

Access to Cash Report - Update.

December 2023
GD 2024/0003



Isle of Man
Government

Reiltys Ellan Vannin

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1. Introduction.

To: The Hon L Skelly, President of Tynwald, and the Honourable Council and Keys in Tynwald assembled.

In 2022, the Department laid before Tynwald an Access to Cash Report (2022-GD-015), this report contained a number of recommendations in relation to cash and its accessibility across the Island.

In July of 2023, Tynwald was asked to note the Report, particularly with respect to the provisioning of ATMs in the Island and the concept of banking hubs, with a request for the Department to report on the progress of the nine actions within the report.

This update was requested before the end of October 2023, however, there have been some recent changes in the United Kingdom, which will and already have impacted on the direction of any potential actions that may stem from the report.

The continuing decline in high street branch networks has escalated recently, as the world moves to a more digital society. Whilst the impact on the Island has so far been limited, the position taken by the current UK Government of legislating to protect cash access services is something to be considered.

Recent reports of a potential expansion of banking hubs in the UK are also something we are paying close attention to, although in reality the situation on the Island is somewhat different to the UK, with the UK seeing significantly more recent closures relatively than the Island. In the period 17 May 2022 to 15 December 2023, the UK has seen the closure of 1059 bank branches, with a further 250 scheduled over the next year¹, a significantly higher rate of closure per locality than the Island.

I wish to apologise to the Honourable Court for the delay in providing this update on the nine actions contained within the original report. Although it is still unclear how the UK banking provision legislation will play out in the UK, I consider it important to now provide this update,

Tim Johnston. MHK

Minister for Enterprise

¹ Data from LINK.

2. Cash Usage Survey.

In order to gain a better insight into access to cash and evaluate access provision on Island, the Department undertook a survey which was open to the general public on their cash usage.

There were 2541 responses to the survey, not all respondents provided a response to all questions, the numbers and percentages are reflective of those providing a response to a specific question and may not be reflective of the total respondents.

A full copy of the survey results is provided at Appendix A for information, however, the key findings of the survey are as follows:

- 2294 of the 2493 who provided a response stated they used cash (92%).
- 1973 of 2294 stated that they withdraw cash at least once a month (86%),
- 830 of the 973 stated that they withdraw cash at least once per week (42%), including those that take their pension in cash.

The general thrust of the additional comments was that cash must always remain as an option;

Cash was accessed in the following ways:

- 2032 of the 2521 who provided a response to this question (80%) stated that they use ATM's as their primary method of cash withdrawal, with 304 (12%) using bank counters or cashback options,

It should be noted that many respondents use a combination of all three options, depending on availability at the time of withdrawal.

In regards to the ability to withdraw cash, a question asked for responses to a number of statements, respondents being able to select more than one response. 1237 responses (49% of 2541 total possible responses) stated that they were always able to withdraw cash, with 601 responses (24% of 2541 total possible responses) stating that there is a limited ability to obtain cash.

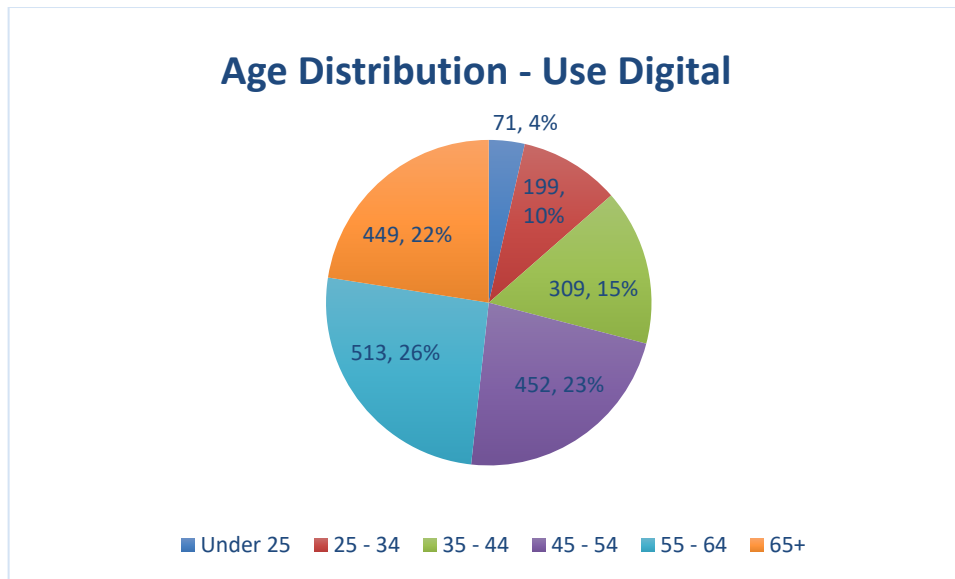
In regards to ATMs and their availability a similar set of questions was asked, 1062 responses (42% of 2541 total possible responses) stated that the existing ATM network is limited, with 483 responses (19% of 2541 total possible responses) stating that ATM's are not conveniently located to where they regularly shop.

In regards to cashback services offered; 481 responses (19% of 2541 total possible responses) stated that the introduction of a non-purchase cashback or "cash at the till" option would increase the use of the cashback option. 394 responses (16% of 2541 total possible responses) stated that more retailers should offer cashback as an option, either with or without purchases.

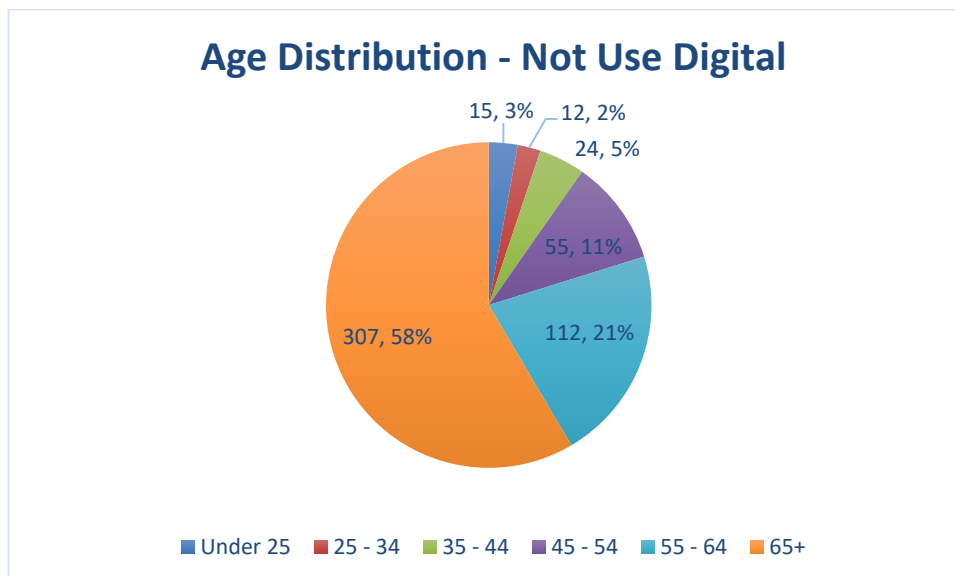
Additional questions were asked around non-cash payment methods, including internet banking. 763 of a possible 2541 respondents (30%) believed a move to a cashless society would be problematic. 407 of a possible 2541 respondents (16%) believe that a move to a cashless society is underway.

When asked whether internet or mobile banking applications were used, of the 2526 responses, 1997 responses (79%) used this technology, with 529 responding (21%) that they currently did not.

An analysis of the age ranges for those 1997 who provided a positive response to this question show that 48% are aged over 55, 38% aged between 35 and 54 and the remainder 34 and below.



Looking at the corresponding 529 who said they didn't use the technology, across the same age groupings, the majority were over 55, some 79%, although much smaller totals than for the positive response.



When asked how often they used this type of technology, of the 2516 who provided a response, 739 (29%) said they use internet banking all of the time, whilst 515 (20%) say they currently do not use at all, the remainder using internet banking some of the time.

From this it can be seen that the majority of respondents are using digital banking systems to some degree across all age ranges with those aged between 55 and 64 being the largest age group, of those that are not, the over 65's are the largest age group.

When asked about reasons for any reticence to use, 1652 of a possible 2541 responses (65%) expressed a concern about the general security of digital methods of payment and banking.

Respondents had the option to provide a free text comment at the end of the survey. A number of hard copy responses were also received. The general information provided through this survey can be summarised as:

- Cash should always remain as a payment option;
- Some retailers and businesses fear that if they provide cashback services they may become a replacement for banks or ATMs, thereby causing further reductions in both networks;
- Individual banking groups with a dominant client base in an area should have to provide at least an ATM in that area;
- The current ATM provision in Peel was identified as an issue, with the single unit frequently reported as being 'out of service'.
- One respondent suggested that government should force banks to provide free ATMs in all main towns including Peel or else take banking licences away. It should be noted that the four defined 'towns' on the Island all have one or more ATMs (including Peel). The four major 'villages' all currently have at least one ATM as do a number of individual parishes.

As with any survey responses are obtained from individuals having an interest in the topic and as such likely to overstate the views of those who see cash as being important. That is not to say, retaining access to cash is not an important aspect of life to many, but the results should be viewed from the perspective that the total responses equate to 3.4% of the population over the age of 12.

3. Updates on recommendations.

Updates for each of the individual recommendations is provided in this section.

3.1 ATM Network Assessment – Finance Isle of Man will continue to monitor the ATM network in liaison with local banks on an annual basis, and work with them to prevent any gaps that emerge (this may be via enhanced cash back services and added deposit services).

The Department has been working with the local banks and LINK, who provide the mechanics that allow the ATM network to operate and the providers of the actual ATM itself, with whom the agreements and contracts are placed.

Monitoring of the network is underway. There have been recent changes to the ATM network provision, including new installations in Douglas and Port St Mary.

All ATMs use the LINK interchange network to allow transactions from any machine to be directed to the correct banking institution. Fees are paid to the bank or other organisation owning the ATM.

Banks holding current accounts and retailers are the normal organisations that would operate an ATM. However, ATMs can be provided by other organisations (at a cost) or through LINK themselves.

A directly commissioned ATM may be provided by LINK (outside of any other

organisation) if an existing ATM is removed and there is not a current provision, or a community makes a request. There are criteria that LINK apply to determining whether or not a directly commissioned machine would be provided:

- No free to access cash provision within 1km of the site;
- Must be a grouping of 5 or more relevant retailers;
- There must be a suitable site available; and
- The withdrawal of an existing ATM would cause detriment to the community².

Since the Report was commissioned, LINK have assessed two additional sites on Island, resulting in a LINK directly commissioned machine being sited in Port St Mary. No additional sites are considered to be necessary at this time by LINK.

In addition, where a cashpoint is the last cashpoint in a locale, it is possible to protect that cashpoint. In this case, LINK may be approached to give the ATM “protected” status, in which case LINK will take over the operation if the operator withdraws.

In order to be “protected”, the criteria identified above must be met. Of the 49 ATMs currently listed as being in operation on the Island, 7 currently have protected status³, additionally the Department considers that a further 3 should receive this status⁴. The Department is currently working with LINK to finalise assessments of the overall network and these 3 machines.

Further work is underway to understand the actual cost of installation and operation for a free-to-access ATM provision. LINK transaction charges are currently £0.177 per transaction, without cash supply to £0.31 including cash supply, these charges being paid by the business, whether a bank or retailer who has the machine installed.

Whilst charges to the banks range from £0.244 to £0.265 per transaction for cash withdrawals, additional premiums may be levied depending on location and in particular the number of transactions per month. If a machine has less than 200 cash transactions per month an additional £2.75 is applied to the transaction fee, again payable by the ‘paying’ bank.

The Department is currently seeking to understand the capital cost of installing an ATM from the major installer, which alongside the operational costs, will allow the Department to understand the actual cost for provision and operation of ATMs, particularly those less well utilised ATMs. We aim to work up potential solutions for provision by either banks, retailers or alternative direct commissioning.

The Department is also aware that the recent sale of the Shoprite supermarket chain to Tesco may have an influence on the provision of ATMs across the Island, There is a potential of additional ATMs being added to the network. Whilst this may be seen as a positive in the short term, there are potential impacts on the existing network, an example being the removal of protected status from any ATM currently designated as

² It should be noted that an area where no TM has been provided previously cannot claim community detriment.

³ Onchan, IOM Business Park, Nobles Hospital, Laxey, Peel, Port Erin and 1 at Ronaldsway.

⁴ Castletown, Crosby and Port St Mary.

such (Peel).

This recommendation is ongoing and monitoring and option assessments will continue. Please also see section 4, legislative options below.

3.2 **Survey – The Department will work further with Business Isle of Man and industry (including Chamber of Commerce) to assess the amount of cash taken in by businesses outside of Douglas, to understand how it is banked and seek to understand any problems this may cause.**

The Business Agency completed a survey of businesses, specifically related to the acceptance and use of cash and digital payment options across the Isle of Man. We collected information to assess the levels of cash taken by businesses, the barriers businesses face when accepting and banking cash, the use of digital/mobile payment solutions and a review of options around cashback services.

This survey was designed for owners and managers of Isle of Man based local businesses who take payments for goods or services online or in-person, a copy of the full findings are provided at Appendix B for information. A total of 119 businesses provided responses to the survey.

The key findings of the report are as follows:

Acceptance/Processing of Cash and Banking Services

83% (99 of 119) accepted cash as a form of payment for products or services in their business/organisation.

Businesses who do not accept cash (20 of 119)

The primary reason businesses did not accept cash payments was that they were operating online only, of those businesses not mainly online who restricted cash payments for their customers, no adverse impacts were experienced and over 75% (13 of 17 who provided an answer) of businesses who do not accept cash payments were not considering accepting it in the future.

Businesses who accept cash (99 of 119)

80% (76 of 94 who provided an answer) of businesses who accept cash do not foresee their business/organisation ever restricting cash usage. Only 6% (6 responding businesses) were reviewing cash acceptance, or had plans to stop accepting cash in the next 1-3 years. Over the last financial year 31% of sales were cash payments and 69% were non-cash payments.

In relation to the banking of cash, 30% (29 of 94 who answered) of businesses responding visited a bank once a week to pay in cash / collect change. 3% (3 of 94 who answered) visited a bank daily.

The key challenges were reported as the lack of local bank access, costs relating to travel to the nearest branch, and high costs for depositing cash and change.

Overall, the processing of cash was described as a time-consuming operation, negatively affecting business activities.

Businesses who do not accept digital payments

The primary reasons businesses did not accept digital payments were; customer preference for cash (which corresponds to the public survey), transaction charges and the nature of business.

Measures to reduce the barriers to accepting digital payments included lowering transaction costs association with non-cash payments, training to setup digital payment options and support to get the hardware at a more affordable price.

Businesses who accept digital payments

94% (104 of 111 who provided a response) accepted non-cash options for payment such as debit/credit cards, mobile and digital payments. Of the 85 respondents who provided further information, 88% (75) accepted debit/credit cards, 72% (61) accepted mobile payments and 69% (59) accepted online bank transfers.

The key barriers to increasing cashless transaction in the future included customer preference for using cash, access to payment providers on the Isle of Man and high transaction charges. 18% (18 of 99 respondents) of respondents reported no perceived barriers to increasing cashless transactions in the future.

Sumup, Worldpay and Paypal were the leading digital payment providers in use. However the survey results do show that there is a significant lack of choice and variety of providers operating on the Island.

Previous analysis by the Department in 2022 of the 35 most prominent digital payment providers in the UK found 20 did not serve business in the Isle of Man. This included 3 of the largest providers including Stripe, Go Cardless and Shopify Payments. For further information on why there is a limited option available, please see 3.7 below.

Enhanced Cashback Services

Only 12% (13/106) of respondents currently provide a cashback service.

Businesses who do not provide cashback to customers

Top reasons prohibiting cashback to customers include holding insufficient levels of cash in tills, risks of fraud, and businesses not accepting cash or trying to reduce cash usage from the business.

Businesses who provide cashback to customers

Perceived benefits include supporting with cash management, reducing deposit charges at banks, increasing customer footfall to stores and supporting vulnerable customers who require cash.

46% (6) of the 13 businesses who currently provide cashback services would like to offer cashback services without purchase (cash at the till) subject to a number of caveats including the cost of transactions and support to purchase equipment.

However 30% (4) answered "Don't Know" demonstrating the potential lack of understanding of this topic.

3.3 Digital Education – Finance Isle of Man will continue work with local banks,

the Digital Agency and DESC to improve digital education in respect of online banking services and counter any aspects of potential digital exclusion.

Most of the Island's financial institutions offering current accounts provide their customers training in the use of digital banking solutions. 18% (457) of the public survey respondents noted that they wouldn't use digital banking solutions because of access difficulties. Less than 1.4% (36) of respondents cited 'technophobia' or inability to use modern technology as a reason for not wanting to use digital solutions.

Most of the 36 responses fell into an age range above 55, using the 2022 census data to scale this up against a total population suggests that this could equate to approximately 400 persons on the Island.

A similar number of respondents (40, or 1.57%) stated that they couldn't afford a mobile, a computer or internet access, and as such could not use digital solutions. Again this was across all age ranges and, if extrapolated to the whole population, potentially be some 1100 persons.

Whilst these figures are purely indicative, being based on a survey response of some 2541, the Department, in its running the survey, ensured that those who were unlikely to access the survey through technical means, were able to access paper copies through a number of outlets including a number of social enterprise organisations. Of those 2541 responses some 133 were received in hard copy, approximately 5% of the total received.

It is therefore considered likely that the numbers may be closer to this 5% figure or in the region of 3200, but this cannot be confirmed at this time.

The Department will continue to work with partner organisations to further understand the need and enhance the options for digital education for both the public and businesses. It should also be recognised that affordability may be a significant barrier to digital inclusion.

3.4 Banking Hubs – The Department will take forward this recommendation to discuss further with all relevant stakeholders, including the Treasury, Isle of Man Post Office and the Cabinet Office.

Discussions have been held with the local banking community in regards to banking hubs particularly in those areas where branches are being closed by banks.

Locally based banks have closed branches based on commercial factors, with key aspects being footfall and usage. Any proposed Banking Hub in a location where there are currently no bank branches could prove difficult for banks to support, as demand for their services is already deemed too low to be sustainable in these areas.

In the UK, banking hubs are set up in areas where bank closures occur. There is an agreement between the banks, building societies and UK Finance, that when a closure occurs, LINK will identify whether a community required further cash services. Communities without banks can contact LINK directly and ask to be assessed for support.

In the whole of the UK a total of 24 hubs have been opened through this process with some 2 of these since 2022, with more in the pipeline. A number of these hubs are contained

within Post Office premises. This possibility is not considered an option on the Island at this time due to the closure of the traditional post office network of offices.

Since 17 May 2022, the UK has seen some 1059 branch closures, of these 1059 closures, 267 closures have left no bank branches remaining in that location, two locations have a banking hub in operation, 21 are recommended for a banking hub, 1 was recommended but has a replacement ATM instead.

Where LINK assesses that a community doesn't qualify for a hub but a deposit option is needed, LINK work with partners to look at different innovative solutions to provide alternative deposit solutions. This could be cash/deposit ATMs similar to those recently installed in the HSBC Strand Street branch. Of the 1059 closures identified above, whether these are the last branch in the locale or not, 87 sites have been recommended for a deposit service provision.

The agreed assessment criteria for a banking hub through this process is relatively fluid. The general assessment starts with the requirement for a community to have a population size of around 7,000 within 1km of the centre and more than 70 local retailers. Then there is a desktop review, looking at a number of areas:

- how close is the nearest neighboring community with banking facilities;
- how levels of financial vulnerability compare with the national average;
- how levels of digital vulnerability compare with the national average;
- the proportion of older people (over 65) in the community, compared with the national average.

Whilst the UK criteria will not translate directly to the Island, it is likely that it will be possible to localise the process to a degree. The Department, using data provided through the public survey, will work with partners to determine a set of proposed criteria for the provision of a banking hub. It is hoped that this work will be completed by the end of Q1 2024.

Please also see section 4, legislative options, below.

3.5 Network Coverage – The ongoing roll out of the National Broadband Plan will improve network coverage across the Island. The Department will continue to monitor and review this following completion of this project.

The roll out of the National Broadband Plan initiated in July 2020, is set to conclude by August 2024. This project will ensure that 99% of the Island's properties will have access to ultrafast fibre broadband.

Currently, the figure stands at 95% of properties (40,122) have access to fibre with 43% (17,077) of total passed now being connected. The Department continues to monitor the access and uptake numbers.

This recommendation to monitor and review is not due to commence until completion of the project.

3.6 Enhanced Cashback Services – The Department will take forward this recommendation via Business Isle of Man in association with the Treasury and the Island's retail sector.

Enhanced cashback options, or transaction free cashback is a misnomer. This is not cashback as it is traditionally provided, rather it is an alternative to the ATM network and operates in a similar way. A LINK backend is used to enable the correct charges to be made to the correct bank. There is no charge applied to the customer for cash withdrawals. A withdrawal from this system can be as small as 1 penny. However, like an ATM there is a per transaction cost, payable by the customer's bank to the business offering the cashback service. The schedule of charges is the same as that for the LINK interchange network, thereby allowing the business which is offering the service the ability to generate income from the service. This differs from the normal "sale transaction" based cashback process and would require an upgrade to tills at the merchants.

Discussions are underway with PayPoint, who provide tills for this service (in a similar manner to LINK) called Counter Cash in the UK. However, it should be noted that this is something that a retailer would have to agree to and unlike ATM's this requires the replacement of the normal till.

We are currently awaiting a capital cost for the installation of a compliant till unit for this provision. The installation cost is likely to be something a retailer may not be able to afford in the first instance and therefore it is likely that this would limit its use to the bigger Island retailers.

Transaction free cashback has a number of advantages to retailers:

- Commission will be earned on every transaction,
- Retailer saves on banking charges and the need to bank, by recycling their cash,
- Transaction free cashback can drive footfall and basket spend in smaller businesses.

It should be noted that whilst this provision has the potential of increasing the availability of free to access cash services across the Island, it would also have the potential of making the removal of an ATM easier. Retailers would take on the responsibility of providing cash services.

The additional provision of what is, for all intents and purposes a free-to-access cash service, has the potential to negatively impact the Island's ATM network. A single provision in Peel, for example, would remove the obligation on LINK for the protected ATM and allow for its removal with no current recourse.

At this point, only normal cashback with a purchase is permitted under the Island's legislation. Non-transaction based cashback would currently fall as a regulated activity under the Regulated Activities Order 2011 (the "Order"). In order to permit the option on the Island, the Order would require amending;

Section 3 of Schedule 1, Part 2 of the UK's Payment Services Regulations 2017, which has similar provisions to the Order, has been amended to exclude non-transaction cashback from being a regulated service. It is likely that an almost direct like for like amendment could be made to the Order to enable the process on the Island. However, before this, it would be necessary to ensure there were no unintended consequences in making this amendment.

As there is the potential of businesses wishing to take forward this option, the Department will liaise with the Treasury and the FSA in regards to potential amendments to allow for the implementation of a suitable legislative change, once discussions with PayPoint are completed.

As can be seen from the survey results in section 3.2 there is a lack of understanding in the retail business market as to what enhanced cashback or cash at the till actually is, however, the Department once it has discussed the potential legislative option will seek to educated businesses to this as a possible option they may wish to provide.

3.7 The Business Agency will identify and if possible remove any barriers to digital payment solutions being made available to Isle of Man businesses.

As a result of the survey, the Department has been able to identify the main barriers to digital payment solutions being made available to Isle of Man businesses.

These range from the options available to businesses on Island, there being a perceived lack of choice and variety available, the transaction costs being levied by those providers, the cost of equipment and the potential of training to setup and operate these systems.

Communication directly with those payment providers who currently do not service the Island, highlighted a number of key barriers to operation on the Isle of Man, as identified below:

- The inability to develop processes or procedures to on-board merchants based in the Isle of Man in a way that is compliant with the appropriate legislation.
- Lack of direct access to the information held on the Isle of Man Companies Registry and no available API integration which is accessible in nearly all other markets.
- Increased complexities with financial partners and increased due diligence for Isle of Man based businesses.
- Perceived value of the Isle of Man as a market (Is it worth investing time and money to develop new processes/procedures for on boarding)
- Current prioritisation of larger new markets and resource/capacity within development teams.

