



UK passes law to protect cash access

By Elisa Barwick

On 18 August the British government announced that legislation protecting cash access had passed the UK Parliament and attained Royal Assent. A new framework, to be set out by Treasury, will ensure the vast majority of British citizens and business will have to travel no more than three miles (4.8km) to withdraw or deposit cash. Schedule 8 of the *Financial Services and Markets Act 2023* compels British regulator the Financial Conduct Authority (FCA) to “ensure reasonable provision of cash access services in the United Kingdom, or a part of the United Kingdom”.

The government’s Cash Access Policy Statement announcing the new law states that “This includes the ability for the FCA to set rules which designated firms, and, where applicable, designated operators of cash access coordination arrangements, must follow. The legislation also places a requirement on HM Treasury to publish a statement of policy concerning cash deposit and withdrawal services, to which the FCA must ‘have regard’, including in determining what constitutes ‘reasonable provision’ of cash access services in the UK.”

The government statement, however, claims that no “substantial redistribution or large-scale introduction of additional access points is required”, because “on a nationwide basis, the data suggests that the distribution of cash access is broadly comprehensive. Nonetheless, it is important to ensure that ‘reasonable provision’ takes account of potential local deficiencies”.

FCA figures, the statement says, show that at least 95 per cent of the population are within a maximum of 1 mile of cash access (urban areas) or 3 miles (rural areas).

The statement adds that “reasonable” cash access means free cash access services, that is, cash access for which customers are not charged, although this does not preclude additional charged options. Additionally, it specifies that if an access point is to be removed, an alternative must be put in place beforehand.

Former British retail bank executive and former director of the Campaign for Community Banking Services Derek French, who reached out to AAS after hearing about the wave of bank branch closures in Australia, told the *Mail on Sunday* that the new framework “may still deny small businesses easy access to vital cash deposit services”, the absence of which is behind a growing reluctance to accept cash. This is possible, he explained, because much is left to the FCA’s interpretation of what constitutes “reasonable” access. That there should be no gap in provision is a welcome requirement, he noted, but it is now all up to the FCA and its “guidance” procedure. This will take time, French told inquiring media, and meanwhile branches are closing in larger towns all the time and attached ATMs are being removed.

Even if cash access is protected by law, without mandating that retailers and public services accept cash, as demanded in parliamentary petitions earlier this year, people may be able to access cash but have nowhere to use it. Moves to protect customers’ right to use cash have been made in Norway and Spain, while like the UK, Sweden has introduced legal measures to ensure cash access. In Finland central bank officials have advocated for maintenance of cash infrastructure as a safeguard against payment system interruptions.

(“Time to legislate the right to use cash”, AAS, 19 Apr. 2023.)

Previous patch-up jobs for cash access in the UK have not solved the problem. The *Financial Services Act 2021* had legislated access to “cashback” facilities at local businesses, where citizens could withdraw money without having to make a purchase and without being charged.

In February 2022 the British Post Office renewed its deal with banks that allows their customers to do basic banking at the Post Office, for a further three years. Revealing how vital this is, in December 2021 consumer group Which? reported that nearly half of all UK bank branches had been closed or were scheduled for closure since 2015. In October 2021, Ireland’s postal service An Post signed a deal with the Bank of Ireland allowing customers to do their banking at post offices. But, as in Australia, many post offices are closing or struggling to survive.

Mr French commented that this arrangement is a lifeline for more remote towns, but remains insufficient. “For smaller communities the arrangement by 30+ banks for personal and business customers to use post office counters works well, but for in-person consultation a customer has to travel to the nearest larger town with a branch of their bank or a Banking Hub.” A Banking Hub is a single office hosting facilities that can be used by customers of all major banks, often combined with the local Post Office.

In late 2021 a “voluntary” scheme for Banking Hubs was introduced, noted French, “only because the Government in the 2020 Budget had threatened to legislate”. This refers to the 2020 British Treasury announcement that it would prepare legislation to protect cash access. This followed a February 2020 independent “Access to Cash” review and formation of a working group on the subject, comprising the country’s financial regulators (“UK forced to legislate to protect cash access”, AAS, 25 Aug. 2021). French told AAS that “Banking Hubs are intended to replace branches in towns above 15,000 population when the ‘last bank in town’ closes. The banks were only doing this because of the [threatened] legislation and although the seven opened to date are very popular and effective in meeting the need, only 69 more have been agreed so far whereas at least 100 more such towns already ‘qualify’ and another 100 are down to the ‘last bank in town’.”

Note that the new financial services law “welcomes positive actions by industry to coordinate, via independent bodies, activities in relation to assessing the cash access needs of local communities and the provision of shared services. The government encourages designated firms to engage with industry initiatives designed to facilitate cash access and recognises the potential benefits these can provide for ensuring efficient and proportionate solutions”.

A better and lasting solution, as proposed for Australia by the Australian Citizens Party and a growing host of others, is a public bank, which would completely transform the banking landscape. If hosted by the Post Office it would save and renew the postal service, as seen in many nations. The UK operated the world’s first Post Office Savings Bank, running from 1861 to 1969. In recent years its revival has been proposed, including by British unions and the Labour Party under Jeremy Corbyn. (“Proposal for a British Post Bank”, AAS, 13 July 2022.)