



# WATCHING OUR PENNIES:

How consumers feel about cash

October 2022



In July/August 2022, UK Finance commissioned Ipsos MORI to undertake some qualitative research on cash, looking in particular at how people feel about their cash and their experiences using it. This report highlights some of the key themes from the resulting data.

## EXECUTIVE SUMMARY

The research confirms our understanding of some of the data points around cash use in the UK – overall very few people never use cash, but there is a strong preference for other payment methods. This is in line with the view that we are moving to a ‘less cash’, not ‘cashless’ society. Within that statistic is a shift in behaviour with more people using cash at less frequent intervals than before.

- The research also sought to understand how people feel about using notes and coin and how this impacts on what happens to it.
- The research showed that most people still try to spend loose change that they receive; however, a significant number just dispose of their coins in drawers or jars, or even throw it away. This is particularly true for lower denominations. Almost half of bronze coins are left in a drawer, followed by a third of 5/10p coins. People often don't mind what coins they get as change, as long as they don't get too many coins.
- This may be contributing to the rise in people who say they have some cash stored at home.
- When it comes to being paid back for an expense, the majority want to be paid back by electronic means.

Meanwhile, UK Finance data on coin stocks and orders shows that the working stock of coin in the UK is being replaced on average around every three years, and that the amount of ‘circulating coin’ is much lower than the total value of new coins that have been issued into circulation.

Taken together, this research and our own UK Finance wholesale cash data demonstrate that cash is still important to a significant minority of consumers. However, there could be value in thinking about ways that we can work the existing coin stocks more effectively, given they are a cost to the public purse.

## INTRODUCTION

During the Covid-19 pandemic, the use of cash in the UK underwent a well-documented and substantial downward shift, dropping by around 35 per cent in 2020. In 2021, the rate of decline slowed and 2022 has so far been almost flat compared with 2021 (while the underlying patterns of cash withdrawals and wholesale cash movements have mapped very closely to that of 2019).

While some recent data suggests that around ten per cent of people may be using more cash as a means of budgeting through the so called ‘cost-of-living’ crisis, it is difficult to know how this lever will play out overall against consumers’ more general confidence with digital payments

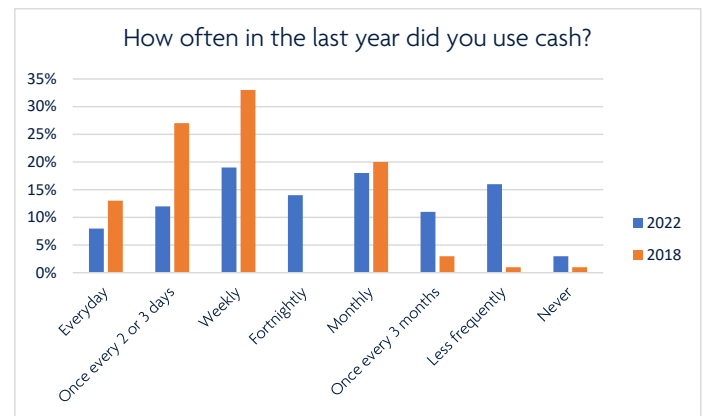
and budgeting. On balance, therefore, it looks as though the remainder of this year and potentially early 2023 will remain fairly flat in volume terms. After this we expect that we may see a return to the gradual structural decline of cash that existed prior to the pandemic.

## CASH STILL FAVOURED BY THOSE AT EITHER END OF THE AGE SPECTRUM

The research shows the profile of cash use has changed since the pandemic. In 2021, around 60 per cent of people were using cash infrequently (i.e. less often than monthly).

This high figure is likely caused by the fact that during the pandemic people were often encouraged to use cards and other non-cash means of payment for retail point-of-sale purchases. In 2022, this has dropped to 30 per cent. So since the pandemic ended, people are using cash a bit more frequently again. However, when we compare 2018 with 2022, it shows the biggest change appears to be within the cohorts that were using cash every few days to a week. The numbers using cash every two to three days has dropped from around one in four to around one in ten.<sup>1</sup> This may suggest a longer-term behavioural shift as people still use cash but much less frequently than before. Overall, there are very few people who never use cash, but there's a strong preference among many for other payment methods.

Meanwhile, the ages of those preferring to use cash more frequently is still split between the very young and the more mature segments. This perhaps aligns well with the reasons that people state for preferring cash – for budgeting or because they feel safer.



## CHANGING PREFERENCES FOR PAYING AND BEING PAID

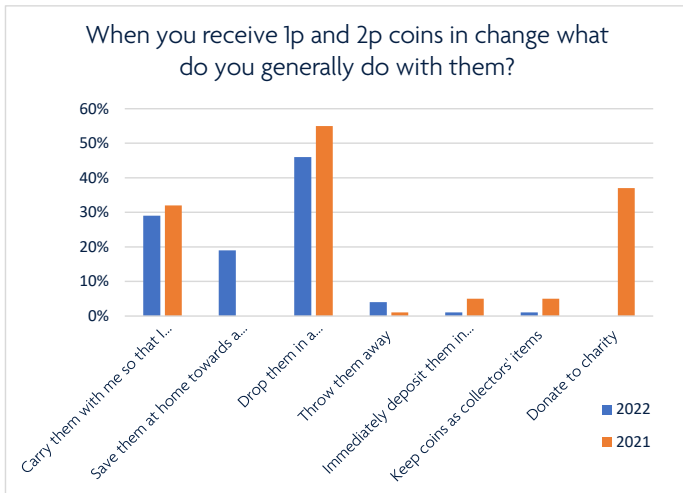
During the pandemic one of the issues that arose for a number of those who preferred to use cash was that some retailers were not accepting cash. For others, hygiene concerns about cash (subsequently disproved) meant they used it less frequently. In 2022, the data shows that around a third of people have experienced a refusal to accept cash still.

