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Peter Murray
Access to Cash Review
10 Old Bailey
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By email: callforevidence@accesstocash.org.uk

Dear Mr Murray,

Financial Services Consumer Panel submission to the Access to Cash Review's call for evidence

The Financial Services Consumer Panel is an independent statutory body. We represent the interests of individual and small business consumers in the development of policy and regulation of financial services in the UK.

The Panel welcomes the opportunity to respond to the Access to Cash's call for evidence. 2.7 million people in the UK are entirely reliant on cash¹, and cash continues to play an important role for many others. We believe the needs of this significant minority should continue to be met – many will not have other options. The Government and regulator say they want to help 'vulnerable' consumers. Enabling those who may otherwise be excluded from financial services is an opportunity to do so.

Moreover, it arguably benefits the economy if there is competition and choice in payment methods. Overseas visitors may prefer cash. Cheques are rapidly disappearing. Push payments are useful but can be targeted by fraudsters. E-wallets such as Apple Pay are generally just another conduit for card payments as the consumer's e-wallet is generally topped up by card.

Well over 90 per cent of card payments go through just two companies: Visa and Mastercard. Both the card systems and the banks make money from each card transaction, so they have a strong interest in encouraging a switch away from cash. The fewer alternative methods of payment there are available, the greater the risks to both individuals and the economy from breakdowns in or cyber-attacks on those two systems. Moreover, if there are fewer competitors with cards there will be a reduced incentive for the banks and the card schemes to keep charges to merchants down. Ultimately consumers pay these charges.

The Panel considers that *everyone* should be able to choose to make payment in cash if they wish to. There are a wide range of reasons why people may opt to pay using cash, and this is not solely due to their age or social status. For example, they may not trust the other party (e.g. when selling a car or when undertaking a small job), or they may want to keep something which is legal private (e.g. buying a close relative a birthday present). Alternatively, they may simply find it more convenient to use cash. Smaller businesses may also prefer to be paid in cash because they want to avoid the expense of card processing, which has increased significantly in recent years². While government is right to seek to better understand the role of digital payments in a rapidly changing payments landscape, it must not lose sight of the fact large numbers of consumers and businesses must continue to be able to make payments in cash.

In recent years there has been a move away from cash in many countries. Interestingly, it appears some countries at the forefront of such changes have begun to consider the potential

¹ <https://www.ukfinance.org.uk/wp-content/uploads/2017/08/Summary-UK-CASH-AND-CASH-MACHINES-3.pdf>

² <https://brc.org.uk/media/354508/payments-survey-2018-snapshot.pdf>

downsides. The Governor of the Swedish Central Bank made a speech in June warning about the risks of social and economic breakdown from a lack of access to cash and the ability to pay for essentials in the event of card systems ceasing to function.³ Since then consumers (and merchants) have faced the inconvenience caused by a relatively minor breakdown in the Visa system. The effect of a longer breakdown would be much more serious. We recommend the Review consider whether the UK may also be susceptible to such issues and, if so, the steps which should be taken to address them.

Yours sincerely,

Sue Lewis
Chair, Financial Services Consumer Panel

³ https://www.riksbank.se/globalassets/media/tal/engelska/.../tal_ingves_180604_eng.pdf