

# Minutes

## FCA/PSR Access to Cash – Working Group 4: Digital Transition

16<sup>th</sup> November 2020 (Session 5)

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**Location:** The meeting took place via video/audio link

**Attendees:**

| Name                         | Organisation   |
|------------------------------|--|
| Chris Pond (Chair)           | Financial Inclusion Commission, FinTech Delivery Panel |
| Natalie Ceeney               | Chair of Innovate Finance (Guest speaker)              |
| Will Archdeacon              | PSR  |
| Thomas Benfield              | Lloyds Banking Group                                   |
| Brian Bowles                 | HSBC   |
| Rhiannon Butterfield         | UK Finance   |
| Duane Campbell               | Tesco Bank   |
| Elizaveta Chepkasova         | FCA  |
| Niamh De Niese               | Barclays   |
| Umer Fazil                   | Barclays   |
| Kai Grunwald                 | NatWest  |
| John Howells                 | LINK   |
| Linda Robertson              | Virgin Money   |
| Nicky Stevens                | Nationwide   |
| Gary Sheen                   | Tesco Bank   |
| Robert Thickett              | BSA  |
| David Thompson               | Danske Bank  |
| Tara Townsend                | Bank of Ireland  |
| John Appleton (observer)     | HMT  |
| Matt McParland (Secretariat) | Accenture  |

**Apologies:** Martin Henry (AIB), Nick Edwards (Lloyds Banking Group), Manisha Patel (Bank of England)

**Item:**

### 1. Chair introduction

The Chair introduced Natalie Ceeney and welcomed her views on the digital transition from cash.

### 2. Views from Natalie Ceeney

There is a current assumption that the most cash-dependent are using cash primarily for reasons of preference. The Access to Cash Review found that most people who use cash do so because digital equivalents do yet meet their needs, and if the right digital products were available, many people would use them.

This suggests a need to identify digital solutions which work for people who are currently cash dependent, and plug the gaps. Examples of solutions to increase adoption in other countries were highlighted, such as Sweden (where a widespread peer-to-peer payment service, Swish, was similar to and as easy as texting) and China (where face recognition technology is starting to overcome potential literacy issues). Natalie also highlighted structural barriers for cash users, such as the 1.4m people who are unbanked, the 1 in 10 households with no reliable broadband, 'not spots' with no mobile connectivity, and the cost of digital products for those on the lowest income. However, she

also suggested that these barriers are all solvable, if the right support is in place, with the right commitment from all parties.

For those who are dependent on cash because digital products don't yet work for them, the issue was not necessarily about new innovation. The Access to Cash review team had concluded that all, or the vast majority of the products and services needed, were either already available somewhere in the world, or represented small tweaks on existing services. The real issue is how widespread those solutions are. For example, one of the main reasons consumers are dependent on cash is that they have low income and don't want money coming out of their account without them realising in case they don't have it. Widespread adoption of 'request to pay' (RTP), and tweaking the rules on overdrafts could address this issue.

Two example case studies were suggested as ways of addressing this problem – TfL's move to cashless payments on buses and the Digital TV switchover.

It was suggested that an approach like Digital UK could work, with a broad definition of 'digital payments' (including pre-paid cards, mobile apps, RTP, direct debits etc). Its remit would be to coordinate action between banks and other financial service players and government, to develop or widen adoption of services which met unmet needs, with the aim of getting to the point when everyone had a real option to use digital payments. Setting up a Digital UK-type body with capable leadership and support from government and industry would enable the coordination needed between government, banks, FinTech and others, to address the gaps.

### **3. Q&A discussion**

In discussion, the urgency of a top-down approach was noted, expanding on the Sweden case study. Some of the local population had been left behind, after banks and FinTech did not provide adequate solutions and the government had to step in in order to address the gap.

Education was raised and Toynbee Hall research cited, which concluded that consumers need their own devices to be shown how to do things digitally, and then to do it themselves in the same sitting, in order to do it again. Community access to cash pilots are being run in community halls and churches by community bankers incentivised to receive relevant training.

Digital ID was acknowledged as a barrier to financial inclusion in the UK and other countries were highlighted as having good models (e.g. Sweden, India).

It was noted that some consumer cohorts would need more 'friction' in solutions (e.g. people with early onset dementia, or those with mental health problems). Existing FinTech solutions could be adapted to needs, but there was rarely a financially viable business case to develop them for mass adoption.

The changing nature of the problem supported a rationale for a Digital UK-style central body. The body could constantly analyse the problem, instead of periodically reviewing changes. A systematic approach over time would be more effective, constantly testing and learning, rather than a one-off exercise.

### **4. Next steps**

The Chair suggested that as next steps, the group answer two key questions:

1. What the industry can do, in terms of solving for the issues?
2. What the industry can't do, and will hence need support/collaboration from others outside of the industry?

### **5. AOB**

None.