



ATM Industry Association responses to the questions posed in the UK Treasury call for evidence on the role of cash and digital payments in the new economy.

Box 2.A: Questions

Future of digital payments

1 How do you expect digital payment methods, and the adoption of these by merchants and consumers, to change over the next 10 years? What are the drivers of this?

A. The huge marketing support by card schemes, banks and App developers for their products would appear to be persuading some members of the public to use such payment methods more now than a decade ago. There is little genuine current innovation, although the advertising messages suggest otherwise. Contactless technology has been around for 20 years and person-2-person mobile systems, such as Swish in Sweden, were also introduced some years ago.

One thing that has certainly changed is the payment providers' willingness to forgo security measures. For example, contactless cards do not require the use of a Personal Identification Number, even though in some countries they can be used for relatively high value transactions. Card schemes often claim they will indemnify their customers against any fraud. In reality, however, most card scheme fraud ultimately shows up in the form of increased retail prices. Card schemes raise their fees to retailers to cover fraud and retailers then have the choice of absorbing the losses or increasing retail prices to recover their costs.

Drivers of choice of payment method

2 What further action could the government take to support greater adoption of digital payments by merchants and consumers (including civil society groups)?

A. 1) Ensure competition is maintained and enhanced. Consolidations, such as the acquisition of iZettle by Pay Pal or Vocalink by Mastercard suppress genuine competition by concentrating the payments market in the hands of a very small number of multinational enterprises.

3 Are there international examples of countries supporting the adoption of digital payments that the government should look to?

A. Governments often issue Press Releases on this subject. However, the reality is that few truly democratic governments have a genuine role in this. Clearly, where a government can dictate outcomes the situation is different. In China, for example, the payment mix between cash, cards and payment Apps, such as AliPay and WeChatPay, is almost certainly being carefully planned by the government. In traditional democratic nations, the role of government should be to ensure there are as low barriers to entry as consistent with security considerations; that competition is transparent and equitable; and that the public right to choose which payment method to use is paramount.

Supporting businesses to use digital payments

4 Why does the cost of processing payments differ between cash and digital payments? How is it changing? And do you expect the change to continue?



A. Each year, the British Retail Consortium produces a report that demonstrates cash is the cheapest method for their members to process. The gap between the costs of cash transactions and debit card transactions is certainly closing. However, the increasing fraud in the digital sphere renders it unlikely that card payments will ever be significantly cheaper for retailers to process.

Box 3.A: Questions

5 Who uses cash as their main form of payment and why?

A. Millions of UK citizens choose to use cash for personal reasons. Around three million people in the UK use cash as their sole payment method. There is no evidence that fewer people will use cash going forward, only that they may use less cash.

6 How does cash usage and need vary by demographics, geography, and socio-economic status?

A. UK citizens around the country and from every demographic and socio-economic group use cash, exercising their right to personal preference.

Box 3.B: Questions

7 How does the level of cash that you handled or used this year compare to what you handled or used five years ago? What are the drivers for that change (for example, change in customer preferences, and currency modernisation programmes such as new polymer banknotes and £1 coin)?

A. There seems no doubt that UK citizens are, on average, using cards and other payment methods more often than they did 10 years ago. Most of the reasons for doing so are related to skillful marketing by card schemes and other payment providers. The genuine benefits to the average consumer are often non-existent or, at best, significantly exaggerated. For example, queuing time in retail establishments has not reduced significantly, simply because most people are not ready to pay when they reach the check out. In the main, it is the search for payment methods in handbags, wallets and pockets that causes delays, not whether cash, cards or Apps are presented for payment.

8 How do you think the level of cash you will handle or use in five years will compare to what you handled or used this year? What are the drivers for that change? And how will different sectors be impacted by this change?

A. Many businesses may handle more cash than ever going forward, as cash users favour those businesses. Card schemes outages, such as the one experienced by Visa on 1 June 2018, highlight the folly of relying on one payment method. Cash, once in a citizen's wallet, is not susceptible to hardware, software, transmission or authorisation issues. The reliability of cash will continue to be valued in the UK and elsewhere.

9 What impact has the change in demand had on industries that process cash?

A. Few so far. However, the current attempts to arbitrarily reduce the number of ATMs in the LINK ATM NETWORK could bring about adverse changes, if allowed to happen. UK ATMs are amongst the busiest in Europe. Reducing their numbers, when UK bank branch numbers are also reducing dramatically, would see an adverse impact on the ATM and cash supply industries, as well as being against the public interest.



Box 3.C: Questions

10 Does the current denominational mix (eight coins and four banknotes) meet your current and future needs? If not, how should it change?

