

Scottish Affairs Committee

Oral evidence: [Access to Financial Services](#), HC 1996

Tuesday 26 March 2019

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Members present: Pete Wishart (Chair); Deidre Brock; David Duguid; Hugh Gaffney; Christine Jardine; Ged Killen; John Lamont; Danielle Rowley; Ross Thomson.

Colin Clark, a member of the Treasury Committee, was also present.

Questions 1 - 67

Witnesses

I: Sheena Boyd, Director, Scottish Rural Action, James Daley, Member, Access to Cash Review, Caroline Normand, Director of Advocacy, Which? and Derek Young, Policy Officer, Citizens Advice Scotland.

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]

Examination of witnesses

Witnesses: Sheena Boyd, James Daley, Caroline Normand and Derek Young.

Q1 **Chair:** Welcome to the Scottish Affairs Committee and to our short inquiry into financial services in Scotland. We are very grateful to you for coming down today. Today we are joined by Colin Clark from the Treasury Select Committee, which has a long-standing interest in this issue, so I hope you are okay with that. For the record, could you say who you are, who you represent and anything by way of a short introductory statement, given we have a rather large panel this morning? We will start, as is traditional, from left to right with Mr Young.

Derek Young: Good morning, Chair. I am Derek Young. I am a Policy Officer with Citizens Advice Scotland. We represent and support the Citizens Advice network in Scotland. That is the largest provider of free, independent and confidential advice. In communities around Scotland there are 60 bureaux. We also provide some advice online and by phone. We work to ensure not only that people are aware of their rights and entitlements as citizens and consumers but also that those rights are maintained and strengthened, that people obtain value for money, that they are not exploited and, in particular, that vulnerable consumers are protected and empowered.

Sheena Boyd: I am a volunteer Director for Scottish Rural Action. We are a small grassroots charity based in the whole of Scotland. We cover rural communities and our aim is to provide a voice for people who live in rural communities and to promote equity for rural communities. In my paid work, I work as a development officer for a development trust in rural East Ayrshire. I live in rural Dumfries and Galloway and have done for a long time. I volunteer there in various roles. I hope to be able to answer any questions about people's lived experience at the coalface of the receiving end of financial services, access or no access.

Caroline Normand: I am Caroline Normand. I am the Director of Advocacy at Which? Which? is, as I hope you know, the largest consumer organisation in the UK, with 1.3 million members and supporters. Our mission is to make individuals as powerful as the organisations they deal with by helping them to make informed decisions and by campaigning on their behalf. We think at Which? that it is essential that consumers have access to the financial services that they need to go about their daily lives and that means having a variety of payment methods, cash and so on. Our figures released this morning show that a third of bank branches in Scotland have closed over the last eight years, which we think serves to highlight the risk that we are drifting into a no-cash society before people and systems are ready, and that will leave millions of people left behind.

James Daley: My name is James Daley. I run a consumer group called Fairer Finance, which campaigns for a fairer financial services market for consumers and the businesses that serve them, but I am here in my capacity as a member of the Access to Cash Review. It has been



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operating for the last year, chaired by Natalie Ceeney and set up and sponsored by but independent from LINK, looking at the future of cash at a time where cash usage is declining rapidly, and it appears that we are heading for a potential crisis if we do not do something now.

Q2 Chair: I am grateful. Thank you to you all for your very concise opening statements. We will start with you, Ms Normand, because I saw the BBC piece this morning, which I think was from your good self, which said that 610 banks and building societies have been closed since 2010. That was during the years between 2010 and 2016. This is a little bit different from the report that you produced I think in the last year, which indicated perhaps a smaller number of closures. Can we get a sense of just how many branches, and perhaps even ATMs, have closed in the course of the past few years? Can you tell us a little bit about the pace of closures and whether this is something that is increasing or stabilising?

Caroline Normand: Of course. The piece that we released this morning was about bank branch closures in Scotland, and it is our latest piece of research looking into the whole population of bank branches in Scotland. I think that it gives you a sense of the speed with which bank branches are closing. We can certainly give you further information about the pace, whether it has increased or not, but over eight years we have seen a consistent closure of bank branches. I don't think you will see that there are spikes that have come up in that period.

As far as the ATM closures are concerned, this is something that we highlighted at the time that the bank interchange fee changed. We highlighted the risk, that that change in interchange fee could have a detrimental effect on the number of ATMs closing and, indeed, we have seen an increase and an acceleration in those numbers. I think you may have figures; I see them in front of you.

James Daley: Yes.

Caroline Normand: If I may continue just a little on what the impact of that is, our online survey conducted in August 2018 shows that half of people in the UK access cash from an ATM every week and eight in 10 people access cash from an ATM every month. It is the main means by which people access cash. Obviously, a decline in the number and the estate of ATMs is going to have a big impact on those who use cash and it will affect different groups differently. We anticipate that those ATMs that close in rural areas are going to have a disproportionate effect by comparison with those that close in urban areas, which are sometimes quite well served by ATMs. That is a very important issue.

Q3 Chair: We are grateful for that. I am keen to keep this moving and make sure we get to the pertinent and relevant issues. I want to come to Mr Young and Ms Boyd because we are seeing very compelling evidence that some groups in some parts of Scotland and the United Kingdom have been disproportionately hit by bank closures and ATM withdrawals. Mr Young, could you help us with that and tell us what you have found and



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whether this is something that should concern the Committee?

Derek Young: It is certainly true that although there are competition drivers for why branches are closing and ATMs are being removed, a number of customers rely on banks and ATMs as a way of accessing services.

The Citizens Advice network is a very good analogy. Face-to-face advice is the cornerstone of our delivery model and although it is intensive and sometimes expensive to produce buildings and premises in communities around Scotland, advice and services are desired in a number of different ways. Face-to-face interaction is important within our service because it enables the building of trust and credibility between somebody accessing the service and the provider. The quality of communication you have is enhanced by things like body language, facial expression, tone of voice. It demonstrates that you are committing empathy and investment of time and effort in the person who has come to you and it provides more confidence that the confidentiality of communications will be respected.

All of those factors are enhanced where the nature of the communication you are having is sensitive or personal. By law, for example, it is assumed that communications with your doctor or your lawyer are protected. Many people would treat communications on money matters as being analogous and privacy is a very high concern for that. Financial issues, in particular debt, is the second largest issue about which people access the Citizens Advice network, and that is true for every single bureau around Scotland. That is the value that people place on having direct face-to-face communication.

The types of people who would be most adversely affected are often people who rely on cash very regularly. That would include small business people, older people and people on low incomes who are using cash as a way of managing their money effectively.

Q4 Chair: Thank you. Ms Boyd, I suppose you are going to tell us that this is much worse in the rural areas. We have certainly seen some compelling evidence that supports the view that the withdrawal of these types of facilities from rural communities can be quite devastating and very difficult for people without digital infrastructure and the elderly.

Sheena Boyd: That is a clear example: if you don't have broadband, you cannot access online banking. The ATM network is very important in rural areas, as you just said, but what seems to be the case is that people are more comfortable using those that used to be banks—they still have the name Royal Bank of Scotland or Bank of Scotland—than the ones that appear in a corner shop or attached to a shop. There does not seem to be the same confidence in using that and they do not seem to be as reliable. From what people say to me anyway, they are not as comfortable relying on that way of getting their cash. They say either the machine takes their card, or they don't get the money, so although the service is there in some cases, they do not want to use it. I think older people in particular



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would prefer to go to a shop and withdraw money at the till, but if there is a bank's own cash machine, people seem to be happier to use that.

There are obviously some circumstances where people prefer to speak to others, particularly older people. There are various communities where they rely on the post office, for example, to withdraw cash rather than a machine but, of course, post offices are disappearing, too. These things are getting taken away from people.

I think that probably the biggest thing for rural communities is that there isn't an alternative. They cannot travel to somewhere else because the transport is so bad. A lot of people don't have cars because they cannot afford them or because they may be older and no longer drive. It is those areas that do not have that transport access that suffer the most when they do not have cash machines available. I am noticing that although in certain places there are still cash machines, they have started charging now. You might have to pay 95p on every transaction and that obviously affects the poorer people a lot. It is not a lot, but it is to poor people.

Q5 Chair: Thank you very much. Mr Daley, I am just looking at a quote from Access to Cash where you argue that despite the rise in digital financial services, 47% of the UK's population say that they would struggle in a cashless society. Are the banks and building societies trying to drive us to a cashless society? If they are, what are the consequences and implications for the people that we serve as Members of Parliament?

James Daley: Obviously, the banks' primary concern is the bottom line. If branches are no longer economically viable then, of course, they are going to look at ways that they can make closures. That is why we are seeing the trend that is highlighted today. Our review was very much about cash and that does not have to be necessarily inextricably linked to bank branches. I think that there is a wider debate for us to have as a society about whether or not we want to provide subsidy to support bank branches in areas where they are no longer economically viable, but as far as we were concerned, we want to support access to cash. We think that at the moment we are simply not ready to go cashless as a society. As you said, 47% of people feel that they could not manage without it; 18% absolutely rely on it.

