



Attitudes to and usage of cheques

Excerpts from primary research

January 2022



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Foreword

The coronavirus pandemic and the associated lockdowns had a huge impact on how businesses and end users made payments. During the national lockdown, we saw a loss in cheque volumes of nearly 40%, with many customers moving to electronic payment types. However, following the restrictions being lifted we saw a small recovery in transactions being processed. The volumes have not fully recovered and Pay.UK undertook this market research to gauge how consumers were impacted by the pandemic, the changes they made in their payment behaviours and whether those changes were long term.

Payment operations have continued uninterrupted throughout the Covid-19 pandemic. We have comprehensive business continuity plans in place to protect the critical national infrastructure we manage, this will ensure seamless operation for our end users.

David Piper

Head of Service Lines



1 Introduction

In Q1 2021, Pay.UK commissioned Accord Research to conduct primary research into the usage and attitude towards cheques among consumers, business, schools and charities. The research was scoped to understand and gather insights into:

- past, current and expected future use of cheques;
- underlying preferences and behaviours that result in consumers and businesses using cheques and understanding any recent change in this behaviour;
- payment methods that are seen as effective alternatives to cheques;
- and the impact of the pandemic on use of cheques.

The research used both quantitative and qualitative methods to gather data and insights.

1.1 About Pay.UK

We are the recognised operator of the UK's critical retail payments systems. We are a not for profit and work closely with the Bank of England and PSR.

We were created in July 2017 (as the New Payment System Operator) and embarked on a journey to form a single retail payments operator, in respect of our payment systems, designed to: deliver efficiency; safeguard the payments that run on our platforms; and enable innovation. In December 2017 we also adopted the Blueprint for the NPA – a plan to modernise the UK's national payments infrastructure proposed by the Payments Strategy Forum (PSF).

One of the PSF's key recommendations was for the UK to have one retail interbank payment system operator – us – working alongside the Bank of England's wholesale operations, CHAPS and the real-time gross settlement (RTGS) payment system.

We launched as Pay.UK in 2018, bringing the three national retail payment schemes together, into a single, consolidated operation. We are supervised by the Bank of England's Financial Market Infrastructure Directorate (FMID) 2 and regulated by the Payment Systems Regulator.

2 Research background

For several years Cheque & Credit Clearing Company tracked attitudes towards and usage of cheques among consumers, businesses and charities. Now as the operator of ICS, we have taken over this research, commissioning this research in particular to gather further insights into the recent changes in usage and the underlying attitudes and motivations that drive those changes.

The research focussed on four key user groups:



Consumers

- A nationally representative UK sample of current account holders
- 2,000 interviews conducted via an online panel



Businesses

- A sample of decisions makers in businesses with a turnover greater than £50,000, weighted to be nationally representative in terms of size
- 365 interviews conducted via an online panel



Charities

- Telephone interviews with decision makers in 100 charities



Schools

- Telephone interviews with decision makers in 50 schools

3 Key Statistics and Insights

Cheques are still used but only very occasionally and usage is declining sharply among consumers, businesses, charities and schools.

Our research revealed that 44% of current account holders and 78% of businesses write at least one cheque per year. However, the frequency of usage is rapidly declining with three in five consumers and businesses now writing fewer cheques than they did three years ago.

Over 65s are still the age group most likely to be writing cheques but three quarters say they use them less and almost half have now stopped using them completely.

51% of over 65s now write at least the occasional cheque but that is a marked drop from 72% back in 2014 and the pace of the decline in usage is accelerating. This drastic change in behaviour among the payment method's biggest user group has been the key driver in falling volumes.

The two main drivers of the overall decline in cheque usage are the growing preference for other, easier payment methods and the recognition by payers that people don't want to be paid by cheques.

Two thirds of current account holders and half of businesses who now write fewer cheques say they do so because other payment methods are easier. The second most common reason cited by both consumers and businesses for using lesser cheques is that recipients prefer not to be paid by cheques.

Consumers and organisations who are now using less cheques have moved to using a number of alternatives.

For both consumers and businesses, debit/credit cards, online banking payments and Direct Debit were mentioned as the most common replacement for cheques.

COVID-19 has accelerated the move away from cheques among businesses, schools and charities.

During the pandemic organisations had to find ways to be paid without face-to-face contact. Both organisations and their customers were concerned about the safety of cheques and the implications of visiting banks to pay cheques in.

Half of consumers and businesses are unsure about the future of cheques.

Half of current account holders don't believe that cheques will continue as a payment method. This might be a consequence of the original plan to phase out cheques by 2018 or a reflection of their own declining use and the rise of more convenient alternatives. Half of businesses either do not believe or are unsure that customers will be able to use cheques for as long as they want to.

4 Trends in cheque usage

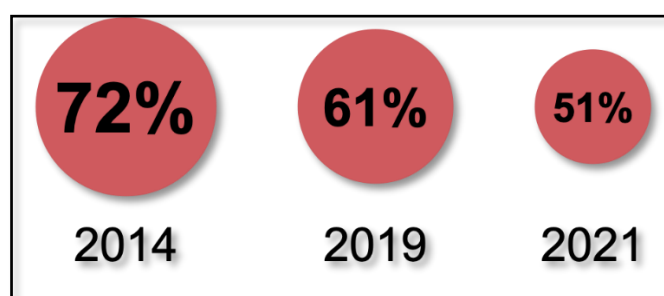
4.1 Levels of payment by cheque

Cheques are used but only very occasionally and usage is declining steeply among all user groups

Consumers

Cheques are still used by 44% of current account holders, who make bill or gift payments with them. However, those who use cheques estimate they only write around 3 cheques a year. 3 in 5 now make fewer payments by cheque compared to 3 years ago. This trend is expected to continue, with half of consumers predicting cheques will make up an even smaller proportion of their payments over the next three years. This general decline is more pronounced among over 65s, who currently remain biggest cheque users but report significant reduction in the usage of cheques. More than 7 in 10 of over 65s now say they make fewer payments by cheque than three years ago compared with less than 2% who are making more.

In the five years between 2014 and 2019 the proportion of over 65s ever using cheques fell 11 percentage points, from 72% to 61%. There has been a further decline of 10 percentage points in just the last two years from 61% to 51% of over 65s ever using cheques.



% of over 65s who ever use cheques

Businesses

78% of businesses still use cheques, writing an average of eight cheques per year. Cheque payments are most commonly used by businesses to pay trade suppliers, for ad hoc payments and to pay taxes. Similar to consumers, 3 in 5 businesses also make fewer cheque payments now than they did three years ago with 45% of businesses expecting cheques to make up a smaller proportion of their payments in 3 years' time.

Charities

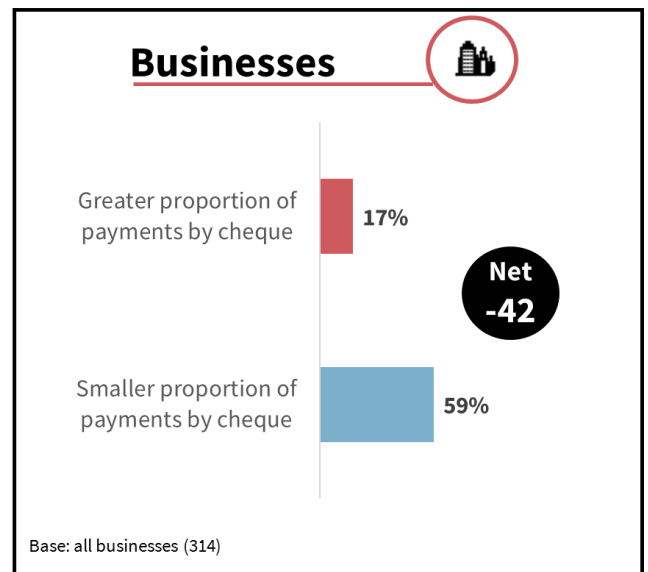
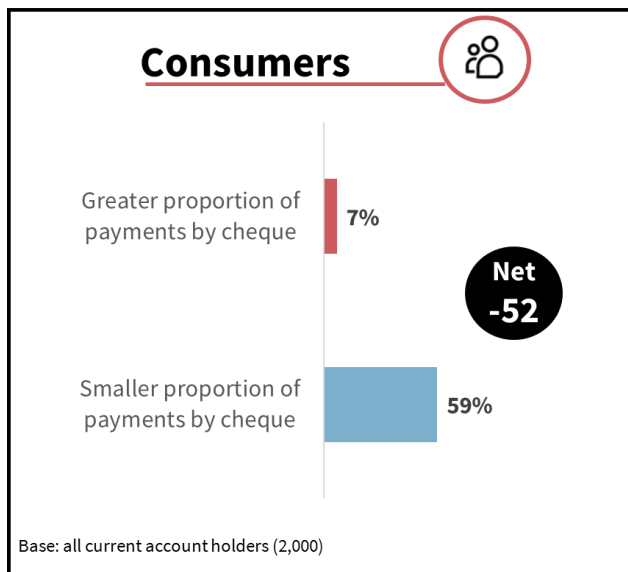
The proportion of charities who write cheques has fallen from 71% in 2019 to 56% in 2021. Furthermore, 3 in 4 charities now make a smaller proportion of payments by cheque than they did three years ago. However, the overwhelming majority (95%) of charities still receive donations as cheques.

Consumer and business attitudes towards and usage of cheques

Schools

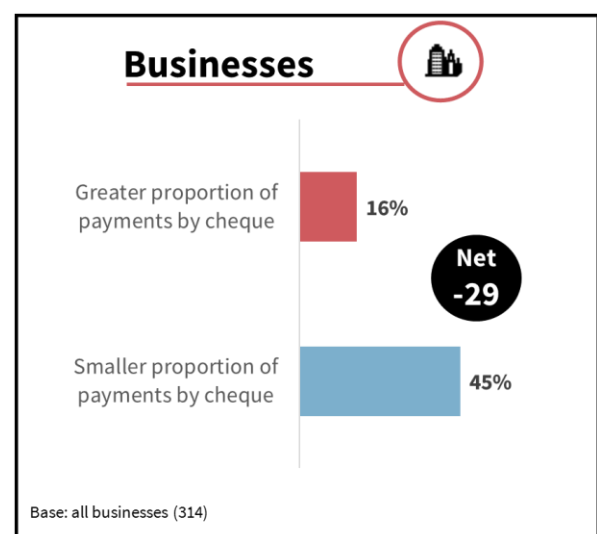
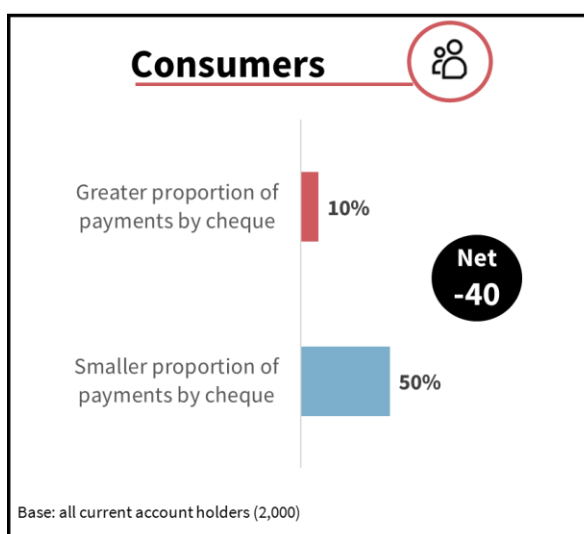
66% of schools made at least one cheque payment in the last 12 months, but 85% of them say the proportion of payments by cheque is declining. Almost 6 in 10 schools making cheque payments used them to pay a supplier. In the next 3 years, 58% of schools expect the decline in their cheque usage to continue.

How use of cheques has changed over the last 3 years



This decline is predicted to continue with half of consumers and businesses who are currently writing cheques saying they will be used less often.

Predicted use of cheques over next 3 years



4.2 Drivers behind decline of cheques

The two main drivers of decline in the usage of cheques are the growing preference for other, easier payment methods and the recognition by payees that people don't want to be paid by cheque.

