



Economic and International Affairs Scrutiny Panel

Acceptance of Cash Payment Review

Witness: The Minister for Sustainable Economic Development

Tuesday, 17th September 2024

Panel:

Deputy M. Tadier of St. Brelade (Chair)

Deputy G.P. Southern of St. Helier Central (Vice-Chair)

Deputy M.B. Andrews of St. Helier North

Deputy K.M. Wilson of St. Clement

Witnesses:

Deputy K.F. Morel of St. John, St. Lawrence and Trinity, The Minister for Sustainable Economic Development

Mr. T. Holvey, Chief Economic Adviser, Government of Jersey

Ms. C. Howe, Sector Lead for Retail and Visitor Economy, Department for the Economy

[12:38]

Deputy M. Tadier of St. Brelade (Chair):

Welcome, Minister, and welcome to your team as well. This is a hearing for the Economic and International Affairs Scrutiny Panel. We are looking at the subject of cash payments. We are fairly well into our review, so welcome to those who might have just tuned in on our streaming facility or who are watching back again. I am going to introduce ourselves as a panel. We will hand over to you, and if you can just introduce yourselves for the record as well and then we will proceed with the rest of this hearing. So I am Deputy Montfort Tadier, I am the panel chair.

Deputy K.M. Wilson of St. Clement:

Deputy Karen Wilson.

Deputy G.P. Southern of St. Helier Central (Vice-Chair):

Deputy Geoff Southern, vice-chair.

Deputy M.B. Andrews of St. Helier North:

Deputy Max Andrews.

The Minister for Sustainable Economic Development:

I am Deputy Kirsten Morel, Minister for Sustainable Economic Development.

Sector Lead for Visitor Economy and Retail, Deputy for the Economy:

I am Charlotte Howe and I am sector officer for Visitor Economy and Retail.

Chief Economic Adviser, Government of Jersey:

Tom Holvey, the chief economic adviser for the Government of Jersey.

Deputy M. Tadier:

Thank you. Thanks for introducing yourselves and welcome to the meeting. We appreciate you coming in to talk to us. So just to give some context, we are a few months into this review already. We have had, perhaps, a surprising number of submissions. In a sense, it seems to have caught the public imagination. We have also heard from stakeholders from various different backgrounds and industry representatives, and we are pleased to get some Ministerial input today because we have been waiting, I suppose, to also hear from the Government in terms of the collective views, if you like, but also the individual views, Minister, which may in some cases differ. We know that you might have personal opinions as a citizen or a Minister, or as an individual States Member. We know that, as a collective, there might be other Ministerial considerations which you can give us in terms of our considerations. Let us just launch into our questions, if that is okay. It might seem like a fairly broad question to start off but could you briefly outline your understanding of the use of different payment methods as they currently exist in Jersey?

The Minister for Sustainable Economic Development:

Okay, so there is no doubt that we have moved into a world of many different payment methods as I grew up. When I was really young there was just cash and cheques. I remember A.T.M.s (automatic teller machines) coming to Jersey and suddenly queuing at the A.T.M. with my mum to get cash out of the bank, but it is still just cash, just a means of accessing it. Then I would say most of my life that is the way it stayed until much more recent years, and particularly with COVID. I think we saw then the acceleration of the use of electronic payments, and there are a wide range of

electronic payments. There are various companies trying ... I will try not to advertise companies, but obviously some companies, we know them, almost like Hoover and vacuum cleaners, in the same way. But there are just electronic payment providers that you can use online. Equally, you can use your cards; your credit and debit cards. You can use them directly as cards. Again, you can have them added to your phone, easily make transactions through your phone. We are now seeing new players coming into the game which are not banks, but which enable payments. So I know many Islanders have cards from a particular company, which just enables transactions really quickly and easily with the use of that card, which is effectively preloaded with credit. That also enables them to go around the world and reduce their transaction fees. We have gone from cash and cheques to cash, cheques and multiple forms of electronic payment, including another one is just simple, a cash transfer from one person to another directly to their bank accounts.

Deputy M. Tadier:

Thank you. This is not in our question plan, but I am wondering whether, because we have also got some of your officers here with us, whether it might be worth just looking at what cash is, in a sense, maybe in a quasi-philosophical but also in a political sense. So if we just set the context that we are talking about, effectively, paper and metal cash that is in circulation. Insofar as Jersey is concerned, when the cash is issued in Jersey to what extent is it the Jersey Government that is issuing that cash?

The Minister for Sustainable Economic Development:

That is a very good question and better aimed at the Treasury Department. I do not know if you ...

Deputy M. Tadier:

And we will ask them.

Chief Economic Adviser, Government of Jersey:

It is the Treasury ... you will ask that ...

Deputy M. Tadier:

We will ask them that.

Chief Economic Adviser, Government of Jersey:

But it is at the bank's request and there will be a certain control over the money that is put into the system. There is a complete cap of the money that is effectively in the account that is allowable for forecast as well. The technicalities, the Treasury will be better to answer those questions.

Deputy M. Tadier:

That is fine, we will ask them that. There is a sense in which, in all of this, we have ... the panel has received, as I said, a lot of submissions and there is clearly a lot of ... this is a charged subject, there is a lot of emotion attached to the subject and strong feelings on certain parts, some of it is opinion, some of it is factual and it will be for the panel to ... which we are looking at that, weighing the evidence accordingly. But there is a sense in which people's individual capital or wealth is always abstract. Therefore, the cash is simply an outward manifestation of that in a particular form. But it is not an exclusive form. So this is really what we are looking at, is how people might spend that paper and metal cash, just to contextualise. The next question then, in that context, is that there have been differences in those taking part in the review regarding the choice of the consumer and the choice of the business provider. What I think we mean by that is that up until this point we have had a lot of submissions saying that the panel or Government should take action to make sure that cash is always accepted by all businesses.

[12:45]

We have not had any witnesses so far come to us in person saying that we should go down that route and that Government should legislate. They have all stopped short of that, even the ones who are perhaps more pro-cash and who do not want to see a cashless society, certainly not at the moment. We have also had people saying that it should be down to consumer choice. Could you talk to us about how you interpret that question of consumer choice in the market?

The Minister for Sustainable Economic Development:

I think it is really good. To be fair, if we are talking about department policy, we do not have a department policy around cash and the requiring of cash to be taken if offered. So in that sense, the absence of that policy effectively means there is a policy of freedom of choice and free market in that respect. There is no responsibility put on to businesses to ensure that they have to take cash. This is in contrast, I believe, to the European Union. I do not know the name of the directive, the reference of the directive, but I believe in the European Union, if somebody presents cash for payment, I believe there is an obligation on the business to accept that as payment. In a sense, that has created a firming up of the idea of legal tender. I think this is something that is really important, is I am not even convinced we have a definition around the term "legal tender" and what does that mean. At the moment in Jersey, we are definitely in a position of businesses are able to choose. They can accept cash, and cash only. They can accept electronic payments, electronic payments only. Or they can accept both. One of the reasons we have not come forward with a particular policy to change that is because of the idea that we believe that businesses can use that as a competitive differentiator. For some businesses, they may wish to only accept electronic payments because they feel that that is what their customers want. But other businesses may feel that they should accept both in order to give their customers the wider choice. Personally, I sit in a category

that, if I were running a business, I would like to think that I would offer both, because I think that is how you are going to please the wider range of customers. But there is no doubt we have seen a vast drop off in the amount of cash transactions in Jersey. So that in itself then, I would suggest, encourages businesses to move towards electronic payments only, because even fewer customers are coming forward demanding cash.

Deputy M. Tadier:

Yes. Do you accept the argument that if it is simply left to the market, and we say people can choose, so if a certain coffee shop does not accept cash you might go to the next coffee shop? That argument is fine up until all coffee shops do not accept cash.

The Minister for Sustainable Economic Development:

That would be right.

Deputy M. Tadier:

So at what point, and if ever, is there a valid argument that says actually Government needs to intervene to stop that critical point passing where there is no choice left for consumers?

