

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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By email: cp23-29@fca.org.uk

Dear Sir / Madam,

Financial Services Consumer Panel response to CP23/29 Access to Cash

We welcome the timely opportunity to provide feedback on this consultation paper. The Panel has always maintained that access to cash should be preserved for all those that need or want it. However, this has become increasingly important in the last year or two, particularly for consumers in vulnerable circumstances. Recent studies show that cash usage is increasing for the first time in a decade¹, highlighting the continued reliance on, and importance of, cash to help people budget their finances in response to cost-of-living pressures. We appreciate the FCA's recognition of this situation.

To make the best use of the Panel's limited resources, we respond to the Consultation paper on key consumer points, which are outlined below, rather than responding to each of the questions posed:

1. Panel priorities and scope

While we recognise that the Consultation Paper focuses specifically on access to cash (as defined by the scope of the Financial Services and Markets Act 2023) the Panel maintains that all consumers and SMEs should be able to access fair value, essential banking services to support their everyday lives, using the method that best suits their needs and preferences. This includes those who, by necessity or choice, rely on cash and/or face-to-face contact with their banking provider.

¹ See studies by the [British Retail Consortium](#) (December 2023) and [UK Finance](#) (September 2023)

We define essential banking services as the right to deposit, store, transfer and withdraw money, as well as to make payments. For the many consumers that rely on or choose face-to-face services, access to cash and banking services are intrinsically linked. As such, we urge the FCA to take a holistic approach wherever possible and to ensure that the development, implementation and supervision of new rules regarding access to cash work effectively alongside the [FCA's guidance on Branch and ATM closures](#) and the outcomes expected under the Consumer Duty (particularly the Consumer Support Outcome) to deliver good outcomes for all members of local communities.

If access to essential banking services, including cash, becomes too geographically inconsistent there is a risk of an undesirable degree of fragmentation of the overall Payment System. A fundamental principle of the current Payment System in the UK is that a single unit of account can be trusted, accessible and exchangeable throughout the economy. When this principle is undermined, there is a greater rate of exclusion (financial and otherwise), higher costs, new unwanted risks, a loss of competition, huge economic inefficiencies and, ultimately, economic and societal instability. A key aim of the proposals in this Consultation should be to prevent these undesirable consequences of further fragmentation².

2. Importance of SMEs in keeping the cycle of cash flowing

The Panel represents the interests of both consumers and SMEs in financial services and our ambition is to ensure that the cycle of cash continues to flow for as long as consumers rely on it – this includes retaining free access to cash withdrawal and deposit facilities for both consumers and SMEs.

Parliament has tasked the FCA with “*seeking to ensure reasonable provision*’ of cash deposit and withdrawal services for personal and business current accounts across the UK”³. However, we note that parts of the consultation seem to focus more on personal customers and would like to reiterate that the FCA must consider the specific needs of business customers at all stages of decision-making - for example community assessments of ‘last branch in town’ for deposit services - as this is essential to keep the cycle of cash flowing for all.

3. Triggers

The Panel welcomes the proposals in **4.8-4.11** to extend the criteria for cash access assessments to include material changes to, or closure of, any cash facility, including a reduction in opening hours, closure of ATMs as well as any facility operated by a non-designated firm. Many

² For further comment on fragmentation, see our [response to the Bank of England and HM Treasury on a digital pound](#).

³ <https://www.fca.org.uk/publications/consultation-papers/cp23-29-access-cash>

consumers are reliant on Post Offices so this is important. We also support the proposal for designated entities to be proactive about identifying the need for assessments, in the absence of specific triggers, and for the FCA itself to be able to request an assessment.

However, we still have concerns about the impact of community cash access requests. Although the criteria seem sensible, we believe that consumer awareness and understanding of this process is extremely low, especially in communities where cash access is most needed. While individuals may feel strongly about an ATM or branch closure, they are highly unlikely to make cash access requests or know how to register objections. (as we understand, to date most requests have come from local MPs rather than directly from consumers or businesses) We are also concerned about how effective cash access requests can be, given that:

- Many come at a late stage, once problems have materialised e.g. there is only one branch/ATM left or that is scheduled to close.
- Solutions take a long time to implement, which can leave significant gaps in local provision.
- The FCA has said that it will not intervene in decisions about the closures of individual branches/ATMs as this is “a commercial decision for firms to make”⁴.

