Taking a leaf out of Canada's Payments book

WHITE PAPER

Author:

David Birch

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interactive

1. Canada and the UK: compare and contrast

When I think about Canada, I think about maple leaves, ice hockey, Mounties and poutine, that delicious national dish combining chips, cheese and gravy. And while they play their national sport on ice and drive on the wrong side of the road, there is a long, shared history between the UK and Canada.

When it comes to payments, the countries are more like cousins: a strong family resemblance but different underlying genetics. There is a similar history of financial services, a similar legal system underpinning it. They share the same Monarch on their banknotes (if not Winston Churchill). The Canadian Prime Minister even used to run the UK's central bank.

Most people in Canada and the UK do not give a second thought to how they pay: it is defined by habit or context. In both countries, cash is now a small proportion of payments – Canada 11% of payments by volume; UK 9%[1]. Canadians and Brits trust the system to work and expect little friction. At the end of the last millennium, Canadians led the world in PIN and debit card payments, and they use contactless even more than we do. Those similarities are worth considering while the UK looks at modernizing its payment system through the National Payments Vision.

By looking at two commonplace transactions, we can observe the payment systems that make payments work seamlessly, and see there are some differences that it is worth us looking into as we design the future of payments in the UK.

First, the daily coffee. A woman walks into a Pret a Manger in Manchester, orders a coffee and taps her phone on a contactless reader to pay. She has probably used a debit or credit card from a major international scheme like Visa, Mastercard or American Express to pay. In Tim Horton's in Toronto, however, a Canadian customer is much more likely to have used a Canadian debit card called Interac Debit.

At first glance, this should not matter. And to consumers day-in, day-out, it does not. When we are looking at the future of payments, though, in the UK there has been no real alternative to the international card schemes since we sold the Switch scheme in 2002. Recently that has sparked concerns in the UK about resilience should anything happen to international card schemes.

Take another transaction. A student in Oxford is buying a bicycle from a private listing. He pays the seller using his mobile banking app to transfer the funds. The seller has provided his bank details and name. The student keys them into his mobile app, gets confirmation that the details match, and transfers the money. It arrives two minutes later and he rides off. A student buying a second-hand bike in Montreal does not need to know the seller's bank details and exact name. The e-mail address he has used to contact the seller is enough for the Interac e-Transfer system. The seller accepts the payment in their mobile banking app, and the student rides off with the payment made.

In these examples, the consumer outcome is very similar, but the two transactions demonstrate the value of Canada's sovereign system, and the benefits of smoother account to account payments, both issues being discussed as the National Payments Vision is implemented.

1 Payments Markets Review 2025, UK Finance

2. Interac: modernizing Canada's payments infrastructure

The UK and Canada are innovating in payments in different ways. In Canada, one integrated, sovereign payments organization has been key in driving payments innovation: Interac. It works alongside leading global firms like Visa and Mastercard and ensures that Canada benefits from them but is not dependent on them. In the UK, payment systems are quite fragmented and LINK and Pay.UK are the closest we have at the moment to sovereign payments organizations.

Interac started in 1984 as an association created by Canada's major financial institutions to give Canadians broader access to their money through a single shared network. This created a national electronic payment network which could facilitate the transfer of money between accounts in near real-time and forms a foundation of innovation.

In 1994, Interac leveraged this network to create a national debit card, making payments in Canadian dollars to and from Canadian accounts. Its domestic, single-currency design was low-cost to shops and businesses. Adoption was strong and by the end of the 1990s debit card payments were more popular in Canada than any other country in the world. Continuing this trend, in around 2010 card payments overtook cash as the most popular way to pay in Canada. By comparison, this did not happen until around 2017 in the UK[2]. Interac is also low-cost; the Retail Council of Canada say that transactions cost between 5 and 10 cents[3], irrespective of value in comparison with other card schemes which typically charge 1.4-3.0% of the value of each payment[4].

