

2016

UK Payment Markets – Summary

A summary of recent and emerging developments
and forecasts for all forms of payment

How payments are likely to change in the UK over the next decade

Every year, Payments UK publishes a series of reports using definitive industry data to give a complete picture of the UK's payments landscape, across every different payment type. By considering the trends that affect cash, cards, cheques and electronic payments, our expert analysis and forecasts are relied upon by the industry and businesses to help them plan for the future.

This is a summary of UK Payment Markets 2016, which sets out the way consumers and businesses chose to pay in 2015 and forecasts how things will change up until 2025. Details of how to obtain a full copy of the report are available from paymentsuk.org.uk/industry-information/annual-statistical-publications.

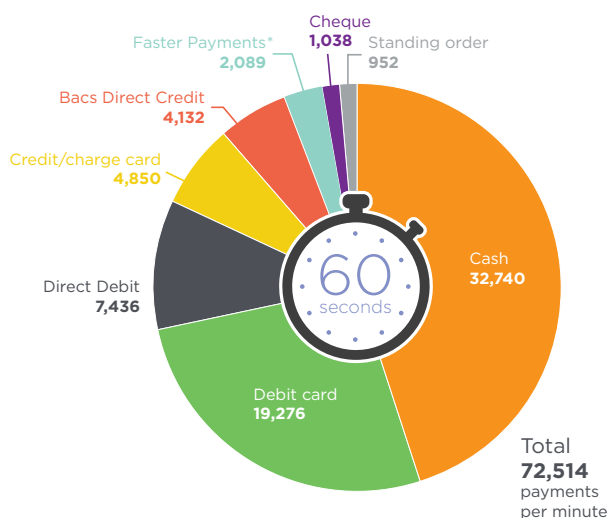
All payments in the UK: What happens in an average minute?

Each minute in the UK in 2015, over 72,000 payments were made by consumers and businesses – totalling more than 38 billion payments during the year.

In the average minute in the UK in 2015, the following payments were made by consumers and businesses:

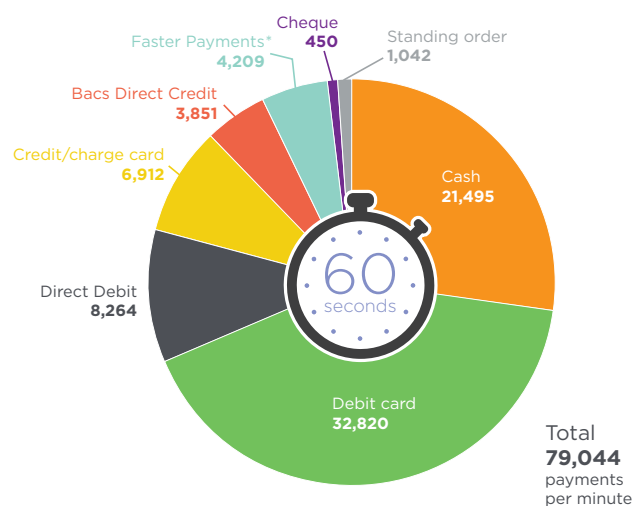
2015

What happened in a **payments minute?**



2025

What will happen in a **payments minute?**



*Faster Payments totals include remote banking payments cleared in-house

In 2025, the number of payments made in the UK is expected to reach 42 billion, worth a total of £9,328 billion (excluding CHAPS, which dwarfs the value of other payment methods).

Payments made by consumers: Average per adult each month

The average UK adult made 648 payments during 2015, which equates to 54 payments each month. By 2025, this will increase to 662 payments, or an average of 55 payments each month.



Note: The contactless card payments shown here are a subset of the debit and credit card payments, not additional payments.

