

September 2020

# Payment Systems Regulator Consumer Research 2020

[britainthinks.com](https://britainthinks.com)

## Contents

**01**

---

**Introduction**

**02**

**Awareness of  
payments systems**

**03**

**Usage and  
perceptions of  
payments systems**

**04**

**Impact of Covid on  
usage of payment  
systems**

**05**

**Consumer needs  
and expectations in  
relation to payment  
systems**

**06**

**Concerns about  
payments systems**

**07**

---

**Conclusions**

# 1

# Introduction

## Background and objectives

**Overall and in the context of Covid-19, the Payment Systems Regulator (PSR) was looking to:**

- Understand consumer awareness of payment systems
- Explore consumer expectations and perceptions around payments
- Explore consumers' needs in relation to payments
- Understand any challenges consumers face around payments
- Identify what consumers expect from the future payments landscape

**The PSR commissioned BritainThinks to conduct a two-stage programme of qualitative and quantitative consumer research on the topic of payment systems:**



### Phase 1: Qualitative

- 12x online focus groups with consumers
- 18x depth interviews with hard-to-reach audiences, including vulnerable and low-income groups



### Phase 2: Quantitative

- 10-minute online survey of a nationally representative sample of the UK public

## Sample breakdown: qualitative focus groups

### 12 x online focus groups with consumers

- Fieldwork conducted between 2<sup>nd</sup> and 16<sup>th</sup> July 2020 (*this was during the Covid-19 pandemic and at a time of restrictions in the UK*):
  - All groups were conducted online using Microsoft Teams
  - Each group lasted 90 minutes and included 6-7 participants
- Groups were split by urban / suburban / rural location and by socio-economic grade:
  - 2 x groups with AB consumers in each of urban/rural/suburban areas
  - 2 x groups with C1C2 consumers in each of urban/rural/suburban areas
- Mix of genders and ages within each group
- Min. 2x BAME participants within each group
- Across the groups:
  - Min. 15 Early adopters
  - Min. 15 Traditionalists



## Sample breakdown: qualitative telephone interviews

### 8x interviews with digitally excluded consumers

**Sample breakdown:**

- 8x consumers who are not online or have low levels of confidence when using the internet
  - Min. 4 to not have any access to online banking
  - None to regularly use online banking

### 5x interviews with financially excluded consumers

**Sample breakdown:**

- 5x vulnerable or low-income consumers
  - All to be DEs in terms of SEG
  - 2x who do not have access to a standard bank account / do not have access to a debit card

### 5x interviews with consumers with experience of niche payment systems or payment issues

**Sample breakdown:**

- 5x consumers with experience of niche payment systems or payment issues
  - 2x experience of bank transfer scams, including 1x experience of APP fraud
  - 1x experience of regular international payments
  - 1x experience of using CHAPS
  - 1x recent experience of an issue when making payments

Fieldwork conducted between 29<sup>th</sup> June and 17<sup>th</sup> July 2020. All interviews were conducted by telephone and lasted 45 minutes.

## Methodology: quantitative research

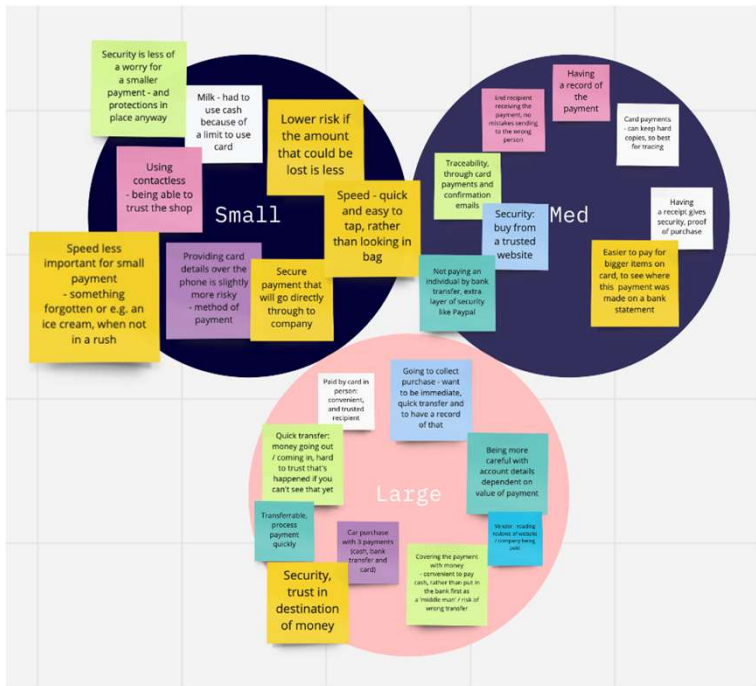
### Online survey of consumers

- 10-minute survey of 2,465 UK adults aged 18+:
  - Quotas were set by age, gender, region and SEG.
  - The core sample was boosted to a minimum of n=250 in the devolved nations (Scotland, Wales and Northern Ireland) to allow for a robust comparison between the UK nations.
- Fieldwork was conducted via an online survey approach between 14<sup>th</sup> and 24<sup>th</sup> August 2020 during the Covid-19 pandemic and at a time of restrictions in the UK.
- At the analysis stage, the data was weighted to be nationally representative. Weighting targets are derived from census data.

### Rationale and limitations of the methodology

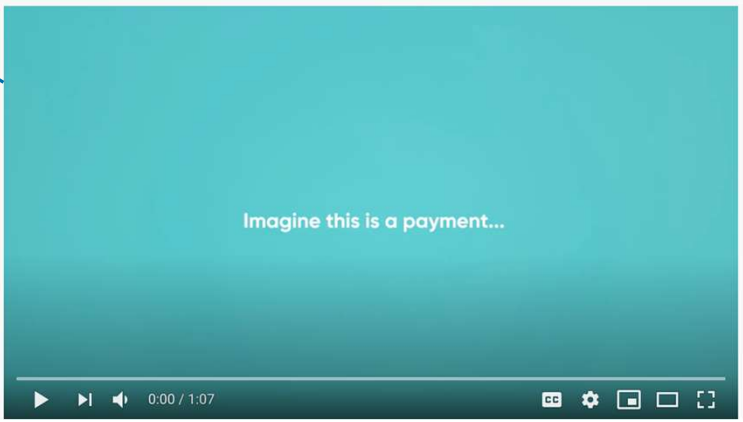
- We adopted an online methodology for this survey, as over 93% of UK adults now have access to the internet and this is a robust approach for reaching a nationally representative sample of UK consumers. However, this approach means that the quantitative research did not reach any consumers who are digitally excluded and will underestimate their usage of non-digital payment methods.
- The Digitally excluded are an important demography so for this research, the views and experiences of offline consumers were therefore explored via the qualitative interviews.
- The 2019 Access to Cash Research, which was conducted using a telephone survey approach, provides an alternative resource to understand the views and experiences of offline consumers.

# Tools and techniques used to engage consumers in focus groups



Miro: an online whiteboard platform

A video introducing the PSR



A series of fictional scenarios involving payment issues

**Meet Paul...**

- Paul received a text from his bank warning him about suspicious activity on his account. The text appeared in the same message thread as other texts he had received from his bank.
- The message told him to transfer his balance to a secure account in his name. Wanting to protect his savings, he followed the instructions and transferred all of his savings to the new account.
- Paul later found out that the messages had not come from his bank, and that his money had been paid into a fraudster's account.

**Meet Tina...**

- Tina doesn't have online banking and prefers to withdraw cash every week to help her with budgeting.
- Her nearest ATM closed down, so to withdraw cash she must take a 20-minute bus journey into the nearest town.
- More recently, she has found buying groceries more difficult because certain shops have preferred to take card payments during the coronavirus pandemic.
- This means she has had to travel further to buy groceries in a shop that accepts cash.

**Meet Sandra...**

- Sandra banks with a well-known bank. This bank recently experienced an online banking outage which lasted all day.
- This meant her wages could not be paid into her account, nor could she pay her rent.
- She spent a significant part of her day on the phone to the bank to try and resolve the issue.



## Key findings

1

While **awareness of payment systems remains low**, consumers are familiar with a range of payment *methods*, often grouped together in their minds (with, for instance, Faster Payments and BACS seen interchangeably as ‘bank transfers’). Vulnerable and low-income consumers are typically less aware of the full range of methods, particularly newer methods.

2

The **most frequently used payment types** are contactless card payments, cash and chip and PIN card payments. Since 2017, there has been a significant increase in the use of contactless and mobile payments. **COVID-19 has had a clear impact on the payment types used**, with contactless payments being used more often and cash less often.

3

There is a **high level of satisfaction with the choice of payment types available** to consumers. For lower value payments, speed and convenience are the **key factors seen as important by consumers**. For larger payments, security, traceability and payment protection are felt to be a priority. Older consumers especially prioritise the security of payments.

4

Consumers tend to have a **high level of trust in payment systems** and therefore have **relatively few concerns about challenges** related to payments. **A majority have not encountered any problems with payment systems**, though among those who have, the most commonly encountered challenge relates to IT failures and outages.

5

The **perceived priorities for the future of payment systems in the UK** focus on tackling fraud and payment scams; improving security of payment systems; supporting access to cash and ensuring consumer protection across all payment types. Consumers are less likely to see how promoting innovation and competition would benefit them personally.

