



House of Commons
Scottish Affairs Committee

Access to Cash in Scotland

Tenth Report of Session 2017–19

*Report, together with formal minutes relating
to the report*

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The Scottish Affairs Committee

The Scottish Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Scotland Office (including (i) relations with the Scottish Parliament and (ii) administration and expenditure of the offices of the Advocate General for Scotland (but excluding individual cases and advice given within government by the Advocate General)).

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1 Introduction

1. Recent years have seen a rapid decrease in banking infrastructure in Scotland and in people's ability to access cash and other banking services. Since 2010 over a third of banks in Scotland have closed,¹ in addition to 290 ATMs which have been withdrawn from service over the past year, the majority free-to-use.² This has mirrored a wider trend in decreased cash usage across the UK³ and has raised concerns about the ability of vulnerable groups and those living in isolated or rural locations to continue to have access.

Our inquiry

2. This is not the first time we have looked at these issues. Following RBS's decision to close 62 branches across Scotland in December 2017, we held a short inquiry and produced a report looking at the closure process.⁴ In May 2018 we held a one-off hearing on the ATM network in Scotland.⁵ We have built on that work in this short inquiry during which we held five oral evidence sessions with consumer groups, financial bodies, regulators and the UK Government, and received 43 pieces of written evidence. We are grateful to everyone who contributed to our inquiry.

1 BBC, [Cash fears as third of Scottish banks lost](#), 26 March 2019

2 BBC, [Scots 'battle' to get cash after banks and ATMs shut](#), 12 February 2019

3 Access to Cash Review, [Final Report](#), March 2019

4 Scottish Affairs Committee, [Royal Bank of Scotland branch closure](#), Third Report of the Session 2017–19, HC 682

5 Scottish Affairs Committee, [ATM Network in Scotland](#), oral evidence session, HC 925

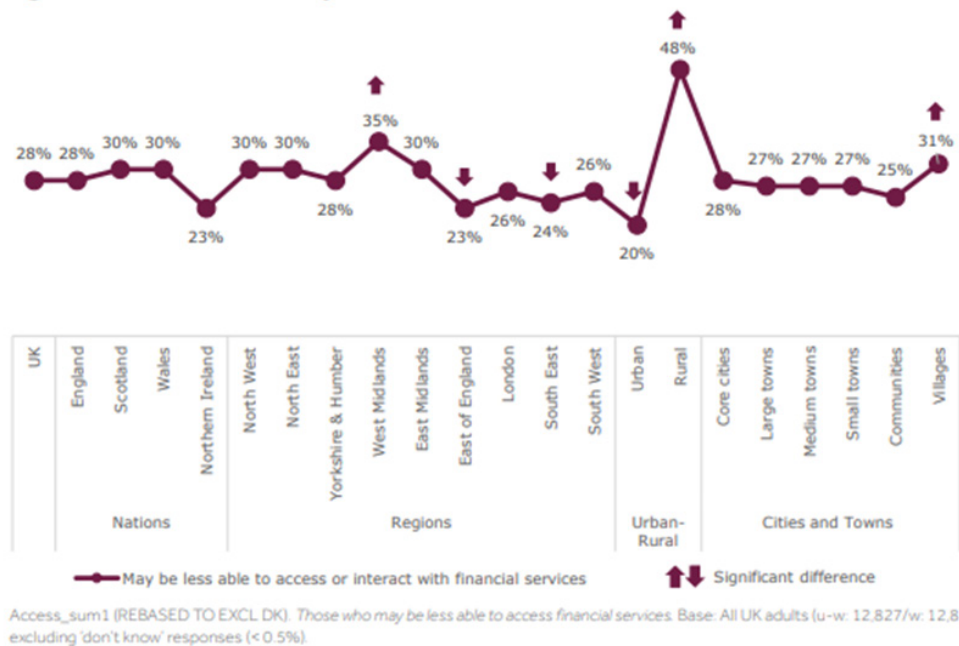
2 Role of Cash in Society

3. In response to concerns about ATM and bank branch closures, as well as broader concerns about the decline in cash usage and challenges accessing cash, the [Access to Cash Review](#) was launched in July 2018. This review was funded by, but independent from, LINK, the organisation that runs the UK’s largest ATM network. The final report was published in March 2019. The review found that cash transactions were declining, from six out of ten transactions being made using cash 10 years ago to just three in ten transactions in 2018.⁶ The review also found that ATM usage, which is a proxy for cash use, is declining across the UK but has declined less in Scotland (down 3.3%) compared to other regions such as London (8.5%) and the South East (7.7%).⁷

4. The review also found that cash remained an important payment method for a significant section of the UK’s population and that its forecast to remain the second most common payment method for the foreseeable future. Eight million adults, 17% of the UK population told the review that they would struggle to cope in a cashless society.⁸ Cash remains particularly important for: rural communities, which often have poor digital infrastructure; older consumers; consumers with physical or mental health issues; those on lower incomes, and those with debt problems. For these groups, the review argued, ‘using cash isn’t a choice but a necessity’ and they were disproportionately impacted by reduced access to cash.⁹

5. Scotland has a slightly higher proportion of groups that are more reliant on cash. For example, the Financial Conduct Authority has shown that 30% of adults in Scotland have been identified as less able to access financial services compared with 28% across the UK, as shown in the graph below:¹⁰

Figure 3.9 UK adults who may be less able to access or interact with financial services



6 Access to Cash Review, [Final Report](#), March 2019
 7 Access to Cash Review, [Final Report](#), March 2019
 8 Access to Cash Review, [Final Report](#), March 2019
 9 Access to Cash Review, [Final Report](#), March 2019
 10 Financial Conduct Authority, [The financial lives of consumers across the UK](#), 20 June 2018

Scotland also has higher proportion of those who are retired, unemployed, don't use the internet, or have one or more long-term physical or mental health conditions, compared to the rest of the UK. Scotland's larger rural landmass also poses a challenge as people from rural communities told us that distance and a lack of public transport make it difficult from them to get to alternative bank branches and ATMs when local options are removed.

6. Another reason given for Scotland's greater reliance on cash and lower uptake of online banking services is lower quality of connectivity. The consumer group Which? told us that a significant amount of people in Scotland are either not online or do not have a reliable broadband connection, with areas of Scotland having some of the UK's slowest average connection speeds including the Orkney and Shetland Islands, Argyll and Bute, and Moray.¹¹ Which? also found that the Highlands (8.9Mbps), Borders (9.3Mbps), Aberdeenshire (10.1Mbps), Perth and Kinross (10.1Mbps) and Na h-Eilean Siar (11.5Mbps) had poor broadband speeds.¹² The latest Ofcom figures found that fewer premises in Scotland receive Ofcom's "decent download speed" of 10Mbps. Only 79% of rural areas in Scotland compared with 88% across the UK can access this speed which makes the use of digital payments and online banking unreliable at best and impossible at worst.¹³

7. While the Access to Cash Review identified many advantages from increased online payments, it also emphasised the risk of leaving groups behind if that transition was not managed properly. For example, while Sweden is one of the most cashless societies in the world, with use of cash at just 15%, this rapid decline in cash usage had caused problems for regulators and groups that weren't ready to go cashless. The Access to Cash Review warned that Sweden:

outlines the dangers of sleepwalking into a cashless society: millions of people could potentially be left out of the economy and face increased risks of isolation, exploitation, debt and rising costs.¹⁴

James Daley, who worked on the Access to Cash Review, told us that Swedish policy makers wished they were at the point the UK is at now, so they had the chance to prevent market forces leading to infrastructure failing and consumers being left without choice.¹⁵

8. To prevent this kind of disruption and negative social impact, the Access to Cash Review made several proposals to the Government, including:

- Guarantee access to cash: The UK Government to guarantee access to cash for consumers and small businesses
- Make digital payments an option for everyone: the UK Government should make digital payment options accessible to all and this should be a priority for financial service regulators
- Ensure joined-up oversight and regulation of cash: The Treasury should determine what the right regulatory mechanism is for oversight of the cash system and there should be a UK Government policy on cash.¹⁶

11 [AFS 37](#)

12 [Press and Journal, Huge swathes of the north and north-east are lagging behind in the UK's broadband slow lane](#), 22 January 2019

13 Ofcom, [Connected Nations 2018 Scotland report](#), December 2018

14 Access to Cash Review, [Final Report](#), March 2019

15 [Q13](#)

16 Access to Cash Review, [Final Report](#), March 2019

These proposals have been endorsed by the Treasury Select Committee, who have also encouraged the UK Government to commit to bringing forward the necessary legislation to enforce the proposals.¹⁷

9. In response to the Access to Cash Review, the Government has said that it is committed to supporting digital payments whilst safeguarding access to cash for those who need it.¹⁸ It has also established the Joint Authorities Cash Strategy Group (JACS) which is chaired by the Treasury and is to bring together financial regulators and the Bank of England to provide a comprehensive oversight of the UK's cash system.¹⁹ However, the Government has not yet set out a clear policy guaranteeing access to cash as the Review called for.