Interac has continued to grow and innovate and leverage its network. It has augmented its network to offer Canadians new ways to pay, be paid and have confidence in those transactions. For example:

- Interac e-Transfer launched in 2003 allows individuals to pay each other from their online or mobile banking apps using an e-mail address or phone number. This service is still widely used and has extended to business payments.
- Interac Debit on Mobile allows frictionless transactions at the point of sale and online while Interac Verified underpins trust for payers and payees.
- Providing the infrastructure for Canada's new Real-Time Rail (an instant payment system). This new system leapfrogs the functionality of the UK's Faster Payments System.

Sharing a continent with the US, sovereignty is important to Canadians. Interac has kept Canadian payment data and settlement within national borders, and processing in Canadian data centers. Many countries have handed their domestic payment systems over to foreign processors or US-based technology platforms. Interac ensures that the core plumbing of business — debit card payments and online bank transfers — remains under national control. Interac represents an increasingly uncommon example of a nation maintaining genuine sovereignty over financial infrastructure.

Interac's pragmatic approach to augmenting and adapting existing services and capabilities to meet the needs of the future has been pivotal to Canada's payments journey.

2 Payments Markets Review 2025, UK Finance

3 Payments and credit card fees, Retail Council of Canada

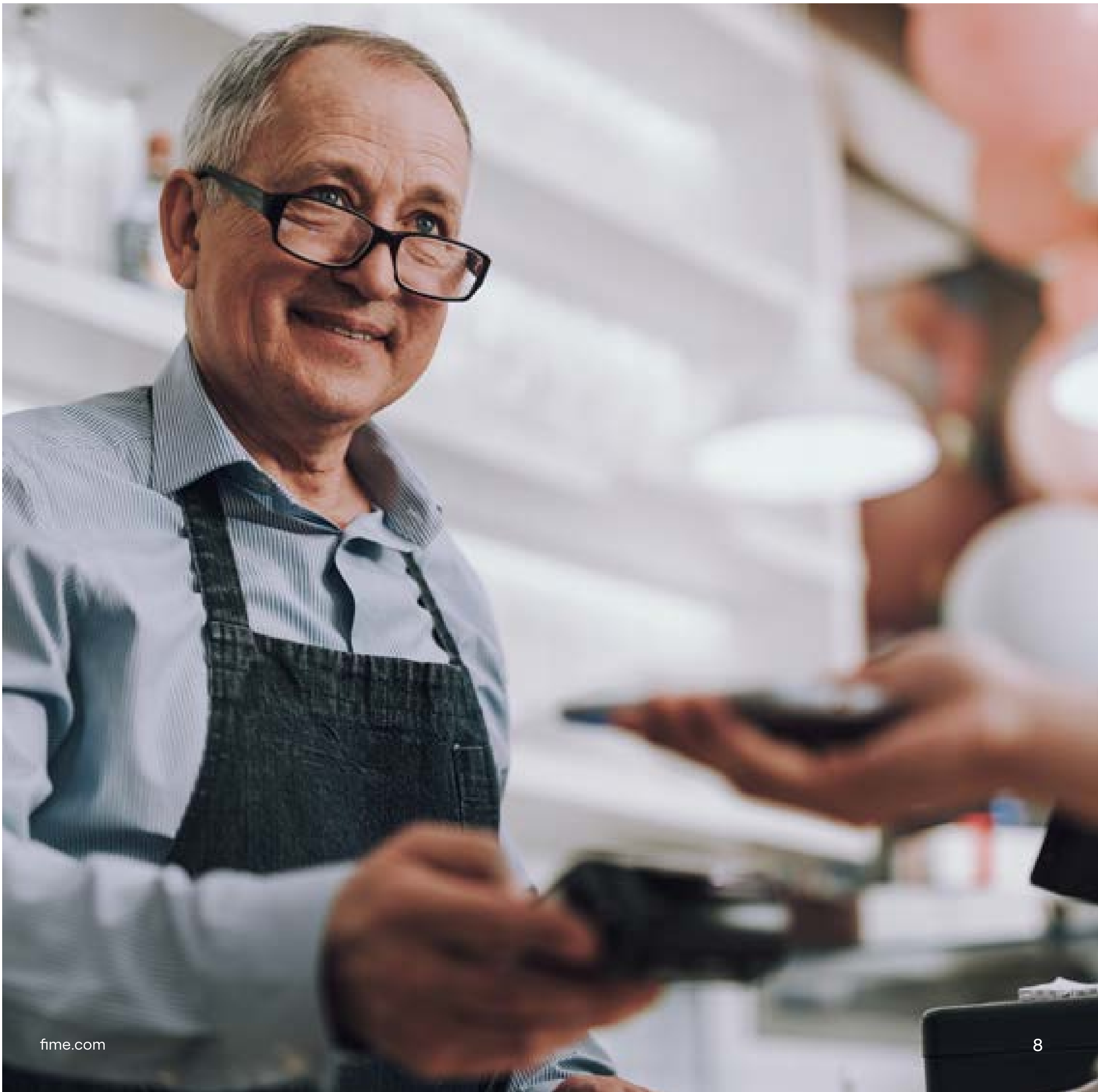
4 Average Payment Processing Fees by Card Type (Visa, Mastercard, Amex, Interac) in Canada 2025, Clearly Payments

