

Access to and acceptance of cash during the COVID-19 outbreak

Westminster Hall Debate

December 2020

Introduction

Age Scotland welcomes the opportunity to brief Scottish MPs ahead of the Westminster Hall debate on access to and acceptance of cash during the COVID-19 outbreak.

The restrictions and national response to COVID-19 have underlined the importance of cash to the thousands of older people in Scotland who rely on it.

With the surge of bank closures, considerable drop in the availability of Automated Teller Machines (ATMs), recent retailer preference for contactless and card payments, or refusing cash at all, many older people in Scotland, particularly those on low or fixed incomes and in rural areas, have real difficulty managing their finances and paying for services.

While the use of cash plummeted during the months of national lockdown and the huge reduction in economic activity, long-term decisions about the provision and acceptance of cash should not be made on the back of short-term trends.

While cash-free transactions are becoming more common, they are by no means an option for everyone. Those most in need of cash risk being left behind. That is not progress.

Key concerns:

- Many older people, such as those on low and fixed incomes or a limited budget, prefer to use cash as a means of effective budgeting or because they are more comfortable with this form of payment.

Key statistics

- **140,000** adults in Scotland do not have bank accounts (FCA)
- **600** ATMs in Scotland have been removed since November 2019 – more than **10%** (LINK)
- **4,000** free-to-use ATMs in Scotland (LINK)
- **1,217** charge a fee for withdrawing cash – **23%** of all ATMs in Scotland (LINK)
- **15%** of older people responding to Age Scotland's online survey had difficulty accessing cash and banking services in April and May 2020
- **34% (472,204)** of over 60s in Scotland do not use the internet (Scottish Household Survey 2019)
- **25 million** people in Britain would face significant challenges in a cashless society (Access to Cash Review)

Age Scotland, Causewayside House, 160 Causewayside, Edinburgh, EH9 1PR

Tel. 0333 323 2400 Email: policycomms@agescotland.org.uk

Web: www.agescotland.org.uk Facebook: fb.me/agescotland Twitter: [@agescotland](https://twitter.com/agescotland)

Age Scotland is a registered charity (#SC010100), and company limited by guarantee (#153343), in Scotland at the above address.

- There are 140,000 adults in Scotland, a similar number to the population of Dundee, who do not have access to a bank account and rely on cashⁱ.
- There are approximately 900,000 Post Office Card Account (POCA) holders across the UK who receive their state pension and benefits to this account. The unbanked older population have historically relied upon this account to receive income. These accounts cannot be used for transactions, only to withdraw cash from the Post Office. This account service will stop in November 2021.
- Age Scotland has been concerned for some time about the reduction in the availability of free-to-use ATMs, which is in part due to the change in interchange fee from 25p to 20p.
- People on low and fixed incomes are hardest hit when using from one of the 1,217 fee charging ATMs in Scotland as they often withdraw smaller amounts of cash per transaction. These transaction fees vary depending on the operator, but they can be as high as £2.99 per transaction.
- Research from Which? has found the withdrawal of free-to-use ATMs was hitting more deprived areas the hardestⁱⁱ. This may mean those older people most in need are being left worse off.
- Systemic bank branch closures have also been happening at an alarming rate in recent years. Between 2012-19, the number of bank branches in Scotland fell by 18%, with the closure of 215 branchesⁱⁱⁱ. Most older people have a strong preference for face-to-face banking, citing trust and the avoidance of scams as motivating factors.

Access to Cash

Unbanked older people have been gravely impacted by the reduction in access to cash and its acceptance during the pandemic. There are 140,000 adults in Scotland who do not have a bank account^{iv}, which is 11% of the population and the fourth highest part of the UK behind the West Midlands (12%), North West England (14%) and London (20%).

Many unbanked older people may have been historically reliant on the POCA. Due to lockdown and the closure of Post Offices, they were temporarily unable to access cash and may have experienced difficulties paying for essentials. There has been a wider trend of Post Office closures in recent years. In March 2019, there were 1,388 Post Offices in Scotland^v. However, research by The Ferret has found Scotland experienced a net loss of 45 post offices since 2011^{vi}. 23 of these closures were in Ross, Skye, and Lochaber; Na h-Eileanan an Iar; and Argyll and Bute.

Accessing cash has also been a challenge for older people with bank accounts. For those without the internet who were shielding or self-isolating, paying for services or shopping once they had run out of cash was almost impossible. Age Scotland's helpline heard from older people who felt their only option was to hand over their card and pin to someone else, thus impacting their financial independence and posing a significant risk.

There was a sharp fall in availability of cash sources across the UK between March and June 2020. Up to 11% of bank branches and Post Offices and up to 12% of ATMs became unavailable because of business closures, restrictions on access and maintenance staff shortages^{vii}.

When access to cash across the UK was at its lowest, 24,831 people in Scotland had lost access to all prior cash sources within 3 miles^{viii}. Rural areas were particularly affected by the trend due to the wide geographic area between services. These areas also tend to have a larger proportion of older people. Mobile bank branches can be a lifeline for rural communities, but these services were withdrawn due to concerns about social distancing. It also took longer to restore these services promptly, which left many older people in rural areas cut-off from access to cash.

