

July 2019

# Access to cash research with consumers and small businesses

Commissioned by the Payment Systems Regulator

Final report

[britainthinks.com](http://britainthinks.com)

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Introduction

Consumers

Small businesses

# 1

## Introduction

- Background and objectives
- Methodology

## Background and objectives

The PSR commissioned BritainThinks to conduct research to improve understanding of consumers' and small businesses' attitudes toward, use of and needs in relation to cash

The research aimed to:

### Gain an overview of the cash landscape

- Who is using / accepting cash?
- What are they using / accepting cash for?
- How do users access / process cash?

### Understand the reasons behind cash usage

- Why do people use / accept cash?
- Where does the boundary lie between preference for cash and reliance on cash?

### Explore options for the future

- How might changes to the cash network affect consumers and small businesses?
- To what extent do cash users accept alternative options for accessing and processing cash?

# The PSR had a number of key questions which helped to inform the design of the research

## *Consumers*

Substitutability: which transactions, and which people, depend on which attributes of cash?

- What is the proportion of people truly dependent on cash?
- What is the nature of the demand for cash and how might it change in future?
- Are there inherent attributes of cash that people need or express a strong desire for?

Willingness to pay more for access to cash

- Are people willing to pay more for continued access?

Willing to travel further for access to cash

- As cash use declines, will people be willing to travel further? What would people tolerate?

Are modes of access to cash considered substitutable?

- How are consumers accessing cash in their daily lives/routine? What are consumer preferences? Would they be as willing to use the Post Office, cashback, pay-to-use ATMs, over the counter?

## *Small businesses*

The extent to which businesses want to, have to and currently deal in cash

- Is there any underlying rationale for use of cash?
- To what extent do businesses understand the relative costs of cash and cards?

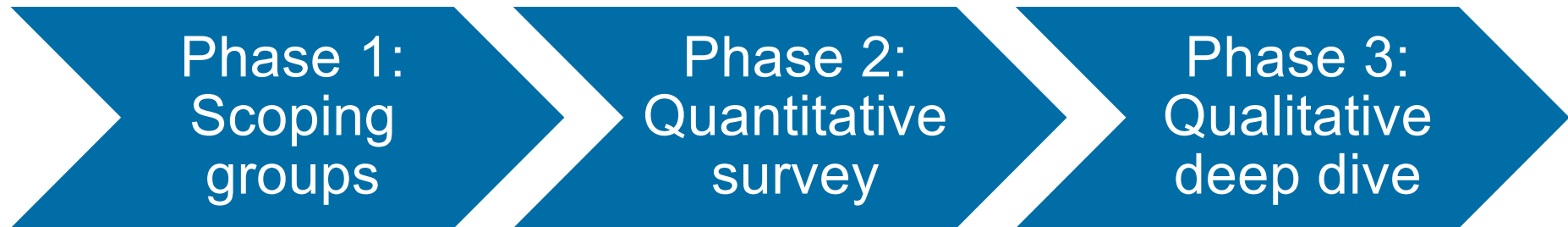
Modes of cash processing

- How do businesses process cash currently?
- What are the costs associated with processing cash?
- Are there viable alternatives to their current processing methods?

The future of cash processing

- Are businesses willing to pay more to keep access to cash deposit services?
- What are the attitudes to potential future cash processing alternatives amongst small businesses?

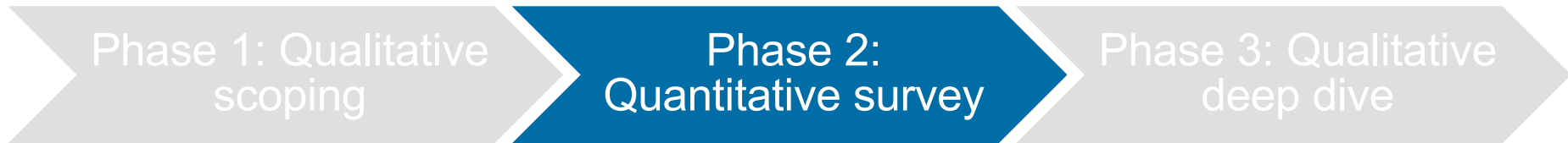
## **This presentation draws on three phases of research**



Research was iterative to inform the design of each phase



What?		Who?	
<b>Method</b>	4 x focus groups (1 x consumer, 1 x small business in each location)	<b>Consumers</b>	<ul style="list-style-type: none"> <li>• 6-8 participants in each group</li> <li>• All used cash regularly (but did not necessarily prefer cash)</li> <li>• All C1C2</li> <li>• Split by age: 1 group under 40, 1 group over 40</li> </ul>
<b>Location</b>	Reading and Stockport		
<b>Fieldwork period</b>	16 <sup>th</sup> and 17 <sup>th</sup> January 2019	<b>Micro businesses</b>	<ul style="list-style-type: none"> <li>• 4-6 participants in each group</li> <li>• Owners or financially responsible for a micro business (0-9 employees)</li> <li>• All accepted cash regularly (but did not necessarily prefer cash)</li> <li>• Split by sector: 1 group retail, 1 group secondary sector (e.g. industry, construction)</li> </ul>
<b>Aim</b>	<p>To understand the context in which customers are thinking about their use of cash and ATMs in order to:</p> <ul style="list-style-type: none"> <li>• Identify any themes for the research to refine the PSR's existing hypotheses</li> <li>• Refine the design of quantitative survey questions to ensure they will be understood and interpreted as intended</li> </ul>		



What?		Who?	
<b>Method</b>	15 minute telephone survey (consumers) 10 minute online survey (small businesses)	<b>Consumers</b>	<ul style="list-style-type: none"> <li>Nationally representative sample of 1,000 UK adults aged 18+, weighted on age, gender, region, SEG</li> <li>Further boosts:                             <ul style="list-style-type: none"> <li>Devolved nations (telephone): to achieve min. 250 interviews in each devolved nation</li> <li>Groups with protected characteristics (online): to achieve min. 100 interviews in each: BAME, LGBT, pregnant women, non-Christian religions</li> </ul> </li> </ul> N.B. data in this report includes devolved nation boosts, not protected characteristics; total sample = 1590
<b>Fieldwork period</b>	14 <sup>th</sup> February – 22 <sup>nd</sup> February 2019 <ul style="list-style-type: none"> <li>Boost interviews took place in February and March</li> </ul>	<b>Small businesses</b>	<ul style="list-style-type: none"> <li>500 small businesses with 0-50 employees</li> <li>Further boosts:                             <ul style="list-style-type: none"> <li>Higher turnover: to achieve a good spread of business size</li> </ul> </li> </ul> Total sample = 542
<b>Aim</b>	Understand the prevalence of cash attitudes and behaviours in order to: <ul style="list-style-type: none"> <li>Gain an overview of the cash landscape                             <ul style="list-style-type: none"> <li>Using and accessing cash</li> <li>Accepting and processing cash</li> </ul> </li> <li>Understand the reasons behind cash usage and who is more likely to prefer or accept cash</li> <li>Test 'trade-offs' to understand acceptance of future changes to the cash network</li> </ul>		



Phase 1: Qualitative scoping

Phase 2: Quantitative survey

Phase 3: Qualitative deep dive

What?		Who?	
<b>Method</b>	14 x focus groups (1 x consumer, 1 x small business in each location)	<b>Consumers</b>	<ul style="list-style-type: none"> <li>• 6-8 participants in each group</li> <li>• All chose cash as their preferred payment method</li> <li>• At least one participant under 25, at least one over 65</li> <li>• Split by attitude to digital payments: 3 groups who were more open to online or contactless payments, 4 groups who were less open to online or contactless payments</li> </ul>
<b>Location</b>	Coverage of all nations and spread of urban rural locations: <ul style="list-style-type: none"> <li>• Rural: Oban, Honiton</li> <li>• Town / small city: Neath, Cookstown, Walsall</li> <li>• Large city: London, Leeds</li> </ul>		
<b>Fieldwork period</b>	12 <sup>th</sup> - 20 <sup>th</sup> March 2019		
<b>Aim</b>	<ul style="list-style-type: none"> <li>• Explore in detail why consumers and small businesses are using cash and may prefer it to other methods</li> <li>• Understand the impact of living in rural vs urban areas on attitudes and behaviour around cash</li> <li>• Understand perspectives on using cash in the future and explore alternatives for accessing and depositing cash</li> </ul>	<b>Small businesses</b>	<ul style="list-style-type: none"> <li>• 4-6 participants in each group</li> <li>• Owners or financially responsible for a small business (0-50 employees) with majority B2C transaction</li> <li>• All accepted cash regularly (but did not necessarily prefer cash)</li> <li>• Split by transaction value: 4 groups with average transaction &lt;£100, 3 groups with average transaction &gt;£100</li> </ul>

## **There are a number of methodological considerations to bear in mind when interpreting these findings**

- A telephone methodology in the consumer survey ensured we reached a demographically representative sample of UK residents
  - This ensured we reached consumers who are digitally or financially excluded, albeit in small numbers, in contrast to many of the existing online surveys of consumers
  - Both landline and mobile numbers were called, to ensure we reached households without a landline
  - The boost interviews with devolved nations were conducted by telephone to allow for robust comparison between nations – this data has therefore been included in the results shown in this report, but it has been weighted back to be representative across the whole of the UK
  - The boost interviews with protected groups were conducted online, due to sensitivity in asking these questions via telephone (i.e. about maternal and LGBT status)
- We used an online methodology for the small business survey as this is the most effective way to target owners of small businesses, who are often time poor and easier to reach online
  - This methodology means that the sample is indicative rather than definitive of the full UK small business population
  - While quotas were used to ensure a good spread of businesses, the data has not been weighted



## Structure of report

*The two key audiences for this research were consumers and small businesses.  
We report on a number of key sub-groups in this report:*

### Section 1: Consumers

### Section 2: Small businesses

		Quantitative survey: base size	Qualitative research			Quantitative survey: base size	Qualitative research
	<b>Overall population</b>	n = 1590	“Consumer” (Scoping)		<b>Overall population</b>	n = 542	n/a
	<b>Cash preferers</b>	n = 441	“Cash preferer” (Deep dive)		<b>Cash accepters</b>	n = 292	“Cash acceptor” (Scoping and Deep dive)
	<b>Non-cash preferers</b>	n= 1124	“Consumer” (Scoping)		<b>Non-cash accepters</b>	n= 250	n/a

# 2

## Introduction: Consumers

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Small businesses

## Key findings: consumers

1

While the proportion of consumers wholly dependent on cash (those who cannot access or do not use alternatives) is low, the majority of consumers use cash regularly

2

Over a quarter of consumers prefer using cash; primarily for budgeting and control purposes, but also to avoid the discomfort and security risks they associate with cards and contactless

3

Consumers generally find it easy to access cash currently, though there is a minority of consumers travelling out of their way to access cash

4

Consumers are more willing to travel further to access free-to-use ATMs than pay a small fee of 20p

- When exploring the future of cash with cash preferers in the qualitative groups, the option of closing a number of free-to-use ATMs, while maintaining a minimum number, was most acceptable

5

Though consumers who prefer cash have access to alternatives if cash is not available or accepted, cash preferers in the qualitative groups still felt it was important to retain the choice to use cash

# 3

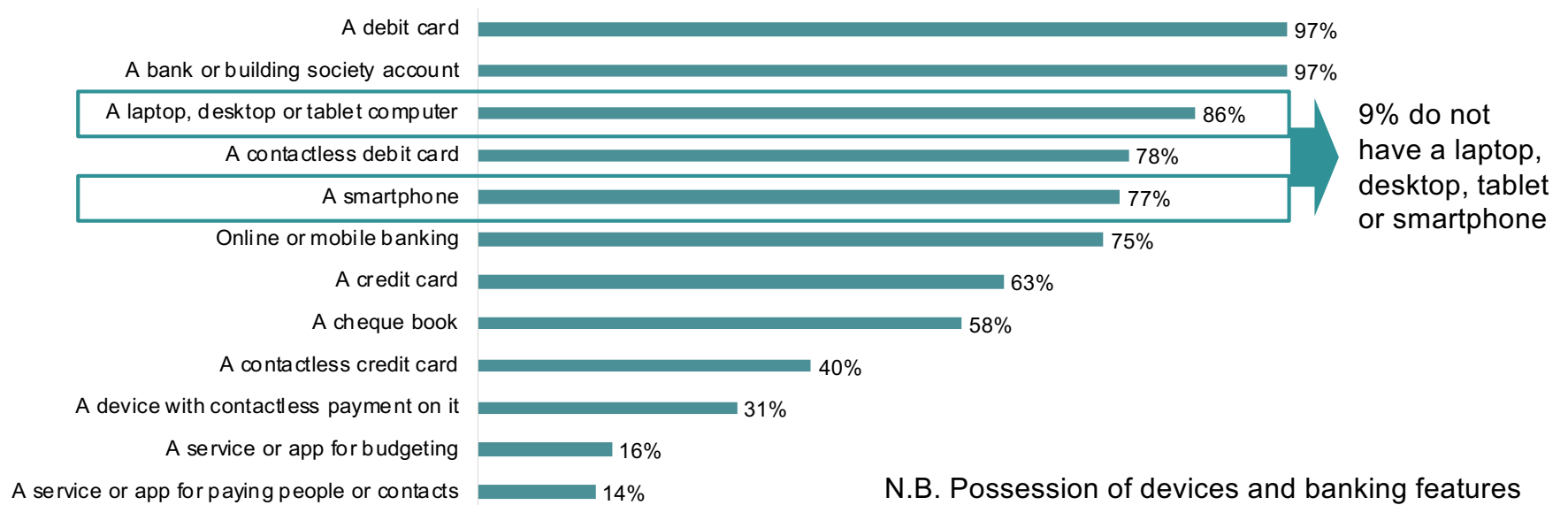
## Consumers: How do consumers prefer to pay and why?

- This section explores overall consumer preferences for making payments and the reasons for views
- We explore how regularly consumers use cash, and details about cash transactions
- We introduce cash preferers and compare them to consumers who prefer alternative payment methods



# A vast majority of consumers have debit cards and bank accounts (97% for each), and most also have contactless

Showing percentage of consumers who own the following devices and banking features



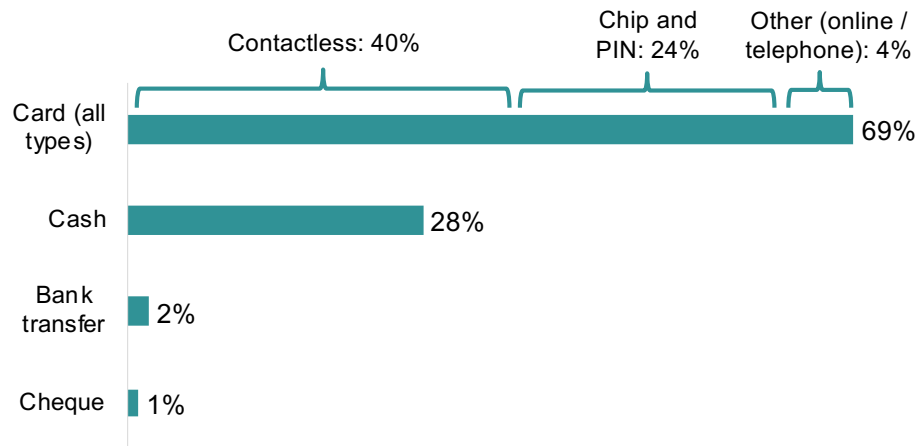
N.B. Possession of devices and banking features is reported; figures could be higher in reality





## The majority of consumers prefer card for making payments

Percentage of consumers who prefer each payment method for spending money or making payments for the majority of payment needs



- Consumers, including cash preferers, are most likely to consider cash and card as the main transaction options
- The different ways of paying by card often blend into each other
- Therefore consumers tend to think about preference as a 'toss up' between cash and card
  - This will be used as a basis for subsequent analysis

- More than two thirds of consumers prefer card for making payments (**69%**), of which the highest proportion prefer contactless (**40%**)
- This compares with only **28%** of consumers who prefer cash



*"It's just cash or card for me."*  
Consumer,  
Stockport



## Among those who prefer it, card is felt to have a number of benefits

### Expectation:

Consumers sense that society as a whole is moving more towards card payments, e.g. online, card only tills  
Some are more inclined to use card when they feel that certain businesses prefer card payments

### Quicker and more convenient:

Card is felt to be quicker and more convenient at point of sale, especially contactless  
No need to withdraw cash – card preferers tended not to carry cash on them routinely

### Security:

The security backing of card or other electronic payments is felt to be more robust than cash, which leaves no paper trail e.g. disputing a payment  
Reduces the risk of being robbed (if carrying/storing large amounts of cash)

### Budgeting:

Account balance is easy to keep track of precisely, whereas cash is thought to make budgeting more difficult:  
People withdraw more than the amount needed, and change is spent too freely



*“Since the Tesco got self-service machines, I think it’s the way things are going.”*

Consumer, Stockport

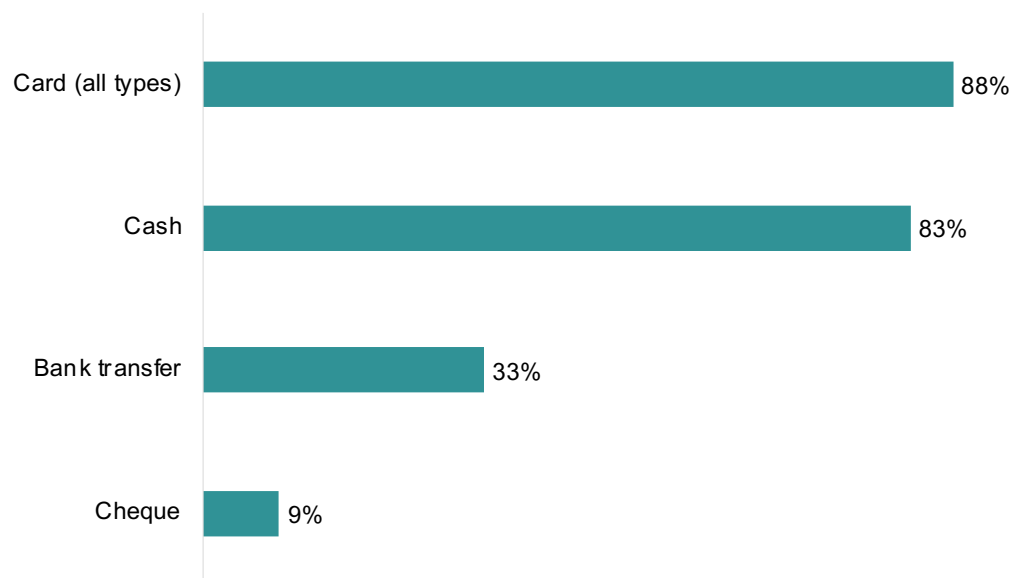
*“It’s just so quick, isn’t it. No waiting for change.”*

Consumer, Reading



## Despite a lower overall preference for cash, it is still used by a majority of consumers

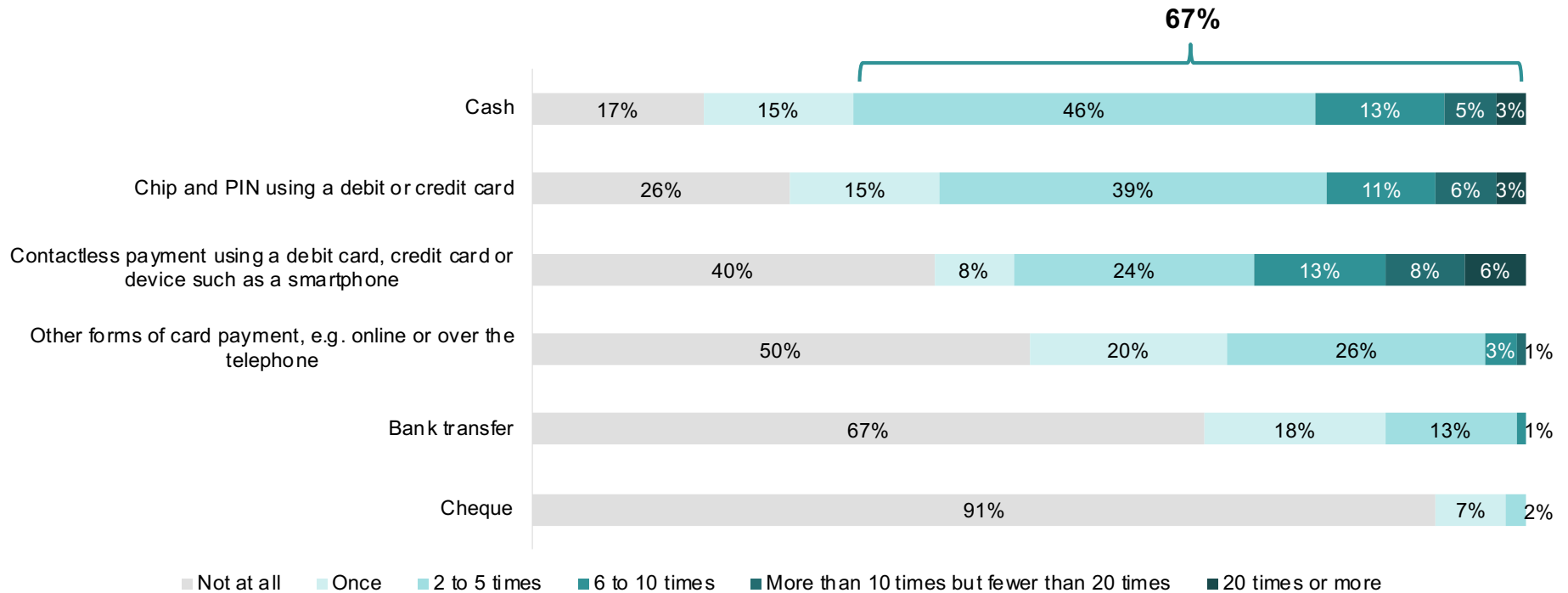
Showing percentage of consumers using different payment methods in the past week to pay for something or to pay someone



- When card methods are combined, card is the most common payment method, with **88%** of consumers using card in the past week
  - 74% have used Chip and PIN, 59% contactless and 50% other forms of card payment (online or by telephone)
- **83%** of consumers have used cash in the past week
  - 10% have *only* used cash

# Two thirds of all consumers used cash more than once in the past week

Showing frequency of each payment used in the past week





# Cash is most commonly used for small value transactions, such as groceries, drinks and the newspaper

**Mean transaction value for last cash payment:**



**Median transaction value for last cash payment:**



The discrepancy between the mean and median transaction value shows that the vast majority are therefore using cash for small value transactions

