

# The PSR's research into cash access, use and acceptance

Summary of roundtable  
discussion and responses  
to the PSR's Call for Views  
CP19/6

March 2020

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Names of individuals and information that may indirectly identify individuals have been redacted.

PSR roundtable on

Access to Cash

Understanding how people use and  
access cash

10/03/2020

## Introduction

1. It's important that we all have a good choice of how to make payments, in ways that work for everyone. While there has been a significant ongoing shift in the UK towards digital payments, being able to pay in cash remains important.
2. Our overall objective is to support good cash access which meets the needs of consumers.
3. Understanding how people use and access their cash – now and in the future – is crucial in helping us to understand the extent to which industry is meeting consumers' cash needs, and to inform policy decisions around cash and access to cash.
4. It's essential that regulators and industry work together to develop a suitable longer- term framework for cash. We have been taking that work forward, along with industry and the Treasury established JACS group. This work will allow us all to manage the cash transition in a way that works for consumers and the UK economy.
5. An update on the work of the JACS group will be published in the coming weeks, providing further detail on the work that is being done.
6. In the first quarter of 2019 we commissioned BritainThinks to undertake research on our behalf looking at how people and small businesses access, use and process cash. This built on evidence already available<sup>1</sup>. On 24 July 2019, we published the findings of our research and a Call for Views<sup>2</sup> seeking feedback on the insights and aspects that arose, or might not have been captured, in our research.
7. Having taken into account the feedback we received, on 9 October 2019, we invited stakeholders to attend a roundtable discussion on our further thinking about understanding people's cash needs and how they are being met now and in the future. Responses to our Call for Views are published after this roundtable summary.
8. We would like to thank all those who responded to our Call for Views, and those that took the time to participate in the roundtable.
9. This publication provides a summary of a discussion of the roundtable, which was held under the Chatham House rules, which means that comments have been anonymised.
10. The summary is set out in three sections based on the topics covered at the event:
  - a high-level summary of the feedback on insights from our BritainThinks research and in responses to our Call for Views
  - a discussion tracking outcomes, i.e. exploring the best way to measure and track consumer outcomes in relation to access to cash
  - a discussion on effective local community engagement.

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<sup>1</sup> Such as the Access to Cash Review Final Report (March 2019): <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf>

<sup>2</sup> <https://www.psr.org.uk/psr-publications/consultations/cp196-call-for-views-psr-research-cash-access>



# Attendees

Attendees at the event represented the following organisations:

Access to Cash Panel member  
Association of Convenience Stores (ACS)  
ATMIA  
Barclays  
BRC  
Cambria Cydfuddiannol (Co-Operative Society)  
Cardtronics  
CBI  
Consumer Panel  
Federation of Small Businesses  
HSBC  
Institute and Faculty of Actuaries  
LINK  
Lloyds  
Mastercard  
Money Advice Trust  
National Federation of Subpostmasters  
Nationwide  
New City Agenda  
NoteMachine  
PayPoint  
Post Office  
Optima Consultancy  
RBS  
Sainsbury's Bank  
Scottish Grocer's Federation  
The Money Charity  
UK Finance  
Visa  
Vocalink  
Which?

Bank of England  
Competition and Markets Authority  
Department for Work and Pensions  
Financial Conduct Authority  
Her Majesty's Treasury  
Payment Systems Regulator

# Summary of Session 1: Feedback on insights from our research and in response to our Call for Views

## Key takeaway

Consumers' preference for cash varied according to who they are and where they live.

11. The PSR opened the event, welcoming attendees, and gave a high-level summary of recent significant developments about access to cash, such as new industry initiatives on local engagement and developments in the Post Office Banking Framework negotiations.
12. Our first session included a brief overview of the key insights from our BritainThinks research:
  - while the number of people identified as wholly dependent on cash was small, cash was still used regularly by more than 80% of the respondents.
  - most people fall within two distinct – though broad – groups of people: i) those dependent on cash for all, or a majority of their transactions and could be most harmed by a deterioration in cash access; and ii) those that use a mixture of cash and non-cash payment methods, but use cash occasionally.
13. Many stakeholders in their responses to our Call for Views noted this distinction is useful when thinking about access to cash.
14. We then provided highlights from our stakeholders' responses based on three broad questions posed in our Call for Views.
15. In question 1 we asked whether there were any key insights arising from our BritainThinks research that were not captured in our analysis:
  - Many agreed the research provided valuable, robust evidence and useful additional insights that help inform the debate on cash access.
  - Some felt there were areas where the research could have gone further, such as getting a clearer understanding of the relative cost of cash and electronic payments, and the issues for consumers and society in going cashless.
16. In question 2 we asked whether they agreed with the prediction that a small number of consumers may be wholly reliant on cash, and that, whilst most consumers prefer digital, a majority of people will continue to use cash for certain transactions:
  - Some queried the finding that only 1% of people are wholly dependent on cash. They noted there are important complex factors (e.g. an individual's characteristics and location) which may affect when and how they use and access cash. These factors could drive future changes in preferences.

17. In question 3 we asked which cash access options might become more important in the future and how these alternatives can be made more acceptable to consumers.
- There was a range of views on this, with no clear consensus, but responses indicated that how people prefer to access their cash depends on a range of complex interdependent factors which can change over time.

## Summary of Session 2: Discussion on tracking consumer outcomes

### Key takeaway

Consumer outcomes, not the number of ATMs, is the most important factor. There should be a clear way of tracking these outcomes.

18. We gave a short introduction, noting that insights from our BritainThinks research and responses to our Call for Views indicate the importance of identifying good outcomes for consumers – that is, metrics that capture the consumers' experience with accessing cash and how this changes over time. While there are a wide range of data in relation to cash – e.g. the number of cash withdrawals and the number of ATMs – these may not give the best insight into whether consumers find it easy and convenient to access cash.
19. In this session, we posed the following questions:
- What data/metrics best capture consumers' experiences of access to cash, and whether it meets their needs?
  - What data/metrics can best capture changes in the use of cash over time, particularly changes across different consumer groups?
20. Many supported focusing on consumer outcomes. Some referred to the PSR's BritainThinks research as a useful metric to understand consumer outcomes, but that context is also important.
21. Some points were raised about using surveys and the methodology used in the BritainThinks research, specifically:
- While a survey can give an overview, care needs to be taken in how it is conducted as it may not capture certain people in society that are likely to be more dependent on cash – e.g. the digitally excluded or financially deprived - so their views could be underrepresented.
  - Some noted that the research did not survey people under 18, but they also use and access cash.
  - Some participants cautioned about relying heavily on the findings for sub- categories (age, income, etc.) as these could have a larger margin for error.

22. Many agreed that measuring the number of cash access points does not give a complete picture of whether there are good consumer outcomes. Several noted that the geographic spread of ATMs is a more valuable metric than the total number of ATMs, but that the optimal spread is difficult to define. Other factors noted as important to consider were demographic coverage, digital exclusion and vulnerabilities (see paragraph 15), distance from access points and different tolerances for consumers (e.g. people in rural areas might accept slightly more inconvenience than people living in urban areas), and that fact that these will likely change over time
23. Many attendees noted that it is important to consider other ways of accessing cash beyond ATMs, and that the Post Office provides a valuable way for people to access to cash.
24. Several participants noted that consumer behaviour was not static and could change as a result of the reduction in ATMs, which should be taken into account when looking at data on ATMs and cash withdrawals. Some examples included:
- The recent change in consumer behaviour to withdrawing higher values of cash and withdrawing cash more often at the start and end of the week, suggesting people are taking out larger amounts of money to last the week.
  - People may start withdrawing money in anticipation of need rather than when they actually need it.
25. There was discussion on vulnerability, how it impacts people's need for cash, how it has several dimensions and is complex in relation to cash access. Some examples given of vulnerability in relation to cash were: the elderly, people with long-term health conditions and the financially deprived. Some also noted that it was important to consider access to cash issues for the unbanked.
26. Several stakeholders cautioned that it will be difficult to collect and analyse data for every type of person and circumstance. Several people recognised the benefit of local community engagement to help identify areas where people – at an individual level – are having issues (discussed in session 3).
27. Several attendees highlighted that consideration of consumer outcomes should not just focus on people's ability to access cash. Generally, people access cash because they need, or want to use it to buy things, so cash acceptance is an important factor in terms of cash remaining a choice of payment method.
28. There was also discussion around the long-term future of cash and whether access to cash should be considered an essential service, similar to access to utility services.

# Summary of Session 3: Discussion on effective local community engagement

## Key takeaway

Along with tracking consumer outcomes, people agreed there needs to be a “bottom-up” approach to local engagement to make sure it works for everyone.

29. The PSR gave a short introduction about the value of local community engagement in helping reveal information about the specific varying needs of different communities, how well existing policies and measures are working to meet consumers’ needs, and what more might be needed to help.
30. LINK<sup>3</sup> and UK Finance<sup>4</sup> gave a brief outline of each of their local community engagement initiatives where people can set out their cash access issues and apply for ATM and non-ATM solutions, respectively.
31. We then led a discussion on how local engagement should be structured to deliver benefits and views on the schemes industry is introducing. There was general support for these approaches. Comments from participants on the schemes and suggestions for ways to build on these included:
  - Making sure the schemes are widely publicised and communicated, particularly to MPs and MSPs. It is important to consider how to reach ‘disengaged’ people to make them aware of these schemes;
  - Local retailers could help flag community needs (and more quickly than MPs) so engaging with trade organisations could be useful;
  - As well as inviting communities to make applications, providers could proactively identify locations that might have needs and reach out to them;
  - Industry could consider backing these types of schemes, as that could improve local footprint and knowledge;
  - Support for testing solutions - like temporary ATMs – to help understand the impact of solutions on local communities; and
  - That trials and tests of non-ATM solutions would be useful – the schemes should not focus only on ATMs as these may not be possible solutions in certain cases.

<sup>3</sup> <https://www.link.co.uk/about/news/link-community-support/>

<sup>4</sup> <https://www.ukfinance.org.uk/press/press-releases/uk-banking-and-finance-industry-update-local-access-cash>

## Next steps

32. In addition to our BritainThinks research and Call for Views to understand people's cash use and access, we held a roundtable discussion with stakeholders on 26 July 2019 on the structure of the LINK interchange fees<sup>5</sup>, which followed our Call for Views<sup>6</sup> on the same topic that we published 6 June 2019.
33. We have been carefully considering the information we received from both these Call for Views – and the feedback provided has been taken into consideration when we have been looking at what our key priorities on this important subject will be.

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<sup>5</sup> <https://www.psr.org.uk/psr-publications/policy-statements/cp19-5-responses-to-LINK-interchange-fees-discussion-paper-and-summary-of-roundtable>

<sup>6</sup> <https://www.psr.org.uk/psr-publications/consultations/cp195-Call-for-views-Review-of-the-structure-of-LINK-interchange-fees>

# Association of Convenience Stores

## **ACS Submission: PSR Research into Cash Access, Use and Acceptance**

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to the Payment Systems Regulator research into cash access, use and acceptance. ACS represents 33,500 local shops and petrol forecourts including Co-op, McColls, BP and thousands of independent retailers, many of which trade under brands such as Spar, Nisa and Costcutter. Further information about ACS is available at Annex A.

The Britain Thinks research commissioned by the Payment Systems Regulator clearly demonstrates that consumers value cash. The research shows that ‘the majority of consumers use cash regularly’, with 83% of consumers using a free-to-use (FTU) ATM within the past month and 67% of consumers using cash more than once in the past week<sup>1</sup>. Beyond cash use, cash is still preferred by one-in-four (28%) consumers and, even amongst consumers who prefer cards, 52% have used cash in the past month because the payee only accepted cash<sup>2</sup>. FTU ATMs are overwhelmingly the preferred method to access cash, and younger consumers (aged 18 – 24) are bucking the trend of declining preference for cash out of a desire for financial control<sup>3</sup>.

We are concerned that the sample for the business survey is too focused on non-consumer facing businesses who are less likely to use cash. Sampling for the business survey should have focused on businesses that engage with consumers, trading on high streets and local shopping parades, for example those services deemed most essential by consumers through the ACS Community Barometer<sup>4</sup>.

The ACS Community Barometer research ranks convenience stores as the third most essential local service for consumers, and retailers are investing in contactless (in 80% of stores) and mobile (63%) payments to meet demands<sup>5</sup>. However, cash remains the dominant payment method, used in 76% of local shop transactions according to consumers<sup>6</sup>. This long-term preference for cash had encouraged retailers to take on ATMs as banks withdrew branches and their associated ATM facilities – a FTU ATM was available in 46% of stores in July 2018<sup>7</sup>.

ATM provision in the sector is now dramatically changing as a direct result of reductions in LINK interchange fees, forcing ATM operators to convert considerable proportions of their FTU ATM estate hosted in independent retailers’ stores to pay-to-use (PTU). Reductions in interchange fees are reducing banking costs to the detriment of consumers and national payments infrastructure. We urge the Regulator to use its research to ensure retailers are not left to subsidise the network; by requiring LINK to set interchange fees at rates accounting for retailer and operator costs and properly enforce the Financial Inclusion Programme.

**For more information on this submission, please contact** [REDACTED]

<sup>1</sup> Britain Thinks. [Access to cash research with consumers and small businesses](#) July 2019.

<sup>2</sup> Britain Thinks. [Access to cash research with consumers and small businesses](#) July 2019.

<sup>3</sup> Britain Thinks. [Access to cash research with consumers and small businesses](#) July 2019.

<sup>4</sup> ACS Community Barometer 2019

<sup>5</sup> ACS Local Shop Report 2018

<sup>6</sup> ACS Local Shop Report 2018

<sup>7</sup> ACS Local Shop Report 2018



## **Q1) Do you think there are key insights arising from the research or key aspects of consumers' needs for cash that are not captured by this research?**

We recognise the key findings of the consumer research, that consumers; use cash often, prefer FTU ATMs to PTU ATMs even when they have to travel slightly further, and value the choice to use cash. The Britain Thinks research adds to the now widespread agreement and evidence on the importance of cash, after the Access to Cash Review found that 17% of the UK population would 'struggle to cope' in a cashless society, which would also present 'real challenges' for 25 million people, showing the value of cash beyond disadvantaged socioeconomic groups<sup>8</sup>.

One-in-three (29%) businesses surveyed conduct business-to-business transactions only, making them unlikely to use cash<sup>9</sup>. We believe that the sampling for the business survey should have aimed to provide a greater picture about the importance of cash to businesses that serve consumers directly, for example those trading on high streets and local shopping parades where consumers are most likely to want to use cash. ACS' Community Barometer shows which services are rated most essential by consumers, many of which are more likely to rely on cash payments<sup>10</sup>.

Cash remains the primary payment method used in convenience stores and three-quarters (76%) of consumers indicate they paid using cash after visiting their local shop<sup>11</sup>. This reflects the low average store spend (£6.50) and the high cost of processing card payments for low value transactions causing 35% of stores to implement minimum spend policies for card payments<sup>12</sup>. Convenience stores provide access to cash through a variety of methods including cashback (58%), FTU ATMs (46%), Post Office counters (23%) and PTU ATMs (16%)<sup>13</sup>. Retailers typically recycle cash through business deposits at Post Office branches, directly to bank branches, by paying some suppliers or wholesalers in cash and in limited cases, self-filling an ATM.

Cuts to interchange fees had forced retailers to review their ATM offer; either to retain their ATM at a loss, switch from FTU to PTU, or remove their machines completely. These decisions are now being taken out of many independent retailers' hands as leading ATM operators switch machines from FTU to PTU as a direct result of interchange fee cuts. Two-thirds (63%) of convenience retailers trade from rural or suburban locations, meaning these interchange fee cuts are disproportionately affecting ATMs in secondary locations, not the target clusters of ATMs in urban locations. The Britain Thinks research also indicates that rural consumers are more likely to have to travel out of their way to access cash, despite the Regulator's previous statement that 'whether consumers need to travel out of their way to access cash' is a key indicator for the suitability of ATM provisions<sup>14</sup>.

ACS recognises the wider shift in overall consumer preferences on payment methods and two-thirds (68%) of retailers do not handle more cash in their business than they did five years ago<sup>15</sup>. However, the research does not provide insights into the economic value of cash for local parades and high streets. A Localis survey of 100 key local government stakeholders has demonstrated the value of cash to high streets, finding that 80% believe cash is important or very important to the economic vitality of their local area and three-quarters believe local economic growth would suffer if access to

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<sup>8</sup> Access to Cash Review. [Access to Cash Review: Final Report](#) March 2019.

<sup>9</sup> Britain Thinks. [Access to cash research with consumers and small businesses](#) July 2019.

<sup>10</sup> ACS Community Barometer 2019

<sup>11</sup> ACS Local Shop Report 2018

<sup>12</sup> ACS Voice of Local Shops Survey: February 2018

<sup>13</sup> ACS Local Shop Report 2018

<sup>14</sup> Payment Systems Regulator. [Considering the incentives to deploy free-to-use ATMs in the LINK network](#). June 2019.

<sup>15</sup> ACS Voice of Local Shops Survey: May 2018

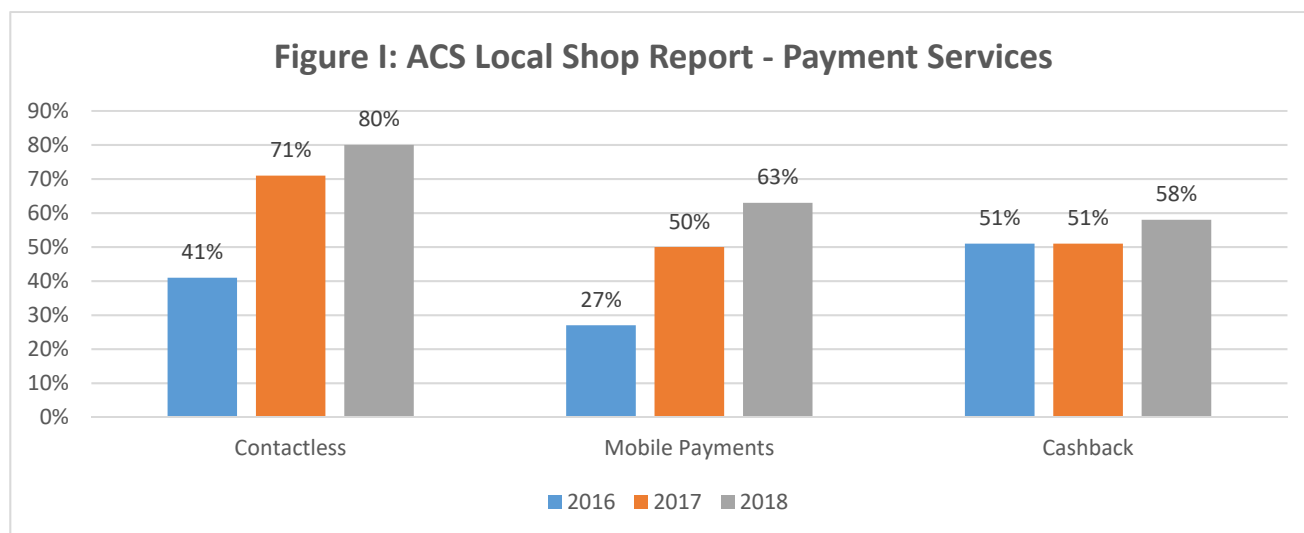
cash was reduced<sup>16</sup>. Cash also provides a vital backup payment method when digital methods fail, such as after the recent Visa card failure<sup>17</sup>.

This clearly demonstrates the importance of long-term access to cash and underlines why retailers must not be expected to subsidise the ATM network. Consumers agree that banks should provide the funding to sustain the FTU ATM network<sup>18</sup> and LINK has committed to review the impact of its July 2018 and January 2019 cuts to interchange fees before implementing further reductions<sup>19</sup>. The Payment Systems Regulator must proactively work with LINK to ensure interchange fees are set at a level which accounts for the operating costs and commercial viability of hosting an ATM to prevent gaps in provision.

**Q2) Do you agree with the emerging theme that the number of people wholly reliant on cash is small whilst a significant number of consumers prefer digital payments although many of these also continue to use cash for certain transactions? How do you think this may change in the future?**

The number of people wholly reliant on cash remains sizeable and changes to payments systems infrastructure should not adversely affect their financial inclusion. The House of Lords Financial Exclusion Committee found that there are more than 1.7 million<sup>20</sup> people living without a bank account, while around half of people with a basic bank account choose to manage their money in cash<sup>21</sup>. LINK should be able to maintain the FTU ATM infrastructure to meet these demands, especially as the amount of cash in circulation is at record levels with the Bank of England estimating the total value of all notes and coins has now reached £80bn<sup>22</sup>.

Retailers are investing significantly in digital payment methods to respond to consumer demand (see Figure I). This demand from consumers for efficient service means contactless and mobile payments suit the convenience store business model and can speed up transactions for retailers.



<sup>16</sup> Localis? [Is Cash King? Examining the Importance of Cash for Local Communities](#). 23 May 2016

<sup>17</sup> The Guardian. [Visa admits 5m payments failed over a broken switch](#) 19 June 2018

<sup>18</sup> Britain Thinks. [Access to cash research with consumers and small businesses](#) July 2019. Slide 70

<sup>19</sup> LINK. [LINK update to Interchange rate implementation](#) 16 July 2018.

<sup>20</sup> House of Lords Financial Exclusion Committee. [Time to act on 'unacceptable' level of UK financial exclusion](#) 25 March 2017.

<sup>21</sup> <http://www.financialinclusioncommission.org.uk/facts>

<sup>22</sup> Positive Money. [The Future of Cash](#). March 2018.

The increasing use of alternative payment methods and availability of these in convenience stores does not undermine the importance of cash accessibility and cash as a payment method for consumers. Changes to LINK interchange fees are arbitrary and precipitating changes in consumer preferences rather than responding to them. The Access to Cash Review found that cash will remain relevant at least fifteen years into the future. Notably, the benefits of cash, including its tangibility and visibility as identified in the Britain Thinks research, will remain cash-only benefits, and one-in-three (32%) of consumers say they have less control over their expenditure when they use digital payment methods<sup>23</sup>. This supports the Bank of England perspective, which recognises that “demand for cash continues to grow” and “while reliance on cash is less significant than in the past, it is still crucial to everyday life”<sup>24</sup>.

**Q3) 80% of those surveyed prefer free-to-use ATMs over current alternatives. When cash access options which might become more important in future (Post Office, cash delivery, cashback) were put before focus groups, there was still a strong preference for ATMs even if there were to be fewer of them. Do you have views why this might be and what could be done to make alternatives more acceptable to consumers?**

The strong preference for FTU ATMs is driven by their strategic location, privacy and security. The overwhelming majority (98%) of cash withdrawals are carried out at FTU ATMs and retailers are reporting significant pushback from consumers when their cash machine switches from FTU to PTU, even where cashback or Post Office services may be available<sup>25</sup>.

Retailers are reluctant to provide cashback due to the added costs they incur through card acquirer fees, impact on queues and impact on employee productivity by requiring a member of staff on the till, while Post Offices cannot provide sufficient access to cash nationwide. Access to cash should be supplied by a truly national ATM network, paid for through ATM interchange fees and an effectively implemented Financial Inclusion Programme funded by LINK members.

### *Cashback*

Moving to cashback would switch the associated costs with supplying cash access onto retailers from banks, despite limited clarity about when retailers can charge for cashback services after the Payment Services Regulations 2017 took effect. Retailers pay for cashback through their card acquirer fees. Cashback results in higher value transactions through retailer tills and therefore increases these fees for retailers. Consumers may therefore be required to purchase an item to access existing cashback services.

Retailers are unlikely to move to providing cashback only transactions in store without some financial incentive for managing the transaction<sup>26</sup>. Retailers are also working hard to improve productivity to mitigate rising business costs, but the labour demands associated with managing additional cashback transactions would increase employment costs and queuing times.

Cashback would also present further challenges and costs for retailers by increasing the threat of robberies from holding more cash on the premises and increasing insurance premiums. ACS' Crime Report estimates there were almost 12,500 robberies across the sector over the past year, costing

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<sup>23</sup> Cardtronics. [Britain Taking Note: The Value of Cash in UK Wallets](#). January 2018.

<sup>24</sup> Bank of England. [Insights into the future of cash](#) 13 June 2017

<sup>25</sup> <https://www.psr.org.uk/psr-focus/access-to-cash/uks-atm-network>

<sup>26</sup> ACS Voice of Local Shops Survey: February 2018

£466 on average per incident<sup>27</sup>. These incidents occur when offenders know or suspect there is a large amount of cash handled on the premises. Fewer ATMs and more cashback facilities would reduce the security around cash and increase the risk of robberies.

### *Post Offices*

While Post Offices are an important part of the access to cash framework through their Everyday Banking services, they cannot provide a direct replacement for ATMs. Consumers can only access cash through Post Offices during shop opening hours and the Post Office network cannot provide nationwide cash access.

Retailers that host Post Office counters (23% of stores) will handle a higher proportion of cash than other retailers due to the business banking services they offer, whereby businesses can deposit at least £2,000 at a Post Office counter and domestic customers can make cash withdrawals<sup>28</sup>. In 'Local' branches where Post Office services are offered over the counter alongside retail services, cash must be manually transferred from the till to the safe, which can still create risk for the colleague and shop.

