Legal tender comprises the coins and notes that are accepted as being money in the UK.

Despite talk of moving to a cashless society, the quantity of bank notes and coins in circulation is still increasing each year.

If you owe money to someone, they are expected to accept payment in legal tender. No-one has to give change; you should tender the exact amount.

The Royal Mint defines legal tender thus:

Legal tender has a very narrow and technical meaning in the settlement of debts. It means that a debtor cannot successfully be sued for non-payment if he pays into court in legal tender. It does not mean that any ordinary transaction has to take place in legal tender or only within the amount denominated by the legislation. Both parties are free to agree to accept any form of payment whether legal tender or otherwise according to their wishes. In order to comply with the very strict rules governing an actual legal tender it is necessary, for example, actually to offer the exact amount due because no change can be demanded.

In practice, people are free to accept whatever they wish as payment. Cheques and cards are routinely accepted as payment. Similarly, a party may accept euros, dollars or any other currency. Someone may agree to give change (and usually will). A person may agree to accept stamps, savings certificates or even goods as payment. The point is that a person may agree to these arrangements, but does not have to agree.

There is much misunderstanding about legal tender.
For example, **Scottish bank notes** are *not* legal tender in England (or indeed in Scotland as it has no law of legal tender). They *may* be accepted as legal tender and usually are, as the banks will accept them. But they can be legally refused unlike a Bank of England note. Scots law requires acceptance of any reasonable means of payment. Exceptionally, Currency and Banknotes Act 1954 made the Bank of England ten-shilling and £1 note legal tender in Scotland between 1954 and 1988.

To debunk another urban myth, a **debt** is not discharged if you offer legal tender and it is refused. The debt remains outstanding (at least for six years). However having a cash payment refused is a good defence if accused of not paying a debt. Refusing cash is, strictly, a breach of contract.

Legal tender does not have to be accepted before a debt arises. This is important for sales and services provided by a machine. They do not have to accept £50 notes or pennies for example.

In the USA, some petrol stations refuse to accept cash for security reasons. You may only pay by card. It is unlikely that this would be possible under UK law. By filling up your car, you create a debt to the petrol station which may be settled in cash.

Although cards and cheques remain popular, the UK still made 20 billion purchases in cash in 2010 totalling £267 billion. About 80% were for less than £10. About 28 billion coins and 2.7 billion bank notes are in circulation.

**Money** is thus both a means of exchange and a store of value. The £50 note is mainly used as a store of value. The £20 and £10 notes are the commonest bank notes representing 65% and 31% of all bank notes used in transactions.

### What is legal tender?

Only coins produced by the Royal Mint are legal tender throughout the UK.

Notes produced by the Bank of England are legal tender in England and Wales. They are not, strictly, legal tender in Scotland or Northern Ireland, though they are accepted there. Scots law does not have any concept of legal tender. Instead the law requires payment of debt in any reasonable form.

The Bank of England produces notes for £5, £10, £20 and £50. These are legal tender for any amount.

The Royal Mint produces coins for ordinary circulation of 1p, 2p, 5p, 10p, 20p, 50p, £1 and £2. There are some other coins that are legal tender though not in circulation.

Coins for £1 or more are legal tender to any amount.
Coins for 20p to 50p are legal tender to £10.
Coins for 5p or 10p are legal tender to £5.
Coins below 5p are legal tender to 20p.

These limits restrict protests and publicity stunts such as paying council tax in a huge number of 10p coins. The law is Coinage Act 1971 s2.

Coins are still assayed by the trial of the pyx dating from 1282, and still required by Coinage Act 1971 s8. The mint also uses modern machine-based quality control.

Jersey, Guernsey and the Isle of Man produce notes and coins similar to British notes and coins, and bearing a portrait of the Queen. These notes and coins are only legal tender in those territories.

**Bank notes**
The Bank of England periodically redesigns its bank notes. Each redesign is designated by a series letter starting with D in 1970. There is an overlap period when two designs of notes are legal tender. Letters A to C were retrospectively applied to previous issues.

Since 1970 the obverse includes a picture of the Queen. From series E, the reverse includes a picture of a leading British person.

Bank notes which are currently legal tender are:

<table>
<thead>
<tr>
<th>Value</th>
<th>Series</th>
<th>Picture on reverse</th>
<th>First issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>£50</td>
<td>F</td>
<td>Matthew Boulton and James Watt</td>
<td>2 November 2011</td>
</tr>
<tr>
<td>£50</td>
<td>E</td>
<td>Sir John Houblon</td>
<td>20 April 1994</td>
</tr>
<tr>
<td>£20</td>
<td>F</td>
<td>Adam Smith</td>
<td>13 March 2007</td>
</tr>
<tr>
<td>£10</td>
<td>E</td>
<td>Charles Darwin</td>
<td>7 November 2000</td>
</tr>
<tr>
<td>£5</td>
<td>E</td>
<td>Elizabeth Fry</td>
<td>21 May 2002</td>
</tr>
</tbody>
</table>

Other bank notes have been demonetised. This means that they are no longer legal tender. Any Bank of England note, however old, may be exchanged for a current note of the same value. In practice, many old notes are worth much more to collectors.

The Bank of England has announced that it will be issuing new £5 notes in 2015 and new £10 notes in 2017. These will show Sir Winston Churchill and Jane Austen respectively on the reverse.
These bank notes are no longer legal tender:

<table>
<thead>
<tr>
<th>Value</th>
<th>Series</th>
<th>Picture on reverse</th>
<th>First issued</th>
<th>Withdrawn</th>
</tr>
</thead>
<tbody>
<tr>
<td>£50</td>
<td>D</td>
<td>Christopher Wren</td>
<td>20 March 1981</td>
<td>20 September 1996</td>
</tr>
<tr>
<td>£20</td>
<td>E</td>
<td>Edward Elgar</td>
<td>22 June 1999</td>
<td>30 June 2010</td>
</tr>
<tr>
<td>£20</td>
<td>E</td>
<td>Michael Faraday</td>
<td>5 June 1991</td>
<td>28 February 2001</td>
</tr>
<tr>
<td>£20</td>
<td>D</td>
<td>William Shakespeare</td>
<td>9 July 1970</td>
<td>19 March 1993</td>
</tr>
<tr>
<td>£10</td>
<td>E</td>
<td>Charles Dickens</td>
<td>29 April 1992</td>
<td>31 July 2003</td>
</tr>
<tr>
<td>£10</td>
<td>D</td>
<td>Florence Nightingale</td>
<td>20 February 1975</td>
<td>20 May 1994</td>
</tr>
<tr>
<td>£5</td>
<td>E</td>
<td>George Stephenson</td>
<td>7 June 1990</td>
<td>21 November 2003</td>
</tr>
</tbody>
</table>

All previous issues of bank notes were withdrawn by 31 May 1979.
The ten-shilling note (worth 50p) was demonetised on 22 November 1970.
White five-pound notes were demonetised on 13 March 1961.

