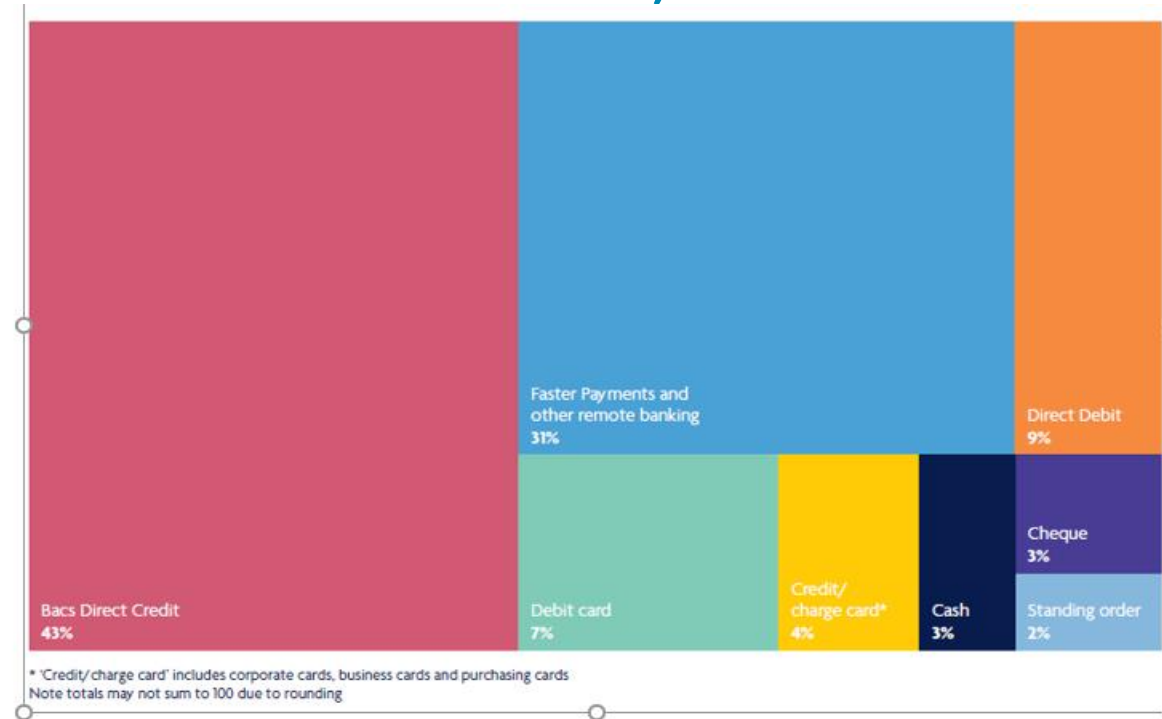


Usage of payment methods in the UK



Business payments

Business Payments by Various Payment Methods, 2019

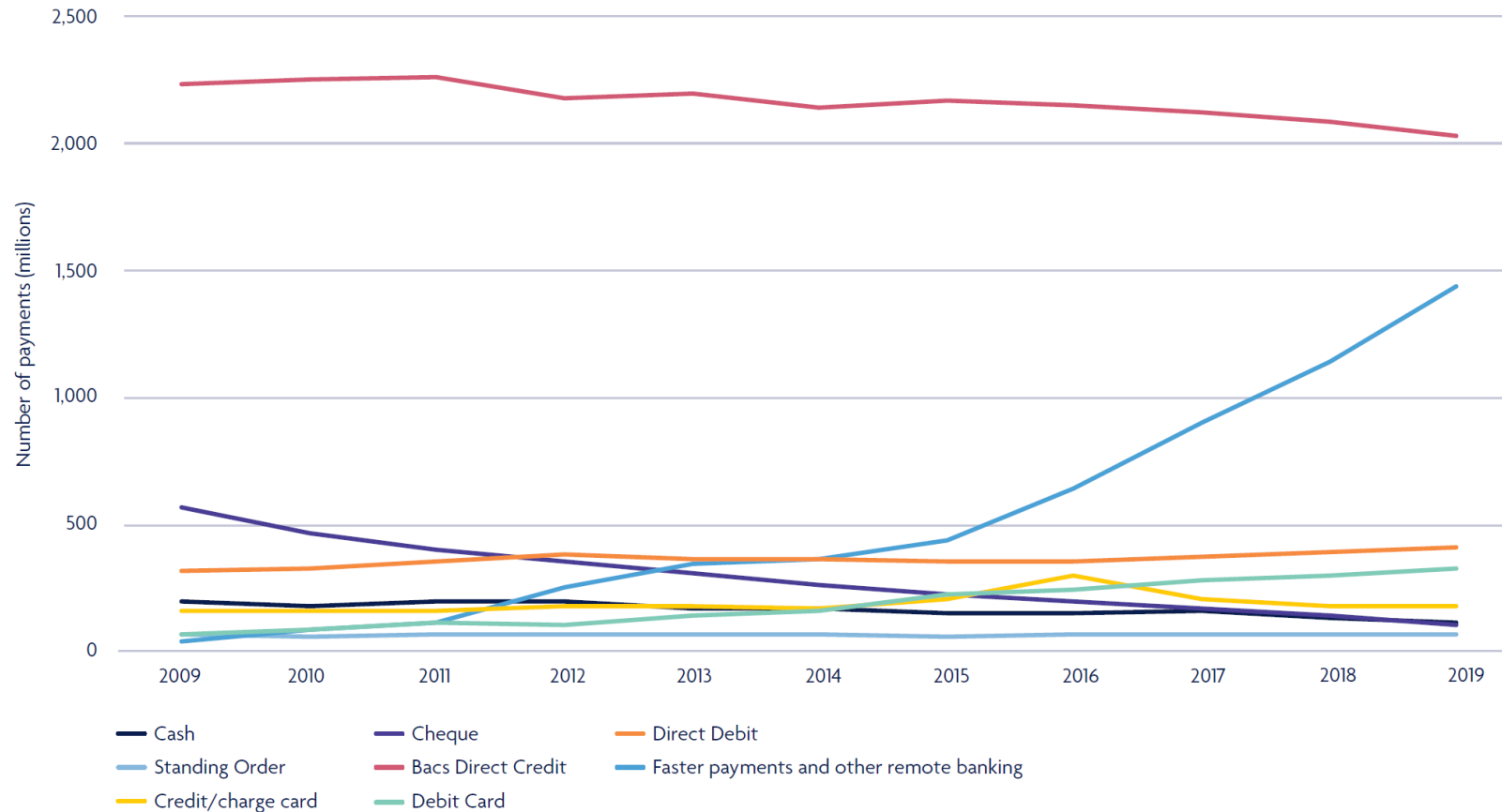


Source: UK Finance Payments Report, 2020

- In 2019, most business payments were facilitated by Bacs or Faster Payments.
- Businesses used both debit and credit cards to settle just 1 in every 10 payments.
- Cash was rarely used as a form of payment by businesses.

