



**The Consumer Council's response to
The Independent Access to Cash Review
27 September 2018**

1. Introduction

The Consumer Council is a non-departmental public body established through the General Consumer Council (Northern Ireland) Order 1984. Our principal statutory duty is to promote and safeguard the interests of consumers in Northern Ireland.

The Consumer Council welcomes this opportunity to contribute to the Independent 'Access to Cash' Review. The Consumer Council believes it is uniquely placed to respond to from a Northern Ireland consumer perspective. This is because of our daily interaction with consumers alongside outreach, empowerment work and research which closely examines consumers spending behaviours.

2. Background: Trends, perspectives and needs of different groups

2.1 It's worth noting that people overspend when they use credit cards as opposed to when paying in cash.¹ The 'pain of paying' is dulled because the card payment process is 'out of sight and out of mind.' This behavioural trend is of key importance in assessing the risk of debt, particularly in Northern Ireland where problem debt rates² are at the highest in the UK and financial capability is low.

2.2 Access to cash is a hot topic within Northern Ireland. Of the bank branches previously available in 2010, 42% have since closed.³ This means there is an increased risk of exclusion from mainstream financial services for those consumers who rely on physical access to their banks.

3. Question 1:

'What do you think could happen to cash demand in the UK over the next fifteen years?'

3.1 Northern Ireland is a high cash use region compared to other parts of the UK. There are £1,823 Northern Ireland printed banknotes per adult in Northern Ireland compared to £1,414 for the UK as a whole. A popular cash source is of course the automated teller machine (ATM).

3.2 In Northern Ireland 30% of consumers withdraw cash from ATMs 'several times a week' compared to an average UK figure of 11.4%. (See Chart 2) Furthermore, 38% in Northern Ireland withdraw cash once a week compared to 33.4% in the UK.

3.3 Conversely, Northern Ireland also has the highest regional figures for those who 'don't use ATMs at all': 16% against a UK average of 11%. Of those who 'Have only used cash in the last month', Northern Ireland has 6% of consumers in this bracket; the UK has just under 5%.

¹ <https://www.behavioraleconomics.com/resources/mini-encyclopedia-of-be/pain-of-paying/>

² Total score credit card and store card debts England and Wales = £9,343 Scotland = £9,740, N. Ireland = £10,711 – Source: Stepchange 'Scotland into the Red' 2015

³ Information gathered by The Consumer Council from Northern Ireland banks - August 2018

- 3.4 In conjunction with the above, a number of people in Northern Ireland operate outside the banking system entirely, with 10% 'unbanked',⁴ suggesting that 1 in 10 of Northern Ireland's population rely solely on cash as a means of payment.
- 3.5 So, despite the overall shift toward cashlessness, some cohorts of Northern Ireland (and the UK) behave in ways which buck overriding trends. Some protection therefore needs to be put in place for those groups who continue to depend on cash payments now and are likely to do so in the future.
- 3.6 Another well know, but notable characteristic within the Northern Ireland market, is the predominance of credit unions (CUs) and credit union membership. Within Northern Ireland, 38.4%⁵ of adults are members of a credit union, compared to 3.3% in the UK. Most credit unions do not offer electronic banking services and payment methods. These account holders will typically need to withdraw cash in person prior to making a purchase, potentially influencing Northern Ireland's cash demand.
- 3.7 Technological changes currently driving non-cash payments in the banking sector are therefore unlikely to affect Northern Ireland's CU members to the same extent. This may also make CU members resistant to non-cash payment options. This feature could arguably extend the life of cash in preference to other forms, suggesting cash demand within the area will not decrease at the same pace as other regions.

4. *Question 2:*

'What are consumers' needs for cash and digital payments and how can they be best met in the future?'

- 4.2 The Consumer Council's research shows that 34% of the population use cash every day. However almost half of Northern Ireland consumers (49%) use debit cards every day for transactions. This suggests a mixed picture of reliance for both cash and digital payments across Northern Ireland. We are of the belief that needs for cash and digital payments differ based on characteristics such as age, demographics and vulnerability of users.
- 4.3 As we've touched on in the 'Access to cash' review, there is evidence that many consumers using cash are from vulnerable groups. This is line with the findings included in the Consumer Council's 'Banking on Change' paper. In this, low income consumers⁶ reported it easier to manage their finances through 'cold hard' cash, than through other means.⁷
- 4.4 FCA's 'Financial Lives' Survey rates the characteristics of potential vulnerability in Northern Ireland at 56%, which suggests a higher reliance on cash within Northern Ireland.

⁴ Banking on Change Report, Consumer Council, December 2016

⁵ Bank of England, 2016

⁶ Low income defined as under £15,000 per year in our research

⁷ Banking for Change Report, Consumer Council, December 2016

4.5 The 'Financial Lives Survey' also delved into consumer attitudes, of which, Northern Ireland's are somewhat downbeat⁸.

More feel they have low financial capacity (17%), with 43% describing themselves as not confident or financially savvy, and a mere 26% of respondents describing themselves as confident with managing their money. The reliance of cash within Northern Ireland, and reluctance to interact with digital offerings may be attributed to this.

