



Treasury Committee

Treasury Committee: Acceptance of Cash inquiry summary form

Member and constituency: Wera Hobhouse, MP for Bath

Date of roundtable: 16/01/2025

Number of participant groups: 7

In accordance with the Treasury Committee's call for constituency input on their inquiry into the acceptance of cash, Wera Hobhouse MP for Bath held a roundtable discussion on 16/01/2025 with relevant constituency stakeholders. She reached out to 18 stakeholder groups for representations, four attended on the day and three submitted written representations.

The participants included representatives from: the busking/street performing community, a local bus operator, local trade/business associations, a rural community shop, a local visitor attraction/museum, and a central Bath church. What follows is a summary of their combined submissions:



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Topic 1: What challenges are faced by individuals and businesses who rely on cash?

Communities that Rely on Cash:



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- Elderly customers- high reliance on cash, especially elderly customers who may lack access to digital payment methods.
- Buskers & street performers- income is predominantly cash-based, though many buskers now use card machines (which of course attract transaction fees).
- Tourists- tourists are more likely to tip and travel with cash; cash makes tipping feel more personal and legitimate. Some nationalities/cultures prefer to carry and spend cash at home and abroad- accepting cash is therefore part of our international welcome.
- Rural businesses- local rural businesses reported to their trade association that around 30-35% of trade is cash-based, particularly among smaller businesses.
- Local bus service users- whilst the fleet is equipped with tap-on/tap-off technology suitable for use with debit/credit cards and contactless, approximately 10% of transactions on our local buses are reportedly still made with cash. These transactions are often made by the passengers in the most deprived communities who most rely on our services to access employment and social opportunities. Assuming that these passengers are mostly unbanked, these employment and social opportunities would not be available to them without a cash payment option on buses.
- Children- school children do not routinely have access to debit / credit cards. To not accept cash could restrict income generation for museums and local tourist attractions that are often visited by school groups.

Access and Availability of Cash:

