

Treasury Committee

Oral evidence: Access to Cash Review, HC 2011

Tuesday 12 March 2019

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Members present: Nicky Morgan (Chair); Rushanara Ali; Colin Clark; Charlie Elphicke; Stewart Hosie; Alison McGovern; Catherine McKinnell; John Mann.

Questions 1– 64

Witnesses

I: Natalie Ceeney CBE, Chair, Access to Cash Review; Richard Lloyd, Panel Member, Access to Cash Review; Sian Williams, Panel Member, Access to Cash Review.

Examination of witnesses

Witnesses: Natalie Ceeney CBE, Richard Lloyd and Sian Williams.

Q1 Chair: Good morning and thank you very much indeed to our panel for being here for this evidence session into the Access to Cash Review, which I know you have all been involved in. It is obviously a busy day in Westminster, so you will have to forgive us if people come and go. We thought this was such an important issue—and I know a lot of work had been put into it—that we did want to continue with the session. I am going to ask the panel to introduce themselves, and then we will get straight on with it. Natalie, perhaps we can start with you.

Natalie Ceeney: I am Natalie Ceeney; I am the Chair of the Access to Cash Review.

Richard Lloyd: I am Richard Lloyd, member of the Access to Cash Review panel.

Sian Williams: I am Sian Williams, also a member of the Access to Cash Review panel.

Q2 Chair: Like I say, thank you very much for all being here. Natalie, perhaps you can just start. Can I ask you, briefly, to set the scene for the session by giving an overview of the review, including perhaps why it was set up and how you have gone about conducting your work? Keep it fairly high-level.

Natalie Ceeney: We started about a year ago. The context for our work was the fact we were starting to see a reduction in cash access in Britain. The concern at the time was particularly focused around ATMs, although our review has looked a lot wider. What we were keen to do in our review was to produce a very strong evidence base, not just opinion, about what was actually happening, what was happening overseas and to come up with some workable solutions.

Over the last year, we have done extensive consumer research, a lot of which was led by Sian, into the different needs of consumers. It also tried to quantify the amount of people who would really struggle in a cashless society. We have spoken extensively to industry to try to understand what solutions would work and understand the economic drivers. We have also looked extensively overseas. As part of the review, we visited Sweden, and I also went to China—they are two of the most cashless societies in the world—to understand what the implications had been for them. There have also been lots of interviews and a lot of dialogue with regulators to put together a set of recommendations that we think is practical and workable.

Q3 Chair: I know Sweden in particular has been a real focus of your work. There are obviously some key recommendations. Perhaps you could just



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take us through them. The questions are directed to the entire panel; I will leave it to you to decide who the most appropriate person to answer is. What has the response been from Government and regulators? You are recommending things to them. It would be fair to say that a lot of the onus on response is going to come from Government and regulators.

Natalie Ceeney: That is absolutely right. What was great was that on the day we released the review, last Wednesday, pretty much everybody said they agreed. That was a very good start. There was cross-party support and all three regulators came out saying they welcomed the review. What we have not yet seen is what that is going to mean in action. That is really the next step. We have conversations scheduled with particularly the Payment Systems Regulator, who have a key role here, and the Treasury. We have had a good cautious first start, in that everybody thinks it is sensible, but now we need to look for action.

Q4 **Chair:** You mentioned the Payment Systems Regulator. In their response, they said, “The report contained some useful information”, but they went on to say that the PSR had been conducting their own work in this area. Perhaps it is difficult to say before your meeting, but do you feel the PSR have bought into your recommendations? Do you agree that they are going to be pretty critical to making this work?

Natalie Ceeney: They are critical to making it work. I was disappointed by their press release last Wednesday, which I interpreted—I did tweet about it on the day—as saying, “Thank you very much, but we will do our own thing”. I have had discussions with the Payment Systems Regulator since, and I am now much more reassured that they understand the importance and are keen to explore the issues. They have invited me to go and speak to them, to talk about some of our detailed views about how to take it forward, which is very good. No one yet has committed to action, and that is really the next step.

Q5 **Chair:** We might come on to that in terms of next steps. Richard or Sian, just to give Natalie a bit of a break, is it fair to say that there is currently no clear Government or regulatory policy on the future of cash in the UK?

Richard Lloyd: It is clear that there is no Government policy on the future of cash. As a matter of urgency, we have to see HMT take the lead on establishing what that is and corralling the regulators. It is a complex set of issues. It goes wider than merely just financial services, as we will probably discuss later. We need to see HMT get a grip on this at ministerial level. We need Government policy about where we are going with cash and, in our view, the need to guarantee access to cash for those who we are worried will be left behind. The regulators need to be corralled together properly to take action. As Natalie has said, the emphasis in our report is that everyone agrees there is a gap here and we now need Ministers to grip this and take a lead.

Q6 **Chair:** Sian, given your particular background—you very kindly gave us evidence on the inquiry into vulnerable consumers’ access to financial



services, what are the risks if government regulators do not respond speedily to the review?

Sian Williams: Looking at the needs not just of consumers but of the communities within which consumers live and function, we will definitely see two things happen. First, vulnerable people who need access to a reliable payment mechanism that meets their personal needs will be left behind, because we will lose access to cash. Secondly, communities that thrive on an effective payment system will also struggle if the need to provide alternatives that work is not met quickly. By that, what I mean is that, when we look at a community network in a rural environment, no matter how much we would like them to move to digital, they cannot currently do so. We need an alternative to let those communities thrive.

Consumers' needs can be broken down. First there is cultural habit, in terms of the people who are used to using cash and therefore all of their cognitive function works around cash. That might be someone who needs support from a carer—2% of people are supporting someone who wants to be able to pay in cash. This might be around cognitive function and numeracy. We think about the physicality of cash. Cash will never ever be replaced in its physicality by a digital tool in quite the same way. There is also the need for security and safety. We have seen a lot around mental health; we have seen a lot around access for gambling and the need to have a barrier between a consumer and tools around gambling, for example. There is also the fact that people might be barred from being able to use the alternatives. They might not have access to a bank account; we have spoken about that before.

All of those issues come into play, and all of those people's needs will be unmet if cash disappears and we do not protect it.

Q7 Chair: Natalie, the consumer charity Which? called for the establishment of a regulator to protect consumers' access to cash and to build a sustainable cash infrastructure. It would be fair to say that at least some members of the Committee are sceptical about the need for a new regulator and new bodies. Is a new regulator needed?

Natalie Ceeney: It would be a distraction. We would spend the next five years arguing about a new regulator rather than getting on with doing stuff. We already have three regulators in financial services. The problem is that cash is intertwined with what they do. To give an example, one of the issues about cash is SMEs' ability to deposit cash. That is linked to bank branch closures. The cost of handling cash for SMEs is linked to bank charges. That is a core issue for the FCA. Putting another regulator on top would give everybody a chance to say, "This is not my problem", and kick it into the long grass for five years. That is absolutely not what we want.

Q8 Chair: The whole issue about access to cash has to be bolted into existing regulators. We had evidence in our inquiry into vulnerable consumers' access to financial services from the Post Office about the



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costs of moving cash. We will come on to this. The lesson from Sweden is that, if the infrastructure goes, it is very difficult to get it back. The costs of moving cash around the country and the cash infrastructure are high. Your point, to paraphrase, is that everybody involved in this space has to be responsible for this issue of access to cash, not just to leave it to somebody else.

