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By Jamie Evans,
Steve Browning

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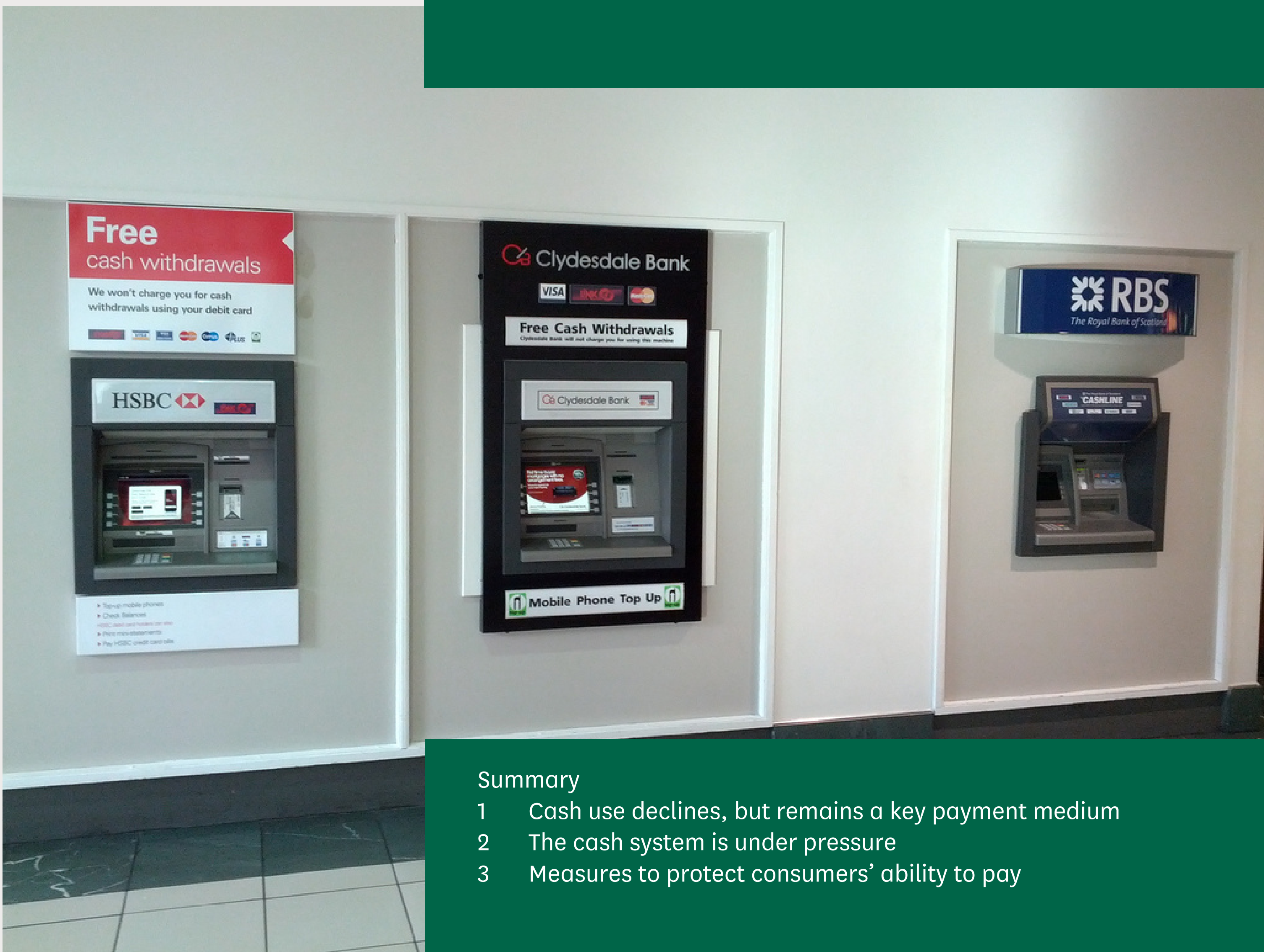
Protecting access to cash



Summary

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Summary

Cash use is declining

The way that consumers in the UK pay for goods and services has changed in recent years. Many consumers are increasingly turning their backs on cash and are moving to digital payments. This trend appears to have been accelerated by the coronavirus pandemic.

But it's still an essential payment method for many vulnerable people

People who can't use digital methods are at risk of being left behind.

- Lower-income households and people who don't have or can't use the internet are much more likely to depend on cash.
- Cash use appears to have declined less in constituencies with higher deprivation during the pandemic.
- Some retailers don't take payments by card, and intermittent connections can also limit digital payments.

There are fears for the future of the cash system

By 2017, debit cards had overtaken cash as the main means of making payments.

Lower demand for cash has in turn reduced the financial incentives for providing cash infrastructure, notably automated teller machines (ATMs).

Between 2018 and 2019, the number of free-to-use (FTU) ATMs fell by 13%, while the number of pay-to-use (PTU) machines rose by 38%. This trend seems to have been more marked in more deprived areas.

ATMs provided 90% of all cash withdrawn in 2019, but people can also get hold of cash through bank, building society and Post Office branches or through cashback.

Some businesses appear to be less likely to accept cash. In one survey, a tenth of consumers reported occasions where businesses had refused to accept cash during the pandemic.

Measures to protect access to cash

The 2019 Access to Cash Review highlighted the need for different government bodies and regulatory authorities to work together to ensure continuing access to cash.

This prompted the Treasury to set up and chair the Joint Authorities Cash Strategy (JACS) group, bringing together the Treasury, the Payment Systems Regulator, the Financial Conduct Authority and the Bank of England.

In the 2020 Spring Budget, the Chancellor said the Government would legislate to protect access to cash. In April 2021, the Government accepted an amendment to the Financial Services Bill to allow consumers to withdraw cashback without having to make a purchase.

In July 2021 the Treasury published a consultation document on access to cash. Its proposals include granting the Treasury powers to require certain firms (like retail banks) to guarantee deposit and withdrawal facilities for customers within certain distances. The Financial Conduct Authority would be responsible for monitoring and enforcing these requirements. The consultation closed on 23 September 2021.

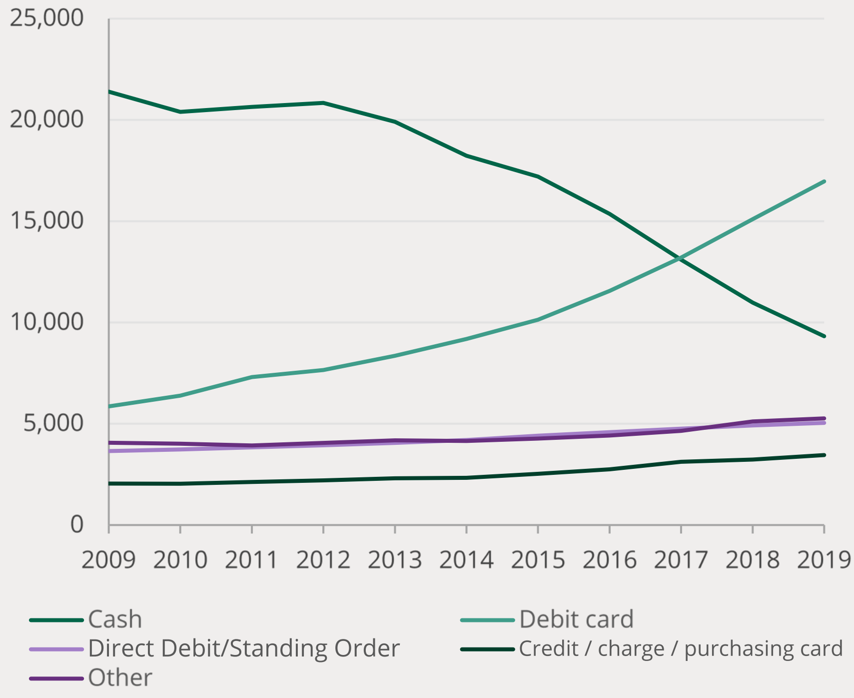
1 Cash use declines, but remains a key payment medium

1.1 Trends in cash usage

In recent years, cash payment volumes have fallen substantially, while the use of digital payment methods – led by debit cards – has accelerated. According to data from UK Finance (the largest trade association for banks and the financial services industry), the number of payments made in cash in the UK fell from over 20 billion in 2012 to less than half that in 2019. By that year, card payments had grown to 51% of all payments.[1]

UK Payment Volumes, 2009 to 2019

Millions of payments



Source: UK Finance. UK Payments Markets 2020. June 2020.

