UK Finance response to HM Treasury Access to Cash: Consultation

UK Finance is the collective voice for the banking and finance industry.

Representing around 300 firms across the industry, we act to enhance competitiveness, support customers, and facilitate innovation.

We welcome the opportunity to provide comment and respond to the questions set out in the HM Treasury Access to Cash Consultation. This is an area of great interest and concern to our members and their customers.

The banking and finance industry is committed to ensuring access to cash remains widely accessible for those personal and SME customers that continue to need it. Yet there is no ‘one size fits all’ approach and only via collaboration across government, regulators, industry, customer groups and communities can this be achieved.

Executive Summary

UK Finance and its members recognise that in recent years there has been a decline in cash usage with a marked shift towards customers using digital channels where they once would have used cash. In 2010, cash accounted for 56% of all payments in the UK, falling to 17% as of 2020.[1]

The transition towards digital payments does bring many opportunities and the industry has a role to play in supporting access to cash in communities during this transition. However, even with the industry’s determined and continuing efforts to support digital financial inclusion we recognise that there will still be a cohort of customers for whom digital is not an option for the foreseeable future.

We agree with HM Treasury that the provision of cash across the UK remains extensive and that the initial geographic requirements should be informed by the current distribution of cash access facilities.

UK Finance and the largest retail banks and building societies have made five commitments to continue to preserve access to cash for consumers and businesses over the long term to provide certainty that cash access will be available for individuals and businesses to both withdraw and deposit cash, now and in the future.

The industry has committed to:

- Ensuring that cash will be available for those who need it, particularly small businesses, the elderly and vulnerable, when they need it
- Supporting the Community Access to Cash Pilots
- Working together to consider possible models for future access to cash which address changing requirements and meet the needs of customers and communities
- Protecting current critical infrastructure until a viable alternative is available
- Establishing and maintaining a framework to enable early identification of potential cash “cold spots”

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[1] https://www.ukfinance.org.uk/sites/default/files/uploads/SUMMARY-UK-Payment-Markets-2021-FINAL.pdf

The above needs to be achieved by identifying efficient and cost-effective industry solutions which would ultimately drive efficiency gains that benefit personal and SME customers.

The Access to Cash Action Group (CAG)[2] is leading senior level cross-stakeholder collaboration with the overarching view that legislation should be about preserving access to cash whilst not specifying how it should be provided. The industry should be free to determine the most cost-effective way to provide customers with access to their money when they need it and not be bound to a specific channel.

We agree with the implicit assumption in the consultation that providers (across all channels) will seek to maintain profitable/ commercially viable outlets, which drives the need for consideration of collaboration and proportionality which are both covered in our responses to the consultation questions.

As things stand, the FCA would take on direct responsibility for ensuring the geographic legislative requirements are met through its existing monitoring and supervisory role. Therefore, we believe strongly that there is a need for a central body to co-ordinate the identification and proactive filling of cold spots on behalf of Industry. This co-ordinating body could play a valuable role in encouraging innovation through cross-industry development and testing. A model which is channel neutral will allow Industry to deploy services on a shared basis to fill cold spots as and when they emerge and is one of the key CAG deliverables.

We believe that the establishment of a co-ordinating body needs to be accommodated in the legislation in recognition that co-ordination is a practical necessity to achieve a sustainable and effective solution and to avoid potential challenges to the body's legitimacy. This risk would be minimised if its role is clearly set out in the legislation and/or if the scope of its duties and responsibilities are to be agreed with the FCA. We acknowledge that the operation of the body would be expected to remain subject to competition law rules.

Further thinking needs to be applied to how the geographic requirements will be set and how they would change over time. We agree with HM Treasury's view that simplicity will be key to enabling effective legislation that will create a framework which can adapt as cash usage, as is predicted, declines in future years. Therefore, a national requirement of a percentage of the population being within a certain distance of free cash access makes sense in principle. When considering the obligations in the round it will be important to also focus on where people spend money rather than just where they live. It is critical that these requirements are fair, proportionate and reflect the shared responsibility of industry participants.

However, we do have concerns in simply replicating the Swedish model where the much smaller market has developed differently from the UK, and where the five banks primarily covered by the relevant regulation have a much more established approach to shared infrastructure. This has negated the need for a more formal centralised body, which would be needed in the UK context to prevent huge uncertainty over how a collective obligation could be enforced at the individual level.

