

Consumer understanding and use of non-traditional payment mechanisms and basic bank accounts (BBAs)

SUMMARY REPORT



Commissioned by the Financial Services Consumer Panel (FSCP)

Research conducted by Opinium

Published in August 2024

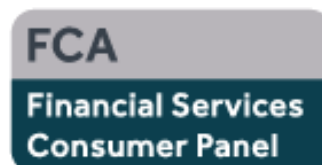


Table of Contents

1	EXECUTIVE SUMMARY	3
1.1	Overview and objectives	3
1.2	Key findings	3
1.3	The Panel’s recommendations to the FCA	4
2	CONTEXT	5
2.1	Consumer Duty, understanding and vulnerability	5
2.2	The payments landscape	5
2.3	Basic Bank Accounts	6
3	OUR RESEARCH	7
3.1	Objectives	7
3.2	Methodology.....	7
3.3	Definitions and approach	7
4	KEY FINDINGS – PAYMENTS	9
4.1	Use of payment methods.....	9
4.2	Reasons for choosing a payment method	10
4.3	Levels of trust compared	10
4.4	Barriers to use of new payment types	11
4.5	Consumer understanding	11
4.6	Sources of information used	11
5	KEY FINDINGS – BASIC BANK ACCOUNTS (BBAs)	12
5.1	Holders of basic bank accounts	12
5.2	Levels of awareness	14
5.3	More consumers could benefit from BBAs	14
6	CONCLUSIONS	15
6.1	Payments	15
6.2	Basic Bank Accounts	15
7	RECOMMENDATIONS	16
7.1	Payments	16
7.2	Basic Bank Accounts	16

1 EXECUTIVE SUMMARY

1.1 Overview and objectives

This report summarises the key findings of a consumer survey commissioned by the [Financial Services Consumer Panel \(FSCP\)](#) in March 2024, to explore consumer understanding and use of non-traditional payment mechanisms and basic bank accounts (BBAs).

Successful implementation of the Consumer Duty is a high priority for the Panel, and we see the consumer understanding outcome as critical to delivering good outcomes and minimising consumer harm. To make informed decisions about everyday payments and banking, consumers need to be provided with clear information about costs, risks, benefits and protections. Our research focused on two topical areas of interest for the Panel:

What is the FSCP?

The Financial Services Consumer Panel is an independent panel of experts who represent the interests of consumers of financial services, including small businesses.

We provide advice and challenge to the FCA in relation to its statutory duties, in particular its consumer protection objective.

- **Non-traditional payment mechanisms** - There has been rapid growth and innovation in the payments sector, resulting in a proliferation of new payment methods available to consumers, with differing costs, risks, protections and redress. The Panel aimed to test consumer understanding of benefits and risks associated with non-traditional payment methods. (See **3.3.1** for our classification.) We also wanted to understand how consumers make decisions about which payment methods to use for different transactions and how their choices are influenced by characteristics of vulnerability, such as financial difficulty.
- **Basic bank accounts** - BBAs provide a facility for consumers to make and receive payments, and store and withdraw money, when they are unable to do so by other means. The Panel believes that BBAs have the potential to deliver good outcomes for consumers, particularly in the context of ongoing cost of living pressures and tendency for organisations to move towards digital/card payments when it comes to bill payments. For example, they help consumers in financial difficulty to manage budgets and reduce the risk of financial exclusion. The Panel wanted to explore how BBAs are being accessed and used by consumers, if they are valuable to those in vulnerable circumstances, how they are being promoted by firms and if there is scope to do more.

The Panel recognises the Consumer Duty as a valuable consumer protection tool, with great potential to drive positive change, and hopes that our recommendations to the FCA within this report will help to improve consumer understanding and outcomes in these two areas. We will also use the findings from this report to inform our ongoing engagement with relevant FCA teams.

1.2 Key findings

1.2.1 Payments

Unsurprisingly, our research finds that traditional payment mechanisms are the most widely used, with debit cards, cash and credit cards dominant. The most cited reasons for choosing a particular payment mechanism are convenience (45%), ease of use (41%) and speed (35%). Respondents place more importance on these than safety (19%) or redress (11%).

62% have used a non-traditional payment method, but this is driven mainly by use of PayPal and mobile payments. When it comes to types of transaction, mobile payments are primarily used for in-person purchases and travel because of their convenience and speed. Use of Open Banking or cryptocurrency as a payment method is limited (in the 12 months prior to the survey Open Banking had been used by 4% of respondents, crypto by 2% of respondents).

