

UK Card Payments 2017



Cards are the most popular payment method in the UK by value. They allow cardholders to pay for goods and services easily, conveniently and securely. Card spending accounted for 35% of GDP in 2016 and is critical for the economy. It is expected to continue to grow over the next decade and to overtake cash as the predominant way to pay in volume as it already is in value.

Cards are issued by a variety of organisations such as banks, building societies and other financial services companies. The types of cards issued and their level of functionality vary from card issuer to card issuer and between the different card schemes. The major card schemes include American Express, Diners Club, JCB International, Mastercard and Visa. These schemes are the operators of the card systems that set the rules under which transactions occur, process transactions and provide a settlement function. This report looks in detail at how cards are held and used, and includes summary tables on cards in issue, the number and value of transactions, and point-of-sale terminals.

Other publications from The UK Cards Association are available by contacting: press@ukcards.org.uk

For more information please visit our website: www.theukcardsassociation.org.uk

UK Card Payments 2017 provides a comprehensive summary of how and where cards were used in 2016. This includes data on how many cards consumers hold and what they bought with them, both in the high street and online. It also includes details of personal card spending habits, and forecasts how our use of cards is expected to change over the next ten years.

Sources of data

The data in this report, unless otherwise stated, are compiled from information gathered from The UK Cards Association's members: UK-based issuers and institutions which process payment card transactions on behalf of UK-based merchants, retailers and other service providers.

All data, unless otherwise stated, cover annual figures as at 31 December 2016.

A glossary of terms used in this publication can be found at:

www.theukcardsassociation.org.uk

For queries about the data in this publication please contact Information Management:

Silvija Krupena / David Obuwa / Nigel Burt

Tel 020 3217 8460/8421/8244

Email camis@ukpayments.org.uk

For member enquiries relating to users and holders of cards, and forecasts, please contact Research and Customer Policy:

Email pmr@paymentsuk.org.uk

For membership information or further details about The UK Cards Association please contact:

Tel 020 3217 8200

Email support@ukcards.org.uk

www.theukcardsassociation.org.uk

UK Card Payments 2017

The UK Cards Association is the trade body for the card payments industry in the UK, representing financial institutions which act as card issuers and acquirers.

The Association promotes co-operation between industry participants in order to progress non-competitive matters of mutual interest; informs and engages with stakeholders to shape legal and regulatory developments; develops industry best practice; safeguards the integrity of the card payments industry by tackling card fraud with Financial Fraud Action UK; develops industry standards; and co-ordinates other industry-wide initiatives such as those aiming to deliver innovation. As an Association we are committed to delivering a card payments industry that is constantly focused on improved outcomes for the customer.

More information about The UK Cards Association is available at: www.theukcardsassociation.org.uk

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1. Overview of the UK Card Payments Market

1.1 Economic background

Card spending has increased consistently since payment cards were first introduced into the UK in the 1960's as a payment mechanism. This growth has been continuous irrespective of any underlying developments in the wider economy, such as consumer booms, recessions, or changes in government economic policy. While these factors will have had an underlying effect on consumer confidence and consumption, their effect is masked by the overarching migration of payments to cards from other forms of payment (typically cash and cheques). This trend continued in 2016.

In 2016, the economic environment was broadly favourable for consumers, even taking into account the vote to leave the European Union. The predicted effects of the Brexit vote have not yet been felt – credit conditions remain favourable, sustaining an increase in consumer borrowing. Other key developments were:

- Strengthening economic growth
- Rising employment and earnings
- Strong house price inflation
- Increase in general price inflation in the final quarter, with the Bank of England forecasting that CPI inflation will stay above the 2% target in subsequent quarters
- Robust consumer spending in spite of weakening consumer confidence
- Declining borrowing costs driven by strong competition in the market
- Limited initial impact of industry regulatory developments (EC decision on interchange fees and the FCA study of the credit card market).

In terms of outlook, the fall in sterling after the Brexit referendum impacted imports and commodity prices, resulting in higher inflation, which stood at 0.3% in January, rising to 1.6% by the end of the year. This could increase pressure on households, potentially lowering the rate of consumer spending. The full consequences of Brexit will depend on the outcome of the Article 50 negotiations. This creates a number of uncertainties.

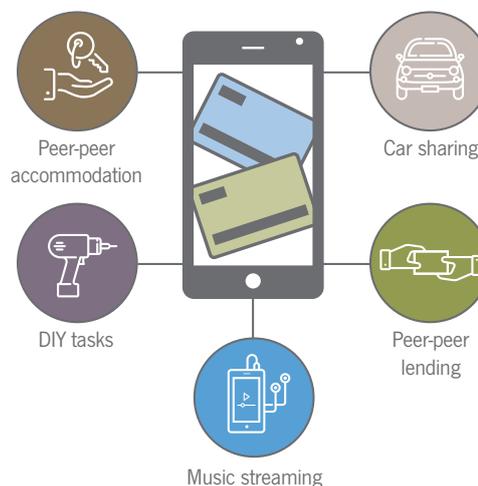
It is likely that in 2016 the strong labour market offset short-term negative shocks, evident in high levels of card spending. Employment rose to 74.6%¹ at the end of the year, its highest level since comparable records began. This coincided with unemployment falling to 4.9%, a level last seen in the second half of 2005. It is, however, worth noting that any positive effects of card spending from the labour market may have been tempered by rising inflation, which could be reducing consumers' disposable incomes.

