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Shift to cards continues as consumers go contactless and spend online

- Over 35 million card payments made every day in 2014 – up 12.1%
- Food and drink top sector for UK's card spending totalling £19 in every £100 spent
- 331% rise in contactless behind increasing shift from cash to cards for low value payments
- 75% of all retail spending made by card

UK consumers spent over £19,000 every second using their cards last year as the number of purchases surged by more than a tenth, according to a report, UK Card Payments 2015, published by The UK Cards Association today [4 June 2015].

Total UK-issued debit, credit and charge card spending both domestically and overseas rose by 8.2 per cent in 2014 to reach a record £600.3 billion. The number of purchases increased at the even faster rate of 12.1 per cent, to 12.96 billion, as consumers made many more lower value card transactions. The trend highlights the increasing shift from cash to card payments, driven partly by the growing acceptance and usage of contactless cards.

Cards and cardholders

Debit cards are the most common payment cards in consumers' wallets, with around 91 per cent of adults – or 48.5 million people – holding at least one. The average debit card holder has two cards (1.97). Young people lead the way, with 94 per cent of 16-24 year olds having a debit card.

On average, each debit card was used to make 106 purchases in 2014, spending just over £4,500 per card, up 10 per cent on 2013. Half of debit card holders say they use their card several times a week,

with eight in ten using theirs at least once a month.

Just over 31 million people hold a credit card, about 60 per cent of the UK adult population. Older people are more likely to hold a credit card, with around three fifths of card holders in the UK aged over 45. Seven in ten people who earn over £50,000 have a credit card; compared to less than a quarter of those with an income under £10,000 a year.

In total, there are now just over 159 million payment cards in circulation in the UK, a rise of 1.1 per cent on 2013, made up of 95.7 million debit cards, 56.9 million credit cards and 6.4 million charge cards. There are also an additional 19.9 million ATM-only cards.

What we spend on and where

Cards play a crucial role in everyday life. Out of every £100 spent on cards in the UK in 2014:

- £19 was on food and drink (of which 93 per cent was in supermarkets)
- £11 was on financial services
- £8 was on entertainment (of which 48 per cent was at restaurants)
- £7.50 was on household goods (of which 40 per cent was in DIY stores)
- £7.50 was on travel
- £6.50 was on vehicle sales and services
- £6 was on automotive fuel
- £4.50 was on clothing
- £3 was on hotels
- The remaining £27 was spent at other retailers, mixed business and other services.

Overall, three in every four pounds (75 per cent) spent at UK retailers were on a debit or credit card last year, up 10 percentage points since 2009. People use debit cards more than credit cards for spending, with 77 per cent of all card purchases in the UK made using a debit card. Just over 1.1 million outlets now accept cards, an increase of 4.2 per cent on 2013, as a growing number of small traders now take them.

Online shopping is a major part of consumer spending, representing £21 in every £100 spent on cards at UK retailers – the first time the figure has been collected. Over a quarter (28 per cent) of the total number of online transactions were at entertainment retailers. Compared to face-to-face transactions, financial and travel services had the highest proportion of online spending accounting for 47 per cent and 40 per cent respectively.

The average purchase value on a debit card was £43.45 last year – down by £1.04 since 2013, reflecting the impact of an increasing number of lower value contactless payments. Meanwhile, the average credit card purchase was £59.88 – down by £2.75 on 2013.

At cash machines cardholders withdrew an average of £71 on each visit last year in the UK. However, in another sign of the decreasing use of cash, the overall amount withdrawn fell by 2.3 per cent to £196 billion in the UK, the second consecutive annual drop and returning to a similar level seen back in 2008. At the same time, the amount of cashback in shops also fell by 8.8 per cent last year to £6.1 billion.

Credit card borrowing

Four-fifths (80 per cent) of credit and charge card spending in 2014 was made by people who pay off their card in full at the end of the month.

While total credit card spending increased by 4.6 per cent to £166 billion in 2014, outstanding balances were broadly unchanged averaging about £58 billion per month.

Of those outstanding balances, 43 per cent either bear 0 per cent interest or were repaid in full at the end of the month, up from just 19 per cent back in 2002.

Strong competition continued in the balance transfer market last year, with consumers making 3.9 million transfers in 2014 at an average of £2,200.

Contactless

Figures published earlier this year by The UK Cards Association revealed a surge in contactless payments in 2014. Total spending trebled last year to £2.32 billion, spread across 319 million transactions.

The launch of contactless payments on Transport for London services last September had a major impact, with over one in ten (11 per cent) of all contactless transactions in December 2014 made on London Transport. From September 2015, the limit on contactless transactions will increase from £20 to £30, opening up new retail sectors to contactless payments.

The future



The number of card payments made in the UK is expected to rise by 66 per cent in the next ten years from 11.5 billion in 2014 to 19.2 billion by 2024, according to the UK Card Payments 2015 report.

Debit card payment value is forecast to rise to £718 billion by 2024, up by 76 per cent compared to 2014. Credit card spending is predicted to increase at a lower level, up 29 per cent to £183 billion over the next decade.

Richard Koch, Head of Policy at The UK Cards Association said:

“Consumers are making more than twice as many card payments every day than they were ten years ago, a clear sign of how people are now choosing to use the cards in their wallet rather than cash. With more places now accepting cards, contactless payments and the rise in online shopping the large jump in card spending we saw last year looks set to continue.”

ENDS

For further information contact the press office on 020 3217 8436 or Press@ukcards.org.uk

Notes to editors:

1. The report UK Card Payments 2015 is available for journalists – to receive a PDF please email press@ukcards.org.uk.

About The UK Cards Association

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. Members of the Association account for the vast majority of debit and credit cards issued in the UK - issuing in excess of 56 million credit cards and 95 million debit cards - and cover the whole of the payment card acquiring market.

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; 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.

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