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Access to cash call for evidence
Payments and Fintech team
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

25 November 2020

By email: accesstocashcfe@hmtreasury.gov.uk

Dear Sir / Madam,

Financial Services Consumer Panel response to HM Treasury access to cash call for evidence

The Financial Services Consumer Panel (the Panel) is an independent statutory body. We represent the interests of individual and small business consumers in the development of policy and regulation of financial services in the UK.

The Panel strongly believes that HM Treasury should protect the freedom to use cash, to minimise the risk of harm for those who find it difficult to manage without cash or who are unable to use alternative methods of payment. HM Treasury should work closely with the Payment Systems Regulatory (PSR) and the Financial Conduct Authority (FCA) to improve positive outcomes, particularly for those in vulnerable situations.

As we transition to an increasingly digital society, there has been a sharp decline of cash usage. This has been accelerated by the Covid-19 pandemic. Changes which were initially forecast to take several years, appear to be happening much more swiftly and the decline in cash usage and acceptance may well continue at an accelerated pace despite the significant return to cash usage following the ending of the UK's initial lockdown period. Government policy to date, including encouraging the use of contactless payments wherever possible, is supporting the transition away from cash. Whilst this approach is helpful for consumers who are willing and able to transition, it is likely to have a disproportionate negative impact on vulnerable consumers, who are:

- more likely to rely on cash;
- least able to access cash, due to lack of a car or access to public transport, and other factors such as illness, disability or impairment, low income or rural isolation;
- at greater risk of harm if they are unable to access cash for essential goods and services;
- least able to use alternative methods of payment, due to digital exclusion and other factors such as age, disability, cognitive impairment.

The Panel accepts that the number of cash-reliant consumers is comparatively small, but it is estimated that 17% of the UK population – over 8 million adults – would struggle to cope in a cashless society¹. Some groups have no other options – for example, over 15%

¹ <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf> p6

of people with an income under £10k a year rely completely on cash². It is therefore important that, despite the general trend for a decline in cash usage, access to cash is maintained for those who need it.

HM Treasury should take into account that many people rely on cash not just as a means of payment, but also as a critical means of budgeting. Seeing cash in a purse or wallet and the physical nature of cash helps many consumers to manage their cash in a way that, for many, cannot be replicated in other ways.

The Panel would also like to draw particular attention to the need for SMEs to be able to avail themselves of satisfactory cash deposit services. Since many consumers rely on cash it is important that small businesses continue to accept cash. However if it becomes too difficult for those businesses to pay cash in (and withdraw it to fund floats for change and cashback, and to pay staff and suppliers) then cash acceptance will inevitably diminish to the detriment of consumers and especially those who are vulnerable.

When considering legislative solutions, it is important to remember that many consumers in vulnerable situations may be confined to their local area, which will be exacerbated during the Covid-19 pandemic. Vulnerable consumers are likely to need cash to spend locally, or to reimburse family or friends who are shopping on their behalf. Assumptions must not be made that vulnerable consumers are willing or able to travel to large shopping centres or town centres to access cash. It is therefore of paramount importance to maintain methods of cash withdrawal within the local community, including in smaller towns and villages.

HM Treasury must also do all it can to ensure the sustainability of the solutions which it favours. For example, Post Offices are seen by many as a crucial part of the overall solution, but the sustainability of Post Office branches in remote locations is far from assured.

Our responses to the specific questions posed in the call for evidence are included at Annex A below.

Yours sincerely,

Wanda Goldwag
Chair, Financial Services Consumer Panel

² <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf> p12

Annex A – Responses to questions

Q1. How can the government ensure the UK maintains an appropriate network of cash withdrawal facilities over time through legislation?

ATMs

It is important that the free-to-use ATM network is maintained to allow reasonable access to cash for those who want it. Research by the PSR in 2019 showed that people prefer to use ATMs over other methods of cash withdrawal. ATMs have distinct benefits over these options³. They are generally accessible, convenient and, in many cases, free.

During the initial lockdown as a result of coronavirus, 7,200 ATMs were closed and in September, half of these remained closed⁴. Worryingly the Post Office – often relied upon to support access to cash – has announced the closure of a third of its cash machines⁵. Government and regulators should ensure that these closures are not causing harm to consumers.

This is particularly important in rural communities. Too often ATMs are clustered in town centres, where those with mobility problems or without their own transport may struggle to reach them. Those who can reach them are likely to incur a cost in doing so.

When deciding on geographical location of ATMs, it is important to consider social and demographic factors to identify areas where consumers are most dependent on cash, rather than trying to achieve an even geographical spread. The Panel would like to draw attention to research, conducted in 2019 by the University of Bristol, on access to cash in Bristol⁶. This research found that the provision of cash is almost opposite to the geographical need for it. Communities most likely to depend on cash, in particular those who are older or from lower social grades, appear poorly served by current cash infrastructure. Ironically, those who are least likely to need it, have best access.

