House of Commons Library

Research Briefing

By Steve Browning
8 August 2022

The future of local banking services and access to cash

Image Credits

Mtaylor848 / image cropped.

Contents

Summary

Technological and social change have led to decreased reliance on both physical cash and traditional bank branches.

While cash accounted for 45% of all payments in 2015, five years later it was used in only 17% of transactions in the UK. The coronavirus pandemic reinforced this tendency.

Similarly, the number of bank and building society branches in the UK fell by about 34% between 2012 and 2021.

Who's affected by the changes?

While such changes reflect wider economic trends, the Access to Cash Review argued that many people and small businesses risk being left behind (pdf). The Review's 2019 report (pdf) found that older people, those on a lower income, and people with certain physical and mental health problems are particularly likely to be affected if society went cashless.

The Financial Conduct Authority (FCA) identified similar groups as most likely to be affected by bank branch closures. Many small businesses (pdf) also depend on physical branches. The Scottish Affairs Select Committee found that whole communities – especially in rural areas – are affected when the last branch in a community disappears.

Threats to the future of cash

In 2019, automated teller machines (ATMs) provided about 90% of the cash withdrawn in the UK. But ATM numbers have declined too over recent years, partly because fees payable to machine operators have reduced. Those operators have often responded by introducing pay-to-use ATMs.

Although there have been attempts to remedy that trend, it's possible that providing ATMs could become uneconomical, leading providers to withdraw.

Many businesses and traders have also moved towards non-cash payments. This could also threaten the future of the cash distribution industry (pdf).

Responses to branch closures

There has been widespread public and political concern about the closure of bank branches and the subsequent effects on communities. Successive Governments have noted the concerns but maintained that these were commercial decisions that they would not intervene in.

Many banks and building societies signed up to a voluntary Access to Banking Protocol (pdf) in 2015, and its successor – the Access to Banking Standard – in 2017. Signatories agreed to inform and liaise with affected customers and communities to mitigate the effects, although again this arrangement did not prevent closure.

In 2019, the Scottish Affairs Committee sought “a commitment from banks that they will not close the last bank in town”. It said that if such a guarantee wasn’t forthcoming, the Government should legislate to provide it.

A new focus on protecting access to cash

More recently, wider policy and political discussion has focused more generally on the future of access to cash.

An independent Access to Cash Review was established in 2018. While not advocating “a view on the merits of a cashless society”, the Review highlighted the risks to millions of people of “sleepwalking” into such a situation. It called on Government, regulators, financial services and others to work together to “keep cash viable for the foreseeable future”. It noted that this would however require imaginative responses in an economy where digital payments predominated. It recommended that digital approaches should be made available to everyone, not just the majority.

Subsequent government and regulatory action has built on the Access to Cash Review’s recommendations:

- The Government announced a commitment to legislating to protect access to cash in 2020.
- The Financial Conduct Authority (FCA) has introduced “expectations” for banks, building societies and credit unions, as well as ATM providers, for plans to close branches or convert ATMs to pay-to-use. This widens and strengthens arrangements covered by the Access to Banking Standard.
- The Financial Services Act 2021 enabled traders to offer cashback without a purchase.

- The Government announced in May 2022 that the forthcoming Financial Services and Markets Bill would protect access to cash by guaranteeing customers "reasonable access" for withdrawal and deposit facilities. It would set and amend geographic access requirements to achieve this. It would also formalise the FCA's powers to oversee this. The Bill would also give the Bank of England powers to oversee the wholesale cash infrastructure.

- The Financial Services and Markets Bill was introduced on 20 July 2022 and is scheduled for second reading on 7 September 2022.

More widely, the Post Office has signed a series of agreements with a wide range of banks and building societies to offer basic banking facilities to personal and business customers. Almost 3 in 10 people used those services in 2021.

A series of Community Access to Cash pilot projects has explored various alternative approaches to providing cash and banking services.

Other Commons Library briefing papers

Our briefing papers Statistics on access to cash, bank branches and ATMs (CBP-8570) and Post office numbers (SN-02585) contain more detailed data and discussion of trends. Our paper Protecting access to cash (CBP-9054) gives a detailed snapshot of policy and statistics in 2021.

1 What's at stake

1.1 The decline of cash

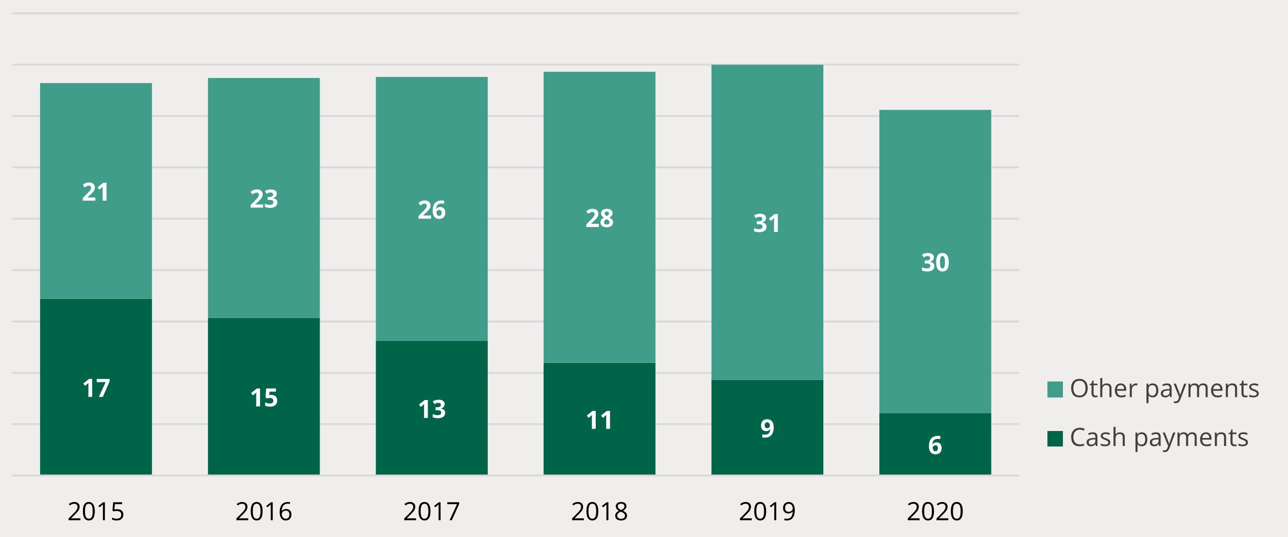
See our briefing paper Statistics on access to cash, bank branches and ATMs for more data.

In recent years, cash has been used less often for payment by people and businesses, while the use of digital payment methods – led by debit cards – has accelerated.

The pandemic saw a particularly sharp drop in cash use, with cash payments accounting for just 17% of all payments in 2020, as set out in the chart below.

Payments by cash and other methods, UK

Billions of payments per year



Source: UK Finance, UK Payment Markets Summary, 2016 to 2021 editions

Digital payments offer a range of advantages to consumers and businesses, including the following, as identified by the Access to Cash Review[1]:

- Speed and convenience
- Maintaining efficient records of payment

1 Access to Cash Review, Access to Cash Review: final report, March 2019 (PDF), p28-31

- Helping to prevent tax evasion
- More protection for consumers, notably in cases of theft or payment disputes
- Providing evidence to improve individual credit ratings
- Helping to reduce abuse and exploitation, including coercive control and financial abuse of vulnerable people
- Potential environmental benefits -- less need for printing notes and transporting cash

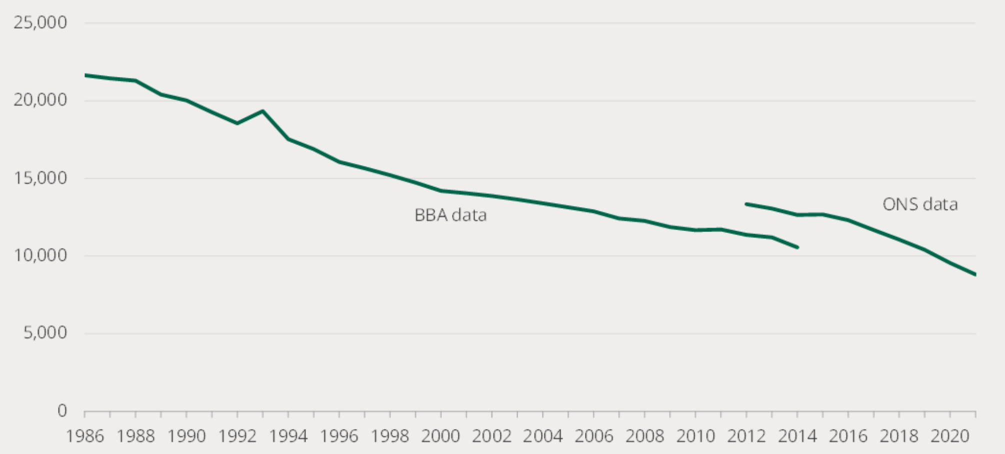
Nevertheless, characteristics of digital payments that help one individual – such as making it quicker and easier to spend money – might also harm another (for example, by making it **too easy** to spend money).