Richard Lloyd: It is a classic issue of joining up regulators rather than making new ones. We have created the Payment Systems Regulator. Clearly, it has a lead role. The FCA has a role; the Bank of England has a role; HMG has a role. In relation to people's access to digital payments, clearly, Ofcom has a role to ensure that there is meaningful access in that sense. As Natalie says, it would be a mistake to create yet another regulator in that landscape. Each of the players in the existing landscape needs to be brought together and to work together behind a single strategic plan, rather than to be dealing with bits of the system in isolation. That is the commitment that we have been hearing in response to the report.

Q9 Chair: One of the bodies you did not mention there was Parliament. The Select Committee has its role in terms of scrutinising. Does the panel think there is a role for more legislation? Is there a role for Parliament in taking this forward? Is there a role for us in, as Natalie said, action rather than just warm words in response?

Richard Lloyd: Clearly, the Committee looking hard at this is incredibly helpful. There is a need to keep regulators and Government's feet to the fire and to see that the pace does not disappear. It is very helpful to have the Treasury Committee give this the attention it deserves. In particular, in relation to guaranteeing access to cash, there may be a need for legislation in the future, but that should not stop action now as far as possible and as quickly as possible addressing the recommendations we have made. However, we also recognise the potential difficulty of getting legislation on this kind of issue through both Houses at the pace that is needed.

Our view is that regulators are now sighted on this. They do not need to go and repeat the work that we have done. They have their responsibilities. It is about bringing them together and getting, as far as possible, to the outcomes we have set out without the need for legislation, and to identify the need for legislation, should that be required. That should not stop action now.

Chair: I suspect that bringing this legislation through will not be as hard as getting some other legislation through, but there we are.

Q10 Charlie Elphicke: The basic problem with cash is that none of us has enough of it, electronically or physically. Do you not agree? Your report warns that if the UK were to become a cashless society—that is to say notes as opposed to having no money—25 million people actively need cash. That is 47% of the population. Can you explain which groups in



society would be most impacted by this?

Sian Williams: That is a very important question. Taking action has to solve a problem or avoid the creation of a new one. First, let us start with a statistic, because you have given me some. UK Finance figures show that if you are on an income lower than £10,000 per annum you are 14 times more likely to depend on cash than someone who is on an income of £30,000 per annum. We can definitely see that cash reliance increases the lower down the income scale you are.

Why is that? It goes back to some of the reasons I have mentioned before. First, if your income is very tight, you need to be able to monitor every penny that moves through your hands and through your household. It is much easier to count with a physical tool than a digital tool. A digital tool can go wrong; it can say in your account that you have a certain amount there, but it has actually failed to account for some payments that are going through, so you can leave yourself short by accident, or you can incur a cost that you were not expecting. If you are budgeting with physical cash, the only way it can go wrong is if someone steals it off you.

This is really important. We have many people in this country who are doing their very best to stay within their means. We need to provide them with the tools to manage their money as well as they can while we also go about trying to increase their overall income comparative to their outgoings. That is a really important dual point. Let us not inadvertently take away one of the crucial tools they have to stay within their budgets, because we know what happens next: unmanageable debt.

The second point is around access to tools that can help you manage your money digitally. We have already talked about access to bank accounts, but there are other tools. You have to have access to ID and address verification; you have to be accepted into the system. We have spoken before in this Committee about how difficult that is for people. The lower your income level, the harder it is to do that. That could be for lots of reasons: you do not have the right documentation or you are not seen as a welcome consumer in that particular product set. You might also find that those tools are too expensive for you because they incur a difficult cost: for example, direct debit charges, bank charges or overdraft charges. All of those things increase the cost of payments, and that is what we are trying to reduce for people.

There is also the set of needs around feeling safe and secure for other reasons. For example, there might be mental health concerns or fluctuating mental health. Again, for many people being able to manage their money in cash gives them certainty that they know what they are doing. They cannot lose control quite so easily, because even if they do lose control over this set of cash, it is a finite set of cash, whereas in the world of digital products, the limits are much higher and you could lose more money. There are all of these issues.



There is also an issue if we go back into the carer space: young carers, older carers, adult carers. It does not matter who I am caring for or who is caring for me. Very often, the safest mechanism at the moment is cash. Again, there is a finite limit; again I can track it. For all of those needs it is really important.

If we think less about income levels, there are rural communities—not necessarily just rural communities—that cannot yet access digital payments or digital infrastructure reliably. It is about income, because it costs to do that, but it is also about geography, because we have not got that right yet in this country. Even if we move away completely from the income scale and say, instead, that it is about distribution across the country, we absolutely know that if you live in a rural area you cannot reliably pay with digital and we cannot rely on those communities to take the brunt of us not investing in digital. While we bring that up to speed, we have to be able to give them a mechanism to continue with their economic activity.

- Q11 **Charlie Elphicke:** That is a really good point, but none of this is new, is it Natalie? We know that, as soon as you get outside a big city, you are abandoned by technology, because this country only works for people who live in big cities. In the regions, no one cares and everyone is just abandoned in rural areas and villages. They do not get any kinds of services whatsoever. Old people have been left behind for ages; the mentally ill have been left behind; people on low incomes have not had the kind of support they should have had. Is it not the case that these groups are already suffering harm?

Natalie Ceeney: You are absolutely right: they are. The groups we are talking about are the same vulnerable groups that are disadvantaged by so many other things. The reason we have focused on some of the issues around cash is because the problem is that the cash infrastructure is not sustainable as we go digital quite quickly. Up until now, we know the poor have a poverty premium by paying in cash, because they do not have access to direct debits and bulk buys. We know that.

The problem is that ATMs are now starting to close for the first time in a decade, and bank branches have been closing. The economics of cash not only mean that they will pay more, but that they may not be able to pay. That is the crisis that has not hit us yet but will come soon if we do not take action.

- Q12 **Charlie Elphicke:** Your report says that going cashless could make people more vulnerable to financial abuse. Playing devil's advocate, could it not be argued that operating solely through cash makes it easier for financial abuse to go undetected?

Natalie Ceeney: The difference is the level of risk. If I am operating solely in cash and you can only access the cash, for example, within my home, you can only access the physical sum there. If you can access my digital accounts and you have access to everything, you can take



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everything. It is not necessarily that one method is better in completely eradicating risk at the moment, although digital could arguably provide greater security than it currently does with better tools. It is about ring-fencing the potential loss.

Sian Williams: If I could add to that, what we are not saying is that digital is bad and cash is good. What we are saying is that not everybody can yet use digital because digital does not yet work for everyone. One of our recommendations is that we need to improve digital solutions so that digital can solve these needs. At the moment, it does not. There are people who just do not have that choice. Until it does, we do need to protect cash.

Q13 **Charlie Elphicke:** What are the steps that Government or industry could take to allow these groups to become less reliant on cash? Is it the case that cash is always going to be needed for some people?

Natalie Ceeney: We looked at a 15-year time horizon. Our view is that in the next 15 years cash is going to need to stay viable in Britain. However, we do agree that we need to take steps to make digital work for everybody, because the reality is that digital is happening. Most people like its convenience. It is a bit like the internet: if you are the only person not doing something, you end up being left behind. We have to get everyone to be included. That is why that was one of our recommendations.

