

## National Payments Strategy: Public Consultation. Jan 2024.

### Introduction:

The purpose of the Irish Banking Culture Board (IBCB) is to work with our Member Banks (AIB, Bank of Ireland and PTSB) and wider stakeholders to rebuild trustworthiness with the public. We proceed from the proposition that a robust and trusted banking sector is essential to the future prosperity of Ireland.

The banking sector is facing fundamental structural and strategic challenges which will continue to result in changes impacting the Irish economy and wider society. Effective stakeholder engagement, as outlined in the Central Bank's Strategic Plan 2022 – 2024, will enable all providers to listen, and engage productively with their customers, staff and wider stakeholders on a consistent basis. The IBCB strongly supports dialogue and stakeholder engagement as key elements in rebuilding trust in the banking industry.

In this context, we support the National Payments Strategy (NPS) and the consultation process currently being undertaken by the Department of Finance. We welcomed the opportunity to attend a meeting on 25<sup>th</sup> January last to discuss the strategy, the emerging issues and the population cohort considerations that need to be addressed to develop an inclusive proposition. Our submission focuses on the key issues which are core to the purpose and activities of the IBCB around promoting positive behaviour and culture in banking for the benefit of bank customers, staff and wider society. We have therefore not commented on any issues with a competition, pricing, interest rate, operational cost, or market composition aspect. Our submission covers questions 3.1, 3.2, 3.3, 4.1, 4.3, 4.6, 5.8, 6.1, 6.2, 6.3 from the perspective of Financial Awareness, Financial Inclusion, and Social Purpose. Given this focus, some of our responses to the individual questions are somewhat repetitive.

The IBCB considers that change in the marketplace, customer behaviour, product development and innovation will primarily enhance customer experience, providing increased business efficiency whilst ensuring acceptable security and protection exists for digitally and tech savvy users. However, as identified in our independent éist 2023 Public Trust in Banking report only 81% of respondents use digital banking services either 'Frequently' or 'Very Frequently' indicating that there is a significant proportion of the population who are not yet using digital banking on a frequent basis.<sup>1</sup> It is essential that the needs of these customers are adequately considered in the debate on the NPS. In this context, we welcome the explicit emphasis within the NPS approach to supporting and protecting financial inclusion.

As noted in our previous submission to the Department of Finance consultation on the Banking Review, (8<sup>th</sup> July 2022) the IBCB recognises that an efficient, competitive, profitable Irish retail banking sector is essential. A continued focus on accessibility, product and service design which works for people with diverse

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<sup>1</sup> [éist-2023-Public-Trust-in-Banking-report.pdf \(irishbankingcultureboard.ie\)](#) (July 2023)

preferences and abilities will ensure those customers who cannot, or do not use digital banking are not left behind. A continued focus on the social purpose of banking will also support customers.

Via our ongoing activities with various customer groups, we have seen the importance of access to cash, in particular for those in a vulnerable position. For example, our work with key workers who support victims of Domestic Abuse has highlighted that access to cash through retail cashbacks can be a potential “life-line” from a partners oppressive financial coercion. On this basis, we would recommend that any plan for the ATM network should also include consideration to an ongoing provision for retail operators to provide cash back.

IBCB engagement with advocacy groups, including those representing marginalised and disadvantaged in society, confirms the practice of ‘Cash stuffing’ (described as cash in an envelope) remains a feature for many in order to be capable of covering rent, groceries, family gifts and events. The need for ready access to cash is an accepted “way of life” for many people who utilise similar basic and disciplined methods of controlling their spending and easily understanding what resources they have available.

Furthermore, via our engagement with advocacy groups, we understand that up to 5% of adults are non-banked across Irish society, for various reasons and again comprising often the most vulnerable or marginalised in society. To assist with addressing this situation, the IBCB with our Member Banks undertook a campaign to promote the Basic Bank Account (BBA).<sup>2</sup> From 2021 to 23 inclusive over 120,000 new BBA were opened which brings financial inclusion a step closer for that population. Clearly more work is required to further reduce the non-banked population in Ireland and the NPS strategy can be a key contributor to this.

As noted above, while 81% of respondents use digital banking services either ‘Frequently’ or ‘Very Frequently’ there remains a significant proportion of the population who are not yet using digital banking on a frequent basis.<sup>3</sup>

Based on a ROI population demographic of 14% aged 65 and over and 31% classified as living in rural areas, we have a concern that there is a risk that these cohorts could become increasingly isolated as digital progress and product penetration develops.<sup>4</sup> We therefore welcome the proposed legislation (Access to Cash, Jan 24) which references that it is vital that ATM networks be maintained at 2022 coverage levels<sup>5</sup>. While the ongoing move towards digital banking is generally viewed as progressive and part of a behavioural trend for many customers, especially younger customers, it

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<sup>2</sup> <https://www.irishbankingcultureboard.ie/irish-banking-culture-board-launches-guide-to-basic-bank-account-supporting-financial-inclusion-and-access-to-banking/>

<sup>3</sup> [eist-2023-Public-Trust-in-Banking-report.pdf \(irishbankingcultureboard.ie\)](#) (July 2023)

<sup>4</sup> [Census of Population 2022 - Summary Results - CSO - Central Statistics Office](#)

<sup>5</sup> <https://www.gov.ie/en/publication/377b2-access-to-cash-general-scheme/>

has created a gap for some customers, particularly for older customers, those with disabilities, marginalised groups, and those in rural locations. Given the dependency on digital awareness and competence, we believe the risk exists that elements of our society will only further struggle to connect with future product /payment enhancements and therefore believe traditional and conventional methods should, in principle, remain during the next review period (i.e. up to 2030) to ensure “choice” as an option for those consumers who need or want it.

