

# Shift to digital banking leaves older people feeling deserted

## OPAAL calls for action and dedicated community spaces to help older people regain control of their finances

With nearly 6000 bank and building society branches closing since 2015<sup>1</sup> and a further 242 bank branch closures scheduled for 2023<sup>2</sup>, the shift from face-to-face banking to digital has been relentless. The fast pace of change has made it hard to keep up, leading to many feeling that they are losing control over their hard-earned money. This is especially evident in older age groups, with a recent Age UK report<sup>3</sup> finding that amongst those aged over 65, 31% are 'uncomfortable' with online banking and 39% are not currently managing their money online. These figures also rise as people get older, have a smaller level of income or are of a lower social grade, indicating that digital banking has had a regressive, as well as discriminatory, effect.

In tandem with the shift towards digital banking, a cash crisis has also developed. 83% of people are now using less cash than they did in 2018 and, according to UK Finance<sup>4</sup>, cash made up only 15% of all payments in the UK in 2021, with this percentage forecasted to fall to just 6% by 2031. This decline in demand for cash is reflected in the falling number of ATMs within the UK, with Statista<sup>5</sup> revealing there now to be 18,000 fewer than in 2016. And with 2.4 million older people still reliant on cash<sup>6</sup>, many older people have found themselves in a precarious impasse whereby the decline in cash accessibility and use has forced them to try and navigate online banking. However, a lack of confidence, trust and IT skills, amongst other reasons, has meant that unsuccessful navigation of online banking has become far too commonplace. Consequently, many have been unable to effectively manage their money, leading to them feeling more isolated within society. This is evidenced by 21% of over 65s saying they will 'struggle to cope' in a cashless society<sup>7</sup>.

And as digital banking progresses, this struggle will be exacerbated by the reduction in face-to-face support which people can access from their bank. A phone call, email, or automated chatroom fails in comparison to effective face-to-face interaction with a banking professional. This is particularly evident when dealing with more complex issues like applying for a loan or starting bereavement proceedings. Even more common tasks, such as transferring money to other accounts, are tasks illuminated by the warmth of effective customer service which in-person banking provides. In-person banking also means that older people are confident in managing their finances and are assured that they're not being scammed. This is a key barrier for many regarding digital banking, with 31% of the older people who are 'uncomfortable' with online banking citing fears of scams or fraud as the main reasons<sup>8</sup>.

But if someone were to pursue a face-to-face banking service, then, due to branch closures, they would likely have to travel further than before. This, however, may not be possible due to the high

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<sup>1</sup> <https://www.which.co.uk/money/banking/switching-your-bank/bank-branch-closures-is-your-local-bank-closing-ayYyu4i9RdHy>

<sup>2</sup> <https://www.link.co.uk/initiatives/bank-branch-closures/>

<sup>3</sup> <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/money-matters/the-impact-of-the-rise-of-online-banking-on-older-people-may-2023.pdf>

<sup>4</sup> <https://www.ukfinance.org.uk/news-and-insight/press-release/contactless-makes-third-all-payments-while-cash-use-falls-again-in>

<sup>5</sup> <https://www.statista.com/statistics/291638/number-of-cash-machines-in-the-united-kingdom/>

<sup>6</sup> <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/money-matters/the-impact-of-the-rise-of-online-banking-on-older-people-may-2023.pdf>

<sup>7</sup> <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/money-matters/the-impact-of-the-rise-of-online-banking-on-older-people-may-2023.pdf>

<sup>8</sup> <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/money-matters/the-impact-of-the-rise-of-online-banking-on-older-people-may-2023.pdf>

costs incurred from traveling further, time constraints and mobility issues. Accordingly, this then calls into question whether the benefits of visiting your local bank exceed the potential risks which may be endowed to facilitate that visit. Such a scenario should not be accepted by any age group, let alone those who should be enjoying their retirement or older years.

Moreover, commercial banks' decision to continue to close branches will have a profound impact on the health of the high street, with it being found that 19% of over 65s will visit the high street less frequently if their local branch was closed<sup>9</sup>. A less visited high street will have negative ramifications for local shops potentially leading to closures, contributing to a loss in the sense of community, which is so synonymous with a healthy, buzzing high street. The feeling of a sense of community cannot be easily quantified nor is it perhaps important for some, however it holds value for certain groups within society - especially older age groups. Thus, it must be acknowledged by banks, policymakers, and those who are seeking solutions to some of the problems created by the move to digital banking.