Business Payments by Various Payment Methods, 2019

Chart 3.2 Number of business payments made using different methods, 2009 - 2019

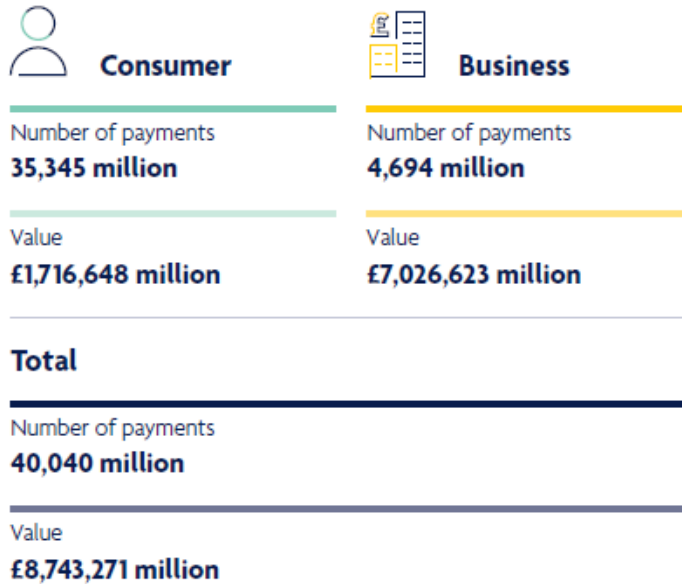


- In recent years the Faster Payments service has seen rapidly increasing use among businesses. The most notable growth has been seen among smaller businesses. This has largely been driven by the adoption of online banking as a method of managing business finances and making payments.

