

Consultation Response

Access to cash

Financial Conduct Authority, CP23/29

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About this consultation

The Financial Services and Markets Act 2023 contained measures to protect consumers' and businesses' access to cash, conferring new powers on the Financial Conduct Authority (FCA) and HM Treasury. Withdrawing and depositing cash is essential for a significant minority of both groups. In September 2023, HM Treasury published its 'Cash Access Statement', which set out the grounds by which the FCA should establish a regime to protect cash access. This consultation is the latest step in the implementation of the new regulatory regime.

Key points and recommendations

- Access to cash remains extremely important to a significant number of older people, and will continue to be well into the future.
- We broadly welcome the FCA's proposals, which we are confident will make a significant difference to people's ability to access cash withdrawal and deposit services.
- We encourage the FCA to look closely at related issues that affect older consumers. For example, people who are unable to leave their home, yet who may rely on cash, will continue to struggle to access it. The FCA should work with the banks to address this and any similar issues.
- Additional consideration should be given to the 5% of the population not covered by the distance requirements, and whether there are special measures that can help people maintain access to cash withdrawal and deposit services.
- There is a reliance on the banks themselves to conduct the assessment processes. This creates an inherent tension, as the requirement to deliver cash services will clash with commercial considerations.
- The FCA must closely and continually monitor outcomes across the country and on a bank-by-bank basis to ensure the industry is not gaming the situation.
- Ideally, in the event of appeals/complaints the review process would be conducted by an independent body, such as LINK or the FCA itself.
- We are concerned that the definition of 'assisted cash' is vague and needs to be tightened. This will avoid confusion, compel the banks to provide a minimum standard and help meet the needs of digitally excluded consumers.
- Many older people are not online, and all communications and processes need to recognise this and ensure that offline consumers can fully participate in the new system.

About Age UK

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate.

Introduction

In spite of its decline over recent years, cash remains a hugely important payment mechanism. In 2022, there were 6.4 billion transactions involving cash, an increase on 6.0 billion made in 2021, representing 14% of all payments made across the country.ⁱ Even though usage is on a long-term downward trend, it is still the second most common method of payment, surpassed only by debit cards.

Research by the Royal Society of Arts found that 96% of the total population use cash at least from time to time, with 66% withdrawing cash at least once a month. Nearly one in five (19%) say they would struggle to cope in a cashless society.ⁱⁱ

Higher levels of cash usage are also associated with deprivation. During the Covid-19 pandemic, areas with higher levels of deprivation saw a 20% lower drop off in cash use.ⁱⁱⁱ Older people living on low incomes are known to be more reliant on physical banking services and cash, as well as less likely to be digitally included. This is borne out by Age UK's own research into banking, as set out in our report ['You can't bank on it anymore': the impact of the rise of online banking on older people](#).^{iv} It is clear that the decline in cash availability and acceptance disproportionately harms people from low-income households, who are far more likely to rely on it.

Older people are particularly reliant on cash, with age being a key factor in someone's attitude to using cash and digital payments. The Financial Conduct Authority's 2020 Financial Lives survey found that 2.4 million people, 21% of the older population relied on cash to a great extent in their day-to-day life.

The more recent 2022 Financial Lives survey, unfortunately, did not repeat the same question, although it did provide further detail on how older people use cash. There is a clear age-related element to many of the findings, especially for the 75+ age group. For example, 37% of 75+s had used cash the last time they purchased something in a local shop, compared to an all-age average of 18%.^v Only 10% of this age group, and 9% of 65-74s did not use cash, notably lower than younger age groups.^{vi}

The most common reason for the high levels of cash use among older age groups is the convenience/speed of the transaction, cited by 68% and compared to the all-age average of 46%. The older age groups were also more likely than younger people to use cash because of the trust they place in it, and because of the protections available if something goes wrong.^{vii} This suggests that there is an ingrained psyche of cash use in these cohorts, and that many within these older age groups will continue to rely on cash come what may.

Those missing out

We broadly welcome the FCA's proposals, and believe they will go some way to protecting most people's ability to withdraw and deposit cash for years to come. There are some groups who may not be covered by the proposals, and some situations that could arise where suitable solutions are not put into place.

