



ACCESS TO
CASH REVIEW

IS BRITAIN READY TO GO CASHLESS?

December 2018

About the Review

In July 2018, the Access to Cash Review was launched, chaired by Natalie Ceeney CBE, to look at the future of cash access across the UK.

The review was commissioned as a response to the rapid decline in cash use, with growing societal concerns about whether we're leaving people behind – unable to either use or access cash in an increasingly digital society. The review is being funded by LINK, the UK's largest cash network, but is independent from it.

Over the past six months, the review has conducted extensive research into trends in payment methods, international comparisons, consumer needs and behaviour, and the financial and economic drivers of the cash economy. The review has received written evidence from organisations and individuals, met face-to-face with over 120 organisations representing communities and consumer interest groups, and conducted in-depth interviews with regulatory and commercial stakeholders. It has held workshops across the length and breadth of the UK to consider the different needs of different communities. It has also looked at global trends in cash usage, meeting with policy makers and market participants in Sweden (which has the lowest cash use globally). The review also commissioned a survey of 2,000 nationally representative UK consumers using an online methodology. The sample was representative across age, gender and region.

This report is the first of two publications exploring the question 'Is Britain ready to go cashless?' This part summarises trends in cash use, drawing from a wide range of sources, and drawing

conclusions about the likely levels of cash use in Britain 15 years from now. It looks at technology's role both in driving changes in payment behaviour, and as a force for inclusion and exclusion. It also examines the potential risks of an unplanned cashless society.

The full Access to Cash report, due to be published in early 2019, will explore the end-to-end cash cycle and will propose a concrete set of actions for policy makers, regulators and commercial entities. The Review wants to make sure that people can access cash for as long as they need, while working to ensure that everyone can be part of a digital society.



Many, especially the more affluent and technologically savvy, now live mostly cashless lives. That's exactly why protecting access to cash is so important. We must learn lessons from the past and plan now, to protect those who need it in future.



Martin Lewis, Founder, MoneySavingExpert.com



Foreword

We're hearing more and more talk of the 'cashless society'. Almost every day there's a new story in the press: bank branches or rural ATMs closing down, or pubs, charities and services going cashless.

It's not surprising that it's such a popular topic: cash use has dramatically declined. Ten years ago, six out of every ten transactions were cash. Now it's three in ten. And in fifteen years' time, it could be as low as one in ten.¹

The Independent Access to Cash Review was commissioned against growing concern. Consumer groups worry about the closure of rural ATMs and bank branches, leaving people without easy access to cash. Small business associations are concerned about the growing challenges of handling cash: closing bank branches and rising charges make it more expensive and riskier to handle cash. Rural communities see an increasingly digital world that only works for those with broadband and mobile connectivity. And the commercial players supporting the cash infrastructure are questioning how a model built for a high cash economy can be economically viable when most payments are made digitally.

In this first report, we ask the question 'Is Britain ready to go cashless?'. Our research has shown that – as of today – the answer is a firm 'no'. Cash is still an economic necessity for around 25 million people. While most of society recognises the benefits of digital payments, our research shows that technology doesn't yet work for

everyone. Sweden, the most cashless society in the world,* outlines the dangers of sleepwalking into a cashless society: millions of people could potentially be left out of the economy, and face increased risks of isolation, exploitation, debt and rising costs.

We haven't taken a view in this report about the merit of a cashless society. We haven't concluded that it's impossible, or even undesirable. But our research does show that if we fail to plan and prepare for it properly, a cashless society would do significant harm to the millions of people who would be left behind.

Britain needs to plan now for a world with fewer cash transactions so we can support those who depend on cash, and include everyone in our future digital economy.



Natalie Ceeney CBE,
Chair

A handwritten signature in black ink, appearing to read 'Natalie Ceeney'.



*If Britain sleepwalks into a cashless society,
millions will be left behind.*

Natalie Ceeney



¹ UK Finance, Payment Markets Report, 2018 and Access to Cash Analysis, 2018

* Cash usage in Sweden is currently around 15% of all transactions vs. 34% in the UK



Executive summary – Britain isn't yet ready to go cashless

Britain's shift away from cash is irrefutable. People are using cash much less often: today people only use cash for three in every ten transactions, down from six in ten a decade ago. Similarly, the number of cash withdrawals from ATMs is 8%² lower now than a year ago, and the rate of decline has increased from 5% at the beginning of 2018. The issue isn't that we're falling out of love with cash: it's that we're growing to love digital payments.

Digital payments are easy and convenient, which has made them many people's first choice. Although shock events could potentially slow or temporarily reverse the shift to digital – like bank IT failures – the majority of forces are moving our society away from cash. New technology is making payments even easier and lower friction, particularly in areas of our lives where cash still dominates. These areas include charitable giving (74% of people use cash), paying for cleaners (76%), window cleaners (85%), and taxi fares (85%). A straight-line trajectory of current trends would see an end to cash use by 2026. However, we believe that cash will still be here in 15 years' time, but potentially accounting for as few as one in every ten transactions.

The challenge is that UK society is far from homogenous. For some, it's just a matter of time before we become a cashless society (41% believe it'll happen in their lifetime). But others struggle to see how they could function without cash. Research by UK Finance, the industry trade body for financial services, shows that those who are most reliant on cash are the poor. Unsurprisingly, the young are most likely to be early digital adopters, and the old are slower to take up new technology. Our research across the UK also highlighted huge variations in regional attitudes to cash. Some variation is likely to be due to lack of mobile and broadband connectivity outside of cities, which inhibits digital transactions. Despite these variations, most of the UK sees significant benefits in digital payment methods. At the same time, many have a strong preference for continued access to cash, because it gives them choice (34% of the population), privacy (6%) or simply peace of mind (55%), as we know that cash will always 'work'. But for 47% – or 25 million people – cash is not a choice, but a necessity.

We know from existing research that it's only a small proportion of the UK who use cash for all their day-to-day payments – just 2.2 million⁴ people. There are also 1.3m people who don't have access to bank accounts. Most of the UK population use digital payments for some things, like Direct Debits for household bills, while using cash in other aspects of their lives. We encountered a widespread perception that the elderly are the most reliant on cash, but our research refutes this. Our research showed a wide range of needs for cash. Some of

these are likely to reduce over time (37% need cash because local shops or services don't yet take digital). But other needs will need thoughtful and tailored solutions, including physical or mental health issues which make it hard to use digital services (2%), the risk of overspending and going into debt (9%), and those who rely on others to buy things for them (4%). For these groups, cash offers a degree of control which digital doesn't yet achieve. There are technological developments in small segments of the market which could address some of these needs, but we also know that the vulnerable are rarely early adopters, and technology is often designed for the mass market rather than for the poor,³ rural or vulnerable. It's clear from our research that, if the technological revolution continues apace, millions are likely to be left behind.

The debate about cash access and use in the UK often focuses on consumers and – even more narrowly – on ATMs. But to understand the issues and develop solutions, we need to look further afield. Our research in Sweden, for example, showed that the death knell of cash there is unlikely to be through losing ATMs, but by shops insisting on digital payment. As one consumer group told us, there's no point protecting access to cash if you can't use it. In our interviews with small business associations, we found similar concerns in Britain with bank branch closures and rising costs of depositing cash, making it more and more expensive to handle for retailers. It's no surprise to see cashless shops, parking machines, buses and car parks – which can exclude those who have no choice but to rely on cash.

Another consideration is the role of cash in the black (illegal) and grey (informal) economies. Proponents of a cashless society argue that cash plays a large role in facilitating crime because it's untraceable. They also argue that lost tax revenue from cash-in-hand payments is damaging society, and that digital payments would bring such payments back into the tax system. We don't disagree with these points, and many in the UK agree: 36% believe that a cashless society would reduce crime. There are other considerations, though, such as people working legally in the cash economy: some window cleaners and gardeners operate below the tax threshold, and many think the cost of card terminals is prohibitive – though you can now buy a simple hand terminal for as little as £30. We also believe that crime

will always find a way: for example, goods are bartered in prisons instead of cash. There may be benefits from the reduction in cash in terms of lower crime and higher tax revenues, but we must not demonise those who operate in cash, when many have no choice.

Our report concludes that if we move too fast towards a cashless society without a clear plan, some parts of Britain will face significant harm, and the overall impact on society will be seriously damaging. Almost half of the population (47%) – around 25 million people – would find living without cash problematic. But 17% believe it wouldn't just be difficult, but near impossible.

Our report looks at the potential consequences of an unplanned rush to a cashless society. These risks include:

- Loss of independence for many, particularly the old and disabled.
- Exploitation and abuse for the vulnerable, as digital can lead to a loss of control.
- The loss of viability of rural communities as shop costs rise and the local cash economy collapses.
- An even higher burden being placed on the poor through the 'poverty premium', where people end up paying more if they can't shop around, buy online or buy in bulk. As cash reduces, this premium could increase as people lose access to the high street, and debt could increase as they lose cash as a mechanism for controlling their budgets.

We don't believe this is an acceptable outcome for Britain, and it's not what the majority of people in the UK want.

To address these risks, we need to keep a reliable and effective cash infrastructure in place for those who need and choose to use cash, while developing digital solutions that work for everyone. As Britain moves towards a more cashless society, we must not leave anyone behind.

2 LINK ATM Scheme data

3 UK Finance, UK Payment Markets 2018

4 UK Finance, *ibid*

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We have to be careful that the most disadvantaged people will not be excluded.

Citizen's Advice, Bournemouth





01 THE CHANGING USE OF CASH

Cash use is declining

Many are suggesting we're heading towards a cashless society. It's certainly true we're using less cash – over the last ten years cash payments have dropped from 63% of all payments to 34%.⁵

The key driver behind this has been the growth in debit card payments: now the UK's most frequent payment method. A total of 98% of adults have a debit card, and they're using them more and more. There were 13.2 billion debit card payments in 2017, up 14% from 2016.⁶

Contactless payments have rocketed, growing 99% in 2017 to 4.3 billion. Over the year, more people were issued contactless cards, more businesses got terminals, and consumers felt more comfortable and familiar with them: by the end of 2017, nearly 119 million contactless cards had been issued.⁷

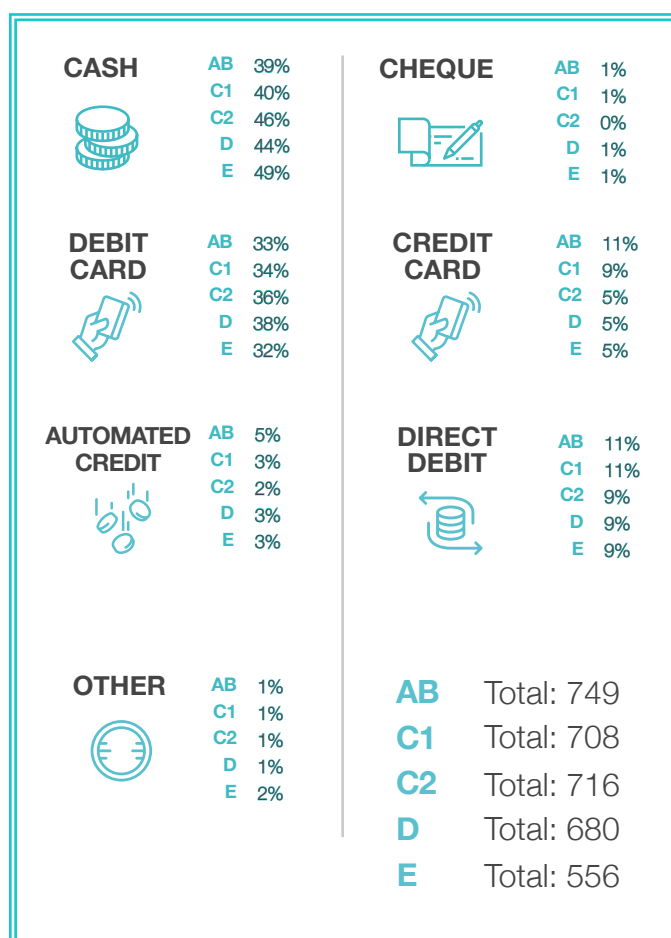
However, there were still 13 billion cash payments in 2017, making up over a third of all payments, and cash stayed (and is forecast to remain) the second most common payment method. Cash is also still hugely important as a store of value both in the UK and overseas. The total value of notes in circulation has also increased in recent years, with over 3.6 billion Bank of England notes (worth £69 billion) currently in use.⁸

However, these statistics mask significant differences throughout UK society. While 63% of all adults in the UK made a contactless payment in 2017, those between 25 and 34 were most likely to use contactless, while those over 65 or older were least likely to. There are also some very clear differences in contactless use between the regions: London has the highest use, with almost three quarters of people using contactless, while the North West has the lowest at 52%.⁹