1.2 Bank branch closures

Since the mid-1990s, the number of bank branches in the UK has been falling steadily. The number of building society branches has been more stable.

As outlined in our briefing paper Statistics on access to cash, bank branches and ATMs, the total number of bank and building society branches fell by 34% between 2012 and 2021.

Bank and building society branches in the UK



Source: 1986 to 2014 = BBA data; 2012 onwards = ONS, Business activity size and location, via the NOMIS database (UK Business Counts variable)

Why are branches closing?

High-street banks have traditionally delivered their services through physical branch networks. But business and technological change have allowed banks to offer more efficient – and generally online – methods of operating.

As outlined above, there has also been a wider overall decline in the use of cash in many areas of the economy. The use of cheques is one clear example. Between 2010 and 2020, the number of cheques written fell from 1,050 million to 185 million.[2] Their use had in fact peaked in 1990.[3] The introduction of cheque imaging, which allows customers to scan cheques they receive, has further reduced the need for visits to branches.[4]

In 2018, the Financial Conduct Authority (FCA) noted that banks were making savings from closing branches, and predicted that the trend would continue with changes to technology and customer behaviour.[5] That trend was only reinforced by the rapid changes that the coronavirus pandemic brought about – most notably a move away from physical interaction.[6]

Sarah Coles of Hargreaves Lansdown has noted the "vicious circle" set off by bank closures and accelerated by the pandemic:

> "The closure of bank branches is a vicious circle. The more that close, the more people move online, so there are fewer people relying on high street branches, so more of them close."
>
> "The pandemic picked up the pace around this ever-decreasing circle, closing more branches temporarily and causing online banking to spike."[7]

1.3 Who relies on cash?

In 2019, the Access to Cash Review (see section 4.1) highlighted the following groups as particularly dependent on cash:

- People on a lower income – who are less likely to have digital access and more likely to rely on cash for budgeting
- Older people – who are more likely to be digitally excluded
- People with certain physical or mental health problems – may for instance find it hard to remember a PIN, to use digital systems, or to control compulsive spending
- People who worry that they will overspend if not using 'physical' cash
- People who rely on others to buy things for them

2 UK Finance, UK payments market summary 2021, June 2021, p5 (accessed 25 November 2021)
3 Cheque and Credit Clearing Company, Cheque dates through the ages (accessed 25 November 2021)
4 Cheque and Credit Clearing Company, Cheque imaging (accessed 25 November 2021)
5 FCA, Strategic Review of Retail Banking Business Models ,December 2018
6 See for instance, House of Commons Library, Protecting access to cash (CBP-9054)
7 Credit-Connect, "Banking industry commits to supporting access to cash", 14 May 2021 (accessed 25 November 2021)

- People who are financially excluded
- People in areas with poor digital connectivity.[8]

The FCA found that just before the first pandemic lockdown, about 10% of adults paid for everything or most things with cash. When surveyed later, most of these people who were heavily reliant on cash said they had managed to cope with the reduced access to ATMs and bank branches, but around one in six of them said they had not coped. Around one in six of them also said that they had not coped with fewer businesses accepting cash.[9]

A study undertaken for the Payment Services Regulator in 2019 highlighted the idea of a **preference** (as opposed to an absolute **need**) for cash. While a small minority of respondents didn't have a card, bank account or suitable electronic devices, 28% reported a broad preference for cash. This was "primarily for budgeting and control purposes, but also to avoid the discomfort and security risks they associate with cards and contactless."[10]

Wider questions about going cashless

Beyond its effect on individual consumers, there are wider general concerns about reliance on digital payments:

- Electronic **system failures** can easily bring havoc to payment systems. Perhaps the most significant IT failing to date affected the VISA network in 2018, causing 10 hours of problems for customers across Europe. A switch failure in the UK affected 1.7 million cardholder accounts (10% of all accounts) in the UK and led to 2.4 million transactions (9% of all) failing to process.[11] (That said, such failures can also affect ATMs.)
- Similarly, while digital payments may generally be more secure, when **security** breaks down the effects can be much more serious. For instance, HSBC's internet banking service was brought down by a denial-of-service attack.[12]
- Digital payments can usually be easily traced, raising concerns about privacy. But the HMRC notes that cash can facilitate criminal activity and black markets[13], 'darknet markets' can facilitate illicit trading.[14]

8 Access to Cash Review, Access to Cash Review: final report, March 2019 (PDF), p45-52
9 FCA, Financial Lives 2020 survey: the impact of coronavirus, 11 February 2021
10 Payment Systems Regulator, "PSR publishes detailed research into how people and business access cash", 24 July 2019
11 Treasury Committee, Letter from Visa regarding service disruption (PDF), 15 June 2018
12 "HSBC suffers online banking cyber attack", The Guardian [online], 29 January 2016 (accessed 11 March 2022)
13 HMRC, "Cash, tax evasion and the hidden economy: call for evidence", 24 March 2016
14 Martin Dittus, "Darknet markets: global platforms used for local retail trade", Oxford Internet Institute, 16 April 2018

1.4 Who is most affected by bank branch closures?

FCA research from 2019 found that branch closures presented particular challenges for **disabled and older people** who would have to travel further to reach a branch. Older people in particular were also less likely to turn to mobile banking, increasing their risk of financial exclusion.[15]

In 2016, the Federation of Small Businesses had highlighted the importance of access to branches, especially for **micro-businesses**. They tended to rely on physical access to branches, particularly to deposit and withdraw cash. Many were put off using card machines for payments, notably because of high charges for small transactions.[16]

In addition, physical branches may be important to **all** customers in the event of IT breakdowns and cyberattacks. For instance, the Treasury Committee noted that when the TSB's IT systems failed in April 2018:

> customers were told to go to their local branch or speak to the bank on the phone in order to access their accounts, in lieu of the mobile and internet banking channels which were not working. Almost a year on, customers still cannot apply for loans through TSB's website.[17]

As a result of such concerns, the Committee concluded that "a bank branch network, or at the least, a face-to-face banking solution, is still a vital component of the financial services sector, and must be preserved."[18]

Many of these factors come together in **rural areas**, where the loss of branches may easily result in much longer journeys and where digital alternatives are hampered by poor internet connectivity. And closure is likely to have more serious effects when **the last branch of any bank** in a community disappears. In 2019, the Scottish Affairs Committee highlighted how serious the closure of the "last branch in town" could be:

> The impact of losing a bank is particularly acute when it is the last bank in town. Residents from Lossiemouth wrote to us when it announced that their last bank branch was closing, and it has since been reported that their community ran out of cash on the first weekend after the closure. Local councillors and business representatives reported that small businesses cannot always afford to use digital payment methods and the phone signal is not reliable and so they were damaged by their customer's inability to access cash over the weekend. It was also reported that local people had to travel out

15 FCA, "When bank closures bite: the picture across the UK", 13 March 2019. The report did not however distinguish between telephone and digital banking.
16 Federation of Small Businesses, Locked out: the impact of bank branch closures on small businesses, 2016, p4-5
17 Treasury Committee, Consumer access to financial services, HC1642, 13 May 2019, para 85
18 As above, para 93

> of the community to a supermarket to make a small purchase to allow them to get cashback.[19]

Which? has highlighted the implications of branch closures for customers who require the physical infrastructure of a nearby branch, noting the limitations of alternative local provision, notably by the Post Office.[20] This is a concern reiterated by the Treasury Select Committee, as discussed in section 5.1.

