

Acceptance of Cash

LINK's response to the Treasury Committee's Inquiry on Acceptance of Cash

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Introduction

1. LINK is a not-for-profit company governed by an independent Board. It has a public interest objective to protect access to cash across the UK.
2. LINK sustains access to cash through maintaining the coverage of free-to-use ATMs in remote and rural locations as well as improving free access in deprived areas of the UK through the operation of its well-established financial inclusion programme.
3. As part of its work, LINK manages the UK's main cash machine (ATM) network. LINK's network connects the vast majority of ATMs (both free and charging) in the country and allows customers of banks and building societies (card issuers) that are LINK Members to make cash withdrawals and balance enquiries with their payment cards at almost all ATMs. All of the UK's major card issuers and ATM operators currently choose to become Members of LINK. LINK processes around 1.5 billion transactions and dispenses £7 billion in cash each year through a network of around 48,000 ATMs.
4. LINK's access to cash role also includes acting as a Coordination Body, having been designated as such by the Treasury on 24th May 2024. In this part of its role, LINK is notified by those Designated Firms that choose to participate in LINK's coordination arrangements of their intention to close branches, and LINK then assesses the impact of the closure on the local area. LINK also receives requests from communities (individuals and groups, including elected representatives) to review cash access. Where LINK identifies a gap in cash access services that cause a significant impact on communities it recommends new cash facilities such as shared banking hubs and deposit services. To date, LINK has recommended new cash deposit and withdrawal services in approximately 290 communities. Responsibility for implementing LINK's

recommendations is with the banks concerned, some of whom choose to use a bank-owned infrastructure company called Cash Access UK for implementation.

- LINK is regulated by the Payment Systems Regulator (PSR), and by the Bank of England (the Bank) as a systemically important payment system and is designated as such by the Treasury. LINK is also designated by the Treasury and supervised by the Financial Conduct Authority in its role as an industry Coordination Body, and is subject to the Financial Conduct Authority’s Access to Cash Sourcebook.

LINK’s Response to the Consultation Questions

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

LINK has been undertaking research into consumers’ experience of and attitudes to cash acceptance for several years. This research has been conducted online using nationally representative samples by a third-party research agency. It should be noted that it asks for people to record opinions and experiences and therefore may be influenced by their ability to recall incidents from the recent past they weren’t paying much attention to at the time. It is not a precise log of how and where they made their payments. LINK does not produce forecasts on cash acceptance.

