

## Welcome >>

The Payments Council sets strategy for UK Payments. Set up in 2007, it ensures that UK payment systems and services meet the needs of users, payment service providers and the wider economy. This newsletter provides an update on our work. This edition includes:

### **Cheque replacement focus: Charities, clubs and societies**

Charities, clubs and local organisations are often reliant on cheques for the payments they make and receive.

### **Payments Council meets forums of older people**

Since the Payments Council announced the target end date for cheques there is a concern about the impact of a world without cheques on older people.

### **Less than a year to go until guaranteeing a cheque with a card becomes a thing of the past**

Following a decision made in June 2009 by the Payments Council, the UK Domestic Cheque Guarantee Card Scheme will be closed down on 30 June 2011.

### **My future for payments, by Richard North, Chairman of the Payments Council**

Richard North shares his thoughts on the future for payments.

### **Report reveals massive change in the way we pay over the last decade**

A payments revolution occurred in the noughties, and this looks set to continue over the next decade.

### **Facts and figures: Internet and phone banking**

With accessibility and security on the up is it a wonder that internet and phone banking is more popular than ever?





# Payments Council sets target date **for closing central cheque clearing** >>

In December 2009, the Payments Council announced that it was setting a target date of 2018 for closing the UK central cheque clearing; this was in order to manage the terminal decline in cheque usage to ensure that no user is left disadvantaged.

The decision was taken in the interests of consumer and business cheque users. Cheque use has been falling since 1990 and it is generally recognised that cheques are in permanent decline; the Council has set a target end date to ensure that the process is managed and acceptable alternatives are developed and made available to all concerned. By taking the route of managed decline, rather than leaving it to market forces, customers can be assured that cheque book facilities will continue to be available: any changes that do happen should occur in a co-ordinated fashion across the industry.

A final decision on whether to go ahead with the closure of cheque clearing in 2018 will be taken in 2016; until then, the Council has an extensive programme in place looking at specific user requirements and the development of new alternatives and improvements to existing payment methods. The programme includes several reviews and milestones, the key ones taking place in 2014 and 2016.

We are keen to make clear that a closure of the central clearing will only go ahead if alternatives are available and people

are choosing to use them; we do not see technology-reliant alternatives such as internet banking as suitable alternatives for all and 2018 will not go ahead if this were the only other option. Additionally, we do not view cash as a suitable alternative.

## **How did the Payments Council reach the decision?**

Payments Council undertook extensive research and discussion with stakeholders to understand why cheques are used, what the barriers to alternatives are and whether there was support for a managed decline.

The key findings that came out of this research were that:

- There needs to be an emphasis on education on different payment methods, particularly for SMEs and consumers;
- There needs to be an alternative for customers who do not use online or phone banking or automated payments;
- Of key importance is the development of criteria that will be used to assess the situation in 2016 and the targets which will need to be met, particularly what is meant by “acceptable” alternatives; and

- Those to whom we spoke were conscious that they were being asked to take on trust the statement by banks and the Payments Council that alternatives will be developed and that a closure will only go ahead if public targets are met.

These formed the basis on which a decision was taken, namely that the closure of the clearing would only go ahead if the Council could fulfil such obligations.

### **What has the Payments Council been up to since making the decision?**

As we anticipated, the main challenges lie in the areas of small business, charities, clubs and societies and older people and these are forming the priorities for the current phase of work. Within these, the immediate focus is on person-to-person payments, payments to and by sole traders and other

small businesses, and the needs of charities, clubs and societies both in terms of donation acceptance and also in the paying out of grants and other similar expenditures.

Aside from working with these specific sectors, we recognise that there are other major issues to overcome, such as the needs of people living in rural areas with no broadband internet access. Meeting such requirements will be built into the criteria for determining in 2016 whether to go ahead with a 2018 closure.

Later this year we'll be publishing a report on our progress and outlining the key milestones and targets for the project.

In this first edition of the newsletter, we've focussed on our work with charities, clubs and societies.

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## Cheque replacement focus:

# **Charities, clubs and societies** >>

### **Why did Payments Council choose to focus on this sector?**

Charities, clubs and local organisations make a unique contribution to society. We know that this sector is often reliant on cheques for the payments they make and receive.