Without further work to investigate each of these perceived barriers to additional entrants to the market, the Department is not as yet in a position to identify solutions.

This applies more generally to the barriers for the retailer, work will continue into assessing this area, however, it is possible that some barriers will not be resolved.

Support to mitigate the cost of equipment provision has been identified and is covered in 3.8 below.

The Department will now take forward this recommendation to look at further mitigation to or wherever possible removal of the barriers identified.

3.8 The Department, via Enterprise Support, will develop a support scheme to encourage the adoption of digital payment solutions by small businesses and

charities/third sector organisations.

The Department is currently reviewing its Business Support Schemes, Providing assistance for the adoption of digital payment solutions by small businesses and charities/third sector organisations is not something that can be achieved through the Enterprise Act 2008 schemes. The Act requires these schemes to support sustainable growth and as such digital payment support would fall outside of this requirement.

The Town and Village Regeneration Scheme, is currently under review, to bring in more into line with the Department's Local Economy Strategy. The powers for this Scheme are different. . The option currently being investigated is to amend this Scheme to allow for assistance to be provided.

The Department is aiming to have this Scheme review completed and internally approved, once the Local Economy Strategy is completed. It is then the intention of the Department, to bring either a revised Scheme or new Scheme to Tynwald before July 2024.

3.9 The Department will liaise with the Treasury in order to assess how cash is managed so as to ensure the supply of money in circulation in the Isle of Man is sufficient and meets the needs of the population.

The Treasury has provided figures, as of December 2022, to the level of cash actually circulating in the economy. This figure is approximately £78.9m. This is slightly less than the December 21 figure but higher than that of December 2020, suggesting that cash usage has recovered to pre-pandemic levels.

The banks have indicated that there are no significant amounts of cash in storage. The bulk of this cash is in normal circulation.

4. Legislative Options

Whilst the Department has always shown a level of reticence towards stiffer regulations being placed on financial institutions, particularly in regards to access to cash, the UK government has recently implemented a change to its Financial Services and Markets Act 2000 ("the Act").

These changes insert a Section into the Act regarding cash access services, allowing H.M. Treasury to publish a statement of policy concerning cash deposit and withdrawal services, to designate persons involved in the provision of such services and then also give the Financial Conduct Authority certain functions in regards to those functions.

In short, this is meant to provide the FCA with new powers as an important step to maintaining a reasonable provision of cash deposit and withdrawal services.

H.M. Treasury has published its policy statement, which is intended to inform the FCA's approach, including what constitutes 'reasonable provision' of cash access services. In the policy statement it is identified that 95% of the UK population (Q2 2022) falls into one of the two following categories:

- the vast majority of people in predominately urban areas of the UK have access to cash deposit and cash withdrawal services within a maximum of 1 mile of where they live,
- the vast majority of people in predominately rural areas of the UK have access to cash deposit and cash withdrawal services within a maximum of 3 miles of where they live.

The policy statement is that coverage for business and personal users should be maintained in line with the distribution of cash access as set out above, while recognising that deposit and withdrawal needs may differ by location, between individuals and businesses and that local circumstances and user needs may change over time with lack of access impacting locations differently.

In addition, with respect to personal current accounts, “reasonable provision of cash access services” means free cash access services. This does not preclude the provision of pay-to-use services. However, it is not considered appropriate for pay-to-use services to contribute towards “reasonable provision” in relation to such accounts.

In determining what constitutes *reasonable provision*, the legislation requires the FCA to have regard, in particular, to local deficiencies that have significant impacts. Consideration should be taken of the degree to which services meet local needs in relation to both business and personal use. This may include the following factors as appropriate:

- the types of cash services available and the nearest alternative;
- the hours the service is available;
- travel and geographic factors;
- local demographic factors, such as age and characteristics of vulnerability that may reflect a greater need for cash access; and
- potential for reliance on assistance with accessing cash that is provided in-person

The main thrust of this policy is that in the event of a significant change or closure to a service, any proposed alternative service that has been identified for the purpose of maintaining reasonable access, in line with any FCA rules and guidance, is put in place no later than when the significant closure or change takes place.

As the UK’s market for cash services at a public level is orders of magnitude greater than that of the Island, the direct transplant of this type of legislative requirement is not to be recommended. Recent experiences and findings show that the Island has limited market size and any form of direct imposition based on this is likely to negatively impact on service provision availability on the Island.

The Department will work with partners and stakeholders to investigate and assess the potential impacts of introducing similar changes being made to the Financial Services Act 2005 to provide similar powers to the Financial Supervision Authority and to assess the potential impact that any proposals may result from the introduction.

Initially, the Department will look to complete an assessment of the current demographics of cash access services in relation to access and deposit services and population demographics on the Island. This should provide a baseline to enable the formulation of potential policy proposal framework specific to the Island.

Whilst the UK policy statement is currently aimed at the maintenance of the status quo, a local version may look to implement a *reasonable service* level where there currently are no services, guided by the demographics data. This may include the provision of combined banking hubs, access and deposit ATM’s, access ATMs or other appropriate cash services

methodologies.

The Department will seek to have completed the initial demographic analysis by the end of Q1 2024 and will seek to engage with partners in regards to the broader policy position thereafter.

5. Future Updates

The Department is conscious of the importance of retaining access to cash services across the Island and will continue to monitor the situation and develop responses to the recommendations of the Report. The Department will publish further updates at 6 monthly intervals.

6. Appendices

Documents provided separately.



Isle of Man
Government

Reilys Eilan Vannin



Survey Results

Access to Cash

September 2023



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Background

In 2022, the Department laid before Tynwald an Access to Cash Survey Report (2022-GD-015), this report contained a number of recommendations in relation to cash and its accessibility across the Island.

As part of the process of understanding the availability of cash and to a degree the use of cash since the pandemic, the Department carried out a public survey to gain some insight into usage and accessibility of cash.

The anonymous survey, running between the 27th of July and the 7th of September 2023 could be accessed online through the Engagement Hub, with hard copies being available from the Department's main offices, the Welcome Centre, Villa Marina, Benefits Office, Age Concern Ramsey and the Northern, Southern and Western Wellbeing Centres.

Questions asked in the Survey included a number to collect general demographic information in regards to the responses, questions seeking how, if at all, cash is accessed, how cash is being used, similarly questions in regards to digital payment type including cards were asked.

A final option for each respondent to provide a comment was included.

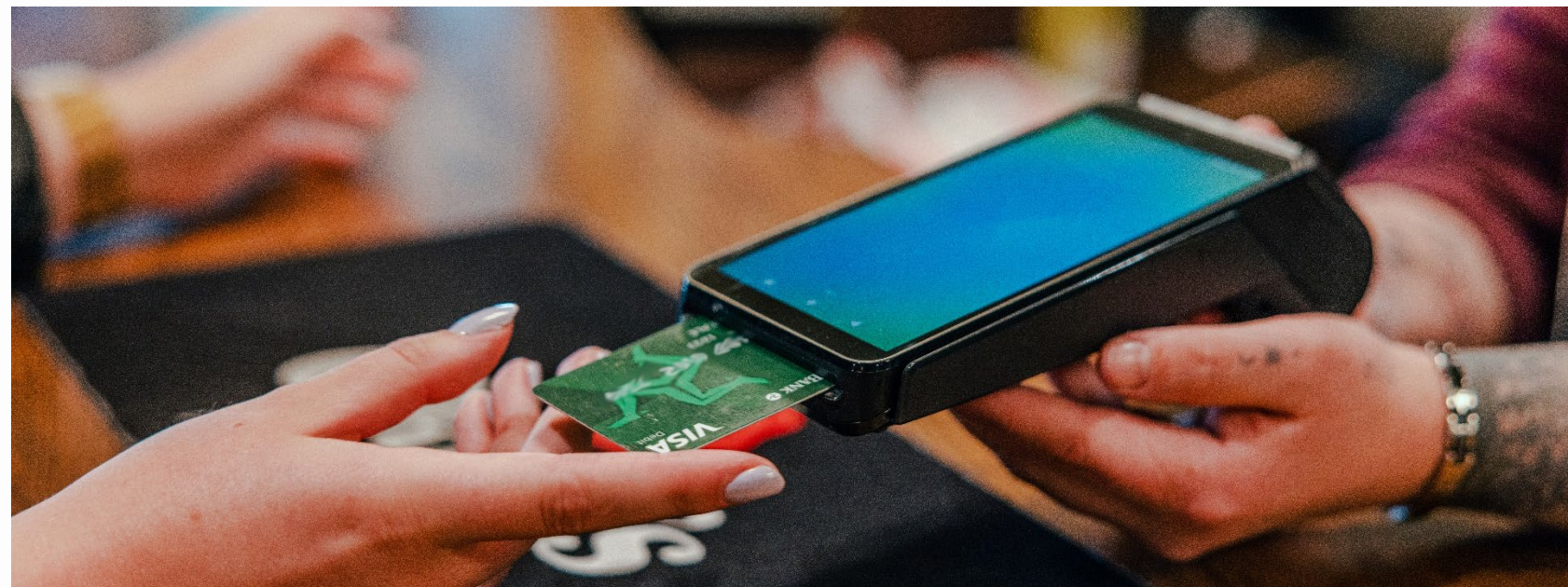


Summary of Responses

The Department received some 2550 responses to the survey, including a number from non-residents, with these non-resident responses removed, this equates to 3.33% of the population over the age of 5 and 3.59% of those aged 16 and over, when taken against the 2021 Census data.

It should be noted that a number of questions were not answered by every respondent and in certain cases a number of 'prefer not to answer' responses were received. Where no response was provided, this has not been included in the overall total response. This section will provide a summary of the response demographics, key findings of the survey will be provided in Section 3.

Of the total responses 30% were received from people 65 and over, the majority of the responses being received from those over 35.



As would be expected, the majority of the responses were received from people living in Douglas (30%), Ramsey (12%) and Onchan (11%), however when taken against the total population of the various towns, villages and parishes, the highest responses per capita came from Laxey (6%), Castletown (5%), Arbory (4%) and Andreas (4%).

The majority of responses were from persons either in full time employment (50%) or being retired (32%), living in either a house (69%), bungalow (18%) or apartment (12%), with over 48% owning their property outright and 25% with a mortgage. The largest proportion in each case earning between £25,000 and £49,000, but with between 70% and 80% earning between £10,000 and £74,000. The largest proportion of these responses were residents in Douglas, Onchan, Ramsey and Peel equating to some 61% of all those who provided a response.

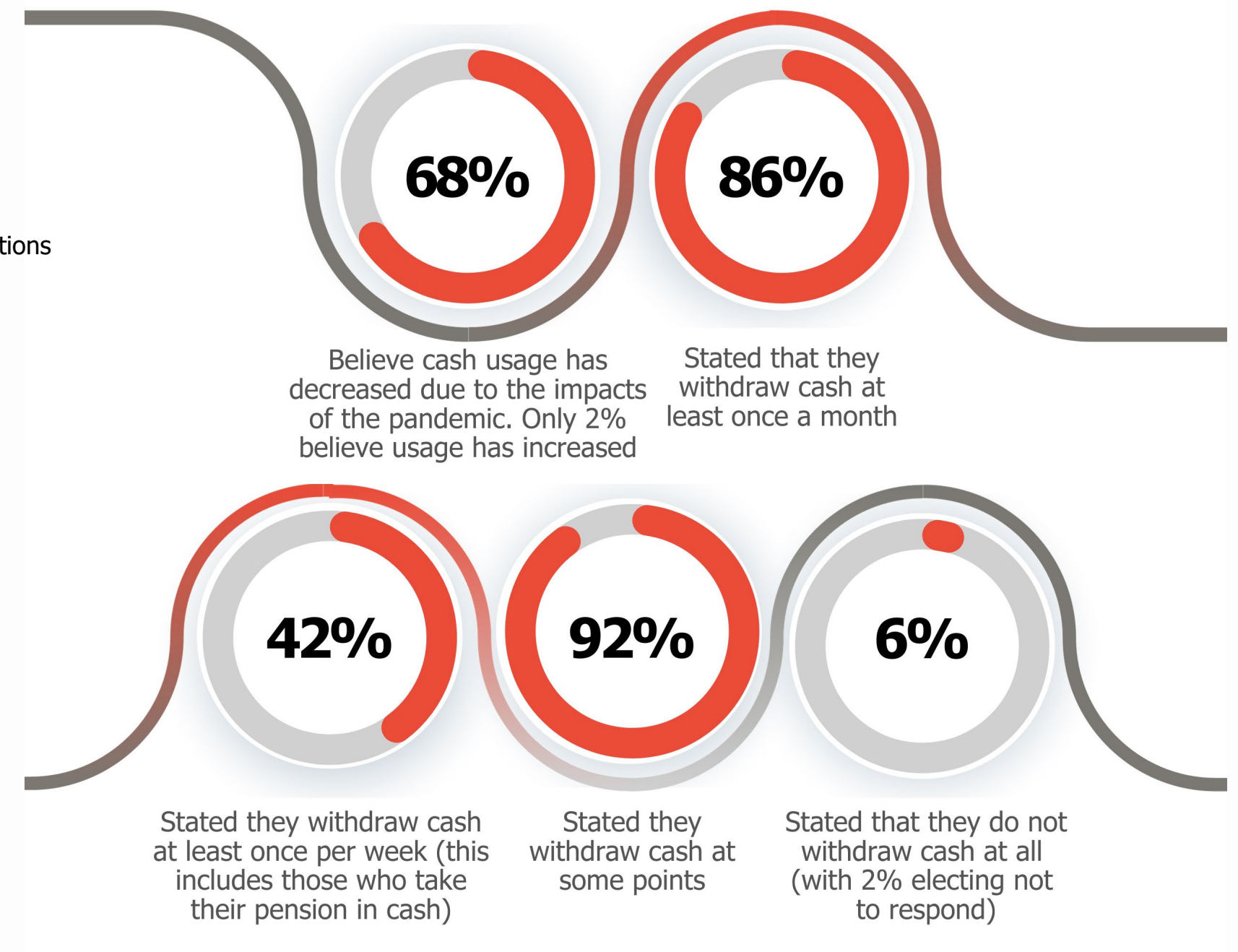
A complete set of direct responses is provided in section 6 for information.

Key Findings

The following pages show diagrams highlighting the key findings from the survey based on key questions raised regarding people's views on accessing cash and using cash and other payment methods.

Key Findings

THE FOLLOWING ARE THE KEY FINDINGS OF THE SURVEY



In relation to accessing cash

HERE ARE THE KEY FINDINGS

CASH WITHDRAWAL

- 80% Use ATM's as primary method
- 12% Use bank counters or cashback options
- Many use a combination of all three options

ACCESS TO CASH

- 49% Have no problems withdrawing cash
- 24% Feel the ability to withdraw is limited

ATM NETWORK

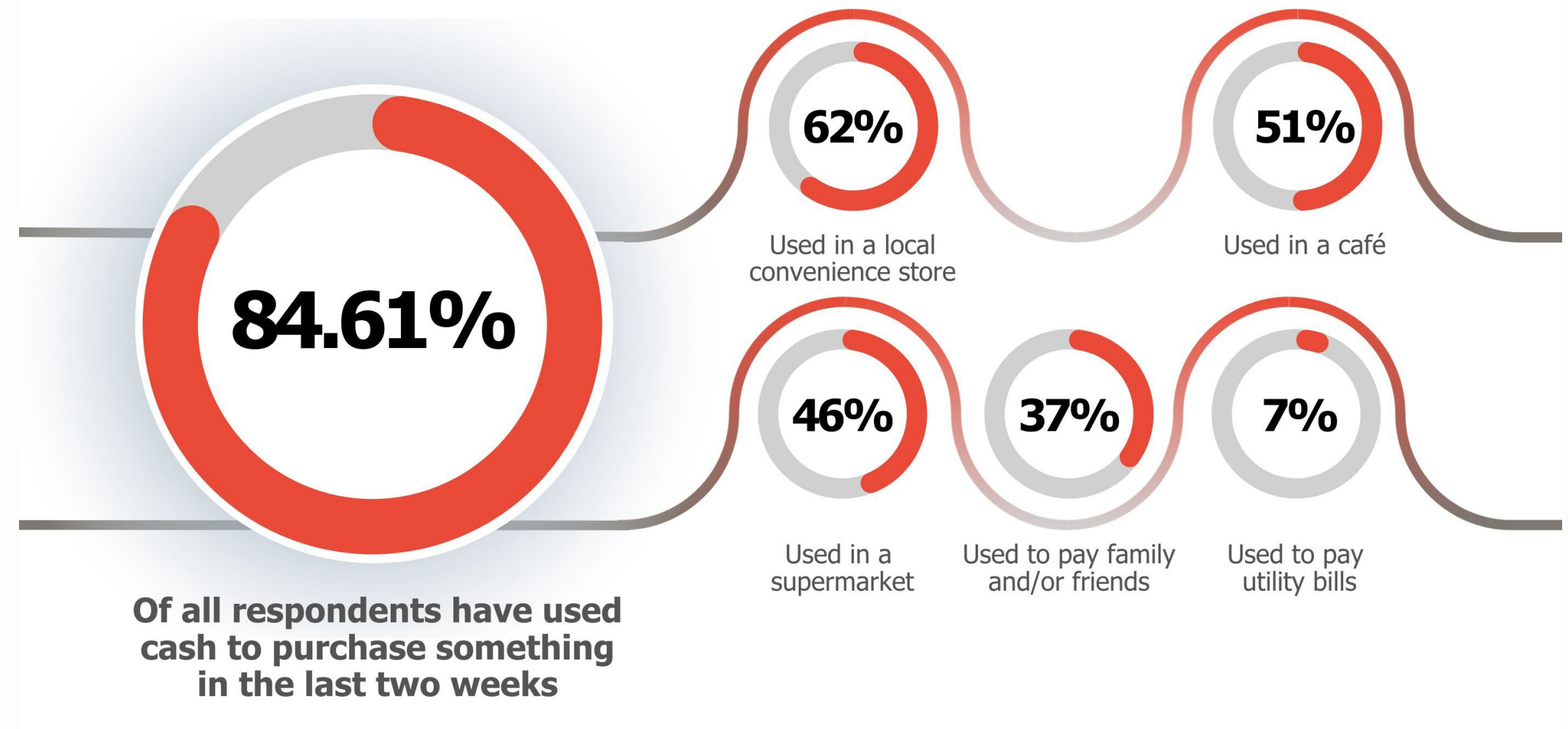
- 42% Believe the current network is limited
- 19% Believe the current network is not convenient for them

NON-PURCHASE CASHBACK

- 19% Believe a non-purchase option would increase the use of cashback
- 16% Believe more retailers should offer cashback

Those that paid using cash over the last two weeks

HERE ARE THE KEY FINDINGS



In relation to non-cash payment methods

HERE ARE THE KEY FINDINGS

CASHLESS SOCIETY

- 46% Believe moving to this would be problematic
- 16% Believe this move is already underway



ONLINE BANKING

- 29% Use internet banking all the time
- 20% Do not use internet banking at all



CONCERNS RAISED

- 65% Are concerned about the general security of digital payments and banking
- 30% Are concerned about fraud



DIFFICULTIES RAISED

- 18% Have difficulty accessing digital banking and payments
- 17% Find digital payment methods make tracking spend more difficult



Why people prefer cash

HERE ARE THE KEY FINDINGS

69%

Felt cash was convenient for small purchases

68%

Said it was useful in emergencies

60%

Said it provided better awareness of spending compared with non-cash options

46%

Said it made budgeting easier

41%

Said it was more secure than other non-cash payment methods

General Comments

In general, there are a number of themes within the general comments received, the main one being that cash should remain as an option for payment and that the individual should have a choice of how they wish to pay.

This sentiment was not expressed by any one single age demographic, with a fairly consistent spread across all responses.

A number of responses outlined the potential impact of a cashless society on Charity donations and the added impact on the most vulnerable in society, who are likely to be unable to use some of the other means of payment for a number of reasons.

Looking at the broader methodology of accessing cash, comments tended to expand on the responses received to the specific questions asked, relating to ATMs, Banks and other access options.



A selection of comments is provided below:

- *"Access to cash in Peel is all but gone - there are no cashpoints."*
- *"Retail and hospitality businesses which use cash are reluctant to provide a cashback service because they fear becoming a replacement for withdrawn cashpoints. That can mean so many cashback requests that businesses run low on cash and face bank charges for withdrawals. They also have concerns about the level of charges they incur on card purchases for low-value items and purchaseless cashback. Small and independent outlets that rely on cashless payments can find the cost of doing so prohibitive."*
- *"Privately-operated cashpoints are available, but charge customers to withdraw cash. Installing them can massively complicate insurance for interested businesses."*
- *"It can lead to worries about becoming involved in money-laundering if businesses are the only avenue for cash withdrawals. Small retailers do not want to become part of the illegal economy, and do not have the resources to devote to AML compliance."*

- *"In my opinion, banks with a significant customer base in a given area should have to provide at least a cashpoint in that area."*
- *"While the idea of a cashless society is, in my opinion, a worthwhile one, there are still substantial difficulties in that transition."*
- *"You must keep cash. Moving to digital only is totally and utterly a dangerous move."*
- *"It is the thin end of the edge and with digital currency - which will be the next step - comes the end of freedoms as we know it. Said something online that someone does not like? Your transaction is refused sir. Your credit cards are too high? Your transaction is refused sir. Someone reported you for hate speech. Your transaction is refused sir. Not taken every medical treatment recommended by the W.H.O for personal reasons? Your transaction is refused sir. I see you have a parking ticket outstanding. Your transaction is refused sir."*
- *"I think if we were to remove cash purchases and ATMs this would have a negative effect on the elderly, who feel most comfortable with cash and don't use any kind of technology for spending."*
- *"The average age of the IOM population is over 65, it would make no sense to take that comfort away."*
- *"Desperate lack of ATMs in Peel. Woeful lack of accessible talking ATMs for the blind across the Island. Despite the fact that I am blind I prefer to use cash as I can feel the money in my hands."*
- *"The closure of local bank branches is a major factor in reducing the usage of cash and is a national disgrace. Lack of ATMs is also a huge disservice to citizens."*
- *"I budget better with online banking and a card, however some much older people require access to cash. This will surely become less and less over the years."*

- *"I like the option to be able to use cash. Granted I don't make cash transactions daily, but I feel it can help people understand the value of money."*
- *"I think it's important to keep cash, and there should be more cashpoints, for example in Peel that currently only has one. Cash is needed at times when card machines stop working or there is a minimum spend on cards on some retailers and pubs."*
- *"It's very frustrating in Peel having a ATM that is frequently out of service."*
- *"I feel there is a strong risk of age discrimination by banks and society through the lack of available local physical banking services, particularly in Peel, which leads to many older people feeling isolated and left behind."*
- *"Peel should have some form of banking facilities. The IOM penny bank is a joke. It is often broken down and it is a disgrace to see a long queue of mostly elderly people waiting to use the facility in inclement weather. Peel should have an ATM in some easily accessible location."*
- *"Not enough ATM's on the island. Prefer to use cash for small businesses so they aren't charged a transaction fee."*
- *"ATMs at weekends are generally empty they need to issue £5 notes as often only £20 notes available. Especially down south."*
- *"Government should force banks to provide free ATMs in all main towns including Peel, else take banking licence away."*
- *"I feel that charities would suffer if we moved to a cashless society."*
- *"I like having options."*
- *"There are less ATM's on the Island due to the banks closing their smaller branches."*
- *"Since the Post Office in Peel closed, the last external ATM disappeared in Peel."*

