



The future of cash

Digital may be
king, but cash
still matters



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The cash landscape in the UK is changing rapidly. Transactional **cash use has fallen** from over 50% of payments in 2010 to only **17%** of all payments in 2020, with the trend accelerating during the Covid-19 pandemic. But cash remains vital for many in society. Over 5 million adults rely on cash in their day-to-day lives and **cash remains the preferred payment method for 21% of the population.**

(Source: Update on the future of Wholesale Cash Distribution in the UK
| Bank of England)



The future of cash

In today's rapidly digitising world, cashless transactions have become the norm, but cash remains essential, especially for public sector organisations, service providers and lenders in the UK.

In this white paper, we'll explore how digital may be king, but cash still matters. Not just as a legal tender but also as a social and cultural symbol of trust, value, and freedom.

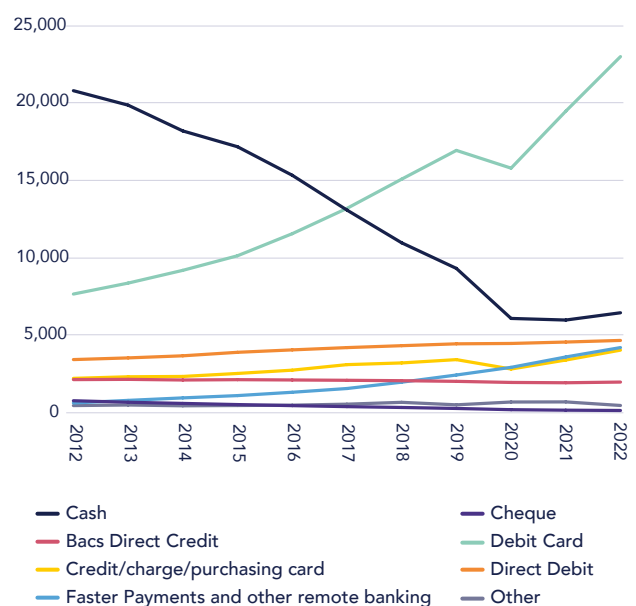
Cash continues to be used by millions of people every day for many reasons, from budgeting, saving, tipping, donating and gifting, to paying for small or informal transactions. Cash has also seen an upsurge following interest rate rises and inflation hikes, with many holding on to cash for a sense of security in these uncertain times.

Almost half the UK population, **48%** (25 million people) say that it would be **problematic** for them **if there was no cash** in society as they know it.

(Source: The-cash-census-report_v3 (thersa.org))¹

Crucially, cash is a lifeline for many vulnerable groups in society, such as low-income households, older people, rural communities, or those who face digital or financial exclusion. Cash is also a resilient and reliable payment method in times of crisis, such as recession, financial market crashes, network failures, or cyber-attacks.

Payment volumes (millions) 2012 to 2022



(Source: UK Finance Payment Markets Report 2023 Summary)²

The role of cash in a digital age

The UK is one of the world's most advanced and innovative countries when it comes to digital payments. According to UK Finance, 80% of all retail sales in 2020 were made using cards, online banking, or mobile payments.

The advent of digital payment mechanisms fuelled by the COVID-19 pandemic has seen a fundamental shift in the payment behaviour of a large section of society. Consumers and businesses have embraced contactless, online, and mobile options for convenience, safety, and hygiene reasons. As a result, the use of cash as a percentage of all payments declined from 61% in 2007 to 14% in 2022.³

Today, there's much greater choice in how we pay for things, and the advance of contactless technology poses the question - **do we need physical cash?**

Cash payments increased for the first time in a decade in the last year, rising by **7% to 6.4 billion payments**. Cash accounted for 14% of payments and remained the **second most frequently used payment method in the UK**.

(Source: UK Payment Markets 2023 | Policy and Guidance | UK Finance)⁴



A lack of trust

Even though we've seen an increase in digital payments that rely on a debit/credit card backed by an underlying bank account, we're still seeing a significant use of cash across the UK economy.

