info@collaborateresearch.co.uk | www.collaborateresearch.co.uk

Consumers' everyday finances:

What consumers need from everyday banking and payments now and in the future

Research report prepared for:

September 2019

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1. Executive summary

1.1 Introduction

Understanding consumers' everyday banking and payments needs is a priority for Which?. In 2018, following a literature review and alongside a series of stakeholder interviews, Which? decided to commission research on this topic as part of a foundational programme of work on everyday financial services. The overall objective of this element of the programme was to gain a better understanding of consumers' behaviour when they interact with 'everyday' retail banking and payments services, including which products and services different consumers need and what is driving decision-making when consumers engage with the banking and payments markets. In addition, the research was tasked with exploring how consumers might respond to changes in the markets and identify areas where consumers could become more vulnerable or be at greater risk of harm.

To address these objectives, we devised a research programme that included mixed qualitative and deliberative methods across multiple stages. The research took place in and around London, Cardiff, Morley (near Leeds) and Glasgow, between April and June, 2019. It involved 16 extended focus groups, 4 reconvened day-long workshops and more than 20 in-depth interviews, along with pre-tasks and homework activities for most participants. The sample was designed to represent a broad-cross section of the population, including those in vulnerable circumstances. In total we spoke to almost 120 people during the course of this research.

1.2 Key findings

1.2.1 What consumers need and value from everyday finances

Consumers see everyday finances in terms of **outcomes** - for example, it is 'what I use to pay for my shopping' - and, therefore, access to appropriate financial products and services is typically seen as **essential to living your life and getting by**.

A key insight from this research, and one which stood out from existing literature on the topic, is that **consumers regard everyday banking and payment services to be an essential utility** and not just a standard commercial service. This means they expect that everyone will have fair access to a level of provision that meets their needs and no one will be excluded.

There is a strong belief that, as a minimum, consumers should have continued access to a **secure place to store their money** (for most, a current account), a **universally accepted payment method** (currently cash), **the ability to speak to a human being if required, and not to be charged to access these core everyday banking services or their own money.**

However, **consumers' expectations of 'core service provision' go well beyond this minimum or the standard industry definition of basic banking services**. Consumers typically use the range and type of products and services they use day to day to inform what they perceive as essential while also recognising that not all consumers are the same and that others may have different needs and rely on different financial products and services. As a result, consumers place a high priority on there being sufficient options available to suit different requirements rather than having a one size fits all approach to everyday finances.

This high priority placed on having **options or choices reflects the considerable variation in consumers' banking and payments behaviour** found in this research. These differences informed the development of **four typologies**:

- The 'mainstream majority' who primarily use digital methods such as mobile banking apps and contactless cards;
- 'Older, non-digital' consumers who rely on traditional banking channels and are more likely to make cash payments;
- Those who are 'just about managing' (JAMs) and whose priority is to stay on top of their finances and they may use digital or cash-based budgeting to do this; and
- 'Younger, tech savvy' consumers who are excited about innovation and tend to be early adopters of digital wallets and new banking brands offering enhanced services.

Importantly, having sufficient choice in everyday finances also supports another key underlying consumer need, which is to **stay in control of their finances**. This is because consumers have different priorities for, and preferred approaches to, managing their everyday finances so greatly value being able to select methods that work for them from a range of options.

1.2.2 Consumers' engagement in, and satisfaction with, the banking and payments markets

As expected, given annual rates of current account switching, **market engagement was found to be generally low** across our sample. This includes the level of switching (or consideration of switching) of main personal current account (PCA) providers, as well as the extent of adoption (or consideration of adoption) of newer payment methods, enhanced services enabled by Open Banking or the challenger brands providing these.

Lack of awareness and **not having a sufficiently strong 'pull factor'** (i.e. not perceiving a compelling benefit associated with a new banking or payment method) is a key barrier to change. In addition, **low understanding** of newer banking or payment methods contributed to some non-adopters lacking confidence in them. For example, there was negligible consumer awareness of Open Banking-enabled services but, of those who were aware, some were dissuaded from trying such services due to unfamiliarity with the providers coupled with concerns about the security of financial data sharing. In fact, being asked to share financial data in this way goes against the grain of current behaviour and what we have been taught about keeping financial data private.

Overall, one of the reasons for low market engagement is that most consumers are largely satisfied with current provision and feel that their **needs are well served**. The majority believe that market innovation has led to an improvement in the fulfilment of a number of their needs, by making everyday financial transactions more convenient and providing new tools to help them stay in control. Conversely, in the main, consumers are not noticing significant inconvenience or 'pain points' when conducting everyday banking and payments.

Also underlying this satisfaction is the **significant level of choice** now available to consumers, given the diversification of banking and payment methods over the past 20 or so years. However, there is a sense that consumers are now starting to be **'nudged' in certain ways which do not necessarily reflect their preferences**, such as towards digital methods and away from using bank branches and cash.

And while the everyday banking and payments markets work for most people, there are some **consumers who already require workarounds** to access everyday financial services, and some who report **experiencing detriment** (e.g. due to lack of digital access or because less friction in the payments system has impacted their ability to stay in control). This was especially evident for vulnerable consumers. It is generally expected that the **pace of digitisation will increase in future potentially causing greater risk of exclusion and other forms of harm.**

1.2.3 Consumers' views on potential changes to the banking and payments markets

As highlighted above, consumers expect that everyday finances of the future will involve **even heavier use of digital payments along with more automation and self-service in banking**, with an accompanying further reduction in the use of cash and bank branches. That said, there is **negligible spontaneous awareness** (prior to explanation) **of other potential developments**, such as new options for data-driven personalisation and the potential for business models and what constitutes a free banking service to change.

Notwithstanding this lack of comprehensive understanding of what changes may lie ahead, consumers have **different attitudes about what the future might mean** to them. Some are excited to see what will take place, others are accepting and confident that they will adapt, while a third group is apprehensive about whether they will be able to keep up. As part of this research, views on the future were specifically sought from a broad range of consumers, including those in various vulnerable circumstances. We found that **vulnerable consumers are particularly likely to be apprehensive** of what might lie ahead which relates directly to their current issues with access to financial services, or to limitations in their financial capability, engagement or resilience.

Once a range of potential future developments in everyday finance had been considered, the feeling amongst participants is that these **changes are being led by industry** and primarily designed to save costs or provide new sources of revenue. Consumers are not clear about how much additional benefit they will personally derive from these market developments.

In particular, consumers are **not convinced that their own needs will be significantly better served** than they are at present by the developments that were discussed. Some of the potential changes are regarded as more 'nice to have' than essential while a real risk is foreseen of having reduced choice and less control if existing banking and payment options are rolled back. In particular, responses suggest that there would be widespread opposition to the prospect of paying for core services given the utility status of everyday financial services.

A number of possibilities are also foreseen for **wider disbenefits** affecting consumers or society in general, and for **additional forms of detriment and vulnerability to be created**. These include that:

- Some people (such as older consumers, those living in rural areas, those in financial constrained circumstances or less capable of engaging in the market, and small businesses which rely on cash payments) may be left behind.
- Risks of digital system failure and cybercrime may increase.
- Power imbalances between consumers and businesses may be widened due to data-driven information asymmetries.
- There may be negative social impacts associated with the further decline in person-to-person service delivery. For example, consumers can foresee this leading to job loss, decline of the high street, increased social isolation and loss of community. In addition, some feel development of future generations' financial literacy will suffer if cash is fully eliminated.

While most consumers are not 'anti-change', they are **not confident that they will be able to influence the direction of travel** or that there is anyone taking a long-term view that has consumers' interests at heart.

1.2.4 What is needed to ensure everyday finances work for all consumers

Most consumers **do not feel that they personally need any further support** to access and use everyday financial services currently. The majority feel able to access products and services that meet their needs which translates to generally high satisfaction with provision and means there are few suggestions for improvement.

However, it is a strongly held consumer principle that **no one should be left behind or excluded** from everyday banking and payments services, or required to use a product or service which does not meet their needs. This means that anyone who needs support to access or use mainstream digital methods should receive it, and that alternative options should remain available, free of charge, for those who are unable or unwilling to adopt such methods.

In addition, there is scope for improving certain products and services in order to **better support those who are just about managing to stay in control** (e.g. faster updating of contactless payments, more flexible alternatives to automated payments, new methods to build up credit scores).

As the banking and payments markets develop further, efforts to ensure inclusion are likely to become even more of a priority. And given that technology is expected to evolve rapidly, it is felt that **non-adopters of newer methods should have the opportunity to learn more about them** at an early stage so they can make an informed assessment of whether these meet their needs.

In addition, it is widely expected that navigating everyday financial services will become more challenging even for digitally confident consumers in the future, as they have more providers and types of services available to them. There is a strong belief that **achieving good outcomes should not be predicated on having the capability and interest to engage in an increasingly complex market**. Again, this links back to the view that everyday banking and payment services are an essential utility and the related expectation that everyone should have access to a minimum level of provision that meets their needs.

As mentioned at the outset of this executive summary, there is a strong view that, whatever the future holds, the options need to be retained for consumers to **store their money securely**, use a **universally accepted payment method, speak to a human being if required, and not be charged to access core banking services or their own money.**

There is a broad consensus of what is required to ensure that the future of everyday finances works for all. We have identified **six 'golden rules'** on the basis of consumers' feedback and these go w**ell beyond just support measures** to cover minimum provision, infrastructural requirements, behavioural standards. Consumers want specific reassurance that future developments will not be purely market driven which they believe requires **regulatory oversight**. They are looking to the regulator not just to police the behaviour of individual providers but also to assess risks and social impacts associated with the proposed changes more generally.

The main overarching requirement is not to force consumers along but instead to **ensure their needs are central to shaping the future**. In terms of outcomes, consumers expect that everyone will continue to **have fair access to the essential utility of everyday finances.**

All six of the golden rules are summarised in Figure 1 over the page.

Figure 1 – Consumers' golden rules for the future of everyday finances

1.3 Conclusions and implications

While some of the research findings confirm what has been identified in Which?'s literature review, a **number of new insights** have also been uncovered, including:

- The way consumers regard everyday finances as an essential utility rather than just another commercial service.
- The higher expectations that consumers have of everyday financial provision compared to the industry's definition of basic banking services.
- The differences in consumers' behaviour and preferences, which enabled the development of four indicative typologies.
- The nuances in consumers' needs of everyday finances, including the connections and trade-offs between different needs, and implicit as well as consciously recognised needs.
- The priority placed by consumers on ensuring that the future is firmly grounded in these needs and, in particular, that they are able to retain choice and control.
- Their broader concerns about how the markets may develop, some of which extend beyond traditional financial sector boundaries and purely consumer issues.

- Their uncertainty about who, if anyone, is currently in charge of taking a long-term view of everyday finances that is in the public interest.

In general, consumers are **broadly supportive of innovation** in everyday finances that helps to achieve their desired outcomes, and they recognise that they have benefited from this so far. However, they are clear that they **don't want anyone to be left behind by developments or to suffer detriment as a result**. Importantly, consumers believe that making everyday finances work for everyone, both now and the future, will **require more than just the provision of support** but also involve a number of considerations for industry, policy-makers and regulators to ensure that the markets meet all consumers' needs.

The **breadth of consumers' priorities** for the future of everyday finances is also significant. The fact that these transcend financial sector boundaries reflects the growing convergence between financial services and technology which will increasingly require consumers to engage with secondary markets in order to access everyday financial services. This is something Which?, industry, policy-makers and regulators will need to be mindful of given existing variations in consumers' levels of digital engagement. In addition, when articulating their priorities, consumers are seeing past purely parochial concerns because they see a potential for significant wider societal impacts that go beyond the individual.

Overall, this research provides a strong evidence base for Which? to draw on when making recommendations on how to improve or protect the customer experience of everyday finances. There are also some specific opportunities suggested for further work, particularly with respect to **developing consumer-based principles** and undertaking additional research to confirm findings and explore further some of the themes identified by this foundational research.

2. Introduction

2.1 Background

2.1.1 General policy context

The ways in which consumers bank and make payments have changed significantly over the past two decades. Most notably, there has been a rapid rise in digital payments, widespread adoption of contactless payments and banking apps, alongside a decline in the use of bank branches and cash. More recently, new challenger banks have entered the market offering enhanced services to consumers, predominantly online but also through innovation in branch spaces within urban centres. Looking to the future, it may be that the introduction Open Banking further transforms the way consumers manage, move, and store their money, and the types of products and services available to them by enabling services which are more personalised and responsive, informed by the customer's transactional data.

