Will Cash Soon Be a Thing of the Past?

RESEARCH REPORT

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Office of Consumer Affairs

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Option consommateurs

MISSION

Option consommateurs is a non-profit organization whose mission is to promote and defend the rights and interests of consumers and ensure that they are respected.

HISTORY

Option consommateurs has been in existence since 1983, when it arose from the Associations coopératives d'économie familiale movement, more specifically, the Montreal ACEF. In 1999, it joined forces with the Association des consommateurs du Québec (ACQ), which had already pursued a similar mission for over 50 years.

PRINCIPAL ACTIVITIES

Option consommateurs helps consumers experiencing difficulties, by offering them budget consultation and information sessions on budgeting, debt, consumer law and the protection of privacy.

Each year we produce research reports on important consumer issues. We also work with policy makers and the media to denounce unacceptable situations. When necessary, we institute class action suits against merchants.

MEMBERSHIP

In its quest to bring about change, Option consommateurs is active on many fronts: conducting research, organizing class action suits, and applying pressure on companies and government authorities. You can help us do more for you by becoming a member of Option consommateurs at www.option-consommateurs.org.

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The author would also like to thank the experts who consented to an interview in the context of this research: Marc Lacoursière, professor in the Faculty of Law at Université Laval, Jacques Nantel, professor emeritus of marketing at HEC Montreal, Andreas Park , associate professor of finance at the University of Toronto, Jean-Philippe Petit, Executive Assistant, Distribution Practices (AMF), Jacques St Amant, lecturer in consumer law at UQAM and analyst for the Coalition des associations de consommateurs du Québec, and Roman E. Zanolli, Doctor of Law, legal theory of money.

Finally, the author wishes to thank Dr. Bruno Marien for his methodological support during the production of this report. Dr. Marien is a sociologist and lecturer in the Faculty of Political Science and Law at Université du Québec à Montreal (UQÀM). He also would like to thank Professor Jean-Pierre Beaud of UQÀM's Political Science and Law Department who performed the evaluation of the report.

Summary

The use of cash is in rapid decline in Canada. It is gradually being replaced by electronic payment methods, mostly credit and debit cards. Although the phenomenon is as yet only marginal, a trend towards abandoning cash transactions is also under way in Canada's retail trade.

Despite the economic advantages of this transition for the State and for financial institutions, the direct benefits for merchants, and even more so for consumers, appear mixed, at best. The majority of merchants believe that the fees for accepting payment cards are too high and that the benefits they derive from refusing cash in their businesses do not outweigh the disadvantages.

Ending the use of cash would expose consumers to a multitude of risks, both financial and operational, not to mention the issues related to privacy protection and budget management that such a transition would entail. A cashless society would also risk excluding economically disadvantaged people: the biggest users of cash are low-income consumers, seniors, and those with lower levels of education. Also, unbanked and underbanked Canadians are particularly dependent on cash.

The participants in the focus groups expressed the desire for cash to remain in circulation in Canada – even those who prefer electronic forms of payment. Control, freedom, anonymity, simplicity: cash has many benefits that payment cards can never truly replace. Consumers are upset when merchants refuse their money, even though they are resigned to accepting their policies. In short, consumers want to choose how they pay and feel it is illegitimate to have this democratic form of payment taken away from them.

In Canada, monetary policy, including the power to invest a payment instrument with legal status, is a federal responsibility. However, the issues related to a merchant's refusal to accept cash are intertwined with provincial contract law and federal regulations. In the common law provinces, the rights of each party vary depending on whether or not the creditor and the debtor concluded an agreement about payment methods. In Québec, discharge of payment methods is regulated by civil law; however, the scope of these provisions is unclear. This legal framework is complemented by an assortment of consumer protection provisions, which in some instances might apply to those who use cash.

Other countries have recently passed laws or instituted public policy aimed at protecting cash users. These provisions, which oblige merchants to accept cash, could serve as inspiration for Canada.

In conclusion, Option consommateurs recommends that the *Currency Act* be modernized in order to oblige merchants to accept cash offered by consumers and to set in place legislative measures aimed at harmonizing the regulatory framework for all electronic payment methods.

Introduction

In the 24th century, money will no longer exist.

That, at least, is the vision of the future proposed by *Star Trek.* Thanks to the invention of duplicators, the contemporaries of Mr. Spock and Captain Kirk live in a society in which scarcity is unknown. They simply obtain goods at will, without having to suffer the economic worries of our primitive times.[1]

Unfortunately, a cashless society is still science fiction fantasy. Consumers in the 21st century will have to pay for goods and services in dollars and cents for a long time to come.

While not disappearing, money is undergoing drastic changes, however. In recent years, the use of hard cash has been declining at an alarming rate in Canada – just like everywhere else in the world. Electronic payment methods, mostly credit cards and debit cards, are gradually replacing cash. Driven by digital technologies, money is becoming steadily more abstract and intangible.

Already, governments, banks and many retailers are dreaming of a future in which bulky coins and bills have been abandoned once and for all. However, such a transition is not without its pitfalls. Consumers could lose out significantly when they are deprived of a proven method of payment.

Research Questions

The aim of this study is to arrive at a more complete understanding of the issues raised by the possible disappearance of cash from the Canadian economy and the refusal of some merchants to accept cash.

To do this, we explored the future of cash in Canada. Will we actually witness the disappearance of cash in the coming years? What would the consequences be? What is the situation elsewhere in the world?

In the opinion of many of those involved, removing cash would have both advantages and disadvantages. We considered the points of view of two of these: merchants and consumers. Do they want cash payment to disappear? What would be the advantages and disadvantages for them if merchants no longer accepted cash? In our analysis, we mostly focused on the plight of consumers in an attempt to determine how they might be particularly affected by the disappearance of cash.

These questions will entail an examination of the applicable laws in order to identify the best solutions for improving the legal framework in Canada. Can the government actually stop issuing

[1] For further developments on these fascinating questions, see: Manu Saadia, *Trekonomics*: *The Economics of Star Trek*, Pipertext, 2016, pp. 19–40.

money? Is it legal for a merchant to refuse a cash payment? What is the situation in other countries?

Methodology

To answer these questions, we first drew up a portrait of the decline of cash in Canada (Section 1). We then proceed with a literature review and interviews with stakeholders from various backgrounds in order to identify the possible advantages and disadvantages of eliminating cash in Canada (Section 2). In order to obtain the consumers' views on these issues, we also held focus groups with Canadians (Section 3). Finally, we studied the legal framework for this issue in both Canada and elsewhere (Sections 4 and 5).

A significant portion of this research is based on interviews with stakeholders from various backgrounds. To find out their views on the disappearance of cash, we conducted interviews with representatives of seven retail stores in Montreal, including a jewelry store, a convenience store, some grocery stores, restaurants, a licenced drinking establishment, and a coffee shop (see Section 2.3). Similarly, we conducted interviews with Canadian organizations who work with customers who could be impacted by the disappearance of cash. We interviewed the representatives of the seven following organizations: the ACEF du Sud-Ouest de Montréal, the Law Society of Nunavut, the Canadian Association of Retired Persons (CARP), Credit Counseling Canada, the FADOQ network, PROMIS, a body dedicated to helping immigrants and refugees, and RAPSIM, a network for assisting homeless people and those living alone in Montreal (see Section 2.4).

To further inform us in our analysis, we also conducted interviews with experts and stakeholders from the fields of finance, payments and law. The interviewees were Marc Lacoursière, professor at the Faculty of Law at Université Laval, Jacques Nantel, professor emeritus of marketing at HEC Montreal, Andreas Park, associate professor of finance at the University of Toronto, Jean-Philippe Petit, executive assistant, Distribution Practices, at AMF, Jacques St Amant, lecturer in consumer law at UQÀM and analyst for the Coalition des associations de consommateurs du Québec, and Roman E. Zanolli, Doctor of Law, legal theory of money.

1. A foregone conclusion?

Some would claim that cash is doomed to disappear. It is true that money is undergoing a slow, seemingly inexorable transformation into ever more intangible forms. However, even though the use of cash is steadily declining in Canada, pronouncements about its disappearance in the near future appear to be exaggerated. Even today, the few Canadian merchants who have chosen to refuse cash remain exceptions.

1.1. A slow march towards abstraction

The phenomenon of the disappearance of currency is closely linked to the long process of the abstraction of money.[2] For centuries, money was primarily a commodity, a tangible thing that had an intrinsic value because of its rarity or usefulness. Depending on the time or place, cattle, carved shells or even stones[3] could be used to purchase goods and services. In Canada, First Nations people and the European newcomers initially conducted transactions through the use of wampum necklaces[4] or furs.[5]

Coins made of precious metals that circulated in Canada during the colonial period were also a form of commodity money. Unlike modern coins, their value derived from the amount of precious metal they contained, whether bronze, silver or gold. As a result, the confidence that people invested in these instruments of exchange was based on the value of the good itself.

Acceptance in the West of the idea that money need only have nominal value began with the gradual introduction of paper money.[6] In Canada, the first real successes in this area were achieved by private banks, which issued their own banknotes early in the 19th century.[7] Unlike commodity money, these pieces of paper were worthless in themselves: their value was secured by the bank's promise to redeem the face value on demand. Since these private banks were not immune to bankruptcy, holders of these banknotes were exposed to the risk of their becoming worthless overnight. Because of this risk, any creditor who doubted the issuer's creditworthiness could exchange the banknote for a sum less than its face value.[8]

[2] In this report, we will define "money" as any widely accepted medium of exchange, regardless of its form. We will use the term "cash" to refer both to paper banknotes and coins.

[3] This was the case on the Yap Islands, in the Philippine Sea, where very large round stones with a cavity carved in their middle have been used for centuries by the inhabitants as currency. See: Cora Lee C. Gillilland, *The Stone Money of Yap*: *a Numismatic Survey,* Smithsonian Studies in History and Technology, 1975.

[4] Wampum necklaces are necklaces made of shells that served several purposes among Indigenous peoples, including that of currency.

[5] James Powell, *A History of the Canadian Dollar,* Bank of Canada, 2005, pp. 1–3.

[6] The idea of using paper money was reported in the West by Marco Polo in the 15th century. However, the real beginnings of paper money took place, not without difficulties, from the 17th century onwards, notably under the aegis of economist John Law.

[7] Colonial governments nevertheless experimented with issuing paper money on several occasions, but abuses related to their issue led to economic unrest and then to the rejection of these payment instruments. In the 19th century, the Canadian government also tried several times to issue paper money, but its plans met with opposition from the banking lobby. See: James Powell, *A History of the Canadian Dollar,* Bank of Canada, 2005, pp. 15–18, 84.

[8] Jacques St Amant, *Le cadre juridique des paiements électroniques au Canada*: *quand Fortune se fait virtuelle*, Option consommateurs, 2002, p. 18; James Powell, *A History of the Canadian Dollar,* Bank of Canada, 2005, p. 20.

Despite these small steps towards a greater degree of abstraction, the money situation in the British North American colonies at the dawn of Confederation was in total disarray. Coins from France and England, as well as from the Spanish colonies or the United States were all accepted as legal tender on Canadian soil. Alongside these various coins circulated notes from a variety of private banks and other bonds issued by merchants.[9]

The situation gradually began to change after Confederation in 1867, when the federal government took charge of monetary policy.[10] In 1871, the dollar became the unit of currency across the country. In 1934, the Bank of Canada was established; gradually, notes issued by private banks disappeared in favour of notes issued by the central bank and of coins issued by the Royal Canadian Mint. Finally, after world wars and economic crises, the gold standard that had initially guaranteed the value of Canadian currency was gradually discarded.[11]

These developments in the Canadian monetary system resulted in a definitive transition from commodity money to fiat money, i.e. a form of currency whose value resides not in the object traded itself, but rather in the users' trust in that medium of exchange. At the same time, the continued expansion of banking in the Canadian economy and, more recently, the development of electronic payment systems, are bringing about the phenomenal growth of "deposit," or "book" money. This form of currency, which today represents the largest share of the total money supply,[12] consists of accounting entries in the computer systems of financial institutions.

Money, in the 21st century, is becoming more and more an idea, and less and less a thing. The Bank of Canada, like the central banks of other countries[13] is even exploring the possibility of issuing money in digital form.[14] This digital currency, based on blockchain technology, would be completely dematerialized and have the attributes of an intangible good.

One may well ask where this process of the abstraction of money will end. Will money in its material form completely disappear in Canada? While the money exchanged between consumers and merchants no longer has any intrinsic value, and the largest proportion of the money supply already exists only in scriptural form, total disappearance now seems to be only a very small step away.

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[9] James Powell, *A History of the Canadian Dollar,* Bank of Canada, 2005, p. 20-21, 104-108.

[10] It should be remembered that the 1867 Canadian Constitution confers exclusive jurisdiction over money to Parliament (see Section 4.1).

[11] James Powell, *A History of the Canadian Dollar,* Bank of Canada, 2005, p. 37-50. The gold standard is a monetary system whereby the issue of a banknote is guaranteed by the possibility of exchanging it for its value in gold.

[12] To give an idea of what a small percentage cash represents of the total money supply, note that the Bank of Canada had approximately $83.2 billion in banknotes in circulation in its liabilities in January 2018, whereas the M2+ aggregate, which includes deposits in all financial institutions and money market mutual funds, stood at almost $2 trillion for the same period. See: Statistics Canada, *Chartered bank assets and liabilities and monetary aggregates, monthly average, seasonally adjusted, Bank of Canada (x 1,000,000)*, Table 10-10-0116-01.

[13] Christian Barontini and Henry Holden, *Proceeding with Caution - A Survey on Central Bank Digital Currency*, BIS Papers No 101, Bank for International Settlements, 2019.

[14] Walter Engert and Ben S.C. Fung, *Central Bank Digital Currency*: *Motivations and Implications*, Staff Discussion Paper, 2017-16, Bank of Canada, 2017.

1.2. A greatly exaggerated rumour

Year after year, the share of cash transactions in Canada is decreasing. Yet cash itself is far from dead: as a proportion of GDP, the amount of cash in circulation continues to grow. Contrary to some predictions heralding the end of cash in the near future, this fact tends to suggest that it will continue to be used for a long time to come.

In 2008, cash transactions accounted for 47.7% of trading volume in Canada; in 2017, they stood at only 29.8%.[15] Payments Canada, however, notes that this decline is slowing: in 2016 and 2017, cash usage declined by about 2% annually, compared to 5% in previous years.[16]

A Leger survey found that only 15% of Canadians still use mostly cash for everyday purchases.[17] Moneris predicts that the volume of cash payments will shrink by 70% between 2014 and 2030.[18] According to Forex Bonuses, Canada has even become the country with the lowest cash use in the world.[19]

Cash is not the only payment method on its way out in Canada. Since the 1990s, the use of cheques has been in constant decline; it now accounts for only 3.4% of transaction volume.[20] Since this decrease is happening at a faster rate than for cash, it looks as if cheques will have disappeared long before cash does.[21] It should be noted, however, that cheques still account for 41.5% of payment value in Canada. This means that cheques are still a very convenient way of making large payments, such as rent or car payments.

[15] Michael Tompkins and Viktoria Galociova*, Canadian Payment Methods and Trends*, Payments Canada, 2018, p. 35. A Bank of Canada survey based on a different methodology observed a similar trend: Ben Fung, P. Huynh Kim and Gerald Suber, “The Use of Cash in Canada,” *Bank of Canada Review*, spring 2015.

[16] Michael Tompkins and Viktoria Galociova*, Canadian Payment Methods and Trends*, Payments Canada, 2018, p. 14.

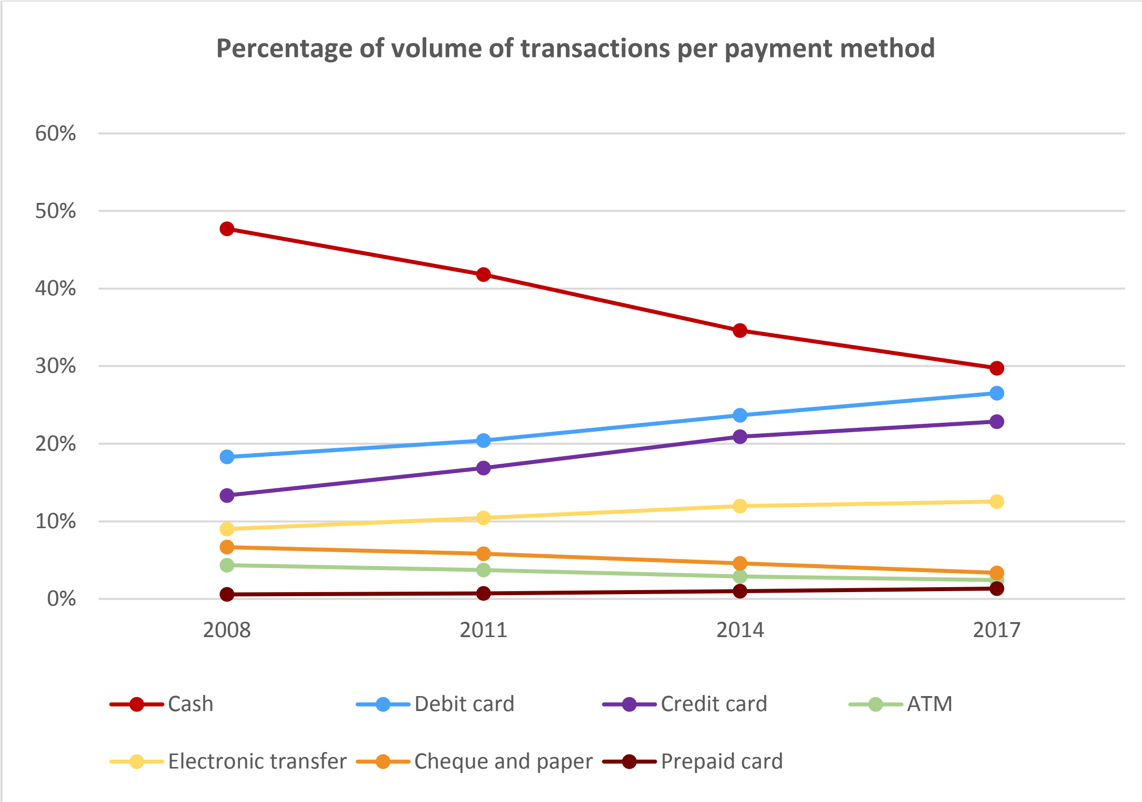
[17] Béatrice Roy-Brunet, “Sondage Léger: l'argent comptant est-il encore beaucoup utilisé au Québec?”, *Huffington Post*, September 24, 2018: http: //bit.ly/huffpost-argent

[18] Moneris, “Canada pushing toward a cashless society with a 70 per cent drop in cash transactions by 2030” September 20, 2016: https: //www.moneris.com/fr-CA/A-Propos-Moneris/Nouvelles/Canada-drop-in-cash-transactions-by-2030

[19] This conclusion was reached by weighting different variables, including the number of credit cards per capita. See: http: //www.forexbonuses.org/cashless-countries/. A 2013 MasterCard study also indicates that Canada is one of the countries closest to become cashless, along with France and Belgium: Hugh Thomas, Amit Jain and Michael Angus, “MasterCard Advisors’ Cashless Journey: The Global Journey From Cash to Cashless,” MasterCard, 2013.

[20] Michael Tompkins and Viktoria Galociova, *Canadian Payment Methods and Trends*, Payments Canada, 2018, p. 11.

[21] Gord Holder, “Cheques are both down (volume) and up (value) in Canada,” *National Post*, December 31, 2018: https: //nationalpost.com/news/local-news/cheques-are-both-down-volume-and-up-value-in-canada/.



