

Written evidence submitted by Post Office Ltd

Executive Summary

When HM Treasury was consulting on access to cash before the introduction of the Financial Services and Markets Bill, Post Office, along with other businesses, believed legislative protections for cash acceptance were not strictly necessary so long as cash deposit services were easily and widely available. In other words, so long as deposit services were easily available, businesses would continue accepting cash as it is can be cheaper than paying merchant fees, especially for low-value transactions, and would ensure businesses are not turning customers away.

Although research from LINK last year showed that nearly half (45%) of people have been somewhere that has not accepted, or has discouraged the use of cash, Post Office continues to believe that with proper access to cash services, businesses should have the choice and availability needed to continue accepting cash.¹ Indeed, there are examples of small, local businesses encouraging payment in cash to avoid high merchant fees. Post Office believes that businesses should be able to choose how they operate and we are proud of our role in providing convenient and accessible cash services at thousands of branches across the country.

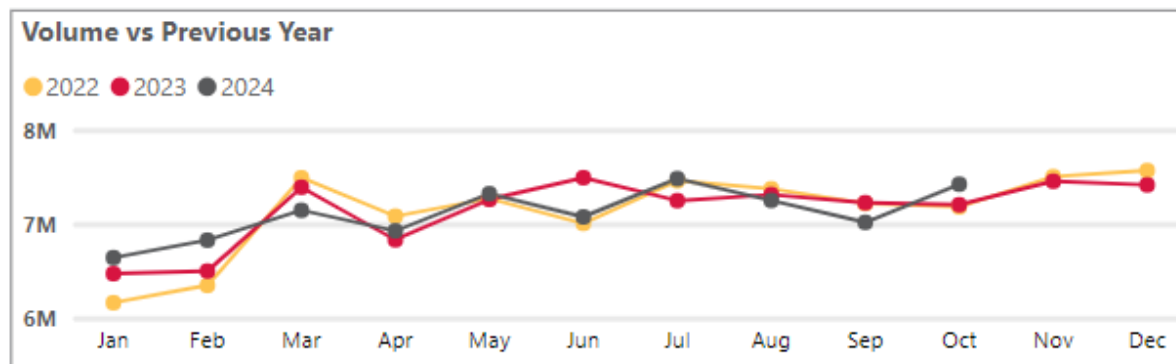
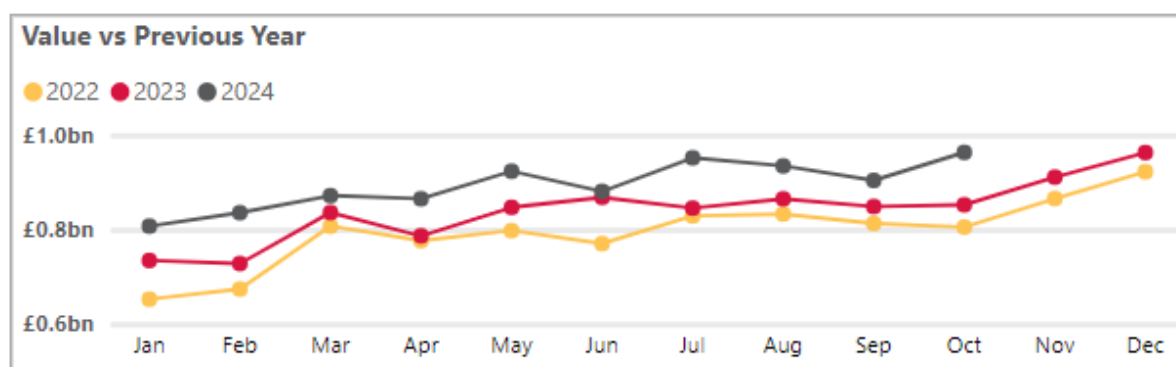
However, we recognise that cash is more than just a payment preference; for many living in rural areas or for groups like the vulnerable and elderly, cash is a necessity in everyday life. Post Office is concerned that with diminishing usage of cash these groups risk being excluded from accessing basic necessities or essential services finding it difficult or costly to accept cash. In addition to continuing to work with the industry in ensuring that cash services remain more broadly available, policymakers could therefore give further consideration to mandating that certain vital sectors accept cash if acceptance worsens.

Post Office and Cash

With more branches than all the banks and building societies combined, Post Office is the preeminent provider of free-to-access cash services the UK and is an integral part of the UK's cash infrastructure. Our network of over 11,500 branches, in each nation and every community of the UK, ensures that **99.6% of the population lives within three miles of a post office** and that more than 98% of the total rural population lives within three miles of a post office.² The establishment of our Banking Framework in 2017, combined with our own Access Criteria agreed with the Government, has created a standardised framework for UK financial institutions and thus a universal basic service for cash across the UK.

