

# Submission to National Payments Strategy consultation

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## Introduction

We are the National Adult Literacy Agency (NALA), a registered charity with 1,800 members. We believe literacy is a human right. We are committed to making sure people with unmet literacy, numeracy and digital literacy needs can fully take part in society, and have access to quality learning opportunities that meet their needs.

Some people have their **literacy needs met**; others do not.



NALA welcomes the opportunity to contribute to the development of the new National Payments Strategy (NPS).

## Literacy, numeracy and digital literacy

Literacy, numeracy and digital literacy skills involve listening, speaking, reading, writing, using numbers and everyday technology to communicate, to build relationships, to understand information and make informed choices.

Literacy, numeracy and digital skills enable people to reach their full potential, be active and critical participants in society and help address poverty and social exclusion. These life skills allow us to participate in, and make sense of, the world.



Literacy, numeracy and digital skills:

- are not static and they evolve.
- are not something that you get once in school and you have forever – you must practise these skills or you lose them. This is called “deskilling”.
- can vary depending on the context, for example, dealing with a financial service for a loan involves financial and legal terminology.
- are different for each person – you can be good in one area, for example reading, but weak in another, for example writing.

In this submission, the word “literacy” may refer to all these skills (for ease of reading).

Literacy is not about individual intelligence. Literacy is about social, economic and cultural opportunity – and having equal access to opportunity is key.

## Literacy needs in Ireland

Unmet literacy, numeracy and digital literacy needs arise because of educational and wider structural inequalities.

The most recent adult literacy survey (CSO 2013) showed that:

- One in six (18%) adults (aged 16 to 65) struggle with reading and understanding everyday text. For example, reading a bus timetable or understanding medicine instructions.
- One in four adults (25%) has difficulties using maths in everyday life. For example, working out a bill or calculating percentages.
- About 2 in 5 (42%) adults struggle with basic digital tasks. For example, looking up a website or sending an email. The majority of people who have digital literacy needs have underlying literacy issues.

There are also literacy needs among many adults where English is their Second or Other Language (ESOL).

## Literacy and equality

Literacy is a barometer of equality and is a way to creating a society that is better for all. Equality is not about treating everyone in the same way - individuals' needs are sometimes best met in different ways. At present, those who need to access education and training the most have the least access. This is the Matthew effect where “without intervention, those who have acquired more education get more and those that have not, get little or nothing” (Kerckhoff & Glennie 1999).

NALA believes that priority should be given to those experiencing the most educational disadvantage - the **furthest behind first** principle in the UN 2030 Agenda for Sustainable Development (UN 2015). Within such a framework, the needs of those with less than a QQI (Quality and Qualifications Ireland) Level 4 qualification should be met first. Vulnerable adults who cannot access supports, or are refused help when they need it, may not seek help again. For the furthest behind, there must be enhanced and targeted opportunities and supports.

## Financial literacy

Financial literacy is the ability to understand how money works: how you make, manage and spend it. It is not only about financial knowledge and numeracy skills, but also about attitudes and behaviours. Financial literacy is essential for people to manage their budgets and make smart financial decisions. It prevents people from getting into debt, and possibly developing mental health issues as a result (Lusardi 2012). Ireland's development of a National Payments Strategy will need to take account of the current financial literacy context in Ireland. Aspects of that context are briefly discussed below.

Recent survey results from Bank of Ireland found that only 28% of Irish people feel knowledgeable about financial matters (Bank of Ireland 2023). Another 2023 survey, by Eurobarometer, found that 22% of people in Ireland scored low on financial knowledge (which means that they answered just one, or none, of five financial knowledge questions correctly). These findings indicate that a significant portion of our society is lacking the 'knowledge' aspect of financial literacy.

Digital literacy is also a challenge for many adults in a financial context. Financial services are increasingly provided digitally, while Ireland still has high levels of digital literacy needs and unequal access to digital infrastructure (such as broadband). Eurobarometer (2023) found that 11% of Irish respondents are "not at all comfortable" with using digital financial services, and a further 10% are "not too comfortable". This lack of comfort with digital financial services impacts on financial behaviour - the Consumer Sentiment Banking Survey found that 14% of adults in Ireland have never used online banking, for example (Department of Finance, 2023a, p. 5).

The importance of financial literacy is increasingly recognised by policymakers. Ireland's Financial Consumer Protection Roadmap (2023) acknowledges the importance of financial literacy in consumer protection, and a Financial Literacy Strategy is being developed by the Department of Finance. The OECD's Consumer Finance Risk Monitor (2023) identifies financial and digital literacy among the risks faced by consumers today:

"The most significant risks related to the characteristics and circumstances of consumers (demand-side risks) include a **lack of financial literacy**, over-indebtedness and a **lack of digital capability**"

(*ibid.*, 2023, p. 8)

## Literacy-friendly services

Personal financial literacy, as outlined above, is only one area of concern. It is also important for organisations to be aware of literacy needs and to be literacy-friendly. This means that the organisation implements policies, practices, and systems that make it easier for people to navigate, understand, and use information and services.

