The state of pay 2019-2020

UK RESEARCH

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Contents

Foreword

"We've been at the heart of UK payments for over 50 years."

In 1968, as the Interbank Computer Bureau, we launched the UK's first shared electronic payment system with a secure, streamlined service using international standards. When we began our story, it was with a mission to enable greater choice in payments for UK people, businesses, Government and banks.

Today, Vocalink provides transaction switching, clearing and settlement for one of the world's busiest ATM networks comprising over 60,000 ATMs[1]; we run, maintain and service the technical infrastructure that processes over 4.4 billion automated payments annually on behalf of Bacs including over 90 percent of UK salaries, more than 70 percent of UK household bills and almost all state benefits[2]; we manage the infrastructure that powers Faster Payments — allowing consumers and businesses to make real-time payments 24x7. And as we complete the migration of paper cheque processing to the electronic Image Clearing Service, we are proud of the part we have played in driving a fully digital UK payments infrastructure.

Now, as part of Mastercard, our ideas and innovations play out on an even bigger stage. But our core purpose remains the same: to enable the frictionless flow of payments for consumers, businesses, banks and governments. We believe thought leadership, proprietary research, market analysis and opinion sampling are central to our offer.

Vocalink began researching consumer attitudes and behaviours to payments and payment technologies in 2013 to help us better understand the needs of the people and business owners that participate in the UK's economy. We repeated our study in 2015 and again in 2017 to chart the change over time. This research, conducted in 2019, explores those same topics while unearthing additional insights into newer trends, such as the rise of digital-only banks and the advent of Open Banking. We also delve deeper into financial literacy and education — something we believe is vital to ensure the sustainable growth of the global economy.

We travelled the length and breadth of the UK to gather a diversity of perspectives. We've looked across the population – from Generation Z to over 75s and small business owners. Our findings among these groups provide valuable insight into the way people and organisations want to access and move their money.

This research serves a dual purpose of informing thinking across our industry and driving our own innovation in the UK and beyond. I invite you to engage in the discussion on the state of pay in the UK, and share your hopes and expectations for how the UK payments landscape continues to evolve.

Gregor Dobbie
CEO of Vocalink, a Mastercard company

1. LINK website
2. Bacs website

Join the conversation
vocalink.com/stateofpay
#StateofPay

Research approach

2,603 people surveyed, of which:

- 2,002 UK adults aged 16-75, all are current account holders and use a mobile phone regularly
- 301 UK adults aged 76+, all are current account holders and use a mobile phone regularly
- 300 users of banking or payment services in a UK microbusiness

Focus groups in:

- London
- Leeds
- Bristol
- Edinburgh

Research aims:

- To understand how the state of pay in the UK has changed in the last two years
- To explore behaviours and preferences among UK adults with regards to banking and payments
- To highlight emerging trends, and understand what UK adults and users of banking or payment services in a UK microbusiness want from the next generation of banking and payments

This study was commissioned by Vocalink and was conducted by Ipsos MORI, a market research company. Please see technical note at the end of this report for information on the 2015, 2017 and 2019 state of pay research methodologies.

For the purposes of this report, we will refer to UK adults aged 16-75 as 'respondents', and UK adults aged 76+ 'respondents aged 76 and over'.

Definitions

Mobile payments
A mobile payment is any payment made from or through a mobile phone. This could include phone-based contactless payment applications such as Samsung Pay or Apple Pay, even though these usually work as proxies for credit or debit cards.

Mobile payments also include buying anything via an app or internet browser. This could be in-app purchases – such as add-ons to games, Uber car bookings or car parking – or shopping through a web browser on a mobile phone.

For the purposes of this paper, a payment made on a tablet would not be deemed a mobile payment.

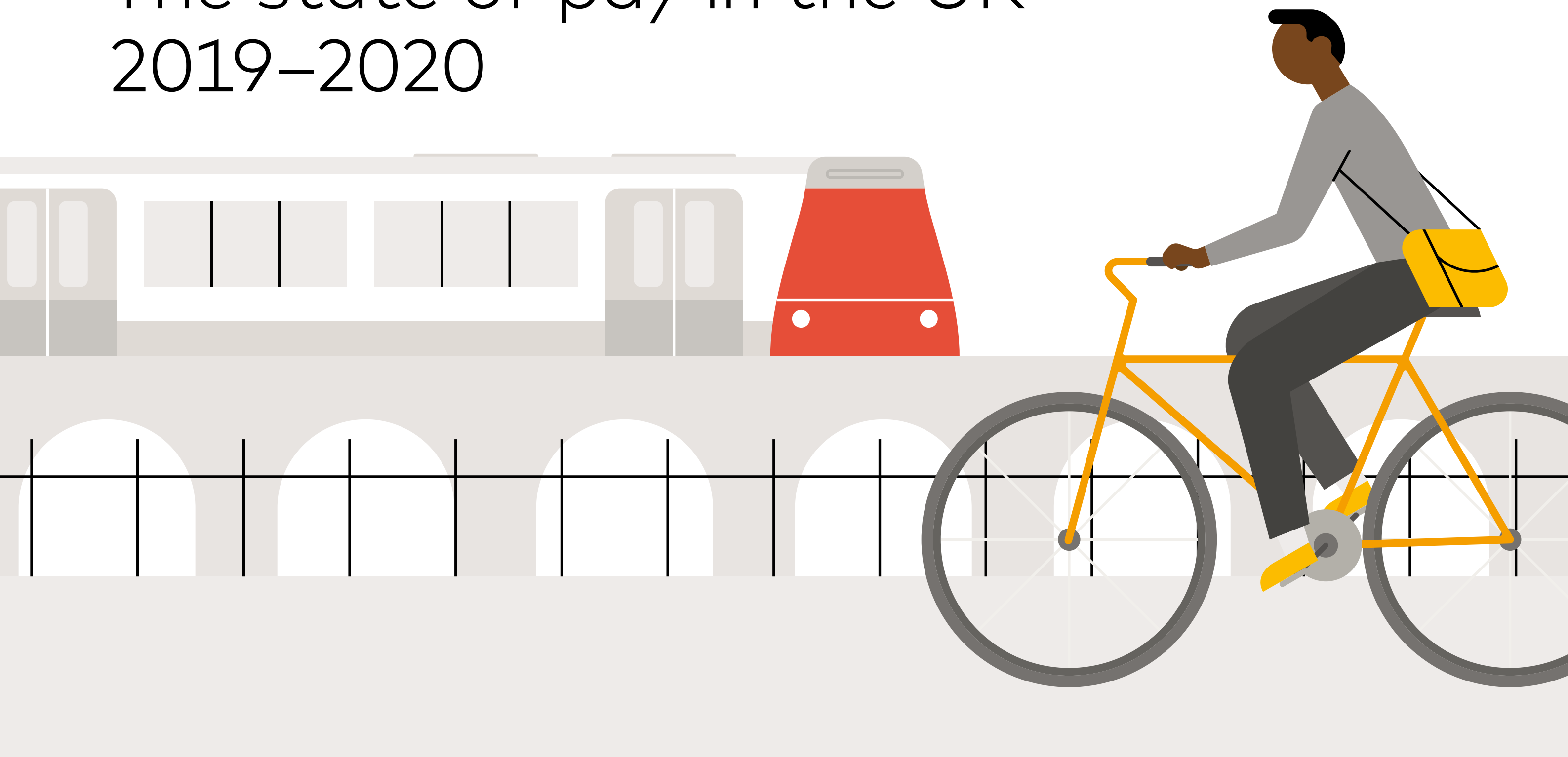
Mobile banking
This means accessing and managing your bank accounts via a mobile phone via app or browser. For the purposes of this paper, if a person accesses their account via a tablet or laptop while out and about that would count as online banking rather than mobile banking.

Open Banking
Banks allowing customers (with their approval) to securely share their transaction data with approved third parties.

Fintech/digital-only bank
A bank that provides all its banking facilities online and through app platforms on smartphones and tablets, with no physical branches. 'Fintech' refers to providers offering innovations in both financial services and technology. In this report, we are specifically referring to the new wave of fintech banks such as Monzo, Revolut and Starling, to name a few. These providers are frequently also digital-only.

Gig worker
The gig economy is a labour market characterised by short-term contracts or freelance work as opposed to permanent jobs. For the purposes of this research, we have defined a gig worker as anyone that works on a casual or zero-hour contract, freelancers and self-employed workers that source work via a gig platform such as Uber or Task Rabbit. Please note that there were only 160 respondents in this group.

The state of pay in the UK 2019–2020



When we began charting the state of pay in the UK in 2013, we were on the frontier of the next generation of payments. Our research focused on what were then considered nascent mobile payments and banking technologies.

In 2015, our headline story was growing usage of mobile payments in-store and online, most likely spurred by a proliferation of smartphones and improved availability of contactless acceptance infrastructure; in 2017, we concluded that mobile banking apps may be becoming more of a natural and accepted part of many respondents' relationship with their banks — the 'new normal'.

We've since witnessed a steady transition to digital means of managing money and making payments. As the mobile proposition matures, the industry is moving beyond the traditional payments space to enable choice and innovation across the wider digital ecosystem.

Perhaps the biggest change of the past two years is the influx of new providers (including digital-only banks, or 'fintechs') in payments. These new providers make up more than a tenth of new current accounts opened in the last six months however, as we heard from participants in our focus groups, these are generally reserved as secondary accounts into which they pay themselves a regular allowance to help them control their day-to-day spending more effectively.

Fintech users tend to be younger, more likely to live in urban areas, and significantly more of them use mobile payments (in comparison to current account holders with mainstream UK banks). But while many of the fintech users participating in our focus groups wax lyrical about the superior customer experience and ability to make payments abroad with minimal or no fees, there's still a way to go before fintech providers assure a broader audience they're safe, stable and responsible enough to compete with established mainstream banks.

Online banking continues to be the most used method for day-to-day account management, and use of mobile banking apps has continued to increase over time. At the same time, a steady number of respondents continue to bank 'offline' — via telephone or in-branch at a bank or Post Office — suggesting that while use of online and mobile banking is on the rise, there is still an (albeit lower) appetite for more established methods.

