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## Article

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## Article

# The Impact of the Crisis Triggered by the COVID-19 Pandemic and the Actions of Regulators on the Consumer Finance Market in Poland and Other European Union Countries

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**Abstract:** The economic crisis triggered by the COVID-19 outbreak has severely affected the global economy. The ultimate scale of the recession is yet to be determined, but it is likely to be the most dramatic slump since World War II. The impact of the crisis on the financial sector, especially consumer finance, could almost instantly be observed. The article shows how determination and consistency in regulatory actions counteracts the effects of the pandemic crisis for the banking sector and consumer finance. The conducted research has shown the existence of a number of social phenomena typical of this type of global crisis, such as shopping panic, reduced creditworthiness of households related to loss of income, unemployment and increased crime. At the same time, the actions of financial market regulators turned out to be very effective (no negative structural phenomena occurred in the financial market). The accuracy of the selection of instruments and the speed of action limited the social and financial effects of the pandemic, including a loan repayment memorandum, limiting the cost of consumer loans and supporting the banking sector, which will limit the scale of excessive household debt and consumer bankruptcies, and companies were also supported. The research was conducted on the basis of available literature on the subject, market analyses and a review of regulations implemented at the central level and in individual EU member states.

**Keywords:** financial services; financial market regulation; consumer finance; COVID-19



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## 1. Introduction

On 4 March 2021, exactly one year has passed since the first case of Covid-19 was diagnosed in Poland. In Europe, the pandemic had officially been declared several days earlier, on 21 February 2020, when SARS-Cov-2 was confirmed in an Italian resident of Lombardy<sup>1</sup>.

From the outbreak of the pandemic, European governments have implemented various, often radical, countermeasures to ensure the stability of their financial systems and mitigate the consequences of the crisis on the citizens and the economy struggling due to the imposed lockdown. Despite unprecedented efforts and financial resources spent on combatting the most serious global economic collapse since the end of World War II, the economic landscape of Europe, as well as the rest of the world, has undergone a drastic change.

The article shows how having a very wide range of influence regulatory actions implemented in the financial market could allow counteracting the effects of the pandemic crisis on the banking sector and consumer finance market. It was possible despite the occurrence of many negative social phenomena typical for this type of global crisis situations, such as panic purchases, reduced creditworthiness of households related to loss of income, unemployment and increased crime.

The paper focuses primarily on the analysis of conclusions drawn from market and consumer sentiment research and presents an overview of key regulations that have had an effect on the functioning of the consumer finance market in European countries. At the same time, the pandemic significantly changed the perception of the financial market

from the perspective of consumers. The growing uncertainty about the development of the pandemic provoked increased purchases of basic products. Negative information from the labor market, and often also a grated portion of income, have created real concerns about debt sustainability, especially in Central and Eastern European countries. There, the beginning of the pandemic coincided with the awaiting of final solutions to solve the problem of loans granted in Swiss francs.

From this perspective, it seems extremely interesting to understand the changes in consumer attitudes towards the financial sector. Trust in banks and a conviction that they are willing to support personal projects may turn out to be crucial in the post-pandemic phase. Governments and market regulators, in their actions, were primarily guided by ensuring the stability of the financial sector (Smaga 2013). The need to support clients of financial institutions was a secondary measure, forced by social expectations of households and enterprises affected by the crisis.

The pandemic accelerated the digital transformation of the financial sector by moving most of the operations online. Consumers were forced to accept a radical change in the manner and scale of interactions with financial institutions and e-commerce (Vasenska et al. 2021). The risk of cybercrime has increased. This new factor also influences the perception of the financial sector and requires adequate regulatory actions.

## 2. Literature Review

The latest research on the effects of COVID-19 has highlighted various issues. For instance, Choi (2020), Iyke (2020), Jorda et al. (2020), and Liu et al. (2020a) observed important output and credit contraction due to COVID-19. Liu et al. (2020b), Maliszewska et al. (2020) noted the reduction in consumption and investment. Ertugrul et al. (2020) recorded an increase in consumption volatility. COVID-19 has adversely affected the performance of companies and many sectors of the economy. In addition, COVID-19 adversely affected corporate performance (Shen et al. 2020), herding behavior (Espinosa-Méndez and Arias 2020), and real estate price (Wang et al. 2020).

The economic consequences of the COVID-19 pandemic, as well as its impact on the global economy and the financial situation of consumers, have been analyzed by commercial research institutes and academic centers around the world: Teresiene et al. (2021), van der Wielen and Barrios (2020), Baker et al. (2020), Kanapickiene et al. (2020).

Examining multiregional research covering Eurozone, United States and China, Teresiene et al. (2021) stated that the level of consumer confidence was the lowest in in Eurozone. This observation can be explained by the fact that COVID-19 has affected European countries very strongly. Following this research result consumer sentiments in Eurozone were the most pessimistic compared with other regions.

From the perspective of economic sentiment, the most important are trust and uncertainty (van der Wielen and Barrios 2020). The economic and social constraints caused by the COVID-19 pandemic undoubtedly had a direct strong impact on the economy (Baker et al. 2020), while affecting household confidence. From a research perspective, the economic sentiment indicators are one of the most critical indicators of the overall health of the economy and its ability to recover successfully after a crisis.

Benhabib and Spiegel (2017) examined how demand or consumer confidence shocks can affect overall economy performance and consumption. The correlation between consumer sentiment and consumption was also analyzed by Gillitzer and Prasad (2016). Golinelli and Parigi (2004) succeeded in confirming the model's ability to predict consumer confidence indicators in the sampled and out-of-sample periods.