## Summary of change over time

### What's got more positive:

- Qualitatively, (mainstream) consumers are more likely to be aware of a wider range of payment types now than in 2017.
- Claimed **usage** of **contactless card** payments and **mobile payments** has seen a significant increase since 2017.
- Likewise, **confidence in using contactless card** and **mobile payments** has also seen a significant increase since 2017.
- Usage and confidence in these methods have been further accelerated under lockdown.
- Most consumers are **positive about the introduction of Confirmation of Payee**, which speaks to their biggest priority area for the PSR: tackling scams, fraud and security.

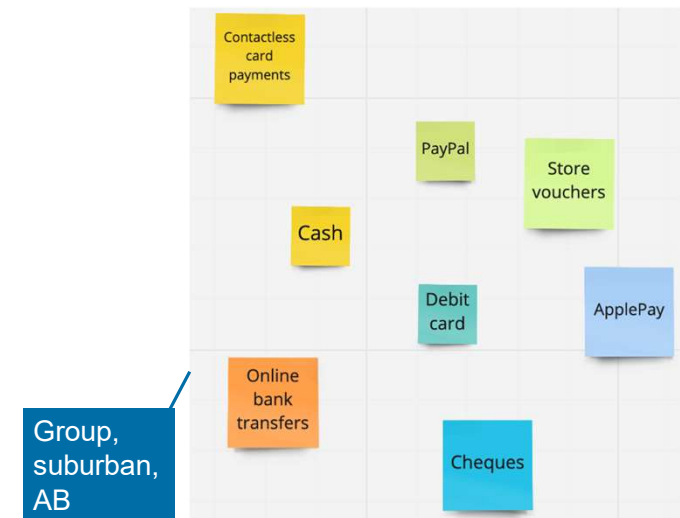
### What's got less positive:

- Some consumers feel **'forced' into using less cash**. This has been particularly pronounced during the pandemic, when some retailers have refused or been reluctant to accept cash.

# 2 Awareness of payments systems

## While overall awareness of payment *systems* remains low, consumers are familiar with a range of individual payment *methods*

- As in previous research, payment systems are rarely front-of-mind for consumers. Most tend to see payment systems as part of the services provided by their bank or retailer.
- However, most consumers are aware of a wide range of individual payment methods. The payment methods most often spontaneously mentioned are cash, card, contactless payments, 'bank transfers', and mobile payments or digital wallets.
- As in previous research, perceptions of payment systems are rooted in the way users access them. As a result, consumers often find it difficult to distinguish between payment methods with similar end-user experiences.
  - For example, 'bank transfers' is often used as a catch-all term to describe BACS and Faster Payments.



*"I don't really think about it until I'm at the point of needing to pay."*

Depth interview, Niche payment method

## Newer payment types such as mobile payment systems and digital wallets are generally discovered through word of mouth

- Consumers generally hear about newer payment methods – such as mobile payment systems or digital wallets – from family and friends who are already using these options.
  - Some also discover mobile payment systems via prompts from their smartphone.
- These payment types are typically known by their brand name, e.g. Apple Pay, Google Pay or Samsung Pay. There is low familiarity with the term 'digital wallet'.



*"I'm usually quite behind on stuff like that, so it's usually if my partner starts using it, then I find out about things."*

Focus group, Suburban, C1C2

*"I found out through my Apple iPhone – it gets you to set it up."*

Focus group, Rural, AB

## Vulnerable and low-income groups are typically less aware of a wide range of payment methods

- Compared to mainstream consumers, vulnerable and low-income groups are less likely to be aware of or to have used newer payment methods such as mobile payment systems. This is particularly true of audiences with low internet usage and low levels of confidence online.
- There is a general feeling among this audience that newer payment methods are less secure and more susceptible to payment fraud.
  - As a result, there is little appetite to learn more about newer payment methods, with most reporting that they are more comfortable with the payment methods they already know and use.

*"I've seen people pay with watches, but no idea how they would use them."*

Depth interview, Low internet usage

*"I don't have a smartphone. I haven't heard of mobile payment options."*

Depth interview, Low internet usage

*"I don't know anything about it and I'm not interested in learning about it, I'm not interested in the internet."*

Depth interview, Low internet usage

*"I'm not sure what mobile payment systems are. I have heard of them but don't think I would want to use them."*

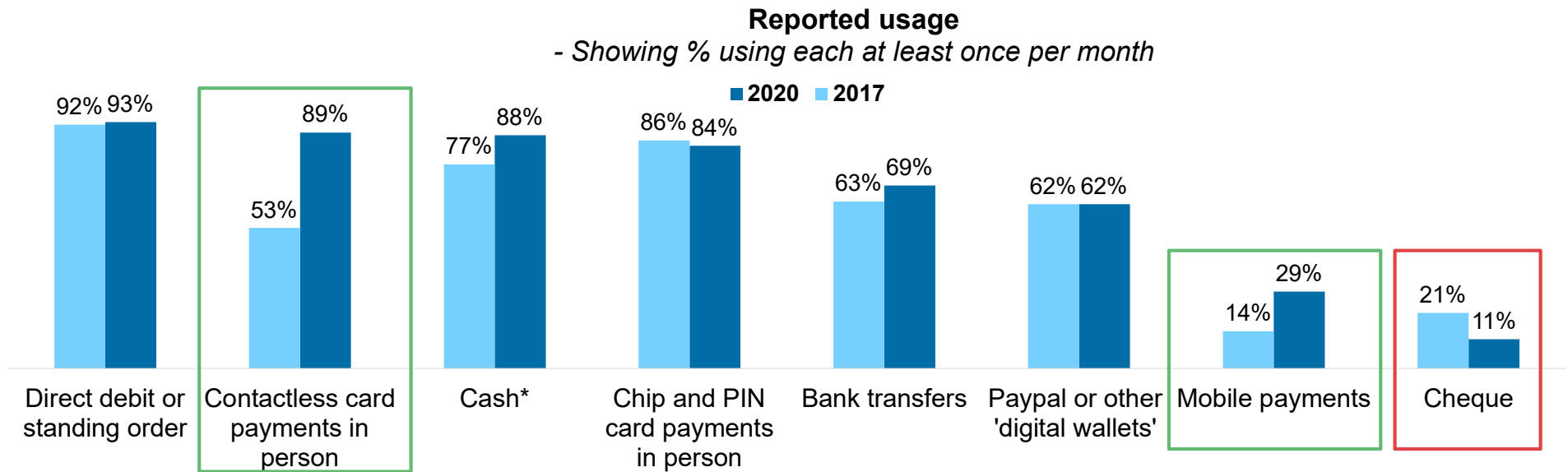
Depth interview, Low internet usage

# 3

## Usage and perceptions of payment systems

## On a monthly basis, the most frequently used payment types are direct debits, contactless cards and cash

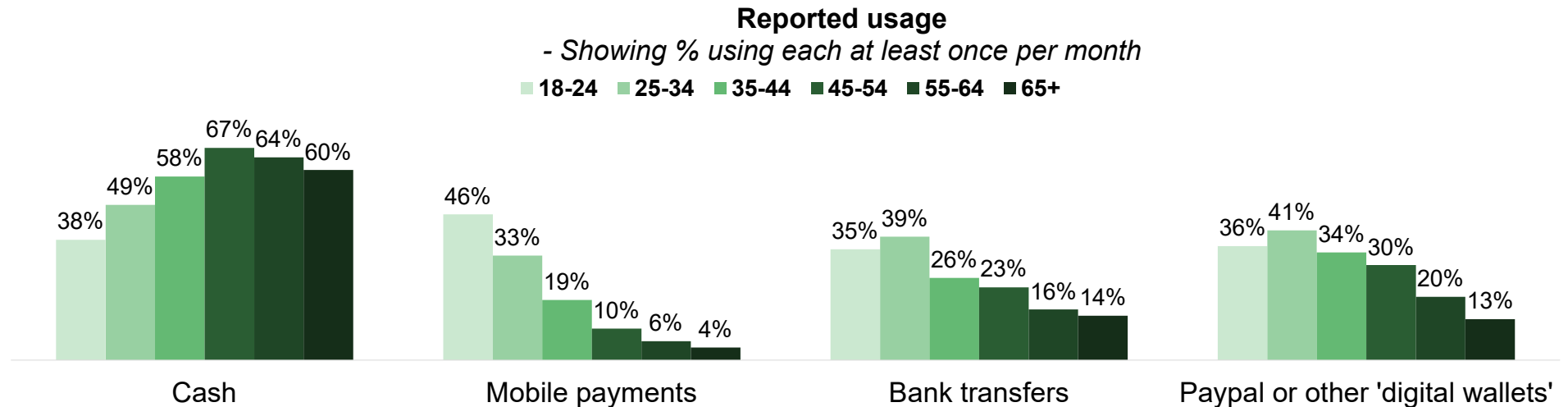
- Since the 2017 survey, there has been a significant increase in the claimed use of contactless and mobile payments – while the use of cheques has fallen significantly.





