

Chair's Blog

Natalie Ceeney – the future of cash

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Unlike the England football team, I'm old enough to remember many events of 15 years ago. The Iraq War, US President George W. Bush visiting London, the introduction of the London congestion charge, Mick Jagger was knighted and perhaps most notably, Jonny Wilkinson's drop goal at the Rugby World Cup. But 2003 also shaped our country in more subtle ways. The introduction of the Oyster Card heralded a society where we could pay for things by just tapping a card. A few years later, in 2007, the launch of the first iPhone gave us a glimpse of a world where we could ditch our A to Z guidebooks, bank online, work almost anywhere, and even pay for things using that same phone. Since then we've seen a steady and increasingly fast progression of technologies which change how we live in society, including the ability to make payments, by not just contactless cards, but also by wearable devices such as watches and rings, or even by fingerprints.

15 years later we're talking about a different set of issues. A debate that seems to be dominating is what technology will mean for society. In 15 years' time, commentators confidently predict driverless cars on our roads, artificial intelligence replacing huge swathes of jobs (and creating others), and an era of personalised, precision medicine. Some herald the birth of a 'cashless society'. For some, this is an exciting and promising future. For others, it raises fear and concern.

The concern is unsurprising when we acknowledge the social impact this technological revolution has already had. I don't see many arguing that the UK should turn its back on innovation, just the opposite. But we can all see high street retailers struggling in the face of internet shopping. We can all see that rural bank branches have a questionable future as banking shifts online. We hear from charities, churches and mosques how they've needed to start taking digital donations in the face of dwindling cash collections. And when, last year, card payments overtook cash as the most common means of payment in the UK, it was unsurprising that voices were raised about the future of cash, and whether the UK could safeguard access for those who still wanted or needed to use it. The concern I hear is not about technology, but about ensuring that people aren't left behind.

The decline in use of cash for payments in the UK has been stark. Ten years ago, 61% of all payments in the UK were made in cash. It's now down to 34%. Some other countries have seen an even more startling shift, with cash usage in Sweden down to less than 15% of payments. But I don't believe that cash is going to disappear anytime soon in the UK. Most industry experts agree with me, with a report from UK Finance earlier this year forecasting that in 10 years' time, cash will still be the second most popular payment method, and account for 16% of all transactions.

But we do have a challenge. Today's cash infrastructure was set up in a different era, when everyone used cash. It costs around £5 billion a year to run, covering everything from printing and managing cash through to the

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operation of the ATM network and banking the cash once it is spent. As fewer payments are made using cash, this infrastructure is coming under pressure, as the underlying business model creaks. I believe that we need to make some choices as a society as to what we want to happen. Should we let market forces and commercial business models decide on where cash is accepted and where cash can be accessed? If we want to maintain a universal cash infrastructure, how will we pay for it? And, critically, given that cash usage is already disproportionately weighted to the older, the more rural, the more disabled and the poorer, how do we make sure that no-one is left behind?

Today we're launching an independent Access to Cash Review to explore these issues. We will be asking consumers, charities, SMEs, politicians, and industry from across the UK what they think could happen to cash demand in the UK over the next fifteen years. What are consumers' needs for cash and digital payments and how they can be best met in the future? What digital or other innovations are likely to affect those using cash? What infrastructure do we want in the future - and what does that mean for the UK's regulatory approach? And who will pay for the infrastructure the UK needs?

It's not going to be easy to fast forward fifteen years to 2033 and envisage this future world of payments. While I hope that we'll get some forecasts right, we'll get others wrong. But what our review *will* do is to highlight some of the challenges facing us, and the necessity of making conscious policy, regulatory and economic choices about the future of cash in our society. Our aim is to make proposals which recognise the inevitable march of innovation, but which make sure that no-one gets left behind.

Natalie Ceeney is the Chair of the independent Access to Cash Review

This was first published in The Times on 6 August 2018 as below:

<https://www.thetimes.co.uk/article/what-does-the-decline-of-cash-mean-for-the-future-9szvncb6d>