

When the Phone Bill Becomes the Till

Payment apps can replace card readers and offer alternatives to card networks. For shops and cafés, the test is whether they cut costs without making customers' lives harder.

By Zygimantas Mascinskas

September 2026

Someone walked into Yummzy's Greenwich café during opening hours and threatened Jolie Gindi with a knife, she recalls. The experience helped persuade the business's co-founder to favour card payments.

"That kind of pushed us away from cash," she says. At Yummzy in Canary Wharf, staff still accept notes and coins from customers struggling with cards, provided they have the exact amount or staff can make change.

Payment technology is giving retailers new choices about how to take money. Smartphones can replace separate card readers, while direct bank payments offer an alternative to card networks. A Bank of England-led consultation closing on 11 September is examining the infrastructure needed to support that alternative.

The potential market is growing. UK Finance figures published on 19 August show that 65 per cent of UK adults were registered for a mobile wallet in 2025, up from 57 per cent in 2024. Cards accounted for 64 per cent of payments by number; cash represented 8 per cent.

For a café owner, however, a customer's ability to pay by phone is only half the story. The equipment needed to accept that payment, the charge on each sale and the time spent resolving problems all affect its value.

Software point-of-sale technology, or softPOS, turns a compatible smartphone into a contactless terminal. The merchant enters an amount in a payment app; the customer taps a card or digital wallet against the handset. Square launched the service on Android in Britain in April 2023; Apple's Tap to Pay on iPhone supports the same approach through participating payment apps.

For a trader selling at a market or a café adding another service point, an existing phone can avoid the purchase of another reader. The handset and connectivity still cost money, and processing fees remain.

Square advertises a standard in-person rate of 1.75 per cent for UK cards, including tap-to-pay: 35p on a £20 sale. Non-UK cards attract a higher rate, while larger businesses may qualify for negotiated pricing.

Gindi says Yummzy found a competitive provider. Her comparison includes the work involved in taking cash.

"But with cash, it also costs time because you have to deposit the cash, you have to enter it into the system as cash transactions," she says.

Replacing the terminal with a phone does not remove the card networks behind a payment. In March 2025, the Payment Systems Regulator found that Mastercard and Visa had raised core scheme and processing fees to card-service providers by at least 25 per cent in real terms between 2017 and 2023. It estimated additional annual costs to businesses of at least £170mn. Those charges are components of payment costs, rather than the entire merchant fee.

In a published consultation response, Mastercard disputed the analysis, arguing that it inadequately accounted for service improvements and innovation. It also said the increase was small relative to transaction value. Visa's response emphasised investment in security, reliability and ease of use.

Open banking offers a different route: with a customer's consent, an authorised provider initiates a transfer between accounts, typically through Faster Payments, bypassing card networks.

The Bank-led consultation points to Brazil's Pix, India's UPI, Sweden's Swish and Spain's Bizum as examples of account-to-account payments operating at scale alongside cards.

It describes potentially lower merchant costs, linking this prospect to greater competition. It does not establish how much a café would save by switching.

Retailers would need near-instant confirmation that a transfer succeeded, alongside clear rules for fraud, refunds and disputes. Early QR-based services exist, but wider in-store adoption requires further integration.

The distinction matters when comparing suppliers: accepting a card on a phone can save on equipment while leaving the transaction charge intact. Direct bank payments could change that charge, but a lower fee would have to justify any extra work at the counter.

Ron Delnevo, chair of the Payment Choice Alliance's campaign committee, wants innovation accompanied by protection for cash. The organisation campaigns for a legal right to pay with notes and coins.

He argues that branch closures and difficult cash deposits push businesses towards cards and wants banks to fund better access. Gindi finds deposits in Canary Wharf relatively straightforward, her concerns centre on staff safety and workload.

"I think all businesses should be covered for in-person transactions," Delnevo says of mandatory cash acceptance.

The Bank of England's own July 2025 survey found that nearly 15 per cent of people preferred cash. That measures preferences, rather than the transaction share reported by UK Finance.

Even customers comfortable with digital payments can find themselves unable to pay. Gindi usually uses her phone, but remembers being stranded at a station after its battery died. At Yummzy, she helped a woman use the card terminal, only for the customer to have to telephone her daughter for her PIN.

“It was very painful for her,” she says.

At decorating retailer Leyland SDM’s Putney branch, deputy manager Hubert Nowak says cards are more popular, but the shop keeps cash for its varied customer base, including older people who do not use contactless payments. Customers choose how to pay; he does not encourage them to switch to cash.

Phone terminals can reduce equipment costs. Whether retailers save overall also depends on transaction fees, staff time and customers’ ability to pay.

“For a lot of people, cash is a freedom,” he says.