The Minister for Sustainable Economic Development:

I will definitely speak personally here, if that is okay, as opposed to from a government policy perspective. I think we are almost potentially in the 2-stage process. First of all, I do think there is a need to get assurance from Government, whether that is through legislation or another way - the only real assurance could come from legislation, in my view - that the Government will ensure there is cash in supply. I particularly worry about a day when the Government says: "You know what, we are not going to issue cash anymore." I think that that creates a problem for us as members of our society. The second stage, if we did bring that in and say, in perpetuity, Government must ensure cash is in supply in Jersey, the second stage then would be about looking at whether you want to impact on the freedom of choice of businesses. At the moment, I think we are in a place where enough businesses are accepting cash for it not to be a problem and not to need to regulate. But there may come a point where if we are heading towards 100 per cent of businesses are accepting only electronic payments, then we might want to say ... because we know there are people in this society who want to use cash, who prefer using cash for very good reasons, that they need to be protected in that way.

Deputy M. Tadier:

Is there not a risk about Government intervening too late in that process? Because if you intervene when 90 per cent of businesses have gone cashless, that is presumably much more disruptive in order to implement that.

The Minister for Sustainable Economic Development:

You are absolutely right.

Deputy M. Tadier:

Is there any ideological or/and practical consideration being given in Government about if there is an appetite for intervention, and if so, when and how?

The Minister for Sustainable Economic Development:

I do not believe there has been a discussion in Government, not one that I am privy to, around that idea. I think you are absolutely right, Chair, that it does move into the ideological area, in the sense that when I look at myself and say, as Minister for Sustainable Economic Development: "Why are you not lobbying for all businesses in Jersey to have to accept cash?" I would say I do trip up on the ideological freedom-of-choice perspective and say: "Oh, at the moment, I do not want to get in the way of that freedom of choice." There is also that perspective that I hold, that at the moment there is excessive regulation in Jersey that makes it very difficult to do business, not particularly around cash, just a general excess of regulation in Jersey. So the idea of bringing in an extra regulation to put on is not somewhere that I want to go. In one sense, I would accept that there is an ideological part of me which is stopping me really pushing forward in that second stage.

Deputy M. Tadier:

Do you accept though one cannot have it both ways? If you accept that there needs to be choice, you either have to side with businesses to be able to provide to choose what they want to do, or you give the choice to the customer. Because if, as a customer going into a shop which either does not accept card or cash, one or the other, then I am immediately excluded from choice as a customer, as a consumer. Is it a case of we either do nothing, and we will have to potentially make recommendations as a panel based on the evidence we have been given, and perhaps on our own considerations? It seems to me that there are 3 scenarios: do nothing, or we legislate one way or the other, or we actually encourage or legislate. So maybe really 2 scenarios there.

The Minister for Sustainable Economic Development:

I think there are. I think it is right for us to have the discussion. I think it would be better to have a wider discussion and, for that reason, I am really pleased that the Scrutiny Panel has picked this up. Because I think we do need to have that discussion because I think what you are highlighting, what you, Chair, I think have correctly highlighted is, yes, when 90 per cent of all businesses in Jersey ... if there comes a time when 90 per cent, 95 per cent are all accepting only electronic payments, to then require them to move back to accepting cash would require an element of disruption and

change, which would be costly to those businesses, I assume. So getting ahead of that and having the discussions now rather than later, I think, is really, really important.

Deputy M. Tadier:

Is there an argument for maybe targeted and temporary intervention? Government might say: “Until we have got a plan and we have discussed the transition potentially to a cashless society or where we want to go, for the next 2 to 5 years we are going to make sure that cash is issued, but also that cash is accepted” and that after that point ... there may be separate streams to go on about inclusion and getting more people digitised and with bank accounts, et cetera, access to some kind of banking. But in the meantime, do you think there is an argument potentially to explore around that kind of obligation?

The Minister for Sustainable Economic Development:

I would hold off on the temporary idea because I think certainly the level of Government ensuring cash is in circulation, and so looking at that bit, the reasons I feel so strongly about it are because I believe that cash speaks to some of the human rights that we have. So therefore, temporary engagement with regard to human rights, I would say, is not appropriate. Human rights are human rights. In this case, it is a human right to privacy. It is also to freedom. I think when I spoke in the States on this matter I was looking at the European Central Bank, which has a really useful web page. I will happily send you the link. The Bank itself says: “Cash ensures your freedom and autonomy. Bank notes and coins are the only form of money that people can keep without involving a third party.” It also says it ensures your privacy: “Cash transactions respect our fundamental right to have our privacy data and identity protected in financial matters.” The reason for that is it goes back to that thing that cash is the only form of money that does not involve a third party. Every electronic form of money involves a third party. That means that your freedom and your privacy are impinged upon. In a democratic society, which is operating as we are at the moment, that is not really a problem. But as I was explaining to somebody just earlier today, I was brought up towards the tail end of the Cold War. I saw how governments and societies can turn on each other and destroy that right to privacy. So I definitely come from that way of thinking, that there must always be privacy from Government. Electronic payments do not enable that.

Deputy M. Tadier:

Could you not argue in reality, though, cash does definitely involve third parties. You need somebody to issue the cash. You need a Government. You need a bank to ...

The Minister for Sustainable Economic Development:

But not in the transaction itself.

Deputy M. Tadier:

No, but you need a bank to take the cash out from and then you also presumably need ... if you want to pay that cash in to use it in any other form, you need to pay it into a bank ...

The Minister for Sustainable Economic Development:

Or you can keep it under your mattress.

Deputy M. Tadier:

You could.

The Minister for Sustainable Economic Development:

And people do. Not necessarily under their mattresses, but people do store them at home; cash at home. It is interesting, again going to Europe, Europe has got statistics on the amount of cash that is being stored at home. Interestingly, I believe it has grown over the last few years as a proportion of the amount of cash that is used. So people do store cash at home. To be honest, at the moment, I can assume ... I have debit cards, et cetera, on my phone. I can access my bank account on my phone. But if there were ever any problems with either telecommunications networks or those apps, et cetera, I would be shut out of accessing my money. The only time you know you can access money with 100 per cent surety is when you have that cash in your hand.

Deputy M. Tadier:

I will pass over to Deputy Southern in a moment, but it is fine having that cash under the mattress. There are all sorts of problems, potentially, with that as well.

Deputy G.P. Southern:

It is an old-fashioned way of banking.

The Minister for Sustainable Economic Development:

It is the old-fashioned way, but it still works.

Deputy M. Tadier:

I mean there are problems about devaluing of currency, you are not getting interest, and also it is susceptible to being eaten by moths or burning if the house burns down but if we put all that aside ...

The Minister for Sustainable Economic Development:

If the bank runs, the bank runs.

Deputy M. Tadier:

If we put all that aside what is the point in having all that cash if you cannot spend it in the economy because no shops and no businesses are accepting the cash?

The Minister for Sustainable Economic Development:

I mean that is one of the things, and that then speaks to your earlier question about whether we should be regulating around businesses because, yes, if you can ... I mean if you cannot spend your cash in businesses that would wipe out a large reason for you having cash. But the truth is as well and then, poor Deputy Southern, I used him as an example when I said in the States: "If I want to buy Deputy Southern's cup" because you happened to have a cup in front of you, "£5, it is entirely between me and him." If I wish to do that and I can pay for it in cash, I can buy that cup and that is between me and Deputy Southern. That is a private transaction. It has not involved a business and so you would still have private transactions which are enabled through cash. Although I would say that businesses are where most of us would spend our cash.

Deputy G.P. Southern:

I heard you say earlier we have not got a policy on what happens there.

The Minister for Sustainable Economic Development:

Correct. Or we have a policy by default might be a better way of saying it. In the sense of by having no ...

Deputy G.P. Southern:

But we still have: "I promise to pay the bearer on demand", et cetera. That is still in existence and that piece of paper that you use. Do we need a policy and if so, when would you envisage that we need a policy by?

The Minister for Sustainable Economic Development:

I mean, very difficult to say if and when. Personally, I think we do need a policy to ensure that Government continues to produce cash, to make cash available to society. I do think that is something that we do need. I think we then need to have a real discussion with the business community and with Islanders about whether businesses should be obliged to accept cash or not. Because at the moment, our policy by default is one ... because we have not got a policy, by default it is up to businesses to choose whether they want to accept cash or not. There is a policy by default.

Deputy G.P. Southern:

What is the timescale on that? Is it short, medium, long term? Are we talking ...?

