

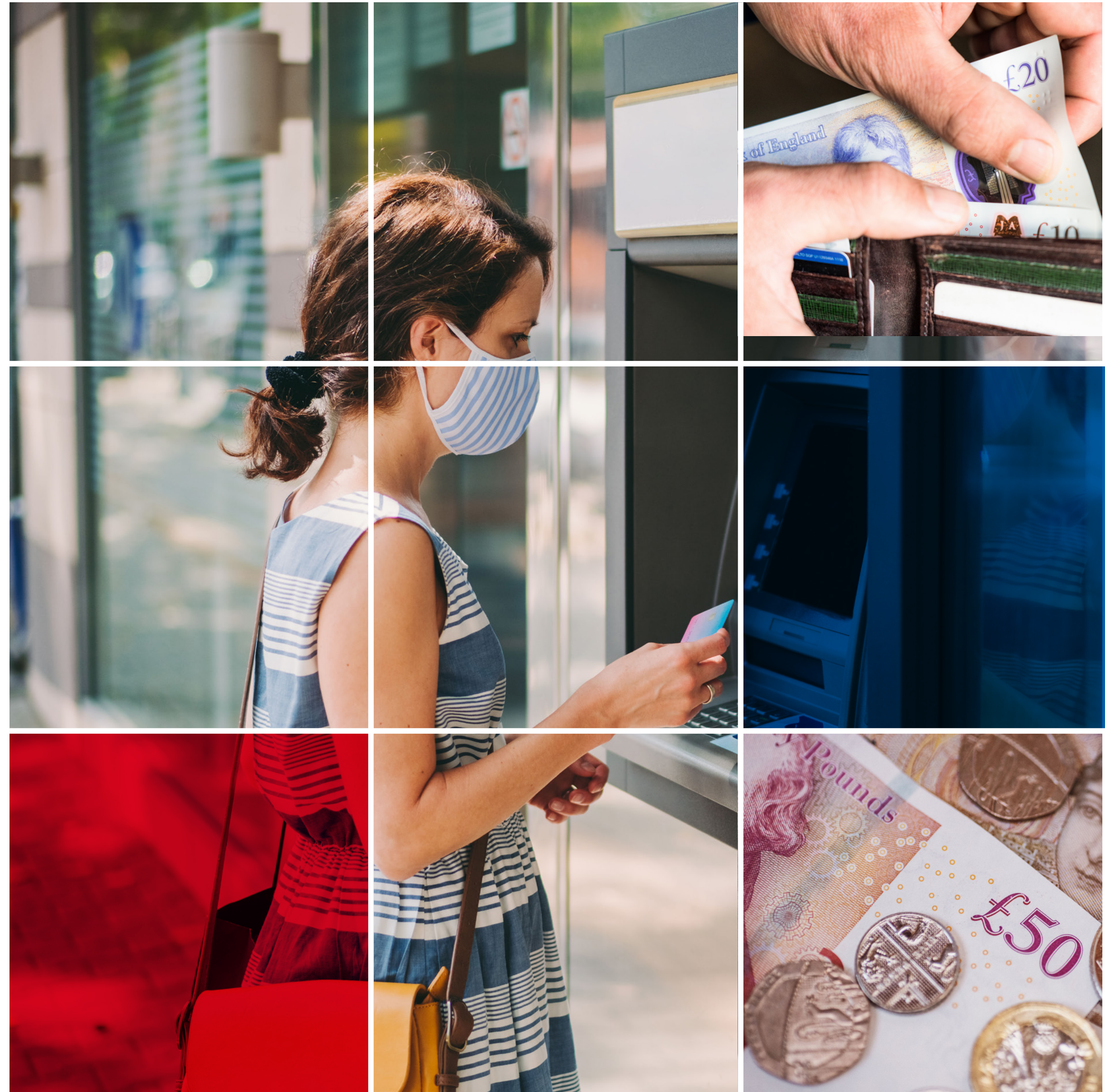
Use of cash during lockdown

Implications for the future of cash and the ATM Network



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Introduction

In 2019, LINK commissioned the independent *Access to Cash Review*, which projected a sharp reduction in cash usage over the forthcoming decade.

That review warned that Britain was not ready to go cashless, and that action needed to be taken to protect those who continue to rely on cash and who were at risk of being left behind.

One year after the publication of that *Review* in March 2019, COVID-19 had reached the UK, and would precipitate significant changes in everyone's lives.

Since then, as with every other part of the economy, the UK's ATM Network, a crucial part of the cash industry, has experienced major upheaval.

Acting to remove inequalities

The data in this paper details consumers' behaviour at ATMs between April and August 2020. It suggests that the shift away from cash has speeded up significantly, but that the inequalities between different parts of society identified in the *Access to Cash Review* remain relevant.

LINK is the UK's largest ATM Network. Owned by the UK's banks, building societies and ATM deployers, and operated in the public interest, it is determined to maintain free access to cash across the country as people increasingly take up new payment methods.

Since the *Access to Cash Review*, LINK has reinforced its policies to maintain the geographic spread of free cash machines. The priority is to ensure that consumers are able to rely on cash for as long as is necessary, while ensuring the overall costs of the system are managed effectively.



However, given the pace of change brought on by the pandemic, the response needs to be co-ordinated across Government, regulatory bodies and the financial services industry if we are to avoid sleepwalking into a cashless society.