10. John Glen MP, Economic Secretary to the Treasury, agreed with us that cash is still important and that there needs to be better solutions in place to keep it accessible, especially in rural areas of which there are many in Scotland.²⁰ He told us that the Government wants to ensure the infrastructure supporting the availability of cash is improved. He also expressed his support for several initiatives the market was developing to improve access to cash such as deposit-taking ATMs, improved cashback facilities and banking hubs, saying:

I want them to be scrutinised, I want them to be more readily available in different circumstances and I want that to be done as quickly as possible.²¹

11. We believe that there will continue to be a need for cash for the foreseeable future and welcome the Minister's agreement about its continued importance for society, particularly in Scotland. While we welcome a number of the individual initiatives that the Minister mentioned, which we will explore later in this Report, we believe there is a need for an overarching strategy to guarantee consumers access to cash. This is especially important in Scotland given the physical and digital connectivity challenges it faces. We endorse the recommendations in the Access to Cash Review and recommend that the Government publish a strategy outlining the steps it will take to ensure Scottish consumers' continued access to cash.

17 [Correspondence between Treasury Committee and Chancellor](#)

18 HM Treasury, [Cash and digital payments in the new economy: summary of responses](#), May 2019

19 UK Government, [Cash here to stay as government commits to protecting access](#), 3 May 2019

20 [Q326](#)

21 [Q343](#)

3 Scotland's ATM network

LINK network and interchange fee reduction

12. ATMs, or cash points, are the main way that consumers access cash accounting for 90% of cash withdrawals.²² Which? describes free-to-use ATMs as providing “essential banking functions for consumers, particularly those who choose not to, or cannot, use digital payment alternatives”.²³ In 2018 the number of ATMs in Scotland fell by 355, of which 225 were free-to-use.²⁴ The loss of free-to-use ATMs can have a significant impact on communities. A survey of Which? members on the impact of potential reductions in free-to-use ATMs found that:

- Removing free-to-use access would leave 9% of consumers struggling to make payments, shutting many consumers out from local shops and services.
- 16% of consumers would be deterred from using outlets that accept cash only.
- Some 11% of respondents would have to walk more than 30 minutes to access their nearest cashpoint, while a further 9% said the nearest machine was too far away to reach on foot.

Which? research also found that, across the whole UK, a greater proportion of machines were being lost in rural communities compared to urban areas.²⁵

13. According to ATM operators, one of the main reasons given for recent ATM closures is changes to how the LINK network is funded. LINK is the UK's largest cash machine network, of which all of the UK's banks and building societies are members, as are several independent ATM distributors. LINK's network is funded by the “interchange fee” and is regulated by the Payment Systems Regulator. The interchange fee is paid by banks to ATM operators every time a bank card is used to withdraw money from a “free” ATM that the bank doesn't run. As such, the current network is largely funded by banks who make payments to independent ATM operators. The image below has more information about how this works.²⁶

22 Access to Cash Review, [Final Report](#), March 2019

23 [AFS 37](#)

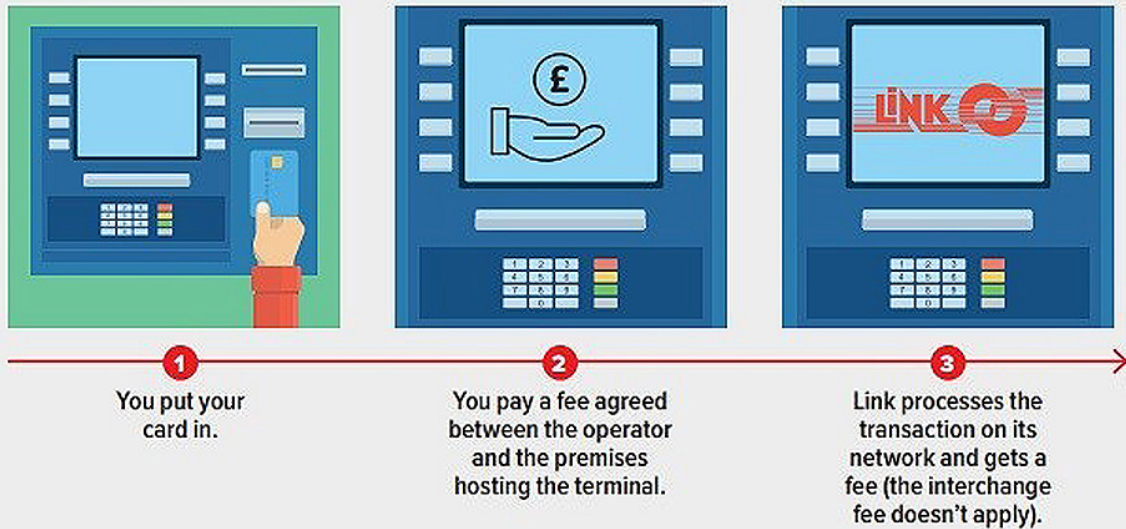
24 [AFS 44](#)

25 [AFS 37](#)

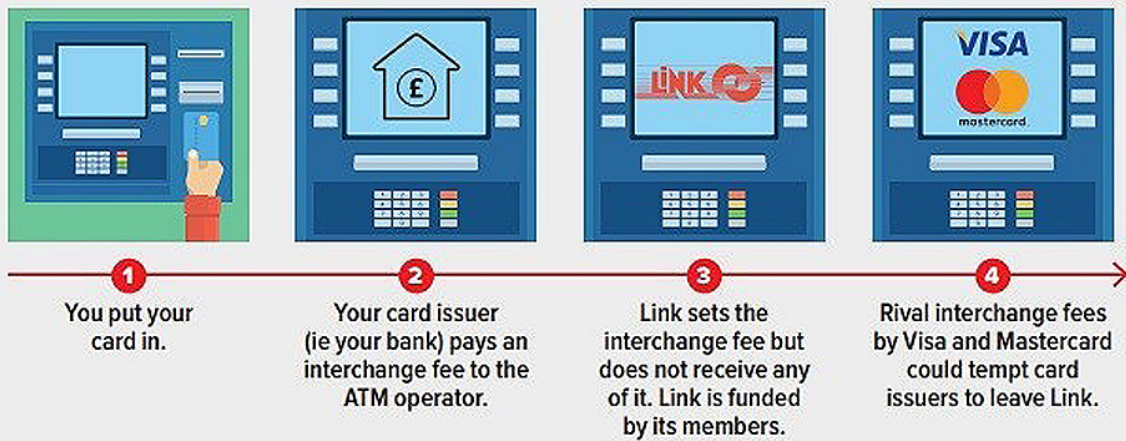
26 Which?, [AMT closures: U-turn on funding cuts after Which? Money investigation](#), July 2018

STEP BY STEP: WHAT HAPPENS WHEN YOU USE AN ATM

PAY-TO-USE ATM: 3% OF TRANSACTIONS



FREE-TO-USE ATM: 97% OF TRANSACTIONS



14. At the end of 2018 the interchange fee was set at around 25p. On 31st January 2018, LINK announced that the fee would be reduced in stages to 20p over four years.²⁷ The first interchange fee reduction of approximately 1p took place in July 2018 and the second in January 2019. However, in July 2018, LINK announced that the third reduction due in January 2020 was cancelled and the fourth reduction due January 2021 was to be put on hold pending a review.²⁸

15. According to NoteMachine, an independent ATM deployer (IAD), since the reductions in the interchange fee there has been a significant reduction in UK ATM numbers. They say that since July 2018 there are around 3,500 fewer ATMs in total (5.3 per cent) and around 2,100 fewer 'free' ATMs compared to before the announcement of the reduction.²⁹ They have called for a moratorium on any further reduction being implemented while a full assessment of the impact on consumers is undertaken³⁰ The Association of Convenience

27 LINK, [The Link Board Announces Changes to Operation of its ATM Network](#), 31 January 2018

28 LINK, [LINK update to Interchange rate implementation](#), 16 July 2019

29 [AFS 36](#)

30 [AFS 36](#)

Stores has said that the changes to the interchange fee are “forcing” retailers to review whether they keep ATMs in their shops, with stores either: retaining their ATM at a loss; switch to a charging ATM or removing the ATM completely.³¹

16. LINK argued that the changes to the interchange fee were designed to shift incentives for ATM deployers to rebalance the UK’s ATM network away from over-providing ATMs in busy city centres.³² John Howells, Chief Executive of LINK, told us that:

Ten years ago there were 40,000 free ATMs in the country; a year ago there were 55,000. I think that growth was not right and at a time when consumer usage of cash was going down [...] was not helpful. [There are] more [closures] to come and at the moment the closures are predominantly coming out of busy city centres.³³

17. When Mr Howells appeared before us in early 2018 he estimated that between 50 to 100 ATMs would close in Scotland as a result of LINK’s changes³⁴ but in total 355 ATMs closed in Scotland during that year.³⁵ Mr Howells defended LINK’s position saying that around 100 of the closures had been due to decisions taken by LINK, but accepted that a new approach was needed in the future.³⁶

What worries us is that when you have a massive and expensive network of ATMs [...] and you have what is looking like a 10% reduction in cash usage every year, the current system cannot hold together without reform. [...]

I am completely happy that the changes LINK made about a year and a half ago to the so-called interchange to keep the thing stable have worked, but I am equally happy that they will not work going forward without a different and new approach.³⁷

Mr Howells also cited the effort LINK was taking to support access to ATMs in rural, and other vulnerable areas, through its Financial Inclusion Programme, which we will consider later in the Report.

