



Finance and Investment Research Sub-committee

A Cashless Economy Working Party

Background

The way we buy our morning coffee in Starbucks by touching the pad with our credit card and the way that Uber allows us to call for a taxi and pay for it electronically tells us that we are moving ever closer to a cashless society, i.e. one without notes and coin.

The Bank of England has a division which investigates digital currencies and indeed makes the case for retaining cash in society. However, according to the Bank, it is beyond their remit to look at the disadvantages of retaining cash and to examine the benefits from moving to a totally cashless society.

There could be many, very valuable, benefits of moving away from cash, such as:

- a reduction of tax evasion emanating from payment in cash. Estimates are that this might be costing the Treasury anywhere between £10bn-£40bn pa
- much crime including counterfeiting, theft and drug dealing survives on payment in cash; this would be very substantially reduced
- illegal immigrants cannot obtain bank accounts; they only survive in the UK by working for cash, so without the prospect of work they may be less likely to want to come to the UK
- add to this, the enormous cost of printing, minting, handling and transporting cash and we are beginning to understand just how substantial the benefits of a cashless society could be.

Potential areas this new working party will address:

Economic Issues

- just how big is the “hidden” economy?
- how much additional tax revenue previously hidden might now flow back into the Exchequer?
- would economic activity be increased or reduced and by how much?
- what is the balance between any reduced economic activity caused by a reduced hidden economy and the increased economic activity created from greater consequential government spending?
- what savings might be available to Government and Banks from not needing to print, distribute and relocate cash?
- how would the government stop another currency such as Dollars, Euros or Gold replacing sterling cash?

Social Issues

- how would the “unbanked” cope without cash?
- how would small payments such as the giving of pocket money or buying a newspaper be replaced?
- how much notice would the British public require in order to “get their heads around” such major change?

Crime

- how much crime would be stopped or made far more difficult without cash in society?
- would criminals just look to different forms of crime?
- how would a reduction of crime affect the economy?

Illegal immigration

- would illegal immigrants find a way of surviving or being able to work without being paid in cash?
- would it reduce the numbers of illegal immigrants and/or drive existing ones away?
- would the loss of illegal immigrants actually hurt some sectors of the economy?

Technology

- do we have the technology to replace cash in our society? If we don't, what would it take to create it and roll it out?

Time Commitment

Meetings will be by conference call to allow us to widen this opportunity to all members. Conference calls will be arranged at a mutually convenient time for all involved. If you live or work near to one of the IFoA offices, you are welcome to make use of our facilities for the call. Similarly, if more than one member of the working party is based close to each other, you may agree to meet up and dial in together, but there will be no requirement for volunteers to meet in one place.

Executive Support: Practice Manager and Practice Coordinator

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