



Institute
and Faculty
of Actuaries

Call for views - The PSR's research into cash access, use and acceptance

IFoA response to the Payment Systems Regulator

06 September 2019

About the Institute and Faculty of Actuaries

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 32,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers.

We strive to act in the public interest by speaking out on issues where actuaries have the expertise to provide analysis and insight on public policy issues. To fulfil the requirements of our Charter, the IFoA maintains a Public Affairs function, which represents the views of the profession to Government, policymakers, regulators and other stakeholders, in order to shape public policy.

Actuarial science is founded on mathematical and statistical techniques used in insurance, pension fund management and investment. Actuaries provide commercial, financial and prudential advice on the management of assets and liabilities, particularly over the long term, and this long term view is reflected in our approach to analysing policy developments. A rigorous examination system, programme of continuous professional development and a professional code of conduct supports high standards and reflects the significant role of the profession in society.



PSR Access to Cash project team
Payment Systems Regulator
12 Endeavour Square
London
E20 1JN

6 September 2019

Dear Sir/Madam,

CP19/6 - Call for views: The PSR's research into cash access, use and acceptance

The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the Payment Systems Regulator's call for views into its research on cash access, use and acceptance. Under its Royal Charter, the IFoA has a duty to act in the public interest by engaging on public policy issues where actuaries have the expertise to provide analysis and insight. In recent years the IFoA's Cashless Society Working Party has produced a wide range of detailed research with a global perspective as well as responses to various inquiries. We have provided links to those outputs we believe will be of relevance to this call for views throughout our response.

Question 1: Do you think there are key insights arising from the research or key aspects of consumers' needs for cash that are not captured by this research?

Question 2: Do you agree with the emerging theme that the number of people wholly reliant on cash is small whilst a significant number of consumers prefer digital payments although many of these also continue to use cash for certain transactions? How do you think this may change in the future?

The PSR may find it constructive and insightful to consider its recent findings within the context of broader literature of recent research on the attitudes of consumers and businesses towards cash and digital payments.

In particular, responses to the HM Treasury enquiry on cash and digital payments in the new economy¹, and the final report by the Access to Cash Review² would provide further perspectives to build insights and identify gaps and limitations of the recent research. More specifically, it would be beneficial to review findings on the attitudes and needs of demographic classes that were scoped out of the published research; this may lead to drawing different conclusions for classes D and E as their members may be more reliant on cash than the PSR's report suggests.

Reviewing comparable international research may also assist with identifying UK-specific patterns in the context of global trends, and potentially help fill gaps in knowledge. We have compiled a list of international resources to complement your research.

¹ [IFoA response to Cash and Digital Payments in the new economy](#)

² <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf>

| Document | Section | Relevance |
|--|--|--|
| IFoA A Cashless Society - Benefits, Risks and Issues | 8.1: The Cashless World in Motion | Attitudes towards cash and ecosystem challenges in USA (8.1.2, 8.1.2.5), in the UK (8.1.4.1) caution in Germany and Europe (8.1.3) |
| IFoA A Cashless Society - Benefits, Risks and Issues | 7.2-7.3: SWOT analysis | Diverging stakeholder interests: The public, non-financial businesses |
| IFoA A Cashless Society - Benefits, Risks and Issues addendum - 2017 update | 3: The Cashless World in Motion | Digital payments attitudes survey North America (3.2), USA (3.4) |
| IFoA A Cashless Society in 2018 | 1: Disruptive forces in the payments ecosystem | The 4 th industrial revolution in motion, Convenience vs security and privacy. |
| 2018 CIGI-Ipsos Global Survey on Internet Security and Trust, Centre for International Governance Innovation | External resource | Comprehensive study of perceptions and trust (includes internet payments) |
| 2017 The use of cash by households in the euro area | External resource | Section on preferences and perception of ATM services |
| 2018 How cash is becoming a thing of the past DW Documentary (Banking documentary). | External resource (video) | Access to cash in remote areas of Germany |

Question 3: 80% of those surveyed prefer free-to-use ATMs over current alternatives. When cash access options which might become more important in future (Post Office, cash delivery, and cashback) were put before focus groups, there was still a strong preference for ATMs even if there were to be fewer of them. Do you have views why this might be and what could be done to make alternatives more acceptable to consumers?

It would be helpful to query the survey or focus group respondents on the reasons for ATM preference, and whether the following elements influence this choice:

- Availability: ATMs that operate in the public space are available 24/7, whereas shops and post offices offer limited opening hours.
- Affordability: The cashback facility assumes a purchase of goods or services from the commercial site. A minimum card transaction value often applies.
- Security: ATMs deliver secure services such as account balances and other facilities that may not be appropriate or available within a retail environment. For example, consumers may not wish other members of the public to overhear sensitive information such as their account balance.

The IFoA supports a review of the ecosystem to deliver cash within community facilities, as current ATMs present a number of drawbacks. In addition to the operating cost, ATMs carry a high environmental impact³, which is an additional rationale to consider multifunction ATMs. These could provide full access to online banking, as well as facilities that are considered essential in the digital economy, such as deposits, utility bill payments, and access to other financial services. This would require a different economic model, but it has the potential to help address wider technological challenges such as access to broadband and mobile connectivity in rural areas. Such multifunction ATMs could operate as enclosed booths within commercial premises with security arrangements, such as petrol stations.

Yours sincerely,

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On behalf of Institute and Faculty of Actuaries

³ <http://www.actuaries.org.uk/documents/environmental-sustainability-cashless-society>