In particular, there are older people reliant on cash who find it very difficult to get out and about, so cannot access cash even when it is located nearby. People often need to pay for personal services and essential goods using cash, but may find accessing cash very difficult. While this is not expressly referred to in the Treasury's policy statement or the consultation document, we believe this is a good opportunity for the FCA to consider how the banks can help meet demand for this group, for example by posting cash.

There is also a question over what happens to those not in the 95% within one or three miles of cash (depending on whether they live in urban or rural areas respectively). The FCA and the industry should clarify what additional measures will be in place to help 'the 5%'. We also recommend that the FCA liaise with other Government departments where access difficulties cross with other issues, in particular the Department for Transport for planning the delivery of bus services.

Assessments

We also have some concerns about the role of the 'designated firms', i.e. the banks and other cash providers from within the industry, in the assessment process. There is an inherent conflict of interest between providing the required access to cash and minimising costs, so it seems clear that the banks' commercial interest will trump any genuine concerns for the local community, leading to local shortages of cash services. Ideally all such assessments would be overseen by an independent body, for example LINK or the FCA. However, if this is genuinely not possible, any decisions that fail to provide access points should be reviewed by an independent second-tier body. We would welcome clarification on this process.

Similarly, the complaints process via the bank, the FCA and the Financial Ombudsman Service must be transparent, fair to consumers, and timely. An investigator may need resources to understand how a decision was reached, which risks leaving decisions that

cannot be adequately challenged – if the designated firm conducts an assessment, then all data must be shared, and a guarantee given that resources will be made available at the banks expense to review the decision.

In a similar vein, communications with local communities and the public more widely need significant improvement. The Access to Banking Standard, formerly overseen by the Lending Standards Board, was ineffective as it lacked any meaningful way of changing banks' decision making process. Any communication, as well as decision-making processes, under this new cash regime must be transparent, contain meaningful opportunities to challenge decisions, and encourage accountability for the banks and FCA.

More positively, we particularly welcome the FCA's framework for preventing closures until alternative provision is in place. This should prevent cash deserts occurring, and ensure the banks remain focused on delivering localised solutions. As noted above, there is a risk that banks commercial incentives will trump what is needed in communities, and this measure will be an important backstop.

There is also an indirect yet clear link with the rollout of shared Banking Hubs. The provision around not closing cash access / withdrawal points *could* extend to bank branches, hence allowing those that rely on physical banking services to maintain access until a Banking Hub is up and running. Although we recognise extending these rules is not part of this consultation, we suggest that the FCA remains open to working with the banks to implement such a joined-up system.

As cash usage is strongly interlinked with the need to use physical banking services, we firmly believe that combining the two is the best way to protect older people's ability to manage their money – if this can happen by industry voluntarily maintaining the necessary range of services that is good, however if not, then Government and regulators must step in.

'Assisted cash'

We would like the FCA to derive a widely accepted definition of 'assisted cash'. Currently, precisely what this means varies from organisation to organisation, each proposing different levels of intervention to help meet vulnerable consumers' needs. The current paper defines it as:

"Assisted cash is usually in-person support, in a bank branch or Post Office outlet, including banking hubs."

We are concerned this definition is too vague, and gives a wide degree of wiggle room for the banks to evade providing suitable support. For many people who struggle with online banking or using machines, regardless of the location, having sufficient support to complete basic banking tasks is very important. 'Assisted cash' could even go as far as providing digital skills support, and helping people manage a range of activities. This has

been shown to be possible from remote locations (i.e. outside of a branch) by fintech companies using Open Banking technology, and there is no reason why banks could not provide greater support to those customers who need it. Failure to do so would be a missed opportunity to help more people manage their finances online.

Digital inclusion

2.7 million people aged 65+, over a fifth of people, do not use the internet, while 70% of 75+s and 30% of 65-74s are unable to complete eight of the most fundamental tasks required to use the internet safely and successfully.^{viii}

Many do not have the skills and confidence to manage their money in this way – fewer than half of 75+s and 61% of 65-74s use online banking at least once a month. This can lead to a false assumption that people’s money-management needs are being met, when they in fact continue to be cash-reliant. When undertaking assessments of local need, it is imperative that any digital exclusion measures account for the fact that it is not simply about access, but also confidence, skills and having the right technology.