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<sup>27</sup> ACS Crime Report 2019

<sup>28</sup> ACS Local Shop Report 2018

## Annex A

### ABOUT ACS

The Association of Convenience Stores lobbies on behalf of over 46,000 convenience stores across mainland UK on public policy issues that affect their businesses. ACS' membership is comprised of a diverse group of retailers, from small independent family businesses running a single store to large multiple convenience retailers running thousands of stores.

Convenience stores trade in a wide variety of locations, meeting the needs of customers from all backgrounds. These locations range from city centres and high streets, suburban areas such as estates and secondary parades, rural villages and isolated areas, as well as on petrol forecourts and at travel points such as airports and train stations.



### WHO WE REPRESENT

#### INDEPENDENT RETAILERS



ACS represents over 19,000 independent retailers, polling them quarterly to hear their views and experiences which are used to feed in to Government policy discussions.

These stores are not affiliated to any group, and are often family businesses with low staff and property costs. Independent forecourt operators are included in this category.

#### SYMBOL GROUPS AND FRANCHISES



ACS represents over 14,000 retailers affiliated with symbol groups. Symbol groups like SPAR, Nisa, Costcutter, Londis, Premier and others provide independent retailers with stock agreements, wholesale deliveries, logistical support and marketing benefits.

Symbol group forecourt operators and franchise providers like One Stop are also included in this category.

#### MULTIPLE AND CO-OPERATIVE BUSINESSES



ACS represents over 12,000 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColls and others.

Unlike symbol group stores, these stores are owned and run centrally by the business. Forecourt multiples and commission operated stores are included in this category.

### THE CONVENIENCE SECTOR



In 2018, the total value of sales in the convenience sector was £39.1bn.

The average spend in a typical convenience store transaction is £6.50.



There are 46,262 convenience stores in mainland UK. 72% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



The convenience sector provides flexible employment for around 365,000 people.

24% of independent/symbol stores employ family members only.



24% of shop owners work more than 70 hours per week, while 19% take no holiday throughout the year.

70% of business owners are first time investors in the sector.



Convenience stores and Post Offices poll as the two services that have the most positive impact on their local area according to consumers and local councillors.

81% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2017 and May 2018, the convenience sector invested over £814m in stores.

The most popular form of investment in stores is refrigeration.

### OUR RESEARCH

ACS polls the views and experiences of the convenience sector regularly to provide up-to-date, robust information on the pressures being faced by retailers of all sizes and ownership types. Our research includes the following regular surveys:

#### ACS VOICE OF LOCAL SHOPS SURVEY

Regular quarterly survey of over 1,200 retailers, split evenly between independent retailers, symbol group retailers and forecourt retailers. The survey consists of tracker questions and a number of questions that differ each time to help inform ACS' policy work.

#### ACS INVESTMENT TRACKER

Regular quarterly survey of over 1,200 independent and symbol retailers which is combined with responses from multiple businesses representing over 3,000 stores.

#### ACS LOCAL SHOP REPORT

Annual survey of over 2,400 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 7,669 stores. The Local Shop Report also draws on data from HIM, IGD, Nielsen and William Reed.

#### BESPOKE POLLING ON POLICY ISSUES

ACS conducts bespoke polling of its members on a range of policy issues, from crime and responsible retailing to low pay and taxation. This polling is conducted with retailers from all areas of the convenience sector.

For more information and data sources, visit [www.acs.org.uk](http://www.acs.org.uk)

# ATM Industry Association (ATMIA)



[REDACTED]

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**From:** [REDACTED]  
**Sent:** 25 July 2019 08:30  
**To:** PSRcashaccess  
**Cc:** [REDACTED]; [REDACTED]  
**Subject:** Insights from research into cash access use and acceptance.

Dear PSR,

Here are responses to the questions posed. More may follow in due course.

Question 1 : It is very disappointing that some key issues appear not to have been addressed in the reported research.

Why, for example, were those interviewed not asked whether they preferred to be able to go on using cash? This question would have addressed the fundamental issue: do the public still want Payment Choice.

Also, why were those interviewed not asked if they favoured businesses that accept cash? The research claims only a small percentage of people did not complete the transaction when faced with non-acceptance of cash BUT eg how many would use that business again?

Further, the question on whether people would pay 20p is ill-conceived. People will NEVER say they are willing to pay for a service they have historically enjoyed free, basically whatever the price.

Also, 69% "preferred" using cards according to the research findings but precisely WHY? eg because they have found more and more businesses refusing cash?

Question 2

It is irrelevant how many people solely rely on cash. The fact that there are some is the crucial issue.

The trend towards using digital is also irrelevant. When cars were invented, there was a trend away from bikes and horses. Did society reach a conclusion at that time that bikes and horses should be eliminated? It is strong vested-interests who are pushing this debate on the future of cash, because they crave a cashless society, whatever the wishes of the public.

We still have bikes and horses today - and we must still have cash for the same reason. CHOICE.

Question 3

Of course the public believe that ATMs are the best way of accessing cash - because they ARE!

Some of the alternatives can augment ATM Cash services but NEVER replace them.

The average free-to-use UK ATM dispenses around £300,000 each month. In a local community, what alternative can provide even a fraction of that cash?

NONE.

Stop looking for "alternatives" and start ensuring LINK members provide a proper service in every community, including cash deposit ATMs.

The research claims most businesses deposit cash at bank branches BUT branches are heading towards extinction, so deposit ATMs are vital. We need them now, starting in 2019.

LINKs published data demonstrates that every adult in the UK, on average, uses an ATM once a week. In a community with 2000 adults, that means there will be, on average, 8000 ATM cash withdrawals per month. LINKs own figures again indicate the average free-to-use ATM provides around 3500 cash withdrawals a month. Therefore 8000 cash withdrawals require 2 ATMs, especially because there will be inevitable cash outs and mechanical failure.

These are the standards to hold LINK member to, funded by a separate transparent cost-based interchange for every ATM transaction set.

—

I may have further comments in due course.

Regards

[REDACTED]

ATMIA

E: [REDACTED]  
M: [REDACTED]

[www.atmia.com](http://www.atmia.com)

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Watch the ATMIA Speaks video series featuring ATMIA Members as they speak about the value they find in our membership. [Click here](#) to view these and all the ATMIA videos.



*As an independent, non-profit trade association, engaged in non-competitive promotion of our industry, our mission is: to promote ATM convenience, growth and usage worldwide; to protect the ATM industry's assets, interests, good name and public trust; and to provide education, best practices, political voice and networking opportunities for member organizations.*



# Cardtronics UK

# Cardtronics' Response to PSR 'Call for Views'

## Insights from research into cash access, use and acceptance. Sept 19

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### Introduction to Cardtronics

Cardtronics runs over 18,000 ATMs in the UK, which equates to approximately 1/3 of the network. Partnerships with many major retailers, such as Co-op; Waitrose and Shell, as well as thousands of individual retailers ensure that access to cash can be guaranteed for the majority of the UK population. Our machines, often the only access to cash for local communities, distribute over £30bn into the UK economy each year. With peak daily transaction numbers exceeding two million transactions a day, Cardtronics is an essential and critical element of the country's cash supply chain.

### Access to cash and basic banking services needs to be protected

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Consumer payment habits are changing. The decline in the use of cash and fall in the number of ATM withdrawals is well documented. However, it is an often overlooked fact that cash in circulation is continuing to rise year-on-year. And, whilst withdrawal transactions are declining across our network, the amount of cash dispensed remains relatively flat demonstrating that consumers are continuing to withdraw a similar amount of cash, but are doing so less often and in higher amounts within a single transaction.

The driver for consumers' choice of payment method are many and complex. Technology plays an obvious role as does the availability of smart phones and mobile/internet connectivity. However cash continues to be a preferred payment method with many people and for many reasons. They prefer cash because it is easily understood, aids budgeting, is accepted (almost) everywhere, is anonymous and holds a special place in the daily lives of the majority of UK consumers.

Increasingly, we are told that the UK is rushing headlong into a cashless society by organisations with a vested interest in making it so. But, as the Access to Cash Review makes clear, any such move would leave a large proportion of our population financially excluded and as a society we must continue to provide a sustainable cash ecosystem for all.

Today, over 50% of the UK's ATMs are managed by IADs who have become a critical component of the overall cash ecosystem. The impact of bank branch closures are often mitigated by IAD operated ATMs providing basic access to cash for the community

The market uses the number of free-to-use (FTU) ATMs as a key metric. However, a ubiquitous service that delivers access to cash for all needs to consider the location as well as the number of FTU locations. IADs play a huge role in providing access to cash outside of urban areas. Of the c52,000 FTU ATMs in the UK, approximately 14,000 are in duplicate locations, therefore the number of discrete ATM locations serving the UK population is more accurately described as c40,000. Within this number, 4,000 are Post Offices and another 5,000 are internal devices, often filled with varying reliability by store owners; these machines offer lower availability and service levels than traditional locations meaning that IADs wholly manage c60% of the 35,000 FTU locations.

## **Question 1 – Do you think there are key insights arising from the research or key aspects of consumers’ needs for cash that are not captured by this research?**

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Firstly, consumers’ views on the race to cashless are not being dealt with adequately. The banks have agreed in open forum (PSR roundtable on IC July 2019) that the significant cost of cash is a necessary business cost, but that they would rather invest that budget into the development of cashless transaction management. The question is whether the banks are allowing the consumer to decide their payment method or whether the choice is being forced by branch closures, reduced interchange etc.

The Ceeney report indicated that the £5bn supply chain cost must be reduced, but who benefits from this? The banks. The banks are not communicating to their consumers how cash can remain viable through self-service device management and deployment, because it is a cost to them and they would rather spend that on removing cash as an option.

The survey does not cover the issues relating to security, privacy, or concerns over ways to pay and be paid when all else fails. The outages in bank systems, including major payment network outages and power failures have shown the chaos that ensues when the infrastructure fails. Cash has security, sustainability, budgeting and privacy benefits which have not been explored in the research.

The report does not capture the importance of cash to local economies and retailers. According to our research c40% of cash withdrawn is re-used in the local community, at a UK level, but more like 70% in rural locations. Frequently when an ATM disappears from a rural location then this means that individuals will no longer have a reason to visit that location and as a result there is a downturn for the local businesses.

Broadband coverage is another key point – in Cornwall this summer, where mobile and broadband signal is patchy, retailers must be able to transact in cash as cashless options cannot be relied upon. A picture of broadband coverage with relation to payment choices have not been included in the research, and the research should define payment choice by geography.

## **Question 2 - Do you agree with the emerging theme that the number of people wholly reliant on cash is small whilst a significant number of consumers prefer digital payments although many of these also continue to use cash for certain transactions? How do you think this may change in the future?**

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It is undeniable that the usage of cash is declining, this is particularly noticeable in urban centres, but it is also being hyped by the media and cashless lobbyist to a point where it is difficult to determine fact from fiction. What is clear, from experience in many countries around the world on the same trajectory as the UK, is that going cashless is an objective for the financial institutions with a vested interest in reducing their cost base, whereas the majority of consumers actively endorse the benefits of choice. Whilst the benefits of new payment types can be seen, there is sufficient doubt in the security and stability of such systems to require continued and sustained investment in the cash ecosystem. Consumers like the option of using cash for any number of reasons and it is important that we continue to support this need while it still exists.

There are over 2 million people who solely rely on cash. The question refers to this as ‘small’, which as a % of the who, it is, but it’s a massive issue to these people, some of whom live in areas where cashless payments are not always possible due to the issues dealt with above.

This is, of course, not just a consumer issue. For SMEs, whilst cash remains a payment option, the cost of managing cash goes up as volumes decline.

We anticipate that cash usage at point of sale will continue to decline as broadband issues are dealt with, and the make-up of our society changes to those favouring technology solutions. Whilst cash continues to make up mid 40% of retail transactions, and even as it moves down towards 30%, the issue here is about consumer choice and who generates the change in behaviour – is it consumer preference or the banks looking to save money?

Contactless terminal distribution is also a critical element of this, enabling choice of payment methods in retailers across the UK.

**Question 3 - 80% of those surveyed prefer free-to-use ATMs over current alternatives. When cash access options which might become more important in future (Post Office, cash delivery, and cashback) were put before focus groups, there was still a strong preference for ATMs even if there were to be fewer of them. Do you have views why this might be and what could be done to make alternatives more acceptable to consumers?**

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ATMs are convenient, reliable and widely available. They are proven in their methodology and are understood in terms of consumer usage, and consumers understand that they are free to use (widely) and that they are secure.

Our research shows that consumers have reservations over cashback, for several reasons:

1. Often the retailer doesn't have the necessary cash available
2. There is a lack of clarity over any charges and minimum spend rules for cashback to apply
3. Concern over security around card details and people in the queue watching who is taking cash away from the store
4. There is no consistency with which retailers offer the service and which do not – the service cannot be relied upon
5. There has to be a purchase within the shop (usually a £5 minimum) – often this isn't required

Cash delivery will never be the answer, as the cost to serve will be too high and should not be considered as a part of the solution

The Post Office is clearly going to be part of the future solution. The ATM channel within the Post Office will be a key element, particularly when the current procurement process is completed and service levels are improved, but the positive consumer perception of cash at the Post Office will be driven by the ATM channel, and the report should look at consumer perception of the in-store solutions separately to the ATM channel.

The counter service at the Post Office is not good in terms of customer service. Consumers know that queues at the counter can be extremely lengthy depending on time of day of usage, and there is a lack of clarity around who can use the Post Office and whether there is a charge levied for using it.

Also, the ATM has the immediacy benefit of a through the wall (TTW) location and also there is no human interaction required – sad though it may be, consumer behaviour now leans towards quick financial interactions with limited requirement to interact.

### Wider discussion areas around cash usage

- SME feedback is critical to the wider discussion
- Shared banking infrastructure is critical
- The regulators have to be clear about what they are trying to achieve. Ceeney talked about reducing costs but the current work streams are not joined up to ensure cash is viable. The WDSG is looking at reducing wholesale costs and the UK Finance lead team is looking at ATMs, but all of these are driven by the banks and not the consumer. If the objective is to keep cash as a choice, then the wider cash cycle must be investigated to look at cash recycling; NCS scheme changes; smart safes; utility infrastructures etc

September 2019

# Citizens Advice

# **Payment Systems Regulator - Call for views: cash access, use and acceptance**

Citizens Advice response



## Citizens Advice

Citizens Advice provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities.

In April 2014, the Citizens Advice service took on the powers of Consumer Futures to become the statutory consumer representative for the postal sector in England and Wales. Our role is to ensure postal services and post offices meet the needs of consumers in a way that is fair and accessible for all. We have particular responsibilities regarding the interests of the more vulnerable members of society, and also consider the interests of small businesses.

We are responding to this consultation in our capacity as the postal advocate. Our response focuses on a number of the subjects raised in the Payment Systems Regulator's call for views - role of and barriers to the alternatives to ATMs for accessing cash, how consumers and businesses access cash, attitudes towards alternative options for accessing cash, what can be done to make alternatives more acceptable, ensuring consumers who are more reliant on cash are not excluded from accessing cash.



# 1 The post office network

The post office network is a crucial access point to the public postal service. Post offices also deliver other essential services to citizens, including banking services, access to benefits, bill payment and a range of central and local government services.

There are over 11,500 post offices in the UK, with a unique reach across all parts of the country and over 9 in 10 people (93%) live within 1 mile of a post office.

The Post Office is a key service for many people - Post Office Ltd figures show every week around 17 million people visit a branch. Citizens Advice research finds 81% of people describe the Post Office as important to them. Views amongst small businesses are very similar, with nearly 7 in 10 (68%) saying the Post Office is important.<sup>1</sup>

Our research also finds that almost all consumers (97%) describe the Post Office as 'trustworthy', and nearly as many (92%) view it as 'professional'. The vast majority of small businesses (95%) find the Post Office 'trustworthy'.

## 2 Post office banking services

Post offices have provided some access to high street bank current accounts for many years. Until recently this access was very patchy, with some major banking groups not offering access, and others only providing access to limited transactions.

The importance of the Post Office's banking service provision has been increasing following mass bank branch closures. Since 2010, the number of bank branches has reduced by a third whilst post office numbers have remained steady. Post office numbers are expected to remain steady, as the government requires Post Office Ltd to maintain network of around 11,500 outlets and specifies minimum distance 'access criteria'. As a result, for many people a post office is now more accessible than a bank branch.

In January 2017 the banking industry and Post Office Ltd signed a partnership agreement to standardise the banking services available at post offices. Today, 99% of UK personal bank customers and 95% of small business customers can

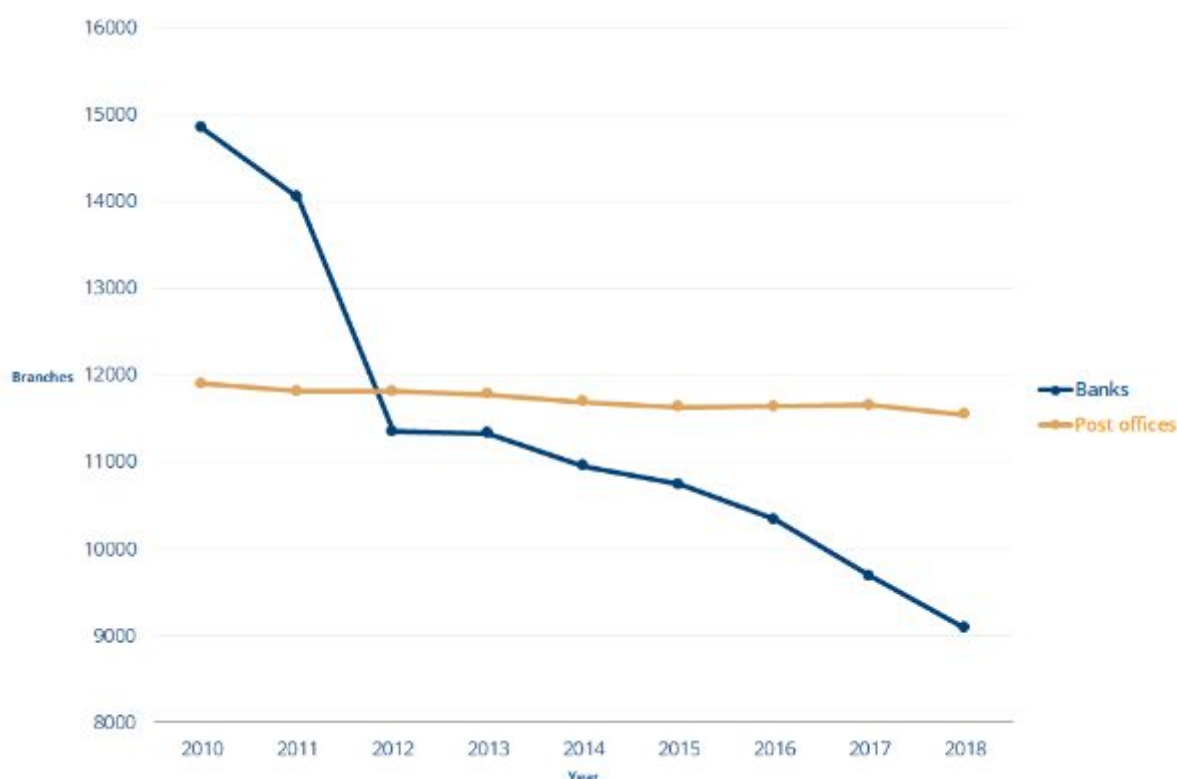
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<sup>1</sup> Citizens Advice, [Consumer Use of Post Offices](#), June 2017

do their day-to-day banking at post offices. For most banks this includes cash withdrawal, cash and cheque deposits and checking account balances.<sup>2</sup> Some small business account holders can also access change giving services at post offices.

There is a £2,000 cash deposit limit at all post offices (although larger deposits can be made by special arrangement). The amount of cash consumers can withdraw is limited by the banks (and is the same as that permitted at an ATM).

**Figure 1. Bank branches continue to close whilst post offices remain stable**



### 3 Consumer and small business use of Post Office banking services

Citizens Advice research from 2017<sup>3</sup> found 20% of all consumers had withdrawn cash from a bank account at a post office. Use in rural areas - where there are fewer bank branches - is higher. 1 in 4 (24%) of all rural residents had withdrawn cash from a post office, compared with 1 in 5 (19%) people in urban areas.

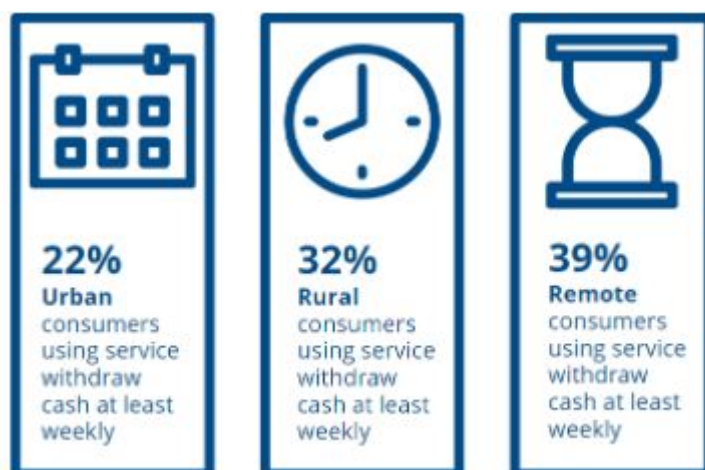
<sup>2</sup> See <https://www.postoffice.co.uk/everydaybanking> for full list of available services

<sup>3</sup> Citizens Advice, [Consumer Use of Post Offices](#), July 2017

Our research shows that the frequency of use increases with rurality. 22% of urban consumers who withdraw cash at a post office, do so at least once a week. However, 39% of remote rural residents using the service withdraw cash at least weekly.

We found that 3% of all consumers used a post office to deposit cash. Again, this service is used more by people living in rural areas (5%).

**Figure 2. Frequency of cash withdrawals increases with rurality**



Our 2017 research showed 15% of all small businesses that need to withdraw cash for their businesses used a post office.<sup>4</sup> Use was higher (24%) amongst rural businesses. The research also found 4% of all small businesses deposit cash at a post office. Businesses that use these services at post offices tend to be particularly reliant on them. For example, over half (51%) of small businesses that use post offices to deposit cash do so once a week or more often.

Post Office Ltd reports that over the last few years they have seen an increase in banking transactions undertaken through the post office network. This follows the ongoing trend of bank branch closures and increased publicity for the Post Office service. Post Office Ltd's latest research finds that over 1 in 4 people (28%) have withdrawn cash at their local post office in the last year.<sup>5</sup>

<sup>4</sup> Overall, 7% of all small businesses withdraw cash at a post office

<sup>5</sup> Post Office Ltd, [Bank on the Post Office](#), press release 15/8/19

## 4 Access for consumers who are more reliant on cash

The Access to Cash Review found higher levels of cash reliance amongst rural residents, people in socioeconomic groups C2DE, older people - and above all, people on low incomes.<sup>6</sup> The review also found a close correlation between digital exclusion and higher cash dependency.

Post offices are particularly well placed to meet the needs of these demographic groups. Over half of all post office branches (53%) are based in rural areas and more than 1 in 10 (12%) are in deprived urban areas.<sup>7</sup>

A recent Bristol University study finds vulnerable consumers are worst served by the current cash infrastructure. The researchers shows that in Bristol, residents' ability to access cash is not evenly distributed across the city and the provision of cash is almost opposite to the geographic need for it. Communities most likely to depend on cash, in particular older people and those in lower socioeconomic groups, are worst served. But the study concludes the post office network is much more evenly distributed than other types of cash infrastructure, and highlights its importance for less well-served communities.<sup>8</sup> These findings support previous research that found bank branch closure rates have been highest in less affluent areas.<sup>9</sup>

Citizens Advice research also indicates that post office banking services are particularly important for people who are most reliant on cash. Our 2017 survey shows people over 65, disabled people and those in socioeconomic group DE make more use of post offices for banking services more than average. People who are digitally excluded are more likely to use a post office to withdraw cash frequently.<sup>10</sup>

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<sup>6</sup> [Access to Cash](#), March 2019

<sup>7</sup> Post Office Ltd, [The Post Office Network Report 2018](#)

<sup>8</sup> Daniel Tischer et al, [Mapping the Availability of Cash](#), May 2019

<sup>9</sup> Shaun French et al, [The Changing Geography of British Bank and Building Society Networks 2003-2012](#), 2013

<sup>10</sup> Accent/Citizens Advice, [Use of Essential Services Traditionally Provided at Post Offices](#), June 2017

## 5 Attitudes and barriers to Post Office banking

Whilst we believe the Post Office is well placed to provide basic banking services in local communities, there is relatively low overall use of banking services at post offices. Despite high levels of trust in, and use of, the Post Office - our research indicates that consumers and small businesses face a number of barriers in accessing these services.

