

Everyday banking and payments services

Scoping review summary report

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1 Executive summary

At the heart of all consumer activity is spending. In today's economy this means consumers relying on not just banks to receive, transfer and store money, and on retailers who accept payments in return for goods and services, but on a vast network of payment service providers and intermediaries who move our money. As technology rapidly changes the way consumers engage with markets, we are increasingly seeing new entrants in the banking and payments markets that seek to provide consumers with new ways to manage, move and spend money.

Recent innovations and market interventions, such as the creation of open banking, have the potential to enhance and improve the consumer offering. However, it is essential that these changes do not leave any consumers without access to essential banking and payments services and, further still, do not leave any consumers at greater risk of harm, financial or otherwise.

For this reason Which? has already been campaigning to prevent the closure of ATMs when or where it would leave consumers without reasonable access to their cash, and is relaunching the campaign to focus on protecting consumers' payment choices, in particular calling for a statutory duty to protect access to cash. Which? also continues to engage with a number of external stakeholders including the Treasury, the Bank of England, the Financial Conduct Authority, the Payments Systems Regulator, select committees and Members of Parliament to ensure that consumers will continue to have access to essential financial services.

To advocate effectively for consumers, it is vital that Which? understands the fundamentals of what consumers need and how they interact with key markets, such as the retail banking and payments markets. As such Which? has initiated a policy project to examine consumers' experiences and needs in the area of everyday banking and payments services and to understand the potential for consumers to experience additional or unintended detriment as changes in day-to-day banking and payments gather momentum.

It is for this purpose Which? has undertaken this rapid scoping review (RSR), which will shape bespoke primary research with consumers to be commissioned and conducted in 2019.

The RSR focused on three overarching questions:

- i. What are consumers' current experiences in relation to everyday banking and payments services and are the relevant markets delivering what consumers want and need?
- ii. Where are consumers experiencing detriment when accessing everyday banking and payments services?
- iii. How do consumers view future trends that relate to everyday banking and payments services?

The review focused on services we consider 'everyday banking' and 'everyday payment' services. This includes basic banking services (current accounts, access to branches and digital banking platforms, and other money management tools) and means of making day-to-day payments or transferring money (including cash, debit and credit cards, bank transfers and cheques).

Findings

In looking at how recent consumer research explores consumers' current experiences of day-to-day banking and payments and what it is consumers want and need from the retail banking and payments markets, we have found that:

- There is no common definition of 'everyday banking' or 'everyday payments' services, and the research we have reviewed does not return to first principles to try and understand consumers' needs. Further still, their needs tend to be reduced to broad and undefined adjectives – for instance, “fast”, “convenient”, “frictionless” – which are related to specific service offerings or product types. More nuanced exploration of needs, for instance in terms of trade-offs or priorities, does not appear to have taken place.
- The literature also relies heavily on quantitative research, meaning that while there is an understanding of what consumers do, we have a limited understanding of why consumers behave as they do. In addition to this, much of the literature looked at equates current usage with support for or satisfaction with available services or product offerings. This means conclusions drawn may not reflect the actual view or preferences of consumers.
- Much of the industry (as opposed to regulator, governmental or consumer body sponsored) literature appears to have findings shaped by the authors' commercial interests. It is hard to judge the framing and robustness of many of the reports included in this RSR due to a lack of adequate methodological transparency.

When examining the literature to understand where consumers are experiencing detriment when accessing everyday banking and payments services we focused, as with the rest of the review, on literature that looked at consumers as a whole, rather than on specific groups who may be considered vulnerable. We found that:

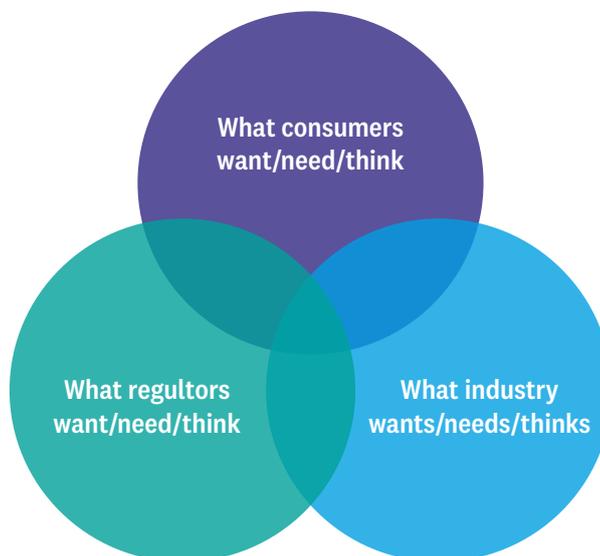
- Much of the literature reviewed present segmentations with more or less five types of technology adopters: innovators, early adopters, early majority, late majority and laggards. The literature tends to align this theory with consumer demographics saying that younger (typically millennials and younger Gen X) and digitally enabled consumers are more likely to be innovators and early adopters, than older (baby boomers) or digitally excluded consumers.
- Detriment was often discussed in relatively simplistic ways. The language used in the segmentations such as “laggards” or the “disengaged” imply that these consumers are in some way at fault. In fact, there is a tendency in some of the literature to downplay disadvantage or barriers to access to everyday banking and payments services, position it as slow adoption and strongly put forward the view that in time these groups will catch-up (or die out). This undercurrent of victim blaming means very little space is given to debates about how to best provide support to consumers who may need help to engage on a level playing field in these markets. It also means that proposed solutions are often superficial and do not address legitimate concerns some consumers may have.

In examining how recent literature addresses consumers' views and understanding of the impacts of changes to the banking and payments markets on their future, we found that:

- The current focus of literature is on the adoption of new and innovative products and services, with little effort to engage with consumers' view on the broader changes to the financial services ecosystem and the implications for the consumer, such as the fragmentation of service provision within banking.
- There is little discussion of the unintended consequences of changes for consumers, and there does not appear to have been an attempt to engage with consumers to understand the bounds

of acceptability – such as trade-offs between privacy and convenience – and how any future risks could be managed so as to provide better protection for consumers.

- There is also little effort to engage with consumers on what a positive vision for the future of banking and payments might be.



In summary, it appears that consumers are not generally asked for their views on whether the changes that are taking place to the everyday banking and payments ecosystem will deliver what they need. Nor have they generally been asked to identify the risks of the changes taking place, how they can be supported to take full advantage of the benefits it could afford them, or how they feel innovations could impact them if the future playing field is not levelled.

It is clear there is a gap in trying to identify the mutual and exclusive needs and wants of all the players in the system; the industry, regulators and consumers. It feels like there is a 'clash of values' and priorities with regulators wanting more competition, providers wanting more market share and consumers wanting to bank and pay in ways that suit their lifestyles and circumstances.

