

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 membership of LINK and the Post Office’s Banking Framework Agreement compulsory for retail banks**. This would shore up community-based options for accessing cash.

About Age UK

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate.

Introduction

The lack of access to cash has emerged as one of the most important issues facing many older people. This is in part because of the pandemic, but even beforehand the decline in cash was causing many people great difficulty, with older people finding it difficult to undertake important tasks such as grocery shopping or paying for essential services.

Age UK was a member of the Access to Cash Review, which clearly set out the lay of the land. The review found that while income was the biggest driver of reliance on cash, many older people are dependent on cash so they are able to fully engage in society. For various reasons, including health and not having access to or having the skills to use technology, many older people are unable to go digital. And the public agree, 75 per cent said they believed older people would suffer in a cashless society¹.

“I have been a customer with [my bank] for 50 years. First they closed my local branch (nearest now 5 miles away) and now they have taken away a weekly text alert of my current balance. Their Customer Service Department is only interested in moving customers to digital banking which I refuse to do. Nor do I have an iPhone, only a very simple mobile phone for emergencies. I am beginning too to have major sight problems and find it difficult to decipher numbers.”

Mailer to Age UK advice helpline

The Review also found how important it was to older people in rural areas, those that need to give it to a third party so they can do shopping or pay for a bill or service on their behalf. Older people lose their financial independence and control of their income and savings when they are forced to go cashless.

“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 domestic abuse victims may need cash to get out of their situation. There are many other examples too that illustrate why cash is important.

This need will not change in the foreseeable future, and cash is here to stay. We do not believe that the market is serving the needs of many consumers, particularly those who are more vulnerable. There is now significant commercial pressure to reduce cash use still further, which will continue to leave those who need it most at greatest risk of being left behind.

Cash needs the correct infrastructure to protect it and ensure its economic and commercial viability, and we believe that a Universal Service Obligation on the banks is the best way of achieving this, as it would compel them to take action and create a level playing field between banks. It would help ‘massage’ the market into action and drive funding towards innovative solutions in a similar way to the USO on broadband providers has done.

“[A 93 year old lady I speak to] employs a cleaner and a gardener. These people require cash as payment, but she never goes out of the house not even into the garden as she is very nervous of falling. Therefore for her to get cash from a bank is impossible, she trusts no one, she asked a neighbour to cash a cheque but she refused. I have been trying resolve this situation, having tried the banks, who will not help.”

Mailer to Age UK advice line

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 not comfortable using automated systems, which are increasingly used across the sector. Also, they may not have a participating retailer nearby, or have access to a bank account or bank card which allows them to withdraw cash in this way. It is estimated that there are just below a million adults in the UK who do not have a bank accountⁱⁱⁱ.

Understanding and defining ‘good’ access to cash is important – having a single cash access point in a community will not meet the wider needs. There will always be some people who cannot use the option available, so multiple options should be encouraged, and gaps should be filled by other means, for example requiring banks to post cash or mobile bank branches visiting certain areas or individuals.

This wider consideration is important if the Government is to avoid coming up with a solution that cuts adrift many older and vulnerable people. Due to continued digital exclusion, health, disability and income issues, protecting the cash system will also ensure it works for the UK’s ageing population and increasing numbers of the oldest old. The number of people aged 75+ in the UK is projected to rise by 29 per cent between 2020 and 2030¹. It is the oldest old who are more likely to be in vulnerable circumstances and to face issues using digital banking.

Greater innovation

Any new measures also need to be supplemented by greater innovation by the financial services industry. For example, during the pandemic some banks have begun posting cash to their older customers. This has been very successful, and its continuation post-pandemic would be welcomed by many older people; it also could help solve issues (and fulfil the requirements of a Universal Service Obligation) about getting cash to people living

¹ The Office of National Statistics (ONS) projected in October 2019 (using 2018 data) that the number of people in the UK aged 75 and over in 2020 would be 5,829,000 and by 2030 would be 7,497,000 – a 28.61% increase. Source:

<https://www.ons.gov.uk/file?uri=%2fpeoplepopulationandcommunity%2fpopulationandmigration%2fpopulationprojections%2fdatasets%2ftable11oldagestructurevariantuksummary%2f2018based/ukhlsummary18.xls>

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, we are optimistic that there is considerable potential for innovation that can maintain widespread access to physical banking. A Universal Service Obligation would focus minds within the industry and allow innovation in this space to flourish.

Cash acceptance

The pandemic has increased the number of retailers who refuse to accept cash payments. On the surface, this is about Covid-19 concerns, however the underlying issue is the cost of processing and handling cash.

We do not support calls to compel high-street retailers to accept cash. This would place them in a difficult position, facing rising costs when in competition with online retailers who do not share these. However, we have sympathy with the argument that larger shops, such as the major supermarket chains, who have more flexibility with their finances could have such a requirement imposed with no significant adverse effect.

Instead, we believe the Government and regulators must do more to improve banks' ability to handle cash at a reasonable cost. A Universal Service Obligation could include provision to ensure that banks are doing this to a satisfactory standard. This could be either by maintaining the branch network or by innovating to find appropriate alternative solutions. We believe that in addition to protecting cash, this would be an important step towards safeguarding the future of the high street.

