

Cigno Research

Opinions on Short-term Lending

General Population & Cigno Clients Research Report

August 2019



EXECUTIVE SUMMARY

PRODUCT USAGE

The general population tends to access credit using financial products provided traditionally by banks such as credit cards (74%), mortgages (49%) and personal loans (37%).

Cigno customers tend to use more non-traditional lending products such as short-term payday loans (74%) or buy now, pay later loans (54%) in addition to other more traditional personal loans (55%).

ATTITUDES TOWARD REGULATION

The general population is divided with nearly half (46%) believing that limiting credit options is detrimental to people who need it most. Unsurprisingly, more Cigno clients (75%) believe limiting credit is detrimental.

Two-thirds (63%) of the general population and (67%) of Cigno clients would prefer the government increases consumers' options of credit products and enforces proper disclosure, warnings and education.

Most people (67%) feel the best way for ASIC to protect consumers is to enforce clear product disclosure statements and educate consumers. Cigno clients (77%) are even more likely to feel that this is the best way for ASIC to protect consumers.

Instead of banning short-term loans, most people (70%) feel that in an emergency people should have the option to access short-term loans so long as they are fully informed about the loan and consequences.

Unsurprisingly, Cigno clients (93%) are more likely to feel that short-term loans should be available in an emergency.

CIGNO CLIENTS

For most clients (95%), Cigno assisted them in a time of financial difficulty and most believe (92%) that Cigno's assistance was of overall benefit to them.

Two-thirds of Cigno clients (67%) were turned down by other short-term lenders before being approved through Cigno. Without Cigno's help, almost two-thirds (64%) of clients believe they could not have obtained credit.

More than two-thirds of Cigno clients (69%) believe they would have suffered detriment if Cigno had not assisted them.

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THE RESEARCH

This report is based on findings from a five minute online survey to assess opinions regarding short-term lending products. The quantitative survey had two streams, one to assess views from the general population and another for Cigno customers.

In all, 2083 surveys were analysed for this report. Of those, 1003 came from the general public survey and 1080 from the Cigno customers survey. Data were collected between Monday, 5 August and Wednesday, 7 August 2019.

Respondents in the surveys understand that short-term loans offer immediate relief in an emergency but do result in increased debt.

BACKGROUND

The government, through ASIC has the power to protect consumers who seek credit from lenders.

This protection can take the form of setting clear guidelines for product disclosure statements, and educating consumers to make the best choices for their particular financial and emergency situations.

Protection consists of restricting access to or banning financial products when there is too high a chance that consumers will choose a product that is not in their best interests.

The research was commissioned by Cigno to better understand consumers views of short-term lending. Findings from the survey will be used in a submission to ASIC.

METHOD

For the general population survey, quotas were set on location, age and gender as detailed in the proposal, to ensure a representative spread of the Australian population. The general population sample was sourced from Dynata, our trusted online sample partner, Dynata is a market leader in Australia and a member of AMSRO.

Data were weighted to be representative of age using Australian Bureau of Statistics 2016 Census data for the general population results and Cigno's overall client base for the Cigno clients results.

REPORT INTERPRETATION:

Where quantitative survey results differ between subgroups, the difference has been tested for statistical significance at a 95% confidence interval. A statistically significant difference simply indicates that there is a 95% chance the difference is not due to sampling error.

Throughout the report significant differences between sub-groups have been highlighted by colouring the numeric text to show where the differences exist. Within a chart or a table **green** numbers are significantly higher than **red** numbers.

Given the large number of sub-groups identifiable within the data, the key differences, those shown to be significant through statistical testing, take the main focus in this report. Where multiple sub-groups have significant differences the chart shows the groups with the largest number of differences and a table is used to display any differences present among other sub-groups.