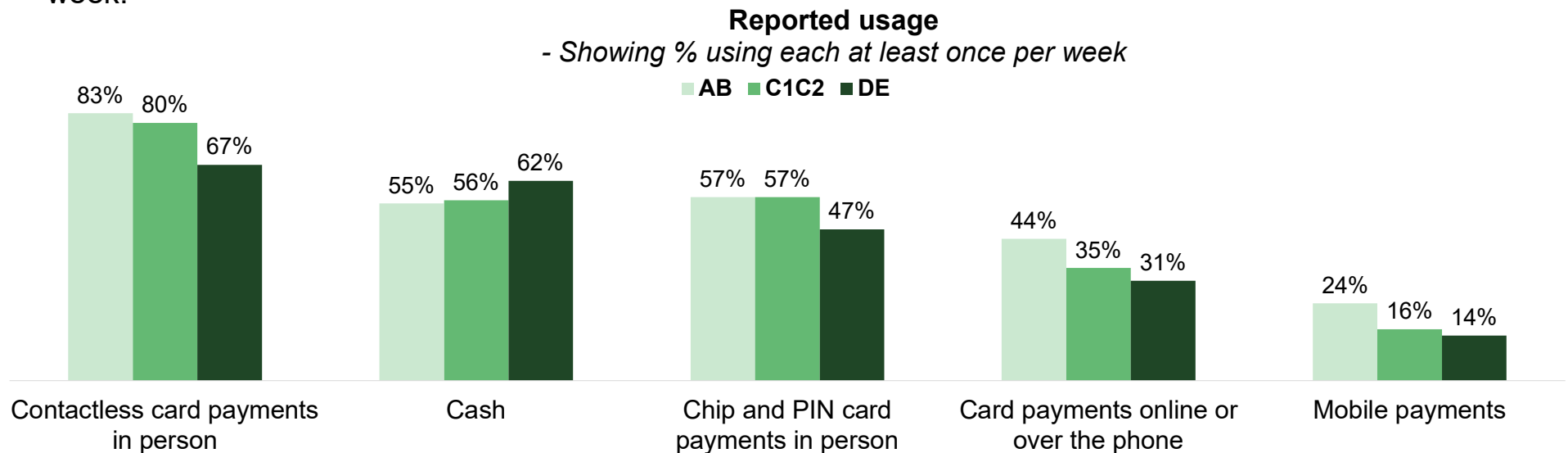
## As in 2017, age is an important dividing line, with younger age groups using online payment options more frequently

- Those aged under 35 are significantly more likely to claim they use mobile payments, bank transfers or digital wallets at least once per week.
- By contrast, those aged 45 plus are significantly more likely to claim they use cash at least once per week.

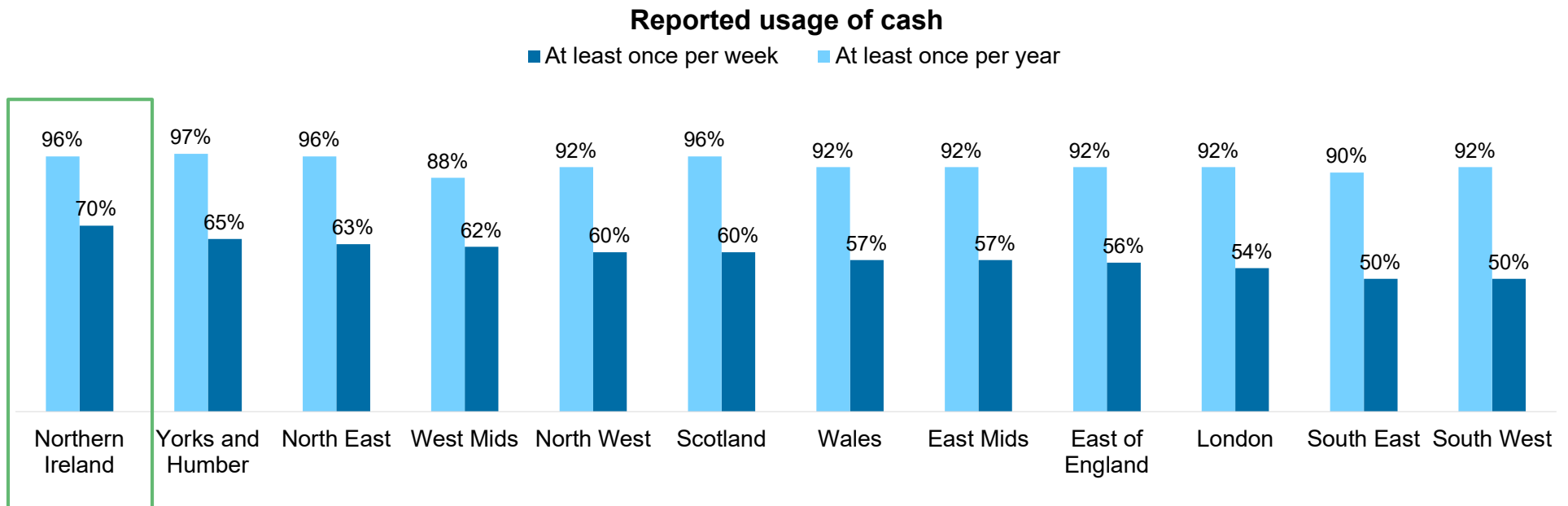


## Social grade is also correlated with behaviour, with higher grades likely to use card or mobile payments on a more frequent basis

- Higher social grades are significantly more likely to report using card and mobile payments at least once per week.
- By contrast, lower social grades are significantly more likely to report that they use cash at least once per week.



## Of all parts of the UK, consumers in Northern Ireland are more likely to be using cash in general, and to use it on a more frequent basis



## Cash is most often used for small purchases or specific retailers, but some groups generally prefer this form of payment

### Cash



#### Drivers of usage

- Small purchases like a coffee or snack are often made using cash, as consumers are more likely to carry smaller amounts of cash on their person, or may feel that there are actual or perceived barriers to making such small payments by card.
- Some smaller retailers like local shops and food vans, or tradesmen like plumbers, window cleaners and taxi drivers, are perceived to prefer or to only accept cash.
- For low-income consumers, cash is seen as better for budgeting as it is easier to keep track of spending when you only have a certain amount with you.
- For digitally excluded groups, cash is seen as more secure than online methods.

#### Barriers to usage

- Non-regular users can find it inconvenient to access and/or carry cash.
- Some feel they spend more when using cash, and therefore avoid withdrawals.

*“My window cleaner is £6. How would you pay him if not in cash?”*

Depth interview, low income

*“I can control it more when I use cash, and I’m not very computer-savvy... I just don’t trust the whole online thing.”*

Focus group, Suburban, AB

*“If they want cash and I haven’t got it, I get a bit annoyed, I don’t like going to the cash machine.”*

Focus group, Rural, C1C2

## Contactless card payments are perceived as convenient and widely used for small and medium-size day-to-day purchases

### Contactless card



#### Drivers of usage

- Many report that this is now their most commonly used form of payment.
- Perceived as convenient not to have to take out or carry cash.
- The transaction time is very quick, as there is no need to count cash or enter a PIN.
- Some spontaneously mention that the recent increase in the contactless spending limit has increased their usage, as they are able to cover more of their purchases within the spending limit.

#### Barriers to usage

- Many, particularly low income and digitally excluded groups, are concerned that it is less secure than other card payments as there is no chip and PIN protection.
- Some feel it's harder to keep track of spending, as you are less likely to check the amount going out of your bank account.

*"My daughter has a contactless card. It's very quick – I'm still fumbling around paying for stuff."*

Depth interview, Low internet usage

*"I would use contactless for pretty much everything. Especially given they've increased the limit to £45."*

Focus group, Suburban, C1C2

*"I heard that some fraudsters have card reading machines they can put in your pocket area."*

Depth interview, Niche payment method

## Chip and PIN debit or credit card payments provide more sense of security and are typically used for medium and larger payments

### Card payments



#### Drivers of usage

- Perceived as convenient to avoid taking out or carrying larger amounts of cash – particularly for purchases over £50.
- No spending limit means chip and PIN payments can be used for larger purchases.
- For some, chip and PIN payments feel more secure than contactless payments.
- For larger purchases, the payment protection provided by credit cards is reassuring.
- Some cards have additional benefits such as reward points systems.

#### Barriers to usage

- A small number of consumers are worried about the security of their details if the card is lost or stolen, especially digitally excluded groups. This is compounded by concerns that there is nothing in place to prevent unauthorised contactless payments.

*“Security and all that doesn’t really concern me if it’s a little £2 payment, but if it’s a big purchase online I do want to make sure I have that security.”*

Focus group, Urban, AB

*“It’s better face-to-face with confirmation of transaction – I feel more confident in that.”*

Depth interview, Low internet usage

*“I’m always worried about losing money if you lose your credit card so I don’t have one... I hear about identity theft on the TV.”*

Depth interview, Low internet usage

## Mobile payment methods are felt to be highly convenient by those who are confident using them

### Mobile payments



#### Drivers of usage

- No need to take cash, cards or even your wallet out with you. For some, it is thought of as a back-up payment method if they forget their wallet.
- The transaction time is very quick, as there is no need to count cash or enter a PIN, particularly now that the user experience of mobile payments has been improved.
- Unlike contactless card payments, there is no spending limit.

#### Barriers to usage

- Not all retailers accept mobile payment methods.
- Many are concerned about the security of their details if they lose their phone.
- Digitally excluded groups are often not aware of or comfortable trying mobile payments.