We appreciate that this is a hugely diverse sector with a whole spectrum of differing needs that require careful consideration. There is a large number of clubs, societies and charities that are very small and these are the types of bodies that may well be the least equipped to deal with any change but can also be the hardest to reach. It is estimated that there are around 400,000 organisations that fit into this category.

The Payments Council has therefore made this sector – from the largest to the smallest

organisations – a priority in our work on the future of cheques. We are working hard to understand why and how the sector uses cheques, and what alternatives to cheques are needed.

### **How is the Payments Council working with charities, clubs and societies?**

#### **Talking to those who understand**

Since December, we have held meetings with a range of organisations that represent the interests of charities, including:



- The Institute of Fundraising
- The Charity Finance Directors' Group
- The National Council of Voluntary Organisations
- The Churches Legislative Advisory Service
- The Association of Charitable Foundations
- The Small Charities Coalition
- CCPR – the alliance of governing and representative bodies of sport and recreation
- The Association of Charity Officers

### **Setting up a dedicated forum with industry specialists**

We have set up a special 'Charity and Voluntary Sector Liaison Group' with experts from the third sector to help shape and inform our work.

The group discusses what organisations need from cheque alternatives and advises the Payments Council on how to best engage and support the sector.

The members of this group consist of some of the representative bodies listed above, as well as the Office for Civil Society and the Charity Commission.

### **Regional workshops with charities, clubs and societies**

During July and September 2010 we have been holding a series of workshops around the UK with local charities, clubs and societies.

The purpose of these workshops is to hear

why and when charities and clubs use cheques and to hear their views on potential alternatives to cheques. A report of the findings from this work will be published later this year.

To read more about these workshops, see page three of this newsletter.

### **What is the third sector saying about the target end date for cheques?**

The third sector is understandably concerned, although most organisations we have met so far recognise that a managed decline is preferable to an unmanaged alternative. There are a number of issues that we are aware that we must address if we are to fulfil our commitment and meet this sector's needs. These include:

- Many organisations are required to have payments authorised by more than one person, currently fulfilled using cheques that must be signed twice or more.
- Many charities want to be sure that the number of donations they receive will not be reduced in a world without cheques, particularly those with an older donor profile.
- The tangibility of cheques is important to some donors who like to 'see' their donation or attach a letter about why they have decided to give.
- Very small organisations may not currently have the resource to access technology for electronic payments, or the IT skills to use them and the necessary training can be expensive.

- Cheques are perceived to be very simple and easy to use: If managing an organisation's finances becomes overly difficult, this could impact on the ability to attract and retain voluntary treasurers.

Despite the challenges that clearly must be overcome, there are many good reasons why charities would gain from a move away from cheques:

- Improved internet and phone banking facilities for charities might actually encourage more people to get involved in the running of them as they would have more flexibility over when they did the work, rather than being reliant on branch opening times when dealing with cheques.
- Cheques take several days to clear so it takes longer for a charity to access funds.
- Cheque donations do not encourage or enable Gift Aid to be reclaimed.
- While sometimes perceived to be more secure than electronic alternatives, cheques are bits of paper that makes

them more vulnerable to certain types of fraud. They also don't benefit from the same consumer protections that are available with other payment types.

- Quicker alternatives could be more efficient, saving time and money for the organisations. Alternatives might also make it easier to give and potentially increase donations.

### **What will the Payments Council do with the views of charities, clubs and societies?**

The aim of our work so far has been to understand more about how cheques are used by charities, clubs and societies. This information will be used to understand what alternatives to cheques are required and how they need to work to be acceptable. Such alternatives may be a new payment method or an improvement to an existing one. We'll also look at whether better explanation of how to use existing methods would help.

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## Workshops with charities and voluntary organisations on **the future of cheques** >>

Why did Payments Council choose to focus on this sector? As part of our work on the future of cheques, we are holding a series of workshops around the UK with charities, clubs and societies.

These workshops mean we can talk directly to large and small organisations that currently use cheques and hear their concerns and views. Our aim is to listen to those views and to understand what we need to do so that the charitable sector will be able to continue to administer the payments they need.

Each workshop is covering the same topics and issues, including:

- Use of cheques – how a charity or voluntary organisation uses cheques for the payments they make and receive.
  - Potential alternatives to cheques – what
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alternatives to cheques are already available and what barriers there may be to using these now, and the features needed in new alternatives to cheques.