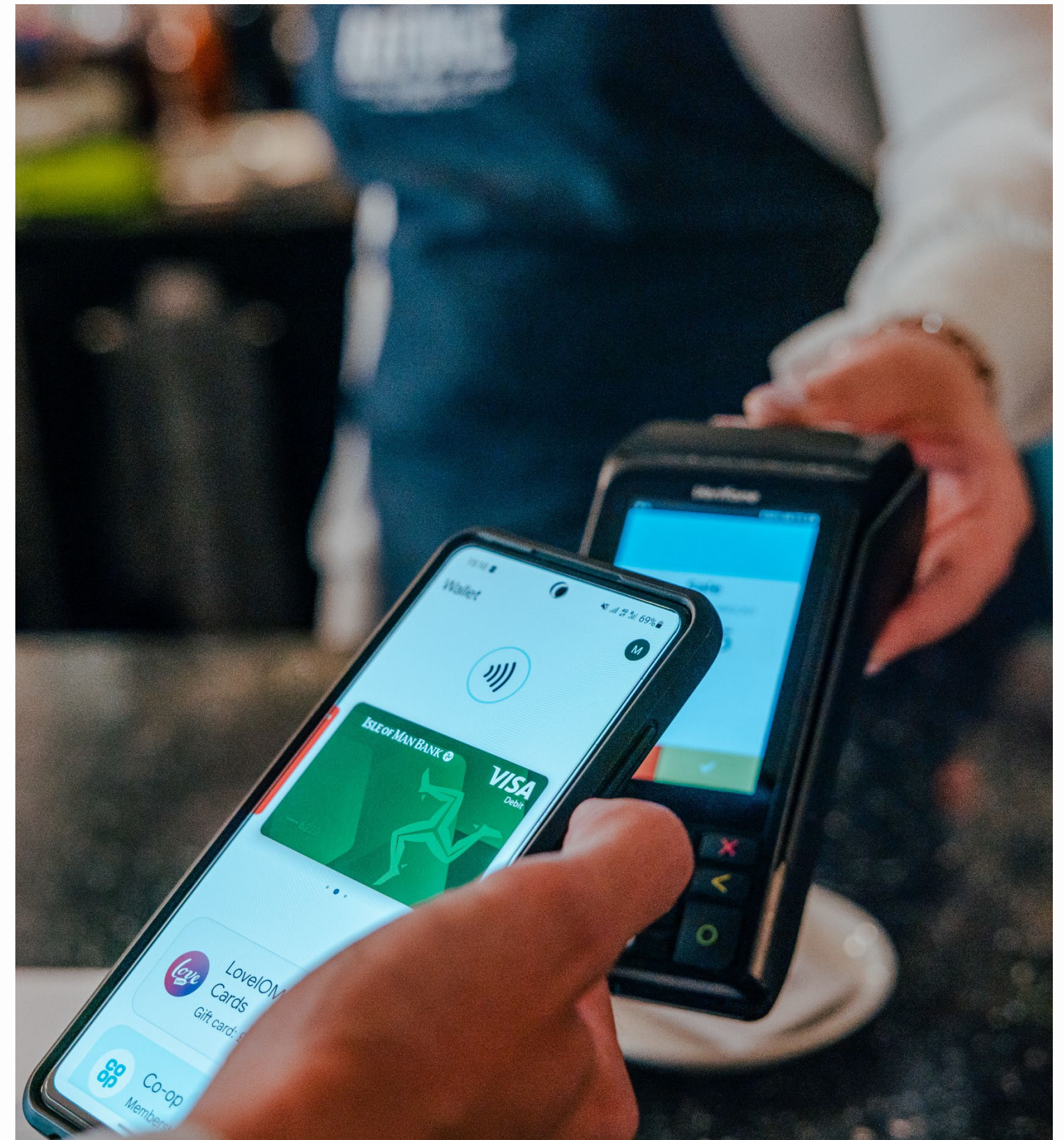


- *"I am not aware of any ATMs in Peel or Banks for that matter. The same is true for lots of villages around the Island. It is getting harder to withdraw money all the time as Banks prefer non cash methods of payment as it increases their chance of making money out of their customers and reduces their ATM maintenance charges."*
- *"While cashless is convenient, cash does not cost anything to use, i.e. no charge to either the buyer nor the seller. The closing of banks branches and cash machines is growing and Peel in particular is without services now the old Post Office ATM is defunct. Choice is being curtailed everywhere."*
- *"Cash is more accessible for blind and visually impaired members of society. Particularly if like the UK have introduced in their notes, they have a braille inscription on them to define the value of a note. Digital/card transactions are all visual there is no audio content to confirm how much has been charged and therefore makes those members of society more vulnerable to fraudulent and dishonest actions being taken against them."*



Next Steps

The Department will be using the information gathered from this and other sources to provide an update on the Access to Cash Report 2022 to Tynwald, it is intended that this update report will provide options and recommended actions that should be considered.

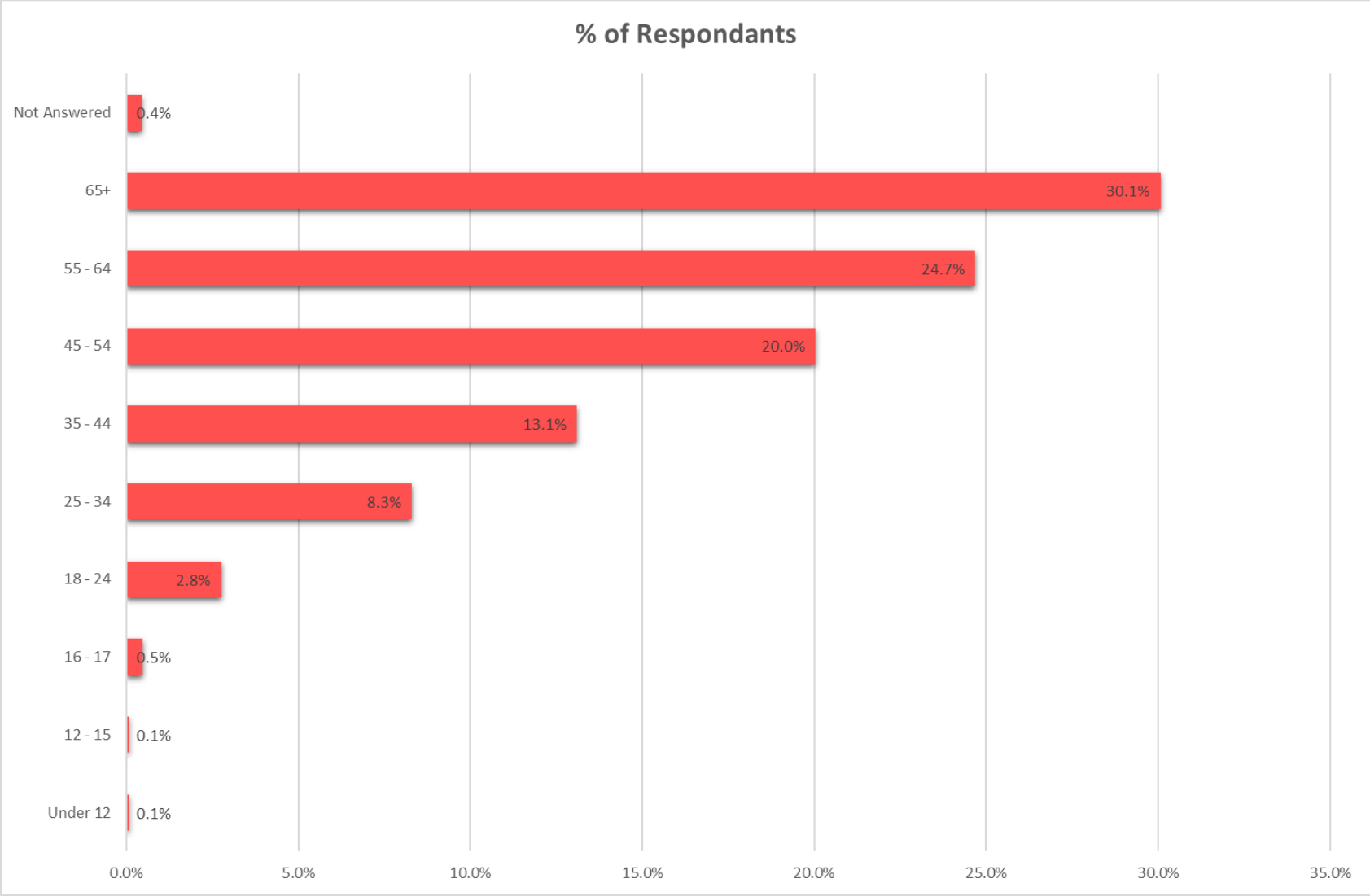




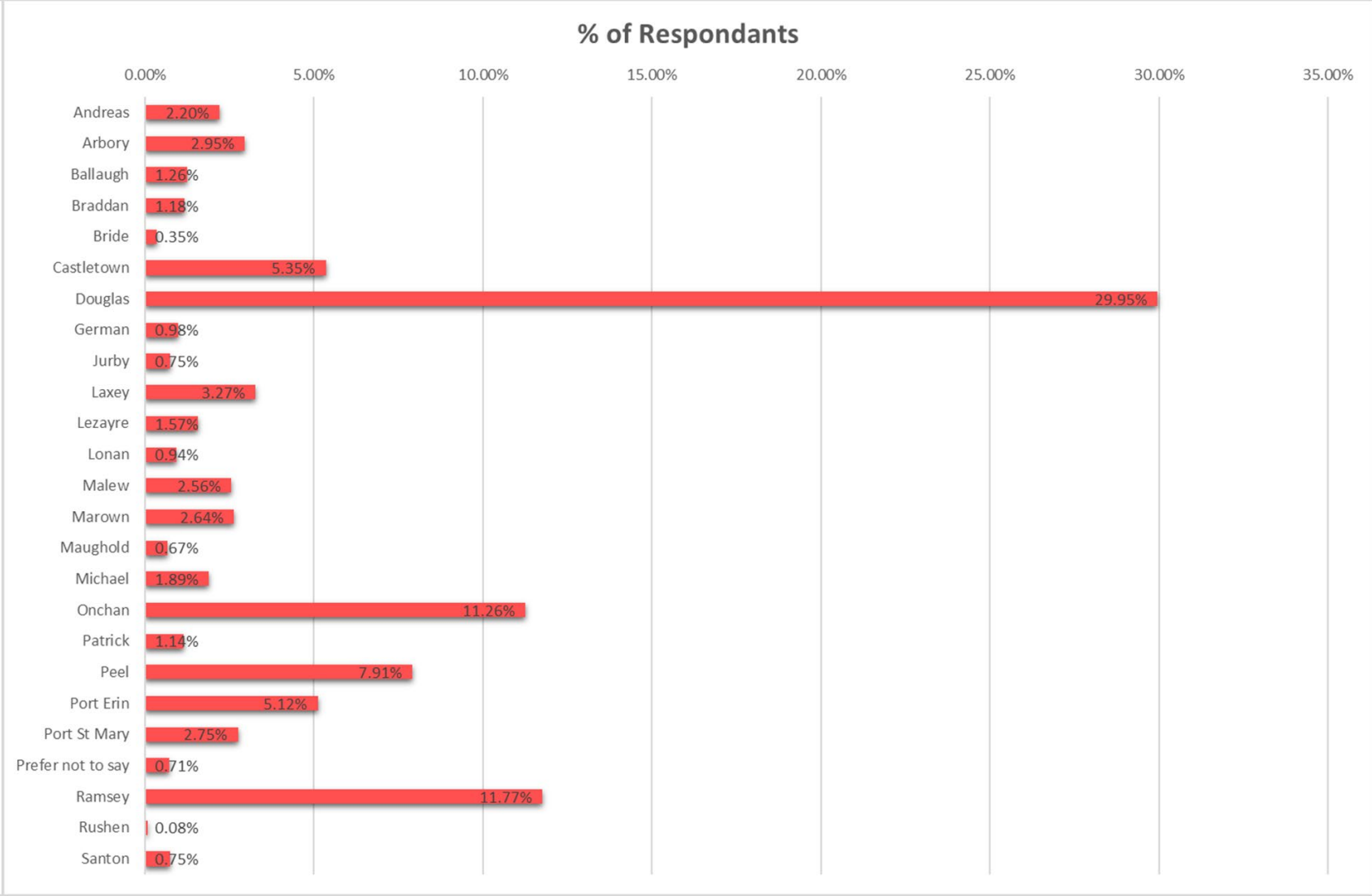
Question Responses

This section provides the raw response data to each of the questions asked:

1. What is your age?

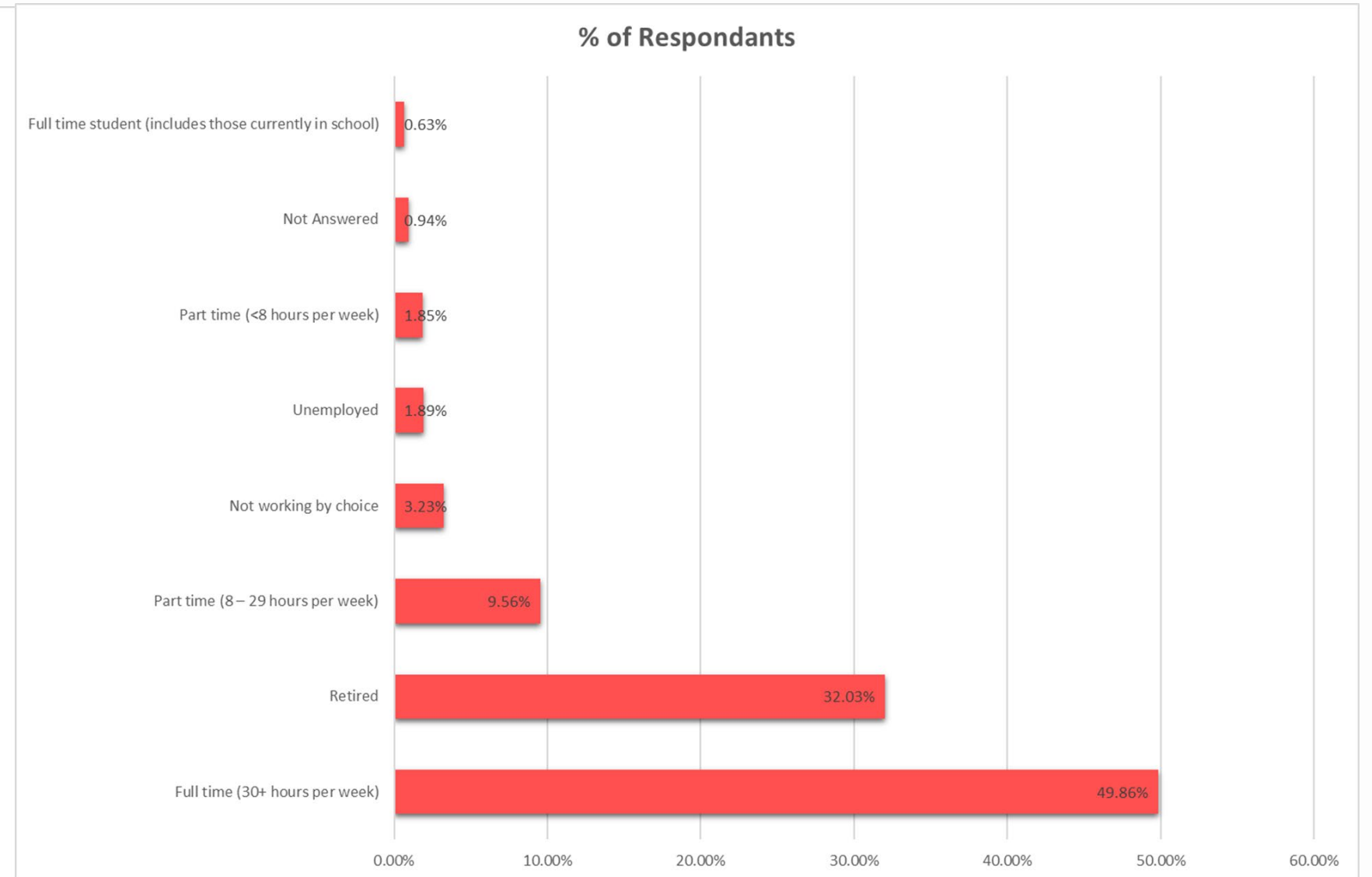
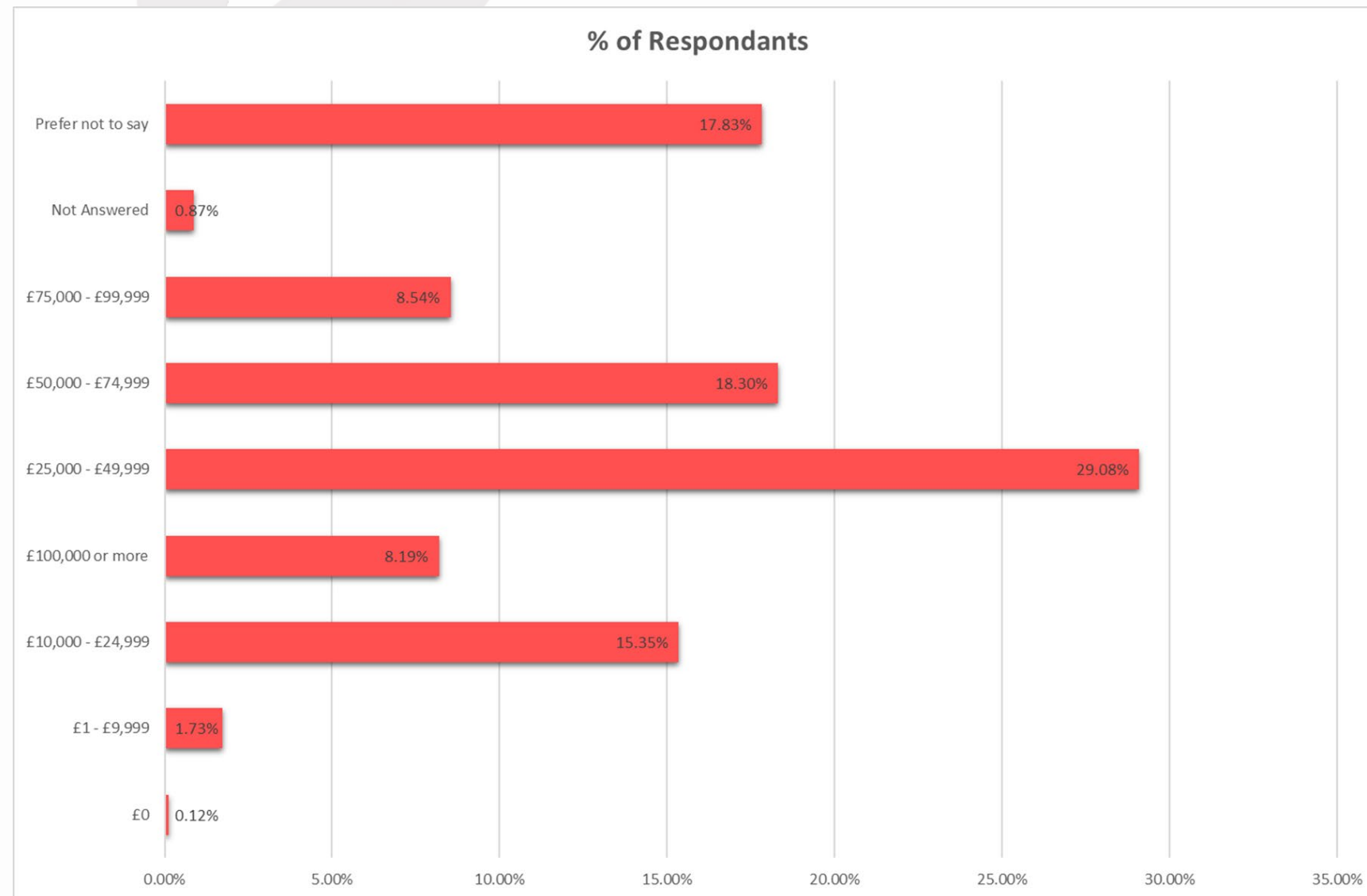


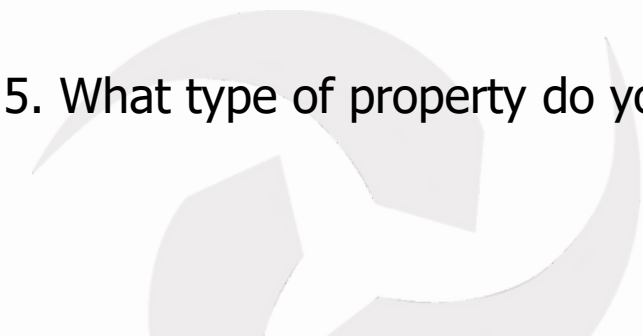
2. Where do you currently live?



