

THE CASH CONUNDRUM

While cash use for payments is falling,
total cash in circulation is increasing



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Company Information:
Link Scheme Holdings Ltd
Company Number 10535808

Registered Office address:
RSM 5th Floor, Central Square,
29 Wellington Street,
Leeds, LS1 4DL

**Designed on behalf
of LINK by:**
Soukias Jones Design
www.soukiasjones.co.uk

EXECUTIVE SUMMARY

The use of cash for payments continues to fall, down around 7% each year. Cash now accounts for only 12% of all payments¹.

The UK is on track to becoming a very low cash society.

The value of cash issued and in circulation remains very high, equivalent to £1,500 per person, 18% higher than before COVID and almost 50% higher than a decade ago².

Cash remains important for resilience, saving and as a store of value.

While access to cash can be preserved through existing legislation and the work of LINK and Cash Access UK, acceptance by retailers is dropping and is likely to become a serious problem within a few years.

Preserving access to cash alone will not preserve cash as a universal payment method.

Exclusion from digital payments remains too high and risks disadvantaging consumers when they have problems in using cash for payments and lack of access to important products and services only available through digital channels.

We need to do much more to improve digital payments inclusion.

“ As we navigate the shift towards a digital economy, the continued decline in cash use for payments alongside persistently high levels of cash in circulation highlights the complex role cash still plays, whether through preference, resilience or necessity — making it critical to ensure access to cash is protected for as long as it is needed.”

INTRODUCTION

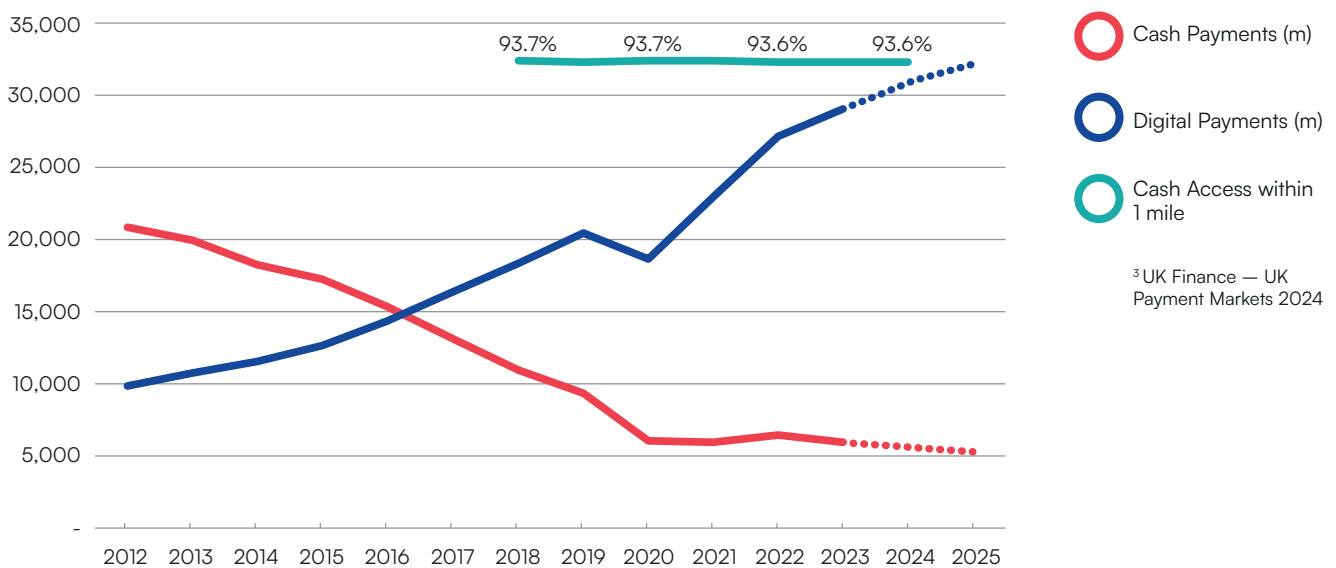


Graham Mott

Director of Strategy, LINK ATM Scheme
April 2025

Up until 2020, the UK saw a pattern of rapidly falling cash payments and rapidly increasing digital payments³ (ie payments made using cards or mobile devices).

