

23rd September 2021

Via Email to: accesstocashconsultation@hmtreasury.gov.uk

FSB Response to the Consultation on Access to Cash

The Federation of Small Businesses (FSB) is a non-profit making, grassroots and non-party political business organisation that represents 160,000 members in every community across the UK. Set up in 1974, we are the authoritative voice on policy issues affecting the UK's 5.9 million small businesses, micro businesses and the self-employed.

Consultation Questions

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?

Yes, FSB does agree that legislation should be in place that stipulates the maximum distance withdrawal and deposit facilities must be from shares of the population. The Post Office has the requirement to be within 3 miles of 99% of the population and 1 mile of 95% of the population. We would urge the government to ensure that the distances used for facilities such as Post Offices, ATMs and so on are done on actual distance to travel as opposed to 'as the crow flies'. Straight line distance can be significantly different to travelled routes, especially in more rural areas.

The ability for small businesses to access cash facilities to withdraw and deposit funds is crucial for effective cash management and business operations. The further the distance a business needs to travel to access these facilities, the larger the cost burden for accepting cash as a business. The government should seek to minimise the effective cost of accepting cash for small businesses.

The protection of cash is also vitally important in providing a check on the competitiveness of card transaction fees set by card terminal merchants. If small businesses became solely reliant on card transactions due to a lack of cash, they then become vulnerable to transaction fee hikes with few alternatives.

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

The geographic requirements should be simple to understand such that consumers and businesses are fully aware of the minimum requirements. However, we do not believe geographic requirements should strive for maximum simplicity as this implies that distance to facilities could be done on a straight-line distance basis, which does not necessarily reflect actual distance travelled and hence the reality for small businesses using the facilities. It needs to strike a balance between simple to understand while also being an effective solution in practice.

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?

Maintaining the current distribution of facilities is a reasonable approach to follow, ensuring that all geographies do not have a disproportionate distance to cash facilities.

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

We do not think legislating separately is correct decision. Rather, we would prefer to see a rural, urban split in geographical distance to cash facilities that applies across the UK as a whole. Small businesses in Northern Ireland shouldn't face an increased cash burden simply for residing in Northern Ireland. As above, we would like to see it legislated that 99% of the population have access to cash within 3 miles and 95% within one mile, inclusive of Northern Ireland.

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

Yes, small businesses in Northern Ireland should not face a disproportionate cash burden compared to their counterparts on the mainland simply for where they reside. A consistent policy also reduces complexity within the broad system. The more straightforward a policy is, the easier it is for small businesses to know what they are entitled to.

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

We agree that targeting of financial institutions should take account of the firm's geographic coverage, distribution of firms' consumers and firms' UK payment account market. However, we also think that the list should be expanded to include the balance sheet and hence market share of business accounts, ensuring that small businesses'

bank accounts are fully represented. Given the push to move away from the traditional high street banks, targeting only the largest providers is likely to result in a situation where many small businesses and consumers do not have reasonable access to their financial institution under this form alone. If it were to be only the largest institutions that were legislated for, it could create a situation whereby their dominance of accounts would be secured – it becomes disproportionately more costly to move away from the big high street banks given their availability.

It is also worth qualifying that many challenger, fintech banks have come to the market in the form of online only; Monzo, Revolut and Starling for example. These are institutions whereby consumers joined with the knowledge of them being online only so should be excluded from the requirements of geographic dispersion of facilities.

Given the large decline in banking facilities across the UK, we are supportive of creating banking hubs which act as a bank's facility for consumers and businesses. One of these in each community would not only provide access to withdrawal and deposit facilities but also more tailored banking products that ATMs alone cannot offer. We would also like to see bank membership of these hubs, such as the Post Office Banking hub, made mandatory. This would mean consumers and businesses have protected access to these facilities.

We also urge the government to protect ATMs. The overall number of free-to-use ATMs across the UK has fallen significantly – 2019 to 2020 saw a 12% reduction in the number of ATMs across the country. York alone lost 28% of its ATMs in this same period.¹ ATMs are a sustainable national infrastructure that can maintain access to cash on a 24/7 basis and need to be protected.

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

Regional concentrations of accounts may be worth including in the metric. There are likely to be communities that are reliant on a bank or building society as their primary access to cash facilities that is not one of the largest providers on a national basis, due to factors like the bank being the last in the community. Ensuring provision of facilities to these reliant communities would be valuable.

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

Yes – the FCA appears the sensible option to oversee the legislation of access to cash.

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

¹ Dojo. (2021). [‘COVID-19 and the decline of the UK's ATMs’](#).

Yes

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

The FCA would need to consider the sustainability of solutions. Short-term solutions that 'fix' the issue but do not last would not be appropriate. Also, solutions that place disproportionate weight onto small businesses would not be effective. An example of this is expecting all retailers to offer cash back without purchase. Although this 'fixes' the issue of access to cash, it then means small retailers have to have cash in their facilities. This raises the issue of cost of holding cash; these small retailers have to get the cash from somewhere and have to ensure their business is secure. Increasing cash on a premise can be a security risk and thus can increase their costs for holding the cash. This solution, without ensuring access to ATMs and broader banking facilities simply transfers the problem from the individual to the small business.

The FCA needs to consider whether the solution is sufficient. If bank branches and ATMs are closing, the response to provide reasonable access to cash needs to be sufficient insofar that it covers what is lost. When looking at the provision of access to cash, we recommend the FCA takes into account the availability of a banking hub. It should take a holistic view as to the provision of banking services including access to cash.

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, national averages often do not reflect the lived realities of individuals and small businesses at local levels. Many communities are already facing a 'last bank in town' scenario and as the number ATMs are on a downward trend, the possibility of rural populations being left without reasonable access is a genuine concern, irrespective of national levels.

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

Cash, in addition to all the listed important roles it provides, also acts as a backup when digital payment methods fail (Visa network crash in 2018). Having this alternative payment means individuals and small businesses are less exposed to the risks of a purely digital world. Small businesses are already more susceptible to shocks, finding ways to minimise this is imperative, especially coming out of the economic turmoil of the past 18 months.

The FCA, if legislated, will require additional funding to monitor and enforce access to cash. This should be considered in the next Spending Review.



Yours sincerely,

Tony Baron, Tax and Finance Chair

Federation of Small Businesses