“ The pandemic is bringing the future forward. The economic impact of the measures taken to curb its spread has – and will – speed up some of the long-term trends that are shaking up work, society and the financial system that underpins them all. ”

Christopher Woolard, interim Chief Executive, FCA

Cash withdrawals during lockdown



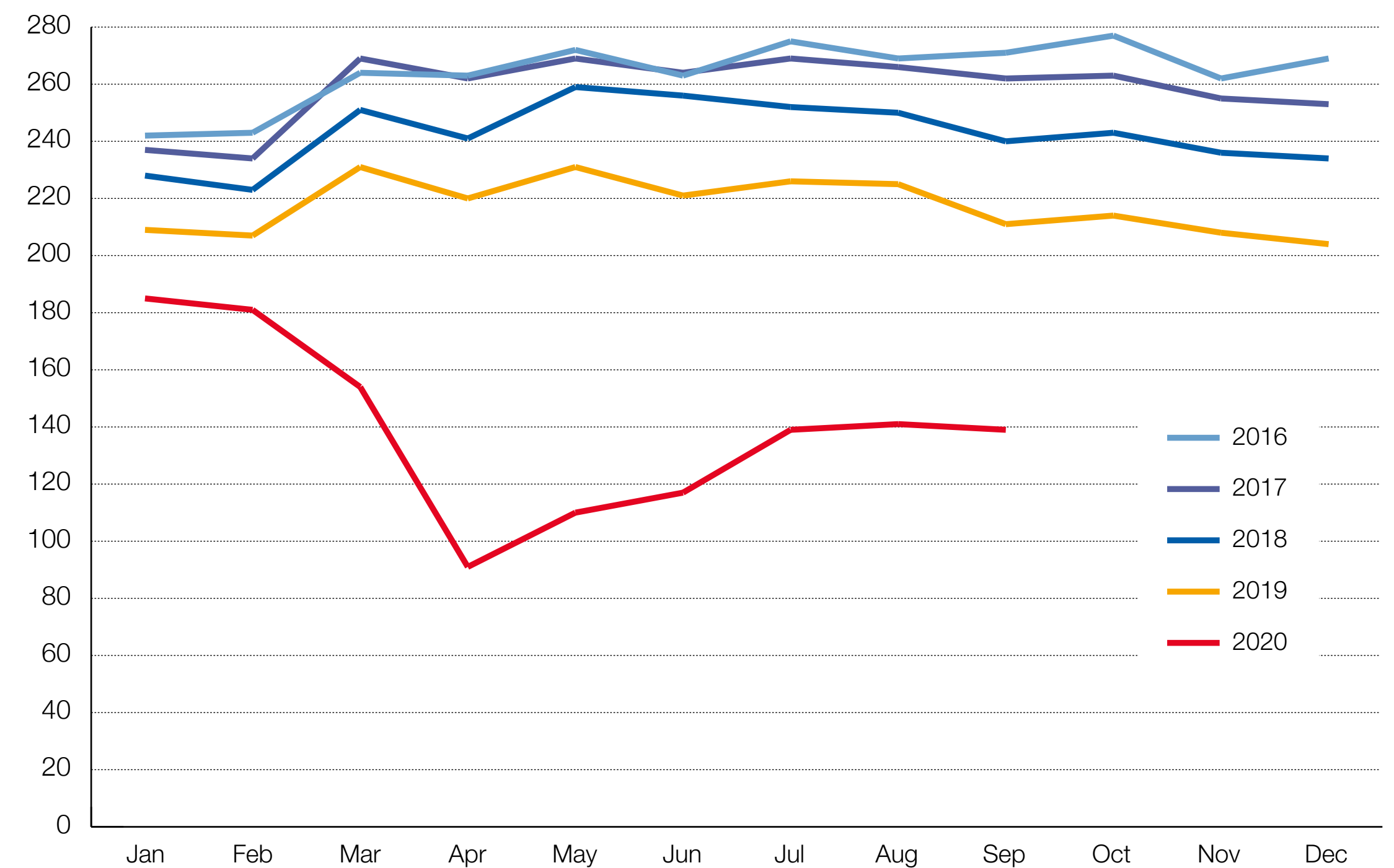
60%

Reduction in cash withdrawals in April 2020, compared with 2019.

Life changed dramatically for most people in the UK in April 2020. Non-essential shops closed, travel was curtailed and many people started working from home. At the same time, businesses embraced new technology and ways of working, from local delivery services to remote events and performances.

It was, therefore, not surprising that cash withdrawals at ATMs also reduced substantially. During April, there was a 60% reduction in cash withdrawals across the network as a whole, when compared to the previous year.

Cash withdrawals from ATMs (millions)



Cash withdrawals during lockdown

The same is true for the value of withdrawals. The reduction in the amount of money taken out of cash machines is remarkably similar to the pattern of retail activity, showing just how significant cash remains to the UK economy.

Given the contraction of economic activity, what remains surprising is the volume of

cash being withdrawn. During the most stringent lockdown measures in April, people still withdrew £1 billion a week from ATMs. In August, that rose to £1.5 billion a week.