**What consumers' last cash transaction was for:**



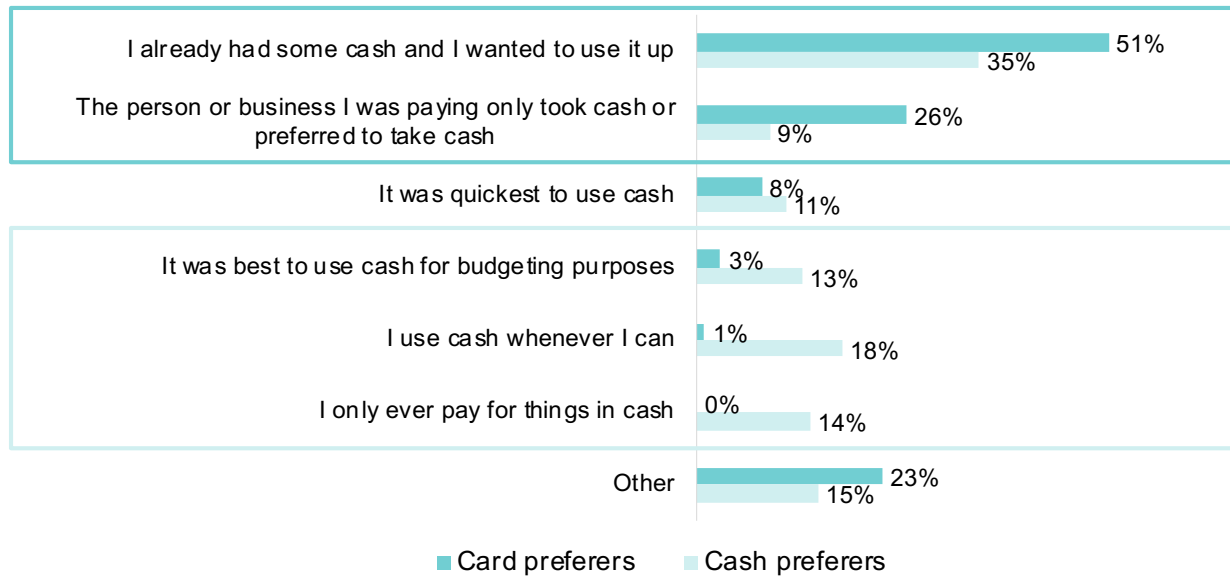
Q4. Please think back to the last time you used cash. What was the approximate value of that transaction? Base: All respondents who use cash for payments (n=1318)  
Q5. Can you tell me what you used cash for? Base: All respondents who use cash for payments (n=1318)



28%

# Those who prefer cash have very different reasons for using cash compared to those who prefer paying by card

Reasons for using cash at last cash transaction\*



**Card preferers** are more likely than cash preferers to have used cash because they wanted to 'use up' cash or had no choice

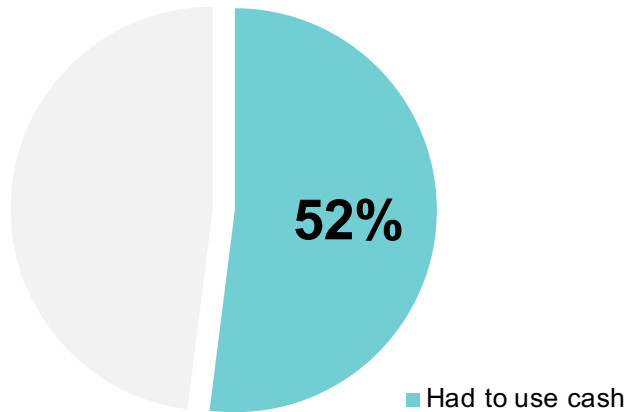
**Cash preferers** are more likely than card preferers to have used cash for budgeting purposes or because it is habitual or part of their routine

\* Reasons were given spontaneously and coded to the list above

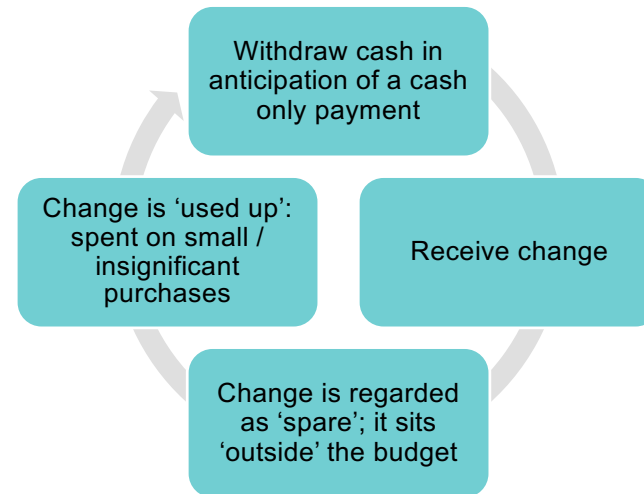


# The environment in which consumers are operating means that card preferers are still tied to cash

Showing percentage of card preferers who had to use cash for a transaction over the past month



Which feeds further cash usage



- Over half of card preferers have had to use cash in the past month because the payee only took cash (52%)

- Card preferers regularly face cash-only situations, e.g. cash-only pubs, donating to charity, paying cleaners
- Because they withdraw cash for these payments, they are often left with 'spare' change

## Cash preferers have the opposite relationship with cash to those who prefer alternative payments

### Card preferers



Bank account: my central budget

Cash: not 'real' money so spend it readily



Conceptually, cash often sits outside of their budget. It is spent to be 'used up' and can feel like it 'slips through their fingers'

*"It's tempting. If I'm walking by the shop with cash on me, I'll spend it. But I wouldn't if I had none on me."*

Consumer, Reading

### Cash preferers



Cash: my central budget, feels like 'real' spending

Bank account: too easy to spend



Cash preferers talk about cash as 'real'. Spending it feels painful, while contactless in particular is 'dangerously' easy to use

*"If I don't use cash, I can't keep on top of what I'm spending. It doesn't feel like real money, I'm just tapping it away."*

Cash preferer, Leeds



## Summary: How do consumers prefer to pay and why?

**The majority of consumers prefer card**

- Card is the most preferred payment method, of which contactless is most frequently chosen as the most preferred (40% of all consumers)

**Less than a third prefer cash, but it is still widely used**

- Only 28% of consumers prefer cash, making it less popular than contactless
- While consumers prefer to use card overall, they are still using cash frequently
- Consumers often use cash because they have some left over and want to use it up

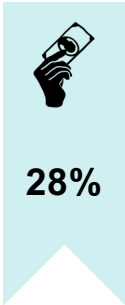
**Relationship to cash very different among those who prefer it**

- Card preferers see cash as outside their budget, and feel like they spend it very readily
- Cash preferers on the other hand see cash as a better way of budgeting

# 4

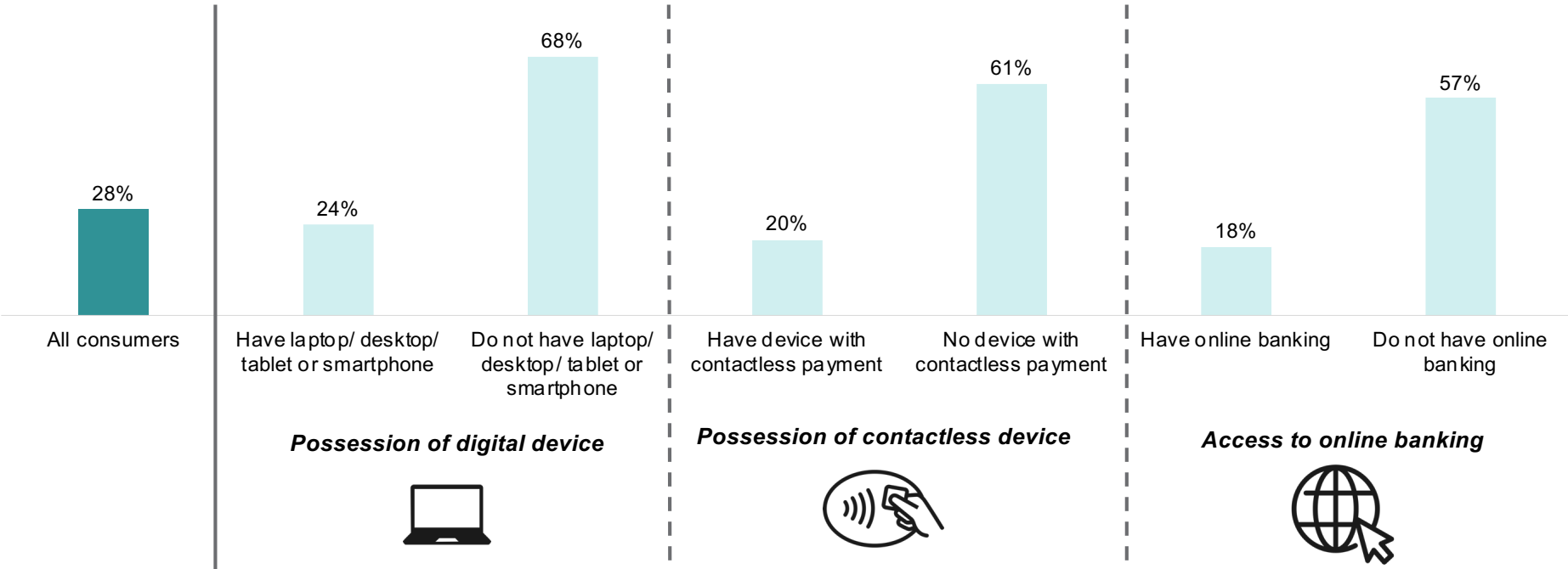
## Consumers: Who are the 'cash preferers'?

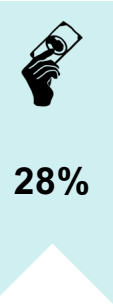
- This section explores the demographic profile of consumers who prefer cash



# Those who are digitally excluded are much more likely to prefer cash

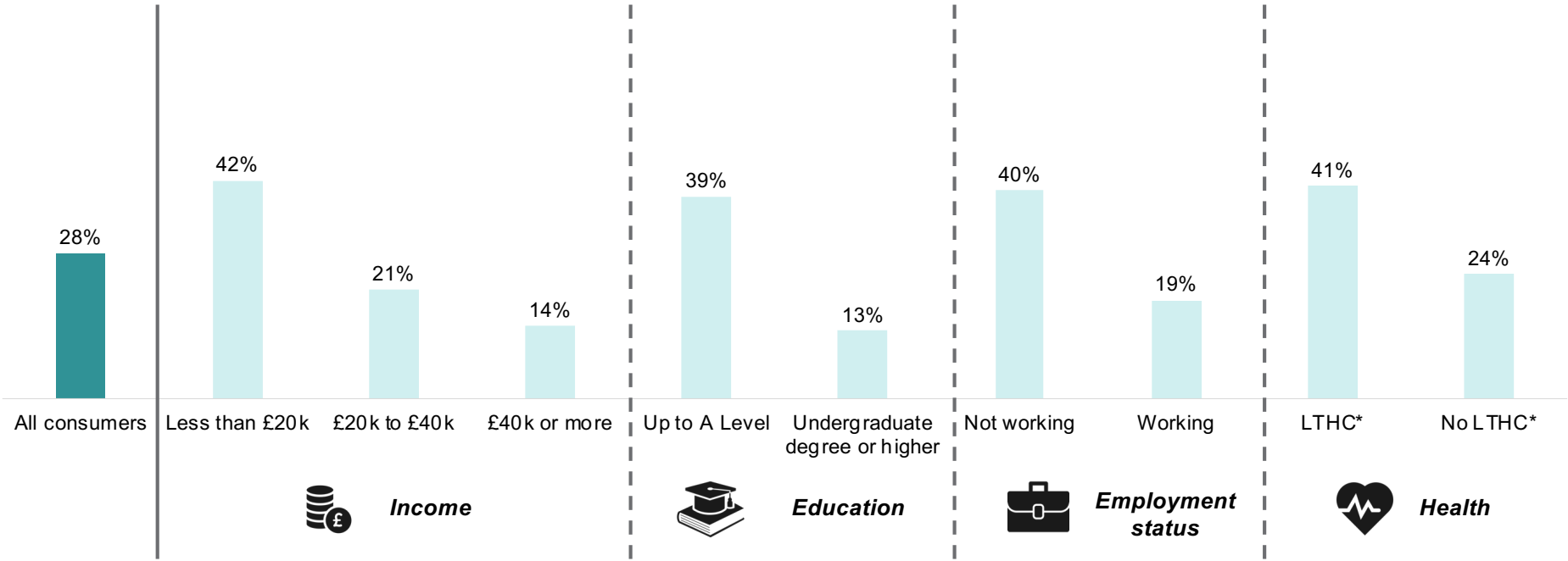
Showing percentage of consumers in each group who prefer cash





# Those who come from a lower socio-economic background or have an LTHC\* are more likely to prefer cash

Showing percentage of consumers in each group who prefer cash



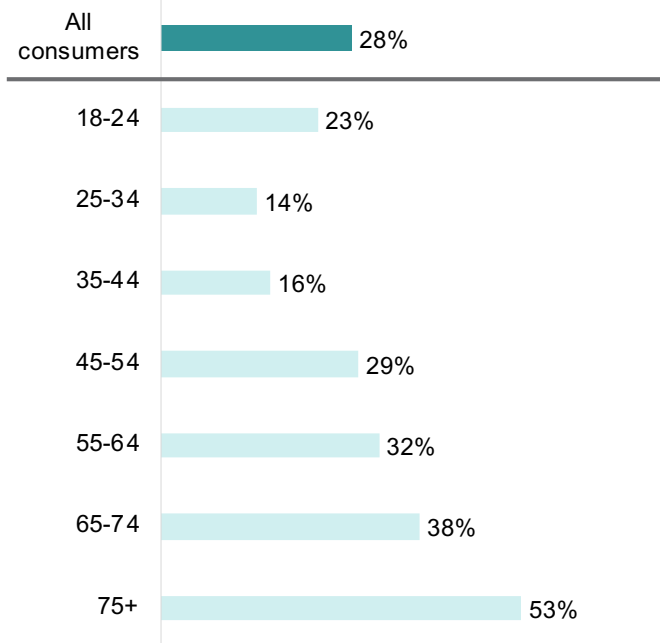
Q2. And which of these would you say is your preferred way of spending money or making payments for the majority of your payment needs? Base: Those who prefer cash (n=441)  
\*LTHC = Long term health condition



28%

## Although older people are more likely to prefer cash, it is not a straightforward trend

Showing percentage of consumers in each age group who prefer cash



- Older people are more likely to prefer cash than young people
  - The qualitative research shows this is linked to comfort with technology
  - The age trend links to digital exclusion; 39% of 75+ year olds do not have any digital device
- But 18-24 year olds buck this trend; they are more likely to prefer cash than 25-34 and 35-44 year olds

*"It's the older generation that are going to be harder hit because not everyone has technology at their fingertips."*

Cash preferer, Neath

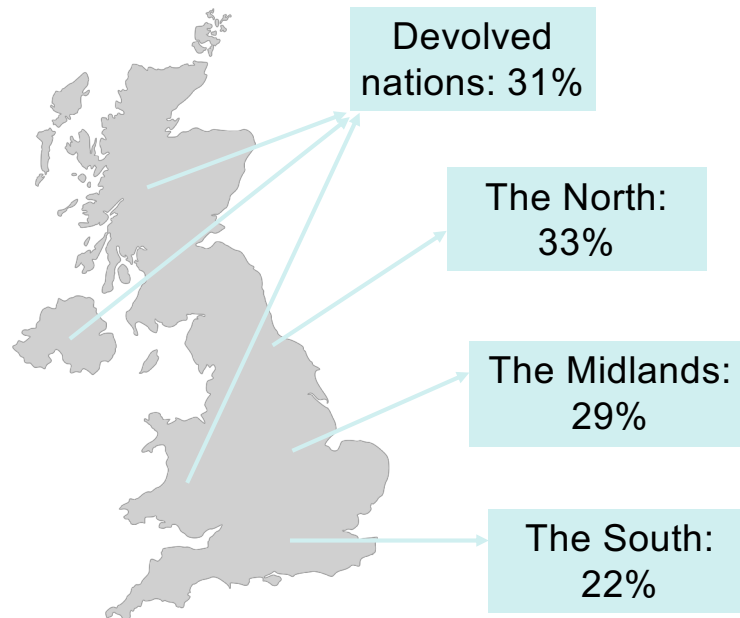
Young people cite 'control' as a reason for cash preference – despite having access to and familiarity with online banking and budgeting apps



28%

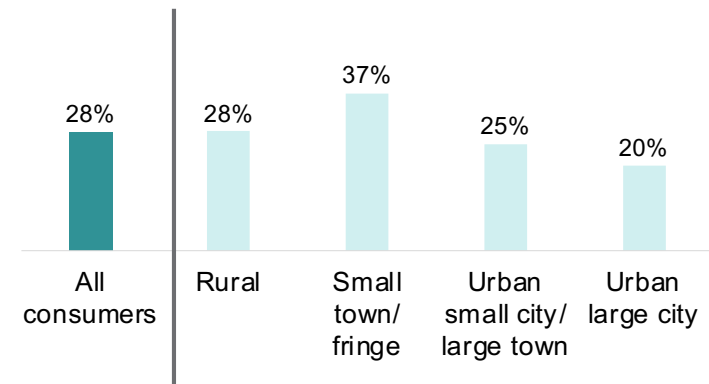
## Those living in the South of England, or in large urban cities are less likely to prefer cash

Showing percentage of consumers in each region who prefer cash



Although the North as a whole has the highest number of cash preferers, Northern Ireland is the region with highest number of cash preferers compared to other regions (37%)

Showing percentage of cash preferers by area



Consumers in rural areas are **not** significantly more likely to prefer cash than urban areas

## Summary: Who are the 'cash preferers'?

### Digitally excluded

- The strongest indicator of cash preference is digital exclusion; a high proportion of those who are digitally excluded prefer cash

### Lower income, lower socio-economic background

- But those from lower socio economic backgrounds, those who are more vulnerable and those living outside the south of England are also more likely to prefer cash

### Old and young

- While cash preference increases in line with age, there is also higher than expected preference for cash among 18-24 year olds

# 5

## Consumers: Why do some consumers prefer cash?

- This section explores the reasons why consumers prefer cash

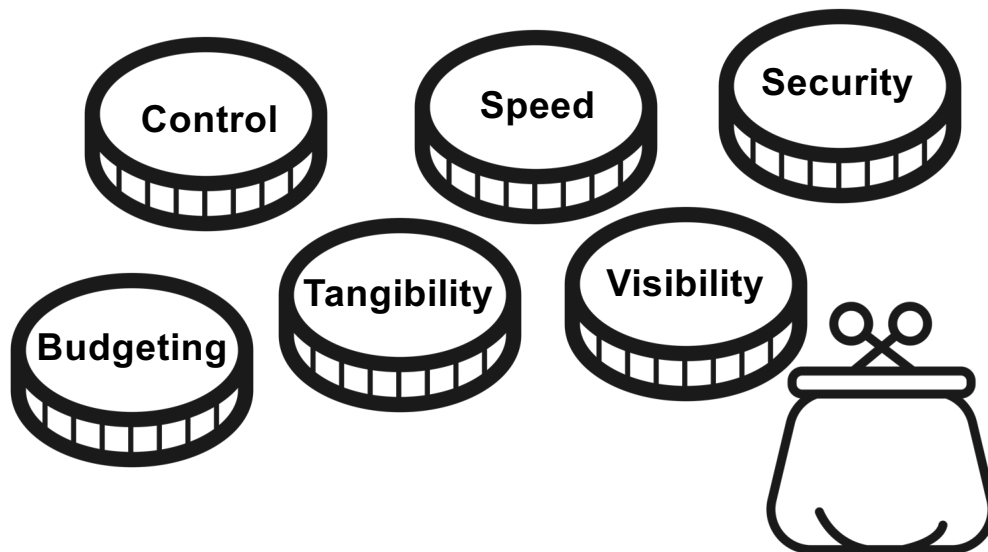




28%

## There is a wide range of reasons and factors why consumers prefer cash for making transactions

There are qualities of cash that cash preferers cite as reasons for preference:



And certain characteristics of cash preferers themselves also play a part:

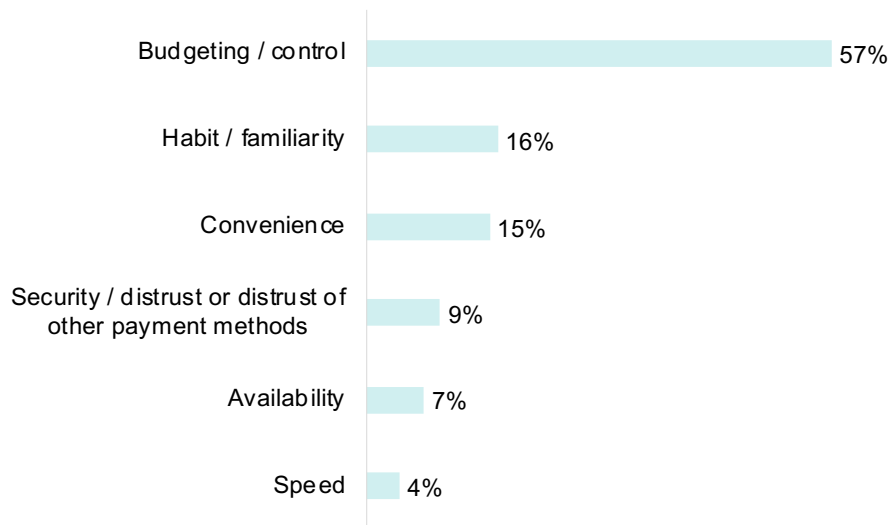
- Habit
- Digital capability
- Accessibility
- Mistrust of banks
- Fear of the unknown



28%

## Budgeting and control emerge as the most common and important reason for preferring cash

Showing top reasons why consumers prefer cash



- Control as a reason to prefer cash is more popular amongst those who have a contactless device (62%) and online banking (63%, compared with 50% that do not have online banking)
  - And is less likely to be chosen by those with no responsibility for their finances (38%)
- This finding is in contrast to what we might expect – and means that awareness and experience of online/digital forms of budgeting does not always lead to a transition from cash to card

*"I prefer to pay in cash because I have a better grasp of where I am with my budget."*

Cash preferer, Honiton



28%

## The ability to limit and deter spending, as well as its tangibility, explains why cash is preferred for budgeting and control

Fixed amount	Easier to limit	Pain of paying	Instant	Visible, tangible
Withdrawing a fixed amount allows consumers to set a budget and stick to it	Consumers don't trust themselves to limit their spending on card, as it is easy access to the full balance in their account	Cash, particularly large amounts of it, is harder to part with – the higher 'pain of paying' deters spending <sup>1</sup>	Cash transactions visibly affect budget instantly, whereas other forms of payments can take longer to show up on their balance	Physically seeing the amount of money left makes it easier for them to keep track of what they have left of their budget

*"I just take out £80 to £100 and get through it."*

Cash preferer, Leeds

*"When you buy something expensive, you're thinking 'Blimey, I'm giving him all that!'"*

Cash preferer, Walsall

*"You want to hold onto something that's real. I don't want to turn into a robot... I want the real thing."*

Cash preferer, Cookstown

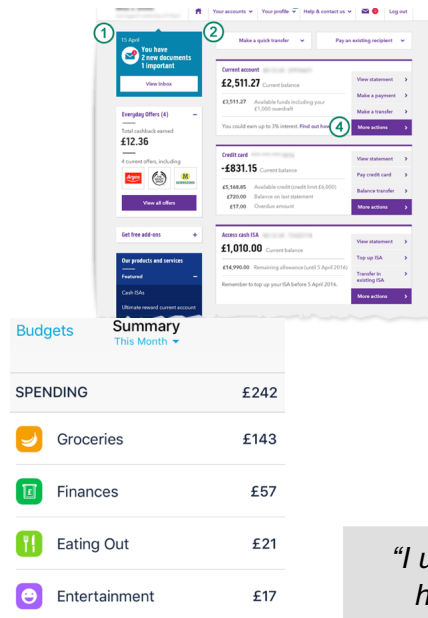


28%

Consumers: Why do some consumers prefer cash?