Source: UK Finance Payments Report, 2020

Comparison of Business Payments in 2019

Number and value of payments made by businesses and consumers in 2019



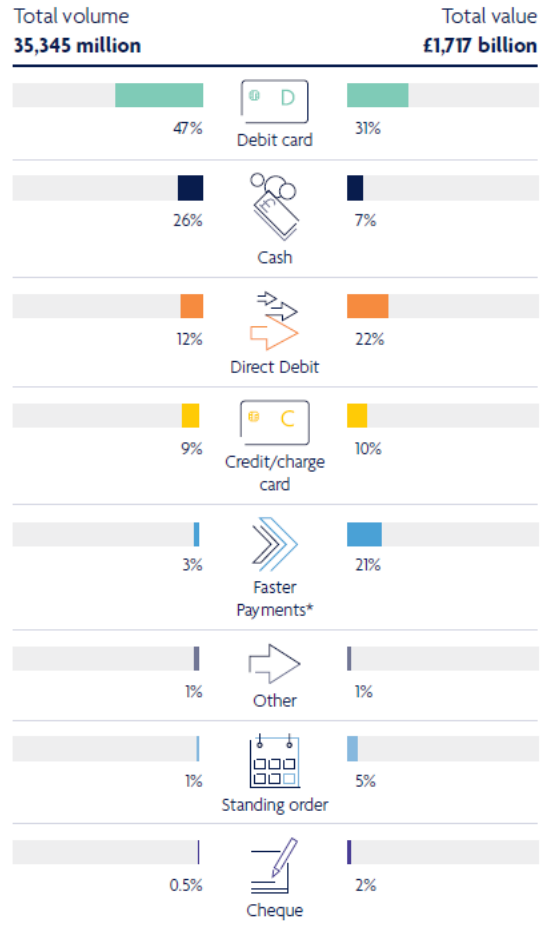
Source: UK Finance Payments Report, 2020

- Payments made by businesses accounted for 80% of the value of all payments made in the UK during 2019. However, due to the high average value of business payments, this value was generated from just 12% of the total number of payments made in the UK during the year.

Consumer payments

Consumer Payment Volumes and Values by Method, 2019

Share of consumer payments by volume and value



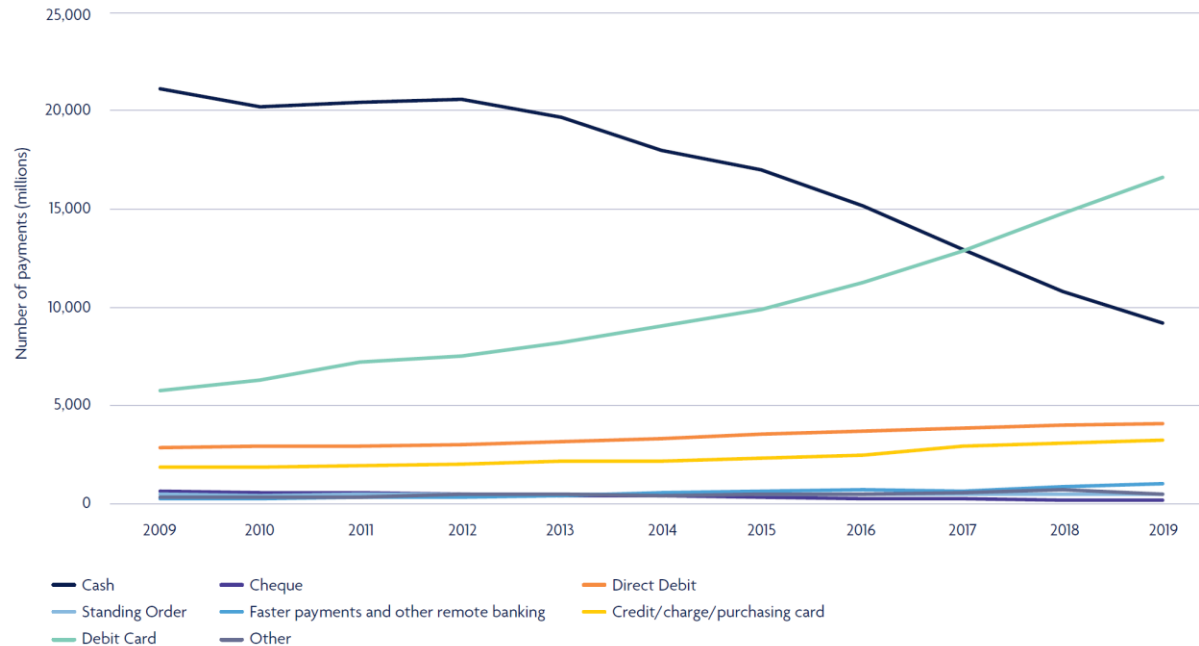
*and other remote banking

- Most people in the UK use a variety of payment methods for different purposes depending on what is most convenient, simple, secure or cost-effective at the time.
- In 2019, consumers made 35.3 billion payments 56% of which were made using cards. These payments accounted for 41% of the total value of consumer payments made that year.
- Cash remained the second most used payment method with 26%. These payments accounted for 7% of the total value.
- The number of debit card payments made by consumers increased by 12% during 2019, while at the same time the number of cash payments fell by 15%, a similar rate of decline compared to what was observed in the previous year.