The continued relative strength of UK GDP figures (+1.8%) was reflected in retail sales. Retail spending grew by 3.2% in 2016 to reach £388 billion with debit cards accounting for 53% of this. To put this into context, credit and charge cards accounted for 24% of retail spending in 2016, with cash and cheques making up the remaining 23%. High levels of spending were also evident in the services sector, despite the sharp drop in consumer confidence following the Brexit vote.

Meanwhile, interest rates were cut to 0.25% in response to the Brexit vote². This is a historically low level, and there are indications that this may change in response to higher inflation in 2017. Low interest rates can be good for the economy if they encourage the cycle of bank lending, investment, employment and growth, but there are concerns about the potential impacts of a persistent low interest rate environment. Low interest rates have previously led to low mortgage and consumer credit rates, although this is also driven by competition in these markets, increasing lending in both.

The sharing economy³ also continued to expand. In 2015 alone transactions in this segment were estimated at £7.4 billion⁴, up from £3.9 billion in 2014. Going forward, it is estimated the UK's sharing economy could expand by over 30% per year over the next decade, generating £18 billion of revenue for platforms and facilitating about £140 billion worth of transactions per year by 2025. Activity has been concentrated in particular sectors, such as transportation, finance, accommodation and on-demand household consumption. Merchants in this space are typically hosted on mobile phone apps with payments funded through embedded 'in-app' digital wallets, mostly operating on the existing payment card infrastructure.

Card spending in the sharing economy



¹ More details at: www.ons.gov.uk

² More details at: www.bankofengland.co.uk/publications/Pages/news/2016/008.aspx

³ The sharing economy involves using internet technologies to connect distributed groups of people to make better use of goods, skills and services. It allows people to communicate and share information, building trust and increasing the number of meaningful interactions. Finally, many activities within the sharing economy seek to foster a spirit of openness and inclusivity.

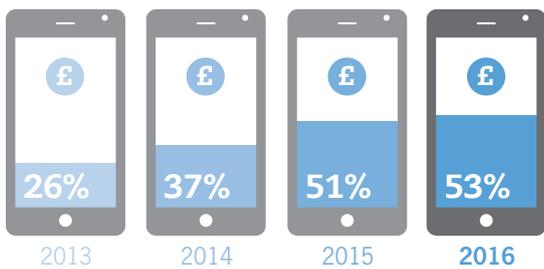
⁴ More details at: www.pwc.co.uk/issues/megatrends/collisions/sharingeconomy/outlook-for-the-sharing-economy-in-the-uk-2016.html

1.2 Number of cards in issue and card holding

Cards continue to play a crucial role in everyday life. This is demonstrated by the extent to which there has been growth in the number of cards that consumers hold, which has increased consistently over the past decade. In 2016, the total number of payment cards in issue remained unchanged at 164 million. New cards issued, as a result of new acquisition and account switching, compensated for the decrease as a result of dormant accounts being closed.

Online spending has also been growing strongly, increasing its share of total card spending. This change in consumer purchasing behaviour was initially driven by the growing ownership of home computers and more recently by the proliferation of smartphones and tablets. In 2016, more than half (53%) of online spending was channelled via tablets and smartphones, up from 51% in 2015. Along with changing consumer habits, this development has also been facilitated by innovations from card issuers and schemes, merchants, merchant acquirers and third party payment service providers, offering enhanced security, choice, convenience and consumer protection.

Spending channelled via mobile devices



Continuing a trend from previous years, the highlight of 2016 was the exceptional growth in the circulation and use of contactless payment cards. Contactless cards have the same level of protection as traditional Chip & PIN cards, and contain multiple layers of security. There were 103 million of these cards in circulation at the end of 2016, representing an increase of 26% during the year. The debit product grew by 27% to 70 million, with growth in the credit product up by 23% to 33 million.

The UK Cards Association has continued to lead work on projects aimed at extending the adoption and application of contactless card payments. Areas of focus have been the transportation and charitable sectors. In the latter case, there has been extensive collaboration with a number of large and small charities, to replace declining cash donations with contactless payments. A number of charities have already successfully adopted and implemented these new business models, with high uptake expected in the coming years.

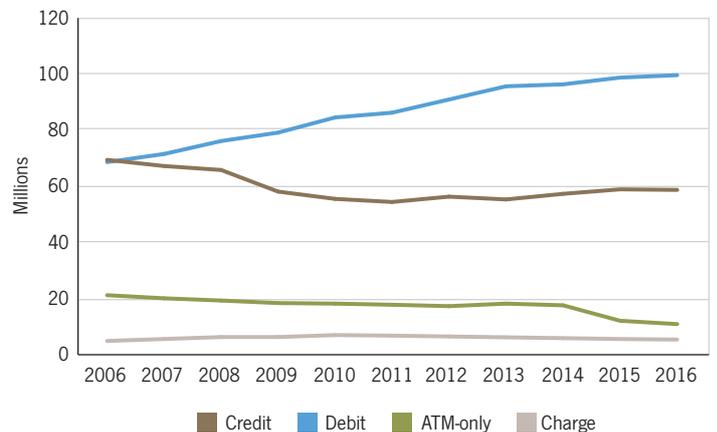
With ATM-only cards included, the total number of cards in circulation at the end of the year totalled 174 million. ATM-only cards can only be used to withdraw cash, and only from cash machines. The number of these cards decreased significantly during the year, driven by closures of dormant cards and replacement by debit cards.

