



UK Payment Markets Summary

July 2024

In association with


accenture

Foreword

The UK payments industry has transformed over the last decade, delivering more choice and flexibility than ever before. This means consumers can always choose the payment method that best suits them in any given situation and the systems that underpin our payments are delivering real value to consumers and businesses.

Within the 48 billion payments made last year we can see some clear trends – in particular the continued popularity of debit cards and contactless. This has been driven both by consumer demand and also new technologies such as allowing mobile card readers attached to smartphones and tablets which have helped increase card acceptance levels, particularly among small and mobile businesses.

Overall, almost four out of ten payments in the UK last year were made using contactless methods, with 85 per cent of people now using this payment method on a regular basis. The use of contactless is also fast extending into mobile wallets, with a third of adults now making contactless payments using services such as Apple Pay and Google Pay. Whilst younger people are leading the way in this adoption we expect older age groups to catch up over the coming decade.

This doesn't mean we are on our way to becoming a cashless society. Cash is still the second most frequently used method of payment in the UK, although we are using it less and more people are leading largely cashless lives.

In recent years there has been significant innovation within payments and the consumer experience becoming ever more seamless. Developments such as Open Banking and variable recurring payments are

being used to provide additional functionality and choice in the way that we pay for things.

As digital technologies continue to develop there is also a huge amount of work and investment taking place to enhance the payments infrastructure, including exciting work looking at how central bank money, commercial bank money and electronic money can all operate together.

We expect to see more changes in the payments landscape in the coming years, which have the potential to further improve the customer experience as well as deliver tangible business benefits.

As the future unfolds, UK Finance's definitive data analysis and market insight will remain essential reading for those in the industry and beyond who want to understand the UK's dynamic payments sector.

Jana Mackintosh

Managing Director, Payments, Innovation and Resilience, UK Finance



Foreword from Accenture

This year's edition of UK Payment Markets helps to reveal how the changes to society have affected our choices about how we pay for things.

Consumers are continually seeking more flexible, accessible, quick and easy-to-use payment methods which fit into their lifestyles. As those lifestyles evolve, so too do consumers' choices about payments. Convenience and control are king.

Beyond the pandemic, economic instability both domestic and global has led consumers to flex their payment behaviour and seek out better ways to manage their finances. Amidst this economic volatility, consumers are increasingly seeking more control over their payment options and smoother payment experiences. This has resulted in a rise in the use of cards, contactless payments and online and mobile banking.

Increased acceptance of cards by small businesses has facilitated more widespread usage of cards. This is just one factor that has helped consumers to start making a greater number of low-value transactions, rather than making less-frequent higher value payments. Put simply, we are spending small amounts more often, rather than aggregating transactions into one larger single payment. Now that making payments is becoming easier with online banking and contactless, we are more comfortable with making more payments more regularly and are doing this to help budget and for ease.

In parallel, next-generation payment methods, such as digital wallets, account-to-account (A2A) payments and Buy Now Pay Later (BNPL) are rapidly gaining popularity, shifting consumers away from more traditional payment methods. Adoption of digital wallets is soaring, reflecting the convenience and security they offer.

Consumers are increasingly seeking value-added services to help them manage their finances, save money and meet their financial needs. This includes loyalty rewards; financial products such as equity trading and insurance; convenience features such as digital cards and tap-to-pay features and multi-functionality offerings whereby users can exchange currencies, send money through social networks and spend with a multi-currency card.

As a result of the rise of these services, there is a growing interest in 'super-apps' which integrate multiple financial and lifestyle services, providing a seamless user experience, with convenience and control in one platform. The expectation is that whilst early adopters of these services may be younger age groups, older generations will follow rapidly, as indeed we have seen with previous innovations such as contactless.

Looking to the future, emerging technologies such as biometrics and machine-to-machine payments are gaining traction and are expected to further transform the payments landscape in the coming years. Whichever services ultimately become popular with consumers, all emerging trends indicate a shift toward more flexible, secure and user-friendly payment methods displacing traditional methods.

The growing adoption of next-generation payment methods is seen globally, with Asia-Pacific and Latin America being early adopters, while North America and Europe, including the United Kingdom, shift more gradually. There is an opportunity for UK National Payments Vision to catalyse this shift in a more expedient manner. Considering the United Kingdom's ambition to reestablish itself as the leading light in payments, it is important not only to look at trends from the perspective of customer centricity but also consider what changes are needed in the market to enhance international appeal, improve economic efficiency and increase cost-effectiveness.

Accenture is proud to sponsor UK Payment Markets 2024. As an industry leader and partner to key players in the United Kingdom's payments landscape, we're delighted to have this opportunity to reflect on the latest payment trends data in the United Kingdom.

