



**UK Cash Supply Alliance**

Access - Availability - Authenticity - Acceptability

## **HM Treasury – Access to Cash Consultation July 2021 - Call for Evidence Response from the UK Cash Supply Alliance**

### **Introduction**

The UKCSA welcomes this further Access to Cash consultation from HM Treasury and is delighted to have the opportunity to respond to the questions posed.

We agree that strong, joined-up regulation, backed by appropriate and proportionate legislation, is vital to ensure that convenient and accessible cash withdrawal and deposit facilities remain available to consumers across Great Britain and Northern Ireland.

We also believe that consumers should be treated fairly and consistently under a simple and easily understood framework that can be adjusted to reflect changes in consumer behaviour and market trends.

We stress that commercial frameworks must incentivise investment in cash withdrawal and deposit facilities, and adequately reward providers for provision of a high-quality ongoing service.

Consumers must not be railroaded into alternative payment methods just because account providers do not wish to provide these services themselves, or adequately reward other parties for serving their customers.

The UKCSA would be pleased to have the opportunity to discuss its views in further detail.



## **The UKCSA's responses to the specific questions raised in the Consultation document:**

### **Question 1: Do you agree that legislation should provide the government with powers to set geographic requirements to ensure the provision of withdrawal and deposit facilities to meet cash needs through time?**

We agree that government should exercise legislative powers to secure provision of withdrawal and deposit facilities to communities, and that the requirements should be reviewed at least annually to reflect changes in consumer habits and trends.

We agree broadly that these should be set on a geographic basis, provided that the parameters used do not significantly disadvantage consumers in rural areas – proposals should be framed with the intention of providing universal service.

Bank branch closures have hastened the loss of both deposit and withdrawal services in many areas, and the UKCSA is aware that this has driven some retailers to refuse to accept cash because of the difficulty in paying in takings. We welcomed the recent legislative changes to enable cash back without purchase, as the UKCSA believes that this will be an important channel to allow cash withdrawal access to be maintained in many areas.

The UKCSA however believes that legislative or regulatory change is required to ensure that there is a universal ability to make both SME and personal deposits where facilities exist. We note for example that while the LINK Scheme supports deposit transactions, it is currently optional for card issuers to accept them. This is a huge disincentive for organisations to invest in deposit acceptance hardware.

The UKCSA believes that it should be mandatory for card issuers in the LINK Scheme to accept deposit transactions and that those providing this service to their customers should be remunerated appropriately, and at a level which would enable a business case to be made to offer a widespread service.

### **Question 2: Do you agree that legislative geographic requirements should target maximum simplicity?**

The UKCSA agrees that any framework must be easily understood, and that adequate notice must be given to the industry of any changes so that business models can be adapted without significant disruption in the short term. If frameworks may be changed at short notice, with the likelihood of significant change to the economics, this will act as a considerable deterrent to investment in providing a service.



**Question 3: Do you agree that geographic requirements should initially be set to provide a level of reasonable access to all areas, reflecting the current distribution of cash access facilities?**

We think that the overarching principle should be to provide a level of reasonable access to all areas, regardless of current distribution. As we responded in Question 1, we believe that universal access to both cash deposit and withdrawal facilities should be at the heart of the government's policy.

**Question 4: Do you agree it is necessary to allow for requirements in Northern Ireland and Great Britain separately?**

The UKCSA's position is that the same geographic principles should be used in both territories. This policy should ensure that consumers in Great Britain and Northern Ireland are treated equally.

**Question 5: Do you think that requirements in Northern Ireland and Great Britain should be set at a consistent level?**

Yes – see our response to Question 4.

**Question 6: Do you agree that requirements should be targeted at the largest payment account providers?**

Whatever legislation is passed, the largest payment account providers must be caught by it. However, there must also be realism regarding how their customers actually receive services now, and how those services may be provided in future.

We have seen considerable retrenchment of the account providers in recent times, leading to massive branch closure programmes. These closures have also had the effect of causing large reductions to the UK's free-to-use ATM fleet. Even prior to this, the UK's banks and building societies had generally moved away from operating non-branch ATMs. Many of these fleets were sold to independent ATM operators, who were better equipped to run these ATMs economically.

There has also been considerable reliance on the Post Office's service provision through the Banking Framework.