3. What is your total gross household income?

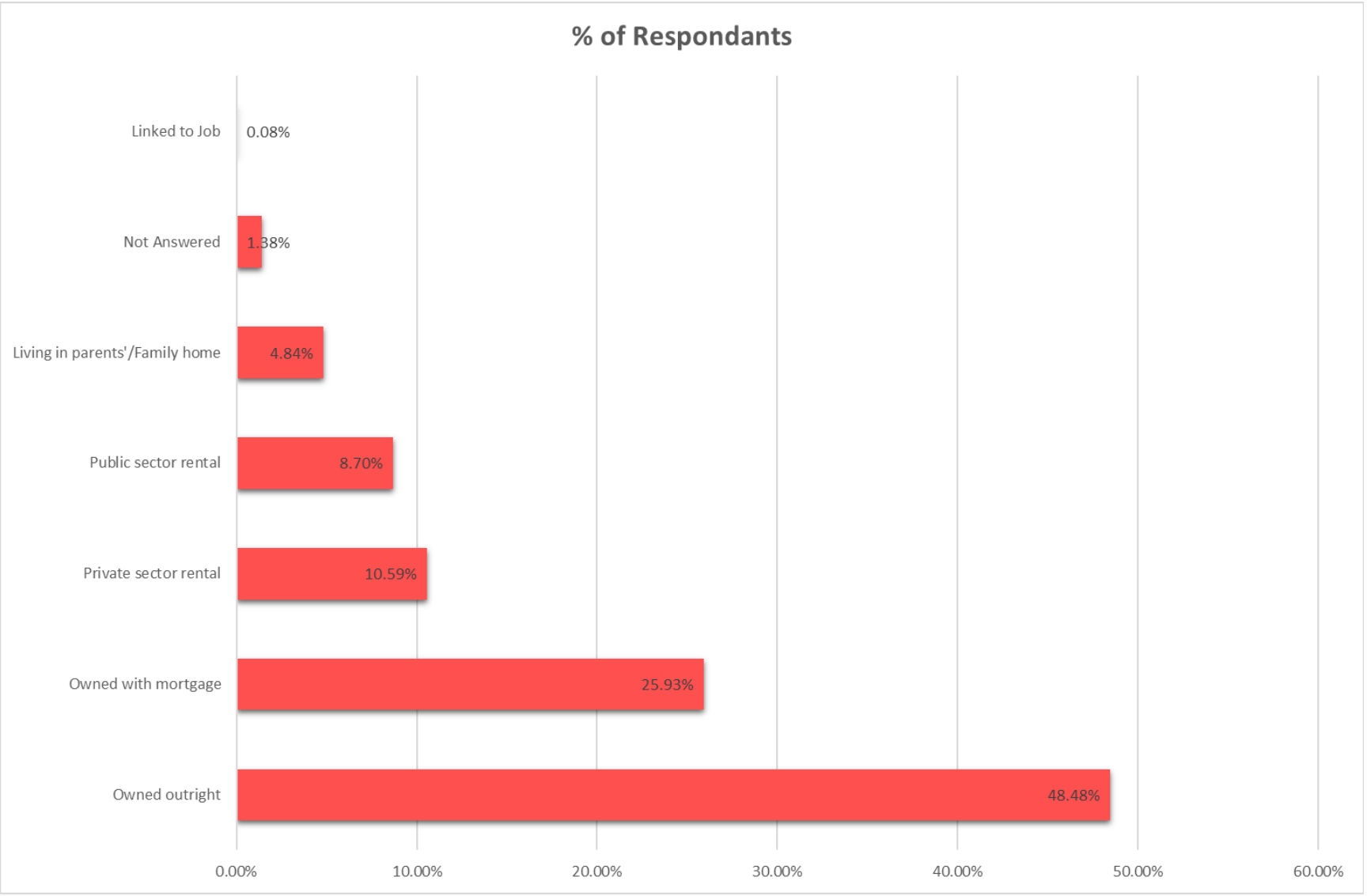
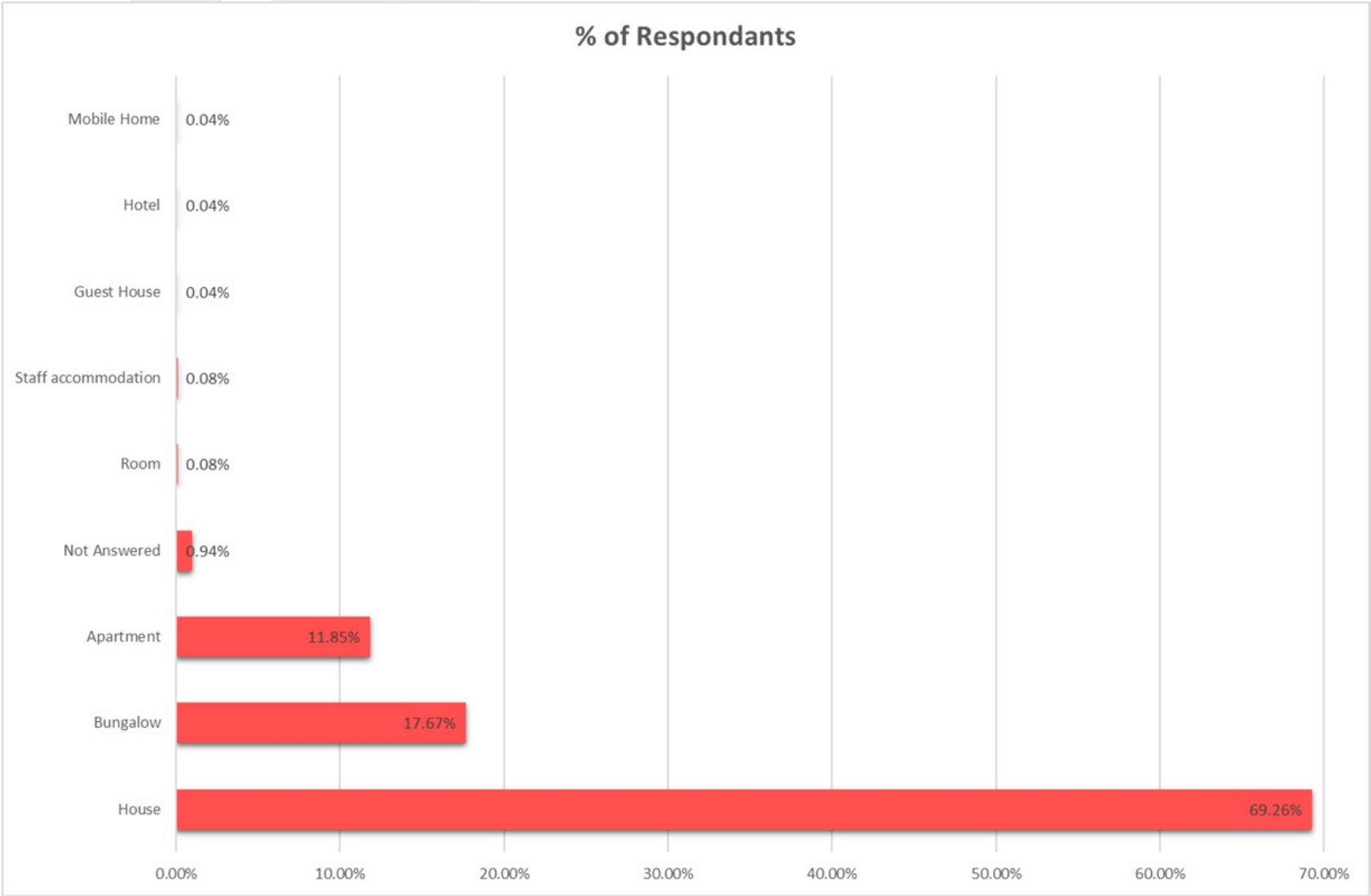
4. What is your employment status?

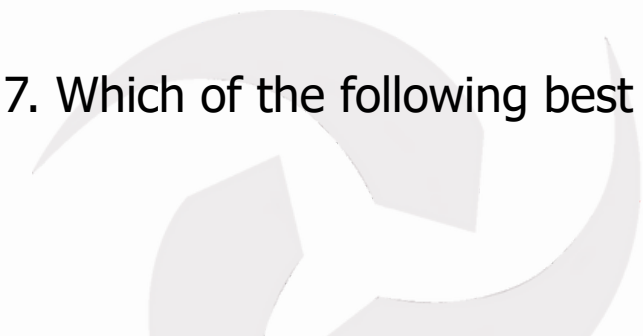




5. What type of property do you live in?

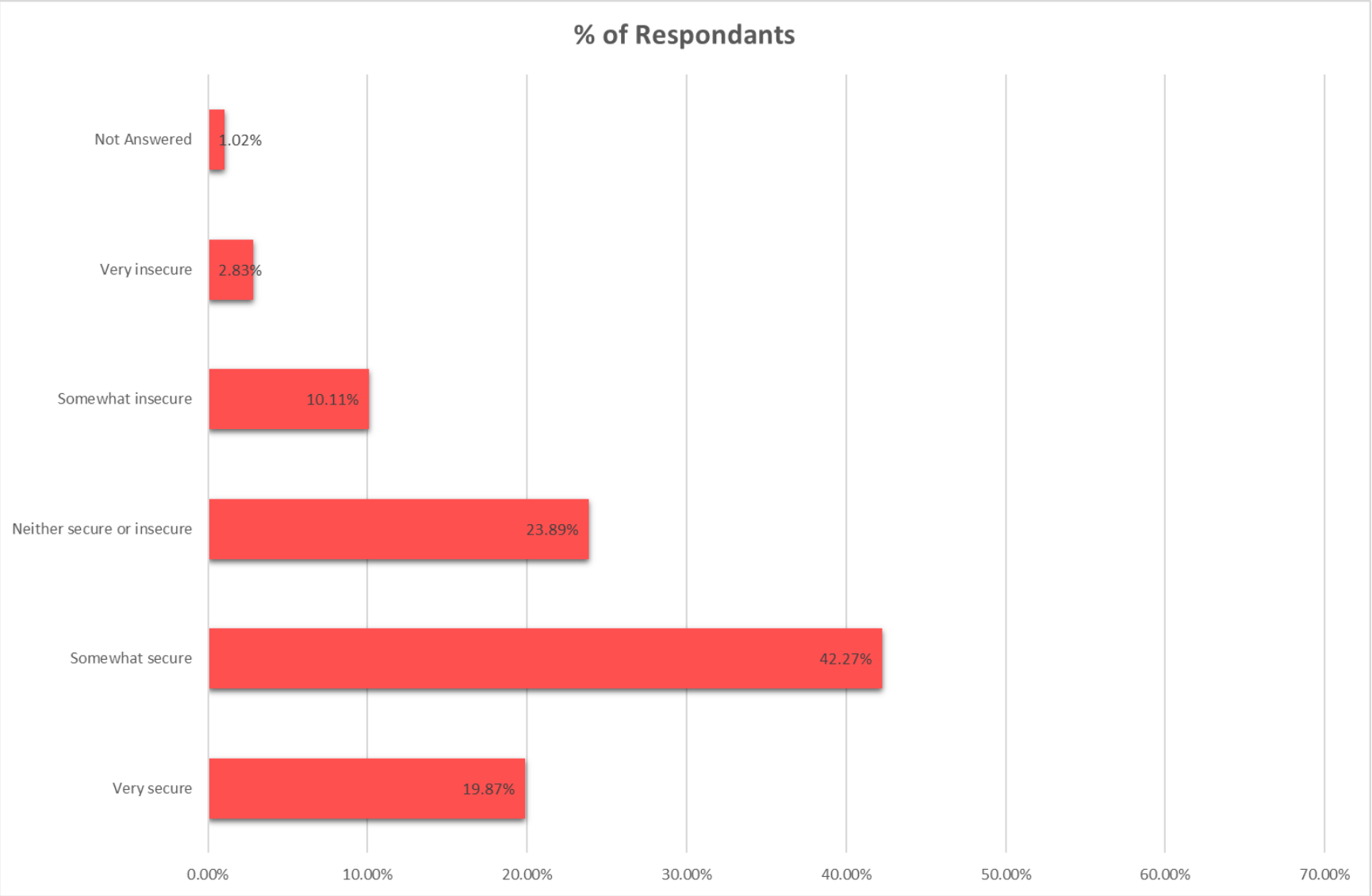
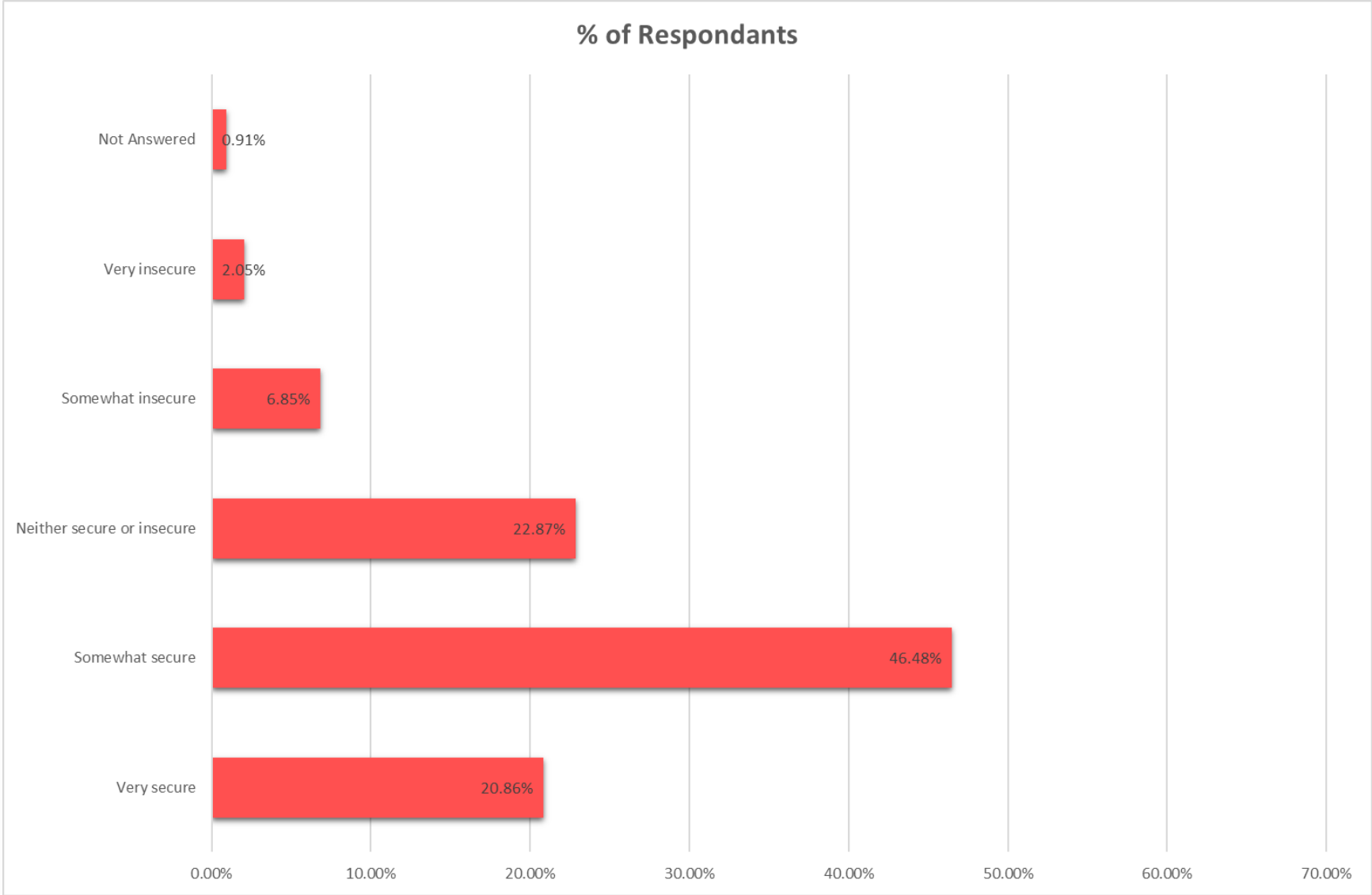
6. What is the ownership status of where you live?

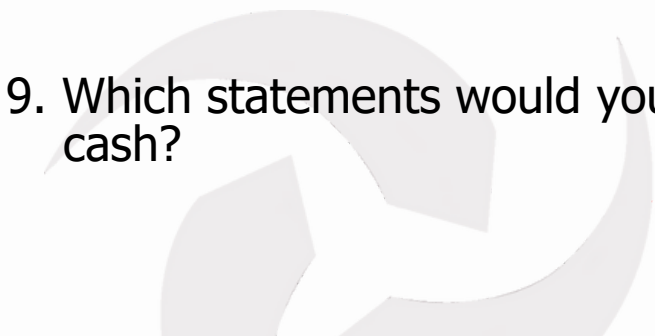




7. Which of the following best describes your financial status?

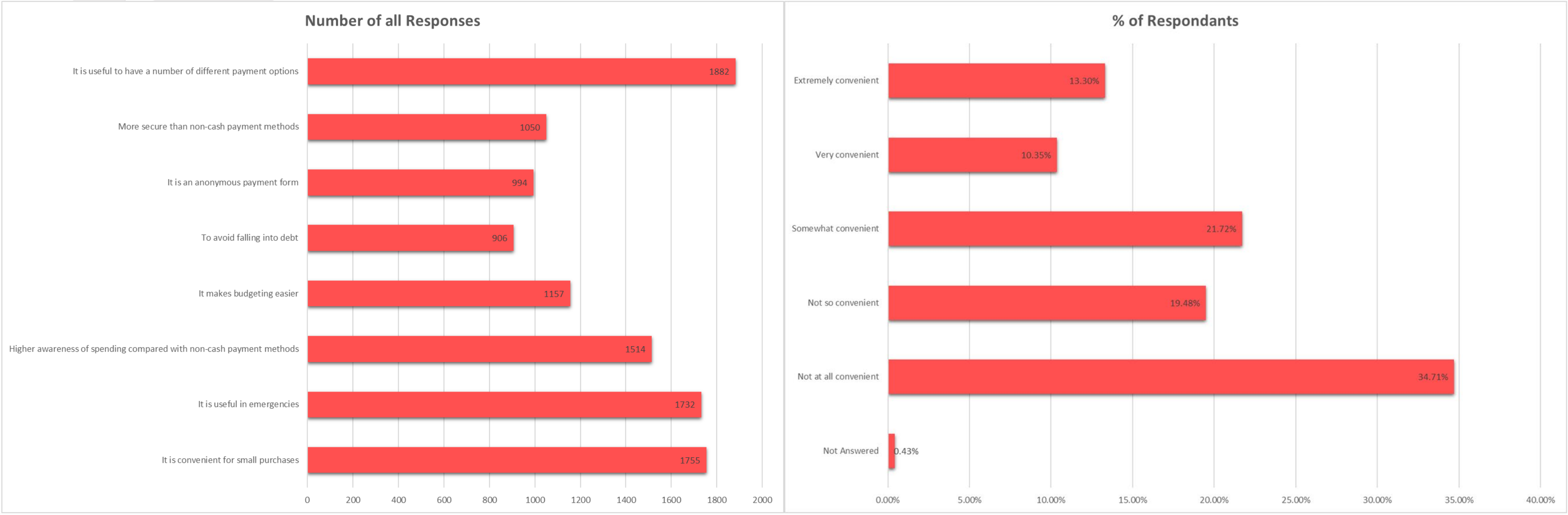
8. Which of the following might best describes your financial status in 12 months?

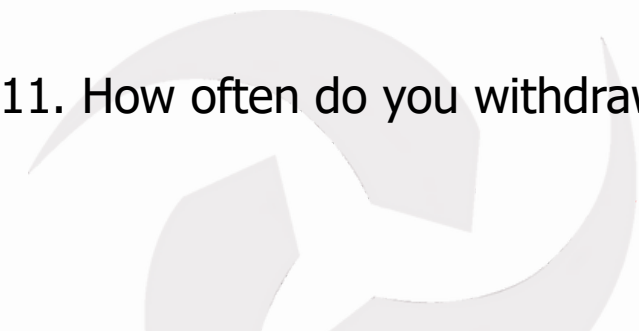




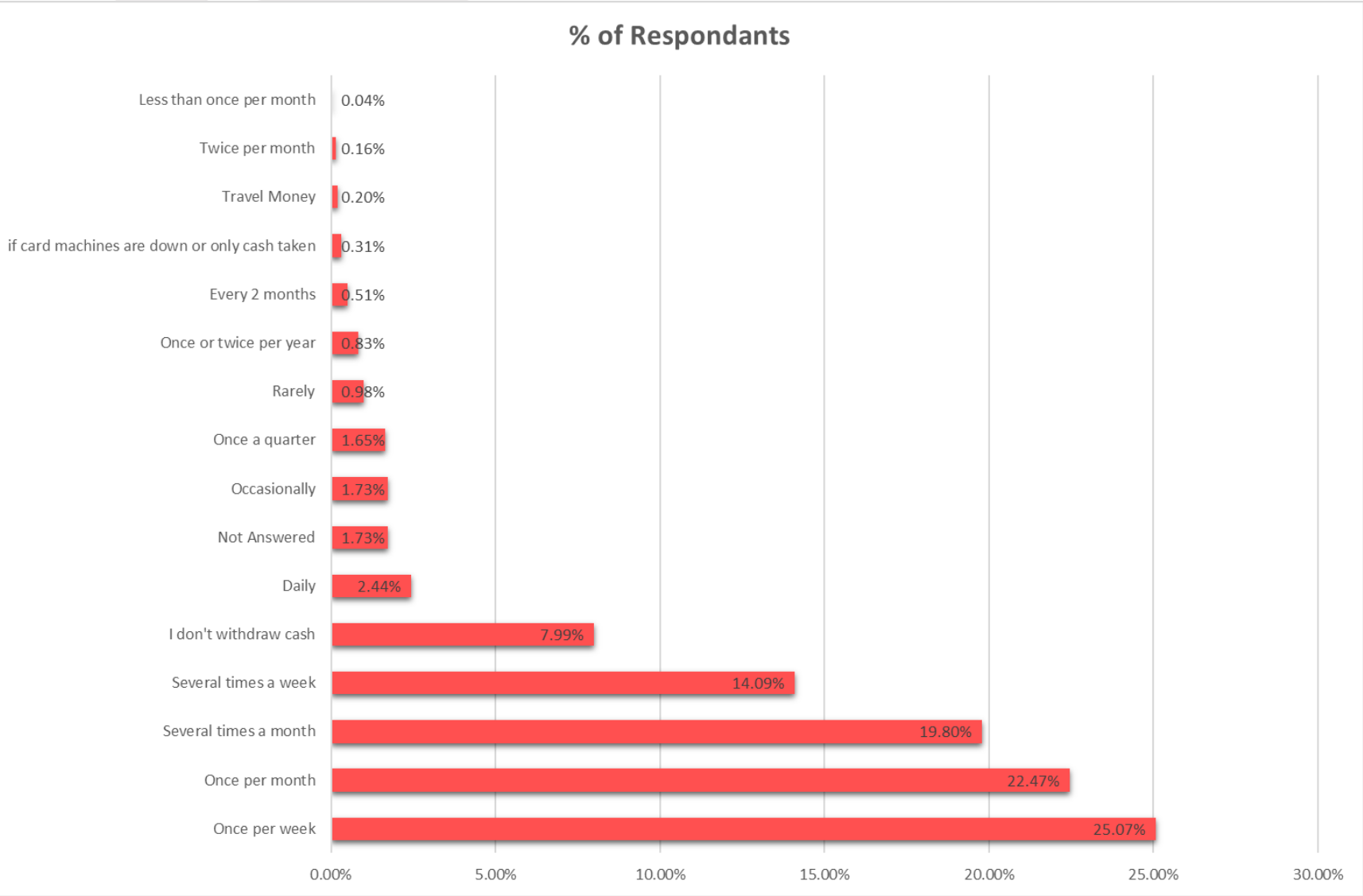
9. Which statements would you consider as being true in regards to the use of cash?