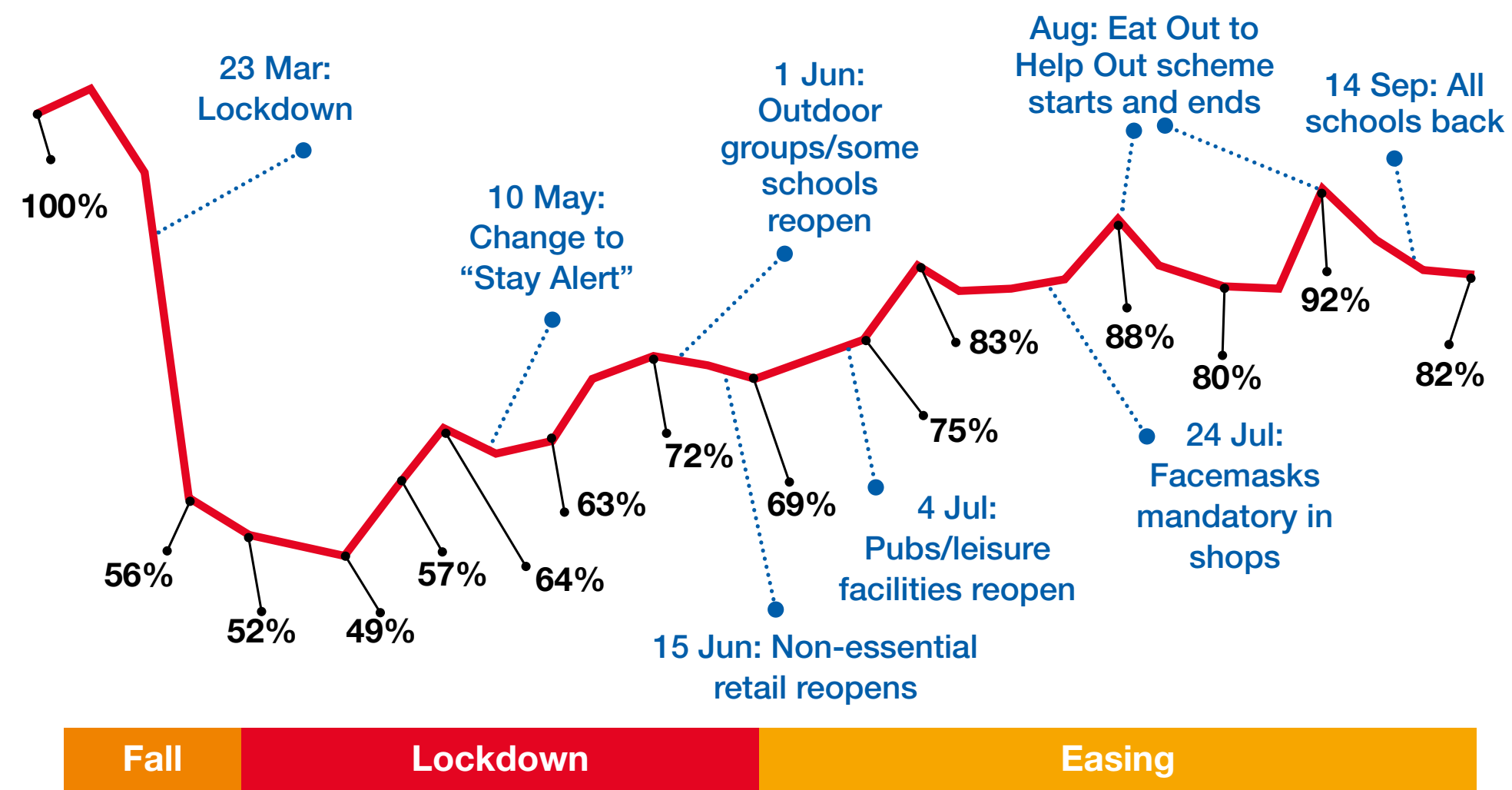
There is some evidence people were taking more money out when they did visit

a cash machine, with average withdrawals increasing from around £70 to over £80 per visit.

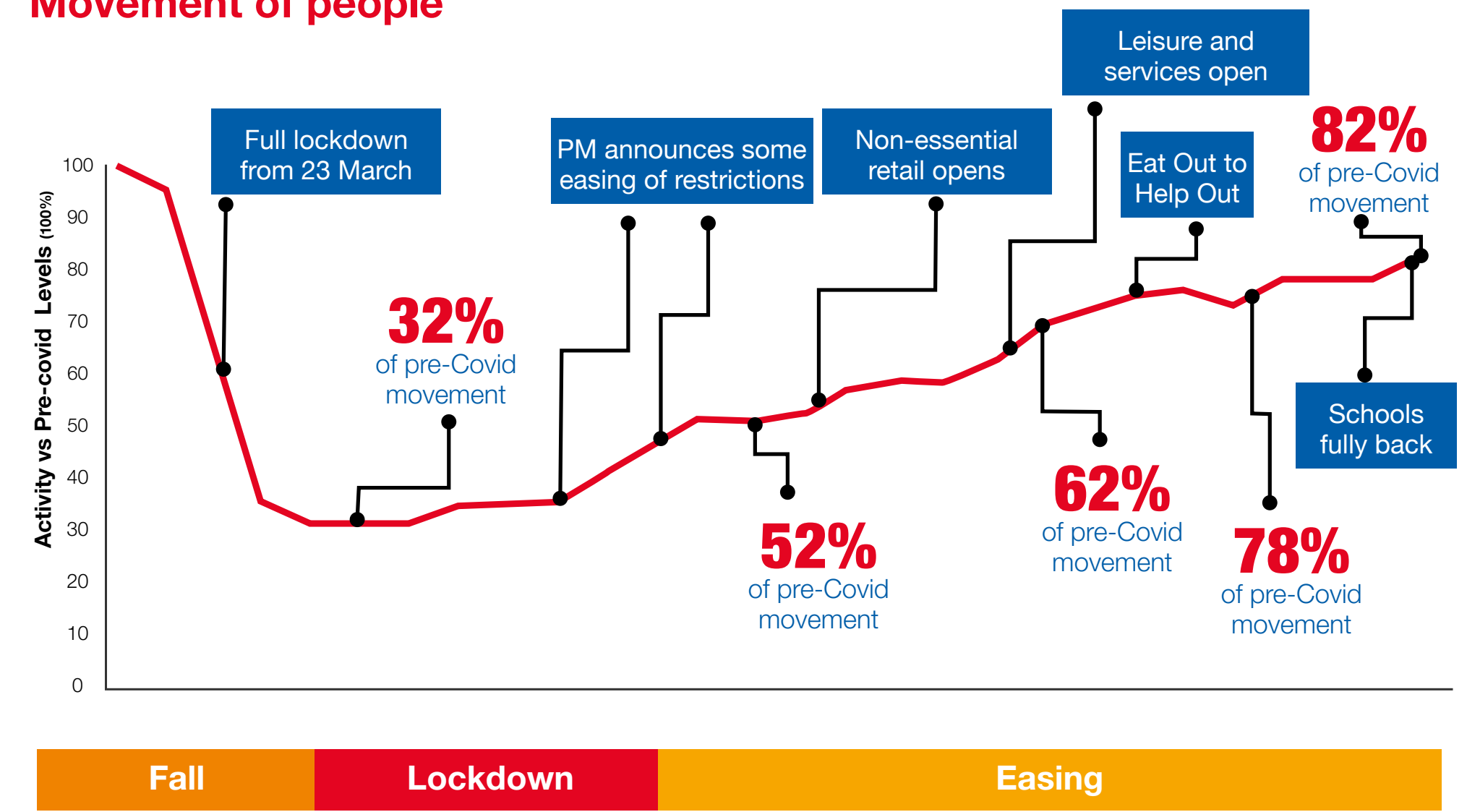
As the economy reopened, there was a gradual increase in cash withdrawals, but, as of September, transactions have still not recovered to their pre-COVID levels