In the context of a declining market, it is important any universal service obligation is delivered in a cost-effective way and does not contribute to existing inefficiencies or lead to market distortions. We believe therefore that the legislation should have an objective to ensure that costs associated with services are kept reasonable and proportionate. This objective can be achieved by legislating for the principle that there should be a cap on the cost per user (or per usage instance) of the services, with the responsibility to determine the level of the cap sitting with the FCA.

[2] https://www.ukfinance.org.uk/area-of-expertise/personal-finance/access-cash-action-group

When costs exceed the cap, this should act as a trigger to consider the case for moving to a lower cost access solution or (in an extreme case) removing the access point. This is particularly important in a market where both supply options and demand preferences are undergoing dynamic change. The cap could also provide a clear benchmark for assessing new cold spots.

Understanding the needs of local communities and vulnerable customers is critical and learning from, and building on, the work of the Community Access to Cash Pilots will be essential. The role that cash plays in addressing the needs of specific customer cohorts, such as helping consumers to manage their budgets, will be an important consideration. Regulation needs to recognise the importance for enabling new solutions and innovation in the approach to protecting access to cash, for example cashback without purchase.

We agree it is necessary and sensible to approach the requirements in Northern Ireland and Great Britain separately given different market structures and the specific requirements of the NI communities. Specific metrics should be set by the FCA rather than in legislation.

A number of the larger retail banking institutions do not agree that requirements should be targeted at the largest payment account providers alone. A forward-looking approach which ensures continued access to cash across the UK needs to consider the changing nature of customer behaviour and other market developments rather than solely focus on those firms that have legacy cash distribution networks. The largest payment account providers believe that requirements should be targeted proportionately across the sector and encompass both smaller providers/new entrants and also the Post Office and ATM deployers.

Other smaller providers, however, believe that the regulation should first seek to capture the largest retail banking providers and consequently the majority market share for personal and SME accounts as it would neither be cost-effective nor proportionate to expect smaller providers to contribute at the same level.

We agree that the FCA should perform the role of the lead regulator for monitoring and enforcing requirements on access to cash and should be given the freedom and flexibility to make changes as it considers appropriate. However, this must be done via robust and informed consultation with the industry. It is important that this framework delivers the right outcomes for customers and facilitates innovation and provides the industry with the opportunity to meet these objectives in a fair, balanced, sustainable, and proportionate manner.

UK Finance and its members require further clarity on the following points:

- The detailed criteria for designating banks and an understanding of why that is viewed as proportionate, balanced and ensuring a cost effective and efficient solution to the issue.
- The criteria that would be used for designated and non-designated firms to transition from one status to the other.
- How designated and non-designated firms will be held accountable, be that individually or collectively.

We would also flag that ultimately, access to cash and cash acceptance are two sides of the same coin. Addressing the accessibility issues will only be really beneficial to consumers if the cash they withdraw can be spent where and when they choose. Whilst UK Finance agrees that cash acceptance should not be mandatory, there is an argument in favour of considering ways to re-position more favourably the use of cash at point of sale.

Responses to Questions:

1. Do you agree that legislation should provide the government with powers to set geographic requirements to ensure the provision of withdrawal and deposit facilities to meet cash needs through time?

1.1 We support using legislation to maintain access to cash on a geographic basis relative to the population. However, geographic requirements alone would not be sufficient to ensure that provision is reasonable and sustainable. The working assumption of the CAG is that what is in place today is broadly acceptable (and this is the basis of HM Treasury's proposals), and that a mechanism is needed to react to future closures or changes, reflecting changes in consumer behaviour and the trend to digitisation of banking services, to ensure that appropriate cash access and deposit coverage is maintained.

1.2 The legislation needs provisions to support collaboration between firms to respond to the requirements of the legislation and to ensure an efficient, cost effective and fair burdening of responsibility. In particular, the legislation should accommodate the establishment of a central co-ordinating body which we believe will be essential for industry to deploy solutions on a shared basis. The underlying premise of a co-ordinating body is co-operation between firms. As such, the body would need to ensure that its activities are compliant with the competition law framework, which can involve a complex assessment and as such could potentially be open to challenge.

