



UK  
FINANCE

# UK PAYMENT MARKETS SUMMARY 2021

June 2021



# UK PAYMENTS IN 2020

2020 was a year unlike any seen before as the world was hit by the coronavirus pandemic, with significant impacts on the way most of us live and work. Unsurprisingly this also affected payment volumes in the UK, which declined by 11% to 35.6 billion in 2020.

Lockdowns resulted in large parts of the economy shutting down for parts of the year. Many businesses also switched to home working, reducing expenditure on travel and spending in city centres. The fall in consumer and business confidence saw consumers reduce discretionary spending while lower levels of business investment resulted in GDP falling by 9.8% on 2020. While all these factors contributed to the fall in total payment volumes, 2020 also saw changes to how people and businesses paid. This included people making greater use of contactless, online and mobile wallet channels, largely at the expense of cash payments. While it is still too early to say if this is a permanent change to people's behaviour, as in many other parts of people's lives the pandemic has also affected UK payment markets.

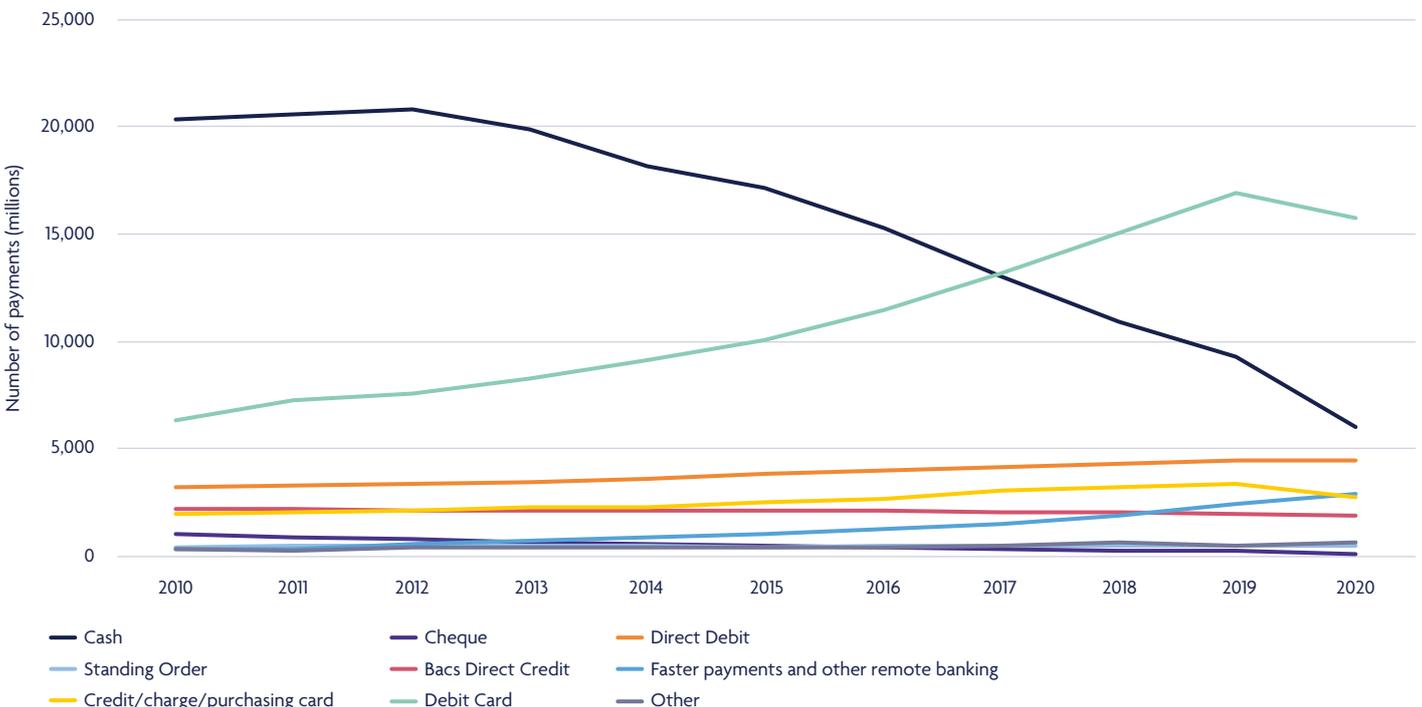


1/2

In 2020 over half of all payments in the UK were made using cards

While overall card payments in 2020 declined, their share of payments increased with over half (52%) of all payments being made by cards in 2020. This was due to many retailers encouraging card and contactless use, along with lockdowns resulting in many people opting to shop online while physical stores and contact-intensive services were shut.

