Payments Council

Qualitative research on access to cash

Final report

FOREWORD

As part of one of our core objectives to ensure that payment systems meet the needs of users and as one of our commitments in our National Payments Plan, a review of access to cash was carried out last year. Cash accounted for around 60% of all consumer payments in 2011 and 40 million adults used cash machines regularly. These figures highlight the importance of cash access to us all and why we need to better understand any issues or challenges that may exist in accessing cash. This phase of the Access to Cash Review was led by the Strategic Cash Group, a high level payments group chaired that looks at a wide range of issues regarding banknotes and coin. It was funded by the Cash Services Group.

We designed the project to help us understand what, if any, challenges and obstacles consumers and organisations face when getting cash from their accounts and the relative importance of cash machines, counter access and debit card cashback. Through our close working relationships with major consumer and business representative groups, it became clear that there were some particular areas where there might be issues, such as among those on low incomes and small organisations. As a result, over the last several months, we have worked closely with Policis and Toynbee Hall to deliver the research. We also held regular meetings with a wide range of stakeholders to guide research design and keep them updated on progress.

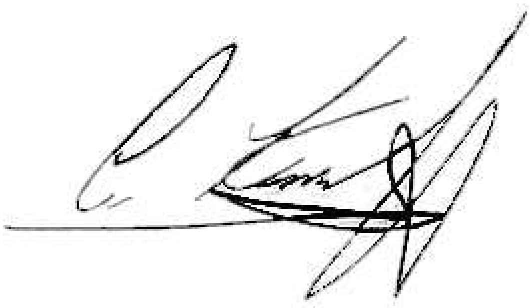
Reading the report, it is clear that while access to cash worked well for most participants in the research, some respondents had significant issues getting access to the cash they need. Difficulties were most acute among those from low-income households in rural areas and on satellite housing estates. Among their specific issues were the availability of counters and cash machines in these areas and the difficulty of getting low value notes. I was struck by the stark choices faced by some of the participants: indeed, some said they travel long distances to get cash or simply go without things if they are unable to get cash.

Looking ahead, we're committed to ensuring the findings from this research shape the next phase of our work on access to cash. Part of our remit concerns ensuring cash withdrawal services work for those who need them. The next phase of the Access to Cash Review will look at what changes might be made to make access to cash easier for those who reported finding it difficult. We will share this information publicly when it's available.

This research was undertaken and this report prepared by Policis and Toynbee Hall. I thank both organisations for their dedication and commitment to the production of such important research.

We're grateful to the Strategic Cash Group for sponsoring the work and to the members of the group for their contributions.

Finally, I'm most grateful to the participants in the research, both for generously giving their time and for openly sharing their experiences. Thanks to their involvement, we can now work to ensure better access to cash in the future.



Adrian Kamellard
Payments Council chief executive
February 2013

Toynbee Hall

policis

Access to cash: qualitative research

Executive Summary

Research aims

The research aimed to address knowledge gaps relating to access to cash for consumers, small and medium-sized businesses and charities. Understanding where barriers to accessing cash exist and who is affected by them will help the Payments Council develop needs-focused solutions to tackling them.

Key findings

- The majority of consumers, along with most charities and SMEs, experience few significant difficulties in accessing cash.
- A minority of consumers can, however, encounter barriers to accessing cash, which may impact adversely on their lives and financial circumstances. These barriers primarily affect low-income consumers who are struggling to manage very tight budgets. Particularly affected are those who are not in employment and people living on marginalised, out-of-town social housing estates.
- Critically, the consumers who are most likely to experience barriers in accessing cash are also those for whom cash remains central to day-to-day money management, and who have the most limited resources available to overcome these difficulties.
- These barriers are compounded by the risks associated with electronic payments and Direct Debits for those on very tight budgets who need to know exactly how much money they have and whose finances can be derailed by unanticipated charges for unpaid items or unauthorised overdrafts.
- The key advantages of cash budgeting for people who are managing tight budgets – some of which could be emulated in electronic payments – carry important lessons for the design for more suitable payment services for this group.

Key barriers to accessing cash

(in alphabetical order)

- **ATMs in poorly-served areas which are out of order or have run out of cash**
- **Limited access to free ATMs in some areas**
- **Limited availability of small denomination notes, particularly £5 notes which many ATMs do not dispense**
- **Security fears about the use of ATMs in areas of high crime or anti-social behaviour**
- **Significant queues for ATMs in poorly-served areas, resulting in lengthy waits in some cases**

Barriers to accessing cash have negative consequences including

(in alphabetical order)

- **Embarrassment and humiliation**
- **Hardship as a result of going without desperately-needed cash**
- **Inconvenience**
- **Significant financial costs**

What's inside >

Context and background

In October 2011 the Payments Council launched an update to its National Payments Plan, after extensive consultation with suppliers and customers[1]. Following the consultation the Payments Council felt that some submissions raised issues relating to access to cash that warranted further investigation. This study was commissioned to address knowledge gaps relating to access to cash for consumers, SMEs and charities. The Payments Council has also recently published reports from a qualitative study of the payments' services needs of the 'older old' and people living with disabilities[2] and quantitative research on access to cash[3].

About this study

The study was undertaken by Policis and Toynbee Hall and aimed to help the Payments Council better understand access to cash needs to inform thinking about potential solutions in this area. The research was entirely qualitative, and included eight focus groups and 21 in-depth interviews with consumers and one focus group each with small businesses and charities respectively. The full report contains in-depth, detailed analysis and extended commentary.

The role of cash in consumer finances

The big trends in payment services nationally are towards increased use of card and mobile payment services with cash becoming less important. From a recent quantitative study, the Payments Council projects that card payments will overtake cash payments in 2014, with cash anticipated to account for only 35% of transactions by 2021. Nevertheless, this research showed that cash continues to have a key role in budgeting for low-income consumers – including low-paid workers and benefit recipients – who have a distinct preference for cash budgeting. People living on low incomes are not unsophisticated money managers who are simply reluctant to adopt new technology. Mostly the opposite is true, with many low-income money managers demonstrating very astute budgeting skills often under extremely challenging conditions. The enduring role of cash in low-income consumers' budgets is rooted in the reality of balancing tight budgets and an on-going struggle to make ends meet.

> ***"I like to pay things with cash so I know what I spend…I just like to know how much I've got, how much I need to spend on things… I have, in the past, lost control. I found myself owing…so I just like to use cash now, so I see where it's gone."***

The benefits and risks of transactional banking can be finely balanced for low-income consumers and many still prefer to operate in cash. Electronic payments are viewed as very high risk by some low-income consumers, who minimise the use of them in order to protect themselves from over-spending and incurring penalty fees and charges. Fear of penalty charges is a key factor in low-income consumers' preference for cash over electronic payments.

> ***"I was going 1p over and they charged me £25 a time, if my money didn't go in till a day later. I had to stop using it. It was ridiculous."***

The benefits of cash money management are often perceived to outweigh the associated costs and inconvenience. When budgets are balanced down to the last penny, operating a cash budget is overwhelmingly perceived to be the safest and least risky approach to money management. Not only is cash completely transparent, enabling people to know immediately exactly how much money they have left at any one time, it also affords a high degree of control over spending, removing the risk of inadvertently over-spending.

Access to cash

ATMs are the preferred channel for cash withdrawal for the majority of consumers, regardless of income level. Some older people expressed a strong preference for withdrawing cash over the counter at a branch, either at their bank or at the Post Office.

Patterns of access to cash are determined, to a large extent, by location. In more affluent areas people face relatively few difficulties accessing cash, being better-served by banks and ATMs in a variety of residential and retail locations. Even in more deprived urban areas, people tend to live or work within a short distance of high street ATMs providing fairly easy access to cash.

People living on marginalised out-of-town housing estates or in isolated rural areas face greater challenges in accessing cash, with fewer, if any, banks or ATMs within easy walking distance from their home. Where people are in employment, however, or have some other routine, such as shopping or taking children to school, which takes them to an urban area or an area of retail activity, accessing cash is less problematic. It can be incorporated into existing journeys to areas with proximity to banks, ATMs or cashback facilities.

[1] http://www.paymentscouncil.org.uk/files/payments_council/pc_npp_report_2011_final-pdf.pdf

[2] Consumer research with 'older old' consumers and those living with cognitive, physical and sensory disabilities, Payments Council, 2012

[3] UK Cash and Cash Machines, Payments Council, 2012

Better-off consumers, even those living in rural areas, tended not to experience serious difficulties accessing cash. This was because they tended to be in work and thus to travel to centres of economic activity and, even if living in rural areas, were able to afford transport to hubs where ATMs were available. Moreover, cash had become less important in the context of increasing use of debit cards. The better off were also unconcerned about the denominations of notes obtained from ATMs.

Among low-income consumers, low-paid workers and inner city dwellers experienced few barriers to accessing cash, although those who could only use a limited range of ATMs encountered some difficulties in that a proportion had to travel some distance to an ATM they could use, incurring costs in the process.

> ***"Well I've got an ATM both sides of my house and I can't use either of them…so that's annoying, you know. I've got to take a long walk or get on a bus, you know, just to go and get some money..."***

People living on marginalised social housing estates, however, can face significant challenges in accessing cash.

Barriers to accessing cash include:

- Limited access to free ATMs in some areas;
- ATMs in poorly-served areas which are out of order or have run out of cash;
- Significant queues for ATMs in poorly-served areas, resulting in 30-40 minute waits in some cases;
- Security fears about use of ATMs in areas of high crime or anti-social behaviour;
- Limited availability of small denomination notes, particularly £5 notes which many ATMs do not dispense.

> ***"In this area as well, you're frightened someone is going to mug you for it at the cash point."***
>
> ***"£5 is, like, I could get a pack of nappies and a pack of wet wipes and cough syrup and food. I can get two or three days meals out of [£5]…I can feed my kids out of that £5. And if you've got to wait til the bank's open to get that £5, you're knackered."***
>
> ***"[Bank staff said] 'No sir, you can only take out £250.' Well tough, I want £7. But they wouldn't give it to me. 'We've changed our policy'."***

Barriers to accessing cash have a real and negative consequences including:

- Significant financial costs;
- Inconvenience;
- Embarrassment and humiliation;
- Hardship.

> ***"And I said [to the bank teller], 'Can I have £5, please?' And I probably said it softly, like, because I was self-conscious and she said loudly, 'Did you say £500?' And I just wanted to sink into the floor. 'Get me out of here', you know."***
>
> ***"It's just pride, like, you know, when you have to ask for £7.50. Like, I don't want people knowing I haven't got no money."***

Case Study

Tony lives with his girlfriend and her son and Tony's son from a previous relationship spends time with them. Tony is a bricklayer by trade but has been unemployed for a year due to health problems. He has a bank account, with a debit card, and receives £120 a fortnight in benefits, paid directly into the account. He manages all his money in cash and prefers it that way.

Tony often needs to withdraw the last few pounds of his benefit payment, but is unable to do so via the local ATM as it does not dispense low denomination notes. He dislikes banks, and feels embarrassed when the tellers count out small sums of cash for him. So he tends to use cashback to access small sums of money left in his account.

This necessitates a bus journey, costing £5.20 for the round trip and more if one or both children are with them. If they can't afford the bus fare it's a 35 minute walk which is inconvenient and stressful, especially if they have to take the children with them.

Charities

The charities participating in this research had few problems accessing cash. They reported very few occasions on which they required cash. None of the charities that participated in the research made withdrawals from ATMs and could not imagine a situation that would require them to do so.

Typically, the only funds withdrawn were for fund-raising floats, requiring small denomination coins, and so would be obtained over the counter at the bank. A staff member or volunteer would normally take a letter of authority to the bank in order to withdraw funds in this way.

Occasionally, they had encountered difficulties when staff members or volunteers were not recognised by bank staff, or when bank staff wanted to validate letters of authority, but these were minor issues and did not cause serious problems.

Case Study

Penny lives on a large out-of-town council estate in South Wales. She lives alone, and the area where she lives is plagued with social problems.

Although using cash makes it easier to budget, she is acutely aware that carrying it around leaves her vulnerable to theft. The only ATM on the estate is a stand-alone machine outside a local shop where gangs of young people congregate

"Touch wood, it's never happened to me. But there's people hanging around there every day of the week with people getting their money. They're hanging round there every day."

So Penny prefers to travel to the nearest town and withdraw money inside the bank or at the Post Office counter, even though the return bus fare reduces her disposable income.

"If anything happens you can go straight to them and they can get hold of the police straight away, instead of panicking around in the street."