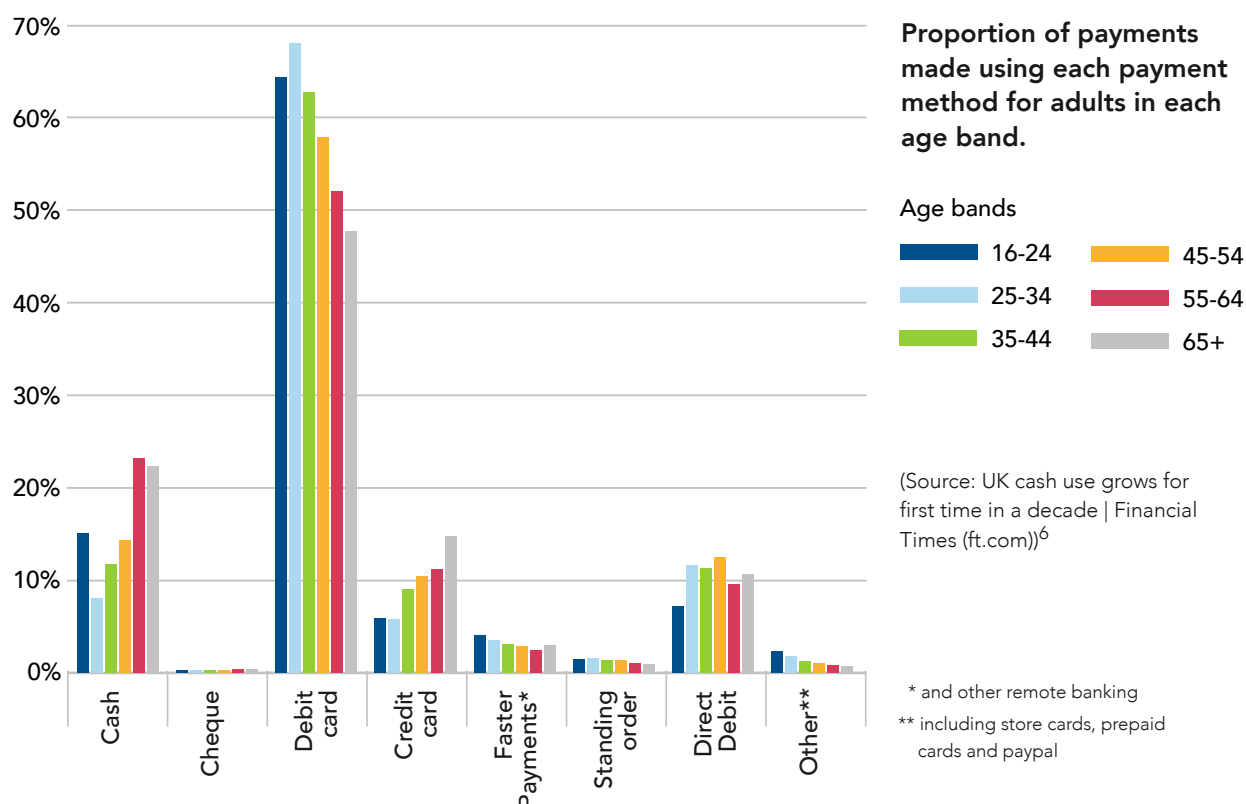
Many have attributed this to a lack of trust in the banking system. Recent high-profile incidents haven't helped this. In September, Nat West experienced technical problems when many customers saw money paid into their accounts not showing in their account balances. They also couldn't see recent transactions.

Some customers said they'd gone overdrawn because of the incident and worried they'd be charged fees. Nat West confirmed an issue with its cash machines, which it resolved. A recent glitch from the Bank of Ireland prevented customers from accessing their funds or, conversely, allowed them to withdraw money they didn't have.⁵

Legitimate concerns about Authorised Push Payment (APP) scams, identity theft and fraud also play a part. According to key findings from the Financial Conduct Authority (FCA) Financial Lives May 2022 survey, 6.6 million adults were subject to potentially fraudulent banking activities in the 12 months to May 2022, while 4.7 million received one or more unsolicited approaches about investments, pensions or retirement planning.⁵

Fourteen consecutive interest rises by the Bank of England (BoE) coupled with inflation hikes in the last year have also led many consumers to turn back to cash payments to help them manage limited budgets.