Chart 1.1 Payment volumes (millions) 2010 to 2020



In 2020 cash payments continued their long-term decline, with the pandemic resulting in cash use falling by 35% compared to the previous year. Since 2017 cash use had been declining by around 15% each year, so 2020 represented an acceleration of this decline. This is largely attributed to the impact of the pandemic on cash use with cash payments being affected by a greater degree than many other payments. This was seen in retailers pushing contactless payment options, amid fears about cash being a vector for Covid-19 transmission, while many businesses which have high levels of cash spend were closed. Nevertheless, cash remained the second most frequently used payment method in the UK in 2020, being used for just under a fifth of the total number of payments made.

Despite overall payment volumes falling, strong growth was seen in Faster Payments as both businesses and consumers increasingly used online and mobile banking to make payments and to transfer money. Mobile banking in particular continued to grow strongly, with users continually widening the range of tasks that they perform using such services, exploring beyond checking their balances to also make one-off payments and manage other aspects of their finances.

Over the next decade further market developments, such as those brought about through Open Banking, the advent of Payment Services Directive 2 (PSD2), Strong Customer Authentication and the anticipated New Payments Architecture for the UK, may bring extensive changes to the UK's payments landscape. UK Finance will continue to monitor and analyse how these developments may affect future payment markets.

Consumers made the large majority of the 35.6 billion payments made in the UK, accounting for nearly nine out of ten of all payments. Spontaneous purchases accounted for 81% of payments made by consumers, with the other 19% of payments being made for regular bills and commitments.

The remaining payments were made by commercial organisations, government and not-for-profit organisations (collectively referred to using the shorthand "businesses" throughout this report). Payments to individuals accounted for half of all transactions made by businesses, with the other half being payments to other businesses.

There are a wide variety of payment methods available in the UK. Each payment method provides specific benefits to the participants in the transaction. Payers generally choose the method that best meets their needs in any given situation, albeit sometimes being influenced by the preferences of the payee.

### Debit Cards



44%

Debit cards accounted for 44% of all payments in the UK

Despite an overall decline in debit card volumes due to the pandemic, debit cards remained the most frequently used payment method in the UK, being used for over four in ten payments. In 2020 payment volumes declined by 7% to 15.8 billion. The overwhelming majority of the population (98%) now hold a debit card and many people use them to make day-to-day payments.

While total volumes declined, the share of overall payments made by debit cards increased in 2020. This was driven by a number of factors including the continued growth in popularity of contactless payments during the pandemic and the increased speed of migration of payments away from cash. Debit cards are also one of the main payment methods used to pay for online shopping, with lockdowns resulting in more people using this channel to purchase goods and services.



**Consumer**  
30.7 billion  
payments

Spontaneous  
24.9 billion

Regular  
5.8 billion



**Business**  
4.8 billion  
payments

Business to business  
2.5 billion

Business to individual  
2.3 billion

Credit Cards



69%

of adults in the UK have a credit card

There were 2.8 billion payments made using credit cards, a fall of 18% compared with the previous year. Decreased spending on credit cards may be attributed to a number of factors. This includes lockdown which closed sectors with high credit card spend, such as holidays, travel and entertainment. Credit card spending is also closely linked to consumer confidence, with the economic decline due to the pandemic seeing many consumers being more cautious in taking on additional debts. While credit card spending decreased in 2020 repayments grew, as consumers opted to pay back debt throughout the year.

Contactless Payments

Percentage of all payments made via contactless cards



7%  
2016

19%  
2018

27%  
2020

During 2020 the number of contactless payments made in the UK increased by 12% to 9.6 billion payments. This was driven by:

- contactless limit increase to £45 in April 2020
- retailers encouraging consumers to use contactless at point-of-sale during the pandemic
- the continued roll-out of card acceptance devices especially among smaller businesses
- consumers becoming increasingly comfortable and familiar with making contactless payments

At the end of 2020 there were 135 million contactless cards in circulation, with 88% of debit cards and 81% of credit cards in the UK having contactless functionality. From January 2020 every bank-issued payment terminal in the UK is now also capable of accepting contactless payments. Along with many smaller businesses now accepting card payments, this has increased the number of locations where consumers can pay using contactless.

During 2020 supermarkets were the most popular location to make contactless payments, accounting for two-fifths (41%) of all contactless payments. The highest rate of use was seen in the 35-44 age group, where 89% of people made contactless payments during 2019. The lowest rate of use was recorded in the 65+ age group, however just under four-fifths (79%) of this group still made a contactless payment in the last year. Though differences remain across age group and region, 83% of people in the UK now use contactless payments, and no age group or region falls below 75% usage.