The main barriers to using non-traditional payment methods are a lack of knowledge and trust in the provider or the technology. PayPal is the only non-traditional method with an overall trust rating similar to traditional methods. The survey found that many consumers turn to unofficial sources when seeking information about non-traditional payment methods, with 28% relying on recommendations from friends and family, 13% on review/advice sites and 11% on social media. Consumers with the lowest resilience to financial risk appeared to carry out the least research. These were consumers on lower incomes, from lower social grades, with lower levels of education and digital experience - who may be particularly vulnerable to harm.

Claimed understanding of the protections, redress and costs of non-traditional payment methods is high. For example, 70% of those making mobile payments said they had an excellent or good understanding of protections. However, in reality, risks and protections associated with non-traditional payment methods are complex, and often very different to traditional methods. For example, PayPal has no FSCS protection. This complexity contrasts with claimed understanding levels - making it important that firms ensure that consumers genuinely understand the costs, risks and actual protection and redress processes associated with their chosen payment option. (For more detailed findings see **Section 4**).

1.2.2 Basic Bank Accounts

BBA's are held by about 13% of survey respondents. Of these, more than half (55%) proactively requested the account, and only 25% had been approached by their existing bank to switch to or open a BBA. Irrespective of whether a customer had requested the account or been approached by their bank, typically the account holder has some kind of vulnerability (defined in **3.3.2**)

BBA's are well regarded by those who have them, with most saying the account is valuable and meets their needs. For some (20%), taking out a BBA was the only option. The key reasons for taking out the product are to make things easier, less complicated and to assist with managing money, budgeting or to help the account holder stay debt-free.

In the main, participants demonstrated good awareness of BBA's - 85% without an account had heard of them - but they lacked understanding of the features and benefits. Our analysis suggests that more people would find a BBA beneficial, but that barriers to access exist. Of those without a BBA, a quarter have experienced issues that may make a BBA helpful and 30% feel that it might be useful to them in their current circumstances. (For more detailed findings see **Section 5**)

1.3 The Panel's recommendations to the FCA

1.3.1 Payments

- 1) The FCA should consider asking providers of non-traditional payment mechanisms how they are assuring themselves that their customers understand the information provided about the costs, risks protections and redress that apply to chosen payment mechanisms, as required by the consumer understanding outcome of the Consumer Duty.

- 2) The FCA should consider conducting consumer research to test consumers' actual understanding of the costs, risks, protections and redress that apply to the types of non-traditional payment mechanisms covered by the Panel's research. The FCA could also consider a mystery shopping exercise to test the usefulness of firms' information on this point.

1.3.2 Basic Bank Accounts

- 1) The FCA should explore with firms that are required to provide BBAs how they are promoting and making available BBAs (which, as per the Consumer Duty guidance includes actual and potential customers) so that all those who may benefit from a BBA are made aware of and can access them.
 - 2) Given the importance of BBAs for consumers in vulnerable circumstances, the FCA should pay particular attention to whether and how firms are promoting and making available BBAs to these consumers.
 - 3) The FCA should ensure that firms are promoting and making BBAs available through a wide range of communications channels in a way that is easily accessible to consumers, and in keeping with the Customer Support and Customer Understanding Outcomes under the Duty. This will ensure information reaches the greatest number of consumers, according to their circumstances, needs and preferences, enabling them to make suitably informed decisions.
-

2 CONTEXT

2.1 Consumer Duty, understanding and vulnerability

Successful implementation of the Consumer Duty, to deliver good outcomes for consumers, is a high priority for the Panel. The customer understanding outcome is of particular interest, being an important horizontal issue that is critical to minimising consumer harm.

The Panel believes that all consumers should be provided with clear, accessible, timely and relevant information about terms, costs, risks and protections to enable them to make informed decisions about financial services, and to understand the implications of the choices they make.

Delivering good outcomes for consumers in vulnerable circumstances is a key aspect of the Consumer Duty and a cross-sector priority for the Panel.

2.2 The payments landscape

2.2.1 Current situation

Payments are an everyday service used by all, and essential to being part of society. This is an area in which technology has led to an explosion of services with a mix of different risks and costs that the Panel believes are ill-understood by most consumers and has led to financial exclusion in some areas. We are aware of the work underway on a possible future Central Bank Digital Currency and National Payments Vision, as well stablecoins and Open Banking. However, the consumer protection gap needs filling urgently. Consumers need to be protected from harm now and the Consumer Duty is an important tool to protect against such harm.

2.2.2 Why is this important to the Panel?

The Panel continues to view cash as an essential payment method and, as it has come under threat in recent years, has advocated for access to cash to be retained for all those who want or need to use it. Consumers in vulnerable situations (especially those on low incomes and in debt) often rely on cash to help them budget.

