

Costs to consumers and SMEs of a loss of access to in-person cash and banking services

Narrative Report



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Executive Summary

Background and research objectives

Background

In March 2020 the Government announced its intention to legislate to protect access to cash (notes and coins).¹ Then, in July 2021 the government consulted on its proposed approach, which included setting a geographic requirement to ensure the provision of cash withdrawal and deposit facilities and designating firms to meet these requirements and establishing additional regulatory oversight.² In July 2022, the government introduced the Financial Services and Markets Bill. If enacted, the Bill would give the FCA powers to ensure the reasonable provision of cash access services across the UK. The legislation is expected to come into force during the course of 2023.³

This comes against a backdrop of a decline in access to in-person cash and banking services in recent years, with the number of bank and building society branches in the UK declining by 40% between 2012 and 2022, from 13,345 to 8,060.⁴ In addition to branches, the numbers of other types of access points have also declined with the number of free-to-use cash machines falling by 25% between January 2018 and November 2022.⁵

Access to cash and banking services remains important for a many **consumers and SMEs**, despite the **recent decline in cash use**.⁶ Individual and business customers may rely on cash machines, bank or building society branches and post offices for a wide range of services including cash withdrawals or deposits, in-person payments or providing documentation to prove their identity. There is also evidence to suggest that whilst only 6% of UK adults use cash to pay for everything or most things, this rises to 9% for adults with one or more characteristics of vulnerability.⁷

Research objectives

London Economics (in partnership with YouGov and Kudos Research) was commissioned by the FCA to provide quantitative estimates of the costs associated with a loss of access to in-person cash and banking services at the location they usually use them for consumers and SMEs who rely on these services.

The results of this research will be used by the FCA alongside its other policy work in order to ensure the reasonable provision of cash access services across the UK.

¹ <https://www.gov.uk/government/publications/access-to-cash-call-for-evidence>

² <https://www.gov.uk/government/consultations/access-to-cash-consultation>

³ <https://www.fca.org.uk/firms/access-to-cash>

⁴ [NOMIS database](#) (UK Business Counts variable)

⁵ <https://www.link.co.uk/initiatives/financial-inclusion-monthly-report/>

⁶ For example, cash use for transactional purposes decreased from 56% of all payments in 2010 to 17% of all payments in 2020. See: <https://www.ukfinance.org.uk/sites/default/files/uploads/SUMMARY-UK-Payment-Markets-2021-FINAL.pdf>

⁷ [Financial Lives Survey 2022](#). Characteristics of vulnerability associated with higher than average usage of cash include digital exclusion, financial difficulty and poor health.

Fieldwork and cost estimation methodology

Fieldwork

A key component of this research project are UK-wide surveys of consumers and SMEs, conducted by YouGov and Kudos Research with oversight by London Economics. This includes an online survey of 1,540 consumers and 1,533 SMEs by YouGov and a CATI (Computer Assisted Telephone Interview) survey of 150 consumers by Kudos Research. The fieldwork was conducted over October and November 2022 and the resulting data was weighted to be representative of consumers who use cash at least once a month and SMEs which are likely to accept cash.

Cost estimation methodology

The costs investigated in this research are estimated in one of two ways. Where feasible, costs are estimated by combining responses given in the survey related to how consumers and SMEs currently use cash and banking services and how they would respond in the event of a loss of access with relevant parameters from secondary data.

Where this approach is not feasible, since relevant parameters are not available from secondary data, econometric methods using data (from the surveys) on consumers' and SMEs' willingness to pay to avoid loss of access are used to obtain estimates of the relevant costs.

It should be noted that this research only considers potential costs associated with reactions to a loss of access to cash and banking services rather than potential benefits. For example, benefits for consumers from making use of credit or debit cards (e.g. card rewards) or benefits to SMEs of adopting digital payments (e.g. reduced cash storage costs) are not considered. Additionally, there may also be other costs which are not estimated as part of this analysis (e.g. costs associated with using cash or banking services less frequently). Finally, as it is not possible to account for specific details of consumer and SME behaviour (e.g. using travel distance, travel time and travel mode data may lead to overestimates of travel costs for consumers if they can combine journeys to access cash and banking services with a shopping trip).

Access to cash services - consumers

Current landscape

Currently, consumers **usually withdraw cash and check their balance⁸ at free-to-use cash machines**, and most often **deposit cash at bank or building society branches**. Consumers also have the option to use bank or building society branches to withdraw cash or check their balance and may use post offices for any cash service. Consumers' decisions over which type of access point to use may be based on several factors. For example, they may choose the access point that is most conveniently located for them or they may prefer the service available at specific types of access point, for example the in-person assistance available at a bank or building society branch.

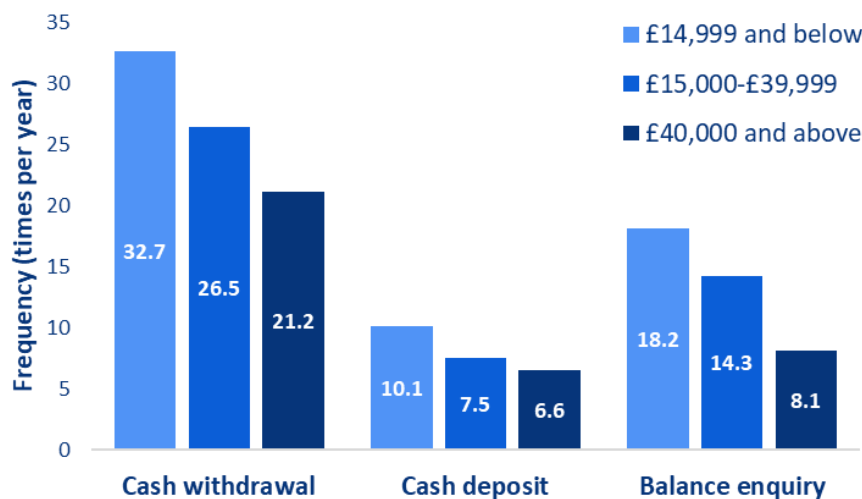
The most frequently used cash service⁹ is cash withdrawal, which is most often accessed at a cash machine and on average used by consumers slightly more than twice a month.

⁸ Note that in this report references to consumers and SMEs checking their balance refer to balance checks made **in-person**, not online.

⁹ Cash services considered in this research (for consumers) are cash withdrawal, cash deposit and balance enquiry.

Figure 1 shows that **frequency of use of cash services declines significantly with income**. This is consistent with previous FCA research indicating that low-income consumers are more likely to rely on cash for day-to-day activities.¹⁰ This trend is particularly noticeable when looking at balance enquiry. This may be because knowing one’s balance plays an important role in the budgeting activities of low-income consumers.

Figure 1 Frequency of use of in-person cash services, by income



Note: based on whole sample of respondents, including those who never use these services (i.e., having a trip frequency of zero)

Source: London Economics analysis of consumer survey

The distance travelled to access in-person cash services also varies significantly according to consumer demographics. As shown in Table 1, **rural consumers¹¹ travel over twice as far to access cash services. Older consumers also travel further than younger consumers to access cash services**, though this is driven by older consumers disproportionately living in rural locations. Consumers on average travel a similar distance to withdraw cash and check their balance (these services are both most often carried out at a cash machine) but travel further to deposit cash.

Table 1 Average one-way distance (miles) to access cash services, by age and urban/rural classification

Service	Overall	18-64	65+	Urban	Rural
Cash withdrawal	1.5	1.3	1.9	1.0	3.0
Cash deposit	2.7	2.5	3.1	2.0	5.0
Balance enquiry	1.7	1.5	2.3	1.2	3.4

Source: London Economics analysis of consumer survey

Reactions to a loss of access

In response to a loss of access to cash services at their usual location, there are a number of reactions that consumers may take. The reactions considered in this research were as follows:

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

¹¹ The urban/rural classification used in this research is based on urban/rural classifications from the ONS and NISRA. Full details on the construction of this indicator can be found in the [Technical Report](#).

- **Continue to access in-person cash services but at an alternative¹² location.** This may incur travel-related costs¹³ if the alternative location is further away or takes longer to get to, or stress or anxiety about having to use a different location. Depending on what kinds of access points the current and alternative locations are, they may also have to pay increased cash machine fees or experience a loss of privacy or security.
- **Switch bank,¹⁴** which may incur a switching cost and may lead to stress or anxiety.
- **Substitute in-person cash services with digital channels** (online or telephone banking or debit or credit cards). This could lead to switching and familiarisation costs, stress or anxiety or fraud costs.
- **Rely on someone else** to access cash services for them, which could lead to a loss of financial independence.

Consumers who react to a loss of access to cash services at their usual location by reducing the frequency with which they use these services may also experience other costs. Costs of this type that are considered in this research are potential increased theft costs from carrying more cash, stress or anxiety or overdraft charges arising from increased difficulty in budgeting and a loss of consumer surplus due to reduced spending.

Table 2 shows that the vast majority of consumers would continue to access cash services in person in reaction to a loss of access.

Table 2 Consumer reactions in response to loss of access to cash services

Reaction	Cash withdrawal	Cash deposit	Balance enquiry
Access cash services in a different location	98.6%	95.1%	92.8%
Switch account to another bank	13.4%	23.8%	13.2%
Make more use of credit or debit cards	20.7%	10.0%	9.3%
Make more use of online or telephone banking	11.5%	10.8%	45.2%
Rely on someone else to access cash services for me	5.9%	7.6%	4.1%

Note: Figures are percentage of current users of each cash service taking each reaction in response to a loss of access to that service at their usual location. Respondents could take multiple reactions, so columns sum to greater than 100%.

Source: *London Economics analysis of consumer survey*

Costs associated with a loss of access

Travel times and distances to the alternative access point are around 30-50% longer/further than to consumers' current access points. This drives **travel-related costs**, which are **the largest type of costs** incurred by consumers, between £30 and £85 (per annum) depending on cash service. Aside from travel costs, the largest costs are estimated to be bank switching costs (roughly £2-3 per annum

¹² It should be noted that consumers (and SME respondents) were not presented with a list of alternative locations in the survey, and so where consumers (or SMEs) indicated they would take this reaction it is based on their own (possibly imperfect) knowledge of local access points.

¹³ Based on the additional distance or additional time to the alternative location.

¹⁴ This reaction purely concerns the act of switching a consumers' bank account from one banking provider to another. Consumers who switch bank do not necessarily do so in order to continue accessing in-person cash services at a different location. For instance, some respondents who indicate they would switch bank in response to a loss of access to cash services would access in-person cash services outside a bank branch in this alternative scenario, indicating that they would switch banking providers for other reasons (e.g. if they prefer the online or telephone banking offering of another provider).

across cash services) and the loss of consumer surplus¹⁵ from reduced spending due to not having/being able to use cash. That travel-related costs exceed the amount consumers would be willing to pay to retain access to these services at their usual location may be because travel-related costs are on average overestimates due to offsetting factors such as if trips to access cash services would be combined with other activities (e.g. commuting or shopping) or because valuations are underestimates because consumers feel that they fundamentally should not have to pay for access to cash services and therefore do not provide a realistic valuation.

Consumers in rural areas generally face higher costs than those in urban areas. This is primarily due to the fact that these consumers have fewer alternative options in terms of access points, so they are likely to have to travel much further to continue using in-person cash services. For example, travel-related costs associated with a loss of access to cash withdrawal at the usual location are estimated to be on average £55 per annum for consumers in rural areas and £40 for consumers in urban areas.

There is also variation in the estimates for some of the costs by age and income. **Respondents with lower incomes** tended to **experience greater stress or anxiety** associated with using debit or credit cards more often, and **older consumers experience larger bank switching costs**.

Responses to the valuation questions in the survey suggest that consumers would, on average, be willing to pay (per annum) £10.73 to retain access to cash withdrawal at their usual place, £11.14 for cash deposit and £6.94 for balance enquiry. This suggests that on average consumers consider access to cash withdrawal and deposit at their usual location to be of roughly equal importance to them, but that **balance enquiry is slightly less important**.

Access to cash services - SMEs

Current landscape

SMEs can use post offices and bank branches for all cash services¹⁶, and may also use cash machines to withdraw cash or check their balance. SMEs primarily use **a mixture of cash machines and bank branches** to access cash services. The types of access points used by SMEs vary according to business size – **larger businesses tend to use bank branches more and cash machines less**. For example, cash machines are used as the primary access point type for cash withdrawal by 69% of sole traders and 63% of microbusinesses but just 41% of small businesses and 30% of mid-size businesses. SMEs decision over which type of access point to use may be based on several different factors. For example, they may choose the access point that is most conveniently located for their business, or they may prefer the service available at specific types of access point, for example the in-person assistance available at a bank or building society branch.

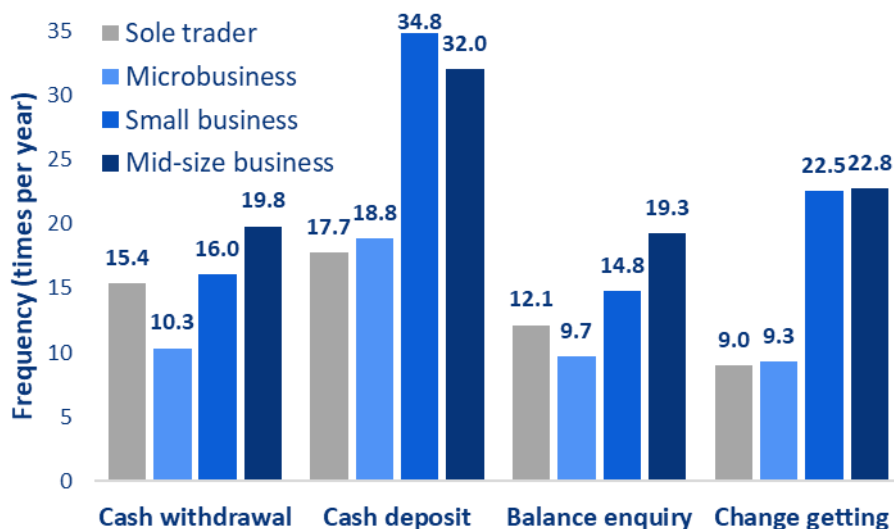
The **most frequently used cash service** by SMEs is **cash deposit**, which is used on average slightly more than twice a month. **Larger SMEs typically use cash services more often**, as shown in Figure

¹⁵ The difference between what consumers would be willing to pay for goods and services compared to what they actually pay, i.e. the value consumers derive from a transaction.

¹⁶ Cash services (for SMEs) considered in this research are cash withdrawal, cash deposit, balance enquiry and change getting.

2. There is also evidence to suggest SMEs in more cash reliant¹⁷ sectors deposit cash and get change more often.

Figure 2 Frequency of use of cash services, by business size



Note: Sole trader = 1 employee, microbusiness = 2-9 employees, small business = 10-49 employees, mid-size business = 50-249 employees.

Source: London Economics analysis of SME survey

SMEs primarily use a car, van or motorcycle to access cash services, and on average travel between two and three miles to access these services.

Reactions to a loss of access

In response to a loss of access to cash services at their usual location, there are a number of reactions that SMEs may take. The reactions considered in this research were as follows:

- **Continue to access in-person cash services but at an alternative location.** This may incur travel-related costs if the alternative location is further away or takes longer to get to. Depending on what kinds of access points the current and alternative locations are, they may also have to pay increased cash machine fees or a loss of security.
- **Switch bank,** which may incur a switching cost and may lead to ongoing inconvenience from banking with a new organization.
- **Substitute in-person cash services with alternative methods.** For example, they could make more use of online or telephone banking potentially leading to switching or familiarisation costs and fraud costs. They could also make more use of digital payments, which could also lead to switching and familiarisation costs. There may also be costs associated with using these services on an ongoing basis.
- **Stop accepting cash payments** which could lead to lost profit.

¹⁷ The six sectors considered more likely to be reliant on cash are: Construction; Wholesale, Retail, and Maintenance; Hospitality and Recreation; Education; Health or Medical Services; and Personal Care and Services. The remaining sectors, Manufacturing, Transportation, and Professional Services, are considered less likely to be reliant on cash. This classification is informed by [HMRC research](#) but supported by the survey results, as the sectors with the highest proportion of businesses accepting mostly or all cash payments were Health or medical services (21%), Hospitality and recreation (20%) and Personal care and services (18%).

- **Make use of cash or change delivery or cash collection** in which case they would need to pay the fees associated with this.

SMEs who react to a loss of access to cash services at their usual location by reducing their frequency of use of in-person cash services may also incur other costs. These costs include burglary costs or additional security or insurance costs if they keep more cash on premises, a reduced capacity to serve customers paying in cash leading to lost profit, or a lack of security from carrying more cash when using cash services.

Table 3 shows that, like consumers, the vast majority of SMEs would continue to use cash services in a different location in response to a loss of access to their usual place.

Table 3 SME reactions in response to loss of access to cash services

Reaction	Cash withdrawal	Cash deposit	Balance enquiry	Change getting
Access cash services in a different location	94.1%	94.8%	92.2%	93.2%
Switch account to another bank	26.0%	32.6%	20.5%	28.7%
Make more use of digital payments	19.4%	14.1%	17.3%	10.4%
Make more use of online or telephone banking	9.7%	7.2%	31.9%	7.3%
Stop accepting cash as payment method	7.7%	8.3%	3.5%	5.7%
Make more use of cash or change delivery	5.2%	-	-	6.9%
Make more use of cash collection	-	5.6%	-	-

Note: Figures are percentage of current users for each cash service taking each reaction in response to a loss of access to that service at their usual location. Respondents could take multiple reactions, so columns sum to greater than 100%.

Source: *London Economics analysis of SME survey*

Costs associated with a loss of access

Travel-related costs represent the largest individual costs for SMEs, as they would typically react by travelling further but with a similar frequency to conduct in-person cash services. These costs range from £50 for cash withdrawal services to over £110 for change getting services. This suggests that SMEs view these services as a **necessity** as they would continue to use them at the same frequency even when it becomes less convenient to do so.

Other than travel-related costs, the largest costs were potential fraud costs associated with making additional use of online or telephone banking (roughly £10-30 depending on cash service), bank switching costs (£5-10), and potential inconvenience associated with making more use of digital payments (£8-£12).

There is also evidence that some SMEs will increase their spending on insurance or other security measures if they hold more cash on their premises as a result of losing access to cash and banking services. Additionally, some SMEs would make use of cash or change delivery or cash collection. However, the costs associated with these services are estimated to be less than £5 per year on average, as only 5-7% of SMEs would take these reactions in response to a loss of access.