103 million contactless cards



Within the payment card market, credit and charge cards fell by 1.0% to 64 million. That said, there was strong growth at the premium end of the market, with the number of platinum cards rising by 20% to 21 million. Meanwhile, the number of affinity credit cards amounted to one million, following a decrease of 21% during the year, in contrast to co-branded credit cards, which were up by 67% to 5.6 million.

Chart 1.1
Number of cards at year-end



Source: The UK Cards Association

The number of debit cards increased slightly by 0.8% to almost 100 million, perhaps reflecting a very high penetration of debit cards across the population that will limit the potential for substantial future growth. Visa Debit cards accounted for 97% of all debit cards and grew by 0.9% to reach 96.5 million. The number of Debit Mastercard cards fell by 0.6%, remaining at 3.2 million.

Over the last decade debit card holding has increased whilst credit card holding has been largely steady, albeit increasing slightly in the past 3 years. There were 51.1 million debit card holders in 2016, an increase of 1 million from 2015. As a result more than nine in ten UK adults (96%) have debit cards in their wallets. Both population growth as well as the proliferation of bank accounts issuing a debit card as standard to the account holder have increased debit card holding. These factors will also drive debit card holding growth in the future. Young account holders in particular will expect debit cards with new accounts as they grow up using this payment method.

Card holding (in particular debit card holding) is high amongst all groups, however some groups are more likely to hold either debit or credit cards compared to other groups. For example, full time employees are much more likely to hold both debit and credit cards than other groups as well as those with higher incomes. Use of cards also follows a similar trend with those who have higher incomes and in full time employment, on average making more payments using their cards than those who may be unemployed and/or with lower levels of income.

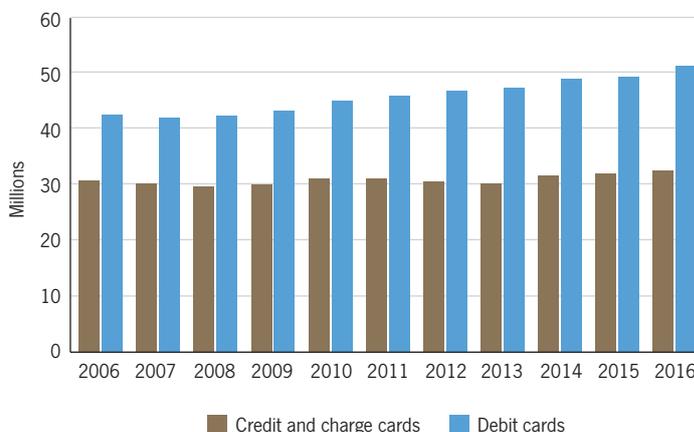


Cardholders

In 2016 there were 32.3 million people in the UK with a credit or charge card, equating to six in ten adults. The total for 2016 was a slight increase on the previous year's figures and in line with the trend from the past few years. This increase is likely driven by a number of factors including wider economic conditions, consumers being more confident of paying back any debt and greater competition in the market. One of the strongest determinants of credit and charge card holding is income. Around 80% of those in the higher income brackets (over £50,000) have a credit card compared to only 20% of those in the lowest incomes (below £10,000).

There were 1.90 credit cards per holder in 2016, slightly lower than the previous year. Just over half of all cardholders had only one credit or charge card in their wallet in 2016 which was similar to the previous year. Only 10% of cardholders had four or more cards.

Chart 1.2
Number of credit and debit card holders



Source: Payments UK

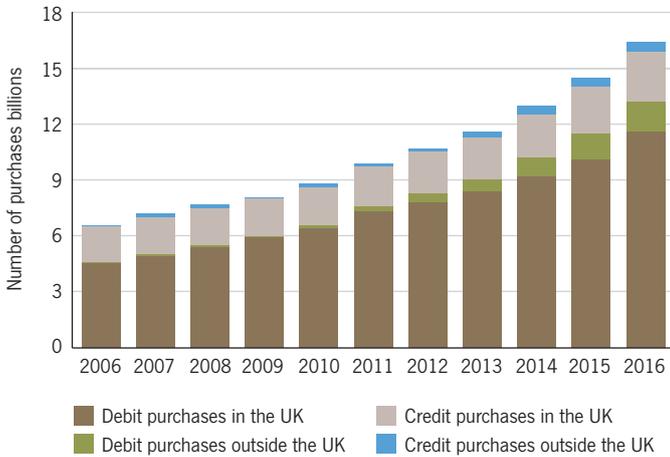
1.3 Card transactions in 2016

Card transactions comprise purchases completed at the point-of-sale, in-store, online or via a mobile device. Also included are cash withdrawals from cash machines as well as bank and post office counters. During the year, the number of transactions using all payment cards increased by 10% to 19 billion, with corresponding values up by 5.5% to £904 billion. Debit cards accounted for the majority of transactions, given their higher numbers relative to credit and charge cards. The number of debit card transactions increased by 11% to just under 16 billion, with values up by 6.6% to £715 billion. Of these, purchases amounted to 13 billion, corresponding to a total spend of £530 billion.

