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Date: 25th November

Response to: HM Treasury Access To Cash: Call for Evidence

Consultation Response

Which? response to HM Treasury Access to Cash: Call For Evidence

Summary

- Which? welcomes the opportunity to respond to HM Treasury's call for evidence. Legislation to protect access to cash is vital for the millions of people who would struggle to cope in a cashless society.
- Legislation must be introduced swiftly to prevent the cash system from collapsing altogether. HM Treasury should publish a timetable of the introduction of legislation to Parliament.
- Our view is that legislation should give the FCA overall responsibility for setting requirements to ensure the retail distribution of cash meets the needs of consumers. Legislation should require the FCA to design and implement a regulatory framework, funded by industry, through which access to cash can be maintained for as long as it is needed.
- The Government will need to ensure that the FCA has the right powers and resources to effectively regulate access to cash. Key actors in the cash network, such as the Post Office and independent ATM deployers (IADs), currently sit outside the FCA's perimeter. The Government should also consider whether the FCA will need to be given new regulatory powers to effectively carry out its role as the single regulator.
- For cash-reliant consumers, the ability to pay for essential goods and services using cash is just as important as being able to withdraw it. Our research found that 10% of consumers had been unable to pay for items with cash during the first national lockdown because it was refused by the retailer.¹ Worryingly, a quarter (26%) of these people were on at least one occasion unable to purchase the item in question as they had no alternative means of payment.²
- As part of providing FCA with an overall responsibility for maintaining a well-functioning retail cash distribution network, Which? is calling on the Government to give the FCA the responsibility for tracking and publishing changes in cash acceptance levels across the UK. The FCA should also conduct an assessment of the impact of cash refusal on consumers, particularly those without access to another payment option.
- It is important that merchants have the right incentives to continue accepting cash. Regulation should support and encourage innovation in deposit-taking facilities. Furthermore, the FCA should seek to develop an understanding of the wider factors which may influence merchant's decisions to accept cash.

¹ Which? survey of the general public (2091 people) conducted 6-7 May 2020.

² *ibid.*

Introduction:

Which? welcomes the opportunity to respond to HM Treasury's call for evidence on access to cash. Our Freedom to Pay campaign has been highlighting the need to protect access to cash since 2017.

Cash remains a vital way to pay for millions of people. The Access to Cash Review found that over 8 million would struggle to cope in a cashless society.³ Our Everyday Finances research found that 85% of consumers would find it difficult to live their lives without an ability to withdraw cash.⁴ Many consumers who rely on cash are also vulnerable: Which? research before the first lockdown in March found that consumers who are reliant on cash payments are more likely to be vulnerable than not.⁵ It is undeniable that digital payments can have clear benefits for some consumers. However, while the speed and convenience of digital payments is welcome for many, the rapid transition from cash to digital has the potential to leave millions of people behind.

The cash infrastructure was built to be sustainable in a time when cash withdrawal volumes were much higher. However, the decline in cash use over the last few years has placed the cash network under severe strain, bringing its future sustainability into question. The Coronavirus pandemic has only served to exacerbate the fragility of the cash infrastructure. ATM withdrawals plummeted during the first lockdown, with withdrawals falling from 154.93 million in March to 90.97 million in April. While withdrawal levels have recovered slightly, they still remain low: transaction volumes were only 137 million in October 2020 compared to 213.9 million the year before.⁶

At the same time, the Coronavirus pandemic has limited people's ability to access cash in some areas. During the first lockdown, up to 15.7% of all UK physical and mobile branches and 11.7% of ATM sites had closed.⁷ This hit rural areas particularly hard: 1 in 9 closures of cash sources in rural areas led to a loss of access within a three mile radius.⁸ Since the first lockdown, consumers have continued to face issues withdrawing cash due to closures, restricted opening hours and the removal of vital services such as mobile branches.⁹ With the possibility of further lockdowns over the next few months, it is likely that withdrawal levels will continue to decline faster than previously expected. The reduction in withdrawals coupled with fixed infrastructure costs will threaten the viability of parts of the ATM network. Without intervention, the cash infrastructure could collapse altogether.