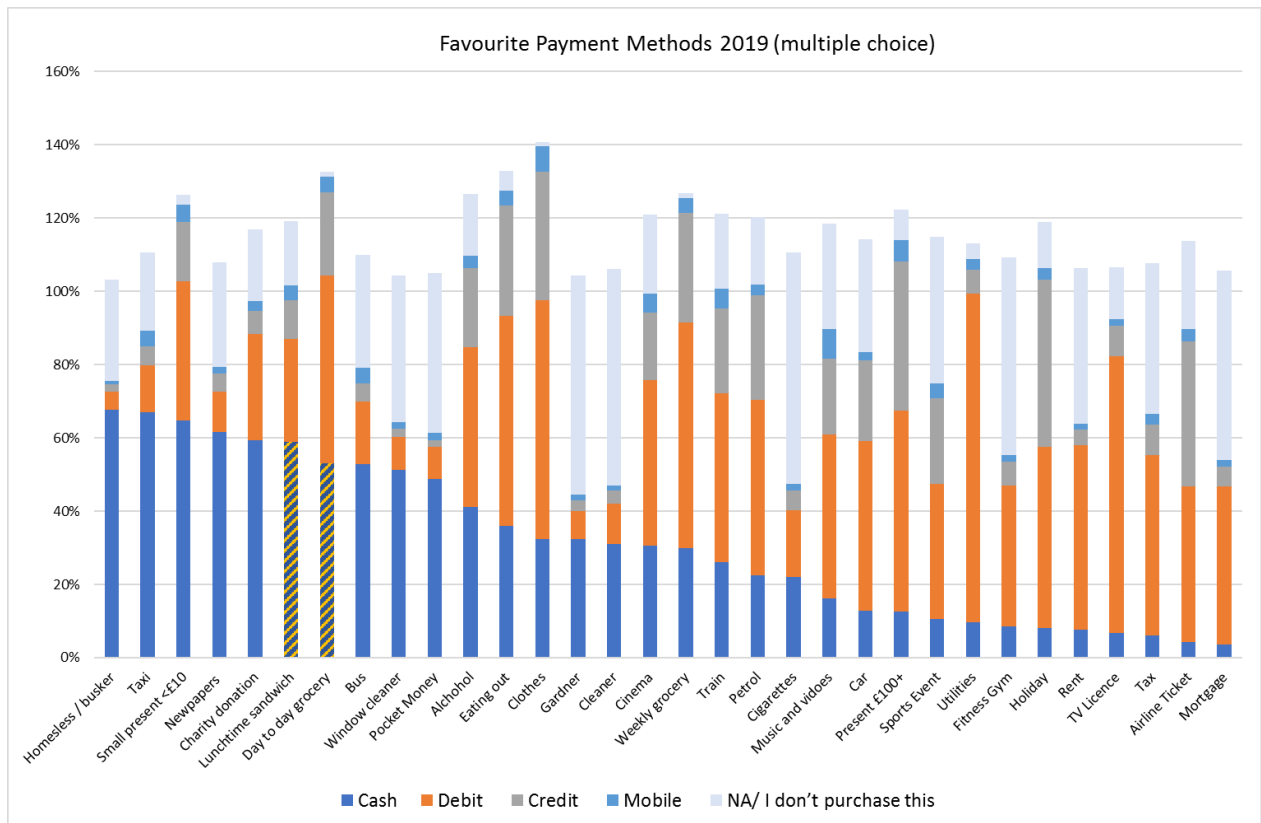
Consumers’ cash use

LINK asks where people have used cash in the past two weeks. As noted, this is based on their recall and it is also worth adding that not all payment situations will necessarily be experienced in the past two weeks, for example, paying for work on their home or garden, or using a taxi.

Where have you used cash to pay for ANY goods or services in the past two weeks?				
	Nov-22	Nov-23	Nov-24	Change 23-24
Local convenience store	26%	26%	28%	2%
In a supermarket	25%	25%	26%	1%
Giving cash to friends or family	21%	21%	19%	-2%
In a cafe	18%	19%	11%	-8%
In a pub	13%	14%	15%	1%
Personal care services (e.g. hairdressers, barbers, nail salon)	14%	12%	15%	3%
In a restaurant	11%	12%	11%	-1%
For Parking	15%	12%	14%	2%
In a retail shop (e.g. for clothing and/ or sportswear, etc.)	12%	9%	13%	4%
For a taxi	9%	8%	11%	3%
Paying for work done to my home or garden	9%	8%	11%	3%
I have used cash in past two weeks	73%	75%	73%	-2%
I have not used cash in the last two weeks	27%	25%	27%	2%