18. Another reason offered for the reduction in the interchange fee was the risk that banks might leave the scheme if the costs did not fall. Other schemes, run by Visa and Mastercard, offer interchange rates 30% lower than LINK’s and LINK argued that without reducing its fee its members may leave to join alternative providers. This, they argue, would impact consumers as if card issuers leave the LINK scheme it will lead to ‘a substantial and immediate decline in the number of ATMs’.³⁸ John Howells told us that the reduction to the interchange fee made so far had saved banks around £70 million, with a corresponding reduction to the ATM industry.³⁹ Some groups were critical of this as a reason for reducing the fee, arguing that the fee should be set at a “level that accounts for the operating costs and commercial viability of hosting an ATM” and cited the previous practice of fees being set by an independent cost study by KPMG.⁴⁰

31 [AFS 35](#)

32 [LINK, LINK moves to secure future of free ATMs](#), 31 January 2018

33 [Q73](#)

34 [Q39, ATM Network in Scotland](#), May 2018

35 [BBC, Scots ‘battle’ to get cash after banks and ATMs shut](#), 12 February 2019

36 [Q69](#)

37 [Q69](#)

38 [LINK, The Link Board Announces Changes to Operation of its ATM Network](#), 31 January 2018

39 [Q96](#)

40 [AFS 35 & 36](#)

19. **Ensuring consumers still have free and reliable access to their cash is essential to a well-functioning and fair economy. We are concerned by the ATM closures that have been seen since the interchange reductions were introduced. We do not believe that the fourth interchange reduction should go ahead and call on the government to intervene to prevent further reductions if necessary at least until the government publishes a strategy outlining the steps it will take to ensure Scottish consumers' continued access to cash. We further recommend that the Payment Systems Regulator should publish a full assessment of the economic and social impact of any future interchange reduction before it can be implemented.**

Financial Inclusion Programme

20. Since 2006, LINK has been running a Financial Inclusion Programme (FIP) aimed at improving free access to cash in the most deprived areas of the UK. Initially LINK identified the most deprived areas of each nation in the UK⁴¹ and offered ATM operators an additional 10p subsidy on the interchange fee to run an ATM in these areas. Since it was introduced the scheme has seen a number of changes:

- In July 2018, LINK implemented an increase in the subsidy for ATMs in deprived areas to 30p as part of its response to the interchange fee reduction.
- In July 2018 LINK introduced 'Protected ATMs'—these are ATMs that are more than one kilometre from the next nearest free-to-use ATM. LINK committed to ensuring that these ATMs would not be subject to any of the proposed cuts in interchange.
- In April 2019, LINK implemented its 'Super Premiums' scheme to increase payments to ATM operators by up to £2.75 per cash withdrawal on the lowest volume protected machines as well as those in deprived areas under the LINK Financial Inclusion Programme.⁴²

21. According to LINK, in Scotland 204 of the 334 areas in scope of the scheme have free access to cash, none of which had a free ATM before the programme was launched.⁴³ In 2018 the value of this programme to Scotland was £365,000, which LINK forecasts will increase to £1.4 million once additional subsidies are introduced.⁴⁴ However, Cardtronics, an independent ATM deployer (IAD), has described the scheme as “complex and difficult to administer” relative to its benefits and said that “many free-to-use ATMs in remote and rural areas do not benefit from it.”⁴⁵ They also quoted Charles Randell, Chair of the Payment Systems Regulator and Financial Conduct Authority, who said that the scheme does not always “reflect the lived experience” of consumers.⁴⁶

41 A Super Output Area in the bottom quartile of the Index of Multiple Deprivation (IMD) or Output Areas where greater than 25 per cent of the population are in receipt of government benefit.

42 LINK, [Financial Inclusion Programme](#), accessed July 2019

43 [AFS 29](#)

44 [AFS 29](#)

45 [AFS 33](#)

46 [AFS 33](#)

22. When LINK appeared before us, we explored further whether the programme was properly identifying all the communities in need of support and whether it guaranteed a sufficient level of service. Mr Howells acknowledged two shortcomings of the current scheme:

- That there was no mechanism for getting a free ATM in communities that need one. This has been recommended in the Access to Cash Report.⁴⁷
- That there could be physical problems with a machine's placement that made it difficult to use.⁴⁸ For example Cambuslang Community Council told us about the problem caused by one of their local machines being at the bottom of a steep hill,⁴⁹ while Citizens Advice said that older people's willingness to use an ATM could be affected by how well the area is lit, how busy the area is or the width of the surrounding pavement space.⁵⁰

Mr Howells also accepted the main aim of this scheme was to prevent further closures rather than to incentivise providers to open new ATMs.⁵¹ This was a particular concern of independent ATM deployers (IADs) who were worried that if they opened a new ATM within a kilometre of a protected ATM, neither ATM would benefit from the scheme.⁵²

23. We also considered whether the network which was protected by the Financial Inclusion Programme was sufficient to meet consumer needs. We discussed with LINK concerns that when a bank's ATM closed the remaining ATMs were often based inside a shop or Post Office which is not accessible 24/7.⁵³ Cambuslang Community Council also raised concerns about communities having to rely on a small number of ATMs, highlighting the problems caused when one goes out of service.⁵⁴ Responding to the issues of reduced opening hours when an ATM was hosted in a Post Office, Mr Howell's accepted that this was a reduction in service but said that where access was available to an ATM six days a week, a subsidy would not be provided.⁵⁵

Payment Systems Regulator

24. The LINK scheme is overseen by the Payment Systems Regulator (PSR). The PSR's statutory objectives are to ensure that payment systems promote both the interests of businesses and consumers, to promote competition in the payment systems and services markets, and to promote development and innovation in payment systems and their infrastructures.⁵⁶ Which? has called on the Payment Systems Regulator (PSR) to complete a "review of LINK's Financial Inclusion Programme, including the current ATM replacement process, to ensure that it is fit-for-purpose and adequately protects access in the areas that need it most."⁵⁷

47 [Q102](#)

48 [Q102](#)

49 [AFS 40](#)

50 [AFS 42](#)

51 [Q119](#)

52 [AFS 36](#)

53 [Q81](#)

54 [AFS 40](#)

55 [Q104](#)

56 Payment Systems Regulator- The PSR purpose, 3 May 2018

57 [AFS 37](#)

25. The PSR has already intervened once by issuing Specific Direction 8 (SD8) in October 2018 to LINK, which required them to do “all it can to fulfil its commitment to maintain the geographical coverage of the ATM network.” According to the PSR:

In response to SD8, LINK has developed and introduced policies to protect FTU (free-to-use) ATMs that are more than 1km from the nearest neighbouring FTU ATM, to help ensure that free access to cash is preserved in such areas. Where such a ‘protected ATM’ is known to be at risk of closure, LINK has also established mitigation measures aimed at either keeping the ATM open or procuring a replacement ATM if it has been closed by its operator.

26. The PSR’s evidence argues that as a result of its intervention and monitoring of the ATM network, LINK has taken the following steps to maintain a broad geographical spread of free to use ATMs:

- making its Protected ATM policy dynamic (i.e. if an ATM becomes the last one in an area, because of the closure of a neighbouring ATM, it obtains ‘Protected ATM’ status and benefits from additional interchange revenue). Over 80 additional ATMs have become ‘protected’ since July 2018 because of this approach;
- implementing a new ability to commission replacement ATMs directly, where the offer of additional interchange fails to replace a Protected ATM which has closed;
- raising additional funds from its issuing members to support its Protected ATM policies;
- introducing a new ‘super premium’ to boost the interchange revenue payable to Protected ATMs with low usage, and
- continuing to monitor LINK, including whether its policies and procedures are fit for purpose to support its commitment to preserve the broad geographic coverage of FTU ATMs.⁵⁸

27. When they gave evidence, we discussed with the PSR the extent to which their intervention had changed the situation, given that versions of the Financial Inclusion Programme had been in place since 2006, and significant changes were announced in January 2018, before the PSR’s intervention. In response Chris Hemsley, co-Managing Director, Payment Systems Regulator, said there had been a lack of clarity about what has been proposed in the January 2018 announcement and what action LINK would be taking and that their intervention had ensured that the PSR “understood what that commitment meant in detail.”⁵⁹

28. While we welcome the recent changes to the Financial Inclusion Programme we believe the scope of the programme is too narrow. The Financial Inclusion Programme should aim to encourage new ATMs to open in vulnerable communities not just try to slow the rate of closures and aim to ensure 24/7 access to cash, to ensure that

58 [AFS 44](#)

59 [Q242](#)

communities have access to a reliable and resilient network of ATMs. We recommend that the PSR review the Financial Inclusion Programme and set out how it can encourage greater coverage of ATMs in the most rural, remote and deprived communities.

