



# Unlocking the Future of Payments: UK Consumer Insights

A Payments Innovation Forum Research Report  
January 2024

# Table of Contents



Executive Summary	02
The UK's Changing Payments Landscape	03
The UK's Payment Habits	05
The Continued Role of Cash in Society	15
Supporting the Transition to a Cashless Society	22
Comfort with Emerging Payment Methods	26
Comfort with Emerging Technologies	31
Conclusions	35
Recommendations	36
Research Method and Detail	37



# Executive Summary

In the dynamic realm of modern payments, the Payments Innovation Forum (PIF) offers a guiding light. PIF is a not-for-profit association that serves as the collective voice of diverse stakeholders across the payments spectrum. Our mission to drive safe, sustainable innovation in payments that harmonises the interests of industry, regulators, and consumers. In this report we examine the intricate web of payment preferences and attitudes among UK residents.

# The UK's Changing Payments Landscape

Our investigation finds compelling themes:

- An evolving payment landscape, especially influenced by new technology and the digital-native generation
- A belief in the inexorable march towards a cashless society, intertwined with the enduring strength of cash
- Lingering concerns about data security
- Limited awareness of the environmental impact of payment choices
- The pivotal roles of age and income in shaping behaviours towards the adoption of new and alternative payment methods

# Towards a Seamless Transition

Our ultimate goal with this report is to explore how best to pave the way for a seamless transition to our increasingly cashless society, bringing all sections of society along for the journey. As we navigate this intricate landscape, we invite you to explore our key findings and actionable recommendations for the payments industry.



# The UK's Payment Habits

In this section, we uncover current payment habits in the United Kingdom. We examine the diversity of payment methods, investigate how age and income levels shape these preferences, explore the scenarios where specific methods dominate, and ultimately, delve into the driving forces behind these choices. At the centre of our investigation is an in-depth analysis of the payment methods people in the UK use for everyday transactions. Our findings reveal a mosaic of habits encompassing both traditional and innovative payment methods.



# Payment Methods: A Detailed Overview

## Cash

Our research underscores that cash remains a prominent choice, with **59%** of respondents indicating regular use. This highlights that physical currency retains its relevance in day-to-day transactions.

## Pay by Bank

Notable in certain areas, this method is used by **16%** of respondents, especially for paying bills such as HMRC and credit card bills. However, Direct Debit maintains its popularity for managing recurring payments, with **45%** being regular users.

## Physical Debit Card

Dominating the scene, physical debit cards emerge as the most frequently used payment method, with **69%** of respondents relying on them regularly. Convenience and security are the key drivers here.

## Digital Payments

The rise of mobile wallets like Apple Pay and Google Pay is evident, with **22%** of respondents using them regularly. Additionally, PayPal boasts regular usage among **35%** of respondents, signifying the growing acceptance of digital methods, especially among younger demographics.

## Buy-Now-Pay-Later

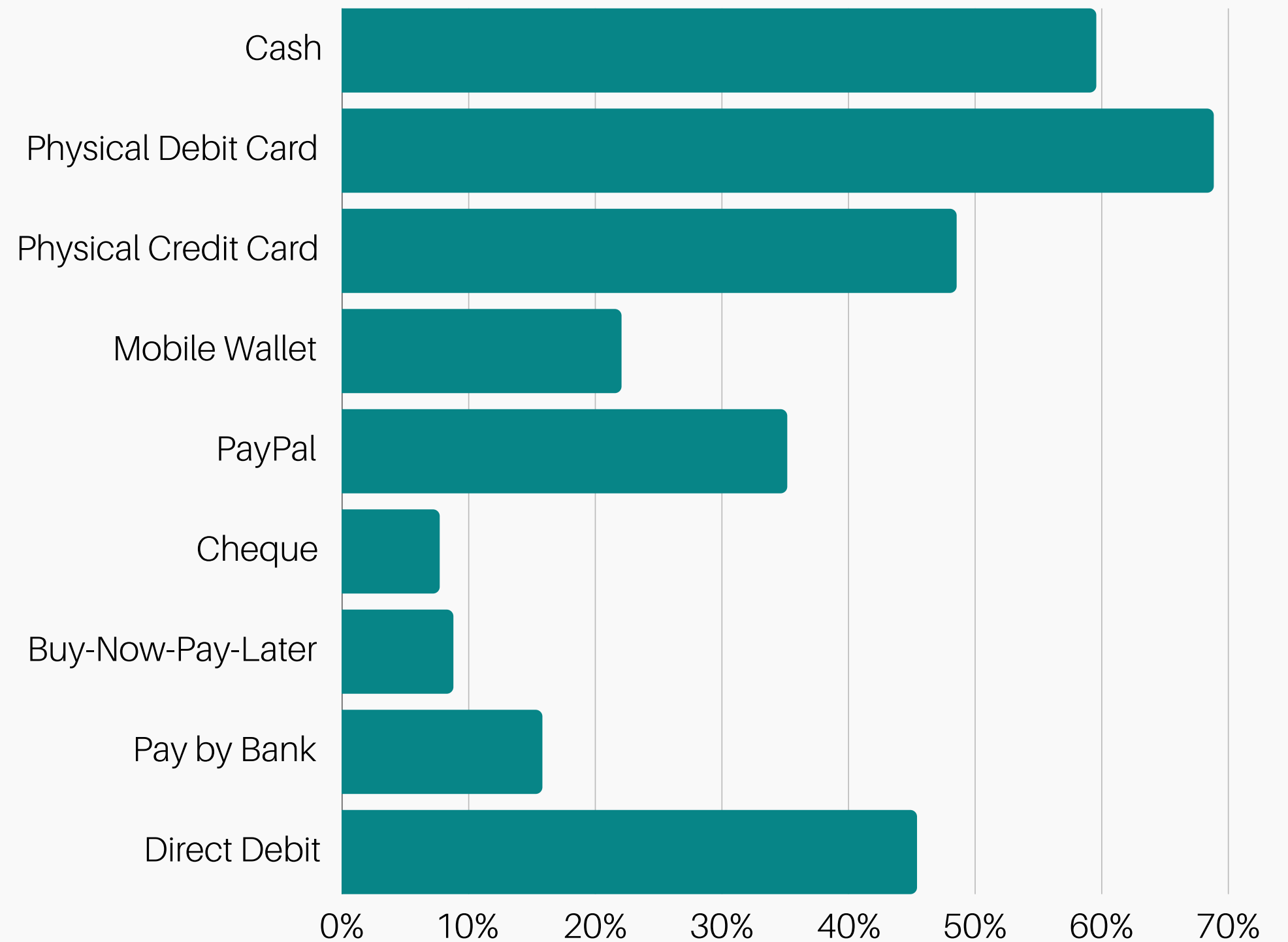
These services, exemplified by Klarna, pique the interest of **8%** of respondents, with a stronger presence among younger age groups, pointing to an emerging trend in alternative payment options.

## Cheques

On the decline, cheques register a mere **8%** regular usage, marking a significant shift away from this traditional payment instrument.

Physical debit cards dominate the scene but cash remains a prominent choice

Q: Which payment methods do you use regularly for everyday transactions?  
Sample: 1,024





# Age and Income Dynamics

Our exploration unveils the substantial impact of age and income levels on payment preferences:

**Cash Usage Increases with Age:** While cash still finds favour among the 18-25 age group at 53%, it's most prevalent among those aged 66 or older, with 67% regularly using it.

**Young Adults Embrace Mobile Wallets:** Mobile wallet usage peaks in the 18-25 age group at 53% but wanes as age increases, demonstrating younger adults' readiness to adopt digital wallets.

**Direct Debit Across Age Groups:** Direct debit remains a popular choice for older age groups, but it declines among younger demographics, reflecting differing preferences for automatic deductions.

