

Overview

Payment Volumes and Values

	2016	2017	YoY	
Volume (m)	Credit and debit cards	396.7	477.7	20.4%
	- of which: contactless cards	61.7	129.1	109.3%
	Credit transfers	130.1	136.4	4.8%
	- of which: digital banking	36.0	45.8	27.3%
	Direct debits	55.5	56.9	2.4%
	Cheques	22.6	20.4	-9.7%
	2016	2017	YoY	
Value (€, bn)	Credit and debit cards	21.8	24.7	13.4%
	- of which: contactless cards	0.7	1.6	113.1%
	Credit transfers	635.8	712.3	12.0%
	Direct debits	49.1	51.0	4.0%
	Cheques	73.4	69.5	-5.3%

Sources: BPFI, Central Bank of Ireland

Note: Digital banking transactions are credit transfers initiated through personal online or mobile banking. Figures are partially estimated.

Key Findings

Card payment volumes rose by 20.4% year-on-year in H2 2017, boosted by continued growth in debit card usage and the adoption of contactless payments.

The value of contactless payments, comprising contactless card and mobile wallet payments, reached €1.6 billion in H2 2017, and more than one in four card payments were contactless.

Digital banking transaction volumes, including online and mobile banking, grew by 27.3% year-on-year to almost 46 million in H2 2017.

Cheque payments continued to decline in H2 2017, down 9.7% by volume year-on-year.

The value of ATM cash withdrawals fell on a year-on-year basis for the second successive quarter in Q4 2017, with some €9.8 billion in cash withdrawn in the second half of 2017.

Commentary

The latest *BPFI Payments Monitor* shows strong growth in card payments, driven mainly by the widespread acceptance and use of contactless payments and continued growth in digital banking. However, cash still dominates at the point of sale (POS).

- **Cards grow but cash dominates**

Payment card usage is growing fast but cash remains the main payment instrument in Ireland and in most European countries. The share of POS payments made in cash is falling, however, as account-based payments continue to grow and consumers use their accounts in new ways.

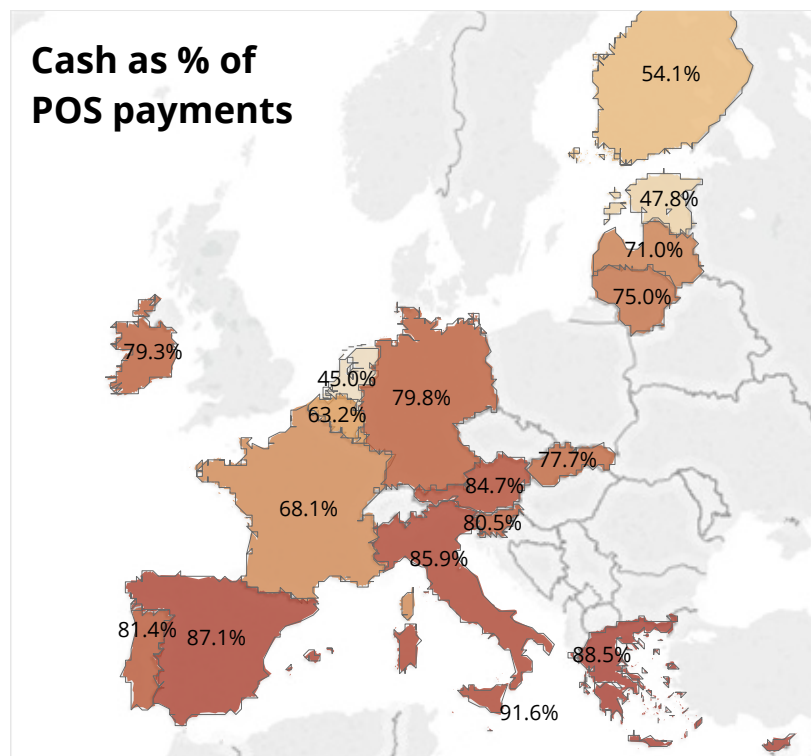
Some 79.3% of POS payments in Ireland in 2016 were made in cash, according to survey research published by the European Central Bank (ECB). That was similar to Germany but higher than in most northern European countries. In the Netherlands and Estonia, cash payments accounted for less than half of POS payments.

The same ECB research indicates that Irish people got cash (for example from ATMs, branches, friends or family) 1.7 times per week - joint highest with Portugal - but the average cash withdrawal (€73) was more than twice the Portuguese average.

There were positive signs in late 2017 that Irish consumers were weaning themselves off cash: the value of domestic cash withdrawals fell in 2017 and contactless payment usage soared.

Based on the experience in the UK, the share of POS payments made in cash is expected to fall in the coming years. UK Finance reports that cash accounted for 40% of payments in the UK in 2016 but it predicts that debit cards will overtake cash as the most popular payment instrument in late 2018.

With cash representing more than three quarters of POS payments in Ireland, we have much further to go. Assuming current trends continue, we estimate it will be at least 2020 before payment cards overtake cash in Ireland.



Sources: ECB (2017), Deutsche Bundesbank (2015) and De Nederlandsche Bank (2016)

Commentary

- Explosive growth in contactless card activity continues**

Contactless (which includes contactless payments with physical card and mobile-based payments from a card-linked account) is the key driver of payment card growth: contactless accounted for almost 82% of the 152 million increase in payment card volumes in 2017.

There were 129.1 million contactless card payments in the second half of 2017 valued at €1.6 billion. That equated to year-on-year increases of 109% and 113% in volume and value respectively.