### Awareness

A key factor preventing people from accessing cash at post offices is lack of awareness - many people simply don't know that post offices offer banking services. Polling for Citizens Advice in 2017/18 suggested that around 1 in 2 consumers are unaware that current account services are accessible at post offices.<sup>11</sup> However, our polling also found nearly 1 in 3 consumers (28%) who were not aware they could access the service said they would use it if it was available.<sup>12</sup>

### Quality of service

In 2017, Citizens Advice undertook some mystery shopping at post offices.<sup>13</sup> Whilst we found that that 95% of shoppers were able to successfully withdraw cash, only 78% of shoppers were able to deposit cash into their accounts. The majority of shoppers unable to access the service were informed that it was not available and/or they needed to go to an alternative or larger branch. In other cases staff did not know how to conduct the transaction. Overall, we concluded that a significant minority (22%) of shoppers were unable to access a Post Office banking service which should have been available.

### Queues, privacy and security

In addition, we conducted a small study with local Citizens Advice offices.<sup>14</sup> This study indicated that some people had concerns about using post office banking services as they assumed there would be long queues and had worries about privacy and security issues.

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<sup>11</sup> ComRes poll (March 2017): 56% think they can access their current account at post offices. Yougov omnibus survey (March 2018): 43% think they can access current account services for most banks at post offices (unpublished)

<sup>12</sup> Yougov omnibus survey (March 2018) (unpublished)

<sup>13</sup> Citizens Advice, [The State of the Post Office Network](#), June 2017

GfK for Citizens Advice, [Research into the Quality and Consistency of Service Standards and Product Knowledge Across the Post Office Network](#), June 2017

<sup>14</sup> Summer 2017 (unpublished)

The recent Treasury Committee inquiry into consumer access to financial services also specifically raises concerns about whether the layout of many post offices is conducive to giving customers the privacy required to carry out basic banking transactions.<sup>15</sup>

Privacy and security issues are a particular concern among the more vulnerable groups. For example, The Finance Foundation highlights that amongst older people, the main concerns people had about taking out money over the counter are privacy when counting and putting away money, and security when giving out their details in a private place.<sup>16</sup>

## 6 Next steps

There are real concerns that reduced access to cash and face-to-face banking services is causing significant consumer detriment.<sup>17</sup> As banks continue to close branches and the number of free-to-use ATMs falls, the Post Office's role in providing access to cash and basic banking services has come under increased scrutiny.<sup>18</sup>

Although Citizens Advice has some initial research findings, we are currently undertaking a research programme to develop a more detailed and up to date understanding of how well Post Office banking is meeting consumer needs and the extent to which this service could do so in the future. We welcome the opportunity to keep the Payment Systems Regulator updated with findings from our new research.

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<sup>15</sup> Treasury Committee, [Consumers' Access to Financial Services](#), May 2019

<sup>16</sup> The Finance Foundation, [When I'm 84](#), September 2016

<sup>17</sup> For example, [Access to Cash](#), March 2019

<sup>18</sup> For example, [Treasury Committee inquiry into consumers' access to financial services](#); [BEIS Committee inquiry into the post office network](#); [Scottish Affairs Committee inquiry into access to financial services](#)

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Submitted September 2019

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.

Registered charity number 279057.

# Financial Services and Consumer Panel (FSCP)



# Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Payment Systems Regulator  
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6 September 2019

By email: [PSRcashaccess@psr.org.uk](mailto:PSRcashaccess@psr.org.uk)

Dear Sir / Madam,

## **PSR CP 19/6 - Call for views on insights from research into cash access, use and acceptance**

This is the Financial Services Consumer Panel's response to the Payment System Regulator's (PSR) call for views on the insights from its research into cash access, use and acceptance.

The Panel welcomes the PSR research on this subject, and particularly the focus on SMEs' use and acceptance of cash. The Panel agrees with the PSR's aim of seeking to ensure that all consumers should have a good choice of how to make payments that work for them, and considers that everyone should be able to choose to make payment in cash if they wish to.

The Panel is pleased the PSR and other bodies are working together in the Joint Authorities Cash Strategy (JACS) Group to ensure that decisions about payment methods, and access to cash, are carefully considered. Without strategic deliberation and follow-up action, there is a risk that the country sleepwalks into a situation where cash is no longer widely offered and some groups of consumers are unfairly penalised.

The Panel recognises that cash usage is declining, and accepts that this trend looks set to continue. However, it would like to see more robust and creative thinking from the PSR and others about how to ensure continued access to cash for those who really need it, as well as consideration about the steps required to help these customers transition to other means of accessing cash, or other payment methods, should this be required.

The Panel's answers to the questions posed by the PSR are set out below.

### **Question 1 - Do you think there are key insights arising from the research or key aspects of consumers' needs for cash that are not captured by this research?**

The research paints a familiar picture, for example finding that there remains a widespread desire to access cash even among non-cash preferers. However, its headline finding that "nearly all consumers surveyed find it easy to withdraw or access cash" masks the experience of consumers living in locations where this is not the case. In short, the research fails to capture the importance of place in relation to its findings. Work recently conducted by the University of Bristol on access to cash in Bristol found that:

- Residents ability to access cash is not evenly distributed across the city. Cash infrastructure is concentrated in a few areas of economic activity, rather than providing “blanket coverage”.
- The provision of cash is almost opposite to the geographical need for it. Communities most likely to depend on cash, in particular those who are older or from lower social grades, appear poorly served by current cash infrastructure. Ironically, those who are least likely to need it, have best access.
- Many ATMs are changing from free to fee-charging, especially in deprived areas. 16 of the city’s ATMs changed from free to fee-charging between October 2018 and March 2019. Over two-thirds of these (11 of the 16 ATMs) were in deprived areas.
- Residents lack alternatives when ATMs close, malfunction or run out of cash.<sup>1</sup>

The Panel suggests that the PSR’s future research could usefully focus on areas which are currently more dependent on cash, and where access is being withdrawn or incurring a charge.

**Question 2 - Do you agree with the emerging theme that the number of people wholly reliant on cash is small whilst a significant number of consumers prefer digital payments although many of these also continue to use cash for certain transactions? How do you think this may change in the future?**

The Panel accepts that the number of cash-reliant consumers is comparatively small. However, around 2.2 million people continue to use cash for all their day to day transactions, and some groups have no other options – for example, over 15% of people with an income under £10k a year rely completely on cash<sup>2</sup>.

Consumers who rely on cash tend to be the least able to find alternatives not only due to digital exclusion but also other factors such as age, disability, lack of a car or access to public transport etc. The Panel regards this as an important fact, one which we feel merited greater prominence in the PSR’s research report. The Panel recommends the PSR should seek to explore in more detail the views of those who are unable to use alternatives to cash. This might have formed part of the PSR’s ‘boost’ samples for the published research, and might have provided greater insight than those conducted with consumers with protected characteristics.

**Question 3 - 80% of those surveyed prefer free-to-use ATMs over current alternatives. When cash access options which might become more important in future (Post Office, cash delivery, cashback) were put before focus groups, there was still a strong preference for ATMs even if there were to be fewer of them. Do you have views why this might be and what could be done to make alternatives more acceptable to consumers?**

The Panel suggests that the focus group participants are likely to have preferred free-to-use ATMs because they use them on a regular basis, they are used to doing so, and ATMs are convenient. It is difficult for consumers to conceive how they might be affected by a reduced number of ATMs since details of which ATMs would be removed / remain are unknown, so it is impossible for people to anticipate how they might be affected or how they might respond.

<sup>1</sup> [http://www.bristol.ac.uk/geography/research/pfrc/themes/finexc/availability-of-cash/?\\_ga=2.226316634.1330491470.1565094295-1965720046.1562061605](http://www.bristol.ac.uk/geography/research/pfrc/themes/finexc/availability-of-cash/?_ga=2.226316634.1330491470.1565094295-1965720046.1562061605)

<sup>2</sup> <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf>

Rather than focus on how to make the alternatives more acceptable to consumers, the PSR could consider how it can facilitate the provision of cash options which consumers want to use. The Panel also urges caution in interpreting changed ways of accessing cash as an endorsement or preference for that option where in fact consumers have no other options available to them.

Yours faithfully,

[REDACTED]

[REDACTED] Financial Services Consumer Panel

HSBC

**HSBC UK BANK PLC and HSBC BANK PLC**

**INSIGHTS FROM RESEARCH INTO  
CASH ACCESS, USE AND ACCEPTANCE**

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**RESPONSE TO CALL FOR VIEWS DATED JULY 2019  
06 SEPTEMBER 2019**

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## COVER SUBMISSION

HSBC UK Bank plc and HSBC Bank plc (HSBC) welcome the opportunity to respond to the Payment System Regulator's (PSR) Call for Views (CP19/6) regarding the insights from research into cash access, use, and acceptance which we regard as a very welcome contribution to the ongoing policy discussion.

In our responses to the PSR, HM Treasury and the independent Access To Cash Review (the Ceeney Review) HSBC have consistently argued for robust independent research of this nature in order to provide a strong objective understanding of consumer and business use, preferences and needs. We regard research and analysis such as this as being fundamental to ensuring industry and regulatory direction, planning and implementation on cash are well-informed and evidence-based.

We are pleased to see that the findings regarding access, reasons for use, and reliance on cash align with other existing research such as that from LINK, Cash Services, UK Finance, and the Ceeney Review. In addition we welcome the future looking requirements and views of consumers and businesses concerning alternative options for accessing and depositing cash. This is a new contribution to the evidence base for policy makers which helps to inform the strategic considerations of all stakeholders involved in protecting access to cash for the foreseeable future, and as such we regard it as a particularly helpful contribution to the current debate.

The research findings align with our own sense of consumer preferences and requirements, specifically:

- The broad consumer preference is for cash access via ATM.
- Business acceptance of cash is largely driven by customer preference and by the nature of the business being undertaken.
- The business preference for face-to-face deposit services.
- Absolute reliance on cash is relatively limited in the broad population, but for very important reasons it is relevant to significant groups of vulnerable consumers. Although there is a growing body of consumers and businesses that do not prefer cash, many still do, and in specific circumstances some are dependent on cash. In order to support continued choice over payment methods, preference to access and use cash must be supported.

Importantly this research crystallises the policy challenge ahead, to provide for access for cash for those who need it and to support those who have a preference for cash to maintain choice in an environment where many consumers and some businesses are choosing to move to digital payments, a trend which shows no sign of reversing. The preference for

ATMs will need to be supported, whilst recognising that for some with a preference for face to face withdrawals this is not considered the best option.

All of this needs to be viewed in the context of a cash industry with high fixed costs supporting significantly declining volumes, a trend which appears to be accelerating. In order to ensure the long-term sustainability of access to cash and therefore customer choice, a broader strategy is required to make the full spectrum of costs in running a cash industry as efficient as possible, for both distribution and acceptance.

For example, it is a commonly held view is that there is an oversupply of ATMs in the market today, particularly in some urban locations, and HSBC believe that the overall volume of ATMs could be reduced to support market efficiency without adversely impacting customer experience or overall access to ATMs.

**Question 1: Do you think there are key insights arising from the research or key aspects of consumers' needs for cash that are not captured by this research?**

HSBC feel that this is a UK wide, high quality, statistically robust, in depth and well analysed piece of research that covers all of the key consumer groups and business demographic groups, and takes into account the important factor of willingness to use digital payment methods.

However, the research does not explore consumer or business views on coin, specifically attitudes towards low denomination coin and views on their usefulness. As highlighted in our previous responses to consultations on cash, including to the PSR, HM Treasury and Ceeney Review, there is a live policy question regarding whether there is a genuine need for the amount of coin currently in circulation and whether smaller denominations could be withdrawn, in line with changing retail pricing, to support the efficiency of the cash network. We believe proactive work on consumer and business attitudes to this issue and solutions such as rounding (as implemented in other countries) is a clear area for further research.

**Question 2: Do you agree with the emerging theme that the number of people wholly reliant on cash is small whilst a significant number of consumers prefer digital payments although many of these also continue to use cash for certain transactions? How do you think this may change in the future?**

There is no doubt that the UK is seeing a significant shift in how consumers use cash, accelerated by the rapid take up of digital and contactless card payments as well as other alternative payment methods becoming more readily available, cheaper and increasingly more accepted by our customers, businesses of all sizes and consumers in general.

However, rather than the UK moving towards a cash-free society, our view is that it is transforming to an economy where cash is less important than it once was, but will remain a payment method that continues to be valued and preferred by many, for potentially a significant number of years.

Despite being overtaken by debit cards in 2017, the forecast from UK Finance<sup>1</sup> suggests that over the next decade cash will remain a major payment method in the UK and will continue to be used widely by many consumers, although it may be used more extensively by some groups than others. In ten years' time cash will still account for one in ten of all consumer payments in 2028 by volume. We expect a growing proportion of consumers to utilise digital payments, as both traditional and new Payment Service Providers offer innovative solutions, that lead to increased adoption and usage. This will include the provision of digital money

<sup>1</sup> UK Payments Market Report 2019, UK Finance



management and budgeting tools that will attract consumers who currently value cash for money management reasons.

Critically, and as supported by this research, the evidence of a reliance on cash by some consumers is clear, even if in absolute terms the proportion who are truly reliant on cash is small compared with the wider population. This group includes those who may be vulnerable and it is important to HSBC that such consumers are not disadvantaged.

Whilst we continue to promote innovation in digital payments and to develop new ways to help our customers better manage their money, we believe in our customers' choice to choose the payment type they consider right for the payment they want to make or receive.

We support the continued adoption of digital payments so that the benefits are as widely available as possible. Innovations such as Request to Pay, HSBC's Connected Money App, Pay by Bank App, notifications and nudges on forthcoming transactions and the potential for the card schemes to move to near-real time settlement should provide innovation that meets the needs of a wider set of consumers and improves the level of control customers have over their money.

**Question 3: 80% of those surveyed prefer free-to-use ATMs over current alternatives. When cash access options which might become more important in future (Post Office, cash delivery, and cashback) were put before focus groups, there was still a strong preference for ATMs even if there were to be fewer of them. Do you have views why this might be and what could be done to make alternatives more acceptable to consumers?**

We recognise the consumer preference for free-to-use ATMs over current alternatives. The convenience, 24x7 availability without the need to pre-plan, access to balance information and other services are all well documented reasons why consumers value ATMs. ATM access may also be deeply entrenched in consumers' behaviour.

However we do not believe that there is particularly good awareness of other existing cash access options such as the Post Office, and note that cashback is no longer actively promoted or prompted at the point of sale by retailers. Renewed promotion of alternative options could play a key role in wider acceptance in the future.

# Institute and Faculty of Actuaries (IFA)



Institute  
and Faculty  
of Actuaries

# Call for views - The PSR's research into cash access, use and acceptance

IFoA response to the Payment Systems Regulator

06 September 2019

## **About the Institute and Faculty of Actuaries**

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 32,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers.

We strive to act in the public interest by speaking out on issues where actuaries have the expertise to provide analysis and insight on public policy issues. To fulfil the requirements of our Charter, the IFoA maintains a Public Affairs function, which represents the views of the profession to Government, policymakers, regulators and other stakeholders, in order to shape public policy.

Actuarial science is founded on mathematical and statistical techniques used in insurance, pension fund management and investment. Actuaries provide commercial, financial and prudential advice on the management of assets and liabilities, particularly over the long term, and this long term view is reflected in our approach to analysing policy developments. A rigorous examination system, programme of continuous professional development and a professional code of conduct supports high standards and reflects the significant role of the profession in society.

PSR Access to Cash project team  
Payment Systems Regulator  
12 Endeavour Square  
London  
E20 1JN

6 September 2019

Dear Sir/Madam,

**CP19/6 - Call for views: The PSR's research into cash access, use and acceptance**

The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the Payment Systems Regulator's call for views into its research on cash access, use and acceptance. Under its Royal Charter, the IFoA has a duty to act in the public interest by engaging on public policy issues where actuaries have the expertise to provide analysis and insight. In recent years the IFoA's Cashless Society Working Party has produced a wide range of detailed research with a global perspective as well as responses to various inquiries. We have provided links to those outputs we believe will be of relevance to this call for views throughout our response.

Question 1: Do you think there are key insights arising from the research or key aspects of consumers' needs for cash that are not captured by this research?

Question 2: Do you agree with the emerging theme that the number of people wholly reliant on cash is small whilst a significant number of consumers prefer digital payments although many of these also continue to use cash for certain transactions? How do you think this may change in the future?

The PSR may find it constructive and insightful to consider its recent findings within the context of broader literature of recent research on the attitudes of consumers and businesses towards cash and digital payments.

In particular, responses to the HM Treasury enquiry on cash and digital payments in the new economy<sup>1</sup>, and the final report by the Access to Cash Review<sup>2</sup> would provide further perspectives to build insights and identify gaps and limitations of the recent research. More specifically, it would be beneficial to review findings on the attitudes and needs of demographic classes that were scoped out of the published research; this may lead to drawing different conclusions for classes D and E as their members may be more reliant on cash than the PSR's report suggests.

Reviewing comparable international research may also assist with identifying UK-specific patterns in the context of global trends, and potentially help fill gaps in knowledge. We have compiled a list of international resources to complement your research.

<sup>1</sup> [IFoA response to Cash and Digital Payments in the new economy](#)

<sup>2</sup> <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf>

Document	Section	Relevance
IFoA <a href="#">A Cashless Society - Benefits, Risks and Issues</a>	8.1: The Cashless World in Motion	Attitudes towards cash and ecosystem challenges in USA (8.1.2, 8.1.2.5), in the UK (8.1.4.1) caution in Germany and Europe (8.1.3)
IFoA <a href="#">A Cashless Society - Benefits, Risks and Issues</a>	7.2-7.3: SWOT analysis	Diverging stakeholder interests: The public, non-financial businesses
IFoA <a href="#">A Cashless Society - Benefits, Risks and Issues addendum - 2017 update</a>	3: The Cashless World in Motion	Digital payments attitudes survey North America (3.2), USA (3.4)
IFoA <a href="#">A Cashless Society in 2018</a>	1: Disruptive forces in the payments ecosystem	The 4 <sup>th</sup> industrial revolution in motion, Convenience vs security and privacy.
2018 CIGI-Ipsos Global Survey on Internet Security and Trust, Centre for International Governance Innovation	<a href="#">External resource</a>	Comprehensive study of perceptions and trust (includes internet payments)
2017 The use of cash by households in the euro area	<a href="#">External resource</a>	Section on preferences and perception of ATM services
2018 How cash is becoming a thing of the past   DW Documentary (Banking documentary).	<a href="#">External resource (video)</a>	Access to cash in remote areas of Germany

Question 3: 80% of those surveyed prefer free-to-use ATMs over current alternatives. When cash access options which might become more important in future (Post Office, cash delivery, and cashback) were put before focus groups, there was still a strong preference for ATMs even if there were to be fewer of them. Do you have views why this might be and what could be done to make alternatives more acceptable to consumers?

It would be helpful to query the survey or focus group respondents on the reasons for ATM preference, and whether the following elements influence this choice:

- Availability: ATMs that operate in the public space are available 24/7, whereas shops and post offices offer limited opening hours.
- Affordability: The cashback facility assumes a purchase of goods or services from the commercial site. A minimum card transaction value often applies.
- Security: ATMs deliver secure services such as account balances and other facilities that may not be appropriate or available within a retail environment. For example, consumers may not wish other members of the public to overhear sensitive information such as their account balance.

The IFoA supports a review of the ecosystem to deliver cash within community facilities, as current ATMs present a number of drawbacks. In addition to the operating cost, ATMs carry a high environmental impact<sup>3</sup>, which is an additional rationale to consider multifunction ATMs. These could provide full access to online banking, as well as facilities that are considered essential in the digital economy, such as deposits, utility bill payments, and access to other financial services. This would require a different economic model, but it has the potential to help address wider technological challenges such as access to broadband and mobile connectivity in rural areas. Such multifunction ATMs could operate as enclosed booths within commercial premises with security arrangements, such as petrol stations.

Yours sincerely,

On behalf of Institute and Faculty of Actuaries

<sup>3</sup> <http://www.actuaries.org.uk/documents/environmental-sustainability-cashless-soociety>

LINK

**Call for views**  
**Insights from research into cash access, use and acceptance**  
**CP19/6**  
**LINK Response – September 2019**

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**A. Introduction**

This document sets out LINK's response to the Call for Views (CP19/6) published by the PSR in July 2019. Section B below provides a short summary of LINK's views and Section C sets out LINK's detailed responses to the PSR's three specific questions set out in the Call for Views document.

**B. Summary**

LINK welcomes this research and report. It provides valuable insights into consumers' and businesses' use of cash and builds on previous work, for example, Natalie Ceeney's Access to Cash Review. In particular, LINK agrees with the finding that most consumers still use cash regularly and that the vast majority of consumers are currently finding cash access easy. The situation in the past, and indeed at present, therefore is satisfactory with LINK's measures to preserve consumers' access to cash proving effective. However, at a time when cash usage is declining rapidly and there are growing strains on the cash supply system LINK also notes that there remains a significant minority who prefer cash, that budgeting is an important reason to use cash for some, and that there remains a number of consumers who rely on cash entirely. As we move towards a situation where much less cash is being used and its use is concentrated in certain areas and communities then the solutions required to preserve consumers access to cash, not only through ATMs but through other channels, will require new industry structures, alongside political leadership.

**C. Responses to PSR's Specific Questions**

**Question One: Do you think there are key insights arising from the research or key aspects of consumers' needs for cash that are not captured by this research?**

**Key Insights**

Most consumers prefer to use cards, but many people are still using cash on a weekly basis. This suggests that total cash usage may have a lot further to fall as consumers who are currently using cash, but prefer cards, may move away from cash when whatever barrier is stopping them using cards is removed. An example is consumers "using up" their cash, one of the most common reasons given for using it. This is something people may not need to do as they move towards holding cash less and less and perhaps eventually, not holding cash at all.



Despite some claims to the contrary, cash access is currently excellent with a very high proportion of people finding it easy to access cash and only 16% of people having to travel out of their way to access cash. This suggests that the rest of the population (84%) did not have to travel out of their way at all and even for those who do travel, the research showed it is often not considered a “chore”.

The distance travelled is also of interest. Half of those who did travel to access cash had less than a mile to go which might suggest they went on foot. At the other end of the spectrum, 2% of all consumers had to travel over 5 miles, which must be either by private car or public transport. LINK has used 1km as an acceptable distance for many years on the basis that this was not too far for an able-bodied person to walk. However, this research might suggest that for many who had to travel they were using a vehicle of some type and therefore the absolute distance may be less of an issue than other elements of access, for example cash being available 24/7.

When considering future access to cash, the most popular potential solution, an ATM in every community and 1km distance criteria area, is similar in concept to the LINK Financial Inclusion Programme.

Consumers have a strong aversion to paying directly for cash access and try to avoid charges even though the costs involved in doing so may actually be greater (ie, time/travel costs vs a direct charge). This may be because they do not fully appreciate the costs, that they don't like the principle of paying for cash access and are thereby “punishing” charging ATMs, or that by avoiding them they may persuade them to become free in future. The research used 20p as the example, but this is unrealistically low as it is less than the current interchange and under LINK rules it is not possible to get interchange and charge a fee on the same transaction, as supported in the OFT's original 2001 Exemption<sup>1</sup>. The current average charge is around £1.75, although many recent conversions have been priced at 95p. It is likely that consumers' aversion to charging and the steps they are prepared to take to avoid it are greater at higher fee levels.

Consumers' attitudes to security were interestingly polarised, with card users feeling that cards were more secure, while those with a preference for cash felt that cash was safer. This might suggest that education and training to allow people to confidently and securely use digital payments may be effective in reducing some consumers' reliance on cash.

### **Additional Research**

The proportion of respondents wholly reliant on cash is reported here as being very low. LINK has commented more on this under Question Two as the definition used in this research appears very narrow.

A common theme expressed online and reiterated at conferences is the risk cards and other digital payments pose to privacy, confidentiality and even democracy, and that the move away from cash puts unwanted information and control into the hands of governments, tech companies or banks. The research did not identify this as a major factor for consumers and it is unclear whether privacy and avoiding scrutiny is a real motivation for consumers retaining and using cash. It is notable however that for some businesses an informal business structure, “flexible tax reporting,” including paying staff in cash is attractive; in other

<sup>1</sup> Section 49 of the Decision of the Director General of Fair Trading - LINK Interchange Network Limited – Oct 2001 noted that the combination of both an interchange and a surcharge fee could result in the over-recovery of costs.

words, avoiding scrutiny and presumably taxes, can encourage some businesses into accepting or preferring cash.

**Question Two: Do you agree with the emerging theme that the number of people wholly reliant on cash is small whilst a significant number of consumers prefer digital payments although many of these also continue to use cash for certain transactions? How do you think this may change in the future?**

The number of consumers totally relying on cash in the report (1%) appears very low compared to the figures UK Finance have reported in their recent UK Payment Market Reports which identify between 2.2 and 2.7 million consumers using cash for all their day-to-day payments. The survey itself notes that 10% of people had only used cash in the past week. While the definitions may well be different, LINK believes the number of consumers who can be considered relying on cash is significant and that without action this number is unlikely to decline. This is because the reasons some consumers rely on cash, as noted in the report, such as its intrinsic physical qualities, or their inability to use alternatives (ie access to a bank account), are wider and more complex to resolve than access to cash itself.