A significant number of people are using cash for all their day-to-day transactions: around 2.2 million. For this group, lower income is a common factor. Over 15% of people with an income under £10,000 a year rely completely on cash, compared to less than 2.5% of all higher income groups.¹⁰

Percentage of payments made by payment method by people in each socio-economic group 2017

Social Grade	Description
AB	Higher & intermediate managerial, administrative, professional occupations
C1	Supervisory, clerical & junior managerial, administrative, professional occupations
C2	Skilled manual occupations
D/E	Semi and unskilled manual workers, state pensioners, casual or lowest grade workers, unemployed with state benefits only



Source: Access to Cash Survey of 2,000 nationally representative UK consumers conducted in November 2018

5 UK Finance, UK Payment Markets 2018

6 UK Finance, ibid

7 UK Finance, ibid

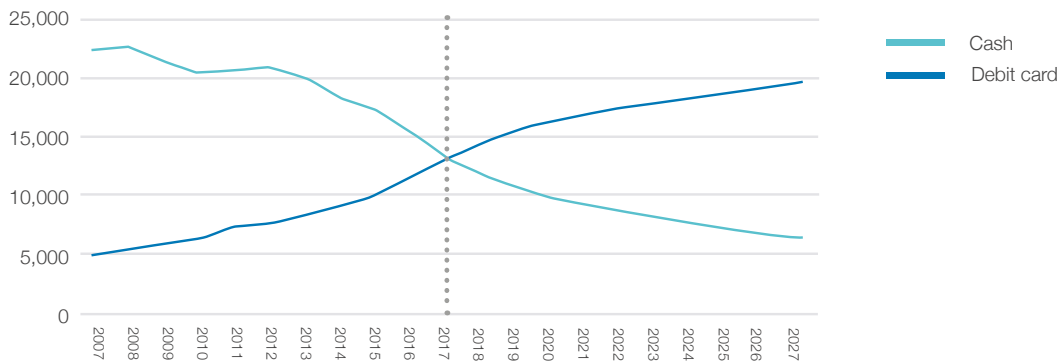
8 Bank of England, <https://www.bankofengland.co.uk/statistics/banknote>

9 UK Finance, UK Payment Markets 2018

10 UK Finance, ibid

Cash is declining as a share of payments

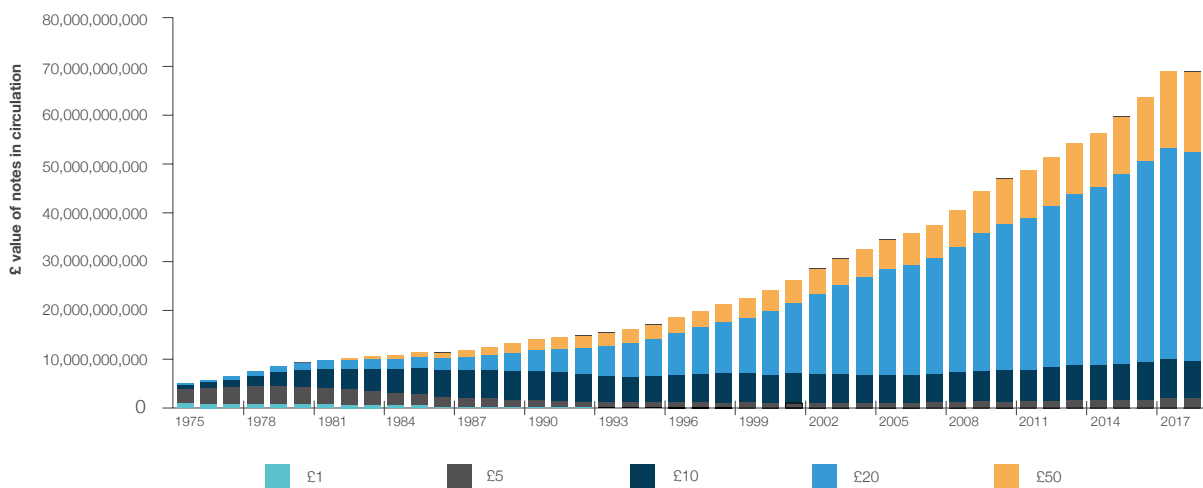
Payment volumes cash vs. debit cards (millions) 2007 to 2017 actuals, 2018 to 2027 forecast



Source: UK Finance, UK Payment Markets 2018

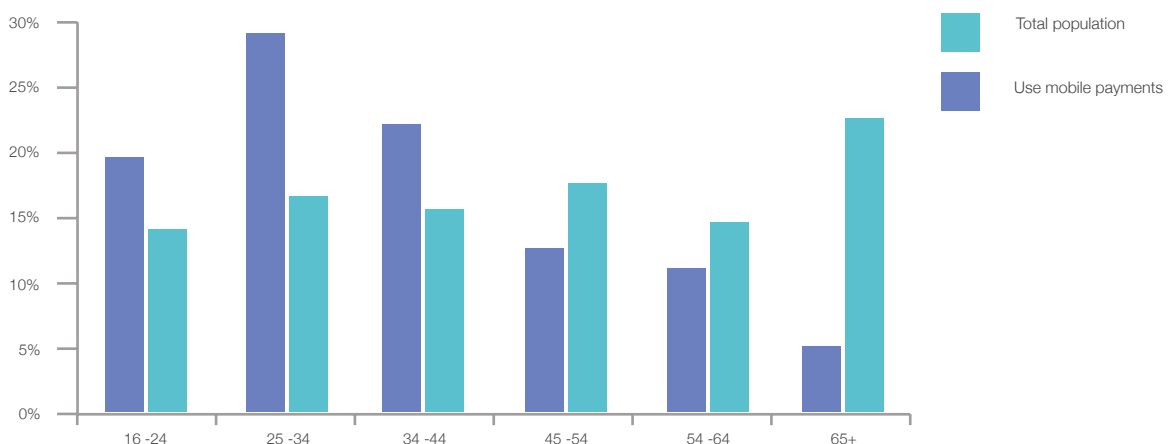
...although the total value of cash in circulation has been rising

Value of notes (£) in circulation



...unsurprisingly the use of cash alternatives varies substantially across age groups

Age distribution of mobile payment users vs total population 2017



Source: UK Finance, UK Payment Markets 2018

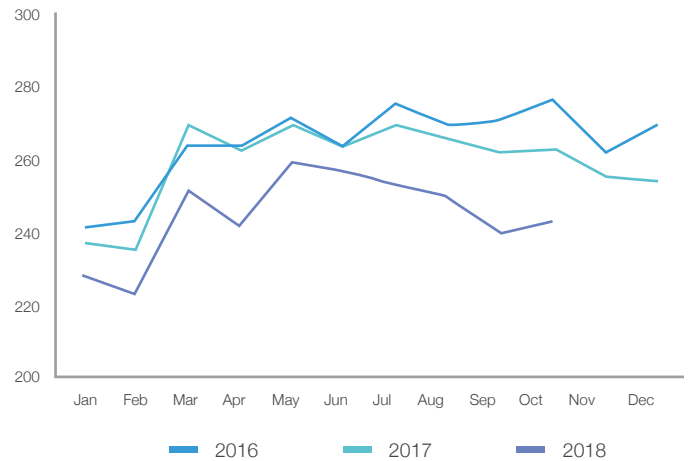
ATM use is also declining¹¹

Consumers use ATMs to take out over 90% of their cash, so the recent fall in ATM volumes is a strong indicator that people are relying less on cash.

Statistics from LINK show some clear trends. LINK is the network which connects the UK's cash machines and so enables universal access to people's cash. The number of LINK ATM cash withdrawals for the year to November is down over 5% in 2018, compared to the same period in 2017. The total value of cash withdrawn has fallen slightly less, at 3.5%.

However, LINK's figures also show variations across the country. Some regions, such as London, are showing a decline of 8.5% in the number of withdrawals. Others, such as Northern Ireland, are only showing a 2% decline. Managing this regional variation will be important to help consumers across the UK deal with the shift to digital payments. It's also clear that the rate of decline is accelerating, with Q3 and Q4 2018 week-on-week figures showing significantly larger reductions than the year to date average.

Total LINK ATM transaction volumes (millions) 2016 to 2018



Source: LINK

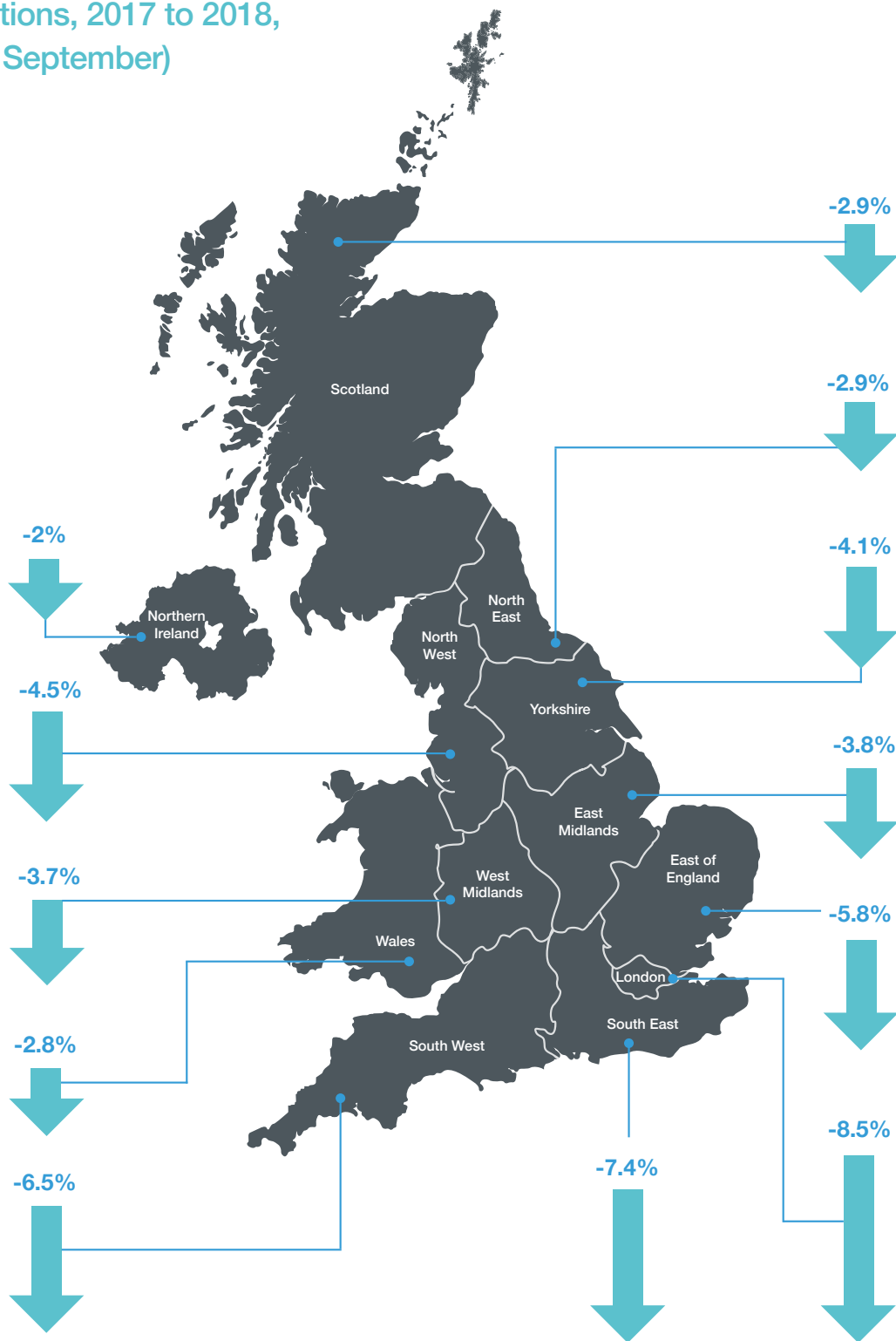


Use of cash machines is dropping fast as consumers switch to digital and yet some consumers will need free access to cash for years to come – the ATM network needs to change to provide this breadth of free access in the face of this change.

LINK ATM Scheme



ATM use declining by region
(Percentage change in number
of transactions, 2017 to 2018,
January – September)



Source: LINK ATM Scheme

Cash use will continue to fall

A straight-line projection would see cash use end entirely by 2026 – though this seems unlikely. UK Finance, the industry association for banks and payment providers, predict that cash will fall to 16% of payments by 2027 from 34% today.¹²

Sweden, a country at the forefront of moving to a cashless society, has probably the lowest use of cash in the world at 15%¹³. It's plausible that the UK could be at that level, or even lower, in 10–15 years. However, this would still leave over four billion cash payments a year in 2032¹⁴, suggesting that even in a 'near-cashless' economy, people will want cash and need a cash distribution network.