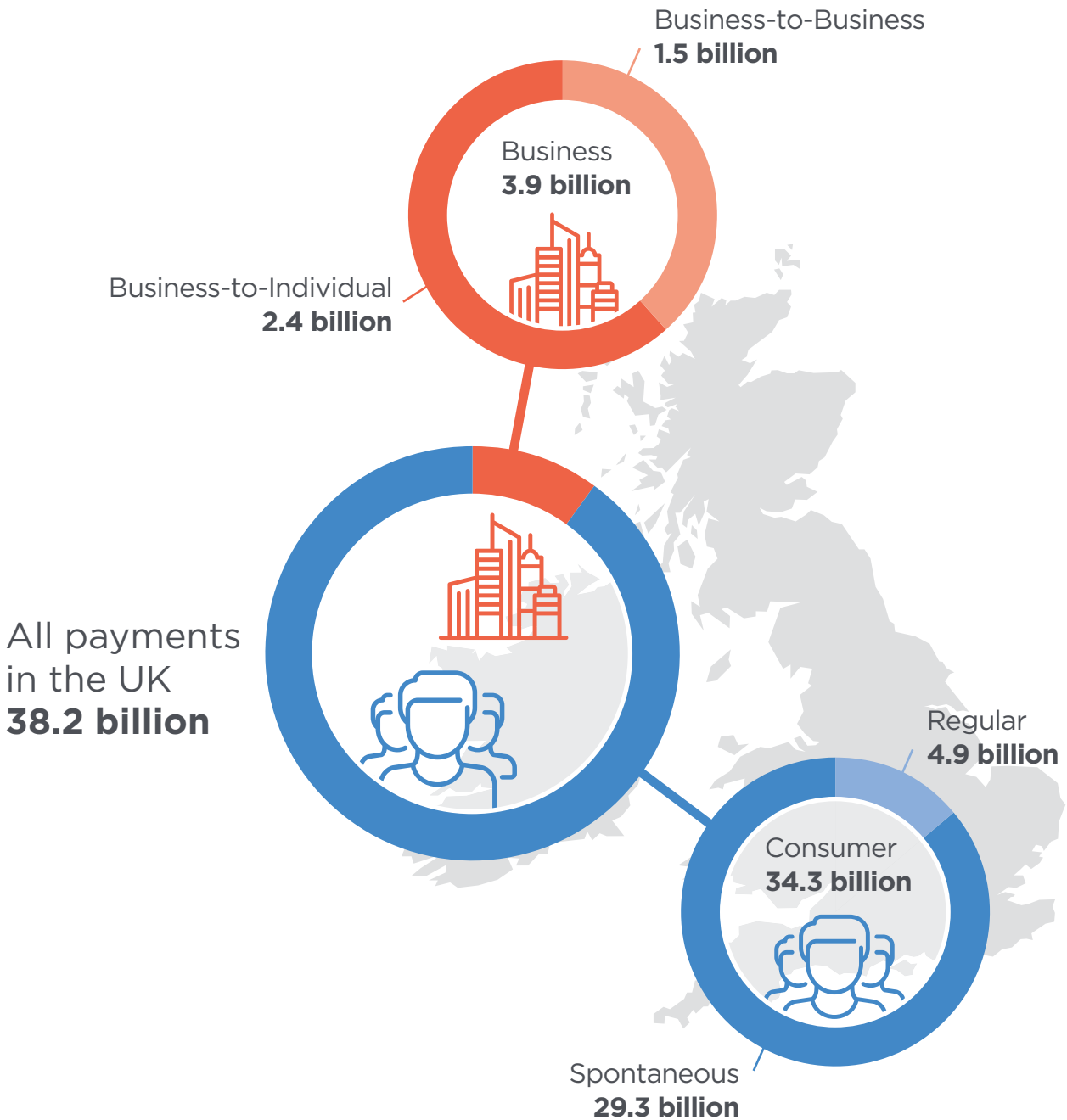
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It is clear that the way consumers make payments is going to change considerably over the next decade. Whilst our payment choices when making regular bill payments may not change greatly, our spending habits when making day-to-day purchases are likely to continue to evolve. The relative positions of cash and debit cards are expected to switch, with debit cards becoming the most popular payment method among consumers. This will be aided by the continued rollout and adoption of contactless payments.