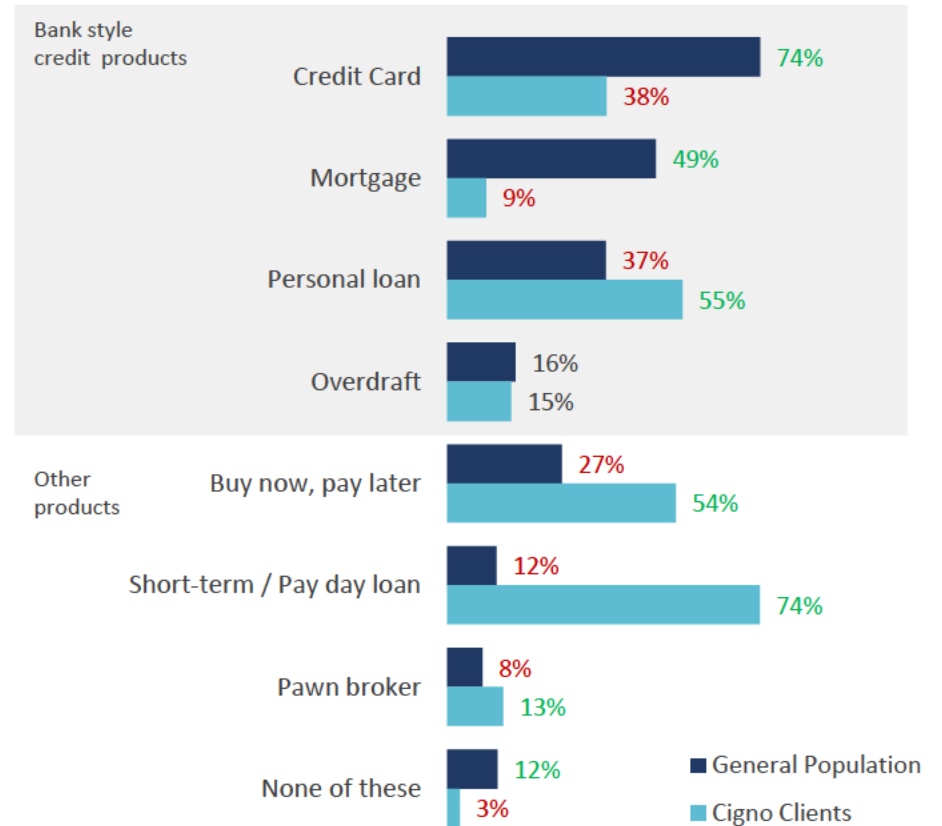
Sample sizes of approximately n=1000 will result in a total level margin of error of +/-3% at a 95% confidence interval.

USE OF FINANCIAL PRODUCTS

PRODUCT USAGE (1)

The general population tends to access more traditional products that banks provide, such as credit cards, mortgages and personal loans. In contrast Cigno clients are more likely to access non-traditional products such as short-term payday loans or buy now, pay later products

FINANCIAL PRODUCTS EVER USED



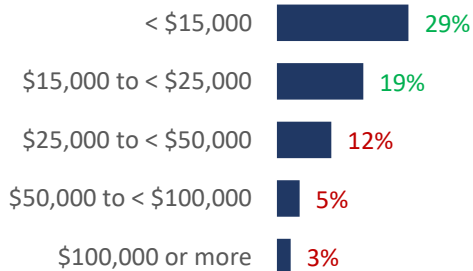
PRODUCT USAGE (2)

People with a lower income are less likely to use any financial product for credit.

Younger people under 35 are more likely to use short term pay day loans.