The Minister for Sustainable Economic Development:

I mean, it is difficult. It is interesting. It is almost impossible to say when will all businesses stop accepting cash. But what we can say is that in Jersey in 2021, there was almost £117 million in Jersey currency in circulation. That was 2021. By the end of 2023, that had fallen to £97 million. So far this year, we are at £90 million. So it might reach, I am guessing, around the £97 million again. But we can see in the last 3 years, there has been a significant drop in the amount of cash that is in circulation in Jersey. But there is still £90 million. But from £117 down to £90 million or £97 million in 2 or 3 years is significant and fast. I think we are seeing single-figure percentages. I think I kept some of these. I think the single figure percentages around the amount of cash that is been taken in Government.

Chief Economic Adviser, Government of Jersey:

Yes, that is right.

Sector Lead for Retail and Visitor Economy, Department for the Economy:

Nine per cent.

The Minister for Sustainable Economic Development:

In the U.K. (United Kingdom), for instance, in 2007, so this is U.K. stats, 67 per cent of transactions included cash. The U.K. is now saying in 2023, 14 per cent of transactions used cash. That is a massive drop off. But that does not mean that businesses are not accepting cash, it just means that people are not using it. I make these arguments about the Government should ensure that the cash is in supply, while knowing that the 90-plus per cent of my personal transactions are made electronically.

Deputy M. Tadier:

I mean, in terms of choice, though, it is an interesting one, because often consumer behaviour is led by business preference, is it not? So if you go to the Co-Op one day, use them as an example, there are other retailers available, and all of a sudden there is only a self-scanned checkout. You do not really have a choice.

[13:00]

If the checkout says: "We do not take cash", you do not have any choice. To what extent ... well, I do not know what the question is there, and I am supposed to ask questions. But to what extent is it fair to talk about consumer choice when, in fact, often our decisions are led for us?

The Minister for Sustainable Economic Development:

Well, that is correct. That is one of the trends that I feel is happening to us is - again, I will speak personally - why the big move to electronic payments? Part of it is consumer convenience. It is easy. I have one phone rather than having a number of cards on me and things like this or cash in my wallet, which I could lose or have stolen. There is an element of consumer convenience. But there is also the element that cash is much easier for banks ... sorry, electronic payments are much easier for banks to handle. It costs less for banks to handle electronic payments. Certainly from a Government perspective, it is much easier for Government to handle and cheaper for Government to handle electronic payments. So there is consumer convenience. But my personal view is that most of this change is probably being led by institutions that prefer electronic payments because it makes their lives enormously easier. But of course, there is a cost. Every time you use your credit card, there is a cost added to that credit card borne usually by the business but there is no ... but I am sure those businesses then recycle that cost into the price that you pay, so it is potentially inflationary. I do not know if we have ever looked at that.

Chief Economic Adviser, Government of Jersey:

Actually cash costs more. I know that sounds counterintuitive slightly but the handling of cash is quite costly, whether that is time, insurance increases. So the reason businesses really are moving over to electronic transactions more is it is more productive, more efficient, and it generally costs less because of those productivity gains. Yes, there is a 2 per cent, 3 per cent charge, but that is borne out by cheaper, better, more efficient processes, particularly usually with smaller businesses as well. You do not have to go to the bank at the end of the day and spend another hour in a queue to deposit your cash, et cetera. Those cash handling charges are really quite high. Sometimes 50 per cent or higher. Some research suggests 2 or 3 times higher, so 300 per cent, 400 per cent higher. That is why businesses are driving that. But I think your initial assertion that businesses are driving it rather than consumers is probably correct.

The Minister for Sustainable Economic Development:

No, but that is really interesting. So it is less inflationary potentially to be using electronic.

Deputy M. Tadier:

And potentially banks are driving it as well because the banks have certain practices. If you have to queue at a bank for an hour, clearly there are other ways.

Chief Economic Adviser, Government of Jersey:

It is costly for the banks as well, absolutely.

The Minister for Sustainable Economic Development:

Which actually then, because I know lots of people complain about not being able to access banks in person ... I think that then speaks to the other part, which is probably beyond the remit, but I think always worth having in mind, is when everything becomes electronic and online, people meet each other less. There is less social interaction around that as well. Whereas cash, because it has to be in person, creates other touch points for personal interaction.

Deputy G.P. Southern:

With some websites, there is no interaction at all.

The Minister for Sustainable Economic Development:

No, absolutely. None whatsoever. Even when things go wrong.

Deputy G.P. Southern:

My wife just spent 2 hours yesterday afternoon trying to get a refund for a missed flight. And agony.

Deputy M. Tadier:

Is that not the flip side to the privacy argument, though? If you use contactless rather than cash, you do not have to interact with anyone else. You can go into a supermarket. You do not have to have eye contact with anybody. You do not have to talk to anybody. You can just walk in, buy your product off the shelf, and there is no human interaction, taking your money, seeing what you have bought.

The Minister for Sustainable Economic Development:

There is no human interaction, but that does not mean there is ...

Deputy M. Tadier:

There is no third party.

The Minister for Sustainable Economic Development:

There is a third party because your payment card provider is your third party.

Deputy M. Tadier:

It is a machine that does not really care about what you are doing. Whereas if you go into a supermarket, buy cigarettes and a bottle of whisky with cash, you might feel: "Well, I am being really judged by the person behind the till." Whereas you can do that ... well, you cannot actually, because you need to get your I.D. (identification) checked.

The Minister for Sustainable Economic Development:

You do.

Deputy M. Tadier:

But maybe you will be buying something with high fat and sugar content.

The Minister for Sustainable Economic Development:

I mean, for me, the privacy comes from the institutional lack of privacy. So it is the fact that that third party payment provider can see exactly what you are doing. But also I was speaking - I think this was with you earlier today - we were talking about how the shops themselves aggregate your spending data with all the others to understand how best to market to you, how best to target you as a customer. While some people would see that as convenience in the way that ads that are served to you online are targeted for you, I am, again, someone who turns off those cookies and says: "No, have a guess at what I want. I do not want you knowing what my preferences are or are not." I am a human being and this institution over here that I have no relationship with should have no view on my personal preferences. That is where the privacy is.

Deputy G.P. Southern:

While we are still on a philosophical point of view, do you believe that non-acceptance of cash would be discriminatory?

The Minister for Sustainable Economic Development:

Yes, I do. I think particularly at the moment, because we have older people who we know find it difficult to not use cash. I probably sit in the middle. I am middle-aged. Like I said at the very beginning, I was born into a world where cash and cheques were the only form of legal tender. I am now in a world where they are not. But I was young enough at that changeover to be okay at using electronic payments, not brilliant. I forget the question now ... discrimination. But I do believe that it does make it harder for people who find ... it is not just age. There can be a variety of reasons that people find it difficult to use electronic forms of payment. Therefore, I think it is absolutely discriminatory.

Chief Economic Adviser, Government of Jersey:

Could I just come in there? I will not answer any of the philosophical questions. But from an economic point of view, it is actually discriminatory that not everyone can access bank accounts. Not everyone can access the card element of bank accounts as well. So there is an actual economic discrimination element of that financial exclusion, effectively, as a form of that, which is non-philosophical. It does actually occur. So if you were going down a cashless society you would probably want to do some form of legislation that you have to be able to have access to the other

forms, whatever it happens to be. At this moment in time, that is not always the case. There is an active form of discrimination as well as a philosophical, age-based, whatever else as a result.

Deputy M. Tadier:

Can I pass over to Karen at the moment? We are happy to use first names, I think, even though it is a formal setting.

Deputy K.M. Wilson:

There were just 2 points, and it was just following on from the conversation. The first thing was about ... just going back to your reference about the European position, where people are actually generating or collecting more cash. Do you know, is there any data that we can look at that shows whether that has had an impact on businesses when there has been that kind of a shift, and is it significant? The second question was really to just ask Charlotte, I would imagine, in relation to the privacy issue. Things like electronic point of sale is where the privacy issue comes into its own, because it does capture preferences, allows people to be targeted for particular products and services. So that choice, then, is compromised because people might feel more obligated when all of that marketing material starts to come forward to actually use their cash or use their resource in a particular way, and that their privacy is not protected in the way that you would with cash.