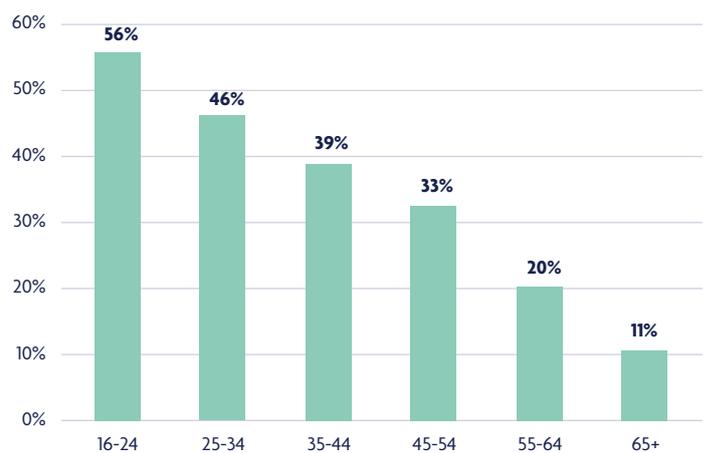
1/4

over a quarter of all payments in the UK were made via contactless methods

Apple Pay, Google Pay and Samsung Pay

As well as using contactless cards, other devices such as mobile phones and watches can be used at point of sale and online. Nearly a third (32%, 17.3 million people) of the adult population had registered for mobile payments in 2020, an increase of 7.4 million people (75%) compared with 2019. Of those registered for mobile payments, 84% of these people recorded a payment. Half (50%) of these registered users made payments fortnightly or more frequently. Similar to most new technological innovations, UK Finance market research found that younger people are more likely than older people to use either Apple Pay, Google Pay or Samsung Pay.

Chart 1.2 Percentage of registered mobile payment users in each age group, 2020



Cash



Cash payments continued to decline in 2020, falling by 35% to 6.1 billion payments. Despite this, cash was still used for just under a fifth (17%) of all payments in the UK and was the second most frequently used payment method, behind debit cards. The main cause of the decline in cash payments has been the increasing use of debit cards, with the pandemic seeing an acceleration of this decline as many businesses encouraged card use, in particular paying via contactless methods.

During 2020, there were 13.7 million consumers who used cash only once a month or not at all, instead relying on cards and other payment methods to manage their spending. This was a significant increase from 7.4 million consumers the previous year, and likely a result of the lower levels of cash use seen during the pandemic.

At the same time there were 1.2 million consumers who mainly used cash, choosing this payment method when doing their day-to-day shopping (although the majority still use other payment methods to pay their regular bills). It should be noted that while these people prefer to use cash when paying for things, they are not necessarily unwilling or unable to use other methods of payment. The majority of them have a debit card. Nevertheless, there is great diversity in the way in which different people in the UK prefer to manage their finances and conduct their day-to-day spending.

Direct Debit

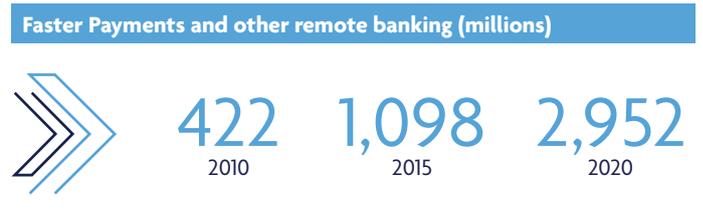


Direct Debits are used by nine in ten UK consumers to pay some or all of their regular bills. Direct Debit is a familiar, long established and widely trusted method for paying regular bills. In 2020 there were 4.5 billion payments made by Direct Debit, with an overall value of £1,178 billion.

As a well-established method of payment, growth in Direct Debit payment volumes tends to reflect growth in population figures and household numbers. While the volume of Direct Debit payments grew in 2020, this was at a slower rate compared with the previous year. This was likely due to the impact of lockdowns affecting payments such as gym memberships, as well as some customers opting to take a payment deferral for their mortgage, loan and/or credit card. Many of these repayments are made via a Direct Debit.

Consumers are far more likely to use Direct Debit than businesses. Businesses tend to prefer to retain more direct control over the timing and amount of their outgoing payments, although may still use Direct Debits to pay for business-critical services. Direct Debit payment volumes tend to be linked to some extent to the economic cycle and consumer confidence.

