

11 March 2024

Our Ref: 240202A

Julie Marson MP
House of Commons
London
SW1A 0AA

Dear Ms Marson,

Re: Access to cash

Thank you for your letter of 2 February.

I appreciate you and your co-signatories taking the time to share your views of the impacts of branch closures on access to cash across the country, and on how the rules we make, using the new Access to Cash powers given to us by Parliament, should address them. We welcome your letter as feedback to our consultation, which will help inform the final rules we will publish later this year.

Our proposals

While we welcome the collaborative approach of industry, we agree that more must be done to identify gaps in access to cash provision for both individuals and businesses, speed up delivery of new cash solutions to close any gaps in access, and to support communities concerned about cash access to understand how decisions are being made and to challenge them when they are incorrect.

Our proposals aim to ensure cash access services accommodate local needs, including the needs of SMEs and those who are most reliant on cash, such as those on low incomes or displaying characteristics of vulnerability. They build upon the benefits of the existing voluntary scheme run by industry, placing it on a regulatory footing and requiring firms designated by the Treasury to go further in a number of key areas.

Our proposals will also require firms to publish information on their cash access assessment processes. Importantly, when planning to close their own facilities, firms will have to carry out these assessments, publish the outcomes, allow for any reviews to take place, and deliver any additional cash services required before the closure can take place.

I have set out more detail below on how our proposals aim to address some of the more specific issues raised in your letter.

Gaps in provision

As noted above, we share your concerns around the pace of delivery of services and the gaps between the closure of current services and the introduction of new ones. Under our proposals, firms designated by the Treasury would not be allowed to close cash facilities (including branches) until: they had carried out a cash access assessment; any review of that assessment outcome had been completed; and any additional cash services required, which could take any form provided they have the features and capacity identified as needed in the assessment, are in place.

However, the Financial Services and Markets Act 2023 does not grant the FCA the power to require non-designated entities (including non-designated banks, building societies or ATM operators, and the Post Office) to keep cash facilities open.

Last branch in town

As we set out in our reply to your previous letter of 11 January, we also share your concerns regarding the current industry approach to the 'last branch in town' and we were keen to gather views on this issue as part of our consultation.

Under the current voluntary arrangement, LINK, who carry out assessments of cash access and recommend new banking hubs to Cash Access UK, will not consider whether an area requires a new cash solution if there is a remaining bank or building society branch in town, subject to certain exceptions. We do not believe this approach will deliver the outcomes for reasonable provision we are seeking, and we know the independent body, the Community Cash Advisory Panel, that oversees LINK's existing work assessing branch closures, shares our concerns.

As you note, we are consulting on a [proposal](#) that where there is only a single remaining branch providing a given cash access service in a local area, firms would be required to undertake a fuller assessment of needs to determine whether there is a gap in provision with significant impacts and if additional services should be put in place to meet local needs.¹ This will be regardless of whether the assessment was triggered by a community request or the closure of an existing facility. This fuller assessment would require firms to consider a wider range of factors, including the numbers of people affected, the capacity of existing facilities, the actual travel costs and times to get to them, the needs of those with characteristics of vulnerability, and seasonal fluctuations in demand.

It is important to note these 'last branch in town' proposals do not mean that two or more branches will always be deemed sufficient. When an assessment is triggered in a local area where existing facilities do not have sufficient capacity, or where the time and cost to get to them is unreasonable, we would also expect firms to identify a deficiency and proceed to undertake a fuller assessment of its impacts – regardless of how many facilities there already are.

Under our proposals, assessments would also have to consider the provision of deposit and withdrawal services, to both personal and business customers, where they are the subject of a closure or cash access request. This means that should a facility close that allows businesses to withdraw or deposit cash, firms would be required to assess the cash access needs of businesses and to address any gaps in provision with significant impacts, even where equivalent services are available for personal customers. Similarly, should a facility allowing personal customers to deposit or withdraw cash close, firms would be required to assess the needs of personal customers, regardless of what services are in place for businesses.

Wider banking services

The new powers granted to us are not directed at stopping branch closures or to the provision of the wider services banking hubs can provide to communities (for example, through the presence of a community banker). The size and shape of branch networks remain commercial decisions for banks and building societies, and therefore the proposals we are consulting on are channel neutral when it comes to the delivery of cash access services.

I thought, however, that you and your co-signatories may be interested in some of our wider work applicable to this area. We will continue to expect firms closing branches to meet the expectations of our existing guidance on Branch and ATM Closures ([FG22/6](#)).² This requires firms to conduct detailed analysis on the needs of customers currently using a branch and the likely impact of the closure. We also require firms to consider what can reasonably be put in place to

¹ <https://www.fca.org.uk/publication/consultation/cp23-29.pdf> Chapter Five

² <https://www.fca.org.uk/publication/finalised-guidance/fg22-6.pdf>

meet these identified, ongoing needs. Any alternative solutions identified as needed (or suitable interim arrangements) should be in place ahead of a closure taking place. In addition, our Consumer Duty also requires all firms to act to prevent foreseeable harm to their customers, which may arise from branch closures or reductions in branch services.

I should also note that we would encourage designated firms to continue to consider the need to provide access to community banker support, alongside cash access services, using solutions such as banking hubs or other alternatives, where it is appropriate and reasonable to do so.

Next steps

We expect to publish our final rules, which will be informed by the feedback we have received from you and other stakeholders, in the third quarter of this year.

We are keen to continue engaging constructively with key stakeholders, as we work towards publication of our final rules. As such, my colleagues David Geale, Director, Retail Banking and Sarah McKenzie, Head of Department, Retail Banking Market Analysis and Policy, would be happy to offer a briefing session and take questions on our proposals once we have had an opportunity to digest and reflect on some of the consultation responses we have received. Our Public Affairs team will be in touch separately to discuss whether this is something you would find useful.

Thank you again for raising these issues with me.

Yours sincerely,



Nikhil Rathi
Chief Executive