



# **The Money Charity Response – HMT Access to Cash Consultation (September 2021)**

The Money Charity is a Financial Capability charity whose vision is to empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.<sup>1</sup>

We welcome the opportunity to respond to HMT's Access to Cash Consultation dated July 2021.

In this response, we set out our Key Points, make some overall comments on the issue then answer the questions posed in the Consultation Paper.

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<sup>1</sup> See box on back page.

## Key Points

1. We agree with the proposal to create regulatory powers to set geographic access-to-cash requirements for individual firms to meet.
2. The Consultation Paper is not clear how these geographic requirements will work, and we look forward to greater clarity on this point.
3. We think that the legislation should mention factors such as deprivation, vulnerability, diversity and local service levels, to give legislative basis for the regulator taking such matters into account in specifying cash-access requirements.
4. Purely maintaining current coverage may not go far enough. Once the legislation is passed, we think there should be an audit of coverage, making sure that any areas that are clearly deprived of cash-access are brought up to a suitable minimum standard.
5. We agree that regulation should be tailored to the specific banking profile of Northern Ireland, which is different from Great Britain. Government and FCA should consult with NI consumer organisations on whether NI coverage should be brought up to the GB level.
6. We agree with regulation targeting the largest payment account providers, subject to the wording being flexible enough to extend to new potential big players in the future, such as Big Tech.
7. We agree with FCA being the regulator.
8. Cash access should be evaluated at the local level (not just by the national average) to make sure that as many communities as possible meet the minimum access-to-cash standard. See our answer to Question 11.

## Overall Comments

### Continuing demand for cash

We welcome this consultation and the proposals it contains for creating a legislative basis for continued access to cash in the UK. As a Financial Wellbeing and Financial Education charity, we observe that there is an ongoing demand for cash among the UK population, despite the rise of digital payments (which we support). For example, there has been a notable recovery in cash demand as we come out of the pandemic. According to statistics published by LINK, demand for cash from ATMs dropped to a low of £4.4 billion in April 2020 but has since recovered to around £7 billion per month.<sup>2</sup> This has occurred even

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<sup>2</sup> <https://www.link.co.uk/about/statistics-and-trends/>

though there has been a push for card or phone app payments for health reasons and further roll-out of simple terminals for card and phone app payments. This recovery in cash demand is an example of the public “voting with its feet” for the continuation of a cash payments infrastructure.

The reasons for the persistence of cash use are many and include the fact that cash has symbolic as well as practical value. For example, the publicity around the release of the new Alan Turing £50 note, which as well as raising the profile of LGBTQ+ people was a form of national apology for what happened to Alan Turing. The Money Charity uses cash and cash concepts in our Financial Education workshops to assist the picturing of budget choices, including laminated versions of £20 notes. A considerable number of people run their financial affairs on a cash-only or cash-mainly basis (around five million according to the FCA), including budgeting in cash. For some this is a positive money management strategy, for others an aspect of financial exclusion. Cash is anonymous, which is important in certain situations such as domestic abuse, and it has back-up value in case non-cash systems of payment are disrupted. Because there are so many aspects to the demand for cash, we agree with the Consultation Paper that demand for cash is likely to persist for the foreseeable future.

### **Firm-level responsibility**

We welcome the HMT proposal to place specific geographic cash-access requirements on designated firms. This recognises the concentrated nature of retail banking and ATM provision in the UK. The Consultation Paper does not describe how these requirements will be framed, so we are not clear how the question of which firm provides coverage for which neighbourhood will be settled. However, placing geographic requirements on specific firms may be the trigger needed for these firms to collaborate on coverage, which has been one of the missing pieces of the jigsaw up to now.

### **The need for more industry collaboration in provision of cash and banking services**

In our November 2020 response to HMT’s 2020 consultation on access to cash we made a point we would like to repeat here, which is that the industry has been slow to develop collaborative solutions such as banking hubs (branches serviced by all banks) which could prevent communities finding that all the branches and ATMs in their area have closed.

