

Written evidence submitted by the Association of Convenience Stores

1. ACS (the Association of Convenience Stores) welcomes the opportunity to submit evidence to the Treasury Committee's Inquiry into the acceptance of cash. ACS represents 50,387 local shops and petrol forecourt sites including Spar UK, Costcutter and thousands of independent retailers, many of which trade under brands such as Spar, Budgens and Nisa. These retailers operate in all locations, such as neighbourhoods, villages, on petrol forecourts and in city centres, but our primary trading location is in secondary shopping areas close to where people live and work.
2. Convenience retailers operate consumer-led businesses that are adapting to evolving customer preferences for payment services. Almost all convenience stores accept both cash and card payments, and despite the increasing use of debit and credit cards, cash continues to play a critical role in the sector¹. With an average basket spend of approximately £8.04², nearly half of transactions in independent convenience stores are still completed using cash.
3. Rather than a straightforward transition from cash to card, payment methods in the convenience sector are diversifying. While cash usage is gradually declining, it remains a significant payment method and is expected to do so for at least the next five years. We support active management of this transition, ensuring it does not isolate or disenfranchise consumers who rely on cash for their everyday spending.
4. Convenience stores play a vital role in ensuring cash access within communities, especially where traditional banking services are absent. They provide a range of services, including cashback (available in 71% of stores), free-to-use ATMs (42%), Post Offices (20%), and pay-to-use ATMs (10%)³. Notably, 60% of consumers rely on convenience store ATMs to withdraw cash, highlighting their importance in maintaining access to cash⁴. ACS is therefore supportive of recent regulatory interventions aimed at safeguarding cash access and actively engages with key stakeholders, including the FCA, PSR and LINK on this matter.
5. Although 99% of convenience retailers accept cash, ACS remain payments neutral and does not support the mandatory requirement for retailers to always accept cash due to the potential financial and operational burdens it could impose.

Answers to the call for evidence questions are on the next page.

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

6. Up until the Covid19 pandemic, 4 in 5 shopper baskets in the UK's independent convenience stores were settled with cash. The pandemic – and especially the lockdown – prompted higher use of payment cards in independent convenience stores⁵.

¹ Retail Data Partnership: Evolution of Payments in the UK's Independent Convenience Stores

² ACS Local Shop Report 2024

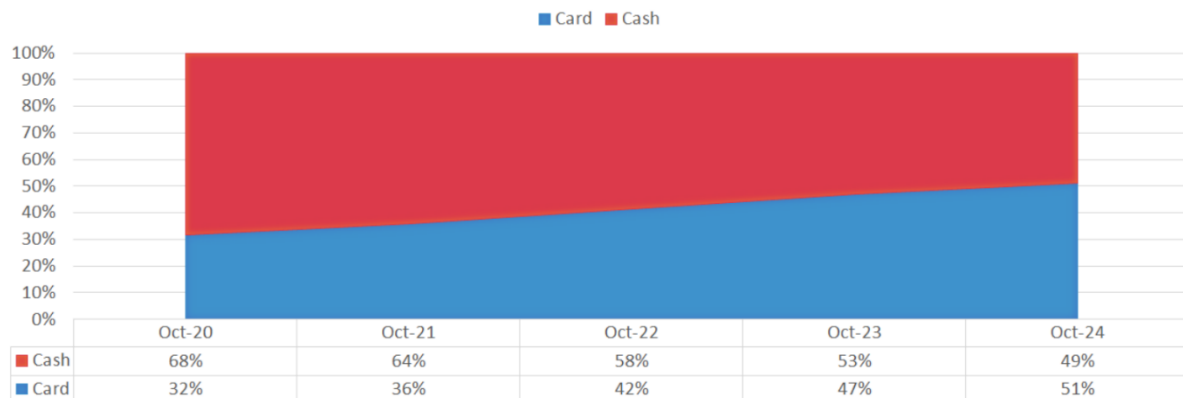
³ ACS Local Shop Report 2024

⁴ ACS Community Barometer 2023

⁵ Retail Data Partnership: Evolution of Payments in the UK's Independent Convenience Stores