All bank notes for more than £50 were demonetised in 1943, except that some very high value notes are still used between the banks.

Most bank notes are now acquired from automated teller machines (ATMs). By 2010, there were 60,000 such machines in the UK, including in shops and in stand-alone units on streets. They dispensed £200 billion in 2010, which is about 85% of all cash from banks. The average British adult uses an ATM machine 60 times a year.

Since 1993, bank notes have included a simple coloured shape to assist users with poor sight:

<table>
<thead>
<tr>
<th>Denomination</th>
<th>Coloured shape</th>
</tr>
</thead>
<tbody>
<tr>
<td>£50</td>
<td>Blue circle</td>
</tr>
<tr>
<td>£20</td>
<td>Purple square</td>
</tr>
<tr>
<td>£10</td>
<td>Orange diamond</td>
</tr>
<tr>
<td>£5</td>
<td>Red triangle</td>
</tr>
</tbody>
</table>
Coins
The following coins are minted for general circulation:

<table>
<thead>
<tr>
<th>Value</th>
<th>First minted</th>
<th>Colour</th>
<th>Shape</th>
</tr>
</thead>
<tbody>
<tr>
<td>£2</td>
<td>15 June 1998</td>
<td>Bimetallic</td>
<td>Circular</td>
</tr>
<tr>
<td>£1</td>
<td>21 April 1983</td>
<td>Brass</td>
<td>Circular</td>
</tr>
<tr>
<td>50p</td>
<td>14 October 1969</td>
<td>Silver</td>
<td>Seven-sided</td>
</tr>
<tr>
<td>20p</td>
<td>9 June 1982</td>
<td>Silver</td>
<td>Seven-sided</td>
</tr>
<tr>
<td>10p</td>
<td>1968</td>
<td>Silver</td>
<td>Circular</td>
</tr>
<tr>
<td>5p</td>
<td>1968</td>
<td>Silver</td>
<td>Circular</td>
</tr>
<tr>
<td>2p</td>
<td>1968</td>
<td>Copper</td>
<td>Circular</td>
</tr>
<tr>
<td>1p</td>
<td>1968</td>
<td>Copper</td>
<td>Circular</td>
</tr>
</tbody>
</table>

The 1p and 2p coins were issued in 1968 but did not become legal tender until 15 February 1971. The 5p and 10p coins were legal tender immediately for one shilling and two shillings.

The obverse of all coins has a portrait of the Queen. This portrait has changed several times during her reign from 1952.

Various reverse designs have been adopted, including some commemorative designs. The £1 reverse changes each year.

Three coins have **reduced in size** since their first issue.
- 50p coin was replaced on 1 September 1997 and the old coins demonetised on 28 February 1998.
- 10p coin was replaced on 31 December 1990
- 5p coin was replaced on 30 June 1993.

There was a ½p coin introduced in 1968 which was demonetised on 31 December 1984.

The seven-sided 20p and 50p coins have curved sides so they have a constant diameter.

All British coins now have an electronic signature which helps detect counterfeit coins in machines.

Royal Mint coins never lose their value. Demonetised coins may be exchanged at face value for current coins provided at least £1 worth of such coins are offered. This right of exchange is subject to time limits.
Other legal tender coins

There are many other coins which, for historic or legal reasons, are legal tender though they are not in general circulation.

Most of these coins are worth more to coin collectors. The exception are the £5 commemorative coins which tend not to appreciate in value.

These coins are legal tender though not in circulation:
- one kilogram gold and silver coins for Olympic Games, minted in 2011
  Britannia gold and silver coins minted from 1987
- £2 and £5 gold coins minted from 1887
- sovereign (£1) and half-sovereign (50p) minted from 1838
- quarter sovereign (25p) minted from 2009
- £5 commemorative coins minted from 1990
- crowns (25p) minted between 1816 and 1981
- double florins (20p) minted between 1887 and 1890
- groats (4p) minted from 1836
- silver threepence coins minted from 1834
- silver three-halfpence coins of 1834 to 1843, 1860, 1862 and 1870
- Maundy money for 1p, 2p, 3p and 4p.

One kilogram coins were minted in 2011 to mark the following year’s Olympic Games in London. These are huge coins containing one kilogram of gold or silver. Just 60 gold coins and 2,012 silver coins were minted. Gold coins are legal tender for £1,000 but sold for £100,000.
Silver coins are legal tender for £500 but sold for £3,000. They were produced under Coinage (Measurement) Act 2011.

**Britannia** are bullion coins in four weights: one ounce, half ounce, quarter ounce, and tenth of an ounce. The gold coins have face values of £100, £50, £25 and £10 respectively. Silver coins were first issued in 1997 with face value of £2, £1, 50p and 20p respectively.

**Gold coins** remain legal tender as this establishes them as bullion coins. The four nominal values of 0.5, 1, 2 and 5 pounds were extended in 2009 when a quarter-sovereign was minted. This allowed the holding of bullion in reasonable values as the price of gold increased.

**£5 commemorative coins** are periodically minted for collectors. From 1990 they replace the 25p crown of the same size. However, it is incorrect to refer to these coins as crowns. These coins are now produced so frequently that they rarely acquire any numismatic value.

The **double florin** was a four-shilling coin experimentally minted in an early effort at introducing decimal currency. The Royal Mint confirms that it is still legal tender for 20p. This coin has been remonetised as explained below.

**Groats and silver threepences** are old silver coins originally worth 4d and 3d respectively. They are indistinguishable from coins still minted as Maundy money. Therefore they remain legal tender, though now for 4p and 3p respectively. The silver threepence was the coin traditionally put into Christmas puddings. Royal Mint confirmed that these coins are still legal tender in a letter of 7 September 1972 sent to Mr R Beard of Swindon, a copy of which has been passed to Robert Leach.

**Silver three-halfpence** was worth 1½d, which is an eighth of a shilling or 1/160 of a pound. This was minted for use in British colonies (mainly Ceylon and West Indies) between 1834 and 1843, and in 1860 and 1862. A proof coin was also minted in 1870. Although never intended for use in the UK, the coins have no country name are of a style consistent with all other coins then intended for free circulation in Britain and her colonies. As the coin was never demonetised, it is assumed that it remains legal tender.