*"I use it for impulse purchases when I don't have my wallet on me."*

Focus group, Urban, AB

*"I can just have my phone which I've just got all the time anyway. For me, it's made life a bit easier."*

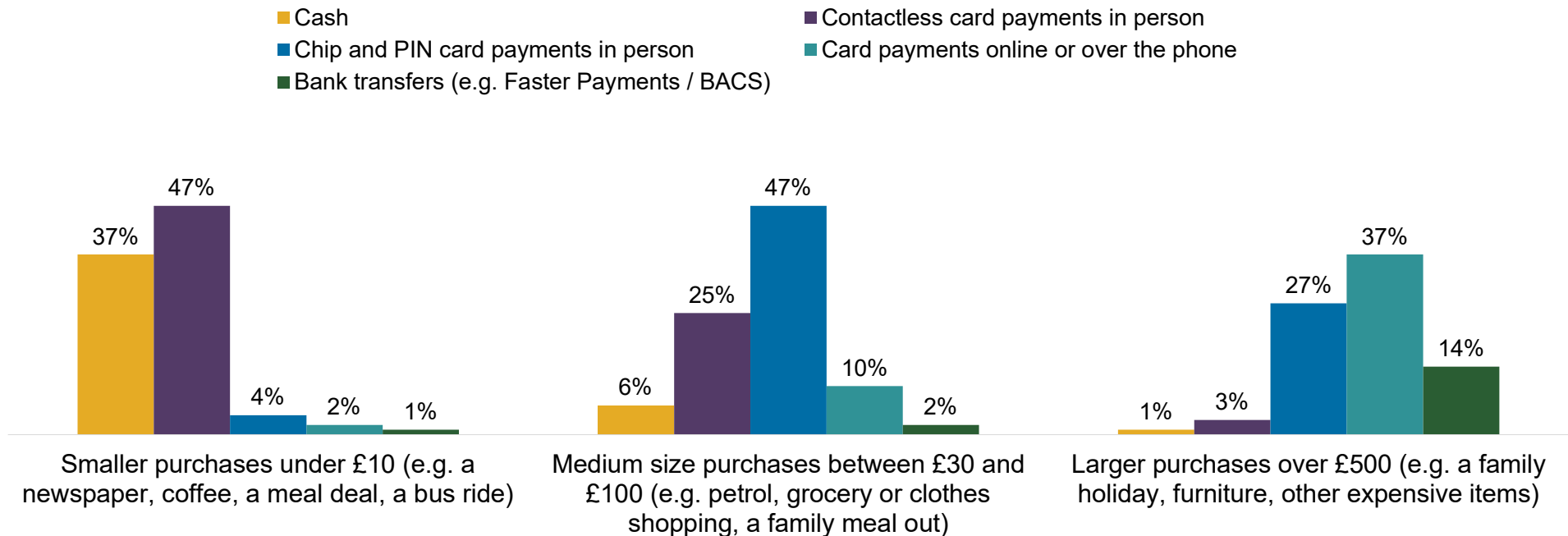
Focus group, Suburban, C1C2

*"I'm not interested in the internet and all them gadgets. I've got my money and it's there and I work out what I've got and what I haven't got."*

Depth interview, Low internet usage

## Overall, consumers tend to prefer cash and contactless for smaller purchases, and card and bank transfer for larger purchases

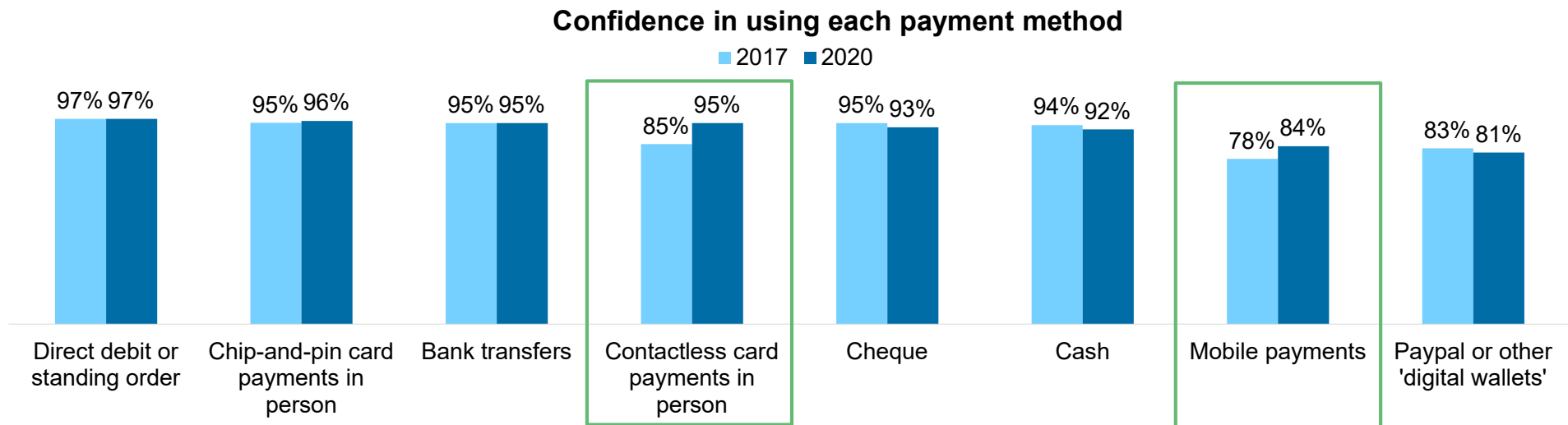
Preferred payment method by size of purchase





## Confidence in individual payment methods remains high, with a large majority of users confident in each method

- While more than nine in ten users are confident in most methods, confidence in newer payment methods such as mobile payments and digital wallets is comparatively lower.
- Confidence in contactless and mobile payments has increased since the previous survey in 2017.

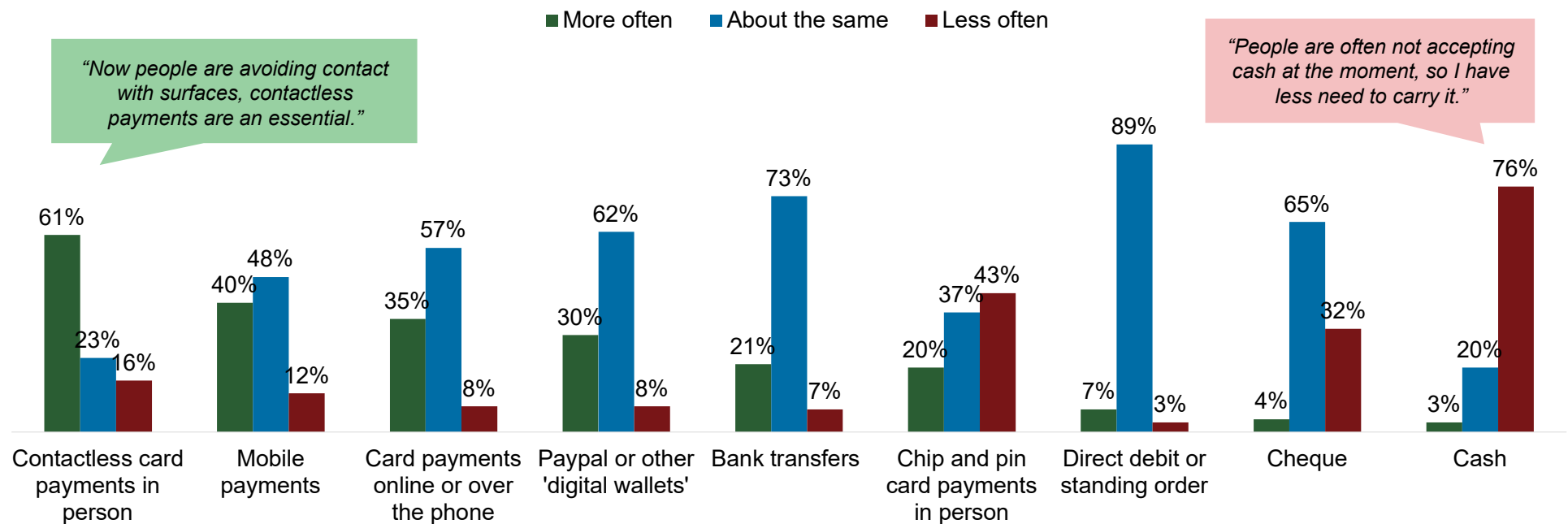


# 4

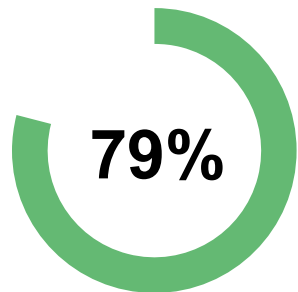
## Impact of Covid on usage of payment systems

# COVID-19 has led to a claimed increase in the use of contact-free payment options, particularly contactless and mobile payments

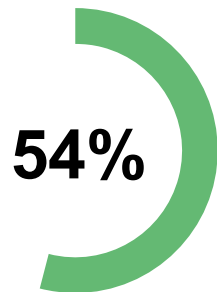
Frequency of payment type usage since the start of lockdown



## Since 'lockdown', four in five have been encouraged to avoid using cash, while over half are concerned about the risks of using cash



Since 'lockdown', I have been **encouraged by retailers and other businesses to avoid using cash**



I am **concerned about the safety risks of using and handling cash** in light of the ongoing Covid-19 pandemic

- In the qualitative research, many reported that retailers have put up signs stating a preference for non-cash payment options, or have stated verbally that they no longer accept cash.
- In the current circumstances, this is widely viewed as acceptable, with most sympathetic to the idea that retailers wish to protect the safety of their staff and customers.
- However, some particularly cash-reliant consumers describe concern about a lack of options for those reliant on cash.

Those in Northern Ireland (64%) are more likely than average to be concerned about the safety risks of using and handling cash currently

*"Yesterday my dad paid with cash and the lady looked at him like 'what are you giving me here?!"*  
Focus group, Suburban, C1C2

## A third of the public report that they have used new payment types as a result of the restrictions during 'lockdown'

33%

Those in the North East (47%) and in Northern Ireland (41%) are more likely than those in other areas to report having tried new payment types.

The restrictions during 'lockdown' have **encouraged me to try new payment types** I wouldn't have used before

- Many consumers report that they have increased their use of card payments, contactless payments and mobile payments during 'lockdown'.
- For some, this has meant using a new payment type – typically contactless or mobile payments – for the first time.
  - Despite a previous preference for other methods, this group tends to report that they have become more comfortable using the new payment type over this period and appreciate the convenience of contact-free payments.