The rapid shrinking of the ATM and branch network means that without alternative support, there is an increasing risk of financial exclusion for those who rely on cash. We are also concerned about growing reports of cash refusal, which has the potential to leave cash-reliant consumers unable to purchase the essential goods and services they need to live their lives.

³ Access to Cash Review (2019). Final Report. Available at:

<https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf>

⁴ Which? (2019). Everyday Finances Report. <https://www.which.co.uk/policy/money/4348/everydayfinances>

⁵ Vulnerable in this context is defined as consumers who said they have experienced or have a mental/physical health condition, life shock or financial hardship. Of those who identified themselves as being reliant on cash, 35% had some kind of vulnerability and 25% did not. Results from Which? telephone survey between 5th and 10th March 2020 (1006 adults). Weighted to be representative of the GB population (aged 18+)

⁶ LINK (2020). Statistics and Trends. Available at: <https://www.link.co.uk/about/statistics-and-trends/>

⁷ FCA Insight (2020). Cash and Covid: identifying gaps in provision during Covid-19. Available at:

<https://www.fca.org.uk/insight/cash-and-covid-identifying-gaps-provision-during-covid-19>

⁸ FCA Insight (2020). Cash and Covid: identifying gaps in provision during Covid-19. Available at:

<https://www.fca.org.uk/insight/cash-and-covid-identifying-gaps-provision-during-covid-19>

⁹ LoveMoney (2020) COVID-19: bank opening times at Barclays, Lloyds, Nationwide, NatWest & more revealed. Available at:

<https://www.lovemoney.com/news/94284/uk-lockdown-bank-opening-times-barclays-lloyds-nationwide-natwest-hsbc-rbs>

Urgent action is necessary to protect access to cash for as long as it is needed. We welcomed the announcement of legislation in the March 2020 budget. It is vital that legislation to protect access to cash is introduced as soon as possible. We are pleased to hear that the Government is progressing the design of legislation at pace. HM Treasury should set out a timetable for introducing legislation to Parliament as soon as possible.

The FCA should be made responsible for overseeing the cash system

It is clear that legislation is needed to ensure that all consumers can access cash, free of charge and within a reasonable distance, for as long as is needed. We agree with the Government's objective to 'maintain a sustainable infrastructure for cash in the UK, to ensure financial inclusion for all parts of society, including the most vulnerable who rely on cash in their daily lives'. We also agree with the criteria that has been set out for the legislation to be proportionate, flexible, cost-effective and supportive of competition and innovation. It is particularly important that legislation allows for a flexible approach, meaning that interventions to protect access to cash can be adapted as the cash landscape and consumer behaviour changes over time.

Legislation should give a single regulator overall responsibility for ensuring the retail distribution of cash meets the need for consumers. Currently, no single regulator is responsible for protecting access to cash. We welcomed the creation of the JACS group as a mechanism for improving coordination on access to cash work. However, the lack of one body with overall responsibility means that the three regulators are largely progressing separate workstreams. While there are some welcome examples of collaboration, such as the joint work by the PSR and FCA, there remains a risk of JACS members operating with different organisational objectives and priorities. Having a single regulator with overall responsibility would ensure a more efficient and holistic approach to protecting access to cash.

The FCA is best positioned to regulate the retail cash distribution network. Firstly, as noted in the consultation, the FCA already has a statutory objective to secure an appropriate degree of protection for consumers. Secondly, the FCA already regulates several key actors in the cash space, including the deposit-taking institutions. This wider remit reflects that legislation needs to be about the cash distribution network as a whole, rather than focusing on particular delivery mechanisms, such as ATMs.

Therefore, our view is that the Government's criteria for legislation are best fulfilled by the Government giving the FCA overall responsibility for setting requirements to ensure that the retail distribution of cash meets the needs of consumers and SMEs. Legislation should require the FCA to design, implement and enforce a regulatory framework, funded by industry, through which access to cash can be maintained for as long as it is needed.