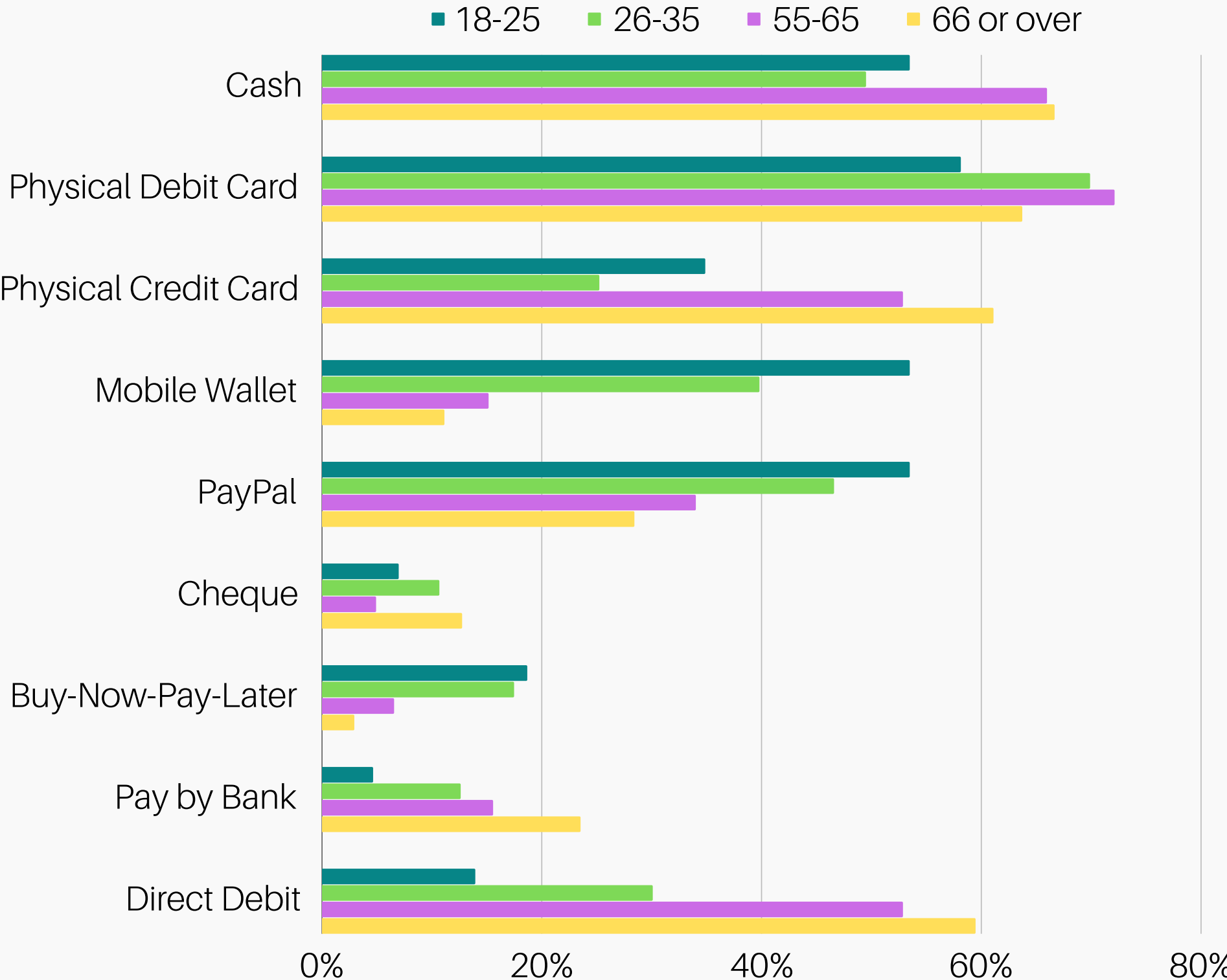
**Credit Card Usage and BNPL Adoption:** Physical credit cards see higher usage among the 56-65 age group at 61%, while BNPL services attract younger consumers, with 18% of the 18-25 age group using them regularly.

**Consistency in Debit Card Usage:** Physical debit cards enjoy consistent popularity across age groups, with the highest adoption rate among those aged 36 to 45 at 77%.

**Income Influences Cash Usage:** Cash usage diminishes with higher income levels, with only 47% of those on an income of over £100,000 using it regularly, compared to 64% of those on an income between £50,000 - £74,999.

**Income's Impact on Card Usage:** Physical debit card usage remains consistent across income levels, while physical credit cards and mobile wallets gain traction with higher incomes.

Mobile wallet use peaks in the 18 to 25 age group at 53% but wanes as age increases



Q: Which payment methods do you use regularly for everyday transactions?  
Sample: 1,024

# Preferred Payment Methods by Scenario

We also explore the contexts in which specific payment methods take the spotlight

**Physical debit cards remain dominant across scenarios:**

Whether it's retail store purchases, buying groceries, dining out, or online shopping, physical debit cards reign supreme.

**Cash, while used, is often not a preference:** While cash is less commonly named as a payment method of choice, it persists as the preferred method in some specific situations, such as for taxis and charitable donations. Few people prefer cash outside these scenarios.

**Direct Debit for bills:** For recurring payments like utilities and subscriptions, Direct Debit claims the top spot.

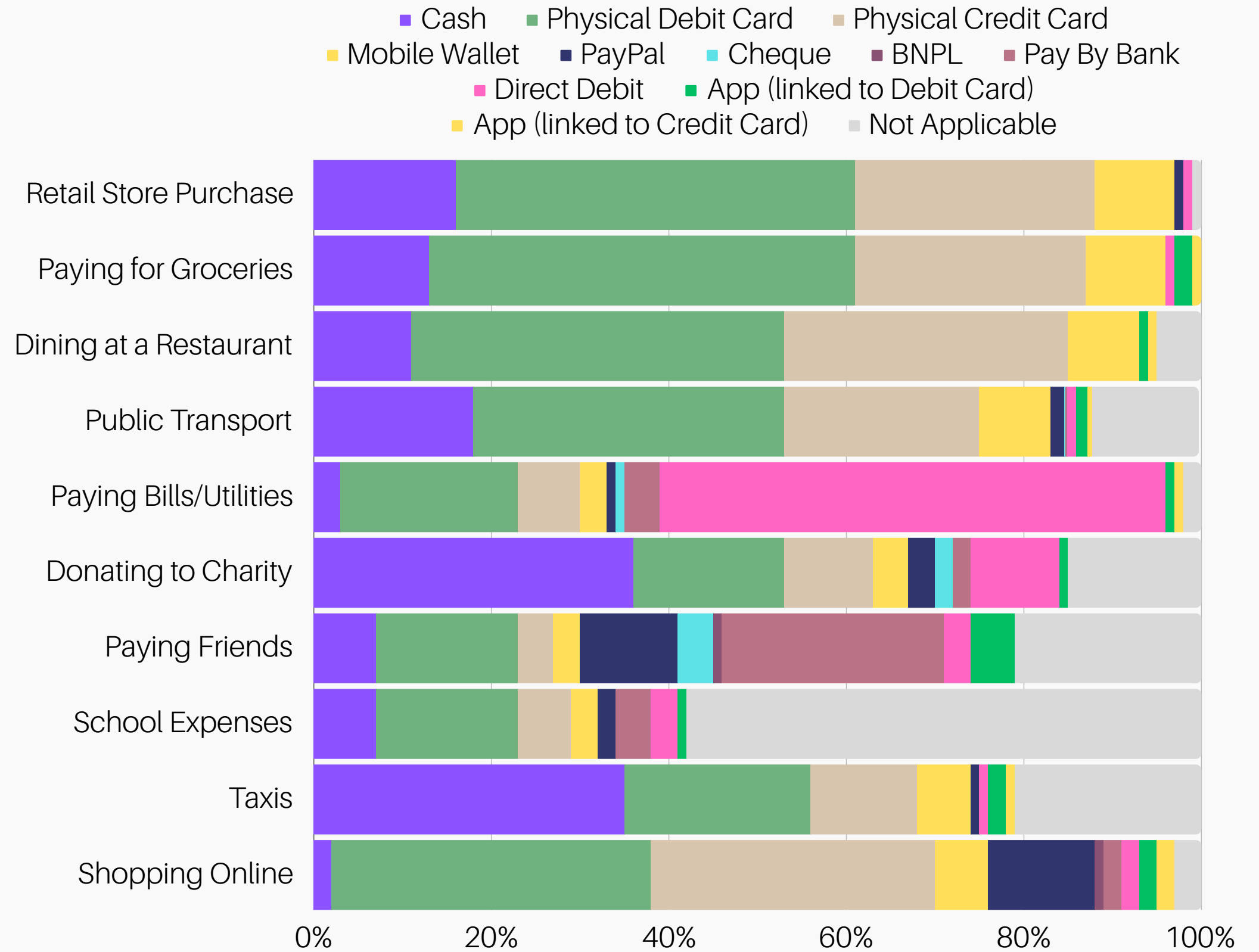
**Mobile wallets show promise:** Mobile wallets, while not dominant, gain ground in scenarios such as retail store purchases, grocery shopping and transportation.

