

Cash is not what it used to be

At the end of September the old paper £50 and £20 notes will no longer be legal tender.

In 2010, 56% of all payments were made in cash, according to UK Finance. Five years later, the proportion had fallen to 45%. Cash was already rapidly losing favour by 2019 – the number of transactions in that year was less than half the level of 2012. Then along came Covid-19.

The pandemic hit cash use in three ways:

1. Lockdown saw many shops shut and entertainment, hospitality and travel grind to a halt. These were all sectors where cash represented a relatively important and regular method of payment.

2. At those consumer-facing businesses that remained open, such as supermarkets, the public were encouraged to pay by card instead of by cash to minimise physical contact, with a preference in particular for contactless payments.

In 2020, over a quarter of quarter of payments were made by contactless cards.

3. The closure of many retail outlets drove sales online, further reinforcing the use of card over cash.

The net result for 2020 – the latest year for which figures are available – was that cash payments fell by over a third, accounting for just 17% of transactions. The big winner from the demise of cash was the debit card, which provided 44% of all payments in the year. It was only in 2017 that rising debit card use caught up with declining cash use.

So where does that leave the future of cash? During 2020, one in four people used cash just once a month or less frequently. If you are in that category, you

you have in your purse or wallet.

If you have any £20 (Adam Smith) or £50 (Matthew Boulton James Watt) paper notes, then these will cease to be legal tender on 30 September. After that date, only polymer £20 (JMW Turner) and £50 (Alan Turing) notes will be legal tender. Banks may still accept the old notes, but businesses will not.

As a back stop, the Bank of England will always exchange withdrawn notes, but it is much easier to spend or bank the notes before the end of September.

Social media suggestion As the Bank of England withdraws the old £20 and £50 paper notes on 30 September, more and more people are using cards as their primary payment method. #cash #contactless #debitcard #Covid19 [insert link] 190 characters without link