

Guidance consultation

Branch and ATM closures or conversions: Updated Guidance for Firms

GC22/2

June 2022

1. Introduction

- 1.1 How firms deliver banking services to their customers is changing. Banks are transforming their businesses to meet the developments in increasing digitalisation and technological change, changing consumer expectations, and the need to be cost-effective.
- 1.2 When firms are considering closures or conversions of branches or ATMs, they must ensure they make and implement these decisions fairly. To do this, firms need to ensure they understand the needs of customers and consider how changes affect them before they decide how to proceed.
- 1.3 To ensure our expectations under our Principles are clear, we are updating our original guidance for firms on Branch and ATM closures or conversions (FG20/3).

Why we are consulting

- 1.4 Banking services are delivered through a range of channels, with most services now accessible online or by phone. The focus of this guidance consultation is on changes in provision of in-person services, as that is where we are seeing the greatest change and risk of harm.

- 1.5 Customers continue to rely on bank, building society and credit union branches for their everyday banking needs. Our Financial Lives Survey 2020 found that around a quarter (27%) of adults with a day-to-day account regularly used a branch. One in six had a branch they previously used regularly close down in the last 12 months.
- 1.6 However, the shift from physical to digital banking and payments has made it more expensive for individual firms to maintain their existing physical infrastructure. Firms facing cost pressures and changing customer behaviour, including from the impact of the pandemic, have been looking to reduce the size of their physical infrastructure. This includes their branch network or ATMs (cash machines). They may also look to 'convert' free-to-use ATMs to pay-to-use ATMs.
- 1.7 We have been supervising firms' closure and conversion processes closely against FG20/3. This set expectations that firms would assess how the closure or conversion of branches or ATMs would affect their customers' everyday banking needs, particularly customers in vulnerable circumstances. It also made clear that firms should consider what alternative services are available or could reasonably be provided to meet customer needs, and how customers can be supported to use another channel.
- 1.8 While we have seen examples of good practice, some firms have fallen short of our expectations outlined in our guidance. In February, we shared some [examples of good practice and areas for improvement](#) to enable all firms to have the opportunity to learn from the good practice we have seen. We have updated this document alongside this consultation to share further examples.
- 1.9 We have reviewed FG20/3 in light of our experience supervising firms' closure and conversion plans and processes. Our review also took into consideration the findings of the Lending Standards Board (LSB) recent [review](#) of the Access to Banking Standard. This includes its recommendation that in the future the FCA should provide sole oversight of branch closures and changes in branch service provision. Our guidance builds on the Banking Standard and reflects many of its requirements.

Who this applies to

This consultation is likely to be of interest to:

- regulated firms, including banks, building societies and credit unions
- consumer organisations and individual consumers
- industry groups/trade bodies
- policy makers and regulatory bodies
- industry experts and commentators, and
- academics and think tanks

What we want to change

- 1.10 We have learnt from our experience supervising firms against FG20/3. We know that in some cases firms make decisions to close branches that are still being used by significant numbers of customers. We have also seen firms making decisions to remove facilities, for example counter services, from branches or to permanently and significantly reduce the hours that branches are open. We want to ensure that our expectations in such circumstances are clear for firms and customers.
- 1.11 Where firms plan significant changes to services that customers attend in person, we want to ensure that they assess customers' needs and consider the availability and provision of alternatives. We want firms to support customers effectively through any transitions triggered by changes to access.

Partial Closures

- 1.12 Significant reductions in opening hours or days, or reductions in branch services (such as removal of a counter) can have a significant impact on customers' access to banking services and result in harm. We are increasingly seeing instances of firms permanently reducing opening hours or available services, sometimes following temporary changes introduced because of Covid-19. These 'partial closures' are currently not covered by the guidance (some are covered under the LSB's Standard). We want to extend our guidance so that it applies where firms partially close a branch in the same way as it does to full closures.
- 1.13 We propose to define a 'partial closure' as a long-term reduction in branch opening hours or days or reduction in branch services, such as the removal of a counter, where this would have a significant impact on customers. We propose that this also applies to a reduction in hours of internal extended hours ATMs.
- 1.14 We are proposing to define a 'partial closure' by referring to 'long-term' rather than 'permanent' changes. This would capture extended periods of closure lasting six months or longer, which might otherwise be seen as temporary, such as closures due to long-term building works. This recognises that the impact of long-term closures on customers are similar to those of permanent changes. It makes sure our guidance also applies in circumstances where a planned long-term change is extended, perhaps later becoming permanent.

