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Meg Hillier MP, Chair
Public Accounts Committee
House of Commons
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28 January 2021

Dear Ms Hillier,

Thirtieth Report of Session 2019–21: 'The production and distribution of cash'

In December 2020, the Public Accounts Committee (PAC) published a report on *'The Production and Distribution of Cash'*.

This letter responds to the first recommendation in the report: 'By January 2021, HM Treasury and the Payment Systems Regulator should write to the Committee to provide a detailed assessment of the prevalence across the UK of cash only being available via paid for cash machines, or via Post Office counter withdrawals, and to set out the steps they have undertaken to ensure adequate access to free cash machines across the country.' A response will be provided to the other recommendations through the Treasury Minute.

The Government and Payment Systems Regulator (PSR) recognise that cash continues to be important to millions of individuals and businesses in communities across the UK, including those who are vulnerable.

Analysis of Post Office and Pay-to-Use (PTU) ATM locations

The PSR has worked with the Financial Conduct Authority (FCA) to assess the prevalence of areas across the UK where the only means of withdrawing cash is through a PTU ATM or Post Office counter.

The analysis is based on data from a variety of industry sources, originally collected for mapping analysis in March 2020 by the PSR and FCA, which informed the recent report *'Where to withdraw? Mapping access to cash across the UK'*, published by the University of Bristol in collaboration with the FCA, PSR and industry in November 2020. This data captures information about bank branches, ATMs and Post Offices as at March 2020 and remains the most up-to-date complete dataset. As of March 2020, there was good overall geographic cash access across the UK, with around 90% of neighbourhoods within 1 kilometre of a free source of cash. However, the Bristol report also highlighted that access can change very quickly at a local level. Details on how we are managing such changes is outlined below.

The results suggest that, as of March 2020, a small proportion of the UK population (1.5%) counted a PTU ATM as their only source of cash within 1 kilometre. A slightly higher proportion (3% of the population) counted a Post Office as their only source of cash within 1 kilometre. The full analysis is provided in an Annex, appended to this letter.

Measures to ensure adequate access to free-to-use cash machines across the UK

The Treasury, PSR, FCA, and Bank of England continue to engage closely, including through the Joint Authorities Cash Strategy (JACS) Group, to ensure comprehensive oversight of the UK's cash infrastructure. JACS Group members also maintain an open dialogue with industry and consumer organisations to monitor and understand the use of cash, particularly within specific groups, such as the vulnerable or elderly.

While free-to-use ATMs continue to be the most commonly used means of withdrawing cash across the UK, there are several ways in which people and businesses withdraw and deposit cash to support their needs and circumstance. Members of the JACS Group are therefore taking action to ensure the provision of cash across a wide range of cash facilities. This encompasses both work to mitigate the impact of the COVID-19 pandemic, as well as taking action to protect access to cash in the long term.

In October 2018, the PSR used its regulatory powers to direct LINK through Specific Direction 8 (SD8), so that it maintains a broad geographic spread of free-to-use ATMs. In March 2020, the PSR published its first annual review of the effects of SD8 and concluded that SD8 is having a positive impact and should stay in place. A second review of SD8 is currently underway and will be published in the next few months.

The PSR's work has resulted in LINK taking a number of actions, including protecting ATMs that become isolated as nearby ATMs close, and introducing additional interchange payments to support free-to-use ATMs with low volumes. Furthermore, it has encouraged LINK to develop additional initiatives, such as LINK's ATM Community Request scheme and Retail Centre Policy. Collectively, these actions ensure that communities, including those in remote and deprived locations, continue to have access to free-to-use machines.

Since the onset of the COVID-19 pandemic, the relevant public bodies have been working closely to address any emerging access to cash issues in the UK's cash infrastructure. The PSR and FCA have carried out the mapping work referenced above and, along with HMT, are receiving regular updates on ATM, bank branch and Post Office availability during the COVID-19 pandemic. Through the Banking Access Co-ordination Group, the PSR and FCA are helping to ensure the most vulnerable have alternative ways to access cash and other essential services, such as making in-person payments, and coordinating actions to return access as quickly as possible. This has meant that the vast majority of people have been able to access essential banking services, including cash, through the pandemic. Throughout the pandemic the PSR and FCA have published information to consumers and firms online about access to cash, including a joint statement, latest analysis and updated guidance.