Deposit-taking ATMs

29. One proposal made to support businesses that have lost access to their local banks and provide an additional revenue stream for ATM operators, was the introduction of deposit-taking ATMs which was recommended by the Access to Cash Review.⁶⁰ While deposit-taking ATMs already exist, customers are required to deposit cash in ATMs run by their bank, rather than being able to use any deposit-taking ATM. The Access to Cash report found that:

it would be feasible to roll out these deposit-taking ATMs far more widely across the UK. Independent ATM operators (IADs) tell us that they are ready and willing to start deploying the terminals—they just need banks to agree to it.⁶¹

LINK told us that this was a system they could put in place “if it was wanted” and said it felt “one of the big missing things we have here is the ability for retailers to pay cash into ATMs”⁶²

30. Cardtronics told us they were supportive of new models of ATMs that would provide access to wider financial services such as deposit-taking and financial management arguing that it would help to reduce the fixed cost burden of cash processing by supporting “cash recycling” within the community. Ron Delnevo, Executive Director, Europe, ATM Industry Association, described the recommendation for universal deposit-taking ATMs as “the single most important thing that came out of [the Access to Cash] report, [...] because businesses now are having to travel miles to deposit their cash.” and gave examples of how a similar scheme has worked in India and Japan⁶³

31. When we raised this proposal with the retail banks they did not directly address this issue, instead focusing on their cash deposit arrangements with the Post Office,⁶⁴ although Ricky Diggins, Network Director, Bank of Scotland, did say they were “investing in new technology”.⁶⁵ Barclays, Lloyds and RBS are also piloting a shared depositing facility, which we consider later in our discussion of shared banking hubs. John Howells, LINK, said the reason the scheme hadn’t gone ahead was the difficulty getting the “20 to 30 competitors” involved to reach an agreement:

The reality is that in the world we are in today, they are too busy. They do not want to do it. You need to have the priority put up if you are going to have it done. [...] We do not have anybody giving that central steering hand and I think that is what is needed now.⁶⁶

60 Access to Cash Review, [Final Report](#), March 2019

61 Access to Cash Review, [Final Report](#), March 2019

62 [Q122](#)

63 [Q122](#)

64 [Q183](#), [184](#), [205](#)

65 [Q185](#)

66 [Q130](#)

Ron Delnevo also said that the current rules on when cash deposited in a shared deposit-taking ATM is considered as an asset that the receiving bank can lend against, act as disincentive for banks to participate in the scheme, but that these rules were currently being reviewed by the Bank of England.⁶⁷

32. The idea of sharing these facilities was raised back in 2014 when Andrea Leadsom MP, then Economic Secretary to the Treasury, asked LINK and its members to develop this facility and allow cheque and even cash deposits across the LINK network.⁶⁸ When we raised the issue with the current Minister, he said while some banks did allow deposit-taking at ATMs, the use of the technology “would be a decision for the banks to make on a bank-by-bank basis. I do not think it is appropriate for me to mandate.”⁶⁹

33. Introducing universal deposit-taking ATMs would provide a valuable service to businesses that have lost their bank branches while helping with the sustainability of the ATM network. *Given the lack of interest in the scheme to date, and LINK’s view that a “central steering hand” is needed to get a scheme implemented, we recommend that the Government set up a working group with industry to introduce network-wide deposit-taking ATMs.*

67 [Q130](#)

68 Access to Cash Review, [Final Report](#), March 2019

69 [Q341](#)

4 Bank Branch Closures

34. Since 2015, bank branches have been closing at an average of 70 closures per month across the UK, with Scotland seeing 403 banks permanently shut during this period.⁷⁰ Scotland has been disproportionately hit by these closures; with Citizens Advice Scotland finding that Scotland suffered 12% of branch closures despite only having 8.3% of the population.⁷¹ RBS is responsible for the largest amount of closures, shutting 158 branches since 2015, accounting for almost 40% of bank closures in this time. Bank of Scotland have closed 86 branches, Clydesdale have closed 59 and TSB and Santander have shut down 39 and 38 respectively.⁷² The breakdown of those closures by local authority across Scotland is set out in the table below:⁷³

Local Authority	Branches closed (2015–19)
City of Edinburgh	54
Glasgow City	41
Highlands	28
Fife	22
Aberdeen City	18
Aberdeenshire	17
Moray	16
Dumfries and Galloway	15
Scottish Borders	15

As well as losing branches some communities are seeing their banks operating reduced hours. TSB announced in April that 72 of its branches across Scotland would have restricted opening times as an alternative to closing large numbers of its branches.⁷⁴

35. Throughout our inquiry, we heard from members of the public and community councils across Scotland about the significant impact bank branch closures were having on communities and businesses. Branch closures or reduced hours have been linked to reduced footfall on high streets. Cambuslang Community Council wrote to us that since closures

Most businesses have experiences financial difficulties, and they have had major problems with alternative banking facilities. The majority have experienced a loss of trade [...] and significant numbers of residents admit they are shopping a lot less on Cambuslang Main Street. The commercial viability of the town centre has suffered.⁷⁵

Closures mean that customers are having to travel further to access banking services which is both time-consuming and expensive especially for those more reliant on cash including the elderly, those on low incomes and small business owners.⁷⁶ We heard from Citizens Advice Scotland and Scottish Rural Action that these negative impacts are felt far

70 Data provided to the Committee by Which?

71 [AFS 42](#) based on 399 closures

72 Data provided to the Committee by Which?

73 Which, [Bank branch closures: is your local bank closing?](#) April 2019

74 [Q161](#)

75 [AFS 40](#)

76 [Q3](#)

more greatly in rural areas where there are: fewer branches to start with; less alternative provision such as Post Offices or 24 hour ATM access; accessibility issues due to reduced public transport and weak mobile phone signal and slower broadband speeds making online banking more difficult.⁷⁷ Rural communities have reacted negatively to the proposals to close their local bank which in some cases has led to protests. For example, when RBS announced their decision to close their branch in Aberfeldy, hundreds of people held a protest highlighting the importance of local branches to these communities.⁷⁸

36. The impact of losing a bank is particularly acute when it is the last bank in town. Residents from Lossiemouth wrote to us when it announced that their last bank branch was closing,⁷⁹ and it has since been reported that their community ran out of cash on the first weekend after the closure. Local councillors and business representatives reported that small businesses cannot always afford to use digital payment methods and the phone signal is not reliable and so they were damaged by their customer's inability to access cash over the weekend. It was also reported that local people had to travel out of the community to a supermarket to make a small purchase to allow them to get cashback.⁸⁰

37. When we questioned the major banks, they told us that their closures were a response to changes in customer behaviour. UK Finance told us "all banks report significant reductions in the level of activity across their branch network".⁸¹ We questioned banks about whether their closures were driving customer behaviour, rather than a response to them. We were told that closures were not about saving money but responding to lower usage, reduced footfall, fewer services sold in-branch and an increase in consumers choosing alternative ways to bank.⁸²

38. One of the main alternatives to in-branch banking that banks highlighted is the increasing numbers of customers using online and mobile app banking. Santander told us that they are seeing people using digital alternatives reducing needs for cash access from a branch including contactless, Apple Pay and other mobile transactions.⁸³ We heard consistently from the banks that digital ways of banking can be much more convenient for customers, with TSB reporting that 90% of their customers bank with them outside of branch.⁸⁴ Simon Watson, RBS, told us:

It is true that we now live in a world where a majority of people are very used to going online [...] The expectation of banking for our customers is that we follow suit with a similar level of convenience for them.⁸⁵

39. However, as we have already discussed online banking does not work for everyone. Almost 2 million adults in Scotland never use online banking services and four in five people reported never using a mobile payment system.⁸⁶ We heard from people all over Scotland that variable and unreliable digital connectivity removed online banking as an alternative for them on the closure of their local branch. For example, we heard from

77 [AFS 37](#) & [AFS 42](#)

78 The Courier, [Aberfeldy residents plan mass RBS protest](#), 9 January 2018

79 [AFS 07](#)

80 The Press and Journal, [Cash machines run dry in Lossie on town's first weekend with no bank branch](#), June 2019

81 [AFS 38](#)

82 [Q151](#) & [158](#)

83 [Q176](#)

84 [Q158](#)

85 [Q158](#)

86 [AFS 37](#)

residents of Chirnside that in the Scottish Borders sufficient broadband speeds are only accessible in the largest villages and residents report speeds of below 2mbps if using the internet at all.⁸⁷

40. Another barrier to online banking is a lack of digital skills. Citizens Advice Scotland reported that 18% of their clients find using a computer difficult and 16% could not use one at all and this is disproportionately the case for vulnerable customers including the elderly and those with physical or mental health problems.⁸⁸ Consumers also report a lack of confidence in using digital payment systems and online banking feeling more vulnerable to scams and fraud without the option of using their branch.⁸⁹

41. Online and mobile banking are not the only alternatives proposed to replace in branch banking. Both RBS and Bank of Scotland run mobile banking vans that make stops in communities across Scotland for several hours a week with Bank of Scotland having introduced mobile branches in around one third of the areas that have experienced a branch closure.⁹⁰ However, as we found in our Report on RBS closures, these vans can be unreliable, require customers to do their banking at fixed times, and provide limited services,⁹¹ Mobile banking van users told us that the that limited service, particularly in regards to cash deposits, means it is not an appropriate alternative to a branch for business customers.⁹² There are also concerns that the vans stops are too short, too centralised to large towns and uncoordinated with local public transport preventing customers from using the service.⁹³ The mobile banks have also been criticised as physically inaccessible for elderly and disabled consumers.⁹⁴

Role of Government

42. There have been calls for the Government to take a more active role to intervene in bank closures. This was particularly the case following the closures announced by RBS, where some commentators including Scottish Rural Action and the Federation of Small Businesses,⁹⁵ felt the Government's majority share in the company meant it should intervene to prevent closures. However, the Government's consistent position has been that branch closures are commercial decisions for banks. When we questioned John Glen MP, Economic Secretary to the Treasury, about this he did not deviate from this position. Instead his replies focused his positive engagement with the sector and the Government effort to change the decision-making and consultation process surrounding bank branch closures.⁹⁶