We urge the FCA to make clear to firms its expectations that the effectiveness of cash access requests be improved by ensuring that all members of a local community (not just customers of a branch) are:

- Made aware of their right to submit requests;
- Are notified of potential closures;
- Given enough time to consider impacts and submit requests, before assessments and actions are carried out.

The Consultation sets out, at paras **4.23-4.26**, the limited circumstances in which a designated entity can decide that a cash access request is not sufficient to trigger an assessment. It is unclear whether the FCA will have oversight of these decisions to ensure that they are fair and reasonable and that cash access assessments are not refused for reasons other than those set out. We feel strongly that, to ensure that consumers and local communities are protected, the FCA should monitor decisions made by designated entities and should be able to overrule any found to be unfair or outside of the set criteria.

4. Cash access assessments

The Panel supports a comprehensive three-step approach to assessment but would like to provide specific feedback on the following points.

⁴ <https://www.fca.org.uk/publication/consultation/cp23-29.pdf> para 5.29

a) Last branch in town

The Panel believes that that a proactive and holistic approach to assessments and decision-making is needed to avoid delays and gaps in access and availability. A clear definition of “last branch in town” is also needed to ensure that decision-making on this aspect is consistent. We agree with the Community Cash Advisory Panel that the current definition is not fit for purpose⁵.

We agree that the last branch in town is often unable to meet the banking needs of all personal and business customers in a local area, and that expecting consumers to switch to the last remaining bank to ensure access to counter and deposit services is not realistic. Consumers do not perceive switching as easy.

We also share concerns detailed in **5.33 and 5.34** that waiting until the last branch is due to close before exploring solutions, does not deliver ‘reasonable provision’ for consumers or SMEs. While we support the FCA’s proposal for a more detailed Step 2 assessment, we believe that more can be done. To deliver good outcomes for local communities, a more proactive approach is needed to take decisions earlier, before a ‘last branch in town’ situation is reached. The current approach means that important decisions that affect consumers are being made too late to make a meaningful difference to communities.

There are currently incentives for banks and building societies to (a) hollow out branch services (e.g. withdrawing services to charities, trusts and businesses, as well as narrowing the offering to retail consumers) and (b) avoid being the last branch in town. This creates a spiral in which the last bank for cash services might well not provide a broad suite of services to the community. Steps must be taken to ensure that banks are not competing to evade the responsibilities of being the last branch in town.

Since, as the Community Cash Advisory Panel points out, the “last branch” test comes too late to avoid any gaps in reasonable provision, the Panel feels strongly that decisions/assessments should be moved upstream of that point. We would like to see greater collaboration between local banks and building societies at an earlier stage – to identify emerging gaps in particular services and/or for particular types of customer, and for firms to decide together on how best to meet the needs of the community and avoid consumer harm. The FCA could work proactively with local firms to encourage them to consult with one another and ask them to provide data about numbers of customers within a community to inform decisions at an earlier stage. This would also avoid

⁵ <https://www.link.co.uk/media/mqsop2o4/community-cash-advisory-panel-2nd-opinion-october-2023.pdf>

the situation where replacement services and needs are benchmarked at too low a level because they are compared only with the previous branch arrangements for that community, which may well be insufficient.

b) Impact assessments

We strongly support the FCA's proposal that impact assessments (Step 2) should focus on the needs of all members of the community, not just customers of a specific provider. This is a more inclusive approach that leads to better outcomes for the whole community.

In Step 2 of the assessment, we support the FCA's proposal for firms to consider 'seasonal or other fluctuations', such as visitors to a community who may rely on cash. Firms should be encouraged to think broadly about who may constitute members of a community and that this may fluctuate over time, meaning that needs change. People don't stay in the same place, or with the same bank forever.

In previous meetings with the FCA, the Panel has questioned the concept of 'reasonable distances', how this is calculated and whether what's 'reasonable' can be the same for everyone. We note that legislation highlights differences in what's 'reasonable' between urban and rural locations. However, we would welcome further clarity within this section to explain what factors affect the 'reasonableness' of the distance including personal characteristics as well as local facilities, e.g. the accessibility of alternative venues and the modes of transport available.

c) Implementing solutions

When considering what services/features will address deficiencies (Step 3), we urge designated entities to ensure that solutions are inclusive and future-proof, to benefit the greatest number of people for the longest amount of time.

While we support proposals that no closures or material changes should take place until additional services are in place and that these should happen within three months, we do have concerns about what happens if this guidance is not followed (see section 7 of this letter).