NUMBER OF CASH PAYMENTS VS DIGITAL PAYMENTS (M) AND FREE CASH ACCESS WITHIN 1 MILE



A key milestone for cash was back in 2016 when cash ceased to be consumers' most common payment choice. The disruption of COVID in 2020 saw an even steeper drop in cash payments and a fall in digital payments as well, as many consumers were affected by the various lockdowns and spending a lot of time at home. Since then, the number of digital payments has accelerated once more and is forecast to continue to grow rapidly. By contrast, cash payments, having been broadly flat since COVID, are beginning to fall once more, a trend which is expected to continue. As cash payments are unlikely to ever fall to zero, a gradually flattening decline in cash use seems likely, although the exact level of this floor remains unclear.

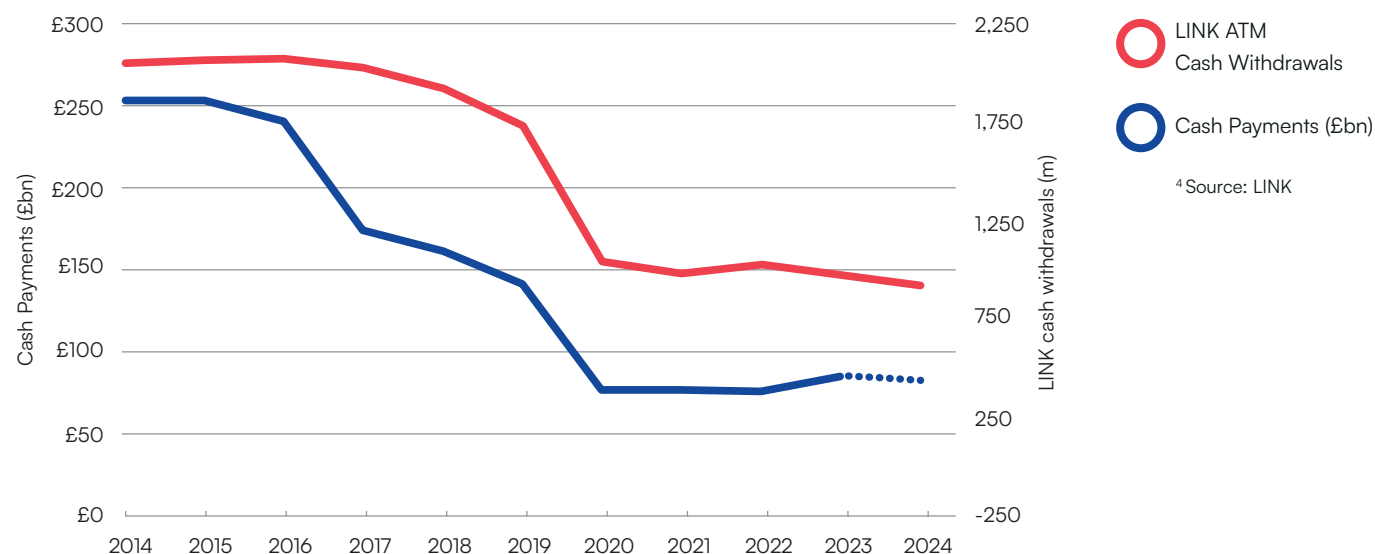
A feature of cash in the UK is that, despite the pandemic causing a large fall in consumers' cash use and a corresponding fall in the number and total value of ATM withdrawals, the total cash in circulation has remained at an elevated, pre-pandemic level. Cash in circulation in this context doesn't necessarily mean cash moving around the economy and being used day-to-day, rather it is all the cash which has been issued, ie as well as being used for spending, it is being saved or hoarded as a store of value, either domestically or overseas.

This phenomenon is seen in almost every developed economy, the notable exception being Sweden, which has seen a fall in cash being used for payments and a fall in total cash in circulation.

