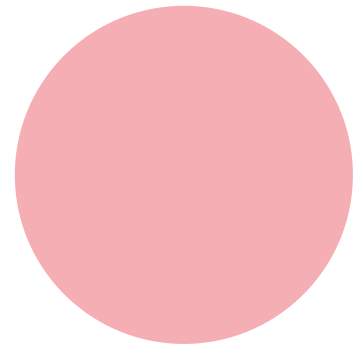
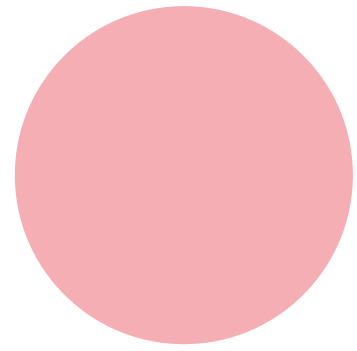


Savanta: ComRes & the Financial Conduct Authority



Understanding cash
reliance – qualitative
research

July 2021

Contents

| | |
|------------------------------------------------------------------|----|
| About Savanta ComRes | 2 |
| Background and objectives..... | 3 |
| Executive summary | 4 |
| Who relies on cash? | 4 |
| Cash reliance typologies | 4 |
| What drives cash reliance?..... | 6 |
| Harms associated with cash reliance | 7 |
| Impact of COVID-19 on cash reliance..... | 7 |
| Methodology | 8 |
| Chapter 1: Who relies on cash?..... | 10 |
| Cash reliance typologies..... | 10 |
| Needs-based users..... | 11 |
| Functional users | 12 |
| Older & disengaged | 12 |
| Cash defenders | 13 |
| Comfortable & capable | 14 |
| Impulse avoiders | 14 |
| Routes to reliance..... | 15 |
| A scale of reliance..... | 16 |
| Low income and cash dependence | 17 |
| Vulnerability characteristics and cash dependence | 18 |
| Chapter 2: What drives cash reliance? | 21 |
| 1. Avoiding overspending..... | 21 |
| 2. Ingrained behaviour..... | 23 |
| 3. Distrust of alternatives..... | 25 |
| Chapter 3: Harms associated with cash reliance..... | 27 |
| Harms incurred when accessing cash..... | 27 |
| Harms incurred when using cash | 29 |
| Harms incurred from inability to transition to alternatives..... | 31 |
| Chapter 4: Impact of COVID-19 on reliance on cash | 34 |
| Impact on health and wellbeing..... | 34 |
| Effects of behaviour change | 35 |
| Cash reliance after COVID-19..... | 36 |
| Chapter 5: Conclusions..... | 38 |

About Savanta ComRes

Savanta ComRes provides specialist research and insight into reputation management, public policy and communications. It is a founding member of the British Polling Council, and a company member of the UK Market Research Society. As such, it is committed to the highest standards of research practice. In July 2019, Savanta ComRes (previously known as ComRes) joined Savanta, which has vast experience of research and consulting with clients in regulated industries on policy and communication research.

For further information about Savanta ComRes, this research or any other research requirements please contact better.decisions@savanta.com.

Background and objectives

The use of cash for payments is declining in the UK, with digital payments having grown by around 85% since 2006.¹ Initial research indicates that the ongoing COVID-19 pandemic has changed the ways in which many consumers approach payments, and further encouraged the decline in cash use in the UK.

However, cash remains a vital payment method for many, including the most vulnerable in society. The FCA's Financial Lives 2020 survey found that in February 2020, 5.4 million adults (10%) said they relied on cash to a very great or great extent in their day-to-day lives, using it to pay most or all of their bills. This reliance was highest (42%) among adults aged 85+, but it is not limited to this age group.²

The FCA's assessment of the UK cash access infrastructure is that most people have reasonable access to cash. This is provided through a combination of bank, building society, or Post Office branches and ATMs.³ Recent mapping of cash access coverage across the UK has shown that as of Q1 2021, 95.4% of the UK population has access to a free source of cash access (bank and building society branches, free-to-use ATMs and Post Office branches) within 2km.⁴ However, access can deteriorate quickly in local areas if ATMs or bank branches are closed without suitable alternatives in place, leading to harm that could disproportionately impact those who are most vulnerable to harm (for example, if they suffer mobility or disability issues). Thus, while many consumers in the UK could adapt to a decline in national or local access to cash following changes to the cash infrastructure, those with a reliance on cash are more likely to struggle and some could be at an increased risk of harm from lost or reduced access. The FCA commissioned this qualitative research to focus on those consumers to help to understand their need for cash, how they access it, and to gather insight into their demographic and vulnerability characteristics.

This report is based on findings from the qualitative research and focuses on a subset of those who identify themselves as having a reliance on cash. These are people who use it to pay for most or all of their day-to-day purchases and who also say they would not be able to cope, or don't know how they would cope, in a cashless society. This group includes many consumers showing some key characteristics of vulnerability, such as poor health, life events, low resilience and capability.

¹[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/689234/Cash and digital payments in the new economy.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/689234/Cash_and_digital_payments_in_the_new_economy.pdf) p.4.

² <https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf>, p.17

³ <https://www.fca.org.uk/publications/research/uks-cash-infrastructure-consumer-research>

⁴ <https://www.fca.org.uk/data/access-cash-coverage-uk-2021-q1>

Executive summary

Who relies on cash?

This research explores who relies on cash and why, the role it plays in their life, and what their needs are in relation to cash access and use. Cash ‘reliance’ here is defined as when an individual uses cash for the majority of their everyday purchases, and say they would struggle to cope, or are unsure how they would cope in a cashless society.⁵ The research also highlights that cash reliance exists on a spectrum of light reliance to dependence.

One of the findings was that cash reliance spans across different age groups and locations. It also supports the finding of the 2019 Access to Cash review in concluding that a key indicator of cash dependence is income.⁶ The lower the income of the individual that Savanta ComRes spoke to, the more likely they were to depend on cash, whereas the higher the income, the more likely that cash reliance was down to a habitual reliance on cash, rather than one that is a result of needs.

This research also found that many of the group who relied on cash had characteristics of vulnerability such as ill health, low financial resilience, and lower financial or digital capability. These characteristics of vulnerability are present across most groups of respondents, in some more so than in others.

In terms of mapping cash-reliant people to the key drivers of reliance, the research found that:

- Those aged under 50 more typically rely on cash to manage a very low income and avoid overspending.
- Those aged over 50 more often use cash because of ingrained habit or lack of digital capability.

Thus, respondents aged over 50 tended to have a light or moderate reliance on cash, whereas those under 50 tended to depend on it – though this does not apply in all cases.

Cash reliance typologies

Using the research findings Savanta ComRes identified different typologies of consumers and the varied needs that exist within each group. These are summarised below in order of which are most likely to be dependent on cash and therefore at risk of harm from lost or reduced access. It is worth noting that not every individual interviewed would neatly sit in one typology.



Needs-based users

Needs-based users are often aged under 50, have a low income and other characteristics of vulnerability. Needs-based users do not have access to alternatives to cash. This typology includes those that are financially excluded (often without a bank account), homeless and refugees. They have limited access to key services including benefits, tax credits and support with housing.

⁵ By comparison, the Financial Lives 2020 survey asks adults to what extent they rely on cash in their daily lives and then focuses on those who rely on cash to a great or very great extent.

⁶ <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf>, p.24.



Functional users

Those in the Functional users segment are often aged under 50. Many are on a very low income and are amongst the most likely to have low financial resilience and have experienced life events which impact their ability to manage their finances. Those in this group who need to manage life on a low income are more likely to depend on cash, even when they can access alternatives as they use it to budget very carefully.

What separates Functional users from Needs-based users is that the former typology often has access to alternatives to cash such as debit or credit cards, while Needs-based users typically do not. Whilst Needs-based users lack access, for Functional users, alternatives to cash are seen as a risk given the impact of budgeting errors on their low incomes. During the COVID-19 pandemic, some Functional users in this research worried about accessing essential goods when they noticed shops starting to not accept cash payments.



Older & disengaged

Those in this segment are often aged over 70. It is the segment that is most likely to have low digital capabilities, including both those who are digitally excluded, and those that have low digital skills and confidence. This can lead to further disengagement and potentially a lack of trust with digital alternatives. People in this segment often have a moderate reliance on cash. They may struggle to engage with online financial services and may also have ingrained cash-based routines that have often been maintained over decades.

This segment is also likely to be impacted by long-term health conditions that impair mobility, which may make changes to cash access more difficult than for other typologies and might affect the ability to use alternatives. Individuals in this group may rely more on others to make payments on their behalf and may be more at risk of fraud or scams where they do not have a family member or trusted friend to enable this.

The respondents in this typology face barriers to using alternative payment methods. This includes debit or credit cards, often due to distrust or concerns about functions such as contactless payment. They also tend to lack digital access, skills and confidence and have to rely on others to access digital services or make online payments.



Cash defenders

People in this group are often in their 50s or 60s and tend to be defined by their belief in the importance of cash as a part of society. Many insist on paying for goods in cash, even for very high value items. This commitment to cash use means some have a light reliance on cash due to habit, whereas others also have moderate reliance due to additional low digital capability or – as in other typologies – distrust of other payment methods such as credit or debit cards. Neither group in this typology have changed their ingrained cash-based habits during the pandemic.

Although those in this typology are committed to using cash for themselves, they do understand that there are alternatives and rely on third parties to make online purchases. Most respondents in this typology said that they lack confidence online or are defensive about their digital capabilities, raising questions as to whether they have the skills and confidence to use alternatives to cash.



Comfortable & capable

As with Cash defenders, those in the Comfortable & capable typology are often in their 50s or 60s. However, unlike cash defenders, they are not committed to cash for social reasons, and tend to have better digital skills. Many in this segment have a comfortable income alongside good digital capability and use online banking to manage their money and shop online.

Some Comfortable & capable individuals have a light reliance on cash as a result of ingrained habit, using it to control daily spending and avoid impulse purchases. People with this ingrained habit tended not to change their behaviour during the COVID-19 pandemic when they had a choice, despite being comparatively capable of adopting alternatives to cash.

Impulse avoiders



Impulse avoiders are similar to those in the Comfortable & capable typology. Individuals in both typologies often are on comfortable incomes, have good digital skills and use cash as a result of habit. Impulse avoiders are the most able to reduce their reliance on cash and primarily use cash to manage day-to-day spending and suppress impulsive purchasing. Some Impulse avoiders have had issues with overspending in the past, but others use cash as a preventive measure. They also may use cash in order to ensure their purchases are private. As such their reliance on cash can be understood as relatively light compared to other typologies.

The chief differences between the two segments are that Impulse avoiders are often aged under 50 and tend to be even more digitally capable. Some will even use FinTech solutions to help them achieve long-term financial goals.

What drives cash reliance?

