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Research Briefing

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The future of local banking services and access to cash

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Summary

People are relying less on both physical cash and traditional bank branches:

- Cash was used for only 14% of all payments in the UK in 2022 (pdf), according to data from the trade body, UK Finance.
- According to data collected by Which? around 6,000 bank and building society branches have closed since January 2015 across the UK, or are due to close by the end of 2025. This is equivalent to 61% of branches in January 2015.

Who's affected by the changes?

Research by the Financial Conduct Authority (FCA) in 2022 found that the digitally excluded, older people, people in poor health, those with lower financial resilience and those with lower financial capability depend more on cash.

In 2019, the FCA identified similar groups as being most likely to be affected by bank branch closures. Many small businesses also depend on physical branches, according to a report from the Federation of Small Businesses in 2016. The Scottish Affairs Select Committee reported in 2019 that whole communities – especially in rural areas – are affected when the last branch in a community disappears.

Threats to the future of cash

In 2022, automated teller machines (ATMs) provided about 90% of the cash withdrawn in the UK. But the number of free-to-use ATMs has fallen 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, the National Audit Office warned in 2020 that providing ATMs could become uneconomical, leading providers to withdraw. But the number of pay-to-use ATMs has also fallen since 2019.

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

Protecting access to cash

In 2019 the Access to Cash Review called on Government, regulators, financial services and others to work together to "keep cash viable for the foreseeable future". Government and regulatory responses have since referred to and build on the review's recommendations:

- The government said in 2020 that it was committed to supporting the use of cash, noting its importance to people who are financially excluded.
- The Financial Services Act 2021 enabled traders to offer cashback without a purchase.
- The Financial Services and Markets Act 2023 (FSMA 2023) gives the FCA powers to ensure that customers have "reasonable access" to free cash deposit and withdrawal facilities.
- Under these powers, the FCA has introduced rules taking effect from September 2024 requiring banks to assess cash access triggered by a branch or ATM closure, and provide alternatives where there are no other suitable facilities.
- The 2023 Act also gives the Bank of England powers to oversee and protect the wholesale cash infrastructure. The Bank has introduced rules requiring key players to share information about their infrastructure, conduct risk assessments on third party suppliers to ensure resilience, and inform the Bank of any plans to close distribution infrastructure so it has the opportunity to make alternative arrangements.

Responses to branch closures

Related to access to cash services is the matter of access to wider banking services. There has been widespread public and political concern and debate about the closure of bank branches and the subsequent effects on communities.

For example, during the passage of FSMA 2023, Labour tabled new clauses enabling the FCA to ensure access to banking services. The government did not support the clauses, with then Economic Secretary Andrew Griffith MP noting the development of sector-led banking hubs and saying intervening in the market by legislating would not be proportionate. The clauses were withdrawn.

From 2020, the FCA has published guidance setting out expectations for banking providers that intend closing or reducing branches, services or free ATMs. It expects the provider to analyse the effect, communicate with customers, and support them to find alternative provision.

Post Offices, banking hubs and other provision

Alongside recent legislation to protect access to cash and regulation, the industry has led initiatives to protect access to cash and wider banking services:

- The Post Office has signed an agreement with about 30 banks and building societies to offer basic banking facilities to personal and business customers. Almost 3 in 10 people used those services in 2021.
- LINK, which runs most ATMs in the UK, undertakes Community Access to Cash Reviews for communities that believe their needs are not being met. The reviews may result in the provision of new services. One such service – the banking hub – provides a physical site where a range of providers offers in-person services to customers This is in addition to wider cash services offered though the Post Office's service.
- There have been concerns about how quickly these are opening. As of July 2024, 147 have been recommended of which 41 are operational.

Further reading

- The Library briefings on Statistics on access to cash, bank branches and ATMs and Post office numbers contain more detailed data and discussion of trends.
- The Library briefing on Protecting access to cash gives a detailed snapshot of policy and statistics in 2021.

1 What's at stake?

1.1 The decline of cash

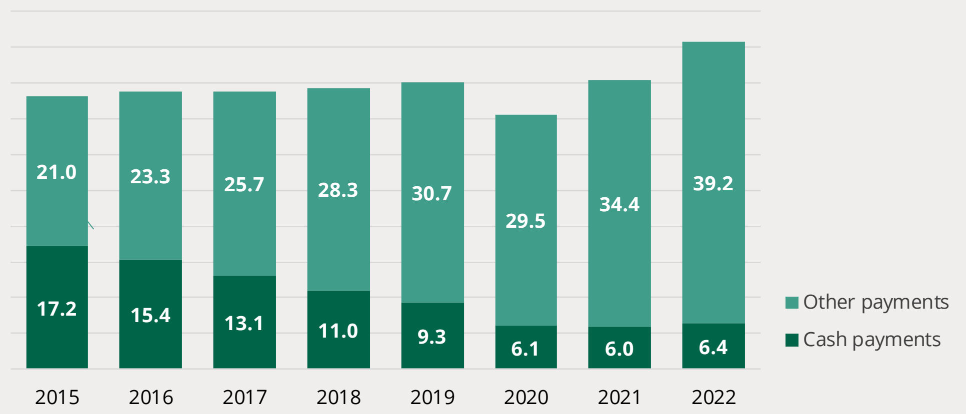
See the Library briefing Statistics on access to cash, bank branches and ATMs for more data.

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 Covid-19 pandemic saw a particularly sharp drop in cash use. Cash payments accounted for just 14% of all payments in 2022, 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 2023 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
- helping to prevent tax evasion
- more protection for consumers, notably in cases of theft or payment disputes
- providing evidence to improve individual credit ratings

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

- 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 shown in the chart on the next page, the total number of bank and building society sites has been falling for some time. The number fell by 49% between 2013 and 2023.