For many older people, going to the bank, cash machines or the Post Office, and shopping is part of their routine and social connectedness. The impact of lockdown and temporary closures of cash sources have had the unintended consequence of further exacerbating social isolation and loneliness among older people in Scotland.

Unsurprisingly, LINK data found the number of cash machine withdrawals in Scotland between April and September this year fell by 52% – the equivalent of £2.47bn – compared to the same period last year^{ix}. Several Scottish constituencies feature in the list of the largest reductions over the same period: Glasgow Central (71%); Orkney and Shetland (70%); Edinburgh East (66%); Edinburgh North and Leith (66%); Na h-Eileanan an Iar (65%) and Edinburgh West (64%)^x. Age Scotland is particularly concerned that this significant, but short-term, reduction in cash withdrawals due to the pandemic may accelerate the closures of bank branches and free-to-use ATMs in communities across the country.

Acceptance of Cash

Due to hygiene concerns, many retailers and businesses swiftly introduced default contactless and card payment options during the pandemic. However, research by Which? found 1 in 10 people were refused by shops when attempting to pay for essentials with cash^{xi}. 38% of customers who did not have an alternative payment method were left empty-handed when they attempted to pay for grocery shopping. Given wider concerns about access to food for vulnerable people during the pandemic, this is a particularly concerning statistic.

Our online survey in April and May 2020 of older people's experiences of COVID-19 showed that 15% of respondents had difficulty accessing cash and banking services and 39% struggled to get online grocery shopping deliveries. This suggests that even with access to the internet there was a need for cash and online options were not the panacea.

We are worried about the impact of the rapid move towards card or contactless payments by default on older people who are solely or largely reliant on cash. We would urge all retailers to be mindful of the needs of customers who do not have an alternative method of payment.

Online Banking

While the number of older people using the internet has increased over the course of the pandemic because of necessity or staying connected, there are nearly half a million over 60s in Scotland (34%) who do not. As such, they are unable to bank digitally and are largely reliant on face-to-face banking services for their financial independence. Moving to online payments can mean handing over control to someone else, particularly if the person struggles with technology or there are other accessibility barriers such as disability or affordability.

Telephone banking can also prove unsuited to the needs of older people, who may find the need to select options from a menu a barrier to accessing the service they require.

A first principle for Age Scotland is that the needs of older people must be adequately met by accessible financial systems and services, and that the appropriate support is provided for customers to adjust to new circumstances with confidence. People should not be left behind and excluded.

Policy Proposals

- The UK Government and Financial Conduct Authority should protect access to cash. We welcome the UK Government's commitment to introducing legislation to protect access to cash for those who need it.^{xii}
- Ensure cash is widely accepted as a form of payment.
- We believe financial inclusion of older people, those not online, the unbanked and who rely on cash must be a key consideration for banks and retailers as we recover from COVID-19 and beyond.

Want to find out more?

As Scotland's national charity supporting people over the age of 50, Age Scotland works to improve older people's lives and promote their rights and interests. We aim to help people love later life, whatever their circumstances. We want Scotland to be the best place in the world to grow older.

Our Policy, Communications and Campaigns team research, analyse and comment on a wide range of public policy issues affecting older people in Scotland.

Our work is guided by the views and needs of older people themselves.

Further information

Contact the Age Scotland Policy, Communications and Campaigns team:

policycomms@agescotland.org.uk

0333 323 2400

Twitter [@agescotland](https://twitter.com/agescotland)

Facebook [/agescotland](https://www.facebook.com/agescotland)

LinkedIn [Age-Scotland](https://www.linkedin.com/company/agescotland)

www.agescotland.org.uk

ⁱ <https://www.fca.org.uk/publication/research/financial-lives-consumers-across-uk.pdf>

ⁱⁱ <https://www.which.co.uk/news/2019/09/poorer-areas-hit-hardest-by-the-loss-of-free-cash-machines/>

ⁱⁱⁱ <https://researchbriefings.files.parliament.uk/documents/CBP-8570/CBP-8570.pdf>

^{iv} <https://www.fca.org.uk/publication/research/financial-lives-consumers-across-uk.pdf>

^v <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN02585>

^{vi} <https://theferret.scot/post-office-closures-scotland/>

^{vii} <http://www.bristol.ac.uk/media-library/sites/geography/pfrc/Where%20to%20withdraw%20-%20mapping%20access%20to%20cash%20across%20the%20UK.pdf>

^{viii} <https://www.fca.org.uk/insight/cash-and-covid-identifying-gaps-provision-during-covid-19>

^{ix} <https://www.link.co.uk/about/news/six-months-of-lockdown/>

^x <https://www.link.co.uk/about/news/six-months-of-lockdown/>

^{xi} <https://www.which.co.uk/news/2020/10/cash-refusal-threatens-peoples-ability-to-pay-for-food-and-medicine/>

^{xii} https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/871799/Budget_2020_Web_Accessible_Complete.pdf