Q6 Chair: In the work that you did with Access to Cash, did you get the impression that the big banks and the building societies were attempting to drive and push our community and society towards a cashless society?

James Daley: Market forces are doing that, absolutely, yes, because cash usage is declining. The fixed costs of the cash infrastructure are not coming down, so sustaining cash is becoming more expensive. Naturally, banks are looking for ways to cut those costs, and that may be by closing branches or by passing on costs to small businesses.

Q7 Chair: I will ask the question again, but framed in a different way: are the banks and building societies responding to this trend and dynamic



within the use or are they trying to drive it to secure an outcome that they feel would probably be better for their own models?

James Daley: I do not think that they are co-ordinated and working together with some kind of plan. Market forces have been driving the story up until now. They do not like the fact that week in, week out they are getting hammered in the press for closing branches and looking like they are out of touch with societal needs, and that is why they were relatively supportive of there being a piece of work such as the one we were doing that said, "Look, we can see where this is heading. Let's not just career into a crisis; let's pause now and try to come up with some kind of long-term solution before it becomes a crisis".

Q8 Christine Jardine: I am particularly concerned. Age Scotland has produced figures saying that there are half a million people over the age of 60 in Scotland who do not use the internet and so on. With the loss of banking facilities and ATMs and the fact that cash is still a vital means of budgeting, as Mr Young has said, for almost 20% of the population, are you seeing a growth in concern, with people coming—this is to Mr Young in particular—to your organisation from that sector, including older people who do not use the internet and who have lived their entire lives using cash or cheques?

Derek Young: Citizens Advice Scotland produced a couple of reports on this within the last period. Many people do remain digitally excluded. You have mentioned Age Scotland. I actually spent some time working for them, so it is an issue with which I am familiar. Citizens Advice reports suggest that a third of people who come to bureaux found difficulty in using the internet, according to a survey we did of 1,100 clients,. That was 18% who said they found using a computer difficult; 16% did not use one at all. A fifth of respondents to the survey said they never used the internet and a further fifth only did so via a smartphone. Of those, ownership of a smartphone is not necessarily a reliable indicator of how you access information and how you access services. Four in 10 of those who only accessed the internet via smartphone reported that data costs, for example, were an issue for them in doing so.

There is an extra factor that I think is particularly relevant for older people who might be bureaux clients, which is that even if they own a smartphone they may use it for a very limited number of functions. People tend to be more reluctant in using phones and digital devices for issues involving money as opposed to accessing information or participating in social media. This comes back to the point I made before. There is a higher degree of trust in face-to-face interactions, where people feel more sensitive about the issue being discussed and also where they feel less confident about using technology to access what they want.

Q9 John Lamont: Quite a lot of evidence we have received, including from my own constituency in the Borders, has come from residents who are concerned that losing the ATM and the bank has had a very negative



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impact on local businesses. One lady, Wendy Turnbull from Duns, suggested that following the closure of the RBS and the loss of the cash machine the local fishmonger noticed a 20% drop in trade. I am sure we have all had similar evidence brought to us from our own areas. Is that a trend that you are seeing in other parts of Scotland, particularly rural areas where the cash machine has gone, the bank has gone and that is having a negative impact on traders and the sustainability of local shops?

Sheena Boyd: I would say yes, that is definitely what I have been hearing about the footfall in areas. People have said to me that once the bank has gone, and the bank's ATM in particular, people do not come into the town centre. For example, the café will close just after lunch rather than stay open until the end of the day and things like that, and it is a reduction in community business that was there, a service to the community and to any visitors that might come in. It has a knock-on effect on the local economy and what people want to see happening in their town.

Derek Young: The group LINK produced data on closures of ATMs, and it is helpfully broken down by parliamentary constituency, which may be of particular interest to members of the Committee. As you would expect, there are high numbers of ATMs especially in urban city centres, so Glasgow Central is the one with by far the highest, followed by Edinburgh North and Leith, Aberdeen North and Dundee West. The ones with the fewest are Orkney and Shetland, Na h-Eileanan an Iar, and Caithness, Sutherland and Easter Ross.

The reason why that is important is that the risk of exclusion is greater in rural areas, especially small towns and villages, because there is a relatively lower base of provision to begin with, there is a disproportionate weighting of closures of ATMs and branches in those areas and, when there is a closure, there is the distance involved in accessing alternatives. There is a combination of factors that means it is an enhanced problem in rural areas in particular.

Q10 **Chair:** Is it the case that a lot of rural communities are having to take quite drastic action? I have the example in Aberfeldy where a number of the businesses now say they do not accept cash because they find it almost impossible to make use of banking services, totting up the money in the evening and making sure it is securely deposited. Is this something that we are seeing across rural Scotland now?

Sheena Boyd: I have not seen shopkeepers refusing to take cash, no, but there are still some that will charge you if you use a card, for example, because of other costs that they have. The shopkeepers have issues in depositing cash in a bank because there is a limit on the mobile branches and what they can put in as coins as well as notes. I would not be surprised if what you are saying was the case, but I personally haven't come across it.

Q11 **John Lamont:** Is the answer protecting the cash machine or expanding



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the network of cash machines, or is the answer making it easier for small businesses and shopkeepers to take cards, to make contactless payments, without any additional charge to either the shopkeeper or the customer? Of those two options, what is your preference: expanding and protecting the cash machine network or making it easier for shopkeepers to take cashless and card payments?

Sheena Boyd: I think that there would have to be quite a bit more work done to be able to come to a conclusion on that. I have spoken to some people who have young children at school, and they are not in the habit of handling cash. These are ones who are happy to use online banking. The parents maybe have a banking app on their phone, and they do cashless catering in schools now in a lot of areas, so the children are not exposed to cash. When they do get cash to go and buy sweets or whatever, they do not really know what to do with it.

I guess in the future if that is a trend that continues, it would be a case of making card payments easier for very small businesses, one-man bands or family businesses. That, of course, would come down to broadband as well as cost. I would not say we are there yet, but I can see that we could be there in the upcoming generation.

James Daley: It is something that we looked at specifically and the answer we would give is both. If you are going to protect the existence of cash and access to cash for the foreseeable future, which we came to the conclusion we absolutely need to because the UK is not ready to go cashless, you have to, first, ensure individual consumers have access to it and, secondly, ensure that businesses have the means to deposit it. The greatest loss at the moment when a bank branch closes is local businesses having nowhere to deposit their cash. We heard lots of anecdotes of businesses that had decided to stop accepting cash because it had become logistically too challenging to take it anymore. At the same time as the bank branch closing, banks were also putting up the charges for depositing cash even if you can get to one. We need to look at both of those in tandem.

There is already the infrastructure available for deposit-taking ATMs but that is not being used at the moment. Banks up until now have said that they did not really want to engage with it; the economics did not work for them. What we proposed as part of our report is that there is a guarantee that consumers can get access to cash and that businesses have somewhere to deposit it. That does not necessarily have to be in a bank branch. It could be a deposit-taking ATM or by some other means. It could be by some kind of collection service. We probably need some innovation in that space to try to come up with a solution that is going to be sustainable for the next 15 years and beyond.

Q12 **Ged Killen:** To follow on from the point that Mr Daley was making about businesses accepting cash, the report stops short of recommending that we should make businesses accept cash. Do you think this is something that needs to be looked at continually, or do we have to just get the



other parts of the formula right, as you have outlined? Are we going to be in a situation that more and more businesses in rural areas, like Pete's constituency, are going to stop accepting cash? Is this something we have to keep under review?

James Daley: We deliberately did not make that recommendation. They have gone as far as that in some Nordic countries and we do not think it is particularly successful. If you come at it the other way and ensure that consumers can get access and that businesses have places to deposit it and you create the infrastructure to maintain cash, you should not need to force businesses to accept it. If you bring down the costs of using cash and you make it easier, you bring down the barriers that are stopping them accepting cash or considering stopping it, then you hope that most businesses will continue to accept it.

The one area where we thought there may be the need to mandate it would be for essential utilities—being able to pay your electric and gas—maybe via a PayPoint terminal in cash. There may be certain industries where consumers should be able to retain the right to always pay in cash if they want to, but it does not make sense to tell every retailer in the land that they have to accept it. If we get to a world where we have propped up the whole cash system, it should be in their interests to continue accepting it because a customer may decide they want to go elsewhere if they cannot pay in cash. That is our approach for now, but it has to be under review. If that does not work, maybe that is the threat as a next step, but I think that it would cause some small businesses a lot of problems.

Q13 Danielle Rowley: You mentioned some Nordic countries. A few years ago I was on holiday in the Netherlands. I got my cash out from the post office, went across and actually could not use it in a lot of shops and restaurants. You said that it is not working particularly well. Can you say why? Is there anything that they do in countries where it tends to be a bit more cashless to support perhaps older generations?

