

## Call for views

### Insights from research into cash access, use and acceptance

#### CP19/6

#### LINK Response – September 2019

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##### A. Introduction

This document sets out LINK's response to the Call for Views (CP19/6) published by the PSR in July 2019. Section B below provides a short summary of LINK's views and Section C sets out LINK's detailed responses to the PSR's three specific questions set out in the Call for Views document.

##### B. Summary

LINK welcomes this research and report. It provides valuable insights into consumers' and businesses' use of cash and builds on previous work, for example, Natalie Ceeney's Access to Cash Review. In particular, LINK agrees with the finding that most consumers still use cash regularly and that the vast majority of consumers are currently finding cash access easy. The situation in the past, and indeed at present, therefore is satisfactory with LINK's measures to preserve consumers' access to cash proving effective. However, at a time when cash usage is declining rapidly and there are growing strains on the cash supply system LINK also notes that there remains a significant minority who prefer cash, that budgeting is an important reason to use cash for some, and that there remains a number of consumers who rely on cash entirely. As we move towards a situation where much less cash is being used and its use is concentrated in certain areas and communities then the solutions required to preserve consumers access to cash, not only through ATMs but through other channels, will require new industry structures, alongside political leadership.

##### C. Responses to PSR's Specific Questions

**Question One: Do you think there are key insights arising from the research or key aspects of consumers' needs for cash that are not captured by this research?**

##### Key Insights

Most consumers prefer to use cards, but many people are still using cash on a weekly basis. This suggests that total cash usage may have a lot further to fall as consumers who are currently using cash, but prefer cards, may move away from cash when whatever barrier is stopping them using cards is removed. An example is consumers "using up" their cash, one of the most common reasons given for using it. This is something people may not need to do as they move towards holding cash less and less and perhaps eventually, not holding cash at all.

Despite some claims to the contrary, cash access is currently excellent with a very high proportion of people finding it easy to access cash and only 16% of people having to travel out of their way to access cash. This suggests that the rest of the population (84%) did not have to travel out of their way at all and even for those who do travel, the research showed it is often not considered a “chore”.

The distance travelled is also of interest. Half of those who did travel to access cash had less than a mile to go which might suggest they went on foot. At the other end of the spectrum, 2% of all consumers had to travel over 5 miles, which must be either by private car or public transport. LINK has used 1km as an acceptable distance for many years on the basis that this was not too far for an able-bodied person to walk. However, this research might suggest that for many who had to travel they were using a vehicle of some type and therefore the absolute distance may be less of an issue than other elements of access, for example cash being available 24/7.

When considering future access to cash, the most popular potential solution, an ATM in every community and 1km distance criteria area, is similar in concept to the LINK Financial Inclusion Programme.

Consumers have a strong aversion to paying directly for cash access and try to avoid charges even though the costs involved in doing so may actually be greater (ie, time/travel costs vs a direct charge). This may be because they do not fully appreciate the costs, that they don't like the principle of paying for cash access and are thereby “punishing” charging ATMs, or that by avoiding them they may persuade them to become free in future. The research used 20p as the example, but this is unrealistically low as it is less than the current interchange and under LINK rules it is not possible to get interchange and charge a fee on the same transaction, as supported in the OFT's original 2001 Exemption<sup>1</sup>. The current average charge is around £1.75, although many recent conversions have been priced at 95p. It is likely that consumers' aversion to charging and the steps they are prepared to take to avoid it are greater at higher fee levels.

Consumers' attitudes to security were interestingly polarised, with card users feeling that cards were more secure, while those with a preference for cash felt that cash was safer. This might suggest that education and training to allow people to confidently and securely use digital payments may be effective in reducing some consumers' reliance on cash.

### **Additional Research**

The proportion of respondents wholly reliant on cash is reported here as being very low. LINK has commented more on this under Question Two as the definition used in this research appears very narrow.

A common theme expressed online and reiterated at conferences is the risk cards and other digital payments pose to privacy, confidentiality and even democracy, and that the move away from cash puts unwanted information and control into the hands of governments, tech companies or banks. The research did not identify this as a major factor for consumers and it is unclear whether privacy and avoiding scrutiny is a real motivation for consumers retaining and using cash. It is notable however that for some businesses an informal business structure, “flexible tax reporting,” including paying staff in cash is attractive; in other

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<sup>1</sup> Section 49 of the Decision of the Director General of Fair Trading - LINK Interchange Network Limited – Oct 2001 noted that the combination of both an interchange and a surcharge fee could result in the over-recovery of costs.

words, avoiding scrutiny and presumably taxes, can encourage some businesses into accepting or preferring cash.

**Question Two: Do you agree with the emerging theme that the number of people wholly reliant on cash is small whilst a significant number of consumers prefer digital payments although many of these also continue to use cash for certain transactions? How do you think this may change in the future?**

The number of consumers totally relying on cash in the report (1%) appears very low compared to the figures UK Finance have reported in their recent UK Payment Market Reports which identify between 2.2 and 2.7 million consumers using cash for all their day-to-day payments. The survey itself notes that 10% of people had only used cash in the past week. While the definitions may well be different, LINK believes the number of consumers who can be considered relying on cash is significant and that without action this number is unlikely to decline. This is because the reasons some consumers rely on cash, as noted in the report, such as its intrinsic physical qualities, or their inability to use alternatives (ie access to a bank account), are wider and more complex to resolve than access to cash itself.

As noted above, consumers prefer to use cards, but many people are still using cash on a weekly basis suggesting that the cash use of these consumers will decline over time, possibly quite quickly, as they move away from cash towards their preferred digital solutions.

**Question Three: 80% of those surveyed prefer free-to-use ATMs over current alternatives. When cash access options which might become more important in future (Post Office, cash delivery, cashback) were put before focus groups, there was still a strong preference for ATMs even if there were to be fewer of them. Do you have views why this might be and what could be done to make alternatives more acceptable to consumers?**

The fact that consumers currently have a strong preference for ATMs is not surprising given their high level of use at present. ATMs are almost ubiquitous, have consistent LINK branding, are almost entirely free-to-use and consumers of all ages and social groups will be very familiar with them. The alternatives, such as Post Office counters will be unfamiliar to people who do not visit them regularly (and even then, not be well understood) and the likes of cashback are somewhat haphazard in their availability, branding promotion etc.

Increased promotion to raise awareness of the alternatives like Post Offices and cashback would help encourage consumers' use, as well as a more straightforward and consistent offering for services like cashback. ATMs have used the LINK brand to signify acceptance for many years and use of a single, clearly understood ubiquitous brand undoubtedly helps boost consumer confidence and use. The relative failure of services like PayM and mobile phone top-ups at ATMs may well be a factor of their inconsistent promotion, branding and propositions. The Swedish Swish mobile payments service is a good example of how a clear, consistent and easy to understand proposition can lead to rapid transformational adoption.