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Access to Cash Review: Cash system reaching a ‘tipping-point’ – it will collapse without legislation

Today, one year since the Access to Cash Review published its final report, the panel is calling on the Chancellor, Rishi Sunak, to introduce legislation at the Budget to protect cash access for as long as people need it, enabling the UK to move forward to a digital future without leaving millions behind.

Published in 2019, the Review explored the implications of the UK’s shift towards digital payments, away from cash. It concluded that if nothing was done, the UK would sleepwalk into a cashless society, leaving millions behind. It made a series of recommendations for regulators, government and industry to manage this shift carefully, so that digital payments were an option for everyone, and to maintain a viable cash infrastructure for those who needed it.

In those 12 months since the Review was published, it is clear that regulators and the industry have taken the issue seriously, establishing new initiatives to support community access to cash and working groups to co-ordinate the wider infrastructure. This has been needed, as cash use has fallen even faster than we forecast.

However, all of these initiatives are voluntary, and there are already signs that, despite these efforts, the situation is getting worse for consumers. One quarter (25%) of all ATMs now charge customers to withdraw their own money (up from 7% a year ago); the collapse of the cash withdrawal service at the Post Office was only narrowly averted in November 2019 in the face of public pressure; and increasing numbers of small and large business are ‘going cashless’ in the face of the rising costs of banking cash leaving some consumers unable to access services.

As identified in our Review, the cash system is a complicated marketplace run almost entirely by commercial businesses. As cash use continues to decline, greater strains are being placed on the system, leading to unprofitable services (such as rural ATMs) closing, or charging – resulting in charges to consumers rising by £29m in 2019 alone. There are signs that commercial pressures could lead to wholesale withdrawal by a wide range of commercial players from providing cash services, leading customers unable to access cash or pay with cash. Voluntary arrangements are holding the fort, but they cannot be relied upon to last.

We believe the only way to manage the cash system is for the government to legislate and give regulators the tools that they need to protect cash access. We propose legislation to put an obligation on banks to provide suitable cash access to their customers. This would allow the UK to move forward into a digital future without the risk of millions of people being left behind.

Legislation would also help enable services which could alleviate the strain on the cash system, such as allowing consumers to get cashback more widely without having to make a purchase. This currently cannot be done under current UK law. This change could allow all retailers or pubs to provide cash access across the UK.

Natalie Ceeney, Independent Chair, Access to Cash Review: “The UK is fast becoming a cashless society – without knowing what this really means for consumers or for the UK economy. Many people may want a completely digital future, but we need to make sure that this shift doesn’t leave millions behind or put our economy at risk.

I’m glad that our report of a year ago made the industry and regulators take the issue of cash far more seriously. We welcome the positive initiatives from the banking industry and much needed co-

ordination from regulators. However, commercial pressures on all businesses mean that we cannot rely on the status quo, and we can see serious strains emerging. Regulators currently don't have the tools that they need to ensure that everyone who needs cash can get it. Now is the time for government to protect cash and allowing us to look ahead to how we can prepare for a digital future which includes everyone."

12 months since the final review, while some progress has been made, there remain significant issues within the cash infrastructure. These include:

Cash use has reduced even faster than we expected.

- Data from UK Finance shows that ten years ago, 6 in every 10 transactions in the UK were in cash. It's now down to under 3 in 10 and falling fast. Our review forecast that we would be at the point of being 'virtually cashless' by 2035, with fewer than 1 in every 10 transactions made in cash. UK Finance now expects the UK to hit this point within the next decade.

The cash infrastructure has, as we forecast, come under severe strain, worsening consumers' ability to access and use cash.

- Over the past year, 13% of all free to use UK ATMs have closed, as lower levels of cash use have made them economically unviable.
- There has been a major shift from 'free to use' ATMs, to charging ATMs. 25% of all ATMs now charge – up from just 7% a year ago. Over the past year, this is estimated to have cost consumers £29m more in fees to withdraw their own cash.
- The Post Office cash access service has come under serious threat, with Barclays announcing they were stopping their customers from accessing this service. This change was reversed after public pressure, but there is no guarantee that the Post Office banking and cash services will remain viable at the end of the current three-year agreement.
- A growing number of retailers are 'going cashless' as they find the costs of banking cash rise, particularly as branches close making it more challenging to deposit their cash takings. This is already starting to exclude people.
- Some major retailers are reducing their customers' ability to pay in cash. For example, Tesco are piloting a new store model which only accepts cards and digital payments, and British Gas announcing at the end of 2019 that their customers could no longer pay their bills in cash through PayPoint terminals in local retailers.

Industry and regulators have largely taken this seriously, so some of the worst problems have been avoided, so far.

- The Bank of England have convened work across the sector to explore how we can keep the wholesale cash infrastructure viable and resilient as cash declines
- The three main regulators: Financial Conduct Authority (FCA), Payment Systems Regulator (PSR) and Bank of England (BoE) have formed a joint working group called the Joint Authorities Cash Strategy Group (JACSG) to explore the issues around reducing levels of cash.
- The banking industry have, through LINK, established a 'Community Request an ATM' where there isn't adequate cash access. The need for this has been demonstrated through over 3,000 requests so far.
- An industry funded initiative has been set up to pilot new approaches to cash access to support communities – which will explore new ideas to support communities access cash (the Community Access to Cash Pilots).

Our current legislation doesn't protect people and communities from being left behind. The government needs to act.

- It is fast becoming clear that our current legislation is inadequate.
- The UK regulators have no legal power to require banks to give their customers appropriate cash access, and shops the ability to deposit cash. If the current voluntary arrangements stop, then there is nothing they can do. To rely on commercial companies to maintain universal cash access when they face pressures from shareholders to cut costs would be naïve.
- Some of the 'solutions' that would help, such as allowing consumers to get cashback more widely without having to make a purchase, cannot be done under current UK law
- We need legislation now to ensure that, as the UK goes increasingly digital, we don't leave millions of people behind.

ENDS

NOTE TO EDITORS: Natalie Ceeney CBE has a career spanning the public and private sectors in the United Kingdom. Her career includes a strategy consultancy background at McKinsey & Company, membership of the Executive Team of HSBC UK leading on customer standards, and three CEO roles including of The National Archives; the Financial Ombudsman Service; of Her Majesty's Courts and Tribunals Service. Natalie is currently Chair of Innovate Finance, a non-executive director of Countrywide Plc, of Sport England, Ford Credit Europe and of Anglian Water Services Ltd.

Access to Cash Review - panel members

- Natalie Ceeney CBE, (Independent chair)
- James Daley, (Managing Director, Fairer Finance)
- David Hensley (Director, Cash Services)
- Monica Kalia, (Co-founder, Neyber)
- Phil Kenworthy (Founder, Payment Systems Consultancy)
- Lucy Malenczuk, (Ex-Senior Policy Manager, Age UK)
- Lady Margaret Bloom, (Economist, LINK Consumer Council)
- Sian Williams (Director, Financial Health Exchange, Toynbee Hall)