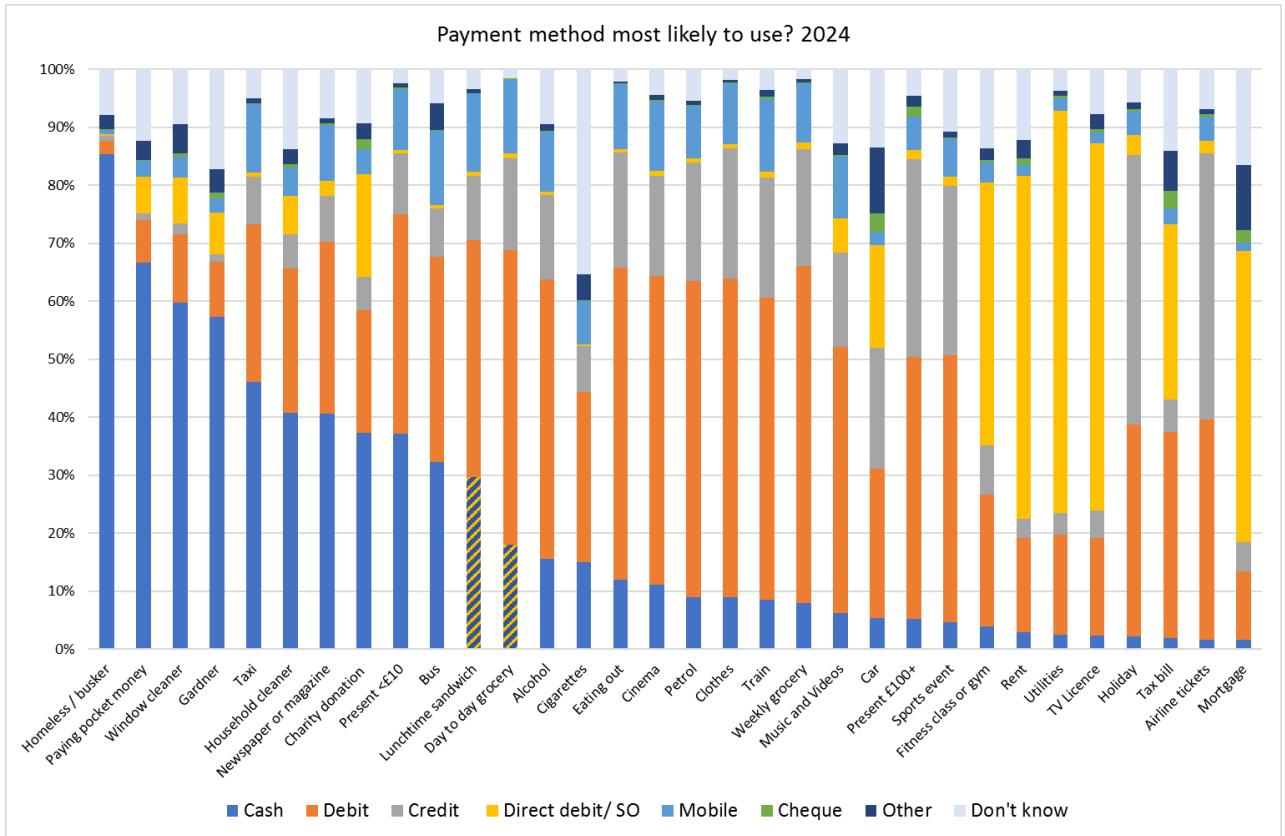
The most popular locations for cash payments are convenience stores and supermarkets with paying friends/family third. In the context of cash acceptance, these locations appear to nearly always accept cash, although it may require going to a manned till rather than a self-service checkout. Person-to-person payments can also be made using app or home banking services (or even a cheque) but when paying friends and family it can be assumed that in most cases, whatever payment method is used, it is by mutual consent. There have been few significant changes in the past 12 months with perhaps the exception of cafes, where cash is being used 8% less.

LINK has also done some long-term research, in 2019 and 2024, on where consumers like to spend cash. In 2019 the research gave customers a multiple choice and situations like donations, taxis, newspapers, a lunchtime sandwich and day-to-day groceries were all popular locations for cash payments.



Data for this chart can be found in appendix below

However in 2024 this pattern of where cash is preferred, below, has changed with situations like buying a sandwich and day-to-day groceries falling to 30% or even less than 20%. Looking at the favourite situations for cash, they are now more likely to be where there may difficulties in using cards or they are not appropriate, for example, paying pocket-money, and paying for services at home.



Data for this chart can be found in appendix below

Consumers' experience of cash acceptance

LINK has also asked consumers for their experience of locations which did not accept or discouraged cash. The number of consumers who said they HAD been discouraged from using cash has increased by 9% to 50% in the past year, which might suggest more locations are no longer accepting cash. However, this may also reflect consumers visiting different locations, (i.e. going more often to places which didn't accept cash) and it should be noted that if a customer had no intention of using cash, they may not notice whether it was accepted or not. Anecdotal experience suggests the number of cashless locations is higher than suggested by the figures below.