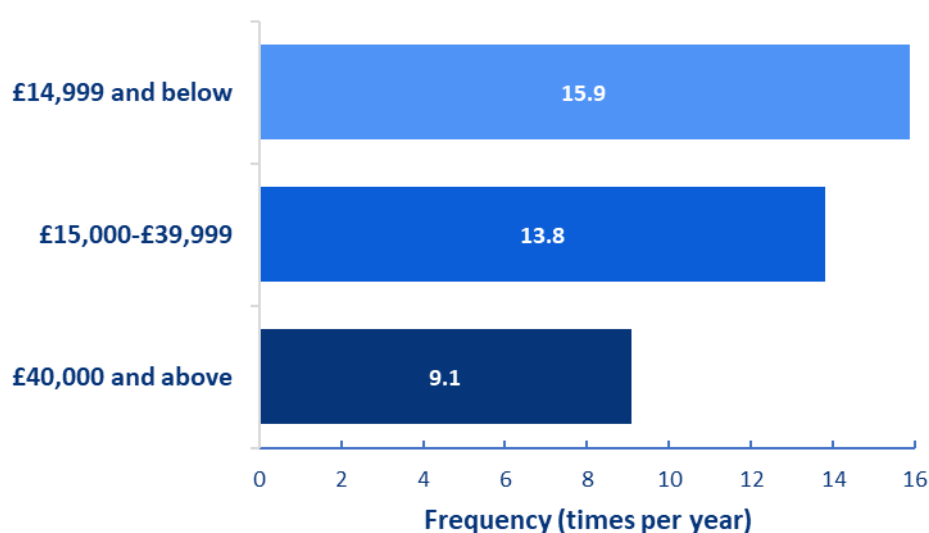
Responses to the valuation questions in the survey suggest that SMEs would be willing to pay on average between £100 and £150 per annum to retain access to each cash service (cash withdrawal, cash deposit, balance enquiry and change getting) at their usual location. As with consumers, balance enquiry was considered on average to be the least valuable service to SMEs.

Access to banking services - consumers

Current landscape

In this study banking services¹⁸ that consumers (and SMEs) access at least once per month are referred to as 'regular' banking services, whereas services accessed less than once per month are referred to as 'occasional' banking services. For example, if a consumer makes in-branch transfers at least once a fortnight and takes out insurance in a branch once a year then their 'regular' banking services would be the transfers and occasional banking services would be insurance. Consumers frequency of use of 'regular' banking services is on average once a month, and **declines with income**. As shown in Figure 3, consumers earning £14,999 or less use these services almost twice as often as consumers with a household income of £40,000 or above.

Figure 3 Frequency of use of regular banking services for consumers, by income



Note: based on whole sample of respondents, including those who never use these services (i.e. trip frequency of zero).

Source: *London Economics analysis of consumer survey*

There are stark differences in the modes of transport, travel times, and distances to access in-person banking services between consumers in urban and rural areas. In rural areas, the vast majority of consumers travel by car or motorcycle and on-average travel more than 6 miles one-way. In contrast, almost one half of consumers in urban areas travel by foot, bicycle or bus and on average travel less than two and a half miles.

¹⁸ For consumers banking services encompass everyday transactions (e.g. payments or transfers in branch), wider banking services (e.g. opening and closing accounts), borrowing, savings and investments, insurance, support following life events (e.g. registering power of attorney) and service help and security (e.g. support with fraud and scams). For SMEs banking services are everyday transactions, wider banking services, borrowing, savings and investments, insurance, global payments (e.g. foreign currency exchange) and service help and security.

Reactions to a loss of access

In response to a loss of access to banking services at their usual location, there are a number of reactions that consumers may take. The reactions considered in this research were as follows:

- **Continue to access in-person banking services but at an alternative branch.** This may incur travel-related costs if the alternative location is further away or takes longer to get to or stress or anxiety about having to use a different location.
- **Switch bank** which may incur a switching cost and may lead to stress or anxiety.
- **Switch to online or telephone banking.** This could lead to switching and familiarisation costs, stress or anxiety or potential fraud costs.
- **Rely on someone else** to access banking services for them, which could lead to a loss of financial independence.

As a result of using in-person banking services less often, it is also possible that consumers may miss out on new banking products.

Table 4 shows that almost all consumers would continue using banking services in person in response to a loss of access to their usual location and switching bank accounts was a more common response for users of regular banking services.

Table 4 Consumer reactions in response to loss of access to banking services

Reaction	Occasional banking services	Regular banking services
Access banking services in a different location	94.2%	96.7%
Switch account to another bank	29.2%	37.1%
Make more use of online or telephone banking	31.6%	27.7%
Rely on someone else to access banking services for me	3.5%	4.9%

Note: Figures are percentage of current users of each banking service taking each reaction in response to a loss of access to that service at their usual location. Respondents could take multiple reactions, so columns sum to greater than 100%.

Source: *London Economics analysis of consumer survey*

Costs associated with a loss of access

In response to losing access to regular banking services at their usual place consumers would significantly **reduce their frequency of in-person use** of these services, by around one third on average. This means that travel-related costs are negative (i.e., a saving of over £140), despite the fact that the alternative branches that would be used by consumers are typically further away and take longer to travel to. However, this mitigation strategy in response to a loss of access may result in other costs that have not been measured, for example costs associated with reduced frequency of use of banking services. **Almost half** of regular banking service users would make more use of online or telephone banking, suggesting some substitution to alternative means of accessing banking services.

Other than travel-related costs, the largest cost is the cost of switching to a new bank. This is estimated to be on average £3.80 for occasional banking services and £4.82 for regular banking services (the cost associated with switching bank is estimated to be £13 and 29.2% of consumers would switch bank in response to a loss of access to occasional banking services whereas 37.1% would in response to a loss of access to regular banking services). The remaining costs are all estimated to be less than £1 per year.

Older consumers experience higher bank switching costs associated with a loss of access to regular banking services. This is because a higher percentage of older consumers would switch bank in response to a loss of access to each banking service, as they disproportionately live in rural area where this activity may be more necessary to continue accessing in-person banking services. All ages would continue to access regular banking services in person at similar rates, but older consumers would reduce the frequency at which they accessed regular banking services by a smaller magnitude, therefore making a smaller saving in terms of travel-related costs.

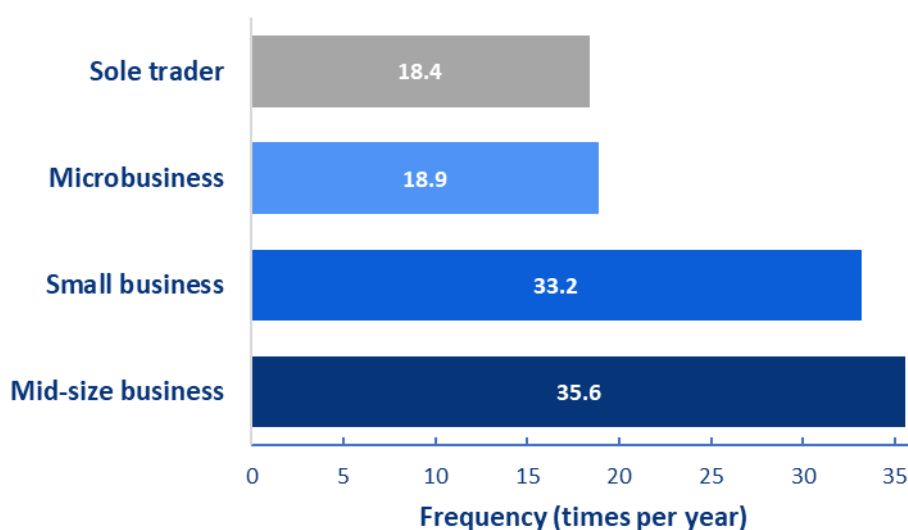
Responses to the valuation questions suggest that the average annual value that consumers place on retaining access to occasional banking services at their current location was £10.26, compared to £18.10 for regular banking services. That consumers are willing to pay to retain access to regular banking services at their usual branch (despite the travel-related ‘savings’ that would come with a loss of access) suggests that there may in fact be a cost for consumers associated with using banking services less frequently.

Access to banking services - SMEs

Current landscape

SMEs frequency of use of regular¹⁹ banking services is on average about twice a month and **is higher for the larger SMEs**. As shown in Figure 4, mid-sized SMEs use these services almost twice as often as sole traders and microbusinesses.

Figure 4 Frequency of use of regular banking services for SMEs, by business size



Note: based on whole sample of respondents, including those who never use these services (i.e. trip frequency of zero).

Source: *London Economics analysis of SME survey*

Around two thirds of SMEs use cars, vans or motorcycles to access banking services, with the majority of the rest accessing these services by foot or bicycle. On average **SMEs accessing occasional banking services travel further** than those accessing regular banking services.

¹⁹ Those banking services which are accessed at least once a month.

Sole traders and microbusinesses typically have to travel further to access banking services than small and medium sized businesses. This may be because there are more individuals who can carry out banking services at the larger SMEs and therefore these services can be carried out by whoever can do so most conveniently or because larger businesses may be more centrally located and therefore be closer to an access point.

Reactions to a loss of access

In response to a loss of access to banking services at their usual location, there are a number of reactions that consumers may take. The reactions considered in this research were as follows:

- **Continue to access in-person banking services but at an alternative branch.** This may incur travel-related costs if the alternative location is further away or takes longer to get to.
- **Switch bank,** which may incur a switching cost and may lead to ongoing inconvenience.
- **Switch to accessing banking services via other channels.** Using online or telephone banking could lead to switching and familiarisation costs, ongoing inconvenience or potential fraud costs. Making use of business managers outside of bank branches may be inconvenient and costly for businesses.

Additionally, businesses using in-person banking services less often may miss out on new banking products as a result. Table 5 highlights the majority of SMEs would continue accessing in-person banking services at a different location in response to a loss of access to their usual location.

Table 5 SME reactions in response to loss of access to banking services

Reaction	Occasional banking services	Regular banking services
Access banking services in a different location	92.0%	93.3%
Switch account to another bank	32.7%	40.0%
Make more use of online or telephone banking	27.1%	22.3%
Make more use of business managers outside of bank branches	8.1%	11.0%

Note: Figures are percentage of current users of each banking service taking each reaction in response to a loss of access to that service at their usual location. Respondents could take multiple reactions, so columns sum to greater than 100%.

Source: *London Economics analysis of SME survey*

Costs associated with a loss of access

SMEs would significantly reduce their frequency of use of regular banking services, by around one third on average, in response to a loss of access to these services at their usual place. This means that travel-related costs are negative (i.e., a saving of over £200), even though the alternative branches used by SMEs are typically further away and take longer to travel to. However, this mitigation strategy in response to a loss of access may result in other costs that have not been measured, for example costs associated with reduced frequency of use of banking services.

Other than travel-related costs, the largest costs associated with a loss of access to banking services at their usual branch are potential fraud costs from using online and telephone banking (around £20 for each set of banking services) and the inconvenience or additional workload from meeting with business managers outside of bank branches (under £9 for occasional but over £22 for regular banking services). The latter of these is on average larger for small and mid-sized businesses than for sole traders and micro-businesses, perhaps reflecting that business managers are more willing to meet with relatively larger businesses away from a branch.

Responses to the valuation questions suggest that the average annual value that SMEs place on retaining access to occasional banking services at their current location was £84.36, compared to £247.34 for regular banking services. That SMEs are willing to pay to retain access to regular banking services at their usual branch (despite the travel-related 'savings' that may come with a loss of access) suggests that there may in fact be costs for SMEs associated with using banking services less frequently.

Concluding remarks

This study investigated the usage patterns of cash and banking services by consumers and SMEs, the reactions they have in response to a loss of access to these services and the associated costs.

Consumers and SMEs can respond in many ways when they lose access to these services including going to other in-person locations, making more use of technologies such as online and telephone banking, debit and credit cards or accepting digital payments, cash and change delivery and collection services as well as meeting with business managers away from branches. The results suggest that the vast majority of consumers and SMEs will continue to use these services in-person when they lose access to these services at their usual place, but also that many would also respond in these other ways.

Consumers and SMEs both indicate a willingness to pay to preserve access to cash and banking services at their usual location. The service consumers and SMEs would on average be willing to pay the most to preserve access to at their usual location is regular banking services (£18.10 per annum for consumers, £247.34 for SMEs) and the service they would be willing to pay the least to preserve access to is balance enquiry (£6.94 per annum for consumers, £102.64 for SMEs). The cost estimation results suggest that consumers and SMEs might incur a wide range of costs if they lose access to cash and banking services at the place they usually do so. Travel-related costs are typically the largest component of these, which is driven to a significant extent by the fact that consumers and SMEs would have to travel further and for longer to alternative locations.

There is also evidence that other kinds of costs may be incurred. In particular, there is evidence that consumers and SMEs may experience bank switching costs and potential fraud from using online and telephone banking when losing access to cash and banking services at their usual place. Additionally, some SMEs may experience inconvenience from meeting with business managers away from bank branches when losing access to banking services at their usual branch. This research provides quantitative estimates for many kinds of costs, however there may also be other costs that are not measured in this research. For example, there may be costs associated with mitigation strategies taken in response to a loss of access to cash and banking services, for example reducing the frequency of use of these services.

The results also suggest that there may be variations in the use of cash and banking services as well as the magnitude of the costs associated with a loss of access to these services at their usual places according to different consumer and SME characteristics. For example, consumers in rural areas typically suffer from larger costs if they lose access to cash services at their usual locations. For example, travel-related costs arising from a loss of access to cash withdrawal at the usual location are around 40% higher on average for rural consumers. Additionally, larger SMEs typically make more frequent use of cash services. For example, surveyed small and mid-sized businesses deposit cash over 30 times per year on average, whereas sole traders and microbusinesses deposit cash less than 20 times per year on average.

1 Introduction

1.1 Context of study

Access to cash and banking services remains important for a many **consumers and SMEs**. Individual and business customers may rely on cash machines, bank or building society branches and post offices for a wide range of services including cash withdrawals or deposits, in-person payments or providing documentation to prove their identity.

Despite the **recent decline in cash use**,²⁰ punctuated by the COVID-19 pandemic, access to these services remains **important** for consumers and SMEs. There is also evidence to suggest that this is particularly the case for people in **vulnerable circumstances**.²¹ Data from the Financial Lives Survey 2022 suggests that whilst only 6% of UK adults use cash to pay for everything or most things, this rises to 9% for adults with one or more characteristics of vulnerability, including 26% of those who are digitally excluded, 15% of those in financial difficulty and 14% of those in poor health.²²

In March 2020 the government announced its intention to **legislate to protect access to cash** and ensure that the UK's cash infrastructure remains sustainable in the long term.²³ In July 2021 the government consulted on its proposed policy approach for the legislation. This included setting a geographic requirement to ensure the provision of withdrawal and deposit facilities, designating firms to meet these requirements and establishing additional regulatory oversight.²⁴ In July 2022, the government introduced the Financial Services and Markets Bill. If enacted, the Bill would give the FCA powers to ensure the reasonable provision of cash access services across the UK. The legislation is expected to come into force during the course of 2023.²⁵

This legislation comes at a time of **decline in access to cash and banking services**. The number of bank and building society branches in the UK has declined by 40% between 2012 and 2022, from 13,345 to 8,060.²⁶ In addition to branches, the numbers of other types of access points have also declined with the number of free-to-use cash machines falling by 25% between January 2018 and November 2022.²⁷

²⁰ For example, cash use for transactional purposes decreased from 56% of all payments in 2010 to 17% of all payments in 2020. See: <https://www.ukfinance.org.uk/sites/default/files/uploads/SUMMARY-UK-Payment-Markets-2021-FINAL.pdf>

²¹ Previous FCA research has indicated that low income, ill health, low financial resilience and lower financial or digital capability are associated with cash reliance. See for example: <https://www.fca.org.uk/publication/research/understanding-cash-reliance-qualitative-research.pdf>

²² <https://www.fca.org.uk/publication/finalised-guidance/fg22-6.pdf>

²³ <https://www.gov.uk/government/publications/access-to-cash-call-for-evidence>

²⁴ <https://www.gov.uk/government/consultations/access-to-cash-consultation>

²⁵ <https://www.fca.org.uk/firms/access-to-cash>

²⁶ [NOMIS database](#) (UK Business Counts variable)

²⁷ <https://www.link.co.uk/initiatives/financial-inclusion-monthly-report/>

1.2 Objectives of study

London Economics (in partnership with YouGov and Kudos Research) were commissioned by the FCA to provide **quantitative estimates of the costs** associated with a **loss of access** to in-person cash and banking services for **consumers and SMEs** who rely on these services.

Another objective of this research was to understand the **reactions** that consumers or SMEs take in response to a loss of access to cash and banking services. The final key objective of this research is to also understand **how the costs vary across different types of consumers and SMEs**.

This research will be used by the FCA alongside its other ongoing policy work to ensure the **reasonable provision of cash access services across the UK**.

1.3 Fieldwork

A key component of the approach to achieve the study's objectives was to conduct UK-wide **surveys of consumers and SMEs**. This enabled an understanding of their current in-person cash and banking activities as well as their reactions and associated costs²⁸ arising from a loss of (in-person) access to these services at their usual location.

The fieldwork was conducted by **YouGov** and **Kudos Research** with oversight by London Economics. YouGov conducted an online survey of 1,540 consumers and 1,533 SMEs while Kudos Research conducted a CATI (Computer Assisted Telephone Interview) of 150 consumers (using the same²⁹ survey questions as the online consumer survey).

Respondents to the consumer survey were people over the age of 18 who (at least occasionally) use in-person cash or banking services and either use cash to pay for goods and services at least once a month or consider the branch network of their bank to be important.

Respondents to the SME survey were businesses with less than 250 employees which (at least occasionally) use in-person cash or banking services and either accept payment in cash or consider the branch network of their bank to be important.

Quotas were applied during fieldwork to ensure that there were a sufficient number of respondents across key characteristics and the resulting survey data was **weighted to ensure representativeness** of consumers who use cash at least once a month and SMEs which are likely to accept cash. The fieldwork was conducted over October and November 2022.

1.4 Summary of cost estimation approach

The costs discussed in this report are estimated using a combination of the responses to the consumer and SME surveys, relevant secondary data, and econometric analysis. Broadly speaking, the costs are estimated in one of two ways:

- **Survey responses combined with secondary data.** Where feasible, costs are estimated by combining the responses given in surveys on consumers and SMEs current use of cash and banking services as well as their reaction to a loss of access to these services, with relevant

²⁸ In combination with secondary data where relevant.

²⁹ Some questions were removed from the CATI survey to control the length of the survey. See the [Technical Report](#) for details.

parameters from secondary data. For example, bank switching costs are calculated by combining data from the survey on whether respondents would switch their bank in response to a loss of access to cash and banking services at their usual location with secondary data on the time it takes to switch bank and the value of leisure time.

- **Econometric analysis of survey responses.** For some of the costs discussed in this report, it was not possible to perform a calculation as described above. One such example is the stress or anxiety costs consumers experience because of having to make more use of online or telephone banking. These costs were instead calculated through a regression of the valuation consumers (or SMEs) put on accessing cash and banking services at their usual location (obtained via willingness to pay questions) on the extent to which they would experience various different impacts (for example stress or anxiety from having to make more use of online or telephone banking).

It is important to note the challenges associated with the estimation of all the relevant costs. There may be further impacts and consequences for consumers and SMEs of losing access to cash and banking services that are not captured in our analysis. Moreover, some estimates rely on assumptions and there will be some measurement error in the survey data or secondary data.

Full details of how each of the individual costs are estimated are presented in the **Technical Report**.