Source: Payments Canada[22]

Few would be surprised to learn that cash and cheques are being replaced by electronic payment methods. The use of payment cards is steadily rising in Canada: such cards now account for over half the volume of transactions. Debit cards account for 26.5% of transactions and credit cards for 22.9%.[23] Note also that Canada is one of the countries with the highest rates of credit card use in the world; nearly 90% of Canadians have one.[24] The growth of online transactions and mobile payments, which are most often made by payment cards, suggest that this trend will continue.

With the advent of electronic payment methods, the way cash is used is also changing. Most often, cash is used for low-value, everyday purchases or for transactions between individuals.[25] However, the arrival of contactless payment has increased the use of payment cards for small

[22] The data for this graph are drawn from two Payments Canada reports: Michael Tompkins and Viktoria Galociova, *Canadian Payment Methods and Trends*, Payments Canada, 2018, p. 35; Michael Tompkins and Viktoria Galociova *Canadian Payment Methods and Trends*, Canada Payments, 2017, p. 28.

[23] Michael Tompkins and Viktoria Galociova, *Canadian Payment Methods and Trends*, Payments Canada, 2018, p. 11.

[24] Ibid., p. 15.

[25] The value of cash transactions is only 1.2% of the value of all transactions in Canada, or about $144 billion. See Michael Tompkins and Viktoria Galociova, *Canadian Payment Methods and Trends*, Payments Canada, 2018, p. 12.

purchases.[26] Similarly, certain payment methods that use digital technology, such as Interac e-Transfer, are replacing cash for payments between individuals.[27]

In contrast, cash seems to be used more as a safe haven.[28] It has been observed that the number of $100 bills in circulation in Canada has risen in recent years, suggesting that banknotes are being used as means of hoarding wealth – and could also contribute to the underground economy.[29]

In view of the data on changing payment modes in Canada, it does not seem unlikely that cash will shortly be dethroned by electronic payment methods.[30] That said, it is unlikely that we will witness its complete disappearance soon. In fact, although cash use is decreasing as a percentage of the total volume of transactions, the value of money in circulation in Canada is continuing to rise inexorably at a rate of 4% to 7% annually.[31] Even taking into account inflation and the growth of the economy, the total amount of cash in circulation today equals about 3.8% of nominal GDP, compared with 3.3% between 2005 and 2008.[32] These data indicate that the amount of cash in our economy is actually quite stable.

Elsewhere in the world, it also appears that prognoses of cash disappearing in the short term are rather exaggerated. In most of the world's economies, demand for cash continues to grow every year as a proportion of GDP; only a few countries, such as Sweden, show a clear decline in cash in this regard.[33]

All in all, despite its relative decline, it is likely that cash will be around for some time yet. Chequebooks will probably become extinct long before cash disappears. In the short-term, we

[26] Moneris, "Canada pushing toward a cashless society with a 70 per cent drop in cash transactions by 2030", September 20, 2016: https: //www.moneris.com/fr-CA/A-Propos-Moneris/Nouvelles/Canada-drop-in-cash-transactions-by-2030

[27] Walter Engert, Ben S.C. Fung and Scott Hendry, *Is a Cashless Society Problematic*? Staff Discussion Paper 2018-12, Bank of Canada, 2018, p. 4.

[28] The economic crisis of 2008 and subsequent low interest rates are contributing factors to this phenomenon. See: Morten Bech Umar Faruqui , Frederik Ougaard and Cristina Picillo, "Payments are a-changin, but cash still rules," *BIS Quarterly Review*, March 2018, p. 72.

[29] François Dupuis and Hendrix Vachon, "*L'argent comptant est-il en voie de disparition*?" *Desjardins Études économiques*, May 2, 2016, p. 2.

[30] Considering that the data from Payments Canada dates back to 2017, it is even conceivable that cash, at the time of writing, has already been replaced by debit cards. For example, a recent survey by Research Co. indicates that 34% of payments made by Canadians are made by debit card, compared to 31% in cash. See: https://researchco.ca/2019/02/21/biometrics/

[31] François Dupuis and Hendrix Vachon, "*L'argent comptant est-il en voie de disparition*?" *Desjardins Études économiques*, May 2, 2016, p. 1.

[32] Walter Engert, Ben S.C. Fung and Scott Hendry, *Is a Cashless Society Problematic*? Staff Discussion Paper 2018-12, Bank of Canada, 2018, p. 4; François Dupuis and Hendrix Vachon, "*L'argent comptant est-il en voie de disparition*?" *Desjardins Études économiques*, May 2, 2016, p. 1.

[33] See: Morten Bech Umar Faruqui , Frederik Ougaard and Cristina Picillo. "Payments are a-changin, but cash still rules," *BIS Quarterly Review*, March 2018, p. 68; Clemens Jobst and Helmut Stix, "Doomed to disappear: the surprising return of cash across time and across countries," Center for Economic Policy Research, 2017; John Williams and Claire Wang, "Reports of the Death of Cash Are Greatly Exaggerated," San Francisco Fed Blog, November 20, 2017: https://www.frbsf.org/our-district/about/sf-fed-blog/reports-death-of-cash-greatly-exaggerated

are more likely to witness the withdrawal of certain denominations of cash, such as the nickel, or the transformation of some banknotes into coins.[34]

1.3. A still marginal commercial practice

Refusing cash is not a completely new business practice. For years, certain retailers have systematically refused cash, for obvious practical reasons. This is the case for example with online merchants, who inevitably rely on purchases being made by electronic payment methods. Digital technology-based transport services, such as Uber or Teo Taxi, do not accept cash payment either. Also, customers booking a hotel room or a renting car may be required to pay a deposit using their credit card.

While these business practices raise some concerns,[35] the particular focus of our research was the situation in brick-and-mortar retail operations. In response to the decline of cash, merchants in several parts of the world have decided to refuse cash payments in their establishments. If they want to make a purchase, consumers have no choice: they have to use an electronic payment method.

This trend has mainly taken root in northern European countries, including Sweden, Denmark and Norway.[36] In Sweden, where only 15% of purchases are now made in cash, half of all retailers can be expected to refuse cash by 2025.[37] Cash payments have been replaced by mobile applications, notably Swish, which allow Swedes to perform all their transactions electronically.[38] Ikea, that icon of the Swedish retail economy, has already begun its transition toward becoming a cashless establishment.[39]

Retailers located in countries where cash accounts for a greater volume of payments are also following this trend, albeit on a more anecdotal level. In the U.S., there are reports of several smaller businesses and larger establishments now refusing cash.[40] U.S. companies such as the fast food chain Sweetgreen and branches of Starbucks have announced their intention to

[34] François Dupuis and Hendrix Vachon, "*L'argent comptant est-il en voie de disparition*?" *Desjardins Études économiques*, May 2, 2016, p. 6.

[35] Among these will be difficulties in accessing financial services and digital technologies, which threaten to exclude consumers from these commercial spaces (see Section 2.4.3).

[36] See: Access to Cash Review, *Final Report*, U.K. 2019, pp. 54–55.

[37] Ibid., p. 70.

[38] Nathan Heller, "Imagining a Cashless world," *New Yorker*, October 3, 2016: https://www.newyorker.com/magazine/2016/10/10/imagining-a-cashless-world

[39] Liz Alderman, "Sweden's Push to Get Rid of Cash Has Some Saying, 'Not So Fast,'" *The New York Times*, November 21, 2018: https://nyti.ms/2S2WK6r

[40] Sidney Fussell, "Who Wins When Cash Is No Longer King?" *The Atlantic*, December 21, 2018: https://www.theatlantic.com/technology/archive/2018/12/cashless-amazon-walmart-workers/578377/

abandon cash.[41] Similar initiatives are under way worldwide, including in the UK,[42] China[43] and Australia.[44]

Multinational retailers are also getting into the act by offering cashless business models. In 2018, Amazon launched the Amazon Go stores, where consumers simply grab the items they want to purchase and leave without stopping to pay. The items they take with them are automatically charged to their account.[45] Walmart, Amazon's main competitor, is also experimenting with cashless business models.[46]

Canada is not immune to this trend. There are reports of merchants refusing payment in cash all across the country. Among these are the restaurant Mad Radish[47] in Ottawa, Foodchain[48] in Montreal, the iQ Food chain[49] in Toronto and the Kit and Ace clothing store[50] in Vancouver. In the Maritimes, the Bell Aliant telecommunications services provider has also announced its decision to refuse payment by cheque and cash in its branches.[51] Meanwhile, some retailers are experimenting with business models that partially exclude cash: for example, the Loblaw grocery chain has introduced self-service checkouts that only accept electronic payments.[52]

[41] Karen Zraick, "This Legislation Could Force Stores to Take Your Cash," *The New York Times*, February 20, 2019: https://www.nytimes.com/2019/02/20/business/cashless-payments.html

[42] For instance, there are now English pubs that refuse cash. See: Shehab Khan "Pub Stops Taking Cash Payments 'in UK first'," *The Independent*, September 18, 2018: https://www.independent.co.uk/news/uk/home-news/pub-cash-payment-uk-first-the-boot-freston-ipswich-suffolk-a8543181.html. Chris Baraniuk, "The bar where Your cash is worthless," *BBC News*, December 11, 2018: https://www.bbc.com/news/business-46507529

[43] Hiroshi Murayama, "In China, cash is no longer king," *Nikkei Asian Review*, January 7, 2019: https://asia.nikkei.com/Business/Business-trends/In-China-cash-is-no-longer-king

[44] Aleks Vickovich, "7-Eleven opens its first cashless and cardless store in Australia - and apparently you'll be able to checkout in seconds via its app," *Business Insider Australia*, May 29, 2019: https://www.businessinsider.com.au/7-eleven-opens-its-first-cashless-and-cardless-store-in-australia-and-apparently-youll-be-able-to-checkout-in- second-through-its-app 2019-5

[45] Nick Wingfield, "Inside Amazon Go, a Store of the Future," *The New York Times*, January 21, 2018: https://www.nytimes.com/2018/01/21/technology/inside-amazon-go-a-store-of-the-future.html

[46] Lauren Thomas, "Between Walmart and Kroger, 500 stores are about to ditch cashiers," CNBC, January 9, 2018: https://www.cnbc.com/2018/01/09/between-walmart-and-kroger-500-stores-are-about-to-ditch-cashiers.html

[47] Stu Mills, "No cash, no problem: Mad Radish founder says cashless transactions are here to stay," CBC News, August 9, 2017: https://www.cbc.ca/news/canada/ottawa/david-segal-mad-radish-cashless-society-1.4239067

[48] Olivier Bachand, *"Les billets de banque et les pièces de monnaie en voie de disparition?"* Radio-Canada, 26, December 26, 2017: https://ici.radio-canada.ca/nouvelle/1074794/billets-banque-argent-comptant-disparition-paiements-electroniques

[49] Aleksandra Sagan, "Digital 'absolutely cannibalizing' cash as stores, shoppers snub bills," *The Canadian Press*, July 31, 2017: https://www.cbc.ca/news/business/digital-cashless-retail-1.4228974. Also note the case of the Creeds coffee bar in Toronto. See: Ethan Rotberg, *"Les nouvelles technologies remplaceront-elles le comptant?" Chartered Professional Accountants Canada*, January 23, 2019: https://www.cpacanada.ca/fr/nouvelles/canada/2019-01-23-canada-sans-comptant

[50] Chuck Chiang, "The end of cash? Canadian retailers, Consumers shifting to cards, apps," *Vancouver Sun*, March 31, 2017: https://vancouversun.com/business/local-business/the-end-of-cash-canadian-retailers-consumers-shifting-to-cards-apps

[51] CBC NEWS, "Cash will be no longer be king at Bell Aliant stores come the new year," December 1, 2017: https://www.cbc.ca/news/canada/nova-scotia/bell-aliant-to-no-longer-accept-cash-january-1-2018-1.4426948

[52] Stu Mills, "No cash, no problem: Mad Radish founder says cashless transactions are here to stay," CBC News, August 9, 2017: https://www.cbc.ca/news/canada/ottawa/david-segal-mad-radish-cashless-society-1.4239067

The window of the Foodchain restaurant in Montreal declares that only credit and debit cards are accepted in the establishment. The company's website homepage displays a similar message. The restaurant owner claims to be the first retailer in Montreal to adopt this practice.[53]

That said, it nevertheless remains that stores that refuse cash are still exceptions in Canada. In fact, it is so unusual that the arrival of such a business model in a Canadian city is likely to be reported by the media. However, even though it appears that most merchants continue to believe that cash is necessary for their businesses (see Section 2.3), these anecdotal cases certainly suggest that the trend towards the abandonment of cash in the retail sector is under way in Canada, too.

There are reports in the media that the arrival of cashless shopping has already caused practical problems for consumers who carry only cash. In the United States, a consumer without a payment card says he had to ask another customer of the establishment to pay for him, in return for a refund of his share in cash.[54] In response to such situations, merchants have developed ad hoc solutions: the owner of a pub in Manchester, England, claims to offer a pint of beer to customers who cannot pay electronically;[55] an Ikea store in Sweden offers them a free meal.[56] Option consommateurs' legal information service has received the testimony of a

[53] Benedict Philie, "Un resto qui ne prend pas l'argent," *Journal de Montreal*, November 23, 2017: https://www.journaldemontreal.com/2017/11/23/un-resto-qui-ne-prend-pas-largent

[54] Alexandra Olson, "'I had money and I couldn't pay': Cashless store bans spread due to discrimination issues," *Associated Press*, April 12, 2019: https://www.thestar.com/business/technology/2019/04/12/i-had-money-and-i-couldnt-pay-cashless-store-bans-spread-due-to-discrimination-issues. html

[55] Tony Naylor, "'Cash is just grief': why shops and bars want to make you pay by card," *The Guardian*, June 24, 2018: https://www.theguardian.com/lifeandstyle/2018/jun/24/cash-is-just-grief-why-shops-and-bars-want-to-make-you-pay-by-card

[56] Liz Alderman, "Sweden's Push to Get Rid of Cash Has Some Saying, 'Not So Fast,'" *The New York Times*, November 21, 2018: https: //nyti.ms/2S2WK6r

consumer who, unable to pay his Teo Taxi cab fare by credit card, was presented with a bill to pay later.

Despite these efforts at accommodation, refusing cash remains a commercial practice whose social acceptability is shaky. In the U.S., Amazon and Sweetgreen, who had announced plans to refuse cash in their facilities, finally decided to back off in response to popular pressure.[57] This suggests that merchants in Canada who decide to refuse cash risk seeing their reputations tarnished.

[57] Karen Zraick, "Sweetgreen Scraps Its Cashless Policy as Criticism Grows," *The New York Times*, April 25, 2019: https://www.nytimes.com/2019/04/25/business/cashless-stores-sweetgreen-amazon-go.html

2. Pros and cons

While the transition to a cashless society is possible in Canada, the question of whether it is desirable still remains. Indeed, for many players, removing cash from circulation has both advantages and disadvantages.

Weighing the pros and cons of abandoning cash is a perilous exercise in futurology, for which we cannot pretend to provide any definitive conclusions. On the basis of our documentary research and interviews with various stakeholders,[58] however, we were able to sketch out a portrait that gives an idea of the scale of the challenge. This portrait shows that, although some economic gains can be identified for the government and financial institutions, the direct benefits of such a transition for merchants and, above all, for consumers, seem considerably more mixed.

2.1. Economic benefits for the state

According to several analysts, eliminating cash would achieve savings that benefit society as a whole.[59] These savings would be brought about by a reduction in transaction costs and greater efficiency in the implementation of government policies.

Monetary transactions, whether they are made in cash or by debit card, represent a significant expense for the Canadian economy as a whole. A study carried out by the Bank of Canada in 2014 showed that the costs related to payments made at point-of-sale outlets amounted to $15.3 billion, or 0.78% of Canadian GDP.[60] It should be borne in mind that cash is a particularly expensive payment method, due to the costs associated with its handling and storage.[61] In the event that electronic payment services in Canada can show themselves to be sufficiently efficient and competitive, it is conceivable that abandoning cash could result in economic gains in this regard.

In addition to reducing transaction costs, many analysts suggest that a cashless society would be able to fight crime more effectively.[62] Since cash transactions are difficult to trace, they invite

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[58] The names of the experts and organizations we interviewed are listed in the "Methodology" section. Details on the choice of these experts and organizations, if any, appear in Sections 2.3 and 2.4.

[59] Oliver Denecker, Florent Istace and Marc Niederkorn, "Forging a path to payments digitization," *McKinsey on Payments*, No. 16, March 2013; Kenneth Rogoff, "Costs and benefits to phasing out paper currency," NBER Macroeconomics Annual Conference, 2014; Daniel Garcia-Swartz, Robert W. Hahn and Anne Layne-Farrar, *The Economics of a Cashless Society: An Analysis of the Costs and Benefits of Payment Instruments*, The AEI-Brookings Joint Center for Regulatory Studies, 2004.

[60] Anneke Kosse, Heng Chen, Marie-Hélène Felt, Valery Dongmo Jiongo Kerry Nield and Angelika Welte, "The Costs of Point-of-Sale Payments in Canada," Staff Discussion Paper 2017-4, Bank of Canada, 2017.

[61] The Bank of Canada, for example, estimates that when considering the total resource costs for each payment method, cash is more expensive than payment cards. However, the Bank of Canada nuances its analysis to allow for variable costs and points out that cash is less expensive in some circumstances, such as for small purchases. See: Anneke Kosse, Heng Chen, Marie-Hélène Felt, Valery Dongmo Jiongo Kerry Nield and Angelika Welte, "The Costs of Point-of-Sale Payments in Canada," Staff Discussion Paper 2017-4, Bank of Canada, 2017.

[62] Oliver Denecker, Florent Istace and Marc Niederkorn, "Forging a path to payments digitization," *McKinsey on Payments*, No. 16, March 2013; Kenneth Rogoff, "Costs and benefits to phasing out paper currency," NBER Macroeconomics Annual Conference, 2014.

various illegal activities such as the black economy, tax evasion or the financing of terrorist activities.[63] Considering that the Canadian underground economy was estimated at $51.6 billion in 2016,[64] increasing the traceability of transactions and the monitoring made possible as a result make it seem like an attractive solution.[65]

That said, we also tend to doubt that eliminating cash is the panacea that would permanently curb the underground economy. Indeed, such a solution probably underestimates the ingenuity of criminals, who will be able to adapt by utilizing innovative payment methods. For example, cryptocurrencies already make it easy to make payments anonymously; they are also a popular choice for performing illicit transactions on the Dark Web.[66]

Nevertheless, abandoning cash promises significant economic benefits for the states themselves. Moreover, eliminating it would not produce any major economic upheaval: some economists at the Bank of Canada estimate that the transition would have a relatively minor impact on the country's financial stability and monetary policy.[67] In some situations, monetary policy may be even more effective, for example when using negative interest rates to stimulate spending.[68]

In most of the world, however, State enthusiasm for the elimination of cash remains tempered by considerations other than strict economic efficiency. As we shall see, due to the detrimental effects of this transition on the most vulnerable members of their populations, many countries are taking action to protect their legal tender or to slow its decline (See Section 5).

2.2. A bargain for financial institutions

As we have seen, cash is gradually being replaced by payment cards, which Canadian consumers are using more and more. This transition appears to be very profitable for certain players in the payment system, particularly the financial institutions that issue the payment cards.

For one thing, the profits generated by credit cards can be very attractive. For example, for each transaction with a credit card, the merchant must pay a fee to the issuing institution.[69] Also,

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[63] Canada, incidentally, already imposes legal obligations on certain operators who receive cash payments, in an attempt to prevent money laundering: *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (S.C. 2000, c. 17).

