

The cash census

Britain's relationship
with cash and
digital payments

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Acknowledgments

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About our partner

LINK is the UK's largest cash machine network. Effectively every cash machine in the UK is connected to LINK, and LINK is the only way banks and building societies can offer their customers access to cash across the whole of the UK. All the UK's main debit and ATM card issuers are LINK members.

The LINK network is a fundamental part of the UK's payments infrastructure and cash machines are by far the most popular channel for cash withdrawal in the UK, used by millions of consumers every week.

LINK is committed to maintaining free access to cash across the UK for as long as consumers need it. This includes maintaining the coverage of free-to-use ATMs in the most remote and rural



locations, improving free access in the most deprived areas of the UK and working on innovative new ways of accessing cash.

LINK publishes weekly and monthly updates on its transaction volumes and values, and they can be accessed at www.link.co.uk/about/statistics-and-trends/

Executive summary

Executive summary

The decline of cash is not a new phenomenon. The last decade has seen a rapid rise of digital banking and payments and yet the Covid-19 pandemic has seen a step-change that has accelerated digital payments at a pace that even industry professionals could not have predicted. Research from LINK, the UK's largest cash machine network, suggests cash usage will never return to pre-pandemic levels.¹ And the acceleration of the 'dash from cash' during the pandemic is putting the UK's cash system under extreme pressure. If it were to collapse without a managed transition, millions of the most vulnerable people would not be able to cope, many more would struggle.

Millions benefit from FinTech innovations that make their lives more convenient. And yet, at the same time, many feel forced into a world for which they are not equipped. As things stand today, a cashless society would comprise vast swathes without the capabilities to engage in the economy. It would limit the agency and control many have over managing their finances. For many, cash remains an essential tool to connect with their community and their reality.

**I'm just worried that, especially
for the future generations,
money won't mean anything to
them, it will just be a number
on the screen**

Cash keeper, female, 35-54

Building on the in-depth work of the Access to Cash Review, led by Natalie Ceeney CBE in 2019,² the aim of this project was to understand this gap between those who reject cash and those who hold on to it; to understand in granular detail people's attitudes and behaviours towards cash and digital payments and the impact of Covid-19 on this and our cash infrastructure. Our hypothesis was that this was not simply a case of 'to cash and cash-not', but that there were more complex emotional and societal dynamics in play. Our approach to this research project included:

- A comprehensive literature review of existing research.
- Analysis of available data.
- A nationally representative survey conducted online and by phone of 3,003 people.
- A segmentation of the UK population based on the survey.
- A series of online focus groups and interviews across the five segments we identified.
- Expert interviews with key stakeholders from across the finance industry and eco-system.

Our findings have affirmed our hypothesis. UK consumers attitudes to cash are indeed highly variegated and offer many counter-intuitive propositions about the state of society and the future of economic policy. We present them in this report alongside two interactive data dashboards and in brief below.³

- 1 For more information see: www.thisismoney.co.uk/money/saving/article-10578811/Has-pandemic-changed-relationship-cash-forever.html
- 2 Access to Cash Review (2019). Access to Cash Review Final Report [PDF]. Available at www.accesstocash.org.uk/media/1087/final-report-final-web.pdf [Accessed 14 Nov]
- 3 For more information see Regional dashboard at: www.thersa.org/reports/the-cash-census/regional-dashboard and Segment dashboard at: www.thersa.org/reports/the-cash-census/5-segments-dashboard

Key findings

Covid-19 impact on cash and payments

- Cash withdrawals fell sharply when the pandemic hit, dropping to around half of their pre-pandemic volume during the first national lockdown.
 - Digital payments also declined during the pandemic but increased their share of overall payments.
 - While cash withdrawals declined, this was not evenly distributed across the UK – areas with higher levels of deprivation saw around 20 percent less drop off in withdrawals.
 - The south west and south east, together with Scotland, were the regions/nations with the highest fall in the number of cash withdrawals. Yorkshire and the Humber, the north west, north east, London and West Midlands saw the lowest drops. London remained outlier with a 39 percent decline, compared to a 46 percent fall in the wider south of England.
 - The constituencies with the lowest decline were Liverpool, Walton (16 percent) and Bradford South (20 percent) – two of the most deprived areas of the UK.
 - Covid-19 has accelerated the digital transition, but cash is still important and remains the second most popular payment accounting for nearly one fifth (17 percent) of all payments in 2020.
- problematic for them if there was no cash in society as they know it.
- More than a quarter (29 percent, 15 million people) of the population use cash for budgeting.
 - Two thirds of the population (64 percent) are concerned about fraud when making digital payments.
 - 8 million people (15 percent of the population) were using cash more because of the pandemic
 - One in 5 people (19 percent of the population, 10 million people) say they would struggle to cope in a cashless society.
 - Fifteen million people (29 percent of the population) say they could cope but it would be a major inconvenience.

The cash census

- 96 percent withdraw cash at some frequency, 83 percent had cash either in their wallet or at home.
- Two thirds (66 percent) withdraw cash at least once a month, a quarter (23 percent) withdraw at least once a week.
- On average people withdraw £72.60 each time they take money out.
- Almost half the population (48 percent, 25 million people) say that it would be

Box 1: Impact of a cashless society

An unmanaged transition towards a cashless society could have major consequences for many in society.

Finding 1: While more people are using online payments and banking, three years on from the Access to Cash Review, 2019, the section of society that would feel left behind in a cashless society, remains almost identical.

Finding 2: Forcing people on to digital could lead to a loss of control over finances and spiralling debts.

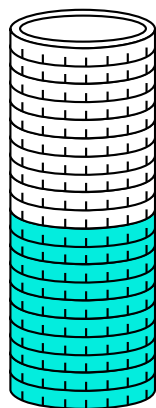
Finding 3: Rural communities and vulnerable citizens could become unable to access cash.

Finding 4: A cashless society could lead to increased isolation and reduced human connection.

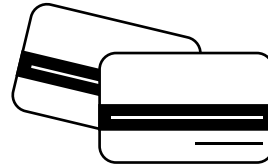
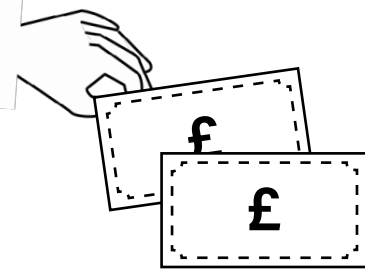
Finding 5: A cashless society could lead to mistrust in the system due to concerns over fraud, cybercrime, and technology system failures.

Key findings

Covid - 19 impact on cash and payments



Cash withdrawals fell sharply when the pandemic hit, dropping to around half of their pre-pandemic volume during the first national lockdown



Digital payments also declined during the pandemic but increased their share of overall payments

Covid-19 has accelerated the digital transition, but cash is still important and remains the second most popular payment accounting for nearly one fifth (17%) of all payments in 2020

17%

of all payments are cash

While cash withdrawals declined, this was not evenly distributed across the UK



Areas with higher levels of deprivation saw around

20% less

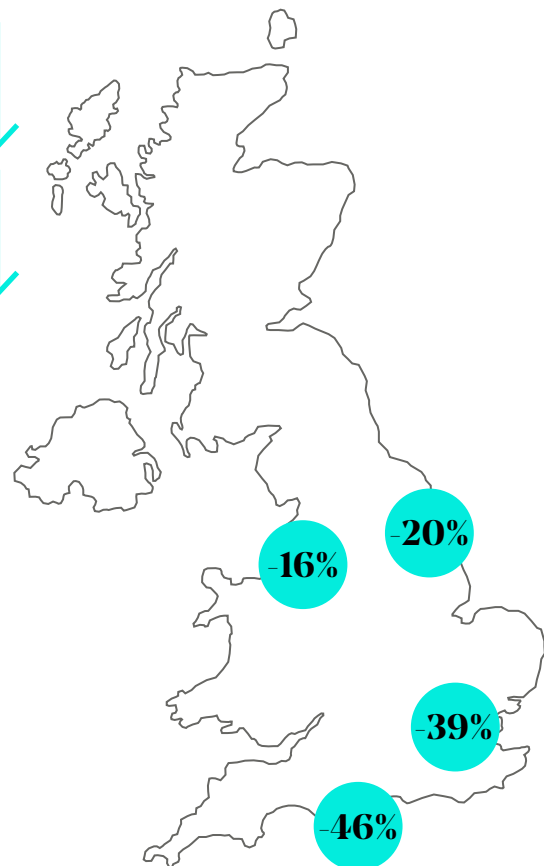
drop off in withdrawals



The south west and south east, together with Scotland, were the regions/nations with the highest fall in the number of cash withdrawals

Yorkshire and the Humber, the north west, north east, London and West Midlands saw the lowest drops. London remained outlier with a 39 percent decline, compared to a 46 percent fall in the wider south of England

The constituencies with the lowest decline were Liverpool, Walton (16 percent) and Bradford South (20 percent) – two of the most deprived areas of the UK



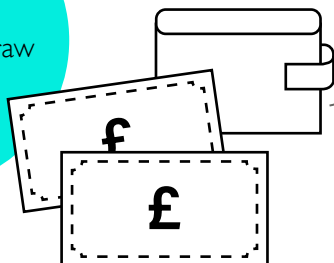
Key findings

The cash census

96%

of people withdraw cash at some frequency

83% had cash either in their wallet or at home

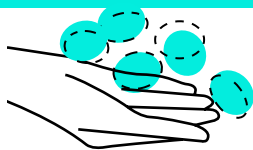


On average each time they take money out they withdraw

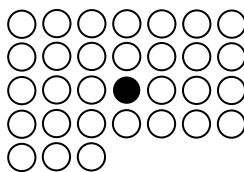
£72.60

25 million

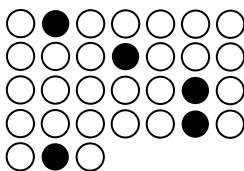
people (almost half of the UK population) say that it would be problematic for them if there was no cash in society as they know it



Two thirds (66%) withdraw cash at least once a month

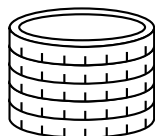


A quarter (23%) withdraw at least once a week



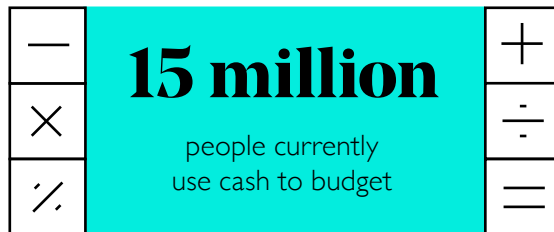
19%

One in 5 people (19%, 10 million people) say they would struggle to cope in a cashless society

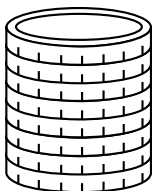


15 million

people currently use cash to budget



29%



Fifteen million people (29%) say they could cope but it would be a major inconvenience

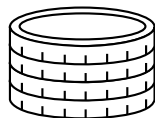
Two thirds of the population (64%) are concerned about fraud when making digital payments

64%



15%

8 million people (15% of the population) were using cash more because of the pandemic



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

48%
Yes

36%
No

15%

Don't know

of that

25 million

people...

10 million

40%

Would not cope

18%

22%

Wouldn't cope at all

Cash is essential to how I live my life

Don't know how they would cope

Cash is important to how I live my life

15 million

60%

Would cope

43%

17%

Would cope

But losing cash would be a major inconvenience

Would cope

Losing cash would be a minor inconvenience

The five segments

We identify five distinct segments within the UK population based on attitudes and behaviours around cash and digital payments.



Cash dependents

An older segment that have a strong preference for cash

18% of UK
adult population

10 million
people

5 million (51%)
Would struggle to cope
in a cashless society



Cashless sceptics

A younger segment that like the security of having cash

22% of UK
adult population

12 million
people

4 million (35%)
Would struggle to cope
in a cashless society



Cashless sceptics

The oldest segment whose scepticism about a cashless society runs deep

23% of UK
adult population

12 million
people

2 million (18%)
Would struggle to cope
in a cashless society



Cash occasionals

A younger segment that prefer to manage their money digitally but use cash occasionally or in emergencies

17% of UK
adult population

9 million
people

0.5 million (6%)
Would struggle to cope
in a cashless society



Cashless converts

A segment that strongly prefers digital payments and don't see many benefits to cash

20% of UK
adult population

11 million
people

0 million (0%)
Would struggle to cope
in a cashless society

Recommendations

We identify three key areas to be addressed through changes to existing policy and practice:

- 1** Keeping cash infrastructure viable and avoiding cash deserts.
- 2** Maintaining cash acceptance.
- 3** Supporting people with the digital transition.

Policy

The impact of Covid-19 on cash withdrawals and transactions has made it even more critical for the government to **protect access to cash through legislation – ensuring people can access cash near to where they live or work**. We urge the government to act swiftly on this, ensuring the commercial cash system is backed by a social commitment to maintaining access.

Future legislation should not over-complicate the industry-led solutions already in place but build on these to guarantee access to cash for as long as it is needed.

While millions still depend on cash, **essential government services (both local and national) such as school dinners, council tax and utilities should ensure people wishing to pay by cash can do so**, either directly or through a partner (such as PayPoint and Payzone).

Digital education provision from primary school level should evolve so **young people are developing the skills to manage their money digitally** at an early age.

The government must **increase the speed of its national broadband and 4G/5G roll out** ensuring no region is left behind. The **internet should be recognised as an essential utility** and clearer rules should be established to protect people from being disconnected.

Regulation

The FCA needs to **monitor the situation regarding access to cash, ensuring legislation delivers for consumers and services that provide cash are protected**. The cash system needs to remain **open to new entrants and innovations**, reducing the risk of further market concentration.

The agreement reached by the Cash Action Group (CAG) in December 2021 for LINK to **independently review bank branch closures and recommend solutions should be placed on a statutory footing, with power given to the FCA to monitor and enforce access to cash requirements**. This process should involve strong consumer input, drawing on both the LINK Consumer Council and the Community Access to Cash Advisory panel.

Regulators should **encourage further innovation in SME depositing**, to ensure it remains viable for businesses to accept cash.

The Payments System Regulator **should introduce mandatory rules to ensure banks do more to protect consumers against fraudulent scams and activity** – through prevention, but also by reimbursing all blameless victims.

Practice

The industry should **continue to work in partnership to ensure cash infrastructure remains viable**. Successful innovations such as shared banking hubs and purchase free cashback should be rolled out, with support across the industry.

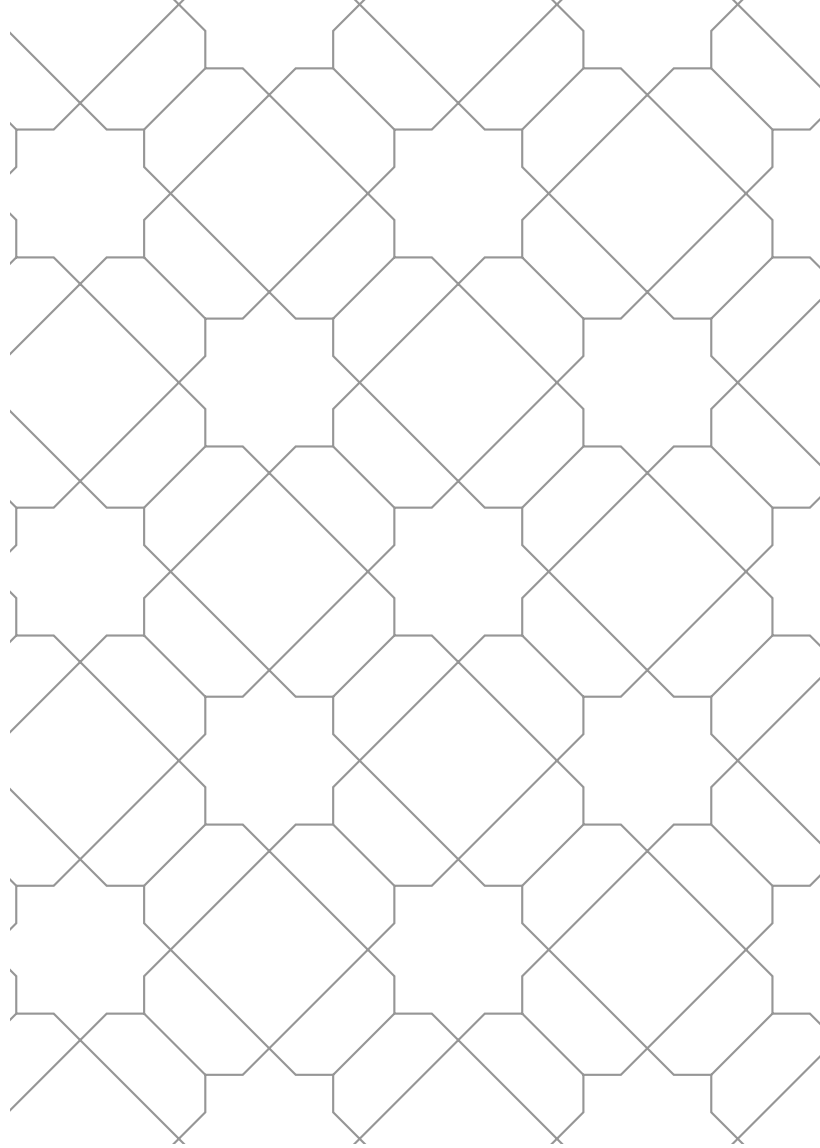
Education on how to use digital banking securely and effectively should be made available any time a customer enters a branch offering banking services and workshops

should be provided through mobile banks, community spaces and banking hubs. Through the provision of effective customer communications and education older and vulnerable demographics could improve their confidence with digital banking.