and probably never will. LINK expects the number of withdrawals to be around 35% lower than previous years by the time we return to a state of normality. This will put more strain than ever on the cash machine network, particularly as cash usage is also expected to continue declining over the longer term.

ATM withdrawal value lockdown as percentage of Jan – early Mar



Movement of people



Cash withdrawals in deprived areas

In 2019, the independent *Access to Cash Review* found that the biggest indicator of whether someone relied on cash was their low income. It is not surprising, therefore, that deprived communities continued to be more reliant on cash than those in wealthier areas during the pandemic.

Largest changes in urban/tourist areas

The largest reductions in cash usage were focused in either urban centres or tourist destinations, where footfall was likely to be down significantly in April 2020.

For every 10 users of an ATM in the Cities of London and Westminster in April 2019, for example, there was just one in April 2020.

Deprived areas see smallest change

The smallest reductions in cash usage, on the other hand, were often in locations in the inner city, in areas of multiple deprivation.

The 10 most cash-reliant Parliamentary

constituencies during COVID-19 are also among the most deprived in the country.

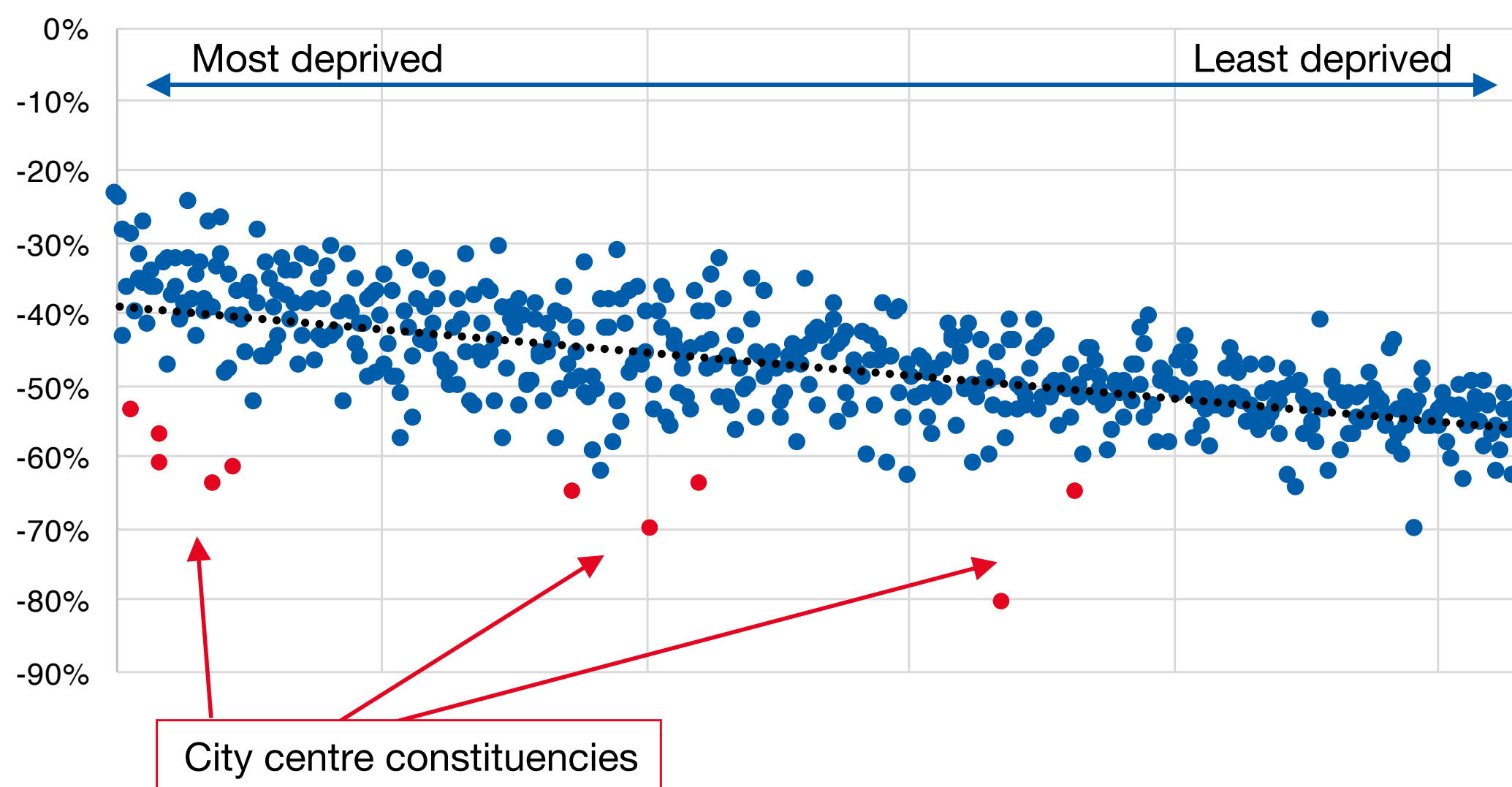
For every 10 users of an ATM in Liverpool, Walton in April 2019, there were still six users in 2020.

