Consumers’ Access to Financial Services: Payment Systems Regulator and Bank of England responses to the Committee’s Twenty-Ninth Report

Fourteenth Special Report of Session 2017–19

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The Treasury Committee

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Publication

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Fourteenth Special Report

On 13 May 2019, the Treasury Committee published its Twenty-Ninth Report of Session 2017–19, *Consumers’ access to financial services* (HC 1642). On 8 and 12 July 2019 we received the Payment Systems Regulator and Bank of England Responses to the Report, which are appended below.

Appendix 1: Payment Systems Regulator’s response

I would like to thank the Treasury Select Committee for giving the Payment Systems Regulator (PSR) the opportunity to contribute to the Committee’s inquiry into consumer access to financial services. The report is a valuable contribution to this important debate.

The Committee asked the PSR to respond to:

TSC Recommendation: whether the PSR will mandate ATM manufacturers and providers to make the adjustments set out in the EU Accessibility Act [EAA], irrespective of whether the UK remains in the EU while this Act is implemented. (Conclusion 38, Paragraph 147)

TSC Recommendation: to provide a timeline of our work in relation to the Access to Cash Review recommendations supported by the Committee. (Conclusion 33, Paragraph 118)

TSC Recommendation: the PSR to set out how payment terminal manufacturers and providers will make the adjustments set out in the [EAA]. (Conclusion 40, Paragraph 149)

The provision of ATMs

It is important that everyone has a good choice of how to make payments in a way that works for them. While UK consumers and society are increasingly using a wide range of ways to pay, being able to pay with cash remains important.

Our statutory objectives include promoting the interests of those who use payment systems. In doing this we consider the needs of different types of consumers, including the needs of those who are vulnerable or have particular accessibility requirements. For example, a consideration of how vulnerable consumers were protected was a core element of our work in ensuring the industry developed appropriate protections for consumers subject to APP fraud.

Our work programme also includes taking forward work on access to cash to support access which meets the needs of all UK consumers who need or want to use it. One part of this is understanding the extent to which the range of different ways to access cash works for society as a whole, including those with specific accessibility needs or who are vulnerable.

The Treasury Select Committee is aware that while the EAA was formally adopted in April 2019, it is still awaiting publication in the Official Journal, following which EU
Member States will have three years to transpose the new provisions into national law and six years to apply them. Given this timing (and noting that the UK is leaving the EU), we are awaiting clarification of what the UK’s approach will be to adopting the EAA and, if it is passed, who the competent authority will be. We do not have the powers to enforce, in relation to the implementation of the EAA’s requirements, ahead of them becoming national law.

However, the Equality Act 2010 is presently in force and already imposes requirements on service providers, including ATM service providers, to take reasonable steps to ensure that a physical feature does not place a person with a disability at a substantial disadvantage. As the committee will be aware, the Equality and Human Rights Commission (EHRC) is the statutory body for enforcing the requirements in the Equality Act 2010 (Paragraph 131); in addition, individuals can instigate legal action against service providers who fail to comply with the Equality Act 2010.

We have an active programme of policy work on ATMs and Access to Cash more generally which has links to accessibility for those with protected characteristics and vulnerable groups within society, and which we set out in more detail below. In developing our policy work, we have due regard to the needs of those with protected characteristics, as required under the Equality Act 2010. As part of this we will consider whether it is appropriate and proportionate to use our powers in this context.

We are holding LINK to account for its public commitments made in January 2018 to maintain the broad geographic spread of free-to-use ATMs in the UK through Specific Direction 8 (SD8). As part of the requirements SD8 places on LINK, it has introduced a formal policy for ‘Protected’ ATMs. These are free-to-use ATMs that were in existence at the time LINK made its commitments and are more than 1km from the next free-to-use ATM. There are currently 2,579 of such Protected ATMs and since SD8, LINK has put in place a number of new measures, including significant additional funding, designed to ensure it does all it can to meet its commitment. If a Protected ATM closes, LINK takes a number of steps to ensure free access to cash in that location. This can include LINK directly commissioning a replacement ATM. Given the importance that a Protected ATM has to a community, we are engaging with LINK on the issue of whether these directly-commissioned ATMs meet the accessibility needs of those with disabilities.

Our wider workplan on Access to Cash

The PSR was an observer on the Access to Cash Review, commissioned by LINK. We share the view of the Treasury Select Committee that this is an important contribution to the debate about future access to cash. The PSR had already been developing work to look at longer term approaches to ensure appropriate access to cash and we welcomed the report when it was published.

We set out more detail on this wider work on 6 June, on our website. As the Committee has recognised, access to cash needs to evolve and be considered in the context of declining cash usage and the different ways cash can be provided. We agree that it remains important that everyone has a choice of how to make payments and that the option of using cash remains available for those who want or need to use it.
We are working to more clearly identify consumers’ cash needs and are engaging with relevant stakeholders. Our research and industry figures show that consumers increasingly prefer to use digital payment methods (and cards in particular), but also shows that 80% of consumers have made a payment in cash in the last week. We recognise there are different, often vulnerable, groups in society which are more reliant on cash; these groups are more likely to be financially vulnerable, rural, older and digitally excluded. We will shortly be publishing the market research we have commissioned in this area and this will inform the development of appropriate options for maintaining access to cash for those who need or want it.