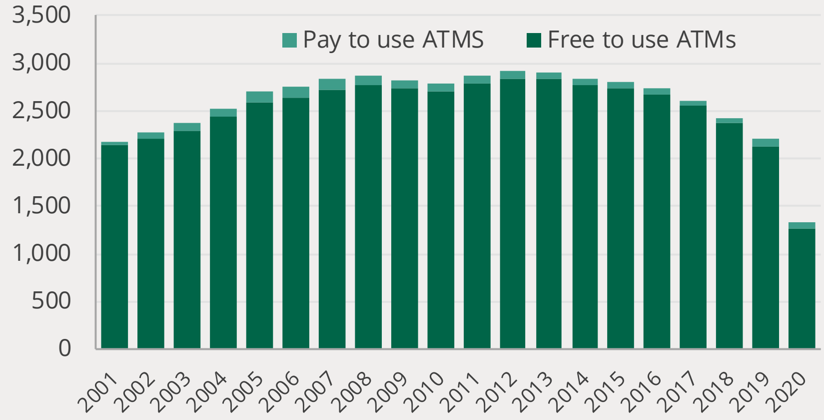
[1] UK Finance (2020) 'UK Payments Market Summary, 2020

Despite the decline in the use of cash, it still accounted for 23 per cent of all payments in 2019 and was the second most common form of payment.[2] Data from the British Retail Consortium meanwhile suggests that in 2018 cash comprised 38 per cent of all payments made to British retailers, amounting to a total of £77.7 billion.[3]

Data from LINK (the network that includes almost all ATMs – automated teller machines – in the UK) shows how the volume of cash withdrawals from cash machines has changed in recent years.[4] The number of withdrawals steadily increased until the early 2010s, but it has since declined. The vast majority of withdrawals are made from free-to-use (FTU) ATMs, rather than pay-to-use (PTU) machines, which charge a fee. Between 2001 and 2019, PTU ATMs accounted for between 1.8 and 4.3 per cent of withdrawals in any given year. This rose to 5.3 per cent in 2020, with cash withdrawal patterns affected significantly by the coronavirus pandemic.

Cash withdrawals from ATMs

Millions



Source: LINK. Statistics and trends [accessed on April 2021]

The coronavirus pandemic

The coronavirus pandemic has led to dramatic changes to the way that many people live, work and spend their money.

In 2020, the National Audit Office (NAO) concluded that this appears to have affected how consumers use cash. It found that cash use crashed during the lockdown, and only returned to 77% of pre-lockdown levels by August.[5]

[2] UK Finance, UK Payments Market Summary, 2020

[3] .British Retail Consortium (2019) 'BRC calls for action on card fees'.

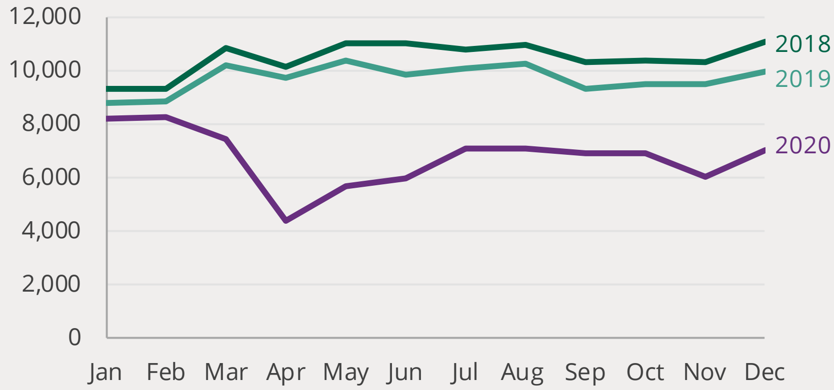
[4] .LINK (2020) 'Statistics and trends'.

[5] NAO (2020) 'The production and distribution of cash'.

Data from LINK (shown below) highlights the very different trajectory of the pattern of cash withdrawals from ATMs in 2020. Cash transactions from ATMs decreased by 57 per cent in value and 62 per cent in volume in the first full week of lockdown compared with the same week in the previous year – but interestingly, the average withdrawal value per transaction went up by nearly a third to £84 from 2019's average of £63.[6] The reason for this change is unclear but it may reflect: greater reluctance to touch ATMs, leading to fewer but larger withdrawals; changing shopping habits, such as less frequent but larger purchases; or a change in the type of customer continuing to use cash (for example, lower users of cash may be using it less while heavy users continue to use it the same).

Value of cash withdrawals from LINK ATMs*

£ million



**does not include withdrawals at customers' own banks' or building societies*

Source: LINK. Statistics and trends [accessed on 21 April 2021]

LINK published the results of an online survey of consumers in April 2020, which asked about how the pandemic had affected their use of cash.[7] This showed that:

- 14% consumers say they are keeping more cash at home in case of emergencies.
- Three quarters (75%) of consumers said they are using less cash, with over half (58%) using cash a lot less. However, 23% of consumers said they are using the same amount or more cash.
- More than half of people (54%) say they are now avoiding using cash and using alternative payment methods.

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6 Evidence provided for 'The future of cash post COVID-19' webinar BrightTALK, 21 April 2020. In: Tischer, D., Evans, J., & Davies, S. (2020) 'Cash'. In: Parker, M. (Ed.) *Life After Covid-19. The other side of crisis.* Bristol: Bristol University Press. Pp. 83-93.

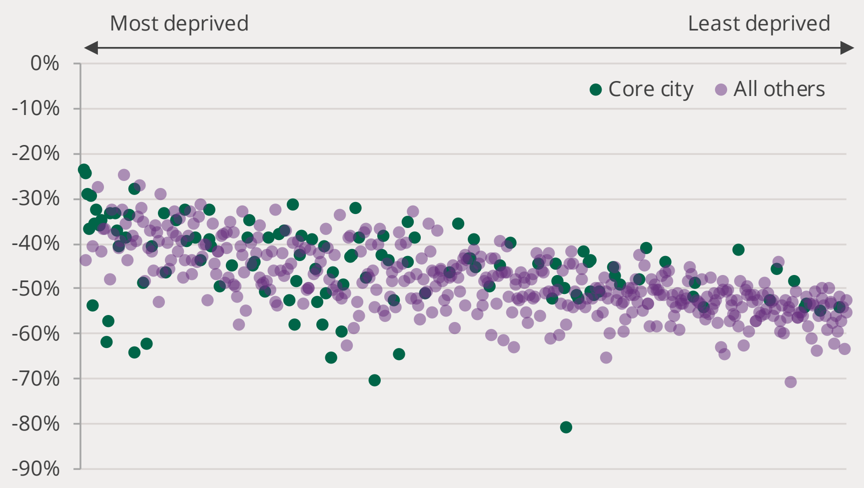
7 LINK (2020) 'Coronavirus Crisis means cash use down but UK still withdrawing £1billion from ATMs each week'.

- 76% of people say they think the Coronavirus crisis will affect their future use of cash over the next six months:
  - Around half (51%) say they will use cards more.
  - 44% said they will use contactless/mobile payments more.
  - 34% said they will do more shopping online.
  - 31% said they will use ATMs less frequently.
- 10% said they had wanted to pay in cash but that it hadn't been accepted.

Data from LINK suggests that some places have seen their use of cash reduce by more than others. Constituencies in the UK's core cities (such as Cities of London and Westminster, Glasgow Central and Holborn and St Pancras) have seen some of the largest falls in cash withdrawals. A relationship also appears to exist between deprivation and the reduction in cash withdrawals – with more deprived areas seeing **less** of a reduction than less deprived areas (as shown below). While the cause of this cannot be established from this data alone, one conclusion is that a higher proportion of people in deprived communities are dependent on cash, compared to those in less deprived areas.