Additionally, the Government should take a leadership role and set out a clear direction for the FCA's work on protecting access to cash. The Government should set out its objectives for what outcomes the FCA must deliver and enforce against, as well as ensuring that the importance of regulating retail cash distribution is reflected in the regulator's annual priorities. The Government should also ensure that the FCA has sufficient dedicated resources to effectively regulate the retail cash network.

Furthermore, legislation should ensure that the FCA has the right powers and oversight over all key actors in the cash network. As discussed later in our response, the Post Office's cash withdrawal services are unregulated despite playing an increasingly important role in providing

cash. Independent ATM deployers, who operate 57% of UK ATMs¹⁰ are currently largely exempt from PSD2, meaning that the FCA has limited power to regulate them. This has already posed an issue for the FCA's branch and ATM closure or conversion guidance, which only covers ATMs provided by regulated firms, rather than the full ATM network. Therefore, the Government should review the current powers of the FCA and assess whether these powers need extending. This will ensure that the FCA is able to effectively regulate the cash network and deliver good outcomes for consumers. The Government should also review the relevant functions that will be retained by the PSR and the Bank of England and clarify how this will operate alongside the FCA's role as the single regulator with overall responsibility.

Given the fast changing nature of the cash network, ongoing research will be necessary to understand how the cash system can continue to fulfill the Government's objectives. The FCA will need to explore how it can forecast the decline in cash in different areas, allowing them to take steps to minimize impact as access reduces over time. Which? welcomes the joint mapping project by the FCA, PSR and University of Bristol as an important first step in understanding how the cash system is currently operating. The cash withdrawal landscape is constantly changing due to the rapid closure of ATMs and branches. Therefore, access will need to be regularly reviewed to identify issues as they emerge.

Additionally, legislation will need to clarify which body is responsible for defining what reasonable access to cash looks like. It is important that any definition of reasonable access takes into account what is reasonable for people with vulnerabilities, which may be different to what is reasonable for the average person. This is especially important given that those who describe themselves as reliant on cash are more likely to be vulnerable than those who are not.¹¹ For example, a reasonable walking distance to an ATM will be shorter for someone with limited mobility. A reasonable distance to an ATM will also be different for people who rely on public transport than for someone who owns a car. For this reason, a simple distance metric such as 'all consumers are in 1km of a cash withdrawal site' is unlikely to be enough to ensure access to cash is protected.

While this mapping research is important, mapping alone will not offer the insight necessary. There is always the risk that communities who have good cash access on paper have local circumstances which make it difficult to withdraw cash. Initiatives such as the Community Access to Cash Pilots and LINK's 'request an ATM' scheme recognise the importance of taking into account the views of the community when assessing whether there is a suitable level of cash access. Therefore, the framework for protecting access to cash should include a mechanism for communities to report access issues and to request improvements in the local cash infrastructure. This will ensure that communities can achieve a suitable level of cash access, even if they are 'missed out' by mapping exercises.

A multi-channel approach is necessary for maintaining access to cash

Free cash withdrawal remains important to consumers. Our Everyday Finances report found that 9 out of 10 consumers agree that they need to access their cash free of charge.¹² Different consumers and communities will have different needs and preferences when it comes to

¹⁰ UK Finance (2019). UK CASH AND CASH MACHINES SUMMARY 2019. <https://www.ukfinance.org.uk/sites/default/files/uploads/pdf/UK%20Cash%20and%20Cash%20Machines%202019%20SUMMARY.pdf>

¹¹ Vulnerable in this context is defined as consumers who said they have experienced or have a mental/physical health condition, life shock or financial hardship. Of those who identified themselves as being reliant on cash, 35% had some kind of vulnerability and 25% did not. Results from Which? telephone survey between 5th and 10th March 2020 (1006 adults). Weighted to be representative of the GB population (aged 18+).

¹² Which? (2019). Everyday Finances: Key Statistics. Available at: <https://www.which.co.uk/policy/money/4348/everydayfinances>

accessing cash. For example, while ATMs are the most popular option for cash withdrawal, they are less appropriate for certain groups of consumers. For example, people who are physically frail, have difficulty remembering their PIN or who have concerns about the security of an ATM may prefer withdrawing cash over a counter.

