

# Finalised Guidance

## Branch and ATM closures or conversions

FG 22/6

October 2022

### 1. Summary

- 1.1 This guidance was originally published on 14 September 2020 and took effect on 21 September 2020. We consulted on updates in June 2022. A summary of the responses is included at Annex 1. The guidance was updated with effect from 11 October 2022 and continues to have effect until varied or revoked.
- 1.2 A wide range of customers use bank branches and ATMs, including those in vulnerable circumstances. Data from the 2022 Financial Lives Survey (FLS) shows that around a fifth (21%) of adults with a day-to-day account regularly used a particular branch over the previous 12 months. Adults most likely to regularly use a branch include those with one or more characteristics of vulnerability, such as the digitally excluded (42%), those in poor health (27%) and those in financial difficulty (27%)<sup>1</sup>.
- 1.3 FLS also shows that 6% of UK adults used cash to pay for everything or most things over the previous 12 months. This figure is higher (9%) for adults with one or more characteristics of vulnerability, especially the digitally excluded (26%), those in poor health (15%) and those in financial difficulty (14%)<sup>2</sup>. This is broadly consistent with the findings of the [Access to Cash Review](#).

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<sup>1</sup> Financial Lives 2022 survey question RB133a. Unweighted base 7,298. For a glossary of terms, see [the latest FLS publication](#). We will be publishing detailed results from the 2022 survey in early 2023.

<sup>2</sup> Financial Lives 2022 survey question AT12. Unweighted base 19,145.

- 1.4 This guidance sets out our expectations when firms are considering a long-term closure of a branch or ATM or conversion of an ATM. This includes:
- a full planned closure of a branch or ATM
  - a reduction in branch opening hours or days or reduction in branch services, where this would have a significant impact on customers, ie a partial closure, or
  - conversion of a free-to-use ATM to pay-to-use
- 1.5 Firms should consider fully the range of services that they currently provide in branch. Paragraph 1.11 gives a non-exhaustive list of services that, if reduced or removed, could have a significant impact on customers.

## Who this guidance affects

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- 1.6 This guidance applies to regulated firms that operate (or have agents operate) branches, or ATMs (cash machine or cashpoint), and who are subject to Principles 6, 7, and 11 of our Principles for Businesses ('Principles'):
- Principle 6 - 'A firm must pay due regard to the interests of its customers and treat them fairly'
  - Principle 7 - 'A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading'
  - Principle 11 - 'A firm must deal with its regulators in an open and cooperative way, and must disclose to the FCA appropriately anything relating to the firm of which that regulator would reasonably expect notice'
  - Our Consumer Duty (Principle 12) comes into force on 31 July 2023. Firms should refer to PRIN 2A.1.16 to PRIN 2A.1.18 which provides guidance on the relevance of guidance about Principles 6 and 7 issued before the Consumer Duty comes into force.
- 1.7 It applies when such a firm proposes or takes a decision to close such sites, fully or partially, or to convert a free-to-use ATM to pay-to-use, with some exceptions (see paragraphs 2.5-2.10).
- 1.8 A branch is the physical site where firms undertake regulated banking activities or provide regulated payment services for their customers, whether that is consumers or small and medium enterprises (SMEs), who attend in person (see paragraphs 1.12-1.13 for more detail on the definition of customers). This includes a bank or building society branch, or a credit union office, or a mobile branch.
- 1.9 Firms providing services to customers who attend in person through emerging models like banking hubs or in community venues should consider the preceding three paragraphs to determine whether the guidance applies to them with respect to a proposed closure of, or withdrawal from, the hub or venue.
- 1.10 We will take into account proportionality when considering how a credit union has followed this guidance. The implications are likely to vary according to the size and complexity of the credit union. This is in line with our general approach to applying the Principles to credit unions (see CREDS 10.1.3G)

## What this guidance relates to

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- 1.11 This guidance applies to services provided to customers for their everyday banking and cash access needs. These include withdrawals and deposits, as well as other relevant branch services which involve customers' attendance. As a non-exhaustive list, these services could include:
- cash withdrawals and deposits, including those made using a passbook
  - cheque deposits
  - making payments in-branch by cash or cheque, such as to pay down a regulated mortgage or regulated credit agreement and making payments by CHAPS or foreign currency
  - opening or closing an account
  - proving identity
  - dealing with issues related to Power of Attorney or bereavement
  - dealing with incidents of fraud and scams
  - providing support to customers in financial difficulty, or customers seeking guidance on money management
- 1.12 The term 'customer' is defined in our Handbook glossary. Where this guidance relates to regulated payment services, 'customer' means:
- consumer
  - a micro-enterprise (ie enterprises that employ fewer than 10 people and have a turnover or annual balance sheet of up to €2m), or
  - a charity with an annual income of less than £1m
- 1.13 Otherwise, references to 'customer' in this consultation mean a consumer or SME (ie enterprises with an annual turnover of up to £25m).
- 1.14 Paragraphs 2.18-2.47 of this guidance build on Principles 6 and 7, so apply only to services covered by these Principles. Firms should note that Principles 6 and 7 apply both to the carrying on of regulated activities and activities that are ancillary to the regulated activity of accepting deposits, credit-related regulated activity, regulated home finance activity and some other regulated activities. They also apply to activities connected to providing regulated payment services as well as the provision of the payment services.
- 1.15 We expect to challenge processes and may ask firms to delay their closure or conversion plans where we are not satisfied that they are complying with Principles 6 or 7. The guidance is potentially relevant to supervisory and enforcement action and we may take it into account when considering whether firms could reasonably have understood or predicted that the conduct in question fell below the standards required by Principle 6, Principle 7, or Principle 11.

## Summary of this guidance

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### Communication with the FCA

- 1.16 In line with Principle 11 (relations with regulators), where a firm is considering site closures or conversions, it should inform the FCA through its usual supervisory contact as early as possible. This should be in good time before the firm takes a decision and continue throughout the process. This will allow us to monitor whether firms are treating customers fairly and in future in line with the Consumer Duty.

