



The Money Charity Response – The Digital Pound (June 2023)

The Money Charity is a Financial Wellbeing charity whose vision is to empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.¹

We welcome the opportunity to respond to HM Treasury and the Bank of England's consultation on The Digital Pound.

¹ See box on back page.

Overall Comments

Overall, we would welcome the introduction of a digital pound as defined in the consultation paper. We recognise that there are many benefits that a digital pound could bring to wider UK society. For example, with private cryptocurrencies becoming more popular, coinciding with declining use of physical cash, there may be a need for a centralised digital currency in order to bolster use of and confidence in public money. However, we struggled to understand why consumers would be motivated on a practical level to use the digital pound over forms of digital payment that are already available. It is already extremely convenient for consumers to access their bank accounts from smartphones, and to make payments via contactless. So while we agree there are good reasons for introducing a digital currency in the UK that relate to strengthening wider economic systems, it is not clear how the individual consumer will be convinced to start using the digital pound instead of current forms of digital payment. One answer to this may be that the introduction of the digital pound is likely to encourage innovation in digital payments – firms may develop ways of paying with the digital pound that are easier to use than current forms of digital payment. While we agree that this is a strong possibility, there is no guarantee this will happen. And if, for the reasons described above, there is initially a low uptake among consumers, firms will be less motivated to develop new products and new ways of paying using the digital pound. Further clarification is required on how the government will encourage consumers to use the digital pound, and how likely it is that use of the digital pound will become as prevalent as current forms of digital payment.

We are also concerned that the introduction of the digital pound could potentially have a negative impact on financial inclusion in the UK. If the digital pound were to be introduced using technology that is currently available, the same groups of people who currently have limited access to financial and digital tools such as bank accounts, the internet, online banking, etc. will also be excluded from using the digital pound. Using the digital pound would initially require access to the internet, use of a smartphone or computer, and use of a digital wallet provided by a high street bank or building society, which from the perspective of a consumer would not appear to be that different from a current account. Likewise, the reasons that a small but significant part of the population continue to need and want access to cash would not be resolved by the digital pound. The argument that innovations in technology caused by the introduction of the digital pound could improve accessibility and therefore financial inclusion, is not a strong one for the same reasons previously outlined. So, while we would welcome the introduction of a digital pound in the UK, it must coincide with a continued effort to maintain access to cash, access to in-person banking services, etc. for so long as they are needed. If this does not happen, it is likely that levels of financial inclusion in the UK will worsen.

The Money Charity is the UK's Financial Wellbeing charity providing education, information, advice and guidance to all.

We believe that everyone achieves Financial Wellbeing by managing money well. We empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.

We do this by developing and delivering products and services which provide education, information and advice on money matters for those in the workplace, in our communities and in education, as well as through influencing and supporting others to promote Financial Capability and Financial Wellbeing through consultancy, policy, research and media work.

We have a 'can-do' attitude, finding solutions to meet the needs of our clients, partners, funders and stakeholders.

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