Sulabh Agarwal

Global Payments Lead,
Accenture



Payment Market Headlines



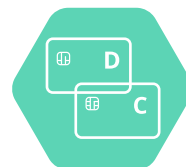
48.1 billion payments made in 2023*

2023

- Debit cards were the most used payment method with 24.5 billion payments, accounting for half of all payments in the UK
- Contactless debit and credit card payment volumes totalled 18.3 billion
- Cash payments returned to long-run declining trend, accounting for 6 billion payments (12% of all payments) and remained the second most frequently used payment method in the UK
- Faster Payments and other remote banking totalled just under 4.9 billion payments, 10% of all payments in the UK
- 43.6 million adults used cash machines in 2023 but frequency of use fell, with 52% of adults using cash machines at least once a month
- Cheque volumes continued to fall in 2023 accounting for 0.2% of payments made in the UK
- 87% of adults used remote banking
- 62% of UK adults used online banking and 60% used mobile banking in 2023
- Bacs Direct Credit volumes increased by 10% to 2.2 billion payments
- Direct Debit volumes rose 2% to 4.8 billion payments, 10% of all payments
- 14% of people used Buy Now Pay Later services in 2023, compared with 12% the previous year
- The value of CHAPS payments was £91.5 trillion.

2033 (projected)

- Debit cards expected to reach 31.1 billion payments in 2033
- Card payments (debit and credit) forecast to be 66% of all payments in the UK in 2033
- Contactless debit and credit card payment volumes expected to exceed 25 billion payments and represent 45% of all payments made in the UK
- Cash use expected to continue to decline to 6% of payments being made in the UK in 2033
- Faster Payments and other remote banking to grow to 7.2 billion payments
- Cheques to continue to decline to account for just 0.1% of overall payments
- Bacs Direct Credit expected to increase slightly to 2.3 billion payments
- Direct Debit forecast to see moderate growth and reach 5 billion payments in 2033.



61%

In 2023 card payments accounted for 61% of all payments in the UK

66%

In 2033 card payments forecast to account for 66% of all payments in the UK

Summary: Total UK payments in 2023 and forecasts to 2033

The pattern of payments in the UK tends to evolve gradually over time. Once each of us has settled into a pattern of payments behaviour that meets our needs, that we are comfortable using and that helps us manage our finances effectively, it can take a great deal for us to change to a different way of doing things. Having said this, there are times where events in society lead to significant changes in payments behaviour, in contrast to the gradual evolution that otherwise tends to prevail.

Having said this, it is often external factors that can encourage us to review our payments decisions and change the way that we pay for things. In recent years, for example, we saw significant changes to the way we pay for things in response to the global Covid-19 pandemic and associated lockdowns. During lockdowns, certain parts of the economy were closed completely, and these tended to be sectors where cash was more frequently used. For those parts of the economy that remained open, there was increased use of contactless payments, online banking and mobile wallet channels.

Even after the covid-related lockdowns were over and economies fully reopened, more long-term changes had been introduced to the way that we live, and this has in turn affected our decisions about how to pay for

things. For example, increased use of remote working in parts of the economy has changed shopping behaviour and travel patterns, each of which in turn has knock-on effects throughout the economy.

More recently, the cost-of-living crisis in the UK, which saw persistently high rates of inflation, led to changes in spending patterns and payments behaviour, as consumers sought to adjust their spending in response to price changes. Some consumers attempted to pay off their outstanding credit card balances, in anticipation of challenging financial circumstances ahead. Other consumers began to make greater use of cash during this period, reflecting the tangible nature of cash, which some people feel helps them to manage a limited budget more effectively. Having said this, looking at data for 2023 we can see that cash payment volumes declined as compared with the payment volumes seen in 2022. This reflects a pattern that we have seen in previous periods of economic uncertainty, where some people turn back to cash when consumer confidence is low and economic conditions are challenging, but then once consumer confidence in the economy starts to recover, consumers tend to turn away from cash once again to other methods such as card payments.

These are not the only trends in spending behaviour that appear to have been occurring in the UK over the past few years. Spending data for the past couple of years suggests that there has been a shift towards a greater granularity of transactions; that is, towards an increasing number of transactions that are each worth a lower individual amount, without necessarily increasing the overall amount spent. There are a variety of factors operating here, including:

- Increased shopping visits – anecdotal evidence suggests that many consumers are making larger numbers of small visits to supermarkets, rather than doing one large shop per month. This leads to a larger number of transactions for the same amount of shopping.
- After lockdowns ended, there was a partial return to office-based working (in industries where this is relevant). However, homeworking remains far above the levels seen prior to the pandemic, with the result that purchases of travelcards and season tickets for travel have fallen enormously, with travellers increasingly likely to pay separately for each individual journey. Whilst the number of journeys has fallen following the pandemic, the total number of payments for travel has therefore increased.
- Use of multiple accounts – anecdotal evidence suggests that some consumers may be holding an increased number of bank accounts, for example by opening additional accounts with challenger banks. Those accounts are then each used for different purposes, resulting in an increased number of payments as compared with a situation where one account (and one debit card) can be used to make all payments, which would then be more likely to be consolidated into a smaller number of purchases. Use of multiple accounts also tends to increase the number of transactions for transferring funds between accounts.