Deprivation and change in ATM withdrawals, by Parliamentary constituency

Year-on-year % change in ATM withdrawals, English constituencies only



Source: data supplied by LINK (April to September); constituencies classified by Commons Library (see CBP 8322)

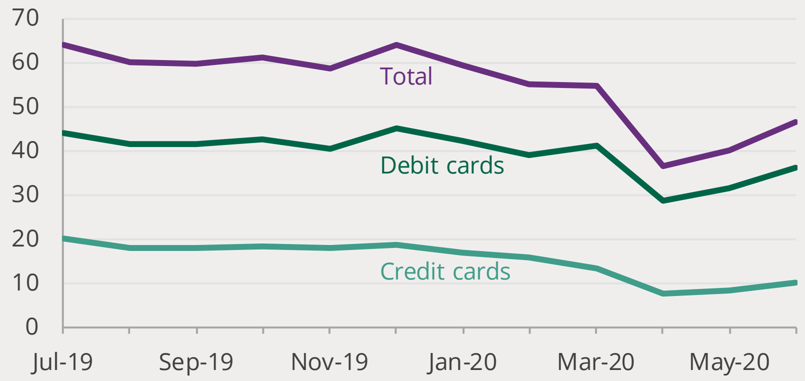
Cash is of course not the only payment medium to have been affected by the pandemic. The volume and value of card transactions also declined dramatically during and after lockdown, as indicated by the chart below. The total value of card transactions in the UK in July 2020, for example, was down more than 16 per cent when compared with the same time the previous year.[8]

[8] UK Finance (2020) 'Card spending update for July 2020'.

Analysis of transaction data from Nationwide Building Society meanwhile suggested that in the four weeks to 12 April 2020 debit card spending was 41 per cent lower than the previous year.[9] Contactless payments decreased to 33 per cent of Nationwide transactions, down from around 49 per cent – reflecting the shift towards online shopping behaviours during this period of lockdown.

Card activity in the UK

Value of transactions,* £ billions



** both UK and overseas issued cards*

Source: UK Finance. [Card spending update for July 2020.](#)

The UK compared with other countries

Card payments are increasing across both advanced and emerging economies, but uptake has been quicker in some countries – as shown in the chart below. In the UK, Korea and Saudi Arabia the value of card payments relative to GDP was more than 40 per cent in 2016, while Germany (8.3 per cent), Mexico (8.9), Japan (10.1) and Italy (10.6) sat at the other end of the spectrum.[10]

Focusing on the value of ATM withdrawals as a percentage of GDP in 2016, however, Sweden (2.5 per cent), Switzerland (4.4) and France (6.3) were the lowest users of cash.[11] For comparison, in the UK, ATM withdrawals were equivalent to 9.7 per cent of GDP.

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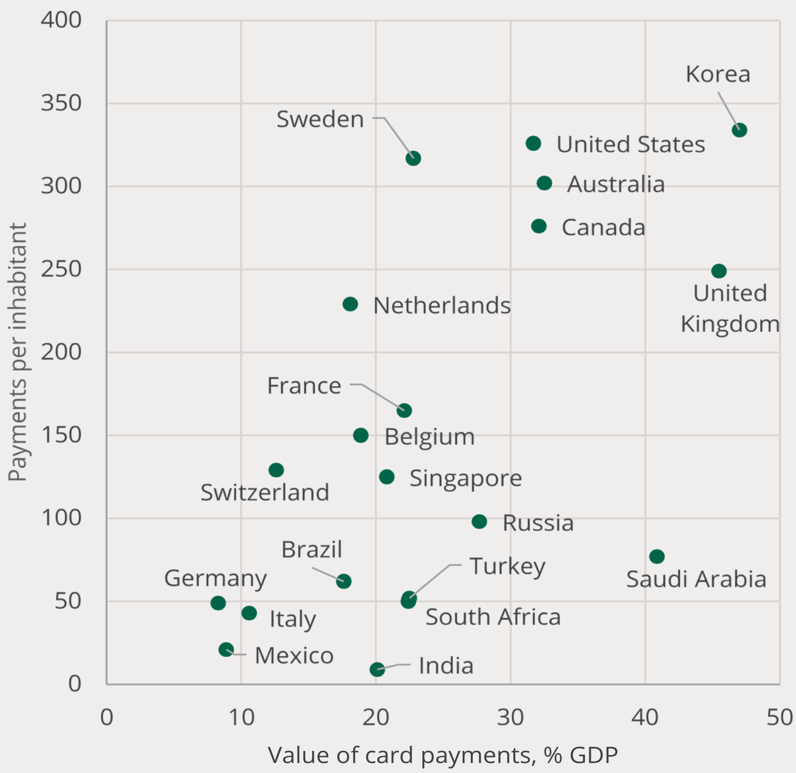
9 Nationwide Building Society (2020) 'Month one of lockdown: Britain takes in 430 million home deliveries as nation adapts to life indoors'.

10 Bech, M., Faruqui, U., Ougaard, F., and Picillo, C. (2018) 'Payments are a-changin' but cash still rules'. BIS Quarterly Review, March 2018.

11 Ibid.

International comparisons of card payments, 2016
Value of payments and payments per inhabitant



Source: Bech et al. (2018) 'Payments are a-changin', but cash still rules'. BIS.

1.2 How lack of access to cash affects consumers

John Glen MP, Economic Secretary to the Treasury, has hailed the progress that the UK has made in financial innovation, describing the UK as "one of the leading destinations globally" for investment in financial technology (or 'FinTech'). However, he also recognised that such changes can be detrimental to some people:

> ...progress can also risk leaving people behind, and in the case of financial services, exclusion from banking services can have a detrimental impact on people's lives. Whilst card payments and other payments services are becoming increasingly popular, the evidence shows that a significant proportion of the UK population continues to rely on cash in their day to day lives.[12]

[12] HM Treasury, Access to cash: call for evidence, October 2020, p2

This was largely the conclusion of the independent Access to Cash Review, which was commissioned and funded by the LINK ATM network in 2018 and led by a former chief executive of the Financial Ombudsman Service, Natalie Ceeney CBE.[13] The review concluded that while "the convenience of digital payments has made them the first choice of payment for many", as many as eight million adults in the UK (17 per cent of the population) would "struggle to cope in a cashless society".

The review found that those in the following groups and situations may be disadvantaged by such a move:[14]

- **People on a lower income** – less likely to have digital access and more likely to rely on cash for budgeting
- **Older adults** – 53% are 'cash preferers', but also more likely to be digitally excluded
- **People with certain physical or mental health problems –** may for instance find it hard to remember a PIN, to use digital systems, or to control compulsive spending
- **People who worry that they will overspend if not using 'physical' cash**
- **People who rely on others to buy things for them**
- **People who are financially excluded** – seven per cent of the population don't have access to a debit card, while 1.3 million don't have bank accounts (notably people new to the UK, homeless, or living in extreme poverty)[15]
- People in areas with poor digital connectivity
- **People in areas where local shops or services don't take cards**

The Access to Cash Review found that 47 per cent of the population would find it problematic if there was no cash in society.

Need versus preference for cash

There is a broader question about whether and how far people **need** or **prefer** to use cash. Stakeholders such as the Payment Systems Regulator (PSR) have attempted to distinguish between groups of consumers who are dependent on cash and those who prefer to use it.

Research for the PSR described the proportion of consumers who are wholly dependent on cash as "low" – although this is based only on those who do not

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13 Access to Cash Review (2019) 'Access to Cash Review, Final Report.'

14 Unless specified otherwise, all findings below are from the Access to Cash Review's nationally representative survey of 2,000 UK consumers conducted in November 2018.

15 Financial Conduct Authority (2018) 'The financial lives of consumers across the UK. Key findings from the FCA's Financial Lives Survey 2017'.

have a debit card or bank account (3 per cent) and on those who lack access to a computer, tablet or smartphone (9 per cent).[16]

It found that around a quarter of consumers (28 per cent) have a preference for cash. This is "primarily for budgeting and control purposes, but also to avoid the discomfort and security risks they associate with cards and contactless." More broadly, the research also shows that as many as 83 per cent of consumers had used cash in the past week. One-in-ten, however, had **only** used cash.

In a similar exercise, the Access to Cash Review asked consumers whether they would find it personally problematic "if there was no cash in society as we know it today".[17] While 34 per cent said it would not be and 19 per cent didn't know, 47 per cent reported that they would find it problematic. This 47 per cent comprised the following groups, each with differing levels of 'need' or 'preference' for cash:[18]

- 7 per cent who "wouldn't cope at all. Cash is essential to how I live my life."
- 10 per cent who "don't know how I would cope. Cash is very important to how I live my life."
- 24 per cent who "would cope. But losing cash would be a major inconvenience".
- 7 per cent who "would cope. Losing cash would be a minor inconvenience".

UK Finance reported that in 2019, 2.1 million consumers "mainly used cash'"[19] They note, however, that the majority of these were "not necessarily unwilling or unable to use other methods of payment". They still used other methods to pay their bills and usually had access to a debit card.

1.3 Longer-term questions about going cashless

Beyond its effect on individual consumers, there are also broader longer-term questions that shifting to a purely cashless society poses. These relate predominantly to the **reliability**, **security** and **privacy** of digital payments.