87 [AFS 27](#)

88 [AFS 42](#)

89 [AFS 16](#)

90 [Q138](#)

91 Scottish Affairs Committee, [Royal Bank of Scotland branch closure](#), Third Report of the Session 2017–19, HC 682

92 [AFS 27](#)

93 [AFS 16](#)

94 [AFS 45](#)

95 Scottish Affairs Committee, [Royal Bank of Scotland branch closure](#), Third Report of the Session 2017–19, HC 682

96 [Q325](#)

43. **We are disappointed that banks are continuing to close branches in Scotland and are concerned by the devastating impact closing bank branches can have on communities and small businesses. We believe that the Government has a role in ensuring communities continue to have access to banking services. We recommend that the Government seek a commitment from banks that they will not close the last bank in town. If such a commitment is not forthcoming we believe the Government should consider further measures, including legislation, to ensure communities still have access to vital banking services**

44. The current trends of bank branch closures across Scotland, have led to calls for shared branch facilities or ‘banking hubs’ to be established. This idea was first raised in the Highlands and Islands Enterprise’s *Access to Banking Services in Rural Areas* Report where they recommended the development of collaborative banking hubs involving partnerships between local authorities, Post Offices, banks, local development trusts and community organisations to combat the loss of local branches and to facilitate access to cash in rural areas.⁹⁷ Citizens Advice Scotland told us that:

Shared branch facilities would clearly be of interest where they allow banks to maintain a physical presence in a community which would otherwise not be served and could be an opportunity to be a hub with other non-banking services.⁹⁸

Similarly, Auchtermuchty and Strathmiglo Community Council argued that it should be possible for the banks to cooperate to provide some form of community banking service based in a local community hub.⁹⁹

45. In March 2019, Lloyds Banking Group, Natwest and Barclays began a six-month pilot of their ‘Business Banking Hubs’ in six urban areas across England including Birmingham, London and Manchester.¹⁰⁰ These hubs will allow pre-selected business customers to deposit cash and cheques and exchange coins and notes. Simon Watson, Managing Director of RBS, explained that the system would be largely automated with customers greeted by a contractor (who did not work for any bank involved in the scheme) who would check whether customer needed support using the automated deposit machines.¹⁰¹ Ricky Diggins of Bank of Scotland stressed the limited nature of the services offered by the hubs:

This is a transactional hub. It is not designed to be a full replacement service or bank branch, but we are keen to see if we can make that work.¹⁰²

We were told that all pilots were in urban locations and there are currently no plans for a pilot of any kind of banking hub in Scotland. The banks, dependent on the outcome of the current pilot, would be open to trialling these business banking hubs in rural locations.¹⁰³

97 Highlands and Islands Enterprise, [Access to Banking Services in Rural Areas](#), August 2018

98 [AFS 42](#)

99 [AFS 41](#)

100 BBC, [Shared ‘hubs’ urged for bankless towns](#), May 2019

101 [Q127](#)

102 [Q174](#)

103 [Q180](#)

46. We explored with banks whether it would be possible for these shared provisions to offer a broader range of services, closer to the kind of support that had been envisaged by the original proponents of banking hubs. We heard that several competition and regulatory challenges had already had to be overcome for the current hubs to be piloted and detected little enthusiasm for them to offer more services with the banks referring us to their agreement with the Post Office. They also cited integrating different banks systems and concerns about competition were cited as major challenges.

the Post Office provides a universal access point for customers to then deposit into the banks behind it, if you want to describe it like that. To get all of those banks to come together to create a new platform, essentially, that then becomes a universal platform for all customers would be very complicated. It would be in addition to the Post Office service that is already there. There are some practical barriers to it.¹⁰⁴

47. While the concept of banking hubs has potential, the current plans for these hubs fall far short of what is needed as they do not offer enough services to be a realistic alternative to bank branches. We call on the banks to revisit the services offered in hubs and to commit to extending the pilot to a rural location in Scotland. We recommend that the Government is involved in the discussions between banks, so it can address any competition and regulatory barriers to providing an expanded service.

Post Office

48. Throughout this inquiry and the previous inquiry into RBS Branch Closures, we were told by banks that the Post Office was an alternative provider of banking services in the event of a branch closure. In January 2017, the Post Office signed the Banking Framework Agreement to provide nearly all the large banks' personal customers and small business clients with services including withdrawing and depositing cash and cheques, reviewing balances and offering change facilities. We heard from the banks that 90% of transactions that are done in bank branches can be done in the Post Office¹⁰⁵ and over the last year, the Post Office did 135 million of these banking transactions, 85 million of which were cash withdrawals.¹⁰⁶ However, the Post Office itself was clear that it did not see itself as a replacement for bank branches, with Martin Kearsley, Banking Director at the Post Office telling us "we do not seek to replicate a bank in all of its functions."¹⁰⁷ The Post Office only offers transactional services over the counter and does not provide more complex services such as mortgages and insurance products.¹⁰⁸

49. We heard concerns over the low awareness of banking services provided by the Post Office from community councils and members of the public. Craiglockhart Community Council wrote to us that

Many Post Offices offer banking services, but most people seem to be unaware of this. There does not seem to have been much publicity about the services on offer¹⁰⁹

104 [Q183](#)

105 [Q158](#)

106 [Q289](#)

107 [Q288](#)

108 [Q293](#)

109 [AFS 22](#)

To improve knowledge amongst communities of the banking services they now provide, the Post Office ran a trial media campaign in Dumfries, Galloway and East Ayrshire in October 2018. The regional campaign incorporated out-of-home and radio advertising and the local campaign involved local press and a door drop to all homes within a 10-mile radius of a post office. During the same period, the Post Office ran an in-branch campaign to promote awareness of the banking services across all its branches. The Post Office told us that they increased the percentage of those aware of their services from the low forty per cents to the early 50 per cents and acknowledged the value in local events and banks telling their customers more about the services Post Office can provide.¹¹⁰

50. There are concerns surrounding the level of skills and expertise amongst Post Office staff. 47% of adults who were aware of the banking services provided by the Post Office said they were unlikely to use them and 28% were reluctant to do so due to worries about a lack of staff expertise in financial services.¹¹¹ We have received numerous accounts from the public of practical problems preventing them from accessing banking services at a Post Office including long queues, especially at busy posting seasons, and Post Offices refusing deposits because they have exhausted supplies of deposit envelopes for the appropriate bank.¹¹² Another reoccurring criticism of their banking services is the lack of privacy. Cambuslang Community Council wrote to tell us that their Post Office had been closed and relocated into a grocery store with half the teller units, this made the Post Office significantly busier and incapable of providing privacy to customers.¹¹³

51. Another frequently raised concern is about the viability of Post Offices as an alternative to bank branches and the sustainability of the network itself. For example, Bonnyrigg Lasswade Community Council wrote to us saying that:

Our Post Office was shut down as the shop hosting it closed. The Post Office wanted to keep going but has found nowhere else suitable in the town. The only shop left that is big enough to afford it (Post Office staff salaries are paid by the hosting shop) has so far not been able to agree a deal with the PO. We lost an ATM when the Post Office closed.¹¹⁴

The number of Post Offices in Scotland has been declining since 2001, although the rate of closure has been much slower since 2009 as shown in the table below.¹¹⁵

110 [Q292](#)

111 [AFS 33](#)

112 [AFS 42](#)

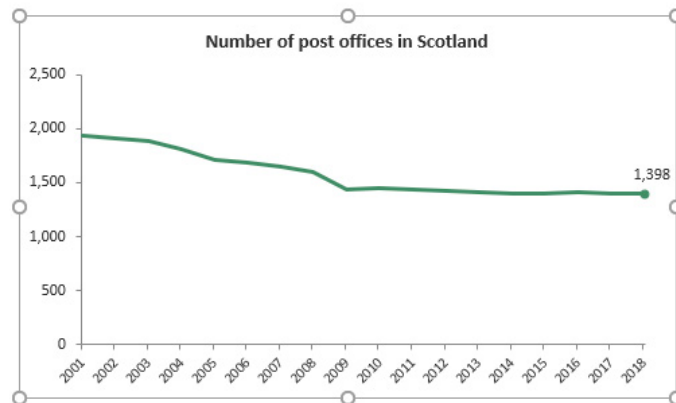
113 [AFS 40](#)

114 [AFS 26](#)

115 Based on information provided to the Committee by the House of Commons Library, [The Post Office](#)

Number of post offices in Scotland

	Post offices
2001	1,933
2002	1,907
2003	1,887
2004	1,810
2005	1,712
2006	1,688
2007	1,651
2008	1,599
2009	1,443
2010	1,446
2011	1,433
2012	1,425
2013	1,411
2014	1,405
2015	1,402
2016	1,410
2017	1,403
2018	1,398



Sources: POSTCOMM Annual Reports & Post Office Ltd Network Reports, personal communication

