

Access to Cash Review Recommendations – Considerations for Implementation

On March 6th Natalie Ceeney published her final report on the Access to Cash Review¹, a review launched in 2018 which the objective of ensuring the UK has an “effective and inclusive cash access service that meets the needs of all its consumers, regardless of their personal circumstances, for as long as necessary”.

The Access to Cash Review is timely

Cash and coins are being rapidly supplanted as the preferred form of payment. In 2007, 61% of all payments in the UK were made using cash and in 2017 the proportion had fallen to 34%.² At the wholesale level, the volume of banknotes processed by Note Circulation Scheme (NCS) Members³ fell by 7% in 2016 and a further 5% in 2017.⁴

These trends raise important questions about the future of cash in the UK.

How fast will demand for cash reduce? Even against the backdrop of a continuing reduction in cash use, cash is not expected to disappear. UK Finance expects that cash will remain the second most frequently used payment method in the UK in 2027. As the review notes, even in Sweden, the “most cashless society in the world”, cash still represents 15% of transactions.

Is the UK ready to go cashless? The review findings reveal that access to cash is, and will continue to be, a necessity for many consumers and the UK is not yet ready to go cashless. Almost half of the population would find living without cash problematic, and 17% are either unsure of how they would cope or would not cope at all without cash. A cashless society would leave millions of people behind, including the most vulnerable.

Is the current cash value chain fit-for-purpose? The review identifies cash acceptance, rather than cash access, is likely to be the main driver of the reduction in cash usage. The review notes that a failure to address inefficiencies in the cash value chain can quickly create a vicious circle where higher costs of using cash, combined with widespread acceptance of digital payments, might result in fewer retailers willing to accept cash as a means of payment. Consumers are then likely to adapt to a situation

where cash is no longer universally accepted, accelerating the fall in demand for cash.

There are already retailers going cashless, and although these are for now exceptional cases, the trend is clear. When will the tipping point be reached? This is hard to predict, however it is clear that action is required now to ensure consumers continue to have access to cash.

Any future action needs to address, at a minimum, the following two important public interest considerations:

- To protect vulnerable consumers who need easy access to cash for years to come. There are around 1.3 million adults in the UK without a bank account and vulnerable groups - such as the elderly, poor or homeless - could be further marginalised by the shift to a cashless society.⁵
- To ensure the resilience of the financial payments’ ecosystem in the UK. Regulators are already shifting their attention from financial to operational resilience, as the latter is considered vital for protecting the UK’s financial system, institutions and consumers.⁶

There is a need to re-examine the UK’s cash infrastructure

Public debate and regulatory intervention have so far focused on either ATM closures (and how these may affect disproportionately certain communities, such as remote areas)⁷ or on the challenges of regulating digital payments.⁸

As the review rightly identifies, only addressing issues identified in one part of the wider cash value chain is unlikely to be enough. Instead, the review proposes a comprehensive approach that considers the cash infrastructure as a whole:

- A guarantee to access cash (and access to deposits, for SMEs), with an independent body operating this guarantee.
- Ensure cash remains widely accepted, including examining the cost to SMEs of cash acceptance.
- Create a more efficient, effective and resilient wholesale cash infrastructure, including the possible creation of a joined-up wholesale cash infrastructure (i.e. a “utility model”).

- Ensure that digital payments are an option for everyone, including improving broadband connectivity and harnessing the benefits of Fintech innovation.
- Ensure joined-up oversight and regulation of cash.

To address the challenges identified by the review, it might now be necessary to regard the wholesale cash infrastructure as a public utility.

When evaluating the potential benefits of introducing a utility model, one will need to assess the level of efficiencies that could be generated by encouraging integration in certain parts of the cash value chain against the option of injecting further competition – an assessment which needs to take place against the background of reducing overall demand for cash.

Even under a utility model, there is scope for considering the introduction of market mechanisms. In other regulated networked industries, regulators have implemented a framework based on “competition for the market” (for example, rail franchises) where “competition in the market” (such as in telecoms) would not be appropriate to deliver the right outcomes for consumers.

Reforms to the cash infrastructure need to ensure that no one is left behind. When designing the “access to cash guarantee” one can take lessons from the universal service obligations (USO) already in place in other sectors (e.g. USO in telecoms and postal services, duty to supply in energy) and possibly other countries, reflecting the specific characteristics of the cash system.

There are several important factors that will need to be considered when designing this guarantee. For example, one would need to assess how to minimise the costs associated with such a guarantee, and the specific tasks and mechanisms that will ensure the independent body, tasked with overseeing the implementation of the review recommendations, can deliver this guarantee.

We look forward to seeing how action is taken in the coming months

We welcome this review as it has the potential to trigger significant changes.

While this review creates the opportunity to drive significant improvements for UK consumers, it is crucial to ensure that the future system (and supporting regulatory framework) is carefully designed such that the outcome is a reliable, resilient and efficient system that will benefit all UK consumers.

Parliament has already announced an inquiry into the Access to Cash review, and the Bank of England announced that it will convene relevant stakeholders to develop a new system for wholesale cash distribution.⁹ We expect further action to be taken by Parliament, government and regulators in the coming months. In our view, action will require reaching out to regulators beyond the financial sector: for example, digital inclusion and mobile coverage are within Ofcom’s remit, and the lessons from CMA’s work on vulnerable consumers should be taken into consideration to ensure “no one is left behind”.¹⁰

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¹ <https://www.accesstocash.org.uk>

² UK Finance (2018), UK Payment Markets.

³ The NCS governs the distribution, processing and storage of banknotes. Members of the NCS are G4S Cash Solutions, Post Office, National Westminster Bank and Vaultex UK.

⁴ [Bank of England](#)

⁵ FCA (2018), [Financial Lives Survey](#) - 3% of UK adults are unbanked (i.e. they do not have a current account or alternative e-money account).

⁶ FCA, PRA and Bank of England, “[Building the UK financial sector’s operational resilience](#)”

⁷ For example, PSR Specific Direction 8 on measures and reporting obligations regarding protected ATMs.

⁸ For example, HM Treasury call for evidence “Cash and digital payments in the new economy”.

⁹ See Parliament’s [Access to Cash Review Inquiry](#) and the Bank of England’s [announcement](#).

¹⁰ CMA research on [consumer vulnerability](#).