

A network diagram background consisting of a complex web of interconnected nodes and lines. The nodes are represented by small circles, some of which are larger and have concentric circles around them, suggesting a central or more significant node. The lines are thin and light blue, creating a dense, interconnected structure. The background is split into a white top half and a dark grey bottom half.

Britainthinks

— Insight & Strategy —

PSR Consumer Research 2022-3

February 2023

Contents

1. Introduction
2. Consumer usage and perceptions of payment systems
3. Consumer needs and expectations of payment systems
4. Challenges with payment systems experienced by consumers
5. Consumer views of account-to-account payments
6. Consumer views of the PSR and priorities for future regulation

1. Introduction



Methodology

Methodology

Phase 1: Qualitative

Fieldwork was conducted between 1st December 2022 and 30th January 2023, and comprised:

- 9 online focus groups with consumers;
- 18 depth interviews with vulnerable audiences, including low digital confidence and low income groups.

Focus groups were conducted either in-person or online, lasted 90 minutes, and included 6-8 participants. Depth interviews were conducted by telephone, and each lasted 45 minutes.

More detail on the qualitative sample can be found on slides 7 and 8.

Phase 2: Quantitative

Fieldwork was conducted between 24th and 30th Jan. 2023 and comprised a 10 minute online survey* of 2,444 consumers.

The survey was boosted to ensure a minimum sample size of 250 consumers in each of the devolved nations, and was designed and weighted to be nationally representative of the UK adult population by:

- Gender;
- Age group;
- Socioeconomic grade (SEG);
- Region.

*We adopted an online methodology for this survey, as this is a robust approach for reaching a nationally representative sample of UK consumers as 93% of the population has access to the internet. However, this approach means that the quantitative research did not reach any consumers who are digitally excluded, so will therefore underestimate their usage of non-digital payments. Digitally excluded consumers are an important audience for this research, so the views and experiences of offline consumers were therefore explored via the qualitative interviews.

Key insights

1.

Consumers continue to view payments as a facilitator to access goods and services, rather than focusing on payment systems in and of themselves. They are also more likely to think about the context in which they are making a payment – for example referencing ‘paying by an app’ – than the specific mechanism by which they are making a payment.

2.

While the most common and most preferred payment methods remain consistent with previous research, claimed usage of contactless and, in particular, mobile payments has increased significantly since 2020. This is echoed by an associated dip in claimed usage of chip and PIN and remote card payments, and this pattern holds true across all age groups.

3.

Despite expressing preferences around payment methods, consumers are readily influenced by external factors in the payment systems they use. Those who changed their payment behaviours during the pandemic are more likely to have stuck with than abandon those behaviours, and a majority are influenced in their payment choice by retailer preferences.

4.

Consumers continue to prioritise ease, speed and security when they think about payments. However, protection and budgeting is becoming increasingly important to consumers, and the payment systems which are felt to best fulfil these key criteria vary across the population, with particular variations by those who are more and less confident with technology.

5.

Payments are felt to be working well overall from a consumer perspective, and problems are relatively rare. For those who have experienced problems, IT failure and fraud are most commonly experienced, with fraud particularly emotive. Access to cash is less front of mind, but there is strong resistance to the idea of a cashless society.

6.

In the context of low levels of knowledge about payment systems, and little sense of unmet need around payments, the concept of account-to-account payments is met by some caution among consumers. Consumers may need nudging to try these types of payments, as well as some reassurance around security and third parties.

7.

Despite low awareness of the PSR, consumers continue to feel reassured by its existence and the information that the payments industry is regulated. Their key priorities for the future of payment systems, and by extension for the regulator, relate to ensuring that consumers are protected if something goes wrong, and to tackling fraud and scams.

Key insights against recently introduced consumer-facing developments in the payments industry

Increasing the contactless limit to £100	Although consumers' reported frequency of using contactless payments has only seen a small increase from 2020 (+2pp), it has now become the preferred payment method for purchases under £100 . In part, this is due to the increase in the contactless limit which has helped make contactless payments habitual and the 'norm'.
Wider rollout of Confirmation of Payee (CoP)	Awareness of the Confirmation of Payee name checking service has increased since 2020, with many consumers using the service as part of their online banking. Although there is limited awareness about the role CoP plays in tackling APP fraud specifically, consumers perceive it positively as a helpful safety net when making 'bank transfers' i.e. avoiding mistakes.
APP scams	Consumers remain concerned by fraud in general and APP scams specifically , with a sense that it is increasing and becoming more sophisticated. Protecting consumers from fraud remains one of their top priorities for the regulator, although they also feel a growing sense of personal responsibility to protect themselves from scammers.
Account-to-account payments and Open Banking	There is limited awareness of account-to-account payments and Open Banking. When prompted with a definition sentiment toward A2A payments divides by age and income , with younger consumers and those on higher incomes feeling more positive. Consumers who are undecided or who feel negative toward the change tend to be most concerned by security of the system, particularly the role of 'third parties'.

Implications of these insights for the PSR and its consumer-facing activities

Continue the focus on security and protection

- Ensuring that consumers are protected when they make payments, and tackling fraud, are key priorities for consumers for the future of the payments industry – and, by extension, for the PSR.
- Key existing developments in this space such as CoP are generally welcomed by consumers.
- By comparison, priorities such as innovation in payment systems tend to be less important to consumers.
- This points to **broader appetite among consumers to see the PSR continuing its activities in this space.**

Focus on fraud prevention as well as reimbursement

- Financial institutions are viewed as responding relatively positively when fraud and scams take place.
- In addition, despite strong appetite to see the industry tackling fraud, there is a sense that consumers also have personal responsibility in this area and need to play at least some role in protecting themselves.
- In this context, there is **consumer appetite for more education and information to empower consumers to protect themselves from fraud** – whether from the regulator, industry, or other trusted voices.

Focus on the consumer experience

- Consumers' understanding of the payments ecosystem continues to be relatively shallow.
- In this context, key new developments such as A2A payments, and associated concepts, such as Open Banking, are challenging to consumers to engage with, and can provoke caution or concern.
- Rather, **framing these types of developments more in terms of how consumers experience them** – e.g. app-based payments – may feel less concerning and intimidating to consumers.

Consider the impact of external factors

- External factors – from Covid to retailer preferences – seem to be playing an important role in driving consumer behaviours in relation to payments, and in particular in encouraging them to try and then stick with new payment types, as well as their own preferences around payments.
- With this in mind, **retailer and business support for new developments such as A2A may be important to nudge consumers into new payment behaviours**, much as they were nudged into using contactless.

2. Consumer usage and perceptions of payment systems



Consumers view payments as a facilitator to accessing goods and services, giving little thought to the systems that sit behind them

As in previous research, consumers perceive and describe payment systems based on how they use them, rather than referring to specific payment systems. For example, consumers tend to refer to:

- ‘Bank transfers’ instead of Faster Payments;
- Brand names, such as Apple Pay or Samsung Pay rather than mobile payments;
- The setting or context in which they have made a payment, e.g. ‘I paid on the app’ rather than ‘I made a mobile payment’ or ‘I made a digital card payment’.

Few refer to more precise or specific payment systems, and consumers seemingly give little thought to the systems which sit behind making a payment.

“I use Apple Pay when I buy small things in a shop, like if I am just grabbing a drink, or a coffee or something. It's really quick; just tap and go.”

Focus group, Urban, DE

“I pay with the app - Too Good to Go. It links to my card so I don't have to put in the details every time.”

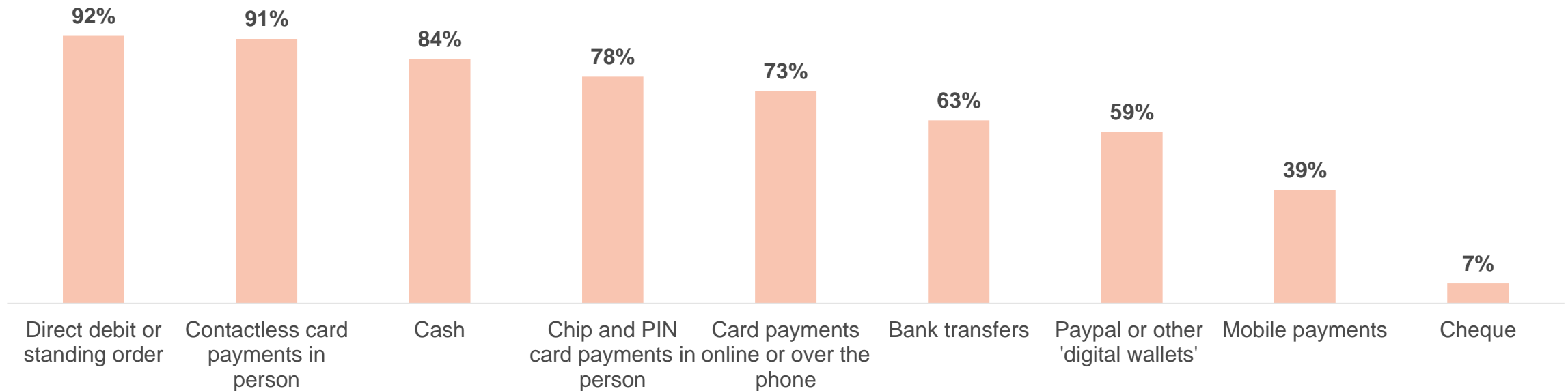
Focus group, Urban, AB

“The school make me pay for things like trips with a bank transfer. It feels a bit like we are being forced to use it.”

Depth interview, Low income

Consumers report using direct debit, contactless payments and cash most commonly in a typical month

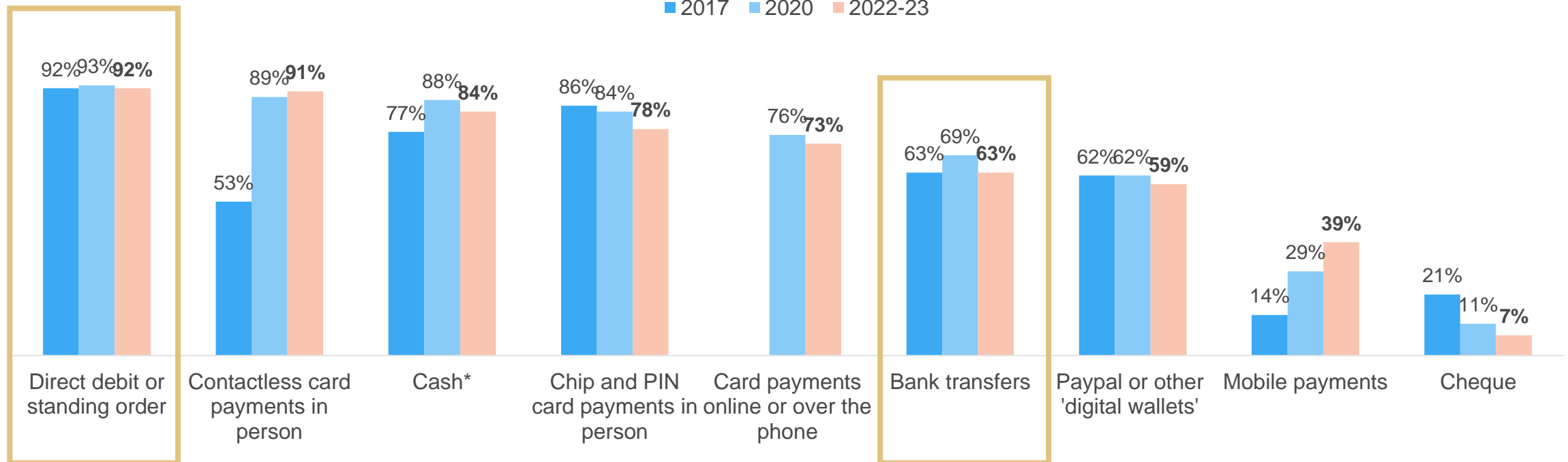
Reported usage
- Showing % using each at least once per month



Q1. Roughly how often, if at all, do you tend to make payments or other financial transactions using each of the following payments types? Base: All respondents 2022-23 (n=2,444).

Consumers' reported usage of direct debit remains consistent, and usage of 'bank transfers' has fallen back in line with 2017

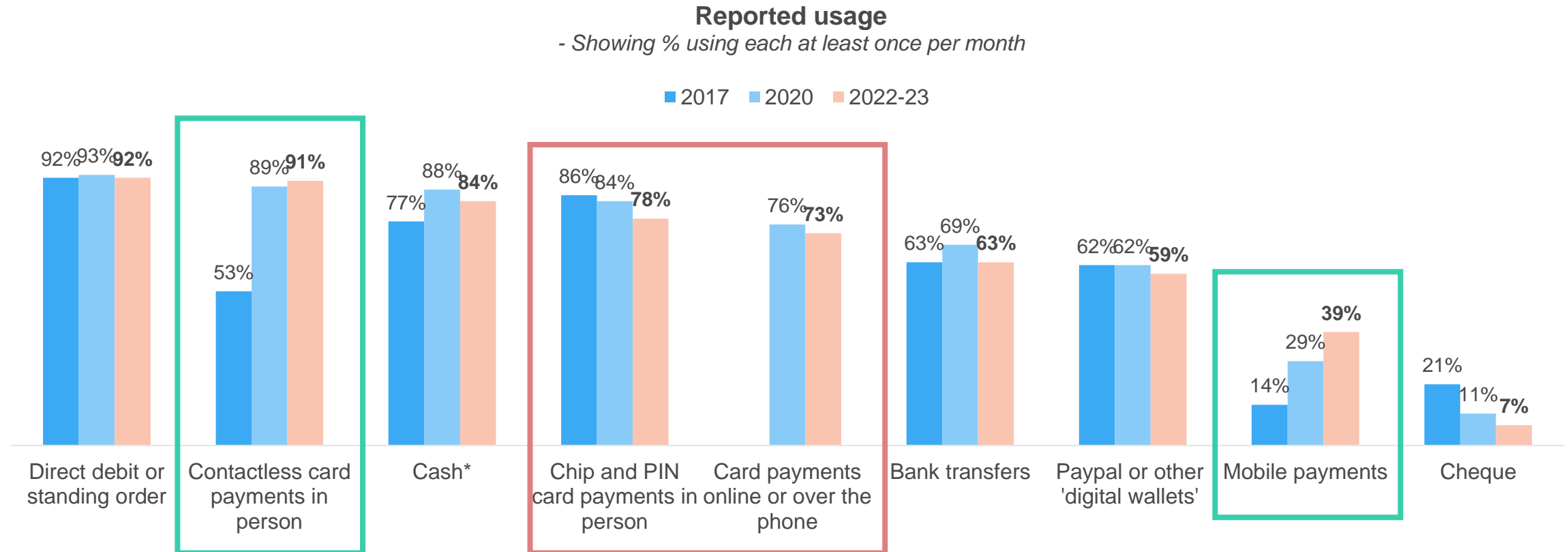
Reported usage
- Showing % using each at least once per month



Q1. Roughly how often, if at all, do you tend to make payments or other financial transactions using each of the following payments types? Base: All respondents 2022-23 (n=2,444); 2020 (n=2,465); 2017 (n=1,026).