1.3 If the establishment of a co-ordinating body were made a legislative requirement or given cover by legislation to recognise the fact that a co-ordinating body is necessary (and therefore acknowledge its legitimacy), this would potentially avoid challenges to the existence of the body itself. We therefore urge government to include reference to the option of establishing a co-ordinating body in the legislation to provide certainty and enable industry to co-operate effectively – to deliver better outcomes for consumers on a sustainable basis.

1.4 Without legislative cover, firms may be reluctant to set a co-ordinating body up and participate – mindful of the risk of challenge under competition law. We may also find that a body without legislative cover may be highly risk averse – making decisions within the strict confines of policies, because more subjective judgements could potentially make it more vulnerable to challenge. This may not lead to the best outcomes for consumers.

1.5 Section 1E (1) of the Financial Services and Markets Act 2000 requires the FCA to promote effective competition in the interests of consumers. Section 3B(1)(a) requires the FCA to have regard to the desirability of using its resources in the most efficient and economical way. We would expect the co-ordinating body's procurement process to mandate competitive tendering to source services that have been identified as the most efficient solutions to be consistent with competition law and the FCA's remit in this regard.

1.6 Current metrics published by FCA, PSR and University of Bristol show that 90% of neighbourhoods are within 1 km of a free cash access point (93% if cashback is included) and it is acknowledged that access to cash will never have 100% coverage as this is physically not feasible due to the lack of suitable locations, as well as lack of demand. Whilst there is geographical variation and some cold spots, it is important to stress that both demand and the ability to spend cash in the location are assessed before determining solutions.

1.7 In the Swedish model there is concern that newly installed infrastructure, to ensure compliance with the geographic requirements of the Access to Cash regulation, will in places fail to attract even moderate levels of customer use or demand. We must learn from this and ensure that any filling of cold spots is based around consumer need, especially where individuals want to use cash, rather than simply where they live. We would strongly support the need to define a minimum level of demand, perhaps by looking at cash usage trends as well as population. It would be ultimately detrimental to the customer to drive up the overall costs of the system by putting in place costly infrastructure where it is not needed. We would wish to avoid a scenario where we strive to meet a geographic target to comply with legislation even where it does not serve the customer need.

1.8 A focus on ensuring cash needs of vulnerable, low income and/or deprived customers are met is vital as reliance on cash correlates highly with these groups. The existing LINK Financial Inclusion model is instructive here and could potentially be enhanced, i.e., by expanding to incorporate other channels where appropriate (not just ATMs), and through means of redistribution of interchange to support further areas where cash access is more needed, such as areas with high levels of vulnerability.

1.9 We acknowledge that there needs to be consideration of the broader cash system. For example, the Post Office and ATM providers are integral to cash access and as it stands, would not be covered by legislation and cold spots could arise through the actions of non-designated parties. It would be unfair for designated banks to be held liable when the actions of non-designated firms remove access to cash from an area thereby creating a ‘cold spot’. These should only arise where the existing service provided is no longer commercially viable, hence legislation to safeguard the access to cash should consider the financial model for each independent site.

1.10 We also believe that there may be a necessity to differentiate solutions between areas that are perceived to have a problem today versus those which may need to be "protected" in future.

1.11 Consideration could be given to legislating for a shared cost model so that each brand's responsibility is clear up front. However, care needs to be taken to ensure that legislation does not lead to unintended consequences, for example a race to not be the last bank in town and resulting in accelerated closures. Firms should not face unreasonable costs for access solutions which they aren’t benefitting from, given their business model and customer base, otherwise this may disincentivise them from maintaining existing infrastructure. As previously mentioned, the CAG is exploring the transition to an optimal Target Operating Model which would include a shared infrastructure model.

1.12 We have concerns regarding the FCA taking on direct responsibility for ensuring the geographic legislative requirements are met through its existing monitoring and supervisory role and as a result could lead to a designated firm being treated unequally to its market peers, for example, a bank being prevented to close a last bank in town without any corresponding requirement on market competitors.

1.13 Reliance on a FCA solo-firm supervisory approach alone would, in our view, reduce the likelihood of finding pragmatic solutions and lead to sub-optimal consumer outcomes. The role played by a branch in its local community and the impact of its potential closure may not be fully apparent without the regulator expending significant resource on the ground. There could also be significant complexities in deciding which of a number of firms operating in a given community should be instructed upon.