Our position is that there is currently no single channel for accessing cash that can sustainably meet all consumer cash needs. In the interim at least, the system for accessing cash will need to consist of multiple channels, allowing people and communities to withdraw cash using the method which best suits their needs. There are however improvements that could be made to existing cash access channels that may help to drive better outcomes. Improvements to the existing infrastructure would be the fastest route to protecting access to cash. We discuss each of these in turn below.

ATMs

The ATM network is declining at an alarming rate in the UK. In the last two years, we have seen a loss of 9500 free-to-use cash machines.¹³ Even before lockdown, consumers were facing barriers to using ATMs. A Which? survey from March 2020 found that 3 in 5 had struggled with accessing cash free of charge from an ATM.¹⁴ Around half of people surveyed had found that a cashpoint had run out of cash or not been working when they needed it (51%). A quarter had experienced an ATM closure or found that an ATM they used had introduced charges (27%).¹⁵

Which? agrees that the availability of free-to-use ATMs remains a concern, despite existing regulation and reforms to protect the geographic spread of ATMs. Which? has previously raised multiple concerns about the measures in place to protect ATMs. In particular, we are concerned about the sustainability of LINK initiatives to maintain access to cash. LINK clearly plays an important role in protecting access to cash. Almost every ATM in the UK is connected to the LINK network, allowing for a degree of coordination across the ATM estate. Furthermore, LINK is the only ATM network to have a commitment to maintaining a geographical spread of Free-To-Use ATMs. Therefore, the sustainability of maintaining access to cash via ATMs relies heavily on the success of LINK.

However, LINK membership is voluntary, meaning that members could leave if they wanted to. The voluntary nature of LINK also allows members to put pressure on LINK to make commercial decisions that do not align with its commitments to protecting a wide spread of ATMs. For example, in 2018 LINK proposed a 20% phased reduction in its interchange fee. Which? raised concerns about these changes at the time, highlighting that the reduction of the interchange fee would lead to the closures of ATMs in many areas. LINK have noted that this reduction was in part driven by concerns about banks leaving LINK to join rival ATM schemes.¹⁶ This incident highlights how the voluntary nature of LINK undermines the sustainability of its commitments to maintain a geographic spread of ATMs. As the Government designs legislation, it should pay close attention to how the issues raised by voluntary LINK membership can be resolved, particularly in relation to the FCA's regulatory oversight.

¹³ Which? press release (2020) Sticking plaster solutions won't stem the cash crisis, warns Which?.

<https://press.which.co.uk/whichpressreleases/sticking-plaster-solutions-wont-stem-the-cash-crisis-warns-which/>

¹⁴ Which? telephone survey between 5th and 10th March 2020 (1006 adults). Weighted to be representative of the GB population (aged 18+)

¹⁵ Which? telephone survey between 5th and 10th March 2020 (1006 adults). Weighted to be representative of the GB population (aged 18+)

¹⁶ LINK (2018) THE LINK BOARD ANNOUNCES CHANGES TO OPERATION OF ITS ATM NETWORK. Available at: <https://www.link.co.uk/media/1355/h-documents-uploads-link-interchange-consultation-announcement-31-january-2018.pdf>

The consultation also notes that a utility based model for ATMs may be necessary. We are supportive of moving towards a model where 'decisions over the location of ATM machines balances customer need alongside commercial factors'. However, we would need more detailed information about the design of a 'utility based model' to evaluate whether such a model would be effective in protecting access to cash. In designing such a model, the Government needs to ensure that the model does not replicate existing issues across the cash network, where access to cash is often supported by unsustainable business models built on voluntary arrangements.

This is particularly important as we expect the commercial viability of cash to continue to decline, due to decreasing demand coupled with fixed operating costs. Therefore, the need to put these voluntary agreements on a sustainable footing is likely to become a more pressing issue over time. Given the lack of commercially viable solutions, legislation is necessary to ensure that consumer cash withdrawal needs are met. Furthermore, regulatory oversight will be necessary to ensure that key agreements and initiatives in the cash network are effectively meeting consumer needs despite declining commercial viability.