*Please note that the 2017 survey referred to 'cash machines / ATMs' rather than 'cash', meaning some caution should be exercised in comparing the 2017 data for this option against the 2020 and 2022-23 data. The 2020 and 2022-23 data is directly comparable for this question.

Consumers are increasingly using mobile and contactless payments, while traditional methods of using cards are declining

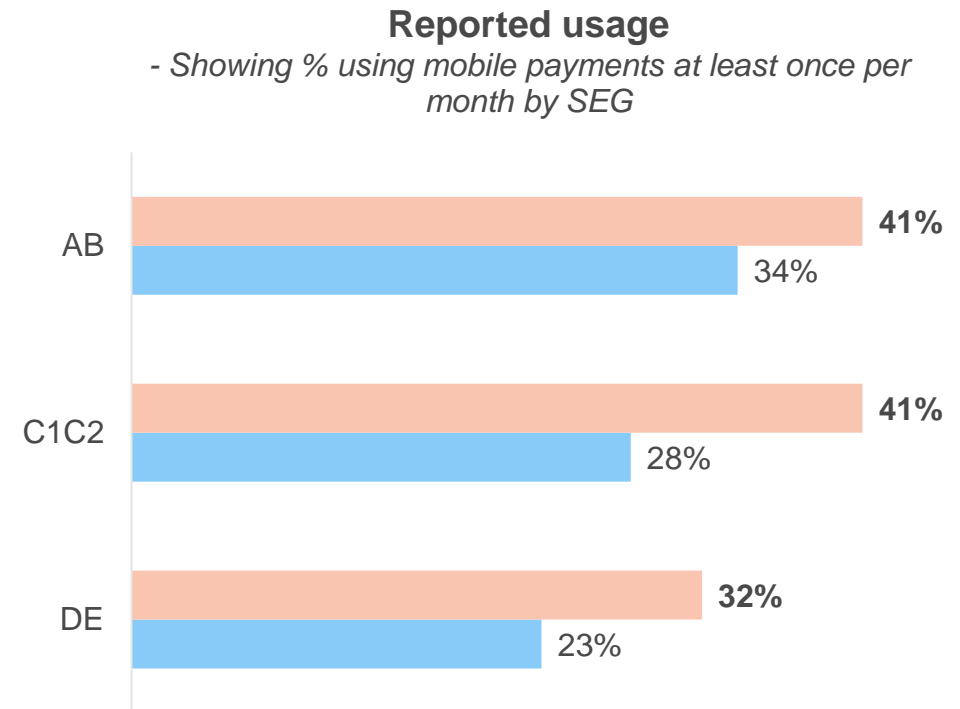
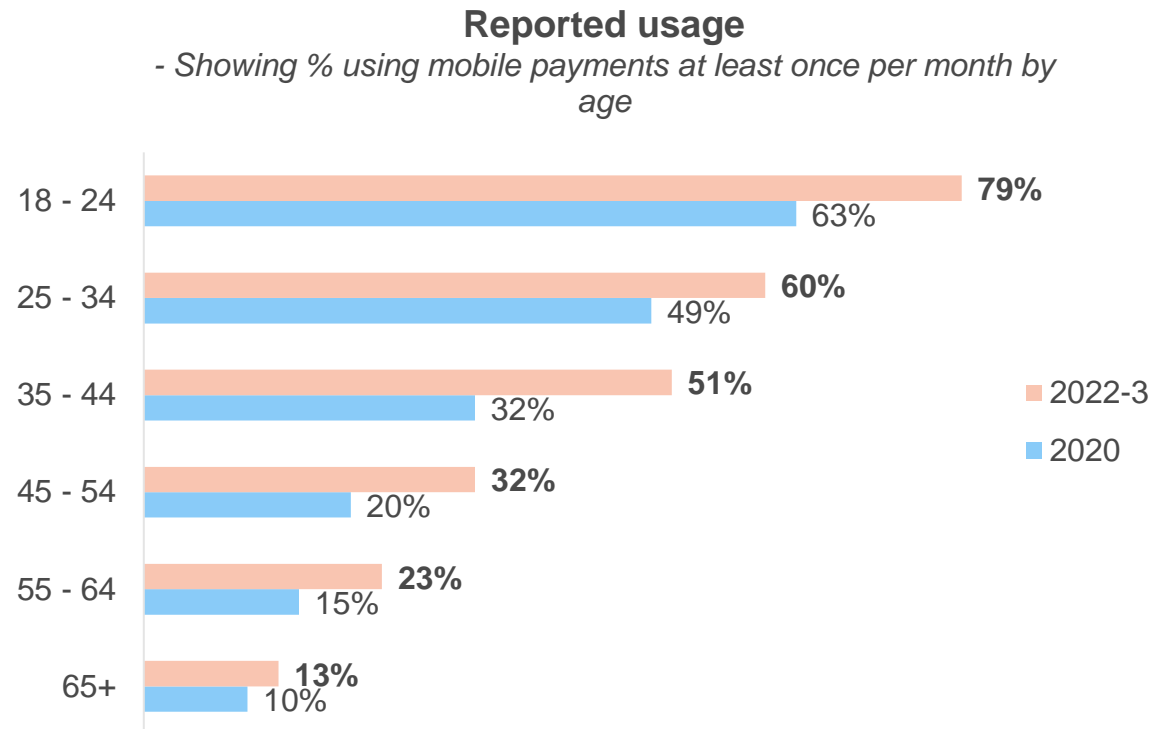


Q1. Roughly how often, if at all, do you tend to make payments or other financial transactions using each of the following payments types? Base: All respondents 2022-23 (n=2,444); 2020 (n=2,465); 2017 (n=1,026).

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Age and social grade remain important dividing lines for use of mobile payments, although usage has increased across all groups

39% of all consumers say they're using mobile payments monthly (+10pp compared to 2020)



Q1. Roughly how often, if at all, do you tend to make payments or other financial transactions using each of the following payments types? Base: All respondents 2022-23 (n=2,444); Aged 18-24 (n=251); 25-34 (n=421); 35-44 (n=418); 45-54 (n=472); 55-64 (n=421); 65+ (n=461); AB SEG (n=611); C1C2 (n=1,179); DE (n=653); All respondents 2020 (n=2,465); Aged 18-24 (n=253); 25-34 (n=368); 35-44 (n=406); 45-54 (n=452); 55-64 (n=439); 65+ (n=547); AB SEG (n=719); C1C2 (n=1,134); DE (n=547).

The increase in mobile and contactless payments is associated with a gradual move away from chip and PIN

Change in reported monthly usage compared to 2020:

Mobile payments



+10pp

Contactless



+2pp

Chip and PIN



-6pp

Increase in contactless limit to £100 has removed a key barrier to using contactless for medium sized purchases.

"I think it's [why I used contactless] mostly the convenience - you don't need your PIN unless it is expensive."

Depth interview, Low income

Habits and norms: consumers reflect that when making payments in e.g. a bar or shop, retailers assume contactless will be the preferred method, and hand over the payment terminal 'contactless side first', thereby relegating chip and PIN to a secondary preference.

"Yeah, when I think about it, they usually do show the back of the card reader first. I don't really think about it when I tap."

Focus group, Urban, C1C2

Increased convenience: paying with contactless or mobile is felt to be quick and easy, meaning consumers feel comfortable using it for smaller payments where cash was previously preferred.

"I stopped using cash because of the pandemic. Now I just use my card. It's really quick, and easier than carrying loads of cash."

Focus group, Suburban, AB

Improved online banking experience e.g. real-time spending alerts means that consumers can feel more comfortable 'tapping' than they might have done in the past as they can easily see a record of their spending.

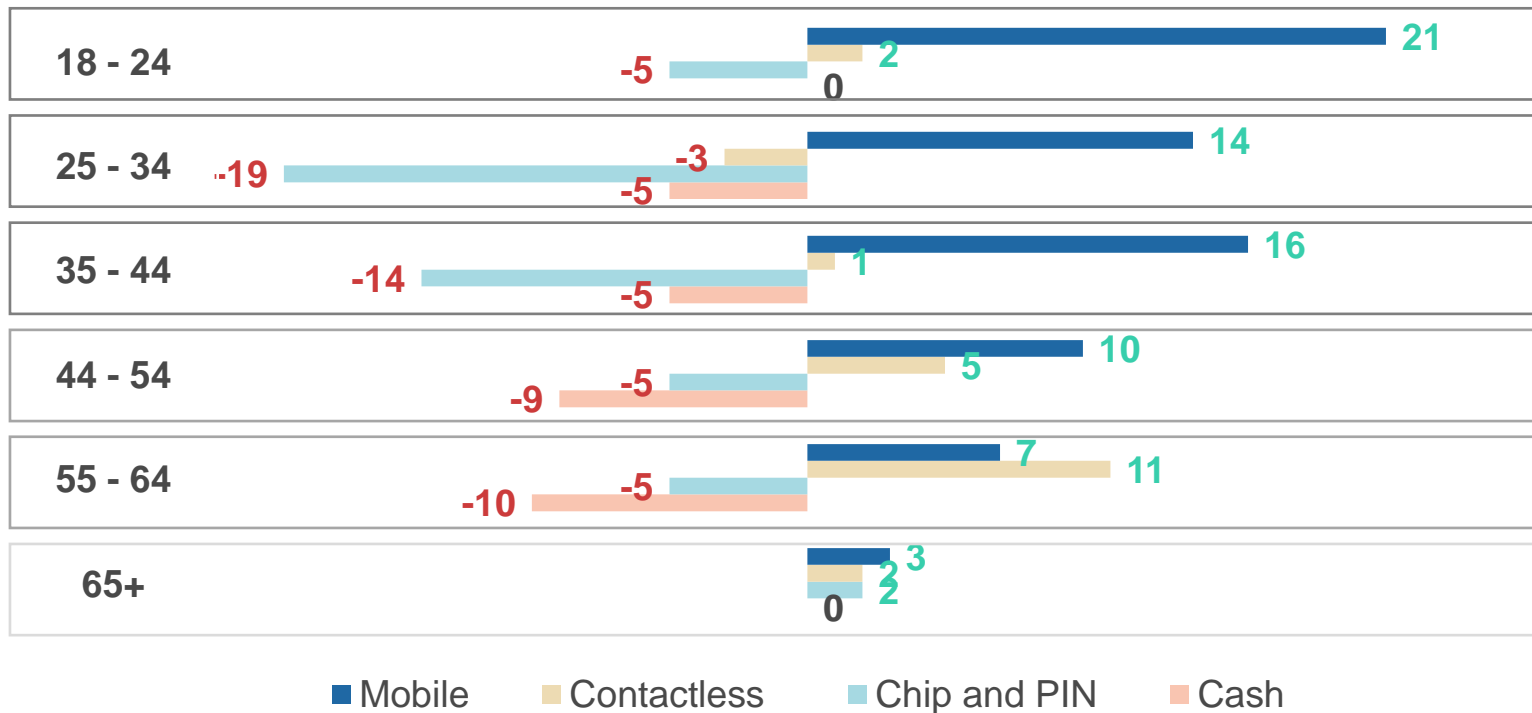
"My [banking app] lets me know when I've spent something, and I can see the statement right away, so I know where I am."

Focus group, Urban, AB

Q1. Roughly how often, if at all, do you tend to make payments or other financial transactions using each of the following payments types? Base: All respondents 2022-23 (n=2,444); 2020 (n=2,465).

The trend away from chip and PIN and towards mobile and payments can be seen across age groups

Change from 2020 (pp) in weekly usage of payment methods by age



Amongst **younger age groups**, there has been less movement on use of contactless payments, likely due to relatively common use in 2020. Instead, these groups have adopted mobile payments more than others in the last 2 years.

Amongst **45 – 54 year olds and 55 – 64 year olds**, the move away from cash is larger. These groups have also adopted contactless more than other groups in the last 2 years.

Over 65s have remained relatively consistent in their usage of payment methods, although have shown a small increase in mobile, contactless and chip and PIN.

Q1. Roughly how often, if at all, do you tend to make payments or other financial transactions using each of the following payments types?

Base: All respondents 2022-23 (n=2,444); Aged 18-24 (n=251); 25-34 (n=421); 35-44 (n=418); 45-54 (n=472); 55-64 (n=421); 65+ (n=461); All respondents 2020 (n=2,465); Aged 18-24 (n=253); 25-34 (n=368); 35-44 (n=406); 45-54 (n=452); 55-64 (n=439); 65+ (n=547).

The increased contactless limit* means that contactless is now most likely to be consumers' preferred method for all but large purchases, for which contactless is not an option

Preferred payment method for:

Smaller purchase under £10	Medium purchases between £30 and £100	Larger purchases over £500
Contactless 45% (-2pp)	Contactless 53% (+28pp)	Chip and PIN 33% (+6pp)
Cash 32% (-5pp)	Chip and PIN 16% (-31pp)	Card payments online or over the phone 24% (-13pp)
Mobile 11% (+6pp)	Mobile 10% (+7pp)	Bank transfer 11% (-3pp)

Q2. And of the following payment types, which ones do you typically prefer to use for...? Base: All respondents 2022-23 (n=2,444); 2020 (n=2,465).

*Contactless limit was £45 in 2020.