19 Scottish Affairs Committee, Access to cash in Scotland, 29 August 2019, HC 294, para 36

20 Which?, "Can the Post Office really plug the gap as bank branches are shut down?", 16 November 2018 (accessed 26 November 2021)

2 The cash system in the UK

The Royal Mint and Bank of England are responsible for producing coins and banknotes respectively, while the Payment Systems Regulator (PSR) and Financial Conduct Authority (FCA) both have responsibilities for protecting consumers. But neither is formally responsible for protecting the future of cash, although the PSR and the Bank of England regulate LINK – the organisation that in turn oversees the UK's automated teller machine (ATM) network. [21]

2.1 How do people get hold of cash?

The FCA published data about access to cash coverage in early 2021. See also our briefing paper Statistics on access to cash, bank branches and ATMs for more data.

Cash is available to consumers via a range of commercial entities, but most commonly through the ATM network: in 2019, around 90 per cent of all cash withdrawn was from ATMs. [22]

Consumers can also get cash at branches of their banking provider, at a Post Office branch or by requesting cashback in shops.

A 2019 survey for the PSR found that 95% of consumers considered it easy to withdraw cash, although 16% said that they had to go out of their way to get hold of cash, and 6% reported problems seeking cash in the previous month – mostly because of ATM faults.[23]

Attitudes to travelling or paying to get hold of cash varied. Older people and those with long-term health conditions were less likely to be happy to travel out of their way to access cash. Those groups, as well as people in rural areas and those on lower incomes, said that they would rather pay a small fee (of around 20 pence) for each withdrawal if doing so would keep their nearest ATM operating [24]

The Access to Cash Review reported that proximity to a cash access point may not necessarily be enough. ATMs are not always accessible to people with disabilities, and some people worried about the security or privacy of some access points.[25]

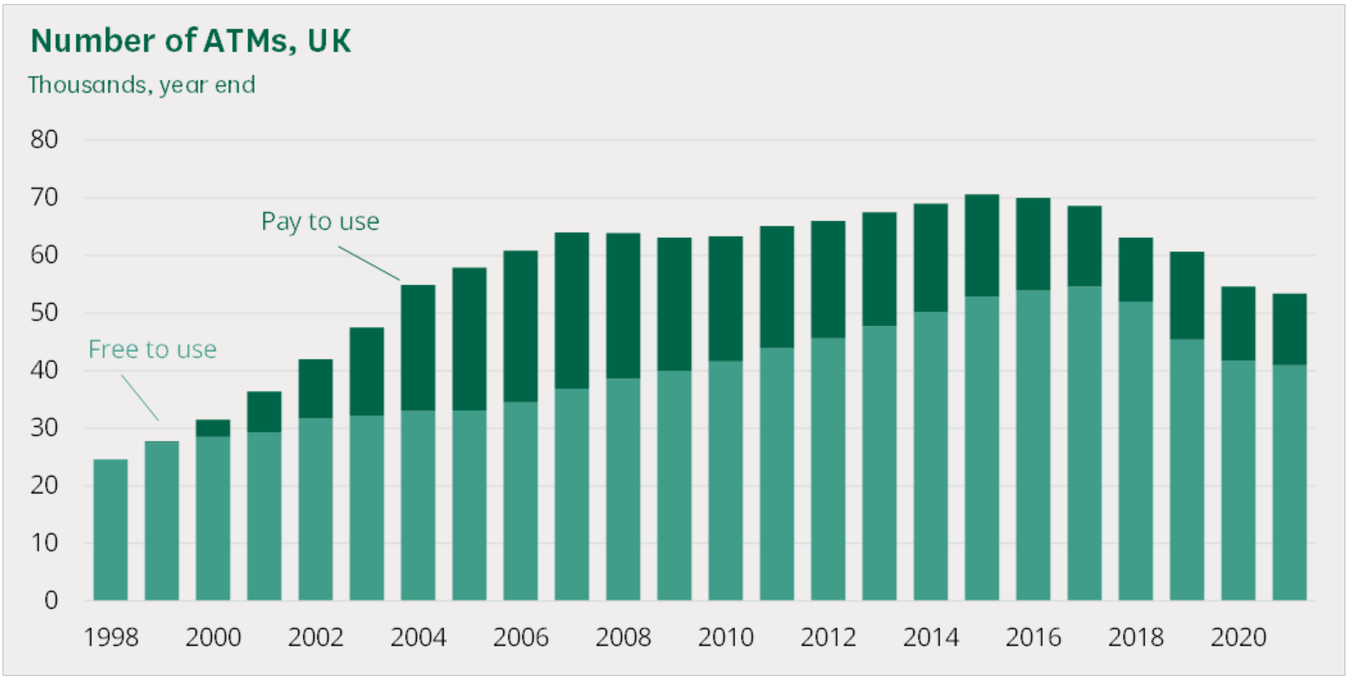
21 National Audit Office, "The production and distribution of cash", 18 September 2020
22 As above
23 Payment Systems Regulator, "PSR publishes detailed research into how people and business access cash", 24 July 2019
24 As above
25 Access to Cash Review, Access to Cash Review: final report (PDF), March 2019, p76

ATMs

Link publishes data on ATMs in the UK on its Statistics and Trends website.

LINK operates the vast majority of cash machines in the UK. According to their website, their network includes "effectively every cash machine in the UK".[26]

As presented in the chart below, the number of ATMs in the UK rose quickly from 1998 until 2007, driven mainly by the growth of pay-to-use cash machines. Between 2007 and 2018, the number of those machines fell each year, but the number of free-to-use cash machines rose up to 2017. Since 2018 the number of free-to-use cash machines has fallen each year.



Source: LINK, Statistics and Trends

Access to free ATMs

There have been concerns that more ATMs have closed or converted to pay-to-use in more deprived communities.[27]

The National Audit Office (NAO) reported that while the average number of ATMs fell more in the most deprived areas in the two years to January 2020, those areas still had more free ATMs overall. The NAO concluded that "the [Payment Services Regulator] has focused on geographical access to free-to-use ATMs but has paid less attention to analysing the impact in more deprived areas".[28]

26 LINK, An introduction to LINK (accessed 12 April 2021)

27 See, for instance, Daniel Tischer et al, University of Bristol, "Where to withdraw? Mapping access to cash across the UK (PDF), 2020

28 Nqtional Audit Office, "The production and distribution of cash", 18 September 2020

That said, about three-quarters of all UK neighbourhoods were no further from the nearest free ATM in 2020 than they had been in 2018. Most of the others were less than 250m further away. But the NAO reported that while most deprived areas had free access to cash within less than 1km, the **closest** option was more likely to be a charging ATM than it was in less deprived places.[29]

The decline in free ATMs has partly resulted from a reduction in the interchange fee – that is, the amount banks pay to ATM deployers when customers withdraw money from a machine that the bank doesn't own. LINK announced various reductions in the fee from July 2018[30] in order to encourage deployment of ATMs in "rural and less-affluent communities" and to maintain LINK's membership.[31][32] But independent ATM deployers such as NoteMachine have said that the changes have reduced their machines' economic viability, 'forcing' them to convert some machines to pay-to-use.[33]

Post Office branches

As discussed in section 5.1, commercial agreements mean that customers of many banks and building societies can withdraw cash from branches of the Post Office.

See our briefing paper Post Office numbers for further information.