As noted above, consumers prefer to use cards, but many people are still using cash on a weekly basis suggesting that the cash use of these consumers will decline over time, possibly quite quickly, as they move away from cash towards their preferred digital solutions.

**Question Three: 80% of those surveyed prefer free-to-use ATMs over current alternatives. When cash access options which might become more important in future (Post Office, cash delivery, cashback) were put before focus groups, there was still a strong preference for ATMs even if there were to be fewer of them. Do you have views why this might be and what could be done to make alternatives more acceptable to consumers?**

The fact that consumers currently have a strong preference for ATMs is not surprising given their high level of use at present. ATMs are almost ubiquitous, have consistent LINK branding, are almost entirely free-to-use and consumers of all ages and social groups will be very familiar with them. The alternatives, such as Post Office counters will be unfamiliar to people who do not visit them regularly (and even then, not be well understood) and the likes of cashback are somewhat haphazard in their availability, branding promotion etc.

Increased promotion to raise awareness of the alternatives like Post Offices and cashback would help encourage consumers' use, as well as a more straightforward and consistent offering for services like cashback. ATMs have used the LINK brand to signify acceptance for many years and use of a single, clearly understood ubiquitous brand undoubtedly helps boost consumer confidence and use. The relative failure of services like PayM and mobile phone top-ups at ATMs may well be a factor of their inconsistent promotion, branding and propositions. The Swedish Swish mobile payments service is a good example of how a clear, consistent and easy to understand proposition can lead to rapid transformational adoption.

# Lloyds Banking Group (LBG)

**LLOYDS BANKING GROUP PLC**

**Insights from research into Cash Access, Use & Acceptance**

Submission Date 06/09/2019

## Executive Summary

Lloyds Banking Group (LBG) welcomes the opportunity to respond to the Payment Services Regulator (PSR) Call for Views on Insights from research into cash access, use and acceptance.

LBG also welcomes that the PSR has commissioned independent research into this important issue and believes it is opportune to consider the findings following the HM Treasury's Call for Evidence: Cash and Digital Payments in the New Economy and the Natalie Ceeney Access to Cash Review.

LBG is the UK's largest retail bank with a substantial customer base. We are committed to supporting our customers throughout their relationship with us and aim to meet their needs. We understand that customers have different requirements and preferences and this extends to their payments and how they obtain their cash.

We strongly support customer choice and recognise that the pace of technological change is driving the digitisation of payments leading to a decline in cash usage, which will not suit all of our customers. LBG is fully engaged in the work that UK Finance is undertaking to address the Ceeney Report recommendations, both from the Wholesale Supply and Retail Access to Cash perspectives.

The research undertaken by Britainthinks into how consumers and small businesses use cash is consistent with our findings and reflects our earlier submission to HM Treasury. Declining cash usage is a societal issue and it is helpful that the research identifies customer segmentation which includes often the most vulnerable areas of society.

We agree that only a small minority of customers are truly reliant on cash for all their payment needs and that the vast majority of customers do not have trouble in withdrawing or accessing cash. That said, LBG will continue to make cash available to all of our customers for as long as they need it. Declining cash usage is being driven by changing customer demand supported by new technology; for instance, the growth in contactless card payments is displacing previous cash dependent services such as parking and public transport.


Access to cash needs to be inclusive, efficient and support consumer confidence in cash provision. However, declining cash usage, as detailed by UK Finance in recent publications, drives up fixed costs leading to increasing processing and CIT costs which may ultimately need to be passed on to the customer. We recognise that a balance needs to be struck and are working with the Bank of England and industry to secure the wholesale supply of cash over the medium term.

LBG has a multi-channel approach through a combination of branch, mobile bank branches, ATM, Post Office, digital and telephony to service our customers and meet their banking needs.

Through the UK Finance Access to Cash working group, we support the work that LINK is undertaking and are seeking to define the Industry's commitment and identify alternative solutions to ensure that customers who continue to want to use cash are able to do so. However, this must be in a cost-effective way.

The research into small business cash usage also reflects our views. We understand commercial concerns relating to customers being able to pay cash into their account and are exploring alternative solutions, including piloting intelligent safes and business banking hubs as potential alternatives to traditional branch depositing.

We also recognise the research finding that small businesses struggle to calculate the costs of accepting cash. There is a perception that cash is cheaper than digital (Card) payments and we have actively worked to educate our customers in understanding the intangible costs of accepting cash. We believe that wider education and information sharing for business may be helpful as customer payment preferences migrate away from cash.



We would be pleased to work together with the PSR to further their work and share our experience on a roundtable or bilateral basis.

## Response to Consultation Questions

1. **DO YOU THINK THERE ARE KEY INSIGHTS ARISING FROM THE RESEARCH OR KEY ASPECTS OF CONSUMERS' NEEDS FOR CASH THAT ARE NOT CAPTURED BY THIS RESEARCH?**
  - 1.1 The research relating to Consumers preferences and experience is very comprehensive. However, it would be useful to have had further analysis of costs to enable a clearer comparison between Cash and Card payments to highlight whether the cost of cash is significantly less than card.
  - 1.2 We recognise that the PSR's research has highlighted that cash users feel access to cash should be free to them, however the focus on Consumer's access to cash largely ignores the merchant's costs or the wholesale supply of cash and the end to end cost of cash.
  - 1.3 It would also have been useful if the research could draw out further comparison of total costs relating to cash and digital payments, particularly cards. Retail accounts that are run in credit tend not to incur charges which obfuscates the true economics of cash production and distribution.
  - 1.4 Further, the research highlights that some small businesses are unable to calculate costs of accepting cash; not all small businesses pay to deposit cash and some use their personal account to deposit cash or recycle through their business, and it would have been helpful to develop these themes further.
2. **DO YOU AGREE WITH THE EMERGING THEME THAT THE NUMBER OF PEOPLE WHOLLY RELIANT ON CASH IS SMALL WHILST A SIGNIFICANT NUMBER OF CONSUMERS PREFER DIGITAL PAYMENTS ALTHOUGH MANY OF THESE ALSO CONTINUE TO USE CASH FOR CERTAIN TRANSACTIONS? HOW DO YOU THINK THAT THIS MAY CHANGE IN THE FUTURE?**
  - 2.1 It is clear that the use of cash is declining due to increased card usage with a smaller segmentation of the population wholly reliant on cash.
  - 2.2 Customer experience and consumer trust and confidence in the electronic payments industry are key. The research illustrates that customers still have a preference for cash for contingency or emergency purposes reflecting the universal acceptability of cash, but we believe that increasing digitalisation and confidence in technology and the underlying infrastructure will continue to displace cash.
  - 2.3 There is evidence of increasing segmentation of payments and some polarisation; examples of café's and bars that are 'Card' only or small business and services start-ups that accept cash only. However, the prevailing trend, driven by competition and innovation, is for cash displacement.
  - 2.4 Card acceptance (especially Contactless) is increasingly being incorporated into areas which have traditionally being dominated by cash; car parking, vending and public transport. The availability of low-cost, lightweight portable wireless card readers is increasing acceptability and is expanding to the religious and charitable sectors. In Sweden, Swish (a mobile payments system) has been successful in replacing what were previously cash transactions.
  - 2.5 Technology and innovation will support new services; the ability to 'freeze' a debit card may help allay concerns if a card is mislaid. Similarly the industry is taking advantage of new technology to combat fraud by tracking and tracing funds across the payments network.

- 2.6 New services such as Carer cards, which limit cash withdrawals and restrict certain types of spending, may reduce the dependency of the elderly or infirm to hold large amounts of cash to pay regular bills.
- 2.7 Conversely, increases in system outages, data breaches and technology failure could result in a lack of confidence and consumers resorting to cash as a safe haven. Media and customer perception of new developments such as biometrics may support further digital payment growth or conceivably drive more consumers into seeking anonymity in cash.
- 2.8 It is worthy of note that cash is still seen as the alternate source of payment in major Credit or Debit card failures and the supply and availability of cash in these scenarios needs to be considered.
3. **80% OF THOSE SURVEYED PREFER FREE-TO-USE ATM'S OVER CURRENT ALTERNATIVES. WHEN CASH ACCESS OPTIONS WHICH MIGHT BECOME MORE IMPORTANT IN FUTURE (POST OFFICE, CASH DELIVERY, CASHBACK) WERE PUT BEFORE FOCUS GROUPS, THERE WAS STILL A STRONG PREFERENCE FOR ATM'S EVEN IF THERE WERE TO BE FEWER OF THEM. DO YOU HAVE VIEWS WHY THIS MIGHT BE AND WHAT COULD BE DONE TO MAKE ALTERNATIVES MORE ACCEPTABLE TO CONSUMERS?**
- 3.1 Whilst the ubiquity, flexibility and ease of use of ATM's has made this the preferred method for customers to withdraw funds, access to cash is wider than the LINK/ATM network. We support customers having greater choice and will ensure that those customers that want to use cash can continue to do so.
- 3.2 The supply of ATM's has increased ahead of transactional demand both because of the LINK cost model which has encouraged Independent ATM Deployers (IADs) to profitably install greater numbers of ATMs outside branches, as well as the greater use of ATMs in branches to provide a better customer service through reducing counter queues. This has led to an expansion of the total ATM estate to 48,500 Free-To-Use (FTU) machines. The number of ATM's has increased mainly due to IADs deploying remote ATMs where they have demand and supply, predominantly in urban areas.
- 3.3 Consumer trust and confidence is high due to the reliability and availability of the service and minimal levels of error meaning that customer's complaints are low. Queuing tends to be low and the quick and consistent customer experience all supports ATM as the most popular method of withdrawing cash across all demographics.
- 3.4 Customer preference for ATM has also been driven by convenience and familiarity as ATM's have been installed in locations with greatest footfall. ATM's also offer a degree of anonymity and de-personalisation as the customer is able to view their balance and make a withdrawal without needing to interact with another person.
- 3.5 We therefore recognise the importance of ATM's to our customers and are supportive of FTU ATMs and of LINK's work to protect the ATM estate and to offer incentives to secure isolated terminals through increased interchange. However, this must be done in a cost effective way.
- 3.6 LBG will continue to respond to our customers changing behaviour and preferences. There is a clear trend towards digital payments, particularly contactless payments, and a declining demand for cash. Our investment profile is determined by customer demand although we recognise that access to cash continues to be an important service for many of our customers, but as cash continues to decline, there is a need to rationalise the costs of cash to ensure it remains a viable option.



- 3.7 To continue to support our customer's payment needs we are adopting a multi-channel strategy involving branch, mobile bank branches, ATM's, Post Office, Digital and telephony.
- 3.8 We understand that the convenience factor is high for our customers and recognise the role that the Post Office plays in providing options for customers faced with ATM or branch closures. The Post Office Local strategy of increased hours, move to more convenient locations and new service offerings, such as the parcel collection initiative with Amazon, all drive increased footfall into PO branches. We are therefore supportive of UK Finance initiative to increase customer awareness of the banking services that Post Offices offer.
- 3.9 LBG is a participant in the UK Finance Access to Cash Working Group, convened to pursue the recommendations in the Ceeney report, including the Guaranteed Access to Cash. The Group is actively exploring ways in which the industry can support alternative methods to access cash and the creation of an independent body to oversee requests to install a new ATM.
- 3.10 Increased use of Cashback may be an attractive alternative to both business and consumers; providing an opportunity for cash generative businesses to recycle surplus cash and for consumers to withdraw cash at a convenient location without necessarily a need to purchase goods or services.
- 3.11 LBG expects to participate in a number of pilots;
- (a) Cardnet Cash Back – LBG's pilot for cashback with purchase under existing scheme mechanisms. LBG has a number of merchant outlets across the UK who are being offered a flat rate pence per transaction to provide cashback to their customers (including other Issuers' debit customers as well as LBG's). The intention is to run the pilot until such time as Visa's scheme version goes live nationally. The LBG pilot is limited to Cardnet merchants within (LINK-defined) Protected ATM areas and targeted at suitable merchant types, e.g. newsagents rather than bookmakers.
  - (b) VISA – LBG has worked with Visa in their development of a Visa scheme based cashback proposal. Details would need to be confirmed by Visa, but our understanding is that this will be a 2 phase approach, with an enhancement of the existing Cashback With Purchase mechanism in Q4 2019 followed by a Cashback Without Purchase offering in 2020.  
  
Visa will be determining participation, geographic coverage and pricing.
  - (c) LINK's Countertop Terminal pilot - As an Issuer member of LINK, LBG expects to fully participate in this pilot which should make cash withdrawals and balance enquires available at selected merchant sites. Dates, scope and locations are still to be confirmed by LINK.
- 3.12 Potential solutions are likely to include a wider group or range of stakeholders and may need regulatory support to consider any competition or data sharing issues that may arise.

# Nationwide

## PSR: Call for views: Research into cash access, use and acceptance

Nationwide welcomes the opportunity to provide input on this most recent call for views on the Britain Thinks research, on behalf of our 15 million members. We also appreciate the consideration and focus the PSR is providing, through this call for views, on the important subject of the provision of access to cash throughout the UK.

We welcome the opportunity to provide our views on the issues raised by the Payment System Regulator's research into cash access, use and acceptance. This call for views takes place at a time when there is wider consideration of what reforms may be necessary in order to secure reasonable access to cash for those who continue to use it in a cost-effective way.

Nationwide would like to play an active role in this debate and have done so via several forums and channels such as the call for views released by the PSR. We continue to support the Access to Cash working group and playing a role in key conversations across the industry.

### **Do you think there are key insights arising from the research or key aspects of consumers' needs for cash that are not captured by this research?**

We feel that the research has captured all the main elements of consumers' needs for cash. Our view is that the pivotal aspects that required further insight following the Access to Cash full report published earlier this year have been covered. For example, we felt there was a requirement to gain insight into consumers attitudes towards cash and why they use it as well as consumers' view on their perceived cost of cash and any implications it might have on them if cash was to start having fees levied.

From a business perspective, it was interesting to understand their appetite for future cash use and what SME's mindset is towards it i.e. are they actively looking to phase out cash or essentially just react to whatever the market and their customers dictates.

Nationwide also feel comforted by the fact that key insights highlighted by this most recent research is in line with previous research commissioned on this subject, acting as an updated validation of existing views within the debate.

### **Do you agree with the emerging theme that the number of people wholly reliant on cash is small whilst a significant number of consumers prefer digital payments although many of these also continue to use cash for certain transactions? How do you think this may change in the future?**

We agree with the above statement. The research clearly showed that there is still an appetite for consumers to transact through a method that works for them in any given situation, i.e. the same consumer might prefer to use cash for smaller payments whilst being actively engaged through digital channels, representing a 'pick 'n' mix' attitude towards payments. As consumers become more familiar with digital tools and digital tools improve you would expect to see the evolution continue away from cash and further towards digital channels.

We believe that this trend will continue in the future, with more people moving away from cash as a preferred option as digital tools and methods improve, specifically for budgeting and micro-transactions. One interesting point raised by the research was of younger consumers starting to revert to cash for budgeting reasons. It would be interesting to understand this further as the assumption is it suggests that

although digital budgeting tools have improved significantly over the previous five years many of these tools still don't work for everyone, even those who are considered 'digitally native'. However, it could also be a case of learned and inherited behaviours from parents and guardians within their home life.

Therefore, it is our belief that the decrease in cash use might plateau for a number of years, at around 1-2 in 10 transactions being in cash until a 'TFL goes contactless' style event happens within the digital tool's arena. Or large digital players come to market with a 'hero product' that looks to essentially eradicate the need for cash for the vast majority of people.

Other than budgeting it appears there needs to be some further work done with regards to micro-transactions. For example, many consumers are still using cash for services such as car parking, pocket money for children, giving to charity and paying for local sport/club participation due to solutions in these areas not yet being effective. If these barriers are overcome effectively, we are likely to see a larger migration away from cash as a regular form of payment for many people.

However, although cash may not be king for everyone it is still an imperative method of payment for many consumers throughout the UK. Cash will always be a dependable form of payment due to preferences, security it offers and for contingency purposes should there be a systematic issue within the digital payment's ecosystem.

The most interesting piece for us within the research is the insight that suggests younger consumers are opting to budget with cash, over digital channels. It will be interesting to see how these generations evolve and if their sense of inertia towards digital channels will be the same of previous generations.

In saying that, recent figures provided by various reports are showing even sharper reduction in cash use than forecasts suggest. With original forecast for the year being around 10% decline, recent numbers suggest that in the first six months of 2019 we have already seen a 13% decline.

**80% of those surveyed prefer free-to-use ATMs over current alternatives. When cash access options which might become more important in future (Post Office, cash delivery, cashback) were put before focus groups, there was still a strong preference for ATMs even if there were to be fewer of them. Do you have views why this might be and what could be done to make alternatives more acceptable to consumers?**

The UK Finance National Payments Study provides some further insight into this and show that nine out of ten adults (around 50 million people) used a cash machine to obtain cash in 2018. Adults who used a cash machine did so quite often, with 87% of cash machine users withdrawing cash this way at least once each month. This is consistent with the PSR's research and suggests that recent reductions in cash usage have been driven chiefly by consumer preferences for paying using other methods, not lack of availability of cash preventing people from using it for payments.

Consumers are now used to going to an ATM and withdrawing their funds, it is the only option many have in mind. Diversifying consumers channels that they access cash through is a significant cultural shift that needs to be effectively managed.

With regards to cashback, historically this was a popular option for consumers. Especially when the large supermarkets started proactively offering it as part of the shop. However, when the supermarkets realised they could make money on the ATMs they had outside the shop rather than paying interchange on POS card transaction, this activity was halted. Resulting in consumers now feeling uncomfortable in asking for cash back at many merchants. It will be interesting to see how the Lloyds trial incentivising small merchants to provide cashback goes.

The Post Office does offer great convenience for consumers and a good service. However, this method is only convenient for a specific type of consumer who may already be going into the Post Office for another transaction (for example, posting or returning a parcel). Outside of this use case it is easy to understand why consumers might be slightly reluctant to use the Post Office specifically for cash use due to queues and awareness. Further to this, many Post Offices are situated in local convenience stores where they have to queue separately for Post Office and local convenience services. The requirement to queue twice in a short space of time might not appear to be convenient for a lot of people.

Cash delivery is a new concept for people with the research outlining fears about security and availability. People find it hard enough to stay in for a delivery. Further to this, research has suggested that people actually access cash in relation to other activities, very rarely making a specific trip just to access cash. This suggests that consumers are comfortable with accessing cash as part of another 'job' they are looking to achieve.

Consumers' reluctance regarding security and convenience are echoed by Nationwide BS. We do not believe this is a viable method of accessing cash for our members and the wider society.

In terms of improvement, we believe there are several things that could be done with regards to the Post Office and cashback, but we would not feel comfortable in progressing the cash delivery idea any further as we firmly believe it is not relevant for consumers, or providers.

With regards to cashback we believe that further incentivising merchants who offer cashback will look to improve the consistency of this service being offered. Ideally, there is a requirement to make the proposition compelling for all involved; consumer, merchant and PSP.

There might be an added sense of inertia with regards to the Post Office due to the nature of it. However, we are seeing monthly increases in our members utilising our partnership with the Post Office for cash withdrawals which suggest that with more advertising and awareness consumers might start to leverage this channel more effectively. We feel that certain barriers such as queuing multiple times and having long queues on certain days might be a blocker. If some development can be done to ensure efficient and consistent service is provided we are sure this will help to improve the popularity of the Post Office as a key channel for accessing cash.

Ultimately, humans are creatures of habit and as we know habit can take a while to change, if required. Consumers' have a variety of ways that they transact and access their cash, if required, these habits have evolved through time. Once people have a set of tools to manage their finances effectively, it would take a lot of time and effort to change these habits effectively.

Therefore, we need to continue to investigate and understand how we can evolve consumers use of channels and cash, where appropriate. However, we can not lose sight that as cash use continues to decline the cost of cash (within the current infrastructure) will continue to rise. Our job is to ensure cash is available for those that require it, but at a price that works for all within the ecosystem. For Nationwide, this is imperative. Consumers have made it abundantly clear that we are unable to follow the model within other regions of paying to access cash, no matter how nominal the fee is. Therefore, the industry as a whole needs to come up with a way to make the movement of cash and the servicing of ATMs more cost effective.

# NatWest/Royal Bank of Scotland (RBS)



# Insights from Research into Cash Access, Use and Acceptance: Call for Views

The Royal Bank of Scotland Group (RBS) welcomes the opportunity to respond to this Call for Views. Within this response you will find the RBS position in relation to ensuring continued payment choice and access to cash for consumers. The response also includes RBS's views in relation to the specific questions posed by the PSR in relation to their cash use research.

1. We agree with the PSR's research objective to build on existing evidence around cash use to inform policy decisions but think its considerations should be broader.

RBS supports the PSR's objective to design policy that is built firmly on evidence and consumer needs.

We agree that for future cash and payment policies (herein referred to as 'policy') to be truly effective, their framework should be designed so as to align with real cash usage, leveraging data on how people interact with notes and coin.

In seeking to further the industry's understanding of this usage, we support the PSR's commissioned research into consumer cash preference and reliance, as well as the evidence it has gathered on SME cash sentiments.

That said, we believe that behavioural trends around cash usage and acceptance are complex. As such, we think that a broader range of factors need to be considered (and where necessary researched) by the PSR in order to effectively design its policies around the protection of consumer payment choice and cash access.

Key themes for further consideration are:

## 1.1 Cash Supply Chain Sustainability and Efficiency

As called out by the Access to Cash Report, the sustainability of the end-to-end cash supply chain is under threat; as cash use continues to decline, the infrastructure-heavy system is faced with increasing unit costs.

If system operators respond to this cost challenge with uncoordinated downscale, consumer access to cash could be negatively impacted. The solution to the successful rationalisation of the system in line with cash demand lies in supporting cross-industry collaboration and the use of multiple channels. This impact can already be seen where ATM deployers have removed or converted<sup>1</sup> commercially non-viable ATMs in areas which are already financially and socially marginalised.

***Support ongoing industry work***

Like the PSR, RBS is actively involved in the various initiatives that look to address this sustainability issue. We emphasise the need for PSR policy to both support the objectives of these initiatives and working groups, as well as align to the policies of the BoE<sup>2</sup>, JACS<sup>3</sup> and UKF<sup>4</sup>.

### ***Support cash recycling***

RBS also supports policies and initiatives which enable more cash to be ‘recycled’ through C2B transactions; be it through retailer cashback, deposits, in-store ATMs or over the counter change, recycling is an efficient way of sustaining (even improving) consumer and retailer access to cash. It achieves this by:

- Improving supply chain and environmental efficiency – recycled cash does not need to be transported by CiT (cash in transit) or processed in a centre.
- Supporting government aims to revive the ‘Great British High Street’ – cash recycling can be used to strengthen the retailer-consumer relationship.
- Providing additional face-to-face channels – the most basic way of recycling cash is over retailer counters, which makes in-person transactions more widely available, beyond Post Offices and bank branch tellers.

## **1.2 Retailer Cash Acceptance**

There is currently a concerted industry focus on the first Access to Cash Review recommendation; consumers’ continued access to cash. The review’s second recommendation is however of equal importance; the economy’s acceptance of cash. Retailers obviously play a critical part in cash acceptance. Indeed, due to the rapid decline in cash usage, retailers are likely to find the handling of cash more expensive. Therefore, in designing appropriate policy, we think it is important for the PSR to consider retailers’ cash needs and work closely with them in designing policy.

### ***Essential vs. non essential goods and services***

In deciding what level of policy might govern retailers’ acceptance of cash, consideration should be given to the public good and/or service a retailer provides. Given that the Ceeney report stated that 8m people in the UK would struggle if we moved to a cashless society, we may wish to investigate options to support retailers continued acceptance of cash for essential services.

Conversely, policy which makes it mandatory for retailers to accept cash for non-essential services might not be targeted at the appropriate level. Policies should therefore be developed in close consultation with both retailers and industry to ensure societal needs are met.

### ***Retailer size and industry group***

While SMEs play an important role in whether cash use is sustained in the UK, the influence their larger counterparts have over the payment landscape should not be forgotten. When large supermarket chains stopped accepting cheques nearly a decade ago, cheque usage fell dramatically. This poses a question then – should retailers of a certain size be mandated to accept cash?

Similarly, existing research by UKF and the Access to Cash Review proves that certain industries – including the food, beverage and entertainment sectors – receive more cash payments than others. Should these sectors also be mandated to accept cash?

## **1.3 Human Behaviour in Payment Choice**

The complexity surrounding how and when consumers decide to use cash cannot be underestimated. According to various recent pieces of research, a number of factors are at play in the individual’s decision- making process, including: emotional attachment, physical ability,

1. ‘Convert’ as in convert free-to-use ATM to pay-to-use

2. JACS – Joint Authorities Cash Strategy

3. Bank of England

4. UK Finance



cognitive ability, personal and societal norms, physical distance, exogenous shocks (such as economic and political unrest), cost, perceived trust in the payment method, perceived convenience etc. The varied nature of these factors suggests that when it comes to designing appropriate policy around cash choice, 'one size' will not fit all.

