



# How Australians pay their bills

March 2020







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# Executive Summary

**How Australians pay their bills** examines how Australian consumers prioritise and pay their bills and provides valuable updates and insights into how businesses can ensure their bill receives the highest priority and earliest payment possible.

This survey was first undertaken ten years ago, and illion has now revisited this work by asking the Australian population similar questions to those we asked in 2010.

The survey considers:

- Consumer payment priorities for thirteen different types of bills ranging from the home mortgage to internet bills.
- The number and type of bills that consumers have paid in an overdue manner in the past twelve months.
- Consumer preferences for notification that a bill is overdue and how this compares to the methods used by creditors.
- The impact on payment priorities when a consumer is aware overdue payments would be listed on a credit report.
- The impact on payment priorities if early payment could be listed on a credit report.
- The impact on payment priorities if and when a consumer is contacted about an overdue bill by a third-party debt collector.

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This insightful work is being released at a critical time when consumer and business confidence is plunging as the true impact of the recent bushfires - and now coronavirus - starts to be felt. Already we are starting to see potential cost action from businesses in advance of a downturn, and the risks to the economy are very high, even to the point where we could see a repeat of the 2008 financial crisis. It is imperative that consumers and businesses prepare themselves for this.

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Simon Bligh - illion CEO



# Top tips for consumers and credit providers

## Illion's top 5 tips for consumers

1. Make a budget showing when you receive income and when your bills are due - plan ahead.
2. Make sure you understand the cost of late payment eg. Credit Card interest, and plan accordingly.
3. Make payment by direct debit wherever possible – take advantage of discounts.
4. Cut unnecessary subscriptions.
5. Shop around for deals to reduce expenses.

## Illion's top 5 tips for credit providers

1. Get ready for an economic downturn – plan for a doubling of overdue accounts.
2. Drive the adoption of direct debit – incentivised by discounts if they make sense.
3. Use technology in early stage collections – email, text and purely digital interactions. Our survey has found customers prefer this, it is cheaper and faster than letters, and you know whether the message was delivered.
4. Make sure the contact details you have are correct and complete eg. emails and mobile numbers.
5. Understand the credit risk of your portfolio.





# Key findings

## The findings in the 2020 survey were very different to those from ten years ago, leading to complacency in following up

### Late payment of bills declines dramatically in a decade

Compared to a decade ago, the late payment of most bill types has dramatically declined, in some cases by up to 70 per cent. Undoubtedly the context of when the 2020 study was undertaken played a key role in this significant shift. In 2020, nearly one in three respondents (27 per cent) told us they paid at least one bill late over the past twelve months. Ten years ago, more than two thirds of people interviewed (41 per cent) said they paid at least one bill late. Our 2020 survey found, however, that if women were late in paying an electricity bill, for instance, then they were often very late (30-90 days). Men also admitted that they were poor payers when it came to Pay-TV bills, compared with women.

### It's all important, unless you're Pay-TV

In 2020, very few bills are now classified as low priority bills. Interestingly, while people under 30 are significant users of technology, including mobile phones and the internet, they appear to be quite reluctant to pay their mobile phone bill on time. While all age groups were slow to pay Pay-TV bills, insurances, loans and mortgages were the least likely bills to be overdue, and were also the least likely to be relegated to the lowest priority payments.

### Direct debit is king

The increased use of direct debit payments appears to have contributed significantly to bills being paid on time. Men in particular, tend to favour direct debit payments more than women across a broad range of household bills. If women use direct debit to pay their bills, this tends to be for insurances or buy now pay later (BNPL) accounts.

### Different bills are paid differently

Our 2020 survey established that while most people are moving towards direct debit as a form of payment, they are still likely to use different means to pay different bills:

- Loans and mortgages are most likely to be paid by direct debit (around 65 per cent).
- Utilities, motor and home insurance and phone bills are mainly paid by direct debit (approx. 50 per cent), with transfers/credit cards the other popular payment options (35 – 40 per cent).
- Credit card and council rates are more likely to be paid by transfers or credit cards when the bill is received (around 60 per cent).