**Online payments:** Online shopping sees physical debit and credit cards, along with PayPal, as the go-to options, reflecting trust in established online payment methods.

**App payments:** App payments linked to debit or credit cards remain relatively less common in most scenarios.

Physical debit cards are preferred across most scenarios, but cash persists as a preferred method in certain situations

For recurring payments such as paying bills, Direct Debit claims the top spot as the preferred payment method



Q: Which payment methods would you prefer to use in the following situations?

Sample: 1,024

# Drivers Behind Payment Choices

Our investigation delves into the factors that influence people when choosing payment methods

**Convenience reigns supreme:** An overwhelming **78%** of respondents prioritise convenience, making it the most influential factor in their payment choices

**Security matters:** Security closely follows, with **54%** of respondents considering it a significant influence, underlining the importance of secure payment options.

**Incentives and rewards:** Around **29%** of respondents are swayed by rewards or cashback offers when selecting payment methods.

**Merchant acceptance:** Acceptance at the merchant's location plays a role for **18%** of respondents, influencing their payment method decisions.

**Speed of transaction:** Speed is significant for **36%** of respondents, highlighting the preference for fast and efficient payment methods.

**Habitual choices:** Habit influences **19%** of respondents, indicating that some individuals stick with familiar payment methods out of habit.

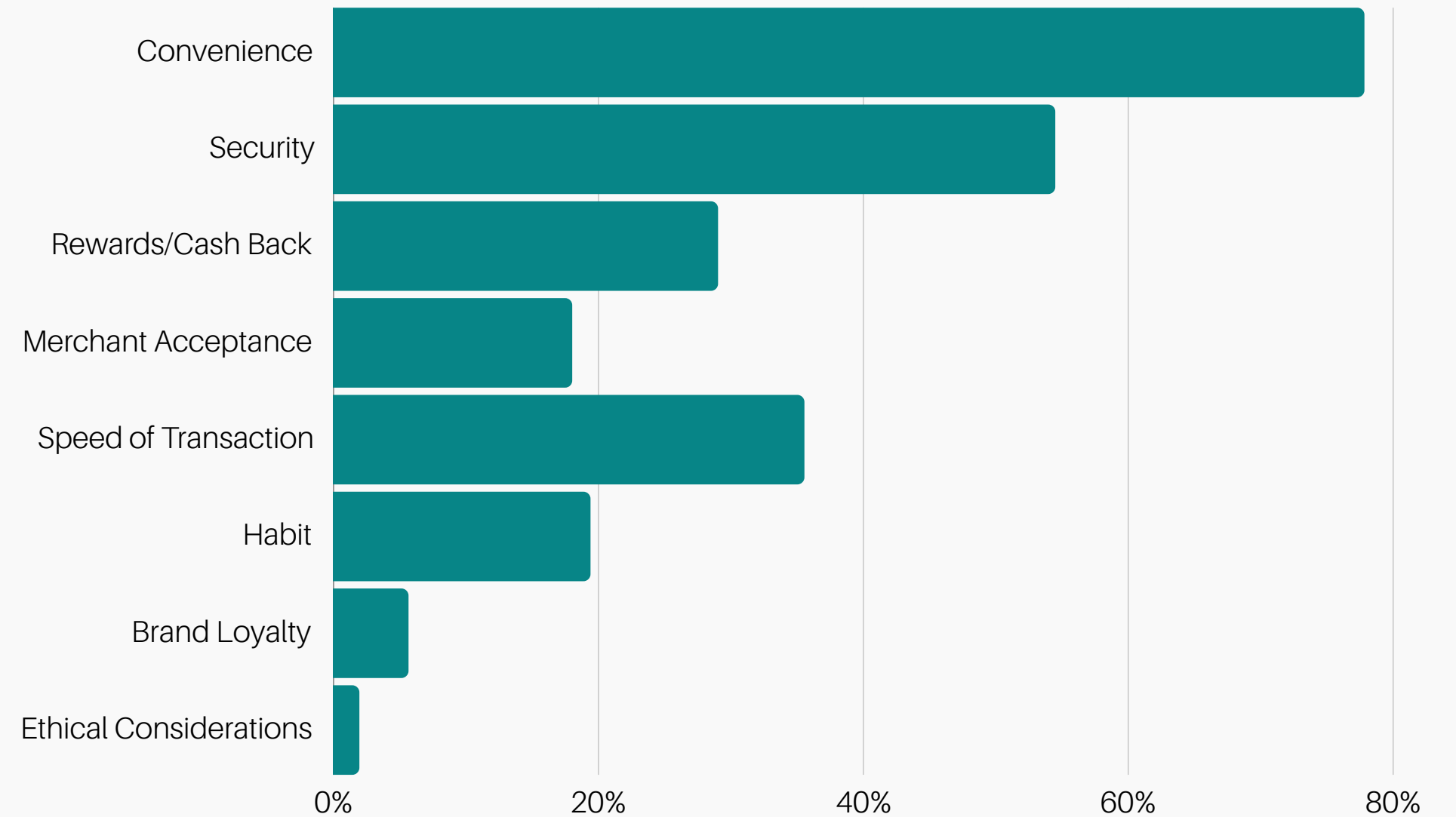
**Limited brand loyalty:** Brand loyalty has a minor impact, with **6%** of respondents considering it when choosing a payment method.

**Ethical considerations:** Ethical considerations have negligible influence, with only **2%** of respondents citing them as a driver of payment choices.

Convenience and security are the most influential factors when it comes to choosing a payment method

Q: What influences your choice of payment method for everyday transactions?