The financial services industry can play a critical role supporting digital inclusion for children and young people **working in partnership with charities to subsidise pre-paid cards for children from families on the lowest incomes.** A particular focus should be placed on supporting levelling up priority areas.

Innovation should be encouraged to increase digital adoption and inclusion across the charity and community sector. This could take a similar approach to the Community Access to Cash Pilots,⁴ whereby communities or innovators submit ideas to develop pilot solutions funded by the financial services industry. The Social Tech Trust and UK Finance could be key partners in this work.

As has happened through the Community Access to Cash Pilots, **the Post Office should examine its SME depositing facilities and seek to improve them where there is high demand,** increasing privacy and automation for small businesses where possible.



Money has existed for thousands of years. Why does everything need to be digital? With cash you can touch it, you can feel it, you know exactly what you have. With digital you have no sense of having done anything or if you made a mistake. It's impossible to remember everything.
(Cash dependent, male, 65+)

⁴ For more information see: www.communityaccesstocashpilots.org/



Introduction

Introduction: when cash was king

The rise of digital banking over the past decade has fuelled a lifestyle revolution. The emergence of chip and pin, contactless cards, digital wallets, online banking and mobile apps have made life more convenient for many.

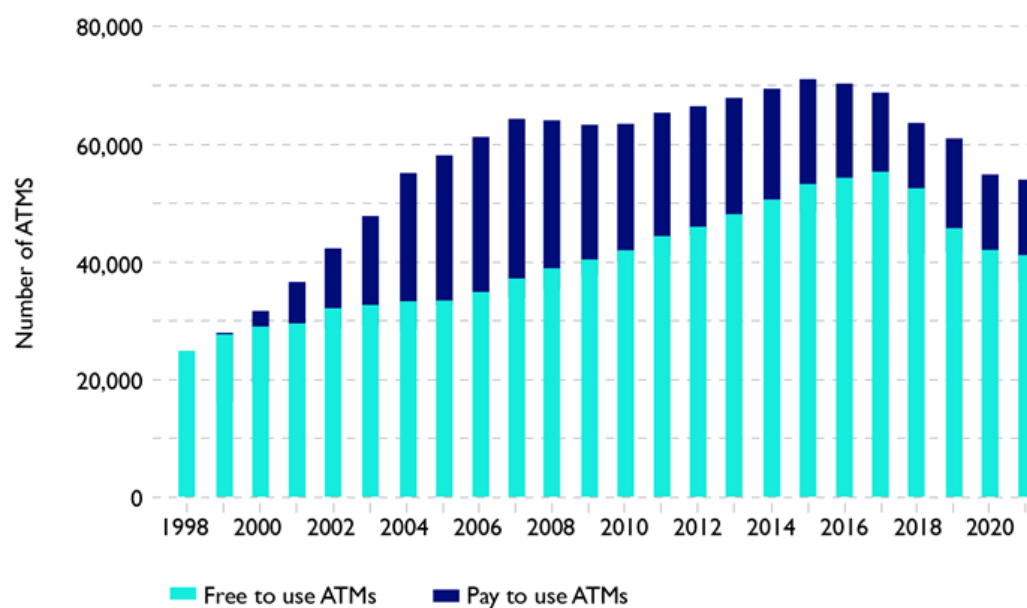
However, this digital transformation has also driven major changes to our cash infrastructure. Bank branches have closed at an electric pace, free to use ATMs have declined, accessing and depositing cash has become more challenging for both individuals and small businesses.

In the decade from 2008-2018, the proportion of payments made using cash halved.⁵ Even prior to the Covid-19 pandemic, it was clear cash was no longer king.

There are times in human history when technological advancement races ahead of society's capacity to adapt alongside it (Carl Frey's *The Technology Trap*, lists multiple examples).⁶ What connects these moments is that, throughout history, at times like these, it is the poorest and most vulnerable groups that have lost out. So, it has been with the dash from cash.

The UK was heading towards a cashless society at a pace that meant for many vulnerable groups in society, including older people and those with disabilities, their needs were not being catered for. Risk of financial exclusion on a mass scale loomed and continues to loom large.

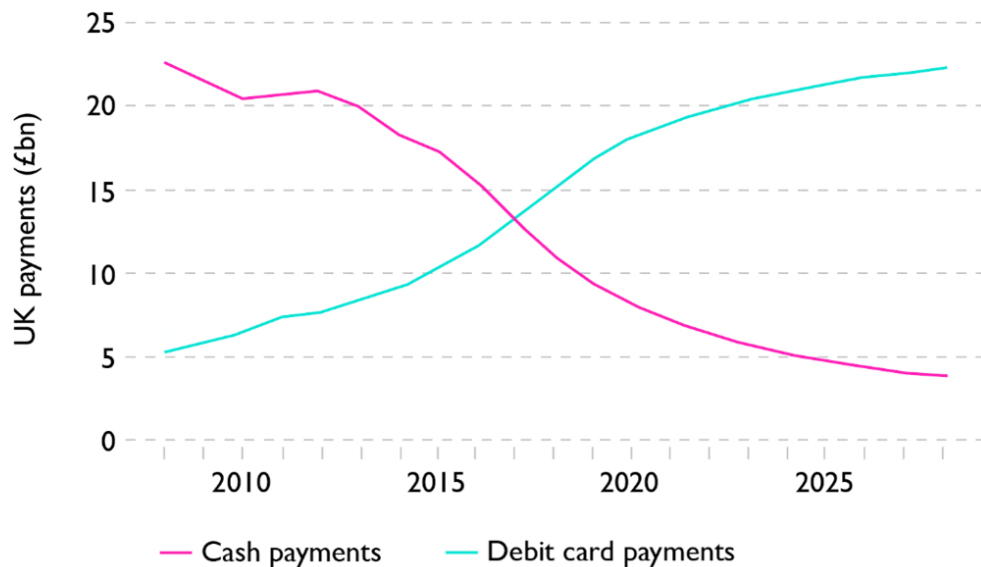
Figure 1: Change in ATM volume 1998-2021



5 UK Finance (2019) UK payments market summary 2019. [online] Available at: www.ukfinance.org.uk/sites/default/files/uploads/pdf/UK-Finance-UK-Payment-Markets-Report-2019-SUMMARY.pdf [Accessed 01 Jan 2022].

6 Frey, CB (2019) *The technology trap: Capital, labor, and power in the age of automation*. Princeton: Princeton University Press.

Figure 2: UK payments 2008-2018 and forecast to 2028



LINK commissioned a major independent review to look at the future of cash in the UK and consumer needs over the next 15 years. In March 2019, one year prior to the pandemic, the Access to Cash Review concluded that while digital payments continue to rise, **the UK was not ready to go cashless and millions would be at risk of economic exclusion, isolation, exploitation, debt and rising costs.**

The Access to Cash Review survey (November 2018) which underpinned this review showed that a cashless society would be problematic for 47 percent of the population or 25 million people, with 8 million (17 percent of population) struggling to cope.⁷

25 million people

think a cashless society would be problematic



8 million people

are unsure of how they would cope or would not be able to cope at all



Access to Cash Review (2019)

⁷ Access to Cash Review (2019). Op cit.

Yet at the same time, the Access to Cash Review highlighted that the UK's cash infrastructure was coming under increasing strain.

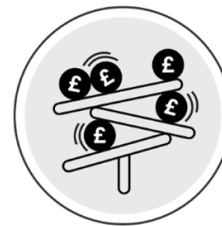
The cash system has grown up on commercial incentives but has not been backed by a social commitment. This has worked for both the industry and society while cash remained king - but as digital payments become more popular, these tensions have increased. ATMs make money by charging fees per transaction; commercial entities deliver specialist operations to keep cash flowing around the economy; retailers accept cash because consumers want to use it and there is a system in place for them to deposit it effectively.

As the use of cash declines and much of the industry is reliant on a small number of commercial entities – the whole system is at risk.

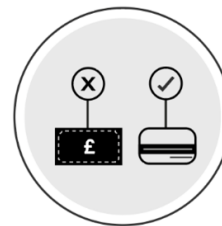
The Access to Cash Review outlined a series of three potential alarming scenarios that the UK could head towards without action.⁸



Cash deserts emerge where it becomes difficult to access cash



Cash infrastructure fails



You can't spend cash

8 Ibid.

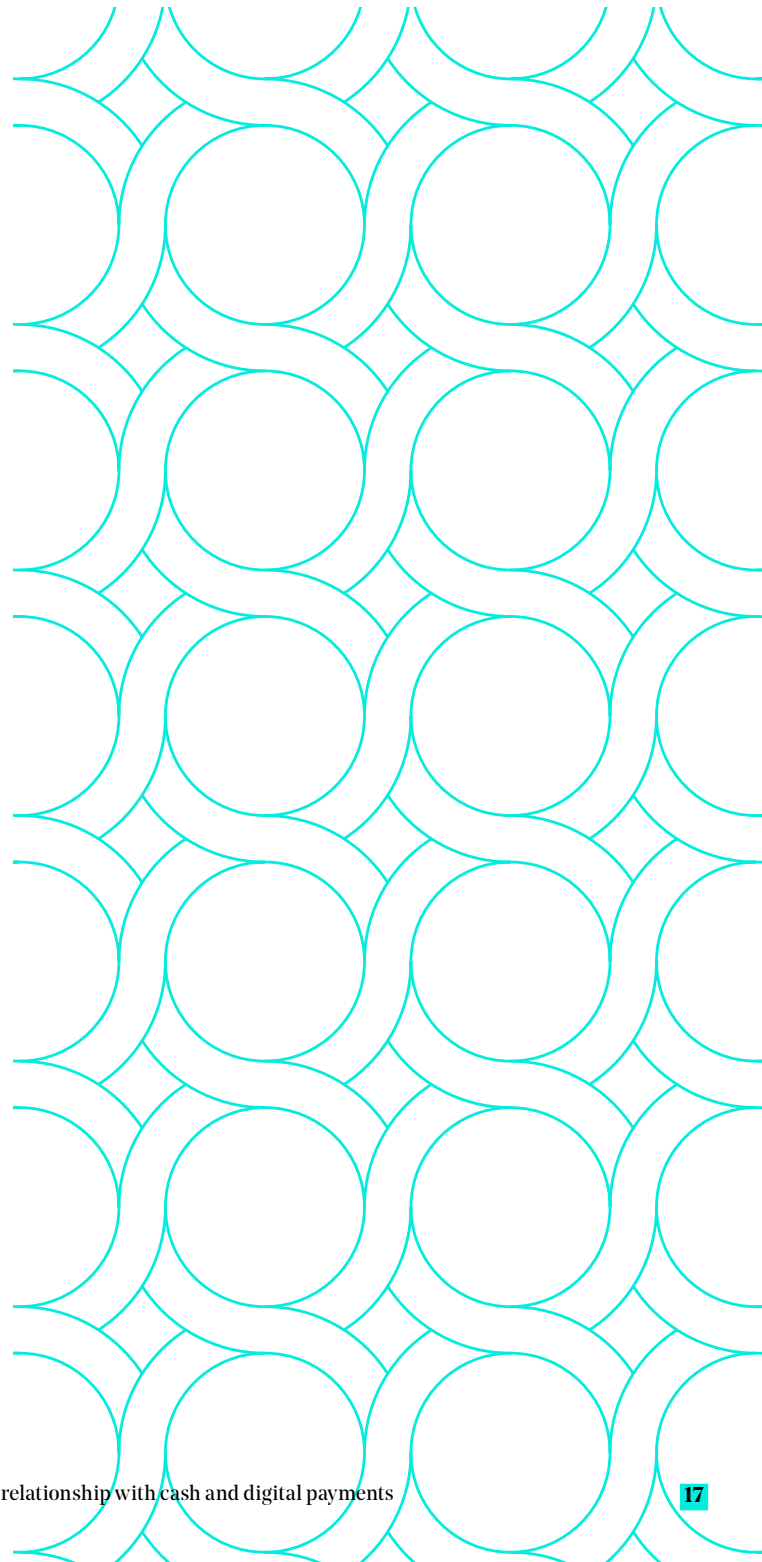
Behind this story of an industry in decline, there is a very human story.

While a cashless society would feel like progress for some in society, for millions it would lead to anxiety, economic exclusion, isolation, exploitation, debt, rising costs, and major concerns over privacy, security, and control.

Building on the Access to Cash Review's recommendations, the industry has come together to voluntarily drive some extremely positive advancements and innovations to protect access to cash. These include:

- Millions of pounds invested by the banks in LINK's financial inclusion scheme.
- The introduction of shared banking hubs from the Post Office and other providers such as OneBanks in Scotland.
- Over 3,000 cash machines protected as well as new ones being installed in communities.
- The successful trial of free to use cashback, which has been supported by change in legislation to enable this to be scaled across the UK.
- A range of other pilots were tested through the Community Access to Cash Pilots, including new services provided in the community to support people managing their money or using online banking and a digital tool to enable people to receive change from cash payments on a on a card or mobile app.
- An agreement reached by the Cash Action Group in December 2021 for LINK to independently review bank branch closures and propose the most effective solutions (eg banking hubs and installing new cash machines).
- Development of the Community Cash Advisory Panel (CCAP), which will independently oversee the work of LINK in reviewing bank branch closures and proposing solutions.

Building on the extensive work that has been carried out voluntarily through CAG, there is still a great deal of work to be done across industry, government and regulators to formalise these arrangements to ensure people are not excluded from an increasingly digital economy. An issue of such critical importance cannot be left to voluntary arrangements.



Box 2: Community Access to Cash Pilots

Banking hubs. Two new banking hubs were established as part of the pilots which, like a bank branch, had a counter service to help people with their basic banking, including cash withdrawals and deposits. They were run jointly by the Post Office and the participating banks, but they did not offer mail services. Instead, they are dedicated to supporting consumers to bank and have been designed to offer privacy and space.

This collaboration, achieved through CAG, signals a long-term commitment to ensuring widespread cash and banking access for communities where services are limited. Other hubs including OneBanks in Scotland are also now providing shared banking services.

Purchase free cashback. Several retailers offered cashback to consumers in their community without needing to buy anything, through a service developed by LINK. The retailer received a small fee for offering cashback. Any amount can be withdrawn through this scheme, enabling people to withdraw the exact money that they need, for example £2.76, rather than a minimum amount that they may not have in their account.

PayPoint is now the first organisation to roll this service out nationally to over 2,000 stores and legislation is in place to allow this to spread and scale with a mix of service providers.⁹

See more about the other pilots here: www.communityaccesstocashpilots.org

The government promised legislation to protect cash infrastructure and finally, just in time, it seems this is about to be put in place. This is vital to secure cash infrastructure before it starts to collapse following the latest acceleration in the dash from cash driven by the pandemic.

Since the government first announced it was bringing forward legislation to protect access to cash, the Johnson government's levelling up agenda has rightly focused on spreading opportunity and prosperity to all parts of the UK. Increasing digital access is a critical element of this – so more people and communities can take advantage of the benefits of digital. At the same time access to cash must be protected for as long as people need it to ensure remote, rural and more deprived communities are not levelled down and excluded from the economy by a digital transition that moves too quickly for people to keep pace.

The Covid-19 pandemic has both increased the pace of digital innovation and adoption, while enhancing the risk of these scenarios coming to fruition.

