



Barriers faced by cash-reliant consumers in using digital payments

A report of qualitative consumer research findings for:



July 2024

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1. Executive summary

1.1 Research aims and method

A key strategic outcome for the Payment Systems Regulator (PSR)¹ is ensuring that all consumers have access to payment systems that they want to use. Addressing the barriers to using digital payments could mean that consumers who are currently cash reliant have more choices available to them. The PSR and its independent Panel launched a Digital Payment Initiative² to further explore the barriers to take-up of digital payments and identify potential solutions.

This qualitative research was undertaken to support the Digital Payment Initiative work by:

- Updating evidence on the lived experience of cash-reliant consumers, including how and why they use cash.
- Furthering the PSR's understanding of cash-reliant consumers' perceptions and usage of currently available digital payment methods.
- Exploring how cash-reliant consumers view specific newer or less mainstream digital payment methods.

We conducted a series of individual and paired interviews, both by telephone and online, with consumers across the UK who use predominantly cash-based payment methods. In addition, we conducted two focus groups, one online and one in person, with some of Toynbee Hall's experts by experience who are cash reliant. Our total sample represented a variety of characteristics, including people living on low incomes, who are digitally excluded and who are living in vulnerable circumstances. In total, 42 participants took part in this research which was conducted in November and December 2023.

1.2 Key findings

Consistent with previous research³, we found three main reasons for cash reliance, however participants' responses suggest some changes in emphasis:

- Using cash to support **money management** is reportedly even more important given the current cost-of-living crisis.
- There is a very high level of **concern about fraud and scams**, and these risks are perceived to increase as and when there is more societal use of digital payment methods.

¹ PSR (2022) [The PSR Strategy](#)

² PSR (2023) [Digital Payments Initiative: Barriers to Using Digital Payments](#)

³ For example, FCA (2021) [Financial Lives Survey 2020](#) and Savanta:ComRes and FCA (2021) [Understanding cash reliance - qualitative research](#)

- While habitual use of cash is still significant, particularly among older cash-reliant consumers, some reported **being forced to adapt** due to changes in access to, and acceptance of, cash.

Despite preferring cash, most participants in this research were not solely cash users. For example, they felt there was no opportunity to use cash for certain bill payments. Some also used digital payments as a back-up if they couldn't access cash or for specific types of purchases, such as higher value items (where using large amounts of cash may be impractical).

Those who make digital payments at least occasionally reported higher use of some digital payment methods (e.g. direct debit and debit cards) than others (e.g. mobile wallets). There were also differences in how individual digital payment methods were viewed by participants. However, across the board there were seen to be risks and disbenefits as well as advantages associated with digital payment use.

In general, participants did not wish to use digital payment methods more often than they do now, as they felt that cash best suits their needs. We identified some types of cash-reliant consumers who would be particularly resistant to migrating to using digital payments more. These include those with a strong philosophical attachment to cash, those who have very low financial resilience (i.e. over-indebted, with low levels of savings or low/erratic earnings) or those who are digitally excluded (i.e. those not online or who have low digital skills).

Despite their own preferences, participants expected to be pushed to using digital methods more, as in future they anticipated reduced access to cash (e.g. a continuation of bank and post office closures) and less acceptance of cash payments by retailers (e.g. more digital only self-checkouts as well as digital only retailers). They perceived that increasing their digital payment use would heighten their risk of incurring detrimental impacts, such as overspending or falling victim to fraud.

We explored attitudes to three newer or less mainstream digital payment methods including prepaid cards, variable direct debits for utility bills and variable recurring payments (VRP). Participants were not clear how any of these would be better than digital payment options that are currently more well-known and widely used, and at present none would convince them to reduce their cash use.

When asked for their own ideas of how to improve payment systems, their main suggestion was to ensure continued **good access to, and acceptance of, cash**. With respect to digital payments specifically, there was a strong view that there should be **no charge** for consumers to pay digitally if they are using their own funds. Participants also wanted more to be done to **protect consumers from fraud and scams**, and evidence suggests that this could help improve their confidence in using digital methods.

While none of the newer digital payment methods tested in this research had much appeal, there may be an opportunity to design new digital payment features or products which would increase the appeal of digital payments. These could include features to increase friction in discretionary spend and/or provide increased flexibility in bill payments and help support money management (e.g.

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budgeting, monitoring spend). It may therefore be worth exploring **how product design could better meet the needs of cash-reliant consumers**, with particular emphasis on how products could be tailored to meet the needs of those with limited digital or financial access or skills.