Recommendations

In this context, our recommendations for further primary research, bringing in a consumer perspective of everyday banking and payment services, are below:

- **Engage with broader stakeholders to support future research.** This will help sense check our initial thinking with organisations that may be privy to unpublished insight, or working on similar projects, and aid preparing the ground for future discussion.
- **Commission qualitative research to understand what consumers need and why, how these change by product / service and individual circumstance and where the bounds of acceptability are for consumers in the context of innovation in the banking and payments sectors.** While we may also commission future quantitative work to draw nationally representative findings, we do not feel taking a solely quantitative approach will allow us to explore consumers adequately.
- **Ensure future research is transparent about the methods and tools used, and how data has been analysed and findings identified.** We need to ensure we support best practice principles and enable others to effectively judge the efficacy of our findings.
- **Ensure the research sample engages a broad range of consumers, including different levels of financial literacy and digital confidence.** This will help ensure insights are reflective of a cross-section of UK consumers' experiences.
- **Explicitly engage with the issue of inertia.** We must not assume that all consumers want to engage with the payments or retail banking markets.
- **Consider what support consumers need to take an active part in managing their finances.** This will help ensure various ways the playing field can be levelled are considered, beyond the design of the products and services themselves.
- **Ensure research tools reflect the breadth of possible future outcomes for consumers in order that research participants can meaningfully comment on the trade-offs they would be willing to make to receive potential benefits.** We must ensure we are not being overly positive, or overly pessimistic.
- **Validate research tools, including stimulus, with external stakeholders.** This will support the quality of the research, and ensure participants are being shown a fair and balanced vision of the future.

One page summary of findings and recommendations

Research question	Q1 What are consumers' current experiences in relation to everyday banking and payments services and are the relevant markets delivering what consumers want and need?	Q2 Where are consumers experiencing detriment in relation to everyday banking and payments services?	Q3 How do consumers view future trends that relate to everyday banking and payments services?
Evidence statement	<ul style="list-style-type: none"> Literature lacks a common definition of 'everyday banking' or 'everyday payment' services Quantitative approach means there's a clear picture of what consumers do, but not why Literature often equates usage with support for or satisfaction with available offerings Current research does not return to first principles to understand consumers' needs; needs tend to be reduced to common adjectives, with little engagement with consumers' needs from the markets overall or how different needs interact The efficacy/robustness of many reports are hard to judge due to lack of adequate methodological transparency Much commercial literature appears to have findings shaped by the authors broader agenda/interests 	<ul style="list-style-type: none"> Consumers tend to be segmented by age, financial literacy and use/engagement with technology 'Detriment' often discussed in a relatively simplistic way, or with a focus on specific social groups, where it is discussed at all Solution to consumer detriment tend to be superficial, simplistic or reductionist 	<ul style="list-style-type: none"> Current focus is on adoption of technologically innovative products and services with little engagement with consumers' views on broader changes to the ecosystem or implications for consumer-provider relationships There is relatively little discussion of the unintended consequence of changes or potential detriment There does not appear to have been an attempt to engage with consumers to understand what a positive vision of the future looks like, where the bounds of acceptability are and how risks could be managed
Recommendations	<ul style="list-style-type: none"> Engage with broader stakeholders to support future research Commission qualitative research to understand what consumers need and why, how these change by product/service and individual circumstance and where the bounds of acceptability are for consumers in the context of Open Banking based innovation Ensure future research is transparent about the methods and tools used, and how data has been analysed and findings identified Ensure the research sample engages a broad range of consumers, including different levels of financial literacy and digital confidence Explicitly engage with the issue of inertia Consider what support or aid consumers need to take an active part in managing their finances Ensure research tools reflect the breadth of possible future outcomes for consumers in order that research participants can meaningfully comment on the trade-offs they would be willing to make to receive potential benefits Validate research tools, including stimulus, with external stakeholders 		

2 Introduction

In this section, we outline Which?'s broader programme of work in relation to everyday banking and payments and our objectives for this rapid scoping review.

2.1. Context

Since 1957, Which? has campaigned to make consumers as powerful as the organisations they deal with in their daily lives. Across sectors and markets, Which? has been instrumental in changing markets to improve standards for consumers and has worked to increase consumers' awareness of their rights, and of practices which may lead them to experience detriment.

One key sector for Which? has been financial services. As part of our financial services policy work in 2018 Which? initiated a project to examine consumers' experiences and needs in the area of everyday banking and payments services in order to understand and clearly define what it is that is essential for consumers to be able to spend, move, manage and store money in the UK today. It is also important that Which? understands the potential for consumers to experience additional or unintended detriment as changes in day-to-day banking and payments gather momentum. This is particularly as it is not currently clear whether consumers' interests, preferences and abilities are being taken into account as the sector changes.

It is for this purpose we have undertaken this rapid scoping review (RSR), which will shape bespoke primary research with consumers (to be commissioned and conducted in 2019).

2.2. Purpose of the rapid scoping review

This document summarises the literature covered as part of a RSR of publicly available research on consumer views of everyday banking and payments services published since 2016.

The summary focuses on three overarching questions, the answers to which will inform Which?'s policy positions on banking services and payments. It will also help provide direction and focus for primary research into what banking and payment services consumers need and how they can access them in an 'everyday' context.

The three overarching questions are:

- i. What are consumers' current experiences in relation to everyday banking and payments services and are the relevant markets delivering what consumers want and need?
- ii. Where are consumers experiencing detriment when accessing everyday banking and payments services?
- iii. How do consumers view future trends that relate to everyday banking and payments services?

As part of the first research question, we wanted to understand how the literature defines 'everyday banking' and 'everyday payments' (we have developed a working definitions of these terms for the purposes of the scoping exercise, see section 2.3 below), and how authors had approached understanding consumers' needs.

The research question considered consumer 'needs' in their broadest sense. We looked at current behaviour (for instance, use of services, products and payments methods), attitudes towards different services and products (for instance, views on customer service, account features etc.),

and the ways in which consumers' individual circumstances (including their digital and financial competence and confidence, perceptions of risk and trust in different systems, processes and providers) influence their behaviours and perceptions of different service offerings.

For the second research question, we wanted to understand what the literature says about actual or potential consumer detriment in the everyday banking and payments markets. Within this, we wanted to understand what the literature says about:

- Current experiences of detriment for consumers using everyday banking and payments services, both overall, and in relation to particular products and services;
- Potential future areas of consumer detriment in relation to everyday and payments services, both overall, and in relation to particular products and services;
- Interventions or mechanisms through which detriment could be reduced, both now and in the future.

A core part of answering this second research question was to understand how the literature currently defines or segments consumers.

For the third research question, we wanted to understand what the literature says about consumers' views on future trends that relate to everyday banking and payments services. This includes their views on Open Banking and the potential innovations Open Banking may enable, alongside the structural changes to the banking and payments markets (such as the de-coupling of services and products from distribution and the growth and decline of different payment methods).

2.3. Definitions

As part of this RSR, we aimed to understand whether there is a standard definition of “everyday banking” and “everyday payments” being used in the literature. We developed the following working definitions of both terms to provide structure to the review:

Everyday banking services

The services and products consumers use on a regular basis to manage their spending and other finances. We focused on:

- Current accounts
- Overdrafts
- Instant access savings accounts
- Money management tools
- Bank branches
- Digital banking services (including mobile or app based brands).

We excluded long term or restricted access banking services and products, including mortgages, ISAs, and investment products.

Everyday payments services

The tools or mechanisms consumers use when making spontaneous payments or transferring money to third parties (e.g. retailers, service providers, friends and family etc.). We included:

- Cash (including access to ATMs or cashpoints)
- Debit cards
- Credit cards
- Bank transfers
- Cheques
- Online payment methods
- Mobile payment methods.

2.4. Structure of the report

This report has the following structure:

- Chapter 3 provides an outline of the methodology used in this RSR, the process through which we selected documents for inclusion and how we analysed documents.
- Chapter 4 summarises the RSR's findings against the research questions listed in section 2.2. In each section we provide findings statements followed by supporting evidence that address the core research question. Each section ends with the key implications of these findings for any future research commissioned by Which?.
- Chapter 5 brings together our conclusions and recommendations for future research.
- Chapter 6 is a bibliography listing the documents read as part of this RSR.

3 Methodology

We conducted a time-limited rapid scoping review (RSR) of publicly available research into consumers' experiences of everyday banking and payments services.¹ The RSR took place over the course of October-December 2018. It comprised of the five phases outlined below:

- i. **Identification of key questions and search parameters:** It was vital to define the RSR's focus to ensure it addressed our core issues, namely how markets work for consumers and the extent to which consumers may be at risk of experiencing detriment. This included developing an understanding of existing organisational knowledge of the everyday banking and payments markets, listing key literature sources and search terms, and relevant time-frames. The RSR team agreed that the review would focus on research published since 2016 (following the European Parliaments' declaration on Payment Services Directive 2 (PSD2)), cover research which engaged consumers directly, include literature available publicly and freely available through Google searches, and which do not require special access to journal portals such as EBSCO.
- ii. **Identification of relevant studies:** Following agreement of relevant search terms and sources, we identified a long-list of 178 documents, systematically capturing details about each (e.g. publication date, publisher, method, sample, sample size and core objectives).
- iii. **Select studies for review:** We then gave documents a red, amber or green (RAG) rating based on judgements about which would add the greatest value to our existing knowledge base. The top 36 were prioritised for review.
- iv. **Read and review:** Having created a prioritised list, we then read each priority document in full. Insights against each of the core research questions were captured in a pro forma.²
- v. **Collate and summarise findings:** When the literature review was completed, we produced a summary of findings, based on an analysis session attended by all reviewers. This was in order to ensure all aspects of the literature were considered holistically.

3.1 Limitations of the approach

This RSR is not intended to be a comprehensive review of all consumer focused research on everyday banking. While we aimed to hold to the best practice principles of conducting an RSR, we are aware that this review has several potential limitations. These include:

- **The focus on consumer research:** We have deliberately focused on research which engages with consumers directly. As such, there may be insight gaps due to studies focusing on expert opinions of consumers' needs, market analyses and other forms of research not engaging directly with consumers being excluded.
- **The focus on research with general consumers:** We deliberately focused on the general population, rather than consumers with specific needs or that met specific demographic criteria (hence why we have not looked at literature produced by the likes of Age Concern etc.). As a result, we do not focus in detail on consumer detriment experienced by specific groups within the population.
- **The number of documents included in the review:** This was a time-limited study. Although 36 documents is a substantial number of research studies, we are aware that there is a far broader range of documents available but not reviewed as part of this RSR.

- **The focus on documents published after 2016:** By focusing on research published after 2016, we may have excluded highly relevant consumer insight published before this date.

We go on to suggest how these potential limitations can be mitigated in Chapter 5, including sense-checking our conclusions with internal and external stakeholders.

4 Findings

In this section, we address each of the three overarching research questions in turn, providing our key findings (presented here as evidence statements) and supporting extracts from the literature.

4.1 Research question 1: what are consumers' current experiences in relation to everyday banking and payments services and are the relevant markets delivering what consumers want and need?

4.1.1 Evidence statement: The literature covers the products and services consumers use in the everyday banking and payments markets, but commonly equates usage with support for or satisfaction with available products or services, and with needs fulfilment.

The ability to spend, move, manage and store money is essential for day-to-day life. It goes without saying that the core services of being able to accept payments or deposits into an account, to be able to withdraw cash or make payments from an account, and to access overdraft facilities when needed are relied on by consumers to support their day-to-day money needs. In fact, almost all UK consumers (97%) have a day-to-day bank account and almost three-quarters (72%) have a savings account of some form.³

The universality of everyday banking and payment services is covered extensively in the literature included in this RSR. Much of the literature provides snapshots of the types of products and services consumers are using, the number of products and services available to consumers and the rate at which new products and services are being adopted. The literature also describes in some detail consumers' attitudes towards, and perceptions of, different everyday banking and payments services. This includes their perceptions of those currently available, those which may become available in the future (see section 4.1.3 below), and their views of the organisations that provide them (e.g. trust, openness to new providers of financial services).

The literature gives the following sense of the state of the everyday banking and payments markets:

- The everyday banking and payments markets are generally presented as dynamic market places with mainstream and challenger providers competing for market share. Much of the literature implies consumers actively engage with these providers. Most studies do not acknowledge the high degree of inertia in the everyday banking and payments markets, comment on consumers' lack of switching of current accounts, their strong satisfaction with their current providers or discuss the perceived lack of differentiation between providers. For instance, research from True Digital finds that 86% of respondents give their bank a rating of 7/10 or more for satisfaction, and almost six in 10 (58%) agree with the statement "*there is little to be gained from switching banks*". Deloitte found a similar lack of switching in the banking sector, with just 8% of consumers switching their current account supplier in the last three years.⁴
- Much of the literature comments that consumers' comparatively high trust in traditional banking institutions – as compared with new or alternative providers of financial services – will be threatened if established banking institutions do not keep up with the likes of challenger banks, who look to provide more value-added services.⁵ For instance, EY reported that 40% of customers expressed decreased dependence on their bank as their primary

financial services provider, which EY interpreted as signalling that “*the relevance of banks is waning*”.⁶ There is a strong sense in the literature that improved customer services and greater functionality (rather than material financial benefit such as higher interest rates) will act as a sufficient incentive to switch provider or for consumers to use a new provider in addition to those they are already using. Writers push the narrative that while traditional banking institutions are still more trusted than new challengers, these established institutions may fall behind if customers – particularly millennials – come to trust new providers’ services and products and receive superior customer service and experience.

- There is also extensive coverage of payment preferences, and the growth of some payment types (contactless, digital, mobile online) and the decline of others (cash). Worldpay describes how consumers prefer to pay and the extent to which they use cash compared with card.⁷ This is also covered by Paysafe in their “*Lost in Transaction: Payment Trends 2018*” report and by Capgemini in “*Top trends in Payments 2018: What you need to know*”, among others.⁸ This is often used as convenient shorthand to indicate public appetite to embrace Open Banking and associated innovations in the everyday banking and payments sector.
- There is also much discussion over how consumers access banking services. Reports tend to either focus on the balance of different channels (for instance, the Social Market Foundation’s report “*Balancing Bricks and Clicks*” or Bain & Company’s research on consumers’ channel preferences for different “episodes” e.g. making a complaint versus checking their balance) or the rate of adoption of specific channels (for instance, Deloitte’s overview of consumers’ adoption and views of mobile banking, their appetite for value-added mobile banking services, and whom they would trust to offer mobile services).⁹ There is relatively little discussion of why, and in what contexts, people choose to use one channel over another.

Overall, while the literature gives an outline of what consumers do, authors’ analyses of these findings are sometimes simplistic, with conclusions sometimes drawn from selective subsets of findings. For instance, the literature commonly makes inferences about consumers’ needs based on somewhat crude, undefined batteries of ‘agree statements’ or filtered on specific subsamples of early adopters (such as people who have a mobile app from their bank on their phones). This can sometimes lead to ambiguous findings being reported or findings being generalised across the sample as a whole. It appears that in much of the literature there is a relatively simplistic formula at play: what consumers use and what consumers say they like are the same as what they want or need (see figure 1 below). There is little engagement with the wider context in which consumers are making choices (the types of options they are choosing from), the degree of inertia in the market or the underlying behavioural drivers and heuristics which may impact consumer behaviour.