The Minister for Sustainable Economic Development:

There is a lot to unpack there as well. I do not know. I will send you, with regard to the ... it is all from the European Central Bank. I thought it was interesting as an institution, they are defending cash. I thought that was quite interesting, given what I said just earlier about banking institutions being one of the drivers for moving towards a cashless society. I thought it was interesting that the Central Bank has a lot of literature in defence of cash. I will send you all those links. I do not know that there is any discussion of the impact on businesses from people storing higher values of cash or not. One thing with regard to electronic payments, as you were speaking, Deputy Wilson, I did think to myself - is another thing - is that payment information can be stolen and whereas if I do a cash transaction with my supermarket today and I pay £50 in cash and off I walk, my wider bank account is not in danger whereas we have seen hacks that have happened to online retailers - major online retailers - targets being one of the most famous ones in the U.S. (United States) where people's payment and information, et cetera, is stolen. Then they have access ... the criminals who do that have access to your bank accounts. So there is a level of protection which is not afforded from electronic transactions, particularly online electronic transactions, that is afforded through cash payments.

Sector Lead for Retail and Visitor Economy, Department for the Economy:

Shall I add to that? I think with the electronic payment system at till point, they are quite good now, very advanced. There is lots of capability, you can give money to charities. There are surveys you can do and all sorts of things that you can feed into that, which you would not be presented with if you were doing a simple cash transaction. In terms of the welcome that you give to a consumer as a business, I think this whole discussion on consumer choice is really important, just at a level of businesses to be aware of how competitive it makes you or otherwise. Because ultimately, at the moment, the consumer can choose to walk away with their 2 feet and go and spend their money or do their card transaction elsewhere if that is more welcome. I think for businesses in general in the retail space, hospitality spaces, really when it is getting extremely competitive, extremely hard to do business and you need a point of difference, that idea of really raising the bar on customer service, customer experience, making someone feel welcome and genuinely welcome in your space to transact with you is really important. So that idea of choice then becomes very appealing for both sides in order to create that environment. Certainly when we are thinking about retail and hospitality and visitors to the Island who often, it should be said anecdotally, and I am sure you have heard this from the businesses that you have interviewed as well, we do see visitors with cash. They like to transact in cash so often the cash payments will go up over the summer season and then probably tail off. Again this is just us talking to businesses. But that kind of welcome space for people to spend money in the economy is something to be encouraged, I think, however we do that.

Deputy M. Tadier:

I think we have heard that evidence, and I think we have heard that certainly central European visitors - French, German in particular - they do still like cash. We have heard similar evidence from the Hospitality Association. Thanks for that. Who's next? I think we will hand it over to Max for the next lot of questions.

Deputy M.B. Andrews:

Thank you, Minister, for being in attendance today. The panel received an anonymous submission that identifies that the dwelling licences can only be paid online, so it is a digital transaction. I just want to know whether you have any concerns about the current process that exists and whether cash should be an option for people who are applying for a dwelling licence?

The Minister for Sustainable Economic Development:

I do not know that particular process so I cannot speak to that process on its own, but it is my view, personal view, that Government should accept cash. So in that respect ... or cheque, it should be said. So in that respect, I am assuming dwelling licences, often the applications might come from outside the Island, so sending cash in an envelope probably is not how the Government would or should be paid, I accept that. But a cheque in an envelope, in my view, would be appropriate for that. I do not think Government, because Government has to be available for all members of society

regardless of any of their individual characteristics, therefore as a result of appreciating Government has to be there for everyone in our society or who wants to come to our society it should accept cash.

Deputy M.B. Andrews:

Obviously the States Assembly debated P.10/2024 about Deputy Stephenson's proposition. I just want to know, have any discussions taken place since the proposition was debated between yourself and other Ministers to ensure that cash is potentially used in future so businesses can maybe make payment using cash instead of having to rely upon digital?

The Minister for Sustainable Economic Development:

As I referred earlier, there have not been any discussions around the policy around it. I think partly that is because ... except perhaps for the dwelling licences that you spoke to, I think Government appreciates that it does need to accept cash. Speaking to Customer and Local Services earlier, they were saying that they do accept cash, though it is the vast minority of transactions which are cash. As a result of feeling that pretty much most transactions in Government now can be done by cash and electronically, I do not think there has been much discussion. But it does seem like you have put your finger on at least one transaction which can only be done electronically, and I would question that.

Deputy M.B. Andrews:

It was also highlighted, Minister, about cash potentially being more beneficial to our domestic economy compared to maybe digital transactions where again there could be transaction flows between parties in Jersey and maybe in European countries or the U.K. Is that a view that you would agree with or would you tend to disagree with those who would predicate the importance of cash, in that respect?

[13:15]

The Minister for Sustainable Economic Development:

No, so obviously Jersey is an international financial centre so there are many millions, and may I dare say billions, that flow in and out to Jersey, and obviously that is all electronic so the vast ... when you think about Jersey as a society, the vast majority of transactions in Jersey and the amount are being done electronically because that is the financial institutions in the Island with the money coming to and fro. As far as Islanders are concerned, I am not aware and, Tom, please feel free to correct me or jump in, I am not aware that cash has a particular benefit economically other than to Charlotte's point, providing choice to customers. Again, if Jersey said: "Sorry, no cash accepted here" how much would we lose from tourists that would perhaps otherwise have spent in the Island

but now will not spend in the Island because they have, as Charlotte was saying anecdotally, we believe a lot of tourists prefer to use cash.

Deputy M. Tadier:

We will put this to the Minister for Treasury and Resources, and, Tom, feel free to jump in as well, but all that cash that is being held at the moment ... say there is £97 million in circulation somewhere, if all that cash could not be used anymore or Government had to pay that cash back, that is £97 million the Government has got to find effectively to repay those people, is that the correct way to look at it? Also £97 million, that is not on deposit getting interest.

Chief Economic Adviser, Government of Jersey:

Yes, but that would be £97 million not on deposit that we could use elsewhere as well, so there is an opportunity cost that we hold that to cover everything that is going on in the economy while it is circulating.

Deputy M. Tadier:

Does that money not need to be paid back? So all that cash that is in circulation somebody owns that and you would have to ... when they cash that into the bank and it is taken out of circulation that money does effectively get removed, does it not? Because you have had to reimburse those people for that £97 million.

Chief Economic Adviser, Government of Jersey:

You have but the transaction is coming out of the bank account at the same time so there is no ... it is almost like a double-headed account. There is no actual loss to it overall from that point of view but we do hold that money on our account that we could effectively choose to spend differently. You are right though, there are interest rate benefits to that as well. It does get quite complex and the Treasury probably are on firmer ground than I am. It is not something that would be taken out of the economy as such.

Deputy M. Tadier:

All right.

The Minister for Sustainable Economic Development:

But it is true that ... you are right, the £97 million of cash at the moment is ... there is the name of the fund, I have lost the ... Currency Notes and Currency Coinage Fund.

Chief Economic Adviser, Government of Jersey:

That is right.

The Minister for Sustainable Economic Development:

That earns interest and money.

Deputy M. Tadier:

But on a basic level, if you have got £1 million under your bed at the moment and you put that money into the bank then of course that money is no longer in ... that goes back to the bank.

The Minister for Sustainable Economic Development:

Yes.

Deputy M. Tadier:

Then that goes back into your own personal bank account but if all that money is then removed ... we will ask the Treasury about that because I think it does get slightly esoteric potentially very quickly.

Chief Economic Adviser, Government of Jersey:

There is a wider thing about the economy though, and again it is not that there should not be cash, but the productivity and efficiency gains are quite significant for electronic money over cash. For an economy as a whole, I think it is marginal. But economies are more productive with the electronic elements of it rather than cash. There are macro gains. I think they are marginal for the electronic side rather than the cash side. I know there has been a lot of discussion about cash circulating and it never gets diminished by the amount that the banks take off it, but it is diminished by the amount of productivity a company will lose at its end. Ultimately, if you are paying for a mortgage or a bank loan or whatever it happens to be, it does have to end up in the bank eventually. It cannot circulate for ever. Those gains actually are not really there in the same way that people might think from a logical point of view that they are.

Deputy M. Tadier:

Thank you.

Deputy K.M. Wilson:

Sorry, can I just pick up on that point, Tom? Because I think there is some uncertainty as to ... is it productivity that we are talking about or is it efficiency and are they one and the same thing?