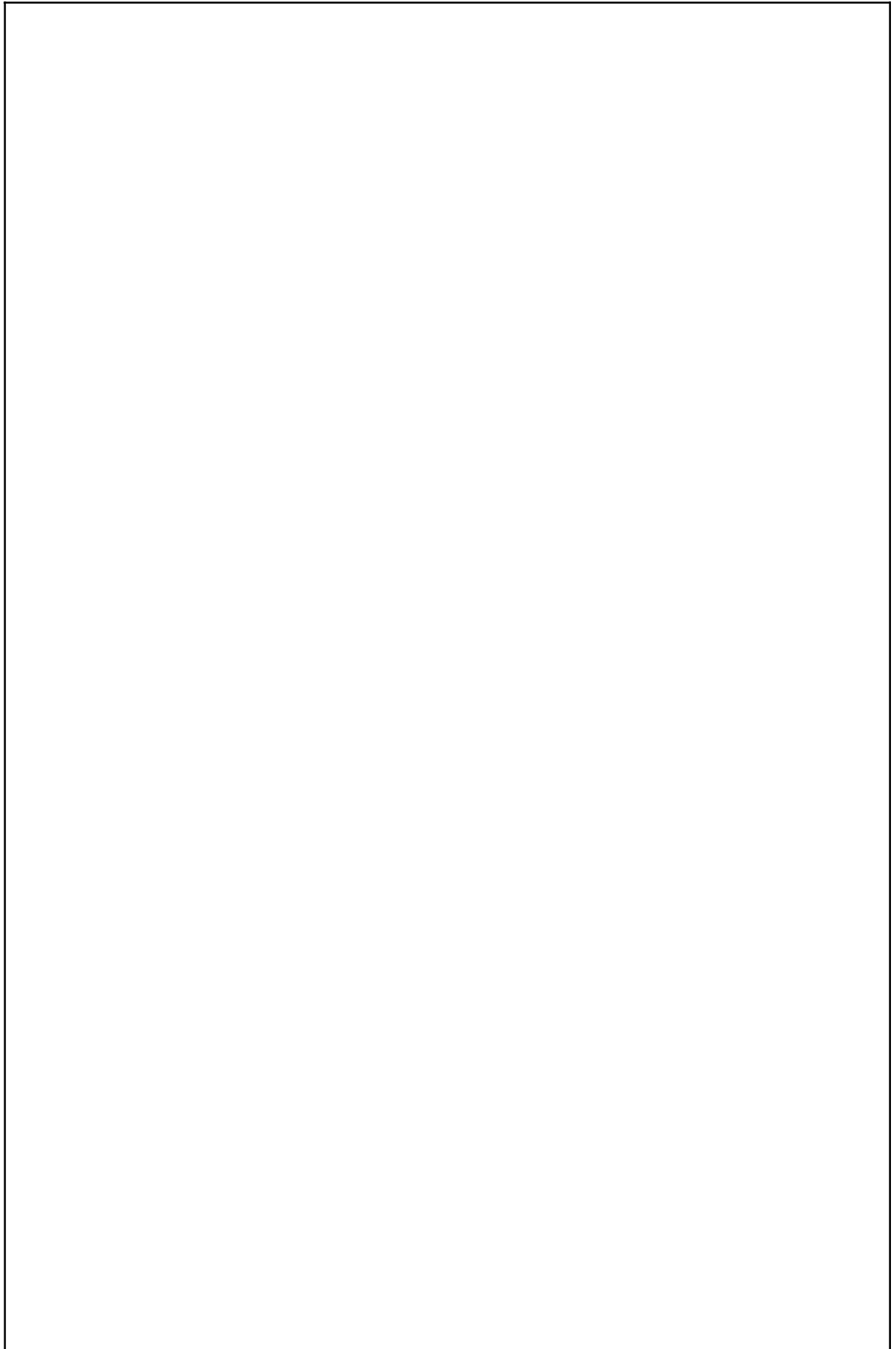
- Limited access to banks and post offices in rural areas makes depositing and withdrawing cash challenging. For the rural shop, cash machine restocking requires external cash withdrawals- they are also required to give a post office 2 weeks notice when withdrawing cash, leaving them stuck in emergencies.
- Some businesses, particularly rural businesses, are forced to travel significant distances to secure cash.
- It is particularly difficult for businesses to obtain £5 notes and coins as cash machines do not deposit them.
- One business has had to develop creative solutions, such as forming an agreement with a local toll bridge for change in exchange for bank transfers, to avoid delays and additional costs.
- Limited banking services for depositing coins. Buskers have had to form relationships with local businesses for coin exchange.

Financial and Logistical Cost of Cash:

- Security concerns when handling large amounts of cash.
- Restocking cash machines often involves withdrawing cash from other ATMs, incurring additional costs.



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Despite logistical difficulties, cash remains cheaper for businesses than card transactions due to high commission fees on card payments.



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Technological Challenges:

- A Rural shop reports that 50% of customers now don't carry cash and 18% don't carry cards - paying via phone or wristwatch. However, businesses in rural areas often suffer from broadband issues that can cause real connectivity issues making card payments impossible. Cash serves as an essential backup during outages.
- These technological failures can also lead to significant financial losses for businesses. The rural shop reports that they had 5 weeks without broadband last year and lost thousands of pounds. Despite having an ATM on site, many customers are unable to take out cash in these instances as they do not carry cards, opting to shop via phone/watch.

Reputational and Social Risks/Impact:

- Nighttime economy- cash acceptance is declining. These businesses risk alienating certain customers, such as tradespeople who may prefer cash transactions.
- Some tradespeople reportedly avoid cashless pubs and bars, impacting business reputations.

Hygiene and Environmental Concerns:

- Coins carry dirt and germs and passing coins from one person to another can lead to the spread of disease. (Although modern polymer notes are said to be less likely to spread germs.)
Reducing cash use could lower the consumption of plastic polymers in banknotes, contributing to environmental benefits.

Security and Safety Concerns:

- Businesses and buskers face security challenges when handling large amounts of cash.
- Limited - and very expensive - secure options for cash storage and transport exacerbate risks.
- But, with the rise of AI and online fraud, having cash as a reserve can also be a safe option.
- Individuals and businesses that rely on cash are less exposed to hacking/scams.

