

Treasury Select Committee inquiry

Acceptance of cash

December 2024

christopher.brooks@ageuk.org.uk

All rights reserved. Third parties may only reproduce this paper or parts of it for academic, educational or research purposes or where the prior consent of Age UK has been obtained for influencing or developing policy and practice.

Age UK
7th Floor, One America Square
17 Crosswall
London
EC3N 2LB
T 0800 169 87 87 F 020 3033 1000
E policy@ageuk.org.uk
www.ageuk.org.uk

Age UK is a charitable company limited by guarantee and registered in England (registered charity number 1128267 and registered company number 6825798). The registered address is 7th Floor, One America Square, 17 Crosswall, London, EC3N 2LB.

About this inquiry

The Treasury Select Committee is inquiring into whether there is a need in the UK to regulate or mandate the acceptance of physical cash in the form of notes and coins. The inquiry is examining whether there is any need for legislation and/or regulation, and potential costs to consumers and businesses.

Key points and recommendations

- Age UK welcomes this inquiry as it is a pre-emptive intervention that could help shape the future direction of policy, regulatory, and commercial decisions.
- Although we do not believe there is a pressing case to mandate cash acceptance in the immediate future, it is likely that this will change and legislation will be necessary to protect cash users at some point.
- With limited options for banking their cash takings owing to the reduction in physical banking services over the last 20 years, we sympathise with retailers who would bear much of the cost of being forced to accept cash.
- However, with the rise of Banking Hubs and multibank deposit solutions, in future appropriate banking services may be readily available to enable retailers and other organisations to easily bank cash, making the case for mandation compelling.
- There may also be a strong case for ensuring that essential goods and services can be purchased with cash.
- Older people are much more likely to be reliant on cash than younger age groups. Cash usage is also strongly linked to financial and digital exclusion, meaning that there will always be people who are cash dependent.
- We know from our previous research that a significant minority of older people find online banking difficult, and many are reliant on physical banking services, including depositing and withdrawing cash. This is directly connected to age, as well as living alone, being female and living on a low income.
- Cash access and acceptance is often of greater significance to people living in rural areas, owing to distances travelled and lack of alternative options to purchase goods.
- From the correspondence we have received on this issue, we believe retailers, the public sector (e.g. local authorities and transport providers) and car parks, are the most important sectors that need to continue accepting cash.

About Age UK

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate.

Introduction

Although cash payments have declined significantly in recent years, they are still currently the second most common form of payment, with 6 billion payments in 2023, about 12% of the total number.¹

Clearly, other forms of payment are easier for many people and businesses to use, however there remains an extremely strong demand for cash from consumers, and there will always be some people who are reliant on cash.

'Access to cash' has been considered in detail over recent years, inside and outside Parliament, and protecting free access was legislated for in the Financial Services and Markets Act 2023. This culminated in a new regulatory framework being established by the Financial Conduct Authority (FCA) earlier this year, which Age UK considers to be a very welcome development.

The other side of the coin is being able to use cash. It is important that people can continue to do so with minimal difficulties, in particular when purchasing essential goods and services. There are many isolated incidents of people being unable to pay with cash in certain shops, although no firm evidence that it is affected whole communities leaving people without access.

Age UK has not previously called for cash acceptance to be mandated. We believe that many of the difficulties and increased costs of taking cash experienced by small businesses, especially retailers, are down to the declining infrastructure for retail banking. Small retailers should not be left to pay for the failings of the banking sector and of policy.

However, in recent years the banking industry has pooled resources and addressed the decline of physical banking services, which is very welcome. With the introduction of Banking Hubs and multibank deposit solutions, this new network is expanding and it is expected there will be about 350 Hubs open by the end of the Parliament. At time of writing there are 93 Hubs and 49 deposit solutions.

Early indications are that the Hubs are providing a good (and much needed) service to consumers and businesses, and we remain very supportive of this initiative.