To avoid these scenarios, the UK would need to maintain and adapt its cash infrastructure and ensure that there remains an effective and inclusive cash access service that meets the needs of all, regardless of their personal circumstances, for as long as necessary.

At the same time advancements in digital connectivity and digital inclusion are required to ensure people are less reliant on cash in the longer term. Critical to this transition will be addressing widespread concerns about fraud and privacy in digital payments.

⁹ For more information see: www.moneyexpert.com/news/cashback-without-purchase-being-rolled-out-to-2-000-shops/

2

**This report:
research
approach
and methods**

This report: research approach and methods

Building on the in-depth work of the Access to Cash Review in 2019,¹⁰ the aim of this project was to understand people's attitudes and behaviours towards cash and digital payments and the impact of Covid-19 on this and our cash infrastructure.

To provide a basis for this research we undertook a comprehensive **literature review** of existing research and evidence on cash and digital payments. All sources are listed in the references.

This was augmented by analysis of secondary data and evidence on the demographic and economic factors of the UK's cash users. This included an array of data on cash withdrawals, including total number, average withdrawal amount and frequency, in addition to data on the number of ATMs and bank and building society branches and indicative statistics about digital literacy. In addition to the analysis of this data, we drew upon periodic polls on cash usage commissioned by LINK and run by Enryo.

We worked with market research and insight agency Opinium to design a **nationally representative survey of 3,003 people** to better understand attitudes and behaviours around cash, digital payments and engagement with financial institutions. The survey was sent to 2,504 members of Opinium's online panel and augmented with 499 video assisted phone interviews using the same questions, this enabled us to reach members of society who were identified as being digitally disengaged. We defined the 'digitally disengaged' as those who responded 'not confident' in all cases

to a series of questions on how they would feel completing basic tasks such as checking a bank balance or booking a doctor's appointment online. Fieldwork was conducted between 1 September and 6 October 2021.

The survey data was also used as the basis for a **segmentation**. A mixture of demographics, attitudes and behaviours were used as inputs to create the segment profiles. These included looking at location (rural/suburban/urban), age, household income, frequency of cash withdrawal, perceived benefits of using cash, usage of cash as a budgeting tool, convenience of shifting from cash to non-cash payments, ability to cope with a cashless society, and various attitudes and behaviours towards spending, cash and towards digital payment methods. Subsequently iterative cluster analysis was conducted to organise respondents into segments based on how similar they are on these dimensions.

Several segment solutions were produced by Opinium. A five segment solution was identified as the most stable solution statistically, but also the most actionable one from a marketing perspective.

For a series of **three online focus groups** run by the RSA 41 participants were recruited. For two of the sessions, we grouped two segments together based on similar levels of economic security for part of the focus group and then split them into two break-out groups. One group contained eight cashless converts and six cashless sceptics, the other contained eight cash occasionals and six cash keepers. A final group was run with 12 cash dependents.

From our phone survey sample, we also conducted a further four interviews with cash dependents, this included two participants that had been identified as having low digital engagement through our survey screening process.

¹⁰ Access to Cash Review (2019). Op cit.

Finally, we conducted a series of **semi-structured qualitative interviews** with policymakers, industry experts and innovators who are building new products and services to support cash users. A list of people and organisations that we interviewed is listed in the acknowledgements.

The findings from across the research project have been written up into this **final report**.

Alongside the report, **two data dashboards** were developed showing our regional¹¹ and segmentation¹² data by RSA data visualisation experts, using the open-source software package Tableau.

A note on the cashless society question.

For the purposes of comparison, we structured our survey question on how people feel they would cope to match that of the Access to Cash Review. This included an option of 'don't know' which was selected by 15 percent of our sample. Due to this approach, we caveat that our estimate of 10 million people struggling to cope in a cashless society is a conservative one. The figure for our sample, once 'don't knows' are removed, rises to 11.5 million people. For the purposes of reporting on the percentage of each segment that would struggle to cope in a cashless society, we have used data with 'don't knows' removed, to provide the most accurate estimate from our data set.

- 11 For more information see Regional dashboard at: public.tableau.com/app/profile/aoife.o.doherty/viz/Regionaldashboard-2/Dashboard1 and
- 12 For more information see Segment dashboard at: public.tableau.com/app/profile/aoife.o.doherty/viz/Segmentdashboard-2/Dashboard1



Key findings: Covid-19 impact on cash and payments

Covid-19 impact on cash and payments

Cash withdrawals fell sharply when the pandemic hit

In March 2020 when the Prime Minister announced the UK would be going into a full national lockdown, much of society and economy came to a standstill. Everyone who was able started working from home, all but essential shops closed, pubs and restaurants were limited to take away service, mixing with other households banned.

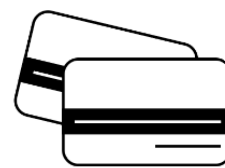
The impact on cash and payments was unimaginable. The morning tap of the travel card, the flash of a smartphone for a lunchtime meal deal, £20 out of the cash machine for after work drinks – for the majority these daily rituals were off limits.

With people confined to their homes, other than for essential work or exercise,

cash use took the biggest hit. Within the first two weeks of the pandemic, cash withdrawals had halved in both frequency and amount. As rules were relaxed and the economy reopened, cash use began to increase, only to fall again when new lockdowns or restrictions were introduced.

As the economy reopened in the summer of 2020, retailers were increasingly going cashless. In July 2020, 42 percent of people had visited a shop that did not accept cash – compared to 15 percent in January 2020.¹³

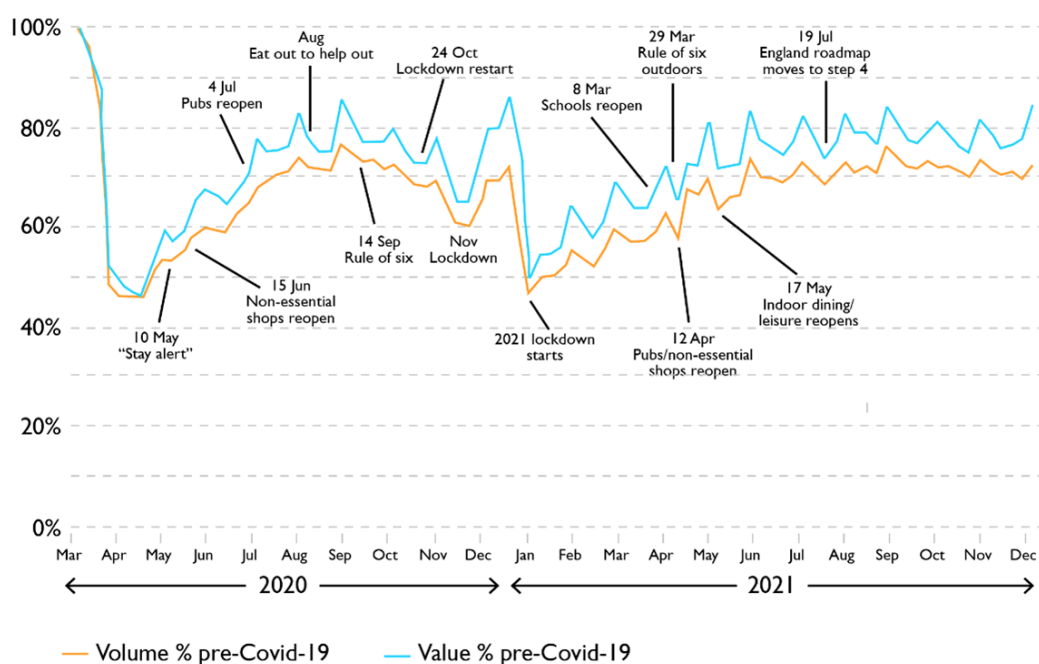
Digital payments also declined but increased their share of overall payments.



52%

of all payments are made by card (2020)

Figure 3: Weekly volume and value percentage to pre-Covid-19



¹³ Caswell, E, Smith MH, Smith, Learmonth, D and Pearce, G (2020) Cash in the time of Covid. [online] Bank of England. Available at: www.bankofengland.co.uk/quarterly-bulletin/2020/2020-q4/cash-in-the-time-of-covid [Accessed 2021].

Key findings

It was not only cash use that declined. The same factors contributed to the fall in digital payments. However, despite fall in volume, the pandemic changed the behaviour of many people towards digital payments, largely at the expense of cash.

While overall card payments in 2020 declined, their share of payments increased with over half (52 percent) of all payments being made by cards in 2020. This was driven by a rise in online shopping and retailers encouraging card and contactless use in physical stores.¹⁴ Debit cards remained the most frequently used payment method in the UK, accounting for over four in 10 (44 percent) payments. Particularly for smaller payments under £5, three in 10 people (29 percent) increased their use of card payments during the early months of the pandemic.¹⁵

With increasing concerns over contracting Covid-19, contactless payments became much more popular, accounting for over a quarter of all payments (27 percent). The use of devices such as mobile phones and watches also rose sharply. Nearly a third (32 percent, 17.3 million people) of the adult population had registered for mobile payments in 2020, a staggering increase of 7.4 million people (75 percent) compared with 2019.



27%

**of all payments
are contactless
payments (2020)**

Similarly, the number of people using online and mobile banking continued to grow. Well over two thirds of UK adults (72 percent) used online banking in 2020 and over half (54 percent) used mobile banking.¹⁶

Despite the decline in cash payments, it remained the second most popular payment option.

**17.3 million
people**

**registered for mobile
payments in 2020**



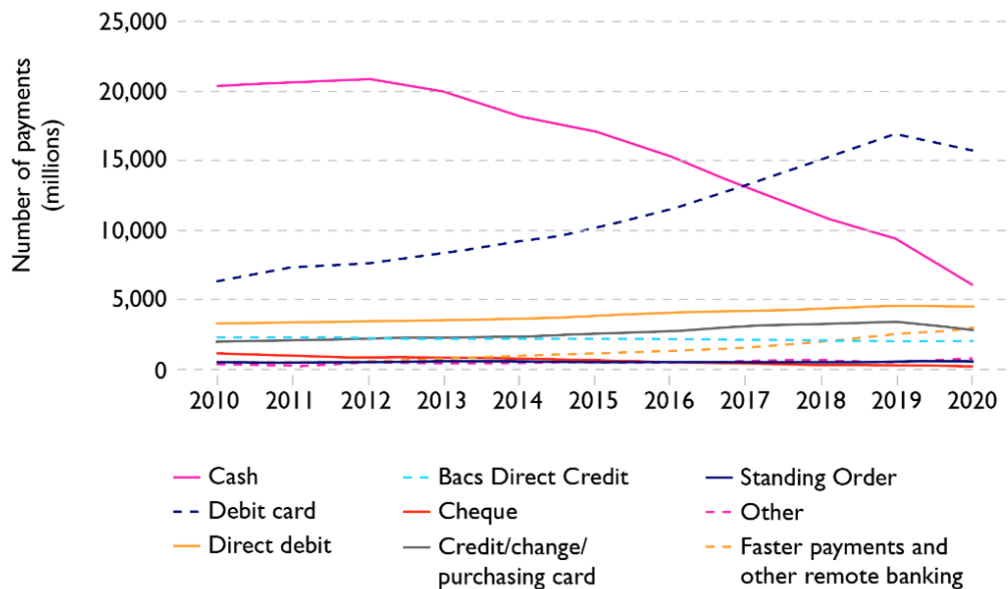
**An increase of
75%
in comparison
to 2019**

¹⁴ UK Finance (2021) UK payment markets summary 2021. [PDF] UK Finance. Available at: www.ukfinance.org.uk/sites/default/files/uploads/SUMMARY-UK-Payment-Markets-2021-FINAL.pdf

¹⁵ Enryo (2020) The Cash Barometer 2020 Q2 (unpublished).

¹⁶ UK Finance (2021) UK payment markets summary 2021. Op cit.

Figure 4: Payment volumes (millions) 2010-2020



While cash withdrawals declined, this was not evenly distributed across the UK.

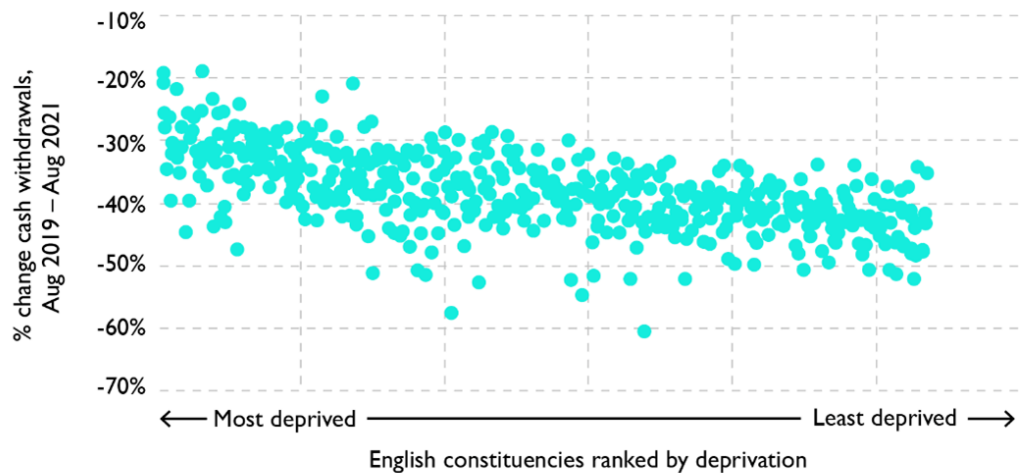
It's clear that Covid-19 has increased the use of digital payments at the expense of cash. But the picture isn't the same everywhere across the UK.

The south west and south east, together with Scotland, were the regions/nations with the highest fall in number of cash withdrawals. Yorkshire and the Humber, north west, north east, London and West

Midlands saw the lowest drops. London remained outlier with a 39 percent decline, compared to a 46 percent fall in the wider south of England.

Analysis of cash withdrawals at a constituency level helps show the extent to which some areas remain more reliant on cash. In February 2022, the average fall in cash withdrawals across the UK was around 40 percent. By contrast, in some of the most deprived areas the figure was half of this, at 20 percent.¹⁷

Figure 5: Percentage change cash withdrawals, Aug 2019-Aug2021



17 LINK (2021) Consumer council annual report 2021. [PDF] LINK. Available at: www.link.co.uk/media/1862/link_consumer-report-2021-online.pdf

The constituencies with the lowest decline were Liverpool, Walton (16 percent) and Bradford South (20 percent) – two of the most deprived areas of the UK. The two constituencies with the highest drop off in withdrawals were Cities of London and

Westminster (76 percent) and Glasgow Central (67 percent).¹⁸ While there is clearly a link between change in cash withdrawals and deprivation (see Box 3), it's unlikely this is the sole driver of change.

Box 3: Cash withdrawals, deprivation and access to cash

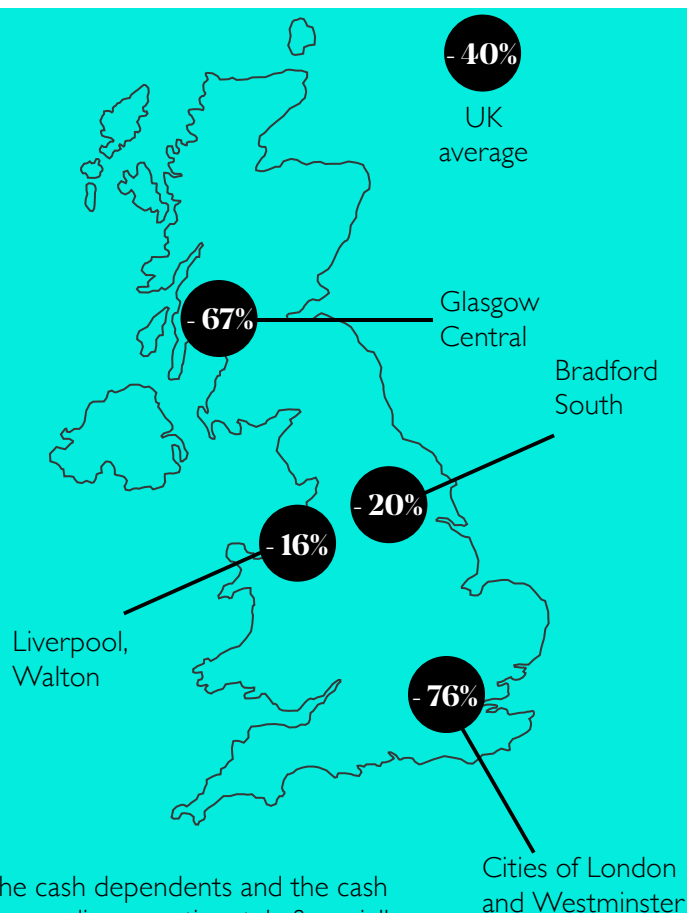
There appears to be connection between changes in cash use and deprivation. Data on the change in the number of cash withdrawals between the financial years 2019-20 and 2020-21 shows that all five (and eight of the top 10) of the parliamentary constituencies that saw the lowest fall in the number of withdrawals during the first year of the pandemic are in the top decile of deprivation in England.¹⁹

Liverpool, Walton was the parliamentary constituency that saw the lowest fall in cash withdrawals. That number fell by 16 percent, compared to a nationwide change of -42 percent. In addition to having the most stable rate of cash withdrawals across the first year of the pandemic, Liverpool, Walton is also ranked as the most deprived constituency in England. The area is the most deprived constituency in terms of health deprivation and disability and employment, and is second in the domain of income. This pattern continues to play out further down the rankings. Bradford South, which saw the second lowest fall of 20 percent, is in the top decile of deprivation, ranking 29th of 533 constituencies. The second most deprived constituency, Birmingham Hodge Hill, saw the joint-third lowest decline in cash withdrawals at 21 percent.