Sample: 1,024

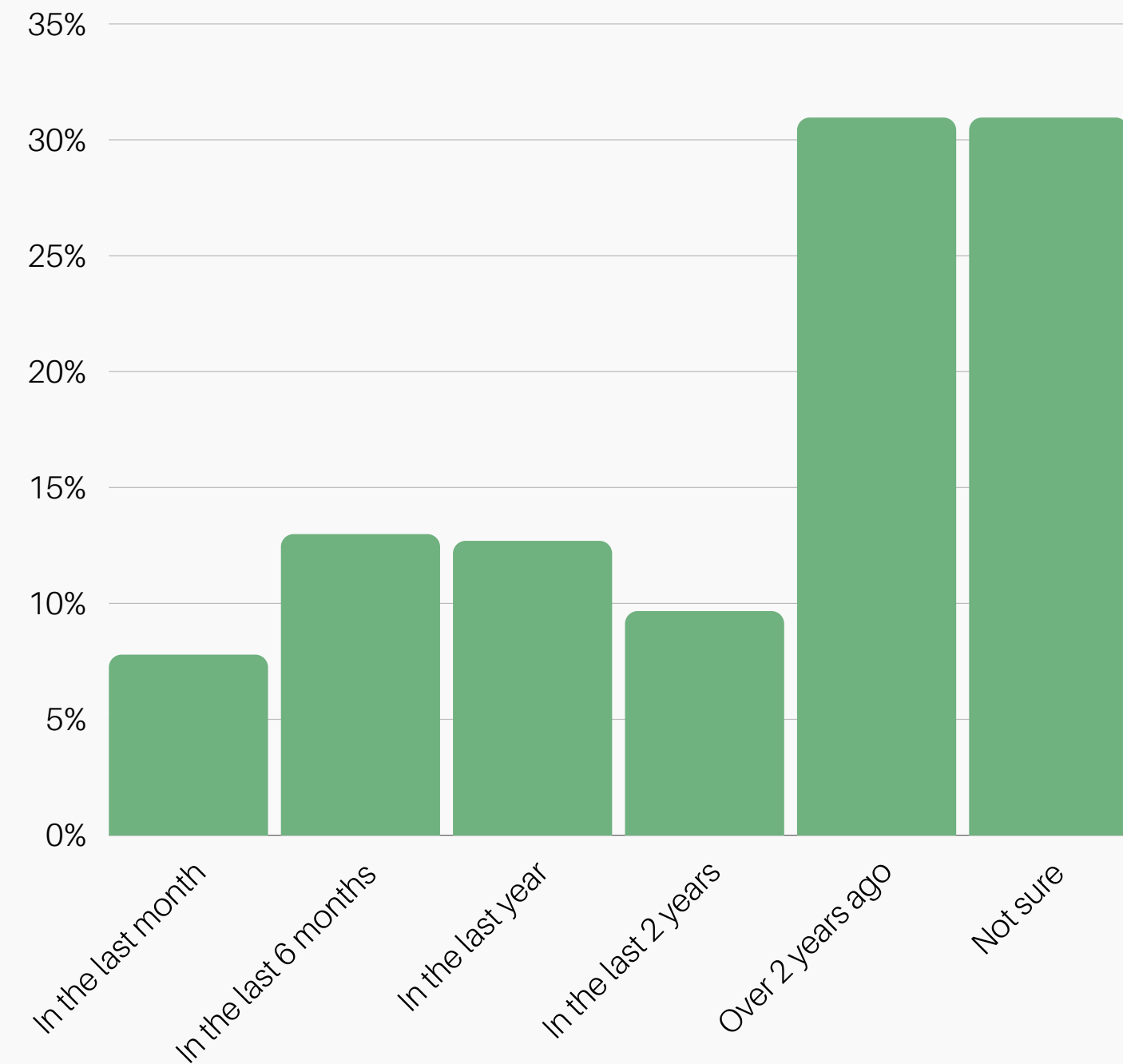


# Adoption of new payment methods

The adoption of new payment methods is influenced by a range of factors. Our analysis reveals that just under a third (27%) of respondents transitioned to a new payment method because they wanted to use a specific service, such as a particular online payment product or a specific provider. However, most respondents are motivated by ease of use (34%) or the offer of cashback, loyalty points, or free products (33%). Only a small percentage (5%) of respondents adopted a new payment method because of a problem with their existing provider.

Q: When did you last adopt a new payment method?

Sample: 1,024



# The Continued Role of Cash in Society

Despite living in a rapidly evolving payment landscape, cash continues to play a significant role in the lives of people across the UK. Our exploration into this enduring reliance on cash reveals distinct facets that contribute to its continued prominence





# Consensus around moves to a cashless society

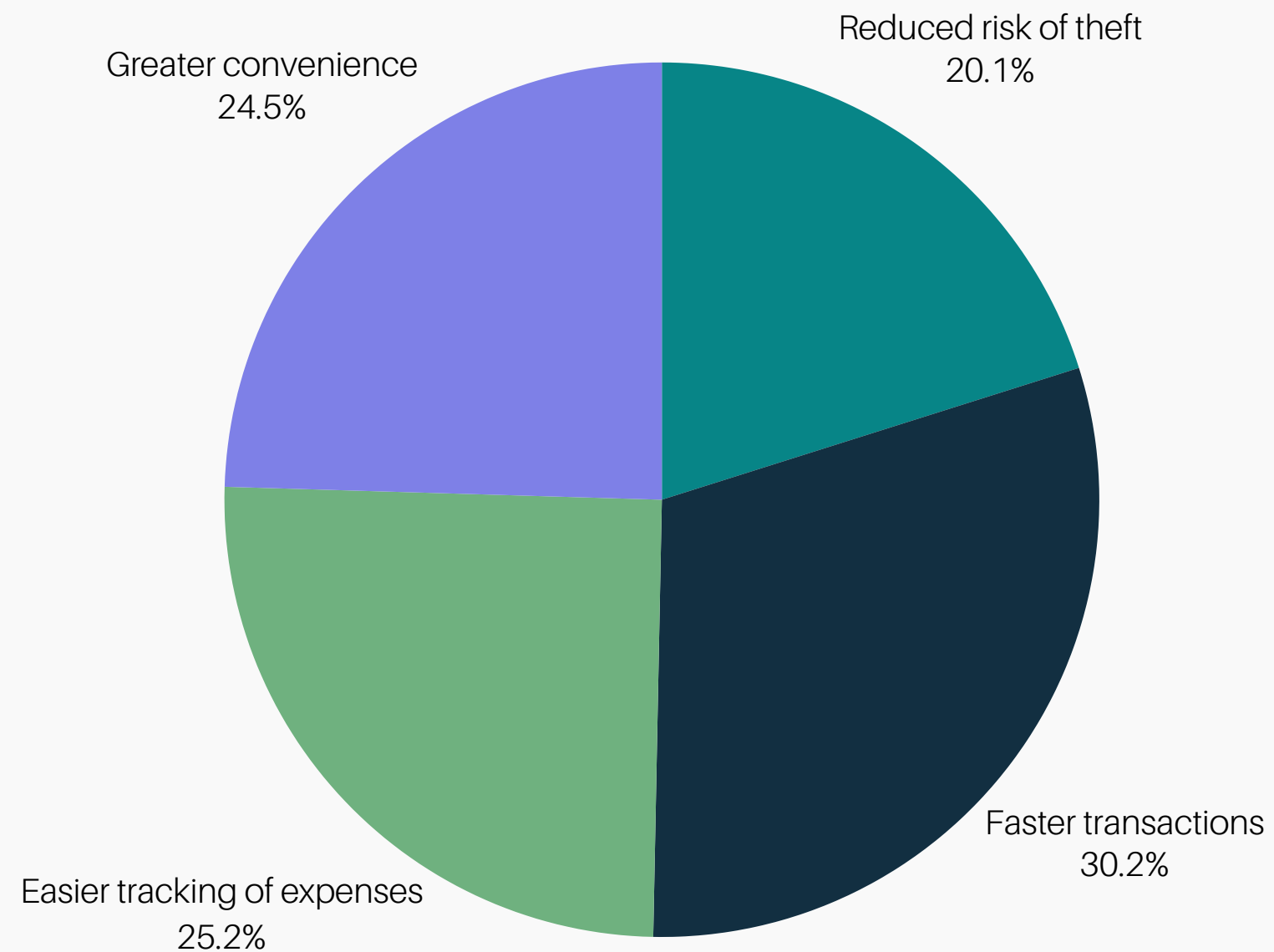
## Acceptance and Perception of Benefits

The overall shift towards a cashless society is evident and amongst the UK public there is a collective acceptance of this transition. A significant majority of **76%** of respondents agree or strongly agree that society is steadily progressing towards a cashless payment environment. This shared perspective transcends age and income groups, yet certain segments express stronger agreement. Notably, the younger generation, specifically the 18-25 and 26-35 age groups, and individuals with higher incomes (£75,000 and above), are particularly inclined to embrace this change.

This alignment with the idea of a cashless society can be attributed to a host of perceived benefits that respondents foresee. These include a reduced risk of theft (**32%**), expedited transaction processes (**48%**), improved tracking of spending (**40%**), and heightened convenience (**39%**). These anticipated advantages underpin the collective optimism surrounding the transition to cashless payments, driving its acceptance as a progressive step.

Most people agree or strongly agree that society is steadily progressing towards a cashless payment environment

Q: If society becomes largely cashless, what potential benefits do you foresee?  
Sample: 1,024



# Cash Usage Patterns: Where cash remains the preference

The role of cash in everyday transactions

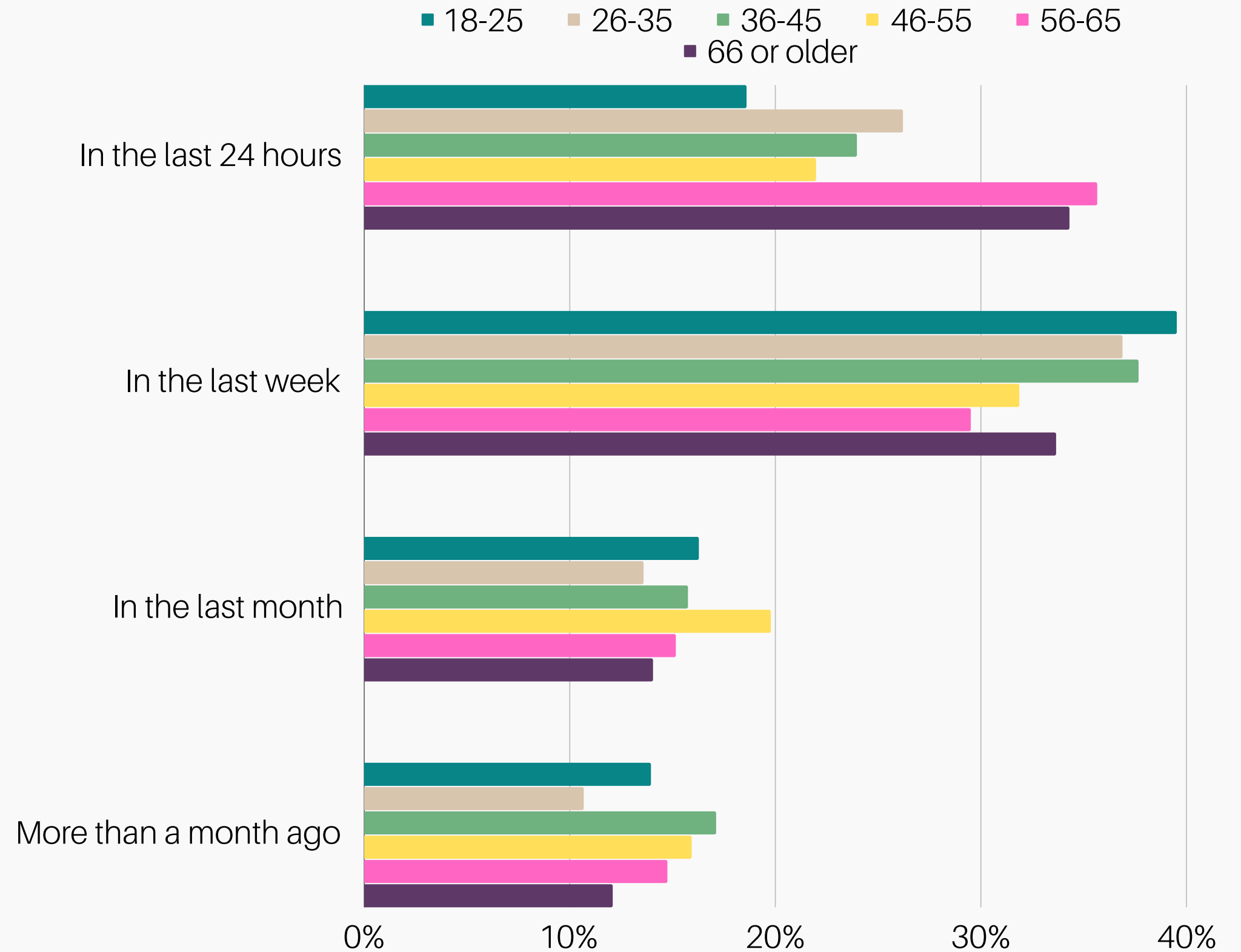
Despite the clear trajectory towards cashless transactions, our survey unearths the enduring importance of physical currency in various facets of daily life. The data underscores that cash maintains its relevance by serving as the preferred choice for specific transactions and scenarios

Our analysis reveals that 63% of respondents have used cash in the past week, with 29% doing so within the last 24 hours. Those aged 56 to 65 exhibit a higher propensity for recent cash usage with 36% having used it within the last 24 hours

This insight highlights the persistent presence of cash in immediate, day-to-day financial dealings. Moreover, an overwhelming 84% of respondents affirm their ability to obtain cash when needed, underlining the accessibility and continued availability of cash as a resource



63% of respondents have used cash in the past week. Those aged 56 to 65 exhibit a higher propensity for recent cash usage with 36% having used it within the last 24 hours



Q: When did you last purchase an item/pay for a service with cash?  
 Sample: 1,024

# Cash: A Vital Support for Local Businesses

The importance of cash extends beyond individual transactions to encompass its pivotal role in local businesses. Cash continues to be the payment tool of choice for small, local businesses, with **75%** of respondents having used cash for transactions at such establishments within the last month. This underscores its enduring role in local economies and preserving the vitality of neighbourhood businesses.

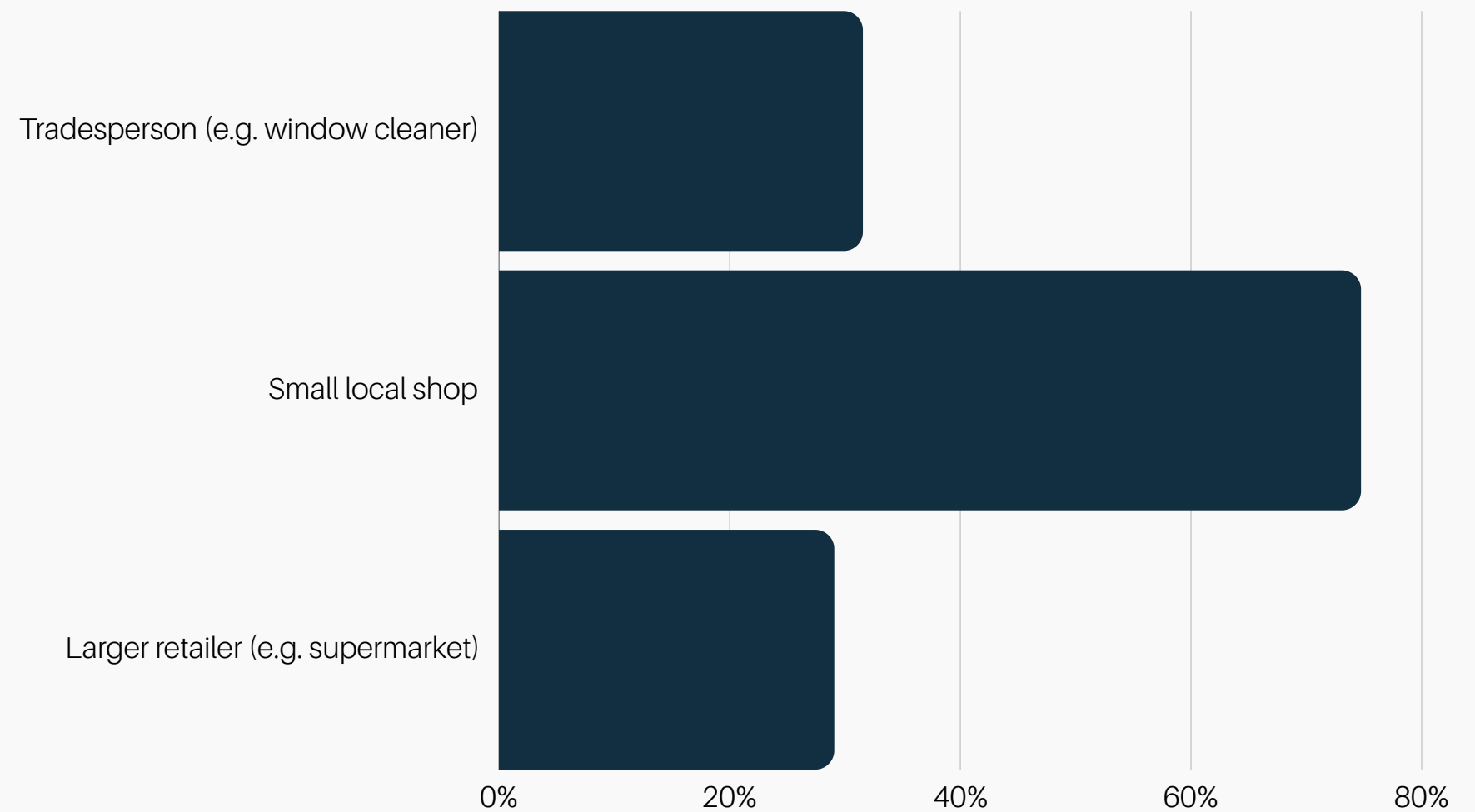
Cash also serves as a critical medium for charitable donations, with **32%** of respondents indicating its use for this purpose. This highlights the reliance of charitable organisations on cash contributions and the need for strategies to facilitate the transition towards cashless gifting. In essence, the continued prevalence of cash in the UK demonstrates a coexistence between traditional and digital payment methods. While the momentum towards a cashless society is evident, the enduring role of cash is underscored by its accessibility, frequency of use, and its profound impact on local businesses and charitable initiatives.



