

FCA CP23/29 Access to Cash

Response From the BSA,

Unrestricted
8 February 2023

The Building Societies Association (BSA) represents all 42 UK building societies, as well as 7 credit unions. Building societies have total assets of over £507 billion and, together with their subsidiaries, hold residential mortgages over £375 billion, 23% of the total outstanding in the UK. They hold over £370 billion of retail deposits, accounting for 19% of all such deposits in the UK. Building societies account for 40% of all cash ISA balances. They employ around 51,500 full and part-time staff and operate through approximately 1,300 branches, a 38% share of branches across the UK.

Summary of our response

- Our members strongly agree with the principle of assessing the impact of withdrawal of branch services and / or other cash access facilities at local level on a case by case basis on which this consultation is based.
- However, There are some key issues missing from the consultation's scope:
 - Continuity of support for vulnerable personal and SME customers with suitable alternative options for provision of wider branch services as well as cash access.
 - More incentives for banks to deliver on the current pipeline of promised banking hubs and other alternative cash access facilities.
 - The role of cash as consumers' fall-back payment option if / when other options fail and the need for local cash resilience.
- We broadly agree with the consultation proposals on the process for cash access assessments – with the following exceptions:
 1. It is disproportionate to extend cash access assessment trigger events to include unexpected closures due to physical damage etc.– particularly where the designated firm has no intention of any long term closure / withdrawal of cash services at that location.
 2. The proposal to hold designated firms responsible for delivering services across their entire area of designation need clarification. As currently proposed, it appears to present designated building societies / banks that have a strong local footprint within a particular region of the UK with an immediate competitive disadvantage:
 - In this context what does “area of designation” mean?
 - Would the FCA be the organisation to set what a firm's area of designation comprises?
 - How does holding firms responsible for delivering services where they have a minimal footprint reconcile with the focus on addressing cash access on a local basis?
- We presume that where designated entities have signed up for membership of the LINK scheme or any other voluntary collective assessment scheme that LINK or the scheme concerned would be able to publish policies / procedures on behalf of its members rather than each member having to publish the same information individually. Requiring multiple individual publication in these circumstances would be confusing for the target audience and an unnecessary cost.
- We propose that all cash access assessments should be followed up by a requirement for designated firms (individually or as a group depending on local circumstances) to publish implementation plans for delivery of the additional local services required within a suitable timescale , plus any subsequent modifications and the reasons behind them.

- We suggest widening the proposed stakeholders for customer education on cash access assessments etc. to include local chamber of commerce, other non-designated financial services firms and parish councils.
- A number of sections of this consultation would benefit from being summarised in plain English – notably those on FOS complaints and cost/benefit analysis.

Context

The BSA's response is in the context of this consultation scope applying only to *“firms which provide current accounts to personal or business customers and anticipate being designated by the Treasury under Part 8B of the Financial Services and Markets Act 2000 (FSMA).”*

Only three BSA members – two building societies and one credit union - currently provide current accounts to personal customers – though they represent a substantial branch and ATM network across the UK. Building societies are restricted from offering current account services to business customers. The legal capabilities for our credit union members re. services to SMEs are less clear-cut but at the present time no BSA credit union members offers an SME current account.

The majority of BSA members would therefore be unaffected by the proposed requirements of this consultation at the present time.

Cross-cutting concerns

We do support the principle of assessing the impact of withdrawal of branch services and / or other cash access facilities at local level on a case by case basis. However, we have noted some inconsistencies of approach within the consultation which potentially undermine its stated objectives.

The wider role of branches

A building society or bank branch is more than just a counter for depositing and withdrawing cash. It also provides advice services, account administration services, fraud reporting and support for customers with vulnerabilities for its catchment area. For SMEs it provides business advice services as well as cash access. Individuals who are older, digitally excluded, have low financial resilience, learning difficulties or low financial confidence have the same reliance on local face to face facilities for these wider services as they do on cash.

The consultation does briefly acknowledge this wider role – particularly in respect of business advice services to SMEs – but doesn't tackle the question of providing alternatives for delivering these wider local services in ways that would be suitable to vulnerable groups of customers.

It does not seem logical to insist on banks who are exiting local communities via branch closures being held responsible for providing suitable alternatives for cash access to support particular vulnerabilities without requiring the same for other services.