A key element of this work is ensuring that there are appropriate incentives for the provision of free-to-use ATMs across the country (broadening out from protecting the existing geographic spread of such ATMs). Today, ATMs remain the main way for consumers to access cash. We published a discussion paper and a call for views on this topic. We expect this to help us clarify the best way forward to ensure appropriate incentives for all players in the sector. This includes considering the incentives to deploy ATMs that are accessible (and as a result meet the needs of different groups in society), as well as considering the requirements placed on ATM providers by LINK.

Beyond ATMs, we will continue to monitor closely any proposals, developed by different industry players, of ways to ensure continued cash access and will assess the extent to which these meet our objectives and public policy goals. We will also focus on what the barriers are to the development and greater use of alternative ways to access to cash (other than ATMs), and what can be done to address these barriers. One part of this will be understanding the extent to which the range of different ways to access cash works for society as a whole, including those with specific accessibility needs or who are vulnerable.

We expect the combination of these areas of work to provide a clear approach to ensuring improved access to cash by the end of this year. This could lead to us identifying where there are gaps in current provisions which can be met under existing arrangements to ensure sustainable longer-term access to cash.

We also agree with the findings in the Access to Cash Final Report that the cash system needs to be considered as a whole. We have supported the formation of the HM Treasury chaired Joint Authorities Cash Strategy (JACS) Group to co-ordinate the work of the Bank of England, the FCA and ourselves on cash access. On a working level, we are engaging with these authorities beyond the JACS Group and will also assist in their work to take forward the issues raised by the other recommendations in the Access to Cash Review Final Report.

**Payment terminal providers and manufacturers**

You also asked about how payment terminal manufacturers and providers will make the adjustments set out in the EAA. As noted above, the arrangements for implementation of the EAA have yet to be finalised. However, our understanding is that the Equality Act 2010 imposes requirements on merchants to take reasonable steps to ensure that a physical feature does not place a person with a disability at a substantial disadvantage, with the EHRC as the statutory body for enforcing these requirements.
While we do not have any specific work planned in respect of the accessibility of payment terminals, for example, relating to their use by visually impaired customers, we are currently reviewing the wider market for card acquiring services. This review is focusing on whether the market is working well for merchants and ultimately consumers. It will include looking at how competition is working, including whether there are barriers to merchants switching their provider of card-acquiring services.
Appendix 2: Bank of England response

I am writing to respond to the Committee’s report on Consumers’ access to financial services of 8 May. In particular, the report asks that all stakeholders should provide a timeline for the implementation of the Access to Cash Review recommendations that are aimed at them. (Paragraph 118)

Two recommendations in the Access to Cash Review are relevant for the Bank of England. The first of these is for the Bank of England to “bring together the major UK banks to commission design of a wholesale cash infrastructure that meets the UK’s needs for the next 10–15 years”. On 6 March, coincident with the release of the Access to Cash report, the Bank publicly committed to convening relevant stakeholders to develop a new system for wholesale cash distribution that will support the UK in an environment of declining cash volumes. In May 2019 the Bank officially formed the Wholesale Distribution Steering Group (WDSG), comprising those entities that underwrite the existing wholesale cash distribution system.

The WDSG will agree on an end state model for wholesale cash distribution for both banknotes and coins, which:

- Is effective and efficient in enabling access to cash for those who need it over a reasonable time frame;
- Is sustainable, in particular through encouraging innovation and enabling competition; and
- Is resilient to unexpected events.

As Chair of the WDSG, the Bank will seek to achieve consensus among industry participants wherever possible. In parallel, UK Finance has convened an independently chaired Industry Steering Group to develop the detailed design, business case and transition plan for the future model that protects existing customer requirements.

WDSG has met twice and will continue to meet on at least a six-weekly basis to achieve its objectives. Terms of Reference for WDSG, and the minutes of each meeting, have been published on the Bank of England’s website.2

The Access to Cash Review recommends the agreement of a final future state model by the first quarter of 2020. The WDSG considers this a sensible target date, but further review will be necessary as the stakeholders develop a better understanding of the scale of work to be undertaken.

The second Access to Cash Review recommendation relevant for the Bank is on joined-up oversight of cash. The Bank is part of the Joint Authorities Cash Strategy Group (JACSG), which was established and is chaired by HM Treasury and brings together the Payment Systems Regulator, the Financial Conduct Authority and the Bank. The JACS Group will inform and co-ordinate members’ activities related to cash, to ensure that the regulatory oversight and activity supports an end-to-end cash infrastructure that remains resilient, cost effective, sustainable and can meet the needs of users.

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2 WDSG Terms of Reference, and Minutes, can be found at https://www.bankofengland.co.uk/banknotes/wholesale-cash-distribution-in-the-future
Please let me know if you would like any further information.

Yours sincerely

Sarah John

Chief Cashier