

## Written evidence submitted by Mastercard [SHS 051]

### OVERVIEW

Thank you for inviting Mastercard to provide written evidence to the Housing, Communities and Local Government Committee's inquiry, Supporting our High Streets after Covid-19.

We welcome the Committee's decision to examine the long-term consequences of the Covid-19 outbreak on the future of the high street, as well as its ambition to ensure that high streets can remain vibrant hubs for communities and businesses. We wish the Committee the very best for this important inquiry and look forward to its recommendations.

### ABOUT MASTERCARD

Mastercard operates a global payments technology network, investing in innovations that enable and protect consumers, businesses and the Government as they make and receive payments. We provide the infrastructure and technology that helps banks and other payment service providers to make and receive card payments on behalf of consumers and businesses.

Vocalink, a Mastercard company, is the operator of a significant element of the UK's account-to-account payments infrastructure – processing over 11 billion transactions with a value of £6 trillion – or 3.7 times the UK's GDP a year. Vocalink provides the infrastructure for the Bacs, Faster Payments and the LINK ATM switching network – so we process your salary payments, your standing order, the UK's instant payments, and the network that allows you to take cash out of any one of the UK's over 50,000 ATMs. Mastercard and Vocalink play a vital role in the economy as, on average, UK consumers use these services every other day.

### IMPACT OF COVID-19

Covid-19 has undoubtedly increased the pace of digitisation. Lockdowns saw many businesses unable to open up shop, forcing them to transact online or not at all. Individuals, too, continued moving to digital. Mastercard's most recent State of Pay report saw four fifths (82%) of respondents say using a banking app during the pandemic ensured they continued to pay all their bills, while data from LINK, the UK's largest ATM scheme, showed that as lockdown took effect in April 2020, usage of LINK ATMs fell by over 60 percent by volume.

The pandemic has also further exacerbated digital and financial exclusion and highlighted the importance of digital skills, particularly for vulnerable consumers and young people, including those living in poverty. Those with no, or limited, digital skills have not been able to adapt to the changing environment and crisis as effectively, including being able to gain other employment or benefit from online support services, as quickly as those with better digital skills, connectivity and know how.

This move to digital also highlighted how crucial it is that businesses and individuals can operate and thrive within the UK's growing digital economy. The UK's payment systems have played a crucial role

in underpinning the Government's response to the pandemic, keeping the economy running, as social distancing measures moved daily life online.

As the country now turns its attention to the recovery and rebuilding a fairer, more inclusive Britain, we believe that digital payments technology and innovation will continue to provide an essential foundation for the economy – whether online or bricks and mortar.

Regardless of whether they are on the high street or not, businesses will need to be able to operate in this digital world; while digital data can provide vital insights into their business, their customers and the nation's economic recovery. This is because businesses are also the beating heart of local communities; creating local jobs and local economic activity and in some cases providing an important place for members of the community to come together. As such, if the shift towards digital is not done in an inclusive way, the damage created by further excluding a cohort of already digitally excluded individuals and businesses will only fragment communities and cause economic and social damage.

To this end, Mastercard see three ways in which digital payments technology and innovation, and the data they provide, can help the recovery of high streets, town centres and communities post-pandemic:

- Helping businesses expand their digital capabilities, skills, and resiliency
- Maintaining choice for individuals and businesses
- Harnessing data to drive a place-focused economic recovery

## **1. HELPING BUSINESSES EXPAND THEIR DIGITAL CAPABILITIES**

SMEs are the backbone of the high street and of local communities. But they are also the most vulnerable to sudden downturns. Building their digital resilience and capabilities will help them not only survive but rebuild stronger.

The pandemic brought into sharp focus the increasing importance of SMEs making the most of the digital economy and innovation. Enabling small businesses to get online, and more importantly, stay online, will support them in becoming more productive and resilient to future economic shocks. By utilising digital technologies to increase their market and product access, they will also be able to better manage operations and cash flow and invest more in staff development. Highly skilled and digitally enabled businesses are also more attractive for either local or international investment.

