

## APPENDIX 3

## THE USE OF CASH

### 1. INTRODUCTION

- 1.1 The purpose of this report is to collect background information about how the use of cash has changed during the last 2 years. During the last few years, there has been a change and significant pioneering in the methods of payment, which has brought more choice in the way goods are paid for and these methods include:
- smart phones
  - online banking
  - mobile and contactless banking
  - contactless payments (e.g. PayPal, Apple Pay)
- 1.2 Research work will be used as additional evidence to support the report 'Update – Parking Review' which will be presented to the Community Scrutiny Committee.
- 1.3 The information presented in this report is based on ['UK Payment Markets Summary 2019'](#) by *UK Finance*, a body providing specialist information for the banking and funding industry in Britain. This summary presents key results from the UK's payment markets in 2018, and notes the most recent tendencies affecting cash, cards, cheques and electronic payments in the UK. In addition, it presents forecasts for all methods of payments for the next ten years.

### 2. TENDENCIES

- 2.1 Bearing the purpose for the research work in mind, this part of the report concentrates on the elements that are relevant to methods of payment by debit card, contactless card, cash and *'Apple Pay, Google Pay and Samsung Pay'*.
- 2.2 Debit cards – The main points are:
- Debit cards were the second most popular method of payment in the UK in 2018 – they were used for almost four in every ten payments.
  - The vast majority of the population (98%) owned a debit card and many people use them to make day to day payments.
  - The constant increase in the use of debit cards is prompted by a number of factors, including the continual growth in the popularity of contactless payments and the increasing speed of non-cash payments.
- 2.3 Contactless cards – the summary notes:
- During 2018, the number of contactless payments made in the UK increased 31%;
  - At the end of 2018 almost 124,000,000 contactless cards were in existence in the UK;
  - During 2018, people in the age group 25 to 34 were the most likely to use contactless cards (83%);
  - People 65 years old and older are less likely to make contactless payments than younger people. However, more than three out of five (61%) of that age group made contactless payments during 2018, up a little over 50% on 2017;

- Even though differences continue across the age group and region, 69% of people in the UK now use contactless payments and no age group falls beneath 60% use, and no region below 58%.

#### 2.4 Cash payments – the main points of the summary

- Cash payments continued to fall in 2018;
- Despite this, cash was still used for over 28% of all payments in the UK and this was the second most popular method of payment after debit cards.
- The main cause of the fall in cash payments is the increased use of debit cards and especially, the increasing popularity of contactless payments.
- During 2018, 5.4 million users hardly ever used cash at all, relying instead on cards as the method of controlling their spending. This was an increase of 3.4 million users compared to the previous year;
- At the same time, 1.9 million users were using mainly cash (though the majority still used other methods of payment to pay their regular bills). It should be noted that even though these people preferred to use cash to pay for things, they are not necessarily unwilling or not able to use other methods of payment. The majority of them had a debit card.

#### 2.5 Mobile payment services (e.g. Apple Pay, Google Pay and Samsung Pay – i.e. by using the ‘App’ on a mobile phone)

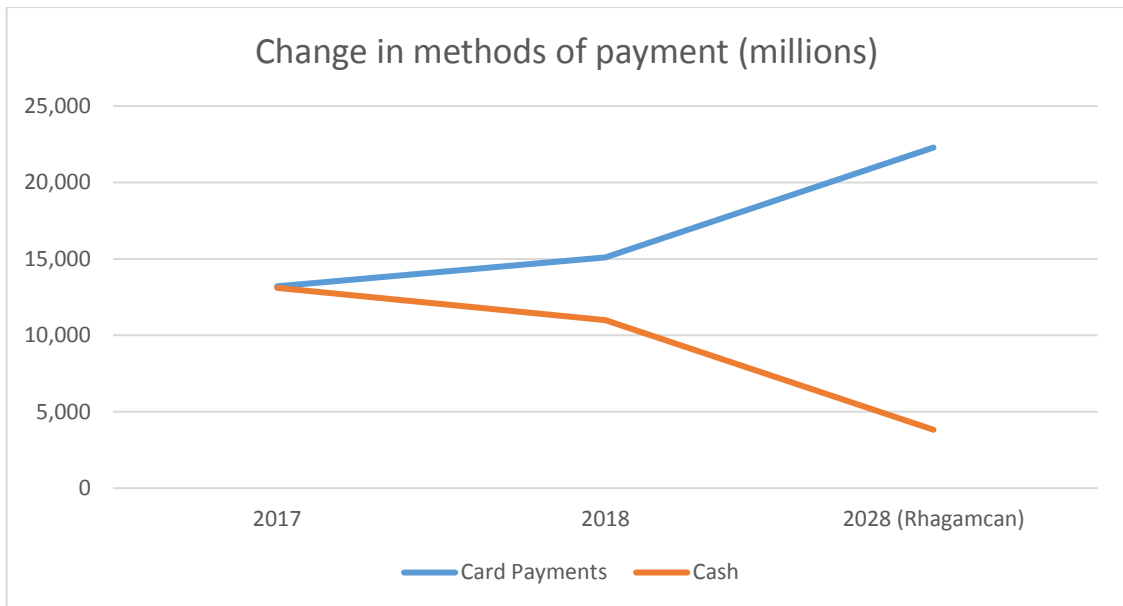
- By the end of 2018, it was estimated that 8.5 million people had registered to buy goods and services using mobile payment services such as Google pay, Apple pay and Samsung pay.
- This means that 16% of the adult population has now registered for mobile payment services, up from only 2% in 2016.