James Daley: As part of our work, we went to Sweden, which is now the most cashless society, and the message we were getting back from Sweden was, "We wish we were at your point". They are down to about one in 10 transactions; we are at about one in three being carried out in cash. They wished that they had had the chance to pause and plan because the market led to bits of the infrastructure seizing up and then consumers being left with fewer choices. Of course, they have the geographical problems that perhaps we don't with very large areas where you can be many miles away from any kind of infrastructure.

My understanding is that it was Denmark that had forced businesses to accept cash and that had pushed costs up for some small businesses. That had been quite unpopular as a move and was not necessarily dealing with some of the fundamental issues of access to cash. It is coming at one part of the problem but not looking at the problem as a



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whole. If consumers cannot get access to it, it does not matter if businesses accept it.

Q14 Colin Clark: On the Treasury Select Committee we heard evidence on exactly this issue. One of the things we heard about was in Sweden people being implanted with chips the size of a grain of rice. Is this some sort of Orwellian nightmare?

James Daley: Maybe. I didn't come across that when I was there. What has totally changed things in Sweden is that they all make payments from mobile phone to mobile phone now. That was a piece of infrastructure that was built collectively with the banks so that you had the security to make payments from one phone to another. Of course, we have that in the UK, but we already had faster payments over here. If I want to make a payment to you, it will be in your account in a few minutes. In Sweden, they did not have that and suddenly this piece of technology allowed you to put money in someone else's account in a few seconds from mobile phone to mobile phone. That took cash levels down enormously as that technology caught on.

There is an Orwellian element to this, isn't there, in that if everything is digital, then everything is traceable? In Sweden, what they have done is say, "If you do not pay your plumber in cash, we will give a massive tax break to you for doing it digitally" because they want to keep more transactions in the digital network so that they can be traceable. There are important reasons why people may want to maintain anonymity. We heard of cases of domestic violence where the only way that individuals could do any spending without their partner—who was trying to control them—knowing would be to have cash. We do need to think about those issues of anonymity and privacy and that is all part of getting hold of this now rather than just letting ourselves career to a point where it is too late and the system collapses.

Q15 Colin Clark: Sweden is now 1% cashless and in 2015 3,000 people did this as an experiment and they are expanding it.

James Daley: I hadn't heard of that.

Caroline Normand: It is worth supplementing that access to cash has become a big consumer issue in Sweden. For my Swedish colleagues now, it is one of the issues at the top of their agenda. In fact, we understand that Sweden is having to go backwards and start to think about laws that will require banks to offer cash to customers where they need it. They have overshot and I think that it is quite a good example of what can happen if you go too far too fast and the systems are not in place and people are not ready.

Chair: Mr Clark's question is not all that absurd, because the Clerk has just showed me that 4,000 people in Sweden have a chip under their skin, so there we go. I know that Christine Jardine wants to come in. Maybe you could direct your question towards Mr Young if that is



suitable.

- Q16 **Christine Jardine:** I was only going to say that that comment by Ms Normand brings me back to what I was saying earlier about the half a million people over the age of 60 who do not like using cash. That is the equivalent of the population of Edinburgh. If you stop using cash or you make it difficult to have cash, you are taking the equivalent of an entire city out. You are taking away from them the opportunity to use the system that they know. Are there not inherent dangers in doing that, just taking people out of the system and ignoring them completely and not providing them with the facilities that they need?

Derek Young: Yes, and I think that backs up the point I made before. We have not conducted any analysis of whether people would be willing to have digital chips inserted. We do not have a "Black Mirror" aspect to this. I can imagine, without wishing to speculate too much, that the types of people who already struggle with technology by accessing smartphones might be among those who are most reluctant to have any kind of digital imprint that would allow them to access cash.

On a related point, we have mentioned a few other countries. There is an access to cash point about this relating to tourism. If people are visiting Scotland and they do not have funds in sterling, the single euro payments area regulatory model means that people who hold funds denominated elsewhere in other currencies can use an ATM and access them at the mid-market exchange rate. That is a consumer protection that is available. There is a Brexit wrinkle to this, as there is on many different issues, because the members of the payments area are members of the EU28 at the moment and the European economic area. There is a protection for consumers who come here and are able to access sterling via ATMs. It would depend on whatever transitional arrangements or further relationships are agreed, and I know that is a contentious issue today. If there is a result of Brexit, that would no longer apply.

Cash might be quite important for some consumers, particularly if they are older, so it might well be that some tourists who are older prefer to use cash. Tourism is a very significant industry in rural areas. We do not have analysis of what the impact on tourism might be of diminishing access to cash for tourists, but there are good reasons to think it is something that needs to be borne in mind.

- Q17 **Ged Killen:** Going back to ATMs, we have had two reductions in the interchange fee. One is under review and one has been cancelled. How much of a factor do you think these changes have been in driving forward closures of ATMs in Scotland? You can speak across the UK as well, but we are talking about Scotland.

Caroline Normand: Very significant we would say. Our figures show that between January 2018 and December 2018 290 cashpoints shut in Scotland and 4,692 cashpoints shut across the UK. That is according to



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LINK figures. There is a direct correlation between the interchange fee changing and the reduction in ATMs, with the effects that we have been discussing.

James Daley: I think that it was LINK's intention to reduce the number of ATMs because there had been this enormous increase in free-to-use ATMs to the point where in some areas there was a cashpoint every few hundred metres. I do not have a problem with the cash machine network as a whole shrinking; it is more about the areas where consumers are vulnerable, rural areas where they have no alternatives. Unfortunately, we did see an increase in the number of areas that do not have access to cash within a kilometre and meet LINK's deprivation criteria. At the same time they reduced the interchange fee, they also increased the premium for cash machines that operate in an area that meets their financial inclusion criteria, and that did not have any impact at all. That is why since then they have introduced, or will actually next week be introducing, this super premium to try to ensure that they at least protect existing ATM provision in rural and deprived areas.

Q18 **Ged Killen:** My understanding of the intention was that it was to try to stop the clusters of machines in city centres and things like that.

James Daley: Yes.

Q19 **Ged Killen:** Is there not an issue with the arbitrary nature of this cut and the impact it is having? I know that we will be coming on to talk about the financial inclusion programme, but we have seen ATMs in areas outwith city centres closing at a much faster rate than LINK had anticipated. Last year when LINK came to the Committee, it told us that Scottish consumers have nothing to fear from the reduction in the interchange fee. Is that an accurate assessment in your view?

James Daley: They are changing the interchange fee as a lever and the financial inclusion programme is there to ensure that vulnerable communities are protected. Clearly, it is not working yet. The levers they are pulling are not having the desired effect. I suppose from the Access to Cash Review perspective, it just shows that there is a broader problem here and there are still many communities that LINK's financial inclusion programme is not reaching. That is why we need this broader review of the cash system.

Our key recommendation was a guaranteed access to cash for all communities and some kind of body overseeing that. LINK is only looking at the ATM network. This could go much broader than that. It could be cashback via convenience stores, which is something both LINK and Lloyds with Visa have been trialling over the last few months. That is why we think that the recommendations that we have put forward are more likely to solve this problem and provide access in those communities that have lost it.

Q20 **Ged Killen:** With the third reduction being cancelled and the fourth one



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under review, what do you think needs to happen to the interchange fee? Do we need to have a whole new funding model, or does it need to be reviewed again or put up?

James Daley: That is beyond the scope of the Access to Cash Review. As I say, I think that we have some proposals to guarantee access to cash in communities, and if those are implemented, interchange will be part of that solution and will have to be continually reviewed, as it is now. What we can see at the moment is that interchange on its own is not effective as a lever to drive the right outcomes, and that is why we think that we need to look beyond that.

Q21 **Ged Killen:** Does Which? have a view about the interchange fee specifically and what needs to happen with it?

Caroline Normand: The interchange fee, as James says, has created an impact, some of which we can understand, some we can't and we have to go to LINK to understand it, which is arbitrary alongside the other things that are going on in the provision of cash infrastructure. The issue with just pinpointing interchange is that it will affect one part of that infrastructure and what we need to do is look at the whole in the round. We need a regulator that can get its arms around it all and look at the whole. Within that, there then may be solutions within the interchange fee about what you could do and the pricing and so on, but to take it in its own right and look at ATMs separate from the other parts of the system feels to us like you are just perpetuating a problem of an uneven decline in cash provision that is going to necessarily be arbitrary.

Q22 **Ross Thomson:** Following on from the points made by Ged about the financial inclusion programme, what is your view of how effective it has been to date on saving some of those free-to-use ATMs from closure? That is open to anybody.

Caroline Normand: I will kick off on this one. The financial inclusion programme covers around 3% of LINK's estate and it is one part of a duality of protected statuses. There is the financial inclusion programme and then there is the protected status for ATMs that are within a kilometre of one another.