Faster Payments and other remote banking



In 2020 the number of people using online banking (via a computer) or mobile banking (via an app on their smartphone or tablet) continued to grow. Well over two-thirds of UK adults (72%) used online banking and over half (54%) used mobile banking. All age groups had high levels of remote banking use, ranging from 93% of those aged 25-34 to 84% for those aged over 65.

The number of remote banking payments processed via the Faster Payments Service (or cleared in-house by banks) during 2020 increased by 21% to just under 3.0 billion. While the number of people using remote banking helped contribute to this increase, growth also came from businesses. Over the past few years, the number of businesses using this payment method has increased to the point where over four out of ten business-to-business payments were made via Faster Payments or other remote banking in 2020.



Standing orders

Standing orders tend to be used in circumstances where a regular payment of a fixed amount must be made, for example, for paying rent or making regular transfer payments from current accounts to savings accounts. In 2020 there were 557 million standing orders, similar to the previous year.

## Bacs Direct Credit

### Bacs Direct Credit payments

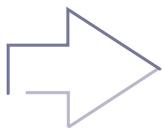


**1.9 billion**  
Bacs Direct Credit payments in 2020

Bacs Direct Credit is a popular and cost-effective method for businesses and government to make bulk payments, where both the value and timing of the payment are known in advance. As a result, Bacs Direct Credit overwhelmingly remained the most frequently-used method for businesses to make payments during 2020. As an indication of the widespread use of this payment method, over eight in ten employees in the UK are paid via Bacs Direct Credit. The government also uses Bacs Direct Credit to pay nearly all state benefits and pensions in the UK.

## CHAPS

### CHAPS payments in 2020



**0.1%**  
of volume

**91%**  
of value

CHAPS is used primarily by financial institutions to make wholesale financial payments and by large corporates to make corporate treasury payments. As a result, in 2020 CHAPS accounted for just 0.1% of the total volume of payments in the UK but 91% of the total value of payments. There were 44.5 million CHAPS payments processed in 2020, worth a total of £91.9 trillion. CHAPS payment volumes are closely related to the state of the UK economy.

## Cheques

### Cheques used to make payments (millions)



**1,050**  
2010

**546**  
2015

**185**  
2020

The number of cheques used to make payments continued to decline over the past year, falling by 32% to 185 million cheques, as both businesses and consumers chose to use alternative payment methods instead. Cards and remote banking transfers, in particular, are increasingly used where previously a cheque may have been written. Despite this decline cheques remain valued by those who choose to use them, as they provide a convenient and secure method of paying someone when you do not know the recipient's bank account details.

The Image Clearing System (ICS) was introduced by the Cheque and Credit Clearing Company in October 2017 and fully rolled out in September 2019. One of the main benefits from this is that the cheque clearing process will now complete much faster, so cheque recipients will see the money appear in their account more quickly. It also allows for cheques to be deposited via a mobile phone with a camera. Despite this introduction, cheque use continues to decline across the UK.