4.6 To expand on the points made within the "Access to cash" Review on some of the financial inclusion challenges around both digital and payments, particularly the point on financial penalties of using cash over other payments method, this gives rise to the 'poverty premium'⁹. For example, missing out on savings with telephone and home energy suppliers if bills are not paid by direct debit. On top of this, Northern Ireland consumers have less disposable income on average than those in GB - £404 per week compared to the UK average of £452.¹⁰

5. *Question 3:*

'What digital or other innovations are likely to affect those who currently are using cash?'

5.1 With the move to digital banking, 38% of Northern Ireland customers bank online. Younger people are more inclined to do this with only 14% of people aged 65+ banking online.¹¹ A focus group was commissioned in 2014 for the Consumer Council's 'Banking on Change' report. Over a third (38%) stated that they would not be confident accessing a bank account online. This reticence to use online banking is prevalent in Northern Ireland. Research by Ofcom shows that consumers here are less likely to use internet banking than GB – 51% of consumers in Northern Ireland choose to bank this way compared to 57% in GB.¹²

5.2 Within some of the more rural areas in Northern Ireland, there is limited mobile phone network coverage, for example, the Glens of Antrim, Mayogall in Mid Ulster and Derrygonelly in Fermanagh. This means that consumers may not be able to use online banking easily, even if they have signed up to it.

5.3 Digital innovations are leading to the reduction of ATMs and bank branches, and in more rural areas, such as those mentioned above, customers may have to travel a long way to visit a branch/ATM to withdraw cash.

⁸ Financial Conduct Authority(FCA) : 'Understanding the financial lives of UK adults – June 2018.'

<https://www.fca.org.uk/publications/research/understanding-financial-lives-uk-adults> NB

⁹ The Price of Being Poor, Consumer Council report 2011

http://www.consumercouncil.org.uk/sites/default/files/original/Price_of_Being_Poor_Document_%28Web%29_25071_1.pdf

¹⁰ Department for Communities, Welfare Changes Overview <https://www.communities-NorthernIreland.gov.uk/topics/benefits-and-pensions/welfare-changes>

¹¹ Consumer Proficiency Research, Consumer Council, June 2016

¹² Banking on Change Report, Consumer Council, December 2016

http://www.consumercouncil.org.uk/sites/default/files/original/39156_Banking_on_Change_Report_FINAL.pdf

This could mean that regardless of the digital or other innovations that arise, there are a set of consumers who will not benefit, simply by virtue of where they live.

- 5.4 As explored in the response to question 2, the FCA's Financial Lives Survey places Northern Ireland potential vulnerability at 56%, and as research evidence suggests, many consumers using cash are from more vulnerable groups. It would be fair to say a large number consumers w fall into this category within Northern Ireland.
- 5.5 Digital or other innovations may be of some benefit to these vulnerable consumers, however those who have classified themselves as not financially literate, or tech savvy, are likely to become more isolated from financial services and could therefore end up depending even more on cash.
- 5.6 There is no doubt that innovation within financial services has the ability to positively benefit consumers, however, there are those who use, and may continue to use, cash as a matter of choice, alongside those who have no choice but to use cash as they are unable to access bank accounts or digital finance services. It is recommended to all policy makers or stakeholders in this area, to always consider these few consumers when making any changes or implementing new products.

6. *Question 4:*
'Does 'Access to cash' require regulation or central co-ordination that goes beyond the current framework? If so, what should this involve?'

- 6.1 The Consumer Council's principal statutory duty is to promote and safeguard the interests of consumers in Northern Ireland, it is for that reason that we believe that 'Access to cash' does not require regulation or central co-ordination going beyond the current framework. As the needs of Northern Ireland consumers are sometimes vastly different to those within GB, regulation/central co-ordination may end up exacerbating the problems faced by vulnerable consumers within Northern Ireland.
- 6.2 The Consumer Council (Northern Ireland) has been a member of the LINK Consumer Council since 2010. The Consumer Council (Northern Ireland) fully supports LINK's commitment to maintain a broad free network of ATMs across the UK. We believe the best way forward on this issue of cash access is to ensure we continue to liaise with all relevant stakeholders. We believe this will ensure that the particular needs of consumers within Northern Ireland are being met effectively.

7. **Question 5:**
'How should 'Access to cash' be paid for?'

- 7.1 Ultimately, due to the differing demographics and use of cash within Northern Ireland, we believe that whether or not all consumers will make use of it, they should still all have the option of getting free access (should that be through ATMS, over the counter at their local credit union or post office) to cash.

Based on the recommendations made within the 'Access to cash' Review, and our unique position within Northern Ireland, we believe that free 'Access to cash' should be a right for all consumers, as this will be in the interest of all consumers within Northern Ireland.

8. **Conclusion**

The Consumer Council welcomes the opportunity to comment on this important issue and consents to the reproduction of this response by the 'Access to cash' review team. If you have any further enquiries please contact:

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