Did not accept or discouraged cash in past 8 weeks				
	Nov-22	Nov-23	Nov-24	Change 23-24
Have been somewhere that did not accept or discouraged the use of cash	45%	41%	50%	9%
Have not been somewhere that did not accept or discouraged cash	43%	50%	40%	-10%

When asked where they had experienced this, cafes and restaurants and parking were much the most likely locations, with car-parking growing the most in the past year (up by 11%). It should be noted that experience of cash not being accepted actually fell between 2022 and 2023, across almost all sectors and this may reflect a short-term legacy from the pandemic, with business and consumers still returning to "normal."

As noted above, the retail sectors least likely to reject cash, convenience stores and supermarkets, are perhaps unsurprisingly those where it is used most.

Where have you been in the past two weeks which did not accept or discouraged cash in past 8 weeks				
	Nov-22	Nov-23	Nov-24	Change 23-24
In a cafe or restaurant	26%	19%	20%	1%
Paying for parking	15%	10%	21%	11%
On public transport	11%	7%	10%	3%
In a pub	9%	7%	10%	3%
In a supermarket	8%	7%	9%	2%
In a retail shop	7%	5%	8%	3%
For fuel	7%	4%	8%	4%
Local convenience store	6%	4%	8%	4%
Outdoor markets	4%	2%	6%	4%
I have not been anywhere that did not accept or discouraged cash	43%	50%	40%	-10%
Don't know	12%	9%	10%	1%

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

LINK’s data and research has clearly demonstrated that the people who are most likely to use cash are those who are on the tightest budgets. While 22million people are now barely using cash at all¹, there are up to five million people who rely on cash on a day-to-day basis. For those people, who may not have an alternative option to pay, being refused cash will have the biggest impact.

Research conducted in September 2024 by LINK showed that 24% of adults classify themselves as digitally excluded in some way. Low income is the biggest factor in suggesting someone will be digitally excluded.

- ***What challenges do they face?***

As part of its research, LINK has also asked those who had been somewhere which did not accept cash whether or not they found this inconvenient. This is a wide measure and may simply mean they had to use a different payment method, or at the other extreme, had not being able to buy what they wanted or use the service at all. However, the number recording some level of inconvenience is quite high, almost 60%. This has risen by more than 10% in the past 12 months. As noted previously, locations no longer accepting cash does not seem to be changing a great deal and therefore it may be that it is attitudes to accepting cash which are changing. It may be that, as the pandemic recedes into memory, people are more aware of things like payment choice and are less willing to accept things they disapprove of or find awkward.

¹ UKFinance Cash and Cash Machines 2024

You previously said that you have been in places that have either not accepted cash In your view, how inconvenient, if at all, did you find this?				
	Nov-22	Nov-23	Nov-24	Change 23-24
Very inconvenient	24%	23%	26%	3%
Fairly inconvenient	26%	25%	33%	8%
Not very inconvenient	21%	26%	21%	-5%
Not at all inconvenient	27%	25%	19%	-6%

Net	Nov-22	Nov-23	Nov-24	Change 23-24
Inconvenient	49%	48%	59%	11%
Not inconvenient	47%	50%	40%	-10%

This data can be broken down at a socio-economic level and those in C2DE found this slightly more inconvenient than ABC1. However, ABC1 now appear to be finding it inconvenient more often than they did in the past.

Have found it inconvenient				
	Nov-22	Nov-23	Nov-24	Change 23-24
ABC1	44%	43%	54%	11%
C2DE	59%	55%	56%	1%

LINK has also asked for consumers' preferred payment methods. For almost three quarters of the population, cards (whether contactless, via a mobile phone or Chip and PIN) are the favourite. Cash remains the favourite for almost 20% of the population, broadly 10 million adults, so a very significant minority.