### ***Geographic and socioeconomic nuance***

This research also suggests that the aforementioned factors don't just vary by individual, but also by geography and socioeconomic background. It is therefore important that future policy also considers this.

For example, in trying to decide whether retailers in a town should be mandated to accept cash (or similarly whether ATM deployers commissioned to provide access to it) the following should be asked: What level of infrastructure does the area have? What is the socioeconomic make up of its population? How far away is it from the nearest urban centre? What other cash access channels are there in the area (as outlined in RBS's previous response to the PSR<sup>5</sup>, cash access should be multichannel)?

### ***Unpredictable usage***

Forecasting cash usage decline is an imperfect science – just as human behaviour cannot be accurately predicted, nor can payment choice. As a result, it's important that any policy surrounding its protection should be future-proofed and not based or rely on any one scenario. Rather, several eventualities should be considered.

For example, the rapid and widespread adoption of a new digital payment method would require cash policy which could be scaled down. Conversely, if there was a plateau in digital disruption, a loss of trust in digital alternatives or a major economic/political upset, society could revert cash as its number one preferred payment choice. This second eventuality (though broadly deemed unlikely) should still be considered and ensure that policy is flexible and appropriate enough to respond to rapid changes in cash use if required.

### ***Protecting perception***

Policy should try to uphold the integrity and perception of cash – ultimately, the way society views a payment method affects whether it is seen as a 'real' choice. For example, if cash is linked to illicit activity or the dark economy, there is a danger that retailers, supply chain operators and policy makers are less likely to support its protection.

To uphold this integrity, policy which protects cash access and acceptance should not come at the expense of perpetuating fraud, which could be a greater detriment to society than diminished payment choice. There must be balance between both objectives.

RBS is supportive of policy and initiatives that are already trying to achieve this balance, such as HMRC's move towards digital tax collection, or Sweden's mandate to link retail cash registers to their tax agency's reporting system.

### ***Recency Bias***

Notes and coin have been used by society as both a means of transaction and store of wealth for thousands of years – by a long way, cash is the oldest of all modern payment options. As an industry, we must therefore acknowledge this legacy. Failure to do this could lead to decisions, by cash policy makers and supply chain operators alike, being made with recency bias i.e. the tendency to weigh recent trends and data disproportionately over more established, historic evidence.

## 1.4 Innovation

Despite cash being an older, trusted method of payment, RBS believes it still presents exciting opportunities for innovation. Overall, future-facing policy should support – not hinder – the industry development of this innovation.

### ***Supply chain and access innovations***

As mentioned in section 1.1, more solutions which sustainably serve cash are needed. For retailers and operators, innovations like PayPoint and intelligent deposits (iSafes) not only improve supply chain efficiency through cash recycling, they also enhance the retailer experience of accepting cash (see section 1.2.).

Similarly, new cash ordering apps could improve the way consumers withdraw their money. Innovation in this particular space would require a more advanced understanding of human behaviour and payment psychology (see section 1.3) but, if successful, could result in better targeted cash access and coverage.

### ***Cash-like digital alternatives***

RBS agrees with the PSR research finding that shows some cash use is being sustained out of preference, rather than reliance i.e. some ‘digital’ consumers still prefer cash for certain transactions. To us, this trend indicates that the suite of digital payment methods currently available to consumers still lacks features which are unique to cash, such as tangibility, technical reliability, sociability etc.

Policy that supports the development of better ‘cash-like’ alternatives improves this suite of options and ultimately provides better payment choice to consumers.

### ***Pace of innovation***

When designing policy, the pace at which the abovementioned alternatives are progressed must also be considered.

The UK has seen some rapid digital disruption in the last two years, specifically around improved card-scheme propositions for retailers; market entrants such as iZettle, SumUp and Square mean that many small businesses are now happy to accept card payments, as these suppliers’ proposition infrastructure requirements and fixed costs are lower than established counterparts.

Policy is adapting to this disruption, but with a time lag. To minimise this lag, closer attention should be paid to new payment trends and early adoption. However, attempts to forecast disruption and its uptake will only go so far – policy itself should instead be inherently flexible, non-limiting and reviewed on an appropriate basis. Policy makers’ ability to respond quickly to changes in the payment landscape is essential to meeting their objectives.

## 1.5 Lessons from Other Countries

It would be valuable to look at the experience other countries and their regulators have had in protecting consumer payment choice.

For example, Sweden set policies that rapidly drove their society towards a cashless economy. In hindsight, Swedish regulators have acknowledged that this agenda was progressed too rapidly and that the current digital alternatives are not fail-safe; Swedes are now encouraged to ‘keep cash in small denominations’ at all times, should there be a war<sup>6</sup> or similar disruption.

Hong Kong on the other hand turned towards cash during the country’s recent political protests against China. Its otherwise digital citizens are concerned that their Octopus (London’s ‘Oyster’ equivalent) card-data will be used by authorities in surveillance. This example highlights a broader, growing issue around GDPR and geo-political unrest – in countries going through some flux cash offers highly valued anonymity to citizens compared to its digital counterparts.

## 1.6 Differing Societal Roles and Responsibilities

It is important that the PSR understand that the players involved in consumer cash access and acceptance all have varying levels of societal responsibilities and regulatory obligations, meaning each have different drivers and constraints:

- **LINK's** primary obligation is to provide society with both appropriate and efficient access to cash.
- **Banks** willingly share this societal obligation, which they meet and fund as ATM deployers, branch providers, deposit takers and card issuers; last year, in their capacity as card issuers, banks collectively paid ~£900m in interchange to cover the cost of access. It is important to remember that banks also have a duty to their own customers, shareholders and regulators. To meet all four obligations, banks aim to provide appropriate, cost-efficient cash withdrawal and deposit coverage, as well as the option of free current accounts to consumers.
- **IADs** (who play a crucial role in the provision of free access, as they own the majority of Britain's ATMs) carry comparatively less societal obligation and regulation to that of banks. As non-card issuers, IADs do not pay interchange – further allowing them to focus on maximising value from their devices and protecting their shareholders' commercial interests.
- **Retailers and Corporations**, depending on the essentiality of service they provide, have different obligations to society. Each business will need to balance this with other CSR areas<sup>7</sup> and their commercial obligations.
- **Card Payment Providers** play a key role in making digital payments accessible to retailers and corporations. As part of this role it seems reasonable that future-facing policy should consider the ease and cost of card use (to both retailers and consumers), to ensure digital financial inclusion is promoted.
- **Cash Supply Chain Members**, (including the Bank of England, the Royal Mint, Cash Processors and CiT providers) have varying obligations to society, however they share joint responsibility to ensure cash is circulated and processed in a sustainable and trusted manner.

6. Per the 'Important Information for the Population of Sweden – If Crisis or War Comes' (Swedish Civil Contingencies Agency, May 2018)  
 7. Broader CSR (Corporate Social Responsibility) areas include ethical business practice, environmental responsibility, equal opportunity provision etc.

## 2. There are two other considerations that we think require better industry understanding

The considerations listed above are well understood by stakeholders in the cash industry. However, as the focus of cash and its role on society grows, additional questions are being raised. Two areas in particular that RBS is eager to consider in further depth are retailers and human behaviour.

### 2.1 Understand Retailer Needs and Influence

A better understanding of retailer payment acceptance options is needed. Some questions that we feel the industry needs to ask are:

***What do retailers really value when accepting and depositing cash payments?*** We know that RBS business customers value: low queue time if physically depositing, low scheme fees, minimal disruption to business, security, accuracy, resilience against technical issues, speed of credit to their account and close proximity if dealing with a physical channel. Is this true of all retailers?

***Are certain sectors/sizes of retailer better served than others?*** Does the industry better cater for example, to large franchised businesses than it does to small SMEs? Or vice-versa?

***Are we over servicing retailers in cash, or offering them too few choices?*** Currently retailers have a choice between Post Offices, Deposit Hubs, iSafes, Bank Branches and Direct Cash Products to meet their cash needs. Are all of these choices necessary across all geographies/sectors/scale of retailer? Would it be better to invest in and improve a smaller set of cash products and channels, rather than having too large a set which doesn't meet their key needs?

### 2.2 Understand Human Behaviour and Payment Psychology

The PSR research highlighted some cases in which people will 'walk away' from a transaction if they cannot pay in cash, but what about the inverse? I.e. what percentage would walk away if they could not pay with card, or Apple Pay, or Faster Payments for example?

It seems many consumers make their choice of payment at point of sale/in the moment of transaction – having a balanced view of the factors they consider in this moment is important in designing policy, not just around cash, but all forms of payment.

# Our response to the three specific PSR questions posed in the Call for Views

Please note that the following responses make reference to our views already outlined on pages 1 to 6.

## 1. Do you think there are key insights arising from the research, or key aspects of consumers' needs for cash, that are not captured by this research?

Yes. Please see the list of considerations/aspects that we believe should be considered in sections 1 and 2 of this response.

## 2. Do you agree with the emerging theme that the number of people wholly reliant on cash is small, whilst a significant number of consumers prefer digital payments, although many of these also continue to use cash for certain transactions?

RBS notes the conclusion of the Access to Cash Review, which estimated eight million adults would 'struggle to cope' in a cashless society. That said, we think it is difficult to accurately quantify the level of 'reliance' on cash for the following reasons:

As mentioned in section 1 and 2 of this response, we believe that the behavioural trends around cash usage and acceptance are complex and still not fully understood – there are multiple aspects to consider when examining an individual consumer/retailers' preference for cash over other payment methods. The PSR commissioned research itself supports this idea and highlights the counter-intuitive nature of payment psychology – some digital natives were willing to 'walk away' from transactions where they could not pay in cash.

Then there are the broad lenses through which we think cash preference and reliance can be viewed and measured e.g. socio-economic, geographic and retail sector lenses. 'Reliance' within these different sub-categories cannot be easily compared. For example, a high net worth individual living in an urban centre might be less 'reliant' on cash than their socio-economic peer living in a very rural area.

We particularly think the point of a single, standardised transaction is too narrow a lens through which to try and measure cash preference – let alone reliance. For example, is the transaction for an essential good or service? What is its value? Where is the transaction physically taking place? Are there other ways of purchasing the product/service? Does the consumer feel secure? Is the infrastructure available to make the payment digitally? What, in that moment of payment, is the most frictionless/fast option?

In short, we do not think it is possible to equate an aborted transaction in cash (or otherwise) with reliance on the payment method. Ergo, in the context of this question, RBS does not think 'small' is a measure which accurately quantifies the proportion of society who are reliant on cash.



## How do you think this may change in the future?

As discussed in section 1.3 and 1.5 of this response, RBS believes cash usage is hard to predict.

That said, we agree with the Access to Cash Review premise that cash usage is likely to continue to decline in the UK as socially inclusive digital alternatives are widely developed, accepted and adopted, but that cash will remain a significant payment method (to both consumers and retailers alike) for several years to come.

### 3. 80% of those surveyed prefer free-to-use ATMs over current alternatives. When cash access options which might become more important in future (Post Offices, cash delivery, cashback) were put before focus groups, there was still a strong preference for ATMs, even if there were to be fewer of them. Do you have views why this might be?

As outlined in our response to the PSR's previous Call for Views, RBS notes that the UK has a relatively high number of ATMs per capita, compared to similar economies globally. In addition (and also highlighted in our previous response) we believe there are areas of oversupply in ATM coverage, specifically in urban centres.

From a consumer perspective ATMs are generally seen as more trustworthy and convenient, compared to the alternative channels listed. For example, ATMs generally: are free to use, dispense undamaged notes, are (often) available 24 hours, have low queue times, are not contingent on making a purchase, provide additional functionality such as balance checks and transfers, do not require social interaction, feel secure to use, are widespread on the street, are not a destination in themselves etc.

This general level of perceived trust and convenience, combined with high (but not necessarily appropriate) coverage, makes it easier to see why cash withdrawal from ATMs has become an entrenched habit.

Given the importance of ATMs to consumers and society, RBS believes they will continue to play a fundamental part in cash access going forward. However, as stated in our previous PSR response, we also think ATM coverage needs to be better balanced and sustained, and that cash access should leverage (and support) channels that exist for other purposes.

RBS would be interested to understand further detail on the questions posed to the focus group as we believe it would be valuable to understand how customer choice varies. For example, scenarios where a customer would choose to use a branch or other alternative methods.

## What could be done to make alternatives more acceptable to consumers?

As per our response to the PSR's recent Call for Views on a review of the structure of LINK Interchange Fees, we reiterate that ATMs are just one means by which customers access cash in the UK. We believe that cash access needs to be considered and reviewed more broadly to ensure consumers are provided with fair and sustainable access at the most efficient cost. Achieving this broader cash coverage objective requires close collaboration between independent bodies, cash supply chain members, banks and regulators.

RBS supports multichannel cash access, which includes ATMs, Post Office, Cashback and Cash Order, however we recognise that as the industry and customer behaviours relating to notes and coin evolve, the options available to customers will need to adapt. As an initial action, we would suggest that the industry looks to heighten awareness of what alternative options are available for consumers today. Additionally, we would suggest some further improvements for consideration,

which could help make these alternatives more comparable options for the ATM-preferring consumer:

1. Recognising the key role played by 11,500 **Post Office** outlets across the UK, could more be done to enhance their customer experience e.g. via extended opening hours, or making greater use of automation/self service to shorten queues?
2. **Retailers offering Cashback could:** make consumers more aware that they offer the service; work with 3<sup>rd</sup> parties and Cash Order providers to develop a 'cash order' app; work with 3<sup>rd</sup> parties to accept deposits; decrease their in-store ATM estate (if they have one) to incentivise Cashback; make it possible to get Cashback without a purchase; enable Cashback at their self service check outs (if they have them).
3. **Cash Order providers could:** better market their solution; collaborate to deliver cash with Post Office CiT, or goods delivery services such as Tesco Online and Amazon; work with 3<sup>rd</sup> parties to offer retailers recycling intelligent safes in-store; work with 3<sup>rd</sup> parties and retailers to offer a 'cash order' app.

PayPoint



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5 September 2019

Dear Sirs,

**Response to Consultation – Call for Views: The PSR’s research into cash access, use and acceptance – CP19/6**

**ABOUT PAYPOINT**

1. PayPoint plays a critical role in the delivery of financial transactions to the general public including more vulnerable consumers. Our 28,000 UK retail outlets provide more coverage than all banks, supermarkets and Post Offices combined together and our outlets are typically open from early to late and on every day of the year.
2. Customers use our network extensively for bill payments, energy meter payments, council taxes, rents, mobile top ups, digital money schemes, deposits to challenger banks and credit unions, rents, council taxes, TV licenses, debt repayments, receiving benefits and collecting/returning parcels. In addition, we are LINK members and manage 4,200 ATMs within the network. In 2019, we plan to trial over the shop counter cash withdrawals through LINK to complement their ATM coverage.

PayPoint Plc No 3581541  
PayPoint Network Limited No 2973115  
PayPoint Collections Limited No 3581551  
PayPoint Retail Solutions Limited No 4476269  
PayPoint Payment Services Limited No 08633289

All registered in England office as above

3. In our last financial year we handled 517m UK payments with a value >£8 billion, mainly in cash. Our clients include most major utilities, telcos, the BBC, DWP, banks (via LINK), local authorities, housing associations and eMoney issuers.
4. Our retail partners include multiples such as the Co-ops, McColls, Tesco, Asda, Sainsburys Local; symbol groups including Spar, Costcutter and Nisa and thousands of independent stores. Our services achieve very high consumer satisfaction levels, deliver much needed footfall and commission to local stores and enable our regulated clients to meet their service commitments to vulnerable consumers.

Our responses to the consultation questions are set out below.

**Question 1: Do you think there are key insights arising from the research or key aspects of consumers' needs for cash that are not captured by this research?**

We would make the following observations in relation to the introductory text and the research findings.

It seems odd to describe the market context as cash v digital and to relate it to technology access. The decline in cash relates to alternatives not just the digital economy. The success of credit and debit cards started long before digital acceleration. A significant proportion of consumers who do not have technology access, are likely to use direct debits and payment cards. Many consumers with digital access may still prefer cash. The use of payment cards using plastic (or card not present relayed from the card) is still much greater than the use of mobile phones for payment.

The conclusion that about a quarter of people prefer cash has been shown in many much bigger surveys over the years. For example, TGI (the advertisers' rolling research of 26,000 people) has consistently shown strong preference for cash among a significant minority in the population.

It is questionable to conclude that small businesses do not understand the cost of accepting cash. Most businesses will be aware of the prohibitive charges their banks are making for cash banking which have multiplied in recent years. Other costs are often part of general business operations and would not be saved if cash was stopped. Card and digital payments may cost them more than cash given the fees incurred for running the technology and related bank charges.

**Question 2: Do you agree with the emerging theme that the number of people wholly reliant on cash is small whilst a significant number of consumers prefer digital payments although many of these also continue to use cash for certain transactions? How do you think this may change in the future?**

It is self-evident that everyone still needs cash in UK society, although there is an increasing minority whose cash use is only when there is no alternative. Contactless payments have been key to this as they have broken the previous convention of not using cards for low value payments.

The cash dependent in society are more likely to be low paid or not in work. It seems likely that the sample sizes created by the survey are not adequately representative. Cash dependency is far greater than the 1% suggested in the survey results. This does not take away from the conclusion that many people who prefer to use cash will use an alternative if they must, but in some cases, this could be at the expense of their financial independence and control, so it is not necessarily a good outcome.

That cash dependency is a spectrum is also obvious. Most people have alternatives, but not all. Any implication that it is sufficient just to have alternatives to cash risks understating the importance of cash for the many that need it. For example;

- Low paid workers being paid in cash that have no wish to bank it. Not everyone finds banks welcoming and bank accounts and prepay cards come with fees, particularly for the less well off. Banks increasingly deter people from making cash deposits.
- People who are struggling financially, who risk being denied access to money if they bank it, as it may be used to cover past debt rather than be available for daily essentials.
- People who rely on others when cash usage is denied and may be vulnerable to being exploited.
- People who depend on the physical nature of cash for budgeting and financial control, who may lose this control if obliged to use card and digital payments that they find invisible.
- Businesses, charities, social clubs, sole traders and individuals who collect small value payments without incurring fees and which are essential to their financial health.
- People who rely upon carers for assistance and support.
- And so on...

**Question 3: 80% of those surveyed prefer free-to-use ATMs over current alternatives. When cash access options which might become more important in future (Post Office, cash delivery, cashback) were put before focus groups, there was still a strong preference for ATMs even if there were to be fewer of them. Do you have views why this might be and what could be done to make alternatives more acceptable to consumers?**

The preference to avoid paying a fee for cash machines is self-evident from the usage statistics. Pay machines generate only a tiny fraction of volume despite being 20% of the ATMs available.

Surveying demand for alternatives to ATMs is inevitably flawed as consumers lack awareness of actual and potential other channels and because current ATM provision is unsustainably strong. Also, research cannot simulate the reality of whether individuals will be affected. No cardholder cares whether there are >60,000 ATMs as it is only the ones that they use that matter to them.

Demand for ATM alternatives is already high. It is our understanding that the Post Office handles significantly more than 100m cash withdrawals for banks and they also make many DWP benefits pay outs in cash for customers who prefer not to use a bank account. The high cash out volumes are despite the Post Office banking service having low awareness, restricted opening hours and in many cases, there being excellent ATM alternatives. The Post Office network has low representation in more populated urban areas where the majority of ATM volume is located and they account for only 20% of the potentially available convenience retail outlets. It follows that there must be very



high latent and potential demand for over-the-counter cash which is not being adequately served. Unfortunately, the availability of cashback in retail outlets has been severely reduced by changes to interchange which have made cashback expensive for retailers to provide, when previously it was free.

Furthermore, concentration of cash payments through the Post Office could be as much of a threat to cash sustainability as a solution. Their structure creates an artificial concentration of volume in only 11,500 outlets which in turn creates unnecessary deficits and surpluses that require an expensive cash delivery and collection infrastructure to redistribute cash to match supply and demand. This partly explains the extraordinary claim made by the Post Office to the Treasury Select Committee that they are making losses serving banks, despite the lucrative and escalating charges they make.

There is an urgent need to create additional over-the-counter cash solutions with better access to take advantage of the widespread availability of cash in shops and to avoid the need for expensive cash redistribution and/or high fees for cash banking. Recycling cash makes it sustainable for far longer and at much lower volume than today.

The proposed LINK counter service, currently stalled awaiting FCA clearance, is a vital part of the solution and would enable thousands more retail outlets to offer free cash withdrawals, taking the strain as ATM provision inevitably declines. Financial regulators could and should be doing more to achieve momentum in this and other innovations.

We do not consider the content of this submission confidential.

Yours faithfully,

**PayPoint PLC**

# Post Office

## Post Office response to the Payment Systems Regulator call for views into cash access, use and acceptance – September 2019.

The Post Office welcomes the opportunity to respond to the findings of the PSR commissioned research into access to cash, how people use it and its acceptance in different small businesses around the UK.

The Post Office has a significant role to play in terms of access to cash. We have set out some background on the Post Office and access to cash, the latest position and developments, and responses to the specific questions raised in the PSR 'call for views' document.

### The Post Office network and access to cash

Post Office is the UK's largest retail network. With over 11,500 branches, we are within 3 miles of 99.7% of the population, and within 1 mile of 93%.

We are also the UK's largest branch-based access to cash network, with more branches than all the high street banks combined, as well as a network of over 2000 ATMs. In 2017/18 our branches performed over 130 million transactions on behalf of the 28 high street banks who participate in our Everyday Banking scheme covering 99% of personal customers and 95% of business customers in the UK.

Post Office is an increasingly important part of the UK's access to cash infrastructure. As the bank branch network shrinks, and an increasing number of communities face the challenge of accessing cash (both paying in and withdrawing) without that local access, the role of Post Office as the convenient place for all bank customers to undertake their Everyday Banking transactions is becoming ever more relevant: withdrawing and depositing cash, depositing cheques, checking balances, and getting change.

For people without cars, or who don't have access to public transport, for those who don't do business online, and for small businesses serving or operating from rural communities, we are increasingly the only place where they can deposit and withdraw cash, pay bills, collect benefits, send parcels and transfer money around the world. In 2018 customers undertook nearly 850 million transactions in Post Offices across the UK.

### Banking Framework

Through the Banking Framework Agreement launched in January 2017 the Post Office provides Everyday banking services for 28 banks. This ensures that 99% of all the UK's consumer banking customers, and 95% of small business banking customers, can access everyday banking services through every Post Office branch.

We are proud of the everyday banking services we offer through our extensive and trusted network of over 11,500 branches: thousands are open from early in the morning and late into the evening, and more than 4000 are open seven days a week too. This means we can support communities across the UK with

convenient access to cash and deposits, whether they still have a reduced number of bank branches to visit or are struggling with no access to a bank at all; indeed, many Post Offices remain in towns and villages which no longer have banks.

We do not see our service as a like-for-like replacement for bank branches, our role is to support communities with their daily access to cash needs through everyday banking services – getting cash out, checking balances, and depositing cash and cheques.

These everyday services are vital, especially to rural or remote communities, and to small businesses for making deposits.

The banking framework has been very successful with the volumes of transaction across the network increasing year on year and we currently carry out around half a million banking transactions every day.

We know there is more we can do to raise awareness of the services we offer, and we continue to work with our Postmasters, press, business groups such as UK Chambers of Commerce, Federation of Small Businesses, UK Finance and the UK's banks so that customers know how Post Offices can support them with their everyday banking needs.

We also need to ensure that that our postmasters receive a fair remuneration for the vital services they provide to customers and we have recently announced significant increases for cash deposit services in recognition of the increased work our Postmasters and colleagues now carry out on behalf of the banks in response to continued bank branch closures.

Following fierce criticism from various bodies about the sustainability of these services, and clear recommendations from the recent Treasury Select committee report and the House of Lords report stating that 'it is imperative the banks pay a more commercial rate that recognises the value of the services Post Office provides', we have recently concluded a renegotiation of the Banking Framework which includes a significant increase in the amount we receive for carrying out these transactions, particularly in light of the cost savings brought about through the bank branch closures which have meant that the burden has shifted to Post Offices. The positive out-come of the re-negotiation means that we can support remuneration increases for our Postmasters.

It is critical to many communities across the country, especially in the more rural areas, that all of the banks continue their commitment to the full range of everyday banking services available through the banking framework and we continue discussions to seek to ensure that this is the case. This is crucial for customers who have seen local bank branch closures and ensures a consistency of message in terms of raising awareness of the service offered in post offices across the UK.

## Response to questions

**Question 1** Do you think there are key insights arising from the research or key aspects of consumers' needs for cash that are not captured by this research?

Question 2 Do you agree with the emerging theme that the number of people wholly reliant on cash is small whilst a significant number of consumers prefer digital payments although many of these also continue to use cash for certain transactions? How do you think this may change in the future?

We have taken the first two questions together.