At present, there is a pattern of over-provision and under-provision. Some areas have lost all their bank branches and the distance to the nearest free ATM has increased, while others (such as in Clapham near our head office) have plenty of choice, with branches and ATMs provided by several of the main banks.

## **Effective minimum standards**

One potential issue is the Consultation Paper's emphasis on retaining existing provision rather than increasing provision in particular underserved localities. Existing provision continues to decline while policy is formulated and legislation passed, so it will be necessary to revisit this once the legislation comes into effect. On equity grounds, there should not be areas of the country where access has disappeared, or the only ATMs are paid-for ones, especially as it is the more far-flung and deprived areas that tend to be affected.

The government has committed to a "levelling up" agenda, which means bringing those at the bottom up to the average, or to another designated level which is higher than where they were before.

## **Answers to consultation questions**

**Question 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?**

Yes, we agree this is needed to overcome access deserts created when firms acting individually create unintended collective results, such as particular localities losing all their bank branches and free ATMs.

We are not clear from the Consultation Paper how this will work in practice. Whether, for example, the Regulator will look at the UK map and assign geographic locations to individual firms or set minimum access requirements for particular localities then require the designated firms to design a collective solution.

Setting geographic requirements should have the effect of speeding up the industry's adoption of innovative collective solutions, such as banking hubs, which local communities have been proposing for many years. Using new Internet and mobile technology, it should be possible to provide nearly everyone in the country with face-to-face banking and cash access, either at home, in Post Offices, other retail premises or in joint facilities such as banking hubs.

**Question 2: Do you agree that legislative geographic requirements should target maximum simplicity?**

According to paragraph 2.10 in the Consultation Paper, "simplicity" in this context means setting requirements for reasonable access to withdrawal and deposit facilities, without mentioning other factors such as deprivation, vulnerability and local service levels. In our view, the legislation *should* mention deprivation, vulnerability, diversity and service levels

as factors to be included in the assessment of “reasonable access”. This will give a legislative basis for regulatory oversight and industry action.

**Question 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?**

Not necessarily. Access is dynamic and has continued to fall while policy and legislation has been under consideration over the last two years. On equity grounds, we think there should be an overall geographic audit once the legislation comes into effect and, if it appears that certain communities are significantly missing out on cash access (and other aspects of banking), this should be addressed by the regulator and the industry. It is particularly important to ensure free access to cash. We do not want to see a situation in which certain communities that are far-flung or have smaller socio-economic resources are faced with the very high percentage fees that apply to paid-for cash withdrawals.

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

Yes. The banking scene is different in Northern Ireland from that in GB and the requirements should reflect this. We do not support the requirements for GB being reduced to the NI level. We suggest that HMT and the regulator consult with people in Northern Ireland over whether NI provision should be brought up to the GB level. There are strong consumer organisations in NI that would have a clear view of the access needs of the NI population.

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

Not necessarily. In our view, the standard should be appropriate to the circumstances. We encourage HMT and FCA to consult with the people of Northern Ireland over the appropriate level for that territory.

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

We agree, but subject to the qualification that the legislation should be framed in a way that allows fair cost-sharing going into the future. In retail, as HMT is aware, an anomaly has arisen in which Amazon and other digital retailers, operating with lower rents and business rates, compete with high street retailers who pay higher rents and business rates, which introduces a competitive distortion. In the future, Big Tech may play an

increasing role in payments,<sup>3</sup> in which case we think they should pay a fair contribution towards maintaining the cash distribution network as a social service.

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

We agree with the flexibility indicated in paragraph 3.4 of the Consultation Paper, which suggests that “firm designation should be kept under review and subject to change in event of shifts in the market structure for payment accounts.”

As indicated in our answer to question 6, we think it is important that the wording is broad enough to cover the emergence of new players, such as Big Tech, which may build significant or dominant positions in the future.