These developments have the potential to deliver a range of benefits to consumers but they also come with risks. In addition to the obvious barriers for those lacking digital access or skills, the Open Banking-enabled everyday finance markets of the future may be more complex and difficult to navigate, particularly for those with low financial capability. Further reducing friction in payments could facilitate overspending and contribute to problem debt. Additionally, as products and services become increasingly decoupled from distribution, it may be less clear-cut who is responsible and how to get redress if problems occur. Overall, perhaps the biggest risk is if future developments are driven primarily by what is technically possible, rather than firmly grounded in consumers' needs.

2.1.2 Which?'s focus on the everyday banking and payments markets

Which? already has a broad programme of policy and campaigning work in place which is focused on the everyday banking and payment markets and ways in which consumers may be experiencing detriment. This includes the *Freedom to Pay. Our Way*[i] campaign to protect access to cash, work to put new protections in place to reduce bank transfer scams, activity to explore the impacts of bank branch and ATM closures.

Given that the way consumers interact with everyday banking and payments markets is expected to continue evolving rapidly, Which? regards it as essential that it develops a comprehensive understanding of what consumers want and need from these sectors and whether any developments may leave consumers at greater risk of experiencing detriment.

A new policy programme has now been put in place by Which? in order to better understand the development of these markets and how consumers engage with them. Which?'s consumer-focused work commenced with a rapid evidence assessment (REA) and its findings informed the brief for this primary research by enabling hypotheses to be developed and gaps in the evidence to be identified. The report of this REA is available as a separate accompanying document. Which? also has plans to conduct a follow-up survey to quantify specific themes.

2.2 Research aims and objectives

Which? had four overarching aims for this project:

1. To get a deep understanding of consumers' behaviour when they interact with retail banking and payments services.
2. To understand which services different consumers value and what is driving decision-making when consumers engage with the markets.
3. To explore how consumers might respond to changes in the market and identify areas where consumers might become more vulnerable or be at greater risk of detriment.
4. To enable recommendations to be made on how to improve or protect the customer experience.

These aims were supported by six detailed research objectives, which were to explore:

1. What constitutes an 'everyday' banking and payment product or service in the mind of the consumer?
2. What do consumers need from everyday banking and payments products and services and are these needs currently being met?
3. How and why do consumers engage with everyday banking and payments services and are any barriers being experienced?
4. What support do consumers need to get fair and reasonable access to engage with everyday banking and payments products and services?
5. How do consumers expect that anticipated changes in the provision of everyday banking and payment products or services will impact their lives?
6. What provision, advice, guidance or other support should be offered so access to perceived benefits of changes is supported and the impact of disbenefits is limited?

2.3 Commissioning and conducting the research

Which? adopted a unique experiential approach to commissioning this research. This involved the Which? project team taking a hands-on role throughout the research process, including co-designing the research approach, as members of the fieldwork team, and inputting into the analysis. As well as adding significant budgetary value, this approach resulted in better quality insight and a high level of engagement throughout.

In addition, independent scrutiny of the research materials was provided by consumer expert and Collaborate Research associate, Claire Whyley[ii].

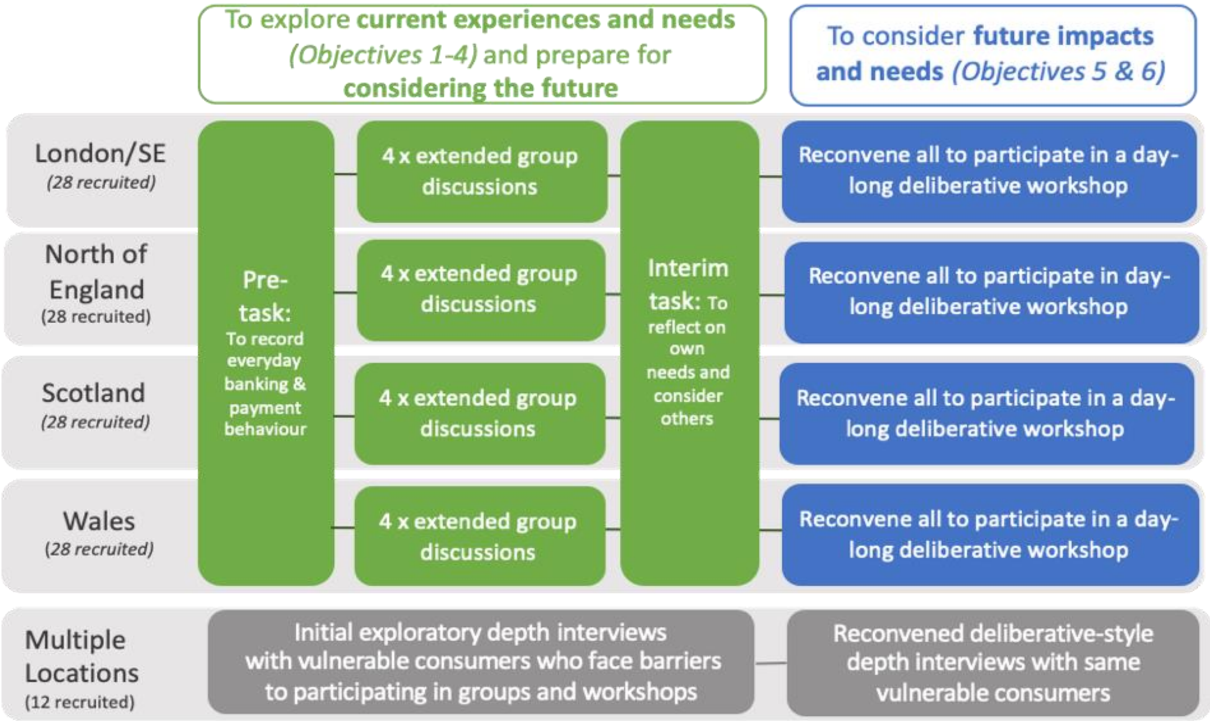
2.4 Research methodology and sample

We devised a research programme with mixed methods and multiple stages in order to address all of the research objectives:

- The project commenced with a qualitative stage, comprised of extended length (2 hour) focus groups to enable a detailed exploration of consumers' current experiences and needs.
- Ahead of attending the groups, each participant was asked to complete an ethnographic-style pre-task (either digitally or offline) which involved recording their everyday banking and payments behaviour over the course of a week.
- Following their attendance at the group, we also asked respondents to complete a homework task to reflect on their own needs and also consider another person known to them who has different needs to their own.
- We then reconvened all group respondents in each location to attend a day-long deliberative workshop, the focus of which was on considering likely future developments in the everyday banking and payment markets and their potential impacts on consumers.
- In addition, we ran a parallel strand of research involving two extended (1.5 hour) face-to-face depth interviews with specific types of vulnerable consumers who would be unlikely otherwise to be able to participate in the research.

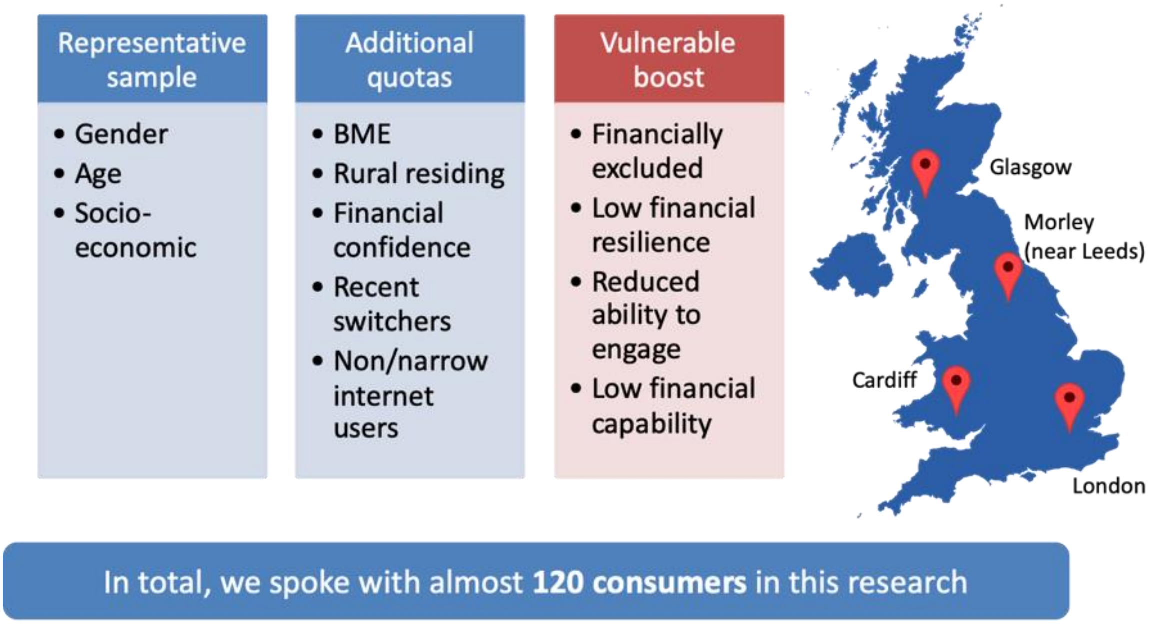
This research programme, which took place between April and June 2019, is summarised over the page with further details and copies of all research materials available in an accompanying technical annex.

Figure 2 – Overview of approach



The sample was designed to represent a broad-cross section of consumers, and several locations across Britain, as summarised in Figure 3. More detail on the sample is also contained in a separate technical annex.

Figure 3 – Sample and location summary



2.5 This report

This report draws together the main evidence collected from this qualitative and deliberative research. It is structured in the following way:

- Part 1 (chapters 3 and 4) focuses on everyday finances currently, including insights on consumers' needs and their market engagement (research objectives 1-3).
- Part 2 (chapter 5) considers the future of everyday finances from a consumer perspective (research objective 5).
- Part 3 (chapter 6) looks at what is needed to ensure everyday finances meet consumers' needs both now and in the future (research objectives 4 and 6).

There is also an Executive Summary (chapter 1) that precedes this Introduction (chapter 2), and a final Conclusions chapter (chapter 7) which sets out implications for Which? and others to consider in response to the findings.

PART 1: Everyday finances currently

3. What consumers need and value from everyday finances

Key points:

- A key insight from this research is that consumers regard everyday banking and payment services to be an essential utility rather than just a standard commercial service. This means they expect that everyone will have fair access to a level of provision that meets their needs and no one will be excluded.
- There is a strong belief that, as a minimum, consumers should have continued access to a secure account to store their money (most commonly a current account), a universally acceptable payment method (currently cash), the ability to speak to a human being if required, and not to be charged to access everyday banking services or their own money.
- However, consumers' expectations of 'core service provision' go well beyond this minimum or the standard industry definition of basic banking services. Whilst they draw on their own current product and channel preferences they also acknowledge that not all consumers are the same. As a result, consumers place a high priority on there being sufficient options available to suit different requirements rather than having a one size fits all approach to everyday finances.
- This high priority placed on having options or choices reflects the considerable variation in consumers' banking and payments behaviour which informed the development of four typologies:
    - The 'mainstream majority' who primarily use digital methods such as mobile banking apps and contactless cards.
    - 'Older, non-digital' consumers who rely on traditional banking channels and are more likely to make cash payments.
    - Those who are 'just about managing' (JAMs) and who may use digital or cash-based budgeting to stay on top of their finances.
    - 'Younger, tech savvy' consumers who are excited about innovation and tend to be early adopters of digital wallets and new banking brands offering enhanced services.
- Importantly, having sufficient choice in everyday finances also supports another key underlying consumer need, which is to stay in control of their finances. This is because consumers have different priorities and preferred approaches when it comes to managing their everyday finances, so greatly value being able to select methods that work for them from a range of options.

3.1 What 'everyday finances' means to consumers

Perhaps not surprisingly, this research found that consumers normally give little thought to how they bank or make payments as they are primarily concerned with outcomes rather than processes. Even with the benefit of reflection (through the pre-task) on what would normally be unconscious behaviour, consumers tend to focus on the interfaces that they regularly interact with, and the transactions they instigate, rather than on all of the methods used to receive, store, manage and use money. Automated aspects, such as direct debits, tend to be set and forgotten, and the underlying infrastructure is sometimes not well understood.

