

Contactless 10 year report

September 2017



The UK is a world leader in contactless payments. The widespread adoption of contactless in the UK was a gradual process but over the past few years contactless use has grown exponentially.

In just a decade, contactless cards have gone from a niche offering to becoming the first choice payment in all kinds of situations.

Consumers have embraced the speed and convenience of contactless, with many using it as the preferred way to pay for everything from commuting to grocery shopping, for purchases up to £30.

Between January and June 2017, £23.23 billion was spent using contactless. This is close to the total for 2016, when £25 billion was spent using contactless cards. This, in turn, is more than double the spending in the previous eight years combined (£11 billion).

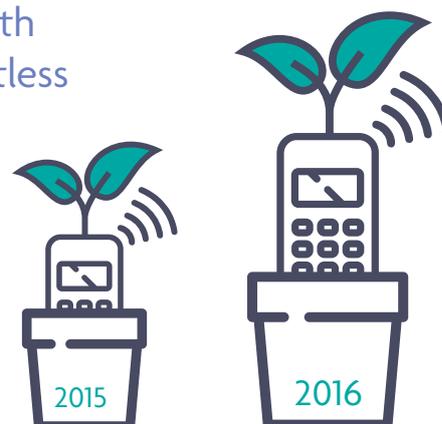
One out of three card payments is contactless



The number of contactless cards stands at 111 million. This breaks down to 74 million debit cards and 37 million credit cards.

The number of terminals accepting contactless cards has also grown rapidly in recent years. As of June 2017 there were 500,000 acquirer-owned terminals.

45% growth in contactless terminals

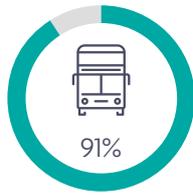


In 2016 food and drink retailers such as supermarkets and off-licences were the most popular place for contactless use, accounting for 43% of all contactless purchases with an average transaction value (ATV) of £9.70. This is mainly driven by extensive contactless acceptance at most British supermarkets, where 91% of food and drink contactless purchases were made.

The second most popular sector for contactless payments was in the entertainment sector, representing 28% of contactless purchases by volume, with an ATV of £7.99. Most contactless activity in this sector was in restaurants, fast food establishments, pubs and coffee shops, which accounted for 89% of all contactless payments. In the 'other retail' sector, chemists, book stores, newsagents and gift shops were the most popular locations, in part driven by growing demand from consumers.

Proportion of contactless payments by sector 2016

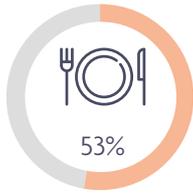
Merchant categories with the highest contactless payments share from total card payments:



Public transport



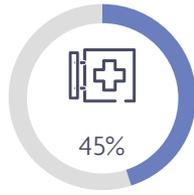
Bakers and dairies



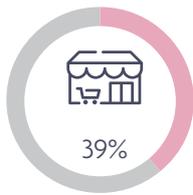
Eating/drinking places



Books, newspapers and magazines



Chemists



Supermarkets



Amusement parks

The history of contactless...

Back in 2007 two contactless products were launched – Visa PayWave and Mastercard PayPass – across seven London postcodes, sparking a revolution in the way consumers pay. However, contactless was initially slow to take off. Cards were only available from one provider and many retailers were unaware of the way the cards worked and did not have the technology to process them.

The rollout of contactless moved outside of the M25 in 2009. Expansion of the technology by card companies and in stores started to accelerate from 2014.

In 2007:

- The total number of transactions stood at 10,000, with an average value of between £4 and £5 and a £10 limit.
- There were approximately 250,000 cards in issue but only between 0.25% and 2% were active.
- A quarter of the 1,200 terminals identified were active.

Over the past decade the industry has worked collaboratively to ensure consistent messaging for customers and raise awareness, particularly on security. The industry also identified a number of ways to increase contactless usage.

Contactless limit:

The maximum value for contactless purchases is £30. If the payment value is above the limit, it defaults to a chip and PIN transaction. Sometimes as a security measure, customers are also asked for their PIN. In the UK, the initial limit when contactless was introduced in 2007 was £10. This was subsequently raised to £15 in 2010, £20 in 2012 and £30 in 2015, bringing it in line with the average supermarket shopping basket.