When data is analysed at a ward level, some of the most deprived areas in the country saw ATM withdrawals drop by as little as 20%.

This was not just a phenomenon in April. The reduction in cash withdrawals in August 2020 compared to August 2019 in Liverpool, Walton, was 17%, compared to 39% nationwide.

The graph to the right highlights that the most deprived areas continued to rely on cash much more than the wealthiest throughout the six months from April to September. The outlying largest falls were in city centre constituencies.

% withdrawal reduction y/o/y – English constituencies



Data relates to 533 English constituencies ranked by the House of Commons Library [<https://commonslibrary.parliament.uk/research-briefings/cbp-7327/>]. The pattern of withdrawals is repeated across the UK, but deprivation data is collected separately for each nation.

Impact on cash access

The fact that people in the most deprived areas continued to withdraw cash during the height of lockdown, significantly more so than people in less deprived areas, is likely to be down to a number of reasons.

These include lower car ownership in those areas, the divide in people who were able to work from home and those who were

not, and an increasing reliance on cash for budgeting among people whose income has been impacted by the pandemic. It clearly reinforces the importance of protecting access to cash for the most vulnerable people in society.

The LINK network covers 99% of cash machines in the country – around 60,000 machines.

As many of these machines are located inside shops, and all rely on regular servicing and cash refilling, around 7,000 machines were closed during the height of the COVID-19 lockdown.

Despite this, the [PSR and FCA found](#) that between April and June 2020, “99% of the population maintained their pre-COVID-19 access to cash within a three-mile and five-mile radius”.



Impact on free-to-use and pay-to-use ATMs

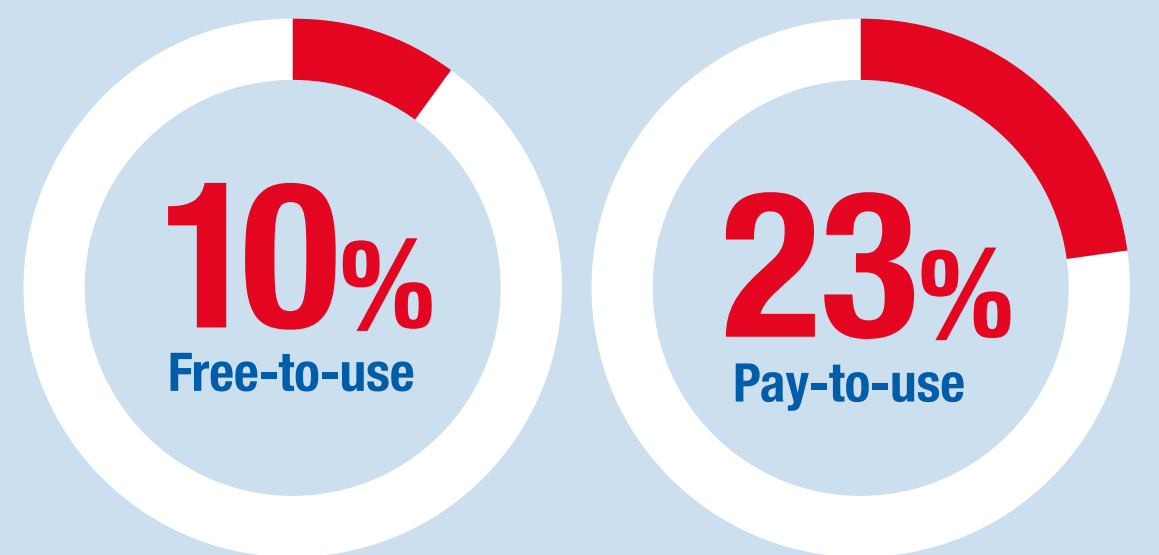


Around **10% of free-to-use** machines were disconnected from the network at some point during COVID-19, versus **around 23% of pay-to-use** machines. Some of these will be in premises like cinemas, theme parks, garden centres and shops, which closed during lockdown.



Other ATMs will be machines adjacent to others, for example at a bank branch or supermarket and where one ATM has been disconnected to help with social distancing.