- Increasing use of Buy Now Pay Later (BNPL) services – where BNPL is used to pay for an item, this multiplies the number of payments made. For example, an item that would otherwise have been paid for using a single card payment will instead result in an account transfer from the BNPL provider to the retailer and then a series of card payments from the customer to the BNPL provider. As such, the number of payments associated with a single purchase will be increased.

The cumulative impact of all of these competing forces is that the total number of payments made in the UK increased significantly in the past couple of years, with debit cards leading the way in this transaction growth. This is over and above the pre-existing trend towards increased use of cards to make low-value transactions.

The total number of payments made in the UK increased to 48.1 billion payments in 2023, 45.7 billion payments in 2022.

The number of payments made using both debit cards and credit cards increased in 2023. Further, the share of payments made using cards, which had increased to 59% of all payments during 2022, increased further to 61% of all payments in 2023. Contactless payments continued to be popular, with almost four out of ten (38%) of all payments made in the UK during 2023 being made using contactless.

Considering cash, there has been long-run declining trend in cash payments over the past decade, with payments migrating in particular towards debit cards. This trend has not persisted in every year however. For example, cash payments declined considerably in 2020, as covid-related lockdowns resulted in the closure of large parts of the economy, and subsequently recovered as the economy reopened once again. In 2022, growing fears about inflation and the rising cost of living led to some consumers increasing their use of cash as

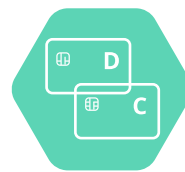
a way of managing a limited budget. This resulted in an increase in the number of cash payments made that year. This is a familiar pattern in times of economic uncertainty. However, the data for 2023 suggests that the number of cash payments has declined once more. This too is familiar from previous periods of economic uncertainty; as consumer confidence begins to return, we tend to see consumers turning away from cash once more and the underlying downward trend in cash payment volumes tends to return.

The total number of cash payments made in the UK during 2023 fell to 6.0 billion payments from 6.4 billion payments in 2022. As a result, one in eight payments (12%) made in the UK during 2023 were made using cash, a reduction from 14% in 2022. Cash remained the second most frequently used payment method in the UK in 2023.

Faster Payments continued to grow strongly in the UK in 2023. 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 amongst consumers, with customers extending their use beyond just checking balances to now making payments and managing their finances more generally. As a result, one in ten payments in the UK were made using Faster Payments and other remote banking in 2023.

Over the next decade further market developments 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.