The Government requires the Post Office to meet six geographic "access criteria" as follows:

- 99% of the UK population to be within three miles of their nearest post office outlet
- 90% of the UK population to be within one mile of their nearest post office outlet
- 99% of the total population in deprived urban areas across the UK to be within one mile of their nearest post office outlet
- 95% of the total urban population across the UK to be within one mile of their nearest post office outlet
- 95% of the total rural population across the UK to be within three miles of their nearest post office outlet

29 Nqtional Audit Office, "The production and distribution of cash", 18 September 2020
30 See House of Commons Library briefing paper Protecting access to cash (CBP-9054), 13 October 2021, for further details of changes in the fee.
31 LINK, "LINK moves to secure future of free ATMs", 31 January 2018 (accessed 11 March 2022)
32 Card issuers that pay the interchange fee are voluntary members of LINK, so could leave to join other lower-cost schemes, such as those offered by VISA or Mastercard.
33 "UK's free ATM network under threat as operators levy charges, says Which?", The Guardian [online], 1 May 2019 (accessed 6 June 2022)

- 95% of the population of every postcode district to be within six miles of their nearest post office outlet[34]

In October 2020, the Post Office announced significant changes to its ATM estate. [35] While its ATMs were owned and operated by the Bank of Ireland, they were due to be migrated to direct Post Office ownership. As part of this, it would reduce overall ATM numbers (in Post Office branches) by a third. But the Post Office said that it would "retain those ATMs that provide a vital source of cash for communities where nearest alternative free to use ATM is at a significant distance away". The migration continues, but not without technical hitches, including "an ATM balancing discrepancy issue that has affected 205 branches out of the network of 1,400" in February 2022.[36]

Cashback

Research for the PSR in 2019 found that about 20% of consumers had asked for cashback when making a purchase in the previous month.[37]

In 2018, University of Bristol research reported that consumers typically only asked for £20 using cashback, compared with £60 at ATMs.[38]

A possible barrier to the use of cashback – the need to make a purchase – was overturned by a successful amendment to what is now the Financial Services Act 2021[39], as discussed in section 4.3.

2.2 Could the cash system collapse?

The trends discussed earlier in this paper have fuelled concerns about the economic viability of cash infrastructure in the UK. Consumer advocates such as Which? and Natalie Ceeney (chair of the Access to Cash Review) have urged government action on the issue.[40] The Access to Cash Review highlighted two particular threats:

[34] Post Office, The Post Office network report 2021. The report notes that at the end of March 2021 the Post Office met all but the last criterion, missing the target in twelve postcode areas, all in rural Scotland.

[35] Post Office, "Post Office to invest in free to use ATMs", 26 October 2020

[36] Computer Weekly, "Botched ATM software change leaves Post Office branches with cash discrepancies", 14 March 2022 (accessed 15 March 2022)

[37] Payment Systems Regulator, "PSR publishes detailed research into how people and business access cash", 24 July 2019

[38] Daniel Tischer et al, University of Bristol, "Where to withdraw? Mapping access to cash across the UK (PDF), 2020

[39] House of Commons Library briefing paper, Financial Services Act 2021 (CBP-8705)

[40] BBC, "UK's cash system 'will collapse without new laws", 19 February 2020

'Cash deserts': consumers can't get hold of cash

The Review argued that with usage falling, there is a risk that the costs of running an ATM will no longer be met by interchange fees. ATM operators might choose to close ATMs or convert them to pay-to-use.

Although banks and building societies run their own ATMs as part of a range of other services, independent ATM deployers (IADs) run most. If those providers abandoned the market, thousands of ATMs could close rapidly. The Access to Cash Review notes that 57% of all ATMs are run by just four IADs.[41]

Cash infrastructure fails: problems with wholesale and distribution

A few companies run the wholesale cash network in the UK:

- Six wholesale banks buy and sell notes and coins in bulk. They are supported by four members of the wholesale Note Circulation Scheme (NCS).
- Two firms – G4S and Loomis –dominate the market for transporting cash.

The Review found that, as is the case with ATMs, there is a risk that one or more of these firms could exit the market, an event that could severely affect the capacity of the market overall.[42]

2.3 Acceptance of cash

There is a risk that some consumers will be left behind because they cannot pay with cash.

Half of Swedish retailers surveyed said that they probably wouldn't accept cash after 2025, a situation that the Access to Cash Review described as "the real death knell for cash". [43]

Data on cash acceptance in the UK is relatively limited, but a 2019 survey of SMEs for the PSR suggested that acceptance of cash differs from sector to sector, with heavily consumer-facing businesses such as accommodation and food services being particularly likely to take cash, and professional services least likely to.[44]

Trader attitudes to accepting cash are affected by various factors, including digital connectivity, the customer base, value and volume of transactions, business structure, risk of counterfeit notes and whether staff are paid in cash. The costs of handling cash are also important but are not always seen

41 Access to Cash Review, Access to Cash Review: final report (PDF), March 2019, p67
42 As above, p69
43 Access to Cash Review
44 Payment Systems Regulator, "PSR publishes detailed research into how people and business access cash", 24 July 2019

as a direct cost to the business – unlike card transaction fees that appear as a fee on bank statements.[45]

The coronavirus pandemic may have had an impact on the acceptance of cash by retailers. Which? reported in May 2020 that one in ten customers had been refused when trying to pay with cash since the start of the pandemic.[46] Nevertheless, a 2021 survey found that 98% of very small businesses would never turn a customer away for wanting to pay in cash, with a majority emphasising the importance of sales over payment methods and recognising that many customers simply didn't have other options.[47]

[45] Payment Systems Regulator, "PSR publishes detailed research into how people and business access cash", 24 July 2019

[46] Which?, "Coronavirus cash crisis leaving vulnerable people with no way to pay", 2 June 2020

[47] FCA, "UK's cash infrastructure and consumer research", 23 July 2021

3 Action to maintain local bank branches

3.1 How will remaining branches change?

While banks have been closing branches, many have been investing in improving their remaining branches. They have also tended "to focus on retaining branches in key locations with higher future business potential [such as] city centres and other main centres of population and commercial activity."[48]

Banks are also experimenting with different ways to deliver physical services. The FCA has given the following examples:

- **Service only branches**: focused on processing simple transactions quickly, with several self-service machines and limited or no counter services. Such branches may need fewer staff than traditional ones.
- **Advisory branches**: focused on meeting customers' more complex financial needs and building relationships with them.
- **Community branches**: focused on both advisory and daily banking services.[49]

The Scottish Affairs Committee reported on some emerging approaches, such as mobile branches that visit communities that had lost permanent branches. Customers often found them "unreliable, requir[ing] customers to do their banking at fixed times, and provid[ing] limited services" and so "not an appropriate alternative to a branch for business customers".[50]

The Committee also noted the possibility of establishing shared facilities or 'banking hubs', which might be particularly relevant in rural Scotland. At the time of the report, several banks were piloting such a scheme for business customers, but only in urban centres in England, and then only offering a "transactional" service.[51] As discussed in section 5, continuing concern about access to bank facilities and cash has since led to further progress with such initiatives.

48 FCA, Strategic Review of Retail Banking Business Models, December 2018 (accessed 25 November 2021)

49 As above

50 Scottish Affairs Committee, Access to cash in Scotland (PDF), 23 July 2019, HC 1996, p17

51 As above

3.2 The Access to Banking Protocol and Standard

Growing concern about bank branch closures led the then Business Secretary, Vince Cable, to write to the main banks in 2014, highlighting the needs of vulnerable customers and rural communities.[52]

As a result of subsequent discussions, in March 2015, the British Bankers' Association (later merged with UK Finance) published a voluntary Access to Banking Protocol,[53] which sought to minimise the impact of branch closures. The agreement aimed to ensure that:

> ...customers still have banking services close at hand if a branch closes. Communities will be given fair notice of any closure and clarity about the alternative places and ways to bank. The agreement also commits the industry to making sure there is the right support to help customers use internet or mobile banking.[54]

In line with the initial arrangements, an independent review of the protocol began in May 2016 and published its findings in November 2016.[55] Professor Russel Griggs, who led the review, ultimately recommended producing a shorter and more flexible document based on "a short list of outcomes" that would allow individual banks to work with customers to ensure better understanding of proposals and more effective responses. But he emphasised that banks had the right to decide to close "so the focus should be on mitigation".[56]

Some stakeholders, such as the campaigning group Move Your Money, had been critical of the Protocol's failure to "protect communities most at risk of financial exclusion" or to guarantee "meaningful consultation".[57]

Banks routinely publish impact assessments at various stages of the process, as in this example from Barclays.

