



Canadian Payments: Methods and Trends

2020



PAYMENTS
CANADA



Canadian Payments: Methods and Trends 2020

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RESEARCH AT A GLANCE

A look at how payments trends point to surge in electronic payments in Canada



In 2019, the total payments market in Canada grew to **22 billion consumer** and **business transactions worth \$9.9 trillion**.

Key themes:



More Canadians embrace **electronic payments** to **replace** cheque and cash use.

Cheques on Page 19 ➤

Cash on Page 9 ➤



Overall, cheque volume **decreased by 12 per cent** and **seven per cent** in value from 2018. Of note, consumer cheque usage **dropped** nearly **30 per cent** over the past five years



Cheques remain pertinent for commercial transactions, making up more than **40 per cent of commercial transaction value**.



Over the past five years, cash volume has decreased **38 per cent**, mostly losing volume to card payments.



Contactless payments continue their **exponential growth**, making up a third of all point-of-sale transactions.

Contactless payments on page 14 ➤



Contactless payments grew **15 per cent** in volume and **20 per cent** in value from 2018.



Consumers continue to **substitute cash transactions** with **contactless** debit and credit **“tap”** transactions.



Mobile and **wearable contactless** adoption continues to **grow** as more Canadians **embrace mobile wallet** use.





EFT continues to **dominate payments** in value, making up over **50 per cent** of total payments value.

EFT on page 20 ➤

Business payments on 34 ➤



EFT transactions continue to be used for high value transactions, shown by a **six per cent increase** in value from 2018. This further points to the migration of paper cheques to **electronic substitutes** for commercial transactions.



Consumer use of EFT also continues to **grow** as consumers **adopt pre-authorized debits** (PADs) for bill payments and recurring payments.



Online transfers continue their **explosive growth** with around **30 per cent growth** in volume and value.

Online transfers on 20 ➤

Featured analysis on 22 ➤



Online transfers have become the **key facilitators** for **peer-to-peer transactions** at the expense of cash and cheques.



Online transfer service providers continue to **innovate** with faster and more convenient features to meet consumer and commercial payments needs.



Credit cards show **significant growth** at the POS, and became the **most used POS payment method** for the first time in 2019.

Credit cards on page 12 ➤



Credit card transactions **grew 16 per cent** in volume from 2018, marking the **biggest jump** in credit card usage over the **past five years**.



Canadian use of credit cards has been **historically high** and the **growing e-commerce market** continues to contribute to **high credit card use**.

The impact of COVID-19 on Canadian payments trends.

The COVID-19 pandemic has deeply impacted the global payments industry in early 2020, as millions of businesses and consumers began to shift their payments behaviour. Payments Canada started to see this shift in new data from a [Payments Canada study on payment trends during COVID-19](#) released earlier this year. The annual Canadian Payments: Methods and Trends report is a point-in-time account of payments in Canada. The 2020 report remains focused exclusively on 2019 payments methods and trends and does not reflect any impacts of COVID-19 on payments behaviour.

EXECUTIVE SUMMARY

The Canadian economy depends on the exchange of hundreds of billions of dollars each day. Payments Canada is responsible for operating Canada's clearing and settlement infrastructure, and defining the processes and rules required to support the infrastructure. As the owner and operator of the *Automated Clearing and Settlement System (ACSS)* and *Large Value Transfer System (LVTs)*, Payments Canada plays a vital role in the Canadian financial system.

Every year, Payments Canada provides an overview of the payments trends observed in Canada through the publication of the *Canadian Payments: Methods and Trends (CPMT) report*. The main objective of the CPMT report is to provide a holistic view of the payments market in Canada. This overview of payments behaviour and trends illustrates Canadians' use of different payment methods, and demonstrates shifts in payment behaviours.

From 2018 to 2019, the payments market in Canada grew by one per cent in value from \$9.8 trillion to \$9.9 trillion, and by four per cent in volume from 21 billion consumer and business transactions to 22 billion transactions. When compared to the data from the previous five years, we observed a significant rise in the volume and value of electronic payment methods, accompanied by a widespread shift away from paper-based payment methods. This shift away from paper payment methods is expected to continue.

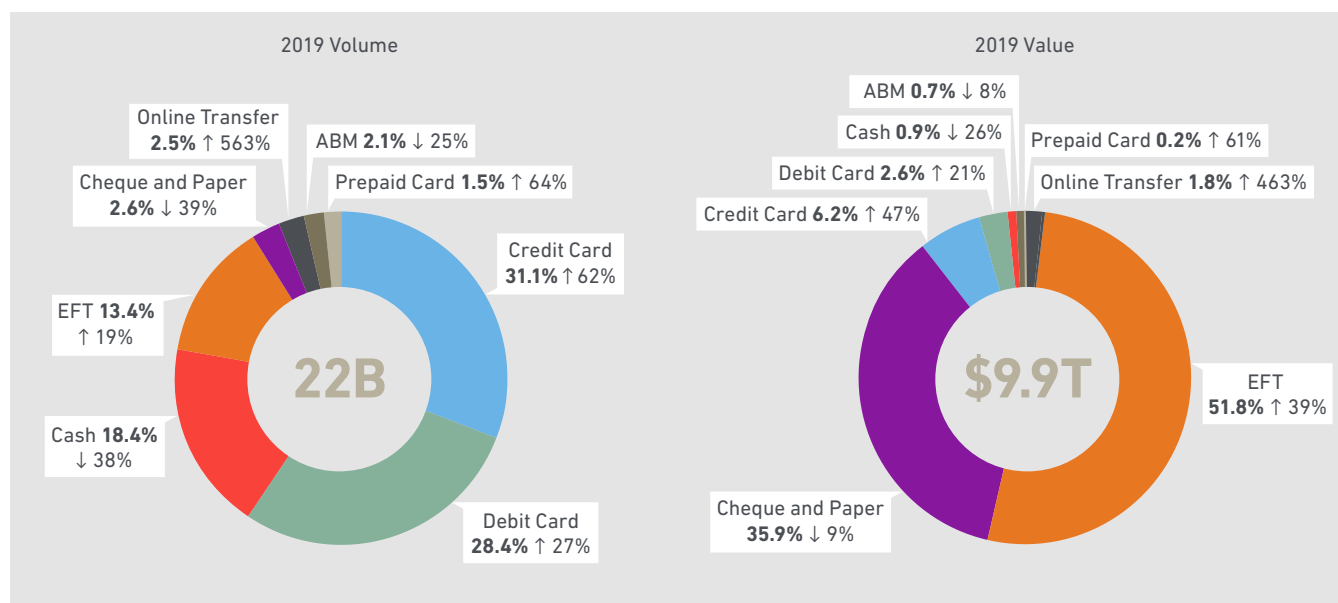
In 2019, debit and credit cards continued to make up the largest portion of total transaction volume (28 per cent and 31 per cent respectively), while electronic funds transfer (EFT) and cheque transactions still dominated the transaction value (52 per cent and 36 per cent respectively) as seen in **Figure 1**. For the first time in 2019, credit card use exceeded debit card use. Commercial use of EFT continued growing at a steady pace. Consumer cheque use declined by nearly six per cent, with corporate use of cheque declining 15 per cent from 2018. Even with declining use, the average cheque value increased by five per cent to \$6,142, demonstrating that cheques remain an important payment option for large value payments. Emerging payments methods, like contactless payments, online transfers and e-commerce, continue to grow as Canadians' payments needs evolve.



In early 2020, the COVID-19 pandemic began to impact the payments market in Canada in profound ways. However, this report focuses exclusively on 2019 and will not reflect any impacts of COVID-19 on payments behaviour.



Figure 1: 2019 Total Payment Transaction Volume and Value¹



Canadians transact in two very different environments: the point-of-sale and the remote payments environments.

The Point-of-Sale Environment

The point-of-sale (POS) environment includes transactions that take place in either physical or virtual payee locations (i.e., brick and mortar merchants or online vendors), including in-app and other e-commerce transactions. POS payments account for 82 per cent of the total Canadian transaction volume, but only 10 per cent of the total transaction value. POS volume consists of consumer-initiated payments. The POS environment continues to be shaped by Canadians' preference for fast and convenient payments.

The following changes were observed from 2018:

Table 1: Point-of-Sale Year over Year Growth (Volume and Value)

Payment Method	2018 Volume	2019 Volume	Change	2018 Value	2019 Value	Change
	in Millions of Transactions		%	in Millions of Dollars		%
Cash	4,467.0	4,065.0	-9.0%	92,096.0	85,649.0	-7.0%
Debit Card (total) ²	6,050.0	6,256.0	3.4%	255,600.0	259,255.0	1.4%
Debit Card (contactless only) ³	2,370.0	2,440.0	3.0%	45,300.0	46,666.0	3.0%
Credit Card (total) ⁴	5,346.0	6,207.4	16.1%	499,105.1	556,714.4	11.5%
Credit Card (contactless only)	1,750.9	2,280.6	30.3%	84,569.0	110,153.8	30.3%
Prepaid Card	304.0	328.7	8.1%	18,155.2	19,237.0	6.0%
ABM ⁵	499.0	466.1	-6.6%	68,216.6	67,082.0	-1.7%
TOTAL	16,666.0	17,323.2	3.9%	933,172.9	987,937.4	5.9%

¹ The arrows represent the growth and decline of the key payments methods between 2014 and 2019.

² Debit card totals include all transactions (i.e., POS, card on file, in-app, contactless, and online).

³ A contactless payment is a method for consumers to purchase products/ services using RFID technology for near-field communication (NFC); also referred to as "tap to pay".

⁴ Credit card totals include all transactions (i.e., POS, card on file, contactless, and online) except for remote credit card transactions.

⁵ ABM transactions are used to obtain cash, where the cash is used for actual payments.

The Remote Payments Environment

Remote transactions include all the transactions that are not made at physical (brick and mortar) and virtual (online) payee locations. Instead, payors use financial institutions or payment service providers as intermediaries that move funds to intended payees through their services. These transactions represent 90 per cent of the total Canadian transaction value, but only 18 per cent of the total volume. Remote payments value is high because it consists of many large commercial payments as well as income and benefit payments to households. Payment instrument choice for remote payments is driven by a need for wide acceptance, security and convenience.

The following changes were observed from 2018:

Table 2: Remote Year over Year Growth (Volume and Value)

Payment Method	2018 Volume	2019 Volume	Change	2018 Value	2019 Value	Change
	in Millions of Transactions		%	in Millions of Dollars		%
EFT ⁶	2,846.0	2,947.0	3.5%	4,889,626.6	5,178,683.0	5.9%
Cheque and Paper (total)	667.0	583.9	-12.5%	3,891,136.0	3,586,221.0	-7.8%
Cheque (personal)	205.2	194.0	-5.5%	79,750.0	76,375.0	-4.2%
Cheque (commercial) ⁷	461.8	389.9	-15.6%	3,811,386.0	3,509,846.0	-7.9%
Online Transfer	397.0	540.6	36.2%	134,769.7	178,224.9	32.2%
Remote Credit Card ⁸	590.7	685.9	16.1%	55,149.7	61,515.4	11.5%
TOTAL	5,168.0	5,341.2	3.36%	12,861,818.0	12,590,865.3	-2.1%

⁶ EFT transactions include direct deposits, pre-authorized payments and online bill payments made from deposit accounts.

⁷ The inclusion of SET (Settlement and Exchange) cheque transactions, which are intraday movements of funds by financial institutions, inflate the overall value of cheques significantly.

⁸ Credit cards are predominantly used in POS environments. However, they can also be used in the remote environment to pay for bills, including memberships, subscriptions, insurance and utilities.

METHODOLOGY

Payments Canada works closely with payment service providers, payment consultants and researchers to compile a comprehensive 2019 data set and provide insights as to how Canadian consumers and businesses pay. The general methodology involves a combination of industry data and market research.⁹ Industry data are derived primarily from ACSS (Automated Clearing and Settlement System) data, industry payment card use data, and experts.¹⁰ Data was also collected from payment service providers and payment networks on an aggregated annual basis, based on actual payment instrument use data. Market survey research is used to fill data gaps and to provide detailed insights.

The report compares data collected from 2019 with data from previous reports, allowing for ongoing analysis of trends. In the following sections, 2014 and 2019 data are compared to understand how payments trends have evolved.¹¹ Year-over-year comparisons (2018 to 2019) are also considered.

Securities and derivatives transactions and trades are excluded from the research.¹² Payments types that have not reached significant volumes are also excluded. This includes payment methods that are less than one per cent of total transaction volume or value (such as virtual currencies).¹³ Finally, LVTS (wire) transactions are excluded as they would warrant a form of double counting as the payments volume and value information in this report is derived from the clearing data.¹⁴

⁹ [Appendix II](#) includes details on methodology and assumptions, including consumer and business survey market research methodologies.

¹⁰ The CPMT also includes value transactions that may not specifically be used for the exchange of goods and services. For instance, ABM transactions are used to obtain cash, where the cash is used for actual payments. Both types of transactions fall within the scope of this research, as each forms an important element of the Canadian payments market. Payments Canada recognizes how this might pose as a form of double counting.

¹¹ To view older reports, please see: [Canadian Payment Methods and Trends: 2019](#), Payments Canada Discussion Paper No. 9, December 2019. [Canadian Payment Methods and Trends, 2018](#), Payments Canada Discussion Paper No. 8, December 2018. Please note that certain methodologies for data collection were updated over the past two years when directly comparing figures from older CPMT reports to figures presented here.

¹² When a payment is made to purchase investments, the transaction will be counted among the appropriate payments segments. When derivatives, securities and other assets are exchanged and no payment is required or results, the exchange of value is not included.

¹³ Only seven per cent of adult Canadians have ever used a virtual currency. For more information about consumer familiarity and likelihood to use Bitcoin, please see the results of the [2019 Bitcoin Sentiment Tracker](#) by Payments Canada.

¹⁴ For analysis on LVTS, please see Payments Canada's [Annual Report](#).



THE PAYMENTS LANDSCAPE

The Canadian payments ecosystem continues to be influenced by domestic and international innovation, payment system modernization and regulators' efforts to define the payments industry of the future. Canadian consumers and businesses have made it apparent that when it comes to payments, efficiency and convenience are vital.

In order to create more convenient opportunities for business payments, Payments Canada introduced a **third Automated Funds Transfer (AFT) exchange window** and **two hour funds availability** in 2018. This provided Canadian businesses with expanded access to AFT payments.¹⁵ In 2019, the AFT exchange saw a shift in volumes as businesses took advantage of the third exchange, especially businesses in Western Canada.

Regulators continued to work towards creating comprehensive policies that address the evolving payments ecosystem. The Federal Retail Payments Oversight Framework (RPOF) was created to enhance customer financial protection and to provide additional opportunities for Payment Service Providers (PSPs) to innovate within the payments sector.¹⁶ In 2019, RPOF moved forward as an official initiative in the federal government's budget to oversee new payment services providers and outline their roles in the payments ecosystem.¹⁷

The Department of Finance released a report on their ongoing open banking consultation, indicating further development of a framework for open banking (referred to as "consumer-directed finance") in Canada.¹⁸ The Senate of Canada also released an open banking report with recommendations that address consumers' rights to their banking data and accompanying financial protections.



¹⁵ For more, please see: <https://www.payments.ca/about-us/news/payments-industry-delivers-next-milestone-modernization-journey-faster-more-convenient>.

¹⁶ For more, please see: <https://www.payments.ca/about-us/news/payments-canada-response-department-finance-canadas-consultation-new-retail-payments>.

¹⁷ For more, please see: <https://www.budget.gc.ca/2019/docs/plan/toc-tdm-en.html>.

¹⁸ For more, please see: <https://www.canada.ca/en/departement-finance/programs/consultations/2019/open-banking/report.html>.

FINDINGS

The sections below build on a number of different data streams in order to provide a comprehensive view of consumer and business payment behaviour conducted at the point-of-sale payments environment and the remote payments environment.

Five-Year Canadian Payments Transaction Trends

In 2019, the Canadian payments market consisted of 22 billion transactions, worth around \$9.9 trillion. Since 2014, the total payments market has increased by an average of one per cent per year in volume, and an average of five per cent per year in value (**Table 3**).¹⁹

The average annual rate of inflation in Canada is 1.7 per cent over the past five years.²⁰ Between 2014 and 2019, Canadian household consumption expenditure grew at 4.4 per cent per year,²¹ which points to increased spending by Canadians.

One of the most significant shifts between 2014 and 2019 was the decline in paper based payments. Cash transaction volumes declined by 38 per cent over the five year period, with many cash transactions at the POS migrating to card payments. Debit and credit cards now make up 28 and 31 per cent of total payments volume, respectively. Credit cards have demonstrated substantial growth, with a 62 per cent increase in volume relative to 2014 (for more on credit card growth, see the **credit card** section). This growth is driven, in part, by increased e-commerce volumes and merchant acceptance of contactless payments.

EFT and cheque transactions together represent just over 15 per cent of total transaction volumes and 87 per cent of total payment value. Since 2014, there has been a continuing shift away from cheques and sustained growth in EFT volumes and values.

Table 3: All Payment Methods Annual Totals

Payment Method	Total Volume 2014		Total Volume 2019		Change	Total Value 2014		Total Value 2019		Change
	in Millions	% of Total Volume	in Millions	% of Total Volume	%	\$ Millions	% of Total Value	\$ millions	% of Total Value	%
Credit Card	4,230.0	21.1%	6,859.0	31.1%	62.2%	418,358.3	4.9%	615,154.4	6.2%	47.0%
Debit Card	4,907.0	24.5%	6,256.0	28.4%	27.5%	214,340.2	2.5%	259,255.0	2.6%	21.0%
Cash	6,583.0	32.8%	4,065.0	18.4%	-38.3%	116,366.0	1.4%	85,649.3	0.9%	-26.4%
EFT	2,476.0	12.3%	2,948.0	13.4%	19.1%	3,732,905.4	43.8%	5,178,683.0	51.8%	38.7%
Cheque and Paper	950.0	4.7%	583.9	2.6%	-38.5%	3,925,570.2	46.1%	3,586,221.0	35.9%	-8.6%
Online Transfer	81.5	0.4%	540.6	2.5%	563.3%	31,678.4	0.4%	178,224.9	1.8%	462.6%
ABM	623.0	3.1%	466.0	2.1%	-25.2%	72,799.5	0.9%	67,082.0	0.7%	-7.9%
Prepaid Card	200.0	1.0%	328.0	1.5%	64.0%	11,934.6	0.1%	19,237.1	0.2%	61.2%
TOTAL	20,050.5	100%	22,046.5	100%		8,523,952.6	100%	9,989,506.7	100%	

¹⁹ Please see **Appendix I** for a historical overview of the payment method average transaction sizes.