## In response to information about online banking and budgeting apps, consumer response was mixed

We presented information about online banking and budgeting apps...



- Cash preferers were generally unaware of these services
  - Some were intrigued by the idea of using them to help them budget, whilst others were more hesitant
  - In general, these apps were not seen as a like-for-like replacement for cash as a budgeting tool
- A few younger consumers were familiar with these services and had even used budgeting apps
  - However, they still preferred cash as they felt they were still likely to spend more with card than with cash, especially on nights out

*"I used to use Monzo a lot ... [But now I find] if I just have the money I can see what I have properly."*  
Cash preferer, Cookstown

*"This breaks down what you're spending but it's not got an ultimate limit."*  
Cash preferer, London



28%

## Preference for cash also hinges on consumers' openness to technology and the digital world, to which security is a key barrier

Cash preferers frequently make reference to their discomfort using new technologies, online services and digital payments



- Discomfort is linked to concerns over the risk of fraud when using digital payments
  - Contactless cards are considered particularly risky

*"I've had so many things with cards... going wrong. I know the banks will replace it, but it still holds in the back of my mind."*

Cash preferer, Walsall



- This is despite widespread awareness and experience of protection from fraud when using card / online payments (e.g. banks returning money)

*"I was the victim of contactless. Someone broke into my car, took the card and made around 19 transactions going around petrol stations. I got the money back, but still..."*

Cash preferer, Leeds



28%

## In contrast to security concerns over digital payments, cash preferers can feel that cash reduces their exposure to crime

Whilst, upon reflection, cash preferers recognise the security benefits of card payments, many feel the risk of crime for this type of payment are higher than for cash



- Any security breach via digital payments has the potential to compromise people's entire bank account



- Conversely, although cash lost through robbery is not recoverable, the consequences are felt to be less severe
  - This is because only a limited amount of cash is carried / kept at one time
  - And loss of this cash won't lead to an entire bank account being compromised

*"Even if they reimburse you it's still coming out of your account."*  
Cash preferer, Neath



28%

## Concerns over security link to a deeper sense of fear and mistrust around digital payments

### Fear of the unknown

- Attitudes to digital payments are closely linked to a wider dislike of any new technology
- This applies to online / card / contactless payments
- Older consumers are less likely to have online or mobile banking (52% of 55+ year olds compared to 94% of 18-34)

### Fear of the invisible

- From a consumer perspective, the world of card / online payments is invisible
- A sense of unease at the idea that their money is moving 'behind the scenes'
- Discomfort in submitting personal information to the 'ether' of the online world, especially bank details

### Distrust of banks

- High levels of distrust for banks among cash preferers
- For the most part, this does not prevent cash preferers from using banking services (95% have a bank or building society account)
- But reduces willingness to use new services from banks, or to have faith in security

However, some cash preferers acknowledge that they have overcome initial distrust in the past. They report changed behaviours after their initial fear of contactless or online banking.

*"It's just too technical for me. I just like my wee book and writing down to keep a track of stuff."*  
Cash preferer, Cookstown

*"I was always very suspicious of the contactless. At first I never used it ... now I do use it Tesco for speed."*  
Cash preferer, Cookstown



28%

## Long-standing habits also underline cash preferers' attitudes to cash

1

### 'Cash is king'

- Older generations have grown up using cash; being paid in cash



*"I think it's an age thing. You want cash on you, I don't know why, the world's not going to end is it? But it's nice to have cash, isn't it?"*  
Cash preferer, Walsall

2

### An emotional connection to cash

- Feels good to have a full wallet
- A nostalgic reminder of the past



*"It took me a while to get online banking and even then I can't do this whole transfer thing... I hate anything new, I just don't like it. I suppose it's habit as well."*  
Cash preferer, Cookstown

3

### Habits are entrenched and work well for cash preferers

- They see no reason to change a system that has always worked







28%

## Anonymity is not a consideration for most consumers, but could be an important factor for certain transactions



Only **2%** of cash preferers cite anonymity as a reason to prefer cash

- Cash preferers do not spontaneously mention anonymity
- When probed, very few can think of a situation where they personally would want to use cash to protect their anonymity
  - More often, anonymity is raised as a reason for small businesses to prefer cash: to avoid paying tax

- But there can be specific businesses where anonymity is more preferable, or even necessary:
  - Psychotherapist: sensitive circumstances requiring anonymity
  - Jewellery shop owner: high-value gifts bought as presents

*“For some of my clients, they don’t want it to show on their statement, if they’re coming to me because of a history of abuse and they don’t want a partner to see or something.”*

Cash acceptor, Leeds



28%

# Using the COM-B model as a lens to understand cash preferers' behaviour can help understand what might shape future behaviour



## Summary: Why do some consumers prefer cash?

### Control

- There are many qualities to cash that make it attractive to cash preferers, but asserting control over their money is the fundamental reason for them to prefer cash
  - Cash helps certain consumers to budget
  - Cash feels more secure for consumers who do not feel comfortable using technology

### Habits

- Entrenched habits around using cash to budget are also a reason that cash preferers do not adopt new behaviours, even if made aware of alternative budgeting tools

### COM-B

- While capability and opportunity are often low among cash preferers, some consumers prefer cash despite access to alternatives, suggesting that cash possesses qualities that certain consumers still prefer

# 6

## Consumers: To what extent are cash preferers reliant on cash?

- This section explores whether consumers who prefer cash have access to alternatives, and the extent to which they can substitute these for cash
- We explore the nature of reliance on cash compared to preference for cash, and the factors that influence this
- We introduce a number of case studies to illustrate different levels of reliance and preference

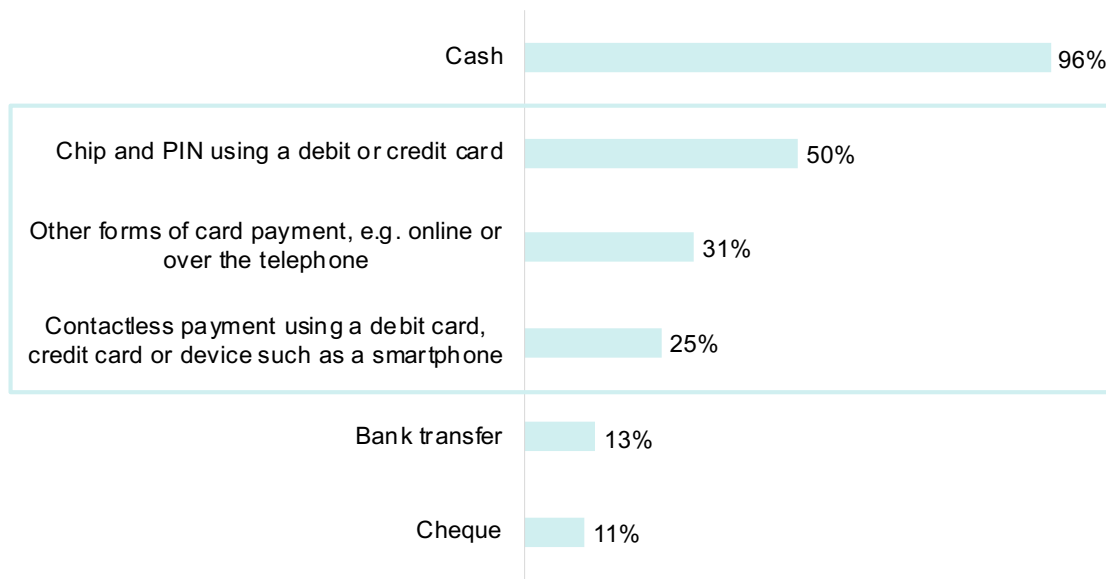


28%

Consumers: To what extent are cash preferers reliant on cash?

## Most cash preferers also use card and other payment methods

Showing percentage of cash preferers using different payment methods in the past week



- Almost all cash preferers have used cash (96%), but only **34%** have *only* used cash
  - This equates to 10% of all consumers
- Taken together, **61%** of cash preferers have used any type of card payment in the past week
  - 5% of cash preferers have not used card but have used bank transfer or cheque

The use of other payment methods can be treated as a 'proxy' for understanding reliance: it signals that capability and opportunity are not significant barriers. Therefore the majority of cash preferers appear not to be wholly reliant on cash because they use other payment methods regularly, especially card.



28%

## There are some specific instances where some cash preferers opt for other payment methods, including...

### Larger transactions

*So they don't have to carry large amounts of cash e.g. holidays or fuel*

### To pay back friends / family

*Typically using bank transfer to do this, e.g. for split bills*

### In order to get cashback

### Not having enough cash

*Despite most keeping a 'minimum' amount of cash on them at all times*

### When there's no choice

*E.g. online shopping or TfL*

*"I bought some shoes for my son and it was quicker to use the card as I didn't have cash on me. If it was a planned trip, I would have took cash out."*

Cash preferer,  
Cookstown

*"I have got a credit card, but I use it for holidays, you know if I'm buying something really big."*

Cash preferer, Walsall

### Use of other payment methods in such specific instances means that these purchases often 'sit outside' the budget for day-to-day spending

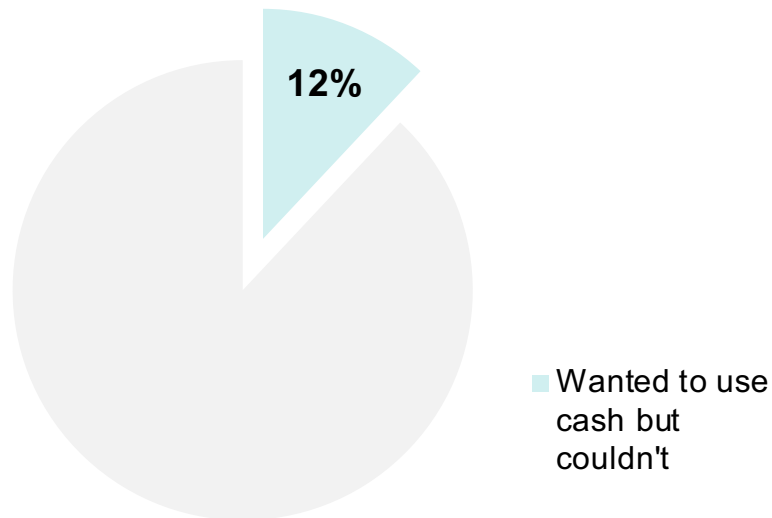
- The ability to substitute other payment methods therefore does not detract from one of the primary reasons to prefer and use cash: as a budgeting tool



28%

## Only a small minority have been unable to use cash in the past month

*Showing percentage of cash preferers who wanted to use cash for a transaction over the past month but couldn't*



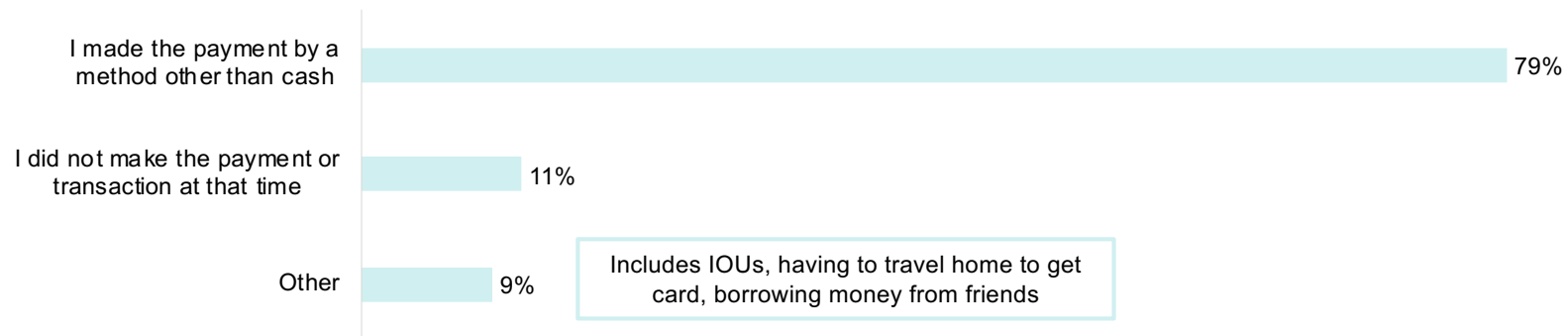
Only a small minority of cash preferers (12%) were **unable** to use cash in the past month when they wanted to (a similar proportion to the whole population: 9% )



28%

## Those that have been faced with a cashless transaction mostly substitute other payment methods for cash

*Showing breakdown of what consumers did when they weren't able to use cash\**



### Cash preferers who were unable to use cash for a transaction mostly switched to card payments, with only a minority saying that they did not make the transaction at that time

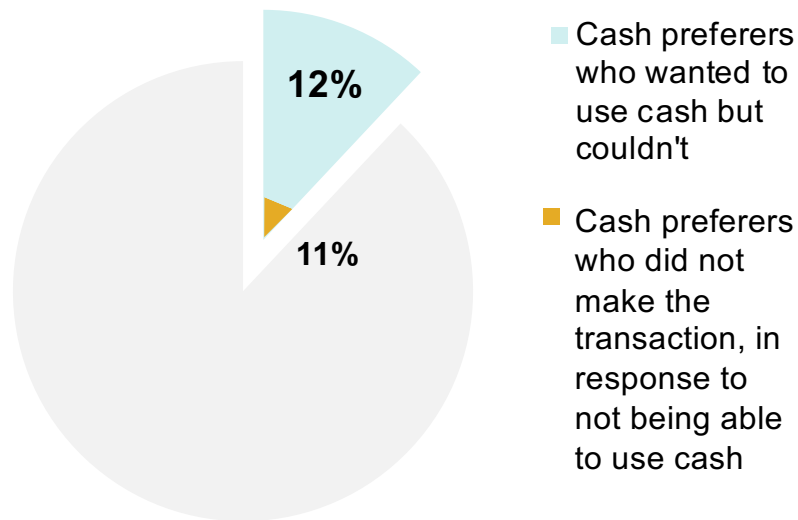
- This suggests that the number of people who are wholly reliant on cash (in that they cannot or will not substitute cash for other payment methods) is small
- Low base sizes means that these figures are indicative rather than definitive





28%

## It is difficult to assess how widespread this behaviour is, given how few people have experienced cashless businesses



**Showing percentage of cash preferers who wanted to use cash for a transaction over the past month but couldn't**

- The proportion of cash preferers who faced a situation where they wanted to use cash but couldn't and then did not make the transaction as a result, is small and equates to just 1% of cash preferers
- However, as only 12% of cash preferers actually encountered situations where they could not pay in cash, it is difficult to assess whether the proportion of those who would not be able to make the transaction is truly representative of the wider population
- If more businesses did not accept cash, it is likely that the number of cash preferers who would not make the transaction would rise (and therefore this group as a proportion of the whole would rise)

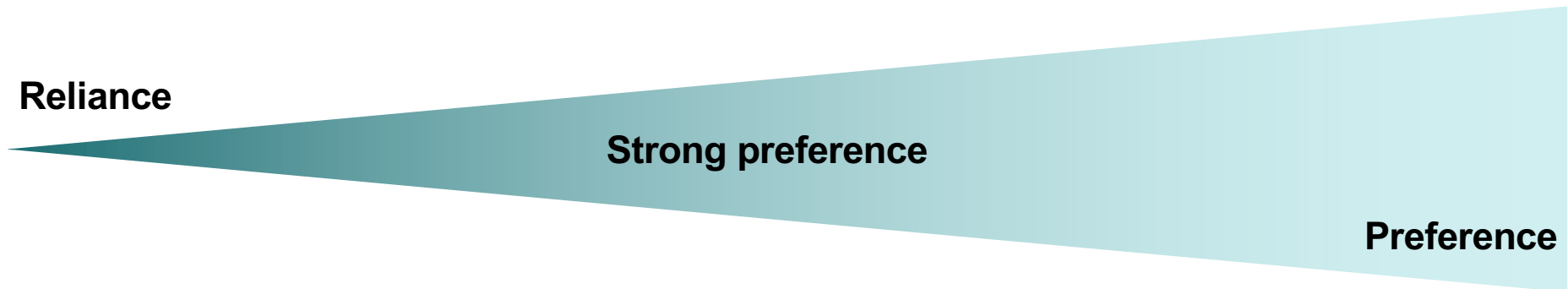


28%

## While few consumers could be defined as wholly reliant on cash, reliance and preference sit on a spectrum, and there are those with stronger preferences for cash

Factors leading to stronger preference/reliance:

← Financial exclusion ← Digital exclusion ← Low income ← Entrenched habits



Some cash preferers may have a number of these characteristics, making them more likely to be reliant on cash or to have a strong preference



28%

### Pen portrait: Morag

*"I never use card. My friend had to pay for something for me online because I couldn't pay in cash."*

- Single mum on benefits and low income – does not use a card; collects benefit payment weekly from Post Office in cash
- Uses cash for everything including rent and electricity meter – remainder is carefully budgeted
- Dislikes banks and technology – stores money under mattress
- When applying for Driver's License she could not pay in cash – had to ask a friend to pay the fee on her behalf

**Stronger reliance**

### Pen portrait: Graham

*"I have a card but I'm not allowed contactless. I just take £100 out each week and use that."*

- History of credit card debt
- Bank restrictions mean he cannot access online banking
- Still struggles with controlling spend on card
- Only uses cash, checking his balance at the ATM each time he withdraws

**Stronger reliance**



28%

## Pen portrait: Liam

*"I go to the bank because I don't like putting my card into the machines. It's the way you've always done it, so you carry on doing it."*

- 60 years old and works in a repair shop
- Has a long-standing routine of withdrawing his money for the week from the bank every Friday
- Dislikes ATMs – he prefers to deal with 'human beings' rather than 'machines'
- Though Liam uses cash for all his payments, his wife is much more comfortable using card payments and takes care of all household bills

**Reliance**



28%

### Pen portrait: Graham

*“You've got to have the computer know-how to download all of these apps... I mean, you could borrow somebody's ten-year old... but I wouldn't know where to start with that.”*

- A self-proclaimed ‘technophobe’: resistant to new technology but has slowly adopted new things e.g. smartphones and seen the benefits
- Son has set up online banking but he has not used it on his own – still unsure of it
- Uses cash for everything except for grocery delivery, which he finds very convenient; to manage security concerns, he uses a separate card for online payments

**Strong preference**

### Pen portrait: Karen

*“Cash is the only way I can make sure I'm not overspending. Children don't have an understanding of money so you have to teach them with cash.”*

- Mum of 3 and home-maker, on a tight budget
- Takes a set amount of cash out once a week and sticks to a budget for it
- She uses the ‘envelope’ method to divide her budget into different pots, including a holiday fund
- She's intrigued by the idea of a budgeting app but isn't sure how it would work in reality

**Fairly strong preference**



28%

### Pen portrait: Louise

*“It’s not as handy to run to the ATM and get a tenner out whereas if it’s on my phone I can just transfer a tenner over. And you just think “oh it’s only a tenner” but then you’re doing a tenner every day.”*

- Currently studying and got a budgeting app when working on a placement and earning more money
- Has reverted back to cash to manage her budget now on a student income
- Feels it is too easy to overspend on a night out using her card – especially when she’s had a few drinks. Stronger preference to use cash when going out to manage overspend

**Mild preference**

### Pen portrait: Dave

*“I just like using it. I always like to have a couple of pound just in case... It’s a bus fare.”*

- Used to cash and prefers to use it for most everyday spending
- Local shop has a minimum spend on card, so likes to carry a certain amount of cash on him
- Withdraws cash on an ad hoc basis so often finds he does not have enough – in these instances pays with card and is comfortable doing so

**Weak preference**

## Summary: To what extent are cash preferers reliant on cash?

### Cash preferers can use alternatives

- Most cash preferers have used card in the past week, and a minority have used only cash
- When faced with a situation where they could not use cash, only a small minority did not use a substitute for cash – whilst this can be treated as a proxy for cash reliance, it is important to remember that experiences of cashless transactions are currently low, so it is difficult to know how reflective of the whole population this is

### Alternatives may be less preferred

- Alternative methods tend to be used for specific purposes, e.g. large payments on card
- While alternatives can be used, they are not necessarily liked – and cash preferers have varying levels of discomfort or dislike of alternatives

### Spectrum of reliance and preference

- There are degrees of reliance and preference – some consumers have limited ability to use alternatives, whereas other may just prefer cash for certain types of spending
- Financial and digital exclusion, being on a low income, and habits lead to stronger preference for or reliance on cash

# 7

## Consumers: How are consumers accessing cash?

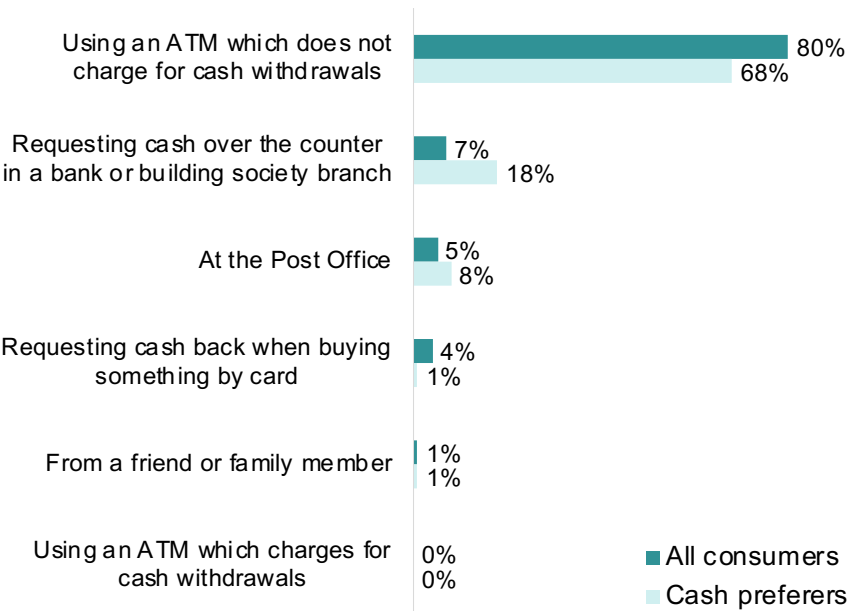
- This section explores how consumers are accessing cash, their preferred means of access and reasons for this
- We explore differences among cash preferers
- We explore ease of access to cash, including whether consumers have to travel and if so, how far





# The majority of consumers prefer free-to-use ATMs to access cash

Showing percentage of consumers who prefer each way of accessing cash



- 80% of consumers prefer free-to-use ATMs to access cash, whereas no consumers prefer pay-to-use ATMs
- Cash preferers are more likely to prefer accessing cash in person than the whole population; either by requesting cash over the counter a bank/building society branch (18% compared to 7%) or the Post Office (8% compared to 5%)