2. Introduction

2.1 Background and research aims

Cash remains a vital payment method for many consumers in the UK. The FCA's latest Financial Lives Survey⁴ found that an estimated 3.1 million UK adults (6%) used cash to pay for everything or most things over the 12 months up to May 2022, and this rose to:

- 9% for those who had one or more characteristics of vulnerability (including poor health, experiencing a negative life event, having low financial resilience or low capability)⁵;
- 14% for those with a household income less than £15,000; and
- 26% for those who are digitally excluded (e.g. due to low digital skills or inability to afford digital access).

A key reason that some people prefer cash is that its tangibility can help with budgeting, controlling spend and avoiding going into debt.⁶ As the PSR Panel noted in its Digital Payments Initiative report⁷, the cost-of-living crisis can be expected to make budgeting more important to a greater number of people, some of whom may therefore increase their reliance on cash.

Another reason for cash reliance is that existing digital payment services don't meet some people's needs as well as cash does. For example:

- Some cash reliant consumers have been found to distrust digital payments due to concerns about fraud, privacy and/or user errors associated with digital payment use.⁸
- Direct debit or 'card on file' payments do not typically suit consumers living on low or irregular incomes, as they may struggle to budget for regular monthly payments and risk incurring penalties if their payments fail.⁹
- Some also have additional barriers to using digital payments such as being paid in cash, not having sufficient digital connectivity or skills, not having access to a credit or debit card, having physical or mental health issues which make digital payment use unsafe or giving other people cash to buy things on their behalf.¹⁰

However, there are risks associated with cash dependency. Recent evidence shows that cash reliant consumers have found it more difficult to withdraw or deposit cash due to bank branch, Post Office and ATM closures.¹¹ Cash is also becoming less accepted by retailers, with a 2023 LINK survey finding

⁴ As reported in FCA (2023) [Access to Cash Consultation Paper](#)

⁵ For more information on consumer vulnerability, see FCA (2021) [Guidance for Firms on the Fair Treatment of Vulnerable Consumers](#)

⁶ For example, Savanta:ComRes and FCA (2021) [Understanding cash reliance - qualitative research](#)

⁷ The PSR Panel (2022) [Summary Report of the Digital Payments Initiative](#)

⁸ FCA (2021) [Financial Lives Survey 2020](#) and Savanta:ComRes and FCA (2021) [Understanding cash reliance - qualitative research](#)

⁹ The PSR Panel (2022) [Summary Report of the Digital Payments Initiative](#)

¹⁰ Access to Cash Review (2019) [Final Report](#)

¹¹ FCA (2023) [Financial Lives 2022](#)

that 45% of respondents had been somewhere over the past eight weeks that did not accept, or discouraged the use of cash.¹²

Addressing the barriers to using digital payments could mean that consumers who are currently cash reliant have more choices available to them. The PSR and its independent Panel launched a Digital Payments Initiative to understand the barriers to take-up of digital payments and identify potential solutions.

This research was commissioned to support the work of the PSR and its Panel in this area. There were three main research aims:

1. To update evidence on the **lived experience of cash-reliant consumers**, including how and why they use cash.
2. To further the PSR's understanding of cash-reliant consumers' **perceptions and usage of currently available digital payment methods**.
3. To explore how cash-reliant consumers view specific **newer or less mainstream digital payment methods**.

2.2 Methodology and sample

We used a qualitative methodology to meet the above research aims. This included conducting:

- 22 individual interviews with cash-reliant consumers¹³, by telephone or online;
- 4 friendship pair online interviews with cash-reliant consumers; and
- 2 focus groups with cash-reliant consumers, 1 online and 1 face-to-face

The predominantly interview-based approach was adopted to provide more in-depth insights into participants' personal preferences and behaviour with respect to making payments. However, the group element was also included to provide the opportunity to hear discussion between peers or a community of interest, who we felt would be more comfortable sharing their experiences in this context than with others they have no connection to.

The participants who took part in individual or paired interviews were all recruited using free-find methods and conducted by researchers from Collaborate Research. The focus groups were recruited by Toynbee Hall from their pool of 'experts by experience' and conducted by Collaborate Research. We are very grateful to Toynbee Hall for their support of this research.

People living in all four UK nations and a range of regions were represented in the sample, which also specifically included participants:

- living on low incomes (less than £15,000) - 22 participants;

¹² LINK (2023) "[Cashless Britain causing problems as new LINK research shows one-in-five inconvenienced by inability to pay in cash](#)"

¹³ All used cash for all or most of their everyday expenses

- living in vulnerable circumstances (health conditions, low financial resilience etc.) - 21 participants;
- from ethnic minority backgrounds - 20 participants (including some for whom English is an additional language); and
- who are digitally excluded (not online, low skills etc.) - 14 participants.