It should be noted that this research only considers potential costs associated with reactions to a loss of access to cash and banking services rather than potential benefits. For example, benefits for consumers from making use of credit or debit cards (e.g. card rewards) or benefits to SMEs of adopting digital payments (e.g. reduced cash storage costs) are not considered.

1.5 Definition of key terms

Table 6 provides definitions of key terms used throughout this report.

Table 6 Definition of terms

Term	Definition
SME	Small and medium sized enterprise. A business with fewer than 250 employees.
Cash services	Cash withdrawal, cash deposit, balance enquiry and change getting. Unless otherwise stated in this report cash services refer to these activities conducted in-person.
Banking services	Services typically provided by a bank, other than cash services. ³⁰ Unless otherwise stated in this report banking services refer to these activities conducted in-person.
Regular banking services	Banking services currently accessed at least once a month by the relevant consumer or SME. For example, if a consumer or SME makes in-branch transfers on a weekly basis this would be considered a regular banking service.

³⁰ Specifically, for consumers banking services encompass everyday transactions (e.g. payments in branch), wider banking services (e.g. opening and closing accounts), borrowing, savings and investments, insurance, support following life events (e.g. registering power of attorney) and service help and security (e.g. support with fraud and scams). For SMEs banking services are everyday transactions, wider banking services, borrowing, savings and investments, insurance, global payments (e.g. foreign currency exchange) and service help and security.

Term	Definition
Occasional banking services	Banking services currently accessed less than once a month by the relevant consumer or SME. For example, if a consumer or SME takes out insurance in-branch once a year this would be considered an occasional banking service.
Sole trader	An individual who is self-employed but is also the exclusive owner of their business.
Microbusiness	A business with 2-9 employees.
Small business	A business with 10-50 employees.
Mid-size business	A business with 51-250 employees.
More cash reliant sectors	Comprises: construction; wholesale, retail, and maintenance; hospitality and recreation; education; health or medical services; and personal care and services. This classification is informed by HMRC research but supported by the survey results, as the sectors with the highest proportion of businesses accepting mostly or all cash payments were Health or medical services (21%), Hospitality and recreation (20%) and Personal care and services (18%).
Less cash reliant sectors	Comprises: manufacturing; transportation; and professional services.
Access point	A location at which consumers or SMEs can access cash and banking services. In the context of this report this includes cash machines, bank or building society branches and post offices.
Consumer surplus	The difference between what consumers would be willing to pay for goods and services compared to what they actually pay, i.e. the value consumers derive from a transaction.
Reaction	Action taken by consumers or SMEs in response to a loss of access to cash or banking services at their usual location.
Urban	Areas classified as urban by the ONS or NISRA. ³¹
Rural	Areas classified as rural by the ONS or NISRA.
Travel-related costs	Costs associated with having to travel to an alternative location to access cash or banking services. Comprised of travel costs and travel time costs.

³¹ Full details on the construction of the urban/rural indicator can be found in the [Technical Report](#).

1.6 Report Structure

This report discusses each of cash and banking services in turn for both consumers and SMEs, totalling four chapters in all. Each chapter is arranged into three parts as follows:

- **Summary of the current landscape** (based on survey data)
- Discussion of **reactions to a loss of access to cash and banking services** and the **associated costs**
- Presentation of **cost estimates** and the main insights arising from these

The final chapter provides a summary of the key conclusions from this research.

2 Access to cash services – consumers

Box 1 Summary of key findings

Cash machines are the **most-used** type of access point by consumers for withdrawing cash and checking their balance and bank or building society branches are the most common type of access point for depositing cash.

Consumers on **lower incomes** typically **use cash services more** often than consumers on higher incomes.

Consumers in **rural areas** typically **travel significantly further** and for slightly longer to access cash services than consumers in urban areas.

The vast majority (over 90%) of consumers would **continue accessing cash services in-person** (at an alternative location) if they lost access to cash services at their usual location.

Almost a half of consumers would **make use of online or telephone banking** if they lost access to balance enquiry at their usual location.

Travel-related costs are by far **the most significant costs** associated with a loss of access to cash services at their usual location used by consumers, followed by the cost of switching bank.

There is **no evidence** that consumers would **reduce their frequency of use** of cash services when it becomes less convenient (e.g. when they need to travel further).

There is evidence to suggest that consumers may **experience stress or anxiety** resulting from having to use **online or telephone banking** or **credit or debit cards** if they lose access to cash services and that these costs may be **higher for low-income consumers**.

Consumers in **rural areas** typically **experience higher costs** when they lose access to cash services at their usual access points than consumers in urban areas because they have to travel further to alternative locations.

2.1 Current landscape of access to cash services

This section provides a summary of the current landscape of access to cash services by consumers.

2.1.1 Access points used for cash services

Table 7 shows the types of access points used by consumers for each of the three cash services.³² It specifically refers to the type of access point used most often by that consumer. **Cash machines** are the **most common** type of access point for cash withdrawal and balance enquiry, and almost all the cash machines used are free-to-use. Only 16% of consumers withdraw cash at a bank or building society branch or post office, while 27% check their balance at these locations, and an even smaller proportion of these consumers undertake these services at pay-to-use cash machines. Consumers

³² Note that figures are not based on the whole sample of surveyed consumers, but rather the sample of consumers who utilise each cash service in-person. From a total of 1,690 survey responses, 1,613 consumers use cash withdrawal, 1,263 use cash deposit, and 957 use balance enquiry. This is the same for each subsection in Section , apart from when considering frequency of use (Section).

may also use post offices for any cash service. Consumers' decisions over which type of access point to use may be based on several factors. For example, they may choose the access point that is most conveniently located for them or they may prefer the service available at specific types of access point, for example the in-person assistance available at a bank or building society branch.

In contrast, **the vast majority of consumer cash deposits (84%)** are conducted at **bank or building society branches**. Five times as many consumers deposit cash at a bank or building society branch as at a post office.

Table 7 Access points used for cash services

Access point	Cash withdrawal	Cash deposit	Balance enquiry
Pay-to-use cash machine	2.1%	-	1.2%
Free-to-use cash machine	82.1%	-	71.9%
Bank or building society branch	11.0%	84.0%	24.3%
Post office	4.9%	16.0%	2.6%

Note: As it is not typically possible to deposit cash at cash machines, respondents were not given the cash machine answers for access point questions for depositing cash.

Source: *London Economics analysis of consumer survey*

2.1.2 Frequency of use of cash services

On average respondents **withdraw cash 25 times per year**.³³ This is approximately **double the frequency of balance enquiry**, which is carried out on average **12.4 times per year**. The least frequently used cash service is cash deposit, with respondents on average making only **7.8 trips per year to deposit cash**.³⁴

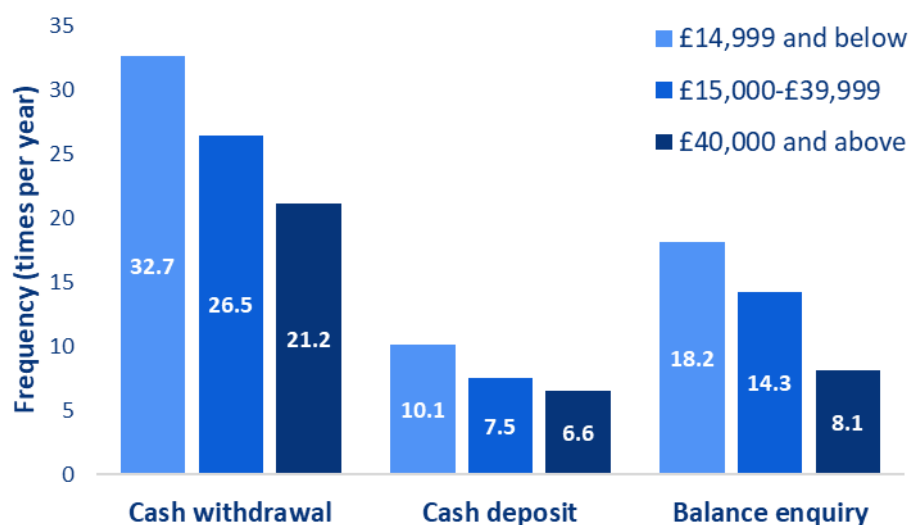
There is significant variation in the frequency of use of cash services by household income. Figure 5 illustrates that **respondents with lower incomes use cash services far more often** than those with higher incomes. This is consistent with existing FCA research suggesting that individuals with lower incomes are likely to be more reliant on cash for day-to-day activities.³⁵ The variation is most noticeable when considering balance enquiry, which may be because the budgeting aspect of this service is particularly important for low-income consumers.

³³ This and all other quoted frequencies include respondents who say they never use these services (i.e. have zero annual trips). Therefore these summary statistics are based on the whole consumer sample.

³⁴ The total number of trips to access cash services is likely to be lower than the sum of the three figures reported, as individuals could reasonably access multiple cash services on one trip to an access point. For instance, survey responses suggest that 51% of trips to check balance also involved either withdrawing or depositing cash.

³⁵ <https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf>

Figure 5 Annual use frequency of cash services, by income



Note: based on the whole sample of consumers (1,690 respondents), including those who never use these services (i.e., having a trip frequency of zero)

Source: London Economics analysis of consumer survey

There is also meaningful variation in frequency of cash service use between working-age (18-64) and retirement age (65+) respondents. **Those aged 65+ withdraw cash and check their balance in-person more often** than their working-age counterparts. More specifically, they withdraw cash 27.5 times a year in comparison to 23.9 times for the working-age population and check their balance 14.8 times a year in comparison to 11.4 times for the working age population. An explanation for this may be that older consumers need to withdraw cash and check their balance more often as they make less use of digital solutions (e.g. debit/credit cards for payments and mobile banking for balance checking).³⁶

In terms of frequency of cash deposits, the **relationship with age is reversed**. Respondents aged 18-64 deposit cash 8.2 times a year compared trips compared to 7 times a year for respondents in the 65+ group. A possible explanation could be that working age respondents deposit cash more often as they need to deposit their earnings from employment.

2.1.3 Distance travelled for access to cash services

Table 8 shows the average distance travelled per consumer to access cash services. Depositing cash, the least frequently accessed service, is also the service that **consumers travel furthest to access** (over a mile longer than the other cash services). This is consistent with the fact that the range of access points available for depositing cash is more limited relative to withdrawing cash or balance checking.

Differences in distance travelled are most pronounced when looking at the split between urban and rural consumers. For each cash service, **rurally located respondents travel more than double the distance** than their urban counterparts (for withdrawing cash and checking balance, the distance is **roughly tripled**). Consumers aged 65+ also typically travel further to access all cash services than

³⁶ Literature suggests that older individuals tend to be more cash reliant. See FCA 2020 Financial Lives survey, or: https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/money-matters/behind_the_headlines_shortchanged.pdf

those of working age. This difference is driven by older consumers being more highly represented in rural locations, with over-65s making up 38% of respondents in rural locations but only 30% in urban locations.

Table 8 Average one-way distance (miles) to access cash services, by age and urban/rural classification

Service	Overall	18-64	65+	Urban	Rural
Cash withdrawal	1.5	1.3	1.9	1.0	3.0
Cash deposit	2.7	2.5	3.1	2.0	5.0
Balance enquiry	1.7	1.5	2.3	1.2	3.4

Source: London Economics analysis of consumer survey

2.1.4 Travel time for access to cash services

Table 9 shows the time taken to travel to access points for each cash service mirrors the average distances travelled, as expected. Travel times between age groups and locations of respondents are generally more similar than the average distances between these groups. This likely reflects the fact that faster modes of transport are used to travel longer distances (e.g. cars as opposed to travelling on foot).

Table 9 Average one-way time (minutes) travelled to access cash services, by age and urban/rural classification

Service	Overall	18-64	65+	Urban	Rural
Cash withdrawal	12	11	14	11	14
Cash deposit	19	19	20	18	24
Balance enquiry	14	13	17	13	15

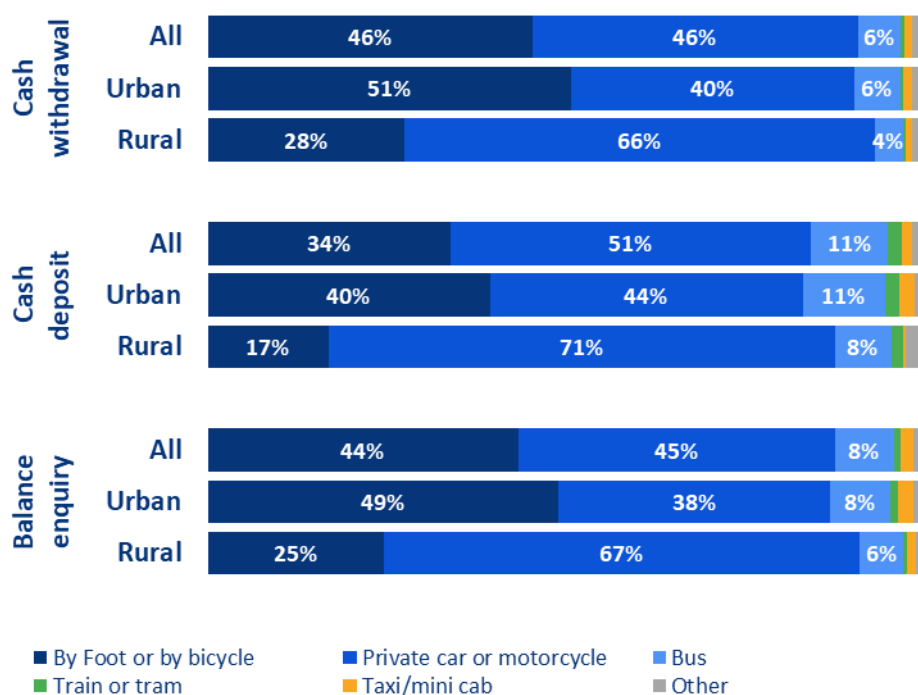
Source: London Economics analysis of consumer survey

2.1.5 Modes of transport used to access cash services

Figure 6 shows that **80-90% of consumers** travel to use cash services **by foot or bicycle** or **by private vehicle**. Between these two types of transportation, there is significant variation between urban and rural consumers. Urban consumers are more likely to walk or use a bicycle to access cash services whereas a substantial majority of rural consumers access cash services using a private vehicle. This is consistent with the fact that rural consumers typically travel further to access cash services as discussed in Section 2.1.3.

Buses are the third most popular mode of transport, with **6-11%** of respondents travelling to use cash services via this mode. Other methods of transport such as train, tram, taxi or minicab are only used by a very small proportion of respondents.

Figure 6 Modes of transport used to access cash services, by urban/rural classification



Source: London Economics analysis of consumer survey

2.2 Reactions to a loss of access to cash services and associated costs

Consumers were asked how they would react if (in a hypothetical scenario) they lost access to cash services at the access point(s) they usually use for cash services. Respondents were able to identify the reactions they would take from a list of relevant possibilities presented to them in the survey.³⁷ This section describes these reactions and their associated costs.

First, Table 10 names and provides a brief description of the costs that are subsequently discussed and estimated in the rest of the chapter. For a detailed discussion of how each of these costs is estimated, see the [Technical Report](#).

Table 10 Costs for consumers associated with a loss of access to cash services

Cost	Description
Travel cost	The difference between the amount of money spent on travel to access the relevant service at the alternative access point and the current access point.
Travel time cost	The difference between the value of the time spent travelling to access the relevant service at the alternative access point and the current access point.
Bank switching cost	The value of the time spent going through the bank account switching process.

³⁷ The list of possible reactions presented to respondents was devised by the study team in collaboration with the FCA and fine-tuned based on open answer responses given during the pilot.

Cost	Description
Online or telephone banking potential fraud cost	The increase in the expected cost from potential online or telephone banking fraud. ³⁸
Online or telephone banking switching and familiarisation cost	The value of the time spent switching to and/or familiarising with online and telephone banking. This is estimated separately for new and existing users.
Cash machine fees	The difference between the amount of cash machine fees paid at the alternative access point and the current access point.
Theft cost	The increase in the expected losses from being a victim of theft. ³⁹
Difficulty budgeting or financial planning	Stress or anxiety arising from a reduced ability to undertake budgeting or financial planning due to checking balance less often.
Overdraft charges	The increase in overcharge fees paid because of withdrawing or depositing cash less often.
Reduced consumer surplus	The loss of consumer surplus ⁴⁰ associated with a reduction in spending.
Debit or credit card potential fraud cost	The increase in the expected cost from potential debit or credit card fraud.
Debit or credit card switching and familiarisation cost	The value of the time spent switching to and/or familiarising with debit and credit cards.
Stress or anxiety from online or telephone banking	Stress or anxiety arising from an increased use of online or telephone banking.
Lack of privacy or security	The psychological cost of the loss of privacy or security from no longer conducting cash services in a bank or building society branch.
Stress or anxiety from using debit or credit cards	Stress or anxiety arising from making more use of debit or credit cards.
Stress or anxiety from switching account to an unfamiliar bank	Stress or anxiety arising from banking with an unfamiliar organization.
Stress or anxiety from using a new location	Stress or anxiety about accessing cash services in a new location.
Loss of financial independence	Loss of financial independence arising from relying on others to conduct cash services on your behalf.

Consumers could continue to access cash services in-person but at a **different location**.⁴¹ This could lead to travel and travel-time costs if they have to travel further or in a more expensive manner to the alternative location.⁴² It is also possible that having to use cash services at a new location may

³⁸ This research does not consider possible reduction in potential fraud cost associated with reduced use of cash.

³⁹ This research does not consider potential reduction in theft cost associated e.g. if consumers stop carrying cash due to paying only by credit or debit card.

⁴⁰ The difference between what consumers would be willing to pay for goods and services compared to what they actually pay, i.e. the value consumers derive from a transaction.

⁴¹ It should be noted that consumers (and SME respondents) were not presented with a list of alternative locations in the survey, and so where consumers (or SMEs) indicated they would take this reaction that is based on their own (possibly imperfect) knowledge of local access points.

⁴² It is not unreasonable for consumers to have negative travel costs associated with an access point closure. For example, a respondent may travel further to a new location, incurring more direct travel costs and travel time costs per trip than before the closure. However, if they reduce the frequency of their trips to access a service, their total yearly cost associated with travel may be lower than before,

lead to stress or anxiety.⁴³ If they had to switch to a pay-to-use ATM they would also have to pay cash machine fees. Additionally, there may be a loss of privacy or security if switching from a bank branch to another type of location.

Another possible reaction by consumers would be to **switch bank or building society**.⁴⁴ This could be a time-consuming process and therefore consumers might incur a switching cost. They may also experience stress or anxiety during the switch.⁴⁵

In response to loss of access to cash services at an access point consumers may **switch to a digital payment channel** (telephone or online banking or debit/credit cards). This could incur switching and familiarisation costs as well as potentially increasing the likelihood of being a victim of fraud, or provoking stress or anxiety.