Bank branches

Which? research has consistently demonstrated the importance of bank branches to consumers. Our Everyday Finances Report, published in November 2019, found that 65% of consumers would find it difficult without the option to access a bank branch.¹⁷ Despite their continued importance, the branch network is shrinking rapidly. 3,770 branches have been closed or scheduled to close since January 2015. This is a rate of around 55 each month.¹⁸ Consumers have faced increasing barriers to withdrawing cash from a bank branch. A third (35%) have seen a bank branch they used to visit close down, while one in 10 (13%) have had a bank branch they use reduce their opening hours.¹⁹

While we note that the consultation is focused on bank branches as a means of accessing cash, we think it is important to also consider the banking services provided by branches. This is especially relevant when assessing whether the proposed alternative cash withdrawal channels will work well for consumers. For example, the merits of channels which offer both cash withdrawal and everyday banking services, such as the Post Office, cannot be properly assessed if attention is only paid to cash withdrawal. Bank branches also play a key role in deposit-taking and therefore play an important role in encouraging cash acceptance (which we discuss in more detail below). Existing regulation, such as the FCA's guidance on branch closures and conversions, already takes into account that the closure of a branch impacts consumers' everyday banking needs, not only their ability to access cash.

While we believe that the decision to close a branch is a commercial one, it is important that consumers are treated fairly in the process and are not left without access to cash withdrawal and everyday banking services. Which? welcomed the FCA's guidance on branch and ATM closures which came into force earlier this year. While it is still too early to gauge how effective the guidance has been, the FCA must monitor whether consumers' access to cash is being negatively affected by branch closures and be prepared to take further action if necessary. The FCA should also consider how its closure guidance can be effectively incorporated into a wider framework for protecting access to cash.

¹⁷ Which? (2019). Everyday Finances: Key Statistics. Available at: <https://www.which.co.uk/policy/money/4348/everydayfinances>

¹⁸ Which? (2020) Bank Branch Closures: Is your local branch closing?
<https://www.which.co.uk/money/banking/switching-your-bank/bank-branch-closures-is-your-local-bank-closing-a28n44c8z0h5>

¹⁹ Which? telephone survey between 5th and 10th March 2020 (1006 adults). Weighted to be representative of the GB population (aged 18+)

The Post Office

The consultation notes that the Post Office is playing an increasingly important role in cash provision. We agree that the role of the Post Office is becoming more important as the ATM and branch network shrinks. However, we are concerned the current structure of the Post Office's banking offer is not a viable long-term alternative to ATMs and bank branches when it comes to withdrawing cash.

As noted in the consultation, there are currently some improvements that could be made to the quality of Post Office banking services. This is consistent with our research findings. Which? research into the Post Office found that 47% of consumers were unlikely to use their local Post Office for banking because of long queues (42%) and a lack of privacy (32%) in Post Offices, given that they also attend to a range of non-banking and cash withdrawal services.²⁰ These findings were echoed in deliberative research for our Everyday Finances report, which found that post offices were not currently perceived to offer the required privacy or space when undertaking sensitive banking transactions.²¹ Addressing these concerns and understanding consumers experiences is key if the Post Office is to offer a long term alternative.

We are also aware of financial concerns relating to Post Office banking and cash withdrawal services. A recent report by Citizen's Advice found that 70% of postmasters said pay rates for banking did not cover the cost of providing the service.²² In the same report, Citizens Advice called for action to ensure that Post Office and postmasters' remuneration for providing banking is provided at levels that can sustain the service.²³ The recent announcement that the Post Office is closing 600 ATMs, amounting to nearly a third of their ATM estate, raises further concerns.²⁴ There needs to be careful consideration of the financial sustainability of Post Office cash withdrawal and everyday banking services, if they are to play a significant role in maintaining access to cash.