When it comes to the future, a quarter of respondents to the survey said that they want to use less cash, but 40 per cent want to stay the same and 25 per cent don't have a preference.

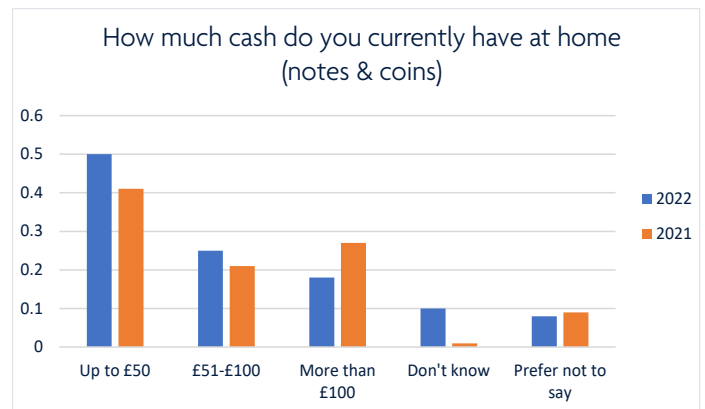
When people are owed money, for example £20, most people in the survey would prefer to be paid back via a transfer to their bank account (44 per cent), with 23 per cent wanting to be paid back in cash. When it comes to smaller sums and loose change, it seems that people are keen not to receive lots of coins. There is a marked preference for higher denomination coins as opposed to bronze – the exception here is for the £2 coin, which is less

popular than the £1 coin. This sentiment was more or less the same across the regions and social levels.

This feeling towards the lower denomination coins is reflected in the different things people do with them once they have them. Less than a third of people carry their bronze around with them to spend, and less than half of people carry 5p and 10p to spend. Many people seem to drop these coins into a drawer or pot and largely forget about them. Indeed, some people still report simply throwing their bronze coins away.



In terms of money kept at home, our 2021 survey data showed that around two thirds of people kept some cash at home. This year that figure is up to 90 per cent (with the mean value at £113.82). This striking figure may be as a result of several factors. One suggestion is that as we head into a tougher economic climate, people may be more aware of any small amounts they have put aside (i.e. they were more likely to remember that they had cash at home when answering the survey). Another suggestion is that as people use alternative payment methods more, they make more of a deliberate decision to keep some cash at home 'just in case'. Finally, more people may have cash at home 'by accident' if they regularly store it in a jar or drawer rather than spend it.



## A PROBLEM FOR THE CASH CYCLE?

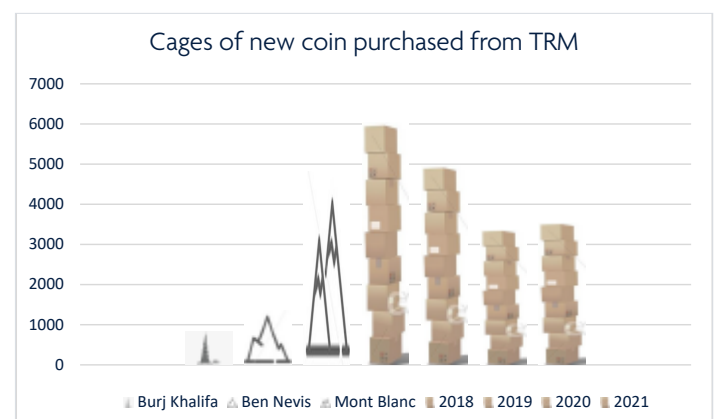
The approach that people take to their loose change, of simply storing it or throwing it away, combined with an increased tendency to store some money at home rather than keeping it in circulation, may be exacerbating existing challenges to the cash ecosystem.

At the start of 2019 there was just over £341 million in coin stocks held by wholesale cash centres.

Between 2019 and July 2022, £355 million in new coin was drawn from The Royal Mint (TRM). At the start of 2022 there was £276 million in stock. This is just over the course of three years and demonstrates a trend around the use of coin, with much of it being sent into circulation and never coming back again. While some of this may be, for example, commemorative coin, that cannot account for the full amount.

In and of itself this does not demonstrate a broken coin system, indeed we have traditionally needed new coin from TRM every year. However, it may speak to a longer-term challenge with the efficient circulation of coin, which ultimately comes at a cost to the British taxpayer.

As consumer attitudes to cash gradually change over the coming decades, it may be helpful to continue to collect data on how coin especially is treated and used. This will help to develop a longer-term strategic view around coin that can help to keep it efficient, sustainable and resilient for the nation.



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