**Maundy money** is a quaint British custom that dates from 1213. The monarch gives a bag of coins to a small number of deserving poor people on Maundy Thursday, the day before Good Friday. Historically the ceremony was attended by washing people’s feet in allusion to Jesus washing his disciples’ feet. The money has at times been accompanied by gifts of food, clothing and more substantial amounts.

The four coins are small and made of silver, based on coins that were once in general circulation — the silver threepence as recently as 1936. Coins issued before 1972 were denominated in old pence. They are all now redenominated in new pence — the only instance when a coin’s value has changed after minting.
The **oldest coins** that are still legal tender are:

- the crown of 1818: 25p
- Maundy sets from 1822: 1p, 2p, 3p and 4p
- three-halfpence coins from 1834: 1½p
- silver threepence coins from 1834: 3p
- groats from 1836: 4p
- sovereigns and half-sovereigns from 1838: £1 and 50p
- double-florin of 1887: 20p.

In addition to legal tender coins there are many private mints that produce commemorative coins. These have no legal status and are really just commemorative metal discs for collectors.

There also many examples of where coin-like tokens have been produced for a particular limited purpose. This is legal, provided the coins are not held out to be legal tender or used to pay contractual wages.

One of the few challenges to the former was when Lundy, an island in the Bristol Channel, issued properly minted **puffin** coins in 1929. The issuer was charged with minting illegal coins contrary to Coinage Act 1870 s5. He argued that Lundy was not in England. He lost his case and was fined £5. Further puffins were minted in 1965 and 2011, but as they were not held out as legal tender, there was no prosecution.
Non-legal tender tokens. (1) Great Western Railway pay token. The worker presented this to collect his pay packet. (2) 1806 cash token produced by East India Company for use in Bengal. This coin was part of a consignment on The Admiral Gardner which sank on Goodwin Sands in 1809. It was recovered from the sea bed in 1989. (3) Guinea spade token. These were minted in brass in the reign of George III for gaming purposes, based on the gold coin. (4) Boy Bishop pewter token issued between 1485 and 1530 by the church in East Anglia to raise revenue from pilgrims by a boy dressed as a bishop. (5) 1971 Bell fruit machine token for sixpence or 2½p. The original machines gave prizes of fruit, hence the name. (6) Token for a loaf of bread issued by Northampton Co-operative Society. Such tokens were issued between 1850 and 1938. (7) 1902 sweets token issued by the confectionery company Barretts for children to buy sweets to mark the coronation of Edward VII. (8) 1840 Communion token issued to members by the Free Church of Scotland to ensure that non-members could not receive. The token has the legend “this do in remembrance of me”.

Coins from other countries show several curiosities:

(1) During high inflation in 1985, Poland minted a 200 zloty coin. By the time it was minted, the metal was worth more than the coin (negative seignorage), so the coin was never issued. (2) Edward VIII briefly reigned in 1936. Stamps but no coins were minted in his reign, however this design for a crown was produced for New Guine. It is a tradition that successive monarchs are depicted facing the opposite way to their predecessors, even though Edward VIII objected. (3) Romania produced this 1996 100-lei coin to commemorate the European Football Tournament. Parts of the coin were enamelled with colours. (4) Isle of Man produced this crown to mark the World Cup in 1982. The top third shows two footballs in play, so the coin had to be reissued with one football deleted.

**Remonetisation**

Remonetisation is when a coin of one value is deemed to be a coin of a different value.

Remonetisation is now made as a Proclamation by the monarch under Coinage Act 1971. The only known remonetisation was made on 30 July 1971 and printed in The London Gazette. It remonetises extant coins into decimal currency thus: crown (25p), double-florin (20p), florin (10p), shilling (5p) and sixpence (2½p). The proclamation took effect from 31 August 1971.

Coinage Act 1870 allowed foreign coins to be adopted as British coins by proclamation. This power was never used, and it was repealed in Decimal Currency Act 1971.
Decimal currency

Britain finally and belatedly adopted decimal currency on 15 February 1971 having discussed the matter for more than a century, and having made firm plans for more than ten years. The law is Decimal Currency Act 1969.

It was originally intended that the coins would be called “decimal pence”. That term was incorporated into the coins designed by a team led by Christopher Ironside. Curiously, the designs included a 20p coin, predating the current coin by 20 years. In 1966, the then Chancellor Jim Callaghan (the Chancellor of the Exchequer is also Master of the Mint) decided to open the process to open competition. This was won by Ironside who then led the team that designed the coins that were minted.

Decimal currency kept the pound at the same face value, but divided it into 100 pence, indicated as p. These were originally known as “new pence” but that description was dropped in 1982 under Currency Act 1982 s1.

It was intended to have an 18-month transitional period in which both pre-decimal and post-decimal currencies could circulate. In practice, banks and most businesses and individuals
moved to decimal currency as soon as possible. As a result the transitional period lasted for only 6½ months, ending on 31 August 1971 by The Decimal Currency (End of Transitional Period) Order SI 1971 No 1123. From 1 September 1971, all payments had to be made in legal tender.

Before decimalisation, the pound was divided into 20 shillings, each divided into 12 pence. There were thus 240 old pence to the pound.

Pre-decimal amounts were indicated as £12 4s 6d or 6/8, commonly pronounced as “six and eight”. An even number of shillings was indicated as 6/-. There were many nicknames and other anomalies in the currency which were particularly confusing to foreigners. Britain was the last country to adopt decimal currency.

The florin and shilling remained legal tender for a while as 10 and 5 pence respectively. The sixpence remained as 2½p.

Pre-decimal coins were demonetised thus:
- half-crown (2s 6d or 12½p): 1 January 1970
- florin (2s or 10p): 30 June 1993
- shilling (1s or 5p): 31 December 1990
- sixpence (6d or 2½p): 30 June 1980
- threepence (3d or 1¼p): 31 August 1971
- penny (1d or 0.42p): 31 August 1971
- halfpenny (½d or 0.21p): 1 August 1969
- farthing (¼d or 0.10p): 31 December 1960

**Historic perspective**
The understanding of legal tender is enhanced from a historic perspective.

Money is:
- a means of exchange, and
- a store of value.