With the rise in options for businesses to deposit their daily takings, it may well be that when the new network reaches a critical mass, the case for mandating cash acceptance becomes extremely convincing. Age UK believes that it is likely there will come a time when legislation will be needed to protect the minority of consumers who rely on cash and have no other payment option, and failure to do so will have a hugely detrimental impact. These are often some of the most marginalised people in society, and we hope the Committee agrees it will be important to protect them.

We believe it is foresightful of the Select Committee to launch an inquiry into this issue now, as it will inform the future policy direction, as well as commercial decision making. The Government must properly plan ahead is necessary if we are to avoid a last-minute rush to protect cash acceptance. The best route for cash, both in terms of access and usage, is to plan a future pathway so that changes in demand and supply can be carefully managed, while enabling all those people who rely on cash to continue to use it whensoever they need.

Inquiry questions

1. What is the current state of, recent trends in, and forecasts for cash acceptance in the UK?

We do not have any statistical evidence about cash acceptance. We do, however, hear regularly from people who are struggling to use cash in their communities. This can mean that people are unable to purchase essential goods and services. We believe it is a shame that at the same time as the Government, FCA and industry have taken significant steps to protect cash access, that it is not always possible to use it. We are pleased the Select Committee is looking into the detail behind cash acceptance, as it is a pre-emptive intervention that could help shape the future direction of policy, regulatory, and commercial decisions.

2. Are there groups in society that disproportionately rely on businesses and public services accepting their cash?

- **What challenges do they face?**

Many older people are particularly reliant on cash, with age being a key factor in someone's ability to use cash and make digital payments. The FCA's 2020 Financial Lives

survey found that 2.4 million people, 21% of the older population relied on cash to a great extent in their day-to-day life.

The more recent 2022 Financial Lives survey did not repeat the same question, although it did provide further detail on how older people use cash. There is a clear age-related element to many of the findings, especially for the 75+ age group. For example, 37% of 75+s had used cash the last time they purchased something in a local shop, compared to an all-age average of 18%.ⁱⁱ

The main reason older people like to use cash is to 'for convenience and speed' (65% of 65-74s, 61% of 75+), which is a much higher proportion than for younger age groups. Next most prominent are the 18% of 65-74s and 75+s who state 'trust' (higher than the 14% all age average), the 13% and 17% who use cash to help 'control spending', which reports similar proportions across all age groups, and the 12% and 14% who say it provides protection.ⁱⁱⁱ

As the stats above demonstrate, many older people are reliant on cash. Businesses and other services in their communities failing to accept cash can have an extremely detrimental effect on their ability to live their lives, as well as their ability to budget and manage their money, which is harmful both on an individual and a societal level.

Our research into banking services corroborates the findings that older people are less likely to use digital or online banking services. It finds that the likelihood of relying on these offline services is statistically significantly linked to:

- Being older
- Being female
- Living on a low income
- Living alone^{iv}

It is the same group who are likely to be cash reliant.

Furthermore, we recently conducted polling into digital inclusion, and asked people aged 60+ about making online payments. 69% of people told us they had made an online payment (73% of men, 65% of women), including 6% who had done so but did not feel comfortable about it. We consider this to be quite a low proportion of the overall population, which illustrates the difficulties a significant minority of older people have if expected to bank online. This rate is highest in the younger age groups, but declines to less than half – 47% - among the 85+s.^v

The coronavirus pandemic gave a taste of what life might be like in a world of lower cash acceptance. Many retailers stopped taking cash for a period of time, often citing health reasons, and this led to difficulties for people who found it difficult to purchase their essential goods, such as groceries. For example, one Parish council worker contacted Age UK asking for advice:

“I work for the local Parish council and am leading the response to the virus. We have dozens of volunteers to meet the needs of the vulnerable in our community. Some elderly withdraw their pension as cash from the Post Office but a lot are closing. Most shops don’t accept cash. How can we help the vulnerable at this difficult time?”^{vi}

Urban/rural differences

There are naturally some differences between service delivery in urban and rural areas. For consumers, it is often harder to go online in rural areas owing to poor connectivity or difficulty reaching digital inclusion support services.

