House of Commons

Treasury Committee

Acceptance of Cash: Government Response

Second Special Report of Session 2024–25

HC 1128

Treasury Committee

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Second Special Report

The Treasury Committee published its Sixth Report of Session 2024–25, Acceptance of cash, (HC 324), on 30 April 2025. A letter from the Economic Secretary to the Treasury, and the Government Response was received on 27 June 2025 and are appended below.

Appendix 1: Letter from Emma Reynolds MP, Economic Secretary to the Treasury

I am writing in response to the Treasury Committee's (the Committee) report of 30 April 2025 on the acceptance of cash. I would like to thank the Committee for its inquiry and its recommendations, and I welcome the opportunity to respond.

In preparing this response, the Government has carefully considered the important issues rightfully highlighted by the Committee in its report. The Government recognises the importance of cash for the millions of people across the UK who continue to use it, including those who may be in vulnerable groups or face difficulties in accessing alternative payment methods. Cash continues to play an integral role in the UK's payments ecosystem and the Government is committed to ensuring consumers and businesses have a choice of payment methods to meet their needs.

In each of these important areas of focus, I would like to point to considerable activity, as well as procedures currently in place, which already give strong effect to the Committee's aims.

In September 2024 the Government secured a commitment from industry to ensure the rollout of 350 banking hubs by the end of this parliament and the FCA has also introduced a regime to protect access to cash. In June the Bank of England introduced its regulatory regime for wholesale cash, ensuring that financial institutions are able to continue to access and supply cash. Together, these initiatives support those reliant on cash, furthermore, businesses need access to cash deposit services in order to keep accepting cash and, therefore, support people's ability to continue to transact using cash.

The Government will also continue to monitor and evaluate relevant payments data, including data on consumer trends, payment preferences and experience of cash acceptance, in order to inform future policy. In addition, the Bank of England has committed to routinely including questions on cash acceptance when conducting surveys of consumers' payment preferences.

Furthermore, ensuring individuals have access to the appropriate financial products and services they need is a key priority for the Government. This is why I have committed to publish a Financial Inclusion Strategy later this year, alongside a supporting committee of consumer and industry representatives, which will examine the barriers consumers face to accessing products and what more industry and the Government can do to address them.

Full details of the Government's response to all the Committee's recommendations are contained in the appendix to this letter. I look forward to continuing to work with the Committee as the Government delivers on its ambition to support financial inclusion and ensure the UK's payments ecosystem remains world leading and works for everyone.

Emma Reynolds MP

Economic Secretary to the Treasury

Appendix 2: The Government’s Response

Recommendation 1

HM Treasury, the Financial Conduct Authority and the Bank of England must provide an interim assessment of the effectiveness of the access to cash regime as soon as is practical. This must include an assessment of whether the regime has affected the willingness of businesses to accept cash. (Paragraph 112)

The Government agrees with the Committee on the importance of assessing the effectiveness of legislation and measures put in place by the Financial Conduct Authority (FCA), to ensure they continue to function effectively and provide the best outcomes and protections for consumers.

The Financial Services and Markets Act 2023 granted the Financial Conduct Authority (FCA) responsibility and powers over protecting access to cash. The FCA’s access to cash rules came into force on September 18th 2024.[1] The FCA is required by law to keep its rules under review and is committed to monitoring the impact of their regime, including through receiving qualitative feedback about the access to cash regime and conducting regular engagement with stakeholders to understand how the regime is working in practice. Feedback from businesses will be particularly important to understand the initial impact of the rules on small businesses’ willingness to accept cash.

Early evidence shows that the FCA’s regime is having a positive impact. Since coming into force, LINK (the industry appointed body responsible for undertaking cash access assessment) has recommended 77 banking hubs, including 25 that would not have qualified or were previously rejected under the old regime. 21 deposit solutions have also been recommended, and LINK have seen improvements to services recommended in 15 locations that would not have been possible without the FCA’s rules.

1 PS24/8: Access to cash | FCA

Banking hubs are now also being opened faster than ever.[2] There are now over 70 temporary hubs open, ensuring that cash access provision remains continuous while permanent hubs are completed.