Preferred payment method for everyday payments in store			
	Nov-23	Nov-24	Change 23-24
Card via contactless	47%	43%	-4%
Mobile phone (e.g. Google Pay or ApplePay)	21%	22%	1%
Cash	18%	19%	1%
Card via Chip & Pin	8%	9%	1%
Smart Watch (e.g. Google Pay or ApplePay)	2%	1%	-1%
Don't know/ can't recall	1%	1%	0%
Not applicable - I have no clear preference	4%	5%	1%

However, when asked whether having the option to pay in cash was important, the figures were very different. 80% of people think that it is important to have the option to pay in cash and over 50% think that it is very important, figures which have barely changed in the past year.

In general, how important, if at all, do you think it is to have the option to make payments using cash?			
	Nov-23	Nov-24	Change 23-24
Very important	50%	51%	1%
Fairly important	32%	29%	-3%
Net: Important	82%	80%	-2%
Not very important	12%	13%	1%
Not at all important	5%	5%	0%
Net: Not important	17%	18%	1%

When broken down by socio-economic groups, C2DE have a slightly higher preference for having a pay in cash option when compared to ABC1s.

In general, how important, if at all, do you think it is to have the option to make payments using cash?		
	ABC1	C2DE
Net: Important	78%	83%
Net: Not important	21%	14%

It should be noted that having cash accepted was presented as a zero-cost option, whether for the merchant or the customer themselves. This probably matches consumers' expectations, that cash will always be the lowest cost when compared to another payment methods, ie there may be a lower "price for cash" while using a credit card may result in a higher price.



The cost to a merchant of accepting cash as opposed to another payment method is probably something few consumers consider, at least in detail, beyond card payments appearing in some cases to be faster and less hassle, (and indeed may be advertised as such in "No-Cash" notices, see left), or in other situations, cash being more valuable to the seller for cash flow or even by being more "tax efficient".

LINK also surveyed people on the reasons as to why having a cash option was important, if they said it was. Simply having it as a choice in itself was the most popular option while the preference of the payee was important for almost half. The perceived security of paying with cash was also important, as was helping with budgeting and the speed of transaction. Privacy and concern over confidentiality were also important factors for between 20-25% of people.

You previously mentioned that you think it is important to have the option to make payments using cash...Which, if any, of the following are your reasons for wanting the option to use cash? (Please select all that apply)

I want to be able to make a personal choice and use cash if I want to	66%
The person I am paying may prefer cash (e.g. a trader or while paying a tip)	54%
Cash is easier if I'm paying another person like friends or family	42%
Cash payments can be more secure (e.g. less vulnerable to fraud)	39%
Using cash can help with managing my spending/ budgeting	37%
Cash can be faster	31%
Giving someone cash makes it more tangible, personal or "real"	30%
I want to keep some of my payments private	25%
I don't like the idea of some of my payments being recorded	20%
None of these	4%
Don't know	1%
Prefer not to say	0%

Overall, LINK's research to date suggests that while 80% of people prefer to make card payments almost exactly the same percentage want to have the option to pay in cash.

3. Should the Government require parts of the economy to always accept cash?

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

LINK's research is that there are still a significant number of consumers who rely on cash to at least at some level and the complete loss of acceptance could make their lives very difficult. This will not be confined to a specific type of shop but rather a broad range of products and services where these consumers currently use cash. In addition, there are certain sectors where the complete removal of cash could cause material harm such as buying essentials like food, medicines, personal hygiene, cleaning products, etc. The government, both local and national, also presumably needs to ensure that all citizens are still able to effectively interface with them and pay in cash for the wide range of services where payment is needed.

In addition, the overall cash circulation system relies on the flow of cash both into and out of shops, being deposited through bank branches or post offices, then on to cash processing centres before it is recycled back to consumers via ATMs or supplied to shops as notes and coin to be used as change. If cash acceptance in store is lost entirely, the whole note and indeed coin circulation systems will cease to work effectively.