Both functions are retained by current UK coinage.
Some ancient coins. (1) Sumerian ring money made from conch shells in Mesopotamia between 3500 and 3000 BC, the oldest extant currency. (2) Silver denarius from the Roman Emperor Tiberius 14-37 AD. This is the coin referred to by Jesus in the Bible. (3) Greek silver hemidrachm minted in the city of Cherronesos in northern Greece 400-350 BC. The reverse is divided into four with diagonal letters. (4) Cornish potin coin from 1st or 2nd century BC. It was made from molten tin poured into a design fashioned from a reed. (5) Celtic silver iceni coin from 60 AD. It depicts Queen Boadicea. (6) Ancient Chinese knife money. Early Chinese coins were often in the shape of an implement to give an idea of its worth. (7) A “piece of eight” as immortalised by pirates and their parrots. It is an 8-reale silver coin produced in Bolivia around 1680. It is an eighth of a design depicting pillars and waves. The coin above lay in the sea for 300 years.

Money was invented no later than 3000-4000 BC as a means of avoiding the coincidence of supply needed for a barter transaction. It became possible to buy goods without having goods to sell. This was achieved by using something of generally recognised value. Metals became a popular medium, particularly gold, silver and copper. They could be made into any size or shape, and imprinted with marks.

The first coins were pieces of gold or silver. The marks were to assay the provenance of the metal (it was gold and not an alloy) and its weight. The reverse bore a symbol to indicate the value of the metal. The obverse traditionally bore a portrait of the monarch or emperor in whose name the coin was assayed.

To stop clipping of coins once assayed, they first were redesigned with a long cross to the edges, and then had milled edges.

This remained the basis of coinage until 1914. If you had three pounds in gold or silver coins, you had three pounds’ worth of metal. In practice gold coins in circulation often reduced in size,
through either wear or deliberate scraping. Coinage Act 1891 was passed to reinstate the quality of coins in circulation.

In practice, the coins were worth a little more than their metal content because of the assay value. This difference is known as the **seigniorage**. Even today there are bullion coins such as the Britannia and sovereign where the main value is in the metal but where there is also seigniorage. Coins where the value is in the metal are known as **standard currency**, whereas coins made from base metal are known as **token currency**.

Seigniorage can be seen as either a tax on the currency, or as the government’s gross profit on producing the currency.

A wartime measure was the reduction in the silver content in coins. The traditional standard of **sterling silver** from 1800 to 1920 is an alloy of 92.5% silver and 7.5% other metals, predominantly copper. Pure silver is too soft to be used on its own. By 1920, the silver was worth more than the face value of the coins leading to many being melted down.

In 1920, the silver content was reduced to 50%. Since 1947, silver has not been used for British coins other than for some commemorative and special coins. The government of the day said these coins should be called **white coins** rather than silver coins, but the former term has never been generally used.

Although the value of silver had risen since 1920, the value in a shilling was only 5.2d (just over 2p)— less than half the coin’s face value. A significant factor in the decision to move wholly to base metal was the need to pay the United States in silver under the land-lease programme of the second world war. Removing silver coins from circulation was an obvious way to obtain sufficient quantities.

Although the banks operated a **silver recovery programme**, coins containing silver continued to circulate. In 1937, it was reported that 5% of silver coins then in circulation were pre-1920 sterling silver coins.

From 1947 to 2012, silver coins have been made from cupro-nickel. This is an alloy of 75% copper and 25% nickel, except for 20p coins which are 84% copper and 16% tin. In 1947, there was a proposal to make coins from pure nickel, which is a harder metal and is magnetic. This was turned down as the Royal Mint lacked the equipment to work the metal.

From 1 January 2012, 5p and 10p coins are minted from cupro-nickel plated steel as a further economy measure. This means that such coins can be picked up by a magnet, as can post-1992 copper coins. These 5p and 10p are marginally thicker than the solid cupro-nickel coins they replace. The Royal Mint is operating a **cupro-nickel replacement programme** similar to the silver replacement programme started 65 years earlier. Both types of coin are legal tender, and both can be used in coin machines.
In 1937, the silver threepence was replaced by a brass 12-sided coin. Curiously, the silver threepence is still legal tender (for 3p) but the brass coin is not.

Copper coins were made of bronze from 1860 to 1992. This is an alloy of 97% copper, 2.5% zinc and 0.5% tin. From 1 September 1992, most copper coins are now copper-plated steel. Such coins can be picked up with a magnet.

**Bank notes** have a completely different history. Paper money was first used in China in the 7th century, but was not adopted in Europe for another 1000 years.

They were originally promissory notes issued by goldsmiths and later by banks in respect of gold deposited with them. These were known as running cash notes. They originally bore the name of the person to whom it was first issued. A **promissory note** is a cross between an IOU and a cheque. A holder of a note can demand that the issue provides him with money to that value. The “promise to pay” means that the note never loses its face value. The right to demand gold was finally abolished in 1935.

The goldsmith had the security to store gold safely and would issue a note to the owner of the gold. These notes started to circulate as the equivalent of gold coins. The right to the gold passed simply by passing the promissory note. The Bank of England has issued notes since 1694.

In the court case *Miller v Race [1791]* it was recognised that these promissory notes were widely regarded as money. To facilitate this, the notes started to be issued in convenient round amounts rather than for specific figures. Also, some of the note would be pre-printed.

In 1725, the Bank of England issued notes in fixed amounts from £20 to £1,000. It was still possible to add odd amounts of pounds and shillings by hand.

Promissory notes had to be signed. Bank notes were signed by the chief cashier, whose pre-printed signature still appears on bank notes.

The note would be indexed by a **serial number**. This was kept in a log by the bank, and still is.

Because of the risk of theft when sending a note by post or coach, it became common for a note to be cut in half and sent in two journeys. The serial number was printed twice to allow the halves to be joined together. The numbers are still printed twice. Although notes are now rarely cut in half and then glued together, they remain legal tender if they are.
Bank note for £5 issued on 1 September 1886 by Stockton on Tees Bank. The note has been cut in half and pasted back for security. The bank was taken over by Barclays who demonetised the notes by cutting out the signature box in the bottom right hand corner.

Early bank notes were often printed on only one side of the paper to allow the other side to be used for endorsements by banks that cleared the note or those who accepted it. This Stamford, Spalding and Boston Banking Co note from 1902 has been endorsed by several banks, Inland Revenue and F Sawbridge.
As few people ever demanded the gold to which a promissory note related, it was possible for unscrupulous bankers to issue more notes than were supported by the gold. This could lead to a run on the bank and its insolvency. The promissory note was then worthless unlike a gold coin.