Figure 1: Are consumers’ needs this simple? The simple equation at play in much of the literature is what consumers use and what consumers say they want is the same as what they need.



While this inference may seem ‘logical’ or ‘common sense’, it is too simplistic and often acts as a convenient mechanism by which authors can justify their narratives around the need to push fast-paced and seismic changes in the market. There appears to be some bias in how the reviewed research is framed, with the focus being on what industry can deliver for the consumer rather than on whether products and services are meeting the needs and wants of consumers. For example, a number of reports are very optimistic, stating that Open Banking will change relationships with consumers for the better with more personalised and responsive services. Few examine how to support consumers for whom this environment may prove challenging, what trade-offs might be required on the part of consumers and what the risks are for consumers. Indeed, risks are often only considered from the industry and provider perspective.

Additionally, consumers’ needs are discussed in quite simple ways with authors not providing enough information on studies’ methodologies for readers to judge their level of sophistication. These points are explored in further detail in sections 4.1.2 – 4.1.3 below.

4.1.2 Evidence statement: There does not appear to be a standard definition of “everyday banking” or “everyday payment” services, or an attempt to return to first principles to understand what consumers need from these markets.

There does not appear to be a standard definition of what constitutes “everyday banking” or “everyday payment” services, and how consumers view the way the everyday banking and payments sector is developing. Although different studies cover the types of products and services people use, how frequently they do so, and what they may like about them – there does not appear to be an understanding of how these products and services work together in an ecosystem to meet the needs of different types of consumers.

There is little consideration of how everyday banking and payment services feature in people’s lives. After all, banking is a means to an end. People use personal banking and payment services to live their daily lives; whilst faster, frictionless payments might be very convenient in some contexts, they may be very risky in others. There is little nuance present in these industry papers (with some exceptions) when discussing people’s financial lives.

For example, there is a tendency in some of the literature to overstate the importance of finances to consumers, particularly among millennials – based on crude statements such as being passionate about personal finance and investing¹⁰ or claimed use of financial advisors (see “What do millennials want”).¹¹

Fundamentally, there is little examination of what is essential to enable consumers to spend, move, manage and store money in the UK today, and what standards of practice and delivery people expect.

There also does not appear to be an attempt to systematically understand whether or not these practical needs are being met by existing provision.

What do millennials want?

What millennials will demand from everyday banking and payments services in the future is up for debate. While much of the literature argues millennials, who are more likely to be ‘digital natives’ or at least early ‘digital immigrants’, are more open to using new technology to ‘manage their cash’ or make payments, other documents suggest they are just as conservative as other generations when it comes to their day-to-day finances. For instance:

- YouGov’s research on millennial banking behaviour found that millennials tend to be quite conservative in their choice of banking provider, the top-three millennial banking providers being NatWest (19%), Santander (17%) and HSBC (16%). While millennials’ use of digital channels enables them to engage with their providers more often than older consumers, they are less likely to consider holding an account with a challenger bank.
- In contrast, the Performance Against Customer Expectations (PACE) study argues that millennials “*are the biggest users of alternative banking services overall.*”

The overall mix of banking products used by millennials is unclear (for instance, whether they are loyal to a traditional bank, and are more likely to use an alternative banking service as a supplement to their other banking needs). Nor is it clear whether the driving factor for millennials financial behaviour is their digital competence, their financial literacy or both. It is similarly unclear how these two factors will influence their behaviour in the age of Open Banking.

4.1.3 Evidence statement: What consumers need from everyday banking and payments markets tends to be reduced to broad and undefined adjectives that relate to specific service offerings or product types (for instance, “*fast*”, “*convenient*”, “*frictionless*”). There is little attempt to understand what consumers need from the markets overall or how different types of consumer needs relate to one another.

In the absence of a standard definition of everyday banking and payments services, authors’ understanding of what consumers currently need and how these needs may change in the future tend to be discussed in relatively superficial terms.

In much of the literature, consumers are asked about the appeal or perceived value of different products and services, and whether or not new products and services would improve their current experiences. However, it is not clear (see section 3 on methodology) whether authors fully understand consumers’ baselines or how consumers are judging value. It is also unclear whether the meaning of key terms and phrases are explained to consumers, as there was an absence of technical reports, or whether authors have explained to consumers how new products and services work and what consumers will need to agree to or trade-off (for instance, fuller data sharing) in order to use particular products and services.

In light of this, the ways in which consumers’ needs are discussed feel vague and one-dimensional. Authors often use broad adjectives to summarise consumers’ needs. For instance, authors will offer rather anodyne assertions that consumers want “*security*”, “*privacy*”, “*convenience*” and “*control*”, without saying what features or standards products or services would need to have to meet these needs, and how consumers would know if these needs have been met. Examples include:

- How terms such as “*personalised*” and “*tailored*” are used across the literature. Authors assert consumers want personalised and tailored services from banks and that banks will need to provide personalised and tailored services to retain market share. However, there does not appear to be a common meaning of these terms, or clarity around where in the supply chain consumers want this personalisation, and where personalisation can over step the mark. This creates a sense of tension in demands for personalisation in the literature with studies finding consumers want personalisation in some areas but not others – nuance in consumers’ views is

sometimes lacking. For instance, research by Accenture found that there is strong consumer demand for personalisation as a result of consenting to share personal data with almost half (48%) of consumers want *“banks to play a supporting role in the purchasing process for non-banking products, such as a house or new car, or services related to the purchase of a new house or car (such as insurance or assistance with the sale and/ or closing process).”*¹² Conversely, Deloitte found that nearly 60% of consumers would prefer that data not be used to offer personalised recommendations based on their preferences or past behaviours.¹³ Mixed views among consumers’ with regards to use of their personal data resonate with findings from our 2018 research into the future of consumer data, *“Control, Alt or Delete? The Future of Consumer Data”*.¹⁴ However, this nuance is often not reported within individual documents included within the review.

- The assertion that consumers want *“secure”* banking. Research by Accenture and the University of Dublin found that over nine in 10 (94%) of participants in their study said that security is a key factor in whether or not they would agree to engage with third-party payment initiation (where payments are initiated directly through the payer’s bank account through an online portal). They also found that 70% of consumers would not trust a third party as much as a bank. However, while the authors assert that *“[Account information and payment initiation services] need comprehensive and robust data sharing strategies and practices that are easily and clearly explained to consumers”* it is unclear what level of information would provide consumers with the reassurance they need, or how institutions would communicate this in a lay-friendly way.¹⁵

Apart from a few exceptions, much of the literature reviewed gives little attention to how consumers choose services or the underlying behavioural drivers that shape decision-making. There is relatively little acknowledgement that consumers’ views are expressed in the context of low awareness of the far-reaching changes that are happening in the world of day-to-day banking and payments. How the everyday finance and payments markets are changing structurally is rarely explicitly discussed. As a result, it is unclear how consumers view changes in the market (such as the long term trends of closing bank branches, reduced access to free cash withdrawals, and the de-coupling of products and services from distribution associated with Open Banking) and how consumers believe their needs can be fulfilled and / or their interests should be protected in this context (see section 4.3.1–4.3.3).

4.1.4 Evidence statement: The RSR focused on consumer research. The bulk of the studies included were nationally representative quantitative studies that provided a snapshot of current behaviour and preferences. However, many of the reports reviewed do not provide adequate methodological transparency for readers to judge their efficacy or robustness.