NALA's research report on financial literacy (NALA 2022a) found that:

- Some features of financial services create barriers for customers with financial literacy and numeracy needs. For example, the trend away from cash to digital banking, closure of branches and reduction of customer service staff;
- Specific groups experience disproportionate barriers to accessing financial services. For example, Travellers and customers with limited or no educational qualifications;
- In order to access financial services, customers increasingly need to set up digital services, go online and remotely access financial services and supports and identify and respond appropriately to scams;
- Building trust and confidence of customers with financial literacy and numeracy needs is key to enabling them to fully access services and support;
- Providing more literacy-friendly services for customers with literacy and numeracy needs includes providing services in plain language, ensuring simple service design and maintaining options of channels where possible (in-person, phone and online).

Participants in NALA's Student Development Fund have shared their experiences of online services (NALA 2022b). The report collated the following feedback from 1,282 students in 76 further education and community education centres:

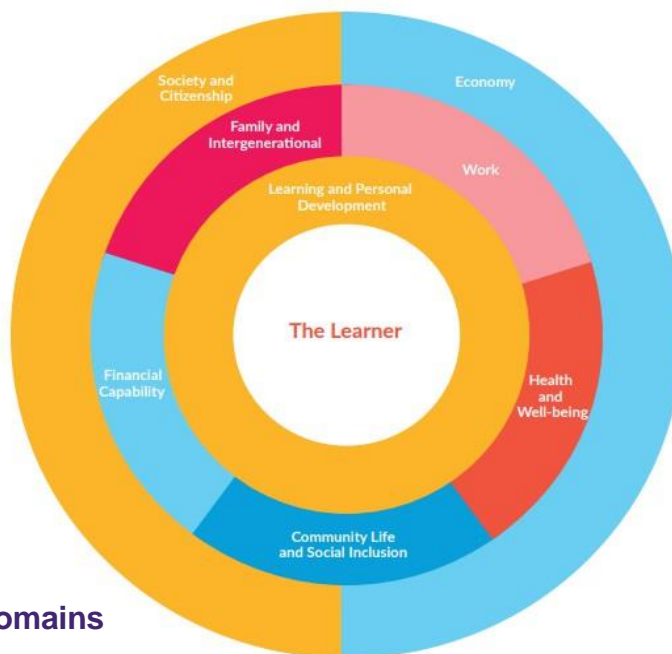
- Some students had no difficulties online (students in 15 of 76 centres);
- Others had some difficulty, especially with navigating a website, online banking and forms, and too much content or cluttered content;
- Others found online services tough. In 17 of the 76 centres involved, students said they had limited experience of using online services. This was due to:
  - Connectivity: having no device to access the internet;
  - Capabilities: Lack of literacy skills and relying on family or friends to do the online service work for them;
- Students said that automated phone services are a challenge.

## Adult literacy policy

The Government has published a [10-year Adult Literacy for Life Strategy](#), which aims to: “ensure that everyone has the necessary literacy, numeracy and digital literacy to fully participate in society and realise their potential”.

The strategy says that:

“Modern understandings of literacy have expanded to include areas such as digital literacy, family literacy, environmental and eco-literacy, **financial literacy**, health literacy, media literacy and numeric literacy.”



**Key Adult Learner Domains**

The strategy also identifies key adult learner domains, one of which is ‘financial capability’.

The Adult Literacy for Life Strategy commits to a cross-Government, cross-economy and cross-society approach to support literacy needs. It means that a whole range of services will understand literacy barriers and work together to remove them.

In line with this cross-Government approach, it is essential that the National Payments Strategy is aligned with the Adult Literacy for Life Strategy, and with the forthcoming Financial Literacy Strategy which is also being developed by the Department of Finance at this time.

## Response to consultation paper for the National Payments Strategy

The consultation paper for the National Payments Strategy (NPS) sets out a number of questions. We will respond concisely below to those which are most relevant to our work.

Our responses should be considered in the context of the general points and guiding principles outlined above.

## Objectives of the NPS

For reference, the stated goal of the NPS is to enhance and build public trust in, and effectiveness of, the payments system in Ireland. The guiding principles are:

1. Access and choice;
2. Security and resilience;
3. Innovation and inclusion;
4. Sustainability and efficiency.

### Q3.2 What reflections have you on the NPS principles?

We support the principles of access and choice for people with literacy needs. It is essential that everyone in our society has meaningful access to payment services and can choose from a range of payment options.

