



CONSULTATION ON THE REMOVAL OF LOW VALUE COINS

Response Document

31st October 2023



Executive Summary

Background

Manx and UK coins in circulation are governed by the Currency Act 1992. One of the strategic objectives of the Government in Our Island Plan is the aim of building a “strong and diverse economy” and, for many years, cash has been a fundamental part of our personal and commercial life. However, with advances in technology there are now many more ways in which to pay for goods and services. Consequently, the demand for cash, and low value denominations in particular, has declined. Furthermore, the requirements and precautions taken during the recent Covid Pandemic have accelerated the decline in the use of cash. In addition the cost of producing low value coins, especially 1p and 2p coins, is greater than their face value. Whilst it is recognised the Island is within the Sterling area, and the UK currently still retains 1p, 2p and 5p coins, the Island is nevertheless able to determine the denominations of coinage permitted to be in circulation within the Island. Accordingly, it was considered timely to undertake a consultation to gauge public views.

The consultation

The Treasury launched a public consultation on 10th May 2023, which closed on 28th June 2023. At the close of the consultation, there were 1037 responses via the Online Consultation Hub (the “Hub”), and another 13 submitted in writing either hand delivered or via email. A summary of the responses is given in figures below together with a summary of views expressed overall.



Summary of Responses (in numbers)

Consultation response in figures

Consultees who responded to the consultation via the Hub (of which there were 1037), were asked whether they agreed that 1p, 2p and 5p coins no longer have any real purchasing power.

Responses to this question were as follows –

Agreed	462 (45%)
Disagreed	566 (55%)
Not Answered	9 (<1%)

When consultees were asked for their views on the removal of specific coins, those who responded via the Hub provided specific feedback in connection with this question. Additionally, an analysis of the written responses to the consultation has enabled the views of those who responded outside of the Hub to be taken into account. The responses are summarised in the table below.

Respondent type	Total number of respondents	Disagree with removing any small coins	Remove 1 pence only	Remove 2 pence only	Agree with removal of 1 & 2 pence only	Agree with removal of 1, 2 and 5 pence
Organisations	41	22 (54%)	1 (2%)	0	7 (17%)	11 (27%)
Individuals	1008	483 (48%)	25 (2%)	11 (1%)	187 (19%)	302 (30%)
Total	1049	505 (48%)	26 (>2%)	11 (>1%)	194 (18%)	313 (30%)

When people were asked to rank their concerns the key concern was the perceived inflationary effect of withdrawing 1p, 2p and 5p coins and rounding up or down to the nearest 10p. The next concern was the perceived effect on donations to charity.



Summary of views received

Opposition to removal of low value coins

Of those opposed to the removal of any coins or to the proposal for rounding, the key reason was a belief the withdrawal of low value coins and rounding would lead to inflation, with respondents concerned that prices will be rounded up by retailers to the nearest 10p. A number mentioned decimalisation, and recalled that led to a rise in prices. Others felt it was an unwanted nudge in the direction of a cashless society, and some within this group of respondents felt the loss of cash, and a drift into card and digital payments, would infringe privacy and risk giving further power to Government and banks. Many felt it was the wrong time to consider this matter and that the proposal would discriminate against the poor, the vulnerable, and those who prefer to use cash.

Respondents added that the withdrawal of low value coins may benefit banks and card companies off Island, but would impact those in the Island least able to afford changes of this nature.

Reference was made by a number to the effect on charities with some indicating that giving has already reduced since the coronavirus pandemic. It was pointed out that card machines and wi-fi can and do fail, and so particularly for charities, the inability to receive a donation can be a significant disadvantage. Cash is still an important, and reliable, means of receiving donations.

Some respondents spoke of how they felt low value coins were good for teaching children about money and budgeting. One perspective was that coins should not be withdrawn unless the UK was to do so, in which case the Island would be bound to follow. Others were concerned that visitors and business people from the UK may not appreciate not being able to use their low value coins in the Island.

Support for removal of certain low value coins

On the other hand, many respondents were in favour of the withdrawal of some or all of the low value coins cited.