National sentiment and economic behavior can be of key importance in the field of sports betting (Braun and Kvasnicka 2013). Sentiments and expectations interact with great power in every field and can give indications of how to build efficient post-crisis socio-economic policies.

Kurowski (2021) stated that the coronavirus pandemic has highlighted the importance of preparing household budgets for the unexpected loss of income. A feature of the COVID-

19 crisis is that no early warning model of the financial crisis could have predicted the moment when the coronavirus pandemic would have hit the economy with consequences comparable to the 2008 global financial crisis.

Andersen et al. (2020) analyzed changes in customer spending and indicated that the largest reductions in spending were in sectors directly affected by the lockdown caused by the COVID-19 pandemic. Research by Yuen et al. (2020) analyzed four key factors causing panic buying accompanying crisis situations:

- perception,
- fear of the unknown,
- coping behavior and
- social psychology.

They concluded that when consumers considered the risk of contracting the disease real, they were motivated to take self-protection measures, including panic shopping. In times of crisis, epidemic or war, theories of consumer behavior show how people try to regain a sense of control by purchasing products (Loxton et al. 2020; Ballantine et al. 2013; Yuen et al. 2020).

Baker et al. (2020) analyzed the impact of information about the risk of recession for the economy in the media. In surveys of business expectations, they pointed to an unprecedented deterioration in sentiment in the face of the pandemic.

The global COVID-19 pandemic highlighted the shifted perception of the financial sector during the crisis. As in the case of the previous financial crisis, customer sentiment has changed dramatically (Lozza et al. 2016; Zaleska 2021; Kolečník 2021). The crisis of confidence in the financial sector is seen as a complex phenomenon. The biggest challenge is to get to know its structure and understand the interdependencies. Secondly, the study by Brychko et al. (2021) helps to clarify the real threat of erosion of the confidence in the financial system for both: long-term macroeconomic stability and post-crisis growth perspective.

When analyzing the impact of regulation on consumer satisfaction, the results of the research show that there is a strong relationship between strict solutions and declines in consumer satisfaction. Since the start of the first lockdown in March 2020, consumer satisfaction has dropped dramatically and has subsequently declined to a very low level at the end of 2020 (Brandtner et al. 2021; Buckman et al. 2020).

The pandemic and the greater number of cyber-attacks it has caused have wider economic and social implications that go beyond the immediate targets of such attacks. Working from home means that people nowadays spend the dominant part of their professional and social activity on the Internet. The growing number of cyber-attacks and the growing awareness of the risk of cyber-crime mean that they can have implications for activities worldwide and generate new challenges for police, governments, financial institutions, and e-commerce (Collier et al. 2020).

### 3. The Impact of COVID-19 on the Consumer Credit Market and Consumer Households

Almost right after the introduction of the first lockdown<sup>2</sup> in Europe, the consumer finance market of the region suffered a sharp decrease in the volume of lending. The survey conducted among the members of Eurofinas (the largest European association of entities offering consumer loans) indicates that the reduction in lending occurred in all major segments of the market.

In the first half of 2020, European consumer credit providers granted financing in the amount of EUR 184.8 billion. This constituted a decrease in new loans by 18.4% compared to the same period of the previous year. The total number of consumer loans granted decreased by over 21%. Sharp declines were observed for all categories of loans and consumption, except for real estate, where the financially unattractive bank deposit offers and the record low interest rates on loans in such countries as Poland and the Czech Republic encouraged spending.

Personal loans for any purpose marked the steepest decrease, by 23.2% (see Table 1) compared to the first half of 2019. The value of revolving loans shrank by 17.8%, although the sharpest decline was recorded in the car loans market, where the value of new loans shrank by nearly 26% (EUROFINAS 2021).

The downward trend was observed in all domestic markets of Eurofinas member states, with the exception of Turkey, where the market grew by more than 30% (see mboxtabref:risks-1170258-t002 & Figure 1). In Italy, the United Kingdom, France and Belgium, the new consumer credit market shrank by more than 20%, while the majority of other EU member states recorded declines in the range between −11% and −17%. Volume changes in this stage of the pandemic were a direct result of the crisis and the aftershock of the economic lockdown introduced all over Europe. Changes in the labor market, such as temporary (resulting from the lockdown) and permanent (resulting from job losses) unemployment, limitation of working hours<sup>3</sup> and wage cuts, intensified in the second stage, or the so-called second wave, of the pandemic, in the autumn of 2020, when many countries reintroduced several-week long restrictions on entire sectors of the economy.

**Table 1.** European Trends—Breakdown per New Consumer Loans by Category (H1 2020).

Granted Consumer Credits		
Loan Type	mIn EURO	% of Change 2020/2019
Personal loans	36,721	−23.20%
Revolving loans	43,564	−17.80%
Credit cards	16,146	−16.30%
Consumer credit for new cars	17,669	−32.60%
Consumer credit for used cars	19,623	−21.50%
Home loans and consumer mortgages	32,766	−4.00%
Other	34,421	−11.00%
	184,764	−18.40%

Source: <http://www.eurofinas.org/uploads/documents/statistics/Eurofinas%20Biannual%20Survey%202020.pdf> (accessed on 30 March 2021).

Changes in the volume of new consumer loans in the first half of 2020 in individual markets were not directly related to the duration and the scope of lockdown imposed on businesses, but rather reflected the accumulated consumer demand or the level of affluence of citizens.