A growing proportion of these purchases are made online and to a lesser extent via mail order/telephone order (MOTO). The total number of online purchases made with debit cards stood at 3.2 billion and corresponded with £195 billion spent, with an average transaction value (ATV) of £60.28. This means that in 2016, online spending accounted for 25% of debit card purchases by volume and 37% by value. Meanwhile, the number of MOTO debit card purchases amounted to 384 million with £48 billion spent. MOTO transactions therefore made up 2.9% of total debit card purchases by volume and 9.0% by value.

Chart 1.3

Number of credit and debit card purchases



Source: The UK Cards Association

The ATV for all debit card purchases continued to decline, falling by £1.98 to £40.32. Falling ATVs have been evident for many years with deflationary pressure from factors such as ongoing supermarket price wars, the growing market share of discount retailers and strong growth in contactless spending. The growing prominence of e-commerce and spending via 'in-app' digital wallets were also likely drivers. Within the UK, the ATV fell by £2.33 to £42.10, while that outside the UK fell more marginally, by £0.86 to £27.30.

In total £184 billion cash was withdrawn using UK-issued debit cards - unchanged from 2015. While this stability was evident in the UK, cash withdrawals overseas recorded a significant increase (11%), with £6.6 billion withdrawn during the year. This increase was mainly driven by the fall in the value of sterling in the second half of 2016.



Credit card spending
£179 billion



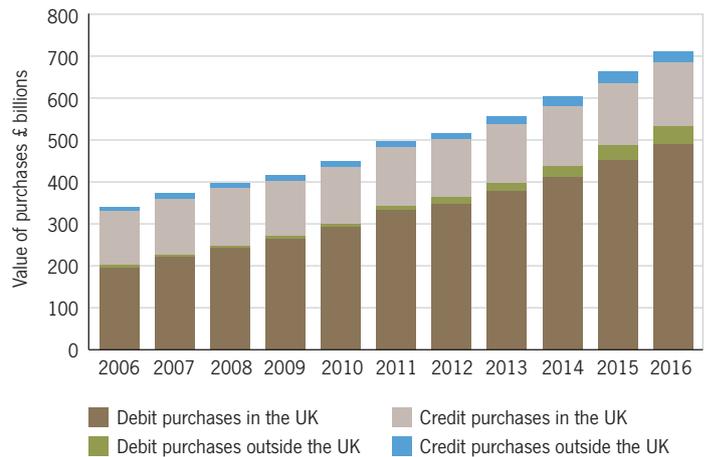
Debit card spending
£530 billion

In relation to credit and charge cards, the number of total transactions increased by 5.0% to 3.3 billion, with values up by 2.2% to £183 billion. Purchases accounted for almost all transactions (up 5.0%), with the corresponding spend amounting to £179 billion (also up 2.2%). The total number of online purchases made with credit and charge cards stood at 0.8 billion and corresponded to £53 billion spent with an ATV of £63.85. Online credit card spending made up 26% of purchases by volume and 29% by value. Meanwhile MOTO credit card transactions made up 4.6% of domestic purchases by volume and 9.5% by value.

Cash acquisition using credit and charge cards increased by 2.8% to £3.9 billion, following on from a decline of 7.6% in 2015. It is worth noting that this total still represents an historic low, and is relatively unchanged compared to five years ago, with some fluctuations in the intervening years. The average withdrawal value decreased by £1 to £115. Putting this into a broader context, the volume of cash advances accounted for only 1.0% of all credit and charge card transactions during the year, which equated to 2.1% of the total value of transactions.

Chart 1.4

Value of credit and debit card purchases



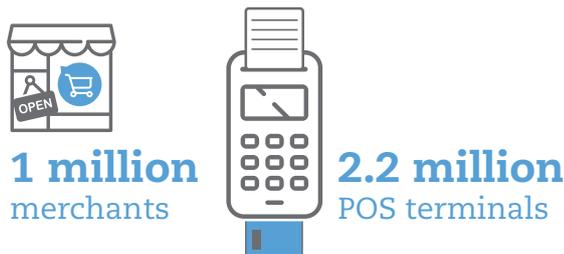
Source: The UK Cards Association

The strong adoption of contactless was evident in 2016, with both volumes and values each increasing three-fold. There were around 3 billion contactless transactions recorded during the year. This equated to £25 billion in spending, most of which, £22 billion, was via contactless debit. The combined ATV for the credit and debit product was £8.80.

1.4 Card acceptance in 2016

Merchant acquiring is a vital industry for the UK economy. The industry has undergone a great deal of change in 2016, developing improved retail propositions and competing across an increasing range of various business models such as omni-channel sales, multi-national cross border acceptance, e-commerce, m-commerce and others. Card acceptance has proven to provide significant benefits to businesses, evident in the increasing number of merchants accepting cards, surpassing one million in 2016, while the number of outlets amounted to 1.3 million.