10. Which of the following describes you opinion about moving away from cash to other forms of payment?

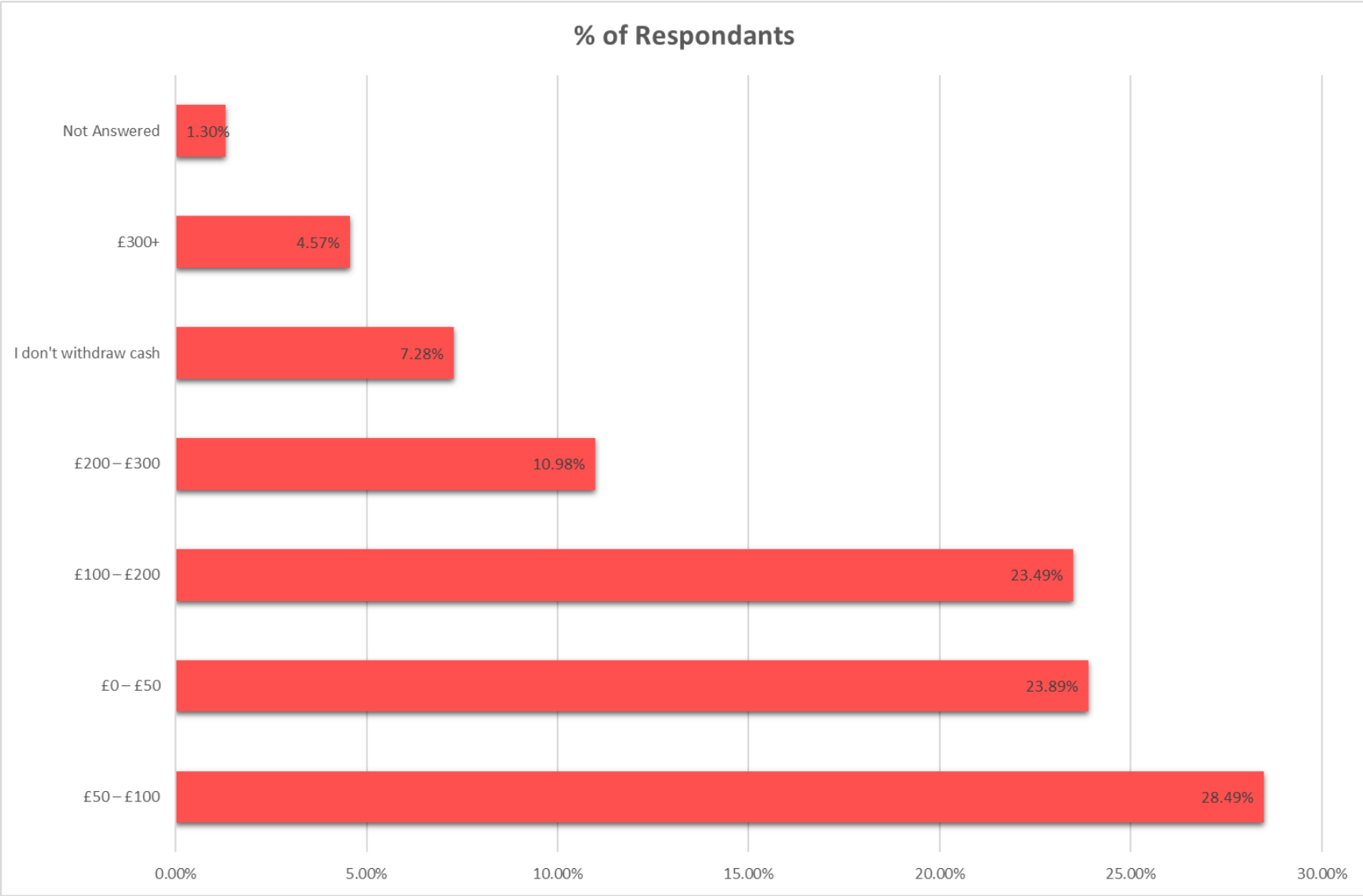


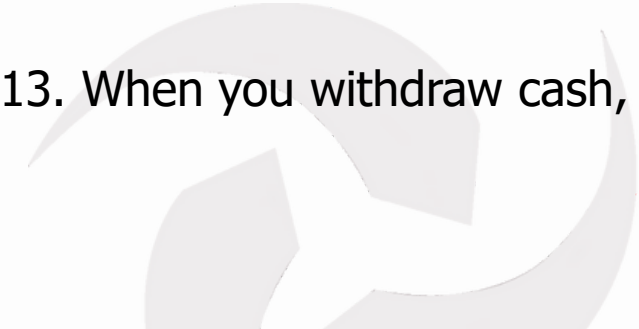


11. How often do you withdraw cash?



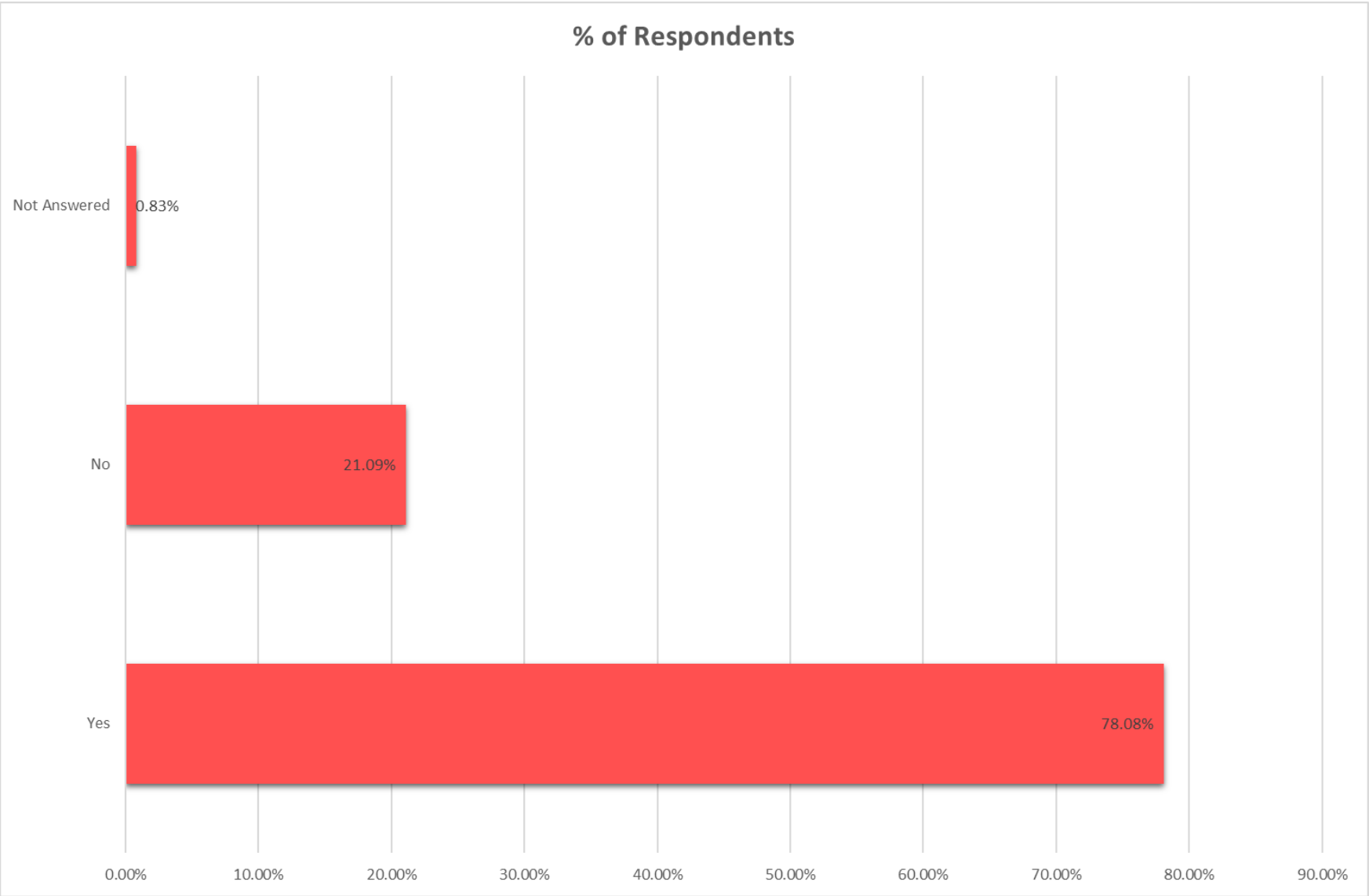
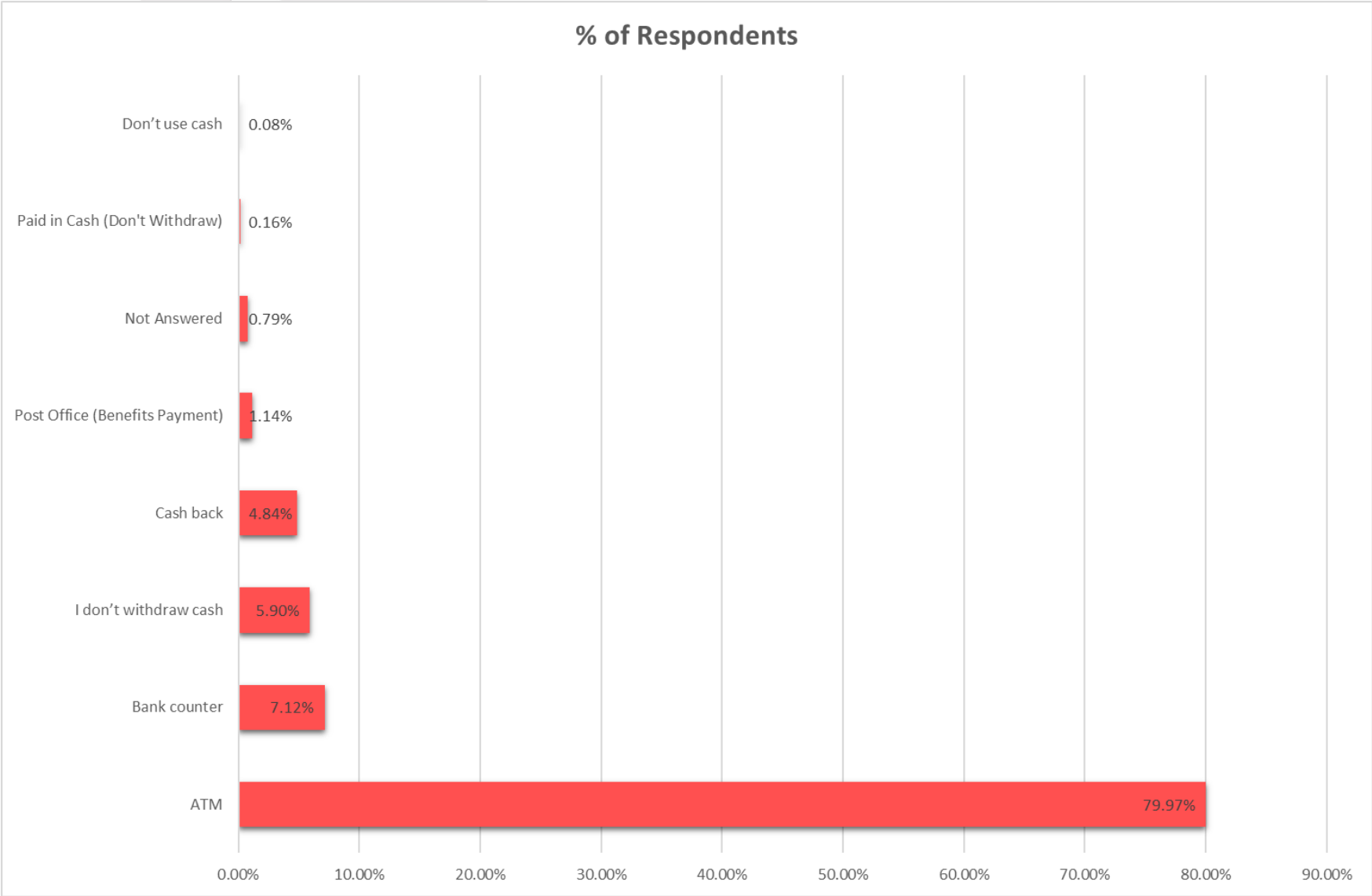
12. How much on average would you withdraw each time?

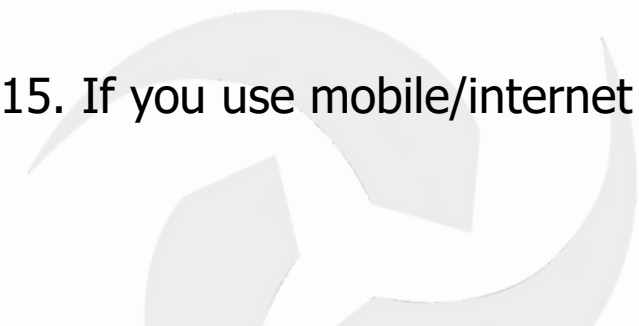




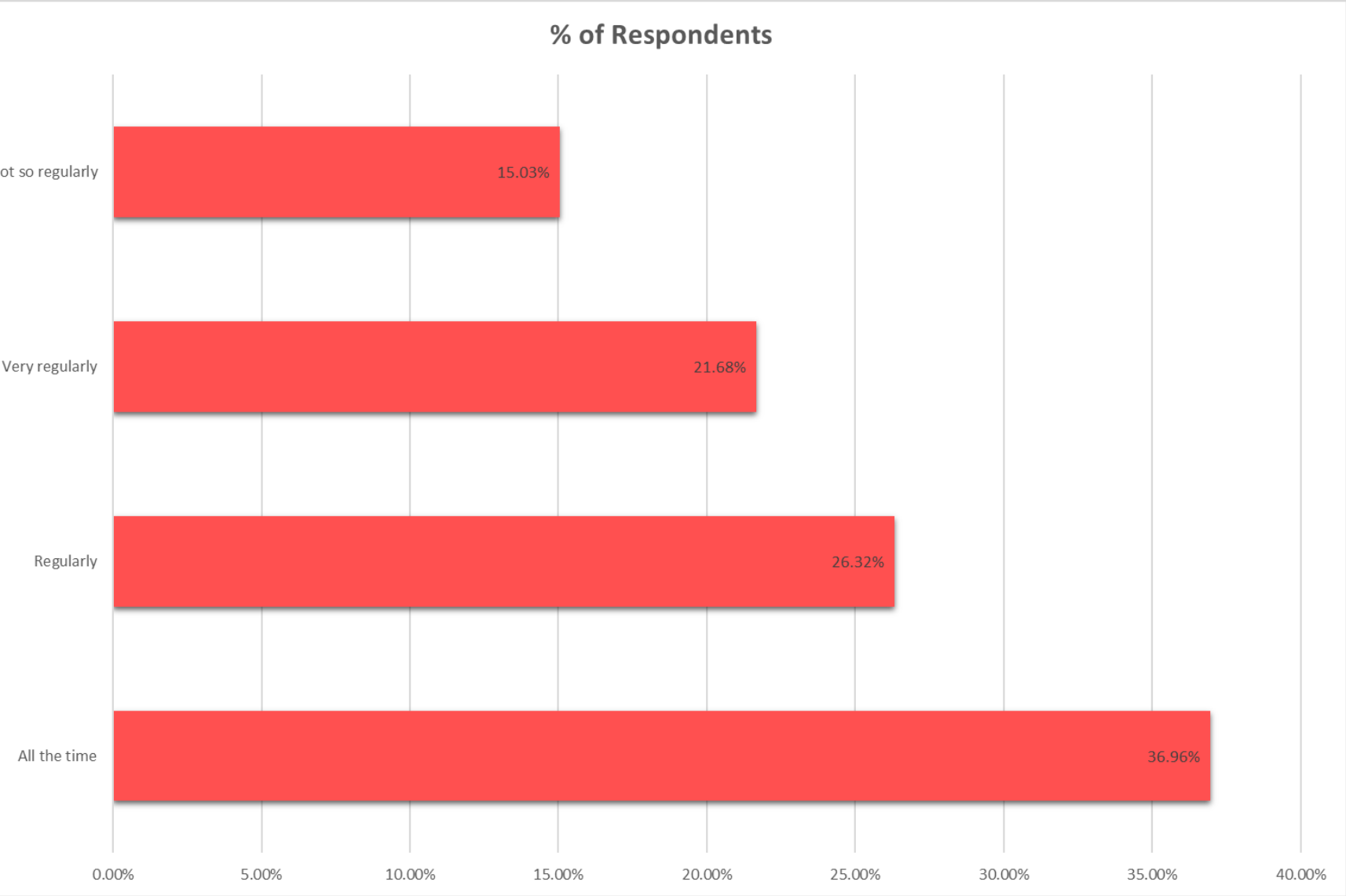
13. When you withdraw cash, where do you normally withdraw from?

14. Do you use mobile or internet banking ?

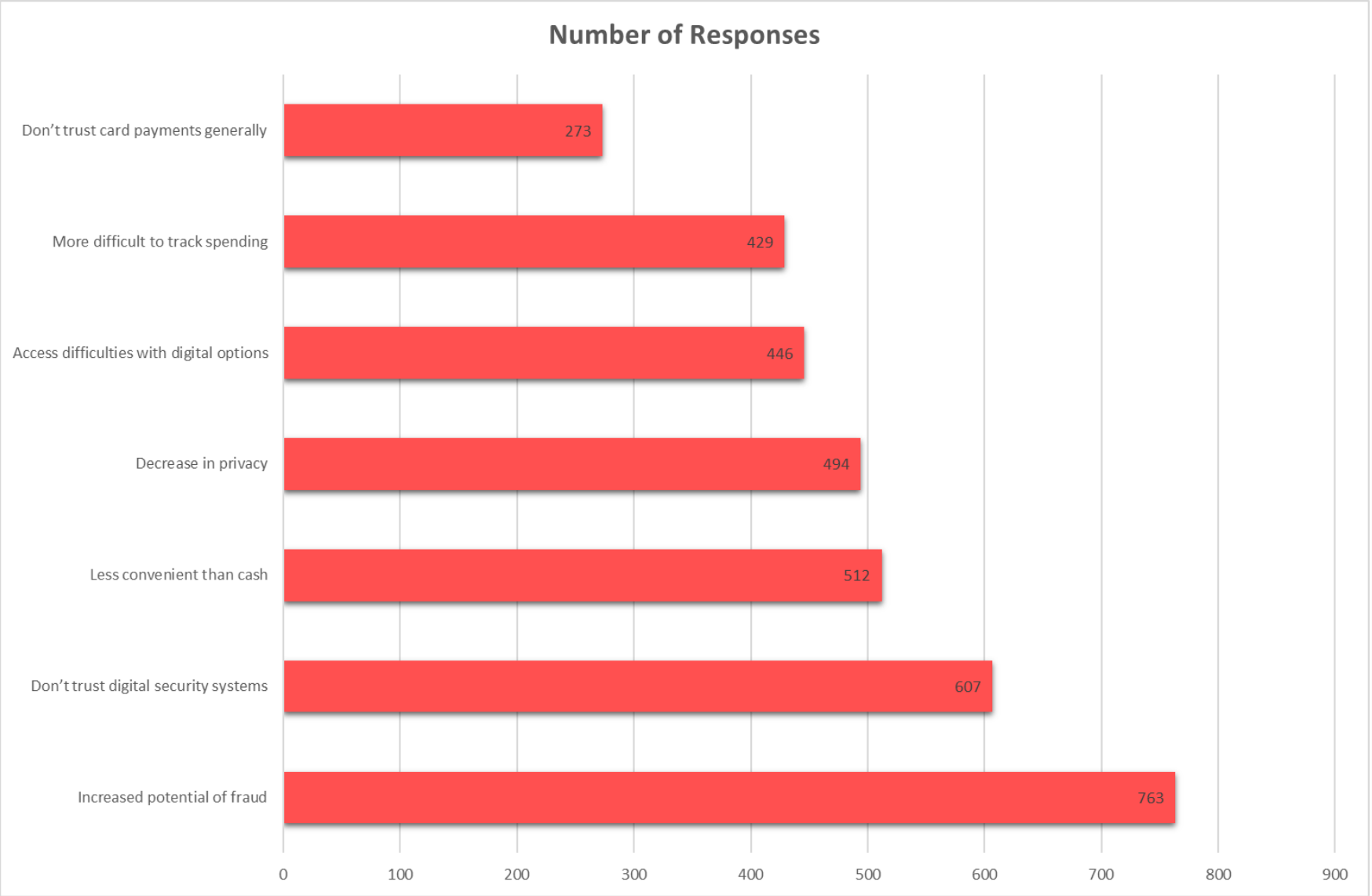


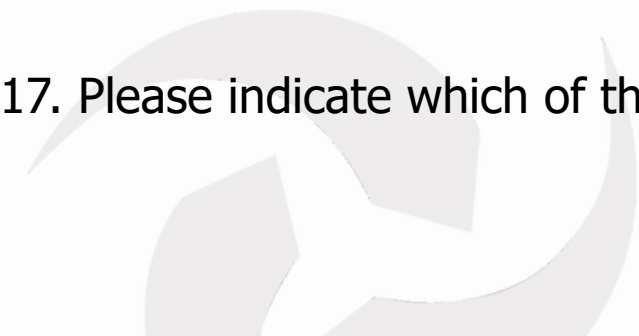


15. If you use mobile/internet banking how often do you use this?



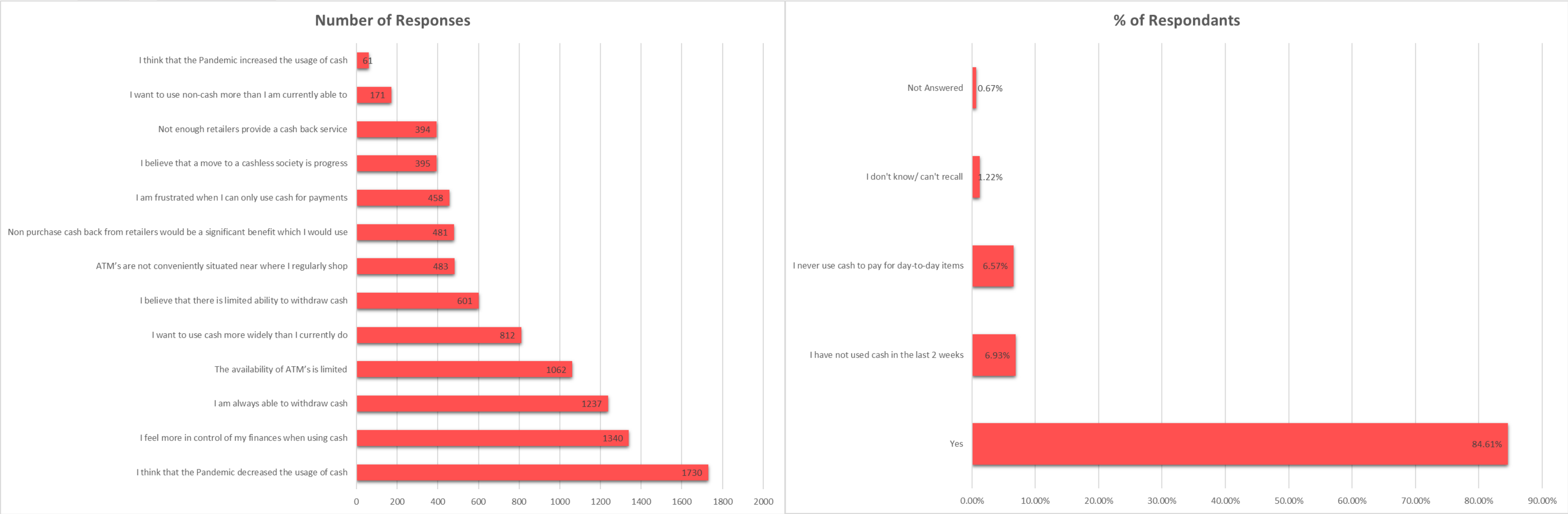
16. If you don't use mobile/internet banking options at least regularly, what are the barriers in doing so?