Moreover, evidence shows that these solutions have a positive impact on cash acceptance. Data from the banking hubs pilot scheme[3] showed that '*92% of businesses who used the Hubs were more likely to keep accepting cash*'. 80% of deposits were from local businesses[4] demonstrating the impact hubs are having on communities.

Furthermore, in 2024 Cash Access UK commissioned a social impact report assessing the impact of their banking hubs on businesses and communities. This showed:

- 80% of businesses have used their local hub since it opened
- 53% of firms said they saved time going to their nearest banking hub rather than having to travel further to a bank branch
- 47% of firms said the percentage of cash spent at their business increased since a hub was opened

Whilst it remains too soon for a formal evaluation of the access to cash regime, and early evidence of the regimes impact is positive, the FCA has committed to undertaking and publishing a formal review of the regime's effectiveness in due course. The FCA intends to confirm its timings in writing to the Committee this autumn.

The Financial Services and Markets Act (2023) also granted the Bank of England statutory powers to oversee the wholesale cash distribution industry, supporting the long-term sustainability of cash. On 5 June, HM Treasury recognised twelve firms as being 'market significant' for the provision of wholesale cash services and they were brought under the scope of the Bank of England's oversight regime with effect from 12 June.

Recommendation 2

HM Treasury, the Bank of England and the Financial Conduct Authority must ensure that the work of the Payment Systems Regulator on competition in payments markets is taken forwards during and after the consolidation of the Payment Systems Regulator into other regulators. (Paragraph 115)

2 6th-opinion-from-march-25-ccap-meeting.pdf
3 community-access-to-cash-pilots-report-december-2021.pdf
4 community-access-to-cash-pilots-report-december-2021.pdf

The Government supports the Committees' recommendation that the important work of the Payment Systems Regulator (PSR), underpinned by its objectives for payment systems, must continue during and after its consolidation.

The PSR continues to be an independent regulator with full access to its statutory powers in the interim. There are no immediate changes to its functions and its work will continue, including its important role in regulating innovation and competition in payment systems and ensuring payments systems work for the businesses and consumers that use them.

The PSR and FCA are taking steps to work closely together over the transitional period. This will help realise the benefits of a streamlined regulatory environment and make the transfer of functions to the FCA as smooth as possible.

The Government will consult on the details of transfer of responsibilities from the PSR to the FCA in due course and legislate as soon as possible.

Recommendation 3

HM Treasury must commit to ensuring that costs of accepting payments by payment method are transparent so that businesses of all sizes can make informed choices on payment methods. HM Treasury should commission work to produce a model of costs produced independently of payment providers. (Paragraph 116)

The Government agrees it is important that businesses and organisations of all shapes and sizes have access to clear and transparent information regarding payment methods. It is vital businesses are able to make informed decisions about the methods of payment they chose to accept.

There is currently data available from the British Retail Consortium[5] which provides a detailed and informative overview of the cost of offering and accepting different payment methods. The 2024 British Retail Consortium Payment Survey calculated the cost of processing cash transactions as £0.0258 per transaction. The average cost of processing a debit card payment was 0.27% of the value of the transaction. The cost of accepting specific payment methods will be unique to each firm and depend on a range of factors including size and the services they require.

Furthermore, there is ongoing work to ensure the cost of paying by card is affordable and clear. The PSR has consulted on plans to improve the transparency of scheme and processing fees for both merchants and

5 2024-payments-survey.pdf

acquirers.[6] This will allow firms to make better choices about the methods of payment they accept and the companies they partner with to provide specific services.

Recommendation 4

In discharging its responsibility for national security and resilience, HM Treasury must consider the value of physical cash in emergency preparedness. This may include recommending that cash is held by individuals in case of emergency, and considering what role cash distribution might play in a severe payment systems outage. (Paragraph 118)

Operational resilience is a vital part of protecting the UK's financial system. That is why we work in close cooperation with the financial regulators, National Cyber Security Centre, industry and our international partners to improve our resilience against threats of all origins, reduce vulnerabilities and ensure the financial services sector is as secure and resilient as possible.