# Cash continues to be the payment tool of choice for small, local businesses

Q: For which of the following products/services have you paid for with cash in the last month?

Sample: 1,024



# Supporting the transition to a cashless society

As the UK continues its journey towards a cashless society, it becomes imperative to understand the dynamics that underpin the adoption of new payment methods, the challenges faced by smaller businesses in this evolving landscape, and the strategies to make cashless payments more accessible for older age groups.



# Key motivators

The transition to new payment methods is driven by several key motivators that influence choice in adopting digital payment solutions. Understanding these motivators is crucial in comprehending how to encourage the continued adoption of newer payment methods:

**Convenience:** One of the primary motivators is the convenience offered by digital payment methods. The ease of making transactions with just a few clicks or taps appeals to a broad spectrum of users.

**Security:** Enhanced security features and measures, such as encryption and biometric authentication, instil confidence in users and motivate them to embrace digital payment methods.

**Speed:** The swiftness of digital transactions is another compelling factor. Faster payments save time and offer a hassle-free experience.

**Rewards and incentives:** Many digital payment platforms offer rewards, cashback incentives or loyalty programmes, enticing users to opt for these methods.

**Acceptance:** The widespread acceptance of a payment method at various merchants and establishments is a significant motivator, as users prefer methods they can use across a range of transactions.



# Challenges faced by smaller businesses

## Examination and Solutions

Smaller businesses play a crucial role in local economies, and their successful transition to cashless payment methods is pivotal as cashless payments become an increasingly preferred option. However, they encounter specific challenges in adapting to this evolving landscape:

**Infrastructure costs:** Smaller businesses may find it financially challenging to invest in the necessary infrastructure for accepting digital payments, including point-of-sale (POS) systems and payment terminals.

**Education and training:** Training staff and customers on the usage of new payment methods can be a significant hurdle for smaller businesses.

**Security Concerns:** Ensuring data security and complying with stringent regulations can be daunting for small enterprises.

**Customer Trust:** Establishing trust in digital transactions is vital, and smaller businesses may face hurdles in convincing customers of the security and reliability of cashless payments.

### To support smaller businesses, the payments sector can implement several strategies and solutions:

- **Affordable POS Solutions:** Offering cost-effective POS systems and payment terminals tailored for smaller businesses can alleviate financial burdens.
- **Education Initiatives:** Providing comprehensive training and educational resources can equip both business owners and customers with the knowledge and confidence to embrace digital payments.
- **Streamlined Compliance:** Simplifying compliance procedures and offering guidance on data security can reduce the complexity for smaller businesses.
- **Community Engagement:** Fostering a sense of community and collaboration among local businesses can encourage the collective adoption of digital payments and enhance customer trust.



# Adoption amongst older age groups

Our research shows a slow pace of adoption of new payment methods amongst older age groups. This demographic faces unique challenges in adopting these technologies. To make cashless payments more accessible and user-friendly for older citizens, tailored initiatives and tools are essential:

By addressing these challenges and implementing tailored solutions, the payments sector can ensure that older age groups (and others with specific needs) are not left behind in the transition to a cashless society. These efforts contribute to a more inclusive and accessible financial landscape, accommodating users of all ages and backgrounds.

## **Simplified Interfaces**

Designing user interfaces that are intuitive, easy to navigate, and incorporate larger fonts and buttons can enhance accessibility for older users.

## **Education Programmes**

Offering training sessions and workshops specifically designed for older adults can bridge the knowledge gap and boost confidence in using digital payment methods.

## **Personal Assistance**

Providing personalised customer support and assistance for older users can address their concerns and queries.

## **Accessible Devices**

Promoting the availability of devices with accessibility features, such as voice commands and screen readers, can improve usability for older individuals.

# Comfort with emerging payment methods

Our research has illuminated the key foundations that underpin the adoption of innovative payment solutions. These foundations encompass users' perceptions of security, their concerns about data sharing, and the current ease of setting up new payment methods. Understanding these pillars is crucial as we navigate the evolving payment landscape.



# Perceptions of security and its importance

## Security is paramount

Security stands as a cornerstone in shaping payment method choices. Users place immense importance on the safeguarding of their personal and financial data when embracing digital payment methods. Therefore, robust security measures are pivotal in earning and maintaining users' trust within the cashless payment ecosystem.

A significant **83%** of respondents expressed concerns about the security of their payment information when using innovative payment methods, underscoring the paramount importance of security. This concern was particularly pronounced among older age groups, with 42.16% of respondents over 66 expressing "very concerned" sentiments.

## Concerns about data sharing

Concerns regarding data sharing by payment providers manifest with varying degrees across respondents. As we delve deeper into these concerns, we observe distinct patterns across different demographics. This diversity in perception emphasises the necessity for policies and practices that respect user privacy and security.

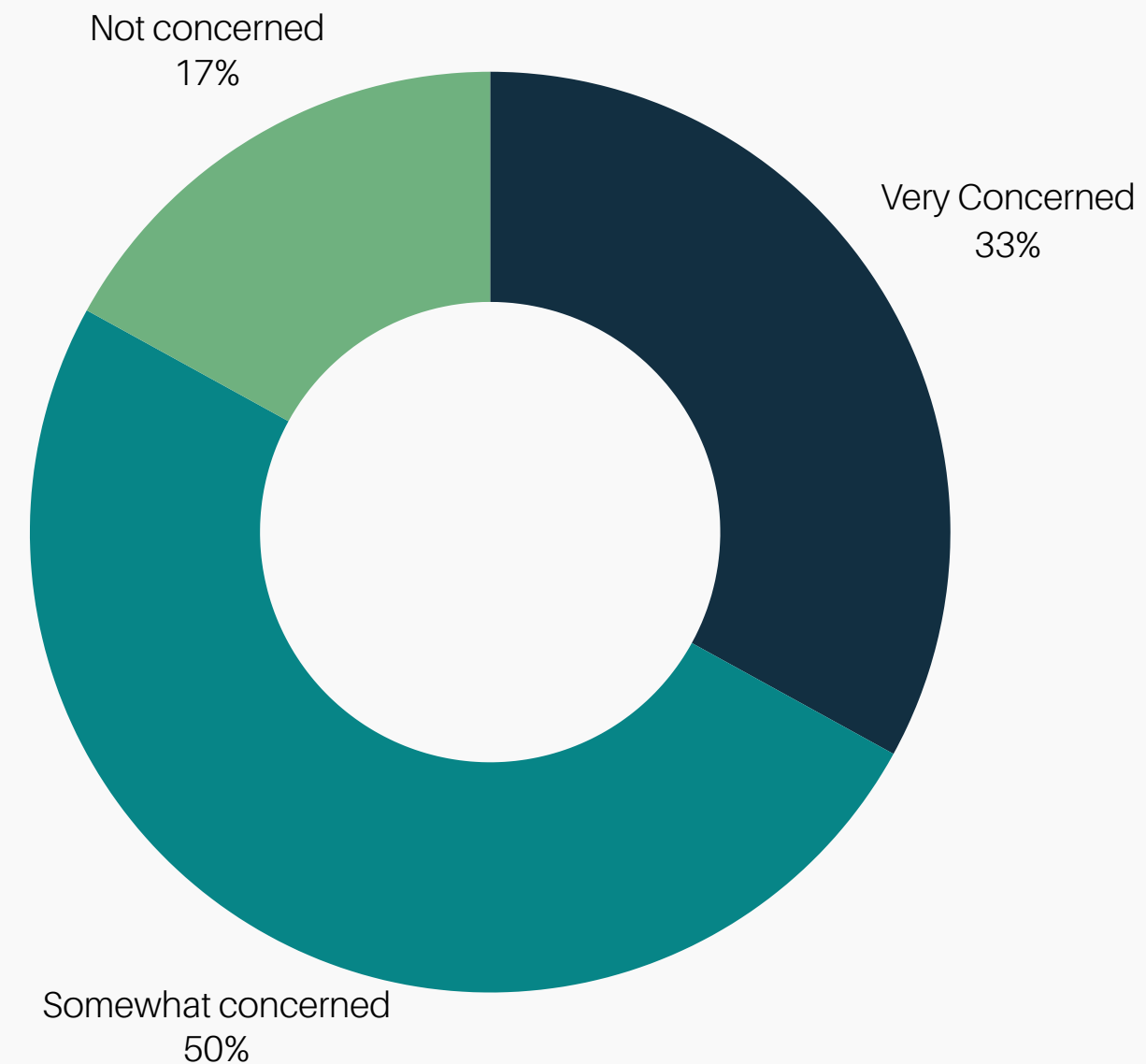
**A majority of respondents (86%) expressed varying levels of concern about data sharing from payment providers.**