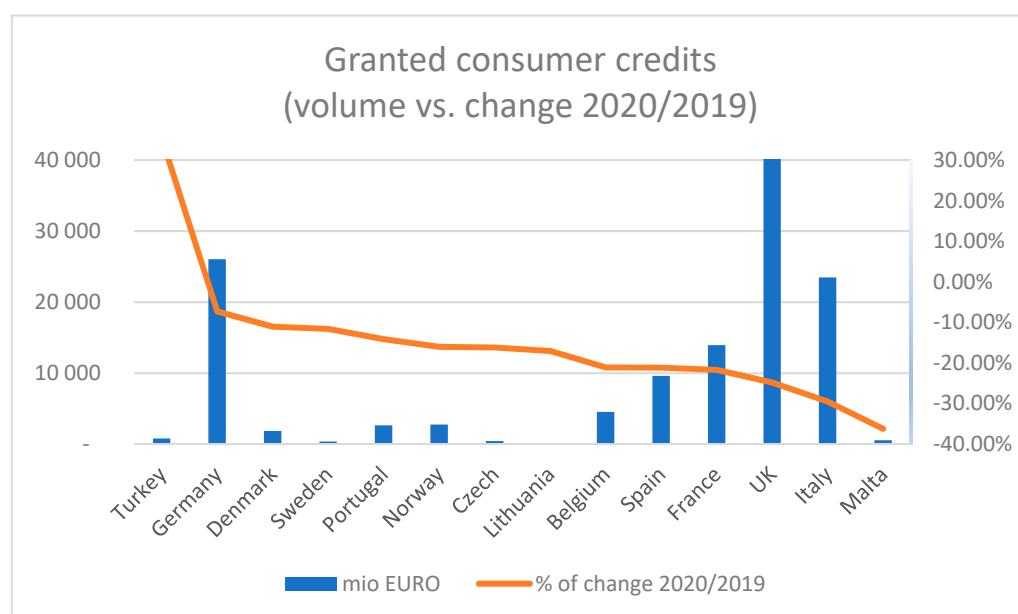
**Table 2.** New Consumer Credits Granted for Personal Consumption and Individual Vehicles (H1 2020).

Granted Consumer Credits		
Country	mIn EURO	% of Change 2020/2019
Turkey	787	35.42%
Germany	26,042	−7.30%
Denmark	1860	−11.05%
Sweden	376	−11.59%
Portugal	2653	−14.13%
Norway	2746	−16.00%
Czech Republic	425	−16.18%
Lithuania	61	−17.03%
Belgium	4530	−21.11%

Table 2. Cont.

Granted Consumer Credits		
Country	mIn EURO	% of Change 2020/2019
Spain	9602	−21.13%
France	13,944	−21.70%
UK	43,325	−24.79%
Italy	23,462	−29.50%
Malta	553	−36.21%
	130,366	−21.24%

Source: <http://www.eurofinas.org/uploads/documents/statistics/Eurofinas%20Biannual%20Survey%202020.pdf> (accessed on 20 February 2021).



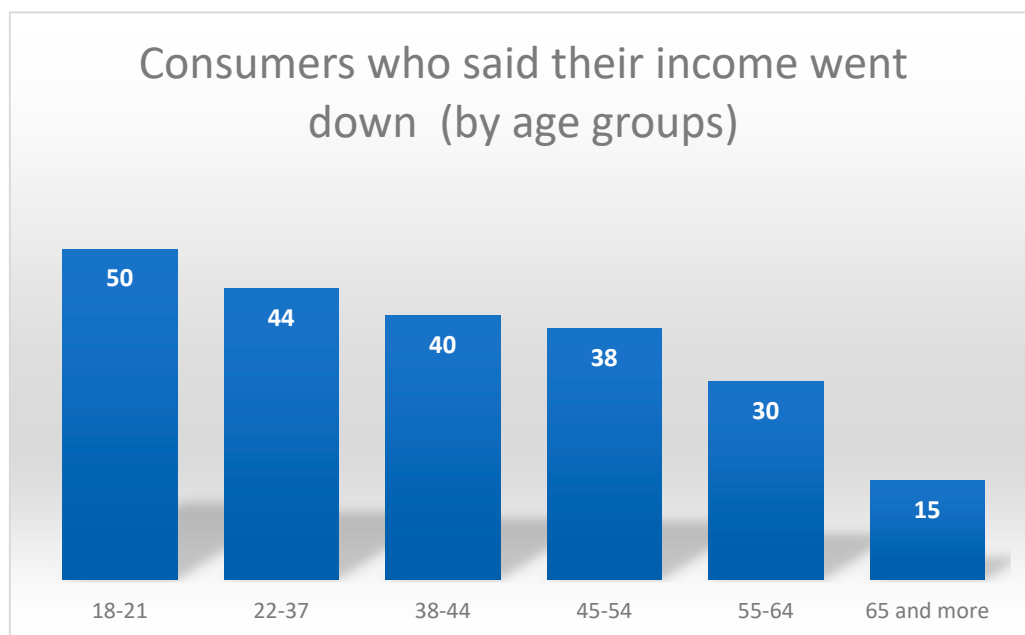
**Figure 1.** New Consumer Credits Granted for Personal Consumption and Individual Vehicles (H1 2020). Source: <http://www.eurofinas.org/uploads/documents/statistics/Eurofinas%20Biannual%20Survey%202020.pdf> (accessed on 30 February 2021).