Our research on consumers' understanding of payment mechanisms focused on the costs, risks and protections that apply to money transmission. However, the Panel also has long-standing concerns that there should be the same regulatory outcome (FSCS protection) for client funds deposited for transfer under innovative payment arrangements, as for traditional payment methods.

2.3 Basic Bank Accounts

2.3.1 Current situation

Basic Bank Accounts (BBAs) are 'no-frills' bank accounts that allow the user to receive, store and withdraw money, and pay bills, but do not provide additional features such as overdrafts, cashback, interest or other rewards or benefits. Under the Payment Accounts Regulations 2015 (PARS)¹ certain banks are under a legal obligation to offer BBAs to customers who are legally resident in the United Kingdom and do not have a bank account, or who are not eligible for a standard current account.² For example, consumers may be declined a standard account, and offered a BBA, for the following reasons:

- a bad credit history
- an Individual Voluntary Agreement (IVA)
- a Debt Management Plan (DMP)
- a Debt Relief Order (DRO)
- a declaration of bankruptcy

2.3.2 Why is this important to the Panel?

The Panel believes that Basic Bank Accounts (BBAs) are an important, yet under-utilised, product which could be extremely valuable to consumers in financial difficulty, particularly against the backdrop of access to cash, the cost of living crisis and long-term financial pressures on those who are most vulnerable.

Research shows that consumers in such circumstances can be reluctant to seek help - for example, due to feelings of embarrassment, and low financial literacy and confidence.³ The Panel is concerned that this, plus low awareness of BBAs and their potential benefits, may result in many consumers missing out on basic banks accounts, and turning to more costly, risky alternatives. This makes it even more important that firms are fulfilling their obligations, under PARS and the Consumer Duty, to actively **promote** products that are most suitable for individual customers' needs and can help to deliver good outcomes.

¹ <https://www.fca.org.uk/firms/payment-accounts-regulations>

²

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1049371/Official_Sensitive_-_Basic_bank_account_report.pdf

³ Money and Pensions Service report, 'Motivations and barriers to seeking debt advice' (September 2023)

3 OUR RESEARCH

3.1 Objectives

3.1.1 Payments

Whilst the focus of this research is on non-traditional payment types (as these create new consumer risks to be considered) the Panel was also interested in how consumer attitudes, understanding and use compares between these and more traditional payment mechanisms.

The research aimed to find out:

- How does consumer use and attitudes compare between non-traditional and traditional payment types?
- Reasons for choice of method. Which methods are trusted and why?
- What is the level of consumers' knowledge and understanding of the protections, risks and fees attached to non-traditional payment mechanisms?

3.1.2 Basic Bank Accounts

The Panel wanted to find out how BBAs are currently being used and promoted. The research sought to examine:

- Levels of awareness of BBAs
- How many people have a BBA and what are their experiences?
- How did people find out about BBAs and what led to them opening one?
- How valuable are BBAs to those in financial difficulty/vulnerable circumstances?
- Are banks being proactive about offering BBAs, in line with their responsibilities?

3.2 Methodology

The Panel commissioned research agency Opinium to conduct a quantitative survey using an online panel of 3001 UK adults (18+). Respondents were drawn from across the UK (including Northern Ireland) and were nationally representative in terms of age, gender, region and working status. The fieldwork was completed between 01/03/24 and 13/03/24.

Where certain fields either exceed or are below '100', this is because responses to multiple choice questions in some instances led to conflicting answers and as a result have been removed or there has been a rounding up of responses of 1-2%.

3.3 Definitions and approach

3.3.1 Payment classification

Payment types were categorised as follows:

Traditional	Non-traditional
Credit card	PayPal
Debit card	Mobile payment (e.g. ApplePay, GooglePay)
Cash	Money transfer via a third-party service (e.g. Wise, Zing, XE, Western Union)
Cheque	Pre-loaded/ Pre-paid card (e.g. Revolut, Ode, Hyperjar)
Money transfer from your bank account (e.g. sending an ad-hoc payment to another person or an organisation)	Open Banking (e.g. where you authorise your bank to pay a company via a third party like Stripe, Truelayer, Ordo, Yappily)
Direct debit/standing order	Crypto currencies (E.g. Bitcoin, Ethereum and Tether)

PayPal has been in existence since 1998. If its initial usage was mainly as a payment method for eBay, its usage has since become fairly ubiquitous. Notwithstanding this, for the purposes of this research we categorised it as a non-traditional payment mechanism, not least because of the higher risks and charges involved.