The research took place in November and December 2023 and a total of 42 people took part.

2.3 This report

This report covers the main findings from the qualitative research. The detailed findings that follow are arranged into the following sections (listed according to their numbering in the report):

3. Updating evidence on the lived experience of cash-reliant consumers
4. Cash-reliant consumers' perceptions and current usage of digital payment methods
5. Cash-reliant consumers' views on new digital payment methods
6. What cash-reliant consumers suggest for improving payment systems

Anonymised verbatim quotes have been presented alongside the narrative commentary in this report to provide a flavour of the views expressed, and selected case studies have also been included to illustrate individual experiences (with all names changed to protect participants' confidentiality).

There is also a standalone Executive Summary (Section 1) that precedes this Introduction, and a final section (Section 7) that sets out what Collaborate Research regards to be the key Conclusions and Implications from this research.

3. Updating evidence on the lived experience of cash-reliant consumers

3.1 Reasons for cash-reliance

As has been found in previous research¹⁴, there are three main reasons for cash reliance, however, participants' responses suggest some changes in emphasis:

1. **Supporting money management:** Cash was felt to be helpful for many participants living on limited incomes. Its physicality reportedly makes them think twice before spending, as they need to count it out to pay and receive change. Some withdraw a fixed amount for spending week-to-week or month-to-month, so they are forced to stay within their means and don't overspend. Alongside this, some also use a 'jam jar' budgeting method, which involves dividing up cash for different types of payments. This function of cash to support money management is reportedly even more important, given the cost-of-living crisis.

"Because I'm a single mum I have to be very, very careful how I manage my money. I give myself a strict budget, I withdraw cash and I know that's what I have to live off." (Female, 34, Wales)

"I have these little plastic envelopes for week one, week two, week three, week four. And if there's money left over one week, which isn't often, it will just roll on to the next week or I'll just put it into the savings jar that I have in my bedroom." (Female, 40, South of England)

2. **Ingrained behaviour:** For older people in particular, using cash can be their default option and a long-established 'way of life' which they feel would be challenging to change. However, some report having been forced to adapt to an extent during the pandemic, when cash was less accepted. Some also developed their digital skills during this time, meaning that they are now more able to do online shopping and/or banking should they wish to.

"I've always used cash. Going back to the old days, you put your money separately - that was your rent, that was food or whatever, and if you didn't have cash then you couldn't buy anything. It was as simple as that." (Female, 80, South of England)

¹⁴ For example, Savanta:ComRes and FCA (2021) [Understanding cash reliance - qualitative research](#)

"I've just always all my life just paid things as I go. It's like a regular habit, because I've been doing it for years, and it works for me. Cash has been a constant for such a long time." (Female, 67, Scotland)

3. **Distrust of alternatives:** Many participants in this research expressed a high level of concern about fraud and scams, and these risks are perceived to be on the rise as societal use of digital payment methods increases. Some also prefer to use cash because they feel it affords them greater privacy compared to digital payments. In addition, a few said that they distrust financial institutions and regard it safer to hold and use their money in cash rather than in a digital form, in case of a financial crisis or an electronic systems crash.

"I've been a victim of card fraud. Through those little machines, there's no way to trace the ones that are legitimate and the ones that are not. And they can clone your card to so many things, so I'm very wary of them." (Group discussion, female, mixed ages, South of England)

"For me it's privacy. If you get the bus and use you card, someone knows where you've been; if you buy a newspaper with your card someone knows you're at the newsagents. People don't need to know that." (Male, 58, Northern Ireland)

"I just feel like when I've got it in my hand, it's actually mine and I've got full control over it. I don't really think that when it's sat there in the bank." (Male, 51, Wales)

In addition, some in our sample also reported further reasons for preferring cash for payments:

- Being **paid in cash** or running a cash-based business:

"It's easier to manage, more simple, because being paid weekly in cash you kind of know where you are at all times. If I wasn't paid cash I'd probably still use cash but maybe a little less than I do at the moment." (Male, 45, North of England)

- Finding cash easier to use than digital payments due to a **disability:**

"I'm visually impaired and it's difficult to do online things, they're not user friendly. And in the shops I don't know what the prices are, the cashier doesn't say if you're tapping your card but they are forced to say if you're paying cash." (Group discussion, mixed gender and ages, South of England)

- Preferring cash for **cultural reasons:**

“Using cash is more easier for us and we'll keep it in our handbag so we can spend it anywhere. In the open market when we need to buy some vegetables and fresh fruit, you can't use cards. My community [South Asian] does a lot of cash shopping.” (Group discussion, mixed gender and ages, South of England)