Whilst the usage of cash is falling it is still a significant form of payment and this is supported by the PSR research findings where most respondents (83%) had made a cash payment in the last week. Cash still accounts for just under half of all payments in the UK and is disproportionately relied on by more vulnerable people and those suffering the difficulties and higher costs brought about by financial exclusion. This is, in large part, the demographic group that depend on Post Offices to be available to serve them in every High St, so we believe we will continue to see cash used for longer in our network than perhaps elsewhere in the economy.

The volume of cash is expected to increase from £70 billion to £85 billion by 2025. However, overall demand for cash is due to fall over the next fifteen years, but the geography and demographics of the remaining cash transactions is very important.

Rural and urban deprived locations are likely to continue to be more reliant on cash than other areas, while suffering decreased access to it. Cash is vital for supporting local economies – people are more likely to spend cash near to where it was withdrawn, as opposed to digital payments which do not have a central location. Post Office plays a vital role in this, our branches are within three miles of 98.7% of the rural population, above our requirement of 95% and within one mile of 99.6% of the urban deprived population. It is also true that if cash services move out of a local town (perhaps to the next nearest town where a bank retains a branch), the immediate local economy suffers as once the money has left, it seldom returns.

There are currently around 1.5 million adults without a bank account in the UK. While this level has historically reduced, it has now plateaued. In total, 2.7 million people rely almost entirely on cash. The recent Ceeney report identified that a population of almost 8 million people regularly use or depend on cash as either a major or minor part of their weekly budgeting. This means that a significant proportion of the country will require access to cash for the foreseeable future. A proportion of these people are likely to be vulnerable: they may have physical or mental health challenges which make managing finances difficult. The face-to-face service we provide over our counters is vital for these people, who may struggle to access conventional ATMs or might be more susceptible to fraud and financial crime.

Being reliant on cash can contribute to the 'poverty premium' which means lower income households have to spend more money than wealthier households to buy the same goods and services. This means they are unable to access discounts for things like payments by direct debit, having to use a pre-payment meter for energy etc. It is therefore crucial that the importance of access to cash is recognised and supported in order to ensure low income households don't suffer further detriment.



Question 3 - 80% of those surveyed prefer free-to-use ATMs over current alternatives. When cash access options which might become important in the future (Post Office, cash delivery, cashback) were put before focus groups, there was still a strong preference for ATMs even if there were fewer of them. Do you have any views why this might be and what could be done to make alternatives more acceptable to consumers?

The vast majority of consumers currently access cash through an ATM and there is likely to always be a preference to maintain the status quo – reflecting the prevalence of machines, ease, reliability and speed to use, and the privacy that an ATM offers, and a general resistance to change. This can also be driven by a lack of experience of using other access to cash methods and a lack of awareness of the alternatives available, where they are, and what they offer.

From a Post Office perspective the awareness of banking services at branches has historically been low, with banks preferring to say little or nothing in their own marketing about the service, viewing it instead as a potential back-up option. Post Office is also limited (by funding) as to what can be promoted nationwide, instead relying on 'in-branch' awareness which is of course limited in effect. This has been made more difficult over the years, with different banks offering different services which has made communication difficult. The banking framework has brought a consistency of services across the banks, and for the first time, there is the ability to press for more bank engagement and broader publicity, as evidenced recently by the banking industry response to a stated request from the Economic Secretary to the Treasury to collaborate and raise awareness.

The current position is that awareness of Everyday banking services at Post Offices is currently around 50% of the population. Whilst this is an improvement there is still more that needs to be done and we continue to work with the banking industry, through UK Finance, on following up the EST campaign to raise that awareness so that people do know of the Everyday Banking services on offer in our branches.

The PSR research also clearly shows that free access to cash is an important element for consumers, who are willing to travel further to access free-to-use ATMs than pay an access fee of 20p. For consumers to use alternative services going forward it is essential that these are free to use.

Post Office is a crucial part of this, we do not (and will never) charge customers for over-the-counter transactions, or for using our ATM network. Some Post Offices may have a separate ATM agreement with a third party and this may include the provision of a fee-charging ATM – this is unrelated to the Post Office and they are all required to provide the full range of Post Office Everyday Banking services regardless of their Post Office or third-party ATM provision.

In order for the Post Office's role in access to cash to be sustainable, we need to ensure that it continues to be free to use for consumers and that the level of payment that we receive from the banks, and the remuneration we are able to pay Postmasters, ensures that the service is sustainable long into the future. As banks close branches which are not commercially viable by themselves, it is important that these cost savings are in part put to use in ensuring the provision of cash through the Post Office network, widely recognised by industry,

government and third parties, as a key strand of the UK's future access to cash infrastructure. This service also needs to be available to customers of all banks – especially the 'big 5', as this industry-wide service is vital to local communities nationwide. Post Office is one of very few networks actively seeking to increase the access to cash locations it provides – we believe this is a testament to our role as a commercial business with a social purpose but we need the appropriate support in order to do this and continue to support the billions of cash payments which take place each year.

# Rural Services Network (RSN)

## **Call for views by the Payment Systems Regulator: Cash access, use and acceptance**

The Rural Services Network (RSN) is pleased to have this opportunity to comment to the regulator on access to cash, and its use and acceptance by consumers and businesses.

The RSN is the national champion for rural service provision, ensuring that rural people across England have a strong voice. It fights for a fair deal for rural communities, to maintain their social and economic viability for the benefit of the nation as a whole. Membership of RSN comprises around 140 local authorities (county, unitary, district and borough councils) and over 75 other service providers from the public, private and civil society sectors e.g. land-based colleges, fire and rescue authorities, housing associations and bus operators.

Over the last few years access to cash has become a significant topic of discussion among rural communities and those who represent them. This is because of:

- Widespread bank branch closures, some of which have been the last branch in small or market towns;
- Recent reductions in the number of ATM facilities, with many less used rural ATMs made unviable by cuts to the interbank fee; and
- The much-valued rural Post Office network expanding its offer to handle cash withdrawal and deposit transactions from personal or business bank accounts.

Whilst trends in access to cash are clearly not just impacting rural areas, their impacts may be most felt in rural areas due to the settlement pattern and population spread, the lack of public transport and the loss of (urban) economies of scale. Poor rural digital connectivity can also constrain the take-up of online alternatives to cash.

With that in mind, the RSN is pleased to note that the research recently conducted by Britain Thinks for the Payment System Regulator included work at two rural locations and its report includes some specific rural findings. Those findings are that, relative to urban consumers or businesses:

- Rural consumers are more like to prefer using cash (than digital payment);
- Rural consumers are more likely to have to travel in order to access cash;
- Rural consumers' preferred solution to cash access is an ATM in every village;
- Rural businesses may be pushed towards cash use by poor digital connectivity;
- Rural businesses are less likely to be depositing cash; and
- A few rural businesses feel that cash deposit boxes could offer a solution.

The following comments are offered under the three questions which have been posed by the PSR in this call for views.

*Q1. Do you think there are key insights arising from the research or key aspects of consumers' needs for cash that are not captured by this research?*

*and*

*Q2. Do you agree with the emerging theme that the number of people wholly reliant on cash is small whilst a significant number of consumers prefer digital payments although many of these also continue to use cash for certain transactions? How do you think this may change in the future?*

The RSN has seen no evidence which would contradict the insights from the research or the finding described above.

There is undoubtedly a long term decline in cash use and a growth in digital payments. Anecdotal evidence is that more and more rural-based retailers and businesses are accepting digital payments, but that cash remains important for some of them, such as market traders and small tradespeople. (That said, a growing number of market stall holders appear to offer card payment through hand held devices.) Some rural consumers also prefer to use cash, especially when making small purchases, for the types of reason which are outlined in the Britain Thinks research report.

It seems reasonable to assume that the trend towards digital payments (over cash) will continue. Improving digital connectivity in rural areas should assist this trend, though poor connectivity remains a very real issue in many locations. Ofcom figures show that in 2018 some 11% of rural premises could not access a (basic) 10Mbps fixed broadband connection and 58% of rural premises could not access a 4G connection on all four mobile networks. Whilst these numbers will reduce, connectivity at premises in the most remote locations could prove complex or expensive to resolve.

The paucity of (public) transport options in many rural areas equally has a bearing and seems likely to play out in complex ways. For some it may mean a preference to use digital payment (thereby reducing their need for cash). For some it may mean additional car travel to access cash. For others – particularly the 11% of rural households without a car or those unable to drive – it makes nearby access to cash all the more crucial. Transport concerns have become more significant following recent losses of many rural bus routes i.e. roughly 200 shire routes withdrawn and 200 routes<sup>1</sup> scaled back in each of the last few years.

A broader question for PSR must be whether the trend towards 'a cashless society' will bottom out at some point, with those groups most wedded to cash use unwilling or even unable to switch over. To the extent they fall within older age groups, it should be noted that a larger proportion of the rural population is elderly than among the urban population. Indeed, that demographic urban-rural differential is projected to grow (by the Office for National Statistics).

Either way, the RSN considers that cash payment should remain an option for consumers or service users wherever possible and for the foreseeable future. There are perfectly valid reasons why some consumers are reluctant to switch over e.g. they find it easier to manage the household budget using cash, they lack confidence or skills to use digital payments.

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<sup>1</sup> The Campaign for Better Transport monitors bus route changes and reports them annually.

*Q3. 80% of those surveyed prefer free-to-use ATMs over current alternatives. When cash access options which might become more important in future (Post Office, cash delivery, cashback) were put before focus groups, there was still a strong preference for ATMs even if there were to be fewer of them. Do you have views why this might be and what could be done to make alternatives more acceptable to consumers?*

It is recognised that ATMs provide a convenient option, where they are readily accessible. However, in rural areas that accessibility should not be over-stated. The *State of Rural Services 2016* report from Rural England CIC highlighted that (based on data from a few years earlier):

- 54% of Post Office outlets were located in rural areas;
- 13% of bank branches were located in rural areas; and
- 11% of ATM facilities were located in rural areas.

These figures should be seen in the context that 17% of England's population lives in a rural area<sup>2</sup>. In short, the Post Office network can claim a significant reach into rural communities, but bank branches and ATMs are relatively under-provided. Indeed, these figures probably mask the fact that bank branches will cluster in rural towns, whilst many villages still retain a Post Office (or more likely a shop which hosts a Post Office counter).

Further and more up-to-date evidence is provided by *The Rural Shops Report 2019* from the Association of Convenience Stores, which was based on a survey of 952 rural-based stores. It showed that:

- 62% of rural stores offer a cashback service;
- 44% host a free-to-use ATM machine;
- 34% contain a Post Office counter; and
- 15% host a fee charging ATM machine.

It could be argued that both the Post Office service (offering bank account transactions) and cashback provision are underused. This may be because they are not sufficiently known about, because they are limited to shop opening hours or because they frequently require some queuing. It should be noted that a growing proportion of rural Post Offices are 'community' or 'outreach' facilities, which typically open for only a few hours during one or two days per week. This is unlikely to meet the needs of many consumers, especially those who are working or have other sizeable commitments.

A constraint on uptake for some business account holders is that the Post Office only accepts cash deposits up to a certain limit (understood to be £2,000 per day). This is not sufficient for some businesses.

Despite these points, it is known that use of the Post Office service is growing over time, as it becomes better known about and following its recent active promotion.

According to the National Federation of Sub-Postmasters (NFSP) some Post Office managers have been reluctant to promote the service, because handling cash can be time-

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<sup>2</sup> Rural areas are defined by ONS and Defra as all settlements with a population under 10,000. The rural population of England is roughly 9.2 million.

consuming for them (especially deposits) whilst the fee they receive has been insufficient. Indeed, the NFSP calculated that the (per transaction) fees translate into an income below the National Minimum Wage. This in turn reflected the very low sum paid by the banks to Post Office Limited for the service. The RSN is therefore pleased to note this is changing with: a) a new Framework Agreement negotiated, which will increase the sum paid by the banks to Post Office Limited; and b) individual Post Office managers shortly due to receive larger fees for each bank transaction they handle. If properly incentivised, Post Offices should be much more willing to raise awareness locally of the service.

We are aware that there have been other consumer concerns about accessing their bank accounts at stores where the Post Office counter is shared with the general retail counter, as is typically the case in the operating model known as Post Office Locals. Concerns appear to revolve around privacy and queuing. Consumer watchdog, Citizens Advice, has conducted shopper surveys and has plenty of evidence about this.

As far as rural ATM provision is concerned, we note three issues which could be addressed:

- *Interbank fee*: as noted above, the transaction fee has been reduced under pressure from some of the banks and this has made less used ATMs unviable, which inevitably includes many in rural areas. The transaction fee should be restored to its previous, realistic level. If banks rely on ATMs provided by other financial institutions or providers to service their customers, they should pay a fair price for that;
- *LINK financial inclusion programme*: in theory this programme is helpful, since it aims to plug geographic gaps where there is no free-to-use ATM available for some distance. However, in practice the programme seems largely to target urban locations and to overlook rural gaps. Its targeting is in need of review;
- *Hosting outlets*: retail (non-financial) outlets which host an ATM machine or who would be willing to do so, often identify concerns. This can include extra business rates. This is a topic which would bear further scrutiny.

The RSN accepts the research findings outlined in the report for the PSR. It notes that there are particular rural features to the debate about access to and use of cash. There are some actions which could be taken to help retain more ATMs in rural locations and to encourage greater use of the service provided by Post Offices. Whilst use of digital payment methods will almost certainly continue to grow, it is important that rural businesses and residents retain the option to access and use cash for the foreseeable future.

The RSN confirms that it is happy for this response to the call for views to be published.

Rural Services Network  
August 2019



# Scottish Grocers' Federation (SGF)



PSR Access to Cash project team  
Payment Systems Regulator  
12 Endeavour Square  
London  
E20 1JN

Sent by e-mail

6 September 2019

Dear sir/ madam

#### **CP19/6 – CALL FOR VIEWS: THE PSR's RESEARCH INTO CASH ACCESS, USE AND ACCEPTANCE**

The Scottish Grocers' Federation (SGF) is a trade association for the Scottish Convenience store sector. There are 4,962 convenience stores in Scotland, which includes all the major symbol groups, co-ops and convenience multiples in Scotland. SGF promotes responsible community retailing and works with key stakeholders to encourage a greater understanding of the contribution convenience retailers make to Scotland's communities. In total, convenience stores provide over 40,000 jobs in Scotland.<sup>1</sup>

Over the last year, the UK convenience sector contributed over £8.8bn in GVA and over £3.6bn in taxes. The sector is more relevant than ever to every type of customer and has key social benefits and is of key economic value to the economy.

Convenience stores trade across all locations in Scotland, providing a core grocery offer and expanding range of services in response to changing consumer demands close to where people live.

SGF welcomes the opportunity to contribute to the call for views and have responded to questions 1, 2 and 3 below:

#### **Question 1 – Do you think there are key insights arising from the research or key aspects of consumers' needs for cash that are not captured by this research?**

SGF recognises some of key issues coming through from the research<sup>2</sup> such for example small businesses that are predominately business to consumer with lower transaction values, are more likely to accept cash; that the payment method broadly aligns with the small businesses expectation of customer preference; and that FTU ATMs are the most used and preferred by consumers. The research has also highlighted a trend that while older people are more likely to prefer cash, those in the 18-24 years are more likely to prefer cash than the 25-34 and 35-44 year olds.

We would also highlight that the Access to Cash Review Final Report (March 2019)<sup>3</sup> makes clear that Britain is not ready to go cashless and acknowledges that digital payments don't yet work for everyone. It

<sup>1</sup> [Scottish Local Shop Report 2018](#)

<sup>2</sup> Britain Thinks. [Access to cash research with consumers and small businesses](#) July 2019

<sup>3</sup> [Access to Cash Final Report](#) – March 2019



also indicates that 17% of the UK population (over 8 million people) would struggle to cope in a cashless society and noted that poverty is the biggest indicator of cash dependency not age.

Last month, the Scottish Affairs Committee published their Access to Cash in Scotland report<sup>4</sup>. In commenting on the report the Chair of the Committee stated that Scottish communities are becoming cash free against their will. The report also pointed out that in 2018, 355 ATMs in Scotland were shut down of which 225 were free-to-use and flagged up the impact of bank closures (particularly in remote areas) and people being forced to travel outside of their community to access cash and having to pay, directly or indirectly, to access their money. SGF would add that bank closures have implications for convenience retailers who in addition to having to pay charges from banks to deposit money with them also have to travel further and so have to also incur other costs such as petrol, parking, arranging staff cover etc. The report also outlines that subpostmasters have also indicated that the level of remuneration offered to them for providing there services is insufficient and unsustainable. This point is also of relevance to our members given that 25% of convenience stores have a Post office.

**Question 2 – Do you agree with the emerging theme that the number of people wholly reliant on cash is small whilst a significant number of consumers prefer digital payments although many of these also continue to use cash for certain transactions? How do you think this may change in the future?**

In convenience retail **cash is still king** and this borne out by the fact that in the Scottish convenience sector **76% of customers** continue to pay by cash and we expect this will remain the primary payment method. The average spend is **£6.50 per customer per visit** and so using cash is a convenient way to pay for shopper missions – see table below.

CUSTOMER PROFILES <sup>5</sup>					
	16-24 YRS GENERATION Z	25-34 YRS MILLENNIALS	35-54 YRS GENERATION X	55-74 YRS BABY BOOMERS	75+ YRS SILENT GENERATION
AGE BREAKDOWN	13%	17%	33%	29%	8%
AVERAGE VISITS	3.3 times per week	3.2 times per week	3.3 times per week	3.5 times per week	3.9 times per week
AVERAGE SPEND	£5.15	£6.33	£7.39	£6.56	£5.42

<sup>4</sup> [Access to Cash in Scotland](#) – Scottish Affairs Committee

<sup>5</sup> [Scottish Local Shop Report 2018](#)

PSR cash access, use & acceptance



A recent summary paper by UK Finance notes that in 2017 cash usage continued to decline but acknowledged that '...cash will remain the second most frequently used payment method in the UK by 2027'.<sup>6</sup>

Scottish convenience retailers will continue to listen, adapt and respond to the ever changing needs and requirements of their customers. Given that the majority of those shopping at convenience stores prefer to pay by cash, this will therefore remain the primary payment method accepted by c-store retailers.

**Question 3 – 80% of those surveyed prefer free-to-use ATMs over current alternatives. When cash access options which might become more important in future (Post Office, cash delivery, cashback) were put before focus groups, there was still a strong preference for ATMs even if there were to be fewer of them. Do you have views why this might be and what could be done to make alternatives more acceptable to consumers?**

Convenience retailers are responding to demands for other payment methods and ways of accessing cash. For example the percentage of stores providing the following services are as follows: a) Debit card (90%) b) Credit card (84%) c) Contactless payment (78%) d) bill payment services (63%) e) Cash back (59%) f) Mobile payment (58%) and g) branches of the Post Office network (25%).<sup>7</sup>

The provision of ATMs however is a **key service** provided by local shops for customers to access their cash to spend on local high streets and shopping parades. Consumers have an **expectation** that they will be able to access their cash **free of charge** apart from in very isolated or inconvenient locations. 62% of local shops provide ATMs for local people, with 50% hosting free-to-use (FTU) ATMs and 12% a fee charging ATM<sup>8</sup>. A bank of England paper<sup>9</sup> from 2017 highlighted that ATM withdrawal statistics show that the aggregate value of withdrawals has stayed relatively stable with an average of £192 billion being withdrawn each year over the past decade.

It is also important to highlight that LINK interchange fees reductions in both July 2018 and January 2019 have led to retailers being approached by their ATM providers to renegotiate their ATM contracts. This can result in reduced or no commission for retailers. This situation is not helped by there being in effect a duopoly ATM provider market. Hosting an ATM can also incur opportunity costs for the retailer and the money received for doing so could be viewed in certain cases as inadequate in return for what the retailer has to put out. Some of our members are of the view that ATM costs and the implications of ATM interchange fee cuts requires everyone needs to share the loss e.g. ATM providers were seen by some as protecting their own bottom lines with the costs being passed down the line.

<sup>6</sup> [UK Payments Markets Summary 2018](#) (p.4) (UK Finance)

<sup>7</sup> [Scottish Local Shop Report 2018](#)

<sup>8</sup> [Scottish Local Shop Report 2018](#)

<sup>9</sup> [Insights into the future of cash](#) Bank of England 13 June 2017

We trust that you will find our comments helpful and are happy to engage further with you on this important matter.

Yours sincerely

[Redacted signature]

[Redacted name]

[Redacted title]

# The Consumer Council of Northern Ireland



## **The Consumer Council for Northern Ireland's response to the Call for Views - Insights from research into cash access, use and acceptance**

### **1 Introduction**

- 1.1 The Consumer Council is a non-departmental public body (NDPB) established through the General Consumer Council (Northern Ireland) Order 1984. Our principal statutory duty is to promote and safeguard the interests of consumers in Northern Ireland.
- 1.2 The Consumer Council welcomes this opportunity to contribute in full to the Payment Systems Regulator (PSR) call for views on cash access, use and acceptance. The Consumer Council believes it is uniquely placed to respond to this call from a Northern Ireland consumer perspective. This is because of our daily interaction with consumers alongside outreach, empowerment work and research. Our work closely examines consumers spending behaviours and seeks to represent consumers within the region.

### **2 Consultation Response**

*Question 1) Do you think there are key insights arising from the research or key aspects of consumers' needs for cash that are not captured by this research?*

#### Key insights - aligned to PSR findings

- 2.1 The Consumer Council welcomes the inclusion of Northern Ireland specific statistics in the full research report. The PSR states: 'Northern Ireland is the region with the highest number of cash preferers compared to other regions (37%)'.<sup>1</sup> The Consumer Council's own research shows that 34% of the Northern Ireland population use cash every day.<sup>2</sup> However, almost half of Northern Ireland consumers (49%) also use debit cards on a daily basis. This concurs with the PSR's findings of a mixed picture of reliance for both cash and digital payments.

#### Key insights not captured - Consumers

- 2.2 Northern Ireland is an area with some unique market characteristics around income and expenditure. It is very important that policy decisions are therefore not based on UK wide assumptions which may hold true when applied to the wider regions.
- 2.3 For example, 42% of bank branches in Northern Ireland have closed since 2010<sup>3</sup>. This means there is an increased risk of exclusion from mainstream financial services for those

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<sup>1</sup> <https://www.psr.org.uk/psr-publications/consultations/cp196-call-for-views-psr-research-cash-access>

<sup>2</sup> Consumer Council YouGov Consumer Insight Survey- March 2018 (n=1033)

<sup>3</sup> Information gathered by The Consumer Council from Northern Ireland banks - August 2019



consumers who rely on physical access to their banks. For instances, in 2016 the Bank of Ireland closed its branch in the border town of Belleek<sup>4</sup>. This left the village with no bank at all. As a result, villagers have to make a 40 mile round trip to the nearest town, Enniskillen, in order to access banking facilities.

- 2.4 The FCA's 'Financial Lives' Survey rates the multiple characteristics of potential vulnerability in Northern Ireland at 56%<sup>5</sup>, suggesting a higher prevalence of vulnerable consumers. This higher level of vulnerability could be a driving force for a higher reliance on cash within Northern Ireland.
- 2.5 However, consumer behaviour and infrastructure could also be playing a part. Within Northern Ireland, 38.4% of adults are members of a credit union, compared to 3.3% in the UK<sup>6</sup>. Many of the credit unions are set up to cater for face to face interactions with consumers, rather than via technological means and very few offer current account facilities.
- 2.6 Another potential barrier is the very limited mobile phone network coverage in some of the more rural areas in Northern Ireland, especially in Border regions. These 'not spots' mean that consumers may not be able to use online banking easily, even if they have signed up to it.
- 2.7 Northern Ireland also has the highest proportion of premises unable to access good broadband connections. A good connection is a government universal service obligation defined by Ofcom as, '*a service that can provide a download speed of 10 Megabits per second (Mbit/s), and an upload speed of 1 Mbit/s upload*'<sup>7</sup>. 5% of premises are affected in Northern Ireland, compared to just 2% in the UK. This is more pronounced in rural areas, with 17% of premises affected in Northern Ireland compared to 12% in the UK<sup>8</sup>. This is important because 37%<sup>9</sup> of Northern Ireland's population live in a rural area, compared to a figure of 7% for England<sup>10</sup>. In addition, ultrafast broadband is available to over half of UK properties (53%) but only 45% of properties in Northern Ireland<sup>11</sup>.