Consumers could also **rely on someone else** to access cash services for them which may lead to a loss of financial independence.⁴⁶

If consumers react by using cash services less often they may also be other costs that they incur. These include the following:

- Consumers carrying more cash may experience a greater loss in the event of theft.
- Consumers may reduce their spending, leading to a loss of consumer surplus.
- Consumers may experience increased difficulty budgeting leading to increased overdraft charges or potential stress or anxiety.⁴⁷

Table 11 provides figures on consumers’ reactions to a loss of access to each cash service. It shows that the vast majority of consumers (over 95%) would continue using cash services in person at a different location in response to a loss of access. It also shows which reactions would be taken in response to a loss of access to each cash service at the usual location. Consumers losing access to cash deposit services are more likely to switch bank, users of cash withdrawal more likely to make more use of credit or debit cards, and users of in-person balance enquiry are more likely to make more use of online or telephone banking.⁴⁸

Table 11 Consumer reactions in response to loss of access to cash services

Reaction	Cash withdrawal	Cash deposit	Balance enquiry
Access cash services in a different location	98.6%	95.1%	92.8%

resulting in a negative overall travel cost for the consumer. This does not imply that consumers are better off than before, as consumers have the option to use cash services at the current access point but with reduced frequency but actively choose not to do so.

⁴³ A statistically significant estimate for this cost was not obtained so this cost is not discussed any further in this report.

⁴⁴ This reaction purely concerns the act of switching a consumers’ bank account from one banking provider to another. Consumers who switch bank do not necessarily do so in order to continue accessing in-person cash services at a different location. For instance, some respondents who indicate they would switch bank in response to a loss of access to cash services would access in-person cash services outside a bank branch in this alternative scenario, indicating that they would switch banking providers for other reasons (e.g., convenience of accessing online or telephone banking). This caveat also applies to SMEs and switching bank in response to losing access to banking services.

⁴⁵ A statistically significant estimate for this cost was not obtained so this cost is not discussed any further in this report.

⁴⁶ A statistically significant estimate for this cost was not obtained so this cost is not discussed any further in this report.

⁴⁷ A statistically significant estimate for this cost was not obtained so this cost is not discussed any further in this report.

⁴⁸ These figures are consistent with each reaction being the most plausible substitute to each in-person cash service.

Reaction	Cash withdrawal	Cash deposit	Balance enquiry
Switch account to another bank	13.4%	23.8%	13.2%
Make more use of credit or debit cards	20.7%	10.0%	9.3%
Make more use of online or telephone banking	11.5%	10.8%	45.2%
Rely on someone else to access cash services for me	5.9%	7.6%	4.1%

Note: Figures are percentage of current users of each cash service taking each reaction in response to a loss of access to that service at their usual place. Respondents could take multiple reactions, so columns sum to greater than 100%.

Source: *London Economics analysis of consumer survey*

2.3 Cost estimates for loss of access to cash services

2.3.1 Cost estimates

Table 12, Table 13, and Table 14 below set out the average cost estimates based on survey responses and associated modelling. Each figure represents the annual monetary value associated with each specific cost for the average consumer using that cash service. These costs are discussed further below in sections 2.3.2 to 2.3.4.

It should be noted that these average costs are calculated by multiplying the estimated costs for the consumers who would take the relevant reaction (that leads to that cost being incurred, as discussed in the previous section) by the proportion of consumers that take that reaction.⁴⁹

Questions in the survey that asked consumers for their willingness to pay (WTP) to avoid losing access to a given service at their usual location (primarily for use in the econometric analysis as discussed in Section 1.4) can also be used to estimate the overall value they would place on avoiding this scenario. The average annual valuations were £10.73 for cash withdrawal, £11.14 for cash deposit, and £6.94 for balance enquiry.⁵⁰ This suggests that on average consumers consider access to cash withdrawal and deposit at their usual location to be of roughly equal importance to them, but that balance enquiry is slightly less important.

⁴⁹ Note that these hypothetical costs for each service are not additive. This is because respondents may currently access different cash services in different places (e.g. withdraw cash at a cash machine but deposit cash at a bank branch), and so the closure of one location may not necessarily require a change in behaviour for each service. Even if respondents accessed all services at the same access point (which would have to be at a bank or post office branch), some trips would be used to access multiple services. From survey responses, 51.25% of balance checking trips also involved withdrawing or depositing cash.

⁵⁰ The 10th percentile of the valuations was £0 per annum for all cash services, while the 90th percentile was £24 per annum for cash withdrawal and deposit and £18 per annum for balance enquiry.

Table 12 Average costs per annum: loss of access to cash withdrawal at a consumer’s usual location

Cost	Overall	Urban	Rural	Income: £14,999 and below	Income: £15,000 to £39,999	Income: £40,000 and above	Age: 18-34	Age: 35-64	Age: 65+
Travel cost	£14.75	£13.30	£20.60	£26.31	£15.32	£7.18	£6.00	£20.95	£10.60
Travel time cost	£29.04	£26.39	£34.79	£27.23	£32.15	£20.56	£15.52	£39.00	£22.03
Bank switching cost	£1.75	£1.68	£1.93	£2.37	£1.53	£1.52	£0.98	£1.84	£2.10
Online or telephone banking potential fraud cost	£0.11	£0.11	£0.07	£0.11	£0.14	£0.10	£0.24	£0.10	£0.05
Online or telephone banking switching and familiarisation cost (new user)	£0.16	£0.17	£0.08	£0.18	£0.22	£0.14	£0.38	£0.14	£0.03
Online or telephone banking switching and familiarisation cost (existing user)	£0.20	£0.18	£0.19	£0.14	£0.20	£0.21	£0.28	£0.16	£0.21
Cash machine fees	-£0.45	-£0.28	-£0.49	-£2.87	£0.37	-£0.01	-£0.63	-£0.50	-£0.25
Theft cost	£0.05	£0.04	£0.08	£0.06	£0.04	£0.05	£0.02	£0.05	£0.06
Overdraft charges	£0.10	£0.08	£0.14	£0.10	£0.10	£0.10	£0.15	£0.09	£0.09
Reduced consumer surplus	£1.38	£0.89	£1.54	£0.63	£0.93	£1.22	£1.98	£1.11	£1.42
Debit or credit card potential fraud cost	£0.28	£0.28	£0.23	£0.28	£0.32	£0.26	£0.45	£0.26	£0.21
Debit or credit card switching and familiarisation cost	£0.03	£0.04	£0.02	£0.03	£0.04	£0.03	£0.09	£0.03	£0.01
Stress or anxiety from using online or telephone banking	£0.26	£0.26	£0.19	£0.21	£0.33	£0.19	£0.47	£0.16	£0.27
Lack of privacy or security	£0.19	£0.21	£0.15	£0.21	£0.21	£0.08	£0.28	£0.07	£0.33
Stress or anxiety from using debit or credit cards	£0.84	£0.88	£0.52	£1.15	£0.99	£0.45	£0.96	£0.74	£0.92

Source: London Economics analysis of consumer survey

Table 13 Average costs per annum: loss of access to cash deposit at a consumer’s usual location

Cost	Overall	Urban	Rural	Income: £14,999 and below	Income: £15,000 to £39,999	Income: £40,000 and above	Age: 18-34	Age: 35-64	Age: 65+
Travel cost	£13.14	£13.52	£12.33	£25.76	£15.40	£10.59	£15.59	£15.27	£7.13
Travel time cost	£16.89	£18.33	£14.64	£13.30	£22.26	£13.94	£18.23	£19.02	£11.85
Bank switching cost	£3.09	£2.90	£3.55	£3.21	£3.16	£2.80	£2.08	£3.33	£3.54
Online or telephone banking potential fraud cost	£0.09	£0.10	£0.04	£0.08	£0.12	£0.09	£0.15	£0.09	£0.04

Cost	Overall	Urban	Rural	Income: £14,999 and below	Income: £15,000 to £39,999	Income: £40,000 and above	Age: 18-34	Age: 35-64	Age: 65+
Online or telephone banking switching and familiarisation cost (new user)	£0.11	£0.13	£0.02	£0.09	£0.16	£0.11	£0.22	£0.11	£0.03
Online or telephone banking switching and familiarisation cost (existing user)	£0.20	£0.19	£0.16	£0.20	£0.23	£0.21	£0.23	£0.19	£0.18
Theft cost	£0.03	£0.03	£0.01	£0.02	£0.04	£0.02	£0.02	£0.03	£0.03
Overdraft charges	£0.10	£0.09	£0.12	£0.12	£0.12	£0.07	£0.14	£0.10	£0.08
Reduced consumer surplus	£0.56	£0.56	£0.46	£0.39	£0.14	£0.72	£0.98	£0.50	£0.29
Debit or credit card potential fraud cost	£0.23	£0.24	£0.17	£0.23	£0.22	£0.24	£0.47	£0.19	£0.11
Debit or credit card switching and familiarisation cost	£0.05	£0.05	£0.03	£0.04	£0.04	£0.05	£0.11	£0.04	£0.01
Stress or anxiety from using online or telephone banking	£0.26	£0.28	£0.12	£0.34	£0.39	£0.16	£0.33	£0.22	£0.26
Lack of privacy or security	£0.38	£0.35	£0.41	£0.40	£0.49	£0.33	£0.35	£0.37	£0.41
Stress or anxiety from using debit or credit cards	£0.50	£0.54	£0.23	£0.96	£0.45	£0.40	£0.75	£0.43	£0.41

Source: London Economics analysis of consumer survey

Table 14 Average costs per annum: loss of access to balance enquiry at a consumer's usual location

Cost	Overall	Urban	Rural	Income: £14,999 and below	Income: £15,000 to £39,999	Income: £40,000 and above	Age: 18-34	Age: 35-64	Age: 65+
Travel cost	£33.23	£27.81	£58.99	£49.73	£46.58	£15.77	£31.65	£32.81	£34.81
Travel time cost	£51.87	£50.25	£65.63	£58.66	£56.91	£40.96	£50.78	£52.24	£51.95
Bank switching cost	£1.72	£1.76	£1.45	£1.70	£1.88	£1.37	£0.98	£1.72	£2.14
Online or telephone banking potential fraud cost	£0.32	£0.33	£0.24	£0.30	£0.40	£0.31	£0.38	£0.36	£0.23
Online or telephone banking switching and familiarisation cost (new user)	£0.36	£0.40	£0.19	£0.36	£0.51	£0.30	£0.53	£0.41	£0.19
Online or telephone banking switching and familiarisation cost (existing user)	£0.86	£0.83	£0.94	£0.75	£0.87	£0.98	£0.71	£0.94	£0.83
Debit or credit card potential fraud cost	£0.23	£0.23	£0.20	£0.40	£0.27	£0.17	£0.56	£0.20	£0.09
Debit or credit card switching and familiarisation cost	£0.05	£0.05	£0.04	£0.09	£0.06	£0.03	£0.14	£0.04	£0.01
Stress or anxiety from using online or telephone banking	£0.69	£0.65	£0.75	£0.66	£0.72	£0.74	£0.67	£0.74	£0.61
Lack of privacy or security	£0.28	£0.27	£0.31	£0.38	£0.24	£0.30	£0.36	£0.19	£0.37

Cost	Overall	Urban	Rural	Income: £14,999 and below	Income: £15,000 to £39,999	Income: £40,000 and above	Age: 18-34	Age: 35-64	Age: 65+
Stress or anxiety from using debit or credit cards	£0.50	£0.46	£0.46	£0.97	£0.42	£0.48	£1.02	£0.38	£0.39

Source: London Economics analysis of consumer survey

2.3.2 Travel-related costs

As shown in the tables above, **travel-related costs make up the largest proportion** of costs associated with a loss of access to cash services. Table 15 explores differences in travel-related costs further by comparing distances, frequencies and times taken to travel to access points both before (current scenario, 'Cur.') and after (alternative scenario, 'Alt.') a loss of access to cash services.

Table 15 Distance, time, and frequency of travel before and after access point closure

Service	Average distance (miles)			Average time (minutes)			Average frequency		
	Cur.	Alt.	Change	Cur.	Alt.	Change	Cur.	Alt.	Change
Cash withdrawal	1.5	2.2	+47%	12	18	+51%	25.0	24.8	-1%
Cash deposit	2.7	3.5	+31%	19	26	+31%	7.8	8.1	+3%
Balance enquiry	1.7	2.2	+29%	14	20	+45%	12.4	16.2	+30%

Source: London Economics analysis of consumer survey

A loss of access to cash services at their usual place(s) means that consumers would typically travel further and for longer (roughly **30-50% further** in distance and time travelled). Given similar trip frequencies, the distance increase leads to a positive change in travel cost (from per-mile transport costs) and the time increase a positive change in travel time cost.

Travel-related costs associated with a loss of access are estimated to be higher for balance enquiry (just over £85 per annum in total) than for cash withdrawal (almost £45 per annum) and cash deposit (just over £30 per annum). However, this result should be interpreted with caution.

Firstly, it is almost entirely driven by the fact that the change in frequency of use in response to a loss of access to cash withdrawal and cash deposit is negligible whereas the increase in frequency of use of balance enquiry would be +30%. The travel-related costs per trip associated with a loss of access to balance enquiry (£2.43) is very similar to that for cash deposit (£2.37). Furthermore, as highlighted above, consumers would be willing to pay more per-year to retain access to cash withdrawal and cash deposit at their usual place (£21.06 and £22.18 respectively) than for balance enquiry (£17.60). Based on a fixed travel frequency and the average cost per trip before and after a loss of access, average travel and travel time costs for balance enquiry would only be (per annum) £13.36 and £16.83 respectively instead of £33.23 and £51.87.

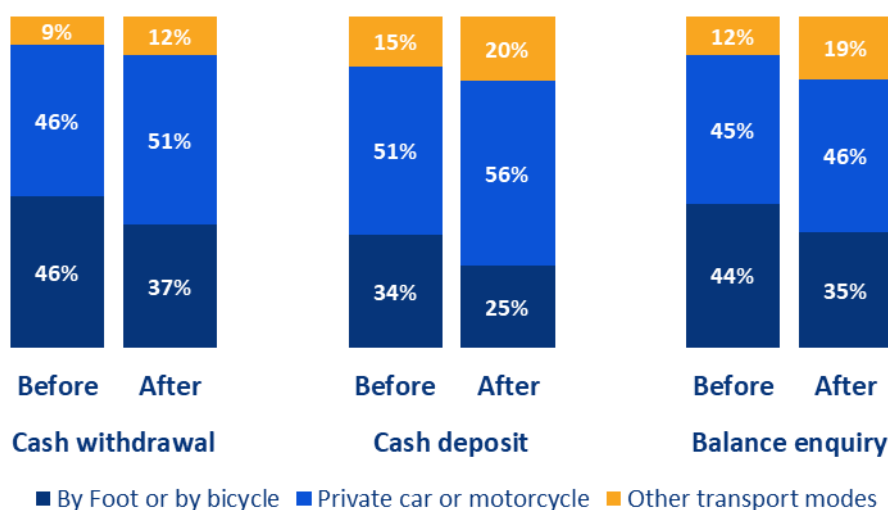
Furthermore, that there would be no decrease in frequency of use of cash services perhaps suggests that consumers use of cash services does not depend greatly on convenience and that they may view these services as a necessity.

In each case travel-related costs associated with a loss of access to cash services exceeds consumers' valuations of retaining access to these services (which as noted above are £10.73 for cash withdrawal, £11.14 for cash deposit, and £6.94 for balance enquiry). This may be because travel-related costs are estimated based on the distance, time and mode of travel to the current and alternative access points, rather than the actual cost to consumers resulting from having to travel further. It may be that the travel-related costs are on average overestimates due to offsetting factors, such as if trips to access cash services would be combined with other activities (e.g. commuting or shopping). It may also be the case that respondents did not accurately take into account the full extent of travel-related costs, for example because they did not internalise that due to the number of trips they make, the costs would add up even if the cost per trip is relatively small.

It may also be the case that the valuations are underestimates because consumers believe as a matter of principle that they should not have to pay for access to cash services and therefore do not provide a realistic valuation.

Figure 7 illustrates differences in modes of transport before and after access point closure, showing changes are primarily driven by consumers substituting from walking or cycling to other modes of transport. Loss of access is associated with roughly a **10 percentage point** decrease in individuals **walking or cycling** to access services. Overall, this change acts to increase travel costs as consumers are moving away from costless modes of travel.

Figure 7 Mode of transport before and after access point closure



Note: 'Other transport modes' consists of answers 'bus', 'train or tram', 'taxi or mini cab', and 'other' responses.

Source: London Economics analysis of consumer survey

2.3.3 Other costs

Aside from the travel-related costs, the largest cost estimates were related to the **cost of switching bank**. This is largest for depositing cash at £3.09 on average (i.e., the 23.8% of consumers switching bank in response to a loss of access to cash deposit services at their usual location would face the estimated £13 switching cost).⁵¹ This is intuitive as cash deposits cannot be made at cash machines and as depositing cash at a bank or building society branch requires an account with that bank or building society.

There is also some evidence to suggest that some consumers rely on access to in-person cash and banking services to maintain their level of spending. After travel costs and bank switching cost, the **reduced consumer surplus** was estimated to be the largest cost associated with a loss of access to withdrawing and depositing cash at their usual place.

Costs related to **using in-person cash services elsewhere**⁵² (apart from travel-related costs) were **very small in magnitude**. Respondents losing access to the pay-to-use cash machine they currently

⁵¹ The proportion of consumers who would switch bank for each service is given in Table 11. The £13 estimated switching cost is based on the value of consumer leisure time and two hours assumed needed to switch bank. Full calculations are set out in the [Technical Report](#).

⁵² These are cash machine fees, theft cost, overdraft charges, reduced consumer surplus, stress or anxiety from using a new location, lack of privacy or security and difficulty budgeting or financial planning.

use are more likely to switch to free-to-use access points than respondents currently using free-to-use access points are to switch to pay-to-use cash machines, so consumers would face reduced cash machine fees if they lost access to cash withdrawal at their usual location.

Potential fraud costs associated with the use of online and telephone banking as well as debit and credit cards were **negligible for all services** (the largest of these being 32p on average) and smaller than the switching or familiarisation costs associated with using these technologies. The costs related to **stress or anxiety from using credit or debit cards**⁵³ were estimated to be larger (at least 50p on average across each of the three cash services).

These costs were **higher than the corresponding stress or anxiety cost for using online or telephone banking when considering a loss of access to cash withdrawals or deposits**, however they were lower for balance enquiry. This indicates that consumers view online or telephone banking as a better substitute than credit or debit cards for in-person balance enquiry, but that credit or debit cards are a better substitute for cash withdrawals or deposits.

2.3.4 Variation by consumer demographics

Table 12, Table 13, and Table 14 also split costs by key consumer demographics. The main insights from this exercise are presented below:

- **Consumers in rural locations generally faced the highest total costs for each cash service.** This is because they had the largest increases in travel and travel time costs. This likely reflects the fact that rural consumers have fewer options in terms of access point locations, which are more spread out than in urban locations. The exception to this is the travel time cost for those depositing cash.⁵⁴
- **For all cash services, older consumers are more likely to switch bank** and so face higher bank switching costs.
- **Those aged 18-34 had the highest overdraft costs** associated with a loss of access to in-person cash services, which could arise from inexperience in budgeting relative to their older peers.
- **Different groups of consumers experience reduced consumer surplus at different levels.** Individuals with higher incomes experience larger losses from reduced spending as a result of withdrawing and depositing cash less often. This may reflect their likely higher current level of spending. Rural respondents suffer higher losses of consumer surplus relative to their urban counterparts. This could be because rural shops are less likely to accommodate digital payments. This notion is supported by results from the Financial Lives Survey 2022 which indicates that 17% of rural consumers rely on cash payment “because local businesses prefer cash payments” in comparison to just 10% of urban consumers. Finally, consumer surplus loss for those aged 18-34 is almost double that of the 35-64 group, despite both age groups having similar income distributions because they are more likely to reduce their spending as a result of withdrawing or depositing cash less often.
- **Respondents on lower incomes tend to feel greater stress or anxiety associated with using debit or credit cards.** Costs are particularly high across all services at the bottom of the income distribution (£14,999 and below). This may reflect more acute concerns among

⁵³ This includes both new and existing users of credit or debit cards.