The crisis triggered by Covid-19 was accompanied by a growing level of household debt, which was rising in relation to GDP, as well as in nominal terms. In the majority of cases, it stemmed not from an increase in consumption, but from the difficulties in the ongoing debt servicing. For instance, in France, in the first six months after the outbreak of the pandemic, the average household debt increased by more than 6%, to EUR 3532 (Bignon and Garnier 2020). In 2020, in addition to France, household debt in relation to GDP increased rapidly also in Italy, Belgium, Norway and Switzerland. In countries that have had lower demand for consumer loans for years, such as Ireland, Portugal and the Netherlands, debt growth indices recorded significant negative values. The situation was similar in Poland, where in the first half of 2020 the nominal household debt decreased slightly to the total of PLN 779.1 billion at the beginning of July 2020.

According to a consumer sentiment survey conducted by Intrum in 24 countries (Intrum.com 2020), the crisis had a disproportionately greater impact on less educated and less affluent citizens. Over 40% of lower-income respondents reported losing all or a significant part of their earnings as a result of the crisis. Among the better-off, the deterioration of the financial situation was less noticeable and explains why a decrease or loss of income was reported by only 35% of middle-income and 32% of higher-income households participating in the survey (see Figure 2).



What was particularly disturbing from the social point of view was the fact that the crisis took a greater toll on young people, who, in general, lack large financial reserves and sufficient experience required in the increasingly demanding labor market. The consequences of the prolonged lockdown were disastrous for such sectors as gastronomy, tourism and fitness. Many young people lost their income for months due to the closure of restaurants, sports facilities and travel restrictions.



**Figure 2.** Customer behavior—COVID-19 impact. Source: [Intrum.com](https://www.intrum.com) ECPR2020 (accessed on 20 February 2021).

The majority (57%) of the respondents who declared that they lost their income as a result of the crisis responded to the situation by reducing consumption. Others tried to fill the gaps in their budget by borrowing money from banks, non-bank financial institutions, their family or friends.

#### 4. A Pan-European Perspective on the Solutions for the Financial Market in Response to the Crisis Triggered by the COVID-19 Pandemic

From the perspective of the financial market as a whole, the measures adopted by the regulatory bodies focused mainly on monitoring the situation, detecting possible threats in a timely manner and creating a formal and legal framework to stabilize the situation. The banking sector was instantaneously affected by the pandemic, but it managed to come up with solutions to prevent further crisis. According to analyses, the majority of the threats were related to the possible consequences of economic slowdown and negative changes in the financial situation of bank customers. The increase in credit risk resulted from the deterioration of the financial situation of enterprises affected by repeated lockdowns and the increase in unemployment, which had a direct impact on the consumer finance sector ([Ophem 2020](#)). Another threat to stability, in particular to the financial performance of the banking sector, were the actions of governments aimed at mitigating the consequences of the crisis for consumers and business, often at the expense of the financial sector.

From the outbreak of the pandemic in Italy in February 2020, the European Central Bank (ECB), the European Systemic Risk Board (ESRB) and the European Supervisory Authority (ESA) were monitoring the situation in other EU member states as well. Their actions were primarily aimed at ensuring the stability of the markets. On 14 July 2020, the European Commission published a list of best practices ([European Central Bank 2020a](#), [2020b](#)) to help consumers and companies survive the crisis caused by the pandemic.

The document contained a list of recommendations for insurers as well as banking and non-banking financial institutions, including:

- Recommendation to introduce, wherever possible, moratoria on the payment of consumer and business loans and outstanding insurance premiums;
- Ensuring the implementation of safer cashless payments (while at the same maintaining the option of cash payments unrestricted);
- Creation of national programs to support efficient granting of loans in order to mitigate the consequences of the crisis triggered by the pandemic, keeping the level of fees and interest rates in check and thus preventing unfair practices in this area;
- Recommendation to insurers to settle insurance claims as promptly as possible.

Throughout 2020, the ECB undertook a number of initiatives to support banks in the face of drastic economic changes, recommending supervisory flexibility in the treatment of non-performing loans and encouraging banks to avoid pro-cyclical effects when using the IFRS 9 international accounting standard. In order to better adapt to market volatility and maintain market liquidity, on 16 April 2020 the ECB ordered to provide additional relief by temporarily allowing lower capital requirements for market risk and allowing banks to lower the regulator-set qualitative market risk multiplier.

When it comes to the protection of consumer rights within the EU, the European Commission and the governments of individual member states took very decisive actions. In the first stage of the crisis, numerous—often comparable—ad hoc measures were introduced in order to guarantee a higher level of security to people who lost their sources of income or those whose economic situation deteriorated (Baicu et al. 2020).

Belgium, Germany, Cyprus, Spain, Croatia, Hungary, Ireland, Italy, Lithuania, Poland, Portugal, Romania, Sweden and Slovakia introduced emergency provisions allowing for deferral or suspension of loans repayment until the end of 2020 by natural persons and micro-enterprises that had suffered as a result of the pandemic. In Poland and Hungary, the limit of the maximum allowable cost of loan was lowered. In turn, the Bulgarian government approved a program to guarantee interest-free loans to people, who had been deprived of the possibility to work as a result of the COVID-19 pandemic (maximum EUR 3500 for a term of up to five years per person). The Czech Republic and Poland decided to tighten the criteria for granting mortgage loans.

