



UK
FINANCE

UK CASH AND CASH MACHINES SUMMARY 2019

September 2019



1. OVERVIEW

1.1 Introduction

Recently, cash has been the subject of great debate in the UK. The use of cash, methods of accessing cash, the distribution of cash around the country; all these subjects have been discussed at length by government, the finance industry and the media. These discussions are happening against the backdrop of a country where the relative importance of cash is declining, with debit cards overtaking cash as the most frequently used payment method in 2017. Whilst we are not at present moving towards a cashless society, there is no doubt that we are moving towards a society where cash is used less than it once was.

UK Cash & Cash Machines 2019 presents the latest data on who is using cash and what they are using it for. It also provides detailed information about the UK's cash machines, how they are used, and how this market is changing over time.

Most of this report presents factual measurements of cash-related behaviour in the UK, as well as providing an objective view of why the changes that we see are taking place. Boxes within this report comment on recent initiatives within the UK, such as the Access to Cash review, work on the future of ATMs and the future of wholesale cash distribution in the UK. Finally, some comparisons are drawn between cash in the UK and the experience of other countries, both in Europe and around the world.



28%

Cash payments represented 28% of all payments in 2018

1.2 Spending our cash

Cash payments have been declining in the UK for many years. This trend continued in 2018, with cash payments falling by 16% to 10.9 billion payments. As cash payments declined debit card payments continued to grow. Debit cards overtook cash as the most frequently used payment method in 2017 and their use increased again in 2018. Despite the decline in cash payments, cash remained the second most frequently used payment method and is highly valued for its familiarity and wide acceptance.

The total volume of payments made by consumers and businesses in the UK has continued to decline over the last decade. Between 2010 and 2012 cash payments did stabilise somewhat; however, since this time cash payment volumes have returned to their longer-term declining trend. A number of factors have contributed to this trend, such as increased use of other payment methods, in particular debit cards. The significant growth in contactless card payments over the past few years has led to increased migration away from cash to card payments.

Chart 1.1 Volume of cash payments



Cash is accepted by most retailers and consumer-facing businesses. While more businesses are beginning to accept only card payments, the overwhelming majority still accept cash and are likely to do so for the foreseeable future.

Cash payments are predominantly made for spontaneous purposes. Just under a third (31%) of all consumer payments were made with cash in 2018. Whilst cash use for spontaneous payments has fallen over the last year, it is still widely used in certain sectors. These include retail, travel and entertainment sectors, where purchases might not be planned far in advance, with cash transactions in these sectors alone accounting

for 94% of all cash payments. Many cash payments are for low-value transactions, with over half (57%) of cash payments being for a value of £5 or less and 78% being for £10 or less. This also suggests that cash is highly valued for convenience-type purchases and is used less for high-value purchases.

Whilst many consumers take a 'pick n mix' approach to making payments, there are still a portion of consumers who use only cash. This may be due to these consumers having less access to credit as well as preferring to budget and pay bills by cash.

Cash payments under a £1 have more than halved over the last decade. This can be partly attributed to inflation, however the biggest effect is consumers being more willing to pay for these low-value transactions using debit cards. This trend has been accelerated through the continuing rollout and growth of contactless payments, with many of these payments being low value transactions. The average contactless debit card transaction value stood at £9.64 at the end of 2018.

Businesses make cash payments far less frequently than consumers. As a result, a very small fraction of total cash payments are made by businesses. Businesses also make relatively few cash machine withdrawals, with many businesses having more formalised approaches to cash management, and many consumer-facing businesses recycling any cash they receive from customers to pay suppliers. In 2018 cash machine withdrawals by businesses totalled 22 million and were worth £3.1 billion. This is 15% and 30% lower respectively than the previous year's figures.

Average value of a consumer payment using cash in 2018

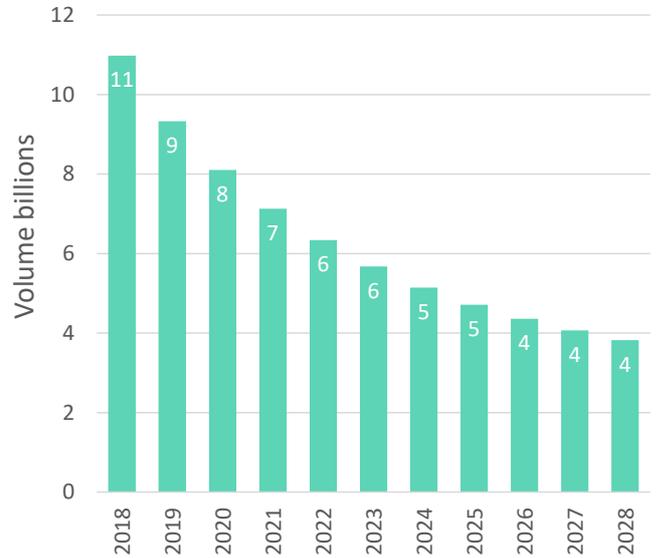


£13.56

Over the next decade the number of cash payments is forecast to continue to decline. A number of factors will contribute to this decline.

