

Cash in the UK 2020

Decline but not as we know it

Summary



Executive summary



In 2020, a third of people (34%) said they made fewer payments as Covid-19 and lockdown caused a significant change in consumer spending behaviour. When they did make payments for day-to-day transactions, they used a mix of options and while debit cards reigned supreme, many relied on cash. One-in-ten (12%) used a debit card everyday and under half (44%) used it more than once a week. However, cash remained important for the day-to-day spending of over a fifth of people.

According to our analysis, 11.6 million people (22% of the adult population) used cash more than once a week to purchase day-to-day items. Of this, 2.6 million people used it everyday, 2.6 million people used it 4-6 days a week and 6.3 million 2-3 days a week. We call this group 'frequent cash users' - they are more likely to be older, earn under £25k a year, and live in Northern Ireland, the North East and North West of England.

Overall, we estimate that around 3.4bn cash transactions took place in 2020, much lower than the 6.2bn we were expecting and the 7.2bn made in 2019, caused by a combination of fewer opportunities to make payments and an acceleration of the migration from cash to cards, both direct impacts to Covid-19. While cash transactions may slightly increase over the next few years as the economy recovers, we expect the number to slowly fall to around 2bn by the end of the decade. The decline of cash may have become more pronounced due to Covid-19 but its use is becoming much more concentrated.

However, despite the change in payment behaviour, people think that payment choice when shopping is very important and most people think that the cashless society is happening too quickly. 86% of people think that shops should offer a wide range of payment options, including cash, and seven-in-ten (69%) think that the move towards a cashless society is happening too fast and could leave some people behind who are not used to card or digital payments.

Introduction

Covid-19 has had an unprecedented effect on people's lives. Analysing this through the lense of consumer payments, the lockdown measures have had a colossal impact on the majority of businesses as they were forced to shut and people remained indoors in an effort to fight the virus.

These measures suppressed normal behaviour and, as a result, suppressed normal spending patterns: people made fewer payments as there were significantly fewer opportunities to buy clothes, a coffee or sandwich, visit the cinema or pub, or socialise with friends and family. According to our research, in comparison to pre-lockdown, two fifths (41%) of people said they are doing more online shopping but a third (34%) said they are making fewer day-to-day transactions will all methods of payment.

The vast majority of consumer payments are day-to-day transactions. They are the heartbeat of the economy, keeping UK businesses and the high street alive. The significant impact of the pandemic on this type of spending can be seen by looking at Bank of England's [CHAPS data](#), which shows that in the week to 14 January 2021, aggregate UK debit and credit card purchases were 35% below the previous average for February 2020.



Cash 2020

What started as another year of predictable steady decline, as some people replaced their few remaining weekly or monthly cash transactions with a digital alternative, ended with the future of cash taking an unexpected turn. Cash is still declining but not in the way we expected.

2020 represented a step change in the total volume of cash transactions. We estimate that around 3.4bn cash transactions took place in 2020, much lower than the 6.2bn we were expecting and the 7.2bn made in 2019. This drop has been caused by a combination of fewer opportunities to make payments and an acceleration of the migration from cash to cards, both direct impacts of Covid-19.

This reduction pushes cash much further along its journey of decline. Taking the forecast from UK Finance as a guide, combined with our analysis, cash was used in 2020 at the level expected towards the end of the decade.

However, while the total volume might be low, our analysis shows that a significant segment of society used cash for day-to-day spending (11.6 million, over a fifth of the UK adult population). The decline of cash may have become more pronounced due to Covid-19 but its use is becoming much more concentrated.



Looking ahead

A slow return of normal spending activity will likely result in an increase in the number of cash transactions in 2021 and 2022. However, it seems unlikely that the majority of frequent cash users will change their behaviour at the pace many of their fellow citizens displayed in 2020.