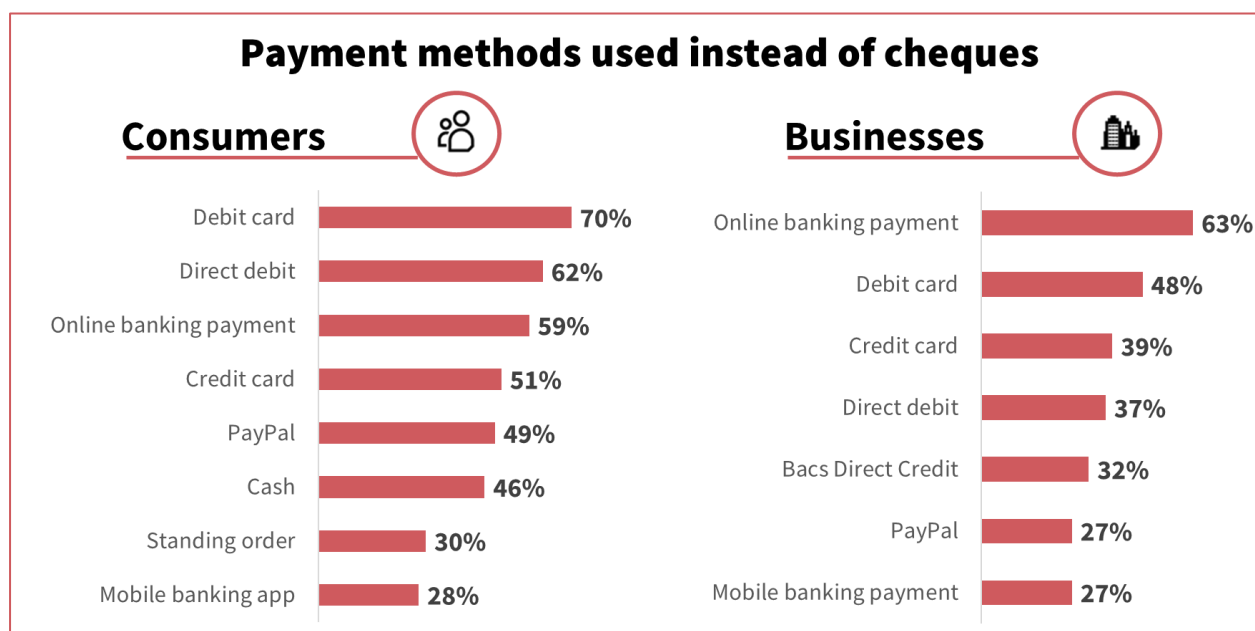
Two thirds of current account holders and half of businesses who now write fewer cheques say they do so because other payment methods are easier. The second commonest reason given by both consumers and businesses for using cheques less is that the people they pay do not like them.

So, the decline in usage has been driven both by the 'push' of the payer's preference and the 'pull' of the payee's.

4.3 Payment methods used instead of cheques

No one payment method has replaced cheques with consumers and organisations moving to a number of alternatives. Cards, online banking payments and Direct Debit have been the most common payment methods replacing cheques.

Over half of consumers now use debit cards (70%), Direct Debit (62%) and online banking (59%) where they used to use cheques. Businesses are most likely to use online banking payments instead of cheques (63%), debit cards (48%), credit cards (39%) and Direct Debit (37%).