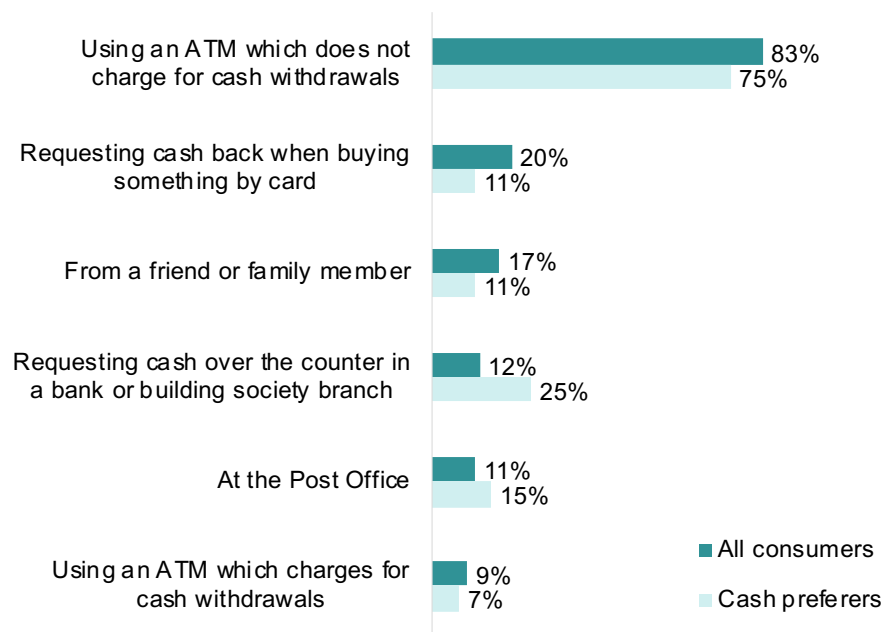
In the qualitative research, cash preferers who are less open to technology / digital payments sometimes talk about wanting to access cash in person rather than using 'machines', linking back to issues around security and habit

*"There's a Post Office near me... I feel safer going into it."*  
Cash preferer, Walsall



# Usage of different methods to access cash tends to follow preference

Showing percentage of consumers who have used each method of withdrawing or accessing cash in the past month



- The majority have used a free-to-use ATM in the past month (83%)
- Despite no consumers preferring pay-to-use ATMs, a small minority have used them (9%)
  - Consumers in Greater London are slightly more likely to have used a pay-to-use ATM (12%)

In the qualitative research, cash preferers in London talk about the difficulty of finding a free-to-use ATM in comparison to the prevalence of pay-to-use ATMs

*“If I need cash and I’m on Brick Lane, all the machines charge me.”*  
Cash preferer, London

Q10. I am about to read out a list of different ways of withdrawing or accessing cash. To the best of your memory, can you tell me how often, if at all, did you withdraw or access cash in this way over the past month? Base: All (n=1590), Those who prefer cash (n=441)  
Q11. And which of these would you say is your preferred way of withdrawing cash? Base: All (n=1590), Those who prefer cash (n=441) | Options under 5% excluded



# Each way of accessing cash has its benefits – apart from pay-to-use ATMs

Most frequently used



Least frequently used

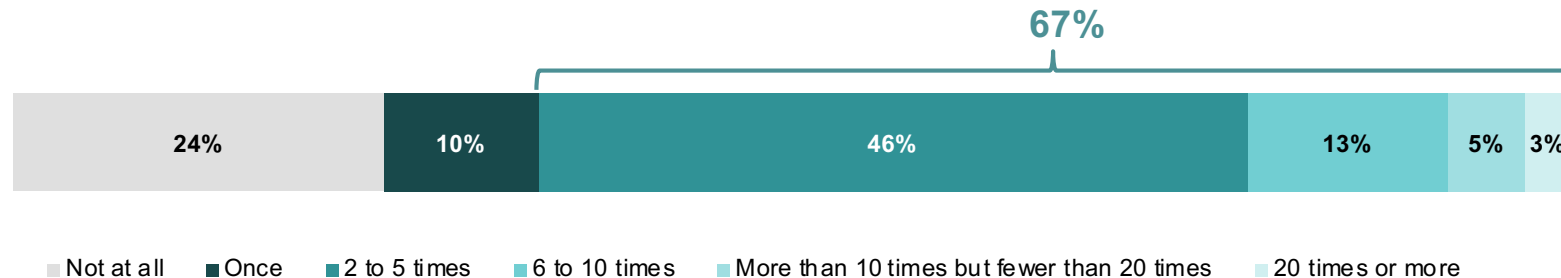
Free-to-use ATM	Cashback	Bank branch	Post Office	Pay-to-use ATM
<ul style="list-style-type: none"><li>• Free</li><li>• The 'go-to' method</li><li>• Easy to access: high number and in convenient locations</li><li>• Often built into people's routine</li><li>• Preference for those which are in 'safe' location – supermarkets vs. 'hole in the wall'</li><li>• Low income: often use ATMs they know dispense £5 notes</li></ul>	<ul style="list-style-type: none"><li>• Free</li><li>• Many recall when supermarkets asked about cashback every time</li><li>• Since this stopped, cashback has fallen off the radar for some</li><li>• Less commonly used, but regarded as convenient by those who are using card more often</li></ul>	<ul style="list-style-type: none"><li>• Free</li><li>• Can withdraw larger amounts</li><li>• Useful if have a bank branch locally</li><li>• Some prefer to deal with people</li><li>• Concerns over long queues and a feeling of being forced to use machines / ATMs</li><li>• Concerns that bank branches are closing</li></ul>	<ul style="list-style-type: none"><li>• Free</li><li>• Useful if consumers have a local Post Office</li><li>• Some prefer to deal with people</li><li>• Some complaints that there aren't enough Post Offices / they are shutting down</li></ul>	<ul style="list-style-type: none"><li>• Fees which are felt to be high</li><li>• Disliked and avoided by all</li><li>• But many consumers have used at some point when needing cash and no free-to-use ATMs nearby</li><li>• Sense of unfairness to pay to withdraw own money</li></ul>
<p><i>"Cashback is handy if you're there and you need it."</i> Cash preferer, Cookstown</p>		<p><i>"I just go into the bank. I can only get so much out at the machine."</i> Cash preferer, Leeds</p>		<p><i>"It's my money, I'm not going to pay to get it out."</i> Cash preferer, Walsall</p>



28%

## Cash preferers frequently withdraw cash and in relatively large amounts

Frequency that cash preferers withdrew cash from a free-to-use ATM in the last month



- The majority of cash preferers (67%) are withdrawing from a free-to-use ATM more than once a month
- One in five (21%) withdraw more than weekly (6 times a month)
- More than half (55%) withdrew more than £50 the last time they withdrew cash



28%

## There are different patterns for how cash preferers withdraw or access cash

### Weekly

- A fixed amount, higher value than average, to correspond with a set weekly budget
- Withdrawn on a fixed day of the week
- Usually withdrawn as part of the weekly routine, e.g. when doing a grocery shop
- Free-to-use ATMs but also bank branch / Post Office

### Ad hoc

- Withdrawn as and when cash is required
- Several times a week
- Often larger amounts to cover multiple purchases
- Withdrawing is sparked by 'running low' on cash – varying amounts for different people, but also with specific purchases in mind

### Specific purchase

- Withdrawn for a specific purchase, bill or event, e.g. £100 to pay rent for the week, £20 to go to the pub
- Several times a week
- Some withdrawals are habitual, e.g. paying rent
- Other withdrawals are ad hoc
- Using free-to-use ATMs

Many cash preferers keep a minimum amount of cash on them at all times **in case of emergency** – ranging from £10 to much higher

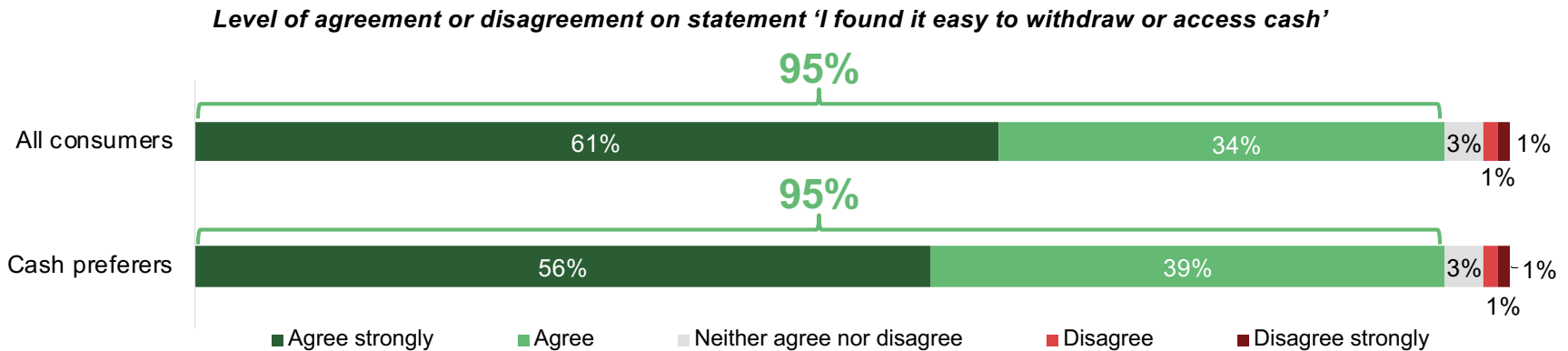
*"I use the ATM once a week, for £150. It's the same ATM, usually in Tesco or Sainsbury's when I'm shopping."*  
Cash preferer, Honiton

*"I just get it from one that I'm driving past, and one where it's easy to pull in and stop."*  
Cash preferer, Cookstown

*"I look ahead to what I need to spend it on and get that amount out."*  
Cash preferer, Leeds



## Nearly all consumers find it easy to withdraw or access cash; there is little difference to cash preferers



- 95% of consumers agree they found it easy to access cash the last time they did so and more than 6 in 10 (61%) strongly agree that they found it easy
- There is little difference by sub group, but those who prefer cash or who used only cash in the past week are less likely to strongly agree that it was easy (56%; 48%)
- Suggesting that these groups are more likely to notice when it is difficult to access cash as they do so regularly

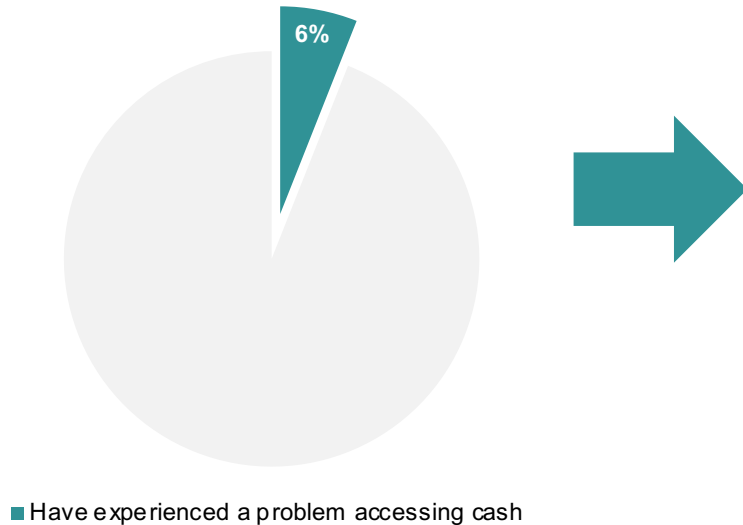
*"It's easy... It costs me nothing They're open 24 hours a day aren't they, cash points."*  
Cash preferer, Walsall

*"You don't have to go far."*  
Cash preferer, Leeds



## Very few consumers experience problems accessing cash

*Showing percentage of consumers who have experienced a problem when accessing cash in the last month*



**This is the same proportion for cash preferers (6%)**

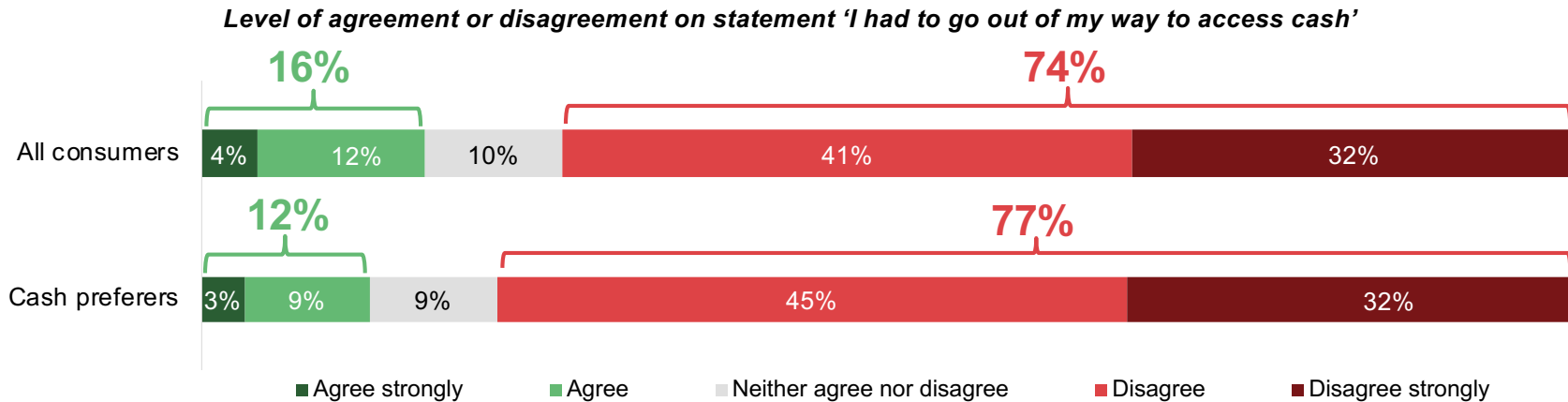
- Problems mostly stem from a fault with ATMs (e.g. out of order or not dispensing cash)
- Much less commonly cited reasons include:
  - Unable to get the required denomination
  - It had shut down
  - Unwanted fees
  - Forgetting PIN number
  - Account being overdrawn

• In the qualitative groups, cash preferers also describe issues around ATMs not having the right denominations available, if they wanted to withdraw a specific amount – and those on a low income dislike using ATMs that prompt them to withdraw more than they need

*“The only problem I’ve had is going to the cash machine to get a specific amount out and they don’t have the notes.”*  
Cash preferer, Leeds



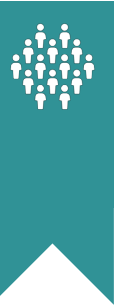
## A minority of consumers (16%) have had to go out of their way to access cash; a slightly smaller proportion of cash preferers (12%)



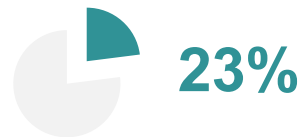
- Qualitatively, cash preferers talk about accessing cash as a part of their routine
- As free-to-use ATMs are often located in areas which fit their routine (e.g. supermarkets), they do not feel that they are going out of their way
  - Those that use bank branches or Post Offices are likely to have this built into their routine

*"It's if I'm there. If I'm there, I'm there, if I'm not, I'm not. I don't sit watching TV and think 'Time to get some cash out'."*  
Cash preferer, Leeds





## Two groups who are slightly more likely to have to travel: those working outside normal working hours and those in rural locations



### Working pattern

- 23% of those working outside 7am to 7pm Monday to Friday had to travel to access cash
- For some cash preferers, there is a sense that 24 hour access is very important for accessing cash outside of business hours, but that this is not always top-of-mind – an aspect of ATMs which is taken for granted



### Rural location

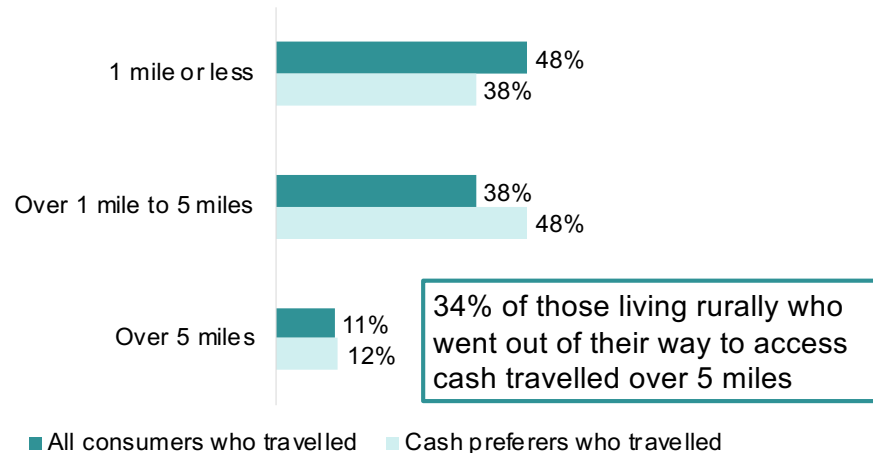
- 21% of those working living in a rural location had to travel to access cash
- Cash preferers often think it is harder to access cash in rural areas due to further distances to ATMs or banks (although 96% of those living in rural areas agree they found it easy to access cash)
- Detailed discussion reveals that, although rural consumers travel further, they also travel further for other routine activities, e.g. going to work or to the shops – travelling to access cash therefore does not always feel inconvenient
- However, there is strong concern that, as there are fewer ATMs in rural areas, if one stops working, consumers must travel much further to get to the next ATM

*"I live in Coagh, and we don't have an ATM – only one in the wee shop."*  
Cash preferer, Cookstown



## But those who do have to go out of their way are, on the whole, travelling short distances

*Distance travelled to access cash for those who had to go out of their way to do so*



- Those that are travelling to access cash suggest that they do not necessarily think of it as a chore
- Accessing cash is described as a habit, so that travelling to access cash is just like any other errand, such as going to the shops or taking children to school

- Nearly half of those who had to go out of their way travelled 1 mile or less (48%: 7% of all consumers) and the vast majority travel 5 miles or less (86%: 13% of all consumers)
- 11% travelled over 5 miles; 2% of all consumers

## Summary: How are consumers accessing cash?

**Consumers find it easy to access cash currently**

- Nearly all consumers find it easy to access cash
- Free-to-use ATMs are most used and most preferred
- Consumers prefer to use secure places that are accessible as part of daily routine

**Cash preferers accessing cash relatively frequently**

- Majority of preferers withdrawing more than once a week, in relatively large amounts
- A variety of approaches – some weekly, ad hoc, for specific purchases
- Sense of always wanting to have cash 'for an emergency'

**Travel is not currently considered a problem**

- A minority (16%) are going out of their way to access cash, higher among rural dwellers or those with unusual working patterns
- But this is not considered a chore as it is part of routine – though among rural consumers, who have fewer ATMs as part of their routine, closures may have a bigger impact

# 8

## Consumers: Access to cash in the future

- This section explores cash preferers' responses to discussion about the future of cash access
- We explore willingness to travel compared to willingness to pay fees
- We explore what cash preferers think they are likely to do should free-to-use ATMs close, and what elements they consider important to a future minimum standard of provision



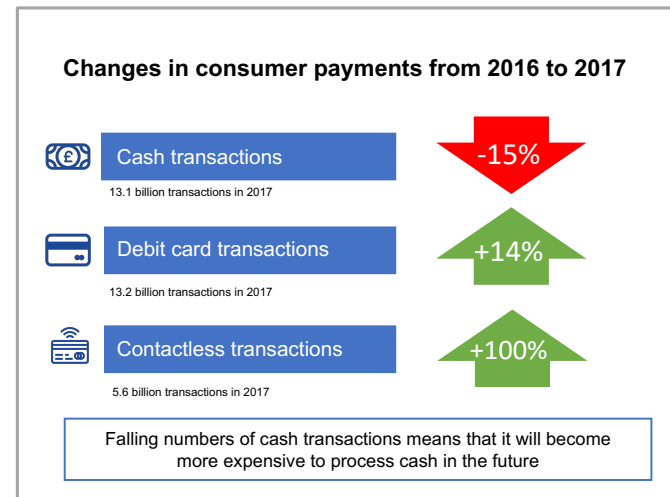
28%

## Many consumers recognise that cash usage is declining

- There is widespread awareness among consumers of declining cash usage, either on a personal or societal level
- Consumers feel caught up in far-reaching change, affecting how people are making payments, including:
  - The rising prevalence of card and contactless
  - The transition of retail from high-street to online
  - The closure of bank branches
- Cash preferers express concerns about loss of control and individual choice if the trends away from cash continue

*“Cash is being used less as the digital world takes over.”*  
Cash preferer, Leeds

***We explained information about current trends in consumer payments:***

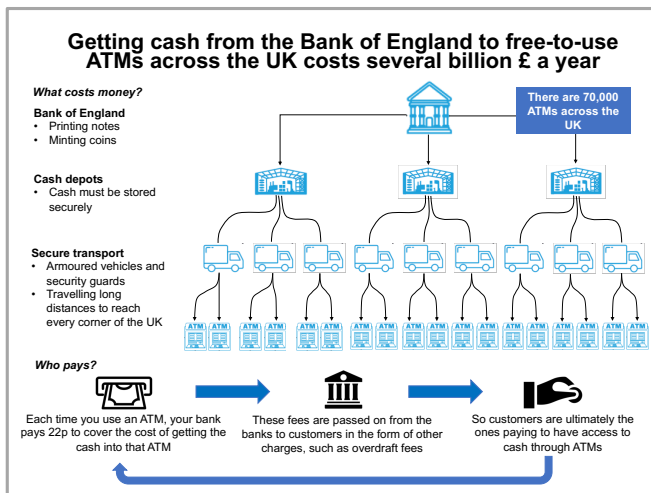




28%

# Cash preferers tend not to feel that changes to the cash network, including increased costs, relate to them

We showed contextual information to cash preferers:



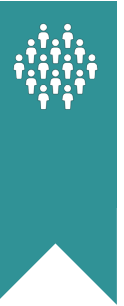
- Cash preferers have rarely considered the costs of the ATM network before
  - Following information, consumers do not see a clear logic about why consumers would be liable to cover increased costs
- Cash preferers feel they are entitled to a free network of ATMs, linked to strong views about **the importance of choice over personal finances**
  - There is little appreciation that banks provide many services to consumers free of charge, e.g. current accounts
- Ultimately, cash preferers think banks should be the ones absorbing any additional costs because they make profit out of having consumers' money

*"We're not interested in saving the banks money. They're still going to charge overdraft fees."*