[64] Statistics Canada, *The underground economy in Canada*, no 4 11-001-X in the catalogue, 2016.

[65] By way of illustration, the European Commission considered that limiting the amounts payable in cash would have little impact against terrorism, but might contribute to the fight against money laundering. See: https://ec.europa.eu/info/consultations/eu-initiative-restrictions-payments-cash_en

[66] Crypto Québec, *On vous voit: comment déjouer les malveillants sur Internet*, Trécarré, 2018, pp. 220–221.

[67] Walter Engert, Ben S.C. Fung and Scott Hendry, *Is a Cashless Society Problematic*? Staff Discussion Paper 2018-12, Bank of Canada, 2018, pp. 6–7.

[68] Ibid.

[69] A study by BMO Capital Markets estimates that the six largest banks in Canada generated revenues of $9 billion in 2015 from credit cards, 40% of which is attributable to fees associated with these payment instruments, including interchange charges and annual fees. See: Soharab Movahedi, John Fong and Jennifer Kao, "Mobile Payments; Costs of Losing Out," BMO Capital Markets, October 28, 2015, pp. 3–5. To a lesser extent, debit card transactions also

there are substantial costs involved in the handling, transporting and storage of cash.[70] With the steady decline in the volume of cash withdrawals from ATMs,[71] it is possible that economies of scale will be increasingly smaller for financial institutions, resulting in increased per unit costs.

Under these circumstances, it is hardly surprising that the number of locations where consumers can get cash from their financial institution is decreasing, or, at best, remaining stagnant. For example, the number of ATMs operated by the Caisses populaires Desjardins, which are located mainly in Québec, has been in free fall for a decade.[72] The number of financial institution service points is also tending to drop. For example, the nine largest banks had only 5907 branches in 2017.[73] Although this number has remained relatively stable over the last decade,[74] it is markedly smaller than the 8483 recorded in 1997[75].

In sum, with the double phenomenon of growing payment card revenues and increased cash processing fees, abandoning cash seems to be a good deal for the financial institutions. The decline in local banking also fuels a vicious circle: the fewer places there are to obtain cash, the more consumers will use electronic payment methods; and the more they use these payment methods, the less the financial institutions will be interested in in maintaining expensive cash distribution systems.

Unsurprisingly, the players in the payment industry are in favour of abandoning cash. In 2016, the National Bank was the first Canadian bank to take an official position on this issue, calling on governments to accelerate the transition to a cashless economy.[76] The Visa payments network, for example, launched the "Visa Challenge," aimed at highlighting to retailers in the restaurant industry the benefits of refusing cash in their establishments.[77]

This enthusiasm, however, is not without its pitfalls. In fact, the transition to a cashless society in Canada risks further consolidating the role of the private sector forces that provide the

generate income for financial institutions, particularly through bank charges. See: https://www.interac.ca/en/fees-explained.html

[70] Anneke Kosse, Heng Chen, Marie-Hélène Felt, Valery Dongmo Jiongo Kerry Nield and Angelika Welte, "The Costs of Point-of-Sale Payments in Canada," Staff Discussion Paper 2017-4, Bank of Canada, 2017, p. 18.

[71] Canadian Bankers Association, "See the latest statistics on the number of transactions at bank-owned ABMs," October 2017: https://cba.ca/abm-transactions

[72] According to Desjardins Group annual reports, the cooperative operated 2,769 ATMs in 2007, compared to 1,957 in 2018. See: https://www.desjardins.com/a-propos/responsabilite-sociale-cooperation/rapports/. The number of ATMs operated by major Canadian banks, however, has remained fairly stable in recent years, going from 18,584 in 2013 to 18,640 in 2017. See: Canadian Bankers Association, "See the latest statistics on the number of ABMs in Canada by province," August 20, 2018: https://cba.ca/abms-in-canada

[73] Canadian Bankers Association, "See the latest statistics on the number of bank branches in Canada by province," September 14, 2018: https://cba.ca/bank-branches-in-canada

[74] According to Canadian Bankers Association data available to us, these nine banks had 6,021 branches in 2007, compared to 5,907 in 2017. According to data from the annual reports of the Canadian Association of Financial Cooperatives, the number of credit union service points located outside Québec remains fairly stable, increasing from 1,770 in 2007 to 1,799 in 2017.

[75] Jacques St Amant, *Les portes closes: l'état alarmant des réseaux des institutions financières canadiennes*, Option consommateurs, 1998, p. 10.

[76] The motives the bank gave were combatting tax evasion and reducing transaction costs. Karl Rettino-Parazelli, "*Vers un Québec sans argent liquide?*", *Le Devoir*, 6 février 2016.

[77] VISA Challenge video: https://www.youtube.com/watch?v=MEQKcO42peE

services and infrastructure of electronic payment modes.[78] The Canadian market is dominated by a small number of payment networks: debit cards are transacted via Interac, while credit cards are transacted mainly via Visa, MasterCard and more rarely, American Express. In addition, the banking sector, which issues payment cards and has access to the clearing and settlement system, is also highly concentrated.[79]

According to a study by the Competition Bureau, this environment means that new entrants to the Canadian payments market face considerable obstacles. New players that intend to compete with the traditional financial institutions, for example, could be denied a bank account to conduct their activities.[80] Or, due to the applicable regulatory framework, they may find that access to the clearing and settlement systems managed by Payments Canada is too restrictive.[81]

Eliminating cash in such a context therefore comes down to removing one payment method from the market, without the assurance of its being replaced by other innovative forms of payment. Consequently, this poses the risk of reducing competition in an already highly concentrated sector. So long before Canada dreams of abolishing cash, there would hopefully be a wide overhaul of the payments market that would allow new players to carve themselves a place within it and compete with the established companies.[82]

2.3. A mixed blessing for merchants

For merchants in Canada, the benefits of abandoning on cash are mixed. The literature shows that merchants still perceive cash as more advantageous than payment cards, primarily because of the costs they incur when they accept electronic payment methods. This probably explains why so few Canadian retailers have as yet decided to refuse cash.

In our research, we interviewed seven representatives of establishments in order to better understand their views on cash.[83] These merchants all operated either retail or service establishments.[84] Although the interviews did not yield an opinion representative of the entire

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[78] Walter Engert, Ben S.C. Fung and Scott Hendry, *Is a Cashless Society Problematic*? Staff Discussion Paper 2018-12, Bank of Canada, 2018, pp. 9–11.

[79] By way of illustration, the Office of the Superintendent of Financial Institutions estimates that the six largest Canadian banks account for approximately 90% of total assets among federally regulated deposit-taking institutions. See: http://www.osfi-bsif.gc.ca/eng/fi-if/dti-id/Pages/default.aspx

[80] Competition Bureau*, L'innovation axée sur les technologies dans le secteur canadien des services financiers : une étude marché*, Canada, December 2017, pp. 32–33.

[81] Ibid., p. 35.

[82] Among other promising reforms in this regard, we should mention the development of a real-time payment infrastructure, which would allow a greater number of companies to participate in the Payments Canada system. See: Payments Canada, *Modernization Target State,* December 2017.

[83] In order to obtain these interviews, we directly solicited merchants from the City of Montreal in person, by telephone and by e-mail, making sure to contact various types of businesses. This exercise proved difficult, as we were refused many times before finding merchants willing to give us an interview. Given the small size of our sample, this selection made it possible to make comparisons between different types of merchants operating in the same territory.

[84] We sought to achieve an equal number of interviews with companies with a turnover of less than $5 million, and those with a turnover of more than $5 million; according to a study produced by the Bank of Canada, merchants' perceptions of cash payments are influenced by their sales. One of the merchants we interviewed was unable to

population, they did provide some insights into merchants' perceptions that are a valuable addition to the existing literature on the subject.

We interviewed representatives from a variety of stores: a jewelry store, a convenience store, grocery stores,[85] restaurants, a drinking establishment and a coffee shop. All these merchants said they accepted payment in both cash and payment cards; occasionally, they accepted payment in U.S. currency. Some also said they accepted cheques or bank transfers, but only for payments from companies.

2.3.1. The cost of cash

Money is the lifeblood of commerce. For a merchant, the cost of accepting a payment is a key factor in weighing its advantages and disadvantages. However, in Canada, merchants who accept payment cards have to pay a fee for each transaction, and this can be quite high.[86] These fees could act as a deterrent to changing over to a cashless business model.

In a 2006 Bank of Canada survey of some 500 retailers, the respondents indicated that they considered cash to be a more economical payment method than payment cards.[87] This applied as much to debit cards, whose fees were considered reasonable, as to credit cards, the fees for which were felt to be excessive.

A subsequent study by the Bank of Canada, however, challenges the merchants' perception that cash is the most economical payment method.[88] The study's analysts conclude that although credit cards are indeed more expensive than cash, debit cards actually turn out to be less so.[89] The authors also draw attention to the contrast between the retailers' perceptions and the results of their study, and propose to further analyze the reasons given by merchants.

Our interviews with merchants suggest that a decade later, their perceptions about the costs of payment methods have changed little. Although most of them expressed no preference for one payment method over another, they mostly said that cash was still the most advantageous from the standpoint of cost.

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disclose his turnover to us, which explains the odd number in our sample. See: Carlos Arango and Varya Taylor, "Merchants' Costs of Accepting Means of Payment: Is Cash the Least Costly?" *Bank of Canada Review,* Winter 2008-2009, p. 23.

[85] One of the merchants interviewed was a company that operated both restaurants and a grocery store.

[86] These fees are not identical for a credit card and a debit card. For credit card payment, which deals with the Visa or MasterCard networks, the merchant must pay "interchange fees," which consist of a percentage of the transaction amount. For debit card payment, which trades Interac, the imposed costs consist of a fixed cost per transaction, with the result that transactions made by debit card are generally less expensive for the merchant. See: Alexander Plourde and Karine Robillard, *Virtual Debit Card: Are consumers well protected?*, Option consommateurs, 2014, p. 9-14.

[87] Carlos Arango and Varya Taylor, "Merchants' Costs of Accepting Means of Payment: Is Cash the Least Costly?" *Bank of Canada Review*, Winter 2008-2009. The survey was conducted in 2006.

[88] Carlos Arango and Varya Taylor, "Merchants' Costs of Accepting Means of Payment: Is Cash the Least Costly?" *Bank of Canada Review*, Winter 2008-2009, p. 17.

[89] For example, the authors explain that for a transaction valued at $36.50, the debit card payment is 19 cents, the cash payment is 25 cents and the credit card payment is 82 cents. See: Carlos Arango and Varya Taylor, "Merchants' Costs of Accepting Means of Payment: Is Cash the Least Costly?" *Bank of Canada Review,* Winter 2008-2009, pp. 22–23.

Indeed, all the retailers complained about the high fees charged on each credit card transaction. Some reported paying fees of up to 2% of each transaction, in addition to having pay other fees, such as for the rental of terminals to process these payments.[90] Even taking into account the indirect costs associated with processing, including labour costs, the majority stated without reservation that cash transactions are more economical than payment card transactions.

Most merchants we interviewed felt that it does not take longer to handle a cash payment than one by payment card. In fact, some restaurateurs and one bar owners even said that cash payments are faster to process because their employees do not have to lug a terminal around to accept them. Only one merchant said that handling cash could be unduly time-consuming, especially in establishments where many employees have to deal with cash.

Some merchants also denied that the cost of reconciling accounts was higher in the case of cash. “Anyway,” one merchant said, “every employee has to check out at the end of the day, whether money is used or not.” One merchant even argued that balancing accounts for payment cards could be more complex in the event of an error, due to the difficulty of changing an incorrect entry in the computer system.

Our results suggest that for merchants to perceive the abandonment of cash as truly advantageous, the payment card companies would have to offer them a less expensive pricing formula. Despite recent government efforts to make relations between retailers and payment card networks more equitable,[91] it is clear that the current framework still leaves much to be desired in the view of merchants.

2.3.2. More and less

In addition to the cost of payment, there are other considerations for merchants in weighing the pros and cons of cash. Here again, we find that the alleged benefits for merchants of the disappearance of cash are mixed.

The materiality of cash has both advantages and disadvantages. When paying by cash, the merchant immediately takes possession of money and is therefore certain that the payment is valid.[92] In an interview, one merchant called cash “palpable.” However, the materiality of cash can also limit customers’ spending. In fact, electronic payment methods may influence consumers to make purchases they would otherwise not have made, thanks to the availability of funds.[93]

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[90] Most also said they refuse cards with the American Express logo, because of the high fees associated with these cards.

[91] Commitments have been made to promote greater contractual fairness to merchants and to reduce payment card fees. See: Financial Consumer Agency of Canada, *Code of Conduct for the Credit and Debit Card Industry in Canada*, 2017; Department of Finance Canada, Backgrounder: “New Voluntary Commitments from Payment Card Networks,” 2018 https://www.fin.gc.ca/n18/data/18-069_1-eng.asp

[92] Carlos Arango and Varya Taylor, “Merchants’ Costs of Accepting Means of Payment: Is Cash the Least Costly?" *Bank of Canada Review*, Winter 2008-2009, p. 19.

[93] Ibid., p. 20.

Cash can be stolen or be counterfeit, which represents a risk for merchants. However, in interviews, merchants felt that this was not a significant disadvantage. To avoid such problems, they told us they simply adopt safety procedures such as refusing foreign currency, installing surveillance cameras, and training employees to recognize counterfeit.

Most merchants said they had experienced very few cases of fraud with cash, especially since the Bank of Canada issued its new polymer banknotes.[94] In fact, they claimed they experience more fraud with payment cards than with cash. In short, according to merchants, electronic payment modes do not offer more protection against fraud than cash, and have just as many vulnerabilities.

The hygiene considerations related to handling cash that were cited by a few merchants who decided to refuse cash were not considered significant by most[95]. Even in restaurants, hygiene concerns are addressed primarily by the application of strict procedures such as frequent hand washing. On the other hand, payment card terminals are handled frequently by both consumers and employees, which also raises hygiene issues.

One drawback of cash noted by merchants lies in its lack of traceability. Some stated that the demise of cash would allow for better monitoring of transactions. In one interview, a merchant said not using cash would make it easier to prevent theft by employees. Another said that electronic payment methods can also be useful when trying to locate an invoice, for example, at the request of a customer.

2.3.3. A possible, though not desirable, transition

For most merchants, the disappearance of cash would not have a major impact. The number of Canadian merchants who accept payment cards, incidentally, is also increasing significantly from year to year.[96] The arrival of new card-processing technologies, such as Square, also allows small merchants to accept cards.[97]

Despite agreeing that cash is an advantageous method of payment, all the merchants we interviewed said it would be fairly easily for them to adapt to its disappearance. What is more, several have noticed that cash payments have been in decline for several years. One merchant was nonetheless worried about its disappearance because “this would give banks a lot of power to impose fees.”

[94] Counterfeit banknote statistics indicate also that this is phenomenon is in decline. In 2007, the number of counterfeit bills seized by the police totalled 141,803; in 2017, it was only 22,789. See : https://www.bankofcanada.ca/rates/banking-and-financial-statistics/statistics-pertaining-to-counterfeit-canadian-bank-notes-formerly-b4/

[95] Benedict Philie, “*Un resto qui ne prend pas l’argent*”, *Journal de Montreal*, November 23, 2017: https://www.journaldemontreal.com/2017/11/23/un-resto-qui-ne-prend-pas-largent

[96] According to the Canadian Bankers Association, the number of Canadian merchants that accept Visa and MasterCard increased from 1,186,462 in 2007 to 1,738,922 in 2017. See: Canadian Bankers Association, “Credit card statistics,” June 5, 2018: https://cba.ca/credit-card-statistics

[97] Ben Fung, P. Huynh Kim and Gerald Suber, “The Use of Cash in Canada,” *Bank of Canada Review*, spring 2015, p. 47.

However, none of the merchants we interviewed reported having seriously considered refusing cash in their establishment. One of them had experimented with a self-checkout system. However, he chose to withdraw the appliances from several of his branches, due to the theft and management issues they raised. The merchant also made the point that human interaction is part of quality customer service, which these automated systems do not allow.

Merchants generally said they did not know if it was legal to refuse cash. For them, whether or not to accept cash did not seem to be a legal issue, but rather a matter of customer service. Since cash is a payment method their customers use, they said they felt bound to accept it. “Why should I refuse the money a customer gives me?” one merchant asked. Another concluded, “I don’t think this is an accepted practice in our society. There are other aspects besides saving money to consider.”

2.4. Risks for consumers

Forever eradicating a proven, simple-to-use form of payment such as cash would pose numerous challenges for consumers. Deprived of this payment option, they would be forced to use electronic payment modes exclusively. In the current context, such a transition would entail many risks for consumers, especially for those in vulnerable situations – with no direct benefits in return.

As part of this research, we interviewed 7 representatives of organizations working with vulnerable groups to better understand the potential impact of the disappearance of cash on consumers.[98] These interviews, combined with our literature review, produced a typology of risks and a broad portrait of those who might be particularly affected by this transition.

2.4.1. A typology of risks

Admittedly there are some consumers for whom it could be quite advantageous to use electronic payment methods most or all of the time. Payment cards are practical in many circumstances; you do not have to worry about having enough money to do a bit of shopping, and, if you are a disciplined consumer who pays your balance in full before the due date, opting to pay by credit card sometimes provides you with some enticing rewards programs[99].

However, the adoption of a completely cashless monetary system and the removal of the ability to use cash would expose consumers to numerous risks.

[98] The names of these groups are given in the “Methodology” section. We were careful to choose organizations that covered a diversity of people who in the literature were identified as populations that may be particularly dependent on cash: seniors, young people, low-income people, the homeless and indigenous people. Also, several of the developments in this section come from the contributions of the experts interviewed as part of this research.

[99] Jean-François Vinet, *Épargner en dépensant, est-ce une bonne idée? Une analyse des programmes d'épargne associés aux cartes de débit et des programmes de récompenses avec “remises en argent” associés aux cartes de crédit*, Option consommateurs, 2010

First, electronic payment systems are not foolproof. Natural disasters, power outages, and computer problems are examples of unforeseen events that can cripple these systems for long periods of time.[100] Even political events can have unfortunate repercussions on the stability of these systems: for example, the Visa and MasterCard networks were excluded from Crimea after Russia took control of the territory.[101]

In times of emergency, consumers fall back heavily on cash for the purchase of essential goods and services.[102] What to do, however, if no substitute existed for electronic payment modes? While these risks can be mitigated in several ways,[103] it nonetheless remains that cash, due to its materiality and simplicity, is difficult to replace in crisis situations.

Next, abandoning cash also poses financial risks for consumers. Admittedly, the lack of cash would make little difference in a bank run; after all, rather than withdrawing money, consumers could simply transfer their funds electronically to another institution.[104] However, in the scenario of the collapse of the entire banking system, this option is not viable; which makes cash an essential safe haven for many small investors.