Payments made by consumers and businesses

Nine out of 10 of all payments in the UK in 2015 were made by consumers, with the remainder made by businesses, government and not-for-profit organisations. Almost one in six payments (15%) made by consumers were for regular bills, with the remaining 85% being spontaneous purchases. On the business side, six out of 10 payments were made to individuals, with the remaining four out of 10 being payments to other businesses.

Total volume of payments in the UK, 2015 – business and consumer breakdown



Total payments in 2015 and forecasts to 2025

Cash

Proportion of payments in the UK made using cash



Cash was the most popular payment method in 2015, despite a recent downward trend in its popularity, with consumers turning instead to debit cards and – increasingly over the last couple of years – contactless payments.

2015 was in fact the first time cash was used for less than half of payments made by consumers. However there is a lot of variation – 2.2 million consumers relied mainly on cash to manage their day-to-day spending while 2.7 million others almost never used cash, relying chiefly instead on cards and other payment solutions to manage their spending.

Over the next ten years, the number of cash payments is expected to continue to fall as consumers turn to alternative payment methods. As a result cash will be used to make 27% of all payments in 2025.

Cards

- The average adult in the UK made 19 card payments each month in 2015
- By 2025 the average adult will make 30 card payments each month, contributing to a total of 20.9 billion card payments in the year

Nine out of ten adults in the UK have a debit card



Six out of ten have a credit card



Use of cards continued to grow during 2015. The number of debit card payments rose by 10% in 2015, exceeding 10 billion payments for the first time, while 9% growth in credit and charge card usage saw 2.5 billion of these payments.

The growth in debit card usage in particular is due to the majority of people now holding these cards and being comfortable using them. Retailers, including smaller local shops, have become more likely to accept card payments, and the continued expansion of online shopping has driven growth in card payments. Contactless technology has created more opportunities to pay using a card – particularly for lower value payments that may previously have been made using cash.

Debit cards are forecast to overtake cash as the most frequently-used method of payment in 2021. In 2025, there will be 17.3 billion debit card payments made and 3.6 billion credit card payments – with a continually growing share being contactless payments.

Contactless

At the end of 2015, around half of all cards in the UK had contactless functionality (56% of debit cards and 38% of credit cards). More than three times as many contactless card payments were made in 2015 than in 2014, with 1 billion contactless payments made, accounting for almost 9% of all consumer card payments.

Contactless payments in 2015 were 3.3x the number in 2014

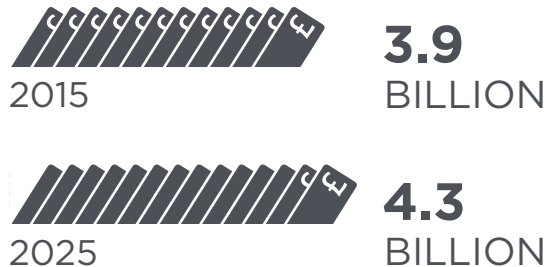


As of the end of 2015 there were just over 0.3 million contactless terminals. Over the next decade, the number of contactless cards will continue to increase, as will the number of card terminals that accept contactless payments. This includes contactless payments on public transport networks throughout the country.

Mobile payment services using Near-Field Communication (NFC), such as Apple Pay, Samsung Pay and Android Pay, will also provide new opportunities for consumers to make contactless card payments, without actually needing to have their plastic card to hand.

Direct Debit

Number of Direct Debit payments



Direct Debits are a familiar and widely-trusted method for paying regular bills, with more than five out of six consumers using them. In 2015, 3.9 billion payments were made by Direct Debit in the UK, worth a total of £1,215 billion.