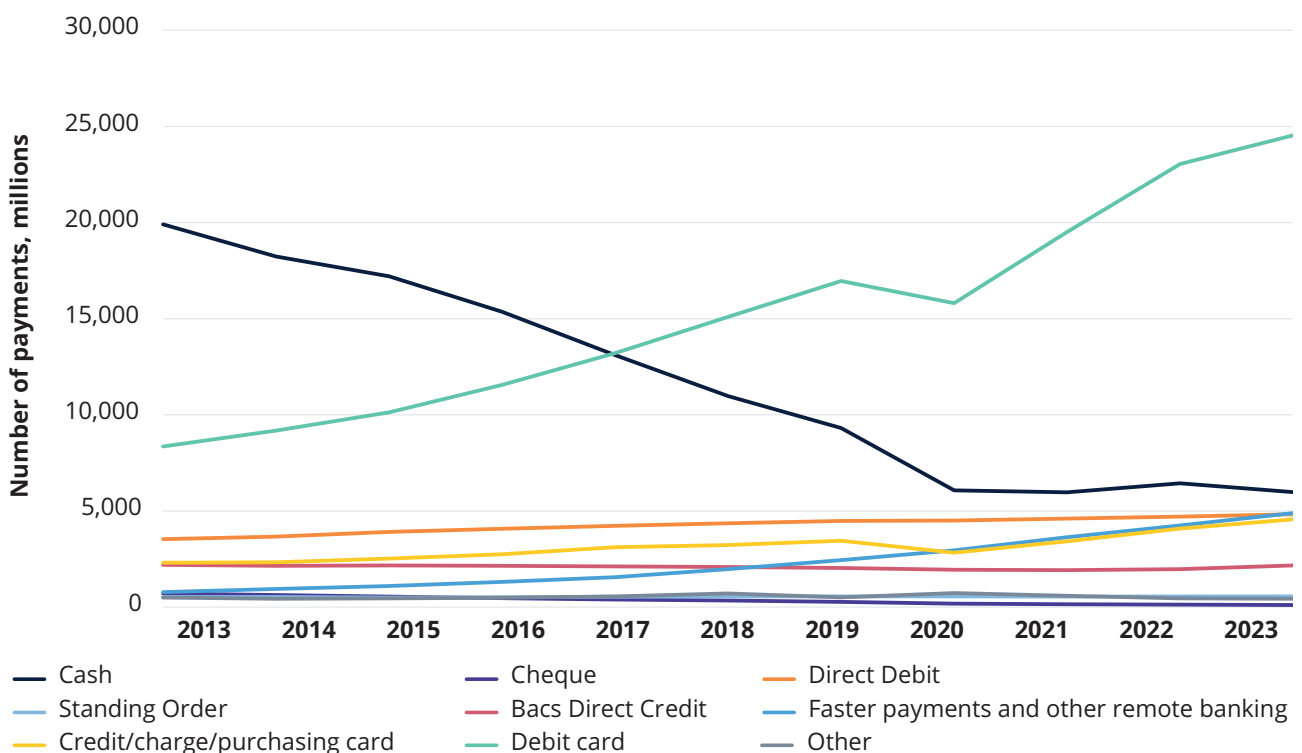


61%

In 2023 61% of all payments in the UK were made using cards

Chart 1.1

Payment volumes (millions) 2013 to 2023



Over 85% of all payments made in the UK during 2023 were made by consumers. Spontaneous purchases accounted for 85% of payments made by consumers, with the other 15% of their payments being made to pay for regular bills and commitments.

Commercial organisations, government and not-for-profit organisations (collectively referred to using the shorthand “businesses” throughout this report) were responsible for the other 15% of payments made in the UK in 2023, totalling around 7.1 billion payments. Payments to individuals accounted for 44% of all payments made by businesses, with the remainder 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 influenced by the preferences of the payee.

Debit Cards



In 2023, debit card payment volumes increased by 6% to 24.5 billion payments. The overwhelming majority of the population (over 97%) now hold a debit card and most people use them to make payments.

Debit card volume increases were driven by a number of factors, with a general tendency towards a larger number of payments for

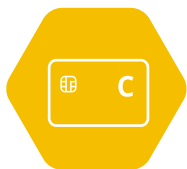
a lower average value per payment. These factors include:

- Return to trend of migration away from cash towards debit cards
- Continuation of recent trend towards increased frequency of shopping trips with lower value transactions per trip
- Continued use of multiple bank accounts, with different cards used for different types of purchases
- Continued trend towards small businesses accepting card payments, and for cards being accepted for low value transactions (without the imposition of a minimum spend threshold).

Throughout 2023, contactless payments continued to grow, contributing to the ongoing increase in use of debit cards. More detail on contactless payments is given below. Debit cards are also one of the main payment methods used to pay for online shopping, something which has been increasing over time.

Over the next decade, debit card payment volumes are forecast to continue to increase. This growth will be driven by the continuing rise of contactless payments, the ongoing growth of online shopping and ever-increasing levels of card acceptance amongst businesses of all sizes, but particularly amongst smaller businesses. It is forecast that over 31 billion payments will be made using debit cards in 2033.

Credit Cards



65%

65% of adults in the UK have a credit card

There were 4.6 billion payments made using credit cards in 2023, up from 4.1 billion payments in 2022. This continues the trend of increasing credit card payment volumes that has been seen since the end of the Covid-19 pandemic. Some of this spending may relate to deferred expenditure from the pandemic, whereby people did not spend on summer holidays, home renovations or other big tickets items during lockdowns and instead have made such purchases in the subsequent years.

By 2033 credit card payment volumes are forecast to reach 5.7 billion payments. Future growth will be closely tied with wider economic conditions, which determine consumer appetite for taking on unsecured debt.

Contactless Payments

Percentage of all payments made via contactless cards



3%
2015

21%
2019

38%
2023

During 2023 the number of contactless payments made in the UK increased to 18.3 billion payments, up from 17.0 billion payments the previous year. This was driven by:

- the continued roll-out of card acceptance devices especially among smaller businesses
- consumers increasingly preferring contactless payments over chip and pin
- continuing growth in popularity of mobile contactless payment services such as Apple Pay and Google Pay

At the end of 2023 there were 149 million contactless cards in circulation, with 93% of debit cards and 94% of credit/charge cards in the UK having contactless functionality.

Since January 2020, every bank-issued payment terminal in the UK has been 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.

The most popular place for consumers to make contactless payments in 2023 continued to be supermarkets. Purchases in supermarkets accounted for 39% of all contactless payments being made in the UK. In total, retail outlets were responsible for 62% of all UK contactless payments.

The majority of people in the UK use contactless payments, with 85% of people making contactless payments at least once a month or more frequently during 2023. People of all ages used contactless payments, and even when considering people of retirement age, 83% used contactless at least once a month. The group showing the highest rate of use was the 25-34 age group, where 91% of people regularly made contactless payments. Though small differences remain across age group and region, the majority of people in all age groups and across all regions make contactless payments. We expect contactless payments to remain popular over the next decade.



38%
of all payments in the UK were made via contactless methods in 2023

Mobile payment services, such as Apple Pay and Google Pay

As well as using contactless cards other devices such as mobile phones and watches can be used to initiate contactless payments, or to make payments for online shopping.