Percentage of cash machines disconnected from the network during COVID-19



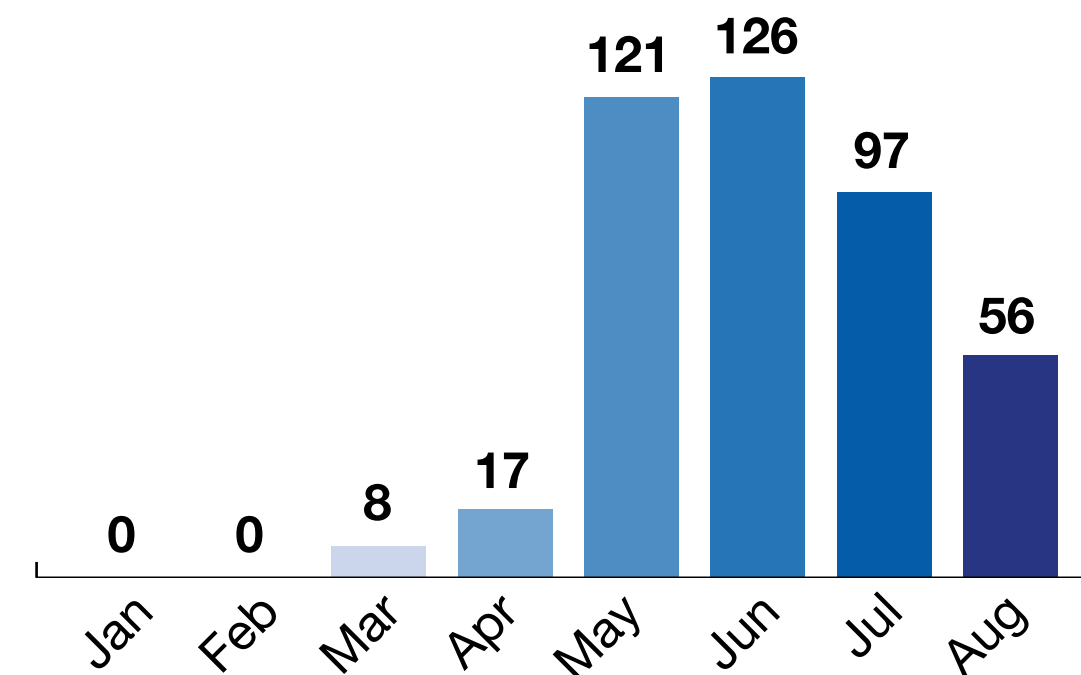
Impact on cash access



The closures of cash machines included strategically important Protected ATMs.

LINK collects data about the 3,000 Protected ATMs that have no free-to-use alternative available within one kilometre. In a typical month, these machines can close temporarily where there is a technical fault or issue with the premises. Where a machine permanently closes, LINK seeks to take action to restore cash access to that community.

The graph below shows the significant spike in temporary issues associated with COVID-19.



While there were temporary interruptions to service in a small number of communities, the closure of several thousand ATMs has resulted in very few permanent gaps in service.

This shows that, in many areas, there is an oversupply of cash machines, and underlines the importance of reducing the cost of the ATM Network as cash usage reduces. However, this cannot be done at the expense of remote and rural communities that rely on a single ATM.

Gradual reopening of ATMs

As the economy started to pick up again, ATMs began reopening. As pubs reopened on 4 July, around 30% of the ATMs had come back online, and by August around 50% had re-opened.

LINK expects a large majority of ATMs that were disconnected to come back online as the economy gets back to normal. However, where there are gaps in the ATM footprint because of these closures, action will be taken to resolve the issue.

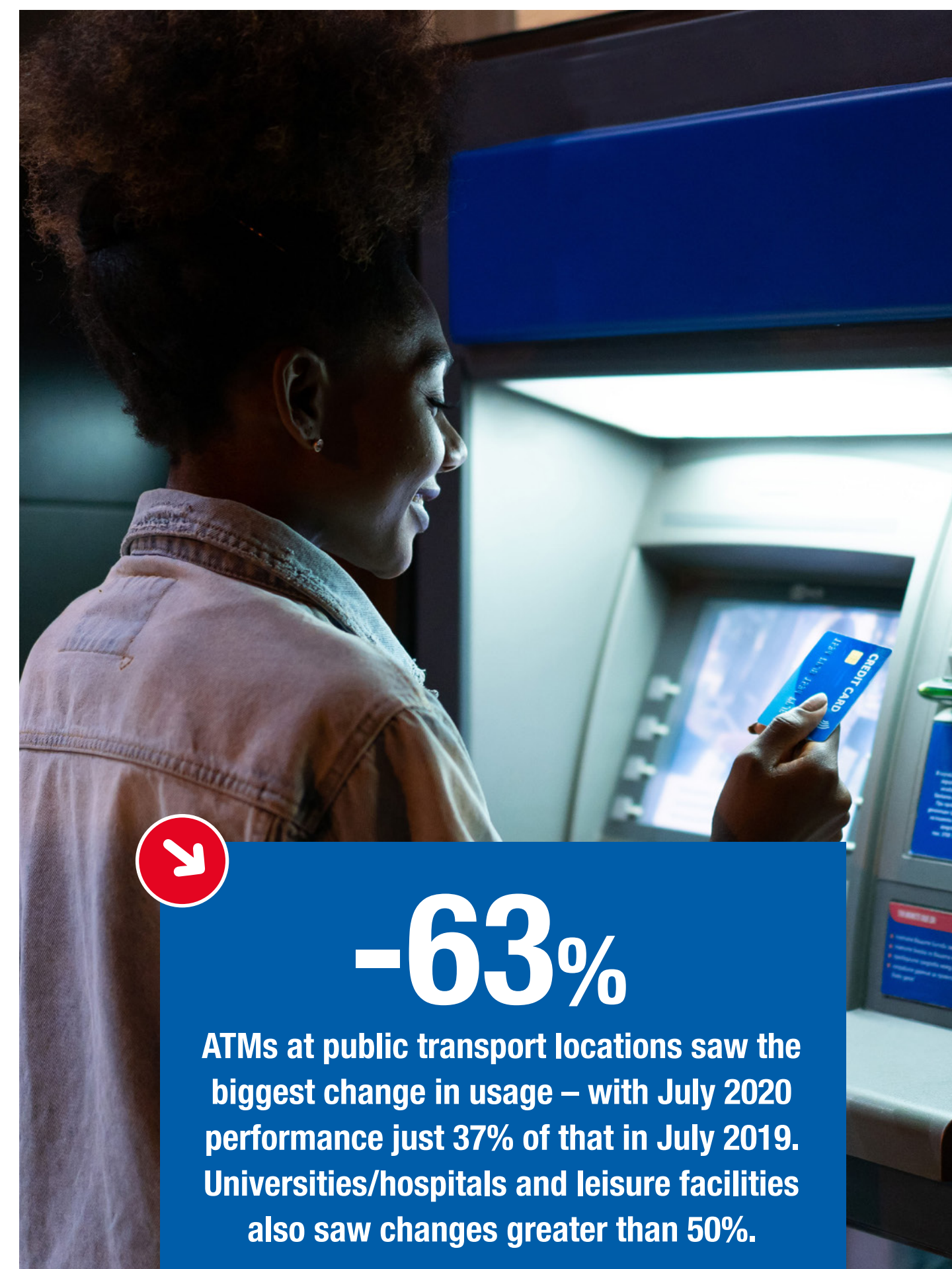
Where are people accessing cash?