3.3.2 Identifying vulnerability

As consumers in vulnerable circumstances may struggle to understand information, communicate effectively, make payments and manage budgets, the Panel was keen to understand if these consumers exhibited any marked differences in their responses.

Vulnerability is complex and evolving, with many contributing factors. Therefore, the research was developed to enable the identification of respondents with one or more characteristics of vulnerability, rather than label a cohort as ‘vulnerable consumers.’

When analysing results, we used the following criteria to identify respondents with characteristics of vulnerability:

- Those who answered “yes” to having a long-term physical or mental health condition that affects their daily activities.
- Those who receive any type of benefit (which would include some carers but not informal carers who do not claim benefits).
- Those who have experienced at least one challenging life event in the last 12 months.
- Those who have fallen behind with bills.
- Those who rated their confidence with money as 0-3 out of 10.

In some cases, we refer to ‘vulnerable consumers’ as an overall category, meaning those with at least one of the above characteristics. In other cases, we refer to specific subsets or characteristics, where most pertinent.

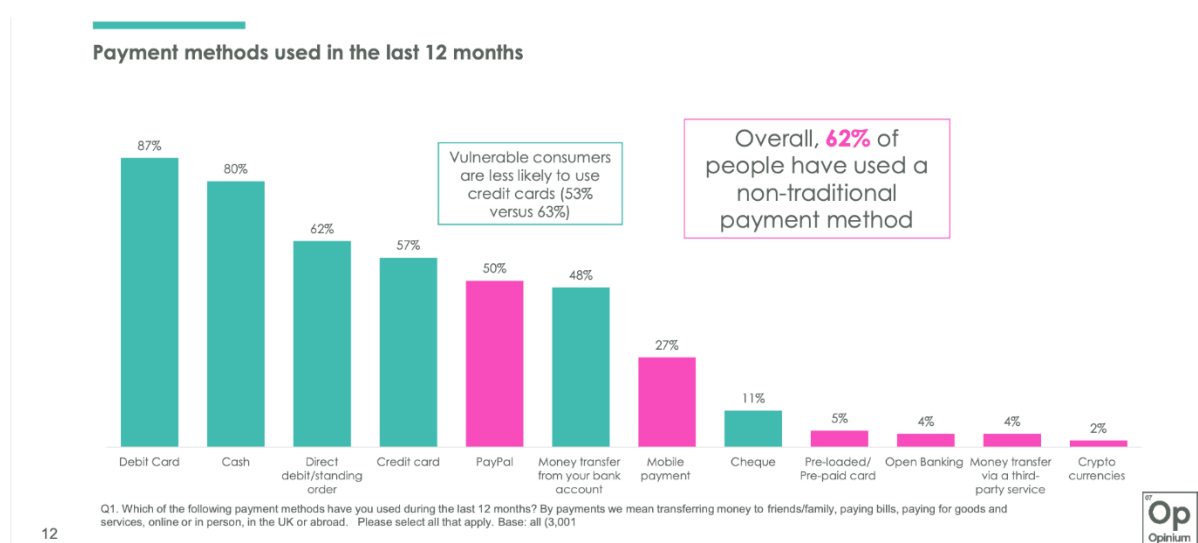
4 KEY FINDINGS – PAYMENTS

4.1 Use of payment methods

4.1.1 Traditional payment methods dominate, but some newer methods are on the rise

Traditional forms of payment remain, by far, the most used. For example, 87% of respondents have used a debit card in the last 12 months, with 80% using cash, 62% using direct debits/standing orders and 57% using credit cards.

Although 62% of respondents overall have used one or more non-traditional payment methods in the last 12 months, this is primarily driven by widespread use of PayPal (50%) and mobile payments (27%). Other non-traditional payment methods have very low levels of use overall. The chart below depicts the payment methods used in the last 12 months by all respondents (including vulnerable consumers).



For non-traditional payment methods, there is little age differential across users, but those on higher incomes are more likely to use them. It is sometimes assumed that older people are less confident with/more reluctant to use new technology, but income seems to be more of a factor. For example, only 54% of those earning up to £19,999 p.a. had used a non-traditional payment method in the last 12 months, compared to 72% of those earning over £59,999.

4.1.2 Types of payments used for different transactions

Traditional payment types, such as debit cards, direct debits/standing orders and cash still dominate for most types of transaction. Debit card is the most typically used payment method for retail purchases in person (48%) and online (44%), with standing order/direct debit most typically used for paying bills (45%).

However, PayPal is typically used by 14% for purchases online and 9% for sending money to family and friends. Mobile payments are also popular across the board. Open banking and crypto are not used typically for any types of transaction. However, firms often use the term 'Pay by Bank' rather than Open Banking, which may be a factor in consumers not realising when their payment method is powered by Open Banking.

