

**CONSUMER CHOICE UNDER THREAT AS BANKS PROMOTE ELECTRONIC  
PAYMENT METHODS ACROSS EUROPE**

- Whilst banks promote electronic payments, consumers continue to prefer cash as their favoured payment method: new research –**
- 64% of Europeans believe that moves to reduce the use of cash in society will damage commercial and national life in their country, or are unsure how commercial and social life would continue to function without cash**
- New findings back up earlier research demonstrating that 80% of European payment transactions are made with cash<sup>1</sup>**

Consumer choice is under threat as banks across Europe push for greater use of electronic payments in place of cash, according to an influential group of leading European companies. The claims, from trade organisation ESTA<sup>2</sup>, come as it releases the findings from a new pan-European research study<sup>3</sup>, conducted by TNS across eight Western European states<sup>4</sup>, which reveals that cash is Europe's favoured method of payment, beating all other forms of financial transaction including credit, debit cards and cheques.

Whilst banks believe that cash is an expensive payment method because they have to manage its flow around the economy, it is one of the only remaining ways of paying for goods without the consumer incurring a charge. Cash also has many other benefits for consumers:

“It provides a convenient, anonymous, non-discriminatory means of paying for goods and services and also enables consumers to budget more effectively according to our research. Consumers have the right to choose for themselves and if cash is what they want, then cash is what they should have” says Francis Ravez, ESTA's General Secretary.

The ESTA research shows that around two thirds (64%) of European adults questioned believe that moves to force consumers to use electronic payments in place of cash will either damage commercial and social life in their country, or are unsure how commercial and social life would continue to function without cash. ESTA believes that a move away from cash would lead to increased social exclusion among less privileged consumers and damage to businesses across the EU.

The research also highlights significant support for cash with 38% of those questioned, equivalent to 78 million adults, saying that they prefer to conduct financial transactions in cash, making it the single most favoured financial transaction tool. This research put no limit on the value of each transaction, and ESTA believes that when making lower value transactions (in the tens rather than hundreds) the use of cash is even more popular.

These findings are also supported by figures which show that cash in circulation in Europe continues to grow, with the volume of notes increasing by 8.1% and coins by 16%<sup>5</sup> per annum, to meet consumer demand.

The findings back up the European Commission's own EuroBarometer research, which surveyed consumers across all 25 member states and found that 49%, of consumers elected cash as their preferred payment method, while significantly fewer consumers selected credit and other bank payment cards (36%).

Despite proposed plans for a push on electronic payments the ESTA study found that 62% of Europeans questioned, equivalent to 129 million adults say they want to keep cash.

At the other end of the ESTA payments league table, just 2% of those surveyed said that they prefer to pay with cheques and pre-payment cards (despite pre-payment cards being a key component of the proposed move by the banks), with just 1% preferring to use store cards. Incredibly, over 400,000 people claim to prefer to barter rather than using conventional payment methods.

**Francis Ravez, Secretary-General of ESTA said,** “This research shows that cash remains the most popular method of payment among European consumers. We believe that it is crucial that consumers continue to have the option to pay for goods and services with cash, rather than being forced to use purely electronic methods. Under pressure from the banks, the European Commission has previously supported a reduced role for cash in society, regardless of consumer sentiments to the contrary.”

**Cécile Grégoire, EuroCommerce said:** “European retailers wish to offer as many payment means as possible to their customers, as long as they do not increase the prices of the goods. There is no real competition between payment means at the moment, and retailers are not allowed to promote the most efficient methods of payments. As several competition authorities have argued, the current credit card system completely distorts competition between payment means, by not respecting the “user pays” principle.”

Across Europe, Germans demonstrate a continued support for cash, despite giving up the Deutsche Mark for the Euro. When compared to the seven other countries surveyed, Germans are most in favour of paying with cash, with 57% preferring this payment method.

French consumers are also the biggest supporters of using cheques (10%) compared to just 1% in Britain and Italy. Just 6% of Italians favour paying with pre-payment cards followed by 4% in The Netherlands.

Consumers in the Netherlands (75%), Britain (74%) and France (70%) were most strongly in favour of retaining cash, with the vast majority saying they would not want to see it abolished.

**Ravez continues,** “Cash remains one of the cheapest types of financial transaction for both consumer and businesses according to studies by a number of European central banks. It is less open to fraud than electronic payment methods and provides billions of Euros of revenue<sup>6</sup> for national governments, which if removed, would lead to higher taxes for consumers across the European Union.”