Cash use clings on despite the predominance of debit cards





The everyday choice

It's estimated that approximately 8 million adults in the UK, 17% of the population, rely on cash to make daily payments.

Adults in rural areas where there may be poor digital connectivity and older generations make up a sizeable percentage of this group.

Cash payments are often favoured by those on the lowest incomes, where holding a bank account in credit is not achievable. According to the FCA's Financial Lives Survey of 2022, approximately 2.1% or 1.1 million people in the UK don't have a current account with a bank, building society, credit union or e-money account and so rely on cash.⁷

Often, cash is a deliberate choice.

Surprisingly, a recent UK Finance report found that almost 40% of people use cash to pay for something at least once a week, with 11% saying that they prefer to use cash and only 3% saying that they never used cash at all. The youngest respondents (16–24 years old) were widely expected to be non-cash users but used cash almost as regularly as the 45–54 age group.⁸

The cost of cash!

The general trend remains towards reducing the use of cash and increasing the use of digital payments.

This is being made worse by the high cost of maintaining an expensive cash withdrawal infrastructure. Banks are bearing an estimated cost of £5bn as ATMs close at a rate of approx. 300 per month. This is placing an extra strain on the availability of cash and driving towards a cashless society.

Even though there's been a significant increase in the use of digital payments before and since Covid, there are still over 4.6 billion Bank of England notes in circulation. Together, they're worth about £81 billion, more than twice as much as a decade ago and equivalent to £873.06. per person.⁹

As of September 2022, there were **51,272 cash machines** in the UK. Of these, 78% were free to use. The number of ATMs in the UK has **decreased by roughly 18,000** since the second quarter of 2016.

(Source: Statistics on access to cash, bank branches and ATMs - House of Commons Library (parliament.uk))¹¹

Access to cash

Recent Financial Times analysis, based on data from LINK shows that 636 UK bank branches are due to close by the end of this year, with 424 shutting so far.

A further 42 closures have already been announced for 2024. This has had a significant impact on the availability and number of free to withdraw Automatic Teller Machines (ATM's).¹⁰

These closures are felt hard by many. Those who live rurally may need to visit their nearest town to access an ATM. With the rising cost of fuel, this adds further expense. For the more mature rural dweller who prefers using cash to budget, there's also added inconvenience.

In December 2021, the Cash Action Group (CAG) which is made up of major banks, Nationwide, The Post Office, the Federation of Small Business, Age UK, and Toynbee Hall announced that any community facing the closure of a core cash service, such as a bank branch or ATM, will have its needs independently assessed by LINK. If LINK decides that a new banking hub is needed, the Banks have committed to set one up.

Protecting access to cash

The HM Treasury further recognised the impacts of local branch closures and have set out minimum expectations on banks to protect access to free cash withdrawals.

HM Treasury's new 'free-to-use ATM' legislation will mean the following for UK banks:

- ✓ The government has set the minimum expectations on banks to protect services for people and businesses wanting to withdraw or deposit cash
- ✓ Customers can expect to withdraw cash without any fees within one mile for people living in urban areas, and within three miles for people living in rural areas
- ✓ If a service is withdrawn and a replacement service is needed, this should be put in place before the closure takes place.



New powers

The Financial Conduct Authority (FCA) has been given new powers to protect the provision of cash access services.

Building on laws granted through the government's Financial Services and Markets Act 2023, the FCA (Financial Conduct Authority) will use their newfound powers to make sure banks and building societies are keeping up to these standards. And they'll have the power to fine them if they don't.

- ✓ The FCA will be able to address cash access issues at both a national and local level, and set out its expectations for a reasonable distance for people to travel when depositing and withdrawing cash
- ✓ The government will specify which banks and building societies the FCA's powers will apply to for the purpose of ensuring continued access to cash across the UK
- ✓ The FCA will have the power to fine banks and building societies if they do not comply with the standards for cash access services.