²⁰ Inflation refers to the rising cost of goods and services, which can reduce overall purchasing power. Please see: <https://tradingeconomics.com/canada/inflation-cpi>.

²¹ Statistics Canada, Household Consumption Expenditure 2019.



Year-over-Year Canadian Payments Transaction Trends

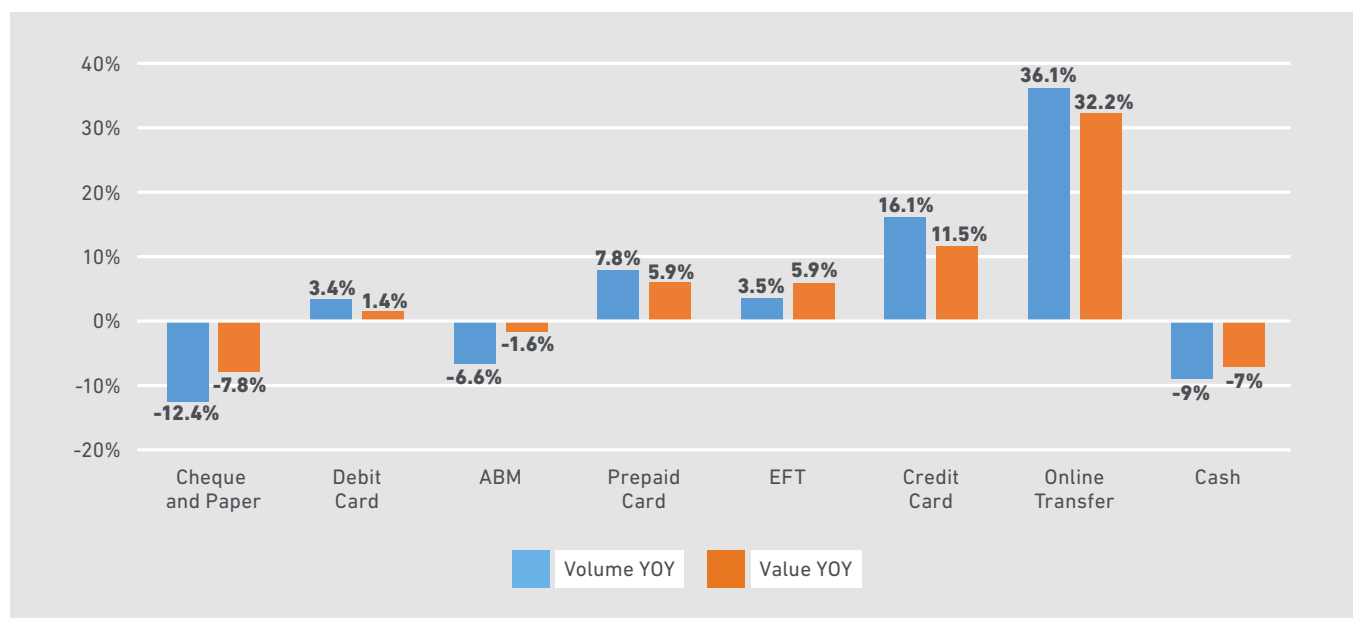
The following analysis includes a look at the year-over-year changes, comparing the 2019 data to the 2018. This perspective allows us to identify if trends observed in previous years are continuing, and the emergence of potential trends.

Overall, electronic payments continued to grow while paper-based payments declined.²² Credit cards have seen a significant gain in volume and value, growing 16 per cent in volume and 11 per cent in value relative to 2018. This is due to the continued growth in e-commerce transactions, including in-app payments, for which credit cards are the primary instrument used, and the increasing use of credit cards for bill payments.

Online transfer transaction volumes continue to grow at an exponential rate as more consumers and businesses rely on online transfers to send funds (see more in our feature [Online Transfers as the new P2P Standard](#)).²³ Despite significant growth in volume, online transfers represent 2.5 per cent of total payments volume and 1.8 per cent of total payments value. 2019 marks the first year in the past decade where online transfers grew by less than 40 per cent in volume and value.

EFT continued to grow in 2019 with a six per cent increase in value relative to 2018. The steady increase in EFT and an accompanying decline in cheques could indicate that there are more Canadian consumers and businesses switching to electronic methods of payments for high value transactions.

Figure 2: Volume and Value Growth Year-over-Year (2018-2019)



²² Electronic payments include debit cards (co-badged debit included), prepaid cards, EFT, credit cards and online transfers. Paper-based payments include cheques, paper, ABM and cash.

²³ Online transfers include *Interac* e-Transfer transactions and qualifying PayPal transactions.

THE PAYMENTS ENVIRONMENTS

Canadians conduct payments in two distinct payments environments that support different use cases and payment options.

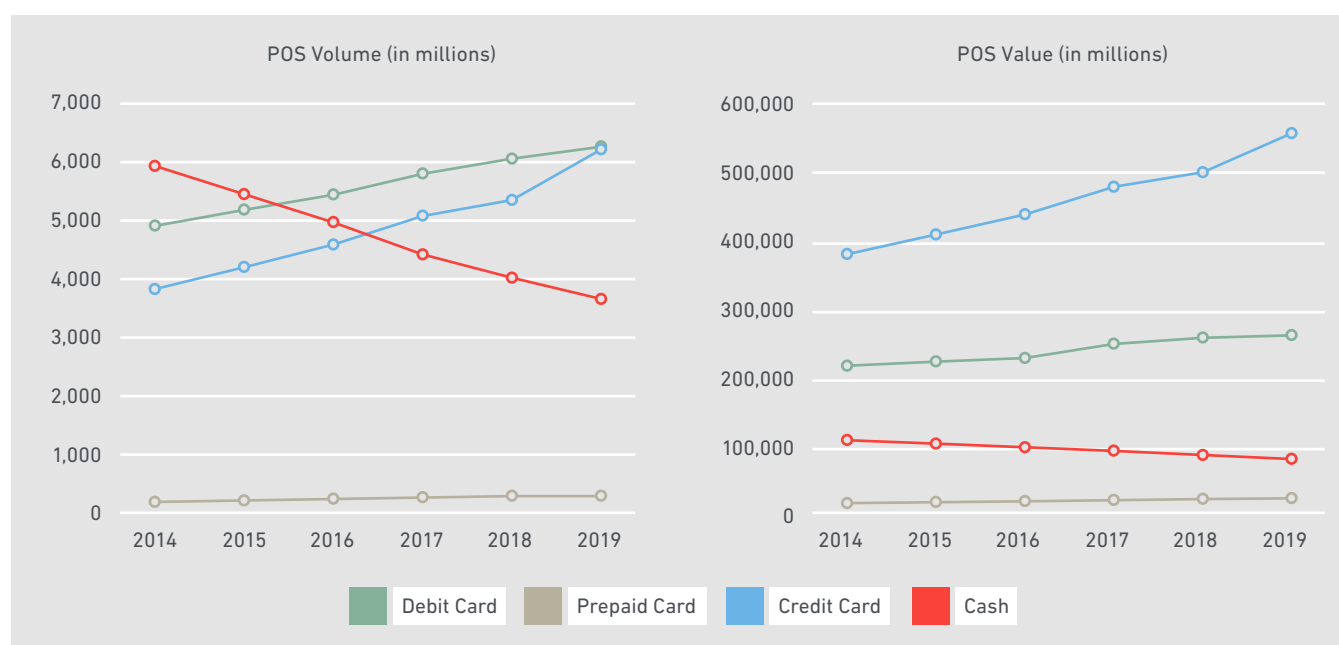
The point-of-sale (POS) environment includes cash, prepaid, debit and credit card transactions. The POS environment is dominated by consumer payments, and is where Canadians spend and transact for their daily purchases. In 2019, POS payments accounted for 82 per cent of the total Canadian payments volume and around 10 per cent of the total transaction value.²⁴

The remote environment includes cheques, EFT, online transfers (electronic account-to-account transactions) and credit card transactions for bill payments and ongoing subscriptions. The remote payments environment is dominated by payments initiated by commercial payers, such as businesses paying each other and employees, and government benefit payments. In 2019, remote transactions represented around 18 per cent of the total volume and 90 per cent of the total transaction value.²⁵

The Point-of-Sale Environment

In 2019, there were 17.7 billion POS payments worth over \$985 billion.²⁶ In the last five years, POS volume has increased by a total of five per cent, while POS value increased by almost 25 per cent (see **Figure 3**). We can continue to attribute this growth in POS volume and value to the increase in electronic payments use, especially the use of cards. Consumers show a preference for using debit and credit cards for their POS transactions as they remain the most used payment methods in terms of volume. Merchants now have easier access to electronic POS transaction systems (i.e. systems provided by *Square*, *Shopify*) that are simple to use and require relatively little investment. Businesses are able to broaden payments method acceptance and extend reach to include e-commerce to address consumer demand for electronic payments.

Figure 3: POS Historical Volume and Value



²⁴ These proportions are similar to 2018 where POS payments accounted for 78 per cent of total transaction volume and ten per cent of total transaction value.

²⁵ Please see [Appendix I](#) for more details on remote transactions. These proportions are similar to 2018, where remote transactions made up 22 per cent of total transaction volume and 90 per cent of total transaction value.

²⁶ For the purposes of this analysis, the POS includes both physical and virtual merchant locations, including online and in-app transactions.

The ongoing shift to electronic payments is crucial when discussing the evolution of the POS environment. Research shows that consumers and businesses perceive electronic payment methods to offer convenience, speed and rewards, which drives use of these methods over traditional paper-based methods. Additionally, new technologies are increasingly allowing for payments to be processed in a number of new ways from smart home assistants to video games. In 2019, 15 per cent of Canadians made purchases via gaming consoles and home assistants like Google Home²⁷, and the increased access to payments through new channels will also continue to fuel the growth of electronic payments.

CASH

2019 Highlights

- Even though cash transactions have declined significantly over the past decade (mainly due to high adoption of credit and debit cards), cash was still a popular payments method in 2019.
- The average cash transaction was \$21.
- Cash transaction volumes decreased by nine per cent from 2018, to represent 22 per cent of the total POS payments volume in 2019 (in comparison to 39 per cent in 2014).
- Cash transaction values decreased by seven per cent from 2018, to represent eight per cent of the total POS payments value (in comparison to 15 per cent in 2014).
- The key drivers for using cash to pay a business are speed and ease of use, followed by convenience (the consumer having cash/coins on hand) and low value transactions (transactions being under \$15).

In 2019, there were a total of four billion cash transactions, worth \$85 billion.²⁸ Cash accounted for around 22 per cent of the total volume of all POS transactions and about eight per cent of POS transaction value. Cash volume has dropped around 38 per cent since 2014, mainly losing volume to card payments, as expansion of debit and credit contactless payments have replaced cash intensive use cases.

Despite its decline, cash is still a common payments method: 61 per cent of consumers reported making a cash purchase to a business in the past seven days.²⁹

Around 15 per cent of Canadians use cash for more than half their transactions, strongly preferring it to electronic payment methods. Cash use continues to be buoyed by those who engage in the underground economy, using cash primarily for its anonymity and universal acceptance.³⁰ Thirty per cent of consumers who use cash on a regular basis³¹ receive at least some part of their monthly income or compensation for employment in cash or coins, which drives their likelihood to use cash for payments. Notably, 88 per cent of those who received some part of their income in cash are Canadians aged 18-34, or had an annual income of less than \$59,000. Even though younger Canadians are more likely to use technology-based payments, they make up over a quarter of regular cash users. Younger generations (18-24) often have lower incomes and a tendency to be underbanked, which can increase their reliance on cash.³²

²⁷ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

²⁸ For cash figure estimate sources, please see [Appendix II](#).

²⁹ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

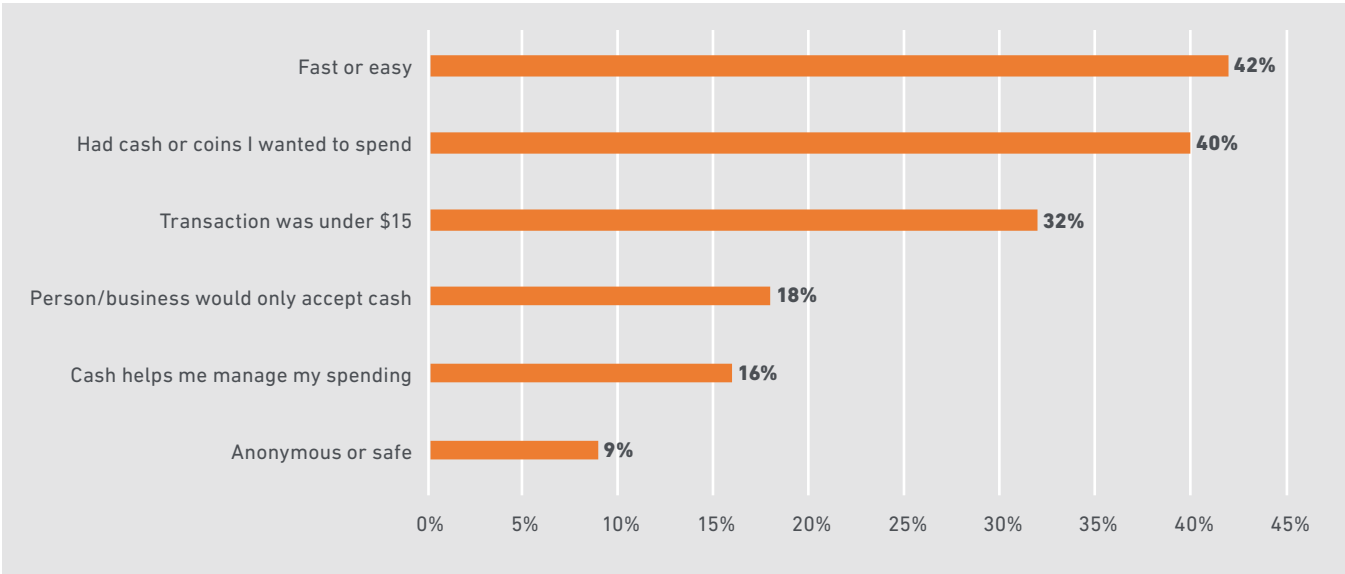
³⁰ According to Statistics Canada, the underground economy grew to \$61.2 billion in 2018 (the last year figures were available). It is assumed that cash is one of the main contributors to the underground economy. The three industries that accounted for more than half of underground economic activity include: residential construction, retail trade and accommodation and food services. For more information on the underground economy, please see <https://www150.statcan.gc.ca/n1/daily-quotidien/181012/dq181012a-eng.htm>.

³¹ Regular cash users are defined as those who used cash more than once in the past seven days.

³² Underbanked refers to those with limited engagement with established financial institutions. Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

The most popular drivers of cash usage are speed and ease of use. These drivers are closely followed by the desire of Canadians to spend cash and coins that are on hand. They also use cash if the transaction is of low value (under \$15) and if the business only accepts cash (**Figure 4**, below, illustrates why consumers used cash at the POS). When looking at cash usage, it is also important to understand merchants' behaviour. Like consumers, merchants perceive cash to be fast and convenient to use. They also perceive cash to be the cheapest payments method to accept and, while they have expanded payment options to meet consumer demand, smaller businesses might still favour cash, particularly for smaller transactions.³³ Businesses perceive cash to provide instant liquidity with none of the fees that are generally associated with accepting card payments.³⁴ The near-universal acceptance of cash explains current cash-intensive use cases, such as payments to a person for services (e.g., paying for home services such as cleaners), or making donations.

Figure 4: Reasons for Using Cash to Pay a Business³⁵



³³ Bank of Canada. 2017, Merchant Acceptance of Cash and Credit Cards at the Point of Sale.

³⁴ Ibid.

³⁵ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

DEBIT CARDS

2019 Highlights

- Debit continues to be highly used at the POS. In 2019, around 94 per cent of Canadians had a debit card.
- The average debit transaction was \$41.
- Debit cards increased over three per cent in volume from 2018, to represent 37 per cent of the total POS volume (compared to 33 per cent in 2014).
- Debit cards increased slightly in value to represent 28 per cent of the total POS value (compared to 30 per cent in 2014). However, debit share of POS volume has decreased as credit card share of the POS increased significantly in 2019.
- Forty-eight per cent of all debit transactions were contactless. Most contactless payments were made by tapping a card, followed by mobile payments.

Debit card³⁶ use continued to grow in 2019, making up 37 per cent of total POS volume and 28 per cent of POS value. Over the past five years, debit cards have been steadily increasing in terms of volume and value, though growing slowly relative to credit cards. Debit and credit have similar shares in POS volume (37 per cent and 38 per cent, respectively), however debit value trails behind credit value at the POS (28 per cent vs. 61 per cent), indicating more frequent use of debit cards for low-value transactions. The increased use of debit contactless transactions (discussed in detail in the [contactless](#) section) fuels low-value debit purchases and is a significant contributor to the decline of cash use. The average debit card transaction sits around \$41 while the average credit card transaction is around \$90.³⁷

Co-badged debit cards are also being used extensively for e-commerce transactions. Around 58 per cent of all debit cards in circulation are co-badged cards that integrate debit alongside Visa or Mastercard.³⁸ In 2019, nearly 20 per cent of e-commerce transactions in Canada were made using a co-badged debit payment.³⁹ While there are other debit-based alternatives for e-commerce (i.e., PayPal and *Interac* Online), consumers show a preference for co-badged debit cards primarily due to wide acceptance by online merchants and the security associated with Visa and Mastercard branded products through their widely established “zero-liability protections” (explored in detail in the [e-commerce](#) section below).⁴⁰

³⁶ Debit cards include all debit card transactions; for example, contact and contactless (including card and mobile) payments, *Interac* Debit In-App and *Interac* Online Payments.