### Assessing customer needs and providing alternatives

- 1.17 When a firm considers closing a branch fully or partially or converting an ATM, before it decides how to proceed, we expect it to analyse:
- the needs of customers currently using the sites (including the needs of relevant SMEs or micro-businesses and customers in vulnerable circumstances)
  - the likely impact of the closure or conversion, and alternatives that are or could reasonably be put in place to continue to meet those customers' needs.
- 1.18 This will help firms ensure they treat the customers of a closing branch or converted ATM fairly.
- 1.19 A firm's analysis should include usage trends and overall transaction volumes across a suitably representative time period and details of any commercial evaluation the firm has completed. We also expect firms to proactively identify and engage with relevant stakeholders besides customers that may have an interest in the closure or conversion.
- 1.20 We expect firms to provide us with a clear summary of the results of this detailed analysis covering customer usage, customer needs, expected impact, potential alternatives, commercial evaluation and stakeholder engagement plans. We may ask firms for further analysis if we are not satisfied.

### Implementation of a closure or conversion

- 1.21 Firms should avoid causing harm by making sure that any proposed alternative service is in place and accessible to customers before a branch closure.
- 1.22 In deciding when to implement a closure or conversion, firms should consider factors including how they will support customers to access alternative services, such as an alternative channel, and how much time this will take. If it is expected that customers may look to transfer accounts to other providers, the firm implementing the change should consider how long it might take a customer to change their provider and support them in doing so.
- 1.23 We expect firms to keep their analysis of customer impact and potential alternatives under review during the period between announcing and implementing the proposals and keep us informed of any changes to their plans.
- 1.24 Firms should ensure that they provide customers with clear and accessible information on the alternatives they can access.

### Communications with customers and other stakeholders

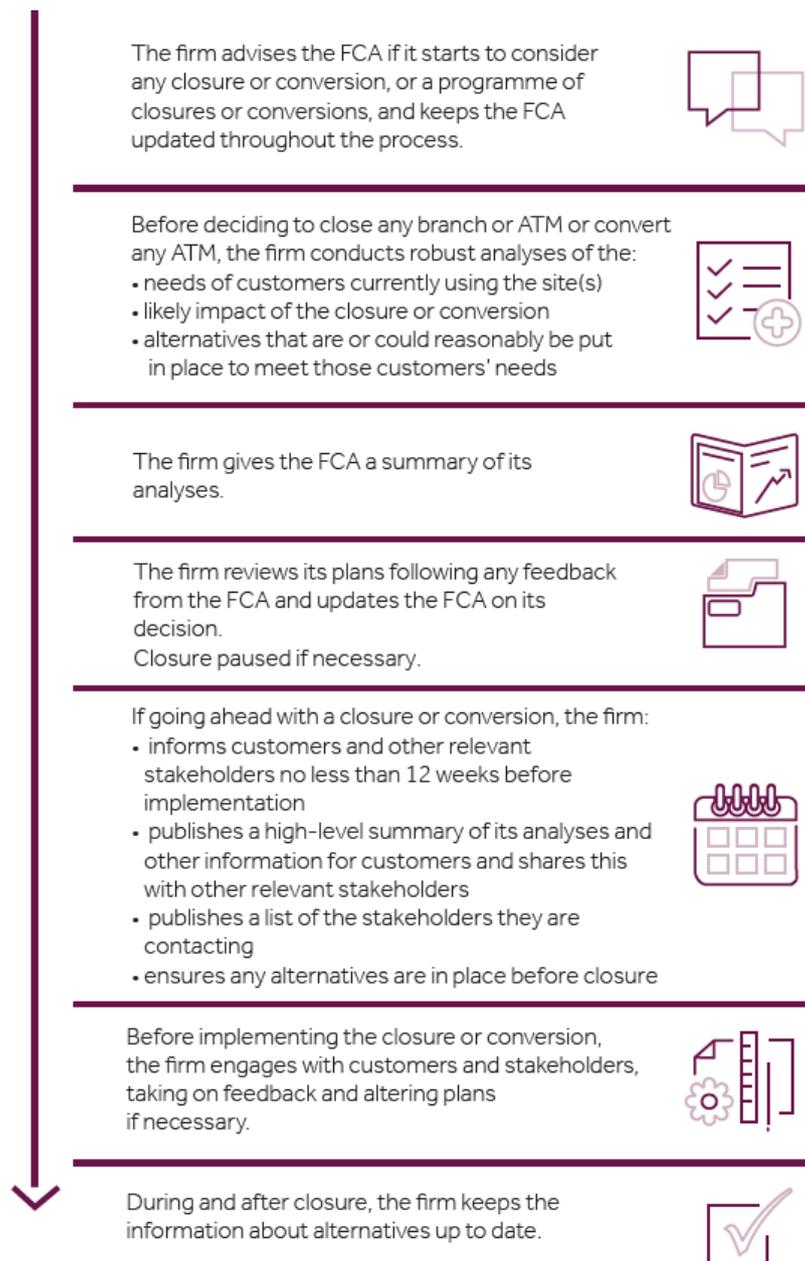
- 1.25 If a firm decides to progress with a closure or conversion, we expect it to communicate this clearly to its customers and other relevant stakeholders no less than 12 weeks before a proposed closure or conversion would be implemented. We expect it to tell its customers about alternative ways they can access services.
- 1.26 As well as writing directly to impacted customers, at the point the firm communicates its decision to progress with a closure or conversion it should publish a high-level summary of the analyses referred to in paragraph 1.19. This summary should be easy for customers to find and accessible (taking into account their likely communication needs). The firm should send this summary to the other stakeholders it has identified. We do not expect firms to publish information that is confidential. The firm should also publish a list of stakeholders (besides customers) that it is contacting about the plans.
- 1.27 The firm should communicate the above information clearly and early enough that customers have reasonable time to take action.

### The future of this guidance

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- 1.28 In July 2021, the Government consulted on legislating to protect access to cash in the long-term and, on 19 May 2022, it announced that the FCA will receive new powers to ensure the continued availability of withdrawal and deposit facilities in local communities across the UK. This guidance is not intended to overlap with, or to pre-empt any, decisions about those new powers.
- 1.29 We expect that this guidance will remain relevant in the future as it applies to a wider set of branch services than cash access. Its aims are also consistent with our Consumer Duty. However, we will review this guidance and revise it if appropriate in respect of our new access to cash powers or further developments in the evolution of retail banking services.