Even as lockdown was easing in July, the type of location where people were accessing cash was very different to a year before.

While ATMs at Post Offices continued to service 96% of its 2019 volume – and the Post Office has reported strong performance of its banking network – withdrawals at railway stations, leisure and hospitality sites and workplaces were down significantly.

People were also more likely to have kept using pay-to-use cash machines. This could be because of changing shopping habits, different work patterns and changes to how leisure time is spent.

	Free-to-use ATMs end 2019	Change in withdrawals per ATM in July 2020 vs average 2020 pre-lockdown	% Change
Branch	15,742	-321	-26%
Convenience store	11,725	-343	-13%
Supermarket	6,691	-482	-10%
Motoring	2,535	-220	-8%
Post Office	2,157	-159	-4%
Other retail	2,101	-773	-33%
Leisure	1,161	-419	-57%
Public transport	989	-2070	-63%
Workplace	716	-368	-40%
University/hospital	636	-881	-52%
Social	333	-112	-19%
Pay-to-use	15,307	-4	-1%



Where are people accessing cash?

There are around 15,000 pay-to-use machines that make up part of the LINK Network. Over the past year, this number has grown by 40% – still somewhat lower than the all-time high of 27,000 in 2007.

Many pay-to-use machines are located inside shops and leisure facilities and, as a result, a much higher proportion of them closed at some point during lockdown than free-to-use machines.

The use of pay-to-use machines was, however, down by less than free-to-use machines, and has recovered to a higher extent than the network as a whole.

While pay-to-use transactions remained a very low proportion of activity, pay-to-use machines potentially became more useful to consumers as travel and shopping patterns have changed. As nearly 75% of pay-to-use machines are located in

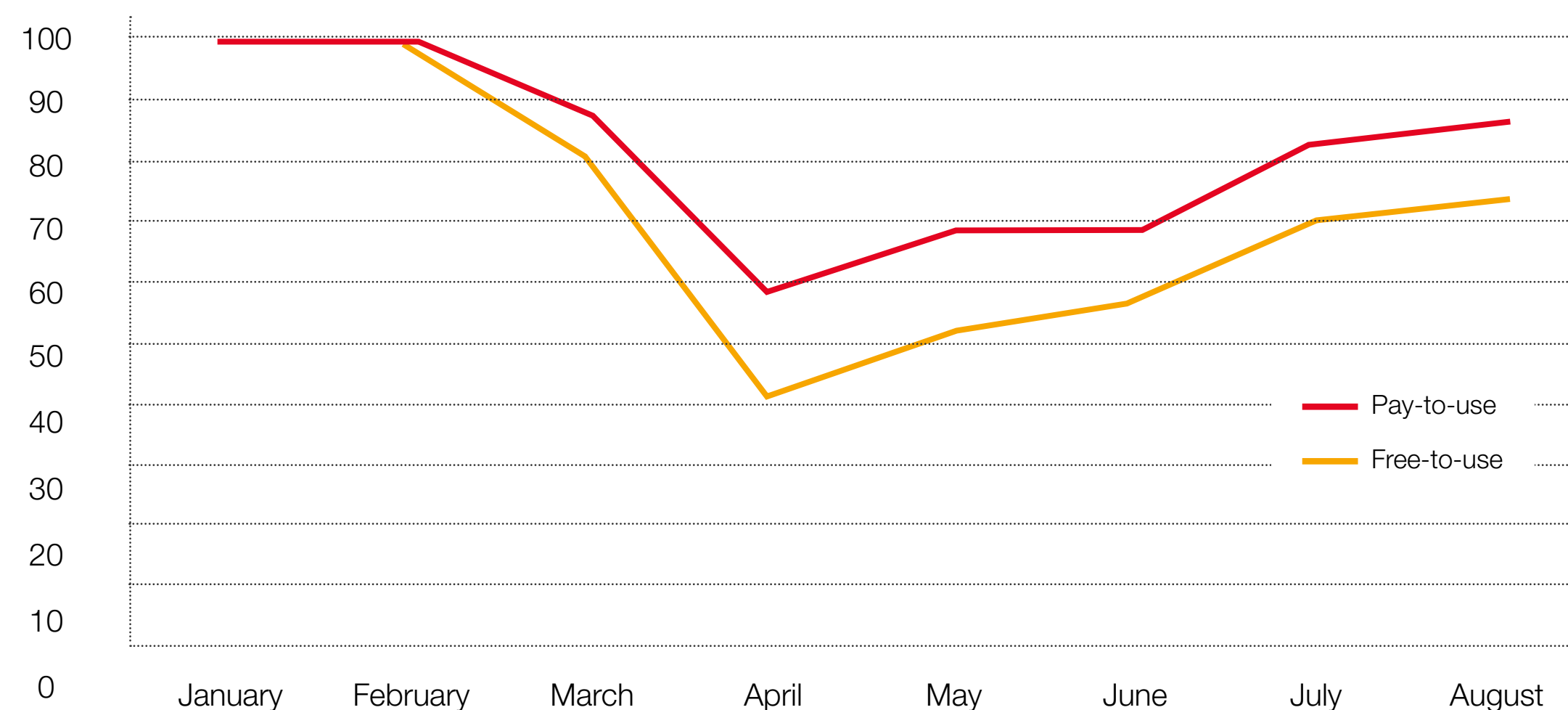
convenience stores, and those locations continued to receive higher footfall than elsewhere throughout the crisis, this is not entirely surprising.