### There's less chasing up now

The methods used for notifying late bill payers have also changed. In 2010, nine in ten late payers told us they were chased for payment. Now only half of our respondents said they were contacted about a late bill.

### If you remind me, please do it electronically

In 2020, consumer contact preference for late bills is predominantly electronic, either by email or SMS. A reasonable proportion of reminders are still sent by post, however this has fallen significantly, with only one in three late payers now receiving a reminder letter or bill, compared with almost everyone in 2010.

## Credit scores influence bill payment

Knowing that paying their bills on time could reflect **positively** on their credit score is likely to motivate two out of three people (65 per cent) to pay up. This is particularly the case for women, who said they are much more likely to pay a bill on time than men if they knew it would improve their credit rating (69 per cent vs 60 per cent). We also found that if paying a bill late was likely to result in a **negative** credit score, women were more likely to pay on time than men (66 per cent vs 59 per cent). Other groups who responded favourably were those under 50 years of age, people in full or part time work and those with higher annual incomes.

## Debt collectors motivate me to a point

Sixty per cent of respondents said they would pay their bills on time if contacted by a debt collection agency. This has increased from 50 per cent back in 2010. However, if we break these figures down by gender, we found a marked difference, with men far less likely to be influenced by potential debt collection activity than women (52 per cent vs 65 per cent). Using age as an indicator, we also found that people up to the age of 44 are more likely to pay their bills on time if there is a debt collector involved.

## Discounts work – but not always

Our survey established that women are much more open to paying most household bills by direct debit than men if a discount is offered. The only exception to this is buy now pay later, which is largely the same (62 percent to 60 percent). Interestingly, we found that while women were motivated by discounts generally, they were more emphatic about higher discounts for the larger bills such as electricity, loans, mortgages and council rates.

## The rise of buy now pay later (BNPL) products

Entirely consistent with the findings in our [Credit Card Nation](#) report (March 2019), Millennials have confirmed again that they love BNPL products, with 53 per cent of respondents under the age of 30 telling us they have a BNPL account.














# Payment priorities – Highest to lowest 2020

## Late payments decline dramatically

Compared to a decade ago, the late payment of most bill types has dramatically declined, in some cases by up to 70 per cent. Undoubtedly, the continued economic impact of 2010's Global Financial Crisis impacted the last study and is likely to have played a key role in this significant shift.

In 2020, nearly one in three respondents (27 per cent) told us they paid at least one bill late over the last twelve months. Ten years ago, this was greater than two in three (41 per cent) paid at least one bill late. Many bills that were once considered a low priority are now viewed as important by consumers. This includes mortgages and other loans, household broadband and mobile phone services.

In 2010, 14 per cent considered the mobile phone bill to be of low priority, but this is now only a low priority for 7 per cent of consumers – possibly reflecting the high reliance on mobile phones for many different purposes, including internet access as we have previously suggested. It is now a core device for telecommunications, as confirmed by the steep fall in home phone usage.

Payment priority 2010	Payment priority 2020	Bill received
2	1 	Personal loan / car loan
9	2 	Mortgage
1	3 	Gas
4	4 -	Car insurance
11	5 	Electricity
5	6 	Home / Contents insurance
3	7 	Council rates
10	8 	Internet fees
6	9 	Home phone
12	10 	Mobile phone
-	11 -	Buy now pay later
7	12 	Credit card
8	13 	Pay-TV

Electricity has moved from being a low priority bill for 13 per cent of respondents to only 4 per cent of respondents now. However, our 2020 survey found that if women were late in paying an electricity bill then they were often very late (30-90 days). Mortgages show a similar pattern, moving from 12 per cent (low priority in 2010), to now only being a low priority bill for 2 per cent of people. Internet fees have also moved from 13 per cent to 6 per cent.