Notwithstanding this lack of detailed attention to their own behaviour, consumers do recognise the vital role played by everyday financial services in enabling them to 'get what they need', 'live their life' or 'just get by' in the language of those who are just about managing.

> *"It's involved in everything you do in day-to-day normal life; it just makes the world go round."* (Younger, higher SEG, London)

A key insight from this research is that consumers regard the everyday banking and payments markets as being different to many other commercial markets as it is understood that everyone needs a minimum level of provision in order to function in society. In effect, **consumers view everyday banking and payment services as essential utilities**, akin to gas, electricity, water, telephony and broadband.

This view fundamentally affects consumers' expectations from these markets. There is a strongly held view that everyone should have access to banking and payment services that meet their needs, and no one should be excluded.

> *"You can't exist now without a bank account, whereas once upon a time you got cash for the work you did."* (Older, higher SEG, Morley)

What constitutes 'core' everyday financial service varies depending on consumers' own behaviour and preferences (as described in the following section). As such there is not one single definition that applies across all consumers or a single suite of banking and payments products and services that are used as standard (see section 3.2).

However, later findings (Chapter 6) show some commonality in expectations of everyday finances as an essential utility, which include having:

- **A secure means of storing money**. This for most, at present, is a current account.
- **A choice of payment methods** in recognition of different consumer needs and to provide back-up options to all consumers.

- **Continued free access to a universal payment option**. Currently this is cash.
- **Continued free access to person-to-person bank services** when required. This, for most, would be for occasionally rather than for routine use.

An important related finding is that consumers' expectations of 'core service provision' appear to go well beyond the standard industry definition of basic banking services, covering not just a core account but the products, services and access channels that allow them to get by in their day to day life. Participants in this research recognise that not all consumers are the same. As a result, they place a high priority on there being sufficient options available to suit different consumers' requirements rather than having a one size fits all approach to everyday finances.

3.2 Consumers' behaviour and preferences for banking and making payments

We found considerable variation across our sample in consumers' everyday banking and payments behaviour, and their product and channel preferences. One significant difference is between the (majority) who use primarily digital banking and payment methods and others who are less or non-digital. There are also some distinct characteristics evident amongst those who are just about managing financially (JAMs), as well as younger and more tech savvy consumers. This led to our development of four indicative typologies as highlighted in Figure 4 over the page.

Importantly, the distinctions between these typologies relate to more than just speed of technological adoption, as highlighted in Rogers' Diffusion of Innovation Theory[iii], and it cannot be assumed from this research that all less or non-digital consumers are laggards who will eventually adopt digital methods in order to adapt to increasingly digital banking and payment markets. More detail on the barriers to adoption of digital technologies is provided throughout the remainder of the report, and particularly in Chapter 4.

Another significant finding is that while the four typologies differ in terms of their behaviour and priorities, there are also some similarities. For example, all consumers in our sample have a personal current account and almost all use cash to some extent in their everyday finances, even if it is as a back-up rather than primary payment method. In addition, there are some underlying needs that all consumers are looking to fulfil through their approach to everyday finances, and these are described in Section 3.4.

Figure 4 – Consumer typologies

Mainstream majority	*Typical behaviour:* • Primarily use 1-2 preferred digital payment methods (these differ from person to person), with other methods used for specific purposes or as back-up • Rely on automated payments of their regular bills • Regularly use digital banking to check balances and transfer money *Priority products/channels:* • Mobile banking app or online banking • Digital and automated payments • Cash as a back-up
Older, non-digital	*Typical behaviour:* • Regularly use cash as they are familiar with cash-based budgeting • May also make card payments but some avoid contactless • May use direct debits or choose to pay bills manually • Use offline banking methods or workarounds (e.g. family members undertaking digital banking on their behalf) *Priority products/channels:* • Branch-based banking • Cash payments
Working age JAMs	*Typical behaviour:* • Most use digital payment methods • But some control spend by limiting contactless and direct debits, and using cash • Credit plays an important role for some but is avoided by others • Very frequent use of digital banking to keep on top of their finances *Priority products/channels:* • Mobile banking app • Both digital and cash payments • Credit helps some in this group to get by month-to-month

Younger, tech savvy	*Typical behaviour:* • Like the mainstream majority, but distinguished by being early adopters of newer payment methods and/or brands and enthusiastic about the benefits provided by these innovations • Also, less likely to use cash than other groups *Priority products/channels:* • Banking apps, including those with enhanced services such as budgeting tools • Digital and automated payments, including digital wallets

3.2.1 Some insights on the use of credit in everyday finances

In addition to defining what constitutes an 'core' everyday financial services for consumers, Which? was interested in exploring the degree to which credit is regarded by consumers as being part of their everyday finances.

As might be expected, credit was found to play an important role for some consumers, but less so for others, in their approach to everyday finances. The main sources of credit used by those involved in this research were credit and store cards, arranged overdrafts and informal loans from family or friends. In addition, there were some reports of using newer forms of point of sale credit, such as offered by Amazon or services such as Klarna.

The reasons for using credit differ:

- Some consumers are opting to pay via credit card primarily for the additional payment protection offered and some amongst these repay the full balance monthly.
- Others use credit to finance big or unexpected purchases, or report that their use is to build their credit ratings.
- There also some who are financially constrained or struggling (the JAMs typology in Section 3.2) and who rely on credit to help them get by from month to month. These consumers tend to be regularly in overdraft and to use short-term credit sources, as well as borrow from family and friends. A couple also mentioned using high cost credit such as payday loans, either currently or previously due to not having access to more prime sources of credit. However, others in this cohort report that they avoid using credit so as not to risk falling into problem debt.

Consumers who are most reliant on credit tend to be aware of their current credit rating. Some of those with low credit scores or thin files are looking for ways of building up their scores or demonstrating their creditworthiness. This includes a couple who specifically suggested that providers should look more at their current transactional record and less at their history. This suggests that there may be interest in new Open Banking services that focus on this area, however awareness of such services is currently very low.

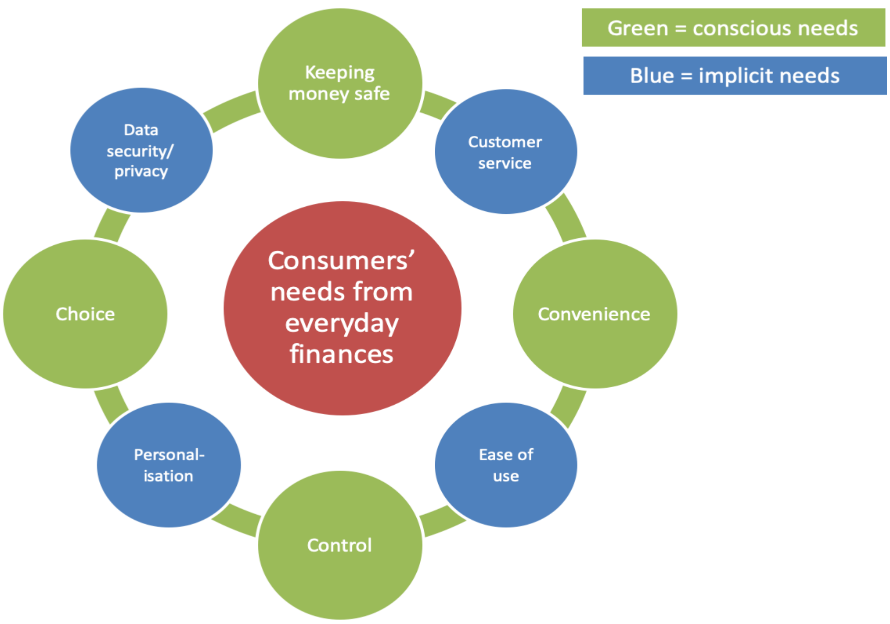
3.3 Core consumer needs from everyday finances

Despite the variations in individual behaviour identified, there are a number of core consumer needs from everyday financial services. Consumers can easily identify some of these, while others are more implicit and were revealed through further discussion about consumers' behaviour and what they value in the products and services they use.

These needs are summarised in Figure 5 below, and more detail on each follows in Sections 3.4.1 and 3.4.2. While some of the needs identified in detailed content that follows are consistent with what has been found in previous research, there are also some new insights. This includes more nuance around how these needs are interpreted by consumers, and the connections and trade-offs between different needs. In addition, the importance of choice as a consumer need has not been identified in the existing literature but is strongly indicated in this research. This means having options of undertaking banking and payment activities to suit individual needs and preferences.

While these needs are common to all consumers, there are also some variations in how they apply to different types of consumers, and this is discussed further in Section 3.4.3.

Figure 5 – Core consumer needs



3.3.1 Conscious needs

As summarised above, there are four core needs that consumers are themselves conscious of having from everyday finances: security, convenience, control and choice.

Keeping money safe

Initially, security is discussed by consumers mainly in terms of ensuring that their money (rather than data) is safe, such as from account fraud and hacking.

Consumers judge security largely using heuristics, particularly brand familiarity and trust. Consumers expect and trust their current banking and payment providers to protect them from security risks, meaning that security operates largely as a hygiene factor in terms of their routine financial behaviour.

"Right now if you're defrauded the liability's on the bank to make good on that. That's why banks are banging the drum about making the system more secure, because it's coming out of their pockets." (Older, higher SEG, London)

In addition, digital security features (e.g. PINs, log-in stages) provide users of these channels with reassurance about their security, while some believe that emergent technologies (e.g. biometric identification methods and digital wallets compared to contactless cards) have improved security further.

"For me (using Apple Pay) is more secure than contactless using my card. If somebody lifts my card it's got an icon that shows it's got contactless so somebody could be like 'oh, I could use that a few times'. Whereas they can't do that with my Apple Pay." (Younger, higher SEG, Glasgow)

However, security concerns can be a barrier to the uptake of new brands or technologies as the default position of those unfamiliar with innovations is often to question their security.

"It's safety more than anything else, because we're an older generation. They trust the technology more than we trust it. Too many scammers targeting us and catching us out so we're a bit more protective over everything." (Older, lower SEG, Morley)

Convenience

Consumers recognise that their expectations regarding speed and convenience have increased given market developments and what is now possible, particularly with mobile app banking and contactless payments.

"It's more convenient than it used to be years ago. You can do so many things on a mobile app, whereas before you would have to take a journey into a branch, queue and wait for somebody." (Older, higher SEG, Cardiff)

"You spend a lot less time doing banking and personal finance things that our parents did… Everything we're doing now is saving us time. Debit payments save us time, contactless payments mean we get through the ticket barriers faster and the queues in bars are less." (Younger, higher SEG, London)

However, interpretations of convenience vary from consumer to consumer, and can also relate to how familiar and confident they are with using different banking and methods. While digital banking and payment users found these methods to be quick and easy to use, supporting their need for convenience, those who are less digitally capable felt that they would struggle to engage with an unfamiliar digital method and convenience to them was the ability to maintain long-established routines.

"The system I have now works pretty well but newer systems like mobile banking keep on being introduced and, sort of, make it confusing in a way." (Older, higher SEG, Cardiff)

In addition, there is a trade-off between convenience and control for some consumers. This particularly relates to frictionless and automated payment methods which can be seen as increasing the risk of over-spend and falling into arrears.

"I prefer the old school way of just ringing them up and paying by debit card over the phone. Because a couple of direct debits were messing me up." (Younger, lower SEG, Cardiff)

Control

In practical terms, control means consumers being able to stay on top of their finances by monitoring incomings and outgoings to their account and budgeting to ensure they don't over-spend. At a more fundamental level, it is about consumers retaining agency over their finances and the associated choices they make. It is a key need across the board but particularly important to those who are just about managing or struggling financially, including some vulnerable consumers (especially those with low financial resilience).

Technology, such as banking apps and newer money management tools, can support control for a number of consumers (especially *Younger, tech savvy* consumers and the *Digital majority*, but also some *Working age JAMs*) by helping them to monitor their incomings and outgoings, and budget better.

> *"Until I had the mobile app I used to draw my money out every week so that I knew what I had to spend for the week. Now I've got the app it's easier because you just look on the thing."* (Younger, lower SEG, Cardiff)

Others (especially *Older, non-digitals* but also some *Working age JAMs* and the financially excluded) prefer more traditional methods such as using cash to limit spend, preparing budgets and creating their own savings pots for different purposes. These differences demonstrate that control is very closely linked to having the choice of using whichever method suits the individual consumer best.

