

UK PAYMENTS IN TRANSITION TO DIGITAL:  
**WHY CASH,  
BRANCHES AND  
ATMS STILL MATTER**



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# EXECUTIVE SUMMARY

**More than a decade into the digital revolution, the majority of Britons still feel more comfortable with the option to pay by cash or card, though digital wallets and other “alt” payment methods are making inroads into card and cash use.**

UK consumers still use ATMs and bank branches and want to see them as part of the fabric of society, though in the latter case Britons prefer the option of a branch network for emergencies, occasional use and as security for elderly or vulnerable consumers.

While there are regional differences in these findings, perhaps the most pronounced difference unveiled by the research is the gap between young people’s attitudes and that of older generations. Around two-thirds of the 18-34 generation trust digital wallets and use them, while fewer than one in five of those aged over 55 either trust or use wallets.

Proportionally, older consumers are set to form a larger part of the UK population in the decades ahead. This being the case, we set out a number of conclusions and recommendations for banks and payments companies based around a continuing role for both cash and cards over the next 5-10 years.

Banks and payments firms active across Europe will find the trends outlined in this report repeated in other European markets. In recent years, Norway and Sweden have mandated access to cash services and ATMs in law with the UK following suit in May 2022. We expect such legislation to be repeated in other European markets in the next few years.

While banks, merchants and payment service providers must prepare for a future with a wide range of payment methods, that future is going to include a significant role for both cash and payment cards. This report sets out strategies firms can adopt to handle their cash management responsibilities and an ATM estate profitably and efficiently.

# INTRODUCTION

Over the last ten years, the way we pay has changed at a rate not seen for centuries. Cash, so long the mainstay of payments, has slowly decreased as a means of exchanging value. Likewise, cheques have now almost completely disappeared, while new methods from digital wallets and crypto through to account-to-account and instant payments are making inroads into both card payments and cash use. As this report shows, however, both cash and cards are a long way from irrelevance, and we set out approaches for how to prepare for a future including cash, cards and a range of other payment options.

The next decade promises further pervasive change as both companies and individual consumers wake up to the power of blockchain and the freedom and convenience of open banking – not to mention Central Bank Digital Currencies (CBDCs), Request to Pay solutions, wearables and other innovations.

Given this context, we commissioned this survey as a snapshot of how UK consumers pay today to dig beneath the rhetoric and get beyond the hype.

The results may surprise even seasoned payments professionals. UK consumers are concerned at the lack of access to cash, especially for the elderly, and worried about the disappearance of bank branch and ATM networks. Despite the hype surrounding digital wallets, the majority of Brits have yet to use them, preferring cash or cards instead. And significant trust issues remain when it comes to online payment – especially in the much-vaunted “metaverse” of the future.

In this report, we offer some context for these findings, and outline the extent to which the UK is experiencing trends very similar to those seen across Europe. We also reflect on the implications of these findings for strategic choices faced by banks, payment service providers and merchants in the next few years.

As an expert provider of payment solutions licensed to operate in the UK and across Europe, Transact Payments works with clients on everything from payment solutions that enable access to ATMs to European BIN sponsorship, modular payments and debit and prepaid services.

We would welcome the opportunity to discuss the implications of these findings for your organization’s strategy – and the extent to which our report on the UK mirrors similar developments we’re seeing across Europe and beyond.



**Kriya Patel**

Chief Executive Officer

*Kriya Patel*

# MAIN FINDINGS

## Britain still loves cash – ATMs and branches here to stay

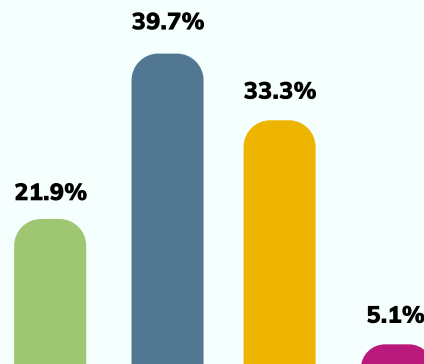
Our survey of 1,000 adults from around the UK reveals a nation in transition from physical to digital payments. While most adults are comfortable using cards for payment and ATM withdrawal, only a third use digital wallets at present, and fewer than half of Brits are confident using an online wallet for payment.