As we have previously noted, however, Pay-TV bills have moved in the other direction. In 2009, 9 per cent considered these bills to be of low priority, but now in 2020, 39 per cent feel this is their lowest priority bill. While Forbes<sup>1</sup> has reported declines in US Pay-TV audiences of 3.8 per cent in 2018 and 3.7 per cent in 2017, this significant drop in payment priority could also be explained by the simple fact that Pay-TV was one of only two possible discretionary expenses in our survey (BNPL being the other one). Moreover, there is now also considerably more choice in the market, especially with the introduction of streaming services such as Netflix, Apple TV, and Stan, than there was 10 years ago.

Some bills have shown no substantial changes in their payment priority, including home phones, gas, insurance and council rates. This is quite possibly due to these services being viewed as 'staple' expenses.

# Trends in payment priorities

## Preferences for payment change

Over time, there has been a significant decline in the number of Australians with a home phone connection and its associated bill. The Australian Communications and Media Authority predicts that only 50 per cent of Australian homes will have a landline in 2021<sup>2</sup>, with landline ownership continuing to decline until 2037. This is no doubt linked to the continuing popularity of mobile phones.

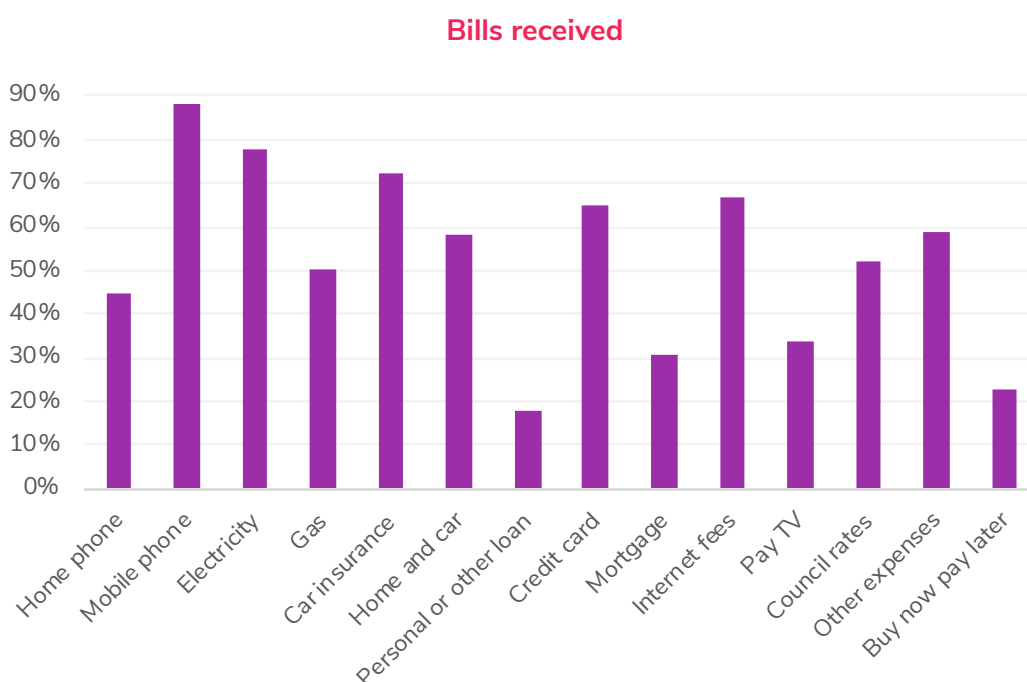
Other bill types that have shown a decline include electricity, personal loan or car loan, mortgage and internet fees.

While there is a drop in the number of consumers receiving a bill for mortgages, an apparent 20 per cent drop in internet services may suggest a trend for phone and internet providers to 'bundle' services together, where a home-based broadband service is provided together with mobile internet services.

Of note is the new class of credit called buy now pay later (BNPL). illion's [Credit Card Nation](#) report (March 2019) highlighted that in just four years, Australians have opened around 3.5 million BNPL accounts.