Consumers are far more likely to use Direct Debits than businesses, which tend to prefer to retain more direct control over the timing and amount of outgoing payments. The economic cycle and consumer confidence are linked to some extent to Direct Debit payment volumes. When times are tough, households may cut back on non-essential bills or turn to payment methods that allow them more direct control over the timing of payments. As the economy grows or consumer confidence increases, spending may increase or households may feel more able to commit to paying by Direct Debit.

As a well-established method of payment, growth in Direct Debit payment volumes tends to reflect growth in population figures and household numbers. Due to the established nature of Direct Debits, we expect only limited growth over the next ten years, with 4.3 billion payments forecast in 2025.



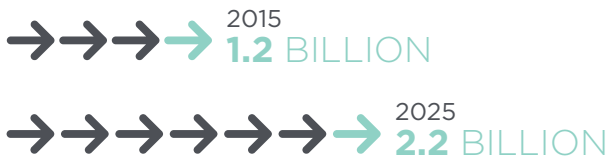
Payments using debit, credit or charge cards forecast to account for

50% of all payments made in the UK

Online and mobile banking payments

The number of adults using online banking or mobile banking (through an app on a phone, tablet or other mobile device) grew in 2015, with over two-thirds regularly using online banking and a third using mobile banking. This led to an increase in the number of payments being sent via the Faster Payments Service.

Payments processed by the Faster Payments Service



In addition, more and more small businesses are taking advantage of the instantaneous functionality and universal reach of the service, particularly for time-critical payments.

In 2015, the Faster Payments Service processed 903 million one-off and forward-dated payments and 344 million standing order payments. Over the next decade, consumers and small businesses will increase their use of online and mobile banking, with the result that the total number of payments processed by the Faster Payments Service will more than double to 2.2 billion payments in 2025.

Bacs Direct Credit

- There were 2.2 billion Direct Credit payments in 2015
- There are forecast to be 2.0 billion Direct Credit payments in 2025

Bacs Direct Credit remains overwhelmingly the most-used payment method among businesses, accounting for more than half of all business payments made in 2015. Over 90% of employees are paid by Bacs Direct Credit, and the government uses the service to pay nearly all recipients of state benefits and state pensions. Volumes were relatively stable in 2015, increasing by just over 1% to 2.2 billion payments.

Over the next decade, Bacs Direct Credit is expected to remain the most popular method for businesses to make payments. However, the total volume of payments will

decline slightly. This is because, even though government forecasts suggest steady economic growth, the rollout of Universal Credit will reduce the total volume of benefit payments made by the government. As a result, just over 2 billion Bacs Direct Credit payments are forecast in 2025.

Cheques

Cheques used to make payments:



Cheques were used to make payments 546 million times in 2015. This was a reduction of 13% compared to 2014, a trend that is seen among both consumers and businesses. Increasing numbers of card payments and remote banking transfers are now being used where previously a cheque may once have been written. However, cheques still remain valued by those who choose to use them, and they provide a convenient and secure method of paying someone when you do not know the recipient's bank account details.

