

Joint statement on ‘The digital pound: A new form of money for households and businesses?’

We welcome HM Treasury and the Bank of England’s consultation on a digital pound, and support the proposal for households and businesses to be able to access publicly-issued money in digital form. However, we have concerns regarding the principal design that has been outlined, and believe more must be done to ensure a genuinely inclusive national conversation on the future of money.

The monetary system, which today largely consists of privately issued bank money, is underpinned by risk-free publicly issued money. To uphold public trust in the monetary system, it is vitally important that households and businesses are able to maintain direct access to public money. Currently universal access to such money is only available in non-digital form, through the cash system.

As an accompaniment to physical notes and coins, a digital pound would offer households and businesses access to publicly-issued money in digital form, which is currently enjoyed exclusively by banks.

Currently, unless paid in cash, the public are forced to lend their income to a private bank, and use deposits issued by banks to make electronic payments. Recent banking crises illustrate how the payments system and wider economy are vulnerable to the inherent fragility of the banking system, and the extent to which these private firms are heavily subsidised in order to provide the public good of our money and payments system.

A digital pound would separate the public good of providing a safe and inclusive payments system from the risk-taking of profit-maximising private banks. No longer would people’s access to money, and the ability to make payments, be dependent on the profitability and solvency of a private firm.

Crucially, a digital pound should not be thought of as a replacement for cash, but a complement to it, allowing the public to extend the key benefits of notes and coins to the digital economy. We welcome efforts to continue to protect access to cash.

While we are supportive of efforts to develop a digital pound, we are concerned that it is currently being considered in a way that prioritises protecting incumbent private financial services providers at the expense of the public interest. We therefore outline three key principles that should underpin the design of a digital pound.

First, a digital pound should be fully inclusive and accessible via a free public option.

Under the proposed ‘platform’ model, a digital pound will be held on the central bank’s core ledger, but retail access would be mediated through payment interface providers. This raises the question of how providers would generate the revenue to fund such services - whether by charging users or through other means such as data monetisation. This model could therefore risk reinforcing existing barriers to an inclusive payments system.

One solution to these issues could be the introduction of a free ‘public option’ offering genuinely inclusive access to the digital pound, which does not rely on personal data collection or the charging of fees to generate revenue. It could be funded by the [seigniorage](#) that comes from issuing a digital pound, or via a levy on financial services and payments providers (which could include large tech firms), in a similar manner to how free access to cash is funded. A trusted public institution like the Post Office could be well placed to provide in-person access to both physical and digital cash services in every community. We also want to see a commitment to equal access which may require greater financial education and access requirements being considered in the development of a digital pound.

Second, a digital pound should offer the highest level of privacy.

Digital pound accounts should provide, at the very least, the same level of privacy as private bank deposits. We are encouraged by the approach outlined in the consultation, in which neither the Bank of England or government will have access to personal data. Additionally, accounts should be accompanied by a genuine form of ‘digital cash’ which, like physical notes and coins, would allow small-scale anonymous peer-to-peer transactions to take place offline.

Third, the public good benefits of a digital pound should not be sacrificed to protect the business models of incumbent banks.

The consultation paper states that the Bank of England “does not, however, seek to preserve the status quo structure of the financial system or to protect any business model within the commercial banking sector from the impact of technological innovation and competition.”

Yet the consultation paper threatens to constrain the utility and inclusivity of a digital pound for the public in order to minimise competition to the banking sector, with its proposals for a digital pound not to bear interest, as well as measures such as limits on holdings. Rather, the government and the Bank of England should embrace the opportunities for a digital pound to provide more competition in banking and payments, and to support better economic policy.

A public digital pound could represent the most profound shift in the monetary system since the introduction of the Bank of England’s monopoly on banknotes nearly 200 years ago. This consultation paper must be the start of a genuinely inclusive public conversation about the future of money. Money is something which we all rely on, and which shapes our daily lives, but only a very small minority of people will feel empowered to engage in this consultation process. There is a risk that discussion will be dominated by financial services and tech firms who have vested interests in certain designs of a digital pound.

HM Treasury and the Bank of England must therefore continue to engage with civil society organisations representing a diverse range of interests and perspectives. As well as a plurality of experts, policymakers must also make greater efforts to include the wider public, for instance through events across the country involving panels representing the diversity of the population.

Signed,

Civil society representatives

- Dr Fran Boait - Co-executive Director, Positive Money
- Mick McAteer - Co-Director, Financial Inclusion Centre
- Eva Pascoe - Chair, Cybersalon.org
- Jesse Griffiths - CEO, Finance Innovation Lab
- Diana Finch - Director, Bristol Pay CIC
- Michael Clarke - Director of Impact and Innovation, Turn2us
- David Boyle - Co-director, New Weather Institute
- Chaitanya Kumar - Head of Environment and Green Transition, New Economics Foundation
- Brett Scott - author of 'Cloudmoney'
- Dr Will Stronge - Co-director, Autonomy
- Catherine Howarth OBE - Chief Executive, ShareAction
- Dr Mary-Ann Stephenson - Director, Women's Budget Group
- Sarah Edwards - Executive Director, JustMoney Movement
- Mathew Lawrence - Director, Common Wealth

Academics

- Dr Josh Ryan-Collins - Associate Professor in Economics, UCL Institute for Innovation and Public Purpose
- Prof Marcus Miller - Emeritus Professor and Research Associate of ESRC Centre for Competitive Advantage in the Global Economy at the University of Warwick
- Prof Calvin Jones - Professor of Economics, Cardiff Business School
- Dr Sebastian Diessner - Visiting Fellow, London School of Economics
- Dr Richard Barbrook - Research Director, Cybersalon.org
- Prof Steve Keen - Distinguished Research Fellow, Institute for Strategy Resilience & Security, UCL
- Prof Bob Jessop - Professor Emeritus, Lancaster University
- Dr John Haskell - Senior Lecturer, University of Manchester
- Dr Leah Downey - Research Fellow in Political Theory, University of Cambridge
- Prof Jamie Morgan - Leeds Beckett University
- Prof Sergio Rossi - Professor of Macroeconomics and Monetary Economics, University of Fribourg, Switzerland
- Dr Jeff Powell - Senior Lecturer, University of Greenwich
- Dr Muhammad Ali Nasir - Associate Professor, University of Leeds
- Dr Stefanos Ioannou - Senior Lecturer, Oxford Brookes University
- Prof Molly Scott Cato - Professor of Green Economics, University of Roehampton
- Dr Michael Joffe - Emeritus Reader, Imperial College London
- Prof Philip Haynes - Professor of Public Policy, University of Brighton
- Dr. José Bruno Fevereiro - Research Associate, University of Sheffield
- Dr Callum Cant - Postdoctoral Researcher, Oxford Internet Institute, University of Oxford
- Prof Jonathan Michie - President, Kellogg College, University of Oxford