52. The National Federation of SubPostmasters (NFSP) have said that while an increase in banking transactions presents an opportunity to increase footfall and income, “remuneration rates must be fair and appropriate for subpostmasters to effectively cater for demand created as banks close.”¹¹⁶ In 2018 the NFSP undertook “observational research” over three days in a branch office where they “timed business banking transactions and compared these timings with the amounts deposited and calculated hourly rates”, based on this work the NFSP estimate that subpostmasters are paid “around £2 per hour for business banking deposits.”¹¹⁷ The NFSP have also raised concerns about:

- subpostmasters liability for accepting fraudulent notes, arguing that its unfair for subpostmasters to bear these costs;
- the security implication of post offices holding more cash, and
- local office lack of capacity to hold large volumes of cash and the impact banking transactions have on customer queues.¹¹⁸

The Post Office told us that through changes to the Post Office’s commercial agreement with the banks that for processing a £1,000 deposit, the sub-postmasters would be paid £1 from October 2019 instead of the current rate of 37 pence.¹¹⁹ However the NFSP believes that this will still be unlikely to cover costs faced by subpostmasters.¹²⁰ The Post Office also told us that in the vast majority of cases it was the Post Office, not the subpostmaster who bore the costs of any fraudulent notes that were accepted.¹²¹

116 [NFSP submission to the BEIS Committee hearing on the Post Office Network](#)
 117 [NFSP submission to the BEIS Committee hearing on the Post Office Network](#)
 118 [NFSP submission to the BEIS Committee hearing on the Post Office Network](#)
 119 [Q300](#)
 120 [NFSP submission to the BEIS Committee hearing on the Post Office Network](#)
 121 [Q303](#)

53. When they appeared before us we questioned the Post Office on whether they received sufficient support from the banks, given the extent to which the banks rely on the Post Office as an alternative service provider when justifying branch closures, and whether the Post Office should be “tougher” with the banks.¹²² Martin Kearsley, Banking Director, Post Office accepted that would be a fair characterisation of the Post Office’s approach a year ago, but that it had taken a more robust approach recently with the replacement of serious of bilateral agreement between banks and the Post Office with the new single standard model.¹²³ He continued that the new agreement should be a major contributor ‘to the improvement of [the Post Office’s] own sustainability.’¹²⁴

54. The existence of a Post Office is often cited by banks who are closing branches as being an alternative way for customers to access banking services. While they do offer some services, by the Post Office’s own admission they are not an alternative to a bank branch. However, if banks are expecting the Post Office to take on more of the services they used to offer to communities we believe they must properly support the Post Office in taking on these functions.

55. We therefore recommend that the Government broker conversations between the Post Office and high street banks to ensure banks provide proper support and remuneration to the Post Office for taking over several of its functions. This could include: reviewing the level of remuneration subpostmasters receive for providing banking services, offering closed bank branches as possible sites for Post Offices, better promotion of Post Office services by banks and increase support for subpostmasters in identifying fraud.

Regulation

56. Whilst there is no statutory regulation of bank closures, there is a system of self-regulation through the Access to Banking Standard which sets out protocols banks must follow after announcing the closure of a branch:

- Inform all customers and stakeholders a minimum of 12 weeks before the closure
- Publish and make available an impact assessment of the closure–this must include the banks reason for closure, the foreseen impact on its customers, the date of closure and banking alternatives; how they can be accessed and how the banks will assist in this access.
- Provide other bodies/organisations affected by the closure with information on its closure.¹²⁵

Following the closure of a bank branch, the Standard says banks must continue to ensure that there remains help and assistance, and skilled and competent personnel available to help customers who continue to require assistance.¹²⁶ The Standard is overseen by the Lending Standards Board (LSB) which is a self-regulatory body that provides independent oversight of adherence to voluntary standards by registered firms in the financial sector.

122 [Q310](#)

123 [Q310](#)

124 [Q202](#)

125 [Access to Banking Standard](#), May 2017

126 [Access to Banking Standard](#), May 2017

57. In our report on RBS Branch Closures we made several recommendations about how the Access to Banking Standard should be reformed calling for:

- More comprehensive and branch-specific impact assessments including assessments on local broadband speeds, travel practicalities to get to the next nearest branch and the effective availability of alternative services.
- The LSB consult on require banks to consult its customers before final decisions on branch closures are taken and announced.
- The LSB should publish its assessments of the banks' adherence to the Access to Banking Standard to increase public confidence in this self-regulatory system

We also recommended that if self-regulation is unsuccessful, the Government should consult and introduce a scheme of statutory regulation¹²⁷

58. No changes to the Standard have been made since we published our last report. The LSB told us that the Access to Banking Standard, and their oversight of it, only comes into play once the banks have decided to close a branch and so the LSB have not done a formal consultation on amending the Standard to force banks to consult customers before making a final decision on a closure.¹²⁸ They said that in their review they have asked banks to improve the level of information that was in their impact assessments but no changes to the Standard itself has been made.¹²⁹

59. The LSB has not published any specific assessments of the banks adherence to the Standard claiming that it would 'fundamentally compromise the whole process of the regime of voluntary self-regulation'.¹³⁰ Instead the LSB produce summary reports which address any issues of non-compliance with the Standard such as inadequate impact assessments or information provision.¹³¹ The LSB told us they remained confident that 'voluntary self-regulation as a concept is working well'.¹³²

60. During our previous inquiry into RBS Branch Closures, the Committee heard evidence from RBS that on closing a bank branch, the buildings would be offered back to communities if there is no other business that wants to open on the premises.¹³³ There is nothing in the Standard to incentivise banks to give their buildings back when leaving a community and it has been reported that since 2012, 60% of buildings that housed bank branches remain vacant damaging local economies. This is particularly problematic in Scotland where only 6% of banks are being re-let to other occupiers compared with 23% and 24% in London and the South East of England respectively.¹³⁴

127 Scottish Affairs Committee, [Royal Bank of Scotland branch closures](#), Third Report of the Session 2017–19, HC 682

128 [Q278](#)

129 [Q259](#)

130 [Q266](#)

131 [Q265](#)

132 [Q286](#)

133 [Q211](#), RBS Branch Closures

134 [The Times, Withdrawal of banks leaves empty feeling on high streets, 24 June 2019](#)

61. In our evidence session with John Glen MP, Economic Secretary to the Treasury, the Minister acknowledged the concerns we raised and supported our recommendation for the Standard to require banks to consult with communities before closures are finalised.¹³⁵ We questioned the Minister on whether there would be Government support for reforming the Standard to include consultation before the finalisation of closures he said:

That is exactly what I think needs to be done [...] I think that virtually all MPs are keen to make a constructive intervention to help, not just to campaign against something that they know in their heart of hearts is bound to happen

The Minister also agreed with us that the ‘higher standards of transparency are necessary and desirable’¹³⁶ and he will seek to address this when he meets with the LSB. The Minister said that he wanted to give self-regulation a chance to improve for consumers before considering statutory intervention but that “all options are always open”.¹³⁷

62. *Throughout this inquiry, we have heard of deficiencies and frustrations from the public on the regulation of bank branch closures and believe the current system of regulation is failing the consumer. We repeat our previous recommendations for*

- *Consultation ahead of closure decisions being taken*
- *Banks to publish impact assessments on the impact of closures on vulnerable groups*
- *The publication of reports in individual closures programmes*

We are disappointed with the lack of progress made on these recommendations since our last Report. Furthermore, given the large number of former bank buildings in Scotland that are lying empty after their closures, we believe that Standard should be amended to require banks to consult with communities on possible reuse of these buildings as part of the closure process.

63. *We still believe that there is a case for statutory regulation of bank closures. Given the important role that both ATMs and bank branches play in access to cash we are unclear why there is statutory regulation for ATMs but not bank branch closures. We call on the Government to report back on their discussions with the LSB as soon as practicable.. If discussions are not successful we recommend that the Government consult on introducing statutory regulation governing bank branch closures.*

135 [Q329](#)

136 [Q346](#)

137 [Q352](#)

5 UK Cash Network

64. While ATMs are the most visible parts of the UK's cash infrastructure, they do not represent all of the UK's cash network, as the Access to Cash review describes it:

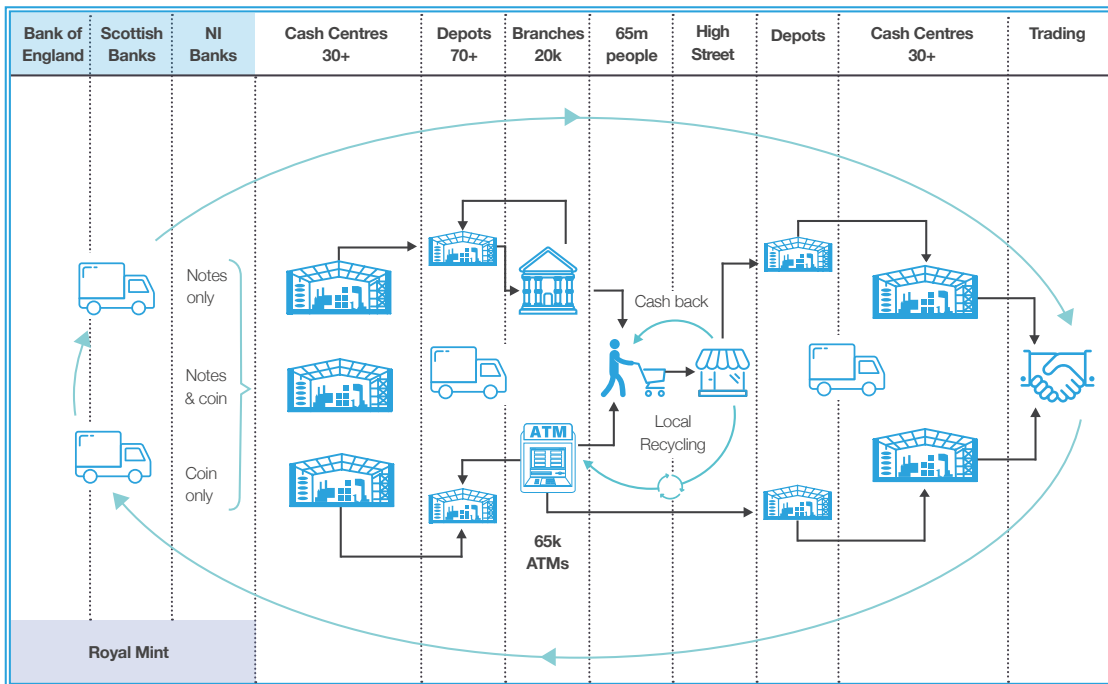
There's a complex value chain behind how notes and coins move, from their minting or printing, through years of use to their eventual destruction. Any weakness in this chain can threaten the viability of cash.