3. What does this mean for UK policy?

The UK payments industry is united behind the National Payments Vision. This is a shared goal to create a trusted, secure and resilient world-leading payments ecosystem built on next-generation technology. The Bank of England is leading the process of developing a high-level design for the systems we will need to deliver this vision. This phase is expected to complete in mid-2027.

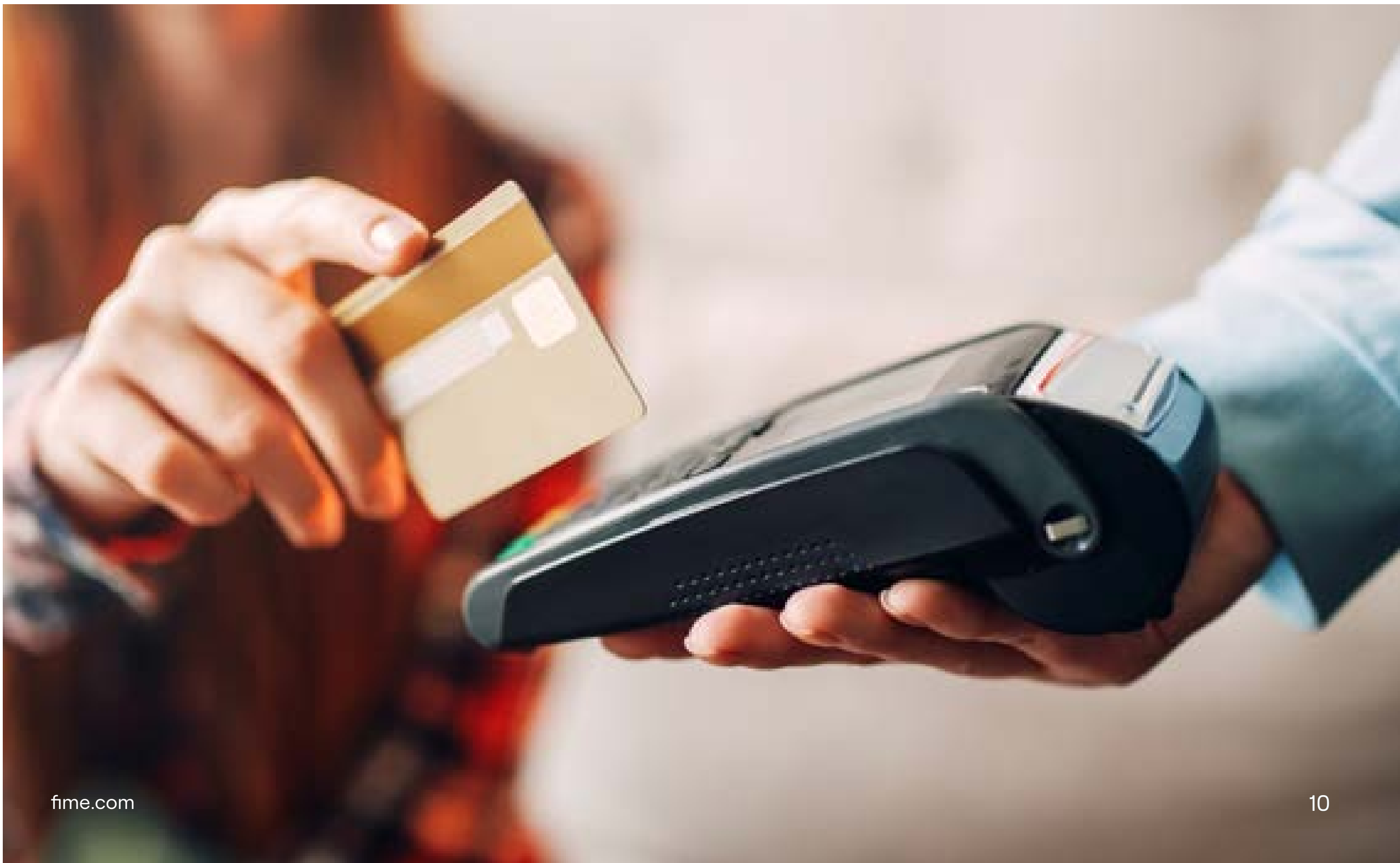
Now is the time to look around us and learn from others who are further along on their modernization journeys. Canada shows us how to continually innovate by adapting. It also shows us how innovation can lead to broad adoption by consumers, and with trusted outcomes in everyday payments. As issues of national security and sovereignty loom large, it is becoming increasingly important to look at homegrown services to ensure the UK payments system is resilient to shocks.