Emerging delivery models

- 1.15 As firms look to close dedicated branches, they may increasingly rely on providing in-person banking services at other venues, such as banking hubs or in other community sites. As well as considering the impact of moving from dedicated branches to other venues, we want firms to consider and manage the impacts on customers if the services provided at such venues are later changed or withdrawn.
- 1.16 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.’ As this already includes circumstances where firms provide (or have agents that provide) banking services at physical sites that are not traditional branches, we are not proposing to extend the definition. Instead, we are proposing to remind firms in the guidance that they should consider whether the services that they are providing through emerging models meet this broad definition of a branch, meaning that the guidance applies to them with respect to a proposed closure of, or withdrawal from, the hub or venue.

Closure Analyses

- 1.17 It is important that firms conduct robust analysis before they decide to close a branch so that they understand the volume and type of customer usage at that branch. In particular, this is so they can consider the suitability and likely longevity of alternative services. Our proposed update would mean that we expect the analysis to include usage trends and overall transaction volumes across a suitably representative time period. To help us understand the rationale and context for the closure, we want firms to share details of any commercial evaluation they have completed with us. For example, assessing financial impacts on the firm of the planned closure and relative costs and benefits of the options available to continue to meet their customers’ needs. We are also proposing to make our guidance clearer that, 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.

Customer and stakeholder communications

- 1.18 We already expect firms to clearly communicate information about proposed closures or conversions to their customers no less than 12 weeks before they are to be implemented. Firms should also tell customers about alternative ways to access services in the area. We encourage firms to consider using local networks to communicate with customers in vulnerable circumstances, such as a local carers’ group.
- 1.19 We want to extend the communications section of the guidance to ensure other stakeholders, like relevant consumer groups (such as charities representing local carers and the elderly) and local councils are also proactively contacted. We want firms to identify relevant organisations, tell them about the closure or conversion plans, and give them information that enables them to understand how they can engage with the firm during and after the closure or conversion. For transparency, we want firms to publish a list of stakeholders (besides customers) that they are contacting about the plans.

Vulnerability

- 1.20 Since publishing FG20/3, we have issued [Guidance on the fair treatment of vulnerable customers](#) (FG21/1). This sets our expectations on the treatment of customers in vulnerable circumstances, including when firms are making decisions to change provision of products or services. We want to update FG20/3 so that it cross refers to FG21/1 and reminds firms of that guidance's relevance to firms' conduct on branch closures and ATM conversions.
- 1.21 We are also proposing to add further examples to the guidance to highlight how firms can meet our expectations. These highlight the importance of considering the impact of a closure on access to branch services for customers in vulnerable circumstances. For example, account opening, proving identity and issues with Power of Attorney are likely to be dealt with by face-to-face meetings in a branch. Where a firm identifies a branch for closure, it should make the effective migration of these services, to a channel which customers will find accessible, part of the pre-closure planning. The examples also highlight that firms should consider what channels of communication would be suitable for customers in vulnerable circumstances.

Minor updates to improve clarity and editorial changes

- 1.22 Our consultation proposes other editorial and minor changes to our existing guidance to improve its clarity. For example, updates to make clear that information provided to customers and other relevant stakeholders should be easy to find, and that lessons learned from previous branch closures should be considered when conducting the analyses.