The problem is that a lot of the digital development for vulnerable groups is not particularly profitable. Inevitably, commercial groups design for the 80% who make them money and who are the mass market, not the 20% who are vulnerable. The recommendations we have made here are around industry and regulators working together to solve those specific needs. It is going to need cross-industry working and working with consumer groups using inclusive design principles to make sure we are actually designing solutions that are appropriate. It therefore needs to be a regulatory and Government priority, because if you just leave it to the market you will design for the masses and you will not design for the vulnerable.

We do believe this is doable. In our research, virtually every problem we saw we could conceive of a way that it could be solved, but it is probably not going to be solved if we just leave it to market forces.

Q14 **Charlie Elphicke:** Richard, is it not the case that going cashless would make people less susceptible to theft and robbery, because it is all so much more secure online?

Richard Lloyd: If that were the case, I would be very pleased, but sadly it is not. If you look at the experience in Sweden, for example, as we have, the reduction in access to cash has simply displaced crime online. We are seeing growth in online fraud and scams in this country, for example with authorised push-payment scams, as you know, increasing



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very rapidly. My daughter's school has gone cashless, and there is an increase in muggings that are about other high-value things, such as mobile phones. First of all, we need a digital financial services system that is much more secure. We need one that incentivises banks and other firms in the system to do much more to prevent online crime. We need to recognise that the reduction in cash will lead to a greater incidence of online crime. We also need to make people feel safer, if they are relying on cash in their communities. It is not an either/or.

Q15 Charlie Elphicke: I have one final question. Are banks and the payment regulator currently on top of this sort of financial crime? Can they be trusted?

Richard Lloyd: The banks are now very clear that they have a very large responsibility to society to make sure people are safe when they are being encouraged to take up digital banking methods. There is clearly an incentive on the banks to get people to go cashless and to move into digital, but what comes with that reduction in cost for the banks must be that they step up and protect people better, as we know they can, when there are so many more frauds going on online. The regulators have now recognised that there is a very significant risk that we are going to sleepwalk into this cashless society problem, as have Government. As we started off saying, recognition does not necessarily lead to urgent enough action. That is what we need to see.

Q16 Colin Clark: I want to bring you back to digital payments and inclusivity, which you touched on in answer to questions from my colleague. When it comes to ensuring people do not lose out as society gradually becomes more cashless, are digital payments part of the problem or part of the solution? I am sure it goes to the very point of your report.

Natalie Ceeney: We see digital as inevitable. It does offer a lot of solutions. Let me contrast the UK's approach with China's. In China, there is a huge population that is unbanked. Rather than trying to go through traditional banking first, a lot of payments technology in China has gone straight to try to include people who have poor literacy, using, for example, biometrics. As we look overseas, we can see that there are quite a lot of digital technologies that could help.

The problem is that what has happened in the UK is that we are designing for the 80% who find it easy, not the 20% who do not. As a result, we are dividing society quite quickly. If we can make sure digital works for everyone, even the people who at the moment cannot use digital told us in our research that they would like to be able to. Digital can be the answer, but it is going to take a lot of work to make it so.

Sian Williams: I was part of the Payments Strategy Forum, which worked on the whole new strategy around revising payments. One of the principles we tried to insert into the strategy, and which we got on to the paper but not necessarily into practice, is that we probably do not ever want to be in the position again of having to have two years of a



Payments Strategy Forum trying to solve all the problems that everyone knows exist but no one is able to solve for two reasons.

The first is that the payments industry is supposed to be competitive and not collaborative, and many of these problems need to be solved through a collaborative process. We see far too often that firms are put into a position where they have to compete. This kind of learning should not be about competition, price and winning. It should be about improving the level for everybody. There is something about the way the PSR attempts to create collaborative spaces. That is really important, and we need to see more of it. The sandbox process at the FCA is really important, thinking around collaboration.

The second piece—again, we have discussed this in this Committee—is around the way our financial services firms are regulated. Even though the legislation says it is for the outcomes for consumers, the entire structure favours shareholders. We have to see greater investment in making sure products meet the needs of our communities. That is missing from a large part of the debate. Even though we have inserted into the payments strategy for the UK an agreement that the industry will put the needs of consumers first—I mean the needs of real people, not idealised consumers as rational economic beings—we are not seeing that happening.

Q17 Colin Clark: Is this like a latter-day decimalisation? Is that a fair contrast? Is this something people can work up to? Are we speaking about people being excluded because they are just not going to manage to be included? Your report mentions that. There are issues that digital solutions will not solve. How are we going to deal with that as opposed to just brushing past it?

Richard Lloyd: A good example exactly on that point is resilience in the economy. We have all seen repeated IT failures in, for example, retail banking in recent years. If the digital infrastructure comes under attack or falls over at some point and people do not have cash, then there is a very real and practical problem for everyone. There are a number of ways of thinking about this, not just for the very important vulnerable financially exclude people, but also for the economy in general. That is why we keep saying in the report that we need to think about this as a system rather than in terms of specifics.

The other dimension of this, of course, is digital inclusion. If new consumer-centric, digital financial services products are coming on to the market but you are living, as Mr Elphicke was saying earlier, in an area where you do not have access to decent reliable broadband or 4G, you are going to struggle to access those services for other reasons. It is really important that we recognise that this is a system-wide issue and that the reasons people may be left behind or that local economies may suffer are much broader than simply the availability, for example, of ATMs.



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Q18 Colin Clark: Can I ask you about one specific bit of technology that absolutely jumped out at me? It is the chips inserted under your skin in Sweden.

Chair: Are you volunteering.

Colin Clark: Yes, I was thinking that. I am sure the Whips would be delighted if we were willing to, unless I have already had one inserted, of which there is a fair chance. Could you explain what that technology is and what it represents? What is the purpose of it?

Natalie Ceeney: If you think about the contactless card you have—your Visa or Mastercard—it has a chip in it. In Sweden, rather than the little chip being in your card, you put it in your hand. There are thousands of people who have volunteered to do that.

Colin Clark: They are much more compliant.

Natalie Ceeney: Actually, yes. When we went to Sweden we did explore why Sweden was different. One of the comments was, “We love technology and we completely trust our Government”.

Chair: It will never catch on.

Colin Clark: That is really not going to happen here, is it?

Natalie Ceeney: It leads to chips being inserted in hands.

Q19 Colin Clark: Finally, on the reliability of internet connections, it sounds to me like there is a systemic threat if people do not have faith in access to credit or their own money. Some regional areas, such as the outer-lying parts of Scotland, still have poor connectivity; we are working on it with the Scottish Government. What does that actually mean for the future? Is there not going to have to be a cash alternative? There is also technology and cards here that are not Wi-Fi connected or internet connected. Is there not a technological answer to this?

Natalie Ceeney: The quick answer is not yet. It is one of the things to look at. We visited Sweden, and they are the most cashless society in the world. They are now having debates in their Parliament about, “What do we do when we are hacked by the Russians?” They have reached the conclusion that there is now not enough cash in circulation to cope when digital goes down, but they cannot guarantee that digital will not go down.

I posed exactly this question to the central bank in Sweden. Do you remember that paper technology of those machines where you put your card in, the zip-zap machines? They are seriously debating in Sweden whether to re-issue those to every retailer as a contingency. They have got to the point in Sweden where they have realised that there is not a backup other than cash and not enough people have cash in their pockets or their homes, and they are having to go back two decades in terms of technology. What we are saying is that we do believe that cash is going



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to be needed for the next 15 years in Britain, because digital will not work for everyone, but some serious things need to be looked at in that period about cash as contingency. It is not immediately obvious that we would want to be without cash.