Contactless cards appear to be the most significant driver of the shift to card payments. The card industry has made a commitment that, from January 2020, every card terminal will be able to take contactless payments. This will add even more opportunities for consumers to pay digitally.

However, our consumer and regional workshops showed that for many consumers, cash is still very important – because of its physicality and ease of use for budgeting, for example. It's also very popular for small and informal payments, and at this stage the digital alternatives don't meet people's requirements.

Our analysis suggests that cash use could fall to just 10% of all payments in fifteen years' time. This assumes that technology continues to develop at its current rate or faster, that most people who are able to use digital technology increasingly do so, but that we hit a 'floor' because digital payment methods still won't meet everyone's needs.



10 years ago, cash was used for 6 in 10 payments. In 15 years, it could be just 1 in 10.

¹² UK Finance, UK Payment Markets 2018

¹³ Riksbank Payment patterns in Sweden 2018 May 2018

¹⁴ UK Finance, *ibid*

Many factors could affect the pace of change

... what will drive cash use down?



Increased acceptability of cards



Shops and others stop accepting cash



Increased use of online shopping



Increased use of cards / mobile apps etc on public transport



Problems and costs of processing and banking cash for retailers, especially as it becomes less common



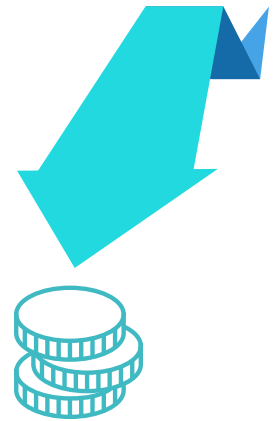
More of UK covered by broadband and mobile connectivity



Accelerated closure of bank branches and ATMs



New innovative services which make digital payments even easier, such as biometrics



... what will drive cash use up?



Consumers lose faith in digital payments because of repeated systems failures



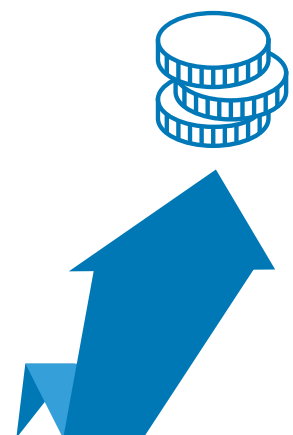
Increased consumer concern over privacy



Significantly negative interest rates



Major economic crisis



02 CHOICE AND NECESSITY



All this digital stuff is brilliant while we have a choice of what we want to use. Whatever happens, we have to make sure that people still have a choice on how they pay and interact.

ADHD Foundation, Manchester



Sometimes I feel better physically paying at a PayPoint for certain bills with cash. I know it's sort of old-fashioned, but I feel in control. I can see the exchange of money for the service.

Consumer, Money and Mental Health
Policy Institute focus group



| Most consumers value having cash

We've all grown up with cash, and for most of us it's synonymous with 'money'. We know that many people feel strongly about cash, and for many of us a cashless society is hard to imagine.

Even among those who regularly use digital payments, most people still carry cash and want the choice to keep doing so. Some say it's because cash is just what we're used to – that if you'd asked people if they wanted to keep the horse and cart before cars were invented, they'd have said 'yes'. There's plenty of science to suggest we don't like giving up something we've already got – particularly if the alternative isn't clear – and that we're predisposed to want choice.

However, it's a mistake to think the need for cash is limited to those who don't want to move with the times.

Our research suggests that, for some, it is the physicality of cash which is important. You can hold it and feel it, count it, and parcel it up into bundles. And when it's gone, it's gone: you can only spend it once. This can also give cash an emotional value that digital doesn't

have, whether it's a bundle of notes in your purse on payday, or tucked into a Christmas card. It's something people get passionate about – as we see every time there's a new face on a banknote.

Recent IT failures have led some to question whether digital can replace cash. Cash doesn't need IT to run, and will work even if banks fail. The debate on the cashless society touches on many deep-rooted personal and societal concerns.



97% carry cash on them



85% keep cash in the home



16.5% keep more than £100 in their home



Average cash people carry on them – £41

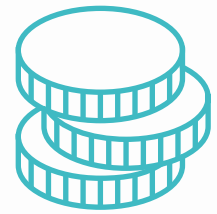


Average cash people have at home – £84

Source: Access to Cash Survey of 2,000 nationally representative UK consumers conducted in November 2018

Why people carry cash (97% of the UK population carry cash)

- For **67%**, they like to pay for small things with cash
- For **55%** it provides peace of mind (i.e. in case they can't pay for something with a debit or credit card)
- For **35%** they like to have options / choose how they pay for things
- For **19%** they find it easier to manage their money when they know how much is in their pocket
- For **15%**, they prefer to pay for things with cash
- For **14%**, they believe cash is more convenient when settling debts with friends or family



Why people keep cash in their home (85% of the UK population keep cash in their home)

- For **43%**, it provides peace of mind
- For **39%**, sometimes they need cash (i.e. paying tradesmen, window cleaner or gardener)
- For **27%**, they like to have a choice over how they pay for things
- For **21%**, they feel it's good to have some cash in case the IT systems go down
- For **16%**, cash is more convenient when settling debts with friends or family
- For **12%**, it helps them keep on top of their budget
- For **2%**, they don't trust the bank or building society with their savings



The UK population use cash because

- 34% like to have a choice when paying for things
- 20% feel more in control of their money when they use cash
- 16% find it easier to manage their household budget using cash
- 6% want to protect their privacy (i.e. don't leave an online record of my spending)
- 5% don't trust the Internet with their money
- 3% state they don't trust banks to control the way they pay
- 3% like to keep their guilty pleasures hidden from their partner



What do we use cash for?

The Access to Cash survey of 2,000 nationally representative UK consumers found that 97% of the UK population carry cash on them. What are they using it for?

Perhaps unsurprisingly, cash use varies hugely by type of transaction. We still rely heavily on cash for gifts and donations, partly because the recipients often only take cash, and partly because of the tangible nature of cash as a gift. But for many larger purchases, such as household bills, buying a car or booking a holiday, we increasingly use digital payments.



What do we use cash for?

Percentage of the UK population paying in cash



FOOD SHOPPING

Weekly grocery shopping – **30%**
Day-to-day grocery shopping (bread, milk) – **54%**
A sandwich at lunchtime – **71%**



LEISURE/SHOPPING

Cinema tickets – **39%** Large presents – **14%**
A holiday – **9%** Small presents and birthday cards – **67%**
Clothes – **33%**



MEDIA

Music and videos – **23%** Newspaper – **86%**



GIFTS AND DONATIONS

Paying pocket money – **87%** Giving money to a homeless person or street busker – **94%**
Charity donations – **74%**



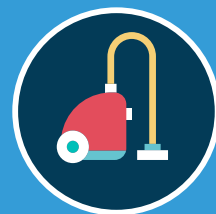
TRANSPORT

Train ticket – **33%** Car – **18%**
Bus ticket – **76%** Petrol station – **27%**
Taxi fare – **85%**



HOUSEHOLD

Rent – **13%**
Gas, electricity, water bills – **10%**
TV licence – **8%**



TRADESPEOPLE

Gardener – **81%** Cleaner – **76%**
Window cleaner – **85%**

For many, using cash isn't a choice: it's a necessity

For 25 million people in Britain, or 47% of the population, living in a cashless society would present real challenges. Going completely cashless simply isn't an option yet.

Our infrastructure is a significant barrier. Those living in remote or rural areas can find digital access difficult through a lack of broadband or reliable 4G mobile data coverage. Of the 5.3m¹⁵ adults who never use the internet, 3.7m (70%) live in rural areas. For similar reasons, many can't rely on cards and digital as their only way to pay. While card acceptance is growing, many merchants and retailers are still cash only, especially in remote and rural areas.

Cash also helps plan budgeting. Many debt charities advise people to cut up cards, and only use cash: if you only have £50 in cash, that's all you can spend. For those with a carer who shops for them, cash helps track what they've spent. And for some with physical or cognitive disabilities, handling cash is easier than remembering a PIN or reading a screen.

Consumers with mental health issues may distrust digital and cards in favour of cash: it gives them control over their saving and spending, where digital payments and online banking can make it hard to control compulsive behaviours like problem gambling.

Those who can't provide proof of their identity to a bank or financial services provider have few choices other than cash. Approximately 1.3m¹⁶ UK adults don't have a bank account, including people new to the UK, those moving out of extreme poverty or homelessness, and those with various other reasons.

The biggest indicator of cash dependence, though, is income. The poorer you are, the less likely you are to have access to the digital infrastructure, and the more likely you are to be at risk of accidentally going overdrawn.



2.2m

only use cash (UK Finance)



1.3m

are unbanked (FCA)

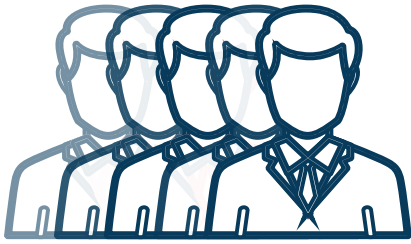


4.1m

UK adults in financial
difficulty (FCA)

¹⁵ FCA, The financial lives of consumers across the UK – Survey 2017

¹⁶ FCA, *ibid*



47%

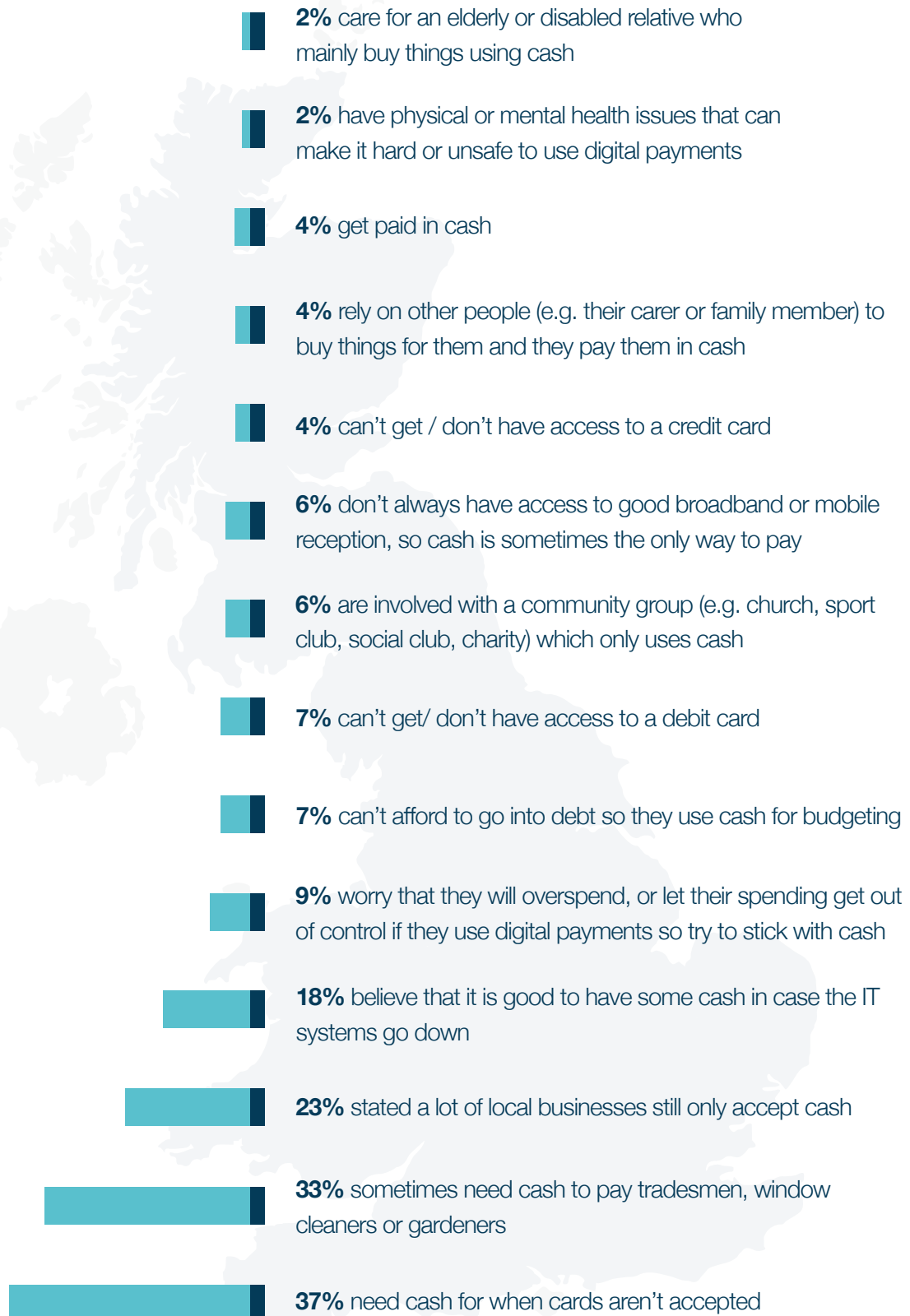
OF THE UK POPULATION BELIEVE IT WOULD BE PERSONALLY PROBLEMATIC IF THERE WAS NO CASH IN SOCIETY. 17% ARE EITHER UNSURE OF HOW THEY WOULD COPE, OR WOULD NOT COPE AT ALL.