Generally, there are few differences in payment method usage between vulnerable and non-vulnerable consumers. However, credit card use tends to be lower by those in vulnerable circumstances (53% versus 63%), as is usage of direct debit / standing orders to pay bills (43% versus 50%). Different payment types tend to come into play when spending abroad (holidays) with increased reliance on cash, credit cards and pre-loaded cards. The chart found [here](#) on page 1 of our research slide deck depicts the payment methods used for different types of transactions by all respondents.

4.1.3 Importance of cash

The survey findings show that cash remains an important payment method, with 80% having used it in the last 12 months. Cash is still preferred by 17% when paying for goods and services in person and 14% on public transport. The continued popularity of cash reflects findings from the 2023 ‘Future of Payments Review’ which states: “Various sources quote approximately 8 million people who are dependent on cash and 3 million who paid for everything or most things in cash”.

There are correlations between consumer vulnerability and cash, as can be seen in the FCA’s 2024 paper on cash reliance.⁴ The Panel advocates for access to cash to be retained for all those that want it, through necessity or by choice.⁵

4.2 Reasons for choosing a payment method

The most cited reasons for choosing a particular payment mechanism are convenience (45%), ease of use (41%) and speed (35%). Overall, consumers appear to place more importance on these than safety (19%) or redress (11%). This echoes findings in the ‘Future of Payments Review’ report⁶, which cited familiarity and speed of payment as traditional criteria consumers consistently select as the most important.

We are concerned that consumers may assume that financial products are safe and secure, which can lead to these featuring less highly in decision making, particularly when it comes to more established methods. Convenience (60%) and speed (57%) are cited as the top two reasons for using mobile payments. Familiarity with the product also affects choice of payment method. 27% of debit card users say this is one of the main reasons for choosing it.

4.3 Levels of trust compared

Our research shows that trust in traditional methods is high, with 94% of respondents trusting cash, 93% trusting debit cards, and 84% trusting direct debits or standing orders.

Overall, non-traditional payment methods have lower levels of trust, although PayPal has a trust rating of 83%, on a par with most traditional payment methods.

Mobile payments are the next most trusted (63%) with others having significantly lower trust ratings. More than half of respondents (56%) do not trust crypto at all and 27% don’t trust Open Banking. The chart found [here](#) on page 4 of our research slide deck depicts the level of trust in non-traditional payments methods by all respondents.

⁴ FCA ‘Research note – cash reliance’ (July 2024) - <https://www.fca.org.uk/publication/research-notes/research-note-cash-reliance.pdf>

⁵ FSCP Access to Cash consultation response (Feb 2024) - https://www.fca.org.uk/panels/consumer-panel/publication/20240208_final_fscp_response_cp23-29_access_to_cash.pdf

⁶ ‘Future of Payments Review’, Joe Garner (November 2023), P.19

4.4 Barriers to use of new payment types

The lack of knowledge about payment options and lack of trust in the technology or provider deters uptake of new methods. Overall, the top 5 reasons for not using a new payment method in the last 12 months are:

- Not got around to it – 37%
- Don't know enough about it – 20%
- Don't trust the technology – 15%
- Don't trust provider/ Haven't heard of it/ Too complicated – 12%

The main barrier to Open Banking is that respondents have not heard of it (22%) or don't know enough about it (21%) rather than having security concerns. The main barrier to not using crypto is not trusting the technology (28%).

4.5 Consumer understanding

4.5.1 Understanding of buyer protections

Respondents' claimed understanding of protections (security and safety features in place to prevent things going wrong with payments) for non-traditional methods is generally good. Overall, 72% of those who use PayPal claim to have a good understanding of protections and 70% for mobile payments. 69% of crypto users claim to have a good understanding of protections. Only 48% of Open Banking users claim to understand protections.

The chart found [here](#) on page 2 of our research slide deck depicts the level of understanding of buyer protections by all respondents.

4.5.2 Understanding of redress

Claimed understanding of redress (getting your money back if things go wrong) for non-traditional payment methods is generally lower than understanding of protections. Of those who use crypto currencies, 66% claim a good understanding, with PayPal at 56% and third-party money transfer services at 55%. However, only 43% of respondents who use open banking claim to have a good understanding of redress and only 42% of those who use pre-loaded cards. The chart below depicts all respondents' claimed understanding of redress.

The chart found [here](#) on page 3 of our research slide deck depicts the level of understanding of redress by all respondents.