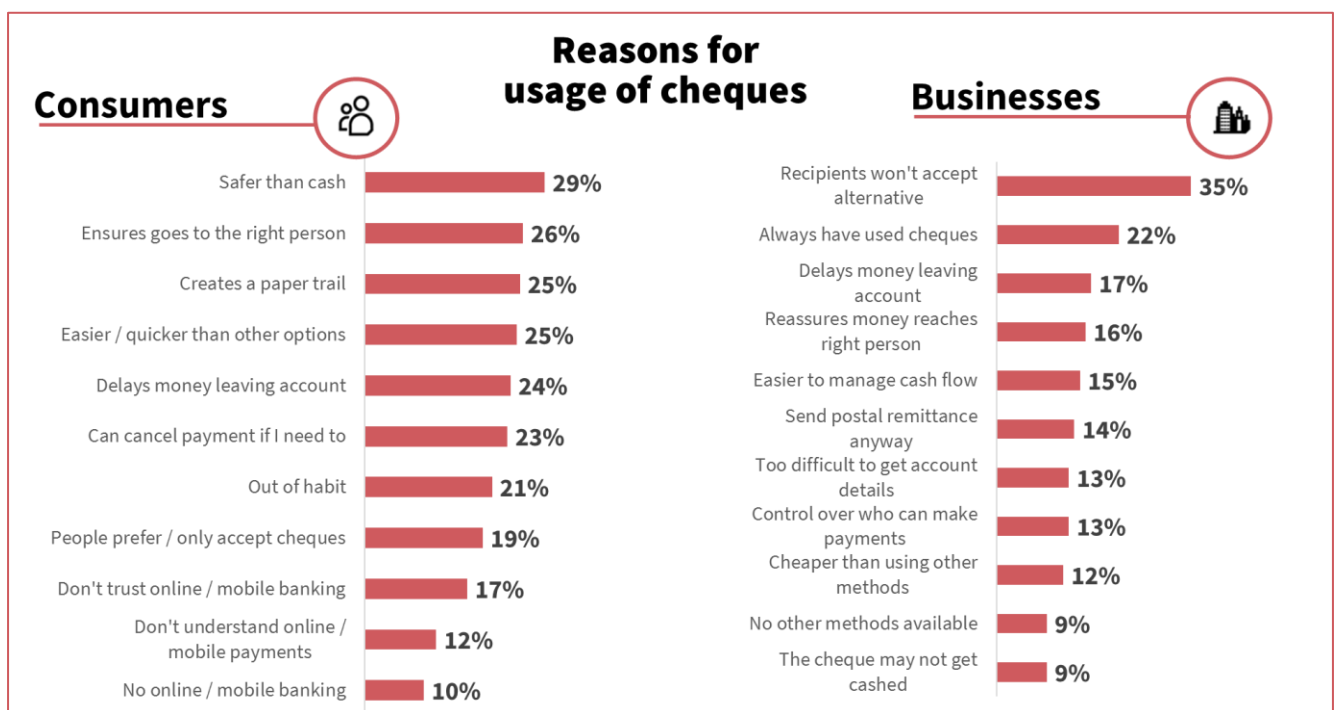
4.4 Why some consumers and businesses still use cheques

7% of current account holders are using cheques more than they used to three years ago. This small group, who go against the broader trend, favour using cheques for a variety of reasons:

- Trust in cheques – believe they are safer and can ensure that the right person is paid
- Control - allows the cheque writer to delay payment or even cancel it and it creates a paper trail
- Lack of trust in /access to, or understanding of online or mobile banking
- Ease and familiarity of cheques

17% of businesses use cheques more often than three years ago. The two most common reasons are the insistence of the payee and habit.

Like consumers who prefer cheques, businesses do cite several specific benefits including cashflow and control but the use of cheques is less likely to be driven by concrete benefits to the organisation than is the case among consumers.



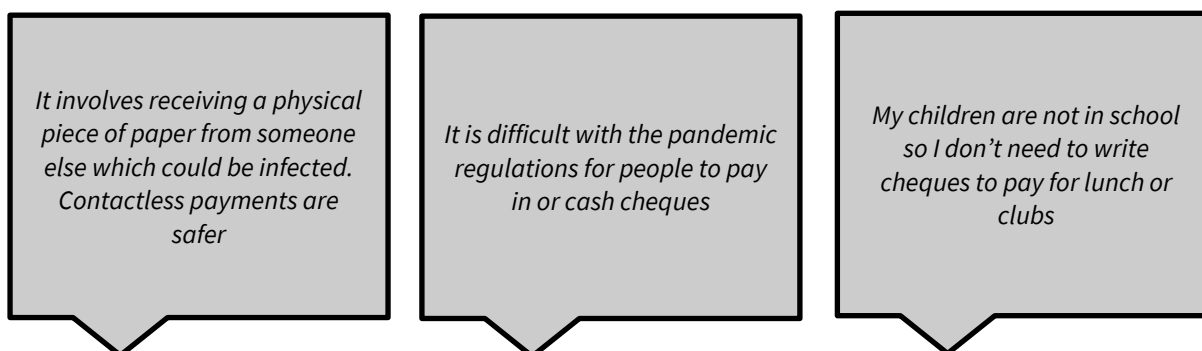
5 Impact of the pandemic on cheque usage

5.1 Consumers

A quarter of cheque users say the pandemic has impacted how many cheques they write, with half of them saying they wrote more cheques and half saying they wrote fewer.