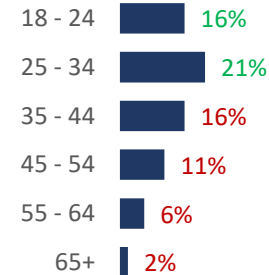
USED NO FINANCIAL CREDIT PRODUCTS

By General Public Income



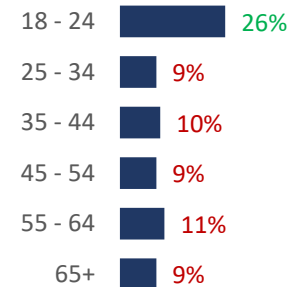
USED SHORT-TERM PAY DAY LOAN

By General Public Age



USED NO FINANCIAL CREDIT PRODUCTS

By General Public Age



ATTITUDES TOWARD REGULATION OF FINANCIAL PRODUCTS

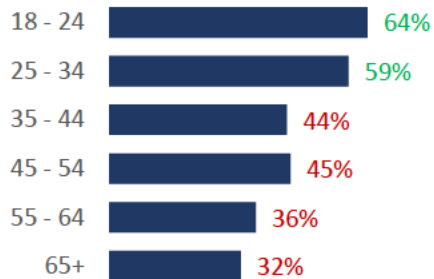
ATTITUDES TOWARDS REGULATION

Overall, the general population is divided about whether limiting credit options is detrimental to people who need it most.

Unsurprisingly, Cigno clients are more likely to feel that limiting credit options to people who need it is detrimental.

People in the younger age groups are significantly more likely to feel that limiting credit options is detrimental.

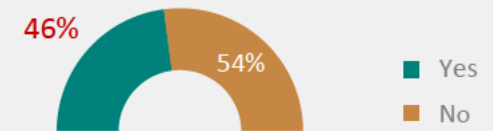
% FEEL LIMITING CREDIT OPTIONS IS DETRIMENTAL
By General Population Age



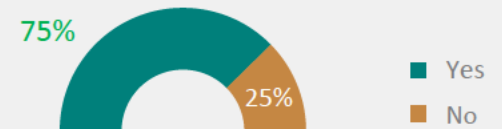
Base: General Population n=1003, Cigno Clients n=1080
QA2. Do you think that limiting credit options is detrimental to people who most need it?

IS LIMITING CREDIT OPTIONS DETRIMENTAL TO PEOPLE WHO MOST NEED IT?

General Population



Cigno Clients



Figures in **GREEN** are significantly greater than figures in **RED**

PREFERRED ROLE OF GOVERNMENT

Around two-thirds of both general population and Cigno clients would prefer that government or regulatory bodies increase credit products options, and enforce proper disclosure, warnings and education.

PREFERRED GOVERNMENT OR REGULATORY BODIES ROLE

General Population



Cigno Clients



Figures in GREEN are significantly greater than figures in RED

Base: General Population n=1003, Cigno Clients n=1080

QA3. Which of the following statements best applies to you?

"I prefer government or regulatory bodies to limit which credit products I can choose, based on their opinion of which products are suitable".

"I prefer government or regulatory bodies to increase my options of credit products and enforce proper disclosure, warnings and education"

PROTECTING CUSTOMERS

Most people feel the best way for ASIC to protect consumers is to enforce clear product disclosure statements and educate consumers so that they can make informed decisions for themselves based on their own individual circumstances. Cigno clients are even more likely to feel that this is the best way for ASIC to protect consumers.

Female Cigno customers are significantly more likely than male Cigno customers to favour product disclosure statements and educating consumers.

% SUPPORT PRODUCT DISCLOSURE AND EDUCATE
By Cigno Clients Gender



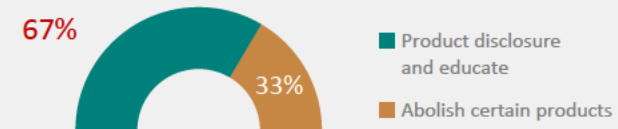
Base: General Population n=1003, Cigno Clients n=1080

QA4. ASIC has a power to protect consumers who are seeking credit services from lenders. With that in mind, which do you think is the best way for ASIC to protect consumers?
"Enforce clear product disclosure statements and educate consumers so that they can make informed decisions for themselves based on their own individual circumstances".

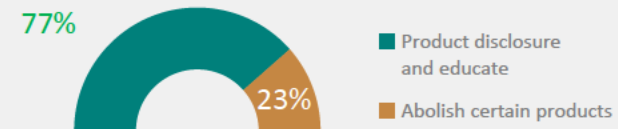
"Abolish certain products and thus prohibit all consumers from accessing a financial product if there is a significant risk that some consumers might choose the product when it is not the best choice for them".