But what are these solutions?

OPAAL calls for proactivity, rather than passivity, as the first call to action – both by consumers and organisations. Dissatisfaction and disillusionment must be expressed – whether that be through lobbying the local council and MP or by contacting a relevant charity. Through this, organisations and banks will better recognise the impact of digital banking upon the community and are therefore much more likely to include the wider community within decision making processes. Community action has also proved to work, with 21 new banking hubs being agreed upon<sup>10</sup>, to date, due to community requests to LINK. Effective lobbying of banks may also delay further closures, meaning further time for solutions to be developed.

One solution which has been developed is the implementation of banking hubs. Banking hubs are places within towns or cities, where customers can withdraw or deposit money, make bill payments, carry out regular transactions and carry out other essential services. Crucially also, on certain days and times, there are opportunities for customers to speak to someone from their bank. This, therefore, allows for that all-important face-to-face service to continue. These hubs have also been found to be popular amongst older age groups, with 49% of over 65s saying they're comfortable with managing money from one<sup>11</sup>. Alongside banking hubs, banks such as Barclays and TSB have run or trialed equivalent services such as banking pods and set up pop-ups within the local community. Post Offices and certain supermarkets or convenience stores can also provide basic counter services such as cashback on cards. These services, in combination, form what seems like promising progress and offer partial refuge to the losers of digital banking.

However, significant problems still exist. Currently, there are only 7 banking hubs in the UK<sup>12</sup> (a further 69 are planned to be rolled out) which is futile when compared to the rapid rate of branch closures. For them to be effective, their rollout must be quicker and target areas easily accessible by any age group and area. Moreover, as stated, access to a professional from your bank is only available on certain days and hours. Therefore, this is likely to lead to delays, queues, and inconvenience - especially as banking hubs are still in their infancy (the first was set up in 2022). Such issues must be quickly resolved sooner rather than later to ensure that they're effective substitutes to branches.

It is for the above reasons that I and OPAAL propose that additional spaces, where customers can tackle their digital banking problems, should be developed. These spaces would be ones integrated within local communities, such as a village hall or social club, and set up in more in more social and informal way – for example a coffee morning held every two weeks. Within these

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<sup>9</sup> <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/money-matters/the-impact-of-the-rise-of-online-banking-on-older-people-may-2023.pdf>

<sup>10</sup> <https://www.thetimes.co.uk/money-mentor/article/my-bank-branch-closing-down-uk/>

<sup>11</sup> <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/money-matters/the-impact-of-the-rise-of-online-banking-on-older-people-may-2023.pdf>

<sup>12</sup> <https://www.moneysavingexpert.com/news/2022/09/more-banking-hubs-to-open-across-the-uk-to-help-people-get-access/>

spaces there will be banking professionals on hand to speak to as well as other older people within the community who may share the same worries and issues. From this, older people will then have a forum for which they can use to help solve their digital banking problems, whilst doing so in a friendly and warm atmosphere. This may then help break down some of the fears which older people have of online banking and give them greater confidence in adapting to it.

In helping to develop this confidence, these spaces can also become places where older people can improve their IT skills via in-person training. An improvement in tech skills would make it easier for older people to navigate the online world, thus ensuring that they are better equipped with keeping up with the fast pace of digital banking. And with the ever-increasing use of tech within society, better tech skills will also help older people improve their everyday quality of life – for example using online checkouts and ticket machines. Acting to improve older people's IT skills would also be well received, with 37% of over 65s saying that they would want to receive some form of support from their bank in improving their tech skills<sup>13</sup>. And it is a relaxed atmosphere which would likely be most conducive to this tech training.

Whilst this solution may not be exact or refined, it is important that the discourse is stimulated by ideas so the impacts of digital banking, and the decline in use of cash upon older persons, are acknowledged. These ideas can then be built upon by others and developed into legitimate and material solutions – such as can be seen in the implementation of banking hubs. Banks should also use some of the resources they are saving through bank branch closures to invest into these solutions and community projects like the one I have highlighted. This can then help to provide a framework which finally recognises the needs of older people and their dealignment with the contemporary system of financial services. These needs can then be met effectively and efficiently.

#### **NOTES TO EDITOR:**

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<sup>13</sup> <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/money-matters/the-impact-of-the-rise-of-online-banking-on-older-people-may-2023.pdf>