One Local Authority indicated that a very small percentage of its income is collected through cash, with the use of direct debit, payments direct to the bank account, and other online payments, being much greater. Interestingly, one respondent was impatient with the consultation on the grounds Government should stop wasting peoples' time, and just get on with withdrawing coins forthwith. Others feel change is inevitable, that these coins have no value, and so should be withdrawn, particularly as more and more transactions for goods and services are undertaken by card. One pointed out that the use of cash continues to decline, and suggested any withdrawal should be accompanied by education for retailers to price goods to round numbers.



Responses from organisations

Forty one organisations responded.

One said change would be too difficult as rounding up or rounding down is not supported by their till system, thus causing difficulties in the reconciliation of their tills. Furthermore, cash customers would be forced to pay more for their basket of goods than those paying by another method, and this would lead to an unfair two tier system. If paying by cash, the figure could be a few pence higher, or a few pence lower. Other businesses also commented that it felt the withdrawal of low value coins and the introduction of rounding would affect their accounting procedures. Comments included the complexity of understanding the concept of rounding, being able to explain the concept to customers, and that if rounding were to be introduced, it should only be done in concert with the UK. Another organisation said their business model relied on people making lots of small, low value, purchases, so the withdrawal of low value coins would, they argued, be detrimental to their business.

One bank said that only 1 and 2p coins should be withdrawn as their withdrawal would have a minimal impact on prices, but given connectivity with the UK, this approach should only be adopted in concert with the UK and the other Crown Dependencies. On the other hand, another bank was fully supportive.

A number responded from the charitable sector to the effect they felt there were still significant benefits in retaining these coins from their point of view. One charity said the charitable sector had been hit hard by coronavirus, and the current economic climate, and felt the withdrawal of low value coins would deal a fatal blow to many charities. It indicated Tynwald Day had demonstrated the weaknesses of relying on WiFi and card payments for charities.

A different type of organisation expressed the view that online consultations are unrepresentative of true feeling on the Island as not everyone has access to electronic technology, and asserted that in view of the cost of living situation, every penny counts.

Three Local Authorities were opposed to the withdrawal of low value coins and to rounding. Two expressed the view it was a waste of Government time, which could be spent on other priorities such as the cost of living situation. The other Local Authority was concerned about the rounding of rents and charges. Although rounding can also go down to the nearest 10p, it was felt that for many the use of cash, with every penny being saved, was important. As indicated earlier one other Local Authority was supportive of the withdrawal of 1p, 2p and 5p coins whilst recognising that some people still rely on the use of physical cash, and so their interests would need to be taken into consideration, and be protected.



Treasury's response

Treasury is delighted to have received so many responses answering the questions posed, and commenting on the proposals. One of the frequent comments was concerning the priority of addressing the cost of living situation. This is recognised as a key issue within Government. However, it is not the only issue that needs to be addressed, and the challenge for Treasury is to ensure that in addressing the cost of living, it is also keeping abreast of other developments before they become a critical issue.

Locally, and in the wider international community, the use of cash in transactions has been falling significantly. Whilst Treasury reads that the UK Treasury, and the Bank of England, continue to state there will always be a place for cash, Treasury is also aware they continue to consult on the question of digital currencies. Treasury notes the Bank of England, in a consultation in the UK¹, quotes a UK Market Payments Summary published by UK Finance (2022), which shows that the use of cash has fallen from 55% of transactions to 15% of transactions over the last decade in the UK. In the light of that decline in the use of cash, notwithstanding UK Government measures to require access to cashpoints around the UK, Treasury is alert to the question of what form and denominations of cash the UK Treasury may support in future. Treasury understands a recent survey of businesses in the Island undertaken under the aegis of the Department for Enterprise² showed that the split between card or online transactions and cash transactions in a variety of businesses on the Island including the retail and hospitality sectors is nearer 70% card or online to 30% in cash.

Treasury maintains its concern at the continuing cost of retaining low value coins. Accordingly, Treasury will continue its policy of not minting new Manx 1p and 2p coins. Whilst both Manx and UK 1p and 2p coins will remain legal tender for the foreseeable future, Treasury will not seek to retain or renew stocks of these coins. In the event stocks of these coins run low, Treasury will encourage businesses and customers to round transactions, where they are proposed to be undertaken by the use of cash to the nearest 5p or zero. Furthermore, in the event the UK withdraws low value coins from legal tender, Treasury will follow suit.

¹The digital pound: a new form of money for households and businesses? Consultation Paper February 2023.

²Access to cash: survey for businesses, organisations and charities.