> *"When I'm using cash, and I withdraw so much out the bank, I feel more in control and I can stick to my budget better."* (Older, higher SEG, Glasgow)

As mentioned, there is also a trade-off between control and convenience for certain consumers, particularly with respect to making payments. Some people are willing to forfeit some level of convenience (such as contactless or automated payments) if it means they are more likely to retain control over their spending and keep within their means. There were also examples of consumers who added their own additional forms of friction such as asking relatives to hold some of their money on their behalf to prevent themselves from accessing it.

Choice

While the importance of choice to consumers in everyday finances tends not to be highlighted in the existing literature, this emerged as a key underlying need in this research.

"I'm going back to cash. I shouldn't have gone contactless, it's the worst thing I've done. In the pub it's just beep, beep, beep and then you check your bank the next day and it's scary." (Younger, lower SEG, Glasgow)

While most consumers have one or two preferred banking or payment methods, they also normally use other methods on occasion either for specific purposes (e.g. credit cards for large purchases) or as back-up if it is not possible to use their preferred method (e.g. cash if their contactless card doesn't work or they are at a cash only outlet, or a different banking method if there is an issue with the app).

"A lot of my transactions are done via debit card but I hate going out without cash, I've got to have it on me. You never know with technology - if it breaks down what are you going to do?" (Younger, higher SEG, Morley)

At a broader level, consumers recognise that what works for one person won't necessarily be best for another – and this applies both to themselves and others. Given this, they believe that it is important for there to be sufficient options available so that no one is pressured to use banking or payment methods that don't suit them.

"They need to have different options for different people as not everyone's going to have the same needs." (Younger, higher SEG, London)

3.3.2 Additional Implicit needs

Customer service

The importance of customer service within everyday finances was initially downplayed by digital banking users due to their high reliance on 'self-service'. Good product design and functionality means that most consumers find the digital banking interfaces easy to use and that they have far less routine requirement than previously for any intermediated service. Some also felt that their transition to self-service may have been nudged by less access to branches or a past poor experience of face-to-face service delivery.

> *"If you've had problems, in terms of being hacked or having money taken, if you call up and you've got a good service, that's better than anything. If something goes wrong digitally you want to talk to a real person."* (Younger, lower SEG, London)

That said, person-to-person service is felt to be critical when something goes wrong with an account (for instance in the case of account fraud), or for complex transactions, consumers greatly value getting a prompt response from a real person in such eventualities. Not everyone expects face-to-face or telephone delivery of such service, with some reporting good experiences from online chat rather than more traditional channels.

On the other hand, consumers who do not bank digitally tend to use person-to-person service regularly rather than exceptionally, and for them the continuation of such service is a priority.

> *"As they shut branches they've got to make sure that they've got a good customer service. They've got to make sure there's a Plan B. Sometimes you just need to talk to someone, there's no substitute for it."* (Older, lower SEG, Glasgow)

Ease of use

As mentioned, good product design means that digital banking methods are intuitive and easy to use for most consumers. In addition, it is recognised that frictionless payment methods, such as the opportunity to store card details online or in-app, and pay contactless rather than by chip and pin, are specifically designed to make paying quick and easy to do.

However, as mentioned previously, older and less digitally literate consumers prioritise familiarity and can feel that new technology will add complexity and be challenging for them to learn to use. They may, for example, worry about how secure unfamiliar methods will be for them to use or the risk of making mistakes, and the consequences that may have.

> *"I detect all this enthusiasm for these different methods which I don't have because, to me, simplicity is key. Familiarity and using the minimum, two or three methods, is fine by me."* (Older, higher SEG, London)

"I just feel that, maybe, now being retired and getting older, I would worry about myself remembering everything. I mean, I don't wish to have dementia but one of my friends does and she's younger than me. You know, I often think 'God, how would I cope if I had that banking app' and as I grow older that worries me a bit." (Older, higher SEG, Glasgow)

Other potentially evolving needs

While **personalisation** was not raised by respondents as a current need per se, it was apparent from the discussions that the range of banking and payment options currently available means that consumers can 'pick and mix' to create personal systems that suit them. In the future, if certain existing options are rolled back and others (such as specifically personalised services as discussed in Section 5.3.6) grow, the way this need is articulated and met may change.

In addition, consumers are less conscious currently of their need for **data security and privacy** in the context of everyday finances compared to the need for their money to be kept safe, as reported earlier in this section. However, this becomes more salient to them when considering future possibilities, particularly around increased data sharing and monetising of consumers' data under Open Banking (also covered in Section 5.3). It is likely, even then, that the often reported privacy paradox[iv] will apply, where consumers' concerns and intentions to protect their data do not carry through to how they actually behave in the digital marketplace.

3.3.3 How core needs apply to different typologies

While the needs outlined above apply across the board, their weighting and the way they are interpreted can differ by consumer type. The other three typologies differ to the *Mainstream majority* (indicatively the largest group) in the following ways:

Figure 6 – Variations in needs by consumer type

Older, non-digital consumers

This group has a comparatively greater need for ease of use which is reflected in their preference for familiar products and services. They have a different interpretation of convenience to the *Mainstream majority* which centres on maintaining long-standing habits. They also have different methods of staying in control to the mainstream majority, such as cash-based and manual budgeting.

This focus on the familiar also affects their attitude to innovative products and services. They tend to be more concerned than other groups about the security of such innovations, and their ability to use them, which is linked to a lower level of digital capability and confidence.

Finally, due to their lack of use of digital banking methods, this group has a regular rather than exceptional need for person-to-person customer service to intermediate routine banking transactions such as instigating BACs payments or setting up direct debits etc.

"I don't have online banking. I don't have an app…I just don't trust it. It's not for me." (Older, higher SEG, Glasgow)

Working age JAMs

This group has a particularly strong need to stay in control due to their financial constraints and they may decide to forfeit some level of convenience to achieve this. For example, they may opt to pay bills manually rather than by direct debit, or to limit their use of contactless payment and use cash instead for their discretionary spend.

"I think I'm more on top of my banking (with the mobile app). I can go on every day and check, I know exactly what I'm paying for without having to wait for a statement coming in every three months, or whatever." (Older, lower SEG, Glasgow)

Younger, tech savvy consumers

This group places the highest priority of all the segments on convenience and they expect products to be as quick and efficient as possible to use, including on the go.

Some in this group may also have problems maintaining control but they are not always conscious of, or focused on, this.

"It's old school to get your purse out. It's annoying when shops don't take Apple Pay." (Younger, higher SEG, London)

4. Consumers' current engagement in, and satisfaction with, the banking and payments markets

Key points:

- Market engagement across our sample was found to be generally low. This includes the level of switching (or consideration of switching) of main personal current account (PCA) providers, and also the extent of adoption (or consideration of adoption) of newer payment methods, enhanced banking services enabled by Open Banking, or the challenger brands providing these.
- Not having a sufficiently strong 'pull factor' (i.e. not perceiving a compelling benefit associated with a new banking or payment method) is a key barrier to change. In addition, low understanding of newer banking or payment methods contributed to some non-adopters lacking confidence in them. For example, there was negligible consumer awareness of Open Banking-enabled services but, of those who were aware, some were dissuaded from trying such services due to unfamiliarity with the providers coupled with concerns about the security of financial data sharing (being asked to share financial data in this way goes against the grain of behaviour and what we have been taught about keeping financial data private).
- Overall, one of the reasons for low market engagement is that consumers are largely satisfied with current provision and feel that their needs are well served. They recognise that market innovation has led to an improvement in the fulfilment of a number of their needs, by making everyday financial transactions more convenient and providing new tools to help them stay in control.
- Also underlying this satisfaction is the significant level of choice now available to consumers, given the diversification of banking and payment methods over the past 20 or so years. However, there is a sense that consumers are now starting to be 'nudged' in certain ways that do not necessarily reflect their preferences, such as towards digital only methods and away from using bank branches and cash.
- And while the everyday banking and payments markets work for most people, there are some consumers who already require workarounds to access everyday financial services, and some who report experiencing detriment (e.g. due to lack of digital access or because less friction in the payments system has impacted their ability to stay in control). This was especially evident for vulnerable consumers. It is generally expected that the pace of digitisation will increase in future potentially causing greater risk of exclusion and other forms of harm.

4.1 Consumers' market engagement

We considered market engagement in several ways in this research. In addition to exploring consumers' reasons for switching or not switching their main personal current account (PCA) provider, we looked at barriers and facilitators to the take-up of newer and less mainstream payment methods (such as digital wallets), the investigation and the adoption of newer providers and banking services (e.g. challenger brands offering app-based banking). Our sample included a minimum quota of recent PCA switchers to enable discussion of this particular aspect, however it was brand neutral and we allowed different banking and payment methods used to fall out naturally (as mentioned, a full sample breakdown is contained in a technical annex accompanying this report).

The level of market engagement across our sample was found to be generally low. Not only had consumers not switched but most had not investigated alternative providers or even considered the possibility of switching. A number reported having been with their current provider for many years or never having changed. There was also low awareness of innovations and newer challenger banking providers amongst much of our sample.

We identified some pervasive barriers to engagement which are outlined in Section 4.1.2. However, a minority of consumers are engaging and we were also able to identify drivers and facilitators of this engagement, which are described in Section 4.1.3.

We used the COM-B behavioural change model[v] as a framework to help understand the factors that are influencing market engagement or lack of engagement. This is a tool which is now used extensively by policy makers when developing behavioural change interventions. The key dimensions of the model used to understand behaviour are 'capability' (physical and psychological), 'opportunity' (physical and social) and 'motivation' (reflective and automatic).

4.1.1 Barriers to engagement

The types of barriers vary across the different types of market engagement, as summarised in Figure 7 below. Overall, not perceiving a compelling reason to change, either in terms of 'pull' (benefits of changing) or 'push' (issues with current provision) factors, is a prevalent barrier across the board.

As found in previous research in this area[vi], non-switchers of PCAs do not regard providers - which all currently offer free standard banking services to customers who in credit - as offering sufficient differentiation to justify going through a process that they expect to involve hassle and risks (e.g. of automatic payments not transferring across seamlessly). It is this, rather than loyalty to the incumbent provider, that contributes to a high level of inertia in the PCA market. However, a new insight from the current research is that the increasingly transactional relationship most consumers have with their bank, with its emphasis on self-serving rather than intermediated service, is also acting as a barrier to change. This is because consumers place a high priority on being familiar with their current banking platform and its functionality, so they are staying for ease rather than loyalty.

Non-adopters of newer payment methods typically comment that they are happy with their current methods so see no need to alter these. Those who have not taken up new banking services are similarly unconvinced of the benefits provided compared to what they currently use. However, a lack of awareness or understanding is also a barrier to considering newer banking or payment methods. This can contribute to a lack of confidence in their ability to use them and can also lead to doubts about their security.

Figure 7 – Summary of engagement barriers

	Capability	Opportunity	Motivation
Switching main PCA	N/A	Uncertain whether will qualify for same account benefits (e.g. overdraft with new provider)	No difference perceived between providers Hassle expected Risks perceived
Newer payment methods	Not confident setting up or using Worried about security risks	Lack of awareness or understanding Lack of smartphone access	Happy with current methods Sceptical about new technology
Newer providers and banking services	Not confident setting up or using Worries about making mistakes	Lack of awareness or understanding Lack of smartphone access	Unconvinced of benefits Don't trust new brands

"At one point I did actually look around other banks to consider switching and there's not really any difference between all of them. They all pretty much do the same job; they just hold your money and when you want it you take it." (Younger, lower SEG, London)

"If you don't understand something, which I don't, then you're a bit wary of using it until you are pretty convinced of it." (Older, higher SEG, Cardiff)

> *"See, I did download (Moneybox) and everything, but I just wasn't comfortable putting my details in that one. I wasn't sure if it's reputable, to put my bank details and everything into that."* (Older, higher SEG, London)

In addition, there was negligible adoption amongst our sample of Open Banking-enabled services that require financial data sharing. This is mainly due to lack of awareness of either the concept in general or specific services on offer. However, a small number of consumers report having explored the options but not ultimately taking them up due to specific concerns about their data security and privacy. This suggests that being asked to provide express permission for their financial data to be shared between suppliers in this way goes against the grain of consumer behaviour – and received wisdom about keeping financial details private – which can act as a strong barrier to adoption, particularly in the case of unfamiliar brands.