This survey confirms more than one in five adults are now receiving a BNPL bill. The increasing availability of this product option will no doubt see it playing an increasingly important role in the juggling of bill payments to suit funds available.

Choice magazine<sup>3</sup> notes however, that most users of BNPL services are aged 18 to 34, with two out of five earning less than \$40,000 a year. They conclude that it is not hard to see how paying for things with money people don't have at the moment could be a recipe for debt.





# How do you pay your bills?

## Our survey established that consumers are likely to use different means to pay different bills

How bills are paid:

- Utilities, motor and home insurance, phone and internet bills are mainly paid by direct debit (around half), with card/accounts other popular payment options (approx. 35 – 40 per cent).
- Credit card bills and council rates are more likely to be paid by card/account when the bill is received (around 60 per cent).
- All loans and Pay TV are most likely to be paid by direct debit (around 65 per cent).

BNPL accounts are also predominantly paid by direct debit (56 per cent), while a significant proportion (31 per cent) appear to pay reactively when a bill is received.

More than 6 out of 10 men now favour bill payment by direct debit rather than when the bill fell due (61 per cent – 39 per cent). Women, on the other hand, do not appear to be as keen on making direct debit payments, being almost split between paying a bill this way or when it is due (51 per cent – 49 per cent).

The trend towards a switch from paper-based ways of making payment (cash and cheques) towards digital payment methods was first noted by the RBA<sup>4</sup> in a customer payments survey in 2016. The bank noted that contactless forms of card payment (tap and go) were increasingly popular, as were direct debits from a bank account.

Seven out of ten millennials favour payment by DD rather than when the bill falls due (70-30 average), a trend that is only picked up again by those in their early 60s (67-33), while all other groups are about equal (50-50).

In terms of income levels, of those earning less than \$80k, 6 out of 10 respondents said they preferred direct debit (59% to 41%). There was no significant difference once people were earning more than \$80k.

# Which bills are paid late?

## A question of affordability?

Of all of the bills for services included in the survey, respondents were most likely to pay insurances and home loans on time, but several services had a significantly higher rate of late payment over the past 12 months.

These included mobile phone bills, credit card payments, electricity bills, BNPL accounts and personal loans. Interestingly, while Millennials (18-30 years old) are significant users of technology, including mobile phones and the internet, they appear to be the most reluctant to pay their mobile phone bill on time. Part of the reason for this may be that Millennials simply cannot afford to pay higher bills.

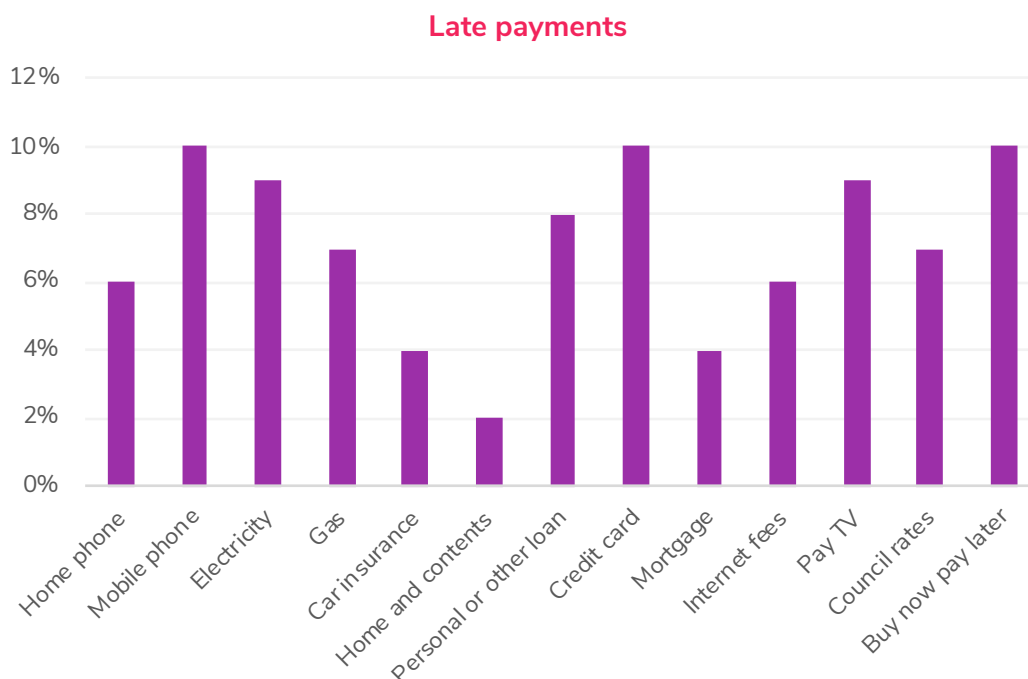
One recent report in the UK noted that this group spent almost a quarter of their net income on housing<sup>5</sup> and that low wages are endemic.