1.14 We believe, as noted in the Executive Summary, that a co-ordinating body is better placed to provide proportionate and fair collective solutions instead and facilitate collaborative working and shared costs. The FCA would retain the right to intervene if the solutions commissioned by the co-ordinating body do not meet the regulator’s requirements.

2. Do you agree that legislative geographic requirements should target maximum simplicity?

2.1 We agree that the legislative geographic requirements should target maximum simplicity; however, the legislation should be sufficiently flexible to allow proportionate, objective, and cost-effective solutions that meet the needs of the local communities. For example, legislation shouldn't specify the types of infrastructure or specific solutions.

2.2 Legislation should accommodate the ability to differentiate between urban and rural when setting access requirements given the difference in reasonable distances travelled for goods and services, different geography and differing needs and expectations. Some standardised measure of ‘travelling time’ rather than distance might provide better customer outcomes as distance alone may lead to some odd geographic outcomes. When considering the obligations in the round it will be important to focus on where people spend money rather than just where they live.

2.3 Recent FCA research[3] has demonstrated that access to cash coverage across the UK is generally good. Any ‘cold spot’ provision should consider demand and be based on a minimum population definition. Cold spots should only be filled where there is a real customer need based on objective criteria and assessment, including individual demand rather than a preference, and requirements should prioritise where people are actually accessing and spending cash. Geographic requirements are potentially a blunt tool and should reflect consumer convenience as well as distance, protecting services that customers currently use. Using purely distance criteria would not reflect the full picture as many supermarket ATMs would be deemed a distance beyond what is geographically desirable, whilst, in reality, these points of access would be deemed acceptable to the customer as they are typically used during established customer journeys.

3. Do you agree that geographic requirements should initially be set to provide a level of reasonable access to all areas, reflecting the current distribution of cash access facilities?

3.1 We believe that last year’s Bristol University mapping exercise and the recent FCA follow up research has proven that existing coverage of cash access facilities is extensive. We agree that existing coverage provides a useful starting point for identifying where there are opportunities to create a sustainable and viable cash network and a sustainable target operating model utilising a range of access channels which the Cash Action Group are working towards. We note that whilst current broad geographical distribution is reasonable the volume of outlets in each location may vary.

3.2 The picture in the UK is, in reality, better than this analysis, given that some retailers have begun to offer cashback without purchase which has not been reflected in the analysis referenced above. We would like to see all cashback access points included in the future analysis work as this is an important access channel for customers today and in the future with 37,000 existing locations currently utilised.

3.3 However, the geographic requirements should be about preserving access to cash, not increasing what we have today as it is agreed that the coverage of cash access facilities has remained extensive while demand continues to decline over time. With 832 cash machines per

[3] https://www.fca.org.uk/publications/research/uks-cash-infrastructure-consumer-research

million inhabitants in 2020 the UK remains above the EU average and provides greater coverage than other major European economies, including France and Italy[4].

3.4 We observe that there is more than sufficient coverage in many areas today and this needs to be reviewed alongside evolving cash usage. Future distribution needs to be dynamic.

3.5 Cash deposits are more complex and were not a specific focus of the Bristol University mapping or the FCA follow up outputs to date.

3.6 Whilst the geographical requirements set a baseline, a 'cold spot' should also be determined by demand for cash and what is an acceptable attrition of service and which key services must be kept. This is a key component to ensure the future model is adaptable and allows for shifting trends for both cash access and deposits over time. Cash access must be sustainable and proportionate.

3.7 We believe that it is vital for legislation and regulation to be flexible with appropriate review points built in to adapt in the future as cash use declines further due to changes in customer demand. The extent of the decline must not be underestimated with the total volume of cash payments falling significantly from over 20 billion in 2010 to only 6.1 billion in 2020. Covid has accelerated this trend but it has been clearly visible since 2014[5]. Cold spot analysis should be dynamic and reviewed on a regular basis and at least annually. For this reason, it may be more appropriate for the specifics of the geographic requirements to be set and amended by FCA rather than fixed in legislation to be set and amended by HM Treasury.

3.8 As noted in the Executive Summary, we believe the legislation should have an objective to ensure that costs associated with services are kept reasonable and proportionate. This objective can be achieved by legislating for the principle that there should be a cap on the cost per user (or per usage instance) of the services, with the responsibility to determine the level of the cap sitting with the FCA.