- Q20 Chair:** This is the benefit of having your report now, which you say is trying to deal with these issues now before we get too far down the line. Is what you are really saying that a fully cashless society is neither possible nor, in a way more importantly, desirable, given the Government's and regulators' responsibility for a resilient society and country?

Natalie Ceeney: To be honest, we have stayed neutral on that question, because who knows what the world is going to look like in 15 years' time? In the 15-year horizon we have looked at, we cannot see any scenario in which it will be safe to get rid of cash. After 15 years' time, who knows what technology might have been created? We will never say never, but certainly not in the short term. The risk is that we are going there by default; we are sleepwalking there.

- Q21 Rushanara Ali:** Good morning. I have a few questions relating to the report. You are recommending very fundamental changes to the UK cash infrastructure. You may have already touched on some of this. Can you say a bit more about what is wrong with the status quo and also what changes will need to be made in order to make sure the infrastructure is sustainable for the long term, at least for the period that you think it is going to be needed?

Natalie Ceeney: What is wrong with the status quo is that Britain's cash infrastructure is big, complex and run almost entirely commercially. It costs about £5 billion to run. It is everything from bulk sorting centres to vans running up and down motorways to ATMs and everything in between. All the players in it pretty much, apart from printing the notes at the beginning, are running this for commercial gain. The economics are just not going to work for much longer. We have built it in Britain with a lot of duplication. That is becoming unaffordable.

What do commercial companies do when the economics do not work? They tend to do one of two things. One is they hike prices. In cash you cannot do that easily for consumers to get out of ATMs, although that is starting to happen, but you can hike prices to small businesses to deposit cash. Alternatively, you can reduce services. We are seeing that in the closure of bank branches and ATMs. Where do those services get withdrawn or costs hiked? In the areas of low use, which are most likely to be the most vulnerable and most likely to be rural.

If you do nothing and leave this to market forces, our view is that what will happen is the most vulnerable regions and the most vulnerable parts of society will be left, first, without consumers being able to get at cash and, secondly, small businesses will find the costs of handling cash so



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high that they will not accept cash. People will lose the ability to pay for goods and services and to function in society.

Q22 **Rushanara Ali:** Do you have any points on what needs to happen?

Natalie Ceeney: Our view is that fundamentally we need to re-think the role of cash. In our view, cash is not a purely commercial issue and cannot be a purely commercial issue. If people need to be able to pay for goods and services to function in society, then surely giving them the ability to do so needs to be a fundamental right. That is why we are recommending that people should be guaranteed access to cash. We do not mean access to ATMs; we mean access to cash. There is a variety of ways you can get cash.

We also need to protect people's ability to pay with cash. At the same time we have to make that affordable. There are parallels with the high street and retailers. This is not about calling for high costs. We think we need to re-engineer the infrastructure. If you look at some of the societies with lower cash usage, particular the Nordics, what they have done is rationalised their infrastructure. In Britain we have over 30 bulk sorting centres for cash. We could possibly do with five or six. If we take a look at the infrastructure, we think quite a lot of cost could be taken out of the infrastructure, which in turn will be able to pay for the guarantee.

Q23 **Rushanara Ali:** This is a very outdated question, but in the past people used to be able to get money out of supermarkets as cashback.

Natalie Ceeney: That is a really good question, and it is a very important question. There have been some technical changes. Crudely, for a supermarket to give cashback, it costs them money. They pay a percentage of each transaction as a fee to digital providers. If they install an ATM outside, they get paid. When those changes happened, unsurprisingly, supermarkets stopped saying, "We will give cashback" and instead put ATMs outside. That is one of the direct consequences. Cashback is important. I absolutely agree.

Q24 **Rushanara Ali:** I do not know off the top of my head, but do you know how many have replaced cashback with ATMs just outside? Has it been replaced completely? Are there gaps?

Natalie Ceeney: It is not that they are not offering cashback; they are just not reminding you that you can get it. Most are still giving it. This is a key issue. In fact, one of our key recommendations is to increase the use of cashback, particularly from convenience stores and particularly in local communities. That has that nice consequence of keeping the high street alive, but to do that, we need to design the regulatory mechanism to allow shops to get paid to do so.

Richard Lloyd: I would add that this is partly where the regulators need to look very hard at the incentives in the system. We need to ensure that retailers, for example, are not incentivised to do away with very



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important channels to give people access to cash. Where the costs that sit behind the different channels for people to access cash are disadvantaging a very well-known and previously very proactively offered mechanism, the regulator needs to look at the system.

Sian Williams: There is an attempt at the moment to create a trial around using PayPoint terminals. In small communities there is almost always a PayPoint or similar bill payment terminal. There is an attempt at the moment to get a trial here. The key point around this is that there are people trying to innovate, but innovation is hard because competition rules come into play. Again, it comes back to the point about the regulator being an enabler of innovation. To think creatively and supportively around that is crucial.

Q25 **Chair:** What you are also saying, though, is that something like the cost of cashback versus ATMs is a part of the infrastructure debate. When we talk about infrastructure, we might just think about the costs of moving lorries with cash inside them around the country, but all of this is an infrastructure point.

Natalie Ceeney: Absolutely, yes.

Q26 **Rushanara Ali:** Just to be clear, does it cost more for merchants to accept cash versus cards?

Natalie Ceeney: It is a really good question, and the answer is that you will get a different answer from every retailer you speak to.

Q27 **Rushanara Ali:** What is your answer from the work you have done?

Natalie Ceeney: It generally depends on the retailer, and let me say why. Imagine you have two shops. One shop has a branch nearby. It therefore does not have many costs to deposit cash. Another shop doing exactly the same business might have found that their local branch has closed. That means they have to drive 25 miles. There is a queue there; that is three hours of staff time. That is a real cost: you are paying your staff. In the shop's equation of cash versus digital, there are an awful lot of intangibles: there is the cost of staff cashing up and there is the cost of staff driving; if you therefore decide you are only going to go to the bank once a week, you have higher insurance costs. Cash costs and digital costs are charged differently. Typically, with digital you pay a percentage of every transaction. Cash you pay in staff time, in petrol costs and insurance. Most businesses struggle to equate which is more expensive.

What businesses have consistently told us, as have their trade associations, is that over the last couple of years their perception is that digital is getting cheaper and cash is getting more expensive. It is that polarisation that worries us. We have spoken to a lot of retailers that have gone cashless, and consistently the reason they have said they have done it is because of the cost and hassle of taking cash. That is why one of our recommendations is that we need to take that cost and hassle away, so that retailer decisions to go cashless will only be based on



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consumer choice, not because they feel cash is just too much hassle and too unaffordable and therefore leaves consumers behind.

- Q28 **Rushanara Ali:** My apologies if you have already done this, but is there a cost-benefit analysis somewhere of the sorts of things you are talking about, in terms of what the hidden costs are for businesses? Obviously, there are the billions that you mentioned—between £5 billion and £9 billion, in terms of using cash—but what are the consequences just in pure numerical terms, never mind the social consequences for citizens?