To address this, the Bank Charter Act 1844 restricted the right to issue bank notes in England to the Bank of England, except that banks already issuing notes were allowed to continue doing so. The last such English bank note was issued by Fox, Fowler & Co in 1921 when acquired by Barclays Bank. The last Welsh bank note was issued by North and South Wales Bank in 1906 when acquired by Midland Bank.

Equivalent legislation was passed in Scotland under the Bank Notes (Scotland) Act 1845. To this day, three banks (from the original 19) still issue their own notes:
- Bank of Scotland
- Clydesdale Bank
- Royal Bank of Scotland.

These banks have deposited funds with the Bank of England equal to the value of their notes in circulation, as a result of which the Bank of England accepts them at face value.

In Northern Ireland, similar arrangements apply for four banks:
- Allied Irish Bank (trading as First Trust Bank)
- Bank of Ireland
- Northern Bank
- Ulster Bank.

The Republic of Ireland established its own pound, the punt, in 1928. This was kept at parity with the UK pound for many years. The Republic now uses the euro.
Bank notes were recognised as legal tender by the courts in the case *Suffell v Bank of England [1882]*.

In 1914, the outbreak of war caused Chancellor David Lloyd George to be concerned about the risk of a run of the country’s gold reserves. Within hours of declaring war, he announced that £1 and 10-shilling notes would be issued. They would be legal tender, backed by the authority of the government. The Bank of England refused to print the notes other than on its special hand-made paper which would not have produced enough notes. So the first notes were issued by the Treasury using postage stamp paper. The notes were not backed by gold and so did not “promise to pay” but stated “currency notes are legal tender for the payment of any amount”. The Bank of England started printed notes for these values in 1928 when it introduced colour.
The Treasury considered issuing notes for smaller amounts down to one shilling. The plan was abandoned as it was feared that so many notes for currency unsupported by gold would lead to inflation. However such low value notes were printed for use by troops during the second world war. They were used until 1990.

**Counterfeiting**

Producing a false bank note or legal tender coin is not forgery but counterfeiting. It is a criminal offence under Forgery and Counterfeiting Act 1981 s27.

The restriction applies to the bank notes of any part of the UK (including Scotland, Irish Republic and Channel Islands) and notes issued by other countries. A protected coin is legal tender in any country or coin specified by Treasury order. Such orders have been specified for euros and bullion coins.

A counterfeit is something that “resembles a currency note or protected coin (whether on one side only or both) to such an extent that it is reasonably capable of passing for a currency note or protected coin of that description” (Forgery and Counterfeiting Act 1981 s28(1)(a)). The offence is also committed if a genuine note or coin is altered so as to pass for another value. However it is no longer a criminal offence to deface a coin, neither does a defaced coin lose its value.

While the Royal Mint has excellent quality control systems, sometimes mistakes get into circulation. Such coins are also not legal tender.
(1) Forged old-style 50p coin produced in lead. At the top is a mark where it was tested by a bank machine. (2) 1957 Royal Mint trial die. These are used to test the presses before coins are minted. (3) 1990 two-pence coin minted on a silver flan instead of copper. (4) 1997 Mis-strike of 10p coin.

On the left a five-pound note forged by the Nazi government in 1943, mainly by prisoners at Sachsenhausen concentration camp. They were forging 500,000 notes every month and planned to wreck the British economy with £3 billion in counterfeit notes. The plan largely failed because the allies captured most notes before they could be used, most British people were unfamiliar with bank notes which were accordingly more likely to be scrutinised and checked. Even if the notes were tendered, people would still need coupons to buy anything. The Bank of England responded by redesigning its notes. The German forgeries were almost perfect, though they could not quite get the paper right. On the right, Karl Markovica plays concentration camp victim and master forger Salomon Sorowisch in the 2007 film The Counterfeiters about Operation Bernhard.

Someone offered a counterfeit note should retain the note, provided this can be done without putting staff at risk. The police should be contacted. A customer should be handed a receipt for the note. If it proves to be genuine, the note is returned. The retained note is not payment, so a customer needs to find an alternative method of payment.

It is illegal to hold a counterfeit note or coin without lawful authority. It would seem that keeping it in a coin collection is lawful authority.
Counterfeit notes are mostly collected by banks. In 2010, the Bank of England collected 300,000 forged notes with a face value of £5.9 million. This is fewer than one hundredth of 1% of the 2.7 billion banknotes in circulation. The commonest value to be forged as £20, which is the commonest banknote. A counterfeit note is worthless.

Modern bank notes have many security features. In practice, the best test is the “feel” of the paper itself. The paper is not used for any other purpose and has never been reproduced. This is made to a secret formula using cotton fibre and linen rag. The fibre is thus stronger than in ordinary paper. The process uses large amounts of water to break down the cloth to individual fibres. This is reformed into reels of paper to which the watermark and metallic thread is added before printing, using three different processes.

Other security features are:
- raised print on the words Bank of England that can be felt by running a finger over the words
- a silver thread appears on all notes and on the front of a £50 note. This appears as a dotted line when looking at the note normally, and as a solid line when held to the light
- bank notes have a watermark portrait of the Queen
- genuine notes are clearly printed with sharp lines, free from blurs and smudges seen on many counterfeit notes
- notes have a hologram in a silver-coloured box. By changing the angle of light, the picture alternates between Britannia and the note value
- using a strong lens, the swirling lines under the portrait of the Queen will reveal micro-lettering spelling out the value of the note
- placed under ultra-violet light, the value of the note appears in red and green (except for £50).

An ultra-violet light should be 365 nanometres frequency. Many cheap devices have a higher frequency.

Detector pens use a chemical to test the ink. Such pens are not always reliable.

Further guidance can be found at [http://www.bankofengland.co.uk/banknotes/kyb_lo_res.pdf](http://www.bankofengland.co.uk/banknotes/kyb_lo_res.pdf).

It is an offence to reproduce any part of a bank note (even those no longer legal tender) on any material without Bank of England approval. This includes advertising material and novelty bank notes. The Bank also owns the copyright in the note design. For other purposes, such as in a note from series D in a collector’s catalogue, the word SPECIMEN must appear twice diagonally in solid black capital letters across the note.

Coins present a bigger problem as there is less security. The Royal Mint estimates that 2.5% of £1 coins are forgeries. Identifying traits are:
- the legends and images are less well defined and uneven in depth
• the coins are not of the right colour
• the obverse and reverse are not aligned so that they are equally horizontal
• the reverses and legends do not correspond to those for the year
• genuine coins lose their lustre in circulation. Counterfeit coins may therefore appear more shiny than expected.