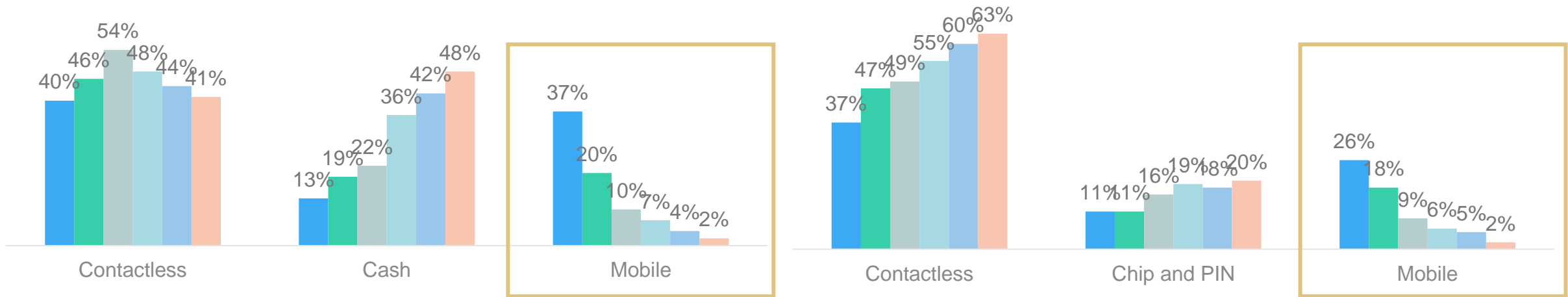
While contactless is most likely to be preferred for small and medium purchases by most ages, among those aged 18-24, mobile payments are almost as likely to be preferred as contactless

Preferred payment method when making a smaller purchase of less than £10
Showing % selecting by age

Preferred payment method when making a medium purchase between £30 - £100
Showing % selecting by age

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

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



Q2. And of the following payment types, which ones do you typically prefer to use for...? Base: All respondents 2022-23 (n=2,444); Aged 18-24 (n=251); 25-34 (n=421); 35-44 (n=418); 45-54 (n=472); 55-64 (n=421); 65+ (n=461).

By contrast, consumers who are less digitally enabled continue to feel more hesitant about using mobile and contactless

Change in reported monthly usage compared to 2020:

Mobile payments ▲ +10pp

Contactless ▲ +2pp

Chip and PIN ▼ -6pp

- This is even true among consumers who have access to the relevant technologies, e.g. who have a contactless card or who have a smartphone.
- The most commonly given reason for these consumers not using mobile payments and contactless among this group tends to relate to concerns about security and fraud.
- However, some digitally disengaged also reference a perception that these methods will be difficult for them to use, as well as satisfaction with their current methods.

“My girl does Apple Pay, but it's another thing that if I lose my phone then everything is gone. If I had Apple Pay, someone else could go and use it easily so I'm not into that at all.”

Depth interview, Low digital confidence

“No I can't do that [use Apple Pay]. I don't know how to do that; I wouldn't use that now at 87, I'm too ancient for that; my daughter does it off her wristwatch but I'm not interested at all.”

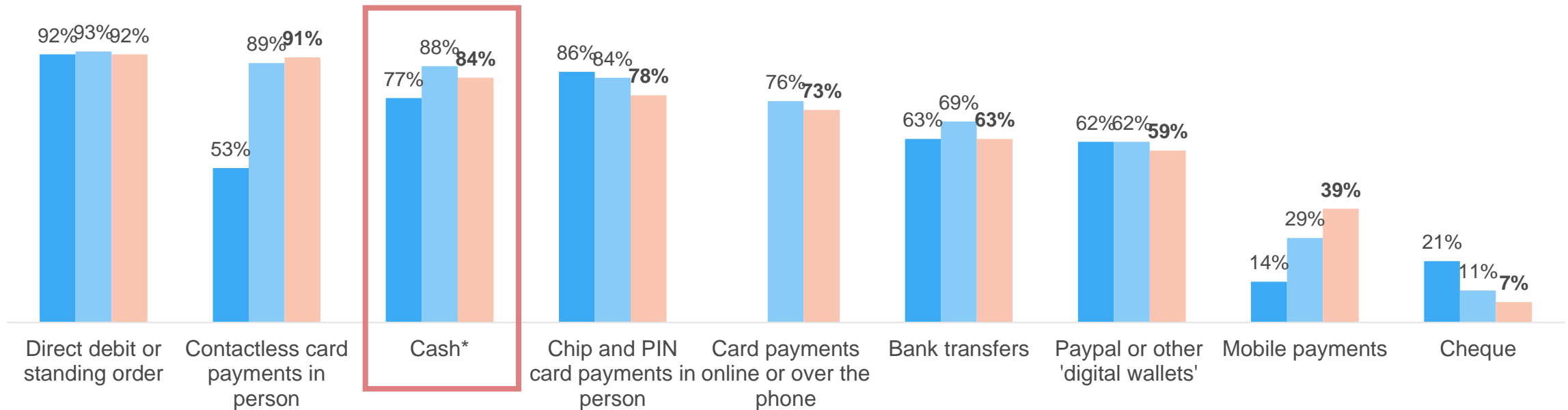
Depth interview, Low digital confidence

Q1. Roughly how often, if at all, do you tend to make payments or other financial transactions using each of the following payments types? Base: All respondents 2022-23 (n=2,444); 2020 (n=2,465).

While still a widely used method, consumers are significantly less likely to report using cash monthly now than they were in 2020, even after the lifting of Covid-19 pandemic restrictions

Reported usage
- Showing % using each at least once per month

■ 2017 ■ 2020 ■ 2022-23



Q1. Roughly how often, if at all, do you tend to make payments or other financial transactions using each of the following payments types? Base: All respondents 2022-23 (n=2,444); 2020 (n=2,465); 2017 (n=1,026).

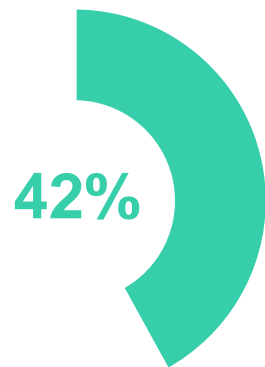
*Please note that the 2017 survey referred to 'cash machines / ATMs' rather than 'cash', meaning some caution should be exercised in comparing the 2017 data for this option against the 2020 and 2022-23 data. The 2020 and 2022-23 data is directly comparable for this question.

Reflecting this decline, consumers who tried new payments methods during Covid are more likely to have continued using these than going back to their pre-Covid behaviours

The restrictions during the Covid-19 pandemic encouraged me to try new payment types...

...and I have continued to use these post-Covid

...but I have since gone back to using the same methods as I did before Covid



This rises to 47% of 55-64 year olds and 46% of those aged 65+



This rises to 17% of consumers in NI and 16% in East England

Q.9 To what extent do you agree or disagree with the following statements? Base: All respondents 2022-23 (n=2,444); Aged 55-64 (n=421); 65+ (n=461); Located Northern Ireland (n=253); East England (n=202).

Many consumers who were regular cash users prior to the pandemic were 'forced' or at least strongly encouraged to use card or contactless payments during the Covid-19 pandemic because of concerns about the transmission risk.

For most of these consumers, the use of card and contactless became habitual and their confidence and comfort with these methods increased. They report continuing to use these methods, even though there are fewer barriers to cash usage.

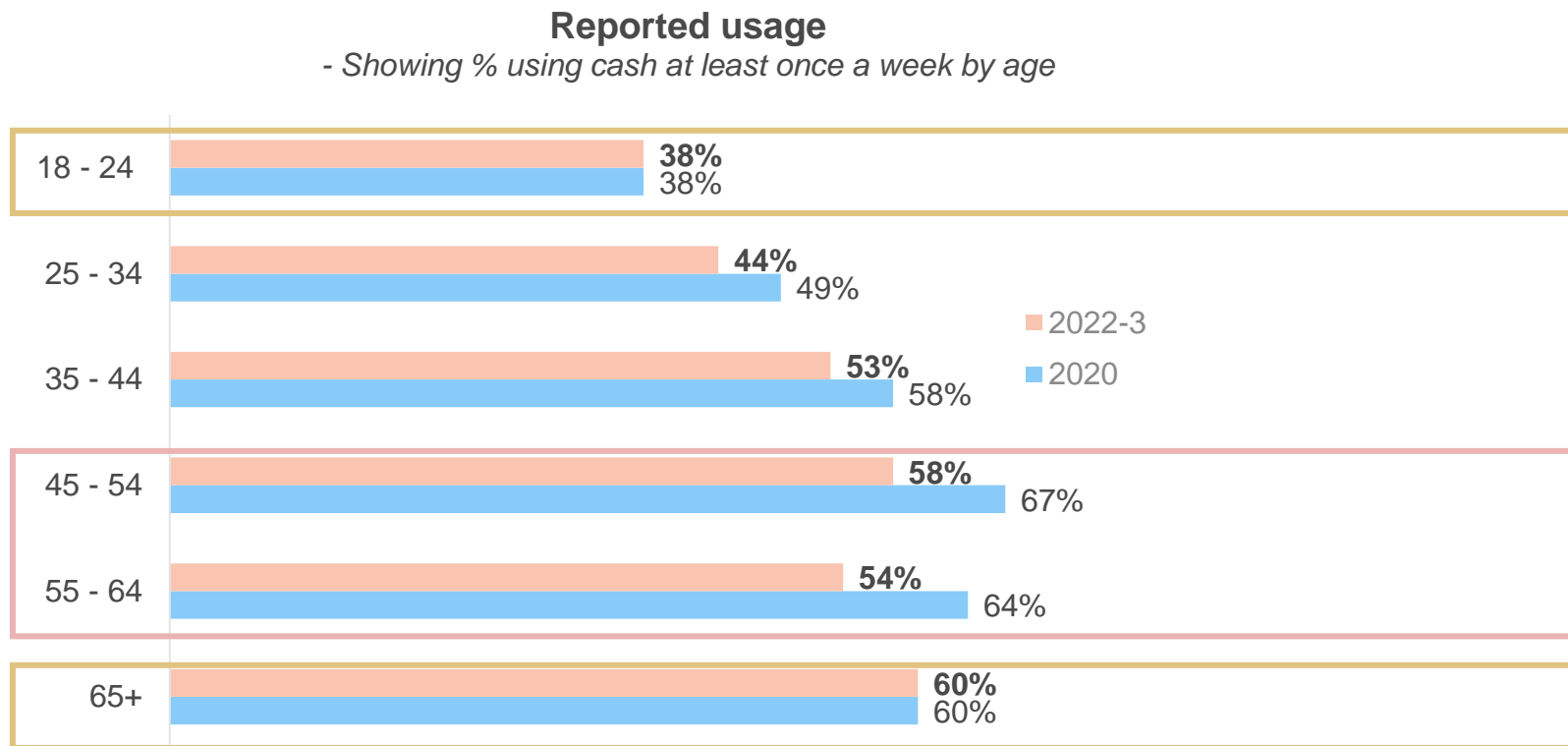
On the other hand, a smaller group of consumers have returned to using cash more widely as they feel there are several benefits to doing so (slide 23).

"Banks are closing, and we had the pandemic, so I am not using cash anymore. I got used to using my card most of the time now."

Focus group, Rural, AB

Of those who are using cash at least weekly, usage broadly increases by age – although usage has declined most drastically since 2020 amongst 45-64 year olds compared to other age groups

52% of all consumers say they're using cash weekly (-5pp compared to 2020)



Consumers aged 65+ continue to be the group who use cash the most on a frequent basis. Their reported weekly usage is unchanged from 2020 (even if the proportion using cash monthly has declined 3pp from 89% to 86%). Reported weekly cash use also remains unchanged amongst **consumers aged 18 – 24**, suggesting there is a strong residual minority who are cash reliant.

On the other hand, weekly cash usage has fallen by more than average amongst **consumers aged 45 – 54 and 55 – 64**, likely as they become more comfortable using other methods (slide 29).

Q1. Roughly how often, if at all, do you tend to make payments or other financial transactions using each of the following payments types? Base: All respondents 2022-23 (n=2,444); Aged 18-24 (n=251); 25-34 (n=421); 35-44 (n=418); 45-54 (n=472); 55-64 (n=421); 65+ (n=461).

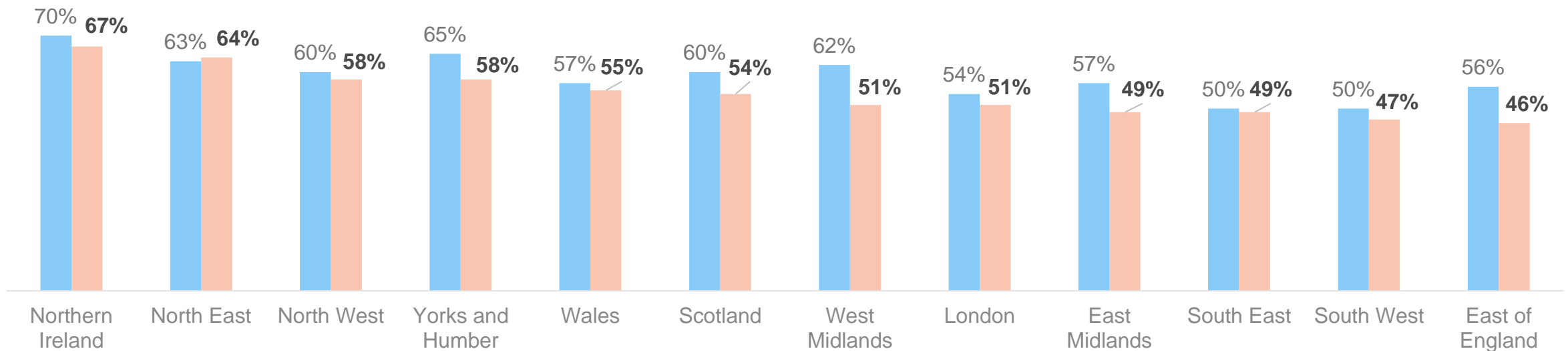
Consumers in Northern Ireland continue to be most likely to use cash on a weekly basis, although usage has declined in all areas of the UK except North East England

52% of all consumers say they're using cash weekly (-5pp compared to 2020)