Cash preferer, Leeds

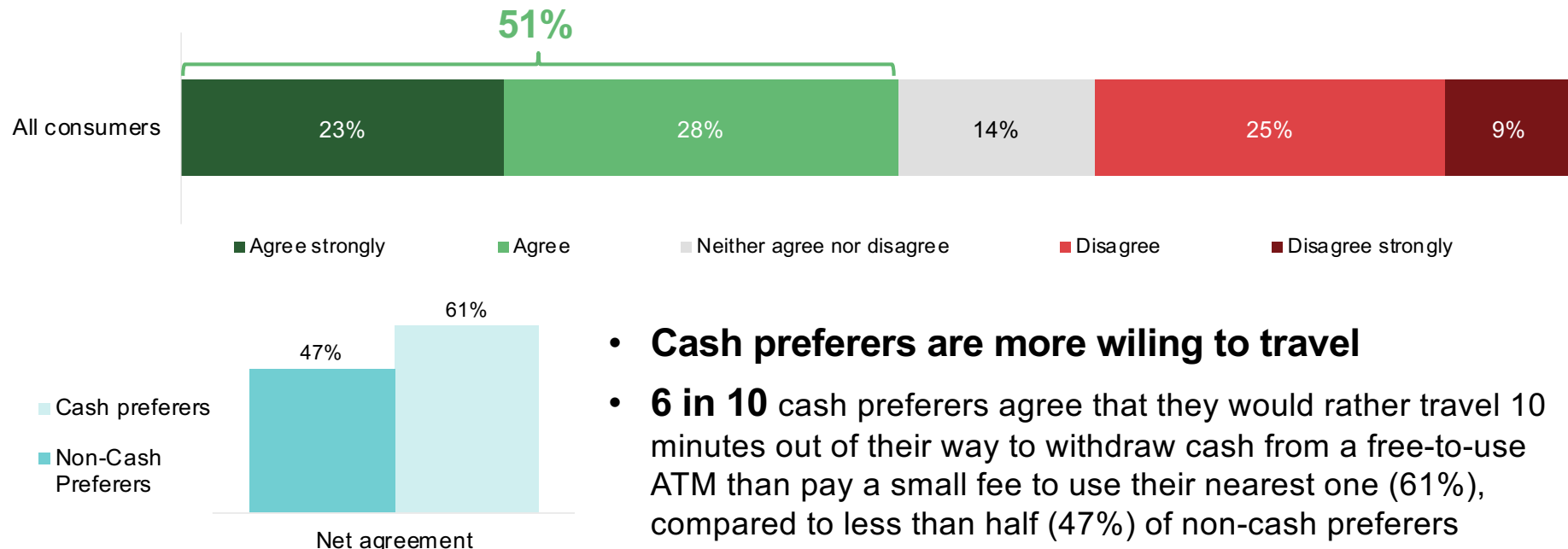
*"It's not so much new, it's the fact you don't really know what goes on behind the scenes. But of course it costs money to transport and print."*

Cash preferer, Walsall



# Just over half of all consumers (51%) would rather travel than pay a fee to use their nearest ATM

Showing percentage of agreement and disagreement: I would rather travel 10 minutes out of my way to withdraw cash from a free-to-use ATM than pay a small fee (e.g. 20p per withdrawal) to use my nearest ATM

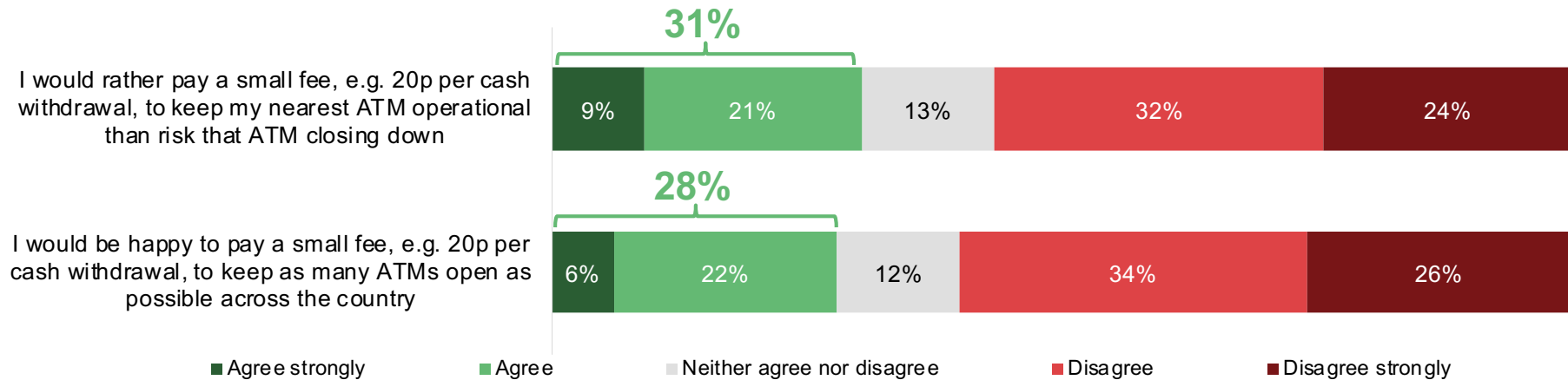


- **Cash preferers are more willing to travel**
- **6 in 10** cash preferers agree that they would rather travel 10 minutes out of their way to withdraw cash from a free-to-use ATM than pay a small fee to use their nearest one (61%), compared to less than half (47%) of non-cash preferers



# Paying a small fee of 20p per withdrawal to keep ATMs open is less popular than travelling, but almost a third of consumers would pay

Showing percentage of agreement and disagreement on the following statements regarding the future of ATMs



- Almost a third of all consumers would be happy to accept a trade-off of 20p fees to keep ATMs operational (there is no significant different between their closest ATM vs for ATMs across the country)
  - Consumers with annual incomes of less than £20,000 are more likely to agree that they would pay a small fee, both to maintain their local ATM (38%) and the ATM network across the country (32%)
  - Attitudes of cash preferers and other sub-groups are not significantly different





28%

## In the qualitative stage, cash preferers mostly reacted negatively to the idea of paying fees

There are three key reasons for this negativity

1

**It seems unfair to cash preferers to be charged to access their own money**

- Considering it has always been free

2

**It is easy to compare it to the negative experience of using pay-to-use ATMs**

3

**For some, even a relatively small fee, such as 20p, can have a big impact on income**

- Considering that some are withdrawing cash several times a week

Some cash preferers believe fees can be justified if:

1

**They are low**

- 20p feels qualitatively different to typical pay-to-use fees (of c.a. £1.50)

2

**They maintain the cash system**

- To retain their own access to cash and to protect jobs in the cash system

*"I'd rather give the 20p so someone keeps their job."*  
Cash preferer, Cookstown



28%

## Cash preferers generally feel that they could adapt their behaviour if ATMs were to shut down or fees were introduced

These views should be read in the context of (a) consumers already finding it very easy to withdraw cash and (b) consumers being poor predictors of their own behaviour

### Cash preferers said they would:

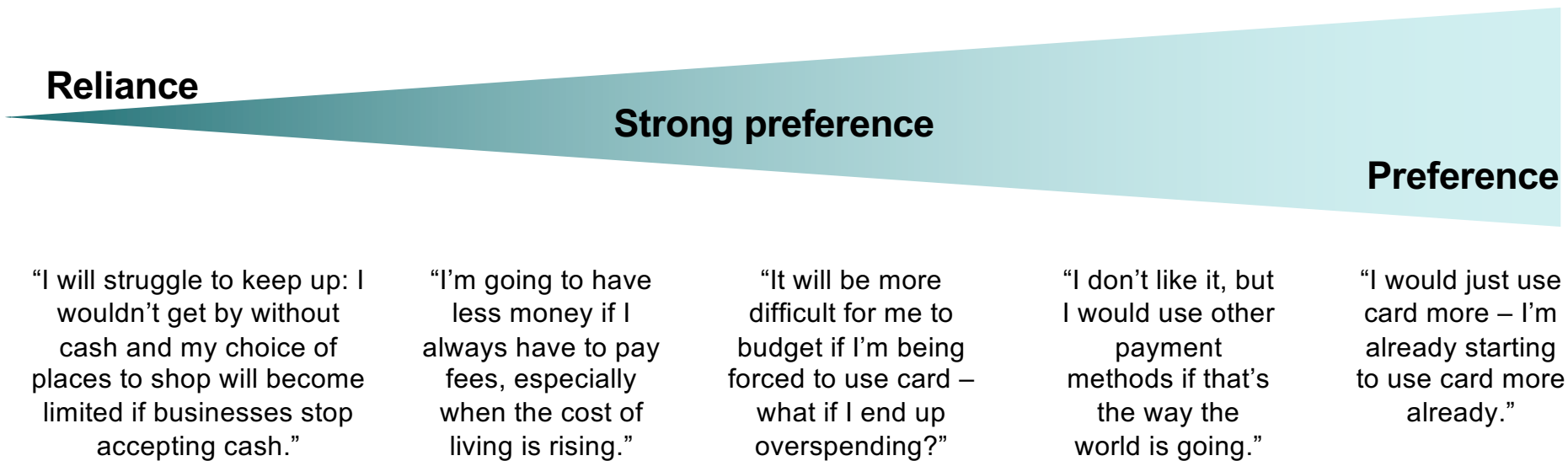
- Use card more (if they used card for general purchases)
- Take out cash less frequently (but in larger amounts)
- Use alternative methods to access cash (Post Office, bank branch, cashback)

*"I'd just take more money out.  
People would take out larger  
amounts less often."*  
Cash preferer, Oban



28%

## Consumers at different ends of the reliance spectrum report varying levels of impact in response to changes in cash access

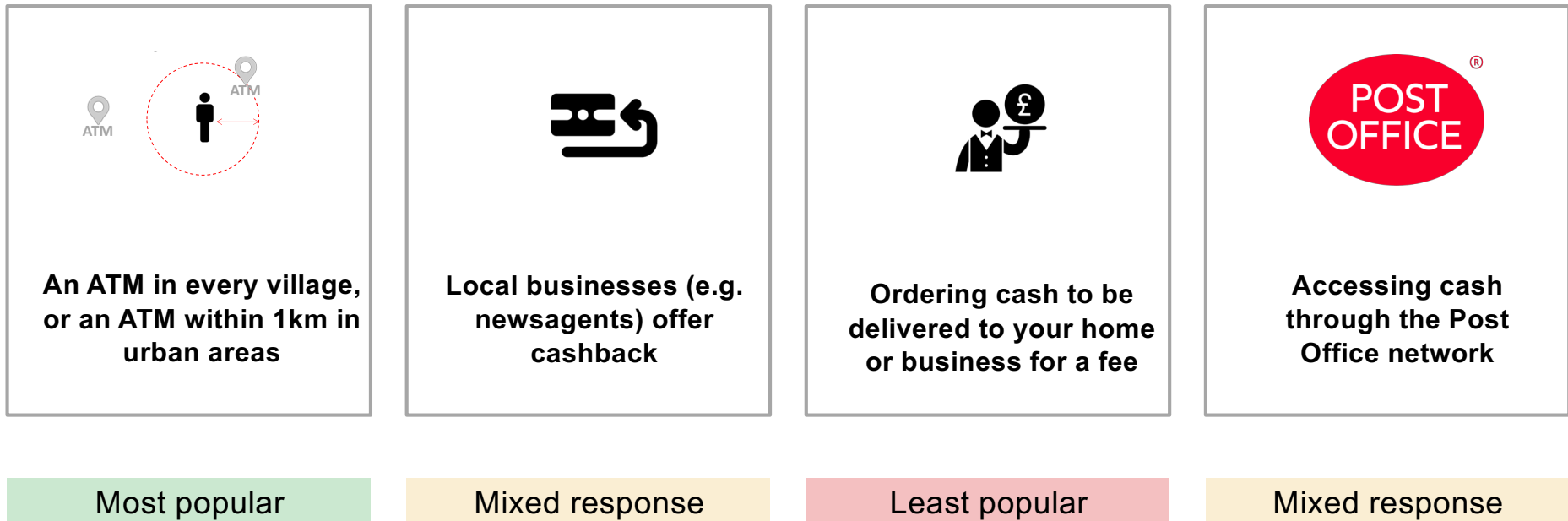


**There is a danger that those who are more reliant will be “left behind”, whilst those who prefer cash will feel they are losing control and being “swept along” or “forced” into a new digital world**



28%

## We showed participants some information on possible options for the future of cash:

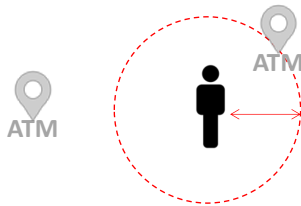




28%

## A minimum number of free ATMs by location is seen as a logical and potentially acceptable solution

**An ATM in every village, or an ATM within 1km in urban areas**



*“You’d have to look at the whole population to find how many you’d need, how often they are used, and reduce them down that way.”*

Cookstown

- Because cash preferers already feel there is an ample number of free-to-use ATMs, there is cautious acceptance of the idea of some ATMs closing down to make the network more cost efficient
  - Cash preferers tend to use a range of ATMs so small numbers closing down feels like it may not make a big difference
- The idea of a minimum number makes sense and is thought to be crucial to protect choice and those who are more reliant on cash or have fewer options for accessing cash (e.g. living rurally)
  - Though they don’t feel qualified to define the minimum level, some suggest basing future provision on current demand in more populated areas, while applying a different approach in rural areas with fewer ATMs
- There are some concerns about the potential for long queues if the minimum was set too low, or in case of technical failure



28%

## The idea of getting cash via the Post Office gained some support, but there are currently many barriers to usage

Accessing cash through the  
Post Office network



- Cash preferers feel that this could benefit both the consumer and the Post Office
- However, concerns centre on current issues with accessibility and convenience, with common references to short opening hours and long queues
- Post Office closures also make this option unviable for some, due to the distance to the nearest branch

*"I work too late to make it to the Post Office and a lot of them are closed on the weekends."*

Oban



28%

## Cashback necessitates a transaction, so was less suitable as a primary means of withdrawing cash

**Local businesses (e.g. newsagents) offer cashback**



*"I wouldn't want to have to buy something just to get cash, and local shops would have to introduce a minimum spend to make it worth their while."*

Cash preferer, Honiton

- Whilst some participants consider cashback a useful service, they are uncomfortable with the idea of it being their primary or only means of withdrawing cash
  - Some feel it would be a hassle and annoyance to buy something by card "just to get cash"
  - For those that never or very rarely use cards, this is a non-starter
- There is a practical concern about how small businesses would be able to offer this service
  - Some assume there would have to be minimum spends or fees passed onto consumers



28%

## The idea of cash deliveries is universally rejected, generating feelings of anxiety around security and the need to plan ahead

**Ordering cash to be delivered to your home or business for a fee**



- No support for this option
- Widely considered an unacceptable security risk, which could make them a target for crime
- Less common concerns were around the need to plan, delays in getting cash, isolation and the potential expense
- As it is contrary to current habits of travelling to a place to withdraw cash, this is harder to imagine

*“That’s a non-starter for me. There’s no guarantee it would ever make it to your door and people would know you were getting cash deliveries.”*

Cash preferer, London





28%

## Preserving choice for the consumer is seen as very important; cash preferers don't want to feel like they are losing the option of cash

- On the whole, cash preferers feel that they *could* adapt to the reduction of cash usage in society and more limited options for accessing cash than they have now – with the exception of those with very low capability and motivation to use alternatives
- However, there is discomfort about change being forced on them, and a strong desire for continued choice
  - Preferers feel that they should have control over their own money, in access and spending
  - Experiences of cashless businesses are not common, but the idea of not being able to pay for something by cash is strongly rejected by cash preferers
  - Some sense that access to cash should be provided for the public good

*"I wouldn't want to be pushed that way ... I would resist it."*

Cash preferer, Honiton

*"You have to adapt your life and behavior. It's the older generation that are going to be harder hit because not everyone has technology at their fingertips."*

Cash preferer, Oban

## Summary: Access to cash in the future

### Consumer choice is paramount

- While some cash preferers are ambivalent about the decline of cash, others express concerns about the loss of control and choice
- Discomfort among cash preferers that change might be forced on them

### Consumers unwilling to pay

- Push-back against the idea of consumers paying for ATMs, based on principle
- Consumers generally prefer to travel 10 minutes out of their way than pay 20p – a pattern even more pronounced among cash preferers (61% choosing travel over a fee), who expect that they would adapt their behaviour and withdraw less frequently

### A minimum number of ATMs in reasonable proximity

- Of the future options tested, cash preferers were most accepting of closing a few free-to-use ATMs, as there is a high number of ATMs available currently
- Consumers were wary of options that required a purchase or relied on the (already diminishing) Post Office

# 9

## Introduction: Small businesses

## Contents: Small business

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## Key findings: small businesses

1

Cash is not king among small businesses – around half of small businesses do not accept cash

- However, patterns in behavior are difficult to discern as small businesses tend to be quite unique

2

Customer preference and the type of business lead some small businesses to deal more in cash; the nature of the business owner also plays a role, e.g. if they have low digital capability, or wish to maintain flexibility in tax reporting

3

In the qualitative groups, small businesses often struggled to calculate the costs of accepting cash – as they may not pay fees and processing time is not necessarily considered as a cost

4

The majority of small businesses deposit cash in the bank, but cash is also recycled through the business by paying suppliers, employees and taken as personal wages

5

If it became more difficult to deposit cash in the future, some small businesses in the qualitative groups believed they would aim to deposit less and recycle more cash through their business

6

When exploring the future of cash in the qualitative groups, there was cautious acceptance of introducing alternatives to preserve a minimum level for cash depositing, though these were often seen through the lens of wanting to maintain the status quo

# 10 Small businesses: Who are the small businesses?

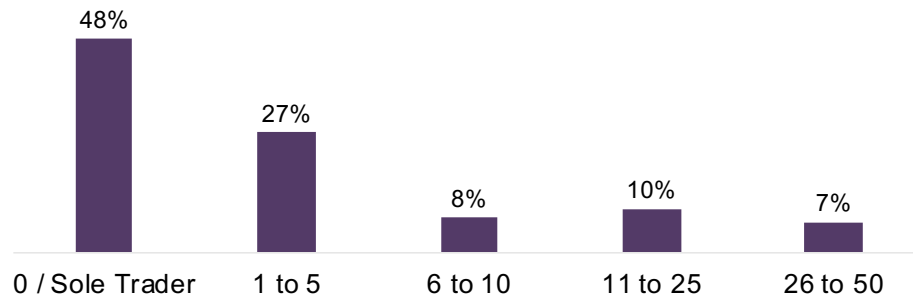
- This section provides a breakdown of the small businesses we heard from



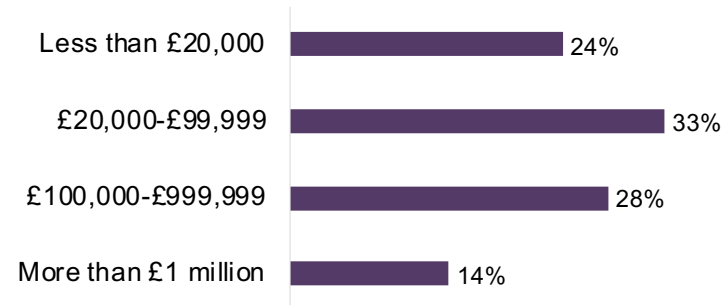
100%

## A large proportion of small businesses surveyed are sole traders and a majority have a turnover of less than £100,000

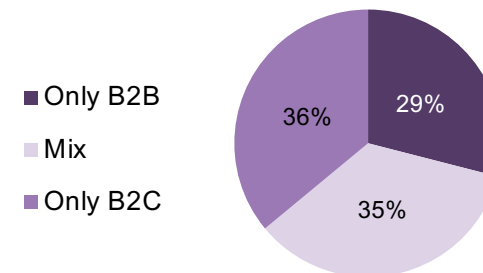
Showing percentage of businesses by number of employees



Showing percentage of businesses by turnover last financial year



Showing percentage of businesses by customer type



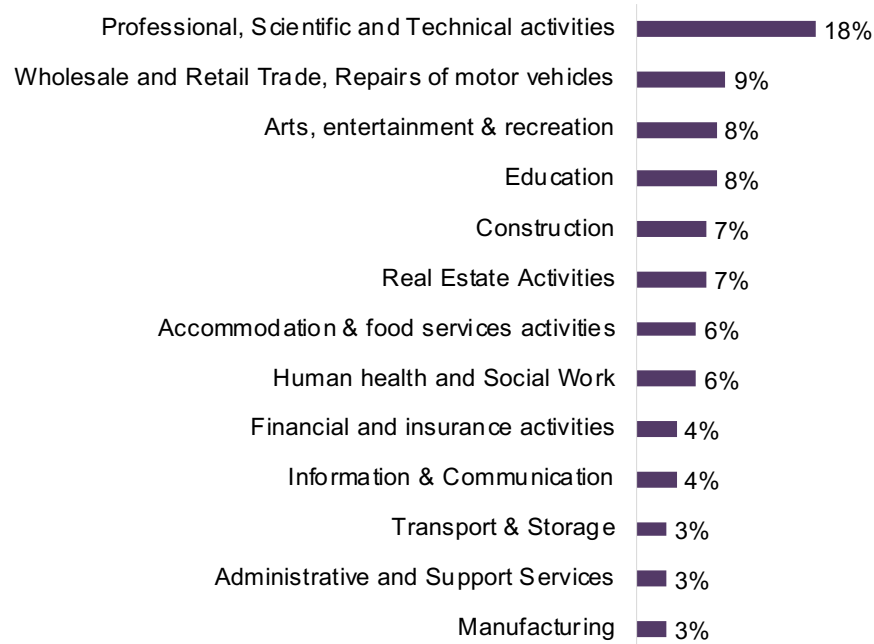
- Focus group discussion revealed that sole traders often have an informal 'set-up' for their business, e.g. may not have a business banking account



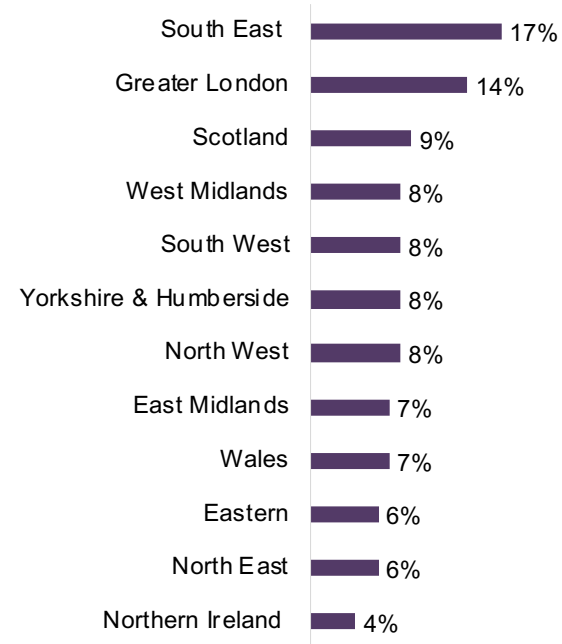
100%

# Small businesses are found across a range of sectors and regions

*Showing percentage of businesses by main activity*



*Showing percentage of businesses by region*





**Small businesses are highly individual and variable in the nature of their business, their customer base and patterns of income**

**Small businesses often describe their business and their particular circumstances as unique – and this is a reasonably fair reflection of reality**

**As a result of this variability, it can be hard to discern clear patterns of attitudes and behaviour among this audience**