Many of the participants we spoke to in our focus groups told us that more should be done to promote financial literacy, which they consider

a key requirement to improve financial capability. There's a growing market of digital money management apps and tools to help meet this need, but providing this training in schools — most focus groups participants agreed — is the best place to start.

When it comes to making payments, our 2019 research shows a continued trend towards contactless payments. In fact, contactless cards are now the most used method of payment for small, daily purchases. Contactless mobile payments are also fast gaining ground with use more than doubling since 2017. It's something we could have predicted, but what's perhaps less easy to predict is the continued high use of cash too. We heard many times in our focus groups that participants value choice at the point of sale, some find using cash makes it easier to track their spending and budget more effectively, and there are certain scenarios — such as paying tradespeople and small businesses, paying for taxis and public transport, and when donating to charity — where cash plays a significant role.

We observed a significant regional variation in the use of contactless payments, with more respondents in the South East or Greater London using contactless payments for small everyday purchases than those elsewhere. There was also significant variation in use of contactless payments across age groups with a significantly lower proportion of respondents aged 65 or over using contactless payments across a range of payment scenarios. But while older respondents tend to lag a little behind the trend, the respondents aged 76 and above we spoke to are defying expectations in many other ways: they're confident managing money, and online is their most used method for everyday banking activities like checking balances and transferring money (ahead of telephone or in-branch banking).

Over the past two years we have seen many respondents settle into new routines. But following the introduction of Open Banking in January 2018 and other upcoming domestic initiatives set to stimulate competition in financial services, the UK payments industry is facing a sea change once again. Its early stages, and the respondents we spoke to are understandably wary of anything that could compromise the security of their personal data, but driving greater awareness of the benefits will likely alleviate most concerns.

Incumbent banks and established players like Mastercard and other global payment providers are best-regarded by respondents to secure their trust in new payment solutions or financial services, but how will these organisations leverage the opportunity to drive a more frictionless future of payments? We'll find out when we revisit the UK's state of pay in another two years' time.

The rise of digital-only banks

13%

of new accounts opened from Jan-June 2019, were digital only banks

15%

of 25 to 34-year-olds hold an account with a digital only bank

1 in 3

people in the Greater London area is considering opening a digital-only bank account

The influx of new providers into the UK payments and finance space is potentially one of the hallmarks of the past two years.

Digital-only fintech banks, including Monzo and Starling Bank, account for over one in 10 (13%) new current accounts opened in the UK, in the six months ending June 2019. Other smaller but more 'traditional' providers (i.e. with a network of branches), including Nationwide, TSB and Metro Bank account for 21 percent of new current account openings, while the 'Big Five' and their subsidiaries account for 65 percent. This proportion is down five percentage points from 2018, which might cause incumbent providers some concern.[1]

According to this year's survey, fifteen percent of respondents aged 25 to 34 already have an account with a digital-only bank (like Monzo or Starling), and about a third of respondents (30%) aged 25 to 44 say they are considering opening a digital-only account, but haven't yet. The proportion of respondents who both currently own or would consider opening a digital-only bank account is highest in Greater London (17% own and 33% would consider).

A number of participants in our focus groups claimed to have accounts with multiple fintech digital-only providers either in cases where they share a joint account with a partner or housemates, or simply because they're testing different offerings before they commit.

'I use Revolut to send money to my brother who works all around the world — it's easy and instant'
Leeds

The proportion of respondents who already own or would consider a digital-only bank account is lowest among older age groups. Ownership of a digital-only account among respondents aged 65 to 75 is three percent and four percent among respondents aged 76 and over; consideration is five percent and eight percent respectively. Alongside this, 82 percent of respondents aged 65 to 75 have not considered opening an account with one of these providers.

'It saved the hassle of trudging down to the bank with my son's birth certificate and whatever else — I did it all online'
Edinburgh

What makes digital-only banks so attractive? In our focus groups, many participants who owned a fintech account admired the intuitive user experience of digital-only bank apps, and said immediate push notifications gave them greater visibility of their finances and improved control. These participants drew comparisons on customer service, and said they liked that they could contact a customer service assistant via email or in-app chat quicker than phoning a traditional bank.

Most often, focus group participants who owned a fintech account told us that consideration of digital-only banks had been driven by recommendation by friends or family. The incentive to 'refer a friend' offered by many fintech banks goes a long way too. Many of these participants said they were encouraged to open a fintech account before travelling abroad in order to save on foreign transaction fees and continued using the account when they returned.

'I use a pre-paid cash card when abroad. It is safer as I am not carrying cash and it is easy to use, plus I have the flexibility of being able to use cash if I need to'
Leeds

Fintech customer profile

Household income £46K vs £33K average	Living in urban area 66% vs 56% average	Have credit card 57% vs 48% average	Have investments 27% vs 17% average
Have savings 65% vs 57% average	Degree educated 50% vs 27% average	Average age 31 years vs 48 years average	

But despite their impressive growth, just 24 percent of fintech bank accounts in Great Britain are used as main current accounts.[2] Views expressed in our focus groups shed some light on why this is the case: the majority of participants who owned a fintech account prefer to retain their bank account with a traditional provider for activities such as receiving their salary and making larger or loan payments. They use their fintech account for every day purchases somewhat like a pre-paid card: they transfer themselves an allowance at the beginning of every month, and use the bank's app to maintain an overview of their spending and help them budget.

Similarly, many of these participants felt this makes a fintech bank card safer to travel with.

'It's just a 'holding cell'
Edinburgh

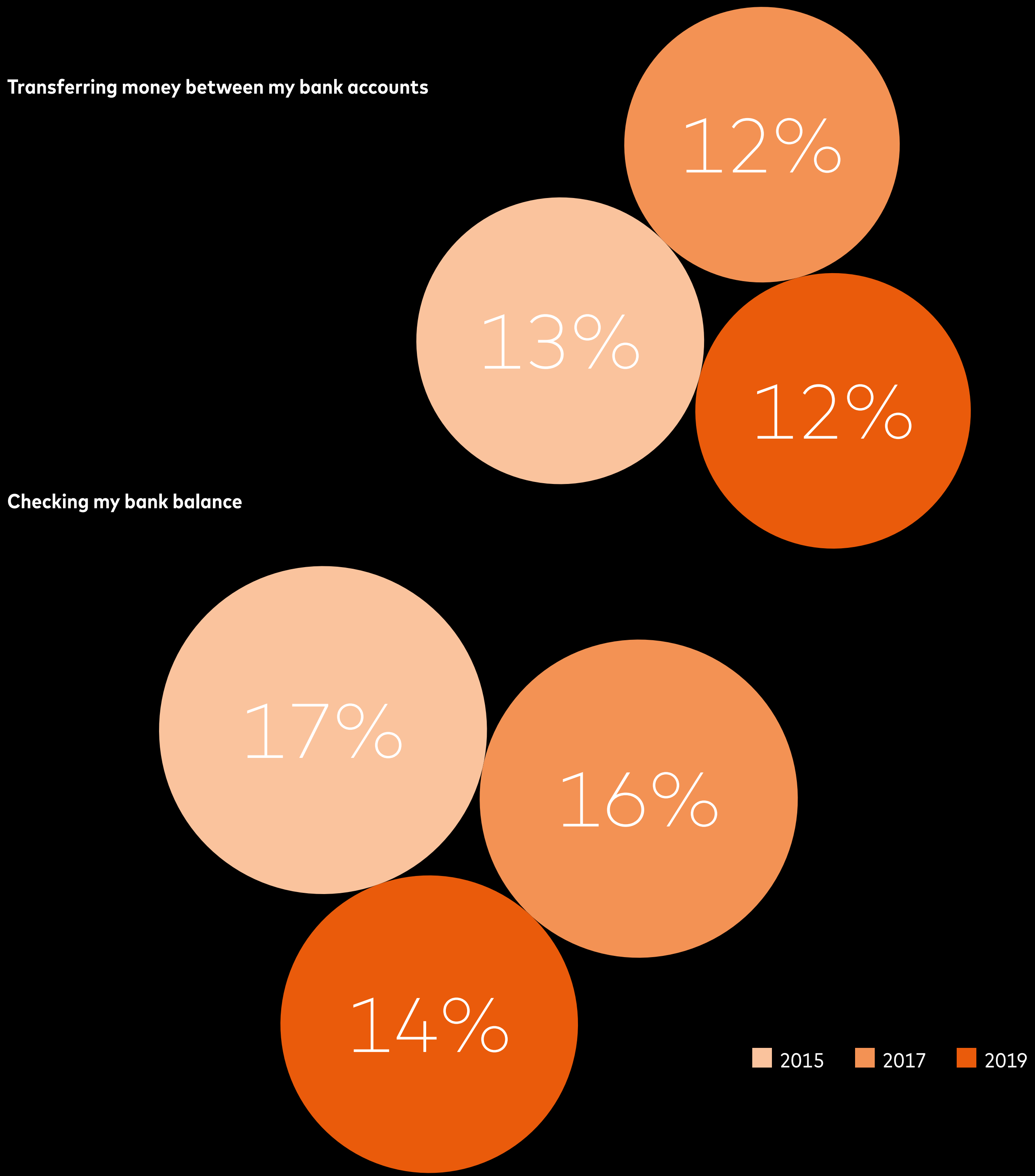
So, what's preventing more respondents from taking the plunge? Security is cited as one of the biggest concerns: in our focus groups, general consensus among participants was that fintech banks — being new and relatively untested — weren't a safe repository for all their money. A few failures and some negative customer reviews have done little to alleviate their worry.

'They could go belly up tomorrow'
London

Security and integrity is an area in which fintechs can perhaps differentiate themselves in what's becoming an increasingly saturated market for both personal and business banking. Doing more to reassure consumers around core transaction security, consumer protections and regulatory compliance (areas in which traditional banks are perceived to be stronger) could help fintech banks transition from 'secondary' to 'primary' account providers.

1. Financial Research Survey (FRS) Current accounts opened in the last 6 months. Time period: 3 months ending June 2019. Base definition: GB adults aged 16+. Base size: 2128. The 'Big 5' banks and their subsidiaries consist of: Barclays; Santander; HSBC/First Direct/M&S Bank; NatWest/RBS; Lloyds/Halifax/Bank of Scotland.
2. Financial Research Survey (FRS) Current accounts opened in the last 6 months. Time period: 3 months ending June 2019. Base definition: GB adults aged 16+. Base size: 2128.