This research identifies three key factors that drive cash reliance in general. In order of importance they are:

1. **Avoiding overspending:** For most people with a reliance on cash, avoiding overspending and living within their means was the main reason for relying on cash. Respondents felt that using cash stops them spending more than they have, helps them to keep track of spending and puts enough friction into the payments process to allow them to evaluate whether they want to go through with the purchase. The physical nature of cash was also helpful in making budgeting decisions easier, particularly amongst those with low cognitive ability for budgeting.
2. **Ingrained habit:** In all human behaviour, there is a default option. For those in this research, when budgeting, using cash is often the default option. Using a different approach to budgeting would be cognitively effortful for many, and for those with low financial capabilities, very challenging.
3. **Distrust of alternatives:** Many respondents have concerns about fraud, personal error and privacy when considering using alternatives to cash such as credit or debit cards. Concern about fraud and personal error is often a function of low digital capacity.

This is largely supported by the FCA's Financial Lives survey, which outlines that just over half (55%) of adults who rely on cash to a great or very great extent do so for reasons of convenience (e.g. because cash is more convenient (35%) or it is part of their daily routine (36%)). Under half (45%) rely on cash for budgeting reasons (e.g. to help them budget (33%)).

or to avoid getting into debt (24%). One in three (33%) rely on cash because they trust it more than other payment methods.⁷

Harms associated with cash reliance

The risks of harm for people who are cash dependent or very strongly cash reliant fall into three main categories: accessing cash, difficulties in transitioning to alternative approaches to payments, and using cash.

- **Accessing cash:** If the availability of cash declines, the most dependent will increasingly have difficulty accessing financial and certain retail services. This is particularly true of those with long-term health conditions that impact their mobility, which tends to be individuals aged over 50. The FCA's Financial Lives 2020 survey found that of adults with a physical disability, 33% faced difficulties getting to a bank branch, while 30% found dealing with customer services on the phone confusing or difficult.⁸ Even where access is available, some dependent consumers may have to pay more to access cash, for example as a result of having to travel further or being charged for cash services. This increased cost may have a greater impact on consumers with low incomes, particularly younger respondents (those aged under 50) that often had low financial resilience.
- **Difficulties transitioning to alternative payments:** Some respondents in this research have attempted to use alternatives to cash. When doing so, some were unable to manage these financial products or services (e.g. banking apps), often due to low digital capabilities. This can lead to further disengagement and potentially a lack of trust towards digital alternatives. Those with lower digital capabilities and incomes, or whose prior experience of debt has driven their present use of cash, might also struggle to continue to budget effectively with digital alternatives, making them less likely to transition.
- **Using cash and cash acceptance:** More retailers have moved away from accepting cash during COVID-19, and if this becomes a longer-term trend it may lead to harm arising from difficulties in paying for goods for the more dependent people in our research typologies, or increased costs in finding retailers that accept cash. This is most likely to impact those in the Functional and Needs-based typologies who often have the least financial resilience. Where people use alternatives but cannot turn to family or trusted individuals it could also lead to an increased risk of fraud or scams. The research also indicates some dependent consumers, such as younger consumers with low financial resilience, might suffer anxiety or shame around their inability to access goods and services.

Impact of COVID-19 on cash reliance

For many UK consumers, COVID-19 has accelerated the use of digital payments and led to a decline in cash use. Retailers are also increasingly encouraging the use of contactless payments and some retailers are not accepting cash as a means of payment. COVID-19 has also increased the number of people in vulnerable circumstances, including those in the typologies explored in this research.

Despite these trends, the vast majority of the consumers in our research have not changed their cash-based habits during the pandemic. How consumers will react in the future is uncertain. Some lightly reliant typologies may have the right access to services and skills to change their behaviour if the trends in cash access continue, but whether their habits change depends on whether they overcome the psychological and behavioural barriers they say they

⁷ <https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf>, p.133

⁸ <https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf>, p.13

face. Our research has also shown that some more dependent consumers who tried to adjust to alternatives struggled to manage their spending and finances.

Methodology

To understand the needs of those with a reliance on cash, Savanta ComRes spoke to 95 individuals with a reliance on cash via:

- In-depth interviews over the telephone,
- In-depth interviews via videoconferencing,
- Online focus groups.

Qualitative methodologies were matched to the needs and characteristics of each respondent, ensuring the research process was inclusive.

Whilst Savanta ComRes were originally commissioned by the Financial Conduct Authority to conduct a large portion of this research face-to-face, the COVID-19 pandemic meant that this was not possible. As such, where possible, interviews were transitioned to telephone or online.

All respondents interviewed have a reliance on cash, this means each:

- used cash for the majority of their everyday purchases; and
- said they would struggle to cope or do not know how they would cope in a cashless society.

Savanta ComRes and the Financial Conduct Authority drew on existing literature to identify the audiences that are known to have a reliance on cash and then created a profile of the target sample for the research. These include older respondents, those that have physical or mental health conditions or illnesses lasting or expected to last for 12 months or more or those that are digitally excluded. Additional audiences were also included in order to champion the voices of those that can sometimes be missing in policy discussions. For example, young adults (aged 15-17) and those with previous problems with debt were also interviewed.

All respondents had at least one of the following characteristics that indicated cash reliance and many fit within multiple characteristics. A full list of the audiences interviewed in this research can be found below:

| Audience | Number included in sample |
|----------------------------------------------------------------------------------------------|----------------------------------|
| Older respondents (aged 65+) | 12 |
| Younger respondents (aged 18-64) with no vulnerability characteristics | 7 |
| Young adults (aged 15-17) | 7 |
| Those with lower digital confidence | 5 |
| Those that are digitally excluded | 10 |
| Those that are financially excluded | 8 |
| Those that are paid in cash | 5 |
| Those that mostly pay people in cash | 5 |
| Those living in rural or remote areas | 8 |
| Those with lower financial resilience | 13 |
| Those living with a long-term health condition (LTHC), or a physical or cognitive disability | 9 |

| | |
|--------------------------------------------------------|-----------|
| Those that use cash due to previous problems with debt | 4 |
| Refugees | 1 |
| Those with no fixed address | 1 |
| OVERALL TOTAL | 95 |

Savanta ComRes also spoke to a number of stakeholders within charities representing audiences of interest to this research, in order to further ensure under-represented voices were included. These stakeholders also acted as gatekeepers to clients and service users of the organisation, a number of whom participated in the research. Stakeholders and clients participated in the research via telephone or video. Organisations participating in the research include:

- StepChange
- Fair Money Advice
- The Money Charity
- The Cotton Tree Trust
- Refugee Council
- Centrepoint

Chapter 1: Who relies on cash?

This research focuses on consumer groups who use cash for the majority of their everyday purchases, and who also say they would not be able to cope or are unsure how they would cope in a cashless society, to help better understand their needs and possible harm resulting from changes in cash access.

Previous research exploring cash preferences can be interpreted as indicating that cash reliance is an issue that principally occurs amongst those aged over 65, and those in rural communities. Quantitative research for the Payment System Regulator suggests that 53% of those aged over 75 prefer cash, compared to just 23% of those aged 18-24. Similarly, it found that those in urban large cities were less likely to prefer cash than those in rural or small town / fringe locations (20% vs. 28% and 37% respectively).⁹

However, more recent data from the Financial Lives 2020 survey indicates that age is not the only driver of the need for cash: other groups who rely heavily on cash include the digitally excluded (46%), those with no educational qualifications (31%) and those in poor health (26%).¹⁰ This Savanta ComRes research seeks to understand how these drivers affect the different consumer groups who have identified themselves as cash reliant, and how they might be harmed by lost or reduced access to cash.

Cash reliance typologies

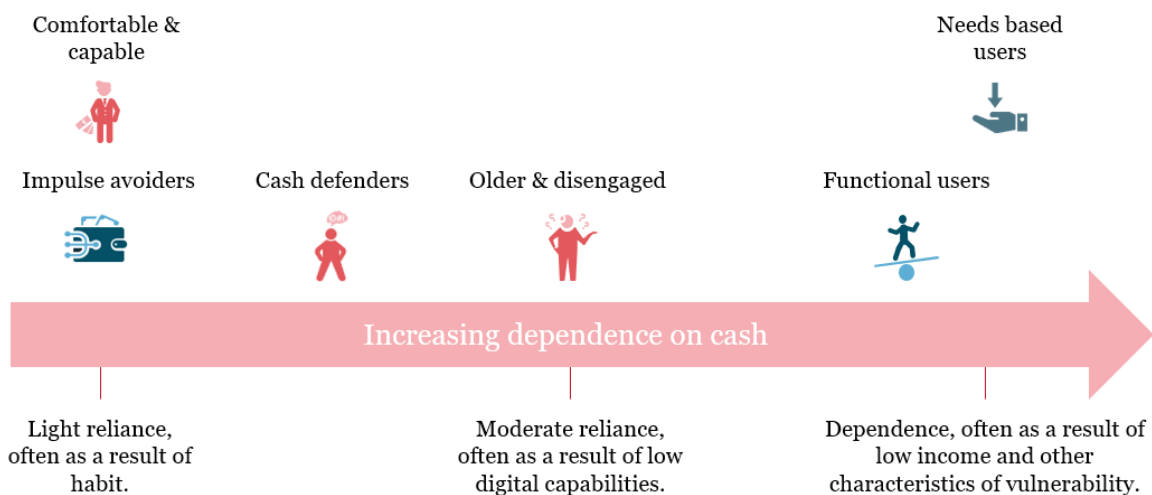
In order to provide a deeper understanding of the varied needs of those with a reliance on cash, Savanta ComRes – in collaboration with the FCA – has developed a set of typologies that show the varied experiences of those with a reliance on cash.

Following a description of the typology is a case study, demonstrating a lived experience. Please note that these case studies are based on respondents we have spoken to, but names and any identifying details have been changed.

Typologies are ordered by likelihood to experience harm, with Needs-based users most likely to experience harm and Impulse avoiders least likely to experience harm. This is also summarised in a graphic below. We have also colour coded typologies to show their age. Typologies with red icons contain individuals that are typically aged over 50 years old, while those with teal icons typically include individuals that are aged under 50 years old.

⁹ <https://britainthinks.com/pdfs/PSR-Access-to-Cash.pdf>

¹⁰ <https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf>, P.117



Needs-based users



Needs-based users are the most likely to have characteristics of vulnerability. Many have very low financial resilience and limited knowledge of financial matters or budgeting capability; some also have relatively low numeracy skills.

The defining aspect of Needs-based users is that they use cash as they have no other choice. This typology includes those that are financially excluded (often without a bank account in their name), homeless or refugees, also with limited access to other key services, such as benefits and housing support. These individuals frequently rely on others to access cash, or access cash through informal means. This can mean that Needs-based users have patchy and infrequent access to cash, making budgeting more challenging.