⁵⁴ Table 9 illustrates that rural consumers were travelling the furthest of any group or service (in terms of time) to access this service in the current scenario.

financially constrained individuals about debt and unarranged overdraft charges associated with these payment methods or general concerns about not being able to access cash.

3 Access to cash services – SMEs

Box 2 Summary of key findings

Free-to-use cash machines are the **most commonly used** access points by SMEs for **cash withdrawal** whereas bank society branches are most commonly used for other cash services (cash deposit, balance enquiry and change getting), while larger SMEs typically use bank branches more than smaller SMEs.

Larger SMEs and **SMEs in more cash reliant sectors** typically **use cash services more often** than smaller SMEs and SMEs in less cash reliant sectors.

The average annual value that SMEs place on being able to retain access to a single cash service at their usual location is **between £100 and £150 per year**

Demand for cash services by SMEs **does not appear to depend greatly on convenience** (as measured by the travel distance or travel time) which suggests that SMEs may view these services as a necessity.

The vast majority (over 90%) of SMEs would **continue accessing cash services in-person** (at an alternative location) if they lost access to these services at their usual location.

Whilst **travel-related costs are the largest individual costs** associated with a loss of access to cash services, SMEs also face other costs including bank switching costs, potential fraud costs associated with using online and telephone banking and potential inconvenience associated with using methods of digital payments acceptance.

The magnitude of the costs faced by SMEs in the event of a loss of access to cash services **does not appear to depend greatly on the size** of the SME.

3.1 Current landscape of access to cash services

3.1.1 Access points used for cash services

Table 16 shows the percentage of surveyed SMEs utilising different kinds of access points for each of the cash services that they use.⁵⁵

SMEs can use post offices and bank branches for all cash services and may also use cash machines to withdraw cash or check their balance. Cash machines are used as the main access point to withdraw cash by roughly **54%** of SMEs and for balance checking for roughly **47%** of SMEs. This is a significantly lower proportion compared than for consumers, where the numbers are **84%** and **73%** respectively.⁵⁶ Of SMEs that access these services primarily at other access points, most generally use their bank branch. In comparison, **less than 9%** withdraw cash and **less than 5%** check their balance most often at a post office. For cash deposit and getting change services, roughly three

⁵⁵ Note that figures are not based on the whole sample of surveyed consumers, but rather the sample of consumers who utilise each cash service. From a total of 1,533 survey responses, 1,007 SMEs use cash withdrawal, 1,253 use cash deposit, 695 use balance enquiry, and 657 use getting change services. This is the same for each subsection in Section 3.1, apart from when considering frequency of use (Section 3.1.2).

⁵⁶ See Table 7.

quarters most often use a bank branch. SMEs decision over which type of access point to use may be based on several different factors. For example, they may choose the access point that is most conveniently located for their business or they may prefer the service available at specific types of access point, for example the in-person assistance available at a bank or building society branch.

Table 16 Access points for different cash services

Access point	Cash withdrawal	Cash deposit	Balance enquiry	Change getting
Pay-to-use cash machine	2.5%	-	2.5%	-
Free-to-use cash machine	51.3%	-	44.6%	-
Bank branch	37.6%	77.2%	48.0%	75.2%
Post office	8.6%	22.8%	4.9%	24.8%

Note: As it is not typically possible to deposit cash or get change at cash machines, respondents were not presented with the cash machine options for these services.

Source: London Economics analysis of SME survey

Larger businesses tend to use cash machines less for cash withdrawal and balance enquiry, and bank branches more for all cash services. For withdrawing cash, for example, cash machines are used as the primary access point type by 69% of sole traders and 63% of microbusinesses but just 41% of small businesses and 30% of mid-size businesses. This may be a result of the fact that there are withdrawal limits at cash machines so larger businesses wishing to withdraw larger amounts of cash would need to go to a branch.

3.1.2 Frequency of use of cash services

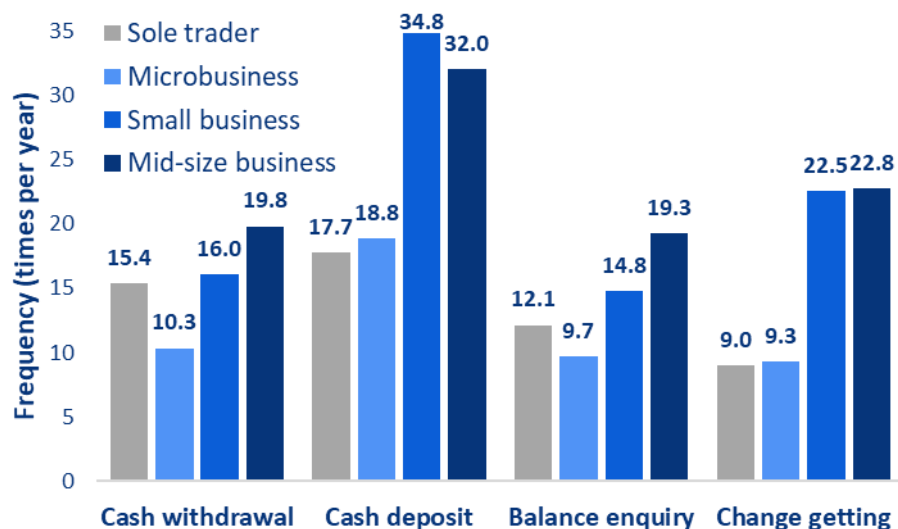
The average surveyed SME uses cash withdrawal services **15 times annually**.⁵⁷ In comparison, cash deposit services are used **24.9 times per year**, or just over twice a month. These figures are effectively the reverse of consumers' access frequencies,⁵⁸ illustrating the fundamentally different primary uses of cash for consumers (paying for goods and services) versus SMEs (receiving payment for goods and services). Balance enquiry and getting change are carried out at roughly similar frequencies to cash withdrawal, at **13.4 trips** and **14.9 trips** respectively.⁵⁹

There is **significant variation** in the frequency with which SMEs use cash services **by business size**. Figure 8 illustrates this is particularly true for depositing cash and getting change, with a clear increase in frequency of access for small and mid-sized businesses relative to sole traders and microbusinesses. An exception is that sole traders use cash withdrawal services at a rate similar to larger businesses.

⁵⁷ This and all other quoted frequencies include respondents who say they never use these services (i.e. have zero annual trips). Therefore these summary statistics are based on the whole SME sample.

⁵⁸ See Section .

⁵⁹ As in the case of consumers, the total number of trips to access cash services is likely to be lower than the sum of the three figures reported, as SMEs could reasonably access multiple cash services on one trip to an access point. For instance, survey responses suggest that 41% of trips to check balance also involved either withdrawing or depositing cash.

Figure 8 Annual use frequency of cash services, by business size

Note: Sole trader = 1 employee, microbusiness = 2-9 employees, small business = 10-49 employees, mid-size business = 50-249 employees.

Source: London Economics analysis of SME survey

SMEs in sectors that are more reliant on cash⁶⁰ **tend to use cash deposit and change getting services at higher frequencies.** SMEs in these sectors on average deposit cash 27.8 times and get change 18 times per year, compared to 18.6 and 8.5 respectively for SMEs in sectors which are less cash reliant. The increased use of these services in particular is consistent with the higher use of cash for everyday sales and business transactions.

3.1.3 Distance travelled for access to cash services

Table 17 illustrates that, for SMEs, travel distances to access cash services are **roughly similar** across the different cash services, between two and three miles.⁶¹ Consumers, by comparison, travel shorter distances to withdraw cash and check their balance (see Table 8), with the distance travelled to deposit cash being comparable that of SMEs.

Table 17 also shows that there is little variation in the distance travelled to access cash services for businesses of different sizes or in sectors with varying levels of cash reliance.

⁶⁰ The six sectors considered more likely to be reliant on cash are: Construction; Wholesale, Retail, and Maintenance; Hospitality and Recreation; Education; Health or Medical Services; and Personal Care and Services. The remaining sectors, Manufacturing, Transportation, and Professional Services, are considered less likely to be reliant on cash. This classification is informed by [HMRC research](#) but supported by the survey results, as the sectors with the highest proportion of businesses accepting mostly or all cash payments were Health or medical services (21%), Hospitality and recreation (20%) and Personal care and services (18%).

⁶¹ When considering travel to access services for SMEs, the survey asked about the person acting on behalf of the business that undertakes the travel.

Table 17 Average one-way distance (miles) travelled to access cash services, by business size and sectoral cash reliance

Service	Overall	Sole trader	Micro-business	Small business	Mid-size business	More cash reliant sector	Less cash reliant sector
Cash withdrawal	2.3	2.2	2.4	2.2	2.2	2.2	2.3
Cash deposit	2.6	2.8	2.7	2.5	2.5	2.6	2.8
Balance enquiry	2.4	2.3	2.4	2.4	2.4	2.4	2.4
Change getting	2.3	2.5	2.1	2.3	2.3	2.3	2.3

Source: London Economics analysis of SME survey

3.1.4 Travel time for access to cash services

As with travel distances, Table 18 shows **average travel times are similar across cash services** for SMEs. A one-way trip takes on average **15-18 minutes** depending on the service. The relevant individuals acting for SMEs on average travel for longer (by a couple of minutes) to withdraw cash or check their balance, and a similar time to deposit cash. This is consistent with the findings related to travel distance presented in the previous section.

More cash reliant businesses travel for less time to get change, and smaller businesses on average have shorter travel times to check their balance. Otherwise, time travelled to access cash services does not significantly vary across these demographics.

Table 18 Average one-way travel time (minutes) to access cash services, by business size and sectoral cash reliance

Service	Overall	Sole trader	Microbusiness	Small business	Mid-size business	More cash reliant sector	Less cash reliant sector
Cash withdrawal	15	15	13	16	16	15	15
Cash deposit	18	19	16	18	18	17	19
Balance enquiry	16	16	14	17	18	16	17
Change getting	17	18	14	17	18	16	19

Source: Consumer survey and London Economics analysis

3.1.5 Modes of transport used to access cash services

Table 19 shows that for each service, **90-95%** of SMEs use **foot, bicycle, or private vehicle** (i.e. car, van or motorcycle) as the primary method of transportation. Almost **two thirds** of these SMEs use private vehicles rather than walking or cycling. Of the remaining modes of transport, bus travel is the most popular, with **1.5-2.5%** of SMEs using it as the main mode of travel across the cash services.

Table 19 Modes of transport used to access cash services

Transport	Cash withdrawal	Cash deposit	Balance enquiry	Change getting
By Foot or bicycle	32.6%	32.3%	32.5%	37.7%
Car, van or motor cycle	62.1%	61.8%	60.4%	56.9%
Taxi/mini cab	1.7%	1.4%	1.8%	1.7%
Bus	1.5%	2.4%	2.5%	2.2%
Train or tram	1.4%	1.2%	2.0%	0.9%
Other	0.8%	0.9%	0.7%	0.6%

Source: London Economics analysis of SME survey

3.2 Reactions to a loss of access to cash services and associated costs

SMEs respondents were asked how they would react if (in a hypothetical scenario) they lost access to cash services at the access point(s) they usually use for cash services. Respondents were able to identify the reactions they would take from a list of relevant possibilities presented to them in the survey.⁶² This section describes these reactions and the associated costs.

First, Table 20 names and provides a brief description of the costs that are subsequently discussed and estimated in the rest of the chapter. For a detailed discussion of how each of these costs is estimated, see the [Technical Report](#).

Table 20 Costs for SMEs associated with a loss of access to cash services

Cost	Description
Travel cost	The difference between the amount of money spent on travel to access the relevant service at the alternative access point and the current access point.
Travel time cost	The difference between the value of the time spent travelling to access the relevant service at the alternative access point and the current access point.
Bank switching cost	The value of the time spent going through the bank account switching process.
Online or telephone banking potential fraud cost	The increase in the expected cost from potential online or telephone banking fraud. ⁶³
Online or telephone banking switching and familiarisation cost	The value of the time spent switching to and/or familiarising with online and telephone banking. This is estimated separately for new and existing users.
Cash machine fees	The difference between the amount of cash machine fees paid at the alternative access point and the current access point.
Burglary cost	The increase in the expected losses from being a victim of burglary.
Difficulty budgeting or financial planning	The cost arising from a reduced ability to budget due to no longer checking your balance as often.

⁶² The list of possible reactions presented to respondents was devised by the study team in collaboration with the FCA and fine-tuned based on open answer responses given during the pilot.

⁶³ This research does not consider possible reduction in potential fraud cost associated with reduced use of cash.

Cost	Description
Security expenditure	Additional expenditure on security measures e.g. CCTV due to holding more cash on premises.
Insurance expenditure	Additional expenditure on insurance due to holding more cash on premises.
Cash collection fees	Fees paid for cash collection services.
Cash or change delivery fees	Fees paid for cash or change delivery services.
Digital payments switching and familiarisation cost	The value of the time spent switching to and/or familiarising with digital payments.
Inconvenience from banking with a new organisation	The ongoing inconvenience of banking with a new bank.
Inconvenience from using telephone or online banking	The ongoing inconvenience of using online or telephone banking.
Inconvenience from using digital payments	The potential ongoing inconvenience of using digital payments.
Lack of security from carrying more cash	The lack of security due to carrying more cash when depositing or withdrawing cash.
Lack of security from not using a bank branch	The lack of security from accessing cash services in a different type of location instead of a bank branch.
Lost profit from not accepting cash	The lost profit from losing out on sales due to no longer accepting cash.
Lost profit from reduced ability to serve cash-paying customers	The lost profit from losing out on sales due to no longer being able to serve customers paying in cash as well because of not having the correct change.

SMEs could continue to access cash services in-person, but at a **different location**. The same travel-related costs faced by consumers also apply to SMEs; namely travel cost and the travel time cost. There may also be stress or anxiety associated with accessing cash services at this different location.⁶⁴ SMEs that currently withdraw cash from a free-to-use cash machine may have to switch to a pay-to-use cash machine at the alternative location, in which cash they would face cash machine fees. Additionally, there may be a lack of security associated with accessing cash services at a less secure location if the SME switches from a bank branch to another type of location.⁶⁵

Some SMEs might choose to **switch bank**, thus facing a bank switching cost or costs associated with the inconvenience of banking with a new organization⁶⁶.

SMEs could **substitute in-person cash services with alternative methods**. One option would be to switch to using telephone or online banking. As well as switching and familiarisation costs SMEs may incur potential fraud costs. SMEs could also switch to accepting other methods of digital payments. This may also involve switching and familiarisation costs. Additionally, businesses may face a cost from the potential inconvenience of using these technologies on an ongoing basis.⁶⁷

⁶⁴ A statistically significant estimate for this cost was not obtained so this cost is not discussed any further in this report.

⁶⁵ A statistically significant estimate for this cost was not obtained so this cost is not discussed any further in this report.

⁶⁶ A statistically significant estimate for this cost was not obtained so this cost is not discussed any further in this report.

⁶⁷ A statistically significant estimate for the ongoing inconvenience of using online or telephone banking was not obtained so this cost is not discussed any further in this report.

Businesses could also decide to **no longer accept cash payments** from customers in response to a loss of access to cash services at their usual place, which could lead to lost profit.

SMEs might start using **cash or change delivery services or cash collection services** which would need to be paid for.

If SMEs react by reducing their frequency of use of cash services they may also experience the following:

- If SMEs end up keeping more cash on premises, then burglary may be more costly. Alternatively, businesses may choose to pay for more security (such as installing CCTV or taking out additional insurance).
- SMEs may have a reduced capacity to serve customers wishing to pay in cash, which could lead to lost profit.
- SMEs may feel a lack of security from carrying more cash when using cash services.⁶⁸

As with consumers, Table 21 shows that the vast majority of SMEs would continue accessing cash services in-person at a different location in response to a loss of access at their usual place. Additionally, over 30% of SMEs would make more use of online or telephone banking in response to a loss of access to balance enquiry at their usual location, more than three times the rate of the other cash services.

Table 21 SME reactions in response to loss of access to cash services

Reaction	Cash withdrawal	Cash deposit	Balance enquiry	Change getting
Access cash services in a different location	94.1%	94.8%	92.2%	93.2%
Switch account to another bank	26.0%	32.6%	20.5%	28.7%
Make more use of digital payments	19.4%	14.1%	17.3%	10.4%
Make more use of online or telephone banking	9.7%	7.2%	31.9%	7.3%
Stop accepting cash as payment method	7.7%	8.3%	3.5%	5.7%
Make more use of cash or change delivery	5.2%	-	-	6.9%
Make more use of cash collection	-	5.6%	-	-

Note: Figures are percentage of current users for each cash service taking each reaction in response to a loss of access to that service at their usual location. Respondents could take multiple reactions, so columns sum to greater than 100%.

Source: *London Economics analysis of SME survey*

3.3 Cost estimates for a loss of access to cash services

3.3.1 Cost estimates

Table 22, Table 23, Table 24, and Table 25 below set out the average costs associated with each cash service, based on survey responses and associated modelling.

Costs associated with a loss of access to cash services at their usual place are in general higher than the corresponding costs faced by consumers accessing cash services (see Section 2.3.1). This is not driven by one specific cost, however one major factor that drives higher costs for SMEs relative to consumers is that the value of time used in the cost calculation (based on median earnings) is higher than for consumers (based on the value of leisure time). It should be noted that these average costs

⁶⁸ A statistically significant estimate for this cost was not obtained so this cost is not discussed any further in this report.

are calculated by multiplying the estimated costs for the SMEs which would take the reaction that leads to that cost being incurred (as discussed in the previous section) by the proportion of SMEs that take that reaction. These costs are discussed further in Sections 3.3.2 to 3.3.4.

Questions in the survey that asked SMEs for their willingness to pay (WTP) to avoid losing access to a given service at their usual location (primarily for use in the econometric analysis as discussed in Section 1.4) can also be used to estimate the overall value they would place on avoiding this scenario. The average annual value that SMEs place on retaining access to cash services at their current location was between £100 and £150 for all four cash services considered in this research. More specifically, the averages were £117.08 for cash withdrawal, £126.62 for cash deposit, £102.64 for balance enquiry and £147.79 for change getting.⁶⁹ As with consumers, access to balance enquiry at their usual location was considered by SMEs to be the least valuable cash services. That change getting is valued the highest suggests that, while this service is used by far fewer SMEs than cash withdrawal or deposit, it is quite important for SMEs that do use it.