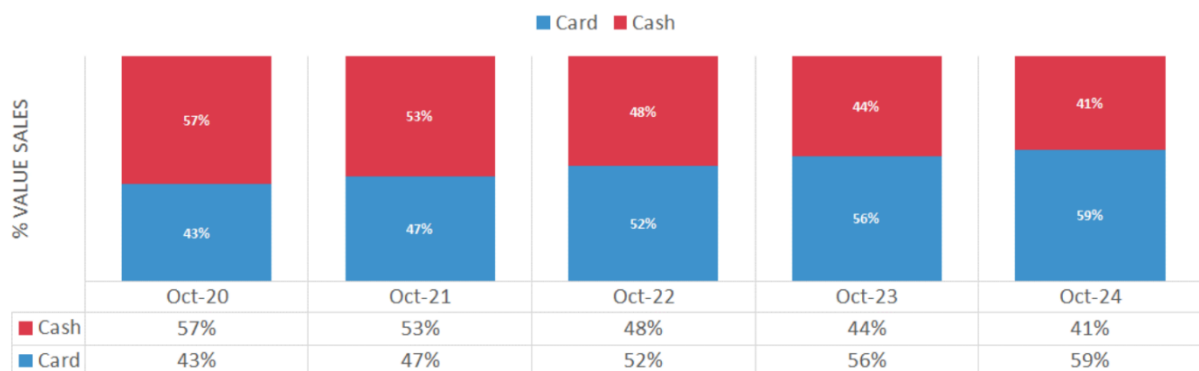
7. The three graphs below provide an overview of the changing payment methods in independent convenience stores over time, looking at data in the month of October from 2020 to 2024. Figure 1 shows a sharp decline in the proportion of baskets paid for with cash, dropping from 68% in 2020 to 49% in 2024. This is data from the Retail Data Partnership that collects data from 3,500 independent and symbol group retailers from their electronic point of sale (EPOS)/ till data.

8. *Figure 1: Percentage of Baskets by Payment Type: Cash vs Card*



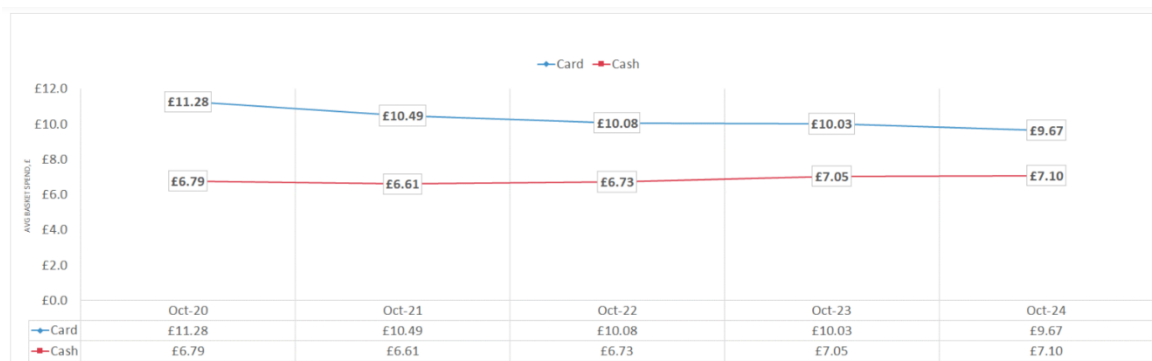
9. In contrast, Figure 2 shows a slightly more gradual shift in the value of sales, with cash accounting for 57p of every £1 of sales in 2020 compared to 41p in 2024, suggesting that while cash is losing ground overall, its use for higher-value transactions has decreased at a slower rate than its share of total baskets.