The total number of point-of-sale (POS) terminals in the UK accepting payment cards in the face-to-face environment, including unattended terminals, rose to 2.2 million, up by 10% on 2015. The number of acquirer owned terminals increased by 1.6% to 0.7 million, while the number of retailer owned terminals grew by 15% to 1.4 million. The continuing roll out of contactless acceptance may have contributed to this growth and by the end of the year over 60% of all acquirer owned terminals were contactless. Accelerated adoption of mobile POS terminals (mPOS) across retail and hospitality sectors was another driver of growth.



Data collected from UK merchant acquirers showed the total number of card purchases grew by 11% to reach 15 billion, while the value spent increased by 4.2% to £647 billion. It is likely that this increase has been driven by favourable economic conditions and consumer confidence alongside the expansion in online and contactless payments. Card spending online reached £154 billion, while purchases made online amounted to 1.8 billion. Meanwhile, contactless transactions at UK retailers reached almost 3 billion, amounting to £25 billion spent.

While the majority of card payments still take place at POS terminals in the face-to-face environment, the industry is witnessing continued growth in e-commerce and m-commerce as more people choose to shop online and on-the-go. This trend will likely lead to an increasing number of merchants offering their goods and services online.



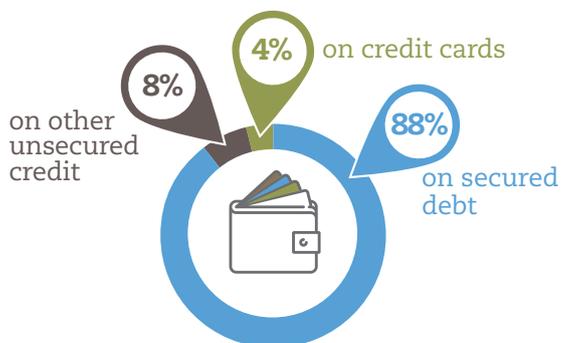
24% of card spending at UK merchants was **online** in 2016, up from 21% in 2014

1.5 Credit card borrowings

Credit cards continue to provide an important, flexible and convenient tool for household borrowing. Gross lending on credit cards increased by 2.2% to £179 billion during the year, with growth in net lending also evident (+8.7%). This reflected a growth within the context of an expanding economy.

By the end of 2016, households owed a total of £1.52 trillion in secured and unsecured borrowings. Of this, 88% was secured debt (mostly on property), 8% was owed on other unsecured credit such as loans, car finance and overdrafts, with 4% owed on credit cards.

Total consumer borrowings (£1.52 trillion) of which:

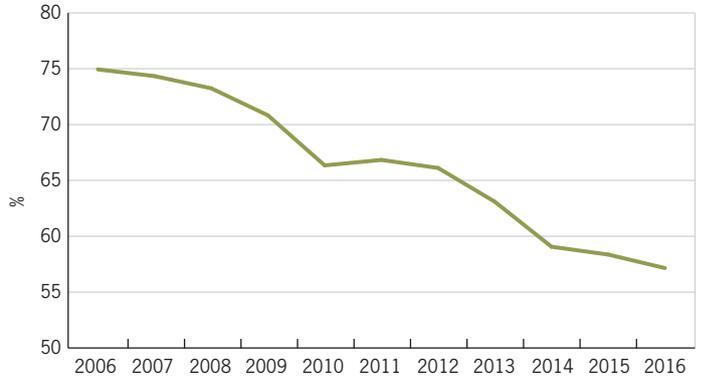


After a period of stability, total credit card borrowings grew modestly in 2015, rising from £61.3 billion in January 2015 to £66.6 billion by the end of 2016. Of this total, around 55% incurred interest charges, down from 58% a year earlier. This is attributable to balances being paid off before the end of the interest free period, along with balances on 0% promotional rates.

Repayment levels remained strong, continuing a trend over recent years. This dynamic principally stems from cardholders who use their credit cards mainly as a means to transact, rather than borrow, in many cases looking to benefit from rewards on offer.

Chart 1.5

Proportion of credit card borrowings that are interest bearing



Source: British Bankers Association

Recent trends in credit card indebtedness

The credit card market has been buoyant in the past few years, and new spending on credit cards has grown steadily. However, around 80% of new spending on credit cards is made by full payers. These customers use their cards simply as a convenient way of payment, and incur no interest (these result in costs but little income for the industry, particularly since the reduction in interchange fees).

The Bank of England’s Financial Policy Committee raised issues about growth in unsecured credit (of which credit cards are part). However, The Bank of England’s data show that credit card write-offs are just over 2% of balances – a level not seen since 2002 (write-offs peaked at almost 9% in 2010, but fell sharply between 2011 and 2015). The industry is not complacent about the issues raised by The Bank of England and is aware of some early signs of indebtedness, which are monitored closely. Some of these could include propensity to take a cash advance, or to make consistent minimum payments (the second of these is part of an industry agreement being finalised with the Financial Conduct Authority).

It is evident that, while balances have been rising, interest earning balances have declined between 2009 and 2014. Since then, they have remained more or less stable; they looked as if they may have started to rise again, but they appear to have stabilised once more.

This means that any change in interest rates will not change the behaviour of card holders who are in this category (because they do not pay interest).