¹ <https://www.link.co.uk/news/cashless-britain-causing-problems-as-new-link-research-shows-one-in-five-inconvenienced-by-inability-to-pay-in-cash>

² Post Office Access Criteria, [Government Response to the 2016 Post Office Network Consultation](#); [Post Office Network Report 2023](#).

Figure 1: Volume of cash transactions at post offices across the UK**Figure 2:** Value of cash transactions across post office counters across the UK

According to the FCA's own data from June 2022, **Post Office branches make up more than 65% of all branch-based cash access points in the UK**, meaning we are a vital pillar of the UK's economic infrastructure and an even bigger part of its in-person provision.³ According to research conducted for Post Office by London Economics, half of SMEs use these services at their local post office, with around 15% of SMEs using these services at least once a month.⁴

Our Cash Tracker data reflects the vitality of cash services in supporting the UK's high streets, with data showing that **£3.69bn was transacted over Post Office counters in October 2024**.⁵ In the last few years, both the volume and value of cash transacted across post office counters in the UK has grown as bank branches close (see Figures 1 and 2). We underpin these extensive cash services with our own dedicated cash supply chain, providing a critical part of the national cash infrastructure that ensures in-branch services can operate.

While the arrangements we have in place with almost all the UK's banks through the Banking Framework help to address the problem of cash deserts, some communities have more specific or acute cash and banking needs. As such, in areas with high cash demand, we are partnering with Cash Access UK (CAUK) and banks to enhance the cash services we already provide through post offices **by introducing priority counters within Enhanced Banking Offices (EBOs)** and investing in technology such as cash counting machines to improve customer service. Meanwhile, in areas with demand for in-person banking services, we are **operating the Banking Hubs that CAUK are opening across the UK**, with 93 now operational.

With so many people reliant on cash, we have been a strong advocate for the legislation now protecting access to cash to ensure that the market declines in a managed way and does not disadvantage consumers or businesses. We welcome the steps that have been taken to make sure access to cash is easily available to the consumers and small businesses that rely on it for the immediate future.

³ Financial Conduct Authority, [Access to cash coverage in the UK 2023 Q1](#).

⁴ Post Office, London Economics report '[Part and Parcel: The Economic and Social Value of Post Office](#)'.

⁵ Post Office, [Cash Tracker](#).

Questions

Note: Rather than answer questions individually, we have grouped questions which we think are relevant to one another.

1. What is the current state of, recent trends in, and forecasts for cash acceptance in the UK?

Post Office does not have access to specific data on cash acceptance but can infer from its own deposits data that businesses, in particular smaller businesses, continue to accept cash while data from the British Retail Consortium suggests that cash usage actually increased slightly last year.⁶

Our Cash Tracker data, published monthly, reflects the vitality of cash services in supporting the UK's high streets. In the last few years, both the volume and value of cash transacted across post office counters in the UK has grown as bank branches close (see Figures 1 and 2).

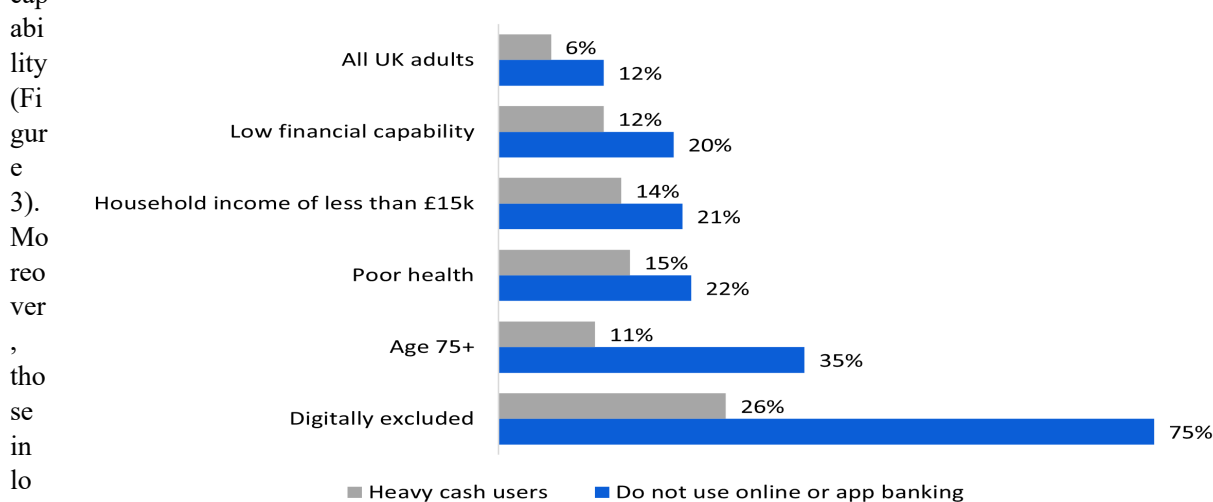
Post Office now repeatedly sees over £3.5bn transacted across our 11,500 counters in the UK, with personal deposits now regularly exceeding £1.5bn every month. Indeed, in October 2024, £3.69bn was transacted across Post Office counters, with £1.52bn deposited from personal accounts and £1.21bn deposited by businesses (which was up almost 4% month-on-month and up almost 8% year-on-year).