Over four out of ten (42%) of the adult population reported being registered for at least one mobile payment service in 2023, up from 30% in 2022. Of those registered for mobile payments, 98% of these people used the services to make payments during the year. Over eight out of ten (82%) of registered users made payments every month, up from 76% the previous year. In terms of the total population, 34% were using mobile contactless payments at least once a month.

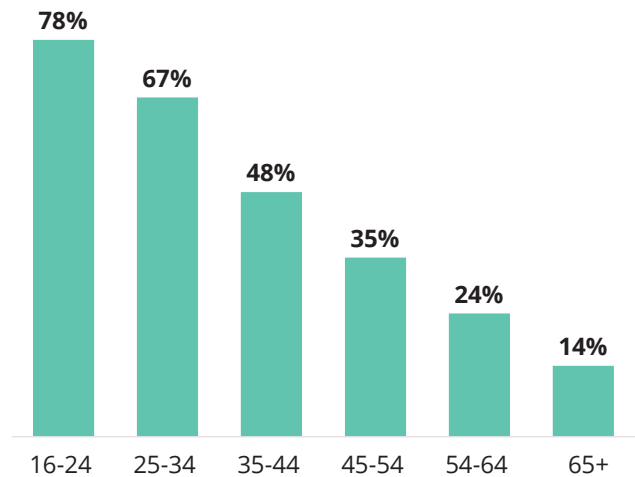


1/3
A third of UK adults now use mobile contactless payments

Similar to most new technological innovations, UK Finance market research found that younger people are more likely than older people to use one of Apple Pay or Google Pay. We expect that, over the next decade, older age groups will start to catch up with younger cohorts in terms of adoption of mobile payments, a pattern that is regularly seen following the introduction of new payment and IT services.

Chart 1.2

Proportion of each age group registered to use mobile payments, 2023



Cash

Cash as a % of all payments



60%	51%
2008	2013
28%	12%
2018	2023

Cash payments have been showing a long-term decline, with payments migrating away to debit cards in general and contactless cards in particular.

Nevertheless, even though cash payments have been declining over the past two decades, there have been occasional brief periods where the volume of cash payments has increased slightly. These tend to be during periods of economic uncertainty or recession, and reflect the fact that some consumers find cash to be a useful payment method when they are trying to manage a limited budget. We saw this, for example, following the financial crisis of 2008/2009. And we saw this again in 2022 as the rising cost of living led some consumers to attempt to reduce their spending.

As consumer confidence starts to recover, we tend to see cash payment volumes returning to their long-run downward trend. This appears to be what we saw in 2023.

The volume of cash payments made in the UK understandably fell during 2020, as the pandemic led to the closure of parts of the economy, and as consumers were encouraged to use contactless payments in retail settings in order to support social distancing. However, cash volumes recovered somewhat as the economy reopened.

During 2023, the number of cash payments in the UK fell to 6.0 billion payments, down from 6.4 billion payments in 2022. The proportion of payments made using cash fell from 14% to 12% of all payments. Nevertheless, cash remains the second most frequently-used payment method in the UK, behind debit cards.

During 2023 there were 22.1 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 slight increase from 21.6 million consumers the previous year, reflecting a return to the long-run trend away from using cash. Almost four out of ten UK adults (39%) were living largely cashless lives during 2023.

At the same time there were 1.5 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). This represented 2.6% of adults in the UK. It should be noted that, whilst 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, for example. Nevertheless, there remains great diversity in the way in which different people in the UK prefer to manage their finances and conduct their day-to-day spending.

The number of people mainly using cash had previously been declining over time, but the figure for 2023 represented an increase

compared with the 0.9 million people who mainly used cash in 2022. This reflects the fact that the cost-of-living crisis still continued to impact some parts of society more severely than others, and this was reflected in their payments behaviour, as they sought to manage their spending in the face of continued high inflation, particularly across some areas of essential spend.

As we have seen above, the *average* consumer experience appears to have been one which led overall to a move away from cash and back toward a long-run decline. However, it is important to note that this is not the experience of all consumers, and for some the use of cash continues to be an important element of how they manage their finances.

Over the next decade the number of cash payments in the UK is expected to continue the long-run declining trend seen over the last couple of decades, as consumers continue to turn to alternative payment methods. Having said this, the rate of decline is expected to slow as use becomes concentrated amongst people who have a strong preference for cash and in situations where cash has advantages over other payment methods.

It should be noted that, whilst traditionally cash has been used as a budgeting tool by people who are managing limited budgets, increasingly we see younger people budgeting using mobile banking and other technology-based services. This change in behaviour is something that we are monitoring, but which also has implications for the future use of cash in the UK. If these tools did not exist, we might have expected to see an even greater increase in cash use in the UK during 2022 than was actually observed.

In 2033 there are forecast to be around 3.4 billion cash payments made in the UK, accounting for around 6% of all payments. Rather than the UK becoming a cash-free society over the next decade, the UK will transition to an economy where cash is less important than it once was but remains valued and preferred by many.