# 11

## Small businesses: Payment landscape

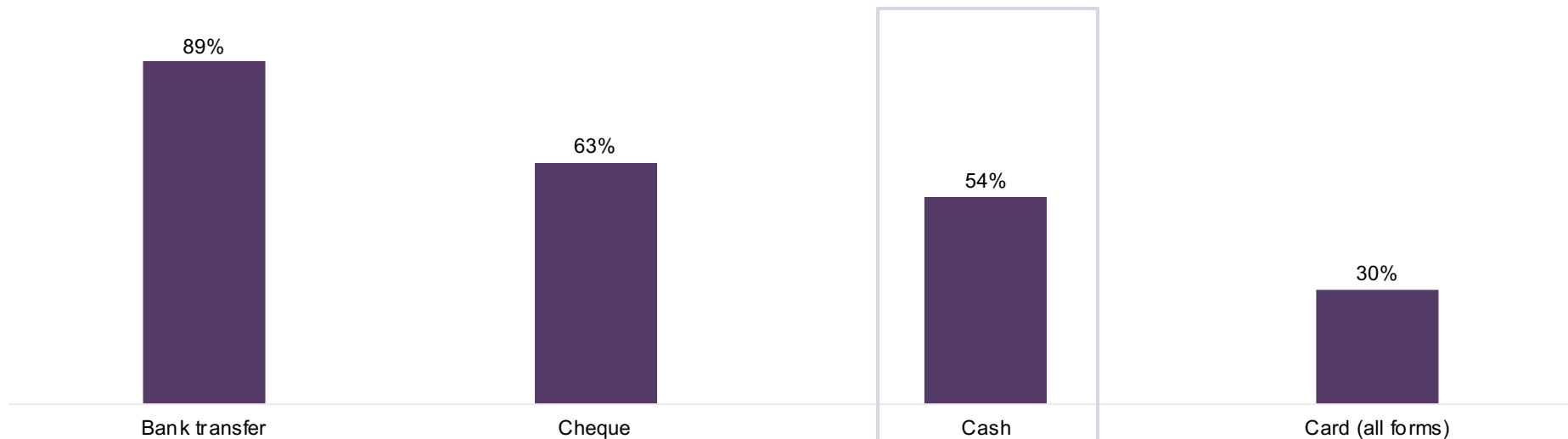
- This section covers what payment methods small businesses accept and prefer
- We explore the type of business that accepts or prefers cash



100%

## Bank transfer is the most widely accepted form of payment but over half of small businesses accept cash (54%)

*Showing percentage of small businesses that accept each of the following payment methods*



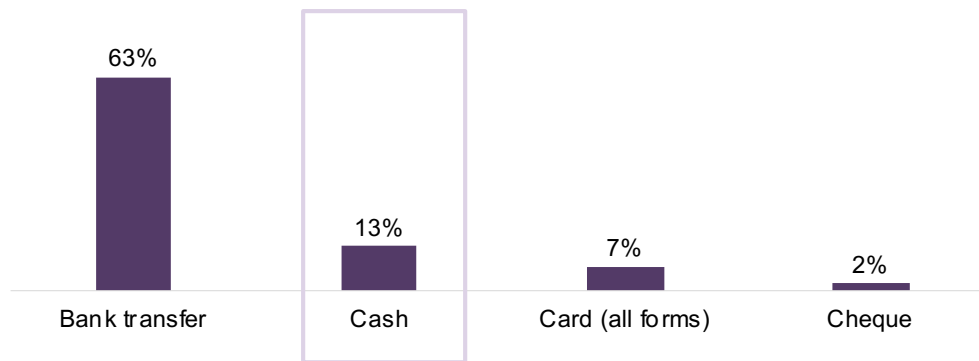
- When broken down, Chip and PIN and remote card payments (online / by telephone) are the most commonly accepted forms of card payment (19%; 19% respectively); 15% of small businesses accept contactless card and only 10% accept contactless payments via smart device



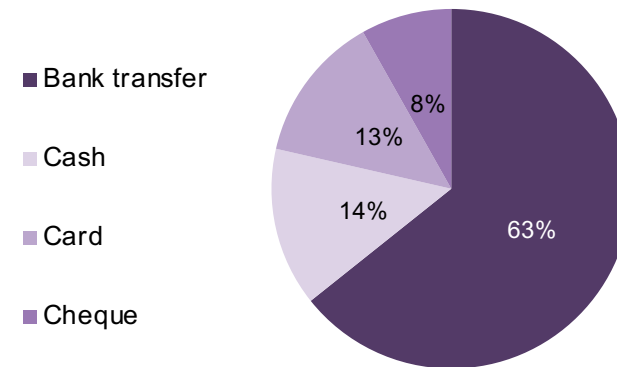
100%

# Although over half accept cash, preference for cash is not widespread, which could be linked to the fact that it accounts for a small proportion of income on average

Showing percentage of small businesses choosing the following as their most preferred payment method



Showing estimated proportion of income from each payment method on average across all small businesses



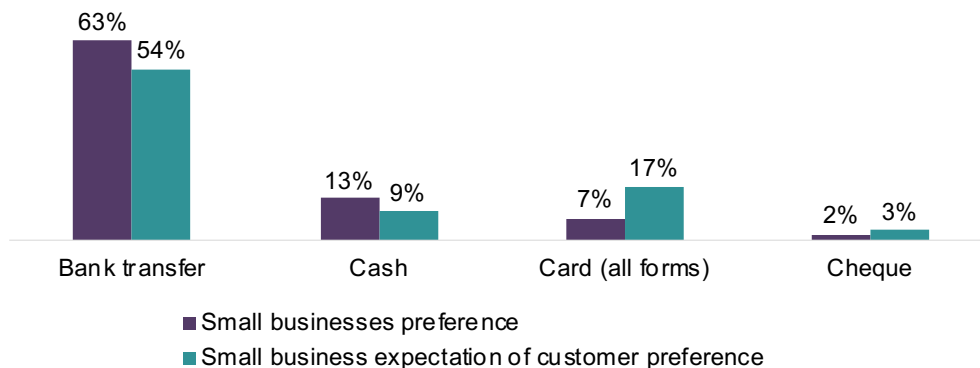
- Bank transfer is most popular, possibly linked to the fact that it is the most frequently accepted and accounts for the highest proportion of income
- Only 13% of small businesses prefer cash, and it accounts for 14% of income on average
- Even fewer small businesses prefer card payment (7%), although it accounts for a similar proportion of income as cash (13%)



100%

## It is difficult to unpick small businesses' preference for payment methods because it is strongly influenced by consumer behaviour

Showing percentage of small businesses choosing the following as their most preferred payment method and their customer's preferred payment method



- Preference for payment method broadly aligns with small businesses' expectation of their customers' preference
- However, in the eyes of small businesses, customers favour card over cash (which echoes the findings from the consumer survey)
  - This is slightly at odds with what small businesses themselves prefer (i.e. cash over card)

- While small business decision-makers have their own views about the pros and cons of different methods, ultimately they feel they have to be 'customer-led'
  - They feel that if their payment methods do not align with how their customers want to pay, they will lose business
- Some cash accepters have changed the payments they accept due to customer preference in the past, and would be willing to do so again in future

*"Customer comes first... you can't force them to be uncomfortable in how they pay."*  
Cash acceptor, Neath

## Summary: Accepting cash

### Cash is not king

- Small businesses are most likely to accept bank transfer and bank transfer accounts for the highest proportion of income on average
- This could explain why bank transfer is also the preferred payment method among a majority of small businesses

### Although widely accepted, cash is preferred by only a small proportion

- Over half of small businesses accept cash, yet only 13% choose cash as their preferred payment method
- This could be linked to the fact that cash accounts for only 14% of income on average

### Consumer behaviour drives preference

- Small business preference for payment method is heavily influenced by consumer behaviour

# 12 Small businesses: Who are the cash accepters?

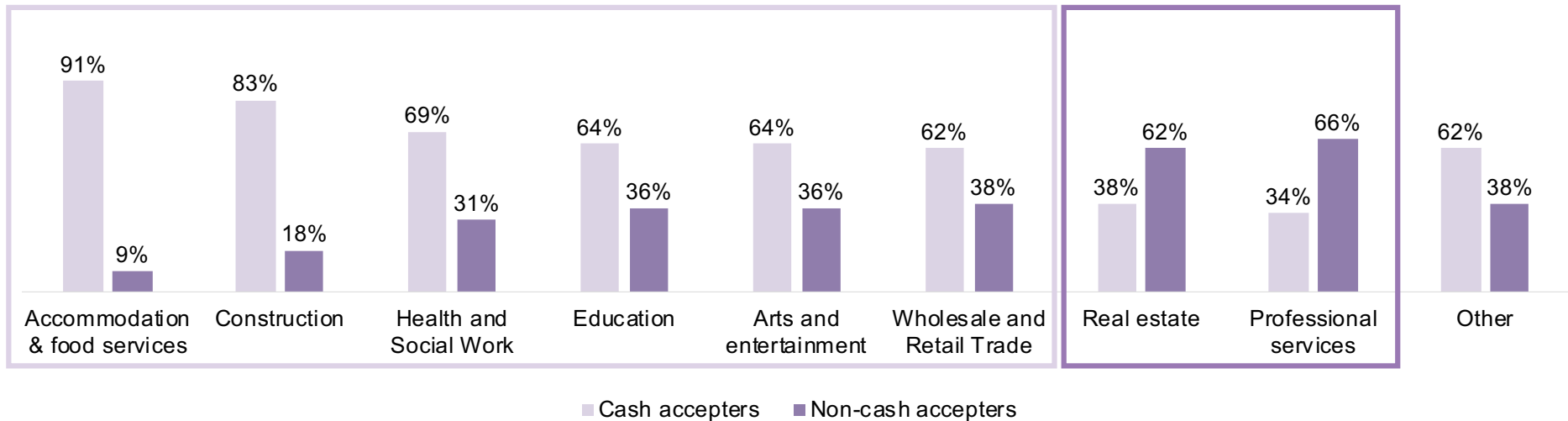
- This section explores the profile of small businesses that accept cash



54%

## Accommodation and food services, construction and health and social work are the sectors where cash is most widely accepted

Showing percentage of businesses in each sector that accept cash



- Accommodation and food services sector are most likely to accept cash (91%), followed by the construction (83%) and health and social work (69%) sectors
- Real estate (62%) and professional services (66%) are least likely to accept cash

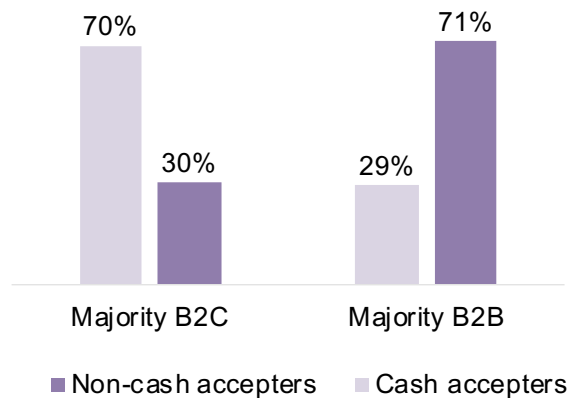




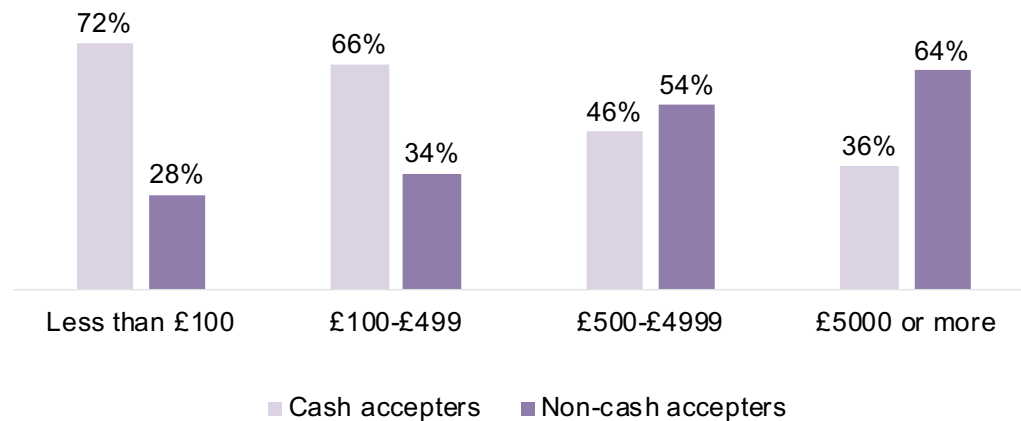
54%

## Small businesses that are predominantly B2C, with lower average transaction values, are more likely to accept cash

Showing percentage of businesses by customer type that accept cash



Showing percentage of businesses by average transaction that accept cash



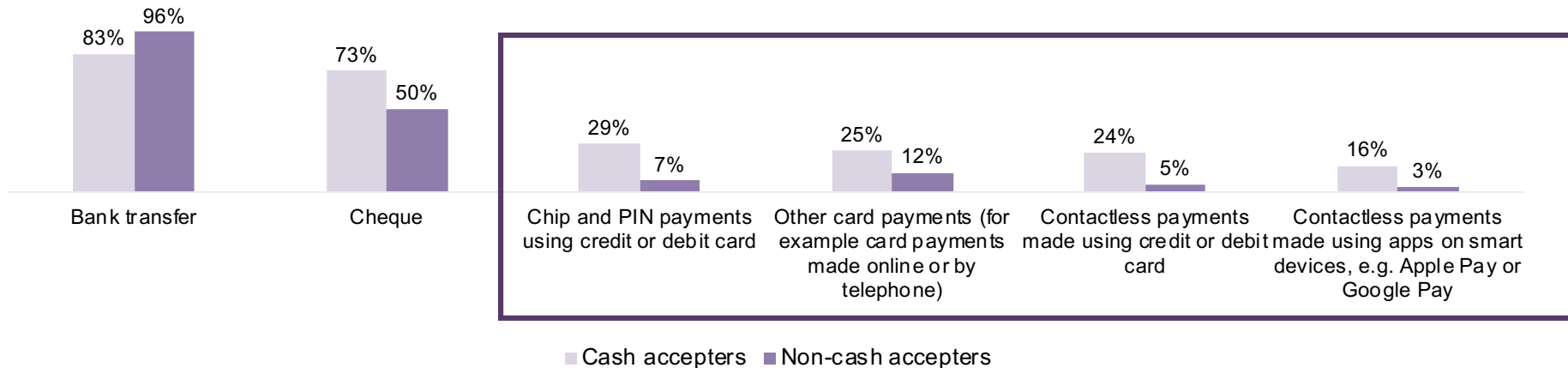
- Small businesses that receive the majority of their trade from customers are more likely to accept cash (70%) than those from other businesses (29%)
- 72% of small businesses with an average transaction size of less than £100 accept cash, whereas the majority (64%) of small businesses with an average transaction size of £5000 or more do not accept cash



54%

## Businesses that accept cash are more likely to accept card as well

Showing percentage of small businesses that accept each of the following payment methods



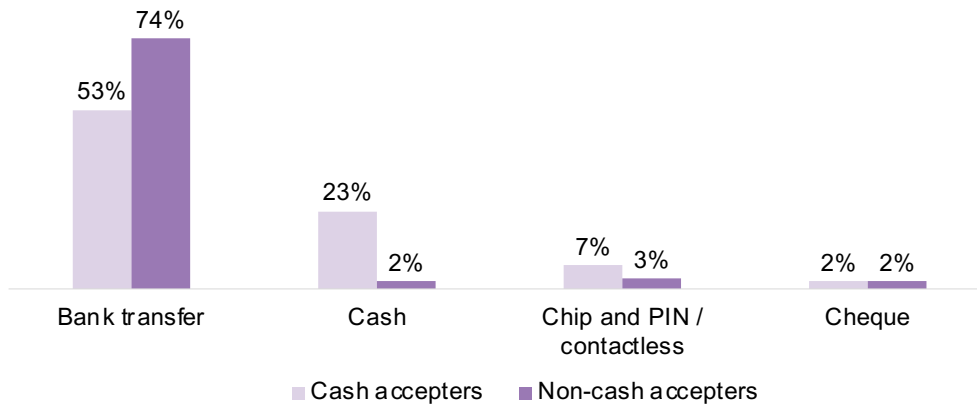
- Cash accepters are more likely to take chip and pin (29%) than non-cash accepters (7%), and are more likely to accept contactless (24%) than non-cash accepters (5%)
- This reflects the consumer findings that transactions are often a toss up between cash and card – suggesting these payment methods go hand in hand



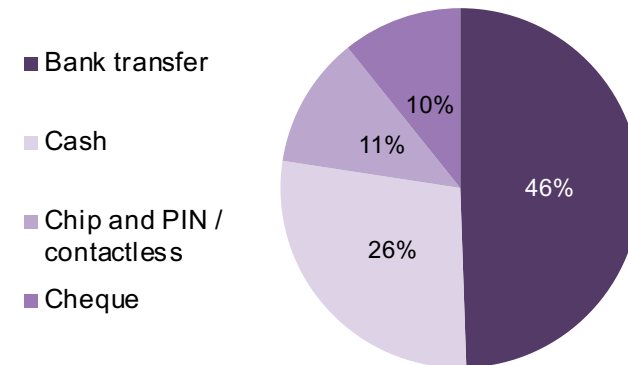
54%

# Whilst cash accepters are more likely to prefer cash than non-cash accepters, bank transfer is still more popular and accounts for nearly half of cash accepters' income on average

Showing percentage of small businesses choosing the following as their most preferred payment method



Showing estimated proportion of income from each payment method on average across cash accepters

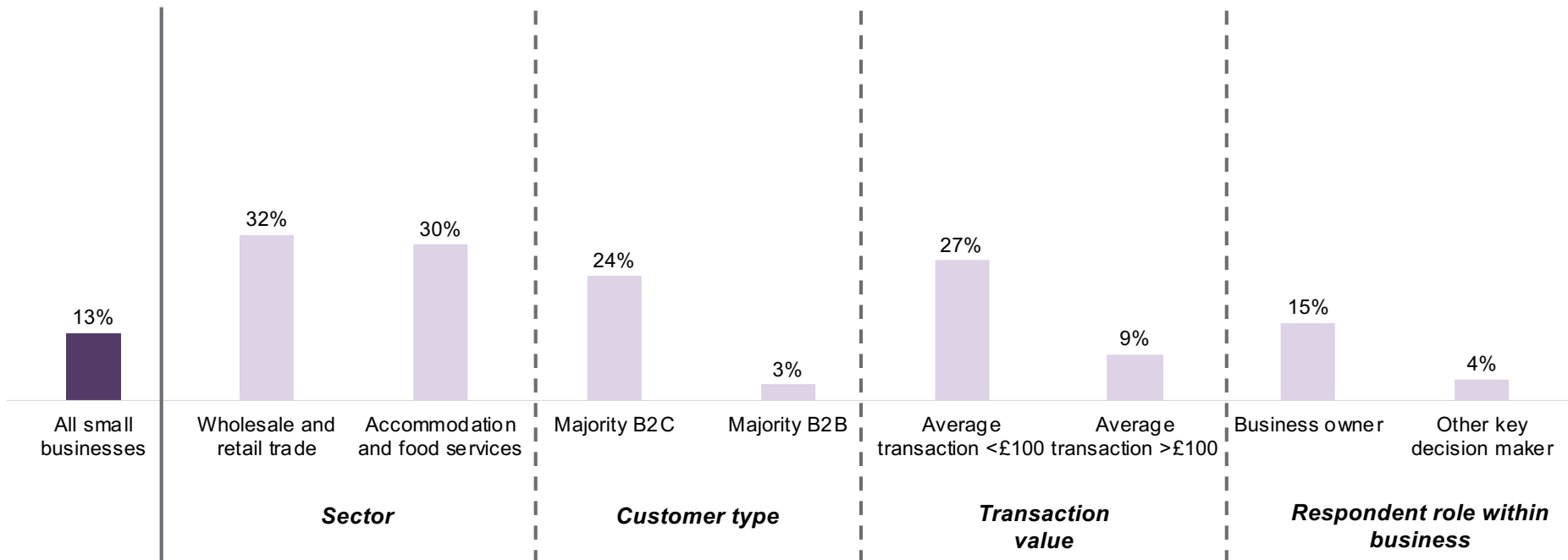




54%

# The type of small business that prefers cash mirrors the type which accepts cash, but also includes business owners

Showing percentage of businesses in each group that prefer cash



## Summary: Accepting cash

### Customer-facing businesses

- Businesses in certain sectors (accommodation and food service, construction, health and social work), that are mostly B2C with smaller transactions are more likely to accept cash

### Cash and card go hand-in-hand

- Businesses that accept cash are more likely to accept card as well

### Bank transfer is still more popular

- Even amongst cash accepters, bank transfer account for a higher proportion of income and is more popular

# 13 Small businesses: Cash accepters' attitudes to different payment methods

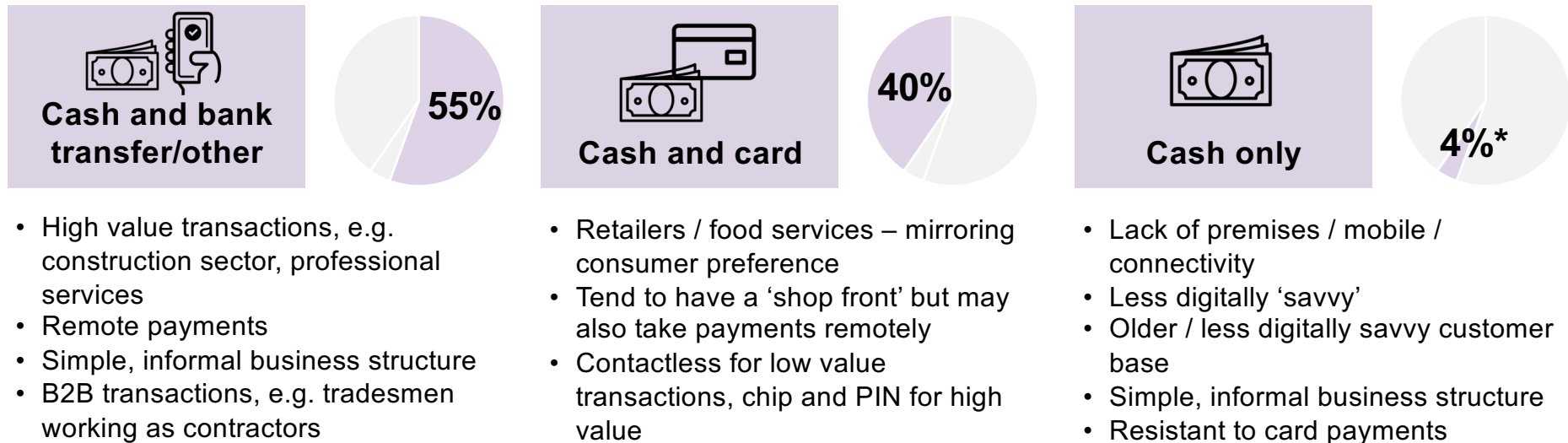
- This section covers cash accepters' attitudes towards different payment methods
- We explore drivers towards and away from cash



54%

## Attitudes to payment methods are influenced by the nature of the business and which other methods they are being compared against

The following patterns of payment options tend to be offered by certain types of businesses:



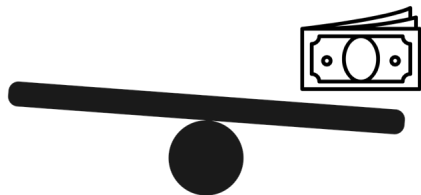
\*The quantitative survey may underestimate the size of this group given online methodology

**Preference and choice of payment method is not a straightforward 'toss up' between cash and card as it is for consumers – it depends what the comparator is**



54%

## While attitudes to cash vary based on the type of business, there are some characteristics which push businesses towards cash and may lead to a preference for cash



- Connectivity issues (can include rural areas)
- Consumer base: weighted towards low income, older or more vulnerable customers
- Business owners less digitally able, e.g. no online banking
- Low value transactions
- Low turnover
- Informal business structure, e.g. no business banking account
- May have a desire to be flexible about tax reporting
- Staff may prefer to be paid in cash

