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Legal Tender, Debt, and the Institutional Settlement of Monetary Obligations in English Law

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ABSTRACT

This paper challenges the widespread public and institutional misconception that legal tender laws in English law compel creditors to accept payment in a specific form. We argue that legal tender is a narrow, procedural artefact with diminishing practical relevance. Through an analysis of statutory provisions, common law, and the Civil Procedure Rules, we demonstrate that legal tender serves not as a substantive right to discharge debts but as a limited procedural defense concerning liability for costs in litigation. By examining the institutional mechanisms for settling private contractual debts and public statutory obligations, such as taxes, we show that settlement occurs almost exclusively through electronic, bank-mediated systems. The paper concludes that the operational currency of the modern state is not physical legal tender but central bank reserves and commercial bank money, rendering legal tender a concept of largely historical and symbolic significance.

KEYWORDS: Legal tender; Monetary law; Tax obligations; Payment systems

JEL CLASSIFICATION: B50; E42; K12; K34

1. INTRODUCTION

The concept of "legal tender" holds a peculiar and often misunderstood position in monetary law. Public discourse, alongside guidance from institutions such as the Bank of England and the Royal Mint, frequently implies that legal tender carries a coercive power, compelling creditors to accept it as payment to discharge debts. This paper challenges that notion, arguing that, under English law, legal tender is not a mechanism for enforcing debt settlement but rather a narrow procedural artefact with limited practical significance in the modern economy.

Our central thesis is that the settlement of private and public monetary obligations is governed not by statutory definitions of physical currency but by the institutional framework of the banking and judicial systems. To substantiate this, we first clarify the distinct legal concepts of tender, payment, and legal tender, dispelling common misconceptions. We then analyze a hypothetical dispute over payment at a filling station to trace the civil procedure for resolving a disputed debt, demonstrating that the process—from lodging a defense to the final disbursement of funds—is institutionally detached from physical cash. Additionally, we examine the settlement of statutory obligations, such as tax liabilities, showing an administrative infrastructure that relies exclusively on electronic, bank-mediated transfers, which is incompatible with the state's own definition of legal tender.

By integrating doctrinal and institutional analyses, this paper demonstrates that the mechanism of final settlement is based on the eligibility criteria of the central bank's electronic payment systems, rather than the legal status of physical notes and coins. In doing so, it provides a clearer understanding of the role of legal tender in economics, whose models often exaggerate its coercive role, thereby distorting theoretical and public discourse. While grounded in English law, our analysis aims to provide a more accurate foundation for monetary theory by emphasizing the institutional and procedural realities of obligation settlement and highlighting why the concept of legal tender persists despite its operational obsolescence.

2. THE CONCEPT OF LEGAL TENDER

To challenge the misconception that legal tender in English law compels creditors to accept payment (Goldberg 2009, 2), a clear understanding of its legal scope and procedural role is essential. This section defines the distinct concepts of legal tender, tender, and payment, examines widespread misinterpretations in economic theory and institutional guidance, and delineates the limited function of legal tender as a procedural defense in litigation, as applied in subsequent analyses of private and public obligations.

2.1 The Distinction Between Tender, Payment, and Legal Tender

A widespread misunderstanding of English monetary law stems from the conflation of three distinct legal concepts: legal tender, tender, and payment. Clear delineations are essential for our analysis.

- Legal Tender: This is a narrow statutory concept defined by the Coinage Act 1971 and the Currency and Bank Notes Act 1954. These statutes specify which notes and coins are acceptable for payment, their nominal value, and the maximum amounts that can be used. Legal tender provides a default medium for payment in sterling when a contract is silent, but it does not compel a creditor to accept that medium (Goode 2016, §37.95).
- Tender: This refers to the unilateral act of offering payment to a creditor. For a tender to be legally "perfect," common law requires it to be for the exact sum due and unconditional. The debtor must offer payment in the form specified by the contract, defaulting to legal tender only when no other form is agreed upon, either expressly or implied.
- Payment: This is the bilateral act that extinguishes a debt. It requires both the debtor's offer (the tender) and the creditor's consent and acceptance. Without the creditor's approval, a tender does not constitute payment, the debt remains outstanding, and the tender's only remaining relevance is as a potential procedural defense in subsequent litigation.