In all, 29 per cent of respondents paid **at least one bill late** in the past twelve months. These people, on average paid 1.7 bills late in the last twelve months.

Insurances, loans and mortgages were the least likely bills to be overdue, and were also the least likely to be relegated to the lowest priority payments. This appears to reflect the relative importance that consumers seem to now place on these services.

Most consumers who had paid at least one bill late were typically overdue for less than 30 days. For most bills, between 70 and 80 per cent of respondents paid the overdue bill within thirty days of it falling due.

Once overdue, the most neglected bills were personal or car loans, council rates, utility bills and BNPL accounts. These bills were left to linger in the unpaid category for the longest periods, with more than 30 per cent of these late-paying respondents leaving their bills for longer than thirty days.



## Who contacted you about an overdue bill?

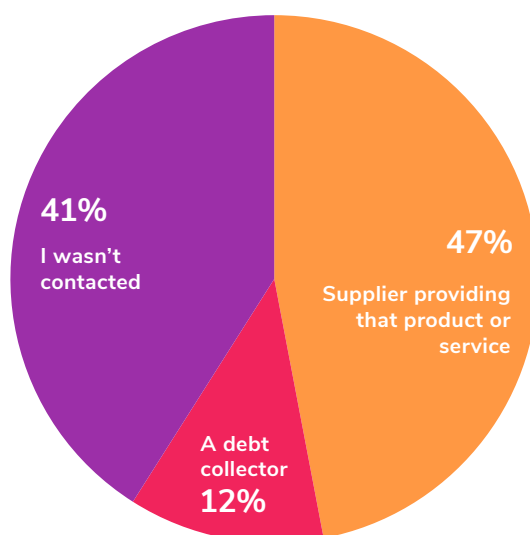
### Many are not contacted at all

Almost half of respondents who paid a bill late in 2020 were not contacted by the organisation that provided the product or service. Many more people now appear to be allowed to self-cure their payment situation.

Those under 40 years of age were a little more likely to be contacted by a debt collector relative to other age groups, whilst those over 60 years of age were less likely to be contacted at all in relation to their late bill payment.

A quite marked difference in approach is noted between now and ten years ago: in 2010 only 11 per cent of respondents were not contacted about an overdue bill, while in 2020, that number rose by a third.

#### Who contacted the consumers?



## How would you prefer to be contacted?

### In 2020, consumer contact preference for late bills is predominantly electronic, either by email or SMS

When compared to ten years earlier, the use of posted correspondence has fallen dramatically. In 2010, almost every late payer received some form of paper correspondence, either as a letter or an overdue bill. In 2020, only around one in three respondents receive paper-based notices.

Conversely, the use of direct electronic communication has grown significantly, with the use of SMSs doubling and the use of email increasing three-fold.

Also of interest, communication about late bills via the home phone has fallen significantly.