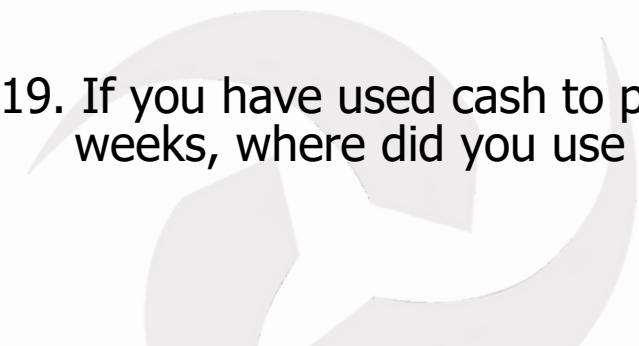




17. Please indicate which of the following applies to you?

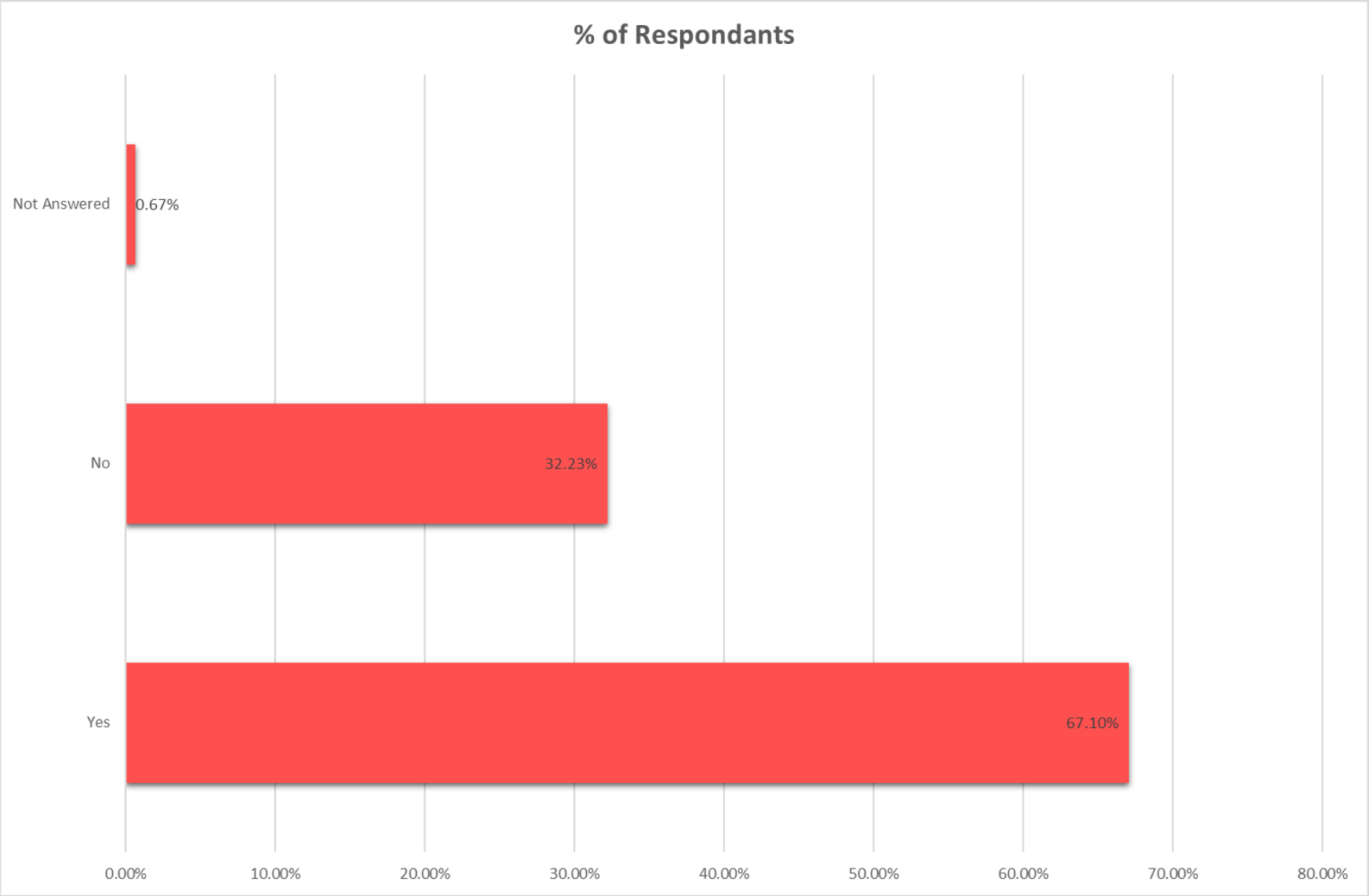
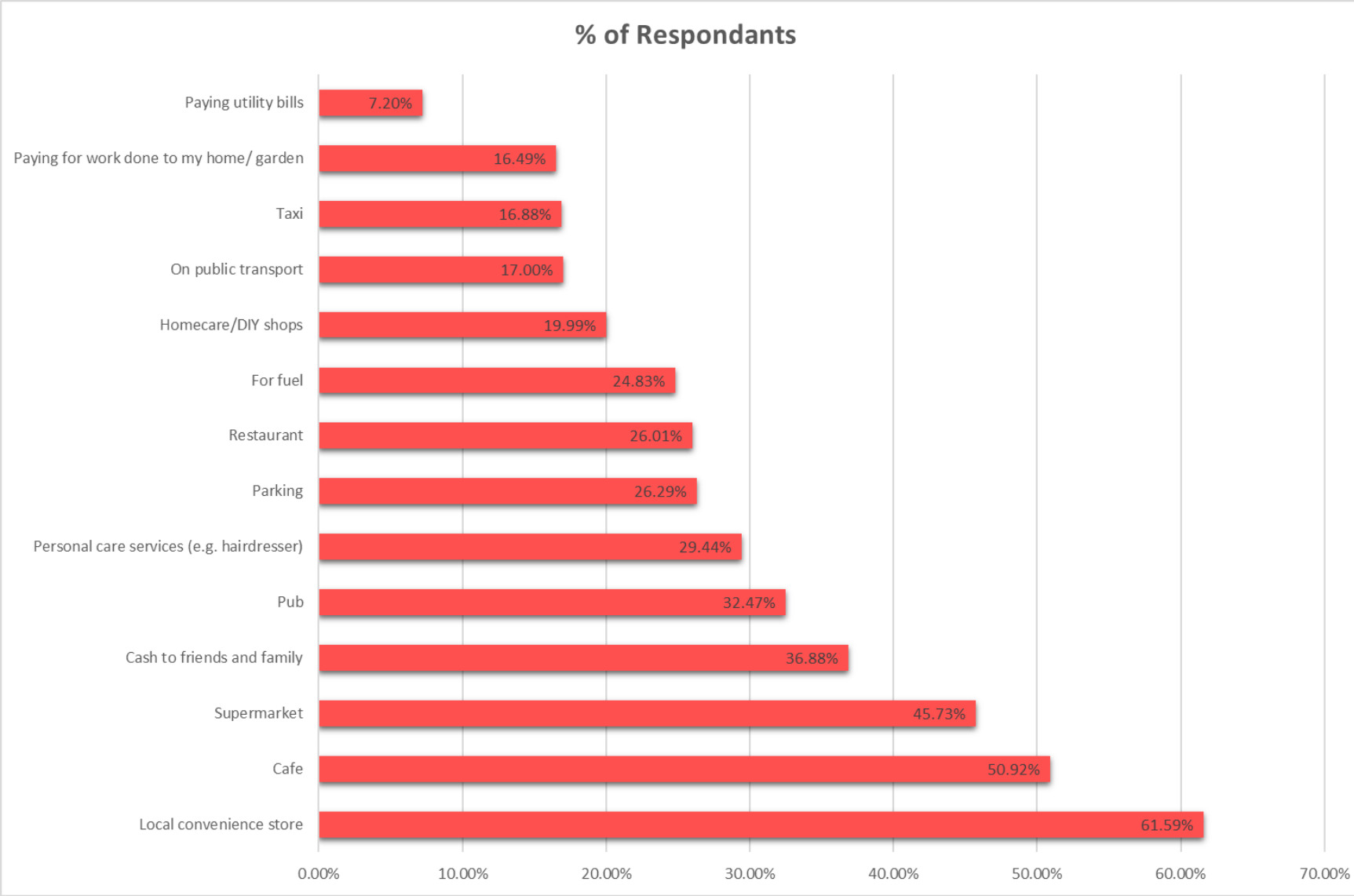
18. Have you used cash to make a purchase in the last two weeks?



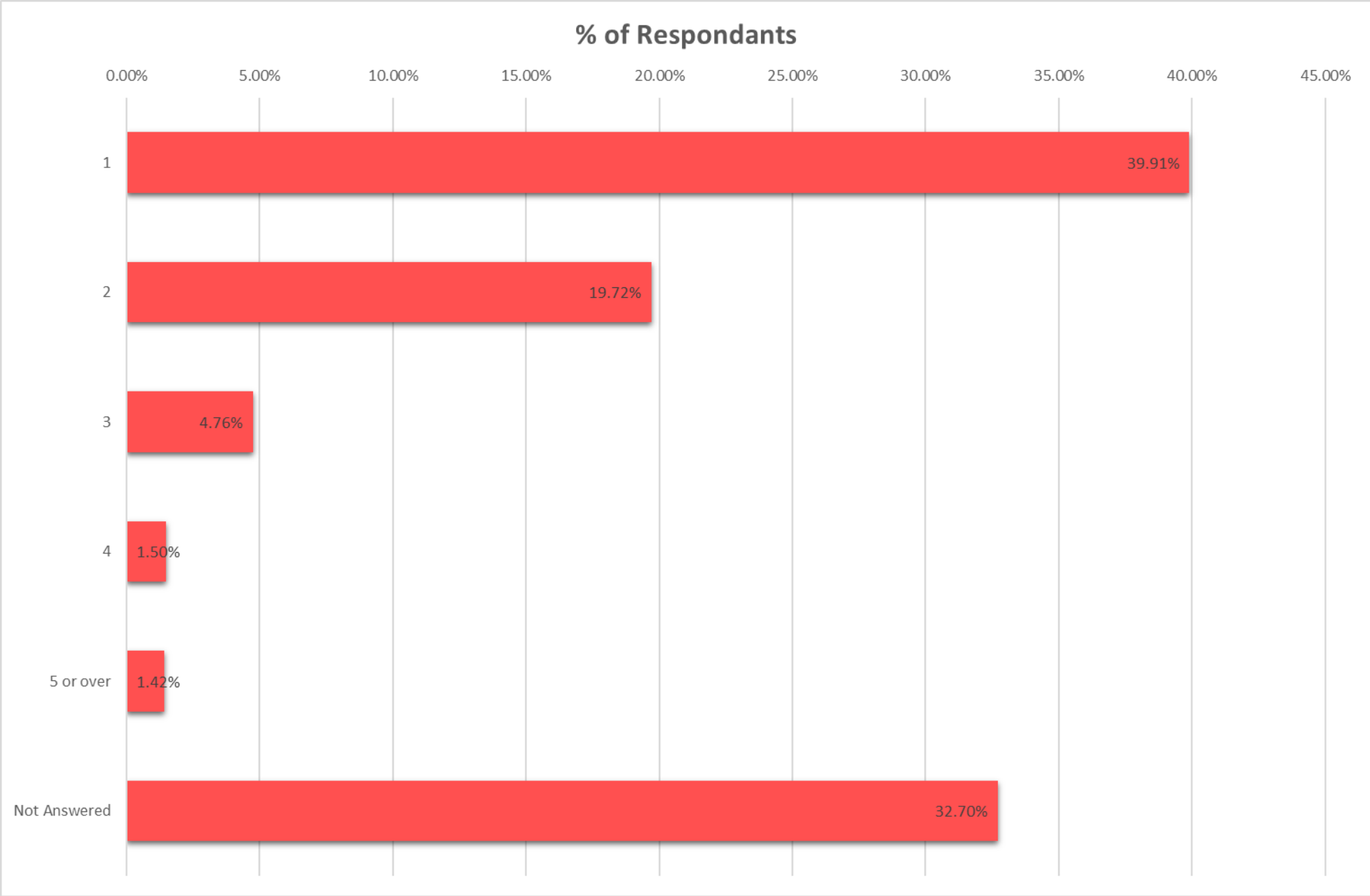


19. If you have used cash to purchase goods or services in the last two weeks, where did you use this cash?

20. Do you have a credit card?



19. If you do have a credit card, how many card accounts do you have?



DEPARTMENT FOR
ENTERPRISE





Section 1: Introduction & Background

The [Access to Cash Report 2022](#), commissioned by the Department for Enterprise, was published in January 2022. The report was developed as a result of the major shifts in how consumers and businesses are using cash, with the pandemic being a catalyst for change. The report's key goals were to review the current access to cash landscape on the Isle of Man, to review opportunities within the current cash networks and to look at developing recommendations to improve cash access for the island's residents, charities and businesses whilst maintaining community services.

As a result of the publication of the Access to Cash Report, a survey for business was developed to collect information on a number of key topics to inform and support with the development of future work within the Department, specifically related to the acceptance and use of cash and digital payment options across the Isle of Man.

This public survey collected information to assess the levels of cash taken by businesses, the barriers businesses face when accepting and banking cash, the use of digital/mobile payment solutions and a review of options around cashback services. These topics were included to ultimately address the below actions for the Department for Enterprise from the original Access to Cash Report.

Department for Enterprise key actions to address:

- 2. Survey – The Department will work further with Business Isle of Man and industry (e.g. Chamber of Commerce) to assess the amount of cash taken in by businesses outside of Douglas to understand how it is banked and seek to understand any problems this may cause.
- 6. Enhanced Cashback Services – The Department will take forward this recommendation via Business Isle of Man in association with the Treasury and the Island's retail sector.
- 8. The Department, via Enterprise Support, will develop a support scheme to encourage the adoption of digital payment solutions by small businesses and charities/third sector organisations.

This survey was designed for owners or managers of Isle of Man based local businesses who take payments for goods or services online or in-person. The survey launched on 14th June 2023 and was closed on 15th September 2023. A total of 124 responses were received from a wide range of businesses over this time providing a good level of feedback on this important topic.



Key Findings

1. Acceptance/Processing of Cash and Banking Services

- **82%** Accepted Cash as a form of payment for products or services in their business/organisation

Businesses who do not accept cash

- The primary reason businesses did not accept cash payments was they were **operating online only**.
- Of those businesses who restricted cash payments for their customers, overall no adverse impacts were experienced.
- Over **75%** of businesses who do not accept cash would not consider accepting it in the future.

Businesses who do accept cash

- **80%** do not foresee their business/organisation ever restricting cash usage.
- Only **6%** were currently reviewing cash acceptance or had plans to stop accepting cash in the next 1-3 years.
- Over the last financial year, for businesses/organisations responding **31%** of sales were cash payments vs **69%** which were non-cash payments.
- **30%** of businesses visited a bank once a week to pay in cash/collect change with **3%** visiting a bank daily.
- Key challenges faced when banking cash or collecting change is the lack of access to local banks, cost related to travel and high costs for depositing cash and change. Overall, the processing of cash was described as a **time-consuming operation**, negatively affecting business activities.

2. Adoption of Digital Payment Solutions

- **94%** Accepted credit/debit cards, mobile or digital payments.

Businesses who do not accept digital payments

- The primary reasons businesses did not accept digital payments were customer preference for cash, transaction charges and nature of business.
- In regards to support to overcome key barriers to accepting digital payments key solutions included lowering of transaction costs association with non-cash payments, increased training to setup digital payment options and support to get the hardware at a more affordable price.

Businesses who do accept digital payments

- **88%** of business accepted debit/credit cards, **72%** accepted mobile payments and **69%** accepted online bank transfers.
- Key barriers to increasing cashless transaction in the future included customer preference for using cash, access to payment providers on the Isle of Man and high transaction charges.
- **20%** of respondents saw no perceived barrier to increasing cashless transactions in the future.
- **57%** expected an increase in credit/debit cards, mobile or digital payments in the future.
- **74%** of businesses had no minimum spend values for card/mobile payments.
- **Sumup, Worldpay and Paypal** were the leading digital payment providers however it was clear there was a significant lack of choice and variety of providers operating on the Island.
- There is significant issues within banking and access to payment providers for businesses located on the Island, which need to be address to help improve growth opportunities and reducing barriers to operating.

3. Enhanced Cashback Services

- Only **12%** of respondents provided cashback to customers at present

Businesses who do not provide cashback to customers

- Top reasons prohibiting cashback to customers include not holding sufficient levels of cash in tills, risks of fraud and businesses not accepting cash/trying to reduce cash usage from the business.

Businesses who do provide cashback to customers

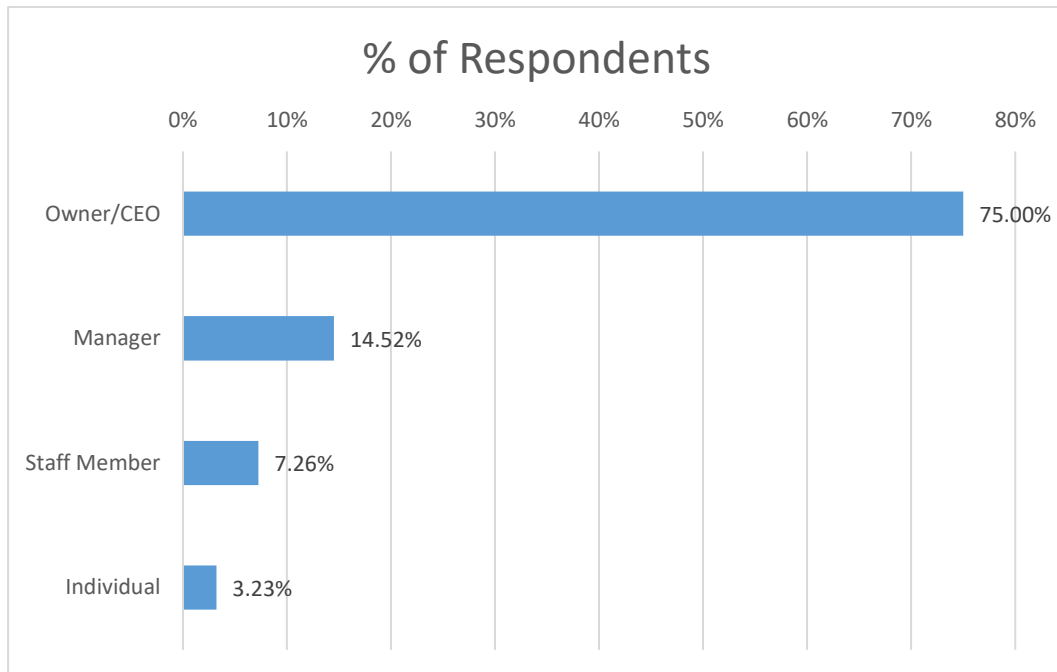
- Perceived benefits include supporting with cash management, reducing lodgement charges at banks, may increase footfall to stores and supporting vulnerable customer who require cash.
- **45%** of respondents stated one of the key barriers is not holding sufficient levels of cash in tills with **18%** highlighting the key barrier as risk of fraud.
- **46%** would like to offer cashback services without purchase however, **30%** selected "Don't know" demonstrating there was a lack of understanding around this question.

Key additional comments: Resistance to a cashless society, Importance of cash in the retail environment, Challenges around digital payment options, Barriers to business, Increased Government support.

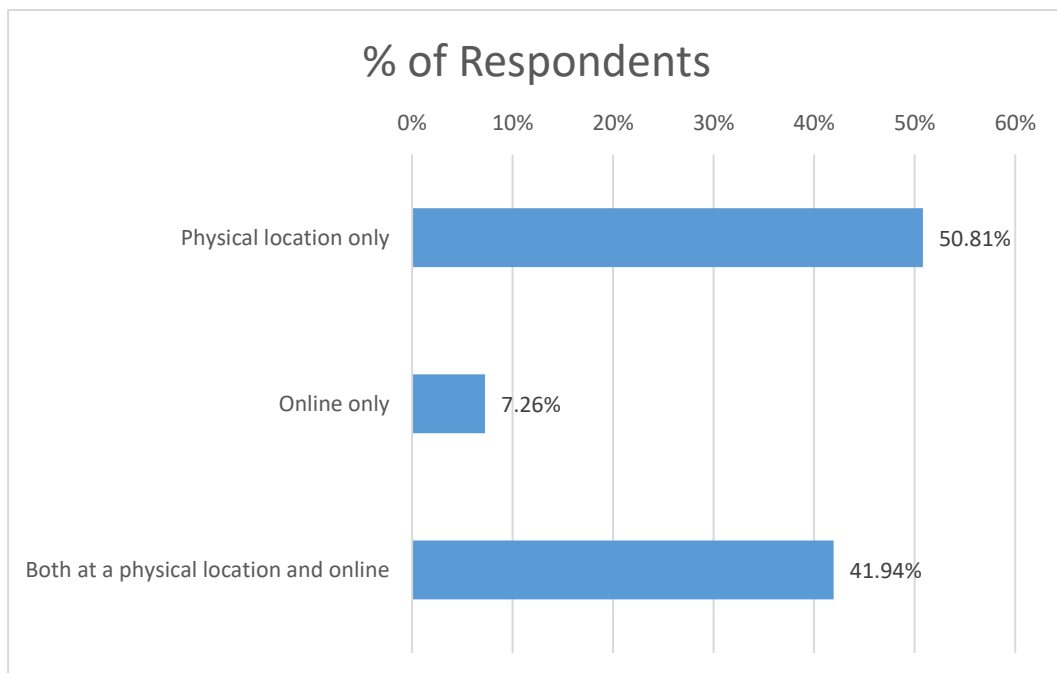
Question Responses

Section 2: Business Profile

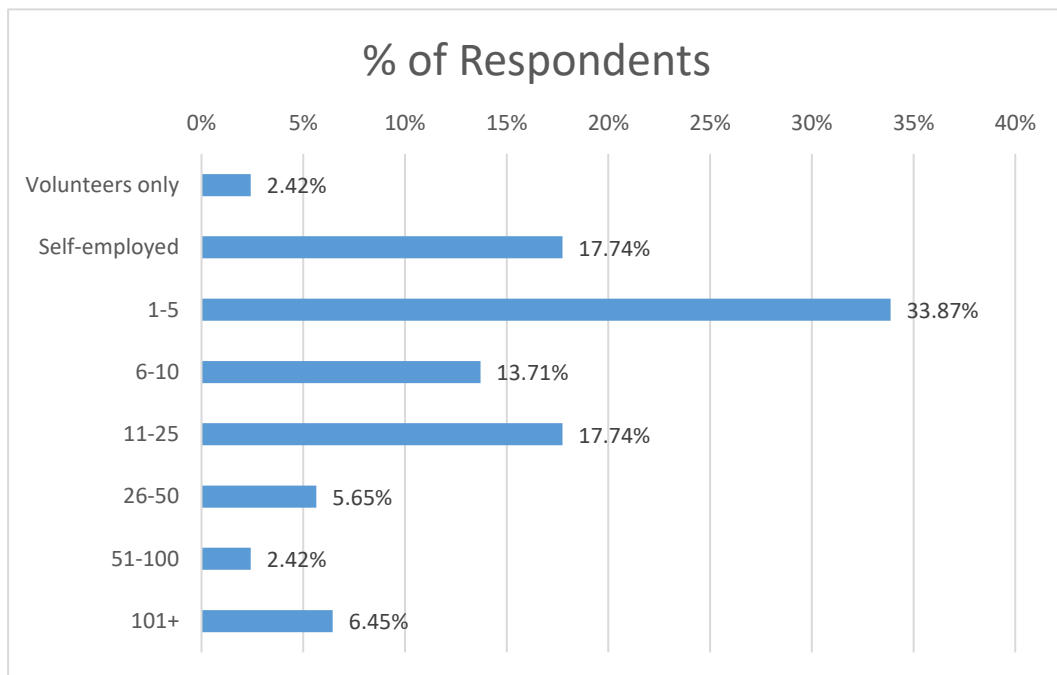
1. What is the position within the business/organisation of the individual completing this online survey?



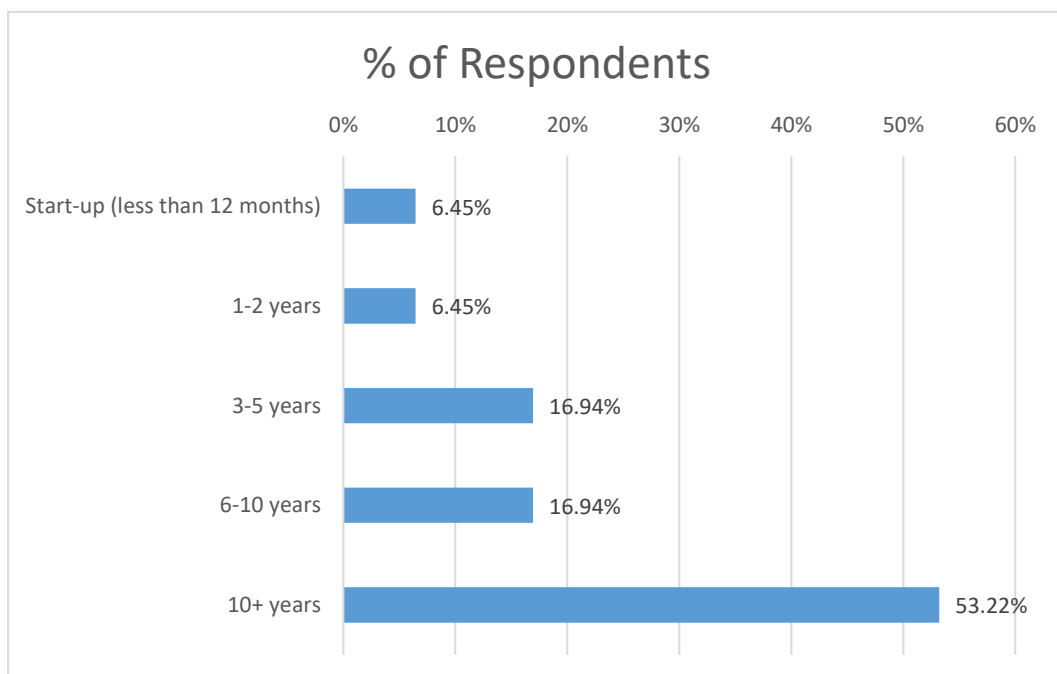
2. Does your business/organisation operate from a physical location or virtually online?



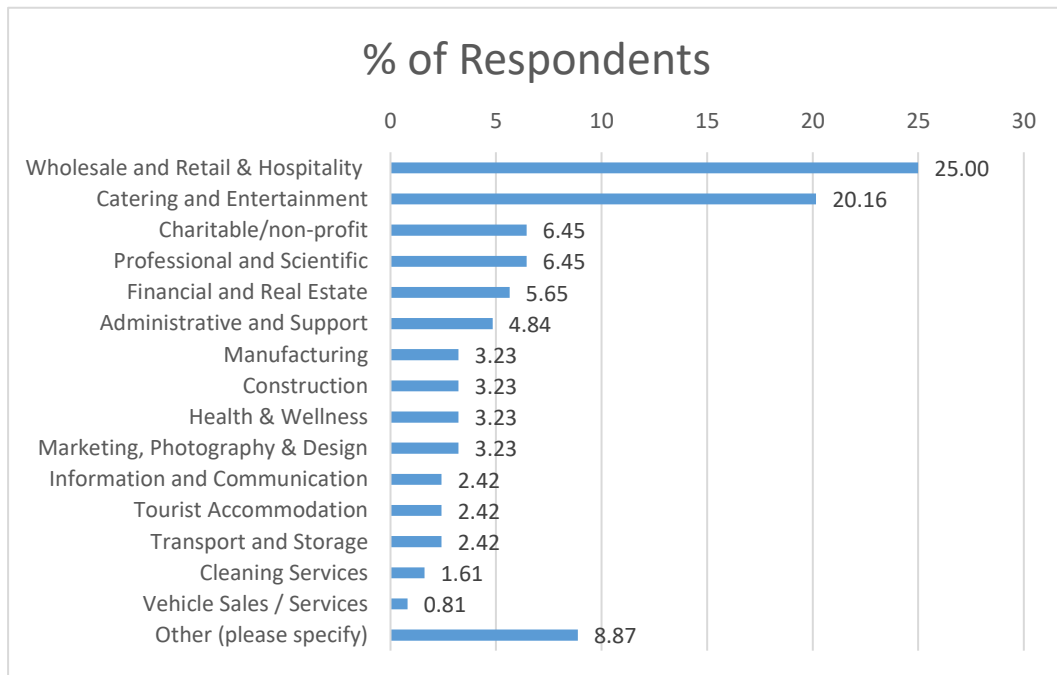
3. How many employees does your business/organisation currently have?



