**Response to HM Treasury’s**

**Call for Evidence: Access to Cash**

**Submitted by SPRITE+ Future Payment Systems Working Group**

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**1 October 2020**

# SPRITE+[[1]](#footnote-2) is an EPSRC NetworkPlus led by a consortium of University of Manchester (lead institution), Imperial College London, Lancaster University, Queen’s University Belfast, and University of Southampton, bringing together people involved in research, practice, and policy with a focus on digital contexts. In response to the current global health crisis, the Future Payment Systems Working Group,[[2]](#footnote-3) with researchers from institutions across the UK, has launched an interdisciplinary project to investigate the features and impacts of future digital payment systems with respect to trust, identity, privacy and security, contributing to the identification of policies, architectures and specific technologies that best serve the public interest. We would be happy to be contacted for further discussion, and for our response to be published in full.

# **Question 1: How can the government ensure the UK maintains an appropriate network of cash withdrawal facilities over time through legislation?**

# The current government policies recognise the importance of cash and consider it “an essential payment mechanism for many”,[[3]](#footnote-4) but has largely disregarded the wider key values related to the full economic participation for all persons. These considerations could have profound implications for policymaking as they present a strong case for maintaining access to cash with additional governmental measures when we are edging closer to a “cashless society”. We have identified a number of such values:

# **Non-discrimination and inclusivity:** Ensuring that preference for certain payment mechanisms does not create a barrier by which certain individuals, especially those with vulnerabilities or protected characteristics, are systematically denied access to certain vendors or services.

# **Control and trust:** Not forcing owners of money to accept limitations to their rights (in contrast to the use of payments mediated by banks or card networks). Because its use for payments does not rely upon a custodial relationship, users of cash know they are in control.

# **Resilience and finality:** Ensuring that there is a means for individuals to transact even during service outages, which also does not involve verification and clearing.

# **Fungibility:** Offering a type of monetary asset that is as good as everyone else’s.

# **Privacy:** Affording a payment mechanism verifiable but not based on profiling the payer with regard to the transaction history, location, or counterparties.

# **Socialisation:** Helping recovery from social distancing rules to normal life post-Covid-19.

# **Accessibility:** Ensuring payment mechanisms are accessible to the different geography, demographics and health categories for individuals.

# There are challenges around these considerations that the government should further investigate: What is the use of guaranteeing access to cash if cash is not able to make routine purchases? Will there be a “two-tier” system going forward in which some kinds of people do not have access to certain merchants? Moreover, how will this role of ensuring that people have access to a means of payment evolve if and when cash becomes less common in use?

# In regard to these added-values of cash, there is an urgent need for the government to systematically review the extent to which regulatory intervention is needed to maintain the level of accessibility to the network of cash withdrawal facilities. The regulatory options include mandatory legal requirements on operating such facilities in a geographically proportionate manner, industry-led self-regulation and alternatively co-regulation by the state and the industry. The government may also want to maintain a list of cash withdrawal (and deposit-taking) facilities along with postcodes, so as to identify and avoid “cash deserts”. A data-driven approach to manage these facilities may be needed, taking into account factors such as population density of a specific location, the frequency of use, breakdown, and break-ins/thefts per facility.

# **Question 2: What is the potential for cashback to play a greater role in the provision of cash withdrawal facilities, and how can legislation facilitate further adoption of cashback?**

# There has been discussion on turning local shops into cash access points.[[4]](#footnote-5) We support the government’s suggestion to change the legislation once the UK is no longer bound by the PSD2 to allow retailers to offer cashback without a purchase, and believe this will improve access to cash nationwide. However, we are also aware that this could potentially be considered by some chain retailers as a chance to further profile their customers. For this reason, we call for the government to put in place strong safeguards in the proposed legislation in terms of specific limits to the data that can be collected and the acceptable purposes for doing so. There are alternative economic drives behind retailers offering cashback with a purchase at the moment (e.g. reducing cash storage at the till), which can equally apply to a sustainable model of cashback without a purchase, without exploiting consumer data.

# We also see the present review as an opportunity to explore new ways to implement direct cashback without third party platform operators, with mechanisms comparable to payment systems such as Direct Debit and BACS. This also marks an opportunity to review potential rollout of “cash withdrawal without a card” systems, such as the RBS “Get Cash”[[5]](#footnote-6) or the Barclays “Contactless Cash”[[6]](#footnote-7) approaches.

# **Question 3: How can the government ensure the UK maintains an appropriate network of cash deposit-taking facilities over time through legislation?**

# Similarly to our response to Question 1, we see the need for a holistic approach by the government to maintain the cash deposit-taking facilities network, taking into account the possibilities of different regulatory options.