Figure 1: summary of this guidance



## 2. Guidance on closures and conversions

### Site closures and conversions

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- 2.1 This guidance applies to site closures which are long-term. In this guidance, a 'site closure' means:
- the full closure of a branch or all ATMs operated by a firm at a particular location, or a mobile bank facility no longer operating, or
  - a reduction in branch opening hours or days or reduction in branch services, where this would have a significant impact on customers, ie a partial closure. This also includes reducing the opening hours of internal extended hours ATMs
- 2.2 For example, the reduction of opening hours on a busy morning might result in a relatively small proportionate change in hours, but is likely to have a significant impact on customers' ability to access branch services. Reducing hours during a typically quieter time would likely have a less significant impact on customers.
- 2.3 'Long-term' means lasting six months or longer, so could include extended periods of closure which might otherwise be regarded as temporary if they last six months or more, such as closures due to long-term building works.
- 2.4 A 'conversion' means the conversion of a free-to-use ATM to a pay-to-use ATM.

### Instances where this guidance may not apply

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- 2.5 This guidance is intended to apply in full to instances where a firm's decision, within the scope of this guidance, could lead to a full or partial closure or a conversion.
- 2.6 We recognise that there may be exceptional circumstances where events outside a firm's control lead to a closure, such as an unexpected decision by a landlord not to renew a lease or the site suffers physical damage. It may not be reasonable in these cases to expect firms to take full account of this guidance. However, Principle 11 applies at all times and, even in such cases, we expect firms to be open and cooperative, and to inform us of issues as early as possible. We will expect firms to take account of the guidance to the extent it is reasonable to do so. This could involve, for example, providing a shorter notice period to customers if it is not possible to give 12 weeks' notice.
- 2.7 The guidance does not apply where a firm closes or converts its ATMs located within its own branch or a Post Office (ie not on an external wall) and the same services can be provided at the counter of that branch or Post Office.
- 2.8 Where a firm expects a closure to be temporary, this guidance does not apply unless the temporary closure is long-term (see paragraph 2.3). If a decision is made to make a temporary closure permanent, the guidance applies.

- 2.9 This guidance does not apply to the closure or conversion of a site that was explicitly established as a pilot, a temporary measure, or similar, and has not since become permanent.
- 2.10 The elements of this guidance on analysing customer needs, impact, usage trends, commercial evaluation and alternatives do not apply where the same firm can continue to meet the needs of its customers through the same type of site in a similar way. For example, if a branch is to be closed but the firm can continue to meet customer needs through a nearby branch. This exclusion is intended to capture instances such as the closure of one of several of a firm's branches in a small area, the relocation of a branch or ATM to a nearby site, or a minor change to the location or duration of a mobile branch stop. We expect firms to consider whether an alternative site is 'nearby' for these purposes before they notify us of their plans under Principle 11.

## Informing the FCA

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- 2.11 This section relates to Principle 11 ('A firm must deal with its regulators in an open and cooperative way, and must disclose to the FCA appropriately anything relating to the firm of which that regulator would reasonably expect notice').
- 2.12 We expect a firm to inform us of its plans and decisions throughout the process of closures or conversions being considered and implemented. This should include telling us as early as possible about any key proposals, decisions, changes to plans, or mitigations or alternative access arrangements it is putting in place.
- 2.13 Where a firm is considering site closures or conversions, it should tell us through its usual supervisory contact as early as possible. This should be in good time before a firm makes a decision about closures or conversions. This applies regardless of the scale of the proposed programme of closures or conversions. The loss of a single site can have a substantial impact on customers who use it, and we want to ensure we know about these potential impacts.
- 2.14 We expect to receive a clear summary of the results of a firm's detailed analysis of customer usage, needs, impact, potential alternatives and commercial evaluation set out in paragraphs 2.18-2.33, and to receive updates to this throughout the process if the analysis is developed further.
- 2.15 Where firms are participating in industry initiatives related to closures, such as voluntary standards or engagement with a co-ordinating body, we expect to be informed of firms' plans no later than those initiatives are told. We also expect to be kept informed of developments in industry initiatives that may result in a firm changing its plans, mitigations of potential issues from the closure, or the alternative access arrangements it is putting in place.
- 2.16 We will handle confidential information firms give us in line with the provisions of s348 and s349 of the Financial Services and Markets Act 2000. Any information we receive will help inform our conversations with firms as their plans progress.
- 2.17 Where we consider there may be a breach of the Principles, based on any information provided to us, we will act accordingly.

## Assessing customer needs and providing alternatives

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- 2.18 This section relates to Principle 6 ('A firm must pay due regard to the interests of its customers and treat them fairly').
- 2.19 The decision on whether to close or convert a site is for firms to take. But in considering or implementing this decision, firms must have due regard to the interests of their customers and treat them fairly. We also expect firms to consider how relevant SMEs or micro-businesses will be affected by their proposals, given the critical role of businesses in the cash cycle.
- 2.20 Firms should have carried out a robust analysis of the impact of a proposed closure or conversion on their customers, particularly in terms of lost access and potential harms to customers in vulnerable circumstances including relevant vulnerable SME customers or micro-businesses. They should have analysed the services that the firm's customers can access at alternative sites, and how these meet their needs and compare to the services currently used at the site proposed for closure. Firms should also have made an analysis of new alternative access arrangements that the firm could reasonably put in place. This section sets out what firms' analysis should include as a minimum.
- 2.21 Analysis could involve the firm reviewing the data it already holds, engaging with local groups, charities, and the local authority, as well as gathering data through a staff or customer survey.
- 2.22 Firms should take a proportionate approach to these analyses. A firm is likely to have less information on the needs of customers using their ATMs than its branch customers, and we will not expect firms to conduct the same level of analysis for these customers. Firms should consider relevant factors set out in this section and consider what is proportionate to analyse. We do not expect firms to provide analysis of customers who use their services extremely infrequently.
- 2.23 Firms should carry out these analyses before they finalise proposals and keep them updated throughout the process to take into account changes following, for example, feedback from customers or other stakeholders after the firm's decision is announced. Following these analyses, firms may decide not to go ahead with the proposals and keep the existing sites partially or fully open.