In October 2020, Germany's EU Council Presidency, along with the representatives of the Portuguese and Slovenian governments, issued a common position statement on the new challenges posed by COVID-19 for consumer protection policy in the European Union (EU2020.de 2020). The statement highlighted areas that require strengthening of the European consumer policy, such as:

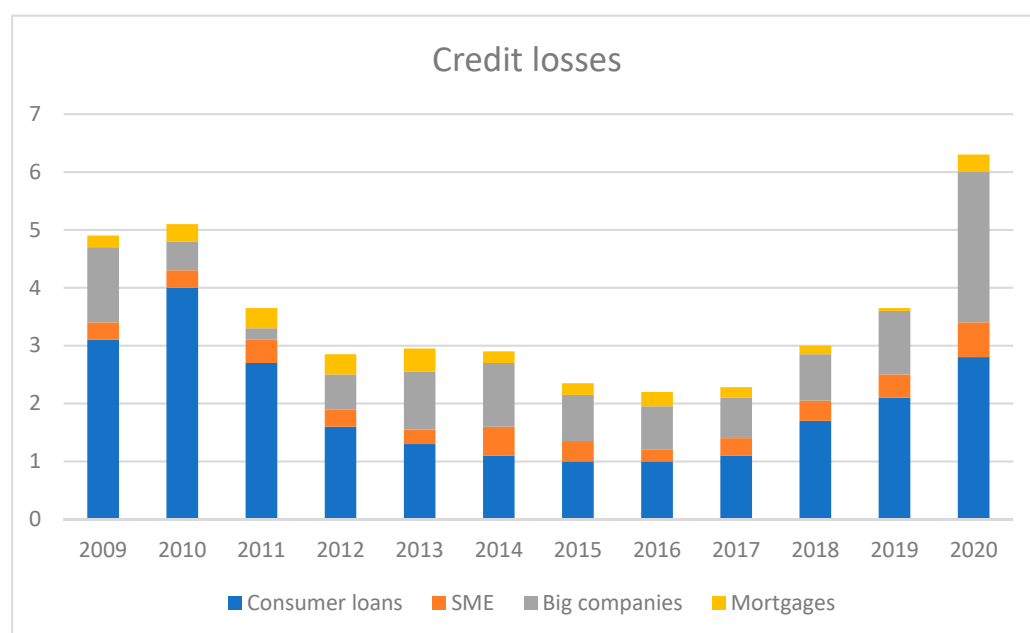
- improving the level of consumer protection on the financial market by updating and optimizing the (EUR-Lex-32008L0048-EN (2021)) in order to adapt it to the digital age and by introducing solutions to deal with the problem of over-indebtedness, intensifying during the crisis.
- solving consumers' ongoing financial problems caused by lower household income or job losses, which can cause difficulties in fulfilling their credit obligations on time, lower the standard of living and lead to a rapid increase in indebtedness.
- increasing the level of protection of consumers who use e-commerce platforms due to the increase in the number of fraudulent, misleading or illegal offers on the e-commerce market. E-commerce platforms should assume greater responsibility for the offers posted (even if posted by third parties). Therefore, new rules on digital services should be introduced as promptly as practicable. At the same time, the scope of responsibility of platforms and vendors should be clearly outlined.
- encouraging consumers to participate in the green transition. This requires innovative solutions, promoting longer lifespans and repairability of products.
- ensuring sustainable consumption does not depend on income but should be available to everyone.



### 5. Regulatory Changes and Their Implications for the Financial Market in Poland

For the consumer loan market in Poland, the most important change was the Act of 2 March 2020 on special solutions related to the prevention and combating of COVID-19, other infectious diseases and crisis situations caused by them, which lowered the maximum limit of non-interest costs of consumer within the meaning of the Act of 12 May 2011 on consumer credit. In its original form, it was initially to remain in force until the end of 2020, but it was decided it would be applied at least until the end of 2021.

The change was introduced despite the objections and arguments, raised especially by non-bank financial institutions, for which the new limits were often lower than their break-even points; in Poland, non-banking entities granting consumer loans cannot include credit risk costs into tax deductible costs (see importance on Figure 3).



**Figure 3.** Credit losses (bln PLN)—financial/banking sector in Poland. Source: National Bank of Poland (<https://www.nbp.pl/systemfinansowy/rsf122020.pdf> (accessed on 10 February 2021)).

The cost limits were determined as follows:

- loans with a repayment period of more than 30 days were calculated according to the formula:

$$MPKK \leq (K \times 15\%) + (K \times n/R \times 6\%)$$

where:

MPKK—the maximum amount of non-interest cost of loan,

K—total loan amount,

n—repayment period in days,

R—the number of days in a year.

- loans with a repayment period shorter than 30 days were calculated according to the formula:

$$MPKK \text{ equal or lower than } K \times 5\%$$

where:

MPKK—the maximum amount of non-interest cost of loan,

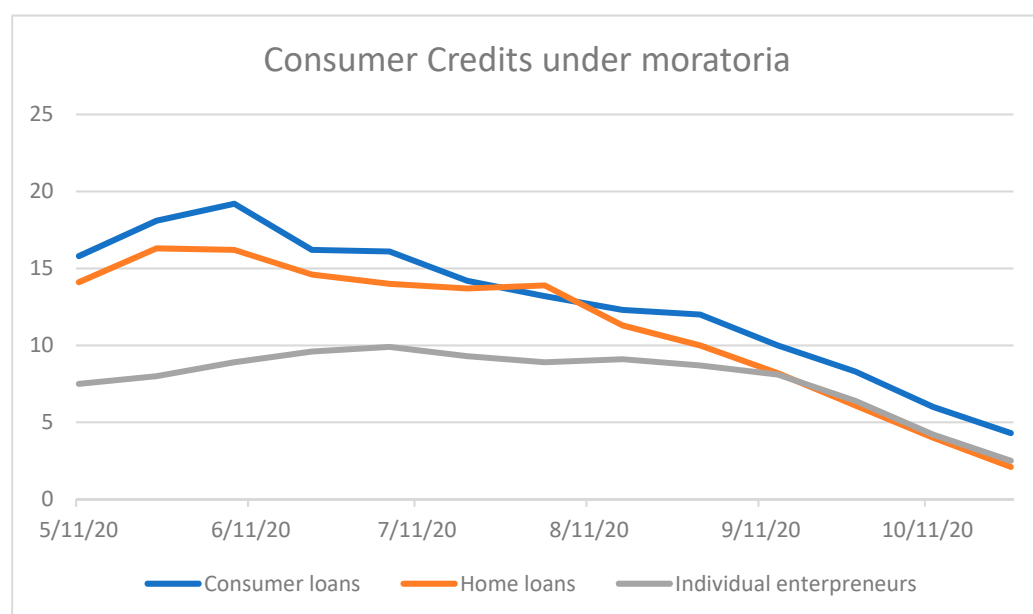
K—total loan amount.