Delivery of alternative cash access facilities

A particularly telling statistic quoted within this consultation is that, as at December 2023, 101 banking hubs have been recommended to address local cash access needs but only 23 hubs

were delivered - with another 7 planned to be delivered in 2024. The consultation concludes that *“there have, disappointingly, been significant delays with the rollout of these solutions.”*

This suggests that the weakness with current policy / procedures for matching cash access services to local cash access needs is in the actual delivery of alternative services rather than the analysis of needs and requirements. It is therefore puzzling that this particular consultation focuses so much on the detail of needs / requirements analysis and less on ensuring delivery.

We recognise and support the consultation’s proposed timetables for designated firms around the introduction of alternative cash access and the proposal that *“the designated firm should be required not to implement the closure until a cash access assessment has been completed by the designated firm or by a designated coordination body it is part of, any review has been completed, and any additional services identified as part of that service have been delivered”* but assume that this will not be applied retrospectively.

Indefinite suspension of closure is not a good outcome for local communities as it leaves them unable to adjust to new service provision and creates the false hope that planned closures have been abandoned. It would be prudent for this consultation to focus equally on the other options that the FCA would have at its disposal to deal with firms failing to deliver.

We also urge the FCA to require the Cash Access Group to consider the wide range of alternative solutions, particularly those which are more flexible and might be implemented more rapidly and in a wider range of locations. For example, there are a number of kiosks that are being trialled, such as the OneBanx kiosks that a couple of building societies are currently hosting in their branches, and which could help to maintain access to cash deposits and withdrawals for many consumers. The provision of these types of solution would likely be a considerably lower cost to designated firms

Resilience & cash access

Since 2018, both FCA and PRA have rightly placed a strong focus on firms having appropriate operational resilience plans in place in order to ensure continuity of their most important business services. For any firm providing services to individuals, SMEs or retail businesses this would include access to cash.

Access to cash is particularly important during incidents of compromised operational resilience as cash provides an immediate, universally accepted fall-back option for payment for goods and services when other payment options may not be available plus psychological reassurance of the continued integrity of the UK economy and financial systems.

Would it not be sensible for cash access assessments to include an assessment of cash access resilience for the local area concerned? For example, to consider the impact of loss of power or disruption to alternative payment systems and the additional contingency plans that designated firms would need to make in order to maintain cash supply in a situation of increased demand.

Our responses to the individual 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?

The proposed extension of triggers is reasonable – except for extending trigger events to include unexpected closures due to physical damage etc. which appears disproportionate – particularly where the designated firm has no intention of any long term closure / withdrawal of cash services at that location.

For example, a Nationwide branch reopened in January 2024 having been forced to close because of a gas attack against its on-site ATM in November 2023. There was never any intention to close the branch permanently so a full cash access assessment in these circumstances was unnecessary and would have been an unwarranted additional cost.

We agree with the proposal that the withdrawal of a designated firm from a shared services facility should be treated as a trigger event but, again, the impact will depend on how many other designated firms will continue to support that facility - a lighter touch process might be more appropriate in some circumstances where impact is less.

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

Do all local communities know and understand the process for initiating a cash access request? These consultation proposals alone will not provide the intended help to communities without work to brief community stakeholders on their options to address cash access concerns. We agree with the consultation recommendation that the stakeholders that need to be aware of the cash access request include local authorities, and MPs / MSPs/ AMs but would suggest including local chambers of commerce and Parish Councils (particularly in rural communities) as well.

It would also be helpful to communities’ abilities to take cash assessments forward to clarify what the FCA would consider as a “vexatious request” for a cash access assessment. Also, who would have the responsibility of determining whether a request is vexatious and whether there is a right of appeal.

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

As stated above, unexpected closures due to physical damage etc. where the designated firm has no intention of any long term closure / withdrawal of cash services at that location should not trigger a cash access assessment.

Q4 & Q5: 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? Do you agree with our transition period of 3 months?

Unlike the large banks, our members have not implemented large scale branch closures in recent times so don’t have the relevant experience of cash access assessments to be able to provide an informed view on these questions.

Q6 & Q7: 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? 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?

We broadly agree with the process – though the mobility of individuals and businesses within that local area will have as much influence on cash access as where they reside or the distance between their location and cash facilities. Communities with low levels of mobility – e.g. low car ownership and / or poor public transport – will have a reduced capability to travel beyond their local area in order to access cash.

Another factor that should be considered is the safety and security of access to cash-providing outlets sited within the local area - for example, an ATM situated in an area which is not safe for members of the public at night time or where re-supply is particularly vulnerable to criminal activity should not be designated as a reasonable alternative for access to cash.