4.5.3 Understanding of costs

Most respondents profess to have a good understanding of the fees and charges for non-traditional payment mechanisms they use. However, Open Banking stands out with the lowest levels of claimed understanding. 37% claim to have 'some understanding', 13% have very little and 6% have none. Claimed understanding is highest for crypto currencies and money transfers, with 60% and 66% respectively reporting a good understanding.

4.6 Sources of information used

4.6.1 Popularity of unofficial sources

To make informed decisions, consumers need information from independent, reliable and accurate sources. However, our survey findings show that many consumers turn to unofficial sources when seeking information about non-traditional payment methods when using them for

the first time. Although service providers' websites are the most common source of information overall, used by 33% of respondents, 28% rely on recommendations from friends and family, 13% on review/advice sites and 11% on social media. Only 4% turn to government information.

There are some marked differences. For example, more than a third (35%) of crypto users got their information from social media and 17% from influencers. The FCA has concerns about social media and influencer advertising and promotions and in 2023 removed over 10,000 misleading adverts.⁷ Our survey finds that younger consumers (aged 18-34) are more reliant on recommendations from friends and social media and older consumers (aged 55+) are more likely than other age groups to check providers' websites.

23% say they didn't carry out any research at all before using a non-traditional payment method for the first time. Consumers with the lowest resilience to financial risk appeared to carry out the least research. These were consumers on lower incomes, from lower social grades, with lower levels of education and digital experience - who may be particularly vulnerable to harm.

5 KEY FINDINGS – BASIC BANK ACCOUNTS (BBAs)

5.1 Holders of basic bank accounts

5.1.1 Consumer characteristics

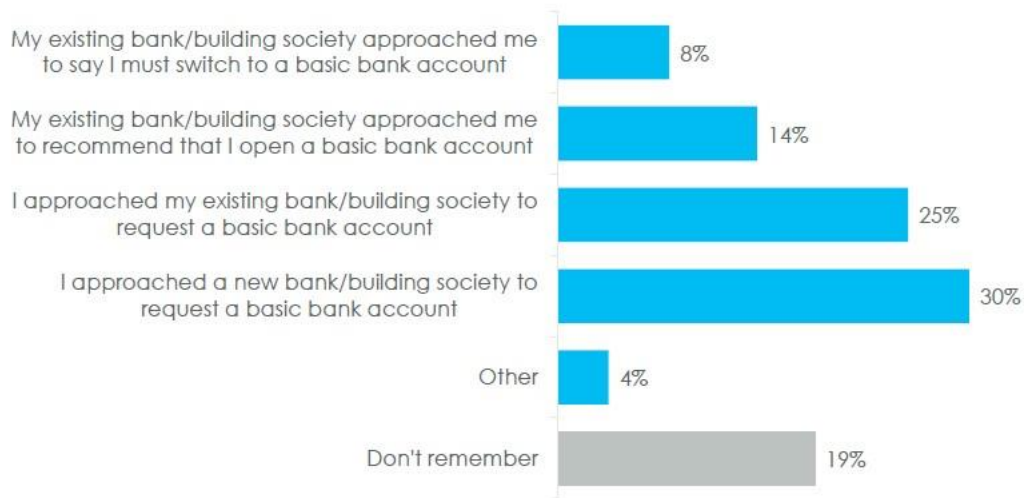
13% of respondents have a Basic Bank Account (BBA). Our findings show that BBA account holders are significantly more likely to be male, younger (18-34), not working, with lower household incomes. Typically, they are more likely than standard account holders to have at least one characteristic of vulnerability.

5.1.2 Routes to accessing BBAs

The survey reveals that only 25% of BBA account holders opened an account following a proactive approach by their provider. Of those with BBAs, 55% report that they had to approach a provider themselves to request this type of account. Bank approaches are more likely to be made to consumers who need help with budgeting and have experienced a challenging life event or situation in the last 12 months. The survey findings substantiate the Panel's prior concerns that firms are not being proactive enough about raising awareness of BBAs. The chart below depicts the different reasons that led respondents to open a BBA.