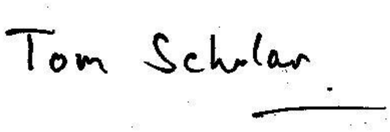
In September 2020, the FCA published new guidance for banks, building societies and credit unions when they are considering closing branches or ATMs. This guidance means banks should analyse the impact of closures on their customers and promote reasonable alternative options to help customers continue to access banking services, including cash. The FCA analyses and engages with firms on their closure and conversion plans for bank branches and ATMs to ensure consumer protection is maintained.

The FCA's guidance does not apply to Post Office branch closures. The Post Office Banking Framework is not part of the FCA or PSR regulatory remit and the Post Office's geographic coverage criteria are set by the Department for Business, Energy and Industrial Strategy.

The work of public bodies has been complemented by industry-led initiatives to support financial inclusion and access to cash. This includes the Community Access to Cash Pilots initiative, chaired by Ms Natalie Ceeney, CBE, which is trialling additional cash access facilities – including new ATMs, shared banking facilities and cashback without purchase – within selected pilot areas.

In addition, the PSR and FCA convened a set of working groups to develop sustainable and appropriate solutions to meet the cash needs of consumers and businesses in the longer term. A final set of recommendations was made by these groups in December, and these are now being considered further by the PSR, FCA and Government.

To progress work to protect access to cash and ensure that the UK's cash infrastructure is sustainable in the long term, the Government has recently conducted a '*Call for Evidence on Access to Cash*'. This set out Government's aims for legislation and sought views on cash withdrawal and deposit-taking facilities, cash acceptance, and regulatory responsibilities for maintaining cash access. The Call for Evidence closed on the 25 November 2020 and the Government will set out the next steps for its work on cash access in due course.



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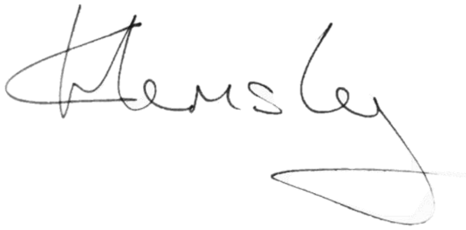

Chris Hemsley

Annex A: Analysis of prevalence of Post Office and Pay-to-use (PTU) ATMs

1. In response to the first part of this recommendation, the Payment Systems Regulator (PSR) and Financial Conduct Authority (FCA) have conducted the following analysis, using the latest complete dataset that covers ATMs, bank branches and Post Office locations as of March 2020.

2. The dataset used also underpins the report *'Where to withdraw? Mapping access to cash across the UK'* published by the University of Bristol in November 2020, based on collaborative work with the PSR, FCA and industry. That analysis showed that, as of March 2020, there was good overall geographic cash access across the UK, with around 90% of neighbourhoods within 1 kilometre (km) of a free source of cash, albeit with significant variation in certain areas. However, the report also highlighted that access can change very quickly at a local level.

3. This analysis uses PTU ATMs and Post Offices across the UK as a 'centre', then assesses the proportion of the UK population that live within a 1km, 2km and 5km radius of those facilities.

4. The results suggest that only a small proportion of the UK population count either a PTU ATM or Post Office location as their only cash access facility within 1km.

   - For 3% of the UK population, the only source of cash access within 1km is a Post Office location.
   - For 1.5% of the UK population, the only source of cash access within 1km is a PTU ATM.
   - For 2% of the UK population, the only sources of cash access within 1km are a Post Office location and a PTU ATM.
   - 830 PTU ATM locations in the UK do not have another source of cash within 1km.
   - 635 PTU ATM locations have only a Post Office location as an alternate source of cash within 1km.

5. The data used in the analysis represents the most recent stable and comprehensive picture on access to cash, but it is from March 2020. Therefore, it does not give a current picture of Post Office and PTU ATM prevalence. During the pandemic, access to cash has also have been affected by temporary COVID-related closures in local communities. Throughout this time, public bodies have worked closely with industry to provide additional support for those affected. This has meant the vast majority of people have been able to access essential banking services, including cash, throughout the pandemic.

6. The FCA and PSR are collaborating to create a shared framework for collecting data, in order to monitor and assess changes to the cash access infrastructure on an ongoing basis. They are also continuing to track permanent closures by firms.

Methodology and analysis by nation and region

PTU ATM locations

7. This analysis identifies PTU ATM locations which have no alternative sources of cash – an ATM, Post Office branch, or bank or building society branch - within a 1km, 2km, and 5km radius. The prevalence is measured by looking at PTU ATMs (which have no alternative sources of cash) as a percentage of all PTU ATMs and of all ATMs.