Also, as the consultation mentions, lower than average quality of internet services which inhibits or restricts communities with poor internet connectivity from using electronic payment methods.

Q8 & Q9: Do you agree with our last branch in town proposal? Are there other proposals for the last branch in town we should consider?

We agree with the view that “reasonable access to cash services for consumers and businesses in a local area may not always be met by the last remaining bank or building society branch in town”. This is particularly true where this happens to be a building society branch:

- Only two building societies qualify as “designated firms” under this consultation so it is not automatic that a remaining building society branch would be equivalent to a branch of a designated firm in the context of access to cash.
- Individuals should not be expected to switch from their current account to a building society savings account in order to retain access to counter services as this would mean losing out on the other cash access options that a current account can offer such as ATM, post office services, supermarket cashback etc. as well as on digital payment options – debit card, direct debits etc.
- Even when the building society is a “designated firm” current account provider for individuals it would be legally prohibited from offering current account services to non-individuals. Therefore, if “last branch in town” is a building society branch the opportunity for a cash review around services to SMEs will already have passed and there is no possibility of SMEs switching to an account with that building society in order to gain access to local cash deposit / withdrawal services.

We therefore also agree with the proposal that if there is one other facility within the relevant distance that serves at least one other bank or building society’s customers, including where relevant, SMEs, that could be enough to conclude at Step 1 that existing provision of services in the area is sufficient - but with the qualification that “serve” is defined as providing services for current accounts for individuals and SMEs.

There may be options to extend this proposal in future – two building societies are currently trailing kiosk facilities at their branches to provide cash services for non-members.

Q10 & Q11: 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? Do you think there are additional factors that designated firms should consider? If so, what would these be?

We agree with the factors set out in the consultation.

As with Question 7, we suggest adding population mobility and site safety / security to the list of issues to consider.

Step 2 would also be the appropriate time to include consideration of the resilience of cash access if / when other payment methods were non-operational – see our comments above on cash as a fall-back payment option above.

There could also be an opportunity for local residents' or community views on the services they need to be recorded.

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?

We agree that it is important that cash access assessments are conducted consistently and transparently so consumers and SMEs can understand and trust the process. On that basis, it would be appropriate for policies and procedures around cash access assessments to be published for review. There should also be formal checks and balances to ensure that the assessments are suitably independent and processes to hold them to account.

We presume that where designated entities have signed up for membership of the LINK scheme or any other voluntary collective assessment scheme that LINK or the scheme concerned would be able to publish policies / procedures on behalf of its members rather than each member having to publish the same information individually. Requiring multiple individual publication in these circumstances would be confusing for the target audience and an unnecessary cost.

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?

We agree – but a plain language definition of “those with a sufficient interest in reasonable provision of cash access services” would be very helpful to all parties involved. The FCA should consider whether this should include other providers in the locality, such as building societies, as they may be affected by the change in branch provision.

A deadline of 21 days to request a review appears to be a very tight timetable given that the amount of material that requestor will have to provide. We suggest that this timescale is kept under review.

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.

No comment - see Question 5.

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?

We agree in principle but the proposal lacks detail on how the FCA will hold the relevant firms responsible where promised alternative services have not been delivered.

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?

This proposal needs further clarification – particularly in respect of designated building societies / banks that have a strong local footprint within a particular region of the UK but none elsewhere which seen to present regional firms with an immediate competitive disadvantage:

- In this context what does “area of designation” mean?
- Would the FCA be the organisation to set what a firm’s area of designation comprises?
- How does holding firms responsible for delivering services where they have a minimal footprint reconcile with the focus on addressing cash access on a local basis?

We do agree with giving designated firms within their area of designation the choice of acting collectively or individually on providing alternative local cash access and with allowing them to commission other service providers to deliver the services. This should allow a degree of flexibility to encourage innovation in service provision and supporting IT.

On the funding of alternative services, we agree on designated firms being able to decide how best to fund alternative access but it is important to make absolutely clear that the firms themselves have ultimate responsibility for providing funding within areas of designation.

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)?

We agree with this proposal.

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

We support this proposal.

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

The proposed timescale of providing identified cash access services without unreasonable delay, and in any event within 3 months of the publication of the outcome of the assessment or the conclusion of any review, whichever occurs later needs revisiting to take account of the impact of reasonable delay such as technical and logistical issues affecting delivery. For example, in many locations a planning application is highly unlikely to be compliant within 3 months.