As authoritative legal commentary confirms (Chitty 2023, §21-084), a successful plea of tender does not discharge the debt. However, if the creditor sues for the debt, the debtor may, by paying the money into court and proving the prior tender, bar any claim for “breach” interest or legal costs arising after the tender’s date. This is because the legal action was made necessary solely by the creditor's refusal to accept payment.

2.2 Misconceptions in Economic and Legal Theory

This issue has long been a prominent feature of economic thought, manifesting in historical, mainstream, and modern interpretations that collectively overstate the coercive force of legal tender laws. Historically, early scholars laid the groundwork for these misconceptions by equating state authority with mandatory acceptance. For instance, Nussbaum (1950, 45–46) and Mann (1992, 43) argued that creditors must accept legal tender or risk legal prejudice, while Schumpeter ([1954] 2006) "misled generations of economists by equating Chartalism with legal tender laws," as noted by Wray (2000). Sono (2003) reinforced this view more directly: "Legal tender is money that, if tendered by a debtor in payment of his monetary obligation, may not be refused by the creditor."

Building on these foundations, mainstream monetary economics has perpetuated the assumption that legal tender status derives from state enforcement, creating expectations of obligatory acceptance. Davidson (1978) shared this perspective, suggesting that the state creates money by mandating its acceptance through legislation. Similarly, Grossman (1991) asserted that the “ability to enforce legal tender status of fiat money—is necessary to create the expectations that support a viable fiat money.” This theoretical stance often leads to the erroneous assertion that legal tender laws grant debtors a positive right and impose a corresponding obligation on creditors, as articulated by Tony Lawson (2022, 26):

> Specifically, legal tender laws tend to be designed to ensure that creditors in effect cannot (or find it difficult to) refuse whatever is being advanced as legal tender ... they work to confirm that any creditor that attempts to refuse legal tender in payment cannot seek to obtain an alternative form of payment, or otherwise seek redress, through the courts; that it is essentially a ‘take it or leave it’ situation for the creditor... In short, they ensure in this fashion that a debtor has the right to offer the legal tender as payment, and a creditor has an obligation to accept it when it is offered.

In modern legal scholarship, these ideas persist through syntheses that emphasize state-conferred mandates, often implying broad acceptance requirements unless explicitly excluded. Indrawati

(2023, 379) synthesizes several perspectives, suggesting that legal tender's state-conferred status mandates acceptance unless explicitly refused for specific reasons. She cites Fox (2008, §1.90), who views legal tender as a quality granted by the state to certain media of exchange, implying a valid tender for debt repayment. Similarly, Proctor (2020, 91) defines legal tender as money designated by national law to settle debts in the national currency, though not all money qualifies.

This academic misinterpretation is reflected in the simplified guidance from official bodies. The Bank of England (2025b) states: "If you offer to fully pay off a debt to someone in a form that is considered legal tender... that person cannot sue you for failing to repay."

The Royal Mint (2025) seeks greater accuracy but contributes to the confusion by conflating the procedural defense with a bar on the action itself:

> Legal tender has a very narrow and technical meaning in the settlement of debts. It means that a debtor cannot successfully be sued for non-payment if they pay into court in legal tender... It does not mean that any ordinary transaction has to take place in legal tender... Both parties are free to agree to accept any form of payment whether legal tender or otherwise according to their wishes.

2.3 The Procedural Reality of Legal Tender in English Law

The explanations provided by the Royal Mint and the Bank of England can be misleading, as they suggest that a tender prevents a successful lawsuit. This is not accurate. A creditor can still sue for payment of a debt even after a tender has been made. The Sale of Goods Act reinforces this point. Section 49(1) states:

> Where, under a contract of sale, the property in the goods has passed to the buyer and he wrongfully neglects or refuses to pay for the goods according to the terms of the contract, the seller may maintain an action against him for the price of the goods.

Refusing a tender does not negate the seller's right to "maintain an action" for the price. The debt remains fully actionable until discharged, either by the creditor's acceptance of payment or by the debtor's payment of the amount into court and the creditor obtaining access to that payment.