Reported usage

- Showing % using cash at least once a week by area of the UK

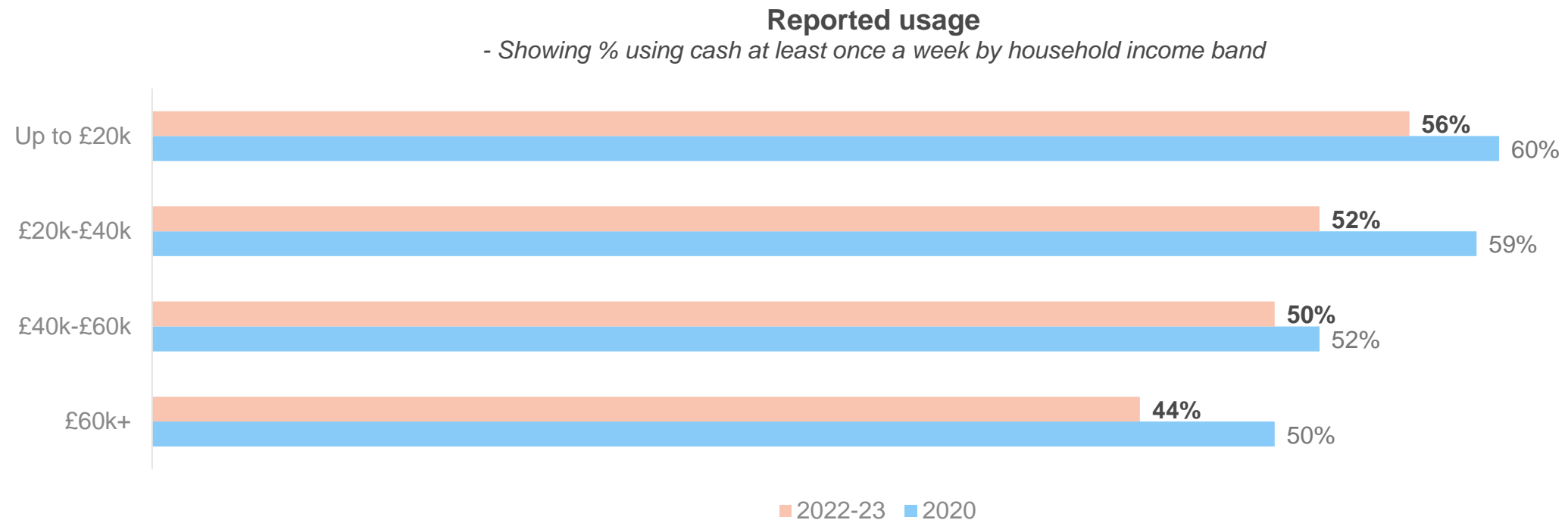
■ 2020 ■ 2022-23



Q1. Roughly how often, if at all, do you tend to make payments or other financial transactions using each of the following payments types? Base: All respondents 2022-23 (n=2,444); North East (n=70); North West (n=241); Yorks and Humber (n=151); East Midlands (n=133); West Midlands (n=155); East of England (n=202); London (n=237); South East (n=305); South West (n=190); Wales (n=254); Scotland (n=253); Northern Ireland (n=253); All respondents 2020 (n=2,465); North East (n=87); North West (n=235); Yorks and Humber (n=159); East Midlands (n=124); West Midlands (n=142); East of England (n=181); London (n=242); South East (n=302); South West (n=187); Wales (n=276); Scotland (n=279); Northern Ireland (n=251).

As in 2020, cash usage is also more common among those on lower incomes

52% of all consumers say they're using cash weekly (-5pp compared to 2020)



Q1. Roughly how often, if at all, do you tend to make payments or other financial transactions using each of the following payments types? Base: All respondents 2022-23 (n=2,444); up to £20k (n=773); £20-40k (n=1,157); £40k - £60k (n=273); £60k+ (n=130).

For those who continue to use cash, budgeting – and an associated sense that cash is easier to track – remains a key draw

Preference for budgeting

40% of respondents agree that ‘using cash makes it easier to budget and manage my money’. Consumers say the tactile nature of cash makes it easier to keep track of their spending.

This is particularly beneficial for consumers on lower incomes or those who have to manage a tight budget (e.g. students, those living on state pensions).

Perceived merchant preference

A minority of consumers say they continue to use cash for transactions with smaller businesses in particular as they are concerned about the costs for businesses associated with card payments, and believe that it is preferable for merchants to be paid in cash. Some also relate this to a sense that some retailers charge consumers to make card payments.

Ability to barter

Some consumers feel they have greater leverage to negotiate on the costs of goods and services if they pay with cash. This is particularly true of tradespeople, who consumers perceive as strongly preferring cash payments. Implicit in this is using cash as a means of avoiding paying VAT for some goods and services.

“I put cash in a few envelopes at the start of the week and write what each of them are for. It is the only way to make sure I don't spend too much.”

Focus group, Rural, DE

“I was reading an article about the card fees. So I try and use cash when I can now, to help the local businesses.”

Focus group, Urban, C1C2

“When I go down to the wholesaler, he gives me a discount for the wood planks if I pay him in cash.”

Focus group, Rural, DE

Q.14 To what extent, if at all, do you agree or disagree with each of the following statements? Using cash makes it easier to budget and manage my money. Base: All respondents 2022-23 (n=2,444).

Perceived retailer preference is driving both cash usage, and, to a lesser degree, claimed use of other payment types

I only tend to use cash when retailers and businesses require me to pay this way



This rises to 59% of 18 – 24 year olds and 56% of 25 – 34 year olds.

Q.9 To what extent do you agree or disagree with the following statements? Base: All respondents 2022-23 (n=2,444); Aged 18-24 (n=251); 25-34 (n=421).

Half (49%) of consumers agree that they are happy for retailers to indicate their preferred payment method, however, qualitatively, this can result in inconvenience and discomfort.

Most commonly, this related to ‘forced’ cash usage. A significant proportion of consumers report only using cash in scenarios where they are unable to pay by card or bank transfer.

- This is often at smaller businesses (e.g. barber shops) or with sole traders (e.g. cleaners, builders). Consumers describe having to go to ATMs, which feels inconvenient to them.

That said, consumers, particularly in urban areas note that it is becoming less common for retailers to *only* accept cash.

- This is due to a perceived recent decline in retailers stating a minimum spend for card, and smaller retailers (e.g. food vans, market stalls) now offering a means to pay via card.

On the other hand, a smaller group of consumers who prefer to pay with cash note that there is an increase in card-only retailers.

- Whilst they often have the means to pay via card, this can make them feel uncomfortable.

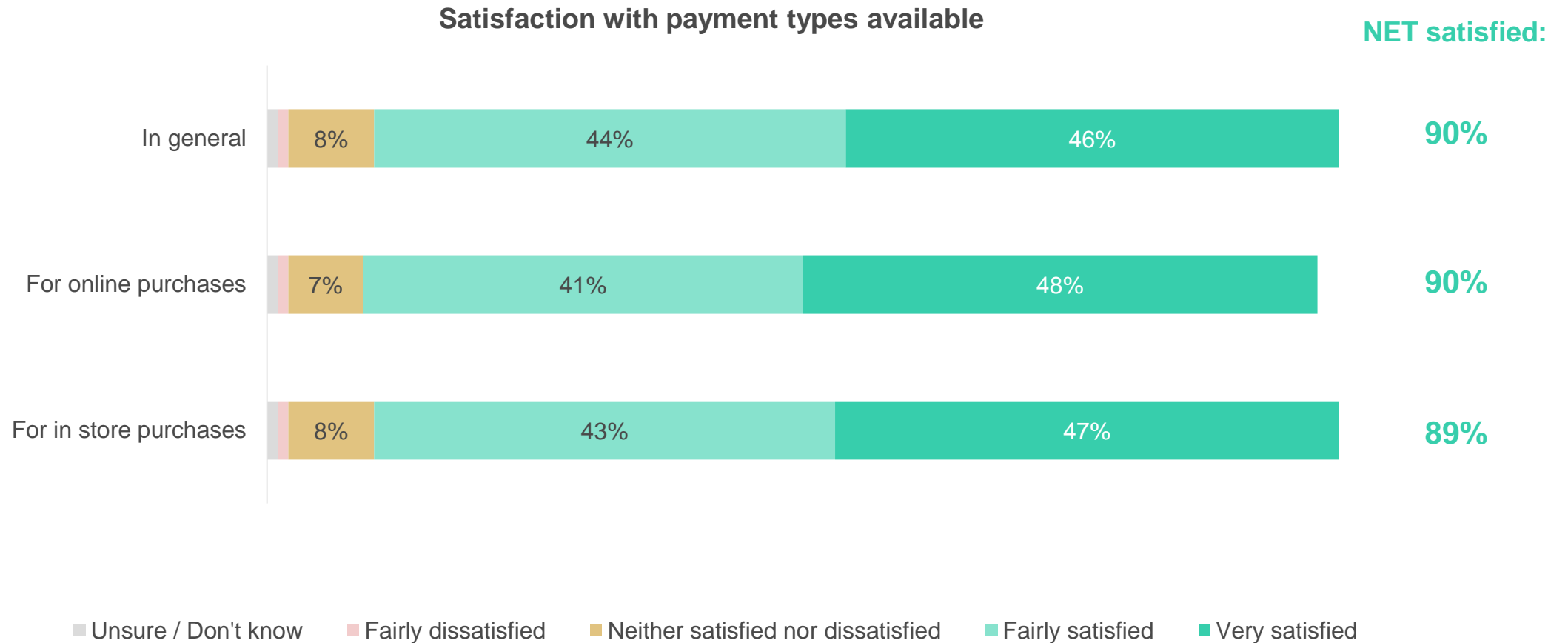
“Lots of shops now only take card. I have to deposit my cash, and with banks not being open late anymore because of COVID, it is a pain!”

Depth interview, Low income

3. Consumer needs and expectations of payment systems



The vast majority of consumers are satisfied with the choice of payment types available to them, both in-store and online



Q.3 How satisfied or dissatisfied are you with the choice of payment types available to you? Base: All respondents 2022-23 (n=2,444).

Consistent with 2020, consumers' needs from payments focus on ease, speed and security. The larger the transaction value, the more important security (and protection) becomes

Smaller purchase under £10	Medium purchases between £30 and £100	Larger purchase purchases over £500
Ease of use 42%	Ease of use 27%	Security 38%
Speed 21%	Security 26%	Protection 27%
Security 14%	Reliability 17%	Reliability 12%

Consumers tend to make smaller purchases without much engagement, and therefore most value factors which heighten the convenience of paying, such as ease and speed, in these contexts.

On the other hand, consumers – particularly those on low incomes – describe feeling more cautious about making larger payments. In these situations, they are making a more considered purchase, and prioritise factors such as security and protection, even if these introduce friction to the customer journey and make for a slower transaction. This helps reassure them that their money is going to the right place and they can get it back if something goes wrong.

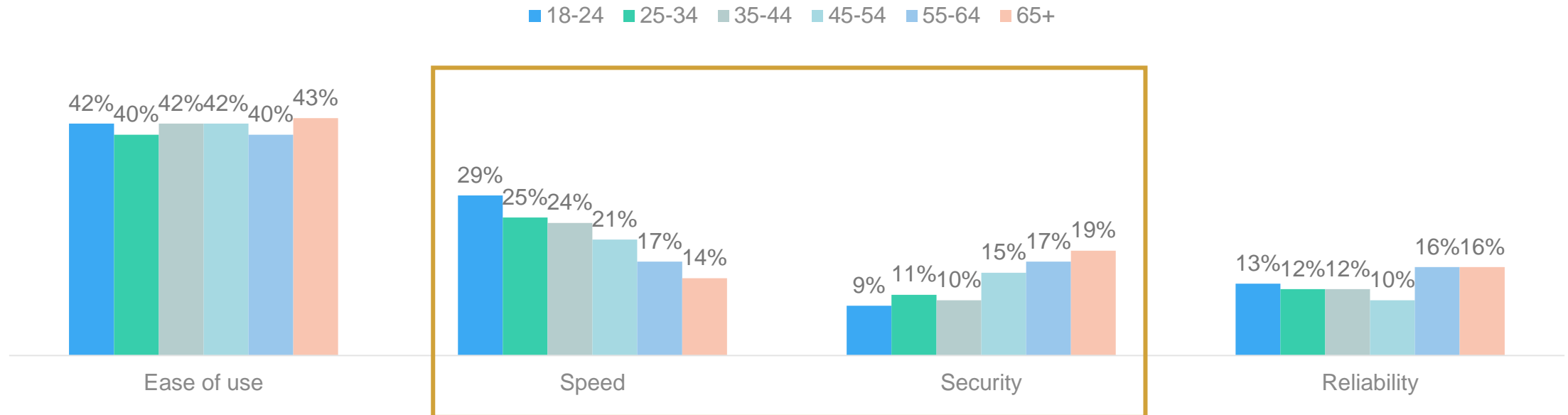
“Security is a big thing. If I’m shopping online I usually wouldn’t use somewhere that doesn’t take PayPal just in case something goes wrong I’ll be covered.”

Depth interview, Low income

Q4. When making a payment, what factors are important to you? Please select the one factor which is most important to you for each of these purchase types. Base: All respondents 2022-23 (n=2,444). Showing % selecting as the most important factor.

When making smaller payments, consumers' needs diverge by age. Younger consumers are more likely to prioritise speed and older consumers more likely to prioritise security

Most important factors when making a smaller payment under £10
Showing % selecting by age



Q.4 When making a payment, what factors are most important to you? Please select the one factor which is most important to you for "Smaller purchases under £10 (e.g. a newspaper, coffee, a meal deal, a bus ride)". Base: All respondents 2022-23 (n=2,444); Aged 18-24 (n=251); 25-34 (n=421); 35-44 (n=418); 45-54 (n=472); 55-64 (n=421); 65+ (n=461).

At a total level, contactless (and cash) best meet convenience needs and card payments and bank transfer feel most secure

Smaller purchase under £10		Medium purchases between £30 and £100		Larger purchase purchases over £500	
Important factors	Preferred payment methods	Important factors	Preferred payment methods	Important factors	Preferred payment methods
Ease of use 42%	Contactless 45%	Ease of use 27%	Contactless 53%	Security 38%	Chip and PIN 33%
Speed 21%	Cash 32%	Security 26%	Chip and PIN 16%	Protection 27%	Card payments online or over the phone 24%
Security 14%	Mobile 11%	Reliability 17%	Mobile 10%	Reliability 12%	Bank transfer 11%

Q2. And of the following payment types, which ones do you typically prefer to use for...? Base: All respondents 2022-23 (n=2,444).

Q.4 When making a payment, what factors are most important to you? Please select the one factor which is most important to you for for each of these purchase types. Base: All respondents 2022-23 (n=2,444).

However, the payment methods which best meet these needs vary according to individual payment preferences and habits

Ease of use

Most consumers **feel contactless or mobile payments** are the easiest and quickest to use, as they just have to 'tap', rather than count (or take out) cash or put in their PIN.