### **Customer impact assessment: analysing customer needs and the impact on customers.**

- 2.24 This analysis should include usage trends and overall transaction volumes at the site analysed across a suitably representative time period (taking account of seasonal and other variations).
- 2.25 It should consider the characteristics of the customer base that uses the site; for example, characteristics associated with vulnerability and known protected characteristics such as age. This should also include whether these customers are particularly reliant on services available, including where customers may rely on the support of branch staff to transact or of other services not available via other channels.

## **Analysis of alternative services**

- 2.26 When analysing existing alternative access provisions, the firm should consider the services its customers can access at alternative sites (whether operated by the same firm or other firms) or via alternative channels, and how those compare to the services currently used at the site proposed for closure. Firms should consider lessons learned from previous branch closures when conducting these analyses.
- 2.27 For example, if a firm considers that another existing facility (such as a different branch, the Post Office or a banking hub) provides an alternative to a bank branch, it should assess which services its customers currently use at the branch, and which they are not able to access at the other facility.
- 2.28 Where existing alternatives are not available, the firm should consider what alternative provision could reasonably be made available to address any loss of service. This could include, but is not limited to:
- sharing services with other providers
  - providing mobile banking hubs, community 'pop up' branches or cash delivery services
  - commissioning a free-to-use ATM
  - supporting customers to use digital and telephony channels where they are able. (Firms should not assume that all customers are capable of using a particular alternative channel).
  - developing other innovative solutions to address loss of service
- 2.29 We encourage firms to engage with industry initiatives designed to address gaps in access that their planned closures or conversions may create.
- 2.30 Firms should be able to demonstrate how the existing alternatives and the new alternatives they could reasonably put in place are appropriate.
- 2.31 When conducting the analysis of alternative services firms should:
- Assess how customers may continue to access the full range of banking services provided at the branch proposed for closure. For example, if removing a counter, firms should consider all the services that were accessed at the counter and whether these can be accessed through the alternative channel.
  - Consider whether accounts that are accessed at the branch have an ATM card or debit card that will allow the customer to access cash elsewhere, or whether the customer is reliant on a passbook-based account which requires them to engage with the account at the firm's own premises.
  - Consider the impact of closures and customer migration to remaining branches and other alternative channels. This includes identifying the size of the gap in provision if they close their current branch and evaluating the capacity of the remaining branch or alternative channel to support additional customer transactions, including at peak times. Note that firms who seek to rely on paragraph 2.10 should be satisfied that they can continue to meet the needs of their customers as set out in that paragraph.

- Assess the suitability and likely longevity of alternatives(s), including for customers in vulnerable circumstances. This should include consideration of the relevant characteristics of customers and of the area, such as the quality of internet or mobile signal, which may influence the range of alternative channels that can appropriately be offered to customers. The assessment of alternatives should take into account the location of the site and of available alternatives, their opening times, transport availability and the impact that vulnerabilities such as particular physical needs and disabilities may have on customers' ability to access them.
- Consider the appropriateness of proposed alternatives. For example, where face-to-face meetings are to be offered at alternative premises, firms should consider if the proposed premises offer the level of privacy required for particular conversations, such as those regarding a customer's personal and/or financial circumstances.
- If in-person branch services are to be replaced by digital or telephony, consider whether these channels will enable the range of customers using the branch to continue to use all the services they were provided in person. Where appropriate, firms might want to consider introducing additional remote servicing solutions such as video banking.
- Consider any likely additional risks or costs to customers of these alternatives.

#### 2.32 When implementing any changes to services firms should:

- Consider the need to avoid causing customers harm by making sure that any proposed alternative facility or channel can be put in place and made accessible to customers before a branch closes or an ATM is converted. Where the proposed alternative will not be immediately available, firms should consider putting interim arrangements in place to prevent a temporary loss of access for customers. Any such interim arrangements should be adequately resourced to meet demand.
- Where in-person services are to be replaced by digital or telephony, firms should also consider the support customers will need to transition to use that channel and how much time this will take.
- If it is expected that customers may look to transfer accounts to other providers, firms should consider how long it might take a customer to change their provider and support them in doing so. For example, where BCOBS 5.1.5R applies, firms are required to provide a prompt and efficient service to enable a [banking customer](#) to move to a [retail banking service](#) (including a [payment service](#)) provided by another [firm](#).
- Ensure that they provide customers with information on the alternatives they can access. This information should be kept up to date during the implementation period and for an appropriate period post closure, particularly when alternatives are provided on an interim basis.
- Consider how they will comply with the expectation under Principle 6 that they should have management information or measures in place to test whether they are consistently treating customers fairly and delivering the

consumer outcomes. Reference to our earlier guidance such as '[Treating customers fairly-guide to management information](#)' may be helpful.

- Firms should also be considering how they will comply with our Consumer Duty monitoring rules (2A.9.10).

### **Commercial evaluation**

2.33 Firms' analyses should also include a commercial evaluation which assesses the financial impacts on the firm of the planned closure or conversion and will show costs resulting from the decision, such as severance pay, the costs of exiting any lease, communication costs and the costs of new facilities to provide alternative access arrangements, as well as anticipated savings. This will enable us to understand the rationale for the closure or conversion, and the relative costs and benefits of the options available to firms to continue to meet their customers' needs.

### **Identifying relevant stakeholders**

2.34 Firms should identify and engage with other stakeholders besides customers who may have an interest in a planned closure or conversion. This should include, but not be limited to, groups that help customers in vulnerable circumstances, such as local carers or mental health support groups. Firms should consider contacting consumer groups, community groups, local councils, charities and local MPs about the closure or conversion.

## **Communicating with customers and other stakeholders**

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2.35 This section relates to Principle 6 ('A firm must pay due regard to the interests of its customers and treat them fairly') and Principle 7 ('A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading').