3.9 The geographic requirements as described in the consultation paper would not consider usage levels. The purpose of this cap would be to ensure that as usage patterns change, Designated Firms are not required to bear costs of access provision that are not reasonably proportionate to the usage of the services. Usage and cost data should be available from those providing the access and could be provided to the FCA on a periodic basis. When costs exceed the cap, this should act as a trigger to consider the case for moving to a lower cost access solution or (in an extreme case) removing the access point. This is particularly important in a market where both supply options and demand preferences are undergoing dynamic change.

4 Do you agree it is necessary to allow for requirements in Northern Ireland and Great Britain separately?

4.1 We agree that it is necessary to allow for requirements in Northern Ireland and Great Britain to differ given different market structures and the specific requirements of Northern Irish communities. The geography, primary payment account providers and current cash provision is distinct and therefore an approach which considers the unique requirements of Northern Ireland is right, with an aim to provide equitable protection of cash overall. We believe that the specifics should be set by the FCA rather than laid down in legislation.

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[4] *UK Cash & Cash Machines 2021*, UK Finance, August 2021

[5] UK Cash & Cash Machines 2021

4.2 As the consultation notes, an alignment of the requirements between Great Britain and Northern Ireland would most likely require infrastructure adjustments which are inconsistent with the existing cash access footprint which is deemed to be both extensive and appropriate.

4.3 Consideration could also be given to whether access to cash has bespoke characteristics in Scotland that should be factored in. However, this should be considered with caution as too many regional targets would not be in line with simplicity. A differentiation between urban and rural requirements would likely suffice.

5 Do you think that requirements in Northern Ireland and Great Britain should be set at a consistent level?

5.1 As per our answer to Question 4 above, we believe there are grounds for the requirements in Northern Ireland and Great Britain to be set differently reflecting different market structures and community needs. The legislation should allow flexibility in this regard.

6 Do you agree that requirements should be targeted at the largest payment account providers?

6.1 The larger payment service providers do not agree that the requirements should be targeted in this way. They argue that all providers who offer current and deposit accounts and whose customers need to access and deposit cash should share the requirements and the cost of delivering these should be relative to appropriate measures of market share.

6.2 Low barriers to entry allow for new entrants to the market, ensuring a continued vibrant and competitive market but any firm offering access to cash services as their core product should have a level of accountability for the requirements as the benefits of cash access can potentially be utilised by all customers of deposit taking firms in the UK, including those who bank with a digital or start up bank.

6.3 The larger payment service providers believe that it is better to spread the cost of cash access widely, particularly as the costs of providing access to cash in a community are, at present, largely concentrated with a bank or other cash provider, but the overall social benefits from a community retaining access to cash are widely dispersed in the community (and ultimately benefit the UK economy and social inclusion as a whole). Therefore, there could be a case for designating a wider range of firms - those with and without branch networks, which will also help to fairly reduce the individual costs to firms of supporting the shared national infrastructure and collective responses helping support the long-term sustainability of cash.

6.4 It can be argued that a broad range of providers should contribute to the maintenance of the cash network given their customers may rely on it in the event of an online or other systems failure.

6.5 However, without the detailed criteria for designating banks and an understanding of what is viewed as proportionate and balanced, it is not possible to reach a clear consensus of opinion across UK Finance members. Smaller providers report that it would not be cost effective to expect smaller providers to contribute to the same level as the largest banks that rely on the cash infrastructure for their operations and as the largest providers of payment accounts also benefit to the greatest extent by customer utilisation of additional products and services.

6.6 Some of the smaller payment providers have noted that they already ensure customers' access to cash by partnering with the Post Office Banking Framework given the geographical obligations on the Post Office which ensure that 99% of the total population must be within 3 miles of their nearest Post Office and 95% within 1 mile.

6.7 Consideration must be given to the scenario where a designated bank is in scope of the legislation but is not part of the Post Office Banking Framework; and whether the bank can still discharge its responsibility when its customers do not have access to the Post Office counters. However, there are concerns in industry that mandatory membership for all banks to the Post Office Banking Framework will remove any commercial incentive for the Post Office to innovate and improve services provided as part of the framework. One option could be that there is an additional arrangement either via bilateral agreement with the Post Office or via an alternative solution such as partnering with another bank and sharing costs.