We understand that the University of Bristol is carrying out further Access to Cash mapping work for the FCA which is nearing completion. This work will be of great value, but HM Treasury must keep in mind that mere statistics will not of themselves ensure that chosen solutions deliver good consumer outcomes. For example, in remote locations the status quo in terms of cash access points may be satisfactory, but the closure of a single cash access point can lead to significant detriment for large numbers of people.

Post Office Network

The Panel agrees that The Post Office is playing an increasingly important role in the provision of cash withdrawal and deposit services. Post Offices fulfil the need for face-to-face communications preferred by many vulnerable consumers, in addition to being at the heart of local communities and easier to access for those in remote areas. However, to be a viable option, the Government must ensure that Post Offices are sufficiently resourced to deliver cash services to consumers. Government should at the same time explore alternatives to Post Offices to reduce overreliance on the network. Both of these approaches are important as the subsidy for Post Offices is looking likely to end in April 2021, which could result in further branch closures.

Branch opening hours awareness

³ <https://britainthinks.com/pdfs/PSR-Access-to-Cash.pdf>

⁴ <https://www.thisismoney.co.uk/money/news/article-8686113/The-shops-dont-want-money-try-pay-cash.html>

⁵ <https://www.bbc.co.uk/news/business-54690738>

⁶ <http://www.bris.ac.uk/geography/research/pfrc/themes/finexc/availability-of-cash/>

Bank and Post Office branches should retain regular opening hours where possible. However, staff shortages caused by the coronavirus pandemic mean that branches are commonly having to operate reduced hours. This makes it difficult for consumers who rely on these services, many of whom will be vulnerable. It is very important that bank and Post Office branches make consumers aware of changes to opening hours in order to avoid wasted trips, which can be costly and stressful, particularly for vulnerable consumers. When doing so, firms should bear in mind that not all consumers will have access to digital channels.

Reduced banking hours and lack of out-of-hours ability to deposit cash is a particular issue for small businesses which may have to close their business in order to travel to deposit the cash proceeds of their activity. Any increase in these trends seems likely to lead to a reduction in the willingness of small businesses (including local retail businesses which may be required to provide cashback services) to continue to accept cash.

Q2. What is the potential for cashback to play a greater role in the provision of cash withdrawal facilities, and how can legislation facilitate further adoption of cashback?

The Panel supports the use of legislation, with appropriate safeguards in place, to broaden the adoption of cashback in a greater number of retail outlets, without the need for a purchase. The Government should also consider whether a support and/or incentive system will be needed to ensure the development of this solution. This would help to maintain access to cash in the heart of local communities

Q3. How can the government ensure the UK maintains an appropriate network of cash deposit-taking facilities over time through legislation?

Whilst the availability of cash deposit-taking facilities may be less important for individual consumers, many SMEs rely on them. If SMEs cannot deposit cash takings, they may be unable to pay bills from their business accounts which could incur fees or result in a loss of service. Similarly difficulty in depositing cash is likely to lead to an increasing reluctance on the part of small businesses to accept cash to the detriment of consumers more generally. Government should therefore take steps to protect cash-deposit taking facilities, in line with our comments under Q1 above.

The Government should also consider the cost of handling cash imposed on many SMEs by banks. FCA research showed charges for handling cash are high and broadly similar across the main UK high street banks. Government and regulators may wish to consider introducing a basic business bank account which allows for a certain amount of cash handling for free.

Q4. What are the key factors and considerations for maintaining cash acceptance in the UK?

Access to essential services is a 'legitimate need' under the United Nations Guidelines for Consumer Protection (UNGCP). The Panel believes that all consumers should be given the choice of using cash as a method of payment, so that those who depend on cash can continue to access essential services.

Recent research from Which? in October 2020⁷ shows that a worrying number of consumers have been denied access to food (38%) and medicines (17%), due to cash not

⁷ <https://www.which.co.uk/news/2020/10/cash-refusal-threatens-peoples-ability-to-pay-for-food-and-medicine/>

being accepted by a retailer. The Panel has also seen numerous anecdotal examples of retailers displaying notices saying they no longer accept cash payments. If there are no other viable payment options, this could cause significant consumer detriment – having to visit a different store (costing time and potentially money), having to go without food or medicine, plus the embarrassment of being denied service at the checkout.

The Government says it cannot mandate cash acceptance, but is looking to incentivise businesses to do so. Access to essential services is vital and the Government should explore more solutions to ensure that consumers are not denied access to essential goods through their inability to use alternative payment options.