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<sup>4</sup> <https://fermanaghherald.com/2016/07/breaking-bank-of-ireland-closing-belleek-branch/>

<sup>5</sup> <https://www.fca.org.uk/publications/research/understanding-financial-lives-uk-adults>

<sup>6</sup> Bank of England figures, 2016

<sup>7</sup> <https://www.ofcom.org.uk/phones-telecoms-and-internet/advice-for-consumers/broadband-usage-need-to-know>

<sup>8</sup> <https://www.ofcom.org.uk/research-and-data/multi-sector-research/infrastructure-research/connected-nations-2018>

<sup>9</sup> [https://www.daera-ni.gov.uk/sites/default/files/publications/daera/Rural-Urban%20Infographic\\_0.pdf](https://www.daera-ni.gov.uk/sites/default/files/publications/daera/Rural-Urban%20Infographic_0.pdf)

<sup>10</sup> <https://www.gov.uk/government/publications/rural-population-and-migration/rural-population-201415>

<sup>11</sup> <https://www.ofcom.org.uk/research-and-data/multi-sector-research/infrastructure-research/connected-nations-update-spring-2019>

Key Insights not captured - Small to Medium - sized Enterprises (SMEs)

- 2.8 Over 99% of businesses in Northern Ireland are SMEs, accounting for over 70% of turnover in the private sector in Northern Ireland. This is a significantly greater proportion than in the UK as a whole, where the contribution of SMEs to private sector turnover is about 50%<sup>12</sup>.
- 2.9 The Federation of Small Businesses (FSB) Northern Ireland's research in 2015 showed that having access to a local branch was one of the most important drivers of banking satisfaction for small businesses in Northern Ireland<sup>13</sup>. Shop owners and businesses in Northern Ireland are concerned that a shrinking free-to-use ATM network will negatively impact their business overall<sup>14</sup>. As a result of this fear, many businesses are offering cash back even though this means they are effectively 'taking a hit' financially in doing so. Added to this, ATMs in some parts of Northern Ireland have been stolen and/or demolished<sup>15</sup> in recent months. These events make it less likely that these free to use ATMs will be replaced.

*Question 2) Do you agree with the emerging theme that the number of people wholly reliant on cash is small whilst a significant number of consumers prefer digital payments although many of these also continue to use cash for certain transactions? How do you think this may change in the future?*

- 2.10 Whilst the cash reliant sector is a smaller group overall, the figure for those that prefer cash in Northern Ireland is 37% according to the PSR's own research<sup>16</sup>. There is evidence that some consumers using cash are from vulnerable groups. The Consumer Council's 'Banking on Change'<sup>17</sup> paper demonstrated, for instance, that low income consumers reported it is easier to manage their finances through cash, than through other means.
- 2.11 If the predicted 'access to cash guarantee'<sup>18</sup> comes into force, then consumers who prefer to use cash will have that right protected despite an overall increasing trend toward card payments. This is important because in Northern Ireland the rate of cash access is falling slower than in other regions<sup>19</sup>.

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<sup>12</sup> Federation of Small Businesses- Northern Ireland <https://www.fsb.org.uk/standing-up-for-you/national-offices/northern-ireland>

<sup>13</sup> FSB, 'A Study of SME-Bank Relationships in Northern Ireland', (2013), available at: <http://www.fsb.org.uk/docs/default-source/fsb-org-uk/policy/rpu/ni/images/fsbunilster-sme-summary-report.pdf?sfvrsn=0>

<sup>14</sup> <https://www.bbc.co.uk/news/uk-northern-ireland-48175484>

<sup>15</sup> <https://www.irishtimes.com/news/ireland/irish-news/ATM-thefts-cash-machine-ripped-from-wall-in-bushmills-is-recovered-1.3862217>

<sup>16</sup> <https://www.psr.org.uk/psr-publications/consultations/cp196-call-for-views-psr-research-cash-access>

<sup>17</sup> [http://www.consumercouncil.org.uk/sites/default/files/original/39156\\_Banking\\_on\\_Change\\_Report\\_FINAL.pdf](http://www.consumercouncil.org.uk/sites/default/files/original/39156_Banking_on_Change_Report_FINAL.pdf)

<sup>18</sup> <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf> -page 7

<sup>19</sup> <https://www.essentialretail.com/news/debit-cards-overtook-cash-payments/>



*Question 3) 80% of those surveyed prefer free-to-use ATMs over current alternatives. When cash access options which might become more important in future (Post Office, cash delivery, cashback) were put before focus groups, there was still a strong preference for ATMs even if there were to be fewer of them. Do you have views why this might be and what could be done to make alternatives more acceptable to consumers?*

- 2.12 The Consumer Council (Northern Ireland) has been a member of the LINK Consumer Council since 2010. The Consumer Council (Northern Ireland) fully supports Link's commitment to maintain a broad free network of ATMs across the UK through its financial inclusion programme. Our continuing engagement with Link will ensure that the access to cash needs of consumers in remote or deprived areas within Northern Ireland are met effectively.
- 2.13 Furthermore, where an ATM is recognised as a necessary financial inclusion mechanism, that cash machine is 'protected' and cannot be converted to pay to use. The Consumer Council welcomes the recent announcement by Link that they will be directly commissioning<sup>20</sup> free-to-use ATMs in communities with poor access to cash.
- 2.14 The Post Office can offer a viable alternative to banks and ATMs. However, consumers have told us they have privacy concerns about using post offices<sup>21</sup> to withdraw cash. This is because there is not always a private space in which to discuss their account. Our research also identified a lack of awareness about being able to bank at the Post Office.<sup>22</sup>

### 3 Conclusion

- 3.1 There is no doubt that innovation within financial services has the ability to positively benefit consumers. However, there are those who use cash as a matter of choice and those who have no choice but to use cash as they are unable to access other means of payment.
- 3.2 The Consumer Council welcomes the fact that the PSR recognises the higher dependence on cash for Northern Ireland consumers. In this paper we have highlighted that there are a number of key issues which may influence this higher dependence.
- 3.3 Having lower levels of financial confidence may result in more Northern Ireland consumers choosing to rely on cash. However, the issues we have identified in relation to infrastructure and consumer behaviour in Northern Ireland, such as high branch closures, larger rural communities and issues with broadband access, may be driving higher cash dependency. It may be that more consumers do not wish to be reliant on cash, but a lack of infrastructure to support alternative payment methods limits this from happening.

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<sup>20</sup> <https://www.link.co.uk/about/news/link-access-to-cash-commitment/>

<sup>21</sup> The Consumer Council – Northern Ireland wide Consumer Panels on Banking, Post Offices and Car insurance 2015-2016

<sup>22</sup> The Consumer Council – Northern Ireland wide Consumer Panels on Banking, Post Offices and Car insurance 2015-2016

- 3.4 The Consumer Council would welcome a response from the PSR on whether this is an issue it intends to research further as we would welcome the opportunity to support this work. Thank you for giving us the opportunity to respond to this call for views. The Consumer Council consents to this response being reproduced or referenced by the PSR. Please contact us if wish to discuss this response further.

**Consumer Council Contact:** [REDACTED]

**Email:** [REDACTED]

**Telephone:** [REDACTED]  
[REDACTED]

**2 September 2019**

# The Money Charity



## *The Money Charity Response to PSR CP19/6 - Insights from research into cash access, use and acceptance (Sept 2019)*

The Money Charity is a financial capability charity whose vision is to empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives.<sup>1</sup>

We welcome the opportunity to respond to the Payment Systems Regulator's consultation paper CP19/6, which we see as supporting the ongoing provision of universal cash access in the UK.

We look forward to working with the PSR to help with the design for an efficient and durable system for cash access appropriate to the twenty-first century.

In this response, we set out our Key Points then answer the questions posed in the Consultation Paper.

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<sup>1</sup> See box on back page.

## Key Points

1. We recognise the findings of the Britain Thinks survey, but think there are three additional aspects of **consumers' needs for cash** to be added:

- The cash needs of the UK's thirteen million children and adolescents.
- The symbolic value of cash.
- The educational value of cash.

2. We think the '1% of cash preferers' figure for **people wholly dependent on cash** is statistically unreliable and likely to be an underestimate. We call on the PSR to correct the impression that this is a validated number as soon as possible, by publishing the confidence interval for the statistic and the caveats added by Britain Thinks.

3. Regarding **future preferences for digital payments and cash**, there are two additional points we wish to emphasise:

- The precautionary motive for holding cash (in case of IT outage or natural disaster).
- Market dominance in digital payments, requiring a full study of pricing and the value chain for digital and card payments.

4. Regarding **ATM popularity**, we think there are a number of features of ATMs (convenience, privacy, simplicity, specialisation, standardised design, etc) that have made them popular as the leading source of cash. Furthermore, ATMs have achieved a place in popular culture that makes them part of our psycho-geography.

## Answers to consultation questions

**Q1. Do you think there are key insights arising from the research or key aspects of consumers' needs for cash that are not captured by this research?**

### 1.1 Findings we recognise and agree with

Overall, the findings of the research match what we have seen in our financial capability work and contact with consumers, as summarised in our submission to the Access to Cash Review in September 2018.<sup>2</sup> In particular we recognise the following Britain Thinks findings:

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<sup>2</sup> <https://themoneycharity.org.uk/media/The-Money-Charity-Response-Access-to-Cash-Review-Sept-2018.pdf>

- The large number of people (28% of respondents) who continue to express a preference for cash (slide 17).
- The large majority of people who still use cash (83%) and the many who see themselves as 'cash and card' users (slides 17 and 19).
- The large number of people who have paid cash because the business or payee took only cash (slides 22-23).
- The skew towards the disadvantaged among those who prefer cash (slide 28).
- The uptick in preference for cash among 18-24 year-olds, who say they find it easier to control their expenditure when operating in cash (slide 29).
- The use of cash for budgeting and control purposes (slide 34).
- Appreciation of the anonymity of cash for reasons of confidentiality in relationships (slide 41).
- The common use of a 'minimum transaction amount' before shops will accept card payments (slide 54).
- The preference of consumers for accessing cash via ATMs in safe places (slides 59 and 76).
- The high proportion of consumers who would be prepared to travel ten minutes out of their way to a free-to-use ATM to avoid a 20p transaction charge<sup>3</sup> (slide 71).
- Cash preference among small businesses being higher than card preference (slide 92) despite concerns about the security of holding cash (slide 105) and the costs of depositing cash (slide 122).
- The use of cash in informal business settings (slide 103).
- Concerns among small businesses about the fees associated with card payments (slides 106, 129 and 133).
- Concerns about the reliability of digital networks (slide 110).
- The popularity of the 'hub branch' concept for maintaining cash and banking services is low population density areas (slides 134-135).

For the above reasons and other points we made in our submission to the Access to Cash Review, we think that a significant demand for cash will persist in the UK for the foreseeable future. It is therefore vital that the PSR, Bank of England and other public authorities with responsibilities in this area ensure the continuance of a universal, free-to-use system of cash access, funded in a socially equitable way, avoiding regressive charges on low income or otherwise disadvantaged people.

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<sup>3</sup> This is consistent with the finding of empirical psychologists that losses have twice the psychological impact of equivalent gains. See Daniel Kahneman 2012, *Thinking, Fast and Slow*, page 283. Measuring the real cost of these ten minute journeys (in time and transport) would provide a form of contingent valuation for the ATM network, which could be used to assist the case for maintaining comprehensive ATM coverage.

## **1.2 Needs for cash not captured by the research**

Strong as the research findings are, we think there are some things missing. In particular the following:

### **1.2.1 The cash needs of children and adolescents**

- The Britain Thinks survey was of adults aged 18+, but there are thirteen million children and adolescents in the UK who also have payments needs. Many children and adolescents do not have bank accounts and operate in cash, so would be severely disadvantaged if access to cash were to be restricted.

### **1.2.2 The symbolic value of cash**

- Cash has a symbolic and historical value that is not fully reflected in the survey results, though some respondents commented on cash being ‘real’ and Britain Thinks describes it as ‘tangible’. As we know, cash consists of tokens made of paper, plastic and metal which have minimal material value but carry the imprimatur of the Bank of England and of the UK as a state. The symbolic value is enhanced by the design of banknotes and coins, which show the head of the sovereign, other British historical figures and other symbols of trust and solidity of value, including the signature of the Chief Cashier of the Bank of England. This symbolism reflects the origins of banknotes as certificates for the deposit of precious metals. Even though electronic transactions have a high and increasing acceptance in the UK, they are experienced as ephemeral ledger entries rather than physical entities, so have a relationship to the UK psyche that is different from and weaker than that of cash.

### **1.2.3 The educational value of cash**

- As a financial capability charity, we have learned to appreciate the educational value of cash. This is an instance of its tangibility and symbolic power. For example, in our young people financial capability work we use ‘specimen only’ copies of twenty pound notes for a budgeting exercise that involves tearing up the notes. Another budgeting exercise uses plasticised versions of £5 notes allocated to coloured pictures of various items of household and personal expenditure. This is a powerful way of communicating the limits of a fixed budget and the trade-offs that have to be made when choosing between different budget allocations. We also have a leaflet that looks like a folded £20 note, but opens up concertina-fashion to reveal mini-pages setting out our key financial capability messages. The leaflet works because of the recipient’s initial thrill when they are given what looks like a £20 note, followed by discovery of what the note really is.

This is an example of what advertisers call ‘conceptual conflict’, which gives rise to heightened attention.<sup>4</sup>

We recommend that the above three points be included in the PSR’s analysis of the value of cash in the UK. In particular, the payment needs of children and adolescents warrant a specific piece of PSR research, due to the large number of people involved.

**Q2: Do you agree with the emerging theme that the number of people wholly reliant on cash is small whilst a significant number of consumers prefer digital payments although many of these also continue to use cash for certain transactions? How do you think this may change in the future?**

## **2.1 People reliant on cash**

We recommend extreme caution in concluding that the number of people wholly reliant on cash is as small as shown in the survey (1% of cash preferers not being able to complete a transaction),<sup>5</sup> for the following reasons:

- The reported result is a triple cut of the data (a percentage of a percentage of a percentage) and therefore typically would have a very wide confidence interval (margin of error). We suggest that the PSR ask Britain Thinks to calculate the confidence interval, so the level of uncertainty around this number is clear. Britain Thinks shows an awareness of the statistical fragility of this number by saying ‘low base sizes means that these figures are indicative rather than definitive’ (slide 48) and ‘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’ (slide 49). *In good statistical practice, a number like this should be reported with its confidence interval, as it may be that the size of the CI makes the number completely unreliable.*
- The reported number relates to the small proportion of cash preferers who have found themselves in a situation where they could not make a transaction in cash. At the present time, this is likely to occur only in parts of the country that have particularly high levels of preference for digital payment, otherwise the vendor would be alienating too many of their customers. In these places, people preferring to pay in cash are more likely to have alternative means of payment. In parts of the country where cash reliance is particularly high, cash preferers are less likely to have encountered a non-cash situation.

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<sup>4</sup> See for example: <https://www1.icsi.berkeley.edu/~stellayu/artvis/project/ad/index.html>

<sup>5</sup> Page 5 of CP19/6, Slide 49 of the Britain Thinks report.



- As with any survey there are issues of coverage. Given that cash preferers are typically more disadvantaged than the population in general, they are likely to be less engaged with surveys and will probably be under-represented in the survey sample, even though Britain Thinks made use of landline and mobile phone contact. Exclusion tends to be multi-dimensional. A different research method would be required to accurately estimate the number of people who are 100% cash reliant, for example by observing behaviour at digital-only payment points established in representative locations around the country.

*We are concerned that the PSR has reported the cash reliance result without properly qualifying it by quoting the warnings made by Britain Thinks or publishing the confidence interval. Once a number like this is reported it can quickly take on the character of an ‘urban myth’, being repeated by people as if it is a hard fact. We suggest that in forthcoming commentary the PSR qualifies the statistic and makes it clear that further research is required to accurately estimate the number of people who are cash reliant.*

## **2.2 Future preferences for digital and cash**

There are two points we would like to make here, both of which are hinted at in the Britain Thinks findings:

### **2.2.1 Cash backup**

There is a precautionary motive for continuing to carry cash, even for people who prefer digital means of payment.<sup>6</sup> This is because IT systems are not 100% reliable and, in general, are less reliable than access to cash. Many people have had the experience of intending to pay digitally but finding that, for one reason or another, digital payments are temporarily unavailable. This could be because of device breakdown, connectivity or systems issues. While such events may be relatively rare, the fact that they do occur makes people reluctant to abandon cash entirely. The UK has seen several major payment systems failures, including those of TSB and Visa in 2018. Internationally, worse things have happened. For example, after Hurricane Maria hit Puerto Rico in September 2017, power failure caused a complete breakdown in the digital payments system and the US Federal Reserve had to fly in large quantities of physical US dollars to enable economic life to resume.<sup>7</sup>

The country reported to be furthest along the road to a ‘cashless society’ is Sweden, where in early 2018 only 15% of retail transactions involved cash. However, the idea of moving to a completely cashless society has caused anxiety on the grounds of

<sup>6</sup> Britain Thinks, slides 17, 19 and 110.

<sup>7</sup> <https://www.paymentscardsandmobile.com/cashless-society-happens-power-goes/>

inclusion, choice and system robustness. The Governor of Sweden's central bank has argued that phasing out coins and notes could put the entire country at risk should Sweden encounter a 'serious crisis or war' and a parliamentary committee has recommended that cash services continue to be offered throughout Sweden.<sup>8 9</sup>

## 2.2.2 Market domination in digital payments

Shifting from cash to card/digital involves not simply a choice of payment method but also a choice of providers. In the UK, card payments are dominated by two large international companies, whose charges are non-transparent to most consumers. We do not know if they are making a fair profit or extracting economic rent. We do not know the incidence of charges on various categories of user. There is evidence of regressive charging for small payments via small traders. This makes itself felt via 'minimum transaction amounts' (£5 or £10) imposed by some smaller retailers. Card companies are reported to charge a combination of percentage payment and fixed fee, which leads to a transaction cost that is large in relation to the size of the purchase.<sup>10</sup> In the Britain Thinks results we see:

- The common use of a 'minimum transaction amount' before shops will accept card payments (slide 54).
- Concerns among small businesses about the fees associated with card payments (slides 106, 129 and 133).
- Lack of enthusiasm among small businesses for providing cash-back, due to high costs or insufficient incentives (slide 140).

*We welcome the fact that the PSR is to conduct an inquiry into card services in Q4 2019 and we urge the PSR to extend this to a full economic study of the digital payments industry, looking at pricing, the value chain and the impact of market domination.*

Our expectation for the future is that most people will prefer digital payments, particularly where – as with contactless cards – they are quicker than cash. However, many, perhaps most, will continue to carry cash to some extent as a backup in case of system outage or for payments for small items and in informal situations. There will also be a continuing need for cash in some situations requiring confidentiality, such as when a financially abused person wishes to hide certain income or payments from their abuser.

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<sup>8</sup> <https://www.bbc.co.uk/news/business-43645676>

<sup>9</sup> <https://www.riksbank.se/globalassets/media/remisser/riksbankens-remissvar/engelska/2018/consultation-response-on-secure-access-to-cash.pdf>

<sup>10</sup> Information from Greater Change (provider of a mobile donation system for the homeless). The website for Stripe (an electronic payments provider) says that it charges 1.4% plus 20p per transaction: <https://stripe.com/gb/pricing>

While ‘most’ people may prefer digital, we expect a continuing proportion of people to be cash preferers, cash budgeters and/or cash reliant. In total this is likely to amount to some millions of people, necessitating the maintenance of a free-to-use cash access system across the UK.

**Q3: 80% of those surveyed prefer free-to-use ATMs over current alternatives. When cash access options which might become more important in future (Post Office, cash delivery, cashback) were put before focus groups, there was still a strong preference for ATMs even if there were to be fewer of them. Do you have views why this might be and what could be done to make alternatives more acceptable to consumers?**

### **3.1 Popularity of ATMs**

We thought this was an interesting result too. There are two aspects to it: (1) the preference for ATMs, and (2) the preference for ATMs in safe places (Britain Thinks slide 59). The latter point is supported by Age UK research which has shown a strong preference by those aged 75+ for having ATMs in safe places.<sup>11</sup>

While we have not formally researched the issue, we think there are several aspects to the popularity of ATMs:

- The ‘hole-in-the-wall’ has become culturally normalised in the UK, and in many other countries. As well as being useful, it occupies a place in the public imagination (see Figure 1 below).
- It is a specialised device. Its primary purpose is to dispense cash.
- ATMs are often conveniently located, so save time.
- ATMs carry bank and LINK branding, so have a brand presence.
- ATMs have standardised design features (unlike many home appliances, for example).
- ATMs are relatively easy to use and people have lots of practice with them, so technophobia tends not to be an issue.
- Alternatives such as cash-back or Post Office withdrawals involve getting mixed up in other business, for example having to wait in a queue of people buying stamps or groceries, or having to make a purchase in order to get cash back.
- ATMs are private. A person can withdraw their money in silence and without giving away information to anyone else. This suits the British character.

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<sup>11</sup> Age UK 2016, *Age-friendly banking – what it is and how to do it*, page 12. Available at: [https://www.ageuk.org.uk/documents/en-gb/for-professionals/policy/money-matters/report\\_age\\_friendly\\_banking.pdf?dtrk=true](https://www.ageuk.org.uk/documents/en-gb/for-professionals/policy/money-matters/report_age_friendly_banking.pdf?dtrk=true)

- People are aware of the impact on their local high streets of the loss of bank branches and ATMs, so may wish to keep ATMs as a means of supporting local town and village centres.

ATMs have certain downsides, in particular the risk of fraud and mugging. However, these risks are generally manageable provided people are aware of what they are doing. Those for whom safety is a particular concern (eg the over 75s) can choose to use an ATM in a safe place and at a safe time, as long as this type of ATM remains available.

**Figure 1: The ATM in popular culture**



"I hope it's fixed soon. I miss the convenience and friendly beep."

The ATM is a popular cartoon subject.

As a primitive robot, the ATM anticipates features of human-robot interaction that will become commonplace to discuss in the future.

See for example:

<https://360.here.com/how-human-like-will-the-robots-of-the-future-need-to-be>

### 3.2 What could be done to make alternatives more acceptable to consumers?

We are not convinced this is the right question to be asking. What it seems to be saying is 'how do we steer people away from something they like toward something they currently don't like?' which plays into the hands of those who accuse the payments industry of conducting a 'war on cash'.

In a market economy, consumer sovereignty is supposed to prevail. As Adam Smith put it in *The Wealth of Nations* (1776):

‘Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer.’<sup>12</sup>

The theory of consumer sovereignty is that what consumers want drives production, not the other way around. It may be argued that this rule is observed more in the breach, but nevertheless it is a founding idea of economics and a cornerstone justification for a capitalist market economy. A UK regulator would be ill-advised to move away from consumer sovereignty in setting out its policy positions.

Having said this, the simple answer to the question is, ‘make them better.’ Consumers generally choose the best (for them) of the available alternatives. For example, the reason for the rapid uptake of contactless payment (despite technophobia and security concerns) is that contactless is better than other forms of card payment and faster than paying by cash. Contactless is an innovation that has genuinely improved the consumer experience.

For people to switch to alternatives to ATMs, the alternatives would need to be better, ie faster, safer, more convenient, more private etc. This may be a tough ask. Given the public’s stated preference for ATMs, the better approach may be to think about how to make them cheaper and more efficient by improving their design, production and servicing systems.

(end)

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<sup>12</sup> [https://en.wikipedia.org/wiki/Consumer\\_sovereignty](https://en.wikipedia.org/wiki/Consumer_sovereignty)

**The Money Charity** is the UK's financial capability charity providing education, information, advice and guidance to all.

We believe that everyone achieves financial wellbeing by managing money well. We empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.

We do this by developing and delivering products and services which provide education, information and advice on money matters for those in the workplace, in our communities, and in education, as well as through influencing and supporting others to promote financial capability and financial wellbeing through consultancy, policy, research and media work.

We have a 'can-do' attitude, finding solutions to meet the needs of our clients, partners, funders and stakeholders.

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TransferWise



### **Payments Innovation: introducing competition to the payments landscape**

We welcome this opportunity to submit our comments as we are concerned that the decline in access to cash will not only increase the cost of cash payments, as suggested by the PSR's research, but the overall competitiveness of the payments landscape in the UK. This leads to stagnating outcomes for consumers and higher costs for businesses.

Just 7% of UK SMEs prefer card according to your most recent research paper, but 17% suggested that it was their customers preferred payment method (the second most popular after bank transfer). It is predominantly B2C businesses that are accepting cash, and what the research does not cover is the impact of this shift from cash to card on those businesses.

One of the key problems with the implementation of the Interchange Fee Regulation is the effect it has had on card costs for high value retailers. Since 2015, the interchange fee charged when accepting a consumer debit card payment has changed from 50p to 0.2% (for a secured payment). As a result, the cost of accepting any transactions above £250 has increased exponentially for businesses.

Research conducted by Consumer Intelligence estimates that around **£326 million a year**<sup>1</sup> is lost as a result of this change, however as with cash payments, businesses are not well equipped in understanding the cost of card payments - and are prone to overlooking the impact it could have on their profit margins - particularly valuable to small and physical retailers and merchants.

Your inquiries into access to cash, and the card acquiring market provide an important perspective on the efficacy of the Interchange Fee regulation, and specifically the cap on interchange. Given the findings of our independent research, we would argue that the regulation has not achieved its primary objective: to drive down costs sustainably, ultimately for consumers. Rather it has just shifted costs to high value retailers and not addressed the key driver of the high cost and lack of sustained decrease - the lack of competition and business understanding of payment instruments.