> *"I kind of get what (Apple Pay) is and what it does but I haven't been inconvenienced by not having it. You need a big stimulus to change. I haven't been driven towards it."* (Older, higher SEG, Glasgow)

> *"I signed up for N26, that was fine, it was like any cash card. But then that one where you put in different card details, I started doing this and I was like 'I just don't like the thought of it.'"* (Younger, higher SEG, London)

4.1.2 Drivers and facilitators of engagement

The minority who did engage in the market were motivated to do so in different ways, as summarised in Figure 8 below. Of the small number of those who switched their main PCA provider there were some reports that the decision was triggered by a poor experience with their previous provider. On the other hand, taking up newer payment or banking methods was mainly driven by 'pull' factors, such as perceiving this method to offer additional benefits (e.g. greater convenience, supporting control).

Those who adopted a new provider or banking service typically did so as an add-on, rather than switching all their banking across. This suggests that adopters are still trialling these challenger brands and the services they provide. It is possible that a successful experience will lead to them dropping traditional providers in the longer-term. Monzo was the most frequently used challenger brand by our respondents, but there was also experience across our sample of Revolut, N26, Starling, Moneybox and Cleo.

In addition, social norming appears to be influencing uptake of newer payment and banking methods. Consumers mentioned seeing others using these methods and more vendors advertising that they are accepting them. Some also received recommendations from their peers or children. In addition, there were a number of examples in our research of non-adopters becoming interested in newer methods once these had been explained by an adopter.

Figure 8 – Summary of drivers and facilitators of engagement

	Capability	Opportunity	Motivation
Switching main PCA	N/A	N/A	Poor experience with previous provider
Newer payment methods	Confident with smart phones/apps Helped to set up or use e.g. by family	Have seen more people using and more vendors advertising acceptance	Perceived as being more convenient Interest in new technology
Newer providers and banking services	Confident with smart phones/apps Helped to set up or use e.g. by family	Used by others in peer group Recommended by family or friend	Perceived as supporting control Curious to try a new brand/tool

> *"I changed from TSB to NatWest because I got frauded on my account and they won't really do anything about it."* (Younger, lower SEG, Morley)

> *"All my friends have got it (Monzo). There are loads of things you can do, like it'll tell you what you're spending on shopping and fuel."* (Younger, lower SEG, Cardiff)

4.2 Overall satisfaction with everyday finances

Overall, most consumers are satisfied with everyday financial provision currently as they believe that their needs are well served. However, there are also some suboptimal aspects and areas for improvement identified.

4.2.1 What is working well for consumers

One of the key reasons for most consumers being satisfied with everyday financial services is that they feel there are sufficient choices available to them. This level of choice has been facilitated by the diversification of banking and payment methods that has taken place over the past 20 or so years which enables consumers to select methods that work for them from a range of options, and not have to pay to access these.

"I don't feel we're being pressured because now we've got a choice." (Older, higher SEG, Cardiff)

In addition, as mentioned in the previous chapter, a number of consumers believe that technological developments have led to improvements in the fulfilment of several key need areas, including by:

- Offering quicker and more convenient ways to pay.
- Enabling consumers to have greater control over their finances by reducing the time and effort required to manage their money, and by providing new tools.
- Some also feel that security has improved due to technological developments.

"It's got better because you've got (your account) on your mobile, you've got these apps, so it's easier to access and easier to look at." (Younger, higher SEG, Glasgow)

"I also think it's about speed. I just think it's got so much quicker now. You just tap the thing." (Younger, lower SEG, London)

This high degree of need fulfilment is likely to be a factor in the low level of market engagement currently. It also means that there is not a strong demand for further innovation to meet gaps in provision. That said, consumers acknowledge that they may have as yet unrealised needs and also that their expectations may increase further driven by future product and service possibilities.

4.2.2 Where scope for improvement is perceived

On the other hand, the way the market has developed is also perceived to have some downsides:

- Frictionless payment methods can make it easier for some consumers to overspend and more challenging to budget.
- Some consumers perceive that they are being increasingly nudged towards using certain methods and away from using others (e.g. vendors preferring cards to cash, bank branches closing, fewer ATMs).

"I do feel we're all being a tiny bit forced away from cash still, even though it's not as bad as it could be." (Older, lower SEG, Cardiff)

There is also general concern from consumers that some people may be missing out on the benefits of newer methods currently, due to a lack of digital access or capability, at a time when traditional methods are being rolled back.

It is reportedly already becoming difficult for some older, less digitally capable consumers to maintain their routines and channel preferences without suffering detriment, in terms of:

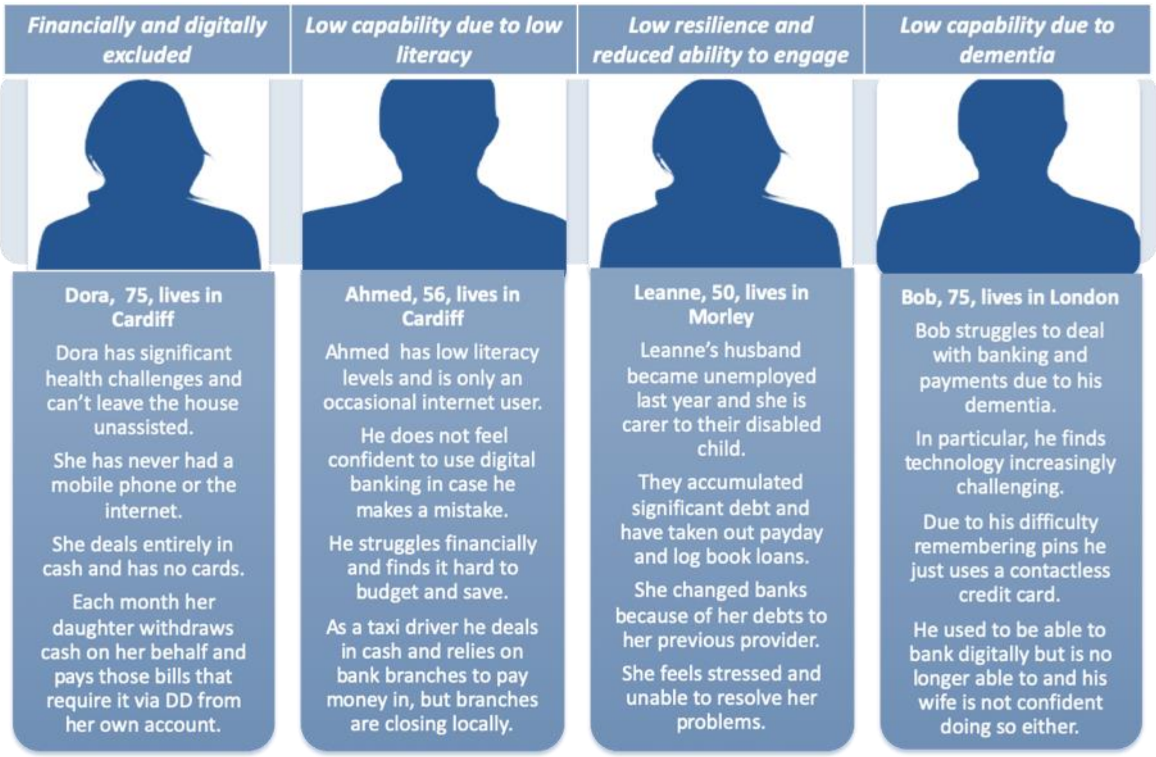
- Finding it more difficult to undertake banking activity and payment transactions (e.g. more transactions requiring digital payments, fewer branches locally due to closures).
- Paying higher prices due to not banking and paying digitally (e.g. not being able to compare insurance prices online, manual payments of bills costing more).

"The technology, I can't use it. I put my money into my son's account and when I want to pay by mobile banking he does it for me. So, I say to him: 'you've got to transfer this money into this account'. And he checks for me as well. He does it all." (Older, lower SEG, Cardiff)

We received several reports across the sample (and not just from consumers defined as being vulnerable) of workarounds to ensure sufficient access to digital services, typically involving family support.

In addition, our interviews with consumers who are in particularly vulnerable circumstances demonstrate how the everyday banking and payments markets are not working for everyone currently. Some case examples highlighting the challenges and detriment currently experienced by vulnerable consumers are provided over the page.

Figure 9 – Case studies of vulnerable consumers' challenges with everyday finances



"I rely on my family a lot, I must admit. Without them I'd be lost." (Financially excluded, Cardiff)

"They're trying to do away with bank branches. I think that will be a bad thing for me. I'm dyslexic and if you get one number wrong (with mobile banking) the money might go the wrong way and then you're responsible." (Low financial capability, Cardiff)

"I keep having direct debits get refused because of problems with my benefits payments. And I hate calling people to sort these things out." (Low financial resilience and reduced capacity to engage, Morley)

PART 2: The future of everyday finances

5. Consumers' views on potential changes to the banking and payments markets

Key points:

- Consumers expect that everyday finances of the future will involve even heavier use of digital banking and digital payment mechanisms along with more automation and self-service in banking, with an accompanying further reduction in the use of cash and bank branches. That said, there is negligible spontaneous awareness (prior to explanation) of other potential developments, such as new options for data-driven personalisation and the potential for business models and what constitutes a free banking service to change.
- Notwithstanding this lack of comprehensive understanding of what changes may lie ahead, consumers have different attitudes about what the future might mean to them. Some are excited to see what will take place, others are accepting and confident that they will adapt, while a third group is apprehensive about whether they will be able to keep up.
- However, once a range of potential developments had been considered, the feeling amongst participants is that these changes are being led by industry and primarily designed to save costs or provide new sources of revenue.
- Consumers are not convinced that their own needs will be significantly better served than they are at present by the developments that were discussed. In fact, they can see a risk of having reduced choice and less control if existing banking and payment options are rolled back. In addition, responses suggest that there would be widespread opposition to the prospect of paying for core services given the utility status of everyday financial services.
- In addition, a number of possibilities are foreseen for wider disbenefits, and additional forms of detriment and vulnerability to be created, including that:
    - Some people (such as older consumers, those living in rural areas, those in financially constrained circumstances or who are less capable of engaging in the market, and small businesses which rely on cash payments) may be left behind.
    - Risks of digital system failure and cybercrime may increase.
    - Power imbalances between consumers and businesses may be widened due to data-driven information asymmetries.
    - There may be negative social impacts associated with the further decline of person-to-person service delivery.
- At present, consumers are not confident that they will be able to influence the direction of travel or that anyone is taking a long-term view that has consumers' interests at heart.

5.1 Approach taken

A deliberative approach was taken in stage 2 of this research so that consumers could meaningfully engage with the future of everyday banking. Deliberative research focuses upon participants' viewpoints after they have been presented with the opportunity to 'deliberate' the issue(s) in question as opposed to traditional qualitative methods that seek to understand current viewpoints[vii].

During the course of a full day workshop, and following an initial unprompted discussion of consumers' expectations for the future, participants were shown a variety of stimulus that reflected expected trends in everyday banking identified by the industry experts that Which? had interviewed as part of this project.

Three scenarios were developed by Which? that describe aspects of what the everyday banking and payments markets may be like for consumers in 2030. A number of concepts were covered in each scenario and they were designed to build on each other and reinforce themes. A summary of each scenario is provided in Figure 10 below:

Figure 10 – Summary of possible future scenarios presented to consumers

1. Further changes to payments and banking	• This scenario explored the potential for a further decline in the use of cash and bank branch services, alongside the development of new payment and banking methods (e.g. till-free supermarkets where payment is solely through apps, branch alternatives such mini banking hubs or post-offices, and more use of automation such as smart ATMs and AI).
2. New types of providers and banking services	• This scenario looked at the potential further diversification of the market, with the entry of more challenger banks and fintech companies offering a range of new services. • As part of this scenario, we explored consumers' views on unbundling (getting individual products and services rather than a package of products and services) and disintermediation (reducing the number of intermediaries between a provider of products and services and the consumer) in the banking and payments sectors. Examples shown to participants included being able to have an overdraft and current account with different providers and having a single app to access and keep track of all of financial products in one place by providing permission for their data to be shared to an aggregator. • We also considered the possibility for this to lead to a change to banks' business models - such as what they consider to be core, free of charge,

	personal current account services -meaning that consumers may need to engage more in the market in order to access the best deals and avoid paying charges.
3. More data-driven personalisation	• This scenario focused on the potential for further analysis and sharing of consumers' transactional data to enable greater personalisation of services and marketing. • A number of specific possibilities were explored, including: ○ Banks using their customers' data to provide targeted marketing of retail offers. ○ Banks using their customers' data to provide automated personal banking support to those who they identify as requiring this due to financial difficulty. ○ Banks sharing customers' data with retailers enabling them to automatically collect loyalty benefits. ○ Banks sharing customers' spending data with comparison providers enabling them to access personalised deals such as on energy suppliers, and potentially automatically switch their service in some instances. ○ Banks sharing customers' spending data with creditors to feed into credit assessments. • The financial implications of these changes to banks and consumers were also specifically discussed. These included the potential for banks to change their business models and way they fund free banking services by providing marketing on behalf of other brands or to derive value from analysis of customer data.
Note: We informed participants that a number of new possibilities outlined in Scenarios 2 and 3 are enabled through an initiative called Open Banking which allows banks to securely share data relating to their customers' payments and bank accounts with other regulated providers. We explained that these data are shared securely and only with the consumer's consent.	