Buy Now Pay Later



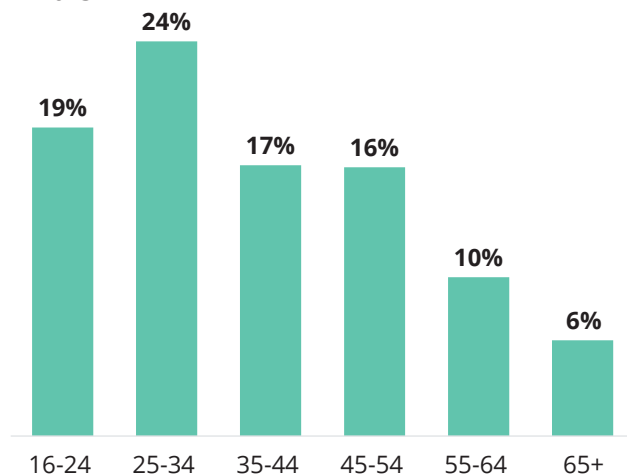
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One in seven people used Buy Now Pay Later in 2023

Around one in seven people in the UK (14% of adults) used Buy Now Pay Later services to purchase something during 2023, compared with 12% the previous year. Around 16% of female adults and 13% of male adults used at least one BNPL service. Young consumers tend to use BNPL services more than older cohorts and the age group with the most BNPL users in 2023 was 25- to 34-year-olds. Almost one in four adults in this age group (24%) used Buy Now Pay Later services during 2023. In contrast, just 6% of people aged 65 or over used these services in 2023.

Chart 1.3

Proportion in each age group using BNPL services in 2023



Direct Debit

Volume of direct debit payments



4.8 billion

2023

In 2023 there were 4.8 billion payments made by Direct Debit, with an overall value of £1,268 billion. Direct Debit is a familiar, long established and widely trusted method for paying regular bills and is used by consumers to make around 7 out of 10 of all regular bill payments.

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 slightly in 2023, this was at a similar slow and stable rate (from 4.7 billion payments in 2022), a similar pattern to that observed over the past decade and beyond.

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.

Due to the established nature of Direct Debit, there is expected to be slow and stable growth over the next decade, with 5.0 billion payments forecast in 2033.

Faster Payments and other remote banking

Faster Payments and other remote banking (millions)



784

2013

1,978

2018

4,895

2023

Remote banking remained popular in the UK in 2023, with 87% of all UK adults using at least one form of remote banking (online banking via a computer, mobile banking via an app on a smartphone or tablet, or calling their bank via a telephone banking service).

Six out of ten adults in the UK (60%) used mobile banking during 2023, with just slightly more (62%) using online banking (via a computer), and around one in six (17%) phoning their bank to talk to someone. Some consumers use a combination of different remote banking services, whilst others tend to stick more to their preferred option.

The majority of people in all age groups used remote banking in 2023, ranging from eight out of ten (78%) of those aged 65 and over to 94% of people aged 25-34.



60%

of all adults used mobile banking in 2023

Related to the ongoing popularity of remote banking services in the UK, the number of remote banking payments processed via the Faster Payments Service (or cleared in-house by banks) during 2023 continued to grow strongly. The total number of payments increased by 15% compared with the previous year, to reach 4.9 billion payments. This meant that Faster Payments and other remote banking became the third most frequently-used payment method in the UK in 2023, overtaking Direct Debits.

Having said this, there was a reduction in the number of payments made by consumers, mainly driven by reductions in financial transfers to savings accounts. However, use of remote banking by businesses grew strongly, resulting in strong overall growth in the volume of Faster Payments. In 2023, 45% of all payments made by businesses were made using Faster Payments. This follows Faster Payments overtaking Bacs Direct Credit as the most-used payment method among businesses in 2021.

Use of Faster Payments and other remote banking is expected to see strong growth over the next decade as both consumers and businesses increase their use of online and mobile banking. By 2033 remote banking payments processed via the Faster Payments Service or cleared in-house are forecast to rise to 7.1 billion payments.

Another potential driver for Faster Payments and remote banking over the next few years may come from the continued development of Open Banking products and services. Open Banking raises the potential for services that would allow consumers to pay for online shopping (or indeed in-store shopping) using account-to-account payments rather than paying using a card or PayPal (or similar online/mobile wallet services).

As such Faster Payments could become an alternative to card payments (and/or PayPal payments). Having said this, these services have yet to be communicated or marketed to consumers on a wide scale, and it is not clear what the consumer appetite might be to change their established payments behaviour, particularly where the benefits to consumers (rather than businesses) are not obvious. Therefore, we remain cautious in our forecasts at present for the potential volume of online (and real world) shopping payments that could migrate to Faster Payments.

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 2023 there were 557 million standing orders, similar to the previous year. This is expected to grow to 580 million payments in 2033.