Limit changes were agreed by the industry, the card schemes, retailers and issuers. UK Finance will play a role in facilitating any future discussions.

The contactless card limit increases:



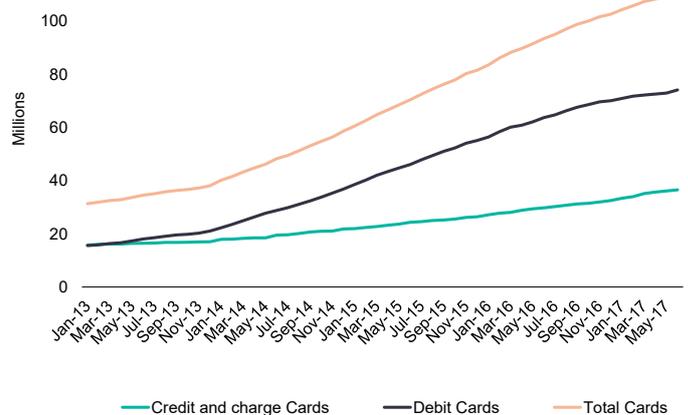
Card issuance:

Initially contactless cards were only issued by one provider, but over time this has increased with 16 issuers now providing contactless technology in their cards. Some issuers also offer non-contactless cards.

Most contactless cards are debit cards.

Contactless cards in issue:

111m contactless cards in issuance as at June 2017



Card acceptance:

Growth in contactless acceptance has been driven by the commitment of card issuers and recognition by retailers of the benefits of contactless, but ultimately its success has been driven by consumer demand.

New uses:

As well as working with retailers, the card industry has actively looked to encourage and facilitate the introduction of contactless into new environments, away from the high street.

A key area and driver of the growth of contactless payments was its introduction to London's public transport system in 2014. At the end of 2015, transactions on the London network represented around 11% of all contactless transactions in the UK.

Outside London too, the cards and transit industries began to explore ways to bring contactless payments to passengers across the UK. Rollouts began in Edinburgh, Oxford, Reading and other places this year, giving passengers the option of paying for travel with contactless. The big five bus operators have also committed to offering contactless payments across their networks by 2022. Looking ahead we expect other transport providers to roll out contactless payments on buses, trains and trams across the UK, giving passengers choice, ease and speed when travelling.

New devices:

The majority of contactless payments are made using a debit or credit card, but there are a number of other devices which increasingly can be used to make contactless payments.

In 2015 Apple Pay was launched in the UK, enabling owners of Apple smartphones and watches to make contactless payments by authenticating themselves through an app and touching their device on a payment terminal. This was followed by Barclaycard's launch of bPay contactless payments in the form of wearable bands and stickers. Google launched its contactless mobile payment product Android Pay in 2016, and Samsung Pay was launched in 2017. Contactless mobile phone (and watch) payments typically work by uploading the card details into a digital wallet on the device. Stickers and wearables, on the other hand, usually host a reloadable prepaid card chip.

Higher value payments:

On some contactless devices, such as smartphones and watches, customers can also make higher value payments, which are contactless payments in excess of the £30 limit which exists on cards. The payment is verified using a fingerprint or the phone's passcode. Higher value payments are already offered by a number of major retailers and others are expected to follow.

The future for contactless...

Getting about:

UK Finance has facilitated a number of projects to further increase the use of contactless.

For the past two years the industry has worked with bus and rail operators across the UK to introduce smart ticketing using contactless technology, meaning passengers no longer have to buy a ticket or pay with cash. Following the success of using contactless cards on the Transport for London system – now accounting for over 40% of pay as you go journeys with cards from 100 countries – UK Finance has developed three different models to enable transport companies to introduce contactless ticketing. These have already been adopted by a number of bus providers across the UK, with a system similar to the London-wide network expected in Manchester soon. There is a clear customer desire for contactless transit, with research by Transport Focus showing 61% of people think contactless is suitable for paying train, bus and tram fares!



2026
11 billion

In 2026, we expect there to be 11 billion contactless transactions. This is a four-fold increase on the 2.8 billion transactions in 2016.