The retail v's service divide

As we've seen, the rise of digital payments accelerated during the Coronavirus pandemic. Retailers encouraged card and contactless use, and lockdowns resulted in many people opting to shop online as physical stores and contact-intensive services were shut.

However, some sectors and services still rely heavily on cash payments, such as TV licencing, local authority services, consumer lending and banking. This is particularly true for customers in payment difficulties or arrears who are more likely to need accessible payment plans and solutions.

There are many reasons why service providers, lenders, public sector bodies and local authorities should continue to offer cash as a payment option including:

Financial inclusivity

Cash is a lifeline for segments of the population who remain unbanked or underbanked, ensuring they can access essential services. Excluding cash as a payment option risks leaving vulnerable individuals behind.

Accessibility and choice

The availability of cash payments provides consumers with choice and flexibility in how they transact. It accommodates those who prefer or rely on cash as their primary payment method.

Resilience in times of crisis

Cash offers resilience in situations where digital infrastructure may fail, as proven during emergencies or natural disasters. It serves as a reliable backup when digital systems are disrupted.

Regulatory considerations

UK regulations often mandate the acceptance of cash payments for specific services, such as taxes, ensuring compliance is upheld.

Mitigating digital exclusion

For those who struggle with digital literacy or lack access to digital devices, cash is still a vital means of participating in the economy and accessing essential services.

Privacy and security

Cash payments afford a higher level of privacy and security, as they are not susceptible to data breaches or cyberattacks. Consumers value the anonymity and peace of mind that cash transactions provide.

Maintaining consumer trust

Offering cash payment options helps build and maintain trust with consumers who appreciate the freedom to choose their preferred payment method.

Financial education and inclusion

Service providers and lenders can play a role in fostering financial education and inclusion by enabling the responsible use of cash alongside digital payments.





The cash dependants

Lenders and service providers cannot ignore the link between social status and deprivation and the use of cash versus digital payments.

In their comprehensive 'cash census' review, The Royal Society for the encouragement of the Arts, Manufactures and Commerce (RSA) identified that 'the general decline in cash use isn't consistent across different UK regions and demographics'.

The Southwest saw the highest year-on-year decline in cash withdrawals in the first year of the pandemic, with a 45% fall. In contrast, the West Midlands and the Northeast saw the smallest falls (38%).¹²

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 withdrawals during the first year of the pandemic are in the top 10% most deprived constituencies in England.

Inclusivity and treating customers fairly

3.6% of adults in the most deprived areas of the UK are unbanked, compared with less than 0.6% in the least deprived areas. This makes access to digital services challenging.

Of those unbanked, many come from underrepresented and vulnerable groups, as the following findings from the Financial Conduct Authority's (FCA) Financial Lives Matter Survey show:

Demographic groups most likely to be unbanked (2022)		
	Unbanked (No current account)	Unbanked+ (No day-to-day account at all)
All UK adults	2.1%	1.3%
Muslim	10%	7%
Unemployed	7%	5%
Long-term sick, temporarily sick, looking after home, carer	7%	5%
No educational qualifications	7%	5%
Definitely have dyslexia, dyscalculia, or dyspraxia	6%	5%
Poor financial numeracy	6%	4%
Digitally excluded	6%	4%
In financial difficulty	6%	3%
Aged 18-21	5%	3%
Low confidence in managing money	5%	3%
Household income <£15,000	5%	3%
Students	4%	3%

Base: All UK adults (2017-12,865 / 2020-16,190 / 2022-19,145)

(Source: Financial Lives 2022: Key findings from the FCA's Financial Lives May 2022 survey)¹³

As an aspect of deprivation in the UK, digital exclusion cannot be overlooked. A recent study found that the likelihood of having access to the internet from home increases along with income.

Only **51%** of households earning between £6000-10,000 had **home internet access** compared with **99%** of households with an income of over £40,001.

(Source: Tackling the digital divide - House of Commons, 4 November 2021 | Local Government Association)¹⁴

Cash is still a vital payment method for many, especially those who are elderly, vulnerable, or on low incomes. Cash can be a symbol of independence, a budgeting tool, and a way to access social opportunities.

