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Keeping cash in the **Community**

Charlie Evans from banking technology market leader NoteMachine, reveals the findings of a detailed commissioned research initiative into the Government's commitment to legislate to protect access to cash and to keep 'Cash in the Community'.

With over 50% of UK bank branches having closed since 2015, making cash and associated banking services less accessible than ever before, cash still underpins the UK economy and is used by over 11 million people daily.

Given the Bank of England's ongoing commitment to physical currency and cash in the high street, and the Government's commitment to legislate to protect access to cash, the need to protect cash is no longer in question. There is still work to do to secure a long-term future for the UK cash network, ensuring access to cash is maintained, with a future model now required.

Continued posturing by the Post Office as an alternative to high street banks in the form of high street 'hubs' replacing closed bank branches, does offer a shred of hope, however the plan could be flawed. The number of branches dwindled from about 25,000 in the mid-1960s to 11,415 in March 2021. According to Citizens Advice, in the past two years over 200 post offices closed for good. A further 1,291 branches closed temporarily, with 80% of those closed for 12 months or more.

84% of branches in the Post Office network are operated by franchise partners or sub postmasters, who are independent businesspeople, and fast retiring. There are an additional 1,700 outreach services (15%), typically smaller part-time branches using a village hall or mobile van to provide post office services to remote communities, with only the remaining 1% of branches actually managed directly by the Post Office. Plans exist to streamline the Post Office, axing up to 6,000 loss-making branches (50% of current stock), turning the Post Office into a John Lewis-style "mutual" company run by the staff.

Consumers still need cash

Cash withdrawals naturally fell due to the restrictions imposed by the lockdown. However, in May 2021 as the UK continued to emerge from lockdown, LINK data showed that cash was still widely used by the UK population, with 44% of people saying they withdrew cash at least once a fortnight, and 62% withdrawing cash each month. By the end of January 2022,

the number of consumers using cash increased to 73%, with this increased usage seen across supermarkets, retailers and services like hairdressers and pubs.

NoteMachine's research shows there is widespread public support for the role of cash in society: 64% think cash is either 'essential' or 'very important' to society as a whole. 49% said it was either 'essential' or 'very important' that cash remains in use for them personally. 53% said that if the UK went cashless, it would be problematic for them. Lower-earners stated that they would be affected in a cashless society – of the 53% that would find it problematic if the UK went cashless, 63% were lower earners (£20,000 and under).

Cost-Of-Living-Crisis

With the rate of inflation continuing to soar, and the cost-of-living crisis beginning to bite, recent ATM activity reflects consumer uncertainty with the average transaction value rising in line with inflation, as people rely on cash as an essential budgeting tool. 37% of respondents in the NoteMachine survey said that they were more likely to use cash as the cost-of-living crisis gets worse. Of these respondents, 47% were lower income earners (£20,000 and under) vs 19% of those earning £50,000 and over.

Many vulnerable people rely on cash

It is well documented that cash is the preferred, and in some cases only, method of payment for a large number of vulnerable people. This includes the elderly, the unbanked, the homeless, those from lower income backgrounds, those in rural communities and those with special educational needs and disabilities. 1.3 million adults do not have a UK bank account. Adults who are digitally excluded are nearly five times more likely to rely on cash to make all their payments. 10% of consumers use cash for most of or all of their daily purchases. 35% of over 55-year-olds thought cash was 'essential' for themselves, vs 20% of under 35-year-olds. 37% saw cash as being crucial for people who don't want to or can't use other payment methods.

Those relying on others to purchase on their behalf

4% of the population rely on other people, such as a carer or family member, to make purchases on their behalf before paying them back in cash. During the first national coronavirus lockdown, according to Which?, one in five people said they were helping someone else with their shopping or to manage their finances, and the majority of these had been repaid in cash.

Those who can't access the internet

In 2022, 92% of adults in the UK were recent internet users, however, this only accounts for 54% of adults aged 75 years and over and 81% of disabled adults. Over two-thirds of UK adults (72%) used online banking and 54% used mobile banking.

Where cash is used

Cash continues to be used as a payment method across the country, with many consumers using it on a regular basis to pay for essential items and services. The research from NoteMachine showed that 89% of people had used cash for one or more of the listed activities in the past few months:

Paying and/or tipping someone	55%
Top up food shop - corner shop	54%
Food or drinks when out (pub/ restaurant)	53%
Giving a donation (homeless person, charity fundraiser etc)	48%
Giving money to a friend (putting money in a birthday card)	49%
Getting a haircut or beauty treatment	45%
Buying newspapers and/or magazines	25%
Paying a taxi fare	25%
Giving pocket money or allowance to a child	23%
Tickets for an activity	17%

Importance of cash to small businesses

It is not only consumers for whom cash is crucial – small businesses often still rely on cash as the cheapest form of processing payments. However, with the number of bank branches rapidly dwindling, many are forced to travel for several miles to deposit cash.



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Case Study

The Association of Convenience Stores (ACS) represents 33,500 local shops and petrol forecourts ranging from large national businesses operating thousands of stores to single-site independent retailers. Convenience stores represent a crucial part of the cash ecosystem, with many offering cashback services, as well as hosting ATMs.

As well as being a key point of cash distribution, convenience stores are examples of small, often family-run, cash-reliant businesses that make up the fabric of the local community. Small-basket purchases form the bulk of convenience store purchases; this, set in context of increases in card processing costs, has meant that cash is often the most economical solution for store owners.

In the polling of 1,210 independent retailers by the ACS, resulted in the following findings:

- 70% provide cashback services
- 49% provide a free-to-use ATM
- 23% provide a pay-to-use ATM
- 95% of the UK's independent convenience stores offer both cash and card payment options
- Before Covid, 4 in 5 shopper baskets in the UK's independent convenience stores were settled with cash, which has now stabilised to 2 in 3 baskets

For further information about how we intend to bring banking back to the community, visit: www.bankhive.co.uk

'I think cash is really important for not excluding people from society, I just don't see how some people will be able to function. It will be utterly immoral to get rid of cash, something will replace it, we will be bartering our fingernails. It will be wrong.'

Quote from NoteMachine survey respondent

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