### ATMs: still needed at the moment

#### How often do you use an ATM?

- I use ATMs many times a month
- I use ATMs a few times a month
- I would use an ATM in case of an emergency where I needed physical cash
- I never use ATMs

CREDIT = 3Gem Research/Transact Payments Limited]



These facts help to explain Britain’s ongoing love affair with cash as evinced in our survey. Just one in twenty (5.1%) adults say they never use an ATM, with the majority seeking access to cash either “a few times a month” (39.7%) or “in emergency” (33.5%). What’s more, three-quarters of those surveyed (76.1%) say the UK will still have ATMs in five years’ time.

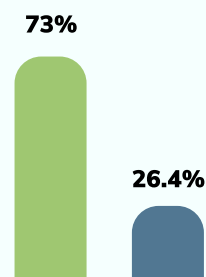
“ **Three-quarters of those surveyed say the UK will still have ATMs in five years’ time.** ”

### Cash continues to count

#### Do you carry physical cash with you?

- Yes
- No

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Despite a sharp rise in the use of cards and digital payments during the pandemic, seven in ten consumers still carry cash and coins. In some regions such as Middlesbrough and Cambridge, this rises to 92% and 91% respectively. Cardiff has the lowest percentage of those carrying cash, with 54% not holding any cash in wallets. Where Britons hold cash, 31% say they carry £20 in their wallets, with another one in four (24.8%) carrying up to £50.

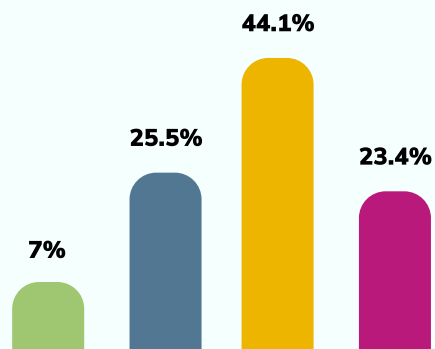
Looking to the future, just under half (43.4%) of respondents say they appreciate being able to pay with either cards or cash, while more than one in five (22.4%) Britons are concerned that some people will struggle to cope without physical cash.

### Branches: convenience and security

## How often do you visit your bank branch?

- I go many times a month to my bank branch
- I go a few times a month to my bank branch
- I would go to my bank branch in case of an emergency
- I never go to my bank branch

CREDIT = 3Gem Research/Transact Payments Limited



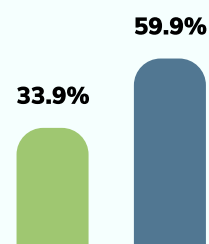
While just under a third (32.5%) of respondents say they visit their bank branch “many times”, or, “a few times a month”, it seems Britons appreciate the presence of a branch in their community, with just under half (44.1%) saying they would visit their branch in an emergency. Almost seven in ten (67.9%) people say they would be concerned if their area had no physical bank branches in five years’ time. A slightly larger proportion (71.2%) are concerned that the elderly would be cut off from society in the absence of ATMs and bank branches.

### Digital wallets: growing adoption, uncertainty persists

## Do you currently use a digital wallet?

- Yes
- No

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## Which digital wallet do you use?



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**With older consumers set to form a larger proportion of the population in the next 20 years, no-one should assume digital wallets will replace cash and cards any time soon**

Just over a third of Britons (34%) currently use digital wallets. However, there is a significant generational divide in wallet use, with almost two-thirds (64.3%) of the 18-34 generation using digital wallets, compared to just 18.3% of the 54-65 age bracket and even fewer over 65s. Most users opt either for ApplePay or PayPal as their provider, with ApplePay the most popular solution among younger consumers. However, only one in five (20%) of respondent said they had either complete, or, “a very high level” of trust in digital wallets, while 34% said they had little or no trust in this payment method. Tellingly, more than a fifth of Britons said they were unsure about digital wallets as a concept.

Again, this result was subject to a generational divide, with around two-thirds of adults under 35 expressing confidence in digital wallets as a payment method – and similar proportions of those aged 55 and above showing low levels of trust. With older consumers set to form a larger proportion of the population across all European markets in the next 20 years<sup>1</sup>, no-one should assume digital wallets will completely replace cash and cards any time soon.

As we make clear at the end of the next section, this demographic change has significant implications for strategic choices and market approaches by banks and payments companies in the years to come.

