

Scottish Affairs Committee

Oral evidence: [Access to cash in Scotland, HC 1023](#)

Monday 17 January 2022

Ordered by the House of Commons to be published on 17 January 2022.

[Watch the meeting](#)

Members present: Pete Wishart (Chair); Mhairi Black; Deidre Brock; Wendy Chamberlain; Alberto Costa; Sally-Ann Hart; John Lamont; Douglas Ross.

Questions 1-84

Witnesses

[I](#): Debbie Hutchings, Regional Officer, Unite the Union; and Richard Piggin, Head of External Affairs and Campaigns, Which?.

[II](#): Richard Cooper, Executive Director, Marketing, Cardtronics Division; David Postings, Chief Executive, UK Finance; and Adrian Roberts, Chief Commercial Officer, LINK.

Examination of Witnesses

Witnesses: Debbie Hutchings and Richard Piggin.

[In the absence of the Chair, Douglas Ross took the Chair]

Q1 **Chair:** Welcome to this afternoon's sitting of the Scottish Affairs Committee. I am Douglas Ross, chairing today in the absence of our Chair, Pete Wishart. We are having a session on access to cash, with two panels giving us evidence. I invite Debbie Hutchings, one of our first witnesses, to introduce yourself and whom you represent.

Debbie Hutchings: Good afternoon. My name is Debbie Hutchings. I am a regional officer for Unite the Union, based up in Glasgow. I am the lead officer for negotiations with Virgin Money.

Chair: Thank you, Debbie. Our second witness in the first panel is Richard Piggin. Richard, will you introduce yourself and whom you represent?

Richard Piggin: Good afternoon. My name is Richard Piggin. I am head of external affairs and campaigns at Which?, the UK's consumer champion.

Q2 **Chair:** Thank you. First, a general question about where we are with the number of bank branch and ATM closures across Scotland. In my constituency of Moray, one town alone, Forres, has seen both the TSB branch and now the ATM at the post office closing. There is considerable concern in all our constituencies about bank and ATM closures. Richard, will you set the scene first for the situation in Scotland?

Richard Piggin: Absolutely. Over half the bank branches that were operational in Scotland in 2015 have closed. Which? tracks the number of bank branches across the UK, and in 2015 there were 1,040 branches in Scotland. Since then, 554 have closed or are scheduled to close this year, which leaves 486 that remain. In other words, 53% of Scotland's bank branches have closed in the past seven years. That percentage loss is greater than in any of the other UK nations.

You pointed out that it is not just bank branches: since 2018, more than 20% of Scotland's free-to-use ATMs have also closed. The impact on consumers, who use ATMs—actually, more so than bank branches—to access or withdraw cash, is particularly acute in Scotland, because of some of the challenges of poor broadband and mobile coverage, which I know is an issue that the Committee has also looked at in the past. There is also the challenge of just travelling to the next available point where cash withdrawal is available.

I would say that, almost two years ago, the UK Government committed to legislate to protect access to cash, yet almost two years on we have yet to see that legislation. It is now vital that they make good on their promise and bring forward that legislation as soon as possible to protect what is still a considerable number of consumers in Scotland and across the UK who rely on cash as their only payment method.



HOUSE OF COMMONS

- Q3 **Chair:** Thank you, Richard. Before I come to Debbie, you talked about a 53% reduction in the number of bank branches in Scotland and said that that was the highest such figure in the UK. Do you have the percentage figures for the other parts? Although Scotland is the highest, I wonder what the comparison is with other parts of the UK.

Richard Piggin: We do have those figures. I do not have them to hand, but I will follow up with them. They are all over 40%—the late 40s. I think that Scotland is the only one where the figure is just above 50%; in the other nations it is roughly 46% to 49%, but I will make sure that we share that with you.

- Q4 **Chair:** Thank you. Debbie, would you like to say anything on that point about the reduction in both bank branches and ATMs?

Debbie Hutchings: Yes, we would supplement what Richard said. We have seen a great decrease to almost half the branches. Banks have been following suit recently. Virgin Money has announced closures in Scotland, which will leave it with only 43 branches in Scotland.

We have the same issues. Given the geography of Scotland with its many rural locations, there has not been a lot of consideration given to transport and to alternatives to the wi-fi access that is poor and the vulnerable customers that rely on these branches, as well as the smaller businesses that are cash dependent and the tourist areas.

We have recently seen closures in Scotland in areas such as Banchory. The nearest alternative branch is in Aberdeen, 17 miles away. Galashiels' nearest alternative branch is in Edinburgh, 33 miles away. Portree's alternative is in Fort William, 80 miles away by ferry. Wick's closest branch is 101 miles away, so there are very limited options for customers in the Virgin Money network to bank with Virgin Money.

Yes, there are ATMs and post offices within a one-mile radius of the branches that are closing, but the post offices are very restricted in what they can do within the post office set-up. Yes, there are things you can do online, but you need to have the ability and the accessibility to do that. Many of the things that people might want to do—changing signatories, adding people to cards, powers of attorney, or reporting the death of an account holder—cannot be done online.

- Q5 **Chair:** One of the arguments from the banks will be about reduced footfall within branches and fewer people using ATMs. Indeed, that was the response I had from the Post Office late last week about the withdrawal of their ATM in Forres. What impact do you think the pandemic has played in terms of many businesses changing and encouraging people to use less cash and more contactless payments? How do you answer the firm's response, which would be, "There are fewer people using both branches and ATMs at the moment"?

Debbie Hutchings: Yes, I think there is lower footfall in some areas, but that is not always a driving factor behind banks' decisions. There seems to be a race to be the best digital forum and have the best digital platform,



but there also seem to be target areas that the banks want to be in, moving away from some of the heartland regions of their traditional banking sites, and that is what we have seen with Virgin Money and Clydesdale Bank. A lot of these closures were pre-pandemic. A lot of the closures were planned pre-pandemic. Some of them were halted because of the pandemic, so I don't know that covid can be attributed to all of those points.

Technology within the finance sector has been something that we have dealt with for decades, but what they need to look at is getting the balance right so that they are not leaving anybody behind, and so that there are areas where people can access not just cash through ATMs and post offices, but can access branches, especially in our more rural communities.

Chair: Thank you. Richard?

Richard Piggin: I think Debbie is right. A lot of these closures and planned closures were in place before the pandemic, although the pandemic has undoubtedly accelerated the decline in cash withdrawals. Successive national lockdowns have done that while at the same time, simultaneously, increasing the number of digital payments that are being used. That has been exacerbated by some retailers refusing to accept cash or encouraging contactless payments. What we are seeing is a return in cash demand. It is not towards pre-pandemic level, but there is a return.

The critical point is that there is still a significant number of people who do use cash and rely on cash. Which? did some research in early 2021 and found that in Scotland only 4% of Scottish consumers said, "We don't use cash any more"; 11% said, "We use it almost every day", and another 30% said they use it at least once a week. We do have specific groups of consumers who are more reliant on cash than others. It is those that we need to protect when we think about alternatives to cash provision.

We are talking then about what legislation needs to look like to protect access for those who rely on it. Not for everybody—absolutely. We need to accept that there has been a transition and there will continue to be a transition, so this is not about saying, "We still need 1,000 bank branches" or "We still need the 486 that we've got at the moment. We still need the same number of ATMs." It is about focusing on: "We still need the right provision and a minimum level of access for those who still rely on cash at the moment."

Q6 **Chair:** Thank you. Finally from me before I go to my colleague Alberto Costa, Richard, you mentioned the delayed legislation, which has now been promised for two years. Clearly, again, Governments have been working with the pandemic. Do you get any signal from the Government that it may be forthcoming, and exactly how would legislation work, if you can answer that one as briefly as possible?

Richard Piggin: We are hopeful that it will be coming, because it really is needed. We have seen how the covid pandemic has highlighted the fragility in the cash system. What we have seen—I think David will talk to



HOUSE OF COMMONS

this later—is some intervention from the industry, some really positive intervention from the banking industry, in the absence of legislation to set out the sort of framework that could be underpinned by legislation to guarantee access to cash in the future.

We think that legislation needs to ensure that there is the right level of regulatory oversight in it. In our view, the Financial Conduct Authority should have a statutory duty to protect access to cash. That would involve monitoring, tracking and reporting risks across the UK, but also designing and implementing a framework by which a minimum level of access to cash can be maintained in the future for those who need it.

Q7 Alberto Costa: Good afternoon to the panel. Thank you very much for coming before the Scottish Affairs Committee this afternoon. I have a couple of questions, and they are directed specifically to Unite the Union and Ms Hutchings. It concerns what impact bank and ATM closures would have on staff in Scotland. What are the main concerns that Unite the Union has about staff during this period, and what steps should be taken to prevent these concerns from escalating?

Debbie Hutchings: Of course, every time we see an announcement of branch closures, we have that awful sign: you know, “Here we go. There’s going to be far more people losing their jobs.” We do have lots of part-time workers within the finance industry; we have a lot of female workers that do those part-time jobs within the industry. We have people who stay within the banking sector for many years, so they have a wide breadth of knowledge and experience within the finance sector and dealing with customers, but when we hear about closures, where potentially there was duplication in high streets through mergers and everything else, they had alternative work to go to. We are now seeing so many closures come through that they do not have alternatives within their own company where they can go and do work, and also we have branch closures across the piece with other financial organisations.

There is less opportunity for those people to go and work in other organisations, so we are losing these skills and this knowledge, and we are losing people from the sector. They are also consumers and customers of banks, and many of these people live in rural areas, so we have seen a complete decline. Yes, there may be more jobs coming through with technology that are based in more city centre locations and in hubs, but for the actual, traditional branch and store networks, we are losing people from those areas.

Q8 Alberto Costa: What, if any, correspondence has Unite the Union had with the banks that are closing branches, specifically in relation to the impacts on members of staff?

Debbie Hutchings: We do have consultations with all of the banks where we have memberships and recognition, and we strongly challenge any of the closures. Obviously, sometimes we can understand them if there is duplication through an acquisition and we have branches in the same street. We can understand that, but normally when that happens, there



HOUSE OF COMMONS

are not as many job losses because people are incorporated. The recent announcement from Virgin was quite a shock to us, because we could not see the sense of most of the closures in Scotland: although they had a reduced footfall, they still had a wide base of customers and vulnerable customers, and we did challenge them robustly, as we would any other banking organisation that is going down the same route.

Q9 Alberto Costa: You mentioned that you corresponded with those banks that recognise Unite the Union. Percentage-wise, how many of those, roughly, do not recognise Unite the Union?

Debbie Hutchings: I do not have those figures at hand, but I think we have recognition with most of the larger six banks. I don't know—I will try to find out for you.