2.36 Firms must ensure that they pay due regard to the information needs of their customers, and provide information in a way that is clear, fair, and not misleading. For example, firms should ensure they provide information in a format that is accessible to those using assistive technology. Once a firm has completed its analysis, if it decides to then fully or partially close or convert a site, it should give customers and other relevant stakeholders information that enables them to understand:

- when the full or partial closure is planned to take place
- a high-level summary of the firm's analyses of customer needs, the impact on customers, and potential alternatives, including the alternatives already available or that the firm proposes to make available. We do not expect firms to publish any confidential information, for example, its commercial evaluation, as part of applying this guidance
- how the customer can continue to access banking and cash services after the closure or conversion (including through physical and telephone or digital channels), and what those alternatives offer in terms of service and functionality

- how the customer can engage with and access help from the firm during and after the closure or conversion, such as any training on using online banking or cash delivery services
- which stakeholders (besides customers) are being contacted about the plans
- how other relevant stakeholders can engage with the firm during and after the closure or conversion, eg to represent consumer interests.

2.37 The firm should provide this information as soon as possible after its decision, and no less than 12 weeks before any closure or conversion would be implemented. The following bullets explain how the information in 2.36 should be communicated to customers and other stakeholders.

- All of the information should be made available at the sites affected by the proposals, as well as through wider communication channels such as the firm's website. The firm should make the information easy for customers to find and keep it up to date.
- Other relevant stakeholders (besides customers) should be sent all the above information along with any subsequent updates.
- Firms should provide a written notification of the closure to customers who use a closing branch and will be impacted by its closure. Notification may be provided through usual communications channels, eg letter, email or in-app. It should include as a minimum: when the full or partial closure is planned to take place; how the customer can continue to access banking and cash services after the closure or conversion; and how the customer can access the remaining information at 2.36.

2.38 Firms should consider any feedback they receive from customers and other stakeholders following these communications regarding closure proposals, particularly where feedback relates to customer needs or the appropriateness of proposed alternative services.

2.39 Firms should consider how to communicate with customers in vulnerable circumstances. Local networks such as councils, charities, advice providers and housing associations may be particularly important in reaching vulnerable groups. Firms should pay particular attention to individual communications where customers are known to be in vulnerable circumstances. See paragraphs 2.41-2.47 for more information.

2.40 We recognise that firms are likely to have fewer routes to communicate with customers of ATMs than of branches. We expect those firms to take proportionate steps to communicate with customers. This could include, but is not limited to, providing appropriate information at the relevant ATM site, or informing LINK to enable it to update its customer-facing maps. Where a firm is closing a branch, and an external ATM or stand-alone ATM will also be affected, the firm should consider whether it is appropriate to engage with LINK about these changes; for example, if one of the locations is a protected site.

## Vulnerability

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- 2.41 Our Principles require all firms we regulate to treat their customers fairly, and we expect firms to exercise particular care with customers in vulnerable circumstances. Firms should refer to our Guidance for firms on the fair treatment of vulnerable customers (FG21/1).
- 2.42 Firms should be aware that groups of customers that share certain characteristics may have, or be more likely to have, characteristics of vulnerability. For example, older customers are more likely to be impacted by ill health, lower digital capability, and life events associated with old age.
- 2.43 Customers in vulnerable circumstances may be particularly at risk of harm from closures. For example, a person with a disability may struggle to travel further to an alternative site. Someone with low financial or digital capability may find it difficult to use online or telephone banking. Firms should also take into account that some services provided to customers in vulnerable situations are likely to be provided by face-to-face meetings in a branch. For example, proving identity, help with opening or closing an account, or dealing with issues involving Power of Attorney or bereavement.
- 2.44 We recognise however there is not a direct correlation between vulnerability and a need for branch or ATM access, and that for some customers in vulnerable circumstances alternative channels may be more appropriate.
- 2.45 FG21/1 explains that firms should take the needs of customers in vulnerable circumstances into account at all stages of their communications, product and service design cycles. This includes if they are closing a communication channel, branch, or reducing services from a particular channel. Firms should ensure that the method of engaging with customers in vulnerable circumstances is sensitive to the needs of the customer, and, where appropriate, their carer. Where a branch is identified for closure, the effective migration of services to a channel which customers will find accessible, should be part of the pre-closure planning. Firms should also consider whether they should pause the implementation of the closure or conversion until they have an appropriate solution in place.
- 2.46 Firms should take into account the communication needs of customers in vulnerable circumstances when designing their strategy. Firms should ensure all communications and information about products and services, including information regarding changes, are easy to understand for all groups of their customers. For example, firms should consider that outbound calls may not be suitable for those hard of hearing, while written information may not be accessible for others. Where calls are used it may be appropriate to follow up in writing where customers may struggle to remember information provided. Tailored contact strategies that allow for multiple follow-ups to remind customers of available support and where to get help may be suitable in some circumstances. Inclusive design or adequate analysis of customer needs should identify these issues.
- 2.47 FG21/1 also sets out our expectation that firms monitor the actions they are taking to ensure they treat vulnerable customers fairly and the outcomes vulnerable customers experience in comparison to other customers. This applies to all aspects of the customer relationship so includes monitoring the outcomes vulnerable customers

might experience following a full or partial closure of a branch, or a closure/conversion of an ATM.

## Other applicable requirements

- 2.48 Firms should continue to follow other applicable requirements where relevant, including the 2010 Equality Act, consumer protection and competition law, and our Handbook provisions. In Northern Ireland, where the Equality Act is not enacted but other anti-discrimination legislation applies, firms should ensure that they comply with any applicable legislation.