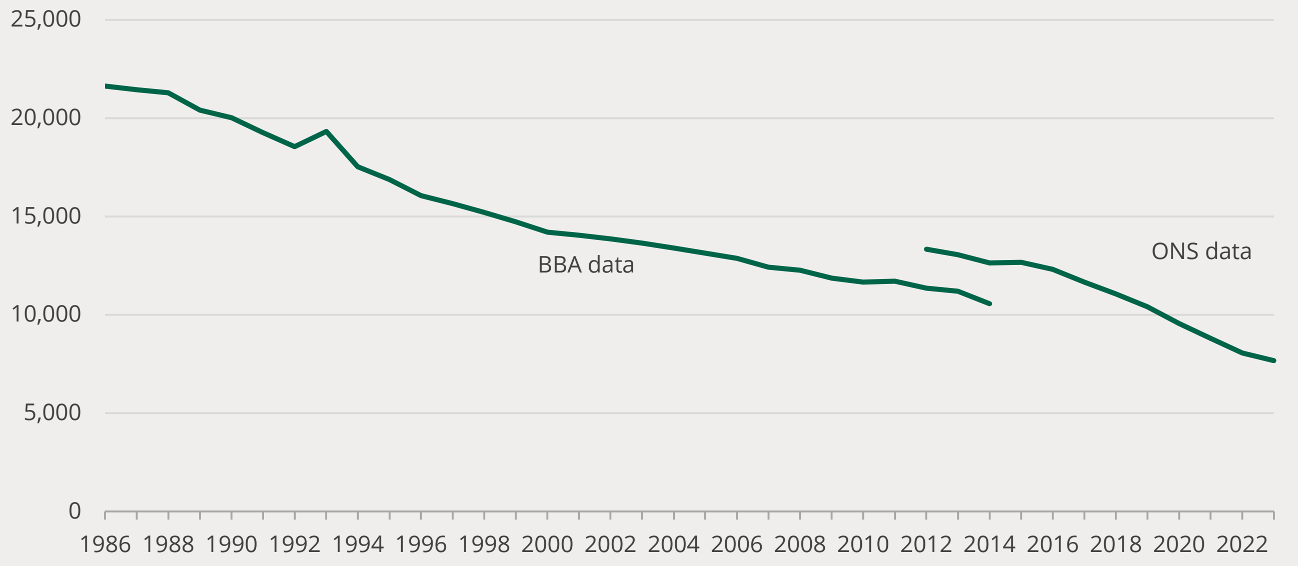
According to data collected by Which? around 6,000 bank and building society branches have closed since January 2015 in the UK or are due to close by the end of 2025. This is equivalent to 61% of branches in January 2015.[2]

See the Library briefing Statistics on access to cash, bank branches and ATMs for further information.[3]

[2] Which? Bank branch closures: is your local bank closing? updated 29 Jan 2024. Figures given are based on the Which? regional data.

[3] Commons Library research briefing CBP-8570, Statistics on access to cash, bank branches and ATMs

Bank and building society sites in the UK



Source: 1986 to 2014 = BBA data; 2012 to 2023 = ONS, Business activity size and location, via the NOMIS database (UK Business Counts variable). This data is based on VAT and PAYE returns of 'local units' (also referred to as individual sites or workplaces) in the Bank (Standard Industrial Classification (SIC) code 64.19/1) and Building Society (SIC code 64.19/2) industries. Note that some of these local units will not be branches. Figures are for a date in March each year.

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, which peaked in 1990, is one clear example. [4] Between 2007 and 2022, the number of cheques written fell from 1,518 million to 129 million.[5] The introduction of cheque imaging, which allows customers to scan cheques they receive, has further reduced the need for visits to branches.[6]

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.[7] That trend was only

4 Cheque and Credit Clearing Company, Cheque dates through the ages (accessed 25 September 2023)
5 UK Finance, UK payments market summary 2023, September 2023, p8 (accessed 25 September 2023)
6 Cheque and Credit Clearing Company, Cheque imaging explained (pdf), 22 March 2017, p2
7 FCA, Strategic Review of Retail Banking Business Models (pdf), December 2018, p52 (accessed 17 July 2023)

reinforced by the rapid changes during the Covid-19 pandemic – most notably a move away from physical interaction.[8]

In 2021, Sarah Coles, senior personal finance analyst at Hargreaves Lansdown, 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.[9]

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
- People who are financially excluded
- People in areas with poor digital connectivity.[10]

The FCA's 2022 Financial Lives survey identified broadly similar groups of people as being most dependent on cash. It found that in the year from May 2021, 6% of adults said that they had paid for "everything or most things" in cash. This rose to 9% among the more vulnerable.[11]

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8 See for instance, House of Commons Library, Protecting access to cash (CBP-9054)

9 Credit-Connect, "Banking industry commits to supporting access to cash", 14 May 2021 (accessed 17 July 2023)

10 Access to Cash Review, Access to Cash Review: final report, March 2019, p45-52 (accessed 17 July 2023)

11 FCA, Financial Lives 2022: Key findings from the FCA's Financial Lives May 2022 survey, 26 July 2023 (accessed 15 August 2023), p26

A study undertaken for the Payment Systems Regulator in 2019 had highlighted the idea of a preference (as opposed to an absolute need) 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."[12]

Wider questions about going cashless

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

- System failures: In 2018, for instance, an IT failing in the VISA network caused 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.[13] (That said, such failures can also affect ATMs.)
- Security breakdowns: In 2022, the Bank of England reported that senior bank risk management executives considered cyberattacks to be the biggest risk to UK financial security.[14]
- Digital payments can usually be easily traced, raising concerns about privacy. But HMRC notes that cash can facilitate criminal activity and black markets[15], while 'darknet markets' can facilitate illicit trading.[16]

1.4 Who is most affected by bank branch closures?

Reports and analysis have highlighted the effects of branch closures on various customer groups (with a strong correlation with people who rely on cash, as discussed in section 1.3):

- Older people: In 2019, FCA research found that branch closures presented particular challenges for older people who would have to travel further to reach a branch. It said that older people were also less likely to turn to mobile banking, which increased their risk of financial exclusion.[17]

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12 Payment Systems Regulator, "PSR publishes detailed research into how people and business access cash", 24 July 2019 (accessed 17 July 2023)

13 Treasury Committee, Letter from Visa regarding service disruption (pdf), 15 June 2018

14 Bank of England, Systemic Risk Survey Results – 2022 H2, 12 October 2022 (accessed 17 July 2023)

15 HMRC, "Cash, tax evasion and the hidden economy: call for evidence", 24 March 2016

16 Martin Dittus, "Darknet markets: global platforms used for local retail trade", Oxford Internet Institute, 16 April 2018 (accessed 17 July 2023)

17 FCA, "When bank closures bite: the picture across the UK", 13 March 2019 (accessed 27 July 2023). The report did not however distinguish between telephone and digital banking.

- Disabled people: Which? Reported in June 2023 that 52% of disabled people surveyed said that branch closures had had a “negative impact” on their access to bank services. Many respondents highlighted difficulties with speaking to staff on the phone, using equipment like card readers or remembering passwords.[18]

- Micro-businesses: In 2016, the Federation of Small Businesses highlighted the importance of access to branches for micro-businesses. It found that 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.[19]

- People in rural areas: 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 that by the first weekend after the last branch closed in Lossiemouth, the community ran out of cash. Local traders relied heavily on cash because of poor internet connectivity.[20]

18 Which?, “Some disabled bank customers slam ‘abysmal’ services, as more than half negatively affected by branch closures, Which? finds” (press release), 15 June 2023 (accessed 27 July 2023)

19 Federation of Small Businesses, Locked out: the impact of bank branch closures on small businesses, 17 October 2016, p4-5 (accessed 27 July 2023)

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

2 The cash system in the UK

The Royal Mint and Bank of England are responsible for producing coins and English banknotes respectively. Commercial banks are responsible for producing Scottish and Northern Irish banknotes. [21]

Various private sector companies including banks are involved in getting that cash to branches, ATMs and retailers (wholesale cash distribution). For English banknotes this is overseen by the Bank of England.[22]

Most cash is accessed by consumers via the ATM network, operated by industry body LINK and regulated by the Payment Systems Regulator (PSR).