Mastercard's approach to helping SMEs is all about partnership. We seek to work with all corners of the ecosystem – from our customers, the banks and other card issuers, to large and small businesses, to reduce the many pain points they are experiencing, and which have been particularly exposed by the pandemic. Our approach is set into three pillars; helping SMEs to get capital, get paid and go digital.

Getting capital is about helping SMEs access finance, including via emerging Open Banking technologies which improve the ability to accurately judge credit risk. Getting paid is about helping companies address cashflow issues caused by late payments, which is a particular problem for small businesses but can be remedied by improving their knowledge and use of digital payments technology such as e-invoicing, real-time payments and giving businesses the options to split the payment of their pre-existing periodic bills into segments.

To help businesses go digital in a way that works best for them, in September 2021 Mastercard launched [Strive UK](#), a social impact initiative that will bolster the financial and digital resilience and unlock the growth of over 650,000 British micro and small enterprises (MSEs). The programme will

work to help British MSEs – including those on the high street – access and develop the knowledge, skills, social capital and resources they need to grow and thrive in the digital economy.

Government has a role to play here also. Mastercard believe Government can best serve the needs of small businesses struggling to develop their digital capability by taking a proactive approach to directly tackle the areas where SMEs continue to struggle the most, including ensuring SMEs know about the full range of digital payments options to help with their cash flow issues; and, wherever possible, leading by example and deploying digital payments innovation in Government dealings with SMEs.

## **2. MAINTAINING CHOICE FOR INDIVIDUALS**

The shift to digital does not, and should not, mean the end of cash or the end of the high street. For many consumers, including those in more vulnerable circumstances, or those not as comfortable using digital payments, cash remains an important way to pay. At Mastercard, we are committed to helping maintain meaningful choice for individuals and businesses in how they transact in the economy, because without meaningful choice it won't be possible to build back an economy that works for everyone.

As such, we welcome the Government's recent legislative proposals to ensure that people only need to travel reasonable distances to pay in or take out cash, and that the right regulatory oversight for cash access is in place for the future. However, a long term, sustainable solution needs to ensure the most vulnerable also have the access and skills to make the most of the digital options available to them including digital payments. Having the skills and confidence to use digital payments technology alongside cash, will ensure that UK consumers are not left behind in the long term, and that our businesses can thrive, innovate, and grow.

The Government should also look to prioritise tackling digital and financial exclusion, acknowledging they are inextricably linked. Improving digital inclusion and upskilling those with limited or no digital skills should be an important element of the government's strategy to level up communities and stimulate economic growth across the UK.

The reality is that there are millions of people who are still dependent on cash for their day-to-day living. 65% of people said that they had used cash during April 2021. In mid-January, the figure was 53%. During April 2021, 7% of people used an ATM 2-3 times a week, 19% once a week, 18% once a fortnight, and 18% once a month.

If we want to build back a fairer, more inclusive economy, we must continue to provide and protect consumers' choice in how they make and receive payments, including access to cash alongside other digital payments.

Government, regulators, and industry should recognise that access will be via a suite of methods in the future, not solely reliant on ATMs. To this end, we are exploring a number of innovative options. We have introduced a UK wide initiative for shops and businesses to earn a fee every time they dispense 'cashback' to a shopper paying with a Mastercard debit card, offering an additional income stream to high street shops at this tough time and providing a further incentive for local shops to offer cashback and increase the opportunities for their customers to access cash. We are also working closely with the payments industry to implement the Government's cashback without purchase initiative, which will no doubt help those most vulnerable in need of cash.

But ATMs remain a very important part of the solution. To give an example, last year, the Post Office announced a £16 million investment to take ownership of, modernise and operate around 1,400 free ATMs across the UK. We are proud to be working with them on this via Vocalink's ATM Managed Services arm.

Long-term, however, the economics of ATMs will need to be addressed – a key facet missing from the Government’s current proposals. Achieving better co-ordination of supply side management, by moving to a utility model for ATMs, could drive a more geographically equitable distribution of ATMs. This would ensure that the underpinning economic model supports the provision of ATMs in areas of low footfall, rather than discouraging it. This could be achieved in part through consolidation of the supporting supply chain to achieve economies of scale.