In the 1930s there was a brief craze for embossing coins with advertising slogans. This was an offence under Coinage Offences Act 1936. It also meant that the coin ceases to be legal tender.

**Damaged bank notes**

A bank note retains its value however damaged it becomes. A mutilated note may be sent to the Bank’s Mutilated Note Service, King Street, Leeds, LS1 1HT. 0113 244 1711. Special arrangements are made if the note is mutilated so that it cannot legally be posted. Payment is usually made within a few days by direct payment to a bank account.

To avoid paying twice on one note, it is usually required that at least half the note is present. The commonest causes of mutilation are washing machines, burning when hidden in ovens or chimneys, decay when stashed improperly, and eating by a pet.

Cash machines, safes and tills are often fitted with a dye that automatically stains a note. They usually also produce red smoke to attract attention to the theft. A stained note is a mutilated note that can be exchanged for value. However a stained note is usually a stolen note, so an explanation is needed as to how you came to possess it. This does not apply when the ink is clearly not from a machine, such as when a bottle of ink has been spilled on a note.

Bank notes also become damaged through normal use. Such notes are removed from circulation by banks under special arrangements with the Bank of England. The average life of a bank note ranges from one year for a £5 note to five years for a £50 note.

Notes removed from circulation were burnt until 1990. They are now shredded and used as an ingredient for agricultural compost.

A particular problem was identified in 2010 in relation to **£5 notes**. As these are rarely provided from cash dispensers, an insufficient number of new notes enter circulation. The Bank of England had millions of crisp clean notes that it cannot get into circulation. Instead old notes are used beyond their shelf life, often in a dirty and damaged state. An agreement was made with banks to reintroduce £5 notes into many cash machines. Banks also agreed a tougher standard known as “super ATM-fit” so that £5 notes will be withdrawn in a condition where another value note would not be.

Notes are also dispensed from bank counters and as “cashback” on debit cards used in large retailers. Such retailers order their floats of currency from the bank.
It is an offence to print or stamp anything on to a bank note (Currency and Banknotes Act 1928 s12). This is because it may alter the value of the note. It is not an offence to write on a bank note or even to destroy it. Defacing a coin is no longer an offence.

**Payment of wages**

Until 15\(^{th}\) century, employers were largely free to pay their employees how they wished.

Until 1806, there was often insufficient coins of low value to make up pay packets. So a practice grew up of using **truck** tokens. These were tokens produced by employers either individually or collectively. They often contained promotional or campaign slogans. Often the tokens could only be spent on a particular item such as accommodation or food.

The word “truck” has nothing to do with lorries; it comes from a different root completely meaning to barter or buy. This meaning lives on in the expression “have no truck with”.

Truck tokens. (1) 1813 halfpenny token with the legend “copper preferable to paper” — part of a campaign against paper money. (2) 1811 halfpenny token issued in Norwich. (3) 1793 token from Sudbury with the legend “May the trade of Sudbury flourish”. (4) 1813 penny token issued by Newcastle cotton mills for accommodation.

The practice fell into disrepute when employers paid workers only in truck, forcing workers to spend their wages in shops they controlled, often at inflated prices and where the employer would earn a further profit.

To prevent this abuse, a series of laws were introduced from 1464. These were consolidated into the Truck Act 1831, supplemented by further Acts to 1940. These required employees to be paid in “coin of the realm”. In 1887, the scope was extended from artificers to all employees.

The law was relaxed in 1960 to allow employees to agree to be paid by cheque or bank transfer. The Truck Acts were finally repealed in 1986. The Truck Acts also dealt with unauthorised deductions from wages, which is now covered by Employment Rights Act 1999 ss13-27.

**Cash handling**

Banks bag coins in standard amounts:
Coins should not have their denominations mixed in a bag.

Handling legal tender creates several problems.

First there is the weight of 1,000 coins:

<table>
<thead>
<tr>
<th>Coin</th>
<th>Weight in kg</th>
<th>Weight in lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>£1</td>
<td>15.98</td>
<td>35.26</td>
</tr>
<tr>
<td>50p</td>
<td>13.5</td>
<td>29.7</td>
</tr>
<tr>
<td>20p</td>
<td>5.0</td>
<td>11.0</td>
</tr>
<tr>
<td>10p</td>
<td>6.5</td>
<td>14.3</td>
</tr>
<tr>
<td>5p</td>
<td>3.25</td>
<td>7.2</td>
</tr>
<tr>
<td>2p</td>
<td>7.13</td>
<td>15.7</td>
</tr>
<tr>
<td>1p</td>
<td>3.564</td>
<td>7.86</td>
</tr>
</tbody>
</table>

Second, there is the security aspect. Special safes and transit arrangements are needed for storing and moving cash. Cash is readily stolen. Although this is insurable, this is usually subject to strict conditions and an upper limit.

Third, bank charges can be high when there is a significant amount of cash handling.

**Money laundering**

Businesses that handle cash must be aware of money laundering regulations. These regulations were introduced on 1 June 2002 and tightened up on 1 February 2008. Money laundering is the process of taking “dirty money”, such as from drug dealing or terrorism, and turning it into “clean money” such as by gambling it at a casino. Certain money service businesses, accountancy service providers and trust or company service providers may need to register with HMRC and be licensed to handle large cash transactions.

Any other business may be regarded as a high value dealer if it receives £9,000 or more in cash for a single transaction, such as a sale of a vehicle. The regulations do not apply for single cash sales of a lower amount or for sales of any amount made other than in cash. The dealer must be registered as such with HMRC or decline a large cash sale.

From 15 June 2007, anyone coming into the UK from outside the EU, or leaving the UK to go outside the EU, must declare to Customs any cash sum they are carrying worth more than €10,000 (which is regarded as £7,000). This is declared on form C9011. There is a fine for not
declaring cash. In addition, cash that is reasonably believed to be proceeds of crime may be seized.

**Cheques**

Quite separately from promissory notes that evolved into bank notes, other forms of payment were invented.

The first was a bill of exchange, of which a cheque is a particular example. The definition of a cheque is still given in Bills of Exchange Act 1882 s73.

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The cheque from 1902 is a simple affair. The bank would recognise the handwritten name and pay the hospital ten shillings and sixpence from his account. Stuckey’s bank was taken over by Parr’s Bank in 1909, which was taken over by Westminster Bank in 1919, which became part of National Westminster Bank in 1970.