*"Bank transfer is good but it depends on the client...It requires a bit of trust that they will actually pay it."*

Cash acceptor, Cookstown

*"It's never worth raising an invoice for anything less than £5."*

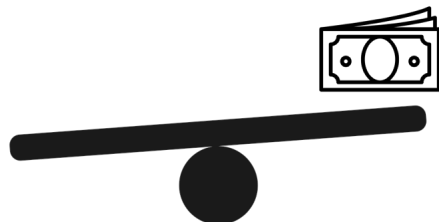
Cash acceptor, Honiton





54%

## Other characteristics also push small business owners away from cash and lead to a preference for card or bank transfers



- Consumer base: younger / more digitally able, and request to pay by contactless or card
- Business owners more digitally able – using online banking
- Dislike lack of paper trail, harder to dispute payments
- Payments made remotely
- High value transactions
- Risk of counterfeit notes in some sectors
- Large amounts of cash:
  - fiddly to count, easy to lose
  - security concerns of holding too much cash at once

*“I prefer to have everything by card, purely for book keeping purposes.”*  
Cash acceptor, Leeds

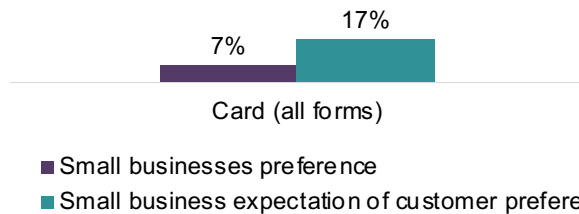
*“Fifty-pound notes ... I paid £2,500 for a job I'd done, I took the bloke to the bank, put them across the counter, every one of them fake.”*  
Cash acceptor, Honiton



54%

## Where card payments might offer a natural alternative to cash, small businesses are often reluctant to set it up

Showing percentage of small businesses choosing the following as their most preferred payment method and their customers' preferred payment method



- Small businesses tend to recognise that consumer payments are moving away from cash towards card, but there is a high barrier to adopting it as a new payment method:
  - Lack of connectivity
  - Set up – expensive
  - Fiddly / difficult: especially if not tech-savvy
  - Habit
  - Expectation of ongoing fees

*"We'd like to go down the route of chip and pin but at the moment we can't justify it. We just aren't doing enough business at the moment to make it viable."*

Cash acceptor, Cookstown

*"Initially that technology was expensive. It's probably less so now, and it would be a very useful way of accepting payment...It's something maybe to do in the future."*

Cash acceptor, Honiton

*"It's all the fiddly stuff you get with the card machine every year - you've got to answer all of these stupid questions, where I don't know what I'm answering. It is absolutely ridiculous. I don't know any of the terminology, or what they're asking me at all...That's a big minus."*

Cash acceptor, Neath



54%

## Cash accepters suggest that the informality of cash and its lack of paper trail is important for small businesses

- Cash accepters often report feeling 'squeezed'
  - They feel increasingly unable to compete with big businesses
  - Sensitive to taxes and other rising costs
- There is a suggestion, and sometimes explicit acknowledgement, that cash offers flexibility in tax reporting
  - Some cash accepters say small businesses rely on this flexibility to survive in challenging circumstances
  - And that customers sometimes also expect a lower cost if they pay in cash, as they expect the amount will not be declared

*"How honest are we being? Cash is easy to skim off the top. All of my associates who have cafes like to skim off the top."*

Cash acceptor, Leeds

*"I don't like [card payments] ... every transaction you take, every transaction you give, they have got a paper trace on you every time."*

Cash acceptor, Honiton



54%

## Small business owners also have an emotional connection to cash, much in the same way as consumers

- Cash accepters see cash as immediate payment – once they have it in their hand, the transaction is complete
  - Cash takings are immediately visible and can be counted, whereas it can take longer for customers to pay by bank transfer
  - Links to a sense of control over their business
- The tangibility of cash means cash accepters are more likely to feel they've 'earned it'
  - Cash accepters describe the satisfaction of having cash at the end of a job or working day

*"The way I've been brought up, if you've got to work all week, you get paid in cash, it's yours, you can spend it, you can go out."*

Cash acceptor, Walsall

*"It's nicer to hold. When you have £500 in your hand after a job, it's nice. When it's in your account, it gets swallowed up."*

Cash acceptor, London

**The qualities of cash which appeal to cash-preferring consumers are echoed by cash accepting businesses: tangibility, control**

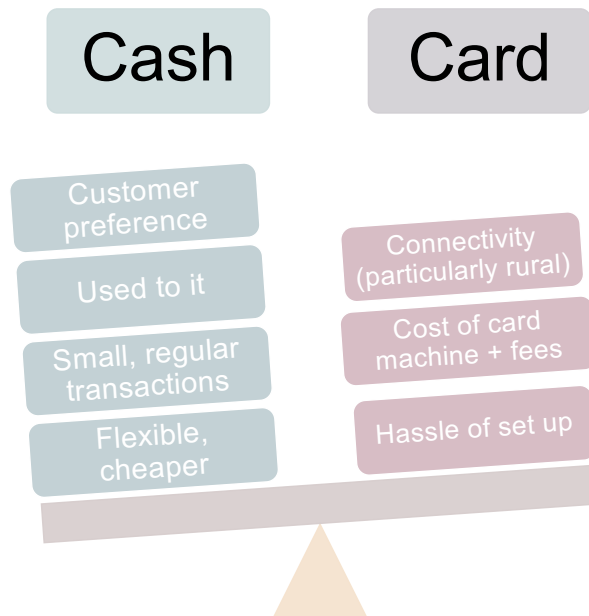
**The following pen portraits illustrate the different types of cash-accepting business and their attitudes to cash and other payment methods**



54%



## Cash only



*"Maybe I'm a little bit of a dinosaur, but that's how I've worked, even when I started off 30 or 40 years ago."*  
Cash acceptor, Walsall

### Pen portrait: Irene

*"In the last year or so I've considered [offering] contactless, because most of my transactions are less than a fiver."*

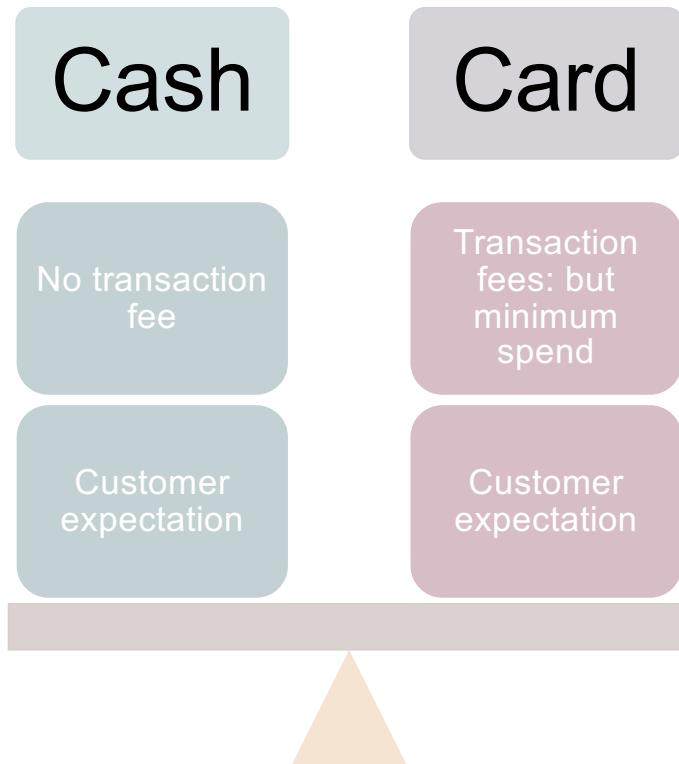
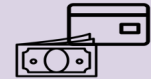
Irene runs a fruit and vegetable market stall in a small town. She has only ever taken cash and has no plans to change that. She enjoys the satisfaction at the end of the day of seeing the cash she has made.

She has ruled out contactless due to connectivity issues. She can calculate change in her head quickly, and sees cash as the quickest and most convenient payment method. As long as the bank branches and free-to-use ATMs in her town remain open, she is confident that her customers will continue to be happy paying in cash.



54%

## Cash and card



### Pen portrait: Antonio

*"Since last year I haven't had a minimum spend... I had a lot of people come in who just wanted to buy a drink, and I said the minimum spend is £5, they said 'Well I'll go elsewhere'."*

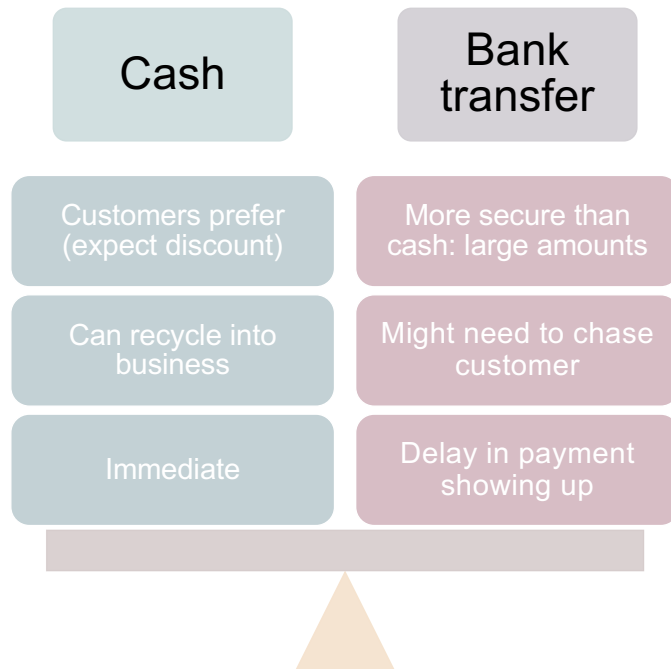
Antonio owns a small grocery store in Bradford. His transaction size varies but often customers spend under £5. He accepts card and cash payments.

Increasingly, customers are asking to pay using contactless. While he used to have a minimum charge, Antonio has noticed that this has put some of his customers off, so he no longer has a minimum card spend.



54%

## Cash and bank transfer/other



### Pen portrait: Kevin

*"You do feel nervous yourself [with cash], especially if you're in an area you don't know."*

Kevin is an electrician. He typically receives large payments from clients in cash or by bank transfer. Many of his clients prefer to pay in cash, and some expect that they will be able to get a discount if they do.

His main concern with cash is having too much in his van at one time. He tries to deposit when he can, while running other errands. Kevin occasionally employs other tradesmen for bigger jobs. When he does so, he tends to pay employees in cash at the end of the day.

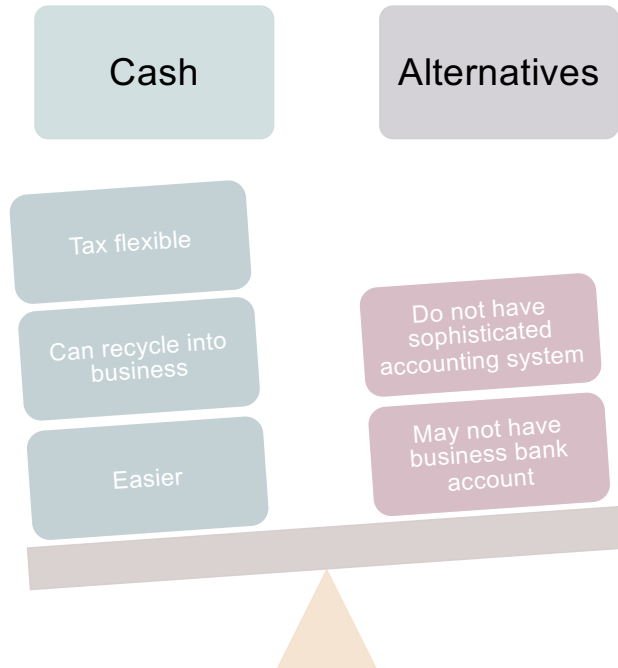




54%



## Informal



*"I consider it my wages. Obviously I buy materials and things, but the rest of it's my wage."*  
Cash acceptor, Walsall

### Pen portrait: Chris

*"I just think, 'What is the point [in a business account]?' It's just the bank saying well, 'You've got a bigger volume of financial traffic, so we're going to charge you.'"*

Chris is a mechanic in a garage in rural Devon and receives payments by bank transfer, chip and PIN and in cash. As the first two make up an increasing proportion of his income, he now treats cash as his 'pocket money'. He has a business bank account but deposits all cash into his personal account to save fees, or keeps it in the business to pay suppliers. This allows Chris to be flexible with his pricing and barter with customers paying in cash.

## Summary: Cash accepters' attitudes to different payment methods

### Comparators

- Attitudes to different payment methods are affected by which payment methods small businesses currently offer, i.e. which other methods they are being compared against
- This means that it is not a straightforward 'toss up' between cash and card as it is for consumers

### Factors that tip businesses towards or away from cash

- There are a number of factors that tip small businesses towards or away from cash acceptance or even preference, such as the type of customer, value of transaction and the digital capabilities of the business owner
- The difficulty and cost of offering card payments means that small businesses are often reluctant to set it up, even where card could offer a suitable alternative

### Small business owners

- Some small business owners like the flexibility that cash offers – some are explicit that it allows them flexibility in tax reporting, others have a more informal set-up and treat cash as 'pocket money'
- Small business owners also have an emotional connection to cash, much in the same way as consumers, where tangibility and control emerge as important attributes of cash

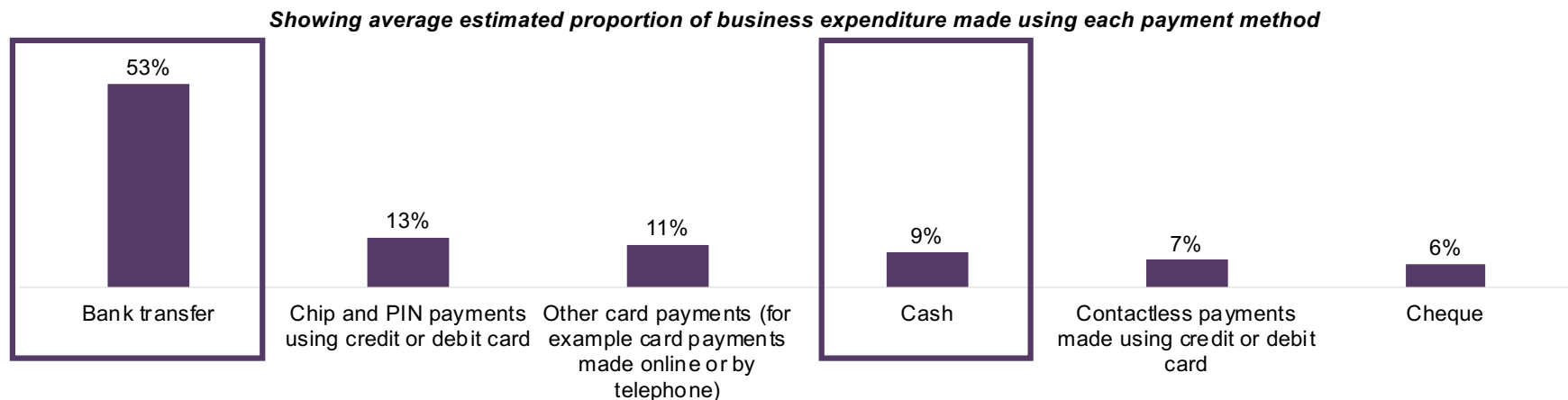
# 14 Small businesses: Using cash for payments

- This section explores the ways in which businesses make payments, what businesses might use cash for and reasons for using cash for business expenditure



100%

## Small businesses overall estimate that the highest proportion of their business expenditure is made by bank transfer



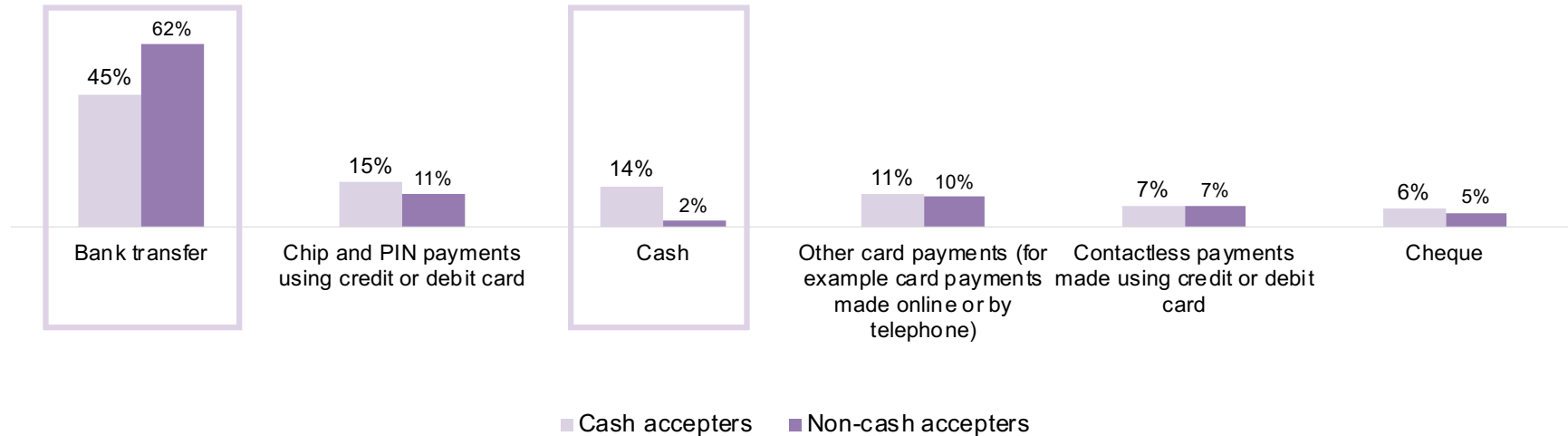
- On average, bank transfer accounts for an estimated 53% of business expenditure
- On average, cash only accounts for an estimated 9% of business expenditure



54%

## Cash accepters use cash for a higher proportion of their average expenditure than non-cash accepters

Showing average estimated proportion of business expenditure made using each payment method



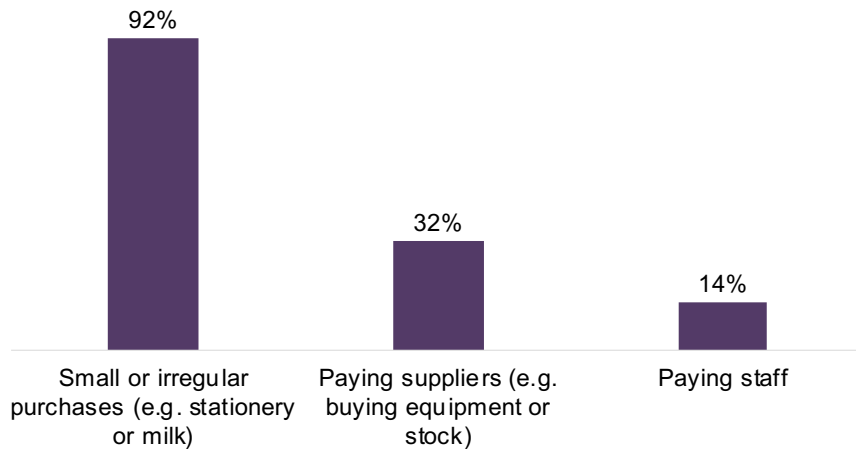
- Bank transfer accounts for the highest estimated proportion of the expenditure of cash accepters (45%), but this is lower than the proportion of non-cash accepters (62%)
- 22% of non-cash accepters make payments by cash, but estimate that this accounts for only 2% of their expenditure



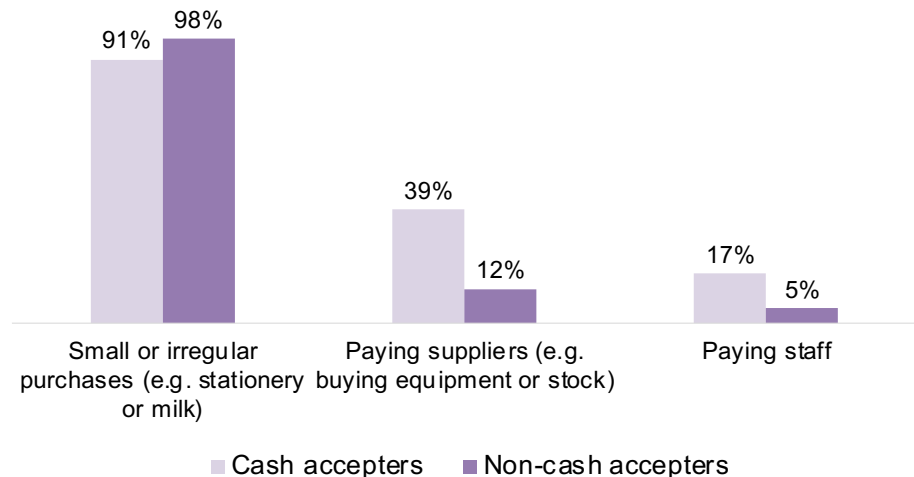
100%

## Cash is most likely to be used to purchase smaller items, with cash accepters more likely to pay suppliers or staff in cash

Showing percentage of small businesses making the following purchases using cash



Showing percentage of cash accepters / non-cash accepters making the following purchases using cash



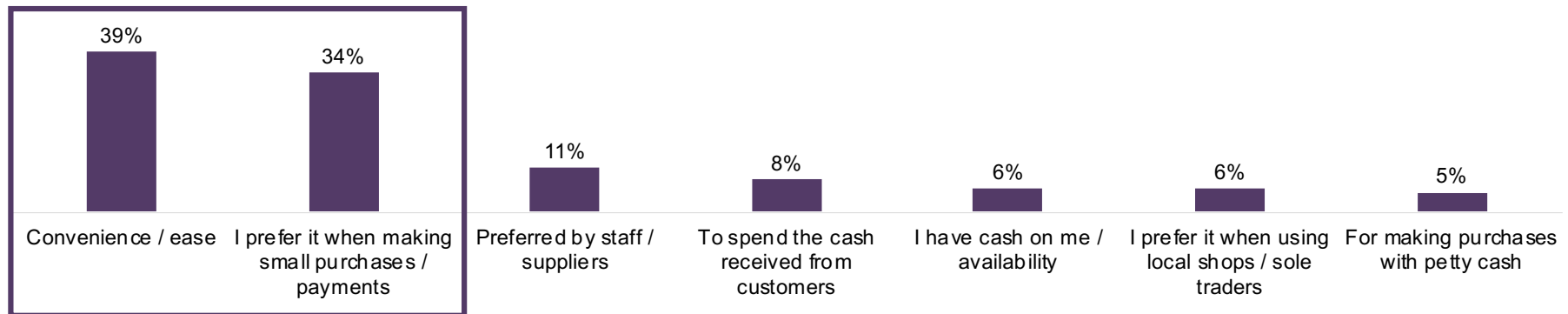
- The majority (92%) of small businesses who make payments in cash are using it for small or irregular purchases, with around a third (32%) using it to pay suppliers



100%

## Small businesses' reasons for using cash are similar to consumers': convenience and for making small purchases

Showing percentage of reasons why businesses make cash payments



- Like consumers, small businesses making payments in cash see it as convenient (39%) and appropriate for small purchases (34%)
  - This could explain why a proportion (22%) of non-cash accepters are making *any* payment in cash: they are behaving more like consumers than like a small business
- Fewer businesses cite supplier or staff preference (11%) as a reason to make cash payments