How do you perform the following activity: By telephone call or in branch[3]



1. Financial Research Survey (FRS) Current account holders; Time period: 12 months rolling. Base definition: all current account holders. Base size: 58,272
2. ONS, Business activity size and location, via the NOMIS database (UK Business Counts variable)
3. Q: When it comes to your personal banking, in which of the following ways, if any, do you perform each of the following activities? Base definition: UK adults aged 16 to 75, all are current account holders and use a mobile phone regularly. (Base size: 2019 - 2002; 2017 - 1673; 2015 - 2664)

Day-to-day account management

Online banking continues to be the most used method for day-to-day banking activities, and use of mobile banking has continued to increase over time.

In our 2017 survey, three tenths of respondents (30%) said they used a mobile banking app on their smartphone to check their balance and a similar proportion again said they transferred money between their accounts this way (28%). It suggested mobile banking apps may be becoming more of a natural and accepted part of many people's relationship with their banks.
Two years on, a significantly higher proportion of respondents are using a mobile banking app on their smartphone to perform the same personal banking activities versus 2017: checking their balance (46% of respondents in 2019 compared to 30% in 2017) and transferring money between their accounts (35% of respondents in 2019 compared to 28% in 2017). Younger respondents (those aged 16 to 24) are more likely to perform personal banking activities like this on their smartphones (over other methods available), whereas older respondents (those aged between 35 and 75) are more inclined towards using a computer (versus a banking app on a smartphone or other methods).

In an age where the smartphone forms the basis of many interactions between customers and service providers, conducting every day banking activities via mobile may be somewhat expected. But what's perhaps less expected is that the proportion of respondents performing everyday banking activities by telephone call or in-branch has remained at a similar level over time. Around one in eight respondents transfer money between accounts either by telephone call or by going in branch, and this has been the case going back to 2015 (12% of respondents in 2019, 12% in 2017 and 13% in 2015). This suggests that while use of online and mobile banking is on the rise, there is still an (albeit lower) appetite for offline personal banking methods.

Security concerns and personal preference are the main barriers to using a banking app on a smartphone or tablet. When we asked respondents not currently using a banking app for personal banking why this was the case, 41 percent said 'I prefer other ways to do my personal banking' while 39 percent agreed 'I don't feel it's secure to use a banking app'.

Just under a fifth (19%) of respondents use the Post Office for everyday banking, and among respondents aged 76 and over, this grows to almost one in three (29%). When we probed why, convenience came out top with 47 percent of respondents aged 16 to 75 who use the Post Office for everyday banking agreeing it was 'because there's a Post Office branch in a convenient location' (an even higher proportion of respondents aged 76+ who use the Post Office agree with this at 60%). Similarly, 35 percent of Post Office banking users aged 16 to 75 agreed it was 'because my bank doesn't have a branch in a convenient location', and 32 percent 'because I can do other things at the same time'.

Many participants in our focus groups who use the Post Office for personal banking agreed, noting: 'it's more convenient to walk to the local Post Office than try to find a parking space in town.' Other participants felt the Post Office was a less intimidating environment to perform banking activities than a bank, which they described as too clinical.

'A bank can be intimidating, but a Post Office has more of a community feel. It's the preferred option for many of my clients'
Bristol

Looking more specifically at using the Post Office to manage current accounts, usage has increased over time. In 2019, eight percent of GB adults used the Post Office to manage their current account — in comparison to six percent in December 2016 and four percent in June 2014.[1] Could an increased use of the Post Office for banking be linked to a high volume of UK bank branch closures? In the four years from 2012 to 2018 around a fifth of bank and building society branches closed in London and the south-west, just above a 17 percent nationwide average.[2] The Post Office remains an important means for many people in local communities to access their money and other banking services.

Financial education and literacy

Could more be done to promote financial literacy and confidence in managing money?

Improving financial education and literacy is high on the government's agenda, and for good reason: Financial literacy gives people the power to make the most of their money and have the best possible financial wellbeing, both now and in the future. But only 36 percent of respondents who participated in our survey feel they are well-informed on financial matters.

Respondents in lower income households are more likely to worry from payday to payday than other respondents: just over half of respondents (53%) in lower income brackets (with a household income of up to £29,999 a year) agree with the statement 'worrying about running out of money between paydays is stressful'. This is in comparison to 33 percent of respondents with a household income of £75,000 or more per annum.

Similarly, just over half of respondents aged 25 to 34 (54%) agree that they feel stressed when worrying about making money last between paydays. Respondents of retirement age (aged between 65 and 75) are the least likely of all respondents to agree they feel stressed about this, with nine percent agreeing with the statement and 37 percent disagreeing.[1]

'Nobody taught me about savings and loans. I learned the hard way'
Leeds

Twenty-four percent of respondents say they have given financial advice about managing finances to friends and family, and 20 percent have recommended a financial product to friends and family. Those who have given financial advice are significantly more likely to have given it to friends (47%) than parents (38%) or children (36%). Looking at younger respondents in particular, almost two thirds (62%) of respondents aged 16 to 34 who have given financial advice, have done so to friends. There are some potential benefits to discussing financial matters with peers: several participants in our focus groups felt that it's a far easier conversation to have informally 'in the pub, over a beer' and with people who are at a similar stage in their lives and therefore sharing similar financial concerns.[2]

Around one in 10 (9%) of the parents we surveyed say they have educated their children about money. In our focus groups, consensus among participants — parents and non-parents alike — was that responsibility for teaching young people about spending and budgeting fell to schools in the first instance. However, few of our focus group participants felt schools — particularly state schools — were doing enough. This was reflected in our survey data: when asked 'how did you learn about managing your personal finances?' just one in 20 (5%) said that their school had taught them.

Of course, banks might take the responsibility upon themselves — as many already have. While the Bank of England is funding a new teaching programme to give 11 to 16-year-olds more skills to make financial decisions, there are an increasing number of similar initiatives across the age spectrum, from Lloyds Bank's The M Word to Barclays' Digital Eagles.

This is where fintechs have an opportunity to come into their own. Thirty-one percent of respondents agree that 'I prefer using technology to manage my money' demonstrating an appetite for tech solutions in personal banking. Which tech tools are likely to appeal? The transparency afforded by banking apps that show payments and balances in real-time; AI saving and budgeting tools; and pre-paid cards for children with an accompanying parents' app were all cited by many focus group participants as useful tools to instil a sense of financial discipline and improve financial literacy.

But many focus group participants wondered whether the increased digitisation of money made it all seem a little intangible. Many of the parents we interviewed in the focus groups said they liked to teach their children the value of money in physical form so they can better appreciate that when it's gone, it's gone.

'I've bought my daughter a money box... I help her with counting up the coins so she learns the value of saving'
Bristol

1 in

3 agree that they feel well informed on financial matters

2 people aged 25-34 agree that they worry about running out of money between paydays is stressful

20 say their school taught them about money management

10 say that they taught their children about money management

Over 75s: Defying expectations[3]

Our research suggests that older people — aged 76 and over — may well defy expectations when it comes to their behaviour and attitudes towards finances, payments, and technology.
Some highlights about respondents aged 76 and over:

They're financially-savvy

89% agree they are in control of their personal finances

49% think they are well-informed on financial matters

Many choose to bank online

71% transfer money between accounts online

79% check their balance online

57% own a smartphone, but...

16% prefer using technology to manage their finances

16% feel left behind by financial technology advances

They have embraced contactless payments

49% use contactless to pay for small daily purchases (under £30)

65% agree that contactless payments are a convenient way to pay

1. Income up to £29,999 a year
2. 53% of 16–24-year-olds and 52% of 25–34-year-olds
3. Base definition: UK adults aged 76 and over, all are current account holders and use a mobile phone regularly. (Base size: 301)

Contactless payments

Contactless is the most used method of payment for small daily purchases.

The past ten years has seen significant change in payments. As modern economies move decisively away from cash and cheques, digital payment experiences have evolved considerably too — from swipe and sign to Chip & PIN, the in-store checkout experience is now faster, simpler... and increasingly contactless.

When we conducted this survey in 2015, contactless card payments were used by 15 percent of respondents to pay for every day purchases under £30; in our 2017 survey, it had more than doubled to 34 percent. Two years later, it's nearly doubled again. In 2019, 64 percent of respondents make contactless payments using a credit or debit card for purchases under £30.

Alongside this, 10 percent of respondents pay for small purchases via a contactless payment using their smartphone — an increase of well over double the number of respondents in 2017 (3%). Young respondents have the highest usage, with around one in six of those aged 16 to 24 (15%) and around one in seven of those aged 25 to 35 (13%) making contactless payments with their smartphone. A higher proportion of respondents aged 25 to 34 also use contactless via a credit or debit card (73% compared to 64% among all respondents). When it comes to paying in a restaurant or bar, contactless debit or credit cards are used by 53 percent of respondents — up 21 percentage points from 2017 (32%).

As suggested by recent findings from UK Finance, the growth of contactless payments is likely driven by continued roll-out of contactless cards and contactless acceptance devices, plus consumers becoming increasingly comfortable and familiar with making contactless payments on their phones.[1] In fact, some participants in our focus groups struggled to remember the last time they'd made a payment using Chip & PIN.

'I've probably forgotten my PIN by now because it's been so long'
Leeds

Initially many of our respondents held reservations around contactless payments: fifty-eight percent agreed that they worried about the security of contactless payments when they first heard about them. But this has not proven a complete barrier, as thirty-nine percent of respondents agree that while they are concerned about the security of contactless payments they use them anyway. And three quarters (74%) of respondents agree that contactless payments are a convenient way to pay.

Somewhat contrary to expectation, the increased use of contactless card and mobile payments has not been met by a corresponding decrease in use of cash. Sixty percent of respondents use cash for small every day purchases (under £30) — down just four percentage points in two years (use of cash for small purchases was 64% in 2017). And when paying the bill in a restaurant or bar, use of cash has increased: from 47 percent among respondents in 2017 to 55 percent in 2019.

Why? Sixty-eight percent of respondents agree that they like having the option to pay using cash. When we asked participants in our focus groups 'why cash?', many told us they had a nostalgic attachment to carrying notes and coins. Others, especially older focus group participants, said they find it easier to manage their money when paying with cash as it's easier to keep track of their spending.

