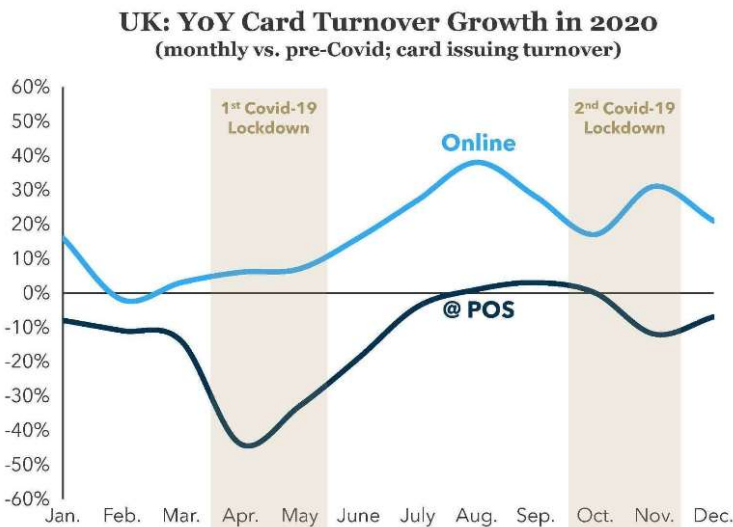


ATFS Bulletin October 2021 The Changing Payments Landscape

The Impact of COVID

COVID has clearly impacted the payment behaviour of consumers over the past 18 months, driving retail spending online which has in turn impacted payment providers, leading to an increased focus on online/digital payments. The first graph here below shows UK card turnover growth in 2020 and although online payments dominated, there was a good recovery in face-to-face payments when restrictions were eased.



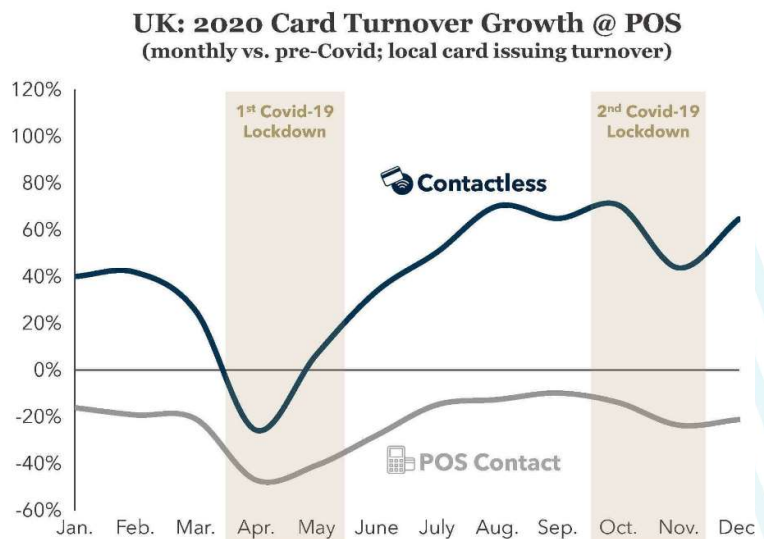
Source: UK Finance

As cash has declined, so the use of contactless payments has of course increased. Already growing strongly, COVID accelerated this growth, as shown in the second graph. Over 80% of all F2F transactions in Europe are now contactless. Much of this contactless growth has been via mobile payments, with many consumers using their phones as a replacement for cash.

These changes in spending behaviour have impacted spending verticals differently, with travel and physical entertainment amongst the hardest hit. On the other side of the coin, digital entertainment and online retail have boomed; the latter as buying moved almost entirely online for long periods.

COVID, as well as increasing the use of online payments, has accelerated the shift away from cash. The use of cash has dropped dramatically during lockdowns of course, but that trend has persisted as the economy has recovered.

The use of cash has been impacted by the number of ATMs being removed, but despite this, some 95.4% of the UK population are within 2km of a free cash access point according to a July 2021 report by the FCA and PSR. Heavier users of cash tend to be the lower paid; the same report note that around 5 million adults in the UK still rely on cash.



