Fresh Criticism Of Cash Limits In Portugal

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Further concerns have emerged with regard to **Portugal's proposed limit on** cash **payments, following the European Central Bank's (ECB)** lukewarm reception to the draft laws last week.

Experts have expressed doubts over the efficacy and reliability of the law itself, as well as whether Portugal has the necessary payments infrastructure to support such a radical shift.

Rodrigo Formigal, a managing associate at PLMJ in Lisbon, pointed to a number of areas where the proposed law could falter, including the culture of payments in Portuguese society.

"People just don't reject payments in cash; it's quite ordinary when individuals buy homes for them to just put the down payment in cash," he said.

"I'm not sure whether people will realise that if this is implemented they will be breaching a law, and the penalties are very severe."

Formigal expressed doubts over the mechanisms for monitoring and controlling cash transactions, and the scope for tax authorities to pursue non-compliant individuals.

"This could be a huge burden of proof on the consumer," he said.

"This project bill raises serious doubts on … how individuals will be able to defend themselves and present adequate proof that certain transactions did not breach this law.

"This could be a law designed not to be followed."

Paulo Costa Martins, a partner at Cuatrecasas in Lisbon, praised the bill's aims but echoed Formigal's concerns over the difficulty of moving away from Portugal's relatively high dependence on cash.

"The fight against the financing of organised crime and terrorism is naturally a good objective," he said.

"The question is the limitations on the personal freedoms that may result. Cash is widely used and the most accessible means of payment, and this prohibition of cash payments may have some unexpected effects on the economy."

Formigal did see the proposed bill as good news for a banking and payments sector which has been struggling to make profit in an increasingly digitised environment, and acknowledged the likelihood of the law increasing engagement with mainstream banking services.

“We have implemented the directives on payment instruments and e-money, so it is quite standardised,” he noted.

“Banks are now very capable of delivering and providing top service to customers, but at a cost.

“The profitability of banks has been decreasing and the commissions on these kinds of services have been increasing.”

Nonetheless, his opinion was that “this is probably a step forward too soon”.

This ambivalence over the readiness of the country’s payments industry to handle this move was echoed by Costa Martins, who said that “Portugal’s e-money infrastructure is not well developed yet; the Portuguese market is still moving slowly in this regard”.

Formigal, however, pointed to similar legislation in place in other European countries which could indicate the future success of the bill.

The proposed regulations are almost identical to those in force in Spain and France, and a similar law is currently under consideration in Belgium.

Ultimately, Formigal considered it a well-intentioned move which was out of step with the rate of progress of Portugal’s payments ecosystem.

He also criticised the construction of the bill itself, noting its legal deficiencies.

“This is a very poor project bill with very big mistakes,” he said.

“The likelihood of something being approved in the Portuguese parliament is very high, but let us hope that it is not this project bill.”