

Retail Payment Options – UK – 2021

Report Price: £2195 | \$2995 | €2600

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This report looks at the following areas:

- The impact of COVID-19 on the payments market.
- A look at the key innovations and competitive strategies relating to payments.
- Consumer attitudes towards the use of cash.
- Consumers use of, and reasons for using, buy now, pay later to make purchases.
- An analysis of consumer preferences for different payment methods and how this varies by the type of purchase being made.
- Consumer attitudes towards the use of cryptocurrency as a method of payment.

61% of consumers used cash less, or stopped using it entirely, as a result of the COVID-19 pandemic, while just a third expect to increase the amount they use cash once pandemic restrictions are lifted.

COVID-19 has transformed the way we pay. The enormity of the event had a habit-busting effect on consumers who abandoned cash and adopted contactless alternatives. The raising of the contactless limit to £45 led to a surge in use, while the rapid growth in ecommerce accelerated interest in the BNPL space and other online payment options.

As pandemic restrictions ease some consumers will return to pre-pandemic spending behaviours. Cash is likely to see a small uptick in use along with wider transactions – 27% of 18-24s say it is their preferred way to pay in bars and restaurants. However, the pandemic has changed the future direction of payments. Having embraced alternative payment methods, many have found these alternatives provide a much better solution to their needs and have little interest in going back.

Debit cards dominate the payments landscape, having overtaken cash payments in 2017. However, debit card use declined in absolute terms during



“It has been a transformative year for the payments sector with the pandemic acting as a catalyst to regulatory, technological and behavioural change. Cash use has plummeted, contactless payments have surged, and consumers have made use of ‘buy now, pay later’ (BNPL) as shopping moved online.”

– Thomas Slide – Associate Director – Financial Services

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2020. By contrast, the number of payments going through the Faster Payments service surged 21%. As the availability of Open Banking payments increases, Faster Payments will take a greater share of payments. Indeed, Faster Payments have the potential to erode the current dominance of debit cards by offering a simpler, cheaper and faster way to send money directly between bank accounts.



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