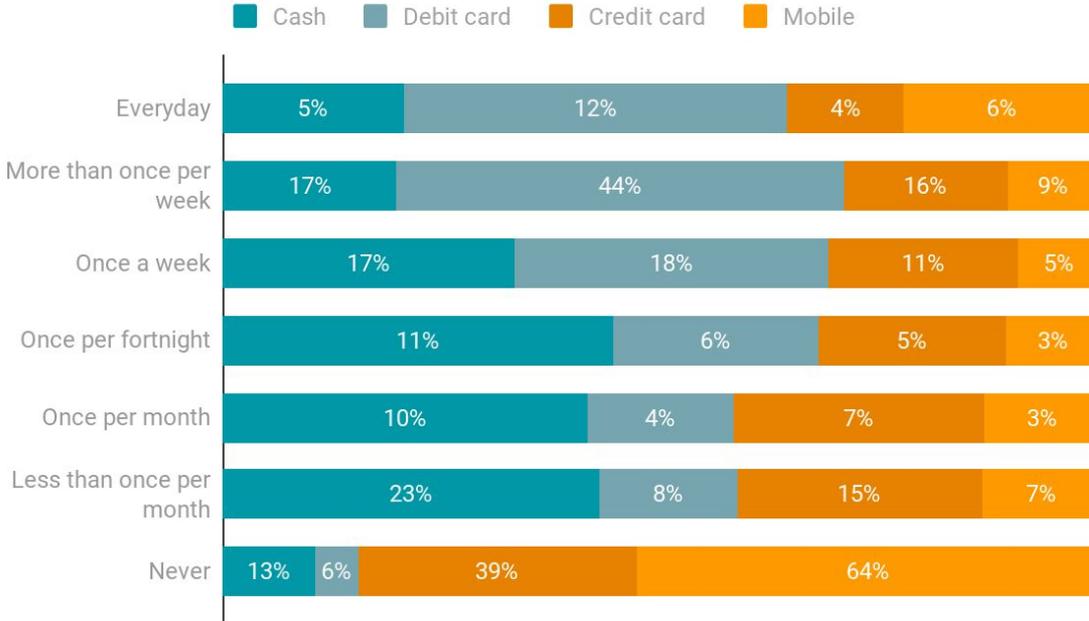
For this group their reasons for using cash are more entrenched and they may lack the confidence and digital capability to manage their finances in a different way. With the UK entering harsh economic times, using cash as a budgeting tool may prove an invaluable ally for individuals and families (as it did during the financial crisis in 2008/2009).

Taking this into account, we believe that rather than talking about the decline of cash, the remainder of the decade may be more appropriately viewed as the concentration of cash in certain pockets of society that aren't yet ready to move to digital payments.

By 2030, it could be the case that cash remains at a level of use slightly lower than 2020 but the gap between the cash and non-cash user is significantly greater.



Use of payment methods



In a year where spending took an unexpected turn, we can see from our research that consumers used a mix of payment methods to make day-to-day transactions.

While debit cards reigned supreme, many relied on cash.

Note - 'don't know' or 'can't recall' have not been included.

This research explores payment behaviour for purchasing day-to-day items - payments made for high street goods that support our daily lives. These include groceries, public transport, newsagents, restaurants, pubs, cinemas and more. Day-to-day transactions are the heartbeat of the economy and have been the focus of our research.

Use of cash

We have created three categories of cash user to provide a picture of cash use in the UK:

1. Those that **frequently use cash** to pay for day-to-day items (every day or more often than once a week)
2. Those that **regularly use cash** to pay for day-to-day items (once a week or once a fortnight)
3. Those that **rarely use cash** to pay for day-to-day items (once a month, less than once a month or never).