For those who rely on physical banking services and/or cash, there is often further to travel. Research conducted by London Economics for the FCA explains the difference in travel distance:

Average one-way distance (miles) to access cash services, by age and urban/rural classification

Service	Overall	18-64	65+	Urban	Rural
Cash withdrawal	1.5	1.3	1.9	1.0	3.0
Cash deposit	2.7	2.5	3.1	2.0	5.0
Balance enquiry	1.7	1.5	2.3	1.2	3.4

Travel related costs are estimated to be £55 a year for rural consumers compared to £40 a year for those in urban areas.

Older people living in rural areas are particularly disadvantaged owing to the higher costs of switching banks when their existing bank’s branch closes. Because they are less likely to reduce their bank usage, travel costs to a new branch are therefore higher – this puts an additional squeeze on the finances of low-income older households.^{vii}

3. Are there sectors of the economy where cash acceptance is particularly important and should be protected?

It almost goes without saying that being able to purchase items from **retailers** via a range of payment methods is very important for older people, especially when these items are essential for their day-to-day lives. This includes groceries and clothing. In addition some social/leisure activities are much needed by people reliant on cash, and it is of vital importance that people are able to get out and about.

The **public sector**, which delivers many essential goods and services, should also be willing to accept payments in cash. For example, this should include local authorities when they are delivering certain services that older people use and where there is a charge involved. It could also include other services such as buses and trains, which are integral to people's day-to-day lives.

We hear regularly about the difficulty people experience with paying for **car parking** digitally. It is infuriating for many older people, who may not have a smartphone or be able to make digital payments, when they are unable to park their car for this reason. It can restrict people's ability to leave their home and undertake essential activities, and add an unnecessary block in their daily lives. Research by LINK has found similarly, with only 68% of survey respondents saying they were confident for paying for car parks digitally.^{viii} There is a case for mandating cash use for all essential goods and services, even if not across the whole economy.

4. What are the practical challenges that businesses might face from having to always accept cash?

- **How do these challenges differ between large and small businesses?**

While this is really a question for businesses to answer, we also recognise the challenges that they may face and realise that accepting cash may not always be easy in areas where making deposits is difficult.

Much of the costs borne by small retailers are because of the decline of the bank branch network. Which? states that 6,215 branches have closed since the start of 2015, representing 63% of those that were open at this time.^{ix} This makes it difficult, and in some cases impossible, for businesses to bank their takings at the end of the day.

As noted in the Introduction, the rise of Banking Hubs and multibank deposit solutions is potentially game-changing – if there are a sufficient number of options, it will be relatively

easy and low-cost for retailers and other businesses to bank their takings, meaning there will be little excuse not to accept cash. We encourage the Committee to consider at what point that ‘critical mass’ of options would be reached, and whether it would then be appropriate to legislate to compel businesses to accept cash.

7. Are there any other areas or particular sectors where a decline in cash acceptance would cause problems?

As noted above, it is important that cash can be used to purchase all essential goods and services in perpetuity.

ⁱ UK Finance, Payment Markets Report 2024

ⁱⁱ FCA, Financial Lives Survey 2022 (published 2023), payments, table 30

ⁱⁱⁱ FCA, Financial Lives Survey 2022 (published 2023), payments, table 39

^{iv} <https://www.ageuk.org.uk/siteassets/documents/reports-and-publications/reports-and-briefings/money-matters/the-impact-of-the-rise-of-online-banking-on-older-people-may-2023.pdf>

^v Polling on digital inclusion, conducted by Yonder for Age UK (2024) – currently unpublished

^{vi} Age UK (2021), Short-changed: How the decline of cash is affecting older people

^{vii} <https://www.fca.org.uk/publication/external-research/narrative-report-costs-consumers-smes-access-cash.pdf>

^{viii} LINK (2024), Is The UK Really Ready To Go Digital? A fresh look at digital exclusion

^{ix} <https://www.which.co.uk/money/banking/switching-your-bank/bank-branch-closures-is-your-local-bank-closing-ayYyu4i9RdHy>