The launch of the National Plan for Financial Literacy is not scheduled to go “live” until late 2024, with an accepted view that it will take some time thereafter (3 to 5 years) to meaningfully implement and manage change across the different cohorts in society, and to accommodate the progress required for financial literacy and inclusion. In our view, it is essential that underpinning the changes through the NPS there is an ongoing commitment to the provision of education and communication programmes to promote financial awareness, inclusion and wellbeing especially for the more marginalised cohorts.

Protecting financial access and promoting financial literacy in Ireland are core strategic objectives for the IBCB for the period 2023-2026 and we would be happy to participate in further discussions with the Department, on how these can be best achieved.

## Questions

### **3.1 What are your views on the timeline? What would effective key indicators to measure the progress of the NPS be?**

The IBCB is supportive of the NPS and considers the timeline appropriate to implement and achieve results. The period allows the ability to facilitate formal further review(s) against an evolving marketplace with product development and innovation featuring whilst we subscribe to the principle of financial inclusion.

Effective key indicators to measure the progress of the NPS should include regular / periodic assessments and customer feedback principally on the continual availability and usage of cash. We note that since the consultation period opened, the Government has announced it is preparing legislation to retain ATMs at 2022 representation levels with a defined ratio of ATM to population within 10km radius. We also note the intention to use “deficiency testing” which will ensure acceptable ATM performance which is especially relevant in more remote / rural locations. We support this legislation as a means of preserving the principle of financial inclusion across society.

### **3.2 What reflections have you on the NPS principles?**

The IBCB supports the guiding principles, and we welcome that the stated overarching goal of the NPS is to enhance and build public trust in and the effectiveness of the payments system. The NPS covers the timeline 2024 to 2030 which provides scope to conduct interim and/or mid-term review(s) to evaluate how the elements of the NPS are impacting trust and effectiveness. The IBCB undertakes periodic and independent surveys<sup>6</sup> to review customer and stakeholder trust in our Member Banks which is a useful mechanism to assess the impact of initiatives as well as the impact of external developments. We suggest some form of interim review be adopted to ensure the NPS principles are being upheld consistently through the planning and implementation phases.

### **3.3 What are the main issues that undermine consumer trust in the Irish payment system?**

The IBCB regularly measures trust in banking and we publish the results in our éist Public Trust in Banking reports<sup>7</sup>. Our assessment approach is to measure trust through Ability, Dependability, Integrity and Purpose and we would suggest that a combination of these aspects also impact, and at times undermine, consumer trust in the Irish payment system. In particular, areas that likely undermine consumer trust in the system include fraudulent activity, lack of dependability (outages/delays), and lack of access and choice.

Cash continues to be the payment of choice for some individuals and in some circumstances, consumers need to be able to depend on the availability and accessibility of cash where and when they want. A lack of ability to access cash, and a lack of availability to use cash when required, will likely impact trust levels. All participants in the Irish payments sector should provide for a diverse range of payment options, including cash for those who choose to use it.

### **4.1 Do you think there is a reasonable level of choice in the payment methods currently available to consumers in Ireland?**

The IBCB broadly supports a view that there is currently a reasonable level of choice in the payment methods available to consumers in Ireland. The challenge is to protect and enhance the existing range of payment methods covering digital payments, cash and cheques.

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<sup>6</sup> [éist Public Trust in Banking Survey - Irish Banking Culture Board](#)

<sup>7</sup> [éist Public Trust in Banking Survey - Irish Banking Culture Board](#)

Consumers need to be able to access their payment method of choice to best support their lifestyle regardless of location, preference and digital literacy.

#### **4.3 How can the NPS continue to support vulnerable groups access to the payments system.**

Ensuring that consumers have a choice of service channel (face-to-face, phone, online or digital channels) is an important issue. As banking increasingly moves towards digital channels, there is a risk that a section of Irish society will be excluded from banking services. Notwithstanding that Ireland is one of the top-ranking countries in the EU regarding integration of digital technologies, as previously referenced, our éist 2023 Public Trust in Banking report shows that only 81% of respondents use digital banking services either 'Frequently' or 'Very Frequently'.<sup>8</sup>

We consider it important that provision is made to support consumers who may be more reliant on cash, to ensure consumers in potentially vulnerable positions are not further excluded from financial services. This has been an issue in other countries and there have been steps taken in Spain and in the UK to provide banking hubs, with shared facilities in rural locations<sup>9 10</sup>

Enhanced supports for customers in a vulnerable position through financial awareness and financial education programmes and revised legislation (Access to Cash) and regulation (e.g. proposed amendments to the Consumer Protection framework) are important to promote financial inclusion and ensure adequate support and protection for consumers.