When it comes to tracking spending, not being able to see pending payments accounted for in their available balance is a potential pain point, with 68 percent of respondents agreeing they like being able to see, up to the minute, where their money is going. Worries about losing control of spending was a sentiment echoed by many focus group participants who told us that contactless payments make them less disciplined about how much and how often they spend.

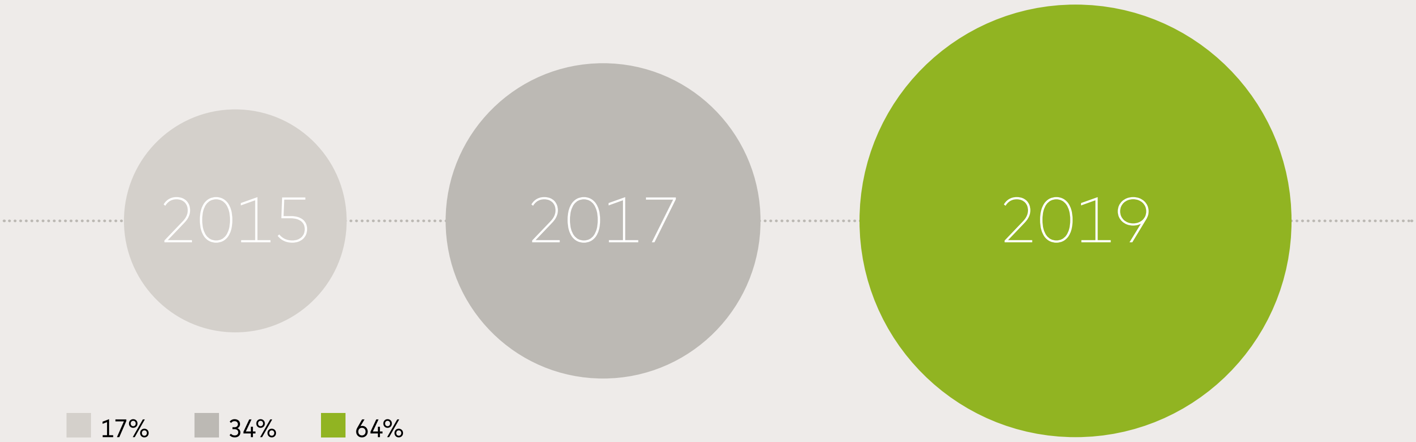
'Sometimes you get desensitised to how much you are spending'
Bristol

This perhaps explains why debit cards are more commonly used for contactless payments — given they're limited to however much the person has in their current account. But use of credit card contactless is quickly closing the gap with debit cards: the proportion of GB adults making contactless credit card payments has almost doubled in the past two years from 27 percent at the start of 2017 to 50 percent in June 2019.[2]

'It seems like free money when you pay contactless... it's just tap, tap, tap'
Leeds

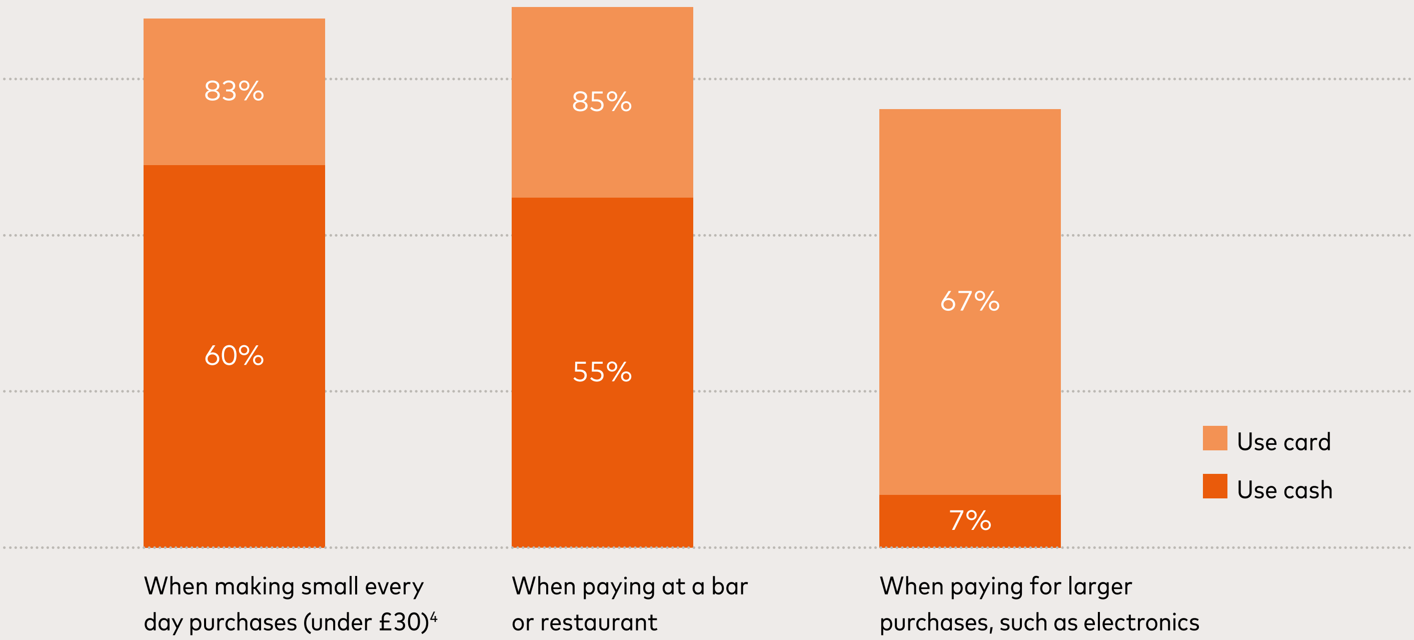
Most respondents agree the £30 limit for a contactless card payment is 'about right' (69%), but few focus group participants were aware of the extended payment limit for Apple Pay and other mobile wallets. Perhaps, given how liberally our focus group participants feared they spend when using contactless, it's better they don't know.

How do you currently pay for small daily purchases (under £30)? Credit/debit card contactless:[3]



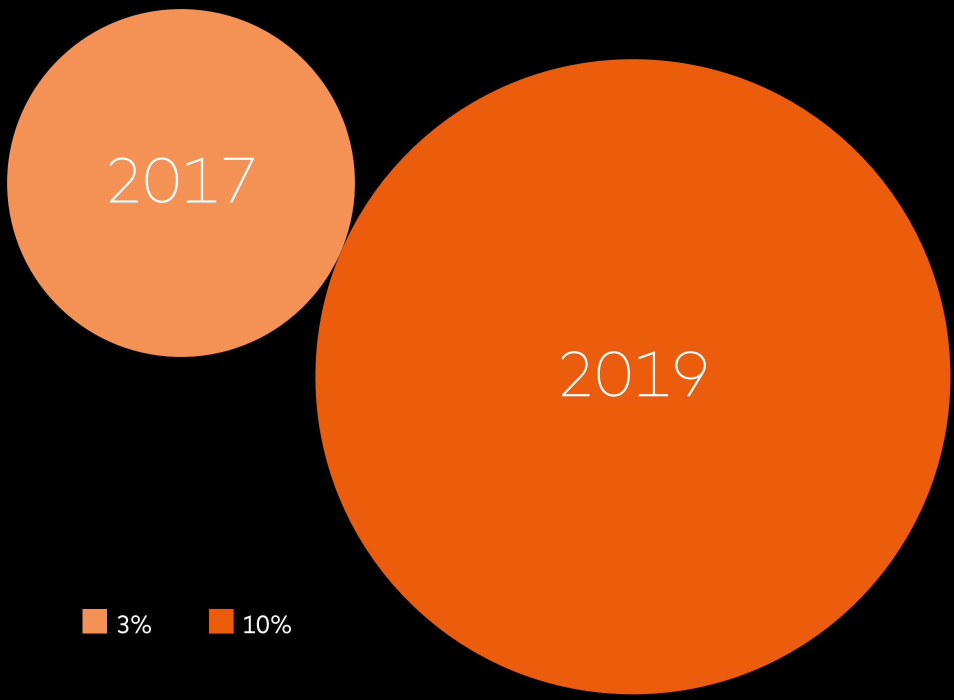
68% like being able to see, up to the minute, where their money is going

68% agree that they like having the option to pay using cash



1. UK Finance 'UK payment markets summary 2019'
2. Financial Research Survey (FRS). Respondents with a current account/credit card; Time period: 3 months rolling
3. Q: How do you currently pay in each of the following situations, if at all? Please select all that apply. Paying for small daily purchases (under £30). Base definition: UK adults aged 16 to 75, all are current account holders and use a mobile phone regularly. (Base size: 2019 - 1992; 2017 - 1899; 2015 - 4227)
4. Q: How do you currently pay in each of the following situations, if at all? Please select all that apply in each situation. Base definition: UK adults aged 16 to 75, all are current account holders and use a mobile phone regularly. (Base size: 2002)

Paying for small daily purchases under £30 via contactless smartphone payment:[2]



Paying for larger expenses like airline tickets or electronics:[3]

3x

increase in payments using a mobile phone browser

31%

increase in payments online using a computer or tablet

1. 60% among 45 to 54s, 62% among 55 to 64s, and 60% among 65 to 75s
2. Q: How do you currently pay in each of the following situations, if at all? Please select all that apply. Paying for small daily purchases (under £30). Base definition: UK adults aged 16 to 75, all are current account holders and use a mobile phone regularly. (Base size: 2019 - 1992; 2017 - 1899)
3. Q: How do you currently pay in each of the following situations, if at all? Please select all that apply. Paying for larger expenses like airline tickets or electronics. Base definition: UK adults aged 16 to 75, all are current account holders and use a mobile phone regularly. (Base size: 2019 - 1852; 2017 - 1709)

Mobile payments

Use of mobile payments is growing steadily

In 2017, we looked in detail at the growth of mobile payments in-store and online. Our findings showed that use of mobile payments was increasing across all types of purchases, and two years on there's an increase once again.