We are also concerned about the long term viability of the Post Office Banking Framework as an alternative. The framework is voluntary and time-limited: the current agreement expires in 2023.²⁵ The voluntary nature of the agreement means that banks could pull out of part, or all of the framework in future, leaving consumers unable to access cash withdrawals through the Post Office. This concern is not theoretical: last autumn, Barclays nearly withdrew from part of the Banking Framework agreement. This would have left its customers unable to withdraw cash from the Post Office.²⁶ If the Post Office is to play an increasingly important role in providing cash withdrawal services, the Government must carefully consider how it can put this voluntary agreement on a more formal and sustainable footing. It is also concerning that the Post Office's cash withdrawal and banking services are not regulated by the FCA. If the FCA is to have

²⁰ Which? Money, Access to Banking: Is the last bank in your town under threat?, December 2018. YouGov surveyed 2,049 British adults between the 17th – 18th September 2018 for a nationally representative survey on behalf of Which?

²¹ Which? (2019). Everyday Finances Collaborate research report. Available at:

<https://about-which.s3.amazonaws.com/policy/media/documents/5ddd3ab84b3ec-Consumers%20everyday%20finances%20-%20ANNEX.pdf>

²² Citizens Advice (2020). Banking on it: How well are post offices delivering cash and banking services?

<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Post%20and%20Telecoms/Banking%20on%20it%20.pdf>

²³ Citizens Advice (2020). Banking on it: How well are post offices delivering cash and banking services?

<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Post%20and%20Telecoms/Banking%20on%20it%20.pdf>

²⁴ BBC News (2020). Post Office says a third of its cash machines will close. <https://www.bbc.co.uk/news/business-54690738>

²⁵ Post Office (2019). Banking agreement to continue for three more years.

<https://www.onepostoffice.co.uk/secure/latest-news/our-business/banking-agreement-to-continue-for-three-more-years>

²⁶ Citizens Advice (2020). Banking on it: How well are post offices delivering cash and banking services?

<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Post%20and%20Telecoms/Banking%20on%20it%20.pdf>

responsibility for maintaining a well-functioning retail cash network, it is important that it has comprehensive oversight and the ability to intervene where issues emerge in the market. Therefore, the relevant functions of the Post Office should be brought within the FCA perimeter.

Therefore, we are calling on the Government to:

- Extend the FCA's regulatory perimeter to include the Post Office's cash withdrawal and banking services.
- Review the Banking Framework agreement to determine how it can be improved for consumers and be funded in a financially sustainable manner. As part of this review, the Government should consider requiring all banks to support the framework.

Cashback without purchase

We believe that cashback without purchase has the potential to play a greater role in the provision of cash withdrawal facilities. We are supportive of the Government exploring legislative options to remove barriers to cashback without purchase. However, it is unclear what consumer preferences are for cashback and to what extent cashback fulfils consumer needs. The success of cashback also depends on its uptake by merchants. If merchants cannot see the benefits of providing cashback to their customers, they are unlikely to offer it. Furthermore, since provision of cashback would be on a voluntary basis, it is important that cashback is offered alongside other cash withdrawal options. This means that consumers will not be left stranded if a shop decides to stop offering cashback.

Given these considerations, the Government should evaluate the effectiveness of cashback as a method for maintaining access to cash. Until there is robust evidence that cashback is meeting the withdrawal needs of consumers, it cannot be viewed as a silver bullet for protecting access to cash. If this evaluation finds that cashback cannot meet the withdrawal needs of consumers, the Government will need to explore alternative options.

Other cash withdrawal channels

To maintain a sustainable network of cash withdrawals facilities, it will be important for the FCA to encourage innovation in the way that consumers withdraw and access cash. As noted in the Access to Cash Review, there is plenty of scope for innovation in the way cash is supplied to consumers.²⁷ The Coronavirus pandemic has demonstrated that industry can rapidly innovate to support cash reliant consumers, for example through cash delivery services or third party account access. The pandemic has also seen innovation in digital payment products which may help support cash reliant consumers. For example, the development of carer cards have clear applications for supporting consumers who usually rely on cash because they need to pay a carer or family member for shopping.

The FCA should ensure that the framework for protecting access to cash encourages innovation for the benefit of consumers. The FCA should evaluate emerging cash withdrawal support innovations to a) assess whether they could provide a suitable and scalable alternative after a branch or ATM closure and b) identify promising schemes for wider rollout.