At the outset of this RSR, we searched for studies that had engaged consumers directly. Most of the literature we found used quantitative methodologies and had used online surveys to gather nationally representative data on UK consumers. While this is not in itself problematic, quantitative-only approaches have a number of limitations on such complex topics:

- Although they self-report that they can provide robust and representative statistics about what survey participants do, think or feel about particular issues, they do not fully explore why participants do what they do, or test context.

Quantitative-only methods do not allow for the discursive exploration of consumers’ behaviours and views, the development of a nuanced understanding of what different aspects of everyday banking and payments services mean to consumers, or the exploration

of consumers' 'red lines' on various fronts such as sharing data, use of AI and digital-only banking. As a result, some of the quantitative-only studies we reviewed include some blunt and ambiguous findings.

While all the research included in this RSR speaks to our objectives – to understand what is already known about consumers – authors are not always transparent about aspects of their methodology and the research tools and materials they have used in the course of their research. For instance, authors rarely include copies of research tools or data tables in appendices. As a result, it is not always clear what definitions authors are using when asking consumers about their behaviour, whether participants have been provided with these definitions, whether or not authors had cognitively tested research tools to ensure a consistent understanding of key words or phrases or whether authors are analysing and reporting on full data sets (or just portions of those that support their narrative). For instance,

- TSYS asked the following question of consumers to understand the perceived value of partnership marketing (where cardholders are sent merchant-sponsored offers tailored to each cardholder's unique spending habits and preferences): *"If you could self-determine the level of offers and discounts you receive from a merchant identified by your bank, for example, how often you get offers for discounts at particular merchants, and what types of merchants are included, how useful / valuable would you consider this service on a scale of (1) "not Valuable" to (7) "Extremely Valuable"?"*. Although almost six in 10 consumers (57%) said they would find this somewhat or extremely valuable, it is not clear whether they understood that to receive this benefit they would need to allow access to their spending data to merchants, or whether they would be willing to do this: the action-intention gap and where the bounds of acceptability lie were not explored.¹⁶
- Similarly, Paysafe asked about the Amazon Go store in Seattle where payment is totally frictionless – 56% were not keen to varying degrees. There is little detail on how people approached the trade-off or when automation is acceptable.¹⁷
- A report by True Digital found that almost two-thirds (65%) of participants felt high street banks offer high-quality financial advice.¹⁸ However, from the published report it is unclear whether or not participants were given a definition of quality or financial advice or what response options participants had.

As a result, the veracity of the findings and the efficacy of studies are sometimes unclear and some insights are counterintuitive. For example:

- The Performance Against Customer Expectations (PACE) study found that almost twice as many millennials (aged 18–26 years: 16%; aged 27–37 years: 15%) claimed they had financial advisers than Gen Xers (aged 38–52 years: 8%).¹⁹ This seems counter to the FCA's Financial Lives Survey 2017, which finds that 16% of UK adults have received regulated financial advice in the last 12 months, it also shows that this is only 8% for those aged 18–24 years, 12% for those aged 25–34 years and this increases for those aged 35–44 years (15%) and those aged 45–54 years (18%).
- Worldpay's report on what's driving consumer behaviour found that just under two thirds of consumers feel their online payments are secure (64%) and that a similar proportion (61%) are worried about storing their card details (suggesting they do not feel some aspects of online payments are secure).²⁰ Although Worldpay does go on to provide recommendations to retailers, this nuance is not engaged with at great length in the report.

All that being said, there were examples of studies which provided a high degree of transparency over the methodological approaches they had used. These had generally been commissioned by

Government or third-sector organisations, or used independent research agencies to deliver the insight. These included:

- Ipsos MORI’s qualitative study for Barclays looking at consumers’ views on Open Banking. The research “*helps to understand the initial framework in which consumers approach Open Banking, and identifies the attitudes, emotions and decision making processes that will remain important to consumers as their relationship with Open Banking progresses.*”²¹
- Revealing Reality’s qualitative work for the FCA on financial exclusion²² and consumers’ views on current account service indicators.²³
- Toynbee Hall’s work for LINK on the extent to which particular groups of consumers experience detriment as a result of using pay-to-use ATMs and the factors that contribute to this detriment.²⁴
- The Department for Business, Energy and Industrial Strategy (BEIS) and GfK’s segmentation of consumers.²⁵

4.1.5 Evidence statement: Much of the literature reviewed was commissioned by commercial organisations serving the personal finance and payments sector. Despite purporting to be based on consumer insight, the wider agenda (or broader interests) of the author appears to shape findings.

A proportion of the documents reviewed were written by banks, or consultancies selling services to the financial services sector. It is reasonable to assume that these consumer reports are intended to serve two purposes:

- To demonstrate the authors’ knowledge of UK consumers to potential customers.
- To make relevant the authors’ service offering to potential customers.

The literature often starts out by stating various market trends and industry changes in banking and payments to argue that it is a natural response to meeting “consumer demands” but the supporting evidence is vague, ambiguous or circular.

- For instance, one report by Deloitte stated that their research “*reveals a strong latent demand among a technologically-savvy population for new and improved banking services... Based on our research, we believe that new entrants, or incumbents who embrace digital transformation, can differentiate themselves by offering an improved customer proposition that provides greater pricing transparency and a better user experience.*”²⁶ It is not clear who this statement is based on, what is being tailored, how they know there is a demand for this and what purpose people want their data optimised for and by whom.

Across the more commercial literature, there is a commonly held assertion that innovation will benefit consumers and that there is strong consumer demand for these innovations. Authors often claim that reducing friction, increasing automation, using Artificial Intelligence (AI) and algorithms to tailor products and services, and increasing competition in the financial sector will mean that consumers can get faster access to better products and services, and that they have articulated this need clearly – which we doubt, based on what we have reviewed.

However, there is little explicit discussion of potential downsides to innovation (see sections 4.2.1-2 below on detriment). For instance, although frictionless transactions may lead to quick or instant payments which are more convenient, there was little discussion of the implications of this for consumers or situations in which friction would be desirable. With regard to tracking how consumers are spending their money can lead to greater personalisation of goods and services – there is little explicit discussion in the literature reviewed on how that data could potentially

restrict consumers' access to products or services, or increase premiums or lead to unfair pricing for certain consumers.

Ultimately, much of the literatures' commercial focus means that issues around consumer interest and potential detriment are given short shrift when seen in the context of business optimisation.

Implications of findings relating to question one for future research

What are consumers' current experiences in relation to everyday banking and payments services and are the relevant markets delivering what consumers want and need?

Based on our assessment of the reviewed literature the gap in the research regards understanding why consumers behave as they do. We will likely need to commission large-scale qualitative research to understand what consumers need from everyday banking (rather than what consumers feel would be 'nice to have'), the nuance of consumers' experiences and the trade-offs they would be prepared to make in order to receive the benefits of potential innovations and in order to minimise risks. We will also need to include a broad range of consumers, sampled according to their age, social economic grade, financial capability and digital capability.

4.2. Research question 2: where are consumers experiencing detriment in the everyday banking and payments markets?

4.2.1 Evidence statement: In the literature reviewed, consumers tend to be segmented by age, financial literacy and use / engagement with technology. "Detriment" tends to be discussed in a relatively simplistic way, or with a focus on specific social groups, where it is discussed at all. As we discuss in 4.2.2, this can lead to suggesting solutions that are superficial.