5. Keeping consumers informed

The Panel supports the FCA's proposals on the type of information that consumers need, in terms of where cash facilities are located, how to make a cash access request and outcomes of decisions. However, we make the following suggestions regarding methods of engagement:

- a) The FCA should ensure that firms communicate with all consumers in an area – taking a ‘community’ rather than a ‘customer’ or ‘user’ approach. This is the only way to ensure everyone who needs information gets it, given that non-customers may also use ATM services. We believe this approach is consistent with the Consumer Duty guidance which uses ‘consumer’ to talk about the ‘wider group of those who use financial services’⁶ – essentially the community in this instance.
- b) Firms should be encouraged to think about how best to communicate with members of the local community, including those who are digitally excluded or vulnerable. Simply putting information on websites, or in letters to customers, is not sufficient and messaging within the local community may be more effective.
- c) Firms should also be encouraged to engage early with local businesses that are part of the cash access system – for example small shops that provide non-purchase cashback. These shops can be significantly impacted by reduced bank branch services in the community as more consumers become reliant on them.

We welcome the FCA’s engagement with the Panel and the Consumer Network and note that consumer information is available on its website. However, we think that it would be beneficial for the FCA to communicate proactively and directly with consumers regarding important issues, such as access to cash. The FCA could use this opportunity to ask consumers (or groups that represent them) what information they want and need.

6. Effective monitoring and smart use of data

Effective monitoring and oversight of all stages of assessing and remedying communities’ cash needs will be critical to ensuring good consumer outcomes. For this to happen it must be clear which body has responsibility for the decisions made and actions taken and where the FCA has overall oversight and ability to challenge. We find this to be unclear throughout the Consultation and therefore call on the FCA to provide a ‘map’ of oversight and monitoring responsibilities urgently, perhaps using the responsibility mapping required under the Senior Managers & Certification Regime as a useful template.

We encourage the FCA and designated entities to make smart use of data to ensure a proactive and holistic approach that delivers inclusive cash access for all. We therefore welcome the FCA’s intention, as set out in **1.31**, to continue to collect data from providers of cash access services to monitor cash coverage at a national level and to report findings publicly and to the Treasury.

⁶ <https://www.fca.org.uk/publication/finalised-guidance/fg22-5.pdf> para 1.14

We agree that ongoing monitoring is important to assess the needs of local communities both before assessments are made and after solutions have been implemented to see if they are still sufficient and effective. It is important to review communities and not see the situation as 'resolved' once a solution (e.g. Banking Hub) has been implemented.

7. Consumer redress

Appeals and reviews

The Panel believes that consumers and SMEs should be able to raise concerns about assessments and challenge decisions. We therefore welcome the FCA's proposal that designated entities should put in place a sufficient and robust review process to allow assessment outcomes to be reviewed, irrespective of the trigger mechanism.

However, we are concerned that, in reality, individual consumers or businesses will not challenge assessments or decisions, due to low levels of awareness. We urge the FCA to explore ways to overcome these barriers and to explore ways that consumers/SMEs may appeal decisions at an earlier stage – for example, at a consultation stage – before closures are made and while there is still an opportunity for decisions to be reconsidered.

Sanctions and enforcement

We understand the FCA has said the closure of particular branches/ATMs is a commercial decision for firms, and therefore it will not intervene in these specific decisions. However, we feel strongly that independent oversight is needed and that action should be taken against firms that do not follow the rules. Firms should be making decisions that are in the best interests of local communities and it is important that enforcement actions are able to reverse decisions and deliver good outcomes for local communities who face losing, or have already lost, access to cash, rather than just acting as a warning/deterrent for future actions.

We therefore welcome the news that the FCA will have the power to impose requirements to act on designated firms and coordination bodies and to require designated firms to deliver cash access solutions in particular local areas.

In reference to **Q31**, if the FCA cannot intervene in decisions and sanctions cannot deliver solutions that benefit local communities, the Panel feels that consumers should have a private right of action, where firms breach access to cash rules.

Conclusion

In conclusion, this consultation is a positive step forward in protecting access to cash for consumers, though we would like to see greater focus on the needs of business current account holders and the face-to-face provision of wider banking services. We would also like reassurance that there will be sufficient checks and oversight in place to ensure actions taken by designated entities and firms deliver good consumer outcomes – for individuals and local communities. The Panel would welcome ongoing engagement with the FCA as it develops its final rules in the coming months and would be happy to provide additional feedback or support.

Yours Sincerely

Helen Charlton
Chair, Financial Services Consumer Panel