This financial risk is not purely hypothetical. To illustrate this, we need only consider the example of Iceland, where, during the 2008 economic crisis, there was a substantial increase in cash withdrawals by consumers when the country's banking system was in danger of collapse.[105]

Abandoning cash also poses risks with regard to privacy protection. Unlike cash, transactions made with electronic payment methods are not anonymous. Whenever payment is made by card, computer systems will record the moment, the amount and location of the transaction, which will allow it to be traced. The development of financial technologies such as mobile payments exacerbates the possibility of capturing data about the purchaser.[106]

This financial information, which can be very revealing of an individual's private details, could be used by many third parties. It could, for example, be exploited for commercial purposes,

[100] This, for example, was the case in Zimbabwe in 2018, where the EcoCash network was down for two days, leaving consumers in the lurch: Tawanda Karombo, "A two-day crash in Zimbabwe's mobile money system shows the vulnerabilities of going cashless," Quartz Africa, July 5, 2018: https://qz.com/1321152/zimbabwes-ecocash-mobile-money-crash-has-people-worried/

[101] Reuters, "Crimea's Genbank to stop providing services via Visa and MasterCard," August 11, 2018: https://www.reuters.com/article/russia-crimea-banks/crimeas-genbank-to-stop-providing-services-via-VISA-and-mastercard-idUSL5N1V208E

[102] In Canada, for example, there was an increase in demand for currency in the months leading up to the year 2000, fueled by fears over the Y2K bug. See: François Dupuis and Hendrix Vachon, "*L'argent comptant est-il en voie de disparition*?" *Desjardins Études économiques*, May 2, 2016, p. 5.

[103] For example, by providing back-up payment systems or by ensuring that the payment market has a sufficient number of competing suppliers to take over in the event that one of them fails. However, this inexorably brings us back to the issue of competition in the Canadian payments market, as discussed in section 2.2.

[104] Walter Engert, Ben S.C. Fung and Scott Hendry, *Is a Cashless Society Problematic*? Staff Discussion Paper 2018-12, Bank of Canada, 2018-12, Bank of Canada, 2018, p. 11-16.

[105] At least until the Icelandic State deploys strategies to ensure the sustainability of the financial system. There is no clear answer as to how to mitigate these risks, although the Bank of Canada offers some suggestions: Walter Engert, Ben S.C. Fung and Scott Hendry, *Is a Cashless Society Problematic*? Staff Discussion Paper 2018-12, Bank of Canada, 2018, p. 16-20.

[106] Annik Bélanger-Krams, *Impact of Mobile Point-of-sale Payment Apps on Consumer Privacy,* Option consommateurs, 2016.

including for targeted advertising by analyzing data related to the consumer's purchasing behaviour. The circulation of such data also increases the risk of it being diverted and used by criminals for the purposes of fraud or identity theft. In another context, the traceability of transactions could expose victims of domestic abuse to monitoring by their partners.[107]

Several parties have also expressed concern over the possibility of this data being used for purposes of government oversight and even repression. The group Citizen Lab, for example, deplores the lack of transparency with regard to the Chinese government's ability to collect data using the Alipay application, which is widely used in China.[108] In Canada, concerns were recently expressed that credit card data relating to cannabis purchases could be used by U.S. border officials.[109] The Office of the Privacy Commissioner has advised consumers concerned about this possibility to use cash to make such purchases.[110]

Finally, the disappearance of cash could affect how consumers manage their budgets. Studies indicate that the method of payment a consumer uses can affect their purchasing behaviour: we do not see money in the same way depending on whether it is in material form or not.[111] When money is in tangible form, we tend to experience more reluctance to spend it;[112] accordingly, the mere fact of using credit cards instead of cash encourages impulse buying.[113]

If cash is abandoned, there is a concern that consumers may be inclined to spend more, and in a less thoughtful way—which could have an effect on household debt. These potential effects of the dematerialization of money were not lost on the consumers in our focus groups, who felt that cash helped them control their spending (see Section 3).

2.4.2. Many left out

There are many Canadians who, due to their demographic or economic situation, could be particularly affected by the disappearance of cash. Identifying the characteristics of such people remains an imprecise exercise, especially since one individual may have several of these characteristics at the same time. However, while our research did allow us to sketch out only a

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[107] Access to Cash Review, *Final Report*, U.K., 2019, p. 50.

[108] Shazeda Ahmed and Adrian Fong, *Cashless Society, Cached Data: Are Mobile Payment Systems Protecting Chinese Citizens' Data*? Citizen Lab, January 20, 2017, https: //citizenlab.ca/2017/01/cashless-society-cached-data-mobile-payment-systems-protecting-chinese-citizens-data/

[109] Justine de l'Église, "*Les douaniers américains sauront-ils si j'ai acheté du pot à la SQDC?*" *Vice*, October 25, 2018; Stéphane Desjardins, "*N'achetez pas du pot avec une carte de crédit*," *Journal de Montréal*, October 23, 2018.

[110] Office of the Privacy Commissioner of Canada, "Protecting personal information: Cannabis transactions," December 2018.

[111] For further comments on these aspects, we will consult the research of jurist Jacques St Amant, from whom we have borrowed some references in this report. See: Jacques St Amant, *Pour votre bien: le remplacement des chèques par le dépôt direct aux fins du versement des prestations du gouvernement du Canada*, Service d'information et de protection du consommateur, 2015, pp. 99–103.

[112] Rod Duclos, Mansur Khamitov, "Compared to Dematerialized Money, Cash Increases Impatience in Intertemporal Choice," *Journal of Consumer Psychology*, 10 February 2019.

[113] Richard A. Feinberg, "Credit Cards ace Spending Facilitating Stimuli: A Conditioning Interpretation" (1986) 13-3 348 *Journal of Consumer Research* 348.

rough portrait of such consumers, it did allow us to see that the transition to a cashless society could negatively affect a significant proportion of the Canadian population.

It must be said at the start that there is a link between a person's economic situation and their use of cash. In a survey by the Bank of Canada, low-income consumers were seen to opt for cash payments more than other consumers.[114] We observed similar correlations abroad, particularly in the United States[115] and the United Kingdom.[116] In short, the more economically disadvantaged people are, the more likely they are to routinely use cash.

The low-income consumer group includes people living at varying levels of precariousness. Among these are the homeless, who are particularly dependent on cash for their livelihood.[117] Also included in this group are low-income workers or people receiving social assistance benefits, whose access to financial services is often limited.[118] Data from the Bank of Canada also indicates that people with lower levels of education are more likely to use cash, another variable that is often related to an individual's economic situation.[119]

Age is also a factor. Not surprisingly, Canadians in the 55 to 75 age bracket use cash more often than younger ones.[120] Many seniors are less familiar with electronic payment methods and have difficulty adapting to them. When interviewed, a representative of FADOQ[121] responded that the disappearance of cash is not an advantage and that it will negatively affect people who are more used to that mode of payment. "It is therefore important that a long adjustment period be planned and that financial institutions and the federal government accompany seniors in this process," the group concluded.

Although the young are generally believed be technophiles, some of them might also be disadvantaged by the disappearance of cash. Minors have far less choice in payment methods than adults, partly because of their limited capacity to make a contract or the fact that they do not have a credit history.

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[114] Ben Fung, P. Huynh Kim and Gerald Suber, "The Use of Cash in Canada," *Bank of Canada Review*, spring 2015; François Dupuis and Hendrix Vachon, "*L'argent comptant est-il en voie de disparition*?" *Desjardins Études économiques*, May 2, 2016, p. 3.

[115] In the United States, the Pew Research Center estimates that low-income Americans are four times more likely than other Americans to use only, or almost only, cash for shopping. See: Andrew Perrin, *More Americans are Making No Weekly Purchases With Cash*, Pew Research Center, December 12, 2018.

[116] According to *Which?*, 78% of the largest users of cash fall in the two lowest income per household brackets in the UK. See: Gareth Shaw, "Poorest to be worst hit by a cashless society, warns Which?" *Which?*, October 3, 2018: https://www.which.co.uk/news/2018/10/poorest-to-be-worst-hit-by-a-cashless-society-warns-which/

[117] Adam Fair, Barb Gosse, Hollis Moore and Jennifer Robson, *Financial Inclusion For Homeless Persons and Those at Risk: A Step Up on the Ladder of Self-Sufficiency*, SEDI, 2008, p. 19.

[118] As will be seen in the next section, a correlation exists between income and access to financial services.

[119] Ben Fung, P. Huynh Kim and Gerald Suber, "The Use of Cash in Canada," *Bank of Canada Review*, spring 2015. For the correlation between income and level of education, see: Statistics Canada, *Does education pay? A comparison of earnings by level of education in Canada and its provinces and territories*, No. 98-200-X2016024 Catalog, 2017.

[120] Ben Fung, P. Huynh Kim and Gerald Suber, "The Use of Cash in Canada," *Bank of Canada Review*, spring 2015, p. 54-55. A survey by Angus Reid also indicates that older people are more likely to keep cash on them. See: Angus Reid Institute, *Debt, savings, and stress: A study of economic attitudes and experiences in Canada today*, 2019: http://angusreIbid.org/millennial-finance-debt-savings/

[121] FADOQ is a seniors' organization with over 525,000 members. They provided written answers to our questions.

Finally, the transition to a cashless society could affect certain communities in particular. In the United States, according to a report from the FDIC, 17% of African American households and 14% of Hispanic households did not have bank account in 2017.[122] Many members of these communities have bad credit or are paid in cash only. Faced with this situation, some American politicians have campaigned to ban businesses that refuse cash, seeing such business practices as discriminatory.[123]

In Canada, there is similar concern that some groups might be disproportionately affected by the transition to a cashless society. Studies show that Indigenous peoples rely on the use of cash to a greater degree than the rest of the population, particularly in communities where access to financial services is limited.[124] Similarly, newcomers to Canada are often unfamiliar with the country's financial institutions and have no credit history. In these circumstances, their dependence on cash is often greater than that of the rest of the population.[125]

In light of these factors, the advent of businesses that refuse cash poses the risk of marginalizing a large number of vulnerable people. Depriving them of this means of payment could subject them to harm, including preventing them from obtaining certain goods and services and excluding them from certain commercial spaces.

2.4.3. The challenge of financial inclusion

The move away from cash toward reliance on electronic payment modes alone invariably raises the issue of consumers' access to financial services. Already today, there are many Canadians who have no bank account or no access to quality financial services.

The phenomenon of financial exclusion is a persistent one in Canada. Although estimates vary widely, studies estimate that approximately 3% of adult Canadians do not have a deposit account in a financial institution.[126] Not surprisingly, many of these people's characteristics are

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122 Federal Deposit Insurance Corporation, *2017 FDIC National Survey of Unbanked and Underbanked Households*, 2018, p. 3.

123 Sidney Fussell, "Who Wins When Cash Is No Longer King?" *The Atlantic*, December 21, 2018: https://www.theatlantic.com/technology/archive/2018/12/cashless-amazon-walmart-workers/578377/

124 Jerry Buckland, *Accessing Mainstream Financial Services On-Reserve*: *A Qualitative Assessment,* Report prepared for Indigenous and Northern Affairs Canada, 2016, p. 34.

125 For example, a German study reports that refugees seeking asylum in Europe rely heavily on cash: Swati Mehta Dhawan, *Financial Inclusion of Germany's Refugees: Current Situation and Road Ahead*, European Microfinance Working Paper No. 2, 2018. For an economic portrait of newcomers to Canada, see: Geneviève Grenier, *How Well Do Newcomers Understand Consumer Credit?* Option consommateurs, 2014, pp. 14–23.

126 Jerry Buckland, *Accessing Mainstream Financial Services On-Reserve: A Qualitative Assessment,* Report prepared for Indigenous and Northern Affairs Canada, 2016, p. 13. The Acorn organization also reports that 3% of Canadians do not have a bank account: Acorn Canada, *It's Expensive To Be Poor: How Canadian Banks Are Failing Low Income Communities*, May 2016. A study by the FCAC, however, puts rate at 4%: Les Études de Marché Créatec, *General Survey on Consumer Financial Awareness, Attitudes, and Behaviours*, Financial Consumer Agency of Canada, December 15, 2006, pp. 4–7. It is worth noting that a study by the World Bank estimates that 100% of Canadians have a bank account; however, the methodology used in this study, based on a telephone survey (with a margin of error of 3.9%), perhaps failed to reach a representative proportion of Canadians who have difficulty accessing banking, especially when one considers that low-income people may also have limited access to telecommunications services. See: Asli Demirgüç-Kunt, Leora Kalpper, Dorothy Singer, Saniya Ansar and Jake Hess, *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*, World Bank Group, 2018. Conversely, a study by Visa

similar to those of people who use cash the most; accordingly, low-income consumers or those with fewer years of education are more likely than others to have no bank account.[127] In order to carry out routine financial transactions, such as cashing a cheque, these consumers are often obliged to turn to merchants who agree to provide this service, for a fee.

There are other Canadians, who although they do have a bank account, are referred to as "underbanked." Included among these may be consumers who, having declared bankruptcy or having a bad credit record, cannot obtain certain very useful payment instruments such as a credit card. According to ACORN Canada, 15% of Canadians are underbanked.[128] These people are often forced to deal with alternative financial service companies, such as pawnbrokers or payday lenders, who generally impose high fees.

It goes without saying that consumers such as these, excluded from traditional financial networks, are particularly dependent on cash, since their access to electronic payment modes is so limited. Certainly, we can hope that progress in digital technologies will enable greater financial inclusion for these consumers, both by broadening access to online banking and by developing innovative payment solutions. For instance, elsewhere around the world, several initiatives are currently under way to help homeless people receive donations by mobile phone[129].

However, barriers to access to digital technologies still need to be to overcome if such efforts are truly to be successful in Canada. Although Canadians are major internet users, about 13% of households across the country are still not subscribed to the Internet.[130] Similarly, about 12% of Canadians do not have a mobile phone, although such a device is often required in order to benefit from certain payment technologies.[131] Moreover, outside the major Canadian urban centers, the quality of the connection also poses significant obstacles: only 39% of rural households have access to Internet services with a speed of 50 Mbps or more.[132]

It should also noted that a large number of consumers, especially the elderly, still have difficulty using new technologies.[133] Similarly, for a significant number of Canadians, due to their low

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International and the Commonwealth Business Council estimates than only 85% of Canadians aged 15 and over have a bank account. See: *Payment Solutions for Modernizing Economies*, VISA International & Commonwealth Business Council, 2004, p. 23.

127 Jerry Buckland and Xiao-Yuan Dong, "Banking on the Margin in Canada" (2008) 22-3 *Economic Development Quarterly* 252; Jerry Buckland*, Accessing Mainstream Financial Services On-Reserve: A Qualitative Assessment* Report prepared for Indigenous and Northern Affairs Canada, 2016, p. 15. It is interesting to note that among the characteristics, the author also includes being young or being in a single-parent household.

128 ACORN Canada, *It's Expensive To Be Poor: How Canadian Banks Are Failing Low Income Communities*, May 2016.

129 In the UK, for example, the Greater Exchange, an initiative supported by Oxford University, permits homeless people to receive direct donations. The beneficiary can collect the money by contacting a community worker: https://www.greaterchange.co.uk/homepage

130 CRTC*, Communications Monitoring Report 2018,* Canada 2019, pp. 25–26. See also: CIRA *Canadian's Internet Factbook*, 2018: https://cira.ca/resources/corporate/factbook/canadas-internet-factbook-2019

131 CRTC*, Communications Monitoring Report 2018*, Canada 2019, pp. 25–26. An example is the Swedish mobile app Swish, which Swedes use widely to make payments.

132 CRTC*, Communications Monitoring Report 2018*, Canada 2019, p. 154.

133 A CEFRIO survey conducted in Québec indicates that 20% of consumers feel they do not have the skills needed to make online transactions. Those least comfortable with this activity are consumers aged 55 and older, those with only a primary or secondary level of education and those with lower incomes. See: CEFRIO, *Compétences numériques des*

literacy level, using a technology that requires mastery of written language can pose particular difficulties.[134] Finally, Internet access is not free; you not only have to pay for the connection, you also need to have access to computer equipment to use it, meaning that there are challenges involved for low-income households that want to obtain access to affordable telecommunications services.[135]

As we can see, the transition of Canadians to online banking or other digital payment technologies still holds its share of challenges. Far from being an anecdotal phenomenon, financial and technological exclusion are factors affecting a significant proportion of the Canadian population. Accordingly, in the absence of valid alternatives, cash is still a necessity for millions of Canadians. These are serious arguments in favour of developing initiatives aimed at the financial and technological inclusion of Canadians.[136]

adultes québécois 2016, vol. 7 - No. 2, p. 11. Although the survey is limited to Québec, we assume that similar results could be obtained in Canada as a whole.

[134] According to Statistics Canada, 17% of Canadians get a literacy score of level 1 or lower. See: Statistics Canada, *Skills in Canada: First Results from the Programme for the International Assessment of Adult Competencies (PIAAC),* Statistics Canada No. 89-555-X, 2013, p. 15. According to the CEFRIO survey quoted above, people with a lower level of education also report being less competent with digital technologies.

[135] Jonathan Bishop and Alysia Lau, *No Consumer Left Behind Part II: Is There A Communications Affordability Problem in Canada?* Public Interest Advocacy Center, 2016.

[136] Also, it is doubtful that such consideration for vulnerable people represent a social cost that would hurt economic efficiency. On the contrary, financial inclusion could have positive impacts on the economy as a whole. See: Elhadj Ezzahid and Zakaria Elouaourti, *Financial Inclusion, Financial Frictions and Economic Growth*, MPRA Paper No. 90165, 2018.

3. The consumer perspective

To better understand their views on the possible disappearance of payment in cash, we held four focus groups with Canadian consumers. Two of these meetings were held in Montreal (in French) and two others were held in Toronto (in English).[137] In each city, there was one group composed of people aged 55 and older, and another of people under 55.[138] There was a total of 38 participants in the focus groups.[139]

Our groups included an equal number of men and women, aged from 20 to 75, and with varying levels of education.[140] There were workers, pensioners, students and people looking for work. It should be noted that they did not necessarily belong to groups that might be particularly affected by the disappearance of cash (see Section 2.4); our selection rather tended to reflect a cross-section of the Canadian population as a whole.

3.1. A preference for electronic payment modes

Our findings on consumers' use of payment methods corroborate the quantitative data on payment methods used in Canada (Section 1.2). The majority of participants preferred to use payment cards rather than cash. Some said they pay almost exclusively with their credit card; others said they used their credit card in conjunction with their debit card.

The credit card was used not only for making everyday purchases, but also for more expensive purchases, for online purchases, while travelling or in case of emergency. Its popularity is due to the many benefits attached to it. Several participants pointed out that this payment method allowed them to accumulate rewards, such as points and discounts, or obtain extended warranties on certain items. It also helps build a credit history, making it easier to obtain a loan later on.

Although slightly less popular than credit cards, the participants also widely used debit cards for everyday purchases. Among their benefits, the participants stressed that these cards allowed them to keep their budgets under control, by spending only the money they have in their bank account. They therefore see it as a payment method that helps them avoid getting into debt.

The participants generally reserve other payment methods for specific types of transactions. Cheques are used to make larger payments, such as rent or to pay paying for services (snow removal, repairs or various contractors). Bank transfers are used to pay bills or to transfer

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[137] The discussion guide for these groups is reproduced in Appendices 1 (French) and 2 (English). The firm BIP was mandated to recruit participants and conduct the focus groups. These were held on February 19, 2019 in Montreal, and on February 21, 2019 in Toronto.

[138] We chose to divide the groups on the basis of the participants' age, since the literature indicates that age is a factor influencing whether or not a person will use cash (see Section 2.4).

[139] In Montreal, there were 9 participants in the 18 to 54 group and 10 participants in the 55 and over group. In Toronto, there were 9 participants in the 18 to 54 group and 10 participants in the 55 and over group.

[140] Some had not completed high school, while others held graduate university degrees.

money between individuals. Pre-authorized payments, mistrusted by many,[141] have the advantage of automating recurring payments and avoiding worrying about due dates. Finally, prepaid cards can be used as a substitute for credit cards in special circumstances, such as online shopping.