Whilst Needs-based users are similar to Functional users in being vulnerable and often having low incomes, they are also separate based on the strength of the barriers they face. Functional users have a nominal (if not actual) choice about using cash or not – this typology does not use alternatives because of behavioural barriers, capability, or previous life events. Needs-based users are therefore most dependent on cash of all the typologies, as they have no access to alternatives because of their financial exclusion.

Case study

Jenny is in her mid-30s and lives in England with her children. Her current account was shut down by her bank in the last five years following a change of personal circumstances, and she has not had access to an account since then. She currently relies on a friend who receives Jenny's benefits into her account on Jenny's behalf. The friend provides Jenny with cash on a fortnightly basis. Jenny also suffers from anxiety and aims to minimise her social interaction, visiting the supermarket once a week when possible. She budgets daily through tracking her spending, including utility bills and supplies for her children, saying: *"I write it down and I work out how much it is and then obviously if it goes over what I've got then I remove something from the list that's not that important, that can wait until next week."*



Functional users

Those in the Functional users typology are the second most likely to have characteristics of vulnerability. Many Functional users have low financial resilience and are likely to have experienced a life event such as being in debt or relationship breakdown. This typology is often aged under 50.

A defining feature of the respondents in this typology is that many have low financial resilience and budget on a very low income, depending on cash to do so effectively. Many have times where they struggle to afford all essential goods in a month. Cash is often used to simplify household finances and as a physical aid to make it easier to budget, save and navigate difficult decision-making. This could be deciding how to pay down debts, save for small treats, and what to prioritise when there is not enough money for essential goods.

Those in this typology may also experience poor mental health outcomes including stress, anxiety and shame if they were to struggle to access essential goods using cash over the longer term. Some in this research worried about accessing essential goods when they noticed shops starting to not accept cash payments during the COVID-19 pandemic. However, using alternatives to cash is seen as a risk by these people, given the impact of budgeting errors on their low incomes. Low financial resilience and life events also serve to limit the cognitive availability respondents have for budgeting, meaning that behaviour change would have to be simple and easy to be adopted.

Case study

Paige is in her late 20s and lives in a devolved nation. Her cash dependence began when her husband – who previously managed the household finances – became disabled. When she took over the household finances she got into debt, contacting Citizens Advice for advice and support. Paige, who struggles with maths, depends on cash to keep her household finances simple, and manage a small income. *“I would use my card more if I felt I was more secure financially, because all those unexpected things that come with using a bank card wouldn't matter so much. To us, even if it's a £5 overpayment, that could really set me back for a few days. ... I definitely feel like using cash is a much more secure way of avoiding yourself getting into debt.”*



Older & disengaged

The Older & disengaged typology is mainly made up of individuals in their 70s and 80s and they can be understood as having a moderate reliance on cash for the reasons set out below. Bank branches tend to be their preferred way of accessing cash, with some respondents in this typology prepared to walk further to a bank branch rather than use an ATM to withdraw cash, if circumstances allow.

Those in this typology have a mixture of income levels, with some that feel very comfortable financially and others managing on a limited budget. These respondents often have cash-based habits established and maintained over a number of decades. Many of the respondents in this typology believe that they will not live to see a cashless society, and therefore have not ever considered changing their habits.

The respondents in this typology face barriers to using alternative payment methods. This includes debit and credit cards, largely due to distrust or concerns about functions such as contactless payment. They tend to also have a lack of digital access, skills and confidence and have to rely on others to access digital services or make online payments. Long-term health conditions also impact mobility and ability to use to alternatives. The FCA's Financial Lives 2020 survey found that:

- of adults with a physical disability: 33% faced difficulties getting to a bank branch, while 30% found dealing with customer services on the phone confusing or difficult.¹¹
- of adults with a hearing or visual impairment: 40% found dealing with customer services on the phone confusing or difficult; 38% faced difficulties getting to a bank branch, and 25% struggled to follow instructions which makes it hard for them to interact with financial services providers.¹²

Case study

Roger is in his 70s and lives alone in England. His son or partner often do grocery shopping on his behalf, as well as access cash for him due to mobility-related health issues. His reliance on his son and partner has increased since the advent of the COVID-19 pandemic. *“I get my partner to get me cash out. She’ll make sure I’ve got cash in my pocket. She does it all... It used to be I’d get my own sometimes, I’d go to the bank and get my own money. Now, with what’s going on, she sees to it.”* He does not have internet access and relies on his son to make online purchases on his behalf. *“If I want something and I’ve got to order it, I usually get my boy to order it for me. He’s good at shopping around on the internet, which I haven’t got, and he does it and gets me bargains.”*



Cash defenders

People in this group are often in their 50s or 60s and tend to have a mixture of income levels.

They tend to be defined by their belief that cash is an important feature of society and use cash in order to preserve it. They often feel that cash helps people on low incomes to budget, and that some people cannot use alternatives to cash. Many in this typology believe that it is their right to use cash, and will also use it for large value purchases, including white goods and cars.

Respondents in this typology also said that they lack confidence online or are defensive about their digital capabilities, raising questions as to whether they have the skills and confidence to use digital alternatives to cash. Some in this typology also raise concerns about privacy when making purchases online or using debit or credit cards and rely on others to make purchases that need to be made online or not using cash.

People in this group have a range of reliance on cash, from a light reliance / preference due to habit, to a stronger, moderate reliance due to low digital capability. An additional behavioural factor may also be that while some may be capable of adapting, they may still refuse in order to be consistent with their beliefs.

Case study

Ben is in his 60s and lives in England. He pays for everything in cash, including his last car, but relies on his wife to buy things online if absolutely necessary. He is opposed to a cashless society on two grounds *‘One, it’s ideological. I don’t believe that as a society, we should be depriving ourselves of money itself, and two, because I believe that for many people, especially in my age demographic, the use of credit cards and bank cards etc. is something they’re not comfortable with.’*

¹¹ <https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf>, p.13

¹² <https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf>, p.13

Comfortable & capable



The Comfortable & capable typology are often similar in age to those in the Cash defenders typology – in their 50s or 60s. This typology is different in that they tend to have a higher income, and demonstrable digital skills. Many in this typology use online banking, often using online financial services to save and manage their money. They also shop online when they feel they can get a better deal – though some may have concerns about privacy when making purchases online.

These individuals often have many of the skills and capabilities to use alternatives to cash, but some still have a light reliance on it due to ingrained habits. Similar to the Impulse avoiders group, they may also use cash to avoid making impulse purchases and manage their money on a daily basis.

Of the typologies that tend to be aged over 50 this group appear most likely to have the capability and resilience to adapt their financial habits to avoid harm. This can be seen from the respondents' use of online financial services and shopping online when this is in their interest. However, it is important to note that even during the COVID-19 pandemic, some respondents in this typology did not change their behaviour.

Case study

Sam is in her 60s and lives in England. She is confident financially, and occasionally buys things off Amazon and pays others using online bank transfers. However, the vast majority of her transactions are in cash. She always has at least £50 on her and has abandoned shopping when asked to pay on card. She hopes to never have to deal with a cashless society and says 'I'm very happy [with my cash-based routines]. I don't even look at it like that, I just carry on, it's my way of life...I don't even think about it, I just do it'.

Impulse avoiders



In many ways, Impulse avoiders are similar to those in the Comfortable & capable typology. Both typologies often contain those that have a comfortable income and good digital skills.

Two factors differentiate these typologies; initially, those in the Impulse avoiders typology are often younger (i.e. typically between 18-50); secondly, Impulse avoiders are even more digitally capable, with many using digital financial services and shopping online. Some are relatively financially savvy, using online financial services to save money or manage their budget.

There is also a subtle difference in their reliance on cash. Where those in the Comfortable & capable typology primarily rely on cash due to habit, those in the Impulse avoiders tend to use cash to avoid impulse purchases. Put another way, cash use supports them in managing their money in the short term. Some Impulse avoiders have had issues with overspending in the past, but others use cash as a preventive measure. They also may use cash in order to ensure their purchases are private. As such their reliance on cash can be understood as relatively light compared to other typologies.

As with those in the Comfortable & capable typology, Impulse avoiders are the most able to reduce their reliance on cash. Those within this typology are engaged in and aware of the developments in online financial services provision but have not yet found tools which can support them in avoiding impulse purchases or keeping their payments private.

Case study

James is in his late 20s and lives in a devolved nation with his parents. Whilst he is currently unemployed, prior to the pandemic he worked as a labourer and was paid in cash. James relies on making cash payments because otherwise he would have to deposit cash in the bank, he also finds it helpful to avoid impulse purchases. During the pandemic his spending has been out of control as he makes impulse purchases online. However, James also uses FinTech solutions to transfer money, and even to save. *“It's too easy to just be looking through Amazon, and just spend a couple of hundred quid on just rubbish. Like, I don't really like it, to be honest, because I don't have any willpower when it comes to waiting for something that I want.”*

Routes to reliance

There are generational differences in why respondents rely on cash. For those aged over 50, limited digital capability and a lack of incentive to change their ingrained cash-based habits are often key barriers to using alternatives for cash. For younger respondents, cash reliance is typically driven by having to budget on a low income. Whilst this pattern is not true in every case, it is evident in many.

One reason that may explain this is that respondents aged over 50 often learnt to budget using cash and have developed cash-based habits over years and decades. As these habits have been in place for a long time without significant problems, most feel cash-based routines are advantageous from a budgeting point of view and see no reason to change them.

Many of the individuals that are digitally excluded or have low digital skills in this research and relied on cash were aged over 50. Amongst these individuals, online banking and shopping are seen as high-risk activities. These individuals are unlikely to have used alternatives to cash frequently – if at all – and therefore may lack the skills, confidence and habits associated with digital payments and card usage.

- *“I'm afraid I'm still a paper person. I like making lists, and I like to see it written down. Yes, I do write it in notebooks, in fact I looked back on some old ones I've had from years ago, and made myself laugh really, at some of the things I used to write in them, and how prices have changed and gone up and everything. I haven't got a smartphone; I've never felt the need for one.” – Female, 65+ (Rural)*
- *“Well on the phone I have it's only a basic phone, you can make a call with it and receive a call and send a text message, but I could do nothing online with my phone because, if I [have to] I get my niece to do it and she's very good, she would use my card for doing that. But the card that I have for my bank, it's just a Visa card and as I say, I would use it for a bill if I didn't have enough cash on me, I'd just use it for the very odd time, I don't use it very often, no.” Male, 65+ (Digitally Excluded)*

Younger respondents, by contrast, are cash reliant because, particularly if they are on low incomes, it provides a specific benefit to their budgeting approach. Younger respondents with a reliance on cash also typically tend to have better digital skills than those aged over 50, will be familiar with cards and online payments, sometimes using them alongside cash. However, even where they are digitally capable, they continue to use cash for budgeting reasons.