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[16] BritainThinks (2019) 'Access to cash research with consumers and small businesses. Final report. Commissioned by the Payment Systems Regulator'.

[17] Access to Cash Review (2019) 'Access to Cash Review. Final Report.'

[18] Author's own calculations, based on figures from the Access to Cash Review. Figures re-based so that the percentages in bullet points add up to the 47 per cent who would find it problematic without cash.

[19] UK Finance (2020) 'UK Payments Market Summary 2020'.

Reliability

Many consumers see IT failures as a good reason for continuing to use and hold cash. Indeed, the Access to Cash Review found that nearly one in five (18 per cent) consumers believed it was a good idea to keep cash in case IT systems go down.[20]

Research from the consumer group Which? found that one in seven people experienced at least one glitch that had made it impossible to pay with their debit or credit card at some point in 2018. One-in-twenty meanwhile had experienced such issues more than once. [21]

Furthermore, analysis of IT failings reported to the FCA showed that between April 2018 and the end of that calendar year there were 302 major incidents in this time.[22]

Perhaps the most significant IT failing to date affected the VISA network in 2018, causing 10 hours of problems for customers in the UK and across Europe. This affected 1.7 million cardholder accounts in the UK (10 per cent of the cards used during this time) and led to 2.4 million transactions failing to process (equivalent to 9 per cent of transactions initiated during this period).[23] The issue was caused by a partial failure of a switch in one of VISA's two UK data centres used for processing payments.

Security

See also our briefing paper Economic crime in the UK: a multi-billion pound problem.

While cash is perhaps less secure for individual consumers, digital payments can also pose security challenges and, when they do, these often occur on a much larger scale. Dr Daniel Tischer of the University of Bristol noted that "the danger of mass cyber-attacks… looms ominously for any cashless society with no good backup plan."[24]

Indeed, in the year to October 2018, financial firms reported a 187 per cent increase in technology outages to the FCA. 18 per cent of these incidents were cyber-related.[25] This led the FCA to conclude that there was "no immediate end in sight to the escalation" of such incidents.[26]

There have been a number of high-profile cyberattacks on banks and financial institutions in recent years: in 2016, HSBC's internet banking service was left unavailable after a 'denial of service' attack; in 2019, Travelex was forced to halt travel money sales at some banks and supermarkets following

[20] Access to Cash Review, Is Britain ready to go cashless?, December 2018, p24
[21] Which? (2019) 'More than seven million people blocked from card payments by IT glitches'.
[22] Which? (2019 'Revealed: UK banks hit by major IT glitches every day'.
[23] VISA (2018) Letter to Nicky Morgan MP, Chair of the Treasury Committee, about service disruption on Friday 1 June.
[24] Tischer, D., Evans, J., & Davies, S. (2020) 'Cash'. In: Parker, M.. (Ed.) *Life After Covid-19. The other side of crisis.* Bristol: Bristol University Press. Pp. 83-93.
[25] FCA (2018) 'Cyber and technology resilience in UK financial services'.
[26] Ibid.

an attack by hackers; and in 2020, in Japan a number of thefts from bank accounts linked to a major cashless payments service were uncovered.[27], [28] [29]

Privacy

A cashless society might also affect an individual's ability to live their life privately. While cash transactions are largely anonymous and untracked, digital payments leave a record that can be traced back to individuals with ease. So some commentators worry about the power that this gives to financial institutions and how this power might also be used by government actors and corporations.[30]

On the other hand, some see cash as a facilitator of criminal activity and black markets. HM Revenue & Customs (HMRC) concluded in 2015 that there is some evidence of cash being used in the hidden economy, which matches HMRC's own operational experience.[31]

But the HMRC went on to argue that those who are intent on evading payment of tax or committing financial crimes will always find a way to do so, regardless of payment mechanism. Indeed, this is exemplified in research from the Oxford Internet Institute, which highlighted the way in which 'darknet markets' are used to facilitate the purchase of illicit drugs in the UK and around the world.[32]

1.4 The benefits of digital payments

At the same time, digital payments offer a range of advantages to consumers and businesses. These include:

- Speed and convenience – neither party in a transaction needs to count change.
- A digital record of transactions allows people to recall what they have spent money on. Technologies such as open banking may allow consumers to use this digital record to complete income and expenditure forms (such as those used in debt advice) quickly and easily.[33] Cash often leaves various amounts of money unaccounted for in such forms.

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27 The Guardian (2016) 'HSBC suffers online banking cyber attack'.
28 BBC News (2020) 'Travelex boss breaks silence 17 days after cyber attack'.
29 The Japan Times (2020) 'As cyberattacks rise globally, Japan's digital security found lacking'.
30 Seem, for instance, Scott, B. (2018) 'Cash in the era of the digital payments panopticon'. In: Gloerich, I., Lovink, G. & de Vries, P. (eds) *MoneyLab Reader 2: Overcoming the Hype.* Amsterdam: Institute of Network Cultures.
31 HMRC (2016) 'Call for evidence: cash, tax evasion and the hidden economy. Summary of responses'.
32 Dittus, M. (2018) 'Darknet markets: global platforms used for local retail trade'. Oxford: Oxford Internet Institute.
33 See the Money and Pensions Service's PACE debt advice pilot for more information on a trial of the use of open banking data to speed up the debt advice process.

- Digital payments can offer more protection for consumers. As noted in the Access to Cash Review: "Stolen cash is gone forever, but if you suffer card fraud you'll usually get your money back. Banks can trace transactions if there's a dispute, and credit cards offer Section 75 cover for purchases over £100."[34]
- Spending on cash does not help consumers improve their credit rating, but budgeting well on a card can.
- Digital payments can help to reduce abuse and exploitation. Migrants, often female, are at greater risk of abuse and coercive control if paid in cash, while older adults or those with health conditions may also be at greater risk of financial abuse if they rely on cash.[35]
- As noted above, digital payments may also help to reduce the size of the hidden economy, and so levels of tax evasion.
- There may be environmental benefits to digital payments – with less need for printing notes and vehicles driving cash around the country.

Nevertheless, characteristics of digital payments that help one individual – such as making it quicker and easier to spend money – might also harm another (for example, by making it **too easy** to spend money).

[34] Access to Cash Review (2019) 'Access to Cash Review, Final Report.'
[35] Ibid.

2 The cash system is under pressure

2.1 An overview of the cash system in the UK

The Government's policy is to safeguard access to cash for those who need it, while supporting digital payments.[36] HM Treasury is responsible for meeting this objective; and their intentions are described in more detail in a call for evidence on access to cash, published in October 2020:

> The government's overarching objective is to maintain a sustainable infrastructure for cash in the UK, to ensure financial inclusion for all parts of society, including the most vulnerable who rely on cash in their daily lives. This includes ensuring that people and businesses can access cash withdrawal and depositing facilities within a reasonable travel distance as needed for their day to day lives.[37]

The Royal Mint and Bank of England are responsible for producing coins and banknotes respectively, while the Payment Systems Regulator (PSR) and Financial Conduct Authority (FCA) both hold roles relating to the protection of consumers in the payments and financial markets. As noted by the National Audit Office in September 2020, neither the FCA nor PSR has formal objectives relating to the protection of cash, but the PSR and Bank of England regulate LINK – the organisation that in turn oversees the UK's ATM network.[38]

How do people get hold of cash?

UK consumers access cash via a range of commercial entities, but most commonly through the ATM network: in 2019, around 90 per cent of all cash withdrawn was from ATMs.[39] Of those withdrawals from cash machines, in 2019, 97 per cent were made from free-to-use (FTU) ATMs and the remaining three per cent came from pay-to-use (PTU) machines.[40]

Consumers are also able to get cash at branches of their banking provider or at a Post Office branch (if their bank has signed up to the Banking Framework with the Post Office).[41] In 2020, 29 banks are part of this agreement, including all of the 'CMA 9', the nine largest banks and building societies in the UK by

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[36] NAO (2020) 'The production and distribution of cash'.

[37] HM Treasury (2020) 'Access to cash: call for evidence'.

[38] NAO (2020) 'The production and distribution of cash'.

[39] NAO (2020) 'The production and distribution of cash'.

[40] Author analysis of LINK data from 'Statistics and Trends' [accessed 29 October 2020]

[41] For a list of banks that offer banking services at Post Office branches, please see the Post Office's 'Everyday Banking' webpage.

volume of personal and business current accounts.[42] There are about 8,000 bank and building society branches and 11,000 Post Office branches in the UK.[43] [44] Shops and businesses can deposit unneeded cash in branch at their banking provider or Post Office, or can have it collected via an armoured courier who will take it to a cash depot.

