

Call for views

Insights from research into cash access, use and acceptance

July 2019

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Executive summary

The PSR wants everyone to have a good choice of how to make payments that work for them. This includes consumers being able to access and use digital payments where that is their preference – and there is still some way to go until everyone has that choice; Ofcom currently estimates that around 12% of adults in the UK suffer from ‘digital exclusion’¹ and in our own research, published today, 9% of survey respondents did not own a laptop, desktop, tablet or smartphone. So, some people who may want to use digital payments may need to use cash, and some people may simply prefer to use cash. These consumers need to be able to access that cash in a way that works well for them.

Over the last few months, BritainThinks has been carrying out research commissioned by us into access to cash, how people use it and its acceptance in different small businesses around the UK. The purpose of this Call for Views is twofold:

- It summarises the key findings of the BritainThinks research
- It seeks stakeholders’ views and own evidence on the issues raised by this research, including on role of (and barriers to) the alternatives to ATMs for accessing cash and possible future options for ensuring access to cash

Understanding how consumers and business access, use and accept cash is an important strand of our work, and we will engage widely with industry and consumer representatives to make sure that views are heard and considered.

Introduction

Cash has been around in one form or another for over 3,000 years. Since the arrival of the first coins in 600 BC, it has underpinned commerce worldwide allowing individuals to pay for goods and services and economies to grow. Over the years, cash has gone through a number of changes, with the introduction of notes in Europe in the sixteenth century and the first issuance of government-backed currencies in the 1680s. But the most recent revolution – the digitisation of payments – is having a profound impact on why, when and how we use cash.

1 “Although home internet access has risen significantly over the last ten years, it has remained relatively stable in recent years at 87%. This means that around one in ten (12%) adults still do not have access to the internet at home via any device.” Ofcom, Access and Inclusion in 2018: Consumers’ experiences in communications markets, p16.

Digital payments are beneficial to UK consumers and the UK economy because they underpin the digital markets that are seen as central to the UK economy; the Government's digital strategy aims to deliver a 'world leading digital economy that works for everyone'. And we now purchase more goods online than ever before. UK consumers spent on average £1.3 billion online every week in 2018 and 19% of UK retail sales were taking place online by the end of last year².

All of this digital activity in digital markets requires digital payments. And this growth in the use of digital payment methods is impacting our use of cash. The proportion of cash used in all UK payments has fallen from 60% in 2008 to 28% in 2018, and is projected to fall to 9% by 2028³. This is within the context of the total number of payments in the UK at 39.3 billion in 2018, projected to rise to 43.3 billion in 2028⁴.

Such a dramatic change in how we make payments raises fundamental questions about the role of different forms of payments in the lives of consumers and in the economy – from online bank transfers to payment cards, from mobile and contactless payments to cash. In the light of this evolving landscape, we want to develop further our understanding of how the ways in which cash is being used and provided are changing.

Our aim is to build on the evidence already available (such as in the Access to Cash Review Final Report⁵) to help inform policy decisions around cash and access to cash. By providing a picture of the role that cash access plays for consumers and businesses now and in the coming years, we hope to move the debate on cash forward in the context of the ongoing shift to digital payments. In light of this research – and of any other appropriate evidence that stakeholders wish to draw to our attention – we're seeking views on what the UK's needs might be for accessing, using and banking cash.

The PSR has commissioned research from BritainThinks into how consumers and small businesses use cash. While this research looks at the broader perspective of consumers and small businesses, we are also carrying out some specific work that relates to access to cash, including overseeing how LINK is protecting the current geographic spread of free-to-use ATMs⁶ and seeking to understand how the fees for using ATMs affects the provision of free-to-use-ATMs⁷.