Industry-wide networks need to be on a firmer footing

The industry has existing areas of collaboration, notably the Post Office Agreement and LINK. However, both of these are currently voluntary, and we are concerned that if one major bank pulled out of either, they would quickly become unviable. We urge the Government to give serious consideration to putting membership of these on a statutory footing – this would effectively make them a pre-condition of offering retail banking services in the UK and would provide the surety both consumers and the organisations themselves need.

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.

I'm vice chairman of our Parish council and I'm leading the response to the virus. We 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 are closing. Most retailers don't accept cash. Can you provide advice on how we can 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.

The response of many banks to the Covid-19 pandemic has been welcome, and has shown that when needs must the innovation and capability to deliver good solutions exists – a USO would capture and shape this for the post-pandemic world.

We also believe that solutions should be community-focussed. Having a single cash access point in one area is unlikely to be sufficient. Most communities are likely to need several different ways of accessing cash to meet their diverse needs, especially if they have high numbers of residents with a health condition, mobility issue, or who struggle to travel to obtain cash.

Innovation has an important role to play. Much of this is building on the work from the pandemic, for example posting cash to older people when required may continue to guarantee access to cash for some who are living in isolated areas and are unable to travel. Bespoke solutions targeted towards small groups of individuals are also likely to play a role.

We would also like to see the Access to Cash pilots become more widespread, if they are successful. In particular we believe the banks should work with the FCA to put more resources on developing shared branches. This could be part of the solution to the declining numbers of bank branches, which is having a significant effect on many older people.

If innovation does not happen in the near future, the Government and the FCA must be more directive. As part of the response to this Call for Evidence, we urge the Government to set a firm timescale by which the sector needs to come up with solutions (whether inside or outside of a USO). If this is not met the Government should then take steps to secure the branch and ATM networks.

Notwithstanding, the Government should give serious consideration to making membership of the LINK network and the Post Office Banking Framework Agreement compulsory for all retail banks. These voluntary agreements are built on shaky foundations, and if just one major bank pulls out the whole building will collapse – as demonstrated in late 2019 when Barclays tried to pull out of the Post Office Banking Framework Agreement before being forced to U-turn. The decision was changed after immense pressure from MPs, charities and consumer groups which showed how valued the current system for retail bank customers to withdraw from the Post Office is. The banking industry regularly relies on the Post Office Banking Framework Agreement as a surety against branch closures, providing a ready-made excuse, however this rationale is paper thin, and the system may collapse at any time.

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. We welcome the Government's proposal, only urge Ministers not to put too much emphasis on cashback curing all the ills – instead the Government should look at how the banking sector can meet the public's needs more 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 or increased insurance premiums. If a charge for consumers is necessary to make the system viable, it may undermine the integrity of the system and be unfairly punitive against people on lower incomes or those who live outside urban centres.

Cashback will not work for all consumers, and even under the ideal scenario where every shop is able to offer it there will still be unmet need. There are some people who will be unable or not want to use it, and they will need alternative solutions.

For example, there will be people who have a disability or health condition that prevents them from entering a shop; some people are digitally excluded and will struggle with the automated systems which shops are increasingly moving towards; some people may simply not feel comfortable using cashback without also purchasing a project.

The Government should define what constitutes 'good' access to cash and implement a solution that achieves this – this will necessarily involve insuring multiple ways that communities can continue to access cash.

Question 3

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

This could be included within a Universal Service Obligation. The precise details would need careful consideration and consultation by the Treasury and the FCA.

Question 4

What are the key factors and considerations for maintaining cash acceptance in the UK?

The pandemic has accelerated a drive towards shops and essential service providers refusing to accept cash. We are concerned that post-pandemic, this will not return to normal, as the retailers and providers will benefit from having lower cash handling costs. This is likely to be exacerbated by the further closure of bank branches.

However, the onus here must be on the banks to ensure that shops and small businesses can handle cash at reasonable cost. A Universal Service Obligation could help protect businesses against banks cutting their own services, notably branches, if they are required to ensure that cash processing services are available to businesses.

We do not believe small businesses should be shouldering the blame for difficulties in processing cash that are beyond their control. The rising costs facing retailers are ultimately due to cutbacks to banking services – a trend which looks likely to continue. Arresting – and reversing – this decline in banking services should be the focus on public policy, and we believe a Universal Service Obligation would be the best way to achieve this.

There may be other solutions, as yet unknown, that protect businesses' ability to handle cash. Innovation could, for example, lead to shared cash processing services for small businesses or alternatives that allow high street shops to keep using cash, in a similar vein to shared branches.

In our view, policy solutions should focus on the role of the financial services industry rather than penalising small businesses.

If any obligation to accept cash is to be considered, it should be on the larger supermarket chains rather than independent stores. We have some sympathy to the argument that they have the capacity, the turnover and the reach to make this possible.

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 support the proposal to give a single regulator oversight of and responsibility for the cash distribution network. We believe that the FCA is best placed to undertake this function, because the link between the banks and cash provision is unbreakable so any effective regulator needs to have oversight of both.

The regulator should regularly conduct stress-tests of the cash infrastructure to ensure it is a 'going concern' and publish its findings.

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

ii <https://www.fca.org.uk/publication/research/financial-lives-survey-2017.pdf>

iii

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/935985/Financial_Inclusion_Report_2020.pdf

iv <https://publications.parliament.uk/pa/cm201719/cmselect/cmtreasy/1642/164211.htm>