Chief Economic Adviser, Government of Jersey:

Efficiency is a form of productivity. Being more efficient with time is something that would add up to productivity. Those productivity gains would usually feed through to higher profits for businesses or

lower prices. They could feed through to both elements. There are gains, macro gains, that I do keep saying, I think they are quite marginal. I think they are less marginal for individual businesses, but I think at a macro level they become quite marginal.

Deputy K.M. Wilson:

Do you think in terms of the old adage, I mean, picking up the Minister's point about middle age, and I join that club, there was a concept of cash is king, is there not? What has happened in the economy to actually remove that as an important aspect of commerciality, if I can put it that way? Is it because the driver from business is that if you continue to use cash you become less productive, but the impact on the consumer is not really felt as much in terms of customer benefit?

Chief Economic Adviser, Government of Jersey:

Again, so businesses will make those gains. They will have, therefore, more efficiencies, which means they will have effectively more money in their business. They can pass that on as lower prices or they can hold it as profits. Some businesses will have a business model that means that we distinctly offer both elements because we believe that attracts more customers into us than it would do if we were just one or the other as well. So those businesses having those choices, and those choices they individually make, make them hopefully as efficient as possible. Some people will just want a business model that is cash only. It is quite an extreme business, but gambling much prefers ... well, traditionally gambling, and particularly racing, much prefers cash to the electronic model. The flip side to that is there is some evidence, I think it is the University of Adelaide - I can firm that up and find that for you as a panel - that people will tend to spend more when they are electronic rather than cash. In fact, I think on the website there is actually advice on there that if you are in a cost-of-living crisis try and stick to cash because you will tend to spend less, which I think would prove the alternate position of that.

The Minister for Sustainable Economic Development:

I think that is actually one of the really important parts when it comes to ... we talked about discrimination earlier as well. It is not a direct, formal discrimination, but some people find it harder to budget than others. There is no question that cash helps. I believe, and certainly the E.C.B. (European Central Bank) is telling me this here, it says: "It helps you keep track of your expenses. Cash allows you to keep closer control of your spending, for example, by preventing you from overspending" and we do know that there are plenty of people who set themselves a budget by taking that amount of cash, let us say £200 in a week, withdrawing that from the bank and saying: "This is my budget for the week" and then they spend that cash during the week. It is much, much harder to do that with electronic payments.

Chief Economic Adviser, Government of Jersey:

So people do end up spending more, which is not necessarily good for the individuals but businesses will take some gains from that sometimes as well. There is just more being spent because people are not ...

Deputy K.M. Wilson:

I was just trying to draw the differences out between commercial benefits and cost of benefit when it comes to the use of cash.

Deputy G.P. Southern:

What actions do you believe could be undertaken to enable Islanders to adopt digital payments and digital inclusion?

The Minister for Sustainable Economic Development:

To encourage who to adopt?

Deputy M. Tadier:

Islanders.

The Minister for Sustainable Economic Development:

Islanders?

Deputy G.P. Southern:

How good are we, efficient are we, at training people in terms of the electronic means of spending?

The Minister for Sustainable Economic Development:

It is a very good question that I do not know the answer to. What I would say is because of that COVID transition year where so many people moved to using electronic forms of payment, I think most people in the Island are quite adept at making electronic payments. I do believe there are still people who find it difficult and do not understand how to do that - to generalise - particularly among the older people in our society. But equally, there is another flip side to this, which is it is easier to spend more when you are not using cash. Equally, it is easier to teach children about money when they have physical cash in front of them and they learn to spend with that. So cash is very useful in helping children learn financial literacy full stop. The esoteric concept of electronic payments makes it much harder to teach children financial literacy. So I do not know the answer to your question about how good we are at teaching people to use electronic payments, but I would say that even if perhaps we need to get better at that, there is a role for cash in teaching the younger part of our population what money is and how money works, and cash makes that much easier.

Deputy M. Tadier:

I suppose the flip side ... because a lot of the witnesses we have had, who have all had slightly different perspectives about going cashless, or the organic transition that seems to be happening in that direction, they talk about the need for inclusion and perhaps for some kind of Government intervention, rather than necessarily focusing attention on obliging businesses to take cash, is enabling those who might be marginalised and not have bank accounts or not have a method to pay electronically for something, to be able to do that. They also cited the £100 card that was given under the previous Government as being a potential model. For example, an organisation - which could be Government-led - could allow people to come and pay cash into a card that could be spent in the local economy. Do you think that is something which Government could explore?

The Minister for Sustainable Economic Development:

It could explore that; I do not know if it needs to. There is one quite well-known company in Britain which ... effectively the whole company is based on this idea of preloading a card.

Deputy M. Tadier:

Can you do that with cash, though? That is the downside. You still need to have a way to transfer electronically.

The Minister for Sustainable Economic Development:

Absolutely you do, yes. I had not thought about preloading it from a cash perspective. I mean, it is possible you have a card where you go to a post office or a bank or the Government and get it loaded in exchange for cash. That would be a way forward.

Deputy M. Tadier:

There could potentially be a private initiative there, a commercial venture, but I do not know whether it would pay or not.

The Minister for Sustainable Economic Development:

Yes. But it is correct, I think, that if you did want to move entirely to an electronic payments system, you might have to start ... move on that transition by enabling a way for people to load cards with cash. At the end they would need to get rid of the cash element, but that would be one way of breaking down the barriers to that system.

Deputy M. Tadier:

I will pass over to Karen.

Deputy K.M. Wilson:

Yes, okay. I just wanted to ask what your views are ... a question on whether or not you believe payment methods impact varying sectors of the community.

The Minister for Sustainable Economic Development:

Whether they impact various elements of ...?

Deputy K.M. Wilson:

Varying sections. For example, we have got a set of, as you have outlined, variable payment methods, and do any of those particular methods impact different sections of our society negatively or positively?

The Minister for Sustainable Economic Development:

I think they do. I think, again, we are talking about smaller groups. So, whichever way, shape or form, they end up being the minority of people. Because I think it is safe to say, particularly around the growth in electronic transactions in Jersey, that the vast majority of people in Jersey are comfortable with electronic payments, how to do that, et cetera, and do not feel disadvantaged by doing that. I do think that people with particular disabilities, people who have difficulty with numeracy, et cetera, would find it difficult from, again, that idea of keeping track of your expenses. If you find numeracy difficult, keeping track of your expenses when it is purely numbers in your head as opposed to actual notes that you are handing over becomes a lot more difficult. I think older people who find just using electronic devices more difficult, I think that makes it harder. It is interesting; I mentioned earlier that I am middle-aged, but I have noticed how even just using a screen is something I like to do less and less as my reading vision has definitely deteriorated during my 40s. I see immediately how I am preferring as I get older to revert to paper again. Given that screens are often involved with electronic payments, that is something which makes me think that as you get older it becomes harder and harder, because that is something I am personally experiencing. It is not just me; I speak to pretty much all my friends of the same age and we are experiencing the same thing with regard to screens and eyesight.

Deputy K.M. Wilson:

The same thing, yes, and trying desperately hard not to let anyone ... Do you think that it is the same, or what sort of impact it has on various sectors of the economy differently as well?

The Minister for Sustainable Economic Development:

It is very interesting. Charlotte mentioned retail and hospitality, and I think retail and hospitality in the main have found electronic payments very useful. I think it has helped them in many ways. Tom talked to the marginal efficiency gains, but they are there still. They may be marginal, but they are still there. So you can process more transactions more quickly - as long as you have got a good

Wi-Fi connection, because I think we have all sat there waiting for the machine to authorise the payment as you find a Wi-Fi connection. But ultimately, I think businesses are advantaged in the main through the use of electronic transactions, but through that efficiency side more than anything else. Also it is then quicker; your bookkeeping afterwards is a lot quicker. You can download directly from the bank, rather than having to go through manually doing it. Things like this. I think there are significant advantages for businesses.

Deputy K.M. Wilson:

Okay. Are you aware or do you know if there is any particular impact on charities?

[13:30]

The Minister for Sustainable Economic Development:

No, I think there is. Number one, and Charlotte mentioned this, while it is possible to get handheld card payment readers that charities can use - almost anyone can use - so a charity is not stopped from collecting money. Let us say, a bucket on the Friday evening going around town, shaking a bucket, so to speak. They are not stopped from taking electronic payments. I do not have any evidence around this; this is purely anecdotal and my feeling ... I am on the board of a charity in Jersey and so do hear this. I do think it disrupts that side of fundraising. I think people are happier to put £5 or £10 in the bucket; they are less happy to sit there and do an electronic transaction. There is something about the ... I was going to say the ceremony, but it is not a ceremony, it is not the right thing. But put it this way, you cannot shake an empty bucket very successfully.

