

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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HM Treasury access to cash consultation
Her Majesty's Treasury
1 Horse Guards Rd
London
SW1A 2HQ

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By email: accesstocashconsultation@hmtreasury.gov.uk

Dear Sir / Madam,

The Financial Services Consumer Panel (the Panel) is an independent statutory body. We represent the interests of individual and small business consumers in the development of policy and regulation of financial services in the UK.

The Panel welcomes the proposals in HM Treasury's consultation and is pleased to see that many of the concerns we raised in [response](#) to Octobers' Call for Evidence have been addressed.

Research suggests that 10% of UK adults rely on cash for all or most of their daily purchases¹ and cash is the first choice of payment method for 21% of people². It is essential that these cash-reliant and cash-preferring consumers are provided for, but there is also a much broader proportion of the population benefit from using cash alongside other payment methods. The Panel believes that all consumers should be given the choice of using cash as a method of payment, and that those who depend on cash should be able to continue to access essential services.

HM Treasury must continue to work closely with the FCA and other regulators to ensure they possess the appropriate powers to achieve the objectives sought. **Sustainable long-term solutions** to the provision of cash access will undoubtedly require regulators and government to navigate challenging issues. These include challenges related to competition and financial crime, which are by no means limited to cash. To ensure progress, these issues need to be resolved in a wholesale manner spanning the entirety of the payments industry, not just the cash side.

The Panel would like to make the following comments:

- **Consumer centric approach.** Understanding the needs of consumers and delivering solutions in their best interests should be central to the development and implementation of these proposals. Industry and policy makers must engage with and gain feedback from local communities and the lived experiences of consumers, to ensure practical solutions are designed in the best interest of consumers.
- **Choice and competition.** Those consumers and SMEs who wish to use cash should be able to do so. They should not be limited to a single firm to provide this; the landscape must remain competitive.
- **Vulnerable consumers.** Many consumers reliant on cash are in vulnerable circumstances. This was reaffirmed through recent research commissioned by the FCA³. We caution against over reliance on geographic access requirements to

¹ <https://www.fca.org.uk/news/press-releases/fca-psr-publish-updated-evidence-cash-access>

² <https://www.bankofengland.co.uk/paper/2021/new-forms-of-digital-money> s2.2

³ <https://www.fca.org.uk/publication/research/understanding-cash-reliance-qualitative-research.pdf>

measure coverage and stress the importance of taking social and demographic factors into consideration – for example: vulnerability characteristics, the needs of local populations and availability of local services such as public transport - so that the best solutions can be found for different local communities.

- **Support for SMEs.** Consumers' choice to spend cash and access cashback in a wide range of retail outlets is dependent on SMEs' willingness to deal with cash. SMEs must be provided with low-cost, easy to access cash deposit facilities to remove barriers and keep the cycle of cash flowing.
- **Collaboration.** A collaborative and innovative approach to deliver shared suites of banking services is likely to provide the most effective and sustainable solution for consumers. For instance, pooling resources between banks and the Post Office, or multiple different banks. The wider payments industry should also share the cost of cash provision. Further, this collaborative approach could be used to assist customers getting acquainted with non-cash and digital solutions where appropriate.
- **Oversight.** It is essential, given the fragmented nature of the current landscape, that one regulator is given overarching responsibility for access to cash – to identify gaps, implement solutions and take oversight of delivery. All firms that play a significant part in the provision of access to cash, should be regulated. The Panel supports proposals for the FCA to be the lead regulator, given their existing role in regulating the retail banking sector. It is nevertheless important to acknowledge that the provision of access to cash will undoubtedly require significant co-ordination across numerous regulators, government and industry bodies. The FCA should be able to rely on support from, and propose necessary changes to, the existing framework in order to deliver solutions.
- **Flexibility.** The Panel recognises that this is a constantly evolving situation. Some people will continue to remain reliant on cash, whereas others may transition away from it in time. Given the fluidity of the situation it is essential that new rules allow sufficient flexibility, and that support for consumers and SMEs continues for as long as necessary.
- **Swift action to address harm.** Consumer harm is already occurring at a rapidly increasing rate, caused by the growth of digital financial services, branch and ATM closures and retailers refusing to accept cash payments. The Panel would like to see proposals taken forward with urgency to minimise further harm.
- **The role of the Post Office.** Sustainable alternatives to the Post Office network should be explored, to reduce overreliance. If the Post Office is to play an important role in the provision of cash, greater regulatory oversight will be necessary. Both consumers and banks that will be working closely with the Post Office, must have confidence and assurance that the highest of standards are maintained.
- **Regular research and clear outcomes.** The Panel is supportive of the research undertaken jointly by the FCA and PSR on access to cash coverage.⁴ The landscape should be continuously monitored to understand any changes in the cash access coverage across the UK.