LINK's view is that if cash acceptance falls away completely, cash's role as medium of exchange will be jeopardised, even if it retains other functions such as a store of value or an emergency contingency if other payment systems fail.

For this reason, LINK believes that not only must cash be maintained as a medium of exchange for as long as it is needed but in parallel more work needs to be done on increasing digital inclusion so that cash users have access to the alternatives and are not left behind as a small, potentially disadvantaged minority which has to bear high costs.

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?***

There are a number of markets where cash acceptance is mandated including in parts of Europe and North America. However, enforcement appears problematic and forcing cash acceptance does not appear to necessarily ensure its continued use (for example, in Denmark or Norway). There are a number of ways of complying with a mandatory requirement, such as terminals which convert cash into prepaid cards, or special cash-only payment windows which, while complying to the letter of the law on cash acceptance, may not give consumers an optimal or even acceptable experience.

When considering mandatory acceptance it should not be forgotten that in the UK there are already a significant number of businesses which do not accept cash and may not have been doing so for some time. Forcing acceptance on these would mean higher costs if they were forced to implement new policies, processes and training and it could expose them to an increased security risk from holding cash, higher insurance costs and risks to staff from robbery and theft, factors that may have encouraged them to abandon cash in the first place.

Lastly, at a local level and without buy-in from retailers, it is very easy to avoid compliance with excuses about not having the change, outright refusal or simply a very reluctant service. In such cases, many consumers may simply give up and choose to use cards instead. LINK is therefore not convinced that legislation to mandate universal cash acceptance is actually practical, or would produce the hoped for outcomes.

5. What would the costs be, to private firms and the public sector, from any imposed requirements to always accept cash?

The Access to Cash Review estimated that cost of cash as a system was £5 billion per annum covering costs of acceptance and access. The ATM network currently costs around £300 million per annum, therefore, it seems likely that the costs of maintaining or even rolling back cash acceptance will be in the order of low billions a year. This is a

substantial sum for whatever part of the cash system is required to pay it, a cost which in any case, will ultimately be borne by consumers.

6. How might any such requirement for cash acceptance affect financial services firms?

How would any requirement especially affect business involved in the provision of cash?

The answer depends on who is required to pay to sustain the system, given that there is no obvious commercial incentive. If retailers are required to accept cash, then it is likely that the current industry providers, which include banks and the Post Office, will continue to charge fees to accept and process cash. However, as noted above, the customer experience may decline and enforcement may be problematic if retailers try to avoid these costs and keep cash acceptance to a minimum. Good work has been done by the cash industry to consolidate the infrastructure and bring down costs and this should be continued to minimise the costs to retailers and extend the life of cash acceptance. However, with volumes declining this process will have an end point and this may be within the next decade, as according to UK Finance, cash use will by then have halved.

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

As noted earlier, the cash payment system relies on sustaining a flow of cash payments in and out, including acceptance of cash in shops. Once acceptance falls away substantially, the availability of access points such as ATMs, post offices and shared banking hubs will not be sufficient to sustain cash as an effective payment method. Therefore, the concept of acceptance failing in some parts of the economy but not others is probably not valid. Once acceptance drops away, the overall use of cash as an effective payment method is likely to end.

The key issue with this is the five million cash dependent users, often vulnerable, who rely on cash. Work needs doing to sustain cash for as long as these consumers need to use it, but more effort is required in parallel to support moved to digital for those willing to move.

While cash may well be sustained as a store of value and a fallback payment method when other payment systems fail, the UK is moving to become a low cash economy. We will not necessarily help consumers currently reliant on cash by not using the window of time available to help them access suitable digital payment methods.