Deputy K.M. Wilson:

Yes, it is not the same effect.

The Minister for Sustainable Economic Development:

But it is the same as if you are an arts and crafts fair, and things like this. I do think individuals and small organisations, particularly charities, are disadvantaged by a move towards purely electronic. I think there is a role for cash in that area particularly. Certainly, I do not know why, I definitely find it easier to give £5 or £10 than it is to make an electronic payment for that charity. I do not know why, but ...

Deputy K.M. Wilson:

Yes, okay. There is a psychological relationship with charity and money, is there not? I think you alluded to the timeframe about when the fall in cash would critically impact upon the acceptance of cash payments, and I think that is not certain and you cannot really predict that. But we understand that some jurisdictions, such as Sweden, may have moved rapidly towards a cashless society and

it has been highlighted that they are now having to introduce mitigating measures on that basis. Do you think, given the conversation we had earlier on, that we would be facing that kind of scenario? Do you think there is anything that we need to do to maybe prevent us having to mitigate against something and instead plan appropriately for the situation we find ourselves in?

The Minister for Sustainable Economic Development:

This speaks very much to the Chair's questioning earlier on, and I was going to at some point mention Sweden because they are the largest nation I know of that have pretty much gone to electronic transactions. I was fortunate to be in Sweden this summer, and it was about halfway through our week in Sweden that I commented to my wife that I had not even seen a Swedish banknote. We arrived in Sweden on the plane and then just went into being in Sweden without thinking about the fact that I did not see a single krona. Yes, it is a krona, is it not? I did not see a single coin, I did not see a single note the whole week I was there. In one sense, it was incredibly convenient. I did not have to think about exchanging money, et cetera, I just carried on using my ... when I check my bank statement for the transaction charges later I will be less enthusiastic about it, but it was interesting that I was there for a week and did not see a single Swedish bank or coin in my whole time there. But I think we should - or if I may be as bold as to say the panel should - look at the Swedish model and what is happening, because if they are having to bring in mitigation measures, it really does speak strongly to the chair's earlier point about, there comes a point where it is going to be costly for you to keep cash and try to reverse engineer it a bit, so getting ahead of that.

Deputy M. Tadier:

If I can come in on that point, there is potentially a tension in the sense that there might be a well-intentioned move to try and protect what in inverted commas are sometimes called "the vulnerable" or "the marginalised" who either choose to use cash or can only use cash, but in catering for them we might actually be making that worse. If we safeguard their ability to use cash, we might stop them from being brought into the mainstream of being able to use contactless payments like everybody else. Did you have any thoughts on that?

The Minister for Sustainable Economic Development:

Yes, I think that is a really valid point. I mean, I would accept the point there and then say: "But privacy and freedom are 2 points that I do not think we should disregard." In my head, I am not protecting it purely for minorities and vulnerable people; I want to protect cash because I think cash speaks to 2 of our fundamental human rights, privacy and freedom, and therefore you should protect cash.

Deputy M. Tadier:

Thank you for that. Can I carry on?

Deputy K.M. Wilson:

Yes.

Deputy M. Tadier:

You have answered some of the questions already, or we dealt with them. An area I have been dying to ask a Minister about - and I will put the same to the Minister for Treasury and Resources - is about what might be called the grey economy, the black market - whatever the current acceptable terms are - even illegal activity, that is perhaps enabled or facilitated by the use of cash. Can you talk to us about that?

The Minister for Sustainable Economic Development:

No.

Deputy M. Tadier:

Good. Joking aside, the grey economy, if you like, the informal economy where people get paid cash in hand for work, which may or may not be then declared and the tax may not be paid on it, that is still money that is in the economy.

The Minister for Sustainable Economic Development:

Yes.

Deputy M. Tadier:

It is still money that is circulating and it presumably has an impact, positive and/or negative. What do you think?

The Minister for Sustainable Economic Development:

That is right. The black and grey economies, the illegal economies, are still part of the economy. It is still ... and again, please always jump in and correct me if I am but they are part of the economy which we are terrible at recording, because obviously officialdom does not have a handle on those transactions, so there is a whole area of the economy which is not being monitored, but is of value; purely economic value. I was asked by the media a few months ago about: "Does cash not just enable crime?" Cash is used in crime; there is no question about that. But I think we have also seen that electronic payments do not reduce crime, in the sense that by moving from cash to electronic payments, there is no lessening of illegal transactions. There is no lessening of scams or frauds. There is no lessening of illegal substances in our society just because you are moving to an electronic form of payment. While cash can often be used in crime, and no doubt is, I do not think

that by moving to a purely cashless society you will suddenly see those transactions stopping. There is no evidence that I have seen so far to suggest that electronic payments are forcing illegal transactions ... whether it is cash in hand for the painting and decorating in your house or whether it is buying illicit substances with cash, I think they will still be done electronically regardless.

Deputy M. Tadier:

If we purely look at what is and is not declared it is still possible, I suppose, to not declare your income even if you are paid electronically. But it becomes much more difficult, does it not? If you, for example, want to claim benefit, you will be asked to see bank statements and if all of your income comes through work that you are doing, which is cash in hand, the person at Income Support is not going to know about that cash.

The Minister for Sustainable Economic Development:

That is correct, but I put that down into ... the vast majority of people do not operate in that way; there is a minority of people who do operate in that way or might operate in that way. To me, you can never be 100 per cent; there will always be 2 per cent, 3 per cent or 4 per cent, which is not working the way you want it to and that will always be there.

Deputy M. Tadier:

But putting your Minister hat back on for Economic Development - and maybe a collective hat as well for the Council of Ministers - do you think that there are lots of strong arguments for going towards a cashless society in the short or medium term, and the benefits thereof for Government?

The Minister for Sustainable Economic Development:

I think for Government, yes. This is one of the reasons why I have spoken out about the need for Government to affirm the need to keep cash in society. I think along with banks, Government has an interest in moving to electronic payments precisely for the reasons you have just said. If there are no cash transactions in society, you cannot pay someone in cash and then not declare it; it becomes very difficult. So I think Government does have an interest in moving towards a cashless society, but I do not think that reason trumps your privacy and freedom reasons. I just do not believe it does. Yes, I have a Minister hat on, I can sit there and say: "It is in Government's interest to move to a cashless society." But as a citizen of that society, I believe that my privacy and freedom is more important than the Government's need to remove those hidden transactions from society.

Deputy M. Tadier:

Even if it means that tax receipts are up and you have got more money to spend on public services and on stimulating the economy?

The Minister for Sustainable Economic Development:

I will turn to Tom only in terms of ... I doubt Tom will be able to answer this. My guess is that is very marginal, although it is all probably impossible to record, that I do not think the increase in revenue to Government would be of such a large amount that I should lose my privacy and freedom for it. That is how I believe it is. Tom, tell me about whether it is marginal or not.

Chief Economic Adviser, Government of Jersey:

I would think it is. More so in Jersey than it would be in other jurisdictions. Our tax rates are lower; so, G.S.T. (goods and services tax) is much lower than V.A.T. (value added tax). If you are talking about businesses, our marginal rates of income tax are generally lower than most other places. There is less of a benefit to withhold information in terms of putting that information out there back to the Government of tax fraud, I suppose, than there might be in other places. I am sure it will happen - I think it is 99.9 per cent sure it will be happening - but I think it will be more marginal than it is in other jurisdictions as well. So there would be an increase ... and there are a lot of statistics and a lot of academia that says that Government has gained significantly from that transfer from cash to electronic payments for those very reasons. I think it is in the tens of billions of pounds in the U.K., but again, transfer that to Jersey where the gains are less for individuals and we are a smaller economy, it is not going to be sizeable at all in my suspicion, based on economic theory rather than actual evidence, because we just would not have that evidence.

Deputy M. Tadier:

Okay, thank you. That is all from me. Max, have you got any questions?

Deputy M.B. Andrews:

Yes. There has obviously been some discussion among States Members about consumer-lending legislation in the last 2 or 3 years, and I just want to know your thoughts, Minister, on whether Jersey should be introducing such legislation to protect consumers, and if not, why not?