The main factor contributing to falling cash payments will be the continuing growth of contactless payments. This migration will continue as more people have contactless cards, and they use those cards more frequently. Greater card acceptance by small businesses and sole traders, as well as an increasing number of contactless terminals, has also contributed to the migration away from cash. On top of contactless card payments, over the past few years a number of contactless mobile payment services have entered the market, such as Apple Pay and Google Pay. As mobile payments are still relatively new to the market it is difficult to predict the rate at which this new payment method may result in further migration away from cash. At present, it is likely that a significant proportion of payments made using these services would otherwise have been made using contactless cards, rather than cash.

Chart 1.2 Forecast cash payment volumes



Decline in cash payment volumes will also come from innovation in alternative payment methods for consumers where they may otherwise make a cash payment. Generally, as alternative methods of making low-value payments are introduced, and as consumers and businesses become more comfortable with using them, the volume of cash payments is likely to be slowly eroded.

The continued rollout of Universal Credit (UC) will also impact on future cash projections. Moving to UC changes benefit recipients' cashflow situation. For example, benefit recipients become responsible for paying their own rent, rather than housing benefit being paid directly from the government to their landlord, as would usually be the case prior to them moving to UC. Further, a whole household's benefits are paid once a month to an individual representative of the household under UC, rather than different benefits being paid separately to individuals within that household under the previous system.

It is difficult to predict how benefit recipients will react in terms of the methods they use to manage their changing budgets. For example, recipients may choose to manage their budgets in cash and make most payments this way. On the other hand, as they receive payments directly into their accounts, they may start to use electronic payment methods more and reduce their reliance on cash. As the rollout of UC continues, we will monitor the budgeting behaviour of benefit recipients.

As a result of all the changes above, there are forecast to be 3.8 billion cash payments in 2028. This would represent a fall of 65% compared to 2018, however cash would still be used for nearly one in ten payments.

Cash as % of total volume of payments



1.3 Cash machines

At the end of 2018 there were 63,360 cash machines in the UK. This was a decline of 9% compared to the previous year. The total volume of cash machine withdrawals declined by 7% to 2.4 billion while the value withdrawn declined by 6% to £193 billion.

Whilst total cash machine numbers fell the proportion of free-to-use machines increased from 79% in 2017 to 83% in 2018. There were 52,358 free-to-use machines at the end of 2018 and 11,002 pay-to-use machines. Free-to-use machines accounted for 98% of cash withdrawals by both volume and value.

There was a decline in both bank and building society (BBS) owned machines as well as those owned by independent ATM deployers (IADs) in 2019. The total number of BBS machines fell by 5% with IADs falling by 12%. This larger decline in the IAD market can be attributed to consolidation between some of the larger operators. Despite this decline IADs still accounted for more than half of cash machines in the UK, with 57% of all machines compared to 43% for BBS.

In 2018 the largest number, 21,422 or 46% of off-site machines were located in the convenience sector. When combined with supermarkets and retail outlets, the 'convenience' category accounted for 70% of the total number of off-site machines.

Bank and building society branches hosted 16,370 machines. The vast majority of these 'on-site' cash machines are owned by BBS, which account for 97% of the total number of on-site machines. IADs have most of their machines at off-site locations accounting for 77% of all off-site machines.

'Not-on-us' transactions are cash machine withdrawals where the card issuer differs from the company operating the cash machine. The vast majority of not-on-us transactions are processed through LINK. These have grown over time mainly driven by consumers withdrawing cash from their closest cash machine, wherever they find them, regardless of whether the owners of these machines are their own banks. The volume of not-on-us withdrawals declined 5% in 2018 to 2.0 billion and accounted for 84% of the total volume of cash machine withdrawals.

Another trend is for staff at branches to encourage visiting customers to use cash machines where possible, freeing time for branch counter staff to concentrate on more complex bank interactions. In addition to cash withdrawals there are a range of other services available at cash machines. Many of the existing services assist with the maintenance of a customer's bank account and the payment of bills. Some cash machines provide options for topping up mobile phones and electronic wallets and making charitable donations, as well as options to withdraw foreign currency. There are also innovations to enhance the experience of customers with disabilities – 'talking' cash machines being the most notable example.

The availability of cash machines to withdraw cash is also of importance to consumers. Cash machines may go out of service for many reasons, including running out of cash or experiencing technical difficulties. During the course of 2018, cash machines were on average available for use 95% of the time. Cash machine availability was unchanged compared to the previous year, with outages accounting for a small proportion, 5%.



98%

Free-to-use cash machines accounted for 98% of cash withdrawals by volume and value in 2018

1.4 Other ways of getting cash

There are a number of other methods that account holders can use to withdraw cash. They include debit card cashback, card withdrawals at counters, cheque encashment and withdrawal via passbook.