#### **4.6 What are potential negative impacts to the wider use of instant payments? How could these be mitigated?**

As outlined in the Department of Finance NPS briefing, the European Commission's Retail Payment Strategy, recognises the benefits of instant payments and seeks to make them the new normal in comparison to other payment types but Ireland is said to be lagging behind the EU average despite the basic infrastructure for instant payments being available since 2017.

Due to the nature of instant payments being made immediately credited/debited in the payee/er's bank account, they pose an increased risk for fraud and cybercrime

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<sup>8</sup> [éist-2023-Public-Trust-in-Banking-report.pdf \(irishbankingcultureboard.ie\)](#) (July 2023)

<sup>9</sup> The Local Spain aims to follow UK's lead with bank hubs in depopulated areas, (March 2023), <https://www.thelocal.com/20230309/spain-aims-to-follow-uks-lead-with-bank-hubs-in-depopulated-areas/>

<sup>10</sup> Link New Banking Hubs confirmed, (March 2023),

<https://www.link.co.uk/about/news/five-new-banking-hubs-confirmed-following-community-requests/>

upon execution of the payment. The ability to facilitate instant payments will also require a significant investment in technology and infrastructure to facilitate and improve ROI penetration.

Educating and informing consumers on Instant Payments including how payments work in real time with the risks associated with same, will all have to form part of the product awareness campaign for Ireland. In this context, it would be useful to ensure that relevant lessons are learnt from countries with more advanced Instant Payments usage in the EU.

In addition to customer education, enhanced risk management is also essential to increase the safe usage of instant payments assuming Bank infra-structure gets built out to support payments.

#### **5.8 In the event of a digital payments disruption, do you see cash playing a role and how might this work?**

Cash is critical to contingency in the event of electronic payment system failures and plays an important role in the freedom of choice of citizens as to how they pay for goods and services. Cash is the only form of public money to which everyone can have direct access. Access to cash would therefore be vitally important in the event of a digital payment disruption. In this context, we welcome the proposed Access to Cash / ATM legislation which references cash as a contingency to digital / IT disruption.

#### **6.1 Do you believe there is, or there may be, a trend emerging of non-acceptance of cash in Ireland? Where or in what circumstances have you experienced this?**

We are aware of recent high-profile events and services in Ireland which were documented in the national media of instances of non-acceptance of cash e.g. including instances involving the National Driver Licence Service, GAA, National Ploughing Championships, Irish Rail and NCT. However, because of the adverse PR, some of the companies subsequently rowed back - suggesting a move to non-cash is still a fluid situation rather than a locked down position for many companies.

Anecdotally, we are also aware of examples of 'cashless creep' in other services, such as some short-term car parks, festivals, and laundrettes in garage forecourts. We have a concern that some such services carry a 'cash premium', meaning it is sometimes more expensive to pay with cash with the resulting potential to penalise the more vulnerable in our society who may be reliant on cash as a means of payment.

The above examples seem to point to some limited emergence of a trend for non-acceptance of cash, however at this juncture we do not consider the trend to be widespread or common practice. It will be important for the NPS to maintain oversight of any more widespread development of this trend and to react accordingly.

## **6.2 Do you agree with the principle of universal cash acceptance? Or do you believe it can be limited to certain critical classes of payment?**

The IBCB supports the principle of universal cash acceptance but acknowledges the ongoing and wider trends across the payments industry for digital and e-money transfers. The current demographic makeup of Ireland is 14% aged 65 and over and 31% living in rural areas. We believe choice to include cash usage has to exist and be protected, while accepting the ongoing evolution for payments, it cannot be at the expense of social exclusion for certain cohorts.

## **6.3 Do you believe it remains appropriate or necessary to ensure acceptance of cash as a form of payment? Do you believe you have enough choice as to how you can pay for everyday goods and services?**

The demand for cash has reduced in the past years and contactless, online and mobile payments continue to rise<sup>11</sup>. Whilst this is a positive development for many consumers, this needs to be balanced to ensure all consumers can still access cash and have a choice of payment options.

We believe it remains appropriate to ensure acceptance of cash as a form of payment. Noncash / digital only runs the risk of financially excluding certain cohorts. It underpins our view that access to cash and the use of cash as a payment option is vitally important. There is also a particular need to consider the impacts of reduced access to cash in rural locations. While the IBCB considers that there is currently a reasonable level of choice in the payment methods available to consumers in Ireland, this choice, including the availability of digital payments as well as cash needs to be protected.

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<sup>11</sup> BPI Payments Monitor Q3 2022, (2022), <https://bpfi.ie/publications/bpfi-payments-monitor-q3-2022/>