We cannot break down the figures of the financial inclusion programme itself per se; we do not have those from LINK. Looking at the protected status as a whole, obviously LINK had best intentions about monitoring, seeing what would happen, and reporting on closures, but we know that at least 100 protected ATMs have closed, including, we think, 13 in Scotland; for example, in Walkerburn, Maybole and Wick. We are looking at closures within that protected estate. LINK is then reacting back and saying, "We need to do something more", so they have upped the subsidy that they are providing to these ATMs to £2.75, which has just come in. We will see whether that is sustainable and can halt the decline.

From our perspective, we think that this again goes into that box of the PSR really needing to have a proper, close look at how the financial



inclusion programme protected ATM scheme works and the replacement process so that we have fit for purpose access. The problem with ATMs is that once they are gone and the infrastructure supplying them is gone, it is gone, and it is very hard to put it back in place. It is something that we have been saying from the very start of the shifts on the interchange fee. It is something you need to look at; monitoring and then saying, "We need to do something," is not an appropriate response.

Q23 Ross Thomson: I appreciate what you said about it being difficult to get a breakdown of numbers.

Caroline Normand: In relation to financial inclusion, not—

Ross Thomson: In your view, what proportion of those ATM closures do you think have happened in deprived communities in particular that have been covered by the financial inclusion scheme?

Caroline Normand: I think that you are going to have to ask LINK about that.

Derek Young: I can't add any specific detail to that unfortunately, but I wanted to add a word that backs up the points previously made about looking not just at the financial inclusion programme and the interchange fee in isolation but at the overall effects. Part of this is because there are reasonable grounds to suspect that market forces operate in a way that is disadvantageous where ATMs are located in particular areas. If an ATM is well used, paradoxically that means that it is more expensive to run because the cash has to be restocked more frequently. If it has had greater use, it may mean that it has a greater maintenance requirement. From the banks' perspective, it might be better to close down an ATM that is being well used rather than the ones that are being rarely used.

There is another aspect to this. When you consider the LINK criterion of not having another alternative more than a kilometre away, in communities where people have a choice of different ATMs to use, most consumers will use the one that is most geographically convenient for them for whatever service they are planning to use. Some consumers, particularly older people, might make a deliberate choice about using one rather than another because, for example, an area is better lit or it appears to them to be safer, there is a broader pavement where they are, they do not feel they are crowded in and there is less chance of them being watched or having their transaction carried out in public. These choices are sometimes quite deliberate, but obviously you are less able to make that—in fact, not able to make that—if you have only one choice or none at all.

Q24 Chair: We are speaking to LINK next week and we are obviously going to be interested in what they have to say. In your view, is there any evidence that these subsidies and the premiums are having any impact on the maintenance of some of the infrastructure of cash machines in branches? I do not know who it was who said that even under these



conditions there were closures in places like Wick and other remote areas. Is it working?

Caroline Normand: What we know is that, looking at the total protected estate, there have still been closures over the period since the interchange fee was reduced. We know that more than 100 ATMS with protected status have stopped being used, have stopped transacting, and we know that 13 of those are in Scotland. That is what we know about protected machines since last year.

Q25 **Chair:** We can take it from that that there are certain issues around this scheme and whether the subsidy and premiums are effective as a means of securing the infrastructure.

Caroline Normand: Exactly, and LINK has responded by upping the subsidy substantially.

Q26 **Colin Clark:** This is a question to James. Your Access to Cash Review argued that the ATM network accounts for only one fifth of the cost of the UK's cash network. What opportunities are there to reform and make savings to the costs of the wider cash network in the UK?

James Daley: That was a core part of our recommendations. The wholesale cash market is the business of storing cash securely around the country, transporting it in secure vans up and down between shops and banks and storage centres. At the moment that is a private market run by a number of private businesses that can see that the direction of cash usage is making the economics harder for them. The banks are looking at that market thinking, "The fixed costs are not coming down for us here, but cash usage is coming down."

A core part of what we recommended was that the Bank of England gets together with the banks to commission a new wholesale cash infrastructure, effectively taking the private entities that are in there at the moment out of play and stripping some of those fixed costs out of the system. It was obviously ballpark, but we thought that there were hundreds of millions to be saved by doing that.

Q27 **Colin Clark:** What is that as a percentage at the moment, because it is anything between 1p and 70p per £100?

James Daley: The costs of the fixed cash wholesale infrastructure is around £5 billion, and we thought potentially you could save up to 20% of that, hundreds of millions. Some of those savings could then be used in ensuring that we can continue to provide access to cash in those communities where it may otherwise not be economically viable to do so.

Q28 **Colin Clark:** We have heard a lot about what the problems are, and I was interested to read that Which? has asked for an industry regulator. Specifically on the point that James was speaking about, how do you envisage the regulator response to banks saving money by reducing the interchange fee? If it was in place now, what do you envisage it would do



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as the regulator? What do you see its powers and remit to be?

Caroline Normand: When we call for a regulator, we are calling for someone who can look across the infrastructure to the outcomes that consumers need, and to cover the kinds of questions that we have been talking about, that the provision of cash is needed for individuals and small businesses and how the whole can be kept in some kind of equilibrium, even as cash usage may be reduced.

In relation to the infrastructure, we need the regulator and a regulator working with partners. What we are looking for in the regulator is for someone to have a duty to ensure that cash is available to individuals and consumers as they need it. What we need to make sure is that the infrastructure continues in place so that that is achievable. Whether that needs to go further so that we make sure that we have regulated infrastructure of the type that we have in the postal services, is something that I think needs to be debated and looked into.

Q29 **Colin Clark:** We spend a lot of our time on the Treasury Committee speaking to regulators, and there are lots of regulators. I did not realise that regulators existed until I was on the TSC. Is there a regulator that already exists that has the authority of Parliament to act and already has powers? Rather than creating a new regulator, is there an existing one?

Caroline Normand: Absolutely. We have at least three regulators in this space and they are in a position where one of them could take the lead on this. Prior to this we have talked about the PSR taking that leading role. It is important that one of those regulators is able to do so, so that we do not have the underlaps and the overlaps that we have at the moment and we don't have the mismatch between the infrastructure and the provision that currently exists.

Q30 **Colin Clark:** Who are the three regulators?

Caroline Normand: The Bank of England, the PSR and the FCA, and there are more. There is the Mint and so on.

James Daley: We did not feel there was a need for a new regulator. We thought that those three regulators could easily come together in a group assembled by Treasury and have the remit of overseeing it. At the moment, each of those regulators oversees part of the system. As Caroline says, the problem is that there is no oversight of the system as a whole.

Before you get to the point where you bring those three regulators together, you need some kind of statement of intent from the Government saying, "We have a policy on cash. We want to protect cash", and at the moment we do not have that.

Chair: We will come on to regulators in a minute.

Q31 **Danielle Rowley:** On the review, like the alternatives to ATMs and how they could increase accessibility of cash in remote rural areas and



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deprived areas, how viable and genuinely useful to consumers do you think alternative methods would be? We have heard about people not trusting ATMs that are attached to shops. What about cashback in shops and home deliveries, which is something that we have heard about as well; do you think that these are viable and would be trusted methods?

Sheena Boyd: Certainly in shops some people would actively choose that over an ATM at the moment. I guess it depends on the shop and how open that is, what its hours of business are, so how accessible that cash would be. But certainly some people are happy with that at the moment compared with an ATM.

Derek Young: A large number of consumers access cash through cashback schemes predominantly used by supermarkets. Although they are a helpful addition, I don't think they are a viable replacement for an ATM network. Supermarkets are not present in every community that has lost an ATM, for example. Many supermarkets are located in out-of-town locations, so if you don't have access to a car it would create an obligation to travel to try to access that.

With cashback you are expected—although you may not be required—to make a purchase in the store in order to be able to access the cashback facility. That may not have been your intention when accessing cash, particularly for people who are using cash as a means of controlling very limited disposable funds. In a way, it is a bit of a barrier. It is almost analogous to the pay-to-use cash machines that you find very often in petrol stations, pubs, restaurants and so on. It is a financial barrier to being able to access your own money.

There is a limit on the amount you can take back from cashback schemes. It is typically £50. That is less than the daily limit you can withdraw from ATMs, and ATMs are accessible 24 hours a day but many supermarkets are not. There are specific reasons to think that cashback, while a helpful addition, should not be thought of as a direct replacement.

Sheena Boyd: I was not meaning to say that it would be a replacement. It is a useful addition definitely, and if smaller shops and communities could also do that, it would be helpful for some people. For accessing your money whenever you need to, at whatever time of day and in the quantity that you need to, an ATM is obviously going to triumph over a shop, but it is a useful addition for some people, particularly older people who prefer that face-to-face interaction.