Source: Access to Cash survey of 2,000 nationally representative UK consumers conducted in November 2018



Why do some people need cash?

The reasons why 17% of the UK population are unsure of how they would cope, or would not cope at all in a cashless society, are varied.



Source: Access to Cash survey of 2,000 nationally representative UK consumers conducted in November 2018

All percentages represent proportion of the UK population



Cash is a great way to limit your risk. Older people often rely on others to help with shopping, and accept that there is a risk of being short changed. But if they only give a carer or neighbour a £20 note, then they limit their risk substantially, and it's easy to see the change so that if there is a problem, you can raise it on the spot.

Age UK



The benefits of digital payments

While some people use cash as a choice, and others as a necessity, more and more of us are cutting our cash use.

For most of us this is down to speed and convenience. Cash can be fast, but a contactless tap is faster and doesn't leave you with a handful of change. For cashiers, baristas and anyone working behind a bar, cards are quicker and easier: no grubby notes and no change to count.

There are other tangible advantages to going digital. Every transaction is recorded on your bank statement – which means you can quickly find a missing £10 by checking your balance in online banking or your bank's mobile app.

Using digital and card payments can also offer more control. If you spot a deal or a bargain, you don't need to count the cash in your pocket or find an ATM.

Security is also an issue. Stolen cash is gone forever, but if you suffer card fraud you'll usually get your money back. Banks can trace transactions if there's a dispute, and credit cards offer Section 75 cover for purchases over £100.

Several charities agreed that digital payments can help prevent abuse and exploitation. Migrants, especially female migrants, were reported to be at greater risk of being abused and controlled if they're paid in cash. One charity which trains people to spot financial abuse told us they've seen many older people and people with dementia suffer when carers or family members take their cash.

People also told us how important cards are to their credit rating. Even if people are budgeting well with cash, it doesn't leave a digital footprint to help get a credit score before applying for a loan or mortgage.

Lastly, the perceived role of cash in enabling tax avoidance is important to some. The question of whether it's morally right to pay in cash was raised by no lesser authority than the Exchequer Secretary – though others were less convinced.



*Using cash won't improve
your credit rating.*



StepChange, London

Digital charity donations

The trend towards carrying less cash is a challenge for charities, street performers and the like who have traditionally relied on cash donations. Our research shows a mixed picture. Some tell us it's a problem, while others – especially those taking digital donations – see it as an opportunity to solicit donations beyond people's pocket change. Reports of church or mosque donations by card are now common, and they're often well received. After a trial period swapping the collection plate for a card-reader, the Reverend Jim Trood of St Matthews Church in Walsall said, 'One of the older members at our church said he thought it was great, commenting it was so much easier than having to find the right money to put on the collection plate.'



In October, we spoke to Jenny Lindroth from SituationStklm, a Swedish magazine similar to the UK's 'Big Issue', sold by homeless people in Stockholm. Sweden has very low cash usage and sellers couldn't sell magazines to people who didn't carry cash. The solution? A badge for sellers with a QR payment code. Buyers scan it with their phone, make a digital payment using the mobile payment system Swish, and then the seller collects their cash from the SituationStklm offices soon after. This solution originated to help sell magazines, but soon showed other benefits. It helped homeless people carry less cash – which reduced their vulnerability to theft, and also gave them a way to budget by leaving their money at the office until they needed it.

In December 2018, it was announced that the UK's Big Issue was starting a similar eight-week trial.¹⁷ Sellers are being issued with card readers in London, Bath, Birmingham, Bristol and Nottingham. Russell Blackman, managing director of the Big Issue, said, 'Obviously, we're moving swiftly towards a cashless society. In the last few years, Big Issue sellers have been proactive and they've gone off and purchased their own payment devices, but we hope this pilot is the starting point that will provide more vendors with an income in the changing landscape.'



Consumers are strongly embracing data-free digital giving. Pennies has seen over 50% higher donation levels than this time last year, and this momentum has enabled over 60 million micro-donations, and counting, in total, as fewer of us use or carry cash but we still want to give a little back.



Pennies, Charity

¹⁷ <https://www.bigissue.com/latest/big-issue-vendors-are-backing-izettles-plans-for-contactless-busking/>

Consumers believe that digital provides an attractive way of making payment because:

72%

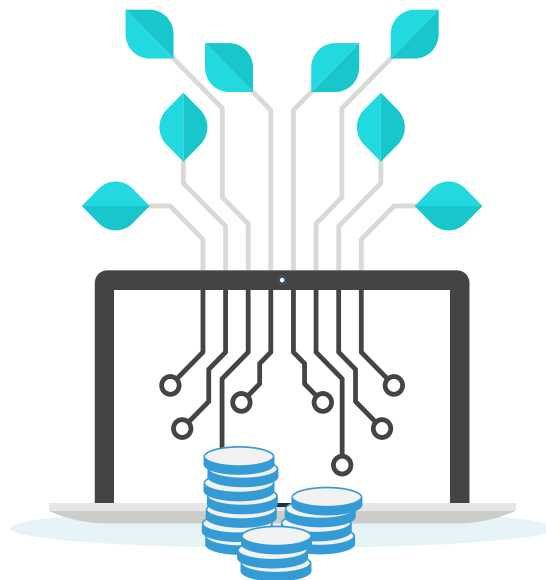
you can get up-to-date information on how much is in your account and how much you have spent

65%

it makes you feel safer not having to carry large amounts of cash

73%

it is quicker and more convenient



69%

you get more choice by shopping online



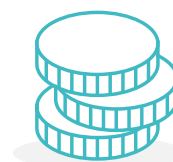
62%

you get the best deals and more discounts by shopping online



68%

you have additional protection against fraud (e.g. they can trace fraudulent payments)



70%

you don't have all that cash filling your pockets



Countless factors are likely to play a role in the way in the way people use digital payment methods, such as blockchain technology, tokenisation, the increasing development of the sharing economy, AI / personal virtual assistants, personalisation, new interfaces and the connected home.

Barclays Bank, Call for Evidence response



NCR believe that cashless payment alternatives will grow, through mobile, card and wearable technologies. However, these are likely to coexist with physical cash.

NCR, Call for Evidence response



Digital innovation over the last few decades has changed the way societies operate. In payments, we have seen an upsurge of new ways to pay that go far beyond the card and make digital payments even more accessible to consumers globally. Increasingly, non-traditional players are injecting new ideas and technologies into the traditional payments ecosystem, further expanding the reach of digital payments around the world.

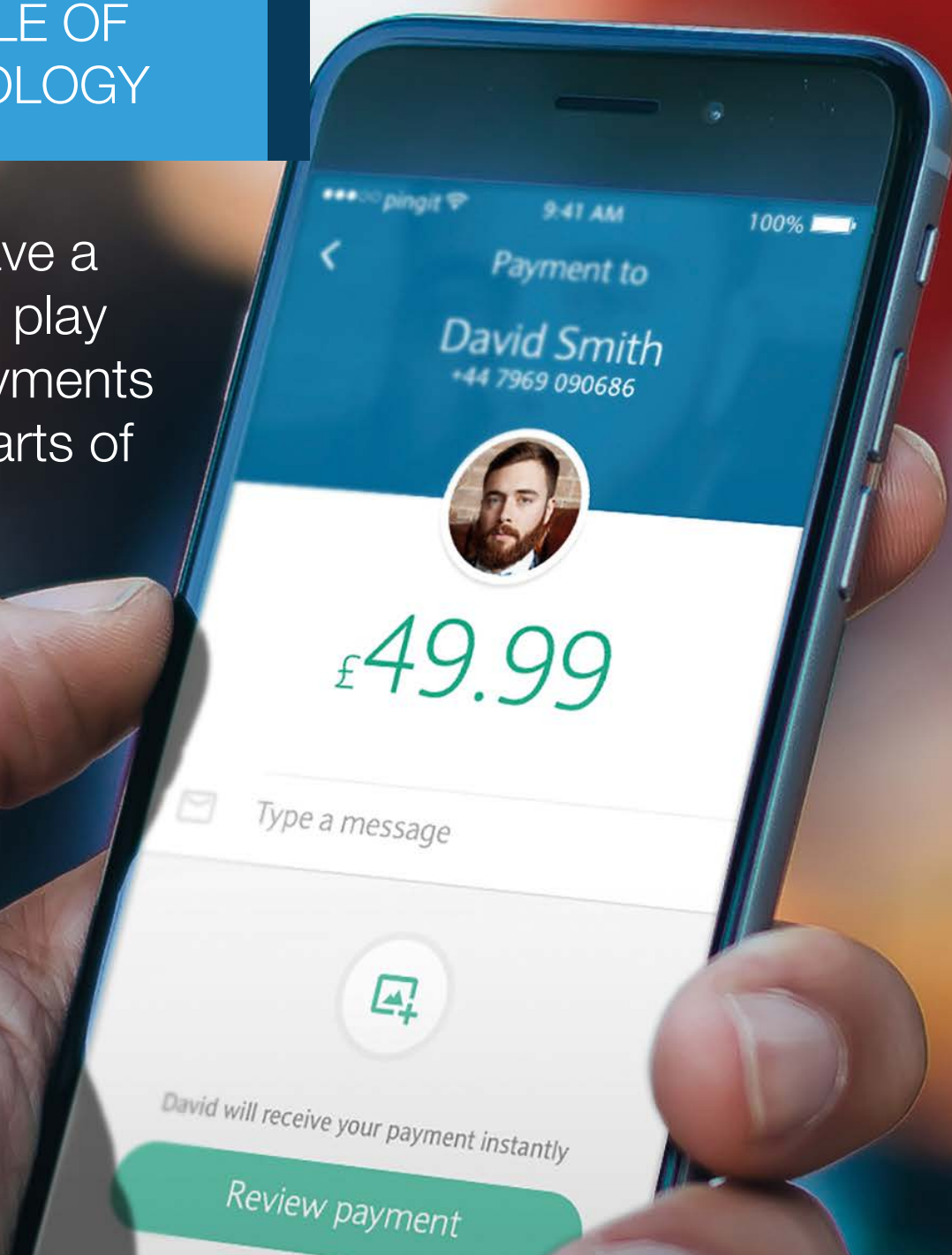
VISA Europe, Call for Evidence response



03

THE ROLE OF TECHNOLOGY

Innovators have a crucial role to play in making payments work for all parts of society.



Changes in technology can be small and subtle in the short term, but profoundly change society over the medium to long term. It's already happened with smartphones, social media, instant messaging, online shopping, and digital streaming.

Mobile payments without cards have been around for some time, using services like Apple Pay and Google Pay to enable phone and smartwatch payment. Over the next decade they're forecast to grow by 56% to 877 million.¹⁸

Most commentators believe that the pace of technological innovation and associated societal change is increasing. For

many in the UK, visiting a bank branch, receiving a paper statement or writing a cheque feels archaic, and 41% believe that they will see a cashless society in their lifetime.¹⁹ And 3.5 million people in the UK only use cash once a month. For some, especially the young, a cashless future seems logical, and indeed attractive.

Tech innovation will speed up the shift to digital



Contactless cards: Free, simple, easy to use, and widely accepted. Consumers don't need any gadgets: they use cards which are reliable, small, easy-to-carry, and already in their wallets and purses.



Mobile payments: Users store their card details on a device, normally phones and smartwatches, and sometimes even rings and jewellery. They can then use it to buy goods or travel on buses or the Underground using services like Apple Pay and Google Pay. This category now accounts for more payments than either standing orders or cheques, with 561 million payments in 2017. Over the next decade they're forecast to grow by 56% to 877 million.



Peer-to-Peer: In the UK, peer-to-peer micropayments haven't made much headway. In other countries, though, they've had a huge effect, letting people make small payments as easily as texting. Swish is Sweden's ubiquitous solution, Tencent's WeChat Pay is widely used in China, and PayPal's Venmo is a US solution.



