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Dear Ms Hillier,

## THE PRODUCTION AND DISTRIBUTION OF CASH

Thank you for your letter of 25 March regarding the Production and Distribution of Cash. The Government recognises that cash remains important to millions of people across the UK, including those in vulnerable groups. In response to the Committee's request, I am writing to provide a further detailed update on the Treasury's work on this.

### Use of cash

The COVID-19 pandemic has had an impact on cash usage in the short term and is likely to have accelerated the longer-term trends of declining cash use. In April 2020, transaction volumes through the LINK ATM network were approximately 60% lower when compared to the equivalent period a year earlier. ATM usage has picked up again since but remained approximately 45% lower in February 2021 than February 2020. Despite this, there were still almost 100 million LINK transactions and over £5 billion withdrawn in the month of February 2021.

During the COVID-19 pandemic, the Treasury has been working closely with regulators and industry to ensure customers continue to have access to essential banking services, including access to cash, while also protecting the safety of staff and customers.

## Legislation

Access to cash is a complex issue and it is important that legislation is carefully designed to accommodate current and future cash access solutions as well as anticipating changing cash needs over time.

To progress the development of cash policy, the Government published the '*Access to Cash: Call for Evidence*' in October 2020.<sup>1</sup> This sought views on the key considerations associated with cash access, including deposit and withdrawal facilities, cash acceptance, and regulatory oversight.

As was set out in the Call for Evidence, the Government's overarching objective in this area is to maintain a sustainable infrastructure for cash in order to ensure financial inclusion for all parts of society, including the most vulnerable who rely on cash in their daily lives. In order to achieve this objective, the Government set out that flexibility and proportionality will be important criteria to meet the needs of individuals and businesses.

Responses to the Call for Evidence were due to be returned by the 25<sup>th</sup> of November 2020. The Government has been reassured with the level of engagement from a wide range of stakeholders, including industry and consumer groups, who represent a number of different groups and interests. The Government is considering the responses and Ministers will set out next steps in due course.

## Cashback without a purchase

The Committee asked the Government to set out steps to enable cashback without the need to make a purchase.

The Government's view is that cashback without a purchase has the potential to be a valuable facility to cash users, and to play an important role in the UK's cash infrastructure. As you may be aware, the Financial Services Bill is currently before the House of Lords, and an amendment has been tabled seeking to facilitate the provision of cashback without a purchase through legislative changes. This amendment is due to be considered on Wednesday 14<sup>th</sup> April and Ministers will set out the Government's position on it then. I will write again to the Committee on this issue after that.

Furthermore, industry is undertaking initiatives relating to cashback. Mastercard and Visa have both announced incentives for retailers to offer cashback to encourage promotion and uptake of this withdrawal service. As part of the Community Access to Cash Pilots, LINK and PayPoint are trialling consumer withdrawals of cash in smaller shops without paying a fee. This includes the ability to withdraw amounts to the nearest penny. Indications from this trial are positive and the Government looks forward to the outcome.

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<sup>1</sup> ['Access to Cash: Call for Evidence', HM Treasury, October 2020](#)

## Cash access points

As per the Committee's recommendation on the availability of cash access points, the Treasury and the Payment Systems Regulator (PSR) wrote to the Committee on the 28th of January 2021.

That letter set out work by the Financial Conduct Authority (FCA) and the PSR with the University of Bristol to analyse cash access locations across the UK. In November 2020, the findings were published in the '*Where to withdraw? Mapping access to cash across the UK*'<sup>2</sup> report. It demonstrated that there is good access to cash throughout the UK, with around 90% of neighbourhoods within 1 kilometre of a free cash access point. When including cashback around 42% of neighbourhoods have free access to cash within 250m, rising to 93% within 1km.

The FCA are collecting regular data to monitor cash access points in the UK, building on the work done during 2020. The mapping of cash access will show a static map of areas within the UK that have access to a source of cash within a given set of distances. This can then be used to determine the average population that has access at these distances. This will be based on facilities including bank and building society branches, ATMs, Post Office branches, and cashback locations.

Through its work to date, the PSR has exercised its statutory powers by giving Specific Direction 8 to LINK, which ensures that LINK does all it can to uphold its public commitment to protect the broad geographic spread of free-to-use ATMs. The PSR is also working with LINK to develop new initiatives to help communities continue to have access to free-to-use machines, such as through local engagement. The PSR recently sought feedback through its Call for Views as part of its second review of Specific Direction 8, the outcome of which it expects to publish in the next couple of months.

## Regulatory oversight

In relation to regulatory oversight, the Government will ensure that regulators have the right responsibilities and powers to oversee the cash system. As was set out in the Call for Evidence, while effective coordination between the financial authorities will continue to be critical, the Government considers that there may be benefit in giving a single authority overall responsibility for setting requirements to ensure that the retail distribution of cash meets the needs of consumers and businesses.

The Government's view is that the FCA may be well positioned to take on the function through legislation. The appropriate provision of cash withdrawal and depositing facilities are crucial in maintaining access to cash. Deposit-taking institutions provide both of these

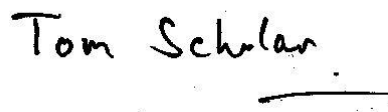
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<sup>2</sup> ['Where to Withdraw: Mapping Access to Cash Across the UK', University of Bristol, Financial Conduct Authority, Payment Systems Regulator, November 2020.](#)

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facilities to their customers at present, and have an existing regulatory relationship with the FCA. Within this model the government intends that the PSR and Bank of England would continue with their existing functions to support the delivery of requirements relating to access to cash.

I am copying this letter to the Treasury Officer of Accounts and the Comptroller and Auditor General.

A handwritten signature in black ink that reads "Tom Scholar". The signature is written in a cursive style and is positioned above a solid horizontal line.

Tom Scholar