- *“I use online banking as well [as cash] but, like, I know what's coming out of my account every month, with the direct debts. When I take cash out as well, I'll write down how much I took out. Like I'll write down obviously what I've spent on food*

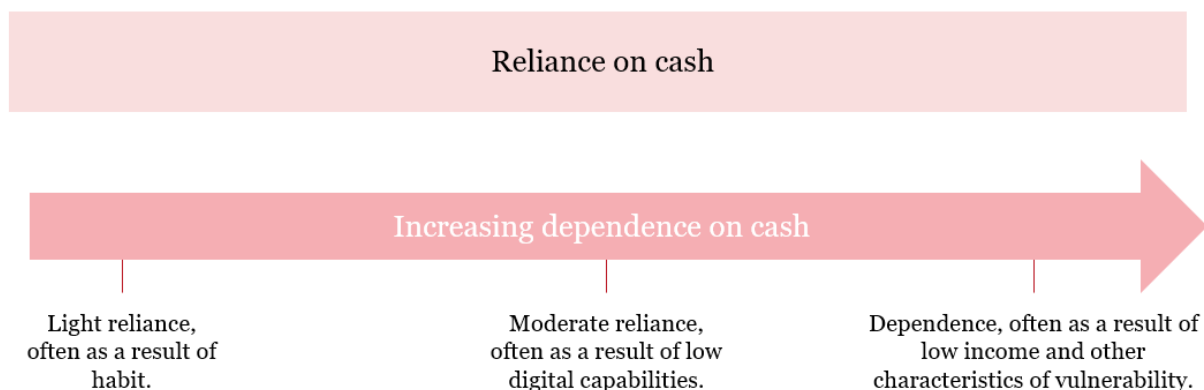
each week, what I've spent on petrol, lessons, like other wee bits and bobs that you would pay for.” – Female, 35-44 (Low financial resilience)

- *“People with plenty of money [could cope in a cashless society]. I have one particular friend that I could think of immediately. So, she still uses credit cards and that sort of thing, you know. There's a level of overspending there a lot of the time. That particular friend is from a background where her parents built up money so that's a been a fortunate scenario for them.” – Female, 45-54 (LTHC)*

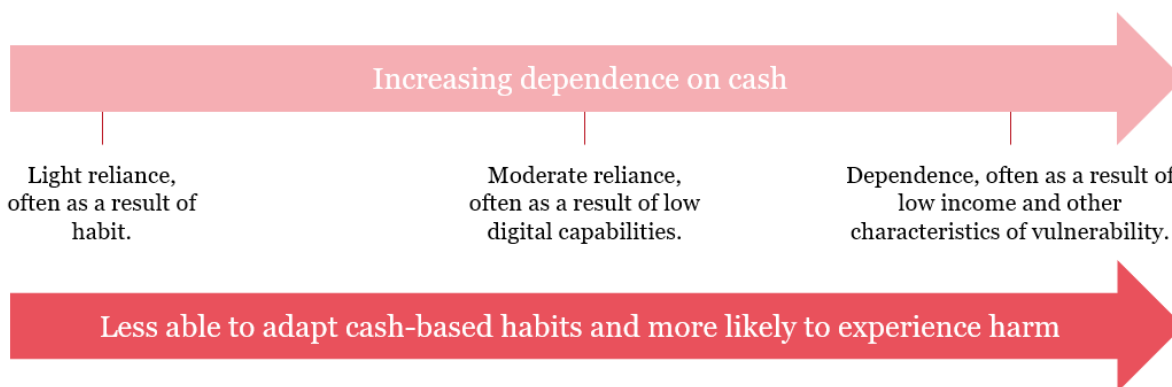
A scale of reliance

As touched upon earlier in this report, reliance on cash exists on a spectrum; from light reliance, as a result of habit, through to moderate reliance as a result of low digital capabilities, to dependence – which is often related to low income and other characteristics of vulnerability.

Reliance on cash is distinguished from preference by the strength of the relationship between the individual and their cash-based habits. Those with a reliance on cash self-report that they are unable or unsure how they would cope in a cashless society, where those with a preference for cash do not as they would be able to adapt. A small minority of respondents in this research – specifically those in the Cash defenders, Comfortable & capable and Impulse avoiders typologies – approach the dividing line between preference and reliance, but have been included in this research as they self-identify as being unable or unsure how they would cope in a cashless society.



All with a reliance on cash say they would struggle to cope in a cashless society. However, those with a lighter reliance appear more able to successfully change their behaviour to use alternatives to cash than those that are dependent on cash. As set out in ‘Chapter 3: Harms associated with cash reliance’, the more dependent respondents are on cash, the more likely it may be that they are at risk of harm if access to cash was removed or reduced. Those with a more habit-based reliance often only experience minor inconveniences or momentary stress as a result of cash reliance.



A number of factors influence where an individual falls on that scale, including their access to alternative payment methods, digital skills and confidence. However, the factors that have the greatest impact are outlined below.

1. Having a low income makes an individual much more likely to depend on cash.
2. Having other characteristics of vulnerability or experiencing a life event also makes an individual more likely to depend on cash.

Low income and cash dependence

This research found that a key indicator of cash dependence is income. The lower the income of the individual that Savanta ComRes spoke to, the more likely they were to depend on cash, whereas the higher the income, the more likely that cash reliance was down to a habitual reliance on cash, rather than one that is a result of needs.

There are three key factors that link low income to cash dependence. These are set out in order of importance below:

1. **Importance of budgeting:** The lower the financial resilience an individual has, the more important budgeting becomes. For those on very low incomes, effectively managing money is a day-to-day necessity, as small miscalculations or overspends can have a greater impact on household finances. For these individuals, cash is a necessary tool in avoiding those small miscalculations or overspending.
 - *“Working class communities are a lot more reliant on using cash than your middle income, higher income earners are... Because it's always been that way and those households are not used to having lots of cash in the first place. It's still that tradition of earning a pay packet and having something tangible in your hand.” – Stakeholder*
 - *“With cash, you know how much you've got, it's in your hand. When you've spent it, you've spent it, you've got nothing else left. And I think that's a good way of looking at things, rather than just using a card and it just being a constant, oh I'll buy this, I'll buy this, I'll worry about it later.” – Female, 25-34 (Paid in cash)*
2. **Financial capability:** Many low-income respondents in this research also had lower levels of financial capability and had experienced significant life events, which made tasks like budgeting more complex. As a result, they tended to depend on cash more as it makes budgeting easier by providing a physical aid.

- *“It reduces your choices if we become completely cashless. It just adds pressure where it doesn't need to be. If we're becoming cashless, I think you have to have your 'A game' when it comes to money. You have to be really, really, really good when it comes to money. And unless they're going to come in with, say for example, financial education becoming part of the curriculum as well as digital skills...We have to then give people the tools and mechanisms to make them confident and function well within society.” – Stakeholder*
 - *“I wouldn't say I feel confident in [managing money]. When me and my partner first met, he wasn't disabled, and he was an extremely healthy young man... He was extremely good with money, he was extremely good at maths and things like that and he did it all when we got together. So it has definitely been a challenge for me because I am very, very bad at maths. You know, even basic times tables I struggle with, you know, I didn't even do a maths GCSE. So, numbers is something I've always struggled with so it has definitely been challenging trying to manage.” – Female, 25-34 (Pays others in cash)*
3. **Access to digital and financial infrastructure:** Access to digital infrastructure was also a factor influencing cash dependence for a minority of low-income respondents with cash dependence, leading them to rely on cash as they have limited or no access to the internet or a smartphone. There are also respondents who rely on cash because of a lack of access to financial infrastructure, such as the homeless or refugees, who may not be able to access a bank account.
- *“Historically, asylum seekers and refugees have found it very difficult to open bank accounts. Banks require ID and proof of address for three years. They would not accept either an ARC card or a BRP, the 4 only forms of ID an asylum seeker or refugee would have. The ARC is the Home Office identification card for asylum seekers and the BRP is the biometric residence permit issued to refugees who have been granted asylum. Proof of address was also a problem. People could not always remember everywhere the Home Office had housed them, and even where they could remember they had often been housed in hostels where there were others with criminal records. Some banks still have the same approach, but others, including some branches of Lloyds Bank, will now accept the ARC and BRP cards as proof of identity and will accept proof of address from a charity that has worked with the person in question. ... In the case of many asylum seekers and others with no recourse to public funds, however, it remains impossible to open a bank account because they are destitute and have no funds with which to open the account or any address from which to operate it.”– Stakeholder*
 - *“I've got one young person at the moment whose money is paid into a third party and that person literally, on the day their money comes in, withdraws all the cash and gives all the cash to the young person. So, that makes that young person very vulnerable because they've gone from one extreme to the other because they've now got an abundance of cash in their room which is not very secure, and they don't have any banking.” – Stakeholder*

Vulnerability characteristics and cash dependence

In addition to low income, other characteristics of vulnerability, such as health, capability and financial resilience were factors that made some of the respondents more likely to depend on cash. Life events that led to respondents experiencing harm in the financial services sector such as over-indebtedness were also relevant, as shown in the case studies below.

- **Health** – Disabilities or illnesses can affect the ability to carry out day-to-day tasks, for example limitations on mobility. In a cash dependence context, this could mean that a person is unable to travel to access cash or can only travel shorter distances.

Case study

Sarah is in her 40s and lives in England with her husband and children. She has mental health issues that have a significant impact on her daily life. She has recently stopped working and has said her *“mental health has deteriorated over the past few months when I was out of work and it was like Groundhog Day. All the changes that have come into place I’m struggling with”*. She can use online banking apps but has had problems budgeting in the past and has been in debt. Sarah now transfers her income to her husband every month, who gives her a weekly allowance in cash. She says that for *“people with mental disabilities, like me, who find it difficult to budget, [cash is] their only way of control. ... Budgeting is such a main, big factor that you just can’t seem to do.”*

- **Life events** – Major life events such as over-indebtedness can lead to old cash use habits becoming more ingrained, for example to help manage finances and budgeting.

Case study

Tia is in her 20s and lives in a large city in England with her two young children. Since splitting from her children’s father two years ago she has had to adapt to living on a very low income whilst bringing up two small children. She says, *“I’ve been split from their dad for about two years, so before that I would have always used card because obviously, we had more income between us, but since we’ve split up and I’ve been unable to work, so I’ve had to learn how to budget”*. She initially used credit cards and contactless cards but soon found herself in debt. With support from a parent, she paid back the debt and now only uses cash to make purchases to make sure she does not overspend.

- **Resilience** –The Financial Lives survey shows that between March and October 2020, the number of people with low financial resilience increased by 3.5 million from 10.7 million to 14.2 million. Those with low financial resilience now account for a quarter (27%) of adults.¹³ Some of these adults have become “newly vulnerable” as a result of the coronavirus (COVID-19) pandemic, having gone into the crisis with relatively low levels of savings and facing a significant reduction in income. This could lead to a need to budget and manage finances more carefully, and in some respondents, this resulted in a move to more dependence on cash.

