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Response to the survey connected to the Bank of England's 'The digital pound: Consultation Paper' of February 2023

Summary

We have responded to the survey attached to the Consultation Paper for the 'Britcoin' CBDC project, as we did to the survey attached to the Technology Working Paper. We also analysed the project's surveys of citizens and their businesses done through YouGov.

This consultation is a sham. It avoids the most important questions about the 'digital pound', which can then only be referred to tangentially. It does not ask for views about matters of principle.

The 'digital pound' represents a fundamental shift in the relationship between the governing and the governed. All financial transactions will be visible and on-the-ledger. The authorities side-step this issue by conducting such a limited consultation.

This approach falls far short of the necessary scope and level-of-seriousness. This in itself is indicative of the proposed increased in the power of the governing, and the corresponding diminution of the power of the governed.

The consultation even whitewashes the evidence it has itself collected, in the form of the YouGov surveys. These showed payment habits, desires and preferences to which the digital pound does not respond, so they are airbrushed down to a minimum.

Qu1: Do you have comments on how trends in payments may evolve and the opportunities and risks that they may entail?

'Trends in payments' do not occur on their own. Over a period of time in the UK, the authorities (HM Treasury, FCA, Payment Systems Regulator etc.) has given support to the digital payments industry, and has stood back while it has introduced detriments like Authorised Push Payment Fraud, and exacerbated detriments like deductions-from-face-value on card payments. Authorities have taken no meaningful action to prevent de-banking of communities, with branch closures and ATM closures, and a virtual cessation of face-to-face banking. The payments industry attributes this to customers wanting digital banking; more to the point the industry has hobbled non-digital services like cheques, making them unviable and forcing customers onto digital payment means.

Regarding cheques the industry withdrew the cheque guarantee card, it stopped automatically posting a new cheque book when it detected that the current book was nearly used up, branch closures have reduced the facility to pay in cheques, banks have cut out their security collection services forcing corporate customers to travel to a bank to do pay-ins.

The app-based image deposit facility is a poor substitute and requires a much greater investment of time by the customer. The upshot is that cheques became unviable.

The authorities and the payment industry have meaningfully enabled the digitisation trend, which suits the industry in the form of higher income, lower costs, and a shift of risk, effort and cost to the customer. The authorities have done little or nothing to force the industry to halt or mitigate increased and new detriments for customers. Customers have never been asked if digitization suits them: their using digital projects is cited as proof their support. This proof is meaningless when customers do have to make payments and the digital way of doing that is the only viable or available way.

The future is not inevitably digital: the future is what we collectively decide to make it, but the 'Britcoin' project and the authorities behind it have supported and do support the digital vision of the future, and they have the collective power to make that future materialise, whatever the views and wishes of the customer i.e. the UK citizen and UK businesses.

The greatest risk is of continuing with the authorities' and industry's current trend – digitisation – and exacerbating it by the introduction of the digital pound. It is nonsense to claim that the digital pound will not replace physical cash: physical cash – or else scriptural money – needs to be decommissioned on a 1-for-1 basis with the digital pound, or else the Money Supply is increased, creating inflation.

The greatest opportunity for the industry is what the Bank of England proposes – another form of electric money transacted in the same way as debit and credit cards are now, and enabling a further slice of payments to be subjected to deductions-from-face-value. These deductions are factored back into retail prices by merchants, so that everyone pays more in order to feed the Visa and Mastercard ecosystems.

It is a nonsense to claim that only certain sub-groups of UK society have been damaged by digitization of payments. It is often claimed that only certain income groups and the elderly and vulnerable are damaged by the lack of easy and free access to physical cash. Deductions-from-face-value damage everyone. Authorised Push Payment Fraud does not select its victims exclusively from certain social groups. Branch and ATM closures affect everyone's access to financial services.