James Daley: To respond to the point Derek was making, it does not necessarily work in the existing market, but we would be talking about some kind of subsidy here to make it worthwhile. We have had conversations with the Association of Convenience Stores, which is very welcoming of the idea that it might increase footfall into its shops. As long as you made it economically worth its while to provide it, perhaps some kind of benefit even if somebody only came in and used the cashback facility, it would be 100% behind that. In some communities,



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that may end up being a more economically viable proposition than trying to insist that there is an ATM there. We may have to be pragmatic at times. It depends on the community and the needs of that individual community.

Q32 Danielle Rowley: Do you think it is fair to conclude that rural, remote and deprived areas are often not well served by the alternatives that we are focusing on for the reasons outlined of distance, time, having to spend extra?

Sheena Boyd: That would certainly be useful as an addition. The big issue, as I said before, is transport to the alternatives. If you can access it from a shop or an ATM in your community, that is going to be preferable to waiting hours or days even for a bus to get to a cash line or a shop or supermarket somewhere else. Having them in your community is the difference. It is probably better than the shop versus the ATM scenario. It is an alternative that gives people the choice in their own community.

Q33 Ged Killen: The home delivery of cash idea in your review is a particularly interesting idea, but on this Committee we have heard in the past about rural and remote parts of Scotland having difficulty getting deliveries and increased delivery charges to these areas. Is it something that the review looked at? Is it the proposal that these deliveries would be free, for example?

James Daley: The proposal was to have somebody overseeing a Government-supported guarantee that people could access cash. You would have to design the parameters of that but if delivery was a part of the solution and there were commercial providers of those kinds of services who felt they could not serve parts of the country because it wasn't economically viable, that is the moment where you need some subsidy to make it economically viable for them. That would be the role of a body overseeing that to say, "There is a particular area here where there is demand for these services, but they are not being provided because it is not economically viable", and I think you could overcome that issue.

Q34 Christine Jardine: We have just been talking about shops. Not all communities have a supermarket, for example, with an ATM in it but I know, from my own personal experience, that having a shop in a local community with cash facilities is still not the answer because that shop is usually not open 24 hours a day, seven days a week. It may not be open six days a week, never mind seven days a week. Outwith shopping hours, people are often faced with a journey and for the particular community I am thinking of it is a nine-mile journey to the nearest ATM.

That is only possible a lot of the time if you drive. Again, whole sections of the community have been limited in their access to cash. Has this been taken into account properly in the various different strategies from banks and LINK and all the rest of it? Are they actually looking at the whole



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picture?

Caroline Normand: The answer from us is no, not in the way that you are thinking about it. What we want to see is that you look at the whole picture depending upon the outcome for the individual, what people need and what people need across communities so that they can use the facilities they need, whether it is getting cash, depositing and so on, and they have the means to access that. The decisions taken about ATMs and bank closures are taken separately and on commercial bases.

Some protections have been put in place, but they are not overcoming the essential commercial nature of the decisions, all of which are being done individually and not in a joined-up fashion.

Q35 **Christine Jardine:** It all boils down to individual commercial decisions, rather than consumer-led outcomes?

Caroline Normand: Yes.

James Daley: Part of the solution that we envisaged was that if there were areas that were not being served, they could make a bid to this body and say, "We have a need for some kind of access to cash here. Please come and commission it", and if they met the criteria then that could happen. At the moment you have only LINK and its financial inclusion programme and that has quite a narrow focus.

Q36 **Hugh Gaffney:** My question is about regulation. Access to Cash has called for a joined-up approach to cash circulation in the UK. Who is responsible for that at the moment and what are the gaps in the current system with regulation?

James Daley: At the moment you have the Bank of England, the FCA and the PSR. You have the Bank of England responsible for the printing of money and wholesale cash markets to some degree. You have the FCA responsible for supervision of the banks. You have the Payment Systems Regulator that has responsibility for oversight of payment systems, but they are all these different parts of the cash system. You also have the PRA looking at prudential regulation of the banks. You have potentially four regulators there looking at different parts of the system.

I agree with the point that was made earlier that another regulator goes against the grain of where things are going. It is about bringing together the parts of the system, so that there is sufficient oversight to ensure that we can see that one bit of the cash infrastructure has implications for another part of it.

Q37 **Hugh Gaffney:** How would you like to see it reformed?

James Daley: There is a fairly nuanced difference between our position and that of Which? but we want the existing regulators to be brought together, essentially by the Treasury, to oversee that system and have a responsibility for ensuring that we have access to cash. That needs to start with the Treasury making some kind of policy statement and



commitment. There have been supportive noises from the Economic Secretary but, at this point, nothing as formal as a commitment to access to cash.

Q38 **Hugh Gaffney:** Should the PSR take a more active role in regulating the geographical spread of ATMs?

James Daley: We wanted a guarantee that would ensure people had access to cash and there would need to be a body overseeing that. That could be run through someone like the PSR or an organisation like LINK. That would need to be decided by Government, but the first thing we need to do is have that statement of intent from the Government and start the piece of work to get the ball rolling.

Caroline Normand: From our perspective we absolutely want to see, within the set of regulators that we already have, a single regulator with a statutory duty to protect access to cash and build a sustainable cash infrastructure. The reason for that is simply that we want to see the duty there to make sure that someone is responsible within the set of regulators that exist.

I completely agree that what we need is this set within the context of the Treasury setting out its intent. My only comment on that is looking at our announcement today about bank branch closures. We have quite a clear message back saying, "This is a commercial decision for the banks, and it is up to the banks to decide what bank branches will close". There is still a little way to go to make sure we get to the point that the sense of the system and the needs of consumers are properly taken into account, such that we can bring the regulators together and we get the systemic overview that we need. That is one of the reasons why we are very clear that we want to have a regulator with a statutory duty.

Q39 **Chair:** Just listening to what you are saying and the evidence that we have secured thus far, it is quite easy to conclude that regulation has been insufficient and is not working. We have a range of different bodies here. We have heard on a couple of occasions in previous inquiries from the regulators, and we got the sense that they felt that they did not have the necessary powers in order to try to approach and tackle this. Is it more a matter of what they do—the powers that they require in order to deliver the systemic change that we require? What is it they need to do more in order to try to get the outcomes that you seem to be describing here?

James Daley: They are all looking at elements of the system and don't feel that they have the power to make decisions that will impact parts that are under the remit of another regulator. At the moment, they look at their own part of it and resist from stepping back and looking at the bigger picture.

Q40 **Chair:** In your view, it is just a matter of them coming together into one regulator. What sort of powers do you envisage it having? What does it



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need to do in order to ensure that it is effective and can look at these things more constructively and get the required outcomes?

Caroline Normand: From a Which? perspective, that is why we talk about a statutory duty to protect access to cash because that is the fundamental as far as we are concerned. There are different regulators that are responsible for different parts of the system, but they are looking at those systems in isolation and not in relation to what consumers experience on the ground. Not only do we need to see that joined up, but we also need to see it turned on its head so that you start to look at what people need, start with that map and think about the provision and what you can do within your regulations.

Q41 **Hugh Gaffney:** Should we nationalise the banks and bring them all under one roof?

Chair: I am sure Ms Boyd won't want to answer that one. We will leave that one hanging rhetorically in the air.

Sheena Boyd: I was going to add to what Caroline was saying there. From the community's perspective, we need someone to look at the whole picture, and that is not just about access to cash. It is the whole access to any type of financial service, whether it is mobile or online, and the transport issue as well, and how people live and run their business in a community context. Because the question isn't just, is the service there? It's also, do people want to use that service? Can they get to that service and is it going to do what they want, and will they feel confident and safe using it?

Q42 **Deidre Brock:** Returning to the point about whether or not these powers should be on a statutory basis, I am thinking of the Lending Standards Board. When we were looking at bank closures, I felt quite unhappy about the fact. It is a self-regulatory body with a voluntary code of practice. The witnesses we had seemed rather alarmed at the prospect of being given statutory powers in order to, say, introduce consultations on bank closures before they actually close rather than afterwards, which would seem to me to make sense.

It seems to me that these bodies need to be all individually looked at as well, but I still don't think we got a clear answer on whether you think it is time for the Government to step in and for bank closures, for example, to be regulated by the Government themselves, backing it up with some sort of legislative power so that things like holding a consultation with your community before you close rather than after are enforced. You all look a bit nervous.

Chair: Should it be on a statutory basis?

Caroline Normand: Our view is that access to cash and protecting access to cash needs to be put on a statutory basis, through a statutory duty for the regulators. That requires the Government to take this as a whole, to see the system and the infrastructure as a whole and to say,



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"We need to give one of the regulators the statutory duty to ensure that it continues." Therefore, the answer is yes.

Q43 **Chair:** Do you all agree on that? Mr Daley, given your—

James Daley: Yes, I do. I absolutely agree with that. We were conscious of the fact that the legislative agenda is busy with other things right now, and we did not want to sit around and come up with a set of proposals that relied on primary legislation immediately. We think there is an awful lot that could be achieved right now. We are glad to see the Bank of England saying that it is willing to act on our recommendations immediately.