Source: UK Finance Payments Report, 2020

Consumer Payment Volumes and Values by Method, 2019

Chart 2.1 Consumer payment volumes

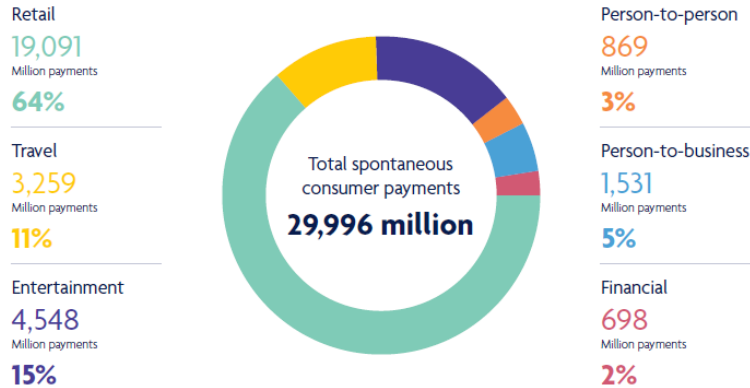


Source: UK Finance Payments Report, 2020

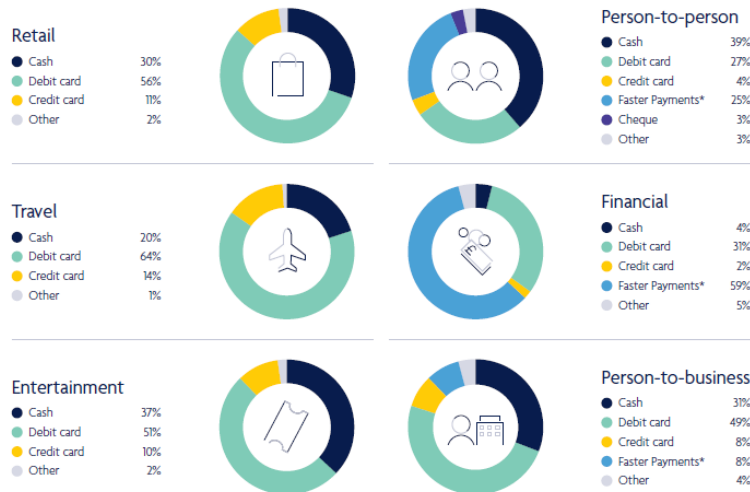
- In 2019 consumers made nearly three times the number of debit card payments than recorded ten years ago in 2009. The overwhelming majority, nine out of ten adults, used a debit card at least once a month in 2019 to make payments.
- Along with the increased use of debit cards to make payments, consumer use of credit cards also rose during 2019, up by 7%.