- Regarding cash payments as beneficial for the **local economy**:

“It's good for the community for cash to be passed around. Small businesses need cash to circulate.” (Male, 59, Scotland)

- Using cash to teach children the **value of money**:

“My son is six I'm teaching him how to use money. So he needs to see the colours, he needs to touch it to identify that money, and I still use a piggy bank system for him.” (Group discussion, female, mixed ages, South of England)

3.2 Views on their ability to continue accessing and using cash

Participants in this research felt there are significant benefits to using cash and did not perceive there to be any significant reasons or advantage to changing their cash-based payment methods.

“I really like using cash, I like to know where I am with everything. (If there was no cash) I'd miss the organisation and the clarity that it gives me on a monthly basis.” (Female, 40, South of England)

“It's hugely helped me manage my finances and my life. In the past, I found it really hard to manage my money. I just much prefer it, I find it easier.” (Female, 34, Wales)

However, they also expected to be pushed to using digital methods more, both due to:

- **Less access to cash:** There were mentions of bank branch and Post Office closures, needing to travel to the nearest free cashpoints and also about poor security of some cashpoints.

“Now, a lot of these ATMs are charging you for cash withdrawals and certainly physical bank buildings, there's less and less of them. There has been a push by the banks to put everything online and digital.” (Paired interview, male, 55 and 57, Wales)

“I used to pay my gas and electric in cash but I don't anymore because there used to be a post office in my village and now there's not. There's not much of anything here now, just one tiny village shop.” (Female, 34, Wales)

- **Less acceptance of cash:** There was seen to be no alternative provided to digital payments for some bills (e.g. mobile phone contracts) while some others charge consumers more for not using direct debit (e.g. energy). In addition, participants were aware of a few retailers which now only accept digital payments and felt that several others discourage cash use, for example by moving away from cashiers and to self-checkouts most of which are card-only.

"In stores they have got rid of cashiers so you need to use machines, they kind of direct you there, and the ones that take cash are always broken. For paying bills you can't walk into the council anymore, you have to do it online." (Group discussion, female, mixed ages, South of England)

"It's much more difficult to pay with cash. I think I was somewhere recently that wouldn't accept cash, I can't quite remember where it was, and I was a little bit stunned." (Male, 51, Wales)

Three types of cash-reliant consumers appear to be particularly resistant to increasing their use of digital payments, as illustrated in the case studies that follow. They are people:

- with a strong philosophical attachment to cash (we have called them 'cash adherents');
- who have very low financial resilience (e.g. very low income, little or no savings); and
- who are digitally excluded (e.g. not online or with low digital skills).

CASE STUDY 1: 'Cash adherent'	CASE STUDY 2: Low financial resilience
<p>'Doug' is in his mid 50s and lives with his nephew in Newport, South Wales. He is on a zero hours contract so his income is erratic. Privacy is very important to him and he doesn't trust banks, so he opts to use cash for all purchases and bill payments. This requires him giving his nephew cash to pay for some bills digitally on his behalf.</p> <p><i>"I try to avoid non-physical payments as much as possible. I don't use direct debits, I don't have any standing orders, everything's done with cash. What I spend my money on is up to me. I don't like banks and I don't want them to have any control over my money at all."</i></p>	<p>'Zahira' is in her 30s and lives with her school-aged children in London. She has previous experience of problem debt and has been working with StepChange regarding this. This is when she started to use cash which she finds very helpful for budgeting and staying within her means.</p> <p><i>"I now put in an envelope all the money that I need to pay for food, clothes, transport, electricity and everything. Since I've done that I see when money is gone and then I say 'that's it, I have to wait for another month'. I've learned little by little to manage my money better and I don't have that panic anymore."</i></p>
CASE STUDY 3: Digitally excluded	CASE STUDY 4: Digitally excluded
<p>'Sanjeet' is in his mid 50s and lives with his wife in Northern Ireland. He runs a small drycleaners business which is cash only to avoid the merchant fees associated with card payments. He takes cash out of the business so he always has it to hand to pay bills and everyday expenses. He also has low digital skills and is very concerned about fraud with respect to digital payment use. This deters him from using digital payments except occasionally for large purchases.</p> <p><i>"The big concern is fraud - I've been cloned once using my card. If I'd used cash I wouldn't have had that problem."</i></p>	<p>'Peter' is in his 60s and lives with his wife in a rural part of Scotland where he runs a farm. He doesn't have the internet at home as he lives in an area with very low internet connectivity. He pays most bills by cheque and pre-pays for his heating fuel (as they live off the gas grid). All day-to-day expenses are paid for in cash. This behaviour is strongly habitual and he would be very reluctant to change even if his internet connectivity was to improve.</p> <p><i>"I suppose there's going to come a time with this cashless society but I can't see that happening in the next couple of years. I can't see myself changing to be honest with you."</i></p>

