, 1 in 10 adult Australians are already investing in cryptocurrencies, with nearly half of these investors (46%) expecting to invest more in the future. Another 1 in 4 (23%) Australians expressed their openness to investing in crypto.

The appeal of cryptocurrency varies between generations. Our study found that Gen Y are three times more likely than Gen X to already be crypto investors (19% compared to 6%) and over four times more likely than Baby Boomers (4%). The research also revealed that Gen Z are more inclined to consider this type of investment in the future (41%) than older generations (29% Gen Y, 22% Gen X and 11% Baby Boomers).

"Many Australians do not understand what cryptocurrency is or how it works. While cryptocurrency is growing in popularity particularly with the younger generations, it is concerning that many investors do not fully understand what they are investing in and don't have the appropriate risk profile to allow them to invest in such volatile markets. Cryptocurrency is very speculative, and people need to conduct their own research and seek advice before investing" said Bradford.

The most popular reason for crypto investing is the fun and excitement of embracing a new asset (60%). Many also agree that they're in it for long-term growth opportunities (46%), strong short-term returns (32%), transaction privacy (21%), and because they trust it more than other financial assets (16%).

However, the need to prioritise financial literacy is also demonstrated in the finding that nearly 2 in 5 (38%) cryptocurrency users admit to having little or no idea how it all works.

Whitley Bradford added further on financial literacy in Australia. "Household debts within Australia have increased considerably in the last 30 years. Digital finance trends like digital wallets, cryptocurrency and BNPL products and their up-take in Australia could potentially change the way in which young people perceive money as they don't see it as something that is tangible. This, coupled

with low financial literacy, could lead to higher spending of Australians which has the potential to create debt cycles”.

Further insights from the research can be found on the Choosi website: www.choosi.com.au

KEY FINDINGS

DIGITAL WALLETS

- A large portion of Australians (44%) are at least sometimes using a digital wallet to pay for their everyday transactions, whilst the remaining 56% rarely or never use one.
- Digital wallet usage is most popular amongst young people, with the majority of Gen Z (77%) and Gen Y (64%) already at least sometimes using digital wallets. Their usage declines with age, with less than 2 in 5 of Gen X (37%) at least sometimes utilising them, and only 1 in 5 (21%) of Baby Boomers indicating the same.
- Nearly 4 in 5 Australians (79%) agree that the simplicity of digital payments makes it easier to spend money without thinking about it. Conversely, 3 in 5 (60%) agree that digital payments allow them to better manage their money.
- Due to digital payments, many Australians indicate they are more likely to order takeaway (41%) or to impulse shop online (40%). Some also report being more likely to do things like get a ride share (e.g. Uber) (28%), buy a coffee (27%) or buy impulse food treats (27%). Not all extra spending as a result of digital payments is negative however, with 1 in 5 Australians (20%) indicating they are now more likely to contribute to 'round up' savings.
- More than two thirds of Australians (67%) agree they are generally not very comfortable sharing their personal bank and card details online.
- Despite this, more than 3 in 5 (63%) would be comfortable using a digital travel pass on their phone with a digital health wallet linked to their passport. About 1 in 5 are not comfortable with this idea, whilst a further 15% are unsure.

BUY NOW PAY LATER

- Current usage of Buy Now Pay Later (BNPL) is being used by more than a third of Australians (36%). It is especially popular amongst younger people with more than half of Generation Z (53%) and Generation Y (51%) having used it. This decreases somewhat amongst Gen X (35%) and is much lower for Baby Boomers (18%).
- Of those that aren't using BNPL, many feel strongly about not taking it up with the large majority indicating they are unlikely (84%) to use it, and nearly 7 in 10 (69%) indicating that they are *very* unlikely to use it.
- 1 in 5 (20%) of BNPL users admit to having experienced issues with credit checks or loan assessments because of their history of using BNPL.
- Most fundamentally don't understand how these underlying systems work. More than 9 in 10 (91%) indicated that using BNPL shows up on a person's credit history or were unsure about this statement. 37% agreed or were unsure about the statement that 'using BNPL is not the same as having debt', and a further 41% agreed or were unsure of the statement that it is harder to get into debt problems with BNPL than a credit card.
- Most (81%) felt that they would be unsure or would not start using or continue using BNPL if any of these were true. This is troubling as some companies do run credit checks which BNPL is affecting, and some are already experiencing issues due to usage of these products.
- Most Australian Buy Now Pay Later users are currently using it responsibly, however a sizeable portion are vulnerable to using it irresponsibly. Only a small minority have already

used it with a maxed credit card (3%) or without a source of income (7%), however roughly 1 in 3 are likely or consider it to be a possibility to use BNPL with a maxed credit card or without a source of income (31% and 33%).

CRYPTOCURRENCY

- Only 1 in 10 Australians (10%) are currently investing in cryptocurrencies, however nearly a quarter (23%) would consider doing so.
- The degree of crypto appeal is related to age and gender, with Generation Y the most likely to be investing in crypto (19%), which is significantly higher than Gen X (6%) and Baby Boomers (4%). Males are also three times more likely than females to be already investing in crypto (15% and 5%).
- This increased usage of cryptocurrencies is especially heightened since the advent of the COVID-19 pandemic, as the majority of those investing in these (74%) are doing more so than before 2020.
- Despite this popularity, most are hesitant to commit large sums to cryptocurrencies, with the majority (62%) having less than \$5,000 invested and only 14% of crypto users having more than \$10,000 invested.
- Most crypto users are trying to keep up with the market information (80%) and feel confident in their abilities to trade cryptocurrencies (62%). Despite this, nearly 2 in 5 (38%) admit they have little or no idea how it all works.
- The most popular reason for crypto investing is that it is a bit of fun and excitement (60%), however many also agree that they are in it for long-term growth opportunities (46%), strong short-term returns (32%), the privacy of transactions (21%), and because they trust it more than other financial assets (16%).
- While crypto investors have a lot of enthusiasm for the asset, the general population of Australians mostly agree that it is a very risky investment (60%) and there is a lack of transparency and regulatory accountability (51%), which is significantly higher than the sentiments among those already investing in crypto (37% and 35%).

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About Choosi

Choosi's free comparison service lets you compare the benefits and prices of a range of popular insurance products, online and over the phone, so you can confidently choose cover that suits your needs, budget, and lifestyle. Choosi does not compare the whole market.

About the research

The *Digital Finance Trends 2021 Report* forms part of the Choosi Research Series. In its latest instalment, this in-depth study explores Australians' attitudes and behaviours toward digital wallets,

Buy Now Pay Later services and credit cards and the impact they can have on credit scores, the concerns about their debts and the increasing interest in online share trading and cryptocurrency investments.

The report is compiled based on research commissioned by Choosi and conducted by CoreData between 6 and 11 October 2021. The research was conducted via a quantitative online survey, gathering 1,352 responses from Australians aged 18 years and above. The sample is representative of the general population of Australians in terms of age, gender, wealth, and state/territory.