4. How long has your business/organisation been in operation?

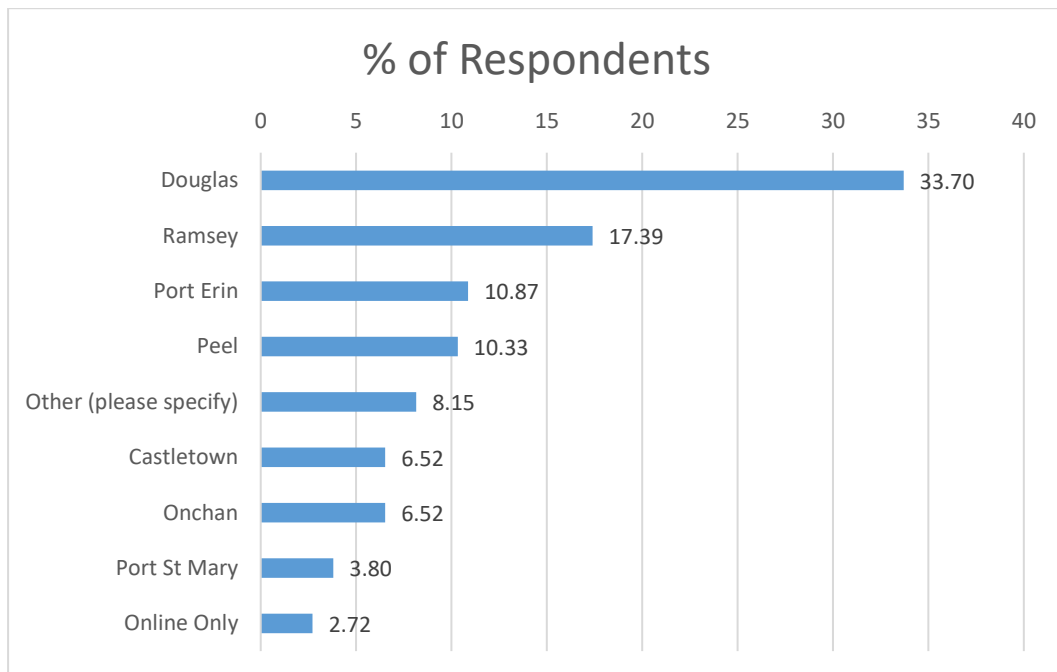


5. What is your primary business/organisation activity?



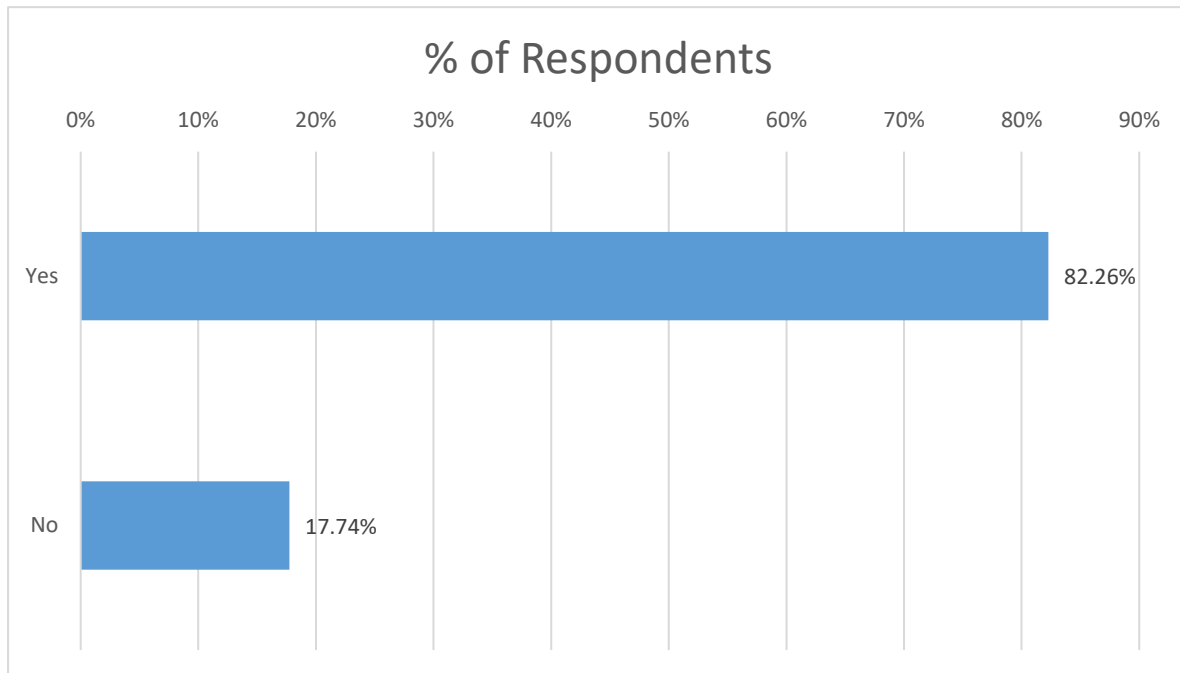
6. Where on the Isle of Man is your business/organisation located?

If your business operates across multiple sites please tick all that apply.



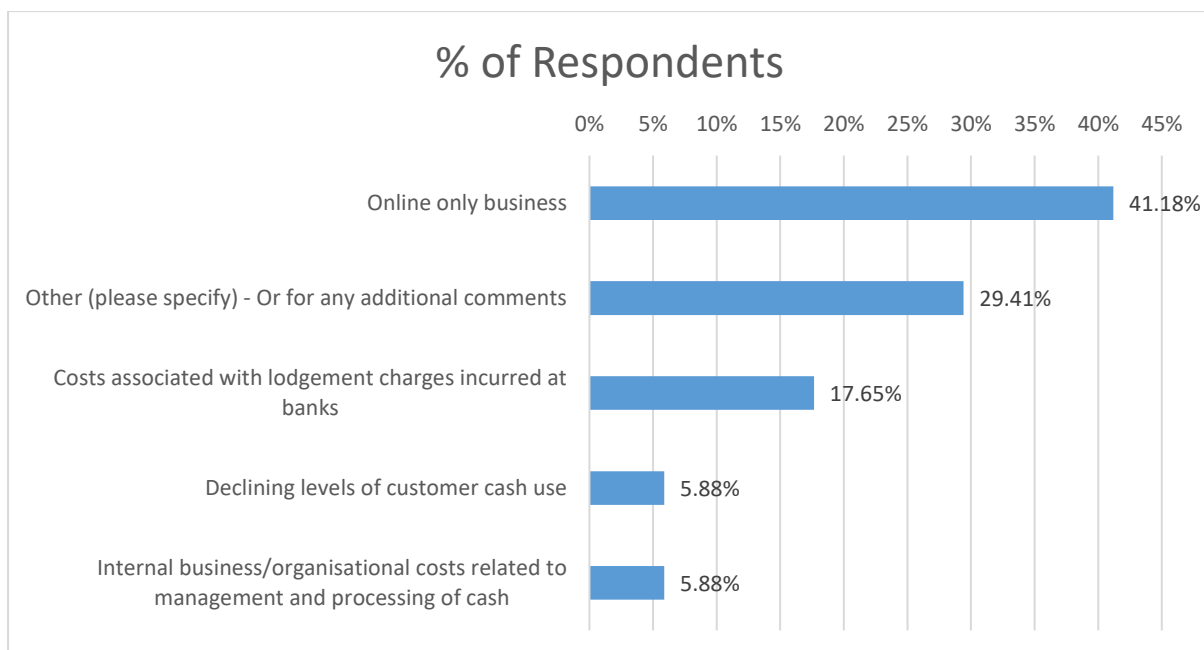
Section 3: Acceptance/processing of cash and banking services

7. Do you currently accept cash as a form of payment for products or services in your business/organisation?



*Responses from survey participants who **do not** accept Cash as a form of payment:

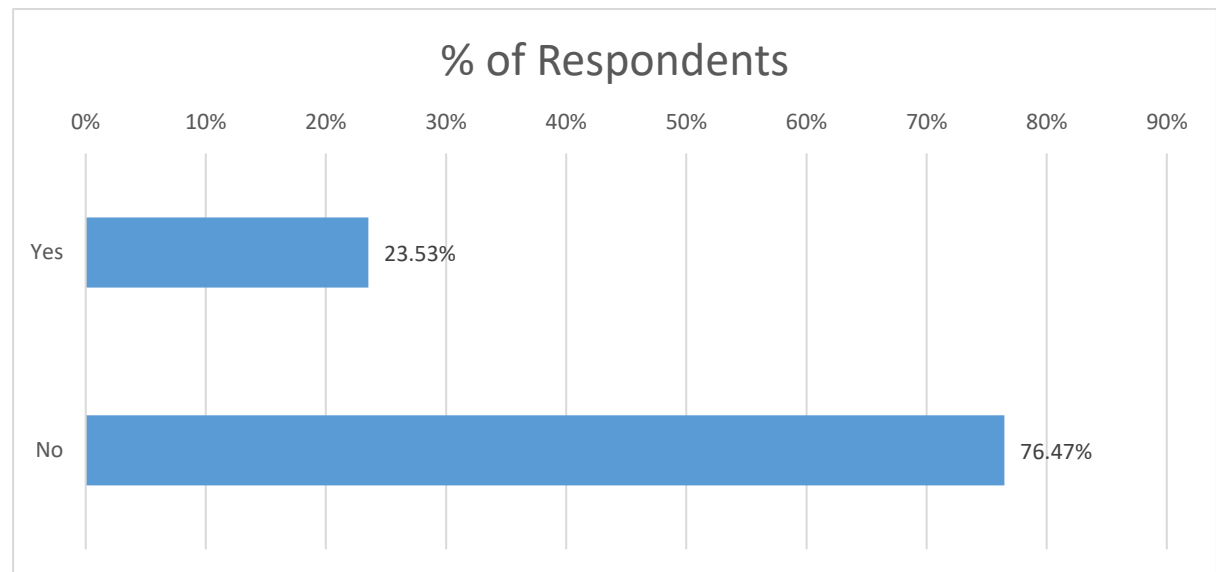
8. Why have you made the decision not to accept cash payments?



**9. How has the decision to restrict cash payments affected your businesses/organisation?
What benefits or challenges has your business/organisation experienced and how have
your customers reacted?**

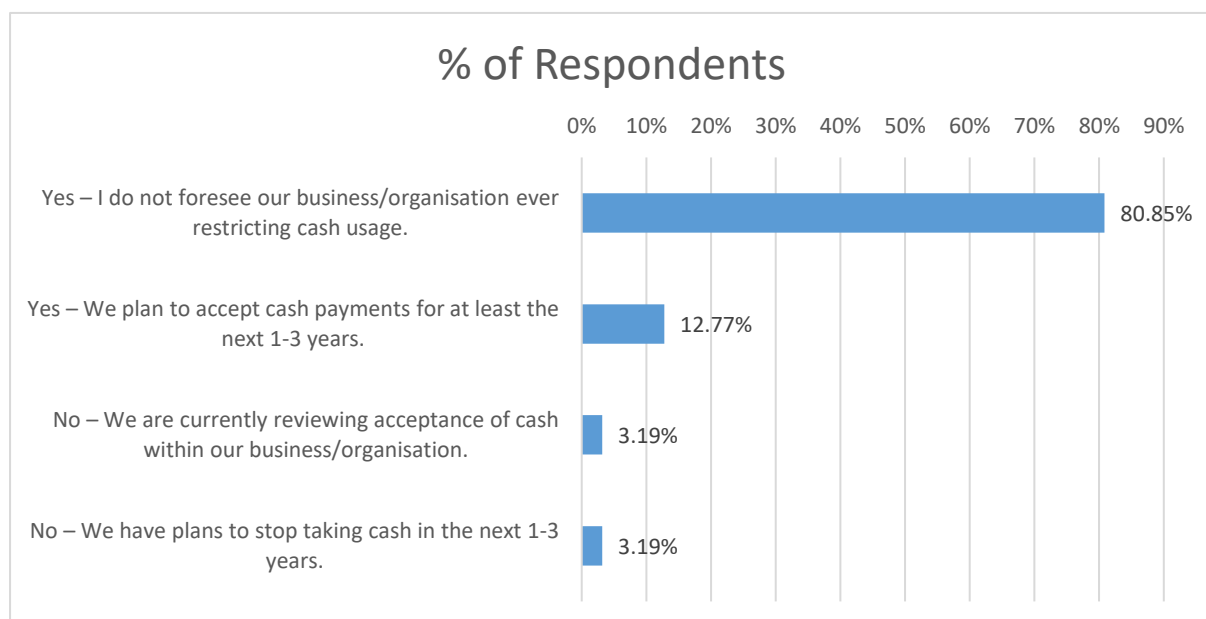
Overall most businesses experience no adverse impacts from restrict cash payments within their businesses. A number of businesses had only ever accepted electronic payments or were not able to accept cash as they had online customers only.

10. Would you consider accepting cash as a form of payment in the future?

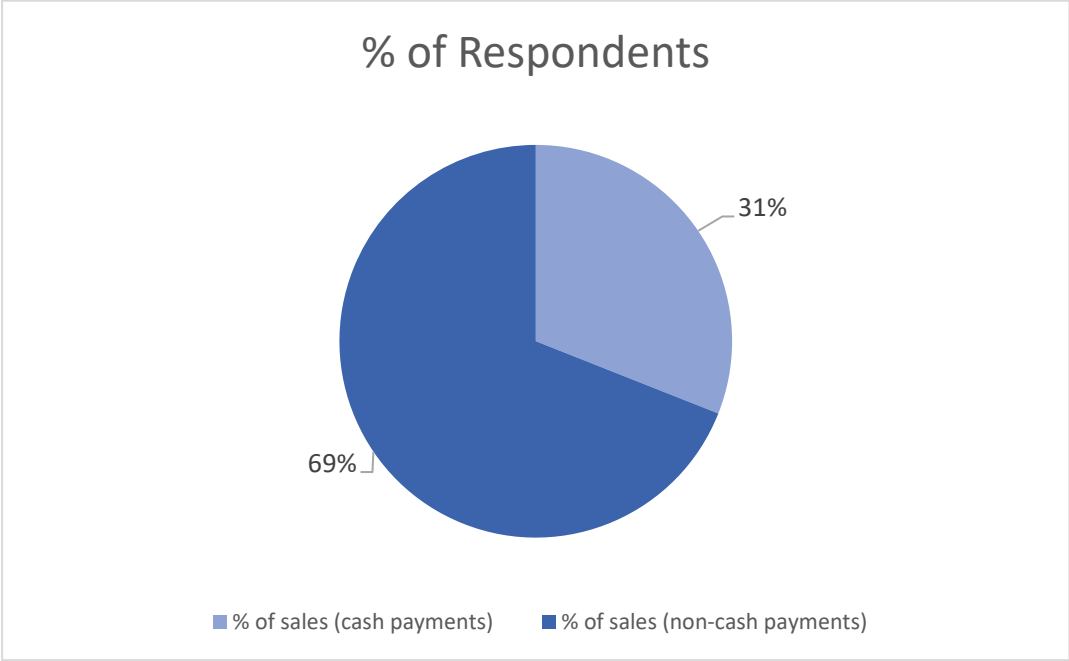


*Responses from survey participants who do accept Cash as a form of payment:

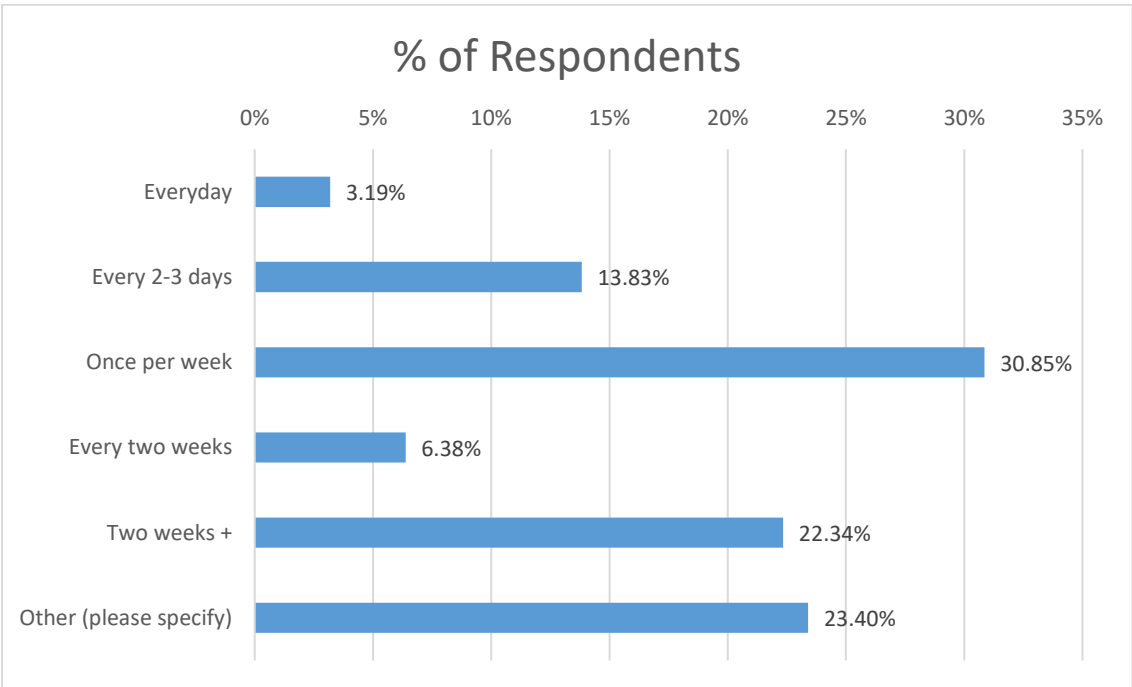
11. Do you plan to continue to accept cash payments into the near future?



12. Thinking about your business /organisation's turnover for the last financial year, approximately what proportion of your sales came from physical cash payments vs. non-cash payments?



13. How often do you visit the bank to pay in cash, collect change etc.?



Others includes: Businesses that use a 3rd party to collect and/or pay cash into the bank and a number that varied due to amount of cash taken in and some businesses that never visit the bank to pay in cash or collect change.

14. Please describe any issues or challenges you face when banking cash or collecting change?

Summary of responses:

- Lack of local banks in specific locations such as Peel and Castletown
- Cost related to travelling to banks following local closures and parking issues
- Poor opening hours for remaining physical bank locations
- Insufficient staffing levels causing long queues at counters
- High costs for cash deposits and change
- Difficulty opening and maintaining bank accounts
- Business banking support lacking in branches
- Overall banking cash is a time-consuming process impacting operations
- Issues with coin counting machines often out of order or not working

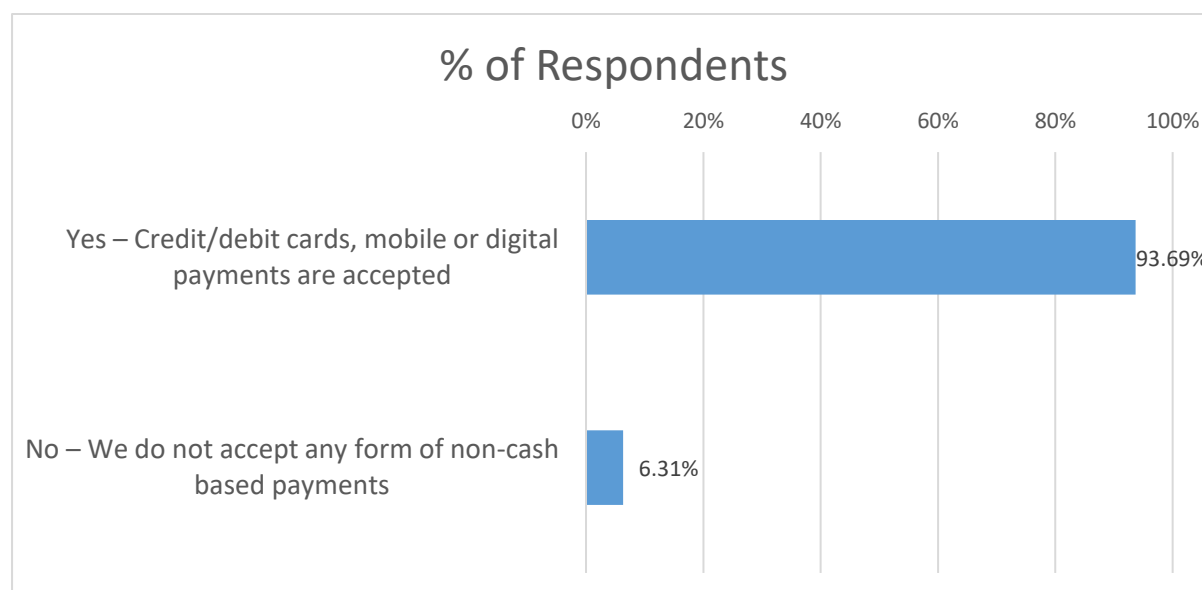
15. Please describe any additional challenges you face accepting cash as a form of payment in your business.

Summary of responses:

- Challenges mainly from banks pushing against cash transactions
- Higher costs, paperwork, and labour associated with processing and banking cash
- Risk of theft, errors, and security concerns with cash handling
- Increases in insurance premiums when holding significant cash in business

Section 4: Adoption of digital payment solutions

16. Do you currently accept credit/debit cards, mobile or digital payments for products or services in your business/organisation?



*Responses from survey participants who **do not** accept digital/non-cash payments:

17. What are the key barriers prohibiting you from accepting card/digital payments in your business/organisation?

Top three responses:

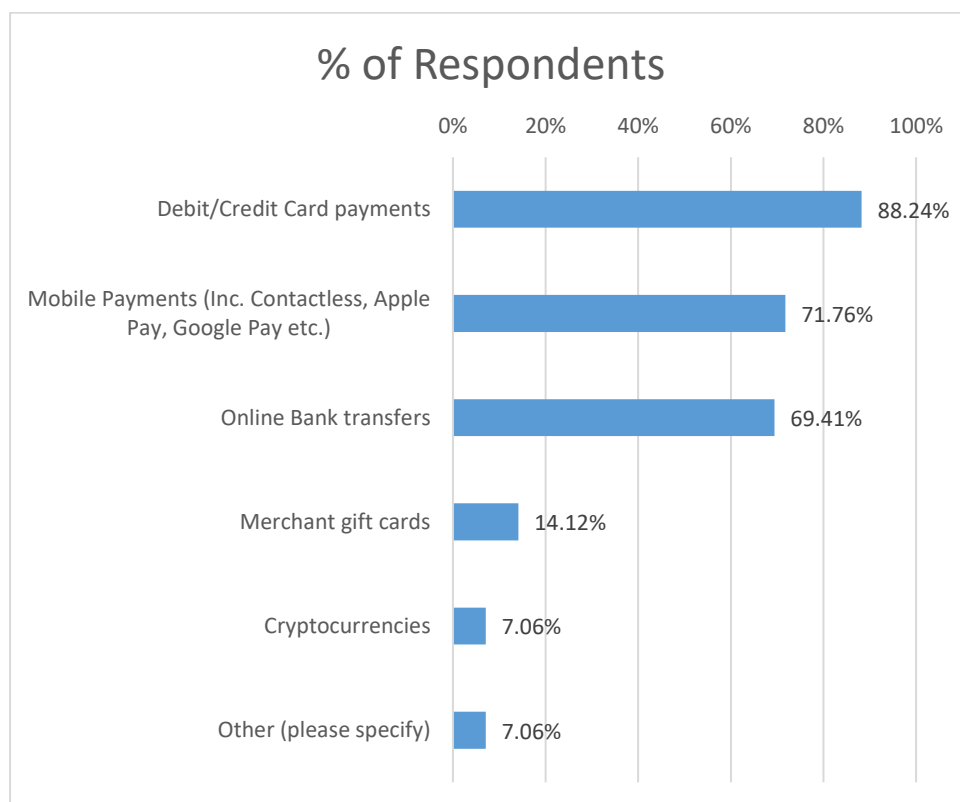
- Customer preference for using cash
- Transaction charges
- Nature of business/organisation (digital payments not suitable)

18. What support would help you overcome some of the barrier prohibiting you from accepting card/digital payments in your business/organisation?