Awareness of mobile payments technology has risen slightly in the past two years. Sixty-nine percent of respondents in 2017 were aware of at least one mobile payment method (including making a contactless payment using a smartphone or paying using a mobile app or browser) — this has risen to 74 percent of respondents in 2019.

A tenth of respondents (10%) now pay for small everyday items using contactless smartphone technology, and eight percent pay this way in a restaurant or bar. The proportion of respondents using contactless smartphone payment technology is highest in Greater London in both these payment scenarios: 17% of respondents in Greater London use contactless smartphone payments for both small daily purchases under £30 and for paying in restaurants or bars (compared to 10% and 8% respectively among all respondents).

Use of contactless mobile payments has grown over time: contactless mobile payments for small daily purchases has more than doubled from three percent of respondents in the 2017 survey, to 10 percent in 2019. Is this because paying using a phone is more convenient than rooting around in your wallet or purse for a card? Perhaps having to authenticate a mobile payment with a fingerprint or passcode reassures more people to give it a go? Our focus group participants tended to agree with these suggestions, but also noted 'performance anxiety' when making contactless mobile payments: fear the technology won't work, or that their battery would run out.

It's a similar story when it comes to making payments online. In the two years to 2019, the proportion of respondents making payments for larger purchases (like airline tickets or electronics) using a mobile phone browser has increased threefold from 3 percent to 12 percent (this proportion grows to 18 percent among respondents in Greater London).

Forty three percent of respondents agree they'd like to be able to see their available balance each time before they pay via their mobile phone, which could drive adoption of mobile payment solutions like Barclays PingIt and others enabled by Mastercard's Pay by Account, which allow people to make payments directly from their bank account instore or online.

But concern around security of mobile payments could present a barrier to further growth. Over half of respondents (54%) agree they 'worry that mobile payments aren't secure', rising to around two thirds of those aged between 45 and 75.[1] Non-users of mobile payments are also worried: 62% of respondents not currently using mobile payments agree they have concerns that mobile payments are not secure. Respondents who use mobile payments are significantly less worried (45% either strongly or slightly agree), which could suggest that those who have 'bitten the bullet' — so to speak — are reassured by their experience so far. Will their testimony encourage others to give it a go?

Or, perhaps it's within banks' power to reassure their customers? Banks can support customers through innovations around security, or through education or improved communication of security solutions like tokenisation — a process of substituting sensitive payment data with a non-sensitive equivalent that has no extrinsic or exploitable value. As the mobile payments proposition matures, it's likely this is the area in which the battle will be won or lost.

Paying bills

The most used payment method for regular bills is Direct Debit

Seventy-four percent of respondents pay for bills including utilities and mobile phone contracts via bank transfer such as a Direct Debit or standing order — that's significantly higher than all another forms of bill payment we asked about, and an increase of 13 percentage points from 61 percent of respondents in 2017.

Direct Debits can be a reliable and efficient way for people to manage and plan their regular outgoings. Almost half of respondents (49%) said they would like their Direct Debits to leave their accounts on the same day each month, and many participants in our focus groups would prefer to choose that day to align with when their salary or other income is received into their account.

Paying for bills like water, power, rates, phone bills etc:[1]

13% pay bills online using a computer or tablet

15% pay bills offline pay using credit/debit card Chip & PIN

5% pay bills online using a mobile phone's browser via card payment

6% pay bills offline using cash

"I like the idea of selecting the date for my direct debits. It would offer me flexibility and allow me to tailor outgoings more accurately to payday"

Leeds

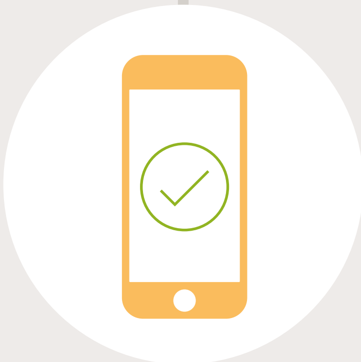
1. Q: How do you currently pay in each of the following situations, if at all? Please select all that apply. Paying bills like for water, power, rates, phone bills etc. Base definition: UK adults aged 16 to 75, all are current account holders and use a mobile phone regularly. (Base size: 1862)

Request to pay

The UK's existing account to account payments systems are designed to work well for the majority of people with regular and predictable incomes. However, in recent years there has been a notable increase in individuals who receive irregular and unpredictable salaries/incomes.[1] For these individuals their financial outgoings – from rent or mortgage payments, council tax, utilities or childcare – all need to be paid regularly regardless of whether they have the funds to do so.

This tension between irregular income and regular outgoings, can result in failed payments, which could lead many people who can least afford it to incur a 'poverty premium' in the form of a higher cost for goods and services, and credit. These factors may contribute to household indebtedness as individuals are potentially forced into short term, high cost credit, such as payday lenders.

Vocalink has been developing a Request to Pay solution, which provides a secure messaging channel between billers and consumers. Being driven by Pay.UK with support across the payments industry, will allow people to pay their pre-existing bills in 'chunks' within more flexible timeframes via their mobile phones. It will give them more control over their outgoings than current methods afford them, reducing the inflexibility that is forcing many into a cash economy.



1. Source: University of Hertfordshire

Paying other people

More respondents are paying friends and family digitally

Since we began our survey we've recorded an increasing number of respondents transferring money to friends and family in the UK via a smartphone. The proportion of respondents doing so using a mobile banking app has risen from about a quarter (27%) in 2017, to just over a third (38%) in 2019.

Could this be a reflection of new ways to pay family and friends via mobile entering the market? In 2014, Vocalink built, and the industry launched, Paym — a mobile payment solution that allows people to send money from their mobile banking app to another person using just their phone number regardless of who they bank with. When we asked participants in our focus groups what they liked most about this solution, most agreed it was easier and less prone to error than inputting the recipient's bank account details. Most participants in our groups said they prefer to ask for payments this way, especially if they're receiving money from someone they don't know well, so they don't have to expose their account information.

When it comes to paying friends and family outside the UK, the most used method among respondents is via bank transfer (either online or in person), with 65% of respondents doing this. This figure is made up of respondents using an online bank transfer specifically (57%) or in-person, in branch (18%). Participants in our focus groups said they chose to visit a branch because the additional information they need to provide to make an international payment, such as an IBAN number, made them less confident about their ability to set up the recipient correctly themselves.

The next most popular method used by respondents when sending money to friends or family in another country was a money transfer company (57%), which includes using PayPal — just over a third (35%) use PayPal to perform this activity.

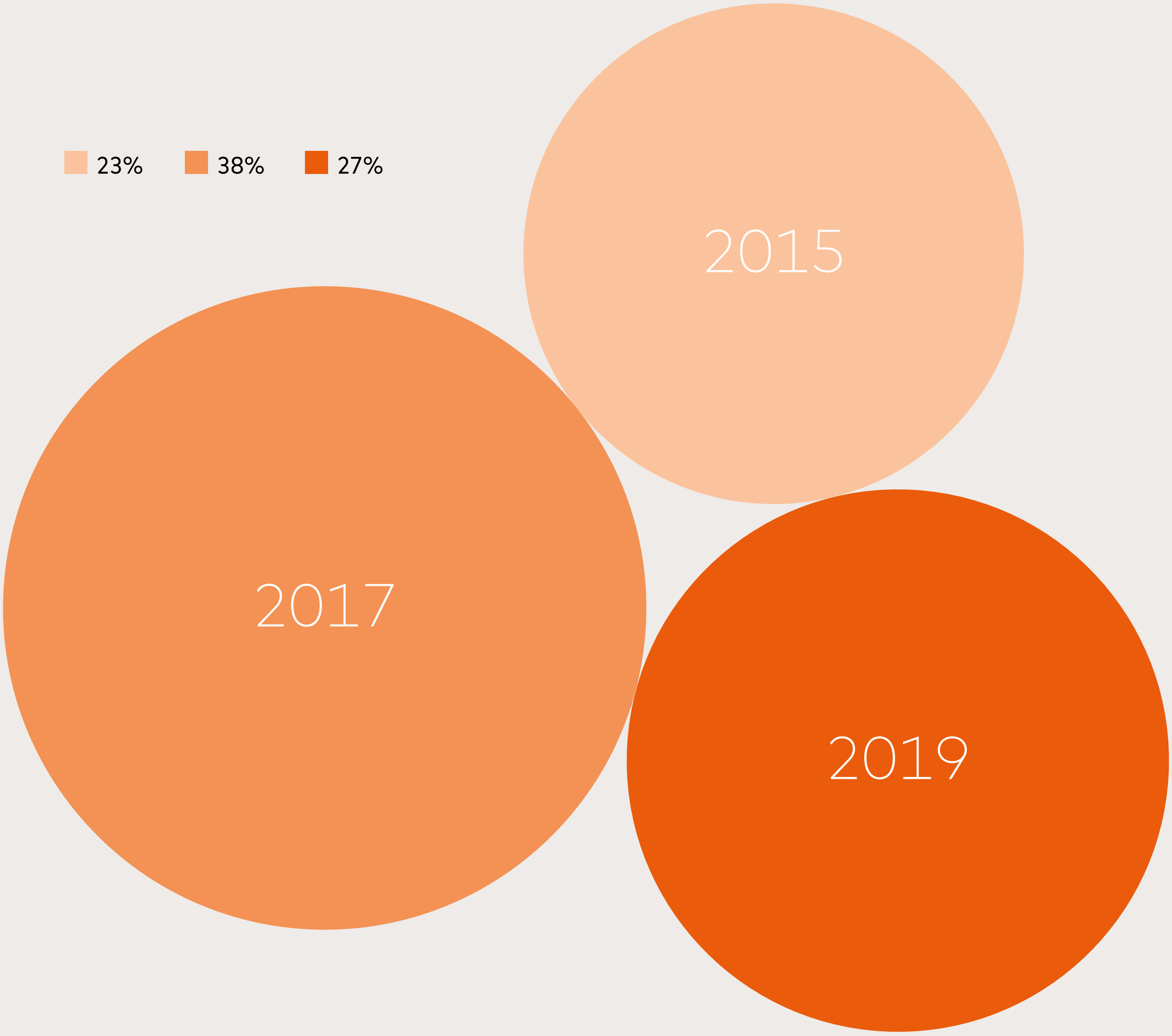
But there are considerable frictions, mostly relating to cost. Sixty-eight percent of respondents agree the 'fees for sending money to another country are far too high'. Long delays are another pain point, with 51 percent of respondents agreeing 'the time it takes for the money to clear in the recipient's account is far too long'. Many participants in our focus groups who regularly send money to friends, family and businesses abroad complained of high, unpredictable fees and perceived a high risk of fraud.