## 3. Cost Benefit Analysis

- 3.1 This cost benefit analysis (CBA) only covers the update to the guidance. Please refer to pages 12-13 of FG20/3: Branch and ATM closures or conversions for the original CBA.
- 3.2 There is no statutory requirement in the Financial Services and Markets Act 2000 for a CBA on guidance such as this. In line with our [approach to analysing costs and benefits](#), we only produce a CBA for guidance where we identify an element of novelty which may be in effect prescriptive or prohibitive such that significant costs may be incurred. This is not the case for the proposed updates to the guidance.
- 3.3 Following the approach used when assessing impacts for FG20/3, we have described below the types of costs and benefits that we expect to arise to help firms, consumers, and other interested parties understand the potential impact of our proposals.
- 3.4 Any costs and benefits resulting from the proposed updates to this guidance will be highly dependent on the scale of any future plans for site closures or conversions by firms, and the specific actions that firms take as a result of the guidance, and so are not reasonably practicable to estimate.
- 3.5 The impacts of the proposed updates relative to the existing requirements covered in FG20/3 are likely to be relatively small. These impacts can be broadly summarised in two categories. Firstly, the proposed updates expand the scope of FG20/3 to apply in cases of partial closures where there would be a reduction in opening hours or services which would have a significant impact on customers. This means the same impacts arising from the existing guidance which previously only applied in the case of full closures, and were described in the CBA of [FG20/3 \(see pages 12-13\)](#), now apply to an additional set of cases. Secondly, the proposed updates include a small number of additional expectations which will apply in the event of full or partial closures.
- 3.6 We anticipate the following compliance costs as identified in the CBA for FG20/3 will now also be incurred by firms in relation to partial closures:
  - familiarisation with the proposed guidance and 'gap analysis'
  - as part of developing any closure or conversion proposals, understanding the impact of closures or conversions on the firm's customers, and communicating a summary to the FCA
  - as part of developing any closure or conversion proposals, considering what alternative provision could reasonably be made available to the firm's customers, and communicating a summary to the FCA
  - ongoing engagement with the FCA throughout the process

- in the event of any closure or conversion plans being taken forward, providing information to customers, including the summaries of firms' analyses
- in the event of the implementation of a closure or conversion, making any new alternative access arrangements that the firm could reasonably put in place to address any loss of service

3.7 A number of small additional costs relative to FG20/3 will apply in the case of both full and partial closures. These costs are additional to those that would have been already incurred by firms to comply with FG20/3. We anticipate that firms may incur the following additional costs as a result of the updates to the guidance:

- Undertaking additional assessment of the impact of closure:
  - identifying which stakeholders other than their existing personal and relevant business users may be affected by the closure
  - analysing usage trends across a suitably representative time period
  - a commercial evaluation which assesses the financial impact on the firm of the planned closure
- Providing additional information to certain parties, including:
  - writing to impacted customers
  - providing relevant stakeholders other than their existing personal and business users with information about proposed closure or conversion, including providing contact details so that other stakeholders can engage with the firm and undertaking any follow-up engagement resulting from stakeholder contact
  - ensuring that this information is easy for customers is to find
  - publishing a list of stakeholders (besides customers) that have been contacted about the changes.

3.8 Firms planning closures would already carry out internal analysis in order to inform the commercial decision to close or reduce a service. This may reasonably be expected to include some analysis of usage trends and the commercial impact on the firm of the decision under consideration. We would not expect that including a commercial evaluation or presenting analysis of usage trends over a representative time period would result in a significant increase in the underlying analytical burden. The guidance stresses that assessment should be proportionate, acknowledging the level of feasible analysis would be lower where firms have less information (eg around users of ATMs relative to branch customers) and that analysis of extremely infrequent users would not be required

3.9 Firms that have been active participants in the market are likely to have a degree of understanding around the services provided by their competitors and the potential alternative services available to their customers. Assessing the potential response of their customers is likely to form part of the commercial decision to close or reduce services. There may be some small additional analytical time involved with identifying a set of stakeholders other than existing personal and relevant business consumers that could be affected. This could involve, for instance, time spent

consolidating knowledge from around the firm about the local community served by the branch and the type of contacts that may have an interest.

- 3.10 The additional costs of providing these stakeholders with relevant information are likely to be small as the type of information they would provide is the same that would have already been produced for other customers. There will be some costs associated with providing information to the stakeholders (other than existing personal and relevant business consumers) described above. These would need to be contacted directly, for instance, through a written letter or suitable electronic communication. The type of information that would need to be provided would be the same or similar to the information already produced for other stakeholders, for instance, information around the closure that was provided on the firm website. Therefore, there would not be a requirement to collate new information for this wider stakeholder group. Firms would simply need to ensure that the wider stakeholder group receive the relevant communication.
- 3.11 There may be some costs incurred due to follow-up contact from stakeholders other than existing personal and relevant business users who are provided with firm contact details. This could include time spent in meetings or written correspondence.
- 3.12 The informational provisions contained in this update to the guidance may involve a small amount of administrative time in ensuring that the information that is provided to customers and other stakeholders is easy to find, for instance, by ensuring it is published in an appropriate place on the firm website. The additional costs to firms due to the informational provision to contact impacted customers directly are likely to be small for most firms. Writing to impacted customers is established industry practice under the Access to Banking Standard overseen by the Lending Standards Board. While not all firms are signatories to the Access to Banking Standard a wider group of firms do benchmark communications to it. We expect that some firms will need to alter the content of their existing communications but expect this will have a minimal impact since all communications are tailored to the closing branch.
- 3.13 The following expected benefits identified in the CBA for FG20/3 will now also apply to partial closures:
- Greater information on proposed site closures, allowing customers the ability to make alternative arrangements in good time (such as switch provider), potentially reducing costs to customers from disruption.
  - Potential improved alternative services or knowledge of alternative services, depending on firms' implementation of the guidance. In turn, this could potentially lead to less financial exclusion or isolation among customers with characteristics of vulnerability that rely on local cash or branch services.
  - Potential retained access to existing services, if a firm decides, after following the guidance on partial closures, not to close the branch or ATM.
- 3.14 We expect other additional benefits relative to FG20/3 will apply in the case of both full and partial closures as a result of following our guidance:
- Increased clarity and accessibility of information on proposed closures, including information being made available to stakeholders other than existing personal and relevant business users.

# Annex 1: Summary of feedback received

## **GC22/2: Branch and ATM closures or conversions: Updated guidance for firms**

**Date of consultation: 14 June 2022 – 26 July 2022**

We received 28 responses to GC22/2, including from regulated firms, trade associations, consumer groups, charities and individuals. We would like to thank all respondents for their feedback. Respondents were broadly supportive of the proposed updates to our guidance, with most generally agreeing to the addition of partial closures within the scope of the guidance. Some respondents made suggestions and comments on other areas of the guidance. In this annex, we provide details of the key themes of the feedback and our responses.

The feedback is presented under each of the questions posed in GC22/2.

