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SP 119/A4.0/2022

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## The status of cash in Finland

### 1 Objective of the Memorandum

The status of cash as a payment instrument has shrunk, reflecting developments in electronic payments and changes in payment habits in response to the COVID-19 pandemic. The shrinking use of cash will erode the profitability of the cash supply sector and its ability to maintain cash services throughout the country at a reasonable cost to consumers and retailers.

Pursuant to the Treaty on the Functioning of the European Union and the Regulation on the introduction of the euro, cash, i.e., euro banknotes and coins have the status of legal tender in the Member States<sup>1</sup> participating in the euro. According to the recommendation adopted by the Commission, the acceptance of euro banknotes and coins as means of payment in retail transactions should be the rule. Refusal should be possible only if there is a good reason.<sup>2</sup>

The purpose of cash services is to maintain equal opportunities for the various groups of citizens to participate in economic activity by using the best payment method for their purposes. There are still many situations in which electronic payment methods are not sufficiently available. Cash is also the only alternative in the event of serious disruptions in electronic payments, and, moreover, it is still the only competitive alternative in Finland to the international payment methods that dominate electronic payments.

This Memorandum presents a summary of various studies on the use of, access to and acceptance of cash. The aim of the Memorandum is to justify the status of cash, as well as the need for regulation on the access to and acceptance of cash as a payment instrument in Finland.

The Memorandum is based primarily on Bank of Finland studies and statistics. It also draws on various Eurosystem studies and public documents.

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<sup>1</sup> [Consolidated version of the Treaty on the Functioning of the European Union, VIII 2.Chapter, Article 128, in Article 11 of Regulation \(EC\) N:o 974/98 on the status of euro coins as legal tender.](#)

<sup>2</sup> [Commission Recommendation on the scope and effects of legal tender of euro banknotes and coins \(2010/191/EU\).](#)



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## 2 The status of cash in Finland

### 2.1 Situations for the use of cash

The use of cash has been examined particularly from the perspective of payments for daily consumer goods. The Bank of Finland consumer survey investigates what is the primary method of paying for daily consumer goods. Statistics show a steady decline in the share of those using primarily cash in the past decade, and a steeper drop in 2020-2021, to some 8%, caused by the pandemic.<sup>3</sup> Hence, nearly 90% of citizens use primarily a payment card. However, some 87% of respondents reported that they use cash in some situations.<sup>4</sup> People have avoided, or have been instructed to avoid, the use of cash due to the possible risk of COVID-19 infection. In consumer surveys, just under 15% of respondents report that they will start using cash more actively again once the pandemic is over.

Data obtained from individual retail entities show that the share of cash payments in daily consumer goods trade has decreased during the pandemic, from over 20% to less than 10% of the value of transactions. In other retail trade, particularly in the trade of consumer durables, the importance of cash is smaller. Cash is typically used for paying smaller purchases than is the case for electronic payment instruments.

Cash is used as a payment instrument not only in retail trade but also in various services such as restaurants, events and festivals, as well as market places, flea markets and payments between persons.<sup>5</sup> There is no detailed statistical data on the total volume of cash payments. Based on public information, cash plays a significant role particularly in local trading situations, market places and events. These user situations have an impact on the vitality of local communities and trading.

Due to the lack of alternative contingency arrangements, cash payment must be able to respond to the requirements of possible severe disruptions in normal times and disruptions in electronic payments caused by crisis situations. This is not possible if a sufficient level of cash services and use of cash is not maintained during normal conditions.

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<sup>3</sup> [Bank of Finland Consumer Survey](#).

<sup>4</sup> [Sintonen, Takala, Hellqvist and Liikanen \(2021\)](#) and [Bank of Finland Consumer Survey](#).

<sup>5</sup> Bank of Finland studies and Nets. Nordic Payment Report 2017/2018 and 2021. [Lue ja tutustu kuluttajien maksukäyttäytymiseen fyysisissä myymälöissä \(nets.eu\)](#).



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## 2.2 Users of cash

Users of cash are typically older-than-average persons or persons for whom the use of electronic means of payment or the management of personal finances are challenging. They may belong to the groups that are the most vulnerable in our society.

The main reasons for the use of cash are that other payment methods are not available, people simply have cash with them or the sum to be paid is small. Respondents also mention that it is easier to monitor the use of cash.<sup>6</sup> Cash is a concrete form of payment, and the use of cash supports the learning of how to manage one's own finances from an early age.

## 2.3 Access to cash

Credit institutions are required to provide basic banking services. According to the Bank of Finland's guiding principles for the maintenance of cash services, basic banking services include the right of customers to withdraw deposits in cash, and a reasonable number of cash withdrawals should be free of charge.

Statistically the most significant cash distribution channel is the cash ATM network. For withdrawals of large sums and higher denominations, customers have to resort to the services provided by bank branches. Cashback services at retail outlets provide a small channel for cash distribution, and, because of the conditionality of these services, it is only a supplementary channel.