While the views of some scholars reflect historical or comparative contexts where legal tender carried stronger mandates, they are less applicable in modern England. The common misconception is that legal tender laws create an obligation for the creditor to accept the proffered money and that, upon tender, the debt is automatically cleared. As Goldberg (2009, 5) clarifies, this is not the case under common law. A shopkeeper, for example, is under no obligation to accept legal tender for goods and may demand payment in any form they choose. If the buyer cannot provide it, no contract is formed. Legal tender becomes relevant only when a debt exists, and the agreement does not specify a payment method.

Legal tender serves as a default rule for settling monetary obligations when the parties involved have not agreed on a specific payment method, acting as a procedural safety net in contract law. Excluding legal tender as an acceptable payment method must be explicit (for example, stating "£50 notes not accepted"). Conversely, other payment methods must be expressly or implicitly included, for instance, by displaying Visa or Mastercard logos, or having a visible card reader.

When a debtor owes money, and the contract does not specify a payment method, the debtor can protect themselves against penalties by offering payment in legal tender, or in a form easily convertible into legal tender, such as a bank transfer to the creditor's account. However, contrary to common belief, this does not discharge the debt. If a debtor makes a valid tender of the exact sum in legal tender and the creditor refuses it, the debt remains outstanding, and the creditor can still pursue legal action. As noted earlier, the tender's effect is purely procedural, shifting the potential legal costs burden to the creditor. Goldberg (2009, 4) emphasizes that the debtor is not "off the hook"; rather, the tender places the risk of legal costs on the creditor. Thus, legal tender is not a mechanism to force a creditor's hand but a narrow procedural tool with limited effect, contrary to its widespread reputation.

Legal commentators offer a clearer perspective. Chitty (2023, §21-084) explains the legal effect of a tender of money:

> Where a debtor is obliged to pay a specific sum of money to a creditor a successful plea of tender does not discharge the debt, but if the creditor subsequently sues for the debt, the debtor may, by paying the money into court and by proving the tender and his continued willingness to pay the debt since the tender, bar any claim for interest or damages after the tender; the creditor will also be liable to pay the debtor his costs of the action, on the grounds that the action should not have been brought.

Gleeson (2018, 134, §7.55) further clarifies:

> The point of legal tender laws is, of course, that they provide that if a specific thing is proffered in payment, they must be treated as having a specified value. Legal tender laws do not mandate the creditor to accept the things tendered in payment—there is no legal mechanism which positively requires a creditor to accept a thing in discharge of the debt owed to him. However, what the law does say is that a creditor who rejects legal tender cannot sue for the debt in any other way[1], and cannot invoke any of the remedies to which he would have been entitled on non-payment.

Gleeson (2018) also notes the declining relevance of legal tender laws, noting that rules mandating specific currencies or payment forms—which restricted parties' freedom to choose payment methods—have "broadly disappeared from modern law" because "they perform no useful legal function" (136, §7.62) and "that such laws do not work" (137, §7.63).

The procedural role of legal tender in England has diminished over time, as evidenced by legislative and judicial changes since the 1970s. Section 6 of the Coinage Act 1870 to 1946, which required contracts to be made "according to the coins which are current and legal tender", was repealed by Schedule 4 of the Decimal Currency Act 1969. Parliament later consolidated coinage laws with the Coinage Act 1971.[2] The House of Lords introduced the *Miliangos* rule, which allowed judgments to be expressed in currencies other than in sterling, and the Administration of Justice Act 1977 repealed provisions requiring calculations in sterling. The Brimnes case[3] clarified that "'payment in cash' in a modern commercial contract should be interpreted as meaning any commercially recognized method of transferring funds, the result of which is to give the transferee the unconditional right to use the funds transferred."[4] Proctor (2020, 93) observes that "the increasing use of debit and credit cards, funds transfers and the like, necessarily mean that legal tender laws are of diminishing practical importance." These

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[1] "Any other way" means the creditor can only sue for recovery of the debt in nominal monetary terms, not demand commodities, goods, or services, unless the contract specifies otherwise. Gleeson's phrasing may suggest a bar on suing, but it aligns with the procedural reality that a valid monetary tender limits remedies to monetary recovery and risks costs liability, reinforcing tender as a procedural defense.

[2] The tight restrictions on the quantity of coin that is considered legal tender is maintained via Royal Proclamation (Charles R. 2023).

[3] *Tenax Steamship Co v Reinante Transoceania Navegacion SA*, The Brimnes [1975] QB 929 (CA).