ATM USE

As shown in the chart, the number of LINK ATM cash withdrawals⁴, have been following a very similar pattern to the total value of consumer cash payments, falling almost 40% between 2019 and 2020.

NUMBER OF LINK CASH WITHDRAWALS (M) AND VS CASH PAYMENT VALUES (£BN)



Once the effect of lockdowns and a bounce-back in 2022 had passed, LINK has seen further year-on-year falls in ATM transactions of 5% in 2023 and 6% in 2024.

The total of cash withdrawn from LINK ATMs followed a similar pattern, but with small increases in the total value of cash withdrawn in 2023 (0.3%) and 2024 (1.5%). This disparity between small falls in the number of ATM transactions and small increases in value of cash withdrawn has been caused by the significant increase in average value of cash withdrawals. These jumped from £67.25 in 2019 to £77.75 as the pandemic started, and they have continued to rise to £80.66 in 2022 and to £87.07 last year.

All this has taken place against a background of consistently good consumer access to cash. Since 2018, the percentage of the population living within 1 mile of free access to cash has never fallen below 93%, as shown on the first chart. However, this comes at a cost and there may come a time where the resources needed to maintain network suitable for a very low level of day-to-day cash withdrawals are no longer acceptable.



CASH IN CIRCULATION

Cash payments and ATM use shows a very different picture to the total cash in circulation, the position for which the Bank of England⁵ publishes for the end of February each year.

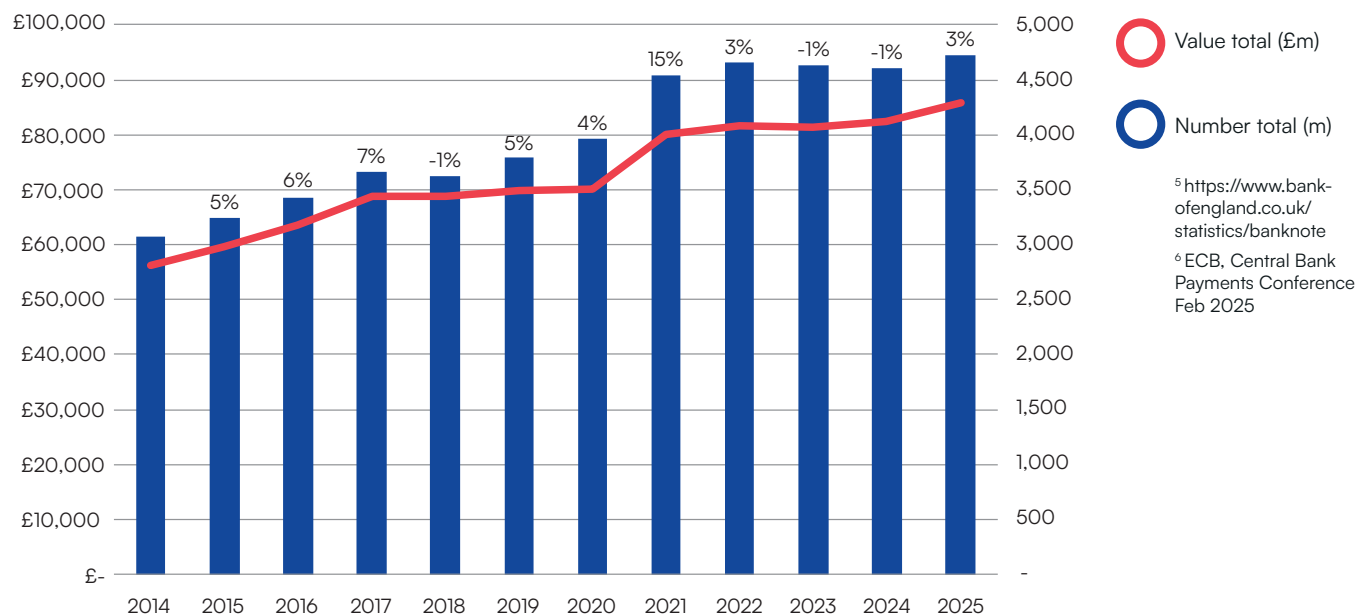
As shown in the next chart, this has shown a steady increase over time, both in the number of notes in circulation and their total value. This was interrupted only by the withdrawal and reissue of notes as they were converted from cotton paper to polymer, notably in 2018. COVID (ie the year to February 2021) saw a marked 14% increase in the total value of notes in circulation and a 15% increase in the total number. Since then, there have been small fluctuations in total cash in circulation before a rise to February 2025 of 3% by volume and 4% by value. Overall cash in circulation is now over 50% higher than it was in 2014.