2.2 Current access to cash

A 2019 survey for the PSR found that 95 per cent of consumers considered it easy to withdraw or access cash. There was little difference between heavier and average users of cash.[45] 16 per cent said that they had to go out of their way to access cash (falling to 12 per cent among 'cash preferers'), and 6 per cent reported problems when seeking cash in the last month – mostly because of ATM faults.

The survey also reported that different groups of consumers had differing levels of willingness to travel or pay to get hold of cash. Older consumers and those with long-term health conditions were less likely to be happy to travel 10 minutes out of their way to access. Those groups, as well as people in rural areas and those on lower incomes said that they would rather pay a small fee (of around 20 pence) for each withdrawal in order to keep their nearest ATM operating[46]

The Access to Cash Review highlighted that while some consumers may be near a cash access point, they may not be able to benefit from this proximity.[47] For example, people with disabilities may not find an ATM accessible, while some consumers may worry about the security or privacy of some access points. Additionally, consumers may not necessarily be aware of the different options available to them for withdrawing cash.

ATMs

Between 2018 and 2019 the number of FTU ATMs in the UK fell by 13 per cent (from 52,040 to 45,355), while there was a 38 per cent increase in the number of PTU machines (from 11,120 to 15,307).[48] By the end of 2020, there were about 41.700 FTU and 12,800 PTU ATMs.[49] Indeed, there has been a pattern of

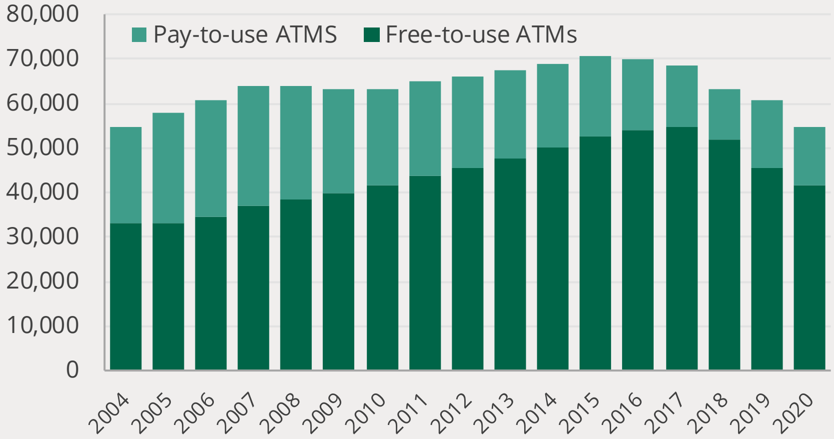
[42] See Open Banking's 'Glossary' for more information on the CMA 9.
[43] Commons Library Briefing Paper, Number 02585. 'Post office numbers'
[44] Tischer *et al.* (2020) 'Access to cash – mapping the territory'. FCA Insight article
[45] BritainThinks (2019) 'Access to cash research with consumers and small businesses. Final report. Commissioned by the Payment Systems Regulator'.
[46] BritainThinks (2019) 'Access to cash research with consumers and small businesses. Appendices. Commissioned by the Payment Systems Regulator'.
[47] Access to Cash Review (2019) 'Access to Cash Review. Final Report.'
[48] Author's analysis of LINK data from their 'Statistics and Trends' webpage [accessed 29 October 2020]
[49] Data provided directly by LINK.

declining ATM numbers since 2015, reversing the trend in the previous decade before that – as shown below.

There have been concerns more ATMs have closed or converted to PTU in more deprived communities.[50] [51] [52] Which?, for example, found that while just 3.9 per cent of ATMs in the least deprived decile of neighbourhoods closed or started charging fees since January 2018, 5.7 per cent had done so in the most deprived areas. The National Audit Office (NAO) also reports that between January 2018 and January 2020 the average number of FTU ATMs in the most deprived areas fell more than in the least deprived areas. But it noted that more deprived areas have more FTU ATMs overall.

Number of LINK ATMs

Number at year end



Source: LINK. Statistics and trends [accessed on 20 October 2020]

The NAO concluded that "the PSR has focused on geographical access to free-to-use ATMs but has paid less attention to analysing the impact in more deprived areas".

The PSR plans to measure these changes using a consumer tracker. It has worked with the FCA and the University of Bristol[53] to map access to cash in the UK, with a particular focus on the impact that changes in recent years have had on more deprived communities. Initial analysis from this project shows that "constrained city dwellers" saw a 36 per cent increase in PTU ATMs between March 2018 and March 2020, while the number of FTU machines decreased by 17 per cent.[54]

The effect of these changes on consumers' ability to access cash, however, appears somewhat nuanced. Around three-quarters of all UK neighbourhoods

[50] Tischer *et al.* (2019) 'Mapping the availability of cash. A case study of Bristol's financial infrastructure.' Bristol: Personal Finance Research Centre, University of Bristol.
[51] Which? (2019) 'Poorer areas hit hardest by loss of free cash machines'.
[52] NAO (2020) 'The production and distribution of cash'.
[53] The main author of this Library Briefing Paper, Jamie Evans, is part of that team.
[54] Tischer *et al.* (2020) 'Access to cash – mapping the territory'. FCA Insight article.

were no further from the nearest FTU ATM in 2020 than they had been in 2018.[55] While 26 per cent of areas were further away than they had been, most of these increases were less than 250m. This also appears true in more deprived communities, but the researchers note that while most deprived areas did have free access to cash within less than 1km, the **closest** option was more likely to be a PTU ATM than it was in less deprived places. The researchers were not able to determine the extent to which consumers actually use these machines, however.

One of the reasons for declining FTU ATM numbers has been a reduction in the interchange fee – that is, the amount banks pay to ATM deployers when customers withdraw money from a machine that the bank doesn't own. LINK sets its own interchange fees[56] and announced a first reduction from July 2018 and a second in January 2019 (as shown in Box 1). LINK did this to encourage deployment of ATMs in "rural and less-affluent communities" rather than "in city centres" and to maintain LINK's membership for the foreseeable future.[57] [58] Independent ATM deployers, however, have said that the changes have reduced their machines' economic viability, 'forcing' them to convert some machines to PTU:

> We have always operated a free-to-use model wherever possible. However, in a worst case scenario, unless urgent action is taken to reduce the pressure on ATM operators by reversing the interchange fee reductions, NoteMachine will be forced to begin converting ATMs to surcharging. '[59]

In response to such concerns, LINK announced that it would protect the 2018 interchange fee payable to ATMs located more than 1km from the nearest FTU ATM.[60] It also announced that a new higher premium would be paid on ATM withdrawals from machines with low levels of withdrawals (fewer than 600 per month) to protect their commercial viability.[61] This added to existing schemes already in place to protect ATMs that are far from another free alternative, as well as those in the most deprived areas. (See Box 1.) situations.

In terms of how these (temporary) closures have affected consumers' ability to access cash, the analysis finds that just 0.1% of the UK population had lost access to all sources of cash within 3 miles of their home during the pandemic. These impacts were found to be greater in Wales and Scotland, in

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[55] Ibid.

[56] Similarly, Mastercard and VISA also set their own interchange fees for electronic transactions made at retailers. Please see their respective websites for more information.

[57] LINK (2018) 'LINK moves to secure future of free ATMs'.

[58] Card issuers banks and building societies) that pay the interchange fee are members of LINK on a voluntary basis – and could leave the scheme to join other lower cost schemes, such as those offered by VISA or Mastercard.

[59] Collinson, P. (2019) 'UK's free ATM network under threat as operators levy charges.' *The Guardian, 1 May 2019.*

[60] LINK. 'Interchange'. [accessed 29 October 2020]

[61] LINK already ran a low volume premium for machines with < 4,500 withdrawals per month, but announced new higher premiums for those with < 600 withdrawals.

rural areas more generally and in those areas where a mobile bank branch or Post Office had been the only option previously available.

Box 1: Changes in the interchange fee structure over time

The rate of interchange varies depending on whether an ATM is protected or not, and whether it is located within a branch (generally bank-owned) or located elsewhere.