Notably, those aged 66 or older had the highest percentage of "very concerned" respondents at 42%, indicating heightened worries among older individuals about data sharing. In contrast, those aged 18 to 25 displayed the lowest percentage of "very concerned" respondents at 21%, reflecting reduced apprehension among younger individuals.

Users place immense importance on the safeguarding of their personal and financial data when embracing digital payment methods.

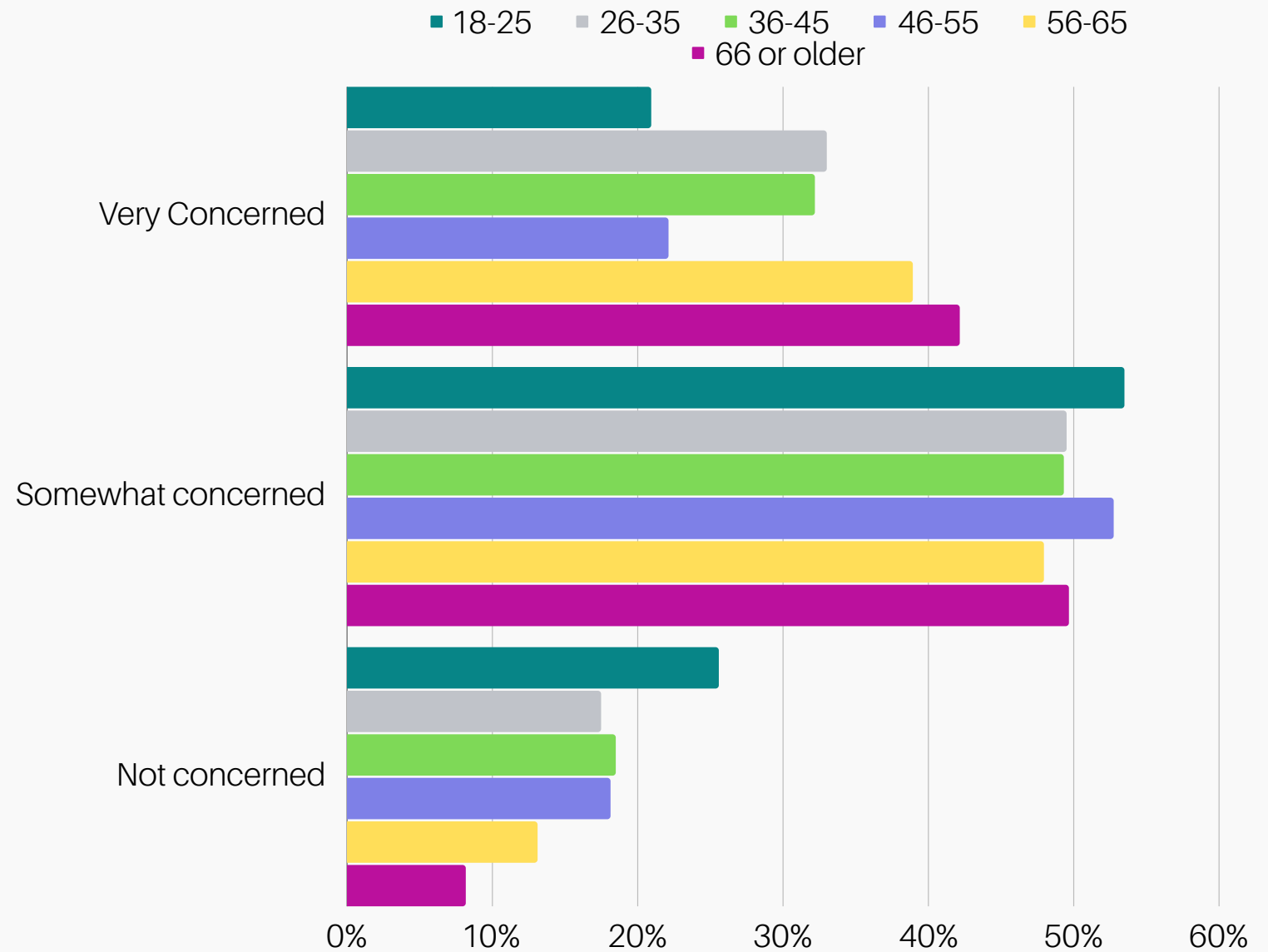
Q: Are you concerned about the security of your payment information when using innovative payment methods?

Sample: 1,024



Concerns about data sharing reduce with age, with the lowest apprehension amongst younger age groups

Q: Are you concerned about data sharing from your payment service provider? (e.g. sharing of your spending habits)  
Sample: 1,024



# Continue to simplify adoption

The ease of setting up new payment methods plays a pivotal role in user adoption

Our survey reveals current performance in this regard is positive, showing how well the user experience of onboarding new payment solutions has been devised. Approximately one-third (33%) of respondents found setting up their most recent new payment method "very easy," while almost 40% considered it "reasonably easy."

However, the sector needs to evolve from supporting the 'average' person to concentrating on what more needs to be done to encourage those on the fringes of understanding to feel more at ease.