The Minister for Sustainable Economic Development:

I am looking for the tangent to the cash. Consumer lending, it is interesting. I think the private lending market in Jersey is really important.

Deputy M.B. Andrews:

Yes.

The Minister for Sustainable Economic Development:

Again, speaking to Tom in the past - not recently, it has got to be said - I think Jersey probably has a greater amount of private lending going on than the U.K. or other developed societies. I think it is

important that if you do have consumer-lending regulation being brought in, it has to be brought in in a way which does not disrupt all of that lending. There is another reason as well ... and I will come off a conversation I had last night with a businessperson in Jersey and that was ... this person runs a business in the care sector. This person went to local banks for lending to develop their business and could not find a local retail bank that would lend to them because of the type of business they were in.

Deputy M.B. Andrews:

Okay. I see.

The Minister for Sustainable Economic Development:

One of the banks said: “We only lend to businesses that have 2 of these types of facilities. You have only got one; therefore we will not lend to you.” So this person has had to go to the private sector for lending because if they did not, they would not have been able to invest in their business. But the interest rate that person is paying is far in excess of an interest rate that you would pay in a retail bank in Jersey. I have significant concerns about the ability of Jersey’s banks to actually do what businesses in Jersey need them to do. This is something I have raised several times with banks themselves; I do not believe we have got to the bottom of it. I would be much more comfortable with significant consumer lending regulation once we were sure that the mainstream banks were serving all elements of Jersey society properly. At the moment, I do not think they are, therefore we do need private lending; therefore, if we do bring consumer lending regulation in, it should not be too onerous. It does not mean you should not have it. Because I also appreciate ... again speaking to Tom in the past, I have asked Tom: “How do we know what capital flows around the Island?” Well, because there is no regulation around private consumer lending, we do not know all the capital that is flowing around the Island. These are statistics that most Governments would have to hand, but we do not really have that to hand because there is a significant amount of private lending. So I would be cautious about bringing consumer lending regulations, but I think it is important because of the nature of Jersey’s economy.

Deputy M.B. Andrews:

Because the panel has heard from the Chamber of Commerce; yesterday there were 2 representatives from the Chamber of Commerce and also there was LibertyBus as well, so 2 stakeholders who came before the panel and they mentioned about how costly it was to administer cash within their business ...

Chief Economic Adviser, Government of Jersey:

Yes.

The Minister for Sustainable Economic Development:

Yes, Tom's point earlier.

Deputy M.B. Andrews:

... and other business owners have also inferred the same thing, so we seem to be seeing this more predominant use of digital transactions. With that obviously comes the risk of fraud, but electronically as well. Do you think there currently are maybe some loopholes that exist in Jersey and do you think there is potentially remit to try and maybe adopt legislation to ensure those weaknesses are addressed as well?

[13:45]

The Minister for Sustainable Economic Development:

Just quickly, I need to apologise. I answered with regard to private lending as opposed to consumer lending; my fault ...

Deputy M.B. Andrews:

Do not worry, that is fine.

The Minister for Sustainable Economic Development:

So we are talking more about credit cards, things like this. I apologise.

Chief Economic Adviser, Government of Jersey:

Can I just come in on the fraud issue first?

The Minister for Sustainable Economic Development:

Absolutely, yes.

Chief Economic Adviser, Government of Jersey:

It is probably not recognised that highly, but fraud in a cash society is generally much higher. People skimming off the top, pound coins here and there, when it is high levels of cash - I am not pointing any fingers at any particular group of people - whether that is on a bus count or emptying a parking machine or ... it is quite easy to do. Local authorities - I cannot speak to Jersey - but I know that local authorities in the U.K. were losing tens of thousands of pounds on a regular basis from that kind of fraud. Fraud happens digitally, but it is more secure. Fraud is much easier when cash-handling comes into it. It is not as widely seen or widely reported, but that is something that used to happen all the time. It is reported a lot less these days because there is a lot less cash happening and therefore there is less opportunity. But when you talk about fraud, you tend to think about digital;

it happens in cash as well and it used to happen in quite high degrees as well. It is important just to make sure you in your heads, you are countering those 2 things off.

Deputy M.B. Andrews:

Yes.

Chief Economic Adviser, Government of Jersey:

Sorry, Minister.

The Minister for Sustainable Economic Development:

No, that was ... sorry, I was leaving you with Tom's answer.

Deputy M. Tadier:

I was just going to ask about cash. It still happens now, in that sometimes you will be charged more for a card transaction if it is below a certain amount. It is a lot less than it used to be in the past. But there is only one business I know in Jersey which charges people more if they use cash for the same service than if they pay by card. I do not need to mention them, but it is in the public domain. Do you have any thoughts about if that became commonplace for people to be given a surcharge to pay for cash? Is that something that you would be concerned about, or that you would just say: "It is down to businesses; it is fair play"?

The Minister for Sustainable Economic Development:

It would be something I would be concerned about. Again, I think this probably speaks to my generation and my experience through life in that I definitely have that concept in my mind that cash is the basis of our consumer money, if you know what I mean. So the idea that you would then charge people for using cash - as much as I appreciate everything Tom just said about there are extra costs around cash - because in my mind, cash is the basis of your consumer money. I feel it would be wrong at a moral level to charge for using cash, though I can understand economically it costs more, therefore there is an economic reason to charge more.

Deputy M. Tadier:

Thank you. I know that we are coming towards the end of the session, but we have still got just under 15 minutes. Karen, can I pass over to you?

Deputy K.M. Wilson:

Yes, okay, thank you. Minister, noting the recently publicised closure of some bank branches, do you have any points to raise on individuals' or businesses' ability to access cash-processing services through A.T.M.s, cashback or bank branches?

The Minister for Sustainable Economic Development:

I mean, yes, those bank branches are reduced. It makes it harder for businesses to access their facilities to deposit cash, to withdraw cash for their floats in their tills. Certainly, it is interesting ... Deputy, you mentioned cashback and I'd almost forgotten that cashback was a facility because I have not seen it used in such a long, long time. I think yes, those services are diminishing and it does make it harder for ... obviously a bank that shut recently was in St. Brelade. If your business is in St. Peter or St. Brelade or St. Ouen, you have now got to travel a lot further to put your cash into the bank than you did before, thus adding again to the lack of efficiency around that. So that is having an impact.

Deputy K.M. Wilson:

Okay. I believe that in part 2 of the Financial Services and Markets Act 2023, that there is some legislation concerning access to cash withdrawal. It is about protecting access to cash. Do you think we need to look at that legislation and consider whether there are any changes needed for that?

The Minister for Sustainable Economic Development:

Is this U.K. legislation?

Deputy K.M. Wilson:

This is part of ... I will just double check.

Deputy M. Tadier:

It would be, yes.

Deputy K.M. Wilson:

Yes, it is. It is U.K.

The Minister for Sustainable Economic Development:

I am guessing as it ended in 'Act', I am assuming it is U.K. legislation.

Deputy K.M. Wilson:

Yes, it is.

The Minister for Sustainable Economic Development:

Yes, I do not know if we have any similar legislation in Jersey. Again, Treasury would be better placed to answer.

Deputy K.M. Wilson:

Would you consider ...

The Minister for Sustainable Economic Development:

But it is interesting that they might have those protections in the U.K. and perhaps, given where we are heading and given my personal view about the importance of maintaining cash in society, it might be that we do need to look at protecting the ability to withdraw cash.

Deputy K.M. Wilson:

Yes, okay. Have you got any further reflections or comments to make on the impact of reducing access to cash on social exclusion, social inclusion and how this might be addressed in policy terms?

The Minister for Sustainable Economic Development:

I think a really good example of a group of people who find it hard to access banking facilities is former prisoners. When people leave prison, a lot of them do not have bank accounts and they find it harder to access bank accounts. It is why an institution like the Community Savings bank in Jersey is so important, because there are people who find it really hard to access bank accounts. Just think about the amount of due diligence procedures that you have had to do as an individual where you have had to provide a bank statement as proof of your address and things like this. It is very, very difficult to do that if you do not have a bank account to receive a bank statement from. I think at the moment, certainly, there are unbanked people in the Island and they really do need cash in order to operate within society. So if we are to move further down the electronic payments-only road, then we need to think very, very carefully about the impacts on those people and how we make sure that those people are not marginalised. If that is the road Jersey chooses to go down.