The current cash network is made up of many different parts and actors, its main components are:

- a) **Printing and minting**—Bank of England banknotes are printed under contract by De La Rue Currency, while coins are produced by the Royal Mint.
- b) **Wholesale Distribution**—New notes are distributed primarily to Note Circulation Scheme (NCS) cash centres where they are stored and purchased at face value from the Bank of England when required. The NCS provides a framework for the wholesale commercial cash industry which encourages efficiencies in their banknote operations.
- c) **Retail distribution**—Notes are distributed to bank or Post Office branches, ATMs (which may be done by independent ATM Operators), and shops (either directly or via depots) in armoured vans. Consumers then get the majority of notes from ATMs (for around 90% of all cash withdrawals) but also Post Office and bank branch counters, in wages and benefits, and other means
- d) **Cash recycling**—Cash spent in shops is taken to local depots or NCS cash centres (depending on geography and size of retailer) by armoured van, or for smaller stores by physically taking it to the bank or Post Office. It can also be used as change to other customers, distributed through onsite ATMs, or spent directly on stock or wages. After a period of time circulating in the local cash economy, notes are returned to an NCS cash centre. The Bank of England sets quality standards that NCS members use to tell whether a note is good enough to be redistributed. Dirty notes and those with holes and tears are returned to the Bank of England to be destroyed. Fit notes are re-circulated.

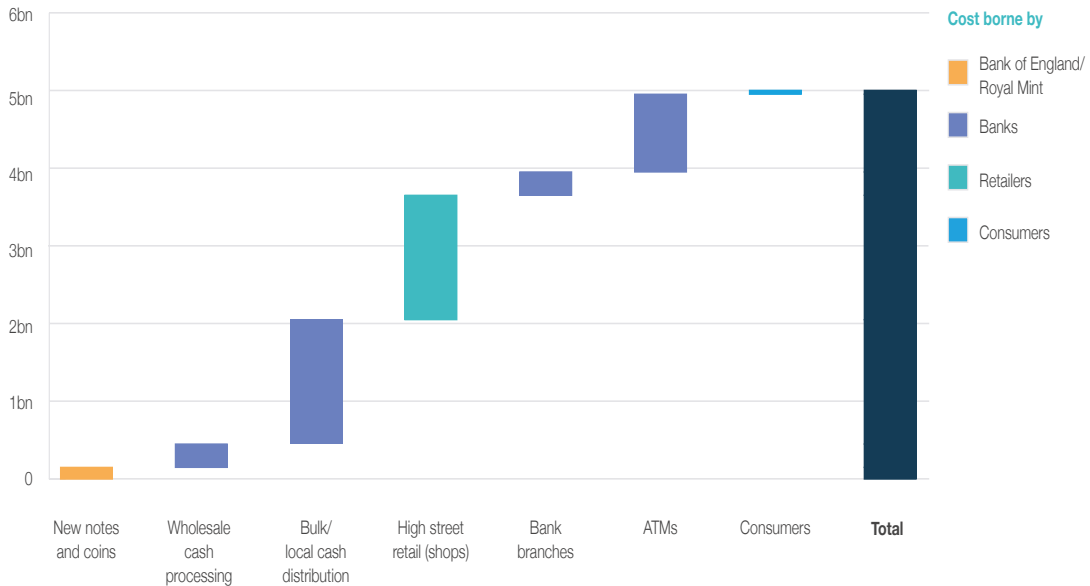
The images below provide an overview of the UK cash network, and the costs associated with different parts of it.¹³⁸

138 These images have been taken from the [Access to Cash Review, Final Report, March 2019](#)



Costs*	Value held	Cost (annual)	Per Transaction cost
Printing and coin production		£100m - notes, £50m - coin	
Wholesale cash processing (Note Circulation Scheme, NCS)	£2bn	£0.3bn	2p
Bulk and local cash distribution	£5bn	£1.6bn	11p
High street retail (shops)	£19bn	£1.6.bn	11p
High street bank branches	£2bn	£0.3bn	2p
ATMs	£7bn	£1.0bn	7p
Consumer jam jar holding and handling	£6bn	£50m	<1p
Total	£41bn	£5bn	33p

Cash Value Chain



65. During our inquiry we heard calls for the UK’s cash network to be reformed and simplified to reduce costs, this is particularly important for the network to remain sustainable as the total number of transactions decreases. According to the Access to Cash Review, the system “has multiple dependencies and was built for steady or increasing volumes. Built for a different age, it has many different parts run by different commercial player.” James Daley, who worked on Access to Cash Review told us:

The cost of fixed cash whole infrastructure is around £5 billion. We thought potentially you could save up to 20% of that, so hundreds of millions of pounds.¹³⁹

66. The Review calls for the UK’s cash network to move from the current commercial model for cash distribution to a ‘utility model’—of joined-up wholesale cash infrastructure. It believes this could significantly reduce the costs of running the cash infrastructure, making cash commercially viable for the banks to fund on an ongoing basis. John Howells, Chief Executive, LINK, also told us that “a thorough review” was need of “the cash infrastructure to hold the thing together”.¹⁴⁰

67. The number of different bodies involved in the UK cash network is also reflected as there is no single regulator responsible for the system with the Bank of England, the Financial Conduct Authority and the Payment Systems Regulator all having responsibility for part of the system. There are also elements of self-regulation, with the Lending Standard Board overseeing the sector’s approach to bank closures. James Daley, Access to Cash review, told that it was important for:

139 [Q26](#)

140 [Q69](#)

the existing regulators to be brought together, essentially by the Treasury, to oversee that system and have a responsibility for ensuring that we have access to cash. That needs to start with the Treasury making some kind of policy statement and commitment.¹⁴¹

68. When we raised this issue with the Minister, he said that the Government had created the JACS (Joint Authorities Cash Strategy) Group shortly after the Access to Cash Report came out. Chaired by a Treasury official this group which brings together the PSR, the Bank of England and the FSA to look at the efficiency of the cash distribution.¹⁴² The Minister described the work of this group as “urgent” arguing that it was “key to buying us more time” for other parts of the network to become more effective.¹⁴³

69. We welcome the Government response to the Access to Cash Review in the creation of JACS and the Minister’s view on reforming cash infrastructure to make the system more efficient to buy time for wider reform of the system. We ask Government to update the Committee on the outcome of discussions between regulators and publish an action plan for how it will reduce the cost of the UK’s cash infrastructure.

141 [Q37](#)

142 [Q324](#)

143 [Q355](#)

Conclusions and recommendations

Role of Cash in Society

1. *We believe that there will continue to be a need for cash for the foreseeable future and welcome the Minister's agreement about its continued importance for society, particularly in Scotland. While we welcome a number of the individual initiatives that the Minister mentioned, which we will explore later in this Report, we believe there is a need for an overarching strategy to guarantee consumers access to cash. This is especially important in Scotland given the physical and digital connectivity challenges it faces. We endorse the recommendations in the Access to Cash Review and recommend that the Government publish a strategy outlining the steps it will take to ensure Scottish consumers' continued access to cash. (Paragraph 11)*

Scotland's ATM network

2. Ensuring consumers still have free and reliable access to their cash is essential to a well-functioning and fair economy. We are concerned by the ATM closures that have been seen since the interchange reductions were introduced. We do not believe that the fourth interchange reduction should go ahead and call on the government to intervene to prevent further reductions if necessary at least until the government publishes a strategy outlining the steps it will take to ensure Scottish consumers' continued access to cash. We further recommend that the Payment Systems Regulator should publish a full assessment of the economic and social impact of any future interchange reduction before it can be implemented. (Paragraph 19)
3. While we welcome the recent changes to the Financial Inclusion Programme we believe the scope of the programme is too narrow. The Financial Inclusion Programme should aim to encourage new ATMs to open in vulnerable communities not just try to slow the rate of closures and aim to ensure 24/7 access to cash, to ensure that communities have access to a reliable and resilient network of ATMs. *We recommend that the PSR review the Financial Inclusion Programme and set out how it can encourage greater coverage of ATMs in the most rural, remote and deprived communities. (Paragraph 28)*
4. Introducing universal deposit-taking ATMs would provide a valuable service to businesses that have lost their bank branches while helping with the sustainability of the ATM network. *Given the lack of interest in the scheme to date, and LINK's view that a "central steering hand" is needed to get a scheme implemented, we recommend that the Government set up a working group with industry to introduce network-wide deposit-taking ATMs. (Paragraph 33)*