Case study

John is in his 40s, lives in a rural part of England and is a father of one. He works in the construction industry and his income varies. Recently, it has been very low. John often cycles 10 miles to his nearest bank as many of the ATMs in his local area have started charging. He says he *“wouldn’t know where to turn to”* except asking family for a loan if he needed to

¹³ <https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf>, p.20

replace a white good, such as a refrigerator. John previously used a range of alternatives to cash but got into debt and now just uses cash. *“I used to use overdrafts and everything, but it just gets you in debt because you're working and you're trying to get out of it and then they're putting charges on and all sorts. So, I've stopped, like, relying on credit, because it just gets you in a whole heap of debt. A few years back, I was in a lot of debt, but I've turned it around and I'm debt-free now. It wasn't a nice feeling when I was in debt. I wasn't sleeping or anything and getting letters all the time from bailiffs. I lived at my mum's as well, so it wasn't helping, because I didn't want them to come in there and take out all of her stuff because of my doings, do you know what I mean? But that's how you are when you're young and then as you grow up, you learn to manage your finances better and be careful with money.”*

- **Capability** – Low knowledge of financial matters or low confidence in managing money and low capability in other relevant areas such as literacy, or digital skills can mean that people turn to cash to manage their finances, for example because it is visually easier.

Case study

Jill is in her 30s and lives in a large city in England. She lives on her own with her two children. She has online banking set up, but – as she gets her statements through in the post – feels that *“there's not much to do on it really”*. Jill says that an increasingly cashless society would make her *“get really panicked, because I have quite a big anxiety, so I'd probably panic.”* She depends on cash to support her in budgeting. Specifically, she says that cash is helpful because, *“it's visually being able to see what's left and how much is there. Because I'm not great with maths, either, not good through school. So actually being able to see what you have, it just makes it that bit easier.”*

Chapter 2: What drives cash reliance?

Individuals use cash in a variety of different ways to suit their particular circumstances. Those with a reliance on cash often develop cash-based routines that are unique to them (discussed further below).

- “[Budgeting] would be generally at the start of the month. Get the envelopes for the food shop, otherwise you go in there and you end up buying absolutely everything that's on offer, and then [you've gone over your budget] ... So that first shop we do, we pay for it on card and then the other three weeks that's where I get the cash out and put it in the envelopes, so we've got money for the other three weeks.” – **Male, 25-34 (Pays others in cash)**

However, despite the differences in people’s cash-based routines, there are three key drivers of cash reliance among respondents in this research:

1. Avoiding overspending
2. Ingrained habit
3. Distrust of alternatives

1. Avoiding overspending

Among respondents, avoiding overspending and making sure they are living within their means was the main reason for relying on cash. This was a particularly important driver for those on low incomes, and those who use cash to help their ability to budget.

- “There are still quite a lot of people who budget in cash. So, in other words, they get the physical notes and they actually separate the notes out according to what the different aspects of the budget are. They may put them in separate envelopes, they may put them in jam jars, they may put them in separate parts of their wallet or their purse and actually by physically segregating the cash, that is the method that they use to budget their way through the week... I think it's about the tangibility of cash, the physical reality of cash and the way that it can be used in that you can put £10 or £50 or whatever it is in a pocket and that's going to pay so-and-so on such a date. It's just people who prefer to work in the physical world rather than in the imaginary world of electronic payments.” – **Stakeholder**

The research identified four significant factors that make cash useful to avoid overspending:

1. **Cannot spend more than they have:** Respondents said that it is challenging to overspend with cash, as they will often have a limited amount of money on their person (typically between £20 and £100), putting a cap on their spending within an outing.
 - “I think [cash] just stops you overspending because it's a physical, tangible thing that's in your hand. And if you know that you only have £40 to spend on your weekly shop that week, then it's easier to see [if you are overspending] than if you're just constantly using your card.” – **Female, 55-64 (Low digital confidence)**
 - “So I have £120 a week from my husband. I take out £100 and I leave £20 in there, just in case I overspend somewhere. And when that money's gone, that money's

gone. If I've run out of groceries and my money's gone, I haven't got any more.” – Female, 35-44 (LTHC)

- 2. Easy to keep track of:** Respondents using cash to manage finances feel it is easier to keep track of spending when using cash, as they use cash as a physical aid for calculations. Some also have budgeting habits that support them in ensuring they can keep track of their money. This can include enveloping, cash diaries, or withdrawing specific amounts to make calculating how much they have easier. They tend to find digital budgeting tools and apps difficult to use and understand.

- *“I prefer to know where I stand. I know that if I've got the cash in my hand, I have the money. If I start using card, it's harder to keep a tally of everything. I'm not very methodical and I don't know if I'm going to miss a receipt and then go into the red. I'm then having to pay charges on something because of my own stupidity.” – Female, 65+ (Low digital confidence)*

- 3. It creates a ‘friction’ in the spending:** Cards – particularly those with contactless enabled – are seen as too easy to use. Many respondents feel they lose track of their spending when using cards and are less able to avoid impulse purchases and like the friction that cash injects into the payment process. Examples of this included the time it takes to count out the notes and change to make a payment, the realisation that they do not have enough cash to cover the purchase, or the walk to the ATM machine to access cash. People said that these moments of space enable them to consider whether they want to go through with the purchase, suppressing impulsive decisions.

- *“[I don't like] just blindly handing over my bank card and the money just disappears. It feels like you're not spending real money. And it's so much easier, like if something was £50 and I had to hand over £50 [in cash], that feels like a lot of money whereas just going, ‘oh here's my card’, that feels like nothing. And you don't notice the money going when you use your card, so it doesn't hurt so much.” Female, 25-34 (Low financial resilience)*

- *“One of the things that makes me very nervous is this contactless thing because you're just basically tapping on something and you're just not aware of how much you're spending. I could see how people get into difficulties with that.” – Female, 55-64 (Low digital confidence)*

- 4. Physical nature:** Respondents described how the physical nature of cash (clear coin sizes and denominations, and the physical ability to separate and allocate money) makes it easy to use and to budget effectively. This was particularly important for some respondents with characteristics of vulnerability.

- *“I've always liked to have the cash in my hand, I know what I'm spending and I know what I have left. I can budget that way and I know whether I can afford to do this this weekend, that that week.” Female, 35-44 (Financially excluded)*

- *“With cash, it's in your hand, so you know exactly what you're giving away... It gives me control really, more control over my money. I suppose, I've always been taught to do that you see. I've always been taught never to go into the red, and never to spend a penny over what you've got. So, that's how my parents trained me, and*

that's how I trained my children. They've always been very good with money.” – Female, 65+ (Older)

- *“The benefit [of cash] is that, straight away, you can see what you're paying out and what you've got left... I struggle to plan for stuff.” – Female, 35-44 (Low financial resilience)*
- *“[Cash has] got like a notable value, so if I make a payment, and sometimes I have to make a payment with a debit card, and that might be for 50 pounds, but the value of it has kind of disappeared into the ether, it's less tangible, it's just this figure in thin air.” – Female, 45-54 (LTHC)*
- *“[If I had no cash in my wallet] I would feel that I've got no money, I don't know if that sounds silly, to me plastic feels as if it's not money. It just feels as if you see a note or even a coin, it feels like I've got something.” – Male, 65+ (Rural)*

2. Ingrained behaviour

Behaviour change is challenging, and often requires the sense that something is ‘wrong’ with the status quo for something to be changed. Whilst respondents would occasionally acknowledge the inconveniences of their cash-based habits, the majority were happy with their financial routines and felt that nothing was ‘wrong’ with them and therefore saw no reason for them to change.

For some respondents, the ingrained behaviour is driven by low digital skills and confidence, which makes them less able to use alternative payment methods. For others, busy lives and the need to budget finances lead them to stick with what works.

However, it is not just respondents with certain characteristics of vulnerability (low resilience or capability) that have this ingrained behaviour. Although some respondents use both cash and alternative methods, while others could adapt to alternatives with help from third parties, this research has found that most respondents who budget using cash are unlikely to consider or explore other approaches – regardless of their ability to do so.

There are four key factors that have been identified from the research which contribute to this resistance to change:

1. **Defaults:** In the majority of the decisions we take, there is a default option. Overriding these default options takes conscious and often repeated effort. For respondents in this research, using cash for payments is often the default option, and for some these cash-based purchases are repeated over long periods of time, which give a sense of security and stability, as they feel their approach ‘works’.
- *“I don't know [why I rely on cash] to be honest with you. I think, I've always done it like that, it's just always to have cash on me just in case.” – Male, 25-34 (Pays others in cash)*
2. **Lack of incentives to change:** Respondents were often unable to think of any incentives to change their habits. Whilst a minority acknowledge the hassle of accessing and using cash, the majority are happy with their current routines. Indeed, the ‘hassle’ of accessing and using cash can be seen as a positive for some, as it helps individuals avoid making impulsive decisions that they may come to regret later. Many

of those using cash to budget feel that their approach to budgeting has nothing wrong with it, and therefore they are unlikely to want to change it.

- *“I’m perfectly happy [with my cash-based habits]. I see no reason to change them at this moment in time. As I say, the only deviation I’ve made is I used to go to my local little paper shop and deli – usually get some nice home-made buns there – and they’ve just gone cashless. Just said ‘I’m sorry this is all we do now’. So, I’ve deviated and he’s lost my custom which is sad because I used to have the craic with him and knew him personally and I’ve had to go elsewhere.” – Male, 65+ (Older)*
- *“Very satisfied [with my use of cash]. It works for me on a day-to-day basis, for all my daily spends.” – Female, 35-44 (Rural)*

3. **Low salience of adopting alternatives to cash:** All of the individuals we spoke to with a reliance on cash had busy and full lives. Many with a dependence on cash lived a life that was full of difficult choices as they manage life on a low income. Those with a reliance on cash often accept that the UK is increasingly becoming a cashless society, and that COVID-19 had sped this up, but feel that this would not happen for at least another decade, and that after the pandemic they would be able to return to ‘normal’ cash-based routines.

- *“I can’t see that happening, where cash disappears, I really can’t. Or not in my lifetime, maybe, it might happen, but not in my lifetime.” – Male, 55-64 (Rural)*

4. **Norms:** As social animals, we often seek to do what others around us do. In relation to cash reliance, many individuals have family members or friends that have similar habits. Some respondents saw friends or family using cash successfully as a budgeting tool, or perceived that frequently use cards and credit cards means they would be less in control of their finances.