The 'Britcoin' project should not progress at all until access to cash is satisfactorily solved (and not by Banking Hubs), Authorised Push Payment Fraud is eliminated, the total deductions on debit and credit cards are 0.2% and 0.3% respectively, and a long-term plan is agreed to secure face-to-face banking services nationwide with a service range and service level that makes the widespread usage of cheques, cash and other important financial services viable.

There is a significant risk is increased financial exclusion. A recent report by Plend ('Plend Financial Inclusion Report 2022') showed that this is increasing, but then Plend, a supporter of digital, concluded that more needed to be done to enable access to digital services. They drew a wrong and self-interested conclusion. It is increased digitisation that is causing increased financial exclusion. The current trajectory needs to stop, and a re-set brought about by which non-digital services are granted a future on an even footing with digital services. They can fight it out between them based on the normal factors in a competitive environment of price, performance, risk and convenience. At the moment the dice are heavily loaded in favour of digital.

This is the outcome of the work of authorities – who should be impartial The terms of trade need to be equalized between digital and non-digital. That means stopping the 'Britcoin' project which is a continuation of the authorities' support for the wrong direction-of-travel.

Qu 2: Do you have comments on our proposition for the roles and responsibilities of private sector digital wallets as set out in the platform model? Do you agree that private sector digital wallet providers should not hold end users' funds directly on their balance sheets?

The platform model is wrong because it threatens to allow the digital ecosystem to take deductions-from-face-value on even more payments than now.

Effectively it brings payments made now with physical cash to come within the grasp of the same market actors who have become so rich through the expansion of the usage of debit and credit cards: it will allow them to take deductions on an even greater proportion of all payments. That increases the price of goods and services for everyone, which means inflation.

Qu 3: Do you agree that the Bank should not have access to users' personal data, but instead see anonymised transaction data and aggregated system-wide data for the running of the core ledger? What views do you have on a privacy-enhancing digital pound?

I do not agree that the Bank should see any data, anonymised or not. 'Britcoin' expands what is visible to payment market actors, be they the Bank, intermediaries or whoever. That is bad because it diminishes the privacy of citizens and businesses over their own affairs.

There can be no such thing as a 'privacy-enhancing digital pound': the phrase is a non-sequitur. Once activity is being recorded and is attributable to an individual citizen or business, privacy is infringed, compared to a payment using physical cash. No numbers of safeguards, controls, limited access privileges and so on can overcome that basic evil.

Qu 4: What are your views on the provision and utility of tiered access to the digital pound that is linked to user identity information?

This is a non-starter for the same reasons given against Qu. 3 above. 'Britcoin' contains the basic evil of identifiability compared to using physical cash. This means that 'Britcoin' is a no-go.

Qu 5: What views do you have on the embedding of privacy-enhancing techniques to give users more control of the level of privacy that they can ascribe to their personal transactions data?

This is effectively the same question as Qu 3 and Qu 4: 'Britcoin' contains the basic evil of identifiability compared to using physical cash. No supposed 'privacy-enhancing techniques' can counteract that, techniques which, like so many other supposed protections, will turn out instead to be a chocolate fireguard.

Qu 6: Do you have comments on our proposal that in-store, online and person-to-person payments should be highest priority payments in scope? Are any other payments in scope which need further work?

No payments should be in-scope at all until the detriments listed against Qu 1 have been resolved in the manner demanded by our response to Qu 1. The project should be put on ice pending the achievement of those resolutions. Therefore there is no need for any prioritization at this stage, and no 'further work' is needed on anything.

Qu 7: What do you consider to be the appropriate level of limits on individual's holdings in transition? Do you agree with our proposed limits within the £10,000–£20,000 range? Do you have views on the benefits and risks of a lower limit, such as £5,000?

I do not agree that 'Britcoin' should even exist, until after all the detriments listed against Qu 1 have been resolved in the manner demanded by our response to Qu 1. The project should be put on ice pending the achievement of those resolutions. Therefore there is no need for consideration of any 'transition' at this stage, or of what holdings of 'Britcoin' should be permitted.