³⁷ The number one reason stated for switching from a debit card payment to a credit card payment was that the consumer wanted to collect more rewards. TSI Canadian Payments Forecast, 2019.

³⁸ Ibid. Co-branded cards refer to collaborations between *Interac* and Visa or Mastercard. When used at the physical POS, the cards use the *Interac* debit rails while offering e-commerce capabilities through Visa or Mastercard rails.

³⁹ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

⁴⁰ Both Visa and Mastercard *Interac* co-branded debit card products offer zero-liability policies that absolves consumers from the responsibility of unauthorized payments.



CREDIT CARDS

2019 Highlights

- Credit card transactions exceeded debit transactions in terms of volume and value for the first time in 2019. This is mainly due to credit card rewards and the growth of e-commerce in Canada, where credit cards are the preferred method of payment.
- The average credit transaction was \$90 at the POS.
- Credit card transaction volumes increased by 16 per cent from 2018, to represent 38 per cent of the total POS payments volume (compared to 26 per cent in 2014).
- Credit card transaction value at the POS increased by 11 per cent from 2018, to represent 61 per cent of the total POS payments value (compared to 54 per cent in 2014).

Credit card POS transaction value is more than all other POS payment methods combined, accounting for 61 per cent of total POS value. Credit cards⁴¹ are extremely popular in Canadian payments: in 2019, the number of credit cards in circulation rose by five per cent,⁴² and 89 per cent of Canadians reported having a credit card.⁴³ Relative to 2014, credit card volumes and values have grown 10 and eight per cent, respectively.⁴⁴

2019 marks the first year that credit cards became the most used instrument at the POS. The key drivers for credit card usage among Canadians are associated reward and loyalty programs. In 2019, 78 per cent of credit card holders have some type of reward associated with their card (most likely cashback or travel rewards).⁴⁵ Credit cards are also the most widely used payments method in e-commerce, which has seen exponential growth over the past few years (explored in detail in the [e-commerce](#) section below).

Credit cards are the preferred payments method for many at the POS, with higher-earning individuals being significantly more likely to be heavy credit users⁴⁶ relative to those who earn less. However, credit card use is consistent across age groups with over 80 per cent of all credit card holders using their cards regularly for purchases.⁴⁷ While credit card usage is increasing, around 30 per cent of Canadians carried a balance on their cards by the end of the month.⁴⁸ This indicates that credit cards might be used out of a need to access credit to cover expenses, rather than a preference for credit cards as a payments method. Younger individuals and those making less than \$40,000 annually were around 40 per cent more likely to carry a balance on their credit cards.⁴⁹

There are also perceptions that credit cards are more attractive in areas such as convenience and security, which causes consumers to favour them overall. These positive security perceptions play a huge role as credit card companies offer consumer protection policies and the use of “credit” rather than own funds in the event of unauthorized or fraudulent transactions.

⁴¹ Credit cards include all credit card transactions; for example, card on file, contact and contactless (including card and mobile) payments.

⁴² Euromonitor. 2019 Financial Cards and Payments in Canada.

⁴³ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Heavy credit users are defined as those who make more than 50 per cent of their transactions using credit.

⁴⁷ Regular users are defined as those who used their credit card more than once in the past seven days.

⁴⁸ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

⁴⁹ Ibid.

PREPAID CARDS

2019 Highlights

- Prepaid cards remain a less popular payment method but continue to have a high year-over-year POS growth rate (around a eight per cent increase in volume and a six per cent increase in value from 2018).
- The average prepaid card transaction was \$58.
- Prepaid card transaction volumes increased by eight per cent from 2018, to represent 1.8 per cent of the total POS volume (in comparison to 1.3 per cent in 2014).
- Prepaid card transaction values increased by six per cent from 2018, to represent 2.1 per cent of the total POS value (in comparison to 1.7 in 2014).

In 2019, prepaid cards, either plastic or virtual, grew significantly at the POS (eight per cent in volume, six per cent in value). Nearly one in five Canadians either purchased or received at least one prepaid card per month. Young (those aged 18-34) and unbanked Canadians are the most common users of prepaid payments products.⁵⁰ This is driven by a lack of access to traditional banking products, such as debit and credit cards. However, prepaid cards are starting to be used by a wider base, as those who seek security and anonymity for purchases have turned to prepaid cards as an alternative to cash.⁵¹ As prepaid cards are not directly linked to user account information, they offer an electronic method of payment that carries many of the benefits of cash. Additionally, increasing concerns about fraud is linked to the rising use of prepaid cards, with prepaid card users almost twice as likely to have experienced some type of fraudulent financial activity.⁵² A recent study finds that 70 per cent of Canadians are more concerned about fraud today than they were five years ago,⁵³ which can drive more consumers towards prepaid cards to minimize the risks that come with sharing financial information online or using cards directly linked to banking accounts.

The use of prepaid cards has been accelerated by emerging e-commerce and mobile payments trends. Prepaid cards accounted for 10 per cent of e-commerce payments in 2019.⁵⁴ Canadians were three times more likely to use a prepaid payment for e-commerce than they were at physical POS merchant locations. The growing use of mobile payments also plays a significant role in accelerating prepaid card use. In 2019, 80 per cent of prepaid POS purchases were made using closed-loop store cards, with a notable amount of prepaid purchases being linked to mobile devices and virtual prepaid cards. Over a quarter of Canadians (28 per cent) used at least one prepaid virtual card, with the most popular being *Tim Hortons* and *Starbucks* loyalty cards.⁵⁵ The use of prepaid cards at these establishments is directly linked with rewards and loyalty programs that drive consumer usage.

50 Unbanked refers to those who do not have any financial products (i.e., debit card or credit card) associated with a traditional financial institution.

51 Euromonitor. 2019 Financial Cards and Payments in Canada.

52 Leger/Payments Canada. 2020 Consumer Payments Behaviour Tracker Survey.

53 Available at: <https://www.cpacanada.ca/en/the-cpa-profession/about-cpa-canada/media-centre/2019/february/canadians-express-strong-concerns-about-fraud-cpa-canada-survey>.

54 Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

55 Ibid.

CONTACTLESS PAYMENTS (VIA CARD AND MOBILE DEVICES)

2019 Highlights

- Contactless payments continue to grow in popularity, with Canadians making more debit contactless transactions overall.
- The average debit contactless transaction is \$19, while the average credit contactless transaction spend is \$48.
- Contactless transaction volumes increased by 15 per cent from 2018, to represent 28 per cent of total POS payments volume in 2019.
- Contactless transaction values increased by 20 per cent from 2018, to represent 17 per cent of total POS payments value in 2019.

The growth of contactless payments⁵⁶ (card and mobile) at the POS continued its strong trajectory in 2019. A total of 4.7 billion contactless transactions worth \$156 billion were made, representing a 15 per cent increase in volume and a 20 per cent increase in value. This dramatic growth in contactless transactions has been fuelled by increasing consumer and merchant familiarity with contactless payments and the ability to pay with contactless cards. More consumers now have devices with near field communication (NFC) capabilities and merchants are increasingly accepting contactless payments.⁵⁷ Credit card and debit card contactless payments have rapidly grown, at the expense of cash.

In 2019, debit transactions made up 52 per cent of the total volume of contactless transactions. Fifty six per cent of Canadian consumers regularly⁵⁸ tap their physical debit card to make payments, with younger generations (18-34) and those with higher incomes being more likely to use tap to make purchases.⁵⁹ Those who regularly tap their mobile device also tend to be younger who have a higher propensity to digital payments. Contactless debit transactions are widely viewed as a convenient and easy substitute for cash transactions, being consistently used for small-value transactions. However, credit contactless transactions dominated in value, making up 70 per cent of total value of contactless transactions. Many contactless transactions are made for low-value payments (replacing typical cash transactions) with the average transaction being \$35.⁶⁰

The migration of contactless card payments to mobile phones is still evolving, but is likely to see a strong increase as more consumers become familiar with mobile contactless as an alternative to physical card payments. Thirty per cent of debit card holders regularly tapped their mobile device to make a payment with a debit card, while 37 per cent of credit card holders regularly tapped their mobile device to pay with their credit card.⁶¹ Consumers are more likely to link credit cards to mobile devices because of rewards associated, and credit cards are perceived to be more secure than debit cards overall.⁶² For almost a quarter of Canadians, security perception is the key reason why they did not use mobile payments more often.⁶³

⁵⁶ Contactless transactions are defined as using a payment card or mobile device tap to initiate a payment through a POS reader (in physical merchant locations).

⁵⁷ TSI Canadian Payments Forecast, 2019.

⁵⁸ Regular users are defined as those who tapped their cards more than once in the past seven days.

⁵⁹ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

⁶⁰ Limitations to the amount that can be "tapped" affects the average transaction value.

⁶¹ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey. Regular users are defined as those who tapped their mobile device to make a payment more than once in the past week.

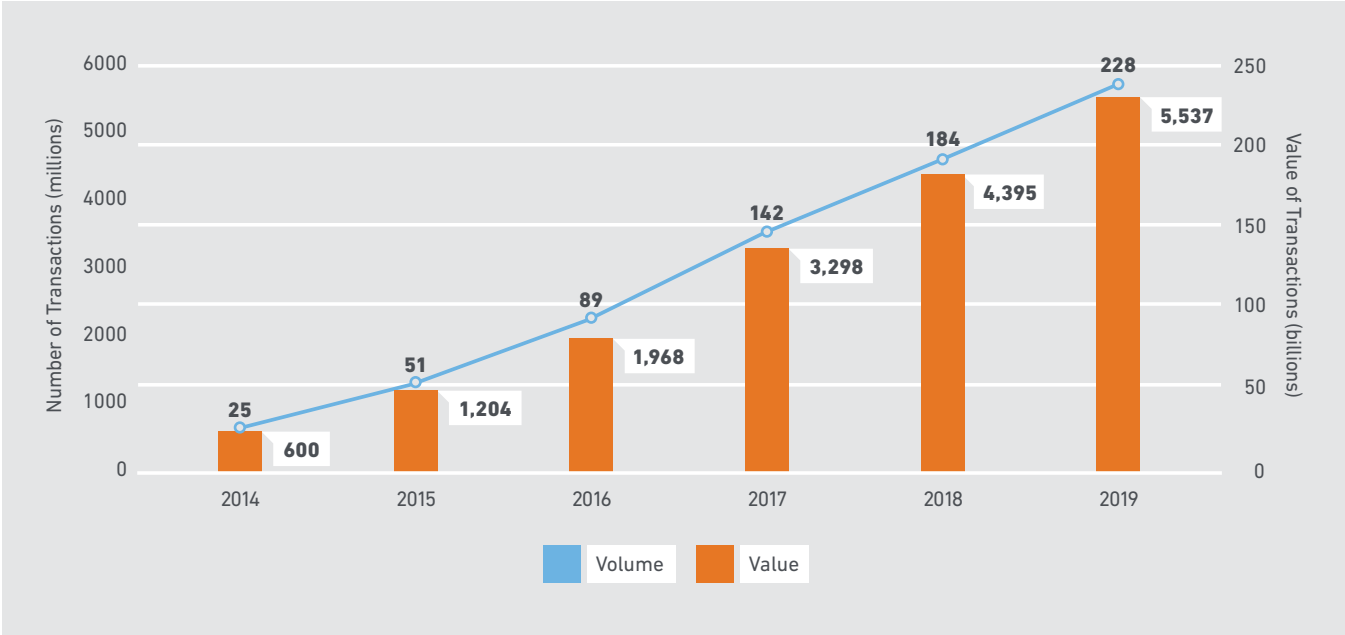
⁶² TSI Canadian Payments Forecast, 2019.

⁶³ Ibid.

With players like Apple Pay and Google Pay cementing their presence in the contactless market, mobile contactless payments are expected to continue to grow.⁶⁴ Additionally, wearables like smart watches can boost mobile contactless adoption as they become more popular. In 2019, there were almost 14 million payment transactions made via wearables, more than twice the transactions made in 2018.⁶⁵ Reportedly, 34 per cent of consumers who owned a wearable made a payment with one.⁶⁶

While contactless card use is popular, mobile contactless has had a slower uptake in Canada. When asked why they chose not to use mobile payments, non-users indicated that they prefer other payment methods, with those over 55 years old more likely to say so.⁶⁷ In order to drive use of mobile contactless, there needs to be a demonstrated benefit over using contactless card payments. Current non-users would be more likely to adopt mobile payments if additional features were added to mobile wallets, such as the ability to store loyalty cards, coupons and store membership cards.⁶⁸

Figure 5: Contactless Volume and Value (in millions)



⁶⁴ For more on mobile payment growth at the POS, please see: <https://www.payments.ca/industry-info/our-research/payments-perspectives/changing-channel-mobile-taking-over-online-and>.

⁶⁵ TSI Canadian Payments Forecast, 2019.

⁶⁶ Ibid.

⁶⁷ Leger/Payments Canada. 2020 Payments Behaviour Tracker Survey.

⁶⁸ Ibid.

THE E-COMMERCE ENVIRONMENT

2019 Highlights

- Around 86 per cent of Canadian consumers made an online purchase in the past year.
- Canadians prefer to use credit cards for e-commerce, citing security as the reason.
- Debit cards that offer e-commerce capabilities (such as co-badged debit products) are increasingly being used for e-commerce transactions, with a four per cent increase from 2018. However, they still fall behind credit card usage.
- Those without access to credit (i.e., younger Canadians and unbanked populations) are using prepaid cards and debit cards to engage in e-commerce.

E-commerce is defined as the use of web-based store fronts and applications to procure goods (including digital items) and services from businesses. E-commerce payments result from completing transactions through merchant (payee) provided online store fronts and software applications, via computers, tablets or mobile devices. This payments channel has become increasingly popular due to its convenience and ease of use.⁶⁹ The 2019 data suggests that the e-commerce market for consumers accounts for over 170 million transactions worth around \$54 billion in Canada.⁷⁰

When looking at the key categories Canadians are purchasing online, clothing and footwear remains the most popular category (52 per cent of all online purchases). Travel and electronic items follow (37 per cent and 31 per cent, respectively).⁷¹ Overall, younger Canadians and those with over \$80,000 in household income are significantly more likely to make online purchases on a frequent basis.⁷²

Consumer e-commerce transaction value is dominated by credit cards, which make up over half of the total value being generated by e-commerce. Co-badged branded debit cards follow with 18 per cent (see **Figure 6**).⁷³ When the proportion of prepaid cards and PayPal accounts that are linked to Visa and Mastercard credit and debit products is factored in, Visa and Mastercard payments products combine to account for about 90 per cent of all e-commerce transaction value in Canada.⁷⁴ PayPal use for e-commerce transactions is relatively low in Canada with fewer than one in five Canadians using PayPal regularly.⁷⁵ However, younger generations are twice as likely to use PayPal relative to older generations⁷⁶ as they are more likely to be comfortable with using online service providers and make more e-commerce transactions.

⁶⁹ TSI Canadian Payments Forecast, 2019.

⁷⁰ This year's e-commerce market differs from past CPMT reports as we have excluded online transactions originating from businesses to align with industry figures. Estimates indicate that two thirds of e-commerce transactions originate from businesses-however, these are excluded from this analysis.

⁷¹ TSI Canadian Payments Forecast, 2019.

⁷² Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey. Frequent basis defined as more than three times a month.

⁷³ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

⁷⁴ Debit cards used for e-commerce use credit card rails, as the cards are connected; so, Visa and Mastercard networks are used for online and international transactions.

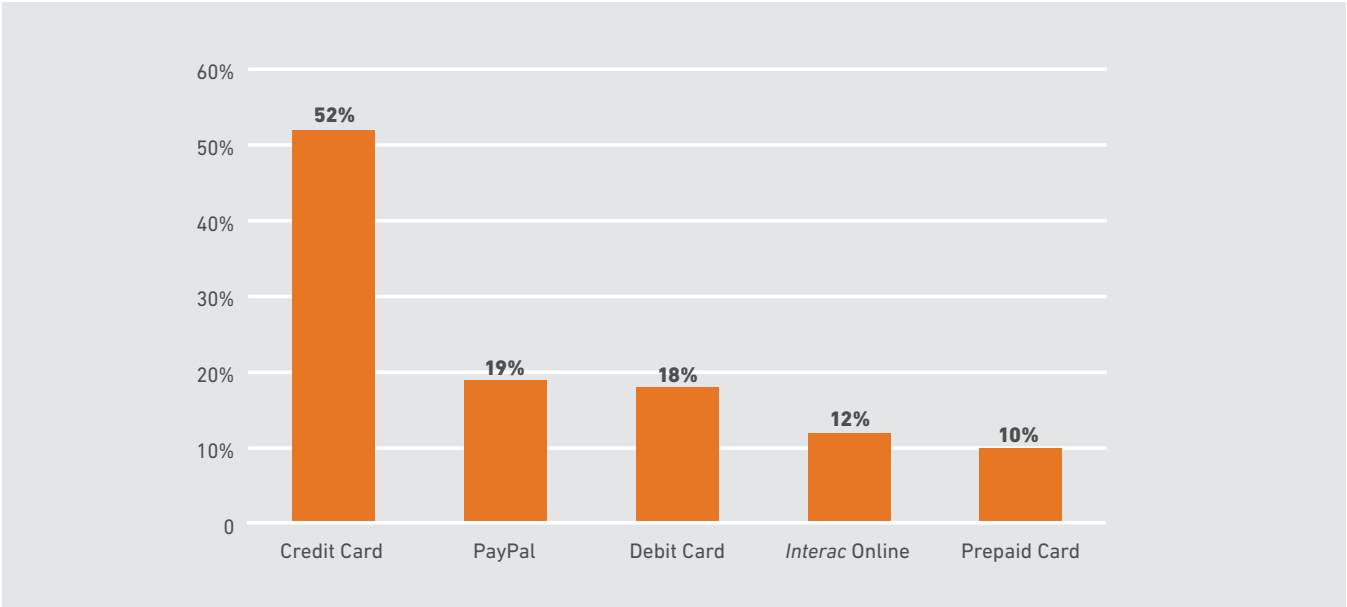
⁷⁵ Regular users are defined as those who used PayPal more than once a month.

⁷⁶ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.