Finally, the Financial Conduct Authority (FCA) has powers to maintain access to cash. [23] Its rules requiring banks to not close branches until cash access can be guaranteed come into force in September 2024. See section 5.1 of this briefing for more information.

In recent years, there have been concerns around the wholesale cash distribution as well as customer access to cash being eroded through bank branch and ATM closures.

The Financial Services and Markets Act 2023 (FSMA 2023), discussed in section 5, aims to address some of these concerns.

2.1 How do people get hold of cash?

The FCA publishes data about access to cash coverage. The Library briefing Statistics on access to cash, bank branches and ATMs provides more data.

Cash is available to consumers via a range of commercial entities, but most commonly through the ATM network: in 2023, LINK reported that around 93% of all cash withdrawn was from ATMs.[24]

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. Older people and those with long-term health condition, as well as people in rural areas and those on lower incomes, said that they

21 National Audit Office, "The production and distribution of cash", 18 September 2020
22 HM Treasury, Protecting UK wholesale cash infrastructure: Policy statement, April 2022, p8
23 FCA, "FCA sets out new rules to maintain access to cash in increasingly digital world", 7 December 2023
24 LINK, "Consumers withdraw £81bn from ATMs in 2023", 12 January 2024 (accessed 22 January 2024)

would rather pay a small fee (of around 20 pence) for each withdrawal if doing so would keep their nearest ATM operating.[25]

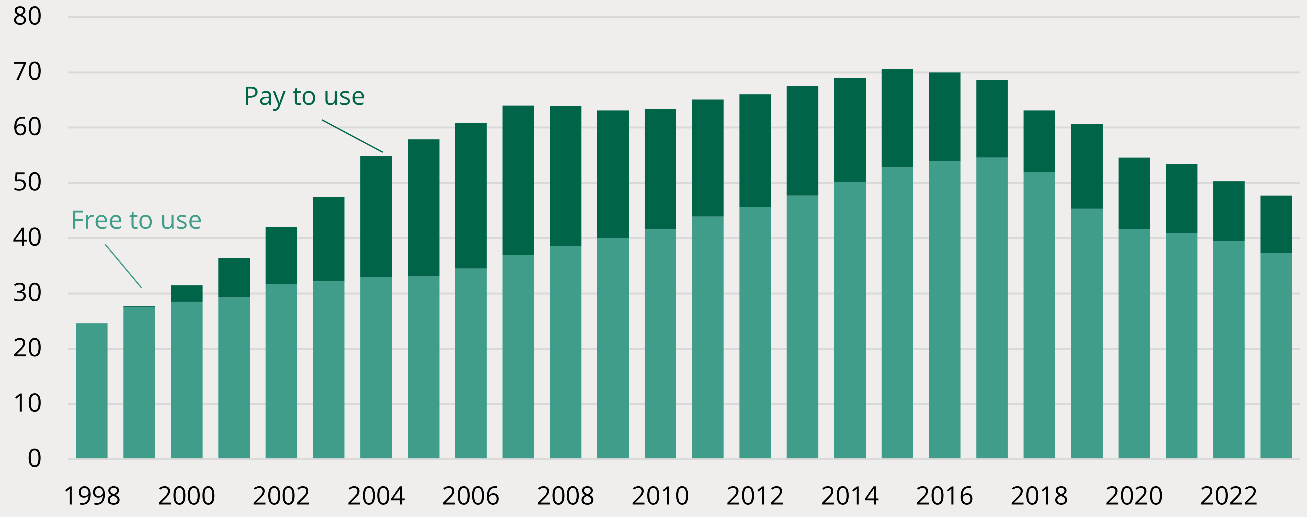
ATMs

ATMs are operated by banks, building societies and independent ATM deployers. Almost all of them are connected by the LINK network which allows consumers to withdraw cash from ATMs which do not belong to their bank.[26]

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

Number of ATMs, UK

Thousands, year end



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,

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

26 Payment Systems Regulator, The UK's ATM network (accessed 30 January 2024)

27 See, for instance, Daniel Tischer and others, "Where to withdraw? Mapping access to cash across the UK (pdf), University of Bristol, November 2020

those areas still had more free ATMs overall. The NAO concluded that "the PSR has focused on geographical access to free-to-use ATMs but has paid less attention to analysing the impact in more deprived areas".[28]

The decline in free ATMs has partly resulted from a reduction in the interchange fee.

This is the fee set by LINK which banks pay when one of their customers withdraws cash from another operator's free-to-use machine and is around 24p-31p.[29]

In July 2018 LINK cut the interchange fee, but not for machines more than one kilometre from the nearest free ATM. [30]

On top of the interchange fee, machines with low use are also eligible for a premium per withdrawal. LINK also announced a tripling of the higher premium.

These measures essentially made it relatively more worthwhile to operate ATMs in isolated areas with lower demand. They were intended to rebalance the deployment of ATMs away from well-provided for urban locations towards "rural and less-affluent communities". [31] [32]

But independent ATM deployers such as NoteMachine have said that the changes have reduced its machines' economic viability, 'forcing' them to convert some machines to pay-to-use. [33]

Post Office branches

As discussed in section 6.1, commercial agreements mean that customers of many banks and building societies can withdraw cash from branches of the Post Office.

See the Library briefing 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

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28 National Audit Office, "The production and distribution of cash", 18 September 2020
29 LINK, "Interchange" (accessed 30 January 2024)
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 15 August 2023)
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 The Guardian, "UK's free ATM network under threat as operators levy charges, says Which?", 1 May 2019 (accessed 27 July 2023)

- 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
- 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. Its ATMs were previously owned and operated by the Bank of Ireland, but migrated to direct Post Office ownership starting in late 2021.

As part of this, overall ATM numbers (in Post Office branches) were reduced 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.” [35]

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.[36]

A possible barrier to the use of cashback was that if a business wished to offer customers cashback without them making a purchase, they would need to be regulated by the FCA.

This requirement arose from the EU’s Second Payment Services Directive (PSD2).[37]

It was overturned by the Financial Services Act 2021 which took effect from the end of June 2021, meaning non FCA-regulated businesses can now offer cashback without purchase.[38]

34 Post Office, The Post Office network report 2022 (pdf), p23-24. The report notes that at the end of March 2022 the Post Office met all but the last criterion, missing the target in nine postcode areas.