There's also a clear demand for confirmation that the money has been received. Eighty-six percent of respondents who have sent money abroad agree they'd like to receive a confirmation like this each time they made a transfer (of which 54% of these respondents strongly agreed). Several participants in our focus groups who send money abroad told us the only way they can currently find out if their money has reached its destination is by asking the recipient directly. These participants queried why it couldn't be faster, simpler and more transparent.

'Once you send that money, that's it, you have no control of it'
London

Almost a tenth of respondents in our survey (9%) still make international payments to friends and family using cash or cheque, which they post via the Post Office or another courier. Most participants in our focus groups who make international money transfers agreed this was a slow and unsafe way to send money abroad.

Use a smartphone mobile banking app to send money to friends and family in the UK[1]



51%
of those who send international payments agree the time it takes for the money to clear in the recipient's account is far too long

86%
of those who send international payments agree they would like to see confirmation of when the payment is received

1. Q: When it comes to your personal banking, in which of the following ways, if any, do you perform each of the following activities? Transferring money to/from friends or family within the UK. Base definition: UK adults aged 16 to 75, all are current account holders and use a mobile phone regularly. (Base size: 2019 - 2002; 2017 - 2019; 2015 - 2664)

The last bastion of cash?

"I like to be in control of my money; with cash, you can see it"
London

When we asked participants in our focus groups what they expect to see in the future of payments in 10 to 15 years, many said — or feared — that cash might cease to exist. But there are still a few scenarios or touch-points in our respondents' financial lives where cash continues to play a significant role.

Nights out, for example, are still dominated by cash spend: many participants in our focus groups told us they choose to leave cards at home to avoid losing them or having them stolen, while others participants felt that allocating themselves a cash budget reduces the risk of overspending while socialising.

When it comes to making irregular bill-type payments, such as for taxis, tradespeople and small businesses, and charities, what we heard from respondents in our survey shows us that in these types of payment scenarios, cash can still reign supreme. The reasons for this, however, are more complex than they first appear.

"I pay on sites like Just Giving; I don't like being stopped in the street"
Bristol

CHARITIES AND DONATIONS

It's more common to donate cash, but alternative payment methods are appreciated

About two thirds (66%) of respondents make one-off donations to charities in cash. This suggests that cash is a common method for charitable giving however, there may be some caveats to this. Many focus group participants who make donations to charity told us they're reluctant to donate to charities they encounter on the street, whether in cash or using a card. Instead, they prefer to make regular donations to charities they feel a personal affinity with, and their preference is to do so via Direct Debit or online.

Many focus group participants speculated - based on their own behaviour - that cash donations to rough sleepers is reducing over time, given that people tend to carry less cash. Those participants that did donate to rough sleepers said they prefer to give food or drink, or to 'pay it forward' in cafés or restaurants by adding a charitable donation to their food bill.

TRADESPEOPLE AND SMALL BUSINESSES

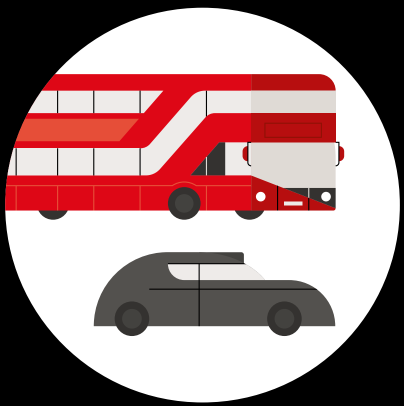
There are potential benefits for paying by cash

More than two thirds of respondents (70%) make payments to small businesses, including tradespeople like plumbers and electricians, using cash.

In our focus groups, many participants shared experiences where they were offered a discounted rate for cash payments, and while this made some uncomfortable, the potentially considerable savings make paying in cash worth considering. Other focus group participants rationalised that small businesses suffer poor cashflow, among other pressures, and are therefore willing to do whatever they can to help.

"It can feel dodgy when someone asks for cash, but I would rather save money"
London

While cash dominates for this payment scenario, digital payments methods are also used by many. Twenty-nine percent of respondents pay small businesses and services such as plumbers and electricians using a credit or debit card with Chip & PIN, and 15 percent pay using contactless credit or debit card (up 14 percentage points from 1% In 2017). This may correlate with a significant growth of acceptance terminals that link to tradespeople's smartphones to allow them to take card payments on the go.



TAXIS AND PUBLIC TRANSPORT

Cash (mostly) beats the competition when it comes to paying for taxis

Eighty-four percent of respondents pay for taxis using cash, suggesting that cash is perhaps the most preferred (or at least highly available) payment method in this scenario. However, there are some significant regional variations to note. The region with the lowest proportion using cash for taxis is Greater London. Respondents in Greater London use a mix of both cash and card with just over half (53%) using cash to pay for taxis, and a similar proportion (56%) using a debit or credit card.

"If the fare comes to £8 I hand over a tenner and say 'keep the change'"
Edinburgh

Alongside these results from our survey, many focus group participants told us that in their experience, taxi drivers show a strong preference for payment in cash even if they do accept card; these participants said they're happy to oblige so the driver can receive the funds immediately. Many participants also told us they prefer to use cash as a means of tipping.

When paying for public transport, cash is used by 65 percent of respondents. Similarly to paying for taxis, there was significant variation by geography in the proportion of respondents using cash to pay for public transport. The region with the highest proportion of respondents using cash in this scenario was Wales, with 90 percent of respondents using cash; this is in comparison to almost a quarter (23%) of respondents in Greater London. Contactless credit or debit cards account for just over a third (39%) of respondents making payments for public transport.

Being paid

By what means, and when, do people get paid?

We asked respondents in our survey earning an income by what means they receive this money. Their responses suggest that when it comes to salary, wages and incomes, it may well be the type of employment or income source that decides how people get paid.

Ninety-four percent of respondents who receive an income from a regular or part-time source have their salary or wage paid to them by bank transfer or Bacs (this is a higher proportion of respondents than in 2017 where 87% of respondents earning an income received their salary/wage in this way). Cash is not a typical method for salary or wages — five percent of respondents who receive a regular or part time income are paid their salary/wage in cash.

The frequency with which respondents get paid also seems to correlate with their type of employment. Just over four fifths of respondents (84%) who are employed on a full or part-time contract are paid on a monthly basis; while a third (32%) of the self-employed workers we spoke to in the survey are paid weekly, and one in 10 of these respondents (10%) are paid daily.

More than one in 10 respondents (12%) who participated in our survey fall into the category of gig workers, including online merchants, those on zero-hour, casual or seasonal contracts, or contracting via a gig platform such as Uber or Task Rabbit. A fifth of these 'gig worker' respondents (20%) say they get paid weekly, and eight percent say they get paid daily. But whether these 'gig worker' respondents determine this frequency themselves, or whether it is determined for them by the platforms or agencies they use to source their work is less clear.

More flexibility in how often, and by what means it's possible to receive wages is an idea that holds appeal to many of these 'gig worker' respondents we spoke to. Thirty-eight percent of these workers agree that receiving wages more frequently would help them manage their finances more effectively (compared to 26 percent of respondents earning any type of salaried income). This may be because the gig workers we spoke to in our survey struggle to make ends meet: 52 percent of these 'gig worker' respondents agree 'I usually run low on money in the days leading up to my next payday' (compared to 40 percent of respondents earning any type of salaried income). Fifty-six percent of these 'gig worker' respondents also agree that 'worrying about running out of money between paydays is stressful'.

It's little surprise, then, that 61 percent of the gig workers we spoke to find it appealing to have instant access to their earned wages whenever they need them. This includes 20 percent of these 'gig worker' respondents describing this as an 'extremely appealing' idea. This is a significantly higher proportion than the number of self-employed respondents (14%) and respondents in full or part time work (7%) finding this an 'extremely appealing' idea.

> "I prefer to receive payment directly into my bank account"
>
> Edinburgh

Which of the following, if any, have you personally done between pay days in the last 12 months?