It was decided that non-interest costs of consumer loans may not exceed 45% of the total loan amount.

Before the changes, the maximum amount of non-interest costs was equal to 25% of the total loan amount and 30% of this amount on an annual basis.

In addition, individual customers, as well as micro and small entrepreneurs in Poland, were granted the right to:

- Moratoria on repayment of principal or principal and interest instalments: for a period specified by the customer, up to six months (regardless of the number of applications submitted by the customer)—see Figure 4.
- Revolving products (overdrafts, credit cards) that did not meet the standard requirements for their extension until 30 September 2020 were automatically extended for up to six months.
- Leasing products: the repayment of the leasing instalments (the main part) was deferred or reduced by virtue of law for an agreed period of up to six months (regardless of the number of applications submitted by the customer).
- Factoring products: the payment of receivables from the customer was deferred by virtue of law for an agreed period of up to six months (regardless of the number of applications submitted by the customer).



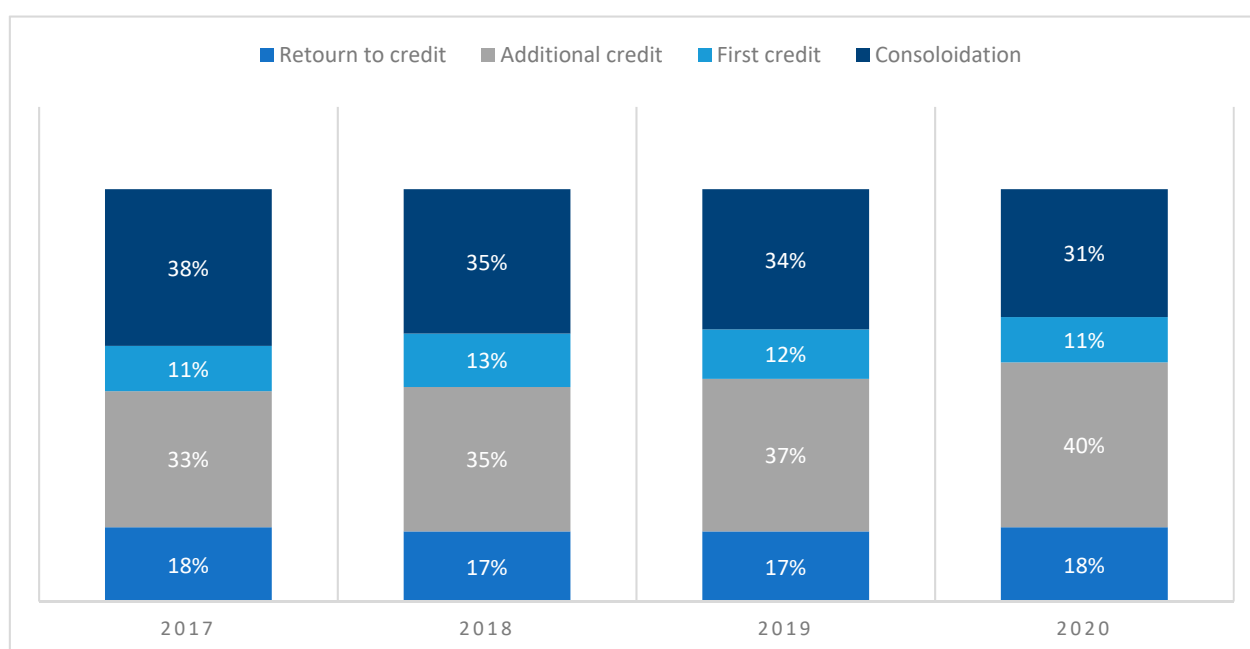
**Figure 4.** Household financing—credit under moratoria by type of creditor (bln PLN). Source: National Bank of Poland (<https://www.nbp.pl/systemfinansowy/rsf122020.pdf> (accessed on 15 February 2021)).

According to representatives of loan market organizations, changes in the maximum cost of credit and moratoria for debt repayment led to the withdrawal of nearly 1/3 of entities offering consumer loans from the market, while those that decided to continue their business despite the growing demand limited the scale of operation and tightened the criteria for granting loans. As a result, the amount of short-term loans granted decreased in 2020 by over 35% (Kongres Consumer Finance 2020)—see Table 3 & Figure 5, mainly due to reduced loan availability and stricter minimum requirements in terms of credit risk assessment.