4. Cash-reliant consumers' current usage and perceptions of digital payments

4.1 Extent to which digital payments are used in addition to cash

Despite preferring cash, most participants in this research reported that they are not solely cash users. There are three main reasons why most participants use at least some digital payments, in addition to cash:

1. They feel they have **no choice** for some bill payments (unless they ask someone else to pay these on their behalf).

"I don't know how you would pay those [bills] by cash, I think it would have to be done direct debit or through the bank." (Female, 52, North of England)

2. As a **back-up** if they can't access cash.

"If I wanted to hang on to the cash I had for something else, say if I was running low on cash and I hadn't been to the bank, then I would use my card." (Female, 80, South of England)

3. For **specific types of purchases**, such as higher value items (to save them carrying a lot of cash, or to take advantage of the additional consumer protection associated with certain types of digital payment methods).

"I use credit cards for big purchases like flights and holidays but I try to keep on top of that and make sure it's paid off every month. There's security there as they'll refund you if there's a problem." (Female, 54, Northern Ireland)

Overall, 'cash adherents', those with very low financial resilience and older, digitally excluded consumers within our sample (as described in the previous section) reported lowest use of digital payments. However, the link between use of digital technology and digital payments was not always clear cut in our research. There were also examples, as illustrated in the case studies to follow, of digitally included consumers who use digital payments very infrequently and, conversely, digitally excluded consumers who do make use of digital payments, albeit in an 'analogue' way.

CASE STUDY 5: Digitally included but non-user of digital payments	CASE STUDY 6: Digitally excluded but increasing user of some digital payments
<p>'Annette' is in her mid 30s and lives with her children in Wales. She pays for almost all everyday expenses by cash, which she finds very beneficial for budgeting. However, she is very digitally proficient and regularly uses a banking app to monitor her spend. She also uses a savings app, which she finds helpful as it has a feature which automatically sets aside small amounts of money which build up over time.</p> <p><i>"I have to give myself a strict budget. I withdraw cash and I know that that is what I have to live off. Because in the past, I've added a little bit of debt and I just don't want to ever go down that road again."</i></p> <p><i>"[My savings app] will take like a few pounds every week or every two weeks out of your account and into a savings account. My spending money for my last weekend away has been saved up for the last year and a half since we booked the trip."</i></p>	<p>'Jane' is in her 80s and lives with her husband in London. She started using a credit card more during the pandemic, when shops were reluctant to take cash, and has continued to use it alongside cash as she finds it convenient. She pays her credit card off in full each month in person at the bank. She doesn't use online or mobile banking.</p> <p><i>"I actually use a card more now than ever did because I find it convenient. It doesn't cost me anything to use my credit card at the moment because I pay that in full."</i></p> <p><i>"I don't do any banking online, my husband does but I prefer to go into [my bank] and stand in a queue getting the cash out. I don't pay my credit card online either, I prefer to take it into [my bank] and hand it over. Then I can see it's been paid."</i></p>

4.2 Current usage of, and attitudes to, different digital payment methods

Those who make digital payments at least occasionally reported higher use of some than of other methods. There were also differences in how individual digital payment methods were viewed by participants in this research. These variations in usage and attitudes have been summarised in the table over the page:

Barriers faced by cash-reliant consumers in using digital payments

	Extent of usage by cash-reliant consumers	Perceived benefits and reasons for using	Perceived disbenefits and risks of using
Direct debit	<p>Almost all use direct debit for paying at least some regular bills.</p> <p>In some cases, such as where the consumer is not online, this arrangement was set up by family members.</p> <p>A couple avoid using direct debit by giving cash to others and asking for them to pay digitally on their behalf in cases where it was not possible to pay cash on receipt of the bill.</p>	<p>Some referred to the convenience of automating payments and avoiding the risk of forgetting to pay.</p> <p><i>"I prefer that it's organised in case maybe I get the dates wrong or anything." (Paired interview, female, 68 and 75, Scotland)</i></p>	<p>Several regard direct debits as providing less control than manual payments. Some have had past experience of direct debits failing and/or supplier billing problems associated with direct debits.</p> <p><i>"I was fed up of getting bank charges for direct debits [failing]. You've got to pay the direct debit and the charge on top, so it's a knock-on effect." (Paired interview, male, 55 and 57, Wales)</i></p>
Debit card	<p>Almost all have a debit card but some do not use it regularly.</p> <p>A couple said that they have asked for the contactless feature to be disabled to increase its security in case it is lost or stolen to deter them from overspending (by forcing them to enter their PIN before each payment).</p>	<p>This is a familiar and readily available digital payment method, which is perceived by some to be a convenient alternative in case they don't have access to cash or they are not able to use it for a particular payment type.</p> <p><i>"Potentially, debit cards could be quicker in certain circumstances. Maybe a faster, more convenient option." (Male, 45, North of England)</i></p>	<p>They are perceived to increase the risk of overspend by the consumer. They are also regarded to be a security risk if lost or stolen, or subject to card reader fraud. In addition, some perceive there to be an increased risk of being over-charged by merchants. Each of these perceived risks is particularly associated with contactless cards.</p> <p><i>"When tap first came out, I thought it was great but then there was nothing left and I had to pay extra money because I was overdrawn. When you tap, tap, tap, you don't realise how much you're spending." (Female, 67, Scotland)</i></p>

	Extent of usage by cash-reliant consumers	Perceived benefits and reasons for using	Perceived disbenefits and risks of using
Credit card	<p>Many choose not to have a credit card as they don't want to risk accruing debt.</p> <p>Of those who do have one, it tends to be used irregularly, such as for larger purchases and a number reported paying it off in full each month.</p>	<p>One of the main perceived benefits is to provide additional payment protection. Some are also motivated by the loyalty points they accrue. In addition, there is no charge to use if repaid in full.</p> <p><i>"I think there's a bit of security there because your credit card will refund if there's a problem I believe." (Paired interview, female, 68 and 75, Scotland)</i></p>	<p>A significant risk is perceived of overspending and becoming over-indebted, which some participants have had past experience of.</p> <p><i>"I don't like credit cards, I got into trouble years ago, it's too easy to spend. I now take the view what you can't afford you can't have." (Male, 63, South of England)</i></p>
Digital/mobile wallet	<p>A few use PayPal for online shopping but hardly any use mobile wallets.</p>	<p>PayPal is perceived to be secure by those who use it. Some also felt it was more convenient than using other forms of digital payment as their payment details are stored and they don't have to re-enter them. In addition, the small minority familiar with mobile wallets feel that they could be more secure than a contactless card in case of loss or theft due to the phone's ID requirements.</p> <p><i>"I use the PayPal payment all the time because it's more secure. I think if someone did fraud and took money from my account from when I buy something, PayPal will definitely give you back the money, so I trust in PayPal." (Group discussion, female, mixed ages, South of England)</i></p>	<p>There is a fear of the unknown with respect to mobile wallet technology. Related to this, many perceive an increased data security risk, similar to how they feel about mobile banking. Some also perceive there to be an increased risk of overspend associated with using a mobile as a payment method as they expect it would feel less tangible than other types of payment.</p> <p><i>"I think if it's on your phone it's more likely to be hacked. That's my mother in me but it's not something I feel comfortable doing." (Female, 40, South of England)</i></p>

4.3 Views on increasing digital payment use

Participants do not wish to migrate further to digital payment use, as using predominantly cash-based payments works best for them. In addition, increasing digital payment use is perceived to increase the risks they associate with making such payments.

For example, it was a widespread view amongst those living on limited incomes that increasing use of digital payments would make them more prone to **overspending** and consequently getting into financial difficulty:

"If I just pay by card, I don't know how much is gone and how much stays with me. I don't see how much I'm spending and I'll end up with nothing in the account." (Group discussion, female, mixed ages, South of England)

"It's just so easy to go tap here, tap there and you just don't realise how much it adds up to. It just engages my brain more if I have to go count the money out for something. I feel like some part of your subconscious has taken more notice because you've physically engaged with that process." (Female, 37, South of England)

In addition, increasing use of digital payments was widely felt to increase their chances of being a victim of **fraud**. Fears of fraud were highest among those who are less digitally confident and who feel less well equipped to avoid fraud, as well as to resolve any issues they may experience. In addition, although some participants have heard about protection offered by some payment providers, they are unclear about the specific safeguards they can expect against fraud and the circumstances under which they might be compensated, compared to when they would be deemed responsible for their own loss.