8. Table 1 shows that there are in total 830 PTU ATMs in the UK which have no alternative source of cash within 1km; these ATMs make up 5% of all PTU ATMs and 1% of all ATMs. As might be expected, at distances of 2km and 5km these numbers are smaller. Regionally, the South West, South East and the West Midlands have the highest number of PTU ATMs without an alternative source of cash within 1km.

Table 1: Number of PTU ATMs with no alternative sources of cash

Alternative source of cash	Country	Region	Distance 1 km	Distance 2 km	Distance 5 km
None	England	East Midlands	50	10	0
		East of England	86	24	0
		London	10	0	0
		North East	28	3	0
		North West	84	19	1
		South East	131	40	0
		South West	117	53	1
		West Midlands	114	17	0
		Yorkshire and The Humber	74	19	0
	Northern Ireland		16	2	0
	Scotland		53	13	5
	Wales		67	16	1
	UK total	count	830	216	8
		% of all PTU ATMs	5.42	1.41	0.05
		% of all ATMs	1.38	0.36	0.01

Source: FCA/PSR analysis

9. The same analysis was undertaken to identify PTU ATMs where the only alternative source of cash within the specified distances of 1km, 2km and 5km, is a Post Office location.

Table 2: Number of PTU ATMs with Post Office location as the only alternative source of cash

Alternative source of cash	Country	Region	Distance 1 km	2 km	5 km
Post Office	England	East Midlands	32	26	7
		East of England	60	52	17
		London	8	0	0
		North East	32	12	2
		North West	45	23	13
		South East	115	83	34
		South West	96	97	37
		West Midlands	47	43	20
		Yorkshire and The Humber	31	15	6
	Northern Ireland		23	21	7
	Scotland		52	38	17
	Wales		94	73	34
	UK total	count	635	483	194
		% of all PTU ATMs	4.15	3.16	1.27
		% of all ATMs	1.06	0.80	0.32

Source: FCA/PSR analysis

10. The analysis indicates there are 635 PTU ATMs where the Post Office is the only alternate source of cash within 1km. These ATMs account for 4% of all PTU ATMs and 1% of all ATMs. At distances of 2km and 5km, the number of ATMs decreases, as for the previous analysis. Regionally, the South West, South East and the East of England have the highest number of PTU ATMs whose alternative source of cash within 1km is a Post Office.

11. The final piece of analysis looked at identifying the percentages of population and area where the only source of cash within 1km, 2km and 5km is a PTU ATM.

Table 3: Percentages of population and area that only have a PTU ATM nearby

Source of Cash	Measure	Radius 1 km	2km	5km
PTU Access only	% Population	1.49	0.29	0.02
	% Area	1.05	1.18	0.32

Source: FCA/PSR analysis

12. The analysis indicates that for 1.5% of the UK population, a PTU machine is the only source of cash within 1km, which reduces to 0.3% of the population for a 2km radius.

Post Office locations

13. The first analysis in Table 4 is the percentage of people for whom the Post Office is the only source of cash within 1km, 2km and 5km (considering all sources of cash as alternatives). The second analysis is the percentage of people for whom the Post Office is the only source of cash within 1km, 2km and 5km (considering all sources of cash as alternatives, except PTU ATMs). The difference between the first and second set of

analysis is the percentage of people for whom Post Offices and PTU ATMs are the only source of cash within 1km, 2km and 5km.

Table 4: Percentages of population and area that only have a Post Office (including and excluding PTU ATMs) or a Post Office and a PTU ATM nearby

Source of cash	Measure	Radius		
		1 km	**2km**	**5km**
Post Office only (including PTU ATMs)	% Population	3.11	3.15	1.33
	% Area	4.21	12.00	15.36
Post Office only (excluding PTU ATMs)	% Population	4.97	4.22	1.95
	% Area	4.90	13.85	18.93
Post Office and PTU ATMs only	% Population	1.86	1.07	0.62

Source: FCA/PSR analysis

14. The findings are that, for 3% of the UK population, the only source of cash within 1km is a Post Office location, which increases to 5% if we do not consider PTU ATMs as an alternative source of cash. When considering a 2km radius, the percentage of the population is the same as for a 1km radius (i.e. 3%), though if we do not consider PTU ATMs as alternatives the proportion of the population falls slightly to 4% (from 5%).

15. The percentage of the population that have access to both a Post Office location and a PTU ATM, but not anything else, is slightly lower; at 1km, 2km and 5km it is 2%, 1% and 0.6% respectively.