Some payment methods are more or less popular depending on the age of the participants. Interac transfer, prepaid cards and mobile payments are especially popular among younger participants, while pre-authorized payments and cheques are used more by older participants. Generally, young people mostly expressed a dislike for cheques, which they consider outdated, complicated and expensive.

However, even though young people say they enjoy them more, the new payment technologies are still not widely used. Only some participants reported having used Google Pay or ApplePay; several said that they had concerns about these forms of payment, including theft or piracy. A handful of participants said they were heavy users of PayPal, which allows them to avoid using a credit card for online shopping. Similarly, a few participants use Interac transfer to make transactions between individuals. These modest advances in new technologies suggest that payment cards will continue to dominate the payments market.[142]

3.2. A democratic, yet dwindling form of payment

As a payment method, cash is somewhat paradoxical. On the one hand, it is being used less and less; people now prefer other payment instruments, such as credit cards. On the other, it is democratic: it is still used by every consumer and is still widely accepted by merchants.

Cash is the only method of payment that every participant, without exception, said they used one way or another. Despite the popularity of payment cards, most consumers say they always carry some cash with them; for many, this is an ingrained habit. “Since I was very young, I’ve never left home without some cash,” a participant from an older group said.

However, for almost all of the participants, cash is not the payment method they use most often. Only a few diehards reported using mainly cash for their purchases. These consumers said they were reluctant to try electronic payment modes or simply paid in cash out of habit. One of them said, “I know how cash works, it’s simple.”

Unsurprisingly, the majority of participants, both young and old, reported using less cash than before. The rationale for this transition is that the alternative payment methods are simple and practical: card transactions are instantaneous, yet you have to go to a financial institution to withdraw money from your account. Many consumers appreciate these changes that make their lives easier: “Times have just changed. Before, I was paid by cheque so I had to go to the bank and cash it. Now, I hardly ever have to go to the bank.”

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[141] Other studies highlight similar challenges involving pre-authorized payments. See in particular: Jacques St Amant, *Pour votre bien: le remplacement des chèques par le dépôt direct aux fins du versement des prestations du gouvernement du Canada*, Service d’information et de protection du consommateur, 2015, p. 74.

[142] Note that certain methods of payment, such as mobile payments, are in any case linked to the consumer’s payment cards.

Cash is still used mainly for certain types of transactions. Many participants said they use it to pay for small purchases of up to $10 or $15. "A sandwich and a coke; you pay for that with a ten-dollar bill," one member of an older group said. Consumers also said they use cash in types of establishments that sometimes do not accept payment cards, such as convenience stores, public markets, taxis, taverns, coffee shops, discount stores or bingo. They also used cash for buying lottery tickets, making donations, giving spare change to beggars, or tipping.

Even though they use less cash, participants said the amount they keep on them is similar or higher than what they were used to carrying in the past – an average of $100. However, they now hold on to the money longer than before: many said it takes them two or three weeks to spend what they once spent in a single week.

Finally, the participants' opinions are divided on the ease of obtaining cash. Several complained that there are fewer bank branches and ATMs than before; some said they have adapted to the situation by making a habit of making larger withdrawals. However, other participants felt that it is still easy to get cash because many merchants allow them to do so when making a purchase with a debit card.

3.3. Undeniable advantages

Although the use of cash is declining, consumers find it has many advantages over other payment methods. These benefits outweigh many of the disadvantages they named.

Consumers generally associate cash with feelings of freedom, control and autonomy. It is a payment method they call "concrete" and "tangible" as opposed to other payment methods, where the money is merely "virtual." One participant said: "It's real money." Another added: "You know how much you have. It's tangible."

For many consumers, the control and tangibility associated with cash make it a payment method of choice for managing their budget and avoiding debt. One participant said, "When I use cash I see exactly how much is coming out of my pocket." By keeping on them only as much as they plan to spend, consumers say they can better control their spending, "If you only want to spend fifty dollars, you only carry fifty dollars."

For this reason, some consumers said they prefer cash to other payment methods they consider more likely to lead to their losing control. They also accuse credit cards of causing indebtedness, without the consumer noticing.[143] "It's fake money, it's imaginary money," a participant in a younger group said. The rewards offered on each credit card transaction are also taxed as an incentive for consumers to spend more. Indeed, some participants said they had used cash more

[143] That said, some consumers also felt that electronic payment methods can help them monitor their budgets, since they provide a record of transactions. These consumers will need to exercise discipline, however, to enjoy this benefit. Although the majority of participants stated that they pay the balance of their credit card in full each month, this is clearly not the case with all Canadian consumers, only 58% of whom pay their entire balance each month. See: Canadian Bankers Association*, Focus: Credit Cards: Statistics and Facts*," August 27, 2018. See also Section 2.4.1.

because the use of credit had led them into precarious financial situations or even bankruptcy. “When I was younger, I messed up my credit really bad, so I’m using cash now.”

Similarly, participants were particularly critical of pre-authorized payments, which they considered to be excessively intrusive. “I don’t make pre-authorized payments because I want to verify my bills. I pay manually so that I can control and correct billing errors,” one participant said. Many people report having a hard time stopping pre-authorized withdrawals and deplore the loss of control over their money.

Cash is also considered a simple and convenient payment method. Some consumers said that since cash is accepted almost everywhere, it can “help” a person in many circumstances. This could be the case, for example, while one is waiting for new cards to be issued after an identity theft has occurred. In addition, cash payments do not incur any charges, nor require the use of sophisticated electronic equipment: “You don’t need electronics to pay cash; you don’t need Wi-Fi or batteries.”

A few participants also argued that cash has the advantage of protecting their privacy while making anonymous transactions. Some referred, for example, to their fears that the cannabis purchases they had made by credit card could prevent them from visiting the U.S.[144] The participants also agreed that the anonymity of cash facilitates illicit transactions, including avoiding tax audits or obtaining a good or service at a cheaper price: “Sometimes the merchant will ask you if you want to pay cash, so that you won’t have to pay taxes. “

Overall, the great majority of participants said they had a positive or neutral perception of this payment method.[145] Consumers mainly attributed some of the disadvantages of cash to its materiality: it takes time to count and carrying coins around has its inconveniences. Cash can be easily stolen, even though there is no form of payment that appears to be immune from fraud.[146] Finally, we can run out of cash, whereas most other electronic payment methods pose no such difficulty.

3.4. An irritating commercial practice

At least half the respondents said they had experienced a situation when they were refused payment in cash. In most cases, this refusal took place when they wanted to pay a merchant with large denominations ($50 and more) or, conversely, when they tried to make a payment with a large number of coins: “Once I paid with a lot of coins and I was rejected because of that. It creates a lineup at the cash.”

[144] Note that this problem made headlines a few months prior to our discussion groups: Stéphane Desjardins, “*N’achetez pas du pot avec une carte de crédit*,” Journal de Montréal, October 23, 2018, 2018.

[145] 36 of the 38 participants said they had a positive or neutral perception of cash. Although the overwhelming majority do not have a negative perception of cash, we see that older people and Montrealers view cash more favourably.

[146] The participants identified vulnerabilities with all payment methods: for example, payment cards can be cloned and cheques can be counterfeited.

In other cases, the merchant justified his refusal by citing the time of day when the consumer wanted to make the transaction. For example, participants explained that businesses sometimes refuse cash later in the evening, after the cash register has been closed by security. Finally, certain types of transactions cannot be made in cash, such as renting a hotel room or a car.

Some participants also noted that certain establishments now refuse cash completely. One consumer in Toronto complained of this practice in a coffee shop in her neighborhood: "A coffee shop nearby went to no-cash, so I don't go there. I don't use tap and go. For a coffee, I want to pay cash and it's annoying when a merchant excludes you." Another added, having noticed this phenomenon abroad: "I travel quite a bit. More and more places are only accepting credit cards. They don't want cash."

Faced with these situations, the majority of consumers said they complied with the request of the merchant and completed the transaction using an alternative payment method. Several participants assume that a merchant who refuses cash must have a good reason. "If he refuses money, it's because he has a reason to do so. If he gives me a reason and I think it's valid, I'll respect his policy." For example, participants said they could understand that security reasons, such as preventing fraud, might lead merchants to refuse cash: "For safety reasons, I think they can say that they don't accept cash."

However, consumers don't enjoy merchants refusing their money. Several called it a major irritant: "It's annoying when they don't take cash because money is the original payment method, the original form of money and you expect them to take it." For consumers, respect for customers is also an important factor that influences their reaction. If a merchant is rude, it is more likely that the consumer will walk out of the place: "If they respond rudely, I walk away."

Moreover, for many participants, the surprise of having their cash refused seems even more irritating than the merchant's practice itself. Several said they wanted to be notified in advance (by a sign, for example) when a merchant does not accept cash, to avoid being caught off guard: "If a merchant doesn't accept a payment method, he should display it in big letters in his store so people know what to expect."

What should merchants who accept only cards do when faced with clients who only have cash? Some participants said they should get the article for free or be offered a discount. This what one consumer got: "I once went to Starbucks and they only took debit. I got the coffee for free. I wasn't expecting it. I would have just left." Only a few people remarked that refusing cash might be illegal. Consumers seem to be more interested in the legitimacy of the practice than in its legality.

Finally, it might be useful to focus on the opposite situation: when a merchant accepts only cash payments. Consumers have also reported encountering these situations, particularly in convenience stores, small shops, public markets, taxis or paid parking. Again, these cases raise the ire of many consumers, especially when they are directed to automatic teller machines (ATMs) whose costs can be prohibitive: "Sometimes in the store, they have an ATM right next to the cash. But it's very expensive to make a withdrawal from a machine like that."

In the final analysis, it appears that consumers do not like to be limited in their choice of payment methods, either by having their cash refused, or inversely, by being obliged to pay cash. “You have to give customers the freedom to pay however they want,” one consumer said. Many participants were therefore appreciative of merchants who previously accepted only cash, but now have equipment enabling them to accept other forms of payment.

3.5. The disappearance of cash

The participants seemed quite resigned to the eventual demise of cash. They saw it as unavoidable. Some argued that it will take place within ten years, while others think it might take as long as a century: “I think there will be fewer and fewer places that will take it with time.” Some participants suggested that the recent disappearance of the penny was the first step towards the gradual elimination of other denominations, ending in the complete disappearance of cash: “They removed the penny, the next to go is the nickel. It will be progressive.”

Although the participants expect cash to disappear, they mostly felt that its elimination is a bad idea.[147] Admittedly there are potential benefits to a cashless society: such a society could fight crime more effectively and it would save the government money. Above all, however, they regretted losing the advantages of this payment method.

Some suggested that eliminating cash could lead to consumers losing control over their budgets, and ending up with higher levels of indebtedness. “People will overspend. I have friends who don’t have credit cards because they messed up their credit. If you have cash, you understand the value of money. You need to experience physical money.” Others expressed an attachment to cash, claiming that a currency is part of a national identity: “It’s a cultural symbol.”

Many are also concerned about disasters or breakdowns in payment systems when the use of cash may be necessary. This could happen during power outages, in a time of war or of major economic crises affecting monetary policy. “If the system fails, the entire economy will grind to a halt. We need an alternative method,” one concerned participant said. “I hope that when we arrive at the cashless society, all the bugs will be solved,” another added.

Some consumers raised concerns regarding the increased surveillance that the disappearance of cash might make possible. They fear losing the advantage of anonymity, even evoking images of a dystopian society: “The government will take full control of all the money in circulation. Whatever happens, the government will know about it.” Another participant added: “If we move to a cashless society, we risk having our information stolen all the time... We cannot not have cash, there’s too much at risk. “

Finally, the participants noted that many people could be marginalized in a cashless society. They gave examples of numerous groups of people who could be affected by the disappearance of cash: the elderly, those who have trouble with technology, people in financial difficulty, those who do not have access to credit or who do not have bank accounts, the homeless, and people with disabilities. They also mentioned certain types of workers or merchants who could suffer:

[147] 26 of the 37 participants said that it would be a bad idea to eliminate cash (one participant did not comment).

street artists, small merchants, people relying on tips, merchants who run stands at festivals and public markets, or even illegal workers.

Most participants did not know whether merchants are required by law to accept cash. Some ventured that since cash is “legal tender,” merchants cannot refuse it. Whatever the case may be, many felt that it is not lawful for a merchant to refuse cash, and consider such a practice discriminatory: “There should be no discrimination against people who are not techno-savvy. They should force establishments to accept cash to keep people employed.” The vast majority of participants also felt it would be a good idea to pass laws to oblige merchants to accept cash. “If the merchant wants to refuse credit cards, that’s O.K. But cash is non-negotiable; they have to accept it,” one participant said.

4. Some legal aspects

"This note is legal tender." This short statement, which appears on all Canadian banknotes, conceals an unexpectedly complex legal reality. In Canada, monetary policy, including the power to grant legal status to a payment instrument, is a federal responsibility. However, the issues arising from a merchant refusing to accept cash are interwoven with both provincial contract law and federal provisions. This corpus is complemented by an assortment of provisions in consumer protection legislation, which could in some instances be applied to those who use cash.

4.1. A prerogative of the federal government

In Canada, it is the federal government's responsibility to mint coins and print paper money. The Canadian Constitution is unequivocal in this regard: it gives Parliament jurisdiction over currency and coinage, the issuance of paper money, banks and legal tender.[148] This shows how committed the founders of the country were to ensuring that all monetary policy issues be entrusted to a central government.

Parliament adopted some provisions that implement its powers in the matter of currency. First, the *Currency Act* makes the dollar the country's currency[149] and gives it a nominal value, i.e. a constant value regardless of economic fluctuations. This legal fiction means, in practice, that the amount indicated on a contract is that which is due, even if high inflation occurs directly after it is concluded.[150]

The *Currency Act* gives legal tender status, at face value, to coins issued under the *Royal Canadian Mint Act* and to banknotes issued under the *Bank of Canada Act*.[151] The law provides that offers of payment made with these instruments have the power of discharge, subject to a few rules that limit the number of coins that can be offered in payment.[152] In other words, the transfer of Canadian notes or coins as payment produces an immediate transfer of value that extinguishes a debt; the creditor has the legal certainty that the object he receives in payment has the value printed on it, with no further verification required.[153]

[148] *Constitution Act, 1867*, 30 & 31 Victoria, c. 3 (UK), ss. 91 (14), (15) and (20).

[149] *Currency Act*, RSC (1985), c. C-52, s. 3.

[150] Maurice Tancelin, *Obligations en loi mixte au Québec,* 7th ed., Carswell, 2009, par. 968; Jacques St Amant, *Le cadre juridique des paiements électroniques au Canada: quand Fortune se fait virtuelle*, Option consommateurs, pp. 8–9.

[151] *Currency Act*, RSC (1985), c. C-52, s. 7 and 7.1. Note that the *Currency Act* was reworked in 2018, to explicitly recognize banknotes legal tender. See: *An Act to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures*, 1st Sess, 42nd Parl, 2018, ss. 227-230 (Royal Assent. June 21, 2018).

[152] *Currency Act*, RSC (1985), c. C-52, s. 8. This section sets a limit on how many of coins of specific denominations a creditor must accept as final discharge of an amount owing, so as to avoid receiving an excessive number. For example, an offer of payment made with nickels will be legal tender up to five dollars; another made with loonies will be legal tender up to 25 dollars. See also: *Canadian Food Inspection Agency v. Edwards Livestock* Hauling Ltd., 2008 CAF 224, paras. 18–19.

[153] Jacques St Amant, *Le cadre juridique des paiements électroniques au Canada: quand Fortune se fait virtuelle*, Option consommateurs, p. 21.

The *Currency Act*, however, does not confer legal tender status on any payment instruments other than banknotes and coins. In the digital age, in which the large majority of payments are electronic, it is curious that only these tangible assets are legal tender in Canada. Of course, this does not mean that the parties cannot agree among themselves to use other payment methods, such as cheques, credit cards or debit cards – and that is what they usually do.[154] However, Canadian law strictly recognizes only cash as legal tender.

The federal government has broad powers to determine the fate of currency in Canada. The *Currency Act* authorizes the government to withdraw legal tender notes and coins from circulation, or to implement regulations for the redemption of certain denominations.[155] For example, the federal government has already withdrawn all two -and thousand- dollar bills, and more recently, one-cent coins, from circulation.[156] The Government may also, by decree, authorize the issue of coins intended for circulation or modify their characteristics.[157] It may also, through regulation, determine the denominations of Canadian banknotes and specify the printing and validation procedures.[158]

In the event that the government decides to abandon cash altogether, it is conceivable that these powers would be used. If necessary, since the federal government has in any case wide jurisdiction over currency, it could simply pass legislation to give force to a new monetary policy, such as the issuance of a digital currency.

In contrast, the provincial governments have no power to establish alternative payment methods. Although provincial considerations may intervene in payments, including contract law, case law has long determined that the provinces cannot issue payment instruments that resemble currency.[159] In short, money is definitely a prerogative of Parliament.

4.2. Can a retailer refuse cash?

Although cash is the only form of payment that is legal tender in Canada, the implications of this status for the relationship between consumers and merchants remain uncertain. To determine whether merchants are allowed to refuse cash, it is necessary not only to look at the provisions of federal legislation, but also to refer to provincial contract law.

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[154] The use of these payment methods, which are not legal tender, also raises the question of the definition of "money" in Canadian law. This question is still an open one, but it seems to acknowledge that a widely used medium of exchange may be legally considered as money, even if it is not legal tender. To explore these issues, see: Guy David, "Money in Canadian Law" (1986) 65 The *Canadian Bar Review 192*; Bradley Crawford, *Payment, Clearing and Settlement in Canada*, vol. 1, Canada Law Book, 2002, pp. 37–40.

[155] *Currency Act*, RSC (1985), c. C-52, s. 9 and 9.01.

[156] *Regulations for the Redemption of One Cent Coins*, SOR/2012-264. See as well: https://www.banqueducanada.ca/billets/changements-a-venir-concernant-le-cours-legal-des-vieux-billets-de-banque/

[157] *Royal Canadian Mint Act*, RSC (1985), c. R-9, art. 6.1-6.6.

[158] *Bank Act*, RSC (1985), c. B-2, s. 25 (3).

[159] *Reference Re Alberta Statutes - The Bank Taxation Act; The Credit of Alberta Regulation Act; and the Accurate News and Information Act*, [1938] R.C.S. 100.

In the common law provinces[160], the rules in this area are derived from long-standing jurisprudence that was developed at a time when cheques and cash were essentially the only payment methods in common use. Under these rules, the rights of each party vary depending on whether or not an agreement has been reached between the creditor and the debtor regarding the method of payment (Sections 4.2.1. and 4.2.2). Québec, the only province with a tradition of civil law, offers more modern solutions with regard to the discharge of payment obligations; once again, however, the scope of these provisions remains unclear (4.2.3).

4.2.1. The default rules

Imagine that a Canadian consumer owes money to her telecommunications service provider. This consumer goes to one of the branches of the company and attempts to pay the amount owing in cash. Although the establishment does not display any warning and although the consumer contract contains no clause to this effect, the employee refuses the cash and directs the consumer to pay her bill online or at the bank. What should happen?

Under Canadian law, this merchant is not justified in refusing cash. The *Currency Act* states that the coins and banknotes offered by the consumer are legal tender and that her offer of payment is final. In the absence of any contractual provision to the contrary, since the law recognizes the ability of cash to extinguish a debt, it can be argued that the merchant was not entitled to refuse the money.[161]

However, in practice, the consequences for a merchant who refuses such an offer of payment are highly abstract and uncertain.