In July 2017 the banking industry responded with a new voluntary Access to Banking Standard.[58] It set out the following general approaches:

- Banks would inform customers and stakeholders about plans to close as soon as possible, and at least 12 weeks before the planned closure date. This would explain the reasons for closure, set out the bank's assessment of the impact of closure, and highlight alternative arrangements for customers and how they could be taken up.

52 BIS, Banking needs of vulnerable consumers: letters to banks, 28 November 2014 (accessed 30 November 2021)

53 Original versions of the Protocol do not appear to be readily available. It is however presented in sections in Russel Griggs, Access to Banking Protocol: one year on review, November 2016

54 BIS, "Banks agree protocol on branch closures" (press release), 26 March 2015

55 Russel Griggs, Access to Banking Protocol: one year on review, (PDF), November 2016

56 As above, p42

57 Move your money, Abandoned communities: the crisis of UK bank branch closures, (PDF), July 2016, p25

58 Lending Standards Board, The Access to Banking Standard, July 2017 (accessed 1 December 2021)

- Before closure, they would communicate clearly with other parties, providing further information on issues raised, as well as further guidance and avenues of support. They would make specific efforts to contact more vulnerable customers to ensure that they could explore and take up alternative services.

- They would ensure that customers and other stakeholders were offered continued support after the branch closed.

UK Finance announced that 12 banks and building societies had signed up to the Standard. The Lending Standards Board (LSB) would oversee, monitor and report on its operation.[59]

In June 2021 the LSB announced a review of the Standard and launched a consultation that ran until 4 August 2021.[60]

As set out in section 3.4, though, developments in the wider policy context meant that consideration of branch closures was becoming more closely aligned with concerns about the future of access to cash. In its response to the consultation published in December 2021, the LSB highlighted new guidelines published by the FCA relating to bank closures, as discussed in section 4.2. Those guidelines closely reflected the arrangements set out in the Standard. The LSB recommended that the regulator should henceforth oversee policy in this area. It encouraged UK Finance and signatories to the Standard to "encourage the FCA to adopt a regulatory approach that maintains or enhances the expectations on firms" through the "transition".[61]

In line with that transition, UK Finance announced in December 2021 that LINK would independently assess the needs of "any community that faces the closure of a core cash service, such as a bank branch or ATM" and would "commission services to meet the cash needs of the community as a whole – not just the customers or members of one bank or building society. Communities will also be able to request a review of their community's needs from the summer of 2022."[62]

While the Standard is still in place, then, the broad intention is that it will be replaced by new arrangements as they are formalised.

59 UK Finance, "High street banks announce new Access to Banking Standard" (press release), 20 July 2017 (accessed 1 December 2021)
60 Lending Standards Board, The Access to Banking Standard Review Consultation, June 2021
61 Lending Standards Board, "Access to Banking Standard Review recommendations published by the LSB",10 December 2021 (accessed 25 February 2022)
62 UK Finance, "Pivotal moment as banks, consumer groups, Post Office and LINK join forces to help protect cash services" (press release), 15 December 2021 (accessed 4 March 2022)

3.3 Continuing Parliamentary concern

Although the Standard clarified processes, communication and reasons for closure, it was never intended to override independent commercial decisions taken by banks or building societies. Continuing concerns led to various Parliamentary reports and recommendations.

The **Treasury Committee** acknowledged the limitation of the commercial focus in addressing wider concerns in its 2019 Inquiry into Consumers' access to financial services, and went on to highlight the wider underlying issue of sustainable alternative provision:

> It is up to the industry to determine how best to maintain face-to-face banking, but options such as a greater expansion of mobile bank branches; sharing bank branch facilities with other banks, shops or community buildings; or pooling staff of different banks within one premises should all be considered.[63]

The Committee added that "[i]f the financial services market is unwilling to innovate to halt the closure of bank branches, market intervention by Government or the FCA may be necessary to force banks to provide a physical network for consumers".[64]

In response, the May Government reiterated its position that it did not intend to intervene in banks' commercial decisions. It added that it supported the Standard and "values the commitment it places on banks to minimise the impact of branch closures, including by ensuring that customers are aware of the ways they can continue to access banking services." It would continue to engage "with the Lending Standards Board to ensure that the Standard remains fit-for-purpose."[65]

The **Scottish Affairs Committee** made a similar recommendation in 2019. It stated that the UK Government should "seek a commitment from banks that they will not close the last bank in town" and that "if such a commitment is not forthcoming we believe the Government should consider further measures, including legislation, to ensure communities still have access to vital banking services".[66]

Again the Government argued that closures were commercial decisions, and that "having this flexibility is what makes the UK's financial services sector one of the most competitive and productive in the world, and the Government wants to protect that". It reiterated its support for the Access to Banking

63 Treasury Committee, Consumer access to financial services, HC1642, 13 May 2019, para 94
64 As above
65 Treasury Committee, Consumers' access to financial services: Government Response to the Committee's Twenty-Ninth Report, 5 July 2019
66 Scottish Affairs Committee, Access to cash in Scotland, HC1996, 29 August 2019, para 43

Standard, as well as for the Post Office Banking Framework (see section 5.1) as potential solutions.[67]

In October 2019, the **Economy, Infrastructure and Skills Committee of the National Assembly for Wales** also recommended that the "UK Government… should review whether the Access to Banking Standard is sufficiently robust to address the impact of bank closures on vulnerable people, SMEs and local communities, or whether regulatory or other mitigating action is needed."[68]

3.4 A new focus on access to cash

By 2020, wider contextual factors had combined to move the policy focus away from the issue of bank branch closures in isolation to broader concerns about the future of access to cash.

Although there are arguably differences in the specific issues involved, the wider technological changes and responses to them (such as increasing reference to the Post Office Banking Framework, as noted in the previous section) were changing the way that both providers and policy-makers conceived of the issues. In addition, the emergence of the coronavirus pandemic in early 2020 had led to sudden and dramatic changes in the ways that consumers used physical cash and services.

As presented in the following sections, initiatives such as the Post Office Banking Framework (section 5.1) and Community Access to Cash Pilots (section 5.2) have sought to test approaches to maintaining access to physical banking services.

Meanwhile, from late 2018, findings from the Access to Cash Review (section 4.1) highlighted risks to the future of the physical cash system. The Government committed itself in the 2020 budget to introducing legislation to protect the future of access to cash (section 4.3).

The FCA consulted on and produced guidance relating to "branch and ATM closures or conversions" in the latter half of 2020. The principles and approaches generally reflect those set out by the LSB in the Access to Banking Standard – but with the important addition of access to ATMs. The LSB recommended passing responsibility for oversight to the FCA.

This wider focus has also informed political consideration. In 2021, the Lords Liaison Committee recommended that the Government should "formally review the powers available to the FCA, to mitigate the negative effects of bank branch and free ATM closures. This review should include provision of alternative services including banking hubs and Post Offices within a

67 Scottish Affairs Committee, Access to cash in Scotland: Government Response to the Committee's Tenth Report, 28 October 2019

68 National Assembly for Wales, Economy Infrastructure and Skills Committee: Access to Banking, (PDF), October 2019, p27

reasonable distance". Martin Lewis of Money Saving Expert had told the Committee that "it was unrealistic to expect banks to prioritise social responsibility over commercial interests, stating that the ultimate responsibility lay with the Government and the FCA".[69]

[69] Lords Liaison Committee, Tackling Financial Exclusion: A country that works for everyone? Follow-up report, HL Paper 267, 24 April 2021, para 39-40

4 Strategic initiatives to protect access to cash

4.1 The Access to Cash Review

The Access to Cash Review was established in 2018 "to consider consumer requirements for cash over the [following] five to fifteen years." It was "sponsored by, but independent of LINK" and chaired by Natalie Ceeney, previously head of the Financial Ombudsman Service.[70]

It aimed "to ensure that there remains an effective and inclusive cash access service that meets the needs of all consumers, regardless of their personal circumstances, for as long as necessary".[71]

To achieve this, it would:

- Understand consumer needs and implications for cash access requirements over the next five to fifteen years.
- Review the evidence on future trends in cash usage and ATM coverage.
- Identify and analyse options for retaining nationwide access to cash.
- Propose a way forward.[72]

Introducing the Review's interim report in December 2018, Natalie Ceeney summarised the issues as follows:

> Consumer groups worry about the closure of rural ATMs and bank branches, leaving people without easy access to cash. Small business associations are concerned about the growing challenges of handling cash: closing bank branches and rising charges make it more expensive and riskier to handle cash. Rural communities see an increasingly digital world that only works for those with broadband and mobile connectivity. And the commercial players supporting the cash infrastructure are questioning how a model built for a high cash economy can be economically viable when most payments are made digitally.[73]

70 Accesstocash.org.uk (accessed 8 March 2022)
71 As above
72 As above
73 Access to Cash Review, Is Britain ready to go cashless? (PDF), December 2018, p4

That report set out trends concerning and attitudes towards cash – as quoted throughout this briefing paper.