- Organisations' needs – what would be needed to change the payment methods an organisation uses.

**The next issue of this newsletter will include a summary of the workshop findings and a full report will be published by the end of the year.**

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## Payments Council exhibits at CIPFA conference >>

Payments Council exhibited at the annual conference of the Chartered Institute of Public Finance Accountants (CIPFA) at Harrogate in June.

Payments Council spent two productive days meeting public sector finance staff. Not only were they able to explain the rationale behind the target date but also to get feedback about the use of cheques in the public sector. This will help the Payments Council better understand what types of payments are currently being made or accepted by cheque.

Katherine Pakenham, part of the Policy team at the Payments Council, said: "We were pleased that nearly all the CIPFA members we spoke to were aware that there was a

target end date, and were already working to replace cheques by more efficient methods. We made lots of useful contacts who we'll be keeping in touch with throughout the lifetime of the programme."

Other exhibitors at the conference offered interesting alternatives to cheques, including prepaid cards, which can be used to pay benefit recipients who do not have a bank account. A prepaid card has the advantage that it can be used immediately, whereas funds provided by a cheque are only available after they have cleared.

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# Payments Council meets forums **of older people** >>

Since the Payments Council announced the target end date for cheques we have been contacted by a number of forums of older people concerned about the impact of a world without cheques on older people.

Older people typically use more cheques than younger age groups. Although older people are increasingly using other payment methods such as Direct Debit and online banking, many still prefer to pay by cheque. Indeed, health conditions that are more prevalent amongst older people can mean that some people have specific reasons why they need to use cheques and cannot use other ways of paying for things

Over the next six months we are attending a number of forums' meetings to listen to their concerns and to discuss their use of alternatives. We hope to use these sessions to both listen and to explain the reasons behind the decision. We want to provide reassurance that the decline of the cheque is being managed precisely to avoid a situation where people are left without a method of payment that they feel comfortable using. We have already met representatives of one forum, the Cambridgeshire Older People's Enterprise forum (COPE).

Our next issue of the newsletter will update you on our progress with this work and the points raised by the forums we speak to.





# Focus on payments: **Chip and signature**

## **What is chip and signature?**

Chip and signature cards are available to those customers who are unable to use chip and PIN. When chip and PIN was introduced in 2006, the industry recognised that there are some people who are unable to use PINs, perhaps due to a disability or memory difficulty, and so made sure that there was an alternative available for those who required it. Chip and signature is available on both debit and credit cards.

## **How does chip and signature work?**

The difference between chip and PIN and chip and signature is very simple – when the signature card is put into the chip and PIN machine, rather than being asked to input their PIN, a receipt is printed off and the customer is asked to sign it. The cards do not look any different to chip and PIN cards.

Chip and signature cards work in cash machines, but clearly these machines do require the use of the PIN as opposed to signing for the withdrawal.

The same consumer protection exists on chip and signature cards for fraud, so should you unfortunately find yourself to be an innocent victim, you will get your money back from the card issuer.

## **How do I get a chip and signature card?**

Card issuers are obliged to provide alternatives, such as chip and signature cards, to their customers who are unable to use PINs. You need to explain to the issuer that you have difficulties using a PIN and

you will not be asked to provide medical evidence to support your request for such a card. If you have any concerns or questions, speak to your card issuer who will be able to provide you with help and information.

## **What if I prefer to use PIN but find it hard to remember numbers?**

During the work to implement chip and PIN, research did actually reveal that the majority of disabled cardholders welcomed chip and PIN and found it easy to use. However, if you have trouble remembering numbers then there are some tips that might help you:

If you find your PIN hard to remember, you can change it at most cash machines – just select the ‘PIN services’ option and follow the on-screen instructions.

Some people find it helps to visualise the pattern the numbers make on the keypad as they enter them.

Try breaking down your PIN into two lots of two numbers, for example 5641 might be remembered as fifty-six and forty-one.

Combining numbers that mean something to you is always a good way of remembering – the date of your youngest child’s birthday (10) with your best friend’s house number (23), for example.

However, it is best not to use numbers too easily associated with you, like your year of birth, or popular or obvious number sequences like 1234 or 9999 as they can be much easier for fraudsters to guess.

# Treasury Select Committee holds **inquiry into cheques decision** >>

The announcement of a target closure date for the cheque clearing understandably attracted considerable interest, including an inquiry held by the Treasury Select Committee during February and March.