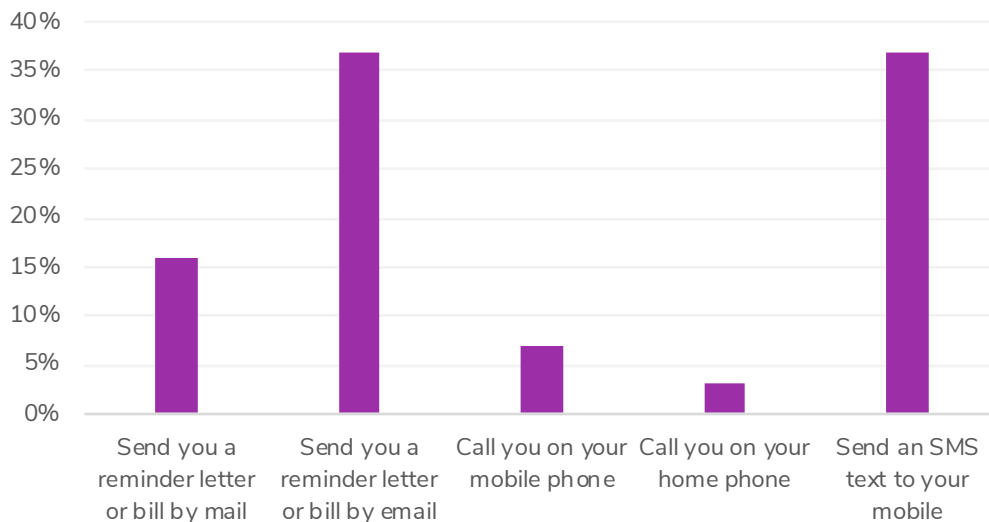
Communicating electronically is now favoured by bill payers, with three out of four respondents preferring to be contacted by either email or SMS. This preference is consistent amongst late bill payers as well as those that have paid their bills on time.

Emails are more desirable amongst those over 60 years of age, whilst an SMS is the preferred contact option for those under 50 years of age.



Telephone calls, either to the home line or a mobile were not noted as a particularly desirable approach, nor is the option of receiving a reminder in the mail.

#### Preference for future contact



## How would you prefer to pay an overdue bill?

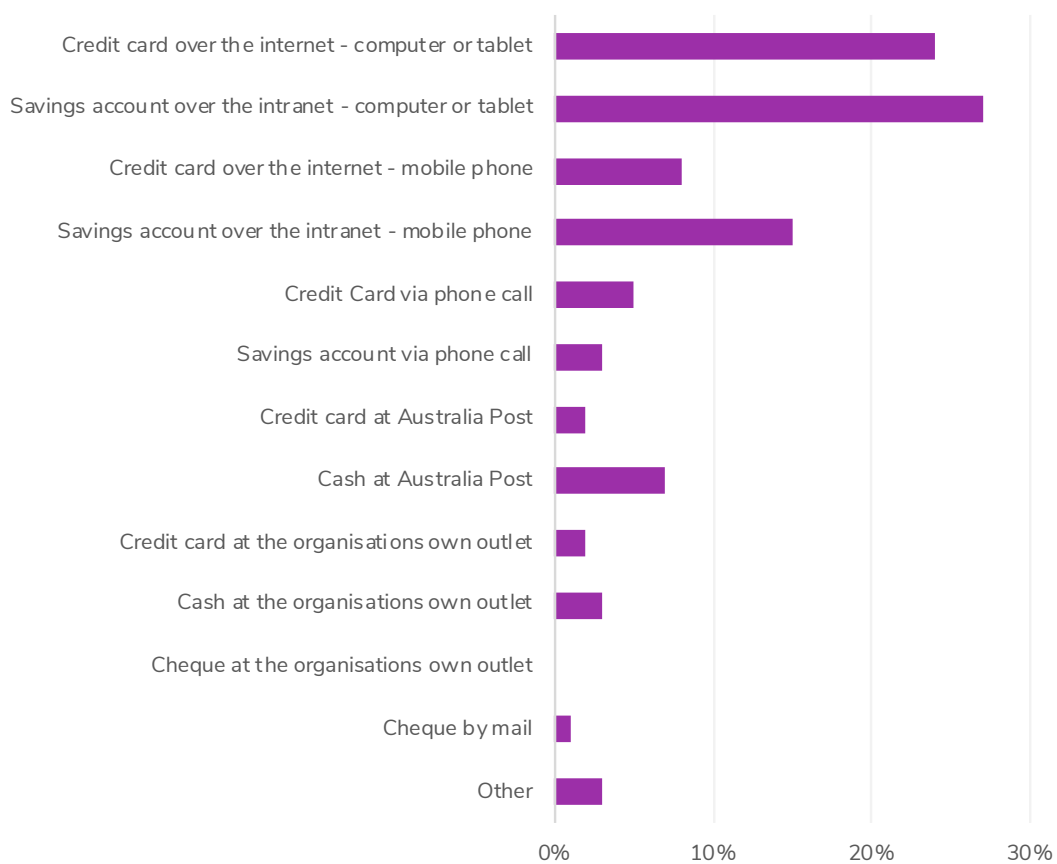
### Most people prefer to pay a bill electronically

