

Which?

# Freedom to Pay Our Way

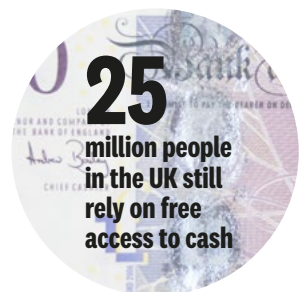
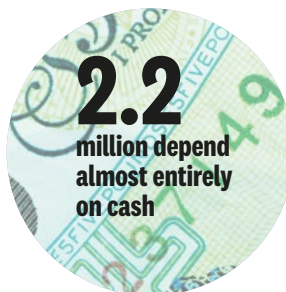




## The role of cash in society

The way people pay for goods and services is fundamentally changing; over the last ten years cash payments have dropped from 63% of all payments to 34%, while contactless payments doubled in 2017. Technological developments such as online banking, card payments and mobile payments have opened up new choices for consumers, changing the way they manage their money and reducing the need for cash use across the UK.

But not all consumers have the means or desire to stop using cash altogether.



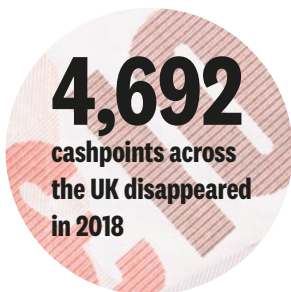
While it's clear there has been a decline in cash use since the rise of new technologies, cash remains a crucial part of many people's lives, helping them to budget effectively, and pay for smaller goods and local services. It's also crucial for those without reliable internet or mobile connection. In 2018 almost three quarters of adults in the UK said they use cash at least once or twice a week, and 2.2 million people tell us they're still entirely dependent on cash. Longer term industry figures predict that cash will still be the second most popular payment method in a decade's time, so it's vital that easy access to cash is widely available.

Despite this, the infrastructure surrounding cash is quickly disappearing. There has been a large increase in the number of cashpoint closures across the country – with more than 400 machines closing per month between January 2018 and January 2019. In addition, there have also been widespread bank branch closures, with over 3,000 branches closing across the country since 2015.

As cash is the only widely accepted payment method that is not reliant on digital infrastructure, we are concerned that without it as a backup, the move towards paying by card and contactless could represent a systemic risk to the economy as a whole.

People have told us they feel alienated and left behind by the rapid decline in ready access to cash. Which? is concerned that the UK is drifting towards a no cash society before everyone is ready, which could result in millions of people who are still reliant on cash being excluded from buying goods and services, and managing their money.

In May 2019, we were pleased to see the Government acknowledge the importance of cash, and publicly commit to protecting people's access to it. However, we know that this situation needs urgent action. It is therefore vital that plans and timelines are put in place to protect cash and the infrastructure surrounding it so that people have access to a secure, non-digital form of payment and can continue to have control over their finances.





## Cash at risk

### **An ineffective regulatory system**

No single organisation has overall responsibility for, and oversight of, cash. Different parts of the cash system are split across multiple regulators, UK Government departments and commercial organisations. As a result, the complex issues threatening access to cash have not been tackled.

### **Inefficient protection of cash machines**

Despite the overall decline in cash usage, cashpoints are a popular way for people to access their money, and are still an essential access point for a significant number of people across the UK. The Financial Inclusion Programme is in place to protect free-to-use cash machines - both in vulnerable communities and to maintain a geographic spread - however the scheme is not working effectively. Since the scheme began, more than 155 ATMs with 'protected' status have since stopped transacting and in March 2019 over 1,200 cashpoints switched from free-to-use to charging.

# What's the solution?

In order for society to function effectively, people must be able to access the banking services that are essential to their day-to-day lives. The choice of paying for goods and services by cash should be one of the options available to everyone in the UK for as long as it is still needed. This includes ensuring that people have access to a variety of payment methods, including cash, card and digital payments; giving them the freedom to pay for goods and services in a way that best meets their needs. With the rapid decline of access to cash in the last year alone, the need for action is urgent.



## **Which?'s “Freedom to Pay. Our Way” campaign is calling for:**

### **A statutory duty to protect access to cash, free of charge**

Consumers cannot be confident that their access to cash will be protected going forward if there is no legal requirement for this to happen.