The ability to deposit takings is clearly still important to small businesses with recent research highlighting that two out of five SMEs (39%) agreeing that the availability of cash and banking services at post offices is important.

That small businesses still think the ability to deposit takings is important, and that business deposits have increased at post office in recent years, are both indicators of businesses continuing to accept cash.⁷

2. Are there groups in society that disproportionately rely on businesses and public services accepting their cash? What challenges do they face?

Again we can infer from the importance to particular groups of accessing cash that they would disproportionately rely on cash being accepted. **Evidence suggests that access to cash is important to a sizeable minority today**, especially among more vulnerable groups such as older people, those in poor health and those on lower incomes. For example, over 3 million UK adults pay for everything or most things in cash, and this is much more common among the digitally excluded, those in poor health, and those on low incomes (Figure 3).⁸ Similarly, the share who do not use online banking is higher among vulnerable groups such as the digitally excluded, those aged 75 or older, and those with low financial capability banking, 2022



r socio-economic groups are less likely to have internet access at home.⁹

⁶ BRC, [Cost of Living Drives Return to Cash](#). Cash increased to 11% of consumer spend (8% in 2021).

⁷ Although the increase in business deposits could also be attributed to customers migrating over to post office as a consequence of further bank branch closures.

⁸ Indeed, a rise in the use of cash in 2022 is thought to be related to the cost-of-living crisis with some consumers seeing it as a way to manage a tight budget. UK Finance (2023), 'UK Payments Markets 2023'. [See here](#).

⁹ 17% of groups DE do not have internet access at home, compared to 7% of the general population. Ofcom (2023), 'Adults' Media Use and Attitudes report 2023', [See here](#); Which? (2024), 'Bank branch closures: is your local bank closing?'. [See here](#).

Research from London Economics has emphasised these groups' particular dependence on cash and banking services, with cash and banking services especially important to those in social grades C2DE who placed access to cash and banking services as three times as valuable than those in the social grade ABC1. Similarly, vulnerable consumers also placed a greater value on cash and banking services than non-vulnerable consumers, with vulnerable consumers also more likely to find the provision of cash and banking services specifically at a post office as important compared to non-vulnerable consumers. **Vulnerable consumers valued cash and banking services 8 percentage points higher than those in ABC1** (42% compared to 34%) while, on using these services at a post office, 33% of vulnerable consumers said they used cash and banking services at a post office more than once a year (compared to 26% of non-vulnerable consumers).¹⁰

A separate YouGov survey on behalf of Post Office similarly found that those on low incomes and over 55 were also more reliant on cash and banking services. Of those earning less than £20,000, nearly one in four (23%) said they were dependant on their post office for these services, while one in five (20%) of those over 55 also said the same relative to the 15% of individuals overall who said they depended on their local post office. Access to cash was also deemed more important by those on low incomes and the elderly. While 38% of all consumers would feel excluded without cash, this increased to 47% of those aged 55+ and to 46% for those with lower household incomes. Similarly, a third of consumers would be less likely to shop in their local community without cash, but this increased to 38% of older people and 39% of those on lower incomes.

Rural regions and communities are also particularly likely to heavily rely on cash acceptance, given they are also much more likely to rely on cash and banking services in the first place. We can infer the importance of cash and banking services to rural communities from research by London Economics. This research demonstrated that individuals living in rural areas were hypothetically willing to pay more each month to maintain the Post Office network, compared to residents in urban areas (£11.98 vs. £10.99). Previous Post Office research only emphasises the importance of cash access to rural communities specifically. A 2021 survey conducted by YouGov on behalf of Post Office found that more than **two in five of those in rural areas used cash and banking services at least once a year at a post office** (compared to nearly one in three in urban areas), while those in rural areas were far less likely to have convenient alternatives to post offices that currently offer these services (34% compared to 45%). The same survey also found that those in rural areas were twice as likely as those in urban areas to depend on their local post office for cash and banking services (26% vs 13%). The FCA's consultation on Access to Cash also highlighted the importance of Post Office cash services for rural and smaller urban communities.¹¹

¹⁰ Royal Geographical Society, 2023. [Retail Banking Closures in United Kingdom](#).

¹¹ Financial Conduct Authority, 2023. [CP23/29: Access to cash](#).

- 3. Should the Government require parts of the economy to always accept cash? Are there sectors of the economy where cash acceptance is particularly important and should be protected?**
- 7. Are there any other areas or particular sectors where a decline in cash acceptance would cause problems?**

As highlighted above (see answer 2), there remain groups such as the vulnerable, elderly and those living in rural areas that disproportionately rely on cash and it is therefore not difficult to see how these groups could be excluded from parts of the economy should parts of the economy fail to accept cash.

Post Office is concerned that the likelihood of parts of the economy failing to accept cash could increase over time as the costs and logistics associated with dealing with cash make accepting it more prohibitive for businesses should they be looking to simplify their offering to reduce costs.

To mitigate against the risk of those relying most on cash being excluded from businesses and services they need, there is reason to believe that some sort of protection for cash acceptance could be mandated for **only the most essential sectors or businesses needed for everyday life** (for example like pharmaceuticals or services like gas and electric) in addition to ensuring the wider availability of cash services.

This does not mean to say that businesses should be stopped from choosing which payment options are right for them but policymakers should clearly think about how best they can protect those that need to use cash most to continue accessing basic services.

- 4. What are the practical challenges that businesses might face from having to always accept cash? How do these challenges differ between large and small businesses?**
- 5. What would the costs be, to private firms and the public sector, from any imposed requirements to always accept cash?**

There are clearly costs associated with accepting cash, both in terms of having somewhere safe and secure to store it and finding the time and place to easily deposit it without paying excessive fees. The latter is especially important to help businesses manage how much cash is kept on site and to better utilise their limited and valuable time. Ensuring that businesses have good access to free to use cash services, especially deposit services, is therefore important in giving businesses the choice and convenience they need to continue accepting cash.

In fact, many retailers, especially those selling essential services, are likely to want to continue accepting cash in order to serve as many different customers as possible; to avoid having to turn customers away and risk losing out on business. In other words, the cost of continuing to accept cash is arguably a small price to pay for smaller businesses to secure as much custom as possible.

On the other hand, large businesses can often negotiate lower merchant fees than small businesses, so they may well have a preference for that channel. In the past where cash may have made up a significant proportion of payments, the cash management operation in a large retailer could also be significant. With the overall decline in cash usage, these operations are likely now to be significantly reduced, prompting larger businesses to question the operational expenditure associated with cash for a diminishing proportion of their payments. There is a risk that some larger businesses may choose to stop accepting cash to reduce overall costs or to drive simplification in store, thereby excluding those groups which continue to rely on cash the most.

This only serves to highlight the importance of ensuring that all businesses have viable choice in terms of what payments solutions they prefer. Post offices play an important role in facilitating this choice by offering a convenient way of accessing cash services, providing a place for businesses to deposit takings which may make cash a more viable option for them. Many of our branches, especially in convenience stores and other retailers, are open beyond normal business hours and our nationwide branch network, which now includes 93 Banking Hubs, gives customers a choice of locations to better suit their needs.

Where there are costs and challenges, then, with accepting cash, these can be overcome or mitigated by ensuring that businesses themselves have good access to cash services; something which Post Office is committed to continuing to provide and innovate in in the coming years.

- With over 11,500 branches, Post Office has the largest retail network in the UK, with more branches than all the banks and building societies combined.
- 99.7% of the population live within three miles of a post office; and 4,000 branches are open seven days a week.
- **Post Office's Banking Framework is our partnership with over 30 banks**, building societies and credit unions that means 99% of UK bank customers can access their accounts at their local branch.
- Post Office's monthly cash tracker regularly reports that **over £3bn is transacted by personal and business customers throughout the Post Office network every month**, around £2bn of which is made up of deposits.
- In **October 2024, Post Office saw** £3.69bn passing across post office counters – consisting of £2.73 in deposits and £928m in withdrawals.
- Post Office is collaborating with Cash Access UK and the industry to setup and operate the Banking Hubs being rolled out across the UK. **Postmasters and their staff operate (at the time of writing) all 93 Banking Hubs currently open.**
- Post Office **supports nearly 50,000 full-time equivalent (FTE) jobs across the UK.**

December 2024