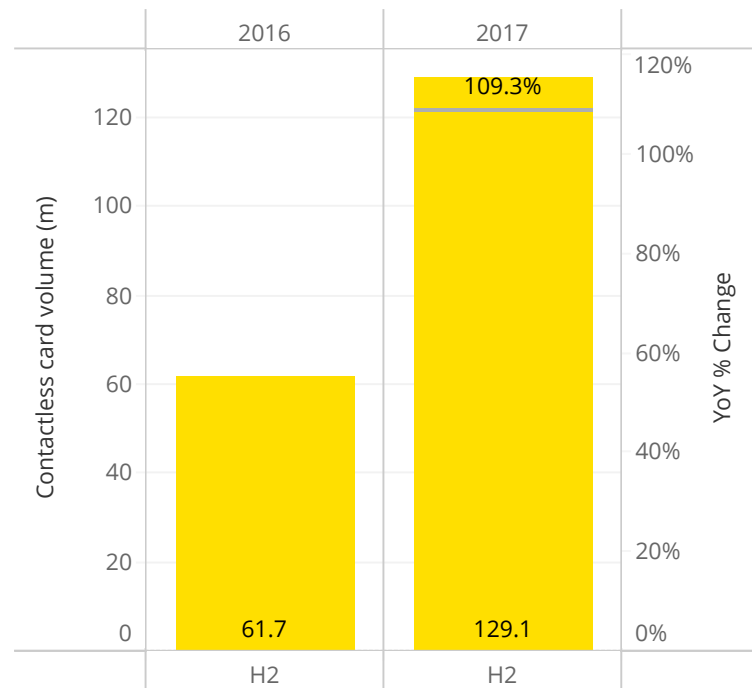
Most contactless card activity took place on debit cards (96% of the total). However, contactless is increasingly important for both card types: it represented 9% of credit card volume and 31% of debit card volume in Q4 2017.

- Digital banking grows and cheque usage falls**

Digital banking - credit transfers initiated via personal online or mobile banking channels - continued to grow, increasing by 27.3% year-on-year to 45.8 million in H2 2017. This means that about 34% credit transfers were conducted through digital banking in H2 2017, up from less than 29% a year earlier.

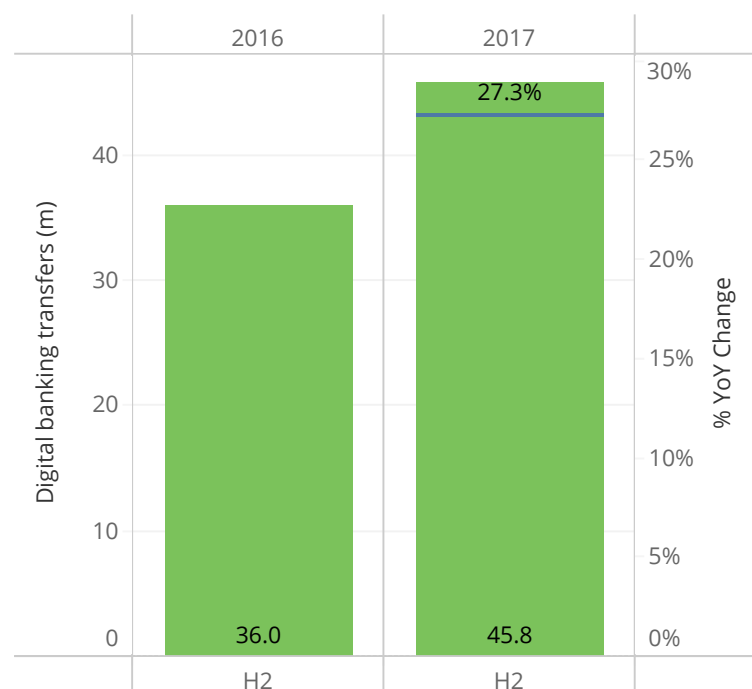
In late 2017, the Irish government began refunding water charges paid by domestic customers by issuing cheques in the post: almost one million cheques valued at more than €171 million were issued but some were not lodged until early 2018. Despite this unexpected boost to cheque activity, the use of cheques fell year-on-year in H2 2017: by 10% in volume and by 5% in value.

