



The recovery and stabilisation of cash

Challenging the banking industry and card providers narrative on cash



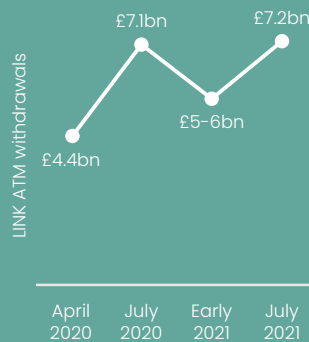
Since the start of the pandemic:

During April 2020, lockdown LINK ATM transactions slumped to a withdrawal value of £4.4bn – despite the pandemic.

But by July 2020 this recovered to £7.1bn and remained stable to year-end, with 1bn LINK ATM withdrawals in 2020.

Additional early 2021 lockdowns caused a fall in the amount withdrawals to around £5-6bn per month – but by July 2021 total withdrawal values rose to £7.2bn – remaining steady ever since.

(Figures LINK scheme)



The UKCSA is committed to promoting payment choice for consumers and businesses and supporting the development of sustainable cash infrastructure to serve communities:

Payment Choice: We believe businesses should be required by law to accept cash payments for in-person services equivalent to the maximum value of contactless transactions.

Universal Cash Facilities: We believe banks and building societies should be required to make use of their current infrastructure to provide both deposit and withdrawal services for customers of any member of the LINK scheme.

Wholesale Cash System: We believe the Bank of England’s attempts to restructure and rationalise wholesale cash have not resulted in real change and banks continue to raise their charges for retail cash deposits, providing a significant disincentive for businesses to accept cash, alongside further bank branch closures. We call for the sharing of deposit-taking hardware in the remaining branches to help alleviate this problem.

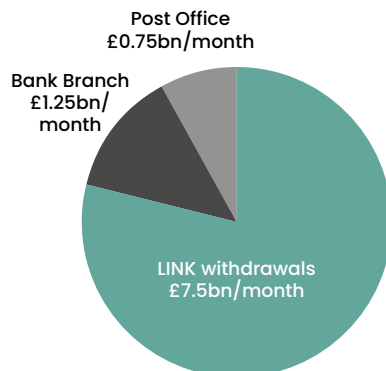
Fair remuneration for ATM operators: We believe the current arrangements for setting interchange fees within the LINK system are unsustainable and pose a systemic threat to the UK ATM network. We call on the FCA to explore alternative options and develop an interchange system which rewards operators fairly for providing this vital service to consumers.

Fresh Thinking: We believe that the UK Government should support innovation in the cash sector, including new operating models and potential alternatives to coin that solves the “change issue” (exacerbated by branch closures) and protect and promote “exact amount” services.

“People don’t use cash any more” – Numbers say otherwise...

Figures for the whole cash market – estimated volumes

- LINK withdrawals: £7.5bn/month is not the whole cash picture* (further additions are estimated at around 20% value on top of LINK volumes and values) in addition to the above withdrawal figure there are also:
- Estimated bank branch counter and ‘on-us’ withdrawals: £1.25bn/month.
- Post Office counter withdrawals over £0.75bn cash/month.
- Total cash withdrawals across the UK market estimated circa £10bn/month = £120bn annually.
- 40 million adults (75% of the population still use cash) = Demand for cash in the UK is still considerable despite claims to the contrary.



*For example, LINK figures do not include transactions ‘on us’ when a bank customer uses their own bank’s ATM, or withdrawals over bank counters and Post Offices.

The reduction in the total number of ATMs is largely due to bank branch closures impacting the widespread availability of cash

Total bank ATMs fell from 22,856 to 20,789 over the below period – equating to a 9% reduction in ATM availability).

LINK ATM numbers (December 2021)	60,662	53,398	Reduction –12%
Value withdrawn £m	9,985m	7,478m	–25%
Volume of withdrawals	204.2m	134.6m	– 34%

Post Office Network

- 11,500 branches, around 4,000 open at weekends.
- Over £3bn/month deposited & withdrawn over PO counters.
- 99.7% of the population live within three miles of a PO.
- During 2021 the PO handled almost £150m cash transactions on behalf of banks and building societies.
- From 1 January 2020–31 December 2021, business and personal customers deposited over £46bn & withdrew over £16bn in cash – further evidence that cash is still an important part of the economy.



Why should cash be protected?

Some examples:

- Freedom of consumer and business payment choice.
- Free of charge to consumers and businesses – retailers have to pay a set-up fee and transaction fee to card providers – with cash, every penny goes to the retailer. Card schemes have a vested interest in promoting the demise of cash and generate income every time a card is used – for example, an income of \$176bn was achieved by credit card companies in 2020 (research firm R.K. Hammer).
- Bank and card providers regularly have IT glitches, preventing customers from using their services online or cards – if you carry cash you can continue to pay for goods and services – whatever happens to IT networks and unlike other payment methods, cash can be used and transacted in any crisis.

Protecting cash in the UK

- Cash continues to be a cornerstone of the UK economy nationwide with the UK public continuing to demand cash in high volumes.
- Demand reduced sharply in the first lockdown, but recovered to a large degree and the new baseline has been sustained.
- Millions of people continue to opt to use cash in settings such as impulse purchases, pocket money, paying for a taxi, or a flutter at the day at the races.
- Cash remains a valid payment choice today and access to withdrawal (and deposit facilities) remains crucial.

Making cash more sustainable

- Post Office now running their own ATM network.
- In-store cashback without purchase legislated in summer 2021 =
 - Cash provision where ATMs can't fit /be justified by volume.
 - Could replace some old and low volume ATMs in the independent sector.
 - Allows 'exact amount' dispensing.
- Multiple Fintechs are exploring how technology can complement and enhance cash provision across the UK, including:
 - Sonect offer app-based cash withdrawals at participating retailers with pre-booking to guarantee cash will be available.
 - Shrap is reducing the need for cumbersome coins through a 'change card' and accompanying app.



Nigel Constable
Chair,
the Cash Supply Alliance

The UK Cash Supply Alliance

Cash champion, the Cash Supply Alliance (CSA), is a not-for-profit organisation leading the fight against a cashless society and was officially launched in 2021.

Representing the cash supply chain, the CSA strongly supports payment choice for business and consumers. It is passionate about identifying innovative solutions and harnessing technology to deliver this goal.

With a steering group that includes representatives from the Post Office; Cennox; Loomis; Clyde&Co; Shrap; TNS; NCR and Pivotal, the CSA is engaged in HMT consultations and lobbies the Government on cash supply, along with Regulators, trade associations and the retail sector.

The CSA is headed up by banking automation expert, Nigel Constable.

"We know that low income, rather than age is the most accurate indicator for cash dependency. Yet for many, it's also about the freedom to use cash, for personal budgeting, or as a desire to avoid card data being captured or monetarised." Nigel Constable, Chair, CSA

Nigel began working in the payments business in 1991 and was a Founding Director and COO, of NoteMachine. He was also Group Operations Director, Moneybox, and represented NoteMachine and Moneybox at LINK for nearly 20 years. As well his position as Chair of the CSA Nigel continues to provide consultancy to a wide range of businesses in the payments sector.