*"I've definitely been more of an ApplePay person during lockdown, although before I was quite cautious. Now I'm tapping everywhere for petrol, small payments, everything."*

Focus group, Suburban, C1C2

*"I used to go to the cashpoint outside the store... Now I pay for everything by card."*

Depth interview, Low income

## However, some vulnerable consumers have found it difficult to adapt to an increased use of card payments and online shopping

### Richard, 62, Belfast

Richard lives with his wife in Belfast. He doesn't use the internet and is mainly reliant on cash as a form of payment, though he has a debit card, largely in order to withdraw cash, which he tends to do in large amounts ahead of time.

Richard is uncomfortable with card payments or newer payment methods, as he worries about whether they are secure and whether using them will mean he is more susceptible to payment fraud. He is happy with using cash, but feels that this has become increasingly discouraged over the last 10 years – for example, he feels you are now more likely to pay lower prices when shopping online, rather than products bought in person in cash.

Since the start of the lockdown, Richard hasn't been inside any shops at all. In order to get his shopping, he has relied on help from his daughter, who orders groceries online. He then pays her back for his share of the shopping in cash.

*“Because you hear of people that have trouble with cards and so forth, I tend to use cash... But cash is becoming a no-no.”*

*“Since this virus, I couldn't organise a delivery slot for shopping because I've got no internet and no facilities – so I've had to get the daughter to do it... and then I paid her cash for whatever bits were mine. The thing that has saved me is having other people to help.”*

## In extreme cases, vulnerable consumers have struggled to access their cash and pay for groceries

### Arthur, 52, Burnley

Arthur lives on his own and is reliant on cash, which he gets out from his local bank branch once a fortnight. He pays most of his bills at the corner shop and has a basic bank account with one of the major banks, which his benefits are paid into.

When his local branch shut down for several weeks at the start of the lockdown period, he was left without any access to money and had to borrow from family members. When the branch re-opened, customers were queueing for up to two hours to get in, for at least 4 days after opening. Since then, Arthur has had to spend about 40 minutes queueing at every visit to his branch.

He has been refused purchases in Iceland and from smaller vendors because he couldn't pay by card, which made him feel 'dejected' and 'horrible'. Recently, he has had to switch to doing all his shopping at Tesco, which will still accept cash. He says this has been positive in some ways as he is now buying and eating more fresh food, but it is also more expensive and a strain on his budget.

*"Last week, I tried to buy my daughter an ice cream from the ice cream van and he wouldn't take my money. I felt horrible. It just makes you think 'I won't bother with it now.'"*

*"When the bank re-opened... I took everything out of my account so that I don't have to go back for a while."*

## Many consumers feel that Covid restrictions are likely to have a longer-term impact on their payment behaviours

- Among those who have taken up or increased their use of non-cash payment options over the lockdown period, many say they have become more comfortable with these payment types and recognise the convenience they offer.
  - Many report that they expect they will continue to use these options even after restrictions have eased.
- In this context, many consumers spontaneously suggest that the pandemic may accelerate an inevitable move towards a cashless society.
  - However, consumers from vulnerable and low-income groups are less likely to accept a shift to cash alternatives due to their use of cash for budgeting or lack of access to other options. Many plan to continue using cash as much as possible.

*“I wasn’t using a lot of cash previously, but I definitely think I’ll be using my card more and making more contactless payments now. I think I’ve just become more comfortable using it. I always felt for smaller purchases, it was better to use money – whereas now, I would probably just use my card or phone and just tap it.”*

Focus group, Suburban, C1C2

*“I think I’ll go back to my old ways and pay cash when I can. Because for me, that is the norm. I will still use my card, but only for my shopping and fuel – not for my £3 cup of coffee.”*

Depth interview, Low internet usage



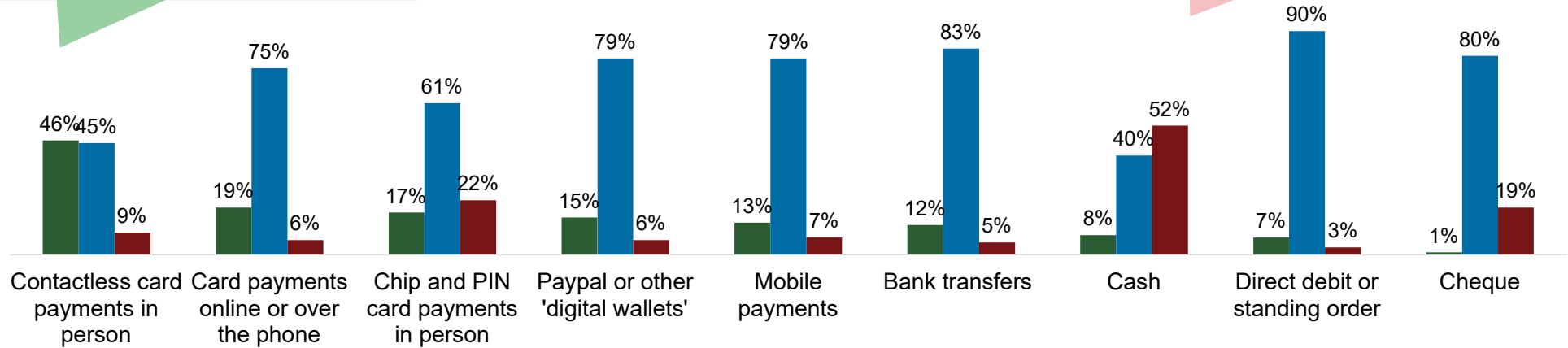
# In future, around half expect to use contactless payments more often and cash less often than before 'lockdown'

**Expected post-lockdown payment type usage**

■ More often ■ About the same ■ Less often

*"Having got used to using my contactless card over the last few months, and seeing how quick and easy it is, I'm likely to use this instead of cash for smaller purchases."*

*"Handing over cash and receiving change is likely to increase the spread of coronavirus, and I am expecting a number of retailers to maintain their policy of only accepting card payments for some time."*

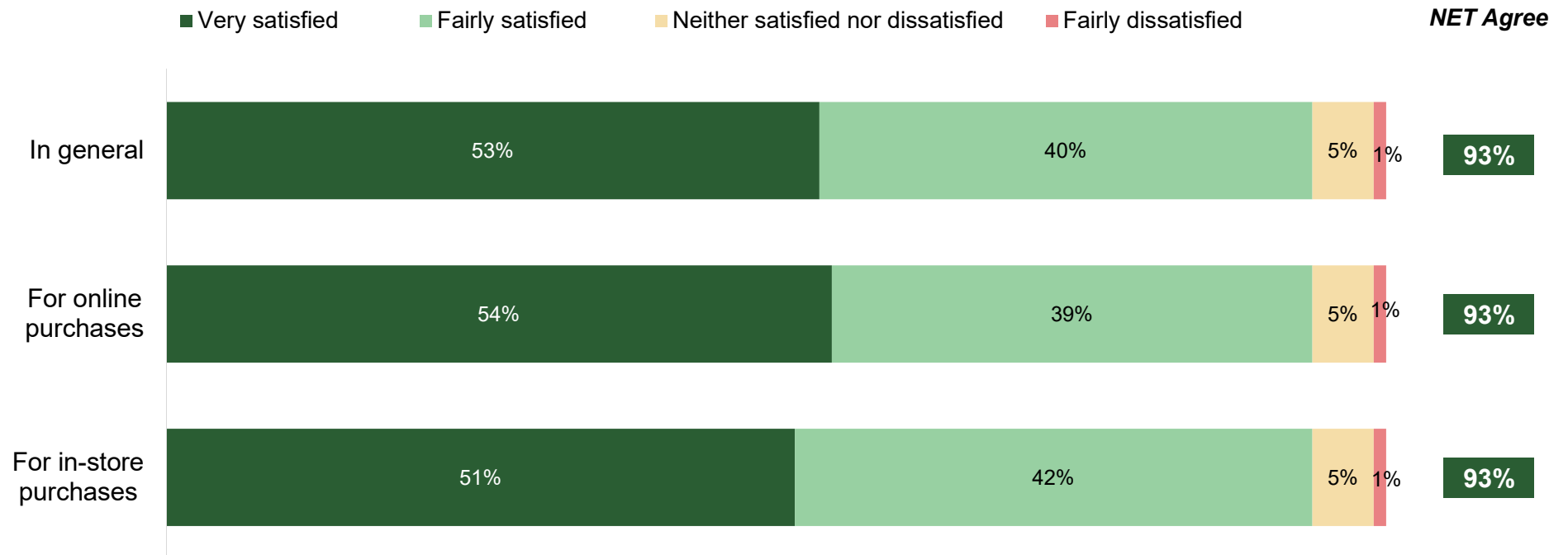


Q6. In future, do you think you will use this form of payment more often, less often or about the same as you did before 'lockdown'? Base: All respondents (n=2,465)  
 Verbatim quotes from Q7/Q8. You said expect to use X more / less often than before 'lockdown'. Please can you tell me about why you expect to use this form of payment more / less often?

