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Why banks need to maintain cash services for customers

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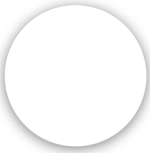


Opinion: we are much further removed from becoming a cashless society than some might like to think

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The recent announcement that AIB was planning to withdraw cash services from another 70 branches throughout the country drew widespread condemnation from consumers, businesses, charities and public representatives. The swift reversal of the decision shows that we are much further removed from becoming a cashless society than some might like to think. Here's why.

According to Christine Lagarde, President of the European Central Bank (ECB), 'banknotes are part of our economy, our identity and our culture'. However, many countries are seeing a decline in the use of cash, and not just since the outbreak of Covid-19 prompted a greater shift to contactless payments.



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From RTÉ News, AIB scraps plans to go cashless in 70 branches after protests

In 2020, the Swedish Central Bank reported that less than 10% of people in Sweden use cash for payments, a decline from 40% just 10 years earlier. The Norwegian Central Bank reported a mere 4% of payments being made with cash in the same year, likely to be the lowest rate globally. Cash is often associated with money laundering and other crime, such as theft, coercion and tax evasion. It also bears a risk of loss, is unsuitable for large payments and can be expensive to handle.

The European Central Bank's Cash Strategy, also available on the Central Bank of Ireland Consumer Hub, clearly spells out eight functions and benefits of cash and commits to supporting and protecting access to cash services for all. Almost all of the strategy's listed functions of cash relate in one way or another to supporting the financial inclusion and protection of consumers. It recognises that cash is the only form of payment that doesn't involve a third party, ensuring consumers' right to have their privacy, data and identity protected in financial transactions.



Future of Banking

From RTÉ Radio 1's The Business, is a cashless society in Ireland on the horizon?

Cash is described as fast and secure and it cannot be refused except by prior agreement on the means of payment. Strong emphasis is given in the strategy to the inclusive nature of cash, particularly for those who lack or have limited access to digital payments systems. It specifically states that cash is 'essential for the inclusion of socially vulnerable citizens, such as the elderly or lower-income groups'. Cash is also recognised as being important in supporting savings, making small gifts or payments on behalf of others, and contributing to the financial literacy of children.

Although the circulation of bank notes and coins in Ireland has been in decline, and the use of non-cash payments increased by 52% in 2020, the evidence is mounting that cash remains of significant importance to many. In the UK, a 2019 report asserted that 17% of the UK population would struggle to cope in a cashless society and would be 'left behind'. Low income, rather than age, was found to be the biggest predictor of cash dependency there.



From RTÉ Radio 1's Today with Claire Byrne, massive backlash against AIB going cashless in 70 branches

Consumer banking research commissioned by the Department of Finance in 2022 shows that the main reason people visit a bank branch in Ireland is to lodge or withdraw cash. People on lower incomes, people aged over 65 and people in rural communities were generally found to be more reliant on cash payments and less likely to use online banking. Furthermore, Age Action Ireland reports that 65% of people over the age of 65 experience digital exclusion, impacting their ability to access online or contactless financial services. For this cohort, cash transactions remain essential to everyday life.

This is also true for those on low incomes. In 2020, 30% of Irish social welfare recipients were paid in cash. UCC research presents evidence that lower income cohorts often manage their finances – both spending and saving - using cash, because it helps them to feel more in control or because they have had negative experiences with missed direct debits and bank charges.

Money management advisors, such as the State's Money Advice and Budgeting Service (MABS), will suggest some consumers use cash to manage certain expenditure as it is more tangible, making it easier to keep track. Social media influencers, such as Irish Budgeting Mammy, promote the use of 'cash envelopes' to budget for expenditure. This approach is not too dissimilar to the old Irish practice of 'the manage', where a household would set aside cash throughout the year for Christmas or other important family events, a financial resilience strategy still commonplace in many low income households.



From RTÉ Radio 1's Today With Claire Byrne, discussion on a cashless society with reporter Barry Lenihan, The Currency's Sean Keyes and consumer journalist Siobhan Maguire

There is a clear need to maintain cash and cash services to support the inclusion of the diverse needs of consumers. Even in Sweden and Norway, where there has been a dash from cash, regulators have introduced measures to oblige banks to ensure the availability of cash services because people in rural areas and older consumers say they would find it difficult to cope without cash.

The Retail Banking Review currently underway in Ireland recognises that a fully cashless society is not an appropriate objective and acknowledges cash as facilitating financial inclusion for all. Ireland's Financial Inclusion Strategy, which is now 11 years old and not available online, focussed on the provision of a standard banking account to address financial exclusion. This was superseded by the EU Payment Accounts Directive in 2016 making Basic Bank Accounts available to all.

Given the pace and breadth of change in the financial services landscape in Ireland, it is essential that a revised strategy emerges to protect and promote access to financial services. It should empower consumers by building financial capability and well-being for all. This must include access to cash and cash services.

The views expressed here are those of the author and do not represent or reflect the views of RTÉ

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