In 2020, three out of four respondents prefer to make late bill payments electronically; on their computer, tablet or phone. This method of paying appeals across all demographics of late bill payers.

In total, only one in four people preferred other payment options, including payment over a phone, at Australia Post, at the organisation's retail outlet or by mail.

This was consistent amongst those that had made a late payment as well as those that had always paid on time, although late payers were less inclined to use their credit card to make the payment.

## Payment Preferences



# What would change your payment behaviour?

## Credit reports a big motivator

Respondents confirmed that showing late bill payments on a credit report would motivate them to pay their bills on time.

Nearly two out of three respondents (62 per cent) reported they would be more likely to pay their bill on time to avoid a **negative** outcome on their credit report. We also found that if paying a bill late was likely to result in a negative credit score, women were more likely to pay on time than men (66 per cent vs 59 per cent).

This increase represents a 5 per cent jump since 2009, (57 per cent to 62 percent) and it is feasible to suggest that with more information available on Comprehensive Credit Reporting, people's propensity to pay their bills on time could increase. *Adviser Voice*<sup>6</sup>, an on-line financial service, suggests that if banks and financial institutions could educate younger Australians about the simple bill paying options available, this would relieve their customer's pain points, 'building trust and value between the organisations and their customers'.

Our survey found that a majority of late bill payers would respond positively to the inclusion of this information on the credit report – with 53 per cent of late bill payers saying they would pay on time.

This high response rate was consistent across all age groups and, in particular, impacted the response from females and those in full or part-time work. Those earning less than \$40,000 per annum were less responsive to this potential action. This may be reflective of low income earners simply not being able to afford to pay their bills.

Knowing that paying their bills on time could reflect **positively** on their credit score is likely to motivate two out of three people (65 per cent) to pay on time. This is particularly the case for women, who said they are much more likely to pay a bill on time than men if they knew it would improve their credit rating (69 per cent vs 60 per cent).

Other groups who responded favourably to this were those under 50, people in full or part time work and those with higher annual incomes, the latter suggesting that ability to pay is a necessary element of motivation in this area.

The overall appeal of an early payment being recorded to improve a credit profile has remained relatively consistent over the last ten years. This included both late and on-time payers.



# What about contact by a collection agency?

## A call from a debt collector can help with late payments

Aligned with positive and negative reporting on a credit report, contact by a debt collection agency for late payments would also help promote on time bill payment.

Although it is noteworthy that a slightly lower percentage of respondents would be motivated by debt collection action rather than positive or negative credit reporting.

Fifty-nine per cent of Australians reported that they would be more likely to pay their overdue bill if contacted by a debt collection agency.