This high level of cash in circulation, but not being used for payments, must reflect cash also being saved or hoarded, either in the UK or overseas, even though this is hard to identify and analyse.

This cash in circulation amounts to over £1,500 per UK adult, far higher than any reported level of cash savings for regular consumers, even allowing for some cash at any one time being processed, ie being in cash centres, ATMs and shops' tills as part of the normal cash cycle.

How much sterling is being saved and hoarded, whether in the UK or overseas, is difficult to estimate. However, the ECB has stated⁶ that only 20% of all euro banknotes are being used for transactions, 40% are used for domestic saving and 40% used for external (outside eurozone) demand. Sterling is not as large a global reserve currency as the euro (sterling is in 4th place at about 5%) but a similar pattern seems possible.

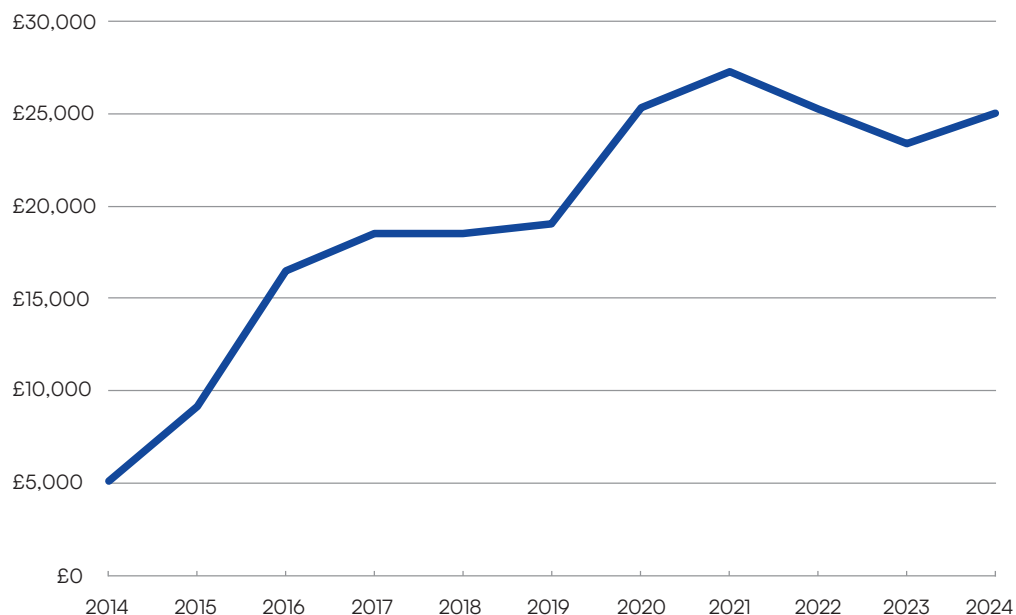
BANKNOTES IN CIRCULATION, VALUE AND NUMBER (INCLUDING PERCENTAGE CHANGE)



CASH IN CIRCULATION

A very similar pattern to the Bank of England's can be seen in the Note Circulation Scheme (NCS) data which is collected by UK Finance and shown above. Looking at the annual net position, ie the net value of cash into and out of bulk cash centres, we can see that outflows since 2014 are £25bn more than inflows.

