

Community Cash Advisory Panel
c/o LINK, Central House, Suite 2b
Otley Rd
Harrogate
North Yorks
HG3 1UF

By email to jwallace@link.co.uk

Retail Banking
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

7 February 2024

By email to cp23-29@fca.org.uk

Dear Sir / Madam,

FCA Consultation Paper CP23/29 – Access to Cash

The Community Cash Advisory Panel is pleased to respond to the FCA consultation Paper CP23/29 - Access to Cash.

To put our response in context it may be helpful to state here the essence of the Panel's Terms of Reference, summarised as follows:

- To provide independent oversight of LINK's application of the Criteria (for assessment of bank closure impact) and whether the criteria fulfill the Criteria Objective (which is to **ensure consumer and SME access to cash needs following withdrawal of 'the last bank in town' are met in a way that is sustainable and proportionate (to need, size of community, other options and other actors)**); and
- To assess whether instructions issued by LINK after assessments have been followed.

The Panel anticipate that working within these Terms of Reference we will be able to make a continued and focused contribution to 'the adaptation of assessment processes based on lessons learned, data analysis and evolving need', as referenced in the diagram on Page 6 of the consultation document, and to take a material role through the issuing of CCAP opinions in the review of effectiveness discussed at Ref 6.3.

Given that the Panel has been relatively recently established and our work to date quite focused, many of the questions posed in the document are not ones to which we offer specific response. However, we are broadly supportive of the overall direction of the consultation, and offer the following comments and observations:

- a) The provision for 'legitimate community request' for review of access to cash is welcome (Ref 4.15) – our consideration of the 'last bank in town' definition on which we published an opinion in September 2023, was underpinned by four community case study visits/reviews, each of which had been brought to our attention by a community request from a local resident, council or MP;
- b) The broad definition of changes to cash access (Ref 4.7 to 4.9), including trigger events affecting bank/building society branch, ATM and a Post Office, amongst others, is welcome. Again, our 'last bank' work showed the impact Post Office closure had on the cash access position in one of our case studies, and across our work to date we have seen that businesses' and consumers' frames of reference with regard to access to cash are 'holistic' (Ref 5.28) and determined by their lived experience, community and geography;
- c) With regard to the definition of the last branch in town (ref 5.29 onwards), the Panel opinion of September 2023 concluded that the existing definition being used to trigger assessment by LINK as coordinating body was insufficient, and recommended that the definition should be changed to describe branches providing basic banking and cash services to **both** personal and business customers. The Panel were concerned that the existing definition could preclude any assessment of a community's access to cash if a bank/building society remained which did not provide business banking services; at minimum, this was a clear detriment to SMEs. With regard to hours of trading, the opinion recognised that there are a range of ways to meet customer need, but broadly total opening of less than 25 hours and fewer than five days was considered to be insufficient.

The FCA consultation paper goes beyond the Panel's recommendation and states that any last bank should trigger assessment – the Panel is supportive of that, though in regard to the diagram on Page 42, we would want to be sure that no premature conclusion that assessment is not needed would be allowed by what may be considered 'assessment' at Step 1, which should be properly be made in a Step 2 context (for example, that the mere existence of a Post Office as well as any branch – the latter potentially not providing for SMEs, could preclude proper assessment of impact at Step 2).

It is important to note here that the Panel's focus in this topic to date has been on the 'last bank' definition as a 'threshold' to be crossed to allow community assessment – not on what the application of the assessment criteria might yield after that. Put more simply, it is not our view that assessment in communities where a remaining branch only provides for personal customers should automatically result in a recommendation for a hub or deposit solution; we have noted these two steps do sometimes become conflated in discussion.

Notwithstanding that, and from our site visits and case studies leading to our 'last bank' opinion, the Panel does have concern that especially in larger communities, such as Harpenden or Tonbridge, we would be critical of an over-reliance on the existence of a Post Office as the 'one other facility that serves at least one other

bank/building society'. Although we are aware of work on enhanced Post Offices to address deposit needs, the lack of confidentiality and difficulties managing queues would make having only a Post Office as an alternative for business needs in a busy commercial community (over 100 businesses for example) a real concern.

- d) We are supportive of the idea of trial periods and pilots for additional cash services (Ref 5.62) and flexibility on the facilities that will deliver services (Ref 7.18). The Panel's wish is for community access to cash needs to be met reliably, sustainably and appropriately – this may involve options for some communities other than banking hubs as currently configured.
- e) With regard to communications about cash access requests, the Panel supports the suggestions and notes from our work to date the differing community request rates for assessment from the four jurisdictions of the UK. Until the Panel's recent work on the application of the criteria in Northern Ireland, there had been no community requests from there, and it was the Consumer Council Northern Ireland's own requests that led to the four new banking hubs in Northern Ireland being recommended in November 2023.
- f) Finally, the Panel has most recently considered the application of the criteria in Northern Ireland and concluded that both the pattern of cash use and the pattern of cash supply is different to that in the other three jurisdictions of the United Kingdom. With regard to supply, it is notable that there are approximately 170 credit union branches in Northern Ireland, providing access to cash over the counter or via ATMs, and that one in three of the adult population there is a credit union member. The Panel will be recommending in their February opinion that the Participating Network Members develop a more thorough understanding of the cash landscape in Northern Ireland, which should include a more detailed understanding of the role of credit unions. Of particular relevance to the FCA consultation, credit unions are rooted in a history of providing access to savings and loans for customers who may otherwise not have had bank accounts, and although some credit unions do now provide current accounts (which fall within the scope of this consultation), many do not. The fact that a customer has a savings account with a credit union importantly does not preclude them from drawing cash from it and using it as a de facto current account – with a consequence on the cash landscape that we believe in this context has yet to be properly understood.

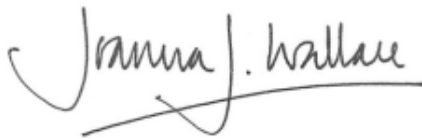
In closing, we foresee that a number of topics flagged in the consultation paper will become the subject of our more focused consideration, given the Panel's remit with regard to consumer and SME access to cash. These include but are not limited to:

- **Digital inclusion with regard to access to cash:** We know from surveys such as the Lloyds UK Digital Index that simply being online or owning a smart phone does not mean confidence and capability in financial matters. This is further impacted by limitations in connecting to Wi-Fi, cost of living and concerns about fraud amongst other things. It is both digital and financial vulnerability that are the two main drivers of a preference for using cash. The Panel expect to consider this in future work;

- **Availability of help for customers who need that/assisted cash:** This is relevant to ensuring access to cash solutions are truly accessible and can address as many barriers for customers as possible, as well as creating opportunities for customers to learn and gain confidence in meeting their future financial needs;
- **The effect of opening hours on access to cash:** with particular reference to growing understanding from research informing the segmentation of higher cash users;
- **The results of the application of the criteria to urban, urban fringe, mixed urban/rural/ rural areas versus rural areas** (diagram P26); and
- **The role of the Post Office in accessing cash.**

In conclusion, the Panel are grateful for the opportunity to comment on this vital piece of work and for the support from the FCA in our doing so, and look forward to engaging with the FCA, and the wide community of players with respect to access to cash, as our work continues.

Yours faithfully

A handwritten signature in black ink that reads "Joanna J. Wallace". The signature is written in a cursive style with a long horizontal flourish at the end.

Joanna Wallace
Chair, CCAP