

# Will we soon be a cashless society?

Have you ever wondered what it would be like to never use cash again? No more ATMs on our high streets, no loose change languishing down the back of the sofa, and no pennies under the pillow when the tooth fairy comes to visit. It may sound farfetched, but this could become a reality sooner than we think.

The idea of a cashless society is one of several topics we discuss in our up-and-coming series of complimentary online speaker events called **Invested in the Future** <<http://www.sanlamfutureseries.co.uk/>>. Ahead of the **Future of Money** <<https://www.sanlamfutureseries.co.uk/events/money.php>> event, we examine what moving to a cashless society could mean in practical terms, and how such a fundamental change to the way we live will inevitably bring benefits and concerns in equal measure.

## A world without cash

The global pandemic has accelerated the adoption of contactless payment as retailers were forced to decline cash payments to help prevent the spread of the virus. But despite that, we have been gradually moving away from physical currency for many years thanks to online banking, contactless payment, secure payment apps like PayPal, and the arrival of devices that enable instant payment, such as smartphones and watches.

Indeed, in 2009 cash was used for 58% of all payments in the UK. By 2019, that figure had dropped to 23%<sup>[1]</sup>. The total value of digital financial transactions is set to grow by 12.8% a year<sup>[2]</sup> to £341 billion by 2025, and mobile point-of-sale payments (such as ApplePay, Google Wallet and Samsung Pay) are set to grow 22% a year<sup>[3]</sup> to £171 billion by 2025.

In addition, the advent of digital currencies such as Bitcoin or Facebook's 'Libra' (which launches next year) could mean that more of us will soon be juggling different currencies via our mobile wallets.

## The pros and cons of a cashless society

But with a significant change in consumer behaviour and widespread adoption of new technology, benefits and concerns will inevitably surface along the way:

### Hygiene

- Physical cash is known to be responsible for the transmission of infectious disease, and the recent pandemic will accelerate the need to move away from handling money. However, pin pads on payment machines are also breeding grounds for germs, meaning minimum contactless transaction amounts will continue to increase. This could heighten the risk of theft until retinal or facial recognition becomes commonplace, like Alibaba's 'Alipay', which introduced "smile-to-pay" facial recognition at point of sale in China.

### Financial crime

- According to the National Crime Agency, money laundering costs the UK as much as £100 billion a year<sup>[4]</sup>. Moving to digital financial transactions will make it harder for drug cartels, terrorists and other criminals to hide money. Similarly, with fewer people carrying money, personal robbery crime could decrease – particularly in poorer countries and areas of society.
- Counterfeit notes could also become a thing of the past! According to the Bank of England, in the first half of 2020, around 94,000 counterfeit banknotes with a face value of £2.1 million were taken out of circulation<sup>[5]</sup>.
- On the other hand, a new kind of threat emerges. Cybercrime is a global issue, and protecting our money from scammers and hackers is a key concern for banks, businesses and consumers. As criminal activity becomes increasingly sophisticated, security systems will need to keep pace in protecting our data and accounts from fraud.

## Data mining

- Using spending data to predict future behaviours and events is already commonplace and has its advantages and disadvantages. Some people welcome the fact they are receiving highly targeted and timely adverts, while others find it intrusive and a threat to their privacy. An example of this is buying a product online through one website, only to receive adverts for that company, or a related company, on a social media platform or other website. Governments around the world are struggling to get ahead (and stay ahead) of data mining and data protection from a legislative perspective, yet it is imperative they do so.

## Budgeting

- If every single monetary transaction is digitally recorded, it makes it much easier for us to monitor our spending and budget accordingly. However, digital spending can also encourage overspending; it's easy to swipe, tap or click without getting a sense of your money physically disappearing. Consumers may have to rethink how they manage their spending in the future.

## Travel

- As the world becomes 'contactless', travelling abroad will become easier and safer with no need to exchange large sums of money before you go. Instead, mobile devices and multi-currency apps will do the hard work for us. That said, we will have to remain astute to exchange rates and fees if we don't want it to cost us more in the long run.

## Isolating sections of society

- The younger generation has eagerly adopted contactless payment, but for people who are not able to transact online, or who can't afford a smartphone or laptop, moving to a cashless society could have devastating consequences. Already some practices are isolating whole sectors of society. According to a YouGov survey, 12% of British people don't use their bank's online services at all, and 26% of people still manage their money at their local bank branch.**[vi]**

## The cost of financial transactions

- The advent of online banking has, in general, resulted in lower bank charges and faster payments. However, as we move to a cashless society, payment processors could use this an opportunity to cash in or exploit our reliance on digital payments by charging a transaction fee.

Sweden is often held up as being at the forefront of moving towards a cashless society. By 24 March 2023, it hopes to be no longer accepting cash as a means of payment. In 10 years, the country has gone from 40% of people using cash to just 10% through innovative technology initiatives, and a collective desire to lead the trend**[vii]**. Only time will tell if the UK can follow suit, but we are well on our way to experiencing the impact of this change, and the future of money as we know it is no longer a given.

*Make sure you register for our Future of Money event where we ask Stephen King, renowned global economist about this very topic and more. **Register now. <***  
**<http://www.sanlamfuturseries.co.uk/events/money.php>.>**

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**[i]** [www.ukfinance.org.uk/system/files/UK-Payment-Markets-Report-2020-SUMMARY.pdf](http://www.ukfinance.org.uk/system/files/UK-Payment-Markets-Report-2020-SUMMARY.pdf)

**[ii]** [www.statista.com/outlook/296/156/digital-payments/united-kingdom?currency=gbp](http://www.statista.com/outlook/296/156/digital-payments/united-kingdom?currency=gbp)

**[iii]** [www.statista.com/outlook/331/156/mobile-pos-payments/united-kingdom?currency=gbp](http://www.statista.com/outlook/331/156/mobile-pos-payments/united-kingdom?currency=gbp)

**[iv]** [www.nationalcrimeagency.gov.uk/news/national-economic-crime-centre-leads-push-to-identify-money-laundering-activity](http://www.nationalcrimeagency.gov.uk/news/national-economic-crime-centre-leads-push-to-identify-money-laundering-activity)

**[v]** [www.bankofengland.co.uk/banknotes/counterfeit-banknotes](http://www.bankofengland.co.uk/banknotes/counterfeit-banknotes)

**[vi]** [yougov.co.uk/topics/finance/articles-reports/2020/01/21/third-brits-dont-use-mobile-banking](http://yougov.co.uk/topics/finance/articles-reports/2020/01/21/third-brits-dont-use-mobile-banking)

**[vii]** [www.riksbank.se/en-gb/payments--cash/payments-in-sweden/payments-in-sweden-2020/1.-the-payment-market-is-being-digitalised/cash-is-losing-ground/](http://www.riksbank.se/en-gb/payments--cash/payments-in-sweden/payments-in-sweden-2020/1.-the-payment-market-is-being-digitalised/cash-is-losing-ground/)