



House of Commons
Scottish Affairs Committee

Access to cash in Scotland: Government Response to the Committee's Second Report

Fourth Special Report of Session
2022–23

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The Scottish Affairs Committee

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Publication

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Committee staff

The current staff of the Committee are Stephen Aldhouse (Senior Committee Specialist), Zoe Backhouse (Second Clerk), Pete Brook (Financial Analyst, Scrutiny Unit), Samantha Colebrook (Committee Operations Officer), Nerys Davies (Committee Specialist), Kay Gammie (Committee Operations Manager), Simon Horswell (Committee Specialist), Chloe Jago (Senior Media and Communications Officer), Alex Knight (Senior Economist, Scrutiny Unit), Leoni Kurt (Clerk) and Chloe Smith (Committee Specialist).

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Fourth Special Report

The Scottish Affairs Committee published its Second Report of Session 2022–23, [Access to cash in Scotland](#) (HC 80) on 11 July 2022. The Government response was received on 5 September 2022 and is appended below.

Appendix: Government Response

Introduction

I am grateful to you and all the members of the Scottish Affairs Committee for its report of 11 July 2022 on access to cash in Scotland. The Government recognises that cash remains an important part of daily life for millions of people across the UK.

Since the publication of the Committee's report, the Government has introduced legislation to Parliament to protect access to cash as part of the Financial Services and Markets Bill 2022. As the Bill is considered by Parliament I look forward to your continued engagement on this important subject. In that spirit, this letter responds to the recommendations to the Government contained in your report.

The role of cash in Scotland

We believe the issue of cash acceptance in a retail setting requires further investigation. We recommend that the UK Government should consider asking the Financial Conduct Authority (FCA) to investigate and monitor cash acceptance levels across the UK. If the FCA find a substantial number of retailers refusing to accept cash, the UK Government should introduce additional protections to ensure that consumers reliant on cash are not disadvantaged. (Paragraph 37)

I note the Committee's recommendation on cash acceptance. The Government recognises that the ability to transact in cash remains important to millions of people across the UK, and engages closely with the financial regulators to monitor and assess trends relating to cash.

The Government's legislation intends to support the ongoing use of cash in people's daily lives and helps to enable local businesses to continue accepting cash by ensuring they have reasonable access to deposit facilities. The Bill also provides the Bank of England with the powers to ensure the wholesale cash industry - the network of cash centres integral to the sorting, storing and distribution of notes and coin - remains effective, resilient and sustainable so it can continue to support cash access into the future.

Nonetheless, the Government's view is that it should remain the choice of individuals and organisations as to whether to accept or decline any form of payment, including cash or card. This may be based on factors such as customer preference and cost.

Related to this recommendation, the Committee's report reflects on the availability of data relating to cash in Scotland. According to further information provided by LINK, as of June 2022 there were over 5,000 ATMs in Scotland and the proportion of ATMs that

are free-to-use has increased in Scotland to 81%, up from 75% in January 2020. Around 96% of cash withdrawn from LINK ATMs is from free-to-use machines in terms of value, this is a similar proportion to before the pandemic and across the UK more broadly. Furthermore, LINK report that cash use in Scotland remains higher than the UK average, while their analysis shows that the proportion of people reporting that they were unable to pay in cash was similar to the UK as a whole.

ATM Network

We recommend that the UK Government should clarify their position on how the Financial Services and Markets Bill will interact with pre-existing industry-led solutions such as LINK's Financial Inclusion Programme. Currently, LINK's Financial Inclusion Programme is reliant on the voluntary membership of card issuers and ATM operators. We recommend that the UK Government consider legislating in the Financial Services and Markets Bill to mandate the membership of LINK for card issuers and ATM operators to ensure that the Financial Inclusion Programme can continue to provide free access to cash for as long as it is needed. (Paragraph 59)

Attempts to introduce deposit-taking ATMs for both consumers and SMEs have been constrained by a considerable lack of progress from both the banking industry and the UK Government. Considering the strength of the evidence to support their introduction, we repeat our predecessor Committee's recommendation that the UK Government set up a working group with industry to introduce network-wide deposit-taking ATMs. The rapid rate of bank branch closures and the growing rate of fee charging ATMs brings into sharp relief the necessity for deposit-taking ATMs to be introduced in areas of greatest need. (Paragraph 67)

In anticipation of the Government's legislation, significant steps have been taken by industry to improve coordinated efforts by firms to meet cash access needs.

In December 2021, the Cash Action Group announced that it had developed a voluntary industry model for the provision of cash access facilities, including initiatives to provide shared services. Under the model, an industry coordination body assesses the cash needs of local communities with a view to ensuring appropriate cash services are in place. In light of these developments, and the significant role that such coordination bodies may play in the future of cash provision, the legislation allows HM Treasury to designate such bodies for FCA oversight.

With regards to deposit-taking specifically, the Cash Action Group has made commitments to provide shared bank hubs in locations across the UK and is continuing to develop its approach to deposit solutions. Potential providers of deposit solutions may approach the FCA's Innovation Hub to apply for help to test and launch new products and services to the market through Innovation Pathways and the Regulatory Sandbox.

The Government remains supportive of initiatives by industry to protect access to cash. It is right that banks and building societies are held accountable for ensuring that their customers can continue to access cash services through appropriate solutions under the oversight of the FCA.

It is not the Government's intention for the Bill to determine how industry provides access to cash facilities. The Bill provides the FCA with powers to ensure reasonable provision of access to cash withdrawal and deposit facilities. As part of this the FCA will have oversight of the solutions developed and deployed by industry for the provision of cash withdrawal and deposit facilities.

The Bill and accompanying materials, providing further information on the Government's legislative approach, are available on the Parliament website: <https://bills.parliament.uk/bills/3326>

Post Office Banking Framework

Building on the structure and objectives of the Banking Framework Agreement, we recommend that the UK Government seek a long-term commitment from banks to maintain appropriate banking services for their customers using the Post Office network, to guarantee access to cash and basic banking services for all communities in Scotland.
(Paragraph 80)

The Government remains fully supportive of the Banking Framework agreement, which 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.

In January 2022, ahead of the conclusion of the current Banking Framework agreement at the end of this year, the Post Office announced that a new agreement had been agreed with the sector. It will begin in January 2023 and run until December 2025.

The Post Office is also working with the financial services sector to provide shared banking solutions where they are recommended by LINK, in its capacity as a coordinating body, as part of work undertaken through the Cash Action Group to develop initiatives for providing shared services.

Although Government-owned, the Post Office is an independent commercial organisation. The Post Office Banking Framework and bank hubs initiative are commercial arrangements between the participating banks and the Post Office. As such, I hope you can appreciate that it is not for Government to negotiate the details of commercial contracts such as the Banking Framework.

However, the Government recognises the critical role that Post Offices play in communities, and we have been clear that the Post Office should be a valuable social and economic asset for communities and businesses for years to come. That is why the Government has provided over £2.5 billion in funding to support the Post Office network over the past ten years. In addition, Government is providing a further £335 million for the Post Office over the next three years which includes a £50 million annual subsidy to ensure the viability of our important rural and community branches.