That said, some consumers, in particular those who use 'challenger banks', tend to feel '**bank transfers**' are becoming easier and speedier (both for payee and payer) due to improvements with app interfaces.

Consumers who are frequent cash users feel this method best exemplifies speed and ease.

Speed

Security

More traceable methods, such as '**bank transfers**' and **card payments** tend to be seen as more secure by most consumers.

Consumers who are less digitally confident feel **cash** is more secure as it is not reliant on technology.

Protection

Credit cards (including contactless, chip and PIN, and mobile payments) are felt to offer the most protection. This is due to the understanding that their money will be returned to them (under Section 75) if the purchase was faulty.

The context in which payments are being made also affects consumers' needs and perceptions of appropriateness of method

Online

Speed, ease and protection are often the priorities when paying online. However, as contactless isn't available, consumers feel card payments (especially where details are saved or auto-filled) become the quickest method. A small group of consumers continue to use mobile payments online, rather than entering their card details.

In a shop / business premises

In settings which are perceived as trustworthy, **security can be less of a concern** and consumer needs tend to be based around convenience (and, to some extent, protection). In these settings, they are more likely to pay via contactless, mobile, or card.

Paying people they know 'unofficially'

Consumers want to be able to **quickly pay and receive funds** from their friends/relatives. In these circumstances, 'bank transfers' become the quickest and easiest method (regardless of value) as card payments are unavailable. Some consumers who prefer to use cash will continue to use cash in these situations.

Paying people they don't know 'unofficially'

Security (i.e. traceability) of payments and protection from fraud can become more important than speed. In these settings, card payments (if possible) can feel more secure than 'bank transfer' as consumers feel they're less likely to transfer the payment to the 'wrong' account.

In addition to ease, speed, security and protection, budgeting is an additional important feature of payments for some groups

66% of consumers agree they have been managing budgeting and spending more carefully in the last year

Consumers across income bands describe a greater need to budget and manage their money in the context of a cost of living crisis. However, as with other needs from payment systems, the type of payment method that allows them to do this most effectively varies according to individual consumers.

Those who on restricted budgets and/or who are less digitally confident tend to prefer cash for budgeting (as per previous section)

These consumers, and some lower income consumers, describe withdrawing their weekly or monthly budget in cash and as far as possible, using only cash to make payments. The physicality of cash, the ability to 'see' how much they are spending and to physically 'divide' it into pots, helps with budgeting.

"When you physically hand over cash, you know how much you have paid. You can see and feel how much has been used."

Depth interview, Low digital confidence

Those who are more digitally confident tend to prefer card payments or 'bank transfers'

Other consumers – across income bands – tend to use online methods to budget. They point to real time notifications, online bank statements (including breakdowns by spending type) and ability to easily create 'pots' of money via online or mobile banking as helping them to budget.

"I don't want to be caught short without cash. I can go back and check what I have spent money on on the app, so I can work out if I am spending too much on one thing or another."

Focus group, Rural, DE

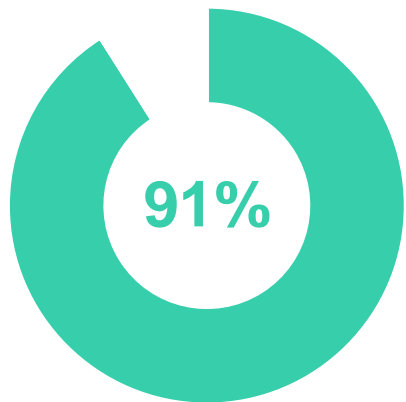
4. Challenges with payment systems experienced by consumers



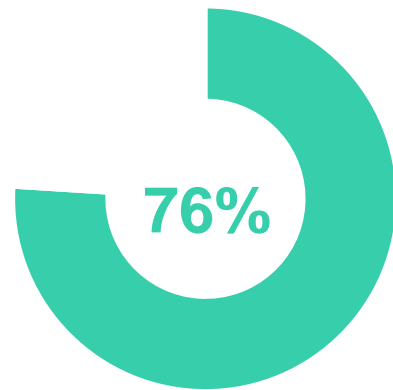
The majority of consumers feel payment systems are working well and have not experienced any challenges

66% of consumers have not experienced issues with payment systems

Think payment systems work well



Feel their money is secure when making payments in the UK



Feel well protected by payment systems if something goes wrong



Qualitatively, consumers tend to feel that payments have improved in the past 2 years, citing increased choice of payment systems, the increase in the contactless limit, and improvements to mobile and online banking.

Spontaneously, consumers voice few concerns about payment systems, typically seeing them as effective, reliable and secure.

"Honestly, I think it all works pretty well. I have never struggled to pay for something when I needed to."

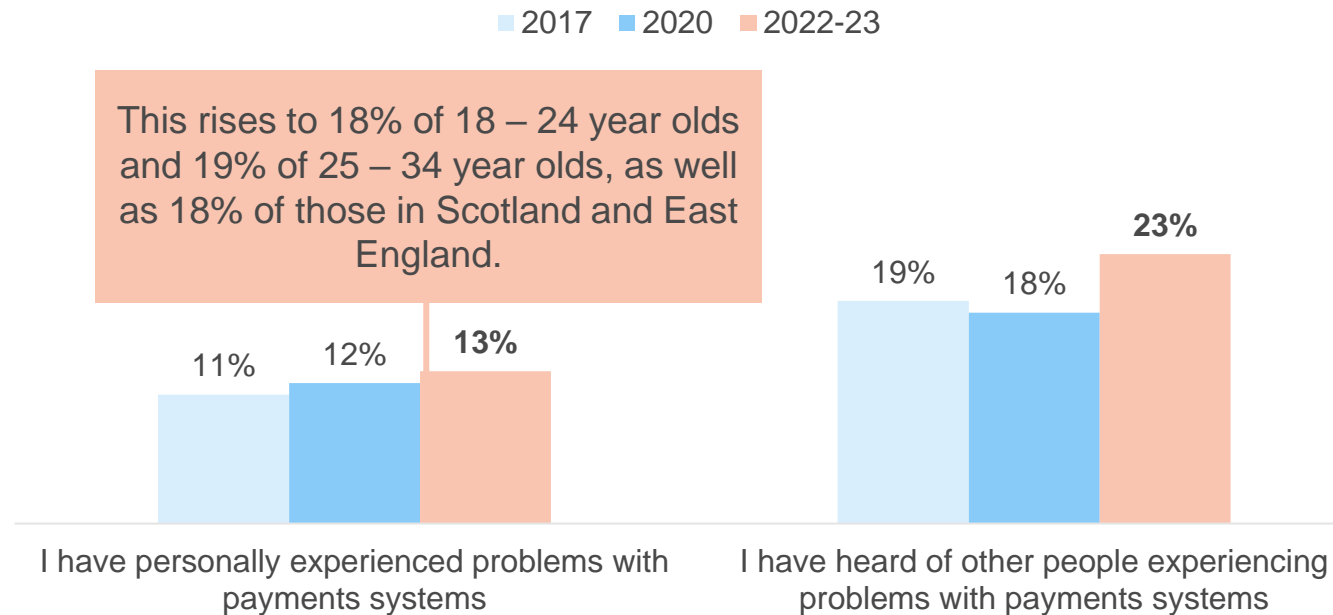
Focus group, Suburban, C1C2

Q.10 Thinking about your experience of different payments systems, how well or badly do you think that payments systems work at the moment? Base: All respondents (n=2,444).

Q.11 To what extent, if at all, do you agree or disagree with each of the following statements? I generally feel that my money is secure when making payments in the UK. I feel well protected by payment systems if something goes wrong with a purchase. Base: All respondents (n=2,444).

While only around 1 in 8 have experienced a problem with payments themselves, nearly a quarter have now heard of other people experiencing problems with payment systems

Experiences of problems with payment systems



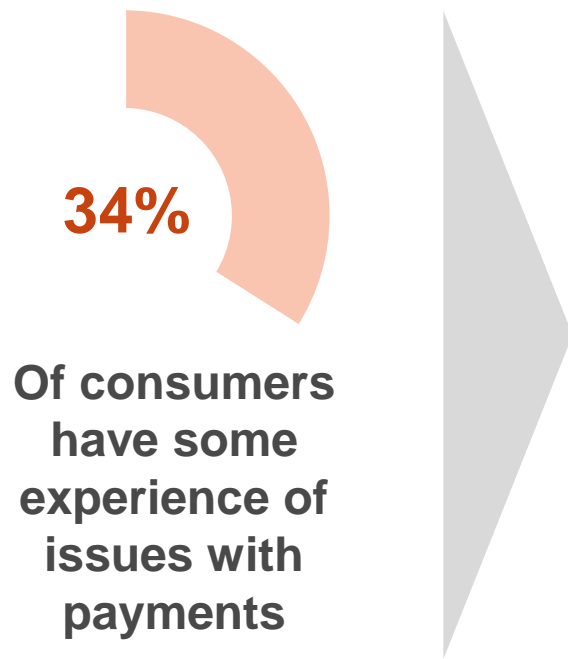
This rises to 18% of 18 – 24 year olds and 19% of 25 – 34 year olds, as well as 18% of those in Scotland and East England.

“My grandad struggles, he doesn’t know how to do anything online. He used to go to the cashpoint at the local bank branch but it has closed now, so I have to help him get the cash out he needs every week.”
Focus group, Suburban, DE

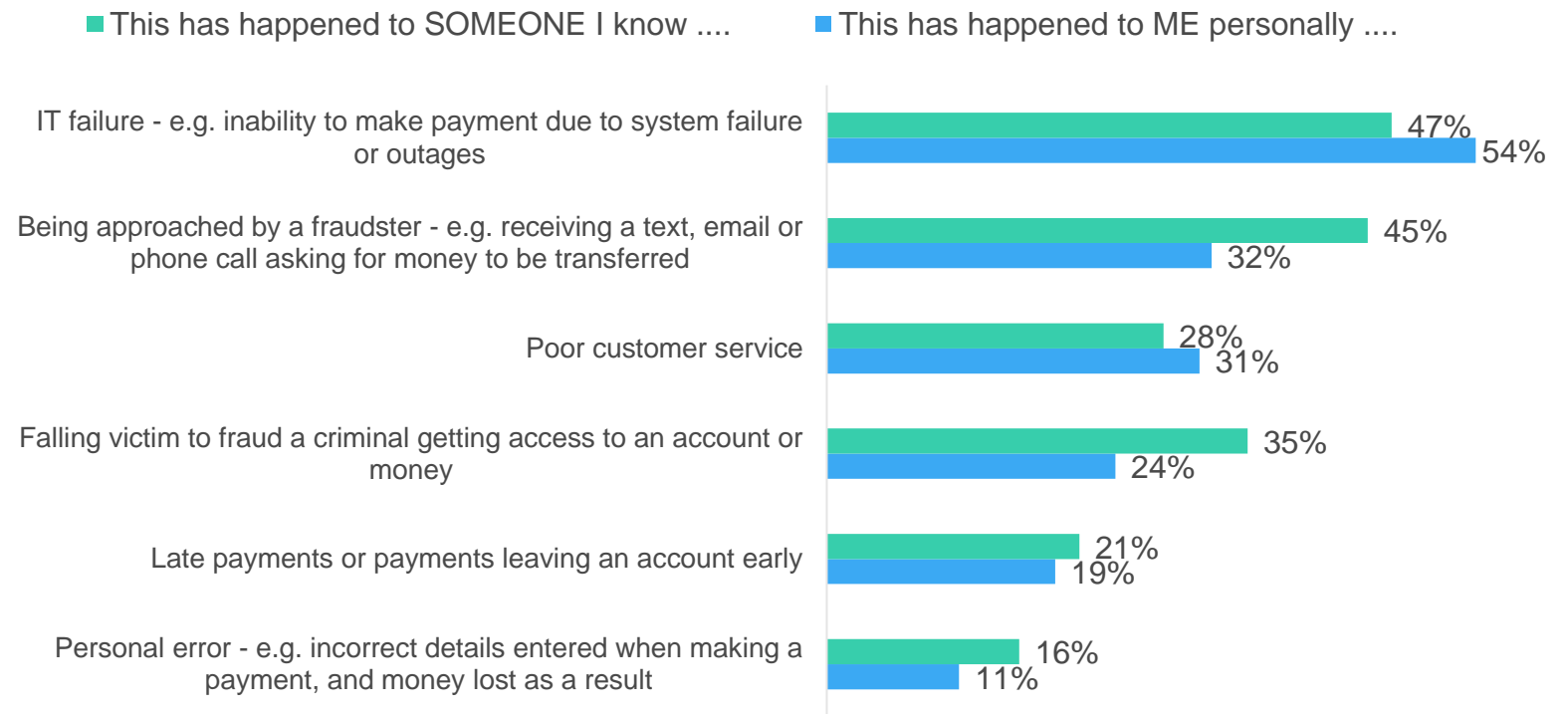
“I get texts and emails all the time from people pretending to be the bank, or Amazon. I know they are a scam though so I just ignore them, but I think they must trick some people.”
Focus group, Rural, C1C2

Q.15 To what extent, if at all, do you agree or disagree with each of the following statements? Base: All respondents 2022-23 (n=2,444); Aged 18-24 (n=251); 25-34 (n=421); Scotland (n=253); East England (n=202); 2020 (n=2,465); 2017 (n=1,026).

Of those who have experienced an issue with payment systems, or heard of other people experiencing problems, IT failure and fraud are the most common



Issues heard or or encountered in last 2 years among those who have experienced a problem first or second hand



Q.15 To what extent, if at all, do you agree or disagree with each of the following statements? Base: All respondents 2022-23 (n=2,444).

Q.16 Which of the following issues with payments systems, if any, have you encountered or heard of in the last 2 years? Base = All who have heard of or experienced payment systems issues recently (n=555).

As consumers value payments as a facilitator, it feels frustrating when IT failure means they can't make a payment

Of the minority of consumers who have experienced IT failure, consumers are most likely to report **difficulty with their online or mobile banking app** – meaning they're unable to access and make 'bank transfers' such as Faster Payments – **rather than specific failures with payment systems themselves** (such as Visa outages, problems with ATMs issuing cash or banks being unable to issue payments).

- At present, these instances of IT failure are felt to be relatively uncommon, and IT failure tends not to change consumers' preferences regarding payment methods. However, those that are already more inclined to use 'offline methods' such as cash, do report the lack of reliance on tech (which can then go wrong) as a benefit of those methods.

