

CASE STUDY

THE UK

A POST-BREXIT STRATEGY FOR LEADERSHIP



MARKET BACKGROUND

The UK has a growing population of 67 million served by more than 350 banks and building societies, of which the nine largest (the “CMA-9”) have been actively engaged with HM Treasury and the Financial Conduct Authority (FCA) in the creation of new Open Banking regulations since 2017.

Cards continue to dominate the non-cash payments landscape, with 174 million cards used for more than 21 billion transactions and a total card turnover of £783.1 billion at more than three million point of sale (POS) terminals and online. As at January 2020, e-commerce accounted for £7.9 billion, around 11% of all electronic payments and 2.5% of overall economic activity.

CURRENT TRENDS

In common with most markets around the world, the recent pandemic has led to a huge increase in the use of contactless cards and digital wallets linked to cards, or directly to bank accounts, in the UK. A recent survey from Swedish payments infrastructure firm TietoEVERY¹ stated that eight out of ten in-person transactions in Britain are undertaken using contactless cards or wallets. While digital wallets are growing in popularity, the most recent evidence suggests they account for less than a third of all electronic transactions (2020) and that cards are likely to remain the dominant payment method out to 2025.

“Cards are likely to remain the dominant payment method out to 2025 and beyond.”

Other trends evident in the UK include the development of so-called “soft POS” and mobile POS systems to enable wider acceptance for electronic payments, especially in the growing micro-merchant segment (think small businesses, street food, parking and other items.) QR code payments are growing fast, again as a result of the pandemic in sectors such as hospi-

1. See TietoEVERY: <https://www.tietoevery.com/en/newsroom/all-news-and-releases/press-releases/2021/03/time-for-biometric-security-on-contactless-cards-new-research-from-tietoevery-reveals-uk-consumers-contactless-concerns/>



tality and restaurants, and Buy-Now-Pay-Later schemes like AfterPay and Klarna have also seen much success, although the regulator is now beginning to place such schemes under intense scrutiny. Finally, the UK has been a leader in instant payments, with April 2021 data showing² that instant payments are up 49% compared to April 2020 for a value of £212 billion.

THE TRANSACT PAYMENTS TAKE: OPPORTUNITIES

“Our prediction is that the UK is going to remain an attractive market for payments issuers.”

While there have been concerns over the UK’s direction after Brexit, our prediction is that the UK is going to remain an attractive market for payments issuers. With a sophisticated and digital-savvy population and a forward-thinking regulator, we see Britain retaining its leadership position in payments technologies. A major factor in the UK’s future success is the depth of talent and capital in London, with recent statistics showing that UK FinTechs attracted more investment capital in 2020 than the next five European markets combined³.

A recent annual planning paper from the Payment Systems Regulator (PSR) suggests⁴ the UK may be about to pursue a strategy of “smart divergence” from EU legislation. In essence, this would give the UK flexibility to follow EU rules where it’s in their interests to do so, but also to diverge for commercial benefit. If that proves to be the case, then we could see some of the most interesting opportunities for British payments firms outside Europe in partnerships with markets in Asia and North America. For instance, markets such as Australia and Canada share similar legal systems and are exhibiting many of the same market characteristics, such as Buy-Now-Pay-Later and the growth of instant payments.

2. See UK Faster Payments Council: <https://newseventsinsights.wearepay.uk/data-and-insights/faster-payment-system-statistics/>

3. See Innovative Finance: <https://www.financemagnates.com/fin-tech/news/uks-fintech-sector-secures-4-1-billion-investment-in-2020/>

4. Payment Systems Regulator Annual Plan 2021-2022: <https://psr.org.uk/news-updates/latest-news/news/payment-systems-regulator-publishes-annual-plan-and-budget-for-2021-22/>



UK FAST FACTS

CARDS

173.79

million

DEBIT

99.22

million

CARD PAYMENTS

24.74

billion

CREDIT

58.68

million

VALUE

£994.8

billion

ATMS

60,528

POS TERMINALS

2,986,279



ABOUT TRANSACT PAYMENTS LIMITED

Transact Payments Limited (TPL) have built a reputation as the go-to experts for payment and card solutions. We provide innovative and flexible European BIN sponsorship and modular payment, debit and prepaid services. We are a licensed European e-money institution and a Principal Member of both Mastercard and Visa. Our licenses have been successfully passported into EU and EEA member states, allowing us to issue prepaid card programs across Europe. We are regulated by the Gibraltar Financial Services Commission.

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