Spontaneous Consumer Payment Volumes by Method, 2019

Spontaneous consumer payments in 2019



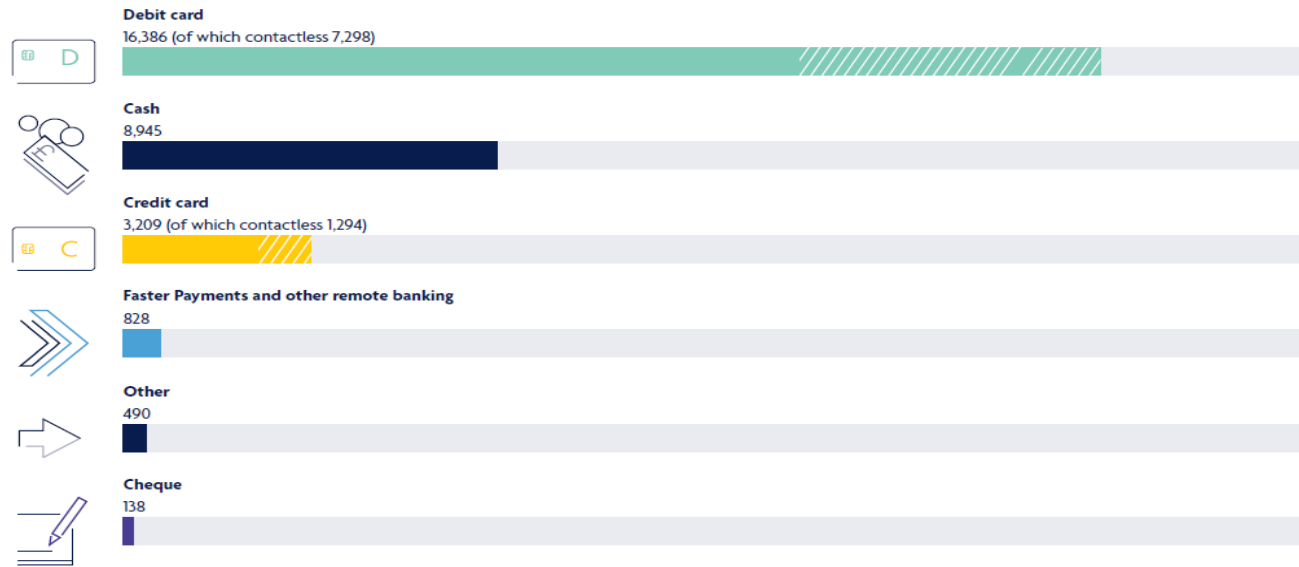
- Spontaneous payments are defined as those items of spending that an individual is not committed in advance to making each month. Spontaneous payments accounted for 85% of the total volume of consumer payments in 2019.
- 64% of these payments consist of retail payments, followed by 15% for entertainment and 11% for travel.
- In these categories cards are used most often with a share of 67% for retail payments, 78% for travel payments and 61% for entertainment payments.



Note totals may not sum to 100 due to rounding

Source: UK Finance Payments Report, 2020

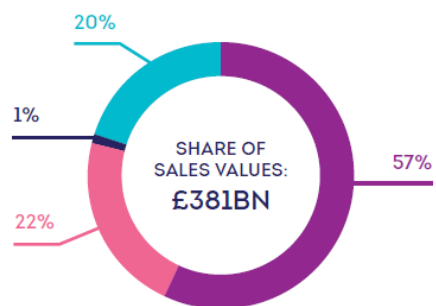
Spontaneous Consumer Payment Volumes by Method, 2019



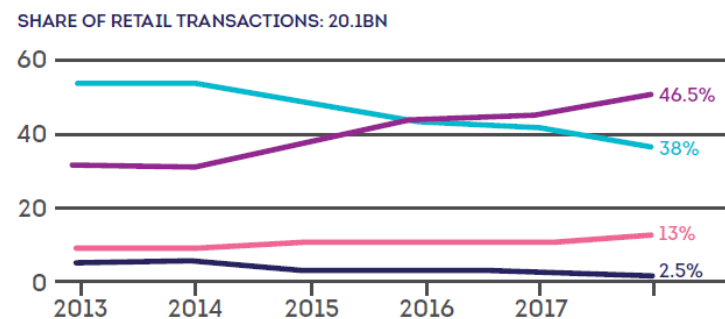
Source: UK Finance Payments Report, 2020

- In 2019, the most popular method for settling spontaneous payments was debit card.
- Consumers used debit cards almost twice as much as cash and more than five times as much as credit cards.

Retail Payment Volumes by Method, 2018



● DEBIT CARD ↑ 1.9% ● CREDIT & CHARGE CARDS ↑ 0.7%
● NON CARD PAYMENTS ↓ 1% ● CASH ↓ 1.6%



● DEBIT CARD ↑ 3% ● CREDIT & CHARGE CARDS ↑ 1.5%
● NON CARD PAYMENTS ↓ 1% ● CASH ↓ 3.5%

Value (sales turnover)	Total	Share	Annual Δ (share)
Cash	£77.7 bn	20.4%	↓ 1.6%
Debit Cards	£216.4 bn	56.8%	↑ 1.9%
Credit & Charge Cards	£81.9 bn	21.5%	↑ 0.7%
Non Card Payments	£5 bn	1.3%	↑ 0.1%