²⁷ Access to Cash Review (2019). Final Report. Available at: <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf>

Cash acceptance is a growing issue for consumers

For consumers who are reliant on cash, the ability to pay for goods and services with cash is just as important as being able to withdraw it. Therefore, it is vital that the issues cash acceptance and cash access are tackled together. If retailers stop accepting cash, it risks making legislation to protect access to cash obsolete.

It is clear that cash acceptance is a growing issue. Our research in May found that 10% of consumers had been unable to pay for items with cash during lockdown because it was refused by the retailer.²⁸ Worryingly, a quarter (26%) of these people were on at least one occasion unable to purchase the item in question as they had no alternative means of payment.²⁹ Of those who tried to pay with cash and had been refused, over half (59%) felt emotional stress with 15% feeling a high level of stress.³⁰

To understand these issues further, we launched our cash acceptance tool in mid-September. This tool encouraged consumers to report problems they had experienced paying in cash. We received nearly 2,500 responses within the space of a month. While the results are not nationally representative, they raise concerns that some consumers are facing barriers to purchasing essential items. Two in five of the reports we received said they did not have another payment option with them at the time of purchase and one in three of those were unable to purchase the item at all as a result of the retailer refusing cash. Of those who could not purchase the item at all, four in ten were trying to pay for groceries and two in ten were trying to purchase medicine.³¹

Our Everyday Finances research demonstrated paying with cash is important to many consumers. 74% of consumers felt it was important that they are able to pay for goods and services using cash. Half of consumers (52%) feel it is very or extremely important that they are able to pay using cash in-store. There is also a significant proportion of people (34%) for whom it is important that key service providers such as utility companies accept payments in cash.³² Our view is that all consumers should be able to access the essential goods and services they need to function in their day to day lives. If retailers do not accept cash for essential goods and services, there is a high risk of harm for consumers who rely on cash as their only payment option. The box below includes some case studies which demonstrate the detrimental impact cash refusal can have on consumers.

Case studies of cash refusal

Thomas Scobbie, Stirling

'When the Coronavirus crisis first started, a number of shops in Stirling started to only accept card payment and for people like myself, living on universal credit, it meant I couldn't buy the essentials I needed to feed myself. I have a chronic health condition and also have a mental health disorder, so having to go through the struggle of finding places to shop was really depressing and I was really fearful that things would just get worse as time went on.'

²⁸ Which? survey of the general public (2091 people) conducted 6-7 May 2020.

²⁹ *ibid.*

³⁰ *ibid.*

³¹ Which? (2020) All change? Cash refusal threatens people's ability to pay for food and medicine Available at: <https://press.which.co.uk/whichpressreleases/9351/>

³² Which? (2019). Everyday Finances Report. Available at: <https://www.which.co.uk/policy/money/4348/everydayfinances>

'The reason I don't use a card is because I worry about the people that are able to clone cards and scam people and being on a fixed income, I simply couldn't survive if I lost any of that money. If the pandemic were to ramp up again and people started to bulk buy like they did before, the thought of having to go back to searching for shops that, firstly, accept cash and also still have any items remaining on shelves is really quite scary.'

A mother contacted Which? with concerns about the impact of cash refusal on her adult son, who is on the autism spectrum

'My son has significant learning difficulties and finds communication very hard but one thing he is able to do is use cash appropriately. He loves shopping, particularly for books and cards but when he's gone to several of these stores during lockdown, he's had his cash refused. For him, it's been incredibly difficult trying to adapt to the world we're currently living in and robbing him of his ability to transact and feel like a normal member of the public has caused him a great deal of stress.'

'If cash disappeared, he would be much more reliant on his guardians, which would undermine his confidence and I would be really worried about his self-esteem. As a GP, I know of several people who have no access to bank accounts due to mismanagement, learning disabilities or cognitive impairment and in my opinion, society needs to safeguard their abilities rather than making life more difficult for them.'