Taking steps to support communities

LINK believes that no one should be forced to pay to access their cash. The performance of the Post Office and the innovative steps taken by banks to support their customers is welcome, and LINK will continue to take action where pay-to-use ATMs are shown to be creating consumer detriment.

The UK Finance Community Access to Cash Pilots, launching in October 2020, also provides an opportunity to analyse alternative ways of providing cash access and supporting communities.

ATM withdrawals as percentage of January 2020



“LINK believes that no one should be forced to pay to access their cash. We will continue to take action where pay-to-use ATMs are shown to be creating consumer detriment.”

Emerging from lockdown

It is clear that most of the changes in behaviour are not temporary. The way many people live their lives has changed significantly. During August, there remained a substantial change in withdrawals at cash machines and LINK's forecasts suggest that this will continue.

The way we use cash has been changing for a long time, as people choose other forms of payment and new ways of shopping. The *Access to Cash Review* predicted that cash transactions would make up just 10% of transactions by 2028.

LINK expects this to have accelerated substantially as a result of COVID-19, and we could already have reached that level.

This is a trend that should not be resisted. Instead, we should seek to ensure that as

people move away from cash, the risks to people who cannot do so are managed effectively.

Cash usage for vulnerable consumers

It is worrying that in a survey commissioned by LINK, 28% of people reported in August that they had been discouraged from using cash despite wanting to.

Moreover, 14% of people in the same survey said that they had wanted to use cash, but, because the place they were in did not accept it, they did not make a purchase.

This doesn't make economic sense and risks excluding the most vulnerable in society who will continue to use cash to budget for a long time to come.

The consumer group Which? has released a form for people to raise concerns about being prevented from paying by cash, and a number of MPs have raised questions about it.

Until the digital alternatives cater for everyone in society, we risk unnecessary exclusion and hardship for small groups in society.

Bakery turns away customers aged 94 and 86 because they didn't have bank cards and wanted to pay in cash despite shop's Covid rules

MailOnline, 29 July 2020



What is LINK doing?

LINK operates in the public interest, and not for profit. Our commitment to consumers is to ensure that continued free access to cash remains in place across the country for as long as it is needed.

We also provide information to consumers about their nearest ATMs online and via a mobile app.

As the ATM Network becomes more fragile, however, these measures will not

remain sufficient. The economics of the UK's cash infrastructure, which costs the country £5 billion a year, need a more fundamental rethink.

That's why we're working with PayPoint to trial cashback at retailers' tills, and supporting the UK Finance Community Access to Cash Pilots, seeking innovative solutions to cash access where an ATM may not be the right answer.

We also welcome the Government's commitment to work with regulators through legislation to support access to cash. LINK will continue to work with industry partners, Government and regulators to support free access to cash, and will also actively support efforts to manage the country's transition from analogue to digital, to ensure that people and communities are not left behind.



Protecting

over 3,000 ATMs in remote areas to maintain the geographic spread of ATMs



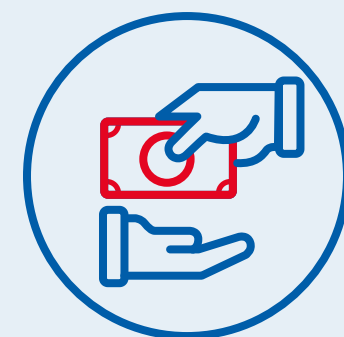
Supporting

over 1,000 ATMs in the most deprived areas of the country



Guaranteeing

free access to cash for over 6,500 high streets



Responding

to communities requesting access to cash



Implications for policy making

With the closure of vast sections of the UK economy, it is not a surprise that cash withdrawals reduced so rapidly during lockdown. However, the fact that over £1 billion a week was withdrawn from cash machines at the height of the lockdown demonstrates just how much people still rely on cash.

As the economy gradually returns, it is clear that cash usage will not return to business-as-usual. The COVID-19 crisis has shifted behaviour in countless ways. When it comes to paying for things, millions of people have picked up new habits and are still being persuaded to take up contactless payment when shopping in person and online.

The process, which the *Access to Cash Review* expected would take up to 10 years to happen, could now happen in just

a few years. The reductions that may well be permanent across the cash machine network make the system more fragile.

What is most striking about the data on how people used cash during lockdown is that it is clearly the most vulnerable people in society who continued to rely on cash.

The warning of the *Access to Cash Review* is, therefore, more urgent than ever: we cannot afford to sleepwalk into a cashless society.

“What is most striking about the data on how people used cash during lockdown is that it is clearly the most vulnerable people in society who continued to rely on cash.”

The growth of the pay-to-use network, and its apparent resilience through the crisis, should also be a cause for scrutiny. While pay-to-use machines can offer a convenient means of accessing cash for some, where they are the only option available, it may cause significant consumer detriment, particularly for people taking small amounts of cash out where the marginal cost is high.

In addition, while there have been a small number of areas affected by free-to-use ATM closures, temporary loss of access to cash can have a detrimental impact on communities.

It is, therefore, vital that efforts to secure multi-channel access to cash, through the Post Office and over shopkeepers' counters, continue at pace and with sufficient legislative support.



New legislation to protect access to cash

Immediately prior to the outbreak of the pandemic, the Government announced its intention to legislate to protect access to cash. The pandemic has made that legislation more urgent and more vital than ever, if we are to manage a transition to more digital payments without disadvantaging the most vulnerable in society.



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