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The Committee were interested in hearing from organisations and individuals, particularly on three specific points:

- trends over time in the use of cheques as a payment mechanism, including estimates of likely usage over the next five to ten years;
- the advantages and disadvantages of abolition, including the impact of abolition on particular groups in society; and
- the development of alternative payment mechanisms.

The inquiry received just over thirty written submissions, including from the Payments Council, and we were called to give oral evidence in a one-off evidence session following a panel consisting of Consumer Focus, Citizens Advice Bureaux, Institute of Fundraising, Age UK and the British Cheque and Credit Association.

As is expected the Treasury Select Committee gave us a thorough grilling with questioning focusing on the areas of Payments Council governance, consultation taken prior to decision and the impact on small business, and the overall estimate of the public benefit of closing cheque clearing. We were asked to produce a cost

benefit analysis on this latter point, which would need to be independently verified and published on our website.

Consultation and transparency have been integral to the process leading up to the decision and will continue to be so until a final decision is made in 2016; this inquiry provided an opportunity to extend public engagement as part of this important process.

The Committee did not produce a report for this inquiry but both the written and oral evidence can be found on the Committee's webpage at:

[www.parliament.uk/business/committees/committees-a-z/commons-select/treasury-committee/inquiries1/Former-Inquiries/the-end-of-cheques/](http://www.parliament.uk/business/committees/committees-a-z/commons-select/treasury-committee/inquiries1/Former-Inquiries/the-end-of-cheques/)

The written submission from the Payments Council can also be found on our website at [www.paymentscouncil.org.uk](http://www.paymentscouncil.org.uk) or contact us for a copy to be sent to you.





## Less than a year to go until guaranteeing a cheque with a card becomes a **thing of the past** >>

Following a decision made in June 2009 by the Payments Council, the UK Domestic Cheque Guarantee Card Scheme will be closed down on 30 June 2011. This means that after this date it will no longer be possible to guarantee a cheque using a plastic card. However, in all instances customers can still pay by cheque where they are accepted, but just cannot use a plastic card to guarantee it.

Banks and building societies with customers who have cards carrying the cheque guarantee function – indicated by Shakespeare's hologram or logo – will be managing its removal in different ways. Typically cards will be issued without Shakespeare's logo on renewal: this may be before or after the closure date. This means that although Shakespeare will still be on many customers' cards after 30 June 2011 it will be redundant.

Over the coming months businesses still accepting guaranteed cheques are likely to be contacted by their bank to make sure that they are aware of the closure. Whilst a large number of businesses, big and small, have the ability to accept guaranteed cheques, research undertaken in 2008 showed that only about 350,000 businesses had accepted one in the previous six months, and most of those rarely.

The decision to close the Scheme was taken by the Payments Council in response to the long-term decline of guaranteed cheque use. It followed consultation with Guarantee cheque users and acceptors, and concluded that it was in all parties' interests to manage the Scheme's demise in a co-ordinated fashion.

The Scheme was first introduced over forty years ago (in 1969) before debit cards, when no one left home without their cheque book, because cheques were the only cash alternative. The Guarantee was designed to give businesses certainty that a cheque would not bounce or be returned unpaid. Times have changed; the use of debit cards has grown thirty-fold from 1990, and now four in ten non-cash payments are made by debit card compared to one in one hundred being guaranteed cheque payments. The use of guaranteed cheques

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has been in rapid decline over the past 20 years. Their use peaked back in 1990; since then their numbers have dropped twelve-fold from 1.1 billion, to 88 million last year – making up only 7% of cheques written.

Closure of the Scheme is separate to the Payments Council decision to set a target date for closing the central cheque clearing in 2018. As the Council made clear at the time of its announcement, the closure of the clearing will only go ahead if suitable alternatives to cheques are in place and

being successfully used by individuals and businesses, so that there are no circumstances where people are still obliged to use cheques.

To help businesses and consumers in the run-up to the closure of the Cheque Guarantee Card Scheme, the Scheme has published two fact sheets. These are available from

[www.ukpayments.org.uk](http://www.ukpayments.org.uk) or contact us to be posted paper copies.

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## Online tool improved to help customers check payment options >>

Earlier this year the Payments Council relaunched its online Sort Code Checker, and extended use of the tool beyond Faster Payments to cover Bacs, CHAPS, cheques and paper credits.