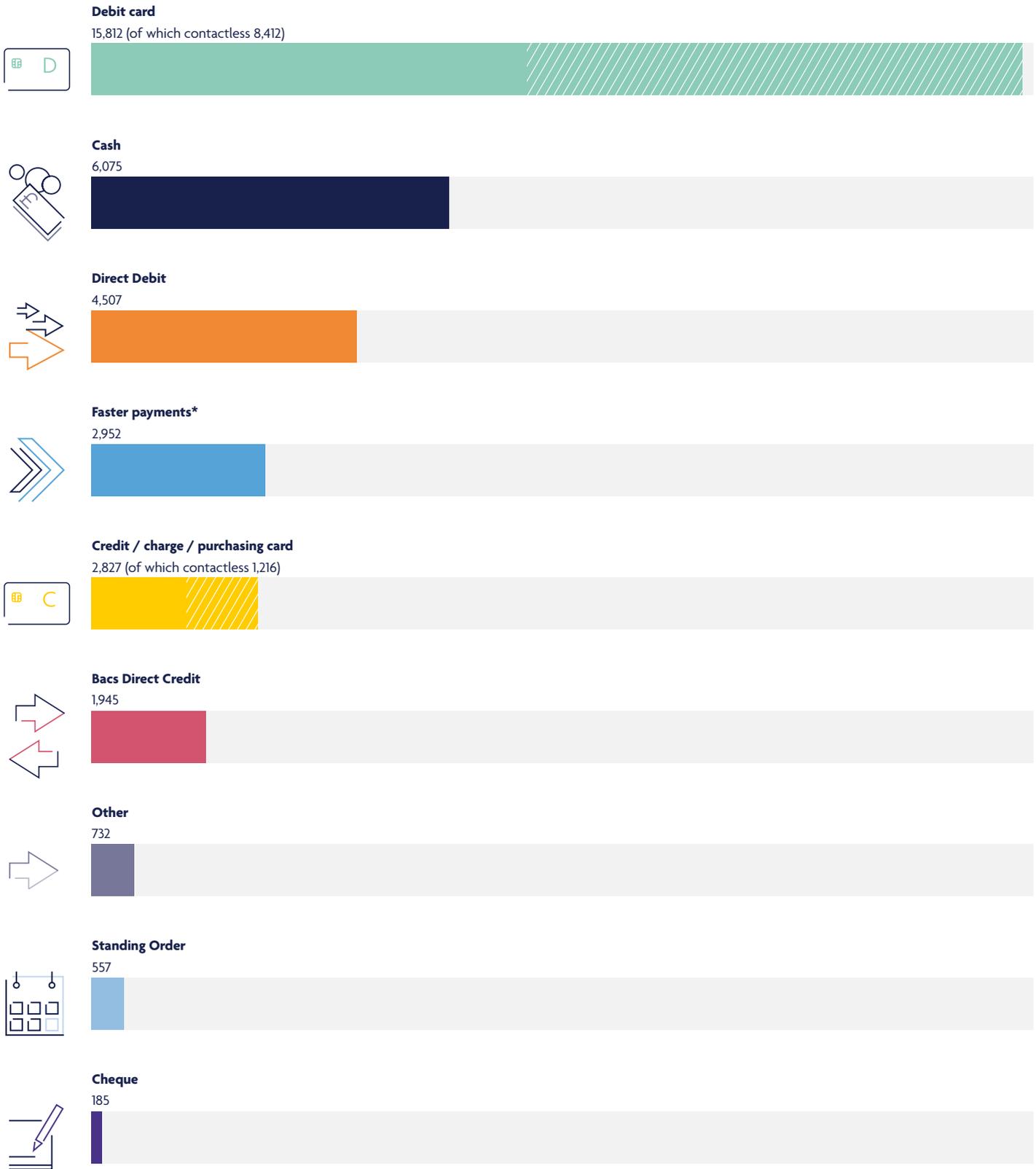
## Forecasts

UK Finance's annual Payment Markets Review exercise has in the past involved the development of forecasts for what is likely to happen to payments in the UK over the coming decade. Our experts look at trends in payments in recent years, as well as information about anticipated developments in payments, in order to develop detailed forecasts for payments in the UK. These have in the past been discussed in detail in previous editions of this publication.

In 2020 and 2021, however, the Covid-19 crisis has rendered the development of forecasts particularly challenging. Indeed, developing any kind of forecasts is hugely difficult at the present time, given that some restrictions are currently in place in the UK (at the time of writing). Large parts of the UK economy have been brought to a standstill, and consumer behaviour is evolving rapidly to cope with the new circumstances we all face. While the government has targeted lifting of all restrictions on 21 June, the extent to which consumer and business practices will have been permanently altered by the experiences of 2020 and early 2021 is still unclear.

As a result, this report does not contain any detailed forecasts for payments in the UK. Over the coming weeks and months, UK Finance's experts will analyse the possible outcomes for payments in the UK as a result of this crisis. This analysis will be conducted as more becomes known about the extent and duration of the crisis, its economic impacts, and the resulting impact on consumer behaviour and government policy. Its results will be published in due course.

**Total payment volumes in the UK (millions) 2020 (excluding CHAPS)**



\*and other remote banking

# PAYMENT MARKETS HEADLINES



35.6 bn

total payments in 2020,  
11% less than 2019

## 2020

- Debit cards were the most used payment method with 15.8 billion payments
- Contactless debit and credit card payment volumes totalled 9.6 billion
- Cash payments decreased by 35% to 6.1 billion and was the second most frequently used payment method
- Faster Payments and other remote banking totalled just under 3.0 billion in 2019.
- 48 million adults used cash machines and 77% of them did so at least once a month.
- Cheque volumes continued falling in 2020 and account for less than 1% of payments made in the UK
- 72% of UK adults used online banking and 54% used mobile banking.
- Bacs Direct Credit volumes fell by 4% to 1.9 billion.
- Direct Debit volumes rose 1% to 4.5 billion.
- The value of CHAPS payments increased to £91.9 trillion.



over 50%

In 2020 card payments  
accounted for over half of  
all payments in the UK



1/4

payments in the UK  
were contactless



54%

of adults now use  
mobile banking



1/4

adults used mobile  
payments in 2020

\*excluding CHAPS