Natalie Ceeney: You are absolutely right to ask the question. The quick answer is that, no, that analysis is not there. As we did our review we found that lots of data points just do not exist yet. A key statistic we would love to know is how many shops do not take cash. It is not measured; it is not monitored. This is the issue. We have taken cash for granted, but we now need to ask some pretty fundamental questions.

To Richard's earlier point, if you make a change to digital payments what are the implications for cash? What are the relative costs of the two? How many shops are not taking cash? Why? That is why one of our recommendations is to say to the regulators, "You need to up this on the agenda, take a system-wide view, monitor what is happening with cash and do this sort of investigation. As cash use keeps declining, which it will, we will be able to have early warning signs for some of these issues and take early action.

- Q29 **Rushanara Ali:** I just have one final question. You have already mentioned some ideas for legislation. Are there others that we should be thinking about? You talked about Government needing to step in. What is the timeframe within which Government should be looking at regulation to try to correct some of this?

Richard Lloyd: First, the Government can and should step in right now to provide the leadership and create the strategy behind which the rest of the regulatory landscape should follow, in terms of what the policy on cash in this country is.

Secondly, as we touched on a bit earlier, there are probably areas of our recommendations where we expect further legislation to be necessary, particularly in relation to a guarantee to access to cash. We think the steps towards that could be taken without legislation, but that is an area where we would need the regulators to say very quickly whether they needed more tools.

A third area, where there has been some public debate, is around whether there should be legislation to compel retailers to accept cash, which has been tried elsewhere. Our view is not at the moment, and it is very hard to see how very small businesses, fairly, ought to be compelled to accept one payment method over another. Again, in the world of what is possible without legislation, utilities and public services ought to not be declining cash and ought to be giving consumers easier access to paying



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by cash than is currently the case. Again, it is about thinking what in the ecosystem is possible now.

Q30 **Rushanara Ali:** What is the timeframe in which you need to see this stuff happen?

Richard Lloyd: Certainly over the next two years. If we have not seen sufficient enough progress or sufficient clarity about whether legislation is needed, then that would be the point at which the Treasury should be looking at what new regulation is required. There are things that have not been tried. There is a system-wide view that has not even been properly taken yet, but I would say that by 2021, if there is an identification of the need for legislation, then HMT should get on to that quickly.

Natalie Ceeney: The problem is the longer we wait, the harder this becomes. I mentioned that the whole infrastructure is essentially run by commercial players. Most of those commercial players have been quite candid to us in the review, saying, "Some of these contracts are commercially only marginally viable". This is just going to get worse. We are seeing ATMs close now, really for the first time in a decade. We are just going to see more and more things start to collapse. Our view is if we take action now, we can stop losing infrastructure. Once the infrastructure has gone, it is very hard to get it back.

Q31 **John Mann:** I have a couple of questions, because I am a little bewildered by some of your arguments. What evidence is there that, with the digital switchover in telecommunications 10 years ago, there are people who have been left without access to televisions?

Natalie Ceeney: We have not commented on televisions.

Sian Williams: I do not have any answer to that.

Q32 **John Mann:** The reason I ask—and it would be worth looking at—is that Parliament and Government spent a fortune worrying about how all these disadvantaged people would not be able to cope, but I have not yet come across a single person, not one of my constituents.

Let me ask a second question. London Transport moved to cashless some years ago. What evidence do you have that disadvantaged groups have been unable to travel?

Richard Lloyd: If I can answer both of those, on the television switchover, there was a very clear programme of, region by region, identifying people who might be vulnerable and left behind by that switchover. There was an enormous communications campaign and there was a plan that everyone knew about; it was not just happening by default. That is a key difference. There is a learning there: if you want to make a switchover to a digital solution, you need a clear plan, people need to know about it, it takes time and it has a cost.

On Transport for London, exactly the same lesson applies. It made a strategic decision and looked at who would be affected by that very



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carefully. It had statistics to show who might be disadvantaged by that and gave bus drivers, for example, authority to deal with that if there was a problem.

This is exactly the point of this report. If you have a clear plan and a clear destination, you work out who might be adversely affected, you communicate it properly and you do it in a sensible, rational way, then you have a greater chance of not leaving people behind. We do not have the plan in the first place.

Q33 John Mann: My question is about how many people are unable to travel in London on public transport, which is now cashless. That is my question.

Sian Williams: I would argue that we do not have those numbers because those numbers, as a dataset somewhere, do not exist. As someone who works in Tower Hamlets and someone who uses the public transport system, I will give you two responses. The first is that those people are very often invisible to us until you see the impact on their lives. At Toynbee Hall, we work with communities and, amongst those communities, people tell us, "I do not travel on the bus because I do not have an electronic payment card and I cannot get on the bus unless I go and get an Oyster and I do not have the money to pay the deposit on an Oyster card", or "I do not have the facility to be able to go and top it up". That is absolutely what we hear from people. I am sure that other people in the room have experience of speaking to constituents in London who have similar issues.

Are those numbers significant enough that we should care about them? Yes, of course they are. Are they significant enough to say that Transport for London should not use digital payments? No. Are they significant enough to say that those people deserve support to be able to use the Transport for London system? Yes. If your question is about whether we need to take good action to make sure people are included, the answer that we do. If your question is whether we have got it exactly right, that is something for us to discuss.

The second thing I would say is that I have had personal experience of being on a bus and seeing someone ejected from the bus because they did not have the means to pay. It was not that they did not have the money but they did not have the method of payment.

Can I say to you categorically I have evidence that some people struggle to use the Transport for London payment system? Yes, both in terms of our constituencies at Toynbee Hall and personal experience of seeing it happen.

Q34 John Mann: All I can say is that I have also had experience of people with the wrong cash, where cash is accepted on bus systems, unable to do so.

I have a final question. The M-Pesa system in Kenya was brought in



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within nine months. What is your assessment of that, in terms of access to cash and in relation to the surrounding countries, not least South Sudan, which is probably the poorest country in East Africa and the one with the least financial infrastructure? What financial system would best support disadvantaged people?

Sian Williams: We absolutely acknowledge that there are non-cash alternatives to where we are now. What we are saying is that in this country that investment is not yet happening. For example, if you look at M-Pesa, digital financial inclusion methodologies, they work, but are they perfect? No. Every potential system for inclusion needs a strategy and a delivery mechanism behind it. Having come from the microfinance world, I absolutely agree with you that there are good mobile telephone base technologies that we could be looking at here. What happened to the attempt to try to bring an equivalent of M-Pesa to this country? A large corporate blocked it. This goes back to my point. It is not that our financial services infrastructure cannot meet some of these needs; it is that the investment and the structure for enabling consumer needs to be met are not there.

Q35 **Chair:** That is why the government regulators have to then be involved.

Sian Williams: Yes.

Q36 **Stewart Hosie:** Natalie, are banks anti-cash?

Natalie Ceeney: The banks are acting towards their own commercial interests, as most commercial organisations do. The crude economics are that cash costs money whereas digital makes money and consumers are going increasingly digital. If you look at it on a macro level and a commercial level, what do you do? You invest in where your customers are going and you de-invest in where a small proportion of customers are going. It is driven by economics rather than a macro conspiracy theory, but the consequences of those economics are that the percentage of people who we have identified could be left behind are increasingly finding life quite difficult.