BEST WAY FOR ASIC TO PROTECT CONSUMERS

General Population



Cigno Clients



Figures in GREEN are significantly greater than figures in RED

SHORT-TERM LOANS

Instead of banning short-term loans, most people feel that in an emergency consumers should have the option to access short-term loans so long as they are fully informed about the loan and consequences.

Unsurprisingly, Cigno clients are more likely to feel that short-term loans should be available in an emergency.

Females are significantly more likely than males to feel that short-term loans should be available in an emergency.

% SUPPORT KEEPING SHORT-TERM LOANS FOR EMERGENCIES

By General Population Gender



Base: General Population n=1003, Cigno Clients n=1080

QAS. Short term loans, which compared to conventional loans are expensive, are often used by people who do not have access to conventional loans. These loans offer immediate relief of an emergency but do result in more debt. Given that, what is your opinion?

"Short-term loans should be banned because people who cannot access conventional loans should not be able to get credit at all"

"In an emergency people should have the option to access short-term loans so long as they are fully informed about the loan and consequences".

SHORT-TERM LOANS SHOULD BE AVAILABLE FOR EMERGENCIES

General Population

70%



Keep for emergencies
Ban them

Cigno Clients

93%



Keep for emergencies
Ban them

Figures in **GREEN** are significantly greater than figures in **RED**

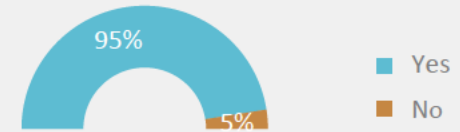
CIGNO CLIENTS

CIGNO ASSISTANCE

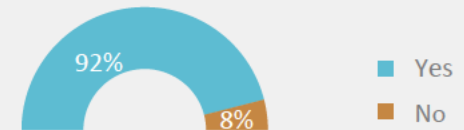
Most clients said that Cigno assisted them in a time of financial difficulty.

The majority of clients also believe that Cigno's assistance was of overall benefit to them.

CIGNO ASSISTED IN A TIME OF FINANCIAL DIFFICULTY



CIGNO ASSISTANCE BENEFITED ME

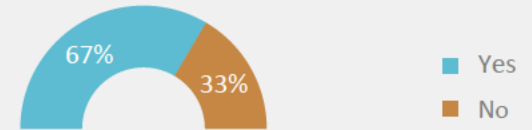


DECLINED BY OTHER SHORT-TERM LENDERS

Two-thirds of Cigno clients were turned down by other short-term lenders before being approved through Cigno.

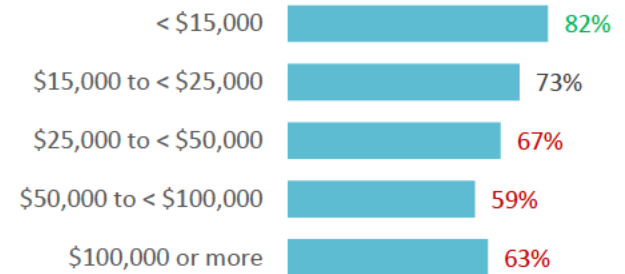
Cigno clients with lower incomes were more likely to have been declined a loan by other short-term lenders.

DECLINED BY OTHER SHORT-TERM LENDERS BEFORE APPROVED THROUGH CIGNO



% DECLINED BY OTHER SHORT-TERM LENDERS

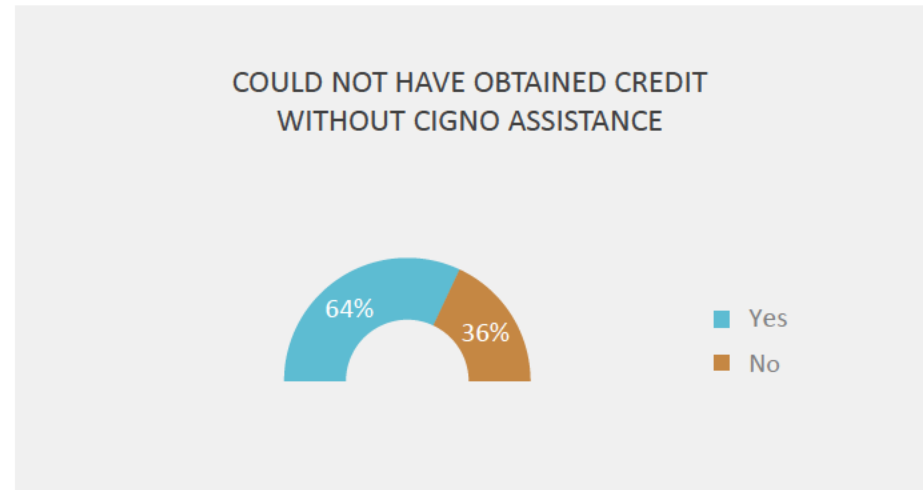
By Income



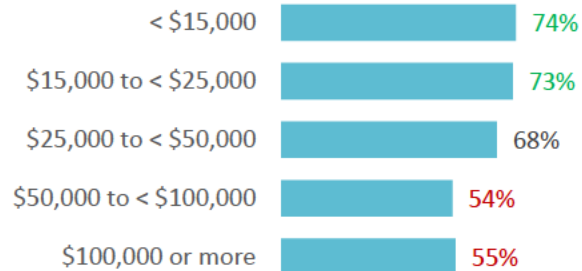
GETTING CREDIT WITHOUT CIGNO

Almost two-thirds of Cigno clients believe they couldn't have received credit without Cigno's help.

Cigno clients with incomes under \$25,000 and females are more likely to believe they could not have obtained credit without Cigno's assistance.



% COULD NOT HAVE OBTAINED CREDIT
By Income



% COULD NOT HAVE OBTAINED CREDIT
By Gender

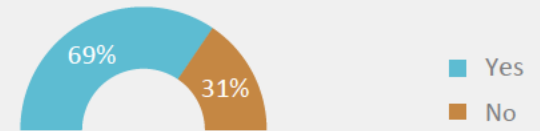


SUFFERED DETRIMENT WITHOUT CIGNO

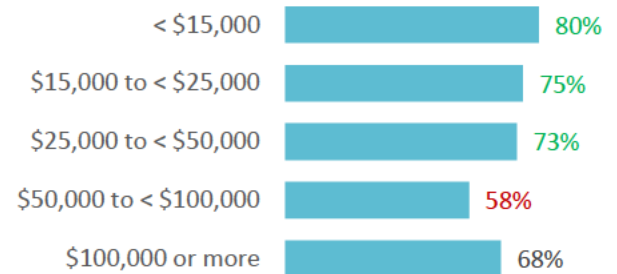
More than two-thirds of Cigno clients believe they would have suffered detriment if Cigno had not assisted them.

Cigno clients with incomes under \$50,000 are more likely believe they would have suffered detriment.

WOULD HAVE SUFFERED DETRIMENT WITHOUT CIGNO ASSISTANCE



% WOULD HAVE SUFFERED DETRIMENT
By Income



OTHER OPTIONS CONSIDERED

If Cigno had not helped, clients would have turned to family or friends in an emergency.