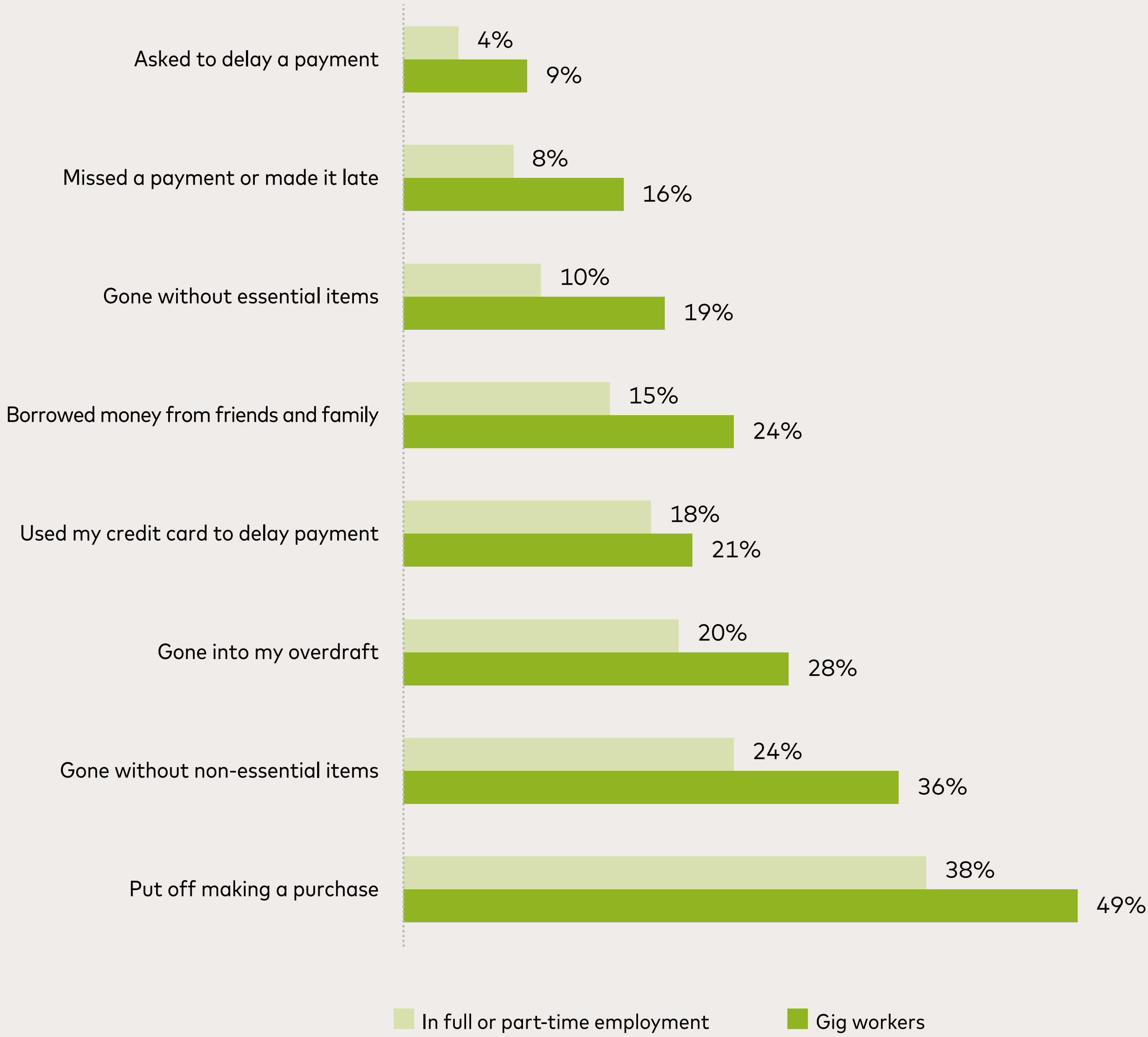


Figure 1: Which of the following, if any, have you personally done between pay days in the last 12 months? Base size: Respondents in full or part-time employment - 1075; Gig workers (all respondents on a zero-hours contract; self-employed; agency, casual or short-term contact workers; sell goods/services online) - 160

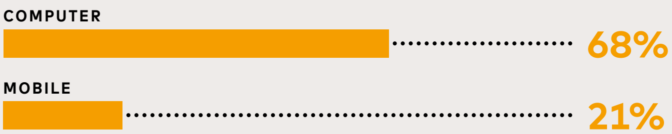
Small business owners: Labouring a little behind the times?

Business banking

A big challenge for many UK small businesses today is keeping on top of the fast pace of change in payment technology. To find out more about what small businesses are doing to manage their banking and payments needs, we spoke to 300 users of banking or payment services in a UK microbusiness with 0 to 9 employees.

The majority (over two thirds) of microbusiness users of banking services use a desktop computer or laptop to conduct their regular banking activities.[1]

check their business account balance



transfer money between their business bank accounts

Sixty-seven percent of microbusiness users of banking services do not use business banking apps. 1 in 3 of these microbusiness respondents (38%) cite security concerns as a barrier, agreeing that they 'do not feel secure using a banking app' for business banking'.

Some of the small business owners participating in our focus groups use the Post Office to perform a range of banking activities, such as paying in cash and cheques.

"If my local Post Office wasn't there it would be a nightmare. I would end up stocking cash and cheques and that would impact on my cashflow"

Bristol

Business payments

Half of microbusiness users of banking services (50%) use cash for small daily purchases under £30: [2]

55% agree they like to have the option to pay with cash

59% pay for large expenses using a personal card

64% pay their employees' salaries via direct debit or standing order

1. Q: Thinking about your business or the company you work for, in which of the following ways, if any, do you perform each of the following activities? Checking the balance of bank account(s) and Transferring money between company bank accounts. Base definition: users of banking or payment services in a UK micro-business, with 0 to 9 employees (Base size: 300)

2. Q: For the statements about payments below, please indicate to what extent you agree or disagree with each of them. I like to have the option to pay using cash whenever I want to.
Q: Thinking about your business or the company you work for, in which of the following ways, if any, do you perform each of the following activities? Paying for larger expenses like airline tickets or electronics and Paying employee salaries. Base definition: users of banking or payment services in a UK micro-business, with 0 to 9 employees (Base size: 300)

Security and payment fraud

Financial fraud is a worry

Fifty-eight percent of respondents are worried about falling victim of financial crime or fraud; a fear that has come true for around one in 10. Twelve percent of respondents have been a victim of financial fraud in the past 12 months.

Of those respondents who have been a victim of financial crime or fraud in the past 12 months:[1]

- 47% had their credit/debit card cloned
- 40% had their financial details stolen
- 26% were tricked into paying money to a fraudster

Seventy percent of the respondents in our survey who had been a victim of fraud (in the past 12 months) received all of their money back, and 11 percent received some of it back, though whether their money was recovered or they were compensated by their bank is unclear. In our focus groups, most participants who had been victim to fraud were satisfied with the way their issue was resolved. One participant was pleased to report that their bank had refunded a fraudulent payment before they'd even been aware of it taking place.

Are young people more at risk?
According to reseach by Cifas, young UK adults (under 21) bear the brunt of a surge in authorised push payment scams, where criminals trick their victims into sending money to an account which the criminal controls. An increasing number of these people are becoming caught up in money laundering — where they allow their bank account (often unwittingly) to be used by criminals to move ill-gotten funds. According to figures from fraud prevention service Cifas, as many as 10,686 under 21s were caught up in the crime last year – a rise of 26% on the previous year.[2]

Mule herders (those controlling networks of mule accounts) recruit prolifically using social media and instant messaging channels, luring in young people by the idea of easy money. Many young people seem potentially unaware of the risks they're running and the consequences it can have not only for them, but for society as a whole.

Vocalink is innovating to get a step ahead of the bad guys. In 2018, we launched a world-first network-level solution to pinpoint individual accounts (known as mule accounts) involved in suspected illegal activities and shut them down. We're also using artificial intelligence to help banks detect, investigate and prevent payment fraud targeted at businesses. Solutions like these help us protect UK people and businesses from fraud and financial crime.

"I lost £2000 in a scam when 17... it was sheer naivety"

London

1. Q: Which of the following, if any, have you personally been a victim of in the past 12 months?. Base definition: Respondents who have been a victim of financial crime or fraud in the past 12 months. (Base size: 237)
2. Cifas 'Fraudscape 2019'

Open Banking

38%

for a financial benefit, such as a lower interest rate on a loan, mortgage or credit card

32%

for a way to see your current accounts, savings, credit cards, pensions and investments, together in one place

29%

for a tool that allows you to set and manage a budget or track your spending

Cautiously curious about Open Banking?

Open Banking is a relatively new phenomenon in which banks allow their customers to securely share their account information with other banks and approved third parties in order to access additional products and services. In the EU, it's mandated by regulation that's designed to stimulate competition and innovation in financial services, and has the potential to impact not only how banks operate, but how and even why people and businesses choose to work with them.

Alongside our investigation into the state of pay in the UK, we've partnered with Ovum, a leading payments intelligence agency, to track the progress of Open Banking across Europe and beyond. As of 17 September 2019, 207 third-party providers have registered to provide account information services and/or payment initiation services for people and businesses under Open Banking in Europe. The majority (56%) of these third-party providers are registered in the UK.[1]

In light of this, we were keen to understand attitudes to data sharing and the kind of services it might enable. We asked participants in our focus group the following question:

"Is anyone aware of Open Banking? It's a new initiative being used by banks and other financial companies where you can choose to share personal information (such as account details, or transaction data) with a bank or credit card company. The benefits could include:

- *A financial benefit such as a lower interest rate on a loan, mortgage or credit card*
- *A way to see your current accounts, savings, credit cards, pensions and investments together in one place*[2]
- *Personalised offers and deals for products and services, i.e. utilities, insurance"*

The response from participants was somewhat lukewarm, with many initial reactions in the groups ranging from scepticism to dismay: 'I wouldn't do that, never.' (Leeds). Awareness was limited, and people were understandably wary of anything that could compromise the security of their personal data, but throughout the course of our conversation — as people weighed up the pros and cons — they became increasingly curious.

When we asked participants in our focus groups what would assure their trust in Open Banking, most sought reassurances on how Open Banking is regulated and greater detail on which companies will use their data and how. Other focus groups participants demanded fraud protection: 'It would need to be fraud protection guaranteed, if they were confident enough to provide a guarantee then it would reassure me.' (Edinburgh)

When prompted, most participants in our focus groups agreed they'd be more likely to try an Open Banking-enabled solution if it was endorsed by a consumer champion:

'If Martin Lewis said it was good, I might get onboard. He puts information in layman's terms and it's his genuine opinion'
Leeds

28%

for help and advice on how to improve your credit score

27%

for personalised offers and deals for products and services i.e. utilities, insurance

25%

for a way to see all your retail loyalty programmes together in one place[4]

In our survey, we asked respondents how willing or unwilling they would be to share their personal data with a bank or credit card company in return for a range of Open Banking products and services. Just over a third of respondents (38%) were willing to share their personal data in order to receive a financial benefit, and just under a third (32%) were willing to share their personal data for an account aggregation service. Many participants in our focus groups noted they already had this facility within their mobile banking app.

Younger respondents were most interested in exchanging personal data for a financial benefit: a higher proportion of 16 to 44-year-olds said they would be willing to provide a bank or credit card company with access to their personal data for this particular benefit in comparison to those aged 45 and over.[3]

Forty-two percent of respondents aged 16 to 24 also said they'd be willing to exchange personal data for a tool that helps them budget and manage their spending; and thirty-eight percent of 16 to 34-year-olds would also trade personal data to see their retail loyalty programmes together in one place. As so often the agents of change in society, younger people's relative enthusiasm for Open Banking-enabled solutions is perhaps an indication of future growth.

While it's early stages for Open Banking, there are signs of some appetite. Two thirds of UK consumers are reluctant to share their details with third party providers, but they overwhelmingly trust their bank with financial information. Is this an opportunity for banks to secure an important early advantage?

