

Access to Cash: Call for Evidence

The LINK Consumer Council response to HM Treasury's call for evidence on Access to Cash published in October 2020

4th November 2020

The LINK Consumer Council ("the Council") welcomes HM Treasury's call for evidence on Access to Cash. Maintaining sustainable access to cash is a key objective of the Council which has championed financial inclusion and sponsored the current trial of cashback without purchase at PayPoint terminals.

The Government's Aims

A significant proportion of UK consumers continue to rely on cash in their day-to-day lives. Whilst a widespread move to digital payments is clearly underway, the UK is not ready to go cashless, as too many vulnerable consumers would be left behind. Therefore, the Council is fully supportive of the Government's aim of maintaining a sustainable infrastructure for cash in the UK for some time yet. Whilst many consumers are choosing new ways to pay, the cash infrastructure needs to continue to be both viable for those who keep using cash and affordable for industry.

The remainder of this response will focus on the specific questions raised by the consultation.

Cash Withdrawal Facilities

Question 1 - How can the government ensure the UK maintains an appropriate network of cash withdrawal facilities over time through legislation?

It is the Council's view that UK consumers currently benefit from broadly good access to cash in most communities. However, due to rapid reductions in cash usage, the ATM network (and broader cash infrastructure) is increasingly fragile in commercial terms.

COVID-19 has reduced cash usage significantly and this has put the sustainability of the ATM network more at risk than ever before. At the same time, the impact of the pandemic has highlighted the continued reliance on cash in the most deprived communities. For example, whilst average ATM withdrawals have dropped by 35-40% so far in 2020 compared to 2019, in the most deprived areas of the country cash withdrawals declined by as little as 23% over the same period. **This demonstrates that the most vulnerable in society continue to rely on cash much more than those who are wealthier.**

The Council has helped to shape and is fully committed to the measures that LINK, through its extensive Financial Inclusion Programme, has taken. The programme protects ATMs in remote communities, supports ATMs in deprived areas, guarantees free access to cash for UK high streets and responds to community requests for ATMs. Oversight of this programme is the mainstay of the work of the Consumer Council and the substantial investment from banks (and building societies) to fund this has been welcome and has been wisely targeted on those communities in most need.

The Council is also supportive of the aim to manage the number of ATMs down in line with cash usage. This is because ultimately consumers pay for the infrastructure and the cost of

the system must be kept proportional to cash usage to be sustainable. **However, it is clear that the ATM network is fragile, particularly in low volume rural or remote locations and deprived areas, and these ATMs may not continue to be provided either as free-to-use or at all if this is left solely to the commercial market. Hence careful support along the lines of LINK's Financial Inclusion Programme is essential.**

The Council believes that this requires the development of a multi-channel approach to cash access, including the Post Office and cashback, as well as ATMs. The Council strongly supports legislation which removes barriers to the widespread adoption of cashback without purchase (including withdrawals at retailers' terminals). The Council also considers that it is necessary to legislate to create a general obligation on retail banks to provide resilient and widespread free access to cash. The Council agrees that in time a utility approach to ATM provision will be needed in some areas. In particular, the banks need to ensure that they develop a sustainable mechanism to guarantee the deployment of ATMs in places where there is a consumer need and not rely on market forces alone. Such a sustainable mechanism could be developed from LINK's Financial Inclusion Programme.

This should then lead to the banks committing to organisations such as LINK, as well as agreeing long term support for the Post Office Counter Service. All this will then support an extensive footprint of free cash access from ATMs, post office counters, and retailers' tills.

Question 2 - What is the potential for cashback to play a greater role in the provision of cash withdrawal facilities, and how can legislation facilitate further adoption of cashback?

The Council strongly supports the role that cashback without a purchase can play in the future of consumers' free access to cash. It is not always possible to provide an ATM as sometimes there are no suitable premises to install one or no willing retailers to host one. In other cases, volumes are too low to support an ATM. So, as volumes of cash withdrawals reduce, the importance of a range of channels is increasingly important. A functioning cashback model could play a key part in an integrated multi-channel approach and provide a valuable service to many consumers and communities.