Effective date	Standard rate		Protected rate		Financial inclusion and low volume premium (paid in addition)	Notes
	Branch	Remote	Branch	Remote		
1 January 2017	£0.251	£0.287	N/a	N/a	10p	
1 January 2018	£0.251	£0.283	N/a	N/a	10p	
1 July 2018	£0.238	£0.269	£0.251	£0.283	From 10p to 30p	First 5% reduction. Protection comes into effect. Premiums added for low transacting ATMs.
1 October 2018	£0.243	£0.273	£0.256	£0.287	From 10p to 30p	LINK raises rates in line with wider rise in base rate
1 January 2019	£0.231	£0.259	£0.256	£0.287	From 10p to 30p	Second 5% reduction.
1 April 2019	£0.231	£0.259	£0.256	£0.287	From 10p to £2.75	Additional premiums for low transacting ATMs.
1 January 2020	£0.231	£0.259	£0.256	£0.287	From 10p to £2.75	Proposed rate decrease was cancelled.
1 January 2021	£0.231	£0.259	£0.256	£0.287	From 10p to £2.75	Proposed rate decrease was cancelled.

Bank, building society and Post Office branches

Read more about trends in our briefing papers Post office numbers and Bank branch and ATM statistics.

The ONS reported that there were 10,405 bank and building society branches in the UK in 2019, down from 13,345 in 2012 – a fall of 22 per cent.[62] But the FCA, PSR and University of Bristol estimated that there were about 8,000 bank and building society branches at the beginning of March 2020.[63]

As set out in our briefing paper Post office numbers, in March 2020 there were 11,638 Post Office branches in the UK, although this fell by 651 the following month in response to the coronavirus pandemic. Of these branches:

- 9,812 agency branches, 84% of the network
- 1,700 outreach services, 15% of the total network
- 127 Crown (directly owned) branches, 1% of the Post Office Network.

The Government requires the Post Office to meet six "access criteria" to ensure that the majority of the UK population is able to utilise Post Office services. These criteria are as follows:

[62] Commons Library Briefing Paper, Number 08570. 'Bank branch and ATM statistics'.
[63] Tischer *et al.* (2020) 'Access to cash – mapping the territory'. FCA Insight article.

- 99% of the UK population to be within three miles of their nearest post office outlet
- 90% of the UK population to be within one mile of their nearest post office outlet
- 99% of the total population in deprived urban areas across the UK to be within one mile of their nearest post office outlet
- 95% of the total urban population across the UK to be within one mile of their nearest post office outlet
- 95% of the total rural population across the UK to be within three miles of their nearest post office outlet
- 95% of the population of every postcode district to be within six miles of their nearest post office outlet

In 2019, it met all but the final criterion, with three postcode districts failing to serve 95 per cent of the population within six miles.[64]

As outlined earlier, customers of 29 banks and building societies can withdraw cash from the Post Office – but this is only possible because of commercial agreements reached between the Post Office and the respective providers. In October 2019, Barclays announced that they were no longer going to withdraw from the agreement, but reversed the decision after objections from customers and consumer groups. The bank committed itself to the agreement for a further three years.[65]

As to how often and why consumers use branches to withdraw cash, research for the PSR found that:

- 25 per cent of 'cash preferers' (and 12 per cent of all consumers) had used a bank or building society branch to withdraw money in the past month
- 15 per cent of 'cash preferers' (and 11 per cent of all consumers) had done so at the Post Office[66]

Those who withdrew money from these sources tended to prefer to deal with people and valued being able to withdraw larger amounts from bank branches – but may have concerns over long queues and branch closures.[67]

64 Post Office Limited (2019) 'The Post Office Network report 2019', p8-9. The three districts were HS8, PA21 and PH38,all in rural Scotland.

65 Peachey, K. (2019) 'Barclays U-turn on cash access in post offices'. *BBC News, 24 October 2019.*

66 BritainThinks (2019) 'Access to cash research with consumers and small businesses, Final report, Commissioned by the Payment Systems Regulator'.

67 Ibid.

In 2020, Citizens Advice found that consumer banking at Post Office counters had doubled in the previous three years, with a quarter of consumers and a fifth of small businesses having used Post Office banking services. While "overall service standards are largely good", staff didn't always provide customers with the right information (for example, 56 per cent gave incorrect information about withdrawal limits) and 70 per cent of postmasters surveyed said the pay rates they received for banking do not cover the cost of providing the service. [68]

In October 2020, the Post Office announced significant changes to its ATM estate. [69] While its ATMs were owned and operated by the Bank of Ireland, they were due to be migrated to direct Post Office ownership. As part of this, it would reduce overall ATM numbers (in Post Office branches) by a third. But the Post Office says that it will "retain those ATMs that provide a vital source of cash for communities where nearest alternative free to use ATM is at a significant distance away". The Bank of Ireland expects to complete the process in 2022.[70]

The FCA has published data about access to cash coverage in early 2021.

University of Bristol researchers have noted that the opening hours of Post Offices and bank/building society branches mean that on Sundays the number of free cash access points (excluding cashback) that accessible to consumers in the UK drops by 32 per cent.[71] This leaves one in five (21 per cent) rural communities more than an additional kilometre away from free access to cash, and 4 per cent of all such areas more than 5km further away.

Cashback

Around one in five consumers (20 per cent) and one in ten (11 per cent) 'cash preferers' had withdrawn cash by requesting cashback when making a purchase in the past month, as of February 2019, according to the PSR's research.[72] Those who use their card regularly regarded cashback as particularly convenient. For some, however, cashback had "fallen off the radar" since supermarkets had stopped asking customers about cashback with every purchase.

As we explore later, a possible barrier to consumers using cashback has been the need for a purchase. But a successful amendment to what is now the Financial Services Act 2021[73] overturned this requirement. The Community Access to Cash Pilots, LINK's Consumer Council has funded a trial of cashback without purchase in 13 small shops in four communities.[74] In 2018, the FCA, PSR and University of Bristol identified about 37,000 locations across the

[68] Citizens Advice (2020) 'Banking on it: How well are post offices delivering cash and banking services?'
[69] Post Office (2020) 'Post Office to invest in free to use ATMs.'
[70] Bank of Ireland Group plc, Annual report 2020, p53
[71] Tischer *et al.* (2020) 'Where to withdraw? Mapping access to cash across the UK'.
[72] BritainThinks (2019) 'Access to cash research with consumers and small businesses. Final report. Commissioned by the Payment Systems Regulator'.
[73] Commons Library briefing paper, Financial Services Act 2021, p64-65
[74] LINK (2020) 'LINK and PayPoint pilot enabling free cash withdrawals from retailers' tills goes live with good demand'.

country where cashback (with purchase) was being offered and used by consumers.[75] The researchers found that consumers typically obtained only £20 using cashback, compared with £60 at ATMs, £90 at Post Offices and £220 from bank or building society branches.

2.3 Could the cash system collapse?

The trends discussed in previous sections have fuelled concerns about the economic viability of cash infrastructure in the UK, and indeed of possible collapse. Consumer advocates such as Which? and Natalie Ceeney (chair of the Access to Cash Review) have urged government action on the issue.[76]

The latter review[77] highlighted two particular threats:

1. **'Cash deserts': consumers can't access cash**

With usage falling, there is a risk that the costs of running an ATM will no longer be met by the amount of money made from interchange fees. ATM operators might choose to close ATMs or convert them to pay-to-use, which would be funded by transaction fees.

Although banks and building societies run their own ATMs as part of a range of other services, independent ATM deployers (IADs) predominantly run ATMs. There is a risk therefore that these organisations could exit the market, meaning thousands of ATMs could close rapidly. The Access to Cash Review notes that this is particularly important given that 57% of all ATMs are run by just four IADs.

2. **Cash infrastructure fails: problems with wholesale and distribution**

A relatively small number of entities run the wholesale cash network in the UK and transport cash to its final destination:

- Six wholesale banks buy and sell notes and coins in bulk. They are supported by four members of the wholesale Note Circulation Scheme (NCS).
- Two firms – G4S and Loomis –dominate the market for transporting cash.

All of these firms are operating in an environment where the demand for cash is predicted to fall considerably in future. As with the ATM market, there is a risk that one or more of these firms could exit the market, an event that could severely affect the capacity of the market overall.

[75] Tischer *et al.* (2020) 'Where to withdraw? Mapping access to cash across the UK'.
[76] Read, S. (2020) 'UK's cash system 'will collapse without new laws'. *BBC News,* 19 February 2020.
[77] Access to Cash Review (2019) 'Access to Cash Review. Final Report.'

2.4 The acceptance of cash

Some consumers risk being left behind, not because they cannot access cash, but because they cannot pay with it.