Deputy K.M. Wilson:

Chooses to go down. Okay. We did hear from them this morning with some very similar views around that. There has also been mention of undertaking actions such as setting up banking hubs. What are your views on this?

The Minister for Sustainable Economic Development:

Yes, this was mentioned in the States last week. I believe this has happened elsewhere. Again, I understand the economic reasons why banks are closing branches, particularly when there are fewer cash transactions, fewer customers appearing in person in those banks, and the banks themselves are - as we all know as bank customers - banks are trying to get us to work online a lot more, et cetera, and so on. But there is still a role for personal access to a bank. Jersey is a small place, but I do appreciate that if you are living in the west or you are living in the east, coming into

town is not always easy and therefore I can see why there would be a good role for banking hubs in the west and the east of the Island particularly, in order to enable people to access not just cash, but any services, from their banks in person. Sometimes you want to have that conversation ... we are talking about our own private transactions and so you do not want to have that conversation typed in on the computer or with somebody who is living somewhere else and you do not even know what country you are calling them in. So I think it is really important. Again, I come back to the privacy element of this. I think not having access to bank branches reduces people's ability to then talk privately.

Deputy K.M. Wilson:

I know it is only a recent suggestion, but have you got any ideas of, if those ideas were to be progressed, what that might entail at all?

The Minister for Sustainable Economic Development:

I will have to do some research, but I think there are other places where this happens and so I think it would be using an existing model. Different banks, in terms of different companies, but one physical location. It might be that it is bank A on Mondays, Wednesdays, Fridays and bank B on Tuesdays and Thursdays. Or they may be able to co-habit at the same time; I do not know. But I am pretty sure that there are other examples of this happening, so it would be a case of using existing models. If I could just, before I forget it, going back to the privacy point, I - and possibly all of us except for Tom and Charlotte would know this - we are known as politically-exposed persons to our banks as we are elected members of society. I had an interesting phone call from a bank recently where they wanted to check, their due diligence, which in itself is fine, but the person at the other end of the phone started going through my bank transactions, speaking to my wife about: "Why have you made this payment? What is this payment for?" That I think speaks really strongly to the privacy element. This person was not even in Jersey, so there is somebody else I know elsewhere in the world who is going around with knowledge of my and my wife's bank transactions. I find that abominable. I do not think that should ever be the case. That is why I speak strongly to the need for privacy and trust. I do worry that younger generations brought up on electronic ... just social media and using devices all the time, undervalue privacy. I speak to my ... looking at the Cold War from afar and understanding that what I was being told was how the loss of privacy ... the Government and institutions were in everybody's living room, in everybody's kitchen, and that is what forms my idea of privacy. That if you lose it, then you give ... we are lucky, we live in a democratic society, but we cannot know that will be the case for ever. We see in other countries that we thought were bastions of democracy how democracy is under threat. To hand over that privacy to Governments means you risk handing over that privacy to authoritarian regimes.

Deputy M. Tadier:

Is the risk not ... it is not Government that is the problem, it is private interests. People are handing over their private information willingly to companies. When you get a shop card for a supermarket, people will scan their card even when they are not getting a discount to that same supermarket. Is that not the risk? That it is actually ...

The Minister for Sustainable Economic Development:

That is part of it. Yes, that is part of it. But again, I think we need to help our younger generations understand the value of privacy.

Deputy M. Tadier:

Yes, but what I am saying it is not the communist conspiracy where Big Brother is the Government anymore; it is the corporation.

The Minister for Sustainable Economic Development:

It can be either, or in the worst of all worlds, it is both.

Deputy M. Tadier:

Both, yes. We are drawing to an end and we do not want to go over too much. The fundamental question, I suppose, is that ... we have heard your views loud and clear and that they have been ... it is fine, it is refreshing. Ultimately, we will be making some form of findings and recommendations, clearly on the basis of the evidence we have received. One of those recommendations may be around securing people's access to cash and their ability to spend cash in the economy. From what you have said, I think it is fair to say you are a strong advocate for cash for various reasons. If we were to make a recommendation to you as Minister saying that you or the Government should oblige businesses to take cash, would that be something you would enact?

The Minister for Sustainable Economic Development:

Certainly if the States told me to, I would. It would be something I would be really keen to debate and understand.

Deputy M. Tadier:

If the Scrutiny Panel made that recommendation that you should bring forward ...

The Minister for Sustainable Economic Development:

Absolutely, I would take that recommendation. I would consult with businesses as well to understand their concerns, but I would be ...

Deputy M. Tadier:

But businesses would tell you not to, though. They have told us that loud and clear.

The Minister for Sustainable Economic Development:

Islanders as well. Have they?

Deputy G.P. Southern:

Don't interfere with business almost.

The Minister for Sustainable Economic Development:

Okay. I was not aware of that.

Deputy M. Tadier:

And we may not ...

The Minister for Sustainable Economic Development:

No, it is something I would ..., I have got to put my big boy pants on here and it is one of those things where I have said, even myself, my main thrust has been about making sure Government makes cash available as opposed to determining that businesses should take cash. I would definitely be willing to reflect upon that. Whether I would actually push to bring it in, I do not know right now, because there is that part of me which just says: "More regulation, more regulation." I would really like to look at the E.U. (European Union) with their directive and how that has impacted ... because last I checked, the E.U. had not imploded quite yet because it made businesses take cash. But it would be something I would be really willing to explore, with a view to wanting to bring it in.

Deputy M. Tadier:

Thank you.

The Minister for Sustainable Economic Development:

But it will be interesting.

Deputy M. Tadier:

Just so you know, from our perspective, the vast majority of submissions and questionnaire responses have indicated not only being in favour of cash, but also being in favour of Government intervention to ensure the acceptance of cash in wider society. We accept that it is also self-selecting and that people with strong views might seek to respond, and the overwhelming business response so far as being that Government should not interfere in the running of business. There is clearly a tension there ...

The Minister for Sustainable Economic Development:

There is, yes.

Deputy M. Tadier:

... which we will take into consideration.

The Minister for Sustainable Economic Development:

And the 'big boy' comment I made, having to man up and get weighed into the fight, I think.

Deputy M. Tadier:

Indeed. But we will weigh your evidence in that as well and your comments, and we look forward to hearing from certainly the Minister for Treasury and Resources shortly and possibly even the Minister for Justice and Home Affairs, because we have got some questions around the grey and the illegal economy.

The Minister for Sustainable Economic Development:

Yes, absolutely. If I could also ... just purely anecdotally, but since we mentioned this in the States a few months ago for the first time, this has definitely been the issue that I have been stopped in the street most on. As in from people supporting the move to keep cash. I found that interesting as well, just as an individual politician, that people are willing to stop me in the street and say: "We really want you to keep cash."

Deputy M. Tadier:

Yes, thank you. Do you have any further comments or considerations from your officers? Tom looks like he is poised to ...

Chief Economic Adviser, Government of Jersey:

No, not at all.

The Minister for Sustainable Economic Development:

Anything about retail or ...

Sector Lead for Retail and Visitor Economy, Department for the Economy:

No, I think we said it all in terms of the consumer choice, really. How that plays out in your recommendations will be interesting because you have obviously had lots of feedback from businesses, from consumers and how that balances. Like you said, there is a tension there.

[14:00]

The Minister for Sustainable Economic Development:

There is definitely a tension.

Sector Lead for Retail and Visitor Economy, Department for the Economy:

It should be interesting to see what conclusions you draw.

Deputy M. Tadier:

Thank you. Well, thank you for your time and your considerations. I think they have been thoughtful and helpful to the panel. Unless anyone else has got a question ...

The Minister for Sustainable Economic Development:

I will just say, I would like to thank you for picking this up. One of my concerns since I became a States Member is there is not a great deal of space for policy discussion and really unravelling concepts and thoughts, and that is what I think you are doing with this cash issue, and I think it is absolutely the right way to go about matters. You have picked up something which does matter to people, but which has a lot of conflicting tensions, has a lot of evidence and other models. By bringing it all together through Scrutiny, I think it is absolutely the right thing to do. Thank you for doing that.

Deputy M. Tadier:

Thank you. Okay. I think we can end the session there.

[14:01]