Giving to charity:

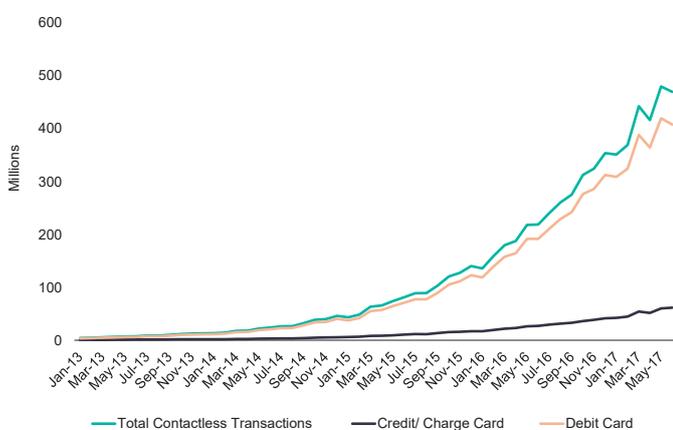
More recently, UK Finance has facilitated three contactless donation options for charities to use. These include varying amounts in a range of locations, to reflect the fundraising needs and work of different charities. Charities from galleries to medical organisations have adopted these models.

New acceptance:

Acceptance will be further accelerated by Visa² and Mastercard³ mandates that as of 2016 all new payment terminals in Europe must be contactless-enabled, and by 2020 all terminals must be contactless-enabled. Some independent shops, typically cafes, have started taking card payments only. Small traders, such as those selling at markets, are using new technologies such as payment terminals linked to mobile phones and offering their customers the chance to make a contactless payment in all kinds of locations. Larger retailers are experimenting with more agile ways to take payments, including mobile terminals which can be used anywhere in a shop. Some retailers, particularly supermarkets, have moved to a model where self-service tills only take card payments.

Contactless cards transactions

470m Transactions
in June 2017



Industry innovations:

Contactless is just one of a number of innovations delivered by the industry to provide customers with world leading services. The UK was the first to introduce the globally accepted chip and PIN technology to make cards safer and card acceptance faster in 2003; this was followed by Faster Payments in 2008 enabling payments to be made at the touch of a button, 24/7; Paym was introduced in 2014 to enable customers to use their mobile to pay someone securely using only the recipient's phone number; and the Current Account Switch service was launched in 2013 to make switching accounts easier and backed by a customer guarantee. Looking ahead the industry is preparing to launch cheque imaging next month (October 2017) and Open Banking early next year which will further support the delivery of new products and services and enable customers to compare them more easily.

Who uses contactless?

- In 2016 just over half of all people in the UK made a contactless payment.
- Three in five 25-34-year-olds made contactless payments during 2016, compared to two in five people aged 65 and over.
- Six out of 10 in London made a contactless payment in 2016, compared to four in 10 people in the north west of England.⁴

Where can you use contactless?

- There were a billion contactless cards in circulation across the world in 2016 but Europe leads the contactless revolution.
- Figures from 2015 show the UK had the most contactless cards in circulation, followed by France and Poland. Five countries – the UK, Poland, Spain, France and Italy – accounted for 76% of all contactless cards in circulation in Europe.
- In the Czech Republic 77% of in-store transactions processed by Mastercard were contactless in 2015. In Poland, the figure was 55%, 40% in Hungary and 38% in Slovakia.
- North and South America are still catching up in terms of contactless payment adoption. Canada leads the way in the region, growing faster than the US, with virtually all payment cards in issue being contactless-enabled and 75% of major retailers accepting contactless payments.⁵

¹ <https://www.transportfocus.org.uk/research-publications/publications/paying-for-public-transport-with-contactless/>

² More details at: <https://www.visaeurope.com/>

³ More details at: <http://newsroom.mastercard.com/eu/>

⁴ Who uses contactless? Customer research: <https://www.paymentsuk.org.uk/file/2529/download?token=7ZkWTfjG>

⁵ Where can you use contactless?

If you have any questions about this report please contact the press team: press@ukfinance.org.uk

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