The cash conundrum

The unconscious shift to a cashless society is starting to cause a great concern to the UK Government, as it recognises the need for cash, specifically in the vulnerable sectors of society. In 2020 the UK Government outlined its approach to protect the UK's cash system for the future.



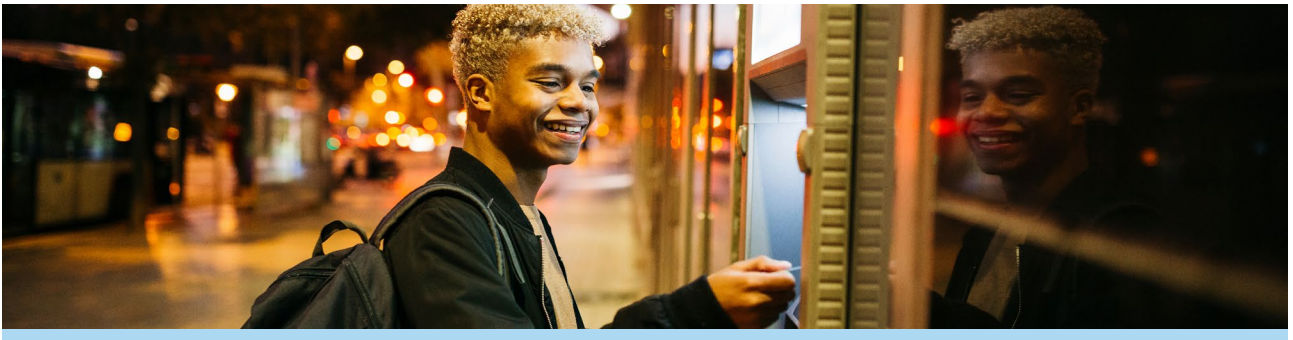
The UK Government have recognised the following:

- ✓ Cash is more accessible and a convenient, more widely accepted form of payment which supports the elderly and vulnerable in society
- ✓ Cash provides a level of anonymity and privacy in relation to purchases, reducing identity theft which is becoming a significant problem with the increase in digital payments
- ✓ Cash enables a much easier way to manage money and budget for the less digitally aware.



The UK Government does have some issues and conundrums that it will need to consider before fully supporting the UK cash infrastructure:

- ✓ Cash is used heavily in the shadow economy and for criminal purposes due to the lack of traceability and visibility of the exchanges
- ✓ Banking system is very much in favour of a cashless society as it allows them to streamline services and remove a significant cost in relation to supporting cash in the economy
- ✓ Fear a cashless society will evolve into a barter-based economy amongst the poor and vulnerable in society creating a significant lack of transaction transparency and a loss of government revenue.



Supporting customer choice

As cash use is predicted to decline, there's a risk that the cash infrastructure becomes less accessible, affordable, and sustainable.

Therefore, it's vital that lenders, government, and the public sector work together to support cash payments and ensure that no one is left behind in the digital transition.

Some ways these stakeholders can collaborate to support cash payments are:

Flexible cash withdrawals

Lenders can offer flexible and convenient options for their customers to withdraw and deposit cash, such as through ATMs, Post Offices, or retail outlets.

Proactive participation

Providers can proactively participate in industry initiatives to improve the efficiency and resilience of the cash supply chain, such as the Wholesale Distribution Steering Group (WDSG).

Innovation

They can also support innovation and investment in the cash infrastructure, such as through the Payment Systems Regulator (PSR) or the UK Finance Access to Cash Action Group.

Customer insights

Public sector or service providers should seek regular customer feedback and design and deliver their services in a way that accommodates different payment needs and preferences, and one that does not create barriers or disadvantages for cash users.