Q10 Deidre Brock: Good afternoon to our witnesses. Thank you for coming along. I wanted to ask about post offices. In previous sessions on the access to cash issue, we heard a lot about how post offices would be, in effect, replacing banks. I know, certainly from my own parents-in-law, who live up in remote Sutherland, about the difficulties they now have because of the closures of banks near them. Post offices, through their very nature, close. They are not available as easily as an ATM, for example. If it is not the post offices themselves, it is the shops they are increasingly located within. Do you think that banks and the Government are relying too heavily on post offices to pick up this gaping hole in provision?

Richard Piggin: The Post Office clearly has a role to play, and there are some merits to the Post Office—not least in terms of the number of locations it operates in and its reach. There are genuine concerns as to whether the Post Office can be seen as a complete alternative. In effect, it should not be seen as a simple alternative. Our research has shown there are concerns from consumers about using a post office in the same way that they would use a bank branch or an ATM in terms of levels of privacy and concerns about long queues. You mentioned opening hours that might not be as convenient, certainly in comparison with an ATM, but also in comparison with other convenience stores, where they might be able to access cash now.

We are very much in favour of a multi-channel approach to this. Consumers should be able to withdraw cash using the means that best suit their needs. While we should not discount the important role of the post office, it must be seen as just one of the potential alternatives. It is no longer enough for a bank simply to say, "We are closing our branch, but that is okay because there is a post office nearby." What we need to see is a suitable assessment of the community needs and user needs to understand exactly how they want to engage with their banking facility and exactly how they want to withdraw cash. We should not simply assume that a post office, because it currently exists there, is just seen as an alternative, because it might not be. It might not exist in the future. We believe there should be a range of alternatives—a multi-channel



HOUSE OF COMMONS

approach, as I said. We need to ensure that, whatever they are, they deliver an equivalent level of service.

- Q11 Deidre Brock:** In terms of the assessment of community need, when a bank is proposing closure, the access to banking standards should be adhered to by banks. I will come back to post offices, because I haven't finished with those yet, but I wonder whether you could give us your views on how that has worked until now. Is the availability of local post offices something that is taken into consideration when the access to banking standard is being looked at?

Richard Piggin: Yes, you mention that standard. All the banks will talk to it more, I imagine, in terms of the process they go through. I think there is a genuine concern, simply because of the number of closures that have been announced, proposed and continued, as to whether that exercise has, in effect, made any significant changes to a bank's approach. What we are seeing in the future, and where we will hopefully get to, is a slightly different assessment. I think UK Finance will talk to the proposals that have come out of its Cash Action Group that talk about the type of assessment that should be done in a community. We would like to see those proposals made publicly available and published, so that you can actually see what considerations have gone in, what is being proposed and whether it delivers an equivalent level of service and meets that community's needs. It should not simply be what might be seen as a tick-box exercise, saying, "Is there a post office nearby or is there another ATM nearby? If there is, then that is fine." That is what we want to move away from. Hopefully, what we will see in the future are more independent assessments that really consider community needs.

- Q12 Deidre Brock:** Debbie, what are your thoughts on that potential over-reliance on post offices by banks and Governments when closures are being discussed?

Debbie Hutchings: I agree with Richard. I think post offices have a role to play, but we have to be mindful of what they can do and what their capabilities are for simple transactions such as withdrawals and deposits; you have to have the right envelope to deposit certain cheques, for example. There is a long list of things that, as you said, you may need privacy for. There may be an amount of form filling, which people may need assistance with; it can take time and needs to be done somewhere private that can allow time—as you know, post offices have long queues.

I know that banks need to consult with vulnerable customers through the FCA rules, but it would appear that that consultation is often done after the decision has been made. It would be good for that consultation to take place with the communities and areas and the vulnerable customers themselves prior to any decision being made, to look at what is needed and scrutinise more the decisions on some closures.

- Q13 Deidre Brock:** Absolutely. Look, you are probably the person to ask about post office workers—are there any concerns about security? I think you touched on that being as acceptable as it is in a bank. Do you think it



HOUSE OF COMMONS

is an issue for post office workers? Do you feel that they have the expertise to give the sort of information that someone could get from walking into a bank? I know there was quite a lot of talk about extra training for folk in post offices and assistance to help them come to terms with the new asks of them. What feedback are you hearing from people working in post offices about that?

Debbie Hutchings: Obviously they have their own challenges. We have seen a lot of post offices move into small local community shops where staff have been trained to take on the role. Security is possibly not as high in the local shop as it was when post offices were full force, simply because of the set-up and the nature of how the shop is laid out. I don't have the information—those workers might not be represented by Unite—but I would imagine they have the same challenges in how to look after people's cash and dealing with people's cash in a fairly local forum in some community shops.

Richard Piggin: There is nothing further for me to add, thank you.

Q14 **Sally-Ann Hart:** I am going to have a look at the impact of coronavirus—I know Richard has just touched on it. We have heard from you about the bank branch closures and reductions in ATMs since 2015. To what extent did the coronavirus pandemic accelerate the move to digital banking services?

Richard Piggin: It absolutely has accelerated the transition to digital. As I said before, that doesn't mean there aren't still a significant number of consumers who are reliant on face-to-face banking and cash as their predominant payment method. Looking at those closures year by year, bank branch closures in Scotland were going at a rate of about six a month up to 2021; in 2021, it is an average of about eight a month, so there is a slight increase. Again, we have talked about some of the reasons behind that.

The other thing, which I talked about earlier, is that during the pandemic we also saw an increase in the number of retailers refusing to accept cash or encouraging contactless payments. We did some research in May 2020, towards the start of the first lockdown, and found that one in 10 consumers had encountered a retailer that was refusing to accept cash. Of those consumers, about a quarter were then unable to actually purchase the product because they had no alternative payment method, so you can already begin to see the impact, particularly on those who have no alternative payment method, on people's ability to purchase essential goods and that sort of thing. In 2021, Which? actually launched a cash-friendly pledge. We have seen over 200 retailers across the UK sign up to that, which is a pledge that basically guarantees to their customer, "We will continue to accept cash for you because we understand how important it is to some of you."

Q15 **Sally-Ann Hart:** Do you think we can be confident that the coronavirus pandemic has had a permanent effect on the levels of cash usage? Is it being used as an excuse or is it too early to tell?



Richard Piggin: As I said, I think there is some level of cash demand that is returning, but it is not returning to pre-pandemic levels. It has had an impact on consumer behaviour, and there are questions as to whether consumer behaviours will return. It has had some real benefits in terms of that transition to digital, and I think we are on that transition. That is an important point because the situation now is very different from the situation five or 10 years ago.

We are not saying, as I said before, that the infrastructure in place now should be the infrastructure in place that we still need in five, 10 or 15 years, because we are on that transition to a more digital world. The point is that it is vital that consumers can access the payment methods that best suit their needs, and that, as we transition, we do not leave anyone behind, because as good as some of the digital alternatives are, we do not have sufficient uptake. There are still barriers to some consumers taking up those digital alternatives that we need to overcome, and we are nowhere near being in that position.

The Access to Cash Review found that 8 million consumers are still using cash as a fundamental payment method, and they would struggle in a cashless society, so we are nowhere near that position yet. While we are still in this position, we need to make sure that we protect access to cash for those who need it.

Q16 Sally-Ann Hart: The pandemic really has highlighted the weaknesses, in many ways, in the UK's cash network. For example, you have mentioned broadband, and mobile phone service is probably included in digital services. What do you think needs to be done to look at the weaknesses in our cash network, because it is actually quite wide, isn't it?

Richard Piggin: There are lots of issues here; you are right. The pandemic has highlighted the fragility of the cash network and why it is so important that we see the interventions that we are beginning to see from some parts of the industry now. It is why it is so important that Government acts swiftly to legislate to protect access to cash. While we do that, we still need to address some of those other barriers. We still need to improve levels of broadband coverage and mobile phone coverage, particularly in remote and rural areas, so that those people for whom online banking is simply not an option, because of poor broadband or poor mobile coverage, it can be an option.

We need to address concerns around the lack of digital skills and take-up of some digital alternatives, because that is another reason why some consumers feel uncomfortable. We need to also look potentially at some of the issues around cost because, for some consumers, actually the cost of digital alternatives and the equipment needed to use them is too great. There is a huge load of different things that we need to look at, and those digital alternatives hopefully will come, but we are not there yet.

I will give a really good example. There are some consumers who use cash for budgeting reasons—I understand that. Yet, there are digital budgeting tools available. What we have not seen yet is that uptake of those digital



HOUSE OF COMMONS

budgeting tools to replace the need for using cash as a means to budget. We might get there in the future, but we are not there yet, and until we do get there, we need to maintain access to cash for those who need it.

- Q17 **Sally-Ann Hart:** It is digital poverty—the gap in digital services. Debbie, is there anything that you want to add to what Richard has said?

Debbie Hutchings: No, not at this point.

- Q18 **Wendy Chamberlain:** To follow up on a couple of the previous answers, earlier you gave the figure of 53% in Scotland, Richard. Do you have any data around the geographical spread? For example, there are a number of branches in St Andrews, but there are other places in my constituency where there are now none. Do we have any data on that? Clearly, that then gives you some of the distances that Debbie outlined in her evidence.

Richard Piggin: We do, and I can probably share some of that data with you in more detail as some top lines. If we look at Glasgow North East, seven of the constituency's eight branches have closed since 2015, and in Edinburgh South West, 85% of the branches have gone. So, we can break it down a little bit by constituency.

- Q19 **Wendy Chamberlain:** Clearly, given those two examples, it is not just rural areas where there have been closures.

Richard Piggin: It is not just rural areas, but the impact is most acute in some of those remoter, rural areas, simply because of the challenges around connectivity that have been highlighted or the geographical challenges of travelling to the next available location, which can, as Debbie has said, be 50 or 60 miles away. So, the impact is felt most often in some of those remote rural areas.

- Q20 **Wendy Chamberlain:** My question is about the viability of alternative methods for accessing cash. We have seen cashback in convenience stores mentioned in the written evidence, but that is about using the PayPoint service, as I am sure I will pick up in the second session. For example, in Newport, in my constituency, the closure of the post office means there are now no longer any PayPoint services in Newport and people have to go to Dundee. Again, the questions from Deidre Brock show the interconnectedness with post office closures, so there is a viability question there.

The second part of my question is around the community Access to Cash pilot schemes. I visited virtually one of the pilots down south. Interestingly, there was a bit about budgeting, which I think is really important in terms of access to cash. Also, there was a question about the viability of people knowing that their bank is there on a Thursday and that is when they need to attend. Debbie, if I can come to you first, what are your views on the viability of those alternative services?

Debbie Hutchings: They will fit some people, but not others. As you say, they are available on certain days and at certain times, and it is about more than just access to cash. It is what you cannot do with an ATM or a



HOUSE OF COMMONS

post office. If you haven't got a branch close to you and you need to travel or use limited bus services, then you will have to choose to leave your bank and go to another bank, and hope they have a branch close by, to do all the other transactions and provide for the banking needs you may have as an individual or as a small company. The issue is looking at what is needed where and having that balance.

Wendy Chamberlain: Richard, your views?

Richard Piggin: The Access to Cash pilots were a really important step in the right direction, because they are based on community needs. You will see examples up in Cambuslang, for example, with the banking hub there that has now been extended. You can see where they can work in practice, and, exactly the point I was talking to, they must deliver an equivalent level of service and take into consideration the different needs of the different communities we are talking about.

I would add two things. First, it remains to be seen whether some of the really good proposals that we have seen from parts of the banking industry will work at scale or deliver an adequate provision of cash access to some of the communities that have been badly hit by bank branch and ATM closures.

For example, the current proposals from the Cash Action Group, which we will probably hear more about later, are for one new banking hub in Scotland, in addition to the one already in place through the Access to Cash pilot, one new ATM and some post office enhancements. There are 30 of those across the UK, I think, so you would expect some of them to be in Scotland. They are initial proposals, and we might see more, but that gives you a sense of the scale so far, in comparison to some of the figures that we talked about to date.

Finally, as welcome as these voluntary measures are from the industry, they do not negate the need for Government legislation and for the right regulatory oversight for some of this, which will underpin what the industry is already proposing. It is a great starting point that gives the sense of the framework that I was talking about, which the FCA should implement, that would monitor and then be used to maintain a minimum level of cash. It gives that regulatory oversight that would underpin the voluntary work that is being done so far.

Q21 **Wendy Chamberlain:** Yes, I think the announcement in December did feel like the first time the banks had really come to the table, rather than the pressure always being on the last bank standing, or on the post office to step in. You have picked up on it. Is there anything else you would want to see from the UK Government—other than the legislation?

Richard Piggin: No, we had it two years ago in terms of that commitment, and it is absolutely what is needed. I think it is now just about getting it over that line and actually seeing it introduced. There is an opportunity in the Queen's Speech, perhaps, this year, where we might see it, but it absolutely needs to happen now, because we have seen how



HOUSE OF COMMONS

the cash infrastructure has eroded in those two years and there is a risk that it will continue to. And the risk that we want to avoid is that those who rely on cash will feel cut adrift. There is a real risk there, which is why we want to see that legislation introduced as soon as possible.

- Q22 **Wendy Chamberlain:** Debbie, is there anything you would want to see, particularly from a staff perspective, because—dare I say it?—one day in a banking hub doesn't account for a full-time job, obviously?

Debbie Hutchings: Yes, definitely. Greater scrutiny is needed of these branch closures, so that there is a balance and no one is left behind. The banking industry should have a legal commitment to protect access to cash and access to branches, especially in communities with social deprivation. The most vulnerable in our society are being overlooked by the banking sector. A lot of these branches are seen as a vital public service by so many people.

Wendy Chamberlain: Absolutely. I was going to mention safe spaces for victims of domestic abuse. TSB in St Andrews run that. If there is no branch, where is that service coming from?

- Q23 **John Lamont:** Good afternoon. Apologies for being late; I was asking a question in the Chamber, so forgive me if I ask a question that has already been covered. Mr Piggan, your organisation, Which?, has done a study that suggests that, within my constituency in the Scottish Borders, 53.1% of the banking network has been lost. Recently, TSB shut their branch in Hawick and recommended that the customers use the post office. Virgin shut their branch in Galashiels and recommended that their customers use the nearest alternative branch, which is in Edinburgh. Do you think the post office services are providing a suitable alternative to the bank before it shut?

Richard Piggan: I am fully aware of the work that you have been doing on this issue and where you have raised it with individual banks and in the House before. I have said before that there is an important role for the Post Office, not least because of its existing network and existing reach, but it cannot be seen simply as the alternative. There is no single solution here. We are in favour of a multi-channel approach, of which the Post Office might be one part. We also look at cashback without purchase. Again, that is not the single solution but an important mechanism—an important part. We can look at ATMs. We can look at bank branches.

There are lots of different means, and it is important that consumers can access not just the payment method that best suits their needs but the way to withdraw that best suits their needs and best suits the community needs. It is no longer enough for a bank to say, "We're closing a branch, or we're moving out of this area, but it's okay because there's a post office here." It is not going to provide equivalent service provision all the time.

- Q24 **John Lamont:** Thank you. Debbie Hutchings, what is your view on the comparability of the post office service to that of the bank?



HOUSE OF COMMONS

Debbie Hutchings: As I said earlier, the post office is okay. What they can deal with is simple transactions—deposits and withdrawals. There is a great long list of things that you cannot do online and that you cannot do in a post office and you would not want to be done in a post office. You might need privacy and time. You might need assistance from trained personnel in form filling for certain things that might need to be done by communities, by individuals or by small businesses, and you might want that private area; you might need a separate room. So yes, the post offices are often used as an alternative. Certainly when we are told about closures, the banks are always very keen to tell us where the nearest post office and ATM are, which is all well and good, but you are very limited in what you can do at an ATM or a post office.

- Q25 **John Lamont:** On that point, the Post Office website suggests that a number of banks do not allow you to deposit cheques or money with your local post office branch. In your view, is that caused by the bank or the Post Office? Whose fault is that?

Debbie Hutchings: I am not sure whose fault that is, I am afraid. I know you have to have specific envelopes for specific cheques. Whether they are given to post offices regularly by the banks, I do not know the answer to that one.

John Lamont: Mr Piggin? Sorry; I think I pronounced your name wrong earlier.

Richard Piggin: That's absolutely fine. I think it highlights the strengths but also the limitations of some of the voluntary agreements in place across the industry and how they work together. When they do work, they can work very well and can provide the access that consumers need. However, they are voluntary, and they are perhaps not consistent across the whole industry, as you highlighted here with the Post Office. Because of their voluntary nature, they are at risk of not being in place in the future. If you had regulatory oversight of this, with the FCA responsible for maintaining that level of access, it would have the ability to look at what was required and to implement it. Importantly, that would also give flexibility, because what we need now, in terms of access to banking provision and to cash, might not be what we need in five or 10 years' time. It is certainly different now from how it was maybe 10 years ago. Having that regulatory oversight, rather than just relying on voluntary initiatives, is what is needed.

- Q26 **John Lamont:** In terms of those voluntary initiatives, do you think the banks are offering sufficient monetary compensation or support to the post office network to provide the services they expect from the Post Office?

Richard Piggin: We have not gone into the funding mechanisms, whether it is that or the ATM interchange fee. What we were really focused on is the outcome—what it delivers. What we need to see is that essential delivery mechanism still in place for those who need it. When we talk about free-to-use ATMs, for example, we need to see the continuation of



HOUSE OF COMMONS

that broad geographic spread of free-to-use ATMs. We are less concerned about the mechanism that enables that and the detail behind it. What we need to see is the outcome. Similarly, from a Post Office perspective, we are less concerned about the mechanism by which the Post Office is funded. We need to focus on the outcome—does it deliver the service that consumers need in that community?

John Lamont: Thank you.

Q27 **Mhairi Black:** Thanks to our witnesses for giving us their time. That is much appreciated. I will start by telling you a bit about my constituency. Renfrewshire has suffered lots of bank closures; it has had a hell of a time with that. When these branches have closed, their argument has been that there is still widespread access to cash via ATMs. However, the main problem now is that, since 2015, the number of free-to-use ATMs has drastically decreased, particularly in Renfrewshire; I cannot remember the figure off the top of my head, but the lack of free access is ridiculous. Forgive me if it is a bit broad, but my first question is: who benefits from pay-to-use cash machines? That is open to anyone who thinks they can answer. Richard, you look eager.

Richard Piggin: I would defer to the second panel, where there will be people far better placed to understand exactly who benefits from pay-to-use ATMs. It is certainly not the consumer. We need the right mechanisms in place, as I just said, to enable that widespread geographical reach of free-to-use ATMs. That is the outcome we are focused on, not necessarily how much you pay in each case for each ATM to enable that. That needs to be discussed and agreed. Rather than necessarily leaving that to ATM providers, card operators and that side of things, we should look at the role the FCA—the regulator—has to play in this space, to ensure we get the outcomes we need. As you say, free-to-use ATMs are one incredibly important channel. ATMs are the means by which most people withdraw cash. I know you pointed out particular issues in your constituency, but I said before that since 2018, Scotland has lost over 20%—I think it is 23%—of its free-to-use ATMs, and that is a concern.

Mhairi Black: Yes, definitely. Debbie, would you have anything to add?

Debbie Hutchings: No, not really—not so much about the mechanism, but I agree with Richard that the consumer is certainly not winning out of this. The location of some of these machines—they are not always in the high street, and they are not always accessible by bus or any means of public transport. Sometimes you see them outside garages and so on. Access to cash is all well and good for some, but the multifaceted tasks and things that people want to do in banks are just as important as getting cash out of a machine.

Q28 **Mhairi Black:** Do you think that it should be the banks or the FCA that should be doing more to engage with consumers?

Debbie Hutchings: I think the banks need to do it, but maybe they need a bit more pressure, and it needs to be more regulatory that they do it.



- Q29 Mhairi Black:** Cheers. I want to move on to a slightly different topic. Post pandemic, we have seen a move towards online banking, and we are seeing that in trends as well. Do you think that banks are doing enough to mitigate the disadvantages that people will face from digital exclusion? I'll start with Debbie this time, if that's okay.

Debbie Hutchings: That's fine. I don't think we have seen evidence of what they are doing to mitigate the exclusions here. It would appear—I said this earlier—that the banks seem to be in competition with each other to produce and have the best digital platform, and there has been a move away from more regional sites. We don't know what the landscape of banking will look like in five to 10 years' time, but it is not taking everybody along the journey with them. There are people who have been left behind, and these are the vulnerable people who are being consulted at the moment about their branch closure, but after the fact that it has been announced.

Mhairi Black: Richard, would you have anything to add?

Richard Piggin: I think there is more that could be done. The additional point that I did not make before, which perhaps I could highlight, is that we still need a non-digital payment method to act as a backstop for when digital banking systems fail, because we still see outages. We still see instances where electronic payments are down. We did a little bit of research on this as well, and 82% of Scottish consumers are likely to keep cash in case electronic payments are down and they turn up at the supermarket but cannot use their card—they cannot use contactless. While I think that we are probably seeing fewer of those instances, we are still seeing them, so that is another reason why we need to maintain cash as a payment method for the foreseeable future.

- Q30 Mhairi Black:** Do you think that this is something that banks, the FCA and the Government could be doing more on? Is it about a healthy mix of all three working together, or is there a responsibility on one of them to really get the ball rolling?

Richard Piggin: There are different responsibilities there that you have talked to. Actually, we have seen some parts of the banking industry come together to take responsibility in this space. The Cash Action Group that UK Finance has put together and that Natalie Ceeney has led has taken on this issue, realised it and put in place some solutions that will go some way towards addressing some of the concerns, so we are seeing a little bit more responsibility from the industry in this space.

There is more that needs to be done and, as I said before, there are question marks as to whether it will deliver—we hope it will—the outcomes that are needed, but fundamentally, that does not negate the need for legislation and Government intervention, which would then prompt, enable or facilitate the right regulatory oversight here from the regulator. At the moment, no one is tracking this. The regulator needs to look at it and implement a framework for maintaining a minimum level of cash access.



HOUSE OF COMMONS

On a similar note, I talked about cash acceptance and some of the retailers that have started to stop accepting cash or to encourage contactless payments during the pandemic. There isn't any publicly available information on acceptance levels across the UK, so this is something else that perhaps the FCA would look at. It could look at tracking and monitoring acceptance levels across the UK—so, not just consumers who can access cash but those who then have the ability to spend it, because if they cannot spend cash then it makes it a moot point as to whether they can withdraw it or not.

Tracking that side of things is an important part of looking at the overall system and then perhaps they can look at what interventions might be needed. We have seen that in other countries, so it's not new, but the UK has the opportunity now to put in place the right mechanisms—the right legislative and regulatory oversight—to support what the industry has started doing in terms of protecting access to cash.

Mhairi Black: Using Scottish money in London, I know that feeling well—of cash getting rejected.

Q31 **Chair:** Thank you. Those are the questions from Committee members. I want to finish with our first panel by making a couple of points myself.

Richard, towards the end you mentioned retailers. We have not really heard much about retailers, understandably; we have been speaking about customers. However, did you say that there is no evidence—no statistic—for those retailers that would refuse cash? Was that what you were saying?

Richard Piggin: As far as we are aware, there is no publicly available information on the changes in terms of cash acceptance levels. We have heard anecdotally during the pandemic of cases of consumers who have encountered retailers who have refused to accept cash and anecdotally we have seen some challenges there. But we have not got the full picture, and without the full picture it is very difficult to jump to the right solutions of what needs to be put in place to ensure that consumers can still spend the cash now that they can continue to access it.

Q32 **Chair:** The other side of that—this will also be a question for our second panel, but I would be keen to hear your views on it—is those businesses that refuse to accept card payments for financial reasons. In fact, I know of a shop in Forres, Pearl's Pet Care, that for a long time encouraged customers to pay cash because the owner was punished for taking payments, particularly small payments, via the card reader. Do you know the percentage of businesses that, for their own financial reasons, refuse to take electronic or card payments?

Richard Piggin: I am afraid I don't. I think there are costs involved for retailers for accepting cash and costs for accepting card payments, and so such decisions can be commercial decisions. Without the understanding of what the full picture is, it is difficult to say what necessary solutions need to be put in place. The thing that is vital for us is that consumers can access the payment method that best suits their need.



HOUSE OF COMMONS

- Q33 **Chair:** Debbie, do you get reports of abuse of staff—union members, for example—who have to tell people that they will only accept cash or that they can only accept card payments, and do you know if that's a particular problem?

Debbie Hutchings: We have not got any information or evidence around that issue that I have to share with you; that is not something that I have got access to.

- Q34 **Chair:** Okay. Finally, you both indicated in your previous answers that it is very difficult to say where we will be in five or 10 years' time. I wonder, though—to put you on the spot and help our Committee—what you think the future is for banking, in terms of high street banks and ATM availability in Scotland, if we have Government legislation and something is done or if that legislation continues to be delayed. What do you think are our two futures in terms of accessibility to cash in Scotland? Maybe I can go first to Richard.

Richard Piggin: It is a really difficult question. Undoubtedly, in five years' time there will still be consumers who will rely on cash and who have not made that transition yet. What that number will be is very difficult for us to estimate, and you can look at forecasts.

I think that I have already said that at the start of the pandemic, cash usage levels plummeted to levels that the industry had predicted it would take five years to reach. So it is very difficult to say, but I think we will still need to maintain a minimum level, if you like, for accessing cash.

Actually, that is why giving this issue to the regulator, rather than stipulating and saying that we will need x number of bank branches or x number of ATMs, is better, as they can have that overall picture and say, "Okay, what might we need and how might that change in the future?" Then what is needed is to put in place the right incentives for the industry to deliver that mechanism, which would guarantee the right level of access to banking services and to cash in the different communities across Scotland.

Without that, we are very much reliant on the banking industry's approach and we have seen the commercial decisions that are made. We are seeing some changes in that in terms of the industry coming together to provide mechanisms, whether that is shared banking hubs or other alternatives, including enhanced post office networks. It still remains to be seen what level of service they will deliver.

It is hard to answer that question, and I am not sure that I have answered it; sorry.

- Q35 **Chair:** No, I think you have made a very good stab at it. Debbie, anything you want to add?

Debbie Hutchings: Yes, again it is these commercial decisions. Maybe there should be more scrutiny of them, so that banks are at the forefront of some of their decisions and engage with their social responsibilities, so

that balance is struck, rather than just having the decision to have branches in their targeted, specific and wanted areas.

Chair: Thank you very much to Richard and Debbie, our first panel, for the evidence you have provided and the answers you have given to the Committee. It has been extremely useful. I also thank our three witnesses for panel 2, who have arrived in plenty of time to allow us to move on. Our Chairman has also arrived, so I am very pleased to hand the Chair back over to Pete Wishart. Thank you all for your contributions.

[Pete Wishart took the Chair]

Examination of Witnesses

Witnesses: Adrian Roberts, David Postings and Richard Cooper.

Q36 **Chair:** Good afternoon, everybody, and my apologies to the first panel for not being in my place at the beginning of this session. There was an unfortunate incident with an aeroplane at Edinburgh airport that had developed some technical problems that could not be resolved. This meant that all flights were delayed. I am delighted to be here today and to join this session. Thank you ever so much for turning up to the Scottish Affairs Committee; I think we met several of you before when this Committee looked at access to cash in 2019. I know how helpful and useful some of those contributions were in shaping our previous report, so thank you for that.

We will move on to panel 2, and we will allow them to introduce themselves, discuss the organisations they represent and give anything by way of a short introductory statement. We will start with Mr Postings.

David Postings: Good afternoon. My name is David Postings and I am the chief executive of UK Finance, which represents 300 members, banks and financial services firms. I have spent nearly 44 years in financial services, and the first 17 of those were in branches, including being a cashier. Hopefully that will help a little bit as we get into the debate.

Adrian Roberts: Good afternoon. My name is Adrian Roberts and I am the chief commercial officer at LINK. LINK is a not-for-profit consumer-focused organisation with a very strong public interest remit. We run the ATM network; we connect all of the ATMs together in the UK. I lead on the financial inclusion programme for LINK, which is essentially tasked with ensuring that we maintain free access to cash across the UK.

Q37 **Chair:** Thank you for that. I will start by going back to 2019; this Committee's inquiry made a number of recommendations and conclusions, some of which seem to have been adopted or at least looked at seriously by all the major players. At the same time there was the Access to Cash Review, which reported a couple of months before we held our inquiry. I am looking at some of the things that the Access to Cash Review recommended: increased acceptability of cards; shops and others to stop accepting cash; it made a number of proposals and suggestions about broadband and mobile connectivity; and it lamented



HOUSE OF COMMONS

the fact that we have accelerated closures of bank branches and ATMs. What has happened since the Access to Cash Review? How far have we come towards ensuring that some of the key recommendations have been accepted? Where does it currently stand in your thinking as a sector? We will start with Mr Postings.

David Postings: The latest FCA data shows that 95.5% of the population live within a mile and quarter of free cash access. Just under 100%—99.7%—live within three miles. Even in rural areas, the cash access is 98.3% within three miles. The banking industry recognised earlier this year that something needed to be done, as cash usage dropped considerably. Mention has been made of what happened during the pandemic, and we have seen cash transactions drop much quicker than would have been expected even two years ago. They represent about 17% of all transactions now, down from roughly 50% five years ago. Faced with that, the commercial reality is that many bank branches just do not make sense any more—and, indeed, many ATMs don't.

What we have tried to do with the Cash Action Group—I think we have been successful—is to look at a series of measures that protect cash access for those vulnerable customers and those customers who choose to use cash. That includes cashback without purchase, which was legislated for in 2021. There are now 36,000 locations where you can get cashback without making a purchase. There is the Post Office network, which is 11,000-strong across the UK, with over 1,000 in Scotland. There is also the ATM network and a small number—we expect, in the future—of shared bank hubs, where different banks can come together to offer cash access services on a joint basis. That brand of cash access, we believe, will provide good, flexible coverage going into the future for consumers, and will protect the most vulnerable and needy in society.

Q38 **Chair:** I am grateful for that. I am very sorry, Mr Cooper; I have just seen you in the bottom right-hand side of my screen. I have not had the opportunity to let you introduce yourself and who you represent or say anything by way of a short, introductory statement. We will put that right just now.

Richard Cooper: Thank you very much, Chair. It is no problem at all. I am Richard Cooper, the executive director of NCR's Cardtronics division. We are the UK's largest ATM operator, with around 17,000 ATMs across the UK, including 1,600 ATMs in Scotland. Since earlier last year, we have been part of the NCR group, which is the world's leading enterprise provider of software, hardware and services for banks, retailers, restaurants and small businesses.

Q39 **Chair:** I am grateful. Given that you are on just now, let's stick with you. I heard Mr Postings say that what is available is a blend of cash access—it is a flexible approach for customers, which protects our most vulnerable. If that is not exactly what he said, it is certainly a paraphrase. Is that your view, given the number of closures that we have seen, from the branch network across to ATMs?

Richard Cooper: We think that the ATM and cash infrastructure is definitely under pressure. There is an increasing reduction in access points. It is important that while the statistics show that a large majority of the population is within one mile of cash access, the lived experience of that is somewhat different.

I think you need to take into consideration some of the other factors associated with how people can access cash. Is that availability of cash within certain operating hours? Is that one mile within walking distance? What's happening? Is there a busy road in the middle of that one mile, or perhaps a waterway or a hill, making cash access actually less available than one might think from the statistics being given?

From our perspective, we definitely see that there is room for improvement in cash access, and we would like to see a much broader access to cash. Obviously, from our perspective, the only way to ensure that that happens is through a vibrant ATM network.

Q40 Chair: We will come to you now, Mr Roberts. My first question to Mr Postings was about the Access to Cash Review in 2019, the recommendations that it made and the very real concern that there was an issue about access for most of the general population. What has happened to that? Have any of the recommendations come through? Is it still something that is being considered by the sector? Where does this leave us now?

Adrian Roberts: I think it has been a very busy time since we were last together in 2019. In that time, we have had the community Access to Cash pilots, led by Natalie Ceeney, and we have had the establishment of the Access to Cash Action Group.

In parallel to that, our relationship to cash has fundamentally changed. The way that we pay, as a society, has changed. I am sure that there is nobody on this call who hasn't ordered something from Amazon, or hasn't used a contactless card. Looking at Scotland in particular, if I look back and compare today with 2018, cash withdrawals are down by about 52%. That is one of the sharpest decreases across the UK. The UK average is a reduction of around about 49%, and it is 52% in Scotland.

We have seen some big reductions, but we know, at the same time, from that Access to Cash Review and from those pilots, that at least 5 million consumers in the UK, with about 500,000 of those in Scotland—often the most vulnerable, the elderly and the deprived—are really dependent on cash. It is important that we maintain cash for as long as it is needed by those people. We have learned, through those pilots and the action group, that every community is different and every community has different needs. What is important, moving forward, is that we have exactly what I think Richard from Which? described as a multi-channel approach—that we have a shelf of options we can deploy in communities to make sure they have the access to cash that they need.

Q41 Chair: You will probably hear from most of the Committee about the



HOUSE OF COMMONS

experience in their own constituencies and, on behalf of their constituents, about some of the difficulties that they have had with access. I have looked at some of the figures. Again, not since we looked at this last time, but since 2015, 4,735 banks and building societies have closed or have had their closures scheduled, a rate of about 54 a month. We are having this session because the unions contacted us about Virgin Money, which is closing 31 branches; there is also TSB with 70 in 2022, and then Santander and HSBC; and the Bank of Scotland is withdrawing its mobile branch service. The situation is getting desperately worse, isn't it? Where does it stop, where does it end and when do we start to reverse some of the trends that we see in this massive scale of bank closures, which will also be having an impact on the ATMs available?

David Postings: We are responding to consumer demand, which is dropping. I do not think that that is going to change. If anything, it will continue—at what rate it will continue, I do not know. Cash usage is definitely falling and, as Richard from Which? mentioned, it has not recovered after the pandemic. The latest stats that I have seen show cash usage as broadly the same in 2021 as it was in 2020.

A lot of the infrastructure is uneconomic. We are setting out to protect access to cash by working together. We have engaged with the Government and the regulators in doing that. We have desired it so that LINK, which is represented here by Adrian, is the independent arbiter of what should go where. From now on, when a branch is slated to close, LINK will look at that particular community and decide what cash access is required, whether it is sufficient to have cashback without purchase, whether an ATM needs to be installed, or whether there is post-office counter access or, indeed, a shared bank card.

The idea of bringing the banks together to do that was to avoid the issue in the future of individual banks making decisions that affect a community as a whole. That is why we set out to do that and why I drove that piece of work. I recognise that vulnerable customers need to be looked after. A large swathe of the population still budgets in cash and needs very small amounts of cash. The economy as a whole, the rural economy as a whole particularly, and some suburban economies, especially in some underprivileged areas, rely on cash. We want to protect that, but to do it in a way that is flexible and will move over time, as cash demand changes—which it will.

Q42 **Chair:** I remember the last time we looked at this, in 2019, there was a whole lot of discussion about how we were moving towards the cashless society. We looked at the implications for the general community and the people we represent. Are we closer to securing that? Are we heading towards the cashless society? Looking at the scale of bank closures and ATMs being withdrawn, how close are we to that situation now?

David Postings: I don't think we are—I do not think that we are anywhere near a cashless society. Certainly, the banks are not pushing for a cashless society; what they are trying to do is respond to the demand, which has dropped. Cash usage will be with us for a long time to come.



HOUSE OF COMMONS

What we want to do is to put something in place that has the flexibility to provide the cash access that people need, but that at the same time is not a massive burden economically.

By engaging in this way, collaboratively, we have had two consumer groups involved in this work, Age UK—older customers are particularly vulnerable—and Toynbee Hall. We have also engaged with the Post Office in this work. So there has been a genuine joint effort to provide an infrastructure that has that flexibility and that can move around depending on usage. That is why we have piloted and will implement a small number of hubs as well, where the demand is sufficient.

Q43 Chair: Is the cashless society closer, Mr Cooper?

Richard Cooper: I think our relationship with cash is changing. Certainly, the usage is coming down. We are seeing that. I think that the challenge, as Mr Postings said, is in creating an infrastructure that supports lower cash usage over time. There is a lot of good work that has been going on over recent months towards creating a flexible infrastructure. Frankly, from our perspective it is not sufficient. We have a lot of communities that rely on cash and a lot of communities that are not being served appropriately. There are some very straightforward and simple ways we could address that very quickly.

Q44 Chair: One last question from me, although I am not sure who can help me with this, so I will look at you first, Mr Roberts. It is about the conversations you have had with UK Government about access to cash. Is there an open line of communication? Have they been helpful in ensuring that access to cash has clearly been made available, particularly for vulnerable customers?

Adrian Roberts: One of the things we have discussed in the first panel is the need for legislation, and I would absolutely support that. We understand that that is being considered by the Government, and we might be able to expect that this year. It will certainly be very welcome. I think what is needed is legislation that will set out banks' obligations in terms of access to cash. We need to put that into law, create regulatory oversight of those obligations and ensure the work that LINK does for financial inclusion. LINK has been running a financial inclusion programme since 2006. It is entirely dependent on voluntary membership, so at any time a bank can cease to become a member of LINK and that can cause the failure of that financial inclusion programme. Having some legislation that puts mandatory participation around that would be really helpful.

Q45 Chair: Anybody else want to come in on communication and action by Government?

David Postings: I would say that we welcome legislation as well. What we have done over the last five or six months will help shape that. It has put in place the role of LINK as the independent arbiter. Then the FCA will be able to monitor and regulate that. The legislation will help to enshrine that so that it is an ongoing and permanent process. I think what we have put in place will help a lot.



Richard Cooper: We would certainly welcome Government legislation on this. We absolutely support Mr Robertson's view. The fact that the banks should be mandated on scheme membership is critical to supporting the whole infrastructure, but there are a number of other things that need to be looked at. First of all, it is the way the ATM infrastructure is being allowed to decline. There are some very simple routes back to making that more sustainable, through the reintroduction of independent calculation of the interchange fee that is paid to ATM operators. That could change the cash infrastructure almost overnight.

Also, there are some new and innovative things that need to be looked at. Things like independent, deposit-taking ATMs would allow us to generate more revenue from an ATM, which allows you to keep an ATM in the ground and operational for a lot longer as cash usage declines. Finally, looking at some of those things, we have to prioritise cash access. Being able to spend cash is as important as being able to take cash out. I think the Government should really be looking at making it a requirement for the future for cash to be accepted at retailers.

Chair: Thank you. We will be coming back to the interchange fee and depositing in ATMs in the course of the session, but I will now hand over to Deidre Brock.

Q46 **Deidre Brock:** You have covered a lot of the ground I was going to ask about, but I did want to ask about shared bank hubs. I think Mr Postings mentioned them. I wondered if you could give a little more detail on that and how you or whoever decides on these things arrives at the decision on where they are going to be located and what the sort of criteria are that will be used.

David Postings: We had one pilot. We have one announced—one in Scotland, that is. The plan would be to have an increase on that number during the course of 2022. They have not all been announced yet. We have announced seven so far. That might increase to about 20 across the country during the course of the year. I think there was a misunderstanding in the first session. One member of the Committee seemed to think that you had to go in on a particular day for your bank, but that isn't the case. You can cash or pay in any day of the week. It is just that the individual brand is represented on a particular day if you have other queries. These hubs are genuinely shared all week long.

It is probably better in terms of the criteria to hand to Mr Roberts because it is LINK that will be implementing the criteria.

Deidre Brock: Mr Roberts?

Adrian Roberts: Since the start of this month, as agreed as part of that Cash Action Group, when a high street bank wishes to close a branch, it will now advise LINK of its plans, and LINK will review that location using criteria that have been provided to LINK by the banks, which was agreed, again, through that Cash Action Group. Using that criteria, we will then determine whether any replacement infrastructure is needed.



HOUSE OF COMMONS

Of course, we cannot tell a bank that they cannot close a branch. That is not what we are here to do. We are here to apply the criteria, and if that criteria were to say that a bank hub was needed, we would recommend the bank hub and we would instruct a new delivery body, which is being set up at the moment, to go and find some premises on the high street to open a bank hub and operationalise that. That is one of the possible solutions that we might recommend.

We might also recommend an enhanced post office, which could be a post office with a counter dedicated to financial services. It could be more free-to-use ATMs or it could be, in the very small locations, something like cashback without a purchase.

Q47 Deidre Brock: So it really just depends on what the community's needs are, but you are taking that criteria from the bank itself.

Adrian Roberts: Initially, we have got that criteria provided by the high street banks collectively. What we expect post legislation this year is that that criteria could in fact be part of the legislation. It could then be set potentially by the FCA, if the FCA wanted to become the lead regulator in this space, and LINK's role would be to apply that criteria to any branch closures that may take place.

Q48 Deidre Brock: But you cannot tell them not to close. You said you could instruct them—what was it?—to form a hub. Is that right?

Adrian Roberts: Yes. We can instruct a banking hub to be delivered in a community if that is needed. This is probably going to be in the larger towns. If the last bank were to close and leave that town without a bank branch of any kind, we could instruct a delivery company to go and deploy a banking hub in that town. Just for clarity, a banking hub is a single premises with a counter that customers of any high street bank can go to, and they can pay money in and they can take money out. There is also a private space—a meeting room, an interview room. Representatives of each of the banks will send a member of staff to use that meeting room at various points during the week, and that can be used to have private conversations with personal bankers in that private room.

Q49 Deidre Brock: Well, I'm pleased for the bigger towns, but in my constituency of Edinburgh North and Leith, we have seen several banks close in recent years. Is that something that could be considered for my constituency, for example?

Adrian Roberts: As we develop this approach—bear with us, because it is brand new; we have only taken on this role in the last couple of weeks—we are going to develop a route that will allow communities and their elected representatives to come to LINK and say, "Please can you review access to cash in my community, because what we have got is not good enough?", and then we will do that review and apply that criteria.

Q50 Deidre Brock: Okay, so it is very early doors, isn't it?

Adrian Roberts: It is.



HOUSE OF COMMONS

Deidre Brock: I guess there is more to come, hopefully. Thanks very much.

Chair: Douglas Ross is next.

- Q51 **Douglas Ross:** Thank you, Chair. I wonder if any of our witnesses on panel 2 could tell us a bit about the question I posed in panel 1 about the impact on businesses. Are you able to explain, particularly for smaller businesses, what it means to take card payments? Is there an average cost you could outline? A number of businesses still have a minimum purchase for card payments because of the costs it puts on their sales. Is anyone willing to look at the impact on businesses rather than consumers? Mr Postings?

David Postings: I do not have the numbers here now, but I am very happy to write to the Committee and outline what the position is. Typically, there is not that much difference between card and cash: it depends on what you do with the cash, and a lot of small businesses will recycle that cash, so won't bank it. That is where the saving would come in: if they were to bank it, it also has a cost. That is possibly why they prefer cash if it is a very small amount.

- Q52 **Douglas Ross:** Has anything been done to try and drive down the cost incurred by businesses? I gave the example earlier of Pearl's Pet Care: she previously encouraged people not to use card payment, but is now more flexible about it because she has got into a better contract. Is that something that firms are working on, to try and make it easier for businesses to take card payments?

David Postings: There is a lot of competition in that part of the market, and a lot of mobile offers available for businesses. There has been a huge uptick in small businesses taking card payments—even car washes and people who are mobile themselves have the ability to do that—so, yes, definitely.

- Q53 **Douglas Ross:** Mr Roberts, if I can come to you, I mentioned Forres quite a lot, which is in the west of my constituency. If I can move across to Cullen in the east, we had some success with LINK there: five years after the Bank of Scotland closed in Cullen, we were able to accept the offer from LINK to look at communities that had lost their banks. It took quite a lot of work with the community council, local councillors, and I was involved as well, but we had the free-to-use ATM installed in the Co-op earlier on this year.

Could you tell us how much uptake there has been? That came from a letter going out from LINK to encourage bids to come in, and Cullen immediately attracted attention because it is a very big tourist community: we get lots of people coming there in the summer, and they were finding it difficult to purchase from some of the local shops. I have to give credit to LINK: they were outstanding, and Ian Vernon and Bill Raynal came up and opened the bank machine with me, but how big has the uptake been across Scotland, and have you experienced any particular challenges with that? For example, one of the first locations we



HOUSE OF COMMONS

looked at, there was going to be a problem with building conditions because it was a historic building, etc. What kinds of challenges have you faced, as well as the opportunities?

Adrian Roberts: At LINK, we think it is really important to engage with communities. That is the first thing: nobody understands a community better than the people who live there, so what we did a couple of years ago was introduce this community “request an ATM” initiative—which I think is what you described—where any community could come to LINK and say, “We don’t have free access to cash in our community, and we need it.” LINK was then able to go and investigate if that was the case: go to the location, validate that, and then see if we can help. In Scotland alone, we have installed over 15 free-to-use ATMs in the last couple of years, and we’ve got more in the pipeline. Cullen, I think, is a very good example of that; there is one in Corseford, one in Durness, and one in RAF Kinloss that all come to mind, and there are plenty of others as well.

It has taken time to install ATMs over the last couple of years. The pandemic has really made it harder to get out there, do surveys and install ATMs and so on, but that process is starting to pick up speed again as the restrictions have been eased. There are always the difficulties of finding somewhere suitable to put an ATM. You mentioned planning permission: that is one of the considerations. We also have to make sure it is safe, secure, and in a building with all the necessary consents, and of course we have to find a retailer who is willing to host that ATM as well—yes, they may get paid to have it there, but sometimes they may prefer to use that space to sell some products instead. But we think it is a very important route to engage with communities, and to give them a route to come to LINK and ask for help. That is why, as I said in my answer to the previous question, in LINK’s new role as the co-ordinating body for branch closures, we want to open up these routes a bit later on this year to allow communities to do the same, and come to talk to us and say, “We’ve got a problem” and ask for help.

Q54 **Douglas Ross:** I was citing a very positive local example in Moray, but you said there were 15 or so that have been delivered, with more in the pipeline. How many have you had to say no to, and what has been the reaction there? In some cases, going to LINK is the last chance to try and get access to cash in sometimes more remote and rural areas. Are there any where you have just had to say, “Absolutely no. It is not an option”, for the reasons you have given—perhaps getting no one to host it?

Adrian Roberts: There have been a few of those. What we do is commit to talking to everybody who raises an issue with us, so if you fill out the online form on our website, you can expect a phone call from somebody at LINK to actually talk through the difficulties that are being faced. And actually we have found, through a number of those phone calls, that they have been resolved through education—for example, making consumers aware of where all the ATMs are, because sometimes consumers don’t know that an ATM is in a particular place, particularly if it’s inside a shop that they might not normally go into. It is a question of being able to explain where the ATMs are, and also being able to talk about the role of



HOUSE OF COMMONS

the post office, because a number of consumers we have spoken to didn't know what they could do at a post office counter. After we explained that, they were happy to go and use that channel. Of course, there are some places where we have just not been able to get an ATM installed, for whatever reason, but they are in pretty small numbers.

Douglas Ross: Thank you. And thank you, Chair.

Chair: Thank you. Sally-Ann Hart.

Q55 **Sally-Ann Hart:** Thank you, Chair. We have heard throughout this session that since 2015 Scotland has suffered the worst, in the United Kingdom, from bank branch and ATM closures. Mr Postings, it might be you who can answer this question. Can you give any specific examples of how Scotland might be disproportionately affected by the consequences of bank or ATM closures? I know we are talking about all these closures, but I just wondered whether you could illustrate that with any examples about how Scotland might be disproportionately affected and why.

David Postings: I think cash usage has driven branch closures right across the UK and, indeed, not just the UK but other countries. I started by saying that I think the FCA data shows that people do still have good cash access. We are trying to make sure that we maintain that for those who rely on it and those who are vulnerable. I think the ability for people to obtain cash is still very strong, despite the closures that have taken place.

Sally-Ann Hart: So you don't think Scotland is being disproportionately affected by—

David Postings: No, I don't. There are over 4,000 free ATMs in Scotland, there are still 500 bank branches, there are over 1,000 post offices, and there are thousands of locations where people can access cash without purchase at retailers—so no, I think cash provision in Scotland is still robust. What we are trying to do is make sure that there is a framework in place so that, as more branches close, which is possible, it doesn't become difficult in the future and that, actually, ATM provision, post office counter provision, and maybe bank hubs in certain circumstances, will be there to take up the slack and continue to provide that good coverage.

Sally-Ann Hart: Okay, thank you. Adrian Roberts put up his hand there. Do you want to add to that?

Adrian Roberts: Yes, if I may. Just for some context, there are about 42,000 free-to-use ATMs in the UK, and about 10% of those are in Scotland. Yes, it is correct to say that in the last four years that number has fallen by about 23%. I would suggest that actually this is not just about the numbers; it's about the coverage as well. We can think about busy city centres—Glasgow, Edinburgh and London, for example—where, if you step out of a building, you might have 40 or 50 ATMs all within a three or four-minute walk. For those numbers to decline—I don't think that actually has any impact on consumers' ability to access cash. Actually, in a world where cash usage has fallen by about 50% in four years, reducing



HOUSE OF COMMONS

those numbers makes a lot of sense. What is really important is that the geographic spread of ATMs is maintained, and that is what LINK focuses on. ATMs in the most rural, remote, and deprived communities are the ones that we focus on to make sure that they don't close, because they are the ones that have the great value to the consumer.

Sally-Ann Hart: Thank you. Richard Cooper, would you like to add anything to that?

Richard Cooper: Yes, I would—thank you very much. We have been very supportive of the LINK initiatives. We are part of that programme and we bid on those ATMs as they come up. The challenge with that whole process is the speed of being able to roll out the ATMs to the places that need them. Taking a site-by-site approach is a challenge, which could be addressed. There are different ways of looking at this. The economics of ATMs will always drive whether an ATM is in place.

As Mr Roberts rightly said, inner-city areas are generally overserved, so in our view some of those ATMs could receive less in exchange for their transactions in order to put more interchange out in the more rural areas to promote free cash access in rural areas, and let the commercial way of dealing with that start to take some pressure away from placing individual ATMs. There will always be a role for placing individual ATMs in very specific locations, but if we could find a way—perhaps through this zonal interchange model that I have just described—of promoting more rural ATMs by making the interchange fee paid by the banks for a withdrawal a little more economic, that will have a huge impact.

Q56 **Sally-Ann Hart:** Picking up on that, Richard, is there the ability for Scotland to benefit from the drivers behind the fall in cash transactions? When we look at the need for new technology and better broadband coverage, might those drive forward benefits for Scotland?

Richard Cooper: I think that the new technology that is coming through will certainly help, but you will have to look at some of the communities and some of the people who rely on cash every day for their lives. The new technologies will be very difficult for those communities to adapt. I think that the role of cash in Scottish communities will be very important for a considerable period. We just need to find new ways to make sure that, over time, we support those people who need cash.

Q57 **Sally-Ann Hart:** David Postings, do you want to add to that? Do you think that there could be a benefit for Scotland in accessing new technologies and broadband roll-out, based on the fall in ATMs and on the bank closures?

David Postings: Without doubt, there will still be a benefit. It is important that people do not get left behind as digital take-up increases. Roughly 54% of people use mobile banking now, and about 72% bank online. That is far from 100% of the population, but it is growing still, and growing quite rapidly.



HOUSE OF COMMONS

The most important thing we can do is to provide what was described earlier as multi-channel access—so, we give people choice. They can use cash and they can use digital when they choose to. There is no desire on the part of the banks to bring about the so-called cashless society. Cash will be with us for a very long time to come, so we want to make sure that the provision is there and that the digital education and availability are there too.

- Q58 Sally-Ann Hart:** Is there a case for making cash acceptance compulsory in shops in parts of Scotland? Earlier in the session, we heard that during coronavirus a lot of shops were not taking cash, but only taking card payments. Is there a case for making acceptance of cash compulsory?

David Postings: I am not sure that compulsion ever really works for anything. The best thing to do is to let the market decide. If a retailer does not accept cash, he or she will lose customers at the moment, I would suggest. That is the choice they need to make, I guess.

Sally-Ann Hart: It is market-driven. Yes, Adrian?

Adrian Roberts: Just to build on that, it is important that if we want retailers to accept cash, we have to make cash work for them. That is by making sure that it is not cost-prohibitive to accept cash. In the first panel, we touched briefly on a new initiative, cashback without purchase, which allows retailers to give cash withdrawals from their till over the counter and to earn a small fee when doing so. I think that by creating these local cash recycling cycles, we can help retailers to continue to accept cash, and make it commercially viable and worthwhile for them. That is an important point.

- Q59 Sally-Ann Hart:** So you are essentially saying that you have to look at access to cash on a much more local basis—whether it is through a shop, a post office or whatever.

Adrian Roberts: Yes. A lot of the costs associated with cash are the costs of moving it around the country—the armoured vans and the trucks, and everything, that go up and down the motorway. If we want to make cash work for individual communities, there is a strong case for making sure that the cash is recycled within the community. I think shopkeepers can play an important role in doing that, which really helps with cash acceptance.

- Q60 Sally-Ann Hart:** Does anyone else want to add to that?

David Postings: I would agree with that. It could enable communities to see some economic expansion, because cash will stay local in their community. I think that is a really important point.

The other thing that we want to look at during the course of 2022 is the ability for SMEs to deposit cash through ATMs. There are some issues around that from an anti-money laundering and “know your customer” perspective, which we want to try and tackle, but it is on the pad to try and deliver some solutions for that.



HOUSE OF COMMONS

Q61 **Sally-Ann Hart:** I think one of my colleagues might be asking a question on that in due course; thank you. Richard Cooper, would you like to add anything at this point?

Richard Cooper: I will agree with my fellow panellists, in that recycling cash is critical if we are going to keep it sustainable. The question is how you do that and how you do it effectively. I was really pleased to hear Mr Postings say that there was going to be some work undertaken on how we can start to look at the automated deposit of cash and recycling of cash, because, clearly, if you can do that through an ATM, that makes it a far more sustainable ecosystem and takes a lot of the costs out of the system.

One of the things that we would very much like to see, as part of the new legislation coming forward from Government, is some encouragement for deposit-taking ATMs and recycling locally, and seeing them as a priority.

Sally-Ann Hart: Thank you. No further questions from me, Chair.

Chair: Thank you, Sally-Ann. Mhairi Black.

Q62 **Mhairi Black:** I will just return to the topic that I asked the first panel about. We have some figures. For instance, between 2018 and 2020, the number of free-to-use ATMs in Scotland fell by 25%, but over the same time period pay-to-use machines increased by 35%. What has driven that? Why has that happened? And those questions are open to anyone.

Adrian Roberts: I am happy to start. There are about 12,000 pay-to-use ATMs in the UK. Just over 1,000 of those are in Scotland. They are typically in the lower-volume locations; they are much less used than the free-to-use alternatives. About 5% of the ATM cash withdrawals in Scotland are done on pay-to-use ATMs.

LINK's view—my view—is that it is a toxic subject and I think it is impossible to justify any situation where a consumer is forced to pay to access their cash. That is why LINK launched the "community request an ATM" programme; if you only have a pay-to-use ATM in your community, you can come to us, tell us about that and we can see if we can help.

Our position is that if people want to use pay-to-use ATMs, because they provide them with a level of convenience that they are prepared to pay for, out of choice, we are happy to see that. But we firmly believe that consumers should not be forced to pay for access to their own cash.

Mhairi Black: Excellent, thank you. And the other panellists?

Richard Cooper: I would like to pick up on that one. The challenge for pay-to-use ATMs is very clear. When the LINK interchange cuts came into play back in the day—it was a couple of years back—a lot of the ATMs that were free to use became unsustainable, because of the volumes and the reducing revenues.

At that point, you have a choice as an ATM deployer: you either take the machine out all together or you introduce a charge. When you introduce a charge, the consumer pays the full charge; the banks pay nothing for that



HOUSE OF COMMONS

service. It is really a choice of whether you take the machine out all together and remove access to cash, or leave that ATM in place and give consumers access to their cash, even though there is a fee payable? It is not something that anybody wants to do, but at that point you have a choice to make. From my perspective, going back to the statement I made earlier, the right thing to do is to have the right level of interchange payable that reflects the cost of operating that ATM, so that you can keep an ATM free to use because you are retaining the cash from the banks that are paying the fee for that free access.

Mhairi Black: Mr Postings, would you have anything to add?

David Postings: I don't have anything to add.

- Q63 **Mhairi Black:** The reason I ask this is that some of the figures that we have—I believe they are from 2019—show that 90% of all cash withdrawn was through ATMs. Out of that 90%, 97% was from free-to-use machines, leaving only 3% of people using pay-to-use machines. I am struggling to see how an extra £1.99 charge on a customer can be worth it, if the use reduces by that much. Everybody I know never uses a pay-to-use machine. They would happily walk more than a mile—angrily, but they would do it—to avoid paying the charge. Can you explain a wee bit further how that money is used or how it is a lifeline for that ATM machine? Like I say, £1.99 does not seem to cut it.

Richard Cooper: I will pick that up first, if that's okay. Our figures do not relate to yours. There is certainly a drop-off in cash usage from a machine when a fee is introduced. We see a drop-off of about a half to two thirds on that machine. Yes, it does cut the usage down, but each of our machines has its own P&L, and we do the analysis very carefully to make sure that they are operating it as a pay-to-use machine, which means that it is worthwhile. If the machine is not worthwhile, we have no choice but to take it out of the ground.

- Q64 **Mhairi Black:** But the purpose of a bank is essentially to provide a safe space for you to keep your money and to access it whenever you need it. Banks are now essentially saying, "Actually, it is not profitable enough for us to give you that pivotal bit of service, so instead we are just going to put a charge on it," which I find hard to believe would even cover the cost of that machine alone.

Richard Cooper: The pay-to-use machines—Mr Postings will correct me if I am wrong—are independent, so they are not run by banks. They are all run by the independent operators, which receive the money for running those machines from the banks themselves.

- Q65 **Mhairi Black:** So the increase in these pay-to-use machines hasn't been from banks; it has just been provided by banks.

Richard Cooper: The pay-to-use machines are from the independent operators, such as ourselves. The reduction in free-to-use machines goes across the board, including the banks and the independents, but it is the



HOUSE OF COMMONS

independent operators that have had to change their machines on to a pay-to-use basis, if we are going to retain them.

- Q66 **Mhairi Black:** Right, okay. Thank you. Just to move back to you, Adrian Roberts, earlier you said that you think that Government intervention will be required at some point in order to keep things up to date. If legislation was brought forward, what are the key points that you would want it to hit?

Adrian Roberts: There are a couple of key points. First, we need to make it really clear what the obligations of the banks are in respect of providing access to cash. That creates a level playing field and a set of expectations, which we do not have today. That would be the first point.

The second point would be that we need regulatory oversight, ideally by the FCA, to ensure that the standards are met. Finally, we should be mandating membership of organisations such as LINK, so that LINK's financial inclusion programmes are not on the voluntary basis that they are on today.

- Q67 **Mhairi Black:** Thank you. I have just one final ask. Mr Cooper, you said that your figures were different from the ones that we had in front of us. Would you be able to send us through what your figures are?

Richard Cooper: They are commercially sensitive, but I would be prepared to share them with the Committee on a confidential basis.

Mhairi Black: On a confidential basis, of course. Thank you.

- Q68 **Chair:** They will be entirely confidential. Thank you for that.

Can I come to the interchange fee? I know you are very keen to talk about that. I think a letter went from Cardtronics to the Chancellor asking for an independent assessor for interchange fees. What would that achieve? Maybe you can talk us through how interchange fees work. We looked at this in depth in our last inquiry. We did a report on this. Obviously, it is what is charged to the banks for the use of ATMs. I know that LINK reduced the ATM interchange fee twice—in 2017 and 2019—to help boost the use of ATMs in rural areas. Was that successful? We will come back to the general principle of writing to the Chancellor. Maybe you could help us with that, Mr Roberts.

Adrian Roberts: Yes, of course. For context, the interchange fee for a cash withdrawal today is about 26p, and the interchange fee for a balance inquiry at an ATM is about 17p. That is the context. It is the LINK board that sets ATM interchange, and it is set with an outcome in mind that ensures that the geographic spread of ATMs continues. Mr Cooper has talked about a zonal approach to interchange. We have been doing that for a couple of years, because we pay an interchange rate in excess of 10 times those rates that I just mentioned for ATMs in the most rural, remote and deprived communities. There are almost 400 ATMs in Scotland alone that receive enhanced interchange above those standard rates. So we set interchange, and we use it as a tool to make sure that ATMs continue to

be provided where they are needed most, and to ensure that numbers reduce in those overserved urban areas.

- Q69 **Chair:** So what you seem to be saying is that this interchange fee is a critical feature and factor in ensuring that we get ATMs in rural areas where there is not much in the way of other services. Is that generally the case? So the setting of this interchange fee will be absolutely critical in order for that objective to be met. Is that roughly what you are saying to us?

Adrian Roberts: Yes. It is a commercial driver to ensure that commercial organisations put ATMs in places that consumers need them.

- Q70 **Chair:** it would seem to make sense to ensure that there was an independent assessment about the rate of interchange fee and how that was charged. I know that you have written—was it you?—to the Chancellor. Mr Cooper is nodding. Tell us what that would achieve, then, if that were to be secured.

Richard Cooper: Until recently the LINK interchange was set independently. Every year there is a cost study undertaken by KPMG. They look at all the costs of delivering the service, and then they do the calculation to work out how much it costs to produce a cash advance through the machine. The LINK interchange cuts that were implemented moved away from that for the first time. The unintended consequence of that, although I believe the principle was to reduce the oversupply in the market, was the decline in the free-to-use ATMs that we are seeing in some of the more rural areas.

Although Mr Roberts says that there is a zonal interchange, there is a benefit for the very remote areas of the ATM network. What we are talking about is actually creating a zone that allows less interchange to be paid in the city centres, and then increasingly more interchange to be paid as you move out from the city centres into the more rural and remote areas, that then supports free-to-use Access to Cash through the ATM network in those areas.

- Q71 **Chair:** That seems eminently sensible as an approach to ensure that we get the network across the rural areas in Scotland. You cannot have a problem with that, Mr Postings, can you?

David Postings: No, I don't have a problem with that.

- Q72 **Chair:** So why is this not being done, achieved and secured, then? If it is as practical as has been suggested, what seems to be the difficulty in ensuring that it will be deployed?

Adrian Roberts: We are doing that. There are about eight different interchange rates in use in lots of different places. We focus the money on the most rural, remote and deprived communities, because they might have only one ATM left, so we want to make sure that that one ATM doesn't close. We pay the lowest rates where there is a proliferation of ATMs, where, if 10%, 20% or 30% of them close, consumers probably



HOUSE OF COMMONS

would not even notice the difference. But when we do set interchange, we set it with the outcome in mind that ensures that geographic spread.

- Q73 **Chair:** What I am missing is why there is a requirement for an independent assessment of the setting of the interchange fee. What difference would that make if you are doing all this?

Adrian Roberts: When we had a cost to the independent setting of interchange, there was only a single rate of use. That same single rate was paid for an ATM on a busy high street in a city centre or in the most rural and remote parts of the country. In moving away from that, we have created a situation where we pay the rates that are needed to ensure the ATMs remain where consumers need them.

- Q74 **Chair:** Maybe Mr Cooper can help us? What difference would this make? Would it be a benefit? What we are hearing is that it doesn't seem to be necessary.

Richard Cooper: The challenge for us with the ATM network is that, as Mr Roberts says, there are various rates of interchange and they are higher in very remote areas. The vast majority of areas are still covered by the rate that is set, which is the standard rate set by LINK. That needs some differentiation.

- Q75 **Chair:** Right, so this would provide a greater differentiation. Would that be of increased benefit to rural areas where there was difficulty in securing ATMs?

David Postings: Chairman, I am not sure it would increase the benefit to rural areas at all. I think it might increase the benefit to ATM providers. As Adrian said, LINK operates a cross-subsidy mechanism already, effectively to try to protect rural areas.

- Q76 **Chair:** I think we are all a bit confused as to whether this is going to be a benefit or not. Is anybody going to stand up for this proposal and tell us that it is of use and that we should use it to set the interchange rate? Mr Cooper, last chance?

Richard Cooper: Yes, I would certainly do that. With the right level of interchange set, on an independent level, then we think there will be a significant change in the number of ATMs that go back from pay to use on to the free-to-use network.

Chair: Okay, I think we have kicked that one around enough. There are obviously different views about how useful this would be as a means to secure an interchange fee.

- Q77 **Wendy Chamberlain:** We are discussing access to cash. In this session, I think we have been much more focused on cash alone, but what came through to me in the first session was the fact that this is actually about communities. The reality is that people do not use their banks simply to access cash, but for a wide variety of things. They use their post office for a wide variety of things other than postal services. The reality is that when banks and post offices close, communities are impacted because



HOUSE OF COMMONS

other services are lost too. That is my first observation.

Mr Postings, it was me that had the mix-up about the community banking hub only being able to relate to the day that your branch is in. Maybe that was a misunderstanding from me because of my virtual visit, but although anybody can come in to access cash across those five days, my point is that people use their banks for more than that. Potentially, when Royal Bank of Scotland is there on a Tuesday, people would want to go and use it.

My other thought on that is that in Anstruther, which lost its last bank, a TSB, TSB are now offering an outreach service in the community that does not offer cash. Have we missed a trick in relation to the Cash Action Group and what we are asking of Government from a legislative perspective? Is there more that we can and should be doing for communities? As MPs, we hear about and get complaints about the closure of branches. We recognise the financial considerations of banking institutions, but we want our communities to thrive.

David Postings: We focused on cash access because cash is most important to people on a day-to-day basis. Most of the other transactions that they might put through a branch tend to be one-offs or occasional, so the footfall for those kinds of services is even lower than it is for cash.

I visited the Cambuslang hub, which is viewed as a success, and the cash access per hour was running at about five or six visits. In the days when I was cashier, it was five or six a minute, so five or six an hour is quite low. The visits for other purposes were even lower than that—maybe one an hour. While it is tempting to think that bank branches are somehow community hubs where people go for things other than cash, in the end cash is really the most important thing to people's daily lives, and most of those other services can be provided by post or over the phone. Other businesses would offer those kind of services; the telcos and energy providers and so on would all do that in a similar kind of way. While branches have their place for those kind of services, trying to provide those on a huge scale across the country is pretty difficult to do.

Wendy Chamberlain: Mr Roberts, can I get your thoughts on that?

Adrian Roberts: I have nothing really to add to what David was saying. We have focused on access to cash because that was the day-to-day banking need. Hubs are a good way of building on post offices' existing capabilities to do that. The Cash Action Group is developing that at the moment. It is such early days; it really is still developing and iterating. This is all an improvement on what we have seen before. If it is not working for communities, the criteria and the proposition will have to develop.

Q78 **Wendy Chamberlain:** It is interesting, as we talked about, that obviously it is businesses' financial decisions that lead to closures, but the LINK new assessment process is related to communities. My postbag would say that communities do not want to lose their bank branches or post offices—anything that is seen as a kind of reduction in service, no



HOUSE OF COMMONS

matter how we look at it. I accept that there are financial considerations for banks. I just find it interesting that, in the first session, Debbie Hutchings was talking about the fact that post offices are not an ideal solution because of the privacy that customers might need in relation to some of the banking that they want to do. Mr Cooper, do you have any thoughts? I am obviously not talking about ATMs here, but are ATMs seen as a straightforward like for like? I suspect not.

Richard Cooper: No. I think the challenge for the whole branch infrastructure is very difficult. The shared banking hub initiative is really good. Again, I come back to being able to deliver these on a broader basis than we are perhaps looking at today. I think shared infrastructure is the way forward for this, and having the right commercial framework that allows independent operators such as ourselves to participate in delivering those services would help to spread that out on a broader basis.

Q79 Wendy Chamberlain: Mr Roberts, can I come to you on the question I raised with the first panel about PayPoint services? I pointed out that, because of the closure of a post office in Newport, there are now no PayPoint services in that town, which means that people cannot access any cashback service that does not involve a purchase. What conversations are going on with PayPoint in that regard? *[Interruption.]* Do I still have Mr Roberts? No, it looks like I have lost him. That is unfortunate. Mr Postings, can you provide anything on that, given your role in the Cash Action Group?

David Postings: I don't have specifics on PayPoint, I am afraid. I am sure I can write to the Committee with the detail, though.

Q80 Wendy Chamberlain: This is my last question. My questions were around post offices. There is no doubt that loss of post offices, as I just referred to in Newport, is an issue. Is the post office network robust enough for us to look at it as an alternative to access cash? Four post offices have closed in my constituency in the last year. All of them were co-located in a Spar shop, but Spar has made a commercial decision to remove those services, which means that we do not have post offices that can be used as alternatives. Nobody has come forward to replace those services, so we have mobile van units. Given some of the concerns raised by the first panel on privacy and access and the types of transaction being done, are we right to look at post offices if their infrastructure is not guaranteed either?

David Postings: The conversations that I had with the Post Office during this process lead me to believe that it really is keen to provide cash, and that it wants to invest in its infrastructure to do that. Most of the deals with the banks, in terms of cash access, have been relatively short term. We hope that we might be able to get longer-term deals, and those individual cases that you have just highlighted would provide an opportunity for LINK to look at ATM provision. Without knowing the detail, they strike me as the sorts of locations that LINK might want to review. If the Post Office and the banks do not currently have capability there, then



HOUSE OF COMMONS

maybe an ATM might be the right solution for those communities, but Mr Roberts is probably better placed to answer that particular question.

Wendy Chamberlain: He just came back in time.

David Postings: Oh, he's back. I would suggest that they would be reasonable candidates to have a look at.

Q81 **Wendy Chamberlain:** Great, thank you. Mr Roberts, you just missed a couple of questions: if I can come to you finally, that will be the final question, Chair. One is issues around PayPoint that I believe you may have heard me mention on the first panel, particularly in Newport in my constituency. The loss of PayPoint there means that you cannot use the cashback facility that you referenced. Secondly, we were just talking about the robustness of the post office network, having lost four post offices in the last year. Again, no alternative provider for the post office has come forward, so we are relying on mobile van services. How appropriate is that for what we are looking to do?

Adrian Roberts: First, apologies: there was a power cut here, and it took me a while to reconnect.

Wendy Chamberlain: You did go dark.

Adrian Roberts: If I start with PayPoint, this is the cashback without a purchase solution—another thing that is brand-new, enabling consumers to go into shops and withdraw cash over the counter without needing to pay a fee and without needing to make a purchase. PayPoint is the only provider at the moment to be offering that service. There are around about 1,600 shops offering the service through PayPoint at the moment, and that is increasing every day, but PayPoint does not have a monopoly on that service. Any LINK member can provide that service should they want to—so my colleague, Mr Cooper from Cardtronics, could easily provide that service should he want to. We understand that there are other LINK members who are looking into that at the moment and deciding whether it is something they want to provide. I think that as we move through this year, we will see more competition in that space, and we will see more providers.

On the Post Office, I understand that there are around 11,500 post offices across the UK. There are requirements about maintaining a certain size of the network and so on. I understand that post offices open and close on a daily basis as postmasters retire and join and so on. I think that post offices provide a very valuable community service, not just through access to cash but through many other very valuable services as well. That is why I think it is important that where there is a service in a community, consumers use that service, because in many cases, it is a case—especially with the banks—of use it or lose it. If there is a bank in a community, even if it is not the bank that consumers currently bank with, supporting that existing infrastructure is really important.

Wendy Chamberlain: Great. Thank you very much, everybody.



Q82 Chair: Lastly and very briefly—I know you wanted to touch on this—deposit-taking ATMs were mentioned in the Access to Cash Review. It was an issue that did come up when we looked at this last time around. Are we making progress on this? What seems to be the difficulty in having them introduced, and will they make a difference to the availability of ATMs across Scotland?

Adrian Roberts: I am happy to start on that. The first point is that we should remember that it is possible to deposit cash in any of those 11,500 post offices that I mentioned in my previous answer, so we already have a deposit-taking network outside of the bank networks. The Cash Action Group that we have spoken about this afternoon is looking at options for automated deposits—deposits through ATMs—on the understanding that that might be easier, particularly for small businesses to deposit their takings, as well as consumers. There are a couple of different ways that that can be done, so that work is being looked at by the Cash Action Group to determine the best way to take it forward. One option is to do it through LINK, and if the banks and regulators decide that that is what the best option is, LINK is very happy to progress on that basis.

Q83 Chair: Excellent. We have seen examples in other countries where it does seem to be a feature; we do not quite understand why it has been so slow and lax in the UK, if it can work. Why don't we just get on and do it? Can you help us with that, Mr Cooper?

Richard Cooper: We certainly operate deposit-taking ATMs in other markets, such as Australia. The US is one of our biggest deposit-taking markets, and we fully support it. I think it has additional benefits, not just in terms of providing access to deposit, but also in sustaining the longevity of an ATM in a location. Deposit-taking ATMs for me, I think, are critical in terms of reducing the number of miles a note does in the cash cycle, but also increasing the availability of cash in the market. We are fully supportive of a deposit-taking network through the independents.

Q84 Chair: Thank you. Unless there is anything further—

David Postings: If possible, can I come in? One of the obstacles we appear to be trying to tackle is how you identify the customer, particularly an SME customer. For example, we had a retailer who was interested in a network of deposit-taking ATMs who found it difficult to progress because of the need to have anti-money laundering and “know your customer” checks at point of deposit, which is nigh-on impossible with an ATM. We are trying to find ways that that could be allowed to allow them to install them, so that is part of the issue we need to resolve.

Chair: Thank you for that, and thank you for your evidence today. I think there were a couple of things that you were going to supply the Committee with—just a couple of bits of further information that would be very helpful. I would not be surprised if we return to this in the next year or two years, given the long-term interest in this as an issue and subject. I am pretty sure that we will be knocking at your doors again to help us out with any questions we have, but for today, thank you ever so much for joining us for this brief one-off session.