While the majority of online transactions are still made via web pages, alternative e-commerce channel use is growing. Consumers are increasingly conducting e-commerce transactions “in-app” using their mobile devices, via consoles and through Internet of Things (IoT) devices.⁷⁷ These e-commerce channels leverage “card on file” information in order to enable faster and more convenient payments. Around 18 per cent of Canadians made in-app purchases, however, less than 15 per cent of Canadians used consoles or IoT devices to conduct e-commerce transactions.⁷⁸

Figure 6: Consumer E-Commerce Transaction Payments Mix⁷⁹



⁷⁷ IoT refers to Internet of Things. This includes smart technology like Google Home and Alexa where consumers can set up autonomous or disparate purchasing of goods and services.

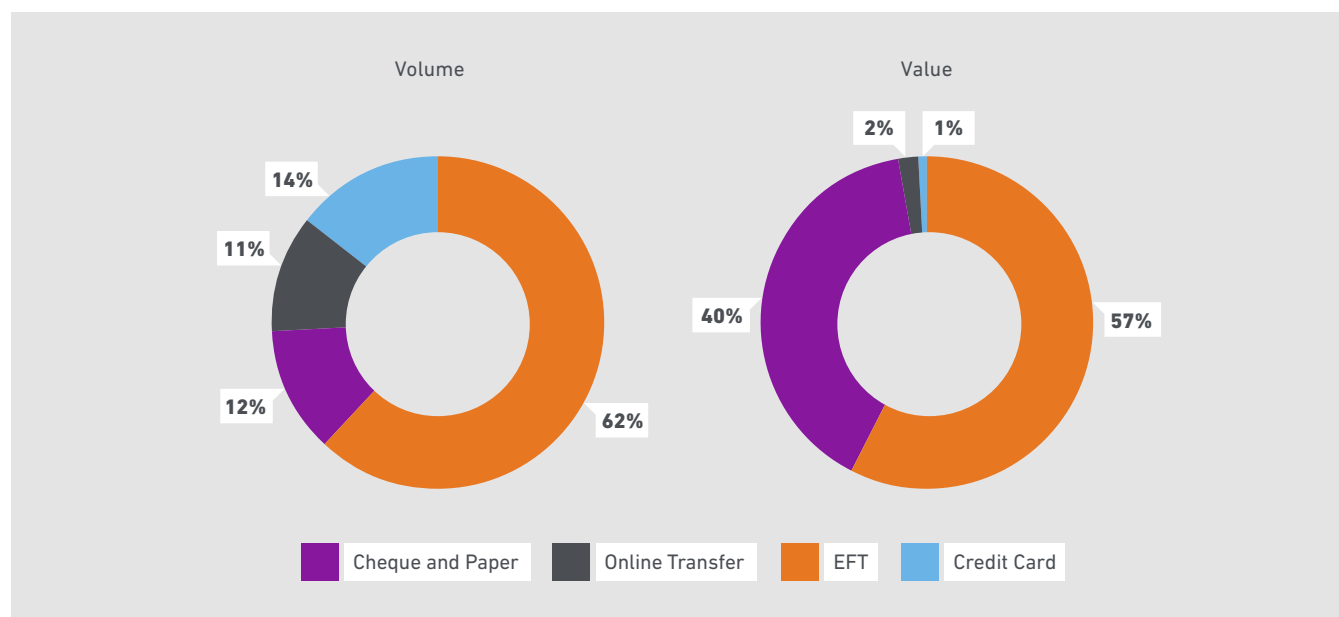
⁷⁸ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

⁷⁹ Ibid. Values are greater than 100 per cent as a multiselect option was given to respondents.

THE REMOTE ENVIRONMENT

Remote transactions include all transactions that do not involve a POS device or application. In the remote environment a third party, such as a financial institution, routes payments from payors to payees via cheques, EFT and other electronic means. Remote transactions include bill payments, pre-authorized debit (PAD), person-to-person (P2P) payments and business-to-business (B2B) transactions. A total of 3.9 billion remote transactions worth about \$8.2 trillion were made in 2019. EFT and cheques still dominate the remote transaction environment in 2019 as they continue to be used for high value commercial transactions. However, online transfers and remote credit transactions are seeing significant growth in the remote environment as commercial payments options, such as Visa Direct⁸⁰ or Interac Bulk Payables, are established.⁸¹

Figure 7: Volume and Value of Remote Payment Methods



⁸⁰ Visa Direct allows Visa users to send funds with any Visa debit, credit or prepaid products.

⁸¹ Bulk Disbursement is an enhancement to current Interac e-Transfer capabilities that allows for multiple payments at once.

CHEQUE AND PAPER ITEMS

2019 Highlights

- Cheque and paper use is declining steadily however, cheque value remains significant in remote payment methods.
- The average cheque and paper transaction was \$6,142.
- Cheque and paper transaction volumes decreased by 12 per cent from 2018, to represent 12 per cent of the total remote payments volume (compared to 27 per cent in 2014).
- Cheque and paper transaction values decreased by seven per cent from 2018, to represent 39 per cent of the total remote payments value (compared to 51 per cent in 2014).

In 2019, cheque and paper item⁸² volume declined by 12 per cent, relative to 2018. Business and consumer cheque volumes declined (16 per cent and five per cent, respectively). The decline in cheque and paper items can be attributed to Canadians embracing electronic payment methods such as EFT, remote credit card, and online transfer payments. In 2019, 82 per cent of all the cheque and paper items exchanged between Canadian financial institutions were images, and more consumers and businesses took advantage of digital deposit technology.

In 2019, cheque and paper items remained significant in remote transactions, representing 39 per cent of the total remote transaction value. Despite the steady decline in cheque and paper item volume, the total value of these transactions remains high in Canada across remote payment methods. Even though fewer cheque and paper items are being written, the remaining items are being written for increasingly higher amounts. In 2019, the average cheque and paper transaction was \$6,142 versus \$4,030 in 2014. The significance of cheque and paper value can be attributed to commercial cheque use rather than consumer cheque use (see the section on [business payments](#) for more on the drivers of cheque usage).⁸³

Consumer use of cheques is situated around several use cases, such as paying bills, rent, or another person, or making a charitable donation. This is driven by consumers' preference to use their own funds and the ability to track their expenses via cheque as well as payee's preference (see the [bill payments](#) section for more).⁸⁴ However, consumer use of cheques has dropped significantly, with a 24 per cent decrease in volume and a 23 per cent decrease in value, relative to 2018. This is a result of more Canadians adopting more electronic payment methods to address previously cheque-intensive use cases. Still, over a quarter of Canadians (30 per cent) use cheques regularly, with older generations and those with higher incomes significantly more likely to use cheques.⁸⁵

⁸² Cheque and paper items include paper remittances, imaged paper and encoded paper items.

⁸³ Cheque figures include SET transactions that inflate the overall cheque value significantly.

⁸⁴ Leger/Payments Canada. 2020 Consumer Payment Behaviour Tracker.

⁸⁵ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey. Regular cheque users defined as those who used cheques at least once a month.

ELECTRONIC FUNDS TRANSFER (EFT)

2019 Highlights

- EFT volume and value continue to make up the majority of remote payments. EFT growth was steady, at the expense of cheques.
- The average EFT transaction was \$1,690.
- EFT transaction volumes increased by three per cent from 2018, to represent 61 per cent of the total remote payments volume in 2019 (representing the same share of remote value as 2014).
- EFT transaction value grew around six per cent from 2018 to represent 57 per cent of the total remote payments value in 2019 (compared to 48 per cent in 2014).

EFT includes remote transactions made through deposit accounts held at Canadian financial institutions, including direct deposits, electronic remittances, pre-authorized debits and other online bill payments transactions (AFT credits, AFT debits and EDI).⁸⁶ In 2019, there were a total of 2.95 billion EFT transactions, worth \$5 trillion. EFT transactions continue to dominate remote transactions, as the leading payments type in terms of both volume and value.

Businesses are the primary drivers of EFT use as it remains the most used instrument for commercial payments due to its speed and convenience (see the [business payments](#) section for more). Consumers also play a significant role when it comes to making recurring payments and paying bills with EFT (discussed further in the [bill payments](#) featured analysis). However, online transfers and credit cards are becoming appealing alternatives for consumers and businesses alike.

ONLINE TRANSFERS

2019 Highlights

- As online transfers grow in popularity, *Interac* e-Transfer still dominates the category in Canada, particularly for P2P payments.
- The average online transfer transaction was \$340.
- Online transfer transaction volumes increased by 36 per cent from 2018, to represent 11 per cent of the total remote payments volume (compared to two per cent in 2014).
- Online transfer transaction values increased by 32 per cent from 2018, to represent two per cent of the total remote payments value (compared to 0.4 per cent in 2014).
- The key drivers for online transfer use are speed, convenience and security.

⁸⁶ To read more, please see: <https://www.payments.ca/about-us/our-systems-and-rules/retail-system>.

Online transfers include electronic transactions initiated through online services and providers, which are either pre-funded or linked to deposit accounts at financial institutions (e.g., *Interac* e-Transfer and PayPal). Overall, in 2019 there were a total of 540 million transactions worth \$178 billion.⁸⁷ Even though online transfers account for only two per cent of the total volume of payments in Canada, they are the fastest growing payments segment. Online transfers grew substantially, up 29 per cent in volume and 30 per cent in value in 2019.⁸⁸

Interac e-Transfer still dominates the online transfer payments segment in Canada. In 2019, around half of Canadians made at least one *Interac* e-Transfer, with 52 per cent of those sending *Interac* e-Transfers using their mobile devices to do so.⁸⁹ *Interac* e-Transfers are extremely popular among Canadians, with over 500 million e-Transfers being sent in 2019.⁹⁰ Survey data indicate that *Interac* e-Transfers are used primarily for peer-to-peer transactions, as seven in ten Canadians who used *Interac* e-Transfer used the service to pay their family members and friends.⁹¹ Almost half (46 per cent) of Canadians who used *Interac* e-Transfer used the service to pay a business or a bill.⁹² For more information on P2P transactions in Canada, see the analysis on [online transfers as the new peer-to-peer standard](#) below.

International Payments

In terms of international payments, around one in 10 Canadians send money internationally on a regular basis,⁹³ primarily to another bank account or directly to pay a bill or retailer. Almost half (46 per cent) of those who send money internationally are using online transfers, with PayPal being the most used provider.⁹⁴ Those who used online transfers made an average of six payments per month with each payment averaging \$495 CAD. Younger Canadians are significantly more likely to send money internationally using online transfers citing convenience, ease and security as to why they prefer this method over traditional financial institutions.⁹⁵ Older generations are more likely to use traditional financial institutions to facilitate international payments, as they perceive them to be more secure, with 64 per cent of those aged 55+ using financial institutions as their main method for international payments.⁹⁶

87 Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

88 Ibid.

89 Ibid.

90 Figures provided by *Interac*.

91 Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

92 Ibid.

93 Leger/Payments Canada. 2020 Consumer Payment Behaviour Tracker. Regular users are defined as those who sent an international payment at least once a month.

94 Ibid.

95 Ibid.

96 Ibid. Only those who sent an international payment in the past year were included in this analysis.

ONLINE TRANSFERS AS THE NEW PEER-TO-PEER STANDARD

The Canadian peer-to-peer market is valued at around \$20 billion, growing at an average of three per cent per year.⁹⁷ The past decade has seen a significant rise in the use of new technologies to facilitate peer-to-peer transactions. While the use of bank transfers, cash and cheques once dominated the way that Canadians sent money to each other, these methods have been overtaken by online transfer services, like *Interac* e-Transfer and PayPal. This trend continues in 2019, as we see a 32 per cent increase in value and 36 per cent increase in volume of online transfers, relative to 2018.⁹⁸ In 2019, 92 per cent of Canadians who sent a peer-to-peer payment cited using online transfers to facilitate their payment. The use of online transfers will continue to grow at the expense of traditional peer-to-peer payment methods like cash or cheques.

Key Highlights

- The Canadian peer-to-peer market is valued around \$20 billion.
- Online transfer methods like *Interac* e-Transfers and PayPal show significant growth as preferred peer-to-peer payment methods at the expense of traditional methods like cash, cheques and bank transfers.
- The wide shift toward electronic methods for peer-to-peer transactions can increase the likelihood of a cashless society.
- Canadians prefer to use online transfers over more traditional peer-to-peer methods because of the speed, accessibility and security associated with online transfers. However, cheque values indicate that they are being used for higher value peer-to-peer transactions.
- Wide Canadian adoption of online transfers indicate that there is a market for innovation within the peer-to-peer market with new methods like QR codes and paytech services.

Online transfers have skyrocketed over the past five years, steadily increasing over 40 per cent in volume and value every year until 2019. The fact that online transfers are accessible for many consumers across multiple devices (i.e., cell phones, tablets, and computers) and that they are able to send exact amounts almost immediately are a huge driver for the shift from a method like cash. Younger consumers are more likely to use online transfer services, like *Interac* e-Transfer, supporting the notion that younger Canadians are more likely to adopt electronic payments methods relative to older generations.⁹⁹ However, the widespread shift to online transfers is coming at the expense of traditional peer-to-peer methods, like bank transfers, cash and cheques. As seen in **Figure 8**, the use of paper methods like cheques and cash for peer-to-peer transactions has steadily declined over the past three years. While the shift away from paper methods is more prevalent in younger consumers, older generations have also started to migrate towards electronic methods with one in three Canadians over 55+ making e-Transfer payments regularly in 2019.¹⁰⁰

⁹⁷ TSI Canadian Payments Forecast, 2019. CAGR based on the ten-year growth of P2P online transfers in Canada.

⁹⁸ Ibid.

⁹⁹ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey

¹⁰⁰ Ibid. Regular users are defined as those who made an *Interac* e-Transfer transaction one or more times a month.

Traditional Transfer Methods

CHEQUES

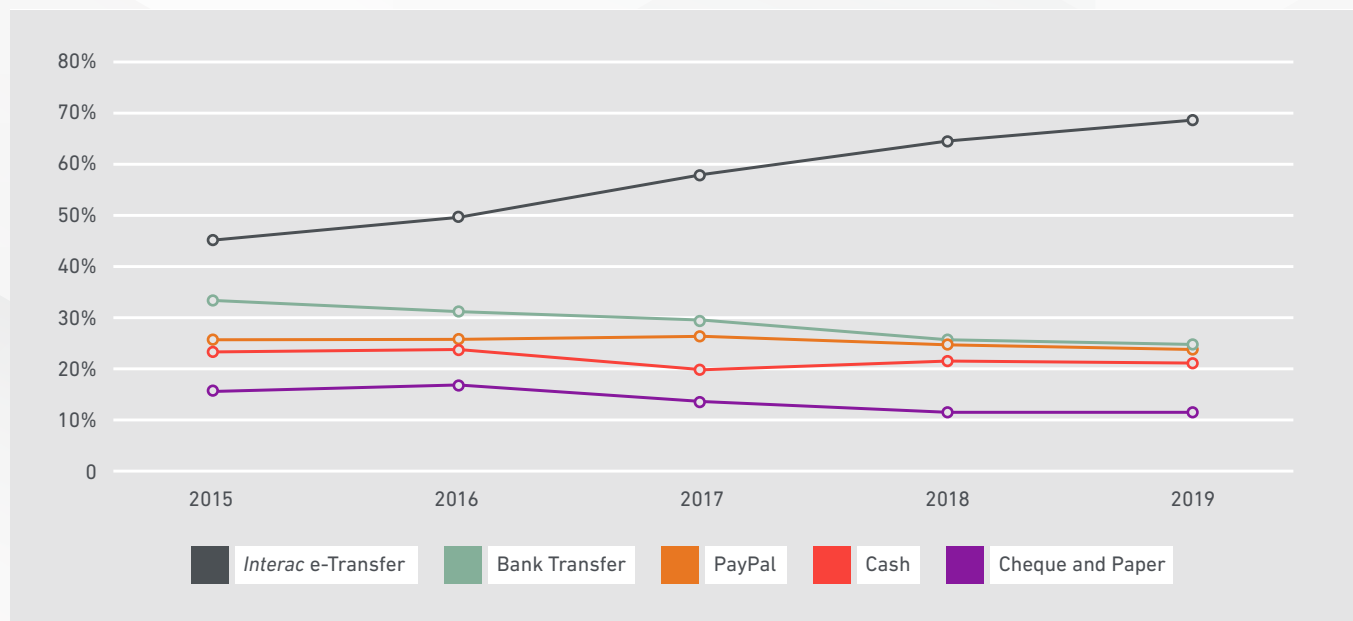
Online transfers overtook personal cheque use in terms of both volume and value for the first time back in 2018, demonstrating the dramatic shift in Canadian peer-to-peer transactions. This trend continued in 2019 with online transfers making up 23 per cent of remote payments value and consumer cheques making up seven per cent.¹⁰¹ Only 11 per cent of Canadians who made a peer-to-peer transaction in 2019 stated they used cheques. Peer-to-peer cheque transactions tend to be used for high-value payments cases like paying rent or when large sums of money are owed.¹⁰²

CASH

Cash is primarily used for peer-to-peer transactions because consumers consider it to be convenient and widely accepted. Forty four per cent of Canadians who used cash for peer-to-peer transactions did so because they considered it to be the most convenient payments method, and another 30 per cent used cash because it was the only payments method that the person accepted.¹⁰³ Cash is used extensively for peer-to-peer transactions in several cases such as splitting bills, paying someone back or for underground economy transactions.

A key reason for cash use over other payment methods for peer-to-peer transactions is anonymity; there is still no widely available payment method that offers the anonymity of cash. This can fuel cash use, especially for the underground economy where cash continues to make up the majority of transactions.¹⁰⁴ However, virtual currencies, promoted for their anonymity and security, are attempting to address this need, though adoption rates in Canada are currently low. With viable alternatives being established to address cash-intensive use cases, the notion of a cashless society in the future seems more realistic.

