

Exclusive consumer survey shows alarming over confidence in financial literacy -vs- capability



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- JUST A FIFTH OF CONSUMERS SURVEYED HAD A BASIC GRASP OF FINANCIAL LITERACY
- A POWER IMBALANCE EXISTS DUE TO CONSUMERS LACK OF KNOWLEDGE - ONLY 4% OF ALL CONSUMERS ARE JUSTIFIABLY CONFIDENT IN THEIR FINANCIAL LITERACY
- ROYAL COMMISSION HAS RESULTED IN OVER A 50% DROP IN CONSUMER TRUST LEVELS TO 19% - AND - MAJORITY OF CONSUMERS BELIEVE POSITIVE CHANGES AS A RESULT OF ROYAL COMMISSION WILL BE SHORTLIVED
- CONSUMERS WILL MORE LIKELY TRUST A BANK WITH HIGH PROFESSIONAL STANDARDS

Thursday, 9th May 2019, Consumer Research released by FINSIA today uncovers a real power imbalance of financial knowledge and a high level of vulnerability which the industry must tackle to have any hope of restoring trust.

More than three quarters of consumers failed to fully grasp basic financial concepts like tax and inflation, yet almost two thirds are over confident in managing their own money.

Chris Whitehead, FINSIA CEO says, "It's alarming that 94% of those consumers surveyed who said they were confident in their finances had poor financial habits or a misunderstanding of basic financial concepts.

"It is clear consumers overestimate their ability to understand their finances, which means it is imperative for financial practitioners to be professional and ethical, demonstrating the highest standards of behaviour.

"FINSIA's examination of the financial landscape after the Royal Commission has revealed an alarming lack of financial understanding and a lack of trust between consumers and banks.

"Now more than ever, it is crucial that bankers have the ability to make competent ethical decisions when helping to manage a customer's financial security, especially as one third of those surveyed rely on banks for sound financial advice. The fact that only 19% of consumers surveyed trust their banks proves there is a widening trust gap that needs to be filled now.

"It really does show that customers are caught between a rock and a hard place – the fact that they don't trust their banks or have the financial capability to manage their own money puts them in a vulnerable and susceptible position."

The FINSIA Consumer Trust Survey showed that the already low level of trust dropped significantly by more than 50% (from 46% to 19%) in the last 12 months, coinciding with the Royal Commission.

Whitehead says, "It is worrying to see the levels of consumer trust continuing to drop with more than half of them telling us they don't believe the positive changes brought by the Royal Commission will last. Most believe banks will revert back to their old ways.

"That's why FINSIA believes industry-wide professional standards of conduct are now more paramount than ever to drive good behaviour and reverse the consumer trust deficit."

The survey revealed consumers are more likely to trust a bank with high professional standards, with this particularly prominent among young consumers. Three quarters of those new customers aged under 24 say they want their bank to have professional standards for all staff.

The percentage of millennials that would swap banks to deal with more professionally qualified staff has risen from 19% to 24% in the past 12 months (an increase of almost a quarter).

The same sentiment is felt by the majority of customers up to the age of 44 whose spending and investing is at its peak. The number of consumers who said they would swap (30%) was an even more significant increase from last year.

To ensure these standards are being adhered to and maintained, 81% of survey respondents believe it is important to have a professional body overseeing industry standards.

"The FINSIA Consumer Trust survey is yet more evidence for banks that they will win customers with ethical professionally qualified staff," adds Whitehead.

* Results of FINSIA's second annual consumer research conducted online of over 2000 respondents by the RFI Group between 8th February and 18th February 2019. Respondents that took part are either main or joint decision makers when it comes to their banking.

*Professional qualifications are linked with a specific industry and are designed to help improve and develop relevant skills for a particular career path, these often involve an element of practical training.

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FINSIA has a heritage of over 130 years of connecting members with industry-leading insights and influential networks, we help members to build their capabilities and advance their careers. While strengthening the professional standing of its members, FINSIA is working to deepen consumer trust by raising standards of professionalism across the industry to deliver better outcomes for the community.