

Cashing out?

If the UK scraps the £50 note, will anyone really care? Our ING International survey provides some answers

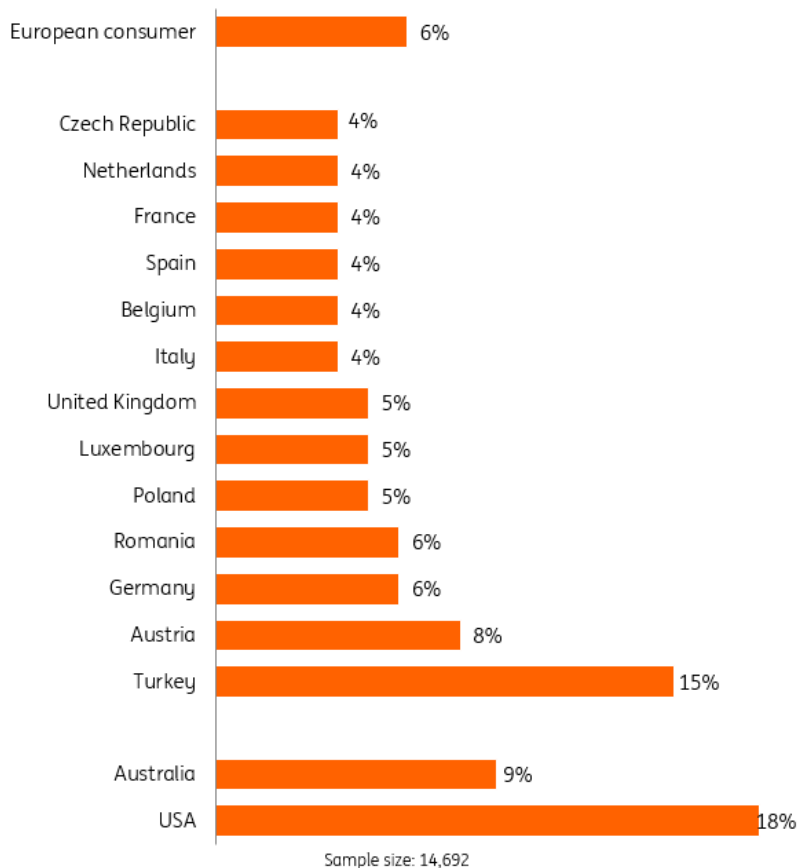


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Removing the highest denomination bank note from circulation would not have a great effect on the vast majority of people's individual finances. This is one conclusion from the 2017 [ING International Survey](#) on the cashless society. Only six percent across Europe said it would affect them.

Imagine the highest denomination note will be withdrawn from circulation. Would it affect your finances?

Shares who choose "yes". Other possible replies include "no" and "I don't know".



Discussion about the role of cash was ignited again when it was mentioned by the UK Chancellor in his 2018 [Spring Statement](#).

The movement away from cash has been happening for a more than a decade. In 2016, cash accounted for only 40% of all payments in Britain, down from 62% in 2006, according to [Payments UK](#).

Digital technology has changed the way people shop, sell and save. While cash will continue to be an important method of payment, more people are moving towards digital payments every year - Philip Hammond

The situation in Europe is similar. Long before card payments – either contactless or not – became common, transfers from bank accounts were frequent and growing quickly. This is clear in [payments data](#) regularly collected by the European Central Bank. Amongst non-cash payments, card payments dominate. Cheques are now almost a relic.

The UK government is [seeking views](#) about cash and digital payments. Following a backlash in some sections of the press, the government has already stepped aside from a suggestion to scrap one and two penny coins. However, the idea of removing the largest denomination note (£50) from circulation remains under discussion.

Finances unaffected but attitudes vary

One reason many people say their finances would not be affected by removing the largest denomination note could be that the majority don't pay by cash once the amount moves above €50. According to ING International Survey data covering 13 European countries, 88% of consumers consider making payments by cash when the amount is €10 or less. This falls to 50% for amounts between €11 and €50. Above this, cash payments fall to 21%. Non-cash payments rise to 79%. Non-cash payments include credit and debit cards, mobile payments and banking transfers.

Attitudes to and use of cash vary noticeably across Europe. People in Germany and Austria tend to prefer cash. Surveys show they not only prefer the anonymity and (supposed) security of cash but also carry more cash in their wallet or purse.

Good news for government finances

Changes to the way people make payments are happening often. Although seen by many as a personal issue with few economy-wide effects, this may not be the case. Increased use of non-cash payment methods makes [open banking](#) approaches more likely to succeed. This could transform banking and payment systems. Further, increased use of cash payments may affect government finances. The UK government [estimates the tax gap](#) – the difference between what is owed and what the tax authority actually collects – at £34 billion in 2015-16, which is 6% of tax liabilities. The gap has fallen from an estimated 7.9% of liabilities in 2005-06. The government's consultation paper seeking views notes: "The increasing use of digital payments and the reduction in the use of cash could have a positive impact on increasing tax compliance and decreasing money laundering."

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