This correlation suggests there is a relationship between deprivation and a continuing reliance on cash use. The RSA's segmentation, which will be introduced in the next chapter, supports this hypothesis. The two segments who rely on cash the

most, the cash dependents and the cash keepers, are disproportionately financially insecure. The majority of cash keepers live in urban areas, which make up all of the top five constituencies with the least change, so it is likely this cohort of regular withdrawers are behind the consistent numbers.

This analysis also supports the Access to Cash Review's concerns that a switch to cashless would disproportionately exclude many people who already face substantial barriers to economic inclusion. That the most deprived areas of England saw the most consistent levels of cash withdrawals adds weight to these fears.



Withdrawals in Liverpool, Walton fell 16 percent, the lowest drop in the UK

¹⁸ IMD data is only published for English constituencies so unable to compare relative deprivation between Scottish and English constituencies.

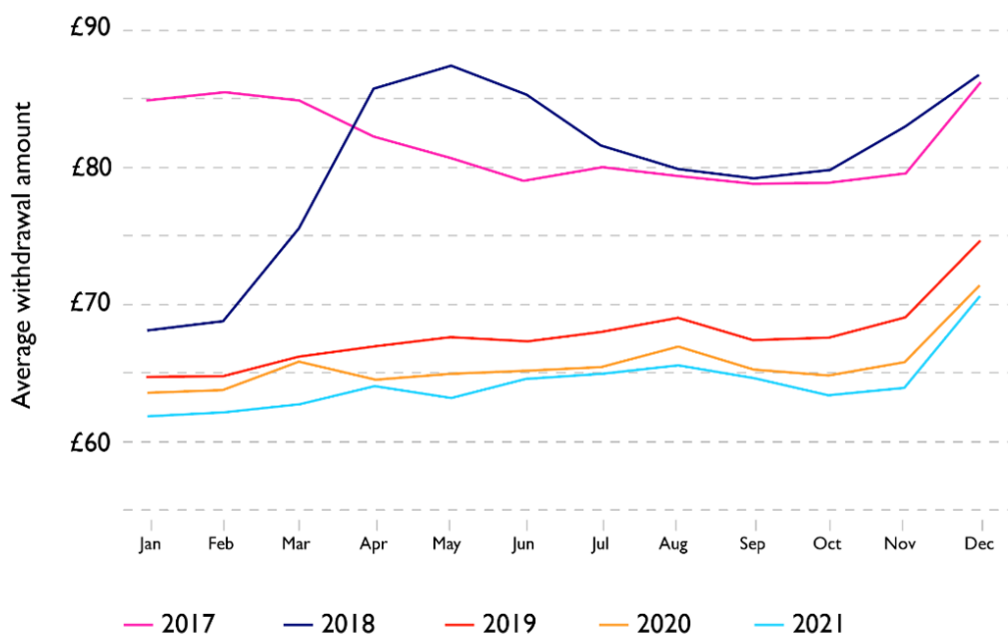
¹⁹ House of Commons Library, 2020. Constituency data: Indices of deprivation. [online] Available through: [House of Commons Library commonslibrary.parliament.uk](https://commonslibrary.parliament.uk) [Accessed 2021]. The 10 constituencies with the lowest fall in withdrawals are all in England.

Covid-19 has accelerated the digital transition, but cash is still important.

As with every aspect of our society and economy, Covid-19 has had a major impact on how people use cash and digital payments. Despite the growing popularity of digital payments, cash remains the second most popular payment option after debit cards, accounting for just under a fifth (17 percent) of all payments in 2020, totalling 6.1bn cash transactions.²⁰

While people are now using cash machines less frequently, they are taking out more each visit. Since the pandemic hit, the average withdrawal is more than £10 higher at LINK's ATMs than in 2019.

Figure 6: Average withdrawal amount (2017-2021)



20 UK Finance (2021) UK payment markets summary 2021. Op cit.



Key findings: the cash census

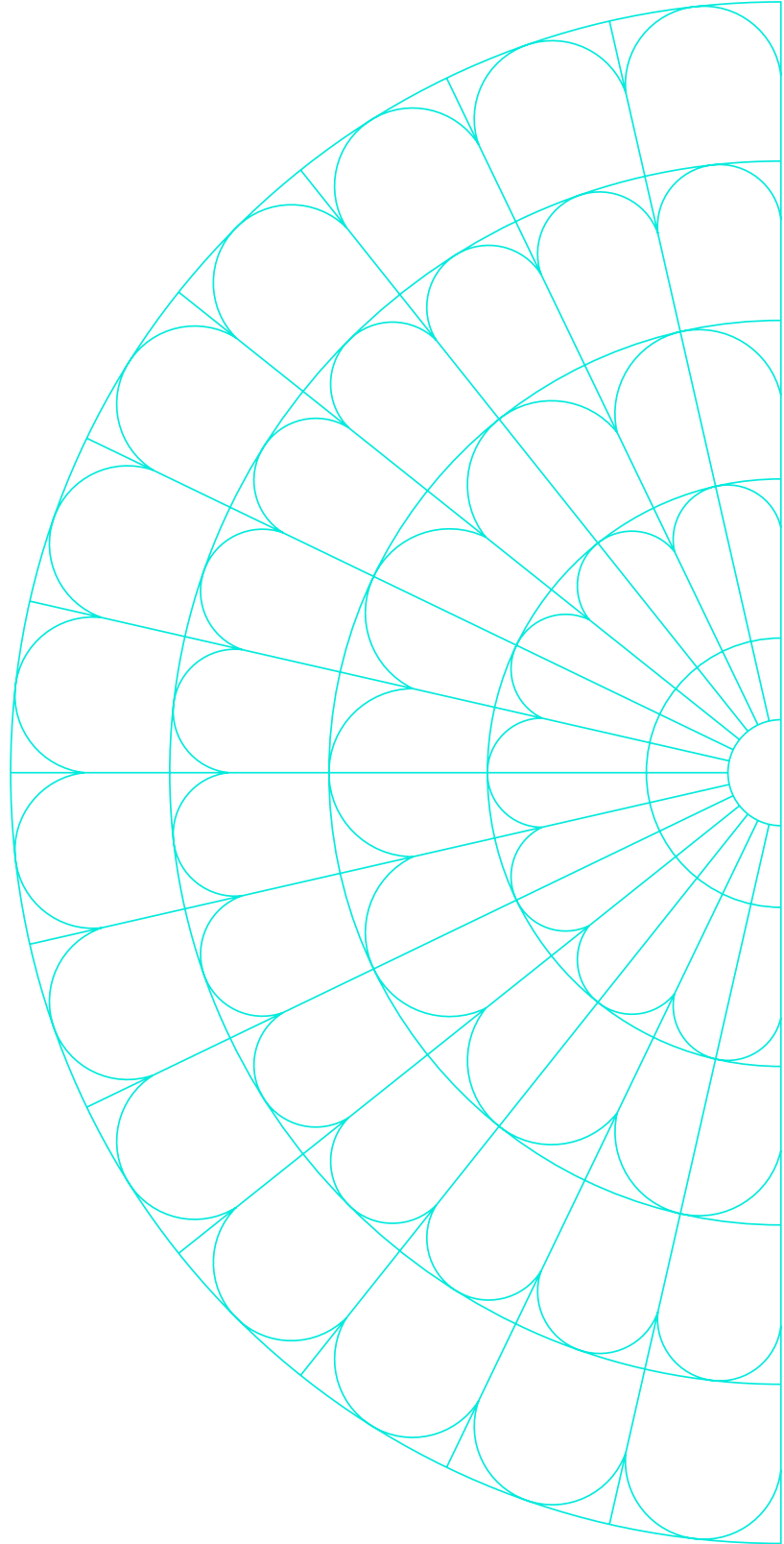
The cash census

We know from the Access to Cash Review that the UK as a whole was not ready to go cashless prior to the pandemic and millions of people would be at risk of economic exclusion, isolation, exploitation, debt and rising costs. The literature review helped fill in some more detail in terms of the fundamentals of the post-Covid cash picture. However, what was absent in the literature was a more detailed understanding of the nature of the behavioural changes that was taking place within society with respect to cash use. Specifically: even as cash was being used in different ways and in different quantities, how did this behaviour change vary according to social background and locality; how did this reflect wider attitudinal concerns about the pace of technological and economic shift? We believe that answering these questions is crucial to any effective policy response around cash that prevents the most vulnerable from being left behind.

As such, we commissioned an original set of primary research activities, commencing with our comprehensive October 2021 survey.

We wanted to understand:

- 1.** How behaviours and attitudes around cash and digital payments had changed since the onset of the pandemic.
- 2.** The extent to which a cashless society would be problematic for the UK population.
- 3.** The challenges faced by different segments of the UK population.



The survey was broken down in to three themes:

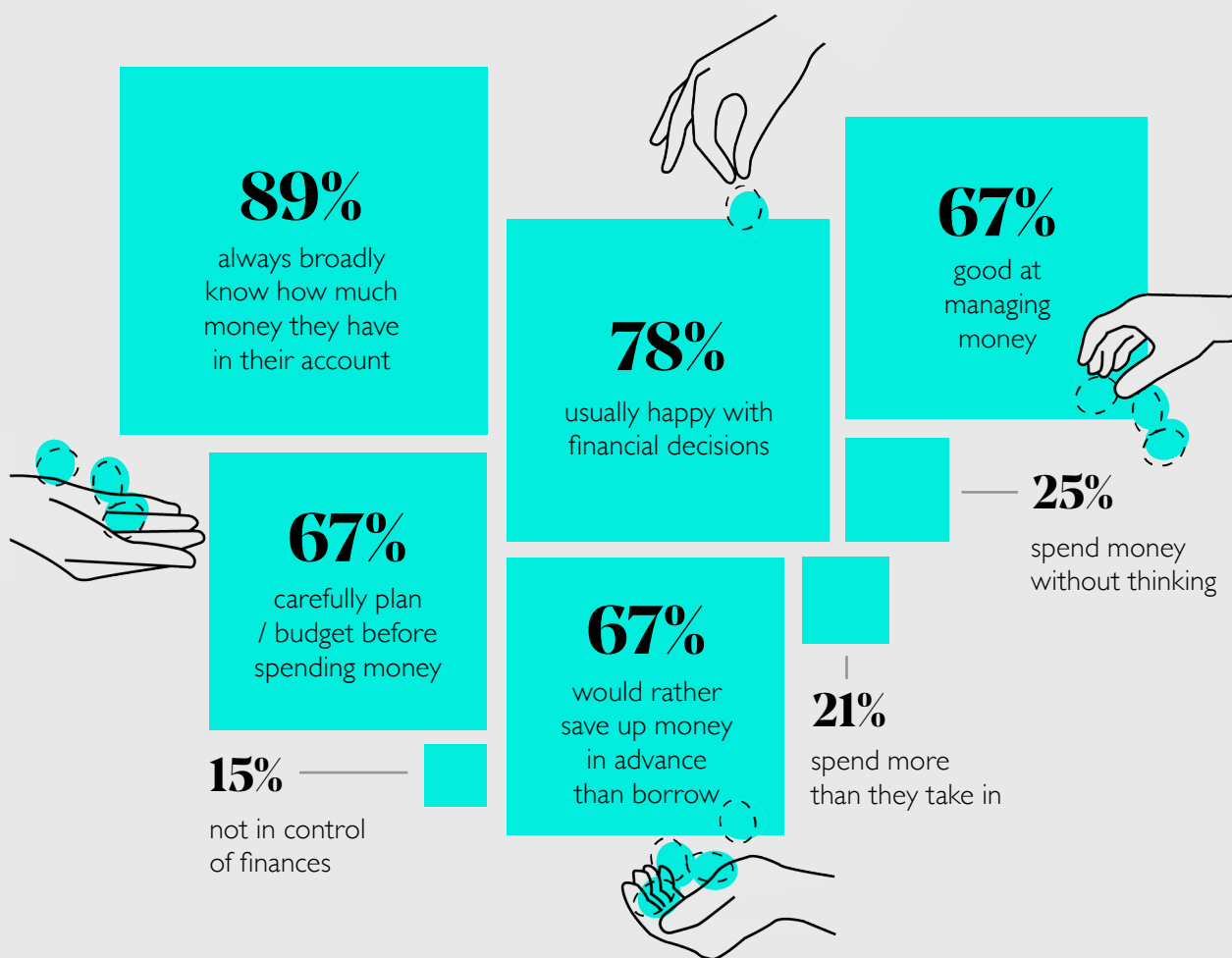
- General financial situation and attitudes.
- Cash usage.
- Attitudes to cash, digital payments and financial institutions.

We captured the below demographics from all survey respondents:

Age, region, area type (eg urban / rural), household income, disability, digital engagement, ethnicity, living situation, home ownership, education level.

The infographics visualise the survey results representing the overall picture across these themes for the whole of the UK.

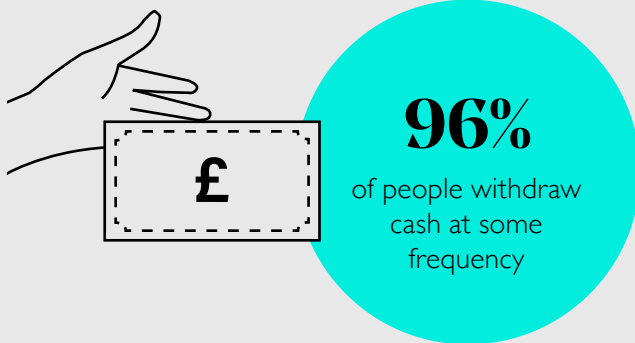
Financial attitudes



Trust is highest among Visa (86%), high street banks (82%), and building societies (79%)

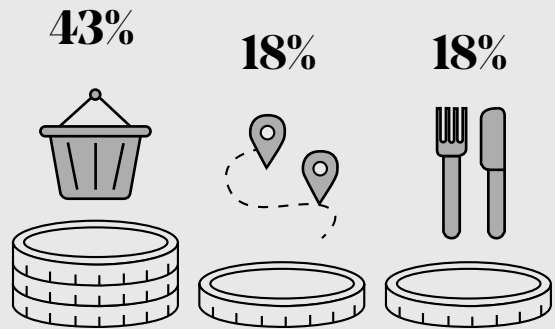
And lowest among payday lenders (8%), credit unions (30%), and online-only banks (34%)

Cash use

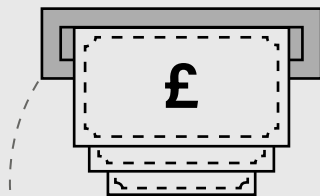


83% have cash in their wallet (69%), or home (14%), with an estimated average value of

£166.60



Cash is one of the most common forms of payment in newsagents/local shops (43%, same as credit/debit card), while a fifth also pay by cash for transport (18%), or eating out (18%)



The most common places to withdraw cash from are free ATMs (62%), followed by banks and ATMS that charge (both 12%)

65%

Usually get cash on another errand, rather than making a special trip

On average people estimate they live just

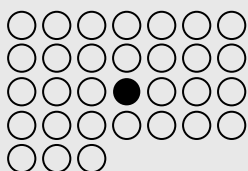
7

minutes away from the nearest cashpoint

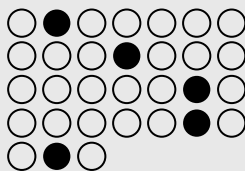
On average each time they take money out they withdraw

£72.60

Two thirds (66%) withdraw cash at least once a month



A quarter (23%) withdraw at least once a week



15 million

people currently use cash to budget

—	+
×	÷
÷	=

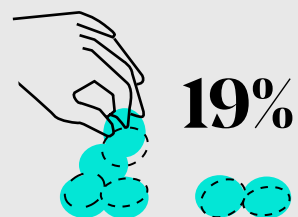
Of those who budget in cash...