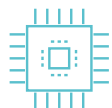
Invisible payments: Cars can hold payment details to automatically pay tolls when entering cities or using toll roads. It's rare in the UK, but common in many countries. If you have Alexa, Siri or Google Assistant in your home, you can instruct them to buy things for you without getting a card out of your wallet. Soon, smart fridges promise to order groceries for us when we run out of key ingredients.



Biometrics: Many of us use thumb- and fingerprints to unlock mobile phones, and we expect to have them scanned at airports. It's a short step to using them to pay in shops and bars, and there have already been trials. In China, Alipay have developed biometrics as a payment tool to overcome literacy issues: everyone's smile is unique, so people can pay for goods by smiling at a camera.



Cheap and simple card acceptance devices: iZettle, Square and other similar devices have hugely expanded the number of people who can accept card payments: from market stalls and home-working hairdressers to builders and decorators. These small, cheap, wireless card payment terminals let merchants take card payments, and cost as little as £30.



Chips inserted under your skin: It sounds like science-fiction, but around 4,000 people in Sweden have had tiny microchips inserted under their skin. They're most often used for access to buildings, but they can also make payments, including for train journeys.

In almost every case, the drive towards digital payments has been centred on making the customer's experience easier, faster and more frictionless. This isn't exclusive to payment technology: it's the key to all technology adoption, and some people will pay more for a fast and convenient service.

This wave of innovation is set to continue with the rise of 'Fintech': financial technology. It's seeing huge investments in new technology and the associated new business models. In 2017, over £1bn²⁰ was invested into UK Fintech, more than double the year before. The UK has become renowned as the Fintech capital of the world and – along with Australia, Canada and South Korea – is leading global contactless adoption. The UK is much further along the path from cash to digital than most other countries.

As other technology develops, payments are likely to be integrated. When self-driving cars hit our streets, they'll automatically pay for parking and tolls. In our connected homes, the 'internet of things' could see a return to a leasing model where our washing machines and printers bill us depending on how much we use them. It might sound fanciful, but it's already happening in some parts of the world.

Digital has significant power to support inclusion

There are ways that technology can address many of the needs that are currently met by cash for consumers of all ages and incomes:



Budgeting and flexible payment tools: People like the physicality of cash for how it helps them manage money. You can see how much you have, can't spend what you don't have, and won't incur unexpected fees or charges. Tools and apps like those from Monzo and Money Dashboard can mimic these features, for example by letting users subdivide account balances into different 'jam jars'. New payment innovations like 'request to pay' can let consumers control how much leaves their account and when.



Open banking: This regulation should also help improve budgeting tools by letting third parties access bank-held data and use it to help consumers to understand their finances. Open Banking will also help develop more tailored solutions for specific customer segments, rather than the current one-size-fits-all approach. For example, Starling Bank is aiming to 'provide the hub for your financial life, bringing together information from all your financial services in one place'. Nationwide Building Society²¹ has recognised the potential with their 'Open Banking for Good' challenge, to encourage innovations to help a wider proportion of society.



Smart account management: Some of the new banks such as Monzo²² and Starling²³ are pioneering the development of 'gambling blockers'. More recently, Barclays has adopted a 'payment blocking' system to help people control their spending. Turn the feature on and they'll decline attempted payments to gambling sites. Try to turn it off again and you'll get a warning and a link to a gambling helpline.



Biometrics: In China, biometrics identification means you don't need to be able to read or remember your PIN: you can record your smile, your fingerprint, even your iris.



Real-time balances: Our research showed people on low incomes and managing tight budgets worry that their bank account balance doesn't include pending payments like Direct Debits and standing orders. This makes it harder to manage money, and stops some people using accounts as they try to avoid bank and overdraft charges. Solving this would be a big help to people moving off cash.



Artificial intelligence: We're used to the bank calling us up to ask us about payments if there's a suspected fraudulent transaction. Artificial intelligence could do the same to monitor unusual spending patterns, which could warn of a mental health crisis, or the early onset of dementia. This might give sufferers or carers more confidence in digital solutions, knowing that issues would be spotted earlier.

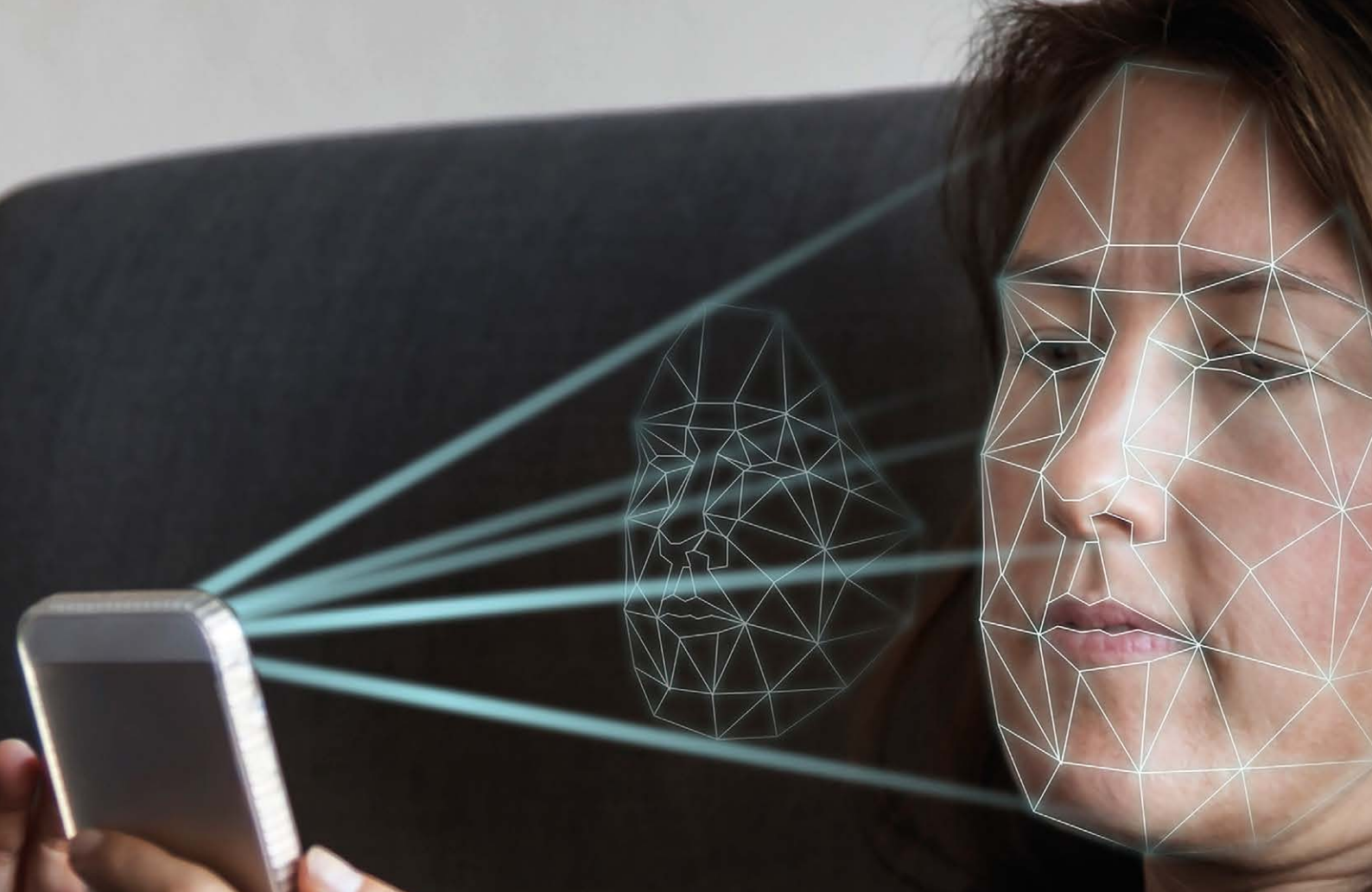
Fintech is a fast-moving sector. Thousands of innovators in the UK and internationally are developing services which could help with financial inclusion, creating digital tools to meet people's needs.

However, one significant challenge is that these commercial developments often target early adopters and larger market sectors. People relying on cash may be late adopters, have the least money to invest in new solutions, and make up smaller, harder-to-reach segments of society. Some of the solutions may already be out there, but people simply don't know they exist. The industry will need a concerted effort – with regulatory support – to make sure that digital payment developments meet the needs of those who currently rely on cash.

21 <https://www.nationwide.co.uk/about/media-centre-and-specialist-areas/media-centre/press-releases/archive/2018/7/11-open-banking>

22 <https://monzo.com/blog/2018/06/19/gambling-block-self-exclusion>

23 <https://www.starlingbank.com/blog/merchant-blocking-gambling-betting>



Biometrics have the potential to revolutionise how we interact with technology

For years you've been able to use biometrics like a fingerprint or smile to validate your identity. The technology isn't widespread in the UK yet though, partly because of consumer concerns over privacy and unreliable implementation. Instead the UK has relied on the PIN – an authentication method that's simple, proven and ubiquitous. We anticipate more people relying on biometrics, not least as people get used to using fingerprints and even face scans to unlock their phone.

In countries with lower literacy levels or less reliable identification systems, biometrics are being used more and more as the primary way of validating identify for transactions. India's national ID programme Aadhaar²⁴ is the largest biometric database in the world. It stores a biometrics-based digital identity, which is assigned to people for their lifetime, and can be checked online instantly in the public domain, at any time, from anywhere, and without paper.

Aadhaar is designed to enable government agencies to deliver retail public services. It stores biometric data (fingerprints, iris scans and face photos), along with demographic data (name, age, gender, address, parent and spouse names, and mobile phone number). Originally voluntary, it has become mandatory for filing tax returns, opening bank accounts, securing loans, buying and selling property, receiving a salary and even making purchases over 50,000 rupees (£610).

In China, payments using biometrics are also on the rise. Alibaba's Singles' Day on November 11th 2018, the world's largest shopping event attracted \$30.8 billion in total transactions. This year, 60% of customers paid either by scanning their fingerprint or taking a selfie. Alipay users can also use the 'Smile to Pay' app: in a few seconds it can recognise and identify a face, then verify payment through a mobile phone. It's seeing widespread adoption: it has now been rolled out to 300²⁵ KFC restaurants stores across China.

In South Africa, First National Bank²⁶ has developed a biometric ATM that lets users open an account with a fingerprint scan. Called TouchPoint, it matches users' fingerprint data against records held with South Africa's Department of Home Affairs to stop fraudulent accounts being created. As well as making it easier to create accounts, people can also use the ATM to buy mobile airtime and electricity and, of course, withdraw cash.

We'll see more and more developments like this. However, they need to account for privacy issues and users' concerns that biometric data is only used for purposes they agree to.

24 <https://www.bbc.co.uk/news/world-asia-india-41033954>

25 <https://www.biometricupdate.com/201811/smile-to-pay-facial-recognition-system-now-at-300-locations-in-china>

26 <https://findbiometrics.com/south-african-bank-biometric-atm-505075/>



98% of farmers own a phone, 61% a smartphone but only 40% have signal on their farms and only 30% have a good broadband speed.

National Farmers' Union, Gwynedd



Addressing poor connectivity is critical to supporting digital payments

Digital payment systems depend entirely on good connectivity. No connection, no payment. But despite technology's progress, there are still substantial black spots in the UK: places without fixed broadband (either through fibre-optic or the landline telephone network) or mobile data signals. In these areas, digital payments simply aren't possible.

In black spots, people can't use the internet from home or from mobile devices. This means no digital payments, no online shopping, and – increasingly – no way to use local and national government services. This isn't just a consumer issue: businesses need good access to digital networks to operate. From tech start-ups to rural B&Bs, if businesses can't accept authenticated card payments they're at an immediate disadvantage.

In comparison, cash always works and doesn't rely on devices, connectivity, infrastructure or even power. So, in many areas and for many people, it's still the only practical payment method.

The UK's broadband market has evolved rapidly. In 2004, only around half of UK households had internet connections: the majority of these were

narrowband connections, and mobile broadband was just emerging. By 2007 that had increased to 64%, and by 2018 it was 87%, according to Ofcom²⁷ data. However, many consumers still receive a poor fixed broadband experience, with significant differences between urban and rural areas. Ofcom define a decent download speed as 10Mbps – and in May 2018, about 3% of premises (around 865,000) couldn't achieve this. While 99% of urban premises can get this performance, only 85% of rural premises can.