The average quoted interest rate on credit cards is just under 18%, and the lowest it has ever been is 14.8% (in 2004). By contrast, interest rates on some types of unsecured loans have fallen fairly sharply.

Credit card interest earning balances, Q1 1995 to Q1 2017



Source: British Bankers Association, UK Cards Association calculations

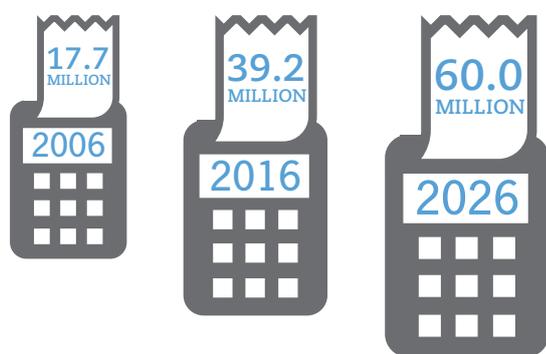
For example, on personal loans (£10,000 to households), the lowest interest rate is now 3.7%, which is considerably lower than at its peak in 2009, when the interest rate stood at almost 11%. One cause of this would seem to be the official bank rate is lower than it has ever been – it was reduced to 0.25% in August 2016. Not only that, but it was at a (then) historic low of 0.5% between March 2009 and August 2016. Before the ‘post credit crunch’ reductions, a rate only as low as 2% can be found as far back as 1939, which was as low a rate as the UK had seen.

Taken together, these figures suggest that, as and when the official bank rate starts to rise again, personal loans are likely to be much more affected than credit cards.

1.6 The future

The volume of card payments, in particular debit card payments, are forecast to substantially increase over the next decade. Total card payment volumes are expected to rise from 14.3 billion payments in 2016 to 21.9 billion in 2026. By 2026 the total value of card payments is projected to reach £942 billion, up from £638 billion in 2016.

Card payments each day in the UK



Debit cards

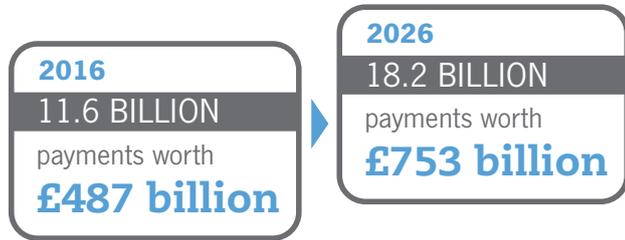
Consumers increasing use of debit cards is expected to contribute a significant portion of the total increase in card volumes and values. This will be driven by a number of factors including online shopping, the increasing use of contactless payments, greater card acceptance and changing generational preferences. Young adults will have grown up familiar with debit cards and will likely use them as soon as they qualify to receive them on their account and expect to pay this way. Greater card acceptance by businesses, especially among smaller businesses and sole traders will also drive growth as consumers are provided with more opportunities to use their cards to make payments.

One of the major areas of growth in card payments over the last few years has been from contactless payments and this is expected to be a major driver of future growth. By the end of 2016 there were 70.1 million contactless debit cards in issue accounting for 70% of all debit cards in circulation. The roll out of contactless cards to cardholders is forecast to continue, and more people will be able to use contactless payments. Contactless payments are being accepted at more locations with all point-of-sale terminals having contactless functionality by 2020. Whilst Transport for London has accepted contactless payments since 2014, more transport networks are also beginning to accept or make plans for contactless payments. This includes the big five bus companies committing to making all buses contactless by 2022 and the rail industry has indicated that it will support contactless payments as part of its commitment to remove paper tickets by 2025. As consumers use contactless payment for travel, they become more confident and comfortable using this technology. This will likely see the proportion of contactless transactions made outside of London continue to increase. On top of this many businesses, both small and large now accept contactless payments. The effect of these drivers will see continued migration away from cash towards contactless cards. Contactless payment volumes will also rise as a result of migration of transactions that are currently made using Chip & PIN, although this will not increase the overall share of debit cards as a proportion of total payments in the UK. By 2026 contactless debit card payments will account for just over 50% of all debit card payments.

Innovation especially among mobile payments and wearables may see a large number of future debit card transactions taking place without a physical payment card. For example, transactions may be completed using a mobile phone or watch with NFC capabilities, rather than an actual debit card. Examples in the UK include Apple Pay, Android Pay and Samsung Pay. These services allow consumers to use their phones both at the point-of-sale as well as for online and in-app payments. These new mobile payment technologies are expected to be embraced in particular by the younger generation. Mobile payments are forecast to grow in popularity over the coming decade, further increasing the volume of contactless card payments.

Growing debit card acceptance, especially among small businesses, is also expected to increase debit card payments over time. More card acceptance solutions for smaller businesses and sole traders have entered the market over the past few years and this is expected to continue. These solutions are cost effective for businesses of this size and in turn increase the opportunities available to consumers to use their debit cards. Previously these consumers may have paid these businesses using cash or cheques. Increasingly, consumers are expecting to be able to pay by card no matter the size of the retailer.