Regarding innovation and inclusion, these two principles are not at odds. We should be innovative in how we include all members of our society, including those with literacy needs. To be truly inclusive, payment systems need to take the [EU Accessibility Act](#) (EU 2019) and [Customer Communications Toolkit](#) (DPER & NDA 2023) into account in their design and delivery.

### Q3.3 What are the main issues that undermine consumer trust in the Irish payment system?

Literacy is a key factor affecting consumer trust in the Irish payment system. People with literacy needs can be – quite reasonably - wary of financial processes which are not transparent or understood, especially digital processes. Literacy-friendly services can improve consumer trust and engagement.

### Q3.4 The NPS will set out a vision for the payments system, what is your vision for the Irish payments system?

Our vision for the Irish payments system is that the National Payments Strategy will take a rights-based, universal design approach. This means that the furthest behind in society (including, but not limited to, people with literacy needs) will be put first when designing and delivering the systems. Ireland will not be considered to be “lagging” if various payment methods continue to be used – we will take pride as leaders in accessibility and inclusion.



## Payment roadmap

### Q4.3 How can the NPS continue to support vulnerable groups access to the payment system?

The NPS can support access to the payment system for people with literacy needs by championing the following:

- Access to cash;
- Acceptance of cash;
- Literacy-aware and -friendly systems;
- Information in Plain language;
- Customer service available in person and over the phone;
- Financial literacy education;
- Universal design.

## Instant payments

### Q4.6 What are potential negative impacts to the wider use of instant payments? How could these be mitigated?

People with literacy needs can unfortunately be vulnerable to fraud. For example, some rely on friends or family to make payments on their behalf, or some may find it difficult to identify phishing attempts. Some use unregulated financial providers, or are unbanked, due to their lack of trust in financial systems. With instant payments, there is less chance for reflection or consultation before the payment is processed.

This risk could be mitigated by public awareness campaigns in Plain language about financial and digital safety. It could also be mitigated by financial and digital literacy programmes. However, we do not agree with the European Commission's approach to consumer responsibility, as quoted on page 28 of the NPS consultation paper:

“There continues to be a duty on consumers to be careful when dealing with messages relating to financial transactions when making electronic payments. This includes ensuring that they know who they are making a transfer [sic.], along with the purposes of that transfer.”

Considering the level of literacy needs in Ireland, we do not believe it is realistic or appropriate to “blame the victim” of this kind of crime.

## Payments fraud

### **Q4.8 To what extent do you agree that a cross-industry engagement including actors outside the banking and payments sector is needed to adequately address the issue of authorised push payment fraud? If so, which sectors and actors are most relevant?**

As outlined above, the Government is committed to a cross-society approach to literacy through the Adult Literacy for Life Strategy. As also outlined above, literacy is relevant to the issue of fraud. We recommend that literacy actors be consulted on the particular fraud risks faced by people with literacy needs, and how to mitigate them.

## Open banking

### **Q4.9 What challenges or obstacles are faced by firms and consumers in providing and using open banking?**

For many consumers, open banking may seem intimidating or confusing. It is a new concept which does not (yet) have widespread trust in Ireland.

Consumers' consent for their data to be accessed may not be informed consent, if the risks and benefits of open banking are not explained upfront and in Plain language.

Poorly designed apps could be a barrier for some consumers to engage with open banking. This is a lost opportunity as open banking can make financial education and management more accessible and straightforward, and it should be available to everyone as an option.

### **Q4.10 What actions could be taken domestically, and by who, to encourage or facilitate the greater uptake of open banking in Ireland?**

Apps should be designed according to universal design principles, and tested with diverse users including people with literacy needs.

Supports should be available, in person and over the phone, to help consumers using open banking systems.

### **Q4.11 What type of collaboration would enhance open banking in Ireland?**

Financial institutions should continue to share best practice for supporting vulnerable consumers, as new developments like open banking arise.

## Crypto-assets

Rather than answering specific questions in this section, which are outside our remit, we would like to note that crypto-assets are a new and complex area, in which people with literacy needs may be vulnerable to misinformation. Clear public guidance and education on crypto-assets would mitigate this risk.

## Data collection and analysis

### **Q4.16 What research and analysis topics would be most informative to determine the preferred direction of travel for the future state of the payments system?**

If the NPS is to take a rights-based approach, it follows that information should be collected on:

- (a) user experience; and
- (b) differences across socio-economic groups.

Qualitative research to understand the social dynamics behind trends in payment behaviour would be invaluable.

## Access to cash

### **Q5.1 To what degree should access to cash be guided by the usage of cash? For example, if the usage of cash falls by 50% from 2022 levels, should the level of access follow in step i.e. by 50% or by a smaller amount, i.e. by 25%?**

We support a rights-based approach which is unaffected, as far as possible, by usage patterns. There must be a baseline standard for access to cash that no person in Ireland should fall beneath.