Interestingly, consumers responded a little more positively about being contacted by a debt collection agency than they did ten years ago. In 2010, 50 per cent said it would influence them more to pay a bill on time, whilst in 2020 this proportion is now 59 per cent.

However, if we break these figures down by gender, it shows a marked difference, and we found that men are far less likely to be influenced by potential debt collection activity, than women (52 per cent vs 65 per cent).

Using age as an indicator, we found that people up to the age of 44 are more likely to pay their bills on time if there is a debt collector involved.



# Would you shift to direct debit?

## Yes, if you offered me a discount

Our survey has found that most people (7 out of 10) would opt for direct debit as a payment option if they were offered a discount.

Late bill payers who typically pay a bill when they feel like it, were more than receptive to changing to direct debit if a discount was offered.

The enticement of a discount was attractive across all bill types.

In particular, we have established that women are much more open to paying most household bills by direct debit than men if a discount is offered. The only exception to this is BNPL, which is largely the same (62 percent to 60 percent).

The motivation to opt for direct debit is highly influenced by the amount of the discount relevant to the bill value. Simply put, \$10 discount on one type of bill would not necessarily elicit the same positive response on another bill.

To illustrate, a small \$10 discount would be seen positively by well over 30 per cent of responders on smaller bills such as home phone, mobile phone, Pay-TV and BNPL, where the monthly cost is expected to be around \$100.

However the discount would have to be substantially more than \$10 for higher value bills such as loan repayments, council rates and utility bills, where the average bill amount would be significantly higher.

In these groups, fewer than 15 per cent of responders would be satisfied with a discount of \$10 or less. In short, bill payers are looking for a discount that is relative to the size of the bill.

As might be expected, consumers have a preference for a larger discount (of more than \$10 per month) than a smaller one. This level of discount was noted across all bill types explored.



# About our reports

## 2020

The illion **How Australians pay their bills** study was conducted in February, 2020. The survey was based on 1209 respondents aged 18 years and over and was administered nationally online using panel members. The survey provides breakdowns based on:

- Bills least likely to be paid.
- Ways in which late payers prefer to be contacted about overdue bills.
- Ways in which late payers prefer to make payment for overdue bills.
- The impact on payment priorities of listing late payment with a credit bureau.
- The impact on payment priorities of consumers being contacted by third party debt collectors.
- Ways in which late payers currently pay bills, concentrating specifically on their use or non-use of direct debit.

## 2010

The Dun & Bradstreet **Consumer Payment Priorities study** was conducted by Newspoll during March, 2010. The survey was based on 1205 respondents aged 18 years and over.

# Endnotes

1. <https://www.forbes.com/sites/danafeldman/2018/11/19/just-how-bleak-is-the-future-of-traditional-tv/#62e2259c35b6>
2. <https://www.news.com.au/finance/money/costs/landline-telephones-set-to-vanish-completely-by-2037-thanks-to-the-nbn-and-smartphones/news-story/1ad147ced0df36368f446b23327d263d>
3. <https://www.choice.com.au/money/credit-cards-and-loans/personal-loans/articles/buy-now-pay-later-services>
4. <https://www.rba.gov.au/publications/rdp/2017/pdf/rdp2017-04.pdf>
5. <https://www.theguardian.com/society/2018/apr/29/millennials-struggling-is-it-fault-of-baby-boomers-intergenerational-fairness>
6. <https://www.adviservoice.com.au/2017/05/41-per-cent-australians-25-dont-know-pay-bills/>



## About illion

illion is the leading independent provider of trusted data and analytics products and services in Australasia, with the company's consumer and commercial registries representing a core element of Australia and New Zealand's financial infrastructure.

We leverage consumer and commercial credit registries, which comprise data on more than 24 million individuals and more than 2 million commercial entities, to provide end-to-end customer management solutions to clients in the financial services, telecommunications, utilities and government sectors.

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Responsible Decisions.**