A. We would prefer to have a £100 note in circulation. Most countries have a higher denomination note than England's current £50 banknote. We certainly need to see a new polymer £50 note being issued. Switzerland has a 1000 franc banknote. Higher denomination notes are useful for higher ticket purchases and when cash is being used as a store of value.

11 Have you made, or do you intend to make, any changes to the way that you accept cash due to the change in demand (for example, implemented rounding, restricted the use of certain denominations, or changed machines so that they no longer accept cash)?

A. The change in demand for cash as a payment method has been significantly skewed by artificial restrictions placed on its use. Examples include the bans on the use of cash for ticket purchase on buses, on aircraft and at bridge crossings. There are no grounds for new, similar, measures. A level playing field is required if UK citizens are to retain the right to unfettered payment choice.

12 What measures can be taken to ensure that coins of denominations that are needed remain in active circulation and do not fall dormant, either with the public or at cash processors?

A. We need to see note and coin deposit and recycling ATMs installed in every community in the UK. This innovation, which is vital to the smooth circulation of cash for businesses and individuals, can be achieved through a transaction already available on the LINK ATM Network. It should be made mandatory for all card issuers, so that all ATM operators may install deposit and recycling machines around the UK. This would remove the need for the public and businesses to go to a branch of their own bank to deposit and withdraw notes and coins. With bank branches rapidly disappearing, this is a vital innovation.

13 In what circumstances is a £50 note used in routine transactions and why (rather than multiple lower denomination notes)?

A. For high value transactions, it is clearly better to be able to use £50 notes. Fairly obviously, ten £50 notes fit better into a wallet than fifty £10 notes. Also, of course, many people legitimately use banknotes as a store of value and £50 notes are easier to store.

Box 3.D: Questions

14 How were counterfeit £1 coins able to enter circulation and circulate freely?

A. The old style was very easy to copy and the copies were easily passed off in change and used in machines. The new model is much harder to counterfeit successfully, at a viable cost to criminals.

15 When and how are / should coins be checked in the cash cycle, both now and in the future?

A. All coins should be capable of being machine checked when recycling is attempted by users.



Box 3.E: Questions

16 Are there other international examples of countries managing a decline in demand for cash that the government should look to? Should the UK follow a similar pathway as other countries in modernising the currency?

A. Only a small number of countries in the world are seeing a decline in cash in circulation. In countries where there are declines, these have sometimes been created by manipulation of supply by vested interests e.g. Sweden. To follow their example would be against the interests of the British public. The Swedish government is now considering forcing banks to offer cash services at every branch. The UK government should consider taking the same step.

Cash still accounts for 85% of retail payments worldwide and the European Central Bank recently issued survey results showing 79% of household purchases are still made using cash.

Anti-cash vested interests must not be allowed to manufacture declines in cash use in the UK.

Box 4.B: Questions

17 In which sectors or circumstances is cash usage likely to increase tax evasion, hidden economy, and money laundering risks?

A. The European Commission, in the shape of the DG ECFIN, is about to announce that the outcome of a study into cash use which is reported to have reached the conclusion that there is no evidential link between cash and the funding of crime, including the financing of terrorism. The ATMIA concurs with these reported findings.

18 What further action should the government take to reduce tax evasion, hidden economy, and money laundering associated with cash to ensure a fair and level-playing field for tax compliant businesses?

A. None. The government should spend its time and money in the fight against cyber-crime. That is a genuine threat to the future of payments and the economic health of every nation on the planet.

19 The government knows that businesses and individuals still use large cash transactions, and wants to understand in what businesses or sectors are large cash transactions considered necessary or more acceptable? What are the barriers to using digital payments for large transactions?

A. The barrier to digital payments is often simply choice. Why should individuals or businesses put all of their economic activity through card schemes?

Box 4.C: Questions

20 How can the government use behavioral insights and nudge techniques to address cash related tax evasion, hidden economy, and money laundering?

A. Concentrate on fighting tax avoidance and evasion by high net-worth individuals and corporations.



21 How can government encourage declarations of activity paid for by cash across the economy, including individuals, intermediaries and businesses (such as encouraging or mandating the use of receipts)?

A. See our response to question 20. This would be a wasted effort, just like the failed attempt at demonetisation in India.

Box 4.D: Questions

22 Are there other international examples of countries which have tackled tax evasion and money laundering associated with cash that the UK should look to?

A. No good positive examples. Just the Indian example to avoid.

23 Should the UK follow a similar pathway to other countries and implement a cash transaction limit? If so, what would be an appropriate threshold?

A. No limit is needed, given the lack of evidence that cash is involved in the funding of criminal activity to any significant extent.

Any questions on this submission should be directed to Ron Delnevo, Executive Director Europe for the ATM Industry Association on ron.delnevo@atmia.com .