At Mastercard, we believe Open Banking should be encouraged as it's empowering customers by giving them even more control over their data and unlocking a wealth of services that can benefit them. The industry is coming together — spearheaded by Mastercard — to create the solutions to enable and safeguard this new digital ecosystem and foster future growth.

Read our white paper
Delivering on the promises of Open Banking

1. Information correct as of 17th September 2019. Data provided by Ovum on behalf of Mastercard
2. Pensions and investments are not currently covered by EU legislation
3. Very/fairly willing to exchange personal data for a financial benefit, such as a lower interest rate on a loan, mortgage or credit card: 46% among respondents 16 to 24s, 49% among 25 to 34s, 45% among 35 to 44s, 35% among 45 to 54s, 27% among 55 to 64s, 17% among 65 to 75s and 16% among those aged 76 and over
4. Q: How willing or unwilling would you be to share personal data (such as account details, or transaction data) with a bank or credit card company, in exchange for receiving each of the following. Base definition: UK adults aged 16 to 75, all are current account holders and use a mobile phone regularly. (Base size: 2002)

Social media

Do payments via social media appeal?

The increasing use of social media platforms like Facebook and Instagram for online shopping may be viewed as the climax of the retail revolution of the last decade.[1] We were keen to learn more about attitudes towards social media, and whether there was an opportunity for further expansion for social media companies and messenger apps like WhatsApp into the payment space.

When we asked 'how appealing, or not, would it be to be able to pay a friend in your social media contacts list using your mobile banking app?', a fifth of respondents (20%) said they would find this either fairly (15%) or very (5%) appealing.

Perhaps a better indication of how likely this idea is to succeed is the 38 percent of respondents who found the prospect of payments via social media 'not at all appealing'. Alongside this, 38 percent of respondents said they were 'much less likely' to use a mobile payment service provided by a social media company than any other type of provider we asked about.[2] This chimes with sentiments heard in our focus groups, where many participants told us they are reticent to share their financial data with non-bank third parties, and many alluded to the Cambridge Analytica scandal:

'Historically, they haven't been very good with our data, have they? Facebook, I'm looking at you'
Leeds

When we probed participants in our focus groups as to whether they would consider making a payment via social media messaging app, or other messaging app like iMessage or WhatsApp, some agreed, reasoning that it could be convenient to do so. However, most participants in our groups' response was one of inertia at best: 'Social media doesn't answer any problems for me; it's not faster, simpler or more secure' (Leeds).

'They don't have the security and the expertise for me to want them to have my bank details'
London

However, some small business owners we spoke to in our focus groups could see the benefit of social media payments to their businesses: 'Whatever way people can sell their services and make it most convenient for their clients, then we should be exploring that as an option.' (Bristol)

So there's potentially some appetite for social media to help small businesses, but how can social media companies overcome the barriers to bring payment solutions to market? Perhaps they should take heed of our findings relating to peoples appetite for innovation...

'For a person to be able to take a picture of an item and sell it on that platform makes it seamless'
Bristol

1. Source: Stanford University
2. This included banks, card providers, online payments providers, mobile phone or internet providers, IT or tech companies, or the Government

An appetite for innovation

Respondents expect technology to bring greater security, convenience and control to payments

Many new payment technologies have come to market in recent years, but what kind of solutions are people looking for? When it comes to new services from banks and credit card companies, almost two thirds of respondents (60%) agreed they would be interested in these services 'so long as they are proven to be secure'. This compares to half of respondents (50%) who agree they would be interested in new services banks and credit card companies offer 'so long as they make my life easier'.

This suggests that convenience may be slightly more important to our respondents than security. With this in mind, who are the providers they trust the most to meet their needs?

In the 2017 report, we found that digital players' agility was a key advantage over banks, which were then perceived to be slow to innovate.[1] But banks have upped their game, and it seems the taste for digital players has diminished somewhat. In 2019, when we asked respondents how likely they'd be to use a mobile payment service, one that had been provided by their own bank topped the list with 49 percent of respondents agreeing they'd be more likely to use their own bank for this type of payment. Looking specifically at likelihood to use a technology provider, a fifth of respondents (20%) said they would be more likely to use a mobile payment service provided by a well-known IT company, while seven percent of respondents would be more likely to use a new technology or financial company.

As the payments industry innovates, it must take care to consider the problem it's solving and the real benefit it will bring to people's payment experience. Fifty-eight percent of respondents agree that 'payment methods are changing and developing too quickly'. It's perhaps little surprise, then, that over a third of respondents (36%) agree they would 'like more advice on which new payments service is the best to use'. But who will provide this advice?

Banks and payment providers are potentially in the best position to recommend a payment or financial service, with two thirds of respondents (67%) saying they'd trust a recommendation from 'my bank'. Other providers would also be trusted to recommend a payment or financial service — 52 percent of respondents said they would trust a recommendation from an online payment provider like PayPal and 46 percent from a card provider such as Mastercard. Factors like security and scale, are perhaps key advantages for these established players. Reputation, it seems, may also hold powerful sway with some respondents: Twenty-seven percent of respondents said they would be more likely to use a mobile payment service if it was recommended to them by their bank.

Thinking back to respondents' cautious attitudes to sharing personal data for Open Banking-enabled solutions, perhaps the best way to drive adoption at scale is to bring a product or service to market with the endorsement of well-known brand.

Advancing authentication

Fingerprint authentication has most cut-through

The aim of security and authentication innovations is to improve security and convenience at the point of sale. Now, with the emergence of mobile wallets — and Mastercard's pioneering biometric card — authentication methods are evolving again.

Respondents are significantly more aware of biometric authentication solutions now than they were in our 2017 survey — twice as many in the case of fingerprint (30% of respondents were aware of this authentication method in 2017 compared to 64% in 2019) and facial recognition (21% of respondents were aware of this authentication method in 2017 compared to 44% in 2019). This is likely because these technologies are already available to many smartphone users in the UK.

"At this moment, I feel most secure with Chip & PIN"
London

Awareness of wearable tech was the third most well-known means of authentication (43% of respondents were aware of this authentication method), quite a way ahead of eye/iris scanning (31%). But do consumers in the UK see the need for further innovation? Many participants in our focus groups queried whether there was any need to innovate beyond Chip & PIN.

"I'm not 100% on facial recognition. My children look a lot like each other, and they can all open each other's phones."

London

Future outlook

At the end of our focus group discussions, we posed a question: What are your hopes or expectations for the future of payments in 10 to 15 years' time? The responses we received from participants gives an indication of what may help to drive change, and how the payments landscape might evolve.

"I'd like to see a new currency – a digital currency… that I can spend anywhere in the world"
Edinburgh

"I hope cash doesn't go away. Don't forget the old ways"
Leeds

"I hope payments are in proper real-time; instant"
Leeds

"I don't think a plastic debit card will exist; wallets won't exist"
Edinburgh

"I want my daughter to have a better start [when it comes to financial literacy] than I did"
Bristol

"I want to have everything in one place; at my fingertips and easy to manage"
London

Interested in learning what our experts had to say? Visit vocalink.com/frictionlessfuture and join the conversation on the #FrictionlessFutureofPayments

Technical note and methodology

2019 state of pay research

This 2019 study was commissioned by Vocalink, a Mastercard company, and was conducted by Ipsos MORI, a market research company.

The first stage of the research was a quantitative survey conducted online.

2002 UK adults aged between 16 and 75 were interviewed online via the I-say online panel. The qualifying criteria for this audience was ownership of a current account and regular use of a mobile phone. Quotas were set on age, gender, social grade and region, with data weighted after fieldwork to the known profile of UK adults by age, gender, social grade and region.

In addition, we included a boost sample of 301 UK adults aged 76 and over. Participants were interviewed online via the I-say online panel. The qualifying criteria for this audience was ownership of a current account and regular use of a mobile phone. Quotas were set by geography. No weighting was applied to this sub-sample.

We also spoke to 300 users of banking or payment services in a microbusiness (defined as having 0 to 9 employees) operating in the UK. Microbusiness users of banking services were recruited and interviewed online via the Dynata online panel.

All quantitative fieldwork was completed between 25 July and 5 August 2019. Full quantitative data tables are available at ipsos.com/ipsos-mori

The second stage of the research consisted of four focus groups, in Leeds (13 August 2019), London (14 August 2019), Bristol (15 August 2019) and Edinburgh (20 August 2019). Participants for the focus groups were recruited according to their current behaviours and attitudes to different forms of payment. These were: use of contactless and mobile payments, consideration of digital-only banking, willingness to trade personal data to benefit from better financial products and services, and attitudes towards financial fraud.

Qualitative research is designed to be exploratory and illustrative of the range and depth of views held. Please note that qualitative findings are not statistically representative of UK adults as a whole and do not quantify the extent or strength of the perceptions, feelings or behaviours explored.

Additional data has been sourced through Ipsos MORI's Financial Research Survey (FRS). The FRS is a continuous survey among GB consumers and their financial holdings. 60,000 interviews are completed per annum with 58% conducted online and 42% face to face to be nationally representative of the GB population.

This is the fourth in a biennial series of reports on the state of pay in the UK since 2013. Previous reports were released in 2013, 2015 and 2017.

2015 and 2017 state of pay research

Research in 2015 and 2017 was conducted online, in partnership with Illuminas and commissioned by Vocalink.

In 2015, a nationally representative sample of 4,227 UK adults took part, the qualifying threshold being ownership of current account and regular use of a mobile phone. Quantitative fieldwork was completed from 10th -21st April 2015.

In 2017, a nationally representative sample of 2,003 UK adults took part, the qualifying threshold being ownership of current account and regular use of a mobile phone. Quantitative fieldwork was completed from 10 – 21 July 2017.

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About Mastercard

Mastercard is a technology company in the global payments industry. Our global payments processing network connects consumers, financial institutions, merchants, governments and businesses in more than 210 countries and territories.

Mastercard products and solutions make everyday commerce activities – such as shopping, traveling, running a business and managing finances – easier, more secure and more efficient for everyone.

About Ipsos MORI

Ipsos MORI, part of the Ipsos Group, is one of the UK's largest and most innovative research agencies. We work for a wide range of global businesses and many government departments and public bodies.

At Ipsos MORI we are passionately curious about people, markets, brands and society. We deliver information and analysis that makes our complex world easier and faster to navigate and inspires our clients to make smarter decisions.

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