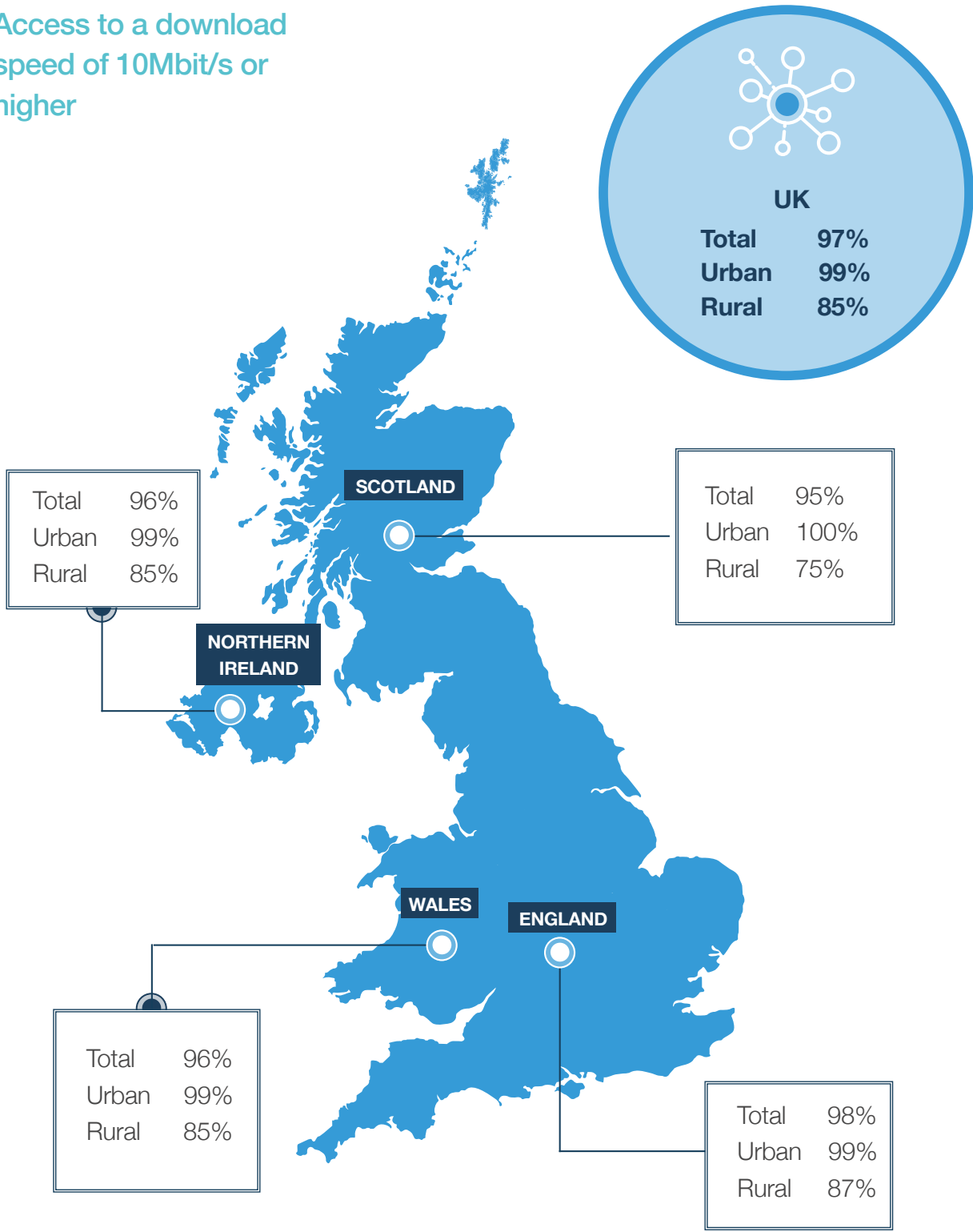


There is a major delay in rollouts between cities and rural communities. You've got a 10 year delay at the very least. The infrastructure costs to get upgraded are very high and the return is very little. You are always struggling with connecting the last 5%

Barmouth Publicity Association, Porthmadog



Access to a download speed of 10Mbit/s or higher





People need to use digital banking but don't always have ways of accessing the internet in private. Many have to use the local library, which isn't designed for privacy.

The Salvation Army, Shetland

Coverage is 84% in my constituency (Dwyfor Meirionnydd) and it is near impossible to reach the final 16%.

Liz Saville Roberts MP, Dwyfor Meirionnydd

There are certain shops where the building materials sometimes don't allow the signal in. Even in the middle of the city! Also, if too many people in one place use it, it doesn't work properly.

ADHD Foundation, Manchester

Bank branches and good broadband are like roads and streetlights. There is a big divide in the haves and have nots. The connectivity divide will be a lot bigger than the North/South divide.

Southwark Chamber of Commerce, London



In March 2018, the UK Government introduced the Universal Service Obligation (USO) to ensure people in the UK have the right to request a decent broadband connection. Under this legislation, homes and businesses will be able to request a connection costing up to £3,400 to give them an acceptable connection speed (10 Mbps down, 1 Mbps up). Ofcom are responsible for putting the USO into place, and appointing the service providers to offer it. This is expected to take up to two years.

However, this is a right to request, rather than receive, and it's still subject to the cost cap. Ofcom estimates that by the end of 2020 only 59,000 premises (0.2%) will be left unserved by the USO. As long as consumers use the service and it's implemented as planned, very few locations will be left without decent broadband.

Businesses are facing rising costs for cash

For the self-employed or small businesses, moving away from cash can be a mixed blessing. Some see cash as quicker and cheaper, saving costs on equipment and card payment charges. Others find it costly and time-consuming to bank cash.

The Federation of Small Businesses reported that businesses were finding it more expensive to handle cash. They told us that issues include rising bank costs and branch closures, meaning it takes longer to travel to a branch to pay in cash. More and more businesses told us they use the Post Office for deposits; even the smallest Post Office branch can take deposits up to £1,000, with many branches accepting up to £20,000. Still, many also reported problems with queues and service levels – both issues the Post Office is seeking to address with new deposit technology.

Cash businesses find it hard to avoid the risks of having cash on the premises, and they incur security costs to secure, manage and move cash to the bank or Post Office. Several cashless shops and cafes cited security as one of the reasons they stopped accepting cash. Some are also reluctant to have ATMs on their premises because of potential ram raids or robberies.

Others, such as the self-employed and those offering mobile services, told us they found the move to digital payments extremely useful. Small card terminals like iZettle let them accept cards, which makes it easier to up-sell additional products and services. They can also take electronic payments for services in advance, which reduces the cost of 'no-shows'.



76% of convenience store customers pay by cash



The average spend of convenience store customers is **£6.50**



80% of convenience stores accept contactless payments



94% of convenience stores accept debit cards



Cash is used for **76%** of convenience store transactions



Cash has always been a pain. You've got problems with theft. The banks charge a fortune for you to pay cash in, and they take a cut of everything you pay in. You have to organise change, go into town, park, queue up – which is another security risk – or pay a firm like Securicor to pick it up.

Mike Keen, Landlord, The Boot (UK's first cashless pub)



Tackling crime and tax evasion through technology

Throughout our review, people have raised concerns that cash supports both the informal (grey) economy and the illegal (black) economy. Many express the view that moving away from cash would help reduce both economies, decrease crime and increase tax yield.

No one knows the true size of the grey and black economies, but estimates suggest that it could be as high as 11% of GDP or £223bn.²⁸ Pushing the cashless society as a proactive way to reduce crime and tax evasion is a hotly debated subject. On one hand, the anonymity of cash makes it hard to trace, so makes it a good choice for criminal activity. On the other hand, many point out that crime will always find a way, and that if cash is withdrawn, criminals will find other ways to pay for goods.

As far as the grey economy is concerned, it isn't illegal to pay in cash as long as people pay tax when it's due – though cash-in-hand can be used for tax avoidance. In our research, we've found one powerful example from Sweden of how the grey economy was reduced. It didn't happen through withdrawal of cash, but by giving the public tax incentives to pay for informal services like cleaning and gardening through their bank accounts.

Many also want the privacy or anonymity of cash, even when their activities are lawful. This can include hiding spending from partners, parents or children – for good or ill. Many suggested that if cash didn't exist to facilitate anonymity, people would find other ways – including cryptocurrency, secret bank accounts and bartering.

In March 2018, the Treasury published a call for evidence – 'Cash and digital payments in the new economy'. This noted that most traders and businesses taking cash payments do so honestly. But in some cases, the anonymity of cash and its inability to be traced are perceived as facilitating tax evasion, hidden economy activity and money laundering.

This is consistent with HMRC's operational experience. This shows that cash can be a problem for tax compliance because taxpayers find it hard to keep accurate records of all their transactions. In other cases, cash is used by a small minority to hide or disguise their taxable income by not reporting, or under-reporting, what they owe.

In October 2017, the government published its National Risk Assessment (NRA) to set out the key money laundering and terrorist financing risks for the UK. It said that cash-based money laundering continues to pose a high risk to the economy. According to the assessment there has been an increase in the movement of illicit cash outside the banking system, including through cash smugglers. The previous NRA from 2015 also highlighted that cash-intensive businesses – such as scrap metal wholesalers, nail bars, takeaways, and storage warehouses – represented particularly attractive opportunities for criminals.

The Treasury also noted that cash's anonymity makes it well suited to money laundering and supporting criminal activity, so more digital payments and less cash use could potentially increase tax compliance, reduce money laundering and reduce the support of criminal activity. However, the Treasury thought the impact of this change may be limited if the dishonest minority keep using cash to hide or suppress their income.



Some people just don't want to leave a footprint... so they make transactions in cash. It's a choice they want to make. Maybe it's empowerment? A right?

CEO, Big Issue Foundation





Cleaners and carers may also often require payment in cash, not as a tax avoidance measure, but because they don't have the resources to use card machines to take payment and, in some cases, may themselves be unbanked. The Finance Foundation

*There are clear benefits to being cashless but I worry it would be harder for people who help me to step in and take better control of my finances...
[if I became acutely unwell].*

Consumer, Money and Mental Health Policy Institute focus group

Getting a discount with your plumber by paying cash in hand is something that is a big cost to the Revenue (HMRC) and means others have to pay more in tax. I think it is morally²⁹ wrong.

David Gauke, Exchequer Secretary to the Treasury, 2012



POLICE LINE

Percentage of the UK population who believe that:

59%

all payments would be traceable, reducing fraud

43%

it would reduce the size of the black economy and make it easier to collect taxes

36%

there would be less crime because people wouldn't be able to steal your money

Source: Access to Cash survey of 2,000 nationally representative UK consumers conducted in November 2018

²⁹ <https://news.sky.com/story/gauke-cash-for-tradesmen-is-morally-wrong-10475019>



Cashless Parking by Mobile Phone

- No need to search for coins
- No need to predict the required parking time
- Only pay for the time that you are parked
- Instant usage

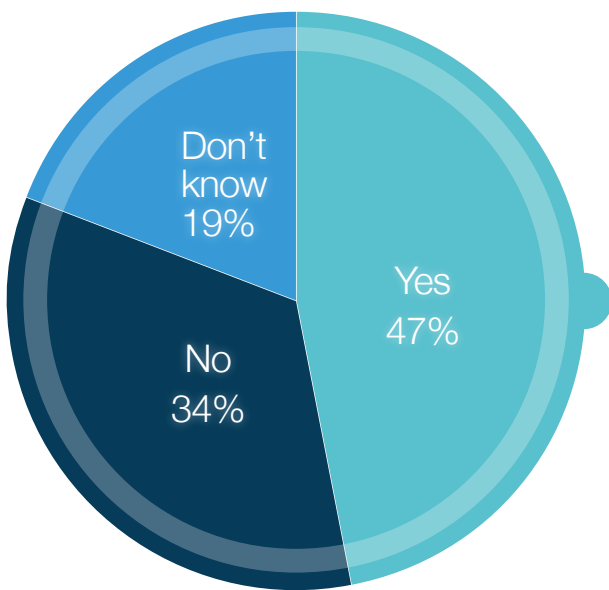
People will be left behind

Cash is an economic necessity for approximately 25 million people, or 47% of the population. And a significant proportion are unclear about how they would cope with a cashless society.

Our research has explored the implications in detail. We've conducted discussions with over 120 organisations, and surveyed thousands of consumers. We've identified a wide range of risks arising from the transition to a cashless society, ranging from risks to the viability of rural communities through to risks of catastrophic failure if digital fails and we have no fall-back in cash.

While many are comfortable with the idea of a cashless future, there's widespread concern about people being left behind, especially the most vulnerable. That risk is real – if we go cashless too quickly, and without enough planning and thought, people will be left behind.

Would it be problematic for you if there was no cash in society as we know it today?



14%

I wouldn't cope at all. Cash is essential to how I live my life.

22%

I don't know how I would cope. Cash is very important to how I live my life.

50%

I would cope. But losing cash would be a major inconvenience to how I live my life.