Debit card payments



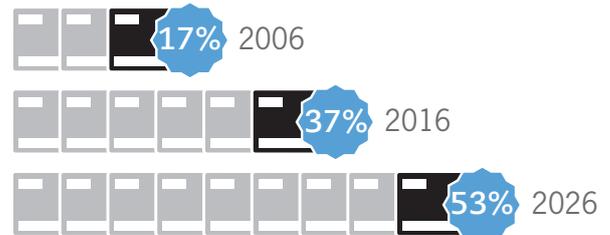
Business use of debit cards is also forecast to increase, especially among smaller businesses. This will be driven by increased demand for debit cards as businesses look to shop online. As the number of businesses that accept card payments continues to increase, there will be an ever-greater number of opportunities for businesses to use debit cards to pay their suppliers. This may be used as an alternative to payment using other methods such as cheques or Bacs Direct Credit.

Online shopping will be another major driver increasing debit card payment volumes over the next decade. This includes both e-commerce (shopping via computer), and the rapidly growing m-commerce (shopping via mobile devices) sector. This latter sector has seen significant growth as rapid adoption of both smartphones and tablets by consumers has increased the methods available to them for accessing the internet and shopping online. Many traditional high street retailers are increasing their online presence as they seek to capitalise on the potential for making sales via the internet. This assumes that debit cards (and credit cards) will remain the principal payment method in which consumers pay for online purchases. The implementation of the Second Payment Services Directive (PSD2) means that businesses which provide and maintain the customer’s current account must give certain third parties access to the customer’s account information, should the customer give their consent to that access. This may lead to third-party providers (TPP’s) offering services to internet retailers and merchants enabling online shoppers to pay directly from their online bank account to the account of the internet retailer.

A number of solutions have already entered the market providing this kind of functionality such as Pay by Bank allowing consumers to pay for online goods and services through their mobile banking app. This and other similar solutions may affect the future volume of online card payments. However, these new services would have to provide an advantage to consumers over paying by card in order to influence them to change their established payment habits. This would be either through a large trusted online retailer such as Amazon or incentives such as discounts only available by account-to-account payment. Whilst this sector of the market will continue to be monitored, cards are expected to continue to be the main payment method when shopping online.

The volume of debit card purchases is forecast to reach 18.2 billion by 2026. This represents a total increase of 57% over the next ten years and is more than four times the number of payments made in 2006. The total value of debit card purchases in 2026 is expected to reach £753 billion.

Share of payments in the UK made using cards



Credit cards

Over the next decade there is projected to be a steady increase in credit card payment volumes. Recent years have seen a trend away from credit cards being used primarily by borrowers, to credit cards being used primarily by transactors. Transactors are those card holders who predominantly use their credit card for everyday purchases. This is in order to accrue benefits such as points with the card issuer’s loyalty rewards programme. Over the past few years these programmes have changed due to the introduction of the European Commission’s transaction interchange fee cap. This has resulted in some programmes increasing their spend requirements (eg. from 1 point for every £1 spent to 1 point for every £4 spent) and/or introducing an annual fee. Initial data suggest that these changes to reward programmes have had little effect, however this will continue to be monitored as this may affect future volumes for the transactor segment of the credit card market.

Future economic growth will be one of the most important drivers relating to future credit card volumes. When the economy is growing consumers may feel more confident in taking on unsecured debt, increasing their credit card usage. As such, consumers begin to use this borrowing to make high value purchases such as holidays or white goods. Should the economic growth slow then consumers may attempt to reduce their spending and outstanding debt levels, but on the other hand may need to make increased use of unsecured debt in order to make ends meet. Whilst the UK economy is projected to continue to grow, albeit at a slower rate than previous years, the impact of Brexit may still result in change in forecast economic growth and impact on future credit card growth.

Credit card volumes are also expected to increase through greater use of contactless payments. In particular this will increase the number of low value transactions that consumers make using credit cards. Contactless credit card payments for making everyday purchases mainly appeal to the transactor segment of the market. There is also likely to be growth in mobile contactless payments, especially among early adopters and those in younger age groups. Any increase in mobile payments is likely to have a more significant impact among debit card holders as opposed to credit card holders. This would be due to the demographic difference between the groups with older people more likely to hold credit cards.

Similar to debit card acceptance, credit card acceptance by SMEs is also expected to increase over the coming years. Merchant acquirers have introduced a number of card acceptance business models aimed at the SME market making accepting this payment method more cost-effective than it has been. As a result a broader range of SMEs will be able to accept credit card payments. This may also have an effect on business-to-business payment volumes.

Growth in corporate credit cards will also be linked to economic expansion and by increased card holding among large organisations and the public sector. These cards are often used to pay for employee travel and other expenses.

In 2026 credit and charge card purchases are forecast to increase to 3.7 billion transactions, up from 2.8 billion in 2016. Values are projected to rise from £154 billion in 2016 to £189 billion in 2026.