First, even though the merchant's refusal is unjustified, the consumer still owes him money. In common law, a payment is a consensual act, which must have been accepted by both parties.[162] If this is not the case, the debt is not extinguished. In other words, the money that the consumer gives the merchant can legally extinguish an obligation; however, in order for this obligation to be definitively extinguished, the merchant must accept the cash that is offered to him. These intricate distinctions between the offer of payment and the payment itself mean that the amount remains payable. At most, the refusal of this legally valid offer of payment could result

[160] In Canada, the provincial legal system in Québec is not the same as in other provinces. The current system in Québec is civil law, in the French tradition, while other provinces are based on common law, in the English tradition. For more information, see: https://www.justice.gc.ca/eng/csj-sjc/just/03.html

[161] Guy David, "Money in Canadian Law" (1986) 65 The *Canadian Bar Review* 192, p. 196, note 21; Jacques St Amant, *Le cadre juridique des paiements électroniques au Canada: quand Fortune se fait virtuelle*, Option consommateurs, 2002, pp. 22–23; Bradley Crawford, *The Law of Banking and Payment in Canada*, Canada Law Book, 2008- (updated October 2018), pp. 2–29 to 2–33; *Phillips v. Telus Corp*., 2002 BCPC 499

[162] Guy David, "Money in Canadian Law" (1986) 65 *The Canadian Bar Review* 192, p. 210-211; F.A. Mann, *The Legal Aspect of Money: With Special Reference to Comparative Private and Public International Law*, 5th ed, Clarendon Press, 1992, p. 75; Bradley Crawford, *The Law of Banking and Payment in Canada*, Canada Law Book, 2008- (updated October 2014), pp. 1–6 and 1–7. Crawford refers in particular to the decision *Toronto Dominion Bank v. Spiller*, by McLachlin J. (at that time a judge in the Supreme Court of British Columbia) to support this view: *Toronto Dominion Bank v. Spiller* 1982 CanLII 268 (BC SC), para. 5.

in the unpaid creditor losing the right to damages that he could otherwise obtain as a result of the debtor's default.[163]

Similarly, the legal penalties for refusing such an offer of payment remain fairly ineffective as a deterrent. *Phillips v. Telus*, one of the few Canadian cases involving a merchant refusing cash, provides a striking illustration.[164] In this case, the customer of a telecommunications company whose cash payment was refused at a branch of the company stubbornly refused to pay otherwise than in cash. It should be noted that the contract stipulated only that the payment could be made at any branch of the merchant, without specifying the method of payment. After a thorough analysis, the judge considered that the merchant's refusal of cash was not justified and constituted a breach of contract.

However, even though the court agreed with the consumer, it was only a Pyrrhic victory for the latter. In fact, the judge only awarded him the sum of one dollar in compensation, claiming he could simply have gone to a bank and made the payment in cash there. The judgment finally ruled that the consumer had to pay the sum of over $500 that he owed to Telus, as well as certain costs that the company had incurred in its defense.

In view of this decision, it is clear that the current legal framework seems insufficient to effectively protect the use of cash in Canada. It is rather difficult to see the average consumer, faced with a store in his neighborhood that refuses to accept cash, going to court to force acceptance of his payment. It will be recalled that the consumers in the focus groups also generally said they complied with merchants' requirements regarding payment methods, even though they disagreed with their practices (Section 3.4). In this context, penal measures that can be directly applied by the public authorities seem to offer a better solution than the private law mechanisms currently in force.

[163] Guy David, "Money in Canadian Law" (1986) 65 *The Canadian Bar Review 192*, p. 211; F.A. Mann, *The Legal Aspect of Money: With Special Reference to Comparative Private and Public International Law*, 5th ed, Clarendon Press, 1992, p. 75; Bradley Crawford, *The Law of Banking and Payment in Canada*, Vol. 1 Canada Law Book, 2008- (updated October 2014), pp. 2–29.

[164] *Phillips v. Telus Corp*. 2002 BCPC 499. The analysis in this case relied heavily on references to several decisions dating back to the 19th and early 20th century: *Robinson v. Cook* (1815), 6 Taunt. 336; *Griffiths v. School Board of Ystradyfodwg* (1890), 24 QBD 307; *British Columbia Land and Investment Agency v. Ishitaka* (1911) 45 SCR 302; *Mus v. Matlashewski,*1944 CanLII 273 (MB CA).

Do we have to give change?

According to past decisions rendered by common law tribunals, the creditor who receives a cash payment is under no obligation to give change.[165] Consequently, it is up to the consumer to give the merchant the exact amount–right down to the last cent. However, in *Phillips v. Telus Corp.,* the court rejected this old rule, taking into account modern commercial practices whereby it is common practice to give change.[166]

4.2.2. Signs and contract terms

Now imagine another situation: a consumer, before making a purchase, was notified by the merchant that payments in cash are not accepted. Two more exact scenarios are possible in such a case: first, the consumer may have been notified by a sign displayed in the merchant's establishment; second, a written contract concluded with the consumer might contain a clause stipulating that cash payments will be refused. These two scenarios do not have identical legal solutions, although they are both based on contract law.

First, let's analyze the case where a merchant puts up a sign in his establishment announcing that he refuses cash or, as is frequently seen, refuses certain higher denominations such as $100 bills. In this case, if the sign is displayed clearly, we can therefore believe that the consumer was informed, before making his purchase, that this merchant will not accept his money. What happens then if the consumer still insists on paying cash?

Jurist Bradley Crawford proposes an answer based on the rules of contract formation.[167] In common law, it is considered that the merchant putting up goods for sale on his shelves is an invitation to treat with the merchant, not a formal offer.[168] When the consumer picks up the good, the sales contract is not formed automatically: it will be only be concluded when the merchant has agreed to make the sale. To the extent that no there is no legal relationship between the merchant and the consumer who comes to his cash register, the merchant has full discretion to refuse to conclude a sale when he is offered payment in cash. The signs are therefore valid and enforceable against consumers, since they indicate the conditions under which the merchant is willing to accept an offer from a consumer.

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[165] Guy David, "Money in Canadian Law" (1986) 65 The *Canadian Bar Review 192*, p. 196; Bradley Crawford, *The Law of Banking and Payment in Canada*, Canada Law Book, 2008- (updated 2014), p. 2-29.

[166] Phillips v. Telus Corp., 2002 BCPC 499, para. 20. Note that French law also provides that it is up to the debtor to top up; in a context in which the law requires the creditor to accept cash, such an approach can be seen as a move toward equity (see Section 5.2.3).

[167] Bradley Crawford, *The Law of Banking and Payment in Canada*, Canada Law Book, 2008- (updated November 2008), pp. 2–33 and 2–34. The author examines the question of merchants refusing denominations of $100 that are legal tender, but we believe that his solution could also be extended to merchants refusing legal tender of any denomination whatsoever.

[168] Angela Swan, Nicholas C. Bala and Jakub Adamski, *Contracts: Cases, Notes & Materials*, 9th ed, LexisNexis, pp. 530–531.

This first solution still leaves some grey areas, since it only applies in cases when a contract was never formed. But what happens when the consumer owes a merchant money and the written contract between them forbids cash payment? Could such a clause validly prevent a consumer from paying cash?

To identify possible solutions, it is necessary to consider the binding effect of the nebulous notion of "legal tender," which varies depending on which legal tradition applies.[169] In common law, the parties to a contract may determine the payment methods they will use; for example, they may validly agree that payment will be made by cheque, and thus exclude cash.[170] Seen in this light, refusing legal tender would therefore only be unjustified by default in cases when the contracting parties did not agree to use other payment methods, or at least, they simply did not address the issue of which payment methods to use (see Section 4.2.1). The Bank of Canada supports a similar approach, saying that the choice of payment method is a matter to be settled by mutual agreement between the parties.[171]

If we accept this logic, a contract containing a clear clause to the effect that payment may not be made in cash could be valid. Going back to our earlier example, if a telecommunications service provider had included explicit wording to this effect in the service contract, we ought to conclude that it is enforceable against the consumer.

Ultimately, it should be remembered that this state of law is based primarily on old authorities, quite removed from our contemporary economic realities. The difficulties raised by the disappearance of cash may provide an opportunity for the courts to change the scope of the concept of legal tender within the framework of a modern consumer contract whose terms the consumer cannot negotiate. Also, in response to these difficulties, Canadian legislators might see fit to take the initiative to clarify the law, drawing inspiration from other States that give more teeth to the concept of legal tender (see Section 5).

[169] Note that in Europe, the scope of the concept of legal varies from state to state. In French law, for example, the creditor is obliged to accept legal tender (see Section 5.2.3).

[170] Guy David, "Money in Canadian Law" (1986) 65 The *Canadian Bar Review 192*, p. 210-214; Bradley Crawford, *The Law of Banking and Payment in Canada*, Canada Law Book, 2008- (updated November 2008), p. 2-32; Nicole L'Heureux and Marc Lacoursière, *Droit bancaire*, 5th ed., Éditions Yvon Blais, 2017, pp. 86–87, no. 117.

[171] The media attributes statements to this effect to the Bank of Canada. See: Stéphanie Grammond, "*L'argent comptant n'est pas mort*," *La Presse*, August 9, 2017; Stéphanie Mercier, "It may be legal tender, but more businesses are snubbing cash," CBC, December 3, 2017. The Bank of Canada website also states that "any form of payment may be used, as long as buyer and seller agree." See: https://www.bankofcanada.ca/banknotes/bank-note-series/past-series/

The Fairmount Bagel bakery in Montreal announces that it accepts only cash payments. Since the *Currency Act* confers the status of legal tender on no other forms of payment besides cash, a creditor is not required to accept anything other than cash.[172]

4.2.3. The special case of Québec

The law of Québec, the only Canadian province with a tradition of civil law, offers solutions that differ somewhat from those in the rest of Canada with regard to the appropriate methods for release from a debt. This feature of the Québec law is enshrined in Article 1564 of the *Civil Code*:

> 1564. Where the debt consists of a sum of money, the debtor is released by paying the nominal amount due in money which is legal tender at the time of payment.
>
> He is also released by remitting the amount due by money order, by cheque made to the order of the creditor and certified by a financial institution carrying on business in Québec, or by any other instrument of payment offering the same guarantees to the creditor, or, if the creditor is in a position to accept it, by means of a credit card or a transfer of funds to an account of the creditor in a financial institution.[173]

In a similar manner to the *Currency Act*, this provision states that the debtor of a sum of money is discharged from his debt by delivering to the creditor the nominal amount in legal currency – i.e. Canadian banknotes and coins.

However, Québec law differs from that in the rest of Canada in that it permits full discharge of a debt using modes of payment other than cash. Money orders and certified cheques are also invested with this status, as are other payment methods that offer similar guarantees. Even transfers of funds and credit cards are acceptable means of fully discharging a debt, if the

[172] Jacques St Amant, *Le cadre juridique des paiements électroniques au Canada: quand Fortune se fait virtuelle*, Option consommateurs, 2002, p. 31 Bradley Crawford, *Payment, Clearing and Settlement in Canada*, vol. 1, Canada Law Book, 2002, p. 39; Nicole L'Heureux, *"La libération du débiteur et les nouveaux instruments de paiement*," (1989) 30-4, *Les Cahiers de droit 909*, p. 912, note 13.

[173] *Civil Code of Québec,* CQLR c. CCQ-1991 art. 1564.

creditor is able to accept them.[174] In short, the Québec legislature allows a consumer to discharge a debt not only with cash, but also with more modern payment methods.

In principle, under Québec civil law, a merchant is therefore not justified in refusing cash from a consumer. Moreover, unlike the situation in the rest of Canada, a merchant in Québec would not be justified in refusing other payment methods that offer sufficiently high guarantees. However, the Québec legal framework poses similar difficulties to those raised more generally in the Canadian context with respect to the scope accorded to those provisions.

First, as in common law, the consumer is not released from his obligation if the merchant refuses the cash he offers to pay off a debt. If he wants to oblige the merchant to accept a payment, he must use the safeguard mechanisms provided for by law, which allow him to consign to a third party the amounts due to avoid being later accused of default.[175]

Moreover, the validity of a notice displayed in the merchant's establishment stating that he refuses cash payment is uncertain. Unlike the situation in common law, the rules governing the formation of contracts in civil law do not make it easy for a merchant to refuse to contract with a consumer who presents him with cash in his establishment. Indeed, in civil law, a merchant who displays merchandise on a shelf is making an implicit offer: as long as the consumer expresses his acceptance of this offer, a contract of sale will be formed.[176]

In this context, it is not clear that the mere presence in the establishment of a sign indicating that cash is not accepted automatically makes this an element of the contract thus formed.[177] In fact, in civil law, a sign may be considered like an external clause, that is to say, a contractual stipulation contained in another document to which the contract refers.[178] In a consumer contract, however, such a clause will be considered void if it is not expressly made known to the consumer, unless the merchant can prove that the consumer was aware of it.[179] This therefore suggests that to be valid, a sign must at least be seen by a consumer before the latter concludes a contract.

Ultimately, the fundamental question is whether a contractual clause can validly exclude the application of Article 1564 of the *Civil Code* – in short, to determine whether this provision is of public order or whether it is suppletive. In civil law, the public order character of a provision in

[174] Since these instruments do not offer guarantees as such, the creditor would be justified, for example, in refusing ordinary cheques that have not been certified. See: *Duchesneau v. Cleary*, 2003 CanLII 16941 (QCCQ).

[175] In civil law, the mechanisms of tender and deposit allow a debtor to "force" a creditor to accept a payment. Essentially, a "tender" consists in making the amount due to creditor available to him, especially in the form of legal tender. The amount due may be deposited with a third party, such as a trust company; this will result in the creditor losing the right to interest on the amount due. If the creditor refuses the offers, the debtor may then go apply to the courts. See: *Civil Code of Québec,* CQLR c. CCQ-1991 art. 1573-1589; *Code of Civil Procedure*, CQLR c. C-25, art. 215-216; Didier Lluelles and Benoît Moore, *Droit des obligations*, 3rd edition, Thémis, 2018, pars. 2653-2655.

[176] Didier Lluelles and Benoît Moore, *Droit des obligations*, 3rd edition, Thémis, 2018, pars. 294-295; *Civil Code of Québec*, CQLR c. CCQ-1991 art. 1388.

[177] We will also see later that, under the consumer protection laws, a merchant may not omit a material fact (see Section 4.3.1).

[178] Didier Lluelles and Benoît Moore, *Droit des obligations*, 3rd edition, Thémis, 2018, 2018, par. 1146; Vincent Karim, *Les obligations,* vol. 1, 4th ed., Wilson & Lafleur, par. 1893.

[179] *Civil Code of Québec*, CQLR c. CCQ-1991 art. 1435 par. 2.

the absence of explicit instructions in this regard[180] can be determined by the courts, which will take particular account of its wording and its public protection goals.[181] Unfortunately, the very few decisions under Québec law on a merchant refusing to accept cash do not definitively settle this issue.

In some decisions, the courts have indicated that it is possible to derogate from Article 1564 of the Civil Code by the use of a sign. In *Francesco v. Famous Payers*, a Small Claims Court judge found that a cinema operator was not at fault for refusing to accept $100 bills, in accordance with signs posted to that effect in his establishment.[182] The judge ruled that Section 8 of the *Currency Act* and Article 1564 of the *Civil Code* do not have "the effect of requiring a retailer to whom we owe money, to accept this payment. The choice of payment method acceptable to the parties to a transaction is a question to be settled by an agreement between them."[183]

On the other hand, other decisions have been favourable toward consumers who wish to pay a merchant in cash. In *Gaz Metropolitain v. O'Rourke*,[184] a consumer was denied payment of a debt in cash at one of the gas supplier's branches. The Superior Court held that the consumer's payment offer was "an offer of payment in full discharge with immediate effect against Gaz Métropolitain," which amounted to "an acceptance of payment by Gaz Métropolitain." The exact reasons of the court, however, are not very detailed and do not make it possible to determine whether the judge accorded a status of public order to Article 1564 of the *Civil Code*.[185]

In *Gallant v. Telus*, presented before the Small Claims Court, the judge awarded $1,000 in damages to a person whose telecommunications service was cut following Telus' refusal to accept payment in cash at one of its branches. In this case, it did not appear possible for the applicant to mitigate his damages, as he had no invoice to make a payment to the bank.[186] In his ruling, the judge very briefly reiterated the reasons given in the O'Rourke case, stating that "Telus was in no way justified in refusing the cash payment of $133.95 proposed by the plaintiff."[187]

To top it all, the Québec provisions also raise constitutional difficulties. It will be recalled that under the Canadian Constitution, the regulation of money is an exclusive competence of the

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180 This is particularly the case with the *Consumer Protection Act*, which in sections 261 and 262 states that this is of public order and cannot be derogated from by private agreement.

181 Didier Lluelles and Benoît Moore, *Droit des obligations*, 3rd edition, Thémis, 2018, pars. 1905-1932.

182 In another case, in an *obiter dictum*, the same court suggested that a policy displayed to the effect that $100 bills will not be accepted is valid if a merchant is concerned about counterfeit banknotes: *Soldera v. Gestion René J. Beaudoin*, 2006 QCCQ 3735, para. 27.

183 *Francesco v. Famous Payers Inc*., 2003 CanLII 30680 (QCCQ), para. 19. Authors L'Heureux and Lacoursière offer a similar view, arguing that Article 1564 of the Civil Code, just like Section 8 of the *Currency Act*, "does not oblige the creditor to accept payment in cash." See Nicole L'Heureux and Marc Lacoursière, *Droit bancaire*, 5th ed., Éditions Yvon Blais, 2017, pp. 86-87, No. 117.

184 *Gaz Métropolitain inc. v. O'Rourke*, 1996 CanLII 4529 (QCCS).

185 It should be noted that this case was not concerned with the content of the original contract with the company, unlike *Phillips v. Telus*, in BC, which nevertheless has interesting similarities.

186 Again, this case does not analyze the applicable contractual provisions. The Court therefore stated that "neither the applicant nor the defendant Denis Gallant produced the written contract agreed between them, with the result that the Court is unable to know the conditions and rates." [TRANSLATION]

187 *Gallant v. Telus*, 2013 QCCQ 2404.

federal legislator. According to the analysis of jurist Jacques St Amant, Article 1564 of the *Civil Code* poses serious obstacles for the division of powers, which could lead the courts to conclude that it is unconstitutional.[188] This means that the legal structure applicable to payment methods is still shaky in Canada, and we can hope for a redesign that is better able to address the challenges of the current economic environment.

4.3. A weakened consumer protection framework

Merchants' refusal to accept cash, and in a wider context, the possibility of its disappearance in Canada, bring other provisions of Canadian law into play. First of all, several standards borrowed from various areas of law may provide some protection for consumers who use cash (Section 4.3.2). The elimination of cash also raises the issue of protection afforded to consumers who use cash substitutes or electronic payment methods; in this regard, although the law provides some standards that promote consumer access and protection, the legal framework is still open to improvement (Section 4.3.2).

4.3.1. Protecting cash users

Canadian consumer protection laws might, in certain circumstances, provide some remedies for consumers who use cash.

At the very least, these laws place a duty of information on the merchant who chooses to refuse cash to his customers. The various provincial consumer protection laws, as well as the Competition Act generally prohibit misleading representations; many of these laws also prohibit expressly omitting to state a material fact to a consumer.[189] Consequently, a merchant who fails to notify customers of his refusal to accept cash payments could be in contravention of such provisions – insofar as the option of paying in cash was at the outset an important consideration for the consumer. For a sign to constitute a valid indication, it must then at least be clear and have been brought to the attention of consumers before they decide to contract with a merchant.[190]

It is legitimate to wonder whether merchants would be able to impose a surcharge on customers who choose to pay cash, although admittedly we did not encounter a situation of this kind during our research. In this regard, we can refer to Québec's *Consumer Protection Act,* which prohibits merchants from demanding a higher price than the one advertised.[191] This provision has been invoked successfully against a merchant who imposed a surcharge on

[188] Jacques St Amant, *Le cadre juridique des paiements électroniques au Canada: quand Fortune se fait virtuelle*, Option consommateurs, 2002, pp.30–34.