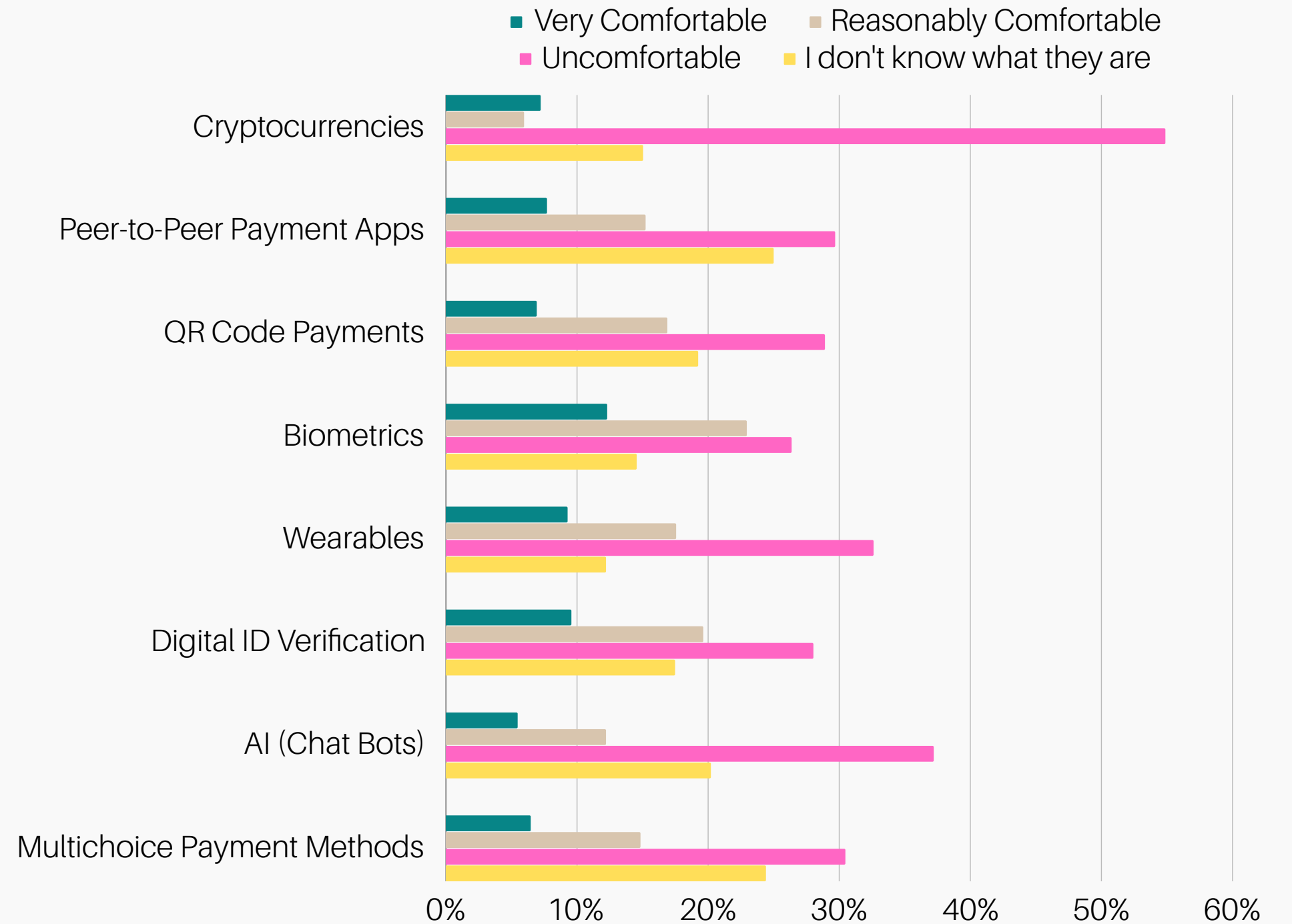
# Comfort level with emerging technologies

User comfort is a critical factor that can significantly influence the adoption of new technologies. To understand the current comfort levels among users, our survey delved into their perceptions of various emerging payment methods and tools designed to enhance security and identity verification in payments.





Variations in comfort levels highlight the complexity of introducing new payment technologies and the importance of addressing user concerns through effective communication



Q: How comfortable are you with the use (or potential use) of emerging payment methods or tools that enable identity / security checks for payments?

Sample: 1,024

# When it comes to emerging technologies, our survey revealed varying levels of comfort

While some users express a high level of comfort with certain technologies, such as biometric payments, others show considerable hesitation or lack of familiarity with innovations like AI-driven tools.

The survey also showed a lack of familiarity and need for education. 15% of respondents admitted not knowing what cryptocurrencies are, and 21% were unsure about peer-to-peer payment apps. These variations in comfort levels highlight the complexity of introducing new payment technologies and the importance of addressing user concerns through effective communication.

**Biometric Payments:** Among the payment methods surveyed, biometric payments had the highest percentage of respondents who felt "very comfortable" with them (12%).

**AI tools:** This category had the lowest percentage of respondents who felt "very comfortable" (5%).

# The environmental factor

Currently, awareness of the environmental impact of payment options remains limited, as only 15% of respondents are aware of these differences. Consequently, environmental considerations play a minor role in influencing payment choices at present.

However, there are signs that this could change in the future. 18% expressed that it could significantly affect their payment method choice if they had this information. Suggesting that, as awareness grows, the environment is likely to be a more prominent factor in decision-making on payment methods. It's no surprise in the current climate that for half of our respondents, other factors like convenience and security hold greater sway in their choice of payment methods. A significant portion (32%) stated that environmental factors would not impact their payment choices. If more information about the environmental impact was available, this figure could change.



# Conclusions

While the UK is moving towards a cashless society, the transition is characterised by a diverse coexistence of traditional and emerging payment methods. The choices individuals make regarding payment methods are influenced by a delicate balance of convenience, security, and personal preferences

Security and ease of use have emerged as paramount considerations in the selection of payment methods. Users prioritise the convenience and security of their transactions, underscoring the importance of robust security measures and user-friendly interfaces in the design of payment solutions.

The emergence of innovative payment technologies, such as cryptocurrencies and AI-driven tools, presents both opportunities and challenges. Addressing user concerns and fostering awareness and understanding of these technologies will be instrumental in driving their broader adoption. Additionally, our research has highlighted the nascent awareness of the environmental impact of payment options. While it currently plays a minor role in decision-making, there is the potential for it to become a more influential factor in the future.

In conclusion, the UK's payment landscape is evolving rapidly, shaped by technological advancements and changing user preferences. To facilitate a seamless transition to a cashless society, the payments industry must adapt, innovate, and prioritise user-centric approaches.

As we look ahead, collaboration among industry stakeholders, user education, and the continual enhancement of payment services will be instrumental in ensuring that the payments ecosystem remains responsive to the needs of diverse user groups and resilient in the face of future challenges.

# Recommendations

Here are our key takeaways from this research :

## **Educational Initiatives**

We clearly need to educate consumers about the range and benefits of different payment methods and technologies. There are many ways to do this. The key is to provide clear, accessible information tailored for particular user groups to demystify emerging technologies such as AI-driven tools, and other innovative tools. Rarely does one size fit all and we should be thinking about how best to help alleviate concerns that may persist in particular user groups and promote informed decision-making.

## **User-Centric Approach**

By simplifying the setup and usage of innovative payment methods and technologies, industry stakeholders can enhance user satisfaction and drive broader adoption. The payments industry should continue to prioritise the development of user-friendly interfaces and seamless onboarding experiences for new payment methods.

## **Environmental Considerations**

The environmental impact of payment options should not be overlooked. PIF and its members can play a role in helping consumers understand how their actions can make an impact and promoting more eco-friendly payments, such as highlighting the reduced carbon footprint of digital payments compared to cash.

## **Transparency and Security**

Industry should call attention to the security measures it puts in place to keep customer funds and transactions secure. This will help alleviate user concerns about security. Building trust through transparency is essential in encouraging users to embrace new payment methods and technologies confidently.

## **Collaboration and Information Sharing**

As the old adage goes, 1+1=3. By working together, PIF and its members can leverage their collective expertise to tackle issues related to payment method adoption, security, and user education more effectively.

# Research Method and Detail

The data presented in this report was gathered through a survey conducted in October 2023, which aimed to gain insights into the payment habits, preferences, and perceptions of 1,024 UK adults. The survey was administered online, and the sample was carefully selected to represent a cross-section of the UK population.

This carefully selected and demographically diverse sample enables us to draw meaningful insights and trends regarding payment methods, preferences, and attitudes across different age groups, genders, and income levels in the UK. The data collected through this survey forms the basis of the findings and analysis presented in this report.

## **Gender**

Male: 501 respondents

Female: 520 respondents

## **Age Groups**

18-25: 43 respondents

26 to 35: 103 respondents

36 to 45: 146 respondents

46 to 55: 182 respondents

56 to 65: 244 respondents

66 or older: 306 respondents

## **Income Levels**

Under £10,000: 59 respondents

£10,000 to £19,999: 145 respondents

£20,000 to £29,999: 234 respondents

£30,000 to £39,999: 167 respondents

£40,000 to £49,999: 111 respondents

£50,000 to £74,999: 151 respondents

£75,000 to £99,999: 51 respondents

Over £100,000: 43 respondents



©2024 Payments Innovation Forum Ltd

**Connect with us**

[www.paymentsinnovationforum.org](http://www.paymentsinnovationforum.org)

[info@paymentsinnovationforum.org](mailto:info@paymentsinnovationforum.org)

86-90 Paul Street

London

EC2A 4NE

Disclaimer: The information provided in this report is provided "as is" and is intended for general information purposes only. It should not be construed as legal, technical or any other professional advice. The Payments Innovation Forum not assume liability or responsibility that results from reliance on such information. On any specific matter, readers should seek the advice of an appropriate advisor.