[4] As quoted by Gleeson (2018, 139–40, §7.72).

developments mark the gradual obsolescence of legal tender in English law.

3. CONTRACTUAL OBLIGATIONS AND DEBT SETTLEMENT: CIVIL PROCEDURE ANALYSIS

Having clarified that English tender law functions only as a limited procedural device rather than a substantive right, this paper will now illustrate that principle by tracing a civil dispute from the creation of a debt to its enforcement. The scenario is as follows: a customer dispenses £50 worth of fuel at a self-service filling station and offers a £50 banknote in payment, which the cashier refuses to accept. By examining the legal process step by step, the institutional marginalization of physical legal tender in settling disputed obligations becomes clear.

3.1 The Nature of a Contract for Price

The scenario begins with the creation of an undisputed debt arising from a simple contract. A contract for the sale of goods is formed when a seller agrees to transfer property in goods to a buyer for a "money consideration, called the price" (Sale of Goods Act 1979, s2(1)). This process requires the four essential elements of a contract under English law: offer, acceptance, consideration, and intention to create legal relations.

In the filling station example, the display of fuel at a marked price constitutes an invitation to treat. The customer makes a specific offer by taking the pump nozzle and dispensing fuel into their vehicle. Acceptance occurs upon the delivery of the dispensed fuel. The consideration is the fuel provided by the seller, along with the customer's corresponding promise to pay the stipulated price. The commercial nature of the transaction establishes a clear intention to create legal relations.

Upon the completion of this sequence, a contract is formed, and an actionable debt for a liquidated sum is created. The filling station now possesses a legal right (a *chose in action*) to demand payment, and the customer has a corresponding obligation to settle this specific, quantified debt.

3.2 The Determination of the Currency of the Contract

While the contract establishes a monetary debt of 50 units of currency, it does not specify the currency's denomination. The first step is to determine the appropriate denomination. In the absence of an explicit term, courts infer the denomination from the context of the transaction. Given that the filling station is in England, the creditor and debtor are also in England, and the price is displayed with the sterling symbol (£), the contract is unambiguously denominated in Pounds Sterling (GBP) and governed by English law. This establishes the legal currency for the debt, but the acceptable medium for its discharge remains to be determined. It is at this point that the doctrine of tender becomes relevant.

3.3 The Legal Consequences of Refusing Tender

In our scenario, the customer has incurred a £50 debt for the delivery of fuel and goes to pay at the till. They present a £50 Bank of England note, constituting a valid and perfect tender of payment. The cashier, perhaps due to an unfamiliarity with such a note or a fear of forgery, refuses to accept it.

The legal position is clear: the debt has not been paid, as payment requires acceptance of the tender. The cashier has acted lawfully, as there is no obligation to accept any form of payment, including legal tender (Gleeson 2018, 137, §7.65). Should the customer leave without settling the bill via an alternative, accepted method, they would be in breach of contract, and the filling station would be entitled to issue a claim in the County Court for the £50 debt.

3.4. Tender as a Defense within Civil Procedure

If sued, the customer could raise a defense of tender. Under the Civil Procedure Rules (1998, §37.2), a defendant wishing to rely on a "defense of tender before claim" must pay the amount allegedly tendered into court. The Court Funds Office, which manages these payments, does not accept deposits in physical legal tender. Funds are expected via check. Electronic sterling bank transfers are possible only in exceptional circumstances, such as for "extremely urgent deposits or very large value deposits as the current system does not allow for such transfers ordinarily. Approval from the Court Funds Office is required before a sterling transfer can be made" (Office of the Accountant General 2025).

A narrow exception exists for a litigant in person without a bank account (Ministry of Justice 2023, §1.2). In this rare situation, the individual may lodge cash with the local court, which then converts the funds into a payable order, a non-transferable type of cheque, for transmission to the Court Funds Office (Office of the Accountant General 2025). This exception, though seldom invoked, highlights a critical intersection between the physical and institutional realms of money, as it accommodates those excluded from the banking system. Yet, the immediate conversion of cash into a bank-mediated instrument underscores that even this concession operates within an institutional framework that prioritizes electronic settlement over physical legal tender.

Consequently, the operative process for asserting a defense of tender relies overwhelmingly on electronic or non-cash instruments, rendering the original legal tender practically irrelevant to the final institutional settlement.

