

November 2020

Payment Systems Regulator: Consumer Research 2020

Summary report

Introduction

The PSR commissioned BritainThinks, an independent research company, to conduct a two-stage programme of qualitative and quantitative research with consumers. This was the second wave of this research, which was first conducted in 2017. Fieldwork was conducted earlier in the year than anticipated to capture ‘in the moment’ behaviours as a result of the Covid-19 pandemic.

Overall and in the context of Covid-19, the research looked 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

This note sets out a high-level summary of the research findings and implications.

Methodology

The chosen methodology involved a qualitative and quantitative phase, all conducted remotely due to Covid-19 restrictions.

- The qualitative phase comprised:
 - 12 online focus groups with consumers from across the UK
 - 18 teledepth interviews with hard-to-reach audiences, including vulnerable and low-income groups
 - 8 consumers who are not online or have low levels of confidence when using the internet
 - 5 vulnerable or low-income consumers
 - 5 consumers with experience of niche payment systems or payment issues
- The quantitative phase comprised a 10-minute online survey of a nationally representative sample of the UK public, with boosts to ensure that the results could be analysed by the devolved nations

Please note that the nature of this methodology means that the quantitative survey does not include the views of consumers who are offline. However, digitally excluded consumers’ views were captured in the qualitative phase, and in BritainThinks’ 2019 work on behalf of the PSR exploring access to cash.

Key findings

1. While awareness of payment systems remains low, consumers are familiar with a range of payment methods.

- Consumers tend to 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 brand names such as Apple or Google Pay than they are terminology such as ‘digital wallets’.
- Vulnerable and low-income consumers are typically less aware of the full range of methods, particularly newer methods such as mobile payment systems.

2. The most frequently used payment types are contactless card payments, cash and chip and PIN card payments. There has been a significant increase in the claimed use of contactless and mobile payments since 2017.

- While the claimed use of cheques has fallen by 10 percentage points since 2017, the claimed use of contactless payments has risen by 36 percentage points and mobile payments by 15 percentage points.
- Age and socioeconomic grade are key predictors of adoption of digital payment methods, with those aged under 35 and those from higher socioeconomic grades significantly more likely to claim they use mobile payments, bank transfers or digital wallets at least weekly.
- Covid-19 has had a clear impact on the payment types used, with contactless payments being used more often and cash less often, a change that many expected to stick after the pandemic.
- Many consumers see the decline of cash as inevitable. However, those who strongly prefer to use cash are extremely concerned about this, and some are experiencing detriment as a result. Their concerns often relate more to their ability to use cash (i.e. whether retailers accept cash), than to access, though this is an issue for some.

3. There is a high level of satisfaction with the choice of payment systems available to consumers, trust that the system works well, and problems are felt to be rare.

- The vast majority (93%) of consumers feel satisfied with the choice of payment types available to consumers, both in-store and online, and almost three quarters (72%) have not encountered any problems with payment systems in the last 2 years.
- 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, low awareness of potential problems also reflects low awareness of the payments ecosystem in general, and vulnerable and low-income consumers are less likely to feel confident that they have access to a wide range of payment options, and that these are working well for them.
- Among those who have experienced problems, the most encountered challenge relates to IT failures and outages, though fraud is front of mind.

4. A range of factors influence the use of different payment systems, such as the value of the payment, retailer preference, social norms and Covid-19 considerations.

- 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 the most important priorities.
- Older consumers especially prioritise the security of payments, while younger consumers particularly value being able to keep track of payments and finances.
- The payment methods that are most felt to exemplify these qualities vary by consumer depending on their habits and preferences: for some, convenience and reliability is best typified by contactless card payments, with cash felt strongly to be inconvenient and difficult to track, while others take entirely the opposite view.
- Retailer preference is another key factor influencing consumer behaviour, which has changed during Covid-19, with many consumers reporting changing their behaviour as a result of a retailer preventing or strongly discouraging the use of cash in-store.

5. Consumer 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.

- Appetite to see action on fraud and payment scams is particularly strong, with two thirds (66%) of survey respondents choosing tackling financial scams and payment fraud as the top priority for the PSR. By comparison, consumers were less likely to see how promoting innovation and competition would benefit them personally.
- While spontaneous awareness of the PSR is low, when presented with information about the PSR and its work, most are positive about the idea of a regulator with responsibility for payment systems and feel reassured this will protect their interests.