⁶⁹ The 10th percentile of valuations was £0 per annum for all services. The 90th percentile of valuations was £300 per annum for cash deposit and change getting, £240 per annum for cash withdrawal and £132 per annum for balance enquiry.

Table 22 Average costs per annum: loss of access to cash withdrawal at an SME's usual location

Cost	Overall	Sole trader	Microbusiness	Small business	Mid-size business	More cash reliant sector	Less cash reliant sector
Travel cost	£3.83	-£0.96	£2.79	£8.81	£7.41	£3.24	£4.98
Travel time cost	£46.44	£42.23	£29.73	£61.30	£56.86	£64.31	£11.82
Bank switching cost	£7.35	£6.53	£6.40	£8.25	£8.94	£7.63	£6.82
Online or telephone banking potential fraud cost	£11.48	£6.25	£4.89	£17.18	£22.38	£10.07	£14.22
Online or telephone banking switching and familiarisation cost (new user)	£0.77	£0.36	£0.18	£1.22	£1.69	£0.64	£1.00
Online or telephone banking switching and familiarisation cost (existing user)	£0.50	£0.40	£0.58	£0.56	£0.47	£0.51	£0.48
Cash machine fees	-£0.30	-£0.38	-£0.26	£0.46	-£1.22	-£0.84	£0.75
Cash or change delivery fees	£3.40	£2.64	£2.11	£2.29	£8.01	£3.33	£3.53
Burglary cost	£3.32	£2.55	£1.61	£5.72	£3.82	£3.64	£2.70
Security expenditure	£2.49	£2.31	£1.59	£4.01	£1.99	£2.78	£1.93
Insurance expenditure	£3.88	£3.83	£2.09	£6.38	£3.06	£4.04	£3.58
Lost profit from reduced ability to serve cash-paying customers	£0.22	£0.12	£0.06	£0.65	£0.06	£0.07	£0.53
Lost profit from not accepting cash	£2.43	£1.74	£2.04	£3.21	£3.16	£2.21	£2.85
Digital payments switching and familiarisation cost (new user)	£0.12	£0.18	£0.00	£0.06	£0.25	£0.14	£0.10
Digital payments switching and familiarisation cost (existing user)	£1.34	£1.17	£1.12	£1.33	£1.95	£1.25	£1.52
Inconvenience from using digital payments	£11.58	£4.55	£5.43	£13.81	£29.84	£10.96	£12.78

Source: London Economics analysis of SME survey

Table 23 Average costs per annum: loss of access to cash deposit at an SME's usual location

Cost	Overall	Sole trader	Microbusiness	Small business	Mid-size business	More cash reliant sectors	Less cash reliant sector
Travel cost	£22.58	£17.56	£10.24	£40.50	£22.14	£25.39	£16.25
Travel time cost	£84.14	£87.69	£52.75	£132.15	£51.90	£102.93	£41.87
Bank switching cost	£9.21	£9.13	£7.52	£10.22	£10.29	£9.51	£8.53

Cost	Overall	Sole trader	Microbusiness	Small business	Mid-size business	More cash reliant sectors	Less cash reliant sector
Online or telephone banking potential fraud cost	£9.35	£6.52	£3.58	£11.26	£19.55	£7.23	£14.12
Online or telephone banking switching and familiarisation cost (new user)	£0.65	£0.43	£0.15	£0.83	£1.45	£0.48	£1.02
Online or telephone banking switching and familiarisation cost (existing user)	£0.35	£0.29	£0.37	£0.29	£0.48	£0.32	£0.41
Cash collection fees	£3.25	£1.65	£2.36	£3.91	£6.27	£3.19	£3.39
Burglary cost	£5.39	£3.57	£6.05	£7.82	£3.95	£6.33	£3.28
Security expenditure	£4.12	£3.09	£3.93	£5.85	£3.58	£5.05	£2.03
Insurance expenditure	£5.38	£3.70	£5.44	£7.29	£5.32	£6.46	£2.96
Lost profit from reduced ability to serve cash-paying customers	£0.36	£0.19	£0.19	£0.69	£0.40	£0.41	£0.26
Lost profit from not accepting cash	£2.26	£1.43	£2.15	£3.58	£1.85	£1.94	£2.96
Digital payments switching and familiarisation cost (new user)	£0.06	£0.10	£0.04	£0.05	£0.06	£0.08	£0.03
Digital payments switching and familiarisation cost (existing user)	£0.98	£0.84	£0.82	£0.91	£1.54	£0.84	£1.28
Inconvenience from using digital payments	£9.03	£3.76	£2.97	£9.54	£25.84	£8.82	£9.49

Source: London Economics analysis of SME survey

Table 24 Average costs per annum: loss of access to balance enquiry at an SME's usual location

Cost	Overall	Sole trader	Microbusiness	Small business	Mid-size business	More cash reliant sector	Less cash reliant sector
Travel cost	£9.12	£0.12	£3.44	£13.40	£24.92	£9.49	£8.37
Travel time cost	£73.72	£92.02	£130.53	£62.70	-£6.99	£84.78	£50.79
Bank switching cost	£5.79	£5.51	£4.69	£6.33	£6.82	£5.32	£6.75
Online or telephone banking potential fraud cost	£28.95	£22.98	£20.45	£35.05	£40.74	£20.67	£46.11
Online or telephone banking switching and familiarisation cost (new user)	£1.70	£1.12	£0.88	£2.18	£2.98	£0.97	£3.21
Online or telephone banking switching and familiarisation cost (existing user)	£1.83	£2.02	£2.10	£1.91	£1.11	£1.92	£1.65
Lost profit from not accepting cash	£2.04	£1.53	£2.52	£2.38	£1.92	£2.25	£1.61

Cost	Overall	Sole trader	Microbusiness	Small business	Mid-size business	More cash reliant sector	Less cash reliant sector
Digital payments switching and familiarisation cost (new user)	£0.06	£0.19	£0.00	£0.00	£0.00	£0.09	£0.00
Digital payments switching and familiarisation cost (existing user)	£1.21	£0.86	£0.95	£1.21	£2.05	£0.99	£1.65
Inconvenience from using digital payments	£9.66	£3.21	£3.38	£11.52	£24.95	£8.59	£11.86

Source: London Economics analysis of SME survey

Table 25 Average costs per annum: loss of access to change getting at an SME's usual location

Cost	Overall	Sole trader	Microbusiness	Small business	Mid-size business	More cash reliant sector	Less cash reliant sector
Travel cost	£21.42	£23.35	£5.41	£43.06	£5.25	£29.48	£-2.34
Travel time cost	£89.17	£72.21	£70.36	£155.72	£33.19	£113.39	£17.73
Bank switching cost	£8.12	£8.86	£5.20	£8.57	£9.53	£8.00	£8.44
Online or telephone banking potential fraud cost	£14.28	£14.25	£6.29	£9.59	£28.43	£8.85	£30.32
Online or telephone banking switching and familiarisation cost (new user)	£1.10	£1.15	£0.44	£0.76	£2.18	£0.67	£2.37
Online or telephone banking switching and familiarisation cost (existing user)	£0.24	£0.13	£0.23	£0.13	£0.53	£0.17	£0.45
Cash or change delivery fees	£4.47	£3.90	£1.23	£5.63	£6.56	£4.91	£3.16
Burglary cost	£5.18	£2.96	£4.71	£6.60	£5.93	£4.72	£6.54
Security expenditure	£3.75	£2.23	£3.58	£4.61	£4.28	£3.58	£4.27
Insurance expenditure	£6.64	£3.14	£7.09	£6.93	£9.35	£6.10	£8.25
Lost profit from reduced ability to serve cash-paying customers	£0.36	£0.15	£0.50	£0.69	£0.00	£0.45	£0.11
Lost profit from not accepting cash	£2.40	£0.71	£0.62	£5.01	£2.23	£2.41	£2.36
Digital payments switching and familiarisation cost (new user)	£0.04	£0.00	£0.00	£0.14	£0.00	£0.06	£0.00
Digital payments switching and familiarisation cost (existing user)	£0.72	£0.47	£0.36	£0.69	£1.36	£0.55	£1.22
Inconvenience from using digital payments	£7.73	£2.60	£2.62	£7.63	£17.92	£5.74	£13.60

Source: London Economics analysis of SME survey

3.3.2 Travel-related costs

Table 26 explores differences in travel-related costs further by comparing distances, frequencies and times taken to travel to access points before (current scenario, 'Cur.') and after (alternative scenario, 'Alt.') a loss of access to cash services.

Table 26 Travel distance, travel time and frequency of travel before and after loss of access to cash services

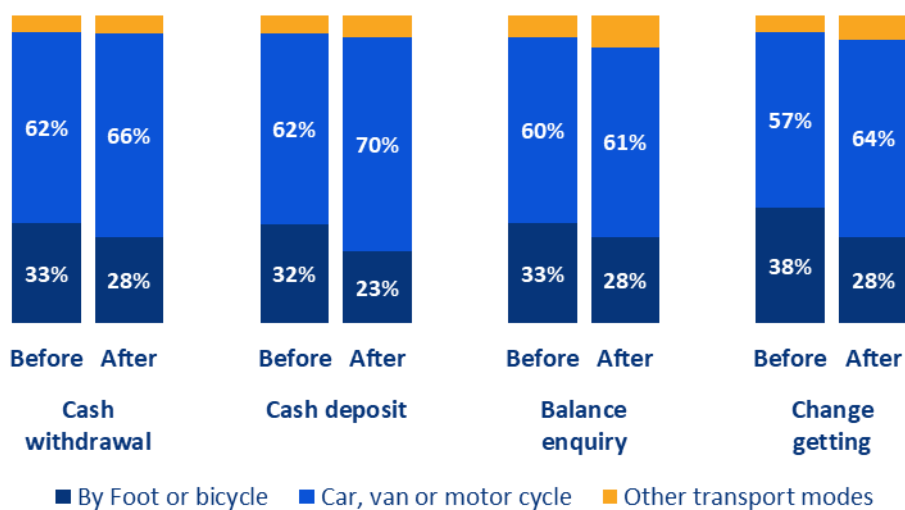
Service	Average distance (miles)			Average time (minutes)			Average frequency (trips)		
	Cur.	Alt.	Change	Cur.	Alt.	Change	Cur.	Alt.	Change
Cash withdrawal	2.3	2.7	+21%	15	20	+34%	15.0	15.8	+5%
Cash deposit	2.6	3.6	+36%	18	24	+36%	24.9	23.7	-5%
Balance enquiry	2.4	2.6	+8%	16	20	+27%	13.5	15.7	+16%
Change getting	2.3	3.1	+35%	17	23	+36%	14.9	14.4	-4%

Source: London Economics analysis of consumer survey

The main conclusions that can be drawn from this comparison are as follows:

- Relative to balance enquiry and withdrawing cash, **there is a greater increase in travel distance and time for depositing cash and getting change** in the event of a loss of access (in both relative and absolute terms). This is intuitive as depositing cash and getting change cannot be carried out at cash machines and so there are likely to be fewer suitable alternatives nearby.
- The **change in frequency of using cash services in the event of a loss of access would be fairly small**. After a loss of access, the change in frequencies of cash services vary from -5% (for depositing cash) to 16% (for balance checking). This suggests that demand for these services does not depend greatly on the convenience and therefore that SMEs may consider them a necessity.

Figure 9 illustrates the change in the modes of transport used for each service before and after a loss of access to cash services. It shows that SMEs **switch from travelling by foot or bicycle to other modes of transportation**.

Figure 9 Mode of transport before and after loss of access to cash services

Source: London Economics analysis of SME survey

3.3.3 Other costs

The largest costs (other than travel-related costs) were typically **bank switching costs, potential fraud costs from using online or telephone banking and costs related to the potential inconvenience of using digital payments.**

On the other hand, switching and familiarisation costs, lost profits from not being able to service customers wanting to pay in cash as well and the change in cash machine fees were estimated to be comparatively small.⁷⁰

Bank switching costs were estimated to be between £5-10 across cash services, due to the fact that the likelihood of switching bank as a reaction to a loss of access varies across these services. The **highest bank switching cost** is for users of **cash deposit services** – where 32.6% of users would switch bank (Table 21) – which is intuitive as cash can only be deposited at a branch of your own bank branch. **Potential fraud costs associated with using online or telephone banking were largest for a loss of access to balance enquiry** (£28.95 per annum). This higher cost is driven by the fact that 31.9% of SMEs that make use of in-person balance enquiry would make more use of online or telephone banking in response to a loss of access to their usual location, compared to 7-10% for other cash services (Table 21). This may be because SMEs see online and telephone banking as a better substitute for balance enquiry than for other cash services, perhaps because of the ease with which this can be done using mobile banking.

Survey evidence also indicates that (as a result of holding more cash on premises due to accessing cash services less often) some SMEs may increase spending on insurance or other security additional security measures if they lose access to cash services at their usual place.

Whilst some SMEs would make use of cash or change delivery or cash collection if they lost access to cash services at their usual place, the average associated costs were less than £5 per year across

⁷⁰ This average change in cash machine fees is actually a net gain of 30 pence, implying that more SMEs would switch away from using pay-to-use cash machines in response to a loss of access to cash withdrawal at their usual place than would switch to using pay-to-use cash machines.

all cash services. This is because only 5-7% of SMEs using the relevant cash services would take these reactions.

3.3.4 Variation by SME demographics

The main insights from breaking down costs by key SME demographics, as presented in Table 22, Table 23, Table 24, and Table 25, are as follows:

- **Larger businesses and businesses in more cash reliant sectors face higher costs associated with switching to the digital payment methods.** This is a result of the fact that these businesses are more likely to adopt new methods of digital payments acceptance if they lose access to cash services. This pattern may arise as smaller businesses may feel they do not have the resources or technical skills needed to adopt new methods of digital payments.
- **Less cash reliant SMEs might experience higher potential fraud costs related to online and telephone banking.** This is because more of these businesses would switch to these methods of banking in response to losing access to the place they currently access cash services, whereas fewer businesses in more cash reliant sectors would do so.⁷¹ Potential fraud costs increase with business size, likely reflecting larger businesses switching to telephone or online banking at higher rates in the alternative scenario. Sole traders also have high potential fraud costs. This is due to a higher proportion of sole traders stating they would increase their use of telephone and online banking.
- **There does not appear to be a consistent relationship between business size and the magnitude of the overall costs.** For most services, microbusinesses face lower costs on average than businesses of other sizes however this is not universally true as microbusinesses face the highest costs for a loss of access to balance enquiry. It appears that the variations in costs by business size that do exist are primarily driven by differences in travel-related costs rather than differences in reactions to a loss of access to cash services.

⁷¹ For example, only 5% of businesses in more cash reliant sectors using getting change services would make more use of telephone or online banking, compared to 15% of businesses in less cash reliant sectors using these services. This likely reflects more cash reliant businesses being less willing to substitute in-person cash services with alternative methods.

4 Access to banking services – consumers

Box 3 Summary of key findings

Frequency of use of regular banking services **declines significantly with income**.

Consumers **in rural areas** are far more likely to **use private cars or motorcycles** and must **travel significantly further** to access banking services than consumers in urban areas.

Around **95% of consumers would continue accessing banking services in-person** if they lost access to these services at their usual location, and around **30% would make more use of online or telephone banking** in this situation.

Consumers would **reduce their frequency** of use of regular banking services by **around one third** in the event that they lose access to these services at their usual bank or building society branch.

Older consumers experience larger costs related to switching bank in response to a loss of access to banking services at their usual location than younger consumers.

Older consumers experience a smaller decrease in travel-related costs than younger consumers as they reduce their frequency of use of these services by less than younger consumers in response to a loss of access to these services at their usual location.

4.1 Current landscape of access to banking services

4.1.1 Access points used for banking services

For the purposes of this research, we consider only banking services that are conducted in bank or building society branches. As a result, all subsequent summaries of frequency, transport mode, distance and time refer to how respondents travel to bank or building society branches.

In the survey, respondents are asked separately about the banking services they undertake regularly (at least once a month) and occasionally (less than once a month).⁷²

4.1.2 Frequency of use of banking services

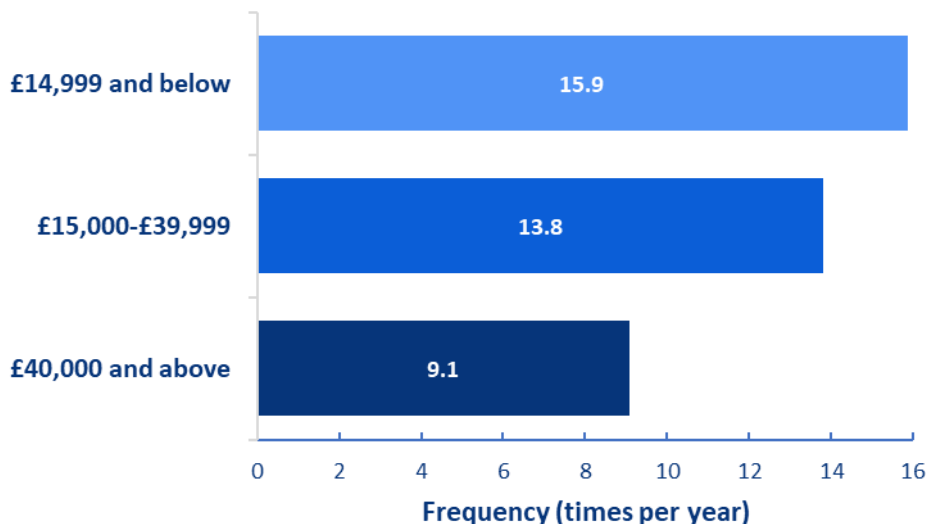
On average, respondents used regular banking services 12.3 times per year.⁷³ Figure 10 indicates that **frequency of trips for banking services used regularly falls as income increases**. The use of regular banking services (i.e. services accessed more than once a month) falls steeply as income increases. Indeed, consumers with an annual income of £14,999 or less use these services almost twice as often as consumers with an annual income of £40,000 and above.

⁷² Of the 1,690 survey respondents, 1,347 consumers use occasional banking services and 551 use regular banking services.

⁷³ As with cash services, these are based on all respondents including those who never use banking services and thus have frequencies of zero. As an indication, all consumers using occasional banking services were assumed to take four trips annually. In this case, it refers to the most frequently used banking service that is accessed at least monthly.

Occasional banking services, defined as services used by consumers less than once a month (not including services never used), are used by **80%** of consumers. Use of these services does not vary significantly with income.

Figure 10 Frequency of use of regular banking services, by income



Note: based on whole sample of respondents, including those who never use these services (i.e. trip frequency of zero).

Source: London Economics analysis of consumer survey

4.1.3 Distance travelled to access banking services

Table 27 shows the average distance travelled to access banking services. The average distance of **3.3 miles** is further than the average distance travelled by consumers to access any of the cash services (Table 8). This is consistent with the fact that consumers must attend a branch of their own bank or building society to use banking services, but may use other kinds of access points to use cash services (e.g. ATMs) which may be more nearby. Notably, consumers in rural locations travel roughly **four miles further** than their urban counterparts (thus **eight miles further** per round trip) to use banking services.