35 Post Office, ”Post Office to invest in free to use ATMs”, 26 October 2020 (accessed 27 July 2023)

36 Payment Systems Regulator, “PSR publishes detailed research into how people and business access cash“, 24 July 2019 (accessed 27 July 2023)

38 Financial Services Act 2021 section 44

2.2 Could the cash system collapse?

The trends discussed earlier in this research briefing 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) urged government action on the issue.[39] The Access to Cash Review highlighted three particular threats:

'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.[40]

Cash infrastructure fails: problems with wholesale and distribution

A few companies run the wholesale cash network in the UK – the production, issuance and transportation of new notes and coins. The Review expressed concerns that this concentration put the whole system at risk should a participant leave the market.

In particular, the Review mentioned:

- G4S, the Post Office, NatWest and Vaultex are the four members of the Note Circulation Scheme. They supply banknotes to customers from cash centres located across the UK.[41] They are the only wholesale distributors of English banknotes, and key participants in the distribution of Scottish and Northern Irish banknotes.[42]
- Two firms – G4S and Loomis – dominate the market for transporting cash from these cash centres through smaller depots and on to bank branches.[43]

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[39] Incorporated into UK law via the Payment Services Regulations (2017).
[39] BBC, "UK's cash system 'will collapse without new laws"", 19 February 2020 (accessed 8 August 2023)
[40] Access to Cash Review, Access to Cash Review: final report, March 2019, p67
[41] Bank of England, "Note Circulation Scheme" (accessed 30 January 2024)
[42] HM Treasury, Protecting UK wholesale cash infrastructure: Policy statement, April 2022, p8
[43] Access to Cash Review, Access to Cash Review: final report, March 2019, p69

2.3 Acceptance of cash

The third threat the Access to Cash Review identified was not that consumers would struggle to get cash, but the risk they will be left behind because they cannot pay with cash.

There is no requirement for traders in the UK to accept cash, or indeed any other form of payment. As the Bank of England noted in 2020, while many people believe that the concept of "legal tender" gives buyers the right to pay in cash, the concept in fact only refers to the right to settle debts with Bank of England notes (in England and Wales) and Royal Mint coins (across the UK).[44]

In 2019, the Access to Cash review highlighted the potential decline in acceptance by traders as "the real death knell for cash". It noted that the cost and effort involved in counting, managing and banking cash, as well as the risk of theft, gave businesses real incentives to avoid it.[45]

In a Westminster Hall debate on cash acceptance in March 2023, then Economic Secretary to the Treasury, Andrew Griffith, said that the government had no desire to impose legal requirements on businesses or public services to accept cash. He pointed to proposals in the then Financial Services and Markets Bill (see section 5) to guarantee access to cash deposit and withdrawal facilities as a practical response to the issue.[46]

As noted in section 1.1, the Covid-19 pandemic led to a particularly notable decline in the use of cash, but in October 2022, the Bank of England reported "a sustained, if partial, recovery in cash use". It suggested that this might have happened in response to the relaxation of practical limitations relating to lockdown and hygiene – but also because retailers seemed less likely to be "actively encouraging" contactless payment.[47]

A 2021 survey for the FCA 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 did not have other options.[48]

That said, LINK reported research in December 2022 that over the previous eight weeks, 45% of people had been somewhere where cash payment was

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44 Bank of England, "What is legal tender?", 30 January 2020 (accessed 27 July 2023)

45 Access to Cash Review, Access to Cash Review: final report, March 2019, p70 (accessed 27 July 2023)

46 HC Deb, 20 March 2023, c21WH-26WH

47 Bank of England, Knocked down during lockdown: the return of cash, Quarterly bulletin 2022 Q3, 14 October 2022 (accessed 27 July 2023)

48 FCA, "UK's cash infrastructure and consumer research", 23 July 2021 (accessed 7 August 2023)

refused or discouraged. They said that this was most likely to happen in cafés and restaurants, in car parks or on public transport.[49]

[49] LINK, "LINK research shows growing concern on cash acceptance", 16 December 2022 (accessed 7 August 2023)

3 Action to maintain local bank branches

3.1 How will local provision change?

While banks have been closing branches in response to changes in the market, many have been investing in improving those that remain. They have 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."[50]

Banks are also experimenting with different ways to deliver physical services. In 2018, 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.[51]

3.2 Consideration by Parliamentary committees

Scottish Affairs Committee, 2019

The Committee reported on some emerging approaches in 2019 in its Access to Cash in Scotland Inquiry. These included mobile branches that visit communities that had lost permanent branches. But customers often found the service limited and inflexible, particularly for business needs.[52]

It 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"

[50] FCA, Strategic Review of Retail Banking Business Models, December 2018 (accessed 25 November 2021)
[51] As above
[52] Scottish Affairs Committee, Access to cash in Scotland (pdf), 23 July 2019, HC 1996, p17

service.[53] As discussed in section 6, continuing concern about access to bank facilities and cash has since led to further progress with such initiatives – and less focus on maintaining traditional bank branches.

Among other recommendations, the Committee's report highlighted:

- seeking a commitment from banks that they would not close "the last branch in town"
- government efforts to overcome competition and regulatory barriers that hindered the development of joint services, such as banking hubs
- statutory regulation of branch closures[54]

In its response the report, the government set out its reluctance to intervene in what it saw as commercial decisions, although it recognised the effect on communities and the importance of some form of service. It said that it "cannot reverse the changes in the market and in customer behaviour; nor can it determine firms' commercial strategies in response to those changes."[55]

Treasury Committee, 2019

In 2019, the Committee's inquiry into consumers' access to financial services also concluded that such factors as IT failures and the needs of vulnerable customers meant that maintaining a physical branch network was vital. It welcomed alternative approaches to provision and did not identify any legal barriers to increased co-operation between providers. It recommended:

> [If] 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.[56]

In its response to the report, the government reiterated its position that it did not intend to intervene in banks' commercial decisions. It added that it would continue to engage with the industry and its Access to Banking Standard (see section 3.4). It also confirmed there were no overwhelming legal or regulatory limitations on developing shared services.[57]

Further Committee consideration

- In October 2019, the Economy, Infrastructure and Skills Committee of the National Assembly for Wales also recommended that the "UK

53 As above
54 Scottish Affairs Committee, Access to cash in Scotland (pdf), 23 July 2019, HC 1996, p29-31
55 Scottish Affairs Committee, Access to cash in Scotland: Government Response to the Committee's Tenth Report, Session 2017–19, HC1996: Appendix: Government response, 1 November 2019
56 Treasury Committee, Consumer access to financial services, HC1642, 13 May 2019, para 91-96
57 Treasury Committee, Consumers' access to financial services: Government Response to the Committee's Twenty-Ninth Report, 5 July 2019

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."[58] The Welsh Government said that while it supported the principle, this was a matter for the UK Government.[59]

- 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." 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".[60] In its response, the government reiterated its position that it did not consider it appropriate to intervene in commercial decisions and highlighted its engagement with wider initiatives.[61]

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

In September 2020, the FCA published initial guidance on its expectations of financial businesses in relation to branch and ATM closures or conversions ("conversions" referring to changing free-to-use ATMs to charging for use).[62]

This built on the voluntary Access to Banking Standard overseen by the industry (as discussed in section 3.4). The FCA's wider remit allowed it to include both ATMs and credit union branches in the arrangements.[63] This approach also reflects the move in wider policy consideration from branch closures to access to cash, as discussed in section 4.