2 ONS Retail Sales Index, June 2018.

3 UK Finance, UK Payment Markets 2019.

4 Ibid.

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

6 <https://www.psr.org.uk/psr-specific-direction-8>

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

The research we commissioned was designed to give us a deeper understanding of:

- why people and small businesses use and accept cash
- how people access cash and what they do when they can't access it
- people's attitudes towards potential sources of cash complementary to their current main way of using ATMs
- how small businesses process cash
- how these stakeholders might change their behaviour in the future, given current trends in cash use and availability

As we gather views on these issues we are conscious that a number of other organisations are carrying out work that is relevant to access to cash, including the FCA, HMT and the Bank of England. We will continue to work closely with other authorities in this area to promote an end to end cash infrastructure that remains resilient, cost effective, sustainable and meets the needs of consumers. The Joint Authorities Cash Strategy Group, chaired by HM Treasury, inform and co-ordinates the authorities work in relation to cash.

Findings from the research

We commissioned BritainThinks to undertake research into how people and small businesses access, use and process cash. This involved:

- a quantitative element, with an extensive set of phone interviews (landline and mobile) with around 1,600 consumers, selected to represent the UK population, and online surveys with 500 small businesses with up to 50 employees, chosen to involve a good spread of business size
- qualitative 'deep-dive' work, involving 14 focus groups (1 consumer and 1 small business group in 7 locations around the UK) with 6 to 8 participants in each group.

The research had several aims:

- to gain an overview of the cash landscape, such as:
 - Who is using / accepting cash?
 - What are they using / accepting cash for?
 - How do users / businesses access / process cash?
- To understand the reasons behind cash usage, such as:
 - Why do people use / accept cash?
 - Where does the boundary lie between preference for cash and reliance on cash?
- To explore options for the future, such as:
 - How will changes to the cash network affect consumers and small businesses?
 - To what extent do cash users accept alternative options for accessing and processing cash?

The research was undertaken in the first quarter of 2019. Some of the key findings are set out below.

Consumers

- The proportion of respondents wholly reliant on cash was low: 1% of cash preferers, when faced with a transaction for which they couldn't use cash, did not complete the transaction (i.e. they did not use another means to do this)
- However, most respondents used cash regularly – 69% prefer to use cards, but 83% had made a payment using cash in the last week
- Over a quarter of respondents (28%) preferred to use cash, especially for budgeting and control purposes (reported by over half of that 28%)
- Nearly all respondents found it easy to withdraw or access cash (95%), with no difference between those who prefer cash and all respondents
- A minority of respondents (16%) travel out of their way to access cash
- When asked about the future of the cash network now that fewer withdrawals are being made, respondents who prefer cash found the option of closing a number of free-to-use ATMs, while maintaining a minimum number, most acceptable – 61% said they would rather travel 10 minutes out of their way than pay a 20p charge (with a higher percentage among those who prefer cash)⁸

An interesting finding was the extensive overlap between respondents who use a variety of payment options (and prefer not to use cash) and the extent to which respondents (including non-cash-preferers) use cash on a regular basis – i.e. there is a widespread need to access cash even among non-cash preferers. It is not clear whether this was out of choice (for example, using cash for certain types of transaction) or necessity (for example, certain businesses asking for cash). However, the findings suggest there is still a widespread desire to access cash (albeit at a 'low level') even among non-cash preferers.

Another interesting point was that, while over a quarter of respondents prefer to use cash, far fewer of them could be defined as wholly reliant on cash. Of those cash preferers surveyed, 12% had faced a situation in the previous month when they wanted to pay cash but couldn't. Of these respondents, only 11% chose not to make the transaction. The others used another payment method. This suggests that around 1% of cash-preferring respondents were wholly reliant on cash⁹.

The research also suggests that the degree of reliance on, and preference for, cash sit on a spectrum. More respondents had a stronger preference for cash than were wholly reliant on it. When we consider policy approaches going forward, including PSR policy in this area, we expect to seek to address two sets of needs. First, we will need to ensure that those consumers who are more reliant on cash for a large number of their payments are not excluded either from accessing that cash. Second, we will take account of the needs of those who still prefer to use cash, at least for some transactions. These users could prefer cash because, for example, they find it makes it easier to budget (even if, when no other option is available, they will pay by an alternative method).