The Sort Code Checker, which has been in use since the 2008 launch of the Faster Payments Service, helps the public see whether an account is able to receive different kinds of transfer. By simply entering the sort code of the account a payment is being sent to, a customer can see whether the account can receive a Faster Payment, Bacs Credit or CHAPS payment. Customers can also see if an account allows a Direct Debit instruction to be set up, and if a cheque or paper credit can be paid into the account. The Checker, which stores all of the UK's 20,000 sort codes, can be found on the UK Payments website ([www.ukpayments.org.uk](http://www.ukpayments.org.uk)).

With over 4,000 hits a day, the Sort Code Checker has proved popular with the public, and the Payments Council keeps it updated regularly to ensure each result is correct. Small businesses have particularly benefited from the change, as the Checker makes

it easier for businesses to prevent delays to a payment, or the registration of a new customer's Direct Debit details.

Gary Cook, the Payments Council's Payments Integrity Executive, believes the new Checker can significantly reduce the risk of delayed or failed payments. "As more of us are making payments online or on the phone, this new checker provides a very easy way of avoiding unnecessary delays", he said. "It strips out the element of chance because it quickly confirms to users what forms of payment are at their disposal."



# Banking industry and large billers work together to improve efficiency of electronic bill payments >>

UK businesses spend millions of pounds each year trying to resolve problems caused when their customers make payments without providing all the information necessary for the payment to be processed quickly and efficiently.

This is why the Payments Council is publishing best practice guidelines for banks and billers to help them remind their customers of the importance of using accurate reference information. The Council is publishing these guidelines following consultation with payment service providers, billers and vendors.

Using the wrong reference, or not even using one at all, is troublesome for both consumers and businesses. For consumers, doing so could, for example, mean that a bill does not get paid as the company they are trying to pay is unable to link the money back to the customer's account. This could have ramifications for the payer and it may even be counted as a missed or delayed payment on their credit report.

For businesses, they may be forced to carry out investigative work in order to match the payment and the customer. If they are successful in finding the payer, then at best the payment will be slightly late or at worst seriously delayed. For a smaller business, delays in receiving payment could be the difference in them being able to stay afloat or not.

## **Some of the key guidelines for billers include:**

- educating customers of the importance of including reference information, including

why the reference information benefits the customer;

- advising the customer on how many digits make up the reference to help them identify any mistakes; and
- helping customers identify the reference by displaying it clearly and unambiguously at the top of the bill.

## **Additionally, banks are being asked to:**

- encourage their online and telephone banking customers to complete the payment reference field when making a payment;
- use standard terminology for their reference fields; and
- provide billers with all the available reference information when they process their payments.

The Council intends to continue engaging with billers to encourage adoption of the guidelines, evaluating their impact with a view to seeing what improvements can be made to further benefit consumers, businesses and banks

Copies of the best practice guidelines are available on the Payments Council website, [www.paymentscouncil.org.uk](http://www.paymentscouncil.org.uk)

# Thought Piece >>

## My future for Payments

**By Richard North, Chairman  
of the Payments Council**

I have now been the Chairman of Payments Council for five months and have spent much of that time getting up to speed with the intricacies of the work being undertaken by the Council, largely through the National Payments Plan. Below I set out what I see as the current four priority areas for the Payments Council.

I have now been the Chairman of Payments Council for five months and have spent much of that time getting up to speed with the intricacies of the work being undertaken by the Council, largely through the National Payments Plan. Below I set out what I see as the current four priority areas for the Payments Council.

The biggest piece of work being undertaken by the Council is, of course, the target date for closing the cheque clearing and I believe this is where the Board of Payments Council will need to show leadership, focus and commitment. This project is going to take detailed planning but also requires some clear key milestones and targets. It also needs to include an educational strategy to spell out the existing and emerging alternatives to cheques.

The Board must also show visible leadership in putting in place a programme to address



the needs of disadvantaged groups, including detailed research and studies into how modification to existing alternative payment methods could help.

We will ensure that innovation is delivered where it is needed – and I include in this definition of innovation changes to existing ways to pay. This may involve our direct participation but it also means encouraging innovation by others.

