

FCA Consultation Paper CP23/29: Access to Cash

Positive Money welcomes the opportunity to the FCA's consultation on Access to Cash.

We are a not-for-profit research and campaigning organisation, working towards reform of the money and banking system to support a fair, democratic and sustainable economy. We are funded by trusts, foundations and small donations.

If you would like to discuss any aspects of this response please contact Ellie McLaughlin, Senior Policy and Advocacy Officer: ellie.mclaughlin@positivemoney.org.uk.

Our submission makes the following points:

1. The proposals fail to address the underlying cause of declining access to cash, which is structural deficiencies in the LINK ATM scheme. The FCA should work with the PSR to ensure a sustainable funding mechanism is in place.
2. The understanding of "reasonable provision" ought to be strengthened to better reflect the needs of more vulnerable communities who may require greater than average cash access.
3. A proactive assessment of cash access, rather than requiring customers to raise access requests, would better ensure sufficient cash access provision. This would ideally be carried out by an independent body but at a minimum, designated providers should be required to proactively consult customers to understand communities needs.
4. Cashback (including without purchase) is not a substitute for a free-to-access ATM.

General comments

1. Positive Money welcomes the FCA being given powers to protect access to cash. However, the FCA's proposals do not address the underlying drivers of declining cash access, which stem from structural shortcomings of the LINK scheme.
2. The rapid disintegration of the UK's free-to-use ATM network has been driven by reductions in the interchange fee, which is paid by banks and card issuers to fund the provision of free-to-use cash machines. This fee is set by LINK, which confirmed plans to cut the amount paid by banks and card issuers in January 2018. At the time, the ATM industry warned that this could lead to the closure of up to 10,000 free-to-use cash machines.¹ This was surpassed, and over 15,000 have now disappeared since 2018.² The interchange fee required to fund Britain's free-to-use ATM network, which previously was independently calculated by KPMG, was reduced in 2018 to fall below what is needed to provide ubiquitous access to cash across the UK. Since cuts were introduced in 2018, the withdrawal fee has remained the same, resulting in a 10% real-terms reduction.³ LINK relies on the voluntary membership of banks and card companies, which have an interest in cutting the cost of their contribution to maintaining Britain's

¹ The Guardian (2017). "Plan to shut free-to-use cash machines could lead to 'ATM deserts' in UK." <https://www.theguardian.com/money/2017/nov/01/free-to-use-link-cash-machines-atm-deserts-uk>

² LINK (2024). Statistics and trends. <https://www.link.co.uk/about/statistics-and-trends/>

³ Access to Cash Tracker (2023).

<https://www.acs.org.uk/news/over-15000-free-use-atms-lost-2018#:~:text=ACS'%20Access%20to%20Cash%20Tracker,for%20every%20one%20ATM%20in>

free-to-use ATM network, as well as an interest in the decline of cash itself.⁴ As a result, it appears that LINK's decision to ignore the independent cost study and instead reduce the interchange fee was motivated by a need to prevent its members withdrawing from the LINK scheme and joining alternative schemes, such as those operated by Visa and Mastercard, which offered interchange fees reportedly 30% lower.⁵

3. In light of the above, the best way to support an appropriate level of access to cash is for the FCA to work with the Payment Systems Regulator to introduce a sustainable funding model for the UK's free-to-use ATM scheme. This could entail ensuring banks' are unable to withdraw from schemes such as the LINK ATM scheme and the Post Office Banking Framework. The LINK interchange fee could also be decided by an independently calculated model that incentivises widespread geographic access and accounts for the regional and demographic variances in cash reliance. Bringing other major ATM schemes under these requirements would ensure a level playing field amongst providers and remove the incentive for a 'race to the bottom' in interchange fees.
4. A more granular and strengthened approach to what the FCA considers "reasonable provision" is required to ensure access to cash for all. Whilst HMT have proposed that the current distribution of cash access services is broadly acceptable, and the FCA must have regard to this, HMT also outline that consideration should be taken to the degree to which services meet local needs in relation to both business and personal use, and in our view the proposals do not go far enough in this regard.
5. The Government's assessment that current distribution is reasonable, based on the statistics that the vast majority of people in predominantly urban areas have access to cash deposit and cash withdrawal services within 1 mile of where they live, and those in rural areas have access within 3 miles of where they live, fails to capture the small but significant portion of the population that currently have difficulty accessing cash, and those who require greater than average access to cash. "Reasonable provision" ought also to include access that is free of charge not only for consumers with personal current accounts, but for all customers including businesses, as many small businesses also rely on cash.
6. Acceptance of cash is equally important as access to cash. Whilst we recognise that ensuring cash acceptance is not within the current powers awarded to the FCA under the FSMA (2023), we would support the government bringing forward legislation to ensure that people have a legal right to pay for goods and services with cash, similar to that recently introduced in Ireland.⁶

Response to consultation questions

Q2: Do you agree that our proposals will enhance communities' ability to proactively address cash access concerns in their areas?