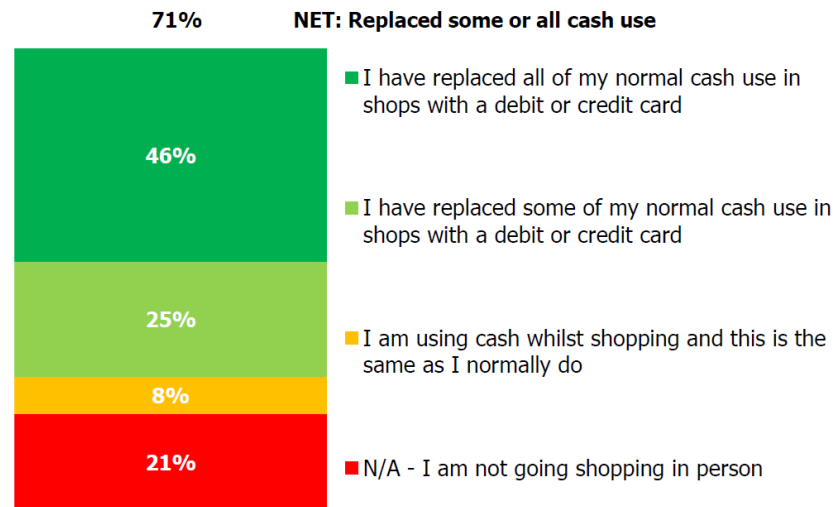
Volume (transactions)	Total	Share	Annual Δ (share)
Cash	7.7 bn	38.3%	↓ 3.5 per cent
Debit Cards	9.3 bn	46.5%	↑ 2.9 per cent
Credit & Charge Cards	2.6 bn	12.8%	↑ 1.6 per cent
Non Card Payments	0.5 bn	2.5%	↓ 0.9 per cent

Source: BRC Payments Survey, 2019

- In 2018, Cash was used to pay for £77.7 billion worth of goods – accounting for just over 20% of sales value. The volume of cash purchases also continued to decline in 2018, with the share of cash transactions falling 3.5% to just over 38% of retail transactions.
- Cards were used to pay for £298 billion worth of goods in 2018, accounting for 78% of all retail sales. There were 11.9 billion retail transactions in 2018 made on a debit, credit or charge card, giving cards a 59% share of retail payments by volume.
- Over the past five years the share of retail sales made by cash has dropped from more than £1 in every £4 spent, to £1 in every £5.

Use of Cash for Shopping

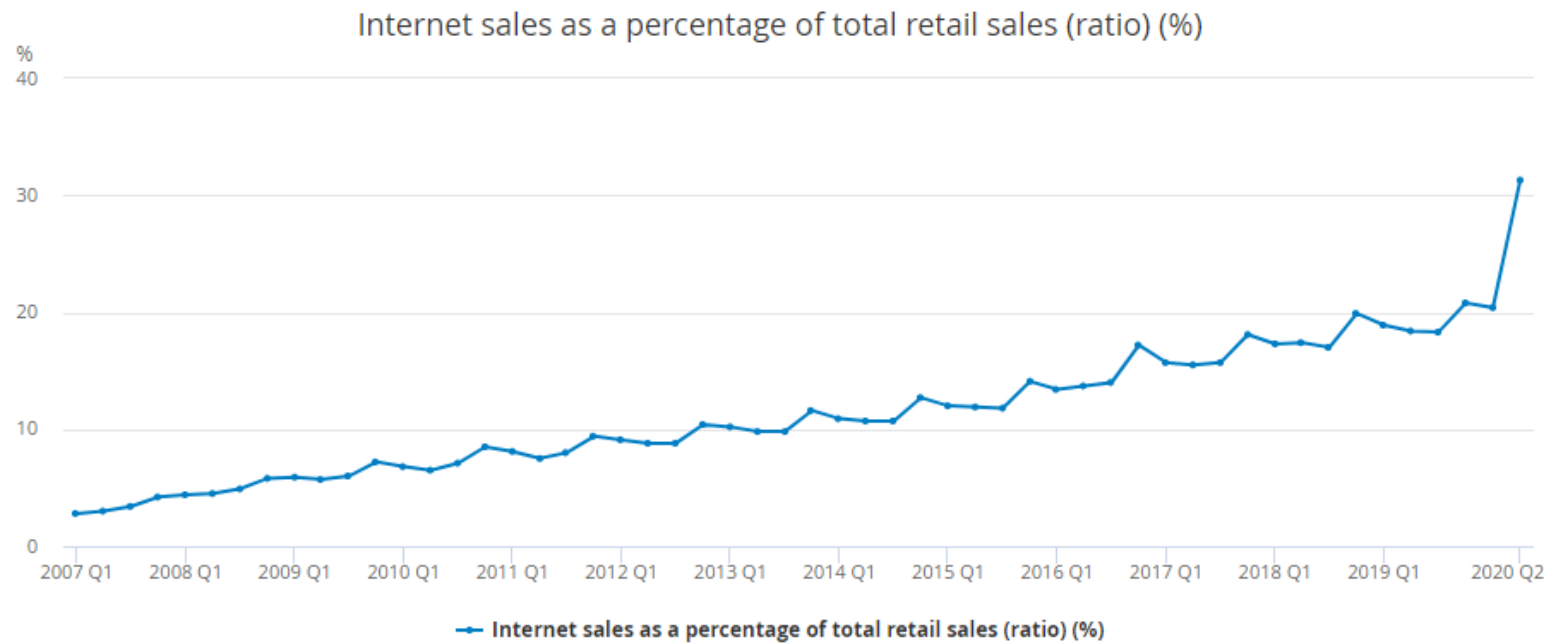
Which of these statements about shopping in person at the moment best apply to you?