To ensure financial institutions are resilient to operational risks, the sector's regulators (Financial Conduct Authority and Prudential Regulation Authority) have issued supervisory statements requiring them to identify important business services, set impact tolerances for disruption and put in place safeguards to ensure those systems remain within tolerance in the event of severe but plausible scenarios. The Bank of England also regulates and supervises systemically important payment systems for financial stability purposes. This includes providers, that operate the UK's main ATM and retail payment networks. The Bank of England works with the entities it regulates to promote collective resilience planning and preparedness in considering a range of substitutability options for payment services.

Recommendation 5

HM Treasury must broaden the terms of reference of the Financial Inclusion Committee on "digital inclusion and access to banking services" explicitly to address the risk that a two-tier economy will lock the digitally excluded out of the economy. HM Treasury must commit to reviewing internally and externally produced evidence on cash access and cash acceptance in the UK and make a public judgment on whether the system is equitably meeting the needs of consumers and businesses every five years. As financial digitalisation continues, HM Treasury must work to ensure that innovation in this space is guided by a commitment to inclusivity, rather than increasing the number of individuals who are digitally and financially excluded. (Paragraph 120)

6 CP25/1 Market review of card scheme and processing fees remedies consultation

The Government recognises that while digital innovation can help many to manage their finances, it can also exclude those who don't have the means or capability to access online services. In 2025, the FCA reported that digitally excluded individuals are the most likely to be unbanked. This is why the remit of the access to banking sub-committee was established with a specific focus on digital inclusion to consider the barriers that consumers can face in accessing digital services, and the sector's role in responding to these.

HM Treasury continues to work closely with the Digital Inclusion and Skills Unit, part of the Department of Science, Innovation, and Technology (DSIT), on the Government's wider digital inclusion priorities to address the barriers beyond financial services which can affect those who are digitally excluded. It is estimated that 1.6 million people in the UK are currently living offline[7] and around a quarter of the UK population have the lowest level of digital capability, meaning they are likely to struggle to use online services.

The Government has recently published the Digital Inclusion Action Plan which sets out the first steps we are taking towards ensuring that everyone, regardless of age, ethnicity, ability and social class, and across all regions and nations of our economy, has the access, skills and confidence to participate in, and benefit from, a modern digital society.

This work includes a focus on boosting digital skills and confidence, and widening access to devices and connectivity, and is an important step in the Government's Mission of kickstarting economic growth; promoting digital inclusion can enhance job opportunities, increase earning potential, and drive productivity and efficiency.

The Government's commitments to inclusion are reflected in the National Payments Vision, which sets an ambition for a trusted, world-leading payments ecosystem delivered on next generation technology, where consumers and businesses have a choice of payment methods to meet their needs. The Vision also welcomed the Garner Review recommendation to continually monitor the risk of financial exclusion through digital exclusion, including through the FCA's Financial Lives Survey.

The Government agrees with the Committee on the importance of reviewing internally and externally produced evidence, recognising that customer preferences and payment trends continue to evolve. The Government already considers a range of existing data sources to monitor the state of financial inclusion across the country, including data from the FCA and the Bank of England.

7 Consumer digital index | Lloyds Bank

Research by the Bank of England shows that, where a consumer did encounter a store that did not accept cash, only 6% were unable to purchase the item they wanted with the majority able to use an alternative payment method. Evidence from the British Retail Consortium[8] and the Association of Convenience Stores[9] demonstrates that retail cash acceptance remains high. By continually reviewing data and engaging with stakeholders, the Government is able to make informed decisions on how to best support the needs of businesses and consumers, including those at risk of digital or financial exclusion.

As a result, the Government does not believe there is a need to review data every five years, and instead it will continue to carefully evaluate available data on an ongoing basis.

Recommendation 6

The Department for Business and Trade, the Ministry of Housing, Communities and Local Government and HM Treasury must work together to challenge businesses and local government to set out how they are supporting financial inclusion, particularly for people who rely on cash due to their disabilities, in line with the Equality Act 2010. (Paragraph 121)

The Government agrees that it is important for businesses and local government to support financial inclusion, and they must uphold any legal obligations they have.