Perhaps we should take a leaf from the Canadian payment book and leverage our existing infrastructure to meet some of our future needs.



4. Key statistics for Canada and the UK

Statistic 2024	Canada	UK
Population	41.3 million	69.3 million
Payment usage by volume (% of total payments)		
Cash	11%	9%
Card payments	65%	64%
of which Domestic debit card	29%	N/A
Cheque	2%	0.2%
Annual ATM cash acquisition transaction	0.337 billion	1.17 billion
Average per individual per year	8.2	16.9



Author

David Birch
Global Ambassador

Dave Birch is an author, advisor, and commentator on digital financial services. He is an international keynote speaker and recognized thought leader in digital identity and digital money. Dave is Global Ambassador for Consult Hyperion, the secure electronic transactions consultancy he co-founded, which was acquired by Fime in 2025.

Dave is also Principal at 15Mb Ltd., his advisory practice, and is a Senior Research Fellow at King's Business School in London and a Digital Fellow at the University of Exeter Business School's DIGIT Lab. He also serves in several board-level advisory roles with companies in Europe and the United States. Before co-founding Consult Hyperion, he worked as a consultant across Europe, the Far East, and North America.

Dave is recognized as an international authority on payment systems, emerging technologies, and the regulatory challenges shaping the future of payments. He has been named one of the world's top 15 favorite sources of business information by Wired, one of the ten most influential voices in banking by The Financial Brand, and his financial technology blog ranked among the top 25 must-read industry blogs.

He is a columnist for Financial World magazine and has written for publications including The Financial Times and The Guardian. A frequent media commentator on digital finance and electronic business, he has appeared on BBC television and radio, Sky, and other international broadcasters.

His latest book, Money in the Metaverse, co-authored with Victoria Richardson and launched in 2024, explores how digital assets and digital identity will shape virtual economies. His previous books include The Currency Cold War, Before Babylon, Beyond Bitcoin, and Identity Is the New Money, which argues that in the digital age, identity—not cash—will underpin the future of transactions and economic trust.

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About Consult Hyperion

Consult Hyperion is an independent strategic and technical consultancy, specializing in the design and implementation secure electronic transactions. We help financial services and government organizations around the world exploit new technologies to secure electronic payments, digital ticketing and digital identity services. We offer advisory services, technical consultancy and testing and development services using a practical approach and expert knowledge of relevant technologies.

Consult Hyperion is part of the Fime group.

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