Much of the literature reviewed explicitly or implicitly present segmentations based on Everett Rogers' diffusion of innovation theory. Rogers argues there are five types of technology adopters: innovators, early adopters, early majority, late majority and laggards. The literature tends to align this theory with consumer demographics saying that younger (typically millennials and younger Gen X) and digitally enabled consumers are more likely to be innovators and early adopters, than older (baby boomers) or digitally excluded consumers. For instance:

- TSYS's 2016 Consumer Payment Study develops a segmentation grouping Rogers' five types of adopters into three bands. Innovators and early adopters are categorised as "*hyper digital*" consumers. These people are the first to use and value an innovation and help to diffuse a new technology. "*Accomplished digitals*" represent the early majority and the late majority. They follow where the hyper digital lead. And finally, laggards are represented by the "*emerging digital*" category. These consumers are the last to try and potentially adopt 'new' tech.²⁷
- Ipsos MORI and the Global Open Banking Report created a segmentation of personalities dependent on their attitudes, behaviours and likely engagement. They had five segments: "*active adopters*" (technologically literate, and likely to be younger with more expenditure than their savings and likely to use services as soon as they were available), "*measured evaluators*" (technologically literate, but slower to adopt and more in need of reassurance over data security), "*conservative traditionalists*" (prefer traditional forms of financial management and more likely to see digital or mobile technology as risky), the "*financially disengaged*" (perceive money management as "*neither natural nor relevant, as they were either too old and set in their ways or too young to see the necessity*") and "*technical laggards*" (often older and resistant to new tech and sharing their data).²⁸
- Open Finance groups consumers into "*trailblazers*" (knowledgeable about financial services and keen to adopt new technology), "*digital natives*" (highly tech literate but not so

knowledgeable when it comes to financial services), “*detractors*” (financially savvy but slow to adopt new technology) and the “*disengaged*” (neither embracing of technology nor confident in financial services).²⁹

There are some segmentations,³⁰ however, that deviate from Roger’s diffusion of innovation theory. These segmentations often incorporate different aspects of consumer behaviour and attitudes:

- The Department for Business, Energy and Industrial Strategy (BEIS) and GfK created a segmentation based on how engaged consumers are with markets and whether or not they shop around. Their five segments were “*constrained strugglers*” (typically unengaged due to scarcity issues), “*consciously unengaged*” (typically unengaged due to lack of interest), “*worried indecisives*” (try to engage but have concerns about decision making and lack of confidence), “*traditional value-seekers*” (engaged and motivated to find the best deals), and “*leading edgers*” (engaged and want to be the first to try a new product).³¹
- Accenture segmented consumers into “*nomads*” (digitally active, willing to adopt new delivery models), “*hunters*” (price sensitive and focused on value for money) and “*quality seekers*” (looking for high quality and responsive services). While they looked at technology adoption, they also included perceptions of value and price sensitivity.³²
- A global segmentation by McKinsey which created segments based on preferred channel. The five segments were “*bank in my pocket*” (prefer doing everything remotely, both transactions and advice/purchases), “*flexible digital banking*” (like to do almost all banking through digital channels, and require face-to-face for advice), “*digital convenience*” (prefer internet above mobile, purchase only basic products digitally, require face-to-face for advice and complex products), “*branch lovers*” (favour visits to branches or ATMs for all needs, low-tech seniors), or “*branch driven*” (which prefer branches or ATMs for all needs due to low trust in banks and the financial system).³³

Across these segmentations, and particularly in segmentations closely aligned to Rogers’ diffusion of innovation theory, the idea of consumer detriment tends to be treated rather superficially. The limited ways the literature deals with “*detriment*” tend to focus on groups traditionally perceived to be vulnerable either due to their age (for instance, older consumers who are less likely to be digitally literate or younger consumers who are less likely to be financially literate), or consumers experiencing vulnerabilities (such as older people with mobility issues), and consumers that may struggle to access certain services (for instance, those living in rural areas, and those who are digitally excluded).

As such, the literature has a tendency to suggest that problems that consumers might experience as everyday banking and payments rapidly change can be overcome by more exposure and familiarity with it. This suggests problems are simply a matter of late adoption or a lack of willingness to go along with modern banking and payment practices.

Little attention is given to a variety of other types of vulnerabilities (for instance, people with impulse control or gambling addictions) or vulnerable states (for instance, lack of employment/people between jobs etc.) which may be temporary or variable. Similarly, there was almost no discussion of consumers that may experience hidden detriment / detriment which might not be recognised by consumers. This latter type of detriment could include people who are not financially literate enough to recognise and take up the best rates or use the most appropriate financial product for their circumstances.

In short, the lack of meaningful reflection on the needs of vulnerable consumers results in literature that makes little attempt to examine all the consumer barriers to the market that are possible as it evolves rapidly.

4.2.2 Evidence statement: In the literature reviewed, solutions to consumer detriment tend to be superficial, simplistic or reductionist.

The language used in the various segmentations such as “laggards” or the “disengaged” imply that these consumers are in some way at fault for falling behind or not taking up new banking and payment opportunities. There is a tendency in some of the literature to downplay disadvantage or barriers to access to everyday banking and payments services as slow adoption and to assert that in time these groups will either catch-up (or die out). This undercurrent of ‘victim blaming’ means very little attention is given to looking at providing support to consumers who may need help to engage on a level playing field in these markets.

Solutions which are put forward tend to be quite simplistic. Common solutions to address detriment tend to focus on providing more of the same types of services (for instance, providing more free ATMs to those who rely on cash for payments, expanding Post Office provision of banking services to those who rely on bank branches for their everyday banking needs, co-locating banking services in shops, supporting banks to regain consumer trust).

What’s more important: convenience or security?

Paysafe’s 2018 report “*Lost in Transaction: Payment Trends 2018*” looks at some of the barriers to the uptake of frictionless payment mechanisms, such as contactless payments, voice payments (for instance, through tools such as Amazon echo) and the use of smart technology to record what people have bought without needing to scan items (for instance, as happens in the Amazon Go food store in Seattle). The report found that security is a particular concern, with half of respondents concerned that “*people could easily buy things fraudulently if they steal my card*” (50%), feeling their data is less secure (48%), or worried they may get charged for things they didn’t buy (47%). Uncertainty was also a significant worry for participants: they were concerned of either being charged for things they didn’t buy (47%), control of spending (31%) or inadvertent purchases (28%).

The report finds that blanket automation is not an appropriate solution for consumers’ need for convenience, control and security.

As with other aspects of this RSR these suggestions may appear to be common sense or logical. However, they may also rest on flawed assumptions. Firstly, there is a common underlying assumption that exposure breeds familiarity and increases the acceptability of innovations. For instance, Bain & Company argue that “*strong digital tools create a virtuous circle of higher adoption and digital-first habits, contributing to greater loyalty*” in their analysis of US and UK consumers’ digital banking behaviours.³⁴ While adoption of technology such as smart phones may increase over time, this does not a) guarantee use of smart phones for anything more than checking one’s balance online b) meaningfully address other barriers to engagement or fairness of access for those who are actively choosing not to or those who are unable to participate. There may be reasonable limits to what we can expect consumers to be able to do, such as limits to financial literacy or the ability of consumers to be able to get financial advice they trust while making banking decisions.