Take out an amount and try to make it last



Set aside the amount they need for a period of time



Split out the amount they will spend in different areas

Cash and digital payment attitudes

25 million

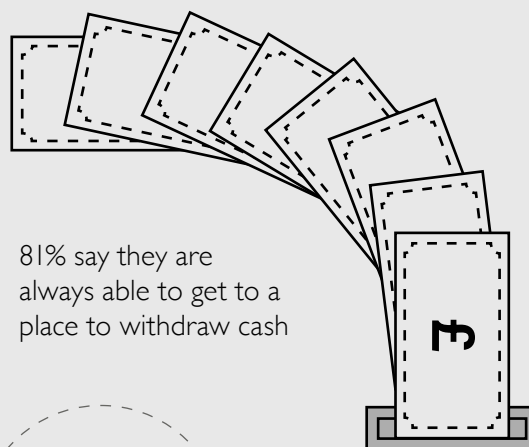
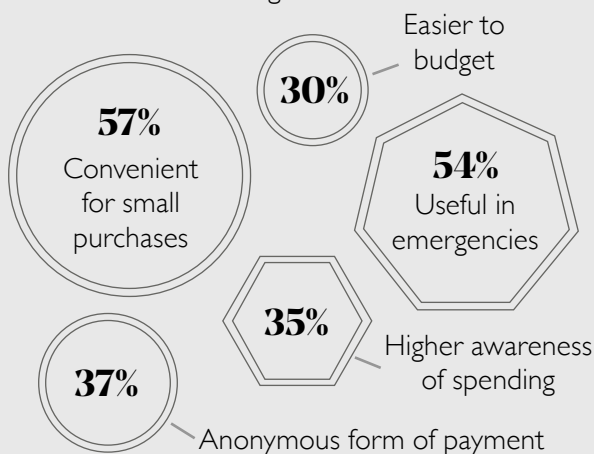
people (almost half of the UK population) say that it would be problematic for them if there was no cash in society as they know it

32% would like to use cash more...



...while 38% would want to use non-cash payments more

Benefits of using cash:



81% say they are always able to get to a place to withdraw cash

23 million

people say using cash makes them feel more in control of their finances

8 million

people have been using cash more during the pandemic

Moving current cash payments to non-cash methods would be...

55%

convenient

31%

inconvenient



Cash is generally seen as less convenient, but more trustworthy, while worries about fraud and privacy are higher with digital payments



64%

Worry about fraud in digital payments

57%

Worry about privacy in digital payments

36%

Find it harder to track spending with non-cash payment methods

27%

Find non-cash payments less convenient

27%

Generally don't trust technology

18%

Have difficulties accessing digital payment methods

17%

Generally don't trust card payments

The segmentation

To develop a deeper picture of the needs and challenges represented by different groups, we worked with Opinion to develop a robust segmentation of the UK. This was augmented with qualitative interviews and focus groups to better understand the lived experience of these groups, building on the underlying data.

Our segmentation identifies five distinct segments ranging from the cash dependents to the cashless converts. We identify two groups (cashless dependents and cash keepers) that would most struggle in a cashless society – within these two groups many would be at high risk of financial and social exclusion in the event of a switch to cashless. However, there is a deeper story beyond those who see cash as a necessity.

Across three groups (cash dependents, cash keepers, cashless sceptics) we found people had a real connection to cash. Whether to support small businesses and traders, tipping service staff, giving pocket money to children, giving to charity, having a backup for when the tech fails – most people across these three segments had a connection to cash. For many millions beyond those who depend on cash to get by – cash is an important part of their community interactions and civic life.

“Last week, a friend did a favour for me, and she wouldn't take any money. So, I gave her children a £5 note each – their faces lit up. And I thought, well, if you don't have cash, you can't do those little things. And I think that that make a difference.
(Cashless sceptic, female, age 35-54)”

“If I need to use the bank I will travel into the branch as I prefer to deal with people. I feel like everything has been automated and I just don't trust the technology”.
(Cash dependent, female)”

For the cash occasionals, many of whom predominantly use digital payments but like cash for emergencies, there were concerns over fraud, security and privacy. This was an issue shared with the three groups that still have a strong connection to cash. Where people had a personal experience of fraud when using digital payments, this heightened their concern.

This section of the report will introduce our five segments - outlining their key characteristics, what sets them apart from the other groups, and where they share similar traits.

Five segments

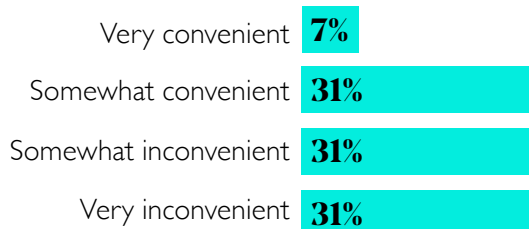
Cash dependents	<p>An older segment that have a strong preference for cash.</p> <p>Cash dependents rely on cash for budgeting and tend to make regular withdrawals. This segment has the highest dependence on cash as it makes them feel in control of their finances. They are the segment that would struggle the most switching to digital payments and living in a cashless society.</p>	<p>5 million (51%) would struggle to cope in a cashless society</p> <p>18% of UK adult population</p> <p>10 million people</p>
Cash keepers	<p>A younger segment that like the security of having cash.</p> <p>The youngest segment, with the majority living in urban areas. Cash keepers tend to make relatively frequent withdrawals and are the most likely segment to keep cash at home. While most are using non-cash payment methods, around a third have difficulties accessing digital payments and a similar number don't trust card payments. The majority find it easier to track spending using cash which makes them feel more in control of their finances.</p>	<p>4 million (35%) would struggle to cope in a cashless society</p> <p>22% of UK adult population</p> <p>12 million people</p>
Cashless sceptics	<p>The oldest segment whose scepticism about a cashless society runs deep.</p> <p>The oldest segment with the majority living in rural or suburban areas. They are generally in control of their finances and have strong concerns around fraud with digital payments. Losing cash would be inconvenient for around half but the majority would cope. They have a strong attachment to cash and are very sceptical about the idea of a cashless society.</p>	<p>2 million (18%) would struggle to cope in a cashless society</p> <p>23% of UK adult population</p> <p>12 million people</p>
Cash occasionals	<p>A younger segment that prefer to manage their money digitally but use cash occasionally or in emergencies.</p> <p>A younger tech-savvy segment that tend to prefer the convenience of digital payments. The cash occasionals are open to a cashless society but many have strong concerns about fraud and privacy in digital payments and view cash useful in emergencies or for small purchases.</p>	<p>0.5 million (6%) would struggle to cope in a cashless society</p> <p>17% of UK adult population</p> <p>9 million people</p>
Cashless converts	<p>A segment that strongly prefers digital payments and don't see many benefits to cash.</p> <p>Well represented across all age groups, the cashless converts are in control of their finances and see few benefits to cash, other than in emergencies. This segment is the most comfortable with technology and hardly uses cash at all. A cashless society would feel like progress for the majority, and all could cope with such a transition.</p>	<p>0 million (0%) would struggle to cope in a cashless society</p> <p>20% of UK adult population</p> <p>11 million people</p>

Cash dependents

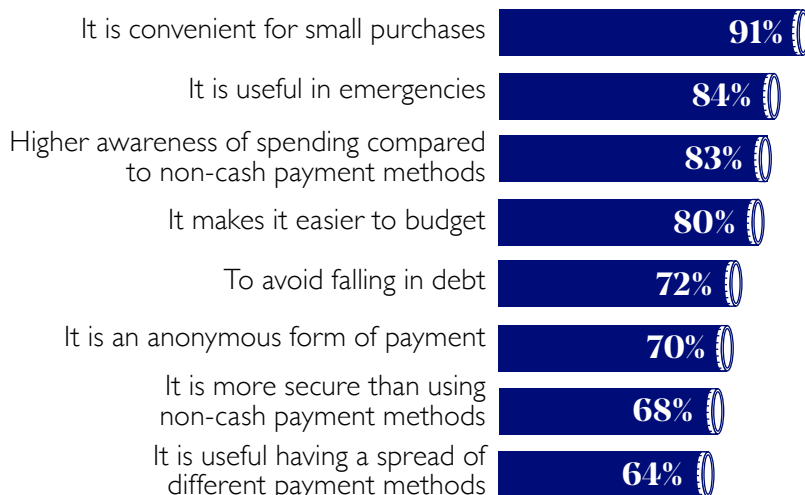


Cash dependents rely on cash for budgeting and tend to make regular withdrawals. This segment has the highest dependence on cash as it makes them feel in control of their finances. They are the segment that would struggle the most switching to digital payments and living in a cashless society.

Shifting to non-cash would be...

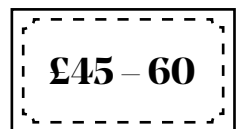


Benefits of cash



withdraw cash once a week or more frequently

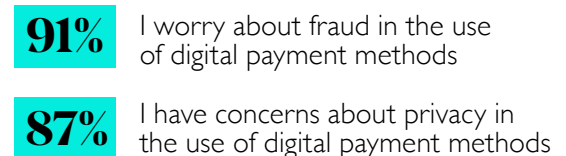
and are most likely to withdraw



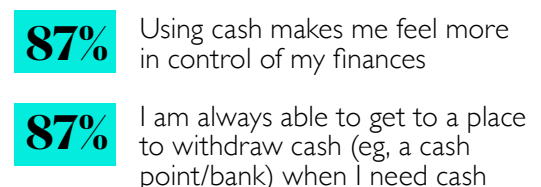
51%

Would struggle to cope in a cashless society

Top digital barriers



Top cash attitudes and behaviours

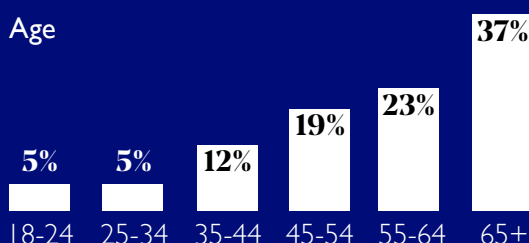


Segment demographics

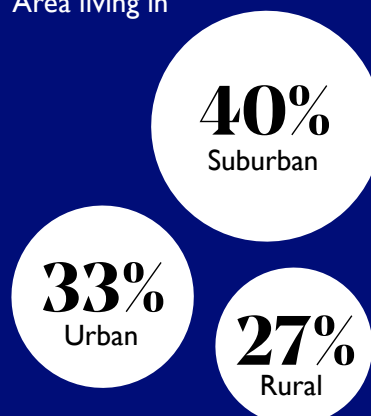
18% of the UK adult population

10 million people

Age

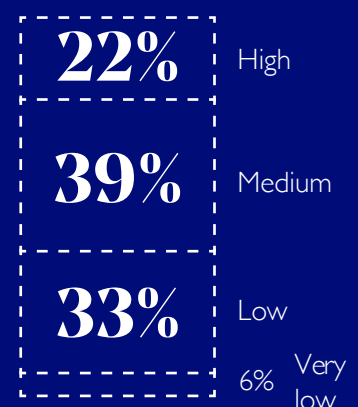


Area living in



Economic Security

This is calculated by combining two subjective assessments by respondents of their economic security, now and in 12 month's time.



The cash dependents

John is in his early 60s and lives in the northwest of England. He uses cash regularly as it helps him manage his spending it makes him feel in control of his finances.

“ It may be an age thing, but I prefer to control my finances by having cash

He likes to keep a familiar routine to ensure he always has cash to budget for the month ahead. John's bills are all set up to go out within a few days of him being paid. This enables him to know exactly what he's got left for the month ahead.

“ ... I tend to get my cash out at the start of a month when my salary goes into my account, from the supermarket ATM. This coincides with our shopping, or I can get cash out at the ATM provided by the company I work for.

This routine is driven by a previous experience where he got into debt and lost control of his finances.

“ A good number of years ago, we did get into some financial problems and that was always spending on cards ... that's why I'm a lot more careful now with using debit and credit cards.

John uses a debit and credit card for some purchases but is very wary of new technology such as using his smart phone to pay for things as he is concerned about security. He's also very conscious of which ATMs he uses as many local to him are often being tampered with. He prefers to use the ATM either at the supermarket, at his work, or in the bank branch as there is CCTV and it feels more secure.

Even before Covid, John was noticing that some shops were no longer accepting cash.

“ I've now got into a mindset that if it's a new shop, coffee shop or restaurant, I start to ask first off - do you accept cash?

He feels this is forcing a generation towards 'a challenge they are not ready for'. This trend towards cashless shops also makes him concerned for his elderly mother, who prefers to go into the bank to withdraw cash and struggles using a debit card.

John is very dependent on cash, and he would struggle to cope in a cashless society.

“ I do not want to even think about it, I do not like the idea of a cashless society.

The cash dependents represent an older demographic with the majority (59 percent) aged 55+ and around half of them feel they would struggle to cope in a cashless society – more than any other group. Cash makes them feel in control of their finances and two thirds rely heavily on cash for budgeting. They see huge benefits to cash, with 91 percent finding it convenient for small purchases and 84 percent finding it useful for emergencies. They tend to visit a cash machine frequently, withdrawing a higher amount than the cash keepers.

The cash dependents trust technology less than other groups and have extremely high concerns around privacy (87 percent) and fraud (91 percent) when using digital payments. They are particularly concerned about the increase of the contactless payment limit to £100. One in five are digitally disengaged and struggle to complete basic tasks online – making digital banking and payments impossible without support. More than two thirds (39 percent) would find basic banking services at the Post Office appealing, while less than one in five (17 percent) would trust an online only bank.

Box 4: Dependent on cash

We identified two further subgroups that had more extreme dependence on cash.

Both groups were more prominent within the cash dependents than other segments – driven mostly by a combination of old age and low economic security.

Digitally disengaged:

Our survey found that 7 percent of the population are digitally disengaged.²¹ This was most prominent in the two oldest groups, the cash dependents (20 percent) and the cashless sceptics (13 percent).

A phone interview with Harold who is 72 and lives in a shared housing facility in south-east London typified some of the challenges for those without access to the internet. While there is a common room which has two computers within the housing, it's two floors away from Harold's room and he wouldn't want to take his personal information with him. He's never needed to use computers so has no digital literacy. He much prefers to deal with a person and takes the train in to town, usually once per week, to withdraw cash from the bank branch and then manages his budget in cash. He once forgot to take

his money and the ATM swallowed it, so he prefers for there to be staff on hand to help him if he needs it. This weekly trip is an important part of Harold's routine and helps him stay active.

Money has existed for thousands of years. Why does everything need to be digital? With cash you can touch it, you can feel it, you know exactly what you have. With digital you have no sense of having done anything or if you made a mistake. It's impossible to remember everything.

²¹ Digitally disengaged are defined as those who responded 'not confident' in all cases to a series of questions on how they would feel completing basic tasks such as checking a bank balance or booking a doctor's appointment online.

Low mobility:

One in four of our survey respondents (27 percent) reported having a long-standing physical or mental impairment, condition, illness, or disability – for the majority (81 percent) of this cohort, this limits their day-to-day activities. This was highest amongst those 75+ (39 percent) and within the cash dependents segment (36 percent) – despite the more economically secure cashless sceptics being an older segment on average.

A phone interview with Gwen who is 84 and has a disability that means she can't leave the house typified some of the challenges faced by those with limited mobility. She relies on a network of people within the local community to support her with her daily tasks. Her dog walker, who she trusts and is a well known member of the community, withdraws up to £250 in batches for her so she can manage her budget in cash, and her cleaner also supports her by doing her daily shopping. Gwen has the internet but only uses it for

emails and wouldn't feel comfortable using online banking, though she has been using telephone banking during the pandemic. She pays her carer and all those who support her in cash, this helps her know exactly what she's spending – her routine would be impossible in a cashless society.

What would I do [in a cashless society]? I can't pay people with card. It's the most ridiculous thing I've ever heard.