14%

I would cope. Losing cash would be a minor inconvenience to how I live my life.

Of the 47% who would find a cashless society problematic, 36% would either be unable to cope or are unsure of how they would cope. This equates to 17% of the population as a whole.

Public concerns of a cashless society

Percentage of UK population who believe that an implication of a cashless society would be:

65%

people with mental health issues might find it harder to manage their money

67%

people on low incomes might struggle to balance their household budget

63%

People would lose the value of money (i.e. holding a large amount of cash in your hands makes you think more about how you spend it)

56%

rural communities would become less viable

74%

we would all be more vulnerable to cyber attacks

51%

people would become less social (i.e. physical cash brings people together)

69%

it would be difficult to pay for certain things (e.g. tradesmen or window cleaners)

60%

we would all have less privacy

DONATE

74% charities and the homeless would suffer as they wouldn't benefit from people having small change

70%

people wouldn't have the peace of mind of having spare cash in their pocket

75%

some older people would find it difficult to do everyday things like pay bills

72%

vulnerable groups of people would be more likely to get scammed or defrauded

74%

it would take away people's right to choose

79%

people who don't have access to good internet connections would lose out





Risk to rural communities



Rural communities are among the slowest to move to digital, often due to limited access to broadband. They also have a larger proportion of lower income, older and more vulnerable users, who still prefer or need to use cash. As cash usage falls, the facilities which support it – Post Offices, bank branches and ATMs – are disappearing as they become commercially unviable. The earliest closures of ATMs and branches have been in remote and rural areas because activity levels and volumes tend to be lower than in busy urban areas.

This makes it harder for locals to access cash, and also increases the costs for local retailers using cash – which pushes them to digital only. This risks leaving pockets of consumers unable to access local services, and increased pressure on the margins of local merchants and retailers who choose to accept cash.

“When banks close, they are closing two or three branches at a time. Since 2015 we have been campaigning to get more cash-points as the number of ATMs is important. If you only have one and you run out of money, they then have nothing for days and for miles.”

Liz Saville Roberts, MP



Risk to personal independence

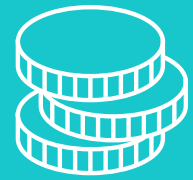


Many older people and those with disabilities manage their affairs by spending in cash. Moving to digital payments can mean handing over control to someone else, particularly if the person struggles with technology. Many also fear that with banking, shopping and payments done online, there's less need for face-to-face transactions and human interaction, both of which contribute to the safety and support a local community can give to the vulnerable.

“Our research shows that there are more people who are not able to go to cash machines through physical reasons or because they are scared of using ATMs in public, and having access to cash to go about their daily life is what stops them from going into care sooner.”

The Finance Foundation

Risk of increased debt



Many people use cash as a way of managing their budgets and avoiding debt. Abstract cash management using a computer or phone screen, or even a paper statement, can be difficult. Many prefer the physical nature of cash because they can easily track and count it. It can be harder to track spending when it's all on cards and Direct Debit.

Direct Debits also cause problems as they can leave accounts earlier than expected during weekends or bank holidays, and the lack of real-time account balances can cause problems as transactions take time to clear or become available. For gig economy workers, or those paid irregularly, paying bills in cash means you have less chance of going into debt.

"A general point: cash is a certain thing, whereas electronic payments are uncertain and that's about credit. At least you know what you've got with cash."

Association of British Credit Unions, Manchester

"All of our clients on benefits budget in cash. This is because there can be surprises down the line with online payments suddenly being taken. Benefits can stop without warning but the Direct Debits will still be active, leaving you out of pocket."

Salvation Army, Shetland

"It's easy to forget what payments have been made without a physical reminder in your purse. Paying on a card is dangerous."

Age Manchester, Manchester

"I like to use cash as then I know and track my spending. It is extremely easy to overspend when my mental health is on a downward slope." The Money Charity, Money and Mental Health Policy Institute focus group



Risk of financial abuse



Digital payments can lead to vulnerable consumers losing control of their finances or being taken advantage of – sometimes by partners, carers or family members. Using and budgeting in cash can help people keep control more easily. Someone with limited physical mobility may ask a friend or carer to do their shopping. Giving them cash instead of a card limits the risk and makes it easier to check how much was spent.

Those who are less familiar with the digital world may be more vulnerable to scams: giving someone online access to a bank account or card can have devastating consequences. A malicious user can empty an entire account online in a few clicks, any time of the day or night, and it's often impossible to remedy or rectify afterwards. So many see cash as a safer way to manage savings and spending.

On the other hand, others mentioned that being able to reconcile digital payments can help identify abuse.

“If couples have a joint bank account, money can be tracked and controlled by one person. This can lead to financial and emotional abuse.”

The Money Charity, Money and Mental Health Policy Institute focus group

“What about the visually impaired? People with conditions like that cannot see the screen – how do they know if they're being ripped off or not?”

The Consumer Council, Belfast

“Digital money can be arbitrary because people with certain mental health issues don't have that foresight and hindsight.”

ADHD Foundation, Manchester



Risk to community and connection



Making transactions is a form of interaction that's natural to us all. It helps people connect, and cash can be an enabler for making these connections. People value their physical connection with cash; it gives value to things, and it has value of itself. Without physical transactions, that sense of community may weaken.

Community's importance in our ageing society is being increasingly recognised. For example, Public Health England³⁰ encourages postal workers to check up on older people as they do their rounds, and recognises how important regular interaction is for mental health. There's a risk that the move to a cashless society could reduce the opportunity for interaction, and so negatively affect communities.

"We work for people with Alzheimer's. They often find change extremely scary. They like to use cash because they are worried about holding up a queue if they can't remember their PIN. This can stop them from going out as often into a confusing world."

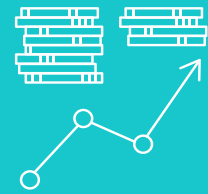
Alzheimer's Society, Cardiff

"The world is changing. People work from home more often, we have meetings via conference calls, people shop online, food is delivered. With electronic payments, there is even less human interaction."

Wyvern Savings & Loans, Bournemouth

30 <https://www.gov.uk/government/news/pm-launches-governments-first-loneliness-strategy>

Risk of poorest paying most



We've known for a long time that people tend to pay more if they can only pay cash: they can't shop around for online deals or discounts, or easily get credit.

So far high street shopping has been immune, but now, as cash is used less, the infrastructure to support it is scaling back. This is leaving small businesses and charities with higher costs to handle cash and leading many to consider dropping it altogether. As more people go digital, those who depend on cash risk losing access to shops and services. In time, could a stigma develop around the 'cash shopper', with the threat of being excluded from mainstream society?

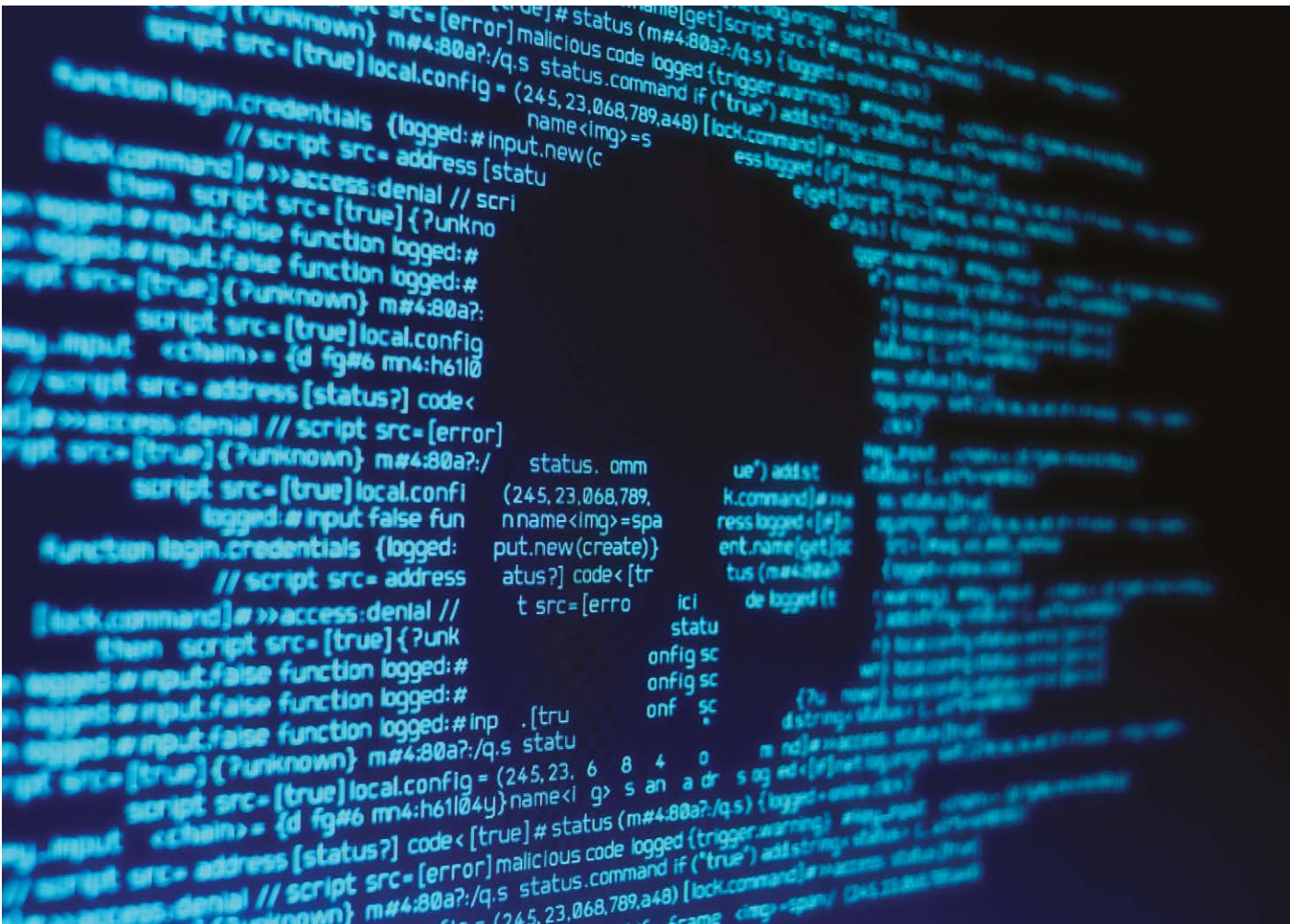
"There is a disability premium in that people with certain disabilities often have to use the service which has the best usability. They can't shop around and try different services for the cheapest one."

Disability Rights UK

"We are not sure that it is acceptable for shops to refuse to take cash payments. The more common this practice becomes, the more likely it is that certain groups of people become socially and economically excluded."

Money Advice Trust





Risk of catastrophic failure



A near-cashless UK would face significant risks from a system failure or cyberattack without a non-digital fall-back. This risk is real: in Sweden – where cash has reduced to very low levels – it has prompted debates in parliament, leafleting of the public, and contingency planning by the Swedish central bank, the Riksbank.

Recent IT failures in the UK have left consumers unable to pay for goods. Cash is the current fall-back for UK consumers as it's widespread and works without power or internet. But as cash use drops, the cash infrastructure's ability to act as a backup will also diminish. Even now, there's not enough cash in the right places to keep a cash economy working for long if we lost digital or power connections.

“Two years ago, the internet went down on the island. Our only friends were those with cash.”
Hotelier, Shetland

“Everyone has to trust the virtual cash system for it to work. There would need to be a national infrastructure.”
British Beer and Pub Association

“All you need is a few data breaches where bad things happen before we lose trust in new systems.”
Contact the Elderly

The UK isn't alone in facing this challenge

Falling cash use is an issue for many countries. The fall is highest across northern Europe, where as few as one in five payments is now in cash.

In these countries, while some consumers still use cash and cash payments are still widely accepted, it's becoming less common, and more consumers are moving to digital payments only. In general, digital and card payments are favoured in wealthier economies: cash usage has fallen well below 50% in Sweden, Denmark, Finland, the Netherlands, Canada, France, and the United States. There are some exceptions – including Germany, Austria and Japan – which stand apart as wealthy countries with a strong cultural preference for cash in shops, despite the universal availability of electronic payments instruments and broad use of electronic transfers for recurring payments.

The challenges in these low cash countries are the same as in the UK. Sweden has seen a dramatic decline in cash use, according to its central bank, the Riksbank.³¹ In 2010, around 40% of retail payments were made in cash, and this figure has now declined to 15% (compared to over 30% in the UK). Approximately 20% of Swedish people say they never withdraw cash at all. Approximately 900 of the 1,600 Swedish bank branches no longer distribute cash or accept cash deposits. This is worrying some people, though, and a national commission has been established to explore how to make sure people don't get left behind. Mats Dillén, Head of the Parliamentary Review, said, 'If this development with cash disappearing happens too fast, it can be difficult to maintain the infrastructure for handling cash... one may get into a negative spiral which can threaten the cash infrastructure.'