In March 2019, Natalie Ceeney introduced the Review's final report by emphasising the importance of appreciating the continuing role of cash and to avoid "sleepwalking into a cashless society":

> We haven't taken a view about the merits of a cashless society. We haven't concluded that it's impossible, or even undesirable. But our research shows that if we fail to plan and prepare for it properly, a cashless society would do significant harm to the millions of people who would be left behind.[74]

The report made five recommendations that would "keep cash viable for the foreseeable future, as well as eventually including everyone in a society where digital payments dominate. These recommendations work together, because cash is a system, and needs to be treated as such":

1. Ensure consumers can get cash "wherever they live or work" – which should be about more than providing access. It might include approaches that would revitalise high streets.

2. Ensure that traders of all sizes continue to accept cash – not through legal requirements, but by providing approaches that make it cost-effective for traders to do so.

3. Call on the Bank of England to convene an initiative to transform the cash infrastructure, moving from a "commercial" to a "utility" model that reflects modern realities.

4. Require joint working by government, regulators and industry to identify and promote systems that make digital payment available to all, not just the majority.

5. Develop a clear government policy on cash. This would require leadership and coordinated working by regulators. Market forces alone would not be sufficient.[75]

The Joint Authorities Cash Strategy group

In response to the Access to Cash Review, the Government announced in May 2019 that the Treasury would set-up and chair a Joint Authorities Cash Strategy (JACS) group[76]:

> Acknowledging the UK already has experienced and well-established financial regulators, the Group brings together the Bank of England, PSR and FCA to ensure comprehensive oversight of the overall cash infrastructure across the UK. This is so that the UK's cash infrastructure remains resilient, cost effective,

---

74 Access to Cash Review, Access to Cash Review: final report (PDF), March 2019, p4
75 As above
76 HM Treasury, "Cash here to stay as government commits to protecting access", 3 May 2019

> sustainable and can meet the needs of users, particularly in a future environment of lower cash usage. [77]

In a report on the production and distribution of cash, the National Audit Office welcomed the creation of the JACS group but noted that there was still more that could be done to improve joint working in this area:

> The public bodies have improved their joint working but lack a shared view of what a good outcome for the consumer will look like and how the costs of achieving this are to be taken into account... The JACS Group has enabled more formal coordination among its participants, although it does not itself have responsibility for the cash system and is not a decision-making body. We could not see a clear link between the overall government aim for cash and consumers, the outcomes that consumers should expect in terms of access and acceptance of cash and their associated costs, and the statutory responsibilities of the public bodies as set by government and Parliament. [78]

4.2 The FCA's expectations on branch and ATM closures and conversions

As part of the JACS initiative the FCA and the PSR published a joint statement on their approach to access to cash in June 2020.[79] In September, the FCA published guidance on its expectations of financial businesses in relation to "branch and ATM closures or conversions".

This closely reflected arrangements overseen by the Lending Standards Board under the Access to Banking Standard, although the new focus on access to cash encompassed ATMs. The FCA's wider remit also led to the inclusion of credit union branches in the arrangements.[80]

Overall, the FCA expects that firms will clearly communicate to customers that an ATM or branch is closing or being converted at least 12 weeks before this is due to happen, and involve analysis of the effects and alternative arrangements, as well as timely communication with customers. The FCA may request further information, and indeed "may be relevant to enforcement cases" in which the regulator might consider how far a firm's conduct has complied with the FCA's broader principles relating to treating customers fairly, and communicating with both customers and regulators clearly and openly.[81]

---

77 HM Treasury, Joint Authorities Cash Strategy Group: update " (PDF), July 2020

78 Nqtional Audit Office, "The production and distribution of cash", 18 September 2020

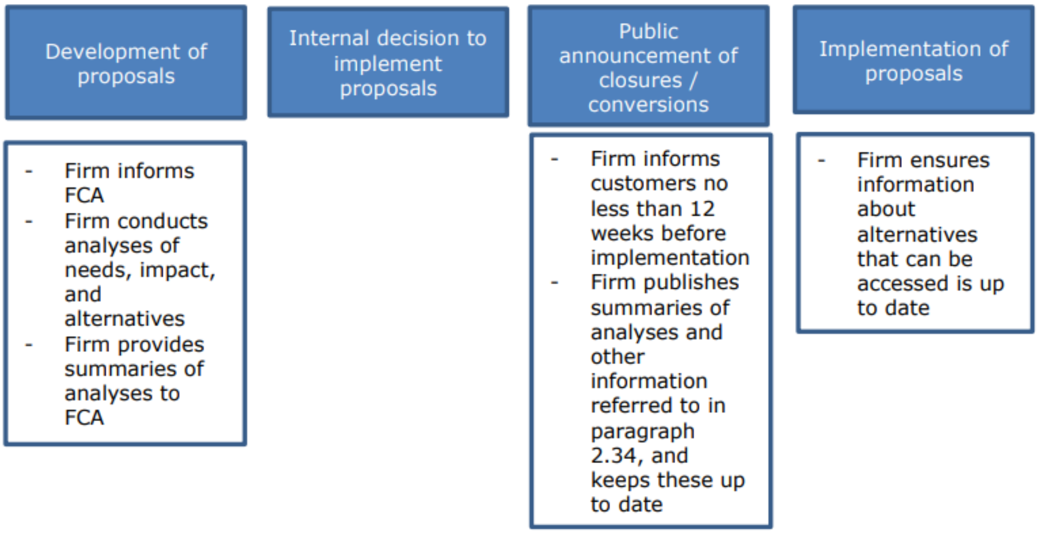
79 FCA and PSR, "The FCA's and PSR's joint approach to Access to Cash", 16 June 2020 (accessed 4 March 2022)

80 FCA, "FG20/3: Branch and ATM closures or conversions", 14 September 2020 (accessed 4 March 2022)

81 As above

The following diagram summarises the general approach.

The FCA's general expectations relating to branch and ATM closures



Source: FCA, FG 20/3: Branch and ATM closures or Conversions (PDF), September 2020, p4

4.3 Cashback without purchase: the Financial Services Act 2021

Section 44 of the Financial Services Act 2021 allows people to ask for cashback from retailers without having to make a purchase.

The Government accepted this as an amendment made by Lord Holmes to the Financial Services Bill in April 2021. The amendment removed a requirement arising from the EU's Second Payment Services Directive (PSD2)[82] for retailers to be authorised by or registered with the FCA to do this.

Announcing the Government's acceptance of the amendment, Lord True said:

> The Government's view is that cashback without a purchase has the potential to be a valuable facility to cash users and to play an important role in the UK's cash infrastructure. This legislative change, which is possible only now we have left the European Union, would help both to support the availability of cash withdrawal facilities across the United Kingdom, benefiting individuals' access to cash, and to support local cash recycling. These amendments are therefore a welcome step towards protecting access to cash.[83]

The change took effect from the end of June 2021. Local businesses can now offer this service to consumers if they wish to do so.