And finally, we should be fostering what already exists, such as the Faster Payments Service that was launched in May 2008 to speed up phone and internet payments, enabling them to be made seven days a week, twenty four hours a day. This new payments system is widely regarded as cutting-edge in what it delivers to customers and financial institutions but we know that it could still be further exploited for the benefit of all.

# National Payments Plan two years on >>

Payments Council recently published its second annual update on the National Payments Plan. The NPP was first published in May 2008, setting out a 10-year plan for UK payments, following a long period of consultation.

The Plan reflects the Payments Council's main core objectives, placing a particular emphasis on innovation, efficiency, integrity and responsiveness to user requirements. It takes the view that co-operation between payment participants is paramount, if users are to reap the full benefit. It also outlines those areas where collaboration can deliver such an outcome.

Work has primarily focused on the future of cheques, following the Payments Council Board's decision to close cheque clearing in 2018 provided suitable alternatives are available. Some of the other developments include the review of the Cheque Guarantee Card Scheme, the production and adherence to a Financial Inclusion Policy when proposing a major payments system change, the development of best practice on payments referencing to reduce error when making direct credit payments, and the review of the contactless and pre-paid card markets.

**Both the Plan and the 2010 update are available on our website: [www.paymentscouncil.org.uk](http://www.paymentscouncil.org.uk) or please contact us for a copy to be posted to you.**



## Report reveals massive change in the way we pay over the last decade >>

Earlier this year the Payments Council published a report, *The Way We Pay 2010*, that shows how a payments revolution occurred in the noughties, and this looks set to continue over the next decade.

The last decade not only saw the rise of internet banking and shopping but it was also the decade where cards took control of our wallets as cheques and cash were increasingly replaced by a card – particularly the debit card. Highlights include:

	1999	2009	2018
Wages paid in cash	1 in 8	1 in 20	1 in 50
Transactions using cash	73%	59%	45%
Cash spending in pubs	90%	40%	25%
Debit card spending	£65bn	£264bn	£490bn
Personal transactions using cheques	6%	2%	0.8%*
Faster Payments	N/A	294m	836m**

\* The forecasted figure for cheques was estimated prior to the decision being made on 16 Dec 2009 to set a target to close cheque clearing in 2018, and as such is not based on any intervention, implicit with a managed decline.

\*\* This figure includes volumes of standing orders and one-off phone/internet banking payments. Faster Payments was a new service launched in May 2008 to speed up internet/phone and standing order payments.

## Rapid decline of cash wages

A decade ago one in eight workers still got paid cash-in-hand. By 2009 just one in twenty took wages home in notes and coins. By 2018, it will be only one in fifty. Interestingly in the mid 2000s, the shift away from cash halted temporarily, before falling again in 2008. A much bigger switch from cash has taken place in state benefit payments: ten years ago, 87% of benefits and pensions were paid in cash; today, 79% are paid directly into bank accounts. The demise of cash wages has been driven by the ongoing expansion in the number of automated payments and cash machines. There are 63,000 holes in the wall in the UK today, two-and-a-half times more than ten years ago.

## Use of cash predicted to fall below half of all transactions for first time

On the face of it, cash still looks popular. Six in ten transactions still involve cash, but almost 80% of these are less than £10. In just five years time, cash transactions

are expected to represent less than half the total for the very first time. The value of cash we use is dwindling even faster compared to our wealth and our spending, rising only 7% in the last ten years, while overall consumer spending has doubled. If we had not made the move to other payments such as cards, we would need £102bn more in our wallets each year to meet our spending needs today, compared to ten years ago. This equates to £2,050 more for each adult per year, or £40 per week each.

Pubs and clubs are a perfect case in point. In 1999, we bought nine out of ten of our pints with cash. Now only 40% of pub spending involves notes and coins and pub goers are much more likely to be eating out as well as drinking. Chip and PIN, primarily on debit cards, now accounts for more than half of all spending in pubs.

## Cheques check out

Cheque usage has been falling since 1990. Just 0.8% of retail transactions are

now made by cheques. By value, 60% of what consumers pay by cheque is now for financial transactions (savings, investments, paying credit card bills).

### **Credit cards reach maturity as debit cards rise to dominate the payments revolution**

Card usage has flourished as traditional payment means have withered. But credit card usage has actually fallen in real terms since 2005. Debit cards have become the payments workhorses. We have increased how much we spend on cards fourfold in ten years and will use them six billion times this year. Increasingly debit cards have taken over both higher value credit card payments, and lower value cash payments. By 2018, one in four of all transactions will be on a debit card, up from just one in twenty ten years ago. This could prove a conservative forecast as the contactless revolution gathers pace – with more cards carrying

contactless technology being issued and more retailers rolling out the new technology.