NET NCS INFLOW AND OUTFLOWS CUMULATIVE (£M)

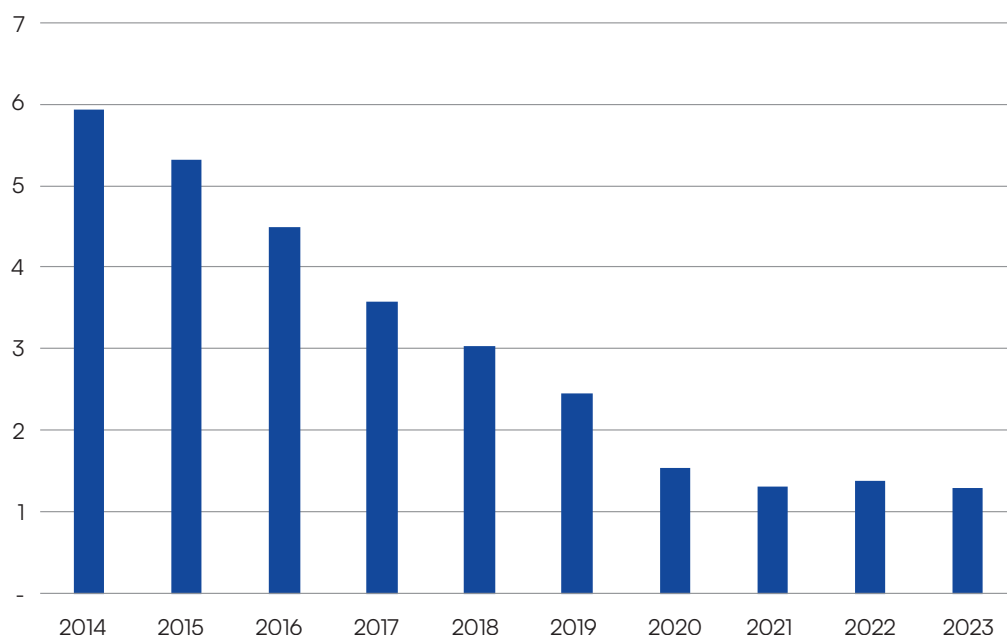


This increase in the total notes in circulation and the fall in the number of cash payments means that on average, each banknote is used for spending less and less often, falling from six payments per year, per note in 2014 to just over one in 2023. This means for at least some consumers; their cash access requirements will become much more intermittent and reflect cash used for saving rather than spending. It is also likely that in some cases their cash needs cannot easily be accommodated through ATMs. The amount of cash someone can withdraw from an ATM is subject to daily limits and what denominations are available. It is worth noting that almost 18% of the cash in circulation by value is in £50 notes, a note not seen in ATMs and day-to-day spending. High value cash withdrawals are therefore likely to be done over the counter, at bank branches, post offices or the new banking hubs.



CASH IN CIRCULATION

CASH PAYMENTS PER BANKNOTE PER YEAR



Overall, consumers' requirements for cash savings are poorly understood and are difficult to research and identify as there are a much smaller number of people involved, often with high cash requirements. For obvious reasons, some people are reluctant to reveal high cash holdings and the very nature of banknotes and their attraction for some is their anonymity. Such people may be reluctant to discuss their cash savings requirements, and a significant number may be overseas.