Figure 8: Percentage of Canadian Peer-to-Peer Transactions from 2016-2019¹⁰⁵



101 Leger/Payments Canada. 2018/2019 Canadian Consumer Payments and Transactions Survey.

102 TSI Canadian Payments Forecast, 2019.

103 Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

104 For more on cash usage and the underground economy, please see: <https://www.ontario.ca/page/underground-economy>.

105 TSI Canadian Payments Forecast, 2019.

Online Transfers for Peer-to-Peer Transactions

The discussion of online transfers in Canada cannot be complete without reviewing the role of *Interac* e-Transfer. One of the most popular peer-to-peer online transfer services in Canada, *Interac* e-Transfer boasts an incredible 16.8 million unique Canadian customers per month, making over 500 million unique transactions in 2019.¹⁰⁶ Nearly 70 per cent of Canadians who made a peer-to-peer transaction in 2019 used *Interac* e-Transfer.¹⁰⁷ Why is it so popular? First, *Interac* e-Transfer has cemented its place within Canadian financial institutions, being offered by over 250 financial institutions in Canada, including credit unions and digital banks.¹⁰⁸ Then, it became more accessible to consumers. While most financial institutions used to charge around one dollar per *Interac* e-Transfer, many now offer the service for free with banking packages, incentivizing consumer use of *Interac* e-Transfer for peer-to-peer transfers. Finally, it offered more services. New features rolled out for *Interac* e-Transfer, such as Request Money, Auto-Deposit and Bulk Payables,¹⁰⁹ make peer-to-peer transfers more seamless and convenient for Canadian consumers and businesses. *Interac* e-Transfer is used as an alternative to cheques and cash as it is widely used and accepted and offers control over the timing and amount of transactions.¹¹⁰

While *Interac* e-Transfer is the most popular online transfer method by far in Canada, PayPal trails behind. Research shows that around 60 per cent of Canadians have a PayPal account set up with their payments details stored but PayPal usage in Canada for peer-to-peer transactions remains relatively low; only a quarter of Canadian peer-to-peer transactions in 2019 were facilitated through PayPal. The majority of consumers that use PayPal do so for secured e-commerce transactions.¹¹¹

PayPal.Me services are popular for peer-to-peer transactions as they are URL based and can be sent via email, text or social media.¹¹² PayPal also offers multiple currencies and cross border functionality, which is something that is not directly offered with *Interac* e-Transfer. Security perceptions of PayPal are high, with over 40 per cent of PayPal users indicating they chose PayPal because it was more secure than other payment methods, which plays a role in its continued use for peer-to-peer payments.¹¹³

The Future of Peer-to-Peer Payment Methods

The high Canadian adoption rate and familiarity with *Interac* e-Transfer could end up deterring new peer-to-peer service entrants. However, many companies are attempting to make their mark in the concentrated Canadian peer-to-peer services market. Familiar names like Visa and Mastercard have started to compete, offering services like Visa Direct and Mastercard Send, which facilitate peer-to-peer transactions over existing card networks that can enable cross-border and domestic transactions.¹¹⁴ Online transfer services like TransferWise are starting to become pertinent in the facilitation of cross-border peer-to-peer transactions at the expense of bank transfers and wire payments. They address the high fees associated with cross currency transactions when using traditional cross-border payment methods and there is a concrete cost benefit to using these services. Social media payments are also rising in popularity globally, with services like Alipay, WhatsApp Pay and Venmo that integrate payments with existing social networks. However, the Canadian appetite for social media payments is currently low as only 10 per cent of Canadians indicate they are comfortable using social media to facilitate peer-to-peer payments.¹¹⁵

¹⁰⁶ Statistics from *Interac* 2019 Corporate Review. For more information, please see: <https://newsroom.interac.ca/wp-content/uploads/2020/04/2019-Interac-Corporate-Year-in-Review-FINAL.pdf>.

¹⁰⁷ TSI Canadian Payments Forecast, 2019.

¹⁰⁸ For a list of all financial institutions offering *Interac* e-Transfer, please see: <https://www.interac.ca/en/consumers/products/interac-e-transfer/#fi-list-interac-e-transfer>.

¹⁰⁹ For more information on *Interac* e-Transfer features and services, please see: <https://www.interac.ca/en/consumers/products/interac-e-transfer>.

¹¹⁰ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey

¹¹¹ TSI Canadian Payments Forecast, 2019.

¹¹² For more information on PayPal.Me, please see: <https://www.paypal.me>.

¹¹³ Leger/Payments Canada. 2020 Canadian Consumer Payment Behaviour Tracker.

¹¹⁴ For more information on Mastercard Send, please see: <https://sea.mastercard.com/en-region-sea/issuers/products-and-solutions/mastercardsend.html#:~:text=Mastercard%20Send%20is%20the%20only,receive%20funds%20typically%20within%20seconds>. For more information on Visa Direct, please see: <https://www.visa.com.bs/partner-with-us/payment-technology/visa-direct.html>.

¹¹⁵ Leger/Payments Canada. 2020 Canadian Consumer Payment Behaviour Tracker.

Globally, there has been a surge in the payments innovation surrounding peer-to-peer transactions. QR codes have become a staple across the world as a simple way to facilitate peer-to-peer transactions. QR codes are dynamic barcodes that contain payment information and allow for fast payments for proximity peer-to-peer transactions. This could make them ideal for use cases such as splitting bills and sending money owed to friends/family members. QR codes also offer some anonymity as personal details do not need to be shared, unlike services like *Interac* e-Transfer or PayPal where you need to create contacts in order to send money. The anonymity of QR codes would be useful for purchases from second-hand sale sites (e.g., Facebook Marketplace or Kijiji) or for making charitable donations.

Virtual currencies like Bitcoin have yet to have a solid impact in the Canadian economy, with less than five per cent of Canadians using virtual currencies to make a purchase recently.¹¹⁶ However, virtual currencies were created to provide a secure peer-to-peer payments system, something that will be fuelled as more countries release central bank digital currencies (CBDCs). CBDC is an alternative to private currencies (such as Libra) and physical cash offered by central banks that takes on characteristics of cash, such as universal acceptance, immediate settlement and anonymity.¹¹⁷

While it is not unconventional to suggest that online transfers and payments innovations will continue to grow in the peer-to-peer services market, there are certain challenges that come with this widespread shift to electronic payments. Canadians' affinity for *Interac* e-Transfer shows that they could be willing to widely adopt "newer" forms of payment methods. However, as alternatives to traditional cash and cheque use cases are popularized, there needs to be consideration of those who are left behind with the shift to electronic payments. Canadians who are not comfortable with electronic payment methods, the unbanked populations and those in rural areas with decreased access to networks could be overlooked.

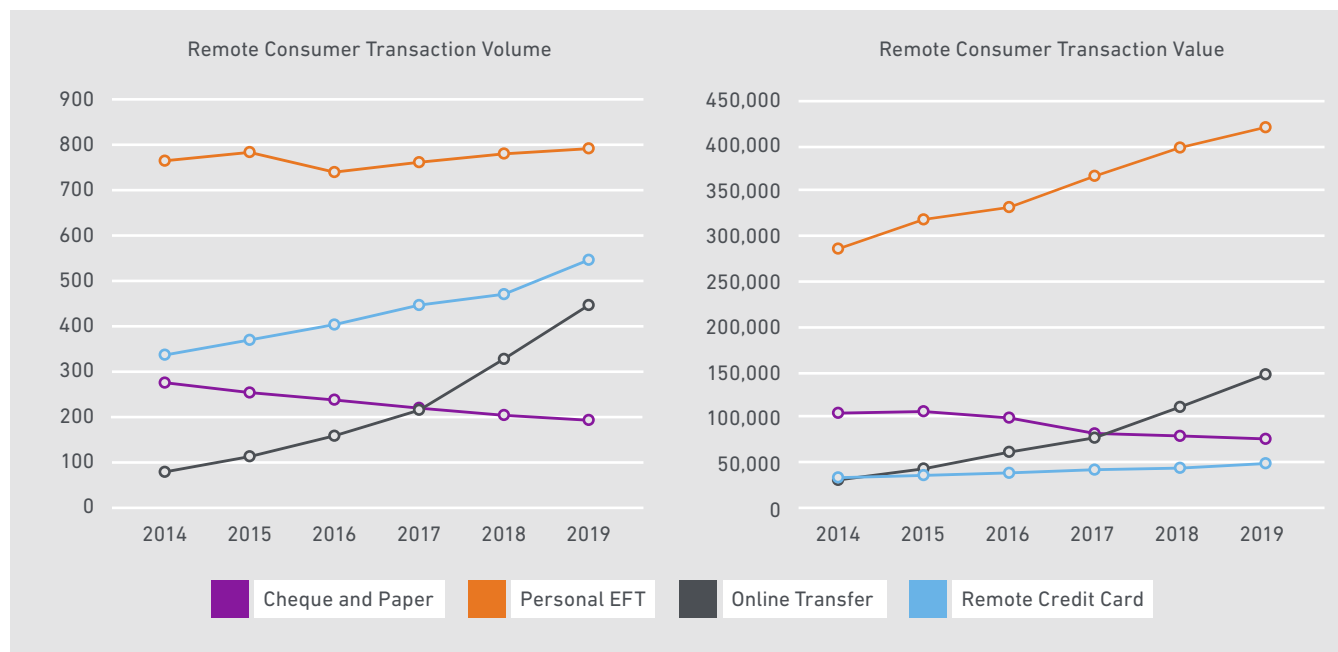
116 Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey. For more on consumer and business sentiment towards cryptocurrency, please see Payments Canada's Bitcoin Sentiment Tracker here: <https://www.payments.ca/industry-info/our-research/payments-perspectives/introducing-bitcoin-sentiment-tracker>.

117 The features of CBDC vary based on jurisdiction.

REMOTE CONSUMER TRANSACTIONS

In 2019, there were 1.9 billion consumer initiated remote transactions, worth \$684 billion, showing a nine per cent increase in volume and an eight per cent increase in value, relative to 2018.¹¹⁸ The largest proportion of consumer initiated remote transactions is allocated towards bills payments transactions and EFT has the largest proportion in terms of volume and value. Consumers generally opt to use EFT transactions to set up recurring payments to entities (for example, using online banking to pay household bills). EFT is also used when consumers set up pre-authorized debits (using their deposit accounts) to pay for mortgages or auto loans. However, EFT numbers are being impacted by a migration towards the use of credit cards to pay for bills (See the [bill pay analysis](#) for more).¹¹⁹

Figure 9: Consumer Remote Transaction Volume and Value



Credit cards are predominantly used in POS environments. However, around 13 per cent of all credit card transactions are used to pay bills, including memberships, subscriptions, insurance, and utilities through mostly pre-authorized payment arrangements established through billers.¹²⁰ The vast majority of remote credit card transactions are inferred to be consumer initiated, as most commercial credit card transactions would fall under the definition of POS (i.e., using websites to book and pay for travel, transit, supplies and materials). Market research confirms that remote credit card transaction use has been showing significant growth, with a 16 per cent increase in volume relative to 2018. Cardholders are using credit cards to pay for a number of their bills, making up 15 per cent of the total bills paid in Canada in 2018. Consumers use credit cards for recurring expenses, primarily because of rewards programs offered with credit cards, with older generations and those with higher income being significantly more likely to make remote credit transactions.¹²¹ Much of this segment growth is coming at the expense of cheques and EFT.¹²²

As mentioned earlier, online transfers continue to grow with consumers in paying both people and businesses. Consumer use of online transfers has overtaken consumer use of cheques. In 2019, online transfers accounted for 23 per cent of the total volume of consumer remote transactions, while consumer cheque volume dropped to 10 per cent (compared to 16 per cent in 2015).

¹¹⁸ Remote consumer transactions consist of personal cheque and paper use, personal EFT use (AFT credits/debits and electronic remittances), online transfers and remote credit card transactions.

¹¹⁹ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

¹²⁰ Financial Cards and Payments in Canada. Euromonitor, 2019.

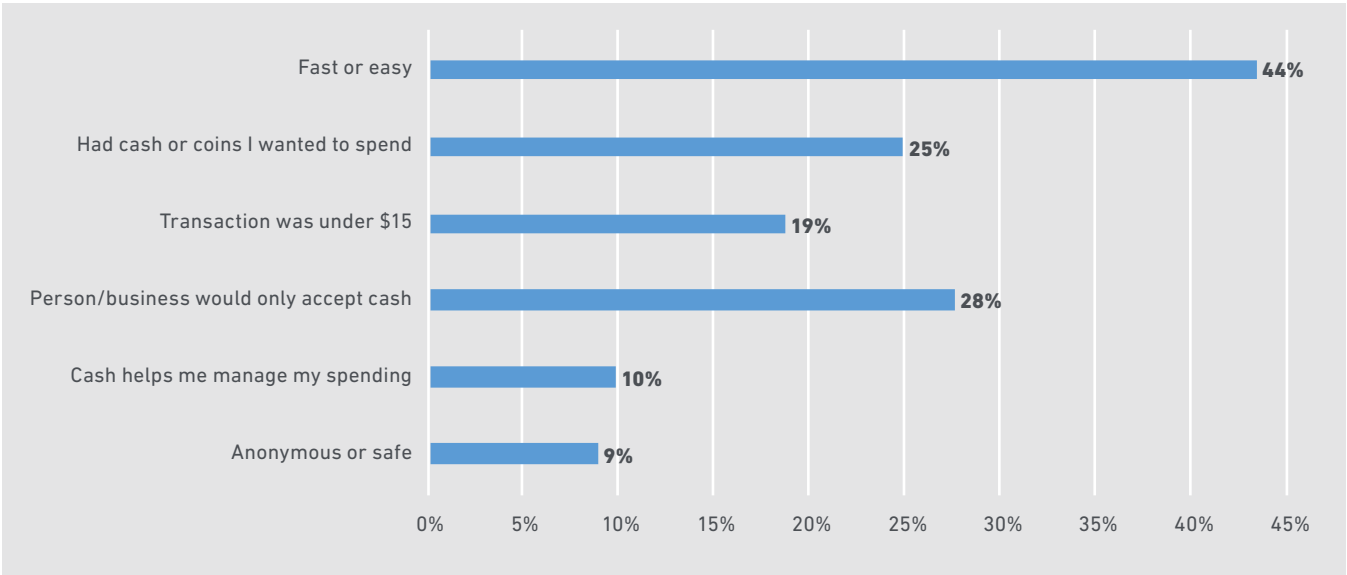
¹²¹ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

¹²² Ibid.

Even though cheque usage has dropped significantly, 37 per cent of Canadians still wrote at least one cheque or money order in 2019.¹²³ Consumer cheque use is driven by payee preference, the ability to use own funds and ease of tracking expenses (see more in the [online transfers](#) and [bill pay](#) analyses on consumer use of cheques). Canadians who used cheques regularly¹²⁴ wrote an average of three cheques every six months, worth \$1523 on average.¹²⁵ This is an almost 10 per cent increase in the average value of consumer cheques relative to 2018.¹²⁶

Around 10 per cent of all cash transactions are used to pay another person, with 40 per cent of Canadians using cash to pay a person on a regular basis.¹²⁷ However, the value of cash payments to a person are significantly lower than those made to a business: the average transaction to a person sits around \$25, while the average transaction when using cash to pay a business is \$186. Those aged 65+ are significantly more likely to use cash to make payments to another person over other methods, like cheques or *Interac* e-Transfers, due to an established preference for paper payments methods. Overall, consumers who use cash do so because it is fast, easy or they have cash/coins on hand, as seen in **Figure 10**, below. Notably, unbanked consumers are 16 per cent more likely to pay people using cash, most likely due to a lack of payments options.¹²⁸

Figure 10: Reasons to Use Cash to Pay Another Person



123 Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

124 Regular cheque users are defined as those who used cheques more than once in the past six months.

125 Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

126 The average consumer cheque transaction was \$1,385 in 2019.

127 Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey. Regular basis is defined as using cash to pay a person one or more times a week.

128 Ibid.

BILL PAYMENTS IN CANADA

Bill payments make up a significant portion of the Canadian economy, constituting over ten per cent of all household expenditure in Canada in 2019.¹²⁹ As bill payments become a more distinct part of the Canadian economy, there is a perceptible shift in the way that bills are paid. Bills were traditionally paid primarily through cash and cheques but over the past decade we have seen a shift towards electronic payments as Canadians' preferred bill payments method. Through an analysis of ACSS bill payments remittances and survey data, we provide a comprehensive look at how bills were paid by consumers in 2019 and how the ecosystem can address shifting demands for bill payments.¹³⁰

Key Highlights

- Consumers are shifting from traditional bill payment methods like cash or cheques to more convenient and rewarding payment methods like online bill payments and pre-authorized debits (PADs).
- Payments from online banking, PADs and credit cards make up over 80 per cent of bill payments in Canada.¹³¹
- Online banking remains the most popular bill payment method for Canadian consumers across all bill types, fuelled by increasing mobile bill payments.
- However, more consumers are starting to move towards PADs and payments from credit cards, as evidenced over the past five years.
- Innovations in bill payment methods can continue to drive the switch to electronic bill payments and the rise of alternative bill payment methods.

How Canadians Pay Bills

In 2019, around 710 million bills were paid by Canadian households. Canadians tend to pay different types of bills differently but overall, they use online banking, PADs and credit cards to facilitate their bill payments (**Figure 11**). On average, those aged 34-54 are likely to pay nearly twice as many bills as those aged 18-34 or 55+. This is mainly due to the fact that this generation is significantly more likely to have more bills and expenses than younger or older generations. Over 60 per cent of bill payers prefer to pay bills individually rather than setting up an automated bill pay method.¹³² This can drive usage of bill pay options that give consumers control over individual payments.

When looking at the types of bills paid, Canadians are more likely to pay utility and service bills (i.e., hydro, internet, and cell bills) followed by insurance bills (**Figure 11**) over other bill types. They also tend to make larger bill payments (i.e., rent, mortgage, and car payments) using PADs and cheques, which can be driven by limitations to payment amounts associated with other payments methods (i.e., credit cards) and the billers preferences.

