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Llywodraeth Cymru
Welsh Government

Rt Hon Stephen Crabb
Chair
Welsh Affairs Committee
House of Commons
London
SW1A0AA

14 May 2024

Dear Stephen

I have noted the invitation for the 'Call for Evidence' on 'Access to Banking' by the Welsh Affairs Committee and wish to make the following representation on behalf of my Government.

The withdrawal of many banks from high streets across Wales is a matter of considerable concern to communities and businesses. The pace with which banks have withdrawn, and continue to withdraw, is not being matched by the emergence of alternative forms of provision – such as Banking Hubs. The asymmetry between the pace of closures and the pace of industry-led alternative models indicates the need for far more robust and timely intervention by the regulators to safeguard access to essential services in Wales.

In 2019 the Senedd Committee on Economy, Infrastructure and Skills (EIS) undertook an inquiry into [Access to Banking](#). Whilst this is some time ago, many of the key themes are still relevant for Wales.

Alongside more current figures, which the Committee will have access to, I note research undertaken in 2021 - [Mapping access to banking services \(senedd.wales\)](#) - which showed the changing pattern of retail banking in Wales at that time. [[Mapping access to banking services \(senedd.wales\)](#)]

The current legislation – notably the Financial Services and Markets Act 2023 – protects access to cash but not access to physical banking services on high streets. The FCA has no role in private sector decisions on whether to maintain physical premises in an area. While it is not for the Welsh Government to second guess the response of the FCA to their recent consultation on *Access to Cash* (the Welsh Government response attached) we are clearly looking for an outcome which proactively enables and promotes community engagement, and which drives an accelerated response by the sector to the challenges which ongoing bank branch closures are only exacerbating.

In our view, shared banking hubs may provide a replacement for high street banks in some context, but other approaches and models should also be explored and piloted including

increased use of Post Offices and the Post Office Banking Framework, banking counters in Post Offices and other ethical digital and non-digital solutions such as OneBanx (Cowbridge pilot run by Principality Building Society) and credit union presence in other community facilities e.g. community hubs. There is real potential for some Post Offices to play an increased role in banking provision and would welcome a campaign to raise awareness nationally of their role in providing access.

The roll out of shared banking hubs in Wales has been far too slow when contrasted with the pace of bank branch closures. Currently, there are three operational shared banking hubs – in Prestatyn, Porthcawl and Welshpool – with six others planned. A number of credit unions operate in shared physical locations throughout Wales and one credit union is developing a mobile banking service to reach more vulnerable customers that rely on face-to-face services. The Welsh Government is supporting credit unions to expand into communities in this way, using shared spaces, but, though welcomed due to the increasing need for affordable credit provision, credit unions cannot provide a direct alternative to the loss of bank branches.

To support continued access to free cash, the Welsh Government works with LINK to highlight the needs for access to free cash via the ATM network, especially important in the most deprived communities.

There is no one size fits all that will completely replace the presence of multiple physical banks on high streets in small and medium size communities for both individual customers and businesses. However, the combination and rapid evolution of new alternatives mean that customers do have access to cash within the FCA's guideline distances in most cases. The problem is the correlation between use of cash and levels of deprivation, with the most vulnerable communities often relying more on cash. Other factors increase the barriers e.g. geography, rurality, distance to nearest town, cost and availability of public transport, cost of private transport, other factors such as old age, disability and the need for a Welsh language service.

Recognising the desire to see banking models genuinely committed to serving communities in Wales, the Welsh Government has sought to stimulate innovation and advance the concept of a Community Bank. This has been challenging, a picture repeated across the UK. However, the Welsh Government continues to engage with potential delivery organisations to explore possible options for Community bank delivery.

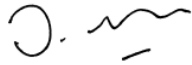
For those who are digitally excluded the loss of high street banks means a complete disconnect from access to physical banking services unless other alternatives such as Post Offices and credit unions are utilised effectively. It also makes it more difficult to access the more complex types of financial advice – especially where long standing personal relationships are removed – people do value a trusted relationship when dealing with financial matters.

For small businesses it may be harder to deposit cash, and this may lead to an acceleration in businesses moving to online-only payment routes for customers – with a subsequent knock-on impact on more vulnerable groups, included people with disabilities who choose, or are limited, to using cash for their transactions. Innovations such as the OneBanx hub hosted by Principality Building Society in Cowbridge indicate that digital technology can also bring benefits to small businesses. We would encourage the Committee to engage with the Principality Building Society to understand from them in more detail the data emerging from their OneBanx pilot.

The call for evidence asks if the issues arising from bank branch closures are more acute in Wales than in other parts of the UK. While recognising that the headline picture from reports

by the FCA, Lloyds and LINK do not appear to offer a significantly different picture for Wales, we question whether available statistics capture the full lived experience in many parts of Wales, and how that experience is being impacted by bank closures. While a helpful insight, current statistical measures do not, in our view, capture the full breadth of issues arising from branch closures. For example there is evidence that factors such as access to public transport within the rural Welsh Economy a barrier to financial inclusion and access to cash.

Yours sincerely,

A handwritten signature in black ink, consisting of a stylized 'J' followed by a wavy line and a short horizontal stroke.

Jeremy Miles AS/MS

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