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This is a summary of UK Cash & Cash Machines 2015, which presents information on how and where we obtain cash for daily use, as well as forecasts covering the next ten years. A full copy of UK Cash & Cash Machines 2015 can be purchased through [press@paymentsuk.org.uk](mailto:press@paymentsuk.org.uk)

## Cash is still the primary payment mechanism in the UK

Cash remains the most commonly used payment mechanism in the UK. It is highly valued by consumers from all walks of life for its familiarity, wide acceptance and speed of transaction. During 2014 over 18 billion payments were made in cash, accounting for 48% of all payments made in the UK, worth around £250 billion.

Consumers continued to use cash for more than half of all transactions, with cash accounting for 53% of the volume of payments made by consumers in 2014. This was reflected by the number of cash machines, which continued to expand during the year, bringing the total number of machines to nearly 70,000. The number of people using cash machines also grew, with around 91% of consumers now withdrawing cash from ATMs at least once a month.



53% of all payments made by consumers



5% of all payments made by businesses

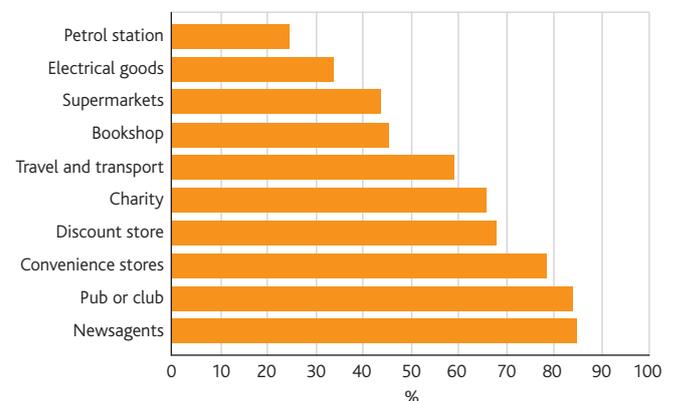
## Spending our cash

There were just over 18 billion cash payments in 2014. Cash was used by consumers for 53% of transactions

Excluding business cash payments reveals the importance of cash to consumers, who accounted for 99% of the 18 billion cash payments made in the UK in 2014. A majority of these payments were within the retail, travel and entertainment sectors, reflecting a need for convenience and speed of service, as well as a continuing presence of businesses that prefer to be paid in cash.

**Chart 1**

Percentage of all consumer payments in selected sectors made using cash by volume, 2014



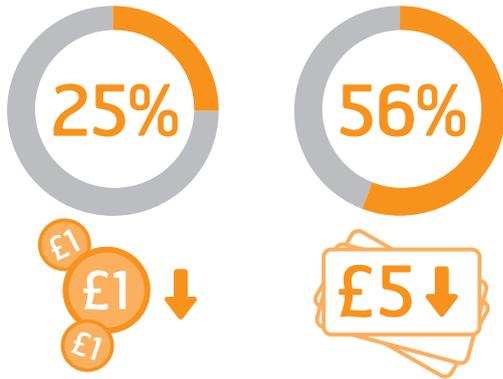
The number of payments made for under £1 has fallen by over 50% in the last 10 years

This can be attributed to inflation and to changing preferences. Telephone boxes, newspapers and parking meters were large sources of payments under £1 ten years ago, but rising prices, alongside an increase in the adoption of mobile phones, internet news sources and card payments for low-value purchases have seen this fall.

MAY 2015

# UK Cash & Cash Machines SUMMARY

25% of all cash payments by consumers were for a value of £1 or less, which increases to 56% for £5 or less

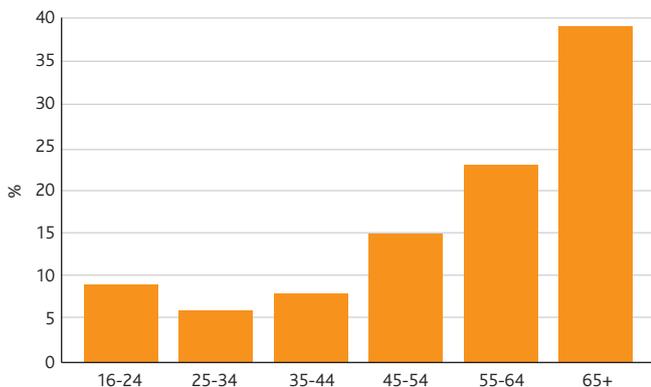


In 2014 1.6 million consumers predominantly used cash, representing 3.1% of all adults. In contrast, 2.3 million consumers rarely used cash, representing 4.4% of all adults

Of the 1.6 million consumers who rely predominantly on cash to make their day-to-day payments, nearly 40% are aged 65 or over. Younger people are far less likely to rely on cash in this way, perhaps reflecting the fact that generally they tend to be more comfortable with electronic payment methods. Indeed, people under 35 years of age account for over half of the 2.3 million who rarely use cash.