Secondly, there is a common assumption that tackling issues of data security and safety will remove a prominent barrier to the wider adoption of new everyday banking and payment systems and processes. This seems like an obvious point to make but it ignores more involved consideration of a) how the banking and payments world demonstrates to consumers that

systems are secure and safe b) how they make sure consumers understand how their data is being used, shared, with whom and for what benefit and c) how to increase trust in the sector to use consumers' data responsibly and to act in their interests? From what we have gleaned, there is a lack of trust in the banking sector – half of consumers (50%) would be concerned about banks and credit card companies holding or having access to their personal information, something banks presumably do have access to in order to provide services.³⁵

There is more evidence of fairly simplistic solutions to potential problems and consumer harm in the literature such as the assumption that consumers – in lieu of bank branch closures – are happy to receive everyday banking and payments services in other community venues (ranging from the Post Office through to the supermarket). While it may be that some everyday banking and payments services can be delivered in these venues (for instance, cash withdraws or cash deposits), whether consumers would be willing to have sensitive conversations in all settings is not fully explored. Nor the features venues would need to have in order for consumers to feel comfortable having these conversations.

Implications of findings relating to question two for future research

Where are consumers experiencing detriment in the everyday banking and payments markets?

Findings from the literature included in this RSR suggest that detriment is concentrated among consumers who are late adopters of new technology and that this detriment can be mitigated against by a) increasing the availability of certain forms of technology, b) demonstrating new products and services are secure and safe c) providing transparency about how and why consumers' data is used and d) supporting trust in new financial services providers. We feel that this does not represent a comprehensive understanding of consumer detriment or ways of mitigating that detriment. Future research could build on existing knowledge by exploring different types of detriment (including invisible detriment) in more depth, exploring how all consumers can be supported to engage fully in the everyday banking and payments markets and developing a 'Which?' point of view on what vulnerability means in these markets.

4.3. Research question 3: how do consumers view future trends in the everyday banking and payments markets?

4.3.1 Evidence statement: While the literature covers the adoption of technologically innovative everyday banking and payments products and services, there is little discussion or engagement with consumers over what they think about the changing ecosystem and more fundamental structural changes to the markets – and what this might mean for consumer relationships with banks and payment service providers.

As covered in section 4.1, the literature reviewed covers consumers' reactions to specific innovations in the everyday banking and payments markets and their willingness to use dynamic and connected products and services. However, the literature tends not to explore consumers' views on what the sum total of changes taking place might mean for them and their ability to access banking and payment services in an 'everyday' context.

As competition in the everyday banking and payments markets increases and the number of product and services providers grows, the market will become increasingly fragmented. What everyday banking and payments look like for consumers may change substantially. Rather than having one main provider that covers all or most of one's everyday banking needs, in the future consumers may use a patchwork of different financial services providers to access products and services. Using a range of different providers, with financial information drawn together into

What does stop people accessing financial services?

One piece of research which does address consumer experience of issues associated with access to financial services is the FCA’s 2015 report “*Mind the gap: Consumer research exploring experience of financial exclusion across the UK*”. The report summarises some of the key access issues facing consumers across three different layers, which the FCA describes as:

- “*The Maze*” – processes, requirements and eligibility criteria which may prevent or make it more challenging for consumers to access certain services and products.
- “*The Fog*” – market navigation and comprehension issues which may mean consumers struggle to understand markets.
- “*The Void*” – digital and physical barriers which may prevent consumers from accessing certain financial products and services.

The report then considers what firms, consumers and public bodies (government, regulators and others) can do to support access.

a single portal through an aggregator, may affect how consumers relate to their finances: some may be empowered to use the system and reap all the consumer benefits they can. The reviewed literature is keen to focus on these people and talks at length about this scenario. It is less keen to consider consumers who will only be able to engage with considerable support and guidance, and what can be done in those scenarios to ensure a level playing field in terms of service and consumer benefits. It is almost silent on what to do about enabling people who may not want to engage or cannot engage actively in this way, and what can be done to ameliorate serious disadvantage in the market.

The literature acknowledges that consumer relationships will radically change as services and products uncouple from distribution and as AI takes a bigger role in providing those services. They invariably paint this as a positive thing for consumers: it brings scope for lots of personalisation of financial products and service delivery, and may offer consumers greater control over everyday banking and payments through consumer choice. Serious consideration is not given to questions about whether the changing system is any better at being able to see a person’s financial activity holistically and, connected to this, whether it can truly understand their full consumer journey and serve their needs genuinely.

Having read the literature, a number of questions remain unanswered, including:

- The vision on offer is about consumer choice and self-service with multiple providers of banking and payment services. To what extent are people happy about a future in which no-one owns the provider-consumer relationship?
- Who owns the consumer relationship – the aggregator or the provider products and services?
- Who has a view of the whole customer journey – is it only the consumer, or will they need to nominate a primary provider who takes on this additional responsibility?
- Who should give support and advice to consumers and when should this advice be delivered?
- How do consumers want the industry and regulators to respond when things go wrong and how do they want the system to manage the risk of things going wrong?
- Who steps in when things go wrong in the chain?
- How does regulation work in this future context?
- Where is it acceptable to blur boundaries whereby everyday banking and payment services serve adjacent consumer needs like establishing an ecosystem of different providers to provide

an interface via which customers can perform all stages of a process such as buying a car or arranging an overseas holiday?

- Where is the evidence of need, and a discussion of benefits and risks from a consumer point of view?

4.3.2 Evidence statement: There is relatively little discussion of the unintended consequence of changes in the everyday banking and payments markets, and potential detriment which may come from this.

The literature as a whole does not seriously engage with the potential negative impact technological innovations may have on consumers (see section 4.2.1–2 for how existing consumer detriment is discussed in the literature).

Much of the literature rests on the assumption that more competition and innovation will yield benefits for all consumers, and gives little air time to scenarios as have been described in the healthcare context where initiatives actually widen inequalities rather than level things out (the inverse equity hypothesis).³⁶ That awareness of Open Banking is greater among higher social grades (35% of ABC1 have heard the term compared with 18% of C2DEs), may be an early signal of this unintended consequence.³⁷

Again, it is not clear in the literature what steps are being taken to ensure some (particularly vulnerable) consumers are not disproportionately negatively affected by changes to the everyday banking and payments system. As we have observed earlier, solutions offered tend to be naïve or simplistic.

4.3.3 Evidence statement: There does not appear to have been an attempt to engage with consumers to understand what a positive vision of the future of everyday banking and payments services would be for them, what would and would not be acceptable/where the bounds of acceptability are, how the biggest risks could be managed and how they can be helped to realise consumer benefits.

While the appeal of individual banking and payment services and products is explored in studies across the literature, there is no real attempt to discuss what a good future would look like for consumers. Very little of the literature has explored, from the consumer point of view, whether they feel that the system will continue to deliver what they need. This goes back to having a fundamental understanding of what people use everyday banking and payment systems for, what standards of practice and standards of access they expect, what harms or barriers they feel could increase, and what should happen to ameliorate these.

For instance, the Paysafe report raises a paradox between convenience of payment and control but does not explore in detail in which contexts convenience is primary and control secondary, and vice versa. Similarly, in what scenarios is automation primary and human touch secondary, and vice versa. These are just two sets of many potential trade-offs that could be examined in a more meaningful way.

It is not clear from the literature what the ‘red lines’ are for consumers in terms of using technological innovations to make banking and payments faster, more seamless and personalised. Similarly, it is not clear what consumers expect to happen when things go wrong, for instance, or who they think should be responsible if the consumer doesn’t manage to reap the benefits they could have because of their own inability to understand the system.