In the focus groups, small business owners describe how they 'never switch off': their businesses lives often overlap with their personal lives, which explains why the payments they make as a business are in line with consumer behaviour

## Summary: Using cash for payments

### Some business expenditure in cash across all businesses

- Business expenditure is predominantly via bank transfer (35%) whereas an average of 9% of expenditure is made by cash
- Cash accepters use cash for more of their outgoings (14%); 2% of businesses that do not accept cash make payments in cash

### Cash for small purchases

- Cash most likely to be used by small businesses to purchase smaller items (92%)

### Echoing consumer patterns

- Reasons for using cash are similar to consumers – it is more convenient for small purchases



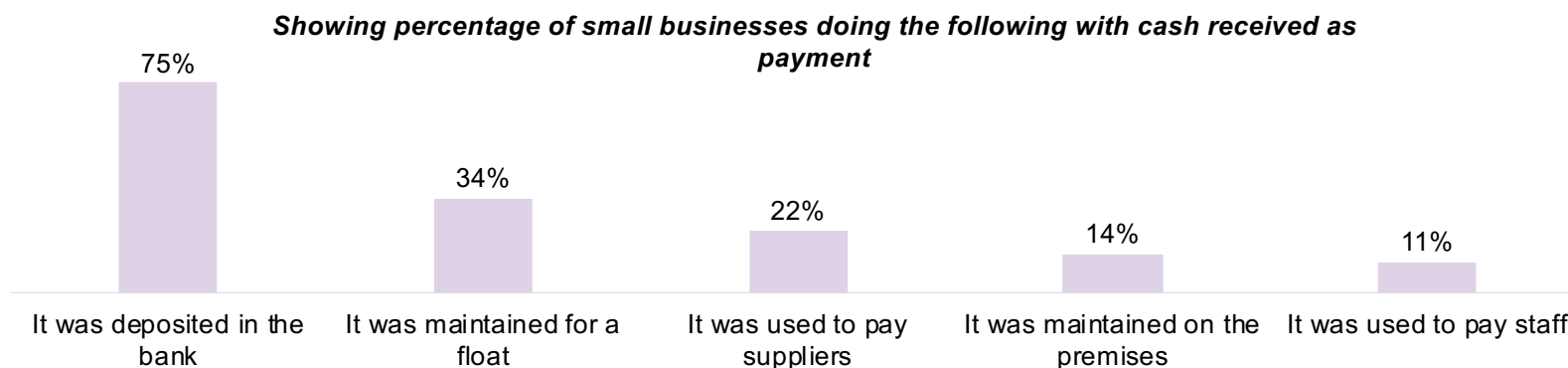
# 15 Small businesses: How cash payments are processed

- This section explores what happens to cash within a small business, looking specifically at depositing behaviour



54%

## Three quarters (75%) of cash accepters deposited the cash they received from customers in the past month



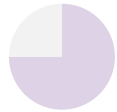
- Though much is deposited, cash is commonly recycled through the business, e.g. to pay staff or suppliers
  - It feels sensible to use cash they have accepted for these payments: it saves the security risk of having too much cash at once or the hassle of having to deposit it too often
  - Some suppliers either only take cash or prefer cash
  - Those that pay staff in cash also assume that they prefer wages in cash

*“To pay cash into the bank, it costs you money, we tend to use the cash to pay for supplies, wages, things like that. Then what goes into the bank from card and bank transfers pays other wages, pays for supplies, overheads, that kind of thing.”*

Cash acceptor, Walsall

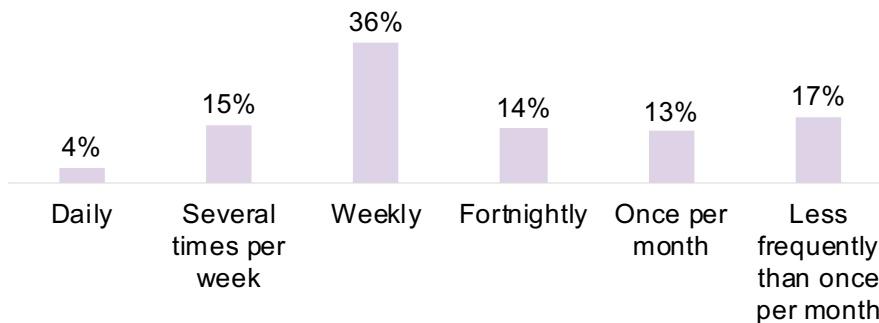


54%

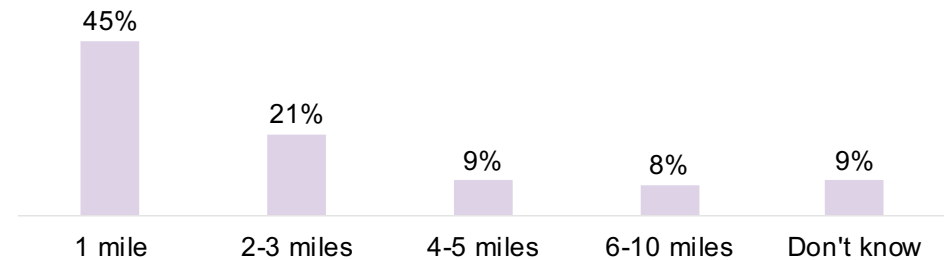


## Those who deposit tend to do so frequently and tend to travel a couple of miles to do so

*How regularly small businesses deposited cash*



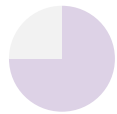
*How far they travelled to deposit cash*



- 55% of cash accepters deposit cash regularly (weekly or more)
  - Very few cash accepters deposited daily (4%)
- Most have travelled less than 5 miles to deposit (78%)
  - 9% of cash accepters don't know how far they travelled, suggesting that distance is not front of mind



54%



## Although depositing is not always seen as a burden, some encounter problems

- Cash accepters tend to have a ‘tipping point’ – an amount which causes them to go to the bank
  - Correspondingly, businesses with a higher turnover are more likely to have deposited cash: 85% of those with avg. turnover of >£500k compared to 67% of <£20k
- Travelling is often part of the ‘routine’ or combined with other errands in town
  - But for those that are travelling further, or who have felt the impact of bank branch closures, it can feel like a burden
- Some encounter problems when depositing
  - Being forced to use the automated machines in the bank - they are seen as unreliable and slow, and prone to error
  - Queues
  - Fees are disliked by those that do pay

*“Anything over £500, £600 I’d make an effort to go to the bank.”*  
Cash acceptor, London

*“We take most of our payments on a Sunday. So if it’s been particularly busy, I’ll stay up that evening and get it all sorted. Then, the first thing I do on the Monday is go to the bank. Though that’s after a big pay day, during the week I’ll just do it if I’m on my way past the bank.”*  
Cash acceptor, Leeds



54%



## There are benefits to not depositing: in terms of reducing the burden and providing flexibility in tax reporting

- Though many cash accepters deposit regularly, a quarter did not deposit in the past month (25%)
  - 50% of businesses in rural locations did not deposit cash in the past month
- Reasons for not depositing include:
  - Perceived burden or 'hassle', especially in light of bank branch closures
  - Fees can be off-putting, especially when there are minimal benefits to banking cash e.g. no interest
  - Flexibility in tax reporting / lack of paper trail
- For those with a less formal business structure, there is a blurred boundary between 'business money' and 'personal money' – cash may be taken as wages
  - 30% of sole traders did not deposit, compared to just 14% of businesses with 11-50 employees

*"Having to go to the bank: we have to cash up at the end of every day, pay that in, it's at least an hour out of my day every day, it's annoying."*

Cash acceptor, London

*"It's easier to keep cash around than just going to the bank and depositing it. We put it into a pot so if we need to pay for something we've got cash for it."*

Cash acceptor, Honiton

*"How honest are we being? Cash is easy to skim off the top. All of my associates who have cafes like to skim off the top."*

Cash acceptor, Leeds



54%

## Cash accepters do not see processing and depositing cash as a straightforward cost to their business

- The costs of processing cash are less visible than other payment methods
  - Card transactions appear as a fee on their statement, whereas businesses do not always pay fees to deposit cash
- Cash accepters are aware that processing and depositing cash takes more of their time
  - Some see this less in financial terms than according to how much 'hassle' it causes them
- As the business owner is often the person counting money and making deposits, they are less likely to regard this in terms of an hourly rate

*"We count it by hand. If it's tens of thousands I might need a machine but sadly I don't have that problem."*  
Cash acceptor, London

Ultimately, the sense of 'hassle' associated with depositing cash is not an obstacle for those that are regularly depositing because it is regarded as an integral part of their business, but it is a reason why some choose to recycle cash through their business rather than deposit it

## Summary: How cash payments are processed

### The majority deposit cash

- The majority of cash accepters have deposited cash in the past month (75%)
- There tends to be a tipping point at which business owners deposit cash, to avoid the security risk of having a large amount of cash

### Difficulties and reasons for not depositing

- Those that deposit do not always see it as a burden (it is built into their routine), yet they dislike and may avoid automated banking services
- However, the hassle of depositing is a reason for some small businesses to avoid it – preferring to recycle cash through their business, as well as the ability to be flexible in tax reporting and cover cash outgoings

### Difficult to calculate the cost of processing cash

- Small business owners often struggle to see the time-costs to their business of processing cash
- There is mixed awareness of deposit fees

# 16 Small businesses: Future of payments

- This section explores small business attitudes to payment methods in the future
- We report feedback on possible options to protect cash depositing services



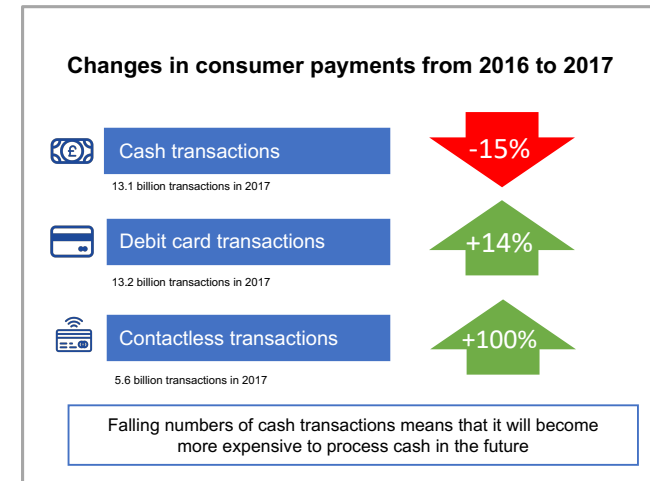


54%

## As with consumers, cash accepters are keenly aware of the declining use of cash

- Cash accepters have experienced increasing demand for card (including contactless) payments and online purchases
- When thinking about the future, small business owners are concerned about keeping up with consumers' preferences
  - But those whose customers frequently pay in cash feel more strongly that things will not change drastically: there will *always* be people using cash, so they will always accept it
- Cash accepters' main concerns about reduction of cash centre on:
  - Increased cost to their business for digital transactions
  - Impact on older customers who prefer cash
  - Branch closures making it difficult to deposit cash taken

We showed contextual information to cash accepters:



*"People have got card much more now than cash ... and obviously the younger generation is all just contactless and Apple Pay... It's changed massively."*

Cash acceptor, Neath



54%

## And are similarly cynical when faced with the cost of the cash network

*We showed contextual information to cash accepters:*

### Costs of accepting cash payments

*It costs banks money to process cash deposits:*

- Counting, transporting and recycling cash back to customers
- Some of these costs are passed onto their business customers through fees or business account charges
- Some costs are also charged directly when depositing cash, e.g.:
  - 50p-£1 per £100 deposited
  - 1% of value deposited

*It can also cost businesses to accept cash payments:*



#### Staff time

- Counting, processing and transporting cash
- Having to travel further due to bank branch closures



#### Security

- Safes, locked tills and secure places to store cash
- Insurance costs for storing cash and transporting it

*“There'll be cost savings [with reduction of cash], but only to the bank, not to us.”*

Cash acceptor, Cookstown

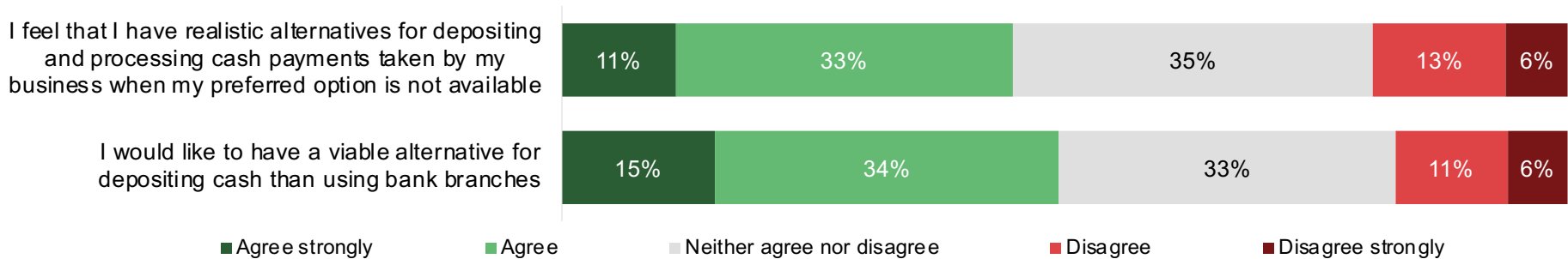
- As with consumers, information about inefficiencies or the cost of providing and processing cash is met unsympathetically and drives cynicism towards banks
- There is scepticism about reducing cash deposit services and/or charging for them because:
  - Some feel it is already being paid for by business banking fees
  - A reduction in services provided by banks is already noticeable and expected to continue e.g. branch closures and fewer staff
  - It is not clear the extent to which banks may pass savings back to customers



54%

# Cash accepters are also disengaged with how changes to the cash network might affect them

Agreement and disagreement on the following statements regarding the future of ATMs



- **There is some indifference to the idea of having alternatives for depositing and processing cash:** Over a third of cash accepters neither agree nor disagree that they have realistic alternatives (35%) or would like to have alternatives (33%)
  - **Strong status quo bias:** cash accepters *have not thought about* and do not recognise the rationale for having alternatives

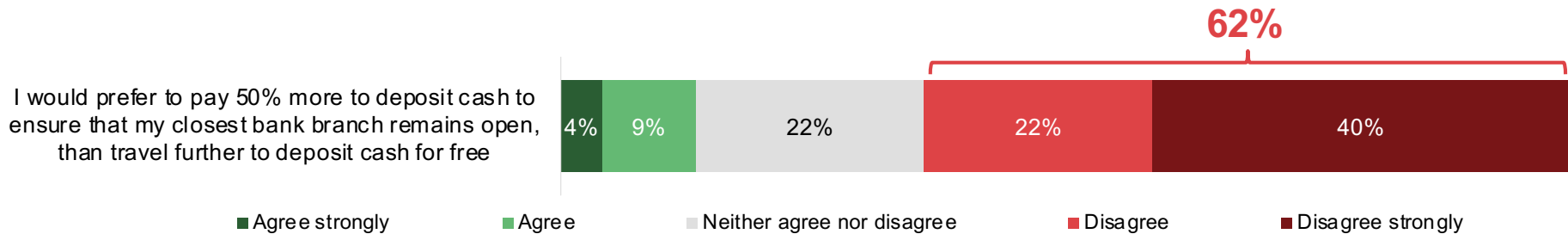
*“The minimum we’d all want is what we currently get from banks: close, secure, and not too high charges.”*  
Cash acceptor, Leeds



54%

## The idea of paying more to deposit cash is rejected by a majority of cash accepters (62%)

Agreement and disagreement on the following statements regarding the future of ATMs



- Because some are not paying to deposit cash, there is a lot of push back against the idea of introducing fees
- Those already paying fees resent the idea of paying more, especially when they perceive that banks have already significantly reduced their services in recent years, e.g. bank branch closures, fewer staff in branches
- Some are concerned that fees would have to be passed onto customers through higher prices

*"It's unacceptable. I can't tell customers I'm charging a fee for cash, you hear about it for card but never cash!"*  
Cash acceptor, London



54%

## The diverse landscape of small businesses makes it difficult to gauge what level of fees might seem reasonable

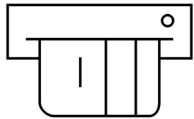
- In the context of varying levels of fees being paid currently, cash accepters react differently to the idea of paying fees
  - Those who don't currently pay fees are unaware of what rates are
  - Some are indifferent as they don't deposit, or feel that they will continue to be 'under the threshold' as they deposit a small amount of cash
  - Those that deposit regularly are slightly more accepting of a small fee, e.g. <1%, if it means their service can continue uninterrupted
- Varying levels of card fees being paid add another layer of complexity
  - There is a sense that fees for card payments are felt to be unreasonably high and that there is an expectation for cash deposit fees to be lower than card
  - But it is unclear whether perceptions of fees for cash would be different if fees for card were lower

*"Banks make a huge amount of money from lending money, they shouldn't be passing extra costs on to us."*  
Cash acceptor,  
Leeds



54%

## We showed cash accepters some information on possible options for the future of depositing cash:



Third parties may offer generic high-street banking facilities, such as a 'hub branch', where business customers could pay in cash regardless of which particular bank they use

Most popular

### *The "Microbranch"*

Businesses could make deposits using 'smart ATMs' in secure locations, with deposit, withdrawal and other services available 24 hours a day

Mixed response

*Cashback  
available  
here*

Banks could pay businesses a small fee (e.g. 20-25p per transaction) to offer their customers cashback. Those businesses will therefore need to deposit less cash

Mixed response



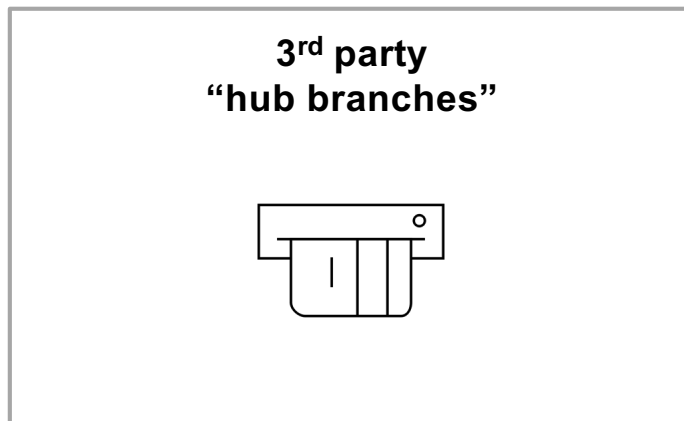
Businesses could purchase or hire their own deposit boxes to have on their premises – where any cash fed in would be instantly credited to the business account and collected by a third party

Least popular



54%

## “Hub branches” which cater for all providers are a popular option, if staffed, central and in proportion to population



*“I like this idea because you’d be giving your money to a human. It could work if there were 2-3 here.”*

Cash acceptor, Cookstown

- Cash accepters favour this option for its convenience and efficiency
  - It is felt to be a logical solution in the face of bank branch closures
- Participants note the importance of having hub branches being staffed to ensure trust in the service (if things go wrong) as well as the need for opening hours to extend beyond shop hours
- A minimum requirement for these is felt to be sensible, e.g. one per town/village, or an appropriate number based on population and usage figures in urban areas



54%

## The idea of Smart ATMs is received with some caution, but distrust could be assuaged by placing them in secure, familiar locations

### Microbranches / Smart 24/7 ATMs

### *The "Microbranch"*

*"These are less secure. You're less likely to put all your cash in at one go. It couldn't be in a back street!"*

Cash acceptor, Neath

- Cash acceptors begrudgingly accept that smart ATMs could be a potential solution if branches continue to close
- Yet regarded as similar to the automated machines in bank branches: mistrust of machines over humans and concerns about technical faults
- Widespread concern about security risks in depositing large amounts of cash into a machine on the street
- Some suggest that placing them in familiar, popular places could make depositing safer, e.g. supermarkets





54%

## The added responsibility and hassles of offering cashback are felt to outweigh the potential benefits

**Cashback to consumers to reduce cash carried**

*Cashback available here*

*"It's just too much responsibility, you're running a side business."*  
Cash acceptor, Leeds

- Some small business owners can see the benefits in reducing the amount and frequency with which they would need to deposit. They also appreciate the potential for earning via small fees on withdrawals
- However, some also reject the idea of offering a secondary service which would be a distraction from their main business
- There are also concerns around having enough cash to satisfy all customers, losing customers due to longer queues / slower transactions and the potential for fraud
- In addition, not all small businesses accept card payments, so it is not felt to be an option



54%

## Deposit boxes are seen as a potential solution for rural areas, but costs and security were question marks

### Individual deposit boxes



*"Sounds expensive. You're going to have to have two people to pick it up."*  
Cash acceptor, London

- There is initial confusion amongst small businesses over who would be responsible for the safety of the money once deposited on-site
  - Even after realising that the responsibility would belong to a third party, security concerns remain, e.g. break-ins
- The main other concern is the potential expense, in picking up and transporting the cash
  - Assumed to be high, particularly in comparison to the amount of cash these businesses are taking
- If these points were satisfactorily met, a few small businesses felt deposit boxes could be a solution – particularly for small businesses in remote, rural areas where banks may not be accessible in future
- However cash accepters are put off by the idea of an automated machine in which to deposit cash



54%

## Changes in customer demand are likely to have more impact on small businesses than changes to how they deposit cash

**Cash accepters feel they would change their offering if customer demand was high enough**

**Cash accepters feel that if a high proportion of their customers struggled to access cash and requested to pay by card (or other payments) more often, they would adapt their payment offering**

- And this has played out in recent years for some small businesses, who have introduced card machines (chip and PIN and contactless) in response to customer demand

**Conversely, changes to cash depositing are seen as less important to their offering**

**Cash accepters feel resigned to changes to cash depositing**

- Whilst fewer options for depositing cash are not welcome, many assume they will adapt to changes, e.g. depositing via a personal bank account or recycling more cash through the business

**However, these changes are not seen as drastic enough to push them to stop accepting cash**

- Most feel the value of the business they would lose by no longer offering cash is greater than the loss they will incur as a result of changes to cash depositing

*"I can't see us being non-cash at all."*

Cash acceptor, Neath

*"It always seems the smaller businesses are penalised with all these initiatives."*

Cash acceptor, Cookstown

## Summary: Future of payments

### Increased costs are not accepted

- Cash accepters push back on the idea of increased costs being passed on to them, and are sensitive to any increased pressure on their margins. While hard to ascertain the right level, it is expected to be comparatively lower than card fees
- 61% say they would not prefer to pay 50% more than to travel further to deposit cash for free

### Hubs are most acceptable future option

- Hub branches delivered by third parties are the most popular future option, with acceptance increasing if these are staffed, as automated machines are currently disliked
- Cash accepters are sensitive to any option that they see as a security risk, and few could see cash-back being a viable option for their business

### Customer preference is a stronger driver of behaviour change

- Customer preference is a stronger driver of behaviour than changes to how cash is processed – businesses think they will continue to respond to customer needs around cash
- Nevertheless, small businesses may start to recycle more cash through the business in response to cash depositing becoming more difficult (which can have implications for taxes being paid)

# Thank you

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