



## *The Money Charity Response - PSR Review of Specific Direction 8 (LINK - Access to Cash) (October 2019)*

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.<sup>1</sup>

We welcome the opportunity to respond to the Payment Systems Authority's review of Specific Direction 8 on LINK's role in maintaining universal access to cash in the UK.

In this response, we set out our Key Points then make our comments on the review.

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

## Key Points

1. The emerging crisis in access to cash requires a coherent UK-wide response, which Government has the responsibility to lead.
2. PSR and LINK should not simply amend SD8 and the LINK Policy on Protected ATMs to adapt to Barclays decision to exclude its customers from access to cash at Post Offices but should ensure that ATM access is maintained for all communities around the UK.
3. Recent research reports by Britain Thinks and gohenry show an ongoing demand from the public of all ages for access to cash.
4. Banks and other firms involved in payments should be required by Government to co-operate to provide essential banking services and access to cash in areas at risk of losing these services as a result of decisions taken by firms acting individually.

## Comments on review

The decision by Barclays Bank not to provide facilities for its clients to access cash via Post Offices illustrates the challenge that arises from having an essential service provided by competing companies, none of which has a universal service obligation.

The result is both under-provision and over-provision. City centres tend to be over-provided while, without intervention, large tracts of suburbia, small towns and rural areas would be left without any bank branches or ATMs at all.

The Head Office of The Money Charity is located near Clapham High Street in South London. In the short distance between our office and Clapham Common underground station, there are nine free-to-use cash machines, four bank branches and a main Post Office. On the other hand, PSR and LINK will be aware of cases such as Lossiemouth in Scotland, which lost all its bank branches then ran out of cash on the first weekend after the last branch closed.<sup>2</sup> Some form of the Lossiemouth experience is being repeated in numerous small towns, villages and suburbs around the country.

As we interpret it, Barclays' decision creates a significant challenge for LINK and PSR in implementing SD8,<sup>3</sup> in that the 'protected ATM' formula allows suitable post offices to be used to provide an alternative means of accessing cash when a nearby ATM is slated for closure. Barclays has, in effect, removed the post office network from the LINK formula

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<sup>2</sup> House of Commons Scottish Affairs Committee, Access to Cash in Scotland, Tenth Report of Session 2017-19, 23 July 2019, page 16.

<sup>3</sup> In particular, paragraph 4.1 of LINK Policy on Protected ATMs.

as far as Barclays customers are concerned, requiring LINK to maintain a larger network than it would otherwise have to maintain. This is good for ATM coverage, but presumably will not be welcomed by LINK and other banks because of the unexpected costs.

We urge PSR and LINK not simply to amend the Protected ATM policy to exclude Barclays customers, but to press Government, via the Joint Authorities Cash Strategy Group (JACS) to urgently set a national policy for cash access, requiring banks, ATM operators, the Post Office and other payments infrastructure companies to co-operate to achieve universal access to banking and payments services.

We agree with the House of Commons Scottish Affairs Committee that:

“There is a need for an overarching strategy to guarantee consumers access to cash.”<sup>4</sup>

In reviewing SD8 and the LINK Policy on Protected ATMs, PSR and LINK should take full account of the finding in Britain Thinks’ recent research for the PSR that UK consumers prefer ATMs as a means of accessing cash. In our response to this research,<sup>5</sup> we suggested a number of possible reasons for this, including convenience, the specialised nature of ATMs, the fact that they are part of a comprehensive network, are available after-hours and have become culturally normalised in the UK to the extent that there is a large seam of online ATM humour. ATMs provide a high street focus and play an important role in maintaining the viability of local businesses.

In our response, we also drew attention to the cash needs of the thirteen million children and young people under 18 years of age, who were not represented in the Britain Thinks survey. Recently the young people’s bank card provider gohenry published research on the spending habits of its customers, many of whom are Generation Z, the most digital generation yet to live.<sup>6</sup> As to be expected of the gohenry customer group, they are strongly oriented toward card and online payments. But what is interesting is that even this group has a significant cash demand: gohenry found that children with gohenry cards withdraw 14% of their money from ATMs. Furthermore, “ATM usage increases steadily with age, suggesting that older teenagers see more value in carrying cash.”<sup>7</sup>

Declining ATM numbers are associated with bank branch closures. When the public respond to this, they frequently suggest that banks should combine to create “hub branches” (“shared” or “vanilla” branches). These are community banking locations that, like ATMs, serve customers of all banks. The hub branch appears to most consumers as the logical alternative to losing all branches in a town. The House of Commons Scottish

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<sup>4</sup> Ibid, page 6.

<sup>5</sup> <https://themoneycharity.org.uk/work/policy/consultation-responses/>. See: September 2019.

<sup>6</sup> gohenry 2019, The Youth Economy Report – How Gen-Z earn, spend and save.

<sup>7</sup> Ibid, page 27.

Affairs Committee drew attention to this call in its 2019 report on Access to Cash in Scotland, saying that it had been suggested by, among others, Citizens Advice Scotland and Highlands and Islands Enterprise.<sup>8</sup>

Establishing hub branches requires co-operation by all the main banks, something that so far they have been reluctant to do – but this underlines our point that when an essential service is provided by competing private sector companies, none of which has a universal service obligation, there will be communities left without coverage. This is the market failure that the PSR, other regulators and government need to address.

The critical need at this juncture is for Government, via JACS, to set out and implement an effective UK policy for maintaining cash provision. Individual banks, payments companies and infrastructure firms should be required by law to participate in the solution. It should be remembered that UK banks benefit hugely from the “lender of last resort” function that Government (ie the taxpayer) provides via the Bank of England. Without Government backing, banks would have to maintain much larger liquid reserves than they currently do, reducing their opportunity for profitable lending.<sup>9</sup> Being prepared to maintain essential banking and cash access services is part of the quid pro quo.

We therefore encourage PSR not simply to amend SD8 to adapt to Barclays’ decision, but to take steps with other regulators and Government to arrive at a UK-wide solution that continues to ensure cash access for the customers of all banks in all parts of the country.

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<sup>8</sup> House of Commons Scottish Affairs Committee, Access to Cash in Scotland, Tenth Report of Session 2017-19, 23 July 2019, page 18.

<sup>9</sup> Research and experience suggest that even this would be insufficient to avoid insolvency in circumstances of financial crisis and that central bank backing is essential for the stability of the financial system. See for example: <https://www.aier.org/article/when-did-the-bank-of-england-become-a-lender-of-last-resort/>

**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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