



**HM TREASURY  
ACCESS TO CASH: CALL FOR EVIDENCE  
NOVEMBER 2020**

Fair By Design welcomes the PSR's invitation to comment on the choice and availability of payment methods theme of its future strategy.

Please note that we consent to public disclosure of this response.

For more information about this response please contact Martin Coppack, [m.coppack@barrowcadbury.org.uk](mailto:m.coppack@barrowcadbury.org.uk).

**ABOUT FAIR BY DESIGN**

Fair By Design is dedicated to reshaping essential services such as energy, credit and insurance, so they don't cost more if you're poor.

People in poverty pay more for a range of products including energy, through standard variable tariffs; credit, through high interest loans and credit cards; insurance, through post codes considered higher risk; and access to, or paying with cash, through fee-charging ATMs or fees for not using a direct debit. This is known as the poverty premium.

We collaborate with regulators, government, and industry to design out the poverty premium.

Our Venture Fund provides capital to help grow new and scalable ventures that are innovating to make markets fairer.

The Barrow Cadbury Trust manages our advocacy work, and Ascension Ventures manages the Venture Fund.

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

Fair By Design welcomes the government's commitment to bring forward legislation to protect access to cash, and to make sure the UK's cash infrastructure is sustainable in the long term. This is especially important in the current climate, when people's financial and physical health is reduced. We need to make sure that no one is left behind as we build back better.

While we are supportive of the work being done to map access to cash, by the FCA and PSR with Bristol University, we are mindful of relying on data alone. The views of communities should be gathered and given heavy weighting in decisions about local need. By starting with people 'where they are' and co-designing with them, the best solutions can be found. This is inclusive design at its best.

People on low incomes often prefer to use cash as it helps with budgeting. Elderly consumers may feel more comfortable giving cash to a carer than their card. People with mental health issues might find that cash helps them control their spending, particularly during moments of crisis.

As the FCA's Financial Lives Survey found, more than half of consumers display a characteristic of potential vulnerability. People's needs can change and they can move in and out of needing cash. As a result of Covid's impact on jobs and incomes, many more people may find themselves reverting to using cash.

It is also critical that free access to cash is widely available, to avoid the poverty premium of fee-charging ATMs<sup>1</sup> - which tend to be most prevalent in low-income areas.<sup>2</sup>

We recognise that access to cash does not simply refer to ATMs. The drop in cash withdrawals because of Covid has meant many ATMs are no longer commercially viable to maintain, and they may close or convert to charging fees. As discussed in our response to Question 2, we agree that cashback is another method of improving cash access – particularly in areas where ATMs are not profitable for operators.

We are supportive of innovations in cash access that can reduce the cost of serving consumers – and therefore increase their sustainability – but innovation should first and foremost be around consumer needs. For example, what are the experiences of accessing cash for the one in five people in the UK living in poverty? Does the present system work well? What are their needs and what do the best solutions look like – to them? As mentioned above, people's lives are messy and rarely fit into the neat boxes of consumer archetypes and personas. We urge any solutions to be co-designed with people with lived experience of poverty and with people with a variety of vulnerabilities.

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<sup>1</sup> <http://www.bristol.ac.uk/media-library/sites/geography/pfrc/pfrc1615-poverty-premium-report.pdf>

<sup>2</sup> <http://www.bris.ac.uk/media-library/sites/geography/pfrc/Mapping%20The%20Availability%20of%20Cash%20-%20Final%20report.pdf>

In terms of legislation, we believe a legal obligation should be placed on retail banks to provide suitable cash access facilities for their customers. However, the channels should not be specified as these can change e.g. ATMs, cashback or innovations in access.

As discussed in our response to Question 5, we recommend that the FCA should be given the responsibility for ensuring that this happens.

We also support the view of our colleagues at the Access to Cash Review that banks should be required to demonstrate, through a coordination scheme such as LINK, how they will deliver their obligations – and that LINK could be strengthened via legislation to enable this to take place.

## **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?**

Cashback has the potential to meet the needs of a wide range of consumers. For example, being indoors and in-person may meet the needs of many elderly or vulnerable customers who may prefer face-to-face transactions or have safety concerns using ATMs. But if it is offered widely by retailers, then it will also satisfy those who prefer a quick transaction when queuing will be limited. Retailers may also benefit from increased footfall.

However, there are also currently barriers to the adoption of cashback:

1. There is no standardised offer: There can be a minimum purchase amount or a maximum withdrawal limit. Consumers do not know what to expect and can be put off from asking.
2. Lack of awareness – because of a lack of advertising: Because of the cost, retailers do not often advertise the service, instead only offering it when asked. Therefore, many consumers simply don't know it is on offer.
3. As above, the cost to retailers means they are often unwilling to pay the costs associated with processing cashback.

On the final point, as was the case with ATMs, the FCA and PSR should work with industry to come up with a common approach that encourages retailers to offer cashback.

Additionally, we recognise that cashback without a purchase is currently considered a regulated payment service, and therefore generally only to be offered by banks and similar institutions. We are therefore supportive of legislation that enables retailers to offer cashback without a purchase – which could help enable it to be widely adopted and used. It is also essential for people on very tight budgets that they have access to cash, without having to make a purchase.

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

Many self-employed people are on a low income, and a lack of cash deposit-taking facilities may exclude the likes of window cleaners or gardeners who operate under the tax threshold. 2 in 5 (39%) of people keep cash at home to pay tradesmen.<sup>3</sup>

Legislation could put an obligation on retail banks to provide suitable deposit services to their customers. As per our response to Question 4 below, availability of deposit facilities may also encourage businesses to continue to accept cash.

#### **4. What are the key factors and considerations for maintaining cash acceptance in the UK?**

We agree with the government's view that the ability to transact with cash is essential to proper functioning of the cash system. As per our response to the Payment Systems Regulator (PSR)'s consultation on innovation, and payment methods<sup>4</sup>, the Access to Cash Review found that the issue of cash acceptance by merchants and retailers, in Sweden and China, was more likely to drive the death of cash than issues around cash access.<sup>5</sup> However, this issue could therefore be addressed in part by ensuring there are suitable cash deposit-taking facilities for businesses to use.

We note that the government does not wish to legislate to require cash acceptance, and suggest the following could act as an alternative mechanism.

For larger businesses, where the cost of processing cash can be measured, regulators should consider the ability to pay in cash as a measure of firms' support for vulnerable customers and require firms to accept it. As per our response to Question 1, low income and/or vulnerable consumers often have a preference for cash.

We also agree with our colleagues at Which?<sup>6</sup>, who have proposed that the FCA track levels of cash acceptance, and the Access to Cash Review, who are in favour of data collection at a national level on the levels of cash acceptance, to inform policy making.

#### **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?**

The Access to Cash Review<sup>7</sup> concluded that a lack of regulatory coordination on cash was an issue of key concern. We agree with the Government's view that the FCA is the best placed regulator, as it already has oversight of retail banks. Cash is a core banking activity, and if legislation requires banks to ensure cash access, then the FCA is clearly best-placed to regulate this. Additionally, as we've suggested in our response to Question 4, access to cash is a consumer vulnerability issue, and the FCA already has a statutory objective of consumer protection.

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<sup>3</sup> <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf>

<sup>4</sup> <https://fairbydesign.com/policy/psr-innovation-future-payment/>

<sup>5</sup> <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf>

<sup>6</sup> <https://www.bbc.co.uk/news/business-54710897>

<sup>7</sup> <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf>