HOUSE OF COMMONS

Treasury Sub-Committee on Financial Services Regulations

Oral evidence: Access to Cash, HC 493

Wednesday 31 January 2024

Ordered by the House of Commons to be published on 31 January 2024.

[Watch the meeting]

Members present: Harriett Baldwin (Chair); Mr John Baron; Dr Thérèse Coffey; Dame Angela Eagle; Stephen Hammond; Danny Kruger; Keir Mather; Anne Marie Morris.

Questions 1 - 92

Witnesses

I: David Geale, Director of Retail Banking, Financial Conduct Authority; Sarah John, Chief Cashier and Executive Director of Banking, Bank of England; Sarah McKenzie, Head of Retail Banking Market Analysis and Policy, Financial Conduct Authority; Nick McLaren, Head of Future of Money, Bank of England.

Examination of witnesses

Witnesses: David Geale, Sarah John, Sarah McKenzie and Nick McLaren.

Q1 **Chair:** Welcome to this Treasury Sub-Committee session on your consultations on access to cash. I am going to start by inviting the witnesses to introduce themselves.

David Geale: I am David Geale, director of retail banking at the Financial Conduct Authority.

Sarah McKenzie: I am Sarah McKenzie, head of retail banking market analysis and policy at the Financial Conduct Authority.

Sarah John: I am Sarah John. I am chief cashier and executive director of banking at the Bank of England.

Nick McLaren: I am Nick McLaren, head of the future of money division at the Bank of England.

Q2 **Chair:** It is fair to say that this Committee has a lot of concern across our constituencies about the reduction in the access to banking services, and indeed to cash, across a wide range of communities. I have got a thriving market town called Pershore and Lloyds has announced that it is going to shut down its branch. It will be the last branch in town and so Cash Access is going to have to set up a banking hub. You will hear a lot from colleagues this afternoon about how important your current consultation is. Given that you are consulting and hoping to come up with a response to the consultation towards the end of the year, at the pace that banks are closing their branches across our constituencies at the moment, do you think that there will be any left by the time you actually come up with the answers to your consultation, David?

David Geale: Thank you for inviting us because this is a hugely important topic. We share many of your concerns around the pace of change. While there is a significant shift towards the use of digital services, our own research, which we have included within the consultation, shows that a significant proportion of customers still do rely on cash for their day-to-day needs.

Q3 **Chair:** There is more cash in circulation than there ever has been before, is there not?

David Geale: There is certainly a lot of cash in circulation. The use of it is declining and has declined quite significantly over the last decade.

Q4 **Chair:** It started to rise last year.

David Geale: There was a small rise last year, but the proportion of transactions being made in cash still declined. I would stress that it is still something we consider vitally important, because many of those people who still rely on cash are in potentially vulnerable circumstances because they are using it to budget. It may be that they are digitally excluded. Indeed, many small businesses still want to use cash and are prepared to take cash if they have the facility to use it.

Q5 **Chair:** You are really only launching these consultations because we put this into the Act last year, are you not?

David Geale: We do not have the powers currently to intervene in the way that the legislation will give us, so we cannot stop branch closures at the moment. We have issued some branch closure guidance and work with firms to make sure that they do a proper analysis when they are closing those branches, in terms of the needs of future communities. The legislation gives us further powers to intervene in terms of the assessments that need to be done, the transparency that needs to come from banks and our ability to insist on there being solutions—not necessarily particular solutions, but solutions that are appropriate for those communities.

What we are consulting on is making sure that an assessment is carried out, and there are some key changes from the current position. For example, we are strengthening the requirements around last branch in town. We would expect the firms, the designated bodies when they are named and potentially a designated co-ordination body—if, again, one is named—to carry out proper assessment. Where there is a gap identified, the firms will be required to act to fill it. That can be any one of a number of things, from a banking hub through to ATMs or other solutions.

Q6 **Chair:** You do not have the power to stop a bank closure at the moment. Do you have the power to put in place a moratorium while you are doing this consultation: "Please do not close any more branches until we come to the end of this consultation"?

David Geale: No, we do not have the power to do that. The legislation gives us the power to go back, once we get the rules in force. We are looking at Q3, not the end of the year, so we are hoping to do it more quickly than that. It will give us the power to put the requirement on firms to carry out an assessment. Communities can request an assessment, so any interested community can say, "We think there is a deficiency". That will be required to be considered and, if there is a significant gap, the firms will be required to put a solution in place.

To take your example, if branches have closed now but when the new rules come in there is a gap identified, we would expect it to be filled at that point. In the meantime, we will continue to supervise to our branch closure guidance. The major firms have agreed that, where an assessment is carried out that identifies the need for a banking hub, they will pause their closures for up to 12 months to ensure that that is up and running first.

Q7 **Chair:** Cash Access UK is the entity that is owned by the 10 banks that create the banking hubs. Do you regulate Cash Access UK? Are you the regulator of Cash Access UK?

David Geale: We do not regulate Cash Access UK.

Q8 **Chair:** Who regulates Cash Access UK?

David Geale: It is not a regulated body but the banks that work through it are. The key thing is that the banks that will be designated will be the ones that are required to provide the solutions. There is a certain logic and efficiency to using a body like Cash Access UK, but that is not the be-all and end-all. We work closely with Cash Access UK and LINK, having said that, so we meet with them regularly. We have been encouraging them to speed up in the process of delivering banking hubs and we have been on record as doing that. I have written to the banks a number of times, and to Cash Access UK, and we have been pleased to see some speaking up.

We are now expecting around 50 banking hubs to be in existence by Easter, with more to follow. LINK has recommended, I believe, up to 103 now based on the number of community access requests.

Q9 **Chair:** How much are you two organisations co-ordinating over these two consultations?

David Geale: We work very closely together, as well as with the PSR. We have a number of fora through which we do that. PSR, which regulates ATMs—it regulates LINK for ATMs—sits on our steering group, for example, for access to cash. We work through the joint authorities, the JACS co-ordination group, where there is us, the Bank of England, PSR and the Treasury. We work very closely together.

Q10 **Chair:** It says in your consultation from the Bank of England that you are working with HM Treasury and other regulatory authorities involved in the future-of-cash-related workstreams. I wondered how many cash-related workstreams there are out there.

Sarah John: That phrase in the consultation was intended to refer to the access to cash work that is contained within these consultations. It was a reference to the fact that we work closely, as David said, with the FCA, the Treasury and PSR, including via that JACS forum that David mentioned. Similarly to what David described as well, we will be setting up within the Bank an internal body or board in order to oversee our use of the new powers that this legislation will give us. We will be asking the FCA and the Treasury to sit as observers on that body to ensure that the decisions that the body is taking and the use of these powers are absolutely consistent with work being undertaken across the broader cash spectrum.

Q11 **Stephen Hammond:** Good afternoon. I think it might be helpful for people watching this afternoon if you could briefly set out how you see the structure of the wholesale cash distribution system at the moment.

Sarah John: I think of the wholesale cash distribution system as the plumbing that sits behind the cash distribution network. It is what makes cash flow effectively and efficiently around our economy. To describe exactly what it does, it is the part of the market that collects bank notes from us, as the issuer of bank notes, and coins from the mint, and takes those to wholesale cash centres. Those cash centres then sort and package those notes, and they are then on-distributed to what we call the retail market, which is the ATMs, post offices, shops, et cetera, throughout the economy.

Once the notes have been out in circulation in that retail part of the economy, they then come back into the wholesale market for on-sorting and on-processing, and then go back out to the retail again. It really is a whole cash cycle, with the wholesale element doing all the processing, authenticity, et cetera. Of course, at the end of their life, the notes come back to us for destruction. That wholesale bit is really that bit between us and those big wholesale cash centres that do the majority of sorting and processing of bank notes.

Q12 **Stephen Hammond:** I think that will be helpful for people to understand. You are currently carrying out a consultation on the code of practice for the system. Could you say why that is required and how much this current consultation is being affected by previous experience and perhaps previous consultations?

Sarah John: These are issues that we have been working on at the Bank of England for a number of years, including with industry. We have, fortunately, had very good engagement from the firms that were involved in the wholesale cash market. Back in 2021, the wholesale market voluntarily made a number of commitments to keeping the wholesale cash market efficient, resilient and sustainable into the future. We have been working with them since then to put that into practice. That includes voluntarily submitting data to us on the shape of the wholesale cash market. They have been doing that since the first quarter of 2022, so we now have two years of experience of collecting that data. We have built on that experience of working with the firms in terms of the codes of practice, data requirements and other things that we are putting in place now.

As you say, this is not our first consultation. We did have a consultation on the principles behind the framework last year. That was a very helpful consultation for us and we got 10 responses to it. In general, people were supportive of the framework that we are putting in place, but we learned from that and we got a number of concerns raised by the firms that were going to be regulated or requests for clarification. With the codes of practice consultation that we put out and that is being talked about today, we have been able to respond to a number of those points that were raised.

Q13 **Stephen Hammond:** Could you detail what those points were, in terms of what they came back to you with?

Sarah John: There were two main elements that they raised with us in response to the prior consultation. The first was understanding the supervisory fees that were going to be imposed on them, to understand how they were structured and calculated. In our response to that consultation, we set out the detail of exactly who would be charged what and on what basis, so we were able to clarify the fees. The other point that they raised was requesting further detail. In those principles documents, we just said that we were going to be doing data collections and obviously they did not have the detail of what those were. That is what has come out.

Stephen Hammond: In this consultation you are also consulting on exactly the nature of the data that is going to be collected.

Sarah John: Exactly, yes.

Q14 **Stephen Hammond:** I might want to come back to it, if I may. In the consultation summary, or introduction, you say that it refers to information for business continuity plans. Would there not be a reasonable expectation, given that this is the plumbing of the economy to a large extent, that there is already a business plan in place and you already have oversight of that?

Sarah John: We expect there to be business continuity plans in place already, in fact. We run something called the note circulation scheme within the Bank and that already has a requirement for business continuity plans to be provided to us. This is actually a continuity of something that the firms already need to provide.

Q15 **Stephen Hammond:** Are you saying that the code of practice is merely a codification of what is there already?

Sarah John: For the business continuity plan specifically, it is a codification of something that is there already. We do not see the other elements, for example business plans, at the moment.

Q16 **Stephen Hammond:** Does this give you any extra powers over what is in those business plans or are you going to be requiring any extra data for those plans against previously?

Sarah John: It gives us more formal powers to be able to request further detail if we feel it is necessary, other than what we have at the moment, yes.

Q17 **Stephen Hammond:** On the business plan specifically, you have just made the point that some of the feedback was wanting clarification about the amount of data. If I look at it, UK Finance raised questions about the amount of data you were looking for, pressures on the industry to continue to support a declining cash ecosystem and the additional costs of doing so. Can you give us some indication of exactly what extra you are going to be looking for these firms to provide and how you have analysed the cost-benefit of that information being necessary?

Sarah John: As I say, we have been collecting this data on a voluntary basis from the firms for about two years. That has enabled us to refine what we are asking for here, to work out what is feasible for them to provide, as well as how much it is going to cost them to provide it. We really feel that we have a good grounding for what we are asking. Actually, what has come out now in the codes of practice is not a huge increase in the amount of data that we are asking for. Largely, it is standardising it. At the moment, on the voluntary basis, we might have the same sort of thing in four different ways from four different firms. We want it all on a consistent basis, so that we can do that market-wide analysis. That is the biggest change in these codes of practice.

In terms of the cost of doing that, we actually asked a couple of firms, as part of the cost-benefit analysis, how much it had cost them to put in place the data reporting they had put in place on a voluntary basis and the ongoing costs of running it. The results were that it cost between £11,000 and £23,000 to set up the data collection and £4,000 to £12,000 per annum to run it. These are not huge costs in the context of the revenues of the firms we are talking about.

Q18 **Stephen Hammond:** Really, we are saying that this consultation is expecting to put into a code of practice what is already happening.

Sarah John: In large part, yes, and bring that consistency so that we can do market-wide analysis.

Q19 **Stephen Hammond:** We should not expect, as a result of this code of practice being in place, those involved in the system to need to invest either more heavily in resilience or in extra capacity.

Sarah John: Once we are able to get all the data on a consistent basis, we will then be able to take some of those judgments. We have been collecting the data and looking at it. There are no burning platforms that that has raised. Once we get all the data in on the consistent basis, we will be able to take the judgments about what action needs to be taken, if any.

Q20 **Stephen Hammond:** The obvious question is, "When do you expect to take those judgments?"

Sarah John: There are a number of stages still to go through. The main one is that the firms currently are not designated under the legislation. That is a process that HM Treasury is going through at the moment and we expect that to be done in the first half of this year. It is once that designation is done that the framework comes fully into force. At that point, we will have already fed back on these codes of practice, so we will be expecting that to take effect at that point.

Q21 **Stephen Hammond:** We could expect to see something as a result of the consultation at the end of the first half.

Sarah John: Absolutely, yes. The responses close today and we expect everything to be in place prior to the designation happening, so that firms know exactly what to expect.

Q22 **Mr Baron:** If I may, I am going to continue with the line of questioning from Stephen. I do not think that it will surprise you to learn that there is some concern about the plumbing, as you describe it, particularly given that the current wholesale cash distribution system was designed for a world where there was higher cash usage. Certain figures are suggesting that cash processing, certainly, has almost halved since 2016. The worry here is that you have an expensive system—the plumbing—and, as cash declines, it puts pressure on the access to cash process generally.

In your consultation on the draft code of practice for market oversight of WCD, you asked for six months' notice, as I understand it, for the proposed closure of a cash centre and 12 months for the proposed market exit. Is this enough time in both cases, as far as you are concerned? It is quite an involved process.

Sarah John: Those timeframes are based on our experience of working with this wholesale cash market for a number of years. There are a number of steps that need to take place when a cash centre closes, including transferring those contracts to other cash centres. We need to allow enough time to do the analysis in order to make sure that the remaining cash centres have the processing and contingency capability to be able to take on that business and that it is not going to place undue strain on the rest of the network.

We believe that six months is sufficient time to be able to undertake that analysis. Of course, if we found that there were increased risks as a result of the proposal, we would enter a dialogue with the firms in order to understand how they were planning to mitigate those risks before we said that the closure could take place.

Q23 **Mr Baron:** We are talking about NatWest, Vaultex, G4S, the Post Office and so forth. Is there not a concern around whether, if they want to exit the market, six or 12 months is long enough to make sure that compensatory mechanisms are put into place? You are trying to assure me that it is going to be long enough. I am concerned that it is long enough. You may have too much time. I am suggesting to you that it may not be long enough given the complexity of the WCD.

Sarah John: Yes, it is an interesting balance. One of the pieces of feedback from the firms was whether we were asking them to give too much notice as well, so we have to balance these competing things. We think that 12 months is long enough, based on the fact that, because we have the data in place already to understand the market, we can hopefully do the analysis relatively quickly as to whether a firm exiting the market is going to cause any sort of problem or not.

We know from experience that, exactly as you say, it takes quite a long time to close this business down safely and in an orderly way, so 12 months is very much the minimum. We would be expecting the firm to put proposals forward that showed how they were going to undertake that exit smoothly. The other thing that we would have to look at in that timeframe is, once they exit, whether it creates any other fragilities in the system because there is one fewer player. Indeed, that might involve us looking at whether any of the remaining entities become systemic at that point, so big enough to be a single point of failure, if you like, in the system. At that point there is a second set of powers that would kick in, which are the prudential powers under the regime. That would require the Treasury to designate the systemically important firm.

There are a number of things we have to do, but we believe, based on our experience, that those minimum timeframes are enough. We would work with the firm and if we did not think that 12 months was enough, we would require it to give us a longer-term plan that addressed those challenges.

Q24 **Mr Baron:** That is the clarity required. You have set out guidelines of six and 12 months, but you are saying that you have the authority to say, "Hold on a minute. We have looked at it. We do not want a disorderly exit. Therefore, whatever the guidelines may be, we have the powers to say that it might take longer because we want an orderly process."

Sarah John: We do not have the powers to say no and stop a closure happening, but we have the powers to intervene and say, "This plan is not consistent with a resilient market. You might need to take longer and put in place more mitigating actions before you can take this action".

Q25 **Mr Baron:** How will you monitor a firm that tells you it wants to exit the market but that you are forcing to remain in the market?

Sarah John: This is where actually having the data to be able to understand and monitor exactly what is happening at quite a granular level is very important. The main purpose of this legislation is to protect end users' access to cash. We will be interested in how they are migrating contracts to other users to make sure that there is continuity of service for retailers and businesses up and down the country. Via the data collection rules that we are consulting on here, we are able to get that information on those contracts and understand not just how the machinery in the cash centre is working, but also how they are managing those contracts, so that we know and we have confidence that they are being smoothly transferred to another provider and that end user access is not going to be impacted.

Q26 **Mr Baron:** This is my final question. I am sure that you can understand our concern about this. It is a very intricate process with high costs and cash processing volumes falling. It is essentially held within the private sector. You are saying, "Don't worry. We're the Bank of England. There may be guidelines, but we have it covered and if we think there is any chance of a disorderly market, or indeed a disorderly exit, we can say stop while we sort the problem out".

Sarah John: Essentially, it is the guardrails that this regime gives us to be able to do exactly that.

Q27 **Danny Kruger:** I have a question about cash-in-transit arrangements. Sarah, I do not know whether that is for you or whether you want to invite a colleague to answer. UK Finance, in evidence to us about a year ago, pointed out that there are only two major providers of cash-in-transit services. Before we explore the implications of that, can somebody explain why that is and why we have such a restricted market?

Sarah John: I will ask Nick to take that.

Nick McLaren: This is something that we also see in some other countries, and it relates to this bigger picture issue that we have talked about of declining cash use as an industry as a whole but also for suppliers, where there are economies of scale and high fixed costs. I would not call it a market in decline, but it is quite natural in a market that has declined in size over time that you see that sort of concentration spring up. As I say, there are other countries, such as Australia, where you see very similar things with cash in transit.

Q28 **Danny Kruger:** Is it a concern and is there something that perhaps could be done about it?

Nick McLaren: Within the codes of practice, we have this third-party arrangements code of practice. Within that, we have specifically called out the cash-in-transit firms. We recognise that they are an incredibly important part of the cash ecosystem, and that is both the wholesale side and the retail side. The question is what the best way to manage that is. We thought very hard about whether they should be within the remit of this regime. We are still awaiting Treasury's decision on designation, but the expectation is that they will not be to start with.

The rationale behind that is that there are obligations and costs associated with the regime. We need to make sure that the perimeter is as narrow as it is in order that we can do our jobs. We think we have enough tools within our third-party arrangements code of practice to manage the risks from third parties, including CIT. For instance, the way we are going to ask firms to do that is that, for their third-party arrangements, they will need to do due diligence on partners. Again, this comes back to the thing where we would expect their boards to be doing that.

Q29 **Danny Kruger:** That is on the two partners that they could choose from.

Nick McLaren: It is a small window, but it makes it even more important. We need them to do risk assessments of that and have in place those business continuity plans. What will be really helpful as part of these powers is that, because we will be able to see that from all the firms, they may individually think that the business continuity arrangements they have in place are going to work, but we will be able to assess, for the first time really properly, whether that stacks up at a market-wide level.

Q30 **Danny Kruger:** Yes, indeed. I am interested in how you think they can do a business continuity plan when there is a duopoly of providers. Basically, their business continuity plan is, "If our provider fails, we will go to the other one".

Nick McLaren: At a very high level, it looks like that. Once you dig beneath the surface, there is obviously a bit more to it in terms of what will happen to that. Imagine one of the two CIT firms came into trouble. I do not think that the resources that they have to conduct CIT will stop being available to the economy. There will be various mechanisms through which an administration would be undertaken. This is about how you bridge through some of those issues.

Q31 **Danny Kruger:** What is the thinking there, out of interest? Would you assume that the remaining provider would assume the responsibility of the entire market?

Nick McLaren: We work really closely with UK Finance on this sort of thing. It owns what we call the playbooks for what would happen in a business continuity event in CIT. We are focusing today on the exit risk, but there are other risks that face a cash-in-transit provider. It could be a cyber-attack or something like that. There is a playbook that all the industry participants have signed up to about what they would do. There is obviously a limit to how much detail they can go into. There are sensitive competition issues around people discussing what they would do in those circumstances. In those circumstances you would probably need to start thinking, as we did in the pandemic, about which uses of CIT are most important and time critical.

It is also worth saying that there are two providers but Post Office has its own CIT fleet, for instance. There are other ATM providers that also have their own CIT fleets.

Q32 **Danny Kruger:** Forgive me if I have misunderstood what is in fact in place already. In addition to what you are expecting the firms to provide in terms of business continuity, you yourself have a market-wide strategy about what to do in the event of what might be quite a general failure of the CIT arrangements.

Nick McLaren: The firms do through UK Finance. That is correct.

Q33 **Danny Kruger:** Okay, but does the Bank or UK Finance itself have an overall strategy, or do the Government have a plan of what to do in the event of what would be quite a systemic failure, if one of these firms suddenly failed for some reason? What would we do, as a country?

Nick McLaren: I do not know whether to call it a benefit, but we have been through the pandemic, where we had almost a real, live example of where there was disruption to CIT capacity. The various organisations, including us at the Bank, have business continuity plans for these sorts of circumstances. As I say, the pandemic is a different sort of example, but it is an example of where those playbooks were worked through.

Q34 **Danny Kruger:** Are they public or are you suggesting that there is commercial sensitivity? Is this a secret plan of what we would do in the event of a problem or something that we could interrogate?

Nick McLaren: I would not describe it as a secret plan, but equally I do not think that it is the sort of thing that would be routinely published by the firms. It would be their business continuity plans. That is the benefit of these arrangements. These new powers will allow us to see them.

Q35 **Danny Kruger:** You see these plans.

Nick McLaren: I do not think that we would at the moment, no, but we will do as part of this.

Q36 **Danny Kruger:** You are requiring them to create these plans. I was going to ask how you would be assessing them. What is the process for confirming that they are adequate?

Nick McLaren: That is exactly what our supervisory resources will be for. Through our data catalogue, they will have to submit them at a certain frequency. We will expect all CIT contracts to be in there. For other third-party arrangements—so, equipment manufacturers and ancillary services—they will need to do a materiality assessment. Our supervisory teams will then look through those and check that we are comfortable and, as I said before, if we compare them across the market and the different firms, whether they stack up.

Q37 **Danny Kruger:** I see. Then, in a sense, you, on your own authority, would give a clean bill of health or a green light to the plans that are in place. You could then assure the Government and the public that you are confident.

Nick McLaren: Also, if necessary, we could work with those firms to make sure that they do stack up.

Q38 **Danny Kruger:** It sounds like it is on you guys, which is helpful to know. Just quickly, help me understand what other key material suppliers there might be. You have this materiality assessment. What, except for cash in transit, might be included in that? I do not actually know what that means.

Nick McLaren: I can talk you through that. Stepping back for one second, it is really important to understand that the resilience of the wholesale cash distribution network does not just depend on the note circulation scheme members and the core cash processors. There are a number of suppliers to them and those are things such as manufacturers of bank note sorting equipment, even engineers who are servicing those things and software providers to all of these cash companies. There are these sorts of things. If the software of one of the big cash processors had a big bug and broke down, you could see that that could disrupt its service, so it is that sort of thing.

Danny Kruger: I understand that. Have I got time for a question about CBDC?

Chair: Go for it, Danny.

Q39 **Danny Kruger:** It would not be a session without me asking about this. Nick, from your job title, this recent consultation probably was your baby.

Nick McLaren: I am involved in that work as well, yes.

Q40 **Danny Kruger:** It is the future of money. I was very encouraged by the response to the consultation from the Government and the Bank, suggesting that there will be legislation that would effectively prohibit any sort of programming or invasion of privacy through any retail CBDC that were introduced. Is there anything more you can say about the technological and legal systems that would be put in place to prevent the bank, or indeed intermediaries, from abusing the power of the technology to program a CBDC?

Nick McLaren: We certainly heard these messages loud and clear, as you have said. We really understand the concerns around privacy. We have taken them very seriously. We have taken really substantive measures in the consultation response to try to provide reassurance about those and we understand that that will be a really important part of what we are entering now, which is the design phase.

As you say, one of the things that the Bank is committed to doing is exploring in further detail what technology solutions we could use to make it almost impossible for us to get the data, even if you were to try to break the laws and do it. I cannot say now exactly what those would be. That is the sort of thing that we will be investigating through the next two years.

The thing that is really worth emphasising—I know that you know this, but I am going to say it anyway for everyone’s benefit—is that, because we are doing this platform model, it will be that the bank will not see people’s personal data. We will have to think quite carefully about how we can still put through the changes in the core ledger without having to see any of that data inadvertently. That is the sort of technological thing that we will be exploring.

For the wallet providers themselves, which are the private organisations that would be interacting with the individual, it would be in line with any other financial market intermediary or bank. It would be the GDPR and the other regulations there that would be preventing it, rather than technology.

Q41 **Chair:** Nick, if I may, as you are head of future money at the Bank of England, if you had to put a date on it, when would we see the first Brit pound out there?

Nick McLaren: Do you mean a digital pound, so a UK CBDC?

Chair: Yes.

Nick McLaren: It is very tricky to put a specific date on. In terms of the timeline, we have published the response to the consultation now. We welcomed the Treasury Committee’s report on that. We are now entering a two to three-year design phase. At the end of that design phase, we will have done the rigorous analysis to make an assessment about whether we should proceed further with this. It is an open question at the moment. We do not presume that we will or will not proceed.

We will do technology experiments. We will be setting out a detailed blueprint for the digital pound. We will be initiating a national conversation, initially with the technical stakeholders who will be involved in a digital pound ecosystem. That will take two to three years. At the end of that, a decision would be made on whether to proceed. How long it might take after that would depend on how urgent it was seen as at that point. Even if you wanted to push really quickly on this, this would be a really significant piece of infrastructure. It would need to be working really well and be very robust. You would not want to rush that.

Q42 **Chair:** I just heard you say not before 2030.

Nick McLaren: Around the end of the decade does not feel impossible.

Chair: That is very interesting.

Q43 **Dame Angela Eagle:** Being head of future money is a very slow process. That is all I can say. Back to the non-digital world, where we have to think about those who perhaps are not quite as enamoured of digital things as many people, how worried are you about the closure of banks and building societies, and the access to cash? If we look at the branches, according to Which?, since January 2015, 5,828 branches have closed. That is 54 every month. That is over half the entire network of these things.

We are talking about processes here that will take at least another 18 months and we are losing 54 of these branches a month in the country. Half of them have gone already. In my own constituency, we have actually lost 60% of all the branches in Wallasey since 2015. I have lost five since 2020. I only have four bank branches left in the whole of the constituency, which are not easily accessible to every one of my constituents. What on earth are we, as Members of Parliament trying to represent our constituents, meant to do with that speed of attrition while you are very slowly doing all your consultations?

David Geale: I do not agree that we are slowly doing the consultations. As I said, we expect our rules to be in place in quarter 3 this year, so that is not another 18 months. That is this year.

Q44 **Dame Angela Eagle:** Is that soon this year or towards the end of this year?

David Geale: It is quarter 3. We are bound to consult on rule changes. The legislation has come in and the Treasury has not yet identified the designated firms. That is critical for the delivery of the rules. As I say, we are working with the Treasury. We are working with the firms to ensure that we move as quickly as possible, but I would expect the rules to be in place in quarter 3.

At present, coverage is good. It is not necessarily all through branches but, in terms of access to cash, our research shows that around 97.4% of the population in urban areas have a free-to-use cash access facility within one mile. In rural areas, that is 98.3% within three miles. There is access. It is not necessarily through branches. It is through a range of things, including banking hubs, ATMs, mobile services and others. That is the responsibility that we have been given, to preserve access to cash, or reasonable access to cash, not to preserve branches.

It is important that we look at the range of tools that are available. The key thing for me is that the firms, once designated, will carry out a proper assessment of need. They will be transparent about that and they have to do that on certain triggers. If they were removing or reducing a service, they would have to carry out that assessment.

Q45 **Dame Angela Eagle:** They do the assessments and then they close it. That is what happened to all the branches in my constituency, despite the reaction of people. Some 2,176 free-to-use ATMs have closed as well.

David Geale: They carry out the assessment. Again, what we are consulting on in the rules is that they would then have to consider the impact on the community and the needs of those customers, including specifics around vulnerable customers, and then they are required to act. They have to act on that assessment. If the assessment identifies that a banking hub is needed, they would have three months to put that in place and they would not be able to close the existing facility until such time as that happened. As I say, that may not be a banking hub. It may be a mobile service. It may be something else. It could be deposit and withdrawal ATMs.

Q46 **Dame Angela Eagle:** This is what you are consulting on. It is not what is happening now though, is it?

David Geale: That is correct. That is what we are proposing to bring the rules forward for in Q3 this year.

Q47 **Dame Angela Eagle:** There are 101 places where banking hubs have been suggested and 88 places where deposit solutions have been suggested, and only 23 hubs have been delivered so far. That is a fifth of the number that it has been suggested is actually needed in the cases that have happened to date.

David Geale: There are 33 hubs open as of today. That is expected to be 50 by Easter.

Q48 **Dame Angela Eagle:** When is it going to get to the 101 that have already been suggested?

David Geale: We have said to Cash Access UK and the banks that we expect that to speed up. As I mentioned, we have agreement from the major banks that they will pause closure for 12 months once a need has been identified to allow time for those hubs to be put in place. That is something they are doing from now, so that is in place. As I said, we have our branch closure guidance, which we supervise and hold the firms to account to in terms of doing the proper analyses and proper assessment of the impact on customers.

Q49 **Dame Angela Eagle:** What would you do if a firm just said, "That's all very interesting, but we're closing anyway"?

David Geale: As I say, at the moment we do not have the power to stop a closure, and we will not have the power to stop a closure once the new rules come into effect. We can insist on a suitable alternative being put in place after that assessment has been carried out. If the firms do not do that, we have the full range of powers available to us under the Financial Services and Markets Act, as we would for anything else.

Q50 **Dame Angela Eagle:** Set out what they are, because some of the people watching this will not understand what they are automatically.

David Geale: We also have a power of direction, so we can direct firms to put something in place if they have failed to do so.

What are the usual powers that we have? We supervise firms, so we are able to monitor and collect data. We would have discussions with firms about what they are doing, and ask them to take certain actions. For the majority of cases, that is what is needed and that gets the right results. If firms do not take notice of that and they are in breach of our rules, we have our full enforcement powers available, which can include fining firms, taking public censure and various other forms.

Q51 **Dame Angela Eagle:** You expect this to be fully up and running by quarter 3.

David Geale: I expect the rules to be in place for provision of reasonable access to cash by quarter 3. Those powers are already in existence, with the exception of that power of direction. We will use that with the rules when they are in place.

Q52 **Dame Angela Eagle:** There are 3.1 million people who use cash to pay for everything. To what extent do you, as regulators, have a way of listening to the experience of those people and that kind of customer experience and need? I dare say that all of us round here use digital banking facilities and have credit cards and all of that. To what extent do you reach out and listen to the voice of those people who use cash for everything who may not want to have access or trust access to digital banking?

David Geale: I think that that 3.1 million is people where most or all of their transactions are in cash.

Q53 **Dame Angela Eagle:** Some of them have particular vulnerabilities as well, of course.

David Geale: I agree. There has been a significant increase in the number of people using digital services, particularly among some older age groups. That has moved very significantly over the past decade. Perhaps Sarah might like to talk a little bit about some of the outreach that we have done and are doing through the consultation. We very much pick up with consumer groups and others.

Sarah McKenzie: Thanks for the question. It is great to seek your views as well, representing your constituents on these issues. Specifically on this access to cash consultation, but also more generally, we take really seriously the need to hear the consumer voice and the real consumer experience. We do that in a number of ways. The stats that we are quoting here about use of cash come from our financial life survey, which is a fully representative national tracker survey that we use on a regular basis across a whole range of financial topics.

Q54 **Dr Coffey:** What is the sample size?

Sarah McKenzie: I think that it is around about 16,000. I would need to check the exact number, but it is nationally representative. We also weight it to ensure that we get a full read from people who are not necessarily digital natives. The financial life survey demonstrated that most people now prefer to use digital methods of payments, but about 6% of people back in 2022 told us, as David mentioned, that they used cash for most or all of their transactions in the previous year.

When you funnel down into different groupings, there are characteristics of vulnerability that mean that people are more likely to rely on using physical cash notes and coins. For example, 26% of those who are digitally excluded would be using cash. It is 14% of those who are on what we define as a low income. It is clearly really important.

Q55 **Dame Angela Eagle:** That is an overall view, and I expect you to take that kind of overall view, but I am asking specifically how you can reach out to people who use cash to pay for everything, who do not trust or do not wish to have access to digital banking, so that you can get their particular experience. It is they who are going to be disadvantaged by this more than anyone else. How do you listen to their voices? It's not, "They are 14% of this sample or that sample". Do you actually contact and talk to them, and listen to their experiences, so that you can help to ensure that the regulations that you are developing speak to them and provide what it is that they need?

Sarah McKenzie: That is so important that we are able to get that view, because it is the people who live in local communities around the UK who can tell us if access to cash is working for them locally. We are baking that into the proposed recommendations in our consultation, which is open until next week. We are out and about at the moment through this consultation process, talking to people around the UK in terms of consumer representative groups. We are talking to community representatives in the devolved nations as well to try to get that view. We are using our consumer network, which advises us on all of our policy consultations, et cetera, so there are quite a few different sources to get that read. As I say, once the process is under way, we are recommending that there is a formal community request mechanism if local communities feel that there is a gap in access to cash service.

Chair: We are going to come on to that subject in a minute.

Dame Angela Eagle: I was just trying to get hold of how you listen to the voice. Some consumer groups is fine, but even consumer groups do not get you down to where you need to go to when it comes to people who can be this excluded from the digital world. I would like you to keep your thoughts on how that can be done, by listening to and being in the room with them, rather than waiting for somebody else to tell you what they think.

Q56 **Dr Coffey:** You were mentioning there that the bank has to do various bits of analysis. Who marks its homework on whether a banking hub is needed?

David Geale: It depends on how they do this. At present—so this is before the rules come into place—we require them to carry out an analysis. They submit that analysis to us and then we would discuss that with them and ask for changes if necessary. For example, where we feel they have not spoken to or done enough outreach into the local community, we will ask them to go back and do it. Where we feel that they have not come up with suitable alternatives or identified those properly, we may ask them to pause closures for a period of time. We do not have the power to stop them closing, but that is something we do through the guidance that we have at present.

Q57 **Dr Coffey:** Could any community approach you and ask for your assessment of the analysis of why they are closing a particular bank and what they are proposing to do instead?

David Geale: We ask the firms to publish that analysis. It is not something that we would give out ourselves, and potentially we would be bound by confidentiality in terms of how they present that to us at the moment. Under the new rules, we are proposing that they would be required to be more transparent and to publish that analysis. There are two things.

There is potential for them to use a co-ordination body, which we would expect to be designated if that is the case. That brings a degree of independence into the assessment. We have set some criteria around the sorts of things that should be considered. There are the obvious bits around the geography, but this is not about getting a tape measure out and saying that there are so many people within a mile and so on. It is about looking also at the demographics of the population and looking further into the geography. A mile as the crow flies is very different to a mile across a lake in terms of where people might have to travel, so we look at the travel cost, the travel time and the impact on the customers that they have. There is a potential that they would use an independent body, and we have encouraged that because we think that is quite important, but we would expect that to be published. If the local communities are not happy with that, they can go back and ask for it to be reviewed.

Q58 **Dr Coffey:** Who can they ask for it to be reviewed?

David Geale: They would go back to either the bank or the designated body.

Q59 **Dr Coffey:** The Government acted and put legislation in place, with the support of Parliament, and we are waiting for some of this to happen. As Dame Angela pointed out, there are a lot of closures happening. Frankly, Barclays is shameful and shameless. It does not care. It really does not care about its communities. Since I became an MP, it has shut down all eight of its branches. One is about to close and that is in Leiston.

The sort of information it shares with its communities is that "86% of people who use our branch have also banked using the app". So what? You would expect modern people to be doing that. "64 customers use this branch regularly"—it does not define regularly—"as the only way to do their banking". Surely we should be considering wider elements than that, rather than somebody who just never does online or any digital. Then 8% used its branches nearby in the last 12 months. I have just seen so many of these. We are going to put up a bit of a fight, but I know that Barclays just does not care. At least Lloyds and some of the others make an effort.

I am particularly concerned because the default seems to be saying, "We have done this analysis. We have come to this conclusion. Frankly, you are on your own. We might turn up every now and again, or you can go and use the post office". The reason why I get particularly concerned about it is that the Post Office itself is now being expected to do more and more. Every bank has a different rule on how much money can be put in or put out. Actually, one of the greater impacts as well is not just about vulnerable people and others who are not quite so keen to use banking. Frankly, it is small businesses, which then, as a consequence, are stopping cash being used in their shops or putting minimum transaction levels on it because of fees.

All this is doing is starting to kill off and dumping the problem on the Post Office and Post Office Local. At the same time, we are seeing Post Office Local or post offices themselves being fewer in number. I am not going to get you into all the constraints that the Post Office puts on how Post Office Local operates. I know that Leiston in particular is under this thing now. I just know that the post offices, vulnerable people and Citizens Advice are all worried that, frankly, this shop that does this Post Office Local almost as a favour to the community will be inundated, and yet there are queues in that same bank branch.

I guess that the frustration that our constituents have is that, having acted—I appreciate it is not about saying every bank must stay open—it is all too late. The other thing that you really need to consider—I will invite you to come back—is that I am worried about what it will do to post offices. There is also LINK and the applications. I know that other colleagues will come on to this. You cannot apply for LINK until all the banks are basically gone, so you have missed that opportunity, potentially, to have a forward plan. You have missed the opportunity for TUPE of people from the bank branch into some hub or whatever it is. As I say, Barclays in particular just does not seem to care. It really concerns us that, having acted to legislate, it is almost a "So what?" We are relying on you, candidly, to help drive some of the behaviour changes in order to help communities, but SMEs are a key part of this as well.

David Geale: I am obviously not going to comment on individual firms. However, clearly, from our perspective, the less we have to act, if the banks are stepping up, doing the assessments properly and moving forward with proper solutions, the better. That has to be a better solution.

We are operating within the powers that we have at present. The new powers enable us to go further. There are a couple of things that I would say about that. The Post Office plays a very important role in delivering access to cash for businesses and personal customers, but it is not all about the Post Office. Banking hubs are an important part of it. The Post Office provides the facilities within there. Things like ATMs are an important part of it, including deposit ATMs, and there are some trials taking place around further use of deposit ATMs. There is a pilot launching next month through Cash Access UK.

Also, we have been encouraging the industry to come up with other innovative solutions because there are other ways that you can provide access to cash. We want them to think about those and think about providing the proper capacity. One part of the assessment that we will be requiring them to carry out is to do a capacity assessment. I agree with you: it would not be sufficient to have a facility that is open for, say, limited hours with queues going out of the door the whole time. We would expect them to consider the impact of that and whether that is providing an appropriate service going forward. That itself is an addition that comes under the legislation, with our new powers, from when the rules come into force.

Similarly with LINK, that is changing. There is a process now where LINK will consider when the last branch in town closes. We do not consider there still being a branch in town to be sufficient not to carry out that assessment—sorry, I expressed that in a negative. If, for example, you have two branches and one closes but the other one does not do SME business, we would expect that sort of assessment to be carried out. Our triggers are based around a change in the service. They would first have to identify the change and then assess the impact. The impact may still be fine. You may be able to close a branch of a bank and still have sufficient coverage between a post office and remaining bank branches. Equally, it could be that there are remaining branches and that is still not sufficient, so something new needs to come in. That is being strengthened under the proposed rules.

Q60 **Dr Coffey:** In terms of the proposals, as has already been pointed out, that is Q3. What can you do now to ensure transparency? Are there any of your powers that you could use now? You have set out a consultation, but I do not understand why you would not still trigger that capability, because I think you will see an acceleration in closures while they are waiting for your results.

David Geale: As I said, we do not have the powers currently to prevent closures. That is a commercial decision for the bank. We do not have that power currently. We have the branch closure guidance that we have put out. We require banks to treat their customers fairly when they are carrying out the closure. As I say, we have an agreement from the major banks to pause closures where an alternative has been identified as being needed until that is in place, for up to 12 months. When the new powers come in, you can still carry out an assessment. A community can request an assessment to say that there is an existing gap, not a gap that is being caused by a future closure.

Q61 **Dr Coffey:** What are you waiting for for the new powers? Is there a parliamentary procedure that has not been done?

David Geale: The firms that would be required to provide that reasonable access to cash have not been designated yet. We also need to put rules in place to set out what the requirements are specifically and how we would act if needed.

Q62 **Dr Coffey:** Now you have the agreement with the banks, could you not put, in effect, a moratorium on closures until this designation is done, so that people at least have a chance to understand and to be able to voice their concerns? It feels to me that Barclays is not releasing any information about Leiston apart from what it has selectively chosen to do that suits its argument. Meanwhile, we are getting counterclaims, as it were. We are not even in limbo. We are being shafted and we seem powerless to do it because something has not happened here, despite the legislation passing—was it 2022 or 2023?

Chair: It was last year.

Dr Coffey: That is why I do not understand why you cannot use your power of instruction to at least have some aspect of moratorium until that assessment is done.

David Geale: Our powers would be over the designated firms and those firms have not been designated yet. We do not have the power to put in place a moratorium on closures because we do not have the power to prevent closures currently.

Q63 **Dr Coffey:** You said that once a need has been identified they have agreed to do a 12-month element.

David Geale: If a bank now announces a closure, there is an assessment carried out that identifies that there is a need for something additional. They have agreed to pause that closure for a period of up to 12 months to enable that solution to be put in place.

Q64 **Dr Coffey:** That comes back to my first question. Who makes the judgment that a need has been identified?

David Geale: Currently, they are using LINK, which is doing an independent assessment of the need that is there.

Q65 **Dr Coffey:** In that case they are paid for by the banks.

David Geale: That is correct.

Dr Coffey: Also, LINK then makes the decision about whether there is a banking hub. It feels very odd.

Q66 **Chair:** It absolutely does and we have hit on an important point there about the designation. Are we going to be able to designate anyone before the end of your consultation?

David Geale: Not before the consultation ends on 8 February, no. That is not my expectation.

Q67 **Chair:** What about before the end of your period where you might respond to the consultation?

David Geale: Do you mean for firms and others to respond to the consultation?

Chair: Designation can happen any time after the end—

David Geale: That is a matter for the Treasury when it will come up with the designation.

Chair: Yes, but it could do that any time after the 8th.

Q68 **Dr Coffey:** It is irrelevant to the consultation.

David Geale: Yes and no. The major firms will be expecting to be designated. What we do not know is how far that designation will extend and whether there is a possibility of some extra—

Q69 **Chair:** They could do some initial ones, couldn't they?

David Geale: I do not see that as a blockage to us taking the rules forward, but we need to enable firms that are designated but were not expecting it to consider the impact. That does not mean we need to push back our consultation. It means we will take representation from them if needed afterwards.

Q70 **Chair:** Can I just clarify about mobile vans? Lloyds has announced that all its mobile vans are going to stop by May 2024, which seems suspiciously in advance of any of these results. Can a mobile van count as the last branch in town?

David Geale: It would not count as the last branch in town, but it could count, in my view, as a reduction in service.

Q71 **Chair:** If you only have a mobile van and that is ending, would these procedures start?

David Geale: The triggers would be the closure of a branch or a significant reduction in service. There could be branches, for example, that are open 9.00 to 5.00 Monday to Friday. If a firm said, "We're only going to open on Mondays", that would be a significant reduction in service and we would expect an assessment to be carried out.

Q72 **Chair:** What about a mobile van not coming?

David Geale: Similarly, if the facility is a mobile van and that is removed, I would consider that to be a material reduction in service and, therefore, yes, it would be covered.

Q73 **Anne Marie Morris:** I am a bit concerned. The Bank of England clearly has a responsibility for regulating the banks, but the banks are responsible for more than just delivering cash. I appreciate that the focus from the Government has been cash, but none the less, when you start making changes, you need to look at the implications for the other piece that banks do, which is providing financial advice.

My concern is that that seems to be completely off the radar. I got a similar impression from what you said, David. Your consultation is purely about cash, but there are many things that individuals go to banks for other than cash. I appreciate that that is the limit of this particular consultation, but none the less the FCA regulates the banks and both pieces need to be addressed.

I am very concerned that we are looking at hubs as glorified cash machines. That seems unacceptable to me. I appreciate that that is what you are currently being asked to do, but, as a regulator, you have a much broader remit than that. I am very worried that you are not taking that seriously.

The other thing that concerns me is that the consumer seems to be completely absent in your thinking. Both the Bank of England and the FCA have looked at what period we should give the banks to sort themselves out and end. A number of members have asked whether 12 months is really long enough.

I was interested in the answers that we got, which were about the perspective of the bank that was closing and the financial rules and regulations. They were not about the sheer practicality of establishing a hub. Having tried to do two of these, I can tell you that it is completely impossible to do this within 12 months. We are going into this new world where, when a branch closes, you are not simply looking at whether another existing branch can take on the business. You have to look at the reality.

I know LINK has specialist property experts, but they are not finding the properties that are needed for these hubs. The "get out of jail", in theory, is temporary hubs. Temporary hubs are even harder to find because nobody wants to give up perfectly good rent for six months or a year and kick out their existing tenants.

The criteria that have been established for these hubs by the banks are very narrow. They limit the space. I understand the access requirement. They say it has to be leasehold, not freehold. I appreciate that you are getting out of branches because they are expensive and you do not want to take on freeholds, but the reality is that many high street properties are only available on a freehold basis because the people in the high street, frankly, want to sell up and get out.

The whole premise of how you are looking at this seems incredibly limited to cash, forgetting the overall objective you have in terms of financial advice and provision. The consumer and the practicality of setting up hubs seem to be absent.

Sarah and David, while I accept this consultation is about cash, do you recognise those two other obligations? Will you look at what you are both recommending, particularly what comes out of your consultations, to take those pieces into account? Sarah, can I ask for your comments first?

Sarah John: I completely recognise the challenge that you are talking about. This is a broader discussion than just cash. So many people rely on that personal interaction and going into banks for advice.

Just to clarify, when I am talking about closures, I am talking about a cash centre closure. This is not something that a member of the public would ever interact with directly. As I described, this is about the plumbing behind the scenes.

Anne Marie Morris: I appreciate that.

Sarah John: However, the lens that we need to look at those closures through is exactly what you are talking about there: the impact that that closure will have on real people's experience to access cash.

Anne Marie Morris: As well as financial services and advice.

Sarah John: I appreciate that. The closure of the cash centre itself probably would not have a direct impact on financial—

Q74 **Anne Marie Morris:** It will. It is a branch. If you are closing an ATM, maybe, but you are closing a branch. That is where you go for your mortgage advice or business advice.

Sarah John: These are not branches. These are completely separate entities. The cash centres are usually out on industrial estates. They are not in the bank branches. They are completely separate entities. They are large sorting offices.

Q75 **Anne Marie Morris:** That was not really the question that I was asking. I was not talking about those. I was talking specifically about branches, which offer cash and financial services.

Sarah John: As I say, from the Bank of England perspective, we are only dealing with the closure of the cash centres, not the branches specifically.

Q76 **Anne Marie Morris:** I accept that, but none the less the Bank of England is not only responsible for money. There are wider things to take into account. I understand what you are saying. All I am asking is that, when you come up with your recommendations, given that your consultation is now closed, you take that broader perspective into account. Even if we are just talking about a cash centre in a warehouse, it has implications elsewhere.

It is definitely pertinent for David. I am looking forward to your reply as to how the FCA, alongside this consultation, is going to ensure that people have not just access to cash but access to financial services and advice, as they have had to date. They absolutely need that access.

David Geale: I am going to add a couple of pieces. First, we need to be critically clear that the powers we have been given are entirely centred on the reasonable provision of cash. They do not extend to broader banking services. As you know, this was one of the most hotly debated topics around the legislation. It was a deliberate move by Parliament to give us the powers around access to cash.

Q77 **Anne Marie Morris:** Yes, agreed. Is the FCA not responsible for regulating banks? The banks do more than provide cash. I appreciate that you are looking through the lens of this consultation and the Financial Services and Markets Act. I am trying to ask a broader question about your role as the regulator of banks, which do more than provide cash.

David Geale: Yes, we are responsible for the regulation of banks, which do provide more than cash. We do not have the powers to mandate the provision of any particular product or the channel of delivery for those particular products.

There are a couple of things. First, one of the aspects within access to cash, which is important, is the consideration of the need for assisted cash. It is not suitable for everyone to go and use an ATM. There is an element of, "What are the needs of those consumers, if they need assistance to carry out any form of cash services?" That is one thing.

Secondly, within the banking hubs there is an opportunity to have community bankers. The way they operate is by offering the top five banks by proportion of customers in an area a community banker for a day each. This would be somebody from that bank who sits there and would be available to talk to customers about things broader than just paying in or taking out cash. There is the facility—this is optional for the banks; it is something they are doing rather than something we are mandating—for that community banker type process. That exists.

I agree with you, though. There are services that are carried out within branch currently that people sometimes need face-to-face support with, whether that is through digital means or in person. While it is not covered in the legislation, we do expect banks to consider that.

That does not necessarily mean keeping a branch open; it could be through other means, but we expect them to consider the outcomes for their customers. We have the new consumer duty coming into force, so we expect them to consider the needs of their customers in a particular community and across the piece, and to provide services in a way that they can engage with. If there are particular pockets or areas where customers are more vulnerable, you might expect them to take a deeper approach in terms of providing some services.

We do see banks operating different types of hubs. They might have people going out into the community. These sorts of things are building up. It is a service centre as opposed to a traditional branch.

Just to reiterate, we cannot require any particular product to be delivered. We cannot require the channel of delivery. What we do expect is for banks to treat their customers fairly. We are seeing some positive signs in terms of the community bankers in banking hubs, for example, and outreach. We expect banks to work on it.

Q78 **Anne Marie Morris:** I find it rather sad that there has to be a regulation and a specific power given to you before you can look at those you regulate, the banks, to ensure that they provide appropriate financial services to their customers. That is what you are saying.

David Geale: No, it is not.

Q79 **Anne Marie Morris:** What are you saying, then?

David Geale: That is not what I am saying. What I said was that we cannot require that to be provided within branch. We expect banks, where they provide products and services, to consider the needs of their customers and to deliver them appropriately. We would expect that through the consumer duty under delivering good outcomes for consumers.

Q80 **Anne Marie Morris:** Under that consumer duty, it would be entirely reasonable for you to look at what is being provided in a particular hub and, if it is overly limited to cash, to say to those three banks, for the sake of argument and by way of example, that were operating that hub, "To meet the duty you have just described, you have to provide appropriate financial support and advice above and beyond cash".

David Geale: We could not require that to be done through the banking hub. As I said, banks need to consider—

Anne Marie Morris: What if there is only the banking hub?

David Geale: There is not necessarily only a banking hub. There are different means that banks can choose to provide that. Telephone may be appropriate. Sometimes it will be digital or face to face. That could be provided through a banking hub, but that is not something that we can mandate. We do not have the powers to mandate that somebody provides a particular service in a particular way.

We do have the power to ensure that they are considering the needs of their customers and coming up with an appropriate channel. I cannot say, "It has to be X" or, "It has to be Y".

Q81 **Anne Marie Morris:** There is a gap there, which is clearly going to have to be filled. There is absolutely no question about that. I am really quite sad about that.

Can I ask one more quick question? In your consultation, there is a lot that is very woolly. You give a lot of discretion to the banks to decide what is right and what is wrong. My suggestion would be to look at that again because my experience of dealing with LINK and Cash Access is that that flexibility leads to a lot of disappointment and an inability to meet the expectations that have been set.

We need Cash Access or anyone that might replace it to be contractually bound to LINK or yourselves. At the moment, there is no contract between Cash Access and LINK, and therefore there is no way of enforcing getting these hubs up and running, which seems to me a mistake. It seems to me that they need proper KPIs and proper timelines to be met. At the moment, all of that is absent. As an MP trying to work with it, it is like blancmange, trying to get Cash Access and LINK to do what is needed.

Having been indulged with the time, may I just ask you to take that away? When you are looking at your consultation, be clear about what outcome we want for the customer and what we can put in place that you could regulate, with KPIs, contracts and regulation, to make it work, because right now it does not.

David Geale: If I may just come back quickly on that, first, it is the designated bodies that are responsible. Whether they choose to use Cash Access UK or anyone else to deliver, it is the designated bodies that are responsible and that we would regulate. We would have direct powers over them.

Secondly, we have put timeframes in around the speed of carrying out an assessment and the speed of delivery from the period at which that assessment is complete.

Q82 **Anne Marie Morris:** Is that measured? If it is measured, it is not happening in my two branches.

David Geale: We have put those requirements in place. We can measure them. We are also requiring further data reporting.

Chair: That is to be continued, I think.

Q83 **Keir Mather:** It might be continued right now, to an extent, because I have some further questions about the FCA consultation around the last branch in town. It is especially important to me as I have the privilege of representing what I believe to be the most rural Labour constituency in the UK. It is one where the average age is 55. Rurality compounds itself into policy issues of all kinds.

Thank you very much for taking the time to come and speak with us today. My local branch of Lloyds is closing, and then we will be down to our last branch in town. That is really going to punch a hole in the centre of Selby's high street. Based on the tenor of the conversation so far, it seems like you are in an unenviable position, where the responsibilities on the banks are recommended but not enforceable with the teeth that maybe we would like you to have to make them a reality.

I just thought I would begin by asking this. We are in this bizarre situation where Lloyds Banking Group reported pre-tax profits of £5.728 billion for the nine months leading up to September 2023. Could you make an argument that banks can afford to keep branches open in areas like Selby where issues to do with rurality and factors to do with age and digital access are particularly acute? Is there a basic argument around decency and fairness to be made to the high street banks?

David Geale: It is a commercial decision for banks as to whether they keep a branch open. As I said, we would expect them to carry out an analysis of the impact on their customers as they consider that closure. I would reiterate that it is not all about bank branches. We expect them to look at usage and to put in place suitable alternatives. That is what the legislation strengthens our ability to do.

The debate is being had around branches, but it is not about branches. It is about what is the suitable access that provides reasonable facilities for customers going forward. There is a danger that we just talk about one bank. When one bank is closing, that is just one bank's customers. We need to have reasonable access across the piece, and there is potential for different solutions to provide that.

Q84 **Keir Mather:** I would respectfully disagree. Building on what you said, Anne Marie, the piece around financial services really goes hand in hand with access to cash, particularly for SME customers. The small businesses in my constituency really do run off cash to a very large extent.

I also cannot express enough the worry and the fear that all the residents in my constituency have around fraud through the use of online banking and the support that they need in that regard. It does just seem particularly galling that we cannot put a specific onus on these banks to do the right thing and keep branches open or at least mitigate the closures in a particular way. In effect, they are making a saving by closing branches. Lloyds has already said that it is stopping the rollout of these vans. Your own consultation says it is highly unlikely that consumers will switch when they are making banking decisions going forward.

Under those circumstances, is there more of an obligation on the banks to put their money where their mouth is and mitigate some of the discrepancies and dangers that they cause?

David Geale: That is what they are being asked to do through the collective assessment and delivery of suitable alternatives. If they choose to close a branch—it is their right to close a branch, and we cannot stop that—they are being asked to work to put in place something that fits the needs of that community and to carry out that assessment.

We expect the designated firms to do that. There is value in an independent body working with them to carry that out. There is then a requirement, which is strengthened, to put in place that alternative. It is not just to come up with it and then do nothing. It has to be put in place.

Q85 **Keir Mather:** I do appreciate that that is what they are asked to do, but the extent to which they deliver on it is a different question. On that basis, from your perspective, would you like to be given more powers to be able to engage with banks and mandate them more clearly? I know through the consultation you will have powers to issue directions, but are there extra levers that you would like to have in order to crack down on banks' ability to shut up shop and say, "It's all right, Jack. It's not anything to do with us"?

On this point about firms being designated by HMT, would it be in your interest to see that sped up? Is that something you would like to see actively facilitated, for people to go to HMT and say, "Cough up this list so we can crack on with getting banks to take responsibility"?

David Geale: Within the remit that has been set for us, the powers are sufficient. Our rules will put in place a robust framework that will enable us to assess whether the banks are doing what they need to do to provide that access.

We will be monitoring that through the data that we collect. As I said, we will be putting in place timeframes for the period of assessment and the period of delivery. We can stop closure or require a suitable interim solution until such time as that final solution is put in place. To take the point earlier about having trouble finding premises, that is not an excuse for not providing reasonable access over that period.

Within the remit that we have been set, the powers and the framework will be there. We will collect the data to prove that it is happening, and we will take action if it is not. You can judge us on that.

Q86 **Keir Mather:** Would a definition of success for you be at least a slowing of this rate of closure, as we presently see it? Does that equal success for you? What metric would you use in that instance?

David Geale: Not necessarily, no. It is about people being able to access cash as and where they need to. The provision of cash facilities to personal customers needs to be free to use within that. Business customers need to have that ability to use deposits and withdrawals as they want to.

In terms of the point of designation, we will stand ready to act once the firms are designated. Our consultation is live. We need to consider the responses to that. I do not anticipate that being a problem. It is helpful to us to know sooner rather than later, but I do not anticipate that being pushed back beyond Q3 at the moment.

Q87 **Keir Mather:** It would be in our interest to see that HMT delivers on providing those designations as quickly as possible to give you the help you need.

I just had one final question. I appreciate that your consultation very rightly includes lots of stuff about ensuring that SMEs have access to banking and that those who are digitally excluded get extra help. That is extremely welcome.

I do worry, though, about the way in which rurality is measured. I appreciate your comments earlier that how the crow flies is different if that crow is flying across a lake or travelling by other means. In my constituency in particular, if you are a Lloyds customer and that bank is closed in Selby, and you are not comfortable using online banking, your other two branches are in York or Castleford, both of which are a minimum of 13 miles away.

In lots of rural villages in my constituency, like Eggborough, Carlton or Whitley, you cannot get a bus to where you need to go. It would take about an hour and 49 minutes to get the bus to one of these branches. There are lots of elderly women in those villages who cannot use cars and do not have the bus service to allow them to do that.

It is such a socioeconomic, gendered and public policy-oriented consideration when you are talking about rural accessibility. To what extent are you able to build those concerns, particularly about public transport, into your consideration as to access to cash?

David Geale: We do make clear that we expect them to do more than just say, "The branch is over there". They need to consider the travel cost, the travel time and the impact on the customers they have. I agree that it needs to be wider than that. It is clear in the consultation that that is what we are proposing.

Chair: A few colleagues have some additional questions. We are expecting a vote, but we think we have time for a few additional questions.

Q88 **Mr Baron:** Can I raise a scenario that has not been raised so far? On Billericay High Street, we are down to one bank. I share colleagues' concern about how some of these closures have been conducted. We are down to our final bank, which is part-time. We hope it is going to stay, but there is no guarantee. The system focuses on the post office in the high street to try to compensate for those closures, but we now have a scenario where the post office itself may be closing because it is within a retail unit that itself is struggling.

Can you assure us that, if it were to happen not just in my high street, the system would make sure that sufficient banking facilities were available, in a scenario, if only on a temporary basis, where the post office closes and we do not have any banks?

David Geale: The system is designed such that, if there are changes in the provision of cash facilities, an assessment should be carried out and an alternative put in place.

Q89 **Mr Baron:** The whole system has been saying, "It is up to the post office to carry forward what services we think are needed because the banks have shut down", but what if the post office itself, if only for a temporary period of six or 12 months, is closing down? I do not blame you for saying it, but I am not assured by "the system is designed". It does not give me much comfort when there is a real prospect of that happening in our high street and maybe other high streets as well.

David Geale: I take the point. We would expect firms to maintain reasonable provision of cash services. We would expect them to work that through and deliver.

Q90 **Mr Baron:** What if they do not?

David Geale: Then we have powers available to us to take action.

Q91 **Chair:** We have heard today that Cash Access is really very central to delivering these banking hubs. We have heard that 50-something may be open by Easter, but another 50 are still needed. There will be more because we have heard about the accelerating closure of banks. We have heard that you do not directly regulate Cash Access, but you regulate the 10 banks that own it, and it could be designated as the community access organisation.

How concerned are you about the ability of Cash Access to do what it is required to do in a way that meets the concerns that you have heard from Members of Parliament today, despite perhaps the conflict of interest of it being run by these 10 banks?

David Geale: From my perspective, we regulate the banks and we expect the banks to deliver. The banks have chosen to do part of that delivery through Cash Access UK. I am reasonably agnostic to that. My expectation on the banks is that, if they need to deliver something and it is not delivered through Cash Access UK, they would find an alternative way to do it.

Having said that, we meet regularly with Cash Access UK and LINK. We have seen an acceleration. As I mentioned earlier, I have written twice to the banks, and to LINK and Cash Access UK, to express our concern about the pace of delivery and we have seen that sped up. I would expect it to continue to speed up.

It did start up from scratch. It is set up well to deliver going forward. There is a benefit to having a co-ordinated mechanism in terms of the assessment because it enables freer sharing of information, which might otherwise be caught up in things like competition law. It also enables it to deliver much more easily on shared services.

If that is not happening, I am very clear that our regulatory bite happens with the banks and we would expect them to take action to ensure that it is.

Q92 **Chair:** In the time before the bell rings, are there any other things that our panel of witnesses would like to ask for from this group of very engaged MPs on the subject of access to cash, on which you are consulting?

David Geale: There is nothing in particular that we would ask for. We value the feedback. It has been very helpful to discuss that. We will take account of the responses we get in our consultation.

We have talked a lot about branches. I would stress that it is about more than branches. There is also a lot that can and should be done, and is being done, around helping people to become more digitally included. That is important. It is absolutely crucial that we manage the cash process and ensure there is reasonable provision. We are very much focused on doing that.

Sarah John: It is very similar from the Bank of England’s point of view. It is great that you are all so interested and engaged in the subject because it is a really important national issue up and down the country. The legislation that has been passed and the powers that have been given to us put us in a good place, on the wholesale cash distribution side, to manage the challenges going forward. We are going to work with those powers to make sure that cash really does remain sustainable into the future. The Bank is absolutely committed to cash.

Chair: Thank you. My colleagues are not catching my eye anymore and we are about to have the bell. At this point I am going to draw the session to a close. Thank you very much for your evidence.