Credit card payments

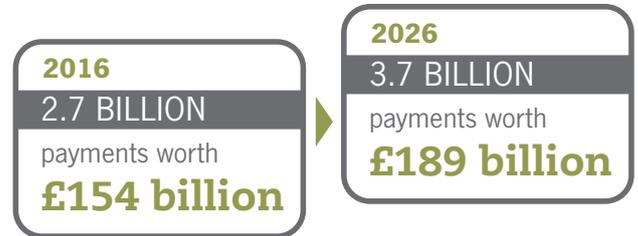
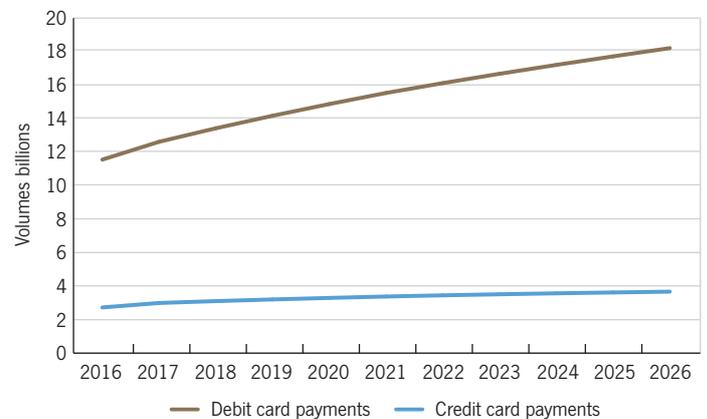


Chart 1.6
Credit and debit card payment volume forecasts



Source: Payments UK

Key Statistics 2016

All cards

There were 174.3 million cards in issue: 58.6 million credit cards; 5.4 million charge cards; 99.6 million debit cards and 10.6 million ATM-only cards.



1 in 2
credit cards
is contactless



2 in 3
debit cards
are contactless

In 2016 UK-issued cards were used to make 19 billion transactions (+10%) totalling £904 billion (+5.5%).

Card issuers reported £248 billion was spent online, representing 35% of total card spending.

Approximately 53% of all online transactions were completed via mobile device (a smartphone or tablet).

Debit cards

Debit cards were used to make 12 billion purchases in the UK to a value of £487 billion.

There were 2.6 billion debit card transactions to acquire £178 billion of cash in the UK.

The number of debit card holders increased by around 1 million to 51 million.

Around 96% of UK adults had a debit card in 2016. Those in employment are more likely to have one than those looking for work.

Debit cards accounted for around 53% of the total value of UK retail sales in 2016.

The number of debit card payments made in the UK by UK cardholders is forecast to reach 18.2 billion payments in 2026, amounting to £753 billion.

In 2016 on average UK adult made:



credit card payments
each month



debit card payments
each month

Card transactions for:



Credit and charge cards

Credit and charge cards were used to make 2.7 billion purchases in the UK to a value of £154 billion.

There were 32 million credit card holders in 2016.



60% of the UK adult population
have a **credit card**

There were 29 million cash advances on credit and charge cards in the UK amounting to £3.3 billion in 2016.

80% of all credit and charge card spending in 2016 was made by cardholders who repaid the balance in full.

Around 45% of outstanding credit card balances bear 0% interest or are repaid in full before the end of the interest free period.

Outstanding borrowing on credit cards reached £66.6 billion at the end of 2016, accounting for just 4.4% of the UK's total consumer debt of £1.52 trillion.

UK credit and charge card purchase volumes are expected to grow to 3.7 billion in 2026, with a total spend of £189 billion.

Card acceptance

In 2016 UK businesses accepted 15 billion card payments totalling £647 billion (including foreign-issued cards).

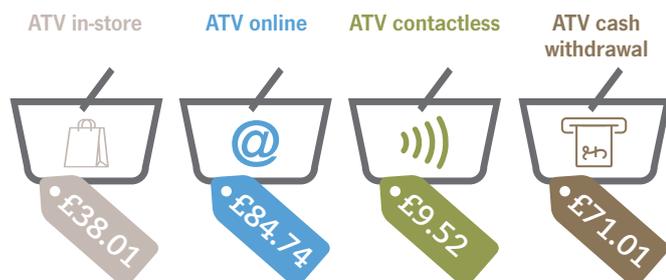


The number of contactless POS terminals in the UK surpassed 0.45 million, up by 45% on 2015.

E-commerce purchases reached 1.8 billion (+11%), with value spent amounting to £154 billion (+9%).

Additionally, 1.7 billion e-commerce purchases were made in the UK worth £44 billion at cross border online retailers who process their transactions overseas.

Average card transaction values, 2016



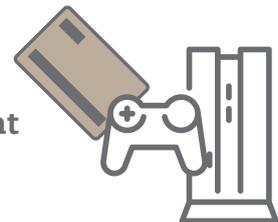
77% of card purchases at UK merchants are made using debit cards.

Of card payments in the UK:

1 in 3
in supermarkets

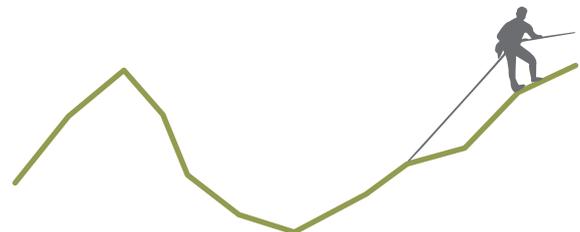


1 in 5
on entertainment



Payment card fraud

Fraud losses on UK-issued payment cards increased by 9% to £618 million in 2016. This was the fifth consecutive year of increase and higher than the peak of £609.9 million seen in 2008.



Total **card fraud losses** reached its **highest point** of £618 million in 2016