Small and medium sized businesses

Many small businesses use very little cash, managing their finances and funds received by cheque or by electronic means. While those that participated in this research identified a series of issues around banking and payment services that caused them difficulties, access to cash did not figure among them.

Access to cash issues that were raised centred on the need for more streamlined access to larger sums of money than they could withdraw from an ATM, e.g. to pay wages. Queuing at the counter to withdraw cash, writing a cheque or obtaining a letter of authority felt like a cumbersome and time-consuming process in these circumstances. They felt that a more streamlined process was required to enable them to access large sums of cash when they needed to.

The full report can be found on the Payments Council website: www.paymentscouncil.org.uk

PAYMENTS COUNCIL

DRIVING CHANGE IN UK PAYMENTS

CONTENTS

1.0 PROJECT BACKGROUND, AIMS AND METHODS

1.1 Project background

The Payments Council is the body responsible for ensuring that UK payments systems work, efficiently and effectively, for all parties. As part of setting the strategy for UK payments services, in 2008 the Payments Council published the National Payments Plan[1] following extensive consultation with a wide range of stakeholders, including suppliers and customers. The Plan is a portfolio of different Payments Council activities and projects which aim 'to ensure that the UK's citizens, businesses and other organisations have access to a broad range of modern and efficient payment methods that meet their needs'.

This Plan was updated in 2011[2] to include a new set of actions and activities to be carried out between 2011 and 2014. The Payments Council position, following the consultation, is that it supports the principle of choice, but felt that some submissions raised issues relating to access to cash that warranted further investigation. The Access to Cash review, which is currently underway, rests on a number of distinct phases. Research and analysis represent the key first stage in the process, in which the Payments Council seeks to identify any issues and gaps in payment service provision.

This research seeks to address knowledge gaps relating to access to cash for consumers, small and medium-sized businesses and charities, and sits within the wider body of research and analysis that makes up the Access to Cash review. This user-led approach is part of a broader stance adopted by the Payments Council in seeking to ensure that solutions developed by the industry are informed by an understanding of customers' needs. The Payments Council has recently published a quantitative research report, which provides a broad perspective on access to cash[3].

1.2 Research objectives

The overall aim of the research is to address specific knowledge gaps relating to any barriers faced by some consumers, SMEs and charities in accessing cash, and to help the Payments Council better understand user needs and potential solutions in this area. The specific research objectives were to:

- better understand any issues and difficulties that arise around access to cash;
- address specific knowledge gaps on the needs and barriers faced by specific groups of customers identified by other research as likely to have issues accessing cash (e.g. those on low incomes or in rural areas);
- understand the range of ways in which cash is accessed and the dynamic shaping choices and decision making around access to cash;
- explore the experience of accessing cash overall and via different channels;
- identify any barriers to accessing cash and the relative importance of different barriers;
- understand the coping strategies and work-arounds that customers employ when difficulties in accessing cash arise;
- identify unmet needs and assess the extent to which they are a function of gaps in payment services provision.

[1] http://www.paymentscouncil.org.uk/files/payments_files/national_payments_plan_may_2008.pdf
[2] http://www.paymentscouncil.org.uk/files/payments_council/pc_npp_report_2011_final-pdf.pdf
[3] http://www.paymentscouncil.org.uk/files/payments_council/access_to_cash_quantitative_report.pdf

1.3 Research methods

This project was entirely qualitative, providing maximum potential to identify, understand and explore complex issues around choices and decision making about accessing cash in depth; and to define needs and barriers entirely from the customer's perspective.

1.3.1 Research with consumers

The consumer research conducted for this project covered consumers across the income range, but its focus was primarily on low-income consumers. This included both those on very low incomes primarily living on benefits, defined as falling into the lowest 20% of household incomes, i.e. deciles 1 and 2 of household income, and low paid workers falling into the lowest 20% – 50% of household incomes, i.e. those in deciles 3 – 5 of household income. This is intended to facilitate comparison with government and other studies in this area[4]. Eight focus groups and twenty one in-depth interviews were undertaken, involving a total of 85 individuals. The discussion guides for the qualitative research are included in Appendix A.

The project did not, however, include people living with disabilities or the 'older old', people aged over 80, because these groups have already been the subject of detailed qualitative research, also commissioned by the Payments Council[5]. The findings are summarised in the conclusions to this study on page 36 and in the box below.

The research with the 'older old' and those living with disabilities concluded that these groups encounter a number of barriers to accessing cash, including:

- **physical barriers to use of ATMs and bank branches**
- **difficulties with text layout, screen colour and back-lighting in ATMs**
- **lack of standardisation between ATMs**
- **small, fiddly buttons on ATMs, which can be hard to see and/or manipulate**
- **data entry and verification hurdles which can be difficult or impossible to negotiate**
- **requirements to remember PINs and passwords**

Cash plays a far more important role in the management of household finances for low-income consumers than it does for those who are better off. As other research has shown, the issues around the use of cash in household money management by low-income consumers are complex[6], and rest on a very different dynamic to those that apply for more affluent users of payments services. In addition, because the low-income population is not homogenous, it was crucial that the research covered key sub-sets within it, in order to provide a comprehensive picture of their needs and the barriers they face.

[4] For example, HM Treasury "Achieving Banking Inclusion" 2010

[5] Consumer research with 'older old' consumers and those living with cognitive, physical and sensory disabilities, Payments Council 2012b

[6] See, for example, Kempson; 1994; Kempson and Whyley, 1999; Kempson, Whyley, Caskey and Collard, 2001; Collard, Kempson and Whyley, 2001; Andrew Irving Associates, 2006; BMRB, 2006; O'Reilly 2006; Harris et al, 2009; Kearton, 2009; GfK NOP Social Research, 2010; Consumer Focus, 2010; Policis, 2010

In total, eight focus groups were conducted with consumers. This comprised six groups with low-income consumers, including:

- low-paid workers and people claiming benefits;
- people managing money in cash and via a transactional bank account;
- a mix of areas including urban inner city, marginalised satellite housing estates, inner city Asian communities and rural locations;
- areas with varying degrees of deprivation.

In addition, two groups were held with better off, more 'mass market', customers, covering:

- a commuter suburb;
- an affluent rural area.

Alongside the focus groups, 21 in-depth interviews were conducted with low-income consumers to explore the particular issues faced by this section of the service-user population. The in-depth interview sample was selected to include:

- people with varying access to transactional banking including those with full current accounts, basic bank accounts and those who only have a Post Office Card Account;
- people living in areas of inner city low-income housing and marginalised housing estates, and the rural poor.

1.3.2 Research with small/medium-sized businesses and charities

To address knowledge gaps relating to the access to cash needs of small and medium-sized businesses and charities, two focus groups were held with these groups, comprising:

- One focus group with small businesses, including:
    - sole traders, micro-enterprises and small businesses;
    - businesses with and without access to a local bank or Post Office branch;
    - businesses that do and do not take in cash, including those using small denomination coins.
- One focus group with charities including:
    - small local charities, branches of national charities;
    - those based in areas with and without local branches;
    - charities with volunteer as well as paid staff.

1.4 This report

This report begins, in Chapter 2, by outlining the findings from the consumer research, exploring both the role of cash in consumers' finances and the barriers faced by some groups of consumers in accessing cash. Chapter 3 then turns to the access to cash issues raised by charities and small businesses. Chapter 4 outlines the conclusions drawn from the research evidence relating to consumers, and to small businesses and charities.

2.0 CONTEXT: THE ROLE OF CASH IN CONSUMER FINANCES

The big trends in payment services nationally are towards increased use of card and mobile payment services with cash becoming less important

Quantitative research published recently by the Payments Council on the use and acquisition of cash[7] indicates that in 2011, the latest full year for which data is available, cash represented 55% of all payments in the UK. In total, £265bn cash payments were made, comprising 20.6bn transactions. The long term projection is, however, for an ongoing decline in the importance of cash, as card payments continue to gain in popularity. The research findings suggested that use of cards for low-value transactions, which is where cash is currently most strongly used, will be further boosted by the growth of contactless cards. The Payments Council projects that card payments will overtake cash payments in 2014, with cash anticipated to account for only 35% of transactions by 2021.

Addressing the consumer issues in relation to access to cash requires an understanding of the role of cash within consumers' budgets

Despite widespread development and innovation in payment methods, cash continues to have a key role in some consumers' budgets. The dynamics of this are, however, complex and varied. Indeed, the role of cash in consumer finances reflects a broad spectrum featuring, at one end, heavy reliance on remote, electronic money management with a very minimal role for cash, and those who still operate an entirely cash-based budget at the other.

This is influenced by a number of factors, with income level and source of income being the most important drivers of needs around access to cash

Clear differences are apparent between the more and less affluent, with those on very low incomes having distinctive budgeting preferences and patterns of money management. This is particularly the case for low-paid workers, managing fluctuating and uncertain incomes, and the benefit dependent, who operate extremely tight budgets but with certainty of payment and a high degree of predictability.

The number of ATMs is increasing as is the range of locations in which cash can be accessed but relatively few offer low denomination notes

Survey research conducted by the Payments Council[8] shows that the main way that people access cash is through ATMs, which accounted for 71% of all cash acquired in 2011.

ATMs are used by 78% of all adults to withdraw cash at least once a month. At the end of 2011 there were 64,369 machines, an increase of 2% over the previous year. The range of venues from which cash is available is increasing. For the first time, in 2011, the total value of cash withdrawn from non-bank (off-site) ATMs exceeded the value of cash withdrawn from bank machines.

There were 40 million users of ATMs in 2011, withdrawing an average of £400 per month in an average of six withdrawals. The average withdrawal in 2011 was £68 for a bank or building society's machine and £54 for an independent

[7] UK Cash and Cash machines, Payments Council, 2012a
[8] UK Cash and Cash machines, Payments Council, 2012a

ATM deployer's machine. As might be expected, and will be discussed in following sections in this chapter, those on very low incomes tend to withdraw smaller sums of cash and are more likely to want to withdraw low denomination notes, including £10 and £5 notes. The number of ATMs which dispense £5 notes in 2011 was 4,800, an increase of 670 over the previous year, reflecting efforts by the members of the LINK network to increase the availability of low denomination notes. These machines nonetheless represent only 8% of the total.

Access to the LINK network is restricted for basic bank account customers of certain banks in an effort to control costs on loss-making accounts[9]. In August 2011 RBS wrote to customers with basic bank accounts to inform them that they would no longer be able to use ATMs run by other banks or by independent third parties. The change was phased in for the RBS and NatWest brands in October and November 2011. Similar restrictions apply to customers with a Lloyds TSB basic account or to basic bank accounts opened after September 2011 with Bank of Scotland.

Some of the big trends in payment services may leave low-income consumers behind but other aspects of change could benefit them

Some of the big trends in payment services, in particular the increasing shift to using plastic cards instead of cash, and the use of electronic channels for bills and other payments among mass-market consumers, may be at risk of leaving some of those on low incomes behind[10]. Nevertheless, other forms of payment service innovation, such as internet and mobile banking, have been successful in meeting some low-income consumers' desire to be able to check account balances regularly and transfer money in real time without visiting and ATM or bank branch. Low-income consumers' take up of these services still lags behind their more affluent counterparts, however, who make up the mass market for payment services.

Patterns of payment of benefit income influence the cash needs of those on low incomes

In order to further contextualise the findings of the research it is helpful to bear in mind patterns of receipt of benefit income. As a result of the Government and industry drive to increase banking penetration and improve the efficiency of benefit payments, the vast majority of benefit recipients now receive their income electronically, either to a bank account or Post Office Card Account. Benefit income is received weekly or fortnightly, and often in more than one tranche as different benefits are paid separately and on different dates. These arrangements are reflected in the experience reported by respondents. It is however worth bearing in mind that in the wake of Government reform of the welfare system[11] and the introduction of Universal Credit in a phased programme over 2013 – 2017, benefit recipients will switch to receiving their income monthly.

---

[9] Evidence to the TSC on access to cash machines for basic bank account holders House of Commons Treasury Committee 3rd report of session 2012 – 2013: Access to cash machines for basic bank account holders.

[10] Data from the Payment's Council Consumer Payments Survey 2012 demonstrates that cash continues to be important for all consumer groups, representing some 64% of all transactions, but is less important for the better off, with a little less than half of all transactions being made in cash by the highest income group (£50,000 p.a. plus household income) compared to 80% for those in the lowest income group (less than £5,000 p.a. household income).

[11] Welfare Reform Act 2012.