8 It's important to say here that we recognise there are other factors, such as the cost of providing cash, that need to be taken into account when considering the provision of a cash access network.

9 If we assume that non-cash preferers would always use another payment option, this could translate into 0.4% of cash reliance in the survey population. However, this question was not specifically asked across the whole survey group.

Small businesses

- Small business respondents find it difficult to calculate the costs of accepting cash because they may not pay deposit fees or consider processing time as a cost
- Most small businesses regularly deposit cash in the bank, but cash is also recycled through the business by paying suppliers and employees, or it's taken as personal wages
- When asked about options for cash banking in the future, small businesses cautiously accepted introducing alternatives to ensure a minimum level for cash depositing, such as third-party 'hub' branches.

One relevant finding was that many small businesses don't fully understand the cost of accepting cash. Business awareness of the costs of cash could potentially have an effect on the future of cash in the UK. In Sweden's experience (which is highlighted by the Access to Cash Review Final Report), falling cash use can be driven by fewer businesses accepting cash.

Questions for stakeholders

We have published the findings of the research into consumer and small-business cash use alongside this paper. We welcome all views on the issues raised by the research, including stakeholders' views and own evidence on the cash needs and preferences of consumers and businesses, and whether there are other key insights from the BritainThinks research or your own research that may have implications for our work in this area.

We particularly invite views on the following questions set out below. We also welcome feedback on any of the issues we have raised earlier in this paper and on the research itself.

- 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?
- 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?

You can answer as many or as few of the questions as you wish. We welcome all responses to the paper, including less formal responses such as emails and discussions on any points covered in the paper, as well as alternative ideas and proposals.

Next steps

We welcome responses and supporting evidence to this paper by **Friday 6 September 2019**. As our work in this area is ongoing, stakeholders will have further opportunities to engage with us on this. Please note that we generally seek to publish written responses in full or in part. Our disclosure of information statement is set out below.

You can email us at PSRcashaccess@psr.org.uk or write to us at the following address:

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

As well as seeking written responses and evidence, and to facilitate engagement with our work in this area, we intend to discuss these issues with interested stakeholders including through at least one roundtable discussion early September. If you would like to attend, please contact us on PSRcashaccess@psr.org.uk by **6 September 2019**. We may hold more than one roundtable event to make sure that these are useful discussions, depending on the number of stakeholders who want to attend.

Following our consultation and stakeholder engagement on this paper, we plan to publish non-confidential responses (particularly more formal responses). We will inform stakeholders of how we propose to take this work forward.

Disclosure of information

Generally, we seek to publish views or submissions from stakeholders in full or in part. This reflects our duty to have regard for our regulatory principles, which include those in relation to:

- publication in appropriate cases
- exercising our functions as transparently as possible

We will not regard a standard confidentiality statement in an email message as a request for non-disclosure. If you wish to claim commercial confidentiality over specific items in your response, you must identify those specific items which you claim to be commercially confidential.

We may nonetheless be required to disclose all responses which include information marked as confidential in order to meet legal obligations, in particular if we are asked to disclose a confidential response under the Freedom of Information Act 2000. We will endeavour to consult you if we receive such a request. Any decision we make not to disclose a response can be reviewed by the Information Commissioner and the Information Rights Tribunal.

We take our data protection responsibilities seriously and will process any personal data that you provide to us in accordance with the Data Protection Act 2018, the General Data Protection Regulation and our PSR Data Privacy Policy. For more information on how and why we process your personal data, and your rights in respect of the personal data that you provide to us, please see our website privacy policy, available here: <https://www.psr.org.uk/privacy-notice>.

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12 Endeavour Square
London E20 1JN
Telephone: 0300 456 3677
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