Bank Branch Closures

5. We are disappointed that banks are continuing to close branches in Scotland and are concerned by the devastating impact closing bank branches can have on communities and small businesses. We believe that the Government has a role in ensuring communities continue to have access to banking services. *We recommend that the Government seek a commitment from banks that they will not close the last bank in town. If such a commitment is not forthcoming we believe the Government should consider further measures, including legislation, to ensure communities still have access to vital banking services* (Paragraph 43)
6. *While the concept of banking hubs has potential, the current plans for these hubs fall far short of what is needed as they do not offer enough services to be a realistic alternative to bank branches. We call on the banks to revisit the services offered in hubs and to commit to extending the pilot to a rural location in Scotland. We recommend that the Government is involved in the discussions between banks, so it can address any competition and regulatory barriers to providing an expanded service.* (Paragraph 47)
7. The existence of a Post Office is often cited by banks who are closing branches as being an alternative way for customers to access banking services. While they do offer some services, by the Post Office's own admission they are not an alternative to a bank branch. However, if banks are expecting the Post Office to take on more of the services they used to offer to communities we believe they must properly support the Post Office in taking on these functions. (Paragraph 54)
8. *We therefore recommend that the Government broker conversations between the Post Office and high street banks to ensure banks provide proper support and remuneration to the Post Office for taking over several of its functions. This could include: reviewing the level of remuneration subpostmasters receive for providing banking services, offering closed bank branches as possible sites for Post Offices, better promotion of Post Office services by banks and increase support for subpostmasters in identifying fraud.* (Paragraph 55)
9. *Throughout this inquiry, we have heard of deficiencies and frustrations from the public on the regulation of bank branch closures and believe the current system of regulation is failing the consumer. We repeat our previous recommendations for*
 - *Consultation ahead of closure decisions being taken*
 - *Banks to publish impact assessments on the impact of closures on vulnerable groups*
 - *The publication of reports in individual closures programmes*

We are disappointed with the lack of progress made on these recommendations since our last Report. Furthermore, given the large number of former bank buildings in Scotland that are lying empty after their closures, we believe that Standard should be amended to require banks to consult with communities on possible reuse of these buildings as part of the closure process. (Paragraph 62)

10. *We still believe that there is a case for statutory regulation of bank closures. Given the important role that both ATMs and bank branches play in access to cash we are unclear why there is statutory regulation for ATMs but not bank branch closures. We call on the Government to report back on their discussions with the LSB as soon as practicable. If discussions are not successful we recommend that the Government consult on introducing statutory regulation governing bank branch closures. (Paragraph 63)*

UK Cash Network

11. *We welcome the Government response to the Access to Cash Review in the creation of JACS and the Minister's view on reforming cash infrastructure to make the system more efficient to buy time for wider reform of the system. We ask Government to update the Committee on the outcome of discussions between regulators and publish an action plan for how it will reduce the cost of the UK's cash infrastructure. (Paragraph 69)*

Formal minutes

Tuesday 23 July 2019

Members present:

Pete Wishart, in the Chair

Deidre Brock	John Lamont
David Duguid	Paul Masterton
Hugh Gaffney	Danielle Rowley
Christine Jardine	Tommy Sheppard
Ged Killen	

Draft Report, (*Access to Cash in Scotland*) proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 69 read and agreed to.

Resolved, That the Report be the Tenth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

[Adjourned till Wednesday 3 September at 10:00am.]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Tuesday 26 March 2019

Sheena Boyd, Director, Scottish Rural Action, **James Daley**, Member, Access to Cash Review, **Caroline Normand**, Director of Advocacy, Which?, **Derek Young**, Policy Officer, Citizens Advice Scotland

[Q1–67](#)

Tuesday 2 April 2019

Eric Leenders, Managing Director, Personal Finance, UK Finance, **Ron Delnevo**, Executive Director, Europe, ATMIA, **John Howells**, Chief Executive, LINK

[Q68–134](#)

Tuesday 30 April 2019

Susan Allen, Head of Retail and Business Banking, Santander, **Ricky Diggins**, Network Director, Bank of Scotland, **Carol Anderson**, Scotland Distribution Director, TSB, **Simon Watson**, Managing Director, Personal Banking, Royal Bank of Scotland

[Q135–223](#)

Wednesday 1 May 2019

Chris Hemsley, Co-Managing Director, Payment Systems Regulator, **Matthew Cherry**, Chief Economist Payment Systems Regulator, **Dave Pickering**, Chief Executive, Lending Standards Board, **Liz Thompson**, Head of Compliance, LSB

[Q224–286](#)

Wednesday 12 June 2019

Martin Kearsley, Banking Director, **Tracy Marshall**, Network Development Director, Post Office, **John Glen**, Economic Secretary to the Treasury, **David Raw**, Deputy Director Banking and Credit, UK Government

[Q287–356](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

AFS numbers are generated by the evidence processing system and so may not be complete.

- 1 Association of Convenience Stores ([AFS0035](#))
- 2 Auchtermuchty & Strathmiglo Community Council ([AFS0041](#))
- 3 Blanchard, Joan ([AFS0021](#))
- 4 Bonnyrigg & Lasswade Community Council ([AFS0026](#))
- 5 Burns-Greig, Miss Michaelle ([AFS0028](#))
- 6 Cambuslang Community Council ([AFS0040](#))
- 7 Cardtronics ([AFS0033](#))
- 8 Carter, Mr Geoffrey ([AFS0008](#))
- 9 Citizens Advice Scotland ([AFS0042](#))
- 10 Craiglockhart Community Council ([AFS0022](#))
- 11 Dickinson, C. T. ([AFS0020](#))
- 12 Dunn, William ([AFS0018](#))
- 13 Edgar, James ([AFS0009](#))
- 14 Farrell, Pauline ([AFS0004](#))
- 15 Gell, Hannah ([AFS0045](#))
- 16 GLENLYON & LOCH TAY COMMUNITY COUNCIL ([AFS0025](#))
- 17 Graham, Wendy ([AFS0016](#))
- 18 Green, Ann ([AFS0014](#))
- 19 Jones, Linda ([AFS0031](#))
- 20 LINK Scheme ([AFS0029](#))
- 21 Linwood Community Council ([AFS0011](#))
- 22 Lossie Coastal Action Group ([AFS0007](#))
- 23 Malden, Eilean ([AFS0019](#))
- 24 Monie, Mr Mark ([AFS0001](#))
- 25 Monteith, Muriel ([AFS0002](#))
- 26 NoteMachine ([AFS0036](#))
- 27 Pandolfi, Andrew ([AFS0030](#))
- 28 Payment Systems Regulator ([AFS0044](#))
- 29 Phillips, Sue ([AFS0012](#))
- 30 Portobello Amenity Society ([AFS0032](#))
- 31 Prentice, Mike ([AFS0023](#))
- 32 Prior, Kevin ([AFS0027](#))
- 33 Pryde, Douglas ([AFS0005](#))

- 34 Robertson, Margaret ([AFS0013](#))
- 35 Scottish Financial Enterprise ([AFS0039](#))
- 36 Scottish Grocers' Federation ([AFS0034](#))
- 37 Shetland Islands Council ([AFS0017](#))
- 38 Taylor, Alison ([AFS0003](#))
- 39 Thompson, Ruth ([AFS0043](#))
- 40 Turnbull, Wendy ([AFS0010](#))
- 41 UK Finance ([AFS0038](#))
- 42 Which? ([AFS0037](#))
- 43 Young, J ([AFS0015](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	European Union (Withdrawal) Bill: Implications for devolution	HC 375
Second Report	The future of working practices in Scotland	HC 449 (HC 1067)
Third Report	Royal Bank of Scotland branch closures	HC 682 (HC 1529)
Fourth Report	Immigration and Scotland	HC 488
Fifth Report	Digital Connectivity in Scotland	HC 654 (HC 1612)
Sixth Report	The future of the oil and gas industry	HC 996 (HC 2177)
Seventh Report	Scotland, Trade and Brexit	HC 903 (HC 2480)
Eighth Report	The relationship between the UK and Scottish Governments	HC 1586 (HC 2532)
Ninth Report	The future of Scottish agriculture post-Brexit	HC 1637
First Special Report	Jobcentre Plus closures in Scotland: Government Response to the Committee's Third Report of Session 2016–17	HC 432
Second Special Report	The future of working practices in Scotland: Government Response to the Committee's Second Report	HC 1067
Third Special Report	Royal Bank of Scotland branch closures: Government Response to the Committee's Third Report	HC 1529
Fourth Special Report	Digital Connectivity in Scotland: Government Response to the Committee's Fifth Report	HC 1612
Fifth Special Report	The future of the oil and gas industry: Government response to the Committee's Sixth Report	HC 2177
Sixth Special Report	Scotland, Trade and Brexit: Government Response to the Committee's Seventh Report	HC 2480
Seventh Special Report	The relationship between the UK and Scottish Governments: Government to the Committee's Eighth Report	HC 2532