82 Incorporated into UK law via the Payment Services Regulations (2017).
83 HL Deb, 18 April 2021, c1698

4.4 Government action to protect access to cash

The 2020Budget announced that "the government will bring forward legislation to protect access to cash and ensure that the UK's cash infrastructure is sustainable in the long-term." [84]

Which? welcomed the announcement, but noted the urgency of the situation and called for a single regulator to be given responsibility for protecting cash. [85]

Call for evidence on Access to Cash

HM Treasury launched a call for evidence on the future of access to cash in October 2020. Introducing it, John Glen, the then Economic Secretary, reiterated the Government's commitment to maintaining such access:

> The government's overarching objective is to maintain a sustainable infrastructure for cash in the UK, to ensure financial inclusion for all parts of society, including the most vulnerable who rely on cash in their daily lives. This includes ensuring that people and businesses can access cash withdrawal and depositing facilities within a reasonable travel distance as needed for their day to day lives. [86]

In addition to outlining the Government's support for cashback without purchase, the call for evidence described the Treasury's thinking in relation to several other aspects of the cash system:

- **Access to ATMs** – "Reasonable access to cash" across the UK should be ensured by the country's network of ATMs. While "the government believes legislation should allow flexibility in terms of channels, this is likely to require that ATM provision moves to a more 'utility-based model', where decisions over the location of ATM machines balances customer need alongside commercial factors."

- **Cash access via bank, building society and Post Office branches** – The call for evidence suggested a continuation of current policies to ensure access to cash at branches (such as the Access to Banking Standard, FCA guidance to firms, and the renegotiated Bank Framework Agreement that enables access to cash via the Post Office).

- **Cash acceptance** – "The government's view is it would not be appropriate to mandate cash acceptance but wishes to explore options for better incentivising cash acceptance."

- **Regulation of cash access** – According to the Government, the FCA is "well positioned" to take on the role of "setting requirements to ensure

---

[84] HM Treasury, Budget 2020, 11 March 2020

[85] Which?, "Budget 2020: Government commits to protecting access to cash", 11 March 2020

[86] HM Treasury, Access to cash: Call for evidence, October 2020

that the retail distribution of cash meets the needs of consumers and SMEs." The PSR and Bank of England meanwhile would continue with their existing functions.[87]

The Access to Cash Review panel published their response to the call for evidence in November 2020. This broadly welcomed the Treasury's proposals but recommended that the legislation should focus on the need for cash access, rather than specific sources, such as ATMs.

It also proposed that legislation should ensure that banks can collaborate to provide access to cash without breaching competition law, and that the Post Office's banking services should be brought under the FCA's regulatory remit.[88]

Policy statement on the wholesale cash infrastructure

In April 2022, the Government published a policy statement recognising the potential risks to the sustainability of the wholesale cash infrastructure, as discussed in section 2.2. It announced its intention to give the Bank of England:

1. regulatory oversight over the market activities of cash infrastructure industries
2. powers "to prudentially regulate a systemic entity in the market, should one form in the future" (and so potentially influence wider financial stability)[89]

Towards legislation to protect access to cash

After receiving 85 responses to the call for evidence, the Treasury published a consultation document on access to cash on 1 July 2021, setting out its proposals.[90]

The consultation proposed ensuring "reasonable access" for withdrawal and deposit facilities for personal customers, and deposit facilities for SME customers. It would set and amend geographic access requirements to achieve this.[91]

The FCA would be given "overarching regulatory oversight of the retail cash system" and so would monitor and enforce powers on designated firms.[92] This would have the effect of consolidating its oversight of proposals for closing

87 HM Treasury, Access to cash: Call for evidence, October 2020
88 Access to Cash Review, Response to HMT call for evidence – access to cash (PDF), November 2020
89 HM Treasury, Protecting UK wholesale cash infrastructure: Policy statement, April 2022, p9
90 HM Treasury, Access to Cash Consultation, 1 July 2021
91 As above
92 As above

bank branches and ATMs and so formalise and complete the transition from the LSB's oversight of branch closures.

The consultation closed on 23 September 2021.

In May 2022, the Government confirmed that its proposals would be included in the Financial Services and Markets Bill, which it intends to introduce in the 2022-23 parliamentary session. It said that the FCA would "be granted new powers over the UK's largest banks and building societies, to ensure that cash withdrawal and deposit facilities are available in communities across the country."[93]

The Government would "in due course" also set out its expectations for "a reasonable distance" for customers to travel, reflecting "the existing spread of cash withdrawal and deposit facilities in the UK."

It added that the Bill would also give the Bank of England new powers to ensure the future effectiveness and resilience of the wholesale cash infrastructure, as announced in the April policy statement.[94]

The Financial Services and Markets Bill was introduced in the House of Commons on 20 July 2022. Clause 47 of the Bill covers access to cash and Clause 48 wholesale cash distribution. Second reading is scheduled for 7 September 2022.[95]

93 HM Treasury, "New powers to protect access to cash" (news story), 19 May 2022 (accessed 8 June 2022)

94 As above

95 UK Parliament, Parliamentary Bills: Financial Services and Markets Bill (Bill 146, 2022-23)

5 Alternative approaches to banking and cash provision

5.1 Post Offices

As part of the Coalition Government's response to growing concerns about bank branch closures, the then Business Secretary, Vince Cable, highlighted the "vital" role that the Post Office could play in filling the void, and set out a list of services that the Post Office already offered for a wide variety of banks and other financial service providers.[96]

Post Office Banking Agreement 2017

The various agreements discussed in this section enable personal and business customers of a range of banks and building societies to withdraw cash, pay in cash or cheques, and check balances. More details appear on the Post Office's Everyday banking webpage.

In 2017 the Post Office and major banks formalised arrangements under a Banking Agreement that would run until 2019.[97]

In March 2019, Professor Russel Griggs OBE argued for improving bank services in the Post Office:

> If Post Offices, and especially those now in local convenience stores are to be the alternative to bank branches as is stated then both the Post Office and the individual banks have to work together better to make that happen.[98]

The Treasury Committee scrutinised this arrangement in 2019 as part of its inquiry into consumer access to financial services.[99] While the Committee commended "the positive role that the Post Office plays in providing basic banking services to customers, especially in more rural communities", it raised some serious concerns about relying on the network, in particular for vulnerable consumers. For instance, it noted that staff were not trained in more complex approaches and could not help set up such "basic banking transactions" as direct debits; nor could they offer adequate privacy. In any event, public awareness of the services available was low.[100]

More fundamentally, the Committee argued that the existing arrangements meant that the State was subsidising the banks:

96 Department for Business, Innovation & Skills, "Banks agree protocol on branch closures"(press release), 26 March 2015 (accessed 25 February 2022)
97 "Post Office agrees deal with banks to provide counter services", Financial Times [online], 24 January 2017 (accessed 25 February 2022)
98 Russel Griggs, Access to Cash in Rural Communities: Report for Link (PDF), March 2019
99 Treasury Committee, Consumers' access to financial services, HC1642 (PDF), 13 May 2019
100 As above, p31-32

> The Post Office, a Government-owned company, is making a loss on offering its basic banking services on behalf of commercial banks. Such an arrangement cannot continue in its current form. The Post Office should not be subsidising the big six banks' lack of a branch network. In conjunction with its owners (the Department for Business, Energy and Industrial Strategy and the Treasury), the Post Office must ensure it receives adequate funding for the service it provides and places its services on a sustainable footing. If a renegotiation of the current arrangements is necessary to make the scheme profitable, the Post Office should do so, with the full support of the Government.[101]

The Committee viewed the Post Office's offering as more akin to an ATM than to a replacement for a bank branch. It proposed a new hub model for the service, particularly in areas where the last bank had closed:

> The bank branches were closed in the knowledge that the Post Office would not be able to provide some key services. In these "last bank" cases, the banks should be required to make provision for "banking hubs" within the local Post Office. The "hub" should be properly funded, with an agreed private and business banking provision set by the Department for Business, Energy, and Industrial Strategy (BEIS) and the Treasury. Postmasters must be trained, equipped and compensated to make the hubs viable. BEIS should make an immediate assessment of what the banking provision should be, the indicative cost per hub, and propose how the banks should fund it.[102]

In its response to the Treasury Committee's report, the Government noted that the 2017 Agreement had extended banking services to nearly all the large banks' personal customers and 95% of their small business clients, offering "the largest expansion of face-to-face banking in a generation". It conceded the services offered were more limited than in traditional bank branches, but that they ensured that "essential banking facilities remain[ed] freely available in as many communities as possible." And it noted that a new Framework, due to come into force in 2020, would increase individual fees, while increased transaction volumes overall would boost the Post Office's income.