"I worry in case my computer gets attacked. I mean, I don't know whether they can or not. I've got McAfee, or whatever it is, but I'm always getting notes coming up saying important hackers attacked your PC and I don't know whether it's true or not; I'm not that tech savvy." (Female, 80, South of England)

"I have looked at online shopping but something holds me back. I think it's mostly because you're putting in all your private details from your account and I don't know where it's going. I think it's difficult when you feel like you're going to be cheated out of it or somebody else is going to take it because you're having to fill in all your personal details and your bank account number and you don't know where it's gone. Whereas when you've got the cash and you're handing it over to pay for something in return you know that nobody can get those details then. It's constantly on TV, people being scammed, and it's

always naturally the older generation. They've got their life savings, some of them, and that's all gone because somebody can scam it from their account." (Female, 67, Scotland)

Some people also felt that increased digital use would mean they would be at a higher risk of being subject to **technical problems** in case of poor digital connectivity or issues with providers' systems, potentially leaving consumers without access to their money. Concerns about technical issues were highest amongst 'cash adherents', who were also very concerned about their **privacy** being impinged upon if they leave a digital payment footprint.

"In a split second, everything could crash, it doesn't take a lot, it can be 'bang' like that. Everything digital, all cash points gone, everything's down. What do you do? There's nothing you can do, you haven't got your money when it's sat in a bank."

"We seem to be living in an age of data gathering where every single little bit of information that they can get on you is used as some kind of marketing angle or advertising angle. I don't want to be susceptible to that. Now banks think the same as supermarkets, they check what you buy and what you spend your money on. I don't want them knowing my information."

(Paired interview, male, 55 and 57, Wales)

5. Cash-reliant consumers' views on new digital payment methods

5.1 Specific digital payment methods tested

We explained three newer or less mainstream digital payment methods to participants and gauged their reactions to these. The way each of these methods was described is highlighted in the table below:

	Explanations of new digital payment methods
Prepaid cards	<ul style="list-style-type: none"> • This is a card that you load with money and then top it up when it runs out • You don't have to open a bank account to use it, but you may need to share documents such as an ID and, in some cases, a proof of address with the provider • They are accepted nearly everywhere debit cards are • They usually don't have an upfront fee but they charge varying fees for use, e.g. monthly, top-up and withdrawal fees
Variable direct debits for utility bills (e.g. energy)	<ul style="list-style-type: none"> • Some but not all energy companies currently offer this • To use it you must have a working smart meter or give meter readings every month. What you pay will then depend on what you use each month • This method of paying is likely to mean much higher bills in the winter and lower in the summer • You generally get a bill a few weeks before your payment is due to go out, letting you know how much your provider will take that month
Variable recurring payments (VRP)	<ul style="list-style-type: none"> • There is another new alternative to fixed monthly direct debits being developed where the customer will be able to vary the regular bill payments they make • The customer and supplier agree parameters regarding the maximum and minimum payment frequency and amount • This could allow you to change the amount and date for each recurring payment online, within the parameters you and the supplier agreed to, right up to the point of payment

Participants' views on each of these digital payment methods are summarised in the sections that follow.

5.2 Views on prepaid cards

There was some awareness of prepaid cards but this was almost always in the context of overseas travel. Many could not see a reason to use these within the UK, or what advantage they would provide compared to other digital payment methods and especially cash.

"I'd rather take out cash and then pay as I go. It feels easier as it's something I've always done. For me it would just be another card, I can't see the point." (Female, 80, South of England)

A few identified some potential benefits, such as:

- to prevent overspend as they could only use as much as has been loaded onto the card;
- to protect their bank account from fraud as it is not linked to their account; and
- as an option for unbanked people who do not have access to other digital payment methods.

However, others felt there could be disadvantages to using prepaid cards, such as a more cumbersome process to preload the card or embarrassment if the payment failed due to there being insufficient funds on the card.

Even those warm to the concept of prepaid cards rejected them when they were informed that there would be a cost to use them.

"Why would you pay a fee if you can take out cash and pay no fee?" (Male, 59, Scotland)

5.3 Views on variable direct debits

Of those who currently pay for their energy bills via direct debit, very few regard this as preferable to paying a fixed sum. This is because they prioritise having predictability of outgoings and feel that building up credit in summer protects them from paying more for their energy in winter.

"I'd probably prefer to pay the same amount all year round so that I'm not panicking now, when winter is more expensive for everything anyway, and with Christmas on top of it." (Female, 34, Wales)

Variable direct debit would also not convince those consumers who currently pay on receipt of bill or have a pre-payment meter to transition to direct debit.

"I've heard the horror stories (about direct debits increasing without the customer's consent) and that's why I've had a card meter put in. I actually pay slightly more for my gas and electric but at least I know where I am and I don't have to worry about direct debits." (Paired interview, male, 58 and 72, Northern Ireland)

5.4 Views on variable recurring payments (VRP)

A few felt that VRP could provide greater flexibility and control to those willing and able to take advantage of it.