We are happy to meet with the FCA to talk in more detail about older people’s digital inclusion needs, as we have a wealth of knowledge and experience at both assessing need and at delivering solutions that improve digital inclusion.

2. Consultation questions

Q1: Do you agree with the proposed ‘trigger events’ for a cash access assessment resulting from a closure of or material reduction/change to a service? Are there any additional trigger events we should consider?

We broadly agree with the list. We believe steps can be taken to ensure that any closures or significant changes to opening hours of facilities managed by non-designated bodies can be accounted for, at least to a degree. It is important to prevent cash deserts occurring, and the FCA could work closely with the Post Office and retail organisations, for example the Association of Convenience Stores, to monitor the closure of these cash facilities.

The FCA could also monitor population changes, for example the building of a new housing estate or retirement housing complex, and ensure that such changes are catered for. The FCA should consider how this could be achieved, for example whether finding a method of nudging housing developers to make a community request is possible.

We agree that the withdrawal of a designated firm from a shared services facility should be treated as a trigger event.

Q2: Do you agree that our proposals will enhance communities' ability to proactively address cash access concerns in their areas?

Requirements for cash (and physical banking services) will vary from place to place, largely depending on the size of the town and its demographics. We broadly agree that the proposals will help address communities' cash concerns, however they may not help each individual feel empowered to take action. For example, there may be a reliance on local charities or a local Councillor to submit a community request.

The assessment process will not necessarily allow individuals and communities to engage in how the final decision is made; the process should be transparent and enable community involvement wherever possible.

We are unsure why there is concern about 'vexatious requests'. Information about closures of most cash access facilities (aside from bank branches) will only be known locally and among industry, and local people are not excluded in any case. It is unclear how the FCA will decide who has a sufficient local interest and enforce this. A bigger concern should be how to empower people and local organisations to raise concerns about cash access in the first place.

The complaints process is also very important, especially if the designated firms are facing little direct pushback from the FCA. People must have confidence that they can ask for a review, which will be independently assessed, and that the Financial Ombudsman Service is resourced and skilled to adequately handle complaints. In our view, this is the biggest threat to the process being seen as transparent and fair.

Q3: Should there be other events that should not trigger a cash access assessment? If so, what are they?

As mentioned in our response to question two, each location is different and a one-size-fits-all policy will not be appropriate. Different locations require different solutions, so for example have one cashpoint or relying on one Post Office in a larger town would be inappropriate, whereas it may be in a village.

Q4: Do you consider that 8 weeks will be sufficient time to gather information and complete a cash access assessment? If not, please set out an alternative with reasons?

Yes. However, the FCA should set out clearly what the consequences of failure would be – there is no suggestion of any penalties in the consultation document which will be necessary to incentivise the designated firms to comply.

Q5: Do you agree with our transitional period of 3 months?

Yes – this framework needs to be introduced as soon as possible to avoid more closures in the intervening period.

Q6: Do you agree with the approach of establishing a local area by reference to the addresses of those who could be affected by a deficiency? Are there any other factors designated entities should be required to take into account when establishing the local area to be used in assessments?

There may be some areas with a high proportion of older people living on low incomes, which could require additional cash facilities, with geographical features that make access difficult, or with poor public transport. At a high level, using a post code analysis seems suitable, although these other factors should be taken into account too.

Q7: Are there any additional factors that should be considered by designated entities in the Step 1 assessment process? Please detail what and why they are important to understanding if a local cash access deficiency exists?

The assessment should closely match that done by LINK for its assessment's of shared Banking Hubs. LINK includes financial and digital exclusion, as well as age. All of these will provide a guide as to potential cash use in the local area.

Transport is also very important, especially access to cash via public transport. With the constant decline in bus routes, this means decisions may need revisiting in future. The availability of nearby free parking is also a consideration.

Local topography should be considered where possible. For example, expecting people in poor health to climb a steep hill to access cash – even where this looks reasonable as the crow flies on a map – is unfair and will not lead to workable solutions.