3.0 RESEARCH FINDINGS

3.1 Better-off consumers

3.1.1 The role of cash

Cash played a minimal role in the lives of better-off consumers as they, increasingly, adopted remote and card-based technology

For the better-off consumers in this study, taken for the purposes of this research to be those in the top 50% of household incomes, cash was declining in importance in household budgets. This relatively low level of reliance on cash contributed to access to cash presenting very few difficulties to this group. While there were generational differences apparent in the pace of change, for better-off consumers cash, in general, played a comparatively minimal role in money management strategies. Some of the higher-income participants in the focus groups commented specifically on how little cash they used and noted how this had changed over time.

> *"I haven't got a penny on me now. It's always the card."*

> *"I offered cash last year and the guy said, 'Haven't you got a card?' That was in the pub!"*

For higher-income consumers, the key drivers in choice or payment methods and channels were convenience, flexibility and functionality

For this group, the key drivers in the shift away from cash and the dynamics of choices around payment services were the convenience, flexibility and functionality of technology-driven payment channels and methods. For those whose income was received directly into a bank account that provided access to transactional banking services, use of Direct Debits for bills and regular or recurring payments was quicker and easier than making payments any other way. Some respondents commented that Direct Debits provided the peace of mind associated with being able to pay large bills by instalment, minimising the risk of falling behind with commitments.

> *"You can do more transactions on the internet these days. Not just your own bank but PayPal as well. So I think the more you do it online, I think there's just less and less need for cash."*

> *"When you pay it (bills) by Direct Debit, you've got peace of mind and you know it's been paid and you don't have to remember when you've got to pay it. It's all sorted."*

Electronic payment services have proved popular with the better-off, providing preferred alternatives to cash

Internet banking was popular among better-off consumers, including some older people, who valued its convenience, accessibility, immediacy and the degree of control it conferred. In addition, consumers who used internet banking valued the electronic audit trail that it created.

Likewise, debit cards had, increasingly, become the preferred payment mechanism, affording convenience, security and a comprehensive account of expenditure.

As a result, for the better-off, use of cash had become increasingly confined to small, incremental payments and occasions where electronic payments were inappropriate or impossible.

Better-off respondents were generally more aware than those on low incomes of developments in contactless technology and some said they could see the potential for this to become a further alternative to carrying cash.

3.1.2 Access to cash

Patterns of obtaining cash were determined, to a large extent, by location

In more affluent areas participants faced relatively few difficulties accessing cash, being better-served by banks and ATMs in a variety of residential and retail locations. In urban areas, those who took part in the research tended to live or work within a short distance of high street ATMs providing fairly easy access to cash.

> *"It's rare you're not near a cash-point these days. Unless you're on holiday or something. It's not something I give much thought to."*

People living in more isolated rural areas faced greater challenges in accessing cash, with fewer, if any, banks or ATMs within easy walking distance from their home. Where people were in employment, however, or had some other routine, such as shopping or taking children to school, which took them to an urban area or an area of retail activity, accessing cash was less problematic. It could be incorporated into existing journeys to areas with proximity to banks, ATMs or cashback facilities.

> *"On the way to work, usually. There's one at the station."*

Better-off consumers, even those living in rural areas, tended not to experience serious difficulties accessing cash

Despite the ubiquity and familiarity of ATMs and cashback services, accessing cash could still be perceived as an inconvenience, especially for those who were heavily reliant on remote or electronic payment services, requiring a special visit to an ATM or retail outlet. Nevertheless, for better-off consumers, including those living in more isolated or rural areas, there were very few insurmountable barriers to accessing cash. This is because they had access to the necessary resources to overcome any difficulties that they faced. They were, for example, more likely to have access to private transport or to have sufficient money to pay for public transport to take them to areas where they could access cash, even where this required a special journey.

Generally better-off consumers, even older consumers, favoured ATMs for routine cash withdrawals and faced very few insurmountable access problems

Depending on their budgeting preferences and lifestyle, withdrawals could be habitual, as part of an established routine, or more *ad hoc* for those without a regular need for cash and with straightforward access to ATMs. Heavy reliance on electronic payments by higher-income consumers meant that they could manage for some time on fairly small amounts of cash. Moreover, they had sufficient financial resource to sustain irregular lump sum withdrawals without worrying unduly about the risk of unpaid Direct Debits or falling into unauthorised overdraft and incurring charges. The ability to do this went some way towards mitigating any barriers that higher-income consumers did face in accessing cash.

> *"I'd probably take a good whack out, just because it's hassle going to the cash machine, you know. Saves you going another time."*

> *"My wife usually gets the cash out and I'll take however much she gives me. Might be £50, £100, whatever. But it might stay in my wallet a while."*

Use of ATMs did not present any particular difficulties for better-off consumers, apart from some concerns about security

Better-off consumers had few specific needs or requirements when accessing cash and, therefore, tended not to encounter any particular difficulties in using ATMs. They were comfortable and confident about using them, inside bank branches or on the street, although some older consumers expressed a strong preference for using indoor ATMs. They generally paid little attention to which bank's ATM they were using, and did not have a preference for using their own bank's ATM. In part this was because better-off consumers made relatively little use of mini-statements at ATMs, because their decisions about cash withdrawals were less dependent on current or residual balances. In addition, as this group was not generally seeking to withdraw amounts of less than £10 they tended not to be concerned about the denominations of the notes that were dispensed.

> *"I think we're all of an age now where I think, these days, it's never going to be the last fiver in your bank account that you're withdrawing…I mean, if you were going to the cash machine and you thought you would draw £30 and it said we've only got £20 notes, you'd go for £40 wouldn't you?"*

3.2 Low-income consumers

3.2.1 The role of cash in consumer finances

The dynamic of payment choices and the role of cash among low-income consumers were very different to that of better-off participants

For those on low incomes in this study, the role of cash in their budgets was rooted in the reality of balancing tight budgets and an on-going struggle to make ends meet. Those on very low incomes were typically living – often over the long term – on very tight budgets which could be inadequate to accommodate all their needs over any one budgeting period. Margins on budgets could be non-existent or wafer thin, so that they were readily de-railed by unanticipated expense. Juggling finances to meet competing needs was a way of life and 'robbing Peter to pay Paul' a central budgeting strategy. Against this background, all spending decisions were, of necessity, carefully considered

> *"Some weeks I haven't spent as much so I'll buy a little treat. A pack of crisps. They're five for £1 in the pound shop. Or I'll buy an extra tin of beans or tomatoes or both."*

> *"I make do. If I'm doing the shopping, if I'm short, say, for like gas, I know I've got to say, right, I'm £5 or £6 short. I cut back a wee bit on my shopping. Things that maybe I don't really need, but I usually get, I'll cut back on them, just to bring the money up for the gas or electric or whatever."*

> *"My bus pass has helped in that respect. Because it used to be £4 for a weekly ticket (into town where can do shopping and access cash), and now I can put £1 to it and I can buy £5 worth of gas or £5 worth of electric. I am living hand to mouth but if I've got my heating and electric for my cooker and I've got food to cook a meal, I'll get by."*

Living on a very tight budget meant that cash flow management was critical

For those on very tight budgets, cash flow was critical and, in turn, the timing of payments was key to effective cash flow management. Financial management was all about minimising the risk of running out of money – and thus of food and fuel – while also seeking to avoid facing large bills or getting into unmanageable debt.

> *"I take out so much on a Tuesday to pay my way and I leave another £20, sorry £21 in there, so I know I've got enough for my meat and veg and everything for the weekend and for the following week."*

> *"The weekends are very, very difficult when you get paid once a fortnight. I'm really looking to the next payday. Is my gas going to last? Is my electricity going to last?*

You have to be very careful…I'll go and borrow a cup of milk if mine has gone sour rather than go to the shop, you know."

"I pay all my electric and gas and that and that's me done for the fortnight. Then I'm going shopping and it'll be, like, £60 for the week…and then maybe bread and milk in the week. But there's nothing left, nothing."

People living on very low incomes were of necessity very astute money managers, with the use of cash key to effective budgeting

It is important to recognise that people living on low incomes are not unsophisticated money managers who are simply reluctant to adopt new technology. In fact, often the opposite was true, with low-income money managers typically demonstrating very astute budgeting skills often under extremely challenging conditions. Mobile phone and computers and a variety of apps were fairly widely used, especially among younger people, and some were also using mobile phones and internet banking to keep on top of current account balances. The reality was that living on a very tight budget where income could not always be stretched to cover outgoings, and with little or nothing in the way of a margin, meant that it was very difficult to keep even a slim buffer against emergencies or peaks of expenditure.

"I might leave £10 or £20 in there for emergencies. You've got to have some fall back. But you do dip into it, sometimes, you have to."

"I try and keep £10 in my bank just in case my daughter gets rushed to hospital – because she keeps stopping breathing and I need to keep that in there to be safe."

"At times I could maybe keep £10 or £20 out of that fortnight's money and sometimes I can't. Things crop up."

Without savings safety nets, low-income consumers' budgets were constantly at risk of being de-stabilised by expenditure peaks, for example at Christmas and during the school holidays, or by shocks to the budget.

Generally, low-income consumers received their income electronically, although not all had accounts that offered transactional banking facilities

Respondents reported that their benefit income was received weekly or fortnightly, and often in more than one tranche, which worked to complicate budgeting but which also allowed respondents to allocate different tranches of income to different categories of expenditure (as different benefits were paid separately and on different dates). In addition, some of those with a bank account as well as a Post Office Card Account chose to have different benefits paid into different accounts, in order to create separate 'pots' of money, used for distinct purposes.

Survey data collected by Policis for a different study[12] indicates that patterns of cash management and the use of bank accounts vary significantly among low-income consumers. The distinction is particularly stark between low-income consumers who are in receipt of welfare benefits and those who are in low-paid work, largely because of differences in their income. Benefit recipients generally fall into the lowest income quintile, while low-paid workers tend to be slightly better-off, with incomes in the lowest 20-50% of all household incomes.

[12] Source: Policis: based nationally representative sample of 1511 consumers in the lowest 50% of household incomes in survey undertaken originally for HMT and Friends Provident Foundation.

Of those in the lowest 20% of household incomes, many of whom are benefit recipients, just 81% have a transactional bank account. Among those with incomes in the lowest 20-50% of household incomes, however, a higher proportion – 93% – have access to transactional banking.

Seven in ten (70%) of those in the lowest 20% of household incomes who are banked have a basic bank account, as do 44% of those in the lowest 20-50% of household incomes. One in ten of those in the lowest 50% of household incomes have a Post Office Card Account, with this rising to 17% of those in the lowest 20% of household incomes.

Cash-based money management was very common, particularly among those on the lowest incomes

Cash-based money management played an important role for the participants in this research. Previous quantitative research carried out to inform work undertaken by Policis for HM Treasury and for the Financial Inclusion Task Force has suggested that it is common among those on low incomes[13].

For many low-income consumers cash plays an important on-going role in money management.

Survey data collected for a previous Policis study[14] shows that more than four in ten (45%) people with incomes in the lowest 50% of household incomes say that they manage their money mainly in cash, rising to six in ten (61%) with incomes in the lowest 20% of household incomes.

Even among low-income consumers who have transactional bank accounts, one in five (20%) of those with incomes in the lowest 50% of household incomes take all of their money out of their accounts immediately on receipt of funds. This rises to four in ten (43%) of those with incomes in the lowest 20% of household incomes.

Around a third (34%) of people on low incomes keep only enough money in their accounts to cover their Direct Debits and standing orders and use cash on a day-to-day basis. Just 23% of those in the lowest 20% of household incomes and 46% of those with incomes in the lowest 20 - 50% of household incomes pay for most things through their bank account.

---

[13] HM Treasury. Banking inclusion: the achievements and challenges, 2010

[14] Source: Policis: nationally representative sample of 1511 consumers in the lowest 50% of household incomes in survey undertaken originally for HMT and Friends Provident Foundation.

Use of Direct Debits is, nonetheless, widespread among low-income consumers, with 67% of those in the lowest 20% of household incomes having at least one Direct Debit, rising to 82% of those with incomes in the lowest 20 – 50% of household incomes.

The benefits and risks of transactional banking were finely balanced for low-income consumers and a high proportion still preferred to operate in cash

While low-income consumers often recognised the benefits of electronic payments, in terms of ease and convenience, transactional banking carried significant risks for those operating on tight budgets or managing unpredictable income flows. As a result, a high proportion even of banked low-income households preferred to manage their money in cash.