The full stimulus used in the workshops is contained in a separate methodological annex. All materials were independently checked for accessibility and balance by consumer expert and Collaborate Research Associate, Claire Whyley.

5.2 Spontaneous expectations and views of the future

There was a widespread expectation among participants, even prior to seeing any stimulus (both in the groups and beginning of the workshops), that everyday finances in the future will involve even heavier use of digital payments along with more automation and self-service in banking.

That said, there was negligible spontaneous awareness of other potential developments, such as those described in Scenarios 2 and 3. Even with respect to Scenario 1, very few were aware of use of chatbots already by some UK banks[viii] or the trial (by Sainsbury's) of app-based payment methods to replace both cash and cards in a retail context[ix].

Notwithstanding consumers' lack of comprehensive understanding initially of what changes may lie ahead, there were different attitudes expressed about what the future might mean to them:

- ***Excited* –** this group feels that we are moving in the right direction in terms of things getting faster and more convenient, and they are looking forward to what comes next. *Younger, tech savvy* consumers are most likely to feel this way.
- ***Accepting* –** this group feels that change is inevitable and that the onus is on consumers to get on board with whatever happens next so that they are not left behind. The *Mainstream majority* and some *Working age JAMs* are likely to feel this way.
- ***Apprehensive* –** this group feels that it's all going too fast. They are worried about losing their preferred methods and how they will adapt to the changes. *Older, non-digital* consumers and some *Working age JAMs* are likely to feel this way, as are vulnerable consumers.

However, there were some spontaneously expressed views about the future of everyday finance that were common to consumers across the board. These tended to relate to the broader rather than personal impacts of the changes:

- They don't want changes to result in less choice for consumers and, for this reason, very few would be happy to see cash eliminated entirely.

"It's just when they bring in the new ways they shouldn't kill off the old ways at the same time."
(Younger, lower SEG, London)

- There is some suspicion about the motivation for some changes, such as branch closures, and whether these are being driven by commercial reasons rather than in consumers' interests.

> *"It's steered towards profits, isn't it? Because the less bank branches they've got, the less their overheads are so, eventually, if it came to a point where they didn't have any branches at all, they'd just have to pay admin staff."* (Older, higher SEG, Cardiff)

- There are some concerns about the potential for greater automation and closure of branches to lead to job losses and fewer person-to-person interactions also to result in negative social impacts.

> *"If everything keeps going on the internet there are going to be no jobs around for a lot of people. So, we've got to be a bit wary of the broader picture as well."* (Younger, higher SEG, Cardiff)

- Even those who are digitally confident themselves identify a greater risk of exclusion for older and less digitally capable consumers.

> *"I just think that if you take away the banks and you take away the cash, then the older generation is left behind a little bit."* (Younger, higher SEG, Glasgow)

5.3 Reactions to the themes described in the stimulus

5.3.1 Further decline in use of cash and increase in digital payments

Consumers are already expecting further changes to the methods available for payment (away from cash and more towards digital) so the future possibilities outlined were regarded to be a feasible prospect. In particular, there is a tendency for some consumers to regard a largely cashless future as an inevitability once they reflect on their own payment habits, and how little cash they currently use in day-to-day transactions.

However, a number of people are not convinced that the consumer experience will be any better than it is now with the further decline in use of cash, and there are also perceived to be risks of disbenefits by moving further towards cashlessness.

Which? is aware, from its *Freedom to Pay* campaign and associated research, how important having continued access to cash is to most consumers. In our research, participants identified a number of reasons for valuing the option of using cash:

- It is valued as a back-stop in case of issues with other payment methods.
- It plays an important role in the budgeting approach of some consumers.
- It is regarded to be a universal form of payment that everyone can use.
- The anonymity of cash payments is identified by some as a plus point.
- Some also felt cash to be important to developing children's financial literacy.
- In addition, cash is perceived to sustain many small businesses and the gig economy.

> *"When I'm using my cash and I withdraw so much out of the bank, I feel like I'm more in control, and I stick to my budget better."* (Older, higher SEG, Glasgow)

> *"In any society there's got to be that cash in hand as otherwise stuff just doesn't get done."* (Younger, higher SEG, Cardiff)

Overall, consumers perceive many disadvantages and little benefit to moving further towards a cashless society. The potential negative impacts foreseen include:

- Increased costs to access cash – there is a strong resistance amongst consumers to only having access to paid-for ATMs even if their cash use is low.
- Being more difficult to budget, and easier to over-spend, for some consumers.
- Greater vulnerability to a technical system failure impacting digital payments.
- Increased risk of financial exclusion for those without access to, or capability to use, emerging digital methods such as app-based payments.
- Greater government scrutiny over the transactions of consumers and small businesses.
- Increased security risks to consumers because small vendors are less trusted to take digital payments securely.

> *"I hate the ATMs that charge you to take money out. I think that's terrible. Scandalous."* (Younger, higher SEG, Glasgow)

> *"It's almost that they're making it easier for you to spend. The easier it is for you to just touch a screen or a watch or a phone, the more you're going to spend."* (Younger, lower SEG, Glasgow)

5.3.2 Decline in person-to-person banking and more use of self-service and automation

As relatively few use bank branches regularly, the majority do not object strongly on a personal level to the prospect of further branch closures as long as they will be able to continue to bank in ways that suit them. Many noted that they had not personally used a bank branch recently, or had only visited a branch for reasons other than their 'everyday' banking needs (e.g. to arrange a mortgage).

However, older and less digitally capable consumers are fearful of the potential further loss of access channels that they use regularly and are comfortable with, as they do not feel confident that they will be able to adopt new methods easily, and risk making mistakes that could have serious consequences for them.

In addition, as mentioned in Section 5.2, even those consumers who do use primarily digital banking methods express some wider concerns about potential exclusion for those reliant on person-to-person banking, as well as the possibilities for other wider negative consequences from this development such as the potential for greater automation and the loss of traditional branches to lead to job losses and for fewer person-to-person interactions to have negative social impacts.

One of the reasons for the primarily negative reactions to this proposition is that the alternatives to branches presented to consumers are not considered reasonable alternatives in their current form:

Figure 11 – Reactions to alternatives to traditional bank branches

Different locations for banking services (increased post office services and banking hubs)	• Banking mini-hubs (where multiple brands provide services from one site) are preferred to greater use of post offices because consumers perceive that a number of post offices are also closing. • In addition, many post offices are now co-located with pharmacies and general stores which means that they are not perceived to offer the required privacy or space when undertaking sensitive banking transactions. • However, it is felt that banking mini-hubs may not be as good as single-brand branches if fewer staff mean longer queues.
Smart ATMs	• Consumers are not convinced of the benefits of Smart ATMs compared to online or in-app banking or shopping which can be done privately and where/when they choose. They also felt there would be feasibility issues, including the amount of time required to use the machine for undertaking more complex actions and the implications for queues and wait times.

	• However, they do like the additional biometric security features. • It is difficult to square this potential development with the trend towards charging ATMs ("*Why would they use a smart ATM if they have to pay to withdraw cash?"*). • Overall, there is no strong consumer benefit to this innovation perceived and therefore it is seen as 'innovation for innovation's sake' and an unacceptable substitute for person-to-person interactions.

Moving from human to AI delivery of customer service	• Most are not aware that AI is already in use in some customer service responses. In particular, live chat is generally assumed to be an interaction with a person.
	• There are mixed views about the potential for AI to play a greater role:
	  ○ Some would prefer to speak to a human because they expect better understanding and handling, especially of complex issues (this was sometimes informed by mixed past experience of using similar tools in other contexts).
	  ○ Others say they wouldn't mind as long as there is prompt resolution of the issue, and they expect that the speed of response might be better with AI.
	• There is consensus that transparency and choice is important – consumers need to know whether they are dealing with a human or a machine and to have the option of speaking to a human if they wish.

"I don't mind getting information from a robot but don't make the robot sound like a person. Just be honest about who you are." (Low financial capability, London)

5.3.3 Diversification of the banking sector

In general, consumers are supportive of there being more players in the banking sector as they believe that this will provide greater competition and drive innovation. Some have already personally benefited from challenger brands entering the market and offering enhanced services, while others are less aware of these developments and have not engaged in the market.

> *"Thinking about the new banks and new ways of doing things, we said that it gives people an easier way to manage their money... It also raises the bar of traditional banks. It creates competition."* (London workshop)

However, a number of consumers are less trusting of non-banks providing financial services and certain brands, such as Facebook, have particularly low credibility operating in this space due to past data sharing scandals.

There is also a perception that lower income consumers will benefit less from this development as it is expected that providers will focus their attention primarily on the more lucrative end of the market.

That said, little overall downside is seen from the diversification of the sector and development of new banking services per se. At this stage of the discussion (before the introduction of information on the potential for changing business models), consumers expected that they would have the choice of using these if relevant and useful to them and not to be penalised if they do not adopt them or do not engage with the market generally.

5.3.4 Unbundling and disintermediation

Some consumers (see Section 4.1) are already disaggregating by choosing different providers for different financial products (e.g. insurance, mortgage, credit cards, ISAs etc.).

Integration of these services in one place is perceived to be new and this is seen to provide potential benefits, such as greater convenience and supporting control. However, it is felt that these benefits will only be relevant to certain consumers (e.g. those with more complex financial portfolios) and not to others (e.g. those with one or two products, or who don't use app-based banking).

There were also some general questions and concerns in response to this theme:

- Consumers are unsure about the business model behind these services and what's in it for aggregators and those providing the services (they believe that traditional banks are financed by having access to the money in their customers' accounts which aggregators won't have the benefit of).

- Being asked to share financial data goes against the grain of consumers' behaviour as it makes them more conscious of data privacy and security risks. This means that even those interested in such services are uncertain whether they would adopt them. It is possible that consumers will be more comfortable with sharing data with familiar providers and, in particular, with their main bank. It may also be that they will be reassured if they have a better understanding of consumers' rights with respect to data sharing or how the new providers are regulated. However, exploration of these possible mitigations of consumers' data sharing concerns was outside the scope of this study and would need to be explored in further focused research.
- A few people raised the point that decoupling products from distribution has the potential to make service-delivery more diffuse and complicated, meaning that it may be less clear who is at fault or responsible to provide redress if something goes wrong.
- It is felt that taking up these new services will be very challenging for those not digitally savvy and/or already using app-based banking.
- A few also recognised that engaging in this type of more complex market in order to distinguish between providers, products and services would require motivation, effort and skills that not all consumers have.

5.3.5 Potential for rolling back of free banking services

As mentioned in Section 5.1, we also considered the possibility for this to lead to a change to banks' business models such as what they consider to be standard, free of charge, personal current account services, meaning that consumers may need to engage more in the market in order to access the best deals and avoid paying charges.

The majority would strongly object to being charged for what they regard to be 'core' or fundamental services (as outlined in Section 3.1) that they currently receive free of charge as a potential outcome of unbundling and disintermediation of services. In particular, consumers believe access to their cash and the option of speaking to a human being must remain free.

The prospect of free banking services being reduced causes consumers to distrust banks and their motives. It triggers recollection of poor banking practices, such as PPI misselling and the banking crisis, which leads consumers to suspect changes may be a conspiracy to exploit consumers. This is based on the view that banks already make money from having access to their customers' money. They interpret this possible development as meaning that banks are proposing to charge them twice while also saving additional money by reducing person-to-person service and increasing automation.

Overall, if unbundling and disintermediation of banking services are to be accompanied by a rolling back of standard banking services that are currently received free of charge, the disbenefits would be regarded by consumers to strongly outweigh the benefits.