"We don't do online banking, we prefer to do it over the phone. When you do things online, they often go wrong or don't work, and then you just have to do it on the phone anyway."

Depth interview, Low digital confidence

"Sometimes your online banking used to crash and you wouldn't be able to transfer money to your friends, if you needed to split the bill. The experience is much better now, particularly with banks like Starling."

Focus group, Urban, AB

Compared to other potential issues with payments, consumer concerns around fraud are particularly emotionally charged

Fraud is felt to be very, and increasingly, common, and consumers report experiencing a range of financial fraud first or second hand, including card cloning, theft of financial details, and APP scams (although do not use this, more technical, language themselves).

- While consumers are more likely to talk about a fraudulent approach which they then did not fall victim to, in this wave of consumer research there were more first-hand accounts of falling victim to fraud than in previous waves. Consumers' accounts of these experiences tend to be highly charged emotionally:

"[It was a] very horrible experience that left me dumbfounded."

Survey respondent

"I was devastated that money was taken out of my account without my knowledge. Add to this the difficulty of getting in touch with the bank, with all the different buttons you have to press, it just added to my stress. Finally when you are asked about the withdrawal from your account, you are made to feel like you are trying to get something back illegally."

Survey respondent

"It upset me that someone had managed to compromise my bank account but my bank dealt with it swiftly."

Survey respondent

Consumers welcome measures from industry to help them protect themselves against fraud

Qualitatively, those that have experience of fraud tend to feel relatively well supported by their bank, and welcomed responsive action from their bank to help them deal with the impact. This includes:

- Being reimbursed for funds they have lost due to fraud (even if they were not expecting that this would be the case).
- Being able to easily cancelling their card, and receiving a replacement card quickly.

More generally, consumers feel there is a responsibility for organisations such as banks to prevent fraud from happening in the first place. This includes via preventative measures such as Confirmation of Payee, which consumers perceive positively.

- There is greater awareness of CoP compared to 2020, with many consumers noticing it as a feature of their online or mobile banking app (though not by name).
- Although not all consumers tie CoP directly to fraud prevention, as a minimum they see it as an effective way to prevent people making human errors when using ‘bank transfers’ as a payment method.

“My bank has this thing where you have to say if you’re transferring to a personal or business account, and lets you know if you’ve made a mistake with typing the account number.”

Focus group, Urban, AB

“It’s a criminal act. It should be reported to the police and they should try and track these criminals down!”

Focus group, Urban, DE

There is also a strong sense that as fraud becomes more common, consumers also bear responsibility to protect themselves

73% of consumers agree that ‘financial fraud is a fact of modern life’

Many consumers report feeling it is – at least in part - their responsibility to be more aware and discerning of fraud and scams, rather than putting all of the responsibility on other people or organisations to protect them.

- As a result, there is support for seeing financial institutions making consumers more aware of the risks of fraud, supporting them to understand how to spot fraud, and empowering them to protect themselves from fraud.
- There is a sense that this type of awareness-raising and education activity is more important as fraud becomes increasingly sophisticated (as well as common), making it harder for consumers to protect themselves, and more likely that even less vulnerable people will fall victim.

“The experience [of being scammed] made me more cautious and alert but didn’t change my payment methods. I am more aware now and share my experience with others so they don’t fall victim.”

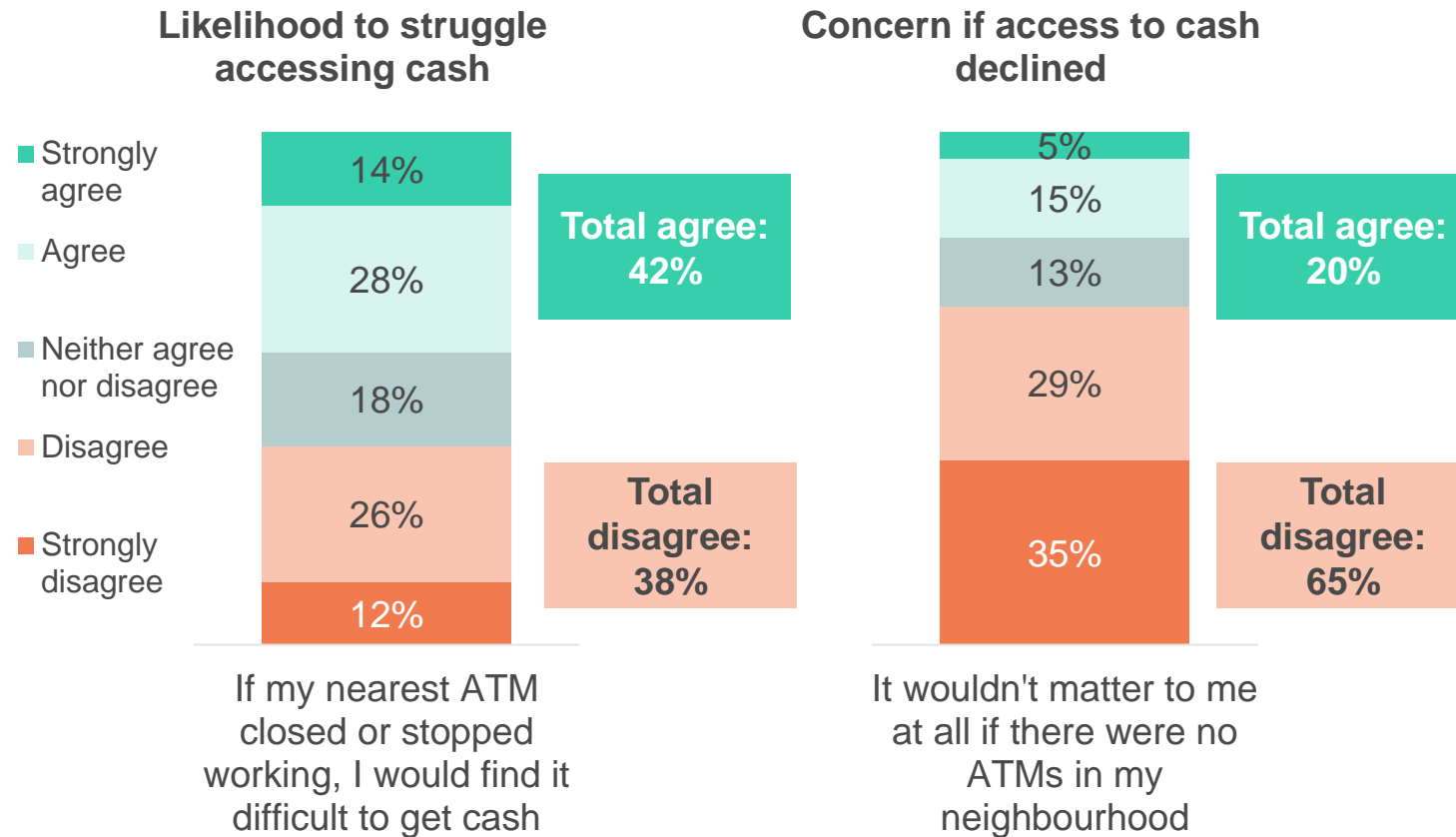
Survey respondent

“The responsibility falls on the person not to be stupid enough to fall for the scams and not realise that it is one. You know banks are always saying nowadays that they’ll never ask for your card details over the phone so you have to have a bit of common sense to understand that.”

Depth interview, Low income

Q.11 To what extent, if at all, do you agree or disagree with each of the following statements? Financial fraud is a fact of modern life. Base: All respondents (n=2,444).

Access to cash is often less top of mind as a potential problem when it comes to payments, but the majority of consumers would be concerned if access declined in their local area



Spontaneously, most consumers do not voice concerns about accessing cash, feeling it is relatively easy for them to access cash at present. However when prompted, most consumers agree that access to cash is a key issue to be focused on.

Unsurprisingly, those that use cash regularly (who are mostly on lower incomes, e.g. students, or those who are tech-resistant), are typically more concerned and are more likely to have noticed a decrease in ATMs.

“My local branch closed down and now I have to go into my town centre, I have to pay for parking so it’s more expensive as well as more difficult.”

Focus group, Rural, C1C2

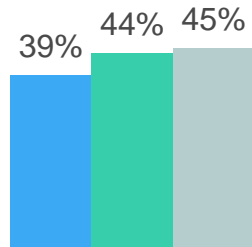
Q.14 To what extent, if at all, do you agree or disagree with each of the following statements? Base = All respondents (n=2,444).

Older consumers, rural consumers, and those on lower incomes are more likely to be concerned by declining access to cash

Likelihood to struggle accessing cash

42% of consumers agree that 'if my nearest ATM closed or stopped working, I would find it difficult to get cash'

Total agree by rurality



■ Urban ■ Suburban ■ Rural

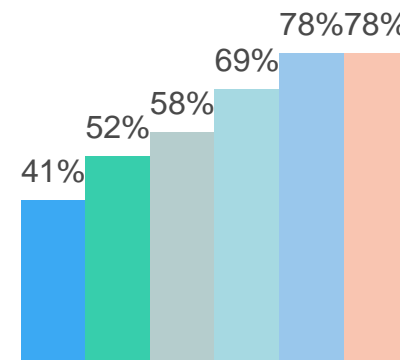
Total agree by location (top 5)

North East: 51%
Northern Ireland: 46%
South East: 46%
London: 45%
East Midlands: 45%

Concern if access to cash declined

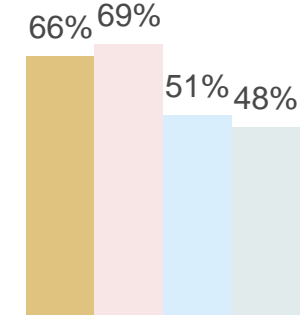
65% of consumers disagree that 'it wouldn't matter to me if there were no ATMs in my neighbourhood'

Total disagree by age



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

Total disagree by income

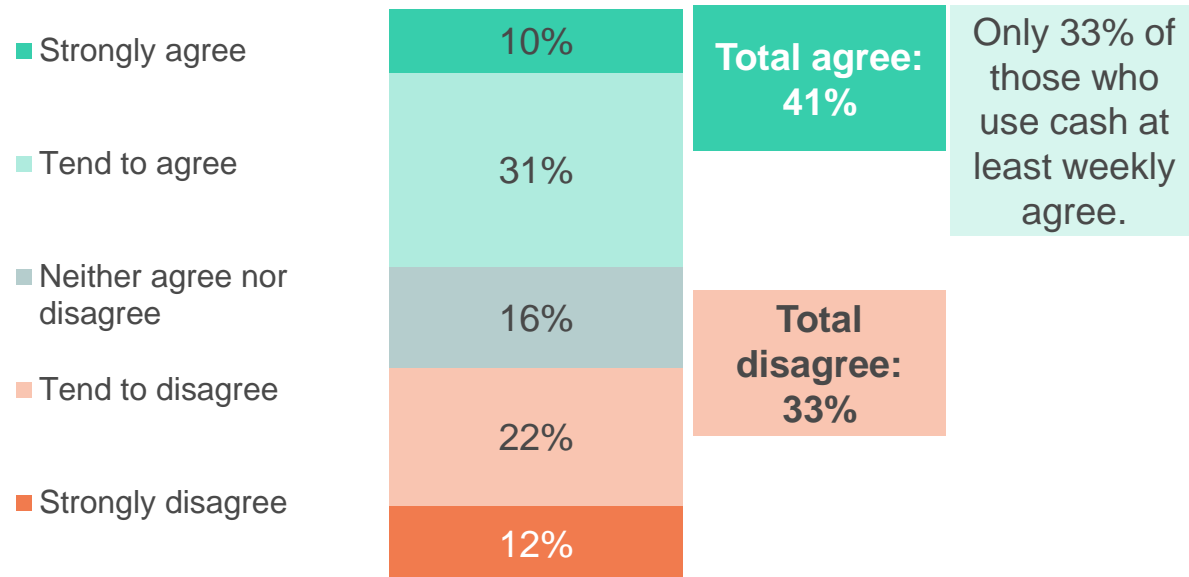


■ Up to £20k ■ £20k-£40k
■ £40k-£60k ■ £60k+

Q.14 To what extent, if at all, do you agree or disagree with each of the following statements? If my nearest ATM closed or stopped working, I would find it difficult to get cash. It wouldn't matter to me at all if there were no ATMs in my neighbourhood. Base: All respondents (n=2,444); 18-24 (n=251); 25-34 (n=421); 35-44 (n=418); 45-54 (n=472); 55-64 (n=421); 65+ (n=461); Up to £20K (n=773); £20K-£40K (n=1,157); £40K-£60K (n=273); £60K+ (n=130); Urban (n=1,075); Suburban (n=896); Rural (n=473); North East (n=70); Northern Ireland (n=253); South East (n=305); London (n=237); East Midlands (n=133).

A significant minority of consumers expect to see a cashless society at some point in their lifetimes

'I think people will stop using cash completely within my lifetime'



The perception that a cashless society is in the future is largely driven by the perceived changing environment around cash **acceptance** e.g. an increase in cashless businesses, rather than a perceived decline in **access to cash**.

- Whilst in previous research a cashless society felt relatively hypothetical to consumers, and difficult to imagine, qualitatively, there is an increasing sense that a cashless society is a very real possibility.

"I think we won't be using cash in the future, maybe not in five years, but eventually. Probably more fingerprints and face scans and stuff - it does seem a bit antisocial though."

Focus group, Urban, C1C2

Q.14 To what extent, if at all, do you agree or disagree with each of the following statements? Base = All respondents (n=2,444).

Most are concerned about a cashless society out of principle, even if they are not regular cash users themselves

Held more strongly

Concern for other, older or vulnerable consumer

Many consumers have some people in their lives who they see as reliant on cash (typically, but not always, older relatives). They therefore feel concerned by the prospect of a cashless society as they worry they may be left behind, particularly in the context of wider digitisation, which might also be excluding older or vulnerable people.

“I know they want a cashless society that's for definite. There's a couple of shops now that don't accept cash and I do think it's just no good at all, I know it's a thing of the times but what would I do then? It's crazy, money's still money, especially for the older generation that do things that way. I think they should be doing it slower because it's a lot for everyone to take on.”

Depth interview, Low digital confidence

Held less strongly

Privacy concerns

A smaller group of consumers, typically from socioeconomic grades C2DE, are also concerned that in a cashless society, all their payments would be ‘tracked’. They worry that this information could potentially be used to their detriment (though rarely give specifics on this), and describe general suspicion around the move away from cash.