Furthermore, the burden of proof lies with the debtor to demonstrate to the court that a valid offer of payment was made and improperly refused (Chitty 2023, §21-084). The court requires clear, admissible evidence of a proper tender, such as CCTV footage, a dated receipt, or a cashier's witness statement. The anonymity of cash and the lack of automatic logging can weaken the debtor's case, particularly if the creditor disputes the account or if documentation is absent. The debtor must prove that the tender was for the exact amount owed, made unconditionally, and presented in a form legally recognized as tender. If evidence is missing, unclear, or contradicted by the cashier's account, the defense may fail.

3.5. Enforcement, Judgment, and Final Payment

Assuming the debtor successfully navigates this procedural complexity, pays £50 into court via the banking system, and persuades the court of the facts of the original tender, no judgment will be entered for the £50 debt; however, the debt remains unpaid.[5] Instead, the court grants permission for the money paid into court to be used to settle the debt. This is because the defense

[5] This distinction is important. Consider the case of a lease. If a tenant is found not to have paid their rent, break clauses and statutory recovery provisions could be activated. A successful defense of tender would prevent those clauses from being activated, even though the rent remains technically unpaid until the landlord claims the rent from the court funds office (Davey 2015).

of tender does not dispute the debt's existence but acknowledges it. Applying the established procedural rule of tender, the court is likely to order the creditor to pay the debtor's costs from the date of the tender, as the proceedings were necessitated solely by the creditor's refusal to accept payment. The debt is legally satisfied and fully discharged only when the creditor completes the necessary procedural application to access the funds paid into court (Ministry of Justice 2023, §3.2).

The final step in the process is the most revealing. The £50 disbursement would ordinarily be made by electronic bank transfer to either the creditor's nominated bank account or their legal representative's account. Once again, Practice Direction 37 provides a narrow alternative (Ministry of Justice 2023, §3.7):

> If a party does not wish the payment to be transmitted into their bank account or if they do not have a bank account, they may send a written request to the Accountant General for the payment to be made to them by cheque.

Even in this case, no physical legal tender is provided. The check issued is payable only through a bank account, ensuring the funds remain within the banking system. The entire judicial enforcement process, from the lodging of funds to their final disbursement, relies exclusively on electronic or bank-mediated instruments. The physical instrument of the original tender becomes irrelevant to the final settlement. Thus, the supposed common law right to be "paid in cash" is undermined by the very institutional system designed to uphold it.

3.6 Tender as a General Defense

The principle that tender serves as a procedural defense rather than a substantive right extends beyond transactions involving physical legal tender. This distinction can be illustrated through an alternative scenario.

Imagine a customer attempts to pay a £50 fuel debt using a debit card, but the filling station's card machine fails to process the transaction. For instance, the terminal might validate the card locally but fail to connect with the bank or display a "No Reason to Decline" error code. In this case, the customer has tendered payment in accordance with the agreed-upon method. If the cashier cannot complete the sale and the customer leaves, the filling station could still sue for the debt, along with any accrued interest and legal costs. As with a refused banknote, the debt remains outstanding because the payment was not completed. However, the customer could raise a defense of tender to contest the filling station's claim for interest and costs, arguing that they took all reasonable steps to settle the debt and that the failure lay with the creditor's equipment.

Asserting this defense highlights a significant detachment from the original payment method. Although the tender was electronic, the customer must still pay £50 to the Court Funds Office by check or, in exceptional cases such as an urgent deposit, by bank transfer to proceed with the defense. This demonstrates that the legal concept of tender is broad, encompassing any agreed-upon payment method, distinct from the narrow statutory definition of legal tender. Court procedures reinforce this view; for example, the Court Funds Office can accept payments in foreign currency via bank transfer with court permission,[6] further demonstrating that resolving contractual disputes does not depend on the original payment method or its denomination.

3.7 The *De Facto* Determination of Money

The preceding analysis shows that, in settling disputed debts, the statutory definition of legal tender has been superseded by institutional practices. This raises a critical question: what determines the practical or de facto nature of money in circulation? The answer lies not in legal statutes but in the operational mechanics of the banking system.

