

How far is too far?

TOYNBEE
HALL



Is there Low income Consumer Detriment from Gaps in Free-to-Use ATM Provision?

Executive Summary

Research Aim: The research aimed to help LINK and its members understand whether particular groups of consumers might experience detriment as a result of having to use pay-to-use ATMs, as well as the causes and scale of any such detriment.

Key Findings

84% of the general population in England and Wales live within 1km of a free-to-use to access ATM so, for most people, access to free-to-use ATMs is broadly positive.

However some people with limited mobility, sole carer requirements and/or whose life circumstances mean they have few opportunities to travel away from their home suffer detriment from living more than 1km from a free-to-use ATM. People in these circumstances are also often on the lowest incomes, often reliant on benefits, and are often careful cash budgeters so require greater than average access to cash. Overall across England and Wales there are 957 small output areas with at least 525,000 benefit dependent consumers who live more than 1km from a free-to-use ATM.

Although not part of the LINK scheme, customers of Post Office Card Accounts (POCA) (limited to Bank of Ireland ATMs) have the worst ATM access to their cash: c. 2.6 million working age benefit recipients live more than 1km from a Bank of Ireland ATM in England and Wales. Pensioners reliant on POCAs are likely to have a particularly difficult time. The top 20 per cent of output areas by pensioner concentration are on average c. 6km from a Bank of Ireland ATM.

Some people's circumstances means that even 1km may be too far to a free-to-use ATM for consumers who are dependent on benefit income AND where:

- Their personal health prevents them from travelling without incurring unreasonable financial costs or physical detriment.
- Their responsibilities as carers for adults or children limit their ability to travel.
- Their personal circumstances restrict their movement on a regular basis to within a distance of significantly less than 1 km.

- They live in areas of housing that are – or feel – very isolated, or are bounded by physical barriers such as motorways or waterways with no accessible crossing point.
- They live in an area that has an actual or perceived high rate of violent crime and the free-to-use ATM is in an area that feels unsafe or requires travelling through an unsafe area.
- They live in an area that only has access to one free-to-use ATM that is regularly out of use or runs out of small denomination notes and, therefore, cannot be relied upon.

These consumers usually:

- know they are being charged and what the charges are for different ATMs
- know where their nearest free-to-use ATM is located
- experience a range of financial and non-financial costs and barriers in using ATMs
- weigh up the financial costs of using a pay-to-use ATM against the costs and barriers to using a free-to-use ATM, and make conscious and reasoned choices about which to use, although often under pressing immediate needs.

These consumers mix and match four choices in a sophisticated decision-making process based on the amount of money in their account, whether their need for cash was an emergency or routine, and their personal preference on the day:

- travel further to access a free-to-use ATM
- stay closer to home but pay a charge to access cash
- choose not to access their money
- give their ATM card to a third party who can access a free-to-use ATM on their behalf, thus compromising security.

Consumers who frequently used pay-to-use ATMs were regularly incurring charges ranging between £3.70 and £9.25 per week from income which was largely, if not entirely, from benefits.

Bill payment plays a key role in pay-to-use ATM usage; low income consumers often prefer one location to withdraw cash and immediately pay their bills, such as a Post Office or local shop which has both cash withdrawal and bill payment facilities. For very low-income consumers whose most accessible bill payment facility is co-located with a pay-to-use ATM, this responsible budgeting behaviour can increase the cost of bills, particularly those requiring weekly payment.

Some consumers described feeling angry and stupid for allowing themselves to be "exploited" by pay-to-use ATM providers, and that they were trapped into paying more because they were poor. Whilst there may be a role for pay-to-use ATMs in the overall system of access to cash, the industry needs to recognise the lack of legitimacy seen by many low income consumers of paying to use ATMs.

Recommendations

In addressing these issues, LINK should consider the following key recommendations:

- Prioritise improving free ATM access to the 957 areas identified as having high benefit-dependent communities which are more than 1km from a free-to-use ATM.
- Maximise the potential benefit to low income consumers provided by the co-location of free-to-use ATMs and bill payment terminals.
- Work with the Post Office to consider how best to provide increased ATM access to POCA customers. The government should consider mandating the Post Office to provide such access upon any renewal of the POCA contract.

Recommendations for the wider financial services sector:

- People with specific access needs should be considered as having an essential need to access cash, e.g. severely restricted mobility, those with continual sole caring obligations. The industry should find ways to enable such customers to gain free-to-use access to their cash despite their individual mobility limitations.
- Low income households require access to the final few pounds in their account. The industry should explore how it can support access to the final small balance where the application of the charge brings the balance below the minimum withdrawal amount (£10 or £5).
- Irrespective of any withdrawal charge, the industry should seek innovative ways to help consumers access the last few pounds in their account.

Initial analysis indicates three types of possible solutions for LINK and the rest of the industry to consider:

- Ensuring access in the specific communities identified as more than 1km from a free-to-use ATM, and ensuring continuous and safe free-to-use access to cash in communities with high benefit dependency where there is currently only 1 free-to-use ATM.
- Exploring technological solutions which could benefit all users, such as increasing the services provided through ATMs and/or the information provided at the time of use, for example to give customers both accurate information about the cost of the service, and the impact of the cost on the customer's live balance.
- Developing technological solutions for identifiable users with specific characteristics. Such solutions might involve marking the accounts of consumers identified as vulnerable or who would be likely to experience significant detriment due to e.g. limited mobility or carer responsibilities.

Research Method

The research combined quantitative and qualitative data to reach a new assessment of the issue of access to cash through pay-to use ATMs in deprived areas.

The quantitative phase used a smaller definition of area compared to previous analysis, namely the national statistics output area, to provide greater accuracy. This identified high levels of benefit dependent households living at least 1km from a free-to-use ATM; and high levels of Post Office Card Account (POCA) holders living at least 1km from a Bank of Ireland ATM.

The qualitative phase gathered data from a sample of affected consumers on low incomes in Birkenhead and Tower Hamlets through interviews and focus groups, with a pilot phase to refine approach and content.

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