How this links to our objectives

- 1.23 This guidance and the proposals to update it support our consumer protection objective. They are designed to protect consumers by ensuring that firms assess customer needs and consider the availability and provision of alternatives where closures or conversions are planned.
- 1.24 When proposing updates to this guidance, we have had regard to the principles of good regulation, including the need to ensure that any burden or restriction that we impose on a person, firm, or activity is proportionate to the benefits we expect as a result.

Equality and Diversity considerations

- 1.25 We are required under the Equality Act 2010 to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, and to foster good relations between people who share a protected characteristic and those who do not.
- 1.26 As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. Our previous assessment remains unchanged. We do not

consider that these proposals will adversely affect consumers with protected characteristics. Consumers with some protected characteristics, such as those with a disability, may benefit from the proposals if this guidance means that alternative provision is more accessible.

Costs and Benefits of our proposals

- 1.27 Following the approach used when assessing impacts for FG20/3, we have described the types of costs and benefits that we expect to arise as a result of the proposed updates to the guidance – see Annex 2. The impacts of the proposed updates relative to the existing expectations covered in FG20/3 are likely to be relatively small.

The future of this guidance

- 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 proposed [Consumer Duty](#). However, we will review this guidance again next year and will revise it if appropriate in respect of our new cash powers or further developments in the evolution of retail banking services.

How to respond

- 1.30 Please review the proposed changes to the guidance. The key changes from the original guidance, FG20/3, are marked in Annex 1 for ease of review.
- 1.31 We are asking for responses to the following questions by 26 July 2022. You can send them to us using the [form](#) on our website. If you are not able to use the form contact us at gc22-02@fca.org.uk to discuss alternative ways to respond.
- 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)?
- Q2:** Do you have any comments on the other proposed changes to our Guidance?
- 1.32 We make all responses to formal consultations available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure. We may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the

response is reviewable by the Information Commissioner and the Information Rights Tribunal.

Next steps

- 1.33 We will review responses to this consultation and aim to finalise the guidance later in 2022.

Annex 1: Proposed changes to FG20/3: Branch and ATM closures or conversions

June 2022

1 Summary

- 1.1 This guidance was originally published on 14 September 2020 and took effect on 21 September 2020. The guidance was updated with effect from [] and continues to have effect until varied or revoked.
- 1.2 A wide range of customers use bank branches and ATMs, including those who are in vulnerable circumstances. Data from the 2020 Financial Lives Survey (FLS) shows that around a quarter (27%) of adults with a day-to-day account regularly used a branch. Adults most likely to regularly use a branch include the digitally excluded (52%), those aged 75+ (45%), those in poor health (37%) and the self-employed (37%).
- 1.3 FLS also shows that 10% of UK adults state they rely on cash to a 'great' or 'very great' extent. This figure is higher (16%) for adults with one or more characteristics of vulnerability. One in ten UK adults said that they did not know how they would cope, or that they would not cope at all, in a cashless society. This rose to 16% for adults with characteristics of vulnerability. This is broadly consistent with the findings of the Access to Cash Review.
- 1.4 This guidance sets out our expectations when firms are considering a long-term closure of a branch or ATM conversion. This includes:
 - a full planned closure of a branch or ATM,
 - a reduction in branch opening hours or days or reduction in branch services, such as the removal of a counter, 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.

Who this guidance affects

- 1.5 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'), and
 - 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')
- 1.6 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 2.4-2.9).
- 1.7 A branch is 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 (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.
- 1.8 Firms providing services to customers who attend in person through emerging models like banking hubs or in community venues should consider the paragraphs about scope to determine whether the guidance applies to them with respect to a proposed closure of, or withdrawal from, the hub or venue.
- 1.9 We will take into account proportionality when considering how a credit union has followed this guidance. In practice, 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

- 1.10 Paragraphs 2.17-2.41 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.
- 1.11 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
- ~~cash~~ or cheque deposits
- making payments in-branch by cash or cheque, such as to pay down a regulated mortgage or regulated credit agreement
- opening or closing an account
- proving identity
- dealing with issues related to Power of Attorney or bereavement

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 €2 million), or
- a charity with an annual income of less than £1 million.