[189] See in particular the *Competition Act,* RSC 1985, c C-34, ss. 52 (1) and 74.01; the *Consumer Protection Act*, CQLR c P-40.1, s. 228; the *Consumer Protection Act 2002*, SO 2002, c. 30, Sched. A, s. 14.

[190] Note that these requirements are comparable to those relating to external clauses in a civil law consumer contract (see Section 4.2.3).

[191] *Consumer Protection Act*, CQLR c P-40.1, s. 224 c).

customers who paid by debit card;[192] accordingly, there are grounds for believing that the same logic could apply to a surcharge on the use of cash.

Additionally, Canadian laws prohibiting unlawful discrimination could also be applied in situations when a merchant refuses cash. As we have seen, refusing cash is a commercial practice that threatens to have harmful effects on a large number of consumers, including those with lower income, people with little education, or even seniors. There are also concerns that some communities, such as First Nations people and recent immigrants could be unduly disadvantaged (see Section 2.4.2). From there, one can reasonably ask whether, in certain circumstances, the refusal to accept cash could violate Canadians' right to equality, by de facto excluding certain vulnerable groups.

In Canada, under various federal and provincial laws,[193] a company cannot make a harmful distinction against a person on the basis of prohibited grounds of discrimination. The grounds in this matter are not identical in every one of these laws, but they generally include national or ethnic origin, religion, age, sex, sexual orientation, marital status, family status, genetic features or disability. This means that a company that refuses to provide services to a person because of their age, for example, would be guilty of unlawful discrimination. It should also be noted that unlawful discrimination need not be the result of a deliberate exclusion policy; it can also indirectly result from a practice that has the effect of excluding people who belong to protected groups.

In Québec, the issue of the right to equality has also been raised with regard to payment methods employed by the government. In 2011, the Commission des droits de la personne et des droits de la jeunesse issued an opinion on the government's refusal to admit a person to benefits if he or she did not subscribe to direct deposit.[194] In the opinion of the Commission, this government practice constituted unlawful discrimination based on social status and disability, in addition to violating the dignity of the persons in question.[195]

4.3.2. Electronic payments: access and supervision

If they really do intend to get rid of paper money and coins, we cannot help but wonder about the protection afforded to the consumers who use their substitutes, namely electronic payments.

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[192] *Stratos Pizzeria (1992) inc. v. Galarneau*, 2015 QCCS 2353.

[193] See especially: *Canadian Human Rights Ac*t, RSC (1985), c. 6H (federal); *Charter of Rights and Freedoms,* CQLR, c. C-12 (Québec); *Human Rights Code*, RSO 1990, c. H.19 (Ontario); *The Human Rights Code*, [RSBC 1996] CHAPTER 210 (BC); *Alberta Human Rights Act*, RSA 2000 c. A-25.5 (Alberta); *The Saskatchewan Human Rights Code*, SS 1979, c. S-24.1 (Saskatchewan); *The Human Rights Code*, CCSM c. H175 (Manitoba); *Human Rights Act*, RSNB 2011, c. 171 (New Brunswick); *Human Rights Act*, RSNS 1989, c. 214 (NS); *Human Rights Act, RSPEI 1988*, c. H-12 (Prince Edward Island); *Human Rights Act 2010,* SNL 2010, c M-13.1 (Newfoundland and Labrador).

[194] Evelyne Pedneault, *Compliance with the Charter of Human Rights and Freedoms of the obligation to register for direct deposit as a condition to receive the solidarity tax credit*, Human and Youth Rights Commission, October 2011.

[195] For developments in the government context, see: Jacques St Amant, *Pour votre bien: le remplacement des chèques par le dépôt direct aux fins du versement des prestations du gouvernement du Canada*, Service d'information et de protection du consommateur, 2015, pp. 91–97.

First, Canadian law provides a few scattered provisions that may help promote financial inclusion. One of these is to be found in the *Bank Act*, which obliges banks to open a bank account for anyone, even if that person's financial profile is less than perfect, subject to a few crime-related circumstances.[196] It should be noted, however, that this requirement applies only to financial institutions under federal jurisdiction, not to credit unions supervised by provincial legislation.

Similarly, the *Bank Act* contains a regime that is applicable when a financial institution wants to close a branch, which stipulates, among other things, that it must send out a closure notice and in some cases hold a meeting with members of communities affected by the closure.[197] It needs to be said, however, given the dwindling number of bank branches in Canada (Section 2.2), that the efficacy of this regime in maintaining neighbourhood banking services is less than impressive.

In addition to the difficulties of access to financial services, there is also room for improvement in the protections available to users of electronic payment methods. To this day, Canada still lacks a harmonized framework on the protection of consumers with regard to electronic payments.[198] These payment methods are governed in part by a variety of legislative, voluntary, or purely contractual standards.

For example, credit cards are subject to the rules of the Visa or MasterCard networks, certain provisions of provincial consumer protection laws, and the provisions of the *Bank Act*.[199] Debit cards, on the other hand, are subject to a voluntary code and to Payments Canada rules, supplemented by contractual stipulations.[200] Prepaid cards, meanwhile, are regulated in accordance with a specific federal system and various provincial standards.[201] Finally, other more innovative payment methods such as PayPal come under no special supervision and are simply subject to common law and the conditions of use defined by these services.

The result of this multitude of disparate rules is that, from one payment instrument to another, and from one type of operation to another, consumer protection and recourse can vary greatly

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[196] *Bank Act*, SC 1991, c. 46, s. 448.1; *Access to Basic Banking Services Regulations,* SOR/2003-184, s. 2-5. Note that these provisions will be replaced by sections 627.17 to 627.19 of the *Bank Act*. See: *An Act to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures*, 1st Sess, 42nd Parl, 2018, s. 329 (Royal Assent June 21, 2018).

[197] *Bank Act*, SC 1991, c. 46, art. 459.2; *Notice of Branch Closure (Banks) Regulations,* SOR/2002-104. Note that these provisions will be replaced by ss. 627.993–627.995 of the *Bank Act*. See: *An Act to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures*, 1st Sess, 42nd Parl, 2018, s. 329 (Royal Assent June 21, 2018).

[198] Marc Lacoursière, *Les défis juridiques du paiement virtuel, Développements récents en droit bancaire*, Barreau du Québec, 2017

[199] See in particular: the *Consumer Protection Act*, CQLR c P-40.1, ss. 123–124; 2002 the *Consumer Protection Act, 2002, S.O. 2002, c. 30, Sched. A*, ss. 68–69; *Bank Act*, SC 1991, c. 46, art. 450-454; SOR/2001-10; *Cost of Borrowing (Banks) Regulations* SOR/2001-101.

[200] See in particular: Electronic Funds Transfer Working Group, *Canadian Code of Practice for Consumer Debit Card Services*; Payments Canada, *Rule E1 - Exchange of Shared Electronic Point-of-Service Payment Items for the Purpose of Clearing and Settlement*, 2017; Payments Canada, *Rule E2 - Exchange for the Purpose of Clearing and Settlement of Electronic On-line Payment Items*, 2013.

[201] See in particular: *Prepaid Payment Products Regulations*, SOR/2013-209, *Consumer Protection Act*, CQLR c P-40.1, ss. 187.1–187.5.

– even though from the consumer's perspective these transactions may seem quite similar. The requirements with regard to information, protection against fraud, chargeback standards or protection of funds in the event, for example, of insolvency on the part of the service provider, may be very different from one payment method to another.

The legal risk for to consumers in such an environment therefore remains high, and the transition to a payments market based solely on electronic technology can only exacerbate it. For decades, Canadian consumer groups have criticized the fact that Canada does not have a comprehensive, harmonized legal framework for payments that is adapted to today's technological context.[202] The possible disappearance of cash makes this gap even more distressing.

[202] Option consommateurs, *La surveillance des systèmes nationaux de paiements de détail*, Option consommateurs, Comments submitted to the Department of Finance Canada, 2015.

5. Cash around the globe

The decline of cash is not a phenomenon that is exclusive to Canada, far from it. A transition toward electronic payment methods is under way worldwide and is posing similar challenges to those encountered in the Canadian context.

It is happening in many of the so-called emerging economies. In China, payment by means of applications such as AliPay or WeChat is widespread.[203] In Kenya, because of difficulties of access to banking services, half the population use mobile payments.[204] In an attempt to curb the underground economy, the government of India began the move toward a cashless economy by instituting, in rather cavalier fashion, the demonetization of some high denomination banknotes.[205]

Economies with more similarities to Canada are undergoing similar changes. Among these, we will briefly focus on the situations in the United States, and, within the European Union, Sweden, Denmark and France. Each of these countries has implemented legislation or public policies to protect users of cash.

5.1. The United States

Even in the land of the greenback, cash is losing ground. Cash now accounts for no more than 30% of transactions in the United States, and is undergoing a decline similar to that observed in Canada.[206] According to the Pew Research Center, about 29% of Americans say they do not use cash in a typical week.[207]

As in Canada, U.S. Federal law states that the currency issued by the Federal Reserve is legal tender.[208] This does not mean, however, that merchants are obliged to accept cash in their establishments. According to the U.S. Treasury Department, the law allows businesses to establish their own policies regarding which payment methods they accept or not.[209] For example, they can legally stipulate, by contract or by means of a notice, that they refuse $100 bills.

However, U.S. state laws may impose other restrictions in this regard. In 1978, Massachusetts passed a law providing that no retailer may discriminate against a buyer who uses cash by

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[203] Steven Anderson, "Mobile Payments Turning Cash Obsolete In China," *Payment Week*, January 4, 2019: https://paymentweek.com/2019-1-4-mobile-payments-turning-cash-obsolete-china/

[204] Charlotte Bozonnet, "*Le Kenya, leader mondial du paiement mobile*," *Le Monde*, April 20, 2014.

[205] Justin Rowlatt, "Why India wiped out 86% of its cash overnight," *BBC News*, November 14, 2016: https://www.bbc.com/news/world-asia-india-37974423

[206] Raynil Kumar, Tayeba Maktabi and Shaun O'Brien, *2018 Findings from the Diary of Consumer Payment Choice*, Federal Reserve System, 2018.

[207] Andrew Perrin, *More Americans are making no weekly purchases with cash*, Pew Research Center, December 12, 2018.

[208] 31 USC § 5103.

[209] See: https://www.treasury.gov/resource-center/faqs/Currency/Pages/legal-tender.aspx

forcing the latter to resort to credit.[210] The provision expressly states that the retailer "must accept legal tender when offered as payment by the buyer."[211]

Recently, in response to the emerging phenomenon of businesses refusing cash, several local U.S. lawmakers have become more interested in the issue. In 2019, New Jersey passed a law similar to that of Massachusetts, which provides that no retailer may require a consumer to pay by credit or prohibit cash as a payment method in his business, under penalty of a fine.[212] Certain types of businesses are exempt, however, including establishments in airports, paid parking and vehicle rental companies.[213]

Even some U.S. municipalities have followed suit. The city of Philadelphia has adopted a regulation that prohibits retail businesses in its territory from refusing cash.[214] The regulation also prohibits signs stating that cash is not accepted, as well as surcharges imposed on those who pay cash. Once more, there are exceptions, especially for remote transactions (by Internet), parking or purchases in stores with a membership formula.[215] Other cities, such as New York, Washington, San Francisco and Chicago, may follow Philadelphia's example.[216]

5.2. The European Union

The rules with respect to currency are not uniform across the territory of the European Union. First, not every Member State adopted the euro as its currency; of 28 Member States, only 19 use the euro. The others, including Sweden and Denmark, chose not to adopt the common currency and retained their national currencies.

Within the euro zone, monetary policy is primarily the responsibility first of the European Central Bank, which has the power to authorize the issue of banknotes and coins.[217] Under the *Treaty of Rome*, banknotes and coins are legal tender.[218] As in Canada, European standards do not accord legal tender status to other payment methods.

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[210] *General Laws of Massachusetts*, c. 255D, § 10A.

[211] Ibid.

[212] *Bill to Prohibit Discrimination Against Cash-Paying Consumers*, New Jersey Assembly, Bill 591 (2019).

[213] Ibid., § 1c.

[214] *An ordinance Amending Chapter 9-1100 of The Philadelphia Code, entitled "Fair Practices Ordinance: Protections Against Unlawful Discrimination," by adding a new section prohibiting retail establishments from refusing to accept cash as a form of payment, all under certain terms and conditions*, Bill No. 180943 (2018), City of Philadelphia.

[215] *Ibid.*

[216] Karen Zraick, "This Legislation Could Force Stores to Take Your Cash," *The New York Times*, February 20, 2019: https://www.nytimes.com/2019/02/20/business/cashless-payments.html

[217] They can, however, be issued by the various central banks in the Member States, as long as they respect the authority of the European Central Bank. See: *Treaty on the Functioning of the European Union* (TFEU), Official Journal C 326, 26/10/2012 p. 0001 - 0390 (also called the *Treaty of Rome*), art. 128.

[218] For banknotes: *Treaty of Rome* (TFEU), Official Journal C 326, 26/10/2012 p. 0001 - 0390, art. 128. For coins: *Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro*, OJ L 139, 11.5.1998, s. 11. This article also sets a limit on the number of coins that can be used in a payment: "Except for the issuing authority and for those persons specifically designated by the national legislation of the issuing Member State, no party shall be obliged to accept more than 50 coins in any single payment."

However, according to the European Commission, the meaning of "legal tender" varies from one European Union Member State to another. This results in uncertainty over the applicability of this concept, particularly as regards the possibility of a retailer refusing payment in cash or high denomination notes, or imposing a surcharge on payments in cash.[219]

Faced with these difficult issues, the European Commission issued a recommendation on the scope and effects of legal tender of euro banknotes and coins.[220] According to the Commission, merchants should be required to accept cash in all retail transactions; refusal should be possible only on the basis of a "good faith principle," for example "if the retailer has no change available."[221] Similarly, the Commission considers that the higher denominations, like the 500 euro note, should be refused by merchants "only if grounded on reasons related to the 'good faith principle' (for example the face value of the banknote tendered is disproportionate compared to the amount owed to the creditor of the payment)."[222]

Of course, these are only recommendations to Member States and are not binding. Since each State retains the right to interpret the meaning of the concept of "legal tender," it must therefore rely on its national courts for the final word on the issue.

Before this can be done, we cannot ignore the fact that the European Union has adopted a comprehensive legal framework with regard to payments. Unlike the situation in Canada, where piecemeal standards govern a range of payment methods (Section 4.3.2), the European rules are concentrated within the *Payment Services Directive,*[223] a normative text that must be incorporated by the Member States.

Two of the purposes of this Directive deserve to be emphasized as they are of fundamental importance. The first is "to open up payment markets to new entrants leading to more competition, greater choice and better prices for consumers;"[224] the second, is to create a harmonized payment protection framework for consumers in Europe, particularly with regard to unauthorized transactions. There is surely sufficient material here to inspire the Canadian Parliament in its efforts to regulate cash substitutes.

5.2.1. Sweden

Sweden is often cited as an example of a society where the transition to electronic payments has progressed the furthest. Millions of Swedes have completely abandoned cash and carry out

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[219] See: https://ec.europa.eu/info/business-economy-euro/euro-area/euro/use-euro/euro-legal-tender_en

[220] *Commission Recommendation of 22 March 2010 on the scope and effects of legal tender of euro banknotes and coins* (2010/191 / EU), OJ L 83/70 of 30 March 2010.

[221] Ibid., Art. 2.

[222] Ibid., Art. 3.

[223] The directive is in its second version, and is called "Directive on payment services 2." See: *Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010 and repealing Directive 2007/64/EC,* OJ L 337, 23.12.2015, pp. 35–127.

[224] See: https://eur-lex.europa.eu/legal-content/en/TXT/HTML/?uri=LEGISSUM: 2404020302_1

their daily transactions with mobile applications such as Swish.[225] Unlike in other countries, this phenomenon is unequivocal: cash is not only declining relative to other payment methods, it is also doing so as a proportion of nominal GDP.[226]

Swedish law provides that banknotes and coins (in Krona) issued by the Riksbank, the central bank, are legal tender.[227] This does not mean that merchants are required to accept cash. In fact, Swedish contract law allows the parties to determine which payment methods they wish to accept or not.[228] Consequently, any merchant who advertises that he refuses to accept cash can validly do so.

What is more, the principle of contractual freedom also allows Swedish banks to refuse to provide cash, and many of their branches have stopped doing so.[229] For the public, it is becoming increasingly difficult not only to pay in cash, but simply to obtain any cash at all.

Until recently, in the absence of any real legal constraints, Swedish society seemed inexorably bent on its transition away from cash. By 2025, it is predicted that half of the retailers in the country will have stopped accepting cash.[230] As an indisputable testimony of the popularity of the cashless society, an estimated 4,000 Swedes have actually had a chip implanted in their bodies to enable them to pay without carrying any equipment on them.[231]

However, even this society, in which the abandonment of cash is in its most advanced stages, is expressing concern over the social effects of the phenomenon and is attempting to mitigate its risks. In 2019, a bill was tabled aimed at forcing banks to continue to offer places where consumers can obtain cash.[232] Similarly, the Swedish central bank suggested that the concept of "legal tender" should be revised to permit a digital currency, e-krona, to effectively replace cash, ensuring greater security in payment systems.[233]

[225] Nathan Heller, "Imagining a Cashless World," *New Yorker*, October 3, 2016: https://www.newyorker.com/magazine/2016/10/10/imagining-a-cashless-world

[226] The value of money is now equivalent to 1.5% of Swedish nominal GDP, as compared to 4% in the last fifteen years. See: François Dupuis and Hendrix Vachon, "*L'argent comptant est-il en voie de disparition*?" *Desjardins Études économiques*, May 2, 2016, pp. 1–2.

[227] *Lag om Sveriges Riksbank*, SFS 1988: 1385 i lydelse enligt SFS 2015: 1024, chapter 5.

[228] Elin Hofverberg, Falqs: *Cashless Sweden*, Library of Congress, October 19, 2017: https://blogs.loc.gov/law/2017/10/falqs-cashless-sweden/

[229] Liz Alderman "In Sweden, cash is almost extinct and people implant microchips in their hands to pay for things," *Financial Post* November 23, 2018.

[230] Liz Alderman, "Sweden's Push to Get Rid of Cash Has Some Saying, 'Not So Fast,'" The New York Times, November 21, 2018: https://nyti.ms/2S2WK6r

[231] Liz Alderman ""In Sweden, cash is almost extinct and people implant microchips in their hands to pay for things," Financial Post November 23, 2018.

[232] Amanda Billner, "Sweden Seen Likely to Force Banks to Handle Cash Transactions," Bloomberg | Quint, March 24, 2019.