Chair: Maybe that is a job for our friends on the Treasury Select Committee when they get an opportunity to take a look at this.

Colin Clark: I am taking notes.

Q44 **David Duguid:** I totally appreciate the need to protect access to cash for those who are dependent on cash. I think we are all agreed in this room that people are dependent on cash and other financial services and banking services that are put at risk from banks closing, ATMs closing and so on. As well as providing that protection, what else could the industry or Government be doing to help people transition to a more cashless society? Mr Daley, you are nodding your head. Do you want to answer that one?

James Daley: That was another important strand of our work. We did not come out with a position as to whether or not it is desirable to ever reach a cashless society or not. We started with the premise that we are not ready now. We have to accept the direction of travel and then look at the reasons why there are some groups who are dependent on it and, at the very least, get to a point where everybody has a choice.

Some of that is as simple as ensuring that we have sufficient broadband and mobile connectivity, but we also probably need some innovation to support some of those other groups that are excluded, whether that is people who rely on cash for budgeting or people who are excluded from digital payments because of mental or physical disabilities.

There is not a lot of innovation in that area at the moment. It is not where the money is to be made. That is why we think the FCA and the Government should be sponsoring challenges and encouraging innovation in that area, to try to ensure that we fix some of those problems and find alternatives for those individuals. Then, when we get to the point where everybody has another alternative, we can have a debate as a society about whether or not we want to keep cash forever, but we are nowhere near that at the moment.

Derek Young: There are probably groups in society who would need more support than others to move to a cashless society, and those are



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the ones that Citizens Advice Scotland sees frequently and is most concerned about.

I have mentioned before that when people are in problem debt they use folding cash as a way of managing their funds. That is exacerbated where they are repaying problem debts or are participating in a formal debt solution. It is very important that cash is the means by which they restrict their expenditure. Where people have taken out loans from friends and relatives, cash would be the preferred form of repayment.

You might need cash out quickly for expenses related to children, so that might relate to childcare, school meals, pocket money. People who access public transport are more likely to require cash to pay for that. There are also people who receive cash as their main way of receiving income. If they are working in the gig economy, are paid cash in hand, are a sole trader, a small business, for example, I think all of those people would need extra support and a lot of persuasion to be able to move to a cashless basis because it is such an essential feature of the way in which they manage their money right now.

Caroline Normand: I totally agree with the points made about innovation, but I think it is important to make sure that individuals and what individuals need and are comfortable with leads this, as opposed to the pace being forced the other way round.

I want to highlight the point about connectivity because it is such a big issue, quite apart from the cash network. Scotland has some of the slowest average connection speeds—we know that. If you are in Orkney it is right at the bottom: 3 megabits per second. Shetland is a little bit higher. Argyll and Bute and Moray are both in pretty bad shape as far as internet connections are concerned. For example, we heard from a lady who runs a post office and petrol station in the north of Scotland. She finds it very convenient to be able to have an ATM as well as the card payments that they use for petrol, because quite often the card payments are down so she sends people out to get cash from the ATM in order to pay for petrol.

That is an absolutely standard, normal issue that arises, and I think that to brush over some of those connectivity issues would be a mistake because they are really important, and they are one of the main reasons—reported to us—that 2 million adults in Scotland do not use online banking. The prime reason they say that they don't is bad broadband.

Q45 David Duguid: Ms Boyd, I want to ask you a slightly different question. The fact that I am asking you in particular informs the answer that I am expecting, but which areas of Scotland have been most impacted by bank closures and what are the impacts? I am guessing you are going to say the rural areas, but are there any parts of rural Scotland more impacted than others and could you describe those impacts?



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Sheena Boyd: It is quite patchy. I don't think you could define a certain type of area of communities. It has been a gradual process over quite a long period of years where a branch has closed in a community and so they use a different branch 10 miles away and then that branch is closed and so on, and it has a knock-on effect until it becomes a problem. Also, people are very good at managing so they create informal ways around the system. Children will do banking for their parents and there may be older children who are working, and they have cash. They will help out when the cash is deposited in, say, a mobile branch and it takes longer to clear. If it is deposited in a post office it takes longer to appear in their account, so parents help out with things like that, so they create informal ways of managing things. It is difficult to tell where the exact problems are because people do manage. They find ways around it if they have support networks there.

Derek Young: I know that Which? has produced new statistics today, but it is quite a helpful provider of data on branch closures through an online tool that it has. If you look back to 2015, it is not exclusively rural areas that have suffered the greatest loss of branches. The joint highest local authority areas across the UK that have lost the most branches are Cornwall, which is probably rural, and the City of Edinburgh.

There is probably a disproportionate effect for Scotland. The number of closures since 2015 suggests that 12% of branch closures have been in Scotland, as opposed to 8.3% of the population. That probably reflects the fact that, on the whole, rural areas are more disproportionately affected and that is probably the greater element. It is not necessarily the number of branches that were withdrawn but the effect is felt far more greatly in a rural area where there are fewer branches to start with.

Q46 **Chair:** Our figures here show that the City of Edinburgh has had the most branch closures followed by Glasgow City and then third is the Highlands. I think that makes your point that there is a disproportionate impact on the rural areas when it comes to population areas.

Sheena Boyd: What you are saying is right because it is a build-up of effects as well. There is an area in Argyll that currently has no post office and no bank. The bank closed some time ago and there were two post offices serving neighbouring communities. One of the postmasters resigned and a new one has been recruited but will not be starting until April and the other one, the postmistress, suddenly became ill.

Q47 **Hugh Gaffney:** Going back to helping a cashless society, I worry about some of the rural areas and the poverty areas where they are putting money on their machines. I have noticed that recently in one of the local shops: they are starting to charge people for accessing their money. These are people who depend on the money, as you said earlier on, for all the normal things that people do. Would it help if we got rid of the admin fees if we became a cashless society? Would that help people out? Some of the banks are charging admin fees for everything they do, extra costs. Would it help if we can get rid of that? Is it something you have



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thought about?

James Daley: One thing that the banks have been doing is, because it has not been socially palatable to pass on the costs of cash to consumers, they start to pass those costs on to businesses. If more people had the ability to use digital ways of making payments, that would be cheaper as a whole. I take Caroline's point that where we go should be driven by consumer demand, but I think our point is first let's ensure everybody has a choice, which people do not have at the moment. At that point, a lot of people would feel, "This is a lot easier for me, this is a lot cheaper, this is a lot quicker". Then, of course, there will be a minority of people who feel they need to have cash forever, for all sorts of valid reasons, and we have to take a decision as a society whether or not we want to try to protect that at all costs. Digital means are going to be cheaper and the market is pushing us that way, so at some point we need to stop and have that debate.

Q48 **Danielle Rowley:** When the bank branches are closed, do the ATMs remain operable? Is there any data on this?

James Daley: Sometimes they do but not always. LINK's super premium is designed to protect ATMs that are in danger of being closed. We hope that there will now be greater incentive to not close existing ATMs. In some cases, however, both the branch and the ATM go. It is very uneven. It is driven by commercial priorities and that is the problem.

Q49 **Danielle Rowley:** What might the barrier be? We have previously heard from banks that they would like to keep ATMs open but then it has not happened. Is it just a commercial decision?

James Daley: Absolutely that is what it is.

Q50 **Christine Jardine:** We have heard regularly, at this Committee and elsewhere, banks setting out as reasons for local closures the increased use of online and mobile-app banking and reduced footfall to branches. We have talked about this already today. In essence, how viable is online banking as an alternative to in-branch banking?

Sheena Boyd: That is a big issue in certain parts of Scotland. Even where you do have access to broadband, you also need the equipment to use it. You need to make sure that equipment is up to date and is secure, and that is not necessarily what everybody can manage to do. People do find ways around it. They use family to help them. Some older people are very willing to try but if something unexpected happens, it is very difficult for them to work around it. In practice, it is not as usable as it might be. It certainly is a good solution for run of the mill transactions for some people in some areas, but it is not a universal solution.

Q51 **Christine Jardine:** I have to declare an interest here, living in Edinburgh, where we have lost so many branches. You have to come in from the very furthest community, right into the centre of Edinburgh before you will get a branch or an ATM for one particular bank that I



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know of. Although that did not affect me, I had an issue recently where I needed to go into a branch for something that could not be done online. If you live in an area where there are no longer any branches, even a post office cannot help you because you need to talk to somebody at that bank.

To hark back to Age Scotland, there is a large population, a large number of people in the country, who do not use online banking facilities. They do not have access to computers or use computers or whatever. Are we beginning to get into some sort of two-tier system?

Sheena Boyd: Potentially. My generation is carrying a lot at the moment in relation to their parents and their children. Yes, I do think it is possible. Accessibility is an issue for rural communities—transport to the branch. There are things for which you do have to go to a branch to speak to somebody. You can try phoning them up, but it is not quite the same. Although people from urban communities may also have to travel some distance to get to a branch, they are more likely to have public transport than those in rural areas where there may be none. However, for people without access to cars, it is a bigger issue wherever you live.