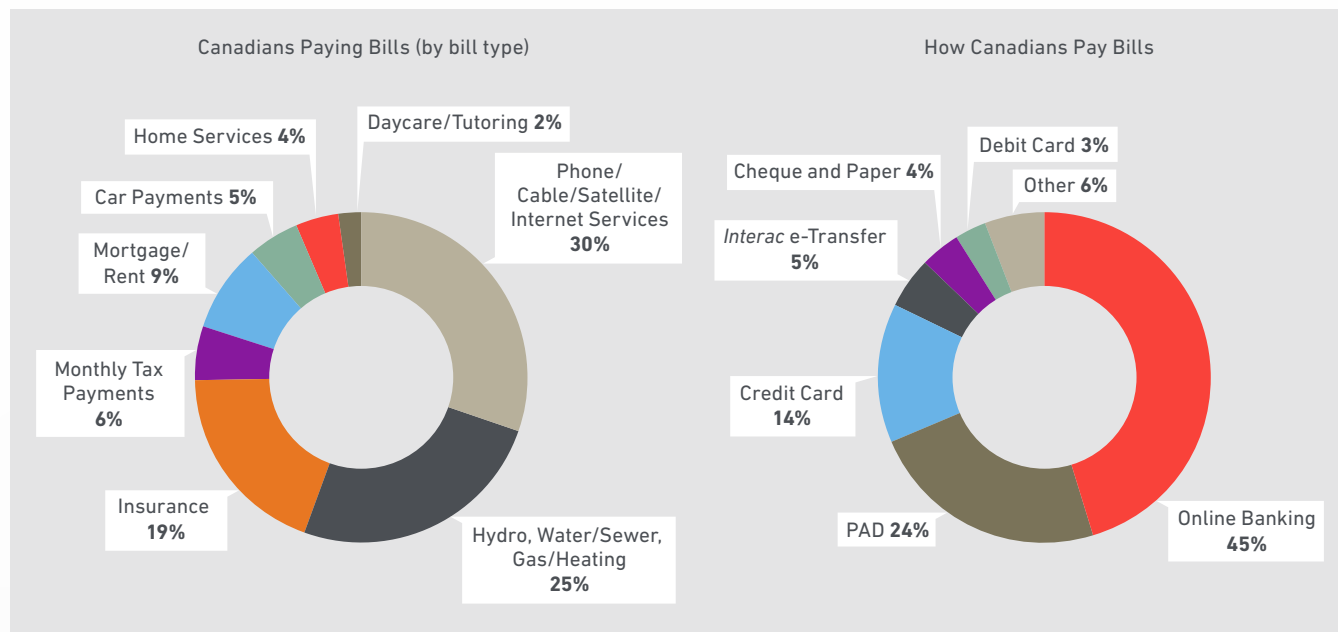
¹²⁹ Statistics Canada Annual Household Spending Canada, 2017. For more information, please see <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110022201>.

¹³⁰ For the purpose of this analysis, business bill payments have been excluded. For more on business payments behaviour, please see the section on Business Payments on page 34.

¹³¹ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

¹³² Leger/Payments Canada. 2020 Canadian Consumer Payments Behaviour Tracker.

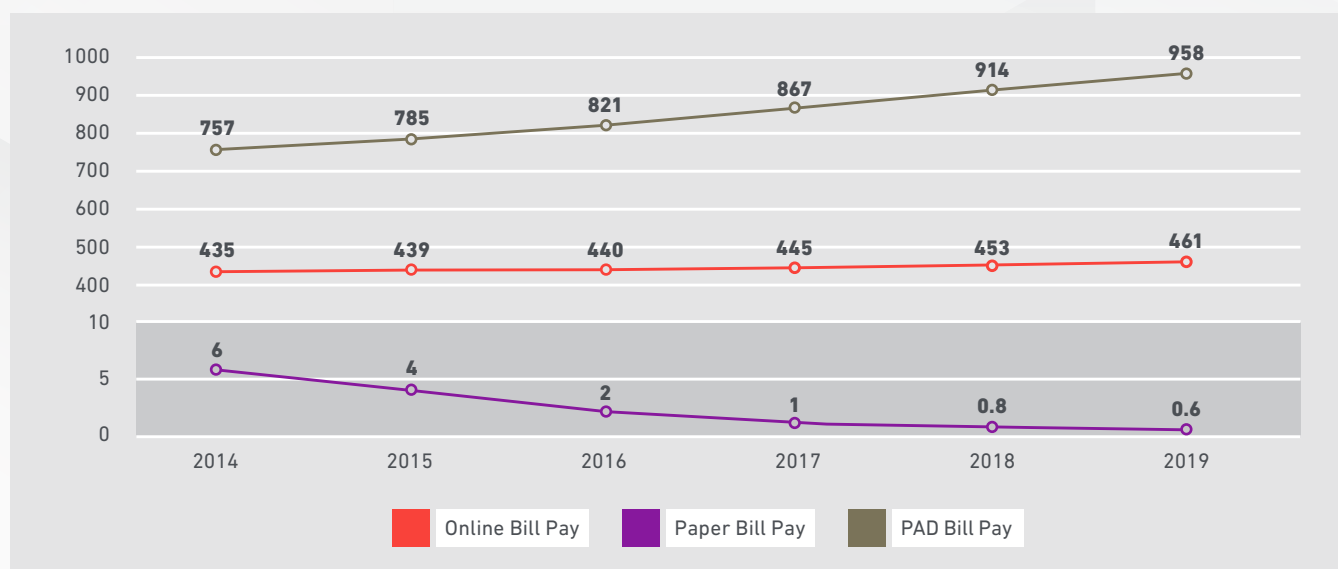
Figure 11: Percentage of Canadians Paying Bills (by bill type) + How Canadians Pay Bills¹³³



Bill Payment Methods Overview

As evidenced by **Figure 12** and **Table 4**, there is an obvious growing preference for Canadians across all generations to pay bills electronically. Those with a higher income are more likely to pay bills through electronic payments relative to those with lower incomes. This preference could be fuelled by the fact that those with lower incomes are more likely to be underbanked with limited access to electronic payments.¹³⁴

Figure 12: Bill Pay (Five-year trend) by Volume¹³⁵



¹³³ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey. "Other" bill pay options include debit cards, cash, electronic payments using providers (i.e., MoneyMart, Canada Post), prepaid cards and money order bill payments. See [Appendix Figure A7](#) for payment methods use by bill type.

¹³⁴ Leger/Payments Canada. 2020 Canadian Consumer Payments Behaviour Tracker.

¹³⁵ ACSS Bill Pay Streams D (AFT Debits), Y (Electronic), F (Paper).

In 2019, the top payments instruments used for bill payments by Canadians were online banking (internet or mobile banking), PADs (pre-authorized debits) and credit cards. Overall, speed and ease, as well as control over payment timings and amounts, are the biggest drivers for bill payment methods choice (**Table 4**). Notably, the main reason why consumers pay bills via paper methods is because they have no other option available to them.

Table 4: Top Three Reasons for Using Bill Payment Methods¹³⁶

Payment Method	Top 3 Reasons for Using
Online Banking	Fast and Easy (67%) Control over payment timing and amount (37.1%) Cheapest payment option (11.2%)
PAD	Fast and Easy (60%) Control over payment timing and amount (25.3%) No other option (21.7%)
Credit Card	Fast and Easy (50.5%) For the rewards (50.5%) Control over the payment timing and amount (18.5%)
Cheque and Paper	No other option (35.2%) Fast and easy (32.5%) Control over the payment timing and amount (25.7%)
Interac e-Transfer	Fast and Easy (64%) Control over the payment timing and amount (22.2%) No other option (17.3%)

ONLINE BANKING

Canadians are paying through their internet or mobile banking app mainly because it is perceived to be fast and easy. Around 45 per cent of bills were paid with online banking, with consumers aged 35-54 being more likely to use online banking than other generations.¹³⁷

One of the key drivers of online banking for bill payments is that it is perceived to offer control over the payment amount and timing.¹³⁸ As online banking provides consumers with the ability to manage individual payments, it is a good option for Canadians seeking more control over their money.

As more consumers become familiar with the concept of mobile bill payments, there is a significant expected increase in the number of bills being paid via mobile banking.¹³⁹ Over the past year, mobile bill payments grew around 16.6 per cent, to make up 43 per cent of total bill pay value.¹⁴⁰ Mobile bill payments still fall behind online bill payments done via personal computers, but the gap is closing as more consumers become comfortable with mobile banking applications. While online bill payments via personal computers made up around 47 per cent of total bill payments value, it dropped around six per cent in value to mobile bill pay.¹⁴¹

¹³⁶ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

¹³⁷ Leger/Payments Canada. 2020 Canadian Consumer Payments Behaviour Tracker.

¹³⁸ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

¹³⁹ For more information on the growth of mobile payments, please see: <https://www.payments.ca/industry-info/our-research/payments-perspectives/changing-channel-mobile-taking-over-online-and>.

¹⁴⁰ TSI Canadian Payments Forecast, 2019.

¹⁴¹ Ibid.

PRE-AUTHORIZED DEBITS (PADS)

While online payments are currently the most popular payments method used to pay bills across categories, PADS (pre-authorized debits) that allow for automatic processing of recurring payments are growing in popularity. Over the past five years, the amount of bills paid via PADS increased 26 per cent from 723 million transactions in 2014 to 958 million transactions in 2019 (**Figure 12**).¹⁴²

Twenty-three per cent of bills in 2019 were paid with PADS; they are primarily being used for higher value bills like mortgages and car payments rather than lower value bills like utility bills. A key driver for its use is that it is often the only option provided to consumers, indicating that its usage is partly driven by the billers. A wide range of billers prefer to offer PADS as a bill payments method for consumers as it expedites the funds collection process and offers a higher level of control for billers, which is crucial for high value bills.¹⁴³

Younger consumers (18-34) are significantly less likely to prefer and use PADS relative to older generations. Over 60 per cent of bill payers are using PADS because they consider them to be fast and easy, pointing to the convenience factor of automated withdrawals. The lack of control of payments that comes with automated bill payments is in particular worrying to younger generations and those with lower incomes.¹⁴⁴

CREDIT CARDS¹⁴⁵

In 2019, 13 per cent of bills were paid using credit cards.¹⁴⁶ Younger generations are less likely than older generations to use credit cards, suggesting a lack of access to credit. The ease and speed of credit cards was the key driver for consumers using them to pay bills. Consumers using credit cards for bill payments also have the option to make “push” payments that allow them to make individual payments or “pull” payments where customers save card details on file to allow for recurring payments to be deducted from their credit cards (acting as an alternative to PADS). Fifty three per cent of credit card users opt for automatic “pull” bill payments while the other 47 per cent make individual “push” payments.¹⁴⁷ Using credit cards instead of PADS or online banking allows consumers to enjoy features offered by both as well as rewards. Additionally, credit cards are appealing to consumers who have both cash flow issues and access to credit.

Notably, over half of credit card users claimed that rewards play a significant role in their use for bill payments, something that is exclusive to credit card use.¹⁴⁸ Since rewards continue to be a key consideration of credit card use, more comprehensive reward programs associated with bill payments can persuade more consumers to switch to credit cards for this purpose. In addition to rewards, credit cards have a generally higher consumer perception of security as their own funds are not being used in the case of incorrect charges. The traceability associated with credit card statements and expense consolidation helps consumers to keep track of payments easily, which can also drive them to use credit cards for bill payments.¹⁴⁹

PAPER PAYMENT METHODS

Bills that are paid using paper methods (i.e., cheques) have decreased significantly. Over the past five years, the number of bills paid via paper dropped around 89 per cent, from 5.9 million transactions in 2014 to around 623,140 transactions in 2019, (**Figure 12**) making up less than four per cent of total bills paid.¹⁵⁰ Cheques are used and preferred significantly more by older generations (those aged 65+) for bills as they tend to be more comfortable with cheque use over electronic methods.¹⁵¹

142 ACSS Bill Pay Stream D- AFT debits. Some corporate usage of AFT Debits is included.

143 Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

144 TSI Canadian Payments Forecast, 2018.

145 This includes credit “push” and “pull” payments.

146 Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

147 Leger/Payments Canada. 2020 Canadian Consumer Payments Behaviour Tracker.

148 Ibid.

149 Financial Cards and Payments in Canada, Euromonitor, 2019.

150 ACSS Bill Pay Stream F- Paper bill payments.

151 Leger/Payments Canada. 2020 Canadian Consumer Payments Behaviour Tracker.

Interestingly, the average transaction size for cheque bill payments has increased substantially over the past five years, with the average transaction sitting around \$3,000. This illustrates that bill payments made with cheques tend to be for higher value, such as mortgage payments.¹⁵²

For consumers who do not want to use their bank for bill payments or enter their financial information in a billing agreement (as is required for PADs and online payments), cheques and cash remain preferred options for bill payments.

INTERAC E-TRANSFER

Interac e-Transfer has proven to be extremely successful in terms of peer-to-peer transactions in Canada (see our [online transfer](#) analysis for more information). However, *Interac* e-Transfer for bill payments is still low, making up five per cent of bill payments in 2019. Younger generations (those aged 18-34) are significantly more likely to use and prefer the use of *Interac* e-Transfer for bill payments, due to increased familiarity with the process as well as reduced access to credit products. *Interac* e-Transfer is mainly used to facilitate bills with smaller, independent contractors, such as home service providers (e.g., cleaners), or for services like tutoring or daycare as they are more likely to accept *Interac* e-Transfer as a method of payment.¹⁵³

Innovations in Bill Payments

As more companies become aware of the growing market for bill payments in Canada, new options for bill payments are emerging, offering a multitude of options to Canadian consumers.¹⁵⁴

CREDIT CARD NETWORKS OFFERING INCENTIVES FOR BILL PAYMENTS

In 2018, card network providers like Visa and Mastercard made themselves more attractive for bill payments by reducing costs associated with using credit cards.¹⁵⁵ This, accompanied with the introduction of new products and services attached to credit cards, can drive more consumers to adopt credit card bill payments. For example, RBC recently introduced a Pay With Points program that allows customers to pay various bills with their credit card rewards.¹⁵⁶

Visa and Mastercard branded debit cards¹⁵⁷ are also a viable alternative for bill payments when paying directly from a bank account; consumers can use their own funds and not have to worry about debt. Consumers also get the security associated with credit card use; however they miss out on the rewards that play a huge role in using credit cards for bill payments.

FINTECHS ADVANCING REWARDS PROGRAMS

Fintechs have entered Canada's bill payments space and are attempting to provide incentives for consumers to set up bill payments in new platforms. Paytm is one fintech in particular that has attempted to capitalize on the Canadian bill payments market by offering a platform where customers can pay bills using a variety of payments methods from cash to credit cards. It also offers significant rewards for every dollar spent on bill payments and low fees for both the bill payer and the biller.¹⁵⁸ Although usage is growing, only 19 per cent of Canadians have ever used a fintech. However, those aged 18-34 are twice as likely to have used fintechs, making them ideal targets for fintechs moving forward.

E-TRANSFERS AS AN OPTION FOR BILL PAYMENTS

While *Interac* e-Transfer is not currently a direct bill payments option for larger corporations, such as utility providers, consumers can use *Interac* e-Transfer to make bill payments directly to providers using third party services (i.e., Paytm). Additionally, many small and micro businesses are increasingly accepting *Interac* e-Transfer as a method of payments from consumers. The use of features like Request Money makes it easy for businesses to request payments from consumers.¹⁵⁹

¹⁵² LVTS/ACSS values.

¹⁵³ Leger/Payments Canada. 2019/2020 Canadian Consumer Payments and Transactions Survey.

¹⁵⁴ This list is not exhaustive.

¹⁵⁵ Visa Canada interchange rates are close to 1% for emerging segments including bill payments, while closer to 1.5% for traditional point-of-sale and e-commerce purchases.

¹⁵⁶ For more, please see: <https://www.rbcroyalbank.com/rbc rewards/pay-with-points/index.html>.

¹⁵⁷ Visa and Mastercard co-branded debit cards can be used in the same capacity as traditional debit cards with bill payments.

¹⁵⁸ For more, please see: <https://www.paytm.ca>.

¹⁵⁹ For more, please see: <https://www.interac.ca/en/business/our-solutions/interac-e-transfer>.

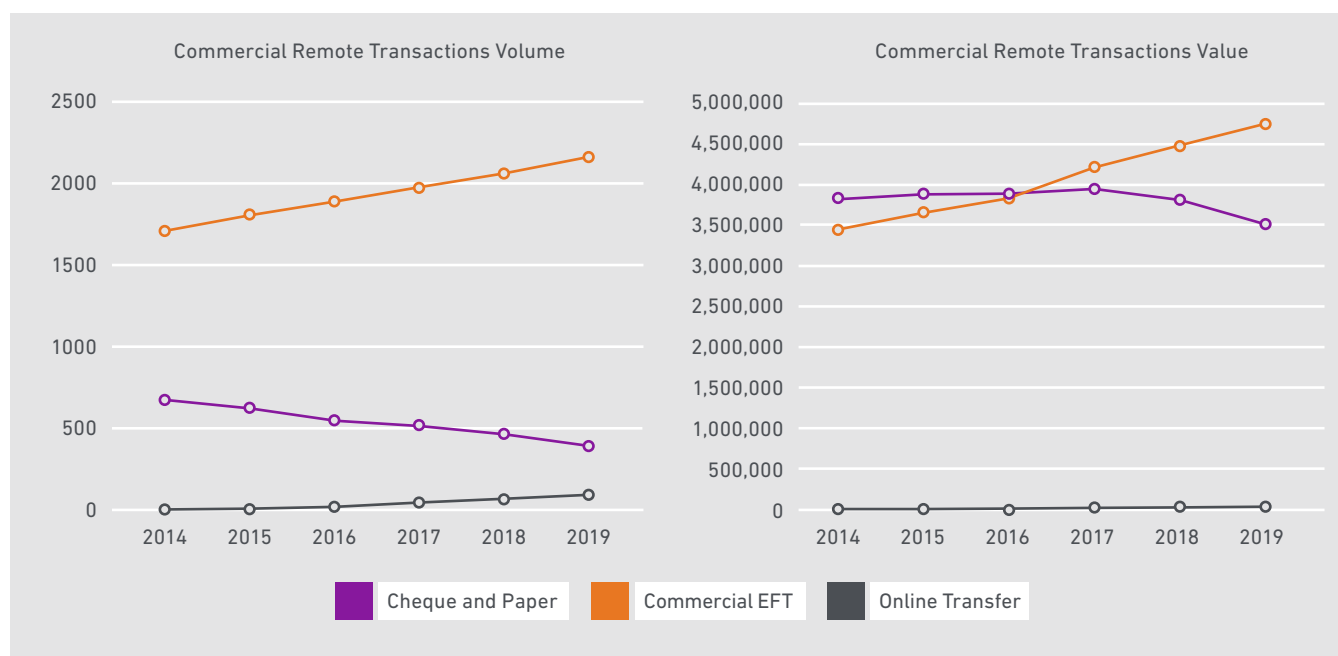
Remote Commercial Transactions

Corporate entities, financial institutions, businesses and government agencies must make remote payments and therefore make up the majority of remote volume and value. In 2019, there were 2.65 billion commercial remote transactions identified, worth around \$8.3 trillion.¹⁶⁰ EFT transactions remain the pillar of remote commercial transactions for payroll transactions, consumer disbursements, and B2B payments (e.g., for paying for inventory, supplies and materials). EFT payments account for around 80 per cent of the total commercial remote transaction volume and make up around 57 per cent of total remote commercial transaction value. EFT is used because it is considered to be fast, convenient and also allows for ease of reconciliation (see the [business payments](#) section for more on business EFT use).