Appendix

Favourite Payment Methods 2019 (multiple choice)

Location	Cash	Credit	Debit	Mobile	NA/ I don't purchase this
Homeless / busker	68%	2%	5%	1%	28%
Taxi	67%	5%	13%	4%	21%
Small present <£10	65%	16%	38%	5%	3%
Newspapers	62%	5%	11%	2%	29%
Charity donation	59%	6%	29%	3%	20%
Lunchtime sandwich	59%	11%	28%	4%	18%
Day to day grocery	53%	23%	51%	4%	1%
Bus	53%	5%	17%	4%	31%
Window cleaner	51%	2%	9%	2%	40%
Pocket Money	49%	2%	9%	2%	44%
Alcohol	41%	21%	44%	3%	17%
Eating out	36%	30%	57%	4%	6%
Clothes	32%	35%	65%	7%	1%
Gardner	32%	3%	8%	2%	60%
Cleaner	31%	4%	11%	1%	59%
Cinema	31%	19%	45%	5%	22%
Weekly grocery	30%	30%	62%	4%	1%
Train	26%	23%	46%	5%	21%
Petrol	22%	28%	48%	3%	18%
Cigarettes	22%	6%	18%	2%	63%
Music and videos	16%	21%	45%	8%	29%
Car	13%	22%	46%	2%	31%
Present £100+	13%	41%	55%	6%	8%
Sports Event	11%	23%	37%	4%	40%
Utilities	10%	7%	90%	3%	4%
Fitness Gym	8%	7%	39%	2%	54%
Holiday	8%	46%	49%	3%	13%
Rent	8%	4%	51%	2%	43%
TV Licence	7%	8%	76%	2%	14%
Tax	6%	8%	49%	3%	41%
Airline Ticket	4%	39%	43%	3%	24%
Mortgage	4%	5%	43%	2%	52%

Payment method most likely to use? 2024

	Cash	Debit	Credit	Direct debit/ SO	Mobile	Cheque	Other	Don't know
Homeless / busker	85%	2%	1%	0%	1%	0%	3%	8%
Paying pocket money	67%	7%	1%	6%	3%	0%	3%	12%
Window cleaner	60%	12%	2%	8%	4%	1%	5%	10%
Gardner	57%	10%	1%	7%	3%	1%	4%	17%
Taxi	46%	27%	8%	1%	12%	0%	1%	5%
Household cleaner	41%	25%	6%	7%	5%	1%	3%	14%
Newspaper or magazine	41%	30%	8%	3%	10%	0%	1%	8%
Charity donation	37%	21%	6%	18%	4%	2%	3%	9%
Present <£10	37%	38%	11%	1%	10%	0%	1%	2%
Bus	32%	35%	8%	1%	13%	0%	5%	6%
Lunchtime sandwich	30%	41%	11%	1%	14%	-	1%	3%
Day to day grocery	18%	51%	16%	1%	13%	0%	0%	1%
Alcohol	16%	48%	15%	0%	10%	0%	1%	10%
Cigarettes	15%	29%	8%	0%	7%	0%	4%	35%
Eating out	12%	54%	20%	1%	11%	0%	0%	2%
Cinema	11%	53%	17%	1%	12%	0%	1%	4%
Petrol	9%	54%	21%	1%	9%	0%	1%	5%
Clothes	9%	55%	23%	1%	10%	0%	0%	2%
Train	9%	52%	21%	1%	13%	0%	1%	4%
Weekly grocery	8%	58%	20%	1%	10%	0%	1%	2%
Music and Videos	6%	46%	16%	6%	11%	0%	2%	13%
Car	5%	26%	21%	18%	2%	3%	11%	13%
Present £100+	5%	45%	34%	2%	6%	2%	2%	5%
Sports event	5%	46%	29%	2%	7%	0%	1%	11%
Fitness class or gym	4%	23%	8%	45%	3%	0%	2%	14%
Rent	3%	16%	3%	59%	2%	1%	3%	12%
Utilities	3%	17%	4%	69%	2%	0%	1%	4%
TV Licence	2%	17%	5%	63%	2%	1%	3%	8%
Holiday	2%	37%	47%	3%	4%	0%	1%	6%
Tax bill	2%	36%	6%	30%	3%	3%	7%	14%
Airline tickets	2%	38%	46%	2%	4%	0%	1%	7%
Mortgage	2%	12%	5%	50%	1%	2%	11%	16%