Consider the withdrawal of out-of-date notes and coins. Although their legal tender status may have been revoked, these instruments remain redeemable through the Bank of England and the Royal Mint indefinitely.[7] They disappear from circulation not due to legislative action but through the filtering process of the wholesale cash distribution network. As old notes and coins are deposited in commercial banks, they are withdrawn and returned to their originators, replaced by newer issues. This process also applies to Scottish and Northern Irish bank notes, which lack legal tender status, yet are processed, withdrawn, and replaced seamlessly by the banking

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[6] And which are then held in appropriate correspondent accounts with the Government Banking Service (Ministry of Justice 2025, 36, 42)

[7] For example, the Currency Act 1983 s3(4).

system. The recent transition from paper to polymer bank notes exemplifies this process on a large scale.

This banking-centric reality is evident in the final stages of debt enforcement. As noted, payments into court require a check drawn on a sterling bank account or an electronic transfer. Commercial banks facilitate this by accepting deposits, whether as electronic credit at the Bank of England or bank notes exchangeable for such credit.[8] In return, they credit the customer's account with commercial bank money, which represents the bank's own liabilities.

Ultimately, funds paid into court are settled into the Debt Management Account at the Bank of England (Ministry of Justice 2025, 48). The only limitation on what can be used for final settlement is the commercial bank's ability to initiate a transfer from its settlement account at the Bank of England, which depends on the collateral it accepts within its Real-Time Gross Settlement (RTGS) system (Bank of England 2025a). For all practical purposes, this imposes no limit. Thus, the *de jure* concept of legal tender is entirely displaced; the *de facto* medium for settling a legally enforced debt is determined by the eligibility criteria of the central bank's electronic settlement system.

4. STATUTORY OBLIGATIONS: TAX AND THE INSTITUTIONAL MEDIUM OF PAYMENT

Having established the procedural and institutional limitations of legal tender in private contractual disputes, we now examine statutory obligations. Unlike commercial contracts, which arise from mutual agreement, statutory obligations are imposed by the state and offer significant insight into the government's definition of acceptable money. Analyzing the mechanisms for settling tax liabilities reveals that the state has shifted mainly from physical legal tender to electronic, bank-mediated money for its critical functions.

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[8] The redemption of bank notes for settlement balances is a contractual right, not a statutory one (Allen and Dent 2010).

4.1 The Nature of Tax Liabilities

A tax liability differs markedly from a contractual debt. It is a unilateral obligation imposed by statute, not a consensual agreement. Citizens and businesses cannot negotiate the terms of their tax obligations, which are defined by legislation. Notably, tax liabilities in the United Kingdom are always calculated and denominated in Pounds Sterling (£). Taxpayers cannot opt out of this obligation or specify an alternative unit of account or medium of payment. Transactions in alternative denominations are still assessed in equivalent sterling terms to determine the tax liability due.

4.2 The Institutional Mechanism of Tax Payment

In the United Kingdom, all central tax liabilities must be settled through payments to His Majesty's Revenue and Customs (HMRC). A closer examination of HMRC's accepted payment methods reveals a critical fact: it does not accept physical cash in the form of notes or coins. The infrastructure for settling statutory obligations is entirely electronic, operating through the commercial banking system.

Tax payments are processed through accounts managed by the Government Banking Service (GBS), a division of HMRC, which collaborates with commercial banks[9] to provide transaction services. When a taxpayer makes a payment, funds are transferred from their commercial bank account to HMRC's account with its banking partner. The final settlement occurs as an electronic transfer of central bank funds from the banking partner to HMRC's account at the Bank of England, cleared via the Real-Time Gross Settlement (RTGS) system. These funds are ultimately aggregated into the Consolidated Fund Account at the Bank of England (Berkeley et al. 2023).

4.3 The Incompatibility of Legal Tender with State Receipts

The state's payment infrastructure is operationally incompatible with its own definition of legal tender. Even if a citizen wished to settle a tax bill by presenting the exact amount in Bank of

[9] Moving from Barclays to Lloyds during 2025.

England notes, HMRC's published guidance does not list cash as a routine payment method (HM Revenue & Customs 2025). This mirrors the procedural challenges observed with the Court Funds Office. While HMRC may accept cheques, its clear preference, and the vast majority of its transactions, involves electronic methods such as Direct Debit, Faster Payments, and CHAPS. The entire system for managing public sector receipts and payments relies on a centralized, electronic, bank-mediated infrastructure, rendering physical cash effectively unusable in this context.