In October 2022, though, the FCA updated its guidance, saying that some firms had "fallen short of expectations". It noted that in some cases, firms had reduced the range of services or opening hours rather than completely closing a branch. The updated guidance would apply where any such changes "would have a significant impact on customers."[64]

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

59 Senedd Wales, Welsh Government's response to the National Assembly for Wales' Economy, Infrastructure and Skills Committee Report on Access to Banking (pdf), p6

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

61 Lords Liaison Committee, Government Response: "Tackling Financial Exclusion: A country that works for everyone? Follow-up report", 15 June 2021, p7

62 FCA, "FG20/3: Branch and ATM closures or conversions", 14 September 2020 (accessed 8 August 2023)

63 As above

64 FCA, "FG22/6: Branch and ATM closures or conversions", 11 October 2022 (accessed 7 August 2023)

This approach is not legally binding. Firms regulated by the FCA are expected to comply with its Principles. This situation contrasts, for instance, with the FCA's new legal powers to oversee and mandate reasonable access to deposit and withdrawal facilities, as discussed in section 5.1.

What the FCA expects providers to do

In summary, the FCA expects firms planning to close or reduce branches or services to:

- tell the FCA about its plans as soon as possible. This will allow the regulator to ensure that customers are being treated fairly and in line with the Consumer Duty.[65]
- analyse the likely effect of the closure or conversion on customers and consider any reasonable alternatives that might be put in place to meet their needs.
- analyse usage trends and volumes and identify and engage with wider stakeholders who might have an interest in the proposed change.
- provide the FCA with a clear summary of this analysis. The FCA may ask for more if it is not satisfied.
- ensure that any proposed alternative is in place and accessible to customers before a branch closes. In implementing the change, they should consider how long it will take customers to take up alternative services (such as transferring accounts).
- review and keep the FCA informed of any changes throughout the process.
- inform customers at least 12 weeks before any closure or conversion is due to happen and tell them about alternative services available to them.
- publish a "high-level" and summary of the analysis that is "easy for customers to find and accessible (taking into account their likely communication needs)."
- ensure that this information is published early enough for consumers to take action.[66]

[65] FCA, Consumer Duty (accessed 2 August 2024)

[66] FCA, Finalised Guidance: Branch and ATM closures or conversions (FG22/6), October 2022, p4-5 (accessed 7 August 2023)

Which banking services are covered?

As well as arrangements for ATMs, the FCA's guidance sets out a "non-exhaustive" list of the types of in-person services that it might cover:

- cash withdrawals and deposits, including those made using a passbook
- cheque deposits
- making payments in-branch by cash or cheque, such as to pay down a regulated mortgage or regulated credit agreement and making payments by CHAPS or foreign currency
- opening or closing an account
- proving identity
- dealing with issues related to Power of Attorney or bereavement
- dealing with incidents of fraud and scams
- providing support to customers in financial difficulty, or customers seeking guidance on money management[67]

3.4 Earlier industry oversight of branch closures

The Financial Conduct Authority's guidance on expectations discussed in section 3.3 has over time replaced earlier industry action to manage branch closures.

The last of these, the Access to Banking Standard, applied between July 2017 and March 2023.[68] It set out the following general approaches:

- Banks would inform customers and stakeholders about plans to close at least 12 weeks before the planned closure date. They would explain why the branch was closing, set out the bank's assessment of the impact of closure, and highlight alternative arrangements for customers.
- 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 and support more vulnerable customers and continue to support customers and other stakeholders after closure.[69]

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67 FCA, Finalised Guidance: Branch and ATM closures or conversions (FG22/6), October 2022, p3 (accessed 7 August 2023)
68 LSB, Access to Banking Standard (accessed 27 July 2023)
69 Lending Standards Board, The Access to Banking Standard, July 2017 (accessed 8 August 2023)

UK Finance announced that 12 banks and building societies signed up to the Standard. The Lending Standards Board (LSB) oversaw, monitored and reported on its operation.[70]

In December 2021, though, the LSB noted new FCA guidelines closely reflected the arrangements set out in the standard. It recommended that the regulator should henceforth oversee policy in this area.[71]

In the same month, 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.[72] That initiative is discussed in section 6.2.

70 UK Finance, "High street banks announce new Access to Banking Standard" (press release), 20 July 2017 (accessed 8 August 2023)

71 Lending Standards Board, "Access to Banking Standard Review recommendations published by the LSB",10 December 2021 (accessed 8 August 2023)

72 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 8 August 2023)

4 Action to maintain access to cash

Initiatives discussed in this section focus primarily on the idea of "access to cash", rather than specific services or branch access. This section covers the development of policy to maintain access to cash, culminating in legislation giving the Financial Conduct Authority powers in this area, discussed in section 5.

4.1 The Access to Cash Review

The Access to Cash Review, established in 2018, has informed wide areas of policy development and response. The review was "sponsored by, but independent of LINK" and chaired by Natalie Ceeney, previously head of the Financial Ombudsman Service.[73]

Its aims that were cash was available to meet the varying needs of all consumers, for as long as necessary.[74] The report did not take a view about the merits of a cashless society but argued that failing to prepare for a transition would do significant harm to people still reliant on cash.[75]

The report made five recommendations:

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.

[73] Accesstocash.org.uk (accessed 8 August 2023)
[74] As above
[75] Access to Cash Review, Access to Cash Review: final report, March 2019, p4

5. Develop a clear government policy on cash. This would require leadership and coordinated working by regulators. Market forces alone would not be sufficient.[76]

4.2 Legislation to protect access to cash

The 2020 Budget announced that the government would bring forward legislation to protect access to cash and ensure that the UK's cash infrastructure is sustainable in the long-term.[77] This was eventually achieved through the Financial Services and Markets Act 2023, discussed in section 5.

Development of proposals on access to cash

Introducing a call for evidence on the future of cash in October 2020, John Glen, then Economic Secretary, reiterated the government's commitment to "maintain a sustainable infrastructure for cash in the UK". He acknowledged the importance of cash access for vulnerable people and said the government's approach would be to ensure that people could find cash withdrawal and deposit facilities "within a reasonable travel distance".[78]

The Treasury considered the FCA well positioned to set requirements to ensure that cash distribution met consumer and SME needs. It said that ATMs would be central to the concept of reasonable access, and that banks, building societies and Post Office branches all had a role to play in helping to meet this.[79]

It also said that the government did not consider it "appropriate to mandate cash acceptance but wishes to explore options for better incentivising [it]."[80]

In a follow-up consultation in July 2021, the Treasury explained that its proposed approach to "reasonable access" would cover withdrawal and deposit facilities for personal customers, and deposit facilities for SME customers. It would set and amend geographic access requirements to achieve this.[81].