Answers to specific questions will be included in Annex A.

Yours faithfully,

Wanda Goldwag
Chair, Financial Services Consumer Panel

⁴ <https://www.fca.org.uk/data/access-cash-coverage-uk-2021-q1>

Annex A – answers to specific 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. The Panel supports a legal obligation on banks to provide adequate facilities for both cash withdrawals and deposits, and to make it easier for consumers to access and spend cash. The role of SME's is critically important in the lifecycle of cash – provision of deposit facilities (low cost and nearby) will encourage more retailers to accept cash.

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

It is essential that broader social and demographic factors are considered, so that the most effective solutions can be found for different local communities. Therefore, there should be:

- a) A high-level geographic requirement as a minimum.
- b) The ability to respond flexibly, tailoring the approach depending on specific circumstances. This will ensure communities are provided for, where geographic requirements may be insufficient.

Consideration of local factors, such as population density, consumer needs and capabilities in a particular area is essential. The Panel supports the recommendation outlined in paragraph 2.17 of the consultation. Travel is more difficult in isolated rural communities due to limited public transport services. Therefore, additional sub-requirements should be introduced for urban and rural areas.

Attention to vulnerability criteria is critically important. Vulnerable consumers, for example older or disabled people with reduced mobility, are most likely to rely on cash. In considering the optimal mapping of cash access, research should be undertaken to understand the prevalence of vulnerability risk factors and needs of the local population, to ensure that services are accessible to, and usable by, the greatest number of people in the local community.

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?

No comment.

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

Yes, if necessary, to recognise existing differences in population distribution and cash infrastructure. Broader social and demographic factors must be considered, to ensure the most effective solutions for local communities are provided.

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

No comment.

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

The Panel agrees, on the condition that the selected designated firms cover the vast majority market share of both consumer and SME business accounts, and that the provisions allow for changes in market shares. It is important that the payment account providers in scope are regularly reviewed to ensure there no gaps emerge.

Sharing the cost of cash access across the wider payments industry, beyond banks, should also be considered.

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

The services that vulnerable, cash-reliant consumers use should be considered when determining which firms to designate.

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

The Panel agrees. Effective oversight is critically important. The Panel supports one regulator taking clear responsibility for monitoring and enforcing requirements on access to cash to ensure no gaps in consumer protections emerge.

It is nevertheless important to acknowledge that the provision of access to cash will undoubtedly require significant co-ordination across numerous regulators, government and industry bodies, each of which will have their own wider purpose, objectives and priorities. The FCA (as the lead regulator) may therefore need to first establish whether the overall framework is effective and propose changes where necessary.

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

Yes. The Panel supports the standards set out in paragraph 4.8.

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

Under accessibility (listed in paragraph 4.8), the ease of getting to and from a cash facility should be considered.

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?

Yes, flexibility of approach is important. There will be instances where minimum requirements are being met, but there is still evidence of consumer harm at a local level. It is therefore important that the FCA is able to act as and where it sees consumer harm. The FCA should be able to reply on support from local bodies (such as Trading Standards, Citizens Advice Bureaus and local councils) when doing so.

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

No comment.