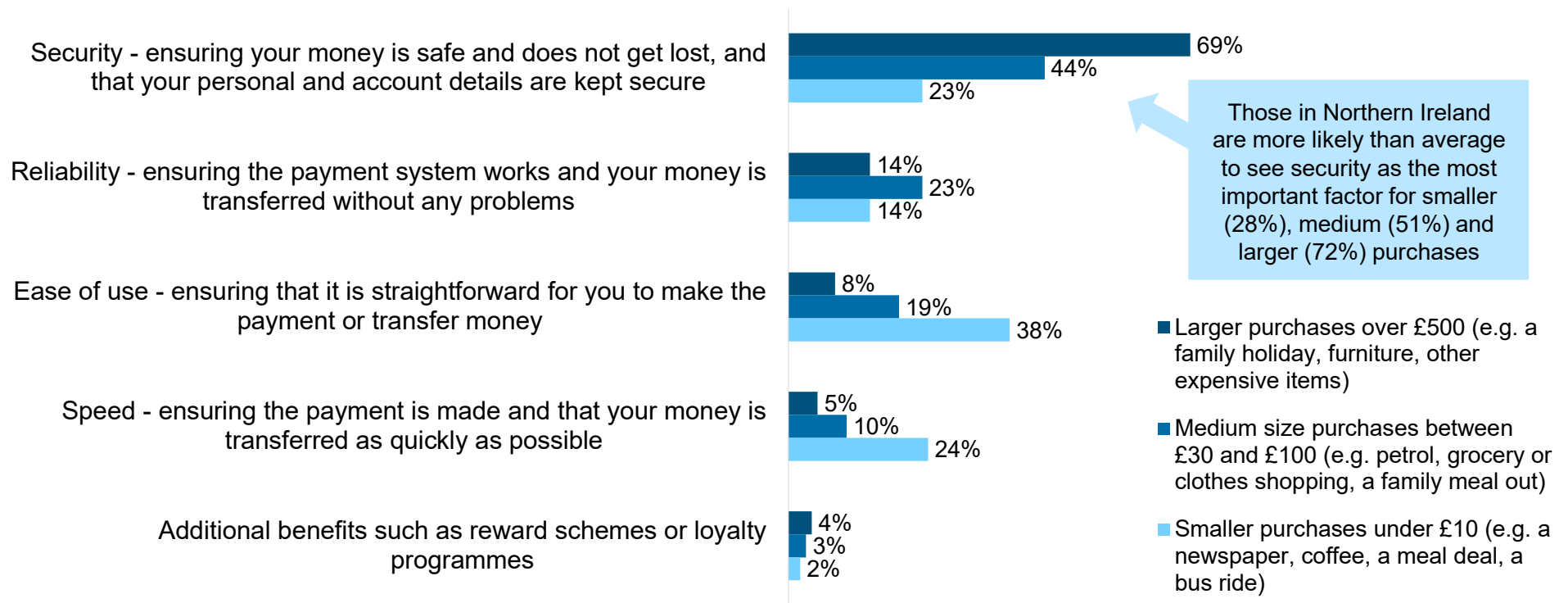
# 5

## Consumer needs and expectations in relation to payment systems

## Overall, there is a high level of satisfaction with the choice of payment types available to consumers, both in-store and online



## Security is seen as the most important factor when making larger payments, but ease of use and speed are key for smaller payments

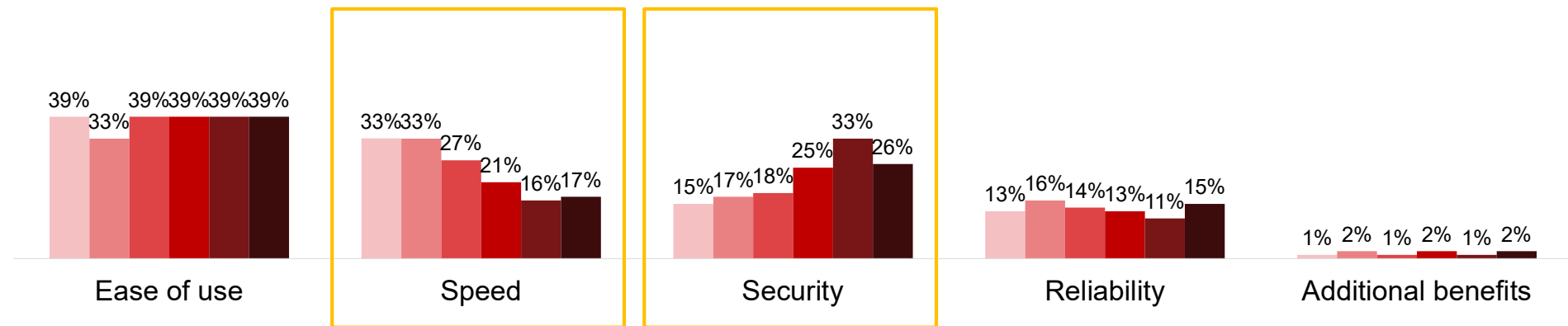


## Younger age groups are significantly more likely to prioritise speed when making smaller payments

- Those aged under 35 are significantly more likely to prioritise speed in making smaller payments.
- Those aged 45 or over are significantly more likely to prioritise security for both smaller and medium size payments.

Most important factor when making smaller payments under £10

18-24 25-34 35-44 45-54 55-64 65+



## Overall, for smaller and medium size payments, consumers expect payment options which enable a quick and convenient transaction

### Smaller purchases (<£10)

- When making smaller purchases, consumers tend to say they expect to have payment options which are quick, convenient and easy to use – enabling consumers to make their transaction without giving the process much thought.
- Security is typically considered less important for these purchase types.

*“Ease, speed and convenience would be important. I don't give it a huge amount of thought.”*

Focus group, Urban, C1C2

### Medium size purchases (£30-500)

- Convenience and ease of use remain the main priority for medium size purchases.
- However, security and traceability are also perceived to be important, with consumers more inclined to consider these factors for medium size purchases.

*“Convenience is important. But I also wouldn't want to share my bank details. Security is more important for anything over £10 – you don't want more than the amount to leave the account.”*

Focus group, Rural, C1C2

## However, factors such as convenience are felt to be best achieved by different payment methods for different consumer groups



### Card or contactless payments

- Often perceived as the most convenient payment type in urban locations, because it means there is no need to get out cash from an ATM, or carry cash with you.

*“Contactless has become really convenient. You’re just in and out.”*

Focus group, Urban, C1C2

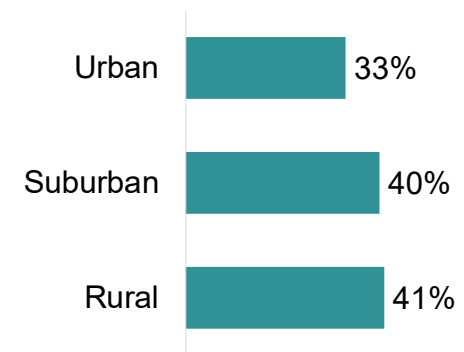
### Cash

- More likely to be perceived as convenient in a rural area, because it is more likely to be widely used and accepted for smaller payments, including at local independent shops.

*“I need to have cash for car parks. I always like to have a bit of money, just in case I don’t have my card on me, or my children need a fiver for their lunch.”*

Focus group, Rural, AB

### Proportion of consumers selecting cash as their preferred payment method for smaller payments



## When making larger payments, consumers tend to value the reassurance provided by secure and traceable payment options

- Consumers describe being cautious about larger purchases with a value of over £500. As a result, security is often regarded as the most important priority for this type of payment.
- However, consumers also value the reassurance provided by traceability and having a record of their payment, in case anything goes wrong.
- Some also cite the importance of payment protection, reporting that they tend to use credit card payments for larger purchases in order to have the additional Section 75 protection.

*“They always ask if it's you, there is security feedback, sometimes a call to see if it's you. I feel quite assured that my bank are taking care of my money.”*

Focus group, Suburban, AB

*“Security is most important. I'm happy to take time to check over with bigger purchases – I don't want to lose money.”*

Focus group, Urban, C1C2



## Among vulnerable and low-income groups, there is a need to know the exact impact of a purchase on their bank account balance

- Among vulnerable and low-income groups, control emerges as a more important factor when making payments of any size.
- Specifically, lower-income groups report a need to know and track the exact impact of a purchase on their bank account balance.
  - Among this group, any payments which take a few days to be processed can cause anxiety and even concern.
- This leads this group to prefer cash for many of their day-to-day purchases, as it helps them budget and keep track of their funds.

*“Having enough money in the account so it doesn't get declined. Cash is instant – it's gone and you know that you've spent the money.”*

Depth interview, Low income

*“I guess the contactless is probably more convenient as it's so easy. But cash is convenient as it's there and everyone will take it. I know what I've spent, I go out with a tenner and come back with 7 pounds.”*

Depth interview, Low internet usage

*“Having a receipt and knowing what I spend. And having the payment come out straightaway – so you know where you are with your balance.”*

Depth interview, Low income

## Beyond these factors, habitual payment behaviours appear to be informed by social norms

- Consumers' typical payment behaviours are also informed by the views and behaviours of people around them.
  - Specifically, certain payment types can sometimes be perceived as the default option to use in a particular environment.
- For in-store purchases, there is a clear preference for payment methods which allow for a speedy transaction, ensuring that the payment can be processed quickly and that the user does not hold up others in the queue behind them. This leads many consumers to prefer card and contactless payments over cash.
  - However, there is a feeling for some that card payments are less appropriate for very low value transactions.

*"I prefer to use contactless because it's quick. Sometimes you're standing behind someone trying to find the right change, fiddling about with all the coins... I don't like to hold anyone up behind me and I don't like to be held up by anyone either."*

Focus group, Rural, C1C2

*"Younger people use new payment types because they are handy. Everything is done on people's phones. It's great if you have that confidence. Younger people are always up with newer technology."*

Depth interview, Low internet usage

## Perceived or stated retailer preferences also emerge as factors which seem to inform habitual payment behaviours

- Consumers report that certain retailers or workers will only accept cash. Most commonly, these include smaller local shops, corner shops, takeaways, barbers, taxis, window cleaners, and other workmen.
- Some consumers also feel inclined to support smaller local businesses by using cash rather than card machines, citing perceptions that retailers incur costs in purchasing card machines and in accepting card transactions.