### **A review of the Financial Inclusion Programme**

The Payment Systems Regulator (PSR) must conduct a review of LINK's Financial Inclusion Programme and its wider commitment to financial inclusion, including the current ATM replacement process, to ensure that it is fit-for-purpose and adequately protects access in the areas where people need it most.

### **Improved support for digital**

The UK banks and building societies must play a greater role in supporting their customers as we move towards an increasingly digital society.

# Who is impacted?

More than 150,000 people support our *Freedom to Pay. Our Way* campaign. The issue of providing multiple payment options, including access to cash free of charge, affects people from all walks of life.

## Among our members and supporters<sup>1</sup>



Removing free-to-use access would leave one in ten (9%) struggling to make payments, shutting many consumers out from local shops and services.



A reduction would also lead to one in seven (16%) being deterred from using outlets that accept cash only, placing a strain on consumers and retailers alike.



One in ten (11%) have to walk more than 30 minutes to access their nearest cashpoint, while a further one in ten (9%) said the nearest machine was too far away to reach on foot.

## And across the UK<sup>2</sup>



79% of those 40+ use cash at least once or twice a week.



63% of 18–39 year olds use cash at least once or twice a week.



Four in five retirees (80%) use cash at least once or twice a week.

- 1 Which? conducted a survey of over 1,200 Which? members in January 2018 to understand the impact of a potential reduction in free-to-use ATMs on the millions of consumers who use the network.
- 2 Populus, on behalf of Which?, surveyed 2076 UK adults online in September 2018. The data was weighted to be demographically representative of the population.

# People with long term conditions or disabilities



**Kevin** • London

*"I like to think of myself as quite tech savvy but, as someone who is registered as sight impaired, cash is really important to me. When presented with a contactless card machine, or a terminal where I need to enter my pin number, I just can't trust my eye-sight to ensure that the amount that's been entered is accurate. For example if the shopkeeper meant to put in £2 but accidentally entered £20 I probably wouldn't notice. I also find cash easier when managing my money. If I have £30 in my wallet I can keep track of what I've spent relatively easily by feeling the notes and coins. And with cash, once a transaction is carried out, it's done. Whereas with lots of small contactless payment transactions taking place throughout the day, I need to regularly access my account online to monitor my balance and outgoings. I have software which maximises the text on my computer screen and phone screen, but despite this it can be tiring for my eyes looking at long lists of transactions and it's not something I could do all the time."*



**Erin** • Basildon

*"I'm autistic, with depression and anxiety, and using cash has helped me manage my money. When I left university, I was terrible with money – I struggled to manage it and process what I was spending. I went £1,000 into my overdraft, and had to use money from my Nan to get out of it. To prevent this from happening again, my parents got me a card that couldn't be used to make transactions – so I could only use it to get money out at cashpoints. Using cash, and physically handing over money, allowed me to process what I was spending differently. I use apps and online resources for a range of things in my life, but I think the move to a completely cashless society would be really tricky for me."*



**Stella • Saltford**

*“Our village used to have a couple of banks but now all we have is a Post Office with reduced opening hours. It’s often only open between 10.30am and 2.30pm. Without the Post Office a lot of retired and disabled people in my village who would find it really difficult. Those who can’t drive have quite restricted access to cash. The nearest ATM is at a petrol station a couple of miles away. I recently found out another bank in the town two miles away will be closing, which will make accessing cash even harder. I help a disabled neighbour out by doing some shopping for her, but she finds it very difficult to get cash to pay me back because she doesn’t drive anymore, and you can’t really pay a neighbour with a card when they’ve done your shopping for you. I used to be able to just walk up the road and take out cash in our village any time I needed it, now I have to plan everything in advance. I do use contactless and card payments here and there, but tend to use cash for smaller purchases.”*

Fact: UK bank closures have left 1 in 5 of the population more than 3km from their nearest branch, almost 1 in 10 people (8%) have to travel more than 5km.