Cash dependents quotes

"I prefer cash, you know what you have. With digital you can end up spending a pound here and a pound there, it's hard to keep track. If I take £100 out and I've got money left at the end of the day, I know exactly how much". (Male, 55-64)

"Cash to me is essential for me to keep some quality in my life and to retain my independence". (Male, 55+)

"If I need to use the bank I will travel into the branch as I prefer to deal with people. I feel like everything has been automated and I just don't trust the technology". (Female, 55-64)

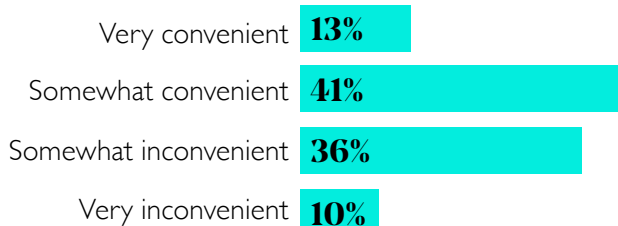
"I don't do online banking because I worry about its security and have heard others losing large amounts of money by being hacked, phished or scammed online". (Male, 35-54)

Cash keepers



Cash keepers are the youngest segment, with the majority living in urban areas. They tend to make relatively frequent withdrawals and are the most likely segment to keep cash at home. While most are using non-cash payment methods, around a third have difficulties accessing digital payments and a similar number don't trust card payments. The majority find it easier to track spending using cash which makes them feel more in control of their finances.

Shifting to non-cash would be...



withdraw cash once a week or more frequently

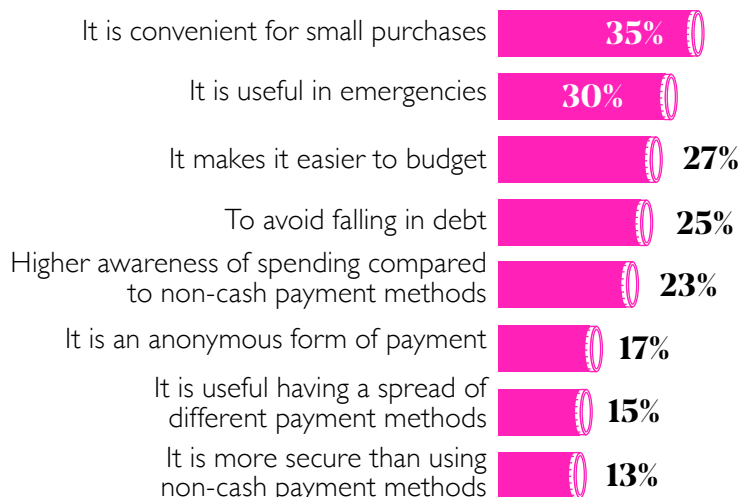
and are most likely to withdraw



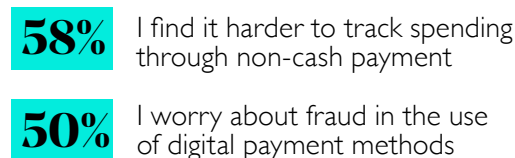
35%

Would struggle to cope in a cashless society

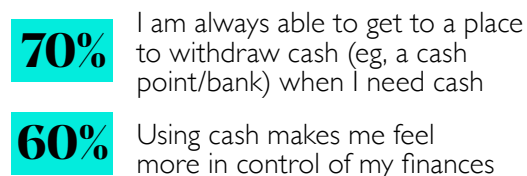
Benefits of cash



Top digital barriers



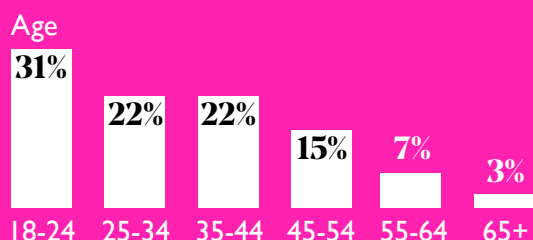
Top cash attitudes and behaviours



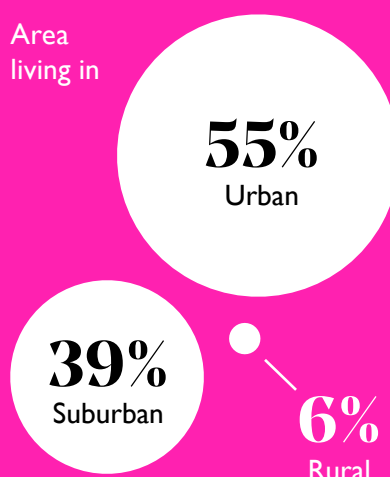
Segment demographics

22% of the UK adult population

12 million people

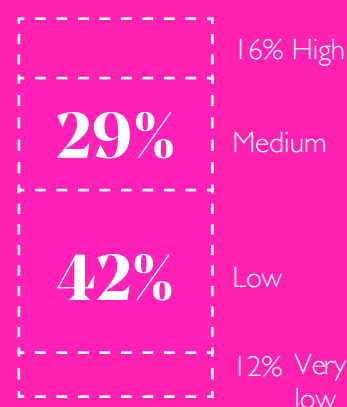


Area living in



Economic Security

This is calculated by combining two subjective assessments by respondents of their economic security, now and in 12 month's time.



gments

The cash keepers

Anita is in her mid-30s, she lives in east London with her two children. She uses digital payments but was initially reluctant to use contactless payments when they were introduced as she wasn't sure if it was secure or if she might be charged twice.

Recently, and particularly since the onset of the pandemic, Anita has been using digital more often. She only has one debit card with her bank and doesn't use a credit card, so either uses her debit card or, with small businesses and markets that don't accept card, she uses cash. She feels that keeping cash is important for these local traders as card payments might be quite expensive for them. When she needs to withdraw cash, she uses her local cash machine, which is a seven-minute walk away.

She's now more comfortable using her online banking app and likes using PayPal for online shopping.

“ Sometimes I do [have challenges with digital payments]. I only use one card for everything, and I have never used digital wallet or smart phone for payment, I don't find them safe. ”

While she predominantly uses digital payments, she does like to keep cash at home and uses cash to budget for things, particularly at the end of the month. She likes that you can only use the cash you have and can't keep spending money you don't have.

Anita is sometimes unsure whether to trust technology. One issue she has had is with her children using her smart phone to buy things without her permission.

“ What used to happen is my daughters know the pin number on my phone, so they tend to buy games and things like that ... [the bank details] are already there saved on the system, so they just press pay and then it just goes in automatically. ”

She has also had personal experience of fraud when using digital payments and previously had problems remembering her pin number, so she likes to have cash on her as a backup.

“ I was using PayPal and I used to get this email all the time asking me to update my account details. At that time, I was new to it, and I added all the details and I got defrauded ... Now I think twice about having my details stored online. ”

A cashless society would present some challenges for Anita. Her main concerns would be around fraud and the problems this would cause for small businesses.

The cash keepers are the youngest segment (53 percent under 35) and over half (53 percent) live in urban areas. Around half have low economic security (55 percent) and spend more money than they take in each month (49 percent). They withdraw cash frequently and often in small amounts; 40 percent withdraw at least once a week with £25-40 the most common amount (28 percent). Generally, they see less benefits in cash and are open to using more digital payment methods, but half rely on cash for budgeting, and they are the most likely to keep cash at home.

Other than the cash dependents, this segment would struggle the most in a cashless society. They have lower trust in technology (37 percent) and card payments (28 percent) than all other groups except the cash dependents but are more comfortable using technology generally. Many would find it inconvenient to switch everything to digital payments (40 percent). They often find cash more convenient for certain purchases and prefer to have cash as a backup for when the tech fails. They are highly opposed to ATM's that charge but the most likely to use them (17 percent), suggesting they are more likely to need to access cash without planning ahead.

"When you have cash, you are in control and you're not spending something that's not there at that point in time. So, for example when you have a card you've got a credit limit, basically, you can spend up to that limit, so at that point your budget may have gone astray".
(Male, 35-54)

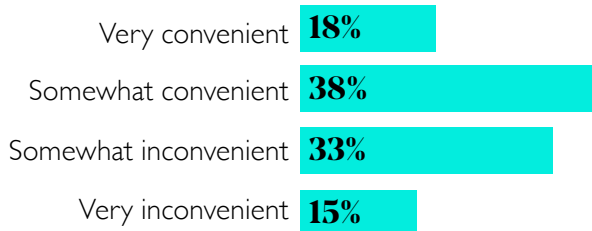
Cash keepers quotes

"Online fraud also needs to be clamped down on, there are too many scams and it's too easy for people to lose things like bank cards and have all their money taken".
(Male, 35-54)



Cashless sceptics are the oldest segment with the majority living in rural or suburban areas. They are generally in control of their finances and have strong concerns around fraud with digital payments. Losing cash would be inconvenient for around half but the majority would cope. They have a strong attachment to cash and are very sceptical about the idea of a cashless society.

Shifting to non-cash would be...



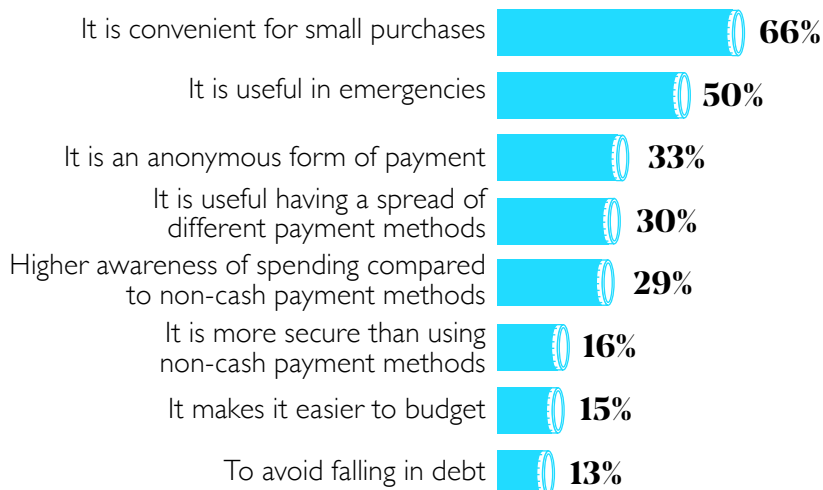
withdraw cash once a week or more frequently

and are most likely to withdraw

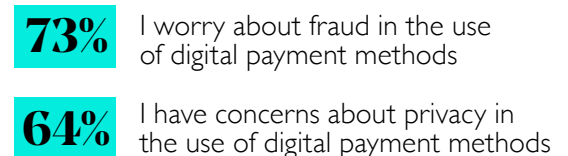
18%
Would struggle to cope in a cashless society



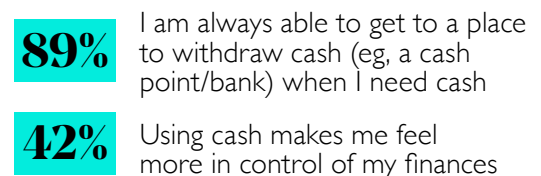
Benefits of cash



Top digital barriers



Top cash attitudes and behaviours

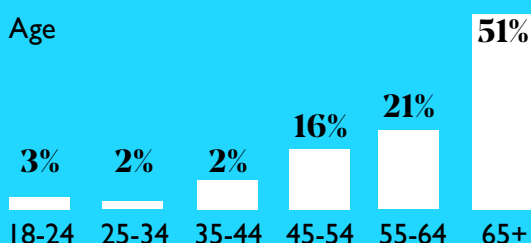


Segment demographics

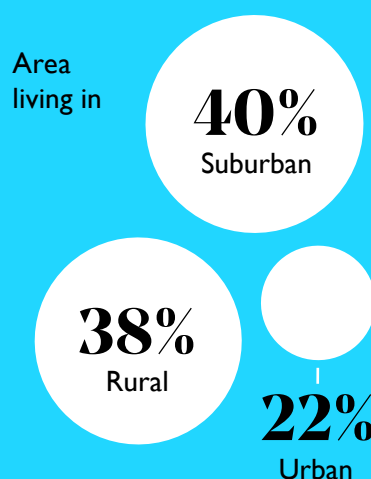
18% of the UK adult population

10 million people

Age

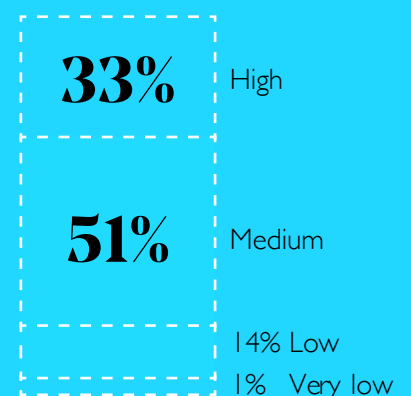


Area living in



Economic Security

This is calculated by combining two subjective assessments by respondents of their economic security, now and in 12 month's time.



The cashless sceptics

Anne is in her early 50s and she lives a short drive outside Leeds in West Yorkshire. She's happy using contactless payments for most purchases but doesn't like to rely on it as she can often have poor phone signal. She also finds cash easier for splitting bills, paying local tradesmen, treating grandchildren, and tracking spending. Anne keeps track of all her payments using a spreadsheet, whether they are digital or cash transactions.

Covid-19 has increased the amount of digital payments Anne has been making.

From a safety point of view, the less touching and spread of disease the better. So yeah, [Covid has] definitely increased contactless payments for me.

At first Anne found it a bit more difficult to track all her spending during the pandemic as she was using more digital and contactless payments, but she has been able to adapt and keep her finances under control. For Anne, cash performs a really important 'social function'.

At Christmas I like to give the postman a fiver just to have a drink and the dustbin men and people like that, just a little gesture. And I think, you know, you can just be more human ... you can't just say give me your PayPal address!

Charities very often prefer cash. And if you're buying the big issue or something like that, you know, it's just easier to pay them cash because they don't really have bank accounts

I was on a bus yesterday, and there was a young man before me and his phone had died that had his contactless payment on it and he couldn't make the journey as he had no cash with him. So, I actually just gave him some cash

Anne has some real concerns about fraud and privacy when using digital payments.

I do worry about fraud or having my card/phone stolen and it being too easy for people to use due to the contactless facility.

One of the things that I was a little bit sort of anxious about was the contactless payments, when they put the amounts up, but I found somewhere on my app where I can set it up that every single transaction that goes from my bank, literally I get an instant text message to say you know, £15 has gone out of your bank. So, every time something goes out, I know straightaway, and I've got the facility on my phone to block the card straightaway as well. So, I think there are mechanisms in place. But I think maybe banks need to do a better job at making us aware of those things.

These issues make Anne quite sceptical of a cashless society.

“ I would cope as I can manage technology and it would just be a case of adjusting. It wouldn't however be my preference as I do like the cash option in some circumstances. **”**

The cashless sceptics are the oldest group with around three quarters (72 percent) 55+ and more likely to live in rural areas (38 percent). The majority are financially secure (84 percent medium/high economic security) and good at managing their money (93 percent). They are predominantly using digital payments but most still withdraw cash at least once each month (75 percent) and use it where it's more convenient for them such as with small businesses, splitting bills and giving pocket money to children.

Most feel they would cope in a cashless society but find it either a major (34 percent) or minor (13 percent) inconvenience. They are more concerned with fraud (73 percent) and privacy (64 percent) when using digital payments than all segments other than the cash dependents. There was a strong preference in this segment for keeping cash as a payment option for certain purchases and in emergencies or when the technology fails. Many have an emotional connection to cash and are sceptical about moving towards a completely cashless society.

Cashless sceptics quotes

“I like being in possession of some cash to ensure that if I want to purchase an item that option is available to me”. (Male, 35-54)

“I am concerned about security now since payment by swiped credit card has increased to £100 – that is a lot of money to me from my pension. If this were stolen, it could cost me a lot of money and time to sort out. I would never use my phone for payments – I don't understand the technology”. (Female, 55+)

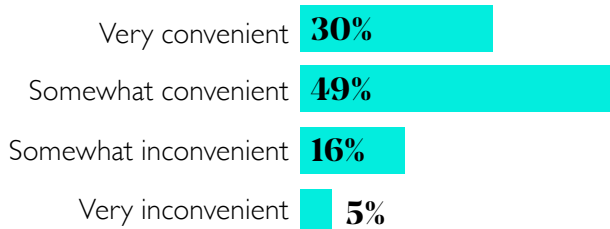
“Using cash also helps me to keep a track of my spending a bit better. When I just swipe my contactless card everywhere, I tend to lose track of what I'm spending so from a budgeting point of view cash helps”. (Female, 35-54)

Cash occasionals



Cash occasionals are a younger tech-savvy segment that tend to prefer the convenience of digital payments. The cash occasionals are open to a cashless society but many have strong concerns about fraud and privacy in digital payments and view cash as useful in emergencies or for small purchases.