Contactless Cards



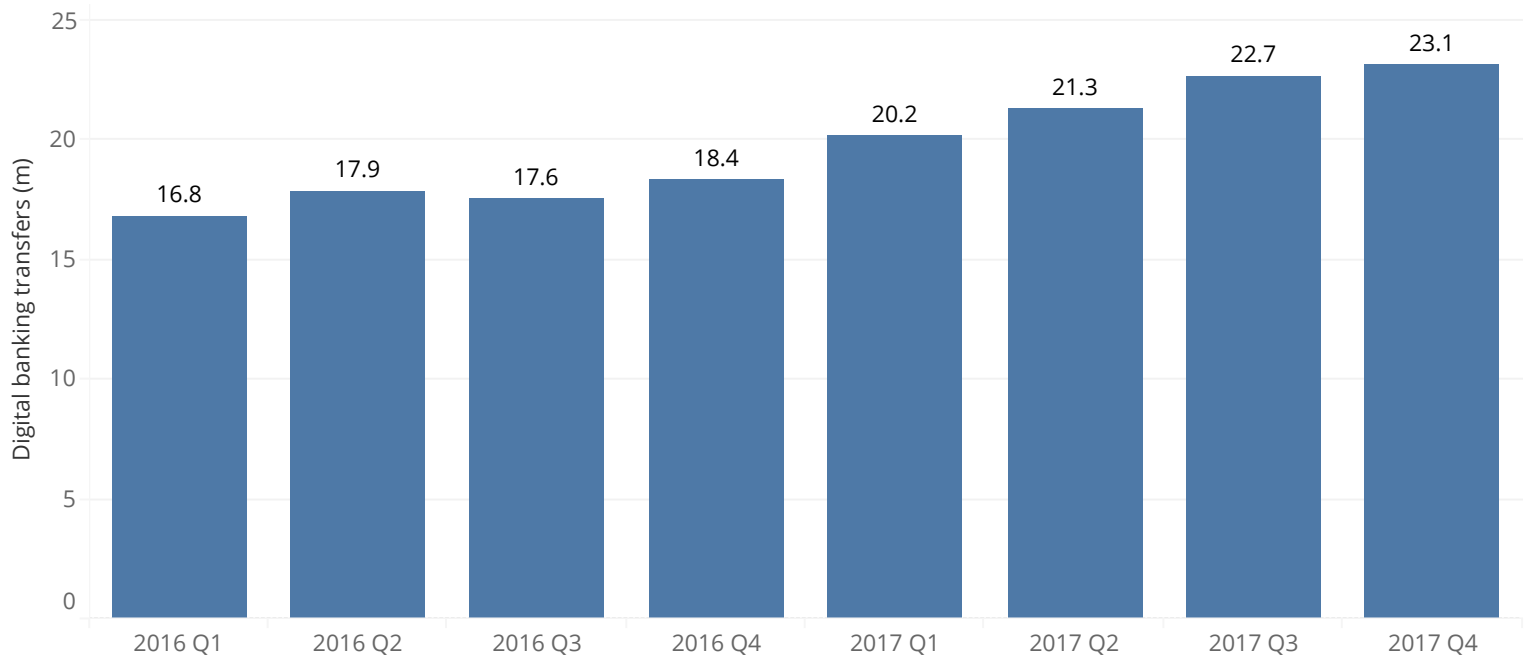
Source: BPF

Digital Banking



Source: BPF

Digital Banking



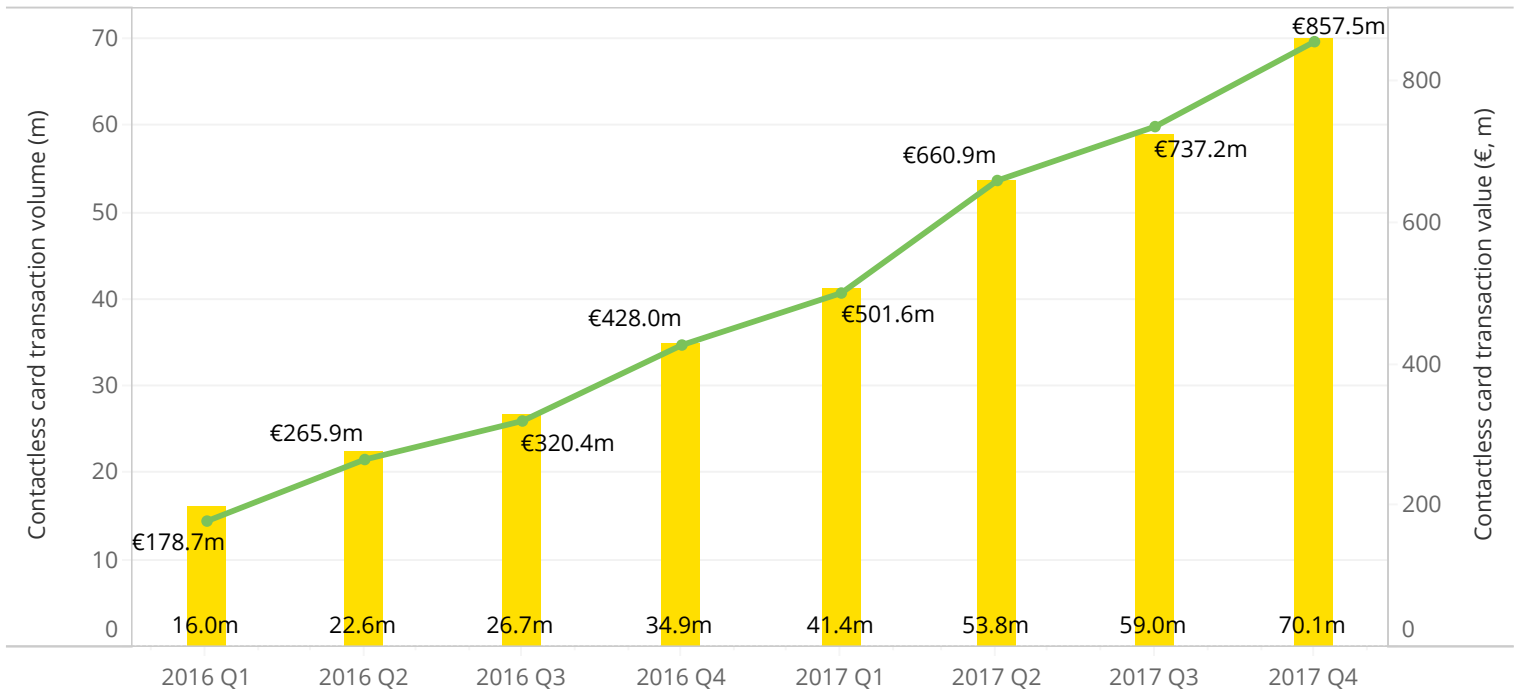
Source: BPF

Digital banking (credit transfers initiated via personal online or mobile banking) grew by 27.3% year-on-year to 45.8 million in H2 2017.

The penetration of digital banking transfers increased to 33.6% of credit transfers in H2 2017, up from 27.6% a year earlier.

In the past decade, digital banking activity has almost quadrupled: it has grown from 23.3 million payments in 2007 to 87.1 million last year. Some 71% of individuals who used the Internet in the previous three months reported using it for digital banking, according to the Central Statistics Office, up from 45% in 2008. This is on a par with the UK and France but behind Scandinavian and Benelux countries.