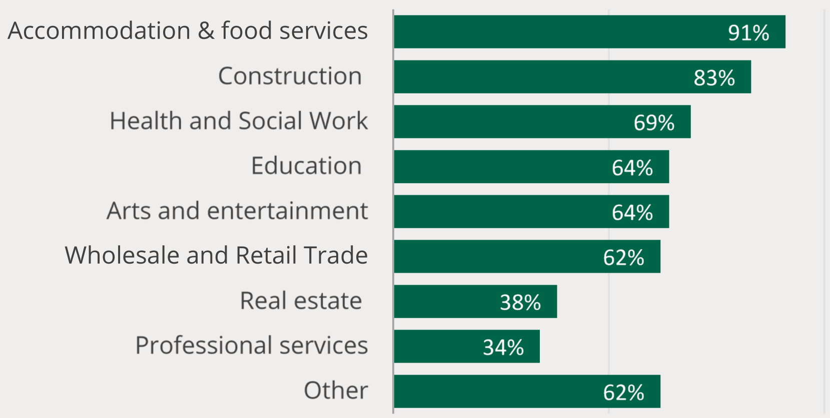
An inability to pay with cash in Sweden, for example, has been described as "the real death knell for cash"; half of Swedish retailers surveyed said that they probably wouldn't accept cash after 2025.[78] In the US, meanwhile, concerns about retailer non-acceptance of cash have led some cities and states (including New York City) to approve legislation to prevent retailers from refusing to accept cash.[79]

Data on cash acceptance in the UK is relatively limited, but a survey of about 500 SMEs for the PSR suggests that acceptance of cash differs from sector to sector, with heavily consumer-facing businesses such as accommodation and food services being particularly likely to take cash (as shown below).

A 2019 survey found that 100 per cent of convenience stores accept cash, with 95 per cent accepting debit card and 88 per cent taking contactless payments.[80] Data from 2018 showed that three-quarters (76 per cent) of convenience store customers paid by cash, reflecting the low average spend (£6.50) in such shops.[81]

Cash acceptance, by business type

% of businesses in each sector that accept cash



Source: BritainThinks survey of SMEs for the PSR (2019).

[78] Access to Cash Review (2019) 'Access to Cash Review. Final Report.'
[79] New York Times, 'New York City Stores Must Accept Cash, Council Says', 23 January 2020.
[80] ACS (2020) 'The local shop report 2020'.
[81] ACS (2019) 'ACS submission: PSR research into cash access, use and acceptance'.

Acceptance of cash appears largely driven by a number of factors, including digital connectivity, the business's customer base, value and volume of transactions, business structure, risk of counterfeit notes and whether staff are paid in cash.[82] The costs of handling cash are also important but are not always seen as a direct cost to the business – unlike card transaction fees that appear as a fee on bank statements. Nevertheless, 75 per cent of SMEs deposit cash in the bank, 34 per cent maintain it for a float, 22 per cent use it to pay suppliers, 14 per cent maintain it on the premises and 11 per cent use it to pay staff. Over half (55 per cent) deposit cash at least once per week, but the majority (78 per cent) travel less than five miles to do so.

The coronavirus pandemic may have had an impact on the acceptance of cash by retailers. Which? reported in May 2020 that one in ten customers had been refused when trying to pay with cash since the start of the pandemic. It also received nearly 2,500 complaints about cash acceptance in September and October 2020.[83] [84] But there is little indication so far about whether these are enduring changes.

82 BritainThinks (2019) 'Access to cash research with consumers and small businesses. Final report. Commissioned by the Payment Systems Regulator'.

83 Which? (2020) 'Coronavirus cash crisis leaving vulnerable people with no way to pay'.

84 Which? (2020) 'All change? Cash refusal threatens people's ability to pay for food and medicine'.

3 Measures to protect consumers' ability to pay

3.1 The Access to Cash Review

The Access to Cash Review was established in 2018 "to consider consumer requirements for cash over the [following] five to fifteen years."

It is "sponsored by, but independent of LINK" and chaired by Natalie Ceeney, previously head of the Financial Ombudsman Service.

It aims "to ensure that there remains an effective and inclusive cash access service that meets the needs of all consumers, regardless of their personal circumstances, for as long as necessary".

To achieve this, it would:

- Understand consumer needs and implications for cash access requirements over the next five to fifteen years.
- Review the evidence on future trends in cash usage and ATM coverage.
- Identify and analyse options for retaining nationwide access to cash.
- Propose a way forward.

Research and findings from the Review are presented throughout this briefing paper.

The Review's final report makes five recommendations that "will keep cash viable for the foreseeable future, as well as eventually including everyone in a society where digital payments dominate. These recommendations work together, because cash is a system, and needs to be treated as such":

- "guarantee consumer access to cash – ensuring that consumers can get cash wherever they live or work"
- "take steps to keep cash accepted, whether by a local coffee shop or a large utility provider"
- "call for radical change to the wholesale cash infrastructure, moving from a commercial model to more of a 'utility' approach, which will keep cash sustainable for longer"

- "for government, regulators and the industry to make digital inclusion in payments a priority"
- "for a clear government policy on cash, supported by a joined-up regulatory approach which treats cash as a system"

The final recommendation emphasised the importance of cooperation between the financial regulators, as well as leadership and the need to monitor and update responses over time. [85]

3.2 Oversight of the cash system

The Joint Authorities Cash Strategy (JACS) group

In response to the Access to Cash Review, the Government announced in May 2019 that the Treasury would set-up and chair a Joint Authorities Cash Strategy (JACS) group[86]:

> Acknowledging the UK already has experienced and well-established financial regulators, the Group brings together the Bank of England, PSR and FCA to ensure comprehensive oversight of the overall cash infrastructure across the UK. This is so that the UK's cash infrastructure remains resilient, cost effective, sustainable and can meet the needs of users, particularly in a future environment of lower cash usage. [87]

As part of this initiative the FCA and the PSR have published a joint approach to access to cash and the FCA published their expectations for firms on maintaining access to cash for customers. These include the expectation that firms need to clearly communicate to customers that an ATM or branch is closing or being converted at least 12 weeks prior to this happening.

In a report on the production and distribution of cash, the National Audit Office welcomed the creation of the JACS group but noted that there is still more that could be done to improve joint working in this area:

> The public bodies have improved their joint working but lack a shared view of what a good outcome for the consumer will look like and how the costs of achieving this are to be taken into account… The JACS Group has enabled more formal coordination among its participants, although it does not itself have responsibility for the cash system and is not a decision-making body. We could not see a clear link between the overall government aim for cash and consumers, the outcomes that consumers should expect in terms of

85 Access to Cash Review, Access to Cash Review: final report, 2019, p7-8

86 HM Treasury (2019) 'Cash here to stay as government commits to protecting access'.

87 Joint Authorities Cash Strategy (JACS) group (2020) 'Joint Authorities Cash Strategy (JACS) group: safeguarding the UK's cash infrastructure'.

> access and acceptance of cash and their associated costs, and the statutory responsibilities of the public bodies as set by government and Parliament.[88]

3.3 Legislative action to protect access to cash

The 2020 Spring budget announced that "the government will bring forward legislation to protect access to cash and ensure that the UK's cash infrastructure is sustainable in the long-term."[89]

Campaign and consumer groups such as Which? welcomed the announcement:

> We are pleased that the chancellor has taken decisive action today to ensure that millions of people who have been hit hard by bank branch and ATM closures will continue to have access to cash.
>
> We know that the cash system faces irreversible damage within the next two years, so the government must swiftly press ahead with its plans to legislate, which must include putting a single regulator in charge of protecting cash.
>
> It is vital that this commitment is quickly turned into action. We look forward to working with the government, regulators and industry to ensure that cash is protected for as long as it is needed.[90]

Cashback without purchase

In April 2021, the Government accepted an amendment made by Lord Holmes to the Financial Services Bill which would allow individuals to request cashback from retailers without having to make a purchase. Under the EU's Second Payment Services Directive (PSD2)[91], retailers were required to be authorised by or registered with the FCA to do this. The amendment removed that requirement.

Announcing the Government's acceptance of the amendment, Lord True said:

> The Government's view is that cashback without a purchase has the potential to be a valuable facility to cash users and to play an important role in the UK's cash infrastructure. This legislative change, which is possible only now we have left the European Union, would help both to support the availability of cash withdrawal facilities across the United Kingdom, benefiting individuals' access to

[88] NAO (2020) 'The production and distribution of cash'.
[89] HM Treasury (2020) 'Budget 2020. Delivering on our promises to the British people'.
[90] Which? (2020) 'Budget 2020: Government commits to protecting access to cash'.
[91] Incorporated into UK law via the 'Payment Services Regulations (2017)'.