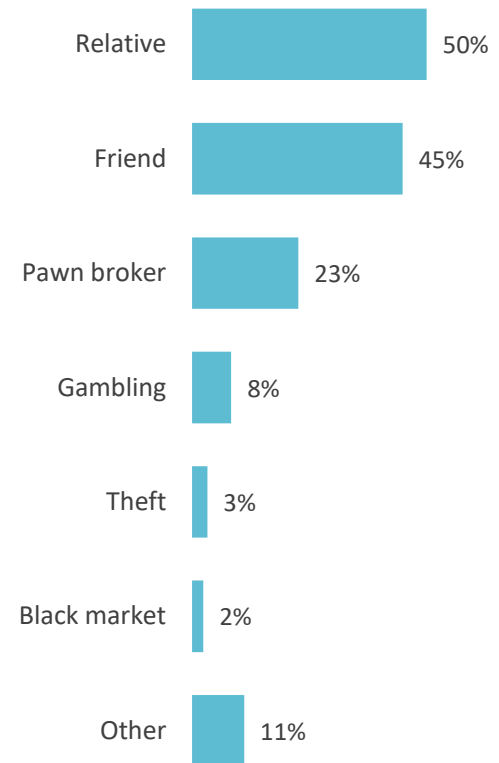
Male Cigno clients are significantly more likely to consider approaching friends if Cigno could not help them.