Which? Survey, 2020

- In May, a Which? study found that nearly half of all people who previously used cash for shopping, now pay entirely with a debit or credit card following the outbreak of Covid 19.
- A further 25% have replaced some of their cash purchases with cards.

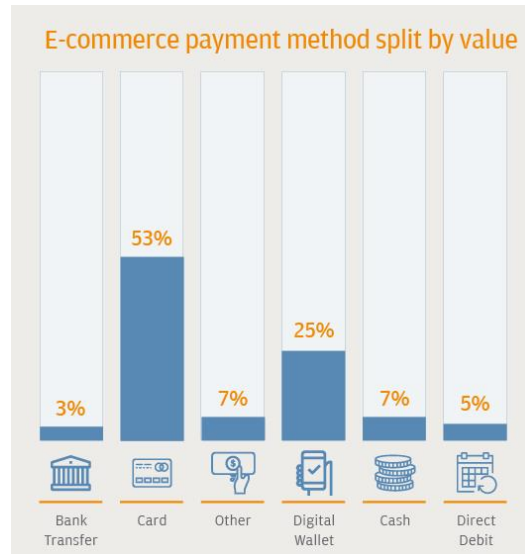
Use of E-Commerce for Shopping



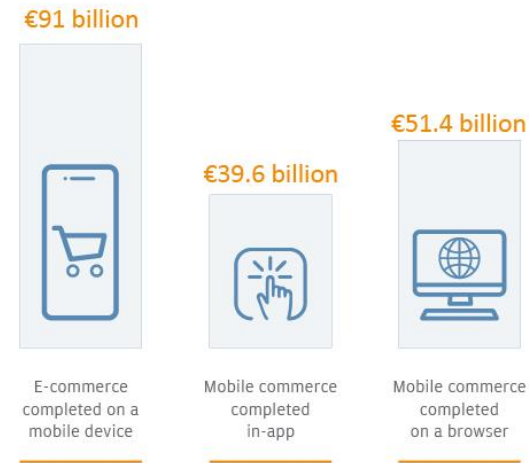
Source: ONS, 2020

- In 2020 Q2, internet sales as a percentage of the total retail sales rose sharply to 31.3%. That is an increase of 10.9% compared to 2020 Q1 and an increase of 12.9% compared to the same period last year.

Use of E-Commerce for Shopping



Preferred e-commerce methods



- In 2018, cards remained the primary way to pay within the UK e-commerce space, accounting for 53 percent of payments.
- Digital wallets are catching up and are growing at twice the rate of card payments. In 2018, they accounted for 25 percent of e-commerce payments

Source: JP Morgan, Payments Trends - Global Insight Report: Data has been provided to J.P. Morgan Merchant Services by Edgar, Dunn and Company, 2018.

Competition in card acquiring

Card-acquiring market review

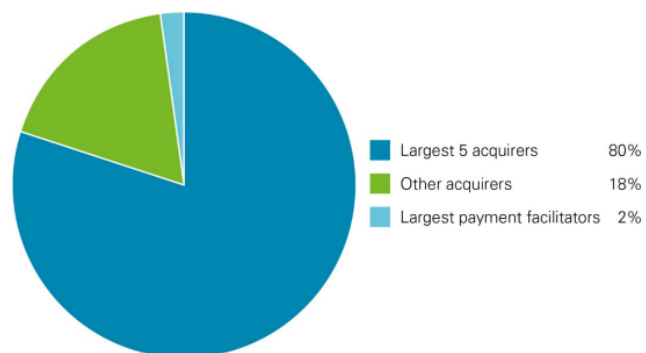


Source: PSR. [Find out more](#)

- Card-acquiring services enable merchants (like a newsagent or supermarket) to accept card payments. The PSR launched a market review into these services because we had concerns that card-acquiring services may not offer value for money for merchants.
- In September 2020 we published our interim report which found that the supply of card-acquiring services does not work well for small and medium-sized merchants and large merchants with annual card turnover up to £50 million. These merchants could make savings by shopping around or negotiating with their current supplier – but many don't.
- While card-acquiring services may not be something many consumers have heard about, the cost that merchants pay to use them will, for example, affect how much people pay for shopping. As more and more of us are using cards to make payments, it is increasingly important that the market is working well for everyone.