Table 27 Average one-way distance (miles) travelled to access banking services, by age and urban/rural classification

Service	Overall	18-64	65+	Urban	Rural
Occasional banking services	3.3	3.2	3.6	2.4	6.3
Regular banking services	3.3	3.2	3.6	2.4	6.5

Source: London Economics analysis of consumer survey

4.1.4 Travel time for access to banking services

Table 28 shows that the time taken to travel to access points for each cash service **mirrors the average distances travelled**, as expected. Again, average times are similar between occasional and regular banking services. Rural respondents on average travel **eight minutes longer** than those in urban locations per one-way trip to access occasional banking services, rising to **ten additional minutes** for regular banking services.

Table 28 Average one-way time (minutes) travelled to access banking services, by age and urban/rural classification

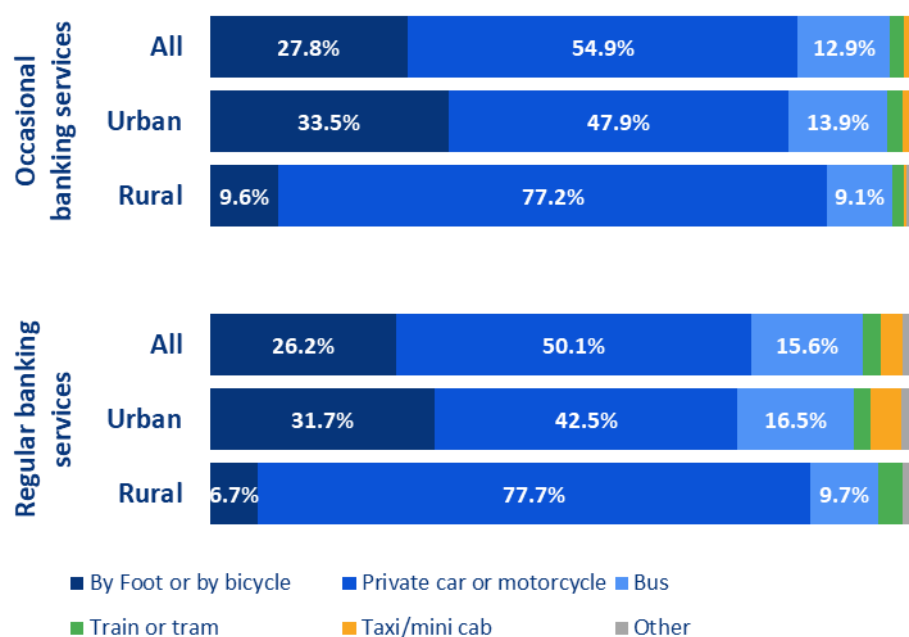
Service	Overall	18-64	65+	Urban	Rural
Occasional banking services	23	22	23	21	29
Regular banking services	24	23	25	22	32

Source: London Economics analysis of consumer survey

4.1.5 Modes of transport used to access banking services

Figure 11 shows the different modes of transport used to access occasional and regular banking services. Just over a quarter of respondents travel to their bank or building society branch for banking services on foot or bicycle, while **just over half use a private vehicle**.

There are stark contrasts in mode of transportation between urban and rural banking service users. Very few rural respondents walk to their branch – **10%** for occasional banking services and only **7%** for regular banking services, compared to **over 30%** of urban respondents. **Over three quarters** of rural respondents use a private vehicle to access banking services.

Figure 11 Modes of transport used to access banking services, by urban/rural classification

Source: London Economics analysis of consumer survey

4.2 Reactions to a loss of access to banking services

As with cash services, consumers were asked to identify the reactions they would take from a list of relevant possibilities if (in a hypothetical scenario) they lost access to banking services at the access point(s) they usually use for banking services. This section describes these reactions and their associated costs.

First, Table 29 names and provides a brief description of the costs that are subsequently discussed and estimated in the rest of the chapter. For a detailed discussion of how each of these costs is estimated, see the [Technical Report](#).

Table 29 Costs for consumers associated with a loss of access to banking services

Cost	Description
Travel cost	The difference between the amount of money spent on travel to access the relevant service at the alternative access point and the current access point.
Travel time cost	The difference between the value of the time spent travelling to access the relevant service at the alternative access point and the current access point.
Bank switching cost	The value of the time spent going through the bank account switching process.
Online or telephone banking potential fraud cost	The increase in the expected cost from potential online or telephone banking fraud.
Online or telephone banking switching and familiarisation cost	The value of the time spent switching to and/or familiarising with online and telephone banking. This is estimated separately for new and existing users.
Stress or anxiety from online or telephone banking	Stress or anxiety arising from an increased use of online or telephone banking.
Missing out on new banking products	Missing out on new banking products that are suitable for you due to being in the branch less often.
Stress or anxiety from switching to an unfamiliar bank	Stress or anxiety arising from banking with an unfamiliar organization.
Stress or anxiety from using new location	Stress or anxiety about accessing cash services in a new location.
Loss of financial independence	Loss of financial independence arising from relying on others to conduct banking services on your behalf.

Consumers could continue to access banking services **at a different location**. As with cash services, this may result in a travel costs and a travel time cost. There may also be stress or anxiety at having to access banking services at a different branch.⁷⁴

Consumers could additionally decide to **switch bank account** which may result in switching costs as well as stress or anxiety.⁷⁵

Consumers could also make more use of **online or telephone banking** as a substitute for in-person services. This may lead to switching and familiarisation time costs as well as potential fraud costs and feelings of stress or anxiety.

⁷⁴ A statistically significant estimate for this cost was not obtained so this cost is not discussed any further in this report.

⁷⁵ A statistically significant estimate for this cost was not obtained so this cost is not discussed any further in this report.

Consumers may also **rely on someone else** to access banking services for them which may result in a loss of financial independence.⁷⁶

Consumers that would reduce their frequency of use of banking services may also experience some additional costs, such as if they are missing out on new banking products or services if they use banking services less frequently.⁷⁷

Table 30 highlights that almost all consumers would continue accessing banking services in-person at a different location in reaction to losing access to the location they currently access them. Users of regular banking services would be eight percentage points more likely to switch account to another bank in response to a loss of access. More similar proportions of occasional and regular banking service users would make more use of online and telephone banking.

Table 30 Consumer reactions in response to loss of access to banking services

Reaction	Occasional banking services	Regular banking services
Access banking services in a different location	94.2%	96.7%
Switch account to another bank	29.2%	37.1%
Make more use of online or telephone banking	31.6%	27.7%
Rely on someone else to access banking services for me	3.5%	4.9%

Note: Figures are percentage of current users of each banking service having each reaction in response to a loss of access to that service. Respondents could take multiple reactions, so columns sum to greater than 100%.

Source: *London Economics analysis of consumer survey*

4.3 Cost estimates for a loss of access to banking services

4.3.1 Cost estimates

Table 31 and Table 32 below set out the average costs associated with each banking service, based on survey responses and associated modelling. It should be noted that these average costs are calculated by multiplying the estimated costs for the consumers who would take the reaction that leads to that cost being incurred (as discussed in the previous section) by the proportion of consumers that take that reaction. These costs are discussed further in Sections 4.3.2 to 4.3.4.

Questions in the survey that asked consumers for their willingness to pay (WTP) to avoid losing access to a given type of banking service at their usual location (primarily for use in the econometric analysis as discussed in Section 1.4) can also be used to estimate the overall value they would place on avoiding this scenario. The average annual value that consumers place on retaining access to occasional banking services at their current location was £10.26, compared to £18.10 for regular banking services.⁷⁸

⁷⁶ A statistically significant estimate for this cost was not obtained so this cost is not discussed any further in this report.

⁷⁷ A statistically significant estimate for this cost was not obtained so this cost is not discussed any further in this report.

⁷⁸ The 10th percentile of valuations was £0 per annum for both services, and the 90th percentile was £48 per annum for regular banking services and £24 per annum for occasional banking services.

Table 31 Average costs per annum: loss of access to occasional banking services at a consumer’s usual branch

Cost	Central Estimate	Urban	Rural	Income: £14,999 and below	Income: £15,000 to £39,999	Income: £40,000 and above	Age: 18-34	Age: 35-64	Age: 65+
Travel cost	£3.87	£3.36	£1.87	£12.93	£4.54	£1.60	£13.99	£1.26	£1.54
Travel time cost	£5.18	£2.85	£9.01	£24.58	£5.04	£1.52	£17.29	£2.07	£2.38
Bank switching cost	£3.80	£3.55	£4.42	£3.90	£3.68	£3.74	£2.82	£4.22	£3.76
Online or telephone banking potential fraud cost	£0.22	£0.22	£0.18	£0.17	£0.27	£0.22	£0.28	£0.23	£0.18
Online or telephone banking switching and familiarisation cost (new user)	£0.25	£0.26	£0.17	£0.17	£0.34	£0.24	£0.38	£0.26	£0.14
Online or telephone banking switching and familiarisation cost (existing user)	£0.60	£0.59	£0.62	£0.55	£0.60	£0.65	£0.53	£0.60	£0.66
Stress or anxiety from using online or telephone banking	£0.55	£0.55	£0.51	£0.68	£0.61	£0.46	£0.44	£0.57	£0.58

Source: London Economics analysis of consumer survey

Table 32 Average costs per annum: loss of access to regular banking services at a consumer’s usual branch

Cost	Central Estimate	Urban	Rural	Income: £14,999 and below	Income: £15,000 to £39,999	Income: £40,000 and above	Age: 18-34	Age: 35-64	Age: 65+
Travel cost	-£71.81	-£63.20	-£108.76	-£45.37	-£89.29	-£91.62	-£101.77	-£75.39	-£40.80
Travel time cost	-£70.60	-£66.98	-£86.75	-£75.66	-£85.63	-£56.61	-£92.31	-£68.37	-£55.21
Bank switching cost	£4.82	£4.66	£5.42	£4.53	£4.77	£5.18	£2.87	£5.23	£5.90
Online or telephone banking potential fraud cost	£0.31	£0.34	£0.21	£0.35	£0.36	£0.24	£0.55	£0.25	£0.19
Online or telephone banking switching and familiarisation cost (new user)	£0.46	£0.53	£0.28	£0.55	£0.59	£0.31	£0.94	£0.34	£0.23
Online or telephone banking switching and familiarisation cost (existing user)	£0.45	£0.42	£0.42	£0.43	£0.38	£0.54	£0.43	£0.45	£0.45
Stress or anxiety from using online or telephone banking	£0.73	£0.73	£0.72	£1.08	£0.71	£0.65	£0.89	£0.69	£0.66

Source: London Economics analysis of consumer survey

4.3.2 Travel-related costs

Table 33 explores the differences in travel-related costs further by comparing distances, frequencies and times taken to travel to access points before (current scenario, 'Cur.') and after (alternative scenario, 'Alt.') a loss of access to banking services.

Table 33 Travel distance, travel time and frequency of use of banking services before and after a loss of access to banking services

Service	Average distance (miles)			Average time (minutes)			Average frequency (trips)		
	Cur.	Alt.	Change	Cur.	Alt.	Change	Cur.	Alt.	Change
Occasional banking services	3.3	3.8	+15%	23	28	+26%	3.2	6.8	+112%
Regular banking services	3.3	4.1	+22%	24	29	+23%	12.3	8.2	-33%

Source: Consumer survey and London Economics analysis

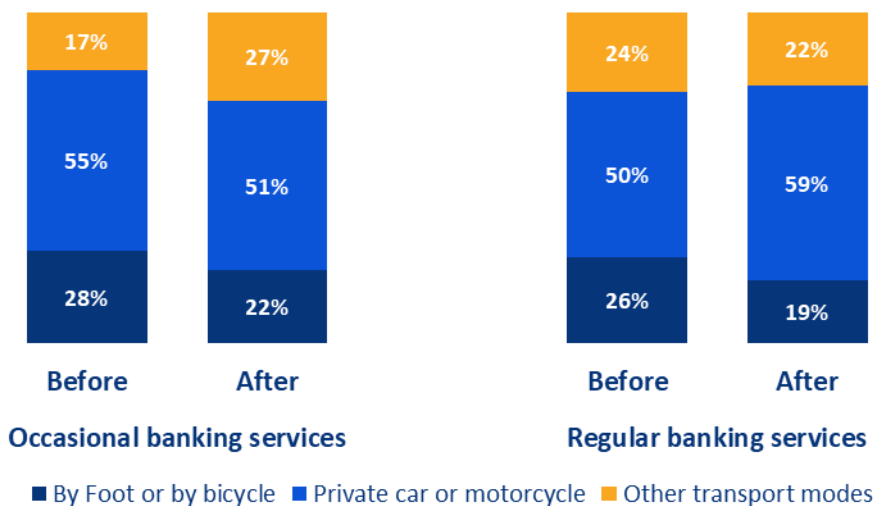
The main conclusions that can be drawn from this comparison are as follows:

- The average increase in distance and time travelled to branches for banking services are similar for occasional and regular banking services – increases are in the interval of **+15-26%**. Hence, these factors cannot explain the differences in magnitude or direction of the travel-related costs between occasional and regular banking services.
- However, consumers' use of **regular banking services** would **reduce in frequency by one third** in response to losing access to their usual access point. This is why the corresponding travel cost estimates in Table 32 are *negative* (i.e., *savings*). This reduction in frequency of use contrasts with the corresponding results for cash services, for which there would be no such decrease in frequency. This may suggest that consumers do not feel that it is a **necessary** to use in-person banking services as frequently as they currently do when it becomes more costly to do so. Indeed, **almost half** of regular banking service users would make more use of online or telephone banking (Table 30), suggesting some substitution to alternative means of accessing these services. Cost per trip to access regular banking services increases by £1.66 in response to a loss of access to consumers' usual bank branch, which may explain some of this substitution. That consumers are willing to pay to retain access to regular banking services at their usual branch, despite the travel-related 'savings' that may arise as a result, suggests that there is some value for consumers from using these services at the frequency and usual location they currently do and that this mitigation strategy may lead to costs not measured in this research, for example related to reduced frequency of use of banking services. If consumers would continue to access regular banking services at their current frequency at an alternative location then any 'saving' would be eliminated, instead leading to average annual travel-related costs of £20.31.
- The survey results suggest that consumers would significantly **increase the frequency of use of occasional banking services**. However, this increase in frequency – and hence the corresponding travel cost estimates – should be **interpreted with caution**. This is because "less than once a month" was the lowest frequency response in the survey, meaning respondents could only indicate a reduction in frequency of occasional banking services by indicating they would never use them in the event of losing access to these services at their bank or building society branch. Given an increase in cost-per trip of £1.62 when

travelling to the alternative location, if there were no change in frequency of use annual travel-related costs would be only £5.18 on average.

Figure 12 shows the change in mode of transport used to access banking services as a result of access to these services at their usual branch. Both services show a **similar reduction** in the proportion of consumers accessing bank branches by foot or bicycle.

Figure 12 Mode of transport before and after loss of access to banking services



Source: London Economics analysis of consumer survey

4.3.3 Other costs

The cost of **switching to a new bank** is the most significant of the non-travel related costs faced by consumers. This is estimated to be £3.80 for occasional banking services (where 29.2% would switch bank) and £4.82 for regular banking services (where the figure is 37.1%). The higher value for regular banking services reflects the logic that consumers would be more willing to switch to a new bank to continue using services they use more often. The remaining costs⁷⁹ are all estimated to be **less than £1 per annum on average**.

4.3.4 Variation by consumer demographics

Table 31 and Table 32 also split costs by key demographic groups. Below are the main insights from this breakdown;

- **Older respondents and respondents in rural areas would experience higher costs associated with switching bank in response to a loss of access to regular banking services.** This is a result of these consumers being more likely to switch bank. In the case of rural respondents this may be because there might not be another branch of their current bank or building society within a reasonable distance so switching bank may be necessary to preserve access to in-person banking services. From survey data, older consumers tend to live in more rural locations, and so this constraint may affect them more directly.

⁷⁹ These are online or telephone banking switching and familiarisation and potential fraud costs, stress or anxiety from using online or telephone banking, missing out on new banking products, stress or anxiety from switching to an unfamiliar bank, stress or anxiety from using a new location and loss of financial independence.

Consumers of all ages would continue to access in-person banking services at a similar rate.

- **Consumers on the lowest incomes** reduce their frequency of use of regular banking services the least in response to a loss of access to these services at their usual branch. Those earning £14,999 or below would reduce frequency by 19%, compared to a 42% reduction for those on £15,000-£39,999, and a 33% reduction for those on £40,000 and above. As a result, low-income consumers would experience the **smallest reduction in travel costs** in this scenario. It does not appear that higher income consumers would compensate for this reduction by making more use of digital methods. The proportion of consumers who would react to a loss of access to regular banking services at their usual location by making more use of online or telephone banking is fairly stable across incomes, only ranging from 26.6% for those on £15,000-£39,999 per year to 29.8% for those on £40,000 per year and above.
- **Younger respondents** are more likely to reduce their frequency of visits to in-person regular banking services in response to a loss of access to these services at their usual branch. As a result, they would experience a larger reduction in travel costs in this scenario. This may be because younger consumers feel that they are less reliant on in-person banking services as they are more comfortable switching to an online solution if the in-person option becomes less convenient. The data supports this idea as the proportion of respondents aged 18-34 who would make more use of online or telephone banking in reaction to a loss of access to regular banking services at their usual branch is 34.6%, compared to 26.2% for ages 35-64 and 24.1% for ages 65+.

5 Access to banking services – SMEs

Box 4 Summary of key findings

Larger SMEs are much **more frequent users** of banking services than smaller SMEs, and **travel distances** for the relevant individual to access banking services are **typically less for larger SMEs** than smaller SMEs.

Travel distances are typically larger when accessing occasional banking services relative to regular banking services. This suggests that businesses may use banking services more often when it is less costly and inconvenient for them to visit their branch.

The vast majority (over 90%) of SMEs would **continue accessing banking services in-person** if they lost access to these services at their usual location, with more than 30% of SMEs **switching bank** in this scenario.

SMEs would on average **reduce their frequency of use of regular banking services by around one third** if they lost access to these services at their usual branch.

There is evidence to suggest that some **SMEs would meet with business managers outside of bank branches** if they lost access to banking services at their usual bank branch. There is also evidence that **businesses consider this to be an inconvenience**. This inconvenience is estimated to be more costly for larger businesses.

5.1 Current landscape of access to banking services

5.1.1 Access points used for banking services

As with consumers, in this research we consider only banking services that are conducted in bank branches. As a result, all subsequent summaries of frequency, transport mode, distance and time refer to how respondents travel to these locations.