Shifting to non-cash would be...



withdraw cash once a week or more frequently

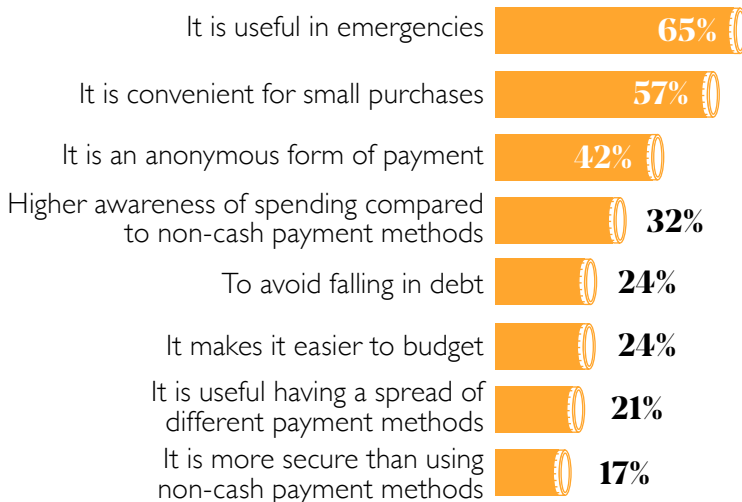
and are most likely to withdraw



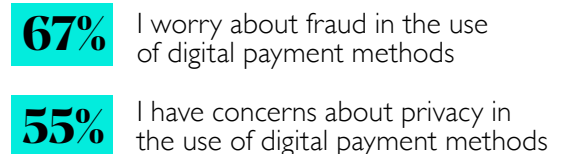
6%

Would struggle to cope in a cashless society

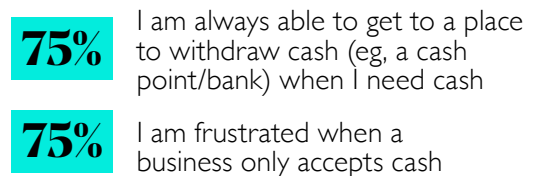
Benefits of cash



Top digital barriers



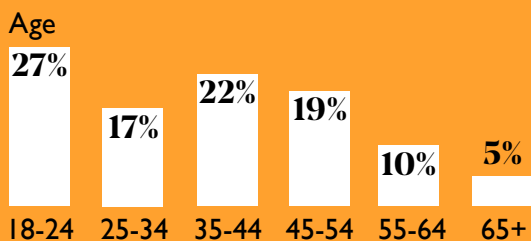
Top cash attitudes and behaviours



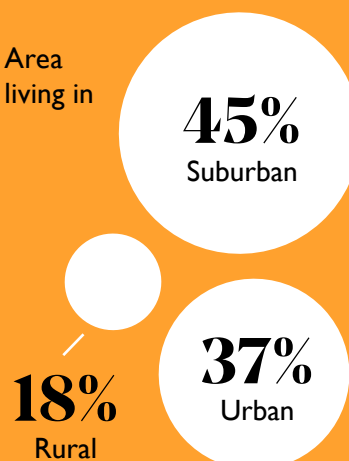
Segment demographics

17% of the UK adult population

9 million people

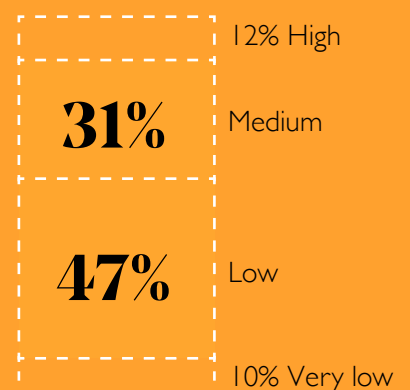


Area living in



Economic Security

This is calculated by combining two subjective assessments by respondents of their economic security, now and in 12 month's time.



The cash occasionals

Andrea is in her late 20's and lives on her own in a flat 20 minutes outside of Newcastle. She has a debit card with a high street bank which she uses for almost everything. Andrea much prefers to use digital payments and although she doesn't use other forms of digital payment at the moment, she is considering using mobile payments in the future.

When contactless came in, I didn't use it straight away but now I use it all the time. I'm not always the first adopter of new technology but I can see myself using mobile payments along with my debit card in the future and it may even become my preferred payment method.

Along with her debit card, Andrea also uses PayPal for some online purchases, especially if she's 'feeling too lazy to type in her bank details'. She often goes abroad to visit family or travel and has an additional card with an online only bank that specialises in making it cheaper to transfer between different currencies and avoiding conversion fees.

Digital is good for purchasing internationally. It opens up the world to possibilities. If I buy something from France or Germany they're not going to wait for the cash and won't want it in pounds.

Andrea tends to keep a small amount of cash on her in case of emergencies and only visits the cash machine every couple of months to top this up when needed.

Generally, I keep between £5 and £10 on me to use in a shop if they don't accept card or to cover something urgent, like when my phone dies and I can't access my bus ticket [QR code], then I need to pay in cash.

I also go to the pub quiz sometimes which only costs £1, then it's too small to pay on card. It's very annoying because I have to withdraw £10 and then go and buy something to get change. I'm then left with lots of change I have to carry around.

Sometimes Andrea gets paid in cash for cat sitting. She deposits the cash at her bank as soon as she can, otherwise it 'gets complicated' and she ends up with 'loads of coins'.

Andrea is aware of various digital apps that can help with budgeting but has just started using a spreadsheet to manage her finances.

It makes me feel comfortable that I can create my own categories for food, my pets, holidays. I can use formulas to keep track of everything and check what I'm spending each month. It's been a really good way to track spending – I used to have a lot of anxiety about money and the spreadsheet is really helping me budget.

While she's happy with the spreadsheet for now, she may explore using an app in the future, although she is hesitant to put all her financial information into an app that she doesn't know.

Andrea feels confident using the internet and feels able to spot scams. She's never been a victim of fraud.

“ If I had [been a victim of fraud] I might be more wary ... I'd be more concerned losing £50 in cash than losing my debit card as I can quickly cancel it and the bank will refund me. **”**

While Andrea is very happy about the increasing use of digital payments, she would be slightly wary about a cashless society.

“ I feel like it's not ideal to be overly reliant on one or the other. If you had all your money at home and your house burned down, everything would be destroyed. If everything is digital and the system goes down, I won't be able to get food. **”**

Andrea would cope in a cashless society, but she would prefer to keep cash for emergencies.

“I don't think my son will be using cash in 10 years' time. In 20 years, he won't be using a phone for payments, we'll move on to micro-chips or something else". (Male, 18-34)

“One benefit of cash is that I will not be denied goods. Some local grocers, as well as seasonal markets would not accept low sum payments [on card] if any – so having cash is beneficial here". (Male, 35-54)

“My previous landlord only accepted cash. I had to withdraw it from the bank, and I felt quite scared walking around with that much cash on me, even though it was short journey. If that was lost, it would be lost forever, there would be no way of getting it back". (Female, 18-34)

Like the cash keepers, the cash occasionals are represented by a younger demographic (43 percent under 35) with low (47 percent) or very low (10 percent) economic security. Despite these similarities they have quite different attitudes to cash, with only 5 percent using cash to budget and just 10 percent withdrawing cash once a week or more often. They are most likely to withdraw £10-40 (63 percent) and their most cited benefit of cash is it being useful in emergencies.

Cash occasionals are tech-savvy and have high trust in technology (88 percent) and card payments (94 percent). Three quarters are frustrated when a business only accepts cash (75 percent). However, they are slightly more concerned with fraud and privacy in digital payments than the cash keepers. A cashless society would not be a problem for 50 percent and only 5 percent feel they would struggle to cope - second only to the cashless converts. Switching all cash payments to digital would be convenient for 79 percent (compared to 91 percent for cashless converts) and inconvenient for 18 percent. While they are predominantly using digital payments, they still use cash for emergencies and purchase-free cashback is appealing to the majority (79 percent) - highest across all segments.

Cash occasionals quotes

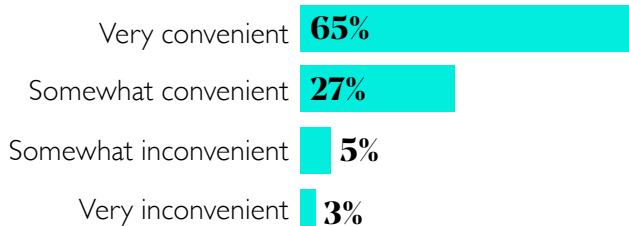
“[A cashless society] wouldn't be too drastic for me but sometimes it does help if you have no money in your bank account to have a small amount on you in case of emergencies or for convenience". (Male, 35-54)

“I'm happy with service at my bank, I've only been into the branch once in the last year. I do everything online now – I have the banking app and a savings app which uses an algorithm to link to my main bank. It helps you look at your spending and think about what money you can save". (Male, 18-34)



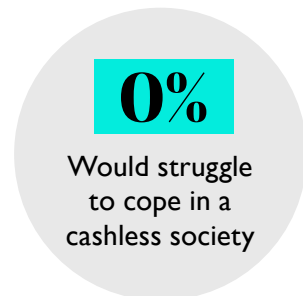
Cashless converts are well represented across all age groups, the cashless converts are in control of their finances and see few benefits to cash, other than in emergencies. This segment is the most comfortable with technology and hardly uses cash at all. A cashless society would feel like progress for the majority, and all could cope with such a transition.

Shifting to non-cash would be...



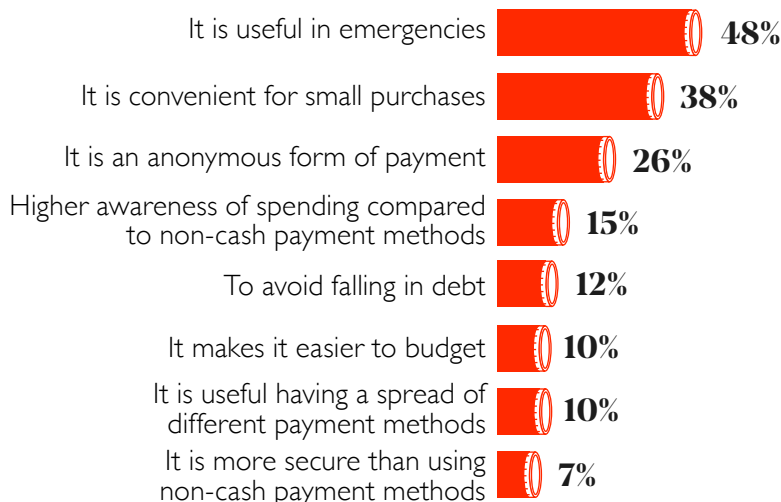
withdraw cash once a week or more frequently

and are most likely to withdraw

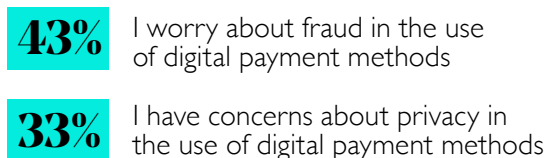


Would struggle to cope in a cashless society

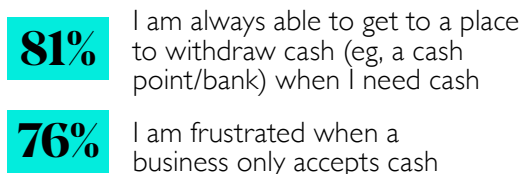
Benefits of cash



Top digital barriers



Top cash attitudes and behaviours

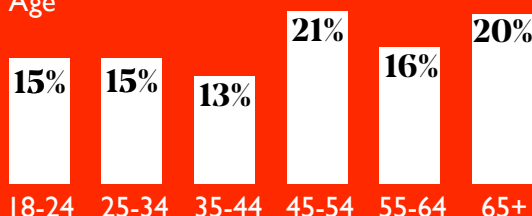


Segment demographics

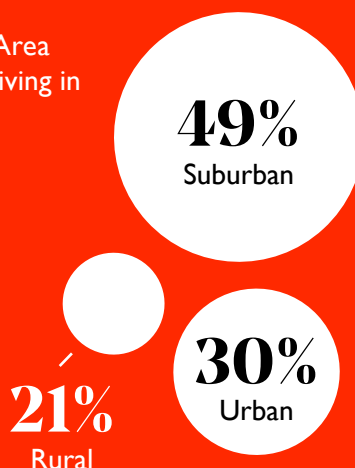
20% of the UK adult population

11 million people

Age

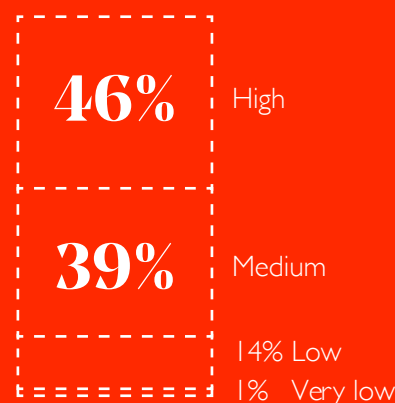


Area living in



Economic Security

This is calculated by combining two subjective assessments by respondents of their economic security, now and in 12 month's time.



The cashless converts

Andrew is in his early 40s, he works in the finance industry and lives with his family just outside Sheffield. He predominantly uses card or apple pay and can't recall the last time he used cash. Andrew has a number of debit and credit cards with different banks and uses online and mobile banking to manage his finances. Open banking has allowed him to easily manage his accounts across a range of digital platforms.

He only uses cash when he has no alternative option.

“ I spent a couple of days in Brighton in the summer and some shops I found were only taking cash. They said they actually wanted to get card machines ... but the mobile signal or internet made it impossible, so that's why they were stuck with cash. So not being able to have the right infrastructure. That's the only time [I use cash] and for taxi drivers. ”

Cashless converts like Andrew rarely use cash and are less concerned with fraud when using digital payments than other groups. Some like Andrew, are more concerned with fraudulent notes and issues with ATMs.

“ One of the reasons I'm so against using cash as a rule now is most fraud now revolves around cash. With 3D printers, and high-quality printers a lot lower price than they used to be, you can print off pretty good replicas of fake notes. ”

Compared to cash, Andrew feels that he has greater protection from the banks when using cards, especially credit cards, as it's 'essentially the banks money you're using'.

“ It's getting harder for the scammers now, they're trying to do all sorts, but the banks and technology are preventing them much more now. ”

“ I'm pretty happy [with payment technology]. When you buy something online, you can make sure it's got a lock icon [and] that it's a secure website, make sure you don't give your card details to somebody who rings you up, or sends you an unsolicited email, that sort of thing. ”

Andrew has had one issue in the past where his main bank was down for a few days, and he was unable to access online banking. This was an inconvenience, but he had other cards he could use with alternative banks during this outage.

He prefers to educate his children to use money digitally. He's concerned they will lose cash if he gives it to them and feels having digital tools can help them to track spending and learn how to manage their finances.

“ [A cashless society] would not impact me much, society would adapt, and about 99.99 percent of my purchases are done via card and apple pay. ”

The cashless converts are the most economically secure group (85 percent high or medium economic security) and spread relatively evenly across age groups. They are represented by a higher proportion of men (56 percent) and 30 percent have an annual household income over £50k. Only 22 percent withdraw cash more than once per month, with a similar amount (19 percent) withdrawing cash once per year or less. They are extremely comfortable keeping up with technology and happy using mobile payments and other FinTech innovations.

Everyone in this segment would be able to cope without cash. The majority would find it convenient (85 percent) to switch everything to non-cash payments and for 61 percent a cashless society would feel like progress. Three quarters (72 percent) want to use non-cash payment methods more than they currently do, and they are less concerned with fraud (43 percent) or privacy (33 percent) when using digital payments than all other groups. Many advocate for a cashless society and feel businesses and individuals that still rely on cash would adapt to the change.

Cashless converts quotes

"I've really pushed myself here to set up digital wallets and stay up to date with technology, so that everything is to hand on my devices".
(Male, 35-54)

"There are the times when card systems go down when this can be an issue and cash is king then, but for how often this happens we can easily work around this at the time leaving card details etc".
(Male, 35-54)

"I like the way it's going, growing with technology. There's always downfalls for everything new that's made but as fast as there's an issue, a solution is right behind it".
(Female, 18-34)

5

Key findings: the impact of a cashless society

The impact of a cashless society

An unmanaged transition towards a cashless society could have major consequences for many in society.