⁷ <https://www.fca.org.uk/news/press-releases/fca-warns-firms-and-finfluencers-keep-their-social-media-ads-lawful>

Basic Bank Account

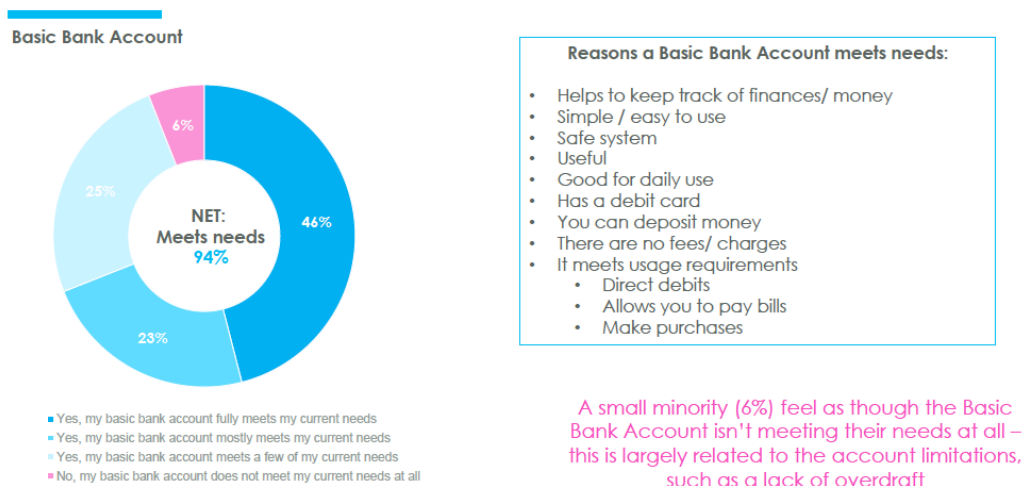


5.1.3 Motivations for opening a BBA

A fifth (20%) of respondents opened a BBA because it was the only bank account they could get. However, the majority were driven by wanting more help and support with managing their finances. The key reasons for taking out a BBA were to make things easier, help people manage their money, help with budgeting and stay debt free.

5.1.4 Positive feedback about value of BBAs

Feedback shows that BBAs are highly valued by those who have them. The majority of users expressed satisfaction with these accounts, with 94% stating that they effectively met their current needs by providing a simple and safe platform for their daily banking requirements. The charts below depict respondents' views on whether, and if so, the extent to which BBA met their current needs and reasons why.



5.2 Levels of awareness

5.2.1 Recognition high, understanding low

Awareness of BBAs is relatively high amongst those who don't have one. Of the 87% without a BBA, 17% claim to know a lot about them. 41% claim to know a little and 23% are familiar with the term but don't know anything about them. A fifth (20%) had never heard of them.

Respondents viewed them as *"no frills for those with a poor credit history...free to use...for everyday activities..."*.

However, when probed about the details, and presented with a range of true and false statements, some knowledge gaps were evident. For example, 38% incorrectly thought that BBAs offered an overdraft facility and paid interest.

5.2.2 Previous experience of BBAs

Of those who were aware of BBAs but did not have one, 9% report having a BBA in the past, 10% had been approached by their bank but decided not to open one and 3% had applied for one but been declined. Further analysis into this group shows that the most common reason (35%) was feeling that they didn't need a BBA and it wasn't suitable for their needs. Other reasons included never getting around to opening it, deciding they did not want one or a lack of understanding about the benefits.

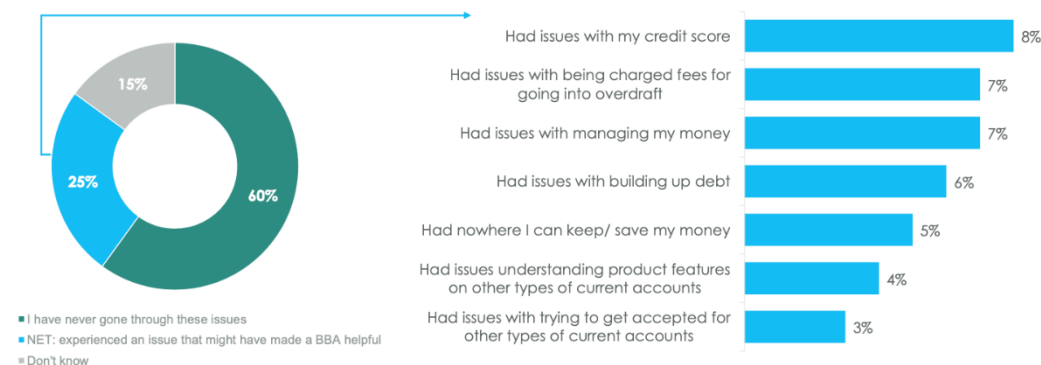
Of those who had been approached in the past to open a BBA, 23% were classed as being in vulnerable circumstances, 34% were in younger age groups (age 18-34), 39% had fallen behind on credit or bills and 43% had experienced events that would make a BBA helpful.