**Table 3.** Consumer Credits Granted in Poland (1–10/2020).

Loan Type	Granted Consumer Credits	
	bIn PLN	% of Change 2020/2019
Personal loans (cash loans)	43.0	−31.50%
Consumer credits (instalment loans)	12.3	2.70%
Revolving loans	5.5	−36.50%
Credit cards	3.6	−38.80%
Mortgage loans	52.4	−4.40%
Payday loans	3.9	−35.70%
	117.1	−24.03%

Source: <https://www.efcongress.com/wp-content/uploads/2021/02/Bran%C5%BCa-Consumer-Finance-w-czasie-pandemii.pdf> (accessed on 19 March 2021).



**Figure 5.** Consumer Credits Granted per Reason and Type 2017–1–10/2020 (number of credits). Source: <https://www.efcongress.com/wp-content/uploads/2021/02/Bran%C5%BCa-Consumer-Finance-w-czasie-pandemii.pdf> (accessed on 18 March 2021).

## 6. New Reality and New Risks for the Consumers

The crisis has forced a revaluation of numerous issues:

- the banking sector came to be perceived as modern and consumer-friendly,
- in many segments of the market the differences between banks and Fintech (which have started to replace banks in operations that were previously their exclusive domain) have been blurred,
- social changes, especially in the millennial generation, have changed the perception of authorities; bloggers and trendsetters active in social media have started to replace experts and professional advisers also in the field of finance and investment, providing advice for the younger generation.

In light of the above—as confirmed by the research conducted by the consulting company McKinsey—the financial sector will be forced to accept that:

- Many Fintech will look for direct ways to offer services in the area of maintaining bank accounts, handling payments and granting loans. Large technology companies

and other non-banking players who are not able to “become” banks themselves on their home markets due to strict regulatory requirements will seek their chance in regulatory arbitration<sup>4</sup>.

- The dominant, liberal regulatory trends, including PSD2 and open banking, will be conducive to the development of banking APIs and universal market access.
- Public opinion polls conducted on a regular basis by McKinsey indicate that in the United States banks have already lost the advantage of consumer trust to financial technology companies. It is likely that the privilege of having the word “bank” in one’s business name will no longer determine the competitive advantage in being perceived as an institution of public trust, at least on the consumer finance market.

The COVID-19 pandemic has changed the operational model of business, education and social interaction. As a consequence of the lockdown, peoples around the world were forced to immediately transfer many of their activities and interactions to the Internet environment. Nobody was prepared for such a dramatic change.

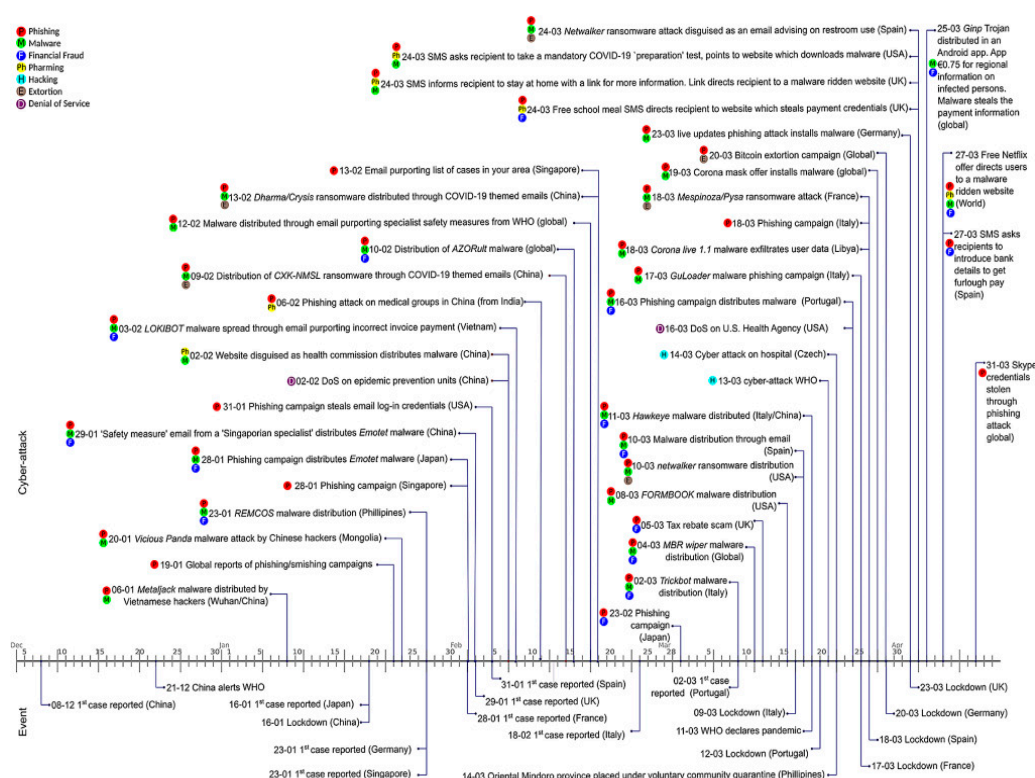
Lack of habits on the part of users and insufficient level of network security became the basis for the development of cybercrime, which could not fail to take advantage of the opportunity.

Financial fraud and cyber-crime are a fundamental problem in the new (online) era that affects not only banks and e-shops but also everyday life—see Figure 6. It plays a key role in the perception of honesty and trust in the financial sectors and influences the cost of living of an individual (Choi and Lee 2018). Modern models of fraud detection and prevention techniques have been introduced by financial institutions based on the identification of unusual behaviors that have taken place on their websites. The implemented fraud detection methods are still not fully effective due to the continuous evolution of technics developed by fraudsters. This problem is particularly important in the consumer finance sector due to the relatively lower level of technical awareness and security awareness of the users themselves. They are particularly vulnerable to possible fraud attempts.