Qu 8: Considering our proposal for limits on individual holdings, what views do you have on how corporates' use of digital pounds should be managed in transition? Should all corporates be able to hold digital pounds, or should some corporates be restricted?

If 'Britcoin' ever exists, business entities should be permitted to use it the same way as they use physical cash. It is up to them, not to authorities.

Qu 9: Do you have comments on our proposal that non-UK residents should have access to the digital pound, on the same basis as UK residents?

This question is a perfect example of why 'Britcoin' should not exist. If non-residents want to buy UKpound banknotes now, to store them, to spend when visiting the UK, to send as gifts to friends and family or whatever, that is up to them, if they can get hold of the banknotes in a convenient and cost-effective method for them. No consultation was ever needed to decide whether they could or could not do that. If 'Britcoin' requires that such questions be asked, if it is important for the design and the controls, to the distribution and tracking, then it is an over-complicated non-solution to a problem that probably does not exist now.

Qu 10: Given our primary motivations, does our proposed design for the digital pound meet its objectives?

No. Your 'primary motivations' are by turns unclear and undesirable. There is a negative business case for 'Britcoin': the combination of direct new detriments (putting transactions on-the-ledger which are invisible to authorities now) and exacerbation of existing detriments (increased financial exclusion, more payments being subjected to deductions-from-face-value), without any clear statement of provable and definite benefits. The 'benefits' are by turns conceptual, conditional on other matters and unquantified. Given these deficiencies in the underlying proposal, the design for the digital pound must perforce be valueless.

Qu 11: Which design choices should we consider in order to support financial inclusion?

The 'design choices' you should consider are (i) to put the project on ice pending the resolution of the detriments listed against Qu 1 in the manner demanded by our response to Qu 1; (ii) to abandon the project if those things are not achieved; and (iii) to urgently alter your mindset to recognize that digitization does not enhance financial inclusion, it reduces it. The channels for increasing financial inclusion are not 'Britcoin' and they are not digital payments, whatever claims the digital payments industry has made that they are. Financial exclusion is increasing in parallel to digitization increasing. That is not a case for accelerating digitization – whether in the form of 'Britcoin', a scope increase to Open Banking, bailing out Silicon Valley Bank or whatever. It is a case for stopping the current direction of travel, for listening directly to the financially excluded (rather than to the plethora of self-interested organizations who claim to speak for the financial excluded), and for enabling both the services and the means of accessing them that the financially excluded say they want and need in order to become financially included.

Qu 12: The Bank and HM Treasury will have due regard to the public sector equality duty, including considering the impact of proposals for the design of the digital pound on those who share protected characteristics, as provided by the Equality Act 2010. Please indicate if you believe any of the proposals in this Consultation Paper are likely to impact persons who share such protected characteristics and, if so, please explain which groups of persons, what the impact on such groups might be and if you have any views on how impact could be mitigated?

Everyone is losing out thanks to the current direction-of-travel of the payments industry and your 'Britcoin' will exacerbate that trend. It hands control over spending to authorities and to financial intermediaries. If people take physical cash out of an ATM, the control of authorities and financial intermediaries stops at that point. With 'Britcoin' the control persists. That is damaging to everyone's interests.

Other observations

The Consultation Paper strenuously avoids asking direct questions about the key fundamental issues around the digital pound. That is because its authors are not interested in the views of citizens and the businesses that citizens run, regarding a matter that will profoundly rebalance the relationship between the citizen and the authorities that supposedly act at citizens' behest – in favour of those organizations with an equal-and-opposite damage to the citizen.

The Consultation Paper whitewashes the results of the project's surveys of citizens and their businesses done through YouGov. As we have proved in our examination of those surveys, there was huge support for physical cash, branch networks are very important to citizens and businesses, and the usage of digital services has hardly changed for years: looking at a bank account online. What has changed is the fear of Authorized Push Payment Fraud - a detriment that the authorities and the payment industry have failed to eradicate – and that taking payment by card is not businesses' favoured method of receiving payments, because they receive far less than the face value of the sale.

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