Finding 1:

While more people are using online payments and banking, three years on from the Access to Cash Review, the section of society that would feel left behind in a cashless society, remains almost identical.

- For over a third of the population (36 percent) a cashless society would not be a problem.
- Nearly half the population (25.4 million / 48 percent) would find a cashless society problematic.
- Of those who would find it problematic (40 percent / 10.2 million) would either not be able to cope (18 percent / 4.6million) or unsure how they would cope (22 percent / 5.6 million).

Finding 2:

Forcing people on to digital could lead to a loss of control over finances and spiralling debts.

- Nearly half the population (44 percent) feel that cash helps them feel in control of their finances.
- More than a quarter of the population (29 percent) use cash to budget.
- One in five (18 percent) have difficulties accessing digital payments.
- More than one in three (36 percent) find it harder to track digital payments compared to cash.

From our research we identify a range of risks that would arise if cash infrastructure fails and cash becomes harder for people to use before everyone is able to fully engage in a digital economy. These range from the spiralling debt of individuals who struggle with digital payments and tools to manage their finances to the loss of cash as a critical element of civic life and community connection.

This section of the report will summarise these risks and how they interact with the five segments we have introduced.

Key findings

- For the three segments with lower economic security (cash dependents, cash keepers, cash occasionals), one of the most cited benefits of cash in the focus groups and interviews was that you can only spend what you have.
 - At the most extreme end, and more prominently within the cash dependents, there were some powerful stories of people losing control of their finances using credit cards, and getting into extreme levels of debt.
- “ I’ve ended up with over £35k debt and that was all on credit cards with money I didn’t have. It’s now a huge chunk of my salary each month paying it off. I prefer cash as you know what you have, and you can’t spend what you don’t have (Cash dependent, Male, 35 – 54) ”**
- Many cash dependents and cash keepers were concerned with the increase in the contactless payment limit to £100. Some were already finding it hard to keep track of spending with contactless payments under the previous limit of £40.
 - For many that preferred cash for budgeting, the inability to keep track of contactless payments far outweighs the convenience it provides.
 - While almost all of the cashless converts and cash occasionals preferred using digital tools to manage their money, across the other three segments many people were much more comfortable using a combination of cash, debit cards, online banking and a manual budgeting process (such as an excel spreadsheet). These tools were essential to people to managing their finances. Without them many would struggle to stay out of debt and stick to a budget.
 - With the increasing number of shops going cashless, those dependent on cash could be forced to pay more as they have a smaller pool of retailers and shops they can choose from. This could further entrench the ‘poverty premium’ already paid by those who are unbanked or unable to set up direct debits to pay bills in the most cost-effective way.

Finding 3:

Rural communities and vulnerable citizens could become unable to access cash.

- Two thirds (66 percent) of people found being able to access banking services in the post office appealing.
 - Almost three quarters (72 percent) of the population found cashback without purchase an appealing service.
- Rural and remote communities are often at the top of the list when it comes to branch and ATM closures, due to their lower footfall.
 - LINK’s commitment to maintaining the coverage of free-to-use ATMs in the most remote and rural locations, and improving free access in the most deprived areas of the UK will help protect cash access. However, free-to-use ATMs will become less viable in these areas as cash transactions decline, despite their importance to communities.

- One challenge we identified through our research is the rise of cashless councils. Some council services are now entirely cashless, which risks further excluding the most economically insecure in society, who disproportionately rely on cash as a payment method.
- The emergence of shared banking hubs and purchase free cashback are welcome innovations, but these will take time to grow, and the banking hubs will not be viable in the most remote areas. In the meantime, there is a risk that 'cashless deserts' emerge where pockets of citizens are unable to access cash.
- This could also put local retailers at risk of going cashless as costs of accepting and depositing cash increase.²²
- For millions of cashless sceptics this would be a major inconvenience, while for cash dependents and cash keepers living in rural or remote areas, many could be excluded and face major challenges in managing their finances.

“ There is abysmally poor mobile reception in Cornwall, so paying by phone/watch etc isn't really viable. (Cash dependent, female, 35-54) ”

Finding 4:

A cashless society could lead to increased isolation and reduced human connection.

- More than one third (36 percent) make a special trip to get cash, 18 percent of these do not combine it with another task such as shopping.

- For the two oldest segments (cash dependents and cashless sceptics) using cash was an important way to connect with their community.
- Withdrawing cash was an important activity for some of the older cash dependents to connect with other members of their community.
- For many cashless sceptics in particular, cash was an important component of the way they interact with their community. Supporting small businesses, giving to charities or homeless people, giving cash to grandchildren, helping the neighbour with their shopping – cash plays an important role for many in their civic life.

“ Making transactions is a form of interaction that's natural to us all. It helps people connect, and cash can be an enabler for making these connections. People value their physical connection with cash; it gives value to things, and it has value of itself. Without physical transactions, that sense of community may weaken.²³ ”

²² Access to Cash Review (2019). Op cit.

²³ Ibid.

Finding 5:

A cashless society could lead to increased isolation and reduced human connection.

- One theme that cut across all segments was concerns over privacy, security and fraud. For the cash dependents and cashless sceptics this ranged from a low trust of new technologies such as digital wallets and watches, to concerns over cyber-attacks, that could cause major havoc.
- The cash keepers and cash occasionals were more trusting in technology generally but very concerned about fraud and the risk of cyber-attacks and hackers. In particular, we noticed that where individuals had previously experienced fraud, they were much more concerned with this in the future and more likely to want to retain cash, even if this was only as a backup in emergencies.
- 64 percent worry about fraud when using digital payments.
- More than half (57 percent) are concerned with privacy when using digital payments.
- Over a quarter (27 percent) generally don't trust technology.
- 17 percent generally don't trust card payments.
- As we outlined in previous RSA research, Cashing Out, the UK has experienced IT failures that have left consumers unable to access their banks and pay for goods.²⁴ For those that don't depend on cash day-to-day, cash remains a useful back up for the majority.
- Without cash the system would also be at much higher risk to cyber-attacks and system failure. In such a situation public resentment and mistrust in a cashless society could grow quickly.

24 Greenham, T and Travers-Smith, F. (2019) Cashing out: The hidden costs and consequences of moving to a cashless society [PDF] RSA. Available at: www.thersa.org/reports/cashing-out



Recommendations for policy and practice

We identify three key areas to be addressed through changes to existing policy and practice:

- 1.** Keeping cash infrastructure viable and avoiding cash deserts.
- 2.** Maintaining cash acceptance
- 3.** Supporting people with the digital transition.

Policy

The impact of Covid-19 on cash withdrawals and transactions has made it even more critical for the government to **protect access to cash through legislation – ensuring people can access cash near to where they live or work.** We urge the government to act swiftly on this, ensuring the commercial cash system is backed by a social commitment to maintaining access.

Future legislation should not over-complicate the industry-led solutions already in place but build on these to guarantee access to cash for as long as it is needed.

While millions still depend on cash, **essential government services (both local and national) such as school dinners, council tax and utilities should ensure people wishing to pay by cash can do so,** either directly or through a partner (such as PayPoint and Payzone).

Digital education provision from primary school level should evolve so **young people are developing the skills to manage their money digitally** at an early age.

The government must **increase the speed of its national broadband and 4/5G roll out** ensuring no region is left behind. The **internet should be recognised as an essential utility** and clearer rules should be established to protect people from being disconnected.

Regulation

The FCA needs to **monitor the situation regarding access to cash**, ensuring legislation delivers for consumers and services that provide cash are protected. The cash system needs to remain **open to new entrants and innovations**, reducing the risk of further market concentration.

The agreement reached by the Cash Action Group (CAG) in December 2021 for LINK to **independently review bank branch closures and recommend solutions should be placed on a statutory footing, with power given to the FCA to monitor and enforce access to cash requirements**. This process should involve strong consumer input, drawing on both the LINK Consumer Council and the Community Access to Cash Advisory panel.

Regulators should **encourage further innovation in SME depositing**, to ensure it remains viable for businesses to accept cash.

The Payments System Regulator **should introduce mandatory rules to ensure banks do more to protect consumers against fraudulent scams and activity** – through prevention, but also by reimbursing all blameless victims.

Practice

The industry should **continue to work in partnership to ensure cash infrastructure remains viable**. Successful innovations such as shared banking hubs and purchase free cashback should be rolled out, with support across the industry.

Education on how to use digital banking securely and effectively should be made available any time a customer enters a branch offering banking services and workshops should be provided through mobile banks, community spaces and banking hubs. Through the provision of effective customer communications and education older and vulnerable demographics could improve their confidence with digital banking.

The financial services industry can play a critical role supporting digital inclusion for children and young people **working in partnership with charities to subsidise pre-paid cards for children from families on the lowest incomes**. A particular focus should be placed on supporting levelling up priority areas.

Innovation should be encouraged to increase digital adoption and inclusion across the charity and community sector.

This could take a similar approach to the Community Access to Cash Pilots,²⁵ whereby communities or innovators submit ideas to develop pilot solutions funded by the financial services industry. The Social Tech Trust and UK Finance could be key partners in this work.

As has happened through the Community Access to Cash Pilots, **the Post Office should examine its SME depositing facilities and seek to improve them where there is high demand**, increasing privacy and automation for small businesses where possible.

²⁵ For more information see: www.communityaccesstocashpilots.org/



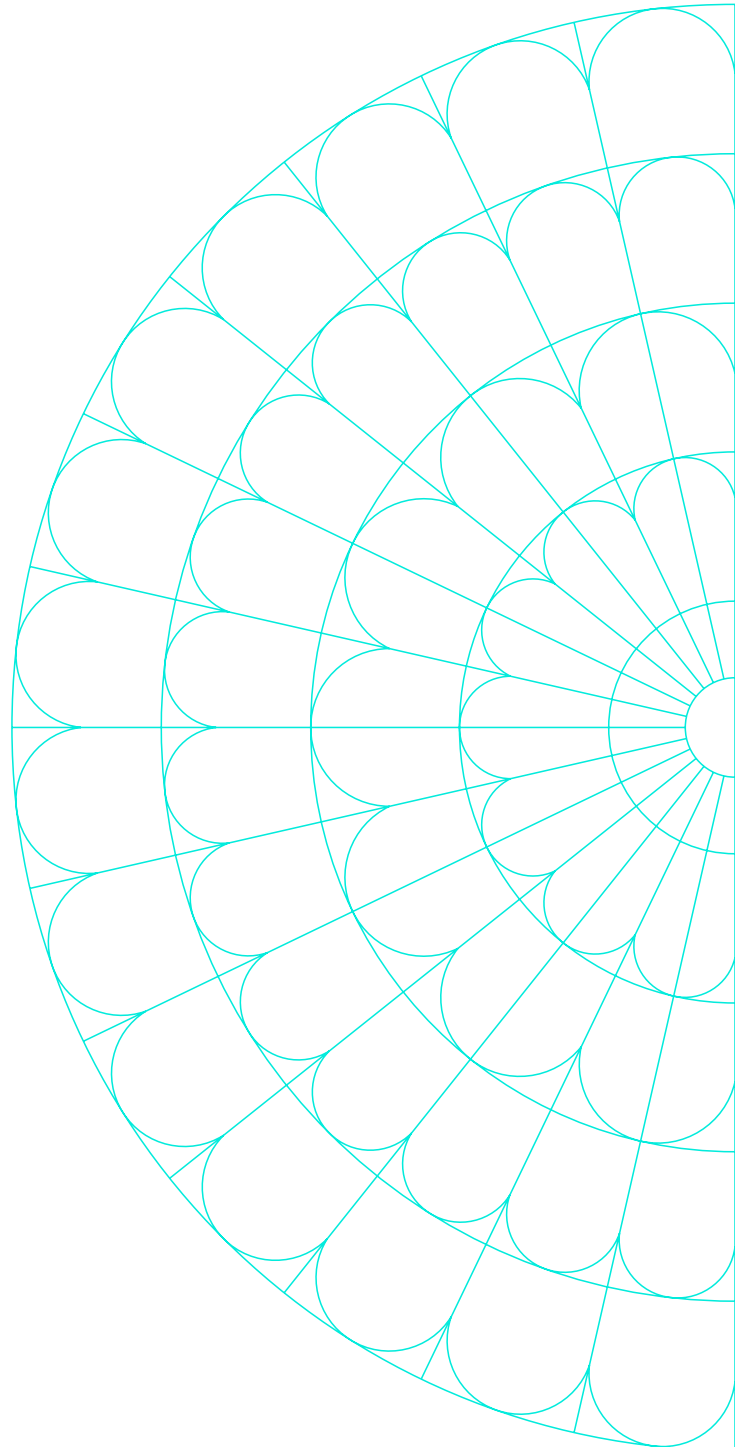
Further research

Further research

The transition away from cash towards digital payments is a permanent one that will not be reversed, and it should not be an ambition of public policy to turn back time. The pandemic has led to millions more people registering for digital banking, further increased the use of contactless and card payments and led to innovation across our society to enhance economic participation through digital tools. However, our cash census has shown that we are a long way off everyone being able to thrive (and for some, survive) in a cashless society. Our research also shows that there are major concerns around fraud and privacy with digital payments and the majority would prefer to maintain cash as a payment option.

As digital payments become more common (and if regulations evolve so people feel more protected with digital payments) we may likely see an increase in the number of people that would feel comfortable, or even advocate for, a cashless society. To monitor public opinion and track attitudes and behaviours around cash, the cash census should be conducted at key touch points over the next 10-15 years to provide an updated overview of Britain's relationship with cash and digital payments. This, and future research, should play an important role in informing public policy and industry practice to ensure everyone across our society can fully participate in an increasingly digital economy, while also ensuring a complete shift to a cashless society does not happen without sufficient public debate and dialogue.

Further research should also be conducted in areas identified in this research that are beyond the scope of this report to cover in detail. This includes the impact of a cashless society on key demographics including those with disabilities, people from BAME backgrounds, and UK citizens for whom English is a second language.



Box 5: Cash and economic security

Our survey revealed a link between low economic security and a reliance on cash. The RSA defines economic security as 'the degree of confidence that a person can have in maintaining a decent quality of life, now and in the future, given their economic and financial circumstances'. We have recently published work on the economic security of different groups such as social renters, young people and people with multiple long-term conditions.

Our research found that financial precarity is widespread among young people, with 57 percent of 22-24-year-olds reporting that they experienced some form of precarity. This was common across all forms of economic activity, indicating that neither work nor welfare is working for young people. This picture of endemic insecurity is visible among the cash keepers, who are overwhelmingly young people with low economic security. Policymakers must strive not only to maintain access to cash for those who rely on it, but to seek to implement policies that rectify the structures that cause economic exclusion in the first place.

Previous RSA research has also found that people with multiple long-term conditions experience greater levels of economic insecurity than average.²⁶ Though the data used in that research did not include details on cash usage, we can make some inferences. People with multiple long-term conditions are disproportionately older and economically insecure, two groups which also have an outsized reliance on cash. It is therefore likely that people with multiple long-term conditions are also more reliant on cash than average and would face a higher risk of economic exclusion in the event of a switch to cashless or a greater decline in access to cash. This risk is amplified as this group are more likely

to have mobility issues and therefore be more affected by the decline in the number of ATMs seen in recent years, and its concomitant effect of increasing average travel time to withdraw cash. Prior to the pandemic, 33 percent of adults with a physical disabilities reporting difficulties accessing a bank branch.²⁷

The continued decline in access to cash risks worsening these inequalities. This is supported by our survey. We found that 28 percent of people with a long-standing health condition that affects their day-to-day life would struggle to cope in a cashless society, compared to 19 percent of the total population. And 35 percent of the same group use cash to budget, which is 25 percent higher than the comparable figure for the total population (28 percent). Policies addressing cash use must centre around the experiences and needs of people with multiple long-term conditions and disabilities to ensure they are not at risk of further economic exclusion. Further research and innovation is required in this area.

26 Webster, H and Morrison, J (2021) Briefing document: economic security and multiple long-term conditions. [PDF]. Available at: www.thersa.org/reports/economic-security-and-long-term-conditions [Accessed 8 March 2022].

27 Financial Conduct Authority (FCA) (2021) Financial lives 2020 survey: the impact of coronavirus. [online] London: FCA. Available at: www.fca.org.uk/publications/research/financial-lives-2020-survey-impact-coronavirus#if-chapter-id-consumer-trends-from-2017-to-early-2020-low-financial-resilience [Accessed 2021].

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