- *“I watched how my mum and dad [managed money], and they had a strict, strict budget with three kids so they budgeted what they had. And as I say, that’s how it was taught to me. I was taught if you don’t have it, you don’t spend it and that’s exactly what my mum and dad did. If we had extra money it would go away for a holiday or something like that so I’m just carrying on what my mum and dad taught me. It works.” – Female, 45-54 (LTHC)*
- *“Especially my age, you know, 60s and 70s, they like cash... A lot of my friends, they don’t like using cards, they’d rather have cash in their purse...They get a bit nervous using their cards, you know, a lot of the older people, they’d rather cash. They know where they are with cash, don’t they?” – Female, 65+ (Digitally Excluded)*
- *“The government needs to consider that cash is essential. ... It’s a right. We have the right to choose. I suppose that’s the biggest message, and to protect the vulnerable, and the older people, who don’t either have access to tech, to do online banking... That would be my two things, I guess. Protect the vulnerable, and to have the choice. We’re all about human rights, are we not?” – Female, 35-44 (Younger with no vulnerabilities)*

3. Distrust of alternatives

Many of the respondents in this research have a distrust of alternatives to cash. This is mostly because they feel these methods will encourage over or irresponsible spending on their part. Other reasons given for not using alternative forms of payments included inertia, access issues, financial and digital skills or confidence limitations. Respondents with a distrust of alternatives to cash tended to cite the following concerns:

1. **Fraud:** A minority of respondents have direct experiences of fraud, while other respondents referred to the experiences of friends and family, instances of fraud in their local area or news articles about fraud which help to drive concern. There were concerns about genuine, well-known forms of fraud, including ATM skimming machines, card cloning and online scams. However, there were also concerns about fraud that are largely unfounded. Examples of this included individuals being able to take money from contactless cards using a device whilst walking past them, or using fraudulent card machines in local shops that are not household names.
 - *“[When contactless] first came out I heard all the stories about [if] you have your wallet in your back pocket and somebody runs across with them card scanners they can scan that in your back pocket, actually without touching your trousers with the machine. So, I think they could set it up [to] £30 at a time. I heard about that scam going about quite a bit...That got me quite worried.” – Male, 35-34 (Paid in cash)*
 - *“It took a very, very long time for me to actually trust the cash machines. I mean a ridiculously long time. Because I have a local bank I could walk in and draw out money and even though everyone seemed to be using cash machines, I hesitated. And I was okay because I could go to my local bank. There was a queue, but it meant that I didn't have to trust a machine. I also had the physical presence of people I know behind the counter who were easy to deal with and were more than well aware of what I had in my account. Those are people I could trust. There is no face behind the cash machine. I guess because it wasn't personal, I couldn't invest any trust in it. It's, I guess, that fear or mistrust is multiplied by many factors.” – Male, 55-64 (LTHC)*
2. **Error:** Many respondents worry that in adopting new habits they will be more likely to make a mistake. Those with low financial confidence or skills are particularly concerned about making an error when using their banking app or doing online shopping. Indeed, for many respondents, online shopping and banking is seen as a high-risk activity – in part due to concern about fraud – but also due to the potential for errors, such as putting in the wrong shipping address or sending money to the wrong person or bank account. For those on a low income – who are often more likely to be dependent on cash – these errors were seen as particularly important, as any small financial issue could have a significant impact.
 - *“I couldn't do anything online with a computer or a phone either. I wouldn't have a clue. I couldn't do it. If I was to use my card on the computer, I never would go down that road because I'd just be afraid of making a mistake and it could be very costly. I never could trust myself. I couldn't use the computer anyway and I wouldn't attempt it to pay for something on the computer. My phone neither.” – Male, 65+ (Digitally Excluded)*

- *“There are still some things I don't like to do [online], and obviously I do get a bit anxious if I'm transferring money, only because I know the difference between a digit can be sending money to someone you know and sending money to a stranger. So, that does make me nervous.” – Female, 25-34 (Pays others in cash)*

3. **Control:** Some respondents, particularly those on low incomes, feel that in using alternative payment methods to cash they will be less in control of their money and find it harder to keep track of their spending and budgets. There were also other concerns that digital infrastructure could be faulty, stopping them from being able to use their money. This could be a problem with their card, a retailer’s card machine, or a bank’s online payments system. Some respondents had experienced problems with digital payment systems in the past or had heard news stories about problems with financial service providers systems.

- *“I don't trust [online banking] because too many of the banks have been hacked in the past. So, one example, I had an account with TSB. I closed the account because they were one of the banks that's been hacked. Not just once but twice. And I didn't even have an online banking account or a telephone account, but I still closed the account.” – Female, 55-64 (Low digital confidence)*

A minority of respondents in this research used cash partly as a means of keeping their financial transactions private. These tended to be respondents with a habitual reliance on cash rather than dependence on it. They like the anonymity that cash gives them when making purchases and feel uncomfortable using card as they feel that their payments can be seen by their bank and potentially by other institutions.

- *“I do worry about the control, actually, of a cashless society. It would be a wonderful way, wouldn't it, to punish people or to put limits on their spending. I worry about the Big Brother aspect of it. Cash gives us freedom, and a cashless society could perhaps become more controlling and quite a scary place to be ... Say it becomes a cashless society and somebody's got, say, an alcohol problem or something, so you put a limit on their card or a 'no alcohol spending to be done' on the card. Where will this take us? You know, okay, so you may help with the alcoholism, but it's just how far it goes.” – Female, 55-64 (Younger with no vulnerabilities)*

Chapter 3: Harms associated with cash reliance

This research indicates that people that are dependent on cash and / or have characteristics of vulnerability are more likely to suffer harm from reduced or lost access to cash. The respondents in this group were more likely to be in the Needs-based or Functional user typologies, whereas other typologies were more likely to have access to alternatives and / or higher levels of digital or financial capability. The research indicates harm could arise to the more dependent and vulnerable typologies when accessing cash, using cash and from trying to transition to alternatives. These are discussed in turn below.

Harms incurred when accessing cash

Respondents in this research tended to prioritise accessing cash in a location they could trust. For some, particularly older respondents, this was a bank branch – though many used ATM machines. The experiences of some respondents within this research indicate that harm in trying to access cash is most likely to arise through difficulty accessing services, having to travel further and having to pay more to access services. The former is more likely to cause harm to vulnerable customers with health or mobility problems and for the more dependent, low-income consumers in this research.

The FCA’s assessment of the UK cash access infrastructure is that most people have reasonable access to cash. This is provided through a combination of bank, building society, or Post Office branches and ATMs.¹⁴ Recent mapping of cash access coverage across the UK has shown that as of Q1 2021, 95.4% of the UK population has access to a free source of cash access (bank and building society branches, free-to-use ATMs and Post Office branches) within 2km.¹⁵ However, access can deteriorate quickly in local areas if ATMs or bank branches are closed without suitable alternatives in place, leading to harm. Urban areas of the UK are more likely to be in closer proximity to a free cash access point. For those living in urban areas, 99.7% of that population have access to a free source of cash within 2km. However, this drops to 76.6% when considering the rural population at the 2km distance, also reflecting higher distances to other essential services such as shops, facilities and public services. Some consumers who experience poor access also self-identify as being reliant on cash, and some of them display characteristics of vulnerability and therefore could be more susceptible to harm from lost access (for example, if they suffer mobility or disability issues). Thus, while many consumers in the UK could adapt to a decline in national or local access to cash following changes to the cash infrastructure, those with a reliance on cash are more likely to struggle and some could be at an increased risk of harm from lost or reduced access.

When faced with reduced or lost access, most respondents aim to find ways around this and build accessing cash into their daily routines to minimise hassle and disruption. This includes accessing cash while getting petrol or visiting the supermarket, while others incorporate this activity into the school run or their journey to or from their workplace. Some face inconvenience in their day-to-day lives in order to access cash, such as standing in long queues or travelling for longer distances than they would like to do so. Nevertheless, the majority of respondents do not consider their overall ability to access cash entirely – albeit not necessarily in their preferred method – to be a significant issue at the moment. Most tend to have a good awareness of the cash-based facilities available to them within a manageable geographical area and are able to visit these through baking access to cash into their routines.

¹⁴ <https://www.fca.org.uk/publications/research/uks-cash-infrastructure-consumer-research>

¹⁵ <https://www.fca.org.uk/data/access-cash-coverage-uk-2021-q1>

- *“There's a cash machine in the local shop but that one charges, like, two quid. Or if you take a five-minute walk there's a free cash machine at the Tesco supermarket, but sometimes that has run out of money and then for days it's not been topped up. But failing that, what I'll do is go and do a small purchase in Tesco or Aldi and then ask for cashback, if I needed the cash.” – Male, 25-34 (Low financial resilience)*
- *“Some shops in town, I've noticed they have a charge on the cash machines, like £1.50 just to get your own money out. I try to avoid them as much as possible. Last resort, yes [I will use them], but I hate using them... People aren't very rich [here], if you know what I mean, and they mostly put those machines in the poorer areas. I don't get it. The wealthier areas, the cash machines are free.” – Male, 35-44 (Low financial resilience)*
- *“The area I'm in is close to the city centre but there's a lot of poverty, ... Other than the city centre, there's the one cash machine that's in amongst all the shops that charges £1.99.” – Female, 35-44 (Low financial resilience)*

However, some respondents who are dependent on cash and / or have mobility-related health problems are more vulnerable to harm from lost or reduced access, particularly if they have to wait in long queues or travel beyond their immediate area to access their money and maintain their cash-based spending.

- *“I go to the local cash machine at the local Co-op. It's a fifteen-minute walk. Personally, that is not convenient. For everyone else in the family and my neighbours, that's just a little skip around the corner. I guess now this is the only way I can access cash. I don't have any other way... I do have to go to the cash machine to get cash. There always seem to be a queue.” – Male, 55-64 (LTHC)*
- *“These days it's fairly common [to wait in a big queue]. And, of course, the queues are longer, because now everybody's trying to keep six feet apart. If we need cash, she'll drive me up to [a near by town] in the evening when there's nobody about. And we'll hopefully get some cash.” – Male, 65+ (Older)*

The more dependent and vulnerable respondents may also suffer harm from higher costs or further travel distances where they use ATMs frequently to access cash. Research by the University of Bristol found that between 2018 and 2020, pay-to-use ATMs had become more likely to be the nearest cash access point for neighbourhoods, increasing by 3 percentage points in this period.¹⁶ While overall distances to free cash access may not have seen considerable changes, the increased prevalence of pay-to-use ATMs as the nearest access point may differ across local areas.

Among those interviewed, many strongly resent having to pay a fee when accessing cash, seeing it as a form of tax on accessing their own money. Respondents will often inconvenience themselves to avoid using an ATM that charges, preferring to travel further afield and take time out of their days rather than incur a fee. This is particularly the case for Functional users, who typically use cash to manage on a very low income – for this audience, opposition to charging ATMs is grounded in the possibility of actual financial harm as a result of a low ability to withstand emotional or financial shocks.