The Council has led and is currently funding, via development fund, the trial of cashback without a purchase by LINK and PayPoint, in four communities across the country, as part of the Community Access to Cash Pilots initiative chaired by Natalie Ceeney CBE. Initial findings suggest consumers have been keen to take the service up and use it. Thorough research on attitudes to the service and its operation are being conducted as part of this trial.

Cashback without a purchase provides cash access without the need to incur costs, unlike cashback with a purchase which requires consumers to spend money. It also relies on a familiar card, rather than digital cash recycling services which require a smartphone and app. The system could in theory operate in any community with a suitable retailer such as a convenience store. The Council believes that it therefore provides an important alternative to the ATM network, bank/building society counters and Post Office branches.

The main barrier to cashback without a purchase has, until now, been the lack of enabling legislation. The Council is very keen to see a move towards a legislative framework which supports cashback. Once in place, the Council commits to continue its work with LINK and the industry to develop cashback so that consumers can benefit fully from the service.

Question 3 - How can the government ensure the UK maintains an appropriate network of cash deposit-taking facilities over time through legislation?

The Council suggests that a similar approach is taken to deposits as with access to cash and that the Government legislates to create a general obligation on retail banks to provide a suitable footprint of deposit points across the country.

The Council agrees with the comments in paragraph 4.16 of the consultation that the Post Office provides the most effective existing shared service.

Question 4 - What are the key factors and considerations for maintaining cash acceptance in the UK?

The Council agrees that “*it would not be appropriate to mandate cash acceptance*” and supports the Government in exploring “*options for better incentivising cash acceptance*”.

The Council recognises that maintaining cash acceptance is essential if cash usage is to remain viable. There is no point in having good cash access if a consumer cannot spend the money. If a vulnerable consumer is unable to adapt to new means of payment and is excluded from accessing essential goods and services, this would be a very poor outcome, regardless of whether cash can be accessed locally. Stories about consumers being unable to purchase essentials during the pandemic with cash are well documented and a clear sign that non-acceptance of cash is a growing issue.

As retailers will be free to choose whether to accept cash or not, it is important that cash deposit facilities remain widely available and at a reasonable cost. As noted above, legislation coupled with a shared deposit service such as that provided by the Post Office provides a good part of the answer. The Council also agrees that evidence in this area, unlike cash access, is limited. It therefore supports a more general investigation into retailer acceptance of cash by the responsible regulator.

Question 5 - Should the government give a single regulator overall statutory responsibility for maintaining a well-functioning retail cash distribution network? If so, with which regulator should this responsibility sit?

The Council is encouraged by the alignment across regulators in considering how to ensure effective access to cash. However, the Council agrees it is important that one regulator should have overall responsibility for maintaining a well-functioning retail cash distribution system for consumers and SMEs in the future.

The Council agrees that the FCA is well placed to take on this function through legislation and looks forward to welcoming the relevant leadership to a Consumer Council meeting as soon as the decision is taken.

Finally, it notes that the Bank of England will need to continue its role of supervising the integrity of the end-to-end cash system including Vocalink and potentially a wholesale cash utility.

-ENDS-

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About the Consumer Council

The LINK Consumer Council (“the Council”) is chaired by Tracey Graham and was established in 2006. It consists of independent members as well as representatives from the LINK industry membership. The Council provides advice to LINK on consumer issues relating to the UK cash machine network and represents consumer interests.

The current members of the LINK Consumer Council are listed below, and all support this response.

Tracey Graham, Chair

Tim Allen, Barclays

Adam Bailey, NatWest

Lady Margaret Bloom CBE

Eimear Duffy, The Consumer Council Northern Ireland (CCNI)

Iain Gibson, Sainsbury’s Bank

Martin Kearsley, Post Office

Joe Lane, Citizens Advice

Helen Walker, Department for Work and Pensions (DWP)

Tim Watkin-Rees, PayPoint

Sian Williams, Toynbee Hall