Contactless Payment Cards

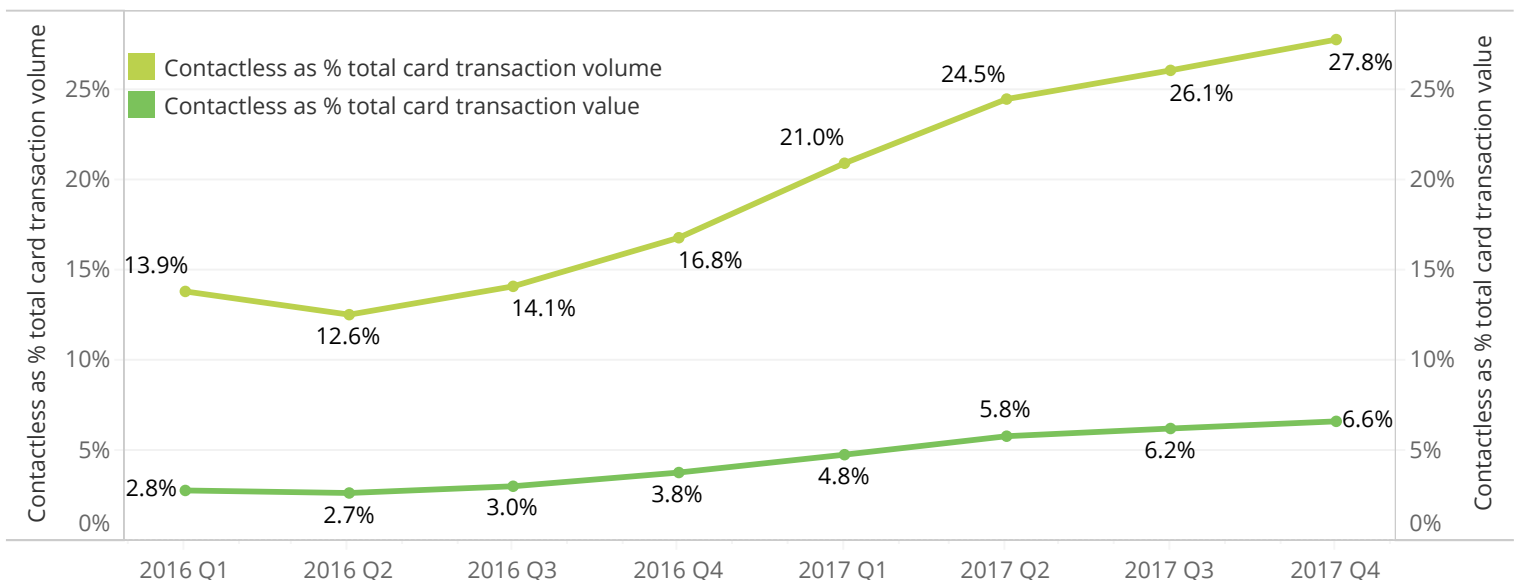


Source: BPFi

By the end of 2017, more than 4.2 million debit cards and over one million credit cards in issue had contactless payment functionality.

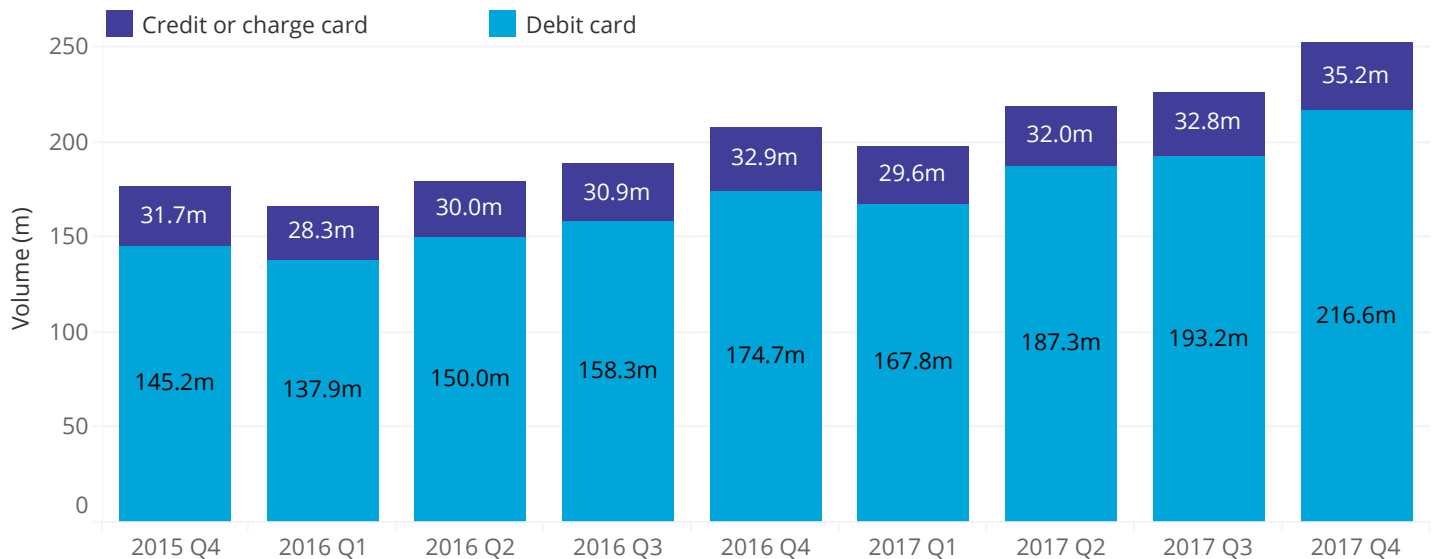
In H2 2017, contactless payments grew by 109% year-on-year in volume terms and by 113% in value terms.

On average, cardholders made almost 27 payments per card in the second half of 2017 and spent more than €326 per card using contactless technology.