### **Q1: Do you agree that we should extend the definition of closures as proposed (to include partial closures caused by a long-term reduction in opening hours or services which would have a significant impact on customers)?**

Respondents largely supported our proposal to include partial closures within the scope of the guidance. Many noted that it is important to recognise that partial closures have the same potential as full closures to have a significant impact on customers. For example, one respondent noted that a long-term reduction in hours or services can have a negative impact on the financial wellbeing and inclusion of customers, given many people in the UK still have limited access or capacity to use online tools.

Some respondents asked for more clarity on the definition of partial closures and what is a 'significant impact' on customers. Some firms asked for a more detailed definition; for example, a specific threshold similar to the Access to Banking Standard, which applies where the opening hours are reduced by more than 30% over 1 year.

Some firms suggested that the definition should not apply to changes in how services are delivered if customers receive the same outcome. They asked us to remove the example of a counter removal as, in many cases, customers can access the same services they were previously accessing at the counter on another assisted smart device. Other respondents asked for the definition of partial closure to cover a wide

range of services and highlighted the impact of removal of services on SME ability to pay in/withdraw notes and coins.

### **Our response –**

We have not changed our guidance to include a specific threshold beyond which impacts are significant. Firms should consider how changes will impact their customers given the extent of the closure in the context of local customer need. A significant reduction in one firm's opening hours may not be significant for another's. For example, reducing opening hours on a busy morning is likely to have a greater impact on customers' ability to access services than during a typically quieter time, although this might not always be the case given other local factors such as market days.

Some firms have been complying fully with our guidance when they consider any amount of reduced services or hours. It is of course open to firms to do this, but the guidance only applies where the changes would have a significant impact on customers.

When changing the channel through which services are delivered, it is important that firms consider if the alternative service provided is appropriate. For example, if a firm is considering removing a counter, it should consider all the services that were accessed at the counter and whether customers are able to access all of these via the alternative channel.

### **Q2: Do you have any comments on the other proposed changes to our Guidance?**

#### **When will the guidance come into effect?**

Respondents asked how we extend this guidance to apply to plans for closures or conversions that are already underway. Other respondents asked if we would be able to retrospectively enforce the guidance, and whether we will review it again after the introduction of legislation to protect access to cash.

### **Our response –**

We recognise it may not be reasonable to expect firms to take full account of the updates to this guidance where plans are so advanced that they have already been decided on. We expect the updated guidance to apply as soon as it is published. Where a firm has not yet taken a decision on the date the updated guidance takes effect, we expect it to apply in full. As was our approach with the original guidance, where decisions to close or convert have already been made, we expect firms to take account of the updated parts of the guidance to the extent it is reasonable to do so.

Firms are also reminded of the ongoing application of our Principles for Businesses to their business activities, including decisions to close branches in full or part or to convert ATMs. We will challenge firms where we do not believe that they are adhering to the Principles.

We will consider the role of this guidance again after the introduction of legislation to protect access to cash.

### **Application of the guidance**

A number of respondents raised that it would be disproportionate or difficult to comply with the guidance in some circumstances. For example, where an unplanned closure is the result of flooding or other damage, or where the branch or ATM had been established as a pilot.

One respondent suggested that the guidance should apply to any closures lasting 3 months or longer, as opposed to the proposed 6 months. Some respondents asked that we embed the concept of 'reasonableness' in this guidance, given that certain circumstances beyond a firm's control, such as operational delays, would unduly trigger the 6-month threshold.

Respondents broadly agreed with our proposal that firms should consider whether services provided through emerging models should come under the scope of the guidance. Some wanted us to clarify that firms operating banking hubs are regulated by the guidance. Others queried how the guidance applies if only one firm withdraws from the shared delivery model.

One respondent asked for more detail on the definition of a customer as it relates to branches, beyond the definition of a retail customer.

### **Our response –**

Paragraph 2.6 of the guidance already contains a statement saying that we expect firms to comply with the guidance to the extent it is reasonable to do so in exceptional circumstances where events outside a firm's control lead to a closure.

We recognise it will not be proportionate or practical for firms to take full account of this guidance in all cases. It applies when firms decide to partially or fully close a site, but not in the event of unplanned closures, pilot programmes or temporary closures, where we recognise some of the expectations to be disproportionate. For clarity, we have added another example of what might constitute an unplanned closure to the guidance.

In the case of pilot programmes, although the guidance does not apply, firms may still want to consider notifying customers of the closure. For example, the same group that they informed of the pilot or those they know regularly use the location.

We have decided that it is appropriate that the guidance applies to 'long-term' closures lasting 6 months or more. We do not consider it would be proportionate to require the in-depth analysis and planning firms are expected to do under the guidance in relation to a short-term closure. Even where the guidance does not apply, firms must still ensure they are treating customers fairly (Principle 6) and communicating with them in ways that are clear, fair and not misleading (Principle 7). They may find some aspects of the guidance helpful to achieving this.

Our guidance already defines a 'branch' widely as 'the physical site where firms undertake regulated banking activities or provide regulated payment services for their customers, whether consumers or small and medium enterprises (SMEs), who attend in person.' It applies to regulated firms who operate or have agents operate such sites. The market for shared banking service delivery models is rapidly developing. Since many of these business models, such as banking hubs, are relatively new concepts and there are a number of different models emerging we consider it appropriate at this point in time to flag the issue for firms to consider. We may say more on this in the future when the market is more developed.

We consider that our definition of customer is appropriate and enables us to advance our objectives in publishing this guidance. The details of who firms' customers are will also vary from branch to branch, so we don't feel it is appropriate to give a definition of a *branch customer*, although the guidance contains clarifications on our expectations regarding extremely infrequent customers of the branch.

### **Communicating with customers and other stakeholders**

Some respondents thought our expectations of firms' communications requirements are not proportionate in the case of, for example, a reduction in hours. Others queried how firms will ensure that customers read and understand the information communicated sufficiently.

Respondents also asked us to clarify whether we expect firms to consult with customers and stakeholders before making a decision to close a branch. One respondent said that it was important to inform colleagues before external stakeholders of the closure, and that consulting with stakeholders might mean colleagues do not hear of the closure directly from the firm. Others requested that firms consult trade unions before the closure, as well as local traders' associations and Business Improvement Districts. We received other suggestions of groups to be notified of the closure.

