



**International Currency Association (ICA) response to HM Treasury (United Kingdom) call for evidence on Access to Cash  
November 2020**

The International Currency Association ICA welcomes the opportunity to contribute to the HM Treasury call for evidence on Access to Cash and commends HM Treasury for taking action on this crucial issue. Cash is an essential factor for **personal freedom and privacy** as well as **social inclusion**, and is the only means of payment that is itself a **public good**.

The ICA is the voice of the currency industry. Our membership covers design, production, manufacturing and distribution of banknotes and coins. We are the first industry body of its kind with a membership made up of businesses that span the sector. Our association is headquartered in the UK and our members are based across the world and are active across the globe. Please consult [www.currencyassociation.org](http://www.currencyassociation.org) for a full list of our members.

The HM Treasury call for evidence on Access to Cash comes at a significant and timely moment. In the UK as in many countries, protecting access to cash has become all the more salient in light of the false information that has been circulating regarding cash during the pandemic. Indeed, in the midst of the COVID-19 crisis, many retailers – and some consumers – have fallen victim to disinformation suggesting cash may be a vector of transmission, despite all public health guidance showing that cash holds no greater risk than cashless payments. The ICA hopes that the answers that HM Treasury will collect on the important questions asked in this consultation will also be able serve as guidelines to other countries.

The contribution of the ICA is complementary to individual contribution of the association's members.

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

Indeed the importance of maintaining **24/7 access to cash** and **access-to-cash without having to travel** cannot be underestimated. A number of factors can contribute to achieving this goal:

- An appropriate network of cash withdrawal facilities is key. In the UK, LINK's target to ensure there is a free-to-use facility within a sensible distance from every person is to be commended. In the future, it could be considered to include different denominational mixes to reflect the increased use of banknotes as a storage of wealth mechanisms or for example in student-dominated areas, the need for small denomination banknotes. The importance of local convenience stores in providing free-to-use ATMs also increases in this scenario.
- Commercial banks with their withdrawal possibilities have an important a role to play. Cash withdrawal there should be possible also outside of working hours, where necessary by adapting the opening hours of the branch. Providing access to cash should be a required cost of doing business for commercial banks and form a necessary part of their Business Continuity Plan.
- Cashback possibilities as addressed directly in this call for evidence and on which we elaborate further in our answer to Question 2.
- Recycling ATMs which are cash deposit and cash dispensing ATMs - to provide cash into circulation and allow merchants to pay cash back in. The latter is of specific interest for this call

for evidence as it is key if encouraging shops to continue to take cash and provide cash back facilities to their customers.

HM Treasury can also look at a number of existing practices or innovations put in place in other countries or regions that have shown to be successful:

- A network of Mobile ATMs for rural locations to provide the access to cash that is not otherwise possible. There are successful examples of these notably in Sri Lanka and in India.
- Direct cash delivery to door as practiced in the Middle East.
- Mobile application indicating nearby withdrawal facilities/ car GPS systems indicating nearest cash dispensers as a 'point of interest'.
- The obligation for large credit institutions to provide cash services throughout the country, as will be the case in Sweden from 1 January 2021 onwards as a consequence of legislation adopted with the aim of ensuring a minimum level of access to cash services for consumers and companies.

Finally, the UK-based Community Access to Cash Pilots (CACP) initiative working with communities to trial and test scalable solutions to help keep cash sustainable is a remarkable initiative which will certainly lead to new and further insights on ways to achieve full access to cash. It will be watched with great interest by the international cash community over the next months, hoping to take the learnings from the project to countries beyond the UK.

**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?**

HM Treasury here addresses that “cashback without a purchase has the potential to be a valuable facility to cash users in future, play an important role in the UK’s cash infrastructure, and comes with the additional benefit of supporting local cash recycling.”

ICA can only second this as indeed, the creation of a new possibility of cashback without a purchase has great potential of contributing to the goal of full access to cash when it is complementary to cash withdrawal possibilities from bank branches and ATM machines.

HM Treasury writes that the lack of exemption for cashback without a purchase in the EU’s Second Payments Services Directive has to date made this not possible, but that after the end of the transition period on 31 December 2020, the UK government will be able to implement legislation to remove barriers to the widespread adoption of cashback without a purchase. The ICA very clearly salutes this and would urge the UK government to make this move as soon as the new legal situation will allow for it.

The ICA will recommend to other countries outside of the EU to put in place similar legislation. Where the European Union is concerned, the ICA hopes that when the time a Revision of the Payments Services Directive comes, cashback without a purchase will have been so successful in the UK that also the EU will adapt the Directive to finally make it also possible in their countries.