> *"I like to pay things with cash so I know what I spend…I just like to know how much I've got, how much I need to spend on things… I have, in the past, lost control. I found myself owing…so I just like to use cash now, so I see where it's gone."*

Electronic payments was viewed as very high risk by some low-income consumers, who minimised use of them

Generally low-income consumers who took part in the research perceived debit cards to be difficult to manage, for two reasons. First, transactions could take varying amounts of time to show on a bank statement or list of transactions, making it extremely difficult to keep track of account balances and creating a risk of inadvertently over-spending. Second, debit cards were also seen, by some, as presenting a temptation to spend and making it possible to spend more than they could afford.

> *"That's why I don't like paying with my card either. It says that there is still that amount there left in the bank and then you might spend that money thinking you've got it and the bank hasn't taken it out yet and you're going to go over and get charged."*

> *"In the supermarket…I need to know I've come here with this amount of money. This is how much I'm spending. I leave my card at home."*

> *"I find that, if you're paying for your shopping by bank card, it would be hard to keep the total in your head. I think it's easier to keep track [with cash]."*

Participants who were less familiar with electronic payments also harboured some doubts and suspicions about debit cards, relating to security and lack of transparency.

> *"I don't really like using it [debit card] in shops because you don't know how much they're taking out. That's what I always think anyway."*

> *"I don't use the [debit] card. I don't like it. I never have."*

Likewise, Direct Debits were also perceived to be very high risk by some in this research on low-incomes, especially as irregular and/or uneven income flows were relatively common among both low-paid workers and benefit recipients. The perceived inflexible nature of Direct Debits, which have to leave the account on or around a defined date, removed the freedom to juggle payments around tight spots in the budget, which was key to making ends meet for low-income consumers. In addition, it was felt there was an element of unpredictability attached to Direct Debits, which did not always leave the account on the expected day and where varying amounts could be deducted, which created insurmountable difficulties in balancing a tight budget.

Fear of penalty charges was a key factor in low-income consumers' preference for cash over electronic payments

The most risky element of electronic payments, however, was that they carried the risk of exposure to penalty charges. Low income households who tried to manage their money through a bank account could be exposed to multiple charging incidents, far exceeding the amounts of money involved in the initial transaction, which were disproportionate to income flows through the account.

> *"I was going 1p over and they charged me £25 a time, if my money didn't go in till a day later. I had to stop using it. It was ridiculous."*

Charges could significantly de-rail tight budgets, leaving individuals with very little money on which to manage until they next received their income, diverting income from other areas of the budget.

Survey data collected for a previous Policis study[15] indicates that exposure to penalty charges for missed Direct Debits and over-limit fees have affected a significant minority of those on low incomes at some time, including both those who are primarily welfare dependent and those who are low-paid workers.

In late 2010, just under half (46%) of those in the lowest 20% of household incomes and 44% of those with incomes in the lowest 20 – 50% of household incomes claimed to have, at some point, paid penalty charges for not having enough money in their account to meet Direct Debits, with 45% and 47% respectively having done so in the 12 months prior to the survey. In the same year, some 25% of those in the lowest 20% of household incomes and 31% of those with incomes in the lowest 20 – 50% of household incomes claimed to have paid over-limit fees on overdrafts at some point.

Those who had paid charges had paid an average of five charges per year.

Low-income households were rarely able to incorporate penalty charges into their budget without significant disruption, creating a real risk of escalating debt, comprising unpaid bills as well as charges, which they found impossible to pay down.

Bad experiences with Direct Debits and electronic payments in the past had cemented the preference for cash among some low-income consumers

Some low-income respondents to this research reported a history of bank account failure or a period when their account was so seriously compromised as a result of penalty charges, that it could not be used. Indeed, other research has shown that

[15] Source: Policis: based nationally representative sample of 1511 consumers in the lowest 50% of household incomes in survey undertaken originally for HMT and Friends Provident Foundation.

nearly two thirds of unbanked consumers have previously held accounts but have fallen out of banking, largely due to the disastrous impact of penalty charges[16].

> *"I was just going overdrawn and I used to have Direct Debits as well and you'd be charged, like, so much for the letter, so much for going overdrawn, and then if you didn't get the money back in time they'd charge you again."*

> *"You know where you are with the Post Office [Card Account]. You can't go over in the Post Office…I like it, I'm happy with it. I would never go back to a bank. Never. Enough is enough."*

Attitudes and experience of penalty charges varied little between those with basic bank accounts and those with full current accounts. That said, some of those with basic bank accounts at the time of the research had previously held full current accounts but had switched – or had their account downgraded by the bank – to a basic account as a result of difficulties caused by penalty charges, and this had provided some protection against the consequences of going overdrawn. However, the level of charges for returned Direct Debits and other unpaid item charges appeared to be as high for basic account holders as for current account holders.

> *"Sometimes the actual charge that they charged you was what put you overdrawn…so now, you know, I've just got the basic one [bank account]."*

Low-income consumers, whether they were low paid or dependent on benefits, typically managed their money entirely or primarily in cash

Against this background those on low incomes – including both low-paid workers and benefit recipients – typically chose to manage entirely or primarily in cash. This was, by far, the preferred approach to money management, with cash money management being critical to balancing the budget.

> *"I like to know what's in my purse, because…with a card, you kind of…it's like the money's not real, because you can't see it so you can just keep spending. When there's no money in your purse, there's no money in your purse. That's all there is."*

Cash was seen as the safest and lowest risk means of managing a tight budget, affording both control and the flexibility to juggle payments where necessary

Given that budgets were frequently balanced down to the last penny, operating a cash budget was overwhelmingly perceived to be the safest and least risky approach to money management. Not only was cash completely transparent, enabling people to know immediately exactly how much money they had left at any one time, it also afforded a high degree of control over spending, removing the risk of inadvertently over-spending.

> *"You really know where it's going with [cash] and you know that it's paid, you know, because you're paying your bills. And once it's done, it's sort of done…and what I've got left for the rest of the week…you know, that's mine."*

Finally, operating a cash budget conferred complete control over when payments were made – enabling people to delay or miss a payment during particularly tight periods and make it up at another time when the budget was less stretched. This kind of juggling or 'robbing Peter to pay Paul' as people, themselves, referred to it, was central to successful money management for people living on low incomes, providing a form of short-term 'smoothing'.

[16] Ellison, Whyley and Forster Realising banking inclusion: the achievements and challenges HMT, 2010.

"I'll just take it [income] straight out [of the bank] and then if I've got bills to pay, I prefer to pay it myself with the PayPoint at the newsagents because obviously I've had a few problems with my bank where I've had Direct Debits going out and then, say, my wages go in late and they try and take the money out."

Cash-based payment channels were widely adopted by low-income consumers to help them to make ends meet and avoid financial difficulties

In this context, cash-based payment channels were adopted and preferred because they enable consumers to keep on top of bills and other payments without the risk of incurring penalty charges.

"I've got a key meter and gas and electric and TV licence card, and I just pay cash – just so you don't get the charges if anything goes wrong. If you've got Direct Debits come it may be the wrong time and your money hasn't gone in."

"I tend to deal with cash for the gas and electric and the TV and that…I don't have any Direct Debits going out because I get paid a different day each month so I don't want to set up Direct Debits because I'll get charged."

"I like to get my money and I actually pay my utility bills, like a card for my electric a card for my gas, card for my Council Tax. I'd rather do that because I don't like bank payments, like Direct Debits…you get mixed up…to make sure you don't go overdrawn otherwise you get charged £10 a day…and I just think well, I'd rather do this than get charges."

Cash payment of bills, using pre-payment meter keys, payment cards or payments made via the Post Office or PayPoint outlets, was not only lower risk for low-income consumers, it was also a much better fit with needs. First, it enabled consumers to choose the frequency with which they make payments, and allowed them to incorporate paying their bills within weekly or fortnightly income and budgeting cycles.

"I pay all my electric and gas and that's me done for the fortnight. Then I'm going shopping and it'll be, like, £60 for the week…and then maybe bread and milk in the week. But there's nothing left. Nothing."

These shorter budgeting cycles were not only a better fit with income cycles for low-income households but they also provided a significant degree of protection against suffering extended periods of time when money had run out. So, for example, running out of money one day before income is received within a weekly budgeting cycle meant people faced just one day without money.

Second, cash bill payment provided maximum flexibility over when and how much was paid towards bills, enabling users to juggle payments to accommodate competing financial priorities and manage financial shocks. While payments towards essential household bills were generally made on the day that income was received, cash payers could delay payments in the short-term, should they need to, or over-pay at times when they were under less financial pressure.

"I normally put £10 on it [gas card] on a Monday and it's gone by Friday and then I just put another £5 on it, or whatever. But at least with that, if I haven't got enough cash at the end of the week for the £5 I can use the emergency…it gives you £5 credit and then when you next charge your card, if you put £10 on it takes £5 off so you only got £5 on it."

Furthermore, cash payment of bills enabled low-income consumers to adopt a 'pay as you go' approach to essential bills, providing constant certainty and control over how much was being spent and avoiding the risk of incurring large bills which they would find impossible to pay from the disposable income available to them.

"There's no way I could take on a bill that's going to be massive, you know, because if I still put my electric money away in a jar and like I needed something, I'll be like, 'Oh, I sure could use that electric money and I'll put it back next week'."

Indeed, pre-payment meter users are known to 'self-disconnect' their fuel supply in order to control costs.

The benefits of a cash bill payment were perceived to significantly outweigh the extra costs and inconvenience

Often, cash bill payers were aware that this was a significantly more expensive way to pay bills in comparison with other options and respondents frequently also remarked on the inconvenience of these payment channels.

"At night, you know, the shops are shut and people are looking for somewhere they can buy gas or electricity on their cards with their PIN and there's nowhere they can get it. They've got to travel miles…you need bus fares before you can put in the gas…it's about a twenty minute journey…that's £1.15 each way for four stops."

"It can be a pain if you run out of the electric. But there's always candles though that don't help with the microwave or the cooker. I try to make sure that doesn't happen, though. I build it up in the summer."

For the low-income consumers in this study, however, overall cost and convenience were less important than minimising the risk of unmanageable bills and escalating debt. More importantly, people typically were of the view that, once penalty charges were added into the equation, Direct Debits could become, by far, the more expensive option. In particular, the predictability of the cost of bills paid in cash was valued highly over the risk of unexpected penalty charges associated with unpaid items or over-limit fees.

"It only costs me an extra £1 a month to pay my Sky by giro because they say they reckon it costs £1 for the paper, because it's a paper bill, but I don't know, that reassures me that I'm not getting bank charges, so I don't mind that £1, do you know what I mean?"

Four broad patterns of money management and cash withdrawal emerged among the respondents taking part in the research

The dynamics of low-income money management and the implications for withdrawal and use of cash are clearly visible in the four broad approaches adopted by the respondents in this study and illustrated by case studies taken from this research.

Some low-income consumers withdrew all of their income in cash, as soon as it was received, and operated entirely in cash, paying all their bills and other expenses in cash throughout the budgeting period. This involved carrying and keeping lump sums of cash at home, which was sometimes distributed between jars or envelopes designated for particular payments.

Julie was a young student who was living alone in a satellite housing estate outside Glasgow. She received benefits in connection with a physical disability that limited her mobility. She had a basic bank account, into which her benefits were paid, but she did not use any of the transactional facilities attached to the account, preferring to withdraw all her money out in one go as soon as it was paid in.

> ***"I just have like a basic bank [account]. I don't have, like, no Direct Debits or nothing. I just have, like…when my money goes in the bank I just lift it out and buy whatever I've got to buy."***

> ***"I just lift it all out once it goes in normally because once my money goes in, then I go and do my…like a fortnightly shop and then I put money away in the house. There's like three or four jars in the kitchen and that's for electric, that's for gas and this is for, like milk and stuff the following week…but I don't tend to leave my money in the bank. I tend to, like, as soon as it goes in, it's out, and I'm paying bills."***

She paid all her bills in cash, using pre-payment meters for gas and electricity and paying other bills in cash at the Post Office.

> ***"Yes, I've got, like, a payment card and you go and put money on the card and put it in, and that's my gas and it's pretty much the same with the electric."***

She knew she could save money on her utility bills if she paid quarterly but was frightened of the prospect of receiving a large bill.

> ***"Well, you do save money if you pay your…electric over like, is it a quarterly bill or something? But there's just no chance I'd be interested in that because that's me banged with maybe £180 or it would be a £200 bill."***

Her satellite TV provider wanted her to pay by Direct Debit but she was unable to set one up, perhaps because her bank refused her request.