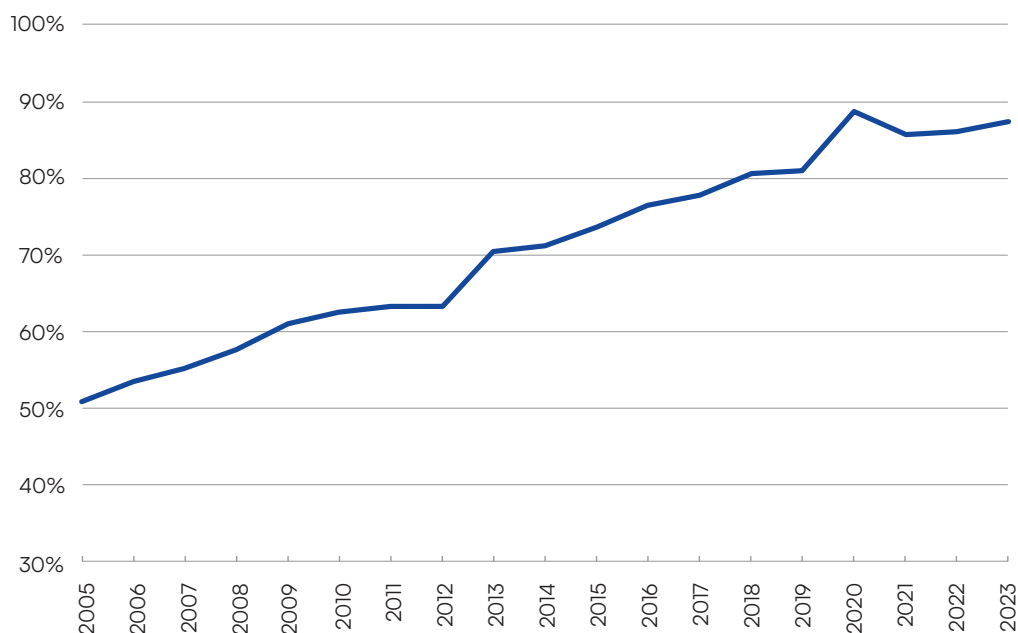
“The rise in cash in circulation alongside falling cash payments underlines cash's role as a store of value and for savings.”



DIGITAL PAYMENTS EXCLUSION

There are numerous definitions of digital payments exclusion, and these cover a range of causes including lack of access to devices and connectivity, inability for a variety of other reasons to use digital (such as lack of skills or an impairment), and unwillingness or discomfort in using digital (such as worry about budgeting or fraud).

PROPORTION OF UK ADULTS USING ONLINE OR REMOTE BANKING



Taken in the round, the number of people who prefer to use cash and believe that they would be significantly disadvantaged by not having access to cash is generally reported at around 5 million⁷.

This number is far too large to leave behind in the move from cash to digital that is already well underway. It is also problematic to leave some consumers only able and willing to use cash, as some important products and services are increasingly available only through non-cash payments. A number of measures have been put in place to protect access to cash and this gives a little time in which digital payments inclusion can be addressed.

Unfortunately, the solution for inclusion is not clear and the general rate of digital payments take-up is not fast enough to ensure that an adequate level of inclusion is in place by the time that cash is unviable as a general payment mechanism. Lack of cash acceptance by shops and businesses may well be the cause of cash failing as a universal payment mechanism, rather than a lack of access to cash itself. While policymakers are considering ways to slow down or mitigate the decline in cash use and speed up the acceptance of digital payments, this problem remains unresolved.

The chart above, which uses online banking use as a general indication of the take-up of digital payments, illustrates a plateau at just under 90% of the population⁸. This shows that some of the 5 million people preferring to use cash have access to an online account and prefer not to use it for some reason.

Major initiatives like the National Payments Vision and any future digital pound will have to address this, as a payment system that leaves a significant number of people behind is not acceptable.

⁷ <https://www.ukfinance.org.uk/press/press-releases/banking-industry-commits-supporting-customers-who-depend-cash>

⁸ UK Finance

CONCLUSION

While cash use for consumers' day-to-day payments has fallen significantly and looks set to continue to decline, cash's use for resilience, as a store of value and for savings remains very important and these two needs will increasingly diverge.

To date, this has been against a background of excellent free access to cash, whether through ATMs, cashback, post offices or through the growing number of banking hubs. However, a drop in shops willing to accept cash is a growing problem.

While the cash access side of the equation is satisfactory for now, on the digital side, despite about 80% of consumers being happy making payments by methods other than cash (and increasingly using their phones) there remains a significant minority who prefer or need to use cash and are hence digitally excluded to some degree. This group must be addressed as they are unable to fully benefit from the move to digital payments enjoyed by most of the population and risk being left behind.

“ A payment system that leaves a significant number of people behind is not acceptable.”



If you would like to know more about LINK or have any suggestions or feedback, please get in touch.

www.link.co.uk/contact-us
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