Q8: Do you agree with our last branch in town proposal?

Q9: Are there other proposals for the last branch in town we should consider?

We support the Community Cash Advisory Panel's (and the FCA's) view that the provision around last branch in town has been insufficient, and that the new definition will help alleviate the situation. As this is at the interface between cash and branch closures, it would be appropriate if banks keep the whole branch open until an appropriate alternative

cash solution is in place, and the FCA should work closely with Cash Access UK and the banks to ensure this happens.

Q10: Do you agree with our proposals for Step 2 of the assessment process and the factors designated entities should take into account in establishing if a local deficiency causes or would cause significant impacts?

Q11: Do you think there are additional factors that designated firms should consider? If so, what would these be?

We agree with most of the criteria, although we would like to highlight that LINK uses additional criteria in its own assessments for shared Banking Hubs that we believe are relevant here.

This is not just about 'vulnerable' consumers. Age is directly linked to cash use, and we believe that an assessment of the age of the local population should be considered alongside vulnerability. In addition, broader measures of financial and digital exclusion should also be taken into account.

As noted in the Introduction to this response, the definition of 'assisted cash' also needs to be clearer and more tightly worded to reflect the type of support that customers would actually expect through this. As it stands, it is tantamount to a get-out-of-jail-free card for the designated entities, who will be able to game the definition to ensure that decisions are favourable.

Q12: Do you agree with our proposed requirement for designated entities to publish and periodically review their policies and procedures around cash access assessments? Are there other ways the accountability and transparency of the assessment process could be enhanced?

Yes, however the ease with which the Access to Banking Standard could be gamed, the FCA must ensure that these policies are meaningful and stand up to scrutiny in terms of delivering consumer-friendly solutions.

Q13: Do you agree that only those with a sufficient interest in the outcome of the assessment in a local area can ask for a review and do you agree that we should allow 21 days after the publication of an assessment to request a review?

It is unclear how the FCA will define 'sufficient interest' and enforce this. It seems unlikely that people or organisations from outside the local area would want to be involved in any case, and it also unlikely that there will be many vexatious requests.

The FCA should note that there are unlikely to be community groups with sufficient expertise or knowledge to hold the banks account on a local level. Enforcement of decisions rests with the FCA, which also holds ultimate responsibility for accepting the outcomes of assessments and reviews.

Q14: Do you consider 8 weeks to be sufficient time to complete a review of a cash access assessment? If not, please state why and what you would consider a reasonable timeframe.

Yes, as per our answer to question four, the penalties for failure should be clear.

Q15: Do you agree with our approach to holding all designated firms responsible for providing additional cash access services identified in the assessment undertaken by or for them? If not, how do you think accountability for delivering those services should be divided amongst individual firms?

Yes, firms should be responsible. There is a question over whether firms not involved in providing cash should bear the costs, i.e. should an online challenger bank also be contributing? Age UK does not have a firm view, but the FCA should consider how to best ensure that the banking system is fair and continues to deliver for consumers well into the future.

While members of Cash Access UK reached agreement on how much they should each contribute to the Hubs programme, broader cash access incurs different and additional costs, and so the fair division of costs across the industry may need to be given further consideration. However this is a matter for the industry and the FCA.

Q16: Do you agree with our proposal to hold designated firms responsible for delivering services across their entire area of designation, including where they have a minimal footprint?

Q17: Do you agree with our proposal not to require designated firms to deliver services aimed at customer groups they do not already serve (for example, not requiring firms who do not provide business current accounts to their customers to deliver services for SMEs)?

Yes, both these proposals seem reasonable.

Q18: Do you agree with our approach to cashback without a purchase and if not, why?

We agree that cashback without purchase should not be included as a core part of cash access provision. However it is beyond the scope of any bank to guarantee consistency of service, and even more so to advertise the service and persuade people who may distrust cashback to use it.

We do not see any circumstance where it is appropriate for it to be included.

Q19: Do you consider these timescales to be reasonable? If not, what do you consider to be reasonable?

Yes.

Q20: Do our proposals strike the right balance between being outcomes-based and having the right level of detail? If not, could they be changed to better deliver cash access outcomes?