# Specifically to deposit-taking, one such possibility is to encourage non-bank private-sector businesses to facilitate cash deposits at the behest of persons (even without additional purchases). Possible remuneration might include explicit fees or interest on overnight deposits. Such a “cash-in” mechanism at retailers may prove beneficial to consumers and businesses alike. For example, when paying by cash, supermarket customers may want to have the change deposited to their account, which also makes the till easier to manage.

# The increasing tendency of cashless payment as well as the culture of encouraging spending rather than saving may drive demands for cash facilities to go down. But considering the values of cash mentioned in our response to Question 1, the availability of such facilities should be maintained.

# We are aware of the potential cash-related crimes (e.g. robbery) around cash facilities, which should be addressed by the government, including by working with law enforcement.

# **Question 4: What are the key factors and considerations for maintaining cash acceptance in the UK?**

# To maintain cash acceptance in the UK, the government needs to ensure that the marginal cost of accepting cash is close to zero. Again, there are various ways to achieve this, which requires a comprehensive review. In some countries, for example, this is achieved by designating cash as legal tender and requiring sellers of ‘goods or services at retail to accept legal tender when offered by the buyer as payment’[[7]](#footnote-8). Alternatively, acceptance of cash can be made more palatable to vendors if, for instance, banks were required to set fixed- or even zero-rate fees to handle cash; such low-cost handling can be subsidised by the government if necessary. Pooling and sharing cash-handling resources can also help cut the costs,[[8]](#footnote-9) but the government also needs to evaluate the “cash miles” that are travelled as part of a sustainable infrastructure for cash. The Access to Cash Review team concluded that government intervention would be necessary to preserve access to cash.[[9]](#footnote-10)

# Easy access to cash withdrawal and deposit-taking facilities, as highlighted above, is also key to maintaining access to cash. Maintaining enough cash purchases is crucial to justify its fixed costs.

# In the future, token-based digital currency, including central bank digital currency (CBDC), might plausibly complement or even substitute for cash, provided that it is possible for it to be designed in a way that achieves the requirements described in our answer to Question 1. However, such solutions are not yet ready, or are seemingly not being designed in as open and transparent fashion as one may think suitable, given the implications and potential ramifications for society, as framed through dimensions we have detailed within our response to Question 1. The need to preserve a public payment option that does not rely upon custodial relationships, and can be used for all essential retail purposes, is immediate and urgent.

# **Question 5: Should the government give a single regulator overall statutory responsibility for maintaining a well-functioning retail cash distribution network? If so, with which regulator should this responsibility sit?**

# We are of the view that giving the statutory responsibility to a single regulator would prove effective, and that the FCA is well positioned to regulate the cash system. The regulatory focus should also cover acceptance of cash. Currently the FCA does not regulate retailers, who are not just the key players in ensuring acceptance of cash, but also potentially important stakeholders to engage with to improve access to cash withdrawal and deposit-taking facilities. Specifically, the regulator should be empowered to enforce rules related to acceptance of cash and the performance obligations for those who provide services facilitating cash deposits and withdrawals.

# There is also a need for coherent cash policies during COVID-19 across regulators. For instance, governmental guidelines on accepting and handling cash by food businesses[[10]](#footnote-11) and by ordinary citizens for safety reasons[[11]](#footnote-12) are inconsistent with the need to preserve cash infrastructure.[[12]](#footnote-13) Consistency in this regard can help avoid consumers experiencing cash accepted in one place but refused in another place.

1. <https://spritehub.org/> [↑](#footnote-ref-2)
2. <https://spritehub.org/2020/08/20/future-payment-systems-data-technology-and-privacy-after-covid/> [↑](#footnote-ref-3)
3. Call for Evidence document, p3. [↑](#footnote-ref-4)
4. <https://www.bbc.co.uk/news/business-55027393> [↑](#footnote-ref-5)
5. <https://personal.rbs.co.uk/personal/banking-with-royal-bank-of-scotland/how-to/get-cash-using-the-app.html> [↑](#footnote-ref-6)
6. <https://www.barclays.co.uk/ways-to-bank/contactless-cash/> [↑](#footnote-ref-7)
7. <https://legiscan.com/NJ/text/A591/2018> [↑](#footnote-ref-8)
8. <https://www.mckinsey.com/industries/financial-services/our-insights/attacking-the-cost-of-cash> [↑](#footnote-ref-9)
9. <https://www.accesstocash.org.uk/media-releases/access-to-cash-one-year-on/> [↑](#footnote-ref-10)
10. <https://www.gov.uk/government/publications/covid-19-guidance-for-food-businesses/guidance-for-food-businesses-on-coronavirus-covid-19> [↑](#footnote-ref-11)
11. <https://www.hse.gov.uk/violence/toolkit/cashhandling.htm> [↑](#footnote-ref-12)
12. <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/900535/JACS_Group_Update_July_2020.pdf> [↑](#footnote-ref-13)