¹⁶ <http://www.bristol.ac.uk/media-library/sites/geography/pfrc/Where%20to%20withdraw%20-%20mapping%20access%20to%20cash%20across%20the%20UK.pdf>

- *“It's trying to cut every corner you can to save something. And even if it takes [you longer], when you don't have money to spare, in my situation I would term that in my head as being frivolous. An extra £1 payment for the cash is frivolous, I can't afford it so I'm going to have to unfortunately take longer to go further away.” – Female, 45-54 (LTHC)*
- *“Having to pay £2 [to access] money is a huge amount. That percentage for a lot of people, if you were to look at it as an interest rate for just taking out £20, that's massive.” – Female, 35-44 (Low financial resilience)*

When presented with a scenario in which geographical changes to cash infrastructure are put aside, many older cash-reliant people – or others whose reliance on cash has been cultivated over many years – tend to describe visiting a bank branch as their preferred method of accessing money. However, faced with the reality of continuing local branch closures across many UK regions, such individuals have changed their cash-based approach to mostly using free-to-use ATMs – where possible – and other methods. This behavioural change has presented challenges for some, who feel a loss of personal, face-to-face interaction and the sense of security from entering a physical bank branch.

- *“It used to be maybe ten minutes to walk to my nearest branch. Now it would take me half an hour. There is another source of an ATM which is one of these private ATMs and that's about fifteen minutes' walk. I try not to [use it] but sometimes I do. But I prefer to go to the bank for security... Obviously, there have been instances where ATMs have been hacked and some of the private ATMs I'm not trusting of. Particularly in this area, there's been a lot of hacking. I haven't heard of one recently but there have been a few places where the ATMs have been hacked. And I just feel that the banks are a little bit more secure.” – Female, 55-64 (Low Digital Confidence)*

Harms incurred when using cash

Harms experienced by respondents when using cash vary by typology, according to the characteristics of the people within them.

- **Difficulty paying for goods:** With fewer retailers accepting cash as a result of COVID-19, those who rely on cash to make everyday purchases may increasingly find they are unable to pay for transactions using this method, or have to overcome challenging interactions in order to do so. This problem is particularly acute for financially excluded individuals, who do not have access to financial products – including debit and credit cards – in their own name, many of whom have been forced to turn to others to pay for day-to-day transactions during the pandemic.
- **Mental health impact of perception that cash is increasingly ostracized:** Some have felt shame, guilt and anxiety as a result of having cash refused, which can exacerbate poor mental health. Others have become confrontational in shops and adopted a siege mentality regarding cash payments further contributing to stress and anxiety felt.

All individuals within the research self-identified as being reliant on cash, saying they would struggle to cope or do not know how they would cope without it. Many had experienced cash refusal or seen retailers express a preference for card during the pandemic. This led them to feel that cash use was increasingly considered socially unacceptable, causing feelings of shame

and guilt for some, as they felt that they were not able to do what society considered to be the 'healthy' thing to do during a pandemic. It also led to anxiety for some respondents, not only about being able to pay for essential goods and services (as mentioned above), but about how they would manage their money with cash – something they feel they are reliant on – becoming increasingly scant. Some of the individuals in this research had a long-term health condition related to poor mental health. For these individuals, feelings of shame, guilt and anxiety were detrimental to their mental health. Those in the Functional and Needs-based user typologies were most likely to have mental health conditions exacerbated by challenges using cash during the pandemic.

“If you're forcing people down a road [to alternatives to cash] then it's going to cause more problems than it's going to resolve. Because there might come a time where I have to say I can't wait any longer, you know, I've got to pay by cash and I've waited in a queue to go and pay and now you're not offering me the facility that I need and so I'll have to go and queue somewhere else and to be perfectly honest I know how strongly I feel about things and how much I struggle with everything going on in my life that at that point if they weren't going to offer me something I'd probably actually just walk out. I'd probably just dump what I'd picked up and that helps nobody at the end of the day. I've lost out and I have to go and get what I need somewhere else that I've wasted all my time and I'm up sky high with nerves and anxiety and stress because I can't even go and get a few groceries. And pay in a reasonable manner.” – Female, 45-54 (LTHC)

- *“I use cash all the time really, because I sort of withdraw it and then put it into like weeks throughout the month, so that I've got like a budget. I'd probably get really panicked [in a cashless society], because I have quite a big anxiety so I'd probably panic.” – Female, 25-34 (Low financial resilience)*

“[This year has been] made more difficult [by] the cash situation, because sometimes I go to the supermarket and you don't have the option to pay cash. They converted some of the machines to just pay by card, so you feel marginalised... Nobody's ever said anything, but you can almost pick up [that] somebody's not that comfortable like if you're handing over money... They're not really happy or comfortable, maybe the mixture of the two that they're handling cash on the other side... You don't always have a choice obviously because if you're standing in a queue and then there's numerous people waiting to use... Sometimes I'm forced to [pay by card], or I have to pull out of the queue and go wait somewhere else so I can pay... You feel like you're being pushed out... It feels like you're losing your voice.” – Female, 45-54 (LTHC)

Others have come across as confrontational in shops when attempting to pay in cash for goods, with some escalating the situation in order to invoke what they consider to be their right to pay in cash. They describe how they have been made to feel offended through others' objections to their choice to pay in cash in certain situations, and the sense that their payment habits are being unfairly marginalised. This experience is shared among many typologies, with ideological objection to non-cash payment methods being particularly strong among the Cash defenders. In situations where such individuals do not have alternative payment methods on their person – for example, having left home with only cash in their purse or wallet – the potential for harm arises. Moreover, this siege mentality can have an impact on the individual's mental health as it contributes towards stress, and anxiety can lower emotional resilience. Which? also heard concerning experiences from people across a wide range of society about the impact of not being able to pay with cash, and how this results in

feelings of embarrassment or frustration at the point of payment.¹⁷ Which? found that of the people who didn't have another payment method at the point of purchase, 62 per cent said it made them frustrated, embarrassed or anxious, 43 per cent said it was an inconvenience and 41 per cent said it had wasted their time.

- *"I once went in to draw £1,000 out and they said they were not prepared to give me £1,000 without x, y and z. I asked why, and they said, 'It's a rule.' I said, 'Who made this rule?' ... I said, 'Let me see the rule,' and it ended up I went down to head office and demanded to see the regional manager and said, 'Let me see the rule that stops you giving me what is rightfully mine, and in the denominations I wanted.' I just wanted £1,000." – **Male, 65+ (Older)***
- *"At one point [when in a shop] I actually said 'I've not got a card, I've lost my card, I'm waiting for a new card. I'm not going to be able to survive because I've only got cash'. I read that you can just challenge it so I did, but then I'm not really confrontational so then I thought perhaps I shouldn't be doing that. So, there have been times when they've said, 'We're only taking card I'm afraid.' And I said, 'Well, there's not a sign or anything telling me, I wouldn't have come in. I picked up all these things cash now and I'm not going to be able to get them.' And then they say, 'Okay, then we'll let you.' But it weren't easy, they would try and get you to try and use a card that you've not got on you. ... There's times where I've had to challenge it and just literally stand there with cash and say, 'I've only got cash on me. Are you going to refuse to serve, what would you do if it was someone who perhaps doesn't have a card at all? I just haven't got one. I mean, I really need these items.' But, that's as far as I would have gone, once we got into a full blown confrontation or an argument. It's embarrassing to some degree as well, when there's a queue of people behind you and you're holding up the queue because you've not got a card. It wasn't nice." – **Female, 35-44 (Low financial resilience)***

In some cases, cash reliance means that the individuals rely on others to make purchases on their behalf. Often these tend to be card payments or online purchases, and they would be made by a trusted family member or loved one. This is therefore a fairly low risk of harm.

Harms incurred from inability to transition to alternatives

For many cash-reliant individuals, transitioning to alternative payments is often viewed as a risk they cannot afford. This is mostly because they feel these methods may lead to over or irresponsible spending on their part, facilitating budgeting mistakes. Some with a reliance on cash – and particularly younger respondents – have attempted to adopt non-cash-based habits and found that they often lost track of purchases.

Behaviour change can be difficult and may cause anxiety for those typologies more dependent on cash and consumers with certain vulnerabilities, as outlined by the FCA, including low financial resilience or digital capability, ill health and major life events.¹⁸

Many cash-reliant individuals display low capabilities and confidence when it comes to managing digital products or services. This can lead to further disengagement and potentially a lack of trust with digital alternatives. Those with lower digital capabilities and incomes, or

¹⁷ <https://press.which.co.uk/whichpressreleases/9351/>

¹⁸ <https://www.fca.org.uk/publication/guidance-consultation/gc20-03.pdf>

whose prior experience of debt has driven their present use of cash, might also struggle to continue to budget effectively with digital alternatives, making them less likely to transition. Others with ingrained cash-based habits built over many years have not attempted or even considered a change in their routines and are anxious about the very prospect.

- *“I'd find [a cashless society] very, very difficult. I know I would go into my overdraft, well, my unplanned overdraft because I haven't got an overdraft. I know I would go into that, because I just can't fathom that it's £10 on my card and £10 cash just seems so different. And also, it's the extra pennies on a card, like 19p here, 19p there, it adds up. Whereas if you've got the change, you know exactly where you are, on a card you can overspend by a couple of pounds. Just budgeting would be for me.” – Female, 25-44 (LTHC)*
- *“Because I've [used cash] for so long, it'd be a big change...it probably would worry me a little bit. I've never gone into detail thinking about anything, and I hope it doesn't come to that. I don't know, I just think it might be hard work.” – Female, 45-54 (Financially excluded)*
- *“It's really hard living when you haven't got enough money to pay for everything that you need to pay for, [so] a way to help and manage that is to pay by cash, and it makes you question more on the validity of whatever it is that you're going to buy...So for me, [it's] down to 'do I really need this large pack of this? I could buy a smaller pack of rice, or maybe I need to leave mayonnaise or jam this time because I don't have enough money', so it's the unfortunate scenario of the minutiae of what maybe would be seen in some people's lives actually becomes very important when you've not got enough money, so every penny counts, and if it's forcing you to question and help you manage what isn't even enough in the first place, anything is worth doing, I think.” – Female, 45-54 (LTHC)*

Of the respondents in this research, transition problems are particularly likely to affect the Older & disengaged typology, who tend to have minimal interaction with digital financial products and services. In cases where there is no option to pay in cash – such as online shopping or for larger purchases people would not necessarily buy day-to-day – many with low digital confidence or access turn to friends or families to process such transactions.

- *“[I] only [use card] when necessary because I just feel like things could go wrong. And, of course, because of my situation I'm not in a position to lose out financially so I just have that fear... I know if you use the ATM and you use your card you can see that it's gone through straight away and when it's been taken... If I make a debit purchase, it doesn't always go through straight away and I like things to be just and dusted.” – Female, 55-54 (Digitally Excluded)*

“The phone I have is only basic, you can make a call with it and receive a call and send a text message, but I could do nothing online. If I [have to] I get my niece to do it and she's very good, she would use my card for doing that. [She] would do it for me over the phone, maybe insure the car, something like that. But I couldn't do it...She just types my card number through to whoever I am making the payment to.” – Male, 65+ (Digitally Excluded)

Those who are financially excluded – meaning they lack access to basic financial products, including current accounts in their own name – are also highly resistant to, or sometimes unable to enact, behavioural change. Whether a lack of current account and other financial products is due to ingrained habits, personal financial circumstances or life events, this audience – falling within the Needs-based user typology – is innately vulnerable to harm in the context of declining cash acceptance.

