Predictions of a cashless society are premature

Comment
Bill Jamieson

Two news items in the past week seek to eliminate notes and coin as a means of payment. The government's Taylor Review of modern working practices argued that billions of pounds of extra tax revenues could be collected if payments for casual work such as gardening, window cleaning and child minding were made by officially-accredited platforms.

Separately, credit card giant Visa has launched a war on cash, with a scheme in the US encouraging small businesses to ditch it as a form of payment. Chief executive Al Kelly told investors last month that the company was "focused on putting cash out of business," and is considering bringing the initiative here to the UK.

The assumption behind both developments is that cash transactions are already a thing of the past, confined to what is politely called "the invisible economy", and that with the mass arrival of internet banking and the contactless card, physical money is on the way out. Why not give it a final push for our own convenience?

That is the way the drive to eliminate cash is being presented. But it's not hard to see other motives behind both these pronouncements may be at work. The government constantly seeks to make every transaction open to scrutiny and to maximise tax revenues. A study by the Institute of Economic Affairs estimated the size of Britain's shadow economy – paid work not declared to the taxman – at £150 billion a year or some 10 per cent of national income. And the credit card companies make money every time they facilitate a transaction.

But for millions of households, fuddy-duddy notes and coins are still a hugely popular – and perfectly innocent – means of payment, even though we may have switched to electronic payment through internet banking and make use of contactless cards.

I had thought I now had little use for cash. Was not everything now settled by paper or electronic transaction? And when it comes to investment, what need did I have for coins and physical money of any sort? Wrong on both counts.

Typically my first transaction of the day is to the village shop for milk and newspapers – a cash transaction, even on those days when I also buy bread and bird food. I pay the window cleaner in cash, the cleaner in cash and cash for odd jobs. I need cash to feed those insatiable car park charge machines, and to buy fruit and vegetables in the village market. I pay into charity tins and the boxes of street musicians by cash. In restaurants I invariably tip by cash. In pubs and coffee bars I pay in

> Notes and coins are a hugely popular and perfectly innocent means of payment

cash. On local buses and taxis I pay cash. When abroad, I carry a reserve of local currency. For all of these transactions and many more, cash is the primary means of payment, and indeed the only means of payment as many self-employed do not carry around credit card machines.

Should I insist on a "government-accredited platform" to make life easier for the taxman? The implication behind the Taylor recommendation is that cash settlement is a vehicle for dishonesty. But a trader's relationship with the tax man is surely a matter for them, not for me to presume. What right do I have to insinuate that they may not be as honest as the day they were born?

Then there is the cardinal reason why we still carry around cash: the fear of being caught in an emergency when cash can be a vital – indeed, the only – means of settlement. Cash in hand also gives us some solace should bank security systems fail or succumb to cyber attack. And what can be more troubling – and financially immobilising – than the loss or theft of a credit card?

Finally, what of that ultimate non-paper store of value – gold and gold coins? Of all the precious metals, gold and gold coins are both a means of exchange and a store of value. They also have the great advantage of being universally accepted as a means of settlement in almost every country in the world. Investors generally buy gold as a way of diversifying risk. Gold is the most effective safe haven. And it is not dependent on the whims of central banks and government-induced changes in the value and accessibility of money.

It also has a great edge over paper as a store of value. While it is volatile and does not offer investors any dividend yield or interest income, it can work as a long term hedge against inflation, currency and market crashes. Since 1970 the price of gold has risen from $235 an ounce to more than $1,200 today.

So for reasons both for immediate convenience and long-term investment, beware the attempts to bully us into a cashless, paper-only economy.

ON THE MOVE

Opito interim chief to step up to top post at skills organisation

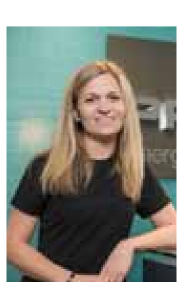
● **Skills, safety, standards and workforce development organisation Opito has appointed John McDonald as chief executive.** McDonald has been interim CEO since January and was previously UK managing director for Opito after joining the organisation in 2012. The appointment comes after an external and internal recruitment process following the sudden death of former CEO David Doig earlier this year.