Although the Government supported continuing consideration of the services offered, it cautioned that "it would be inappropriate for the Government to intervene in the commercial decisions of banks."[103]

Post Office Banking Agreement 2019

In October 2019 a new Banking Agreement was arranged to cover a three-year period from January 2020.

Martin Kearsley, Director of Banking Services at the Post Office, said: "We have been working with the banks to ensure we have the right service levels

[101] Treasury Committee, Consumers' access to financial services, HC1642, 13 May 2019 (PDF), p32

[102] As above, p31-32

[103] Treasury Committee, Consumers' access to financial services: Government Response to the Committee's Twenty-Ninth Report, 5 July 2019

across our network to meet their customers' needs and to ensure our branches receive a fair remuneration for providing these vital services."[104]

Although all the major banks agreed to pay the Post Office more, Barclays initially chose to exclude cash withdrawals from its part of the agreement, opting instead to launched a cashback scheme in remote areas and suspending last-in-town and remote branch closures for two years.[105] But after strong criticism from a range of stakeholders[106] it reversed its decision within weeks, stating that "our full participation in the Post Office Banking Framework is crucial at this point to the viability of the Post Office network."[107]

Citizens Advice reported that 29% of people had used Post Office banking services in 2021, with higher usage rates in rural and remote areas. Older people and those on lower incomes were also more likely to have used the service.[108] But in 2020 it reported that while "overall service standards are largely good", staff didn't always provide customers with the right information and 70% of postmasters surveyed said the pay rates they received did not cover the cost of providing the service.[109]

Banking Framework 3: 2023-2025

In January 2022, the Post Office announced a new agreement – to be known as Banking Framework 3 – that will run from 1 January 2023 to 31 December 2025. Thirty banks, building societies and credit unions have signed up to the agreement.[110] The Post Office's own "campaign hub", Save our Cash, has nevertheless highlighted that the framework system "is fragile because it depends entirely on a commercial agreement between the banks and Post Office to support it."[111]

Although it welcomed the new agreement, Which? argued that only legislation would guarantee the future of access to cash.[112]

104 Post Office, "Post Office announces new agreement with 28 UK banks to ensure millions of people across the UK have national free access to everyday banking services" (press release), 8 October 2019
105 BBC, "Barclays blow to Post Office banking", 8 October 2019
106 As above
107 BBC, "Barclays U-turn on cash access in post offices", 24 October 2019
108 Citizens Advice, Post: The state of the sector in 2022 , March 2022
109 Citizens Advice, "Banking on it: How well are post offices delivering cash and banking services?", 30 July 2020
110 Post Office, "Post Office announces continued 'lifeline' for businesses and communities that rely on cash with new banking agreement", 31 January 2022 (accessed 4 March 2022)
111 Saveourcash.co.uk, "Access to cash is worth a great deal" (accessed 4 March 2022)
112 Which?, "Post Office to continue to offer banking services for 30 banks and building societies", 4 February 2022 (accessed 4 March 2022)

5.2 Community Access to Cash pilots

Led by Natalie Ceeney CBE (chair of the Access to Cash Review) and sponsored by UK Finance, the Community Access to Cash Pilots are trials of innovative ways to protect access to cash in communities across the UK.[113] The pilots began from autumn 2020 in eight communities across the UK. The pilots were to include:

- Three new local 'banking hubs' in dedicated retail spaces on the high street, which combine the cash-transaction facilities of a Post Office with access to community banking services offered by the key retail banks, allowing the privacy and security people expect in a bank branch
- Speedy and automated local cash deposit facilities for small businesses, so that retailers don't have to close to travel to a nearby town bank branch to deposit their takings
- Existing Post Office branches restructured and refurbished with cash services streamlined to make it easier for local residents and businesses to withdraw and deposit cash quickly and safely.
- Pop-up Post Office services, allowing small communities to access basic banking services over a Post Office counter within an existing small shop
- Widespread 'cashback' from local stores, restaurants and pubs – as well as from PayPoint counters, and new app-based digital services – to widen the options for people to get cash locally, and to help business reduce their own costs of depositing cash
- New, free to use ATMs
- Digital education services to help those who want to access digital banking services.[114]

The programme published a final report in December 2021. This highlighted the value of many of the approaches, including the importance of free local access to cash for people on low incomes. But "one grabbed most of the media attention and received by far the most positive feedback from consumers and businesses alike: the Banking Hub". The report also noted the success of expanding cashback without purchase – which informed wider legislative change in 2021 (see section 4.3).[115]

Banking hubs

One of the successes of the pilots was the trials of banking hubs – in Cambuslang (South Lanarkshire) and Rochford (Essex). The final report from

113 Community Access to Cash Pilots

114 Community Access to Cash Pilots, "Innovation in Community Access to Cash Pilots unveiled", 23 September 2022 (accessed 4 March 2022)

115 Community Access to Cash Pilots

the pilot programme noted that the hubs "have a counter service…like a bank branch". Although run jointly with the Post Office, they operate in dedicated premises and deal solely with banking business and "dedicated to supporting consumers to bank and have been designed to offer privacy and space", thereby overcoming some of the concerns previously raised by the Treasury Committee (see section 5.1). In both cases, major banks took turns to deploy a "community banker" one day each week.[116]

The two pilots have been extended until "at least" 2023[117], while five further banking hub pilots were announced in December 2021.[118]

5.3 LINK initiatives

- **Protected ATMs and financial inclusion programme**

As noted earlier, LINK sets the rate of that banks pay when customers use another provider's ATM. They pay more for use of "protected" ATMs – that is, when it is 1km or more away from another free ATM—and for the use of publicly accessible ATMs that are used fewer than 4,500 times a month. [119]

See also LINK's policies and publications about access to cash.

The financial inclusion programme also encourages ATM operators to maintain ATMs in deprived communities that lack free access to cash. [120] If these ATMs close, LINK will replace them with a free alternative. It had replaced 30 ATMs by September 2020. [121]

- **High street commitment**

In August 2019, LINK announced that it would guarantee access to cash for every UK high street that had five or more cash-dependent retailers. LINK found that about ten high streets did not have free cash access within 1km through either an ATM or a Post Office, so funded new ATMs. [122]

- **ATM Delivery Fund**

In October 2019, LINK announced that it would pay to install free ATMs in communities with have poor access. [123] Community representatives can submit

116 Community Access to Cash Pilots
117 UK Finance, "Banking industry takes further steps to protect access to cash" (press release), 17 August 2021 (accessed 4 March 2022)
118 UK Finance, "Pivotal moment as banks, consumer groups, Post Office and LINK join forces to help protect cash services" (press release), 15 December 2022 (accessed 4 March 2022)
119 LINK, Interchange (accessed 11 March 2022)
120 LINK, Financial inclusion (accessed 11 March 2022)
121 LINK, LINK Scheme ATM Footprint Report, September 2020 (PDF), 12 November 2020 (accessed 11 March 2022)
122 LINK, "LINK protects free access to cash for every UK high street" (press release), 30 August 2019 (accessed 11 March 2022)
123 LINK, "LINK sets up Delivery Fund so that all communities can get access to a free ATM" (press release), 2 October 2019 (accessed 11 March 2022)

a request via LINK's online form. An initial £1 million was set aside for this (enough to fund 40 to 50 machines), and this has since been expanded with a further £4m. [124] The 100th machine funded under the scheme was installed in October 2021. [125]

124 LINK ,"£4m in new investment from banks to fund new free-to-use ATMs" (press release), 18 December 2019 (accessed 11 March 2022)

125 LINK, "RAF Odiham lands LINK's 100th community ATM" (press release), 12 October 2019 (accessed 4 March 2022)

The House of Commons Library is a research and information service based in the UK Parliament. Our impartial analysis, statistical research and resources help MPs and their staff scrutinise legislation, develop policy, and support constituents.

Our published material is available to everyone on commonslibrary.parliament.uk.

Get our latest research delivered straight to your inbox. Subscribe at commonslibrary.parliament.uk/subscribe or scan the code below:

commonslibrary.parliament.uk

@commonslibrary