It is for individual businesses to decide which methods of payment they accept. However, broadly, the Equality Act (2010) prohibits service providers who provide a service to the public or part of the public, including businesses and local government, from discriminating against a person who requires the service because of a protected characteristic. In addition, service providers have a duty to make reasonable adjustments for disabled persons. However, the Act does not specifically mandate that cash must be accepted. Service providers should consider their obligations under the Act in relation to the payment methods they accept. For example, if only accepting non-cash payments places disabled customers at a substantial disadvantage, a service provider may need to consider putting in place reasonable adjustments.

Enforcement of the Equality Act 2010 is the responsibility of the Equality and Human Rights Commission (EHRC), an independent statutory body with the responsibility to encourage equality and diversity, eliminate unlawful

8 2024-payments-survey.pdf
9 ACS Local Shop Report 2024 (low res).pdf

discrimination, and protect and promote the human rights of everyone in Britain. The EHRC provide specific guidance for businesses and the public sector on how to meet their legal obligations.[10]

Furthermore, public sector entities are bound by the Public Sector Equality Duty (PSED), a legal requirement for public authorities and organisations carrying out public functions requiring them to consider, at the formative stage, the potential consequences of their decisions for people who share protected characteristics and to take these consequences into account before the decision is finalised. It should be noted that the Public Sector Equality Duty does not prevent public authorities from taking particular decisions. However, a public authority must be able to show that there has been proper consideration of the aims of the duty within the decision-making process.

Recommendation 7

There may come a time in the future where it becomes necessary for HM Treasury to mandate cash acceptance if appropriate safeguards have not been implemented for those who need physical cash, and the level of cash acceptance begins to lead to widespread detriment. To ensure that HM Treasury has the information it needs to make this decision, cash acceptance levels in the UK must be monitored to ensure we do not sleepwalk into a loss of cash acceptance for those who need it. HM Treasury must provide the Treasury Committee with annual reporting on cash acceptance levels and provide an analysis of HM Treasury's view of the tolerable level of cash acceptance in society. (Paragraph 122)

The Government agrees that levels of cash acceptance should continue to be monitored and is committed to continually monitoring and evaluating all relevant payments data, including data on consumer preferences and trends, in order to inform future policy and ensure consumers and businesses have a choice of payment methods to meet their needs.

Evidence shows that cash acceptance remains high. Data from the British Retail Consortium's 2024 Payments Survey[11] shows that 100% of survey respondents confirmed they still accept cash in physical stores. The Association of Convenience Stores[12] state that, across its members, cash is the most widely accepted method of payment with 99% of all stores accepting it. The Bank of England regularly collects data on consumers' payment preferences, including the consumer experience of cash acceptance. In January, the Bank of England expanded this data collection

10 Services, public functions and associations: Code of Practice | EHRC
11 2024-payments-survey.pdf
12 ACS Local Shop Report 2024 (low res).pdf

with a new question seeking to understand the impact of a business refusing cash on individuals. Where consumers did encounter a cash free store, 8% had to go to a different store to complete their purchase and 6% did not purchase the item they wanted at all. The Bank of England has committed to continuing to include this additional question on cash acceptance in its surveys of consumers, allowing the government another avenue to monitor cash acceptance levels and the impact of cash acceptance on an ongoing basis, alongside data from industry.

The Government believes that available evidence provides a detailed picture of cash acceptance that is wide ranging and regularly updated. Therefore, it does not consider there is a need for annual reporting but remains committed to evaluating relevant data on an ongoing basis.

Recommendation 8

In its interim assessment of the current cash access regulation (see Conclusions and recommendations for the UK), HM Treasury must include an assessment of how the problem of declining cash access is being tackled internationally. This must include an assessment of elements of, or all of, these approaches would work in the UK. (Paragraph 124)

The Government agrees it is important to continually monitor the impact of how cash access is being tackled internationally, recognising it is not alone in experiencing a decline in cash use and that measures used abroad could offer valuable learnings. The UK benefits from strong relationships with countries around the world and will continue to use these relationships to monitor global payments trends.

The Government keeps relevant international data under review, using it to monitor trends and inform future policy decisions. It will continue to monitor and assess developments in other countries, including levels of cash usage, cash acceptance and relevant policies.