The new realities became a basis for a new type of crime. Hacker and cybercrime attacks, which previously mainly targeted institutions, also affect consumers during the pandemic. Their effects not only have a direct financial dimension, but also intensify the atmosphere of uncertainty in the consumer-bank relationship. A cybercriminal generally sends an email to a lower-level accounting or finance officer. He pretends to be the executive manager of the company or its owner. The purpose of such e-mails is to provoke a surprised employee to transfer funds to a fake account (Mansfield-Devine 2016).

Individual customers of e-commerce and online financial services are attacked mainly via SMS, replacing e-mail in order to bypass SPAM filters and reach more potential victims. Vishing, short for “voice phishing”, uses telephone contact to achieve the same criminal purpose (Stembert et al. 2015; Brands and van Wilsen 2019).

It is probably too early to paint precise scenarios for the consumer finance market in the new, post-crisis market reality. However, one can already observe some trends that will force the financial sector and regulators to revise the current market regulation policies. The virtualization and digitization of the financial sector have already shifted the burden of operations online, where the borders between individual countries and regions where given regulations apply become blurred (Berem et al. 2021). These new dimensions also become the field of operation for economic and financial crime; there is already a noticeable trend of regulators shifting responsibility for users to administrators of online platforms. However, the question of how to effectively protect consumers against the consequences of regulatory arbitrage and cross-border operations conducted by Fintech and other online platforms so far remains without an answer.



**Figure 6.** Cyber-dependent and cyber-enabled crimes. Source: Lallie et al. (2021) Cyber security in the age of COVID-19: A timeline and analysis of cyber-crime and cyber-attacks during the pandemic (graph source- [https://ars.els-cdn.com/content/image/1-s2.0-S0167404821000729-gr2\\_lrg.jpg](https://ars.els-cdn.com/content/image/1-s2.0-S0167404821000729-gr2_lrg.jpg)) (sciencedirect.com (accessed on 26 April 2021)).

## 7. Conclusions

The COVID-19 pandemic has highlighted the importance of preparing household budgets for the unexpected loss of income. A feature of the coronavirus crisis is that no early warning model of the financial crisis could have predicted the moment when the pandemic would have hit the economy with consequences exceeding the 2008 global financial crisis impact. The results of the analysis showed new research areas that require exploration in the future. This applies to the social and financial gap impacting financial literacy and ability of household to adopt their “standard of living” to dramatic changes in their financial and economic environment.

This article shows how the determination and consistency of the regulatory actions implemented in the financial market (as cited in this article: credit moratoria, extraordinary rate cap restrictions in the consumer finance market, operations providing additional liquidity to the banking sector) allow for counteracting the effects of the pandemic crisis on the banking sector and consumer finance. Europe and the USA have been very effective in countering the effects of the COVID-19 crisis. Research conducted by scientists have shown the occurrence of most social phenomena typical for this type of global crisis situations (e.g., panic purchases, reduced creditworthiness of households related to loss of income, unemployment, increased crime). At the same time, the actions taken by financial market regulators turned out to be very effective (there were no negative structural phenomena on the financial market). The appropriateness of the selection of instruments and the speed of action limited the social and financial effects of the pandemic as a loan repayment memorandum (limiting the cost of consumer loans and support provided to the banking sector) will limit the scale of growth of household over-indebtedness and consumer bankruptcies.

One of the most serious economic challenges in the near future will be to stimulate economies to grow after the crisis. From a scientific perspective, it will be interesting to

study the effectiveness of macro-economic programs implemented under various conditions and to define the financial sector as a role in its implementation. The COVID-19 outbreak has hit developed economies in a low-inflation environment and an expansionary monetary policy can stimulate economic growth and investment in the short term. However, the monetary policies of developed and emerging economies are somewhat related (Prabheesh and Vidya 2018; Padhan and Prabheesh 2019, 2021). The effectiveness of domestic monetary policy will depend on the transmission of shocks.

In this context, the first of the future research topics is clearly visible: the balance between the government's crisis policy and macroeconomic development issues. The second challenge in this area is the lack of theoretical foundations due to the lack of experience in global health crises.

In the consumer finance market, the crisis revealed many dysfunctions. Consumers reacted to the crises with panic purchases at the beginning. Their budgets were not prepared for falling income caused by COVID-19 crisis. As a consequence, their creditworthiness deteriorated and financial institutions significantly reduced credit action. Following these events, confidence in financial institutions decreased significantly across the globe.

Analysis of market data shows that security measures implemented by European financial market regulators ensured—at least until then—the stability of the financial sector. At the same time, regarding the level of direct relations between consumers and banks, the relationship has deteriorated with a visible deficit of trust in each other. Household indebtedness increased significantly in many markets and many consumers found themselves excluded from the financial sector due to their situation.

An interesting subject of future research will be to understand the ways in which the plan to rebuild the consumer finance market after the crisis will be implemented. Without access to credit, fast consumption growth will not be possible and it will be difficult to overcome the crisis as fast as it is expected.

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## Notes

- <sup>1</sup> [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(20\)32154-1/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(20)32154-1/fulltext) (accessed on 1 March 2021).
- <sup>2</sup> March–May 2020.
- <sup>3</sup> On 28 January 2021, the government of Spain presented a plan to pilot a 4-day working week as a way to help the economy recover from the crisis caused by COVID-19.
- <sup>4</sup> One case study is Revolut, which takes advantage of the possibility of conducting cross-border business operations within the European Union based on an easily available Lithuanian banking licence.

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