Financial education

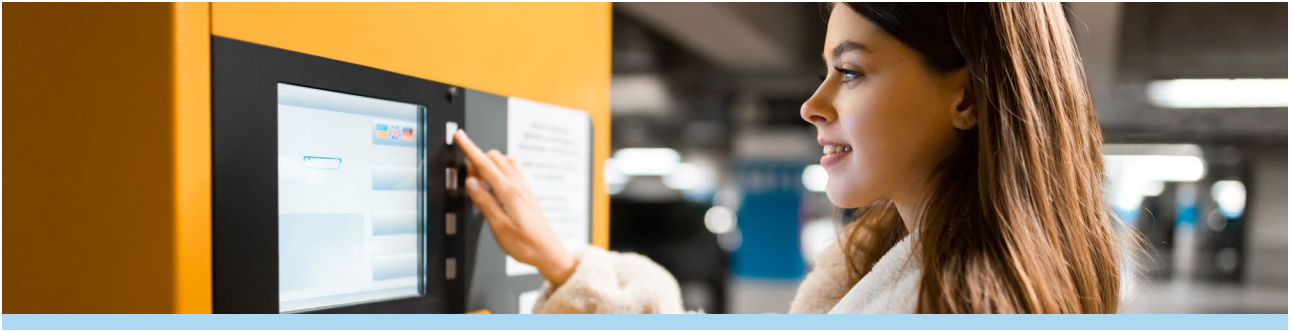
Lenders can provide financial education and guidance to help their customers make informed choices about their payment methods and manage their money effectively.

Regulation

Government can provide a clear and consistent regulatory framework to protect access to cash and ensure that cash remains a viable payment option for consumers and businesses.

Access to services

Ensure that public services are accessible and inclusive for all payment preferences, and that vulnerable groups are not excluded or discriminated against because of their payment methods.



Striking a balance

UK Finance predicts that by 2032, cash use will halve, resulting in less than 7% of payments being made using cash.

Even if this bears out, it's still a significant percentage, and it's commonly agreed that cash will continue to play a part in the UK and the broader global economy. Indeed, it's crucial for UK service providers and lenders to continue accepting cash payments. Doing so ensures that no one is left behind, promotes financial inclusivity, and maintains the resilience and security of the financial ecosystem.

It's unlikely that one country would go cashless due to its impact on their ability to trade worldwide. Therefore, it's expected that cash will continue for the next 50-100 years. Governments and economies will continue to look at ways to improve cash efficiency within the banking system to reduce the cost of UK cash infrastructure.

Supporting the transition

As 5G internet access continues to roll out and the digitally native demographic grows, lenders and service providers must balance encouraging digital innovation and maintaining cash accessibility.

Balancing digital advancements with the continued acceptance of cash payments is critical to a thriving and inclusive financial landscape in the UK.

Three ways lenders and service providers can achieve this balance:

- ✓ **Promoting financial inclusion and education**
To help customers who rely on cash or are digitally excluded by providing them with access to basic bank accounts, affordable credit, financial advice and support.
- ✓ **Ensuring cash availability**
Customers who need or prefer to use cash should be able to access it easily and securely through a network of ATMs, Post Offices, bank branches and retailers.
- ✓ **Enhancing trust in digital payment**
Embedding strong anti-fraud and anti-money laundering measures into practices. Making reimbursement and redress simple and educating customers on how to spot cybercrime or phishing.

See how we're supporting service providers and their customers to make cash and digital payments securely and confidently.

Get in touch today to begin the conversation.

Sources

For more detailed information click on the links below.

- 1 [The-cash-census-report_v3.pdf \(thersa.org\)](#)
- 2/3 [UK Finance Payment Markets Report 2023 Summary.pdf](#)
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- 8 [How consumers in the UK use cash – a snapshot | Insights | UK Finance](#)
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Julian is a highly skilled Enterprise Architecture professional with over 25 years' experience in the financial services industry and a track record of defining and delivering key strategic architecture initiatives which has enabled Julian to amass a significant amount of industry and product knowledge to drive his insights.



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A Marketing professional for over 20 years. Rosalyn's executed go to market plans and delivered digital transformation for national and global businesses across media, retail, life sciences and financial services. An active member of the Chartered Institute of Marketing, she enjoys keeping ahead of the latest innovations and trends.



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Our team of experts will work with you to understand your complexities, unique customer needs, and key strategic goals. Only then will we start to explore the right solutions to help you unlock your potential.

Get in touch today to begin the conversation.