An alternative approach would be to require the designated firm(s) to publish an implementation plan within a set timescale and be required to notify any subsequent changes / delays with a justification as to their reasonableness. This would have to be linked to appropriately adjusted timescales for proposed closure of existing cash access facilities.

This approach would both provide the FCA with more performance data with which to assess firms’ performance in the delivery phase of maintaining cash access and keep local communities fully updated as to progress.

Again, a plain language definition of when a delay would be reasonable or unreasonable would help all parties and confirmation of which body would make that decision more understandable to interested stakeholders.

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?

As noted above, what is currently missing is an outline of the outcomes for failure or undue delay in the delivery of alternative cash outlets within a local community once identified by the steps of a cash access review.

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

The proposed level of published cash access information is appropriate.

Any initiatives on publishing available cash access services need to be mindful of the Consumer Duty requirement for the chosen means of communications to be tailored to the needs / preferences of target customers.

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

Communications options should already be part of the pre-closure consultation process required by the FCA's Branch and ATM Closures and Conversions Guidance. As above, communications plans should be closely matched to the composition of the local customer base.

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

We agree that designated firms / designated coordination bodies responsible for managing cash access requests should inform local authorities, Members of Parliament, and members of devolved national legislatures of the scheme.

Q24 7 Q25: 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. 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.

We agree with the proposals on publishing the outcomes of cash access assessments. Additionally, once cash access assessments are completed and replacement / additional local cash access services identified, designated firms should also publish implementation plans for delivering those services – see Question 19.

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 support the proposed requirement to make firms inform local authorities and local MPs / MSPs / AMs when closing cash access facilities. It would also be appropriate to include other cash services providers and local retailers' associations / chambers of commerce in this requirement so that they have ample notice to be able to plan for any implications for them. Also Parish Councils, particularly in rural communities.

Q27: Are there any barriers to designated firms providing the suggested data? If so, is there any other information we could gather from designated firms to help us to understand the availability of cash access services?

As with any regulator requests for management information from firms, we hope that requests for data will be coordinated between regulators so that there is no unnecessary duplication of effort for firms.

The proposed data fields to be reported are reasonable – though for completeness we suggest adding branch relocations, refurbishments and new branch openings to the list to reflect that some building societies and banks are actively investing in their branch networks.

Q28: Are there any barriers to these non-designated firms or non-regulated entities providing the suggested data?

There are no barriers to providing this data from our non-designated members' perspective.

Q29: Do you agree with our approach to gathering information about assessments, reviews, delivery of services and complaints related to our access to cash rules?

We agree.

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

This section would benefit significantly from being re-written with plain English. Using “the customer may”, “the customer could” or “if appropriate” does not provide a simple, clear explanation of the FCA’s intentions here. The grounds on which a FOS complaint could be made are also not clear:

- Complaints against the rules themselves are complaints against the FCA’s policy and not individual firms so would therefore be out of scope for FOS.
- Complaints about individual cash access assessment decisions already have a proposed mechanism for review and it is unclear as to what additional value FOS could add.

Q31: Do you agree with our proposal to not provide a private right of action for breaches of our access to cash rules?

You can see the sense of the technical grounds for not providing a private right of action in cash access issues – in particular, the point about a PRA being restricted to action against one firm when cash access is a collective designated firm responsibility.

However, a situation of a private individual with the funds to be able to do so wanting to take a leadership role in a community’s complaint is reasonably foreseeable so we suggest that suitable capability is built into other proposals for complaints on access to cash rules.

Q32 & Q33: Do you have any comments on our cost benefit analysis, including our analysis of costs and benefits to firms, consumers and the market? Do you have any comments on the assumptions used in our analysis of the costs and benefits to firms, consumers and the market?

The cost / benefit analysis is obviously a thorough piece of work but would benefit hugely from an overview summarising its findings and giving the FCA’s view on whether / how the benefits generated by the consultation proposals outweigh the costs.

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The Building Societies Association (BSA) is the voice of the UK's building societies and also represents a number of credit unions.

We fulfil two key roles. We provide our members with information to help them run their businesses. We also represent their interests to audiences including the Financial Conduct Authority, Prudential Regulation Authority and other regulators, the Government and Parliament, the Bank of England, the media and other opinion formers, and the general public.

Our members have total assets of over £481 billion, and account for 23% of the UK mortgage market and 18% of the UK savings market.