Using the results of our research, we have calculated that in 2020:

- **22%** or **11.6 million adults frequently used cash**
- **27%** or **14.4 million adults regularly used cash**
- **46%** or **24.4 million adults rarely used cash.**

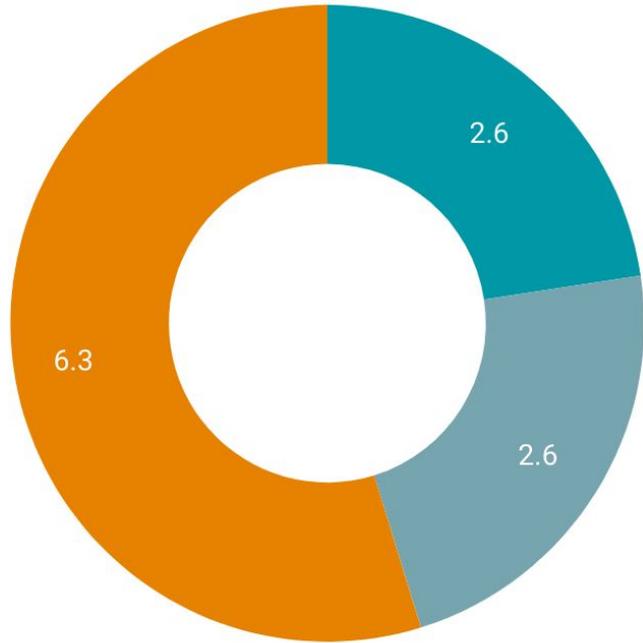
While debit cards remain the most popular method of payment, we can see that cash remains important for the day-to-day spending of over a fifth of the population, with over a quarter continuing to use it on a regular basis.



Use of cash



● Every day ● 4 to 6 days a week ● 2 to 3 days a week



Our research shows that **11.6 million people** (around 22% of the adult population) used cash more than once a week.

Looking at that group in more detail we can see that:

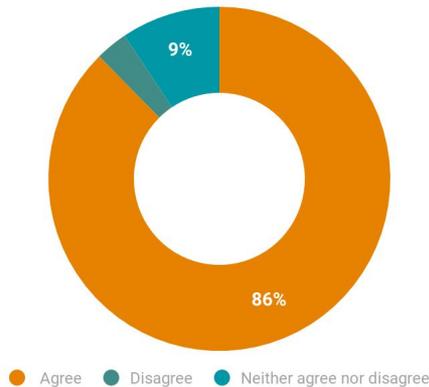
- **2.6 million** people used cash **everyday**
- **2.6 million** people used cash **4-6 days a week**
- **6.3 million** people used cash **2-3 days a week**

The future

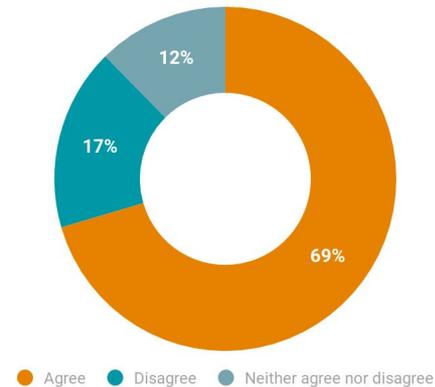
Our research shows that people think that payment choice when shopping is very important and most people think that the cashless society is happening a bit too fast.

86% of people think that shops should offer a wide range of payment options, including cash, and **seven-in-ten (69%) think that the move towards a cashless society is happening too fast** and could leave some people behind who are not used to card or digital payments.

I think it is important that shops offer a wide range of payment options, including cash, card, mobile payments etc



I think that the move towards a cashless society is happening too fast and could leave some people behind who are not used to card or digital payments



A note on the data



The data used in this report (unless otherwise stated) is the average results from four quarterly surveys commissioned by Enryo. These surveys were carried out online by YouGov Plc. Figures have been weighted and are representative of all UK adults (aged 18+). Survey dates and sample sizes:

1. 6th - 7th April 2020 (2,307 adults)
2. 1st-2nd July 2020 (2,117 adults)
3. 5th-6th October 2020 (2,294 adults)
4. 11-12th January 2021 (2,058 adults).

The data on slide 9 is from a survey commissioned by Enryo, carried out online by YouGov Plc. Fieldwork took place between 10th – 11th March 2021 and the sample size was 2,473 adults. Figures have been weighted and are representative of all UK adults (aged 18+).

The cash user groups, as well as the forecast for cash use in the UK for day-to-transactions in 2020 and future years has been calculated by Enryo.

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