However, this type of payment was perceived to be complex conceptually and to require a high effort on the part of the consumer to understand and engage with it. Consequently, it was felt that VRP would be inaccessible to anyone with limited financial or digital capability, and also not suit others who don't want to spend much time managing their payments.

"I'm quite happy knowing on this day that money comes off for the gas and electricity, so we can know what we're doing. I don't want to change dates with the things I have."

(Paired interview, female, 68 and 75, Scotland)

In addition, the option to defer or reduce payments was perceived by some to increase the risk of amassing debt.

"It sounds an easy way to get into trouble if you keep varying it down. There's always the temptation to pay the minimum." (Male, 63, South of England)

Overall, VRP was not particularly appealing either to those who pay bills by cash or those who use conventional direct debit.

6. What cash-reliant consumers suggest for improving payment systems

Participants were asked to provide their own suggestions of how to improve payment systems generally and digital payments in particular.

As mentioned, there was a widespread expectation that we are heading towards a cashless society, which many are fearful of, particularly if they are older and less digitally confident or living on a low income.

"It's inevitable that they're going to do everything online. We're going to have to get used to it but as you get older that seems to be harder to do. So that's a bit worrying because it makes you feel inadequate." (Female, 67, Scotland)

"They don't realise how important cash is for the poorer person. We need cash in hand to exist, cash is so important for people like me." (Male, 52, North of England)

As such, the main suggestion overall was to ensure continued good **access to, and acceptance of, cash**. This includes:

- ensuring sufficient free-to-use cashpoints;
- improving the security of cashpoints;
- requiring merchants to provide alternative payment options, including cash; and
- preventing suppliers from charging a premium to people wishing to pay in cash.

The main suggestion regarding digital payments was to do more to **protect consumers from fraud**. As mentioned previously, most are unclear what protections are currently in place and many don't feel safe.

There was also a strong view that there should be **no charge for consumers to pay digitally** if they are using their own funds (they objected to the charge that applies to prepaid cards, for example).

In addition, responses in this research indicate that there could be some interest in digital payment features which support consumers with **money management**:

- There was a specific suggestion made for quicker updating of account balances following contactless payments to help consumers keep track of their spend.
- Another specific idea provided by one participant was to consider a 'tap twice to confirm' feature to introduce more friction to contactless payments.
- Some had asked their bank to disable the contactless feature on their debit card, which indicates that it may also be beneficial for this option to be readily available for people who wish it.

7. Conclusions and implications

The PSR's response to the Digital Payments Initiative¹⁵ posits two reasons why some people still rely on cash, the first being that "*existing digital payment services don't meet some people's needs as well as cash*". This research suggests that people who rely on cash for payments do so primarily because using cash suits them, more so than because of specific deficiencies of digital payment methods. There are aspects associated with cash use that would not be possible to replicate with digital payments, no matter how well designed, such how the physicality of cash helps them to control payments and spending. As such, continued good access to, and acceptance of, cash remains vital to this cohort.

The other reason given for cash reliance in the PSR's report is that "*some people are digitally and/or financially excluded*". However, most cash-reliant people in our qualitative sample said they do **use digital methods** as and when they feel there is reason to, or if they have no other option. This included people who are digitally excluded, a number of whom reported using digital payment methods at least occasionally, or had automated digital payments (such as direct debits) set up on their behalf by family members. Therefore, the challenge for the PSR may be less about encouraging first-time adoption of digital payments and more about **improving the experience, reducing the risk of detriment and increasing confidence** of lower users of digital payments.

To do so, there is a clear need to address the trust deficit regarding **digital security**, especially for those who are less digitally capable and feel most at risk. This relates both to digital payments and banking services, and aligns with the Garner Review's recommendation for further action to be taken on fraud and scams, including focused on tacking crime at source rather than just refunding victims¹⁶.

There may also be an opportunity to design **new digital payment features or products** which increase friction in discretionary spend, provide increased flexibility in bill payments and help support money management (e.g. budgeting, monitoring spend). None of the newer methods explored in this research were felt to be a marked improvement on mainstream digital payment systems or (especially) cash. Consequently, further exploration of how product design could better meet the needs of cash-reliant consumers could be considered, with particular emphasis on how products could be specifically tailored to meet the needs of those with limited digital or financial access or skills.

¹⁵ PSR (2022) [The Digital Payments Initiative - Response by the PSR](#)

¹⁶ Garner, J for HM Government (2023) [Future of Payments Review](#)