It may be necessary to provide a legislative or regulatory platform that facilitates and enables the industry collaboration that would be needed to realise a new ATM utility model.

The Government must make sure that solutions make both economic and commercial sense for both users and providers, including payment service providers and retailers, balancing the risks and rewards for all.

### **3. HARNESSING DATA TO DRIVE A PLACE-FOCUSED ECONOMIC RECOVERY**

Mastercard supports the Government’s ambition to level up the UK and help all areas meet their potential for growth and productivity. We believe that digital technology and data insights hold great promise as a transformative resource for social and economic development.

Better use of timely, regionally focused, and accurate data, as well as better data sharing, have the potential to facilitate more inclusive economic growth, improve lives and empower communities. This, in turn, will help the revival of high streets and town centres in areas that were, even before the pandemic, struggling.

The Covid-19 pandemic has demonstrated the importance of data in providing Government and other public bodies with timely and targeted information on local economic activity, to help inform policy decisions. Having access to actionable insights and aggregate data sets, including those specific to different locations, enables economic recovery policies to be developed that are targeted on a specific location, and to address local economic challenges including which segments are most in need of help to revive a particular town centre or high street. A key lesson is the importance of having an adequate data sharing ecosystem in place, which during the pandemic enabled data to be shared efficiently across both the public and private sectors for the wider benefit of UK plc. There has never been a more important time or need, than now, for the public sector and both local and national Government to harness the power of data for good.

[Mastercard’s Centre for Inclusive Growth](#) works to promote data science for social impact. As a leader in corporate data responsibility, Mastercard recognises the important role localised, data-driven insights can play in delivering transformational change that improves the lives of vulnerable people and helps solve society’s most pressing challenges.

Yet too many organisations—mostly in Government and the non-profit sector—lack the expertise and tools to fully unleash the power of data for decision-making. Our data driven insights can help policymakers and investors to uncover and prioritise opportunities for regeneration, build a case for specific investments and track changes to the economic health of communities over time and benchmark against other regions – a key facet that can help with levelling up of communities.

One of the Centre’s tools, recently launched in the UK, is the [Inclusive Growth Score™ \(IGS\)](#). This provides local planners, central and local Government, and impact investors with a clear, simple view of social and economic indicators for any postcode in the UK.

The IGS is a powerful tool in supporting the Government's Covid-19 recovery strategy and help to level up communities across the UK by tackling socioeconomic inequities produced by decades of underinvestment in certain towns and cities.

The IGS blends open-source data with a proprietary layer of insights, based on Mastercard's aggregated and anonymised transaction data across 21 socioeconomic measures; measures related to Place, Economy and Community provide a comparative social and economic profile of a neighbourhood at a postcode sector level.

This builds on work Mastercard and Vocalink carried out during the pandemic. Mastercard's Geo-insights, which include our Retail Location Insights (MRLI) data and visualisation tool, helped the Greater London Authority model to assess the impact of Covid-19 on retail spending across the city, and helped support recovery planning. This service was also provided to Belfast City, Hull and Southwark Councils.

We also developed the Business Locator tool, using the data that underpins Geo Insights to indicate whether businesses are open or not. Because it is not sharing spending data, rather just the fact that a transaction has occurred and that spending is happening, it can helpfully provide details of which businesses are affected by decreasing footfall.

Vocalink used a mixture of subject matter expertise, analysis and iterative working to identify core data. This was used by the Office for National Statistics to provide leading indicators to help ONS assess the impact of the pandemic on the UK population. For example, Vocalink was able to use data on returned direct debits (with a focus on mortgages), and data on gig economy wages to understand the impact the pandemic was having on employment and people's financial wellbeing.

We look forward to offering the Inclusive Growth Score tool to Government as it puts together post-pandemic pro-growth policies. Having access to actionable insights and aggregate data sets, including those specific to different locations, enables economic recovery policies to be developed that are targeted on a specific location, and to address local economic challenges.

A key lesson is the importance of having an adequate data sharing ecosystem in place, which, during the pandemic, enabled data to be shared efficiently across both the public and private sectors for the wider benefit of UK plc.

*October 2021*