Q37 **Stewart Hosie:** I just wonder about consumers moving to digital because they want to. If you are queuing up behind someone buying a bar of chocolate and they are mucking about with their telephone rather than bringing out 50p from their pocket, that is not convenient for anybody, is it?

Natalie Ceeney: We did find that most consumers we surveyed liked digital. Even those who said they struggled to use it because it did not work for them quite liked digital, though not for everything. You are absolutely right on the bar of chocolate level; we found that for small payments cash is still preferred, but for large payments digital is largely preferred.

Q38 **Stewart Hosie:** I only ask that question because it is a complete bugbear. It just gives the person standing behind some delay. Cash is really good; it is fantastic.



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You said earlier that your review had gone wider than ATMs and that is helpful. Clearly, we all have concerns about the number of ATM closures, but let me ask a number of questions. Has Government policy on cash been overly focused on ATMs? Is it your view that protecting the ATM network either is or is not, or should or should not be, the primary focus of cash delivery? What is your assessment of the approach taken by the Payment Systems Regulator towards the ATM network?

Richard Lloyd: It is clear that we have not had a good enough focus by anyone in the ecosystem on how you get cash to people who need it, whether that is through ATMs or through other channels, as we were discussing earlier with cashback. Obviously, ATMs are important, but they are not the only means for getting cash to people. The economic incentives in the system for ATM providers to start withdrawing their machines, never mind to install machines that can accept deposits of cash as well, are clearly out of kilter.

The focus on ATMs has been too narrow. We have said many times that we need to look at the whole system and what sits behind it—distribution of cash, need and the economic incentives, as well as the delivery mechanisms. What we now have from the Government and the PSR is recognition that that is what is needed, although none of the individual regulators have all the scope and all the responsibility necessary to address all of the system. The response so far has been too narrow and inadequate. What we hope we have done is demonstrated that if you deal with only parts of the system in isolation, for example only focusing on ATMs, then the problem will not be solved.

Natalie Ceeney: One big gap in anyone's thinking up to now has been cash acceptance. What was really stark when we went to Sweden is what is going to kill cash in Sweden is not people not getting it but people not being able to spend it. We are starting to see increasing numbers of businesses in Britain not take cash. It is happening individually, without a co-ordinated Government policy, and no one is looking at it. Cash acceptance is a massive issue that needs to be much higher on regulators' agendas.

Q39 **Stewart Hosie:** I can only think of one business I have ever been in that did not take cash.

Natalie Ceeney: We could name you quite a few more.

Richard Lloyd: The Rose & Crown in Hackney.

Q40 **Stewart Hosie:** But they did when the choice was either being paid for the goods or service or not being paid. They were happy to find a way to take the money. Is this a real issue, or is this something that only a few people have come across?

Natalie Ceeney: It is a very real issue. The problem is that it will happen quite quickly. I will talk a bit about Sweden. Sweden uses about half as much cash as we do, in terms of transaction volume. The big thing that



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prompted a crisis in Sweden last year was when Swedish hospitals declared they were going cashless. Suddenly, there was a public outcry. They have some of the same issues as Britain in that not everybody has mobile connectivity, not everyone has broadband and there were certainly people who could not cope with the idea that they could not be treated in hospital if they could not pay digitally. That caused an all-party commission to look at the issue.

When we went and explored it, the retail associations had done surveys of retailers and said—you are absolutely right—that an increasing number of retailers are going cashless. The central bank in Sweden said that it is going to be cash acceptance that kills cash, not cash access. The reasons are that bank branches are closing, very similar to Britain; the costs of depositing cash go up; bank charges go up as the infrastructure costs are fixed and the income goes down; fewer people use it, so if you are only dealing with 10% of your customer base it becomes marginal in terms of your own economics; and there is no law preventing it.

- Q41 **Stewart Hosie:** On that Swedish hospital example, just to digress slightly, are we talking about the hospital core services or are we talking about things like the newsagent within the hospital concourse?

Natalie Ceeney: Everything.

- Q42 **Stewart Hosie:** So you could not go and buy a newspaper or some toiletries with proper money.

Natalie Ceeney: Absolutely.

- Q43 **Stewart Hosie:** What a preposterous idea, but it is interesting to see that it happened.

Natalie Ceeney: It has been reversed. The Government intervened.

Stewart Hosie: That is interesting. Why do we not yet see deposit-taking ATMs apart from those in certain banks?

Natalie Ceeney: It is symptomatic of the issue we are talking about. It is because no one has been thinking about it and no one has been looking at it. Deposit-taking ATMs are quite widespread on the continent; if you go to Portugal or Spain, you will see them. At the moment, if you think about an ATM we use to get cash out, the operator running the ATM gets paid; they get paid something like 25p each time we take cash out. If that same operator installed a deposit-taking ATM, at the moment there is no equivalent interchange. They would not get paid, so there is no economic reason for them to do it.

We also have some off-balance sheet rules by the Bank of England about where cash is deposited off balance sheet. Since the Bank of England has taken a very sensible, pragmatic approach, from a fraud perspective, which is that it needs to go back to cash-sorting centres, again that does not incentivise deposit-taking ATMs.



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The issue is just that no one has thought about it and no one has enabled it. Some quick regulatory rule changes would mean that technology could be put in quite quickly.

- Q44 **Stewart Hosie:** Is there a business opportunity for somebody to buy up or rent 1,000 of the old night safes that still exist in holes in the wall outside banks and offer a service to safely deposit cash?

Natalie Ceeney: Yes, if the regulators enable that in terms of the off-balance sheet rules from the Bank of England and create an interchange rate. In fact, that is one of our recommendations, because for small businesses not having to drive 25 miles to queue at a bank branch, but being able to pay overnight is safer and easier. The technology is now a lot better. There are smart deposit-taking safes that will count the money as it goes in and secure it.

- Q45 **Stewart Hosie:** What pressure has been put for that deposit-taking capacity to be delivered within the overall system?

Richard Lloyd: There was some pressure when bank branch closures were a higher profile problem a few years ago. One of the alternatives was smarter ATMs. What has overridden that public pressure to provide machine alternatives, in particular for small businesses, as Natalie said, has been the economics in the system, which simply act as too great a barrier for enough of that to happen.

- Q46 **Stewart Hosie:** Let us turn briefly to what you said about a huge scope for innovation in the way that cash is supplied. The report mentions the possibility of a service of delivering cash to people's homes. Do you think we will ever see that kind of service, or will it be cheaper, instead of having an Amazon driver bring £50 to you, to have a thing in your local shopping high street—let us call it a bank—where you can go and get money? Are we really going to see cash deliveries to a retail customer in that £20, £30, £40 or £50 bundle? Is that really going to happen?

Richard Lloyd: You can already get foreign exchange delivered to your home, as you probably know.

- Q47 **Stewart Hosie:** Is that posted?

Richard Lloyd: Yes. Again, this is about getting the banks to think creatively about not just dashing to digital but how you include people who need cash, and what are the different delivery mechanisms.

- Q48 **Stewart Hosie:** If an ATM withdrawal cost went above the price of a first class stamp and an envelope, it would be cheaper to have your money posted to you.

Richard Lloyd: Potentially, yes.

Sian Williams: I would like to add two points, if I may, since we are on ATMs. We are starting to hear of quite troublesome contracts being implemented. I imagine you will have seen the Budgens' tweet.



Stewart Hosie: I have done.