### **Our response –**

The guidance seeks to make sure that firms assess customer needs and consider the availability and provision of alternatives where closures or conversions are planned. If firms decide to go ahead with a closure or conversion after completing their initial analysis, we expect them to communicate information about the closure clearly and in good time to customers and other stakeholders.

It is important that firms give customers sufficient and timely notification of any closure or conversion proposals, to ensure that customers have enough time to digest the information, consider what it will mean for them and change provider if necessary. We therefore think it appropriate that firms consider this for all closures or conversions, given that both full and partial closures have the potential to impact customers significantly.

To ensure customers have good opportunity to read information about the closure we have amended 2.37 to clarify that clear communications to customers about closures should include direct written communications to customers who use the closing branch and will be impacted by its closure. Writing to impacted customers is consistent with established industry practice under the Access to Banking Standard overseen by the Lending Standards Board. Alongside this Guidance, the Consumer Duty (2A.5.3 R) will require firms to support retail customer understanding. We do not expect firms to formally consult their customers or staff as part of the analysis firms conduct before their announcement, although some firms may choose to do this. We have clarified the language used at paragraph 2.36 of the guidance to reflect this.

We have also amended the guidance to make clear that firms should consider any feedback they receive following this, particularly where it relates to customer need or the proposed alternative services.

We have also added suggestions of other local stakeholders that firms should consider notifying about the closure.

### **Assessing customer needs and providing alternatives**

Some firms noted that it would be useful to have a template suggesting which data firms should consider including in their analysis.

Respondents asked for further clarification as to why we want to see the commercial evaluations completed by firms before they decide to close or convert a site. Others asked for further engagement with us on the details of these to ensure our expectations are achievable.

Some respondents suggested improvements to how firms consider alternatives. One suggested firms' analysis should include information on how customers will access a wide range of services including seeking advice or other services. Others highlighted that where firms have removed services from a branch in the past, the analysis should consider the services customers need, not those currently offered. It was suggested that the analysis should distinguish between services used by consumers and SMEs. Some respondents want firms' analysis to consider the additional costs to customers of accessing alternative services. For example, extra time or money spent traveling to a new location.

Some respondents felt that the guidance should require firms to put alternative provision in place to replace services being lost, at the same time that a branch is being closed. They queried whether closures should go ahead if firms are not able to effectively migrate services to another accessible channel by the point in time a branch is closed.

### **Our response –**

We recognise that a template may help firms organise their analysis. We are aware many firms also submit information about their closure plans to LINK for them to conduct their community access to cash assessments. We have engaged with firms via the Cash Action Group to develop a template that firms may use on a voluntary basis to provide information to the FCA as well as LINK.

We have included the commercial evaluation as a requirement in the updated guidance as it is an important part of firms' own analysis. We want to see a summary as it helps us to understand the firm's rationale and context for the closure. We look at the evaluation to understand the costs and benefits of the options available to firms to continue to meet their customers' needs. This helps us to monitor and assess whether firms are sufficiently considering appropriate options and treating their customers fairly.

It is important for firms to think holistically about the services that customers may lose access to when branches close or service provision changes, identifying clearly which services are used by consumers and SMEs in their analysis. Firms should consider the services currently offered by the particular branch before changes or closure take place, and seek to provide, where reasonable, appropriate alternatives.

We also agree that when considering suitable alternatives firms should take into account the additional costs to customers of accessing the proposed alternatives. This was already reflected at paragraph 2.31 of the guidance.

The draft Guidance in GC22/2 set out our expectations that firms' pre-closure planning should include the effective migration of services and that firms should consider whether they should pause the implementation of a closure or conversion until they have an appropriate solution in place. We explained that we may ask firms to delay their closure or conversion plans where we are not satisfied that they are complying with Principles 6 and 7.

Following feedback, we have clarified our guidance so our expectations of firms are clearer.

With the cost-of-living crisis, it is more important than ever that firms support their customers and consider their needs. To ensure a smooth transition, branches shouldn't be fully or partially closed until reasonable, fit-for-purpose alternatives are in place. This will minimise gaps in services, especially for people in vulnerable circumstances who may rely on them.

## **Vulnerability**

Respondents asked for clarification that the data they collect on customers in vulnerable circumstances should remain within data privacy requirements. For example, whether firms should only collect protected characteristics data that is self-disclosed by a customer or that has a direct impact on how customers access the banking services offered. One respondent noted that customers 75+ should be considered particularly carefully in firms' closure analyses.

Other respondents asked us to reflect in the guidance that members already do account for customers in vulnerable circumstances.

### **Our Response -**

When dealing with customers' personal information, firms and staff must ensure that they comply with all applicable data protection requirements. Appendix 1 of FG21/1 discusses data protection considerations that firms should take into account when interpreting that guidance and is also relevant to this guidance.

We agree that people in the 75+ age category may be especially likely to display common characteristics of vulnerability due to health and life events associated with old age. However, it should not be assumed that all customers within an age category will display any characteristics of vulnerability. Firms should equally be aware that many younger customers may be in vulnerable circumstances that could be exacerbated by a branch closure.

We appreciate that branches are not the right solution for all customers and many firms do have in place many other accessible channels. This does not exempt firms from the expectation that they will undertake appropriate analysis and treat their customers fairly when they do close branches.

### **Examples of good practice**

Many respondents asked for more examples of good practice to be added to the guidance to aid their benchmarking of plans.

### **Our Response -**

We have added more throughout to aid firms in this, but stress these are not an exhaustive collection.

### **CBA feedback**

Respondents broadly agreed with the assessment made in our cost benefit analysis. Some asked for greater consideration of the costs to consumers and small business

of the closure; for example, the cost of traveling to alternative services. One respondent noted that although there might be additional costs associated with the updates in this guidance, this is outweighed by the detriment to customers that is avoided should their needs be properly considered and reasonable alternatives put in place.

### **Our Response -**

Respondents have not identified any specific further costs and benefits associated with the changes in guidance that we could qualitatively reflect in our CBA. As with our original CBA, quantification of costs and benefits is not possible since they will be highly dependent on the scale of any future plans for site closures or conversions by firms, and the specific actions that firms take as a result of the guidance.

In response to the feedback above, we made a number of changes to the drafting of the finalised guidance to give greater clarity and address issues raised.