Those who wrote fewer cheques either did not need to make as many payments during the pandemic or considered other methods safer or easier. Consumers who used fewer cheques were concerned about the potential of cheques to carry the virus or were conscious that the recipient might not want to go out to a bank to pay the cheque in. Over half of those who wrote fewer cheques believe the reduction will stick.



5.2 Businesses

COVID-19 has accelerated the move away from cheques among businesses, schools and charities.

27% of businesses say they wrote fewer cheques during the pandemic compared with just 11% who say they wrote more. Those who wrote fewer say they either had less need to make as many payments because of reduced activity or other methods were seen as easier and safer – especially by customers.

Consumer and business attitudes towards and usage of cheques

28% of businesses also say they have received fewer cheques during the pandemic, compared with just 10% who say they have received more. The main reasons for the reduction were reduced activity and a desire to avoid face-to-face contact and handling cheques.

People prefer to do everything electronically and remotely to avoid the risk of handling contaminated cheques or cash. People have become more tech aware as a result of the pandemic

It is safer and more convenient to do a BACS transfer than to write a cheque

We have requested electronic payments for both hygiene and travel reduction reasons. Most people understand and comply

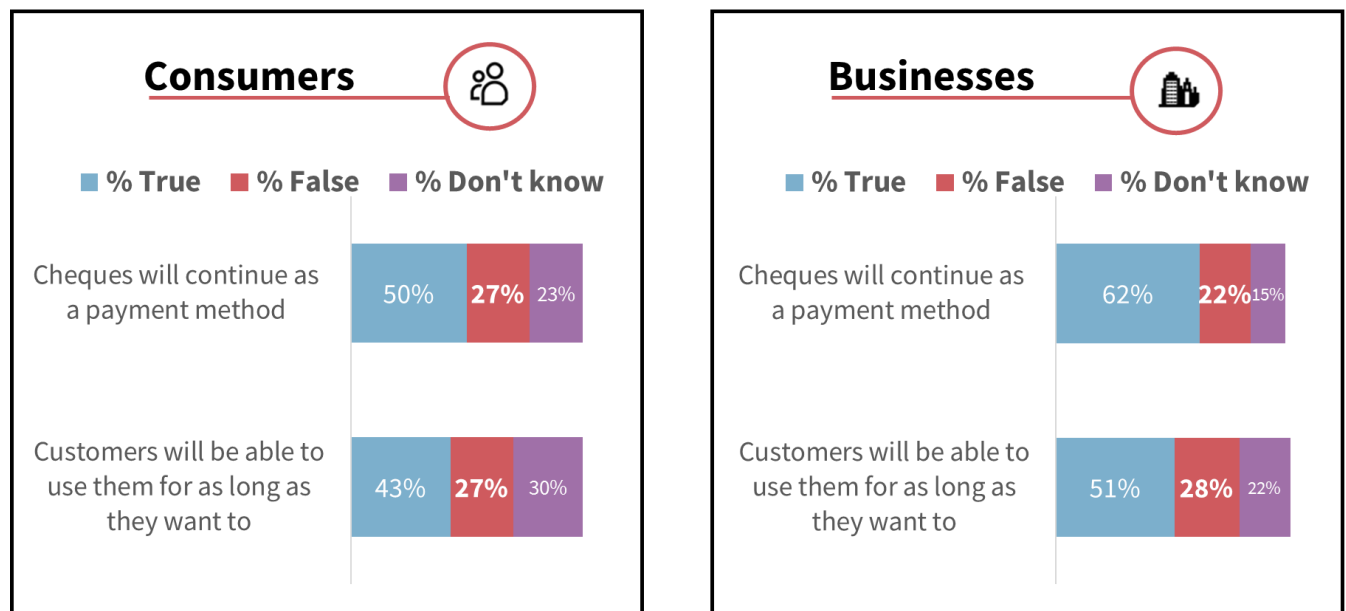
6 Awareness of the future of cheques

Half of consumers and businesses are unsure about the future of cheques.