> ***"I pay my Sky with a giro slip, take it to the Post Office. They wanted me to have a bank account but I was like, my bank couldn't set up Direct Debit, so I had to…they just send me a giro slip every month."***

So she paid a paper bill each month at the Post Office and was happy to pay the £1 charge for doing so because it removed the risk of incurring penalty charges.

Other people on low-incomes took out a lump sum in cash as soon as their income was paid which they used to cover all their major expenses, such as food shopping and household bills. The remainder of their income was left in an account and they withdrew small amounts on a frequent basis, as and when they needed it. This approach gave them the confidence of having paid all their bills without the temptation of spending the leftover cash.

Mary lived in a satellite housing estate in South Wales and received Incapacity Benefit because health problems prevented her from working. Making ends meet was a continual struggle and she could never be certain that she would have enough money for food or to pay her bills. She did not have a bank account, receiving her benefit payment into a Post Office Card Account, which she had to travel by bus to the nearest town in order to access. She paid all her bills in cash, which was her preferred method.

> ***"Post Office [Card] Account and that's it. Just my basic Incapacity Benefit once a fortnight and I pay my way out of that. Gas, electric, TV licence, water, rent, council tax."***

She has never had a bank account and thinks she would struggle to navigate the process of opening one.

> ***"Well, I wouldn't know how to open a bank account anyway. I wouldn't know how to go about it because I've never had to do it. My money has always gone to the Post Office."***

However, she also preferred paying her bills in person, because it got her out of the house and provided social contact.

> ***"If I put it into a bank, yes, I could pay it Direct Debit but it's not going to get me out of the house then, is it? No, because you haven't got that physical contact of meeting people and seeing different people. And, myself, personally, that's what I need is to see different faces and meet people that I've known."***

Mary withdrew money twice during the course of her budgeting cycle. She took a lump sum out when her benefit was paid in, to cover all her household bills and her shopping for the week. The rest she left in the account to pay for food and other expenses the following week.

> ***"I take out so much on a Tuesday to pay my way and I leave another £20, sorry £21, in there, so I know I've got enough for my meat and veg and everything for the weekend and for the following week."***

Some low-income consumers operated a cash budget but preferred not to withdraw cash in a lump sum, either because they were frightened of losing it or having it stolen, or because they feared they would be tempted to spend it. This group kept money in their account throughout their budgeting period, withdrawing small amounts throughout the period, as they needed it. This approach was typical of, but not confined to, young people living at home with their parents, or those whose bills were included in their rent. It was also utilised, however, by those who received their money in several separate payments and who, therefore, needed to spread their withdrawals and payments through the whole of their budgeting period.

Debbie was a lone parent with five children, three of whom were still living at home, and three grandchildren. One of her sons had learning difficulties and needed significant support. Debbie had a full current account with a debit card and an overdraft, but she preferred not to use either because she feared falling into debt.

> ***"I'm frightened of getting into debt. You can go too crazy sometimes. Some people do, you know what I mean, but I get everything out of a catalogue. I make sure one thing's paid off before I'll do anything else, so I'm not getting into debt."***

She was much more comfortable with cash money management which gave her total control over her money and removed any risk of over-spending.

> ***"Because you know where it's going, you know what you've got then. But…with the card you never know what they're taking out. I don't trust it."***

> ***"At least I know…I've paid it then…I like to pay my bills in cash because I know it's getting there and the right amount."***

Debbie was paid a regular fortnightly payment of benefit and then additional payments by giro cheque at unpredictable times, because the benefits she received for caring for her son changed frequently. As a result, she took cash out of her bank account a little at a time – perhaps five or six times a week – to pay specific expenses as they arose.

> ***"Like, if I've got to pay the rent and that, I'll get enough out for the rent, enough for the TV licence, enough for – I pay the phone bit by bit so I'll get a little bit out for the phone bills. And then…I might take, like £30 here, £50 there, but £50 would probably last me a few days. And if I need anything for getting more shopping in I go, get a bit more out. I do it five, six times a week."***

Debbie did this because she did not like carrying large amounts of cash around, so preferred only to withdraw what she needed to cover specific expenses.

Finally, a small group of low-income consumers did use Direct Debits to pay for certain bills and then, once those payments had left the account, withdrew the rest of their income and paid for everything else in cash. Direct Debits were used for certain bills either because they were not given a choice by the supplier, or because they valued the peace of mind of knowing that key, essential payments would be made automatically as soon as their income was received, leaving them free to use the rest for other expenses.

Mandy was a single woman in her early forties, living alone in London. At the time she was unemployed, having lost her job 18 months previously. Mandy had two bank accounts, one that she used to receive her income and pay her rent and main household bills and the other that she used for discretionary spending. She kept both accounts separate and checked

the balance on each every week.

> ***"I'm religious of doing my accounts so I just need to know what's – because obviously you've got to check it in case there's any fraud going on."***

Her main income was from Job Seeker's Allowance and Housing Benefit, and she paid her rent and household bills by Direct Debit from the account into which her benefits were paid. Any remaining money she transferred to her second account, and she withdrew cash from that account to pay for food shopping and other discretionary expenses. Although she recognised the temptation to spend cash, she preferred to use it to pay for things because it is simple and transparent.

> ***"I prefer to buy stuff with cash because I know that if I buy it on a card I've got to get home, keep the receipt and then know – because I don't want to go overdrawn, so to know how much I've got."***

Mary also liked shopping in charity shops and markets, where electronic payments were not acceptable, so she needed cash to cover that spending.

Some technological developments mean electronic payment methods could, in time, better meet the payment needs of low-income consumers

Despite concerns and real difficulties with the use of Direct Debits and debit cards as a means of payment, other developments, like internet and mobile banking were popular with some of the low-income consumers in this study. The low-income participants in this study were very conscious of keeping close track of their finances and cash flow and found it very important to know their balance in real time. Indeed, the need to know their current position was almost as large a component of resistance to electronic payment channels as the fear of penalty charges. This explained their frequent visits to ATMs to generate mini-statements. In this respect, then, internet and mobile banking were a good fit with low-income consumers' needs because they provided the facility to monitor balances in real time.

> *"I check my account, like, every morning. I kind of need to know where I stand on a daily basis, so I check every day, because I know what comes in and what goes out on certain days, just to make sure it's actually gone out."*

> *"When I was younger and you wanted to check, you had to wait until the morning and then, you know, there might be a queue and then you might have to wait because there's a delay or they don't, at that branch, know what's going on with the account. Whereas now you can literally know exactly what's going on any time of the day, which is…brilliant."*

Younger consumers, including those on low incomes, also valued the flexibility of mobile banking and, in particular, the ability to bank 'on the move'.

> *"Yes, I just go online on my phone because it just comes out straightaway, which is good. It lets you know where you stand…so I'll just check as soon as I've bought something on my card, it does come up straight away."*

> *"Because I'm always on my phone , you can just…quickly whip it out and know what you've got there and then, rather than going to a cash machine."*

3.2.2 Access to cash

Channel preferences for cash withdrawal among those on low incomes mirrored the wider population

In this research, the low-income consumers' overwhelming preference for cash withdrawal method was for ATMs, which were widely perceived to be the most convenient means of accessing cash. Generally, people expressed no strong preference for using internal or external ATMs, basing choices largely on where queues are shortest. Some, especially older consumers and those with health problems, did state a strong preference for using internal ATMs, preferring the security associated with being inside a branch and valuing the fact that people would be around to help them, should they need it. Use of internal ATMs was not an option, however, on marginalised social housing estates which were served only by stand-alone, sometimes fee-charging, ATMs.

Cashback was used by some low-income consumers but was not a common feature of access to cash among this group. This stemmed largely from the fairly limited use of debit cards among this group. In addition, however, fears around the lack of transparency associated with debit card transactions put others off using them as a method of drawing cash. Some were also suspicious, generally, of card transactions fearing the risk of fraud. Another drawback was minimum spend limits on debit card transactions, which meant people were required to spend more than they needed to in order to use their card. In the case of some smaller retailers, respondents reported that charges for cashback services were frequently made, particularly for small sums, with these charges viewed as disproportionate to the cash obtained.

Some older people expressed a strong preference for withdrawing cash over the counter at a branch, either at their bank or at the Post Office. A few were, in fact, still using pass books. Older low-income consumers often did not use cards to withdraw cash. Either they made the journey to a branch to withdraw the cash they needed or delegated cash withdrawal from an ATM to children or grandchildren.

Low-paid workers and inner city dwellers experienced few difficulties accessing cash but some issues arose for those able to use limited range of ATMs

In this research, while low-income consumers shared a common preference for methods of accessing cash, their actual patterns of cash withdrawal varied considerably. The biggest differences were apparent between low-paid workers, who tended to be able to incorporate routines around accessing cash into their daily lives, and benefit recipients. In addition, variations were also evident in patterns of access to cash by people living in inner city areas, where people experienced fewer barriers to access cash, and living on marginalised social housing estates.

The low-paid workers in this research reported few, if any, difficulties in accessing cash, regardless of where they lived, because visiting an ATM could be relatively easily be incorporated into daily routines, especially around travel to work and shopping. As a result, low-paid workers were more likely to withdraw cash little and often, because there was no difficulty or inconvenience attached to using ATMs.

Basic bank account users whose banks limited the range of ATMs they were able to use encountered a greater degree of difficulty in accessing cash. Some were forced to walk some distance or incur the financial costs of travelling by bus to the nearest ATM they could use.

> *"There is a bank down by the roundabout, that's probably the nearest, that would be ten minutes drive from here – but we can't use that one…if the automatic teller is broken on the estate…there's a number 46 goes [to the nearest retail conurbation] about one an hour."*

"You've got to go that same bank, time and time again, instead of just being able to look for a bank and take the money out…I have to walk if I'm skint. It's a good twenty minutes walk, which can be OK, you know, gets you out of the house, get some exercise because I can't afford my gym subscription anymore, but in the winter, when it's pouring down and you haven't got the bus fare, then I'm not happy."

"Well I've got an ATM both sides of my house and I can't use either of them…so that's annoying, you know. I've got to take a long walk or get on a bus, you know, just to go and get some money…to walk would probably take near on half an hour, but the bus is about ten minutes, but then, you know, I'm having to pay to get my money."

Others had to adapt their patterns of cash withdrawal so that use of an ATM could be combined with weekly shopping or bill-payment routines, where they were already making a journey to a large retail centre. In some cases, the costs associated with travelling to a specific ATM were higher than the cost of using a nearby fee-charging ATM.

Generally low-income consumers were able to avoid the use of fee-charging ATMs, due to accessible alternatives, but not in all cases

Generally, low-income consumers were aware of fee-charging ATMs in their local area or in areas that they frequented. They expressed a degree of anger at the idea of being charged for accessing their own money. They also noted that these machines were often placed in areas where people were likely to find themselves in need of cash, such as near pubs and clubs, or in areas where the nearest free ATM was some distance away, making it harder to avoid using them.

"I don't see why we should have to pay to have your own cash out. It's your money. Why should you have to pay to get it?"

"I remember going to the seaside once and there wasn't a cash machine around and like loads of little arcades…they have [ATMs] and they charge, which is quite unfair because it's like a tourist place, but obviously that's how they make their money. So that was a bit annoying."

"Sometimes if I'm going clubbing. There's one particular road in Brick Lane and all the cash machines charge. It's annoying."

Typically, people on low incomes in this research said they were able to avoid using them, by planning their cash withdrawal carefully so that they made use of free ATMs. Respondents also said that they would refuse to use a fee-charging ATM on principle and would find a free one, even if it involved incurring costs that were exceeded the ATM charge, or go without until they could use a free ATM.

"No, I'd definitely walk that twenty minutes down the road there because otherwise I'd end up losing £8 [in bus fares and charges]."

"They're the ones that charge. It can be £1.50. Some of them are up to £2, £3. Which, I mean when you're on a tight budget that could make a difference. So I tend to try and avoid that."

"I'd probably spend about the same amount in petrol getting there and back, but…I begrudge paying a charge to take my own money out the bank machine."

Fee-charging ATMs were typically used by younger people, when they were out in the evening, who were prepared to pay a charge for the convenience of using a nearby ATM.

The circumstances of some of the low-income consumers in this research was such, however, that they had little choice but to use fee-charging ATMs because doing so worked out cheaper than the cost of travelling to the nearest free ATM.

“They’ll charge you £1.75 if you use it…but that’s cheaper than the bus fare there and back, so what can you do?”

Largely benefit-dependent communities based on marginalised social housing estates could face significant challenges in accessing cash

Participants living on benefits rarely travelled outside their local area, not least because travel costs could be a serious drain on a tight budget. Access to cash options were much more limited for people in this research living in deprived social housing estates located some distance from centres of population and retail activity.

Respondents in these areas reported branch closures in these areas, which had reportedly not been well-served by banks or Post Offices in any case. Several consumers remarked that the closure of bank branches had left them completely dependent on ATMs, or having to travel to the nearest town to use a branch.

“A lot of people don’t have bank accounts so it’s just the Post Office…we missed all that last year because it closed down…so we couldn’t get any money…until this boy took over and he had the Post Office put in his shop…so that was better for us because, you know, we didn’t have to go out all that way in the cold weather.”

Where ATMs were located in or around these estates, they were subject to long queues and were reportedly frequently out of cash or not working, leaving people with no means of cash withdrawal without travelling.

“It’s a constant queue [ATM on estate]…the queues are just really, really long. Everyone is running round trying to find a cash machine with money. And you get to it and it breaks.”

“If you go early in the morning you’ll be waiting five or ten minutes. If you go later in the day, you can be waiting fifteen, twenty…they’re always mobbed. If it’s payday, I put the kid in the nursery and go straight there before the queues start building…they run out of money and all…and half the time they don’t even give you receipts or they’ve run out of paper so you can’t tell where you are.”

“The two bank machines that are down in the wee shopping centre, there’s almost always one of them out of order…and there’s been a few times recently when both of them have been out and then there’s not very much you can do.”

When ATMs broke down on the days that people’s benefits were paid this caused serious difficulties, not least because respondents had completely run out of money by the time their next payment was due and some already owed money to friends and family.

Access to an ATM could involve travel to the nearest retail centre, which incurred both costs and a significant degree of hassle

For people who did face difficulties accessing cash, the costs associated with travelling to a free ATM, paying to use a fee-charging ATM or paying for a fee for using cashback were relatively significant given how little disposable income they had available.

“Getting there [to the bank] on the bus, it’s about a twenty minute journey either way. And, I mean, if me and her go together, what does it work out, that’s £5.20 there and back. It’s a fiver at the end of the day. But there isn’t another way to do it.”

“It’s £2.20 each way [bus fare to nearest free ATM]…I’d rather pay, you know, to withdraw money [from nearer fee-charging ATM] because it’s not going to cost £4.40 to withdraw money.”

These consumers also incurred significant costs in time and hassle, especially for those with young children or health problems.

"We had to walk because we didn't have the money for the bus and we was arguing over we had to walk [to get cash]. Walking took about thirty five minutes. So, yes, it was a bit stressful."

"The bank is shut now so we have to go into Bromley to get the money…that's probably a twenty minute walk…in the summer I'll walk. In the winter, if it's raining I'm going to take a bus maybe, depends how skint I am."

In these circumstances, people often faced the prospect of going without or scaling back on things that they needed, simply because they were unable to access the cash to pay for them.

Cash withdrawal itself could be a source of stress, anxiety and risk

Respondents reported that use of ATMs located in areas plagued with high crime and/or anti-social behaviour could be a significant cause of fear and anxiety in itself. Several people expressed serious concerns about using external ATMs, especially where they were stand-alone machines. ATMs in some areas were reported to be the focus of opportunistic muggings or, at the very least, constantly surrounded by groups of young people who were perceived to be very threatening.

"In this area as well, you're frightened someone is going to mug you for it at the cash point."

"There's always someone there, in your personal space, standing too close to you. And you don't like to say, 'Excuse me, could you just back off?' in case they kick off, do you know."

Some people reported having had to abort attempts to withdraw cash because of fear of mugging and others said they had reduced the amounts they withdrew after feeling threatened while they were using an ATM.

"Terrible…you've got to watch people because they're watching you taking your money out. It's terrible towards Christmas time. It's crazy…people are watching you…and it's frightening, mind. It's frightening."

"When I see like a big group of people and I'm just there by myself, I see them looking over my shoulder. I'm like, take £5 out instead of £10, you know."

"I wouldn't go there on my own. Only with my daughter or my friend. You're not safe on your own. They're looking for people on their own."

In the research, a few of the older people, especially women, said they asked their grown-up children to withdraw cash for them because they were too fearful to use the ATM themselves. Typically these respondents said they would not be prepared to use their nearest ATM after dark.

Penny lived on a large out-of-town council estate in South Wales. She lived alone, and said that the area where she lived had no sense of community and was plagued by social problems.

> ***"And like all communities we've got the drugs, we've got the drink, we've got the vandalism. And it has got better over the years, but there's no community there. No community whatsoever."***

Although carrying cash made it easier to budget, she was acutely aware that it left her vulnerable to theft.

> ***"One lady went in to get her money out, she was telling me, £500, she was in Savers, she opened her bag…she went to get it – her purse was gone. Oh, it was terrible."***

The only ATM on the estate was a stand-alone machine outside a convenience store where gangs of people congregated.

> ***"Touch wood, it's never happened to me. But there's people hanging around there every day of the week with people getting their money. They're hanging round there every day."***

So she preferred to travel to the nearest town and withdraw money inside the bank or at the Post Office counter.

> ***"You know you're safe. If anything happens you can go straight to them and they can get hold of the police straight away, instead of panicking around in the street."***

Even collecting benefits from the Post Office could be an ordeal in some areas, leaving people feeling anxious under threat

In this research, people using Post Offices in deprived areas, especially in marginalised out-of-town housing estates, reported having to 'run the gauntlet' of groups of young people hanging around outside the Post Office all day.

> *"There's people hanging round there every day of the week, with people getting their money. All day every day…it's not safe out there."*

Nuisance begging was also frequently reported to be problematic in these areas. People were aware that gangs in the area knew which days people were collecting benefits and feared muggings by local addicts on the way home or before they could do their shopping and pay bills.

> *"They're outside and they say, 'Have you got a pound?' 'No, I haven't got a pound' And you've known some of these people for years…I gave this girl a pound the other day and she asked me, 'Can I have another?'."*

A major issue for those on low incomes in withdrawing cash was the difficulty in accessing low denomination notes

The biggest, and most widely experienced, access to cash barrier reported by the low-income consumers in this study, however, was being unable to access low denomination notes from ATMs. Low-income households expressed a deeply-felt need for low denomination notes, £5 notes in particular, which were a better fit with their budgeting patterns and available balances. Using lower denomination notes also meant people were not carrying so much money around, which they might be tempted to spend. Respondents therefore saw small denomination notes as key to minimising spending when struggling to make ends meet.

Typically, respondents reported that being unable to access low denomination notes created a series of problems, some of which could have serious consequences. People found themselves forced to withdraw more money than they wanted, presenting risks to any Direct Debits coming out of their account. Alternatively, withdrawing larger sums than they wanted worked against budget discipline and thwarted any attempts to build up a savings safety net by leaving money in the account. Notes that were larger in denomination than they wanted also posed the temptation to over-spend, simply because the cash was available. Where balances were less than £10, not being able to get at their funds could cause real problems because they were then unable to buy things they really needed, like food or nappies for babies.

> *"You waste the £5 [extra because forced to withdraw £10] which, you know, that's an extra £5 that I don't need till Friday…you want it to stay there till you need it."*

> *"£5 is, like, I could get a pack of nappies and a pack of wet wipes and cough syrup and food. I can get two or three days meals out of [£5]…I can feed my kids out of that £5. And if you've got to wait till the bank's open to get that £5, you're knackered."*

Respondents reported that, wherever ATMs do offer £5 notes, they were well known to people on low incomes and used in preference to other machines.

Some respondents had also found it difficult to access £10 notes from some ATMs because supplies of £10 notes had run out, leaving them with the choice of withdrawing £20 or finding an ATM able to dispense £10 notes.

> *"Because I haven't got…I don't want to take out £20, you know what I mean? I don't need £20 so most of the time I'll always find ones that give you ten. And if sometimes they say they don't have no £10 I'll go somewhere else, I'll walk to go to the next one, because I don't need to take out that extra, you know what I mean? Because I always think about, I've got a Direct Debit coming out, whatever, that's not going to get paid if I take out £20."*

Where ATMs did not offer low denomination notes, all the options for getting hold of small remaining account balances had significant downsides

Where people needed to withdraw the balance in their account but were unable to do so via an ATM because low denomination notes were not available, all of their other options for getting hold of that money carried significant costs, in money, time and self-esteem.

> *"I've got £7 in my account today…and you can't get a fiver out of the machine. I needed that £5 to get down here today…he said there's a £1 charge. I need that £5 to pay for my bus ticket."*

A number of respondents reported that some bank branches would not allow basic bank account holders to use counters, and that others would not allow counter withdrawals below a set minimum, which was usually far too high to facilitate access to sums below £10 or £20.

> *"[Asked at the bank] 'Can I have my £7?' And they said, 'No, you can't: you can only have £307'."*

> *"[Bank staff said] 'No sir, you can only take out £250.' Well tough, I want £7. But they wouldn't give it to me. 'We've changed our policy'."*

> *"My local bank has recently stopped transactions over the counter unless they're over £50…So you can't get money out if it's less."*

Respondents who had been in this situation explained that the costs of travel to an ATM or bank branch that would provide access to low denomination notes could exceed the amount they are seeking to withdraw.

Even for those with debit cards, similar restrictions could apply to requesting small amounts via cashback. Many retail outlets and, in particular, small local shops, reportedly set a minimum cashback level which exceeded the amounts people needed to access. Some smaller shops also charged for cashback which, again, ate into or exceeded the amounts being withdrawn.

> *"The only time I ever use the card is like, I'm skint and there's like £9 in the bank and I just go to the shop and spend it, or I get £5 cashback…but they don't like doing that for less than £10. They charge you extra."*

> *"The corner shop, cashback is £1 over the counter, I think, if it's a fiver. If it's a tenner, then it's £1.50. So, it's £1 on £5 and £1.50 on £10. They know that you're going to do it and they've got you. I could go into town, but if you don't want to go a long way away you've got to do it."*

> *"On the card, I mean £1 is a loaf of bread. If you buy a loaf of bread and a pint of milk, they will charge you £1 extra on your card in the little shops."*

In addition, respondents explained that requesting small amounts at a bank branch or in a shop could feel very humiliating, and was felt by some to be tantamount to a public announcement that that they were poor, broke and desperate.

> *"It's just pride, like, you know, when you have to ask for £7.50. Like, I don't want people knowing I haven't got no money."*

> *"And I said [to the bank teller], 'Can I have £5, please?' And I probably said it softly, like, because I was self-conscious and she said loudly, 'Did you say £500?' And I just wanted to sink into the floor. 'Get me out of here', you know."*

> *"Like when you have to use the card in the shop [to access less than £10], it's just added pressure. It's just like added stress which you don't really need. But, like I said, you've got to do it, haven't you?.. Makes me feel like…it's lots of things…it's pride mainly. You know, especially, when they say, you know, there's a 50p charge under £10 and you've got to say to them, 'Make sure it [cost of shopping] doesn't go over £8.50'."*

As a result, some people needing to withdraw small balances from their account reported that they had found themselves forced to do without the cash they needed, or to borrow until they next received their income.

> *"I was going to go to the counter and get it because the cash machine hadn't got £10s but they won't do it no more. So I had to borrow from my mum or we'd have had no shopping."*

> *"If I had, like, £4 in there, it'd be a case of…if I desperately needed it, it would still just have to wait two weeks."*

Tony lived with his girlfriend and her son. Tony's son from a previous relationship also spent time with them. Tony was a bricklayer and used to be comfortable financially but had been unemployed for a year due to health problems that prevented him from working. He lived in the area where he was born and grew up, but disliked living there these days.

> ***"There's nothing round here and…like I've actually got a Barclays account and that bank shut so now we have to go into Bromley to get the money. There's no, like all the shops are – there's some all right shops but I find myself more going to Catford or Bromley if I've got to do anything."***

He had a bank account, with a debit card, and received £120 a fortnight in benefits, paid directly into the account. He managed all his money in cash and preferred it that way.

> ***"No, I just take it straight out…and then if I've got bills to pay I prefer to pay like myself because obviously…since I've been signing on I don't use Direct Debit …because obviously, if…they try to take the money out then you end up with a charge at the end of it."***

Tony often found he needed to withdraw the last few pounds of his benefit payment, but was unable to do so via the local ATM, which did not dispense low denomination notes. He also felt embarrassed when the bank teller counted out small sums of cash for him, which sometimes happened if he went to a bank in the nearest town. He tended to use cashback when he needed to access small sums of money left in his account.