In the survey, respondents are asked separately about the banking services they undertake regularly (at least once a month) and occasionally (less than once a month).⁸⁰

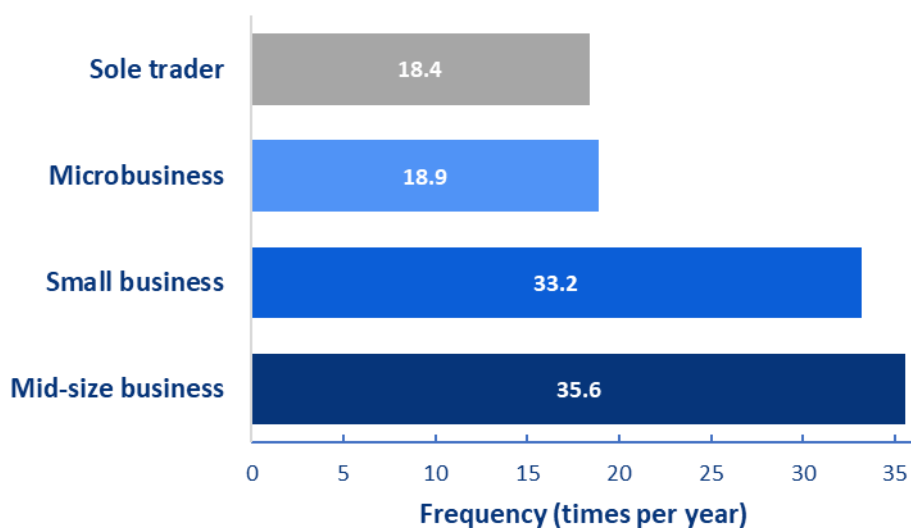
5.1.2 Frequency of use of banking services

On average, respondents used regular banking services 25.3 times per year, or a little more than twice a month.⁸¹ In other words, SMEs access regular banking services **roughly twice as often as consumers**.

It is evident instead that larger businesses (specifically, those with ten or more employees) are much more frequent users of regular banking services (illustrated by Figure 13). Indeed, mid-sized businesses using various banking services almost three times a month on average.

⁸⁰ Of the 1,533 survey respondents, 1,205 SMEs use occasional banking services and 819 SMEs use regular banking services.

⁸¹ As with cash services, these are based on all respondents including those who never use banking services and thus have frequencies of zero. As an indication, all consumers using occasional banking services were assumed to take four trips annually. In this case, it refers to the most frequently used banking service that is accessed at least monthly.

Figure 13 Frequency of use of regular banking services, by business size

Note: based on whole sample of respondents, including those who never use these services (i.e. trip frequency of zero).

Source: London Economics analysis of SME survey

78% of SMEs make use of occasional banking services, defined as those services used less than once a month (not including services never used). Banking services are more frequently used occasionally by smaller businesses, with 83% of sole traders versus 70% of mid-size businesses reporting to use occasional banking services.

5.1.3 Modes of transport used to access banking services

Table 34 shows the modes of transport used by SMEs to access banking services. As with SMEs accessing cash services, **over 90%** of SMEs typically travel to use banking services by foot or bicycle or by car, van or motor cycle.

Table 34 Modes of transport used to access banking services

Transport	Occasional banking services	Regular banking services
By Foot or bicycle	24.2%	26.2%
Car, van or motor cycle	68.6%	65.6%
Taxi/mini cab	1.5%	2.1%
Bus	2.3%	2.8%
Train or tram	1.2%	1.0%
Other	2.2%	2.3%

Source: London Economics analysis of SME survey

5.1.4 Distance travelled to access banking services

Table 35 shows that when accessing occasional banking services SMEs typically travel half a mile further on average than when accessing regular banking services. This suggests that SMEs **frequency of use of banking services is related to the convenience of using these services**.

Looking at how travel distances vary by business size, it is clear that **smaller businesses** on average tend to **travel further** to access banking services than larger businesses. This could be because larger businesses might have more employees who would be able to conduct banking services on behalf

of the business, and therefore these services can be carried out by the person who can do so with the highest level of convenience.

Table 35 Average one-way distance (miles) travelled to access banking services, by business size and sectoral cash reliance

Service	Overall	Sole trader	Micro-business	Small business	Mid-size business	More cash reliant	Less cash reliant
Occasional banking services	3.6	3.8	4.1	3.2	2.9	3.6	3.6
Regular banking services	3.1	3.6	3.6	2.9	2.5	3.2	3.1

Source: London Economics analysis of SME survey

5.1.5 Travel time for access to banking services

Whilst travel distances are typically longer when accessing occasional banking services in comparison to regular banking services, Table 36 shows that travel times for occasional banking services are similar. This reflects the fact that private vehicle travel is more often used by SMEs when accessing occasional banking services (illustrated in Table 34).

Table 36 Average one-way travel time (minutes) to access banking services, by business size and sectoral cash reliance

Service	Overall	Sole trader	Micro-business	Small business	Mid-size business	More cash reliant	Less cash reliant
Occasional banking services	22	24	22	23	20	22	22
Regular banking services	21	24	21	21	19	22	20

Source: London Economics analysis of SME survey

5.2 Reactions to a loss of access to banking services

As with cash services, SME respondents were presented with the hypothetical scenario where they were no longer able to access banking services at their usual place(s) and asked to identify the reactions they would take from a list of relevant possibilities. This section describes these reactions and the associated costs.

First, Table 20 names and provides a brief description of the costs that are subsequently discussed and estimated in the rest of the chapter. For a detailed discussion of how each of these costs is estimated, see the [Technical Report](#).

Table 37 Costs for SMEs associated with a loss of access to banking services

Cost	Description
Travel cost	The difference between the amount of money spent on travel to access the relevant service at the alternative access point and the current access point.
Travel time cost	The difference between the value of the time spent travelling to access the relevant service at the

Cost	Description
	alternative access point and the current access point.
Bank switching cost	The value of the time spent going through the bank account switching process.
Online or telephone banking potential fraud cost	The increase in the expected cost from potential online or telephone banking fraud.
Online or telephone banking switching and familiarisation cost	The value of the time spent switching to and/or familiarising with online and telephone banking. This is estimated separately for new and existing users.
Inconvenience from meeting business managers outside of bank branch	Inconvenience of meeting with business managers outside of a bank branch.
Inconvenience from using online or telephone banking	The ongoing inconvenience of using online or telephone banking.
Missing out on new banking products	Missing out on new banking products that are suitable for the business due to being in the branch less often.
Inconvenience from banking with a new organisation	The ongoing inconvenience of banking with a new bank.

In reaction to the loss of access to the location where SMEs usually access banking services, businesses could continue to access banking services in-person, but at a **different location**. This may result in travel costs and travel time costs.

SMEs could also choose to switch bank, thus facing a bank switching cost or ongoing inconvenience⁸² associated with operating with a different bank.

SMEs could also switch to access banking services in other ways. They could use **online or telephone banking** which may lead to switching and familiarisation costs, potential fraud costs or ongoing inconvenience.⁸³ Alternatively, SMEs could make use of **business managers** which could be inconvenient and costly.

Additionally, businesses using banking services less often may miss out on new banking products as a result.⁸⁴

Table 38 shows that over 90% of SMEs would continue accessing banking services in-person but at a different location in response to a loss of access at their usual location, similar to reactions to a loss of access to cash services. The next most popular reaction among SMEs would be to switch bank accounts, particularly for users of regular banking services. A higher proportion of regular banking service users would make more use of business managers.

Table 38 SME reactions in response to loss of access to banking services

Reaction	Occasional banking services	Regular banking services
Access banking services in a different location	92.0%	93.3%
Switch account to another bank	32.7%	40.0%

⁸² A statistically significant estimate for this cost was not obtained so this cost is not discussed any further in this report.

⁸³ A statistically significant estimate for this cost was not obtained so this cost is not discussed any further in this report.

⁸⁴ A statistically significant estimate for this cost was not obtained so this cost is not discussed any further in this report.

Reaction	Occasional banking services	Regular banking services
Make more use of online or telephone banking	27.1%	22.3%
Make more use of business managers outside of bank branches	8.1%	11.0%

Note: Figures are percentage of current users of each banking service having each reaction in response to a loss of access to that service. Respondents could take multiple reactions, so columns sum to greater than 100%.

Source: *London Economics analysis of SME survey*

5.3 Cost estimates for a loss of access to banking services

5.3.1 Cost estimates

Table 39 and Table 40 below set out the costs for SMEs associated with a loss of access to each banking service, based on survey responses and associated modelling.

It should be noted that these average costs are calculated by multiplying the estimated costs for the SMEs which would take the reaction that leads to that cost being incurred (as discussed in the previous section) by the proportion of SMEs that take that reaction. These costs are discussed further in Sections 5.3.2 to 5.3.4.

Questions in the survey that asked SMEs for their willingness to pay (WTP) to avoid losing access to a given type of banking service at their usual location (primarily for use in the econometric analysis as discussed in Section 1.4) can also be used to estimate the overall value they would place on avoiding this scenario. The average annual value that SMEs place on retaining access to occasional banking services at their current location was £84.36, compared to £247.34 for regular banking services.⁸⁵

⁸⁵ The 10th percentile of valuations was £0 per annum for both services, and the 90th percentile was £600 per annum for regular banking services and £180 per annum for occasional banking services.

Table 39 Average costs per annum: loss of access to occasional banking services an SME's usual branch

Cost	Overall	Sole trader	Micro-business	Small business	Mid-size business	More cash reliant sector	Less cash reliant sector
Travel cost	£13.31	£7.70	£4.98	£22.39	£24.69	£13.75	£12.41
Travel time cost	£49.67	£32.80	£14.43	£84.48	£89.23	£58.06	£32.54
Bank switching cost	£9.22	£10.19	£8.82	£9.02	£8.18	£9.12	£9.42
Online or telephone banking potential fraud cost	£19.24	£26.54	£17.93	£13.23	£15.35	£16.71	£24.39
Online or telephone banking switching and familiarisation cost (new user)	£0.95	£1.50	£0.72	£0.56	£0.75	£0.75	£1.34
Online or telephone banking switching and familiarisation cost (existing user)	£1.67	£1.82	£1.96	£1.38	£1.35	£1.63	£1.77
Inconvenience from meeting business managers outside of bank branch	£8.88	£4.13	£1.30	£11.26	£27.45	£5.46	£15.87

Source: London Economics analysis of SME survey

Table 40 Average costs per annum: loss of access to regular banking services an SME's usual branch

Cost	Overall	Sole trader	Micro-business	Small business	Mid-size business	More cash reliant sector	Less cash reliant sector
Travel cost	-£44.44	-£55.41	-£50.73	-£20.49	-£61.06	-£36.34	-£60.65
Travel time cost	-£164.07	-£192.15	-£198.70	-£95.58	-£199.53	-£138.97	-£214.32
Bank switching cost	£11.29	£11.96	£10.50	£12.01	£10.26	£11.69	£10.48
Online or telephone banking potential fraud cost	£21.56	£17.28	£22.39	£19.76	£27.96	£20.24	£24.21
Online or telephone banking switching and familiarisation cost (new user)	£1.31	£0.96	£1.25	£1.18	£1.94	£1.32	£1.30
Online or telephone banking switching and familiarisation cost (existing user)	£1.25	£1.23	£1.58	£1.19	£1.03	£0.95	£1.85
Inconvenience from meeting business managers outside of bank branch	£22.31	£10.58	£3.77	£23.23	£50.93	£12.03	£42.88

Source: London Economics analysis of SME survey

5.3.2 Travel-related costs

Once again, the main drivers of differences between costs (or savings in the case of regular banking services) are travel-related. Table 41 explores differences in travel-related costs further by comparing distances, frequencies and times taken to travel to access points both before (current scenario, 'Cur.')

Table 41 Distance, time, and frequency of travel before and after access point closure

Service	Avg. Distance (miles)			Avg. Time (minutes)			Avg. Frequency (trips)		
	Cur.	Alt.	Change	Cur.	Alt.	Change	Cur.	Alt.	Change
Occasional banking services	3.6	4.0	+13%	22	26	+16%	3.1	8.8	+181%
Regular banking services	3.1	4.6	+46%	21	28	+33%	25.3	16.6	-34%

Source: London Economics analysis of SME survey

As would be expected, travel distances and times typically increase when SMEs lose access to banking services at their usual branch they use for these services. In response to a loss of access to regular banking services, SMEs would typically **reduce the frequency with which they would use these services by around one third**. This explains the negative travel-related costs related to a loss of access to regular banking services.

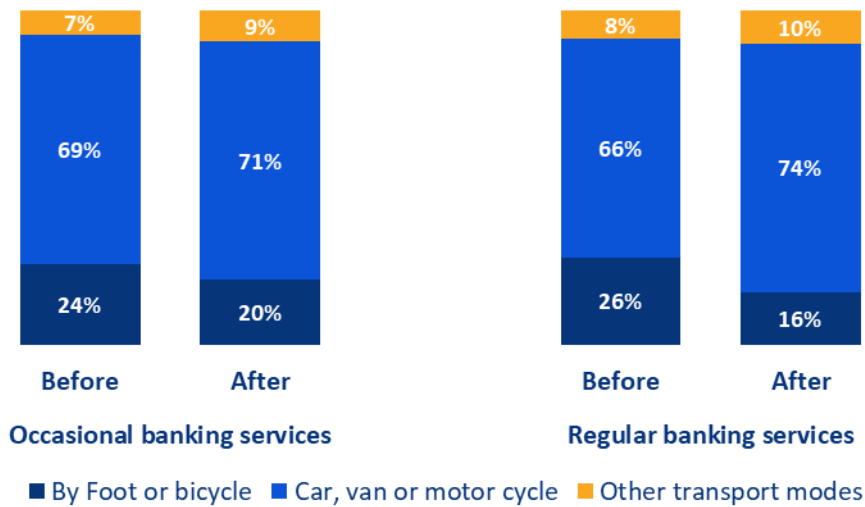
That SMEs are willing to pay to retain access to regular banking services at their usual branch, despite the travel-related 'savings' that would arise as a result, suggests that there is some value for SMEs from using these services at the frequency they currently do and that there may be costs that have not been measured in this research, for example costs associated with reduced frequency of use of banking services.

Instead, assuming SMEs would continue accessing regular banking services at their current frequency at an alternative location would result in travel related costs (per annum) of £105.25, as a loss of access to their usual location is associated with an increase in per-trip cost of £4.16.

In contrast, occasional banking service users would almost **triple the frequency of trips**. It is the vastly different change in frequencies after an access point closure, therefore, that explains the large magnitude of the travel-related costs related to a loss of access to occasional banking services. As discussed in section 4.3.2, the magnitude of the travel costs associated with occasional banking services should be **interpreted with caution** as respondents did not have the ability to indicate a reduction in frequency of using these services except by indicating that they would never use them at an alternative location. Assuming no change in frequency, average annual travel-related costs for occasional banking services would only be £11.23. This is based on a per-trip cost increase of £3.59 as a result of losing access to their usual branch.

Finally, Figure 14 shows that modes of transport used to travel to branches change with a loss of access to banking services at their usual branch. While proportions remain broadly similar, there is a slight shift away from foot or bicycle travel towards other modes of transport. This may be due to the corresponding increase in travel distance associated with the loss of access to banking services at their usual branch.

Figure 14 Transport modes, before and after access point closure



Source: London Economics analysis of SME survey

5.3.3 Other costs

Other than travel-related costs, the largest costs associated with a loss of access to banking services are potential fraud costs **from using online or telephone banking** and the **inconvenience or additional workload associated with meeting business managers away from a branch**. These two costs are roughly equal in magnitude for regular banking services but the potential fraud costs are larger for occasional banking services. That the inconvenience costs of meeting with business managers are higher for regular banking services could be because SMEs are more likely to make of business managers in this way when they need to use banking services more frequently.

Bank switching costs are around two pounds higher on average for regular banking services than occasional banking services. This reflects the fact that SMEs are more likely to switch bank in response to a loss of access to regular banking services than occasional banking services.

5.3.4 Variation by SME demographics

Table 39 and Table 40 also present average costs split by key demographics. The main insights from this breakdown are as follows:

- **In general, larger businesses face higher costs from the inconvenience or additional workload from having to meet business managers outside bank branches.** This could be because larger businesses may find it easier to get a business manager to meet them at a location other than a bank branch as they may be more valued customers to banks as their business is likely to be worth more.
- **Larger businesses on average face higher costs of a loss of access to regular banking services, but not by a large amount.** Costs on average are less than twice as large for medium sized businesses as for sole traders, which perhaps suggests that the impact on sole traders may be more significant. One cost which is significantly larger on average for larger SMEs is the inconvenience of meeting business managers outside of a bank branch, which is over £50 per annum for mid-sized businesses and just £4 for microbusinesses.

6 Concluding remarks

This study investigated the usage patterns of cash and banking services by consumers and SMEs, the reactions they have in response to a loss of access to these services and the associated costs. This was achieved through cost calculations based on surveys of consumers and SMEs, secondary data and econometric analysis.

Survey responses indicate that there are a wide range of reactions taken by consumers and SMEs in response to a loss of access to cash and banking services. These include going to other in-person locations, making more use of technologies such as online and telephone banking, debit and credit cards or accepting digital payments, cash and change delivery and collection services as well as meeting with business managers away from branches. The results suggest that the vast majority of consumers and SMEs will continue to use these services in-person when they lose access to these services at their usual place, but also that many would also respond in these other ways as well.

Consumers and SMEs both indicate a willingness to pay to preserve access to cash and banking services at their usual location. The service consumers and SMEs would on average be willing to pay the most to preserve access to at their usual location is regular banking services. Consumers would be willing to pay £18.10 per annum and SMEs would be willing to pay £247.34. The service consumers and SMEs would be willing to pay the least to preserve access to at their usual location is balance enquiry. SMEs would be willing to pay £102.64 per annum whereas consumers would be willing to pay just £6.94. This may be because balance enquiry is viewed as an auxiliary service to other cash and banking services as it does not enable consumer spending or SME sales in the way that other services may do.

The cost estimation results suggest that consumers and SMEs might incur a wide range of costs if they lose access to cash and banking services at the place they usually do so. Travel-related costs are typically the largest component of these, which is driven to a significant degree by the fact that a vast majority (significantly more than would take any other reaction) of consumers and SMEs would continue accessing cash and banking services in-person at alternative locations and would on average have to travel further and for longer in this scenario.

There is also evidence of other costs including bank switching costs, potential fraud costs and possible inconvenience costs from using digital payments or meeting business managers outside of bank branches. Whilst this research provides quantitative estimates for many kinds of costs, there may also be other costs that are not measured in this research. For example, there may be costs associated with mitigation strategies taken in response to a loss of access to cash and banking services, for example costs associated with a reduction in the frequency of use of these services. This is particularly relevant for a loss of access to regular banking services at their usual branch. In this scenario consumers and SMEs would on average reduce their frequency of use of regular banking services by 33% and 34% respectively.

There is also evidence that there are variations in the use of cash and banking services as well as costs associated with a loss of access to these services at their usual places according to different consumer and SME characteristics. For example, consumers in rural areas typically suffer from larger costs if they lose access to cash services at their usual locations. For example, travel-related costs arising from a loss of access to cash withdrawal at their usual location are around 40% higher on average for rural consumers. Additionally, larger SMEs typically make more frequent use of cash services. For example, surveyed small and mid-sized businesses deposit cash over 30 times per year

on average, whereas sole traders and microbusinesses deposit cash less than 20 times per year on average.

The evidence also suggests that consumers and SMEs would not greatly reduce the frequency with which they use cash services even if they lose access to these services at their usual locations. This may suggest that consumers and SMEs view these services as quite essential and that they feel the need to continue to use them even if doing so becomes less convenient.

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