The UK government's reluctance to accept physical cash for tax payments underscores the diminishing relevance of legal tender. Legal tender laws, originating from the state, do not obligate the state to take the physical notes and coins it issues.[10] By requiring its most significant and widespread receipt, tax payments, to be made exclusively through the banking system, the state reinforces the primacy of electronic central bank money[11]. This requirement compels taxpayers to engage with the banking system, thereby promoting the widespread acceptance of bank money for all transactions. It highlights that, in its essential functions, the UK operates entirely with electronic credits, illustrating the declining significance of physical legal tender in modern public finance.

5. CONCLUSION: THE DIMINISHING ROLE OF LEGAL TENDER IN ENGLISH LAW

The preceding analysis demonstrates that legal tender no longer forms the operational foundation of the monetary system in English law.[12] For both private contractual debts and public statutory

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[10] The only case in current UK legislation where legal tender must be accepted is when an election candidate chooses to pay their deposit using notes and coins (Representation of the People Act 1983 Sch 1 s9(2)).

[11] "The power of the government to impose a tax and to name what it accepts in tax payment is sufficient, trumping legal tender laws" (Wray 2025, 81).

[12] In contrasting moves, the European Commission in June 2023 and the Australian federal government in November 2024 proposed measures to mandate cash acceptance, aiming to strengthen legal tender status and preserve physical currency's role amid digital shifts. However, as of September 2025, both proposals appear stalled in their respective legislative processes, with the EU initiative awaiting committee decision and no bill yet introduced in Australia despite a planned January 2026 commencement. (European Central Bank 2023; European

obligations alike, final settlement is institutional and electronic. The ability to tender payment in physical cash does not confer a right to force acceptance but serves as a procedural defense of limited utility, which, ironically, depends on the court systems's non–cash-based infrastructure.

The state's operational currency is not physical cash but the electronic liabilities of the central bank and its commercial partners. For economists and legal scholars, understanding monetary reality requires looking beyond statutory definitions and misconceptions to the procedural and institutional structures that govern payment.

This shift is further evidenced by the evolution of English law's approach to currency. For over 50 years, the UK has imposed no compulsion to use a specific denomination, effectively rendering the law currency-agnostic. The landmark case of *Miliangos*[13] marked a significant shift, as noted by Gleeson (2018, 191, §9.104): "*Miliangos* is one of the relatively rare cases which marks a sudden and substantial change in English law." This decision ended the "breach-date" rule, which required claims for damages in a foreign currency to be converted into sterling at the exchange rate prevailing at the date of breach. Consequently, the defense of tender can accommodate any agreed-upon payment method in any currency, reflecting the flexibility of English law in handling diverse monetary obligations.

The United Kingdom's promotion of English law for international use, driven by its rich maritime history and extensive financial sector, is founded on the common law principle of freedom of contract. This currency-agnostic position allows sterling to operate preeminently in the UK without preventing the use of other currencies. A striking example of this is the sharp divide in currency use at the Irish border, where jurisdictional changes highlight sterling's universal acceptance within the UK. This approach contrasts sharply with civil law jurisdictions, whose top-down, rule-based systems often include legal tender compulsion, underscoring a key philosophical distinction (Freitag and Omlor 2020).

Commission 2023; Chalmers 2024; Department of the Treasury 2025) .

[13] *Miliangos v George Frank (Textiles) Ltd* [1976]

Given its practical obsolescence, a pertinent question arises: why does the concept of legal tender persist in English law? The answer lies in a blend of historical inertia and socio-political function. Historically, legal tender was crucial in standardizing currency and establishing a state-backed medium of exchange. Today, its role is mainly symbolic, notionally reinforcing public trust in the value of state-issued money, even though its nominal worth ultimately depends on what government pay offices accept (Gleeson 2018, 45, §2.46; Wray 2025, 74, 81, 84, 85, 88).

Moreover, legal tender supports financial inclusion. For individuals without access to banking systems, cash remains a vital medium of exchange, and the legal tender framework provides a residual, albeit rarely tested, safeguard for settling debts. As this paper has shown, however, this safeguard is largely theoretical when confronted with the institutional realities of legal enforcement. Thus, in English law, legal tender endures not as a cornerstone of the monetary system, but as a technical fallback; its practical relevance fading in an increasingly digital economy.

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