> ***"It's embarrassing, isn't it, really is embarrassing. Like I suppose, if you haven't got nothing, you've got to do something but I just find it easier to go out to the shops because then they don't know how much money you've got really."***

To find a shop that would provide small amounts of cashback required a bus journey, costing £5.20 for the round trip, and more if one or both children were with them or, if the bus fare was unaffordable, a 35 minute walk which was inconvenient and stressful, especially if they had to take the children with them. However, the shop was still closer than the nearest bank.

4.0 CHARITIES AND BUSINESSES

4.1 Charities

Charities participating in this research appeared to have little need to access cash and experienced few problems when they did

In previous Payments Council research on the use of payment services by charities and community organisations[17], cash was identified as one of the most commonly used ways to make and receive payments after cheques. In addition to getting consumers' views on access to cash, a special focus group was also held with members of the Charity Finance Group, which helped to recruit participants, to inform this analysis.

One focus group was held with representatives of charities for the current project and participants in this group indicated that most of their day-to-day banking arrangements were internet based, with payments made primarily by bank transfers or by cheque. Clearly a single focus group cannot be representative of all charities and the findings reported here do not claim to be so.

Charities in this research made little use of payment or credit cards, other than for routine purchasing of supplies. Where staff and volunteers of charities incurred expenses in the course of their work, they tended to use their own funds and submit an expenses claim afterwards, with reimbursements made electronically.

> *"Things are getting more and more online. We have an eBay account. We put things on eBay, so we've got PayPal."*

> *"Ninety nine times out of a hundred these days if someone's doing a charity walk or whatever, you just direct them towards the site, JustGiving, or whatever and it sorts all the Gift Aid out for you. It's all automatic. It's very painless isn't it?"*

> *"If it started paying for things in cash, it would make the expenses so fiddly. So we spend it and just claim it back."*

The earlier Payments Council research found that use of electronic payments was most associated with large and major charities[18].The charities participating in the focus group for this research reported very few occasions on which they required cash, other than as floats for fund-raisers, which were frequently retained and recycled for a series of events.

> *"We've got a safe with some odd money in for things like that – going to a fete or just for floats, but we never really take any money out, no."*

> *"Take money out? No. Never. We wouldn't be allowed to do that."*

> *"Well, if we do have a fund-raiser, whatever money we make we put that in and then the money that was there at the beginning of the float goes back into the safe for the next time."*

None of the charities that participated in this research made withdrawals from ATMs and could not imagine a situation that would require them to do so. Typically, the only funds withdrawn were for fund-raising floats, requiring small denomination coins, and so would be obtained over the counter at the bank. A staff member or volunteer would normally take a letter of authority to the bank in order to withdraw funds in this way.

> *"It should always be the director of the branch, but it can't always be, because sometimes I'm in Ewell that day, when they need me. So somebody else will do it. So I give them a letter of authority. We've got a letter of authority that they take."*

---

[17] Payments in Focus: A report on UK charities and community organisations, Payments Council, 2012
[18] Payments in Focus: A report on UK charities and community organisations, Payments Council, 2012

Occasionally, they had encountered difficulties when staff members or volunteers were not recognised by bank staff, or when bank staff wanted to validate letters of authority, but these were minor issues and did not cause serious problems.

"It has been [a problem] on occasions, yes. Because it's on headed paper, and it's signed by the director and the director changes every three years and they've got a mandate at the bank and it's been signed by two different people."

"Occasionally we've had somebody who's either new to the branch or doesn't quite understand and goes away to match the mandate with the letter and ether gets the wrong one or can't find it and then they won't hand it over."

The charities in this study faced greater difficulties in paying in cash than taking it out

Among the charities participating in the focus group undertaken for this research, most fund-raising was done online and, likewise, donations were also increasingly received and processed online. Similarly, sales of donated goods also tended to be done online on sites like eBay, with payments received via PayPal. Nevertheless, some charities still received a significant proportion of their income via collecting boxes which largely contained coins of very small denominations.

These were typically collected periodically, counted and bagged by volunteers, which was described by the charity representatives participating in the focus groups as something of a time-consuming and relatively inefficient exercise. They were reluctant to take the coins to counting machines located in supermarkets, because they were uncomfortable about diverting donated income to pay the commission that these machines charged. As a result, the proceeds of collections and fund-raising efforts – which were often very heavy – were taken to the local bank by staff members. The amounts of money concerned varied widely, but were typically in the region of £1,000-£5,000 in small coins.

"It's a time factor thing. These volunteers could be doing something else."

There was a feeling among some charity representatives that bank staff could be irritated at having to process large volumes of small coins.

"I've found people who are quite happy to weigh it and sort it out and take the coins out and put the coins in. Then you get the people who see you in the queue with a big bag and they just disappear."

"It's their attitude. I just wonder sometimes why it's such a chore. And, you know, the amounts of money we're putting through the bank, it's a hell of a lot of money. It's millions"

"I don't understand it. It's for charity. It's so mean isn't it? Well, it's their job. That's what they're paid to do. They're a cashier at a bank. What they're moaning and huffing for I don't know."

Several felt that commission-free counting machines provided by banks would reduce the hassle associated with this task, for all concerned.

"Oh, if they could have a coin counter. So you could just tip them all in. Tip the whole lot in. That would be so much easier."

"You know, if you could just put your card in, tip the whole lot in and then it could credit your account…that's what we need. But it would have to be a freebie for charities."

4.2 Small businesses

Some of the small businesses in this research used very little cash, managing their finances and funds received almost exclusively online and electronically

In order to gain some insight into what the issues around access for cash might be for small firms, one focus group was held with small businesses. As with the focus group with charities, clearly a single focus group cannot be representative of all small businesses and the findings reported here do not claim to be so.

Among the small businesses who took part in this research, although they identified a series of issues around banking and payment services that caused them difficulties, access to cash did not figure among them.

Predictably, there was wide variation between different types of businesses in terms of their access to cash needs. Professional services firms, firms with little direct contact with the public, and those not buying/selling or trading goods appeared to use very little cash. These firms tended to conduct all their financial transactions electronically, making extensive use of internet banking and bank transfers.

> *"Not it's all BACS. It's on the computer. Or we have Direct Debits. So I'm trying to think, I'm trying to think if there's any areas we would pay cash out. Apart from petty cash – so, not really a problem."*

The small businesses in the focus group had both debit and credit cards which they used to pay for many business expenses. Indeed, card transactions were actively preferred over cash, because of the audit trail left by electronic transactions.

Some of the small businesses still received a significant proportion of their income in the form of cheques, which were generally disliked because they had to make time to go and pay them in and because cheques do not leave an automated audit trail, making accounting more complex. Additionally, businesses disliked having to wait for cheques to clear.

For the small businesses that did not have a cash income flow, small sums of money for petty cash, where they were required, were typically accessed via ATMs.

> *"I take no cash at all. Occasionally I'll take out a little bit of petty cash, but that's the only bit of cash there'll be in the business."*

Access to cash issues that were raised centred on the need for more streamlined access to large sums of money

The small businesses in the research most likely to need cash were also those that were most likely to take in cash, so were able to meet their cash needs simply by re-directing incoming funds. Retailers and some service providers and manufacturing businesses, for example, were able to source the cash they need from their income.

> *"I think it's fairly easy for me. We re-cycle the money. In my terms we take the petty change and turn that into notes, and we keep the notes and then buy more stock to generate more sales, and that's how we work."*

> *"Unless the money is needed in the bank, then I'll just, you know, leave it in the cupboard and spend it. If the bank account's getting a bit light if I'm paying suppliers then I might pay a bit of cash in. But, generally, I'll try and keep the cash and re-cycle it between ourselves rather than let the bank have any."*

> *"Well I need cash very rarely, because there's always a bit of cash flying about."*

Further, among those small businesses taking part in this research, it was clear that some cash was simply circulating in the grey economy, with either all or a proportion of income received in cash 'off the books', out of sight of the bank and HMRC. Some of this cash was retained as a buffer against cash flow emergencies or the bank restricting access to finance. In addition, the money laundering regulations had reportedly made it more difficult to discreetly pay large sums of cash into a bank or building society without questions being asked about its provenance.

Small businesses that needed regular access to cash tended to need larger amounts than they could withdraw from an ATM

The small businesses with a regular need for cash that could not be met from cash coming into the business tended to need access to more cash than could be obtained from an ATM. They needed amounts of cash sufficient, for example, to pay wages or benefit from cash deals on equipment or suppliers.

> *"They want cash. Not many car boot sellers take credit cards or BACS payments out of the back of their car, unfortunately, so a lot of the buying is still in cash."*

> *"We sometimes have to buy tickets, that can be quite a lot of cash, you know, if you're talking Rugby Internationals, £3,000-£4,000 on the black market."*

> *"If I'm going to buy something, it's no good me saying give me a good price and I'll give you a cheque, because he's not going to be interested. But, you know, a nice little cash deal is always there…I always keep some cash for when I need it."*

The businesses in the focus group reported that queuing at the counter to withdraw cash, writing a cheque or obtaining a letter of authority felt like a cumbersome and time-consuming process in these circumstances. They felt that a more streamlined process was required to enable them to access large sums of cash when they needed to.

Some small businesses also experienced difficulties related to paying in large sums of money in coins

Businesses that received cash in small denominations, were, like charities that raised funds in cash, more concerned about difficulties relating to paying in large sums of money in coins. They complained that bank staff could be irritable and unhelpful in these circumstances. They, too, felt that automatic sorting machines within bank branches would simplify and streamline this process considerably.

> *"They just don't like doing it. They get very uppity, you know, 'Do we have to do this?' They just don't like doing it."*

> *"My attitude is, 'You're my bank, deal with it'. They're not going to say, 'Take it away' but they get the hump about it."*

> *"I think one of the big problems really, sometimes, with loose change and cash is the counting and bagging of it. If banks had a facility, without the percentage charge, where they had just got a machine, where you could just go along and you could tip the whole lot in. That would be a fantastic boon."*

5.0 CONCLUSIONS AND SUMMARY

Conclusions:

- **Better-off consumers, along with charities and SMEs, did not experience significant difficulties in accessing cash.**
- **Low-income consumers struggling to manage very tight budgets did, however, encounter considerable barriers to accessing cash, which impacted adversely on their lives and financial circumstances.**
- **Those who were not in employment and people living on marginalised out-of-town social housing estates were the most affected.**
- **Critically, the consumers who were most likely to experience barriers in accessing cash were also those for whom cash remained central to day-to-day money management, and who had the most limited resources available to overcome these difficulties.**
- **Barriers to accessing cash included:**
  - **limited access to free ATMs in some areas**
  - **ATMs in poorly-served areas which were out of order or which frequently ran out of cash**
  - **significant queues for ATMs in poorly-served areas, resulting in very long waits in some cases**
  - **security fears about use of ATMs in areas of high crime or anti-social behaviour**
  - **limited availability of small denomination notes, particularly £5 notes which many ATMs did not dispense.**
- **These barriers to accessing cash were compounded by the central importance of cash in the budgets of low-income consumers and the difficulties faced in using electronic payments, aspects of which appeared to be ill-suited to the needs of these consumers.**
- **Barriers to accessing cash had real and negative consequences including:**
  - **significant financial costs**
  - **hardship as a result of having to manage without cash that was desperately needed**
  - **inconvenience**
  - **embarrassment and humiliation.**
- **On the basis of this research, perceived high risks attached to Direct Debits and pricing and structural barriers to the use of transactional banking for some low-income consumers would appear to make it unlikely that dependence on cash for this group will reduce in the short- or medium-term.**
- **The key advantages of cash budgeting for people who are managing tight budgets – some of which could be emulated in electronic payments – carry lessons for the design for more suitable payment services for this group.**

The experience of using payment services and accessing cash varied widely between different groups of consumers

Recent research on access to payment services by the 'older old' – people aged 80 and above – and those living with disabilities, highlighted both the capacity of some people to manage challenges around using payment services with little difficulty and the insurmountable barriers faced by others. These barriers were found to affect people with physical, cognitive or sensory barriers and could limit access to goods and services. While the impact of these barriers varied with the circumstances of the individual, people living alone, the poor and the digitally excluded faced often insuperable barriers to the use of payment services, compounded by a lack of confidence in using technology.

Likewise, the role and importance of cash in people's budgets varied widely, depending on individual needs and circumstances, with difficulties in accessing cash also have a varying impact on people's lives.