Source: BPFi

Credit & Debit Cards

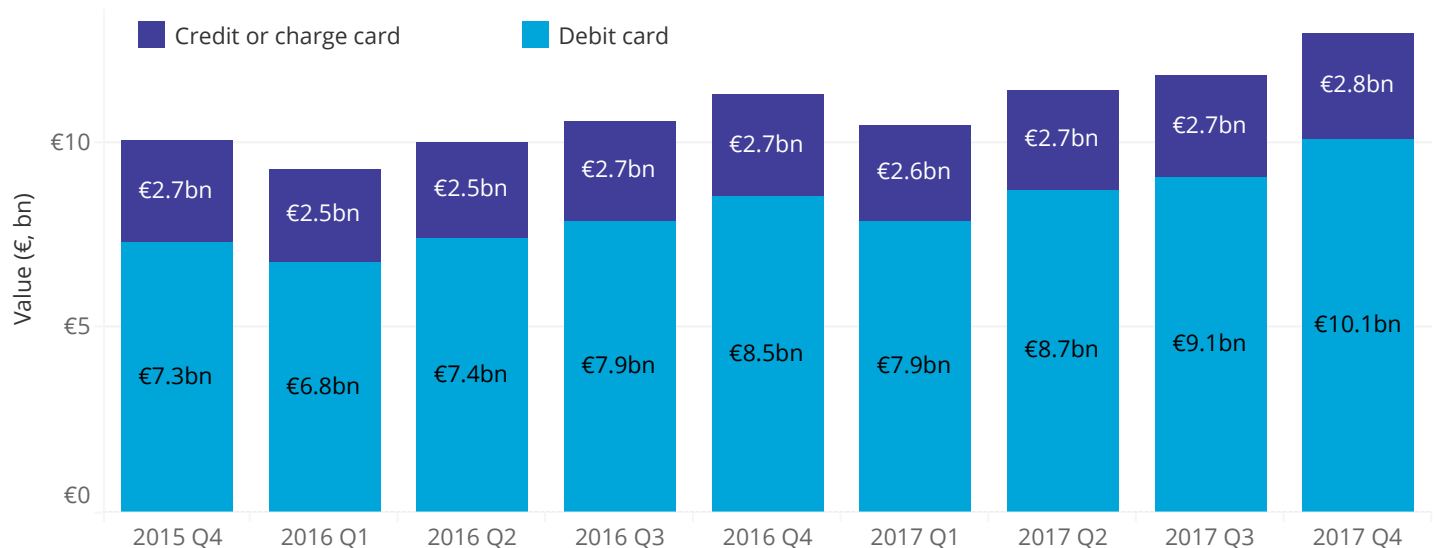


Source: Central Bank of Ireland

Payment card usage (including contactless card payments) continued to grow strongly in H2 2017, driven mainly by a significant increase in debit card activity, according to the Central Bank of Ireland (CBI). Debit card volumes grew by 23.1% year-on-year and credit card volumes by 6.6%.

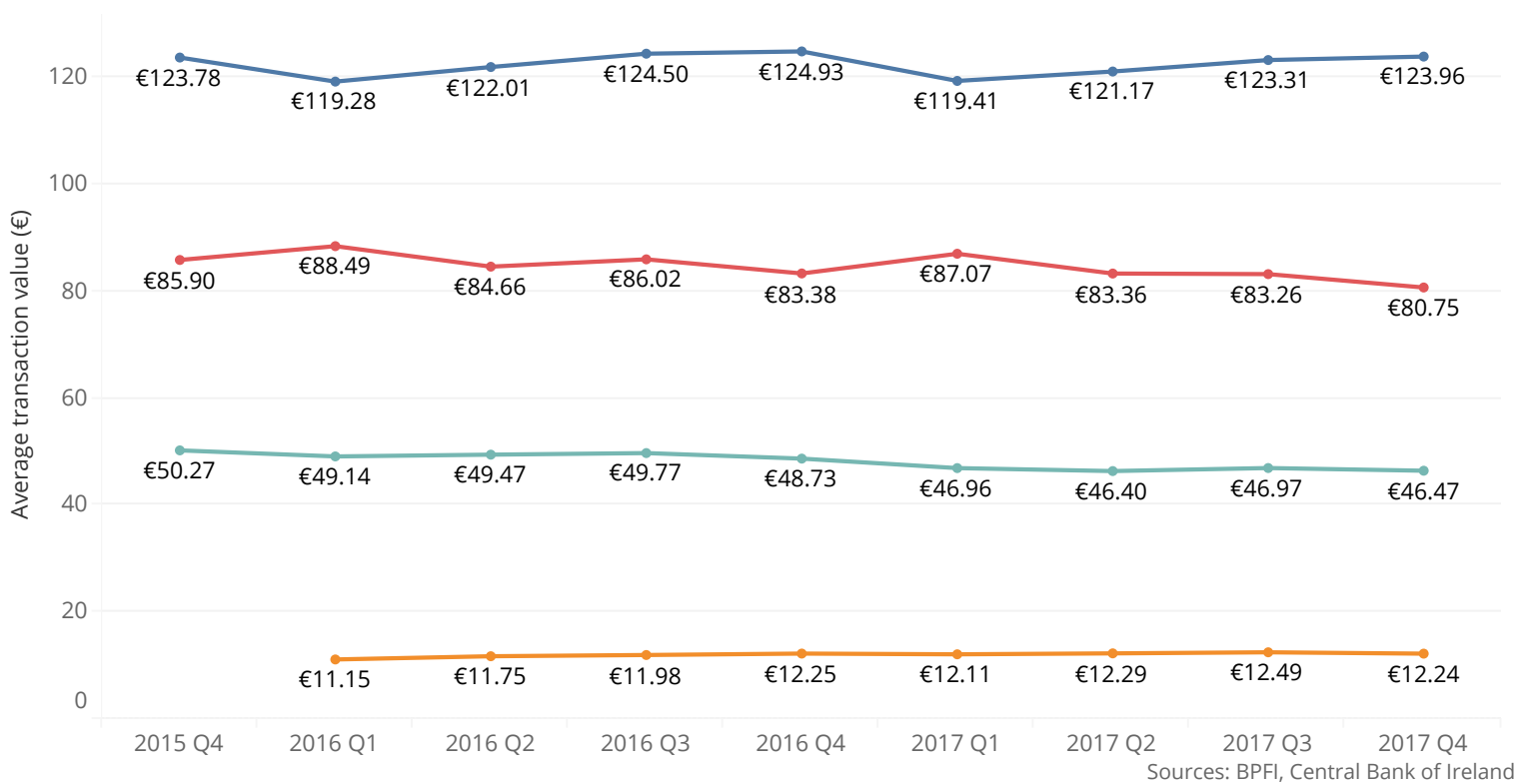
There were 4.9 million debit cards in issue (4.2 million active cards) by the end of 2017, compared with 1.9 million credit cards (1.5 million active cards).

