



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Pete Wishart MP
Chair, Scottish Affairs Committee
House of Commons
London
SW1A 0AA

14 June 2022

SCOTTISH AFFAIRS COMMITTEE – ACCESS TO CASH IN SCOTLAND

Dear Pete,

I was delighted to attend the oral evidence session on access to cash in Scotland held by the Scottish Affairs Committee on 23 May. I am writing to the committee with further information on some of the topics that were raised during the evidence session.

As the committee is aware, the government has published its response to the Access to Cash consultation, which sets out the government's planned approach to legislating for access to cash in the Financial Services and Markets Bill. The Financial Conduct Authority (FCA) will be established as the lead regulator for retail cash access and will be given appropriate powers for ensuring that designated firms continue to provide deposit and withdrawal facilities across the UK. The FCA's powers will allow it to address cash access issues at both a national and local level.

LINK Community Assessments

The committee expressed interest in industry access to cash initiatives. As you know, following the government's commitment to legislate to protect access to cash, firms are working together to develop new initiatives to provide shared services. Under a new model agreed by the Cash Action Group, any community facing the closure of a key cash service will have its needs independently assessed by LINK.

The assessment process consists of three stages. The initial stage is to determine if there is another bank branch in the area; if not, LINK will conduct an assessment considering the following criteria:

- The proximity of the nearest neighbouring community with banking facilities.
- How levels of financial vulnerability compare with the national average.
- How levels of digital vulnerability compare with the national average.
- The proportion of older people (over 65) in the community, compared with the national average.

A weighted scoring system is used to assess whether a community is likely to need a new service. The final stage in the process involves a visit to the community, where LINK may consider factors such as bus timetables and local geography.

In circumstances where LINK considers that a community requires additional cash services, it will be responsible for ensuring a suitable shared solution for all cash users in that community. In February 2022, the Cash Action Group announced the establishment of a Banking Hub company to oversee the rollout of the services recommended by LINK.

The Cash Action Group has also committed that communities will be able to request a review of their community's needs by LINK from the summer of 2022 onwards. Any person in a community will be able to make a request by completing a form that will be made available on the LINK website. When LINK receives a request from a community it will conduct an assessment of the community's cash access needs in line with the process above. I understand that further details of the scheme are due to be published on the LINK website in July.

In light of these significant steps taken by industry to improve coordinated efforts by firms, the government's planned legislation intends to enable HM Treasury to designate such industry coordination bodies for FCA oversight. As part of this the FCA will be able to use its powers to address deficiencies at a local level where they are resulting in significant adverse impacts on local communities.

ATM Network

I am also able to share the figures for the number of ATMs in Scotland. As of May 2022, there are 4,655 ATMs in Scotland, of which 3,763 are free-to-use machines and 902 are pay-to-use machines. In May 2018, LINK reports that there were 5,903 ATMs in Scotland, of which 5,099 were free-to-use machines and 804 were pay-to-use machines. LINK is well positioned to provide further information on the ATM network in Scotland and publishes data at a constituency level online.

Cash Use

Further to the committee's questions about the levels of cash usage in Scotland, the government does not hold data on the use of cash in Scotland specifically. However, following discussions with HM Treasury, LINK has agreed to commission new research

on this topic over the summer. HM Treasury understands that LINK will publish the results in the autumn and has asked to be kept in touch so that the committee can be updated.

Whilst this work takes place, I would like to draw the committee's attention to the UK Payment Market's report that is published annually by UK Finance and provides information on cash use across the UK. A summary of the latest report can be found on the UK Finance website:

<https://www.ukfinance.org.uk/sites/default/files/uploads/SUMMARY-UK-Payment-Markets-2021-FINAL.pdf>

Branch Closures

Although decisions on opening and closing branches are taken by the management team of each bank on a commercial basis, the government also firmly believes that the impact of branch closures should be understood, considered, and mitigated where possible so that all customers, wherever they live, continue to have appropriate access to banking services.

The largest banks and building societies have been signed up to the Access to Banking Standard since 2017, which commits them to ensure that customers are well informed about branch closures, the bank's reasons for closure and options for continued access to banking services.

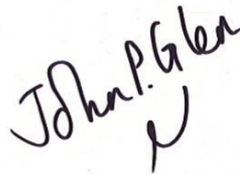
In September 2020, the FCA published guidance setting out its expectation of firms when they are deciding to reduce their physical branches or the number of free-to-use ATMs. Firms are expected to carefully consider the impact of a planned closure on their customers' everyday banking and cash access needs and consider possible alternative access arrangements. The guidance also makes it clear that the FCA expect firms to keep it informed, of plans for closures or conversions and the FCA then monitors whether customers are being treated fairly.

On 23 February 2022, the FCA published best practice feedback for firms who are intending to close bank branches or ATMs to give firms greater clarity on FCA expectations with regards to the quality of analysis and consideration of customer needs. The FCA also shared areas that it expects to see improvements in to ensure closure decisions are taken in a way that treats customers fairly. The areas of focus for improvement were ensuring adequate alternative service provision, proper communication to customers, senior manager engagement and the consideration of the needs of vulnerable customers.

Alternative options to access everyday banking services can be via telephone banking, through digital means such as mobile or online banking and via the Post Office. The Post Office Banking Framework allows 99% of personal banking and 95% of business customers to deposit cheques, check their balance and withdraw and deposit cash at 11,500 Post Office branches across the UK.

I hope the committee will find the information provided in this letter helpful and I look forward to seeing the committee's findings on this important issue.

Yours sincerely,

A handwritten signature in black ink that reads "John P. Glen" with a stylized flourish underneath.

JOHN GLEN

HMT officials have engaged LINK and the UK Finance on the topics raised in this letter. LINK has agreed to commission new research on cash use in Scotland and we understand that it will publish the results in the autumn. UK Finance has provided further information to HMT officials on the LINK community request process, included in this letter, to share with the community. HMT officials understand that further information on the community request process will be published in July.