Better-off consumers experienced few barriers and had sufficient resources to overcome any barriers they did encounter

Better-off[19] consumers, in practice, experienced few difficulties in accessing cash that could not be overcome with relative ease. So, where these consumers did not live near a bank branch or ATM, they were generally able to incorporate accessing cash into their daily routine, accessing cash near where they worked, for example, or using cashback facilities while they were shopping. Even where accessing cash necessitated a specific journey, better-off consumers had the resources necessary to support this, such as access to private transport or the money to pay for public transport. In addition, their budgets were sufficiently robust that they were able to sustain practices, such as withdrawing large lump sums to last them a period of time, without worrying whether this would jeopardise the payment of Direct Debits or inadvertently push them into unauthorised overdraft.

People living in urban areas or in employment, even those on lower incomes, also tended to be able to overcome immediate barriers to accessing cash

Similarly, in this study, people living in urban areas and those in employment, even those on lower incomes, were generally able to manage any difficulties around accessing cash without incurring disproportionate cost or inconvenience. This was largely because even where cash could not be accessed in the immediate local area, facilities were available fairly nearby in urban areas, or near to where people worked.

These groups also encountered few practical difficulties in using ATMs to access cash

These better-off consumers also encountered few difficulties using ATMs, albeit that some were reluctant to use external ATMs for fear of threats to their personal safety or the risk of fraud.

Small businesses and charities also faced few access to cash difficulties that could not be readily overcome

Similarly, small businesses and charities had few access to cash needs that were not being met. The most significant unmet need that was identified related to small

[19] For the purposes of this study, as indicated earlier, consumers in the top 50% of household incomes.

businesses needing to get hold of large sums of cash, exceeding the daily limits that can be withdrawn from ATMs, which could be an inefficient and time-consuming process. Rather, for small businesses and charities, the biggest obstacle faced was paying in large volumes of coins.

Barriers to accessing cash were heavily concentrated among low-income consumers, especially those living in marginalised housing estates

This research would indicate that difficulties accessing cash appear heavily concentrated among people on low incomes – whether they were living on benefits or in low-paid employment – and, in particular, among those living on marginalised and out-of-town social housing estates. These groups appeared to face a number of significant barriers to accessing cash. Critically, these were also the groups for whom cash was central to safe and successful budgeting and money management and who had the least recourse to other resources to help overcome barriers to accessing cash.

Some of the barriers faced related largely to the scarcity of free ATMs in some areas

Some of the barriers the low-income consumers in this research faced in accessing cash related largely to the location of ATMs. These included a lack of physical access to free ATMs, either because they lived in areas populated by fee-charging ATMs, or because they had basic bank accounts that restricted their use of other banks' ATMs.

Operational difficulties also caused particular problems in areas that were not well served with ATMs

In addition, in areas where there were few free ATMs, and where those that were available were heavily used, there were reports that these machines were frequently out of order, or regularly ran out of cash. This was a particular problem when machines were unable to dispense cash on the day that benefits were paid, when people were relying on being able to withdraw their income on the day it was paid. Likewise, in areas with limited access to free ATMs, queuing time could be significant, up to 40 minutes in some cases. Again, this was a particular problem on the days that benefits were paid to people's accounts.

Security fears around using ATMs located in areas of high crime and anti-social behaviour were also a significant barrier

People living in some areas, often marginalised housing estates located some distance from the nearest town, but also some deprived urban areas, expressed deep-seated fears about using ATMs in their area, for fear of being targeted for theft or mugging. This was particularly the case at night, and in relation to stand-alone ATMs, but some people said they were too scared to go to their nearest ATM alone, even during the day.

The lack of availability of small denomination notes was a significant barrier to accessing cash for the low-income consumers in this study

Perhaps the most widely cited barrier to accessing cash among the low-income consumers in this study was being unable to withdraw small denomination notes from ATMs. Lack of availability of £5 notes was a particular problem, and some people had experienced difficulties accessing £10 notes. For people whose budgets were very finely balanced, it was not unusual to have small amounts of money – less than £10 or £5 – left in an account to see them through until they next received their income. People reported that they were unable to access this money at all via an ATM where the balance had fallen to less than £5 and they generally had difficulty accessing their remaining money where balances fell below £10.

Being unable to access small balances in an account carried significant financial and personal costs for the low-income consumers in this research

These difficulties had a significant impact on low-income households, forcing them to leave the money in the account and go without essentials or to try and withdraw it from a bank branch or, for those with a debit card, via cashback. Travel to a bank branch or retail outlet providing cashback incurred financial costs – and took a significant chunk out of the balance they were trying to access. However, low limits on branch counter withdrawals and the use of cashback also acted to preclude access to small balances by these means. Furthermore, some participants described acute feelings of humiliation associated with requesting small amounts of money in person, feeling that it singled them out as being 'broke and desperate'.

Overall, barriers to accessing cash had real and negative consequences for people on low incomes, largely regardless of the type of account they held

As the research evidence highlights, the consequences reported by respondents in this study included significant financial costs, inconvenience, embarrassment and humiliation, and hardship, in the form of being forced to manage without cash that was desperately needed. These difficulties were particularly apparent among basic bank account holders who only had access to a limited range of ATMs. Otherwise, the type of accounts that people held – full current account, basic bank account or Post Office Card Account – did not appear to be influential in the extent to which they encountered difficulties accessing cash.

The impact of these barriers was compounded by the central importance of cash and the unsuitability of electronic payments for those on low incomes

The evidence from this study suggests that the depth of the impact of access to cash barriers was, primarily, related to the unsuitability of electronic payments for people managing on low incomes, which enforced their heavy reliance on cash. Direct Debits were seen as too inflexible a payment mechanism for people whose income was unpredictable and vulnerable to shocks. The potential for missed payments to result in penalty charges and tip them into a costly unauthorised overdraft made electronic payment methods far too risky a proposition for some of the lowest-income consumers in the research. Indeed, a high proportion of them had returned to cash budgeting after financially damaging experiences of account-based money management. Likewise, concerns about debit card transactions being slow to show up in account balances also made this form of payment too opaque and, therefore, risky, for the low-income consumers in this study to use.

The advantages of cash budgeting for people with tight budgets carry key lessons for the design of more suitable payment services for this group

Cash budgeting conferred a number of very significant advantages for people who were managing tight budgets, for whom stretching income to cover outgoings was a constant and continual struggle. Ultimately, these advantages were all grounded in the far greater degree of control that cash affords over money management, which had a number of dimensions for low-income consumers. Critically, however, few of these advantages were exclusive to cash and could be emulated in electronic payments.

Having control over the timing of payments and the length of the budgeting cycle was key to managing on a low income

Low-income participants in the research tended to flex cash money management to suit any time period, so payment of bills in cash could be co-ordinated with receipt of income to maximise efficiency and ensure that essential payments were made as soon as money was received. Equally important, however, was that cash budgets could be operated over short time periods – typically a week but sometimes fortnightly or even daily. This was critical for those whose financial margins were very finely balanced because the shorter the budgeting period they implemented, the shorter the time they would have to manage should their money run out. While neither scenario was seen as ideal, managing without food and fuel for a day was felt to be less problematic than managing without for four consecutive days at the end of a longer period.

Cash money management afforded a high degree of transparency that is not currently matched by electronic payment methods

For some participants, paying for things in cash meant they knew exactly how much they had to spend, what had been paid for and exactly how much they had left. Money spent in cash left the budget instantly, eliminating any uncertainty over remaining balances.

Cash bill payment provided a unique combination of control and flexibility over what was paid and when

The experience of low-income consumers in this study suggests that managing a tight budget necessitated a high degree of proactive and hands-on money management to ensure that essentials could be covered. Paying for things in cash enabled them to decide precisely how much they paid towards particular commitments, and when payments were made. Equally, cash money management enabled participants both to delay payments for a short time during periods of financial stress and to bring forward or over-pay some commitments when finances were less constrained. Some payment methods, such as pre-payment meters for utilities, afforded an even higher degree of control, enabling some of those who took part in the research to match their use of fuel to available income, ensuring they were not using more than they can afford to pay for.

While cash money management might cost more, charges were known and predictable, unlike the penalty charges attached to use of Direct Debits

It is well known that paying bills in cash, particularly where pre-payment meters are used, can add significantly to someone's costs, a phenomenon known widely as the 'poverty premium', calculated in 2007 as being around £1,000 a year for low-income households[20]. Nevertheless, this study indicates that people on low-incomes preferred to absorb these costs – which were regular and predictable – than risk being hit with penalty charges associated with account-based money management, which were less predictable, tended to hit during times when people were already experiencing financial stress, and could absorb a significant, often disproportionate, slice of income.

Cash was concrete and finite and, therefore, could not be overspent

This research indicates one of the most important aspects of cash money management was that it was impossible to inadvertently over-spend a cash budget, as there is no possibility of holding a negative balance in cash. Participants who faced a constant

[20] Strelitz and Kober, Save the Children, 2007.

struggle to make ends meet were often extremely risk-averse in relation to debt. The risk of accidentally falling into unauthorised overdraft was extremely high for participants on very low incomes who tried to use an account to manage their money. Cash budgeting removed this risk for them, providing highly valued peace-of-mind.

A perceived unsuitability of existing electronic payment services creates a risk that low-income consumers will be left behind

The poor fit between existing electronic payment services and the needs of low-income consumers, suggested by this research, creates a risk that they will be left behind in the shift to remote and electronic transactions. On the basis of this evidence, as a consequence they are losing out on discounted tariffs for gas and electricity, and other incentives for payment by Direct Debit; face significant additional costs for paying in cash, especially in proportion to income; encounter a high degree of hassle and inconvenience; and face on-going risks associated with carrying and keeping cash lump sums.

The high risks some participants associated with the use of Direct Debits compounded and consolidated the difficulties of accessing cash for low-income consumers in this research

The research suggests, however, that the high risks attached to use of Direct Debits by low-income consumers was a key factor in perpetuating cash money management and could make it harder to address the barriers they face in accessing cash.

Reliance on cash was, in part, about risk management but also reflected structural and pricing barriers to the effective use of bank accounts

In this study, use of cash was clearly part of a strategy of minimising risk and managing cash flow within very tight budgets. It was equally clear, however, that part of the barriers to use of electronic payment services by those on low incomes was the way that banking and payment services were structured and priced. This played a key role in driving low-income consumers' reliance on cash. Direct Debits were too inflexible for those on irregular incomes or with no slack in their budgets. Concern about balances not being up to date and the potential to go over balance also shaped reluctance to use debit cards. The fear of disproportionate penalty charges derailing budgets and leading to unmanageable debt then further compounded this reluctance to use electronic payment services and increased reliance on cash. These key barriers to accessing payment services more widely will make it more difficult to address the impact of the access to cash issues by reducing the reliance on cash management.

There is potential for advances in payments services to reduce some of the risks of electronic payments for low-income consumers

It is likely that developments in payments, such as in internet and mobile banking, have the potential to address some fears of low-income consumers around the lack of transparency and control associated with electronic payments. These issues were, however, beyond the immediate scope of the current project and would benefit from being explored in more depth.

Bibliography

Andrew Irving Associates, *Financial exclusion among older eople*, Help the Aged, 2006

BMRB, *Research into access to financial services by those on the margins of banking*, Financial Inclusion Taskforce, 2006

Collard C, Kempson E and Whyley C, *Tackling financial exclusion,* The Policy Press, 2001

Consumer Focus, *On the margins,* Consumer Focus, 2010

Ellison, Whyley and Forster *Realising banking inclusion: the achievements and challenges* HMT, 2010.

GfK NOP, *Research on motivations and barriers to becoming unbanked*

Financial Inclusion Taskforce, 2010

Harris J, Treanor M and Sharma N, *Below the Breadline*, Barnardos 2009

Kearton L, *The cost of cash*, Consumer Focus Wales, 2009

Kempson E, *Outside the banking system*, HMSO, 1994

Kempson E and Whyley C, *Kept out or opted out? Understanding and combating financial exclusion*, The Policy Press, 1999

Kempson E, Whyley C, Caskey J and Collard S *In or out? Financial exclusion: a review of research and literature,* Financial Services Authority, 2001

O'Reilly N, *Three steps to inclusive banking,* National Consumer Council, 2006

UK cash and cash machines, Payments Council, 2012a

Consumer research with 'older old' consumers and those living with cognitive, physical and sensory disabilities, Payments Council 2012b

Payments in Focus: A report on UK charities and community organisations, Payments Council, 2012c