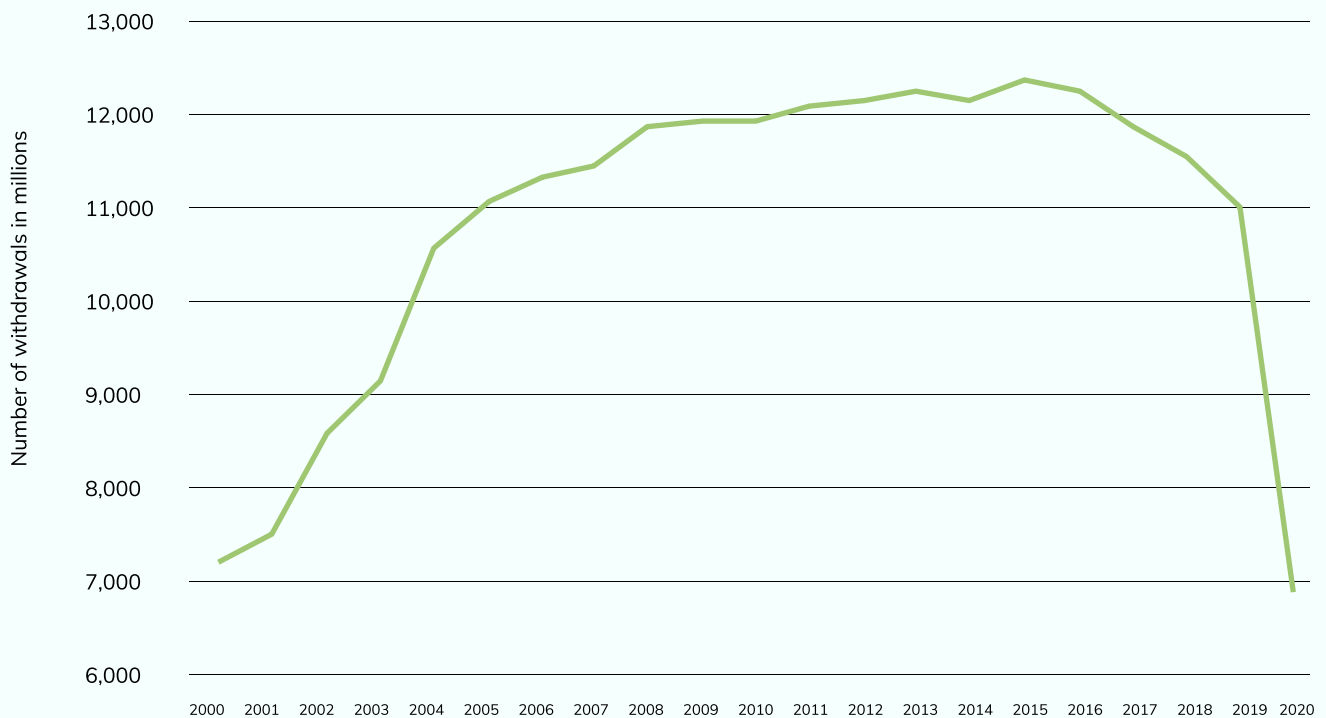
<sup>1</sup> See “Population structure and ageing”, Eurostat, February 2022:  
[https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Population\\_structure\\_and\\_ageing](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Population_structure_and_ageing)

# KING CASH IS DEAD. LONG LIVE THE KING?

## Electronic payment may rule Europe, but cash still matters

Our study into British payment habits mirrors trends seen across Europe. This is particularly the case in those markets which, like the UK, are among the most advanced when it comes to payments technologies. According to the latest data from PCM’s Digital and Card Payment Yearbooks<sup>2</sup>, cash is now used in just one in five transactions in the Netherlands – and around nine and three percent of all transactions in Sweden and Norway respectively. Even in traditionally cash-rich Germany, notes and coins now account for just over 40% of all transactions, with the majority of non-cash transactions now executed using cards.