ESTA commissioned the research to counter claims being made by the banking and electronic payments industry that cash should be replaced by purely electronic payment transactions.

Whilst this isn't yet part of any proposed legislation, discussions between the banks and regulators are underway in Brussels to discuss how to promote electronic payments despite it being clearly against the wishes of the consumer and potentially damaging to European economies.

ESTA believes that above all, consumers should have the freedom to choose how they pay for their goods and services and should not be dictated to by banks and regulators with an interest in earning increased revenues from electronic transactions.

**- Ends -**

#### **Notes to Editors:**

1. Study by McKinsey (2002)
2. ESTA: The European Security Transport Association.
3. Taylor Nelson Sofres conducted an online omnibus survey with over 1000 representative adults aged 16-64 in Great Britain, France, Germany, Italy, Spain, Sweden, The Netherlands and Belgium between 27<sup>th</sup> and 31<sup>st</sup> July 2006.
4. Countries include UK, France, Spain, Germany, Netherlands, Belgium, Italy, and Sweden.
5. ECB figures
6. Called 'seignorage', this cash issue generates around €22 billion for EU member states annually. Central banks effectively gain an interest free loan upon the face value of banknotes and coins while they are in circulation. This 'loan' is invested and the return it generates, seignorage, is a reliable, predictable and socially acceptable revenue stream for the State.

#### **About ESTA**

ESTA is a non profit organisation which represents cash industry logistics businesses throughout Europe and 90% of the European CIT industry. Formed in 1974, the purpose of ESTA is to represent the interests of its members who provide transportation and cash handling services in Europe. The Association seeks to define and promote the joint positions of its members with regard to European policy concerning their sector of activity and to increase the quality level of the entire industry.

ESTA has 121 members.

ESTA's dedicated "Cash Forum" is made up of Brinks, Group 4 Securicor, Prosegur, Securitas and three technology partners, De La Rue, Giesecke & Devrient and SCAN COIN.

#### **Benefits of cash:**

- Cash is still relevant, popular and convenient and provides a means of financial transaction that is widely supported by the public
- Cash is free at the point of purchase for the consumer, allows the consumer to remain anonymous and is non-discriminatory
- Cash provides one of the lowest-cost forms of financial transaction
- Cash is less open to fraud than electronic payments
- Consumers and business do not want an 'either or' choice - both cash and electronic payments can co-exist and should be maintained to provide real choice and competition
- Cash issuing provides a vital source of revenue for national Governments (through seignorage) which would have to be replaced through other means, including higher taxes, were cash abolished
- Above all, consumers should have the freedom to choose how they pay for their goods and should not be dictated to by banks and regulators

#### **What Neelie Kroes, European Commissioner for Competition says (2006 Payment Cards Competition Enquiry – Initial Results Press Conference):**

- *“First, we need more competition between banks. Only a handful of banks per EU Member State offer card related services to retailers. And in some countries these banks cooperate to become an effective monopoly provider. This must change.*
- *Second, we must allow other service providers to enter the market and bring innovation. Some networks are still too closed to allow for more competition between banks and processors.*
- *Third, the industry should re-think its pricing model. Banks collectively set fees that “tax” businesses, and ultimately all consumers, for every card payment. As a consequence, there is not enough market pressure on fees paid by retailers and retail prices are inflated due to card payments.”*

#### **What the EU Commission (Internal Markets & Services Director General) says:**

- *“The proposal for a Directive focuses on electronic payments, which are **more cost-efficient than cash** and which also **stimulate consumer spending and economic growth**”*

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- *“The starting point for the assessment of social and economic impacts of these alternatives was the need to enhance the trust of users in remote or electronic payments in order to **push back the use of cash** in particular removal of obstacles (caused by mistrust) to the further use of cheap and efficient means of payments”*

#### **PAYMENT SERVICES DIRECTIVE IMPACT ASSESSMENT 2005**

- *(55) How can efficient payment instruments be promoted and **cash and cheques be repositioned**? How can the **price signaling** mechanism be improved to promote the use of the most efficient instruments?”...*
- *“(58) Are there other rules or market practices that favour the use of cash / cheques? Are there examples of **best practice to reduce consumer reliance on cash without provoking consumer organisations**?”*

#### **SEPA CONSULTATION QUESTIONS 2006**