## People let down by technology



**Trevor • Aberconwy**

*“Where I live, all banks have been closed for over a year I think. I know that banks want us to switch to online banking but some of them are making it very difficult for people living in rural areas. My bank send one time passwords (OTP) by text message, when you want to pay a bill online. We don’t have a mobile signal, yet they refuse to send it by e-mail or landline phone.”*





**Tim • Burrells**

*“When it came to selling our house, obviously this transaction relied on using digital payment methods. On the day we were supposed to receive the money from our buyers, it didn’t arrive. We began to get nervous and were anxiously chasing down what was going on with our solicitor. It turned out that a bank outage meant no payments were coming through and it would only be resolved after the weekend. We had no way of knowing when the sale would complete. The information and clarity we received from the bank was inadequate and when googling the problem, we just discovered there were many more families in property chains who were having a much more stressful time than us effectively living in moving vans for the weekend! This experience affirmed my views that the backups and communications to support outages/failures are currently inadequate, especially when it is not merely direct customers impacted.”*



**Jay • Glasgow**

*“I prefer cash in my purse; if something happened to my card I wouldn’t be able to buy anything. I was in a supermarket recently where the card payment machines were not working so they were only accepting cash, and nearly everybody abandoned their shopping trolleys as they didn’t have cash to pay with.”*



**Debbie • Laide**

*“I manage a small convenience store and petrol station which also has a Post Office in the northern Highlands. Through our Post Office we offer a lot of banking opportunities for customers wishing to deposit and withdraw cash. Many of our customers choose to pay with cash for their shopping. Some find cash easier to use when budgeting and keeping track of their finances, while others don’t own a computer or a smart phone so making digital payments and managing their finances in this way is much harder. There have been times when our unreliable internet connection has meant we haven’t been able to accept card payments. On these occasions we’ve had to ask our customers to withdraw cash from the Post Office and use that to pay for their products or fuel.”*

# People who run small businesses



**Joe** • Hook Norton

*“In Chipping Norton, which is five miles away from us, the NatWest and HSBC closed in the last two years. My shop has a Post Office inside and now we’re the only place to withdraw cash in our village. We’ve seen an increase in transactions coming through, not only personal customers, but business customers paying in at a Post Office as well. People on tight budgets, such as low income families, pensioners, people on benefits and young people often withdraw all the money out of their account and then budget accordingly for what they have to spend for the week. Cash is an easy tool for them, it can help people avoid getting into debt.”*



**Susan** • Avimore

*“Without cash, we’d really struggle as a business. As a sweet-shop owner, many of our customers are young children so we mainly get paid in cash, and we have to make sure our till is full of coins and notes. During the peak season, we make frequent trips to the bank to get cash out. Last year, my bank closed its branch in Avimore. The next nearest branch is now about a 40 minutes’ drive, so I had to change banks. When the bank closed, the cash machine disappeared too, so there are now only two left nearby. During the peak holiday season, there are queues of people wanting to get cash out, so the ATM can easily be emptied. If these cash machines were to disappear, I don’t know how I’d survive as a business owner, let alone the town of Avimore. While we do have a card machine in the shop that customers can use, the average transaction we take is about £2.50, and we’re charged for every card transaction, so when people are only paying a couple of pounds, paying the card transaction fee seriously impacts us.”*

# People who use cash as a budgeting tool



**Katie** • Leicester

*“When I met my husband and we wanted to buy our first house, we took out a loan of about £6,000 for our deposit. Then we got a loan to buy our first car. We got married in 2002 and we took out a loan to pay for our wedding and honeymoon. Nobody refused us. We didn’t even have big incomes, but loans were just so easy to get. By 2005 we were over £55,000 in debt. Every penny we earned was paying the mortgage, food, petrol and debt repayments: the debts were 2/3rds of our outgoings by that point. Being in debt is devastating. I don’t think you can ever explain how horrific it is getting creditors calling you up several times a day. I did a course on personal budgeting and applied the principles to our own finances. It changed everything about how we handled money. I started using cash and took out a set amount each week. I’d have envelopes in my wallet for what the cash was for: the food shopping, the window cleaner, petrol etc. We followed this for ten years and finally went debt free in October 2017. We knocked six years off this debt management plan. Access to cash was really important during this process and I don’t think we’d have gone debt free without it, I would have just gone to the card and constantly gone over. With cash, if my shopping budget is £80 but I spend £85, tough, I have to put £5 back. Now, as well as using cash to keep track of my spending, I’ve also started using Monzo which I love. The payments are pretty much instant, so it makes budgeting really easy.”*



## How can you get involved?

If you want to support our campaign, please sign our petition and you'll hear more from us about our progress and how you can get involved.

<http://www.which.co.uk/sign-freedom-to-pay>

If you work in parliament, for a business or a regulator and would like to find out more just email:

[campaigns.team@which.co.uk](mailto:campaigns.team@which.co.uk)