Future legislation could also allow for online delivery services to provide cashback options, for example as part of an online food shop for those unwilling or unable to travel to the shops.

However, we would like to highlight that cashback has a role to play but shouldn’t be at the expense of ATM machines. The closure of bank branches and ATM machines is a very visible reminder of access to cash being restricted.

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

Again, the ICA warmly welcomes the thorough consideration of the various possibilities put forward in the call for evidence. The ICA also fully understands the concern for ensuring customer protection through appropriate liability arrangements and the need to make it commercially attractive to merchants.

We furthermore stress that ATMs also have a role to play for cash deposits. Recycling ATMs enable deposits, sorting and re-withdrawals. Ultimately, they allow for local recycling of banknotes and so help minimise the financial and environmental cost of maintaining a functional cash cycle, as banknotes do not have to travel back to somewhere more central and then back out again.

By mandating that new ATM machines and replacement ATMs are deposit-taking, a national government can help ensure the territory maintains an appropriate network of cash deposit-taking facilities. A further legislative tool can be the requirement to ensure there is a recycling ATM within a 1 km of any bank branch before it closes.

Furthermore, the discussion around apps linked to access to cash typically focus on the nearest location of the free-ATM. The nearest cash deposit location should also be included.

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

The call for evidence specifies that the UK government is not considering mandatory cash acceptance at this stage. The ICA however would urge it to consider this, establishing clarity for consumers and retailers by clearly mandating obligatory acceptance of cash and stating that cash is legal tender. Indeed, we feel that it needs to be clearly mandated that all retailers, merchants, bars, restaurants and markets should be obliged to accept cash payments. The examples of the cities in the United States Philadelphia, San Francisco, New York City as per end of this year 2020 and the State of New Jersey can serve as examples for local legislation. For legislation at the national level, important legislative work is underway in the United States, with the Consumer Choice in Payments Coalition being an active voice and provider of information.

Mandatory cash acceptance could be accompanied by a campaign encouraging (or obliging) retailers to visibly promote that they accept cash, for example through a 'cash accepted' or 'cash is welcome' signs. The campaign could go even further and promote the advantages of using cash in-store.

Such signs at all shops and trading places would help encourage cash payments, which in turn makes it easier for shops and other entities to provide cashback.

This question also asks in more general terms why it is so important to maintain cash acceptance. The ICA here stresses the role of cash as a public good which offers hidden benefits even to those who do not use it frequently. It would be damaging to society if those benefits disappeared. In the context of retail, we can stress that one advantage of cash is in keeping other transaction fees down by providing free-to-use competition to other payments. Throughout COVID19 the impact of digital payments on small businesses has been highlighted – the charges set by those enabling digital payment pushes up the cost of goods, eats into margins of local businesses and certain new QR-based payment apps are known to take weeks before the local business actually receives payment. Cash, on the other hand, also benefits the public purse through the seignorage from the manufacture and issuance of banknotes and coins. Cash protects an individuals' right to privacy. Cash is safe and robust and also works when networks fail, it can be relied upon in the event of a serious cyberattack and it provides surety in case the 2008 financial crisis repeats. Cash is socially inclusive and is accessible to all, not requiring the ownership of bank account or other. Finally, citizens have a deep emotional connection to cash. As a common symbol of national identity, or as tangible exchange of value, banknotes have developed over centuries a social resonance that cannot be replicated or replaced.

**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?**

The call for evidence document notes that the UK government considers there may be significant benefit in giving a single authority overall responsibility for setting requirements to ensure that the retail distribution of cash meets the needs of consumers and SMEs. The document notes that the UK government's view is that the FCA may be well positioned to take on this function through legislation.

The ICA as an international association is a strong defender of the respective (national) government's decisions on how to structure regulatory oversight in respect of the national context and needs which can vary from one country to another, where some countries opt for a single regulator and others for a regulatory system with several authorities holding oversight of specific fields. In setting up their regulatory systems, governments should aim to achieve overall efficiency of the payment systems and transparency.

We commend the UK government's overall goal expressed in this question of obtaining a well-functioning retail cash distribution network as an end result. Independently of how the UK government would choose to organise the future national regulatory system on cash and on payments, we can add in this context that we also see an important role for competent regulatory authority/authorities to obtain greater transparency in payment systems, ensuring that consumers have better access to information on the means of payment chosen and the hidden cost that they pay to payment systems providers. In the interest of transparency and enabling balanced decision making, they deserve to receive full disclosure of nb. card fees and cash flow impact of paying via various routes on a business.

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*November 2020, International Currency Association*

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