Proposed solutions:

- Legislative support to mandate cash acceptance and improve access to banking services for deposits and change.
- Cash issues more pronounced in rural areas than urban ones- encourage banks to continue mobile banking services in rural areas.



Topic 2: What challenges would business experience if they were required always to accept cash?

Rural vs. Urban:



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- Rural businesses may find it easier to manage cash than card systems due to technological and banking limitations.
- Some retailers and hospitality outlets may resist mandatory cash acceptance due to logistical and operational costs.

Security Concerns/Risks:

- Businesses would incur additional security costs. Having a safe/CCTV/writing cash handling procedures such as dual-control procedures/insurance costs/risk of break-ins/risk in transferring cash to local banks.
- Cash storage increases the risk of theft and makes businesses a target (e.g., charity shops or businesses known to hold cash). It also increases the risk of violence against employees.
- Physical cash handling (e.g., for filling cash machines) can require significant sums to be stored on-site, raising security concerns.
- Businesses would need to keep up to speed with counterfeit trends, training and equipment to spot counterfeit notes.
- Cash payments are anonymous whereas digital payments have identification attached.

Logistical Concerns:

- Managing and storing cash on premises is complex, especially for businesses without adequate secure facilities.
- Direct cost to businesses- e.g., bus drivers must be paid an additional allowance to count and secure the cash, as well as the cost of having the cash collected from each depot and securely transported for payment into the bank.
- Difficulty in deciding how much cash to keep on hand to meet customer needs.
- Tax systems now require digital reporting, creating friction when reconciling cash transactions.
- Independent businesses, particularly tradesmen, struggle with adapting to mandatory digital tax systems despite their need for cash- particularly for older people less confident with technology.
- On local buses, the use of cash increases boarding and alighting time, slowing down journeys with a resulting economic disadvantage to passengers and an impact to business in terms of fleet and driver requirement.



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**Topic 3: Should Government in some way protect the acceptance of cash?
Should be by law, by regulation on firms and banks, or in guidance?**

- All stakeholders agreed the Government should in some way protect the



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acceptance of cash. There was unanimous support for this to be done by law, as guidelines alone were considered insufficient.

- A change in the law would ensure that cash remains a viable option at least until underlying challenges are addressed, including: cost considerations for businesses, convenience for cash-reliant demographics and accessibility for people without access to banking systems.

Accessibility:

- Ensuring that all businesses accept cash would provide a safety net for vulnerable groups and create a more equitable system.
- Cash helps individuals manage their budgets better, preventing overspending.
- Vulnerable groups, including those without bank accounts or those unable to use digital payments, rely on cash exclusively.
- Some individuals, such as disabled constituents or the homeless, can only transact with cash due to systemic barriers.
- Many small businesses prefer cash - stall holders, markets, mini-cab drivers etc.
- For bus operators there are clear business and wider passenger benefits to not accepting cash including faster journeys and reduced business cost. However as a proportion of passengers are solely reliant on cash, the local bus operator is not in a position to disallow its use on all of their services. They suggested the government should work with the financial services/fintech sector to promote a solution for the unbanked more generally across sectors, not just for transport, and not specific to certain geographies. This should be a national system whereby a preloaded card is widely promoted and accessible, and can be easily topped up with cash in large numbers of local outlets across the country. This would need to be a national system – a number of bespoke, local systems already exist in the bus sector, but these use technology which is peculiar/specific to the transport sector, have narrow geographical scope and are difficult to make easily accessible to customers. As a result, the use of these bespoke systems is currently limited and the costs of administering them are high. The operator has offered to roll out pilot cashless schemes in a limited number of areas to test their viability and acceptance among our customers and would be happy to share the outcomes with HM Treasury.



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Application of legislation:

- Any legislation should not be limited to businesses making small transactions to be as inclusive as possible. Businesses handling larger transactions should also accept cash to avoid passing on card costs to consumers.
- Some stakeholders argued that the legislation should be reviewed every five years in light of technological developments/cash usage trends.

Please return this form to treascom@parliament.uk by Friday 24 January.