Source: UK Finance

Visa Interchange Increases – A Recap

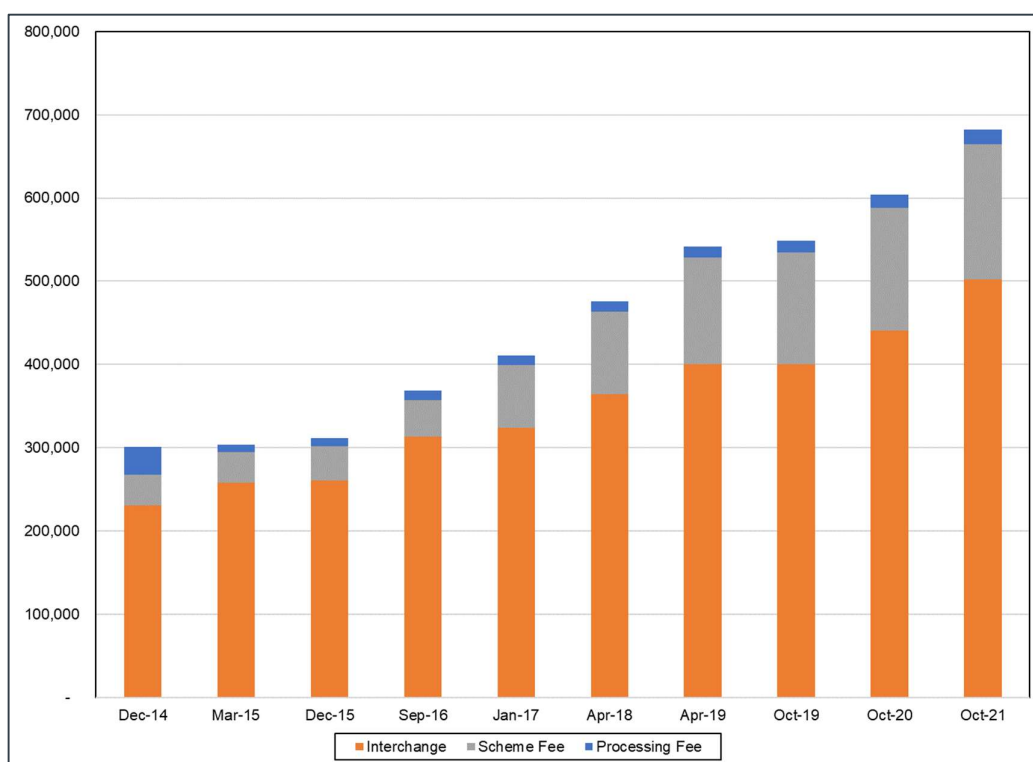
We reported on this in the June Bulletin, but here is a recap for those that may have missed it.

From the middle of October, the following interchange rates applied to cardholder not present transactions taken on cards issued within the EEA:

- Consumer debit cards are increasing from 0.20% up to 1.15%
- Consumer credit cards are increasing from 0.30% up to 1.50%

These were the key impacting changes. There were also changes to commercial rates, some of which were not increases, for example, Corporate/Purchasing cards (currently between 1.55% and 1.90%), are now 1.80%.

What's the impact? The following graph shows the impact of all significant interchange and scheme fees from December 2014, using the data for a north-east England University client. It starts with blended pricing, into I/C++, the Dec. 15 EU levels, removal of cost caps, the series of scheme fee increases seen, through these changes. To add a dose of reality, the graph includes an annual increase in value and volume of 10%. Over the nearly seven-year period, it shows cost increase of around 125%.



Please read the June Bulletin on our BUFDG Supporter page for the full commentary. You will soon be seeing the impact of these changes in you October merchant statements. Should any University require any help in understanding the impact of these interchange increases, please get in touch for a no obligation chat.

For further information, please contact:

Tim Wilding
Director, Education
M: 07557 367370
E: tim.wilding@atfsltd.co.uk

Becky Warne
Analyst
M: 01424 858250
E: becky.warne@atfsltd.co.uk