Even with research commissioned by third sector organisations, there is relatively little discussion of the types of specific support or protections consumers wanted or should get to fully participate in the everyday banking and payments markets.

- For instance, in *“Balancing Bricks & Click: Understanding how consumers manage their money”* the Social Market Foundation stated *“access to physical financial services is likely to become the main barrier to financial inclusion, as the less affluent, those with only basic (GCSE level or lower) qualifications and the unemployed are particularly likely to rely on branches to manage their money.”*³⁸

Implications of findings relating to question three for future research

How do consumers view future trends in the everyday banking and payments markets?

The literature included in this RSR tends to suggest consumers are excited for the potential benefits changes in the everyday banking and payments markets may offer. However, it is often unclear whether consumers were provided with information about the trade-offs they would need to make to receive these benefits, or the implications of trends for how they engage with the everyday banking and payments markets.

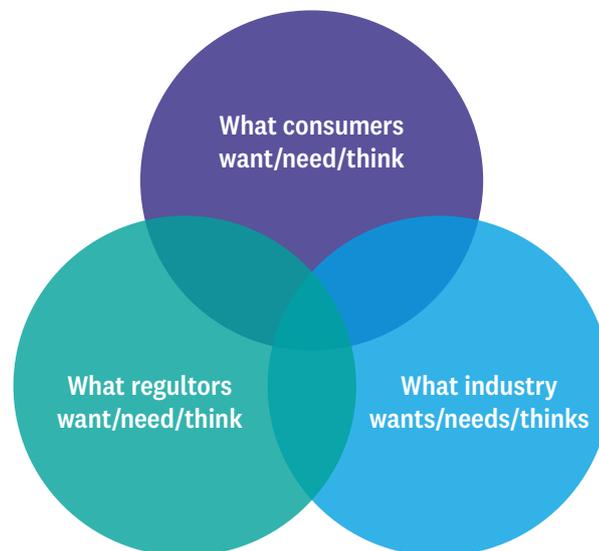
Given this, our future research should consider what trade-offs consumers would be prepared to make in the future, who they feel should be accountable if something were to go wrong, and what support should be available to consumers to ensure they are making informed choices about their everyday finances and to ensure they can reap the benefits of the major changes taking place in the sector.

5 Recommendations for further consumer research

We found that while much of the literature reviewed provides an overview of consumers' behaviour and their preferences for everyday banking and payment services, authors' exploration of these issues tend to be superficial.

It appears that consumers are not generally asked whether the changes that are taking place to the everyday banking and payments ecosystem will deliver what they need, or what they would be willing to 'trade-off' in order to receive the potential benefits created by technological innovation and regulatory change. Nor have they generally been asked to identify the risks of the changes taking place, how they can be aided to take full advantage of the benefits these changes could afford them, or how they may be impacted by changes.

It is clear there is a gap in trying to identify what are the mutual and what are the exclusive needs and wants of all the players in the system; the industry, regulators and consumers. It feels like there is a 'clash of values' and priorities with regulators wanting more competition, providers wanting more market share and consumers wanting to bank and pay in ways that suit their lifestyles and circumstances. While in theory this may lead to better outcomes for some consumers, it is predicated on the assumption that consumers are willing to actively engage in the everyday banking and payments market, adopt new services and switch providers. Existing inertia in the market suggests this is not the case.



None of the literature seriously attempts to reconcile these differing priorities in a nuanced way and it feels like the consumer voice is subjugated in most of the reports we have included here. The industry voice feels very dominant and conveniently minimises any serious treatment of issues to do with – among other things – reducing harm/widening inequity, delivering basic service standards people want, and defining and delivering outcomes consumers want. This latter point means unpeeling things like the poorly substantiated claims around people wanting to manage their finances more and more through Apps and mobile banking, among others. Is this really what people want from day-to-day banking and payments services, and if so, how do you really achieve that for everyone?

Our recommendations for further primary research, bringing in a consumer perspective of everyday banking and payment services, are below:

Our first recommendation is to further engage with expert stakeholders to ensure we are addressing the right consumer research gaps and are incorporating the latest thinking on these issues. As outlined in section 3.1 above, we are conscious that our RSR is not comprehensive and is based only on what is publicly available through Google searches from the industry and some key pieces from consumer organisations. Effectively engaging external stakeholders will help ensure the robustness of this research.

Most of the unanswered questions we identified at section 4.3.1 require a methodological approach that allows full exploration of different issues in a way that consumers can express themselves in a way they feel comfortable and which allows the researchers to explain clearly the issues, concepts and principles for consideration. As such, we see new research being qualitative in nature.

As we mentioned in the main body of the report, there is not a great deal of transparency over the research tools used in the consumer research which they quote. It is hard to make a judgement on how well people understood what they were being asked and the level of challenge they were being put under. **We recommend that future research should take the form of public dialogues which are fully transparent and allow us to stretch and challenge people beyond the point which standard polls allow.**

There is little value doing further work on understanding ‘what’ consumers are doing in terms of everyday banking and payments as there is a great deal of market data and analysis available, and we would duplicate existing knowledge. We are already conducting a review of how the everyday banking and payments markets have changed in the last 20 years, and how these markets will change in the future, which we anticipate publishing alongside our research findings. Within this we are also exploring changes which may result from Open Banking. **We recommend incorporating learnings from this review in the development of research materials, such as discussion guides and research stimulus, to support future research participants’ understanding of how the market is changing, their thoughts on this, whether changes can deliver what they need, whether they see benefits or harms (or both) and how changes might impact on them.** This will inevitably entail going back to basics and developing a distinct consumer point of view on what ‘essential’ everyday banking and payment services are, and which are ‘nice to have’.

Importantly, **we recommend that future research provides a balanced view of the potential benefits and risks of how the sector will operate in the future using technological innovation (and regulatory changes), and what trade-offs consumers might need to make in order to yield these benefits.** This would also naturally lead into exploration of where it might be acceptable to blur boundaries in the future whereby everyday banking and payment services serve adjacent consumer needs like provide an interface for different providers via which customers can perform all stages of a process such as buying a home, car and so on. This will entail providing well-researched and expert-tested stimulus materials.

With regard to minimising potential detriment, **we would recommend exploring how to constructively tackle general consumer inertia in the context of an increasingly digital market.** What sort of aid and support do people need to take an active part in managing their finances and realising the benefits technological innovations and regulatory developments in everyday banking and payments services? How can we prevent widening inequalities - an inverse equity of sorts - and minimise other potential consequences of having a technically and data-driven market? And within this, we would want to explore what sort of service standards do consumers expect, and what sort of outcomes do they want the industry to deliver?

Any future consumer research should push beyond relatively simplistic solutions to detriment. One area that could be explored further is the choice architecture that may drive or contribute to detriment (both visible and invisible). For instance, the payments options available to people in different environments and locations or the ways in which services are delivered which may “nudge” consumers towards particular options. Of course, we would want to clearly acknowledge the issue of consumer inertia in the market when looking at solutions to consumer identified problems. Inertia, as we have observed, is not meaningfully discussed in this RSR, the implication for readers being that there consumers’ needs are broad and that they will actively try to satisfy these.

Lastly, we would need to ensure we do not just focus on Innovators, Early Adopters or Early Majority in our research. **We would recommend that future research include a variety of people including those whose needs may not be mainstream.** This would mean that the research is inclusive of all needs and we would be in a better position to identify problems and desired consumer outcomes from the user point of view.

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