## Pandemic led to a steep decline in cash



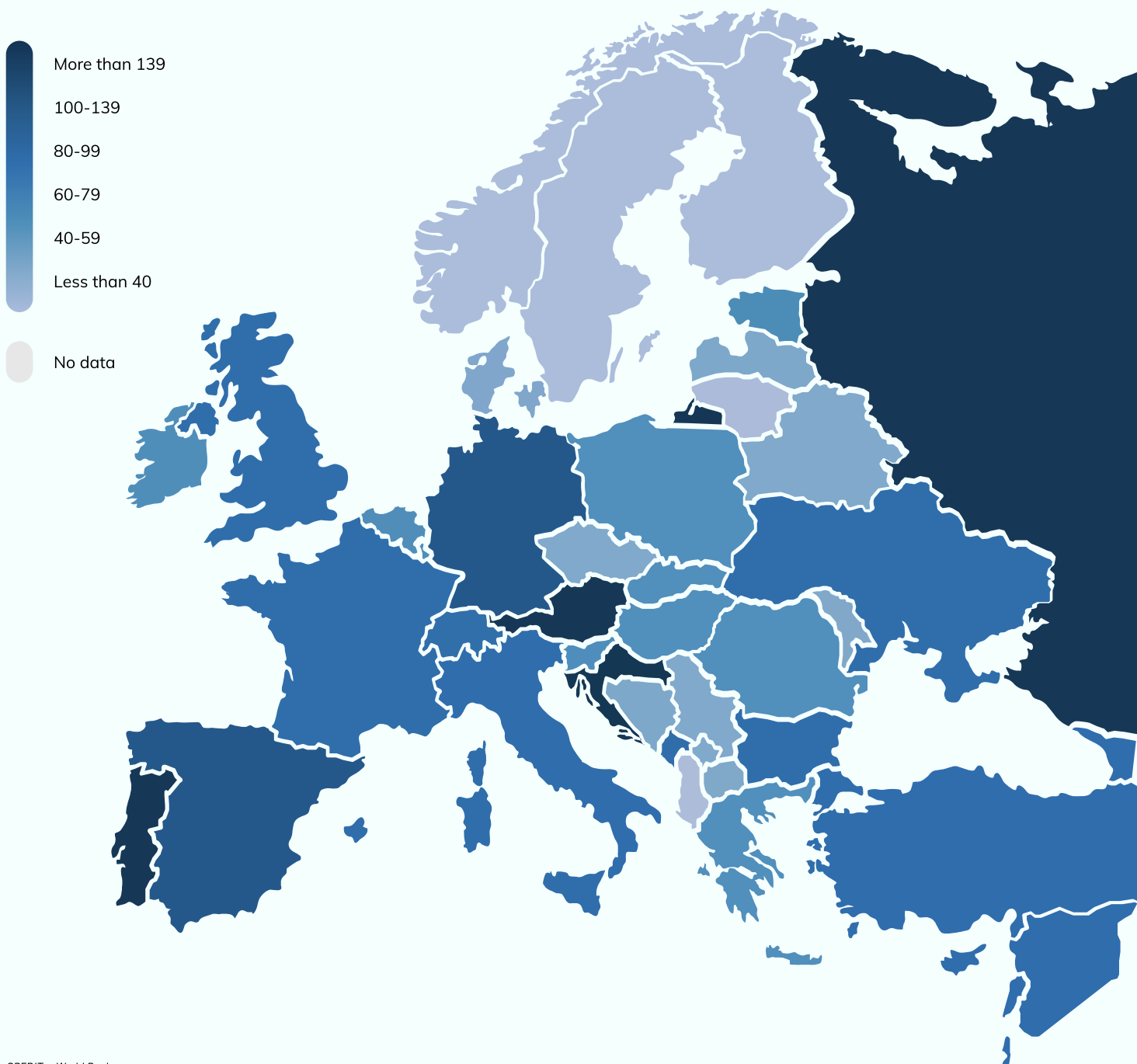
CREDIT = European Central Bank

<sup>2</sup> See “The Digital and Card Payment Yearbooks 2021-2022” at [www.paymentyearbooks.com](http://www.paymentyearbooks.com)



Although Europeans are using less cash and the number of ATM withdrawals declined rapidly during the pandemic, it's clear that European still appreciate the option of being able to pay with notes and coins, as the ongoing prevalence of ATMs per head of population shows:

## Despite lower cash use, ATM networks remain intact across Europe, except Nordics

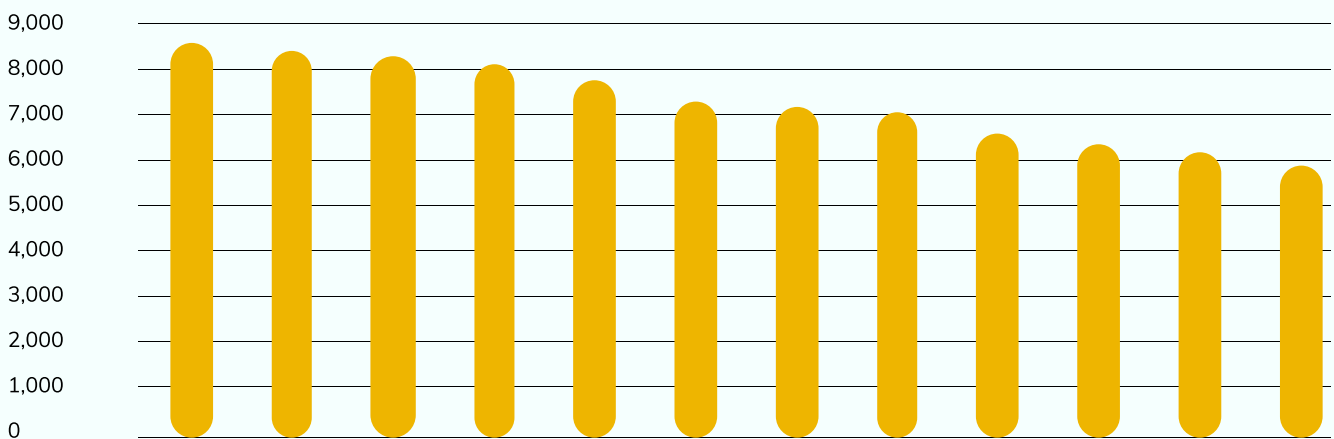


CREDIT = World Bank

## Bank branches: a thing of the past?

If ATM use is in decline, then bank branches are disappearing at a faster rate. According to the European Banking Federation, the number of bank branches across the continent declined at a faster rate in 2021 than at any time since 2007, with some 10,000 branches closed during the course of the year. The EBF claims some 75,000 branches have been lost since 2008.

## Bank branches across Europe in long-term decline



CREDIT = EBF

While there's no doubting the many advantages of electronic payment, we are beginning to see a wave of legislative measures across Europe designed to secure access to cash for the elderly and vulnerable populations. In 2019, Norway became the first country in the world<sup>3</sup> to enshrine the right to pay with cash in legislation. In January 2021, Sweden followed suit<sup>4</sup> with legislation specifying the requirement for banks and credit unions to offer cash services through branches and ATMs throughout the country. Most recently, the May 2022 Queens' Speech in the UK Parliament<sup>5</sup> announced legislation that would guarantee the right to pay in cash and access to ATMs and branches throughout the country.

Banks and Payment Service Providers should expect such legislation to appear across Europe in the years ahead. As we'll see, the combination of continued cash use and consumer preference for card payment has significant implications for payment strategies over the next 5-10 years.

<sup>3</sup> Norwegian Central Bank, "The Right to Pay Cash" : <https://www.norges-bank.no/en/topics/notes-and-coins/the-right-to-pay-cash/>

<sup>4</sup> See Cashmatters.org, 31 May, 2021: "Why Cash Still Matters in Sweden": <https://www.cashmatters.org/blog/why-cash-still-matters-sweden>

<sup>5</sup> See HM Treasury, 10 May 2022: "New Legislation to protect access to cash announced": <https://www.gov.uk/government/news/new-law-to-protect-access-to-cash-announced-in-queens-speech>

## Cards continue to dominate non-cash payments

The consumer preference to use cash, or cards at ATM and Point of Sale, is another story that is repeated across Europe and the wider world. Research for Visa and the Strawhecker Group<sup>6</sup> conducted during the pandemic showed that 69% of US consumers continued to prefer using cards compared to digital wallets, while a similar survey for banking infrastructure provider Tietoevry<sup>7</sup> found that around 8 in 10 consumers appreciated the convenience and security of using contactless cards.



**Despite the hype, alt-pays accounted for just 8% of payments across the EU in 2021**



Despite attempts by so-called “alt pay” providers to present cards as a legacy technology, cards are still the dominant non-card payment method by some distance. According to the European Central Bank, card payments accounted for 47% of all non-cash transactions, while credit transfers accounted for 23% and direct debits for 22%. By extension, digital wallets, account-to-account transactions and other “alternative” payment methods accounted for just 8% of all non-cash payments, a statistic that throws into sharp relief how much further such methods have to travel before they can be considered mainstream.