Bacs Direct Credit

Bacs Direct Credit payments



2.2 billion

There were 2.2 billion Bacs Direct Credit payments in 2023

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. For example, Bacs Direct Credit is a very popular method for paying wages and salaries. The government also uses Bacs Direct Credit to pay nearly all state benefits and pensions in the UK. Almost a third (31%) of all payments made by businesses in 2023 were made via Bacs Direct Credit, placing Bacs Direct Credit as the second most frequently used payment method amongst businesses. This reflects a long run trend away from Bacs Direct Credit. For comparison, ten years previously, in 2013, almost six out of ten payments made by businesses (58%) were made via this method.

The total number of Bacs Direct Credit payments is expected to stay fairly stable over the next ten years, with reductions due to the transition of certain welfare benefits to Universal Credit balanced off against an expected increase in use by larger businesses. There are forecast to be 2.3 billion Bacs Direct Credit payments in 2033.

CHAPS

CHAPS payments in 2023



0.1%
of volume

88%
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 2023 CHAPS accounted for just 0.1% of the total volume of payments in the UK but 88% of the total value of payments. There were 51 million CHAPS payments processed in 2023, worth a total of £91.5 trillion. CHAPS payment volumes are closely related to the state of the UK economy. As such, future CHAPS payment volumes will depend largely on the economic outlook for the UK and the future of cross-border trade and investment.

Cheques

Cheques used to make payments (millions)



1,324
2018

709
2013

342
2018

110
2023

The number of cheques used to make payments continued to decline over the past year, falling by 15% compared with 2022 to reach a total of 110 million cheques. Both businesses and consumers continue to choose alternative payment methods instead of using cheques. Cards and remote banking transfers in particular are increasingly being 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 completed full roll-out in September 2019. One of the main benefits from this is 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 (using mobile banking services). Despite this introduction cheque use continues to decline across the UK and is expected to continue to do so over the next decade, reaching 56 million payments in 2033.

- Continued decline in cash payments
- Ongoing growth in Faster Payments and other remote banking payments

The past four years have been a tumultuous period, with a global pandemic, social and technological change, and a cost-of-living crisis all greatly impacting the way that we live in the UK. It appears as if these different factors are changing the underlying long run trends in payments behaviour. Our forecasts attempt to take account of these changes, examining long-run trends but adjusting them to account for the changes observed in the way that we live, work and pay for things. Obviously, as more evidence about consumer choices is observed over time, this will feed into revised forecasts for the future of payments in the UK.

Forecasts for payments in the UK to 2033

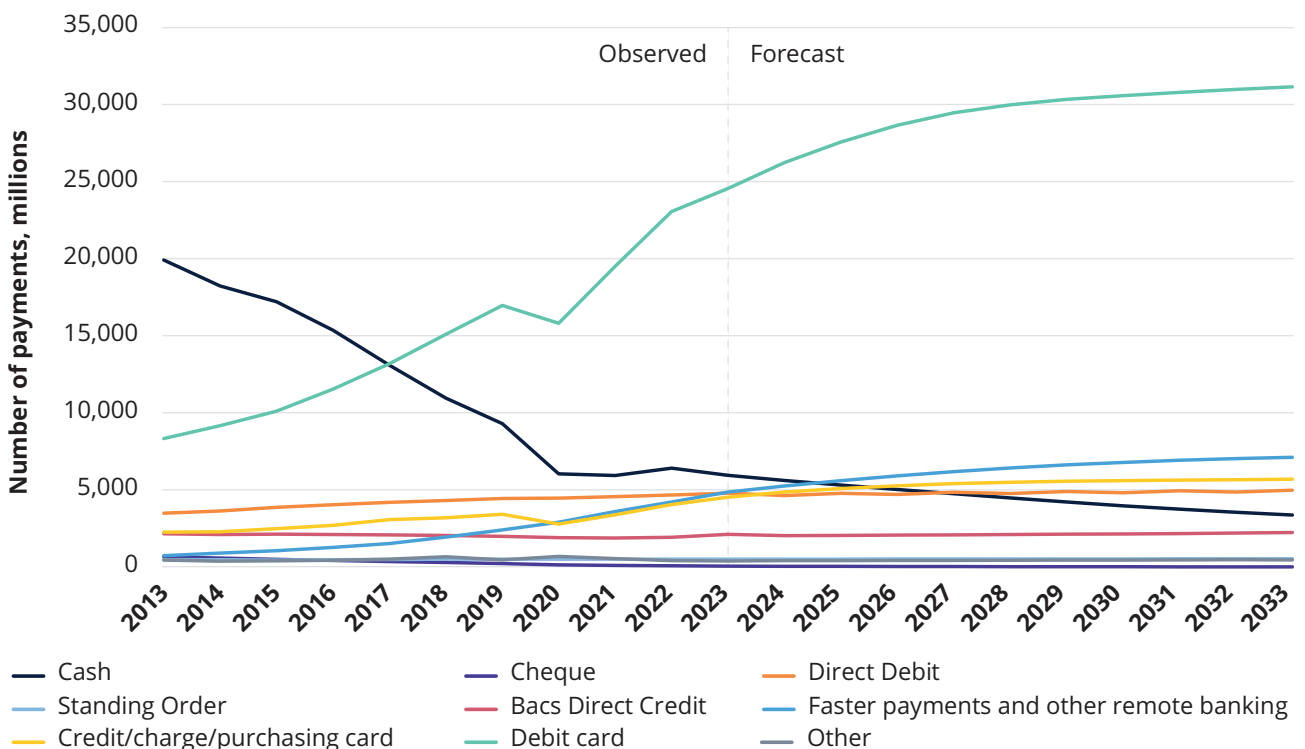
Over the last decade, a series of key payment trends have been observed in the UK:

- Increasing debit card payments

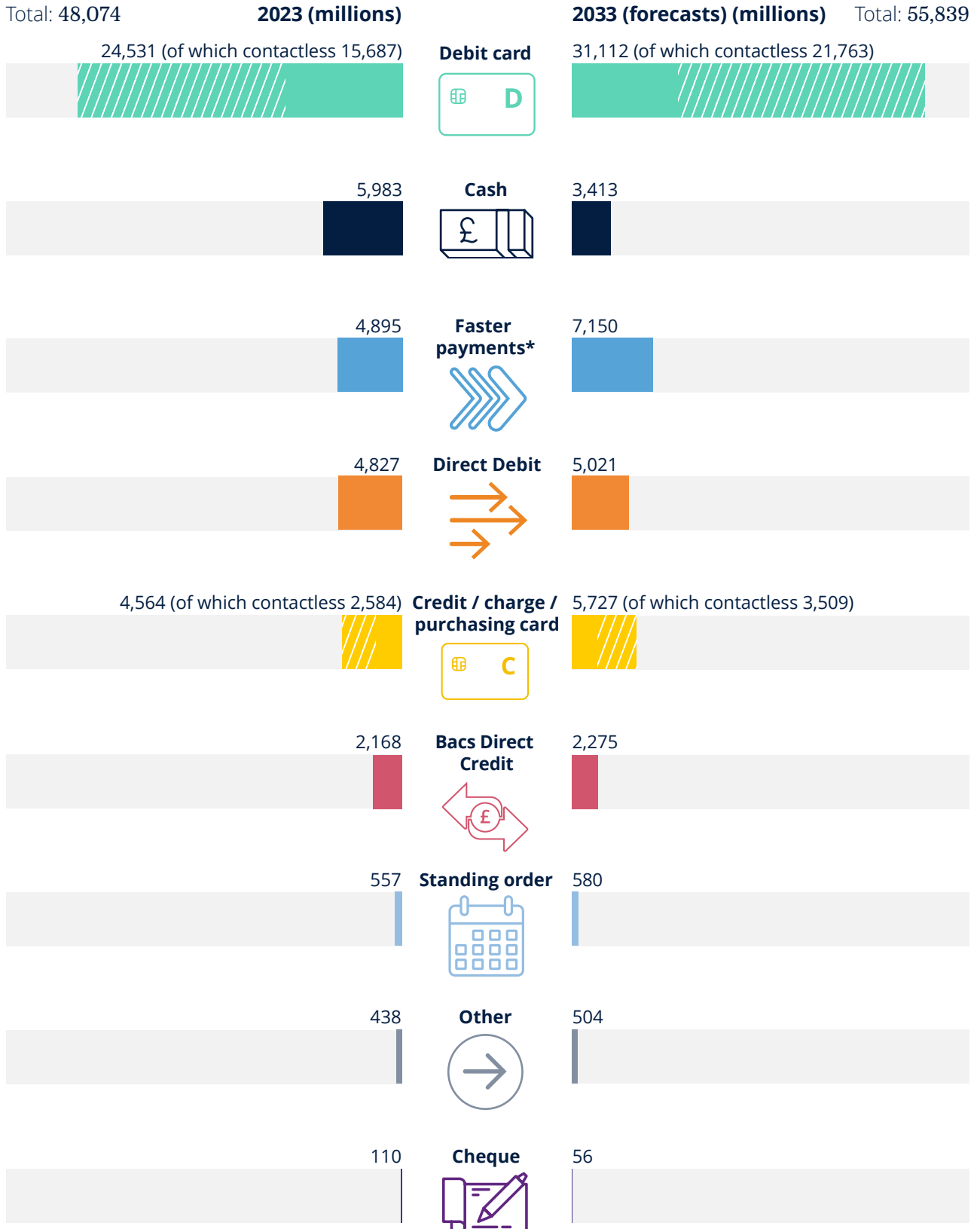
Our forecasts for development of payment volumes over the next ten years can be seen in the chart below.

Chart 1.4

Payment volumes (millions) 2013 to 2033



Total payment volumes in the UK (millions) 2023 vs 2033 forecasts (excluding CHAPS)



*and other remote banking