Q52 **Christine Jardine:** The reason I ask is that in London I use my phone or my contactless card all the time. I very rarely have cash for anything. It is much the same when I go to Edinburgh. However, at my family home in the Highlands, I need cash and there is no ATM. We are beginning to find that one section of the community is living quite easily with online and digital banking but there is an entire section of the community that is being completely shut out.

Sheena Boyd: There is an issue there. It is possible that rural communities do not always appreciate it because we do not tend to go to urban areas so much. We only know what we know, what we are used to and what we work around on a daily basis. It sometimes takes rural communities seeing what urban communities have for them to realise that they are being left behind or shut out.

Derek Young: On the digital exclusion point, I can commend something to you, and I am very happy to share details of this with the Committee. The Royal Society of Edinburgh has done what I think is the most comprehensive study of the impact of digital exclusion. The study looked at all the various reasons why people might be excluded and at the different groups that are disproportionately affected. It looked at things like skills, confidence, motivation and access, and access for different reasons, because people lack broadband service in their own homes or because they cannot afford to maintain it. The Carnegie UK Trust has also looked at low income and poverty as being a driver of lack of access and produced a study on Glasgow, calling it a digital desert for many communities. There is a lot of material available that would assist the Committee with rest of the inquiry.



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On the point about branches being important for people to be able to access banking services, we have seen an element right across the Citizens Advice Bureau, which is that more people have been driven to open bank accounts where they have not done so before because of the recent welfare reforms. Universal credit is paid directly into a bank account, unlike some of the legacy benefits. Housing benefit, for example, was paid directly to landlords. The Scottish Government have the ability to change regulations to revert to that, but they are not in force yet, so at the moment people are being required to open bank accounts where they had not been before, and they have no relationship with the banks. For those types of customers, going and speaking to an individual when they are establishing a bank relationship for the first time is quite important. It is important to place people at their ease and have them understand what their rights and obligations are.

It is particularly important for universal credit because we know that there are difficulties with the implementation of universal credit. For example, there is a mismatch between the timing of when funds are paid and when they are needed to pay rent. It is quite possible that people are left in arrears, and we see this in bureaux across Scotland. They may have demands for payment being made to the bank account that are refused. You need to have that relationship of trust and understanding between a bank and its customers. That is much more likely to happen where you have face-to-face interaction, particularly for groups of people who are just starting out with a banking relationship.

Q53 Christine Jardine: There is probably a very simple answer to this question, which has never struck me before because I have never had to do it. How do you open a bank account if there is no branch there?

Derek Young: Potentially you can apply online to open a bank account. You can then be sent the paperwork and so on. A lot of credit checks, for example, can be carried out remotely. We would need to look into this, but I suspect that when most people open an account for the first time they do so in branch.

Q54 Christine Jardine: If you live in a rural community where the banks have been closed, you have bad broadband, and you are on universal credit, there are a whole lot of problems there for you to overcome, just to live every day.

Derek Young: One of those classic situations where different problems layer on top of each other.

Sheena Boyd: There is some support in rural communities, for example a computing hub in a building, whether it is a public building or not. Local authorities do tend to put on support services to help people fill in forms online to do things like open a bank account. There is some assistance.

Chair: We will leave that there and move on.

Q55 Ged Killen: Is there a risk that as we make banking more anonymous,



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we are also opening up more risk of financial abuse? I met the Bank of Scotland in my constituency not so long ago and was told about the banking protocol, how when customers come in they often know those customers, they know their behaviours, and when something is out of the ordinary the bank can report that to the police and they can refuse to give people cash. There are different kinds of options. The Bank of Scotland went on to close a branch in my constituency after telling me about that wonderful protocol they had in place. Are we leaving people more at risk of financial abuse?

Sheena Boyd: With regard to the informal arrangements that people make, they are disclosing their passwords, they are allowing other people, family, friends, to manage their affairs, basically, so I guess they are open to abuse. There is a lot of trust involved.

Derek Young: There is a slight additional risk. We have talked about people knowing the employees in the branch and that being quite important. It is also important for people who have mental health difficulties or cognitive impairments, where familiarity can be a way of them maintaining a sense of control and understanding their relationships, particularly when talking about money, where people are already a bit apprehensive and sensitive. If people are placed in an unfamiliar situation, it heightens the risk of distress, which obviously is not good for them.

Q56 **John Lamont:** I want to follow up on the broadband connectivity issue. We have had some evidence from a few people, including Mrs Malden from Chirnside in my constituency who said she had no faith in internet banking, and internet speeds being as low as they are in her area, people are unable to use the banking services either online or through their phone apps. That is a common issue in my constituency in the Borders, with one in five households not having adequate broadband speeds. Do you think the banks have things round the wrong way, that they are pushing people to use online or mobile services that are not currently available, whereas they should be waiting until areas like the Borders have good broadband and phone service and then making changes to the ways people can access banking services?

Sheena Boyd: The banks say that they are providing alternatives, such as mobile banking and the post office, which are not complete services and seem to be slightly different. Post offices that are perhaps in shops offer different services from what might be publicised. There is a lack of information in communities about what services they can access and in what place. It would be really helpful if there was a bit more information at a very local level about how a person can do their banking in that particular location, what alternatives are open to them. Although banks state that there is this, this or this that you can do, it is not always the case in every community and does not necessarily fit people's needs. That covers transport to certain places as well. All of that needs a bit more information for people in communities as to what services are there and how they can access them.



Caroline Normand: This points back to the earlier point about regulation. Decisions are taken commercially, not considering the situation on the ground. I would also point back to the regulators of financial services not thinking about and getting alongside their colleagues in Ofcom and other places that are looking at connectivity across the UK, whether it be mobile or broadband. It is so important to the future of access to financial services. It is a prerequisite to innovation, to spreading open banking, yet the map is just not there. Those organisations now need to start talking to each other much more than they have done. Pulling together regulation and the focus on the future of financial services across the regulators could help in that respect, because those questions around connectivity do come to the fore in financial services and you would get the pressure over on to our connectivity agenda.

Derek Young: Having access to a mobile banking van is better than having no access at all, but it is very common for mobile banking vans to be present in communities for short periods only, say one or two hours on one or two days a week. That places the onus on individuals who want to engage with those services to be present when the van is there and that could be problematic for particular groups. Small businesses, for example, might be not able to serve their customers because they have to conduct their banking at that time. You might have older people who have, say, social care packages at home where they are required to be at home at specific times of day, so the mobile service might not be particularly convenient for them.

On the practicalities of using the mobile banking vans, we have heard that some of them are not very physically accessible; there are obviously steps in and out, with no wheelchair ramps available. That can lead to situations where banking staff have to leave the vans and conduct personal banking business with people outside on the pavement or in the car park or whatever. Aside from privacy concerns, that obviously places you under much greater risk from inclement weather, so it is not necessarily a very pleasant banking experience, even if having that is an advantage compared with having nothing.

Q57 **Christine Jardine:** I was going to ask about mobile banking and you have answered my question to some extent. One of the counterproposals to the closures and losing the ATMs has been banking hubs. Would it be easier, more cost effective, for the banks to provide a branch in an area rather than mobile branches? Would that get round many of the problems that you have identified: accessibility, timing, weather—you don't want to stand out in the rain waiting for the bank to arrive? I remember what we had in the Highlands in the 1970s, so it is a bit of a throwback. Would something like banking hubs, which I know a lot of organisations support, get round the problems?

Derek Young: Potentially. An individual called Jeff Payne—I think he is a retired accountant—has done a study and has some proposals. We can



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certainly see the advantage and if the costs were shared among different banks in one premises, that would obviously cut through some of the financial drivers. From the point of view of claimants, as long as they were satisfied that they still had the same amount of privacy in their communications with an employee in a shared-banking setup in a hub, they would much prefer any solution that could mean a physical presence could be maintained.

- Q58 **Chair:** I want to stick with mobile banking. When we had RBS in front of us for two sessions and spoke with the CEO, mobile banking was trailed as the solution to most difficulties and issues. I represent a rural constituency where this has patently not been the case. The frustrations of my constituents are primarily around the changing and rerouting of these vans. Is it 21 vans that they have available to try to deal with the huge hinterland of Scotland? I am looking at Which? here, and possibly Scottish Rural Action. Is there any sense that mobile banking has been an adequate replacement for the services that have been lost? What is your experience of how this has worked?

Sheena Boyd: I don't think I have heard anybody saying it is a really good service, that they are really pleased with it. It is not that the van is not providing a service, because it clearly does, but it might be in a community for only 20 minutes or 40 minutes a week. If you are standing in queue waiting to be served and the time is up, the van has to leave to go to the next community and you may not get served and that is your one chance in that week to get your business done.