### **Faster Payments catch on quickly**

The latest act in the payments revolution is the arrival of Faster Payments. At launch, it was calculated that about 8% of Bacs phone and online banking payments and standing orders payments were eligible to become Faster Payments, but in fact, many more payments have materialised suggesting that customers have decided to replace a cheque or cash payment in favour of something faster. Half of regular standing orders have now migrated to Faster Payments, while individuals are making around ten million more one-off internet and phone payments per month than before the new system was launched.

The Way We Pay 2010 is available on our website: [www.paymentscouncil.org.uk](http://www.paymentscouncil.org.uk)



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## Facts and figures

# **Internet and phone banking >>**

Over the last five years, the number of adults with regular access to the internet has almost tripled, from 11.7 million to 41.4 million in 2009. Of these, eight in ten regular users logged on daily and over one in ten used the internet at least once a week, indicating the extent to which the internet has become a part of everyday life. Online banking can be used to manage a wide range of accounts including credit card, savings, mortgage and investment accounts. The most popular use, however, is for current accounts and last year 54% of regular internet users, or 22.4 million adults, used it for this purpose.

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More than 7 in 10 internet banking users use this facility to pay bills or make payments, and more than 6 in 10 use it to set up standing orders or Direct Debits.

Adults aged 25 to 34 were the most enthusiastic users of internet banking in

2009, which has been the case over the last five years, and regular use diminishes with age

Although over-55s are the smallest group of users of internet banking, more and more are choosing to bank this way.

## Use of phone or internet banking by adults on main current account

Age	Use phone or internet banking		Just use phone banking		Just use internet banking	
	2004	2009	2004	2009	2004	2009
16 – 24	28%	53%	15%	21%	21%	49%
25 – 34	67%	74%	45%	34%	48%	69%
35 – 44	62%	75%	41%	41%	44%	66%
45 – 54	53%	64%	36%	34%	34%	57%
55+	40%	49%	32%	26%	19%	34%

Many consumers prefer to manage their finance remotely, particularly by the internet, because of the flexibility and convenience it offers. It allows users to check their balance, view statements online, make payments and check the standing orders and Direct Debits set up on the account, amongst other actions.

Banks operate very secure systems for customers to access internet banking and are very difficult for fraudsters to attack. However, should you become an innocent victim of fraud then consumer protections do exist to ensure you get your money back.

## What's coming up

In the next edition of Communiqué, we'll be reporting on:

- Research carried out with small businesses using cheques
- Feedback from our workshops with charities, clubs and societies
- Our work to better understand the requirements of older people.



## Contact details >>

If you would like to get in contact with the Payments Council about any of the issues covered in this newsletter, or to be added or taken off the distribution list, please contact us by one of the following ways:

### By post:

Payments Council  
2 Thomas More Square  
London  
E1W 1YN

### By telephone:

020 3217 8200

### By email:

[cheques@paymentscouncil.org.uk](mailto:cheques@paymentscouncil.org.uk)

[www.paymentscouncil.org.uk](http://www.paymentscouncil.org.uk)

If you're a **Member of Parliament** and wish to speak about constituency concerns, please contact Rosalind Beaumont on **020 3217 8280** or [rosalind.beaumont@ukpayments.org.uk](mailto:rosalind.beaumont@ukpayments.org.uk).

If you represent **charities, clubs or societies** or **older people** and wish to find out more about our work with this sector, please contact Helen Doyle on **020 3217 8219** or [helen.doyle@ukpayments.org.uk](mailto:helen.doyle@ukpayments.org.uk).

If you represent **small or medium-sized businesses** and wish to find out more about our work with this sector, please contact Adrian Buckle on **020 3217 8210** or [adrian.buckle@ukpayments.org.uk](mailto:adrian.buckle@ukpayments.org.uk).

If you represent **large corporates** or **public sector organisations** and wish to find out more about our work with this sector, please contact Katherine Pakenham on **020 3217 8284** or [katherine.pakenham@ukpayments.org.uk](mailto:katherine.pakenham@ukpayments.org.uk).