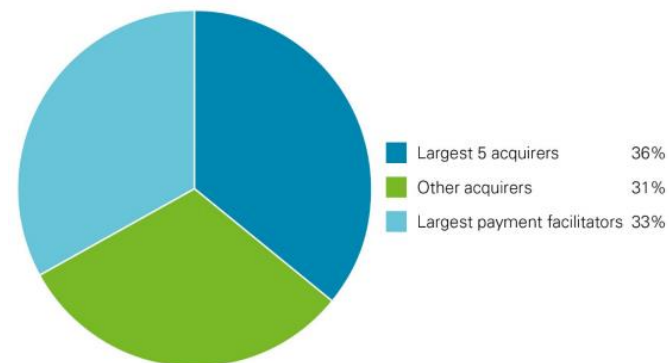
Suppliers of card acquiring services to merchants

Figure 5: Shares of large merchants served by the main providers of card-acquiring services in 2019



Source: PSR analysis of data provided by acquirers and payment facilitators on merchants served in August 2019. Merchants that did not accept any card transactions or only accepted test transactions in the 12 months prior to August 2019 are excluded.

Figure 6: Shares of supply of small and medium-sized merchants in 2019



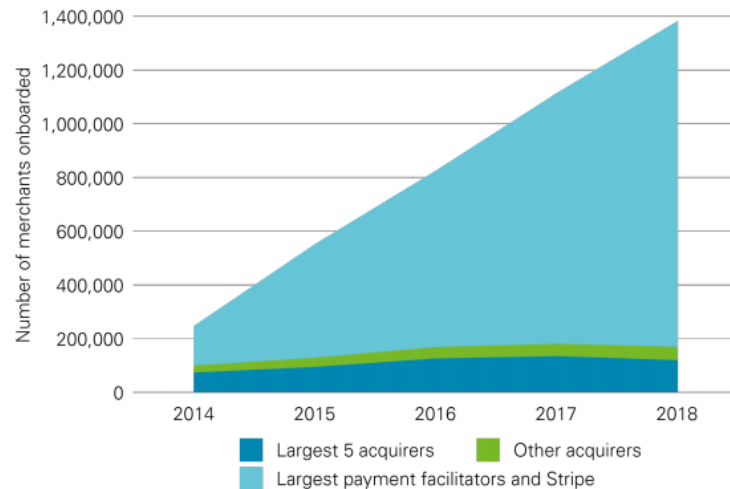
PSR analysis of data provided by acquirers and payment facilitators on merchants served in August 2019. Merchants that did not accept any card transactions or only accepted test transactions in the 12 months prior to August 2019 are excluded.

- *Large merchants (annual card turnover over £10 million):* This segment is dominated by a very small number of the largest merchants, with annual card turnover above £50 million, who are responsible for 76% of the value of card transactions. Two acquirers – Barclaycard and Worldpay – provide card-acquiring services to 50-60% of large merchants.
- *Small and medium-sized merchants (annual card turnover up to £10 million):* Almost all merchants are in this segment, although they are only responsible for around 17% of the value of card transactions. The smallest merchants within this segment, with annual card turnover up to £380,000, account for over 90% of the overall merchant population. The largest payment facilitators – iZettle, PayPal, SumUp and Square – serve around one third of these merchants.
- Payment facilitators provide card-acquiring services to a merchant, but have no direct contractual relationship with the operator of the card payment system. They use an acquirer to access the card payment system.

Source: PSR. [Find out more](#)

More merchants accepting card payments

Figure 7: Number of merchants onboarded from 2014 to 2018



PSR analysis of data provided by acquirers and payment facilitators. All merchants are included (including those that have not transacted). Stripe – an acquirer – is grouped with the payment facilitators because it was a payment facilitator for the period under consideration.

- The largest payment facilitators and Stripe (which started as a payment facilitator but is now an acquirer) onboarded over 80% of merchants between 2014 and 2018. Over the same period, the total number of merchants served by acquirers increased by over 7%.
- The growth of the largest payment facilitators and Stripe is mainly due to their success in onboarding merchants that did not previously accept card payments.
- The largest payment facilitators serve nearly 80% of merchants with annual card turnover up to £15,000 and fewer than 5% of small and medium-sized merchants with annual card turnover above £60,000.