- Q59 **Chair:** I am thinking about south Loch Tay and Kinloch Rannoch in the months between November and February. It is not the most convenient time, sometimes, to be out and about.

Sheena Boyd: It is not. It is not pleasant and sometimes they park in unusual places—outside public toilets, for example. It is not a nice place to be standing, waiting to be served in whatever the weather throws at you, and that is if the bank gets there. If it is particularly bad weather, the bank may not get there at all.

- Q60 **David Duguid:** It does seem that those of us who are fortunate enough to have a decent broadband signal and can do our online banking get more and more services—I find it extremely useful—but for those of us who cannot, the service is getting worse and worse. It is not even standing still, which is unfortunate to say the least.

I want to come in on something Ms Jardine was asking about, this pilot in Birmingham. NatWest, Lloyds banking group and Barclays, I believe, have launched a pilot business-banking hub. I know it is early days yet, but I think it is something that works, notwithstanding the concerns that individual banking companies have. If that pilot was seen to work in a place like Birmingham, do you think it is something that could be scalable to the rural areas of Scotland, for example? When I say rural areas, I mean such as a town with a population of 5,000 to 6,000 that maybe



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once had five banks but now has only one.

Sheena Boyd: It might work for somewhere like that but for places with fewer than 1,000 people, perhaps not, and you would still have the same issue of transport to the hub. It depends on size, and what the economies would be in terms of the number of people that you would need to be serving to make it work.

Derek Young: It will be interesting to see how the Birmingham example works out. Obviously Birmingham is a very high population, urban area and I think the hub is primarily aimed at business customers at the moment, so more work needs to be done. I certainly commend the work that Jeff Payne has done. If the hub pilot could be rolled out, we would support it, if it extended or maintained access for people who are more likely to be vulnerable and more likely to be affected by branch loss.

Q61 **Hugh Gaffney:** Do you think there was an overreliance on post offices as an alternative for financial services when banks and ATMs closed? The banks seemed to use post offices quite a lot. Being an ex-postman myself, and someone who has dealt with post offices, I know postmasters are not happy now. They are not getting the same money as the banks and they are also talking about walking away. I was talking to a postmaster recently who told me someone came in with jars of money, emptied them out on to the counter and it took him 20 minutes to half an hour. It was not worth his while doing that. Queues build up, there is no privacy in the post offices, and they are struggling. Post offices have to pay wages for extra staff to come in and help out, but they are not getting the money they deserve. Are you getting the same feedback?

Caroline Normand: It is a good question. I could not have put it better myself. A lot of pressure is being put on the sub-postmasters and postmistresses. They were maybe not aware of what they were taking on when they took on the banking role. Things have been added to it, it is a lot of work and responsibility, and there is also a certain amount of vulnerability when they have to deal with the quantities of cash to be able to provide banking services in a corner shop. The shops themselves have their own issues, trying to keep their shop going and making sure that they are serving that business. Maybe it is a solution in some terms, but there is too much pressure and it will break. As I said before about the place in Argyll, people get ill or they retire, and they are not replaced quickly enough. People are perhaps not now as willing as they were to step into that role. Gaps are appearing and if that is the only provision in the community, it makes it even more fragile when something does go wrong, because it is based on people and people keeping going, doing the same job day in, day out.

Derek Young: Certainly we have had those points, and the privacy concerns you have outlined, made by the National Federation of SubPostmasters. Another concern reported to us is that not all post office staff are aware of all the types of banking services that might be available. The problem of the pressure of business is likely to intensify at



busy posting periods, in the run-up to Christmas for example. Sub-post offices are drawing very heavily upon postal business, and having somebody come in to conduct their banking at that time might be seen as an inconvenience.

There are a few practical issues as well. For example, sometimes post offices might exhaust their supply of deposit envelopes for a particular type of bank, so then somebody who has made a journey to go to a post office to make a deposit cannot do it because of the lack of a proper process. There are some difficulties. Clearly, as with many of these things, it is better to have access to some kind of service rather than none, but that does not mean that the service is necessarily a complete replacement for having a bank branch available.

Q62 **Hugh Gaffney:** I don't know if this is a matter for the regulator, but post offices are taking in thousands and thousands more in money and they are not getting the proper commission for it, which is why they are so disgusted. The banks are using them, saying, "Go to the post office". The sub-postmasters are getting together now, forming groups, and saying, "Where are we going with this? Is it being regulated? Is somebody stepping in?"

Caroline Normand: That goes back to the same piece, which is that you cannot use one part of the system as a sticking plaster without it realising it is part of the system. The whole thing needs to be looked at as a whole. One observation from us, coming from a different end, is that people generally, consumers across the UK, are not that aware—only 50% or so know that post offices can do banking services—and we have the same kind of reflection on queues and privacy. Another point is that when people have used post offices, they are pretty happy and 77% of them say they would do it again. However, it is part of a system that is put together by happenstance and this is the sort of thing that can happen.

Sheena Boyd: I have certainly heard of people running post offices in small communities who deliberately do not advertise that they offer the banking service because they do not want to deal with that side of it or they cannot deal with that side.

Q63 **Hugh Gaffney:** Another thing about post offices themselves is that we know the network is shutting down. I know Which? has done something about WHSmith, the worst retailer on the street, taking in the post offices and putting them in the most awkward places. Post offices are closing down. The sub-postmasters are also talking about closing down. Does the post office network have the capacity to do the banking role, to continue?

Caroline Normand: It is a good question and one that I do not have an immediate answer to, apart from going back to saying it depends what the role is, and we don't know what the role is. The role is picking up what others are not doing, and that—



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Chair: Mr Gaffney's point about WHSmith is a good one. In Perth, a city of 52,000 people, that is where the main post office is located. You are right—I saw this Which? piece about the service—and there are issues with it.

Q64 **John Lamont:** My question follows that very neatly. The sub-postmasters are pursuing Post Office Ltd in court just now. The first of the three court cases against Post Office Ltd was determined last week, or the week before. During the case, Post Office Ltd said that if the decision of the trial went against them, it would have a very serious impact on their business. What have you considered? Are you considering the possibility that the post office network is not going to be able to continue to provide cash as a consequence of these court decisions going against them?

Sheena Boyd: That would certainly leave some communities in a very difficult position. The post office network does seem to be a bit more helpful than banks in trying to make sure that there is a provision in more rural communities but at the moment, they are part of the sticking plaster, as Caroline described them, and if they go—

Chair: We have to be very careful. As a parliamentary Committee, we cannot discuss details of live legal cases. We can talk about the principle thereof but not the particulars, so a word of caution to Ms Boyd if she is going to continue to answer that question.

Q65 **John Lamont:** I will not ask for your views about the merits or otherwise, but if the post office network were affected as a consequence of something else happening, it would clearly have a big impact and Government may need to step forward.

Caroline Normand: There would clearly be a shock to the cash system, which is already under threat, having had the shocks of the ATM interchange issue and continuing bank branch closures.

Q66 **Chair:** Our interest in this started with the RBS closure programme, which was, I think, three years ago. Sixty-two branches across Scotland were closed. I remember, and all the Committee members around this table remember, the frustration of communities having to deal with these closures, the trauma that there was in the community and the feeling that they could not be actively involved. We have discussed regulations and I think you were agreeing with us that statutory regulation will be required. Do you also believe that this should be a much more transparent process that would engage communities at an early stage so that they could have some sort of meaningful impact before branches were closed? We recommended in one of our reports that there should be much more transparency and publication of the work done on banks and bank closures. Would that be something that you would all support?

Derek Young: That would be helpful. Ms Brock made reference to the access to banking standard following the Russel Griggs review. Although that has led to more consultation and more advertising of what



alternatives might be in place, there does not appear to have been an effect of restricting the rate or pace of closures and that is obviously the thing that has the most effect on consumers. In particular, the first review of the access to banking standard has also identified that some banks are not aware of, or are not very good at identifying, who vulnerable customers are and that is a key part of what were the drivers behind the access to banking standard in the first place. The value that that has provided remains to be seen. If there were obligations to engage at an earlier part in the process, I think people would feel much more empowered, at least to be involved with and try to shape the decisions that banks make, particularly when there is no statutory duty and where a lot of decisions are still made on a commercial basis.

Q67 Chair: I know there were near protests in the streets of Aberfeldy, which, believe me, is not a hotbed of revolutionary activity, which suggests that a community does feel powerless when it comes to these things, particularly about a big community asset like this.

Sheena Boyd: There is another reaction of apathy as well. Banks in communities have closed over the years and when you have lived with it for a long time and you don't have a branch, it is almost irrelevant to a certain extent that other branches are closing, when you have been living with this for years.

Chair: It is spot on 12 pm, just on time to wrap up. I am very grateful to all of you for appearing and helping us out this morning. It has been a fascinating session and there have been some very good responses to our questions. Mr Young, you said you would supply us with further information. We would be grateful for that and please send on anything else that you feel you can usefully contribute. Thank you for coming this morning.