John McDonald

● **Accountancy firm Chiene + Tait has promoted third-sector specialist Euan Morrison to the role of director.** Based in Edinburgh, Morrison joined the firm in 2002 and has since become a "highly respected and knowledgeable" member of its audit team. He now runs the C+T specialist charity and education sector group, which supports the sectors through a series of on-going, added-value events.

Euan Morrison

● **Prodrill Energy Resource Solutions has appointed Kerri Imray as senior resource specialist.** She joins the company's expert team with over 12 years' extensive recruitment experience, having previously held a comparable role working at well-established recruitment firms. Prodrill specialises in the provision of experienced consultants within drilling and well engineering disciplines, which is reflected in its large portfolio of upstream oil and gas clients.



Kerri Imray

● **EY has appointed two equity partners in Scotland.** Cara Heaney and Mike Timmins have both been internally promoted to the role of partner, "demonstrating EY's commitment to developing its talent in Scotland". Heaney is a partner in people advisory services and leads the global mobility practice across Scotland and the north of England. Timmins is a partner in the transaction advisory services team.

● **Liz Stewart, partner at Stronachs LLP in Aberdeen, is one of only three Scottish lawyers to be recognised in The Lawyer Monthly Women in Law Awards 2017.** Stewart has been named the UK's Business Premises Lawyer of the Year in the current winner's edition of legal publication, The Lawyer Monthly. The awards celebrate and highlight the achievements of women in the legal profession across the globe, with more than 50 women recognised for their legal expertise out of 200 entrants. The winners were selected following a worldwide online vote. The judging panel then examined several areas including strategic thinking and peer recognition.

BETWEEN THE LINES: PARESH RAJA

Bridging the property chasm

More than a year has passed since the UK voted to leave the European Union (EU), with official Brexit negotiations beginning at the end of June. Over the coming months, citizens will become increasingly aware of what the settlement between Britain and the EU will look like – and the property industry will be watching on keenly.

Since the referendum, the UK property market has proven resilient, exceeding many people's expectations to report record growth – the average asking price for homes in UK hit a record high of £317,000 in April 2017. Critical to the ongoing strength of the market has been the widespread appreciation of property's historic performance as an asset class; recent research showed that investors were turning to property in the current climate of political uncertainty because of its track record as a safe investment class.

Scotland's property market has been robust – Edinburgh has emerged as one of the UK's most coveted property investment hotspots. The UK housing market is, however, currently faced with the serious issue of undersupply. The Department for Communities and Local Government estimates that between 240,000 and 300,000 new homes are needed annually in England alone, while in Scotland the independent Commission on Housing and Wellbeing recommended that the Scottish Government should aim to build 23,000 new houses each year until 2020.

So far in resolving this nationwide problem, debate has largely – and understandably – centred on construction. New house construction has in fact steadily declined since the 1970s, despite record demand. However, one much overlooked segment of the market offering a far less costly and more time-efficient boost to housing supply is refurbishment and restoration.

An estimated 1.4 million homes currently lie unoccupied across the UK and, with the right support, it is entirely possible that property investors can bring these onto the market through refurbishment projects, easing the financial pressures faced by first time buyers in particular.

Yet at present a significant issue exists among those looking to invest in buy-to-let – a lack of access to finance. Recent MFS research found that one in four potential property buyers have or will consider refinancing their current home up to three times to support a new investment opportunity, demonstrating the need for tailored finance to support this category of investment. At this critical juncture for the economy, Holyrood and Westminster must face up to an acute undersupply of residential property – to address this issue they must not only focus on new construction but also refurbishment and restoration projects that have eased demand for property over the past decade.

● *Paresh Raja is chief executive of Market Financial Solutions*