[233] See: https://www.riksbank.se/en-gb/press-and-published/notices-and-press-releases/press-releases/2019/the-riksbank-proposes-a-review-of-the-concept- of-legal-tender/

5.2.2. Denmark

In Denmark, cash transactions account for only 23% of payments in shops; cash has been essentially supplanted by card payments, which account for 73% of all payments.[234]

Despite the rather marginal role of cash in the country, its use by consumers enjoys a significant degree of protection. Unlike in Sweden, Danish law provides that cash must be accepted by storefront retailers if the sale is made in the presence of an employee of the merchant.[235] On the other hand, merchants will not accept cash in the context of online transactions or when it comes to transactions with no staff present (e.g. in unmanned service stations).[236]

The age of electronic payments, however, has seen a modest easing of the Danish rules for accepting cash. Since 2018, Denmark has been allowing businesses to refuse cash between 10 pm and 6 am. In some areas where there the risk of theft is greater, the obligation to accept cash can even be lifted after 8 pm, by government decree.[237] Certain types of businesses, including pharmacies, however, must continue to accept cash overnight.[238]

The Danish example shows that a society can fully reconcile protecting cash while pursuing a technological shift to cashless payment. Nearly 40% of Danes say they use the MobilePay application, which makes it possible to perform transactions between individuals and merchants.[239] Meanwhile, lawmakers have managed to provide some protection for cash, while taking into account the difficulties that such acceptance could entail for merchants.

5.2.3. France

Even though France has historically been a pioneer country in monetary matters, cash occupies a more important place there than in other European countries. According to the European Central Bank, the French still perform 68% of in-store transactions in cash.[240]

French law is clear about merchants accepting cash. Under France's *Criminal Code,* it is an offense, punishable by a fine, not to accept coins or banknotes that are legal tender.[241] The concept of "legal tender" in French law therefore must be construed as meaning that it cannot be derogated from, either by contract or by posting a notice.

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[234] Victor Gørtz Smestads, *Danish households opt out of cash payments*, Danmarks Nationalbank, December 12, 2017.

[235] *Lov om betalinger*, Law nr. 652 of 06/08/2017 Gældende, s. 81.

[236] Victor Gørtz Smestads, *Danish households opt out of cash payments*, Danmarks Nationalbank, December 12, 2017, p. 6.

[237] Ibid.

[238] *Bekendtgørelse om visse betalingsmodtageres pligt til at modtage betaling med kontanter i hele åbningstiden* BEK nr 1419 af 30/11/2017 Gældende. [Notice on the obligation of certain payees to accept cash payments during opening hours – Trad.]

[239] See: http://cnnmon.ie/1FrqUmz

[240] Henk Esselink and Lola Hernandez, *The use of cash by households in the euro area*, European Central Bank, November 2017, p. 20.

[241] *Code pénal,* art. R642-3; *Code monétaire et financier*, art. R162-2.

The *Monetary and Financial Code*, however, sets ceilings on the amounts of payments that can be made in cash. Subject to some exceptions, it is expected that payments in cash by a debtor domiciled in France may not exceed 1000 euros.[242] Payments between individuals for non-business purposes, however, are not subject to such restrictions. Some types of cash payments are specially regulated, such as the payment of operations relating to a loan from a pawnbroker, which cannot exceed 3000 euros.[243]

French law also stipulates that it is up to the debtor to top up.[244] This means, in practice, that while the creditor of a sum of money cannot refuse cash, he has no obligation to make change. So, when faced with a consumer presenting a 500-euro banknote to make a 10-euro purchase, the merchant may refuse to give him any change. Even though creditors are obliged by law to accept cash, this provision can be seen as a measure of equity, which avoids the need for retailer to keep a significant amount of cash on hand.

[242] *Code monétaire et financier,* arts. L112-6 and D112-3.

[243] Ibid.

[244] *Code monétaire et financier*, rt. L112-5.

Conclusion and Recommendations

Star Trek not only presents us with a money-free economy: it presents us with a society free of material needs, where rich and poor are no more. Our day and age, however, still has many people in vulnerable situations, who depend on old-fashioned hard cash to purchase goods and services. While merchants who refuse cash are as yet exceptional cases in Canada, their arrival on the Canadian landscape is a cause for concern among these consumers.

Ending the use of cash would expose consumers to a myriad of risks, both financial and operational, not to mention the issues related to privacy protection and budget management that such a transition would entail. A cashless society would also risk excluding economically disadvantaged people: the biggest users of cash are low-income consumers, seniors, and those with lower levels of education. Also, unbanked and underbanked Canadians, who may number in the millions, are particularly dependent on cash.

The vast majority of participants in the focus groups expressed the desire for cash to remain in circulation in Canada – even when they prefer electronic forms of payment. Control, freedom, anonymity, simplicity: cash has many benefits that payment cards can never truly replace. Consumers are offended when merchants refuse their money, even though they are resigned to accepting their policies. In short, consumers want to choose how they pay and feel it is illegitimate to have this democratic form of payment taken away from them

For merchants, there are no obvious benefits to refusing cash in their establishments. They say that the fees for accepting payment cards remain prohibitive; even taking into account the indirect costs involved, they generally believe that cash is more economical. There are quite a few advantages in electronic payment modes, but these are certainly not enough to convince merchants to abolish cash from their establishments.

So who would benefit most from the disappearance of cash? In the Canadian context, this eventuality would appear mostly to benefit certain players in the payments system – the financial institutions in particular. Not only will they be able to reduce the costs of processing cash, but in addition, they will benefit from an increased number of electronic transactions, the fees for which they will pocket.

Admittedly, there could be significant economic advantages to dropping cash: it would reduce transaction costs and eradicate part of the underground economy. Nevertheless, it is doubtful that the current Canadian environment offers fertile ground for withdrawing all these benefits. Indeed, since the Canadian payments market is insufficiently competitive, a move toward the exclusive use of electronic payment modes could end up strengthening the position of the players who already have a dominant position in this environment. Similarly, the ad hoc regulations prevailing in the electronic payments industry are insufficient to protect consumers.

Before thinking about abandoning cash, Canada needs to modernize the regulation of electronic payment methods in order to ensure a more competitive environment, one that is inclusive and offers better protection to consumers. Consumer associations have been calling for this for decades: it is time for all electronic payment modes to be regulated by harmonized rules that are capable of adapting to new technologies, while promoting access for all consumers.

Until Canada comes up with such a legal framework, consumers who rely on cash must be able to continue to use this proven payment method. However, Canadian law in this area remains both too uncertain and too timid to achieve such a goal: the rules currently in force could thus allow a merchant, either by contract or by posting a notice, to refuse cash. Faced with these difficulties, the law must be modernized so that merchants are obliged to accept cash offered by consumers, even in the context of emerging business models. Considering the pitfalls involved in private redress for consumers, penal sanctions clearly need to be provided in order to implement these new provisions.

In this regard, Canada certainly should draw inspiration from other states, several of which have recently passed laws to protect cash users. Most of these laws attain an appropriate balance between the interests of consumers and those of merchants; this is the case in Denmark, for example, which balanced the obligation to accept cash with exceptions related to opening hours in order to accommodate the security needs of certain merchants.

Recommendations to the federal government:

- **Option consommateurs recommends that the federal government modernize the *Currency Act* so as to require merchants to accept cash, taking into account legitimate exceptions related, in particular, to security concerns in some commercial establishments. These measures should be accompanied by penal sanctions to facilitate their implementation.**

- **Option consommateurs recommends that the federal government introduce legislation to harmonize the legal regimes for all electronic payment methods. These harmonized and binding rules should be flexible enough to apply to all payment instruments, both old and new. In particular, they should focus on the accessibility of these payment methods and their costs for users.**

- **Option consommateurs recommends that the federal government encourage competition in the Canadian payments market, in particular by supporting the modernization of payment systems to allow a greater number of service providers to access them.**

- **Option consommateurs recommends that the federal government support initiatives for financial inclusion and access to digital technologies.**

Recommendation to provincial governments:

- **Option consommateurs recommends that provincial governments consult with the federal authorities in order to make rapid progress in adopting measures to oblige merchants to accept cash and to harmonize the legal framework for electronic payment methods in Canada.**

Recommendation to merchants:

- **Option consommateurs recommends that merchants continue to accept cash on the same terms as other payment methods.**

Appendix 1 – Discussion Guide (French version)

Argent comptant : vers une mort annoncée?
Groupes de discussion

Aujourd'hui, nous allons parler d'argent.

Ou plutôt : nous allons parler de ce que contient votre portefeuille – les cartes et l'argent comptant qu'on y trouve – et des paiements que vous faites.

Nous voulons en savoir plus sur les modes de paiement que vous utilisez lorsque vous achetez un bien ou un service.

Depuis quelques années, les modes de paiement se multiplient. On peut toujours payer comptant ou par chèque, mais on peut aussi payer avec une carte de crédit ou de débit, par virement bancaire, par prélèvement préautorisé, avec une carte prépayée, par transfert Interac, avec un téléphone mobile, avec PayPal…

Nous voulons savoir ce que vous, vous faites, et pourquoi vous le faites. Nous voulons aussi savoir quels modes de paiement vous semblent les plus avantageux, et pourquoi. Enfin, nous voulons savoir quelle est votre réaction face à des changements qui pourraient éventuellement survenir en matière de modes de paiement.

Il n'y a pas de bonnes ou de mauvaises réponses aux questions que je vais vous poser et tous vos commentaires resteront anonymes.

1. MODES DE PAIEMENT

Chaque année, vous faites une multitude de transactions financières et d'achats, en payant avec des modes de paiement différents : argent comptant, chèque, carte de crédit, carte de débit, etc.

Nous allons faire un tour de table. Je vous demanderais de vous présenter et de nous dire quel est le mode de paiement que vous utilisez le plus souvent et pourquoi.

- **Est-ce que, pour certaines transactions, vous préférez un mode de paiements plutôt qu'un autre? Expliquez.**
  [exemples : dans telle situation, tel mode de paiement est plus pratique, il n'y a pas de frais, il comporte un programme de fidélisation, il me permet de voyager, je n'ai pas peur de manquer d'argent, …]

- **Y a-t-il des modes de paiement que vous n'aimez pas dans certaines circonstances? Pourquoi?**
  [exemples : perte de contrôle sur son argent, frais élevés applicables, …]

[*Note à l'animateur : les modes de paiement dont il pourrait être question ici sont l'**argent comptant**, la **carte de débit**, la **carte de crédit**, le **chèque**, la **carte prépayée**, le **virement bancaire**, le **prélèvement préautorisé**, le **transfert Interac**, **PayPal**, le **paiement mobile (téléphone intelligent)**, le **bitcoin** ou **autres**. Si l'un de ces paiements n'est pas nommé, demander au groupe si quelqu'un l'utilise; si oui, dans quelles circonstances; si non, pourquoi?*]

- **Maintenant, j'aimerais savoir pourquoi vous choisissez un mode de paiement plutôt qu'un autre.**

  - Lorsque vous faites des achats en ligne, quel mode de paiement utilisez-vous?

  - Y a-t-il une différence dans le choix d'un mode de paiement selon qu'il s'agit d'un petit montant ou d'un gros montant?

  - Qu'en est-il des paiements qui reviennent sur une base régulière (loyer, télécoms, électricité)?

  - Lorsque vous vous déplacez, par exemple lors d'un voyage, est-ce que vous utilisez des modes de paiement différents différents de ceux que vous employez d'habitude?

- **Avez-vous des craintes concernant certains modes de paiement?**
  - Vol?
  - Fraude?
  - Protection de la vie privée?
  - Autres?

- **Avez-vous déjà eu des problèmes avec certains modes de paiement? Racontez.**
  - Pas suffisamment d'argent en main?
  - Carte refusée?
  - Fraude?
  - Vol?
  - Faillite du commerçant (carte prépayée)?
  - Retraits préautorisés impossibles à arrêter?
  - Frais?
  - Autres?

- **Est-ce que vous pensez que c'est plus facile de dépenser avec un mode de paiement plutôt qu'un autre?** [exemple : dépensez-vous plus avec votre carte de crédit qu'avec de l'argent comptant? Y a-t-il des modes de paiement qui aident à faire un budget?]

2. ARGENT COMPTANT

- **Utilisez-vous de l'argent comptant pour faire des achats? Dans quelles circonstances le faites-vous?**

- **Utilisez-vous autant d'argent comptant qu'il y a quelques années? En utilisez-vous plus souvent ou moins souvent? Pourquoi?**

- **Est-ce que votre façon d'utiliser de l'argent comptant a changé au cours des dernières années? Pourquoi?**

    - Gardez-vous toujours de l'argent comptant sur vous?

    - Si oui, quelle somme gardez-vous en général sur vous?

    - Cette somme est-elle la même qu'il y a quelques années? Pourquoi?

- **Est-ce qu'il y a des *avantages* à payer comptant? Lesquels?**
  [*note à l'animateur : si cela n'est pas dit d'emblée, leur demander s'ils croient que, en payant comptant, ils sont plus conscients des sommes dépensées*].

- **Est-ce qu'il y a des *désavantages* à payer comptant? Lesquels?**

- **Avez-vous une opinion positive, négative ou neutre de l'argent comptant? Pourquoi?**
    - Risque de vol ou de perte?
    - Criminalité?
    - Salubrité?
    - Côté pratique?

- **Est-ce qu'on a déjà refusé votre paiement en argent comptant?**

    - Comment avez-vous réagi alors? / Comment réagiriez-vous?

    - Est-ce que vous avez déjà renoncé à faire un achat parce qu'on n'acceptait pas l'argent comptant?

- **Êtes-vous déjà allés dans un magasin où on n'acceptait que l'argent comptant?**

    - Comment avez-vous réagi alors? / Comment réagiriez-vous?

- **Où obtenez-vous votre argent comptant?** [au guichet automatique, chez un commerçant, au comptoir de la banque, par l'employeur, …]

    - Est-ce plus difficile qu'avant d'obtenir de l'argent comptant?

3. DISPARITION DE L'ARGENT COMPTANT

De plus en plus, on parle de la disparition de l'argent comptant. De nombreux commerçants songent à refuser les paiements en argent comptant dans leurs magasins, car ils comportent pour eux des désavantages. Les gouvernements s'intéressent à cette tendance et réfléchissent à la façon dont nous pourrions avoir une économie sans argent comptant. Il y a même des pays où il n'y a presque plus d'argent comptant en circulation.

- **Croyez-vous que c'est une bonne idée que l'argent comptant disparaisse?**
    - Si oui : y a-t-il des conditions pour que cela soit réalisable?
    - Si non : pourquoi?
- **Croyez-vous que l'argent comptant disparaîtra au Canada?**
    - Croyez-vous que cela se fera dans les dix prochaines années?
- **Selon vous, est-ce qu'il y a des personnes qui pourraient être désavantagées par la disparition de l'argent comptant?**
- **Pouvez-vous imaginer des circonstances dans lesquelles l'argent comptant resterait encore utile?** [exemples : catastrophes naturelles, panne du réseau de carte de paiement, demande d'un itinérant, cadeaux à des proches, don de charité, protection de la vie privée, traçabilité des transactions…]
- **Selon vous, est-ce qu'un commerçant peut légalement refuser d'être payé en argent comptant?**
- **Que devraient faire les commerçants lorsqu'ils font face à un client qui n'a que de l'argent comptant pour payer? Qu'est-ce qui serait la solution la plus juste?**
- **Est-ce qu'on devrait adopter des lois pour obliger les commerçants à accepter l'argent comptant?**
- **Voulez-vous ajouter quelque chose?**

Appendix 2 – Discussion Guide (English version)

Will cash soon be a thing of the past?
Newsgroups

Today we'll be talking about money.

More precisely, we'll be asking you what's in your wallet – the cards and cash you put there – and the payments you make.

We want to find out what methods you use to pay for goods or services.

In recent years there been an increase in the number of payment methods. You can still pay by cash or check, but you can also pay with a credit or debit card, a bank transfer, by preauthorized debit, with a prepaid card, by Interac e-transfer, with a mobile phone, or by PayPal.

We want to know what you do, and why you do it. We also want to know what payment methods you find most attractive and why. Finally, we want to know what your reaction is to the changes that will occur in terms of payment methods.

There are no right or wrong answers to the questions I will ask you, and all your comments will remain anonymous.

1. PAYMENT OPTIONS

Every year, you perform hundreds of financial transactions and purchases using a variety of payment methods such as cash, check, credit card, or debit card.

Let's do a round table. Please introduce yourself and tell us the mode of payment you use most often and why.

- **Do you prefer one payment method over another for certain transactions? Explain.** [Examples: in such a situation, is it because this payment method is more convenient, because there is no charge, because of a loyalty program, because it makes travel easier, because you're not afraid of running out of cash, etc.]

- **Are there any payment methods that you don't like in certain circumstances? Why not?** [Examples: loss of control over your money, high fees charged]

[Note to facilitator: the payment methods that may be discussed here are **cash**, **debit card**, **credit card**, **check**, **prepaid card**, **bank transfer**, **pre-authorized debit**, **Interac e-transfer**, **PayPal**, **mobile payment (by smart phone)**, **bitcoin** or **others**. If any of these payments are not named, ask the group if someone uses them, and if so, under what circumstances, and if not, why?]

- **I would now like to know why you choose one payment method rather than another**
  - When you shop online, what payment method do you use?
  - Do you choose a different payment method for small amounts than for large amounts?
  - What about the payments you make on a regular basis (rent, telecommunications, electricity)?
  - When you're travelling, for example, on vacation, do you use other payment methods than your usual ones?
- **Do you have any concerns about certain payment methods?**
  - Theft?
  - Fraud?
  - Privacy protection?
  - Other?
- **Have you ever encountered problems with certain payment methods? Specify.**
  - Not enough cash on hand?
  - Card declined?
  - Fraud?
  - Theft?
  - Merchant bankrupt (prepaid card)?
  - Inability to stop preauthorized withdrawals?
  - Fees?
  - Other?
- **Do you think it is easier to overspend with one payment method rather than another?** [Example: Do you spend more with your credit card than if you pay cash? Are there any payment methods that help you to budget?]

2. CASH

- **Do you use cash to make purchases? In what situations do you do this?**
- **Do you use cash as much as you did as a few years ago? Do you use it more often or less often? Why?**

- **Has the way you use cash changed in recent years? Why?**
    - Do you always have some cash on you?
    - If so, how much do you usually have on you?
    - Is this the same amount as a few years ago? Why?
- **Are there *advantages* to paying cash? What are they?**
  [Note to the facilitator: If they do not say so outright, ask them if they think paying cash makes them more aware of how much they spend.]
- **Are there *disadvantages* to paying cash? What are they?**
- **Is your opinion of cash positive, negative, or neutral? Why?**
    - Risk of theft or loss?
    - Crime?
    - Hygiene?
    - Convenience?
- **Have you ever been refused payment in cash?**
    - How did you react? / How would you react?
    - Have you already given up on making a purchase because they did not accept cash?
- **Have you ever been in a store where they accepted only cash?**
    - How did you react? / How would you react?
- **Where do you get your cash?**
  [from an ATM, from the merchant, at a bank counter, from my employer ...]
    - Is it more difficult now to get cash than it used to be?

3. THE DISAPPEARANCE OF CASH

Increasingly, we hear talk about the disappearance of cash. Many merchants are considering refusing cash payments in their stores because of the disadvantages it entails. Governments are becoming interested in this trend and are considering how a cashless economy might be inaugurated. There are even countries where there is almost no cash in circulation.

- **Do you think it would be a good idea if cash disappeared?**
    - If so, are there any conditions for this to be feasible?
    - If not, why?
- **Do you think cash will disappear in Canada?**
    - Do you think this will happen in the next ten years?
- **In your opinion, are there some people who would be disadvantaged by the absence of cash?**
- **Can you imagine circumstances in which cash would still be useful?** [Examples: natural disasters, payment card network breakdown, spare change for homeless people, gifts to relatives, charitable donations, privacy protection, traceability of transactions ...]
- **In your opinion, can a merchant legally refuse to be paid in cash?**
- **What should a merchant do when faced with a customer who says he can only pay in cash? What would the fairest solution be?**
- **Should we pass laws to oblige merchants to accept cash?**
- **Is there something you would you like to add?**