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

Yes.

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

Yes, we agree with giving the FCA the power to apply additional requirements such as in relation to vulnerability, diversity, “cold spots” and other local factors that may be relevant. To give this force, we think the primary legislation should mention these factors, to underline the social equity objective. It should be remembered that this legislation is being introduced against the background of the government’s “levelling up” agenda, which means lifting those at the bottom to a higher level than they are at currently. From the way the government has spoken about its levelling up agenda, we think it intends both social and geographic dimensions.

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

Looking at paragraph 4.8 in the Consultation Paper, which mentions vulnerability, cost, security, hours of availability and accessibility, we think that diversity should be added to the list. This is because different parts of the UK have different ethnic profiles and unintended bias against communities with large ethnic minority populations should be avoided. Regarding “cost” it should be made clear that the focus is on *free* access to cash.

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<sup>3</sup> In China, for example, most people now use digital payments in phone apps such as Alipay and Wechat Pay. This works by the payer or payee scanning a QR code, which triggers the payment. The simplest version is where the customer displays their QR code on their phone and the service provider scans the QR code and triggers the payment: <https://daxueconsulting.com/payment-methods-in-china/> Unlike the UK, these payments do not use card schemes but are direct account to account payments.

The percentage fees for paid-for cash withdrawals are very high and likely to be regressive in impact in most communities, so the analysis and provision needs to focus on channels of free access to cash, whether at banks, ATMs, Post Offices, banking hubs or retail settings.

**Question 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?**

The cash access policy needs to work at the local level in our view. It is about how to prevent specific villages, small towns, suburbs and localities from losing their access to cash, so the main indicators of success need to be local, rather than meeting a national average. As HMT is aware, many misdeeds can be hidden in an average. In this context, we are concerned about the finding reported in paragraph 1.4 of the Consultation Paper that “90% of neighbourhoods are within one kilometre of a free cash access point.” This means that 10% of neighbourhoods lie beyond the one-kilometre distance, which is quite a high number.

According to the University of Bristol report footnoted by paragraph 1.4, there are 232,296 neighbourhoods across the UK.<sup>4</sup> These are the GB “output areas” and NI “small areas” from the census. If 10% are beyond the one-kilometre measure, this means 23,297 neighbourhoods, which is a large number of people.

A second issue is that the University of Bristol study uses a straight-line measure of distance, which is a common feature of geographic mapping tools. However, on the ground, these straight lines often cross rivers, estuaries, motorways and other blocking geographic features, so the distance by car or bus is often much further. This has also been a problem encountered by UK banks in publishing their impact reports on branch closures. The writer of this response saw an impact report directing customers in Somerset to their “nearest alternative branch” which was in South Wales across the Bristol Channel and would have entailed a lengthy journey via the M4 bridge to reach.

Distance by itself is a blunt tool. It is important to look at the specifics of localities, such as “is there a bus service?”, “how regular is the service?”, “is there adequate provision for disabled passengers?” and so on. It is often the specifics that determine whether a particular cash access point is accessible or not.

For the cash access policy to work, it needs to be implemented carefully at the local level, minimising the number of communities facing long journeys to access cash. We believe

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<sup>4</sup> University of Bristol 2020, *Where to withdraw? Mapping access to cash across the UK*, page 12.

that with new technology and continued innovation, it should be possible for nearly everyone in the country to have convenient access to cash.

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

No. We are keen to see these protections introduced as soon as possible.

The Money Charity is the UK's Financial Capability charity providing education, information, advice and guidance to all.

We believe that everyone achieves Financial Wellbeing by managing money well. We empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.

We do this by developing and delivering products and services which provide education, information and advice on money matters for those in the workplace, in our communities, and in education, as well as through influencing and supporting others to promote Financial Capability and Financial Wellbeing through consultancy, policy, research and media work.

We have a 'can-do' attitude, finding solutions to meet the needs of our clients, partners, funders and stakeholders.

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