Cheques also make up a significant amount of remote commercial transaction value, accounting for about 42 per cent of the value. Even though cheques are on a steady decline, they remain vital for certain commercial transactions, including B2B payments and real estate transactions. This is driven by the fact that cheques still remain widely accepted and are the suppliers' preference (see the [business payments](#) section for more on business cheque use).

Business use of credit cards and online transfers is significant (highlighted in **Figure 15: Business Payments Mix**), but is well below the volumes and values of EFT and cheques, hence these segments are not charted in **Figure 13**. It is important to note that many small and micro businesses will use personal credit/debit cards for transactions rather than corporate cards in order and these values are not present in commercial remote calculations.

Figure 13: Commercial Remote Transaction Volume and Value



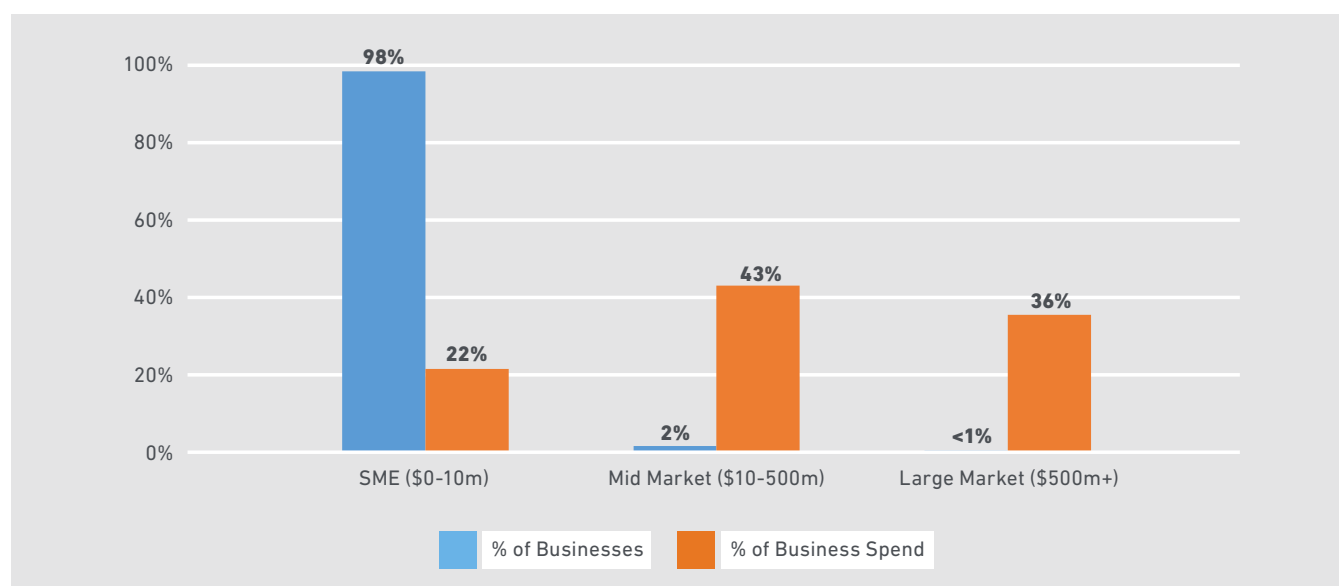
¹⁶⁰ Remote commercial transactions are comprised of commercial cheques and paper, commercial EFT, online transfers and EDI.

BUSINESS PAYMENTS

The analysis of commercial payments, addresses all non-consumer payments, including those made by local, city, provincial, and federal levels of government. Government payments add large volumes of transactions (for example, the collection of taxes and fees and the disbursement of benefits and program payments). In this section, only business payments are discussed in order to focus on this distinct segment of commercial payments users.

Understanding small and medium enterprises' (SMEs') payments habits¹⁶¹ is key to understanding business payments, as the majority of Canadian businesses (around 98 per cent) fall under the bracket of SMEs. However, they make up only 22 per cent of total business expenditure.¹⁶² Mid-market companies¹⁶³ make up less than two per cent of Canadian businesses but account for 43 per cent of total business expenditure. Large companies represent less than one per cent of Canadians businesses but account for 36 per cent of the total business expenditure (**Figure 14**).¹⁶⁴

Figure 14: Business Classifications in Canada¹⁶⁵



The top three methods of payments used by Canadian SMEs and mid-market companies include EFT, credit cards and cheques. While the top three payment methods are the same, SMEs and mid-market companies have different use cases for each payments method (outlined in **Table 5**). **Figure 15** provides an overview of the proportion of the total value of business expenditures made by each payments method used for both SME and mid-market companies. EFTs, credit cards and cheques hold the largest proportion of spend for both SMEs and mid-market companies.¹⁶⁶

¹⁶¹ Businesses with an annual revenue between \$0 and \$9.9 million.

¹⁶² RFI Group's Canada SME Banking and Payments Council and Canada Commercial Banking and Payments Council (RFI Group 2019).

¹⁶³ Businesses with an annual revenue between \$10 million and \$500 million.

¹⁶⁴ Please note that businesses with an annual revenue of over \$500,000 are excluded due to limited access to information. While the exclusion of these companies does not have a direct impact on the trends presented in this analysis, they make up a significant proportion of business spend and this should be taken into consideration.

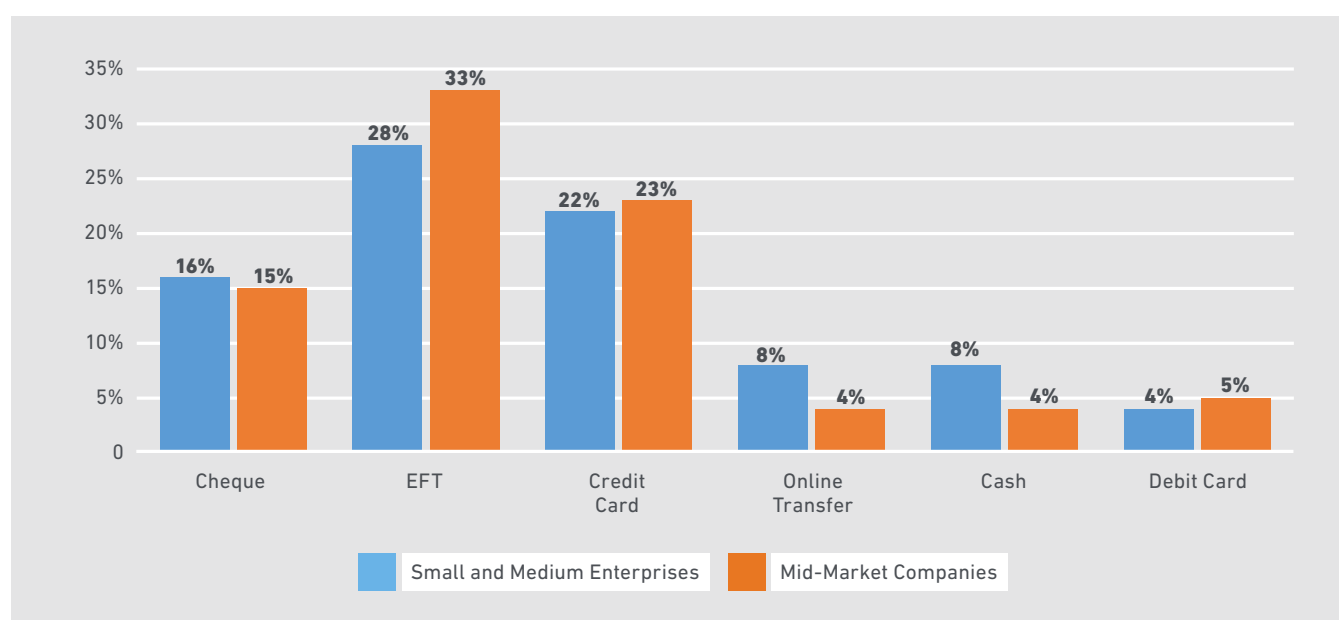
¹⁶⁵ Statistics Canada, Establishment Counts, 2019.

¹⁶⁶ These figures are based on SME and mid-market companies' responses to which payments method they used to pay various expenses.

Table 5: Most Common Use Cases for Business Payment Methods¹⁶⁷

Payments Method	Small and Medium Enterprises ¹⁶⁸	Mid-Market Companies ¹⁶⁹
EFT % of businesses using: 45% of mid-market companies 32% of SMEs	Government payments/tax Payroll Utilities/telecommunications	Payroll Government payments/tax Utilities/telecommunications
Credit Card % of businesses using: 48% of mid-market companies 32% of SMEs ¹⁷⁰	Travel related expenses Entertainment Office supplies/computer equipment	Office supplies/computer equipment Travel related expenses Stock/inventory/raw materials
Cheque and Paper % of businesses using: 43% of mid-market companies 45% of SMEs	Payroll Professional services Rent	Government payments/tax Professional services Payroll

Figure 15: 2019 Business Payments Instrument Method Mix (as a per cent of total expenditures)¹⁷¹



EFT continued to hold the majority of business payments value in 2019; businesses used it mostly for payroll and payments to the government. EFT is also used by businesses to pay bills (such as for utilities and business services). Enhancements were made to EFT in 2018 with the introduction of the [third AFT exchange window](#), which extends the daily deadline for processing of EFT and batch payments. Around 25 per cent of total EFT value was processed during the third AFT exchange in 2019,¹⁷² enabling Canadian businesses to transfer funds faster with fewer limitations and sustaining EFT as a viable payments option for business payments.

¹⁶⁷ These figures are based on SME and mid-market companies' responses to which payments method they used to pay various expenses. See Figure A6 in Appendix I for percentage of businesses using payment methods.

¹⁶⁸ Businesses with an annual revenue between \$0 and \$9.9 million.

¹⁶⁹ Businesses with an annual revenue between \$10 million and \$500 million.

¹⁷⁰ Notably, 46 per cent of SMEs stated that they used the business owner's personal credit card to pay for expenses.

¹⁷¹ RFI Group's Canada SME Banking and Payments Council and Canada Commercial Banking and Payments Council (RFI Group 2019). Includes the payment usage habits of about 2,000 Canadian businesses (both SMEs and mid market commercial enterprises). Values do not sum to 100 per cent as payment methods making up <2% of respondent answers were excluded.

¹⁷² EFT/AFT and batch payments are regularly used by corporations to address bill payments and payroll.

Cheques are primarily used by businesses for payroll and rent purposes, with SMEs being more likely to use cheques for these two types of expenses. While cheque usage is still predominant, it is falling significantly, particularly among SMEs, where it dropped around five per cent in 2019 relative to 2018.¹⁷³ This could be due to SMEs trailing behind mid-market companies for switching to EFT for use cases like payroll. Businesses that still use cheques for expenses are likely to do so because of easy reconciliation and cheques being listed as the supplier's preference. However, many businesses do not prefer cheques as a payments method, even if they continue to use them. Notably, businesses that currently use cheques cite that they would prefer to use credit cards instead for business expenses.¹⁷⁴ The prevalence of cheque usage indicates that there are still a significant number of businesses that have payments structures based on cheques and not around electronic payment methods.

However, as cheque usage drops, we see an increase in the number of businesses using cards.¹⁷⁵ Overall, businesses want to use credit cards, with around 80 per cent of them preferring credit cards as a payments method relative to other options.¹⁷⁶ Credit cards are used primarily because they offer easy reconciliation, rewards and are perceived to be convenient.¹⁷⁷ The convenience factor is especially pertinent when it comes to certain use cases like employees paying for travel or entertainment.

Online transfers are becoming a viable option for businesses as they made up five per cent of total business spend in 2019. SMEs are twice as likely to use online transfers for payments, using them primarily to pay government taxes and payroll. For smaller businesses, online transfers are a quick and easy way to handle low value payments. However, many service providers have made efforts to target business payments use cases and this is paying off as more businesses begin to adopt and accept online transfers as a payments method. For instance, *Interac* has rolled out enhancements to its *Interac* e-Transfer services, offering bulk processing features compliant with ISO20022 standards that allow businesses to receive and make payments efficiently.¹⁷⁸

173 RFI Group's Canada SME Banking and Payments Council and Canada Commercial Banking and Payments Council (RFI Group 2019).

174 Ibid.

175 This includes personal and business debit, credit, charge and purchasing cards.

176 RFI Group's Canada SME Banking and Payments Council and Canada Commercial Banking and Payments Council (RFI Group 2019).

177 Ibid.

178 For more, please see: <https://www.interac.ca/en/business/our-solutions/interac-e-transfer>.

APPENDIX I

Detailed Payments Segment Charts

Figure A1: Total Annual CPMT Transactions (Volume and Value)

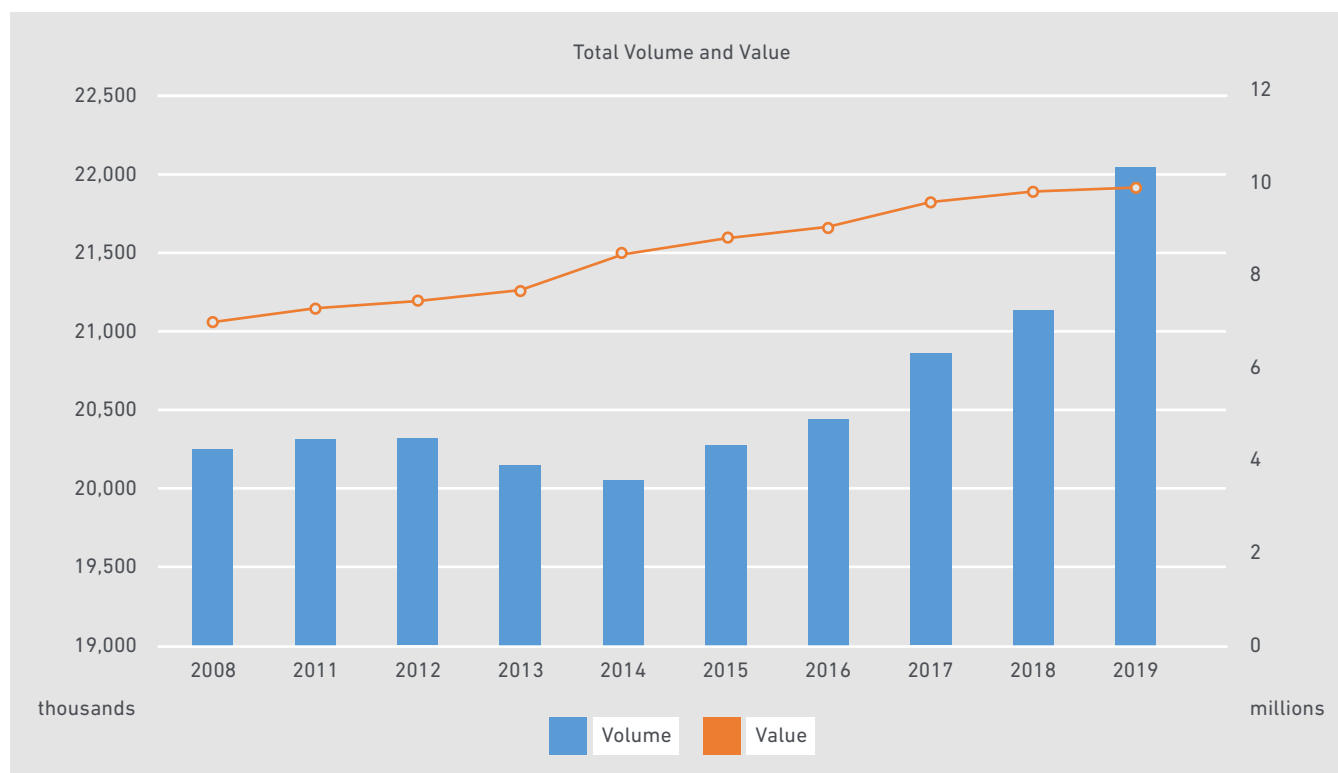


Figure A2: All Payment Methods Annual Totals

Payments Method	Volume (in millions of transactions)				Value (in millions of dollars)			
	2008	2014	2018	2019	2008	2014	2018	2019
Cheque and Paper	1,351.0	950.0	667.0	583.9	3,996,090.0	3,925,570.2	3,891,136.0	3,586,221.0
Debit Card	3,704.0	4,907.0	6,050.0	6,256.0	168,579.0	214,340.2	255,600.0	259,255.0
ABM	880.0	623.0	499.0	466.1	96,436.0	72,799.5	68,217.0	67,082.0
Prepaid Card	118.0	200.0	304.0	328.7	9,784.0	11,934.6	18,155.0	19,237.0
EFT	1,824.0	2,476.0	2,846.0	2,947.0	2,284,530.0	3,732,905.4	4,889,627.0	5,178,683.0
Credit Card	2,702.0	4,230.0	5,907.0	6,859.0	314,123.0	418,358.3	551,497.0	615,154.0
Online Transfer	11.0	81.5	397.0	540.6	3,266.0	31,678.4	134,769.0	178,224.9
Cash	9,663.0	6,583.0	4,467.0	4,065.0	179,099.0	116,366.0	92,096.0	85,649.3
TOTAL	20,252.0	20,050.5	21,137.0	22,046.9	7,051,907.0	8,523,952.6	9,901,097.0	9,989,506.2