### **Q5.4 In the long term (5-10 years plus) what level of access to cash facilities are consumers and business expecting to exist?**

There should not be any reduction from the level of access to cash we have now. Ireland is doing well – 90% of us currently find it very easy or fairly easy to access cash, as cited on page 42 of the NPS consultation paper. We should keep this up!

**Q5.6 Have you (as a consumer or small business) experienced barriers to access to cash? If so, what are they? What would be helpful to counter these?**

NALA (2022a) surveyed financial service providers and their customers on access to financial services by people with literacy needs. Cash was a key theme in responses. One staff member in a financial institution highlighted the reduction in opportunities to use cash:

“We’ll kind of put the blame on our customers and say our customers are choosing to use less cash. I’m not sure they really are. Some of them are, particularly over COVID. But the point about that is that we’ve reduced their opportunity to use cash, because we’ve taken cash services out of branches, we’ve closed our branches, so they have no alternative. So, we’re kind of using them as an excuse to continue this effort to reduce cash. Now, look, most people accept that cash is going. I don’t use cash anymore, and I’m quite happy with it. But there are those who want to use it, they want to see the colour of their money.”

*(ibid., p23)*

**Q5.7 Are there situations where you (as a consumer or small business) find cash as a better alternative to digital payments – if so, please elaborate?**

Responses to that survey (NALA 2022a) covered various benefits of cash. As the last quote touched upon, the colour and shape of cash is used by some people with literacy needs to recognise different denominations. Cash is also helpful for budgeting:

“I’d rather have the physical context of cash because you know what you’re using. If you think I get the wages on Friday, and I think it should be 200 euros, but if everything is done by the direct debit, it’s gone if you know what I mean. Whereas if you pay in the post office, you can decide on the amount. And if things are tight, you can skip.”

*(ibid., p25)*

Business owners, as well as consumers, may prefer cash due to literacy difficulties:

“I run a business here between myself and my wife, and I actually don’t do any of the banking at all. I wouldn’t know the first thing about even going up with a bank card or even taking money out of the machine. I don’t even carry a bank card, all I ever carry is cash.”

*(ibid., p28)*

## Acceptance of cash

### **Q6.2 Do you agree with the principle of universal cash acceptance? Or do you believe it can be limited to certain critical classes of payment?**

We strongly agree with the principle of universal cash acceptance. People with literacy needs, who prefer cash and may have significant difficulty using other forms of payment, must not be excluded from the full range of financial freedoms. It is not acceptable to say that these people will be facilitated in making certain financial choices, but not others.

### **Q6.3 Do you believe it remains appropriate or necessary to ensure acceptance of cash as a form of payment? Do you believe you have enough choice as to how you can pay for everyday goods and services?**

Yes, as discussed under Q6.2 it is necessary to ensure acceptance of cash as a form of payment in all circumstances.

Beyond cash, choice in payment for everyday goods and services could be improved by providing simpler digital payment services and better supports for users of digital services.

## Government policy on acceptance or facilitation of cash

### **Q6.8 What should public bodies consider when offering payment methods for services they provide?**

Public bodies should regularly provide Literacy Awareness and Plain English training to their staff (including management), so they can have a literacy-friendly approach to policymaking and everyday business. They should use the Customer Communications Toolkit for the Public Service (DPER & NDA 2023) when communicating about payments.

Using cash for payment should not be judged or presented as an “alternative” option to a preferred option. Support for using digital payment services should be clearly signposted, and available in person and by phone.

### **Q6.9 Should all public services have an obligation to accept or facilitate the acceptance of cash? Or is there a sub-set of essential service that should be obliged to accept cash payments?**

All public services should have an obligation to accept cash. Facilitating the acceptance of cash is a less convenient option which presents cash as less preferred. That would not be appropriate considering the levels of unmet literacy need in Ireland and the stigma that people with literacy needs already face in society.

If a public body stopped accepting cash, there would be disproportionate effects on marginalised groups in society. This would go against the Public Sector Equality and Human Rights Duty.

## Conclusion

NALA urges the Department of Finance to prioritise literacy needs in the development of the new National Payments Strategy. We advocate a rights-based and universal design approach which puts the needs of the furthest behind first, and supports access and choice for all. In practical terms, this means maintaining access to and acceptance of cash, making all payment methods as literacy-friendly as possible, and providing clear information to the public on new payment options.

## Follow on

We are happy to discuss our comments and recommendations with you further.

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The National Adult Literacy Agency (NALA) is a charity and membership based organisation. We work to support adults with unmet literacy, numeracy and digital literacy needs to take part fully in society and to have access to learning opportunities that meet their needs. NALA does this by raising awareness of the importance of literacy, doing research and sharing good practice, providing online learning courses, providing a tutoring service and by lobbying for further investment to improve adult literacy, numeracy and digital literacy skills.

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