### Chart 2

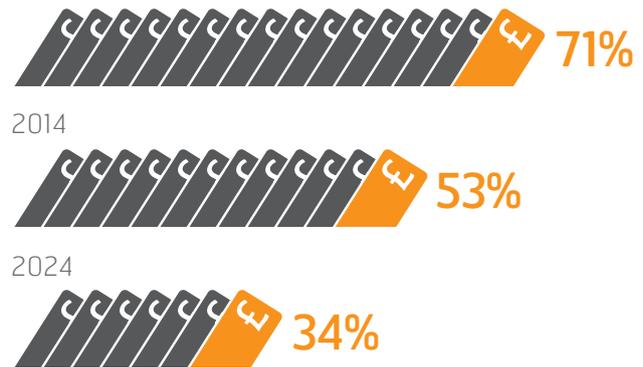
Consumers reliant on cash, by age, 2014



Cash volumes are forecast to fall by 30% over the next ten years. Values will decline at a slower rate, falling in nominal terms from £253 billion to £245 billion

A number of factors are expected to contribute to this decline in the volume of cash payments, most notably a migration to debit cards, reinforced by an increase in the usage and awareness of contactless payments. Mobile payment services such as Paym may also provide an alternative for consumers and businesses to make small value payments that were previously made using cash.

Proportion of consumer payments in the UK paid using cash 2004



## Cash acquisition using cash machines

Approximately 70,000 cash machines have been deployed, which were used by almost 47 million people in 2014

The number of cash machines continued to grow during the year, a reflection of the integral role cash plays in the modern economy and daily life of individuals - 47 million adults used a cash machine in 2014. This growth comes despite potential cash displacement innovations which are gaining traction amongst consumers and merchants. It is also likely the industry expanded as part of the economic recovery.

91% of consumers withdraw cash from ATMs at least once a month



### The number of cash machines owned by independent ATM deployers (IAD) surpassed, for the first time, those owned by banks and building societies (BBS)

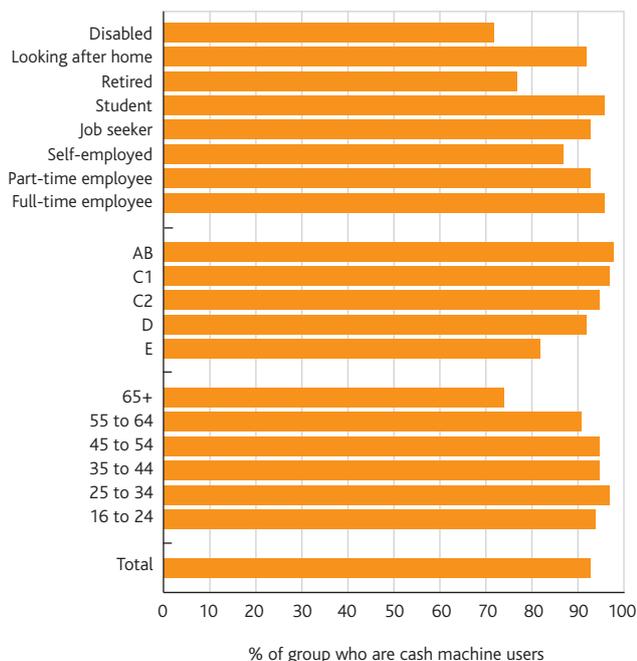
Independent deployers have been driving the expansion in the industry in recent years, in some cases acquiring remote estates owned by banks and building societies, while also deploying machines at new locations at convenience stores and corner shops. The number of IAD machines increased by 6.8% to 35,531 during the year, in contrast to BBS machines which declined by 2.4% to 33,851.

### The number of free-to-use machines reached a record 50,506 following a rise of 5.2% in 2014, surpassing the milestone of 50,000 for the first time

Employment of more efficient cash cycle management has been one of the factors driving the IAD migration towards the free-to-use business model. This trend continued into 2014 with the number of pay-to-use machines decreasing by 5.4% to a record low of 18,876.

**Chart 3**

Cash machine users, 2014



### Cash machines were used 2.8 billion times to withdraw £189 billion in 2014

In recent years customers have increasingly opted for convenience in their choices relating to cash machine usage, with a rising number using cash machines wherever they find them. This behaviour is more prevalent amongst the younger generation. These types of transactions are termed 'not-on-us' and are routed via the LINK network. As such, LINK's share of total cash machine transactions continued to grow, and in 2014 accounted for 75% of the total number of withdrawals (2.1 billion) and 71% of the value withdrawn (£134 billion).

### Suggest a Site programme

This is a feature hosted on the LINK website, which enables consumers and potential new site owners or proprietors to suggest new locations for cash machines. Suggestions can also be made relating to the dispense of £5 notes and for improving customer security. The feature remains popular with around 20 new suggestions received each month. The LINK website also provides a range of tools to help communities and policy makers assess local cash machine provision across the UK including an interactive mapping tool<sup>1</sup>.