% WHO WOULD CONSIDER FRIENDS

By Gender



EMERGENCY FINANCE OPTIONS CONSIDERED IF CIGNO DID NOT HELP

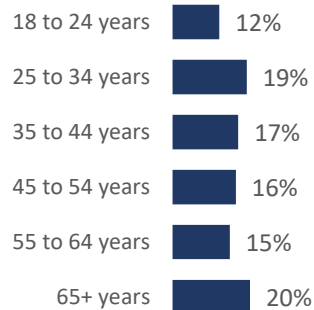


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DEMOGRAPHICS

GENERAL POPULATION DEMOGRAPHICS

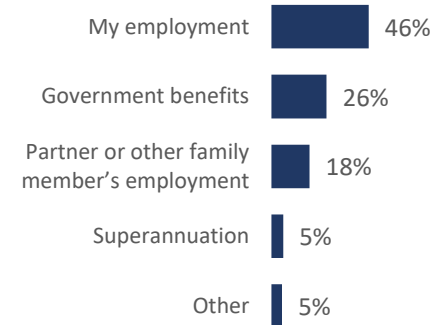
AGE GROUP



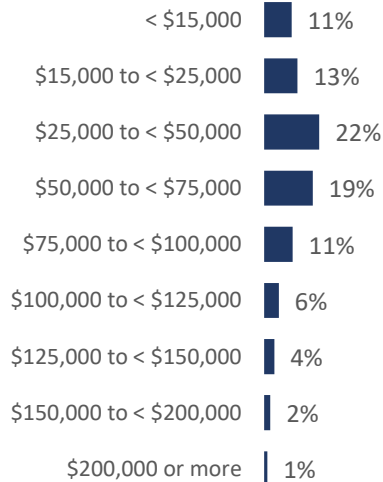
GENDER



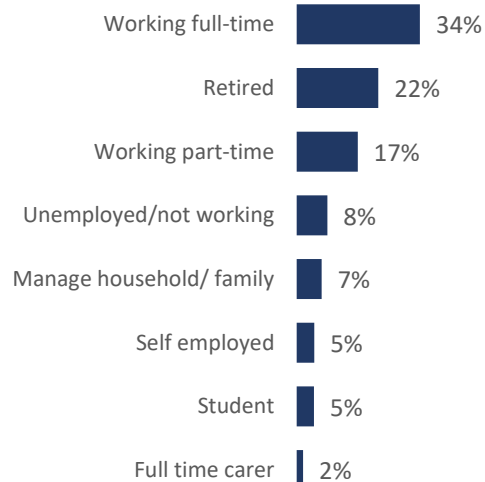
PRIMARY SOURCE OF INCOME



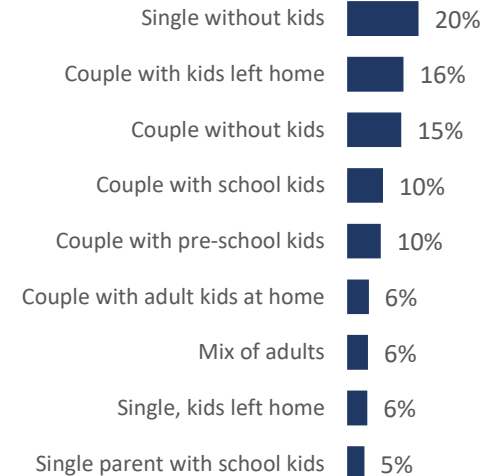
INCOME



EMPLOYMENT STATUS

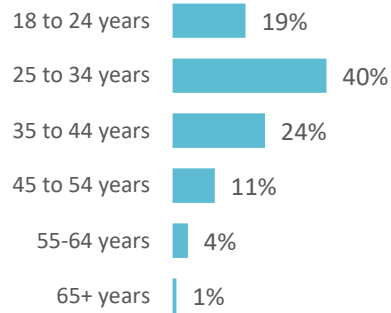


HOUSEHOLD



CIGNO CUSTOMER DEMOGRAPHICS

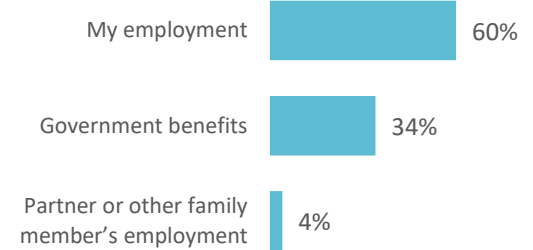
AGE GROUP



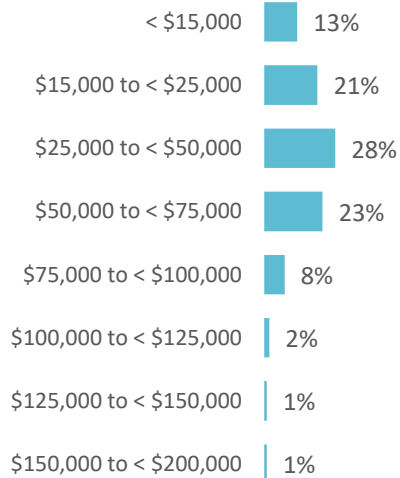
GENDER



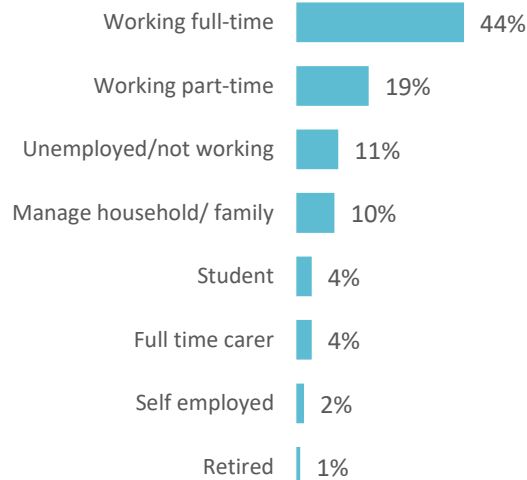
PRIMARY SOURCE OF INCOME



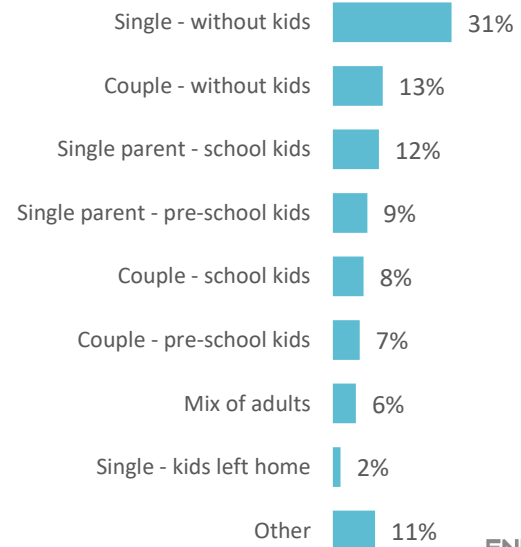
INCOME



EMPLOYMENT STATUS



HOUSEHOLD





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