Debit cardholders made 98 payments per active card in H2 2017, spending €4,578 per card, up from 83 payments valued at €4,073 per card in H2 2016. Active credit cardholders spent €3,595 per card on about 44 transactions per card in H2 2017.



Source: Central Bank of Ireland

Average Card Transaction Value



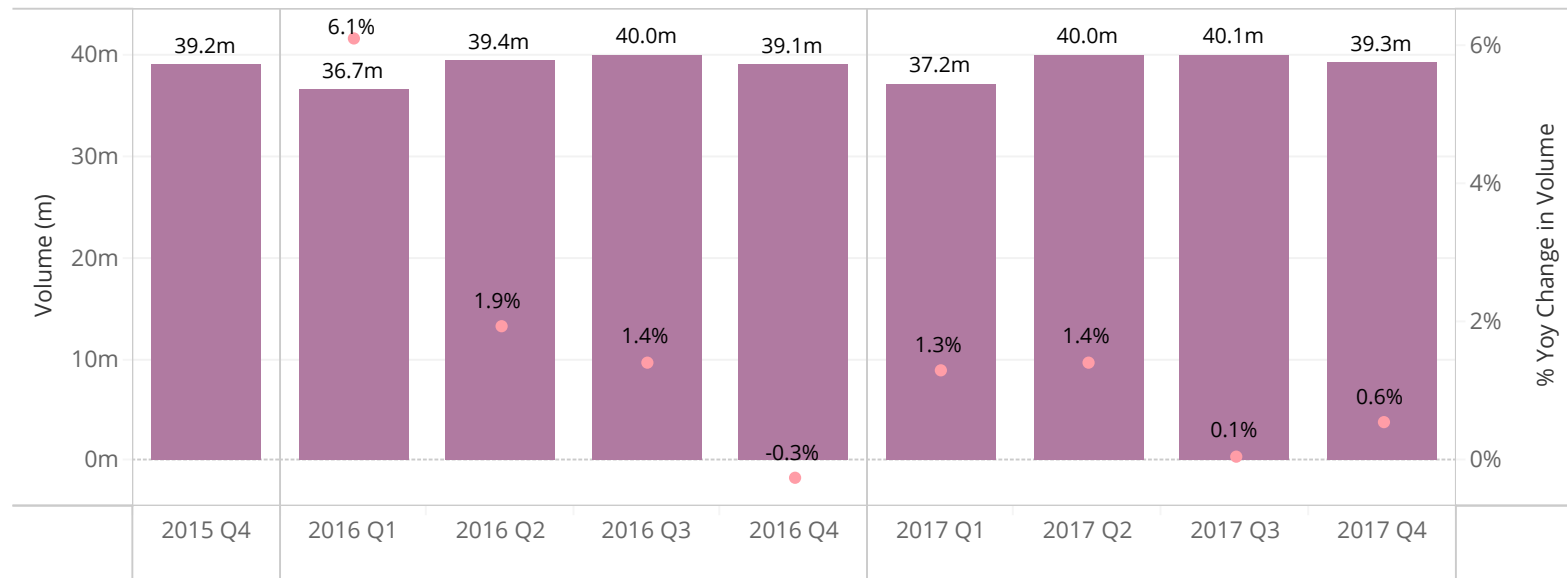
- Debit card ATM cash withdrawal
- Credit card payment
- Debit card payment
- Contactless payment (credit or debit)

The average cash withdrawal with Irish debit cards fell slightly year-on-year in Q4 2017 to about €123.96. Trends in recent years suggest that the average value rises during the year.

The average credit card and debit card payment transaction fell to €80.75 and €46.47, respectively.

The average contactless payment, which are capped at €30 for card-based transactions, was largely unchanged at €12.24.