#### Notable innovations at cash machines:

- Charitable donations
- 'Talking' cash machines
- Electronic wallet top up facility
- Electronic banking verification facility

### Cash acquisition using other methods

#### £33 billion was withdrawn using other methods

Account holders can also withdraw cash from their accounts using a number of other methods. These include debit card cashback, card withdrawals at counters, cheque encashment and passbooks. The largest volume of withdrawals using one of these methods is by debit card cashback, which is offered by some retailers. Withdrawals over the counter tend to be made by customers withdrawing larger amounts or those who have a preference for face-to-face transactions - however, cheque encashment and passbooks are now used less frequently. The decline has been steepest in cheque encashment, reflecting the broader trend in the declining use of cheques. Passbooks tend to be issued for savings accounts that have been open for many years and passbook withdrawal volumes have been broadly steady over the last few years.

MAY 2015

# UK Cash & Cash Machines SUMMARY



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Average value of a cash withdrawal:

Debit card cashback

Counter withdrawal using cards

£25

£266

ATM withdrawal

Cheque encashment

Passbook withdrawal

£67

£208

£221

## Industry developments

### LINK's Financial Inclusion Programme

In 2014 LINK commissioned Toynbee Hall to undertake market research<sup>2</sup> relating to universal access to free-to-use cash machines. With 86% of the population living within 1 km of a free-to-use machine, the key research objective was to identify whether this was an appropriate distance for all circumstances. The key recommendation was for the incorporation of 957 new output areas into the existing LINK Financial Inclusion Programme, which has now been done.

LINK is also continuing to develop the programme, which subsidises free-to-use cash machines in deprived areas which have had difficulties accessing cash. Over 950 cash machines are now part of the programme.

### Cash Services strategic review

In 2014 members of Cash Services undertook a strategic review of the wholesale landscape, recognising that cash payment volumes would decline due to the ongoing migration to card based payments and the emergence of mobile payment systems.

The group has three strategic priorities:

- Understanding the impact of cash no longer being the first choice payment mechanism
- Developing a new model to support circulating cash
- Supporting opportunities to increase efficiency

Further work will commence to understand the impact on the retail landscape.

## Polymer notes

The Bank of England plans to issue the next £5 and £10 notes using polymer<sup>3</sup> material. Polymer notes are already in circulation in over forty countries and research has shown they stay cleaner for longer, are more difficult to counterfeit and are more durable compared to paper based notes. The first Bank of England £5 banknote will be issued in 2016, followed by the £10 banknote in 2017. LINK and its Members are already working on the detailed plans to manage the roll out of the notes through the cash machine network. That said, Clydesdale Bank issued the first polymer banknotes in the UK, issuing a new £5 note in March 2015, to mark the 125th anniversary of the opening of the Forth Bridge.

## New £1 coin

In the Budget of 2014, the Chancellor of the Exchequer announced that HM Treasury would be introducing a new £1 coin. Following a public competition, the winning design<sup>4</sup> for the 'tails' of the coin was announced in the Budget of 2015. The final design features four emblems representing each of the nations of the United Kingdom, emerging from a single stem crown. The Royal Mint is working closely with key industry stakeholders on the addition of anti-counterfeiting technology so that the coins can be more secure across the whole cash cycle. The new coin will enter circulation in 2017.

## Local recycling

In July 2013 a voluntary code was introduced that requires Bank of England notes dispensed by customer operated cash dispensers to be authenticated by machines which have passed the Bank of England's Framework for the Testing of Automatic Banknote Handling Machines. The machine-authentication can be done by a bulk supplier (including under Note Circulation Scheme<sup>5</sup> rules) or locally, where notes are recycled. The Code, which is supported by LINK and the British Retail Consortium, is being implemented in stages, depending on the volume of cash transactions per month. A Review of the Code<sup>6</sup> and its implementation was published in April 2015.

The cycle of cash paid in by customers to banks/supermarkets, who use this cash to fill their cash machines, which is then withdrawn by other customers.



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<sup>1</sup> [http://www.link.co.uk/Financial\\_Inclusion/Pages/FinancialInclusion.aspx](http://www.link.co.uk/Financial_Inclusion/Pages/FinancialInclusion.aspx)

<sup>2</sup> [http://www.link.co.uk/SiteCollectionDocuments/Toynbee\\_Hall\\_Executive\\_Summary.pdf](http://www.link.co.uk/SiteCollectionDocuments/Toynbee_Hall_Executive_Summary.pdf)

<sup>3</sup> <http://www.bankofengland.co.uk/banknotes/polymer/Pages/default.aspx>

<sup>4</sup> <http://www.royalmint.com/newonepoundcoin>

<sup>5</sup> <http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/qb100405.pdf>

<sup>6</sup> <http://www.bankofengland.co.uk/publications/Pages/news/2015/048.aspx>