These shifts in the market mean that the account providers' role in the provision of cash withdrawal and deposit services has been largely to authorise transactions for fulfilment by others. Therefore, it seems that a pure focus on targeting the account providers would be unlikely to secure the provisions required. Government should ensure that the regulatory framework brings together all parties involved in providing these critical services to consumers.



## **Question 7: Are there other factors beyond those listed that the government should take into consideration when designating firms?**

Please see our response to Question 6. In passing we note that there has been much discussion over the years about creating an “ATM utility” to provide withdrawal and other account services to consumers, and this could well be extended to cover deposits, given removal of hurdles referred to elsewhere in this response. Perhaps the time is now right to progress this.

## **Question 8: Do you agree that the FCA should be the lead regulator for monitoring and enforcing requirements on access to cash?**

The UKCSA is ambivalent on this point. While there is surely an argument for the FCA to assume this role, a case could be made for bringing regulation closer to the part of the industry that is actually providing the service. For example, it may be questioned what value the PSR adds to the regulation of LINK? LINK is closely involved with the provision of the service, so why can they not be given the regulatory powers – provided that the payment account providers are not permitted to dominate the scheme?

## **Question 9: Do you agree with giving the FCA discretion on additional requirements for qualifying cash facilities?**

Whichever body is granted regulatory power, it should have discretion to create additional and proportionate requirements based on market conditions and consumer trends.

## **Question 10: Are there any other factors, beyond those listed, that the FCA should consider as part of evaluating qualifying cash facilities?**

The UKCSA suggests that the regulator should keep in the mind the continued requirement for “non round” or “exact amount” services, particularly to serve the more vulnerable consumer segments.

We feel strongly that the issue of coin must be considered in order to take a holistic view of local cash recycling. In our view local cash recycling has the benefit of reducing reliance on external infrastructure, helping to boost the availability of cash within communities while keeping costs down. Coin, however, presents a major challenge to cash recycling initiatives.

Coin does not recirculate well. Recent reports highlight that over £50m in low-denomination coin has been hoarded since the beginning of the pandemic, with little prospect of resurfacing. With the change that people collect often failing to re-enter circulation, a dependence on external infrastructure to facilitate local cash recycling will remain; new coins will need to be regularly minted and transported, and facilities for businesses to withdraw coin floats must continue to exist.



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Given that few people continue to value low-denomination coin, implementing alternative solutions could present a significant efficiency saving - and prevent this avoidable value leakage from local cash recycling initiatives.

**Question 11: If geographic requirements are being met at a national level, do you think there are any circumstances in which the FCA should nevertheless be able to intervene at a local level?**

Yes – local circumstances may give rise to the need for interventions at a micro level, and the regulator should have the power to make reasonable and proportionate demands on industry to resolve issues.

**Question 12: Do you have any other views regarding the future role of the regulators in protecting cash?**

The UKCSA has no further views that it wishes to express at this time.

**20 September 2021**



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## Appendix

### Overview and objectives of the UK Cash Supply Alliance

The UKCSA is a not-for-profit organisation that aims to engage with and connect organisations across the cash supply chain with UK government, regulators, trade associations, the retail sector and the public, with the following key objectives:

- To promote payment choice, including widespread acceptance of cash, so that it remains a valid payment option for UK consumers across all demographics.
- To understand consumer trends and requirements for cash usage and acceptance – why and where do people demand or prefer to use cash?
- To provide strong and high profile representation for all elements of the Cash Supply Industry in the UK that is focused on maintaining a strong supply chain and widespread acceptance.
- To promote cash withdrawal channels that support “exact amount” dispensing, particularly to support consumers that need to be able to access all the funds in their account.

The UKCSA brings together a diverse range of organisations including major banks, the Post Office, supermarkets, equipment and software suppliers, ATM deployers, service providers, the cash in transit and insurance industries, the insurance industry and others.

It is led by the following Steering Group:

**Nigel Constable, Channel Consultancy Ltd, UKCSA Chair**

**Ron Delnevo, Chair, Cash and Card World**

**Wendy Luczywo, Post Office**

**Nick Purnell, Clyde & Co**

**Chris Forero-Slee, Shrap**

**Martin Smith, Cennox**