Sian Williams: It is something that we want to flag. When we watch what is happening in the market, market forces do not serve the consumer here and when we see, for example, rumours that contracts are being implemented that say, "We, the provider of an ATM to your shop, can, without any discussion with you and without you having any right, as a retailer, to withdraw this ATM from service or to switch providers, not only impose a price on withdrawal of ATM cash but also we can increase it to a level that you know your consumers will not pay", and therefore, you lose business. Secondly, if you miss your date by one day to withdraw the contract, you are stuck for another five years. Something is seriously wrong and it is something that we are starting to look into. We can see pressure on ATM retailer suppliers, something is going on in the market and it is an important point to watch.

The second thing is—to come back very quickly to the banking agreement—that the Banking Protocol does not work; we have discussed it here in the past and this is another indication. We had a moment in time when we could have had teeth and said, "If you want to withdraw banking services from a community, you can only withdraw your physical presence. You cannot withdraw your services". What we ended up with was an agreement that banks could say, "We are withdrawing. Here are some other places where you might possibly want to go, but we are not really interested in whether your needs are met".

In this issue, I do not care about cash at all, I am completely cash agnostic. I care about people's needs being met and I currently see no evidence that the financial services sector is making sure it is meeting people's needs in a way that would allow us to get rid of cash. We need to go back to the Banking Protocol, back to the tools that we have, put some teeth in them and say, "We need to make sure people's needs are met".

Q49 **Stewart Hosie:** I am glad you mentioned the issue of ATM contracts. In addition to the ones you have highlighted, a change in the contract where the business owner now has to pay the business rates for the unit, which were previously paid by the ATM owner, changes the economic dynamics for a local shop. I am absolutely on board with what you are saying. I know there are problems there.

I have one final question. How will the introduction of an access to cash guarantee work, in practice, if the ATM goes, if the bank is shut, if the post office is closed and if someone simply does not have access to the digital technology in the first place?

Richard Lloyd: The idea is that a regulator or Government would give communities the power, potentially through their local authority, when they have a need for access to cash that does not exist, to go to a new body. This need not be a regulator, but there needs to be a clearing house, essentially, to which communities can say, "We have this need, it



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is not being met and we want to exercise our right to have our access to cash guaranteed". That body then would look at how best to meet that need, as Sian was saying. It needs to have the clout, it needs to have the industry buy-in and it needs to have the backing of regulators to make that work.

Q50 Stewart Hosie: That body could say, for example, "No, the ATM is staying or being replaced. No, the post office must open at least three afternoons. No, the bank branch cannot close for a period of time". Would you envisage that body having the powers to make those instructions?

Richard Lloyd: It would need to have the clout to be able to make the right solution work rather than just pleas to banks or other potential operators to put in place what is needed, so absolutely, yes. That means there needs to be some rules created or agreed with the industry and with retailers about deposit-taking, as well as withdrawals. The crucial thing about this guarantee, as I said—and the exact parameters of that would need to be debated—is that it would give communities the power that they currently lack to demand the access to cash that they need based on clear evidence, and for there to be a response to that other than, "We hear you, but you can ship off to the nearest city".

Q51 Catherine McKinnell: Now moving on to a slightly different aspect of cash, the report recognises that cash is used to support the illegal economy. How much weight do you think policymakers should place on the risk that by preserving access to cash we are also continuing to facilitate that element of cash abuse, in a sense?

Richard Lloyd: There are different dimensions to this. One is about whether the reduction in cash leads to a reduction in crime, in bank robberies and, directly related to cash at the moment, attacks on ATMs, where they are pulled out and the contents stolen. Currently, the direct cost of ATM crime of that kind is about £10 million per year, which is not, in the overall crime ecosystem, enormously significant. The evidence from Sweden is that with the shift away from cash to digital payments, while it has resulted in a reduction in crime directly related to the availability of cash, there has been a dramatic increase in the amount of online crime and, in particular, fraud. The causality is not clear, but the lesson from Sweden is that a reduction in cash will not lead to an overall reduction in crime; it will displace it into other forms of crime. As we all know, an increase in online fraud and scams is extremely high in this country already.

In terms of the use of cash to support criminal activity, fraud, tax evasion and so on, as an economy, as a society we have a choice. Do we allow the reduction in access to cash, in part driven by the hope that there is a greater tax take or less of a grey economy, to outweigh the benefits, as we have found them, of having people being able to participate in the economy productively through being able to use cash? That is a judgment for Parliament and Government. Overall, our view was that, although the system needs to recognise the new risks that are being created by the



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reduction in access to cash, the overall cash-related crime problem was not a good enough argument to allow the availability of cash to continue to dwindle. There are other societal and economic factors that are of greater importance.

That is not to say that there should not still be a very clear focus in terms of policing and anti-money laundering and so on, as the Committee has just reported. That is very clearly sighted on the fact that we will still have some cash in circulation over at least the next 15 years.

Sian Williams: Let me give you an example from the focus group work that we carried out. When we were talking to people who work with and support people who are asylum seekers, recent migrants, undocumented, for example, what they told us was that instead of cash when they arrive and they need benefit support, people are given a pre-payment card. Those pre-payment cards are taken by the gang leaders and the person's entire sum of money is then confiscated and used in criminal activity. What really became clear, for me, through the focus groups is that we lay labels on cash versus digital about how it will be used, but it is money that is used in a certain way and the way to transfer money between people will always be used for good and bad or for legal or illegal purposes. Criminals who want to use money to effect crime will do it; they will just use the systems we give them.

Q52 **Catherine McKinnell:** In terms of the tax receipt end of the discussion, is there a way of potentially incentivising or minimising the use of cash in order to avoid tax, rather than some of the more criminal elements, because they will find other ways to exploit that cash or non-cash as a choice? Is there a case for the Government incentivising the non-use of cash in order to maximise their tax receipts?

Natalie Ceeney: Sweden again gives a very interesting example. What the Swedish Government have done is given quite big tax incentives for people to pay for their window cleaner, their gardener, their nanny or their babysitter and, as a result, they have significantly increased the tax take.

Q53 **Catherine McKinnell:** Is that a tax incentive for the purchaser of the good or on both sides?

Natalie Ceeney: It is for the purchaser of the goods. On the receipt side, the banks have worked together to create a technology called Swish, which makes it free to accept low-value payments, and it is as easy as texting. On the other side of the equation, for someone, say, who cleans windows and wants a small sum of money, it is ubiquitous in Sweden, so that has taken away some of the cost of accepting digital. That is the way that Sweden has done it.

In Britain, what occurred to us, as a panel, is we tend to conflate the grey and the black economy. We talk about crime, but there are an awful lot of people who live below the tax threshold, who earn small sums of



money and who are key parts of the local community, and they are doing absolutely nothing illegal and yet we demonise them. We make it frowned upon to pay people in cash when there is absolutely nothing wrong in doing so. As a panel, our view is that we are better looking at incentives, tools and enablers than looking at beating people with a big stick when, in fact, many of those people need cash to survive.

Q54 Catherine McKinnell: You say they need cash but it is getting to the point where a lot of people are moving away from using cash. Therefore, even in order to purchase those services, it is easier for an awful lot of people not to use cash. Where do we find the balance between convenience and supporting those businesses, by creating platforms that make it easier to have those interactions and to recover the payment for their services, and not stigmatising in that way, which is a really important point? Where does that balance lie? Has your report looked at that? I am interested in what you say about these people needing cash. In what sense do they need cash as opposed to they need to be paid for their services?