*“Certain local shops or venues only take cash. Or their card machines sometimes don't work.”*

Focus group, Urban, AB

*“Small businesses don't have to pay for card machines or pay charges when you're giving them cash.”*

Focus group, Rural, C1C2

Both social norms and retailer preferences tend to encourage rural consumers to use cash. This group are both more likely to feel that using cash is most appropriate for smaller purchases, and more likely to report that their local retailers do not accept card payments.

# 6

## Concerns about payment systems

## Despite a low understanding of how they work, consumers tend to have a high level of trust in payment systems

Personal experience  
of payment systems  
working well

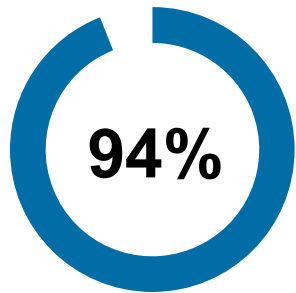
Low levels of  
awareness of  
potential issues  
relating to payment  
systems



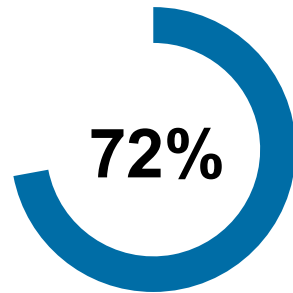
High levels of trust  
in using payment  
systems to make  
and receive  
payments, despite a  
low understanding  
of how they work

As a result, consumers tend to have few spontaneous concerns around specific potential challenges related to payment systems, beyond potential risks to security (e.g. fraud).

## A large majority of the public believe payment systems in the UK work well, with most not having encountered any issues

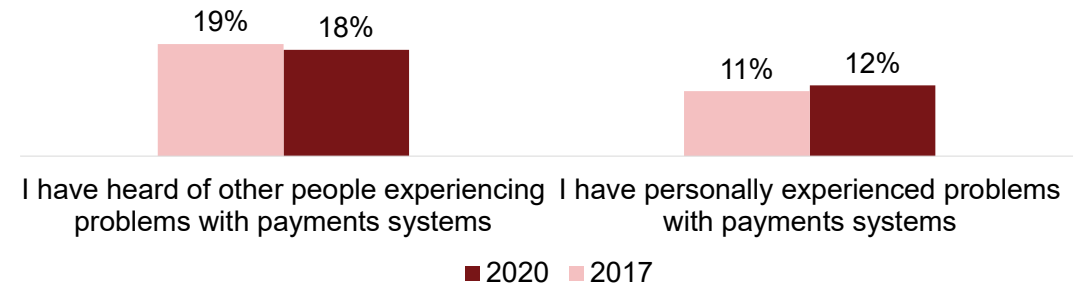


Of the public think that **payment systems in the UK work well or very well** at the moment.



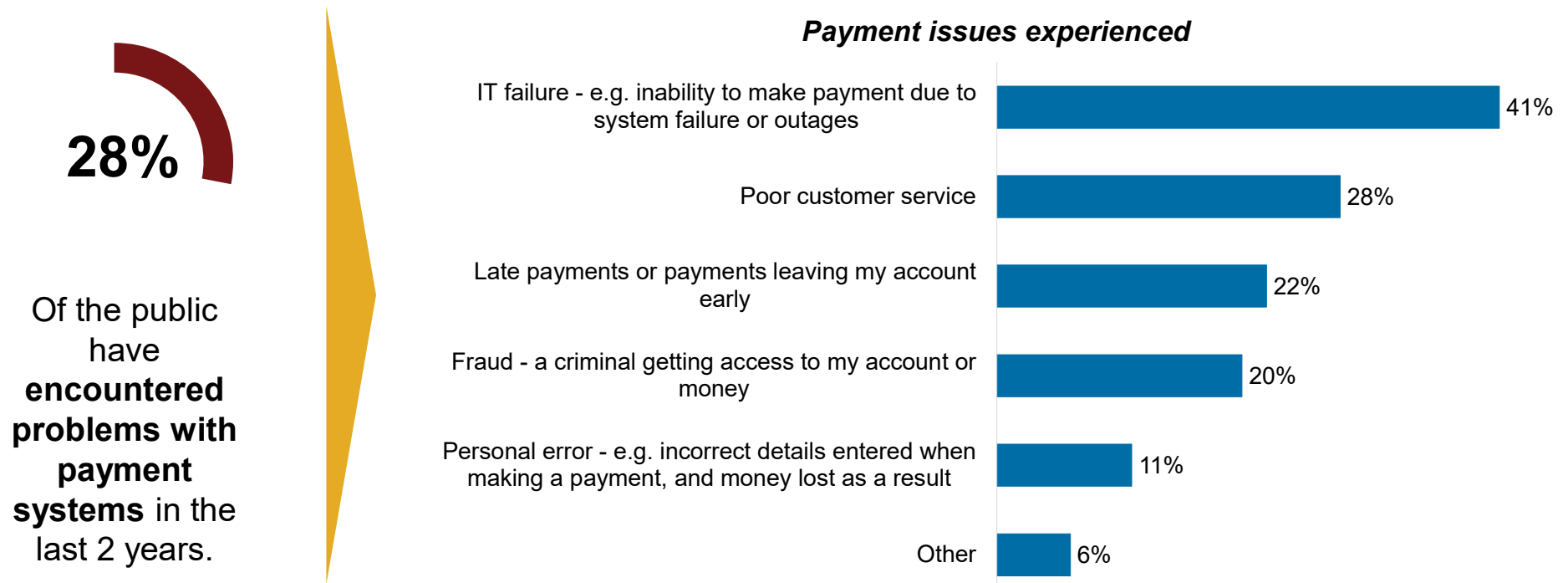
Of the public have **not encountered any problems with payment systems** in the last 2 years.

*Experiences of problems with payment systems*



- Qualitatively, few consumers reported that they have personally experienced issues with payment systems, e.g. fraud or access to (or acceptance of) cash.
- However, some problems were recognised as issues that older or more vulnerable customers may be more susceptible to – most notably, falling victim to fraudulent activity.

## Among those who have encountered problems, IT failure is the most common type of payment issue



## There is little tolerance for banking outages and payment failures, which are felt to have a major negative impact on consumers

- Few consumers report that they have experienced payment failure, but among those who have, the experience typically caused anxiety and stress.
  - Issues cited included problems with direct debits or with processing of BACS payments, but also experiences of online banking facilities being unavailable.
- The issue is seen as the responsibility of financial providers (generally ‘banks’, due to low levels of knowledge about payment systems), and there is little tolerance for outages and failures.
  - That said, most feel the likelihood of payment failures occurring was generally low.

*“My bank was unavailable for 3 days recently. It’s the first time in 20 years that that’s happened. They are responsible and liable for many costs.”*

Focus group, Suburban, AB

*“Something similar happened to me a while ago. The whole organisation had a problem with BACS... it was really stressful. I think in my situation, I shouldn’t even have to worry about the bills and mortgage not being paid – it would be nice if they got in contact with the people that I was supposed to pay.”*

Focus group, Suburban, C1C2



## In the abstract, there can be little sympathy for victims of APP scams, but in practice, consumers describe little personal responsibility

- In the abstract, consumers tend to believe that there is an individual responsibility to be vigilant to protect yourself against APP scams.
  - E.g. ignoring suspicious texts and phone calls; checking the legitimacy of phone calls; and keeping card details secure.
  - Consistent with this, very few expected banks to reimburse consumers who had fallen victim of an APP scam.
- However, in practice, consumers who have experienced fraud first or second-hand were often more sympathetic.
  - Those who have fallen victim to fraud themselves often struggle to see how their behaviour might have made them vulnerable.
  - There is also a perception that older and more vulnerable consumers may be more susceptible and there is a responsibility to protect them from falling victim to fraud.
  - *Some* feel that there had been an increase in scams during the pandemic, but this is not based on first-hand experience.

*"I think it would have to be an older person who is not very tech savvy. I wouldn't transfer money without speaking to my bank. It sounds an implausible scam. I don't think people would easily fall for it."*

Focus group, Urban, AB

*"I came across this a while ago. They had used the same number as the bank, and because it was done willingly [the bank] wouldn't give back the money. It's appalling as some of these people are very clever. If it's a funny name, address, or a link I just delete it, but people are falling for it. Perhaps they need to tell people about these scams a bit more."*

Focus group, Suburban, AB

## Individuals with first-hand experience of fraud report that the experience is distressing

### Charlene, 36, London

Charlene received an email telling her that her PayPal account had been suspended and that she needed to input her personal and bank details. She followed the link and completed her details.

She then received a phone call telling her card was being used for fraud and she should transfer her balance into a different account. The caller knew exactly how much was in her account, which convinced her of its legitimacy.

She also received pop-up messages showing all the money the fraudster was spending on her card. This panicked her and created a sense of urgency. She followed the caller's instructions and transferred all the money into a separate account.

Realising she had been scammed, she called her bank and felt fortunate to be reimbursed. Following this, she has changed all her card details and has become wary of spending online.