In the Netherlands, Central Bank Chief Coen Voormeulen recently commented that the shift to a cashless society can bring problems. 'Lots of people have difficulty using a debit card, including the elderly

and the visually handicapped. Hacking and computer breakdowns are also an issue,' he said. 'Going cash-free makes a society vulnerable.'³²

Denmark has concerns too, with only 23% of payments in cash, and 46% of Danes carrying less than Kr100 on them (about £12). However, 50% of Danes said they'd find it problematic if there were no cash in society and, unlike many other countries, shops in Denmark are obliged to accept cash.

Even in the USA, cash use is causing concern. Nationally there is no requirement to accept cash, but at a state level, New Jersey is looking to block card-only stores.

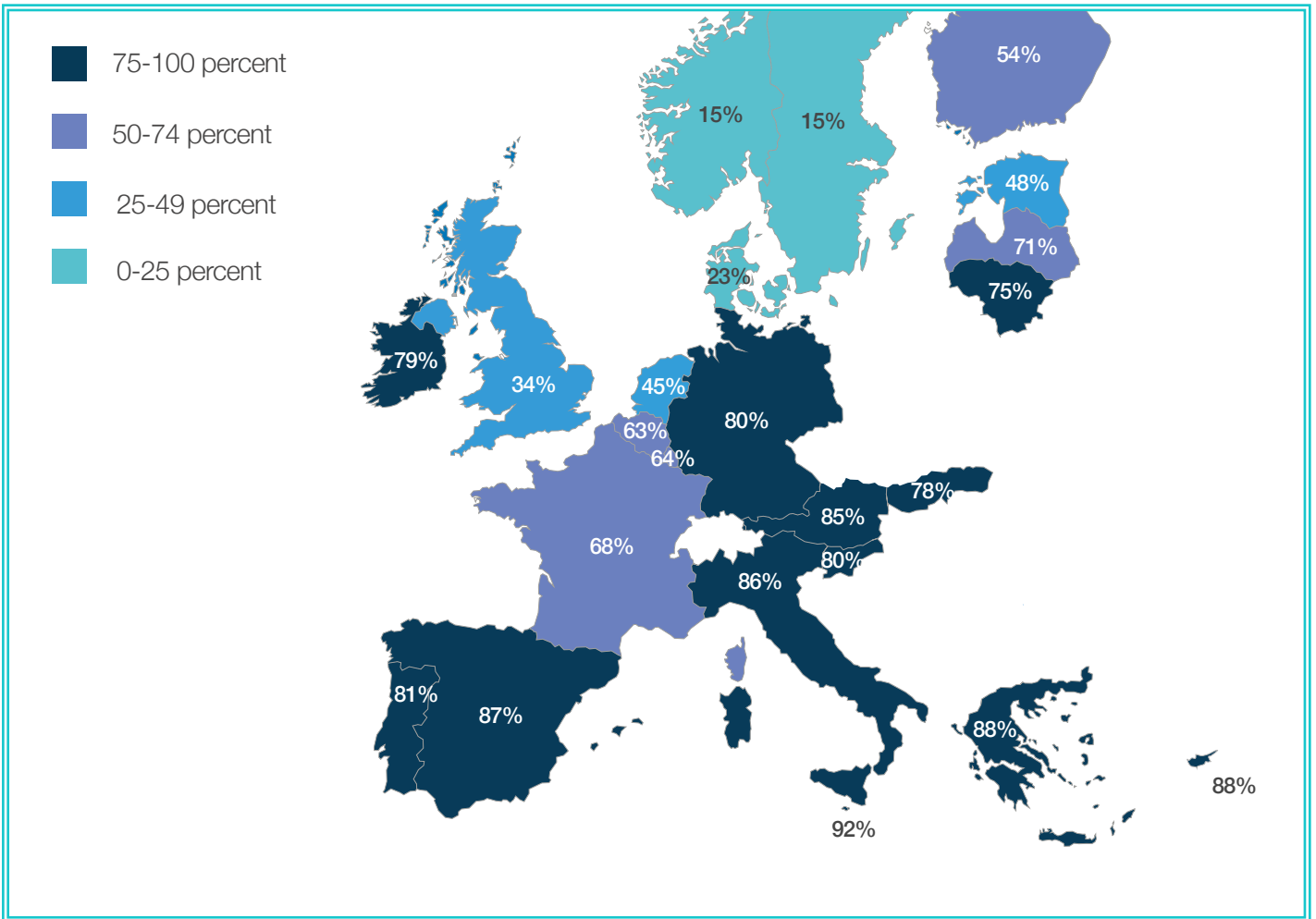
We need to pause and think about whether this is good or bad, and not just sit back and let it happen. If cash disappears, that would be a big change, with major implications for society and the economy.

Mats Dillén, Head of a Swedish Parliamentary committee

31 Riksbank Payments Patterns in Sweden 2018

32 <https://www.dutchnews.nl/news/2018/10/central-bank-warns-again-about-cash-free-society-dangers/>

Share of cash payments carried out by households at points of sale in UK, Nordics and Euro Area



We have around one million people who aren't comfortable using computers, iPads or iPhones for banking. We aren't against the digital movement, but we think it's going a bit too fast.



Christina Tallberg, 75, President of Swedish National Pensioners Organization

05 CONCLUSIONS AND NEXT STEPS



We need to act now, so we don't leave people behind

Over the past few years there has been growing debate as to whether Britain will go cashless. The rise of new digital payment methods – including contactless cards, smart watches, fingerprint payment and wearables – has led many to believe it will happen soon.

For many – particularly those in cities, the wealthier, and those of employment age – the advantages are clear. But we don't have a one-size-fits-all society. Many are currently struggling to participate in our digital society. And if we sleepwalk towards a cashless economy, we'll leave millions behind.

This report seeks to move the debate forward. In this first report of two, we conclude that while cash use will keep declining rapidly, that decline will be uneven because we're a long way from including everyone in our digital society. It's entirely possible – though unlikely – that the UK could go substantially cashless in the next 15 years. However, doing so in an unplanned way would cause harm. So we need to change the question. Instead of asking 'Will Britain go cashless?' we should be asking 'How do we bring everyone with us as we move to a more cashless society?'

The lessons we've learned from Sweden are particularly insightful. Their economy is already substantially cashless, with many Swedes neither carrying nor using cash. But with cash use levels now having declined to around half of those in the UK, there's widespread recognition that their society is facing unacceptable risks. People are being left behind, and the resilience of the economy is a serious concern. The clear message we were given from a wide range of senior decision-makers

and influencers in Sweden – from consumer groups to regulators, the central bank and the all-party commission – was that the UK needs to take the opportunity now to plan for a more cashless society, rather than to leave it too late as Sweden has.

The visit highlighted some considerations the UK needs to make. How do we maintain cash access – through ATMs, cashback, branch and Post Office withdrawals and other methods – while the commercial models behind these services start to become less viable? How can we protect people's ability to use cash? After all, there's no point having it if you can't spend it. And finally, how can we include everyone in a digital society?

The Access to Cash Review is looking at these questions. We're exploring a detailed and concrete set of recommendations to make sure that we can move towards a more cashless society – if that's what society chooses – without leaving people behind. We'll make our recommendations in Spring 2019.



Many people in our society still need access to cash, including those who are vulnerable. We need to make sure that access remains available or those people will feel even more left behind and excluded.

CEO, Citizens Advice Scotland





*We believe it is important the public has choice
in how they make payments.*

Ben Broadbent,
Deputy Governor, Bank of England



Next steps



We'll publish the full Access to Cash Review in Spring 2019, which will make concrete recommendations to regulators, government and industry including:

- How we maintain local cash economies for those who need cash
- How to keep the cash infrastructure working as cash use declines
- How to ensure consumers can keep using cash
- How we encourage digital innovation which meets everyone's needs
- What oversight we need over the coming decades, and who should take responsibility



As cash use is declining, innovation and changes in the market may be needed to provide an affordable, secure and sustainable cash infrastructure. Without swift action, the necessary protections and changes in the market might not be achieved in time to protect consumers from harm.

Which?



The Access to Cash Review panel

The Access to Cash Panel has met throughout 2018 and its members are below;

Chair: Natalie Ceeney CBE



Natalie has a career spanning the public and private sectors, across a range of policy, leadership and regulatory roles. Natalie

is currently Chair of Innovate Finance, and a non-executive director of Countrywide PLC, Anglian Water Services Ltd and Sport England.

Lady (Margaret) Bloom CBE



An economist and honorary Professor at King's College London and an independent member of the LINK Consumer Council.

Margaret has been a senior consultant for Freshfields Bruckhaus Deringer since retiring in 2003 from the Office of Fair Trading, where she was Director of Competition Enforcement.

James Daley



James is Managing Director of Fairer Finance and has been a consumer campaigner and financial journalist for more than 18 years.

Before launching Fairer Finance, he worked for the consumer group, Which.

David Hensley



David has been Director at Cash Services since 2012, with over 25 years' experience in senior management with Santander

covering business transformation, operations and customer services.

Monica Kalia



Neyber was co-founded in 2014 by Monica and her two co-founders, having identified that a technology-based

solution was needed to revolutionise personal finance and help drive greater financial inclusion for the UK workforce.

Phil Kenworthy



In July 2015, Phil founded Payment Systems Consultancy Ltd, an advisory company specialising in Payments and Settlement, their

underlying systems/processes and associated regulation. Since that point, he has worked with a number of high-profile organisations including PwC, LINK & SWIFT.

Richard Lloyd



Richard is the UK Chairman of Resolver, a consumer technology company, and Vice Chair of the Money and Mental Health Policy

Institute. He is one of the UK's foremost consumer rights champions, and was Executive Director of Which? from 2011.

Lucy Malenczuk



Lucy is Senior Policy Manager, Consumer and Community at Age UK, focused on financial services and other consumer

markets. She led Age UK's work on cheques and is currently working on projects on financial resilience in retirement and scams.

Sian Williams



Sian is Director of the Financial Health Exchange, Toynbee Hall and leads policy and practice programmes aimed at making money work better for people. Her

contributions include helping introduce the new fee-free Basic Bank Account, improving access to fee-free ATMs, and improving our understanding of what works in financial health.

Further details can be found on the website www.accesstocash.org.uk and the Review can be contacted via contact-us@accesstocash.org.uk. In addition, there is a Twitter page @accesstocash.

Research methodology

Focus Groups

In September and October 2018 we held fourteen focus groups around the United Kingdom. We invited businesses, charities and trade bodies to attend the groups; eight of which were in different geographic locations around the UK and six of which were held in London and were consumer group specific.

We selected the following geographic locations: Belfast, Bournemouth, Cardiff, Glasgow, Manchester, Newcastle, Porthmadog, and Lerwick.

The consumer groups focused on the topics of: Disability, Newcomers, Later Life, Poverty and Financial Hardship, and Small and Medium-Sized Businesses.

We asked all groups to explain the issues that they and their stakeholders had around cash access and use now, and then to think about the issues that they would face in 15 years if we lived in an almost cashless society.

To facilitate this future thinking, an animated video was shown to the participants. The video content went back to what life was like fifteen years ago and then projected forward to look at what life might be like fifteen years from now.

We held a further focus group over a webinar. This was facilitated by the Money and Mental Health Policy Institute and questioned people with mental health issues about their cash use: why they use cash and what are the positives and negatives of alternative payment methods such as debit and credit cards.

In total, 97 different charities and businesses attended a focus group.

Call for Evidence

We issued a Call for Evidence in July which closed at the end of September. There were almost 70 responses from a wide range of organisations, plus members of the public.

Online Survey

We commissioned a survey of 2,000 nationally representative UK consumers between 15th and 20th November 2018 using an online methodology. The sample was representative across age, gender and region and covered the following broad topic areas:

- The daily use of cash
- The preference for cash
- The preference for digital
- The need for cash
- A cashless society

In-Depth Face-to-Face Interviews

We undertook in-depth interviews with over 20 organisations including regulators, ATM operators, banks, trade bodies and consumer panels. The intention was to ascertain a detailed understanding of their own or their members, experiences of the cash system and wider solutions to make the system sustainable for the future.

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A young woman with her hair tied back, wearing a white t-shirt and a dark grey apron, is smiling warmly while using a handheld payment terminal. She is standing behind a wooden counter in what appears to be a bakery or cafe, with shelves of bread visible in the background. A blue graphic overlay in the top right corner contains the text "ACCESS TO CASH REVIEW".

**ACCESS TO
CASH REVIEW**