10. *Figure 2: Value of Sales by Payment Type: Cash vs Card*



11. Figure 3 emphasises the divergence in average basket spend by payment type. Over time, the average basket spend for card payments consistently exceeds that of cash, with the gap widening slightly. By 2024, the average card transaction is £9.67 compared to £7.10 for cash.

12. *Figure 3: Average Basket Spend by Payment Type*



13. These graphs highlight a clear consumer shift toward card payments, particularly for larger transactions, as seen in the growing proportion of value sales and higher average basket spend for card payments. However, cash remains important for smaller purchases and is expected to continue playing a key role in convenience store transactions for at least another five years.

14. The use of payment methods within the convenience sector varies depending on basket spend. For example, convenience retailers trading from larger format sites or petrol forecourt sites with bigger basket spends see higher proportion of card payments and lower portion of cash payments.

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

15. Certain groups in society disproportionately rely on businesses and public services accepting cash. Data from the RSA and LINK's 'The Cash Census Report' finds that people on lower incomes often prefer using cash as a practical way to budget and track their spending, whilst many may lack access to digital payment methods or feel more comfortable using cash for transactions⁶.

16. The report also finds that younger people are still significant users of cash with many falling into the "cash keeper" category identified in the census. This group, predominantly under 35 and living in urban areas, often relies on cash for budgeting and prefers the sense of control it provides. They tend to make frequent, smaller withdrawals and are the most likely demographic to keep cash at home. Despite being tech-savvy and open to digital payments, many Cash Keepers have concerns about privacy and fraud, and they value cash as a reliable fallback for emergencies or specific transactions. This highlights that cash remains relevant across all age groups, not just older generations.

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?

17. Although 99% of convenience retailers accept cash, ACS remain payments neutral and does not support the mandatory requirement for retailers to always accept cash due to the potential financial and operational burdens it could impose.

18. The continued lack of investment in the ATM interchange fees that fund the provision of a free to use ATM network across the UK means that the ability to access and process cash will become more

⁶ RSA & Link – The Cash Census 2022

challenging and costly for customers and businesses. Retailers have no control over the decline in these fees, often resulting in ATM provision in stores being removed or moved to pay to use.

19. As the network for cash access declines and consumers preferences shift towards digital payments, retailers need the autonomy to decide what payments methods they accept across their premises.

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?

20. Convenience retailers are guided by their customers' payment preferences. If consumers want and are able to continue paying with cash, retailers will support this until it becomes financially unviable.
21. The costs that retailers incur to deposit cash vary significantly depending on factors such as store location, supplier agreements, and chosen banking methods. Typically, depositing cash through a high street bank costs between 40p and £1.50 per £100. Some retailers use other services, where they may be charged a flat fee for cash pickups and deposits. Many others choose to deposit cash through the Post Office. Individual businesses carefully evaluate these banking costs, balancing them against the overall value that accepting cash payments brings to their operations.
22. As outlined above, if convenience retailers are required to accept cash, they will face increased costs related to securing, transporting, and banking relatively low volumes of cash, given the current trajectory of cash usage. It is therefore crucial that retailers retain the autonomy to accept payment methods that align with their customers' needs. These preferences will vary depending on individual store profiles, such as location (urban vs. rural), customer demographics, and basket size.
23. Handling cash presents operational challenges, including costs associated with securing and managing it, the risk of theft, and the administrative burden of making cash deposits at banks. For smaller retailers, these challenges are often more pronounced, as they typically have fewer resources to absorb the associated costs and risks. Additionally, they may face difficulties accessing nearby banking facilities to deposit their cash.

5. What would the costs be, to private firms and the public sector, from any imposed requirements to always accept cash?

24. See question 4.

6. How might any such requirement for cash acceptance affect financial services firms? How would any requirement especially affect business involved in the provision of cash?

N/A

7. Are there any other areas or particular sectors where a decline in cash acceptance would cause problems?

N/A