New entrants to the payments market (fintechs) are charged to accept card payments and may only begin to recoup these costs once they issue cards, though it is not enough to cover the cost of issuing. Only the largest firms are able to negotiate preferable terms with the card schemes, with the very largest able to negotiate the most favourable. However, due to the surcharging ban, consumers see no cost, and therefore do not shop around for alternative cheaper payments - and even if they were conscious of the cost, only very rarely are consumers given a choice over which card scheme they use for their Account Service Payment Service Provider. Currently, there is no widely accepted alternative

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<sup>1</sup> Consumer Intelligence (September 2019). Research based on a typical B2C UK business who regularly takes transactions over £250. Loss calculated from their average debit card transaction size, the current weighted average cap for consumer payments and the publicly stated previous interchange fee (as stated by the Government in their consultation response [here](#) (p6))





for online or offline payments to cards, so fintechs have no choice but to accept the terms of the card schemes.

We would therefore urge the PSR to either conduct a full review of the interchange fee regulation and payments instrument competition in the UK, or encourage the Treasury to fulfill their commitment from this year's mansion house speech. There is a statutory review happening at an EU level, however as we move away from a shared regulatory landscape, there must be a concurrent full UK review.

In the long term, to ensure lower prices for consumers and a fair apportionment of the cost of payments, there must be a vibrant and competitive payments market in the UK.

TransferWise has one of the first PISP products available directly from consumers, and as a result we have good oversight on consumer adoption and the barriers involved. We would be delighted to contribute to such a review.

[REDACTED]

We'd welcome the opportunity to share our insights and our full research into card payments with the PSR, should they be of use.

## UK Finance

# PSR CP19/6: Call for views: The PSR's research into cash access, use and acceptance

## UK Finance Response

**Date:** 6 September 2019

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## Introduction

UK Finance is the collective voice for the banking and finance industry. Representing more than 250 firms across the industry, we act to enhance competitiveness, support customers and facilitate innovation.

We welcome the opportunity to provide our views on the issues raised by the Payment System Regulator's research into cash access, use and acceptance. This call for views takes place at a time when there is wider consideration of what reforms may be necessary in order to secure reasonable access to cash for those who continue to use it.

We are supporting several pieces of work designed to help address this concern and, in our statement of 12 June 2019,<sup>1</sup> committed to working with the recently established Joint Authorities Cash Strategy Group (JACS).<sup>2</sup> We said more detailed work is required to understand the future cash needs of local communities, in particular remote rural and urban deprived communities, and to design a system which addresses how their needs can best be served quickly and efficiently should an access problem emerge. We are also working with the Bank of England's Wholesale Distribution Steering Group (WDSG) on how to develop a new end state model for wholesale cash distribution.<sup>3</sup>

## Question 1

**Do you think there are key insights arising from the research or key aspects of consumers' needs for cash that are not captured by this research?**

The PSR's research provides valuable insights and robust information regarding access to cash and its use by society. The key insights, and the key aspects of consumers' needs for cash, are in line with the findings from UK Finance's latest analysis of payments in the UK, "UK Payment Markets 2019", which the PSR refers to in the call for views.<sup>4</sup>

<sup>1</sup> <https://www.ukfinance.org.uk/press/press-releases/uk-banking-and-finance-industry-commits-support-local-communities-free-access-cash>

<sup>2</sup> <https://www.gov.uk/government/news/cash-here-to-stay-as-government-commits-to-protecting-access>.

<sup>3</sup> <https://www.bankofengland.co.uk/news/2019/march/boe-welcomes-access-to-cash-review>.

<sup>4</sup> <https://www.ukfinance.org.uk/policy-and-guidance/reports-publications/uk-payment-markets-2019>

The research provides some new and important insights on the views of consumers and businesses concerning alternative options for accessing and depositing cash. This is a new contribution to the evidence base for policy makers and should help inform the future strategy and policy on protecting access to cash for the foreseeable future.

The UK Finance “Business Payments Survey” published in March 2019 contains some findings on cash acceptance by businesses and the potential for them going cashless in the future:

- When asked if accepting cash was an inconvenience for their business, just 8% of businesses that currently accept cash agreed that it was.
- We asked businesses whether they had thought about whether the business should stop accepting cash, and whether they thought it was possible that they would stop accepting cash:
  - Of the businesses in the UK that currently accept cash, just 6% said that they had considered whether the business should stop accepting cash.
  - Furthermore, just 5% of businesses that currently accept cash said that it is possible that they will stop accepting cash as a form of payment.
  - Most businesses that currently accept cash do not find it inconvenient and are not considering ceasing to accept cash. There is no evidence at present of a significant proportion of businesses turning away from accepting cash as a payment method.<sup>5</sup> However, this is something that UK Finance intends to continue monitoring in future, as business decisions react to the changing commercial environment and the evolving preferences of their customers.

The big gap in the research is low denomination coin and attitudes towards the usefulness and necessity of this, as well as alternative options to an economy without bronze coin.

## Question 2

**Do you agree with the emerging theme that the number of people wholly reliant on cash is small whilst a significant number of consumers prefer digital payments although many of them also continue to use cash for certain transactions? How do you think this may change in the future?**

The variety of experience relating to use of cash reflects the “pick ‘n’ mix” approach that UK consumers take to payments with payers choosing the payment methods that suit them best from the ever-widening selection of payment methods available. Over the next decade the number of cash payments in the UK is expected to continue to fall, as consumers continue to turn to alternative payment methods, most notably debit cards. By 2028 there are expected to be 3.8 billion cash payments in the UK, accounting for 9% of all payments. Rather than the UK becoming a cash-free society over the next decade, it is transforming to an economy where cash is less important than it once was but remains a payment method that continues to be valued and preferred by many.

The increasing popularity of card payments, contactless technology, online banking and mobile banking, has led to increasing numbers of adults in the UK managing their lives without using cash. At the same time, there remains a significant number of people who mainly use cash to conduct

<sup>5</sup> <https://www.ukfinance.org.uk/policy-and-guidance/reports-publications/business-payments-survey-2019>

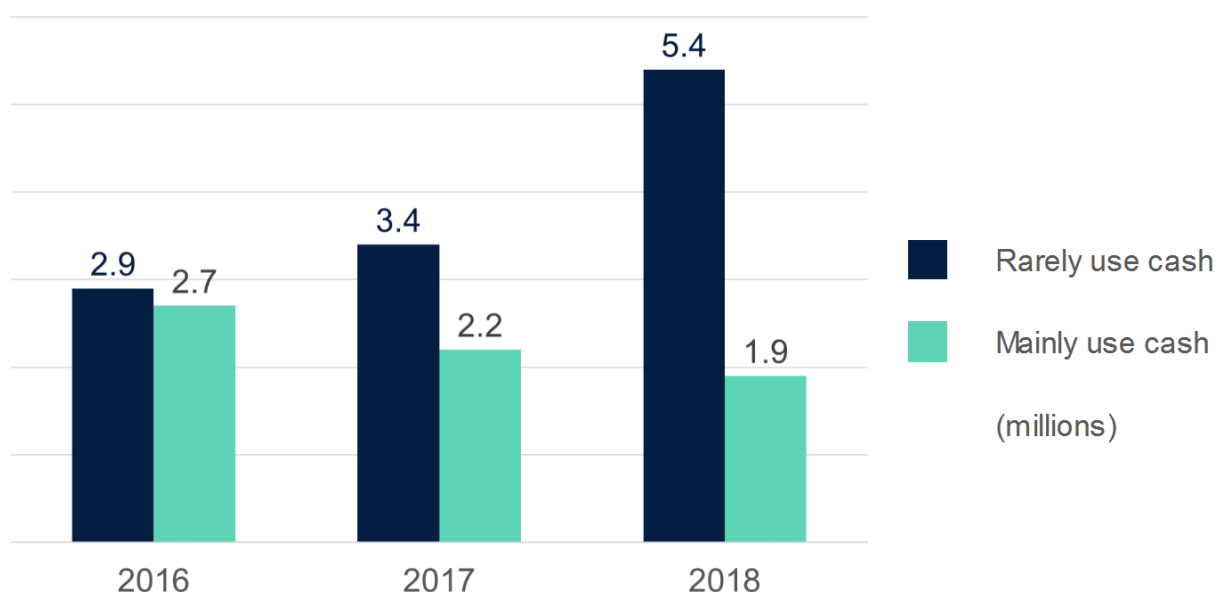
their day-to-day spending. UK Finance's National Payments Study provides insights into who these different groups of people are:

#### People who prefer using cash

There were 1.9 million consumers who mainly used cash in 2018, choosing this payment method when doing their day-to-day shopping (although the majority still use other payment methods to pay their regular bills). It should be noted that, whilst these people prefer to use cash when paying for things, the majority of them have a debit card and they are not necessarily unwilling or unable to use other methods of payment.

In the past, it has appeared that income had a strong role to play in determining peoples' preference for using cash. This perhaps reflects the fact that cash provides a simple and tangible method for managing a limited budget, with people withdrawing a sum of money and using only that cash to last them for a certain period of time (for example to the end of the week or until the next time that they receive their income). Budgeting using cash also helps to avoid the potential pitfall of going overdrawn on a current account, a fear that some of those on low incomes associate with using electronic payment methods. Using cash to manage payments avoids inadvertently becoming overdrawn, and hence avoid any associated fees and charges that may be incurred. However, there was insufficient data in our 2018 survey to confirm or refute this finding for 2018.

#### *People who mainly use cash vs people who rarely use cash, 2016 – 2018*



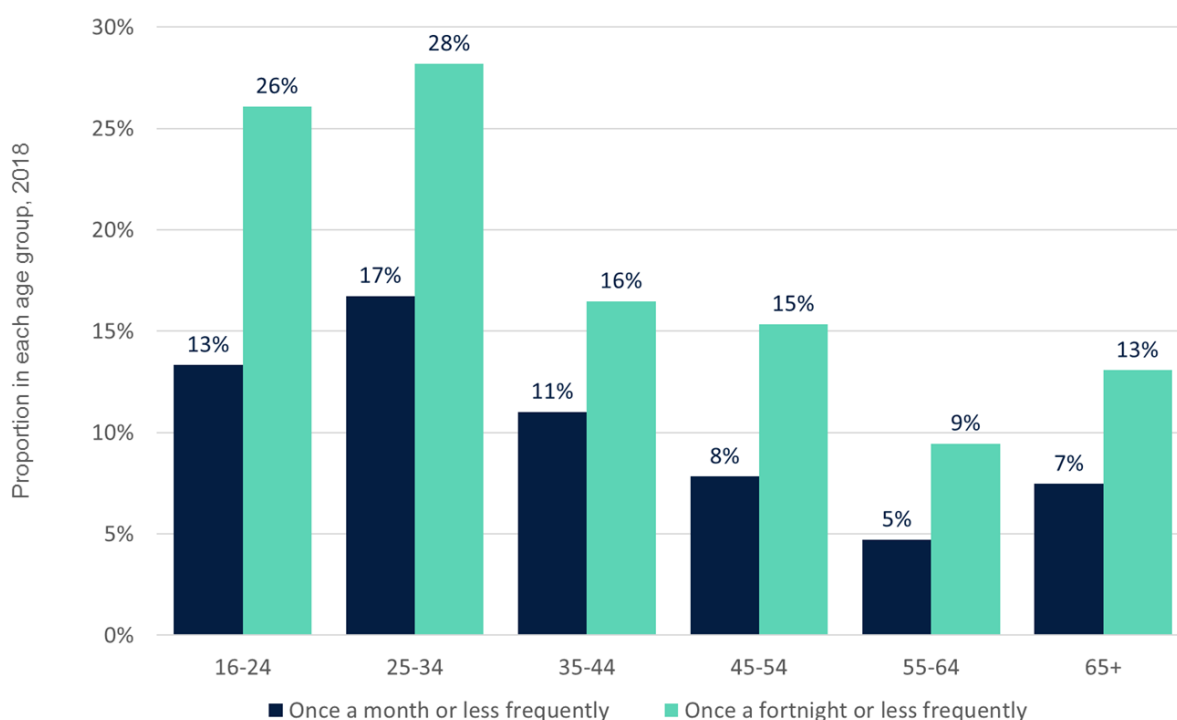
#### People who prefer using cards

During 2018 there were 5.4 million consumers who almost never used cash at all, instead relying on cards and other payment methods to manage their spending. This was an increase from 3.4 million consumers the previous year, showing the growth in people who are living an almost cashless life.

It does not seem as if there is a strong influence of income on this behaviour as people with low incomes are just as likely to be rare users of cash as people with high incomes. Age appears to have a stronger influence on this behaviour; younger people are most likely to be rare users of

cash. This peaks with those aged between 25 and 34, with almost 17% of this age group using cash once a month or not at all, and over a quarter (28%) using cash once a fortnight or less. Despite this apparent age-related effect, it is important to note that there are people of all ages who are now using cash relatively rarely. Even considering only those aged 65 and over, we can see that over 7% of people are using cash once a month or less frequently and 13% are using cash once a fortnight or less frequently.

*People who rarely use cash, by age, 2018*



### Question 3

**80% of those surveyed prefer to use free-to-use ATMs over current alternatives. When cash access options which might become more important in the future (Post Office, cash delivery, cashback) were put before focus groups, there was still as strong preference for ATMs even if there were to be fewer of them. Do you have views on why this might be and what could be done to make alternatives more acceptable to consumers?**

UK Finance's National Payments Study found that over nine out of ten adults (around 50 million people) used a cash machine to obtain cash in 2018. Adults who used a cash machine did so quite often, with 87% of cash machine users withdrawing cash this way at least once each month. This is consistent with the PSR's research and suggests that recent reductions in cash usage have been driven chiefly by consumer preferences for paying using other methods, not lack of availability of cash preventing people from using it for payments.

There are however other channels for consumers to access cash, although the combined volume is significantly less than that obtained from an ATM. There were 2.4 billion cash withdrawals at cash machines in comparison with 209 million transactions acquiring cash using other methods, including cashback, over the counter and state and pension benefits via the Post Office.

UK Finance's National Payments Study provides information on these alternatives:

### **Cashback**

Using a 'cashback' facility when paying a retailer by debit card is the second most common method by which consumers acquire cash. There were 150 million cashback transactions used to obtain a total of £4.3 billion in 2018. These figures were significantly lower than the previous year down 24% and 12% respectively. This decline is likely attributable to the fact that many retailers no longer actively ask customers if they require this service at the till, with some encouraging the use of on-site cash machines as an alternative.

### **Over the counter**

Another method of obtaining cash is using a cheque, passbook or card to make an account withdrawal over the counter in a bank or building society branch or at the Post Office. There were a total of 55 million withdrawals, amounting to £15.1 billion over the counter in 2018. The volume of these withdrawals declined slightly during 2018, with the decline particularly pronounced among withdrawals made using a passbook (as opposed to using a cheque or card).

### **Relative importance of methods of withdrawing cash from accounts**

UK Finance's data on cash withdrawals from UK accounts show how cash machine withdrawals lead the way, both in terms of the number of withdrawals made and in terms of the value of cash withdrawn.

#### **By number of withdrawals:**






Cash machine withdrawal	92%
Debit card cashback	6%
Debit / ATM card withdrawal at counter	1.5%
Passbook withdrawal at counter	0.6%
Credit card advance	0.2%
Cheque encashment at counter	0.04%

#### **By value of cash withdrawn:**

Cash machine withdrawal	90%
Debit / ATM card withdrawal at counter	4%
Passbook withdrawal at counter	3%
Debit card cashback	2%
Credit card advance	0.3%
Cheque encashment at counter	0.1%

UK Finance's data for 2018 also provides confirmation of consumers using counter withdrawals to obtain higher value cash amounts, as suggested by the PSR research:

**Average value of a cash withdrawal**

	Debit card cashback	£29
	Cash machine withdrawal	£72
	Counter withdrawal using cards	£218
	Cheque encashment	£266
	Passbook withdrawal	£417

The strong preference for ATMs, even if there were fewer of them, is consistent with how consumers react to payment markets, which have historically tended to evolve slowly over time. People are creatures of habit, and this is no less true for the way that we pay for things than it is for other aspects of day-to-day life. Once we have found a set of payment methods that we are comfortable using and that help us manage our finances effectively, it can take a great deal for us to change to a different way of doing things. This applies to how people access cash and how they perceive they will do so in the future.

The changing payments landscape and the increased cost in maintaining access to cash mean that alternative channels to access cash need to be explored, as well as alternative options for business to deposit cash, if cash can continue to be available when people want it.

Building on the work and findings of the Ceeney Review, UK Finance recently announced the UK banking and finance industry's commitment to helping local communities to identify and secure appropriate free access to cash for customers. We have been engaging with consumer and local authority representatives alongside market participants, including LINK and its members, to:

- map the range of channels through which consumers can access cash (e.g. bank and building society networks, Post Offices, ATMs, merchant cashback);
- consider the potential of a number of industry pilots already underway to deliver new options for cash provision;
- develop an approach for how industry could work with local authorities to help communities to identify and report gaps in cash provision;
- develop a definition of industry's commitment to customers and communities in terms of the "appropriate provision for free access to cash";



- consider how this new approach could involve the creation of an independent body with responsibility for responding to access to cash representations and coordinating and facilitating appropriate industry action; and
- work with LINK, the Post Office and the Payment Systems Regulator (PSR) to identify ways in which the existing commitments and delivery against them, can be developed and improved.

We will publish an update and progress report on the above by 30 September 2019.<sup>6</sup>

<sup>6</sup> <https://www.ukfinance.org.uk/press/press-releases/uk-banking-and-finance-industry-commits-support-local-communities-free-access-cash>

VISA Europe

# VISA Europe response to the PSR's call for views on research into cash access, use and acceptance 6 September 2019

## 1 Overarching comments

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Visa Europe (referred to as 'Visa' in this document) Welcomes the opportunity to respond to the PSR's *Call for Views on Insights from research into cash access, use and acceptance* and contribute to this important aspect of the PSR's ongoing work on access to cash.

Our vision as a business is to be the best way to pay and be paid for everyone, everywhere. Visa has been dedicated to transforming the payments experience for customers and merchants around the world, for over 60 years. We are primarily a payments technology business, working in partnership with merchants and financial institutions to provide more and more ways for customers to pay however and whenever is convenient for them.

We are fully committed to playing our part in ensuring the payments industry continues to deliver benefits to all consumers. Indeed, understanding the preferences, behaviours and barriers to accessing payments is fundamental to our business – we have a commercial imperative to understand this from the consumer perspective.

Our recent response to the PSR's call for views on the structure of LINK interchange fees highlighted the need for a bigger conversation on the appropriate level of cash access, and the best way to deliver this. We also indicated that the PSR should develop a better and more detailed understanding of cash provision in the UK, including, amongst other things, understanding who uses cash and why, and what other ways people could access cash.

We are accordingly supportive of the PSR's work in this area, and look forward to further engagement with the PSR as it moves forward.

In Section 2 below, we respond to the specific questions posed by the PSR about the research it has recently commissioned ('the research'). However, before doing so, we would like to highlight two important issues to the PSR.

First, whilst the potential opportunities of digital payments are great, **payments industry stakeholders, more than ever, need to work together to make sure that digital payments are accessible, inclusive, and can work for everyone**. The UK economy ranks either top or extremely highly on most measures of digital adoption – it is a 'digital leader' in many respects, but there is still some way to go in making the benefits of digitalisation available to all.

Visa currently works with our partners in the payments systems to do this on both the issuance and acceptance side. For example:

- On the issuance side, we collaborated with issuer banks to implement Visa Transaction Controls (VTCs) for cardholders. With VTCs, issuers can offer their cardholders the ability to set blocks and alerts on their cards and/or digital accounts via the issuer's mobile banking app or website. This means there is an easy way for consumers who are using digital payments already to budget – this is particularly helpful for those on low or irregular incomes. Further, as the research shows, budgeting and control remains one of the reasons that some people prefer to use cash, and products like VTCs can help those people to use similar budgeting behaviours in a secure digital environment.
- On the acceptance side, we work closely with a range of merchants and stakeholders across various campaigns and initiatives in the UK to ensure that the smallest merchants can easily use digital payments. As an example, we would highlight the work that Visa, and our partner Square, have done in the town of Holywell, North Wales. Square offers an affordable and easy-to-use card-reader for merchants. It does this with an app, which allows merchants of all sizes to process and manage card transactions through a device linked to a smartphone or a tablet. Square partnered with the town of Holywell to enable Holywell's 'Digital Town' initiative, whereby 50 local merchants were equipped with Square readers so that they could accept credit and debit cards – many for the first time.

More broadly, we engage with merchants through different campaigns, such as:

- the *Great British High Street Awards*, a nationwide campaign to support and recognise the important role of high streets in driving local economies and bringing together communities; and
- the *Love Your Local Market campaign*, encouraging everyone to rediscover their local market and celebrate small businesses at the heart of our communities.

These campaigns are part of Visa's commitment to helping local markets and high streets find ways to adapt and innovate, ensuring that they can continue to thrive both now and into the future, including through the use of digital payments.

Second, we stress the need for **in-depth research into the cultural, behavioural and lifestyle factors that drive different payment preferences in the UK**. Through our own commissioned research, which we would look forward to discussing with the PSR, we have found that payment preferences are heavily linked to individuals' personal goals, values, and outlook, as well as of course habitual behaviours.

The strength of entrenched habits (a theme of the research) means there are opportunities for piloting and testing different solutions to understand consumers' responses when actually faced with different choices. For example, our developing partnership with Lloyd's Banking Group to roll out a new pilot scheme designed to boost access to cash, which will see local retailers paid to offer cashback to customers in their stores. This new approach will offer more support to retailers and offer customers more availability (albeit not 24 hours) in areas where access to cash has been identified as more challenging.<sup>1</sup>

<sup>1</sup> <https://www.lloydsbankinggroup.com/media/press-releases/2019-press-releases/lloyds-banking-group/lloyds-announces-new-cashback-incentive-scheme>

## 2 Comments on specific questions posed by the PSR

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In this section, we set out our responses to the specific questions stated by the PSR. We look forward to engaging with you further on them as the PSR's work programme develops and more in-depth research is conducted.

### 2.1 Key insights not captured by the research

**Do you think there are key insights arising from the research or key aspects of consumers' needs for cash that are not captured by this research?**

The research provides a substantial data set and some valuable insights into the usage of and preferences for different payment types among consumers and small businesses. However, there are some important areas that Visa considers are not fully explored in this research, such as:

- **How consumer preferences are changing or could change.** The research focuses on consumers' usage and preferences *today*, rather than in the *future* (the discussion of future trends is centred specifically on *access* to cash, and potential changes to the ATM estate in particular). We would urge the PSR to also explore how demographic and social factors could drive change, and how and why individual consumers have changed preferences over time.
- **The current and future use and preference for cash at different transaction values.** For example, some people may prefer cash for small transactions (as shown in the research), but this may change with increased use of contactless cards, and more mobile instant payment solutions.
- **Why a (small) proportion of consumers are 'wholly' reliant on cash.** The research explains that only a very small proportion of consumers are wholly reliant on cash (to the extent that they would not make a purchase if cash was not accepted as a payment method). This aspect of the research is caveated, and there is an obvious need for more work in this area. Whilst the research suggests there is a continuum from 'cash preferer' to 'cash reliant', we would urge the PSR to explore how the different factors identified (including financial and digital exclusion, being on a low income, and habits) combine to cause some people to be in a position where they are wholly reliant on cash.
- **Insights that could be gained from experiments or pilot studies.** As an example, the research shows that the 'budgeting' qualities of either cash or digital payments are perceived very differently by cash preferers or card preferers. The research also shows a mixed response to *information* about budgeting apps. However, this may change with actual *experience*. For example, a cash preferer who sees budgeting as an obstacle to card payments may change position after some experience with a budgeting app.

### 2.2 Consumers generally preferring digital payments still using cash for certain transactions.

**Do you agree with the emerging theme that the number of people wholly reliant on cash is small whilst a significant number of consumers prefer digital payments although many of these also continue to use cash for certain transactions? How do you think this may change in the future?**

We agree with this high level characterisation. However, as discussed above, whilst many consumers continue to use cash for certain transactions, it is important to understand fully the drivers of this, and the wider societal views on digital payments.

We would note in particular that lots of cash use is currently being driven by cash-only merchants: as the research suggests, consumers often withdraw cash for a specific transaction purpose, but are then given change from that transaction, and find themselves wanting (or needing) to exhaust their own cash supply. The research states that even among 'cash preferers', 35% used cash in their last transaction simply because they 'wanted to use it up'. If more and more merchants take up digital payments (as opposed to being cash only), this dynamic may change dramatically.

## 2.3 Alternatives to ATMs

80% of those surveyed prefer free-to-use ATMs over current alternatives. When cash access options which might become more important in future (Post Office, cash delivery, cashback) were put before focus groups, there was still a strong preference for ATMs even if there were to be fewer of them. Do you have views why this might be and what could be done to make alternatives more acceptable to consumers?

There is no indication in the research published as to whether the costs and benefits (both societal and personal) were outlined, and so we cannot comment on whether the exercise fairly represents customer views.

In our view, more research is required on the cost implications of the alternatives, and whether consumers would truly be willing to pay (albeit perhaps indirectly). We fully support the ongoing work of the Joint Authorities Cash Strategy Group (JACS) that is working to understand the future cash needs in different geographies, as well as the Bank of England's Wholesale Distribution Steering Group (WDSG474 ) that is exploring the options for wholesale cash distribution.