Table 1 shows the issuance of cash via various distribution channels, and the figures point to a strong decrease in the use of cash, particularly following the outbreak of the COVID-19 pandemic in March 2020. The distribution of cash contracted in 2020 by nearly a third in terms of value. In 2021, the distribution of cash contracted by a further 15%, despite the slight recovery following the easing of the pandemic. However, in late 2021, COVID-19 containment measures dampened cash withdrawals and use of cash around Christmas, too.

Table 1 also shows that the ATM network for the distribution of cash shrank slightly, but banks decreased the number of cash supply branches at a more rapid pace.

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<sup>6</sup> [Bank of Finland Consumer Survey.](#)



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**Distribution of cash to the public via various channels, 2015-2021**

Table 1.

Year	ATM withdrawals, € million	Withdrawals at branches, € million	Withdrawals at retailers, € million	Total withdrawals, € million	Cash ATMs, number	Cash supply bank branches
2015	13 879	1 662	64	15 605	1 546	852
2016	13,037	1,596	93	14,726	1,457	820
2017	12,138	1,424	146	13,708	1,498	741
2018	11,419	1,216	172	12,807	1,606	656
2019	10,518	1,029	178	11,725	1,751	607
2020	7,721	737	122	8,580	1,738	525
2021	6,729	610		7,340	1,718	483

A recent Bank of Finland study examined access to cash via ATMs based on the distance between residential areas and the nearest ATM. The study shows that the Finnish public still has reasonable access to cash ATMs, while there are nevertheless substantial geographical differences in the coverage of the ATM network. In addition, the structure of the ATM networks is very fragile to possible changes in, for example, the pricing of ATM transactions.<sup>7</sup>

The Financial Supervisory Authority (FIN-FSA) surveys annually the realisation of basic banking services as referred to in law. The latest report was published in December 2020.<sup>8</sup> The report notes a continued reduction in the importance of the cash ATM network, and particularly in the size of the branch network of commercial banks. A total of 62% of branches provided basic banking services on a full-time basis. Of the branches serving customers full-time, only 28% provide cash services throughout their opening hours. Some 20% of the branches provide no cash services at all. The cash services provided by branches are the only channel for withdrawing larger amounts of cash or the largest banknote denominations. The contraction in the services provided by branches must be taken into consideration in assessments of their importance as a distribution channel for cash.

<sup>7</sup> [Meri Sintonen \(2021\): Major regional differences in access to cash.](#)

<sup>8</sup> [Survey of basic banking services 2020.](#)



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## 2.4 Receipt of cash

The receipt of cash at various retail and service points is not monitored systematically. Information from the Finnish Commerce Federation and from public sources show that cash is accepted as a payment instrument very widely by Finnish retailers. In business-to-business trade, cash payments are very rare due to the accounting obligation.

There has been public discussion on the pressure on retailers to limit the acceptance of cash payments. The pressure is felt particularly outside the daily consumer goods trade, i.e., in other retail trade and shops where there is only a very small number of staff.<sup>9</sup> This is due to the costs of the processing and accounting services for cash relative to the number of cash payments, as well as the rising security threats during the pandemic.

The security risks at retail stores must be taken seriously. There are no statistics available on the number of or developments in cash robberies at the checkout counter, nor on the share of cash robberies relative to other thefts. The Finnish Commerce Federation has estimated that the expenses caused by theft and shoplifting cause the retail trade losses in the amount of some EUR 550 million annually. The share of cash robberies in the total amount is presumably fairly small, but it has a larger impact on the sense of security and willingness to receive cash payments.

The receipt of cash for payment has in recent years been restricted more widely in many public services, for example in the case of municipal traffic charges, parking ticket machines, library fees, tax payments and fees for public sports services.

## 3 Situation in the euro area

European countries in general have become aware of the fact that the declining volumes of cash payments have led to or are leading to weaker availability of cash and to refusal of cash payments. In most euro area countries, the status of cash as legal tender is already regulated by mandatory provisions<sup>10</sup>. This means there is an obligation of varying degrees to accept

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<sup>9</sup> See for example [Valtakunnallisen tavarataloketjun kaikissa myymälöissä ei kelpaa enää käteinen – KKV: Suomen laki ei vaadi, että käteinen pitäisi hyväksyä - Kuluttaja.fi](#) ; [Neljä ryöstöä vuodessa saa lähikaupan luopumaan käteisestä – aseilla uhkailut tulevat usein myyjien uniin \(yle.fi\)](#).

<sup>10</sup> The Commission's Euro Legal Tender Expert Group's ELTEG III Summary Report.



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cash payments. At the same time, many euro area countries have restricted cash payments by setting an upper limit on them.<sup>11</sup>

Of Finland's peer countries in which electronic payment is common, all the Nordic countries have regulation covering the availability of cash (Sweden, Norway) or the obligation to receive cash payments (Norway, Denmark). In the Netherlands, an extensive investigation was carried out on the functions of cash in society, and a discussion was launched on ways to secure the use of cash as a payment instrument, in cooperation with stakeholders. In the report on the investigation, the central bank stresses that cash is public money, which means that everyone should be able to use it, and the central bank advises the cabinet to think about what this will mean for the role of the government if the position of cash shrinks and cash services become unprofitable.<sup>12</sup> It should be noted that measures to secure the position of cash have also been launched in countries in which the share of cash in payments is notably higher than in Finland (e.g. Latvia, Lithuania, Poland).<sup>13</sup>

#### 4 Regulation on access to and acceptance of cash

Securing the position of cash as a viable payment method requires the fulfilment of three conditions: cash must be available at a reasonable cost, cash must be accepted as a payment method with adequate coverage, and consumers must be able to deposit cash in their accounts at a reasonable cost.