ATMs



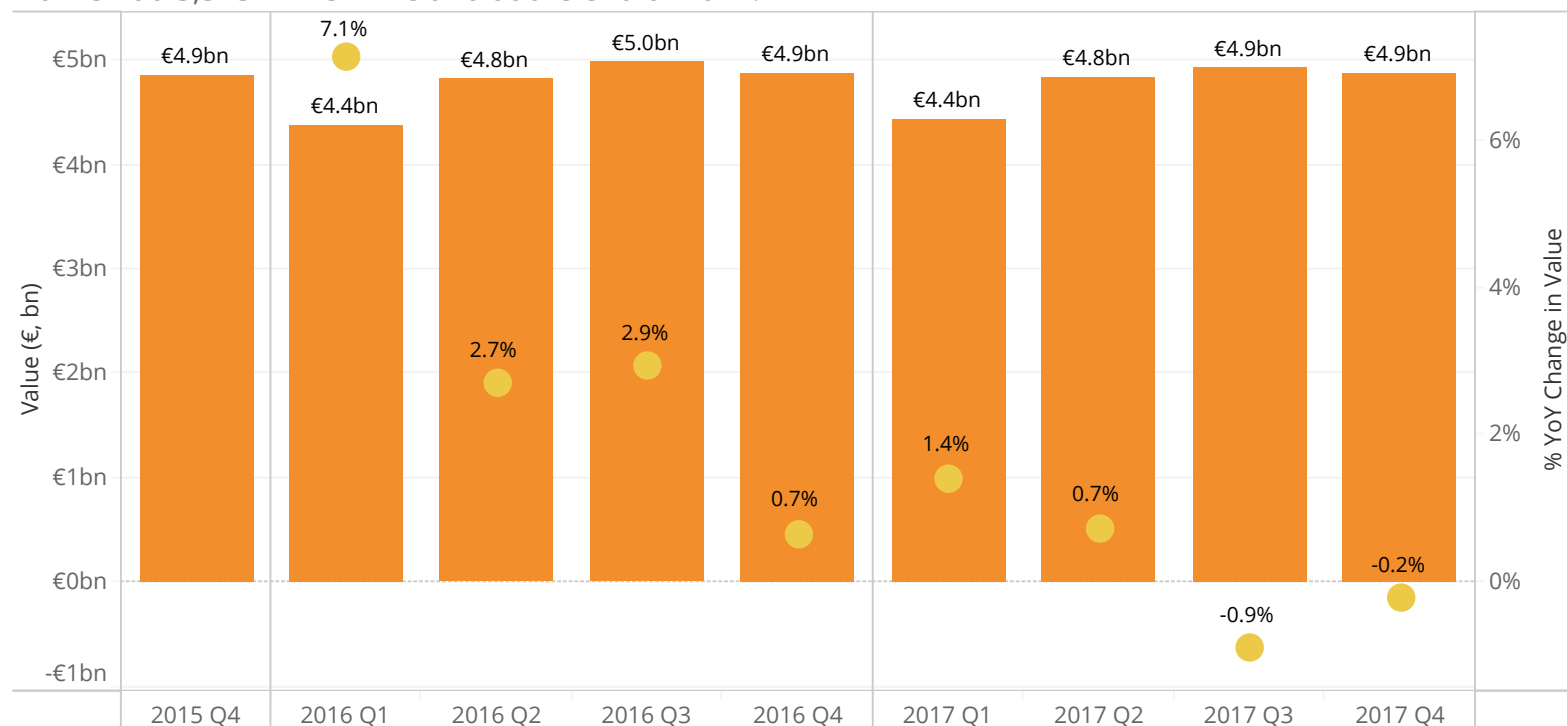
ATM Usage - Irish Debit Cards

Source: Central Bank of Ireland

Irish debit cards were used to make 79.4 million cash withdrawals in Ireland and abroad in H2 2017, a 0.3% increase on H2 2016. Some €9.8 billion in cash was withdrawn, down 0.6% on the same period of 2016.

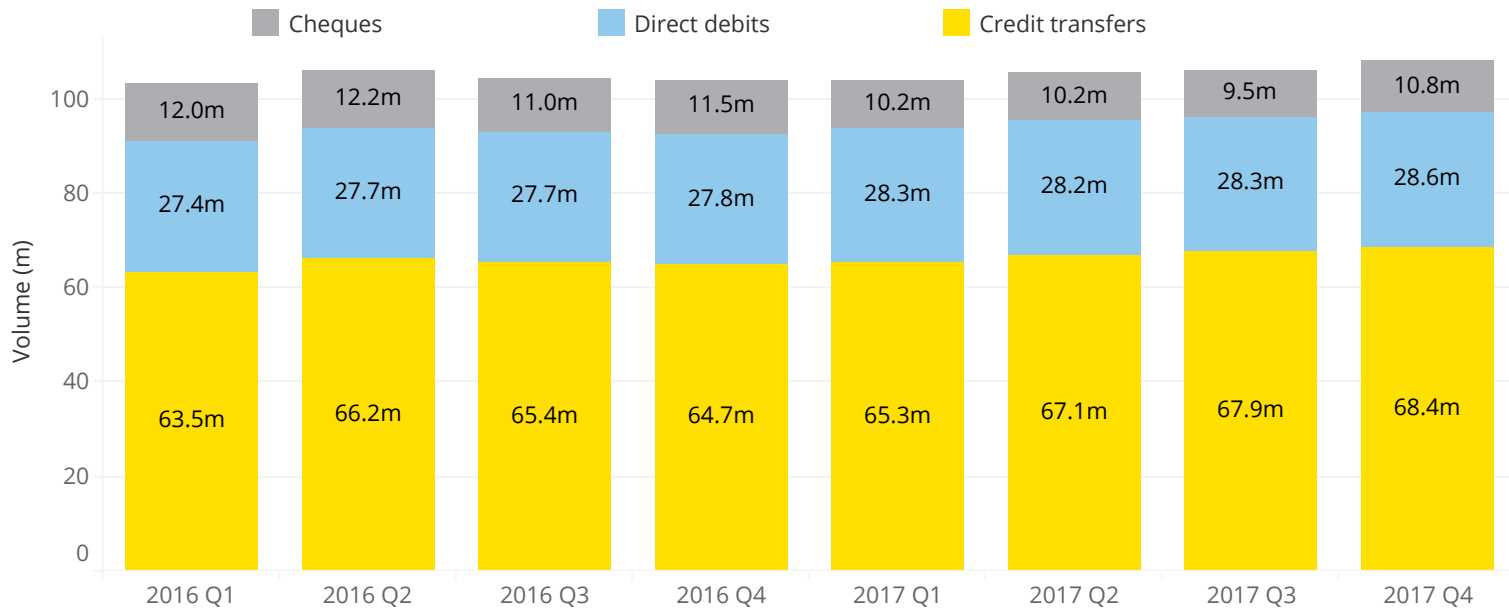
BPFI estimates that 6% of the volume and value of cash withdrawals at Irish bank ATMs are made on cards issued outside Ireland. Similarly, about 5% of the value of cash withdrawals on Irish debit cards are made abroad, based on CBI data.

Banks had 3,373 ATMs in Ireland at the end of 2017.



