

Chair's Blog

Natalie Ceeney – Access to Cash Review

6th March 2019

Britain's shift away from cash is irrefutable. Today, we only use cash for three in every ten transactions, down from six in ten a decade ago. Technology and convenience mean we now choose to bank and shop online, as well as pay for things using direct debits, contactless cards and smartphones. As a consequence, cash is forecast to fall as low as one in ten transactions within the next fifteen years.

But we have a challenge, as the UK is not ready to go cashless. For 17% of the UK population, cash remains an economic necessity, as digital payments don't yet work for everyone. The decline in cash has happened so quickly that our cash infrastructure is at risk of fracturing before we have a plan. We have never asked consumers whether they were ready to go cashless. And have we really thought about the consequences of a cashless society, such as what we would do in the event of a cyber-attack or an IT failure? We now see weekly stories about the loss of the UK's bank branch network and ATM estate. However, this is just the tip of the iceberg. Behind this, is a huge invisible infrastructure made up of printing and coin production, cash processing and distribution. Cash costs over £5billion a year to run and was built for a high use environment. Visible cracks are now emerging in our cash system, which will get worse as cash use declines.

For a long time, the regulation of provision, distribution, use of and acceptance of cash has been mostly light touch, with market forces largely relied upon to provide consumers with cash. These arrangements worked well when cash usage was growing or stable - cash was a commercially attractive service. But as cash usage declines, we must now confront emerging issues about cash access, acceptance, and the underlying infrastructure.

The current economics of cash tell us that without intervention, market forces will lead to a removal of services and a lack of coordinated action which may be difficult to stop when it has started.

We believe that it is now time to look at cash as a core part of the UK's infrastructure, and not just as a commercial issue. If market forces alone won't give the UK the cash infrastructure it needs, then we will need stronger and more coordinated regulatory intervention and oversight. We will also need action from the banks, whose customers need cash, and whose business banking services affect retailers' willingness to accept cash. But this is not about imposing more cost, but about managing cash in a different way, for a different time. If we can manage cash well, we can *both* support cash use for those who need it *and* keep the economics of the cash infrastructure viable for the foreseeable future.

This requires action. We currently have no government policy on cash. Regulatory responsibility for cash is poorly defined and split between our various financial services regulators. At present, no-one, decides on requirements for availability of cash, acceptance of cash by merchants or banks, location of ATMs or bank branches, or charges for accessing or depositing cash. That needs to change. Having the ability to pay for goods and services is fundamental to any individual's ability to

The Access to Cash Review has, today, made recommendations to government, regulators and the banks which will help keep cash viable for the foreseeable future, until everyone truly has a choice to use digital payments. At the heart of our recommendations is a view that cash needs to be seen as a core part of the UK infrastructure, with the service obligations and oversight that any such system needs. At the same time, viewing cash in this way frees up opportunities for innovation and cost savings through rationalisation and utility models – which will be increasingly essential to keep cash viable.

The logo for 'ACCESS TO CASH REVIEW' is located in the top right corner. It consists of a blue rectangular banner with the text 'ACCESS TO CASH REVIEW' in white, uppercase letters. The banner is layered over a dark blue, angular shape that resembles a folded piece of paper or a stylized 'A'.

We believe that these recommendations can be taken forward now, without the immediate need for legislation. They are in everyone's interests, but particularly those of the most vulnerable in UK society. Cash is fast becoming the next battleground of social exclusion. Failure to act now risks leaving millions behind.

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

This was first published in The Telegraph on 6 March 2019 as below:

<https://www.telegraph.co.uk/money/consumer-affairs/cash-going-extinct-must-act-now-late/>