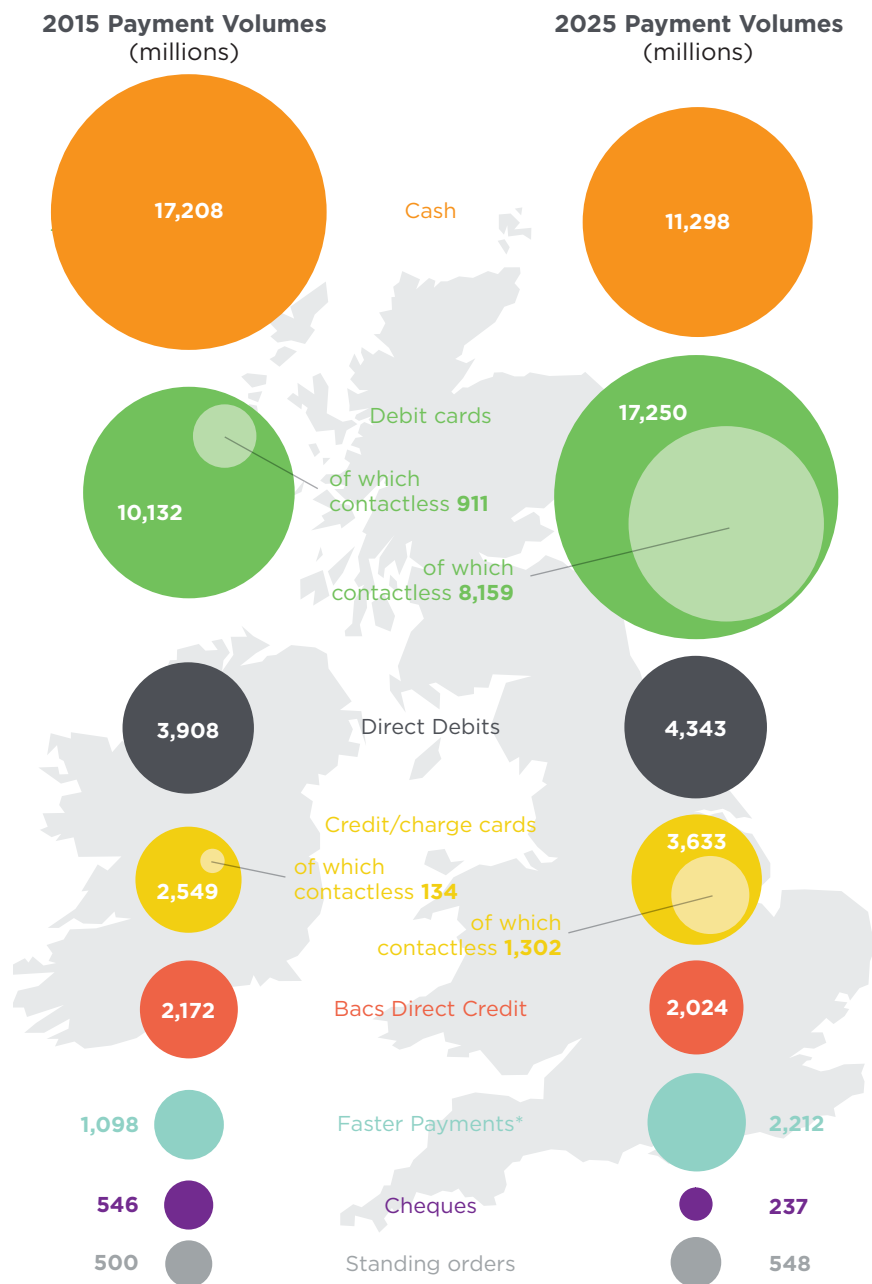
It is expected that consumers and businesses will continue to migrate away from cheques towards alternative methods of payment over the next decade, with 237 million cheques forecast to be used to make payments in 2025.

CHAPS

- There were 37.5 million CHAPS payments processed in 2015
- There are forecast to be 48.7 million CHAPS payments in 2025

CHAPS is used primarily by financial institutions to make wholesale financial payments and by large corporates to make corporate treasury payments. As a result, in 2015 CHAPS accounted for just 0.1% of the total volume of payments in the UK but over 90% of the total value of payments. In 2015, 37.5 million CHAPS payments were processed, worth a total of £68.4 trillion. CHAPS payment volumes are closely related to the state of the UK economy. There are forecast to be just under 49 million CHAPS payments in 2025.

Summary: Total payments in the UK, past and future



*Faster Payments totals include remote banking payments cleared in-house

More detailed information on this subject is published in the full UK Payments report UK Payment Market 2016. This is available free of charge to members of Payments UK, or alternatively is available for purchase. Further information can be found at paymentsuk.org.uk/industry-information/annual-statistical-publications.

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