Source: Central Bank of Ireland

Cheques, Credit Transfers and Direct Debits - Domestic

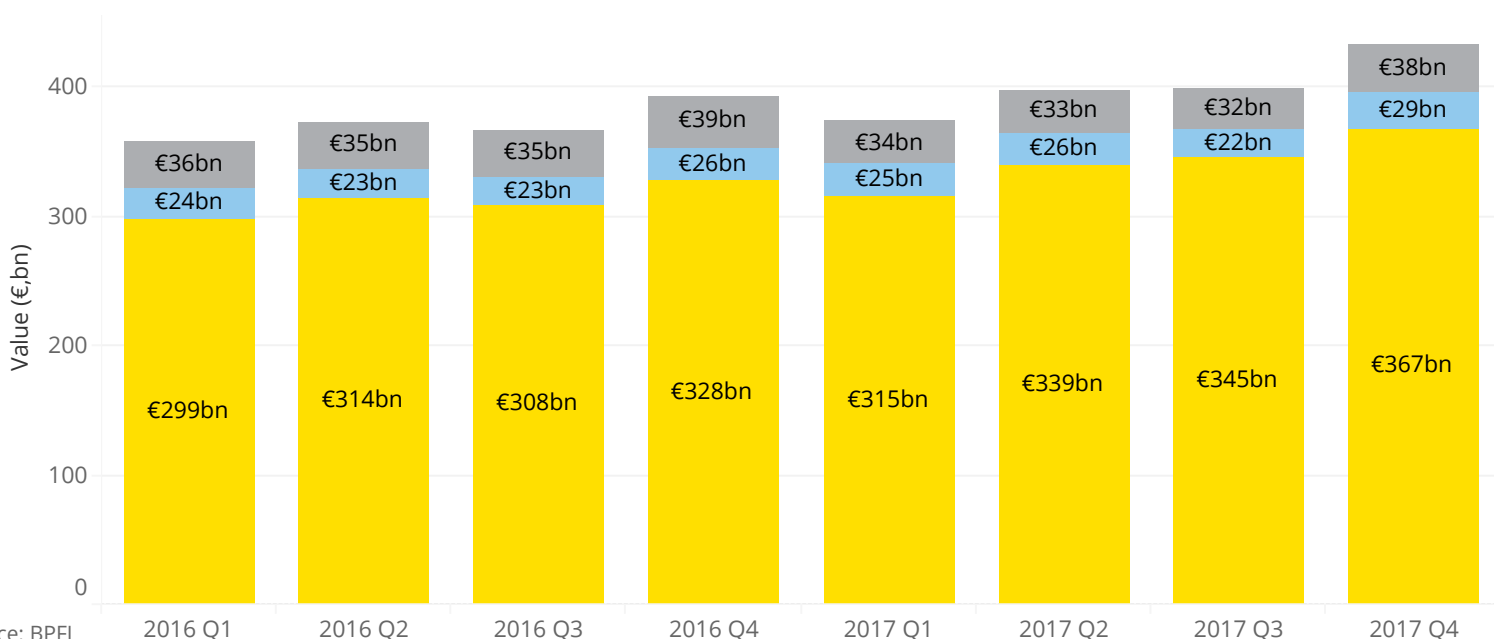


Source: BPFi

Cheque usage continued to fall in H2 2017, dropping by 9.7% in volume terms year-on-year and by 5.3% in value terms. This was despite the government's decision to refund Irish Water charges in late 2017 by cheque.

Domestic credit transfer volumes, which include online and mobile banking transfers, grew by 4.8% year-on-year, while domestic direct debit volumes rose by 2.4%.

Only 1.4% of the volume of domestic credit transfers in H2 2017 was paper-based.



Source: BPFi

About the Report

Notes

The information presented here is based on a combination of data reported by member banks to Banking & Payments Federation Ireland (BPFI) and data published by the Central Bank of Ireland (CBI).

The following data is collected from member banks (AIB, BNP Paribas - Dublin branch, Bank of Ireland, Danske Bank A/S, KBC Bank Ireland, permanent tsb, Ulster Bank) and produced by BPFI:

Contactless cards

ATMs

Cheques, credit transfers and direct debits

Digital banking

The following data has been obtained from the CBI:

Credit and debit card usage

ATM usage

Disclaimer

This report is based on statistical information supplied to BPFI by the member institutions listed herein. While every effort has been made to ensure the accuracy of information included in this report, BPFI can accept no responsibility for errors contained herein. This report is not to be reproduced in whole or in part without prior permission. Figures may not sum due to rounding. The full data series will be maintained on the BPFI website (www.bpfi.ie).

About Us

Banking & Payments Federation Ireland (BPFI) is the principal voice of the banking, payments and fintech sector in Ireland. For queries, contact Anthony O'Brien, Head of Sector Research & Analysis, BPFI at 01-4748810 or anthony.obrien@bpfi.ie.

Card payments

Card payments include debit, credit and contactless card payments.

A *debit card* operates much like cash. When a debit card is used the money is deducted directly from the cardholder's current account. Debit cardholders can only spend funds available in their current accounts. Debit cards usually also allow for instant withdrawal of cash at ATMs and most offer a cashback facility when making purchases in retail outlets that allow customers to withdraw cash along with their purchase.

A *credit card* is used to make purchases or to withdraw cash using a credit facility provided by the card issuer. Credit cards have a minimum monthly payment that must be paid by a certain due date to avoid late-payment penalties. Cardholders may pay their outstanding balance in full, a minimum amount required as outlined in their bill or another amount of their choosing.

Many credit and debit cards and their accounts also facilitate *contactless payment* technology. Cardholders pay by holding the payment card or phone with a mobile wallet such as Apple Pay or Android Pay up to a secure reader in a retail outlet. Credit and debit card payment activity in this report includes contactless payment activity.

Direct debits

A direct debit is an instruction from a customer (debtor) to their bank or payment services provider, authorising an organisation (creditor) to collect variable or fixed amounts from their account, as long as the customer (debtor) is given advance notice of the collection amounts and dates. Direct debits are usually used for regular bill payments, including utilities.

Credit transfers

A credit transfer is a payment instruction from a customer (originator/payer) to its bank or payment service provider to transfer an amount of money to another account (beneficiary/ payee). The SEPA Credit Transfer (SCT) scheme facilitates the execution of credit transfers in euro between customer accounts located in SEPA. Online and mobile banking transfers are types of credit transfers, as are large value corporate or interbank payments.

Cheques

A cheque is an instruction in writing from an account holder to their bank to pay a specified sum of money to a designated beneficiary.