

Consultation Response

Access to cash: call for evidence

HM Treasury

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About this consultation

In March 2020, the Chancellor committed to legislating to protect cash usage. This Call for Evidence is the first stage in the pre-legislative process for implementing that commitment. It contains two main proposals – to extend the cashback regime so it can be done without a purchase and placing a single regulator in charge of the cash network – and invites comment on other related issues.

Key points and recommendations

Many older people still rely heavily on cash, with some being completely dependent. **Being cut off from cash and banking services is tantamount to being excluded from society**, so maintaining access is imperative.

The Government needs to implement a lasting solution to declining cash availability, before we reach a crisis situation – we believe the best way to achieve this is to create a **Universal Service Obligation on the banks to provide cash**, with a review every five years to check if it is still suitable.

We welcome the proposal to expand the cashback regime, although we caution that this is not a silver bullet and will not meet all consumer need. There will still be a significant number of people who struggle to or cannot access cash even if this is implemented and works as intended. Other options are needed within communities. The Government must find a solution that can **guarantee sustainable and ‘good’ access to cash** – communities will need different options that meet the needs of their local residents.

Innovation by the banks and the wider sector is important, and we believe there is scope to place some of the recent pandemic innovations on a permanent footing such as posting cash. We are hopeful that the **Access to Cash pilots** will shine more light on what can be achieved and **any successes from the pilots should be taken forward** as soon as possible.

We also **support the proposal to place a single regulator in control of the cash network**. We believe the Financial Conduct Authority would be best placed to do this. A clear problem has developed in recent years with many shops and services refusing to accept cash, which has been exacerbated by the pandemic. To better incentivise acceptance of cash, **banks need to continue providing convenient and affordable cash processing for small businesses**. This should be included within a Universal Service Obligation.

The Government should give serious consideration to making cash a **regulated utility**.

Rural areas will have problem getting money during crisis, as our bank is 12 miles away and if we cannot use public transport we cannot get there. Also if I cannot get chiropodist to call on me, I will not be able to walk as with arthritis. Please help those who cannot help themselves.

Mailer to Age UK advice helpline

Those that are retired are often living on some of the lowest incomes. For example, over one third (35%) of adults aged 65 and over have an annual household income of less than £15,000, and this figure increases to 42% for adults aged 75-84 and to 59% for adults aged 85 and overⁱⁱ. A lack of cash particularly affects those on the lowest incomes, just getting by on a small pension who rely on using cash to help them budget their everyday spending.

The wider environment affecting the cash system has evolved quickly. Even since the Review was published in 2019, the pandemic has hastened the decline in cash usage leaving many more people cut adrift, exacerbated by continued branch closures and the withdrawal of free-to-use ATMs.

The short-term issues faced throughout the pandemic are only the tip of the iceberg. Cash use has been in long-term decline, and this is likely to continue into the future. This puts the cash infrastructure network under increasing pressure – the drop in usage means distribution and handling costs become proportionately higher, putting even more commercial pressure on banks and other parties to make cuts to their networks.

I've been very good at managing my finances all my life but have not taken up online banking or contactless payments. I'm starting to panic now because the pandemic has accelerated the trend towards digital banking & payments in the UK. My home PC is 10 years old & I access the internet via mobile phone tethering. This keeps costs down which has been very important for me but would not be a safe way to connect to the internet for online banking. Nor do I want to use a banking app on my mobile phone because I don't think my phone is secure. It feels like I'm running out of options & I absolutely hate this bullying drive to what's termed 'the new normal' for the way we make payments & manage our money. My hardware at home wouldn't even enable me to conduct a video appointment with a bank or building society. I need help and training and a slower transition. I need an age-friendly bank right now.

Mailer to Age UK advice helpline

Unless firm action is taken by Government in the near future, this will become a vicious cycle which will be extremely difficult, or even impossible, to break.

Ultimately, it is the banks who are best placed to prevent the decline of cash, which is why we are calling for **the introduction of a Universal Service Obligation on the banks to guarantee access to cash for everyone**. Owing to the rapidly changing landscape, this should be reviewed every five years to ensure its continued suitability – there may come a time when it is no longer to protect access to cash.

For now, however, it is clear that a great many people of all ages rely on cash. For example, some people are simply not online and cannot shop or bank in any other way; others have a health condition or mobility issue that prevents them accessing digital or card payments; some with a mental health condition may need cash so they can budget effectively; or

A single regulator and more cashback

The two main proposals in the consultation paper are to protect cash by legislating on two main areas, making cashback possible without purchase, and placing a single regulator in charge of overseeing the entire cash system. These are both welcome steps, which will move the issue in the right direction.

However, while we believe that cashback is an important part of the solution, on its own it is not sufficient to ensure access to cash. Many people will find going into a shop unsuitable, for example because they are uncomfortable with the pressure of feeling they should make a purchase, they have a disability or health condition that limits access, or because they are n

in isolated, rural areas effectively forming a partnership between industry and delivery/courier companies.

We believe that innovation could also help maintain the branch network, if single bank branches are commercially unviable in some areas, the Government and FCA should be working with industry towards establishing shared branches as the Treasury Select Committee has previously recommended.^{iv} With the Access to Cash pilots already looking at this issue and scope for the involvement of tech start-ups

The role of the Post Office in delivering banking services should be explored in detail as part of the programme to secure access to cash.

have over 60 volunteers to meet the needs of the vulnerable in our community. Question: some older people have their pension from post office and use cash. A lot of post offices help these vulnerable people and this difficult time.

Mailer to the Age UK advice helpline

Consultation questions

Question 1

How can the government ensure the UK maintains an appropriate network of cash withdrawal facilities over time through legislation?

We believe that legislation for a Universal Service Obligation (USO) on banks to guarantee access to cash is the best way to protect the cash system in the longer-term. The USO should be reviewed every five years to ensure it remains fit-for-purpose.

Members of the public who are unable to access cash and banking services can become cut off from society, unable to pay for essential items or services such as food or help-at-home. **It is imperative that everyone – without exception – can access cash.** This is particularly the case for the many older people who rely on cash and, due to a limiting health condition, digital exclusion or living in a rural location, will find it difficult to obtain more.

Cash is here to stay. This situation will not change in the foreseeable future, so the Government should ensure that any solutions put in place are sustainable over the long-term. Given the decline in cash use in recent years, there is a real possibility of a crisis in the near future if the appropriate action is not taken.

We believe the banks have a key role to play. They have the infrastructure and the knowledge of their customers to deliver solutions to ensure no-one is left without cash. However, a significant decline in banking services over recent years, as the banks try to shift customers online, has shown that a greater steer towards a sustainable solution coupled with stronger regulation is needed. It is usually low income and vulnerable customers who miss out.

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?

We agree that improving access to cashback is an important part of the solution, although it will be far from the silver bullet.

Ministers not to put too much emphasis on cashback curing all the ills – instead the
broadly.

If the proposals on cashback without purchase work as intended, then independent shops should be able to offer this service and recycle cash from their till, thereby lowering handling costs. However, it remains to be seen if purchase-less cashback will be viable for smaller retailers as it may be commercially unviable due to fewer purchases being made

The regulator should regularly conduct stress-tests of the cash infrastructure to ensure it is