1.13 Otherwise, references to 'customer' in this consultation mean a consumer or SME (ie enterprises with an annual turnover of up to £25 million).

1.14 We will use this guidance to inform our engagement with firms on planned closure or conversion programmes, and to help ensure that firms are treating their customers fairly.

1.15 We expect to challenge processes and if appropriate 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

Analysis and 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 engagement with us should start 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 the future in line with the New Consumer Duty if it is introduced.

- 1.17 When a firm considers closing a branch or converting an ATM, before it decides how to proceed, we expect it to analyse the needs of customers currently using the sites, the likely impact of the closure or conversion, and alternatives that are or could reasonably be put in place to meet those customers' needs. This will help firms ensure they treat the customers of a closing branch or converted ATM fairly.
- 1.18 This 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.
- 1.19 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.

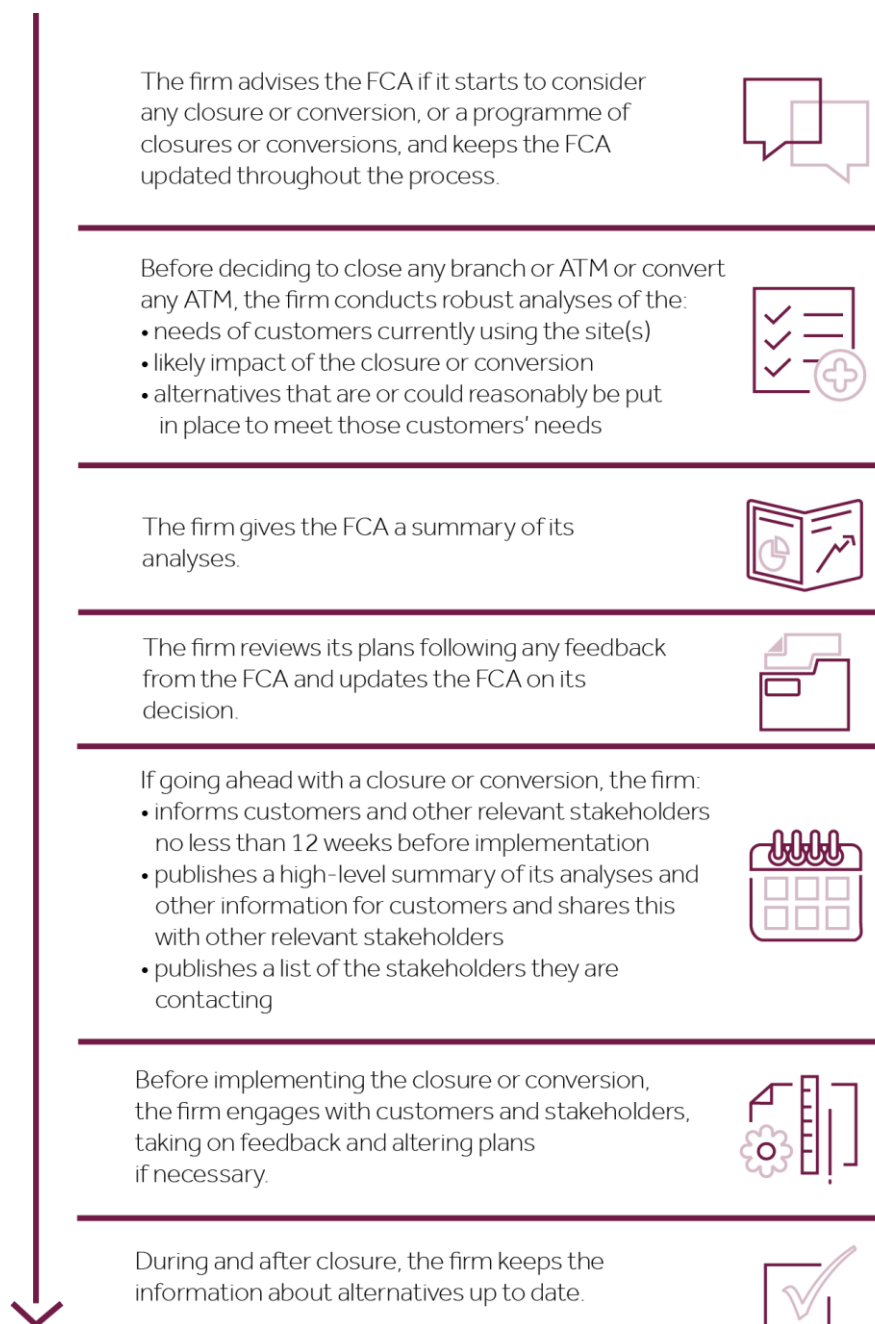
Communications with customers and other stakeholders