These views tie back to everyday finances being seen as an essential utility, as reported in Section 3.2. Given this, it is strongly felt that consumers should not have to be highly competent and engaged to be able to secure a good banking offer. While this development might force some consumers (reluctantly) to shop around, there is a general consensus that a minimum level of banking service should be provided to all consumers which includes the opportunity to speak to a person and access their money for free.

> *"If you're penalised for not engaging I guess it will force you to shop around. You tend to stay with the same bank now because it's easy and saves you the bother of going elsewhere. This forces your hand."* (Low financial resilience, London)

5.3.6 New possibilities for data-driven personalisation

As mentioned in Section 5.1, the possible financial implications of these changes to banks and consumers were also specifically discussed. These included the potential for banks to change their business models and way they fund free banking services by providing marketing on behalf of other brands or to derive value from analysis of customer data.

> *"See that just makes me mad - it's my money. The bank have already got my money and they use that whilst it's there, so I don't see why I should pay again to see a person."* (Financially excluded, Glasgow)

Reactions to new possibilities for data-driven personalisation of products and services are context-specific. For each proposition presented, it was apparent that consumers were making mental trade-offs between the potential benefits (e.g. relevant offers and financial rewards, convenience of automated processes) and what they are being asked to give up (e.g. control over their data, privacy). For a number of the options presented, consumers are not convinced that it is a fair exchange as the benefits are perceived to be minor and outweighed by risks, as shown in Figure 12 below:

Figure 12 – Reactions to different personalisation propositions

Mainly negative reaction	• Consumers are generally negatively disposed to the prospect of banks using customers' data to provide *targeted retail marketing:* ○ This is perceived to provide consumers with little or no benefits but a number of potential disbenefits including: intrusiveness, the risk of data misuse or that vulnerable customers will be encouraged to spend more.

	○ In addition, consumers particularly objected to the possibility that they would need to pay to opt out of receiving adverts, which they regarded as being unfair. ○ A few consumers also felt that the likelihood would be that banks would partner with large retailers to provide this marketing and that this would exclude smaller businesses potentially causing them detriment. ○ This led to more general questions about who decides which businesses are acceptable for banks to share data with, how are partners approved and what standards are applied.
Mixed views	• There are mixed views about some of the other propositions, with some consumers being generally favourable and others not regarding the benefits as being sufficient to warrant use of their data in this way: ○ *Automatic accrual of loyalty points* – Some perceive this to be beneficial due to being more convenient than manual methods. Others regard the benefit to be minor and not to justify the loss of privacy from sharing financial data with retailers. ○ *Personalised deals and switching service* - It is felt that this may benefit some time-poor consumers. However, this scenario prompted questions about whether the deals would be genuinely independent and best for the consumer. ○ *Credit assessments based on transactional data* - Some consumers feel that this will enable a fuller picture to be derived of consumers' credit status leading to fairer decisions. However, it is acknowledged that this could lead both to better and worse outcomes for individuals compared to what they would receive currently.
More favourable response	• Consumers are most favourable about the prospect of *automated personal banking support* being offered to those in financial difficulty: ○ This service is perceived to be customer rather than commercially driven, and to suggest that banks are taking social responsibility. ○ It also does not involve data sharing but only additional scrutiny of the customer's data by their bank.

- Consumers expect that such a service would be provided free of charge to customers who need it.
- It is regarded as important that the customer does not lose control in this scenario, so the bank making recommendations would be acceptable but unilaterally making decisions on the customer's behalf, without checking back with them, would not.

The reactions to these individual propositions highlight that it matters to consumers who they share their data with and for what purpose. They expect transparency over the purpose so they can provide informed consent, along with the right to opt out or withdraw their consent.

More generally, there are mixed views about the desirability of personalisation enabled by automation rather than human intervention. It is felt by some to be preferable as they envisage that this would result in more relevant offers and fairer credit assessments. However, some could see the potential for more analysis of consumers' financial and transactional data to lead to greater judging of consumers which may lead some to have less advantageous options available to them than they do currently. In addition, some felt that personalised deals have the potential to be less fair as they will be less transparent and open to all.

In addition, while consumers are aware that use of their data by providers is not new, the prospective growth in data-driven personalisation is expected to come with inherent risks of more surveillance of consumers and greater potential for data misuse. For this reason, it is regarded as imperative that there is strong regulation to protect consumers in this area and ensure they have access to redress in case of problems.

*"It's not that I don't want them to know that I'm spending at Costa… but it's more what's going to come after, who's going to learn and what they're going to sell to you and what are they going to build a profile of you." (*Younger, lower SEG, London)

"They are looking at your personal life and it is an invasion in a way". I'd want to be sure that I'm safe from hacking and people aren't allowed to see your data unless you authorise it. "
(Reduced financial engagement, Cardiff)

5.3.7 The prospect of banks deriving value from the use of customer data

The discussion about data-driven personalisation also specifically explored the possibility that banks of the future could change their business models to fund core banking services by providing targeted marketing to their customers. While some consumers use and are positive about currently available PCA products that provide retail rewards (e.g. the Santander 1-2-3 account or Barclays Blue rewards), the proposition we presented of banks providing targeted offers is perceived to differ from these existing products in a number of ways. In particular, it is viewed by consumers as being purely about marketing rather than customer rewards, and to involve push notifications which are expected to be intrusive.

> *"I do think it's a bit iffy if it's your bank trying to get you to buy stuff from other places."* (Morley workshop)

Reactions were overwhelmingly negative to the possibility that customers would need to accept such marketing in order to retain free PCA services or, alternatively, that they would need to pay for their banking services in order to opt out of receiving such marketing. In this context, the possibility of targeted marketing from financial services providers is viewed as even more intrusive and also as unfair as not all consumers will have the financial means to be able to choose to opt out.

A few consumers also identified the potential for banks and others to derive financial benefits from large scale analysis or sharing of consumers' data. This led some people to suspect that any initial offers could diminish over time once the providers have secured adequate numbers to make the data mining exercise profitable. In other words, it is felt by some that the initial benefits may be a kind of 'Trojan Horse' to lure consumers in.

> *"The main commodity is actually you and your data, not their product."* (Low financial capability, London)

More research would be recommended to explore further the boundaries of acceptability to consumers of these potential developments, and the associated impacts on their trust in banks.

5.4 Overall response to potential changes

Although the majority feel that the consumer experience has changed for the better so far, there is uncertainty about the extent of additional consumer benefit from the possibilities for further market developments that were explored. Instead, those involved in this research wonder if it **could be a case of diminishing returns or whether the real long-term beneficiaries of further changes will be industry.**

In particular, they are not yet convinced that their **own needs will be significantly better served than they are at present**. While some further increases in convenience are envisaged, there is a sense that these will be marginal. Some of the other possible changes outlined are perceived to be nice-to-have rather than addressing their core needs, while real risks are seen of consumers having **reduced choice and less control due to the potential loss of their preferred banking and payment options.**

"I think they're add-ons, all these are extra things, like the tie up of banks with shops. None of these things are what we mentioned as needs." (London workshop)

"The thing I'm worried about is that all of this is being pushed by the banks. It's like they're making me do things rather than it being my choice." (Morley workshop)

In addition, a number of possibilities are foreseen for **wider disbenefits affecting consumers or society in general**. These include that:

- Some consumers (particularly older people, those living in rural areas, those in financially constrained circumstances or who are less capable of engaging in the market), as well as small businesses and the gig economy, will be **left behind or penalised due to being digitally excluded or heavily reliant on cash payments**.
- There will be **additional forms of detriment and vulnerability created**, such as the possibility for more people to be in financial difficulty due to further **reducing friction** in the payment system and **increased personalised marketing targeting those who are vulnerable to over-spending.**
- There will be an elevated risk of **system failure and cybercrime** due to an increased reliance on digital technologies.
- More mining of consumers' data has the potential to exacerbate power imbalances between consumers and businesses by **increasing the information asymmetries** *("They will know more about me than I do about myself"*).

"Negatives were about the Big Brother vibe, people controlling you and building up a profile of you as a consumer. We were concerned about being bombarded with information and discounts which can lead to confusion. A key thing we talked about was that vulnerable people could be left behind or forced along." (Glasgow workshop)

- There will be negative social impacts associated with the **further decline of person-to-person service**, such a job loss, decline of the high street, increased social isolation and loss of community.

"Loss of human interaction was a big concern. People who aren't physically or mentally able to use apps on their phone. We talked about system failures, so it's all well and good having all this different services and providers, but when the infrastructure fails, what happens then? You could be in a limbo where nobody can pay or receive. Data security was a big concern. Consent has to be given to access data but is that access truly temporary, does that information truly disappear from the vaults?" (Cardiff workshop)

Fundamentally, consumers are not confident at this stage that they will be able to influence the direction of travel. They **question whether there is anyone is currently taking a long-term view with the consumers' needs at heart.**

" If I knew it was regulated and controlled I'd feel more positive." (Glasgow workshop)

PART 3: Meeting consumers' needs now and in the future

6. Ensuring everyday finances work for all consumers

Key points:

- Most consumers do not feel that they personally need any further support to access and use everyday financial services currently, and their generally high satisfaction with provision means that there are few suggestions for improvement.
- It is a strongly held consumer principle that no one should be left behind or excluded from everyday banking and payments services. This means that anyone who needs support to access or use mainstream digital methods should receive it, and that alternative options should remain available, free of charge, for those who are unable to adopt such methods.
- In addition, there is scope for improving certain products and services in order to better support those who are just about managing to stay in control (e.g. faster updating of contactless payments, more flexible alternatives to automated payments, new methods to build up credit scores).
- As the markets develop further, efforts to ensure inclusion are likely to become even more of a priority. And given that technology is expected to evolve rapidly, consumers believe that non-adopters of newer methods should have the opportunity to learn more about them at an early stage so they can make an informed assessment of whether these meet their needs.
- It is widely expected that navigation of everyday financial services will become more challenging for even digitally confident consumers in the future, as they have more providers and types of services available to them. There is a strong belief that achieving good consumer outcomes should not be predicated on having the capability and interest to engage in an increasingly complex market. This links back to the view that everyday banking and payment service are an essential utility and the related expectation that everyone should have access to a level of provision that meets their needs.
- There is a strong view that, whatever the future holds, the options need to be retained for consumers to use a universally acceptable payment method, speak to a human being if required, and not be charged to access core banking services.
- There is a broad consensus of what is required to ensure that the future of everyday finances works for all. We have identified six 'golden rules' on the basis of consumers' feedback and these go well beyond just support measures to cover minimum provision, infrastructural requirements, behavioural standards and policing of this behaviour. The main overarching requirement is not to force consumers along but instead to ensure their needs are central to shaping the future.

6.1 Support requirements now

As described in Section 4.2, consumers are broadly positive about the innovation that has taken place in the everyday banking and payments markets to date. Although some trade-offs and issues are perceived (as outlined in Section 4.2.2), these are generally believed to have been offset by the significant consumer benefits provided through this innovation.

As a result, most do not feel that they personally require any further support when accessing or using banking or payment services currently. This is true even for those who struggle with digital banking and payments as they tend to rely on support from family members to gain access to financial services. However, these 'workarounds' come with risks such as regarding the potential for security breaches if passwords and PIN numbers are shared, and this behaviour may not be sustainable over time, for example if family support is no longer available.

Consumers recognise that the risks of detriment to those who are not currently using digital banking and payment methods will increase if their preferred analogue banking and payment options are rolled back in future. This is why it is widespread and strongly held view that it is important to **ensure no one is left behind** by future developments in everyday finances. Linked to this, an opportunity is seen for **educating consumers about new digital technologies** to help them build capability. In addition, some issues raised about current provision suggest that there is scope for improvement to current products and services in order to **better support consumers to stay in control of their finances**. Each of these areas is discussed further below.

6.1.1 Making sure that no one is left behind

Given that the trend towards digital banking and payments is expected to continue, digital users are of the view that intervention will be required to ensure those not currently using these methods are able to use and benefit from digital financial services. This is perceived to include provision of:

- Reliable broadband infrastructure throughout the UK so that everyone has good access (this includes access to free and secure Wi-Fi and sufficient charging points).
- Financial assistance to ensure all consumers can afford an internet connection and/or smartphone.
- Appropriate tailored training to help people who need it get online, with a couple of participants mentioning already received some practical support from their bank on how to use digital banking.