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Just five years later, cheques have more detail. It is also embossed with stamp duty for one penny which was charged on cheques until 1971. The cheque is specially crossed so that it may only be cashed at the Weston Branch of the Bank of England. It is payable to the Albermarle Club which still exists in London from Charles Middleton-Wake, the art director of the South Kensington Museum.
By 1967, cheques had the stamp duty simply printed as was the general crossing consisting of the diagonal parallel lines in the middle. The cheque is cleared by machine. It is now pre-printed with the holder’s name, and with account details in machine-readable ink. The amount is indicated by holes punched across the cheque when cleared. The signatory is the grand-daughter of the sister of the Russian Tsar Nicholas II. She is also a cousin of the Queen. The cheque is for £2 pounds and one shilling payable to a local electrical shop.

Postal orders

The postal order was invented in 1881 as an alternative to cheques, particularly for those who had no bank account. They could be bought and encashed at post offices and, from 1904, at sub-post offices.
They were pre-printed for fixed amounts to which postage stamps could be added to make up any value. They could be crossed but not endorsed in the same way as cheques. There is a charge known as poundage.

The postal order above is for nine (old) pence, made up by using a sixpence postal order and adding a 3p stamp. The poundage was one penny, indicated in the top left. It was paid to Mr Appleyard on 23 November 1946.

Postal orders were given the status of legal tender during the first world war (1914-18).

**Traveller’s cheques**

![Traveller’s cheque specimen](image)

Traveller’s cheques were first issued in the USA by Bankers Trust in 1909.

In reality, they are simply vouchers issued by banks which may be spent or redeemed for value in the local currency overseas. Their popularity has now waned as cards prove more effective.

The example above is a specimen cheque for £2 issued by Martins Bank in 1961.

**Revenue stamps**

![Revenue stamps](image)
Revenue stamps were one of the means of paying stamp duty. Historically this was charged on a wide range of documents including ordinary cheques and receipts. Stamp duty is now charged almost exclusively on just share transactions.

Stamp duty was introduced in 1694 and remains a British tax though now much reduced in scope, particularly from 1985. Special adhesive stamps were introduced in 1872 and, at least in theory, still exist as the law about them has not been repealed.

Stamp duty is a tax on documents not on transactions. So if someone bought goods under a bill of sale, they paid stamp duty. If they bought goods without, they paid no duty. Enforcement was solely by requiring documents for certain transactions, so if you could only buy a house with a written document on which stamp duty had been paid.

Stamps were bought in advance for specific purposes as indicated and then used as needed. There were more than 50 categories of stamp. The second example above is of a Queen Victoria stamp used in 1907, even though she died in 1901.

**Luncheon vouchers**

Many retailers offer tokens and vouchers that may be redeemed for their goods or services, though today most function on the same basis as debit cards.

Luncheon vouchers differed in that they had statutory authority and special tax provisions.

They were introduced in 1946 for a tax-free value of 2 shilling and 3 pence (about 11p). They could be provided to any worker whose employer had no canteen. They were part of the government’s drive to ensure that every worker had one square meal each day.
The value was increased to three shillings (15p) and stayed there until the tax relief was finally abolished on 5 April 2013. Even though the value had long been less than the price of a cooked dinner, there was still a significant tax benefit until 1999 when they became subject to class 1 national insurance on the excess above 15p.

Childcare vouchers are now the only tax-advantage vouchers for employers. They may be paid tax-free up to £55 a week for a basic rate taxpayer though this is being phased out from 2016 when a new scheme of child support is being introduced.

Trading stamps

Trading stamps were first issued by Sperry & Hutchinson in the USA in 1896. Their wide-scale adoption came in 1963 when Tesco offered Green Shield stamps, the most popular trading stamp. Sperry & Hutchinson offered pink stamps while the Co-op issued blue stamps to replace its tokens mentioned earlier.

One stamp was provided for every 6d (2½p) spent. Each stamp was worth one sixth of an (old) penny or 0.04875p. A book contained 1,024 stamps which could be exchanged for ten shillings (50p) worth of goods. A consumer would have spent at least £25.60. This equates to a maximum discount of 1.95%.

In fact, the discount was less, as one stamp was only issued for each complete 6d spent, so someone spending 11½p would still receive just one stamp. Also many stamps were lost or never redeemed. This gave rise to the term Green Shield Stamp Syndrome to describe a benefit that is more apparent than real. Many charities collected unwanted stamps.

The peak was in 1971 when supermarkets and petrol stations routinely offered multiple stamp deals. Green Shield then replaced this with a new “eight times as valuable” stamp for every 25p of expenditure. This actually equated to a discount of 2.8%.

Green Shield Stamps were popular in the 1960s and 1970s. (Right) Julie Samuels is sent back to collect the stamps for Bruce Forsyth in the 1971 film The Seven Deadly Sins.
Trading stamps were regulated by **Trading Stamps Act 1964**. Trading stamp companies were the most cash-positive businesses. That means there was the longest gap between receiving payment from customers and paying for the related goods. For this reason, company law included special disclosure requirements for such companies.

On 9 May 1977, Tesco stopped issuing Green Shield stamps which quickly led to their demise. By 1973, the redemption centres where books were redeemed for goods were rebranded as Argos, which was subsequently sold as a separate trading organisation.

**Plastic cards**

*Samples of an early UK Barclaycard, with the logos of Access and American Express.*

Plastic cards provide payment methods in various forms. They became popular in the UK during the 1970s, having become established in the USA.

The main types of card are:
- **credit card**, where you borrow from a bank up to a limit. No interest is charged if the balance is paid by a stated date, after which interest and charges are added
- **debit card**, which simply allows the holder to draw on funds in a bank account. It is the electronic equivalent to a cheque
- **charge card**, which is similar to a credit card but has no limit and requires full repayment (examples are American Express and Diners Club)
- **cheque card** (now withdrawn) which guarantees that a cheque will be paid up to a stated limit, usually between £50 and £250
- **prepayment card**, where funds are put on a card for a specific purpose. Examples include Oyster travel card, telephone cards and many modern forms of store token. They can also be provided to children and others who would not qualify for other types of card
- **loyalty cards** (such as Nectar cards and Clubcard) where purchases earn redeemable points on a basis similar to the trading stamps they replaced.