*"I was getting these pop-up messages to say they're spending money. I was really panicking, I was driving and just coming back from holiday. I said I'm going to call the bank. He kept trying to reassure me."*

*"After that, I rang up all the banks, I got all of my cards changed, just in case. Then I got worried about using my card online. Until it happens to you, you're not so cautious about it. Now I know, but I guess I got tricked."*

## Rural consumers and those reliant on cash are more likely to view access to and acceptance of cash as a problem

### More aware of / concerned about the issue

- Consumers living in rural and some suburban areas are more likely to report limited ATMs in their area and generally have a greater reliance on cash for some purposes, e.g. for taxis.
  - As a result, they are more likely to recognise access to cash as a potential issue for their community, and to view it as a problem.
- Similarly, vulnerable and low-income groups who prefer using cash have noticed a decline in acceptance of cash over the pandemic and are concerned about what this will mean for their ability to use cash going forward.

### Less aware of / concerned about the issue

- Consumers who live in urban areas and younger consumers are typically less concerned about and affected by access to cash. *Some* feel that individuals facing barriers to cash access should simply aim to transition to card payments (e.g. switching to using debit cards, or if trying to budget, pre-paid cards).

*“It’s not something I have experienced myself. I know it can be a problem in rural communities... Society is changing and everyone is not always going to be able to keep up with it. It would be nice to see a service that could help, but I’m not sure what it is. There is a way around it with online transfers and contactless, but if you don’t want to embrace that, then there are consequences. “*

Focus group, Suburban, AB

# 8

## Conclusions & recommendations

## Conclusions

1

**Consumers think about payments in terms of what they need from them, and the end user experience.** This means that terminology such as ‘bank transfers’ feels more relevant and aligned to their needs than the specific methods (e.g. BACS or Faster Payments), and that they are more likely to recognise Apple or Google Pay than they are ‘digital wallets’.

2

**For most consumers, what they see of the payments ecosystem suggests that it is working well.** The majority feel they have a number of options, problems are rare, and there is little expectation things will go wrong. However, vulnerable and low-income consumers are less likely to feel this and are less likely to be aware of the full range of payment methods.

3

**Consumers are most likely to prioritise security, ease and speed of payments.** However, their choice over what payment method they use is often influenced by other factors and retailer preference. This has been heightened by COVID-19, which has driven some to try new payment methods (e.g. contactless). Most expect these habits to stick.

4

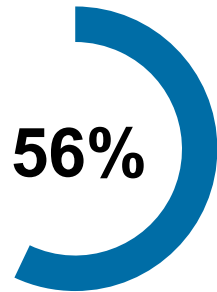
**Preferences are nuanced.** While most prioritise convenience, some feel this is best exemplified by contactless and that cash is difficult to manage, while others hold the opposite view. Security and choice is a more important feature for older consumers, while younger consumers are more likely to want to see speed, reliability and budgeting features.

5

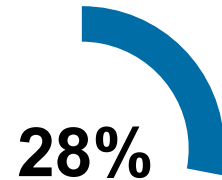
**Many consumers see the decline of cash as inevitable.** However, those who strongly prefer to use cash are extremely concerned about this decline, and some are experiencing detriment as a result. Their concerns often relate more to their ability to use cash (i.e. whether or not retailers accept cash), than to access, though this is an issue for some.

# Appendix: additional questions covered in quantitative survey

## Security in payments

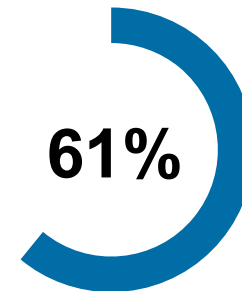


Of the public agree they have a **good understanding of their rights when making payments.**

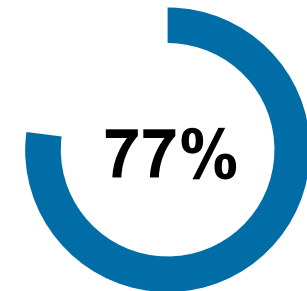


Of the public agree they have a **good understanding of their rights when using mobile payments.**

Although the majority of consumers are concerned about fraud, most accept it as a fact of modern life

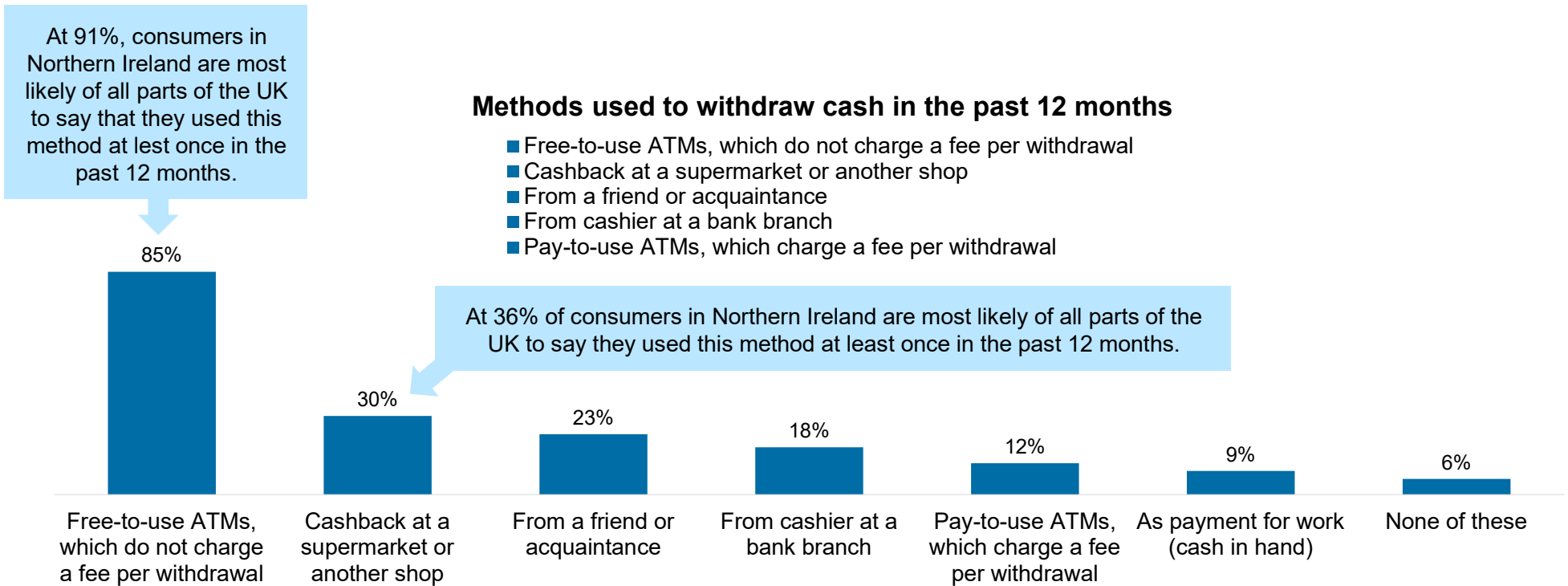


Of the public are **worried about the possibility of financial fraud.**



Of the public think **financial fraud is a fact of modern life.**

## Methods of withdrawing cash



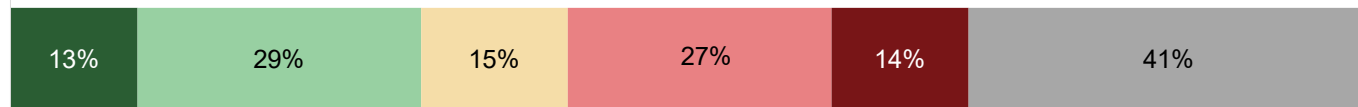


# Access to cash

■ Strongly agree  
 ■ Tend to agree  
 ■ Neither agree nor disagree  
 ■ Tend to disagree  
 ■ Strongly disagree  
 ■ Don't know

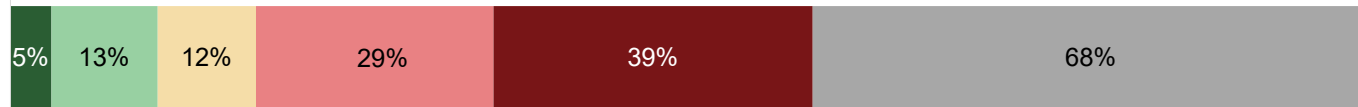
**NET Agree**

If my nearest ATM closed or stopped working, I would find it difficult to get cash

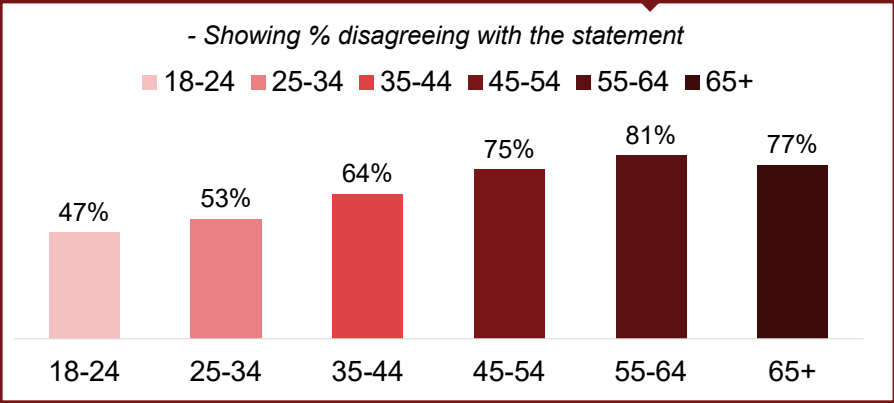


**42%**

It wouldn't matter to me at all if there were no ATMs in my neighbourhood



**19%**



**Older consumers are much more likely to think it would matter to them if there were no ATMs in their neighbourhood**

## Impact of payment fraud experience