7 Are there other factors beyond those listed that the government should take into consideration when designating firms?

7.1 Banks should not be held disproportionately responsible for the share of the UK payment account market as most customers in the UK use the Post Office, ATMs, and other cash access routes. There are around 11,500 Post Office branches where customers can access cash, while ATMs within a bank branch or building society account for only 42% of all cash machines in the UK. It should also be noted that disproportionate obligations on banking institutions are likely to impact customers ultimately as costs are passed on.

7.2 Any obligations on individual firms need to be proportionate and fair with objective criteria that cater for different business models. There must be clarity in terms of how a firm can be brought into designation and de-designated.

7.3 Consideration of the broader cash system is vital as the legislation would not currently cover the Post Office and ATM deployers who form an integral part of cash access. If ATM deployers are not included in the legislation there is a risk of consumer detriment, not least in instances of free-to-use ATMs being removed or converted to pay-to-use ATMs as a result of commercial decisions. Applying rules to IADs would recognise the essential service they provide and allow more time for alternative provision to be installed. Additionally, it needs to be recognised that the largest retail banks rely on these access providers for provision and may further need to do so to meet the legislative requirements and by bringing them into the regulatory remit, there will be accountability which will considerably enhance consumer protection.

7.4 As mentioned in 1.12 above we have concerns regarding FCA taking on direct responsibility for ensuring the geographic legislative requirements are met through its existing monitoring and supervisory role and as a result could lead to a designated firm being treated unequally to its market peers.

7.5 Consideration should be given to:

- The diversity of firms' business models and new entrants' product features, (for example, can customers withdraw or deposit cash) in order to ensure the proposed legislation does not risk artificially shaping what a bank or financial service provider does and does not offer its customers.
- Applying rules to any firm that provides consumers access to cash but doesn't actually sell products which promote cash access. Current accounts for example should be considered in parallel with an accompanying commercial framework.
- Fraud and scam obligations and policy and industry objectives connected with fighting financial crime.
- Include any vulnerable customers regardless of who they bank with.

8 Do you agree that the FCA should be the lead regulator for monitoring and enforcing requirements on access to cash?

8.1 We agree that the FCA should be the lead regulator for monitoring and enforcing requirements on access to cash, however, as per point 7.3 we note that not all actors in the broader cash system are regulated by FCA and therefore not covered in the legislation.

8.2 As noted elsewhere in this response, we believe the establishment on a central co-ordinating body will assist the FCA in discharging its duties.

8.3 As the Bank of England has principal responsibility for the circulation and distribution of wholesale cash, we believe that the FCA and BoE should collaborate to ensure there is a joined-up approach in monitoring and enforcing requirements on access to cash.

9 Do you agree with giving the FCA discretion on additional requirements for qualifying cash facilities?

9.1 We agree that the FCA should be given a degree of discretion on additional requirements for qualifying cash facilities. This is necessary to support the legislative approach and allow for effective regulation. However, any such additional requirements should have a clear framework and be agreed via robust and informed consultation with the industry.

9.2 The framework should be based on analysis and focus on principles rather than rules to ensure requirements meet customers' needs.

9.3 The four elements set out in the consultation (appropriateness for vulnerable users, including cost; security; hours of availability; and accessibility) are, in our view, the right pillars for assessing reasonable access; but clear guidance and standards / criteria will be needed from the FCA, with in-built and clear parameters allowing for local flexibility, to ensure a community need is met and to provide the industry with certainty that the solution(s) selected for a cold spot will satisfy the regulatory requirement.

9.4 We believe that the scope of the services to fulfil the requirement must be clearly set out to ensure the needs are met of customers such as those who are vulnerable, without extending the requirements in a way that extends to broader access to banking, which is beyond the scope of the planned legislation.

9.5 We believe that requirements should be channel agnostic for both access to cash and deposits. We must take the learnings from the Community Access to Cash Pilots where solutions such as shared Bank Hubs and deposit solutions alongside ATMs, cashback without purchase and other solutions are being trialled along with the accompanying economic analyses to enable us to understand which solutions are right for different locations with different needs.

9.6 A service expectation for coin versus notes may be required. In our view, the FCA guidance should anticipate lower service expectations for coin service than for notes, given the considerably higher cost and lower value of coin service.

10 Are there any other factors, beyond those listed, that the FCA should consider as part of evaluating qualifying cash facilities?

