

Blog

Natalie Ceeney – the future of cash

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The Bank of England recently asked the public to nominate who should feature as the new face on the £50 note. It's certainly created debate as to who is most deserving, though I suspect quite a few of us might ask how often we'd get our hands on a £50 note in the first place. Step back from this debate and there is something bigger happening.

To some people in the UK, cash and physical notes and coins are irrelevant. Direct debits pay their bills at the start of the month and contactless cards or smartphones mean they no longer need to visit the ATM or the bank branch. They can ask their Alexa or Google Home to order goods online and artificial intelligence will soon allow their fridge to do the weekly shop. For them, cash is obsolete. In fact, 41 per cent of the UK believe they will see a cashless society in their lifetime.

Is Britain ready to go cashless? What would a cashless society mean for us?

We can look to Sweden for some answers. There, only 15 percent of all payments are now made using cash. And cash hasn't been replaced just by cards and mobile apps. Around 4,000 people have inserted microchips into their hands allowing them to pay for goods, use transport and access certain office buildings by a simple hand movement.

The technology allowing Swedes to pay by cards, fingerprints, chips and more is impressive, and developing fast. But the speed at which it has happened and the decline of cash has left little time for experts to assess the risks that come with such a digitally-advanced country. The fact is that the majority of Swedish banks do not issue or accept cash. IKEA recently announced it was going cashless, as did many of Sweden's hospitals. This has caused widespread anxiety. It is of such great concern that an all-party commission and the central bank have intervened to put the brakes on, to give Sweden time to safeguard cash for those who need it.

The UK is further behind Sweden, but not by much. We are embracing technology in all aspects of life, especially digital payments. Last year debit card payments overtook cash payments for the first time. In the UK, just over 30 percent of all transactions are made in cash, but that's half of what it was a decade ago, and the pace of change – from cash to digital – is accelerating.

I often hear the view that those who need cash are those with a desire not to change, or old, or operating on the edges of society. This view is simply mistaken. Almost half of UK adults, approximately 25 million, say that not having cash in their lives would be problematic. For many, cash is not simply a choice, it is a necessity. There are many reasons why.

In rural communities, a lack of banking facilities and poor broadband connectivity puts people at an immediate disadvantage. Improving broadband and 4G coverage will help many.

But the solutions are more complex for others. The single biggest determinant as to those who favour cash is economic. The poorer the person, the more they rely on cash. For those indebted or on low incomes, cash can be the best way for budgeting. Direct debits can take money out of your account when you don't have it. With cash, you can see exactly what you have to spend for the rest of the week, and take control. For the poorest, cash is often essential.

Conditions such as Parkinson's and arthritis can make it hard to use touch screens. People who suffer mental health problems tell us that, at times of poor health, access to digital payments can lead them to clear their bank account within hours. Disabled people who rely on family and carers to pay for shopping know that they really shouldn't share PIN numbers or hand over contactless cards even to people they trust, which is why they often prefer cash. For many, there is not yet any real substitute to cash.

And most of us carry cash because – well, it always works. Not all businesses accept card payments, particularly outside cities. When banks have outages (as has happened recently), we can still use cash.

Our appetite for online shopping and easy, digital payments is growing. In ten years' time, it's likely the UK will be in a similar position to Sweden. But we cannot assume that our current infrastructure will just continue to work – the economics of a low cash economy it already putting it under strain. How will we pay for everything that needs to happen to keep cash in circulation, including printing the £50 notes and filling the ATMs? How will we make sure that cash is still widely accepted in society? After all, there isn't a lot of point in having cash if we can't use it. And how do we make sure that our digital society includes everyone?

We need to shift the debate. The question we need to be asking is no longer 'will Britain go cashless?' but, as we move towards a lower cash economy, 'how do we make sure no-one is left behind?'. We have spoken to thousands of businesses, charities and ordinary people all across the UK in recent months. In the New Year we will be publishing our policy recommendations to make the system sustainable and to make sure that, as Britain goes increasingly cashless, no one is left on the fringes.

As Sweden shows us, failure to act soon will place millions of people at risk.

Natalie Ceeney is the independent chair of the Access to Cash Review.

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