“I don't think I would be comfortable doing a transfer for privacy reasons, they'd have my full name showing up or other information about me.”

Depth interview, Low income

A network diagram in the top right corner consisting of various nodes (circles) connected by thin lines, representing a complex web or system.

5. Consumer views of account-to-account payments

Low levels of understanding of the payments ecosystem, and satisfaction with the status quo, mean that the benefits of A2A payments are neither intuitive nor seen as relevant to consumers



"What is Open Banking? It sounds a bit intrusive. I don't think I would feel in control of my money."

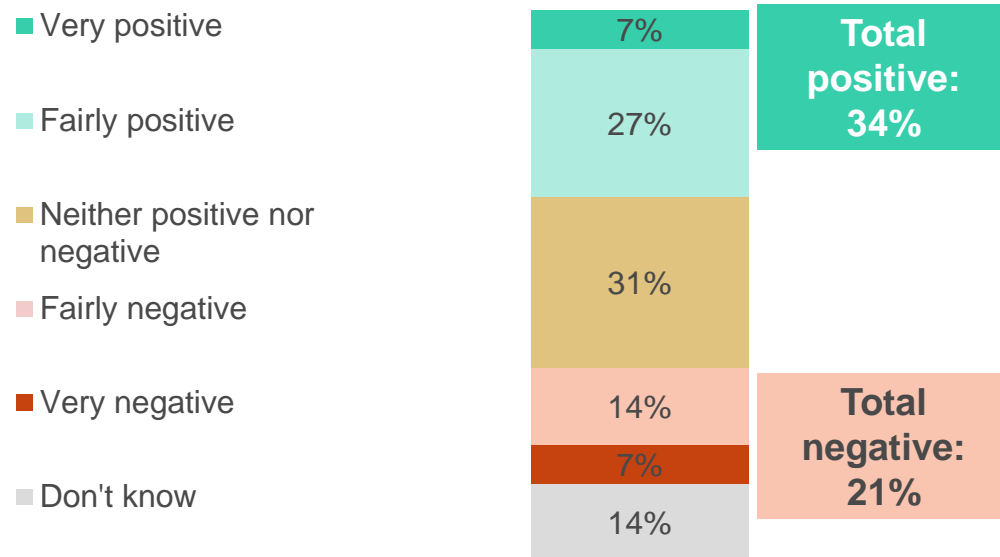
Depth interview, Low income

"I can't see any benefits. Maybe some benefits for businesses - I don't know. It doesn't seem faster than Apple Pay – how can it be?!"

Focus group, Urban, AB

Consumer views are therefore very divided on A2A when prompted. For those who are undecided or feel negative about A2A payments, concerns about security are front of mind

Sentiment towards increase in account-to-account retail payments



Those who are **positive** cite ease of use and speed as benefits (although there are questions about how it could be quicker and easier over current methods).

Those who remain **neutral** generally feel that, although the concept sounds good in theory, they need more information about how secure it is and the benefits to them.

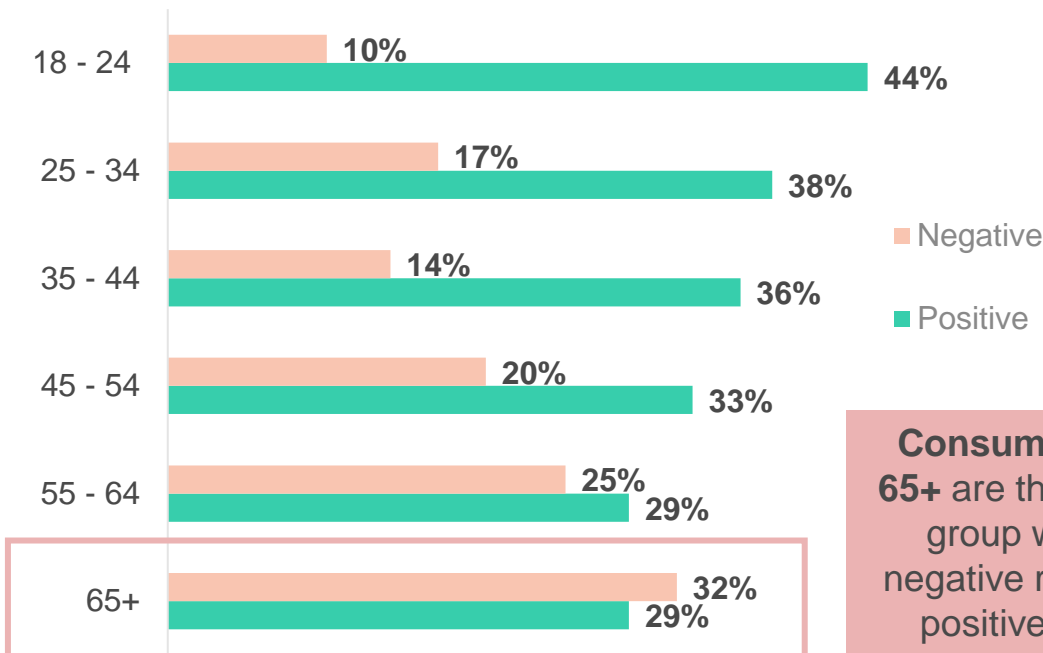
Those who are **negative** feel question the security, they feel that including 'third parties' in payments would mean they are vulnerable to fraud.

Consumers who are **less tech-confident** tend to feel A2A payments are irrelevant to them as they don't use, or aren't confident using, online banking.

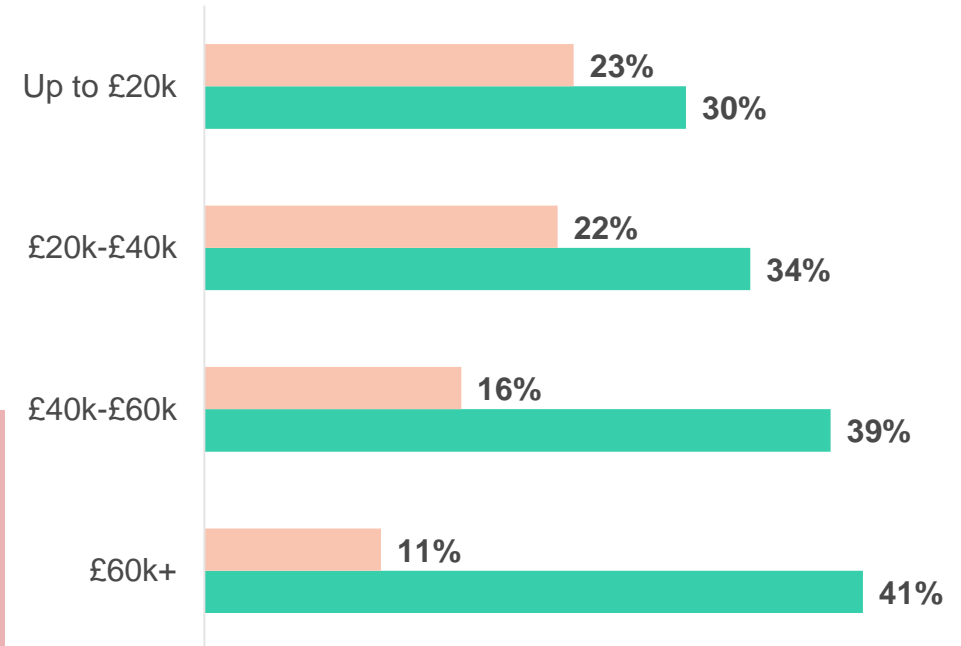
Respondents were shown a description of account-to-account payments and then asked the below question. Q.18 Based on what you have just read, and any experiences you may have of account-to-account payments, overall, to what extent do you think an increase in account-to-account retail payments is a positive or a negative change? Base = All respondents (n=2,444).

In line with their greater willingness to take up newer payment methods overall, younger consumers and those on higher incomes are more likely to feel positive about A2A payments

Sentiment toward A2A payments
- Showing total % positive and negative by age



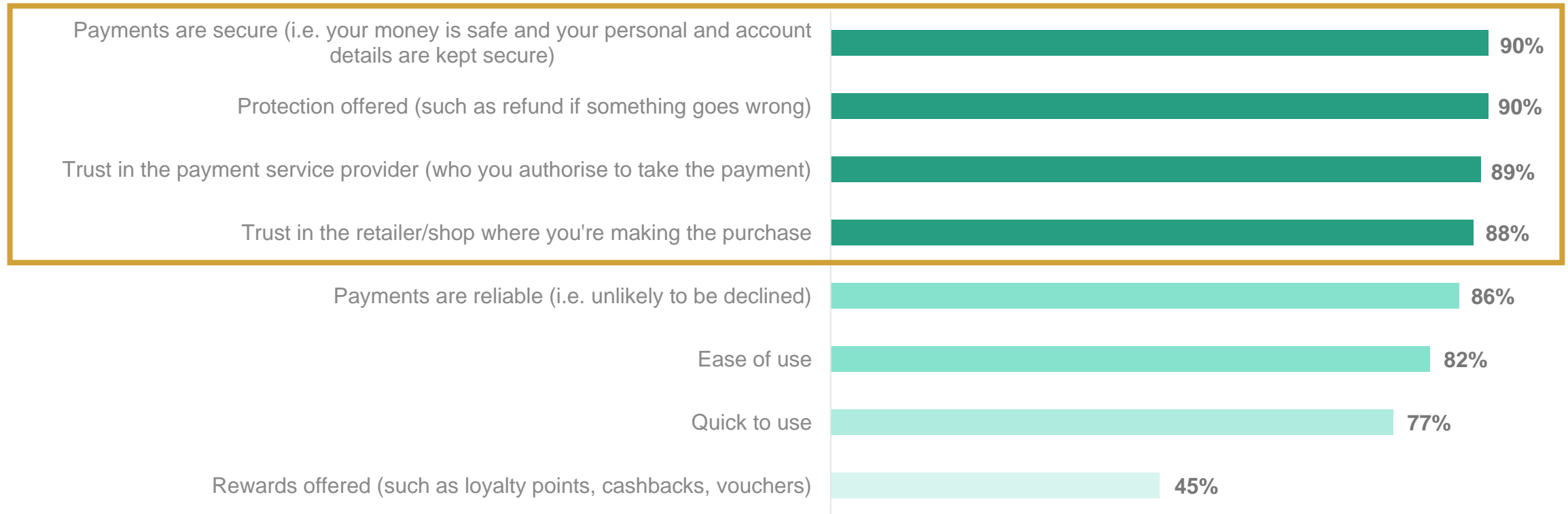
Sentiment toward A2A payments
- Showing total % positive and negative by income



Q.18 To what extent do you think an increase in account-to-account retail payments is a positive or a negative change? Base: 18-24 (n=251), 25-34 (n=421), 35-44 (n=418), 45-54 (n=472), 55-64 (n=421), 65+ (n=461); up to £20k (n=773), £20 - 40k (n=1,157). £40k - £60k (n=273), £60k+ (n=130).

Consumers most want to feel that A2A payments are secure and protected when deciding whether to use them, and feel more open to trying them with retailers and businesses they know and trust

Importance of factors when deciding whether to use A2A payments
Showing NET importance

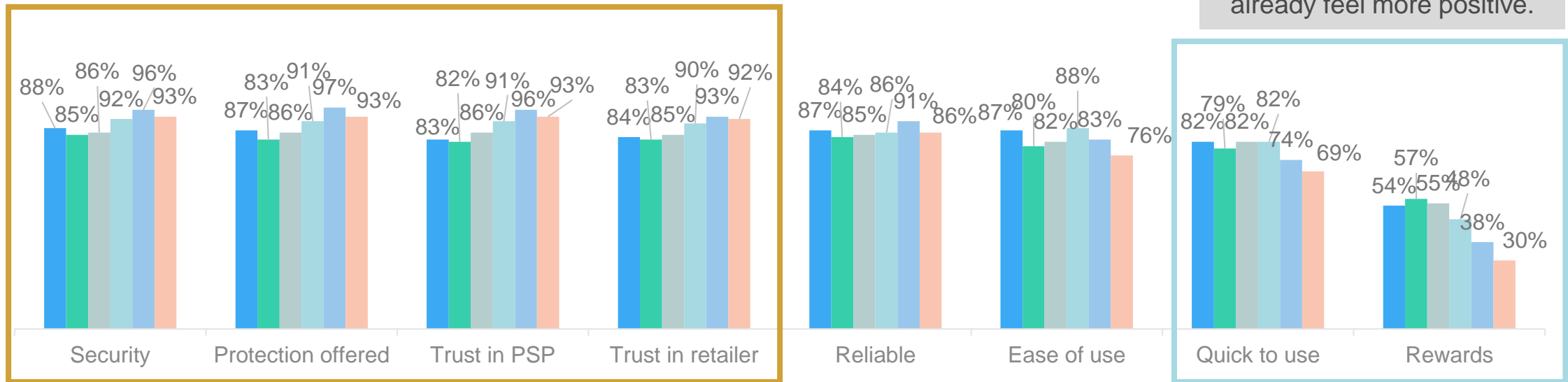


Q.21 To what extent are each of the following important to you when deciding whether to use account-to-account payment? Base: All respondents (n=2,444).

Reflecting their current needs from payment systems, older consumers are more likely to say security, protection (and trust in providers) are important than younger people

Most important factors when deciding whether to use A2A payments
Showing % selecting by age

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



Younger consumers are more likely than others to prioritise speed and rewards. The latter may represent an opportunity to drive uptake amongst consumers who already feel more positive.

Q21. To what extent are each of the following important to you when deciding whether to use account-to-account payment? Base: 18-24 (n=251), 25-34 (n=421), 35-44 (n=418), 45-54 (n=472), 55-64 (n=421), 65+ (n=461).

The findings point to several considerations to build consumer understanding and confidence in A2A payments

Focus on the experience of paying, rather than the process

Consumers' think about payments through their experience of paying, rather than the wider ecosystem. Their current experiences of payments are generally positive and they don't have a clear unmet need in relation to payments that A2A answers. There may be an opportunity to simplify the language of A2A in consumer-facing contexts to overcome some of these barriers (e.g. as paying via an app).

"I use Amex because of the cashback and the perks. Would I get something like that?"

Depth interview, Low income

Provide reassurance around security and the involvement of 'third parties'

Language such as 'third parties' raises immediate concerns for consumers about how their personal data will be used. To build trust in A2A payments, consumers will require reassurance that their information and money is being kept safe, particularly if it is not possible to frame A2A payments using the type of language with which consumers feel more familiar.

"I want to know that they won't be selling on my data – who is the 'third party'?"

Focus group, Urban, DE

Ultimately, change is likely to be driven by businesses and younger early adopters – similar to mobile payments

Change will likely be driven by businesses e.g. by retailers presenting it as 'a way to pay', similar to the increased use of contactless and mobile payments. Younger consumers feel more positively toward A2A payments, suggesting they will lead adoption, as above, similar to their higher usage of mobile payments.

"I can only really see benefits for the retailer."

Focus group, suburban, C1C2

6. Consumer views of the PSR and priorities for future regulation



Spontaneous awareness of the PSR remains low, but consumers react very positively to knowing that the payments industry is regulated

Similar to previous research, qualitatively, consumers are not aware of the PSR and few had thought about how the payments industry may be regulated prior to taking part in the research.

- Some mentioned the FCA and Financial Ombudsman, but others were unsure who, if anyone, might ensure that payments operate in their best interests.

As before, however, once introduced to the PSR, consumers respond positively to the idea of a specialist payments regulator, working for consumers' interests.

- In particular, some feel that knowing there is a regulator would **increase their trust in newer payment methods** e.g. A2A payments.

Despite this warmth and positivity, perhaps unsurprisingly, and in line with previous research, consumers feel little need for the PSR to engage directly with them and rather feel it should be focusing its efforts on engaging with industry to improve payments in consumers' best interests.

"It is great to attempt to protect people – it is a really important things to do. They need to protect people's data. I don't know how, but this seems to be root of the issues."

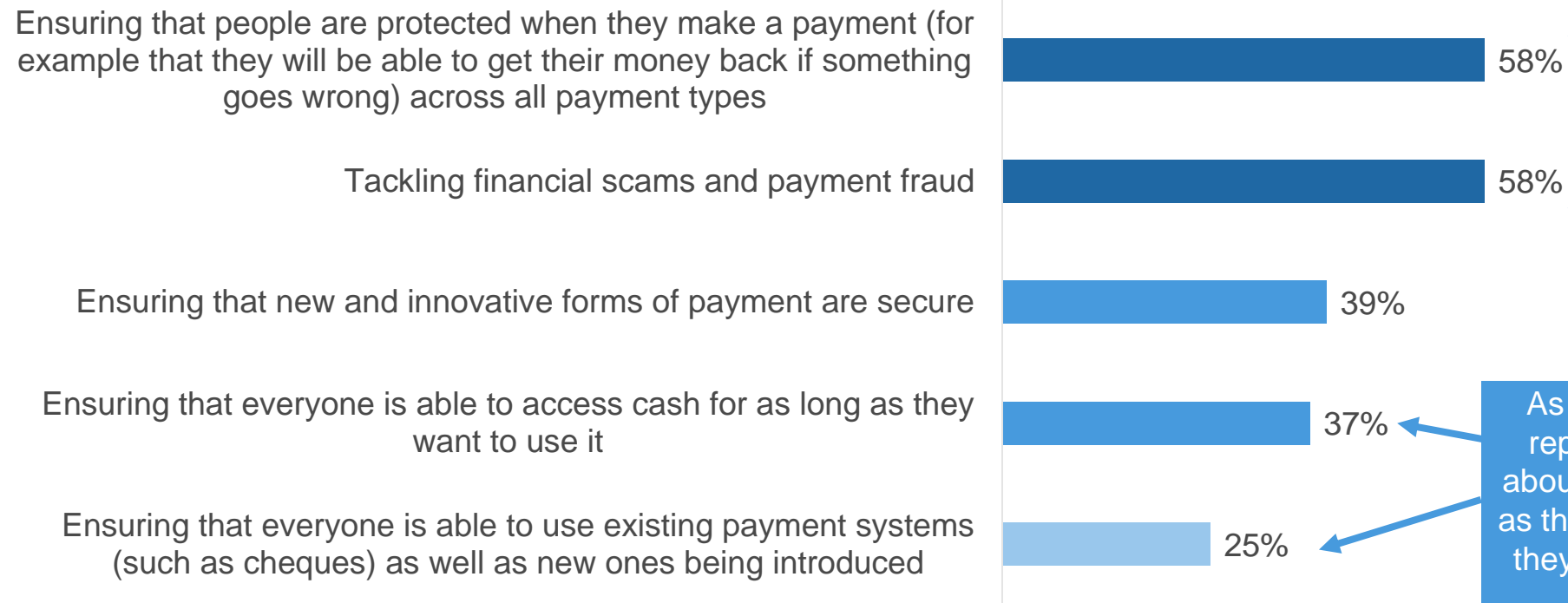
Depth interview, Low income

"I hadn't heard of them, but I guess it makes sense that they're there."

Focus group, Urban, AB

Speaking to their top concerns with payments, protection and tackling scams are consumers' most important priorities for the future of payments – and, by extension for, the PSR

Most important priorities for payment systems in the UK
Showing % selecting in the top 3



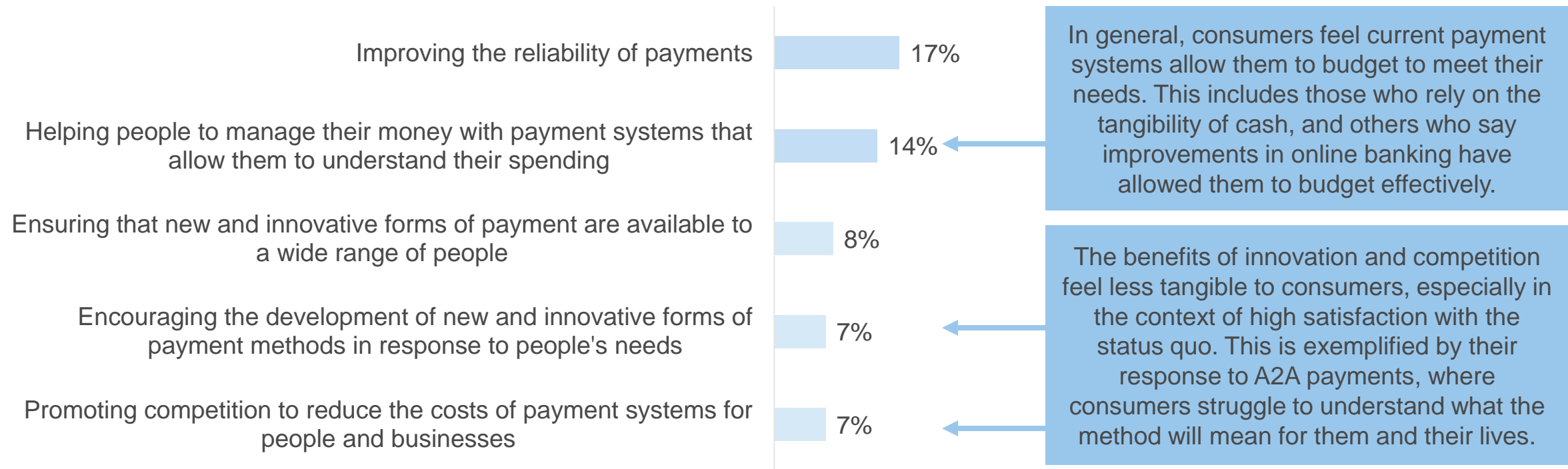
As per the previous section of the report, consumers' concerns regarding fraud and security are emotionally resonant. Although they acknowledge there is some responsibility on the part of the consumer, there is a desire for industry action in the context of scams becoming more sophisticated.

As per the previous section of the report, consumers are concerned about reduced access to cash, either as they are reliant on it themselves or they know (typically older and more vulnerable) others who are.

Q.19 Finally, thinking about the future of payment systems in the UK... Which of the following priorities do you think are most important when it comes to payment systems in the UK?
Base: All respondents (n=2,444).

Consumers are less likely to prioritise factors such as money management, innovation, and competition

Most important priorities for payment systems in the UK
Showing % selecting in the top 3



Q.19 Finally, thinking about the future of payment systems in the UK... Which of the following priorities do you think are most important when it comes to payment systems in the UK?
Base: All respondents (n=2,444).

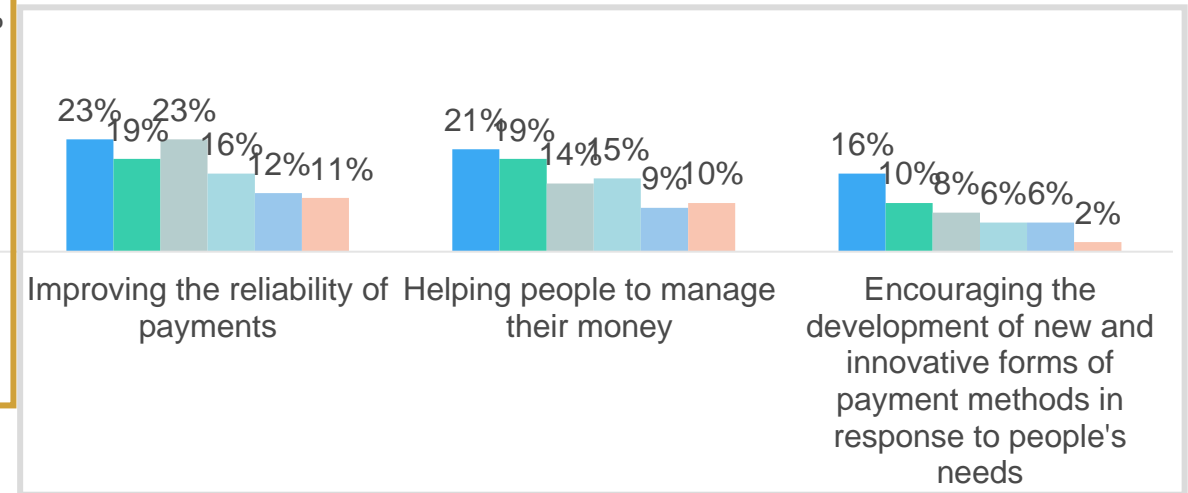
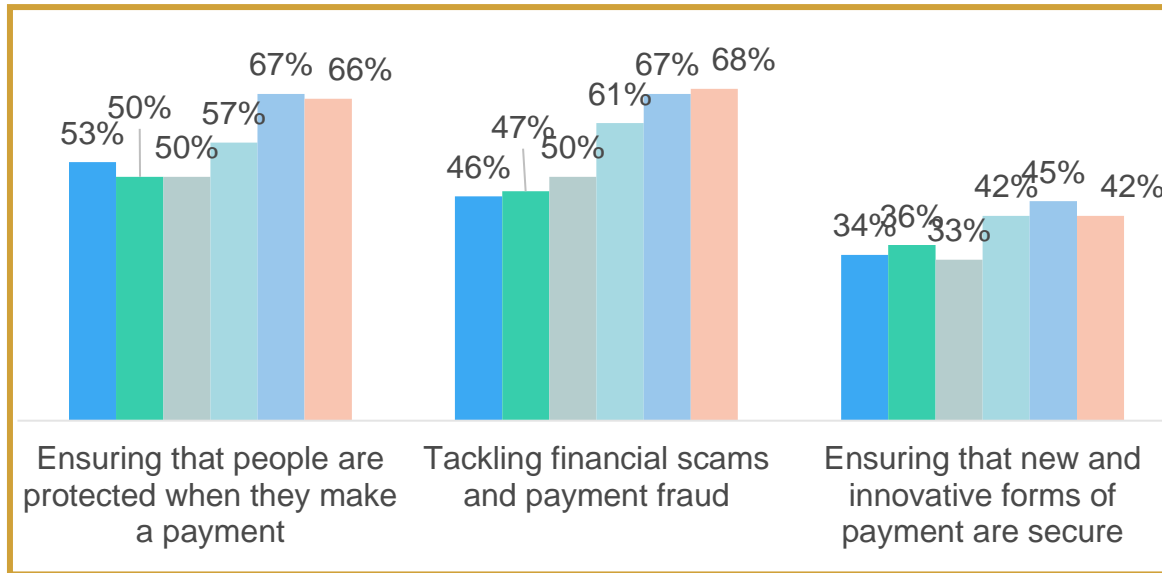
Priorities for the future of payments vary by age, with older consumers particularly prioritising protection over innovation

Older consumers are more likely to prioritise protection, fraud, and security of new methods.

Selected most important priorities by age

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

Whereas younger consumers are more likely to prioritise reliability, money management and innovation than older consumers.



Q.19 Finally, thinking about the future of payment systems in the UK... Which of the following priorities do you think are most important when it comes to payment systems in the UK?
 Base: 18-24 (n=251), 25-34 (n=421), 35-44 (n=418), 45-54 (n=472), 55-64 (n=421), 65+ (n=461).

Implications of these insights for the PSR and its consumer-facing activities

Continue the focus on security and protection

- Ensuring that consumers are protected when they make payments, and tackling fraud, are key priorities for consumers for the future of the payments industry – and, by extension, for the PSR.
- Key existing developments in this space such as CoP are generally welcomed by consumers.
- By comparison, priorities such as innovation in payment systems tend to be less important to consumers.
- This points to **broader appetite among consumers to see the PSR continuing its activities in this space.**

Focus on fraud prevention as well as reimbursement

- Financial institutions are viewed as responding relatively positively when fraud and scams take place.
- In addition, despite strong appetite to see the industry tackling fraud, there is a sense that consumers also have personal responsibility in this area and need to play at least some role in protecting themselves.
- In this context, there is **consumer appetite for more education and information to empower consumers to protect themselves from fraud** – whether from the regulator, industry, or other trusted voices.

Focus on the consumer experience

- Consumers' understanding of the payments ecosystem continues to be relatively shallow.
- In this context, key new developments such as A2A payments, and associated concepts, such as Open Banking, are challenging to consumers to engage with, and can provoke caution or concern.
- Rather, **framing these types of developments more in terms of how consumers experience them** – e.g. app-based payments – may feel less concerning and intimidating to consumers.

Consider the impact of external factors

- External factors – from Covid to retailer preferences – seem to be playing an important role in driving consumer behaviours in relation to payments, and in particular in encouraging them to try and then stick with new payment types, as well as their own preferences around payments.
- With this in mind, **retailer and business support for new developments such as A2A may be important to nudge consumers into new payment behaviours**, much as they were nudged into using contactless.



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