- *“The worst-case scenario for me if I had to have a bank account, I'd just have to have a straightforward account where you take cash out the machine and that's it. I don't want, what do you call it, when you tap it and all that, I couldn't cope with all that. Because I wouldn't know where it's coming or going. So, if I was forced down that route, I'd just need to take money out. But that card would have to be specific that you couldn't use it for any other purchase, it's only just got a number on it to take cash out. You couldn't use it for anything else.”* – **Male, 45-54 (Financially Excluded)**

Chapter 4: Impact of COVID-19 on reliance on cash

The emergence of the global COVID-19 pandemic has led to a seismic shift in the way that many companies and individuals operate. This research took place at a pivotal moment in exploring respondents' relationship with cash, as we witness many stores encouraging customers to pay using card and the rate of online shopping accelerates. The pandemic has therefore had the potential to act as a major disruptor to the way consumers spend and manage their personal finances in the UK.

COVID-19 may also have led to a higher number of people in vulnerable circumstances, including those in the typologies explored in this research. This is supported by the FCA's October 2020 COVID-19 panel survey, which found that the number of adults displaying one or more of drivers of vulnerability had risen by over 3 million since February 2020 – in October 2020, 27.8m adults (53%) were impacted by these drivers compared to 24.1m (46%) in February.¹⁹

For some UK consumers, COVID-19 has accelerated the use of digital payments and led to a decline in cash use. Retailers are also increasingly encouraging the use of contactless payments and some retailers are not accepting cash as a means of payment. Prior to the pandemic, respondents recalled that some shops were already functioning on a cashless basis in the UK. However, this was a trend more likely to be associated with urban centres such as London than the types of areas that many respondents often lived in. Yet COVID-19 is seen as forcing retailers and businesses to adapt how they operate – as a move away from cash payments across a range of geographical areas – exposing cash-reliant individuals to harms in this context.

Where individuals have faced concrete barriers to accessing or using cash (for example, through bank branch closures, or having cash refused in a shop), instead of re-evaluating their approach to payments, many adapted their habits piecemeal in order to continue to use cash.

This resistance to behavioural change in the face of diminishing cash access and acceptance during the pandemic is telling of the importance of cash for such individuals in the UK. This is particularly the case for individuals in the Functional, Needs-based and Older & disengaged typologies, which are most likely to contain individuals with low financial resilience, as well as those that are digitally or financially excluded or have low digital or financial capabilities.

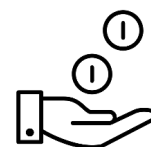
However, those seemingly with the requisite tools to adopt alternatives to cash – the Comfortable & capable, Impulse avoiders and some in the Cash defender typologies – have often faced psychological and behavioural barriers that have impeded that change. These include ingrained habit and a distrust of the alternatives to cash, often linked to fear of fraud or personal error.

Impact on health and wellbeing

The COVID-19 pandemic has had an impact on the physical health of some cash-reliant respondents. Such individuals were less able to visit the in-person facilities and places they would usually use to access cash before the pandemic – such as ATMs, bank branches or the Post Office.

¹⁹ <https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf>, p.18

- “[COVID has had] a huge impact. It's the being so careful and worried about leaving the house and going anywhere and now we're so aware of touching surfaces and people around us and the space that we're in, so I'm trying to avoid that because my immune system is compromised. So that's been a huge impact so even going into the Post Office, I rarely go into the Post Office. So, it's made a massive difference to me... Maybe, if I might, I'll ask my daughter to get the cash for me. It's something I need. I do need it to get through my life.” – **Female, 45-54 (LTHC)**



For others, COVID-19 has had a negative impact on their mental wellbeing, a situation exacerbated by the difficulties they have faced when attempting to pay using cash. Individuals with overlapping characteristics of vulnerability are particularly susceptible to potential harms in the context of diminished cash acceptance:

- “They don't like it. They will say they prefer you to use contactless, but if I say I just haven't got my card on me-, I do lie. I say, 'I haven't got my card on me. All I've got is my cash.' And then they take the cash. They're not going to say no to it... It's, like, shock horror. 'Are you really saying that you haven't got a card?' I have been made to feel [uncomfortable] quite a few times.” – **Female, 35-44 (LTHC)**



COVID-19 has further exacerbated access issues faced by respondents with long-term health conditions and a reliance on cash, particularly where they have had to self-isolate. Some have been able to access cash through family members or loved ones. For others, cash delivery services were available during the pandemic, but in some instances there was a lack of awareness of this alternative.

- “I was struggling to try and get out to do the shops and what not, and there was actually one of my nurses at the hospital that suggested ringing the bank and seeing if they could do anything to help. Obviously, I had to go into the full details, and I had to give them medical proof, to prove that I was going through what I am. And once they had that proof, they had absolutely no problem. They said 'Right we can do this, we can do that. Whatever's best for you.' They will bring it to the hospital for me, if I'm at home, they'll come to my home. They always ring me up, 18th, 19th of the month, I get paid 20th of the month so they'll always ring me on the 18th or 19th [to arrange]. ... When they come, they're wearing gloves, they've got a visor on, they've got a mask on. So, no issues with contamination or anything like that. ... So, [I'm] absolutely thrilled with it. I would never have thought of ringing the bank and saying, 'Can you help me?'” – **Female, 45-54 (LTHC)**

Effects of behaviour change

A minority have been forced to change their cash-based habits during COVID-19, including a small number who have turned to online grocery shopping due to self-isolation or wanting to reduce social interaction during the pandemic. Of those who have taken a different approach to their payments during this time, several have found it more difficult to monitor and control their personal finances and avoid impulse purchases. Such individuals describe how they have ended up spending more money on grocery shopping – where they would ordinarily be more selective in person – or turning to popular online sites they would have visited much less frequently prior to the pandemic. Consequently, most of those who have changed their cash-

based habits because of COVID-19 would like to return to their previous ways of working when this becomes possible.

“I would offer cash and they would say, 'Card only.' So, I actually got in the habit of using my card more during lockdown, and now I'm trying to, kind of, swing it back the other way again.... I was buying more on eBay, definitely my eBay spending has become more frequent, and my window shopping has definitely gone up. So, it felt a little bit upsetting to me, having money in my purse and then trying to make a payment and then, you know, the person says to you, 'Sorry, we can't take cash at the moment.' And then I'd have to get my card out, and I could see all that cash in my purse, and I couldn't use it, and it just felt really wrong.” – Female, 35-44 (LTHC)



- *“[Online shopping is] not something I was comfortable with, not something I'm happy with. I didn't have a choice really, that was kind of forced on me. I still don't like doing [it] because of the fact that I've got to do online and use my card, it's just the way the shopping turns out and the problems I have. Things missing, things being off... We had to adjust anyway, actually, because of places having limited opening hours and I didn't want to come out of the house anyway. So, it was a case of I have to do that or not eat. So, I had to adjust for that reason anyway. I've not felt comfortable with it and I'm not happy about it.” – Female, 35-44 (Low financial resilience)*

Cash reliance after COVID-19

When considering longer-term trends towards the UK becoming a low-cash society, the pandemic has offered insights into the potential harms that unbanked individuals could face – including disengagement with the digital payments systems and difficulty accessing and using digital services.



–“At a fuel station when I had my car, they did want a card payment. Card payments only. I had to give somebody the change, just a couple of quid, so then they put some fuel in for me on their card at the pump because obviously, I only have cash... My car had run out of fuel you see. That was a bit traumatic for me really. Very embarrassing. Literally, as I pulled into the gas station my car ran out. It's not like I could drive to another one, I was stuck there.” – Female, 35-44 (Financially Excluded)

- *“I'd gone shopping with my daughter while the Coronavirus was on. It might have been May, June.... And I went to pay with cash, the lady was quite rude, [she said], 'We only take card.' And I said, 'Well, I only have cash.' But my daughter solved that problem for me.... I do understand, but that's how I deal. I just deal with cash, and there's nothing I can do.” – Female, 45-54 (Financially Excluded)*

Post pandemic, there is likely to be no change in the cash use of the financially excluded individuals who lack access to basic financial products, including a current account in their own name, and of those whose use of cash is primarily driven by budgeting on a low income. This research found that their approach has thus far remained mostly unchanged, and the rapid movement away from the acceptance of cash payments has left some cash-reliant

individuals – and particularly those on the dependence end of the spectrum – susceptible to harm.

- *“It is quite worrying, because I did have it happen when lockdown first happened where I went to [a shop] and they refused to take my money. She was like, 'We're only doing card payments,' and I got really upset, I said, 'But I get paid in cash, the banks aren't even open, and I'm pretty sure it's against the law for you to refuse to take my money, as it's legal tender. You can't just refuse to take it with no notice, it doesn't work that way.' And I kind of put my foot down when they refused to do it, but then literally I ended up having to drive 20 minutes in the opposite direction to [another shop].”* – **Female, 35-44 (Low financial resilience)**

Chapter 5: Conclusions

- **There is a steady group of people that will continue to rely on cash, with some depending on cash:** There is a spectrum of self-reported reliance on cash – some consumers are more dependent, and some are closer to preference. This research found that whilst some had a reliance on cash, for others – particularly those with low financial resilience – the need to avoid overspending was such that they depended on cash. This is because, for these individuals, small budgetary errors could lead to harm such as unmanageable debt and difficulty affording essential goods.
- **The key demographic factors driving a dependence on cash are having a very low income and displaying characteristics of vulnerability** such as ill health, life events, low financial resilience, and lower financial or digital capability. These characteristics of vulnerability are present across most groups of respondents, in some more so than in others. Many of the individuals with a dependence on cash – though not all – are aged under 50.
- **The more dependent / vulnerable could be at greater risk of harm:** If cash infrastructure declines, those with a reliance on cash may find accessing cash to be an increasing challenge. Some of those with a reliance on cash will already walk lengthy distances and wait for extended periods of time to access cash if they do not have access to local, convenient cash infrastructure. This is harmful for those with long-term health conditions that limit mobility or their ability to spend extended periods of in queues or outdoors. Whilst many have an aversion to pay-to-use ATM machines, some will resort to these in cases of emergency, spending money they may struggle to afford in order to access cash.
- **The pandemic has affected the way people shop and the way businesses accept payments:** Looking ahead, we can see that some of the typologies in this research (Needs-based, Functional and Older & disengaged) are likely to continue to rely on cash, while others have shown that they could be able to transition, though often facing psychological and behavioural barriers (Cash defenders, Impulse avoiders and Comfortable & capable). The ones that are dependent and likely to continue to use cash are more likely to have characteristics of vulnerability.