- 1.20 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.
- 1.21 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 1.17. This summary should be easy for customers to find and accessible to affected customers (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.
- 1.22 The firm should communicate this above information clearly and early enough that customers have reasonable time to take action. In deciding when to effect the 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. They should also consider how long it might take a customer to change their banking provider.
- 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.

Implementation of a closure or conversion

- 1.24 Firms should ensure that they keep the information they provide about the alternatives that can be accessed up-to-date.

Figure 1:
summary
of this
guidance



This guidance and legislation

~~In July 2021, the Government consulted on legislating to protect access to cash in the long term. That legislation will provide a framework to protect access to cash for~~

those who need it. This guidance is not intended to overlap with, or to pre-empt any decisions regarding that legislation. The scope of this guidance is wider than will be covered by the legislation as it also applies to other branch services beyond access to cash. We will review this guidance in the light of legislation and will revise it if appropriate.

Equality and Diversity

We are required under the Equality Act 2010 to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, and to foster good relations between people who share a protected characteristic and those who do not.

As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. We do not consider that these proposals will adversely affect consumers with protected characteristics. Consumers with some protected characteristics, such as those with a disability, may benefit from the proposals if this guidance means that alternative provision is more accessible.

The FCA's objectives and regulatory principles

This guidance supports our consumer protection objective. It is designed to protect consumers by ensuring that firms assess customer needs and consider the availability and provision of alternatives where closures or conversions are planned.

In developing this updated guidance, we have had regard to the principles of good regulation, including the need to ensure that any burden or restriction that we impose on a person, firm, or activity is proportionate to the benefits we expect as a result.

2 Guidance on closures and conversions

Site closures and conversions

- 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, such as the removal of a counter, 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 '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.
- 2.3 A 'conversion' means the conversion of a free-to-use ATM to a pay-to-use ATM.

Instances where this guidance may not apply

- 2.4 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.
- 2.5 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. 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.
- 2.6 The guidance does not apply where a firm closes or converts its ATMs located within its own branch (ie not on an external wall) and the same services can be provided at the counter of that branch, or its ATMs within a Post Office branch where the same transactions can be conducted under the Banking Framework agreement.
- 2.7 Where a firm expects a closure to be temporary, this guidance does not apply unless the temporary closure is long-term (see paragraph 2.2). If a decision is made to make a temporary closure permanent, the guidance applies.

- 2.8 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.
- 2.9 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

- 2.10 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').
- 2.11 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.
- 2.12 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.
- 2.13 We expect to receive a clear summary of the results of the detailed analysis of customer usage, needs, impact, potential alternatives and commercial evaluation set out in paragraphs 2.17-2.31, and to receive updates to this throughout the process if the analysis is developed further.
- 2.14 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.
- 2.15 We will handle confidential information firms give to 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.

- 2.16 Where, based on any information provided to us, we consider there may be a breach of the Principles, we will act accordingly.