Almost all types of card are of a standard size of $3rac{7}{8} \times 2rac{1}{2}$ in ($85.60 \times 53.98$ mm) with rounded corners. Many forms of identification and other card are now also produced in plastic of the same size as wallets often have spaces to hold them.
A popular variation is the **affinity card** which is a credit card linked to an organisation that receives a small payment related to usage of the card.

The very first forms of credit voucher was the UK credit voucher produced by Provident Clothing in 1880. Customers were issued with vouchers that could be used at shops. Payment was collected by the company’s reps who called at people’s houses.

In 1914 Western Union in the USA provided metal cards that gave the holder certain privileges. These were known as metal money.

The first payment cards of any type were charge cards issued by Western Union in 1921. The first credit card companies appear to be American petrol companies in the 1930s. In 1938, some companies agreed to accept each other’s cards. Diners Club was established in 1950 and American Express in 1958.

In 1928, Chargaplate was the first card to use embossed characters from which an imprint could be made using carbonised forms and a roller device. This remained the standard method of recording payment until electronic methods became standard.

The first card with revolving credit (as we now understand a credit card) was issued by Bank of America in 1958. This evolved into the present Visa card system. The ancestor of its main competitor Mastercard was born in 1966. Banks mass-mailed these cards to consumers without their agreement until this was outlawed in 1970.

Diners Club and American Express were launched in the UK in 1962 and 1963 respectively. The first UK card, however, was Finders Service launched in 1951. In 1958, this was taken over by Diners Club.

When **American Express** was launched in the UK in 1963, there was an annual fee of £3 12s. Holders were required to have an income of at least £2,000. It was accepted by 3,000 outlets in UK. The Bank of England restricted sales from overseas suppliers to £75.

The first credit card launched outside the USA was **Barclaycard**, launched in Britain on 29 June 1966. It became one of the founding members of the Visa system in 1977. Barclaycards were offered to companies in 1977.

Its main rival, the **Access card** was launched in 1972. Access was subsumed into Mastercard in 1996. Mastercard is the main competitor to Visa. Access was founded by NatWest, Lloyds and Royal Bank of Scotland.

The first card-operated **cash machine** was installed by Barclays Bank at Enfield on 27 June 1967. The first withdrawal was made by the actor Reg Varney who was appearing in the popular sitcom **On The Buses**. These dispensers were actually operated by cards with holes punched in
that could be bought from the bank. Each card dispensed £10. The first cashpoint to use data magnetically stored on the card was launched in 1972 by Lloyds Bank.

Cheque guarantee cards adopted the left logo incorporating a representation of Shakespeare from 1990. On the right, a typical array of card logos as may be displayed at a shop or on brochures.

The cheque card scheme was established in 1969 after a trial in 1965. It guaranteed the payee that the cheque would be honoured for £30. The limit was increased to £50 in 1977. Cheque cards for £100 and £250 were issued from 1989. Even in 1989, cheque cards were only guaranteeing 7% of the 1.4 billion cheques issued each year. The use of the cards declined sharply as debit cards became popular. The cheque guarantee was ended on 30 June 2011.

In 1974, cards became regulated by specific provisions of the Consumer Credit Act 1974. This provided protection for consumers for purchases of between £30 and £10,000 (subsequently increased).

In the 1980s, banks moved to duality. This means that banks offered both Visa and Mastercard, ending the Barclays v the rest scenario. Also in the 1980s, banks offered cards that performed more than one function, such as a single cheque card/credit card/cash machine card.

During 1985 and 1986, the LINK cash machine network was established in which 33 banks and building societies accepted each other’s cards. A rival Matrix system was established in 1986. The MINT network was established in 1989. Later that year, Link and MINT merge. By 1993, half of all UK adults are regular users of cash machines.

The first debit cards were introduced by Barclays as Visa Delta in June 1987. The Switch debit card was launched by other banks in 1988. In 1992, MasterCard launches the Maestro card for international transactions. By 1995, debit cards were used for more transactions than credit cards. By 1998, debit cards exceeded cash volumes of cheques.
By 2001, credit and debit cards exceeded cash for retail purchases. Also in 2001, more than 100 million card payments were made and more than £1 billion was withdrawn from cash machines.

The first **smart card** to include a computer chip was tested in 1988 in Japan.

In the 1990s, many other cards were introduced into the UK, particularly from UK banks. The first affinity cards were issued.

In 1990, the first **chip and pin** cards were tested. In 1997, the first trial was conducted in Northampton and Dunfermline. On 14 February 2002, almost all cards moved to chip and pin. These require a four-digit code instead of a signature.

Also in 1990, retailers started to offer **cashback** on debit cards. This provided a new service to customers while reducing their heavy costs and security risk of holding large amounts of cash.

The Mondex **prepayment card** was launched in Swindon on 3 July 1995. For three years, taxpayers in Swindon were allowed to pay their tax using this card. Not a single taxpayer did so.

**Gold cards** were issued as a status symbol from 1995, although American Express had long played on the status symbol aspect of its card. This was predictably followed by platinum and diamond cards. Their cachet soon declined.

In 1997, Barclaycard became the first credit company to allow payment over the Internet.

In 1998, **Bank Machine** became the first non-bank company to install cash machines. This was followed by others. Such companies earn their profits by either charging users (typically £2 per transaction) or receiving commission from the issuers, or both.

In 1999, **Internet banks** started to issue cards. They include Egg, Smile and Marbles. This led to increased competition with aggressive marketing including periods of zero interest on transfers. This led to the birth of the **rate tart** who swapped from one card to another exploiting these offers.

By 2002, more than half of all cash withdrawals are made from cash machines. In the same year, it became possible to top-up mobile phones from these machines.

In 2002, the **Nectar** loyalty card was launched. Its main customer was Sainsbury’s who used it to replace their Rewards card. It has now been extended to many other suppliers. Typically, the consumer collects 2 points for every £1 spent (1 point per pound for petrol because so much of the price is tax). Customers also earn 1 point for every bag they re-use. Each point is worth half a penny, so the points equate to a maximum discount of 1%. This is about half the effective discount for Green Shield stamps. There are also offers on the lines of 500 nectar points for... This sound better than simply offering £2.50 in cash.
Tesco offers a Clubcard. Other retailers have similar schemes.

In 2007, contactless transactions became possible for low-value purchases (typically up to £15) if the customer wants this facility. It also became available from mobile phones.

With the growth of cards, security and reliability became bigger issues. There were several breakdowns in systems when customers could not access their accounts. There was also a growth of fraud, including skimming — copying someone’s card details to access their account. In 2009, the computer chips in cards were upgraded to combat this.