Debit card cashback was the most used of these other methods for acquiring cash in 2018. This is whereby consumers can acquire cash using a 'cashback' facility at a retailer's point-of-sale terminal using their debit card. The major supermarket chains are the most well-known retailers which offer this service. In 2018 there were 150 million cashback transactions used to obtain a total of £4.3 billion. Both of these figures were lower than the previous year and this can be attributed to the overall decline in cash use as well as many retailers no longer actively asking customers if they require this service at the till. Many larger retailers are also encouraging the use of on-site cash machines as an alternative to using cashback.

Account holders can also acquire cash over the branch counters of their bank or building society. This may be achieved by cashing a cheque, showing their debit card or using a passbook to make a withdrawal. Over 11,500 Post Office branches can also be used to withdraw cash over the counter. Account holders who withdraw cash this way tend to be those who prefer withdrawing cash indoors, rather than at an on-street ATM (often due to security concerns about obtaining cash in a public space), as well those who prefer to deal face-to-face with a cashier rather than using a machine.

The value of cash withdrawn may also have an impact on the withdrawal method used. Many cash machine withdrawals are typically subject to maximum withdrawal limits. As such some may choose to withdraw cash over a counter in order to acquire higher values. This is reflected in the average value of cash withdrawn over a counter being significantly higher than that from a cash machine, at £275 compared to £72. There was a total of 55 million withdrawals over a branch counter in 2018, amounting to £14.8 billion.

Withdrawing cash over the counter is used much less than it was a decade ago. Of the over the counter methods cheque encashment has seen the steepest decline, reflecting the broader trend in declining cheque use since 1990. Passbooks have also declined, albeit at a slower rate. This reflects the fact that passbooks are generally issued for savings accounts rather than current accounts, withdrawals from which are likely to be only occasional. The 55 million withdrawals made over a branch counter in 2018 represented a 4% reduction compared to the previous year, and resulted in a total of counter withdrawals that was only 36% of the amount made a decade previously in 2008 (154 million).

These other methods of acquiring cash are expected to continue to be available as an alternative to making cash machine withdrawals. However, use of these alternative methods is expected to decline as the use of cash falls. There are forecast to be 111 million withdrawals using these alternative methods of cash acquisition in 2028. The main alternative to withdrawing cash from a cash machine will remain debit card cashback, which will account for three-fifths of this total using other methods.

Number of consumer withdrawals of cash via different methods in 2018



2,420 million

Cash machine withdrawals



150 million

Debit card cashback



55 million

Counter withdrawals

KEY STATISTICS 2018

- There were 11.0 billion cash payments in the UK in 2018, a fall of 16% from 2017
- After debit cards, cash was the second most frequently used payment method in the UK in 2018
- 50 million people used cash machines in 2018 with 87% of cash machine users withdrawing cash from them at least once a month
- There were 2,420 million cash withdrawals at cash machines in 2018, 7% less than in 2017. The total value withdrawn was £173 billion, down by 8%
- Cash machines are by far the most common method of acquiring cash accounting for 86% of all cash acquired in 2018
- There were 209 million transactions acquiring cash using methods other than cash machines, such as debit card cashback, withdrawals at counters using cards, passbooks and cheque encashment. This was a decline of 19% compared to the previous year
- The volume of cash machine withdrawals in 2018 is down by 17% from its peak in 2012
- There were 63,360 ATMs in the UK at the end of 2018, down from 69,603 at the end of 2017
- At the end of 2018, free-to-use cash machines accounted for 83% of all cash machines in the UK but over 98% of all cash machine withdrawals (in volume and value)
- In 2018 there were 46,990 ATMs located off-site (not at a bank or building society branch)
- 1.9 million consumers mainly used cash, 5.4 million rarely used cash
- Cash payments are forecast to decline to 3.8 billion in 2028, accounting for fewer than one in ten (9%) of all payments in the UK
- Whilst withdrawal volumes are forecast to decline to 1.2 billion in 2028, cash machines are expected to continue to be the main way cash is acquired. Other transactions used to acquire cash are expected to decline to 111 million in 2028
- 57% of cash machines in the UK were provided by independent ATM deployers (IADs) rather than banks and building societies

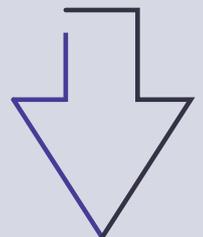


28%

Cash was used to make 28% of all payments (by volume) in the UK in 2018

The number of cash payments in the UK fell

16%
in 2018



98%

of all withdrawals (by volume and value) were at free-to-use cash machines

This summary document presents key findings from the UK Finance report "UK Cash & Cash Machines 2019".

The full report is available free of charge for members of UK Finance. It is also available for purchase by non-members.

More details can be found at:

ukfinance.org.uk