It said that legislation would give the FCA regulatory oversight of the retail cash system by monitoring and enforcing powers on designate firms.[82]

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76 Access to Cash Review, Access to Cash Review: final report, March 2019, p113-123
77 HM Treasury, Budget 2020, 11 March 2020
78 HM Treasury, Access to cash: Call for evidence, October 2020, p2
79 As above, p10-12
80 As above, p19
81 HM Treasury, Access to Cash Consultation, 1 July 2021
82 As above

Stakeholder feedback

The Access to Cash Review panel broadly welcomed the Treasury's early 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 could 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.[83]

Among other respondents, the campaigning group Positive Money argued that the cost of the initiative should be borne by the banks rather than the public, that the FCA should oversee the initiative, and that it was essential to legislate to ensure that people had the right to pay in cash.[84]

In its overview of responses to the consultation, published in May 2022, the government reported broad support for its proposals.[85] Most notably, respondents highlighted the need for flexibility rather than simplistic geographic access targets. The government agreed that a degree of flexibility should be permitted, notably between urban and rural areas.[86]

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)[87]

The Bank launched a consultation on its general proposals for its oversight arrangement in December 2022.[88] It published its response and further proposals in August 2023, as discussed in section 5.3.

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83 Access to Cash Review, Response to HMT call for evidence – access to cash (pdf), November 2020 (accessed 7 August 2023)

84 Positive Money, Positive Money submission to Access to Cash Call for Evidence (pdf) (accessed 7 August 2023)

85 HM Treasury, Access to Cash: Consultation: Summary of Responses, 22 May 2022

86 As above, p5.6

87 HM Treasury, Protecting UK wholesale cash infrastructure: Policy statement, April 2022, p9

88 Bank of England, Consultation on the Bank of England's supervisory approach to wholesale cash distribution, 14 December 2022

5 Financial Services and Markets Act 2023

The Financial Services and Markets Act 2023 (FSMA 2023) received Royal Assent on 29 June 2023 and gave the Financial Conduct Authority (FCA) and Bank of England powers to regulate retail cash access and wholesale cash distribution respectively.[89]

These were laid out under Schedule 8 and Schedule 9 of the Act.

This section describes the latest proposals by both bodies as of August 2024, and then talks about the passing of the Act and the government's Cash Access Policy Statement.

5.1 The FCA's plans on cash access

The FCA set out final rules under its new powers in July 2024 after consultation. These rules will come into force on 18 September 2024.[90]

Under its rules, firms to be designated by the government (the largest banks and building societies) will be required to:

Conduct local cash access assessments, in response to "trigger events", namely:

- Their decision to close a cash facility, or materially reduce cash access
- A non-designated person's decision to close a cash facility, or materially reduce cash access (such as an independent ATM deployer removing an ATM)
- A cash access request from the public

These assessments will cover what facilities are available within the area, and the impact of service closures. These assessment processes will be approved in advance by the FCA.

Where the assessments find an additional service is required, firms must implement this before closing the existing service or within set timeframes and inform consumers.

89 HL Deb 29 June 2023

90 FCA, PS24/8: Access to cash, 24 July 2024

The proposals go beyond the FCA's existing guidance that banks analyse and address the impact of service closures, and LINK's community cash access assessments, as they will form mandatory requirements.

Additionally, the trigger events include when a non-designated person closes cash facilities, which goes beyond LINK's assessment, and the FCA's existing guidance.

The FCA recognised the voluntary initiative taken forward by LINK in setting up banking hubs. However, it said it was concerned by delays with hub rollouts.

5.2 The Bank of England's plans on wholesale cash distribution

In April 2024, the Bank published its final codes of practice for overseeing the wholesale cash distribution market.[91]

These include proposals relating to:

- Information gathering: Firms will have to provide information on things like cash centres, service level agreements and business plans.
- Third-party agreements: Firms will have to carry out due diligence and risk assessments in relation to third parties providing services material to the firm's functions.
- Firms will have to keep the Bank informed if they plan to close any cash centres or exit the market. This will give the Bank the opportunity to take actions to mitigate any impact.

These codes will take effect once the Treasury recognises firms with market significance, to which the codes apply.

5.3 Parliamentary consideration of FSMA 2023

The general proposals to protect access to cash were broadly welcomed in the Bill's second reading in the Commons on 7 September 2022.[92]

That debate and subsequent consideration did however raise various concerns about the Bill's measures, as summarised below.

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[91] Bank of England, Responses to the consultation on the codes of practice for wholesale cash distribution market oversight, 24 April 2024

[92] HC Deb, 7 September 2022, c284-344

Wider banking services

The then shadow Economic Secretary, Tulip Siddiq (Labour), said that while the Opposition welcomed the measures to protect access to cash, it was concerned that they did “nothing to protect essential face-to-face banking services” or to support alternative arrangements like banking hubs.[93]

Paul Maynard (Conservative), among others, argued that “access to cash is the wrong way to talk about the issue”, because face-to-face services were essential to so many customers.[94]

The then Economic Secretary, Richard Fuller (Conservative), acknowledged the importance of face-to-face banking services, especially to the more vulnerable. He argued though that:

> the FCA could exercise the powers in the Bill to prevent a branch closure where in doing so it is seeking to ensure reasonable provision of cash access services. That may be the case, for example, if a closure would result in a significant adverse impact in relation to accessing cash in that area.[95]

In Commons committee stage, Tulip Siddiq said Labour was not opposed to closing bank branches and that face-to-face services might be offered through banking hubs or other models of community provision.[96] Nevertheless, the then Economic Secretary, Andrew Griffith (Conservative), argued that it would not be proportionate to intervene in the market.[97]

During report stage, the Opposition proposed an ultimately unsuccessful amendment that would have allowed the FCA to direct designated persons to establish banking hubs.[98] The then Economic Secretary noted that the hubs were now being “deployed at pace”, and that it was an opportunity for the industry to prove that it could deliver. He argued against “locking [arrangements] in statute for all time.”[99]

Similar issues were raised in the Lords, notably during Grand Committee sitting on 7 March. No proposed amendments succeeded.[100]

Free deposit and withdrawal services

Members across both Houses raised concerns that the Bill as presented did not specify that “reasonable access” meant “cost-free access”, a concern that the government ultimately accepted.

93 HC Deb, 7 September 2022, c287-289
94 As above, c321-324
95 As above, c343
96 PBC, 3 November 2022, c260
97 As above, c266-267
98 HC Deb, 7 Dec 2022, c387
99 As above, c393-394
100 HL Deb, c116GC-143GC

The Public Bill Committee considered eight SNP and Labour amendments that would have incorporated free services into the wider plans. Siobhain McDonagh (Labour) said she did not believe that the FCA would require free access to cash unless it was legislated for.[101] The government opposed the amendments. Seven were withdrawn and one was defeated on division.[102]

Government amendments to include free access to cash

In Lords Report stage, though, recognising "the strength of feeling on this matter in both Houses", Baroness Penn (Conservative) presented a series of government amendments that included consideration of "free cash access services" into the Bill. The Lords agreed to them all.[103] This meant that consideration of "reasonable access" would be based on free-of-charge services.

Baroness Chapman (Labour) "strongly" welcomed the government's decision but said "there is obviously a lot more to be done."[104]

Acceptance of cash

During Commons committee stage, Ms Siddiq argued that there was "little point in the most vulnerable having access to cash if they have nowhere to spend it." [105] But Mr Griffith replied that while the government was "sympathetic" to the concern, requiring traders and services to accept cash "could risk placing a disproportionate regulatory burden on many businesses".[106]

In the Lords, the government rejected an amendment sponsored by Lord Holmes of Richmond (Conservative), which sought to "to draw together the need for access to cash and acceptance of cash".[107] Speaking on behalf of the government, Baroness Penn repeated the government's view that it did not wish to mandate forms of payment. She added that "in supporting businesses' access to deposit services, that will support people's ability to use their cash as a form of payment."[108]

101 PBC, 1 November 2022, c202-208
102 As above, c215-216
103 HL Deb, 8 June 2023, c1646-1653
104 As above, c1650
105 PBC, 1 November 2022, c203
106 As above, c214
107 HL Deb, 7 March 2023, c120GC-121GC
108 HL Deb, 7 March 2023, c137GC-139GC

5.4 Implementing the new arrangements for cash access services

Cash Access Policy Statement

The Treasury is required by Schedule 8 of FSMA 2023 to publish a Cash Access Policy Statement which the FCA must consider when using its powers to ensure reasonable provision of cash access.

On 18 August 2023, the Treasury published its Cash Access Policy Statement which said:

- FCA analysis has found that at least 95% of people in "predominantly urban areas" of the UK live within one mile of cash deposit and withdrawal services. At least 95% of people in "predominantly rural areas" live within three miles of such services.
- The new arrangements would aim to maintain that situation but would also take account of such factors as hours of availability of cash services, travel and geographic factors, and demographic information relating to vulnerability.
- The FCA would have the power to designate specific banking providers whose provision would be taken account of to monitor and maintain reasonable access.
- The arrangements will identify services deemed necessary for reasonable access. Any proposed closure of or significant reduction in such services should not happen until alternative arrangements are put in place.
- The government welcomes "positive action by industry" to assess and respond to local cash needs (as discussed in sections 6.2 and 6.3) and encourages designated firms to engage with then. It notes the "potential benefits" that such initiatives "can provide for ensuring efficient and proportionate solutions".[109]

Reactions to the proposals

Wider stakeholder reactions largely welcomed the Treasury's announcement but highlighted its limitations.

Tulip Siddiq, the then shadow Economic Secretary, said it was "vital" to protect in person banking services as well as access to cash.[110]

The Financial Times reported that Derek French, a campaigner for access to cash, said that the plans were "very vague" and might ignore small

[109] HM Treasury, Cash Access Policy Statement, 18 August 2023
[110] Tulip Siddiq, X (Twitter), 21 August 2023 (accessed 29 August 2023)

businesses' needs for cash deposit services. He noted that the distances specified depended on the current location of Post Office services and wondered how the new obligations could reasonably be imposed on any specific provider.[111]

Kerry Booth, Chief Executive of Rural Services Network (a Special Interest Group of the Local Government Association and "the national champion for rural services"[112]), noted that many people in rural areas already had to travel more than three miles to get cash. She said that she was awaiting the Treasury's views on how that issue might be addressed.[113]

Jenny Ross, editor of Which? Money, welcomed the guidance but urged the FCA to "take strong action" to maintain services, notably in response to "specific issues which may arise in local communities."[114]

Natalie Ceeney, who chaired the Access to Cash Review and now chairs Cash Access UK (see section 6.3), said the distance guidelines would "support the specific needs of different communities". She also highlighted the banking industry's efforts to provide replacements where branches or services were closing. UK Finance also said that it supported the initiative and looked forward to further detail.[115]

But Charlie Evans, sales director at NoteMachine, an independent ATM deployer, highlighted "significant cost pressures" to the industry arising from reductions in the interchange fee (as discussed in section 2.1).[116]

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111 "Give public and business cash services within 3 miles or be fined, UK banks told", Financial Times [£], 17 August 2023 (accessed 29 August 2023)
112 Rural Services Network, What is the Rural Services Network? (accessed 29 August 2023)
113 Rural Services Network, "Government promises free access to cash to be protected "particularly" for those living in rural areas", 21 August 2023 (accessed 29 August 2023)
114 Which?, "Banks could face fines if people can't access cash within 3 miles", 18 August 2023 (accessed 29 August 2023)
115 "UK banks will have to ensure access to cash within three miles, ministers say", The Guardian, 17 August 2023 (accessed 29 August 2023)
116 "Banks face fines if they breach rules on access to cash", BBC, 18 August 2023 (accessed 29 August 2023)

6 Alternative approaches to banking and cash provision

6.1 Post Offices

The Post Office's Everyday banking service offers free service for customers of over 30 providers. Although the specific offer varies by provider, the Post Office offers deposit and withdrawal services, bill-paying and balance-checking services for personal and business customers in all of its 11,500 branches.[117] In December 2022, the Post Office said that £3.4 billion in cash was deposited and withdrawn.[118]

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.[119] 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.[120]

The contract

The service is underpinned by an agreement between the providers and the Post Office. The third such agreement, Banking Framework 3, came into operation in on 1 January 2023 and will run until 31 December 2025.[121]

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."[122] Although it welcomed the new agreement, Which? argued that only legislation would guarantee the future of access to cash.[123]

117 Post Office, Everyday banking (accessed 7 August 2023)
118 Post Office, Post Office cash tracker(accessed 29 January 2024)
119 Citizens Advice, Post: The state of the sector in 2022 , March 2022 (accessed 7 August 2023)
120 Citizens Advice, "Banking on it: How well are post offices delivering cash and banking services?", 30 July 2020 (accessed 7 August 2023)
121 Post Office, "Post Office announces continued 'lifeline' for businesses and communities that rely on cash with new banking agreement", 31 January 2022 (accessed 7 August 2023)
122 Saveourcash.co.uk, "Access to cash is worth a great deal" (accessed 7 August 2023)
123 Which?, "Post Office to continue to offer banking services for 30 banks and building societies", 4 February 2022 (accessed 7 August 2023)