### 3. PROJECTIONS FOR 2028

#### 3.1 The summary notes a number of expected projections to take place by 2028 including:

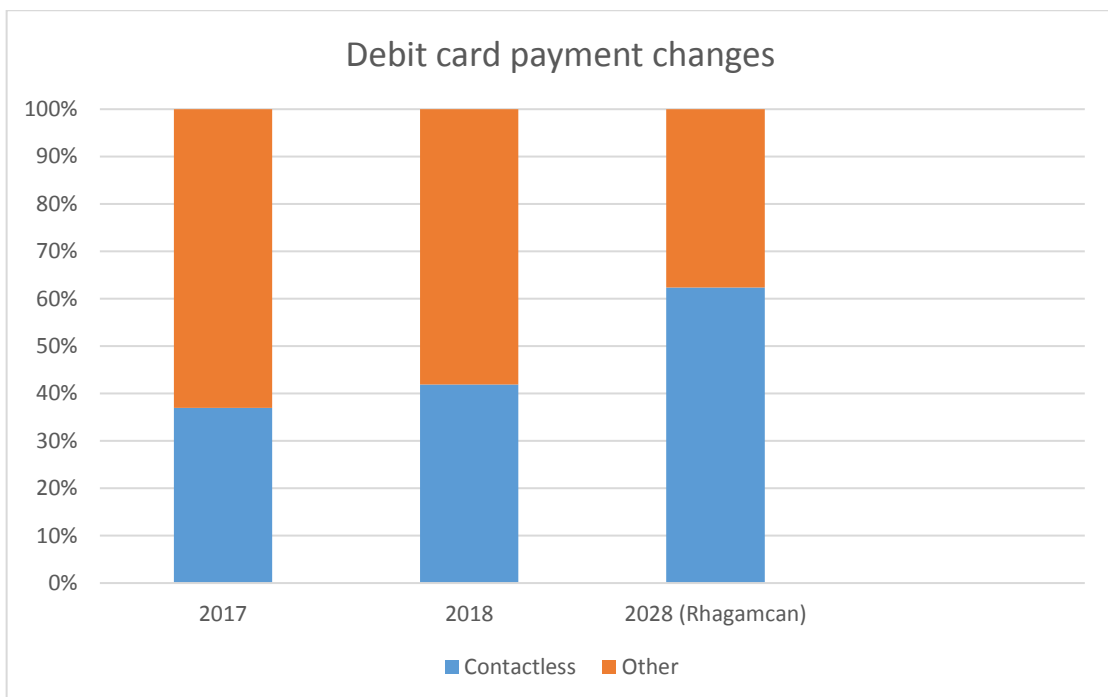
- Debit card payments will reach 22.3 billion in 2028 with contactless accounting contributing for almost two thirds of the total;
- By 2028, 50% of all payments will be by card;
- Cash will continue to be an important method of payment in 2028 with total payments of 3.8 billion.

#### 3.2 The change in the method of payment between debit cards and cash can be seen in the chart below:



Source: UK Finance

3.3 In relation to contactless payments, the summary notes that over a third (37%) of all payments in 2028 will be by contactless methods. The increase in the pattern of contactless payments can be clearly seen in the table below:



Source: UK Finance

#### 4. CONCLUSIONS

4.1 'UK Payment Markets Summary 2019' shows clearly that the use of cash as a method of payment is falling, with more and more now choosing to pay with contactless cards; However, technology will not be suitable for everyone and cash continues to be a method of payment used by many people. Because of this, it is critical that methods of payment with cash continue to be available.