The Payments Account Directive, which is implemented in the Act on Credit Institutions, defines the rights of citizens to basic banking services, which also include the right to withdraw cash within the EEA and place funds.<sup>14</sup> The realisation of services is monitored by the Financial Supervisory Authority. The criteria for the realisation of services are not specified by law.

A survey on European regulation on, for example, access to and acceptance of cash is available in a report published by the Euro Retail Payments Board (ERPB) in 2021.<sup>15</sup> Regulation on access to cash is typically based on the statutory obligation of banks to ensure a sufficient level of cash services to

<sup>11</sup> [Kari Takala \(2020\): Käteisen käytöstä harmaassa taloudessa Suomessa, Suomen Pankki A:123 Taulukko 4.](#)

<sup>12</sup> [DNB calls for new agreements about cash.](#)

<sup>13</sup> [Number of localities with cash withdrawal facilities set to double under Memorandum signed by the Bank of Lithuania and market participants | Bank of Lithuania \(lb.lt\) and Press releases - Financial industry agrees on ensuring access to cash \(bank.lv\). Study on the payment attitudes of consumers in the euro area \(europa.eu\).](#)

<sup>14</sup> Chapter 15, Section 6a of the Act on Credit Institutions, 9.12.2016/1054.

<sup>15</sup> [Report from the ERPB working group on access to and acceptance of cash \(europa.eu\).](#)



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customers. Regulations do not specify in detail how a sufficient level of services is achieved from the user's point of view.

In some European countries, the level of services is regulated or agreed on nationally by specifying the percentage of citizens that may live more than a specified number of kilometres from the nearest ATM. For example in Sweden, the largest banks have since the start of 2021 been obligated to ensure that a maximum of 0.3% of the population have a distance of over 25 kilometres to the nearest location for withdrawing cash, and a maximum of 1.22% may have a distance of more than 25 kilometres to the nearest location for cash deposits (accounting of daily cash takings)<sup>16</sup>. The effectiveness of distance-based regulation cannot yet be estimated.

In the United Kingdom, as a response to the threat of regulation, the financial sector has established a cooperation body to find ways to maintain a sufficient coverage of cash services.<sup>17</sup> For example, card-issuing banks pay cash machine operators an ATM interchange fee for each cash withdrawal, and a higher interchange fee has been introduced in sparsely populated areas than is applied in urban areas.

The right to use cash has been examined in the European Court of Justice ruling C-422/2019 Hessischer Rundfunk,<sup>18</sup> which defines the right to refuse cash payments. The grounds of judgement state that limitations on payments in notes and coins, established by Member States for public reasons, are not incompatible with the status of legal tender of euro banknotes and coins, provided that other lawful means for the settlement of monetary debts are available. Such restrictions must be proportionate to the public interest objective pursued. Whether such limitations are proportionate to that objective should be examined, in particular with regard to whether lawful alternative means of payment are readily accessible to everyone liable to pay, which would entail providing for those without access to such means of payment the ability to pay in cash.

The EU Pillar of Social Rights<sup>19</sup> defines 20 principles towards a Europe that is fair. Principle 20 defines access to basic services. The concept of 'basic services' includes financial services. Support for access to such services must be available for those who need it.

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<sup>16</sup> [Ny lag från 1 januari 2020 ger rätt till kontantjänster 2021 | Konsumenternas.](#)

<sup>17</sup> [LINK / About us.](#)

<sup>18</sup> [CURIA - Case information \(europa.eu\).](#)

<sup>19</sup> [The European Pillar of Social Rights in 20 principles | European Commission \(europa.eu\).](#)



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## 5 Concluding remarks

Under the Act on the Bank of Finland, the Bank shall contribute to maintenance of the currency supply and issuance of banknotes and participate in maintaining the reliability and efficiency of the payment system and overall financial system and participate in their development. Monitoring developments in the position of cash in Finland and proposing legislative initiatives are among the Bank of Finland's statutory tasks.

The monitoring of long-term developments shows that, if we want to secure cash services, they have to be regulated by law. The situation became topical as the pandemic accelerated the ongoing decline in the use of cash and thus weakened the availability of cash and cash services at retail outlets. To prevent the level of cash services from shrinking below a level that can be considered acceptable, it is our view that a legislative initiative should be launched while the situation is still reasonable. The objective of the Bank of Finland as regards the legislative initiative is to secure the realisation of the level of services as defined in the Bank's guiding principles for the maintenance of cash services.

Distribution

Ministry of Finance