Responses included the lowering of transaction costs associated with non-cash payments, increased training to setup digital payment options and support to get the hardware at a more affordable price. One respondent highlighted they would never consider accepting card/digital payments.

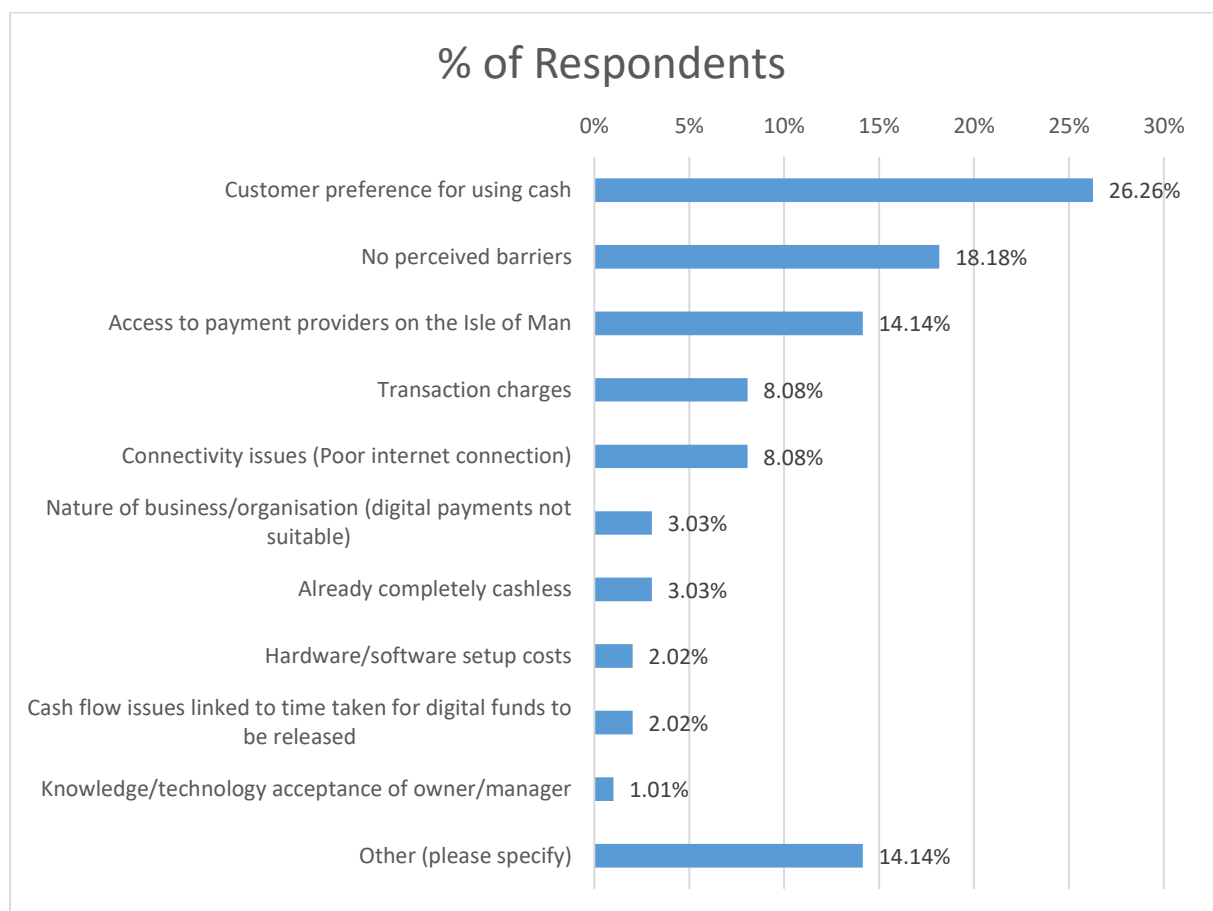
*Responses from survey participants who **do** accept digital/non-cash payments:

19. What type of non-cash payment methods does your business currently accept? (Please tick all that apply)

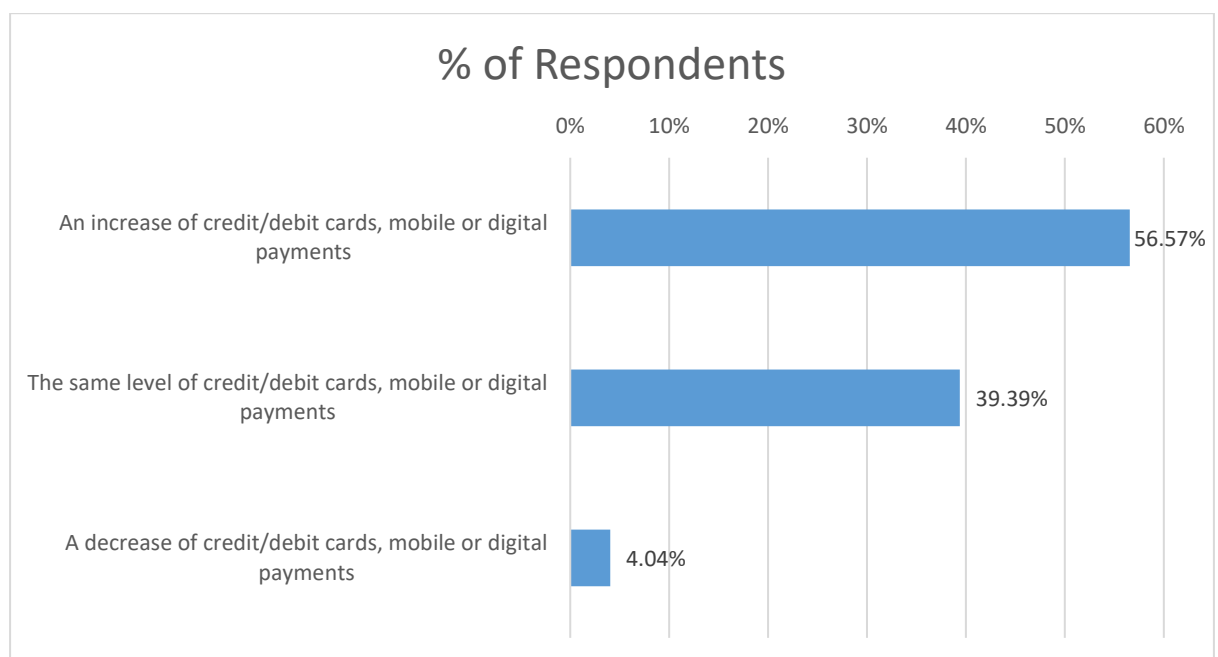


Other includes: Cheques & Loyalty cards

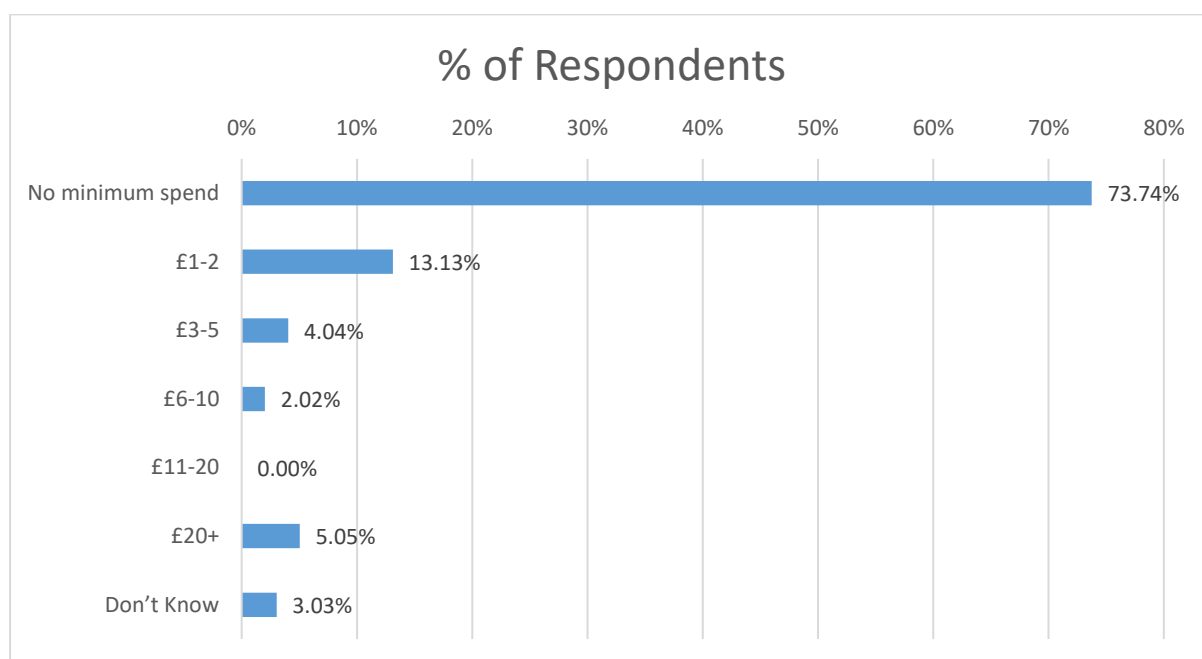
20. Do you have any perceived barriers to increasing cashless transactions in the future?



21. How do you expect the levels of credit/debit cards, mobile or digital payments to change within your business/organisation in the future?



22. Does your business/organisation have a minimum spend for card/mobile payments?



23. If you process card/digital payments in-person or online which payment provider processes these transactions for you? (E.g. WorldPay, Paypal, Sumup, Braintree etc.)

| Name of Processor | Number of references |
|--|----------------------|
| Sumup | 35 |
| Worldpay | 17 |
| Paypal | 9 |
| Barclays | 3 |
| First Data Merchant Solutions (Fiserv) | 3 |
| Braintree | 2 |
| Global Payments | 2 |
| Trust Payments | 2 |
| Other | 13 |
| Total | 86 |

24. Have you had any issues accessing payment providers due to your business/organisation being located in Isle of Man? If yes, please explain your experiences further.

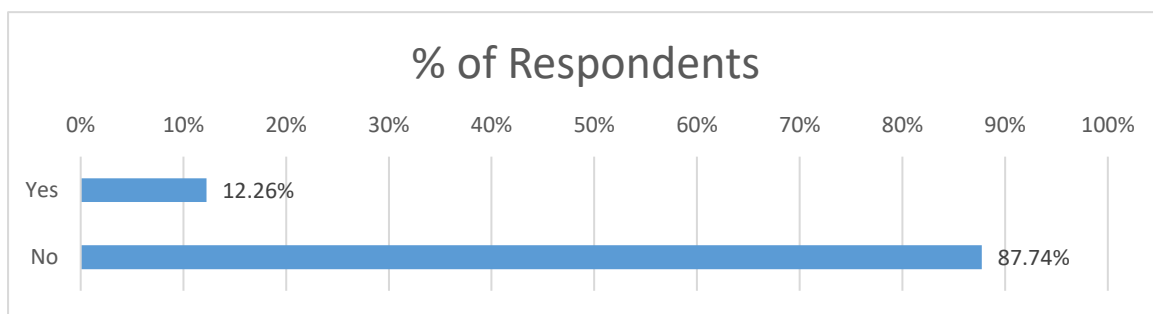
Overall, the feedback from businesses indicated significant challenges in accessing and using payment providers and related services in the Isle of Man, with implications for business operations and general customer experience.

- **Lack of Payment Providers:** Respondents mentioned the lack of payment providers in the Isle of Man, particularly noting issues with access to Stripe and Shopify Pay.
- **Limited Choice and High Fees:** There is a limited choice of payment providers, and the ones available charge high transaction fees and have limited integration possibilities.

- **Banking Difficulties:** In addition to payment provider issues, a number of respondents highlighted challenges with banking services in the Isle of Man with delays in processes and a lack of options.
- **Location-Based Issues:** Many companies do not recognise the Isle of Man as a separate country, leading to difficulties in accessing services and products.
- **Customer Support Issues:** Difficulty in obtaining responses and support from payment providers like was also widely mentioned.
- **SEPA Payment Problems:** Finding a bank that can accept SEPA payments from Europe on the Isle of Man is a challenge.

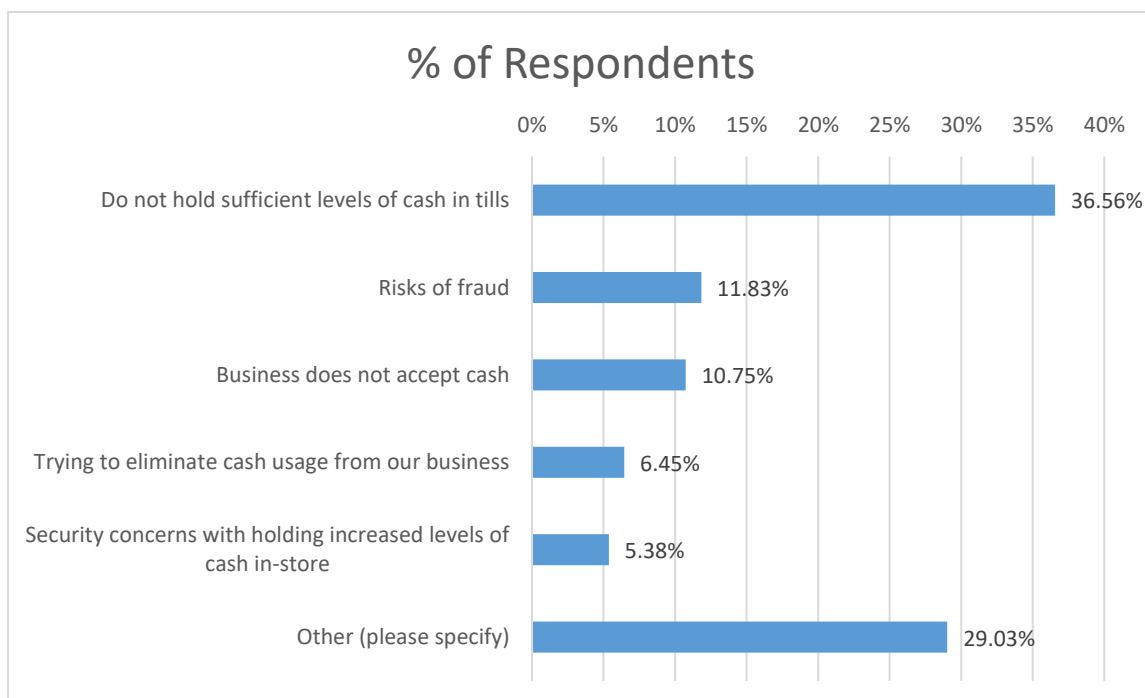
Section 5: Enhanced Cashback Services

25. Do you provide cashback at present to customers?



*Responses from survey participants who **do not** provide cashback services:

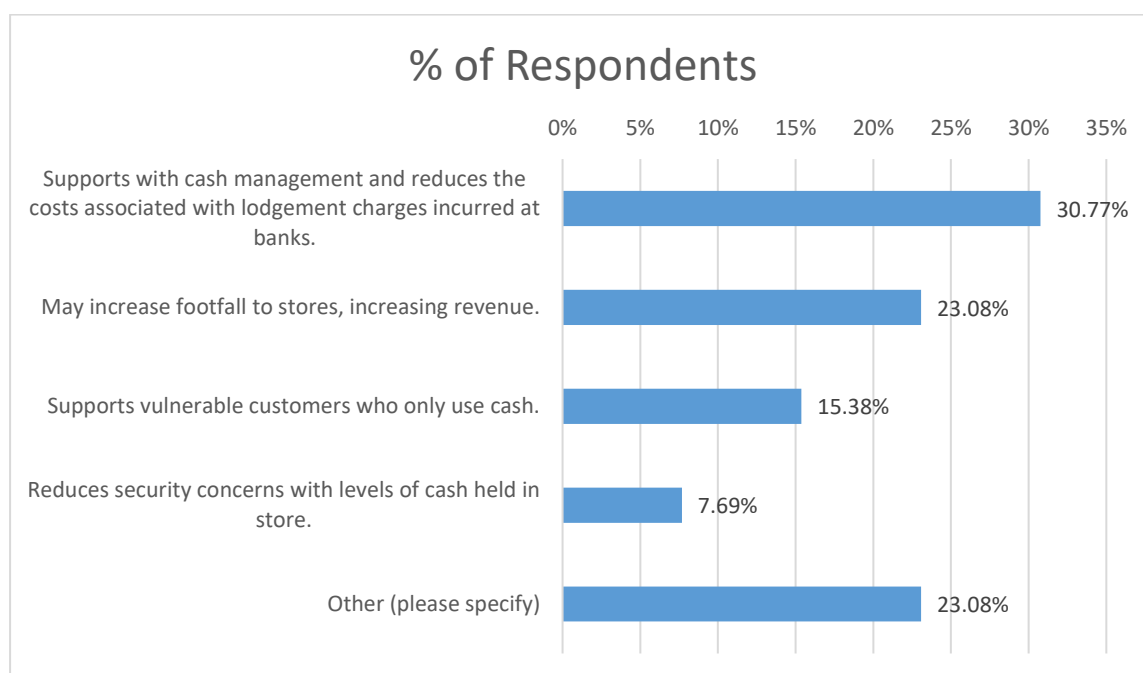
26. What are your perceived barriers to providing cashback to customers?



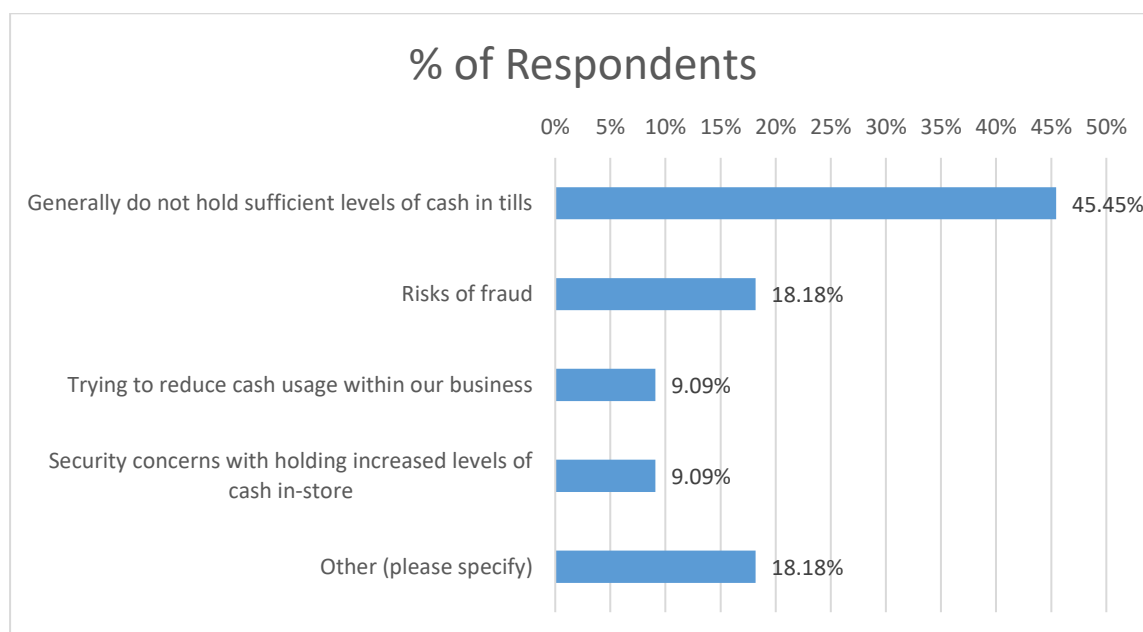
Other includes: Having no knowledge of how to provide cashback, no demand from customers, cost of card transactions and lack of functionality on EPOS systems.

*Responses from survey participants who **do** provide cashback services:

27. What are your perceived benefits to providing cashback services?

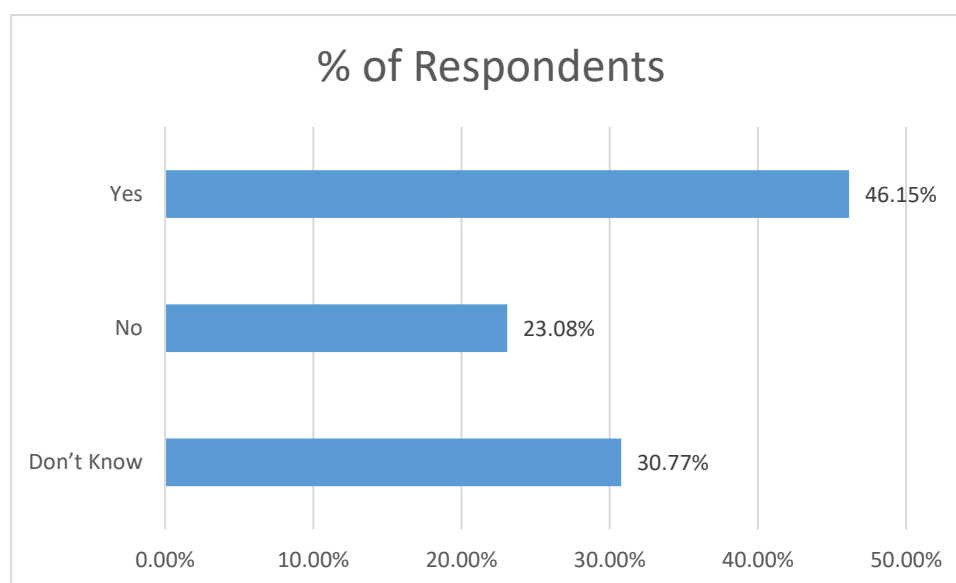


28. What are your perceived barriers to providing cashback?



Other includes: No drawbacks/barriers to providing cashback.

29. Would you be likely to offer cashback services without purchase if there were legislative changes that made this possible?



30. Do you foresee any barriers to providing cashback services without purchase within your business/organisation?

There was some concern from participating businesses about their internal systems and if they would be able to process cashback without purchases. There was also potential issues with increased payment charges and its impact on the accounting process.

Section 6: Additional Comments (49 responses)

Do you have any other comments relating to contents of this survey? Responses summarise below:

- **Resistance to a cashless society:** Many respondents emphasised the importance of having the choice for their customers to use cash and oppose the idea of a completely cashless society due to its potential drawbacks for vulnerable customers and loss of autonomy. There was a broader concern from respondents about the societal impact of moving towards a cashless society. Loss of personal freedoms, increased control by financial institutions, and potential economic inequalities.
- **Importance of cash in the retail environment:** Responses expressed the significance of cash as a crucial form of payment. It was seen as essential for budgeting and crucial for certain sectors including charities, especially those with an older/more mature demographic.
- **Challenges around digital payment options:** While digital payments offer convenience, concerns about bank charges, the unreliability of online systems, and the vulnerability of trusting third-party providers arise. There was a worry that moving solely to digital transactions might disadvantage certain demographics, especially the elderly and vulnerable populations.

- **Barriers to business:** Feedback highlighted significant barriers to businesses being location on the Isle of Man, including access to leading global payment services like Stripe and Go Cardless, which is impacting their growth potential.
- **Increased Government support:** Some individuals highlight the need for better Government support for businesses to enable them to become more technologically advanced to stay up to date with competitors and take advantage of innovations. This could be around training for staff or grants to reduce access to hardware.