Assessing customer needs and providing alternatives

- 2.17 This section relates to Principle 6 ('A firm must pay due regard to the interests of its customers and treat them fairly').
- 2.18 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.
- 2.19 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 vulnerable consumers and relevant vulnerable SMEs or micro-enterprises. They should also have analysed the services that the firm's customers can access at alternative sites, how these meet their needs and compare to the services currently used at the site proposed for closure and made an analysis of new alternative access arrangements that the firm could reasonably put in place. This section sets out what, as a minimum, firms' analysis should include.
- 2.20 Analysis could involve the firm reviewing the data it already holds, engaging with local groups, charities, and the local authority, as well as gathering collected data through a staff or customer survey.
- 2.21 Firms should take a proportionate approach to these analyses. A firm is likely to have less information on the needs of customers of their ATMs than of branch customers, and we will not expect firms to conduct the same level of analysis for these customers. Firms should consider the types of relevant factors set out in this section and consider what is proportionate for them to analyse. We also do not expect firms to provide analysis of users who use their services extremely infrequently.
- 2.22 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.

- 2.23 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).
- 2.24 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 also includes 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

- 2.25 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.
- 2.26 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.
- 2.27 Where existing alternatives are not available, the firm should consider what alternative provision could reasonably be made available to address any loss of service caused by the closure or conversion. This could include, but is not limited to:
- sharing services with other providers
 - providing mobile banking hubs or cash delivery services
 - commissioning a free-to-use ATM
 - supporting customers to use digital channels where they are able
 - developing other innovative solutions to address loss of service
- 2.28 We encourage firms to engage with industry initiatives designed to address gaps in access that their planned closures or conversions may create.
- 2.29 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.
 - 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 firms' own premises.
 - Consider the impact of closures and customer migration to remaining branches. This includes evaluating the capacity of the remaining branch to support additional customer transactions, including the impact at peak times. Note that firms who seek to rely on paragraph 2.9 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. 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 may have on customers' ability to access them.

- 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. 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.
- Consider the need to avoid causing customers harm by removing access before customers can access any alternative provision that should be put in place. Where alternatives are not already available or require changes (such as additional counter positions or more meeting rooms) the firm should take this into account. Firms should also consider the support customers will need to use another channel and how much time this will take. Firms may consider putting interim arrangements in place to prevent a temporary loss of access for customers. Any such arrangements should be adequately resourced to meet demand.

Commercial evaluation

- 2.30 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

- 2.31 Firms should identify and engage with other stakeholders which may have an interest in the closure or conversion besides customers of the relevant location. This should include but not be limited to groups that help consumers in vulnerable circumstances, such as local carers' groups. Firms should consider contacting consumer groups, community groups, local councils and local MPs about the closure or conversion.

Communicating with customers and other stakeholders

- 2.32 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').

- 2.33 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. Once a firm has completed its analysis and consulted stakeholders, 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 or conversion is planned to take place.
 - A high-level summary of the firm's analyses of customer needs, the impact on customers, and potential alternatives, as well as 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 services and cash and other relevant branch 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.
 - A list of stakeholders (besides customers) that are being contacted about the plans, and
 - How other relevant stakeholders can engage with the firm during and after the closure or conversion, eg to represent consumer interests.
- 2.34 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 firm should also keep the information up to date and take into account the information needs of customers. It 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. Other relevant stakeholders (besides customers) should also be sent the information with any updates.
- 2.35 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 consider whether individual communications may be appropriate for customers who are known to be in vulnerable circumstances. See paragraphs 2.37-2.41 for more information.
- 2.36 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

- 2.37 Our Principles for ~~Businesses~~ require all the 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).
- 2.38 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 opening or closing an account, or dealing with issues involving Power of Attorney or bereavement.
- 2.39 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.
- 2.40 Firms should take into account the communication needs of customers in vulnerable circumstances when designing their strategy. 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 as 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.
- 2.41 We recognise 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.

Other applicable requirements

- 2.42 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.

Annex 2: Cost Benefit Analysis

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.
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. 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.
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.
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.
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
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 impacts on the firm of the planned closure
 - providing additional information to certain parties, including:
 - providing relevant stakeholders other than their existing personal and business users with information about the 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.
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.
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.

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.
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.
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.
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.
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.