"The first time I went on mobile banking, I just messed around, but I was lucky in that I went into Lloyds in Whitchurch but they were good, they took me in a room and explained everything to me." (Older, higher SEG, Cardiff)

However, it is also believed that support won't be enough to ensure digital inclusion in all cases, particularly for older consumers. This is because:

- This will require major habit-breaking changes to be made in some cases, which will not always be achievable.
- The fear of making mistakes is likely to be an ongoing barrier to use.
- In cases where cognitive faculties decline it may not be possible even for former digital users to continue using these methods, something we found evidence of during the vulnerable consumers depth interviews.

As such, there is broad agreement that alternatives need to be maintained for those who cannot or will not use digital methods due to their capability, circumstances or beliefs. The retention of alternative banking and payment methods is also believed to be important as a back-up option for all consumers.

"They need to have different options for different people because not everyone's going to have the same needs." (Younger, higher SEG, London)

6.1.2 Educating consumers about newer developments

As mentioned in Section 4.3, there was mixed awareness across the sample of newer developments that exist currently (e.g. digital wallets, mobile payment systems and apps providing new money management tools), meaning that some consumers are not familiar with products or tools which may be beneficial to them.

There were a number of examples across our group programme of how non-users of newer methods became interested in these methods once they had been explained to them by someone who had taken them up. Some then made further enquiries and a few even ultimately took up the product or service during the course of the research. For example, non-users asked users a number of questions about how digital wallets work, and the features and benefits of the new banking apps with enhanced services.

The importance of word of mouth is also reflected in how adopters themselves became aware of the new product or tool they have taken up. They primarily found out about these through their peers or children, although MoneySavingExpert.com/Martin Lewis also came up several times as a trusted source of advice.

This research suggests that those lacking confidence in the new methods could benefit from support in specific areas:

- Impartial advice on the relevant benefits of the product/service as well as what its limitations may be;
- Reassurance around the security; and
- Practical guidance on set-up and use.

6.1.3 Making specific improvements to products and services

In addition, there were some comments made which indicate ways in which certain products or services could be improved, with a particular focus on better supporting JAMs to stay in control:

- A number of consumers explicitly suggested that it would be helpful to their financial management if there would be faster updating of contactless payments on account balances.
- Some who are reluctant to use direct debits, particularly where the amounts taken by the service provider vary month to month, may benefit from new alternatives e.g. digital pre-payment options that don't cost more.
- A few mentioned that it is difficult to improve on a poor credit score even once they are back on track financially. This suggests that there would be interest in new, fairer ways to assess credit worthiness and help those who need it build their credit ratings and get access to more prime sources of credit.

6.2 What more will be needed so consumers can navigate future changes

All of the above needs for support and provision continue to be relevant as the everyday banking and payment markets develop further. Some - like not leaving consumers behind - become even more of priority if analogue methods continue to be rolled back in favour of an increased reliance on use of digital technologies.

In addition, consumers recognise that some potential future developments – such as disintermediation and greater personalisation of services - are likely to mean that navigation of everyday financial services becomes more complex. Some can see the potential for this to create further barriers to engagement at the very time that engagement becomes more important to achieving good outcomes, especially if there are changes in business models and to what services are provided free of charge.

Consumers do not suggest additional support as being the solution to this issue. Rather, they return to their view that everyday finances are an essential utility. The implication of this, as previously mentioned, is that it should not be a requirement for consumers to be competent and engaged to secure a suitable banking offer, either now or in the future.

6.3 Consumers' golden rules for the future of everyday finances

There is a broad consensus amongst consumers about what is required to ensure that the future of everyday finance works for all consumers. Central to this is that they don't want to be forced along and would like their needs and interests to be central to shaping this future.

"The one thing they have to do is keep the customer first and foremost in their mind." (Cardiff workshop)

There is consequently a strong view that, whatever the future holds, the options need to be retained for consumers to use a universally acceptable payment method (currently cash), speak to a human being if required, and not be charged to access core banking services or their own money.

"I think there should be something that says: 'if you want to run a banking service in the UK, part of the regulations are that you must offer a free, basic, ad-free account." (Morley workshop)

"Humans should be part of the service. It's a standard requirement, not a premium." (London workshop)

It is also a strongly held consumer principle that no one should be left behind or worse off as a result of developments in the banking or payments markets. This is believed to require a range of support (e.g. digital equipment, training) to be provided to ensure as many as possible can benefit from the new provisions. It will also require alternatives to be retained for those who can't adapt.

"It's assumed that young people know about technology. But I struggle with new things. Education for all is a good idea." (Glasgow workshop)

In addition, it is felt that a reliable digital infrastructure will be critical to support everyday banking and payments markets of the future. Many believe that this will require considerable improvements to the current system which is known to have network blackspots and inconsistency of broadband speeds and access.

"Trust in the system is important as well. We've seen two major outages where people couldn't get cash out of machines or pay direct debits for days. We need a good back-up system in place." (Cardiff workshop)

Consumers also expect high standards of behaviour from providers underpinned by comprehensive consumer protection (to ensure transparency, informed consent, data security, accountability and appropriate redress).

> *"Always consider the ethics and how it impacts everyone in society, not just their target customer."* (Morley workshop)

> *"Any penalties and sanctions against the bank if they get it wrong with our important data should be significant and they should know that from the outset… There needs to be an incentive for them to get it right."* (Glasgow workshop)

Finally, consumers believe that the wider societal impacts of innovations will also need to be closely monitored to enable unintended negative consequences to be identified and mitigated.

These consumer requirements have been summarised as a set of 'golden rules' below:

Figure 13 – Consumers' golden rules for the Future of Everyday Finances:

- Consumers do not want to be forced along and want their **needs to be central** to shaping the future
- Consumers want cash and some form of person-to-person banking option (free to acces) retained as a **minimum provision**
- People do not want anyone left behind and believe support and banking and payment alternatives are needed
- Consumers expect to have **a reliable infrastructure** meaning limitations and blackspots will need to be addressed
- Consumers expect high **standards of behaviour** from providers backed up by **comprehensive consumer protections**
- Consumers want societal impacts to be closely monitored and to see negative effects of changes mitigated

6.4 Consumers want reassurance that their interests are being considered

As mentioned in the previous chapter, consumers are looking for some organisation with authority (e.g. a government body or regulator) to take a long-term view of everyday finances that is in the public interest and considers the range of possible impacts of innovation. They are not convinced that this is happening at present.

Ideally, they would wish to see government and regulators working in close collaboration with industry and the third sector to ensure a co-ordinated approach to planning for the future.

Consumers' concern is not just about the effects on them personally but on society more generally. They are therefore looking for assessment of both specific risks and broader impacts of changes on individuals and society as a whole, including that no one is left behind and the any deleterious impacts are anticipated and mitigated.

There were specific suggestions to take an urban-planning style approach, including trial sites or pilot cities, to fully understand the effects of developments and inform decisions about their wider roll-out. While the feasibility of this is unclear, the suggestion reflects an expectation from consumers that it should not solely be left for the market to decide what the future of everyday finances hold for consumers and society.

"It's their job to look at the risks and sort it out…If things start going wrong it shouldn't be on our heads as consumers." (Morley workshop)

"Have there been conversations with government and an impact assessment?" (Glasgow workshop)

7. Conclusions and implications

7.1 Conclusions

This was a foundational research programme for Which? and its scope was wide, covering not only consumers' behaviour and what they value now, but also how they might respond to changes in the everyday banking and payment markets and potential future areas of vulnerability and detriment.

Some of the findings confirm what has been identified in Which?'s literature review, however a number of new insights have also been uncovered by this research, including:

- The way consumers regard everyday finances as an essential utility rather than just another commercial service.
- The higher expectations that consumers have of everyday financial provision compared to the industry's definition of basic banking services. This includes, as a minimum, continued access to a secure account to store their money (most commonly a current account), a universally acceptable payment method (currently cash), the ability to speak to a human being if required, and not to be charged to access everyday banking services or their own money.
- The differences in consumers' behaviour and preferences, which enabled the development of four indicative typologies.
- The nuances in consumers' core needs, including the connections and trade-offs between different needs, and implicit as well as consciously recognised needs.
- The priority placed by consumers on ensuring that the future is firmly grounded in these needs and, in particular, that they are able to retain choice and control.
- Their broader concerns about how the markets may develop, some of which extend beyond traditional financial sector boundaries and purely consumer issues.
- Their uncertainty about who, if anyone, is currently in charge of taking a long-term view of everyday finances that is in the public interest.

In general, consumers are broadly supportive of innovation in everyday finances, and they recognise that they have benefited from this so far. However, they are clear that they don't want anyone to be left behind by developments or to suffer detriment as a result. Importantly, consumers believe that making everyday finances work for everyone, both now and the future, will require more than just the provision of support but also involve a number of considerations for industry, policy-makers and regulators to ensure that the markets meet all consumers' needs.

The breadth of consumers' priorities for the future of everyday finances is also significant. The fact that these transcend financial sector boundaries reflects the growing convergence between financial services and technology which will mean consumers are increasingly required to engage with secondary markets in order to access everyday financial services. This is something industry, regulators and other stakeholders will need to be increasingly mindful of given the differences in consumers' levels of digital engagement (with some having limited or no independent digital footprints). In addition, consumers are seeing past purely parochial concerns because they see a potential for significant wider societal impacts that go beyond the individual.

7.2 Implications

This research provides a strong evidence base for Which? to draw on when making recommendations on how to improve or protect the customer experience of everyday finances. There are also some specific opportunities for further research and development work:

7.2.1 Developing consumer-based principles

We believe that the insights from this study could support the development by Which? of a set of salient consumer-based principles, or a consumer manifesto, for the future of everyday finances.

The research suggests a number of key dimensions for such principles, such as:

- Treating everyday finances as an essential utility, with associated qualities of inclusion and fairness.
- Maintaining choice so consumers are not forced to adopt a method that doesn't meet their needs and back-up options are retained.
- Providing guaranteed service and behavioural standards - to apply to all those who are providing services or receiving consumers' data - including transparency about purpose, protection from misuse, clear avenues for redress and a duty of care, especially for those who are or may become vulnerable.

These principles could be developed into a high level framework to guide the sector in general, or adapted specifically for providers, for example as consumer-centred design principles, minimum delivery standards or a practical toolkit. There may also be opportunities for Which? to use these principles as the basis of future commercial products such as for assessing and Kitemarking providers' performance.

7.2.2 Commissioning further research

As this was foundational research, it was not possible to cover every issue relevant to everyday finances in detail. In addition, as we used qualitative and deliberative methods, there is an opportunity for Which? to confirm some of the findings in a survey.

We have identified the following themes as representing potential areas for further research:

- Defining and sizing consumer segments based on the typologies identified.

- Quantifying key viewpoints such as about financial services being an essential service, consumers' expectations for the future and the range of attitudes (excited through to apprehensive) expressed about this.
- Exploring further the role credit plays in everyday finances, particularly for those who are just about managing or struggling financially, and the potential for new Open Banking credit assessment services to provide benefits to some consumers.
- Investigating further consumers' views about adopting innovative products involving sharing their financial data, including whether they may be more confident in doing this with familiar providers or what else may provide reassurance.
- Exploring in more detail the potential changing nature of trust in everyday finances due to the prospect of more providers and more complex relationships which encompass trust of the technology as well as brands.
- Specifically looking at the impact of changing business models on consumers' perceptions of banks, including the possibility for banks to scale back free PCA provision, act as marketers or derive value from greater scrutiny and sharing of their customers' data.

End Notes:

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https://campaigns.which.co.uk/freedom-to-pay/

[ii] [ii] Claire Whyley is a professional researcher and policy analyst, focusing on consumer behaviour and decision-making, consumer protection and consumer-focused regulation. She specialises in user-led, evidence-based and impact-focused policy development, across a range of markets, with a particular interest in vulnerable and excluded consumers. Claire holds a number of non-executive roles and is a Collaborate Research Associate.

[iii] See, for example: http://sphweb.bumc.bu.edu/otlt/MPH-Modules/SB/BehavioralChangeTheories/BehavioralChangeTheories4.html

[iv] See, for example: https://www.sciencedirect.com/science/article/pii/S0736585317302022

[v] http://www.behaviourchangewheel.com/about-wheel

[vi] See, for example: https://assets.publishing.service.gov.uk/media/53c834c640f0b610aa000009/140717_-_PCA_Review_Full_Report.pdf

[vii] Definition of deliberative research provided by the Association of Qualitative Research - https://www.aqr.org.uk/glossary/deliberative-research

[viii] https://www.chatbotguide.org/santander-uk-bot

[ix] https://www.about.sainsburys.co.uk/news/latest-news/2018/new-till-free-shopping