5.3 More consumers could benefit from BBAs

The survey found that 87% of respondents did not have a BBA. However, findings suggest that many of those without a BBA – particularly those in vulnerable circumstances - could benefit from one. Firstly, our analysis shows that a quarter (25%) of respondents without a BBA have experienced at least one issue where a BBA might have been helpful. For example, issues with their credit score, being charged overdraft fees or difficulties with managing money or building up debt. Secondly, 30% of respondents without a BBA, who are aware of them, think they could benefit from one. Of these, 34% had at least one characteristic of vulnerability: 53% had fallen behind on bills, 35% were in receipt of benefits, 40% had low confidence with managing money and 39% had experienced a challenging life event in the past year.

The charts below depict respondents' views on whether they had experienced issues which would have made a BBA helpful and where appropriate, provides a breakdown of what those issues were (the results reveal that in some cases, there was more one issue).

Issues experienced that might have made a BBA helpful



54

Q23. Have you ever gone through any of the following issues which might have made a basic bank account helpful? Base: all who do not hold a BBA (2602)



6 CONCLUSIONS

6.1 Payments

The Panel remains concerned that consumers do not fully understand protections, redress and costs and that claimed levels of understanding may be at odds with the real situation, which is varied and complex, with some newer payment methods having lower levels of protection or higher fees than some traditional methods⁸. It can be complicated for consumers to know what they are entitled to and how to resolve issues. Open Banking stands out in the Research as an area with high levels of consumer confusion about protections, redress and costs.

This complexity, combined with respondent being more likely to seek information from family and friends rather than official sources (See 4.6), underlines the need for firms to ensure that they have clearly communicated key information and that this has been understood by the consumer, as required by the Consumer Duty. Within the scope of this research project, it was not possible to test claimed levels of understanding against actual protection, redress and costs. Further research to assess this could be valuable.

6.2 Basic Bank Accounts

This research validates the Panel’s concerns that banks are not doing enough to make BBAs visible to consumers or proactively promote them. The survey shows that BBAs are well-regarded and valued by those who have them. We believe that BBAs provide a crucial banking facility, supported by protection and redress, for consumers to make and receive payments, plus store and withdraw money, when they do not have access to standard bank accounts due to, for example, a poor credit history.

⁸ ‘Future of Payments Review’ (November 2023), P.50-51, Figs 16 & 17-
https://assets.publishing.service.gov.uk/media/6557a1eb046ed400148b9b50/Future_of_Payments_Review_report.pdf

The research strongly suggests that more people - in particular, consumers with vulnerable characteristics and/or low financial resilience - could benefit from having a BBA. While banks may be promoting BBAs to consumers who have reached crisis point in their finances, the Panel believes that BBAs could be valuable to a greater number of vulnerable consumers, especially those in the earlier stages of financial difficulty, helping them to manage their finances in times of need and avoid more serious harm. Especially in the current economic climate, the Panel perceives BBAs as providing critical protection against the risk of financial exclusion, with the potential to deliver good outcomes for the most financially vulnerable.

Under the Consumer Duty firms have a responsibility to act in their customers' best interests and help them avoid foreseeable harm. Under the Duty, and PARS requirements, we would like to see banks being more proactive in identifying consumers who may benefit from these accounts and raising awareness of the most suitable banking products for their needs.

7 RECOMMENDATIONS

Based on the findings of our research we are making the following recommendations to the FCA. We will also use the findings to inform our ongoing and regular engagement with FCA teams, and contributions to consultations, where relevant.

7.1 Payments

- 1) The FCA should consider asking providers of non-traditional payment mechanisms how they are assuring themselves that their customers understand the information provided about the costs, risks protections and redress that apply to chosen payment mechanisms, as required by the consumer understanding outcome of the Consumer Duty.
- 2) The FCA should consider conducting consumer research to test consumers' actual understanding of the costs, risks, protections and redress that apply to the types of non-traditional payment mechanisms covered by the Panel's research. The FCA could also consider a mystery shopping exercise to test the usefulness of firms' information on this point.

7.2 Basic Bank Accounts

- 1) The FCA should explore with firms that are required to provide BBAs how they are promoting and making available BBAs (which, as per the Consumer Duty guidance includes actual and potential customers) so that all those who may benefit from a BBA are made aware of and can access them.
- 2) Given the importance of BBAs for consumers in vulnerable circumstances, the FCA should pay particular attention to whether and how firms are promoting and making available BBAs to these consumers.
- 3) The FCA should ensure that firms are promoting and making BBAs available through a wide range of communications channels in a way that is easily accessible to consumers, and in keeping with the Customer Support and Customer Understanding Outcomes under the Duty. This will ensure information reaches the greatest number of consumers, according to their circumstances, needs and preferences, enabling them to make suitably informed decisions.