Figure A3: Average Transaction Size

Payment Method	2014	2018	2019	% Change
Cheque and Paper	\$4,130.9	\$5,834.8	\$6,142.0	5.3%
Debit Card	\$43.7	\$42.3	\$41.0	-3.0%
ABM	\$116.8	\$136.8	\$144.0	5.3%
Prepaid Card	\$59.6	\$59.7	\$59.0	-1.1%
EFT	\$1,507.4	\$1,717.9	\$1,757.0	2.3%
Credit Card	\$98.9	\$93.4	\$90.0	-3.6%
Online Transfer	\$388.7	\$339.6	\$329.7	-2.9%
Cash	\$17.7	\$20.6	\$21.0	1.8%
TOTAL	\$425.1	\$468.4	\$453.1	-3.3%

Figure A4: All Payment Methods Average Annual Growth Volume
(One, Five and 10 year Compounded Annual Growth Rate – CAGR)

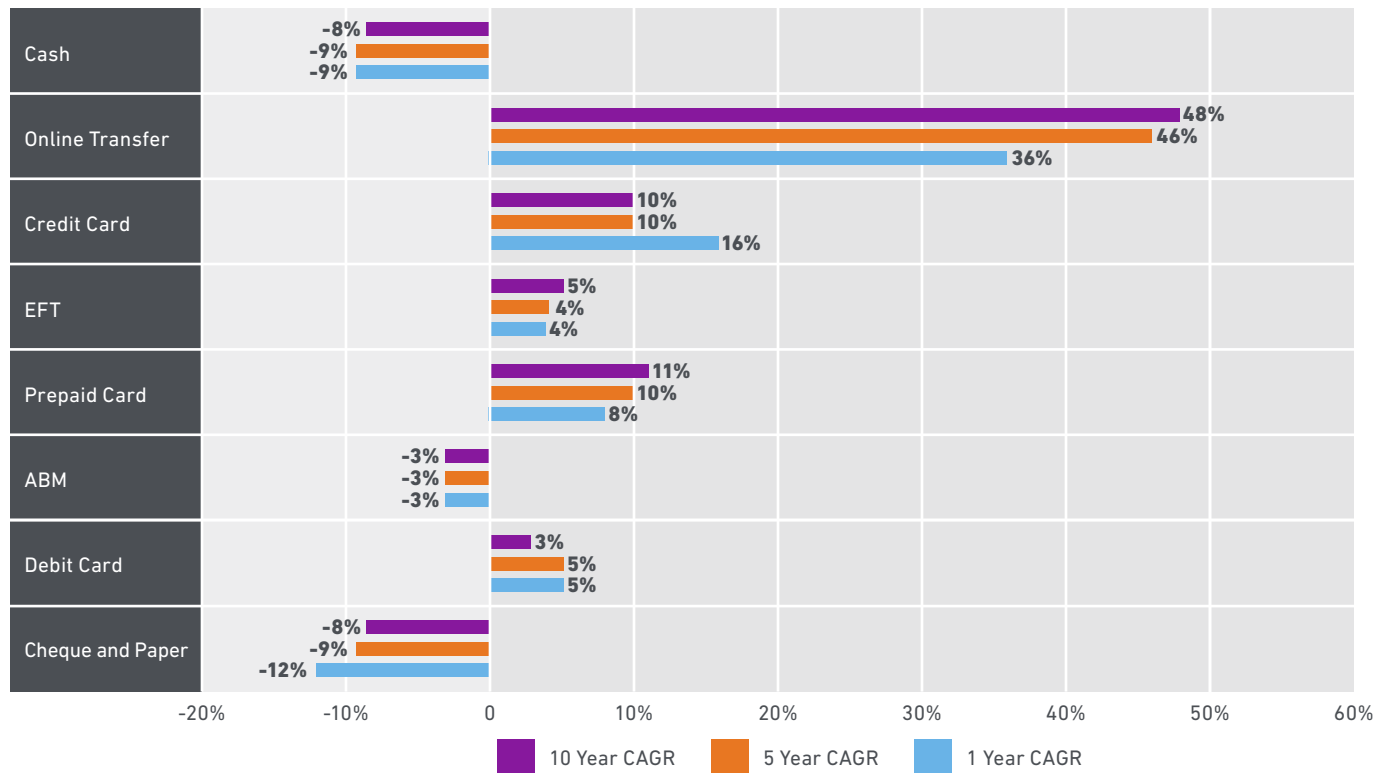


Figure A5: All Payment Methods Average Annual Growth Value (One, Five and 10 year CAGR)

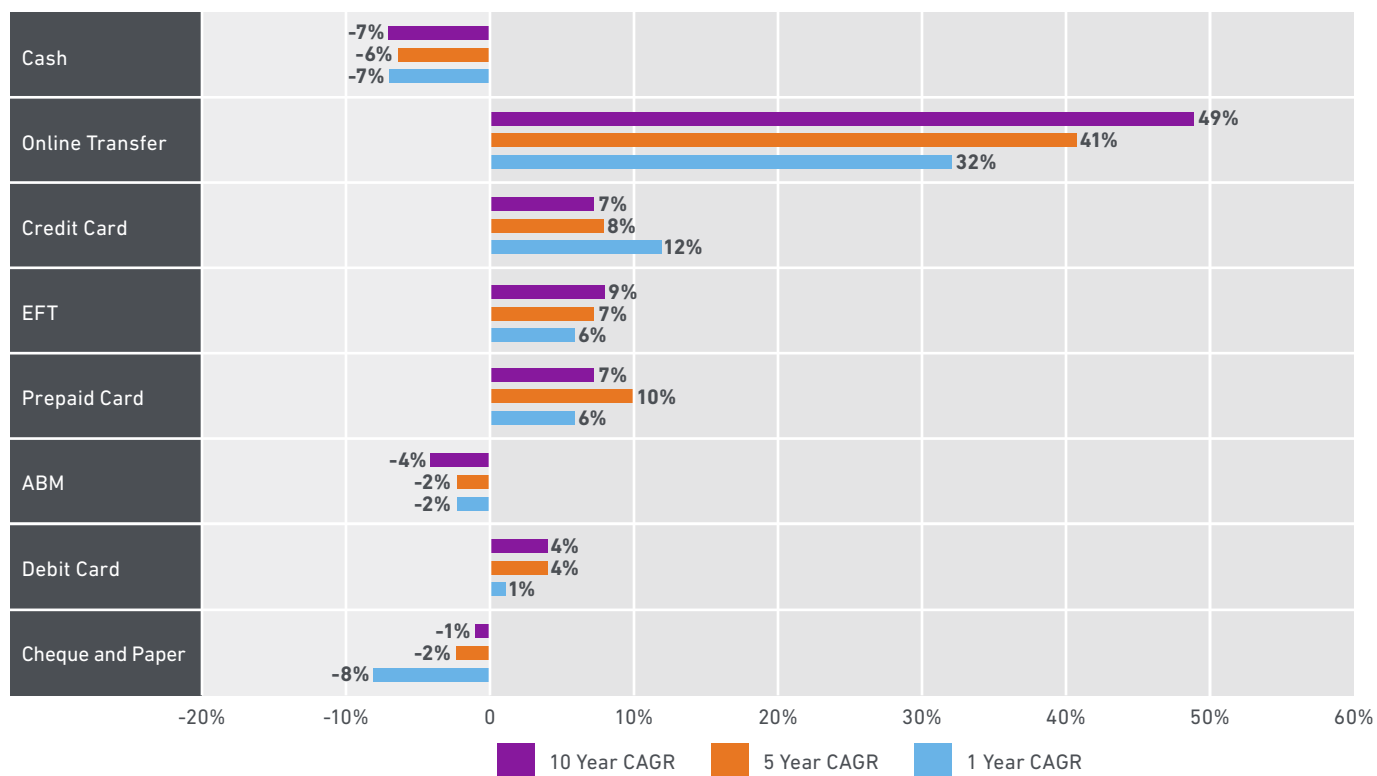


Figure A6: Percentage of Businesses Using Payments Methods

Payment Method	Commercial Enterprises	Small and Medium Enterprises
Cash	36%	33%
Cheque and Paper	43%	36%
EFT	59%	27%
Wire	31%	12%
Interac e-Transfer	19%	27%
PayPal	23%	13%
Credit Card	45%	27%
Debit Card	14%	12%

Figure A7: Bill Payments Heat Map¹⁷⁹

	<i>Hydro</i>	<i>Water/Sewer</i>	<i>Gas/Heating</i>	<i>Monthly Federal/ Provincial Tax Payment</i>	<i>Cable</i>	<i>Internet Service</i>	<i>Rent/Mortgage</i>	<i>Car Payment</i>	<i>Home Insurance</i>	<i>Auto Insurance</i>	<i>Home Services</i>	<i>Daycare/Tutoring</i>
Online banking payment from my bank account	53%	49%	49%	45%	43%	42%	50%	69%	52%	55%	21%	24%
PAD (pre-authorized debit)	31%	29%	31%	28%	23%	25%	15%	16%	19%	20%	19%	22%
Credit Card (in any form)	5%	6%	8%	8%	23%	23%	13%	4%	17%	15%	19%	13%
Interac e-Transfer	2%	5%	3%	4%	3%	2%	10%	3%	6%	4%	12%	11%
Cheque from my bank account	2%	3%	2%	3%	2%	2%	5%	2%	2%	2%	11%	10%
Debit Card	2%	2%	2%	3%	2%	2%	2%	2%	1%	1%	10%	10%
Cash payment	1%	2%	1%	2%	1%	1%	2%	2%	1%	1%	4%	5%
Other	3%	4%	3%	7%	3%	3%	3%	3%	2%	2%	5%	7%

¹⁷⁹ Totals for this figure do not add to 100% due to rounding.

APPENDIX II:

Methodology, Definitions and Segment Descriptions

Methodology

Notes on methodology

The data presented are a combination of Payments Canada systems data, payments service providers and scheme operator data and estimates based on market research and in consultation with industry experts.

Payments service providers contributed either by sharing their internal research and data or by providing expertise that enhanced the data set's accuracy. As was assured during the data collection, Payments Canada has made every effort to keep participant data non-discernible where asked to do so.

This paper leverages the full data set gathered from past efforts and contains appropriate updates in methodology, data and findings. As such, this paper represents a full update of the previously published data points (including those provided in past papers) and should be viewed as essentially replacing the previous data sets.

Survey market research details and methodology

1. RFi Group business surveys

The RFi Group conducts separate surveys on larger corporate enterprises and small to medium sized enterprises (SME). The corporate survey was in field in May and November 2019 with a total of 725 individuals being interviewed online. Basic quotas were applied to the sample to ensure that the data were representative of the Canadian commercial population. All respondents had decision-making powers within businesses operating in Canada with global annual revenue of \$10 million to \$550 million. RFi Group's SME survey was in field in May and November 2019 with a total of 1,036 individuals interviewed online. Basic quotas were applied to the sample to ensure that the data were representative of the Canadian SME market. All respondents had decision making powers within an SME operating in Canada with global annual revenue of less than \$10 million.

2. TSI Consumer Survey

Technology Strategies International Inc. (TSI) provides in-depth assessments of consumer payments in Canada, drawing upon a wide range of information resources including desk research, executive interviews and discussions, consumer research and analysis—compiled into an annual report. In 2019, the TSI consumer market survey data were also analyzed for additional insights. The 2019 consumer survey included a sample size of 2,006.

3. Payments Canada/Leger Consumer and Business Surveys

Leger is a full service market research consultancy experienced at providing both quantitative and qualitative research. Leger is a pioneer and leader in web-based research. They have their own proprietary online panel of over 475,000 Canadians. In 2018, Leger acquired an additional panel, which includes an additional one million millennials. As of 2019, Leger provides Payments Canada with a customized consumer payments survey focused on Canadians' usage of different payment methods in both the POS and remote transactions environment. Leger also provides Payments Canada with a customized consumer and business payments survey focused on Canadian usage of different payment methods and their sentiment towards payment methods. In this report, we included a sample size of 9,000 Canadians and 500 businesses across the surveys. The surveys were in field in late 2019 and early 2020.

4. Euromonitor Financial Cards and Payments in Canada

Euromonitor offers an in-depth analysis of financial cards usage in Canada, drawing on figures from a multitude of sources including the Canadian Department of Finance, Statistics Canada, and National Bank of Canada in order to provide a comprehensive look at card market growth. Euromonitor's analysis provides a qualitative and quantitative look at growth within card providers, the impact of supply and demand trends and forecasts for future card growth in Canada.

Definitions and Segment Descriptions

ABM payments

ABM data is derived from data found in published proprietary reports and validated with published payments networks.

ACSS

The Automated Clearing and Settlement System (ACSS) is the retail payments system, one of Canada's Prominent Payments Systems (along with the LVTS) that clears the vast majority of payments in Canada.¹⁸⁰

CAGR

Compound annual growth rate (CAGR) calculates the annual average growth over multiple years, while taking into account the effects of average compounding growth experienced in each year.

Cash

Total cash was estimated based upon data from Bank of Canada survey research data (the data were also leveraged for their 2017 Methods-of-Payment Survey).¹⁸¹ Estimates from the data establish the mean number of cash transactions per Canadian per day was (.65) and the mean cash expenditure per transaction was \$11.49. We used these numbers to extrapolate to the larger Canadian population to formulate cash payments estimates and adjusted based on the market research suggestion of cash decline in 2014, 2015, 2016 and 2017. These numbers are retroactively updated every four years as we get new research from the Bank of Canada that doesn't require estimation of mean cash transactions and expenditures.

Cheque imaging technology

Several Canadian financial institutions offer apps for remote deposit capture, through the digital representation of the front and back of a cheque.

Cheque / Paper

Cheque / Paper data are based on Payments Canada ACSS data for cheque and paper items, including paper remittances.

Commercial EFT

Commercial EFT (Electronics Funds Transfers) refers to business/government use of AFT credits/debits, electronic remittances and EDI transactions (i.e., businesses' payroll to employees through EFT).

Commercial payments

Commercial payments include transactions that originate from Canadian organizations, businesses, and governments.

Consumer payments

Consumer payments are transactions that originate from Canadian households and individuals for paying bills, managing accounts at financial institutions, and payments for goods and services.

¹⁸⁰ For more, please see: <https://www.payments.ca/about-us/our-systems-and-rules/retail-system>.

¹⁸¹ 2017 Methods of Payment Survey Results, Bank of Canada, December 2018.

Credit card

Credit card data are a combination of consumer and business credit and charge card payments found in proprietary published reports.¹⁸² Charge cards differ from credit cards primarily in their application of interest. Credit cards charge interest at an annual percentage rate. Charge cards apply full interest charges after a defined period (typically 30 days) so users are more inclined to pay off balances each month.

Debit payments

Debit payments include Payments Canada POS debit and online debit transaction data, *Interac* debit card data and data provided by participants.

EFT (Electronic Funds Transfer)

EFT was calculated using a combination of AFT (debits and credits), electronic remittances and electronic data interchange (EDI) transactions.

ISO 20022

ISO 20022 is an international standard designed to simplify global business communication. The standard enables efficient payments clearing and settlement among financial institutions globally through the use of a common set of messages and language. It is an open standard developed by ISO (International Organization for Standardization).

LVTS

Large Value Transfer System (LVTS) payments were excluded from the analysis because the report is focused on more common payments made by consumers and businesses.

Online transfers

Online transfers include online e-wallet and electronic person-to-person (P2P) transactions initiated through online services and providers that are prepaid or linked to deposit accounts at financial institutions (e.g., PayPal). Includes data and estimates for online and mobile environments used to make remote electronic person-to-person payments and payments to merchants, excluding transactions based on credit and debit cards, which are counted in the credit card and debit card categories.

On-us

On-us refers to transactions drawing upon direct deposit accounts (e.g., bank checking accounts or business accounts) where both the payor and payee reside at the same financial institution. A variety of payments types, normally associated with Payments Canada cleared payments, are impacted by on-us items, including cheques, debit and EFT. On-us payments do not result in a Payments Canada clearing entry (and do not appear in Payments Canada system data). On-us payments data must be determined from sources other than Payments Canada. On-us amounts were derived from participant data and estimates. The analysis determined on-us payments to amount to approximately 20 per cent more transactions than can be found in Payments Canada data. On-us amounts differ by payments type, such as cheques (~25 per cent), debit (~16 per cent), EFT (~21 per cent), etc.

Paytechs

Paytechs are organizations that provide technology to enable or support electronic payments transactions. This also includes the technology for the acquisition, management, analysis, and use of payments-related data.

Personal EFT

Personal EFT (Electronic Funds Transfer) refers to consumer use of AFT credits/debits and electronic remittances (i.e., consumers paying bills through pre-authorized debits (PADs)).

182 Euromonitor International (2019), Passport: Financial Cards and Payments in Canada 2020 Edition, TSI (2019), Canadian Payments Forecast 2019 and Nilson Reports, 2019.

Prepaid card

Credit card company and store-branded prepaid product data (both open- and closed-loop) are based on proprietary publication data. We also include virtual prepaid products, such that might be purchased through mobile device application stores, such as Apple and Android.

Point-of-Sale (POS)

Point-of-sale or point-of-service transactions include both physical and virtual merchant locations, including online and in-app purchases.

Remote environment

Remote transactions include all transactions that are not made at physical payee locations, virtual payee provided apps or store fronts (a.k.a. the POS explained above).

SET transactions

Settlement and exchange transactions (SET) are intra-day exchange of fund transactions that deal with the dislocation of settlement funds between the ACSS and the LVTS. These transactions are generally done through cheques and make up a significant amount of cheque value in the ACSS.

Unbanked

Unbanked refers to those who do not have any financial products (i.e., debit cards or credit cards) associated with a traditional financial institution.

Underbanked

Underbanked refers to those with limited engagement with established financial institutions (i.e., only having a credit card but not a debit card or vice versa).

Underground economy

The underground economy can be defined as consisting of market-based economic activities, whether legal or illegal, that escape measurement because of their hidden, illegal or informal nature.¹⁸³

183 Definition provided by Statistics Canada. For more, please see: <https://www150.statcan.gc.ca/n1/daily-quotidien/181012/dq181012a-eng.htm>.