Half of consumers either think cheques will **not** continue as a payment method (27%) or do not know if they will (23%). Over 65s are less likely to doubt that cheques will continue as a payment method. Around 1 in 5 think cheques will be removed compared with 1 in 4 of all current account holders. Perhaps this reflects the fact they are the age group most likely to use cheques and so are more knowledgeable about them.

Businesses are only slightly better informed than consumers but still 37% either think cheques will not continue (22%) or do not know. And 50% of businesses do not know or do not believe that customers will be able to use cheques for as long as they want.

Awareness of the future of cheques



7 Charities and usage of cheques

Charities are much less likely to be writing cheques than two years ago and that decline is expected to continue.

Only 56% of charities currently write any cheques, down from 71% in 2019. Three in four charities (77%) say they now make a smaller proportion of payments by cheque than three years ago. 43% of charities predict a further decline in cheque writing with only 4% thinking they may write more over the next few years.

But 95% of charities are still receiving cheques.

30% of the charities (mainly the larger charities) say they received over 100 cheques in the last year. 78% of all receiving cheques say they are donations with most of the rest payments for goods or services or subscriptions.

36% of charities said they received fewer cheques during the pandemic than previously.

The decline in cheques received was mainly driven by one of three reasons:

- The charity was closed or less active
- People did not go out to post cheques or visit the charity
- People had less money to donate because of the financial pressures of the pandemic

Half of those who experienced a reduction predict it will be permanent, as people start using other forms of payment to make donations.

There have been fewer events or initiatives. There were more in the first lockdown - people thought charities needed help and wrote more cheques since then it has been quieter

A lot of our customer are elderly and been indoors and not coming in

People have given online rather than to go to the post office or whatever they used to do to send cheques

8 Schools and usage of cheques

Two-thirds of schools made a payment by cheque in the last year but 85% of them say their use of cheques is declining.

66% of schools say they made at least one cheque payment in the last 12 months but 85% of them say the proportion of payments made by cheque is declining. 58% of those schools who write cheques say they expect their usage to decline in the future.

Three quarter of schools have received cheque payments in the last 12 months. For two-thirds of them it was for payment of fees.

77% of schools received at least one cheque in the last year although only around half of that number received more than 10 cheques (38% of all schools). 67% of those who received cheques say it was towards payment of fees (our sample of schools covered both state and private schools). The second most common reason for receiving a cheque was a payment for a service.

38% of schools received fewer cheques during the pandemic, either because the school was closed for a period or because they asked to be paid using other methods for safety reasons.

38% of schools say they received fewer cheques than normal during the pandemic. The schools say this was either because they were closed/offering a reduce service or because they asked people to avoid using cheques. The schools wanted to avoid face-to-face contact and some had concerns about handling cheques during the pandemic.

We asked not to be paid by cheque. People don't want to handle them. We prefer electronic payment

Parents used to bring a cheque in person but because they can't come in, they transfer instead

The attendance is a lot lower since the lockdown

9 Conclusion

This research provides evidence that consumers and organisations are moving away from cheques. It also finds that the decline is accelerating and it is fully expected to continue.

In particular, it shows that the over 65s, who have traditionally been and still are the heaviest users of cheques, are reducing the number of cheques they write and half of this age group no longer use cheques at all.

Both consumers and organisations are finding alternative payment methods easier to use and the people they pay are much less likely to want a cheque payment, so both the payers and the payees are turning their backs on cheques.

No single payment method has benefited from this move away from cheques with debit and credit cards, online bank payments and Direct Debits all being widely used in place of cheques.

There is a small group of consumers who are still avid cheque advocates. They are not convinced of the security of mobile and online payments or say they do not understand/have access to them. This attitude is mostly seen among the older demographic.

Our research suggests that the pandemic did not have a huge impact on use of cheques. But there was a definite shift towards finding easier payment methods like online banking which were also perceived to be safer than potentially contaminated cheques. And as with the move to online shopping during the pandemic, we would expect many who have made the move away from cheques to stick with the new payment method.

Certainly, the trend among the organisations (businesses, charities or schools), was to encourage people to find alternatives to cheque payments. And it is clear that where organisations are using cheques it is often because of the insistence of the supplier they are paying or the customer or donor who insists on paying this way. The organisations themselves are reducing their use of cheques where possible and think that the pandemic has accelerated the move to more convenient and cheaper payment methods.

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