We are also concerned that fears of cash spreading Coronavirus have exacerbated a shift away from cash acceptance, despite assurances of the safety of cash by reputable sources. For example, the Bank of England's research found that the risk of Coronavirus transmission on cash was "low"³³. Despite these concerns, cash remains an important payment method for consumers. Our research found that 44% of consumers in May were accessing or using cash the same as before Coronavirus measures were implemented.³⁴ As social distancing measures continue, it is vital that these customers are able to continue to pay for things in cash, particularly where they do not have any other payment option. In the short term, the Government should ensure that businesses are adequately supported to accept cash, including through guidance on how to handle notes and coins safely during the pandemic.

In the longer term, it is vital that we develop our understanding of cash acceptance in the UK. Currently, there is no single body with an explicit responsibility for tracking trends in cash acceptance. However, understanding the trends in cash acceptance is vital for informing how we can best protect consumers who are reliant on cash. We believe that the FCA would be best placed for monitoring cash acceptance, ensuring a joined-up approach between work on access and acceptance.

Therefore, in addition to appointing the FCA as the overall regulator, we are calling on the Government to:

- Appoint the FCA responsible for tracking and publishing changes in the levels of cash acceptance by UK businesses on a regular basis. This should include analysis of cash acceptance trends among different types of businesses.

³³ Bank of England (2020). Cash in the time of COVID. Available at: <https://www.bankofengland.co.uk/quarterly-bulletin/2020/2020-q4/cash-in-the-time-of-covid>

³⁴ Which? survey of the general public (2091 people) conducted 6-7 May 2020.

- The FCA should also conduct an assessment of the impact of cash refusal on consumers, particularly those without access to another payment option.

If the FCA finds that declining acceptance is leading to consumer harm, then the FCA should lead on identifying and developing solutions to protect consumers who are harmed by a decline in cash acceptance. We recognise that these solutions may require coordination with other regulators, industry and Government to implement.

Cash depositing facilities have a role to play in encouraging cash acceptance

We are pleased that cash deposits are addressed in the consultation. Deposit taking facilities are important to consumers. Our Everyday Finances research found that around half of consumers would find it difficult to live without cash-depositing services³⁵, suggesting a continued need for consumer depositing facilities.

Cash depositing facilities also benefit consumers indirectly, through encouraging continued cash acceptance. The Access to Cash Review found that cash depositing facilities are important for giving merchants the right incentives to continue accepting cash.³⁶ Barriers to depositing, combined with other costs such as insurance and security for storing cash on the premises lead to higher cash handling costs. This provides a worrying incentive for merchants to stop accepting cash, particularly if combined with reduced overall demand for cash payments.

Suitable cash depositing facilities within a reasonable distance are therefore likely to form a key part of any strategy to encourage cash acceptance. It is also important that any fees for depositing cash are reasonable. To achieve this, the Government and the FCA should explore options for encouraging innovation in deposit taking facilities. Innovations in this area that could be explored include:

- Shared banking facilities, where customers can access multiple banking brands from one branch.
- Deposit-taking ATMs, working with LINK, banks and ATM operators to create a framework which would allow customers to deposit cash into any deposit-taking ATMs.
- Requiring all banks to allow customers to deposit cash at the Post Office.

Finally, while depositing facilities are a key part of cash handling costs, there are other factors that influence merchants' decisions to accept cash. It is important that these factors are understood and are taken into account when designing cash acceptance solutions. We therefore welcome the FCA's announced research into acceptance of payment methods by SMEs and the costs related to cash acceptance.³⁷

About Which?

Which? is the UK's consumer champion, here to make life simpler, fairer and safer for everyone. Our research gets to the heart of consumer issues, our advice is impartial, and our rigorous product tests lead to expert recommendations. We're the independent consumer voice that influences politicians and lawmakers, investigates, holds businesses to account and makes

³⁵ Which? (2019). Everyday Finances Report. Available at: <https://www.which.co.uk/policy/money/4348/everydayfinances>

³⁶ Access to Cash Review (2019). Final Report. <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf>

³⁷ JACS Update (2020). Available at:

https://assets.publishing.service.gov.uk/Government/uploads/system/uploads/attachment_data/file/900535/JACS_Group_Update_July_2020.pdf

change happen. As an organisation we're not for profit and all for making consumers more powerful.

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November 2020