The fragility of the arrangement had become apparent in 2019. Although all the major banks agreed to pay the Post Office more (see below), Barclays initially chose to exclude cash withdrawals from its part of the agreement, leading to strong criticism from a range of stakeholders.[124] It reversed its decision within weeks, saying that its involvement was "crucial at this point to the viability of the Post Office network."[125]

Treasury Committee review

The Treasury Committee had scrutinised the first formalised arrangement between the banks and the Post Office in 2019 as part of its inquiry into consumer access to financial services.[126] 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; nor could they offer adequate privacy. It also noted that public awareness of the services available was low.[127]

More fundamentally, the Committee argued that the existing arrangements meant that the State was subsidising "the big six banks' lack of a branch network." It recommended that the Post Office, along with the Department for Business, Energy and Industrial Strategy and the Treasury, should renegotiate the contract.[128]

The Committee also viewed the Post Office's offering as more akin to an ATM than to a replacement for a bank branch. It recommended a new hub model for the service, particularly in areas where the last bank had closed, with proper training and compensation for postmasters to make the approach viable.[129]

In its response, the government noted that the 2017 agreement had led to the largest expansion of face-to-face banking in a generation". While it accepted that the services offered were more limited than in traditional bank branches, the agreement preserved "essential banking facilities…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.[130]

While the government believed that there were opportunities to develop Post Offices "as a channel for cash access" it said that it would be "inappropriate"

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124 BBC, "Barclays blow to Post Office banking", 8 October 2019 (accessed 7 August 2023)
125 BBC, "Barclays U-turn on cash access in post offices", 24 October 2019
126 Treasury Committee, Consumers' access to financial services, HC1642 , 13 May 2019
127 As above, p31-32
128 Treasury Committee, Consumers' access to financial services, HC1642, 13 May 2019, p32
129 As above, p31-32
130 Treasury Committee, Consumers' access to financial services: Government Response to the Committee's Twenty-Ninth Report, 5 July 2019

for it to intervene in what it considered to be commercial decisions regarding the development of banking hubs.[131]

6.2 Community Access to Cash Reviews

There's more information about how LINK assesses need in the Library briefing Banking, investments and credit FAQs.

As part of its preparation to transfer oversight of bank branch closures from the industry to the FCA, UK Finance, a trade association for the banking and finance industry, 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."[132]

This system is the Community Access to Cash Review. As set out on LINK's website, such a review can be launched when:

- Bank or building society branches intend to close.
- Communities ask LINK to review cash service provision. LINK invites "members of the public, elected officials, and community groups" to request an access to cash review online if they believe their needs are not being met.
- Participating members of LINK ask for such a review.[133]

What might the review recommend?

If LINK finds that the community needs new cash facilities, it might recommend new ATMs, new cash deposit services, or a banking hub (see below).[134]

Other LINK initiatives

Protected ATMs and financial inclusion programme

As discussed in section 2.1, LINK sets the rate that banks pay when customers use another provider's ATM. They pay more when their customers use "protected" ATMs – ATMs 1km or more away from another free ATM—and when they use of publicly accessible ATMs that are used fewer than 4,500 times a month. The payment is up to £2.75 per transaction.[135]

131 Treasury Committee, Consumers' access to financial services: Government Response to the Committee's Twenty-Ninth Report, 5 July 2019
132 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 27 July 2023)
133 LINK, Request Access to Cash Review (accessed 7 August 2023)
134 LINK, How we assess access to cash in communities (accessed 7 August 2023)
135 LINK, Interchange (accessed 14 August 2023)

If these ATMs close, and there is no nearby alternative, LINK will consider commissioning a replacement. As of November 2023 it had directly commissioned 53 ATMs to replace closed protected ATMs.[136]

High street commitment

LINK will guarantee access to cash for every UK high street that has five or more cash-dependent retailers. It monitors every high street in the country, and regularly assesses whether there is free cash access within 1km. In 2022, 99.9% of high streets had free access to cash through either a Post Office or ATM within 1km. If a high street does not have that access, LINK can directly fund a new free ATM to serve it.[137]

6.3 Banking hubs

Banking hubs give customers the opportunity to deal with more complex banking issue. Staff of participating providers attend on different days as “community bankers”.

A banking hub is a site that offers people physical access to banking services from a range of providers. They are owned by Cash Access UK, a not-for-profit company funded by nine major banks, and operated by the Post Office.[138]

The Post Office provide the deposit, withdrawal and bill-paying services for customers of the 30 or so providers involved in its Everyday banking service (as discussed in section 6.1).[139] But in addition, hubs offer a “community banker”, who represents the major banks in the area and allows customers of individual members of Cash Access UK to meet members of staff to discuss more complex banking matters. These staff typically attend on a rotating basis, and the service is usually staffed by the providers with most customers in the area.[140]

Banking hubs emerged as a stand-out success from the Community Access to Cash pilots run from late 2020. The final report from that initiative highlighted that the hubs had received remarkably high satisfaction rates from both personal and business customers. Part of this was because they operated in dedicated premises and offered customers privacy and space.[141] In doing so they overcame some of the concerns previously raised by the Treasury Committee about the Post Office’s provision of banking services (see section 6.1).

136 LINK, ATM Footprint Report November 2023 (pdf), 12 January 2024
137 LINK Consumer Council Annual Report 2022 (pdf), p4 (accessed 23 August 2023)
138 Cash Access UK, What we do (accessed 30 January 2024)
139 Post Office, Banking hubs (accessed 14 August 2023)
140 Cash Access UK, What we do (accessed 14 August 2023)
141 Community Access to Cash Pilots, Community Access to Cash Pilots: Final report, December 2021, p62-72 (accessed 14 August 2023)

LINK maintains a list of open banking hubs and recommendation for new ones via its Bank Branch Closures webpage.

Are hubs taking too long to open?

There has been some frustration with the time taken to set up new hubs. In November 2022, Nikhil Rathi, the Chief Executive of the FCA, said he wanted the provision of banking hubs and other new services to be "accelerated".[142] Age UK said it was concerned about delays between branches closing and hubs opening.[143]

In response, Natalie Ceeney, who chaired the Cash Action Group that had promoted the idea of the hubs, noted the "complexities" of bringing the providers involved together".[144]

Cash Access UK has set out what it says can be a "challenging" process to find and prepare a building for the new hub. It estimates that on average it takes 12 months to open one.[145]

The rate of openings has increased in recent months, with the number of hubs increasing from seven in early September 2023 to 30 as of the end of January 2024.[146]

142 FCA, Rolling regulation forwards, 16 November 2022 (accessed 14 August 2023)

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