> cash, and to support local cash recycling. These amendments are therefore a welcome step towards protecting access to cash.[92]

The change would take effect two months after Royal Assent (and so from the end of June 2021). Local businesses can now offer this service to consumers if they wish to do so.

Call for evidence on Access to Cash

In April 2021, Lord True reaffirmed the Government's commitment to legislate to protect access to cash, stating that it was currently considering responses to a call for evidence on the future of access to cash(published by the Treasury in October 2020). The Government would set out next steps on legislation "in due course".[93]

In addition to outlining the Government's support for cashback without purchase, the call for evidence described the Treasury's thinking in relation to several other aspects of the cash system:

- **Access to ATMs** – "Reasonable access to cash" across the UK should be ensured by the country's network of ATMs. While "the government believes legislation should allow flexibility in terms of channels, this is likely to require that ATM provision moves to a more 'utility-based model', where decisions over the location of ATM machines balances customer need alongside commercial factors."

- **Cash access via bank, building society and Post Office branches** – The call for evidence suggested a continuation of current policies to ensure access to cash at branches (such as the Access to Banking Standard, FCA guidance to firms, and the renegotiated Bank Framework Agreement that enables access to cash via the Post Office).

- **Cash acceptance** – "The government's view is it would not be appropriate to mandate cash acceptance but wishes to explore options for better incentivising cash acceptance."

- **Regulation of cash access** – According to the government, the FCA is "well positioned" to take on the role of "setting requirements to ensure that the retail distribution of cash meets the needs of consumers and SMEs." The PSR and Bank of England meanwhile would continue with their existing functions.

The Access to Cash Review panel published their response to the call for evidence in November 2020.[94] This broadly welcomed the Treasury's

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92 Financial Services Bill, Volume 811: debated on Monday 19 April 2021.
93 Financial Services Bill, Volume 811: debated on Monday 19 April 2021.
94 Access to Cash Review (2020) Response to HMT call for evidence – access to cash

proposals but recommended that the legislation should focus on the need for cash access, rather than a need for a specific channel of cash access (such as ATMs).

It also proposed that legislation should ensure that banks can collaborate to provide access to cash without breaching competition law, and that the Post Office's banking services should be brought under the FCA's regulatory remit. The panel's response also highlighted some of the challenges – beyond current regulations – that act as barriers to cashback being used more often to provide access to cash:

- Costs to retailers (up to 4%)
- Differing offers for customers (such as minimum purchase)
- Limited advertising of availability by retailers
- Prohibition of cashback by merchant acquirers (payment processers)

Consultation on Access to Cash

After receiving 85 responses to the call for evidence, the Treasury published a consultation document on access to cash on 1 July 2021, setting out its proposals. The proposals envisage granting the Treasury powers to:

- Designate certain firms on whom cash access requirements can be imposed. This is initially intended to cover large retail banking providers like banks and building societies.
- Set and amend geographic access requirements upon these designated firms to protect access to cash across the UK. This would require cash access facilities to be available within a maximum distance of a minimum percentage of the population. It would apply to both withdrawal and deposit facilities for individuals, and deposit facilities for SME customers.

The FCA would be responsible for monitoring and enforcing the requirements on designated firms. It would be given extra powers to enable this.

The consultation closed on 23 September 2021.[95]

[95] HM Treasury, Access to Cash: Consultation, 1 July 2021, pp7, 10, 13 and 16

3.4 Other measures to protect communities' access to cash

LINK-protected ATMs and financial inclusion programme

As noted earlier, LINK sets the rate of its interchange fee (paid to ATM providers by banks when their customers use other providers' facilities).[96] This rate differs depending on whether or not an ATM is designated 'protected' status[97], by virtue of being 1km or more from the nearest free-to-use (FTU) ATM. All protected ATMs receive the higher protected rate of interchange. Most are also eligible for additional premiums if they enable fewer than 4,500 withdrawals a month.[98] There are six tiers of premiums ranging from £2.75 per withdrawal for the lowest transacting machines to £0.10 for the ATMs that average between 3,000 and 4,499 withdrawals per calendar month.

See also LINK's policies and publications about access to cash.

Protected status applies only to FTU ATMs in areas which had a FTU ATM on 1 February 2018 – and therefore is designed to maintain the UK's current footprint of ATMs. The financial inclusion programme also incentivises ATM operators to maintain ATMs in deprived communities that lack free access to cash.[99] If these ATMs do close, LINK acts to replace them with a suitable FTU alternative. It had replaced 30 ATMs by September 2020.[100]

LINK High Street Commitment

In August 2019, LINK announced that it would guarantee access to cash for every UK high street that had five or more cash-dependent retailers.[101] LINK found that about ten high streets did not have free cash access within 1km through either an ATM or a Post Office. It has funded ATMs to provide cash access in these areas.

LINK ATM Delivery Fund

In October 2019, LINK announced that communities would be able to directly request a free ATM if they currently have poor access, with LINK paying for the installation costs.[102] Community representatives can submit a request via LINK's online form. An initial £1 million was set aside for this (enough to fund

[96] LINK (2020) 'Interchange'.
[97] It also differs according to whether a transaction takes place at a branch or remotely, and based on the type of transaction (e.g. cash withdrawal vs. balance enquiry or declined cash withdrawal).
[98] This excludes ATMs which are not publicly accessible (for example, those in a hotel or office building).
[99] LINK (2020) 'Financial inclusion'.
[100] LINK (2020) 'LINK Scheme ATM Footprint Report, September 2020.'
[101] LINK (2019) 'LINK protects free access to cash for every UK high street'.
[102] LINK (2019) 'LINK sets up Delivery Fund so that all communities can get access to a free ATM'.

40 to 50 machines), and this has since been expanded with a further £4m.[103] The 100th machine funded under the scheme was installed in October 2021.[104]

Community Access to Cash Pilots

Led by Natalie Ceeney CBE (chair of the Access to Cash Review) and sponsored by UK Finance, the Community Access to Cash Pilots are trials of innovative ways to protect access to cash in communities across the UK. The programme was announced in September 2019, with an application period for communities that ran until June 2020. 23 communities applied for the scheme, with nine selected to be pilots (running from Autumn 2020 to June 2021). Some of the solutions trialled are outlined in Box 2.

Box 2: Approaches tested in Community Access to Cash Pilots.

- "Three new local 'banking hubs' in dedicated retail spaces on the high street, which combine the cash-transaction facilities of a Post Office with access to community banking services offered by the key retail banks, allowing the privacy and security people expect in a bank branch
- Speedy and automated local cash deposit facilities for small businesses, so that retailers don't have to close to travel to a nearby town bank branch to deposit their takings
- Existing Post Office branches restructured and refurbished with cash services streamlined to make it easier for local residents and businesses to withdraw and deposit cash quickly and safely.
- Pop-up Post Office services, allowing small communities to access basic banking services over a Post Office counter within an existing small shop
- Widespread 'cashback' from local stores, restaurants and pubs – as well as from PayPoint counters, and new app-based digital services – to widen the options for people to get cash locally, and to help business reduce their own costs of depositing cash
- New, free to use ATMs
- Digital education services to help those who want to access digital banking services."[105]

3.5 Measures to support digital payments

The Government's efforts to protect access to cash are complemented by initiatives to tackle digital exclusion. These include a policy objective to roll out gigabit broadband' nationwide by 2025 – as explained in Commons Library briefing paper on full-fibre broadband in the UK.

[103] LINK ,"£4m in new investment from banks to fund new free-to-use ATMs", 18 December 2019
[104] LINK, "RAF Odiham lands LINK's 100th community ATM", 12 October 2019
[105] Community Access to Cash Pilots [accessed 13 October 2021]

The UK's Digital Strategy also focuses on ensuring that "everyone has the digital skills they need to fully participate in society".[106]

The Government also has a range of policies to support the development of financial technology (or 'FinTech') in the UK, with the ambition of making the country the "global capital of FinTech".[107] This includes regulatory initiatives to encourage innovation, such as the FCA regulatory sandbox, as well as the Inclusive Economy Partnership's efforts on financial inclusion and capability (such as Open Banking for Good and their scale-up programme Boost).[108]

For more information on the UK's policies related to fintech, please see our briefing paper Fintech: a guide to financial technology.

[106] DCMS (2017) 'Policy paper. 2. Digital skills and inclusion - giving everyone access to the digital skills they need'.
[107] EY (2016) 'UK FinTech. On the cutting edge. An evaluation of the international FinTech sector'.
[108] DIT / HM Treasury (2019) 'UK FinTech. State of the nation'.

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