Natalie Ceeney: We did quite a lot of research through focus groups, not just into qualitative needs but quantitatively as well, and we sized that around 17% of the population, or about 8 million adults, at the moment simply could not cope in a cashless society. That is for the whole variety of reasons that Sian has mentioned. If I just give an illustration of me, I work in London and I pretty much use only digital in London. I live in a village in Kent with no mobile signal. No shop in my village can take digital payments, because there is no mobile signal. We still have some big infrastructure issues in large parts of Britain where there simply is no choice, and that is on top of some of the needs that Sian said.

Our view is, in parallel, we need to enable everyone to use digital, and that is a whole suite of things we are going to need to do, from getting the banks and regulators to work together to solve some common issues, to getting mobile and broadband connectivity across Britain. We need to get everybody to be able to participate, but until we are there we need to find a way of preserving cash. That is our view of the tipping point. When everybody has a choice, it is a debate for Parliament as to whether we go cashless, but until everyone has a choice we should not have that debate.

Sian Williams: Natalie mentioned about the banks in Sweden working together. I feel like a broken record in the last year, because so many times that has been the problem. Either the banks will not work together or they cannot work together. For example, Request to Pay is an example where collaboration was required to solve this problem. Why does Swish not work in the UK? It is because there are multiple different technologies that do not speak to each other, so when Barclays created Pingit it was useless to anyone else, but they want the market share; Zapp is useless to anyone else, but they want the market share. We need to recognise that if we want to be an inclusive society and do away with cash, we need to have a system that everyone can use.



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Natalie Ceeney: It is infrastructure and the permission to collaborate to solve the public good issue.

Chair: Exactly, which is a point for regulators and Government as well.

Q55 **Alison McGovern:** Thank you for your presentations this morning; it has been really interesting and seems like an excellent piece of work has been done, if only we had more time to focus on it. That said, I just have a few very short follow-up questions, just so that we can get on the record some of the underlying trends in the UK. Natalie, in terms of the past decade, what has the change been? What is the rate of change now in terms of cash and digital?

Natalie Ceeney: If we go back a decade, around six out of every 10 transactions were in cash. Last year, it was down to three out of every 10 transactions and, in fact, contactless payments have overtaken cash as a method of payment. Our forecasts are that we will be down to one in every 10 transactions being in cash within the next 10 to 15 years.

Q56 **Alison McGovern:** That is very helpful. What would you say the primary factors are that are driving that change?

Natalie Ceeney: A lot of it is consumer convenience, but increasingly our worry is that it will be lack of choice, because people will not have an alternative.

Q57 **Catherine McKinnell:** Are there any scenarios that you could envisage, or that the review has discovered, in which cash started to increase? I mean from a trend point of view rather than some sort of emergency or hacking event or something like that.

Natalie Ceeney: We have identified a few scenarios, but it is largely about consumer confidence. If we saw large-scale digital outages, more people would hold cash. Privacy is another big one. By using a card, of course, your bank knows everything you do, so as people get more and more aware of privacy issues, they could choose to use more cash. Another scenario is if there was an economic crisis. If you think about people wanting to hold cash, if our economy gets weaker, I do not think cash usage would go up, but the decline might stall.

Q58 **Alison McGovern:** We have talked about Sweden a lot, for obvious reasons, but is the picture in the UK otherwise broadly similar to other developed economies?

Natalie Ceeney: The UK is ahead of most of the world. Let me give some statistics. In Sweden, about 15% of all transactions are in cash. We are just over 30%. By contrast, Germany is over 80%, as is most of Europe.

Q59 **Alison McGovern:** Do you think that is for cultural reasons? For example, given what you just said about privacy, you could imagine the German culture is very different around that issue in particular. Do you think it is largely a cultural thing, or it is about investment in technology?



Natalie Ceeney: Some is technology, but you are absolutely right that a lot is cultural. We asked this question in Sweden and said, “Why have you gone so fast to being digital?” and they said, “The reasons are, first, we love technology in Sweden; secondly, you have to remember we have not been invaded in 200 years and, as a result, we have a huge amount of faith in our banks and our Government”. Contrast that with some parts of Europe where there is not that confidence in Government and they have seen, in their lifetime or their parents’ lifetime, cash being devalued. You can see why people would not necessarily want to give away control. The cultural aspects are significant.

Technology is also significant, though. In Sweden, this Swish technology I mentioned, where it is as easy to transfer money as it is to text someone, massively accelerated their move away from cash, so technology does help.

Q60 **Alison McGovern:** Have you considered the US picture?

Natalie Ceeney: The US is very interesting. It is a very mixed picture. Of course, regulation in the US is state by state. A lot of the technology in large parts of the United States is not as advanced as the UK. Having said that, there are some parts of the US that are going cashless very fast. In fact, both New Jersey and Philadelphia have recently been debating exactly this issue and debating legislation on whether they should stop shops from not accepting cash any more. Exactly the same debate is happening in the States; they are a bit behind us in terms of trends, though.

Q61 **Alison McGovern:** Finally, the report suggests that we could get to one in 10 over that 15-year horizon. If you were to put a figure on it, what would you say the likelihood of that is—50%, 60%?

Natalie Ceeney: That is our forecast. That is what we think will happen.

Alison McGovern: That is your central forecast.

Natalie Ceeney: That is our central forecast.

Q62 **Chair:** Alison is right; this has been absolutely fascinating and it is a very important report. We have touched a little bit on next steps in terms of wanting a response. What happens to the review panel? Let us start with that. What is going to happen to all of you? Is that it?

Natalie Ceeney: Formally, our role was to publish this report, but we met as a panel the week before publication and unanimously agreed we want to stick around, as a panel, and watch with interest what Government, banks and regulators do, and do our own bit to hold people to account. We have also offered our help, as a group of consumer and payment experts, to Government and regulators, in any way we can be helpful, to see if we can get some action.

Q63 **Chair:** You mentioned having a meeting coming up with the PSR. Do you have meetings with others? Have you been invited in anywhere yet?



Natalie Ceeney: Yes. We will be meeting with all the regulators and with the Treasury.

Q64 **Chair:** Obviously, we have various people appearing in front of us and some look forward to it more than others. We have the Chancellor at various points after Easter. If there were one or two key points that you wanted us to make to the Chancellor, to the Bank, to the FCA, without wishing to rerun the session, Richard, what would be your top two points to make?

Richard Lloyd: When will HMT appoint a Minister to lead a cash committee, for example, or a piece of machinery of Government to help drive forward Government policy on cash and to corral the regulators in behind it? That is when, not if. Secondly, in terms of the Chancellor, when will the Treasury start work to evaluate what, if any, extra powers are needed for the regulators to effect the recommendations that we have made?

Natalie Ceeney: That has been our view.

Sian Williams: I would add one point, which is to remember that consumers are not a problem; they are the people of the country. To be economically active and financially independent, they need both the means to store and manage money safely and to be able to transact. All we are asking to happen is that people are given those needs over the next 15 years and that their needs are taken into account in a holistic way.

Chair: That is really helpful and very succinct. We are very grateful to you for being here this morning. We will both ask questions and watch with great interest, as well, and see where we can nudge and push and review and scrutinise. Thank you very much for your time this morning.