**More powerful chips and biometric sensors will breathe new life into the card as a payment instrument**



The advent of more powerful chips on payment cards and new biometric security arrangements – together with the popularity of contactless NFC transactions using cards – have breathed new life into the card as a payment method. As more powerful chip cards including biometric security come to market, we can expect to see multi-function cards that combine credit, debit, loyalty and Buy-Now-Pay-Later (BNPL) proliferate. This is a significant development, since these more powerful cards can compete with the flexibility and multi-functionality of a digital wallet.

### **Alt-pays: all they're cracked up to be?**

We expect digital wallets and account-to-account payments to continue their trend of recent rapid growth, though it's unlikely that this growth will carry on its recent breathless trajectory. What's certain is that banks, merchants and PSPs should prepare for a future in which consumers are looking for a wide range of payment methods to be accepted – including not just crypto, digital wallets and A2A products, but cash and cards as well.

<sup>6</sup> See Visa, , September 2020, “Purchasing in a Pandemic”:

<https://usa.visa.com/dam/VCOM/regional/na/us/partner-with-us/documents/purchasing-in-a-pandemic.pdf>

<sup>7</sup> See Tietoevry, 1 March 2021: “Time for biometric security on contactless cards”:

<https://www.tietoevry.com/en/newsroom/all-news-and-releases/press-releases/2021/03/time-for-biometric-security-on-contactless-cards-new-research-from-tietoevry-reveals-uk-consumers-contactless-concerns/>

## Implications for payment strategy:

- ✔ **Banks and PSPs should maintain both cash management and ATM management or access capabilities.**
- ✔ **Payments players should consider pooling their cash handling and ATM estates with other providers, and look at outsourced ATM and cash management options.**
- ✔ **Firms should continue to invest in modern card management platforms and in more capable and secure cards. The payment card will be with us for some time to come.”**



# CONCLUSIONS AND RECOMMENDATIONS

The UK is still highly reliant on more traditional banking methods such as cash and cards. This is at odds with the expectation that the UK will soon be a cashless society. Legislation to protect the right to pay with cash and a cash-handling infrastructure is being put before the next session of the UK parliament.

Consumers are concerned at the effect of an absence of cash on the elderly, lower income workers, rural communities and others. As government responds to this concern, banks and payments companies must prepare for a future in which both cash and cards continue to play a significant role.

This is by no means a UK-specific phenomenon, with Nordic markets such as Sweden and Norway already having introduced legislation mandating access to cash into law – including both branch networks and ATMs. Expect other European markets to follow suit in the years ahead.

Banks, merchants and PSPs should consider their options for continuity in cash handling, management of an ATM estate and the ability to accept and manage card payments. Key considerations include:

- Pooled cash handling and ATM management to reduce cost and maximise efficiency in these areas
- The provision of modern and more powerful payment cards, including biometric security features and high memory chips to enable multiple functions on a single card (debit/credit/loyalty/BNPL/others)
- Consolidation of card management and payment platforms within their organization to reduce redundancy and cost and improve efficiency

We anticipate a near-term future (5-10 years, possibly longer) in which cash and cards retain their importance in the payments mix. Meanwhile, those engaged in payments should also prepare for a landscape in which digital wallets, account-to-account payments, crypto and other methods also play an important role.

Consumers will expect to be able to pay with all of these methods and more, both in-person and online, domestically and across borders, and payments players should be ready for this scenario.

## Methodology

This research was conducted by 3Gem and was concluded on 8th April 2022. The research included a nationally representative sample of 1,000 UK adults of all age groups.

## At Transact Payments, we have built a reputation as the experts in payment and card solutions.

We provide innovative and flexible UK and European BIN sponsorship, modular payment, debit, credit and prepaid services. We are a licensed UK and EEA e-money institution, regulated by the Gibraltar Financial Services Commission, Malta Financial Services Authority and Principal Members of both Mastercard and Visa. <https://www.transactpaymentsltd.com>

To discuss the results of this research and its implications for your organisation's future payments strategy, please get in touch [info@transactpaymentsltd.com](mailto:info@transactpaymentsltd.com)