There may be occasions when, following a review or a complaint, intervention and firmer prescription is needed.

However overall we are happy the FCA's proposals will provide a good level of cash provision for most people, on the proviso that designated entities are prevented from taking commercially-led decisions during the assessment process.

Q21: Is there any other information which should be published for consumers and SMEs?

Q22: Are there any other opportunities and formats designated firms could use to communicate to customers about where they can access cash?

The list seems fine. We suggest exploring the role that local charities and organisations could play here. There may be scope for some of the 120 local Age UKs to have a role in communicating about cash access, and we would be happy to speak to the FCA about this – just to stress that they are all independent charities and it would be their own decision whether to take part in any comms work.

As cash is often used by people who are digitally excluded, it is essential that any formats for publicising access are available offline and in accessible, oft-frequented places.

Q23: Do you agree with our approach to designated entities raising awareness of the cash access request scheme?

The proposals seem fine, however more could be done to promote the scheme offline. It is important that everyone in the community should be aware of the scheme, and so measures should be taken to promote the scheme to digitally and financially excluded consumers. This could, for example, be by placing notices in community hubs like libraries or GP surgeries. In addition, independent local retailers who may rely on business conducted in cash should be made aware, perhaps through local chambers of commerce.

Q24: Do you agree with our proposals for publishing information about the outcomes of cash access assessments? If you believe there is further information that designated entities should provide, please give details.

Q25: Do you agree with our proposals for publishing information about additional cash access facilities? If you believe there is further information that designated entities should provide, please give details.

Q26: Do you agree with our proposals for sharing information on the closure of a facility? If you believe there are other stakeholders that designated entities should engage with, please give details.

We agree with the proposals. The FCA should give examples of what it meant by local authorities: for example, the district council/county council; local councillors; the parish council – it is important that the outcome is shared as widely as possible. Often these will be very local matters, operating at a locality below that of an MP or a broad local authority, so designated firms should ensure the most appropriate local actors are included.

Q30: Do you have any comments on how complaints about our proposed access to cash rules will be handled?

As noted earlier in this response, we are concerned that designated firms are being given a lot of responsibility and taking decisions over the appropriate level of cash provision, and for reviewing any initial complaints.

There should be a more clearly defined role for the Financial Ombudsman Service, whereby it can review the outcome of any reviews, based on the agreed criteria, and have

the power to instruct the designated entity (or a different designated entity) to improve cash access provision in a local area. The FCA should examine this carefully. As it stands, the proposals are vague about what the Ombudsman can actually do.

Also, the FCA should monitor firms responses at a macro level, identifying whether particular firms are seemingly reluctant to install appropriate solutions. It should be prepared to hold firms to account.

Cost benefit analysis

Q32: Do you have any comments on our cost benefit analysis, including our analysis of costs and benefits to firms, consumers and the market?

Q33: Do you have any comments on the assumptions used in our analysis of the costs and benefits to firms, consumers and the market?

We are not able to comment on the figures used in the analysis. However, we want to make clear that the benefits to consumers of improved cash access go beyond what is measurable in these terms. Being able to access cash is imperative for older people to get out and about, play an active role in their local community and purchase essential goods and services that allows them to maintain an independent, fulfilling lifestyle.

We welcome the FCA's proposals, and believe that any costs borne by industry as a result will pale into insignificance compared to the widespread benefit to people and society more widely.

ⁱ UK Finance, Payments Market Summary 2023

ⁱⁱ Royal Society of Arts (2022), The cash census: Britain's relationship with cash and digital payments

ⁱⁱⁱ Royal Society of Arts (2022), The cash census: Britain's relationship with cash and digital payments

^{iv} Available at <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/money-matters/the-impact-of-the-rise-of-online-banking-on-older-people-may-2023.pdf>

^v FCA, Financial Lives Survey 2022 (published 2023), payments, table 30

^{vi} FCA, Financial Lives Survey 2022 (published 2023), payments, table 39

^{vii} FCA, Financial Lives Survey 2022 (published 2023), payments, table 39

^{viii} Age UK (2023), Digital inclusion and older people, <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/active-communities/policy-briefing---facts-and-figures-about-digital-inclusion-and-older-people.pdf>