⁴ Positive Money (2018). The Future of Cash.

<https://positivemoney.org/wp-content/uploads/2018/03/Positive-Money-Future-of-Cash.pdf>

⁵ The LINK board announces changes to operation of its ATM network (31 January 2018).

<https://www.link.co.uk/media/1355/h-documents-uploads-Link-interchange-consultation-announcement-31-january-2018.pdf>

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<https://www.telegraph.co.uk/money/banking/ireland-force-businesses-accept-cash/#:~:text=Irish%20businesses%20will%20be%20forced.by%20the%20cabinet%20on%20Tuesday.>

- Whilst we agree that local communities are best placed to determine their cash access needs, a more proactive approach, led by an independent body, is needed given the rapid rate at which cash access is declining, which the roll-out of new services such as Banking Hubs is not keeping pace with.⁷
- Assessments ideally ought to be carried out by an independent body such as the FCA, given that Banks have an incentive to close services to reduce costs. A proactive assessment of cash access, alongside an enhanced baseline expectation of “reasonable access”, developed for instance through proactive assessments of cash access working closely with local communities, would be more beneficial, alongside the FCA being given powers to prevent branch closures where it deems it necessary. At a minimum, banks should be required to proactively consult customers about service needs in their local community.

Q6: Do you agree with the approach of establishing a local area by reference to the addresses of those who could be affected by a deficiency? Are there any other factors designated entities should be required to take into account when establishing the local area to be used in assessments?

- The local demographics and needs of the community ought to be considered in the initial step of an assessment (step 1), rather than step 2, this has important implications for what is considered the local area/a reasonable distance to travel to access cash. For instance, for those less able bodied without access to transport, the maximum appropriate distance to a cash access point is likely to be significantly less than HMT and FCA's assessment of 1 mile for urban areas and 3 miles for rural areas. Giving banks' the discretion to define their own local area does not guarantee that they will sufficiently take into account the communities' needs, given their conflicting incentive to close access points and reduce costs.

Q7: Are there any additional factors that should be considered by designated entities in the Step 1 assessment process? Please detail what and why they are important to understanding if a local cash access deficiency exists?

- The first step of an assessment should not just consider time/cost of travel to cash access facilities, but the needs of the entire community in question including the most vulnerable members of that community, which under the current proposal, providers are not required to consider until the second stage. As it stands, it appears that entities could carry out a step 1 assessment and deem there to be no deficiency in cash access, based entirely on geographic distance and without considering vulnerable customers who may fall within the determined radius, but who require greater than average access.

Q9 - 17 not answered.

Q18: Do you agree with our approach to cashback without a purchase and if not, why?

- We disagree that cashback without a purchase could be considered as a solution to withdrawal of cash access service, even where firms can show ‘consistency of service’.

⁷ <https://www.bbc.co.uk/news/uk-england-devon-68122746>

Cashback must be considered complementary to, rather than a replacement for any withdrawal of cash access service. ATM withdrawals are by far the most popular means of accessing cash in the UK, and cashback cannot replace the array of other financial services offered in conjunction with cash access by a bank branch.⁸

- We are particularly concerned that allowing no-purchase cashback as a replacement for removal of access points such as ATMs and bank branches would risk placing unfair costs and pressures on SMEs, which may then also be transferred onto the communities they serve.

Q19: Do you consider these timescales to be reasonable? If not, what do you consider to be reasonable?

- For all closures, an additional service should be required to be in place before the closure takes place to ensure that there is no period of reduction in access.

Q23: Do you agree with our approach to designated entities raising awareness of the cash access request scheme?;

Q24: Do you agree with our proposals for publishing information about the outcomes of cash access assessments? If you believe there is further information that designated entities should provide, please give details., and

Q25: Do you agree with our proposals for publishing information about additional cash access facilities? If you believe there is further information that designated entities should provide, please give details.

- As outlined above, a more proactive approach towards assessing cash access needs would be a more effective approach to ensuring sufficient cash access, versus the proposals made which place the onus on communities and may miss the most vulnerable, particularly the digitally excluded who may encounter more difficulties in raising a cash access request independently, or in contacting their local representatives to request that they raise one on their behalf.

Q20 - 33 not answered.

⁸ <https://www.bankofengland.co.uk/quarterly-bulletin/2020/2020-q4/cash-in-the-time-of-covid>