10.1 The definition of reasonable access should be clarified with Industry.

10.2 Solutions that are not available 24/7 should also be considered as they can still meet consumer needs.

10.3 Consideration should be given as to whether the cash access points are free to use or pay to use.

10.4 We agree that we need to understand the scope of the FCA's expectations, for example whilst opening hours may be an objective and fair factor, prescribing rules around opening hours is not – flexibility is key.

10.5 We are clear that legislation should not be retrospective, and this is a matter of general principle.

10.6 Guidance is also needed on the FCA's expectations regarding deposit limits for SMEs. For example, certain customers do have larger depositing requirements which extend beyond the Post Office limit and which our members may charge for to cover costs. This is required to ensure Industry and customers are clear on the expectations around this in a way that means the high-value deposits continue to be driven to solutions where additional appropriate controls for AML are in place. This should be factored into the requirements and possibly split into personal and SME customers.

10.7 Other factors that should be considered are opening hours, accessibility, disability access, levels of usage and whether certain facilities are a "want" or a need.

10.8 We believe that FCA evaluation should not just be based at a single point in time, and that access/cold spots will be dynamic. Reviews should therefore be regular and at least annual.

11 If geographic requirements are being met at a national level, do you think there are any circumstances in which the FCA should nevertheless be able to intervene at a local level?

11.1 We believe that there should be principle-based requirements at national level but allowing for local level interventions based on need not preference. Any approach, however, should consider that people can and do access cash both where they spend and live, and continue to consider minimum levels of demand. It should also be based on minimum population size criteria.

11.2 Using geographic modelling it should be possible to create scenario plans that cover both national and local needs.

11.3 FCA regulation would need to set out clear criteria where local level requirements could be required to diverge to justify any local intervention on their part. We strongly believe that a central co-ordinating body would be best placed to assess and respond to local needs rather than this being left to the regulator.

12 Do you have any other views regarding the future role of the regulators in protecting cash?

12.1 A central co-ordinating body will allow for innovations that benefit from economies of scale and provide an optimal outcome for consumers. The central body will also leverage existing supervisory relationships between the FCA and designated firms.

12.2 There is a need to change perceptions on the access which is available which is strong, as evidenced by recent research. There is scope to improve awareness raising and education of proximity of free cash access sources for example through the LINK website, promoting the Post Office counter services and branch finder tools.

12.3 We agree that digital channels are not for everyone and some customers will be reliant on cash for the foreseeable future. However, Industry and FCA need to focus on the need to educate customers about alternative options to cash.

12.4 Regulation needs to recognise the importance of enabling new solutions and innovation in the approach to protecting access to cash.

12.5 FCA should support the ongoing conduct risks that currently exist and ones that will come to light for example the misuse of cashback without purchase. For example, where transaction types are substituted to game the system (e.g., cashback (which attracts a fee) is used by a merchant instead of a standard purchase transaction).

12.6 UK Finance and its members do not believe that FCA should have the power to block branch closures or mandate changes to branch opening hours as these are carefully considered commercial decisions taken in line with the Access to Banking Standard and FCA guidance on branch and ATM closures. FCA action to force a bank to retain a branch risks the retention of uneconomic infrastructure at the expense of more efficient and effective alternative solutions. Such action could also drive competitive distortions in the market by disproportionately impacting one institution relative to its market peers.

12.7 The FCA's publication of guidance on branch and ATM closures or conversions (FG20/3) in September 2020 has prompted the question as to whether the Access to Banking Standard is still required given the significant overlap of scope between the Standard and FCA Guidance.

12.8 We see a case for the specific detail of the commitments currently enshrined in the Standard as falling under the FCA's accountability, given the duplication with the FCA Guidance and the FCA's potential future role in regulating Access to Cash. This would make it easier to align all the requirements.

12.9 The LSB and the FCA have worked together to ensure there are no inconsistencies between the Standard and FCA Guidance, and there is a significant level of duplication experienced by the twelve signatory firms when adhering to the Standard and the FCA Guidance simultaneously. This suggests that there would be merit in discontinuing the Standard so long as customer protections can be maintained or enhanced.

12.10 UK Finance believes the optimal outcome is best achieved by FCA Guidance superseding the Standard with FCA Guidance being amended to capture any significant elements on the Standard not currently within scope. This would ensure all firms are subject to a single set of obligations in relation to branch closures whilst ensuring the customer protections provided under the Standard are maintained once it has been discontinued.

If you have any questions relating to this response, please contact Peter Tyler at
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